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REPORT

MINNESOTA AND THE RURAL ECONOMY

An Overview

Minnesota Department of
Trade and Economic Development

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MINNESOTA AND THE RURAL ECONOMY

An Overview

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Prepared for the
Rural Development Board

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OVERVIEW OF RURAL MINNESOTA

The information in this briefing book examines the economic role of rural Minnesota within the state. The focus is on what is happening now in Greater Minnesota and on some of the recent trends. This is not a comprehensive analysis of the rural economy but, as the title suggests, an overview of the important factors. Three general areas are covered in this paper:

- Greater Minnesota is placed in the context of the state as a whole.
- The distribution and concentration of economic activity throughout rural Minnesota is examined, and
- Recent performance is compared to longer term trends.

The material is primarily presented on maps and charts. At the end of the report is a map of Minnesota with the county names and a map with the 13 development regions.

POPULATION

- Minnesota had a population of 4.2 million in 1986, according to estimates by the Demographer's Office of the Minnesota Planning Agency.
- The Metropolitan area consists of the seven counties of Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington. In 1986, these counties were estimated to have 50 percent of the State population.
- Minnesota's other 80 counties make up rural or Greater Minnesota which also had 50 percent of the total population.
- In 1986, six Greater Minnesota counties had more than 50,000 residents; St. Louis (203,069), Stearns (115,786), Olmstead (98,850), Wright (64,455), Otter Tail (54,970) and Blue Earth (52,678).
- Three of Minnesota's ten largest cities are in Greater Minnesota; Duluth (84,012), Rochester (62,782) and St. Cloud (43,953).

Table 1.

1986 POPULATION SHARE
Greater Minnesota and Metropolitan Area

	Population	Share
7 County Metropolitan Area	2,102,441	50%
80 Counties of Greater Minnesota	2,111,572	50%

Source: Minnesota State Planning Agency

INCOME

- The highest incomes in Minnesota are found in the Metropolitan area where median family income for married couple families was over \$35,000 in 1985.
- Median incomes in Greater Minnesota are well below the Metropolitan median. A gap of \$9,000 separates the highest regional median income in Greater Minnesota from the Metropolitan median. The lowest regional median income in Greater Minnesota is half that of the the Metro area.
- In 1985, three percent of personal income in Minnesota came from farm income. Approximately 61 percent came from private, nonfarm employment and 10 percent from government employment. The remainder was from rents, transfer payments, dividends and interest.

A map of Minnesota divided into 10 congressional districts. Each district is labeled with its population value. The districts and their populations are:

- District 1: 19,883
- District 2: 17,841
- District 3: 25,282
- District 4: 19,828
- District 5: 17,708
- District 6: 23,385
- District 7: 26,134
- District 8: 17,718
- District 9: 21,765
- District 10: 35,625
- District 11: 18,620
- District 12: 17,742
- District 13: 25,532

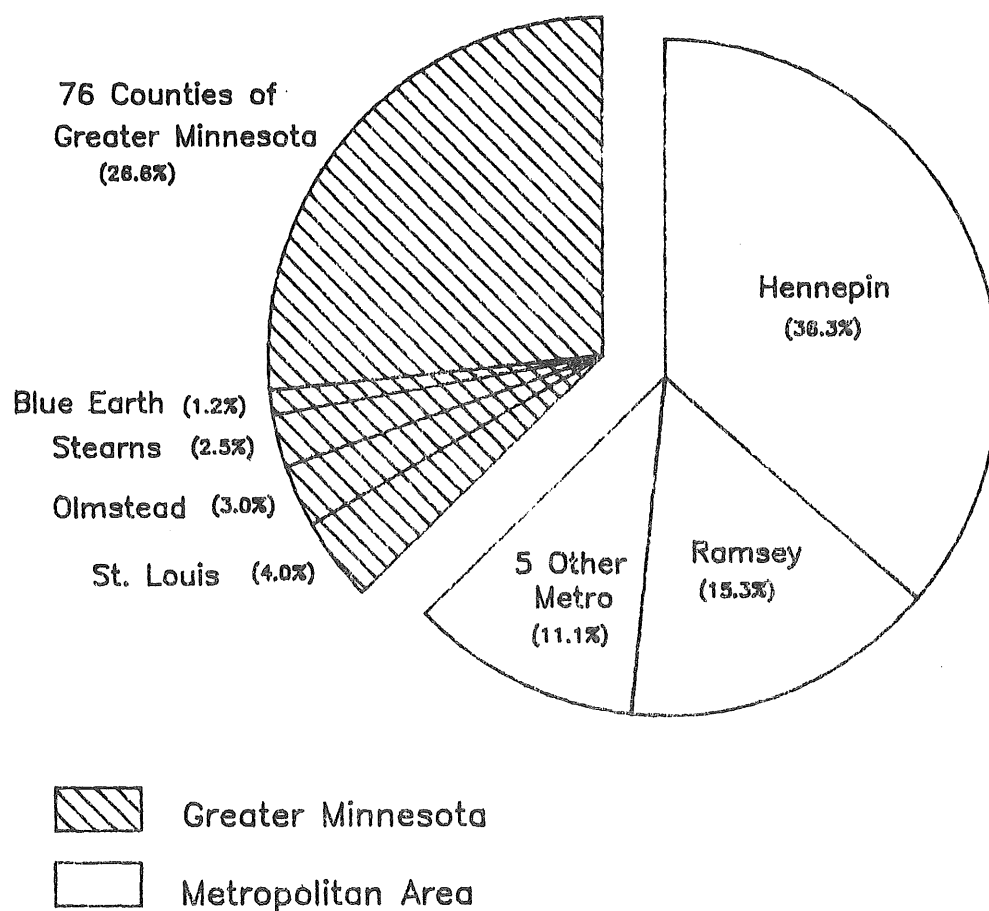
Source: Minnesota State Planning Agency

EMPLOYMENT

- In 1986, there were approximately 1,840,000 wage and salary jobs in the state of Minnesota. Greater Minnesota had about 37 percent of the total while the Metropolitan area had 63 percent.
- Employment tends to be geographically concentrated within the State. Hennepin County, with about 23 percent of the population, accounted for 36 percent of the employment. In contrast, Greater Minnesota has 50 percent of the population and 37 percent of the employment. Higher unemployment rates in Greater Minnesota compared to the Metro area and work related commuting by Greater Minnesota residents are two explanations for the discrepancy between population share and employment share.
- Five counties in Greater Minnesota had one percent or more of statewide employment. These counties were St. Louis (73,080), Olmstead (55,069), Stearns (46,243), and Blue Earth (21,588). All of these counties have a substantial population center; which are Duluth, Rochester, St. Cloud and Mankato respectively.

Figure 2.

1986 Total Wage and Salary Employment Greater Minnesota and Metropolitan Area



Source: Minnesota Department of Jobs and Training

CONCENTRATION OF SECTOR EMPLOYMENT

- Several economic sectors are even more concentrated in the Metro area than the distribution of total employment indicates. Figure 3 contains a distribution of manufacturing and service employment for the State.
- Greater Minnesota has about 35 percent of the statewide employment in both of these sectors compared to a 37 percent share of total employment.
- Only two counties outside the Metro area have two percent or more of manufacturing employment; McLeod and Stearns.
- Three greater Minnesota counties have a two percent or larger share of service employment; Olmstead, St. Louis and Stearns. Service employment in Olmstead county represents slightly more than five percent of the state total and, with the presence of the Mayo Clinic in Rochester, is largely concentrated in medical services.

EMPLOYMENT IN THE MAJOR SECTORS

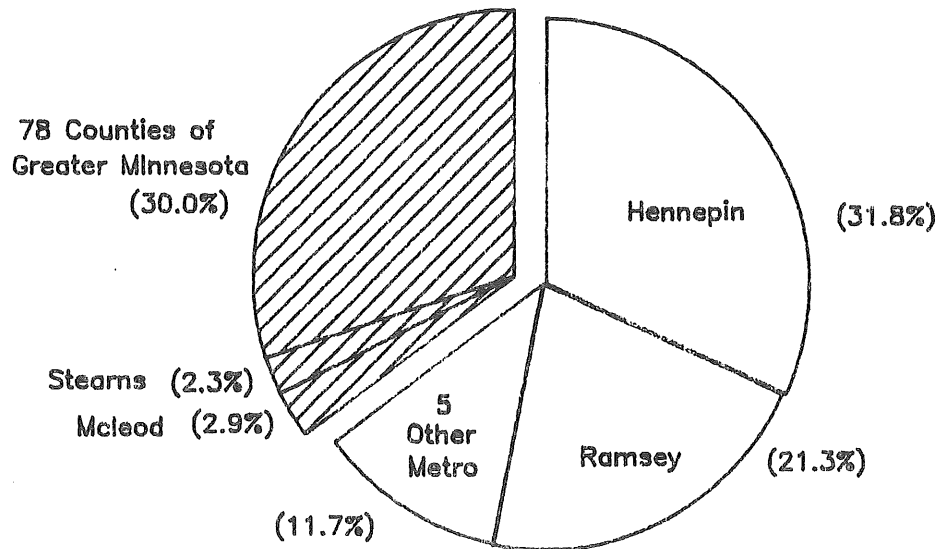
- While Greater Minnesota has a lower share of jobs than the Metro Area, the mix of jobs among the various economic sectors is strikingly similar. With the exception of agriculture, the same economic sectors are important to the economies of both Greater Minnesota and the Metropolitan area.
- Figure 4 has the relative distribution of wage and salary employment in the seven county Metropolitan Area and the remaining 80 counties of Greater Minnesota for all sectors except agriculture.
- Agriculture, for this analysis, is defined as employment in agriculture, forestry and fisheries plus an estimate of the number of farm proprietors of farms with \$5,000 or more in income in 1982. According to the Census of Agriculture, Minnesota had 75,621 farms that met the \$5,000 income criteria. Ninety-five percent of these farms were located in Greater Minnesota.
- Retail and wholesale trade, services and manufacturing are the three largest employing sectors in both the metropolitan and rural areas of the State. Nearly a quarter of Greater Minnesota employment is in trade, with an additional 20 percent in services and 18 percent in manufacturing.
- Government employs a relatively larger share of residents in Greater Minnesota than it does in the Metropolitan Area. Agricultural employment is significantly more important in Greater Minnesota.

