



# Demography and Destiny: Population Trends in Rural America

Tom Halverson, President and CEO, CoBank



# Introduction



In the summer of 2022, I gave a series of presentations at CoBank industry conferences on a topic that, to me, seemed highly consequential to the future of rural America. That

topic was the significant shift in longstanding demographic patterns in the United States resulting from the COVID-19 pandemic.

For decades, rural America has been losing ground to urban America from a demographic standpoint, accounting for a smaller and smaller share of the total U.S. population. Starting in about 2010, the U.S. rural population actually began declining on an absolute basis, steadily falling by about 3% over the next 10 years. These trends were worrisome and presented significant challenges to the future social and economic well-being of rural communities.

Then came the COVID-19 pandemic. With breathtaking speed, COVID forced a massive

transition in the U.S. economy toward remote work, and also exacerbated a number of existing socioeconomic problems in large cities. The combination of those forces has sparked a great migration of sorts inside our nation's borders – from densely populated metropolitan areas to less populated areas offering lower cost of living and a different quality of life.

Here's the central question we now face, from my perspective: Is this urban exodus indeed a permanent, structural trend? And if it is, how much will rural America benefit? If “demography is destiny” (as the saying goes) can rural America seize the moment, attract a meaningful number of former city dwellers, and help redefine its future?

For help answering these questions, I enlisted the help of Laszlo Kulcsar, professor of rural sociology and demography at Penn State University, who generously agreed to assist me by sharing his knowledge and perspective. I also relied heavily on



CoBank's team of economists and analysts in our Knowledge Exchange team, who helped frame the issue of rural demographics against the backdrop of long-term population trends playing out all over the world. The charts and comments on the pages that follow are the result of our collaborative effort, and formed the basis of the presentations I gave to CoBank customers on this subject.

My hope is that a broad audience of stakeholders who care about rural America will find this information interesting, valuable and thought provoking. Having conducted this exercise, my current view is that many rural communities around the country will indeed benefit from the shift in demographic patterns caused by the pandemic. At the same time, those benefits will likely be unevenly distributed. Only those areas who present a compelling value proposition and meet certain conditions will be able to capture population and economic growth from individuals leaving cities.

A final comment: We are in the early stages of this trend, and therefore we do not know precisely how broad and deep its impacts will be. Undoubtedly it will bear close watching in the months and years ahead.

Sincerely,

A handwritten signature in black ink that reads "Tom Halverson". The signature is written in a cursive, flowing style.

Tom Halverson



# Global Population Trends

*Immigration will be required for advanced economies to keep growing and remain stable.*

To appreciate the demographic trends shaping rural America, it is helpful to frame them in the context of what is happening throughout the rest of the world.

In recent decades, the demographic trajectory of the globe has been defined by three broad trends:

- Relatively high population growth rates in emerging economies;
- Low natural population growth rates in advanced economies; and,
- High levels of cross-border migration driven by globalization of the economy and other factors.

Going forward, we believe these trends will continue for the foreseeable future. Growth rates in developing countries will remain elevated, though they are very likely to slow as their economies modernize. In the economically advanced economies of the world, fertility rates will remain lower than needed to replace native populations. Immigration therefore will be required for their economies to keep growing and remain stable. That in turn will require a much more thoughtful approach to immigration policy between and among these countries, which will be one of the great social and political challenges they face going forward. That includes the United States.

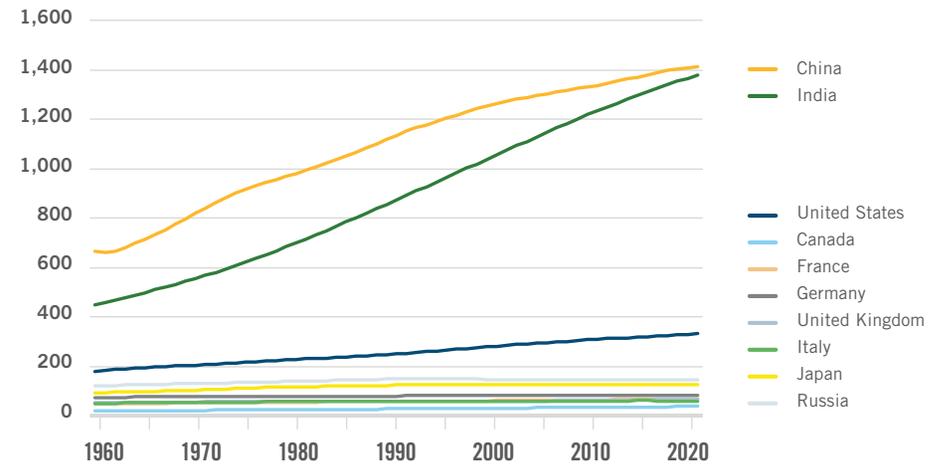
China and India, the world's two most populous countries, have continued to grow at rapid rates over the last several decades. China's population has more than doubled since 1960 to 1.4 billion people. India's has tripled, and India is on track to surpass China at some point in the next couple of years.

The United States remains the third-largest country in the world with about 330 million people, compared to just 180 million people back in 1960. A substantial percentage of U.S. growth in recent years has been driven by immigration vs. so-called "natural increase" from the native-born population.

Meanwhile, most of the other advanced economies – the cluster of lines at the bottom of the chart – are struggling with low population growth rates.

