OUTLOOK 2012 PRESENTATIONS

The University of Montana Bureau of Business and Economic Research

Cascade County

Inside:

National, State, and Local Forecasts • Agriculture • Energy
Forest Products • Health Care • Housing
Manufacturing • Travel and Recreation

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OUTLOOK 2012

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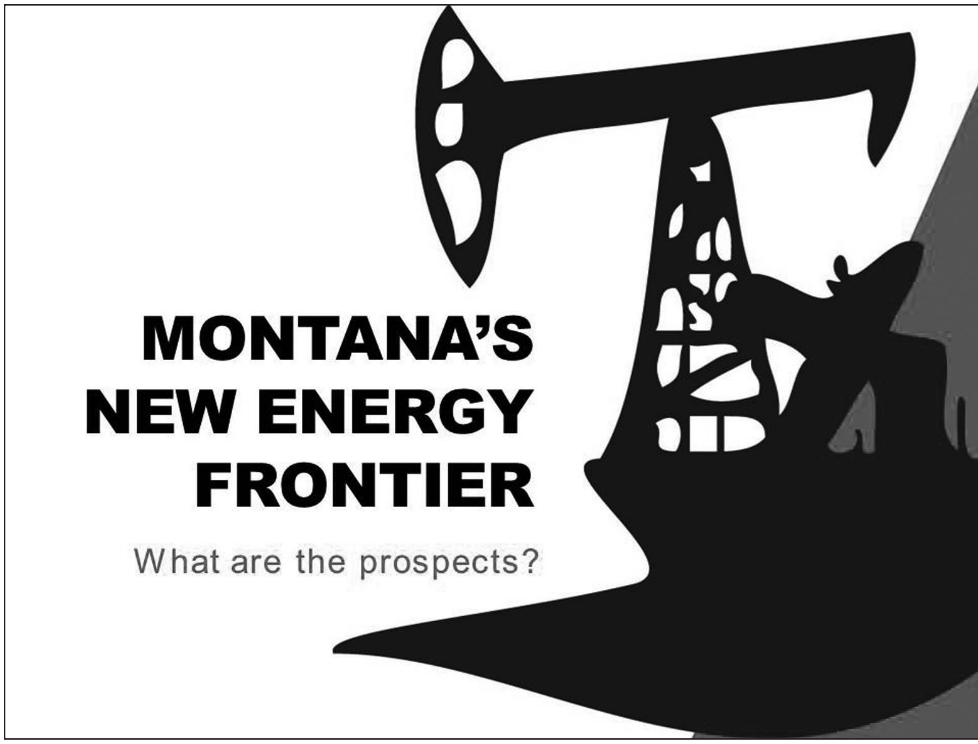
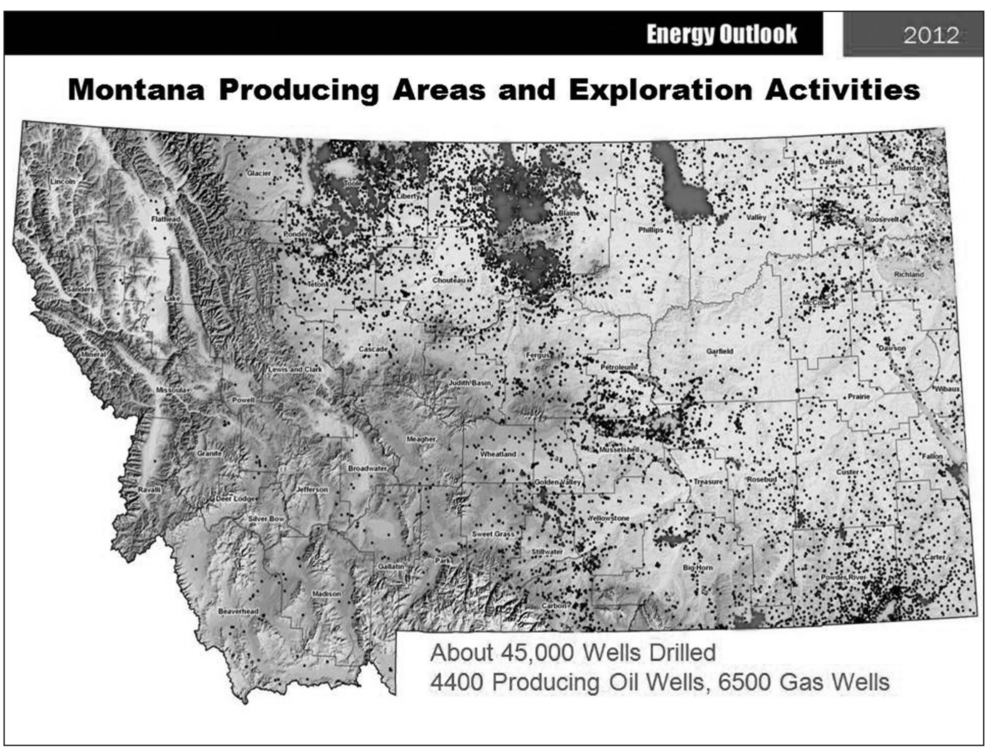
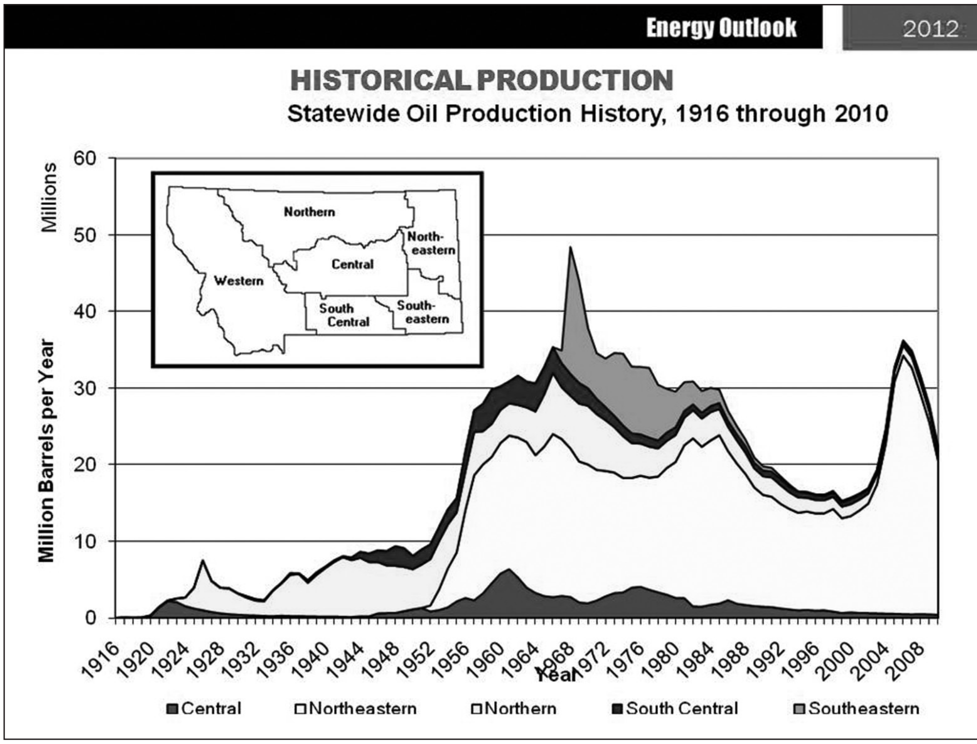
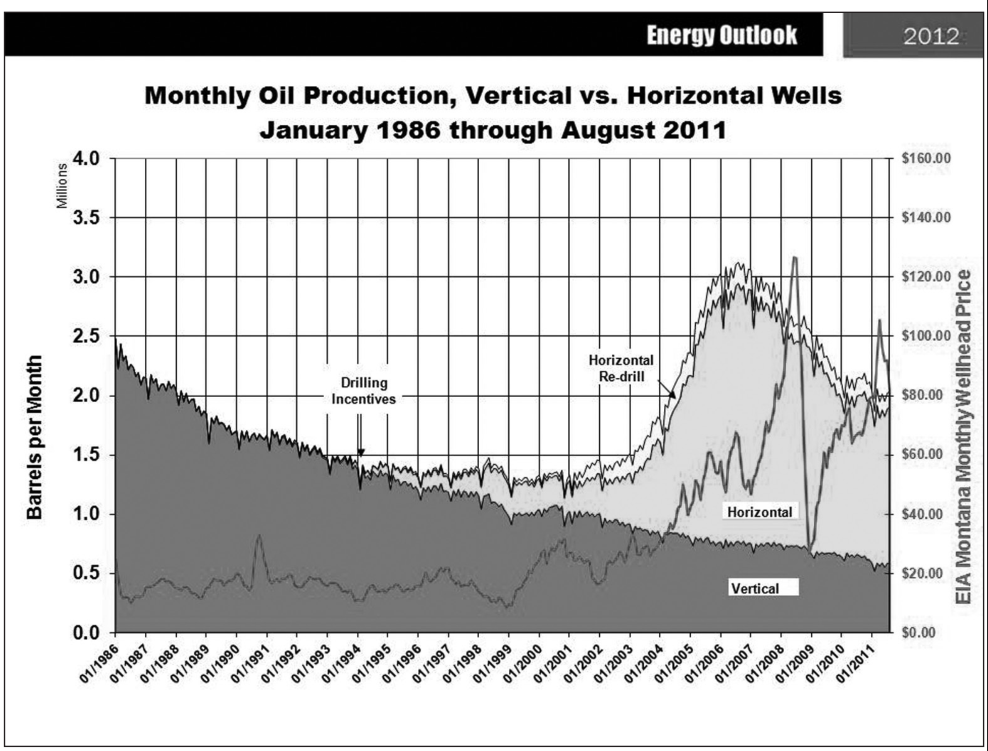
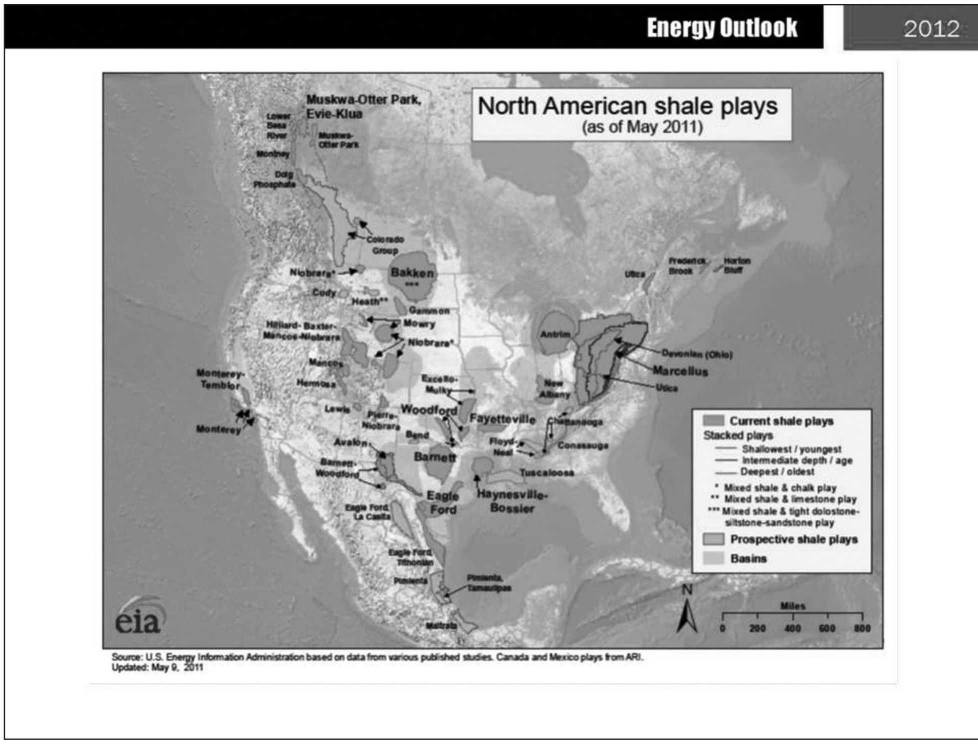

MONTANA'S
NEW ENERGY
FRONTIER
What are the prospects?


Energy Outlook
2012
Montana Producing Areas and Exploration Activities
About 45,000 Wells Drilled
4400 Producing Oil Wells, 6500 Gas Wells

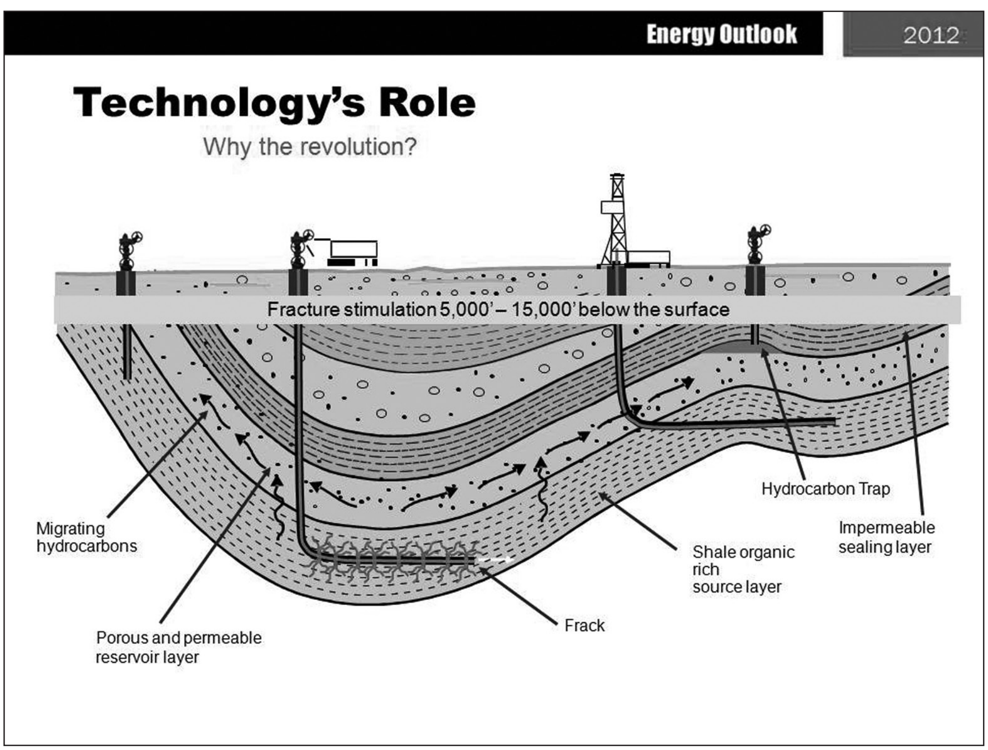
Notes


Energy Outlook
2012
HISTORICAL PRODUCTION
Statewide Oil Production History, 1916 through 2010
Millions
Million Barrels per Year
60
50
40
30
20
10
0
Northern
North-eastern
Central
Western
South Central
South-eastern
1916
1920
1924
1928
1932
1936
1940
1944
1948
1952
1956
1960
1964
1968
1972
1976
1980
1984
1988
1992
1996
2000
2004
2008
Year
Central
Northeastern
Northern
South Central
Southeastern


Energy Outlook
2012
Monthly Oil Production, Vertical vs. Horizontal Wells
January 1986 through August 2011
Millions
Barrels per Month
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
Drilling Incentives
Horizontal Re-drill
Horizontal
Vertical
$160.00
$140.00
$120.00
$100.00
$80.00
$60.00
$40.00
$20.00
$0.00
EIA Montana Monthly Wellhead Price
01/1986
01/1987
01/1988
01/1989
01/1990
01/1991
01/1992
01/1993
01/1994
01/1995
01/1996
01/1997
01/1998
01/1999
01/2000
01/2001
01/2002
01/2003
01/2004
01/2005
01/2006
01/2007
01/2008
01/2009
01/2010
01/2011


Energy Outlook
2012
North American shale plays
(as of May 2011)
Muskwa-Otter Park, Evie-Klua
Colorado Group
Bakken
Niobrara*
Cody
Heath**
Gammon
Mowry
Hilliard- Baxter-Mancos-Niobrara
Niobrara*
Mancos
Hermosa
Monterey-Temblor
Monterey
Excello-Mulky
Woodford
Fayetteville
Lewis
Pierre-Niobrara
Bend
Avalon
Barnett
Barnett-Woodford
Eagle Ford
Haynesville-Bossier
Tuscaloosa
Floyd-Neal
Chattanooga
Conasauga
New Albany
Antrim
Devonian (Ohio)
Marcellus
Utica
Frederick Brook
Horton Bluff
Current shale plays
Stacked plays
Shallowest / youngest
Intermediate depth / age
Deepest / oldest
* Mixed shale & chalk play
** Mixed shale & limestone play
*** Mixed shale & tight dolostone-siltstone-sandstone play
Prospective shale plays
Basins
Miles
0 200 400 600 800
eia
Source: U.S. Energy Information Administration based on data from various published studies. Canada and Mexico plays from ARI.
Updated: May 9, 2011

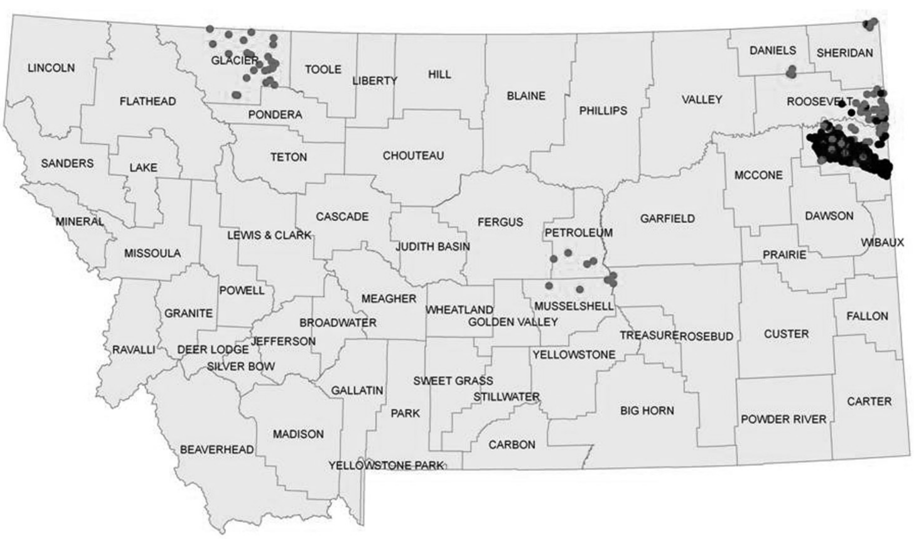
Notes


Energy Outlook
2012
Technology's Role
Why the revolution?
Fracture stimulation 5,000' – 15,000' below the surface
Hydrocarbon Trap
Impermeable sealing layer
Migrating hydrocarbons
Shale organic rich source layer
Frack
Porous and permeable reservoir layer

Notes

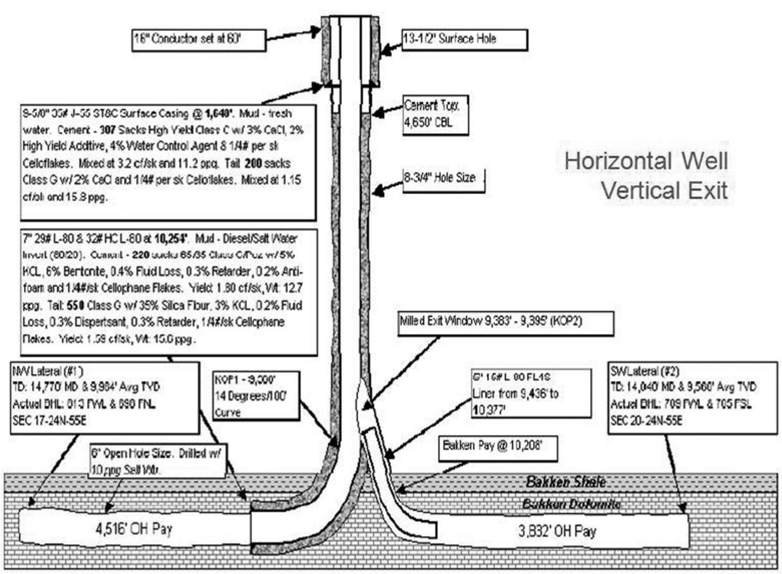
Energy Outlook 2012

Horizontal Oil Shale Activity



Energy Outlook 2012

Vertical Casing Exit



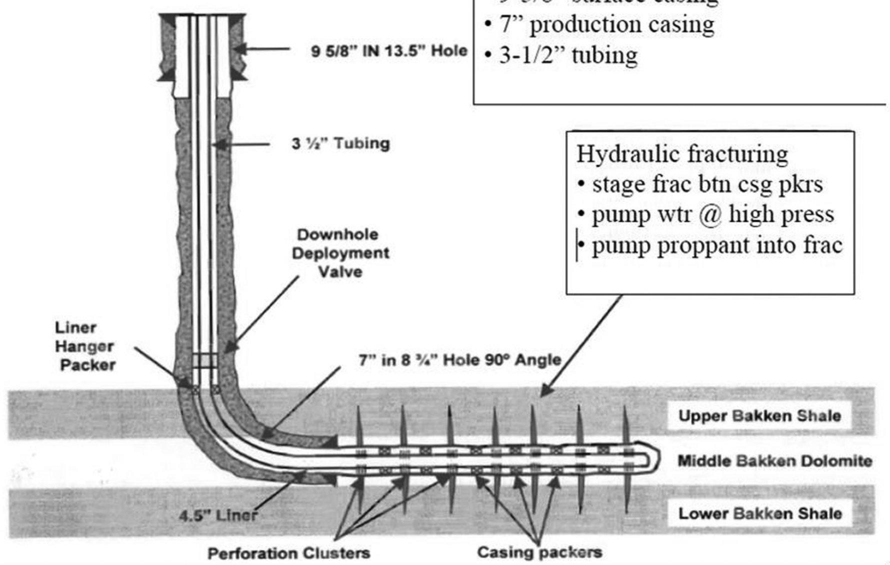
Notes

Energy Outlook 2012

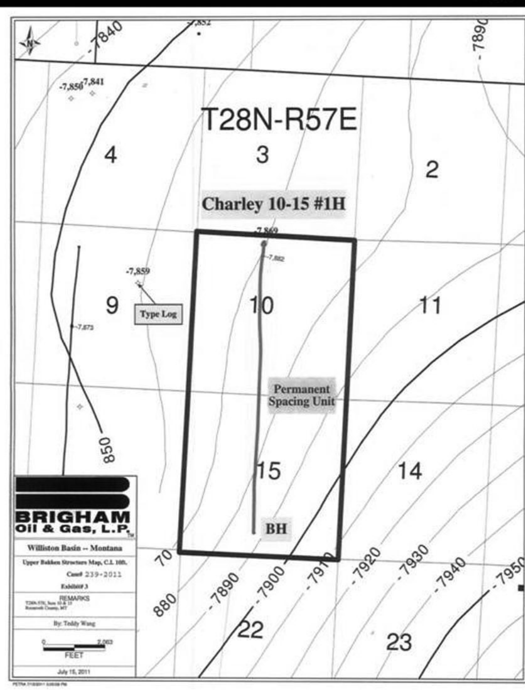
Typical Bakken Wellbore Diagram

Potable water—3 layers of protection
- 9-5/8" surface casing
- 7" production casing
- 3-1/2" tubing

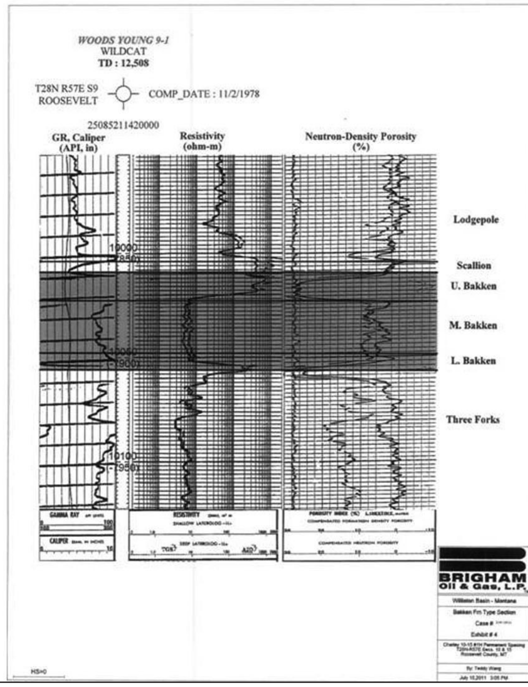
Hydraulic fracturing
- stage frac btn csg pkrs
- pump wtr @ high press
- pump proppant into frac



Energy Outlook 2012



Energy Outlook 2012

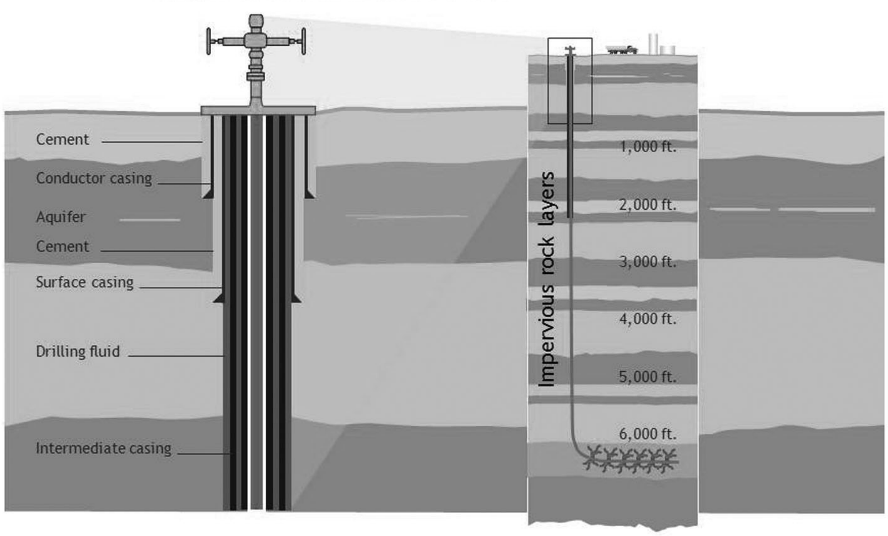


Notes

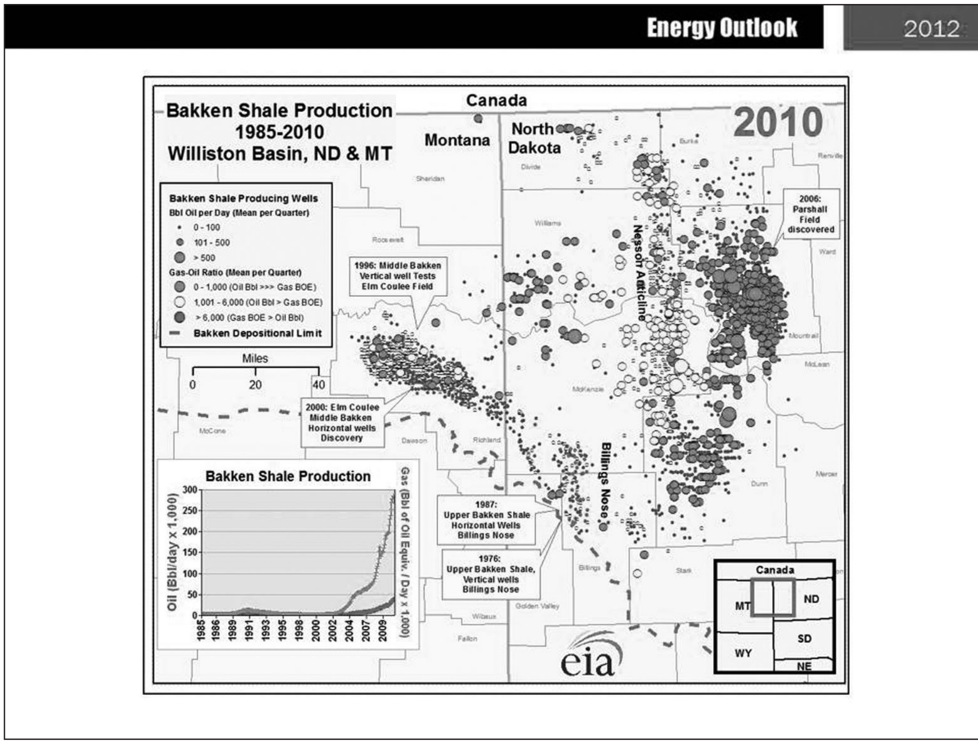
Energy Outlook 2012

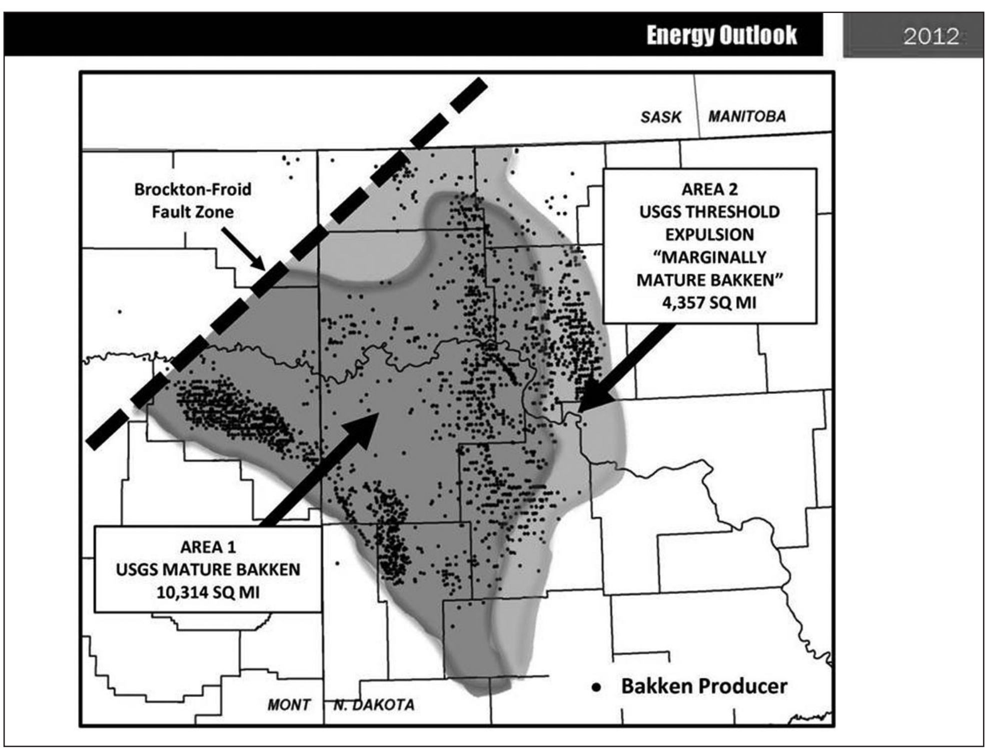
Groundwater Protection

through proper well construction



Notes

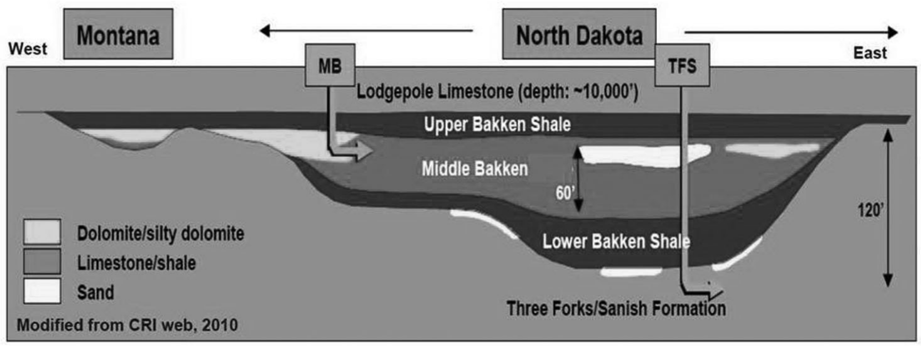

Energy Outlook 2012
Bakken Shale Production
1985-2010
Williston Basin, ND & MT
2010
Canada
Montana
North Dakota
Bakken Shale Producing Wells
Bbl Oil per Day (Mean per Quarter)
0 - 100
101 - 500
> 500
Gas-Oil Ratio (Mean per Quarter)
0 - 1,000 (Oil Bbl >>> Gas BOE)
1,001 - 6,000 (Oil Bbl > Gas BOE)
> 6,000 (Gas BOE > Oil Bbl)
Bakken Depositional Limit
Miles
0 20 40
1996: Middle Bakken Vertical well Tests Elm Coulee Field
2000: Elm Coulee Middle Bakken Horizontal wells Discovery
2006: Parshall Field discovered
Nesson Anticline
Billings Nose
1987: Upper Bakken Shale Horizontal Wells Billings Nose
1976: Upper Bakken Shale, Vertical wells Billings Nose
Bakken Shale Production
Oil (Bbl/day x 1,000)
Gas (Bbl of Oil Equiv. / Day x 1,000)
Canada
MT
ND
SD
WY
NE
eia


