
The Economic Effects of NRCS Conservation Spending in Utah

Using Multiplier Analysis to Evaluate the
Economic Impacts of NRCS Spending in Utah

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Multiplier Effects

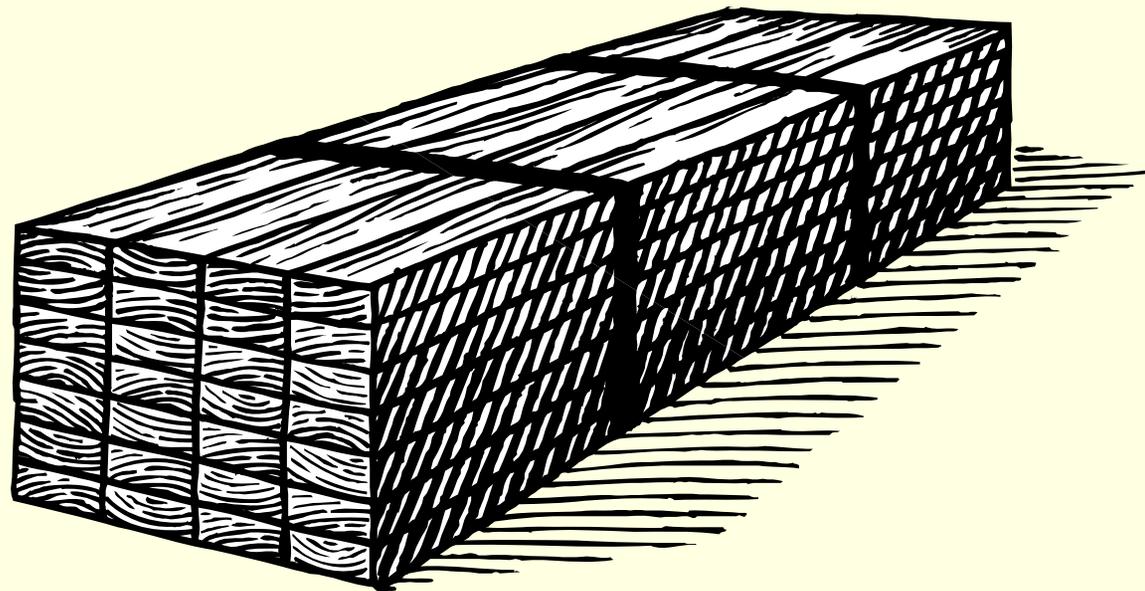
- What is a multiplier effect?
- Multipliers measure the number of times each dollar spent in a local, state, regional, or national economy gets re-circulated, or, in other words, re-spent, within that economy.



- When you pay for a good or service in your community, the money you spend doesn't usually end up being locked in someone's safe!



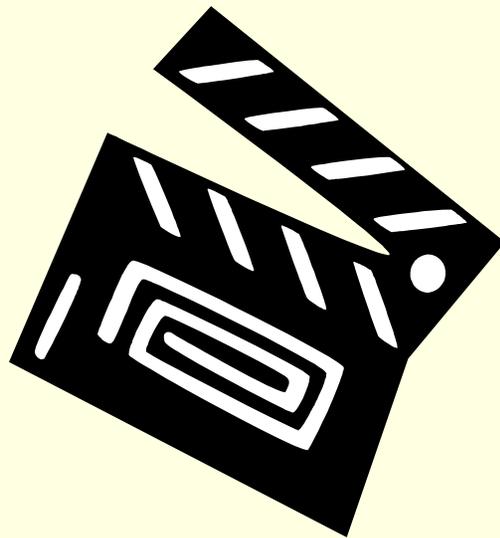
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- Let's say you buy some lumber from your local hardware store.



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- The owner of the hardware store uses some of the money you spent to pay his outside suppliers, but some of the money is also used to pay local wages to his employees and to pay profit to himself.

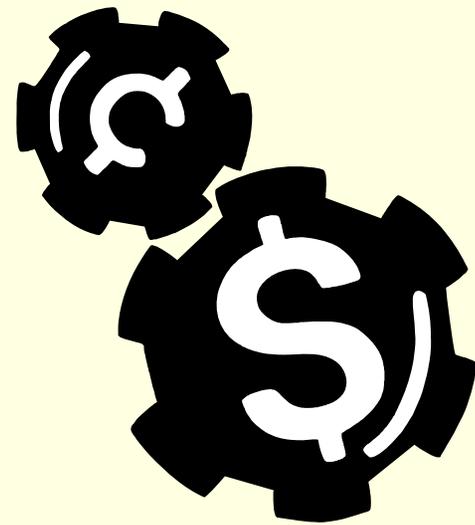


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- The money spent on wages and profit is then likely to be spent locally on things like rent, groceries, movies, and so on.