## Population Growth By Country, 1960-2020

Millions of people



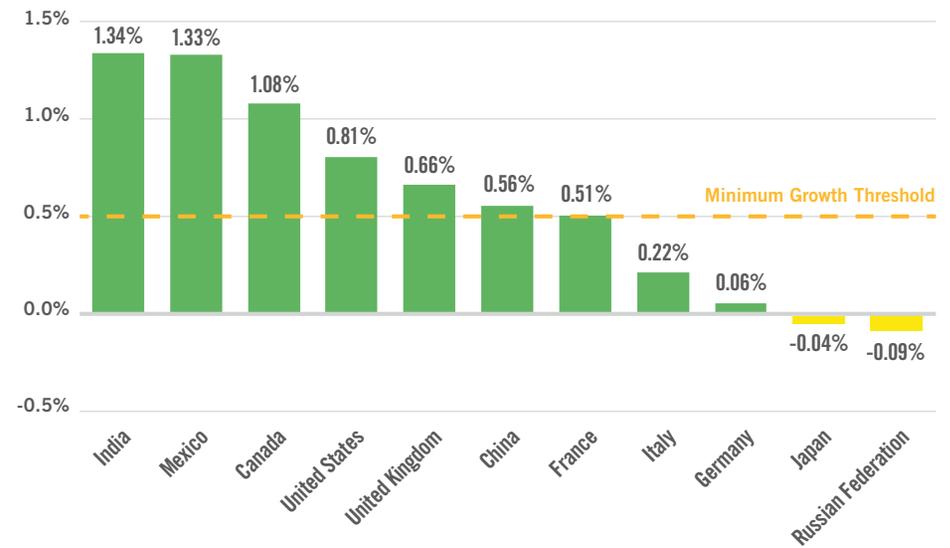
Source: World Bank

Since the year 2000, average population growth rates around the world have varied widely from country to country:

- India and Mexico have grown rapidly at an annual rate of about 1.3%.
- The United States has grown moderately at an average rate of about 0.8%.
- Russia and Japan have had negative growth rates. The population in both of those countries is lower today than it was in the year 2000.

According to demographic experts, there is no mathematically based “magic number” representing what a healthy growth rate is for a country. It varies depending on the nation’s size and also its innate ability to integrate new residents. However, there is a bottom threshold in the area of 0.5% per year. Population growth below that level is essentially stagnation and can cause serious social and economic issues if it is sustained over time.

## Average Population Growth Rate By Country, 2000-2020



Source: World Bank

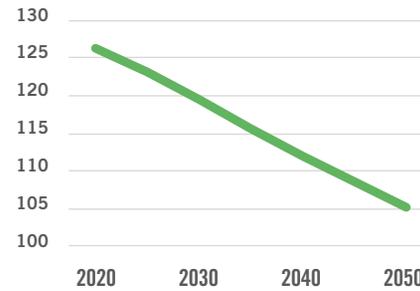
What's even more sobering is to project out over the next 30 years. It's not just Japan and Russia whose populations are in decline. Several other major economies in Asia and Europe are also expected to see their populations shrink as well, including Korea, Italy, Germany and Spain.

When you have this kind of pattern, the age distribution of the population changes in a very unfavorable direction. The cohort of productive, working-age population starts to decline relative to the older population that relies on government assistance programs. That creates structural imbalances that are difficult to fix.

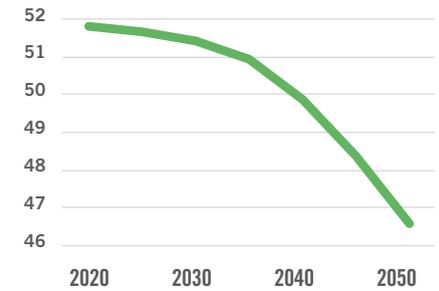
## Projected Population Declines, 2020-2050

Millions of people

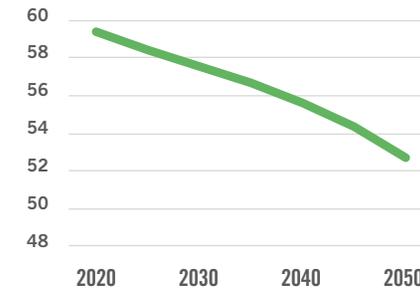
### JAPAN



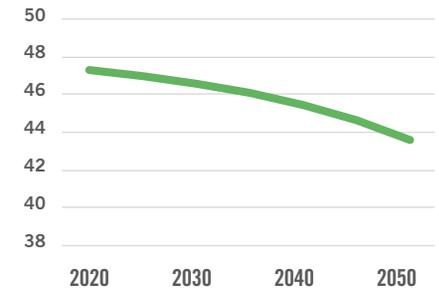
### KOREA



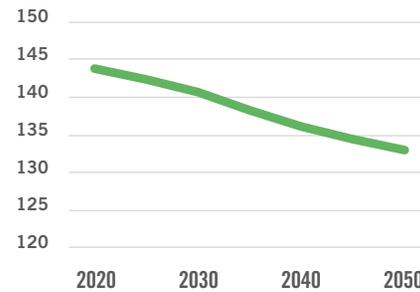
### ITALY



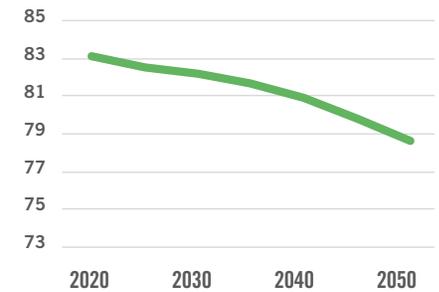
### SPAIN



### RUSSIA



### GERMANY



Source: World Bank

A “population pyramid” is a type of chart that demographers use to illustrate both the age and gender makeup of a country. Two contrasting examples are shown at right, for India and Japan.

