OUTLOOK 2013
PRESENTATIONS
Lewis & Clark County

THE BEST MEDICINE

HOW CAN MONTANANS TAKE CHARGE OF CHANGES IN HEALTH CARE?

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

Published with the support of the Montana Chamber of Commerce
OUTLOOK 2013
Published with the support of the Montana Chamber of Commerce

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Table of Contents

2  Introduction and Overview
   by Patrick M. Barkey

4  State and National Outlook
   by Patrick M. Barkey

16 Local Economic Outlook
   by Paul E. Polzin

22 Health Care Outlook
   by Gregg Davis

31 Travel and Recreation Outlook
   by Norma Nickerson

37 Agricultural Outlook
   by George Haynes

51 Manufacturing and Forest Products Outlook
   by Todd A. Morgan

60 Housing Outlook
   by Scott Rickard

74 Energy Outlook
   by Terry Johnson

82 Helena Chamber of Commerce Report
   by Cathy Burwell

91 The Best Medicine
   by Larry White
THE BEST MEDICINE

By
Patrick M. Barkey

HOW CAN MONTANANS TAKE CHARGE OF CHANGES IN HEALTH CARE?

Introduction and Overview
Big Provisions of the Affordable Care Act Less Than One Year Away

Health Insurance Exchanges
Medicaid Eligibility Expansion
Individual Mandate
Employer Mandate

- Small business tax credit
- Age 26 Coverage
- Tanning salon tax
- Flexible savings plan limits
- Brand name drug tax
- Medical device tax
- Medicare tax increase for higher earners
- More FSA limits


Debate Never Ends, But New Decisions Will Quickly Be Upon Us

- Consumers
  Sign up for exchange? Which one?
  Shopping for care
- Businesses
  Drop group coverage?
  Self-insure?
- Providers: End of the individual practitioner?
- State Government
The State and National Economic Outlook: Smooth Sailing Toward a Cliff?

Patrick M. Barkey, Director
Bureau of Business and Economic Research
The University of Montana

2012:
A Better Year for Montana

- Strong income growth, but not quite as strong as state tax collections would suggest
- Evidence of energy activity is everywhere
- A glimmer of growth in the west
- Sitting out the party: retail and government
Real Wage Growth, Percent, 2011Q2-2012Q2

Where’s the Growth? Montana Real Wage Growth

Difference between Inflation-adjusted Wages and Salaries, FY2012 vs. FY2011

State and National Outlook
Where’s the Growth?
Total Real Wage Growth

<table>
<thead>
<tr>
<th>Location</th>
<th>Real Wage Growth ($ Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cascade</td>
<td>0</td>
</tr>
<tr>
<td>Flathead</td>
<td>10</td>
</tr>
<tr>
<td>Gallatin</td>
<td>120</td>
</tr>
<tr>
<td>Lewis &amp; Clark</td>
<td>5</td>
</tr>
<tr>
<td>Missoula</td>
<td>10</td>
</tr>
<tr>
<td>Silver Bow</td>
<td>10</td>
</tr>
<tr>
<td>Yellowstone</td>
<td>140</td>
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<tr>
<td>Rest of State</td>
<td>160</td>
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</table>

Difference between Inflation-adjusted Wages and Salaries, FY2012 vs. FY2011

Where’s the Growth?
Construction Real Wage Growth

<table>
<thead>
<tr>
<th>Location</th>
<th>Real Wage Growth ($ Millions)</th>
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</thead>
<tbody>
<tr>
<td>Cascade</td>
<td>-5</td>
</tr>
<tr>
<td>Flathead</td>
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<td>Lewis &amp; Clark</td>
<td>5</td>
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<tr>
<td>Missoula</td>
<td>-1</td>
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<tr>
<td>Silver Bow</td>
<td>-1</td>
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<td>Yellowstone</td>
<td>30</td>
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<td>Rest of State</td>
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Difference between Inflation-adjusted Wages and Salaries, FY2012 vs. FY2011

State and National Outlook
Where’s the Growth?
Prof. & Bus. Services Real Wage Growth

$ Millions

-10
0
10
20
30
40
50
60
70
80
90

Cascade
Flathead
Gallatin
Lewis & Clark
Missoula
Silver Bow
Yellowstone
Rest of State