Spending Multipliers

- For every dollar of NRCS cost-share money spent on the final products of a given industry, the corresponding spending multiplier shows the total amount of economic activity (in dollars, including the original dollar spent) that is expected to be generated by that spending.



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- If a spending multiplier is equal to 1.88, this means that if 1,000 cost-share dollars are spent on the final goods produced by that industry sector, re-circulation of the money that was originally spent will generate an additional \$880 of economic activity within the geographic area being analyzed.



Employment Multipliers

- Employment multipliers predict the overall increase in labor demand that will occur as a result of purchases of the output of each specific industry sector.



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- Labor demand is measured in “jobs”. An increase in demand for labor could result in increased work hours for existing employees, could generate new jobs, or could go unmet if everyone in the area is already working as much as they want to work.

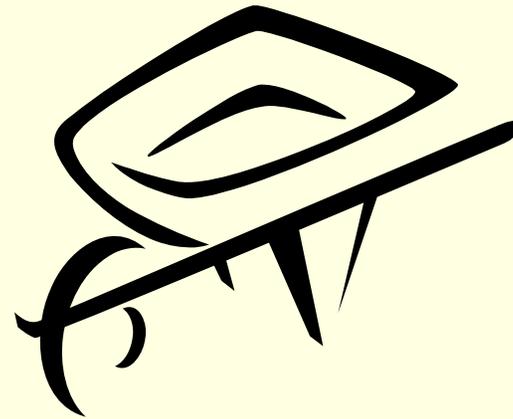


- If the employment multiplier for a given industry is equal to 1.60, then for each “job’s-worth” of demand created in that industry due to increased spending on that industry’s final products, there will be new demand for 0.60 “jobs” within the area.



Multipliers in Utah

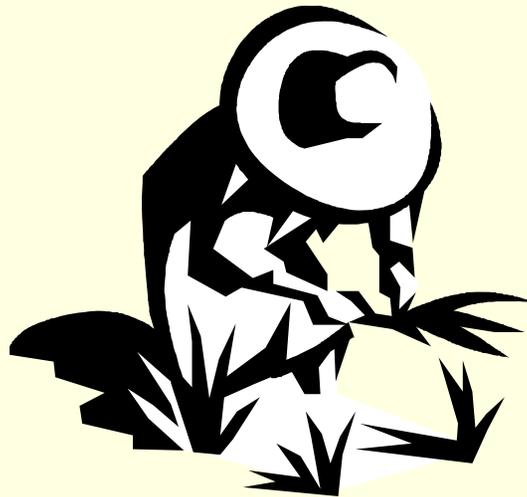
- Most NRCS cost-share dollars are spent either on goods and services that provide support for agricultural activities or on the construction of either production facilities, such as animal waste management systems, or irrigation systems.



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- On average, each NRCS cost-share dollar spent by farmers and ranchers on the products and services of these industries is expected to generate an additional \$1.70 in economic activity.



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- For each job created by NRCS cost-share dollars spent in the state, approximately one additional job is expected to be created within the state as a result of additional economic activity.



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- Using IMPLAN regional planning software, NRCS has generated output and employment multipliers for the county or counties served by each field office within the State of Utah.

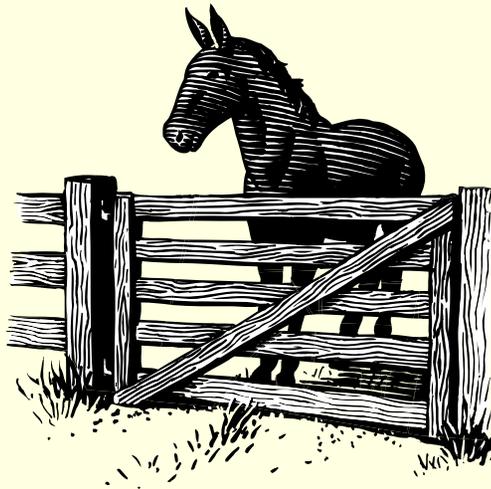


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- Because local areas are usually unable to produce all of the inputs that go into farm and ranch support products and services, county- and regional-level multipliers are often somewhat smaller than state-level multipliers.



Conclusion

- When NRCS cost-share dollars are used to help Utah farmers and ranchers succeed in their resource conservation efforts, those cost-share dollars also generate additional economic activity within the state.



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- Spending and employment multipliers are a useful way of estimating the amount of additional economic activity that will be generated by local spending of NRCS cost-share dollars.

