

The 1989 Drought: An Update

During February and March, rain and snow improved soil moisture conditions in parts of Texas. But soils remain abnormally dry throughout most of the state. Rainfall is unlikely to end drought conditions before the end of summer.

In 1988, drought, or abnormally dry soil, devastated agricultural production across the country. By midsummer, much of the nation was roasting in extreme drought. At that time the Southwest was experiencing only moderate drought conditions, and most farmers in the region completed the year with good crop and livestock production.

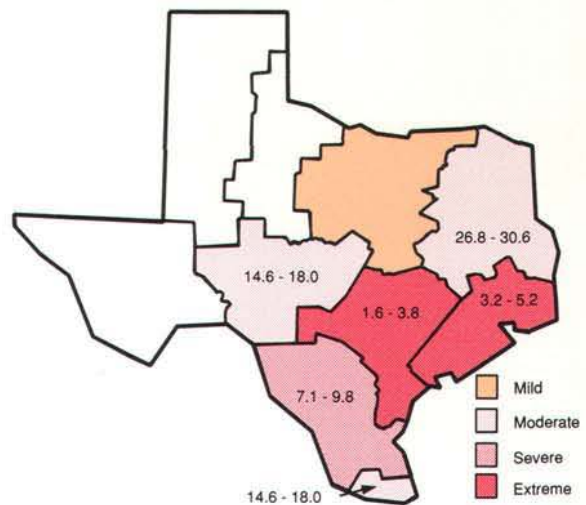
During the fall of 1988, soil moisture conditions worsened in Texas. By December, a large portion of the state was in severe drought. Historical rainfall indicated a low probability that dry soil conditions would improve by spring or midsummer.¹ Insufficient soil moisture began to threaten 1989 agricultural production.

Since January, rain and snow provided sufficient moisture to encourage some spring planting. Much of Texas remains in drought, however, and plantings of corn and sorghum are below average. In the Rio Grande Valley, dry weather is discouraging some planting. Farmers will need additional rain soon to ensure good crop development.

While soil moisture conditions have improved in north-central and west Texas, conditions remain very dry throughout most of the state (*See the map*). The drought is now extreme in central and coastal Texas. In the panhandle, soil conditions have deteriorated from wet to near a mild drought in the past two months. Soil moisture has also declined around Brownsville, pushing that area into moderate drought.

Given historical rainfall, dry soil conditions are likely to persist through the summer. In the drought-afflicted areas of

Probability of Drought Conditions Ending by Mid-September
(Percent)



the state, the probability of the drought ending by mid-September ranges from 1.6 to 30.6 percent.²

Dry soil does not guarantee poor crop and livestock production, but dry soil puts Texas agricultural income at risk. Well-timed rainfall remains essential for good crop and livestock production.

—Fiona Sigalla

¹ See *The Southwest Economy*, March 1989.

² See Thomas R. Karl, Richard W. Knight, D. S. Ezell, and Frank T. Quinlan, *Probabilities and Precipitation Required to End/Ameliorate Droughts*, Historical Climatology Series 3-16, (Asheville, N.C.: National Oceanic and Atmospheric Administration, National Climatic Data Center, 1986).

Technically, a drought ends when soil moisture improves to mild drought.

Oil Price Gains Likely to Be Sustained

Market conditions suggest that recent gains in oil prices will likely be sustained in the near future. And by year's end, oil prices may rise further.

Although renewed OPEC solidarity has accompanied recent gains in oil prices, growing oil demand is driving the increases. Recent data indicate that world oil consumption increased by more than 3 percent during 1988. Previous estimates were closer to 2 percent. Solid economic growth and continued adjustment to lower oil price expectations appear to be the main factors boosting world oil demand. Besides boosting prices, increasing demand is helping OPEC achieve solidarity.

Because changes in crude oil inventories are inferred from estimates of production and consumption, the data revision also means that current oil inventories are much lower than analysts previously thought. With low inventories and continued growth in demand, oil prices are unlikely to drop in the spring, when demand typically takes a seasonal decline. When demand begins its seasonal rise in the fall, strong demand and the current degree of OPEC cooperation could mean rising oil prices.

Higher oil prices and changing perceptions of oil market conditions have increased oil field exploration and development. On a seasonally adjusted basis, the U.S. and Texas rig counts were about 10 percent higher in the first half of March than in February. Further gains in drilling are likely.

—Stephen P. A. Brown

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