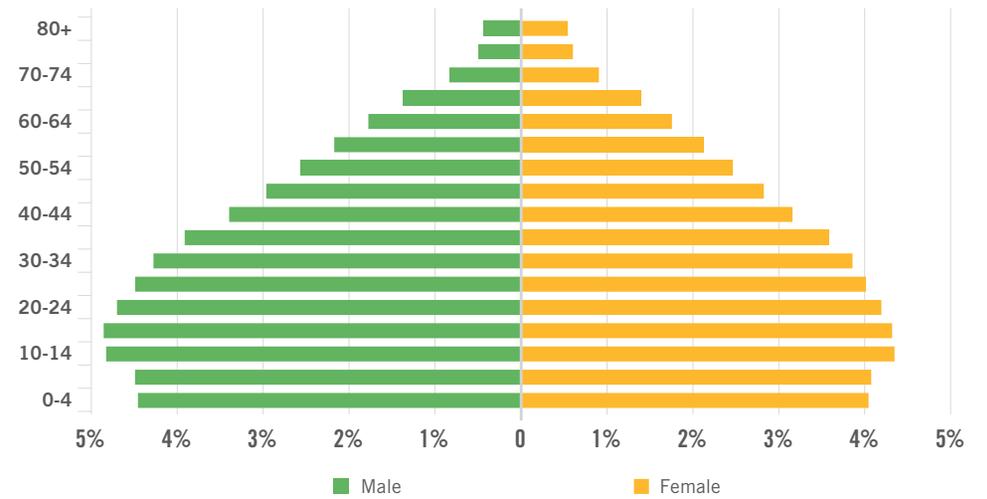
India’s pyramid has a healthy shape, with the working-age brackets accounting for a substantial majority of the total population.

Japan’s meanwhile, shows a dramatically different picture. There are more people over 70 in Japan right now than there are people under the age of 20 – by a considerable margin. The problem will only get worse over time based on the fact that each successive age cohort is smaller than the last, as well as the fact that Japan is extremely restrictive when it comes to immigration.

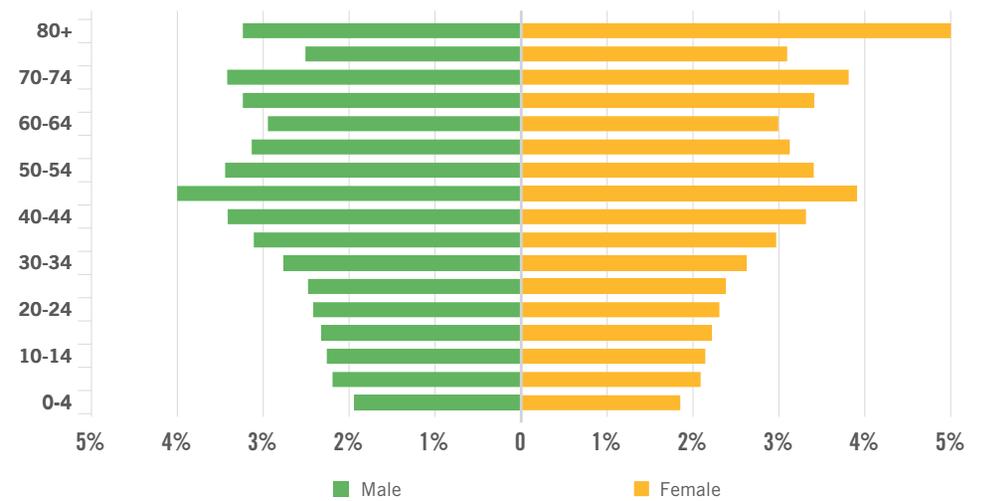
## Population Pyramids

By age

### INDIA



### JAPAN



Source: World Bank

All told, the world is expected to number over 9 billion people by the year 2050. But those people will be very unevenly spread across regions.

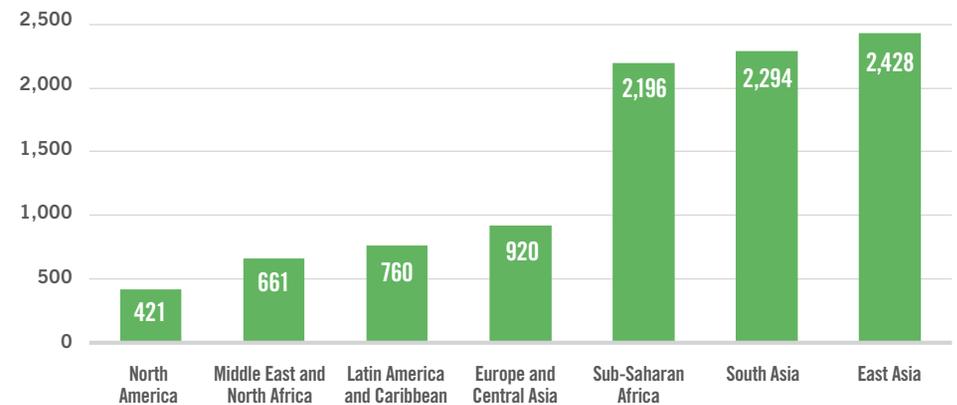
Sub-Saharan Africa, South Asia and East Asia are each expected to have over 2 billion people. North America and Europe, meanwhile, will have much smaller, older, wealthier populations.

