

# Cornhusker Economics

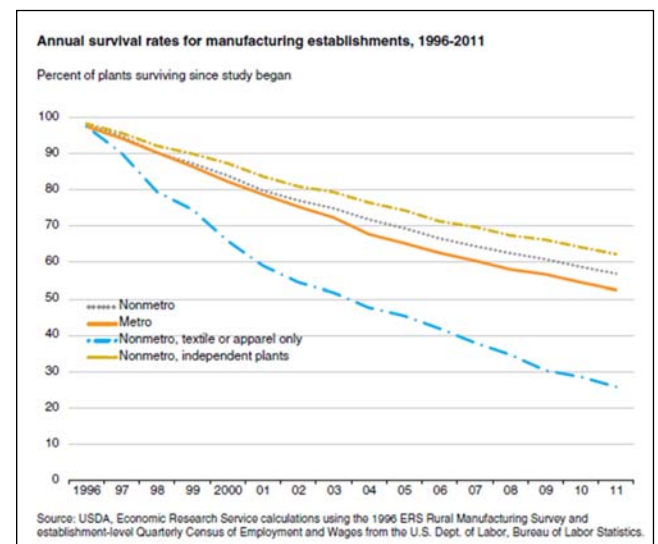
## Rural Manufacturing Factors Associated with Plant Survival

Market Report	Year Ago	4 Wks Ago	5-26-17
<b>Livestock and Products, Weekly Average</b>			
Nebraska Slaughter Steers, 35-65% Choice, Live Weight. . . . .	128.00	127.93	*
Nebraska Feeder Steers, Med. & Large Frame, 550-600 lb. . . . .	185.10	187.47	180.95
Nebraska Feeder Steers, Med. & Large Frame 750-800 lb. . . . .	154.80	155.41	158.50
Choice Boxed Beef, 600-750 lb. Carcass. . . . .	225.72	219.56	246.28
Western Corn Belt Base Hog Price Carcass, Negotiated . . . . .	75.23	57.50	71.31
Pork Carcass Cutout, 185 lb. Carcass 51-52% Lean. . . . .	82.89	73.65	89.11
Slaughter Lambs, woolled and shorn, 135-165 lb. National. . . . .	134.86	158.89	160.94
National Carcass Lamb Cutout FOB. . . . .	341.69	369.82	411.65
<b>Crops, Daily Spot Prices</b>			
Wheat, No. 1, H.W. Imperial, bu. . . . .	3.57	3.34	3.14
Corn, No. 2, Yellow Columbus, bu. . . . .	3.63	3.38	3.40
Soybeans, No. 1, Yellow Columbus, bu. . . . .	9.96	8.75	8.43
Grain Sorghum, No.2, Yellow Dorchester, cwt. . . . .	5.74	5.54	5.75
Oats, No. 2, Heavy Minneapolis, Mn, bu. . . . .	2.45	2.97	2.89
<b>Feed</b>			
Alfalfa, Large Square Bales, Good to Premium, RFV 160-185 Northeast Nebraska, ton. . . . .	168.00	131.72	136.25
Alfalfa, Large Rounds, Good Platte Valley, ton. . . . .	*	70.00	70.00
Grass Hay, Large Rounds, Good Nebraska, ton. . . . .	85.00	62.50	65.00
Dried Distillers Grains, 10% Moisture Nebraska Average. . . . .	130.00	104.25	103.50
Wet Distillers Grains, 65-70% Moisture Nebraska Average. . . . .	44.50	41.00	40.00
* No Market			

In a recent report from the USDA Economic Research Service, rural manufacturing resiliency was measured as it related to plant survival, from 1996-2011. The author, S. Low\*, makes the case that rural manufacturing is a critical piece of the rural economic pie. In 2011 nationally nonmetro/rural manufacturing employment was approximately equal to that of rural retail trade and the rural healthcare/social assistance sectors. These jobs are also considered to be relatively well-paying jobs and often include benefits.

U.S. manufacturing, regardless of the location, has been in employment decline for decades. In spite of that fact, it has become more productive over time as it strives to compete in the global marketplace.

A visual depiction of the annual survival rates of various categories of both metro and rural/nonmetro manufacturing plants, 1996-2011 is shown below:



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The good news story in plant survival that is represented in this graphic is that nonmetro, independent plants fared the best across all the segments identified. They outperformed nonmetro in general (included both independent and branch plants), metro plants, and finally nonmetro textile and apparel-only plants.

The study concluded that there were several factors that *positively impacted* rural manufacturing plant survival from 1996 to 2011. They included:

- Being an independent manufacturing plant versus being a part of a multi-branch organization.

You may be wondering... how can that be? There should be protection from economic highs and lows when a plant is connected to a larger organization but that did not show up in the research, in fact, the opposite was true. When further research was done it showed that multi-unit plants often had decisions made at headquarters and were based on the overall firm's standing across multiple sites. In contrast, independent plants were often multi-generational businesses with strong community ties.

- Being a smaller, under 100 employees, independent plant versus a larger, over 200 employee independent organization.
- Location – the Northeast and Midwest had the highest survival rate compared to other regions of the U.S.
- The type of manufacturing plant — textile mills and apparel manufacturing production survival rate was one of the lowest at 28.5% versus 57% for other overall sectors.

- Obtaining sufficient capital, regardless of whether you were an independent or multi-branch plant. If the plant saw this as a major problem, the plant was significantly less likely to survive versus plants seeing this as a minor issue or not a problem at all.

The author acknowledged that more research was needed to discover the relationship between forms of financial capital or programs promoting access to capital, especially traditional private sector opportunities versus governmental programs.

Taking a closer look at rural manufacturing especially the factors linked to plant survival, just makes good sense. It allows communities, businesses and policy-makers to get a better understanding of the conditions and situations that can help retain or even expand this important economic sector in rural America.

\*The complete report can be found at: [www.ers.usda.gov](http://www.ers.usda.gov)

#### Reference:

Low, Sarah A. Rural Manufacturing Resilience: Factors Associated with Plant Survival, 1996-2011, ERR-230, U.S. Department of Agriculture, Economic Research Service, May 2017.

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