

Business in Nebraska

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Prepared by the Bureau of Business Research, 200 College of Business Administration,
University of Nebraska-Lincoln, Lincoln, NE 68588-0406, 402/472-2334

The Meat-Packing Industry in Nebraska and Surrounding States

Charles Lamphear
UNL Bureau of Business Research

Meat-packing is big business in Nebraska. In 1987, the latest year for which detailed industry statistics are available, Nebraska's meat-packing plants shipped slightly over \$4.9 billion in products, ranked fourth among all states in shipments, employed approximately 8,900 persons, and paid \$153.5 million in payroll.

This article examines the meat-packing industry in Nebraska and in selected other states. Most data cited come from special industry reports for the industry census years 1972, 1977, 1982, and 1987 that are published by the Bureau of the Census, U.S. Department of Commerce. The Bureau of Census industry reports are the official industry records that are released to the public. The federal government conducts industry censuses every five years. The latest census year for which detailed industry data are available at the state level is 1987. The expected release date for the 1992 industry census data is late 1994 or early 1995. Other information used in this article includes employment data from the Nebraska Department of Economic Development, wage data from the Nebraska Department of Labor, and research reports on the meat-packing industry by Bruce Marion at the University of Wisconsin-Madison, a noted expert on the meat-packing industry in the United States.

Meat-packing plants are defined by the federal Office of Management and Budget (OMB) as establishments primarily engaged in the slaughter, for their own account or on a contract basis for the trade, of cattle, hogs, sheep, lambs, and calves for meat to be sold or to be used on the same premises in canning, cooking, curing, and freezing and in making sausage, lard, and other products. Establishments primarily engaged in slaughtering, dressing, and packing poultry, rabbits, and other small game are classified in a separate industry group. In short, meat-packing

plants represent the first stage in the processing of cattle, hogs, sheep, lambs, and calves.

The total number of meat-packing plants currently operating in Nebraska is 69. The five largest meat-packing plants in Nebraska (listed in order of employment size) are IBP, Inc. in Dakota City; Monfort, Inc. (a part of ConAgra) in Grand Island; IBP, Inc. in Lexington; Excel Corp. (a division of Cargill) in Schuyler; and Farmland Foods, Inc. in Crete. The four largest plants slaughter cattle. The fifth plant slaughters hogs.

Similar to the national situation, the meat-packing industry in Nebraska is highly concentrated. The five largest meat-packing plants currently operating in Nebraska employ 62.0 percent of total state employment in the industry. Thirty of the 69 plants employ less than 25 workers or slightly over 1.0 percent of total employment in the industry. Professor Marion at the University of Wisconsin-Madison recently stated that "In the mid-1970s, the top four beef packers slaughtered less than 30.0 percent of the steers and heifers in the United States. By 1989 this share had jumped to 70.0 percent." He further noted that the speed with which this change has occurred is unprecedented in American industry. He said, "There is no parallel in any of the industries, food or non-food, with which I am familiar."

Table 1 provides selected summary statistics for the top five meat-packing states plus the U.S. for the industry census years 1972 and 1987. In 1987 the five leading meat-packing states shipped slightly over half (52.4 percent) of the nation's total shipments. Nebraska accounted for 11.0 percent of the nation's total.

From 1972 to 1987 employment in the meat-packing industry declined nationwide. By 1987 total employment in the industry had dropped to about 72.0 percent (71.8

Table 1
Selected Statistics
Five Leading Meat Packing States and the U.S.
Census Years 1972 and 1987

| Area | Total Employment (1,000) | Production Workers (1,000) | Value Added (\$ million) | Value of Shipments (\$ million) |
|-------------|-----------------------------|-------------------------------|-----------------------------|------------------------------------|
| 1972 | | | | |
| U.S. | 157.6 | 123.4 | \$2970.1 | \$23,024.0 |
| Iowa | 24.0 | 19.5 | 431.7 | 3,550.5 |
| Nebraska | 9.4 | 7.8 | 219.2 | 2,579.1 |
| Kansas | 5.4 | 4.4 | 120.2 | 1,421.0 |
| Minnesota | 9.8 | 7.4 | 186.1 | 1,393.2 |
| Texas | 10.0 | 7.7 | 183.7 | 1,304.7 |
| 1987 | | | | |
| U.S. | 113.2 | 93.0 | \$5,221.2 | \$44,990.8 |
| Iowa | 12.8 | 10.9 | 582.9 | 5,644.4 |
| Kansas | 10.8 | 9.8 | 518.0 | 5,561.2 |
| Texas | 12.7 | 11.0 | 253.4 | 4,943.2 |
| Nebraska | 8.9 | 7.6 | 466.5 | 4,930.0 |
| Illinois | 5.7 | 4.7 | 266.4 | 2,501.2 |