There are a number of different conclusions one could reasonably draw from this picture, some more optimistic and some more pessimistic. One could argue, for instance, that this distribution of people could be quite destabilizing from a geopolitical standpoint, since a substantial majority of the world's population will live in countries with limited government capacity to provide health care, education and other essential services. Meanwhile, the places that have the highest per-capita income and the greatest ability to project military power are the places with the biggest demographic problems.

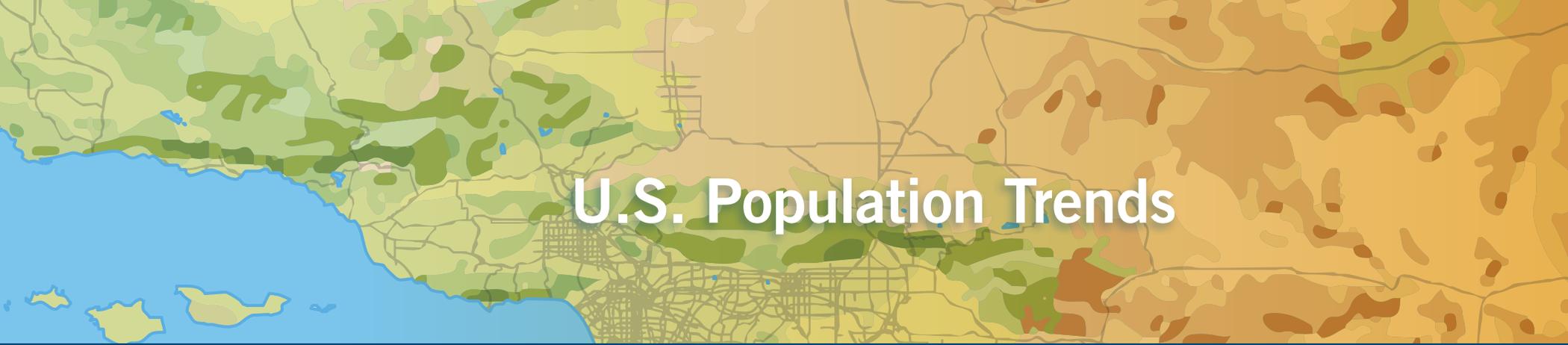
On the other hand, one could also view this as a picture of where the economic power of the globe is going to be in a 100 years, and that it is a great roadmap for future investment and economic opportunity.

## World Population By Region, 2050

Millions of people



Source: World Bank



# U.S. Population Trends

*The United States  
is in better shape  
demographically than  
the world's other  
advanced economies.*

In many ways, the United States is in better shape demographically than the world's other advanced economies. America's population is growing faster than average for advanced economies, and the country has many decades of experience successfully integrating immigrants from other nations seeking opportunity and a better life in the U.S.

At the same time, we do face many of the same challenges, as illustrated on the pages that follow.

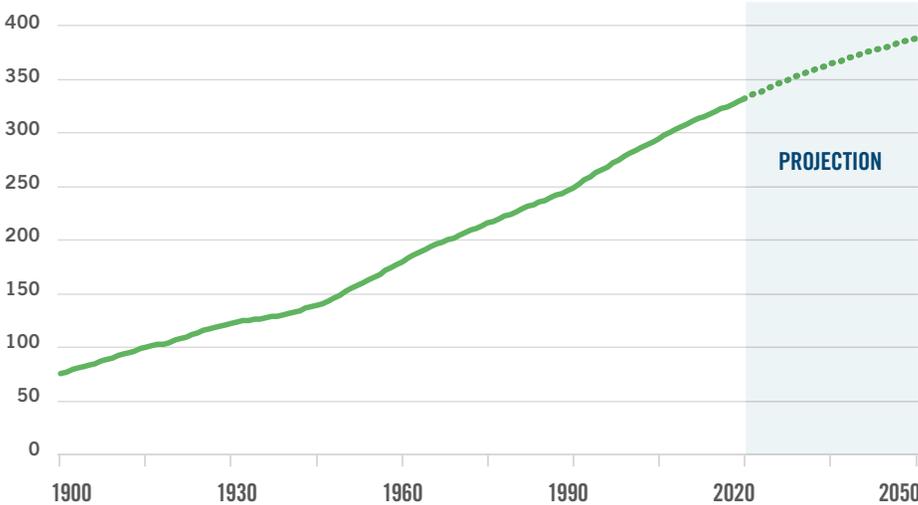
Back in 1900, the United States was a nation of about 75 million people, vs. 330 million today.

The U.S. Census Bureau currently projects the U.S. will exceed 380 million people by 2050. However, that projection is the current “medium” scenario for the Census and may not be exactly accurate. What actually occurs will depend on a combination of birth rates and immigration policy. Under the census bureau’s high scenario, the national population reaches over 420 million by 2050. Under the low scenario, it will be just under 370 million.

Which scenario proves to be correct has significant implications for average growth in the economy.

