

QUOTABLE: *“The Texas economy continues to soften and clearly remains in recession, but there are scattered glimmers of hope on the desolate economic landscape.”*

— Jason Saving, Senior Research Economist

TEXAS TRADE: Exports Take a Turn for the Worse

Exports have gone from a source of strength to a drag on the Texas economy. The state’s real exports declined nearly 20 percent from their peak in second quarter 2008 through first quarter 2009, ending a five-year growth spurt.

Economic factors behind the shifting trade trends have been recession or slower growth in key overseas markets and a 19 percent rise in the dollar’s value from mid-2008 through the end of March.

Exports to all of Texas’ major trading partners declined. Sales to China, which had been the state’s fastest growing market, dropped 29 percent from the second-quarter peak. Real exports to Latin America fell 34 percent.

Sales to Canada dropped substantially, as did shipments to the European Union. Sales to Mexico, the state’s largest trading partner, retreated least, falling 13 percent.

The state’s exports fell 12.3 percent in the first quarter alone. In the period, key Texas export industries posted large declines—petroleum and coal products at 22.8 percent and chemicals at 13.4 percent.

The dollar’s value has declined in the second quarter, but a weakening U.S. currency isn’t likely to be enough to overcome subdued global demand, dampening hopes for a rebound in Texas exports.

—Jessica J. Renier

DAIRY SQUEEZE: Low Prices, High Costs Hit Texas Industry

Production of more than 7 billion pounds a year makes milk one of Texas’ top 10 agricultural commodities. However, 2009 is shaping up to be a tough year for the state’s dairy producers.

In the first half of 2008, producers saw feed prices spike, sending raw input costs up 60 percent to 120 percent year-over-year. Fearing further increases, many producers chose to lock in future prices.

Over the past eight months, however, a global recession has brought down commodity prices—milk included. It now sells for 50 percent less than it did a year ago, and producers are being squeezed because their feed costs are locked in at previously elevated prices.

In March, the cost of producing 100 pounds of milk hovered around \$15, while the sale price was closer to \$10. With the industry suffering significant losses, the number of Texas milk producers has dwindled from 360 to 341 since January 2008.

The National Milk Producers Federation recently announced a herd retirement program to alleviate the situation. Members submit bids to take their cows out of production to avoid further losses.

The industry hopes this program will allow weak producers to exit the business, reducing the milk supply and allowing prices to rise.

—Jackson Thies

SOUTH TEXAS: Recession Taking Toll on Shipments Across Border

Recessions in both the U.S. and Mexico have slowed the flow of goods across the Rio Grande.

Data from Texas A&M International University show that total commercial vehicle crossings from Mexico into Texas fell 24 percent from the start of the U.S. recession in December 2007 through January 2009.

Crossings at Laredo, one of the most heavily trafficked routes, fell 35 percent. El Paso, another busy entry point, was off 26 percent. Three smaller checkpoints posted double-digit declines.

Commercial railroad crossings from Mexico to Texas have dropped 29 percent since December 2007, with the bulk of the decline occurring at Laredo and El Paso. Only Eagle Pass saw increased fourth-quarter traffic, while rail-

road crossings were down sharply in Laredo, El Paso and Brownsville.

Mexico’s economic slowdown has curtailed southward trade flows. Commercial truck crossings from Texas into Mexico fell 9.3 percent from December 2007 to January 2009 and 12.5 percent in the fourth quarter. Commercial rail activity is down 30.4 percent since December 2007 and 19 percent in the fourth quarter.

Trade across the Texas–Mexico border provides jobs and income in such communities as El Paso, Laredo, Brownsville and McAllen. The decline in binational trade is likely to increase the recession’s toll on these cities’ economies.

—Mike Nicholson