Mercer County Baseline: 2000-2010

by

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Mercer County Baseline Advisory Panel

Clifford Shipley - Presiding Commissioner
Rudy Finney - 1st District Commissioner
Bob Jones - 2nd District Commissioner
Carolyn Kost - County Clerk

Panel Members

Dean Dau - Premium Standard Farms
Cliff Gauldin - City of Princeton
Ron Hinds - Grand River Phone
Phyliss Johnson - Health Department
Diane McClain - Division of Aging
Dean Larkin – Community Development Specialist, UO/E, North-West Region
Marsha Parkhurst - City of Mercer/educator
Toni Powell - Division of Family Services
Gene Schmitz – Livestock Specialist, UO/E, North-West Region
Gary Ponder Williams - Methodist minister

These people contributed insights, questions and important comments throughout the project.
Executive Summary

This report describes a set of annual baseline projections on demographic, economic, and fiscal conditions through 2010 for Mercer County, Missouri. Findings are based on a comprehensive statistical analysis of the most recent secondary data available, as well as important input provided by the Community Advisory Panel. Dollar figures are reported in constant 2000 terms, with no attempt to estimate future inflation rates. The actual data in the figures accompanying the report are separated from their projected counterparts by dotted line.

The Advisory Panel, using their personal knowledge of economic conditions in the region, came to a consensus on likely key growth rates for variables that guide the forecasts in the statistical model. The forecasts in this report are based on the following projected annual growth rates:

<table>
<thead>
<tr>
<th>Variable</th>
<th>First 2 Years</th>
<th>Remaining 8 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employment growth rate in Mercer County</td>
<td>-0.82%</td>
<td>0.125</td>
</tr>
<tr>
<td>Real Per Capita Income growth rate in Mercer County</td>
<td>-1.52%</td>
<td>0.75</td>
</tr>
<tr>
<td>Employment growth rate in surrounding counties</td>
<td>0.00%</td>
<td>1.50</td>
</tr>
<tr>
<td>Labor Force growth rate in surrounding counties</td>
<td>-0.40%</td>
<td>-0.40</td>
</tr>
</tbody>
</table>

where the first set of growth rates is chosen for the first 2 years of the forecast, and the second – for the remaining 8 years of the forecast. Two different sets of the growth rates that guide the forecasts were chosen by the Advisory Panel to reflect the dip in the economy in response to the nation-wide recession. The Advisory Panel selected these growth rates after a careful study of trends in these variables over the past 10 years, as well as current economic conditions in the region.

Findings

- Mercer has small population density of 8 persons per square mile, compared to 80 persons per square mile in the State of Missouri (for year 2000).

- The County has the highest suicide rate in the State of Missouri (4.6 suicides/10,000 persons vs. 1.4 suicide/10,000 persons for Missouri as a whole), when combined data for 1990-1998 is considered.

- Between 1990 and 1999, governmental payments to farmers comprised anywhere between 9 and 5 percent of total personal income in Mercer County. At the same time, these payments declined from almost 15 percent in 1990 to around 3 percent of total cash receipts and other income for farmers starting with 1995.

- Over the last decade, transfer payments comprised about 25 percent of total personal income in the County.

\[1^\text{Payments to farmers are not called “transfers”, but rather “government payments”. For a complete definition of various parts of personal income, see Appendix.}\]
• Transfers to retirees alone constitute between 14 and 12 percent of the County total personal income. At the same time, transfers to retirees comprise roughly half the amount of the total transfer payments.

• Over the next 10 years, Mercer County is expected to experience a very modest growth in a host of socio-demographic, economic and fiscal variables.

• Thus, Mercer County’s population will grow at an annual growth rate of 0.4 percent over the baseline period.

• Mercer County depends heavily on intergovernmental revenues in financing demand for public goods and services. This type of revenues ranged anywhere between 47 and 69 percent of total revenues between 1990 and 2000.

• More County residents will continue to commute outside the County boundaries to work, than the number of non-County residents commuting to Mercer to local jobs. In fact, the number of outcommuters is projected to grow at a rate of 1.5 percent per year, as compared to 0.3 percent of the expected annual growth in the incommuters.

• Growth over the baseline period will stimulate demand for 60 additional housing units.

• Per capita income – before inflation – is projected to grow by 0.3 percent annually through 2010. Total personal income is expected to grow from $60 million to just over $64 million (in 2000 Dollars) over the period – a real growth rate of 0.7 percent per year.

• Changes in County income and employment will lead to 0.7 percent in annual growth of taxable retail sales.

• Demand for County governmental expenditures is expected to continue growing slowly over the projection period. This is in contrast to the County total revenues which are projected to decline at a rate of 1.1 percent per year, if current economic conditions in the County prevail.

• In year 2000, County expenditures slightly exceeded total revenues. This budget deficit is projected to grow wider over the baseline period. Thus, county government will be challenged in the future to deliver public services more efficiently, and/or generate new revenues.
## Baseline Summary Table, 2000-2010

