

Prepared by the Bureau of Business Research
College of Business Administration

NEBRASKA PERSONAL INCOME

Since 1960, the growth of personal income in Nebraska has lagged slightly behind the growth of personal income for the nation as a whole. Nebraska income grew from \$2.8 billion in 1960 to \$16.2 billion in 1981, a 470 percent increase, while income at the national level increased 498 percent (Table 1). In what is to follow, new and revised personal income data will be presented and analyzed over the time span covering the past two decades through 1981.

Personal income is a widely accepted measure of the economic health of a region. The major components of personal income are wages and salaries; proprietors' income; other labor income (fringe benefits, and the like), dividends and interest; rental income; and transfer payments. Taken together, the first three of the above components are often referred to as participation income, since they represent the earnings of all individuals that are producing the goods and services in a region. Adjusted for inflation, participation income is often used as a measure of real output for a region.

As a comparative measure, personal income captures differences in state economic bases. Industrial states have larger wage and salary components, states with abundant energy resources have higher levels of royalty payments, and agricultural states have greater farm income components. Personal income measures this diversity and reduces it to comparable levels.

In addition to the above applications, personal income data are used by the Bureau of Business Research to construct gross output by industrial sector for Nebraska. These output series are aggregated to form a Gross State Product series. Personal income is also the principal variable in the Bureau's annual and quarterly econometric models, which have been developed to generate forecasts of selected state economic variables.

To compensate for inflation, personal income data are expressed in 1972 dollars. In other words, all income data recorded before, during, and after the year 1972 are adjusted to reflect that year's price levels. Hence, the terms "real" or "constant dollar" income are frequently used to describe the resulting data series. Since real income takes into account the effects of inflation, it presents a more realistic view of a region's economic growth. In Table 1, personal income data in both current and constant dollars for Nebraska and the United States are displayed. These historical series cover the period from 1960 through 1981, and are the most recent data received from the Bureau of Economic Analysis (BEA) of the U.S. Department of Commerce.

From 1960 through 1981, real personal income in Nebraska increased 102 percent. In addition, year-to-year percentage changes

in real income were computed, and the average (mean) increase over this twenty-two year time span was 3.5 percent, with an associated standard deviation of 4.6 percent.¹ For the nation as a whole, real income increased 112 percent. The year-to-year average increase was 3.7 percent, with a standard deviation of 1.8 percent. Comparatively speaking, the larger measure of dispersion associated with the annual changes in Nebraska personal income indicates a lesser degree of stability in the growth of state income. This instability is evident from the historical growth trends of real personal income for Nebraska and the United States illustrated in Figure 1 (p. 2). The growth of real Nebraska income is more erratic than that for the entire nation, and this is due primarily to the volatility of the state's (continued on page 2)

¹ In this case, the standard deviation is a measure of dispersion of the annual percentage changes about the mean change over the time period under consideration (1960-1981). The greater this measure, the greater the degree of dispersion or variability of the data about the mean.

Table 1
PERSONAL INCOME FOR NEBRASKA
AND THE UNITED STATES
1960-1981

Year	Nebraska Income		U.S. Income	
	(millions of \$)	(millions of 1972 \$)	(billions of \$)	(billions of 1972 \$)
1960	2,846	4,142	402.3	585.6
1961	2,913	4,202	417.8	602.6
1962	3,159	4,474	443.6	628.2
1963	3,265	4,556	466.2	650.5
1964	3,364	4,623	499.2	686.0
1965	3,761	5,058	540.7	727.1
1966	4,040	5,263	588.2	766.3
1967	4,238	5,360	630.0	796.9
1968	4,528	5,486	690.6	836.7
1969	5,248	6,047	754.7	869.6
1970	5,578	6,100	811.1	886.9
1971	5,974	6,222	868.4	904.5
1972	6,785	6,785	951.4	951.4
1973	8,104	7,668	1,065.2	1,007.9
1974	8,278	7,203	1,168.6	1,016.9
1975	9,310	7,415	1,265.0	1,007.5
1976	9,618	7,280	1,391.2	1,053.1
1977	10,489	7,501	1,538.0	1,099.9
1978	11,832	7,885	1,721.8	1,147.5
1979	13,672	8,400	1,943.8	1,194.2
1980	14,300	8,063	2,160.2	1,218.0
1981	16,234	8,381	2,404.1	1,241.1

Source: Bureau of Economic Analysis of the U.S. Department of Commerce and Bureau of Business Research calculations.