Energy Outlook 2012
SASK
MANITOBA
Brockton-Froid Fault Zone
AREA 2
USGS THRESHOLD EXPULSION
"MARGINALLY MATURE BAKKEN"
4,357 SQ MI
AREA 1
USGS MATURE BAKKEN
10,314 SQ MI
Bakken Producer
MONT
N. DAKOTA

Notes

Energy Outlook 2012

Middle Bakken / Three Forks Pay Variation

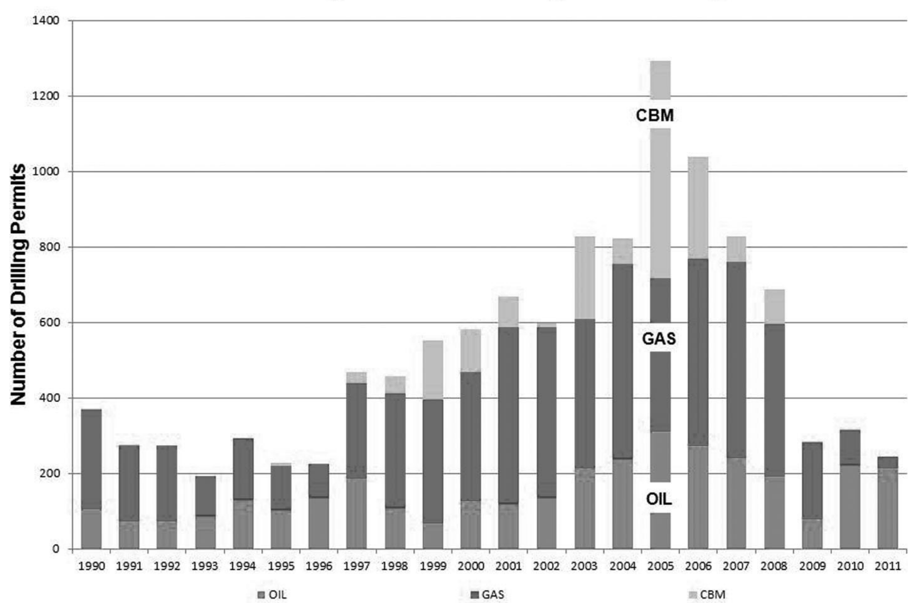


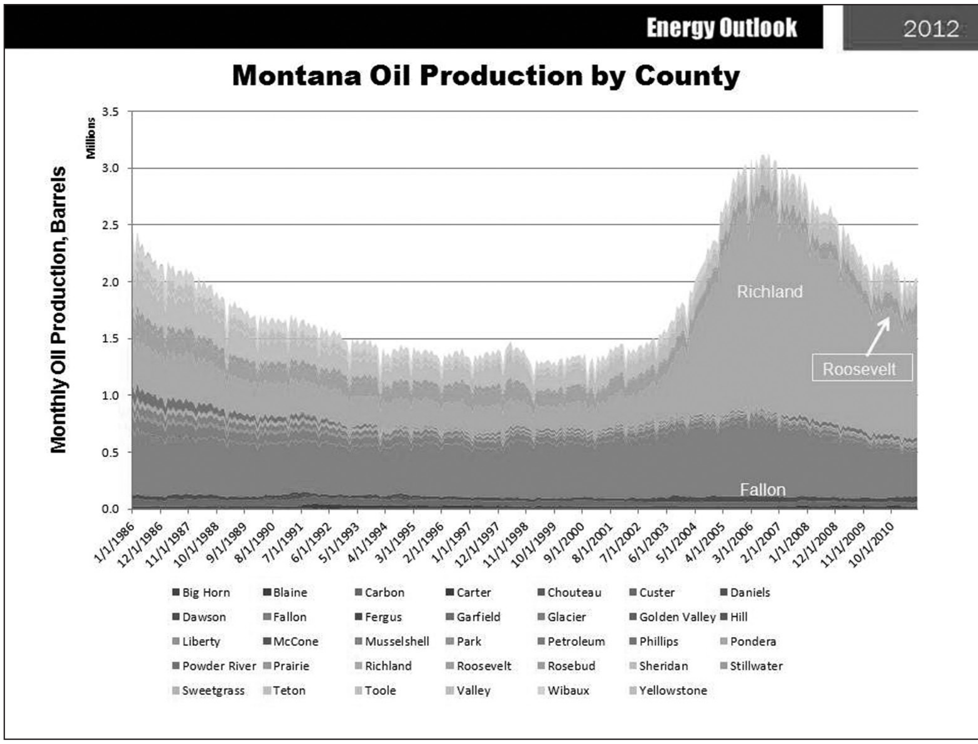
- Middle Bakken pay not a shale lithology
  - Complex, laterally varying lithology & play types
  - Stratigraphic / diagenetic trap drivers
- Underlying Three Forks 'non-shale' play potential established 2008
  - Also sourced by Bakken shale
  - Dual zone development underway

from ConocoPhillips

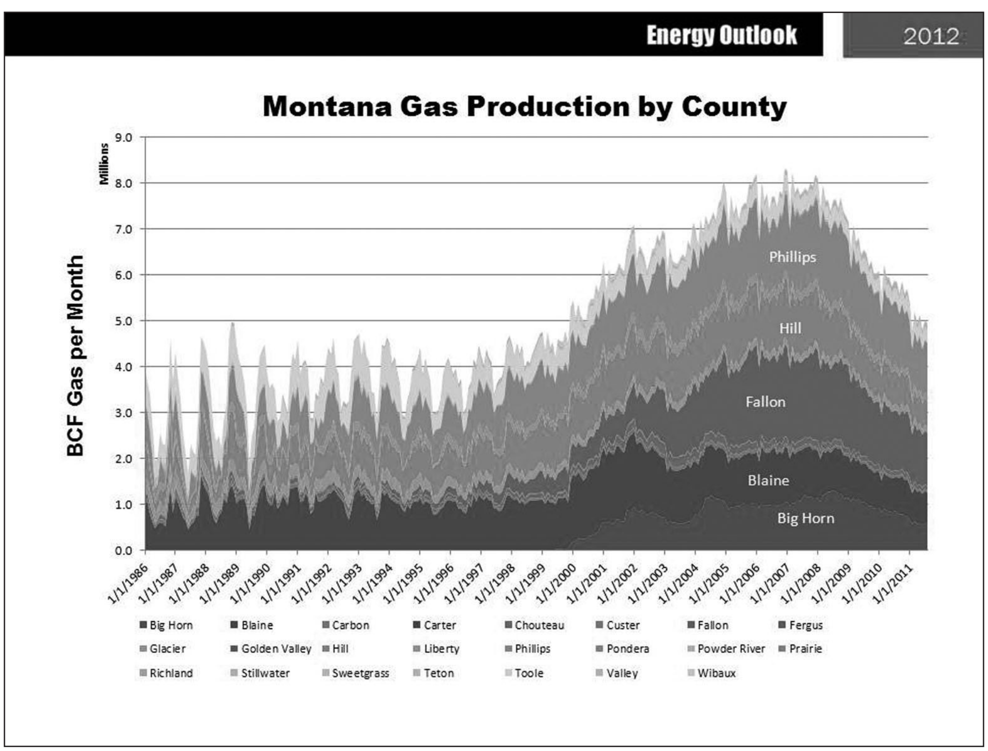
Energy Outlook 2012

Montana Drilling Permits Issued, 1990 through 2011

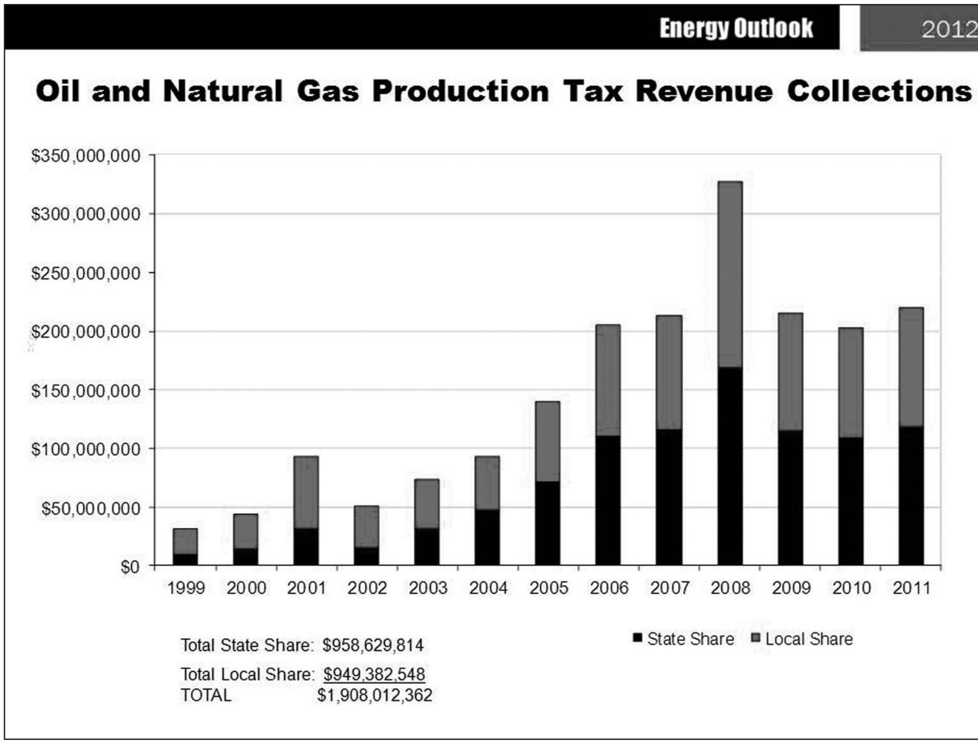


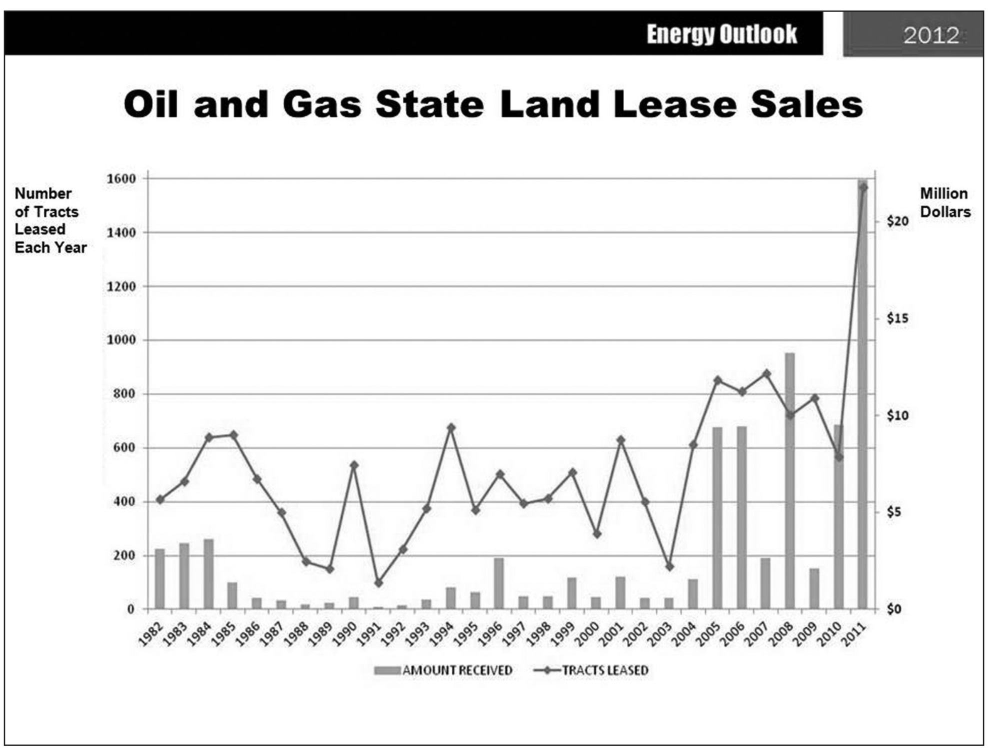

Energy Outlook
2012
Montana Oil Production by County
Monthly Oil Production, Barrels
Millions
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
Richland
Roosevelt
Fallon
Big Horn
Blaine
Carbon
Carter
Chouteau
Custer
Daniels
Dawson
Fallon
Fergus
Garfield
Glacier
Golden Valley
Hill
Liberty
McCone
Musselshell
Park
Petroleum
Phillips
Pondera
Powder River
Prairie
Richland
Roosevelt
Rosebud
Sheridan
Stillwater
Sweetgrass
Teton
Toole
Valley
Wibaux
Yellowstone

Notes


Energy Outlook
2012
Montana Gas Production by County
BCF Gas per Month
Millions
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
Phillips
Hill
Fallon
Blaine
Big Horn
Big Horn
Blaine
Carbon
Carter
Chouteau
Custer
Fallon
Fergus
Glacier
Golden Valley
Hill
Liberty
Phillips
Pondera
Powder River
Prairie
Richland
Stillwater
Sweetgrass
Teton
Toole
Valley
Wibaux

Notes


Energy Outlook
2012
Oil and Natural Gas Production Tax Revenue Collections
$350,000,000
$300,000,000
$250,000,000
$200,000,000
$150,000,000
$100,000,000
$50,000,000
$0
1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011
State Share
Local Share
Total State Share: $958,629,814
Total Local Share: $949,382,548
TOTAL $1,908,012,362


Energy Outlook
2012
Oil and Gas State Land Lease Sales
Number of Tracts Leased Each Year
1600
1400
1200
1000
800
600
400
200
0
Million Dollars
$20
$15
$10
$5
$0
1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011
AMOUNT RECEIVED
TRACTS LEASED

Notes

Energy Outlook 2012

Petroleum Industry Facts

$9+ BILLION Total economic impact – including E&P and Refining

4,600 Employees in Exploration, Production, or Refining

Economic impact from producing an additional 1 million barrels of oil

- **86 Full time positions**
- **$18.5 million in labor income**

Each 10% increase in drilling activity leads to about 315 additional jobs.

Drilling Rig Count Increased from 9 last year to 13 in January 2012

Industry likes MT's business climate and tax structure

- **Brigham Energy: "They (Montana) have a good operating environment."** (Billings Gazette, May, 2011)

Energy Outlook 2012

BUSINESS TAX CLIMATE RANKINGS

THE TAX FOUNDATION FISCAL YEAR 2011

Notes

Montana Oil and Gas Taxes

Montana's tax rate on oil is 20% lower than North Dakota's

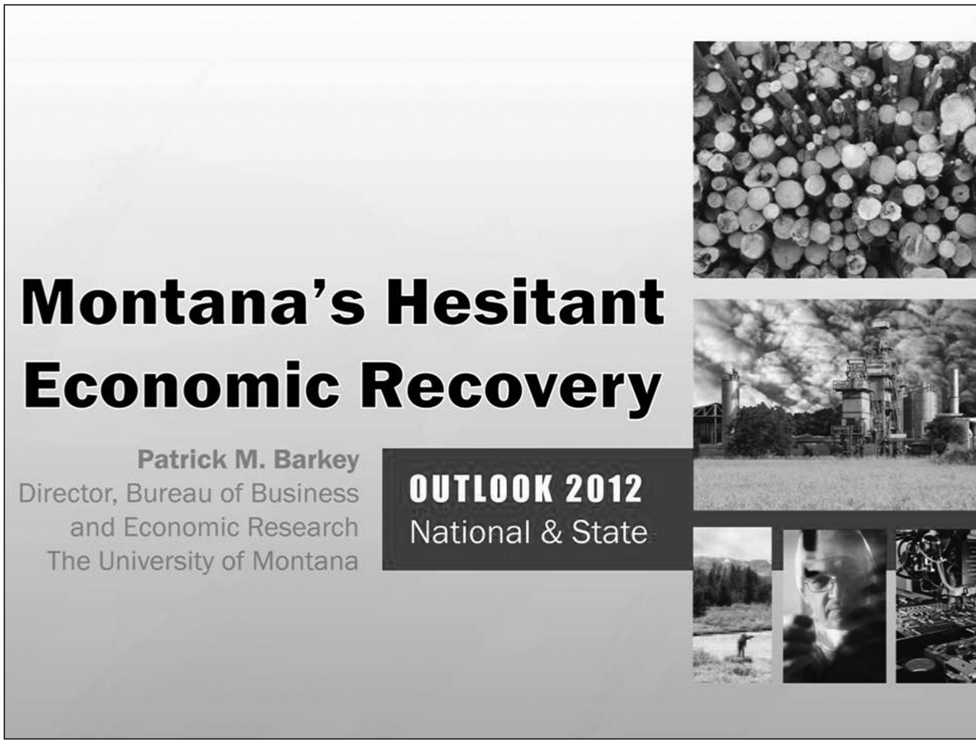
→ 9.25% vs. 11.5% (Former North Dakota Governor Ed Schafer, FixTheTax.com)

Taxes	Montana	North Dakota	Advantage
Tax Rate	9.25%	11.5%	Montana
Tax Holiday	18 mo. (0.5%)	Only if oil <$50.07	Montana
Avg. Tax/Bbl (05-08)	$4.89	$5.87	Montana

(Montana Department of Revenue Study)

Energy Outlook 2012

O&G Impact Funds to Counties, 2007-2001	
All O&G Producing Counties (33)	$555 million
Top 12 Counties Big Horn, Blaine, Fallon, Glacier, Hill, Phillips, Powder River, Richland, Roosevelt, Sheridan, Toole, Wibaux	$515 million
Richland County	$244 million Over $26,000/resident



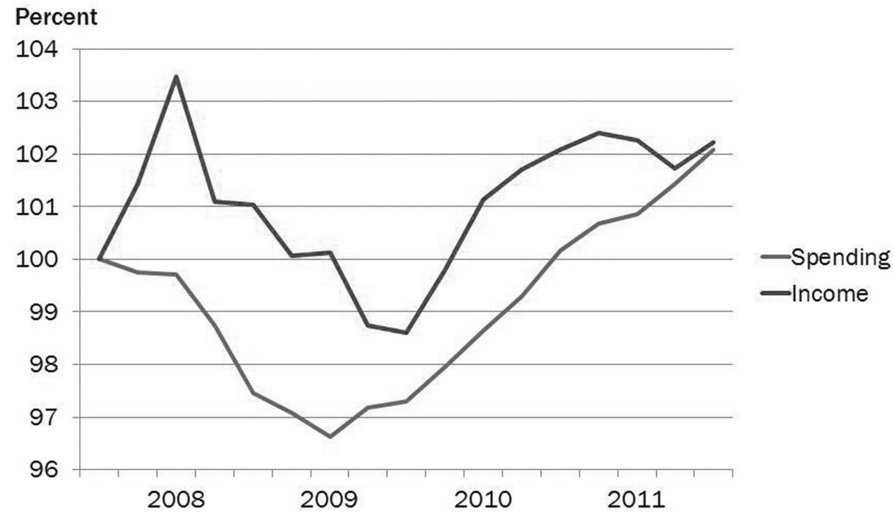
Notes

A Great Recession,
But Not a Great Recovery

- Persistently weak consumer and business spending
- Slow recovery both here and abroad
- Special problems of housing and the Euro
- Problems of long-term unemployed, government debt, are festering as a result

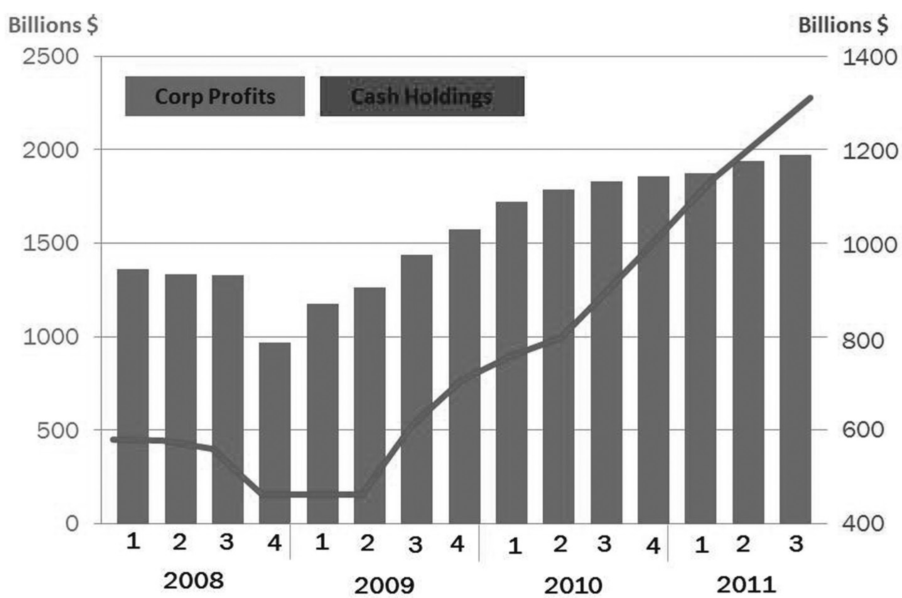
Notes

Pace of Consumer Spending Likely to Slow



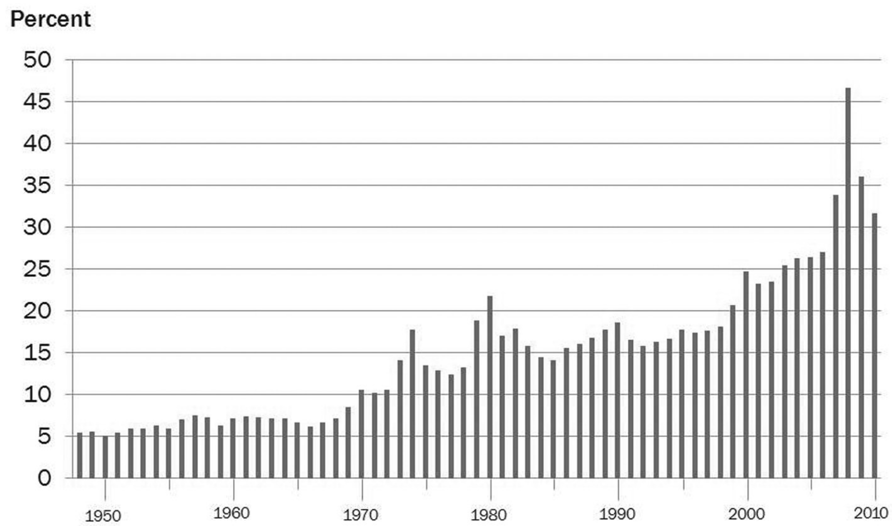
U.S. Pers. Consumption Expenditures and Disposable Pers. Income, 2005 $, Index 2007Q4 = 100

Companies Are Hoarding, Not Spending



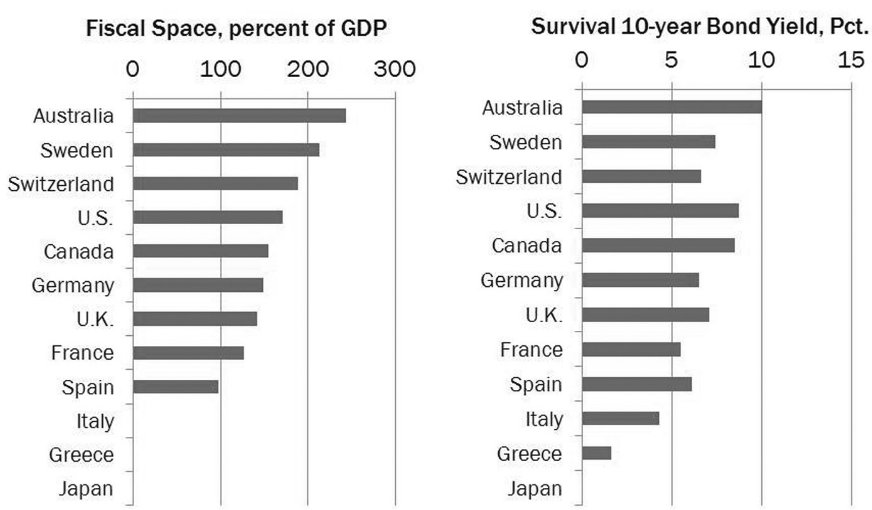
Notes

Source of Corporate Profits? Look Abroad



Foreign Share of U.S. Corporate Profits, 1948-2010
Source: U.S. Bureau of Economic Analysis

How Much Borrowing Capacity Do Countries Have Left?



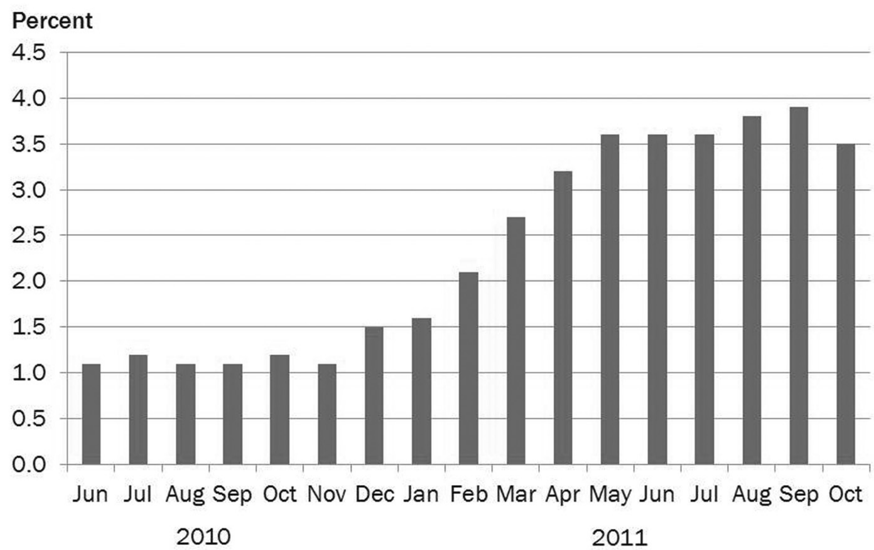
Source: Economy.com

2011 Growth in Montana
will be Lower Than 2010

- Reason #1: Inflation

Notes

Consumer Price Index
12-month percent change

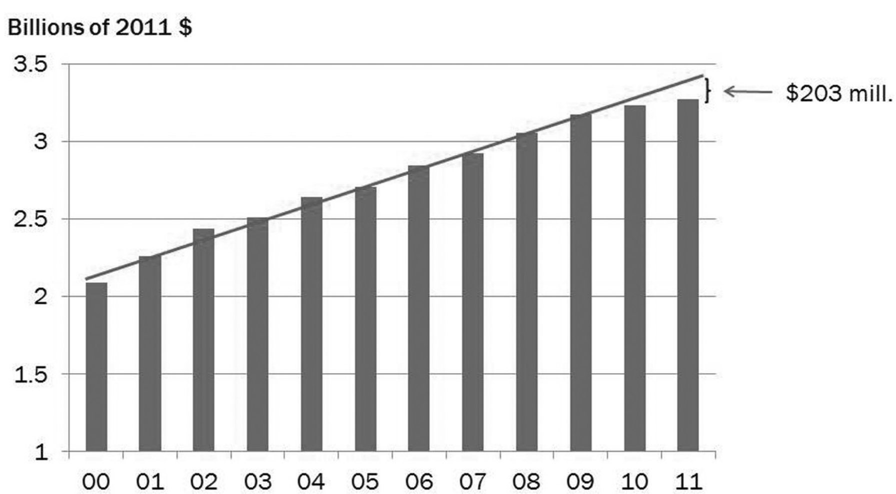


Notes

2011 Growth in Montana will be Lower Than 2010

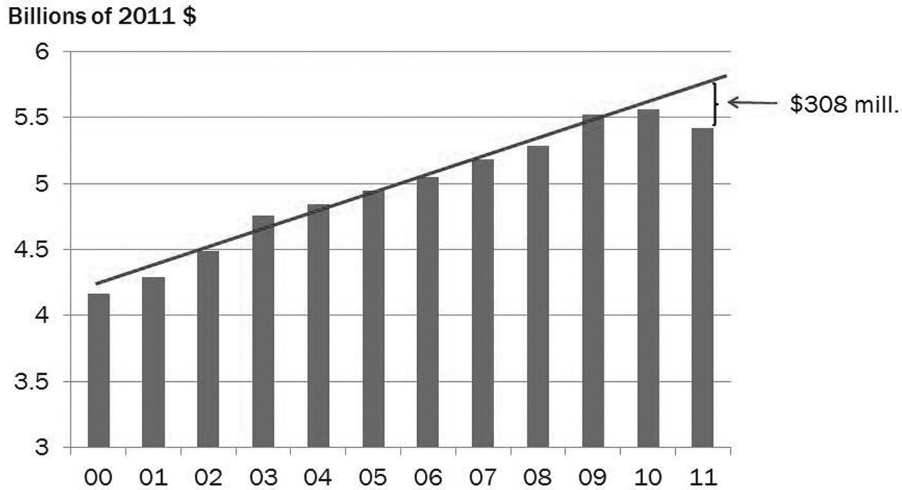
- Reason #1: Inflation
- Reason #2: Underperformance of key sectors

Health Care Earnings Growth Slows



Montana Health Care Services Earnings

Government Earnings Go in Reverse



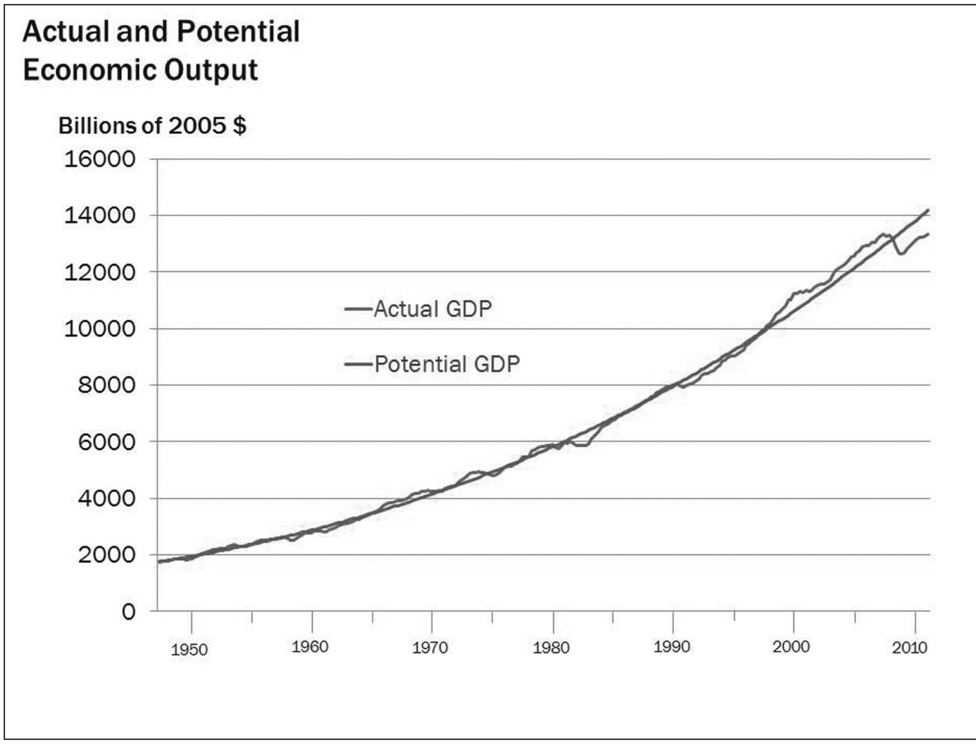
Montana Government Earnings, Billions of 2011 $

