

Cross Timbers Business Report

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Output Posts Another Rise

By DeAnna L. Robertson

Real gross domestic product (GDP), the inflation-adjusted value of all final goods and services produced in the economy continued to rise in the fourth quarter of 2009, climbing at a 5.6 percent annual rate following the third quarter's 2.2 percent rise according to a recent

Consumer spending rose by 2.0 percent in the fourth quarter. Despite early doubts about the strength of early holiday spending, final sales postings revealed modest gains.

The housing sector rose for the second quarter in a row. Residential fixed investment saw a rise of 5.7 percent during the fourth quarter which followed an 18.9 percent jump in the third quarter.

Spending by the federal government rose again in the fourth quarter. This component rose 0.1 percent, which is significantly lower than the 8.0 percent growth recorded in the previous period. State and local government spending fell by 0.3 percent.

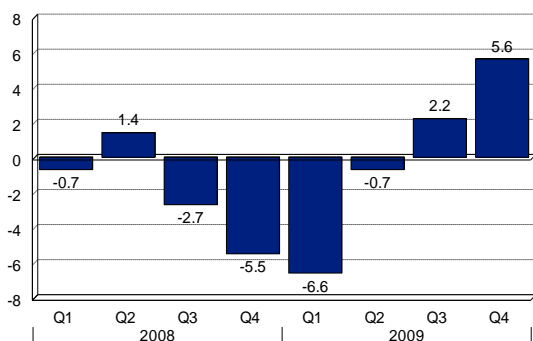
Exports, which increase domestic output, advanced by 18.1 percent in the fourth quarter, while imports, which reduce output increased by 10.5 percent.

The Department of Commerce publishes GDP data on a quarterly basis. The preliminary estimate reported here will be subject to two revisions before it appears in its final form.

DeAnna L. Robertson is president of Delta Mu Delta and will be graduating in May with a Bachelor of Business Administration degree in Marketing at Tarleton State University.

Changes in Real GDP

Annual Percentage Rates



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

report from the U.S. Department of Commerce. This report supports many economists' assertions that the recession that began in December 2007 has reached its end. However, according to *The Wall Street Journal*, 2009 will be remembered as a recessionary year, as GDP fell by 2.4 percent compared to the year before.

Inflationary Pressures Remain in Check

By William L. Beaty

Following a wild roller-coaster ride of inflation and deflation that occurred in 2008, price changes moved within relatively narrow boundaries last year. In 2009, prices actually declined slightly, which marks the first full-year deflation report since 1955.

Annualized monthly changes in the consumer price index, the country's most quoted price-change measure, ranged from a negative 1.7 percent in March of last year to a positive 9.0 percent in June. These patterns contrast sharply to the negative 19.9 to positive 11.2 percent range recorded in 2008. According to the Bureau of Labor Statistics, 2009's average price level was 0.4 percent below the figure posted the year before. By

contrast, the overall inflation rate for 2008 was 3.8 percent. Economists cite the weak global economy, which reduced producers' abilities to raise prices as the cause of last year's decrease.

Consumer price index changes are reported monthly and are closely followed by economists as an inflation indicator. Cost of living adjustments for many workers and for Social Security recipients are also based on this index.

William L. Beaty is an assistant professor of economics at Tarleton State University

Jobless Rates Reflect Recessionary Forces

By William L. Beaty

The downturn in the nation's output level pulled national and state unemployment rates sharply higher in 2009. Cross Timbers labor markets generally followed these trends.

Led by job losses in manufacturing, the nation's unemployment rate jumped from 7.6 percent in January 2009 to 10.1 percent in October before easing back to 10 percent by year's end. Last year's 9.3 percent jobless rate compares unfavorably to 2008's 5.8 percent figure.

While less dramatic than national rates, Texas' labor market statistics also showed unfavorable movements last year. The state's unemployment figure rose from 6.4 percent in January to 8.3 percent in December. Texas' average 2009 jobless rate of 7.5 percent lies well above the 4.9 percent figure posted the year before.

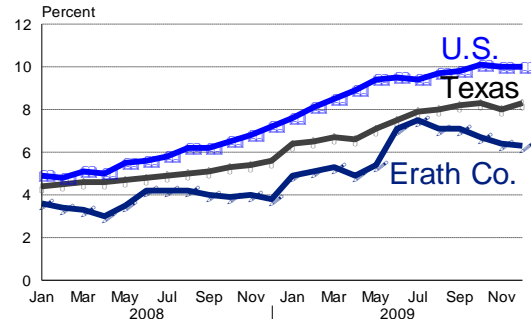
Bosque County's jobless rate jumped from 6.7 percent in January 2009 to 8.6 percent in September before easing back to 8.5 percent in December. The county's 7.8 percent average rate lies significantly above the 4.7 percent value noted the year before and is the highest in the Cross Timbers area.

Comanche County began 2009 with an unemployment rate of 5.3 percent. This statistic rose to 6.8 percent in July then moved to 5.9 percent at year's end. Comanche's 5.8 percent average jobless figure for last year lies well above the 4.0 percent value noted in 2008.