Source: Bureau of the Census, U.S. Department of Commerce, *Census of Manufactures Industry Series, Meat Products*

percent) of its 1972 level. In other words, the industry lost, on average, 2,775 jobs per year. In 1972 Nebraska's total employment in the meat-packing industry was 9,400 jobs. By 1987 the employment level stood at 8,900, a decrease of 5.0 percent. An unofficial employment statistic recently compiled by the Nebraska Department of Economic Development (DED) indicates that the state's current employment in the industry is slightly over 16,000. Assuming that the DED figure is reasonably correct, employment in the industry has grown over 85.0 percent since 1987.

Kansas has experienced big employment gains in the industry since 1972. In 1972 Kansas' employment in meat-packing was 5,400. It doubled by 1987 to 10,800 jobs. In contrast, Iowa's employment during the 1972-1987 period dropped nearly one-half. In 1972 Iowa's total employment in the industry was 24,000. Iowa's 1987 employment level was 12,400 jobs.

In recent years economic developers have emphasized the importance of high value-added industries for economic development, because high value added is one significant indication of an industry's economic contribution to a region. Value added is the market value of a firm's gross output less the value (cost) of the inputs used in current production which it has purchased from sup-

pliers. The largest portion of value added typically is wages and salaries. Other categories include retained earnings, dividend payments, depreciation allowances, and taxes.

Meat-packing, which is the first stage of meat processing, is not considered a high value-added industry. The first stage of any manufacturing process generally is not high value-added activity. The two main inputs of meat-packing plants are live animals and labor. In 1987 the value-added portion of total shipments by the meat-packing industry nationwide was slightly under 12.0 percent (11.6 percent). Nebraska's comparable figure was 9.5 percent. Other states ranged from a low of 5.1 percent for Texas to a high of 33.4 percent for California.

An industry's wage and salary base is important to a local community because local wages and salaries determine local consumer demand for goods and services. The average hourly wage for workers in Nebraska's meat-packing plants exceeded the national average for the 1972 and 1977 census years. Nebraska's position slipped below the national average in 1982, however, and remained below it in 1987. In 1987 the average hourly wages paid production workers in the meat-packing industry in Nebraska and in the U.S. were \$7.71 and \$8.27, respectively. The average hourly wage paid production workers in all manufacturing in Nebraska for 1987 was \$9.41, \$1.70 above the average hourly rate paid production workers in the state's meat-packing plants. Recent wage data from the Nebraska Department of Labor show no significant relative change in real terms in the average hourly wage paid production workers in meat-packing compared to Nebraska's average hourly wage for all manufacturing.

Production worker wages would be highly correlated with labor productivity in a purely competitive market. In the oligopoly meat-packing industry in the United States, however, this relationship is weak at best. The correlation coefficient was calculated for all four census years using value of shipments as a proxy for value of production because values of production statistics by state are not reported in the census reports. Value of shipments is roughly equivalent to value of production. In accounting terms, value of shipments equals value of production plus net change in inventory of finished goods. Worker productivity for the meat-packing industry was computed by dividing total value of shipments by total production worker hours. This measure of worker productivity was correlated with average hourly wages paid production workers in the meat-packing industry. All the states that had reported data in the census reports were used for this analysis. For 1987 the correlation coefficient was 0.24. For 1972 the correlation coefficient was 0.51, more than double the 1987 coefficient. The relatively low coefficient value for 1987 indicates that other factors besides worker productivity are determining wage levels for production workers in the nation's meat-packing industry.

The correlation findings suggest that major market power between labor and management is controlled by management. Too much concentrated economic power by either labor or management is undesirable in a free market system. Depressed wages, worker dissatisfaction, and high labor turnover rates can be signs of an economic power imbalance between labor and management.

