

West Georgia Regional Update

UNIVERSITY of
West Georgia

Richards
College of Business

Carroll, Coweta, Douglas, Haralson and Paulding Counties

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Department of Economics
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ANNOUNCEMENT

Economic Forecast Breakfast

Tuesday, October 30th, 2012

UWG Campus Center

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Or, email djoyner@westga.edu



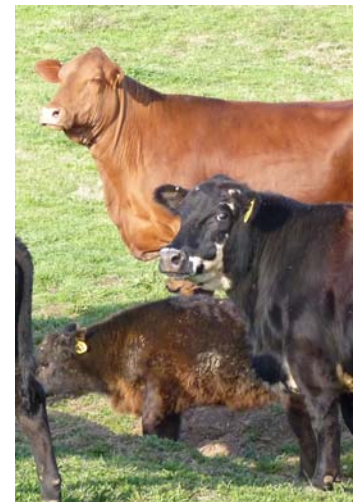
Spotlight: West Georgia Agriculture

According to the University of Georgia's College of Agricultural and Environmental Sciences, agriculture is the largest industry in the state with a total farm gate value of \$12 billion in 2010. UGA's forecast for the agricultural sector in Georgia is positive for 2012 due in part to strong demand for exports, higher beef, pecan and peanut prices, and improved profitability in the poultry sector. West Georgia's agriculture sector is dominated by three commodity groups: poultry, livestock, and ornamental horticulture. Combined, these three commodities account for about 95% of the value of agricultural production in the region. The expectation for improved profitability in the poultry and broiler industry along with strong beef prices and a stable outlook for ornamental horticulture suggest that 2012 will likely be good year for the agricultural sector in the West Georgia Region.

The total annual value of agricultural commodity production in the West Georgia Region in 2010 was \$306.7 million. This accounted for about 2.6% of the value of farm production in the state in 2010.

In part due to its geographic size, Carroll County is the dominant agricultural county in the region accounting for \$211.4 million, or almost 70 percent of the value of farm production in West Georgia. At \$46.1 million, Paulding County ranks second in the region in agricultural production. Haralson County, with \$35.5 in agricultural production, ranks third in the region followed by Coweta County, at \$9.9 million in total farm gate. Douglas County has the smallest agricultural sector in the region with a total farm gate value of \$3.8 million in 2010.

Poultry and egg production far exceeds any other commodity group in terms of market value. In 2010, the value of poultry and egg production was



\$225.13 million or 73% of West Georgia's total farm gate. U.S. egg prices received by farms reached \$1.37 per dozen in March 2008, but by June 2009 prices had fallen to \$0.59 per dozen. Though volatile, egg prices over the past year have been centered around \$1.00 per dozen but have ranged as high as \$1.22 in December 2011, and as low as \$0.82 in

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U.S. real GDP grew by 2.8% in the 4th quarter of 2011 (up from 1.8% in the 3rd quarter of 2011). On another positive note, the U.S. economy added 243,000 jobs in January 2012 while the unemployment rate, at 8.3% continued on its downward trend. The most recent Case-Schiller Home Price In-

dex shows continued weakness in the housing market with home prices down year-over-year in November 2011 by 3.7% nationally and even more steeply in the Atlanta MSA (-11.8%).

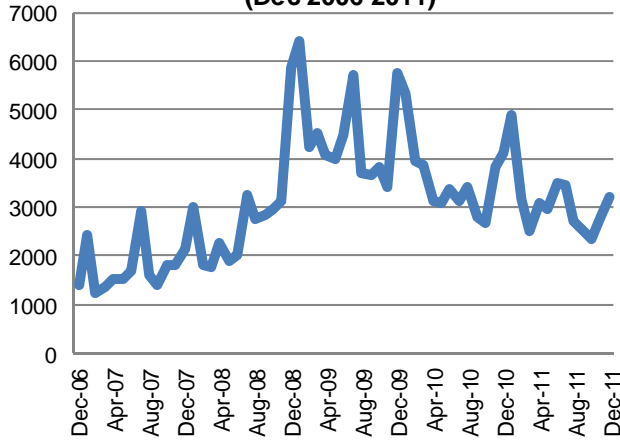
As for the West Georgia Region, unemployment rates continue to remain above the

national average in all five counties in the region. As of December 2011, the unemployment rates in two of the counties, Coweta and Paulding, were below the state rate of 9.4%. One very positive sign is the year-over-year drop in initial unemployment claims in each of the counties in the

