

Agriculture's Contribution to Rural Economies

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How would you respond if someone asked, “What is the most important industry in the rural economy?” Most Americans would likely say agriculture. However, is agriculture the rural economy’s primary driver?

In this brief, we summarize gross domestic product (GDP) trends in rural areas using data from the U.S. Bureau of Economic Analysis. GDP is a measure of economic activity generated in a particular area. It equals the total value of the goods and services produced in a year less the value of goods and services used to produce that output.

Decision-makers who understand the composition of the rural economies they serve can make more informed decisions about investing in and growing economic activity.

Agriculture Represents a Small and Growing Contributor to U.S. Rural GDP

The chart to the right highlights the nine sectors contributing the most to U.S. GDP in rural (nonmetropolitan) counties from 2001 to 2020. Combined, these sectors generated more than 80% of GDP measured in rural America during the observed period.

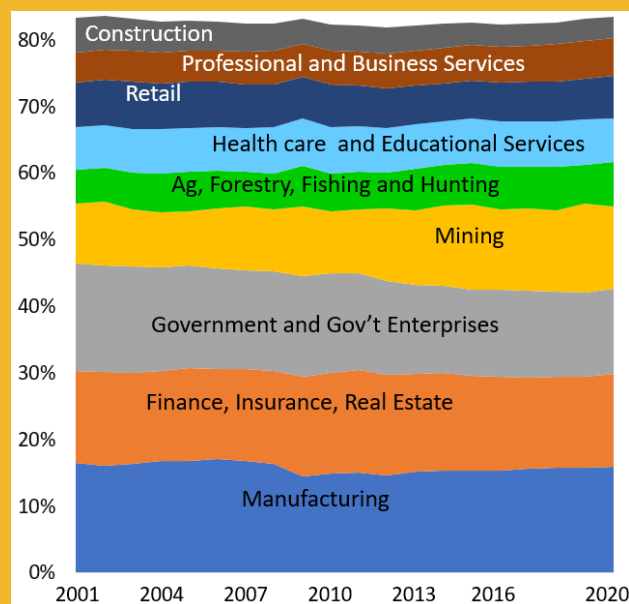
In 2020, agriculture, forestry, fishing and hunting — hereafter termed *production agriculture* — represented 6.8% of rural GDP — up from 5% in 2001. Of rural GDP generated in 2020, 16% originated from the manufacturing sector; 14% from finance, insurance, real estate rental and leasing; 13% from government; and 12% from mining and extraction industries.

Thus, though *production agriculture* is a growing and important component of rural GDP, rural economies — on average — are diverse and rely on multiple sectors to create economic activity.

Key Takeaways

- ▶ Production agriculture accounted for 6.8% of the U.S. rural (nonmetropolitan) economy in 2020 — a 20-year high.
- ▶ Rural economies are diverse. For a large swath of rural America, agriculture represents just one piece of the economic landscape. It, however, dominates the economy in other rural areas.
- ▶ Understanding how different sectors contribute to a rural area’s economy can inform decisions about how to invest in and grow the area’s economic output.

Nonmetro GDP, Percentage by Selected Sectors, 2001-20



Source: Rural and Farm Finance Policy Analysis Center graphic using data from the U.S. Bureau of Economic Analysis.

For your area, ask yourself...