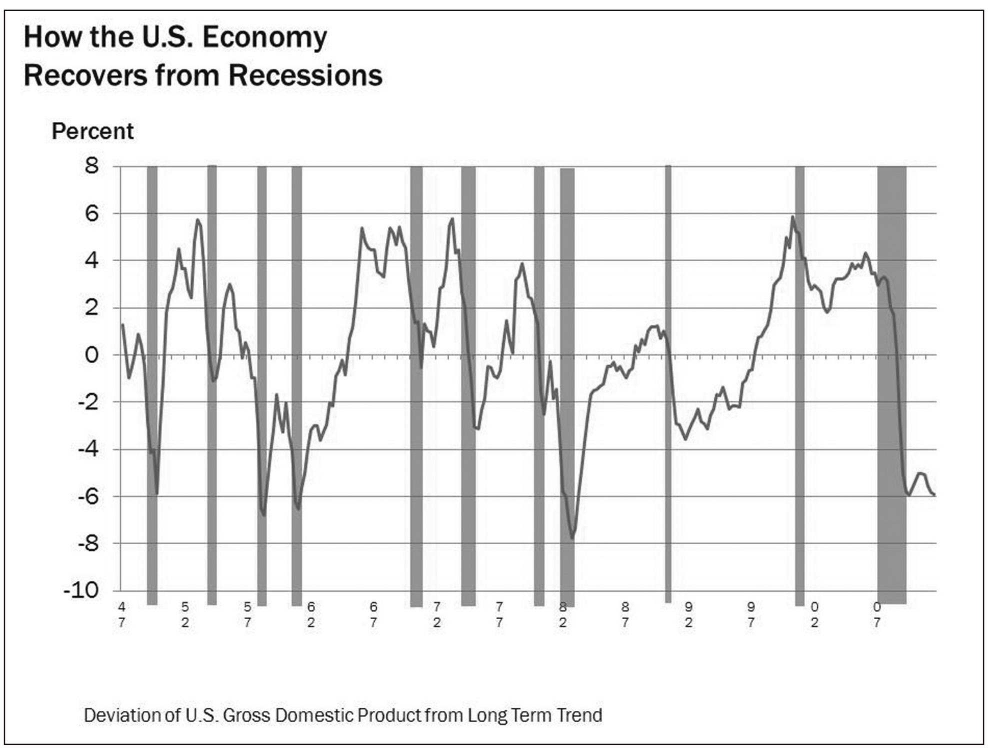
2011 Growth in Montana will be Lower Than 2010

- Reason #1: Inflation
- Reason #2: Underperformance of key sectors
- Reason #3: The national economy

Notes

Notes


Actual and Potential
Economic Output
Billions of 2005 $
16000
14000
12000
10000
8000
6000
4000
2000
0
Actual GDP
Potential GDP
1950
1960
1970
1980
1990
2000
2010

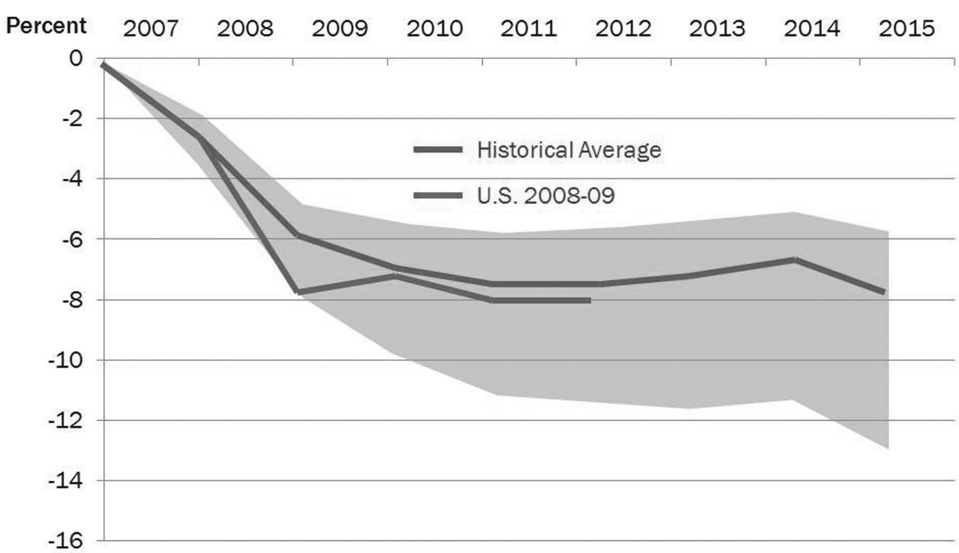

How the U.S. Economy
Recovers from Recessions
Percent
8
6
4
2
0
-2
-4
-6
-8
-10
47
52
57
62
67
72
77
82
87
92
97
02
07
Deviation of U.S. Gross Domestic Product from Long Term Trend

Notes

Recessions and Banking Crises

- Austria, 2008
- Hungary, 2008
- U.S., 1929
- Sweden, 1991
- Japan, 1992
- Norway, 1987
- Indonesia 1997
- Hong Kong, 1997
- Argentina, 2001
- Korea, 1997
- Malaysia, 1997
- Spain, 1977
- Thailand, 1997

Recovery of GDP From Financial Crises



Notes

U.S. Outlook Summary

- U.S. will probably avoid another recession
- Euro Zone is already in recession. Will it be mild or severe?
- Continued government cutbacks, at all levels
- Evidence of pent-up demand in a few areas
- A cooling off for commodity and food prices
- Very high unemployment rates persist

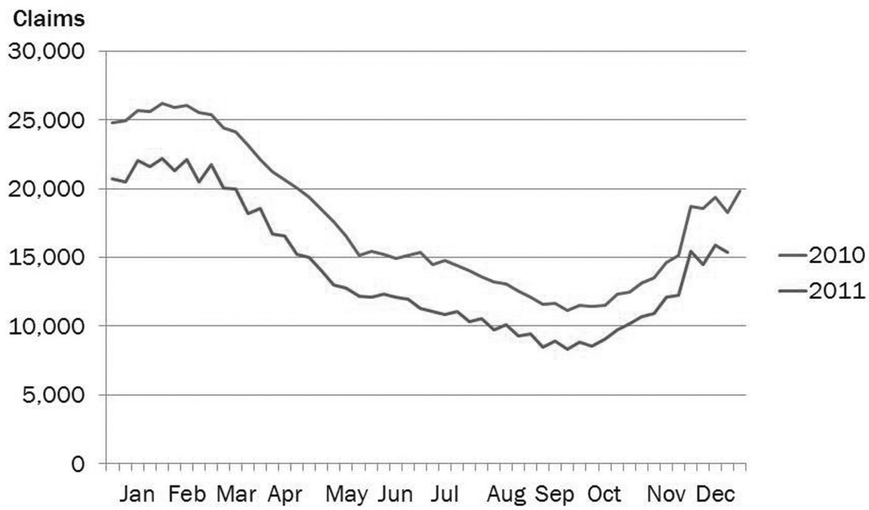
The Montana Economy
What's Right and What's Wrong

- Energy and natural resources are booming
- Healthy increases in farm gross receipts
- Labor market is healing
- Consumer confidence is higher

- Housing bust hangover still lingers
- Retail remains weak
- Government cutbacks being felt
- Wood products cutbacks still reverberate

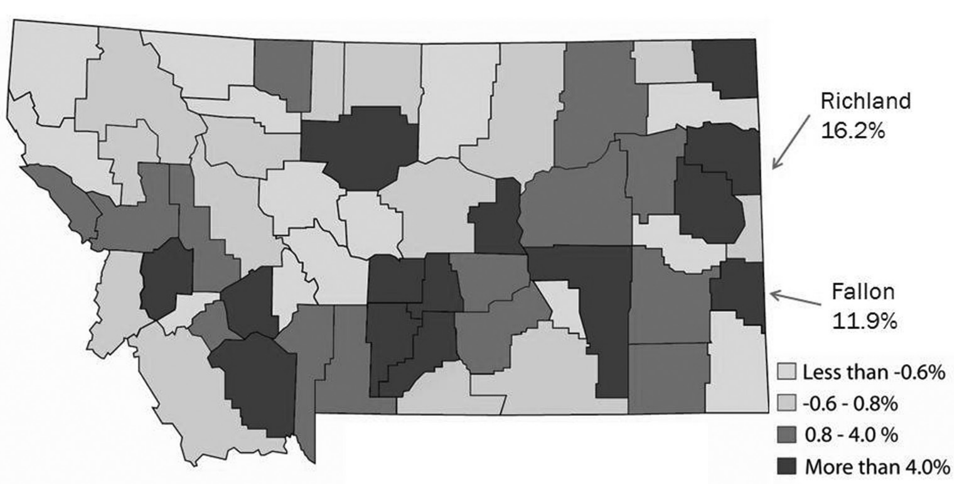
Notes

Lower Unemployment Claims
Sign of Labor Market Improvement



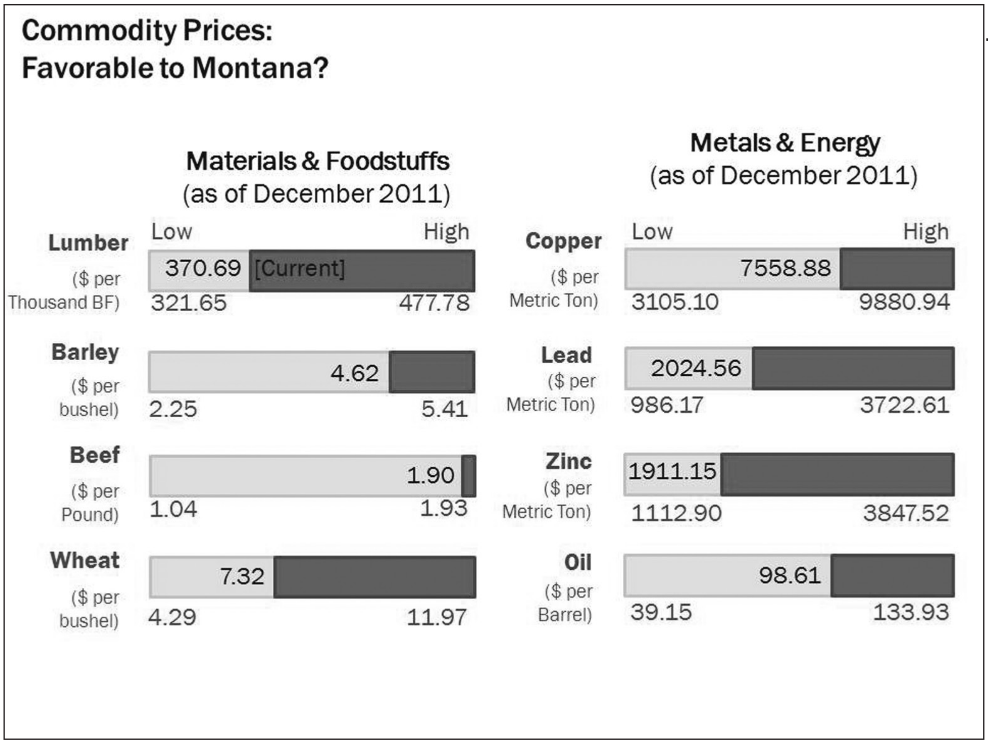
Continuing Claims for Unemployment Insurance, Montana
Source: U.S. Department of Labor

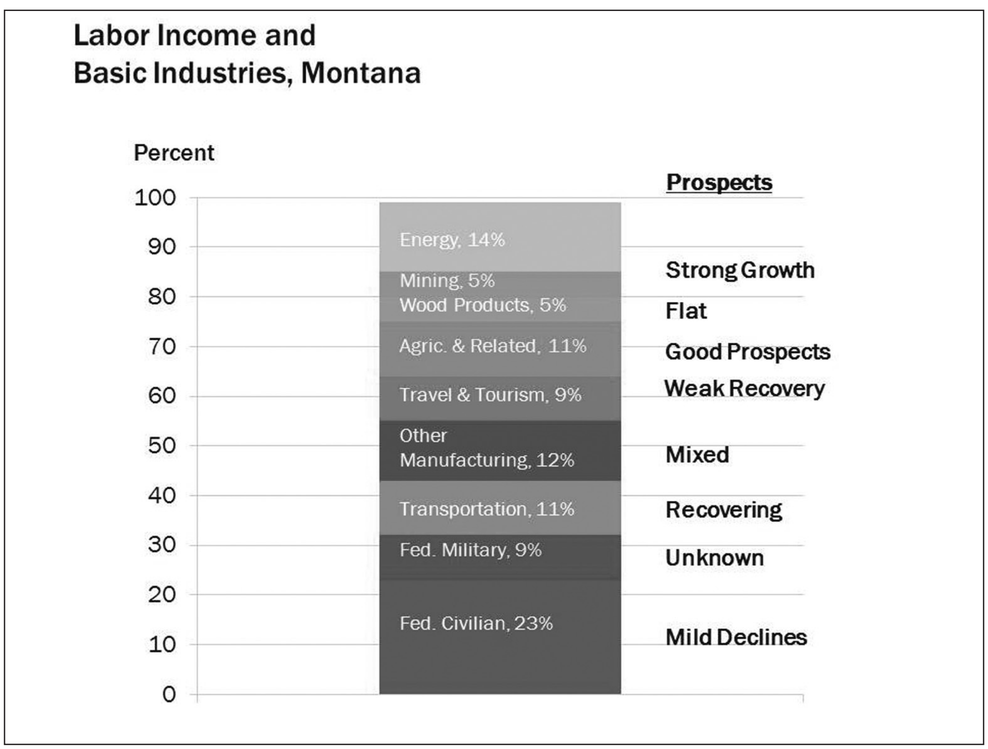
Fastest Growth
is in the East



Percentage Growth in Real Wage and Salary Disbursements, 2010Q2 – 2011Q2

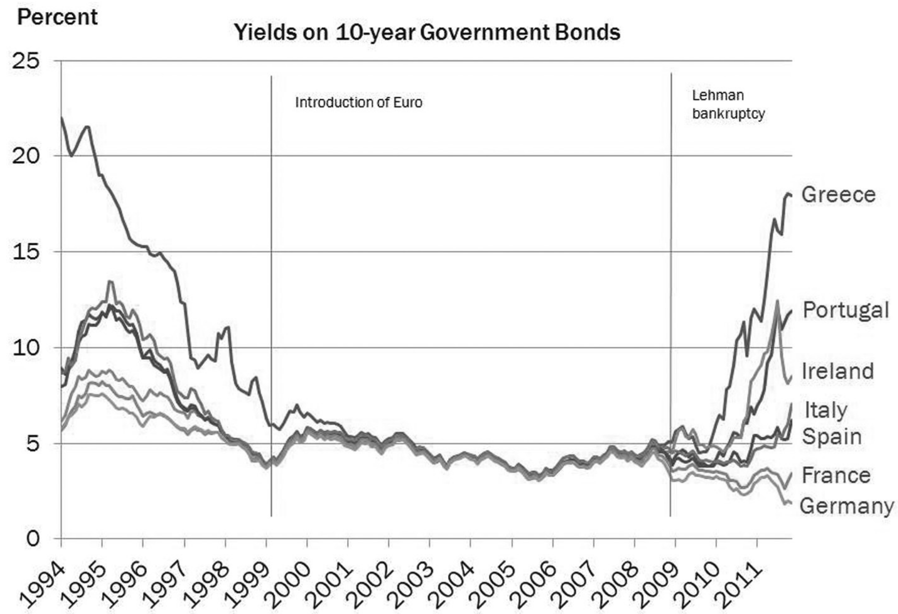
Notes


Commodity Prices:
Favorable to Montana?
Materials & Foodstuffs
(as of December 2011)
Lumber
($ per Thousand BF)
Low
High
370.69
[Current]
321.65
477.78
Barley
($ per bushel)
4.62
2.25
5.41
Beef
($ per Pound)
1.90
1.04
1.93
Wheat
($ per bushel)
7.32
4.29
11.97
Metals & Energy
(as of December 2011)
Copper
($ per Metric Ton)
Low
High
7558.88
3105.10
9880.94
Lead
($ per Metric Ton)
2024.56
986.17
3722.61
Zinc
($ per Metric Ton)
1911.15
1112.90
3847.52
Oil
($ per Barrel)
98.61
39.15
133.93


Labor Income and
Basic Industries, Montana
Percent
100
90
80
70
60
50
40
30
20
10
0
Energy, 14%
Mining, 5%
Wood Products, 5%
Agric. & Related, 11%
Travel & Tourism, 9%
Other Manufacturing, 12%
Transportation, 11%
Fed. Military, 9%
Fed. Civilian, 23%
Prospects
Strong Growth
Flat
Good Prospects
Weak Recovery
Mixed
Recovering
Unknown
Mild Declines

Notes

The EU Currency Experiment is Unraveling

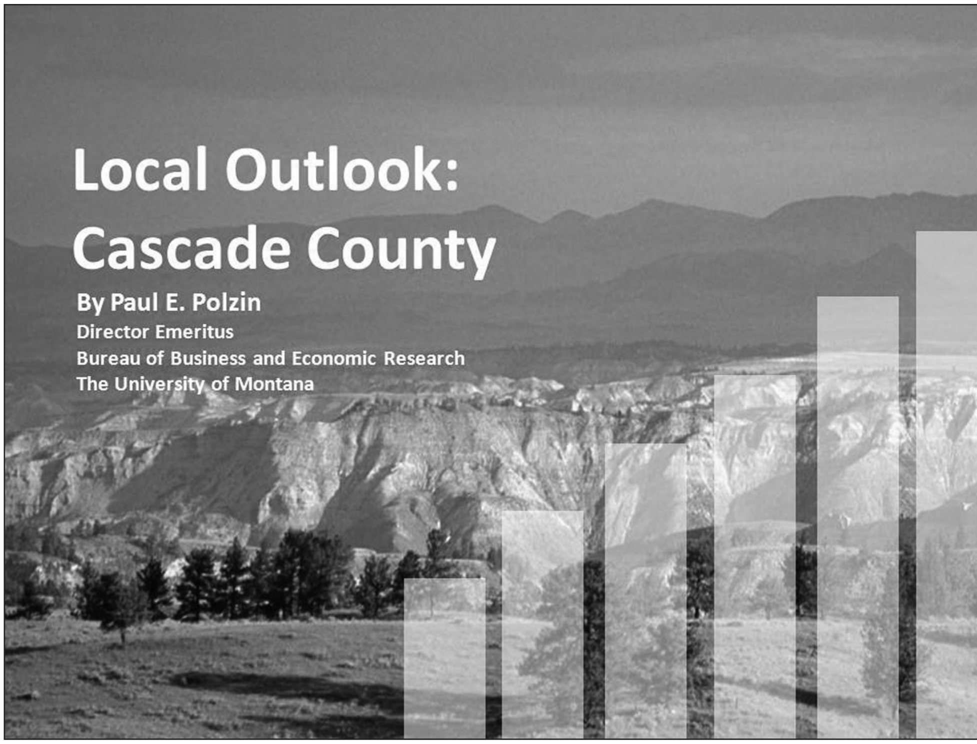


Top 10 Countries Buying Montana Products

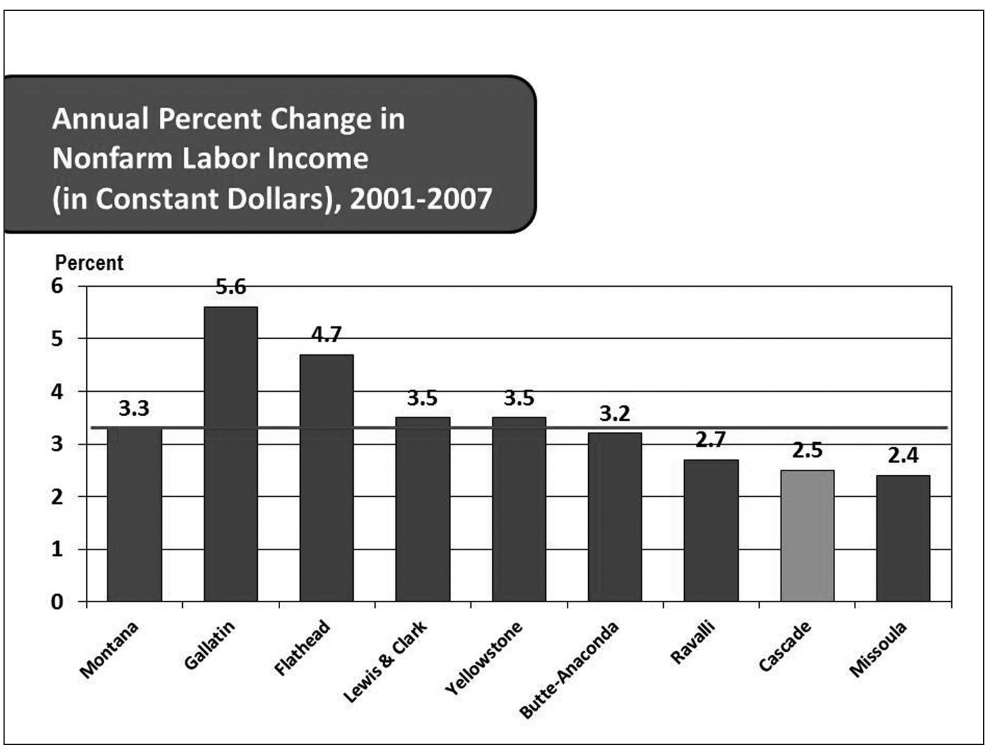
In millions of dollars:

1	Canada	$539.7
2	Republic of Korea	186.8
3	China (Mainland)	122.9
4	Japan	109.8
5	China (Taiwan)	93.5
6	Mexico	79.9
7	United Kingdom	37.3
8	Germany	25.6
9	Belgium	24.8
10	Netherlands	18.5

*These figures do not include bulk wheat exports


Local Outlook:
Cascade County
By Paul E. Polzin
Director Emeritus
Bureau of Business and Economic Research
The University of Montana

Notes

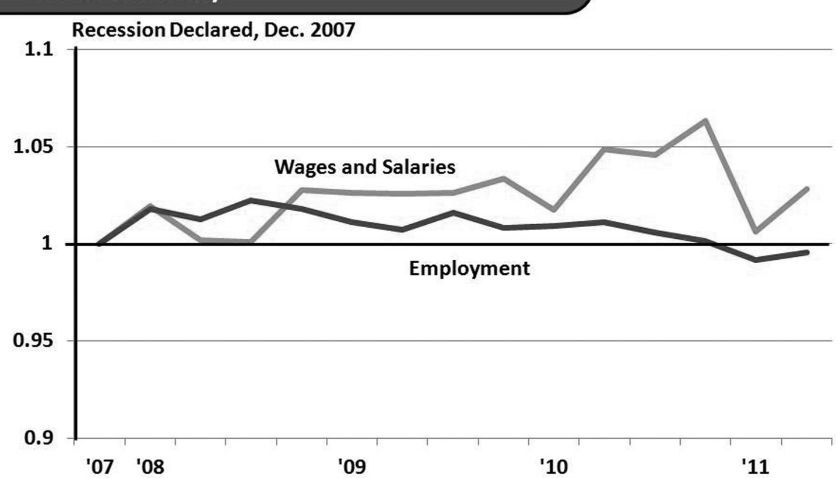

Annual Percent Change in
Nonfarm Labor Income
(in Constant Dollars), 2001-2007
Percent
6
5
4
3
2
1
0
3.3
5.6
4.7
3.5
3.5
3.2
2.7
2.5
2.4
Montana
Gallatin
Flathead
Lewis & Clark
Yellowstone
Butte-Anaconda
Ravalli
Cascade
Missoula

Notes

Recession Scorecard

	Duration (Years)	Severity (% Change)
Lewis & Clark County	What Recession?	
Cascade County		
Yellowstone County	1	-1.5%
Butte - Anaconda	1	-0.8%
Missoula County	3-4	-4.9%
Gallatin County	2	-7.9%
Flathead County	4	-10.2%
Ravalli County	4	-11.4%

Non-Farm Employment and Inflation Adjusted Wages and Salaries, Seasonally Adjusted, Cascade County



Notes

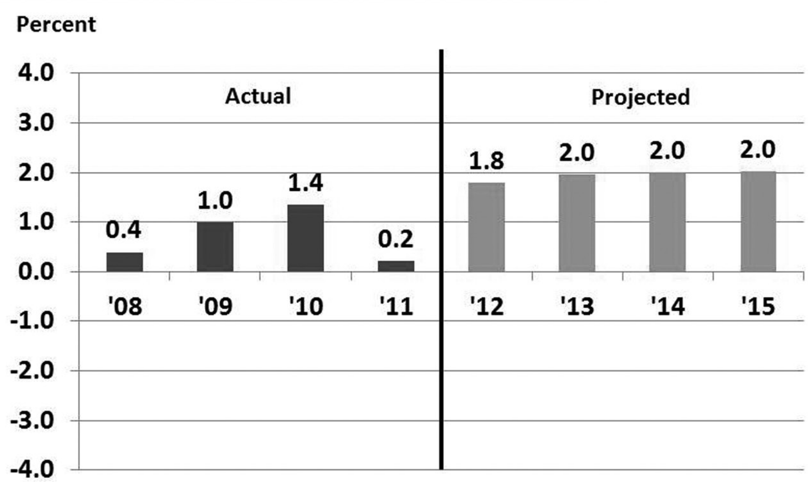
Cascade County's Economic Base 2009-2011

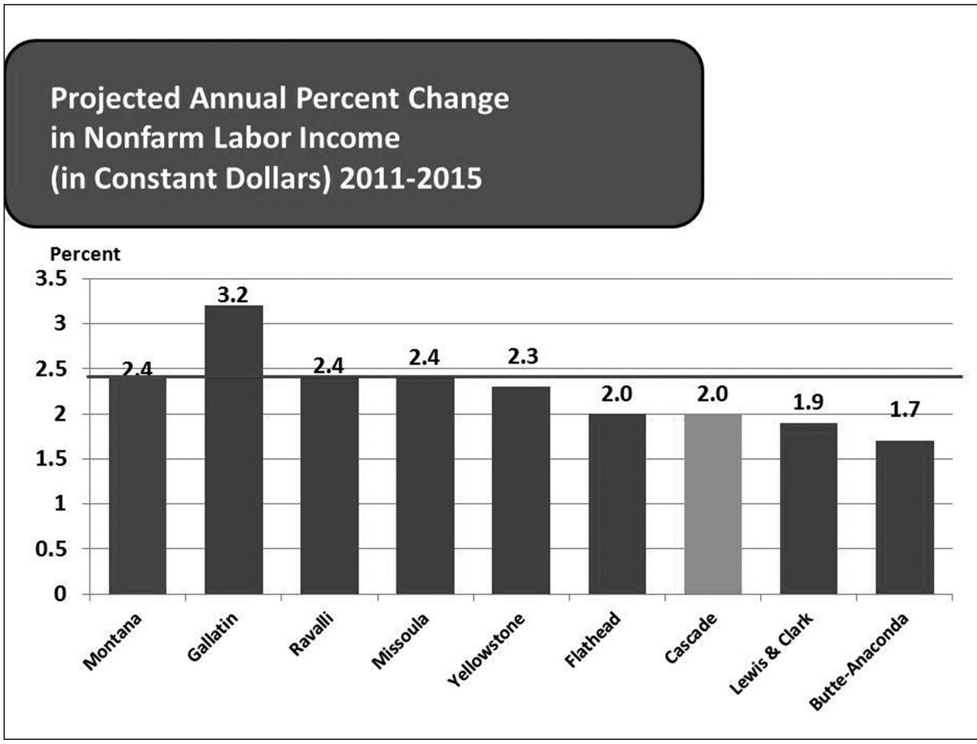
• Other	5%	
• Transportation	7%	Energy Growth
• State Gov't and Higher Ed.	7%	Pay Freeze
• Manufacturing *	7%	Stable
• Trade Center - Other	7%	Stable
• Trade Center - Health	11%	? Reform
• Federal Civ.	10%	Stable at Best
• Malmstrom AFB	46%	Stable, BRAC?