Meat-packing is big business in Nebraska. It's big business largely because cattle production is big business in Nebraska. Nebraska and Texas regularly trade number one and two rankings in cattle production in the U.S. An article that appeared in the August 1991 issue of *Business in Nebraska* reported that in 1989 Nebraska's cattle industry complex (which includes feed grain, cattle production, and commercial slaughter operations) directly supported an estimated 17,400 jobs. Approximately 2,400 jobs resulted from the production of feed grains for cattle feeding; another 5,000 jobs were associated with cattle

production; and the remaining 10,000 jobs were connected directly to the slaughter of cattle from Nebraska's feedlots. Tens of thousands of additional jobs are generated as a result of the various purchases of materials and services by the cattle complex from other businesses in the state plus the personal spending of earned incomes for goods and services.

In addition, the meat-packing industry is big business in the sense that it is dominated by a few large companies. Guardians of the free market system no doubt will watch the behavior of the industry more closely in future years. Professor Marion and his colleagues at the University of Wisconsin-Madison have found clear evidence that farmers receive lower prices when they have few cattle buyers from which to choose. Estimates of underpayments where only a few major buyers dominate an area market for beef range from 0.5 percent to 1.0 percent of live cattle prices.

Hong Kong: High Risk or Solid Opportunity?

Anna Rzewnicki

UNL University Relations, News & Information

A spokesperson from the Hong Kong Economic and Trade Affairs office of the British Embassy said during a recent trip to Nebraska that the Pacific Rim views Hong Kong as the gateway to China. "Nebraskans and others in the United States should consider Hong Kong a gateway for their own business expansion plans," said Carol Valentine, a counsellor with the British agency. Valentine spent a week in Nebraska in late March, describing to government officials and business leaders the opportunities available in this international trade center.

"Doing business in Hong Kong is as easy as falling off a log," she said in an interview for *Business in Nebraska*. "There are no tariffs, little red tape, a free port, and English-speaking people. In fact, there are more Americans than British living in Hong Kong."

Also, the incentives are great, she said.

"In one small place, you have six million people who buy American in a big way," Valentine said, noting that American imports totalled \$1,300 per capita in 1990, compared to \$300 per capita for imports from the European community.

Nebraska has the kinds of products that Hong Kong wants, Valentine said, including computer hardware and software, value-added food products, pollution measuring and control devices, beef, wheat, and "everything from construction to commerce."

Last year Nebraska exported \$11 million to Hong Kong, placing it among the lowest tier of states in the

nation in terms of exports to this market. Even so, Valentine said Nebraska was "A state that we are interested in. It seems to have been a growth state that weathered the recession well."

The potential for raising the level of exports to Hong Kong is strong, she said, citing a major construction project, the Port and Airport Development Strategy, as one source of opportunity. Valued at \$12 billion, it is touted as the largest construction project in the world, and many U.S. firms are bidding on the various elements involved. Nebraska firms may be interested in participating as well, especially in the areas of telecommunications and computers, Valentine said.

Nebraska firms also may find a market in Hong Kong's environmental cleanup campaign, involving everything from water pollution to air pollution control.

Last fall Governor Ben Nelson visited Hong Kong to help strengthen Nebraska's presence in the area.

A personal presence is important when doing business in Hong Kong, Valentine said. With 98.0 percent of the population being Chinese, business follows Chinese attributes, which include a strong emphasis on personal contact and a conservative attitude.

While a number of agencies are available to help United States businesses establish contacts in Hong Kong, "There's nothing like being there," she said.

Two clouds of uncertainty sit on the Hong Kong horizon, though. One is the 1997 transfer of power from

For Assistance in Business With Hong Kong, Contact the Following:

- American Chamber of Commerce in Hong Kong
1030 Swire House
Central Hong Kong
Telephone: (852) 526-0165;
Fax: (852) 810-1289
Telex: 83664 AMCC HX
- Carol Valentine, Counsellor
Hong Kong Economic and Trade Affairs
1233 20th St., N.W. Suite 504
Washington, D.C. 20036
Telephone (202) 331-8944;
Fax: (202) 331-8958
- George Payne, Director
United States Department of Commerce
International Trade Administration
Omaha District Office
11133 O Street
Omaha, NE 68137
(402) 221-3664
- Susan Rouch, Manager
International Trade Development
Nebraska Department of Economic Development
Office of International Trade and Investment
301 Centennial Mall South
Lincoln, NE 68509
(402) 471-4668

Hong Kong to the People's Republic of China. Valentine was quick to dispel the transfer as a major concern, noting Hong Kong's strong presence in south China and the economic interdependence of the two areas.