Eastland County's unemployment rate moved from 6.2 percent in January to 8.6 percent in July before easing to 7.9 percent in December. The county's 7.5 percent average jobless rate for 2009 is almost three percentage points higher than the value noted in 2008.

Erath County experienced a jump in joblessness from 4.9 percent in January to 7.5 percent in July before easing back to 6.3 percent in December. Erath's 6.2 percent average rate for last year compares unfavorably to the 3.8 percent average recorded the year before.

UNEMPLOYMENT RATES



Sources: U.S. Bureau of Labor Statistics and Texas Workforce Commission

Hamilton County's unemployment rate rose from 4.4 percent in January 2009 to 5.9 percent in July then receded to 5.6 percent in December. Its 5.3 percent average rate for last year, which was the lowest among Cross Timbers counties, still lies above the 3.8 percent value noted the year before.

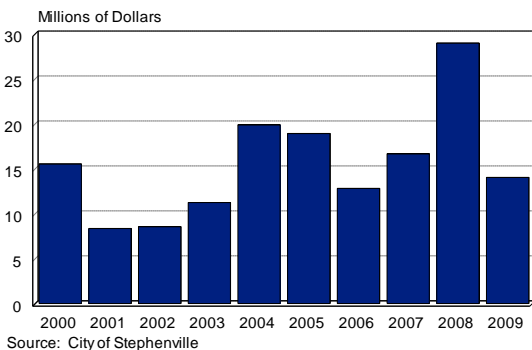
The U.S. Bureau of Labor Statistics collects and reports national and state employment data on a monthly basis, while the Texas Workforce Commission maintains these statistics for local areas. National and state data are adjusted for normal seasonal variations, while local figures remain unadjusted.

City Building Permit Values Decline after Record Year

By Morgan Kuykendall

BUILDING PERMITS

Stephenville, January - December



Source: City of Stephenville

Total 2009 building permit values in Stephenville decreased by 51.6 percent from the figure for 2008 and were 15.7 percent below the value for 2007, according to the City of Stephenville reports.

Following a two-year climb, which ended with a record year in 2008, construction values in 2009 dropped to an estimated \$14.0 million, compared to \$28.9 million the year before. In dollar values, new permits in 2009 started off well in January with the issuance of a permit for the City of Stephenville Outdoor Aquatic Center, valued at \$3.0 million. Other significant permits include one in April for additional Wal-Mart refrigeration capacity, valued at \$1.0 million, and another in October for the construction of a new building for the Erath Excels Academy, representing a \$1.2 million estimated value.

City Residents should note that all construction projects require permits, which may be obtained through Troy Curtis, Building inspector for the City of Stephenville. Residential and commercial permit information can be found on the city web site

(<http://www.ci.stephenville.tx.us/>) or by calling the inspector's office at 254-965-7887.

Morgan Kuykendall is a graduate student at Tarleton State University. She is pursuing a Master of Science degree in Management and Leadership.

Sales Reports Reveal Mixed Patterns

By William L. Beaty

A recent report from the State Comptroller's Office revealed a 0.7 percent decrease in the gross sales aggregate for the five Cross Timbers counties through the first six months of 2009 when compared to the same period in 2008. Last year's value was 9.3 percent higher than the value noted two years earlier. These aggregate values hide significant variation within local counties, however, as one county reported a large increase while the remaining counties reported declines.

Eastland County, with total sales of \$449.8 million reported the highest gross sales figure in the Cross Timbers area through June 2009. The county also noted the greatest growth with an increase of 30.9 percent over the year before and 19.2 percent over the same period two years earlier.

Erath County posted \$370.1 million in gross sales in the first half of last year. This value represents a loss of 16.5 percent when compared to the 2008 figure and a decline of 6.7 percent compared to the 2007 total.

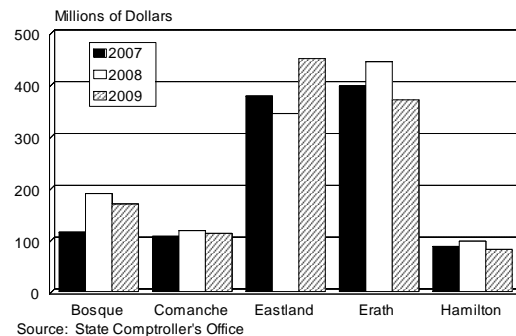
Bosque County's \$168.7 million sales total reflects a loss of 10.8 percent compared to the value posted the year before but is 47.5 percent above the total reported two years earlier.

Comanche County merchants posted \$112.2 million in total sales through June of last year. This value lies 4.5 percent below the aggregate reported in 2008 but is 5.3 percent higher than the figure noted in 2007.

Hamilton County's \$81.3 million gross sales total for the first six months of last year represents declines of 16.2 percent and 6.6 percent when compared to the same periods in 2008 and 2007.

GROSS SALES

Area Counties, January-June



The State Comptroller's office collects and reports sales aggregates for all Texas counties on a quarterly basis. Because of lags in reporting requirements and lengthy verification processes, five to six months typically elapse between the end of a quarter and the release of that period's statistics.