**Mercer County**

*(Reported in 2000 dollars)*

<table>
<thead>
<tr>
<th>Variables</th>
<th>Base Year 2000</th>
<th>2010</th>
<th>Absolute Change</th>
<th>Annual Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Demographics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Population</td>
<td>3,757</td>
<td>3,905</td>
<td>148</td>
<td>0.4%</td>
</tr>
<tr>
<td>Persons 16 and Younger</td>
<td>864</td>
<td>901</td>
<td>37</td>
<td>0.4%</td>
</tr>
<tr>
<td>Persons 65 and Over</td>
<td>827</td>
<td>850</td>
<td>23</td>
<td>0.3%</td>
</tr>
<tr>
<td>School Enrollment</td>
<td>657</td>
<td>683</td>
<td>26</td>
<td>0.4%</td>
</tr>
<tr>
<td><strong>Workforce Characteristics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Labor force</td>
<td>1,497</td>
<td>1,578</td>
<td>81</td>
<td>0.5%</td>
</tr>
<tr>
<td>Employment by Workplace</td>
<td>2,481</td>
<td>2,465</td>
<td>-16</td>
<td>-0.1%</td>
</tr>
<tr>
<td>Unemployed</td>
<td>45</td>
<td>46</td>
<td>1</td>
<td>0.2%</td>
</tr>
<tr>
<td>Incommuters</td>
<td>665</td>
<td>682</td>
<td>17</td>
<td>0.3%</td>
</tr>
<tr>
<td>Outcommuters</td>
<td>799</td>
<td>918</td>
<td>119</td>
<td>1.5%</td>
</tr>
<tr>
<td><strong>Demand for Housing</strong></td>
<td>1,503</td>
<td>1,562</td>
<td>59</td>
<td>0.4%</td>
</tr>
<tr>
<td><strong>Economics</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Real Per Capita Income ($)</td>
<td>$15,957</td>
<td>$16,427</td>
<td>$471</td>
<td>0.3%</td>
</tr>
<tr>
<td>Real Total Personal Income ($1,000)</td>
<td>$59,949</td>
<td>$64,144</td>
<td>$4,195</td>
<td>0.7%</td>
</tr>
<tr>
<td>Assessed Property Value ($1,000)</td>
<td>$50,627</td>
<td>$51,168</td>
<td>$541</td>
<td>0.1%</td>
</tr>
<tr>
<td>Taxable Retail Sales ($1,000)</td>
<td>$19,799</td>
<td>$20,935</td>
<td>$1,136</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>Revenue Sources ($1,000)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>County Sales Tax Receipts</td>
<td>$249</td>
<td>$251</td>
<td>$2</td>
<td>0.1%</td>
</tr>
<tr>
<td>County Property Tax Receipts</td>
<td>$198</td>
<td>$200</td>
<td>$3</td>
<td>0.1%</td>
</tr>
<tr>
<td>Intergovernmental Revenues</td>
<td>$1,226</td>
<td>$1,016</td>
<td>-$210</td>
<td>-1.7%</td>
</tr>
<tr>
<td>Other Revenues</td>
<td>$108</td>
<td>$115</td>
<td>$7</td>
<td>0.6%</td>
</tr>
<tr>
<td><strong>Total Revenue ($1,000)</strong></td>
<td>$1,781</td>
<td>$1,582</td>
<td>-$199</td>
<td>-1.1%</td>
</tr>
<tr>
<td><strong>Total Demand for Expenditures ($1,000)</strong></td>
<td>$1,803</td>
<td>$1,880</td>
<td>$77</td>
<td>0.4%</td>
</tr>
<tr>
<td><strong>Revenues minus Expenditures ($1,000)</strong></td>
<td>-$22</td>
<td>-$298</td>
<td>-$276</td>
<td></td>
</tr>
</tbody>
</table>

1 Excludes Operating Transfers
2 Often, actual spending alternates from a budget surplus to a deficit.
However, on average, Missouri local governments must operate from a balanced budget.
Introduction

The Community Policy Analysis Center (CPAC) is based at the University of Missouri-Columbia. CPAC’s mission is to provide research, outreach and training that support improved policy decisions in Missouri communities.

Project Overview

The Mercer County Baseline Project has been a collaborative effort between the community and the Community Policy Analysis Center. It emerged as a result of PIE 303, 2001 (Professional Implementation Experience) that was conducted by CPAC as part of the grant received from the University Outreach and Extension (UO/E). The training that was conducted as part of the PIE familiarized Extension Faculty in eight regions of Missouri with the basic structure of the Show Me model and its applications. Participating faculty were expected to implement the process of generating a county baseline in at least one county of their choice and to develop a baseline report. Trained Extension faculty are critical to increasing the number of counties that will have access to CPAC’s Show Me Community Impact model. A fourteen-member Advisory Panel met four times between the months of November and June to form background information and basic assumptions for this baseline model. The Show-Me Model and the baseline projections described in this report will assist public officials and community residents in addressing economic changes. This report describes a set of annual baseline projections on demographic, economic, and fiscal conditions through 2010 for Mercer County, Missouri. Its findings are the result of an extensive analysis of the local economy, achieved through discussion with key public and private sector leaders throughout the county, and use of the Show Me Community Model, developed by CPAC.

This baseline does not represent a forecast of local economic conditions. Rather, it is a tool designed to help decision-makers see local economic activity as a comprehensive system that is both logically consistent and statistically valid. The baseline can then be used as a tool to estimate the direct and total effects of numerous expected changes. The model does not account for changes due to the national business cycle or other macroeconomic effects.
About the Show Me Model

The Show Me model uses statistically estimated relationships to project changes in economic, social, and fiscal conditions for Missouri counties under alternative economic conditions or scenarios. The model considers the effects of changes in employment, labor force, property tax base, personal income, retail sales, and demographics. Show Me model projects changes in population, commuting patterns, unemployment, tax revenues, and county expenditures. The heart of the model is a series of labor market relationships—the demand for workers (local and nearby jobs), and the supply of workers (local and external labor forces). The labor market model allocates all members of the available labor force between local jobs, external jobs, and unemployment. The fiscal relationships are based on cross-sectional data obtained from county governments. The model measures: 1) the costs of providing public services, 2) the demand for public services, and 3) the size of the local tax base. Together these estimates of public costs and revenues lead to forecasts of changes in fiscal deficits or surpluses. The Show Me model, based on statistical relationships, generates 10 years of annual projections for a multitude of economic, fiscal, and demographic indicators. The projections are also shown in a series of graphs for ease of interpretation.

By employing the Show Me model, alternative scenarios can be compared to baseline projections. Baselines are typically 10-year projections that assume no changes in policy or economic trends in the community. Scenarios, on the other hand, reflect a shock (a real or a hypothetical one) that is expected in the local growth rates of independent variables (employment, external labor force, external employment and total personal income) for the last several years. Baseline projections are developed collaboratively with residents of the community. The basic assumptions underlying baselines and scenarios are commonly generated from sources outside the Show Me model. Trend analysis is often used to make preliminary estimates of baselines. Input-output models such as IMPLAN are frequently used to generate estimates of total employment and income changes associated with certain scenarios.