"The business people there view 1997 as an opportunity," she said, adding, "The Chinese wish to keep Hong Kong a capitalist zone because of its value to China. They'll have one country, two systems," she said.

"I agree to the extent that I don't think China will kill the goose that lays the golden egg," said Craig MacPhee, UNL professor of economics.

He cautioned, however, that the general economic climate of Hong Kong will be affected by the sense of freedom felt by the people and that Hong Kong may still be "susceptible to the vagaries of mainland China's politics."

He noted that the Chinese government already had interfered publicly with the new airport project. "People have taken this as an indication that there may be some meddling," once control of Hong Kong is transferred to the People's Republic of China.

Another cloud is the fate of China's most favored nation (MFN) status.

There has been a standoff on this between Congress and the President, MacPhee said. Congress has wanted to make human rights and other reforms a condition for renewing MFN status for China. President Bush, feeling he has more freedom to negotiate with China if he doesn't have his hands tied by Congress, vetoed its legislation, and Congress failed to override his veto, MacPhee said.

The President has until June 3 to renew the Jackson-Vanik waiver. The Jackson-Vanik amendment requires the President to certify that a country that restricts emigration, such as China, has made progress in this area to qualify for MFN status.

Valentine said that if MFN status is not renewed or is renewed with conditions designed to force political changes in China, it would adversely affect business relations in the area.

Nearly 70.0 percent of the \$15.4 billion in goods exported by China to the United States last year went through Hong Kong. If China's MFN status is removed, the tariff rates for most of America's imports from China would increase by a factor of two to ten, Valentine said. Currently, MFN tariff rates for Chinese goods are generally well below 20.0 percent. Their corresponding non-MFN tariff rates would be in the range of 35.0 percent to 90.0 percent, adding costs that could shift U.S. retailers to other low-cost suppliers.

Also, China could retaliate against the United States, jeopardizing the \$4.8 billion in U.S. exports it received in 1990.

Revised Projections from the Quarterly Model

John S. Austin and Sanath C. Jayanetti
UNL Bureau of Business Research

Last month we presented an update of our quarterly forecasting model. Unfortunately, the latest revision of the employment figures (the March benchmark) was not available at that time. This newly released revision reveals a sharp decrease in the growth rate of the workforce. We reworked our model to accommodate this revision. We also updated the fourth quarter 1991 figures for net taxable retail sales—a small change.

The results of the revision are shown in the table to the right. The most dramatic change is in job growth. This year's growth rate will be barely positive. By 1994 job growth will be about 1.3 percent. These projections are more in line with the slow growth in Nebraska population than were our previous projections.

Changes in growth in other economic variables are less noticeable. Total wage and salary growth will be

Summary of Projections
Average Annual Percentage Growth Rates

| | 1979- 1989 | 1990 | 1991 | 1992 | 1993 | 1994 |
|--------------------------|---------------|------|------|------|------|------|
| Total Employment | 1.2 | 3.1 | 0.8 | 0.1 | 0.9 | 1.3 |
| Wages & Salaries | 5.7 | 7.5 | 6.1 | 4.1 | 4.7 | 5.1 |
| Earnings | 5.6 | 7.8 | 4.0 | 4.4 | 4.7 | 5.5 |
| Personal Income | 6.2 | 7.6 | 3.8 | 4.0 | 4.7 | 5.4 |
| C.P.I. | 5.5 | 5.4 | 4.2 | 2.5 | 3.4 | 3.6 |
| Net Taxable Retail Sales | 5.4* | 5.7 | 3.4 | 5.2 | 3.7 | 4.0 |

*Growth rate is for 1984 to 1989 period

between 4.1 percent and 5.1 percent per year. Total personal income growth will run 4.0 percent to 5.4 percent per year. Total net taxable retail sales will run between 3.7 percent and 5.2 percent per year. Strength in this year's retail sales will come from the recovery in auto sales.

Detailed tables of the revised model results are available from the Bureau.

