AGRICULTURE: Overall Economic Impact in 2007 Sets Texas Record

Texas agriculture ended 2007 on an upbeat note. The Texas Department of Agriculture estimates that the industry’s economic impact surpassed the $100 billion mark for the first time, eclipsing the record of $85 billion set in 2004.

Economic impact covers all activities linked to the agricultural sector, such as fertilizer production, food processing, machinery repair, transportation and distribution.

Texas saw favorable growing conditions, a departure from 2006, when the state underwent a severe dry spell. Overall, production reached near-record levels at a time of high commodity prices, bolstering farm incomes in the state.

Some of the largest gains came from crops used to generate such alternative fuels as ethanol, which have seen expanding demand for more than a year. Compared with 2006, production rose 69 percent for corn and 159 percent for sorghum.

Increased planting of higher-priced biofuel-producing crops meant a sharp decline in total planted acres for Texas Upland-variety cotton. Even so, the crop registered a 40 percent increase in production, thanks to excellent yields.

Bankers responding to the Dallas Fed’s fourth-quarter 2007 Agricultural Credit Conditions Survey say that the bountiful crop and favorable prices have improved Texas producers’ cash flow and spurred investment in farm equipment.

The survey also indicates that farmland values continue to rise sharply in response to stepped-up demand for alternative uses, further benefiting the state’s agricultural producers.

—Laila Assanie

DEMOGRAPHICS: Texas Population Growth Still High but Slowing

Newly released Census Bureau data show that Texas’ population rose 2.1 percent in 2007, down from 2.5 percent the year before. The U.S. population grew about 1 percent in both years.

Texas is the seventh-fastest-growing state, with Nevada, Arizona and Utah leading the pack.

Although some states have faster growth rates, none adds more people annually than Texas. The state has gained an average of 422,220 people a year since 2000, split almost evenly between domestic and international migration and natural increase (births minus deaths).

The economic implications of population growth are significant—particularly from migration. Newcomers bring both labor and capital. While they come largely in response to ongoing growth, they also help expand the economy through their own consumption and investments.

In-migration is the biggest reason Texas can sustain its rapid pace of job growth. Texas employment grew 3.5 percent in 2006 and 3.1 percent in 2007. Even with hefty in-migration, labor markets tightened and unemployment rates fell over these two years from 5.3 percent to 4.5 percent.

—Pia Orrenius and Mike Nicholson

CREDIT: Modest Number of Factories Report Financing Concerns

A Dallas Fed questionnaire on credit conditions suggests that only a modest number of Texas manufacturing firms have recently encountered financing problems. In January, 11 percent of surveyed firms that sought credit reported difficulty obtaining it, down from 20 percent in December.

Asked to describe how recent market conditions had affected their ability to obtain credit, only 1 percent of all firms surveyed called their difficulties “significant” in January. None did the previous month. Firms responding “somewhat” fell to 5 percent in January from 14 percent in December. Forty-six percent of firms didn’t seek credit in January, up from 29 percent.

The Dallas Fed began gathering information on credit conditions along with its Texas Manufacturing Outlook Survey after hearing reports of tighter lending requirements.

The share of factories indicating that credit availability has affected their outlook or operations fell from 26 percent in December to 17 percent in January. Among firms reporting changes in January, 12 percent said they were decreasing actual capital spending and 22 percent were reducing capital spending plans. In addition, 17 percent were hiring fewer workers and 22 percent were curtailing hiring plans.

The survey is one of the Dallas Fed’s ongoing efforts to gather and disseminate timely economic information from the business community. A summary of the overall business conditions index is posted on the bank’s website, www.dallasfed.org, as part of the monthly manufacturing outlook survey.

—Fiona Sigalla