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School of Business and Public Administration

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KERN ECONOMIC JOURNAL is a quarterly publication of California State University, Bakersfield. Its purpose is to track local trends and analyze regional, national, and global issues that affect the economic well-being of Kern County. The journal provides useful information and data that can help the community make informed economic decisions.

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INSIDE THIS ISSUE:

Cover Page: Autumn at CSUB - photo provided by the Office of University Advancement

Econ Brief

Is California Headed in Right Direction?

According to a recent survey conducted by the Public Policy Institute of California, California is headed in the wrong direction. The majority of survey respondents – varying across age, gender, race/ethnicity, income, home ownership, and political affiliation – perceive that the state is headed in the wrong direction. For example, 69 percent of democrats, 80 of republicans, and 78 percent of independent voters agree that California is not headed to a better future. Likewise, the survey respondents give the Governor and Legislature poor approval ratings.

The main reasons for this pessimistic perception include the state's deep economic recession and declining state and local revenues. Most Californians are not hopeful for major tax and spending reform that would alter the state's budgetary shortfalls process which needs major changes. Other fiscal reform measures, such as lowering the two-thirds vote threshold for state budgets to pass or local special taxes to pass, have gained some supporters in the past year but still show a deep split along party lines. Fiscal reform is likely to be a major issue in the 2010 election campaign.

Sources: Public Policy Institute of California (http://www.ppic.org) and Mark Baldassare, president and CEO, Public Policy Institute of California, commentary that appeared in the *San Francisco Chronicle* on September 19, 2009.

	Right Direction (%)	Wrong Direction (%)	Don't Know (%)
All Adults:	**22**	**72**	**6**
Registered Voters	20	74	6
Likely Voters	18	77	5
Party:			
Democrat	23	69	8
Republican	16	80	4
Independent	19	78	3
The Governor:			
Approve	40	55	5
Disapprove	13	81	6
The Legislature:			
Approve	55	41	4
Disapprove	12	83	5

Economy at a Glance!

Abbas P. Grammy
Professor of Economics, CSUB

The Gross Domestic Product (GDP) increased at an annual rate of 3.5 percent in the third quarter of 2009 according to the "advance" estimate released by the Bureau of Economic Analysis. This expansion snapped four straight quarters of contraction and unofficially marked the end of the worst recession since World War II. The increase in GDP in the third quarter primarily reflected positive contributions from personal consumption expenditures, exports, private inventory investment, federal government spending, and residential fixed investment. These positive effects were partly offset by negative contributions from increased imports and reduced state and local government spending.

The Index of Leading Economic Indicators – a measure of future economic activity – ascended 2.7 points to reach 102.7. Likewise, the index was 2.0 points higher than that of four quarters ago. The rate of unemployment continued its ascending trend, climbing from 9.3 to 9.6 percent. Compared with four quarters ago, the rate of unemployment was up 3.6 percent. In the meantime, the cost of living increased at an annual rate of 3.6 percent; the cost of producing ascended 6.7 percent; and the cost of employment rose 1.6 percent.

In California, the unemployment rate climbed from 11.4 to 12.1 percent. The state lost 253,600 jobs and had to support 111,100 more unemployed workers. The farm labor market lost 3,800 jobs and non-farm industries cut 120,800 paid positions. A wide-range of industries cut jobs, including mining, construction, manufacturing, retail trade, transportation, information, finance and insurance, real estate, professional, scientific and technical services, educational services, administrative support and waste management, accommodation and food services, and federal, state, and local governments. In contrast, wholesale trade, health-care services and social assistance, and arts, entertainment and recreation added jobs.

In Kern County, households continued to become less pessimistic about employment and financial conditions of their families and relatives as the *Consumer Sentiment Index* gained 3 points to reach 79. In the meantime, businesses turned slightly more optimistic about their employment and financial conditions as the *Business Outlook Index* rose one point to reach 109.

In the meantime, the county's economy expanded at an annual rate of 1.2 percent. Kern's economy generated $15.39 billion in personal income, $45 million more than the previous quarter. Economic growth being offset by labor force growth caused personal income per worker to fall $100, reaching $40,400.

Kern County's labor market conditions improved. Compared with the previous quarter, the county's workforce inclined by 2,500 members. In the meantime, 3,500 more workers were employed and 1,000 less workers lost their jobs. The gain of 10,500 farm jobs was offset by the loss of 5,200 nonfarm jobs. While the private sector added 200 more jobs, government agencies cut 5,400 paid positions. A wide-range of industries cut jobs, including construction, retail trade, transportation, information, finance and insurance, real estate, professional, scientific and technical services, management companies, arts, entertainment and recreation, and state government and local public education and county government. In contrast, mining, wholesale trade, administrative support and waste management, educational and health-care services, accommodation and food services, and the Department of Defense added jobs.

The rate of unemployment dropped from 14.2 to 13.8 percent. Still below the county average, the rate of unemployment averaged 10 percent in Bakersfield, 11.1 percent in California City, 8.2 percent in Ridgecrest, and 9.6 percent in Tehachapi.

Kern County's housing market showed signs of improvement. The median sales price for all residential units appreciated $4,900 (or 3.9 percent) from $127,100 to $132,000. In Bakersfield, the median housing price climbed $8,400 (or 6.5 percent) from $128,800 to $137,200. Appreciation in housing prices caused housing affordability to fall slightly from 28.3 to 28.0 percent. The number of all housing units sold decreased from 3,394 to 3,290 in Kern County and from 2,478 to 2,400 in Bakersfield. The number of building permits issued for the construction of new privately-

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Local Businesses slightly more Confident

Abbas P. Grammy
Professor of Economics,CSUB

Data from our recent survey indicate that Kern County businesses have turned optimistic about local economic conditions. In the third quarter (July through September) of 2009, the *Business Outlook Index* improved one point. The index stood at 109 compared to 108 in the previous quarter and 88 four quarters ago. The survey data are somewhat encouraging because the index value remained in the range of optimistic perceptions.

Kern County's *Business Outlook Index* is compiled from telephone surveys administered to a random sample of local business managers listed in various telephone directories. Index values above 100 indicate optimism, while values below 100 suggest pessimism. The intent of the survey is to help business managers make more informed decisions given local economic trends. Survey results also enable investors to assess the potential for local economic growth based on the degree of business confidence.

To make an in-depth analysis of business confidence, we disaggregated the *Business Outlook Index* into two subindexes relating to recent and future business perceptions. The *Current Conditions Index* climbed 2 points to arrive at 107. Likewise, the *Future Conditions Index* gained 2 points to reach 111. These improvements indicate that local business managers are slightly more optimistic about current and future economic conditions than the previous quarter.

Employment Outlook:
Sixty percent of interviewees reported that the number of jobs in their companies stayed constant this quarter, while 24 percent said more jobs were available in their companies and 16 percent reported reduced employment.

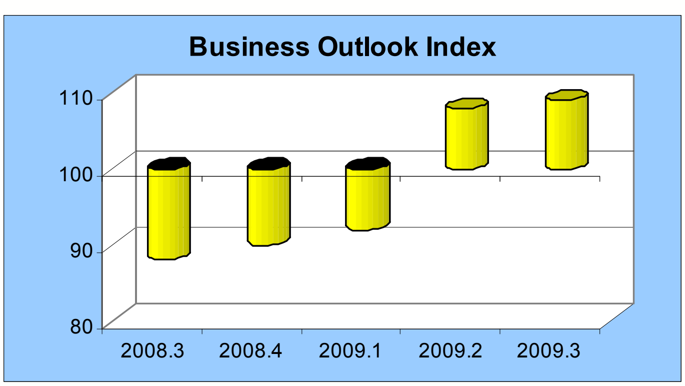
Likewise, 61 percent perceived that the number of jobs would stay constant next quarter, whereas 28 percent expected their companies to hire more workers. The remaining 11 percent anticipated a smaller workforce.

Financial Outlook:
Fifty-nine percent of survey respondents reported that the financial conditions (sales and profits) of their companies were constant this quarter, whereas 24 percent indicated increased profits and sales and 17 percent stated lower profits and sales.

Similarly, 64 percent expect financial conditions of their companies to remain constant next quarter. However, 22 percent anticipate increased sales and profits and 14 percent predict lower sales and profits.

Industry Outlook:
Sixty-seven percent of survey respondents perceived that the employment and general business conditions of their industries remained the same as the previous quarter, while` 20 percent felt these conditions improved and 13 percent felt crumbling business conditions.

Sixty-one percent anticipate that the employment and general business conditions of their industries will be unchanged next quarter. However, 25 percent expect progress and 14 percent feel otherwise.



	Current Quarter	Previous Quarter	Four Quarters Ago
Index of Business Outlook	**109**	**108**	**88**
Index of Current Conditions	107	105	87
Index of Future Conditions	111	109	90

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Little Change in Consumer Sentiment in Third Quarter

Mark Evans
Associate Dean, School of Business and Public Administration
Professor of Economics, CSUB

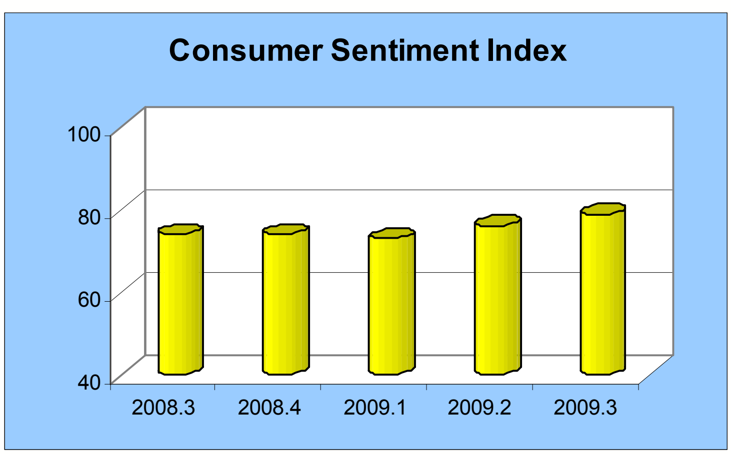
Bakersfield's Index of Consumer Sentiment inched up from 76 to 79 in the third quarter, its second consecutive increase after bottoming out at 73 in the first quarter. Prior to the second quarter, the local index had declined for eight consecutive quarters from a peak of 125 in first quarter 2007. Nationally, the University of Michigan's consumer sentiment index was unchanged at 68 in the third quarter after finally "turning the corner" in the second quarter. While the modest gains thus far in 2010 are welcomed, both the national and local indexes remain in their "bottom ten percent" of readings since CSUB began tabulating the local index in 1999.