Construction — Not Before 2013

* Including Oil Refineries

Actual and Projected Change in Nonfarm Earnings, Cascade County, 2008-2015





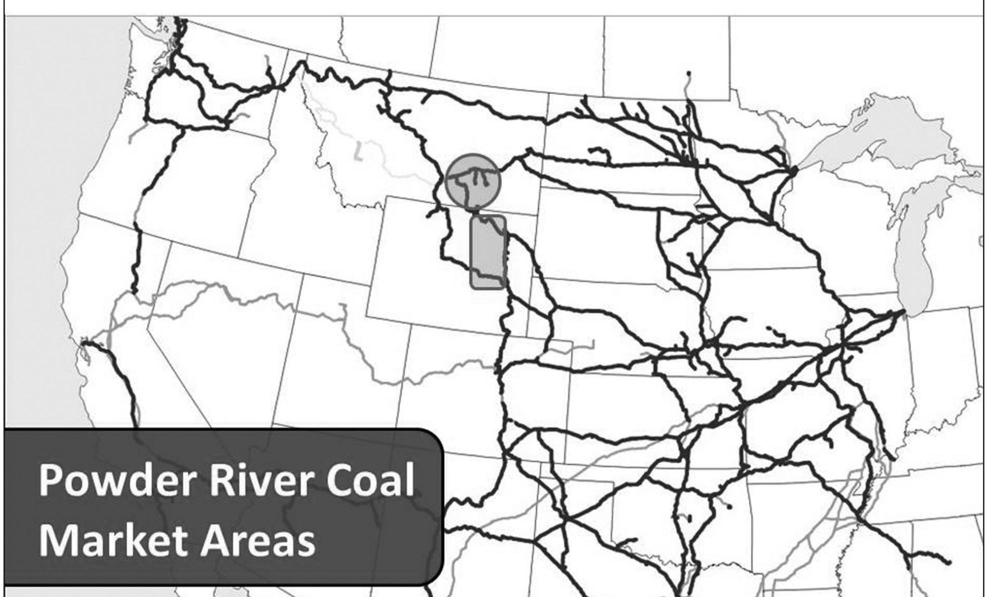
Notes

Montana's Energy Transportation Systems

Notes

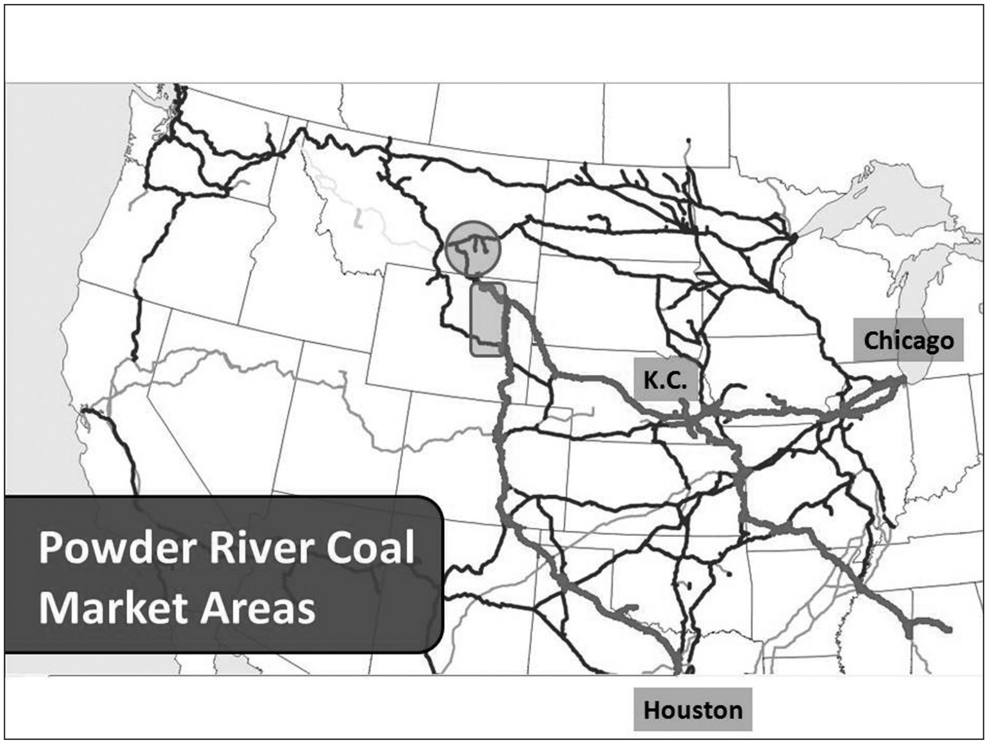
Coal Reserves and Production

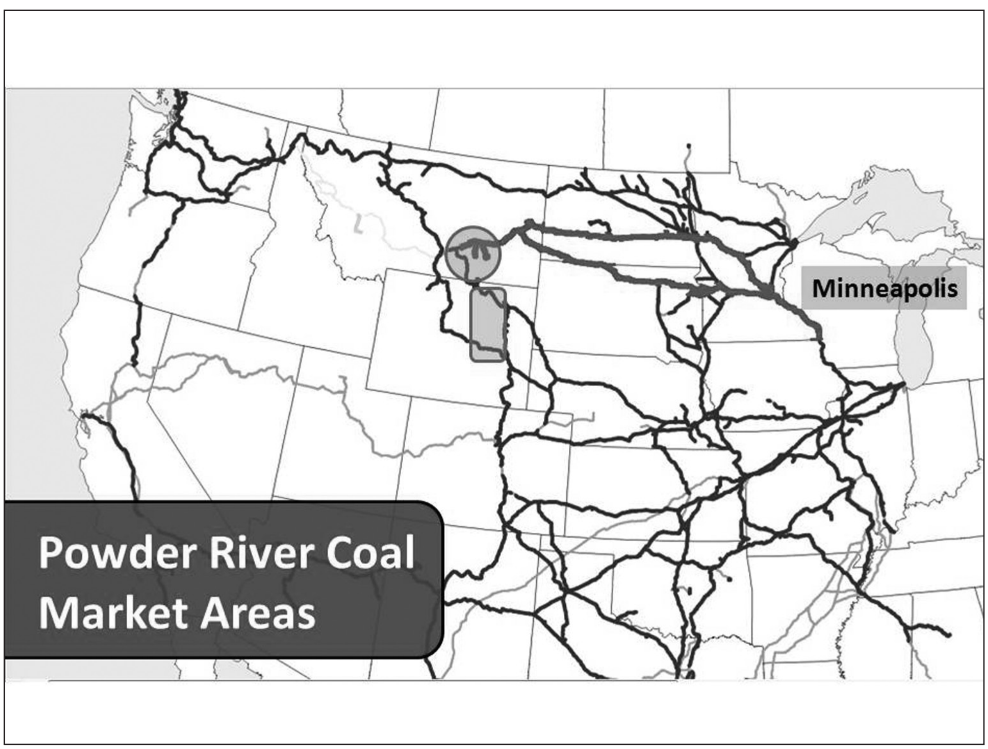
	Reserves (Billions of Tons)	
Montana	119.0	
Wyoming	61.0	

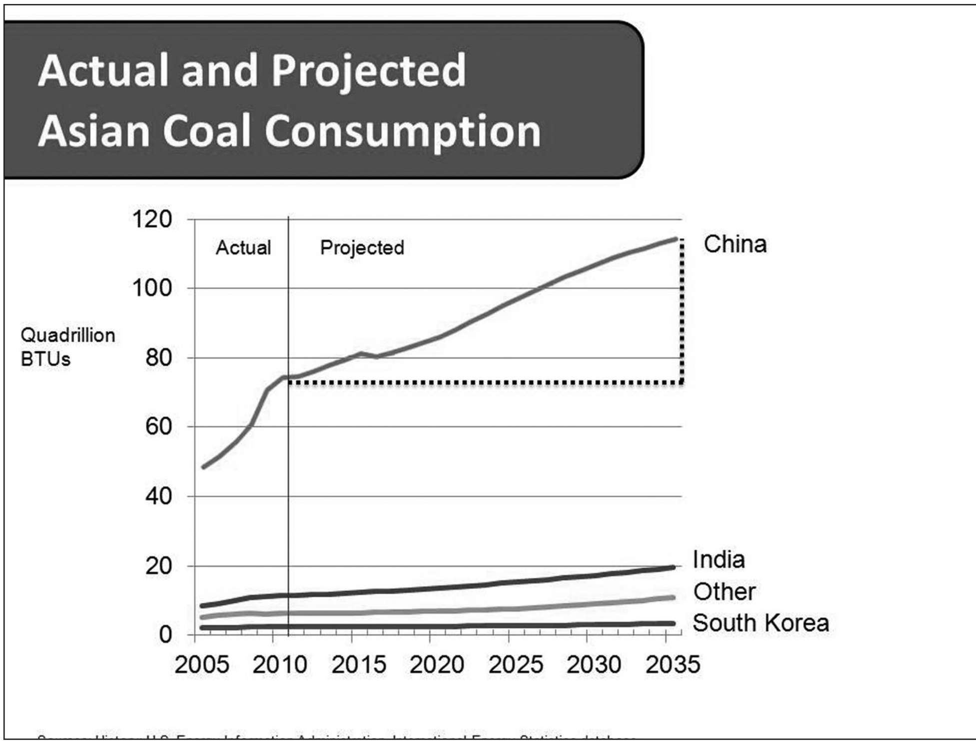


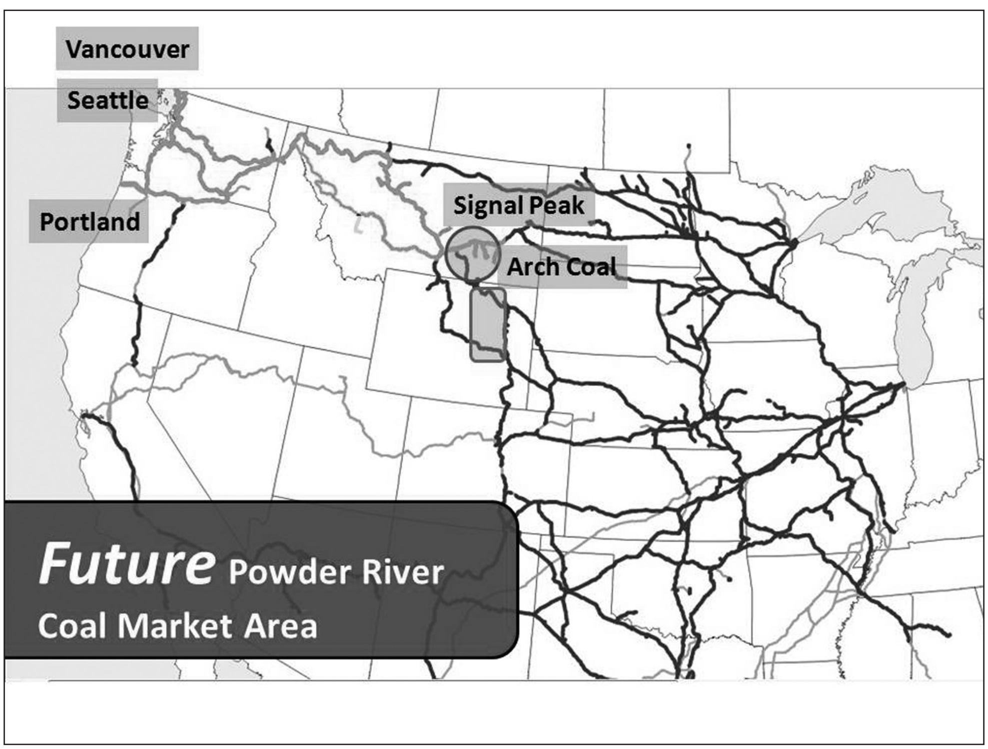
Powder River Coal Market Areas

Notes


Powder River Coal
Market Areas
K.C.
Chicago
Houston


Powder River Coal
Market Areas
Minneapolis


Actual and Projected
Asian Coal Consumption
Actual
Projected
Quadrillion BTUs
120
100
80
60
40
20
0
2005
2010
2015
2020
2025
2030
2035
China
India
Other
South Korea


Vancouver
Seattle
Portland
Signal Peak
Arch Coal
Future Powder River
Coal Market Area

Notes

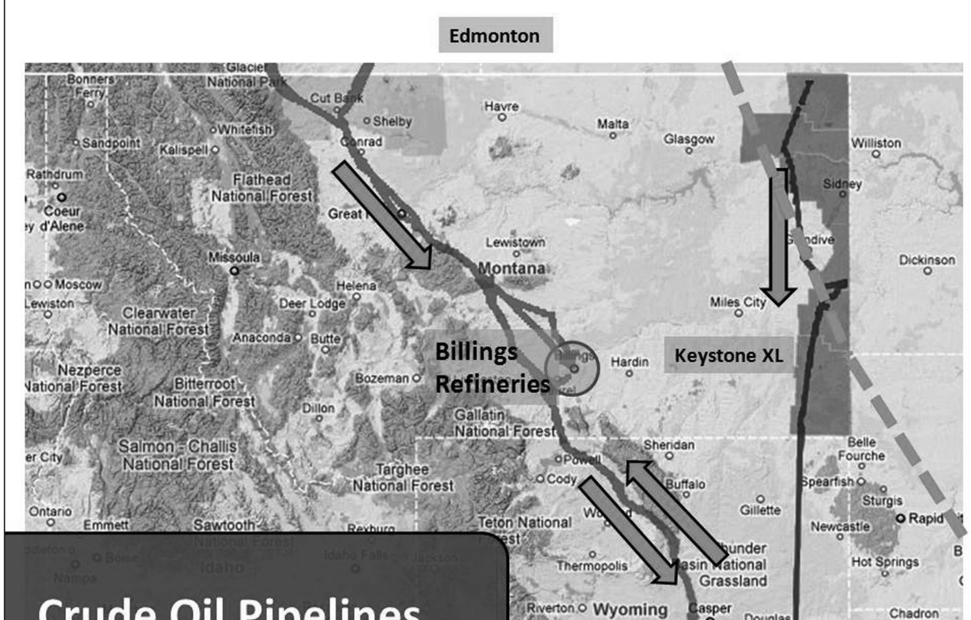
Notes

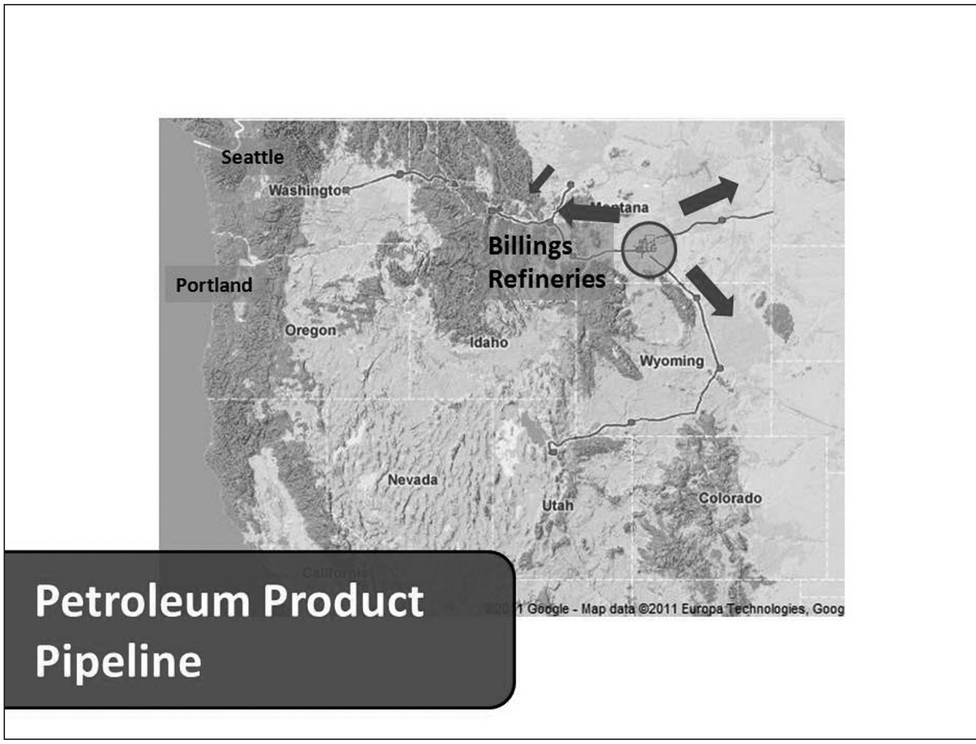
Montana Crude Oil, 2010

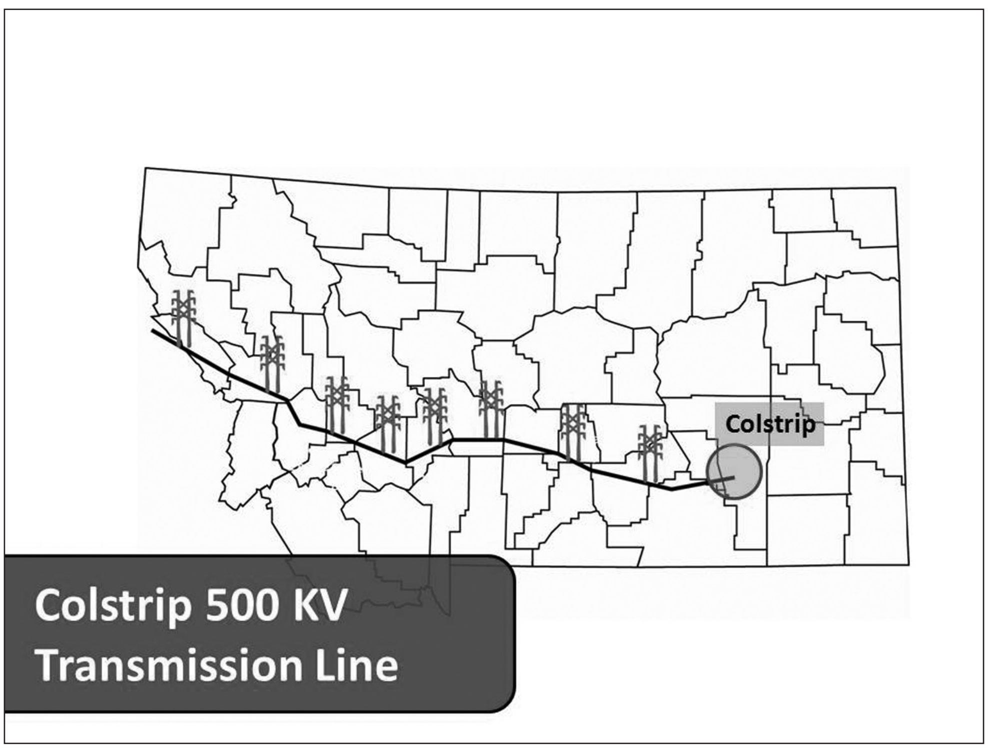
	Barrels
Production	**25,317,532**
Refined in MT	**1,574,362**
Percent	***6.21***

Source: Montana Oil and Gas Conservation Division.

Crude Oil Pipelines




Seattle
Washington
Portland
Oregon
Idaho
Billings
Refineries
Montana
Wyoming
Nevada
Utah
Colorado
Petroleum Product
Pipeline
©2011 Google - Map data ©2011 Europa Technologies, Goog

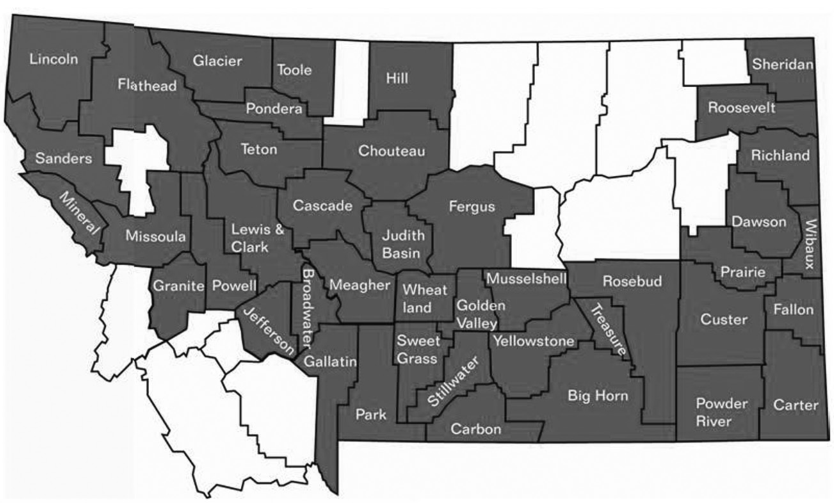

Colstrip
Colstrip 500 KV
Transmission Line

Notes

Notes

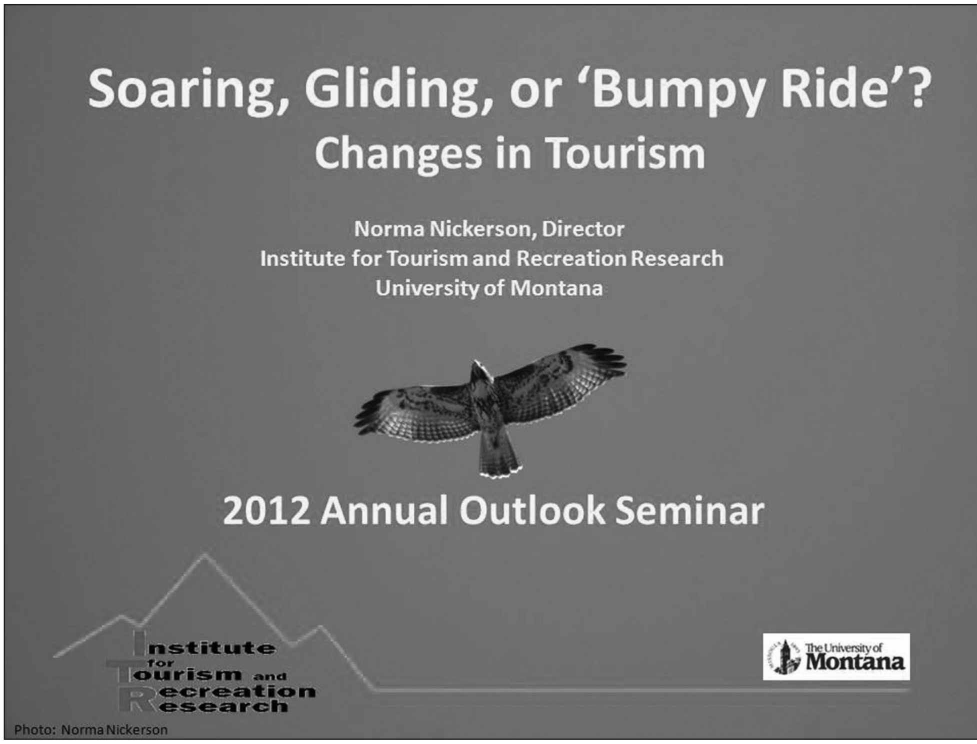
Transmission Line Property Taxes to Counties

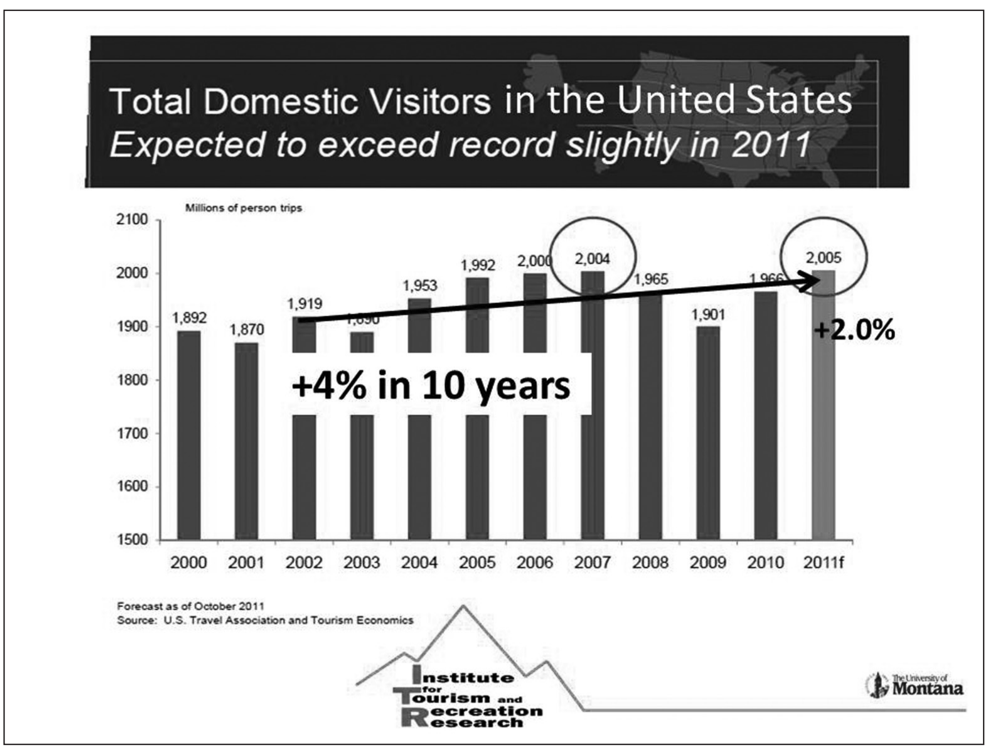
County	Estimated Taxes
Rosebud	$492,000
Treasure	$952,000
Big Horn	$241,000
Yellowstone	$1,467,000
Golden Valley	$372,000
Stillwater	$373,000
Wheatland	$615,000
Meagher	$865,000
Broadwater	$563,000
Jefferson	$401,000
Powell	$322,000
Granite	$401,000
Missoula	$568,000
Mineral	$784,000
TOTAL	$8,417,000

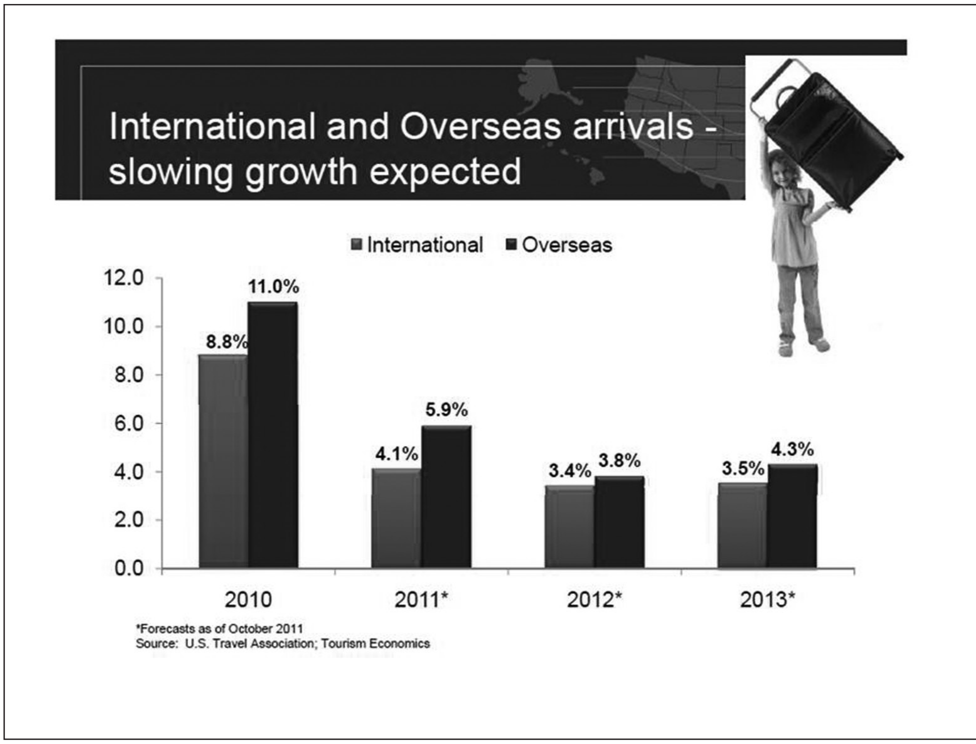


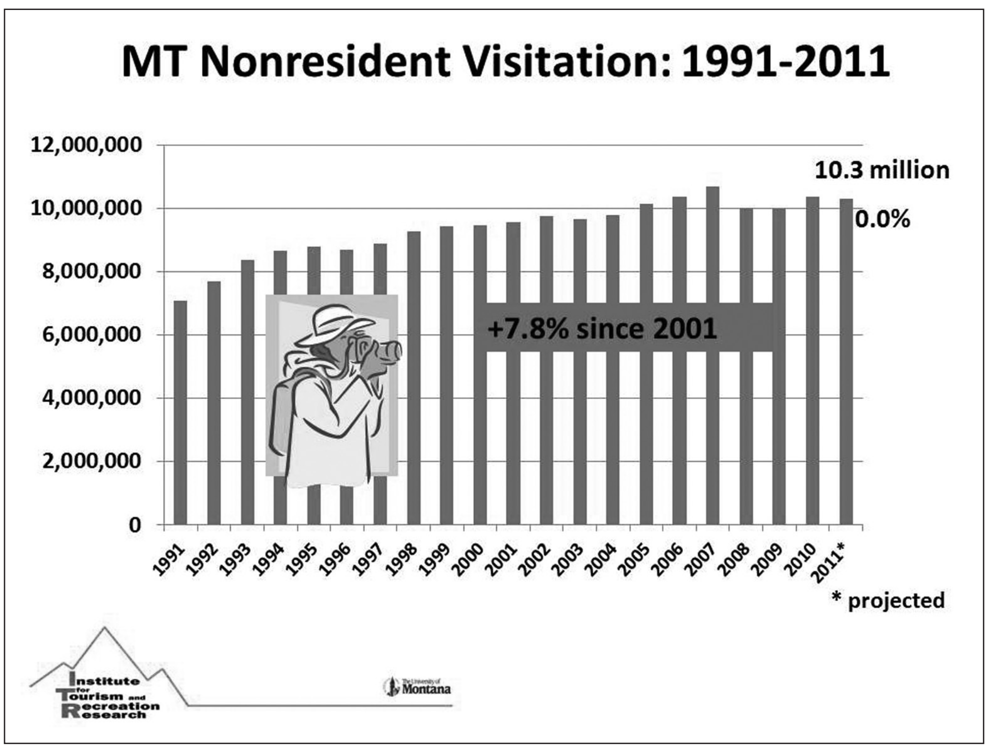
Montana's Energy Transportation Systems

Notes

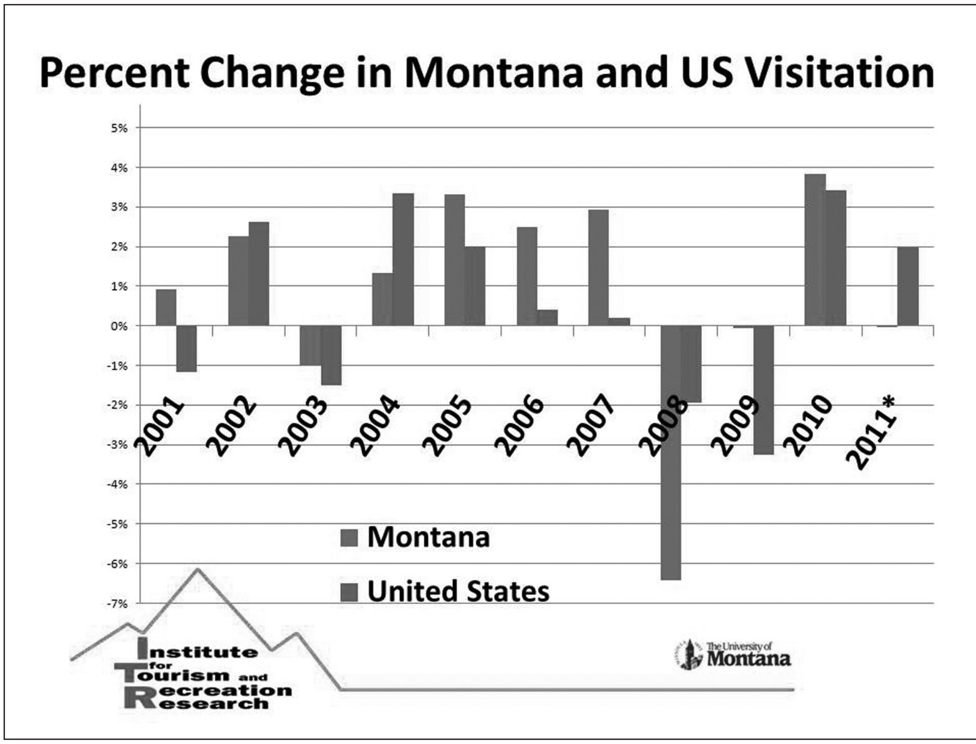

Soaring, Gliding, or 'Bumpy Ride'?
Changes in Tourism
Norma Nickerson, Director
Institute for Tourism and Recreation Research
University of Montana
2012 Annual Outlook Seminar
Institute for Tourism and Recreation Research
The University of Montana
Photo: Norma Nickerson


Total Domestic Visitors in the United States
Expected to exceed record slightly in 2011
Millions of person trips
2100
2000
1900
1800
1700
1600
1500
1,892
1,870
1,919
1,953
1,992
2,000
2,004
1,965
1,901
2,005
+4% in 10 years
+2.0%
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011f
Forecast as of October 2011
Source: U.S. Travel Association and Tourism Economics
Institute for Tourism and Recreation Research
The University of Montana

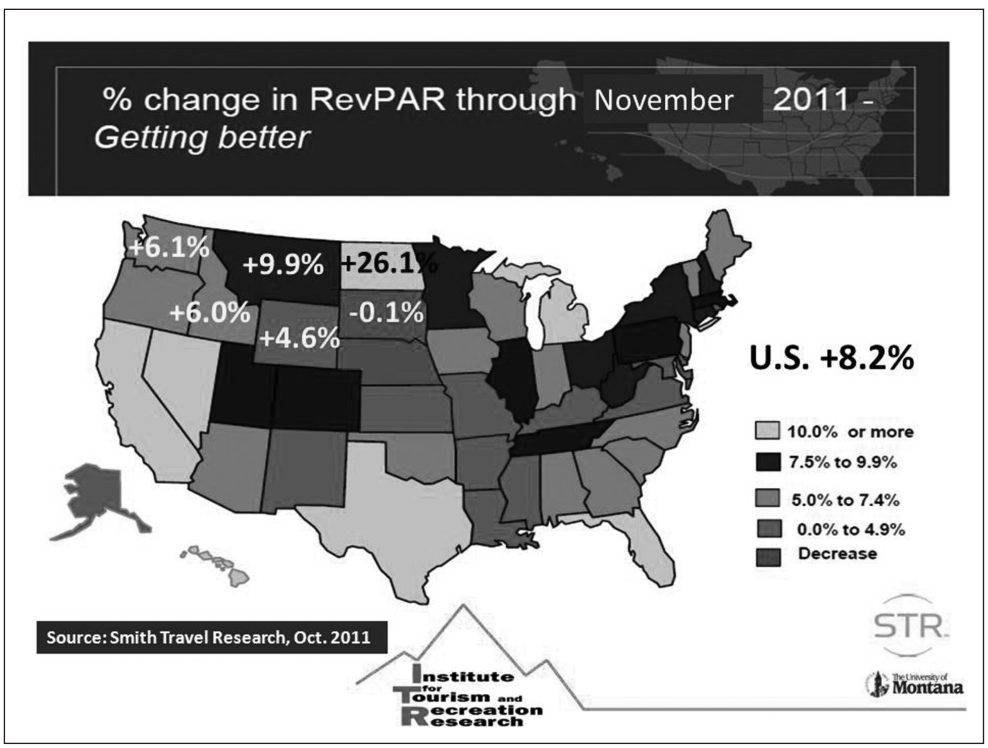

International and Overseas arrivals - slowing growth expected
International
Overseas
12.0
10.0
8.0
6.0
4.0
2.0
0.0
11.0%
8.8%
5.9%
4.1%
3.4%
3.8%
3.5%
4.3%
2010
2011*
2012*
2013*
*Forecasts as of October 2011
Source: U.S. Travel Association; Tourism Economics