(continued from page 1) agricultural sector. Farm income levels are greatly influenced by highly variable factors such as weather conditions, commodity prices, production expenses, and inventory changes, to name a few. Consequently, farm income can fluctuate dramatically over relatively short time spans. For example, real farm income in Nebraska declined 67 percent in 1980, and then increased 151 percent the following year. During the past two decades, farm income has accounted for as much as 16 percent of total Nebraska income. Consequently, large fluctuations in this component have a significant impact on the total. Figure 2 illustrates the growth of Nebraska farm and nonfarm income in real terms from 1970 on. The income data are indexed so that they reflect 1972 levels. It is clear from Figure 2 that farm and nonfarm income have not established similar growth patterns over the years. For nonfarm income, the long-term trend is upward, and the series is fairly stable, with no extreme fluctuations noted. For real farm income, however, the opposite is true. As indicated by Figure 2, the long-term trend (since 1970) for real farm income is downward, with extreme fluctuations occurring frequently. A fair interpretation of the graphical presentation would be that real Nebraska farm income is more volatile and, over the long run, has not maintained a positive growth pattern such as that exhibited by real nonfarm income.

Nebraska has experienced declines in real personal income during the past decade, as indicated by the data in Table 1 and illustrated in Figure 1. Real income increased each year from 1960 through 1973, and then declined sharply the next year. The 6 percent decrease recorded in 1974 was due primarily to a sharp drop in the level of real farm income (Figure 2). A decline in this same component was responsible for the decrease in real personal income that occurred in 1976. Declines in both real farm and nonfarm earnings were responsible for the latest 4 percent decrease in the level of income recorded in 1980. Although real income rebounded in 1981 (up 4 percent), the outlook for positive growth for the current year is less than optimistic. Personal income statistics for the first quarter of 1982 were recently

released by BEA, and show a decline in nominal personal income for Nebraska. At annual rates, Nebraska personal income fell from \$16,883 million in the fourth quarter of 1981 to \$16,810 million in the first quarter of 1982, a 0.4 percent decline. In real terms, state personal income for the first quarter of 1982 declined 1.7 percent. If farm prices remain at their current low levels and unemployment remains high, Nebraska could suffer another decline in real personal income for all of 1982.

NONFARM PARTICIPATION INCOME

Nonfarm participation income represents the earnings of all individuals not exclusively involved with activities of the farm sector. In an agricultural state like Nebraska, however, there exists a strong interrelationship between the farm sector and the so-called nonfarm industries. For instance, agriculturally related activities such as food processing and farm implement production are included in the manufacturing sector. It is virtually impossible to filter out the effects of agriculture on the nonfarm sectors, and vice versa. Movement of real farm and nonfarm income over time supports this contention. Generally, when agriculture prospers, the nonfarm sectors prosper. From 1960 through 1981, real nonfarm income increased 99 percent, at an average annual change of 3.3 percent. The associated measure of dispersion for nonfarm income indicates more stability than for total real income. As illustrated in Figure 2, real nonfarm income has declined during the last two consecutive years (1980 and 1981). This downward trend could continue if the farm sector continues to suffer from low commodity prices, high production costs, and the like. Table 2 lists nonfarm participation income (earnings) in both current and real dollars for the years 1960 through 1981.

Over the years, percentage shares of nonfarm participation income by industrial sector have changed. Table 3 presents the percentage composition of nonfarm income by industry for each of the years 1960 through 1981. To some, the original data in current dollars may be of value. To convert the percentages in