## U.S. Population Growth, 1900-2050

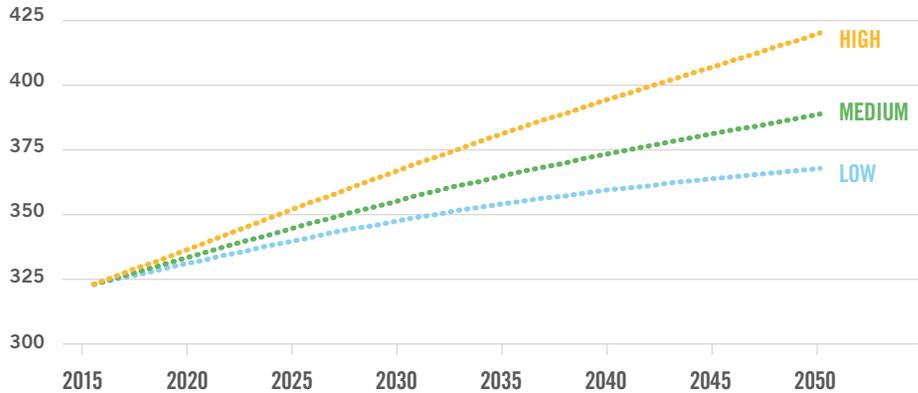
Millions of people



Source: U.S. Census Bureau

## U.S. Population Growth Scenarios

Millions of people



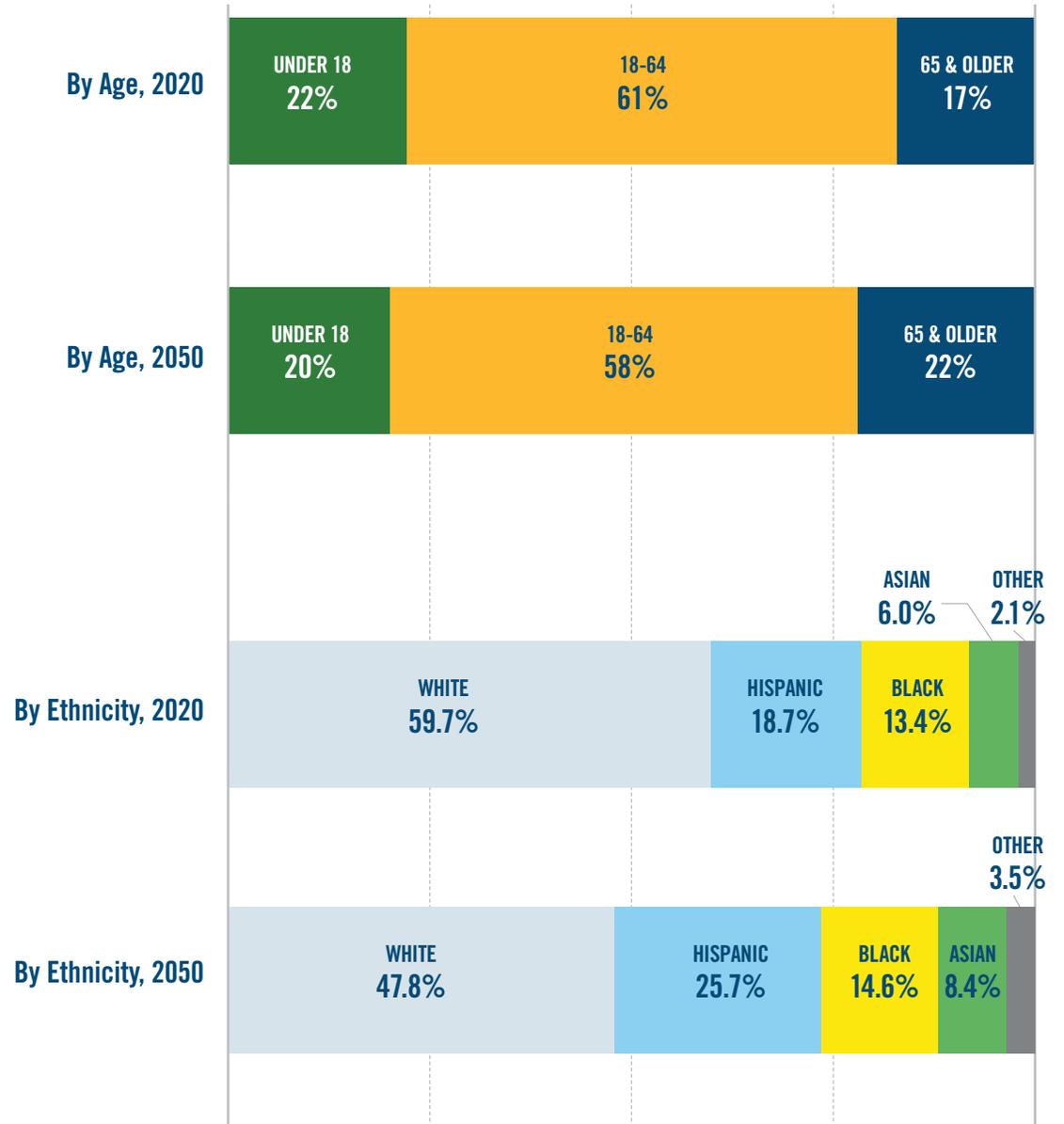
Source: U.S. Census Bureau

The U.S. population profile will also continue to evolve, becoming older on average and more ethnically diverse.

Today about 60 percent of Americans are between the ages of 18 and 64, and 17 percent are above retirement age. By 2050 the percentage of working-age Americans will have fallen by a couple of percentage points, while the share over 65 will rise to 22 percent. In fact, there will be more people over 65 than under 18.

Currently, we remain a majority white country, with Caucasians making up about 60 percent of the total population and about 40 percent spread across Hispanic, Black, Asian and other minority groups. By 2050, the Caucasian population will have fallen below 50 percent, while the Hispanic population will increase to over 25 percent.