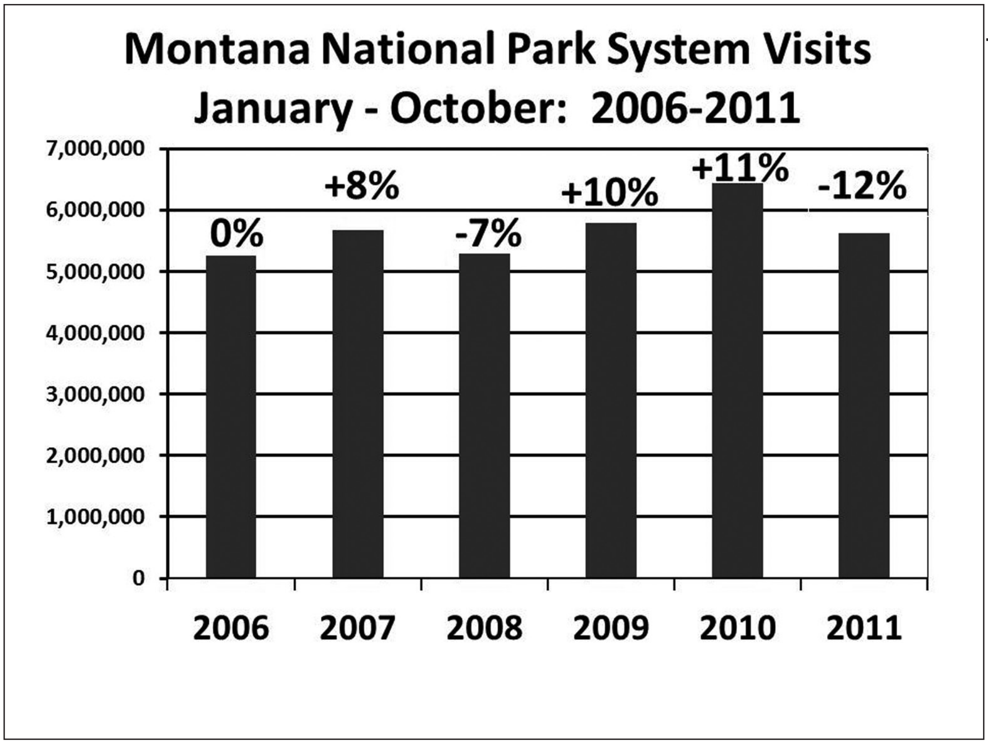

MT Nonresident Visitation: 1991-2011
12,000,000
10,000,000
8,000,000
6,000,000
4,000,000
2,000,000
0
10.3 million
0.0%
+7.8% since 2001
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011*
* projected
Institute for Tourism and Recreation Research
The University of Montana

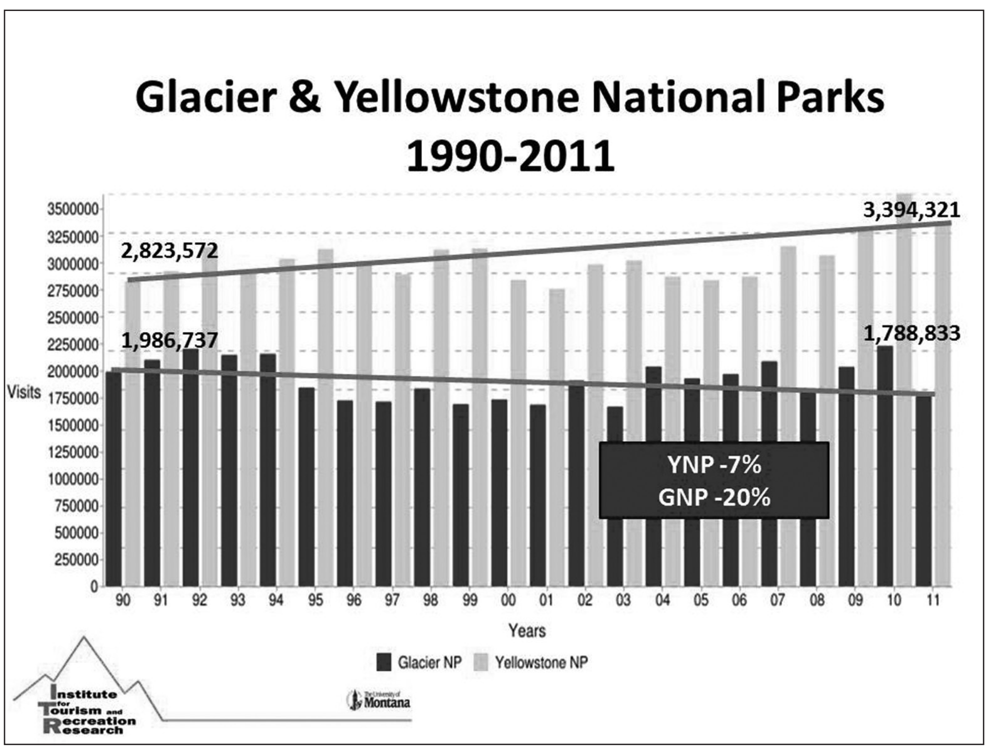
Notes


Percent Change in Montana and US Visitation
5%
4%
3%
2%
1%
0%
-1%
-2%
-3%
-4%
-5%
-6%
-7%
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011*
Montana
United States
Institute for Tourism and Recreation Research
The University of Montana

Notes

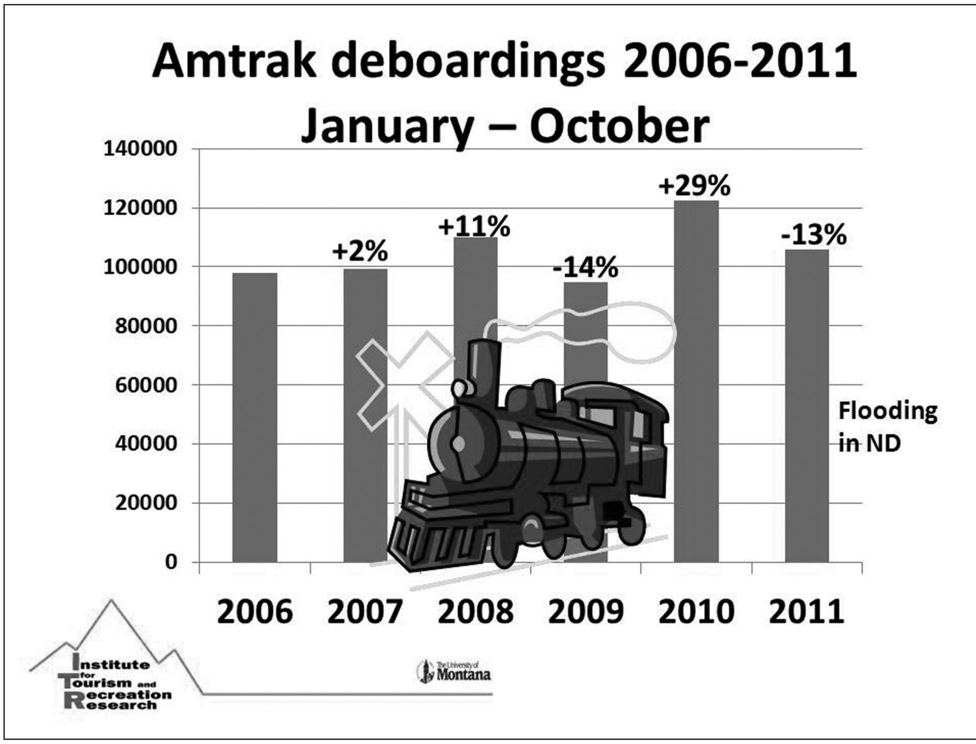

% change in RevPAR through November 2011 -
Getting better
+6.1%
+9.9%
+26.1%
+6.0%
-0.1%
+4.6%
U.S. +8.2%
10.0% or more
7.5% to 9.9%
5.0% to 7.4%
0.0% to 4.9%
Decrease
Source: Smith Travel Research, Oct. 2011
STR
Institute for Tourism and Recreation Research
The University of Montana


Montana National Park System Visits
January - October: 2006-2011
7,000,000
6,000,000
5,000,000
4,000,000
3,000,000
2,000,000
1,000,000
0
0%
+8%
-7%
+10%
+11%
-12%
2006
2007
2008
2009
2010
2011


Glacier & Yellowstone National Parks
1990-2011
2,823,572
3,394,321
1,986,737
1,788,833
YNP -7%
GNP -20%
Visits
Years
Glacier NP
Yellowstone NP
Institute for Tourism and Recreation Research

Notes

Notes


Amtrak deboardings 2006-2011
January – October
140000
120000
100000
80000
60000
40000
20000
0
+2%
+11%
-14%
+29%
-13%
Flooding in ND
2006
2007
2008
2009
2010
2011
Institute for Tourism and Recreation Research
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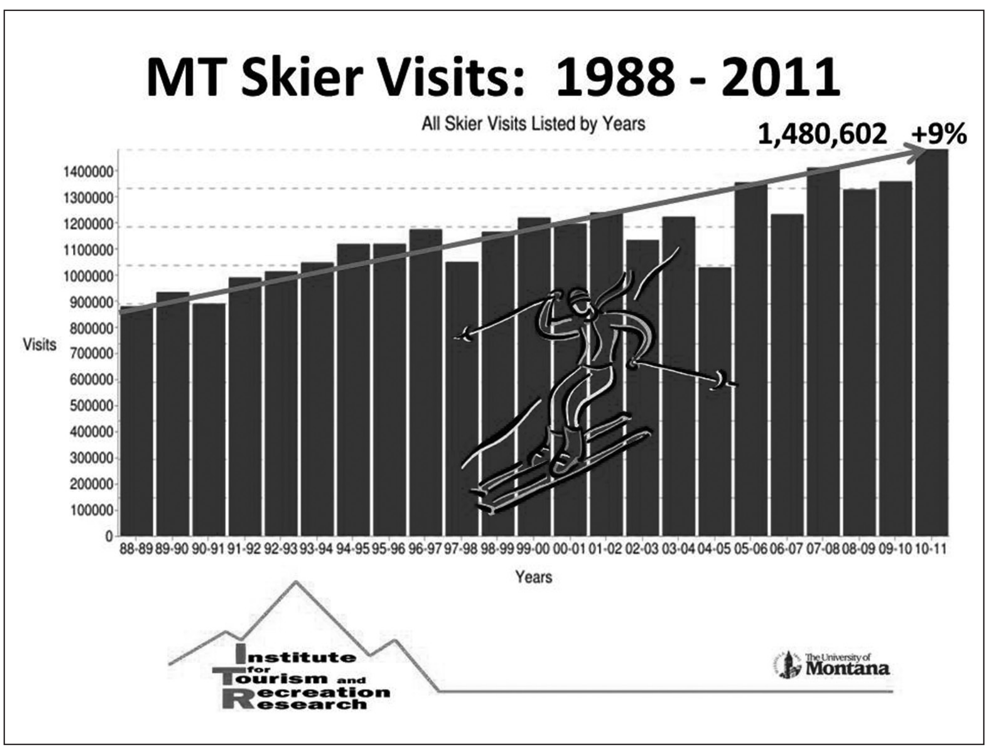
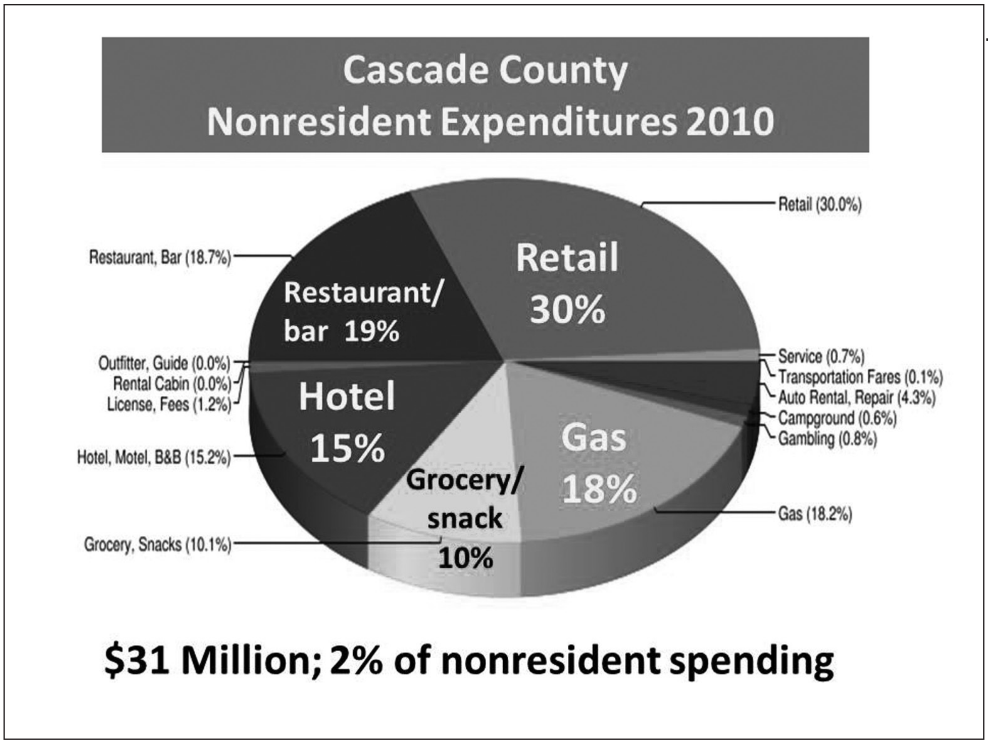
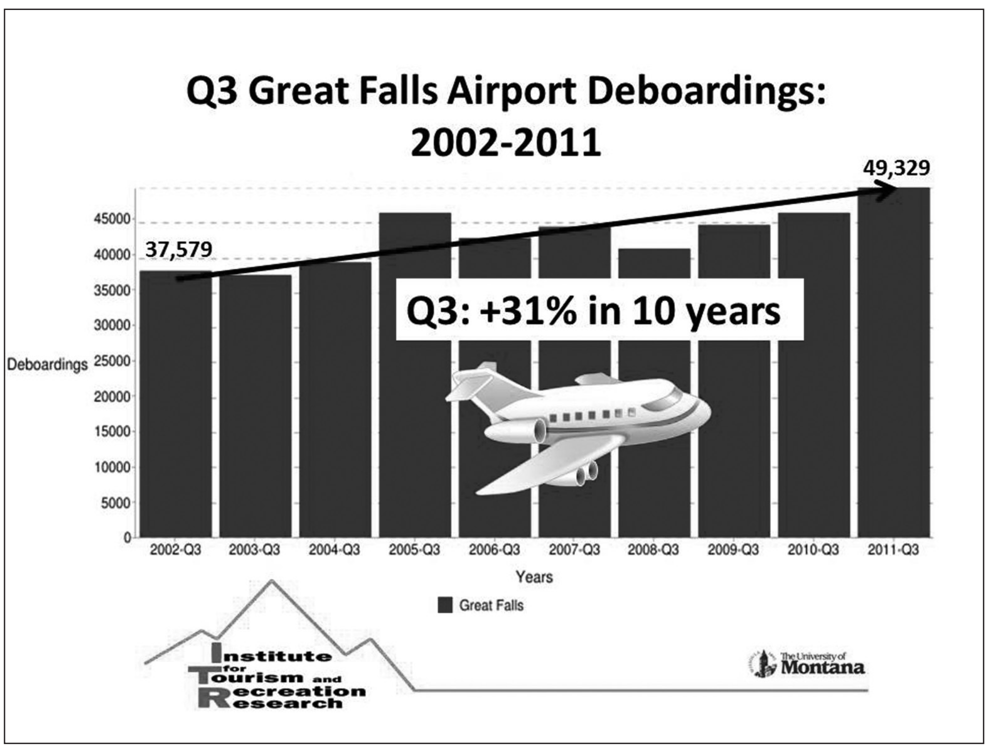

MT Skier Visits: 1988 - 2011
All Skier Visits Listed by Years
1,480,602 +9%
Visits
1400000
1300000
1200000
1100000
1000000
900000
800000
700000
600000
500000
400000
300000
200000
100000
0
88-89 89-90 90-91 91-92 92-93 93-94 94-95 95-96 96-97 97-98 98-99 99-00 00-01 01-02 02-03 03-04 04-05 05-06 06-07 07-08 08-09 09-10 10-11
Years
Institute for Tourism and Recreation Research
The University of Montana

Notes

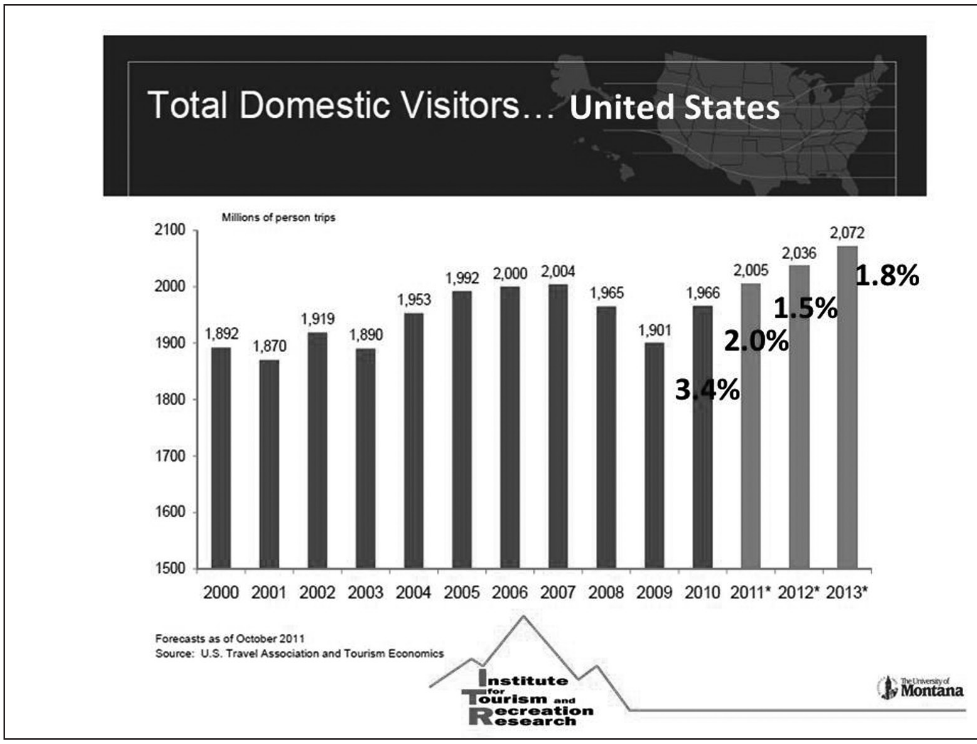


Cascade County
Nonresident Expenditures 2010
Retail (30.0%)
Restaurant, Bar (18.7%)
Retail
30%
Restaurant/
bar 19%
Outfitter, Guide (0.0%)
Rental Cabin (0.0%)
License, Fees (1.2%)
Service (0.7%)
Transportation Fares (0.1%)
Auto Rental, Repair (4.3%)
Campground (0.6%)
Gambling (0.8%)
Hotel
15%
Gas
18%
Hotel, Motel, B&B (15.2%)
Grocery/
snack
10%
Gas (18.2%)
Grocery, Snacks (10.1%)
$31 Million; 2% of nonresident spending



Q3 Great Falls Airport Deboardings:
2002-2011
49,329
37,579
Q3: +31% in 10 years
Deboardings
45000
40000
35000
30000
25000
20000
15000
10000
5000
0
2002-Q3
2003-Q3
2004-Q3
2005-Q3
2006-Q3
2007-Q3
2008-Q3
2009-Q3
2010-Q3
2011-Q3
Years
Great Falls
Institute for Tourism and Recreation Research
The University of Montana

Notes



2012 MT Tourism Businesses

- 48% expect growth in 2012
- 40% expect to stay the same
- Overall: 2% growth expected in 2012

2012 National Tourism

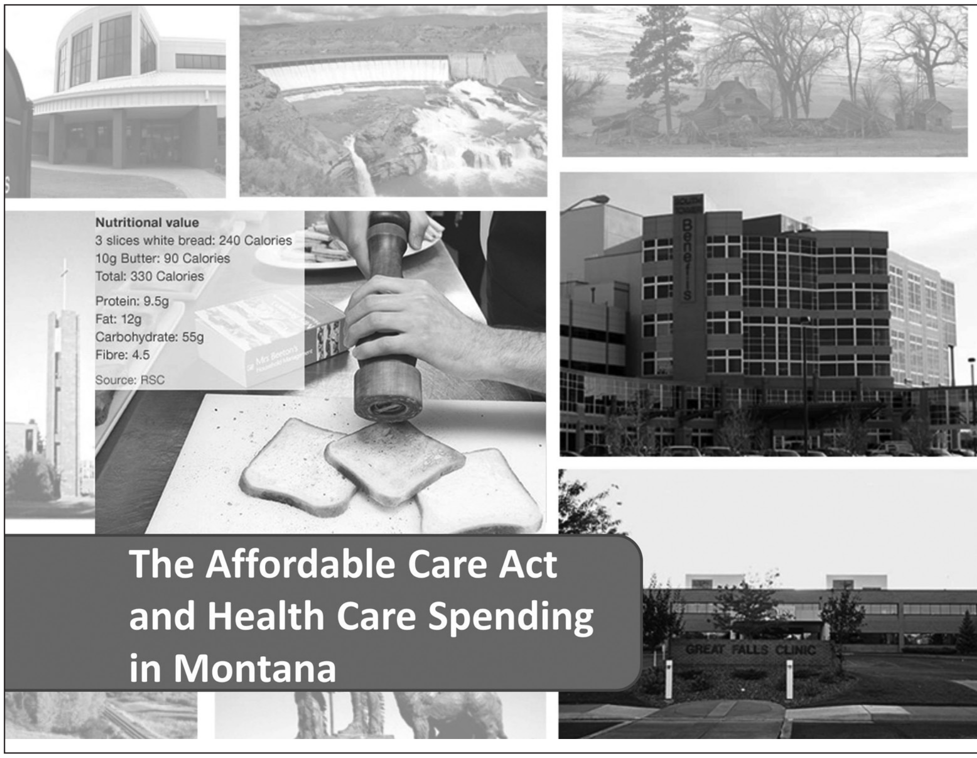
- 1.5% growth in domestic visitors
- 3.4% growth in International visitors
- 3.8% growth in overseas visitors

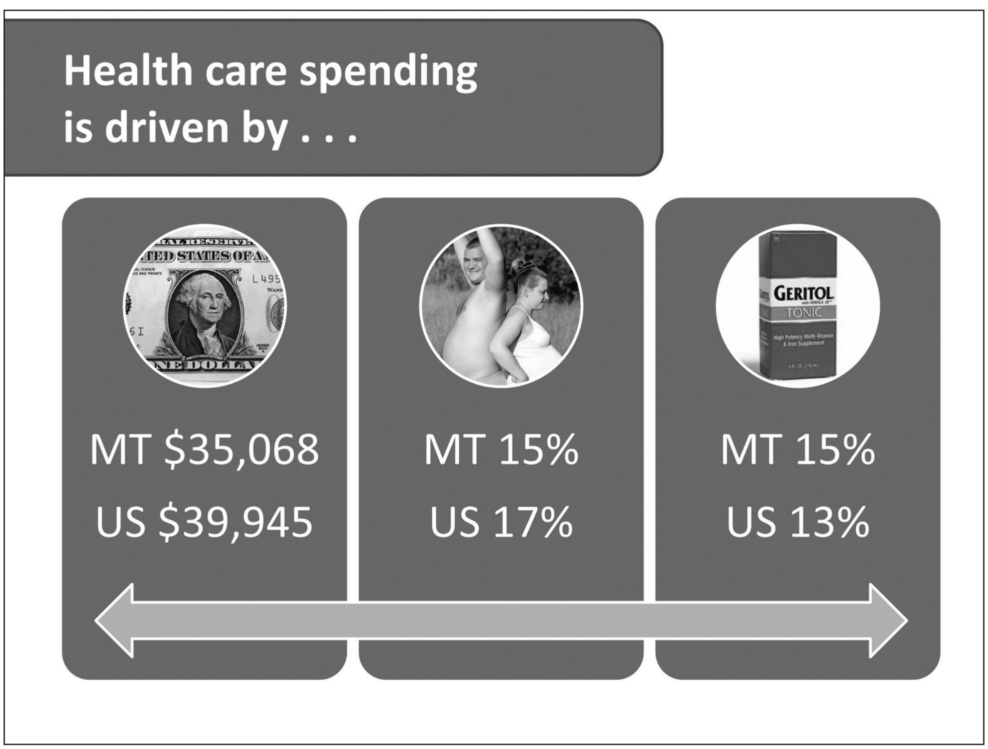
Institute for Tourism and Recreation Research

The University of Montana

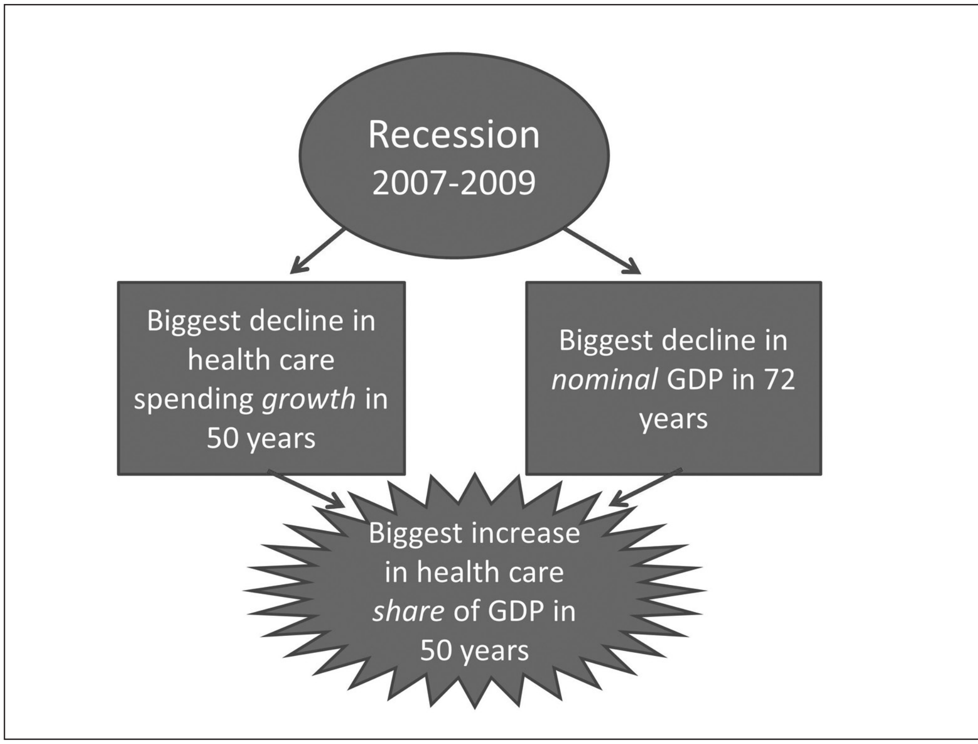
Photo: Norma Nickerson

Notes

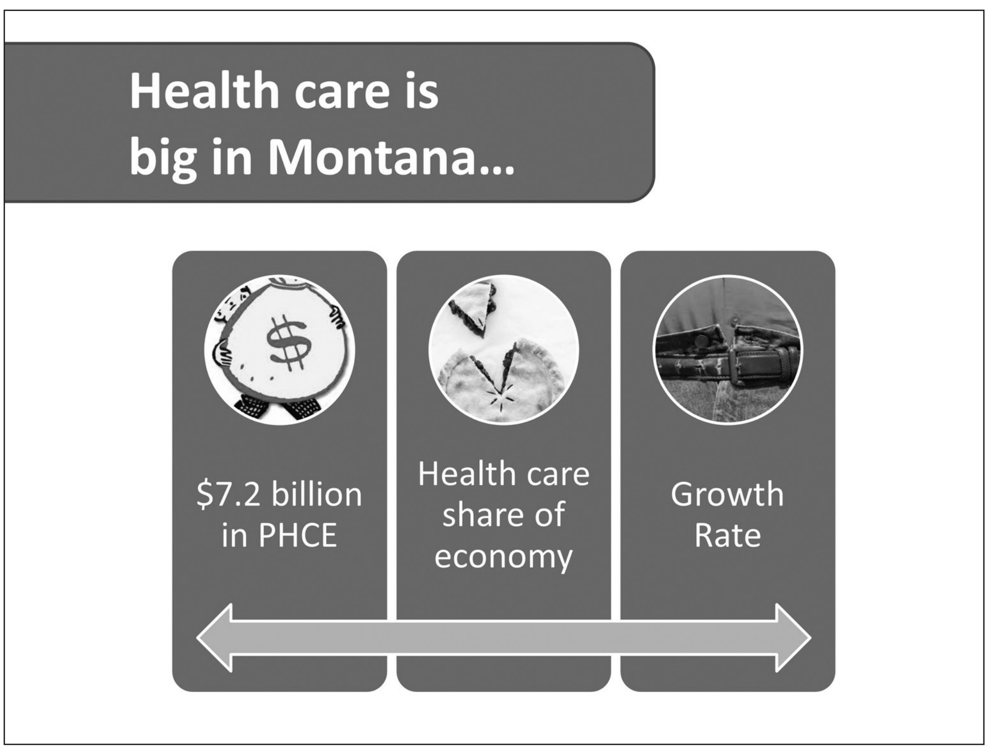

Nutritional value
3 slices white bread: 240 Calories
10g Butter: 90 Calories
Total: 330 Calories
Protein: 9.5g
Fat: 12g
Carbohydrate: 55g
Fibre: 4.5
Source: RSC
Benefis
GREAT FALLS CLINIC
The Affordable Care Act
and Health Care Spending
in Montana


Health care spending
is driven by . . .
MT $35,068
US $39,945
MT 15%
US 17%
GERITOL
TONIC
MT 15%
US 13%