Review & Outlook

John S. Austin
UNL Bureau of Business Research
National Outlook
Signs of Spring

More signs that an economic recovery is underway are now evident. February was a month of good economic news. Some revisions to the data indicate that January was a good month as well. At this writing, little is known about March—but we hope when the data are released that March will show strong gains. In contrast to the gloom-and-doom reports characteristic of past months, it appears that the economy is in good shape and that a recovery is underway.

Despite other signs of recovery, there has been some faltering in auto sales. One of the most impressive gains in February was in personal income.

Some of the recent economic indicators are:

- Personal income gained 1.1 percent in February, and personal spending increased 0.9 percent.
- Inflation remained at low levels, thus, real disposable income rose 0.7 percent and real spending 0.6 percent. Even this solid gain in real spending was lower than the revised 0.9 percent climb in January.
- Housing starts increased to 1.304 million at annual rates in February, an advance of 9.6 percent over January levels. Existing home sales increased 9.3 percent in February to a three year high.
- The Industrial Production Index gained 0.6 percent in February. One-half the gain was in autos. The increase reversed four months of decreases.

- Consumer prices increased a modest 0.3 percent, and the Producer Price Index advanced 0.2 percent in February. The latter increase was in contrast to a 0.3 percent drop in January.
- The unemployment rate rose to 7.3 percent in February and stayed there in March.
- Retail sales increased 1.3 percent on a nominal basis in February. In January the revised increase was 2.1 percent.
- Consumer confidence has improved. The University of Michigan survey index increased in February. The Conference Board index advanced in March. If the reversal is not just temporary, then hope for improved auto sales rises.

Politics as Usual

The current reading of the national economic tea leaves is that no tax package is likely to be passed this year. Both sides are adamant in their positions, and room for compromise seems to be nonexistent. Instead, both sides choose to float their own packages and use them as opportunities to take shots at the other side when the other side refuses to accept their package.

One of the other political games being played is a continuing call for the Federal Reserve to lower rates. As we have stated previously, we see no point in a further lowering of rates. Instead, we think the Federal Reserve will pay close attention to two items this year:

- (1) Any inflation pressures that result from the prolonged easing of money supplies will be monitored closely. The Fed may tighten the monetary taps, should inflation heat. Fortunately, there appears to be little prospect that inflation will be a problem this year.

(2) The Federal Reserve will consciously maintain an image of political neutrality throughout the election year. This position follows long-established historic policy for the independent agency.

The Fed will continue to monitor employment conditions. If the economy should falter and employment weaken sharply, the Fed may then choose to ease again to stimulate the economy.

One of the difficulties faced by politicians is that the unemployment rate will be sticky as the recovery continues. The slowness of the unemployment rate to respond to an improved economy is typical in the early phases of a recovery. Employers will increase hours worked before they will increase their workforce. Only when they are fully confident that the recovery is underway will hiring start in a major way.

Two Old Friends, Housing and Autos

Housing is a bright spot in the current economic scene. Friendly mortgage rates have been a key to the recovery in housing. Long-term rates, such as mortgage rates are tied to inflation. So far, inflation has slowed and long-term interest rates have fallen. Further, we do not expect that inflation will become a problem unless there is some external shock. Although mortgage rates have advanced marginally from their lows of late last year, the lack of inflation pressure should keep mortgage rates fairly low. Thus, we should be in for a prolonged period of residential construction expansion.

One might ask why auto sales are lagging the recovery. There are three major responses to that position.

(1) Automobile sales are closely tied to dramatic changes in the consumer confidence. During the fall and winter months, consumer confidence indexes have

gone to low levels. It was only in the most recent data that we finally saw a reversal in both consumer confidence indexes. Much of the campaign has been negative about the economy. While the recovery was lackluster, at least it was a recovery. Politicians preferred to paint our malaise as a continuing recession even though the recession officially ended early last year.

(2) There is a theory that higher quality cars can last longer and have made it easier for the consumer to hang onto their aging vehicle. If that theory is correct, then the lengthened auto replacement cycle implies a long-term reduction of auto sales levels.