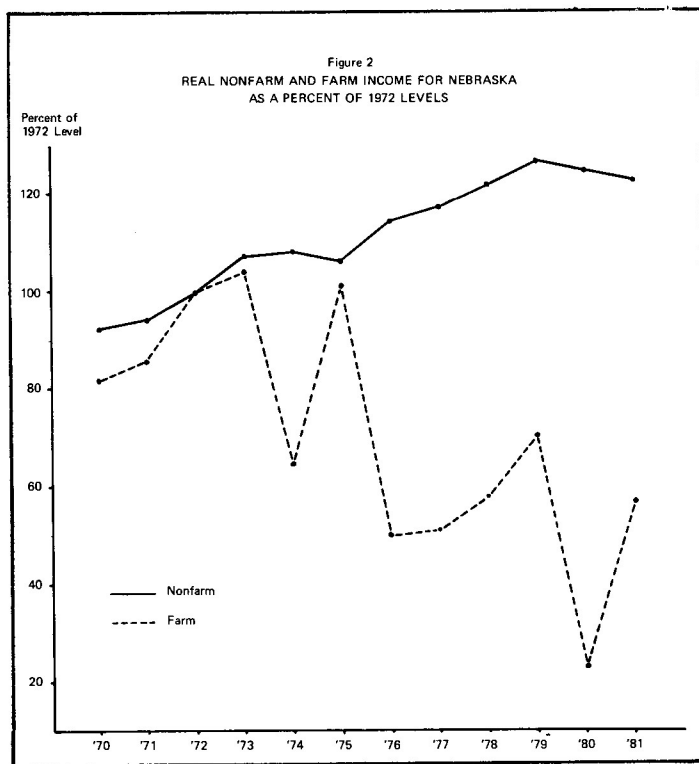
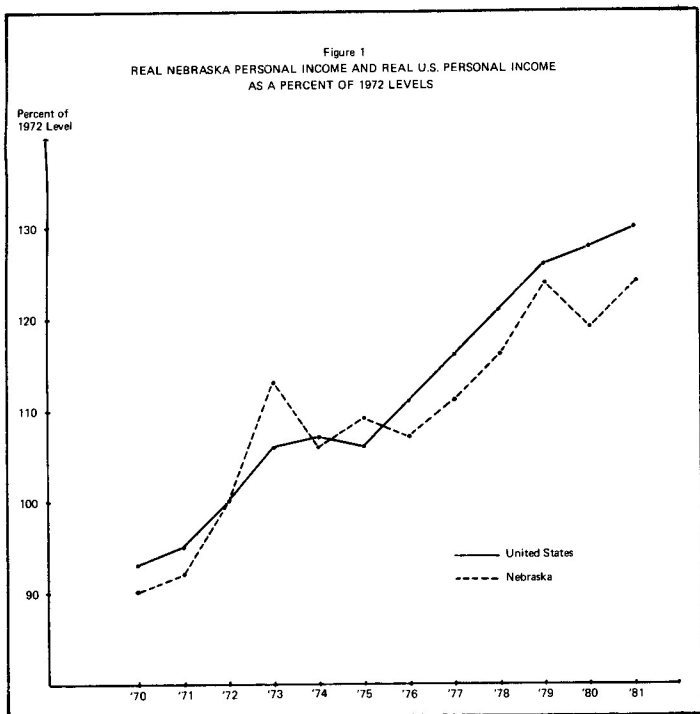


Table 2
NEBRASKA FARM AND NONFARM
PARTICIPATION INCOME
1960-1981

Year	Farm Income		Nonfarm Income	
	(millions of \$)	(millions of 1972 \$)	(millions of \$)	(millions of 1972 \$)
1960	349	505	1,995	2,748
1961	286	391	2,084	2,851
1962	400	540	2,185	2,949
1963	360	519	2,253	3,004
1964	285	427	2,380	3,136
1965	465	633	2,488	3,227
1966	542	671	2,664	3,368
1967	447	598	2,873	3,521
1968	389	501	3,132	3,698
1969	601	709	3,502	3,948
1970	547	660	3,790	4,080
1971	589	697	4,042	4,163
1972	808	808	4,448	4,448
1973	1,332	844	4,934	4,753
1974	793	528	5,462	4,795
1975	1,183	814	5,892	4,706
1976	579	405	6,640	5,049
1977	592	411	7,233	5,196
1978	820	465	8,062	5,414
1979	1,135	565	9,097	5,633
1980	356	184	9,876	5,580
1981	884	461	10,614	5,477

Source: Bureau of Economic Analysis of the U.S. Department of Commerce and Bureau of Business Research calculations.