Difference between inflation-adjusted Wages and Salaries, FY2012 vs. FY2011

Where’s the Growth?
Health Care Real Wage Growth

$ Millions

16
14
12
10
8
6
4
2
0

Cascade
Flathead
Gallatin
Lewis & Clark
Missoula
Silver Bow
Yellowstone
Rest of State

Difference between inflation-adjusted Wages and Salaries, FY2012 vs. FY2011
Where's the Growth?
Public Admin. Real Wage Growth

Difference between inflation-adjusted Wages and Salaries, FY2012 vs. FY2011

2013: Risks and Uncertainty

<table>
<thead>
<tr>
<th>Risk</th>
<th>Bad Outcome</th>
<th>Impact on Montana</th>
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</thead>
<tbody>
<tr>
<td>Oil Prices</td>
<td>Price spike from war or international event threatening supplies</td>
<td>Consumer spending adversely affected</td>
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<tr>
<td>Global Economic Growth Uncertainty</td>
<td>EU Recession, Asian Slowdown</td>
<td>Commodity price collapse, exports decline</td>
</tr>
</tbody>
</table>
Global Growth Has Stumbled

Percent Change in Real Gross Domestic Product
Source: Moody’s Analytics

2013: Risks and Uncertainty

<table>
<thead>
<tr>
<th>Risk</th>
<th>Bad Outcome</th>
<th>Impact on Montana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Prices</td>
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<td>Consumer spending adversely affected</td>
</tr>
<tr>
<td>Global Economic Growth Uncertainty</td>
<td>EU Recession, Asian Slowdown</td>
<td>Commodity price collapse, exports decline</td>
</tr>
<tr>
<td>Federal Budget and Tax Uncertainty: Fiscal Cliff Issues</td>
<td>Government Shutdown, Default or Abrupt Fiscal Contraction</td>
<td>New recession, disruption to federal activities</td>
</tr>
</tbody>
</table>
The 2013 Fiscal Cliff as of December 1

Tax Increases:
- Bush Tax Cut Expiration
- Payroll Tax Cut Expiration
- Depreciation Incentives Expiration
- Alternative Minimum Tax

Spending Cuts:
- Budget Sequester
- Emergency Unemployment Insurance Expiration
- Medicare Reimbursement Cuts

2013 Total
$621 Billion
3.8 percent of GDP

Implications of the Cliff for GDP

Source: Bureau of Economic Analysis and IHS Global Insight
The 2013 Fiscal Cliff as of January 4

Tax Increases:
- Bush Tax Cut Expiration: Most Rates Maintained
- Payroll Tax Cut Expiration: ✓
- Depreciation Incentives Expiration: Extended
- Alternative Minimum Tax: Permanent Fix

Spending Cuts:
- Budget Sequester: Delayed 2 months
- Emergency Unemployment Insurance Expiration: Extended through 2013
- Medicare Reimbursement Cuts: Delayed

2013 Total: $139 Billion

0.9 percent of GDP

Implications of the Cliff for GDP

Source: Bureau of Economic Analysis and IHS Global Insight
Bust vs. Recovery
Percent Change in Montana Home Price Index

Source: Federal Home Finance Agency

New Homes Becoming More Price Competitive

Median Prices, New and Existing Montana Homes
Forecasts from IHS Global Insight
Job Growth and Housing Starts:
The 1990s

Montana: 92K Jobs / 25K Homes = 3.6 Ratio
Florida: 1663K Jobs / 1417K Homes = 1.1 Ratio

Job Growth and Housing Starts: 2000-2007

Montana: 58K Jobs / 91K Homes = 0.6 Ratio
Florida: 894K Jobs / 1570K Homes = 0.6 Ratio

Less than 1.2
1.2 - 1.5
1.5 - 2.0
Over 2.0
Summary

- Montana goes into 2013 with good momentum, but some factors helping 2012 growth won’t be sustained
- Too much uncertainty to forecast anything better than continued slow growth in U.S. economy
- Recovery in housing makes us more optimistic about Montana’s short-term prospects
Change in Nonfarm Earnings, Montana, 2010-2016

Questions
Local Outlook:
Lewis & Clark County

By Paul E. Polzin
Director Emeritus
Bureau of Business and Economic Research
The University of Montana

Annual Percent Change in Nonfarm Labor Income (in Constant Dollars), 2001-2011
Montana’s Regional Health Care Industries