CSUB compiles the Bakersfield index from telephone interviews of a random sample of households. The index is disaggregated into sub-indexes reflecting financial outcomes over the previous 12 months and expectations for the coming year. The modest gain in the composite index resulted from a 14-point gain in the sub-index measuring recent trends combined with an eight-point loss in the sub-index reflecting future expectations. Both sub-indexes have been volatile in recent quarters.

The sub-index measuring recent financial trends increased to 80 in the third quarter from 66 in the second quarter. The percentage of households reporting they had spent "more than usual" on discretionary items increased from 13 to 18 percent, while those spending "less than usual" decreased from 40 to 31 percent. While the percent of households reporting their situation had improved over the pervious 12 months remained unchanged at 14 percent, the percent reporting that their condition had worsened decreased from 47 to 33 percent. While this response pattern resulted in an increase in the sub-index, it also implies that nearly 2.5 households became worse off over the past 12 months for every household that reporting improvement.

The sub-index reflecting expectations for the coming year decreased from 78 to 70. The percent of households expecting their financial condition to improve over the coming 12 months decreased from 28 to 17 percent. Also, the percent of respondents indicating their Kern County acquaintances were optimistic about the coming year declined sharply from 41 to 16 percent. When households were asked if this is a safe or risky time to use savings or incur debt to buy expensive goods, just nine percent indicated this is a safe time, compared to 16 percent in the previous quarter.

Consistent with national commentary, this grassroots survey confirms that although the recession may have "bottomed out," it could be a long time before we "dig out" locally.



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__Consumer Sentiment__ *(Continued from page 4)*

Table 1: Index Values			
	Most Recent Quarter	**Previous Quarter**	**One Year Ago**
Bakersfield Consumer Sentiment Index	**79**	**76**	**74**
Sub-index: Current Conditions	80	66	78
Sub-index: Future Expectations	77	85	70

Table 2: Recent Buying and Financial Trends			
	More than usual	**Same as usual**	**Less than usual**
Your recent spending on discretionary items (dining out, weekend outings, entertainment).	18 %	51 %	31 %
	Better off	**Same**	**Worse off**
How your family is doing financially compared to one year ago.	14 %	53 %	33 %
How your acquaintances in Kern County are doing financially compared to one year ago.	12 %	49 %	39 %

Table 3: Future Expectations			
	Better or more stable	**About the same**	**Worse or more risky**
The most likely financial situation of your family one year from now	17 %	51 %	32 %
	Optimistic	**Neutral**	**Fearful**
How your acquaintances in Kern County view the coming year.	16 %	55 %	29 %
	Safe time to buy	**Neutral response**	**Risky time to buy**
Is now a safe or risky time for most people to use savings or incur debt to buy expensive goods?	9 %	42 %	49 %

__Businesses Confident__ *(Continued from page 3)*

Economic Outlook:
When asked about Kern County's economy, 59 percent of interviewees perceived no improvement this quarter. Nevertheless, 23 percent felt conditions improved and 18 percent said conditions worsened.

Likewise, 54 percent feel that economic conditions will be unchanged next quarter. However, 28 percent anticipate for the economy to get better and 18 percent feel conditions are likely to get worse.

Factors Affecting Business Outlook:
We asked business managers to identify factors that have affected employment and financial conditions of their companies. They felt several factors brightened the business outlook:

- Increased internet sales
- Workers are willing to get jobs at lower wages
- Increased exports of farm products

However, survey respondents expressed the belief that several factors darkened the business outlook:

- High health-care premiums paid for employees
- Difficulty in borrowing money for business expansion
- Continued recession and high housing foreclosures

The CEO Profile!

Introduction

Bruce A. Johnson is Vice President, San Joaquin Valley Business Unit for Chevron North America Exploration & Production Company (CNAEP). Johnson is responsible for Chevron's oil and gas production in California with core operations in eight field locations.

A native of Chicago, Ill., Johnson graduated from the University of Illinois in Urbana, Ill., with degrees in civil engineering and geology. Upon graduation, he joined Texaco in 1979 and assumed a number of petroleum engineering and management positions of increasing responsibility in Texaco's West Texas, Indonesian, and Gulf of Mexico operations.

In 1995, he was named Petronius project manager, Texaco's first deepwater development project. In 1997, he was named Gulf of Mexico deepwater development manager. In 1999, Johnson was named vice president of development for Texaco's worldwide exploration and production organization.

Upon the formation of ChevronTexaco in October 2001, Johnson was named the general manager, drilling and production systems technology. Johnson joined Global Gas in January 2004, as vice president North American Regasification Ventures. In December 2007, Johnson joined the Southern Africa Business Unit in Houston as the general manager, Houston and Gas Assets. He assumed his present position in June 2008.

Interview[1]

Would you tell us a brief history of Chevron?

Although we are one of the world's leading integrated energy companies, Chevron actually got its start not far from here. Our roots go back 130 years to the first major oil discovery near Los Angeles – Pico No. 4 – which launched California as an oil-producing state. I am proud to say that spirit of innovation, optimism and risk-taking shown by those early oil pioneers has marked the company ever since. So while we are a global company, we still have a strong presence locally. Today, Chevron's success is driven by the ingenuity and commitment of approximately 62,000 employees worldwide who explore for, produce and transport crude oil and natural gas; refine, market and distribute transportation fuels and other energy products; manufacture and sell petrochemical products; generate power and produce geothermal energy; provide energy-efficiency solutions; and develop future energy resources including biofuels and other renewables. We call this collaborative effort Human Energy.

How does the oil industry contribute to the economy of Kern County?

The energy industry is a key component of California's economy, and a substantial portion of its impact can be traced to Chevron. For example, nearly 23,000 jobs are supported directly and indirectly in the Bakersfield area by Chevron, which accounts for about one-fourth of the region's economic activity industry wide. The company's economic output in California in 2007 was estimated $9.2 billion, according to a Milken Institute Study. In Kern County, oil companies alone contribute about 33% of the property tax base (far more than any other industry) which supports local government, service programs and education, and employs 10,000 people. Based on the number of barrels produced, the impact of petroleum production for the County of Kern is over $100,000,000 per year.

How does Chevron contribute to the community and economy of Kern County?

Chevron believes that investing in California communities is as important as investing in California energy. We're committed to supporting the building blocks of California's economy and competitiveness in the areas of education, career and technical training, and support for small enterprise development. In 2008, for example, 16,000 volunteer hours were contributed by more than 3,000 Chevron employees in California. In Kern County, as of August 2009, Chevron employees have logged over 1,000 hours, and have contributed more than $400,000 of their own funds. Additionally, through our community engagement program, Chevron invested more than $1.3 million in 2008, in support of programs related to education, basic human needs, and small enterprise development throughout the San Joaquin Valley. In Kern County

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[1] Non-Chevron Citation: Milken Report and Kern Economic Development Corporation.

Preparing Vision, Mission and Value Statements

Craig W. Kelsey
Dean, Extended University Division
Professor of Public Policy and Administration, CSUB

Most decision makers work hard to identify, reflect on, and create ideas that structure their organizations current purpose and ultimate direction. This is simply good planning. The intent of these ideas is to clarify the priorities of the business and to give a long term trajectory of action so that the intended goals of the organization are not only identified but achieved. It has been standard practice for these ideas to be captured in statements of vision, mission and values. When developed and accepted by the organizational staff they represent priority statements that ultimately guide the day to day work of the business. The following information is intended to be a quick reminder and refresher on how to build these statements of guiding principle. Each statement has a different purpose but also maintain an interconnection with all three being helpful and necessary to clarify and reflect the subtleties of the organization.

Vision Statement:

A vision statement represents the overall goal or purpose of the organization and is described with a global or high level order of words. The statement should be original and peculiar to the organization written in concise terms that are both attractive yet realistic. These statements represent the ideal state of affairs, identifying the future position of the business that the staff are committed to.

Here is the vision statement of the Disney Company. Note that the statement is concise yet broad in its intent: "To Make People Happy" – The Disney Company

Some might argue that the vision statement is too broad in nature and difficult if not impossible to measure. Never the less, it represents the global direction of that company.

NIKE has created a vision statement that is specific to its business and yet is structured to influence a large array of people: "To bring inspiration and innovation to every athlete in the world."

This vision statement is carefully worded, has broad scope intent yet works at some level of measurable attainment.

The following is the mission statement from Coca-Cola Company: "To refresh the world, inspire moments of optimism and happiness, to create value and to make a difference."

This statement is concise and suggests actions concerning how the vision is to be attained. It answers the questions of what and how the internal company will impact the external constituency. In addition, the Coca-Cola Company makes an effort to set the vision and over arching directions for the business.

- People: Be a great place to work where people are inspired to be the best they can be.
- Portfolio: Bring to the world a portfolio of quality beverage brands that anticipate and satisfy people's desires and needs.
- Partners: Nurture a winning network of customers and suppliers, together we create mutual, enduring value.
- Planet: Be a responsible citizen that makes a difference by helping build and support sustainable communities.
- Profit: Maximize long-term return to shareowners while being mindful of our overall responsibilities.
- Productivity: Be a highly effective and fast-moving organization.

These statements are cogent, directed to the future and capture the high order purpose of the organization. The statements fit the business and are motivational yet attainable.

Mission Statement:

The mission statement consists of those actions that allow the organization to achieve its vision. The statements are separate but connect action to vision. When preparing the mission statement, it is helpful for the decision makers to consider: (1) what is to be accomplished to translate vision into action, (2) how the activities will be carried out, and perhaps (3) for whom are these actions geared. Creating the mission statement generally

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Succession Planning in Kern County

Jane Evarian
Director, Career Development Center, CSUB

Succession Planning – Are You Ready?