Table 3 to the raw income data, multiply these percentages (in decimal form) by the total nonfarm income in current dollars as given in Table 2. For example, construction income in current dollars for 1981 would be computed as follows:

$$\begin{aligned}
 &10,614 \text{ -- total 1981 nonfarm income in millions of current dollars (Table 2)} \\
 &\times .0563 \text{ -- construction's 1981 percentage share of total nonfarm income (Table 3)} \\
 &= 597.57 \text{ -- 1981 construction income in millions of current dollars}
 \end{aligned}$$

When rounded to the nearest whole number, the resulting figure is that reported by BEA.

The data in Table 3 show that construction, trade, and mining have declined in their shares of nonfarm participation income during the interval from 1960 through 1981. The current shares of nonfarm income for manufacturing; transportation, communications, and utilities; and government are at about the same levels as they were during the early 1960s. Of these three sectors, government's share of income has fluctuated the greatest, reaching a high of 20.95 percent in 1970 and falling as low as 17.94 percent in 1960. The two remaining nonagricultural sectors—finance, insurance, and real estate, and services—have increased their shares of nonfarm income since 1960. For the services sector, the increase amounts to more than three percentage points gained steadily over the years. This is indicative of the transition from a goods-producing economy to a services-oriented economy that has occurred in the United States since the end of World War II. The services-producing sector consists of the following industries: wholesale and retail trade; transportation, (continued on page 6)

Table 3
PERCENTAGE COMPOSITION OF NEBRASKA NONFARM PARTICIPATION INCOME
IN CURRENT DOLLARS
1960-1981

Year	Construction	Manufacturing	Trade	Services	TCU*	FIRE**	Mining	Government	Ag., For., Fish., Other
1960	8.72	18.00	22.96	13.58	11.38	6.62	.80	17.94	NA
1961	8.69	18.09	22.60	13.77	10.89	6.72	.77	18.47	NA
1962	8.24	18.12	22.29	13.82	11.12	6.86	.64	18.90	NA
1963	8.17	17.53	22.33	13.94	10.87	6.97	.58	19.62	NA
1964	7.77	17.77	22.14	14.20	10.63	7.10	.50	19.87	NA
1965	7.96	17.52	22.19	14.39	10.65	7.07	.48	19.74	NA
1966	7.92	18.36	22.18	14.90	10.40	6.91	.45	18.88	NA
1967	7.73	19.00	21.96	15.35	9.95	6.89	.42	18.69	NA
1968	7.69	19.22	21.58	15.20	9.87	6.86	.38	19.19	NA
1969	7.97	18.96	21.22	15.48	9.48	6.57	.37	19.42	.54
1970	7.65	18.18	20.92	15.30	9.68	6.44	.37	20.95	.50
1971	7.50	17.66	20.81	15.41	9.90	6.63	.27	21.33	.49
1972	7.85	17.92	20.48	15.40	10.09	6.68	.34	20.75	.49
1973	7.90	17.90	20.82	15.46	10.30	6.47	.34	20.31	.51
1974	7.82	17.98	21.18	15.34	10.51	6.26	.57	19.81	.53
1975	7.60	16.96	21.66	15.61	10.20	6.47	.46	20.54	.51
1976	8.04	17.24	21.24	15.63	10.54	6.69	.50	19.68	.44
1977	8.10	17.18	20.89	15.48	10.70	7.02	.48	19.67	.46
1978	8.14	17.38	20.23	15.69	11.26	7.16	.36	19.31	.46
1979	7.52	17.72	20.36	15.97	11.62	7.16	.41	18.79	.46
1980	6.48	17.68	20.54	16.69	11.51	7.44	.44	18.74	.48
1981	5.63	17.71	20.71	16.86	11.72	7.47	.42	18.98	.50

*Includes Transportation, Communication, and Public Utilities.

**Includes Finance, Insurance, and Real Estate.

NA - Not available.

Source: Bureau of Economic Analysis of the U.S. Department of Commerce and Bureau of Business Research calculations.

Review and Outlook

Output fell 1.3% in May 1982 according to the Bureau of Business Research's net physical volume index. Despite the monthly decline, the index is up about 1% from year-ago levels. Economic activity was weak in the state during the third and fourth quarters of 1981, recovered modestly during the first quarter of 1982, but has retreated again during the second quarter of 1982.