(3) Fleet car sales have been weak over the last several months. A large percentage of automobile sales are in the fleet car arena. Further, a large share of these purchases are from captive rental car companies owned by the automobile-producing companies. Decisions by producers will influence the number of times that cars are turned around within a year. While fleet car sales

Table II
City Business Indicators
Dec. 1991 Percent Change from Year Ago

| The State and Its Trading Centers | Employment (1) | Building Activity (2) |
|-----------------------------------|----------------|-----------------------|
| NEBRASKA | -0.8 | 0.4 |
| Alliance | -4.9 | -7.8 |
| Beatrice | -2.2 | 0.1 |
| Bellevue | 2.6 | 81.7 |
| Blair | 2.6 | -58.3 |
| Broken Bow | -1.9 | -72.8 |
| Chadron | -10.0 | -47.5 |
| Columbus | -1.4 | -41.5 |
| Fairbury | 1.8 | 352.7 |
| Falls City | -2.0 | -66.8 |
| Fremont | -3.4 | -8.2 |
| Grand Island | -0.4 | 56.0 |
| Hastings | -1.6 | -32.7 |
| Holdrege | 1.7 | 0.1 |
| Kearney | -1.1 | 26.5 |
| Lexington | -4.5 | -9.7 |
| Lincoln | -0.9 | -11.2 |
| McCook | 3.6 | -44.6 |
| Nebraska City | -2.5 | 730.4 |
| Norfolk | -1.2 | 28.5 |
| North Platte | 3.4 | -35.9 |
| Ogallala | -5.4 | 121.3 |
| Omaha | 2.6 | -0.9 |
| Scottsbluff/Gering | 0.4 | 194.0 |
| Seward | -2.7 | 1.5 |
| Sidney | 0.2 | -81.9 |
| South Sioux City | 0.9 | 324.3 |
| York | -5.4 | -41.8 |

(1) As a proxy for city employment, total employment (labor force basis) for the county in which a city is located is used

(2) Building activity is the value of building permits issued as a spread over an appropriate time period of construction. The U.S. Department of Commerce Composite Cost Index is used to adjust construction activity for price changes

Sources: Nebraska Department of Labor and reports from private and public agencies

Table I
Employment in Nebraska

| | Revised January 1992 | Preliminary February 1992 | % Change vs. Year Ago |
|----------------------|----------------------------|---------------------------------|--------------------------|
| Place of Work | | | |
| Nonfarm | 725,754 | 727,890 | 0.5 |
| Manufacturing | 98,976 | 98,651 | -1.0 |
| Durables | 46,932 | 46,775 | 2.1 |
| Nondurables | 52,044 | 51,876 | 0.1 |
| Mining | 1,192 | 1,326 | -0.2 |
| Construction | 24,557 | 24,938 | 3.3 |
| TCU* | 47,050 | 46,939 | -0.1 |
| Trade | 184,290 | 183,300 | 0.8 |
| Wholesale | 51,187 | 51,360 | 1.9 |
| Retail | 133,103 | 131,940 | 0.3 |
| FIRE** | 48,444 | 48,475 | 0.6 |
| Services | 176,806 | 177,215 | -0.2 |
| Government | 144,439 | 147,046 | 1.9 |
| Place of Residence | | | |
| Civilian Labor Force | 836,298 | 847,494 | -0.7 |
| Unemployment Rate | 24,421 | 24,363 | |

* Transportation, Communication, and Utilities

** Finance, Insurance, and Real Estate

Source: Nebraska Department of Labor

have weakened, there are strong suggestions that non-fleet car purchases have been gaining fairly steadily for the last year. The low point in nonfleet sales was January 1991. Individual buyers of cars and light trucks have been increasing purchases for over a year.

It often is charged that anti-Japanese sentiment may be working against total car sales. There is little evidence that sales of Japanese-produced or -transplant cars have been affected by changes in sentiment.

Nebraska Economy—The Agricultural Sector

The number of cattle on feed in Nebraska on March 1, 1992 was 14.0 percent lower than it was last year. Nebraska is just behind Texas in the total number of cattle on feed. Nebraska's February placements were slightly ahead of last year and were 13.0 percent above 1990 figures. The Nebraska figure of 450,000 placements in February was the largest of all states. Cattle prices have come back somewhat from low levels established a few months ago.