The baby boom generation is thinking about retirement! What does it mean when the largest generation in modern U.S. history wants to leave the workforce? Not much right now given current labor trends, but this group, (the oldest of whom turned 60 in 2006), is huge! The baby boom generation is approximately 78 million in number, and eventually the retirements will begin, much to the anxiety of human resource professionals who are concerned about replacing this valuable talent. When the baby boomers retire, institutional knowledge, skill and expertise has the potential to permanently leave. So, ***succession planning*** has become a critically important aspect of strategic personnel planning within forward thinking organizations.

The value of human capital cannot be underestimated and succession planning includes preparing for the future direction of the company and matching that direction with the right talent. Therefore, succession planning should be a prominent part of the overall business strategy of an organization.

Succession planning can include coaching and developing talent from current junior employees within the organization, while other succession plans include cultivating talent from external sources. Internal succession planning requires companies to identify high potential individuals already employed at the organization. Once identified, the organization must then offer meaningful professional development opportunities, challenging assignments and mentoring to groom employees for higher levels of responsibility and growth within the corporation.

External succession planning means that companies must devote energy to bringing in new hires using careful recruiting strategies to match the needs of the organization with available talent. Full-time hires bring fresh perspectives to organizations, but new hires typically require significant training before an organization can realize a return on the investment. Another possible path toward meeting succession goals is to consider internships and professional development programs as a means to test talent while providing professional growth experiences for students.

Succession Planning through CSUB

External succession planning can be facilitated by participating in internship and professional development programs offered through California State University, Bakersfield. The utilization of internships, part-time employment and volunteer programs allow companies to groom students and reap the rewards of bright, talented and motivated student energy while assessing the potential for possible full-time employment. CSUB is well positioned to help companies in Kern County with succession planning! The university offers over 30 academic programs within business, humanities, social science, education, and natural science. CSUB offers both academic and paid internship programs through the Career Development Center. To support the growth of professional development programs, the CSUB Career Development Center assists companies identify potential candidates and manage programs by providing advertising, job postings, information sessions, on campus interview logistics and evaluation tools.

Succession Planning & Recruiting Opportunities at CSUB

CSUB offers a plethora of opportunities for companies to visit campus to recruit students! The 2009-2010 Recruiting Calendar includes a variety of events including a part-time job and internship fair, a natural sciences and mathematics virtual career fair, a business and public administration mixer, a helping profession and criminal justice career expo and a comprehensive career day event that includes all majors. The recruiting calendar is available at www.csub.edu/cdc.

Succession Planning & Year Round Connection with CSUB Students

In addition to specific recruiting events, several opportunities are available for companies to connect with students through the Career Development Center. Options include - Company Information Sessions, On Campus Interviews, Web Based Advertising to Attract Students, and our unique RunnerLink System - a free on-line job posting service for companies.

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Problems Facing California

Brandon Boggs
Economics Student, CSUB Hawk Honors Program

The State of California has been in the news for the past couple of years, not due to its celebrities and fancy homes, but the complex economic problems facing the state. When we think of a thriving economy, what comes to our minds? Do we think of a budget surplus, a large demand for workers, highly educated individuals, and low unemployment? If "yes" was the answer to all these questions, then California is in no way a flourishing economy and is in serious trouble. The people of California need to become aware of their current problems and take actions to fix them, whether by voting for change or initiating movements for reform.

California is one of the biggest spenders in the United States, but at the same time it collects more tax revenues. California relies mostly on income taxes and sales taxes for its revenue stream. About 75 percent of the state budget goes toward K-12 education, health care, social services, and public safety. The remaining 25 percent is allocated between institutions of higher education and correctional facilities. Interestingly, public colleges and universities, including the University of California (UC) and the California State University (CSU), receive 7 percent while correctional facilities get 18 percent.

Why can California afford to open 15 new prisons and only one CSU in recent years? Legislators claim the state cannot afford to spend less on prisons and more on education, and that even further cuts need to be made. Due to California's budget crisis Governor Schwarzenegger has allowed for a $2.8 billion decrease in states funding for institutions of higher education. This drastic reduction in state funding has caused the CSU to experience a $584 million budget deficit. In an attempt to constrict this gap, the CSU increased tuition, implemented employee furloughs, and cut enrollment. Every one of these solutions is a step back for California's workforce.

The education system in California is already failing to meet the changing demand for an educated and skilled workforce. In 2025, California is projected to have 41 percent of jobs requiring college degrees, where only 35 percent of those in the labor force will have them. California is only hurting itself by allowing for fewer high school graduates to receive higher education. California has many variables working against it. The state is suffering from one of the lowest enrollment ratios in the nation, declining transfer rates from community colleges to four-year universities, and small college graduation rates. The lack of college education directly reflects California's high unemployment rate.

If college graduation rates continue to drop, then unemployment rates rise and wages fall. Taking small steps can increase the number of college graduates greatly, ultimately fostering greater individual success and accelerating economic growth. One solution to the shortage of money is to take some funds from the prison system. Cutting health care expenses in the prison system by one third would triple the amount of money saved by CSU faculty members taking furlough days. A forecast has been made stating, "Gradual increases in college enrollment rates from California's current level to the national average, a 20 percent improvement in transfer rates, and an improvement in completion rates at CSU would, together, reduce the skills gap in one-half by 2025." Instead, CSU trustees have done the exact opposite and reduced enrollment by 40,000 students.

Many steps can be taken to improve problems with the state budget which would ultimately improve education and lead to an improvement in the workforce. California is the only state that requires two-thirds majority vote for passing a budget. Past experiences have shown that super majority voting has minimal effects on spending. In California, this rule hinders timely budgetary reforms and could make difficult tasks harder. Requiring less of a majority for a budget could allow for quicker solutions to be made and established, in order to improve the state of the budget. Tax reform is another widely talked about issue. The economy is moving more toward services and internet sales. There could be several reforms such as taxing services and internet sales, therefore improving equity, reliability, and efficiency. Precariousness is a fact when analyzing revenues in California. If economists and law makers can think of ways to improve their forecasting and budgeting preparation for peaks and troughs in revenues, then they could more effectively attack future problems.

Arguments against tax reform have been plentiful and somewhat persuasive; however, what Californians have now is obviously not working. Arguments against reduc-

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CEO Profile *(Continued from page 6)*

alone, Chevron contributes nearly $1.5 billion in payroll, property taxes, capital investment and operating costs to help stimulate the local economy.

How has Chevron responded to such deep and frequent fluctuations in international oil prices?

Growing demand, geopolitical pressures, and more remote and challenging resources continue to change the global energy landscape. By the year 2030, we believe worldwide energy consumption will increase by about 45 percent, fueled by a population that will increase 25 percent in the next 20 years. This increased need for energy will put added pressure on energy supplies. For example, in China alone, increasingly prosperous citizens are projected to purchase more than 100 million new vehicles before 2020. Even in the industrialized world, people are driving their cars more each year and living in bigger houses that contain appliances, computers, and other energy-demanding conveniences. The result is the world needs all the energy we can develop, in every potential form. With our expertise and advanced technology, Chevron is devising new and enhanced ways to deliver needed forms of energy. That's why we invested $22.8 billion in 2008 alone in a broad portfolio of energy resources. All energy use decisions, whether they involve investing in a multibillion-dollar oil project or purchasing the family car, have long-term energy implications. It is important that we face the challenges and embrace the opportunities because energy provides for economic growth and improves the quality of life of people around the world.

What is the outlook of the oil industry in Kern County?

I think it is very bright. Chevron's Kern County operations are strong and will continue to be in the future. We are investing heavily in people and technology here and will continue for the foreseeable future. After 130 years in California and over 100 years in Kern County, we're still going strong.

Problems *(Continued from page 9)*

ing the vote to approve a new budget would allow law-makers to enact new laws and pass budgets that could be worse for our system. Conversely, there is evidence from the past that when a change is needed the ability for California to do so quickly and efficiently is not there due to the two-thirds majority rule. Also, there are those who oppose cutting money from the prison system, which could result in an early release for some inmates, in order to allow for greater funds for the CSU and UC system. Allowing for the early release of 27,000 prisoners, an estimated projection if funds were to be cut is not the only solution to diverting finances from prisons back to schools. There are many alternatives such as cutting amenities such as television, internet, and the ability to have socializing time. These people are in prison, not on vacation. The more California takes away from its students, the more it would take away from its own future.

There is something needing to be done for the state of California. Every person can make a difference by becoming more informed and more involved. Parents need to assure that their children have a future. Young adults need to become involved and law makers need to realize the solution is not hurting the basis of California's future, but to improve the possibilities of the future. The workforce can become more productive if more students attend college and graduate from college. In order for more students to attend college, California law-makers need to formulate and implement economic reforms that help restructure the state's budget and allocate more funds for education. In addition, a lower percentage of the budget needs to be given to the prison system. The only way to keep the prison population low is to assure good education is accessible and affordable for all and that students can launch successful professional careers.

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Preparing Statements *(Continued from page 7)*

represents internal actions designed to impact external groups.

The mission statement for the Disney Company is rather lengthy but basically addresses the purposes of a mission statement.

The mission statement of The Walt Disney Company is to be one of the worlds leading producers and providers of entertainment and information. Using our portfolio of brands to differentiate our content, services and consumer products, we seek to develop the most creative, innovative and profitable entertainment experiences and related products in the world.

The mission statement of Chevron is more traditional in that it is short, direct and works to capture a theme related to its vision. The Disney Company does so also but in a more detailed fashion: "…to be the global energy company most admired for its people, partnerships and performance."

Value Statement:

The value statement presents the core priorities of the business and reinforces or sets the tone of the culture of the organization. These statements reflect the core beliefs, values and code of conduct that the staff hold important. These values should be lofty but serious and are based on ethics geared toward goodwill. Value statements start by looking at outside influences but determine how the inside group will respond. This code protects the organization by a management philosophy that predetermines pressures, fears and threats and how the organization confronts such.