The agriculture component of the state's overall output index declined 6.5% April-May 1982. Actual cash receipts from farm marketings were \$675 million in May, \$28 million more than in April. May 1982 cash farm marketing receipts were \$245 million more than in May 1981.

Prices received by Nebraska farmers and ranchers increased

4.8% April-May. Nebraska prices received were 0.8% higher in May 1982, slightly above year-ago levels. For once, prices received by Nebraska farmers and ranchers were somewhat better than the U.S. prices. Prices received nationally increased 1.6% April-May 1982, but were 2.7% lower in May 1982 when compared with one year prior.

The nonagriculture component of the Nebraska economy declined 0.2% on a month-to-month basis. Construction and manufacturing continued to decline, while the distributive trade and government sectors recorded modest increases.

The Bureau's index of economic activity for the construction industry continues to decline. On a month-to-month basis the index was down 6.5%. The index stood (continued on page 5)

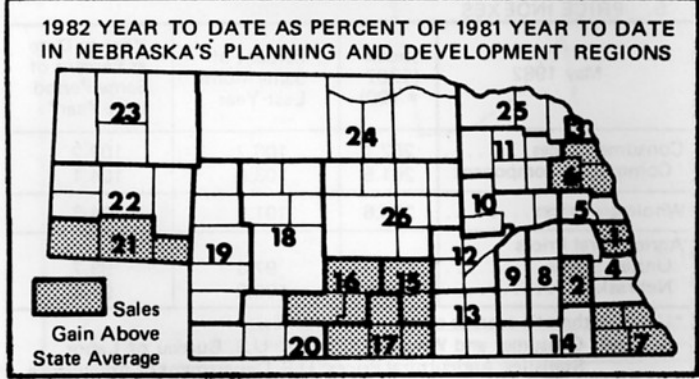
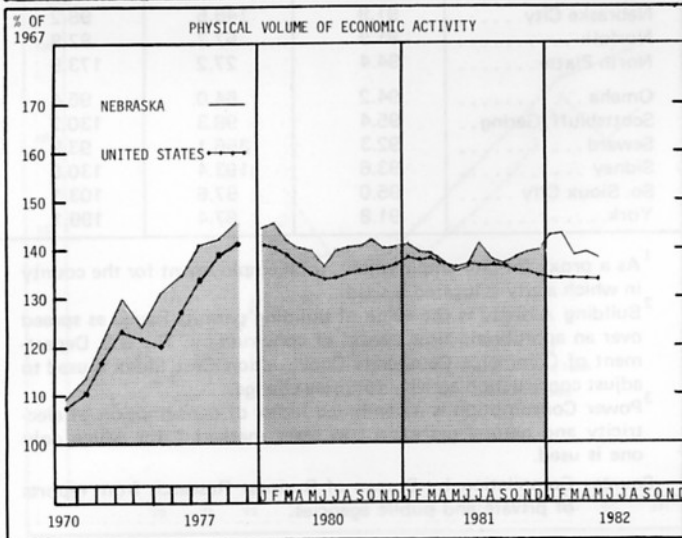
Notes for Tables 1 and 2: (1) The "distributive" indicator represents a composite of wholesale and retail trade; transportation, communication and utilities; finance, insurance, and real estate; and selected services. (2) The "physical volume" indicator and its components represent the dollar volume indicator and its components adjusted for price changes using appropriate price indexes—see Table 5, page 5.

ECONOMIC INDICATORS: NEBRASKA AND UNITED STATES				
1. CHANGE FROM PREVIOUS YEAR				
Indicator	Current Month as Percent of Same Month Previous Year		1982 Year to Date as Percent of 1981 Year to Date	
	Nebraska	U.S.	Nebraska	U.S.
May 1982				
Dollar Volume	107.3	103.7	105.3	103.9
Agricultural	168.9	125.6	145.2	112.9
Nonagricultural	100.7	103.1	100.3	103.6
Construction	63.2	96.5	68.6	93.1
Manufacturing	85.4	92.7	93.3	96.2
Distributive	106.2	106.8	102.6	106.3
Government	110.7	110.9	110.6	111.0
Physical Volume	101.9	97.9	100.9	97.6
Agricultural	167.6	129.1	153.8	120.5
Nonagricultural	94.9	97.0	94.4	96.9
Construction	60.4	92.2	65.8	89.2
Manufacturing	83.8	91.1	90.9	93.0
Distributive	99.5	100.1	95.7	99.2
Government	101.7	98.6	101.9	98.0