NOTE: On Figure 4 - FIRE is Finance, Insurance and Real Estate. TCPU is Transportation, Communication and Public Utilities.

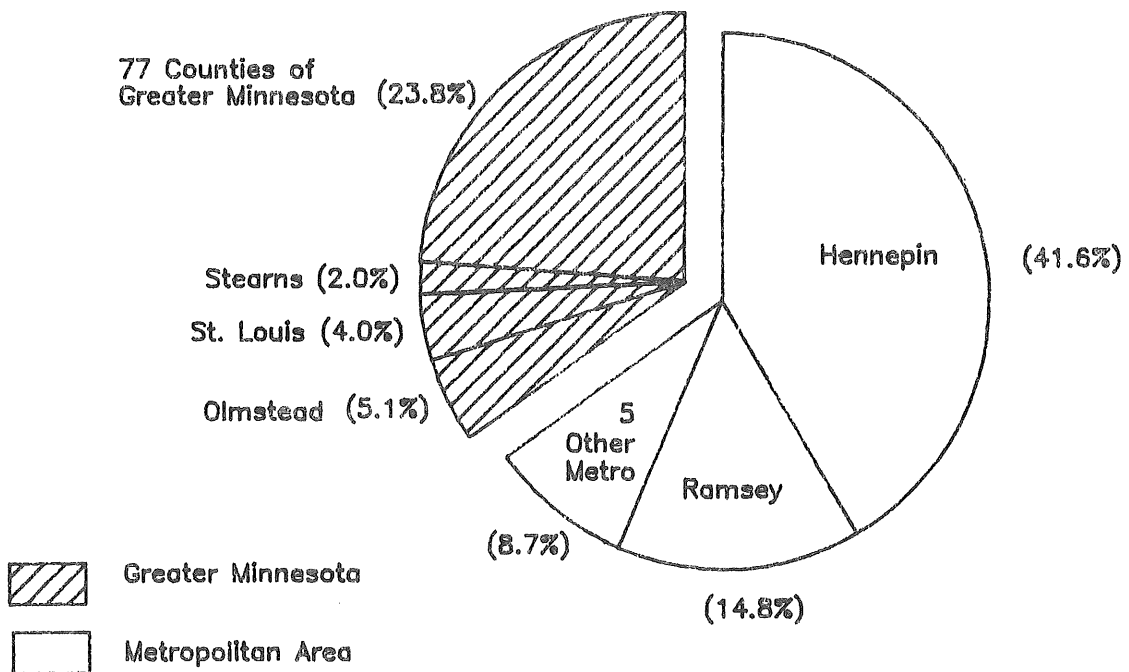
Figure 3.

Employment in Manufacturing and Services Greater Minnesota and Metropolitan Area

1986 MANUFACTURING EMPLOYMENT



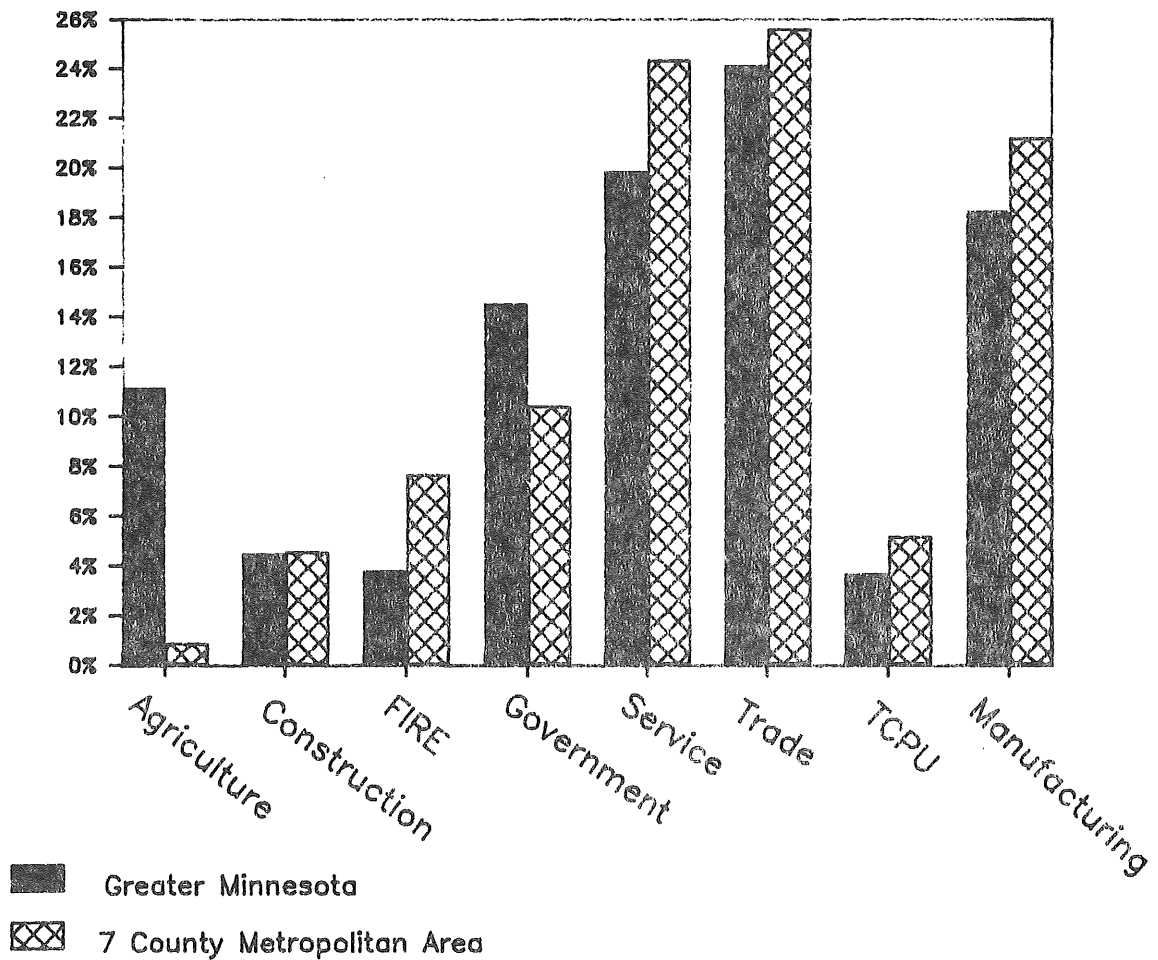
1986 SERVICE EMPLOYMENT



Source: Minnesota Department of Jobs and Training

Figure 4.

Employment by Major Sector * Greater Minnesota and Metro Area



* Agriculture includes farm proprietors of farms with \$5,000 in income (1982)