Report Outline

Findings in this report are discussed in three separate sections. The first section describes future socio-demographic and economic conditions in Mercer County with no major changes. The second section reports related fiscal implications for county government under these conditions. The third section lists prioritized issues that might require further attention, in order to make Mercer County a nice place to work, live and grow, providing high overall quality of life for its citizens.
Brief Description of County’s Economic Conditions

Mercer County is situated in the north-central part of the State. It is bounded by Putnam, Sullivan, Grundy and Harrison Counties, as well as by one Iowa County, Decatur. Mercer County received its name from General Hugh Mercer, of Revolutionary fame. The County was organized on February 14, 1845.

The economy of Mercer County has been that of a typical rural Missouri economy based on production agriculture. This meant that for much of the 20th century the population was declining as young people went to other places to receive education and training. Because of few career opportunities, many talented people left the County. This was fairly common in North Missouri.

The farm crisis and droughts of the late 1980s took a heavy toll in Mercer County. In 1982 the average value for land and buildings per acre was $614 and by 1988 had fallen to $430. The population continued to drop and in the late 1980s, the community institutions of the County began to evaporate. The sale barn closed. At Christmas of 1988 the local bank in Princeton closed. A few months later the Mercer bank closed. The Princeton high school had deteriorated so much that the State threatened to close it. Only then did the community raise funds to replace the failing structure.

By the opening of the 1990s, the local economy and social structures were badly eroded. People had to travel some distance to meet the most basic needs. As people came into the habit of doing this, it created a harder atmosphere for a prospective business to be successful in.

In the early 1990s, Premium Standard Farms (PSF) brought their swine operation to Mercer County. This company was looking for cheap land, available labor with agricultural background, and access to grain for feed. Mercer County met all of the above requirements, and PSF have been a good fit. The operation provides about 700 jobs in Mercer County alone (PSF is a three county operation), and these jobs have full benefits. PSF pays about $890,000 in taxes each year.

At the same time (in the early 90s), the population began to turn around and people returned to Mercer County for the first time in many decades. The County’s assessed evaluation increased from $27 million in 1992 to more than $50 million in 2000. Local budgets have stabilized and people are working at jobs that provide benefits.

In 2001, a farm equipment dealer in Mercer County, Henley’s Implements that had been operating in the County for a very long time, closed down. As a result, there were 18 jobs lost. The closure did have a negative effect on County revenues, and caused people to drive further to get the needed equipment.

Currently Mercer County has some stability in its fiscal planning but the strains are very real. People are still driving long distances to work and to purchase items of daily use. The

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2 This section is largely based on the information generously provided by Dean Larkin, Community Development Specialist, UO/E.
3 Source: Encyclopedia of the History of Missouri.
population has leveled off at just under 4,000 persons and it is a very rural population, as over 60 percent of County residents live outside incorporated areas.

Regional economic development brings both opportunities and challenges. As future population and income levels in the County increase, this will lead to new demands for both public and private sectors. For example, as the number of housing starts in the countryside rise, it will place new pressures on water and sewage treatment systems. Local governments will need to play a more active role in developing public infrastructure as part of the overall economic development to assure drinking water quality, sufficient law enforcement, and adequate transportation system, among other things, for Mercer County residents in the 21st century.
I. Demographics and Economics

The following population figure can help citizens understand trends in their community that can be used to analyze future service needs for County’s population. Mercer County has a very small population base. In fact, for the year 2000, it had the second smallest population in the State of Missouri, preceded only by Worth County whose population was 2,382 persons. Moreover, Mercer had the second smallest population in the State during the entire last decade. As a rule, revenues from sales taxes, and from fees in general, tend to correlate with the county’s population. Therefore, counties with a small population base continue to face a major financial problem because the resources of these counties are often insufficient to provide adequate, minimal standards of public services compared with places with a larger population base. These counties might also find themselves in worse financial condition in the future if their population and income continue to decline.

Figure 1. Population, 1990-2010
Mercer County

Mercer County is scarcely populated: in 2000, there were 8.3 persons per square mile in the County, vs. 80.3 persons per square mile in the State of Missouri, as a whole. As was mentioned earlier, much of County’s population currently lives outside of incorporated areas. The Advisory Panel mentioned aging population as being one of the issues faced by the County. According to Census 2000, the median age in the County is 42 years, vs. 36 years for the State of Missouri.

In the current baseline, county population increases from 3,757 to 3,905 persons between 2000 and 2010 – an annual growth rate of 0.4 percent. For comparison, the average annual population growth rate for the State of Missouri is 0.77 percent since 1990. Figure 1 illustrates the population change in the County since 1990. The County experienced rapid population growth in the first half of the 1990s: between the years 1991 and 1995, it grew by
almost 11 percent. This growth was partially attributable to Premium Standard Farms (PSF) moving into the area. However, the County experienced a steady decline in population after 1995, virtually reaching its 1992 level in 2000. This trend in population decline can be partially explained by the saturation of jobs at the PSF, as well as the availability of jobs at the processing plant in the neighboring Sullivan County, that became operational at about that time. The model generates a moderate decline of County’s population in the first two years of the projection (by approximately 0.9 percent annually), followed by a moderate growth through 2010.

As was pointed out by one of the Advisory Panel’s participants, Mercer County has the highest suicide rate in the State of Missouri.

Missouri Department of Health\(^4\) reports the suicide numbers between 1988-1998, both age-adjusted (as defined in Appendix) and unadjusted. When the suicide numbers (the sum over the period between 1988 – 1998, as considered by the Health Department) are age-adjusted, then Mercer does have the highest suicide rate of 40.3 in the State, with the State average being 12.6. The same is true for the unadjusted numbers when one considers the sum of suicides between 1990 and 1998. In this case, Mercer has 4.6 suicides per 10,000 persons, whereas Missouri has 1.4 suicides per 10,000 persons, with Worth County having no suicides for the entire 9-year period.

If we consider the unadjusted numbers for the most recent year (1998), Mercer County is within the highest quintile (highest 20%, or highest 23 counties), but it does NOT have the highest suicide rate in the State.\(^5\) More specifically, in 1998, Mercer had 14\(^{th}\) highest rate of suicide among all Missouri counties (with 2.5 suicides per 10,000 persons vs. 1.27 suicides per 10,000 persons in the State of Missouri), with Carter having the highest rate of suicide, and 18 counties having no suicides for this year.