Total 1991 U.S. corn production was down from 1990 levels—year-end U.S. stocks of corn were reduced

somewhat. Prices ranged from \$2.30 to \$2.60 last year. With record corn crops, corn producers did well last year. With crops not even in the ground, we only can speculate about what will happen for Nebraska in 1992; however, it may be difficult to maintain record corn production. It would be reasonable to guess that total U.S. production levels may rise slightly and that prices may drop marginally.

Retail Sales

Nebraska's net taxable retail sales ended the year with a bang. December retail sales increased 7.2 per-

Table III
Price Indices

| | February 1992 | % Change vs. Year Ago | YTD % Change vs. Year Ago |
|--|------------------|--------------------------|------------------------------|
| Consumer Price Index - U* (1982-84 = 100) | | | |
| All Items | 138.6 | 2.8 | 4.0 |
| Commodities | 127.6 | 1.5 | 2.9 |
| Services | 150.1 | 3.9 | 5.0 |

U* = All urban consumers

Source: U.S. Bureau of Labor Statistics, Nebraska Department of Agriculture

Table IV
Net Taxable Retail Sales of Nebraska Regions and Cities

| Region Number and City (1) | City Sales (2) | | Region Sales (2) | | YTD % Change vs. Year Ago |
|-------------------------------|-------------------------|--------------------------|-------------------------|--------------------------|---------------------------------|
| | December 1991 (000s) | % Change vs. Year Ago | December 1991 (000s) | % Change vs. Year Ago | |
| NEBRASKA | 1,183,971 | 6.9 | 1,289,732 | 7.2 | 2.4 |
| 1 Omaha | 411,348 | 8.8 | 489,582 | 9.2 | 3.5 |
| Bellevue | 17,092 | -4.0 | * | * | * |
| Blair | 5,634 | 0.3 | * | * | * |
| 2 Lincoln | 152,168 | 6.1 | 167,594 | 6.0 | 1.9 |
| 3 South Sioux City | 7,067 | 0.9 | 9,053 | 4.2 | -3.4 |
| 4 Nebraska City | 5,023 | 2.4 | 22,188 | 7.8 | 5.0 |
| 6 Fremont | 21,857 | 8.8 | 36,646 | 6.3 | 3.1 |
| West Point | 4,021 | 8.8 | * | * | * |
| 7 Falls City | 2,961 | 0.2 | 11,214 | 1.1 | 1.7 |
| 8 Seward | 5,640 | 7.6 | 17,091 | 6.2 | -0.3 |
| 9 York | 8,636 | 8.4 | 17,925 | 7.0 | -0.1 |
| 10 Columbus | 19,856 | 6.1 | 32,529 | 1.4 | 2.6 |
| 11 Norfolk | 26,052 | 2.7 | 41,518 | 0.2 | -0.5 |
| Wayne | 3,848 | 4.3 | * | * | * |
| 12 Grand Island | 45,470 | 6.1 | 59,279 | 5.9 | 0.9 |
| 13 Hastings | 21,590 | 7.0 | 31,302 | 3.3 | 1.0 |
| 14 Beatrice | 10,330 | 0.0 | 21,577 | 1.5 | -0.5 |
| Fairbury | 3,480 | -4.2 | * | * | * |
| 15 Kearney | 26,595 | 5.8 | 34,724 | 5.4 | 3.6 |
| 16 Lexington | 8,317 | 4.7 | 19,453 | 3.9 | 2.6 |
| 17 Holdrege | 5,641 | -3.7 | 8,908 | -3.5 | 0.2 |
| 18 North Platte | 22,337 | 6.6 | 26,608 | 4.3 | 4.6 |
| 19 Ogallala | 6,214 | 22.4 | 11,993 | 5.0 | -3.5 |
| 20 McCook | 10,924 | 4.7 | 14,667 | 3.6 | -0.1 |
| 21 Sidney | 5,807 | 23.2 | 9,961 | 5.8 | 8.6 |
| Kimball | 1,994 | 0.3 | * | * | * |
| 22 Scottsbluff/Gering | 25,252 | 6.2 | 33,069 | 7.6 | 5.1 |
| 23 Alliance | 6,275 | -1.5 | 16,362 | 1.3 | 1.6 |
| Chadron | 3,353 | -2.6 | * | * | * |
| 24 O'Neill | 4,886 | -4.0 | 16,644 | 0.9 | -0.7 |
| Valentine | 3,583 | 0.7 | * | * | * |
| 25 Hartington | 2,203 | 0.5 | 9,824 | 2.2 | -1.8 |
| 26 Broken Bow | 3,970 | -6.6 | 12,365 | -3.8 | -1.4 |

(1) See Figure II of previous *Business in Nebraska* issues for regional composition

(2) Sales on which sales taxes are collected by retailers located in the state. Region totals include motor vehicle sales

*Within an already designated region

Compiled from data provided by the Nebraska Department of Revenue

cent, led by a 11.0 percent jump in motor vehicle sales. Total retail sales increased 2.4 percent in 1991.

