

**QUOTABLE:** “Regional conditions have firmed up this year, and recent data suggest a recovery is taking hold in the Eleventh District. Despite the improvement, several risks to the budding recovery remain.”

—Laila Assanie, Associate Economist

## NATURAL GAS: Glitches Point to Inflated Output Data

Natural gas production and consumption data have been drifting apart. The difference grew from 6 percent of natural gas consumption in December 2009 to 10 percent a year later.

Production should equal consumption plus increases or decreases in storage, but sampling and estimation errors typically result in slight discrepancies. Seeing these gaps rise, the Energy Information Administration (EIA) implemented a new methodology with the release of February’s production data that should ensure greater accuracy. Estimates for the prior 12 months were revised as well.

The changes revealed lower production for some states—namely Texas and Louisiana—plus the Gulf of Mexico. While natural gas production was lower than initially thought, the

downward revisions were smaller than expected—as evidenced by a drop in the price of natural gas coinciding with the data release.

The estimation errors were traced to an outdated sampling methodology. The EIA had used data from big producers to estimate smaller companies’ production. Estimates based on long-run data became less accurate as many smaller producers started using newer drilling technology to tap shale gas.

The EIA will now update the list of companies surveyed monthly and base estimates of nonsampled companies’ production on data that are six to 18 months old rather than the two to seven years used previously.

—*Jackson Thies*

## TEXAS AGRICULTURE: Drought’s End Brings Optimism

The outlook for Texas agriculture is brighter for 2010—welcome news after severe drought and a weakened global economy caused distress in 2009.

The El Niño weather pattern brought a wet autumn and winter to Texas, ending one of the worst droughts the state has ever suffered. Prices for livestock and commodities have firmed with economic recovery, and the Department of Agriculture is forecasting a 12 percent increase in U.S. net farm income over last year.

The outlook for the Texas cattle industry—largest among the states—improved in recent months as ample rainfall boosted pasture growth and market prices strengthened.

Livestock producers were hit hard in 2009. Prices fell as global demand retreated and drought conditions caused ranchers to cull herds and implement costly supplemental feeding. Texas cattle and calf inventory at the start of 2010 was the lowest in 20 years.

Rain restored soil moisture in time for the spring planting season, and Texas farmers anticipate a strong 2010 crop. Wet conditions delayed corn planting in some parts of the state, but overall crop progress is good. Cotton prices are expected to increase this year after a relatively low global harvest, which bodes well for Texas, the nation’s top cotton producer.

—*Emily Kerr*

## FORTUNE 500: Texas Ties California for National Lead

More of the nation’s largest companies call the Lone Star state home.

According to the 2010 Fortune 500, released in April, Texas hosts the headquarters of 57 of the nation’s 500 largest companies, ranked by gross revenues. These include three of the top 10: Irving-based Exxon Mobil (second behind Wal-Mart), Houston’s ConocoPhillips (sixth) and Dallas-based AT&T (seventh).

Texas tied California as the national leader in Fortune 500 firms, ahead of New York (56) and Illinois (31). Houston is home to 24 of these companies, more than any other U.S. city outside New York. Twelve are headquartered in

Dallas, and an additional 12 are based in the greater Dallas-Fort Worth area.

Texas secured its place as a Fortune 500 leader through its position as focal point of the domestic energy industry, its relatively strong economic growth over the past decade, and its relatively low tax rates and living costs.

In 2000, Texas was home to 43 Fortune 500 corporations and trailed New York and California by substantial margins. Houston had 18 companies and Dallas eight. Both cities have grown in importance as Fortune 500 hubs, with Dallas rising over the past decade from seventh to third in the nation.

—*Mike Nicholson*