\(^4\) [http://www.health.state.mo.us/GLRequest/AARate.html](http://www.health.state.mo.us/GLRequest/AARate.html)

\(^5\) By rate, we mean the number of suicides per so many persons, in this case, per 10,000 persons.
Figure 2 depicts Mercer County’s suicide rate vs. that of the State of Missouri for years 1990-98. We used non-adjusted data for the graph, since it seems to be less confusing and easier to interpret. However, the fact that both the adjusted and non-adjusted suicide rates for Mercer County over the years 1990-1998 are the biggest in the State is troublesome, and does indicate a problem. On the other hand, the leading cause of death in Mercer County is heart disease.6

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6 The leading causes of death in each county are also listed on MO Dept. of Health’s website.
We also examined the two population groups that are generally not part of the labor force: young persons in the County (people 16 and younger), as well as older population (persons 65 and above). The young people usually do not make moving/allocation decisions themselves, but rather follow their families. The older part of the population typically constitutes retirees who may, and often do, have a profound effect on the County’s economy.

Figure 3 illustrates the change in persons 16 years and younger in the County between 1990 and 2010. In examining the actual data for this segment of the population, one can notice, that it was growing rapidly between 1990 and 1995, mimicking the total population graph, after which it declined, but produced another spike in 1999. The number of “young” people in the County did decline again between 1999 and 2000 by 4.3 percent. In the current baseline, “young” population in the County is expected to increase from 864 to 901 persons between 2000 and 2010 – a modest annual growth rate of 0.4 percent.
Figure 4 represents the changes in persons 65 years and older in the County between 1990 and 2010. In examining the actual data for this segment of the population, one can notice, that unlike the previous two graphs, it experienced a continuous decline between 1990 and 1994 (by approximately 2.2 percent per year), after which it reversed the trend, experiencing moderate growth up to 1998. However, between the years 1998 and 1999, the number of “old” people in the County declined by 7 percent. In the current baseline, the “older” population in the County is expected to experience a very small growth from 827 to 850 persons between 2000 and 2010 – an annual growth rate of 0.3 percent.
The largest segment of the population in Mercer County are people between the ages of 35 and 54: they comprised 28% of total population in 2000 (Figure 5). It is also the fastest growing segment of the population: between the years 1990 and 2000, it grew by 32 percent (see Figure 6). Interestingly, three age cohorts, 25-34, 55-64 and 65-84 years of age, actually experienced a sizable negative growth between 1990 and 2000 (by 22, 13.5 and 17 percent, respectively).
If the actual population grows through the baseline period as expected, this growth will lead to increased demands for health services, higher and continuing education, and family and senior adult recreation activities.
Figure 7 shows the projected growth in school enrollment, corresponding to the population trends in school age children. Actual school enrollment in Mercer County grew at an average annual rate of 3.3 percent between the years 1990 and 1996, due to in-migration, after which it leveled off up to 1998. School enrollment decreased by almost 7 percent between the years 1998 and 1999. The projected growth rate in school enrollment is 0.4 percent per year, leading to an absolute change of 26 pupils over the next 10 years.

There was also an interest from the Advisory Panel in examining the ranking of Mercer County in the Kids Count. From OSEDA’s (Office for Social and Economic Data Analysis) website (http://oseda.missouri.edu/kidscout/00), Mercer ranked number 71 in the composite county ranking (with rank of 1 being the best, and 115 – the worst) for year 2000. Whereas it is much lower than its ranking of #58 in 1995, it is an improvement over its ranking in the last 4 years when Mercer ranked #111 in 1996 and #104 in 1999. Mercer’s ranking further improved in 2001, when it went up to number 28.
Upon analyzing the outcome measures\(^7\) for Mercer County, we note that the child abuse/neglect; highschool dropouts, birth to mothers with under 12 years of education and birth to teenagers have increased from 1996 to 2000. Likewise, upon comparing the two 5-year periods (1991-1995 and 1996-2000), the number of violent deaths (for children of ages 15-19) has increased between these two periods. At the same time, the number of infant deaths and child death ages 1-14 have considerably decreased between the two time periods.\(^8\)

Similarly, upon examining the key factors for Mercer County, note that percent of children in poverty has decreased from 28 to 19 percent between 1995 and 1997. Likewise, highschool graduation rate has increased from 86 percent in 1996 to 91 percent in 2000. The number of children receiving public mental health services for serious emotional disorders decreased by 31 percent in the same time period. At the same time, in 2000, number of children receiving subsidized child care was 6.5 times higher than its 1996 level. Percent of children in single parent families doubled between 1990 and 2000. There was also a considerable increase in the percentage of parents paying child support in the system (between years 1996 and 2000). Public clinic immunization rate between 1996 and 2000 declined from 100 to 83 percent, whereas the percentage of children with elevated blood lead levels increased from 0 percent in 1997 to 22 percent in 2000.

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\(^7\) Outcome measures are 10 measures of the overall well-being of children (OSEDA).

\(^8\) For several measures, including infant death and teen violent death, five years of data is aggregated. This is because in many small and, especially, rural MO communities, births and deaths happen infrequently, thus causing the rates fluctuate widely over time. Considering 5 years of data instead of 1 year stabilizes the rates (OSEDA).
Housing was also mentioned by the Advisory Panel as one of the issues faced by the County.

According to Census 2000, there are 2.5 persons per household in the State of Missouri. Figure 8 represents the projected demand for housing for years 2001 – 2010. The demand for housing in Mercer County is expected to increase by 59 housing units over the 10 years of the projection, at an average annual rate of 0.4 percent. Housing projection follows that of the population.
Workforce Characteristics

Workforce characteristics include the labor force, employment and unemployment levels, and commuting patterns.