Nebraska's net taxable retail sales were in contrast to retail sales for the country as a whole. Retail sales for the nation were flat for the end of 1991, whereas Nebraska net taxable retail sales began to accelerate at the end of the year.

In next month's issue of *Business in Nebraska*, we will begin reporting gross taxable retail sales. Because credits taken against net taxable retail sales can be highly variable, gross taxable retail sales should be a better indicator of economic conditions.

The Revision of the 1991 Workforce Data

Employment data reported by the Nebraska Department of Labor were revised sharply downward in March. The rapid rate of growth initially reported now shows a moderate gain. The initial estimate was that 1991's workforce (a count of jobs) had grown 4.9 percent. The revised figures indicate that the gain was only 0.8 percent.

The story of Nebraska's survival of the recession, however, remains similar to the one stated before. We grew during the national recession, but not as strongly as we first thought.

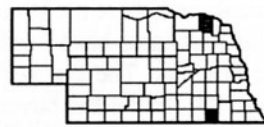
The revisions by the Nebraska Department of Labor are part of national revision. We are not the only state to see a downward revision in the 1991 figures. Nebraska's ranking among the states has slipped. While data are still fragmentary (because not all states' revisions are available at this time), Nebraska's position has gone from one of the fastest rates of growth in the nation to approximately tenth. Unfortunately, it may take a long while before all revisions for all states are available to make more accurate comparisons.

The Nebraska Department of Labor indicates that the revisions are due to the removal of a bias factor in the original data. The bias factor was developed using U.S. Bureau of Labor Statistics methodology that was motivated, in part, to make up for the undercount of jobs in 1990. In its regular review and benchmark of data in March 1992, it was decided that the bias used in the original 1991 data led to an overstatement of job growth. The bulk of the revisions was in the service sector, a sector that had grown most rapidly in 1990.

The data revisions prompted us to revise our model forecast. The results of that revision are in this issue of *Business in Nebraska*.

County of the Month

Jefferson



Next County of Month

Fairbury—County Seat

License plate prefix number: 33

Size of county: 577 square miles, ranks 48th in the state

Population: 8,759 in 1990, a change of -10.8 percent from 1980
Median age: 39.9 years in Jefferson County, 33.0 years in Nebraska in 1990

Per capita personal income: \$15,266 in 1989, ranks 36th in the state

Net taxable retail sales (\$000): \$53,049 in 1990, a change of +9.0 percent from 1989; \$49,994 during 1991, a change of -5.6 percent from 1990

Number of business and service establishments: 261 in 1989; 58.6 percent had less than five employees

Unemployment rate: 1.9 percent in Jefferson County, 2.1 percent in Nebraska for 1990

Nonfarm employment (1990):

| | State | Jefferson County |
|-------------------------|--------------------|------------------|
| Wage and salary workers | 731,108 | 3,101 |
| | (percent of total) | |
| Manufacturing | 13.5% | 23.7% |
| Construction and Mining | 3.8 | 6.1 |
| TCU | 6.3 | 4.1 |
| Retail Trade | 18.4 | 20.6 |
| Wholesale Trade | 7.2 | 7.5 |
| FIRE | 6.6 | 3.0 |
| Services | 24.4 | 13.0 |
| Government | 19.7 | 22.0 |
| Total | 100.0% | 100.0% |

Agriculture:

Number of farms: 770 in 1987, 747 in 1982

Average farm size: 439 acres in 1987

Market value of farm products sold: \$54.2 million in 1987
(\$70,338 average per farm)

Sources: U.S. Bureau of the Census, U.S. Bureau of Economic Analysis, Nebraska Department of Labor, Nebraska Department of Revenue

Merlin W. Erickson

**Business
in
Nebraska**

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