

QUOTABLE: *“The downward slide in the Texas economy continues to slow. Recent indicators and anecdotal reports continue to point toward stabilization, albeit at subdued levels.”*

D’Ann Petersen, Business Economist



TEXAS AGRICULTURE: Drought Damages Mount for Farmers, Ranchers

A drought that’s persisted for two years shows no signs of relenting, taking an increasing toll on Texas agriculture. Since November 2008, producers have lost an estimated \$2.6 billion in crops and \$974 million in livestock. Texas A&M’s AgriLife Extension Service projects that drought losses could exceed \$4.1 billion by the end of the year.

Although most of the state has been affected, conditions in Central and South Texas are particularly dire. Most dryland crops in those areas are expected to reach only a small fraction of normal yields, and many farmers could face total losses.

Cotton, sorghum, wheat and corn have taken the hardest hits. According to the U.S. Department of Agriculture,

a third of Texas cotton acreage is in poor condition. Texas A&M’s Mark Welch estimates yields will be down 69 percent for sorghum, 62 percent for wheat and 45 percent for corn. As a result, many farmers have abandoned acreage and collected insurance payments.

The drought has also hurt Texas ranchers. Many lakes and stock ponds are depleted or dried up, leaving pastures across the state in poor condition. Some regions are facing hay shortages. The depleted supplies of water and feed are forcing many ranchers to sell cattle herds at a loss. Horse ranchers, sheep and goat farmers, and beekeepers also face substantial losses.

—Mike Nicholson



VENTURE CAPITAL: U.S. Rises, but Texas Continues Its Decline

Texas found itself left out of the nation’s first quarterly uptick in venture capital activity since 2007. Investment in the state fell 58 percent from the first to second quarter, coming in at \$74 million, its lowest level since data first became available in 1995.

The dismal reading comes on the heels of a weak first quarter. Texas venture capital investment is now 77 percent below where it was at the end of 2008.

Texas had enjoyed a steady 5 percent share of U.S. venture capital over the past several years, ranking behind only California’s 48 percent and Massachusetts’ 12 percent. For the second quarter, however, Texas dropped to 12th as Colorado, New York, Pennsylvania and other states re-

ceived more of the nation’s venture capital funding.

The latest report from PricewaterhouseCoopers and the National Venture Capital Association also shows that Texas experienced shifts across industries.

The share of venture capital going to the industrial and energy sector fell from 42 percent in the first quarter to less than 10 percent in the second quarter. Contracting energy-related activity due to low oil and gas prices likely contributed to the decline.

Networking and equipment sector funding was up 25 percent. Allocations also rose for consumer products and services and computers and peripherals.

—Emily Kerr



HOUSING: Tax Credit Boosts Sales to First-Time Buyers in Texas

The beleaguered Texas housing market has been getting some help from Washington’s attempts to revive the economy. First-time homebuyers in the state are taking advantage of tax credits of as much as \$8,000 provided by the American Recovery and Reinvestment Act of 2009.

Due in part to the credit, first-time buyers account for almost half of U.S. home sales this year, the National Association of Realtors reports. The Beige Book, the Dallas Fed’s anecdotal survey of regional business activity, suggests the percentage may be even higher in Texas, with contacts saying tax credits have been a factor in as much as 80 percent of sales at some companies.

Texas existing home sales increased 0.8 percent in

the second quarter, rebounding from more than two years of declines and a near-record 10.8 percent contraction in fourth quarter 2008—just before the tax credit took effect Jan. 1. Existing home inventories have since leveled off, and the median home price has rebounded 6.1 percent from its November 2008 low.

The challenge will be maintaining this momentum in the face of high unemployment, low appraisal values and the tax credit’s Dec. 1 expiration date. Another key issue is whether households took advantage of the tax credits to buy this year rather than next—and how much that will dampen the housing market in 2010.

—Jessica Renier