Figure 9. Labor Force, 1990-2010
Mercer County

Figure 9 illustrates expected growth in the civilian labor force – the number of adults who live in the County and are now either gainfully employed or actively seeking work. Between 1990 and 1995, actual labor force in Mercer County grew substantially (by 731 persons, or 49 percent), following national trend of increased labor force participation, as well as reflecting the hiring of Premium Standard Farms. However, between the years 1995 and 2000, County’s labor force decreased by 32 percent, with 22 percent reduction between the years 1996 and 1997 alone. This reduction was partially due to the saturation of jobs at the PSF, as well as the availability of jobs at the processing plant in the neighboring Sullivan County, that became operational at about that time. In this baseline, the labor force is expected to increase from 1,497 persons in 2000 to 1,578 persons in 2010, representing a modest 0.5 percent annual growth. This increase is composed of growth in both local labor force and number of incommuters.
There are 3 major employers in the County: Premium Standard Farms, Grand River phone company and County government. Premium Standard Farms alone account for about 700 in the County. Figure 10 represents employment by workplace, i.e., the number of jobs located in the county. Between the years 1991 and 1997, Mercer County’s employment experienced rapid growth of approximately 73 percent, or about 12 percent annually, reflecting moving of Premium Standard Farms into the County. However, between the years 1997 and 2000, County’s employment declined by almost 16 percent (or by around 5 percent annually), with 2000 employment being 462 jobs smaller than its 1997 level. This change in employment behavior was partly attributable to the slow-down in the national economy in year 2000, and partly – to the limitations within the swine industry.

After considerable discussion, members of the community Advisory Panel concluded that the future rate of employment growth would be somewhat higher than the current one. More specifically, the Advisory Panel decided that it is reasonable to expect the employment variable to continue to decline for the first years of the projection at a rate of −0.82 percent per year, and then – to begin grow slowly at an annual rate of 0.125 percent. Thus, for an overall projection, employment is expected to decrease at a rate of −0.1 percent per year through 2010, i.e., losing 16 jobs by 2010 over its 2000 level. The Advisory Panel does not foresee any major changes in the current composition of County employers in the future, except for maybe, small retailers that might move into the area.

Our data for employment variable comes from the Missouri Department of Labor and Industrial Relations, and Bureau of Economic Analysis, REIS. There are a couple of points worth mentioning with regards to data interpretation:

1. Employment by workplace is the number of jobs in the community, regardless of who is taking those jobs – local residents or in-commuters. This is in contrast to employment by residence that represents the number of community residents who

Source: Missouri Department of Labor and Industrial Relations and Bureau of Economic Analysis, REIS.
Note: 1. Employment data reported by REIS includes both full- and part-time jobs.
2. Employment data reported by MO Dept of Ec. Development uses different methodology. In particular, their employment data equals to Labor Force - Unemployment (i.e., it already accounts for the net commuting).
are currently employed, regardless of where they hold jobs – in their own community or outside its boundaries;

2. Employment data by workplace reported by REIS includes both full- and part-time jobs. Therefore, REIS data for employment tend to overestimate actual employment since it does not report employment in FTE (full time equivalent). It therefore represents number of jobs, not number of people;

3. REIS data is different from employment by residence data reported by Missouri Department of Economic Development (as well as by 'Missouri Works!' website). In particular, employment by residence data from Missouri Department of Economic Development is equal to Labor Force - Unemployment (i.e., it already accounts for the net commuting); and, finally,

4. In our model, we explicitly consider commuters, rather than implicitly accounting for net commuters, i.e. we use the following identity: Labor Force = Employment (by workplace) + Unemployment + Outcommuters – Incommuters.

**Figure 11. Employment by Workplace, 2000**
**Mercer vs. Adjacent Counties**

Figure 11 compares employment by workplace in Mercer vs. adjacent counties (i.e., counties bordering Mercer) for year 2000. Grundy County clearly provides the highest number of jobs held in the area, followed by Harrison and Sullivan Counties. Mercer, on the other hand, has the smallest number of jobs in the area.
Figure 12 represents employment by major industry in Mercer County for years 1990 and 2000. As evident from the graph, for those sectors that do not have disclosure issue, farm and non-farm proprietors are the two sectors that provide the largest number of jobs in the County. In fact, the number of farming operators in the County is 247, with average farm operator being 54.6 years.

On the other hand, F.I.R.E (Finance, Insurance and Real Estate), wholesale and transportation sectors provide the smallest number of jobs in the County. Nationally, employment is now growing fastest in the services and retail trade sectors.

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9 A sole proprietorship is an unincorporated business owned by a person. A partnership is an unincorporated business association of two or more partners. A tax-exempt cooperative is a nonprofit business organization that is collectively owned by its members.

Farm proprietors' income consists of the income that is received by the sole proprietorships and the partnerships that operate farms. It excludes the income that is received by corporate farms.

10 Data came from MO ag. statistics service website, www.mda.state.mo.us
Figure 13 shows the number of unemployed adults in the Mercer County labor force. From the actual data, County's unemployment seems to fluctuate from year to year between 1990 and 1997, widening the range of fluctuation over time (with peaks in 1991, 93 and 95). High unemployment during 1993 was occurring throughout the state. Between 1995 and 1997, the unemployment decreased by 46 percent. After 1997, the level of unemployment in the County stabilized, slightly decreasing between 1997 and 2000 by less than 3 percent annually. According to the Missouri Department of Economic Development, the annual unemployment rate in the base year (2000) in Mercer County was slightly lower than that in the State as a whole (3.3 vs. 3.5 percent, respectively). It was even lower for 2001: 3.1 percent for Mercer vs. 4.7 percent for the State. The number of unemployed persons is expected to remain virtually the same in the next ten years, growing at an annual average rate of 0.2 percent.

For years 1990 – 2000, actual unemployment in the County fluctuated between 91 and 45 persons. Since the base is so small, the rate of change from year to year for this variable is highly unstable, fluctuating widely over time.
Figure 14 represents expected changes in the number of commuters. Incommuters are people who live outside of the county, but whose place of employment is within the county. Outcommuters are residents of Mercer County who work outside of the county. Commuting patterns in the County changed tremendously since 1990. In particular, in 2000, incommuting increased more than 9 times, and outcommuting - 2.2 times over their respective 1990 levels. Projections on commuting patterns are especially important in estimating changes in retail sales. In the baseline, incommuting experiences a very modest growth of 0.3 percent annually through 2010. Incommuters are expected to take up a significant portion of County employment (around 27 percent in both 2000 and 2010), primarily because of Premium Standard farms located in the County that draws people to work from other counties. Outcommuting is expected to grow at an average of 1.5 percent per year over the years of the projection. Outcommuting affects employment by residence, resulting in different behavior.