The Disney Company has values that are unique to its organization and speak to their philosophy of creativity and innovation:

No cynicism – nurturing and promulgation of wholesome American values – creativity, dreams and imagination – fanatical attention to consistency and detail – preservation and control of the Disney magic.

The Coca-Cola Company uses its values as a compass to describe how they behave in the world:

- Leadership: The courage to shape a better future
- Collaboration: leverage collective genius
- Integrity: Be real
- Accountability: If it is to be, it's up to me
- Passion: Committed in heart and mind
- Diversity: As inclusive as our brands
- Quality: What we do, we do well

Here is the value statement from Chevron:

Our Company's foundation is built on our Values, which distinguish us and guide our actions. We conduct our business in a socially responsible and ethical manner. We respect the law, support universal human rights, protect the environment, and benefit the communities where we work.

Note that this statement is concise, represents the organizations core values and sets the tone for the staff and their conduct. These values are higher order and focus on how the internal staff will respond to the external environment. They are passionate but possible.

Conclusion:

Vision, mission and value statements are helpful guides for a business committed to effective service. The vision statement sets the overall goal of the organization at its most ideal state. The mission statement represents those actions necessary to carry out the vision and focus on what is to be accomplished. The value statements consist of lofty statements of belief and establish the code of conduct. These three statements have separate purposes but an intimate connection to assist the staff in moving the organization forward.

Succession Planning *(Continued from page 9)*

Succession Planning & Your Local CSU

Please contact the CSUB Career Development Center to discuss your succession planning needs! The center is available 24/7 through a user friendly website designed for students and employers at www.csub.edu/cdc. The center can also be accessed during traditional work week hours by calling 661-654-3033.

It's the Economy, Stupid! Why the Economy Stinks and How to Fix It

Amita Risbud[1]
Student, Stockdale High School

I remember browsing for a card at Target for my dad's birthday just a couple of years ago, desperate to find a comical subject to give him a good laugh. After fingering through rows and rows of cards with glittery cakes and unoriginal, sentimental quotes, my tired, sore eyes finally caught one with a photograph of a board displaying prices at a gas station. The listing read as follows:

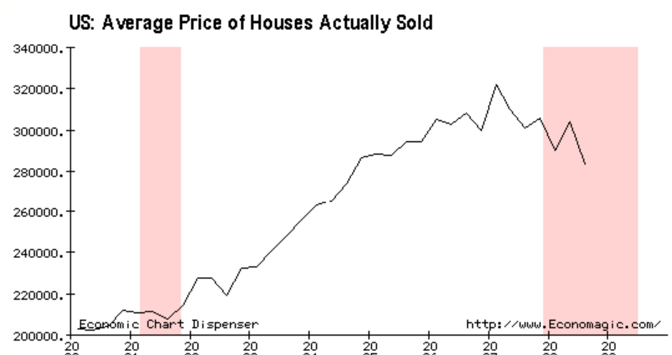
PRICE OF REGULAR: ARM
PRICE OF PLUS: LEG
PRICE OF PREMIUM: FIRST-BORN

However successful the card may have been at entertaining my old man that day, it regrettably did project the reality of an impending economic slump. I couldn't go a day without hearing a fiery diatribe on the outrageous gas prices on the news, at school, or over dinner. I began to see foreclosure signs for the first time in my fairly well-to-do neighborhood, some of my favorite teachers laid off, and many elderly folk grumbling about giving up bingo parties to get some cash in their pockets. And then, as if it wasn't already obvious, the National Bureau of Economic Research finally declared last December that a recession had been going on since the end of 2007.

Recessions are no strangers to the American economy, but like hurricanes, they come as expected, but dreaded calamities. They mark the rank presence of declining GDP, increased unemployment, "decreased industrial output, and declining retail sales." Of course, the current recession features all of these, but what *exactly* is going on?

Real estate had been rather pathetic less than a decade before the attacks of September 11, 2001, but global investors, having eyed the opportunity to reap profits from reviving the economy, offered American banks heaps of loans to dole out to prospective homebuyers, with minimal regard to credit ratings. Consumers itching for their own cribs took the advantage to buy homes beyond their budget, and rising house prices helped upsize the economy through the millennium. Surely the investments vitalized the economy, but how could the investors gain without any fine print?

Banks managed high returns with subprime mortgages – loans with interest rates that initially appear low, but cunningly increase over time in order to compensate for the risk of loaning to people with poor credit. The problem was that many couldn't shell out enough for such high mortgages, and the crash of technology stocks in 2000 only made matters worse. So, near the 2001 terrorist attacks, the Federal Reserve Board under Chairman Alan Greenspan attempted to relieve distressed Americans by using loose monetary policy – maintaining lower interest rates until the economy was back on its feet by 2005.



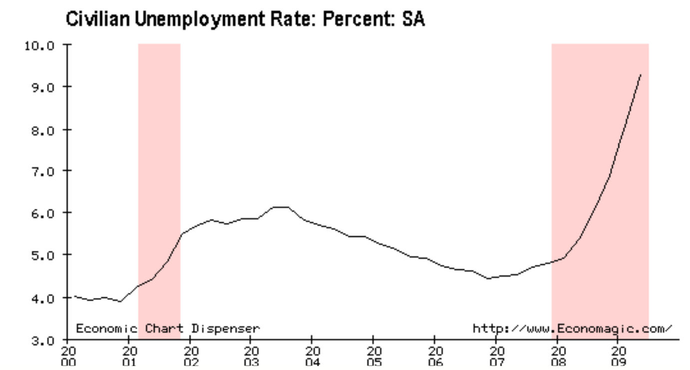
By 2007, however, even the housing bubble burst. Homeowners couldn't catch up on their mortgage payments, and the indebted were forced to watch "Foreclosed" signposts hammered onto their lawns. Hundreds of banks, unable to retrieve the money lent, had to declare bankruptcy. Panicked investors retracted funds, and the United States fell into a major economic decline into 2008, indicated by the plummeting prices shown in the second highlighted region on the above graph.

Consumer demand for goods and services has also decreased recently – perhaps in an effort to stow away some money for a decent enough roof. For over a year,

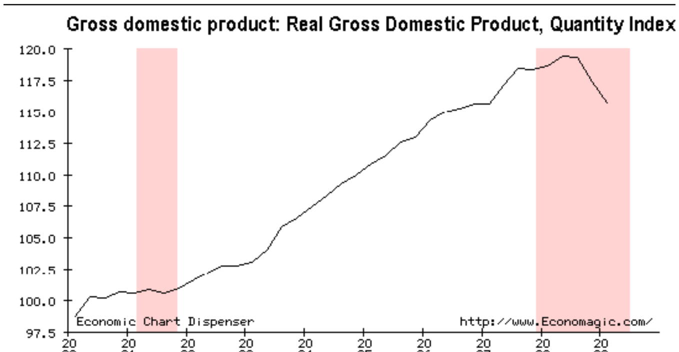
(Continued on page 13)

[1]This essay is the winner of the Enterprise College 2009 Essay Contest

reduced production – as a result of reduced demand – has entailed less labor; consequently, more employees have been laid off. Realize that while reduced labor costs allow producers to slash prices to attract customers, thousands of jobless consumers have neither the confidence nor the means to pay for desired products. With corporations possessing significantly fewer assets than debts, low confidence in buying and investing in stocks has drilled the nation into only greater recession. Low stock prices have hustled large firms, including Lehman Brothers, Washington Mutual, and General Motors, into bankruptcy.

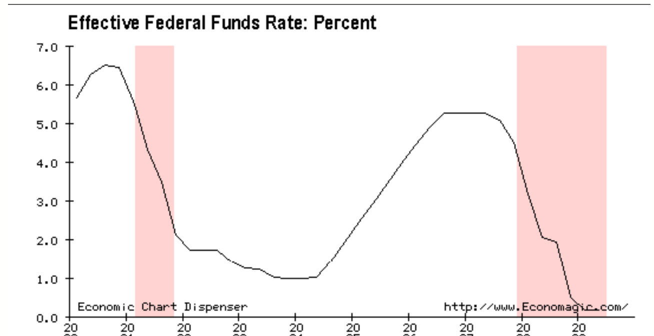


Declining GDP is yet another indicator of a downturn. Gross Domestic Product, "the dollar value of all of the goods and services produced for final sale in the United States in a year," has decreased with the increased joblessness and decreased production since late 2007. Furthermore, the United States' ongoing involvement in Iraq and Afghanistan has taken a chunk from the GDP to pay for excessive military expenses. Since the economy relies on ample consumption and production, and minimal government debt, you can see why we're in such a fix!



While it has been quite splendid scrambling for those buy-one-get-one-free deals and blowout sales in this land of opportunity, the economy surely can't survive entirely on Taco Bell and Costco bargains. So the question becomes: *when* and *how* will America pull through this economic mess? Without a doubt, Presidents Bush and Obama and Chairman Bernanke have spent many sleepless nights searching for a yellow brick road to a solution. Here's what they came up with:

Once it was official that the United States was indeed experiencing a slowdown, President Bush signed in February the $168 billion Economic Stimulus Act of 2008, which sent rebates "to taxpayers and low-income people," and tax breaks to businesses for "investing in new plants and equipment" by May. Many were optimistic about the new stimulus plan to rescue the economy, but just as many were cynical: all too familiar with human nature, some economists predicted that consumers – overwhelmed with sky-high debt – would snatch the rebates only to pay off bills or save for future financial hiccups, instead of spending on goods and services, as desired to bump up the GDP. Unfortunately, the skeptics were psychics: less than 20 percent of people surveyed in an Associated Press poll actually intended to spend their extra cash (Edmonds). Before he could take further action, Bush's presidency came to a close, and it was up to President Obama to cook up a workable plan . . . fast.



Since January 2008, according to his campaign website, Barack Obama has advocated a fiscal policy that would "inject $75 billion into the economy in the form of tax cuts and direct spending targeted to working families, seniors, homeowners and the unemployed." Apart from the $35 billion dedicated to tax cuts in order to promote consumption, $10 billion to be set aside for added Social Security benefits, and another $10 billion allotted to foreclosure prevention, Obama is keen on reserving billions in each category for future economic emergencies and "to lay the groundwork for long-term sustained economic growth." The newly elected president's most recent stimulus package concerns $787 billion, but his proposals are yet to come into effect.