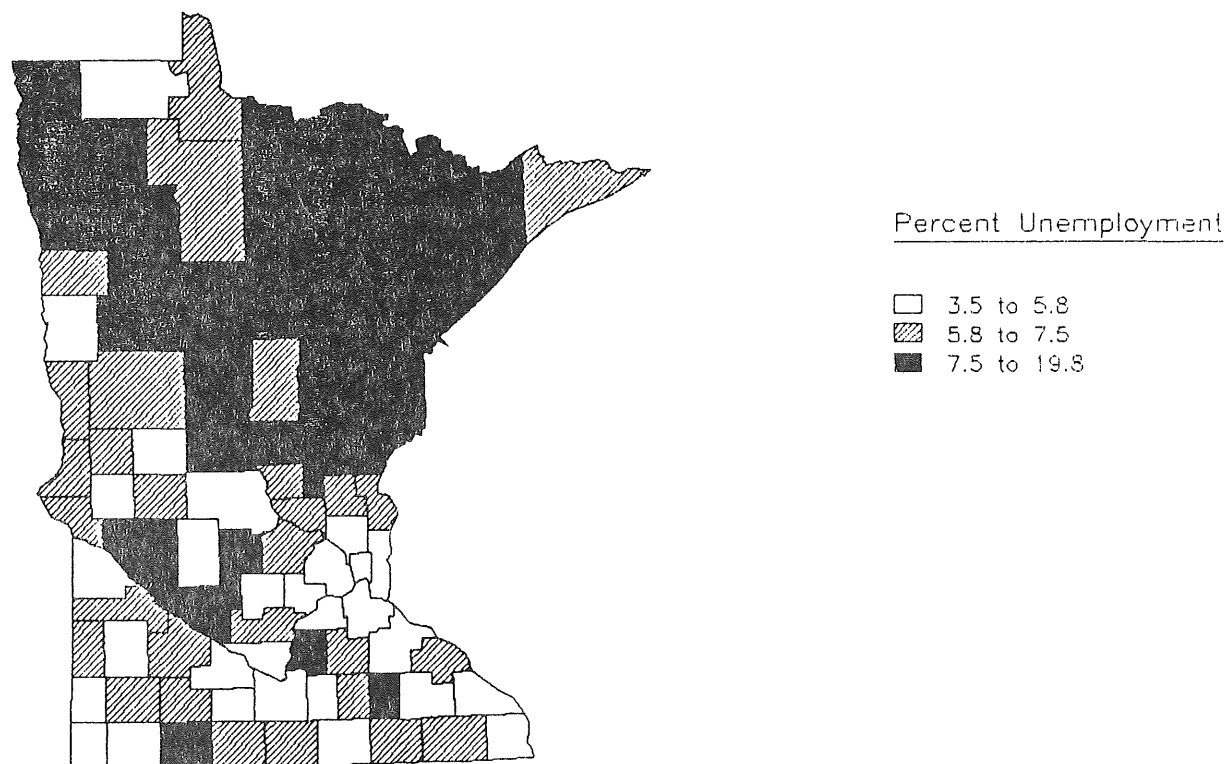
Source: Minnesota Department of Jobs and Training
U.S. Department of Commerce, Bureau of the Census
1982 Census of Agriculture

UNEMPLOYMENT

- Unemployment is a means of measuring the relative number of persons in the labor force who don't have a job. The average unemployment rate for Minnesota in 1986 was 5.3 percent.
- Counties with high unemployment rates are found throughout Minnesota, but tend to be concentrated in the northern portion of the state, especially in the counties of the northeast. Region 3, consisting of Aitkin, Carlton, Cook, Itasca, Koochiching, Lake and St. Louis county had an average unemployment rate of 11.6 percent.
- Conversely, the lowest unemployment rates in the State were found in the seven county metropolitan area, where the average rate was 4.4 percent.

Figure 5.

1986 County Unemployment Rates Annual Average



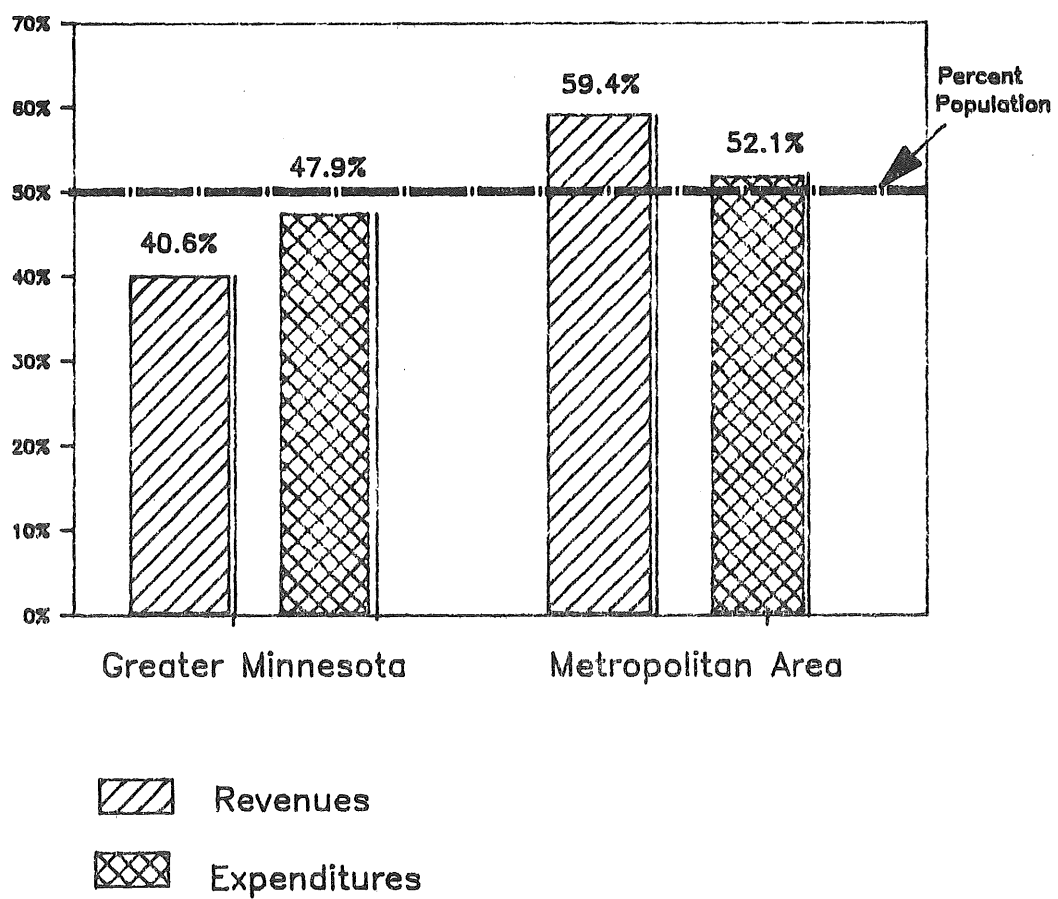
Source: MN Department of Jobs and Training

STATE REVENUE AND EXPENDITURES

- Greater Minnesota raised approximately 41 percent of Minnesota state revenues in fiscal year 1985. In that year, nearly 48 percent of state expenditures went to Greater Minnesota.
- The Metropolitan area, by comparison, raised nearly 60 percent of the revenues and received 52 percent of the expenditures.
- Both revenues and expenditures in Greater Minnesota fell somewhat short of its 50 percent population share. In the Metro area, revenues exceeded population share while expenditures were slightly more than 50 percent. Sales tax paid by Greater Minnesota residents for shopping and recreation in the Metro area is one reason the Metro area raises a larger share of revenue.

Figure 6.

1985 State Revenues and Expenditures Greater Minnesota and Metropolitan Area



Source: 1987 Economic Report to the Governor, State of Minnesota

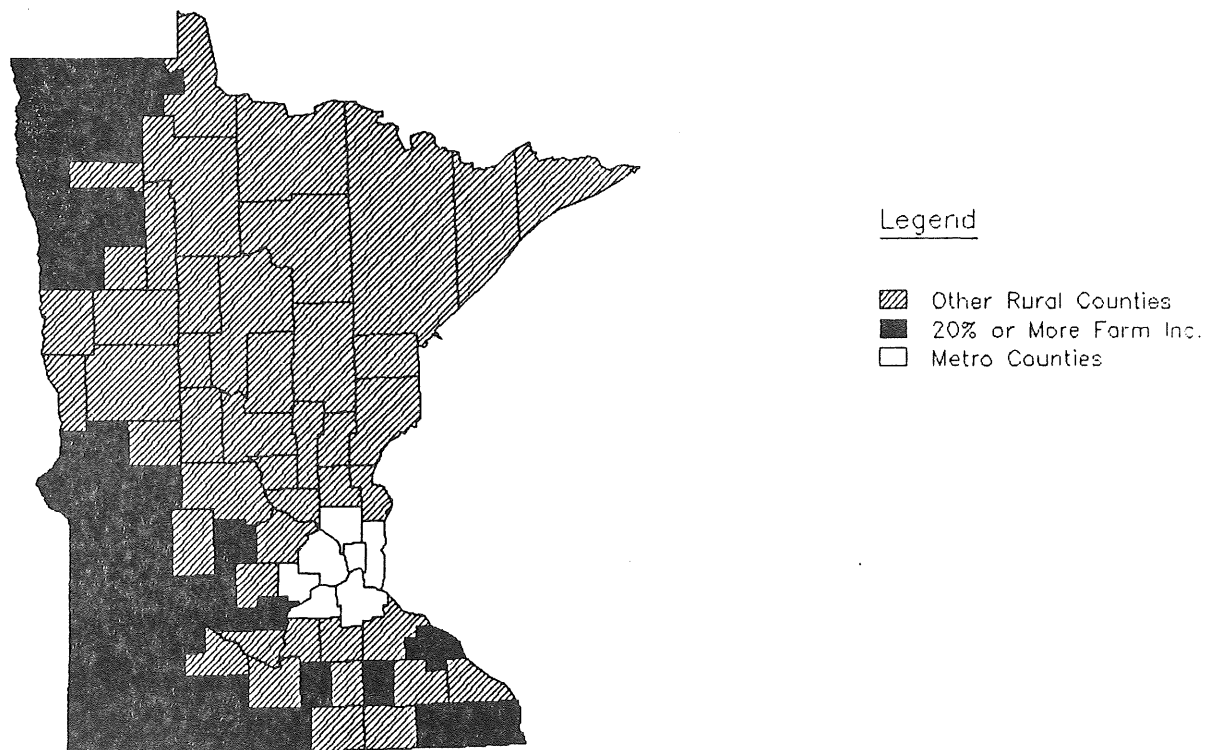
GEOGRAPHIC DISTRIBUTION OF ECONOMIC CONCENTRATIONS

- Just as Minnesota has a diverse physical geography including the lakes, the prairie, and the forested regions, so is the economic landscape of Greater Minnesota varied.
- The following maps display the importance of economic sectors to the counties of Greater Minnesota. This section contains maps for farming, government, manufacturing, service, and retail and wholesale trade.
- Employment is used as the measure of concentration for all sectors except farming. If a county has a higher than average percentage of its employment in one sector, it appears in black on the map. The average concentration of employment in Greater Minnesota was used as the bases of comparison for each sector.
- Employment is not the best measure of the importance of agriculture to a county's economy. Farm income is generally a better measure, but recent declines in agriculture have resulted in a relatively low percentage of county level personal income from farming. For these reasons, a U.S. Department of Agriculture analysis of farm incomes for 1975 to 1979 was used to establish farming counties.
- Several counties appear on more than one of the maps. These counties have above average concentrations in more than one economic sector.
- Farming Counties - These counties had a weighted average of 20 percent or more of total labor and proprietors' income from farming (1975 - 1979). They are clustered in southwestern and northwestern Minnesota.