2. CHANGE FROM 1967		
Indicator	Percent of 1967 Average	
	Nebraska	U.S.
Dollar Volume	378.7	363.3
Agricultural	435.9	394.5
Nonagricultural	369.9	362.3
Construction	187.5	303.2
Manufacturing	321.4	293.3
Distributive	398.7	404.9
Government	403.2	367.7
Physical Volume	137.9	134.0
Agricultural	166.4	158.4
Nonagricultural	133.5	133.2
Construction	56.0	90.5
Manufacturing	134.6	120.1
Distributive	138.9	141.0
Government	146.1	147.5

3. NET TAXABLE RETAIL SALES OF NEBRASKA REGIONS AND CITIES (Adjusted for Price Changes)			
Region Number and City	City Sales*	Sales in Region*	
	May 1982 as percent of May 1981	May 1982 as percent of May 1981	Year to date '82 as percent of Year to date '81
<i>The State</i>	91.8	93.3	95.0
1 Omaha	90.2	92.8	97.7
Bellevue	91.2		
2 Lincoln	91.1	92.9	95.6
3 So. Sioux City	93.0	93.9	91.0
4 Nebraska City	99.9	94.0	92.2
5 Fremont	89.1	93.5	92.6
Blair	94.4		
6 West Point	92.3	94.5	95.9
7 Falls City	85.7	90.4	95.2
8 Seward	83.0	90.5	92.2
9 York	101.6	95.6	93.3
10 Columbus	89.3	89.4	90.2
11 Norfolk	87.0	87.4	91.1
Wayne	83.3		
12 Grand Island	91.7	99.0	89.7
13 Hastings	91.9	96.9	89.3
14 Beatrice	90.5	92.1	91.0
Fairbury	99.9		
15 Kearney	94.1	94.9	94.5
16 Lexington	103.8	97.9	96.8
17 Holdrege	93.2	94.8	95.2
18 North Platte	92.1	92.4	88.4
19 Ogallala	96.4	88.1	88.9
20 McCook	94.6	92.5	92.3
21 Sidney	106.9	97.7	96.1
Kimball	85.2		
22 Scottsbluff/Gering	81.0	82.2	87.8
23 Alliance	81.9	87.0	88.0
Chadron	82.6		
24 O'Neill	97.8	81.0	86.6
25 Hartington	86.4	91.7	92.4
26 Broken Bow	79.8	86.6	89.0

* State totals include sales not allocated to cities or regions. The year-to-year ratios for city and region sales may be misleading because of changes in the portion of unallocated sales. Region totals include, and city totals exclude, motor vehicle sales. Sales are those on which sales taxes are collected by retailers located in the state. Compiled from data provided by Nebraska Department of Revenue.



(continued from page 4) at 56 in May 1982 (1967=100) and was well below the level for May 1981 of 92.6. With the exception of insignificant increases in December 1981 and January 1982, the construction index has declined month after month since peaking at 98.4 in February 1981.

Output as measured by the Bureau's index for Nebraska's manufacturing sector also declined in May. The month-to-month decline was 5.4%, one of the largest decreases during the past three years. This index stood at 134.6 in May 1982 (1967=100) compared with a value of 160.6 in May 1981 and a reading of 166.5 in May 1980. The index indicates that manufacturing sector output declined by nearly one-sixth since September 1981.

The distributive trade sector's output climbed 1.7% on a month-to-month basis. Despite this increase, this component of the index remains slightly below year-previous levels and has changed little during the past year.

The government component of the index increased 0.2% April-May 1982. This component of the index is about 2% above its one year previous level and identical with the May 1980 reading.

Nebraska retail sales declined 3.1% on a dollar volume basis in May 1982 compared with one year previous. Total retail sales were \$768 million (rounded) in May 1982 compared with \$592 million one year ago. When adjusted for price changes, total retail sales were down 6.7% on a year-to-year basis.

For the first time in many months, motor vehicle sales did better than nonmotor vehicle sales. Motor vehicle sales were up 12.9% on a dollar volume (unadjusted for price changes) in May 1982 compared with May 1981. Actual motor vehicle sales were \$81 million in May 1982 compared with \$71 million one year ago.