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West Georgia Employment Update

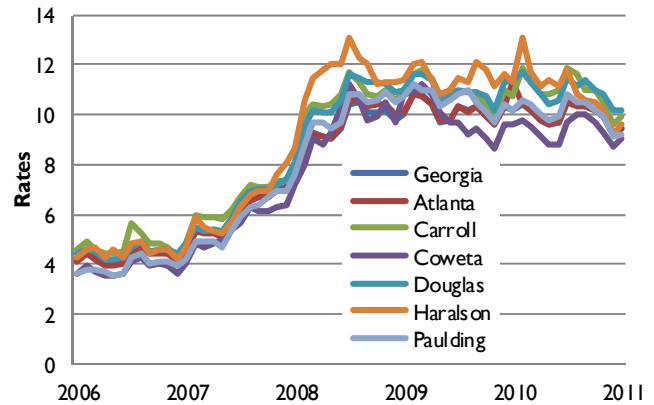
**West Georgia Initial UI Claims
(Dec 2006-2011)**



Over the period from July 2009 to December 2011, every county in the West Georgia Region saw unemployment rates trend downward. Though the recovery began at the national level in June 2009, it wasn't until well into 2010 that West Georgia Counties starting experiencing year-over-year reductions in monthly unemployment rates. June of 2010 was the first month in which all counties in the region had the same or lower unemployment rates as compared with the same month in the previous year. However, rate improvements have come in fits and starts. Summer 2011 saw unemployment rates rising again across the region, likely due to discouraged workers re-entering the labor force. As of December 2011, all but Douglas County have seen their rates dip below the double-digit mark, with Coweta at 9.0%.

Initial unemployment claims provide a current measure of emerging unemployment. Though the recovery officially began in June 2009, West Georgia only started seeing year-over-year improvements in new claims 6 months later. Since then, initial claims have trended downward for the region. In the last 6 months of 2011, the West Georgia Region saw year-over-year improvements, with only June and July of 2011 having more new claims than in the same months in the previous year. Coweta (at -32.6%) experienced the largest annual decline in new claims, followed closely by Haralson (-30.1%). Douglas County saw the smallest reduction in the region over the year (-6.7%). For December, all West Georgia Counties but Douglas saw larger declines in new unemployment claims than did the Atlanta MSA overall, and taken together, the West Georgia Region saw the number of new claims drop by 22.2%, while the state overall declined by only 15.8% over the same period.

Monthly Unemployment Rates



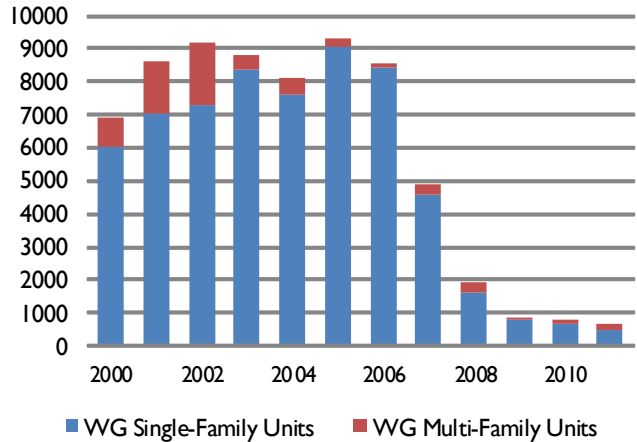
Employment Growth (% Change 2010:Q2 to 2011:Q2)				
County	Total Employment	Goods Producing	Service Providing	Govt.
Carroll	-0.32%	2.15%	-1.15%	-1.22%
Coweta	1.82%	1.68%	2.83%	-1.44%
Douglas	-2.92%	-4.26%	-2.13%	-4.75%
Haralson	-2.67%	-1.27%	-1.24%	-6.99%
Paulding	-0.52%	-6.55%	5.00%	-8.90%
Georgia	-3.07%	0.94%	2.38%	-3.12%