Notes

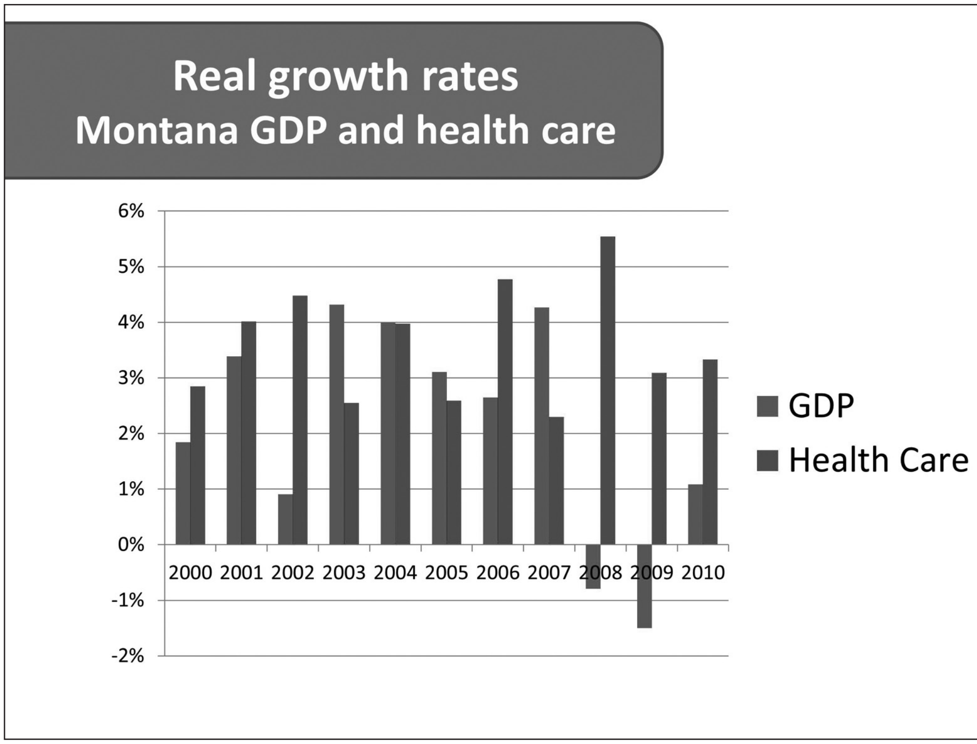


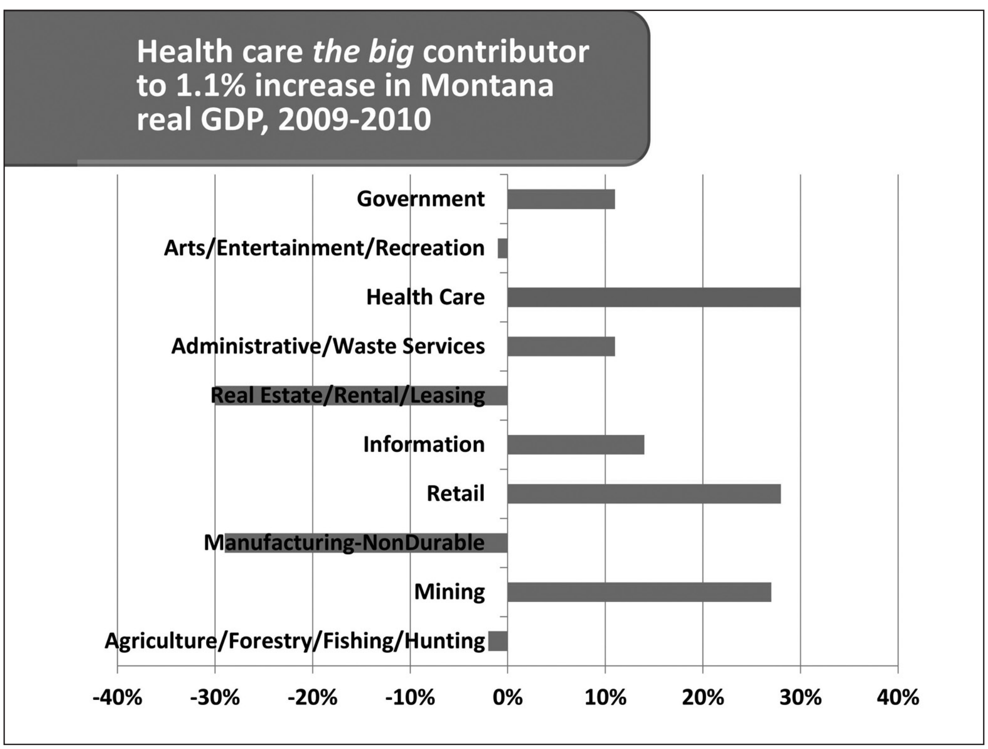
Recession
2007-2009
Biggest decline in health care spending *growth* in 50 years
Biggest decline in *nominal* GDP in 72 years
Biggest increase in health care *share* of GDP in 50 years



Health care is big in Montana…
$7.2 billion in PHCE
Health care share of economy
Growth Rate

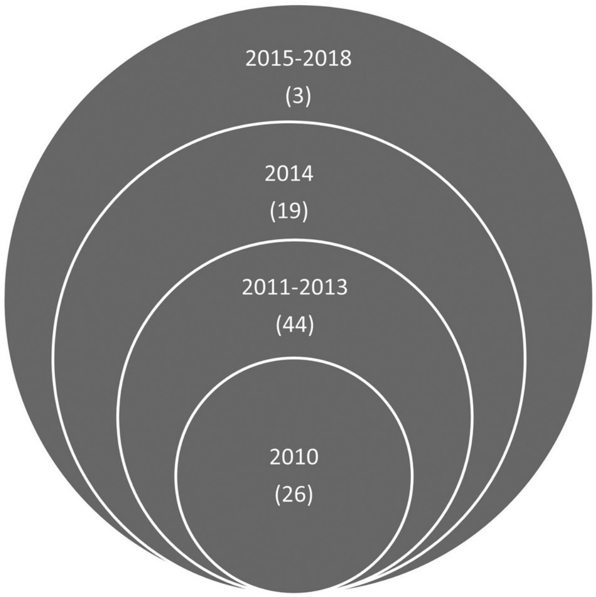
Notes


Real growth rates
Montana GDP and health care
6%
5%
4%
3%
2%
1%
0%
-1%
-2%
2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010
GDP
Health Care


Health care *the big* contributor to 1.1% increase in Montana real GDP, 2009-2010
Government
Arts/Entertainment/Recreation
Health Care
Administrative/Waste Services
Real Estate/Rental/Leasing
Information
Retail
Manufacturing-NonDurable
Mining
Agriculture/Forestry/Fishing/Hunting
-40%
-30%
-20%
-10%
0%
10%
20%
30%
40%

Notes

Major provisions of ACA



ACA provisions

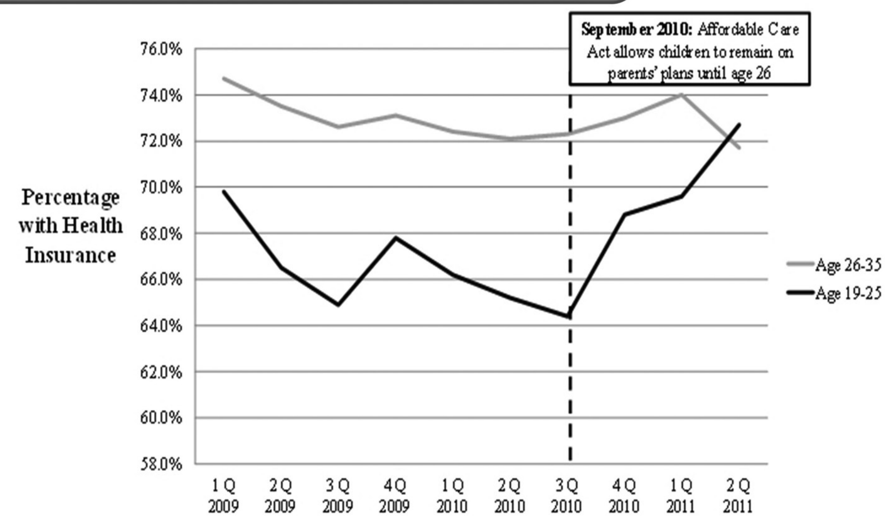
10% Tanning bed tax
7/1/2010

Adults under 26
9/23/10

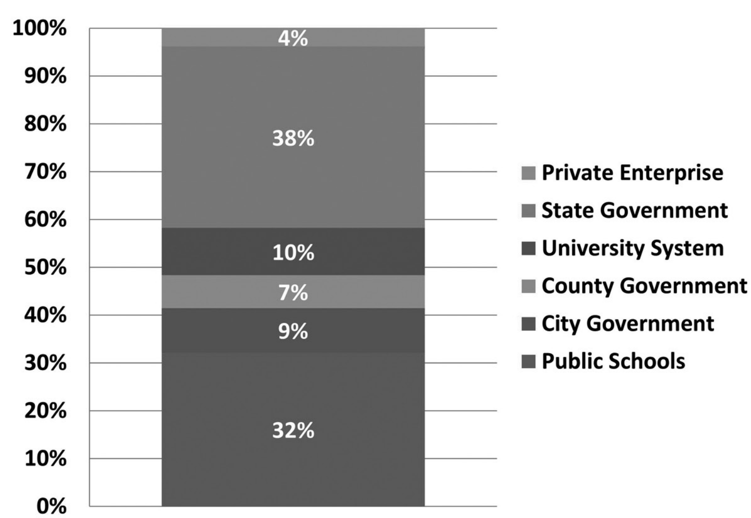
Early Retiree Reinsurance Program
6/29/2010

Notes

Health insurance coverage for young adults



Distribution of $3.8 million ERRP Funds, Montana



Notes

Wasn't so simple
Small Business Tax Credit

3 SIMPLE STEPS

If you are a small employer (business or tax-exempt) that provides health insurance coverage to your employees, determine if you may qualify for the **Small Business Health Care Tax Credit** by following these three simple steps:

1 **Determine the total number of your employees (not counting owners or family members):**

Full-time employees:______________
(enter the number of employees who work at least 40 hours per week)

+

Full-time equivalent of part-time employees:______________
(Calculate the number of full-time equivalents by dividing the total annual hours of part-time employees by 2080.)

= [ ] total employees

If the total number of employees is fewer than 25 **GO TO STEP 2**

2 **Calculate the average annual wages of employees (not counting owners or family members):**

Take the total annual wages paid to employees: ______________

÷

Divide it by the number of employees from STEP 1: ______________
(total wages ÷ number of employees)

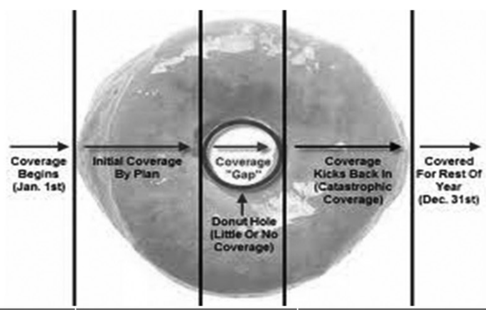
= [ ] average wages

If the result is less than $50,000, **AND**

3 You pay at least half of the insurance premiums for your employees at the single (employee-only) coverage rate, then

you may be able to claim the **Small Business Health Care Tax Credit.**
Find out more information at **IRS.gov**

IRS



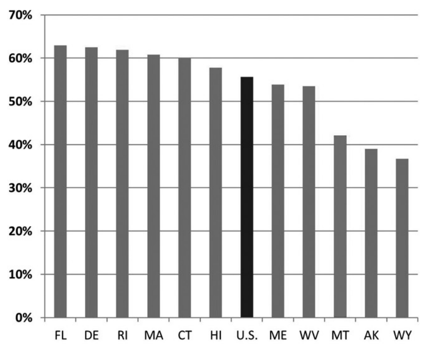
	# of Gap Beneficiaries	Total Gap Discount	Average Gap Discount
MONTANA	6,075	$3,511,260	$578
Belt	13	$5,900	$456
Great Falls	448	$252,881	$564
Cascade County	509	$290,506	$571

Notes

No cost sharing

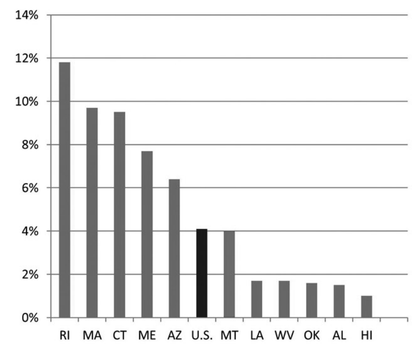
Medicare Preventive Services

Beneficiaries Using One or More Preventive Services



Medicare Annual Wellness Exam

Beneficiaries Using Wellness Exam



Premiums increase if you are a person of "means"

Medicare Part B Premiums

Joint Tax Return (000's AGI)	Monthly Increase	Total Monthly Premium
≤$170	$0	$115.40
>$170 ≤$214	$46.10	$161.50
>$214 ≤$320	$115.30	$230.70
>$320 ≤$428	$184.50	$299.90
> $428	$253.70	$369.10

Medicare Part D Premiums

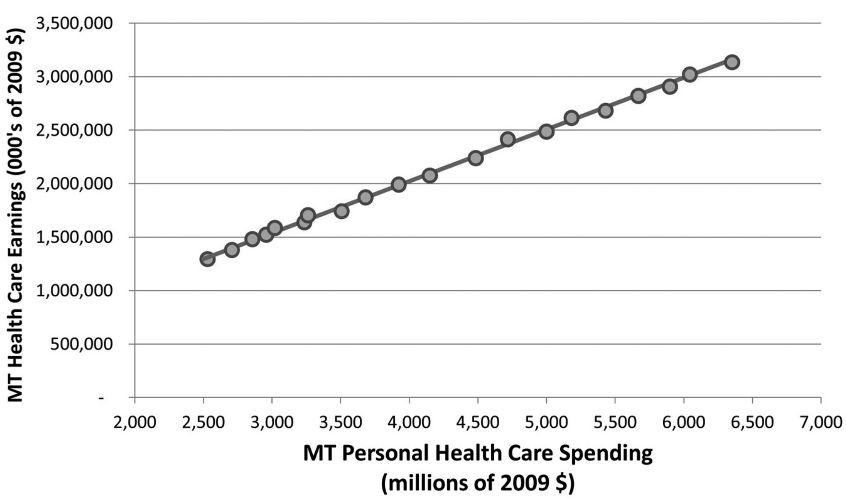
Joint Tax Return (000's AGI)	Monthly Increase	Total Monthly Premium
≤ $170	$0	$41.43
> $170 ≤ $214	$12.00	$53.43
> $214 ≤ $320	$31.10	$72.53
> $ 320 ≤ $428	$50.10	$91.53
> $428	$69.10	$110.53

Notes

Medicare and Medicaid per enrollee spending in Montana

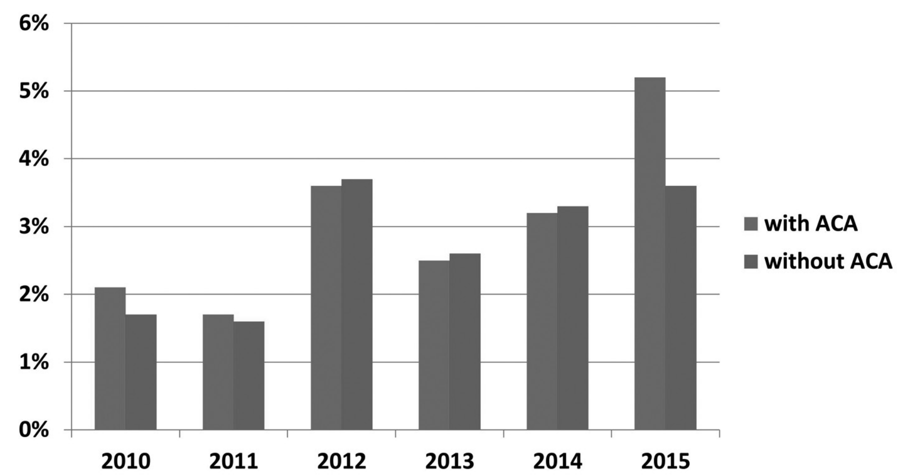
	Average Annual Growth (%)		% of MT total personal health care spending			% of U.S. per enrollee spending		
	'98-'04	'04-'09	1998	2004	2009	1998	2004	2009
Medicare	6.3	6.3	17.4	17.2	19.3	73	76	73
Medicaid	3.3	5.9	13.7	13.5	13.2	122	123	146

Personal health care spending and health care earnings, Montana, 1990-2009

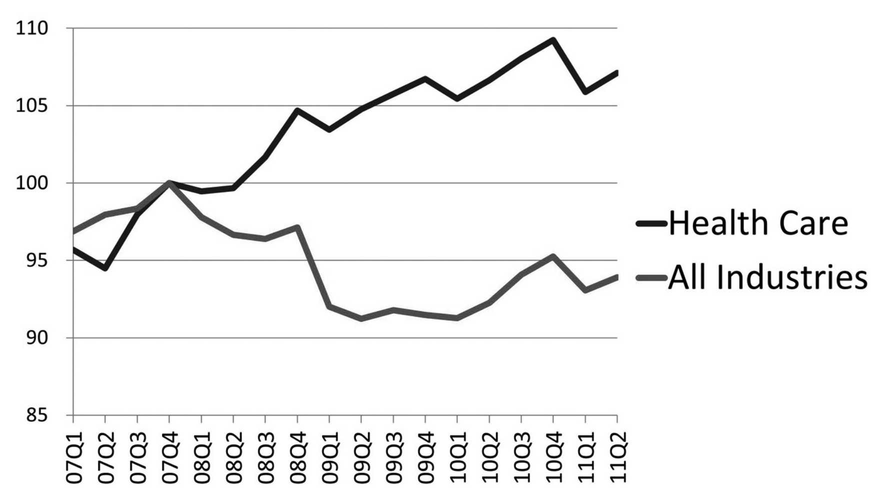


Notes

Projected annual percent change in real health care earnings, Montana

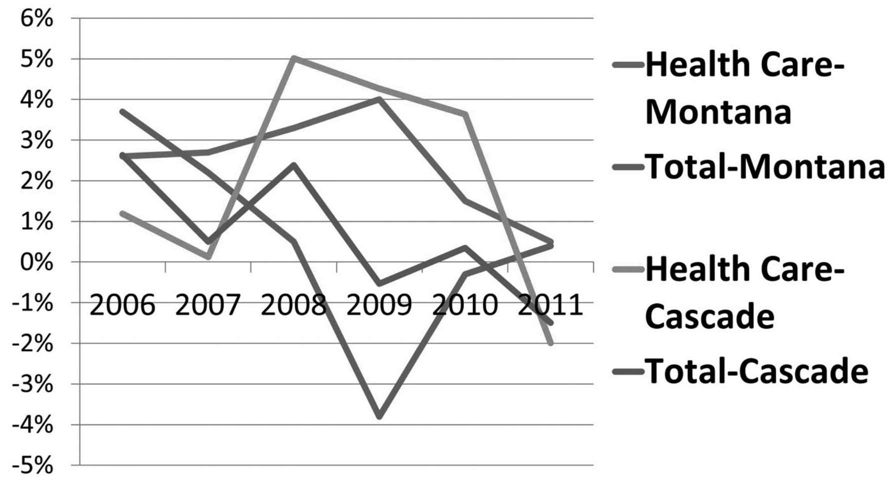


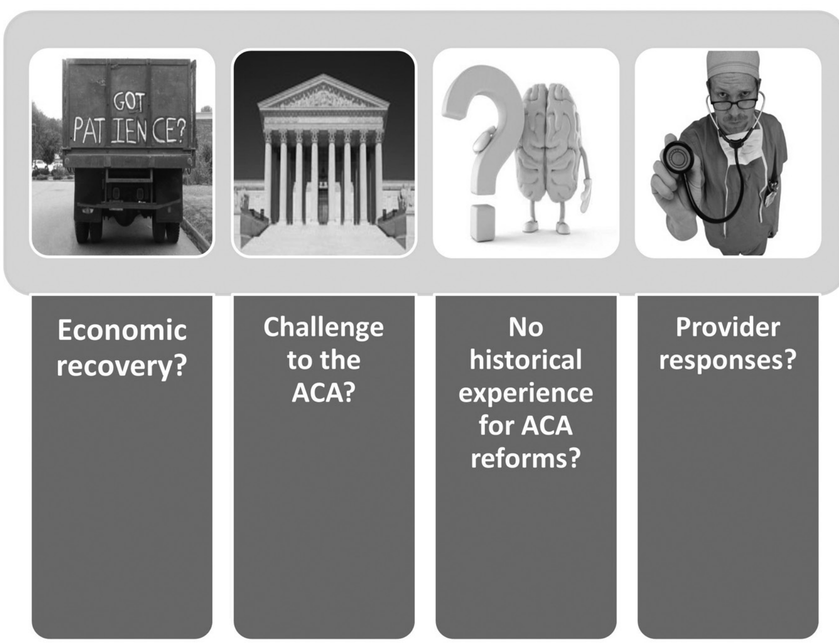
Recession and post-recession real earnings in Montana



Notes

Health insurance coverage for young adults





Notes

2012 Montana Agricultural Outlook

George Haynes
Department of Agricultural Economic & Economics
MSU Extension

Data Source: National Agricultural Statistics Service
Montana Field Office

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2011 "Recap"

- **Crops**
  - All wheat prices – up 26%
  - All wheat production – down 17%
    - Spring Wheat – production down 29%
  - Pulse crops
- **Cattle**
  - Cattle and Calf Prices – up 15%+
  - Cow Herd - down by 2%, but total herd value is record high

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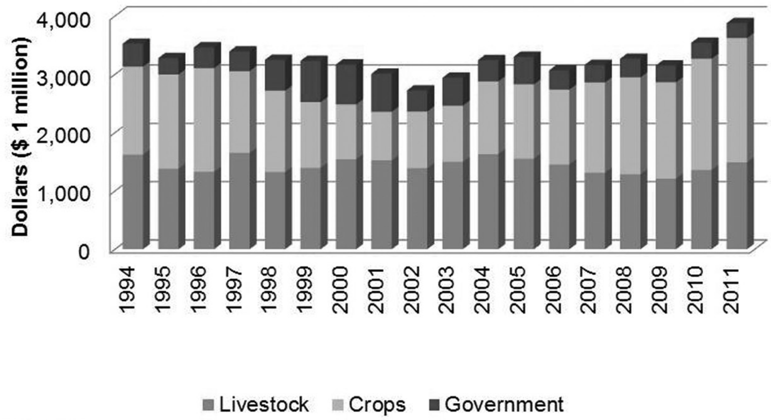
Notes

Gross Revenue Estimates
(2011 dollars)



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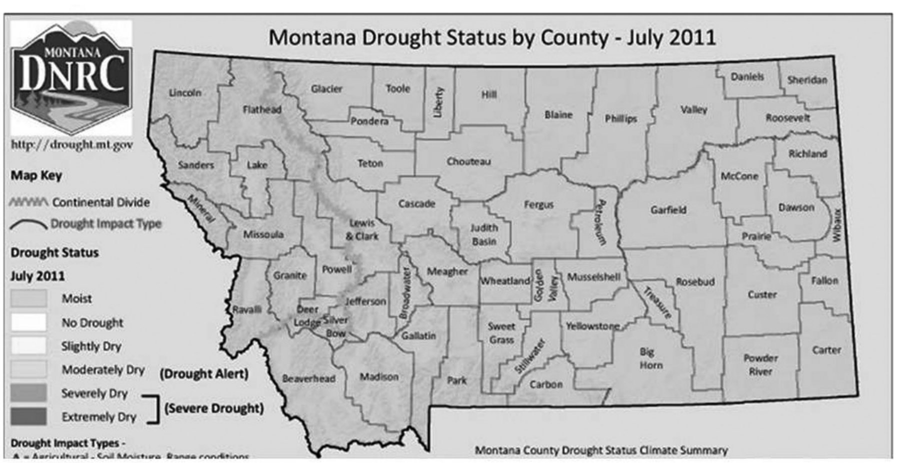
Drought Status – July 2011



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Notes

Courtesy of the Billings Gazette

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Courtesy of the Billings Gazette

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Notes

Courtesy of the Billings Gazette

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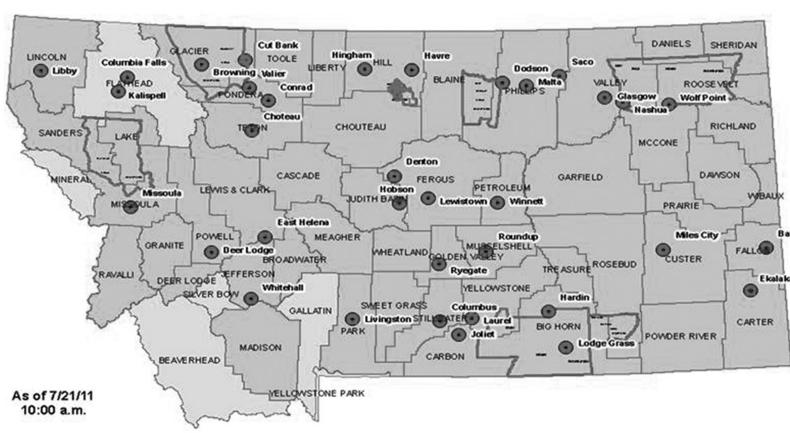
Locally Declared Emergencies
as of July 21, 2011



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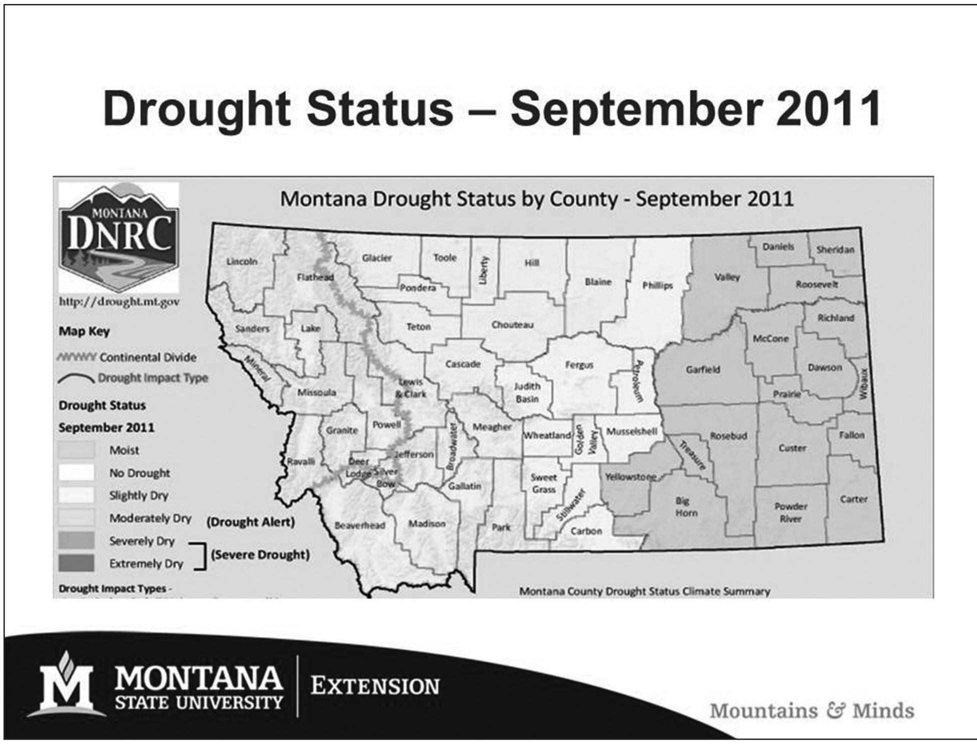
Notes


Drought Status – September 2011
Montana Drought Status by County - September 2011
MONTANA DNRC
http://drought.mt.gov
Map Key
Continental Divide
Drought Impact Type
Drought Status
September 2011
Moist
No Drought
Slightly Dry
Moderately Dry
(Drought Alert)
Severely Dry
Extremely Dry
(Severe Drought)
Drought Impact Types -
Lincoln
Flathead
Glacier
Toole
Liberty
Hill
Blaine
Phillips
Valley
Daniels
Sheridan
Roosevelt
Richland
Pondera
Teton
Chouteau
Sanders
Lake
Mineral
Missoula
Cascade
Fergus
Petroleum
Garfield
McCone
Dawson
Prairie
Wibaux
Lewis & Clark
Judith Basin
Granite
Powell
Meagher
Wheatland
Golden Valley
Musselshell
Rosebud
Custer
Fallon
Ravalli
Deer Lodge
Silver Bow
Jefferson
Broadwater
Gallatin
Sweet Grass
Stillwater
Yellowstone
Treasure
Big Horn
Powder River
Carter
Beaverhead
Madison
Park
Carbon
Montana County Drought Status Climate Summary
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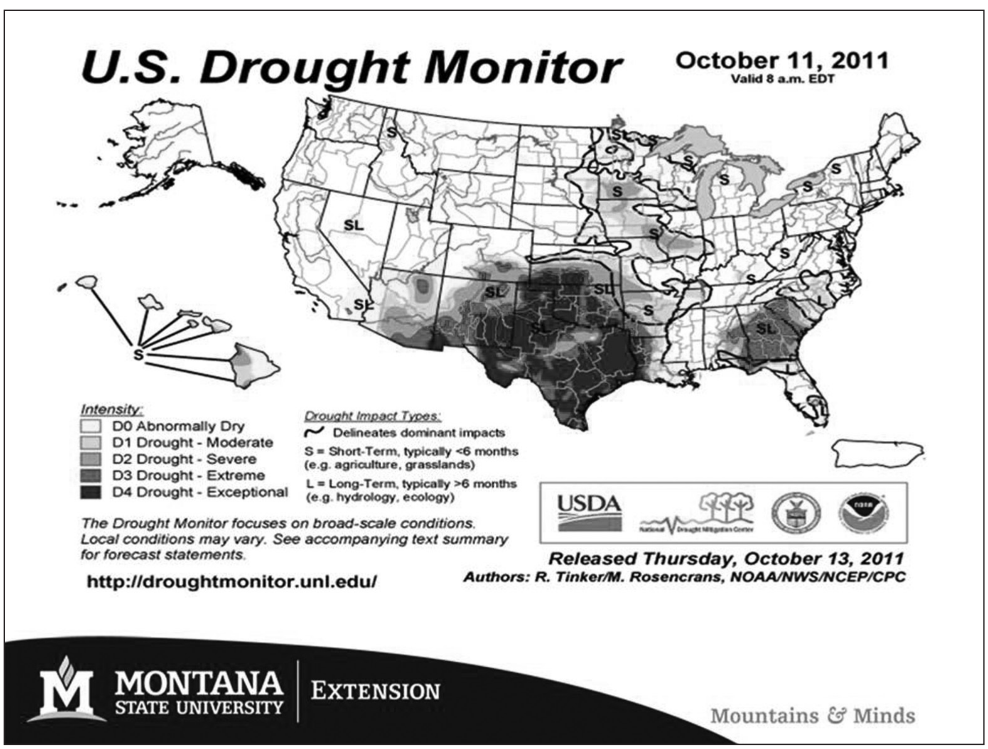
U.S. Drought Monitor
October 11, 2011
Valid 8 a.m. EDT
Intensity:
D0 Abnormally Dry
D1 Drought - Moderate
D2 Drought - Severe
D3 Drought - Extreme
D4 Drought - Exceptional
Drought Impact Types:
Delineates dominant impacts
S = Short-Term, typically <6 months (e.g. agriculture, grasslands)
L = Long-Term, typically >6 months (e.g. hydrology, ecology)
The Drought Monitor focuses on broad-scale conditions. Local conditions may vary. See accompanying text summary for forecast statements.
http://droughtmonitor.unl.edu/
USDA
Released Thursday, October 13, 2011
Authors: R. Tinker/M. Rosencrans, NOAA/NWS/NCEP/CPC
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Notes

CROPS (*GRAIN, HAY & PULSES*)

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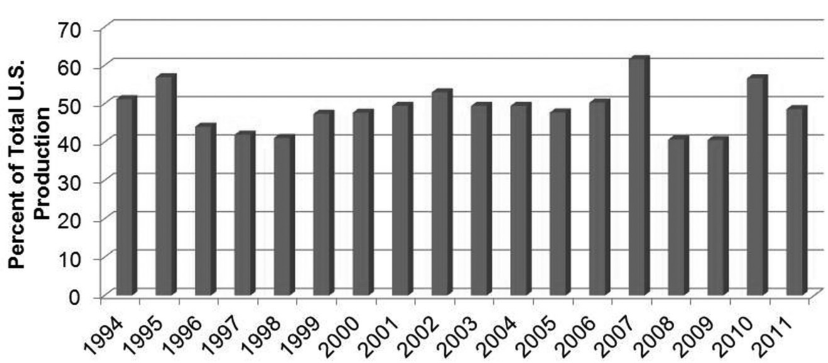
Wheat Exports
percent of total U.S. production



Total U.S. Exports = 34.5 mmt in 2010/2011 and 25.2 mmt in 2011/2012

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Notes

Where are these exports going?