Meanwhile, the Federal Reserve Board – the United States' central banking system – has implemented new monetary policy to untangle the economy. To curb the excessive borrowing between banks that had only magnified inflation, the Fed has pushed down the Federal

(Continued on page 14)

Economy *(Continued from page 13)*

Funds Rate as much as possible (near zero percent!) in recent years, shown by the sharp decline in the graph above. In addition, $1.2 trillion in funds have been hauled into open-market operations to "[buy] long-term government debt and [boost] purchases of mortgage-backed securities from Fannie Mae and Freddie Mac," both private, but government-sponsored enterprises, or GSEs. The increased supply of loanable funds then slims interest rates down, a definite plus in this recessionary period. Economists understand that while it would be good if the Fed could cut rates even more, the risk for greater inflation and recession shoots up. Thus, even the powers of the Federal Reserve Board are limited.

In any case, when is this horrible mayhem predicted to end? Economists are crossing their fingers for the end of this year to early 2010, actually. CNN reports that although RGDP has declined in 2009's second quarter, house prices are at near lows, unemployment is ridiculously high, and consumption is sparse, Obama's stimulus plan is expected to pick GDP up, and the government is working to resuscitate failing corporations, create more jobs, and increase consumer confidence to promote spending on domestic goods. And of course, it is important as responsible American citizens to do our part. We must have faith that our great country, renowned for its historically glorious economy, will bounce back!

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At a Glance *(Continued from page 2)*

owned dwelling units climbed from 407 to 432. The county's foreclosure activity slowed from 3,628 to 3,166. As a result, 462 less homeowners received notices of loan default from their mortgage bankers. Of these 3,166 homeowners receiving loan default notices, 1,855 (or 58.7 percent) lost their homes to foreclosure.

In commodity markets, the average price of San Joaquin crude oil jumped $7.48 (or 14.2 percent) to reach $60.18 per barrel. In the Bakersfield metropolitan area, the average retail price of regular gasoline per gallon rose 40¢ (or 14.9 percent) per gallon from $2.68 to $3.08. The unit price of California's Class III milk edged up 89¢ to attain $11.09. The index of prices farmers received for their outputs fell 2 point to reach 129, and the index of prices farmers paid for their inputs declined 2 points to arrive at 176. As a result, the parity between output prices farmers received and input prices farmers paid narrowed 1 point to reach 73.

The composite price index (2008.3 = 100) of the top five locally traded stocks inclined 2 points from 86.3 to 88.3. Relative to four quarters ago, the composite price index of stocks for these *market-movers* edged 21.7 points lower. Average stock prices rose for Chevron Corporation U.S., Tejon Ranch Company, Wells Fargo Company, and Home Depot, but decreased for Granite Construction.

Tracking Kern's Economy

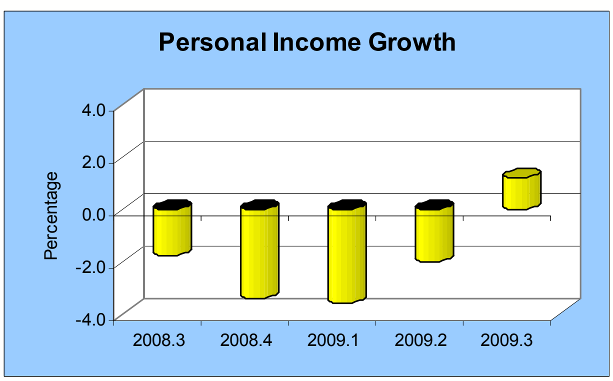
2009 Third Quarter

Abbas P. Grammy
Professor of Economics, CSUB

Economy

Personal Income - Kern County's personal income (in constant 1996 dollars) increased from $15.35 billion in the second quarter to $15.39 billion in the third quarter of 2009. The county's economy gained nearly $45 million of income this quarter. However, the county's personal income was $305 million less than that of the third quarter of 2008.

Growth of Personal Income - After falling 2.0 percent in the previous quarter, Kern's economy grew at an annual rate of 1.2 percent this quarter. Compared with four quarters ago, economic growth accelerated at a rate of 3 percent.



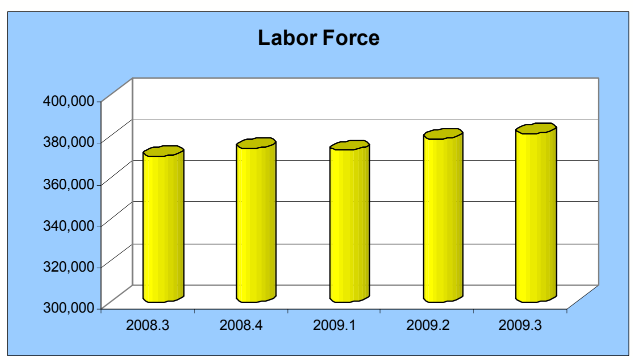
Personal Income Per Worker - By and large, benefits from economic growth were offset by costs of labor force growth. As a result, personal income per worker fell $100 from $40,500 in the second quarter to $40,400 in the third quarter of 2009. Likewise, personal income per worker was $2,000 less than that of four quarters ago.

Labor Market

I have adjusted labor market data for seasonal variations and report the quarterly changes in major labor market indicators below:

Labor Force	Total Employment	Total Unemployment	Farm Employment	Nonfarm Employment	Private-sector Employment	Public-sector Employment
2,500	3,500	-1,000	10,500	-5,200	200	-5,400

Labor Force - The civilian labor force increased by 2,500 workers from 378,900 in the second quarter to 381,400 in the third quarter of 2009. Likewise, the labor force has increased by 10,900 workers since the third quarter of 2008.



Employment - In the third quarter of 2009, Kern County's economy gained 3,500 jobs as total employment inclined from 325,700 to 329,200. However, the county employed 8,400 less workers relative to the third quarter of last year.

Unemployment - The number of jobless workers decreased by 1,000 as unemployment fell from 53,800 in the second quarter to 52,800 the third quarter of 2009.

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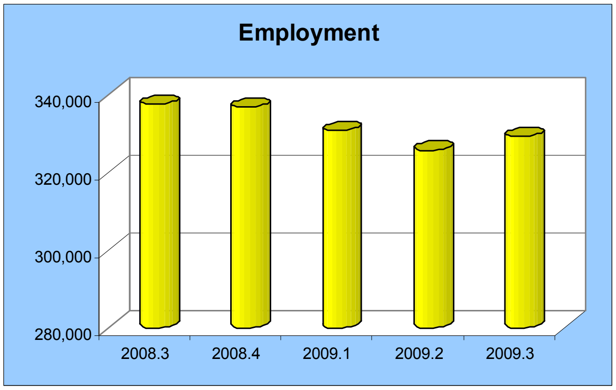
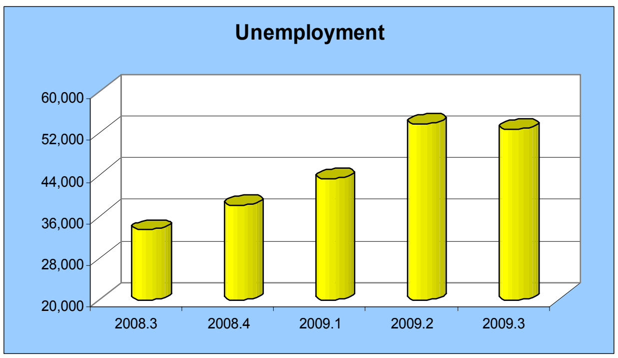
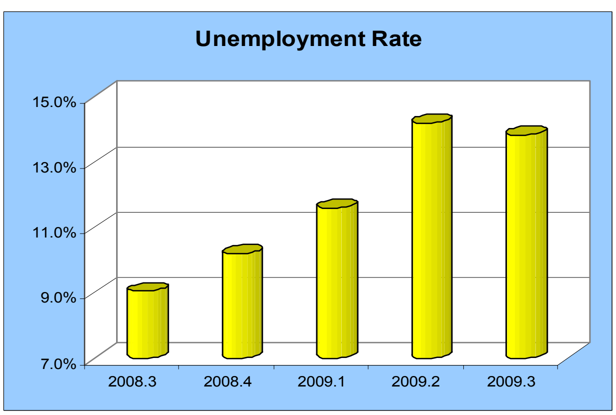
Tracking *(Continued from page 15)*

Nevertheless, 19,300 more workers were unemployed this quarter than four quarters ago.





Unemployment Rate - The rate of unemployment dropped 0.4 percent from 14.2 in the second quarter to 13.8 in the third quarter of 2009. However, this quarter's unemployment rate was 4.8 percent higher than that of four quarters ago.



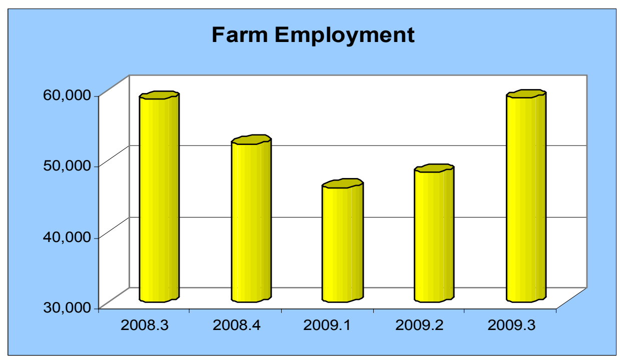
Using non-seasonally-adjusted data, the rate of unemployment varied considerably across cities. It ranged from 5.9 percent in Kernville to 35.5 percent in Arvin. In Bakersfield, the rate of unemployment was 10 percent.

Unemployment Rate of Cities

Location	Unemployment Rate (%)	Location	Unemployment Rate (%)
Kernville	5.9	Oildale	14.8
Lebec	6.4	Lake Isabella	16.9
Ridgecrest	8.2	Mojave	17.5
Tehachapi	9.6	Shafter	24.4
Inyokern	9.5	Lamont	24.6
Bakersfield	10.0	Wasco	25.4
California City	11.1	McFarland	28.4
Rosamond	11.6	Delano	34.7
Frazier Park	12.4	Arvin	35.5
Taft	13.8		

Note: City-level data are not adjusted for seasonality.