From 2010:Q2 to 2011:Q2, both goods-producing and service-providing sectors have, on net, added jobs over the past year for the state, but Georgia continues to shed jobs in the government sector. Within the West Georgia Region, only Coweta County has seen growth in total employment over the year. Though Coweta's construction sector continues to lose jobs (-154), manufacturing more than made up for the losses with a 244 job increase. Service provision added 546 jobs spread across temp workers (+388) and healthcare (+140). Carroll County has seen an increase in the goods-producing sector, primarily led by manufacturing, which added 300 jobs over the period. However, the service-providing sector lost jobs (-217) despite the increases in healthcare (+164) and information (+111). Paulding received a bounce from service-providing jobs (+549), mostly from temp employment (+179) and accommodation and food services (+142), but still lost employment (-99 jobs). Douglas continues to shed jobs across all sectors, with total private sector jobs down 827 jobs, 527 of which were from service-providing jobs. Douglas County retail alone lost 837 jobs over the period.

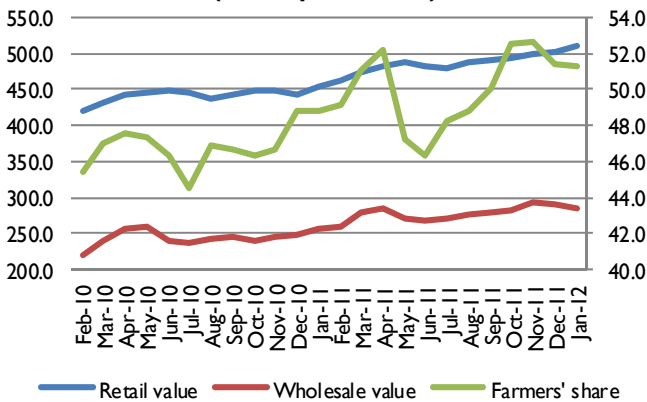
West Georgia Housing and Livestock Update

The region's new housing market is still struggling. For 2011, new housing permits remain at or below 2009 levels in the region. Overall, the region built 504 single-family houses in 2011, as opposed to 680 in 2010 and 762 in 2009. Only Carroll has seen improvements in single-family permits over the past year. The remaining counties in the region continue to post substantial declines in single-family permits for 2011. According to a National Association of Realtors survey, "distressed" sales continue to account for 1/3rd of total houses sold. Cash purchases make up 31% of transactions, and 1/5th of purchases are by investors. These national figures indicate that owner-occupied housing is being replaced with renter-occupied. However, in January 2012, the sale of homes under \$500,000 were up in the South, and inventories of pre-existing homes were falling across the nation despite the lack of new incentives to purchase.

Housing Unit Permits West Georgia Region



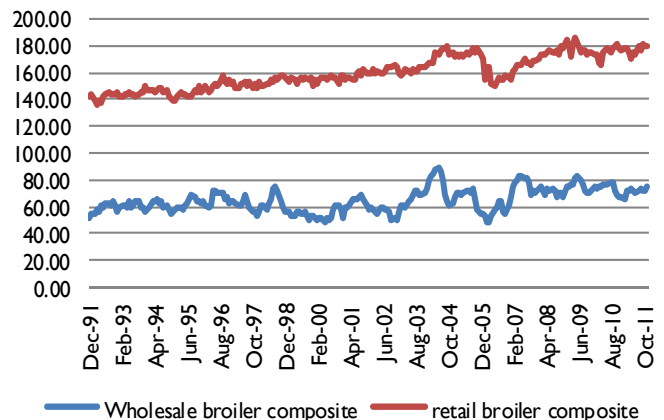
Beef Prices & Farmer's Share (Cents per Pound)



Some analysts have blamed the diversion of grains to biofuels on the rise in beef (and other meat) prices across the U.S., while others point to size of cattle inventories, which are currently at levels not seen since the 1950s. Whatever the cause of the increase, beef prices have reached levels not experienced in recent times. And, though higher prices have negatively impacted the consumer, cattle farmers across the nation have seen their incomes rise as a result. The farmer's share of beef prices (in green) have been on the upward trend since mid 2009, increasing by 5.0% from January 2011 to 2012. Middlemen have also seen their incomes rise. The spread between wholesale and retail beef prices has been widening on average. In January 2011, the average spread was \$1.97 per pound, but by January 2012, the average spread has increased to \$2.25, an increase of 13.8% over the year.