Figure 7.

Farming Counties

USDA Analysis of Personal Income

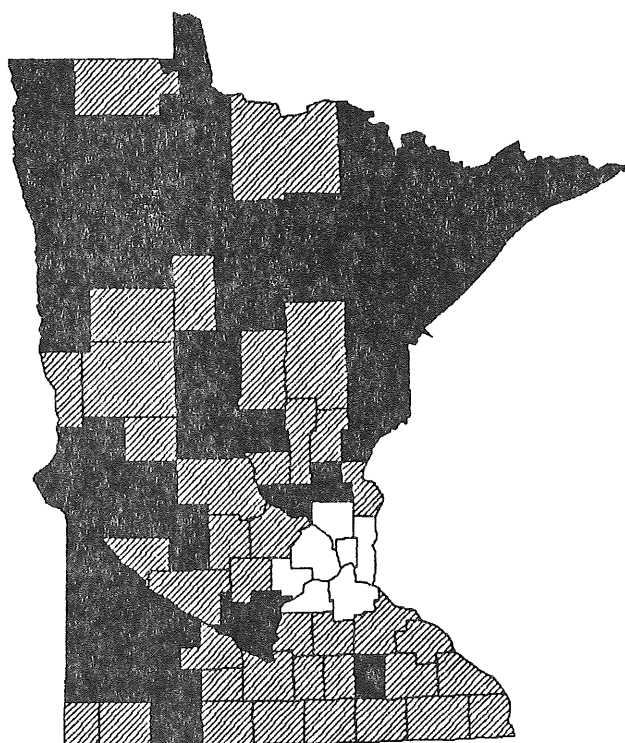


Source: Office of Policy Analysis




GEOGRAPHIC DISTRIBUTION OF ECONOMIC CONCENTRATIONS (continued)

- Government Counties - These counties had more than 14 percent of total employment in the public sector. This accounts for all levels of government including federal, state and local. Counties with relatively high government employment tend to be in areas where the unemployment rates are also above average and in the farming areas of Minnesota.
- Manufacturing Counties - More than 18 percent of total employment in these counties was in manufacturing. With few exceptions, manufacturing is concentrated in the southern portion of the state.
- Service Counties - These counties had more than 20 percent service employment. There is a large number of counties in the northern half of the state with relatively high concentrations of service employment. Again, many of these northern counties had high unemployment rates.
- Trade Counties - Over 24 percent of employment was in wholesale and retail trade in these counties. Many of the state's tourist destination areas in central and west central Minnesota appear on this map. Several rural counties with regional retail centers are also represented. Figure 12 pinpoints the largest retail trade centers in Greater Minnesota.