Nonmotor vehicle sales declined 4.7% on a year-to-year basis. Nonmotor vehicle sales were \$687 million in May 1982 compared with \$721 million in May 1981.

The commodity component of the Consumer Price Index continues to reflect a slowdown in the rate of inflation, increasing only 3.8% May 1981-May 1982. The overall Consumer Price Index, which measures price changes on all items, increased more rapidly over this same period, recording a 7.1% increase.

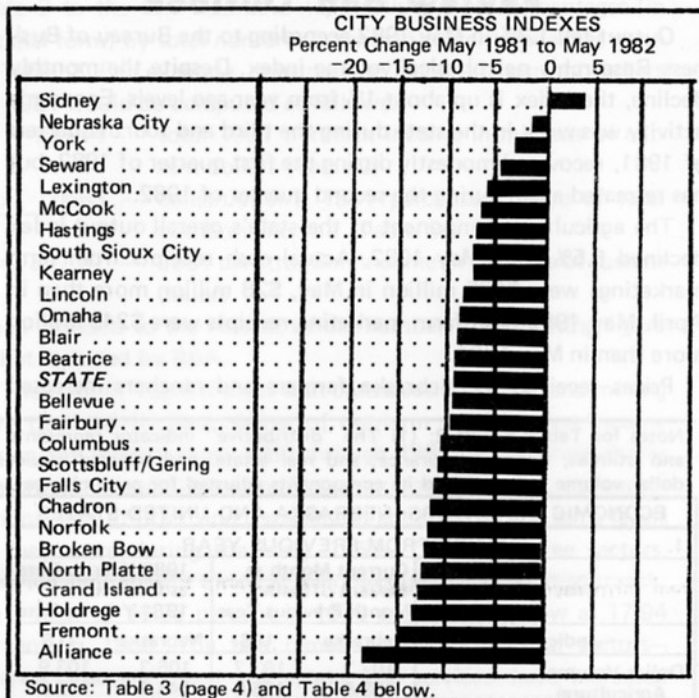
On a year-to-date basis, retail sales adjusted for price changes are down approximately 8%. Communities which have recorded real increases in retail sales include Lexington, where sales are up 3.8%; Sidney, 6.9%; and York, 1.6%. Retail sales at Nebraska City and Fairbury nearly equaled year-previous levels.

Sidney was the only Nebraska community to record a gain in its city business index. Nebraska City, York, and Seward recorded declines in their respective city business indexes, but these declines were limited to about half the average decline of -9.4%.

D. E. P.

5. PRICE INDEXES			
May 1982	Index (1967 = 100)	Percent of Same Month Last Year	Year to Date as Percent of Same Period Last Year*
Consumer Prices	287.1	106.7	107.2
Commodity component	261.5	103.8	104.1
Wholesale Prices	298.6	101.5	104.3
Agricultural Prices United States	249.0	97.3	93.7
Nebraska	262.0	100.8	94.6

*Using arithmetic average of monthly indexes.
Sources: Consumer and Wholesale Prices: U.S. Bureau of Labor Statistics; Agricultural Prices: U.S. Department of Agriculture.



Source: Table 3 (page 4) and Table 4 below.

4. MAY CITY BUSINESS INDICATORS			
The State and Its Trading Centers	Percent of Same Month a Year Ago		
	Employment ¹	Building Activity ²	Power Consumption ³
<i>The State</i>	93.4	55.8	104.8
Alliance	86.1	40.0	125.8
Beatrice	96.8	46.2	114.3
Bellevue	94.2	53.2	116.9
Blair	91.7	52.9	124.6
Broken Bow	94.0	89.1	110.1
Chadron	95.0	66.6	120.7
Columbus	91.4	68.8	93.8
Fairbury	95.2	21.4	101.9
Falls City	93.0	68.5	89.5
Fremont	92.1	25.1	96.7*
Grand Island	91.9	32.9	96.3
Hastings	95.7	72.0	103.1
Holdrege	92.7	21.9	121.7
Kearney	94.3	65.0	116.7
Lexington	92.8	43.0	94.4
Lincoln	93.6	64.5	102.1
McCook	89.1	109.4	114.3
Nebraska City	91.9	146.5	98.2
Norfolk	91.9	57.7	87.8
North Platte	94.4	27.2	173.9
Omaha	94.2	64.0	96.4
Scottsbluff/Gering	95.4	98.3	130.2
Seward	92.3	356.1	93.9
Sidney	93.6	193.4	130.5
So. Sioux City	95.0	67.6	103.1
York	91.8	87.4	199.1