Farm Employment - In the third quarter of 2009, Kern County gained 10,500 farm jobs as employment increased from 48,400 to 58,900. Likewise, the county's farm employment this quarter was 200 more than that of four quarters ago.



Nonfarm Employment - Kern County lost 5,200 jobs in the market for nonfarm labor. The number of jobs in this market decreased from 242,900 in the second quarter to 237,700 in the third quarter of 2009. Likewise, nonfarm industries have cut 5,800 jobs since the second quarter of 2008.

A wide range of industries added jobs this quarter including mining, wholesale trade, professional and business services, educational services, health-care services and social assistance, and leisure and hospitality. In the meantime, the following industries reduced employment: construction, information, finance and insurance, real estate, and government.

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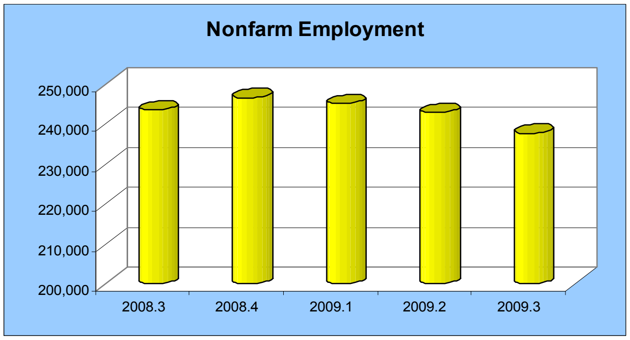
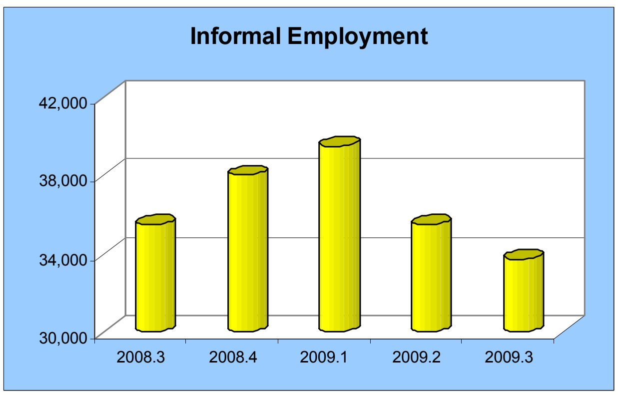
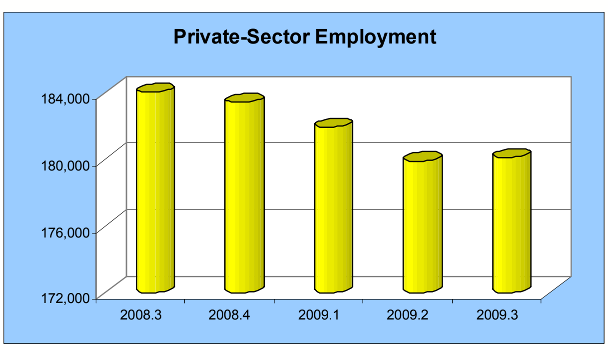


Informal Employment - Informal employment is the difference between total employment and industry employment. It accounts for self-employed workers and those who work outside their county of residence. In the third quarter of 2009, the number of workers engaged in this market decreased by 1,800 from 35,510 to 33,710. Similarly, the informal labor market had 1,800 less jobs relative to the third quarter of last year.

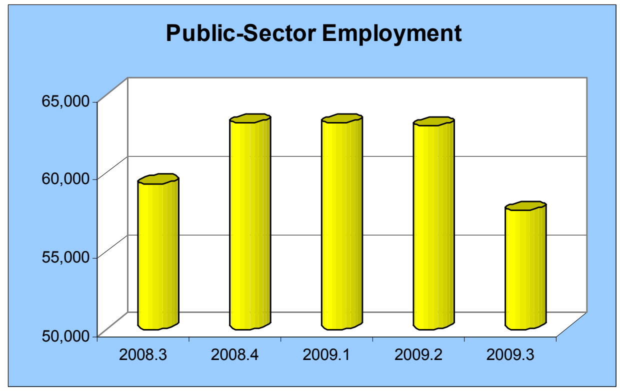


Private-sector Employment - Nonfarm employment is comprised of private-sector employment and public-sector employment. In the third quarter of 2009, private companies gained 200 jobs as their employment rose from 179,900 to 180,100. However, the private sector offered 4,100 less jobs than that of four quarters ago.



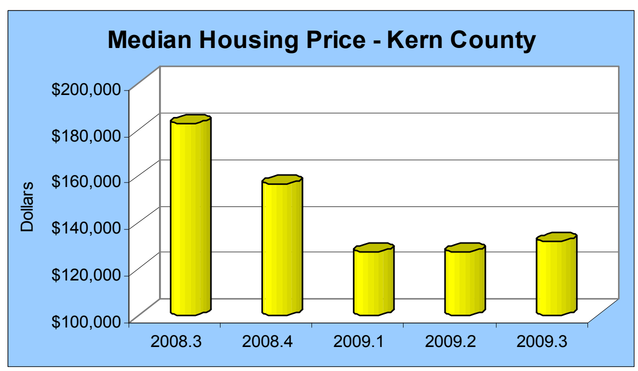
Public-sector Employment - The public sector consists of federal, state, and local government agencies. The local government labor market includes county and city agencies and public education. In the third quarter of 2009, government agencies cut 5,400 jobs as their employment declined from 63,000 to 57,600. Likewise, the public sector employed 1,700 less workers relative to four quarters ago.

While the Department of Defense hired more workers, state government education, local government education, county and city governments, and special districts and Indian tribes cut jobs.



Housing Market

Housing Price - In the third quarter of 2009, Kern County's housing market showed signs of improvement. The median sales price for all residential units appreciated $4,900 (or 3.9 percent) from $127,100 to $132,000. However, the county's median housing price has plunged $50,400 (or 27.6 percent) since the third quarter of last year.



In Bakersfield, the median housing price appreciated $8,400 (or 6.5 percent) from $128,800 to $137,200. However, the city's median housing price was $53,700 (or 28.1 percent) lower than that of four quarters ago.

Housing price changes varied across the county. Among selected locations shown on the next page, the median sales price appreciated in Bakersfield, California City, and Rosamond. However, the median price depreciated in Delano, Ridgecrest, Taft, and Tehachapi.

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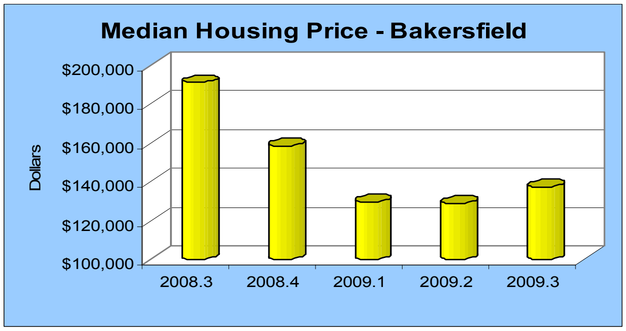
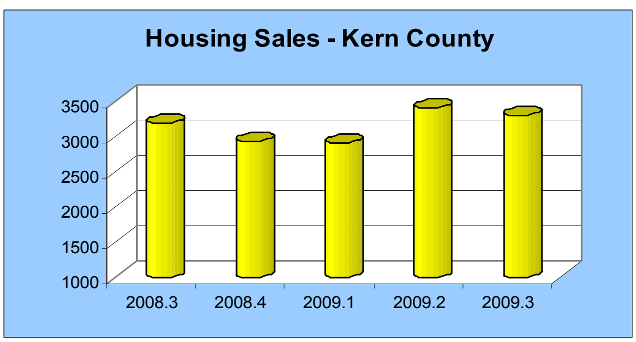
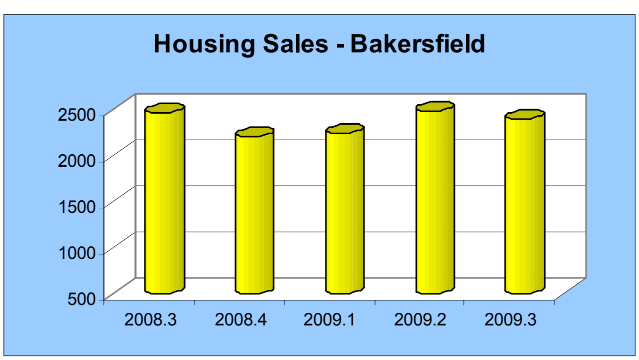


Location	Median Price 2009.2	Median Price 2009.3	Median Price Change	Median Price Change
Kern County	$127,100	$132,000	$4,900	3.9%
Bakersfield	$128,800	$137,200	$8,400	6.5%
California City	$56,750	$73,500	$16,750	29.5%
Delano	$127,300	$98,500	-$28,800	-22.6%
Ridgecrest	$164,750	$141,800	-$22,950	-13.9%
Rosamond	$117,600	$118,200	$600	0.5%
Taft	$111,000	$100,000	-$11,000	-9.9%
Tehachapi	$184,300	$165,500	-$18,800	-10.2%

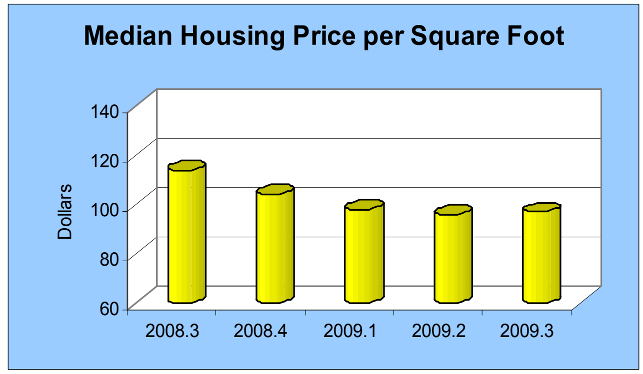
Housing Sales - In Kern County, 104 fewer homes were sold as the number of residential units sold declined from 3,394 in the second quarter to 3,290 in the third quarter of 2009. However, the number of units sold this quarter was 100 more than that of four quarters ago.