Figure 8.
Government Employment
Above Average Employment Concentration

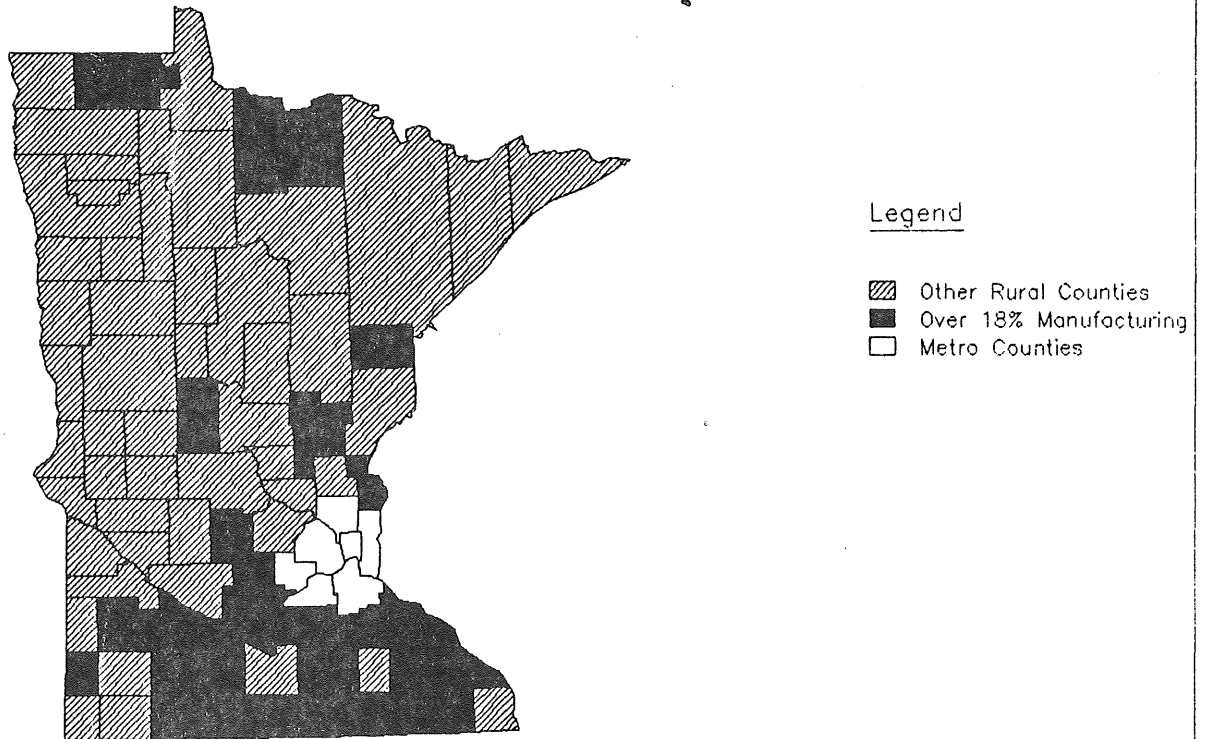


Legend

-  Other Rural Counties
-  Over 14% Government
-  Metro Counties

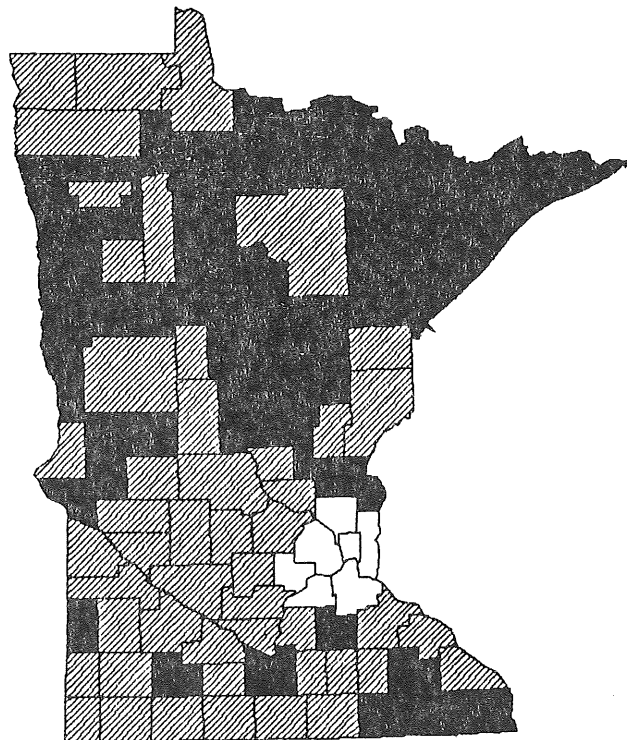
Source: Office of Policy Analysis

Figure 9.
Manufacturing Employment
Above Average Employment Concentration






Source: Office of Policy Analysis

Figure 10.
Service Employment
Above Average Employment Concentration

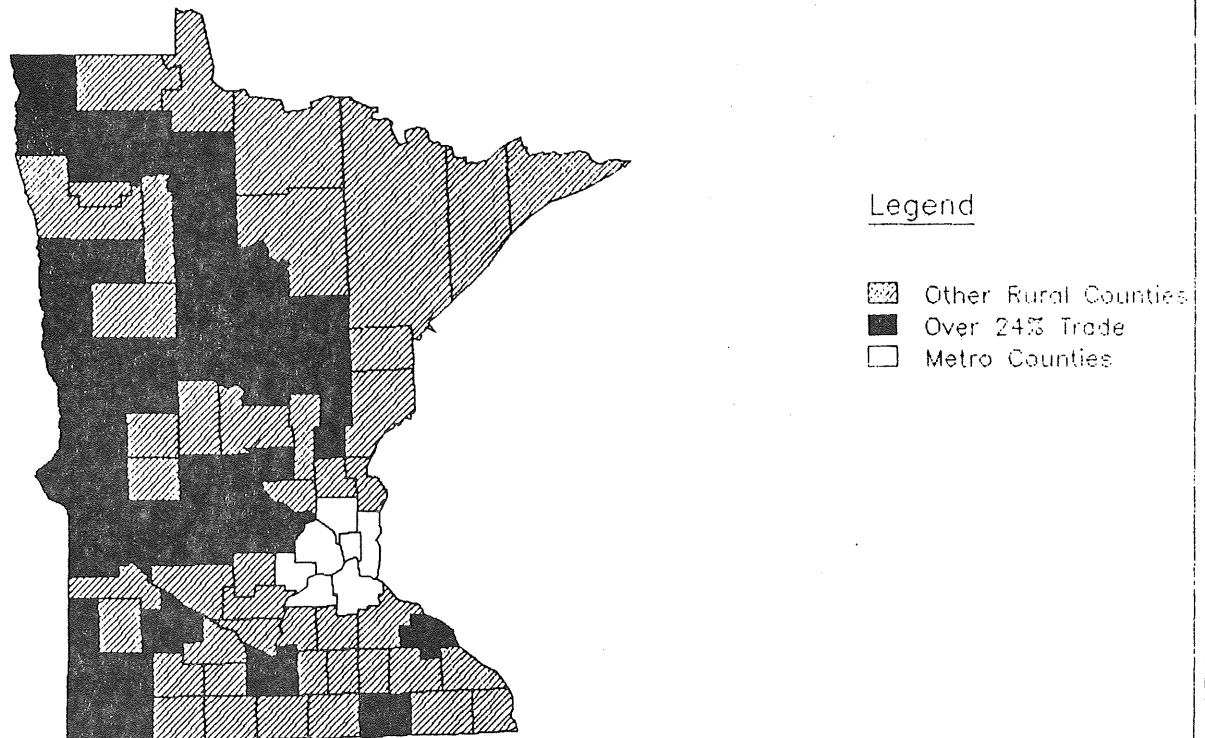


Legend

-  Other Rural Counties
-  Over 20% Service
-  Metro Counties

Source: Office of Policy Analysis

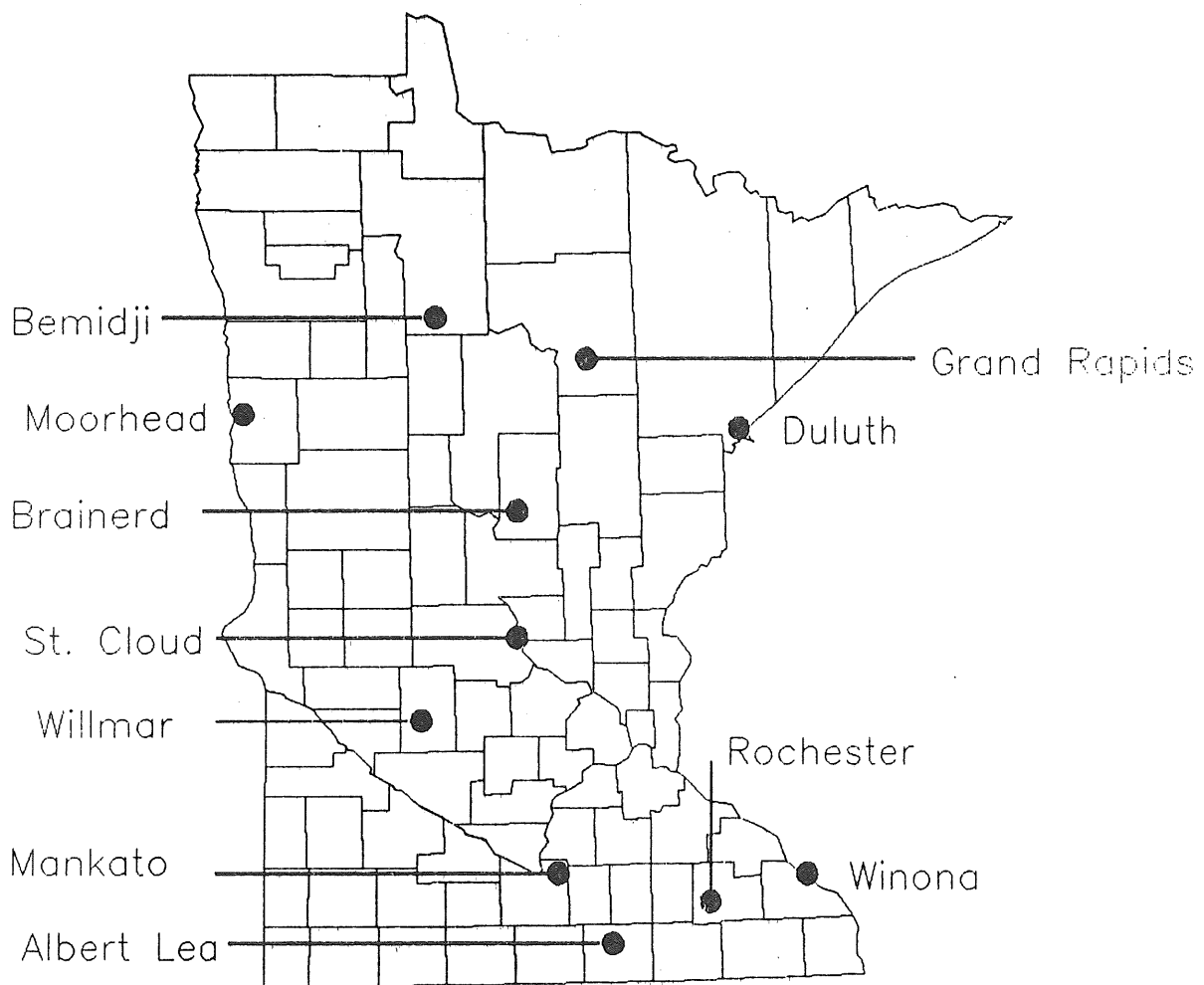
Figure 11.
Retail and Wholesale Trade Employment
Above Average Employment Concentration



Source: Office of Policy Analysis

Figure 12.