<table>
<thead>
<tr>
<th>NAICS Code</th>
<th>Definition</th>
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<tr>
<td>62</td>
<td>Health Care</td>
</tr>
<tr>
<td>621</td>
<td>Ambulatory Health Care Services</td>
</tr>
<tr>
<td>622</td>
<td>Hospitals</td>
</tr>
<tr>
<td>623</td>
<td>Nursing and Residential Care Facilities</td>
</tr>
</tbody>
</table>
NAICS 62, Health Care
Industry Growth 2001-2010,
Percent Change, Constant Dollars

Lewis and Clark County’s
Economic Base
2011-2013

- Other 9% Stable
- Manufacturing 5% Slower Growth, Insurance?
- Trade Center 15% Stable at Best
- Federal Government 25% Pay Freeze Over
- State Government 46% Recovery Started in 2012
Actual and Projected Change in Nonfarm Earnings, Lewis & Clark County, 2009-2016

Projected Annual Percent Change in Nonfarm Labor Income (in Constant Dollars) 2012-2016
Outlook 2013

Is Montana’s Health Care Workforce Ready for the Affordable Care Act?
By Gregg Davis

Some Common Concerns about the Affordable Care Act

- Impact on insurance premiums?
- Will businesses dump employees into FFE?
- Will Medicare beneficiaries struggle to find doctors?
- Will ACA bend the health care cost curve upward instead of downward?
Often Missing from the Discussion...

- Ability of health care infrastructure, primarily health care workforce, to absorb potential added demands for health care due to...
  - Power of individual mandate
  - Federally Facilitated Exchange
    - Tax credits
    - Cost sharing subsidies
  - Medicaid expansion

Demand for Ambulatory Care

<table>
<thead>
<tr>
<th>Office Visits per 100 by Insurance Status</th>
<th>Primary Care</th>
<th>Surgical Specialty</th>
<th>Medical Specialty</th>
<th>Hospital Outpatient</th>
<th>Hospital Emergency Department</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Insurance</td>
<td>192.0</td>
<td>55.1</td>
<td>61.5</td>
<td>17.3</td>
<td>22.5</td>
</tr>
<tr>
<td>Medicaid/CHIP</td>
<td>254.7</td>
<td>33.1</td>
<td>44.9</td>
<td>84.9</td>
<td>82.1</td>
</tr>
<tr>
<td>Uninsured</td>
<td>65.3</td>
<td>17.2</td>
<td>30.1</td>
<td>19.2</td>
<td>41.5</td>
</tr>
</tbody>
</table>

Source: 2007 National Ambulatory Medical Care Survey
National Shortage Well Documented

- Factors Behind Shortage of Primary Care Doctors
  - Lower reimbursement
  - Lower comparative incomes
  - High patient loads
- Shortage of Primary Care Providers Leads to
  - Fragmented care
  - Inappropriate use of specialists
  - Less emphasis on preventive care

Affordable Care Act

- Many of ACA provisions focus on primary care
  - Reimbursement (10% bonuses), parity between Medicaid and Medicare
  - Welcome to Medicare exams, preventive services with no cost sharing
  - Individual mandate
  - Comprehensive Primary Care Initiative pilot
  - Patient Centered Homes (ACOs, Medical Homes)
  - Community Health Centers
Primary Care Provider Deficit: 2008 to 2025

- 52,000 more docs needed
  - 33,000 due to population growth
  - 10,000 due to aging
  - 8,000 due to ACA


---

Pre-ACA Primary Care Demand in Montana, Lewis & Clark County

<table>
<thead>
<tr>
<th></th>
<th>Expected Source of Payment</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Employer Sponsored Insurance</td>
</tr>
<tr>
<td>Montana</td>
<td>742,310</td>
</tr>
<tr>
<td>Lewis &amp; Clark County</td>
<td>61,198</td>
</tr>
</tbody>
</table>

Source: American Community Survey, 2009-2011, National Ambulatory Medical Care Survey, BBER
### ACA Impact on Health Care Demand, Montana