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12 At the time when this report was written, Census 2000 data on commuting was not yet released. Therefore, we used our own projections for in- and out-commuting between the years 1990 and 2000.
Income Characteristics

Figure 15. Real Per Capita Income, 1990-2010
Mercer County (real 2000 dollars)

Note: 2000 data for per capita income are projected numbers, since the actual numbers for 2000 have not been released.
Source: Bureau of Economic Analysis REIS
Analysis by CPAC

Figure 15 shows a very small increase of 0.3 percent in Mercer County’s real per capita income for the next ten years. Thus, Mercer’s per capita income will fall even farther behind the expected per capita income for the State of Missouri. Note, that for the actual portion of the data, the per capita income in the County is much smaller than that of the State ($15,240 vs. $27,500 state average in 2000, which comprises a mere 55 percent of the state level), and the gap is expected to increase for the years of the projection. As mentioned previously, all dollar figures are standardized to 2000 dollars to discount any changes in income caused by inflation.

Income measures are an important part of community’s profile. Changes in income can give important indications about the well being of the community. The per capita income indicator is often used to measure both local quality of life and productivity growth in a local economy. The Community Advisory Panel selected the per capita income growth rates after considerable discussion: -1.52 percent for the first two years, and 0.75 percent – for the remaining years of the projection. Typically, real per capita income growth of one percent per year is considered desirable in most areas. In the baseline period, real per capita income (i.e., per capita income adjusted for inflation) grows at an annual average growth rate of 0.3 percent, falling behind the desirable one percent figure. If the growth rate included inflation (i.e., if it were given in nominal terms), the rate would be higher. For example, if inflation were measured at 2 percent per year, the nominal per capita income growth would be 2.3 percent.
Figure 16 shows Mercer County’s total personal income (in 2000 dollars) growing through the projection period at an average rate of 0.7 percent annually. This slow growth is the result of the slow growth in both population and real per capita income in the County. The total income in the County has several peaks in the actual data – in the years 1992, 1994-95 and 1997, corresponding to those in per capita income data. Just like with the per capita income, the total income in the County has decreased between the years 1997 and 2000, amounting to a 14 percent decline. After some discussion, the Advisory Panel concluded that the income graphs reflected the following event:

PSF (Premium Standard Farm) was bought by an international company “Continental” in May of 1998. As a result, 8 to 12 executive (high-paying) jobs were moved to Kansas City. However, for total personal income, the decline was from $71,040,000 in 1997 to $64,348,000 in 1999, which amounts to almost $7,000,000 difference. Assuming that the executives earned around $100K each, that would be about $1,000,000. Since the decline is more than this, the loss of several executive jobs does not seem to explain the entire picture. On per capita level, the income in Mercer County declined from $17,764 in 1997 to $16,266 in 1999, which represents around $1,500 difference.
Figure 17. Total Transfer Payments and Retirement & Disability Insurance Benefit Payments
Mercer County (2000 Dollars)

Transfer payments to retirees are a large portion of their total income in the County. For example, between the years 1990 and 2000, transfer payments to retirees comprised between 54 and 45 percent of total transfer payments and between 14 and 10 percent of total personal income in the County. At the same time, transfer payments themselves comprised around 24-29 percent of the total personal income in the County for the years 1990 – 2000. This is somewhat higher than the corresponding 13-15 percent for the State of Missouri as a whole.

Source: Bureau of Economic Analysis REIS
Analysis by CPAC
There has been a lot of publicity about farm payments lately. Figure 18 depicts total cash receipts from marketing and other farm income between the years 1990 and 1999.

Governmental payments to farmers, and especially CRP (conservation reserve program) are a relatively important source of Mercer County’s income. Between 1990 and 1999, governmental payments to farmers comprised anywhere between 9 and 5 percent of total personal income in Mercer County. At the same time, these payments comprised anywhere between 14 and 2 percent of total cash receipts and other income for farmers. This wide range is explained by the fact that the total amount of governmental payments in the County stayed fairly constant between 1990 and 1999, but due to a sizable increase in cash receipts from livestock starting with 1993 (and continuing up to 1997), governmental payments as a percent of total farm income experienced a drastic decline. In 1998 and 1999, cash receipts from livestock decreased, but not enough to offset the increase in receipts of the previous years.

Figure 18. Farm income: Total Cash Receipts and Other Income 1990-2000
Mercer County (2000 Dollars)

Note: Total cash receipts from marketings = cash receipts (livestock and products) + cash receipts (crops); Other income = government payments + miscellaneous income; Total cash receipts and other income are used in the derivation of farm labor and proprietors' income. In particular, Total farm labor and proprietors' income = total cash receipts and other income - total production expenses + inventory change - net income of corporate farms + statistical adjustment + farm wages + farm other labor income.
Source: Bureau of Economic Analysis
Analysis by CPAC

Payments to farmers are not called “transfers”, but rather “government payments”. For a complete definition of various parts of personal income, see Appendix.

Another website, MO Dept of Agriculture, [www.mda.state.mo.us](http://www.mda.state.mo.us) publishes MO farm facts based on data from USDA. On this website, the ratio of cash receipts from crop to those from livestock might differ from those reported by BEA. For example, on the state level, the MO Dept of Agriculture website shows that the receipts from crops and from livestock are about the same. It is important to note that the concepts underlying the USDA national and State estimates of farm income are generally the same as those underlying the BEA estimates of farm income. However, the USDA estimates of farm income include the income of corporate farms, whereas those of BEA do not. Moreover, the USDA measures of depreciation differ from the BEA measures.
On the EWG website, the total USDA subsidies are broken down into three main categories: farming subsidies, conservation programs and disaster payments. The three categories are in turn broken down into more detailed payment categories. The thing to keep in mind is that some farmers have farms located in more than one county, and therefore, receive subsidies in more than one county. The subsidy amounts listed for Mercer County are ONLY for farms located in the County. According to EWG, between years 1996 and 2000, the top 10% of farm subsidy recipients in Mercer County were paid 50% of all USDA subsidies. This is in accord with the state-wide trend, where “10% of the biggest (and most profitable) subsidized crop producers absorbed two-thirds of all subsidies, averaging $39,864 in annual payments. The bottom 80 percent of those eligible saw only $1,089 on average per year. Two-thirds of all farmers and ranchers were completely ineligible” (EWG). In general, the larger the farm gets, the more subsidies it can receive. This is because the cap for federal subsidies is very high (The Economist, December 15th 2001). For example, from 1996 through 2000, the 2 recipients in Mercer County who were paid an average of $50,000 or more per year received a total of $812,338.