Rural Regional Retail Centers 1986 Sales of \$150 Million or More

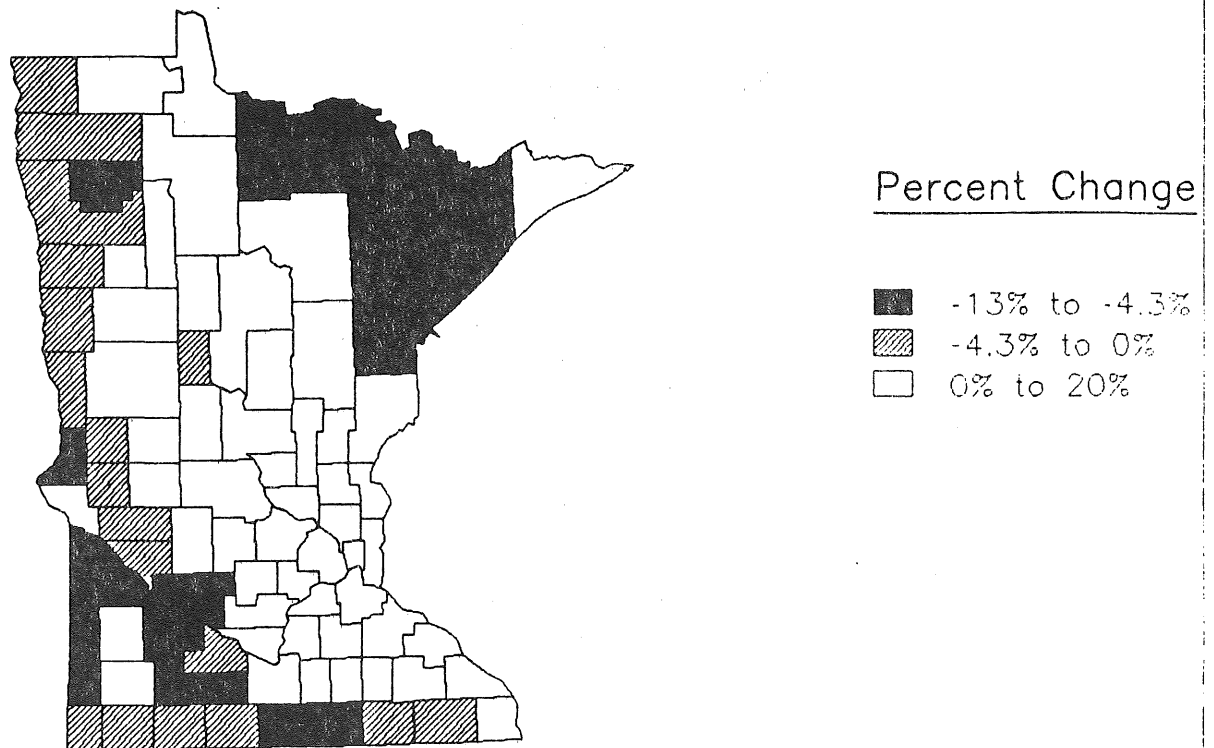


Source: Minnesota Department of Revenue

GREATER MINNESOTA IN THE 80'S

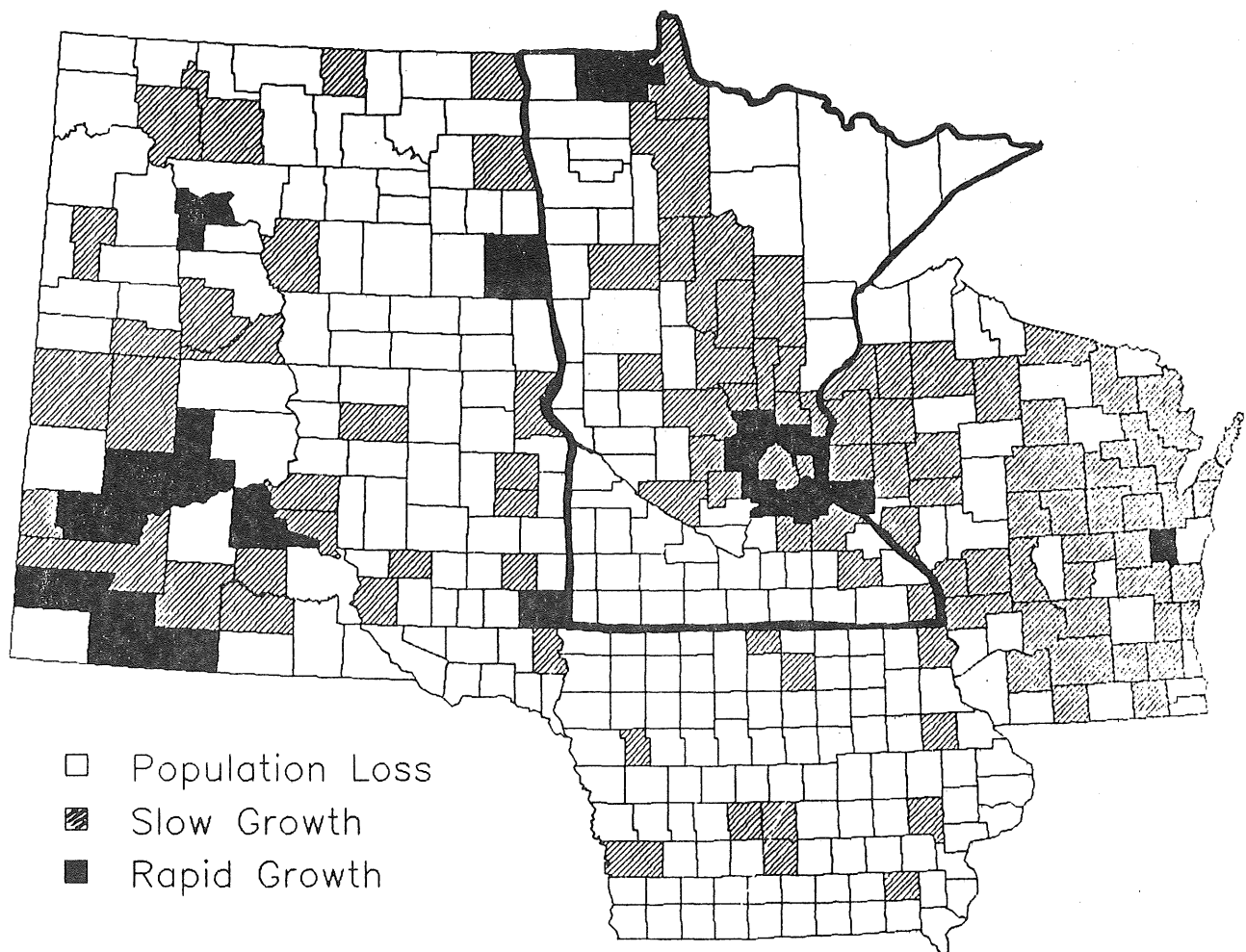
- The long term trend in U.S. population migration has been toward increased urbanization. Population movements during the 1970's shifted somewhat to rural areas, counter to the experience of previous decades. During the 1980's however, the evidence is that population migration once again favors cities and suburban areas.
- Nearly half of the counties in Greater Minnesota lost population between 1980 and 1986. All but two of the western and southern border counties had population losses in this period. The highest rates of population loss occurred in Northeast and Southwest Minnesota, while the central portion of the state had stable or growing populations.
- Declining populations are occurring throughout large portions of the upper Midwest. Figure 14 places Minnesota's experience in the broader context of the five state region. Nearly all of Iowa, much of the Dakotas and sizeable areas of Minnesota lost population over the last three years.
- Rapid population growth is largely concentrated in the suburbs surrounding Hennepin and Ramsey Counties, and several urban counties in Wisconsin, North Dakota and South Dakota.
- Central Minnesota during this period had relatively slow population growth.

Figure 13.
Counties With Declining Population
1980 - 1986



Source: Office of Policy Analysis

Figure 14.
County Population Change
Upper Midwest (1983-1986)

