NoteWorthy

TEXAS TRADE: Air Shipments Up for Imports, Exports

In moving such high-value products as semiconductors and aircraft components, airfreight provides a small but important barometer of Texas’ international trade.

Seasonally adjusted Department of Transportation data, which measure cargo in pounds, show that air shipments from Texas to markets abroad increased 70.7 percent in the five years ending in December 2007. The state’s gain substantially topped the nation’s 51.5 percent.

Texas-bound foreign cargo also exceeded the national average, rising 41.6 percent over the period, about 60 percent of the growth rate of outbound freight. For the U.S., incoming international airfreight increased by 19.5 percent, slightly more than a third of outbound shipments’ growth rate.

December 2002 and December 2007 bracket a period in which the trade-weighted value of the dollar, coming off its February 2002 peak, declined 19.1 percent in real terms. A weaker dollar makes U.S. exports cheaper for foreigners but imports more expensive for American consumers.

Air cargo numbers suggest Texas exports are getting a larger than average boost from a weaker dollar, a trend also seen in the broader data, which include truck, rail and waterborne shipments. At the same time, Texas’ airfreight imports have been less sensitive to the dollar’s value.

—Mike Nicholson

ENERGY: New Texas LNG Terminals Put on Hold

Texas’ energy industry is thriving, but changing market conditions will delay the construction of five of the seven liquefied natural gas (LNG) terminals approved for the state. They’re now estimated to go online in 2011 and 2012, three years later than planned.

Texas is the country’s largest natural gas producer, accounting for more than 30 percent of the U.S. total. The petrochemical industry, heavily dependent on natural gas supplies, provides the state’s workers with nearly 143,000 jobs and $11 billion in wages. As a result, the LNG terminals have faced little opposition.

In summer 2005, the Asian LNG price was well below the Henry Hub spot price for natural gas, creating an incentive to build new facilities for cheaper imports. The Federal Energy Regulatory Commission cleared proposals for six new Texas LNG terminals. Adding them to one previously approved Texas terminal would create a massive 14.7 billion cubic feet a day in new capacity.

Now, companies backing five of the proposed terminals have put the projects on hold. A weakening U.S. industrial sector has lowered demand for natural gas. Meanwhile, overseas LNG prices have risen, reducing the potential advantages of imported gas.

—Jessica Renier

AGRICULTURE: Texas Rice Acreage Grows with Prices

Texas rice farmers expect to reverse recent trends and plant more rice in 2008, a year of global shortages and rising prices.

In 2008, the state’s rice farmers will plant 160,000 acres, up from 150,000 in 2006 and 146,000 in 2007 but still well below the 2000–07 average of 192,000. Planting peaked at 600,000 acres in 1980.

With acreage declining, the state’s rice output fell by a third from 2000, when Texas farmers produced 7.5 percent of the U.S. crop. In 2007, production of 956.5 million pounds represented 4.8 percent of the U.S. total.

Like wheat and corn, rice has become more expensive as part of a wave of global food price increases. Drought and speculative hoarding have contributed to shortages that have led such major rice producers as India, Vietnam and Egypt to restrict exports.

Futures prices for unmilled rice surged 36 percent in five weeks to a record high on April 23 and have remained elevated. In April, U.S. rice prices were almost 50 percent higher than they were a year earlier. The U.S. typically exports half its rice crop.

Texas produces a hybrid cultivar, which is long grain much like the Indian basmati rice that currently has export limits. So the state’s farmers should benefit from higher prices and less foreign competition.

—Jessica Renier

QUOTABLE: “New technologies that doubled energy efficiency could have the same effect on energy prices as a doubling of supply.”
—Stephen P. A. Brown, director of energy economics and microeconomic policy