Figure 19 examines the composition of total USDA subsidies for farms in Mercer County for years 1996-2000. USDA subsidies for farms in Mercer County totaled $20,920,751 between
the years 1996 and 2000. Whereas the amount of payments for conservation programs stayed more or less the same between 1996 and 2000 (around $2.5 million dollars per year, in 2000 dollars), the conservation dollars as a portion of total USDA payments declined in the last several years, due to an increase in payments to farm subsidies (from 25 percent of total USDA payments in 1996 to 52 percent in 2000). Similarly, whereas there were no disaster payments in the County for year 1998, the disaster payments comprised 1.8 and 1.5 percent of total USDA payments in 1999 and 2000, respectively. The receipt of disaster payments in 1999 and 2000 was due to very dry summers that precluded the farmers from getting any crop during harvesting season; and in some cases, the crop did not even come out.

Figure 20. USDA Subsidies for Farms
Number of Recipients, 1996-2000
Mercer County

Figure 20 depicts the number of farm recipients by type of USDA payments for the same time period. The largest number of recipients in the County is that of farm subsidies. The number of these recipients increased by over 11 percent between 1996 and 2000. The number of recipients of conservation payments declined somewhat between 1996 and 1997, but remained fairly constant thereafter.
II. Fiscal Characteristics

Services in Mercer County are funded primarily through property taxes, sales taxes and intergovernmental revenues, with intergovernmental revenues comprising almost 69 percent of total County revenues (in year 2000). Because of their direct link to the county financial statement, knowing the total assessed property value and retail sales levels in the county can play an important role in the planning process.

Figure 21. Assessed Property Values, 1990-2010
Mercer County (2000 Dollars)

Source: University of Missouri Economic and Policy Analysis Research Center, Missouri State Tax Commission
Note: Data for Property Values include real and personal property, and utilities.
Analysis by CPAC

Figure 21 represents the value of assessed real and personal property in the County. Between 1991 and 1995, assessed property value in the County grew by 62 percent. The increases in property values in 1991 through 1995 are partially attributable to the PSF and its influence on the local economy. Between 2000 and 2010, assessed property value is expected to virtually stay the same, experiencing a meager increase of 0.1 percent annually. The increased valuation is projected as if the reassessment were to take place each year. Actual assessed valuation will vary according to the assessment process. Property reassessment in Mercer County takes place every two years.
Figure 22 represents the actual and anticipated levels of taxable retail sales in Mercer County, measured in 2000 dollars. A spike in retail sales in 1994 reflects the constructors’ lunches and increase in gas purchases due to expansion of Premium Standard Farms. In fact, in 1994, retail sales in the County were 2.1 times larger than their 1990 level.

Over the next 10 years, taxable sales in the County are expected to grow at a small annual rate of 0.6 percent. Changes in employment and population size, changes in commuting patterns, and growth in personal income all contribute to changes in retail sales.

One should keep in mind that nationally, taxable retail sales are a declining portion of personal income, because more and more people spend more money on non-taxable sales, such as services and Internet sales.

such as legal, health, personal services, etc.
Figure 23 represents the actual as well as the expected growth in both total revenue and total demand for expenditures for Mercer County government in 2000 dollars. Total revenue (i.e., revenue from county property tax, sales tax, charges, licenses and fees, as well as from intergovernmental transfers, and other revenues) is expected to decline at an annual rate of –1.1 percent over the next decade. At the same time, total demand for county expenditures is expected to grow annually at a very small, but positive, rate of 0.4 percent. If the actual County revenues and expenditures behave as projected, the revenues will fall $298,000 short of the demand for public goods and services in the County in 2010.

As demonstrated by the graph, total actual county expenditures exceed the county revenues in several years (including the base year 2000 - by $22,000). By Missouri law, the county is not authorized to spend more than it takes in over time. However, for the years of the projection, the county revenues are expected to fall behind the demand for locally provided public goods and services. This gap can be at least partially explained by the effect of the nation-wide recession of 2000, worsened by September 11th events. Thus, the growth in demand for services – particularly to insure public safety – suggests that county government will be challenged in the future to deliver public services more efficiently, as well as to generate new sources of government revenues. It is important to note that many of the investments needed to serve a growing population base, such as expansion for schools, and water and sewer infrastructure, are managed by other local government jurisdictions.
The property taxes, as well as sales taxes contribute a relatively small portion to the County revenues (11 percent and 14 percent, respectively, in 2000). At the same time, for year 2000, intergovernmental revenues constitute almost 69 percent of total County revenues. In fact, except for the year 1993, intergovernmental revenues have always comprised more than 50 percent of total County revenues. In year 2000, there was a total of 18 Missouri counties including Mercer whose intergovernmental revenues comprised 50 or more percent of the total county revenues.

On the graph, intergovernmental revenues for Mercer County appear to be rather volatile, changing by as much as 94 percent and more from year to year. However, as a percentage of total revenues, the intergovernmental revenues staid fairly constant over time. Thus, Mercer County relies heavily on transfers it receives from the State and the Federal Government, which might constitute a problem, as the process of devolution – the shifting of responsibilities from federal to the lower levels of government – continues to evolve over time.