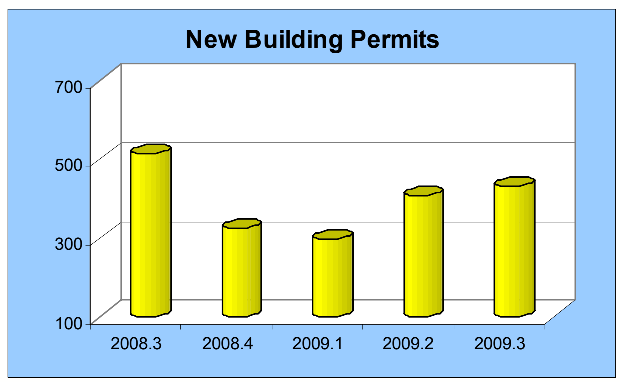
In Bakersfield, 78 fewer homes were sold as sales of all residential units fell from 2,478 in the second quarter to 2,400 in the third quarter of 2009. Since the third quarter of last year, sales have fallen by 62 units.



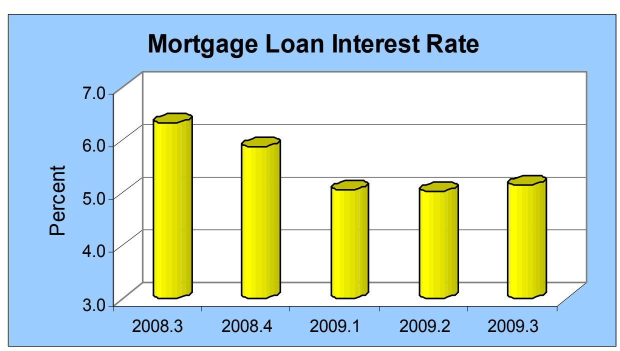
Median Housing Price per Square Foot - The median sales price per square foot of housing area inclined $1 from $96 in the second quarter to $97 in the third quarter of 2009. However, the median housing price per square foot has dropped $17 since the second quarter of last year.



New Building Permits - In the third quarter of 2009, the number of building permits issued for the construction of new privately-owned dwelling units rose by 25 from 407 to 432. However, 81 less building permits were issued this quarter relative to four quarters ago.



Mortgage Interest Rate - In the third quarter of 2009, the interest rate of thirty-year conventional mortgage loans increased from 5.03 to 5.16 percent. Nonetheless, the mortgage loan interest rate has fallen 1.16 percent since the third quarter of last year.



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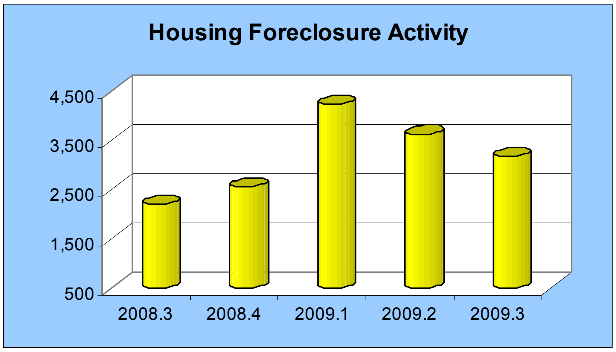
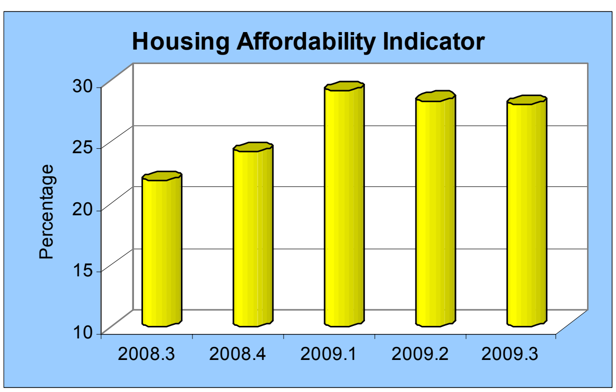
Housing Foreclosure Activity - In the third quarter of 2009, the county's foreclosure activity slowed from 3,628 to 3,166. As a result, 462 (or 12.7 percent) less homeowners received notices of loan default from their mortgage bankers. However, the number of default notices has increased by 970 (or 44.2 percent) since the third quarter of last year.



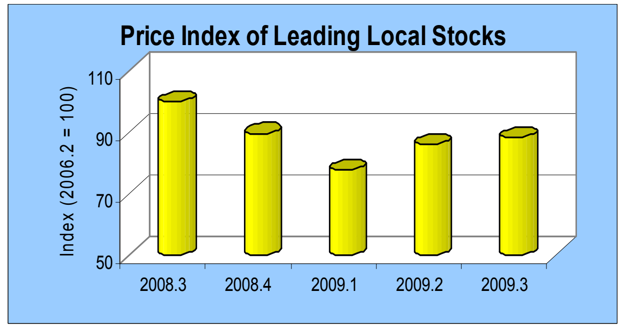
Of these 3,166 homeowners receiving loan default notices 1,855 (or 58.6 percent) lost their homes to foreclosure. The number of homes lost to foreclosure declined 3 percent from 1,913 in the third quarter to 1,855 in the third quarter of 2009. Relative to the third quarter of 2008, the number of homes lost to foreclosure fell 25.4 percent from 2,488 to 1,855.

Housing Affordability - The housing affordability indicator declined slightly from 28.3 percent in the second quarter to 28.0 percent in the third quarter of 2009. However, a median-priced home in Kern County was 6.2 percent more affordable this quarter relative to four quarters ago.

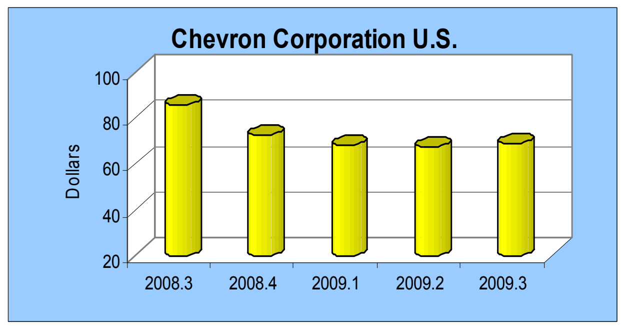


Stock Market

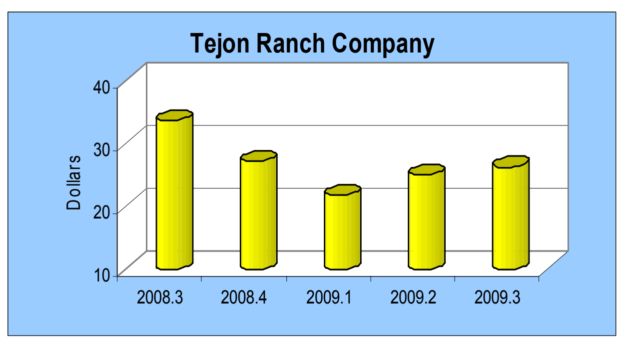
In the third quarter of 2009, the composite price index (2008.3 = 100) of the top five locally traded stocks inclined 2 points from 86.3 to 88.3. The index was 12 points lower than that of four quarters ago. These top five local *market-movers* are Chevron Corporation, Tejon Ranch Company, Granite Construction, Wells Fargo Company, and Home Depot Inc.



Chevron Corporation US: CVX gained $1.02 (or 1.5 percent) per share as its price jumped from $67.48 in the second quarter to $68.50 in the third quarter of 2009. However, CVX has lost $17.41 (or 20.3 percent) since the third quarter of 2008.



Tejon Ranch Company: TRC made $1.19 (or 4.8 percent) per share as its stock value rose from $25.03 in the second quarter to $26.22 in the third quarter of 2009. However, TRC was down $7.34 (or 21.9 percent) relative to the third quarter of 2008.



Granite Construction: GVA lost $4.55 (or 12.2 percent) per share in the third quarter of 2009 as its stock price fell from $37.32 to $32.77 per share. Likewise, GVA has gone down $2.59 (or 7.3 percent) since the third quarter of 2008.

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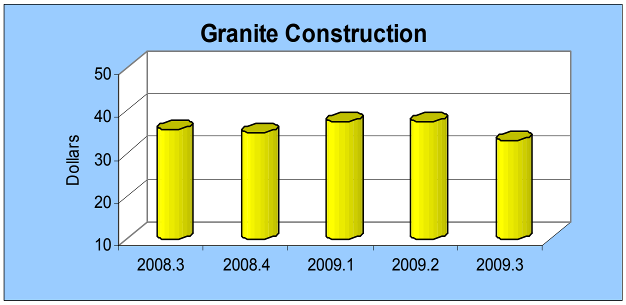
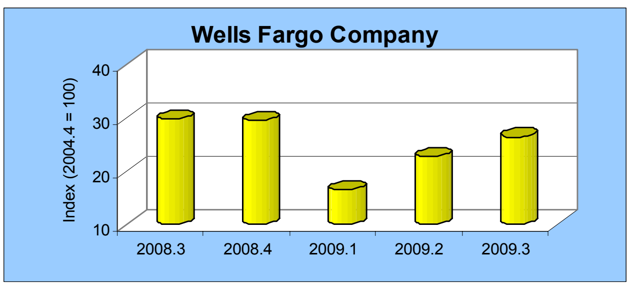
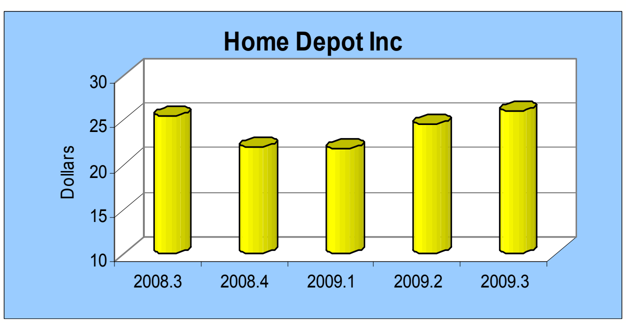


Wells Fargo Company: WFC gained $3.53 (or 15.4 percent) per share as its stock price rose from $22.96 in the second quarter to $26.49 in the third quarter of 2009. However, WFC has gone down $3.42 (or 11.4 percent) since the third quarter of 2008.