- **Wheat (50% of total U.S. wheat exports)**
  - Sub-Saharan Africa 4.9 million metric tons
  - Egypt 3.8
  - Japan 3.3
  - Mexico 2.8
  - Philippines 1.8
- **Export competition**
  - Kazakhstan, Australia, Russia, Canada

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"Biggest Losers – Wheat Production" 2010 to 2011

	Total Production (1,000 bu.)			
State	2010	2011	Difference	%
North Dakota	361,550	205,845	-155,705	-43
Kansas	360,000	276,500	-83,500	-23
Texas	127,500	49,400	-78,100	-61
Oklahoma	120,900	70,400	-50,500	-42
Montana	215,360	178,290	-37,070	-17
Colorado	108,234	81,828	-26,406	-24
South Dakota	123,475	104,796	-18,679	-15
Minnesota	88,070	70,456	-17,614	-20

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Notes

Global Wheat Market Shares

Country	2010/2011	shares	2011/2012	shares
	mmt	%	mmt	%
Australia	26.00	4.0	25.00	3.7
Canada	23.17	3.6	24.20	3.6
China	115.18	17.8	117.00	17.2
EU-27	135.61	20.9	136.33	20.0
India	80.80	12.5	85.93	12.6
FSU-12	80.97	12.5	110.45	16.2
U.S.	60.06	9.3	54.65	8.0
Other	126.37	19.5	127.64	18.7
Total	648.16	100.0	681.20	100.0

Source, WASDE-499, October 12, 2011

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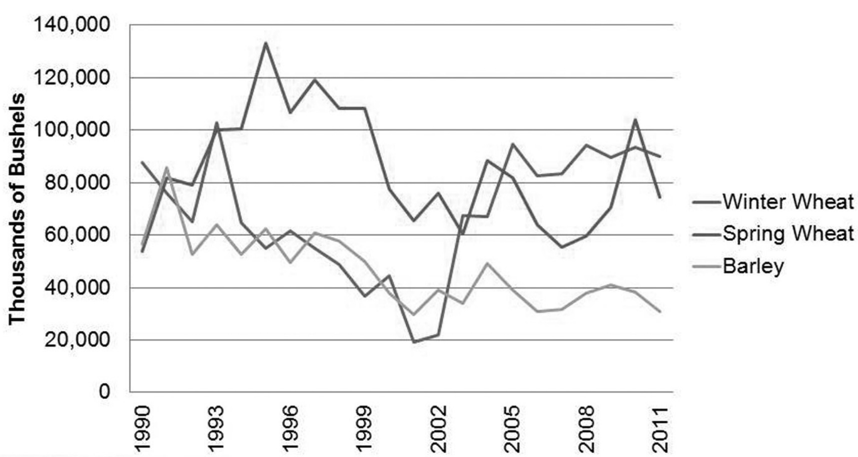
Grain Production



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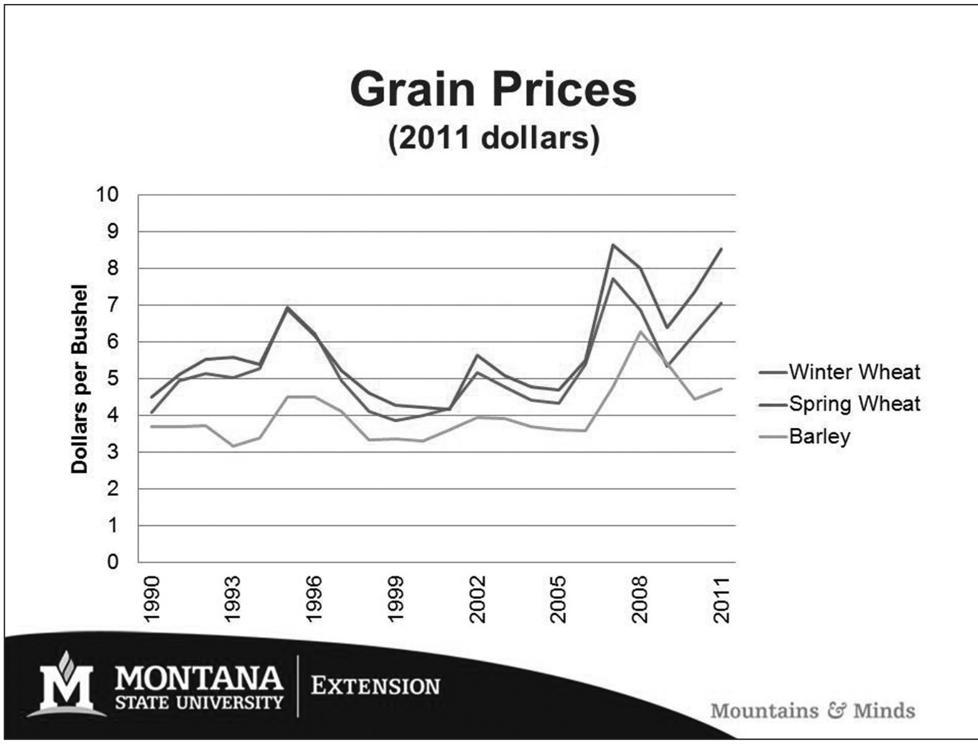
Notes


Grain Prices
(2011 dollars)
10
9
8
7
6
5
4
3
2
1
0
Dollars per Bushel
1990
1993
1996
1999
2002
2005
2008
2011
Winter Wheat
Spring Wheat
Barley
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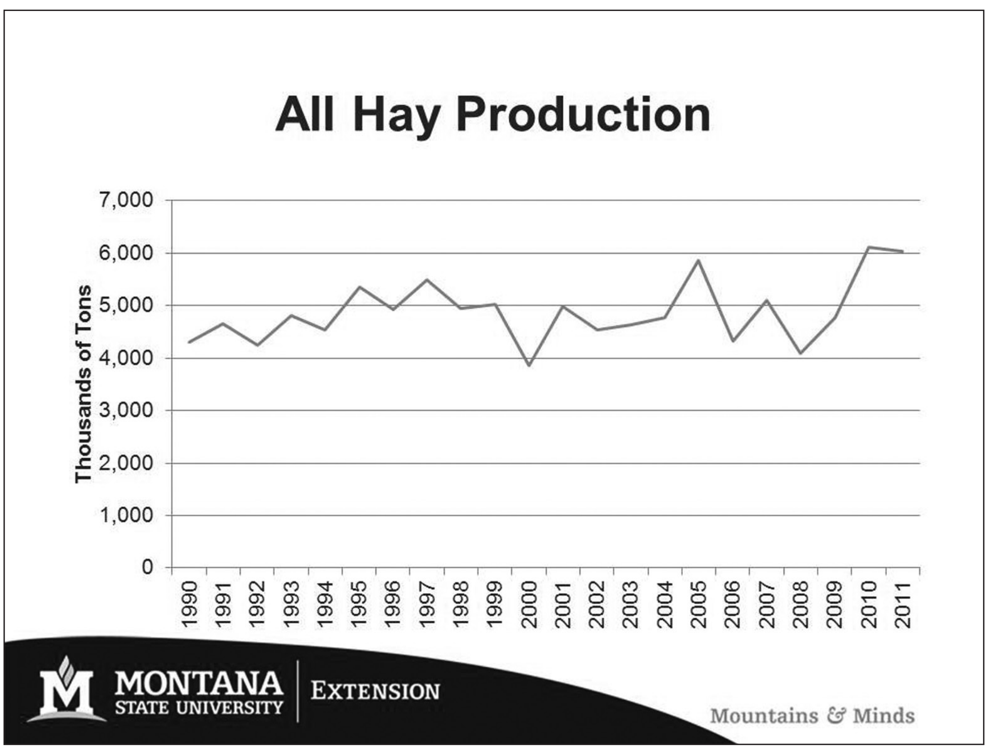
All Hay Production
7,000
6,000
5,000
4,000
3,000
2,000
1,000
0
Thousands of Tons
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
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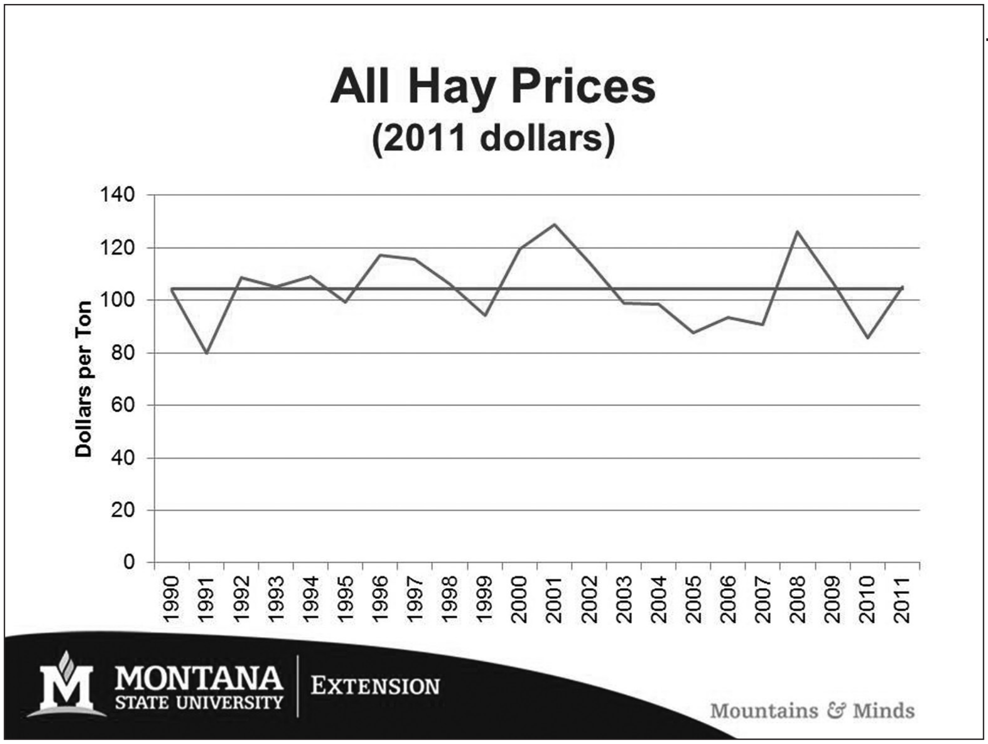
Notes


All Hay Prices
(2011 dollars)
140
120
100
80
60
40
20
0
Dollars per Ton
1990
1991
1992
1993
1994
1995
1996
1997
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
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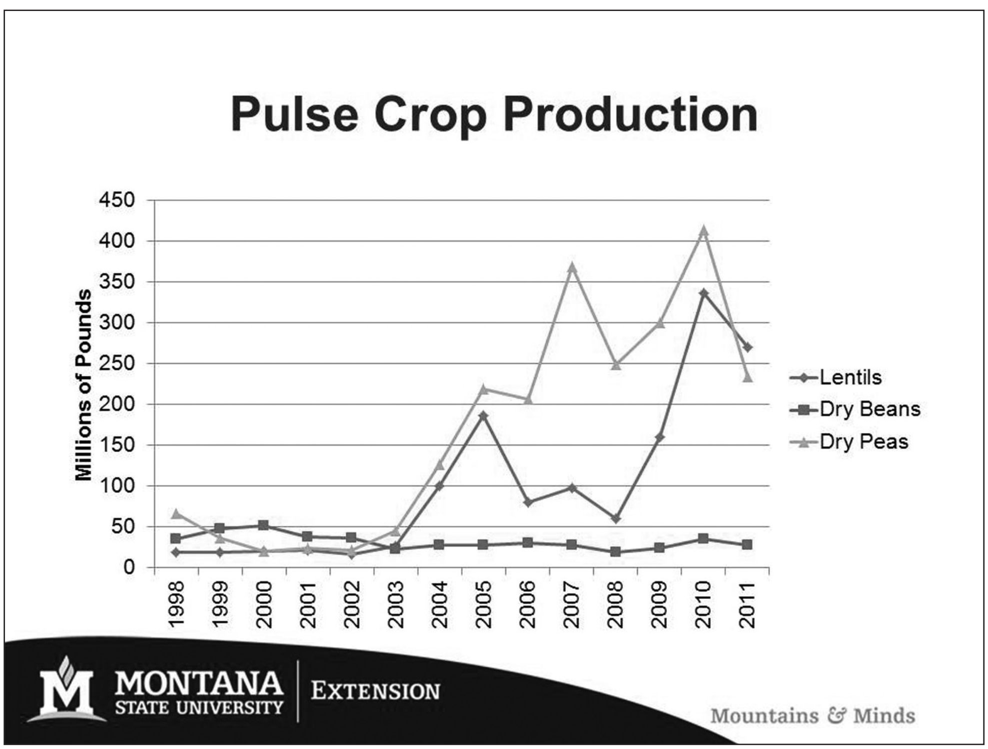
Pulse Crop Production
450
400
350
300
250
200
150
100
50
0
Millions of Pounds
1998
1999
2000
2001
2002
2003
2004
2005
2006
2007
2008
2009
2010
2011
Lentils
Dry Beans
Dry Peas
MONTANA
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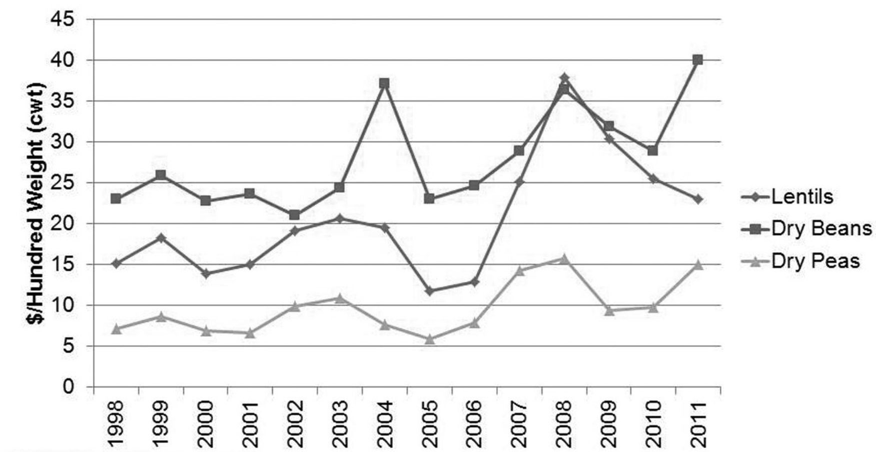
Notes

Pulse Crop Prices



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Share of Pulse Crops Grown in MT

Crop	Montana (1,000 cwt)	U.S. (1,000 cwt)	Montana Share (%)
Dry Beans	359	31,801	1.1
Pinto Beans	275	13,814	2.0
Garbonzo Beans	84	1,939	4.3
Lentils	3,359	8,657	38.8
Dry Peas	4,140	14,221	29.1
Austrian Winter Peas	110	237	46.4

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Notes

Futures Prices
(not basis adjusted – 12/29/11)

Location	Units	3/12	5/12	7/12	9/12
Minneapolis Grain Exchange					
Hard Red Spring Wheat	$/bu	8.55	8.31	8.17	7.90
Kansas City Board of Trade					
Winter Wheat	$/bu	7.09	7.17	7.25	7.37
Chicago Board of Trade					
Corn	$/bu	6.45	6.53	6.59	6.10

Hay and pulse crops

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Montana Wheat 2012

- ***2012 Winter Wheat Plantings → ???***
- ***Influence of corn prices (public policy)***
- ***2012 Production/Prices***
  - ***MT 2012 All Wheat Price: optimistic***
    - ***Early 2012– prices caution (Russia, Ukraine, Kazakhstan)***
    - ***Late 2012– two important factors***
      - ***Demand – worldwide economic conditions***
      - ***Supply – worldwide growing conditions***

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Notes

CATTLE

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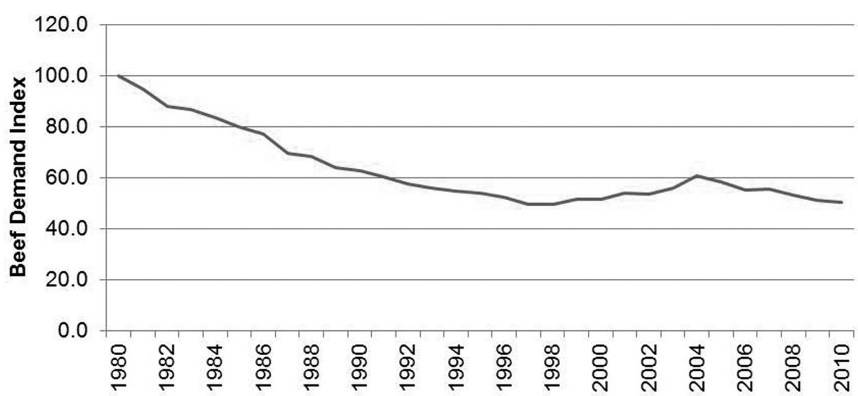
Consumer Demand for Beef
(annual choice retail beef demand index)



http://www.agmanager.info/livestock/marketing/graphs/Tonsor/Annual_ChoiceBeefDemandIndex_Table_1990.htm
54.1 lbs./capita (USDA)

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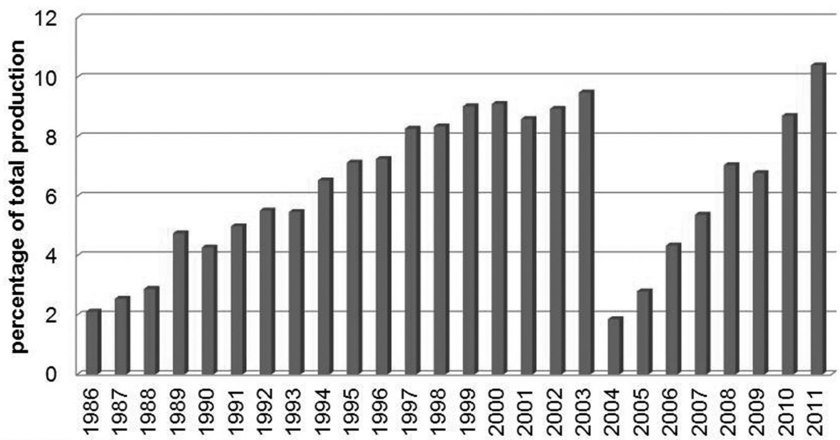
Notes

U.S Beef Exports

percentage of production, beef & veal, carcass wt.



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Exports – who's buying U.S. beef

- **90% of U.S. beef exports**

Country	Export Value	Growth '10 – '11
Japan	$ 662 m.	38%
Mexico	670 m.	---
South Korea	540 m.	50%
Canada	730 m.	39%
Russia	80 m.	72%

USDA Livestock, Dairy and Poultry Outlook, 10/18/2011

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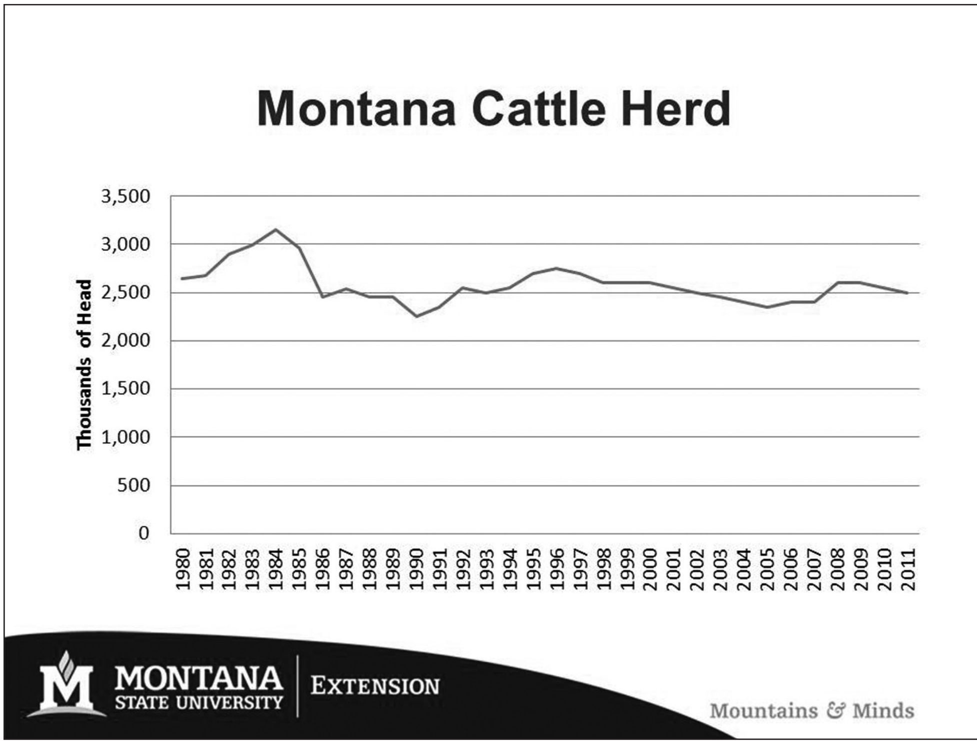
Notes


Montana Cattle Herd
Thousands of Head
3,500
3,000
2,500
2,000
1,500
1,000
500
0
1980 1981 1982 1983 1984 1985 1986 1987 1988 1989 1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011
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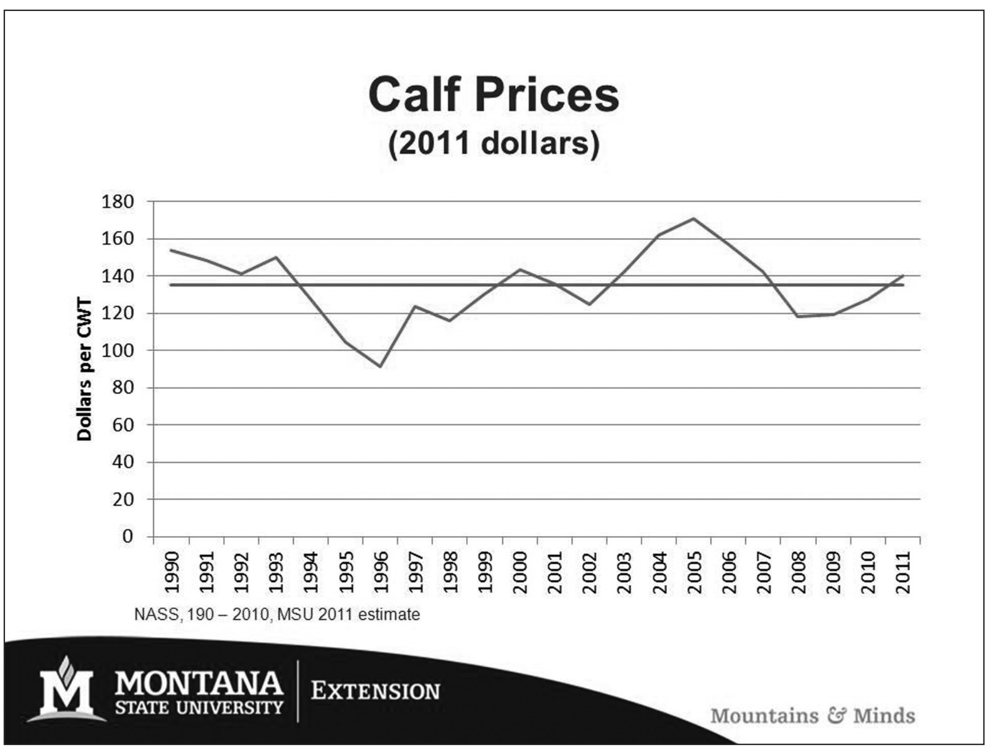
Calf Prices
(2011 dollars)
Dollars per CWT
180
160
140
120
100
80
60
40
20
0
1990 1991 1992 1993 1994 1995 1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 2007 2008 2009 2010 2011
NASS, 190 – 2010, MSU 2011 estimate
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Notes

Futures Prices
(no basis adjustments – 12/29/11)

Location	04/12	06/12	08/12	12/12
Chicago Mercantile Exchange				
Feeder Cattle, cwt	151	152	153	153
Live Cattle, cwt	127	126	127	130

20% increase from 2009

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Montana Cattle 2012

- **Strong prices**
  - Global demand (growing emerging economies)
  - Strength of the U.S. dollar
- **Opportunity to increase cattle herd**
  - Southern U.S. drought conditions
  - Aging rancher population (interest in expansion)

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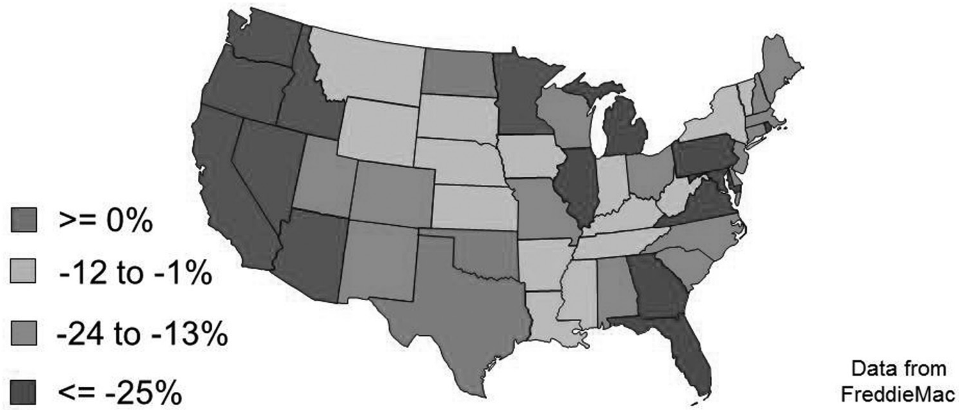
Notes

Montana's Housing Market

National Conditions

Notes

Change in Home Prices 2006 – 2011

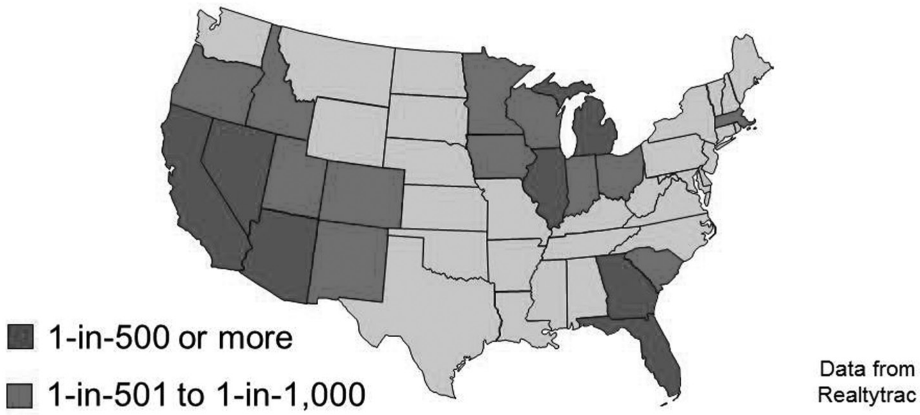


2011 Statistics

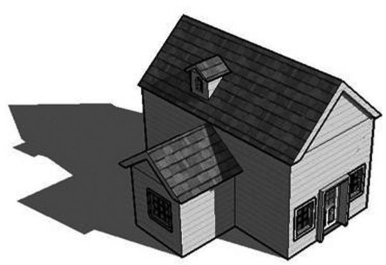
Existing Homes	New Construction
4.26 Million	607,000
$164,500	$212,000