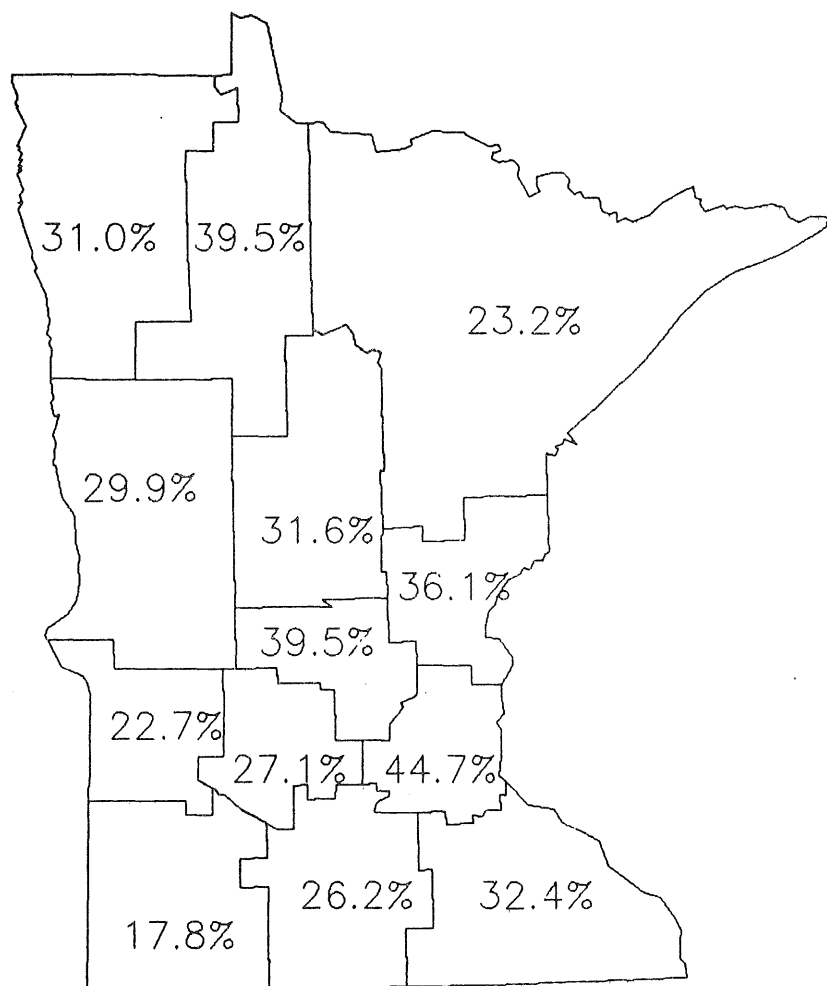


Source: Minnesota Planning Agency

INCOME GROWTH

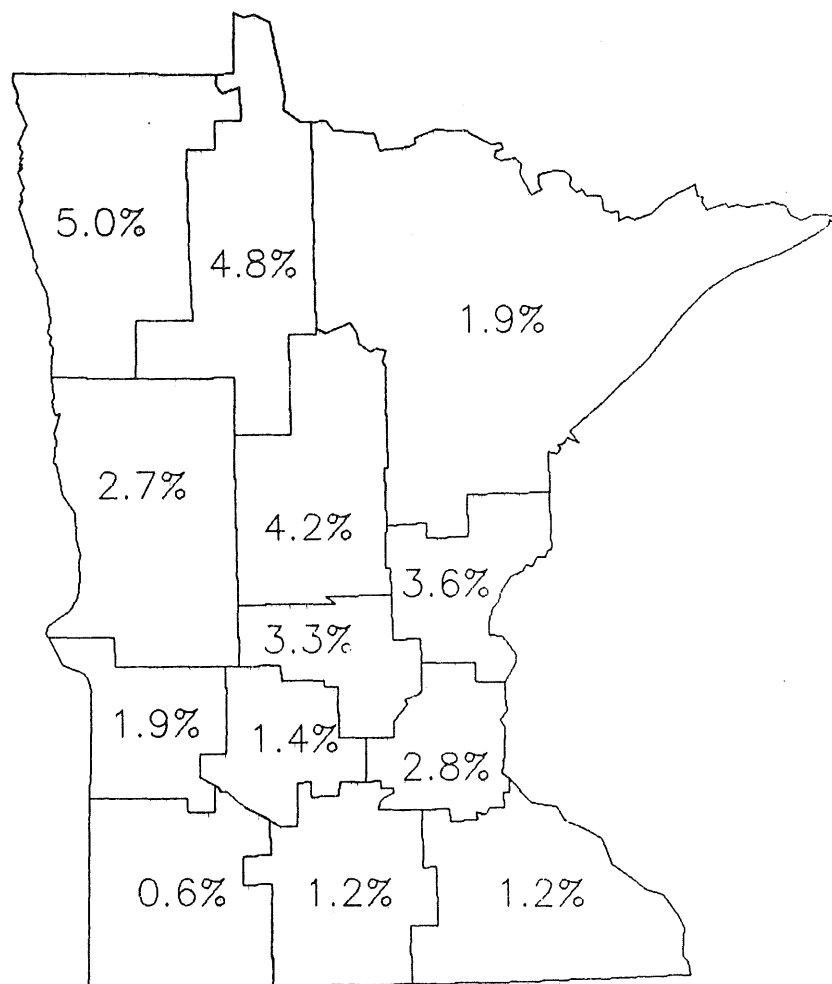
- Statewide median incomes for married couple families grew an average of 38 percent from 1979 to 1985. The largest gain (45 percent) occurred in the Metropolitan area. Only Region 2 and Region 7W in Greater Minnesota had income growth above the state average (each had 39 percent). Incomes in all other regions grew, but at rates that ranged from a low of 18 percent in Region 8 to 36 percent in Region 7E.
- During this same time period, the Consumer Price Index increased 51 percent, resulting in reduced real 1985 income for all regions of the state.
- From 1984 to 1985, income growth in Minnesota was relatively flat. Median incomes increased less than 3 percent. Five of the Greater Minnesota regions (Regions 1, 2, 5, 7E and 7W) had growth rates above the state average. The Metropolitan area and the rest of Greater Minnesota had below average income growth. By far the lowest rate of income growth occurred in southwestern Minnesota (Region 8) where incomes grew less than 1 percent.
- Despite positive income growth in Greater Minnesota over the last six years, median incomes in Greater Minnesota (as noted previously) are well below the Metropolitan median.

Figure 15.
Change in Median Family Income
1979 to 1985



Source: Office of Policy Analysis

Figure 16.
Change in Median Family Income
1984 to 1985



Source: Office of Policy Analysis

ECONOMIC PERFORMANCE OF GREATER MINNESOTA

- Total employment for two time periods, 1980-1984 and 1984-1986 was examined to evaluate the performance of Greater Minnesota counties. These periods represent recovery from the recession of the early 1980's and subsequent post recession performance.
- If employment grew in both of these periods, a county regained any recessionary losses in employment and continued to add jobs. These counties are classified as GROW GROW. In terms of employment, these counties have done well and are in the strongest position for continued economic growth.
- If county employment declined for both periods, the county never recovered from the recession and has experienced more job loss while the state had an economic recovery. These are defined as DECLINE DECLINE counties. The future economic health of these counties is in jeopardy because of their consistent employment losses.
- Counties with employment growth in the first period and declines in the second period are categorized as GROW DECLINE. These counties are also of concern. Recent weak performances during the recovery period indicate potential economic problems in these areas.
- Conversely, counties with first period employment losses and second period gains are DECLINE GROW counties. Counties in this category may be healthy but slower to recover from the recession.

ECONOMIC PERFORMANCE OF GREATER MINNESOTA (continued)

- Table 2 presents the results of the performance evaluation. One third of all Greater Minnesota counties are in the GROW GROW category. Collectively, the growth counties represent 45 percent of the total Greater Minnesota employment.
- Slightly more than one fourth of Greater Minnesota counties are classified as DECLINE DECLINE. Another quarter of the counties had recent period declines. Overall, half of the rural counties with nearly one-third of the rural employment, have shown real economic weakness.
- The remaining 15 percent of the counties have exhibited growth during the recovery. These counties account for 23 percent of Greater Minnesota employment.
- Table 2 also contains information on county employment concentrations. Several conclusions are suggested by the sector evaluation:

Farming counties are more heavily represented in the DECLINE DECLINE category reflecting the negative effect of downturns in agriculture on other sectors of the economy.

Government counties also have a higher representation in the DECLINE DECLINE class. Government, as an employer, tends to become relatively more important when other economic sectors are declining.

Manufacturing, service and trade all have strong showings in the growing categories.

Table 2.

PERFORMANCE OF GREATER MINNESOTA COUNTIES

Total Wage and Salary Employment

1980-1984 AND 1984-1986

	Number of Counties	Grow Grow	Decline Decline	Grow Decline	Decline Grow
All Greater Minnesota	80	33%	26%	26%	15%
Percent Employment	100%	45%	12%	20%	23%

Counties With Above Average Income or Employment In:

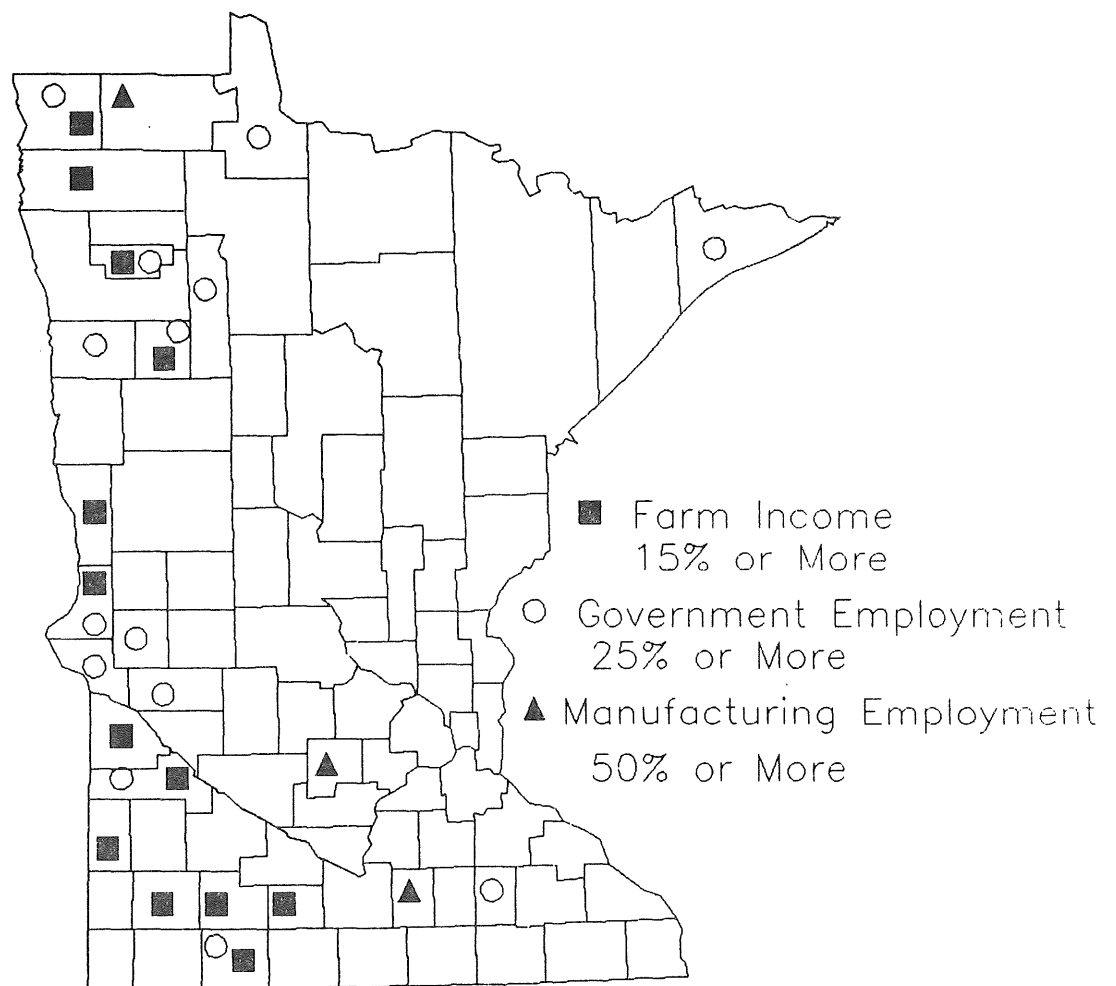
Farming	35	14%	43%	29%	14%
Government	42	26	29	24	21
Service	31	35	19	26	19
Trade	39	33	26	28	13
Manufacturing	32	34	22	31	13

Source: Department of Trade and Economic Development, Policy Analysis Office
Department of Jobs and Training, "Minnesota Employment
and Wages by County"

SPECIALIZED RURAL COUNTIES

- Table 2 grouped together counties that had above average measures of concentration in major employment sectors. To gain a deeper understanding of the economic profile of Greater Minnesota, Figure 17 identifies those counties that are the most specialized in farming, government and manufacturing.
- Farm and government counties tend to cluster in western and southern Minnesota. Many of the government counties also have relatively high farm income.
- In government and manufacturing, these counties have employment shares that are well above average. Performance measures for the specialized farm and manufacturing counties (a set that is nearly mutually exclusive), reveals that two thirds of the farming counties were in the DECLINE DECLINE category, compared to 43 percent for above average farming counties. One of the three manufacturing counties was rated GROW GROW, which is consistent with the larger set of manufacturing concentrated counties.
- Despite their performance, these counties' degree of specialization may, of itself, be a concern. Excessive dependence on a single economic sector could make a county susceptible to downturns in that sector.
- Table 3 contains a complete list of counties and their employment performance in the two periods.