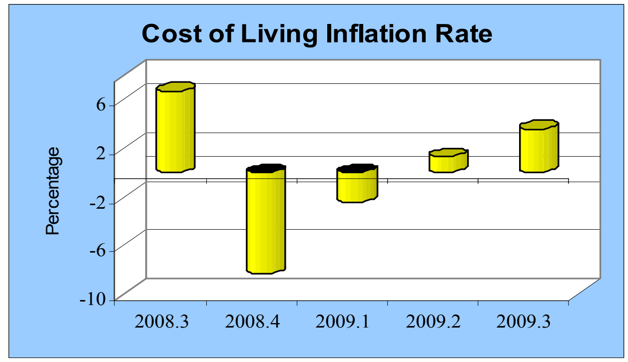


Home Depot Inc.: HD made $1.61 (or 6.6 percent) per share as its price rose from $24.53 in the second quarter to $26.14 in the third quarter of 2009. Similarly, HD has gone up 58¢ (or 2.3 percent) since the third quarter of 2008.

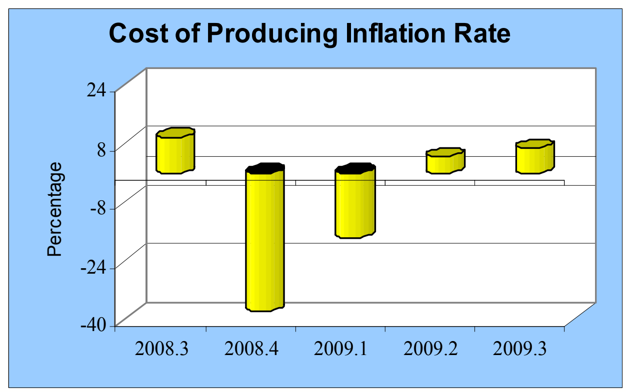


Commodity Prices

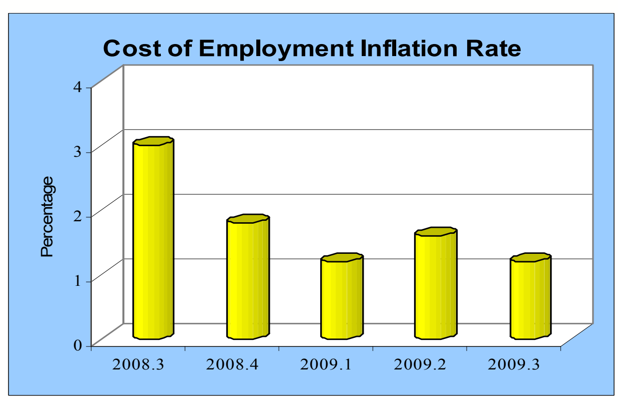
Cost of Living - The Consumer Price Index for all urban areas (1982-84 = 100) inclined from 213.3 in the second quarter to 215.2 in the third quarter of 2009. As a result, inflation for the cost of living accelerated at an annual rate of 3.6 percent. Nevertheless, the cost of living inflation rate was 3.1 percent lower than that of four quarters.



Cost of Producing - The Producer Price Index for all commodities (1996 =100) climbed from 171.3 in the second quarter to 174.1 in the third quarter of 2009. The inflation rate for cost of producing accelerated at an annual rate of 6.7 percent. However, the cost of producing inflation rate was 3 percent lower than that of four quarters ago.



Cost of Employment - In the third quarter of 2009, the Cost of Employment Index increased at a modest annual rate of 1.2 percent. However, the employment cost inflation rate was 1.8 percent lower than that of four quarters ago.



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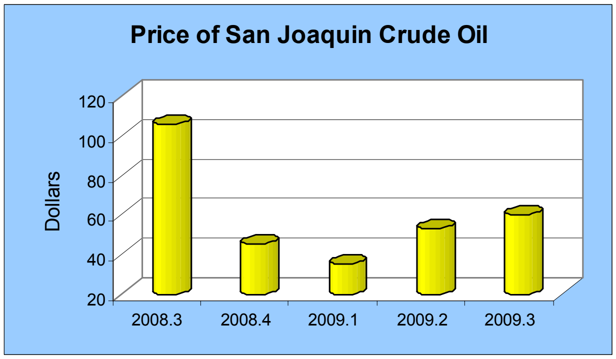
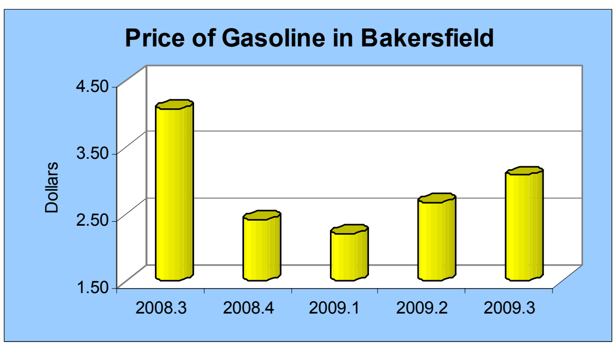
Tracking (Continued from page 20)

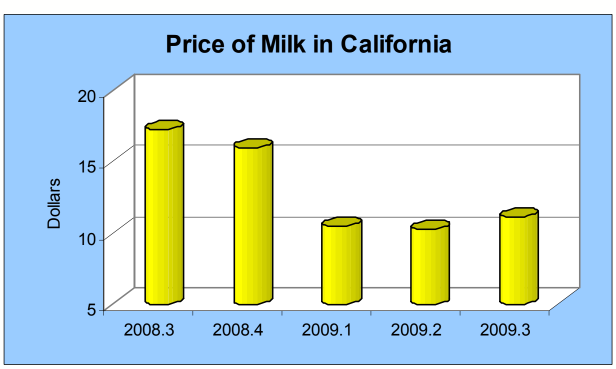
Price of Oil - The average price of San Joaquin Valley heavy crude was up $7.48 (or 14.2 percent) per barrel from $52.70 in the second quarter to $60.18 in the third quarter of 2009. However, the average price of crude oil was down $45.37 (or 43.0 percent) per barrel relative to the third quarter of 2008.



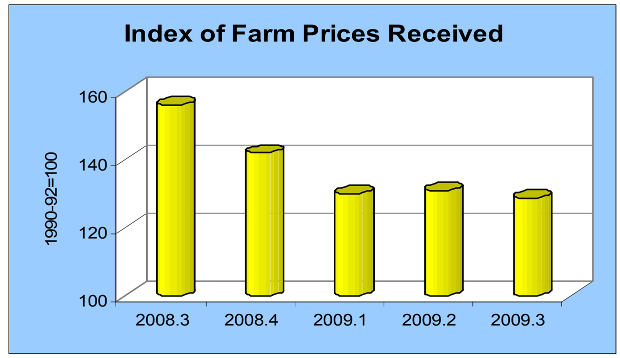
Price of Gasoline - In the Bakersfield metropolitan area, the average retail price of regular gasoline per gallon rose 40¢ (or 14.9 percent) per gallon from $2.68 in the second quarter to $3.08 in the third quarter of 2009. Compared with the third quarter of last year, the average gasoline price was down $1.00 (or 24.5 percent).



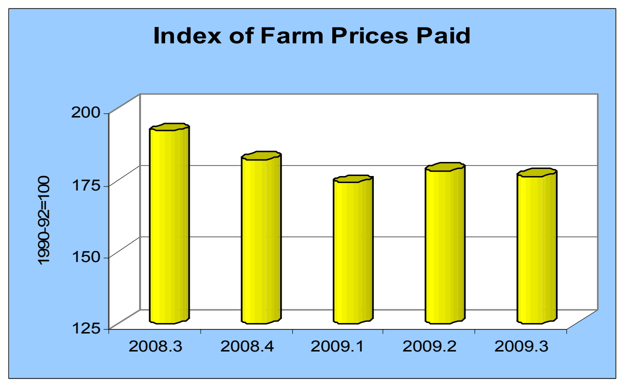
Price of Milk - The average price of California's Class III milk rose 89¢ per cwt (or 8.7 percent) from $10.20 in the second quarter to $11.09 in the third quarter of 2009. However, the unit price of milk has gone down $6.19 (or 35.8 percent) since the third quarter of 2008.



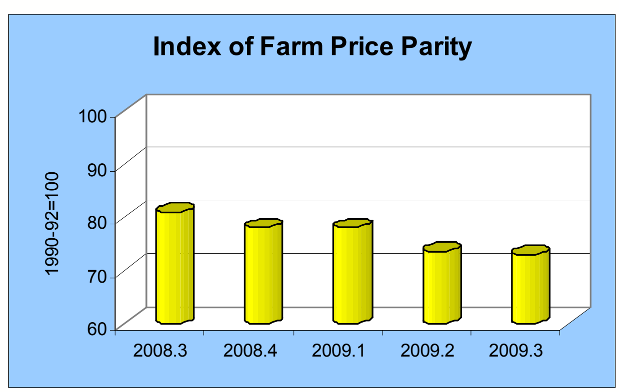
Farm Prices - In the third quarter of 2009, the national Index of Prices Received by Farmers for all farm products (1990-92 = 100) dropped 2 point to arrive at 129. This index was 27 points lower than that of four quarters ago.



The national Index of Prices Paid by Farmers for commodities, services, interest, taxes, wages, and rents declined 2 points to reach 176. Likewise, the index has lost 16 points since the third quarter of last year.



The Index of Farm Price Parity is the Index of Prices Received by Farmers as a percentage of the Index of Prices Paid by Farmers. In the third quarter of 2009, the Index of Farm Price Parity fell 1 point from 74 to 73. The gap between prices paid and prices received by farmers widened 8 points since the third quarter of 2008.



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