Notes

Foreclosure Rates Dec 2011



Shadow Inventory

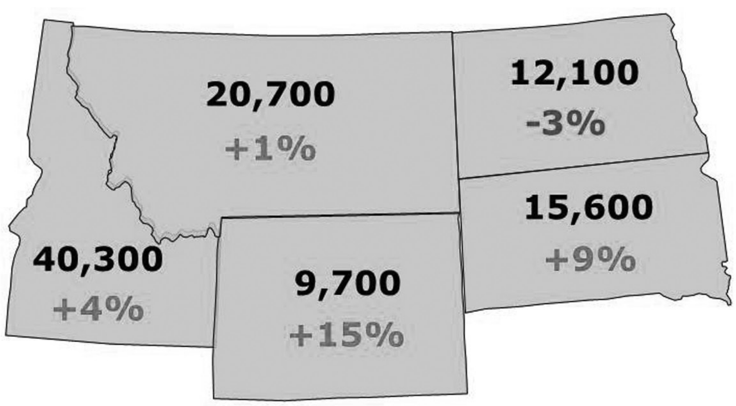


14 Million Units

Notes

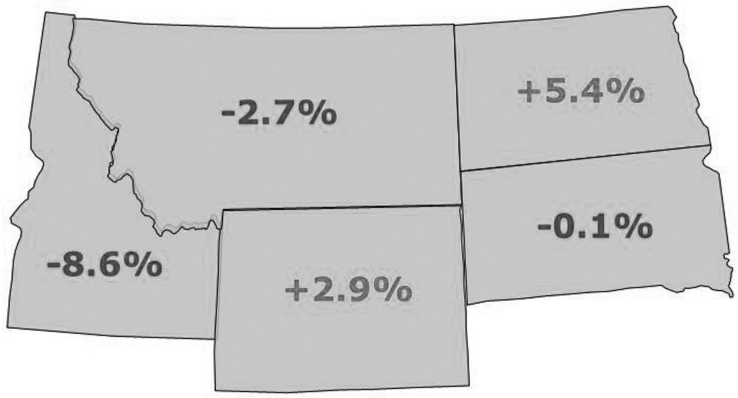
Regional Conditions

Number of Sales in 2011

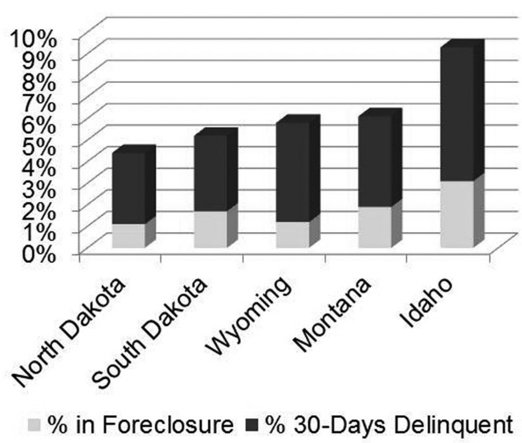


Notes

12-Month Price Change

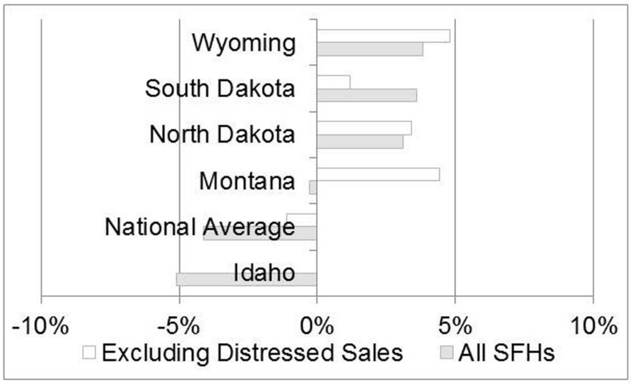


Foreclosures and Delinquencies

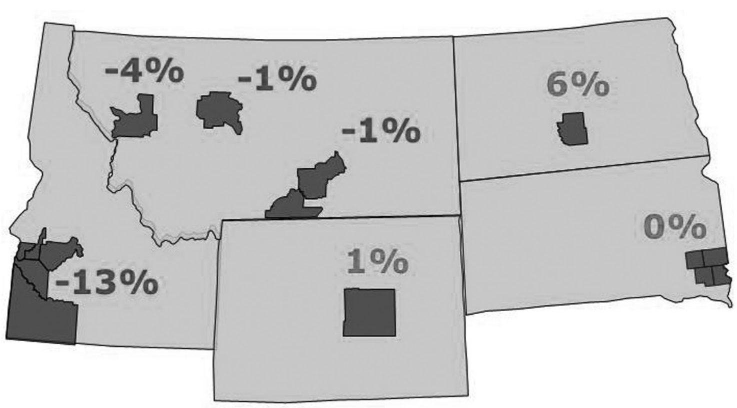


Notes

Distressed Sales Reduce Price Growth

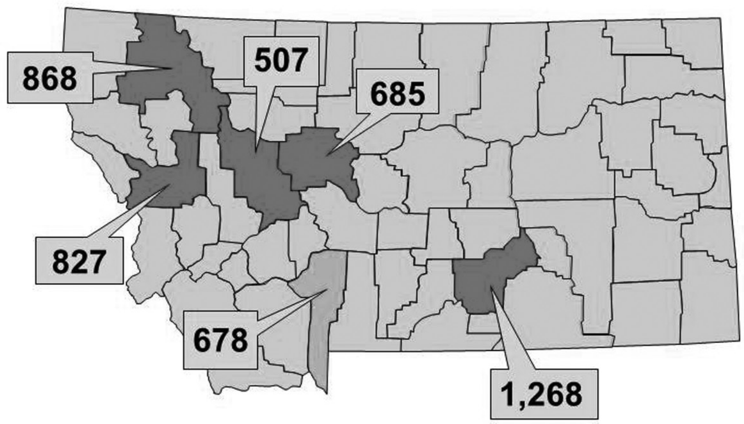


Metro Area Prices

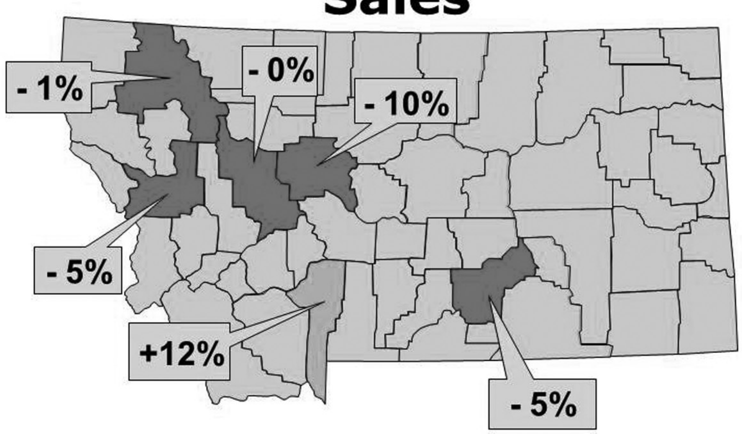


Notes

Number of Sales

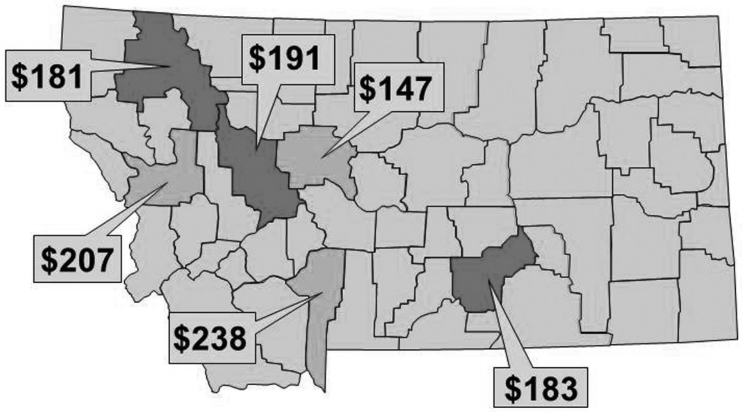


% Change in Number of Sales

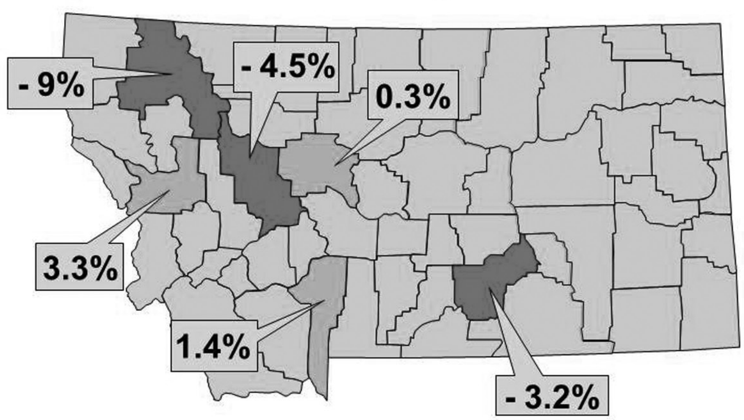


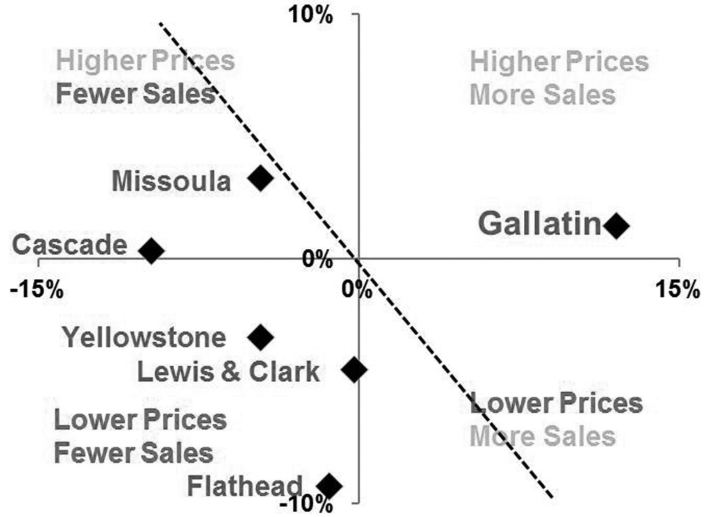
Notes

Median Prices (in $ 1,000s)



Median Prices (in $ 1,000s)





Notes

MT Housing Starts

	From Peak
• Silver Bow	-25%
• Yellowstone, L&C	-50%
• Missoula, Flathead	-60%
• Many Other Counties	-80%

Notes

2012 Conditions

- Incomes Flat
- Limited Wealth
- Abundant Debt
- Shadow Inventories
- Consumer Confidence

2012 Forecast

Overall
 Lower Prices
 Flat Sales
Higher Rents
More Construction

Notes

Montana's Rental Markets

Apartment Rent

	1 Bedroom	2 Bedroom	3+ Bedroom
Butte	$ 437	$ 556	$ 650
Billings	$ 448	$ 638	$ 837
Great Falls	$ 454	$ 654	$ 875
Helena	$ 488	$ 699	$ 1,036
Bozeman	$ 489	$ 641	$ 1,123
Kalispell	$ 501	$ 626	$ 817
Missoula	$ 626	$ 694	$ 747

Notes

House Rent

	1 Bedroom	2 Bedroom	3+ Bedroom
Butte	$ 530	$ 680	$ 868
Billings	$ 604	$ 880	$ 1,313
Great Falls	$ 450	$ 875	$ 1,250
Helena	$ 510	$ 873	$ 1,030
Bozeman		$ 1,042	$ 1,377
Kalispell		$ 838	$ 1,002
Missoula		$ 1,028	$ 1,419

Premium for Renting a House

	1 Bedroom	2 Bedroom	3+ Bedroom
Butte	+21%	+22%	+34%
Billings	+35%	+38%	+57%
Great Falls	-1%	+34%	+43%
Helena	+5%	+25%	-1%
Bozeman		+63%	+23%
Kalispell		+34%	+23%
Missoula		+48%	+90%

Notes

Premium: 2 BR House vs. 3 BR Apt.

	1 BR House vs. 2 BR Apt	2 BR House vs. 3 BR Apt
Butte	-5%	+5%
Billings	-5%	+5%
Great Falls	-31%	0%
Helena	-27%	-16%
Bozeman		-7%
Kalispell		+3%
Missoula		+38%

Thank You

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Notes

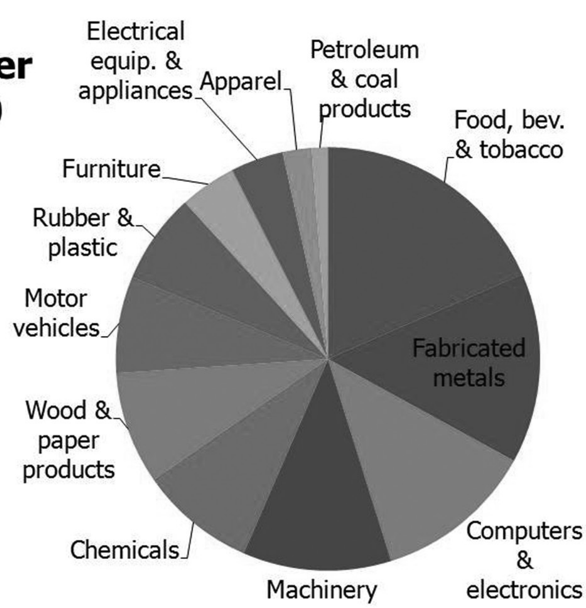
Montana Manufacturing: 2012 Outlook

BUREAU OF BUSINESS AND ECONOMIC RESEARCH

Todd A. Morgan, CF

U.S. Manufacturing

- 5.5 million fewer jobs than in 2000
- Annual worker income down by $49 billion
- Gross output down by $296 billion



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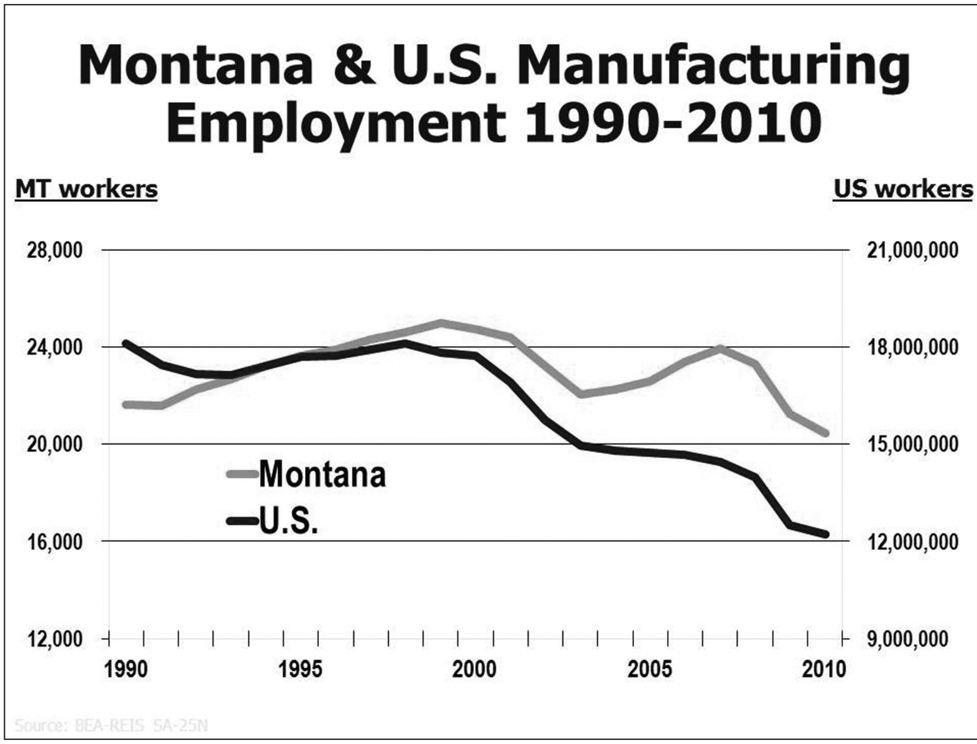
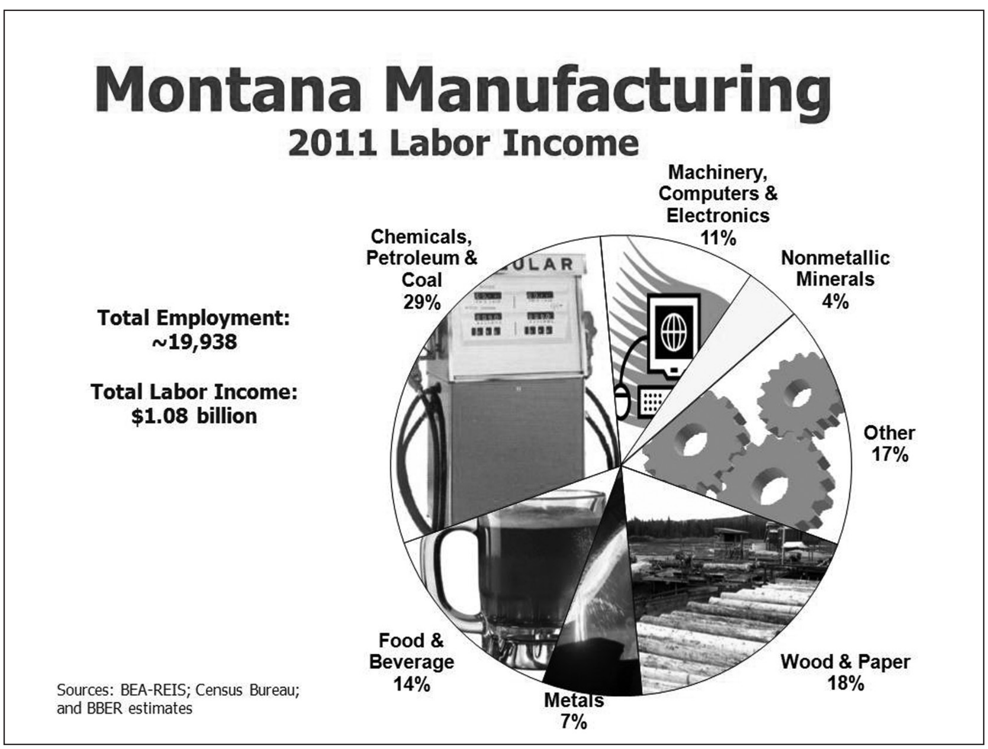
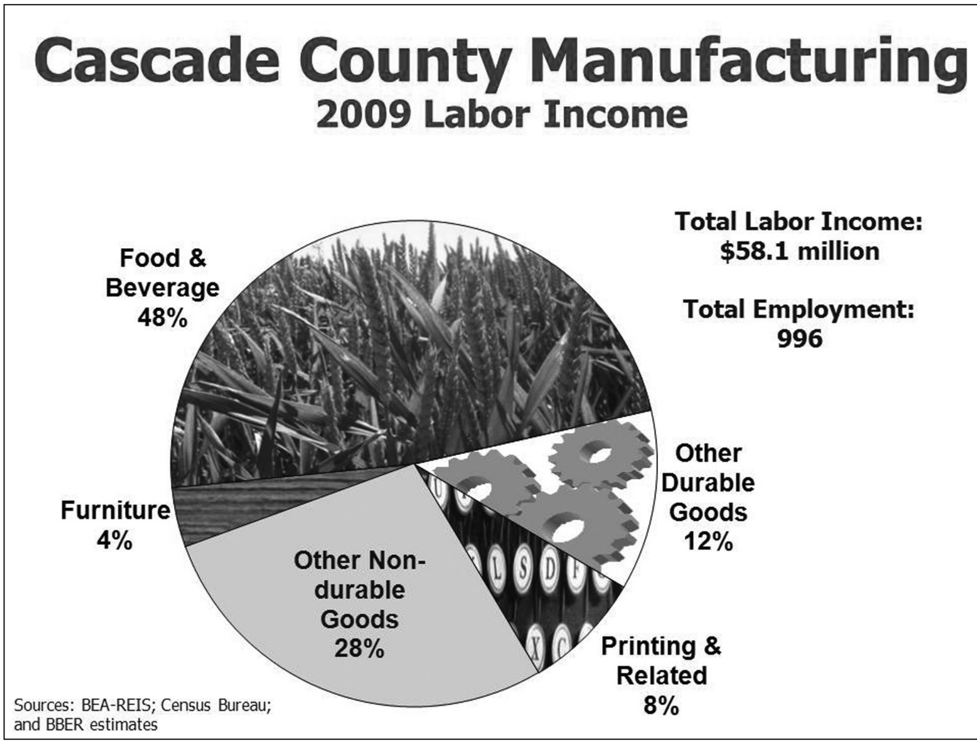

Montana & U.S. Manufacturing Employment 1990-2010
MT workers
US workers
28,000
24,000
20,000
16,000
12,000
21,000,000
18,000,000
15,000,000
12,000,000
9,000,000
Montana
U.S.
1990
1995
2000
2005
2010
Source: BEA-REIS SA-25N


Montana Manufacturing
2011 Labor Income
Total Employment: ~19,938
Total Labor Income: $1.08 billion
Chemicals, Petroleum & Coal 29%
Machinery, Computers & Electronics 11%
Nonmetallic Minerals 4%
Other 17%
Wood & Paper 18%
Metals 7%
Food & Beverage 14%
Sources: BEA-REIS; Census Bureau; and BBER estimates

Notes



2011-2012 Montana Manufacturers Survey

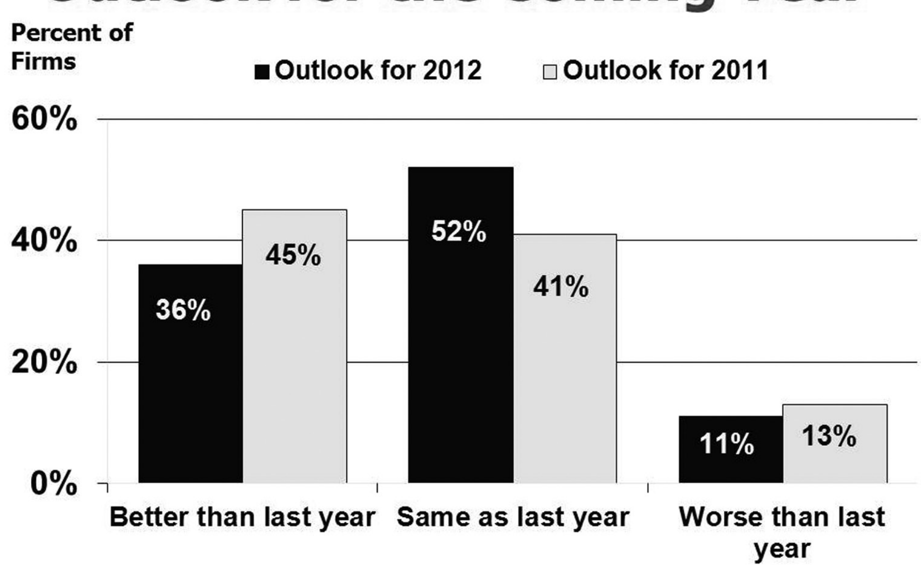
- annual survey
- conducted in December
- open-ended & multi-choice questions
- current & coming year
- 211 firms participated
- response rate >88%

Notes

Montana Manufacturing 2011 Recap

- Better than 2010 for many firms
- Employment down at one-quarter of firms
- Many firms reported increased production, sales, and profits
- Few firms reported curtailments
- 44% of firms did make major capital expenditures

Montana Manufacturing Outlook for the Coming Year



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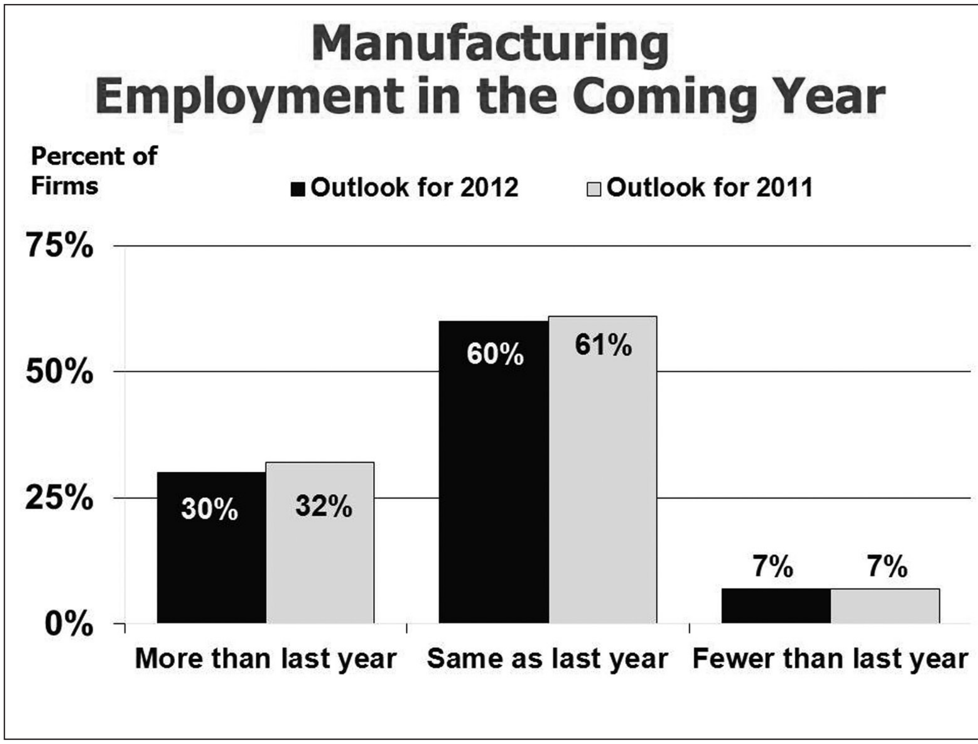
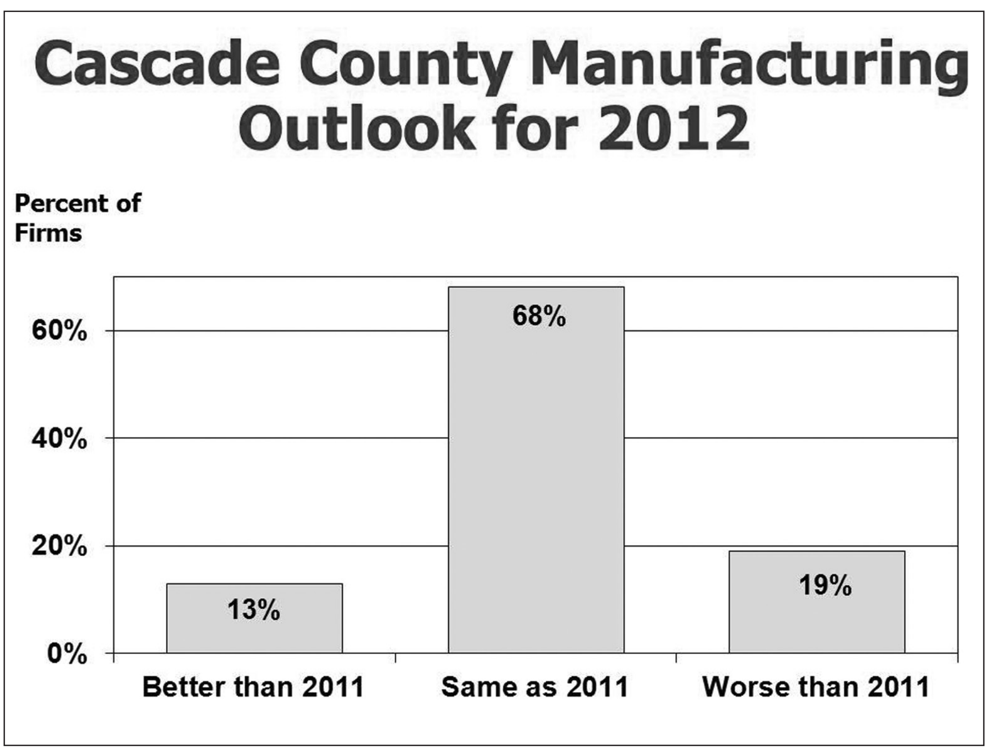

Manufacturing
Employment in the Coming Year
Percent of
Firms
Outlook for 2012
Outlook for 2011
75%
50%
25%
0%
30%
32%
60%
61%
7%
7%
More than last year
Same as last year
Fewer than last year


Cascade County Manufacturing
Outlook for 2012
Percent of
Firms
60%
40%
20%
0%
13%
68%
19%
Better than 2011
Same as 2011
Worse than 2011

Montana Manufacturing Forecast for 2012

- Little change is expected
- Recovery dependent on broader US economy & international factors
- Health insurance costs & workers comp remain the greatest concerns
- Half of MT manufacturers expect their energy costs to increase

Notes

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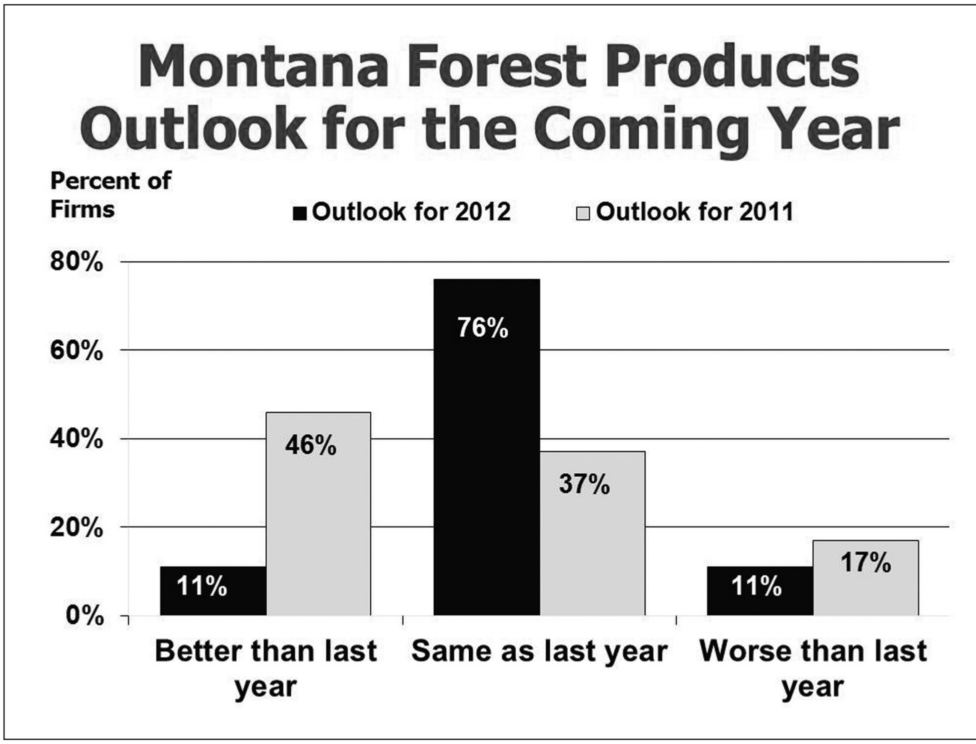
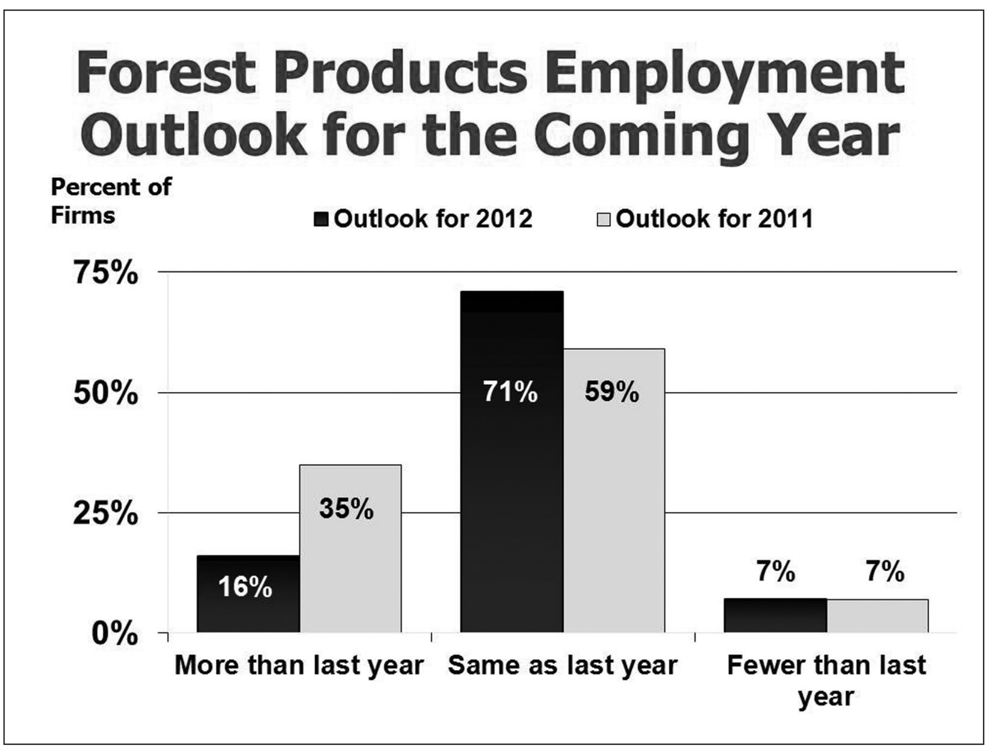

Montana Forest Products Outlook for the Coming Year
Percent of Firms
Outlook for 2012
Outlook for 2011
80%
60%
40%
20%
0%
11%
46%
76%
37%
11%
17%
Better than last year
Same as last year
Worse than last year


Forest Products Employment Outlook for the Coming Year
Percent of Firms
Outlook for 2012
Outlook for 2011
75%
50%
25%
0%
16%
35%
71%
59%
7%
7%
More than last year
Same as last year
Fewer than last year

Notes

Forest Industry Conditions

- Slow recovery in US housing
- Chinese lumber & log demand could impact Montana
- Wood energy markets are slowly emerging
- Retaining industry is important to forest landowners
- The industry is changing

Montana Forest Products Industry Forecast

- 2012 markets are expected to be somewhat better than 2011.
- Timber harvest & lumber production may increase slightly.
- Employment is expected to stay low.
- Forests will become more expensive to manage.

Montana Chamber of Commerce
Calendar of Events

Safety Training Workshops
www.MTSafetyChoices.com

Montana Candidate Schools
February 7-10, 2012
Great Falls, Missoula, Bozeman, Billings

Montana Chamber Summer Meeting
June 20-21, 2012
Fort Benton

2012 Governors' Cup Golf Tournament
August 2-4, 2012
Flathead Valley
www.MontanaGovernorsCup2012.com

Montana Goes to China Tour,
October 8-17, 2012
www.MontanaGoesToChina.com

Montana Chamber Annual Meeting
October 10-11, 2012
Missoula

www.MTSafetyChoices.com   www.MontanaGoesToChina.com   www.ChamberChoices.com

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Montana
Chamber of Commerce

OUTLOOK 2012 PRESENTATIONS

Published with the support of the Montana Chamber of Commerce

Midyear Update to the Economic Outlook

Kalispell
August 2, 2012 (Thursday)
Noon – 1:30 p.m.
Kalispell Hilton Garden Inn

Billings
August 7, 2012 (Tuesday)
7:00 – 8:30 a.m.
Billings Crowne Plaza

Bozeman
August 7, 2012 (Tuesday)
Noon – 1:30 p.m.
Bozeman GranTree

Great Falls
August 8, 2012 (Wednesday)
7:00 – 8:30 a.m.
Great Falls Hilton Garden Inn

Helena
August 8, 2012 (Wednesday)
Noon – 1:30 p.m.
Helena Red Lion Colonial

Butte
August 9, 2012 (Thursday)
7:00 – 8:30 a.m.
Butte Quality Inn & Suites
(War Bonnet)

Missoula
August 9, 2012 (Thursday)
Noon – 1:30 p.m.
Missoula Hilton Garden Inn

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Montana Chamber of Commerce
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