## U.S. Population Trends



Source: U.S. Census Bureau

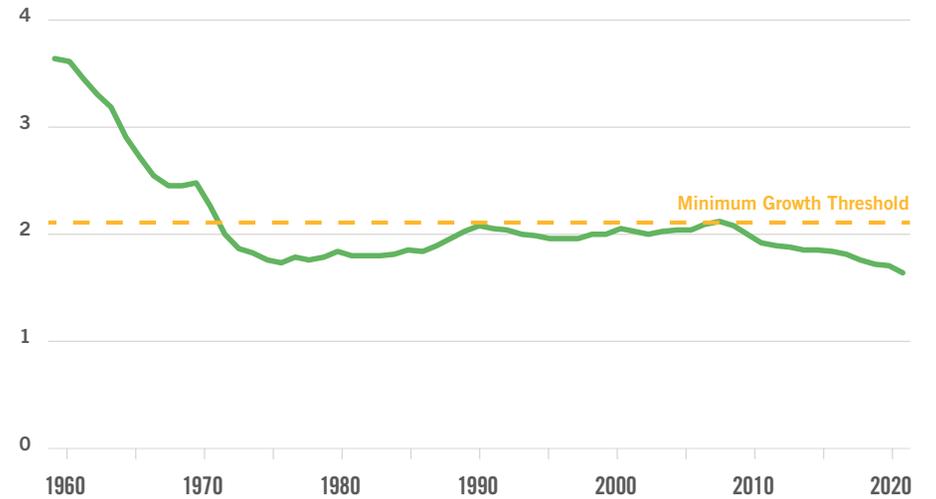
Back in 1960, the American fertility rate was 3.6, meaning there were an average of 3.6 children born for each woman in the country. That rate has fallen sharply over time; today the average rate is 1.8 children per woman.

Mathematically, the “minimum replacement rate” needed to keep the population static over time is 2.1 births per woman, and the U.S. has been below that since the early 1970s. Immigration is the only thing that has kept the U.S. population from shrinking.

Demographic experts say that the U.S. fertility rate is unlikely to increase in the foreseeable future.

## U.S. Total Fertility Rate

Births per woman



Source: U.S. Census Bureau



# Rural Population Trends

*The normalization of remote work is a game changer. It will have long-lasting implications for society at large, and for the way cities are constructed.*

One of the key population dynamics in the United States for many decades has been urbanization – the transition the country has undergone from a predominantly rural society to an urban/suburban society. That has been a structural feature in the United States (and other advanced economies) for a long time.

What is unknown right now is whether the impact of COVID has the potential to materially change or even reverse that structural trend.

The normalization of remote work – the fact that for many people their job and their residence can now be in totally different places – is a game changer. It will have long-lasting implications for society at large, and for the way cities are constructed. And it would seem to bode well for rural areas that can present a compelling value proposition to people and families who are looking for things that rural areas offer.

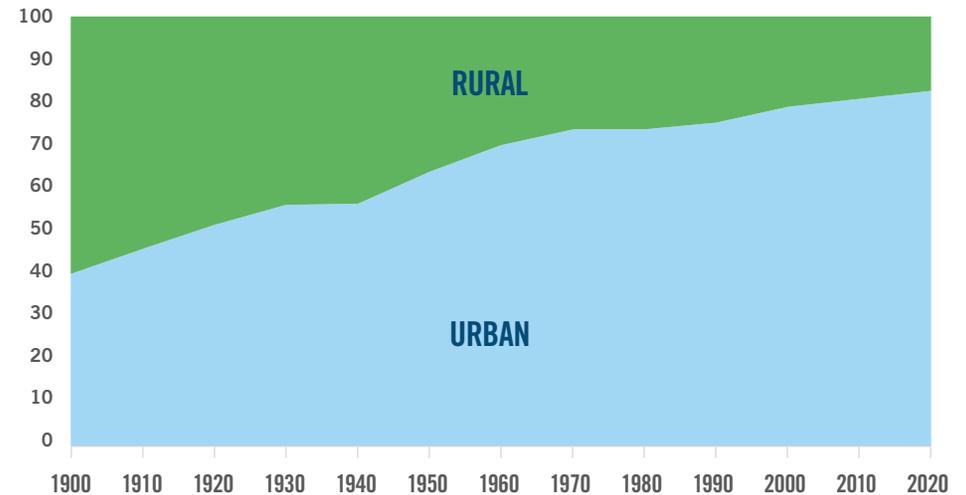
Back in 1900, about six in every 10 Americans lived in a rural community. Since then, the rural share of the U.S. population has been in steady decline. Today, only about 17 percent of Americans live in rural areas – about 57 million people.

Even though rural America's share of the total population has been declining for decades, the absolute size of the rural population generally held steady over the years. That is until recently. Starting in 2010, the number of people in rural communities began declining on an absolute basis.

It is not exactly known why this decline occurred in this timeframe. One hypothesis is that it was a byproduct of the Great Recession of 2008 and 2009. According to this view, a large number of rural communities were operating on the economic margin already, and when the recession hit they simply did not have the same capacity to rebound that urban areas did.