While U.S. federal government continues to represent a single powerful bureaucratic force that develops guidelines for state and local government operations, it does show certain signs of devolution (Loveridge). For example, federal civilian employment declined by eight percent between 1991 and 1996 (Swenson). At the end of the 1970s, the federal government was financing 25% of local and state services. By fiscal year 1989, however, federal funds have diminished to 16% (Hyman). Even though federal aid to state and local governments has been steadily increasing between 1990 and 1996, it never reached the peak level of 1970s. Likewise, the nature of federal funding has recently changed. Namely, starting in the 1980s, federal aid has shifted from program grants to direct aid to individuals,
especially aid for medical care for the poor. Moreover, states often exercise their constitutional power over local policies and taxes to shift fiscal burdens to local governments (OECD).

In recent years, state and local governments have assumed increasing obligations for providing public goods and services as devolution has gained ground. As Hyman notes, the effects of devolution have been especially pronounced in the areas of education and infrastructure. The federal government has been steadily relinquishing its control over these areas, ceding these responsibilities to state and local governments. Among the major factors that are enabling state and local governments to assume their new role are widespread usage of computers on the local level, globalization of the economy, sustained economic growth in the ‘90s and increased environmental awareness.

Such a fluid environment of changing demands on local governments impacts the way community governances operate in order to achieve the specific goals that their communities might have in mind for present and future development.

For the baseline, intergovernmental revenues for Mercer County are projected to grow at a modest rate of 0.2 percent per year between 2001 and 2010.
III. Issues for the Future of Mercer County

During the first meeting of the Advisory Panel, county business and community leaders were asked to identify and rank the most important public issues for the next several years for the county.

After considerable discussion, three broad issues were selected and ranked in order of importance. Of course, opinions of other county residents may vary, but participants at this meeting reached a strong consensus on the issues.

The overall priorities and the key concerns of the group are listed below. These issues can be further examined by generating scenarios and comparing the results of these scenarios to the constructed baseline (see “Scenario Development” section for more details).

Priority Issues in Order of Importance

1. Demographics
   - The aged population in the County is dying off
   - Much of Mercer’s economy is transfer payments
   - Can our population support the services we need?
   - Potential influx of Hispanic population
   - Day care issues

2. Housing
   - Type (i.e., renter- vs. owner-occupied; apartment buildings, transitional homes, mobile homes, houses, etc.)
   - Affordability (as well as decency and safety)
   - Location

3. Production
   - Is commercial production agriculture a thing of the past?
   - Availability of health insurance
   - Where will our young people work?
Scenario Development

By employing the Show Me Model, alternative scenarios can be compared to baseline projections. Baselines are ten-year projections that assume no changes in policy or economic trends in the community. Scenarios, on the other hand, reflect a shock (a real or a hypothetical one) that is expected in the local growth rates of independent variables (employment, external labor force, external employment and total personal income) for the last several years. Scenarios incorporate the natural growth rate of a baseline when no changes occur and the changes caused by a shock or multiple shocks that are introduced to the economy. Not unlike the baselines, scenarios are also developed collaboratively with residents of the community. Scenarios can be created to model the changes that may be occurring in the local economy. Questions such as: “Something just happened or is about to happen in our community…what does it mean?” or “How important is this industry to our economy?” are the most common questions answered with the creation of a scenario. This process of examining the impact of various policy choices, or “what-if scenarios” provides a valuable method for community residents to understand the consequences of current trends and alternative policies.

Scenarios are commonly generated from sources outside the Show Me Model. Input-output models such as IMPLAN are frequently used to generate estimates of total employment and income changes associated with certain scenarios. Other information sources are used to provide context for the scenario being created. Once a scenario is created, the employment and income impacts are used as inputs into the baseline model, creating new projections for the economic, socio-demographic, and fiscal variables included in the model. On the graphs generated by the model, two lines would exist for each variable – one representing the level of the variable with the change, and one – without a change. This method of analyzing the consequences of changes (by comparing what would happen with and without the change) helps inform local government leaders, business people, and citizens about the consequences of decisions.
Appendix

Definition of Age Adjustment

As defined by the Health Department, “age adjustment compensates for differences in populations’ age distribution. Age-adjusting the death rate is a way to make fairer comparisons between areas that may have very different age distributions. Each age-adjusted death rate in this report represents the rate that would have existed if the population in that area had been distributed by age the way the population of the United States was in 1940. Therefore, it is a sort of artificial number to be used only for the purpose of making comparisons with other rates adjusted to the same standard.

The age-adjusted death rate (AADR) is computed this way: The death rate in the area (county or state) is computed for each age group ("age-specific death rate" or "ASDR"). Each ASDR is then multiplied by the proportion of the population that was in that age group in 1940. Then the results are added up to get the age-adjusted death rate for the total population.”

Definition of Personal Income

From BEA website (http://www.bea.doc.gov/bea/regional/reis/):

Personal income = non-farm personal income + farm income =
earnings by place of work – personal contribution for social insurance + adjustment for
residence factor + dividends, interest and rent + transfer payments;

where earnings by place of work = wages and salaries + other labor income + total
proprietors’ income (which is equal to farm- and non-farm proprietors’ income).

Similarly, transfer payments include government payments to individuals and business
payments to individuals (such as personal injury payments to individuals other than
employees).

In turn, government payments to individuals include Retirement & disability insurance
benefit payments (majority of which consists of old age survivors & disability insurance, and
workers’ compensation payments); medical payments; income maintenance benefit
payments (majority of which consists of supplemental security income, family assistance,
and food stamps); unemployment insurance benefit payments; veterans’ benefits; Federal
education and training assistance payments (excluding veterans); and other payments to
individuals.

Finally, farm income (aka total farm labor & proprietors’ income) consists of total cash
receipts from marketing, and other income (where “other” income includes government
payments, and imputed & misc. income) - total production expenses + value of inventory
change – net income of corporate farms + statistical adjustment + farm wages and other
labor income.
References


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16 References do not include data sources that were referenced throughout the report.
The Community Policy Analysis Center provides objective analysis and policy decision support for Missouri Communities. Located at the University of Missouri-Columbia, CPAC is part of the Social Sciences Unit of MU’s College of Agriculture, Food and Natural Resources. Significant funding for the Center is provided by University of Missouri Outreach and Extension.

CPAC scientists work closely with state and local government leaders, local businesses and community groups to provide research and educational programs that will inform key decisions, and assist them in understanding how policy decisions at all levels of government affect their community’s quality of life.

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