¹As a proxy for city employment, total employment for the county in which a city is located is used.
²Building Activity is the value of building permits issued as spread over an appropriate time period of construction. The U.S. Department of Commerce Composite Construction Cost Index is used to adjust construction activity for price changes.
³Power Consumption is a combined index of consumption of electricity and natural gas except in cases marked * for which only one is used.

Source: Compilation by Bureau of Business Research from reports of private and public agencies.

(continued from page 3) communications, and utilities; finance, insurance, and real estate; services; and government. The goods-producing sector consists of construction, mining, and manufacturing. During 1960, the goods-producing sector and the services-producing sector had shares of nonfarm income of 27.5 percent and 72.5 percent, respectively. By 1981, the share for the goods-producing sector dropped to 23.8 percent, while the services-producing sector increased its share of nonfarm income to 76.2 percent.

FARM INCOME

The final component of participation income to be examined in detail is farm income. Nebraska farm income data in both current and constant dollars are presented in Table 2. As indicated previously, the behavior of farm income is subject to highly variable factors and tends to fluctuate dramatically. An illustration of how the Bureau of Economic Analysis measures farm income is helpful in explaining the extreme fluctuations exhibited by this important component of Nebraska income.

In Table 4, the derivation of farm income by BEA is presented for the years 1978, 1979, and 1980. Farm income statistics that are usually reported by BEA comprise the final line of Table 4. From 1978 to 1979, farm income in current dollars increased 38 percent, and then declined sharply in 1980, down 69 percent.

	millions of \$		
	1978	1979	1980
Total cash receipts and other income	5,623	6,901	7,025
Less: total production expenses	5,089	6,220	6,731
Realized net income	534	681	294
Plus: value of inventory change	148	299	-96
Total net income including corporate farms	682	980	198
Less: corporate farms	22	33	53
Total net farm proprietors' income	660	946	145
Plus: farm wages and perquisites	156	184	206
Plus: farm other labor income	4	5	5
Total farm labor and proprietors' income	820	1,135	356

Source: Bureau of Economic Analysis of the U.S. Department of Commerce.

The primary reasons for the 1979 increase were a doubling of the inventory change from the level of the previous year and a slightly greater increase in cash farm marketings compared to that recorded for production expenses. The large decline in farm income for 1980 was mainly due to the combination of a negligible increase in cash receipts and a negative inventory change. Farm income is subject to frequent revisions, and these can be extreme. Often, revisions are due to an inventory change adjustment.

Compared to nonfarm income, real farm income has not fared well during the past decade, illustrated graphically in Figure 2. Production expenses have increased at a faster rate than cash receipts and other income. With the exception of one year (1974), production expenses have increased each year over the past decade at an average annual growth rate of 12.3 percent (Table 5). Cash receipts and other income have also increased over the period, but declined during three consecutive years (1974, 1975, and 1976). The average annual growth rate for cash receipts was 10.6 percent. This disparity in growth rates for cash receipts and farm production expenses is but one of the reasons why farmers are experiencing a long-term decline in real income. C. L. B.

Year	Production Expenses	% Change	Cash Marketings + Other Income*	% Change
	(millions of \$)		(millions of \$)	
1970	2,216	--	2,763	--
1971	2,351	6.09	2,788	0.90
1972	2,925	24.42	3,587	28.66
1973	3,799	29.88	4,770	32.98
1974	3,475	-8.53	4,660	-2.31
1975	3,541	1.90	4,483	-3.80
1976	3,961	11.86	4,428	-1.23
1977	4,266	7.70	4,639	4.77
1978	5,089	19.29	5,623	21.21
1979	6,220	22.22	6,901	22.73
1980	6,731	8.22	7,025	1.80

*Includes other sources of income such as government payments, imputed income, and rent received.

Source: Bureau of Economic Analysis of the U.S. Department of Commerce and Bureau of Business Research calculations.

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