## Urban vs. Rural Share of U.S. Population, 1900-2020

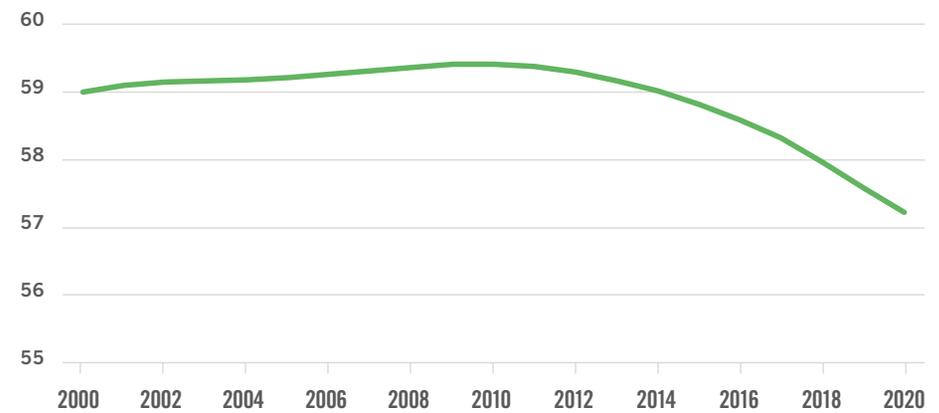
Percent



Source: U.S. Census Bureau

## Rural Population Decline

Millions of people

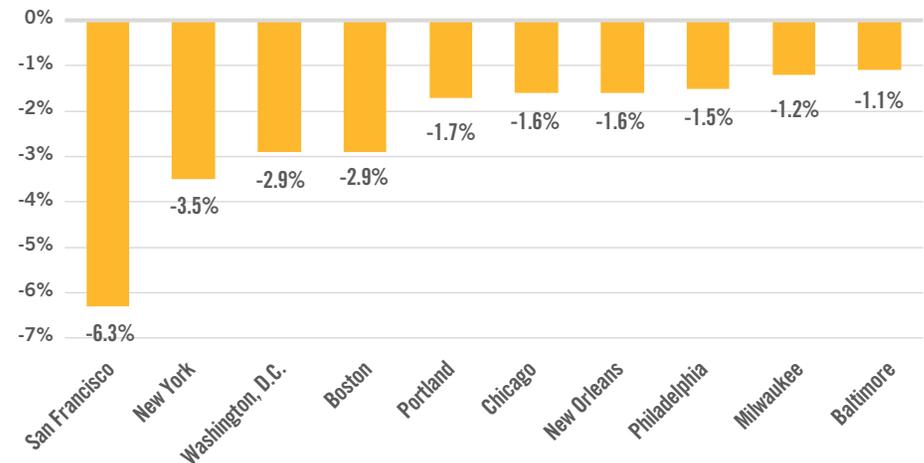


Source: U.S. Census Bureau

Collectively, the 10 cities shown here lost an average of 2.4 percent of their population between 2019 and 2020. In some places it was significantly more than that. Washington, D.C. lost 2.9%; New York lost 3.5%; San Francisco lost 6.3%. These are very significant declines for a one-year period.

New data for these cities showing what occurred in 2021 and 2022 will provide more clarity about whether urban out-migration can be expected to continue at these rates.

## Large City Population Losses, 2019-2020

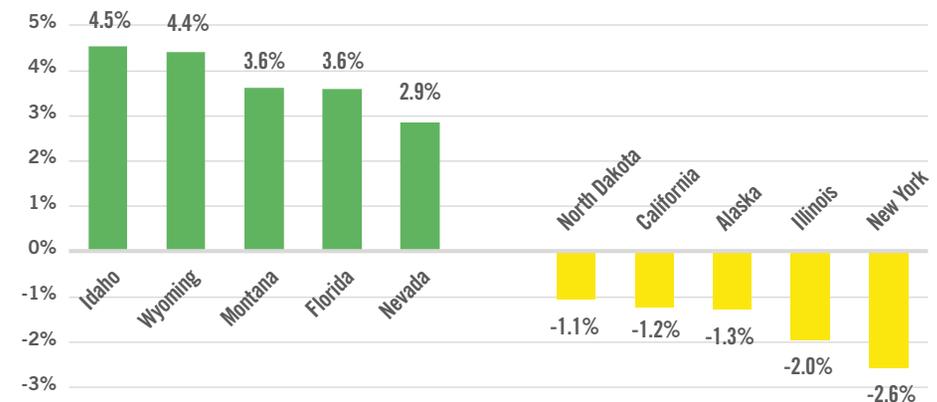


Source: U.S. Census Bureau

It's not just population that is lost when people leave areas, it's the income they generated as well.

The bottom chart at right uses data from the IRS to show which states gained the most in adjusted gross income between 2019 and 2020, and which states lost the most. States like Idaho, Wyoming, Montana, Florida and Nevada all saw meaningful gains between 2019 and 2020. Meanwhile, California, Illinois and New York saw their income decline.

## Net Migration of Adjusted Gross Income, 2019-2020 Best and Worst Performing States



Source: Internal Revenue Service

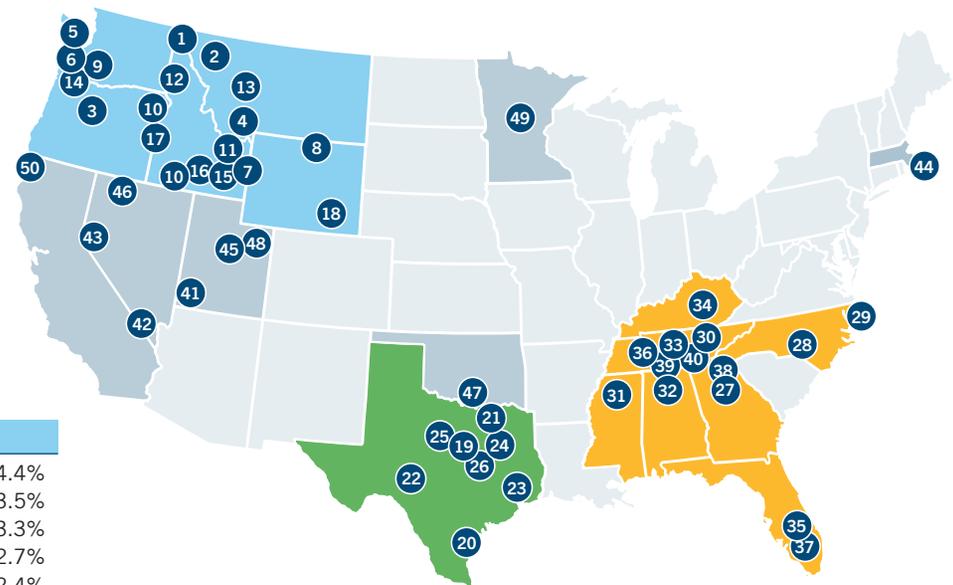
Not everyone who leaves a city is moving to a rural area; many people simply relocate to the suburbs in the same metropolitan area or to another urban area elsewhere in the country.