Low Prices, Output Shrinkage Reduce Milk's Impact

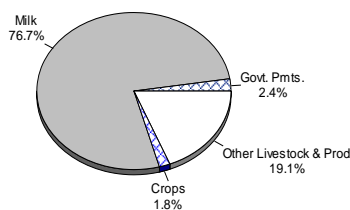
By Matt Hillman

Milk production and sales continued to dominate Erath County's agricultural income in 2009, contribut-

AGRICULTURAL INCOME BY SOURCE

Erath County, 2009

Total Income, \$202.4 Million



Source: Agricultural Extension Service

ing roughly three of every four dollars generated by this sector. However, lower output and prices reduced milk's relative contribution from the previous two years.

According to the Texas AgriLife Extension Service, farm revenues totaled \$202.4 million in 2009, a 29.0 percent drop from 2008 and a 22.1 percent drop compared to 2007's aggregate.

The largest income share in 2009 was derived from milk sales, which contributed 76.7 percent of the county's total agricultural revenues. Although this sector represents the largest source of income its 2009 contribution fell well below 2008's 79.7 percent and 2007's 82.9 percent figures. Last year's milk sales figure totaled \$155.3 million.

Sales of other livestock, such as, horses, beef cattle, poultry, goats, and sheep totaled \$38.6 million and contributed 19.1 percent of the county's total agricultural income in 2009. Last year's income from this sector fell 14 percent below the 2008 figure but was 35.4 percent greater than the 2007 value.

Crops, including ensilage, hay and nursery products made up only 1.8 percent to total agricultural income last year and contributed only \$3.6 million. This

number represents a decline of 71.3 percent from the 2008 total and 72.9 percent for the 2007 value.

Government payments related to dairy buyouts in October and November pushed this sector's contribution to \$4.9 million or 2.4 percent of total agricultural income last year. This value represents significant gains over previous years' totals.

Matt Hillman is in his second year of Tarleton State University's Master of Business Administration program.

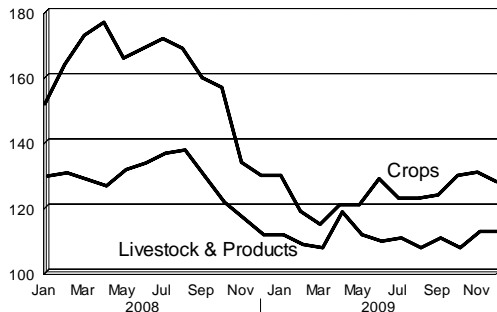
Agriculture Prices Remain Low

By Nelly DiCiccio

Texas farmers and ranchers have seen prices drop dramatically over the past two years. National price trends have generally followed the Texas pattern, which resulted in lower purchasing power of agricultural products.

INDEX NUMBERS OF PRICES

Received by Texas Farmers and Ranchers (1990-1992=100)



Source: Texas Agricultural Statistics Service

The index of prices of all farm products received by Texas farmers and ranchers stayed relatively the same from 118 percent of the 1990-1992 average in December 2008 to 117 percent in December 2009, which translates to a 0.9 percent decrease. December's price index value falls 15.2 percent below the figure for the same month in 2007.

Texas farmers saw the price index for crops drop by 31.6 percent between April 2008 and April 2009. Prices of corn, cotton, grain sorghum and wheat decreased significantly, while hay prices increased.

Livestock and livestock products showed a steady decrease from 137 percent of the 1990-1992 average in August 2008 to the 107 percent for August 2009, a 21.9 percent decrease.

Most evident for the Cross Timbers area were movements in the wholesale milk and beef cattle markets. Milk prices for 2008 averaged \$18.76 per hundredweight compared to the 2009 average of \$13.35 per hundredweight. The decrease in the price for wholesale milk was shaped by a struggling economy, low demand, and excess supply. In order to combat the oversupply and increase the price of wholesale milk, five herd retirement buyout programs have taken place over the past 24 months. Following the most recent buyout program the price for wholesale milk recovered to \$17.00 per hundredweight in December.

Beef cattle prices topped out at \$96.60 per hundredweight in August 2008 compared to \$80.80 per hundredweight in the same month of 2009, which represents a 16.4 percent decrease. Prices for slaughter cattle were especially hard hit due to the difficult economic times, higher feed costs, drought conditions, and an increase in supplies from the dairy herd retirement buyout program.

The Texas Agricultural Statistics Service collects and reports output and price level of key agricultural products on a monthly basis.

Nelly DiCiccio will be graduating in May with a Master of Business Administration degree from Tarleton State University.

The College of Business Administration at Tarleton State University presents the Cross Timbers Business Report (jwr-lyy-actngvqpfwleqdcygdlewtllpfgzgvo n) as a service to local residents. It is written by the members of Delta Mu Delta, a business honor society, and other involved students. This report is distributed without charge to any interested person or organization. To subscribe to this publication or make suggestions regarding its content, write William L. Beaty, Editor, P.O. Box T-920, Tarleton Station, TX 76402, phone 254-968-9622, or E-mail beaty@tarleton.edu.