U.S. Composite broiler prices paint a somewhat different picture than that of the beef market. Poultry farmers in West Georgia have likely not seen the income growth that cattle farmers have. Poultry farmers experienced a steep drop-off in prices and consumption in early 2006 due in large part to a bird flu scare. Ignoring that period, however, the past 7 years have resulted in what can be described as very stable poultry prices, averaging in the mid \$1.70s per pound. The most recent price data for poultry (December 2011) puts prices at \$1.79 per pound, which are essentially steady over the past year. What has increased substantially is the spread between wholesale and retail prices. In 2007, the spread averaged \$0.89; however, the average spread in 2011 increased to \$1.05, representing a growth rate of about 4.3% per annum. Since the retail price hasn't changed, much of this increase in the spread has come at the expense of growers.

Broiler Composite Prices (Cents per Pound)



West Georgia Agriculture (continued from page 1)

May 2011. Though the trend has generally been in the upward direction over the past year, egg producers continue to face substantial volatility and uncertainty in the final prices for their goods. Mild winter temperatures, however, have reduced energy costs for these producers. Poultry growers are trying to rebound from a difficult few years. Reduced demand, higher energy and feed prices and reduced bird placements have affected growers' bottom line. But, higher beef prices may shift demand back to poultry in 2012.

Livestock (beef) production ranked second in the region behind poultry at \$34.1 million. Georgia and West Georgia beef producers are likely headed for a very good 2012 and 2013, considering the fact that Texas is dealing with the worst drought in nearly a century. Withered grass and high-priced grains have forced Texas cattle ranchers to thin out herds, and move a large amount of livestock to nearby states with better access to forage and water. Current reports put the number of cattle leaving Texas over the past year at more than 600,000. Also, the population of cattle in the U.S. has been on the decline since the mid 1970s. All these

events will likely push cattle prices to new record highs. So, while Texas Ranchers suffer, cattlemen elsewhere are seeing their beef prices increasing at nearly three times the rate of overall inflation. Carroll County may be poised to take full advantage of current cattle events. ChattaCreek Meats, a new multi-species processing startup in Bowdon, is currently in the planning stages. Given Carroll's large

level of beef production, ChattaCreek may be a company to watch.

At a farm gate of \$33.2 million for the region, ornamental horticulture rounds out the top three agriculture industries in West Georgia. This includes sales of both ornamental plants and turf. The value of production in all other commodity groups totaled about \$14.1 million in 2010 with forestry products accounting for \$7.0 million of that total.



Update (continued from page 1)

region. Coweta has seen the greatest improvement with the number of unemployment claims 32.6% lower in December 2011 compared to December 2010.

The most recently available employment data show continued job losses in the West Georgia region. As summarized in the table on page 2, total employment fell in West Georgia region fell by .76% between 2010Q2 and 2011Q2. Only Coweta County sustained job growth over this one year period (up 1.8%). The main drags on employment in the region continued to be the government and construction sectors. On the other hand, the region experienced a modest gain in employment in manufacturing and services over this period. Recent housing data show continued weakness as single family permit activity in the West Georgia Region was down by 25% in 2011 compared to 2010. According to

RealtyTrac Inc. (January 2012 data), Carroll County has the most serious foreclosure problem in the region with 1 in every 116 housing units in foreclosure. Only one county in the region, Coweta, had a lower foreclosure rate than the state rate (1 in every 328 housing units).

The West Georgia region has had generally positive news on the economic front in recent weeks. Carrollton-based Greenway Medical Technologies had its initial public offering (IPO) in early February. Expansion at Greenway, which now employs about 500 people, has been fueled in part by a federal government initiative to promote the nationwide adoption of electronic medical records. In other Carrollton news, the Carrollton Crossroads Shopping Center is seeing new activity including a new Olive Garden Restaurant, a renovation of the Kroger

Supermarket, and the relocation of Staples Office Supply. Positive news in the production sector in the region includes announced plans to add workers at Chromalloy and Old Castle Building Envelope in Newnan, Reflek in Douglasville, and Honda Lock in Bremen. MBN Foodservice is opening up a distribution center in the Coweta Industrial Park, adding about 100 jobs in the county in early 2012. According to the Atlanta Business Journal, Microsoft is seriously considering locating a large data center at a 60-acre in Lithia Springs. Employment in the region will be depressed due to a loss of over 100 jobs at the Sony Distribution Center in Carrollton, the closing of the Kmart store in Douglasville, as well as the recent closing of all of the Food Lion stores in Carroll, Coweta, Douglas and Paulding counties.