But of those who do move to a rural community, where are they tending to go? The answer to that question is indicated by this chart, which shows the top 50 so-called “micropolitan” areas in the country – zones with a small hub city of between 10,000 and 50,000 residents generally surrounded by rural areas.

Of the 50 fastest-growing micropolitan zones, 40 are located in three distinct regions – the Northwest, the Southeast, and the state of Texas. In contrast, there was only one each in California, the Midwest and the Northeast.

Almost without exception, the primary driver of population growth for these communities was in-migration vs. natural growth where births exceeded deaths.

## 50 Fastest-Growing Micropolitan Areas (by region), 2020-2021



Source: U.S. Census Bureau; CoBank Knowledge Exchange

### Northwest

|    |                |      |
|----|----------------|------|
| 1  | Sandpoint, ID  | 4.4% |
| 2  | Kalispell, MT  | 3.5% |
| 3  | Prineville, OR | 3.3% |
| 4  | Bozeman, MT    | 2.7% |
| 5  | Shelton, WA    | 2.4% |
| 6  | Centralia, WA  | 2.3% |
| 7  | Jackson, WY-ID | 2.2% |
| 8  | Sheridan, WY   | 2.1% |
| 9  | Ellensburg, WA | 2.0% |
| 10 | Hailey, ID     | 2.0% |
| 11 | Rexburg, ID    | 1.8% |
| 12 | Moscow, ID     | 1.8% |
| 13 | Helena, MT     | 1.8% |
| 14 | Astoria, OR    | 1.8% |
| 15 | Blackfoot, ID  | 1.7% |
| 16 | Burley, ID     | 1.6% |
| 17 | Ontario, OR-ID | 1.5% |
| 18 | Laramie, WY    | 1.4% |

### Texas

|    |                    |      |
|----|--------------------|------|
| 19 | Granbury, TX       | 3.7% |
| 20 | Rockport, TX       | 2.5% |
| 21 | Bonham, TX         | 2.3% |
| 22 | Fredericksburg, TX | 2.1% |
| 23 | Huntsville, TX     | 1.9% |
| 24 | Athens, TX         | 1.6% |
| 25 | Stephenville, TX   | 1.6% |
| 26 | Corsicana, TX      | 1.5% |

### Southeast

|    |                              |      |
|----|------------------------------|------|
| 27 | Jefferson, GA                | 4.7% |
| 28 | Pinehurst-Southern Pines, NC | 2.6% |
| 29 | Kill Devil Hills, NC         | 2.2% |
| 30 | Crossville, TN               | 1.9% |
| 31 | Oxford, MS                   | 1.8% |
| 32 | Cullman, AL                  | 1.7% |
| 33 | Shelbyville, TN              | 1.6% |
| 34 | Richmond-Berea, KY           | 1.6% |
| 35 | Okeechobee, FL               | 1.6% |
| 36 | Lewisburg, TN                | 1.6% |
| 37 | Clewiston, FL                | 1.5% |
| 38 | Cornelia, GA                 | 1.5% |
| 39 | Lawrenceburg, TN             | 1.5% |
| 40 | Tullahoma-Manchester, TN     | 1.4% |

### Other

|    |                    |      |
|----|--------------------|------|
| 41 | Cedar City, UT     | 5.0% |
| 42 | Pahrump, NV        | 2.9% |
| 43 | Fernley, NV        | 2.5% |
| 44 | Vineyard Haven, MA | 2.5% |
| 45 | Heber, UT          | 2.3% |
| 46 | Winnemucca, NV     | 2.1% |
| 47 | Durant, OK         | 1.8% |
| 48 | Vernal, UT         | 1.7% |
| 49 | Brainerd, MN       | 1.6% |
| 50 | Crescent City, CA  | 1.4% |

What will separate winners from the losers if urban residents continue seeking a new life in rural America?

No one knows for sure yet, but listed on the page are a number of “success factors” that experts we have consulted believe will help rural communities that want to capitalize on this trend.

Robust broadband connectivity will be essential. There is no way to attract remote workers to your community without it.

Health care and educational infrastructure are also critical. People will not move their families to a new community if it lacks quality medical services and schools for themselves and their children.

Good housing stock is also a necessity by many respondents on LinkedIn. Former urbanites and suburbanites won't elect to live in a rural area where the quality of available housing stock doesn't meet their expectations.

Rural communities will need to welcome and integrate new people, including people who are racially and ethnically diverse, if they want to grow.

And finally: competent, responsive government. One of the most consequential aspects of COVID was the loss of confidence that many people experienced in the ability of their government institutions to solve problems. Rural communities can add to their allure if they can demonstrate that they can and will deliver value through local government services.

## Success Factors for Rural Communities



**BROADBAND**



**HOUSING**



**HEALTHCARE**



**IMMIGRATION**



**EDUCATION**



**GOVERNMENT**

Source: USDA Rural Development, USDA Ag Census, CoBank



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