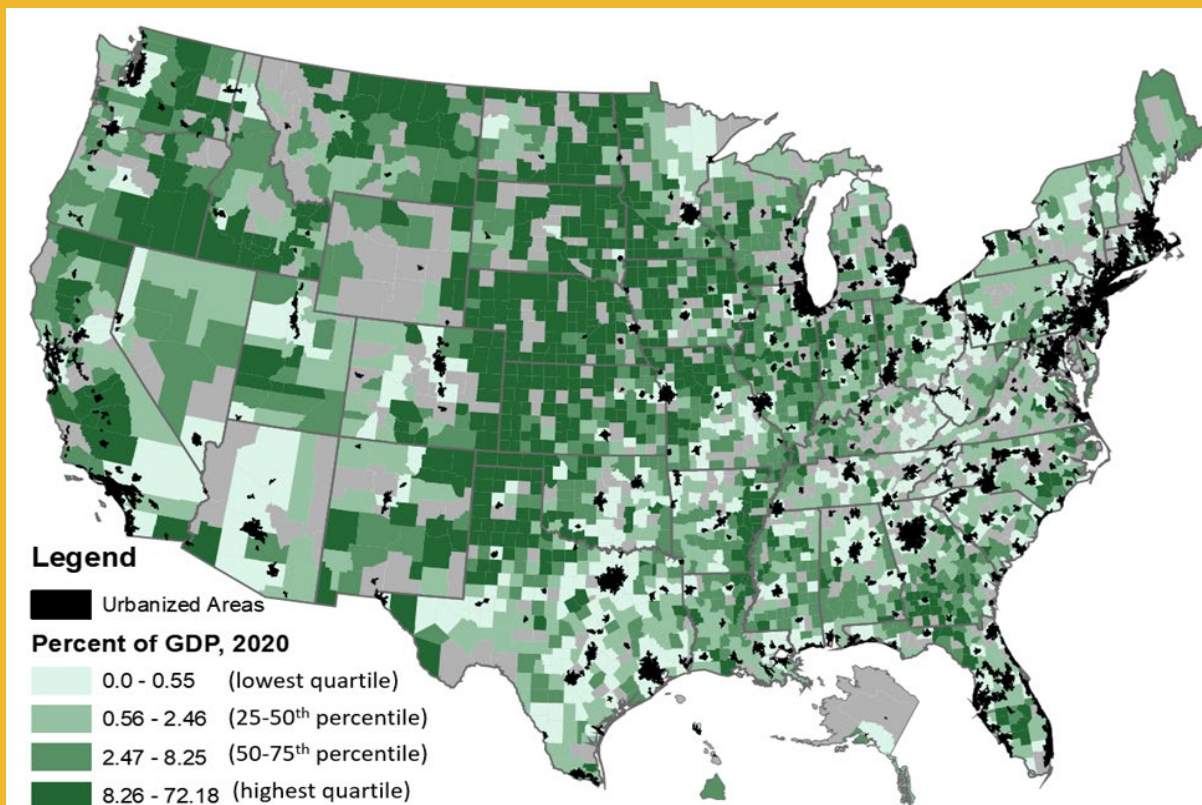
- ▶ Do you know what industries dominate your local economy?
- ▶ How has this changed during the past 10 years?
- ▶ Find the data at bea.gov/data/gdp/gdp-county-metro-and-other-areas

Sectors Contributing to Rural GDP Vary Widely by Geography

The importance of *production agriculture* to county-level GDP varies dramatically across rural America. The map below shows *production agriculture*'s contribution to county-level GDP in 2020. In the northern and southern Plains and Corn Belt, *production agriculture* had strong relative importance to county GDP. For many counties in these regions, its contribution to GDP ranged from 30% to 70% — more than 10 times the median (2.46%) for counties with data.

Conversely, *production agriculture* contributed less than 1% to GDP in 35% of counties with available data. This map reflects the importance of the sector *relative* to a county's overall GDP. Therefore, areas where *production agriculture* represents a high percentage of GDP may have profitable farms or low levels of nonagricultural economic activity.

Production Agriculture, Forestry, Fishing and Hunting as a Percent of County GDP, 2020



Source: Rural and Farm Finance Policy Analysis Center graphic using data from the Bureau of Economic Analysis.

Supporting Industries Can Compound Agriculture's Economic Impact

Finally, note that GDP data related to agriculture, forestry, fishing and hunting only reflect the value that farmers, loggers, fishers, hunters and their staff add to products or services they provide. When farmers, loggers or fishers sell their final goods or buy inputs locally, they support other industries and merchants who themselves add value that's tabulated separately for county GDP accounting.

All Riffs from RaFF are available at raff.missouri.edu/publications

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The Rural and Farm Finance Policy Analysis Center (RaFF) at the University of Missouri aims to help policymakers and stakeholders understand rural economic and financial conditions and trends and explore how existing and proposed policies affect rural and farm finances.