Figure 17.
Specialized Rural Counties
Farming, Government and Manufacturing



Source: Office of Policy Analysis

TABLE 3
PERFORMANCE OF GREATER MINNESOTA COUNTIES
1980-1984 AND 1984-1986

PERFORMANCE CATEGORY	COUNTY NAME	PERCENT CHANGE IN TOTAL EMPLOYMENT	PERCENT CHANGE IN TOTAL EMPLOYMENT
		80-84	84-86
GROW GROW	Beltrami	6.5	1.0
	Benton	19.7	1.7
	Cass	5.8	1.6
	Chisago	18.9	8.2
	Cook	9.7	4.6
	Crow Wing	15.0	5.2
	Dodge	7.0	4.8
	Douglas	9.2	0.1
	Fillmore	7.9	0.5
	Goodhue	3.7	0.7
	Hubbard	4.0	13.6
	Kanabec	5.6	5.4
	Kandiyohi	4.4	2.0
	Lyon	6.8	0.6
	Mahnomen	1.4	8.9
	Martin	0.9	0.9
	Morrison	1.0	4.7
	Nicollet	3.7	12.6
	Olmsted	9.6	0.1
	Otter Tail	1.2	0.7
	Pine	6.2	8.3
	Rice	2.1	4.0
	Roseau	38.2	21.5
	Sherburne	25.6	14.6
	Stearns	9.8	11.9
	Wright	22.2	10.1
DECLINE DECLINE	Big Stone	-1.1	-15.7
	Carlton	-5.2	-3.6
	Cottonwood	-2.0	-2.0
	Faribault	-0.3	-4.1
	Freeborn	-0.0	-4.4
	Houston	-0.6	-2.5
	Jackson	-14.8	-21.1
	Killson	-17.4	-0.8
	Lac Qui Parle	-6.4	-6.9
	Lake	-22.4	-17.2
	Lesueur	-6.6	-0.2
	Lincoln	-7.5	-2.0
	Marshall	-6.2	-0.8
	Murray	-0.9	-4.6
	Nobles	-7.4	-7.0
	Red Lake	-10.7	-7.3
	Renville	-15.4	-7.4
	Rock	-13.0	-1.5
	Sibley	-11.7	-3.2
	Wadena	-18.6	-2.8
	Wilkin	-0.8	-8.4

TABLE 3 (continued)

PERFORMANCE CATEGORY	COUNTY NAME	PERCENT CHANGE IN TOTAL EMPLOYMENT	PERCENT CHANGE IN TOTAL EMPLOYMENT
		80-84	84-86
GROW DECLINE	Aitkin	7.6	-7.9
	Blue Earth	2.2	-1.5
	Chippewa	4.0	-3.1
	Clear Water	14.8	-0.4
	Grant	1.9	-7.2
	Isanti	14.2	-3.6
	Itasca	1.6	-7.2
	Koochiching	15.1	-16.2
	Lake of the Woods	0.3	-16.7
	McLeod	11.3	-2.8
	Meeker	3.9	-9.8
	Mille Lacs	7.0	-1.7
	Mower	4.1	-9.7
	Norman	10.6	-0.3
	Pipestone	10.5	-3.5
	Pope	5.6	-4.1
	Redwood	4.1	-15.7
	Traverse	5.1	-4.7
	Waseca	15.0	-7.7
	Watonwan	7.5	-5.6
	Winona	5.3	-0.6
DECLINE GROW	Becker	-1.7	12.7
	Brown	-2.8	0.2
	Clay	-2.4	1.4
	Pennington	-23.4	9.8
	Polk	-5.6	3.3
	St. Louis	-11.6	0.7
	Steele	-0.6	5.8
	Stevens	-5.5	11.8
	Swift	-13.7	0.9
	Todd	-7.8	3.7
	Wabasha	-8.0	0.6
	Yellow Medicine	-0.2	6.5

CONCLUSION

- Employment in the rural economy comes from a similar economic base as in the Metro area:

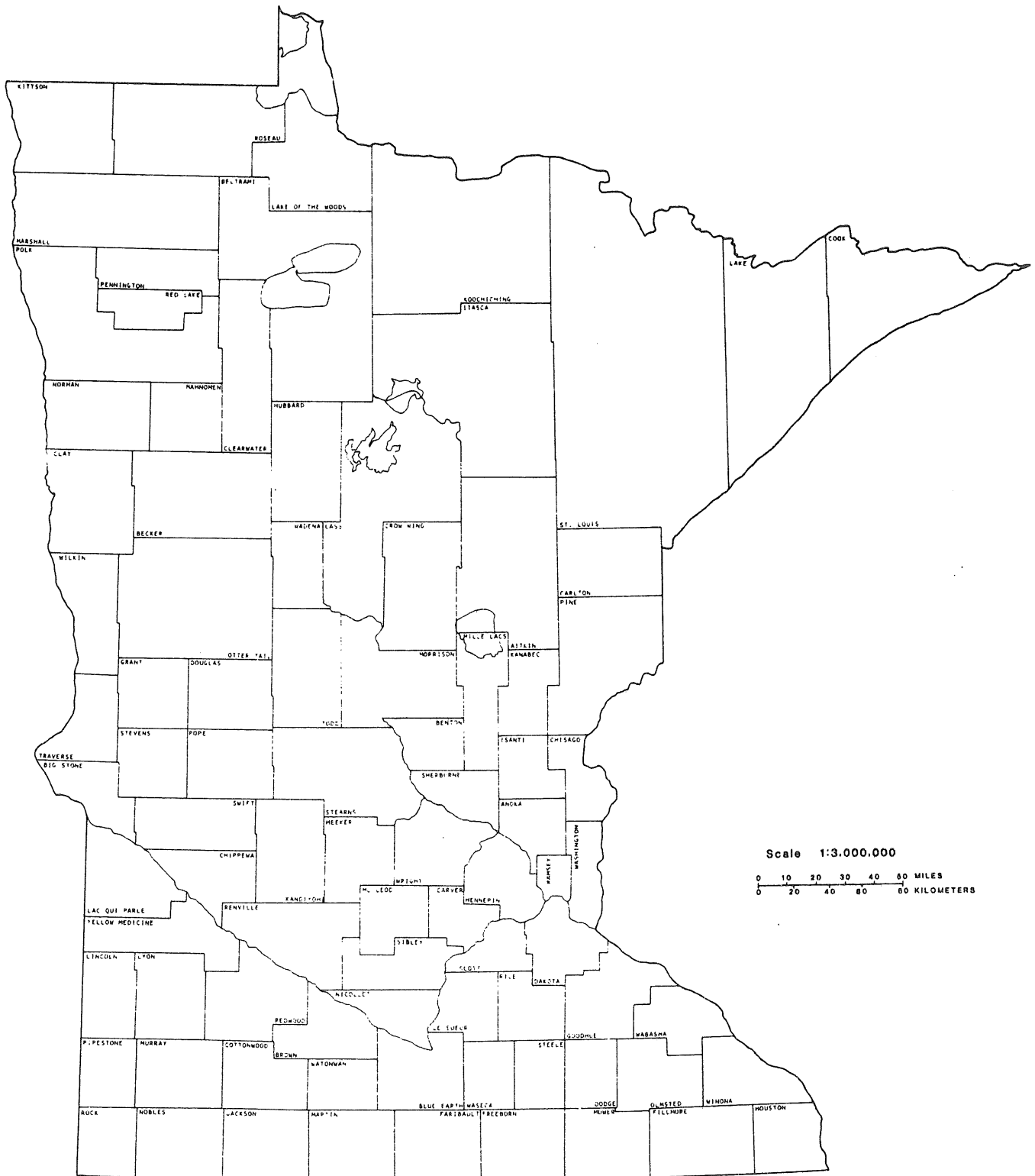
Manufacturing, Trade and Services are the major employers in Greater Minnesota.

- Economic disparities continue to exist within rural Minnesota:

Compared to the Metro area incomes tend to be lower in Greater Minnesota, unemployment rates are generally higher and in many areas population loss has occurred.

- Economic performance in rural Minnesota in the 80's has varied among the counties:

Economic conditions in Greater Minnesota vary from area to area. To generalize, Western and Southern Minnesota have not shared in the economic growth that has occurred in other areas of Greater Minnesota. These areas are more heavily dependent on farming. Areas that rely more heavily on manufacturing, services or trade have generally had more employment growth.



PREPARED BY MINNESOTA STATE PLANNING AGENCY. 1978

SPA BASE MAP #1

Minnesota Economic Development Regions