<table>
<thead>
<tr>
<th></th>
<th>Primary Care</th>
<th>Surgical Specialty</th>
<th>Medical Specialty</th>
<th>Hospital Outpatient</th>
<th>Hospital Emergency</th>
<th>Total Additional Office Visits</th>
</tr>
</thead>
<tbody>
<tr>
<td>Private Coverage</td>
<td>131,999</td>
<td>39,485</td>
<td>32,713</td>
<td>(1,979)</td>
<td>(19,795)</td>
<td>182,423</td>
</tr>
<tr>
<td>Medicaid</td>
<td>129,283</td>
<td>10,853</td>
<td>10,102</td>
<td>44,846</td>
<td>27,713</td>
<td>222,797</td>
</tr>
<tr>
<td>Total Additional Office Visits</td>
<td>261,281</td>
<td>50,338</td>
<td>42,815</td>
<td>42,867</td>
<td>7,919</td>
<td>405,220</td>
</tr>
</tbody>
</table>

Source: American Community Survey, National Ambulatory Medical Care Survey, BBER

### ACA Impact on Health Care Demand, Lewis & Clark County

<table>
<thead>
<tr>
<th></th>
<th>Ambulatory Care Setting</th>
<th>Total Additional Office Visits</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Primary Care</td>
<td>Surgical Specialty</td>
</tr>
<tr>
<td>Private Insurance</td>
<td>5,585</td>
<td>1,671</td>
</tr>
<tr>
<td>Medicaid</td>
<td>3,839</td>
<td>322</td>
</tr>
<tr>
<td>Total Increase</td>
<td>9,424</td>
<td>1,993</td>
</tr>
</tbody>
</table>

American Community Survey 2009-2011, National Ambulatory Medical Care Survey, BBER
Primary Care Capacity

- 2009 study by Davis, Roberts, White
  - Includes Family Practice, Internal Medicine, Pediatrics
- U.S. DHHS Guideline of 4,200 office visits/year
  - Contrasts with 5,400 office visits per AMA guidelines

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Estimated Shortage/Surplus of Primary Care Office Visits, Montana

<table>
<thead>
<tr>
<th>Primary Care Supply</th>
<th>Primary Care Demand</th>
<th>Shortage (-) Surplus (+) Office Visits per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,079,000</td>
<td>1,997,814</td>
<td>+ 81,186</td>
</tr>
</tbody>
</table>
Estimated Shortage/Surplus of Primary Care Office Visits, Lewis & Clark County

<table>
<thead>
<tr>
<th>Primary Care Supply</th>
<th>Primary Care Demand</th>
<th>Shortage (-) Surplus (+) Office Visits per Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>147,000</td>
<td>125,022</td>
<td>+ 21,978</td>
</tr>
</tbody>
</table>

And the earnings forecast from last year?

- Depends on whether you view glass as half full or half empty
- Major revisions in key growth rates 2010-2011
  - BEA revised health care earnings growth from 3.9% to 3.2%
  - CMS revised PHCE growth from 4.6% to 3.9%
- Impact of outsourcing on health care earnings per se
Health Care Earnings 2010-2011

- Predicted: 1.7%
- Actual: 1.0%

Health Care Earnings, 2012-2014

- 2012:
  - Predicted: 3.6%
  - Revised: 2.9%
- 2013:
  - Predicted: 2.5%
  - Revised: 1.6%
- 2014:
  - Predicted: 3.2%
  - Revised: 5.1%
Annual Per Capita Spending Available AFTER Health Care Spending

gregg.davis@business.umt.edu

• “I don’t believe there’s any problem in this country, no matter how tough it is, that Americans, when they roll up their sleeves, can’t completely ignore.”
  – George Carlin 1937-2008
Travel & Recreation: Jobs, Lifestyle, & Growth

Norma P. Nickerson
Institute for Tourism & Recreation Research
University of Montana
www.itrr.umt.edu

Nonresident Visitors to MT

*preliminary
Yearly Resident Travel

- 15.4 million person-trips (> 50 miles from home)
- Residents spent $833 million on pleasure trips
- $1.03 billion in combined economic activity
- $85/day trip; $208/overnight trip

2012 Preliminary Economic Contribution of Travel:
Nonresident & Resident

- **Resident**
  - $695 million Direct
  - $343 million Indirect & Induced

- **Nonresident**
  - $1.5 billion Indirect & Induced

Combined: $5.1 billion Economic Contribution to Montana in 2012
Nonresident travel supports 42,860 jobs
Resident travel supports 11,830 jobs

People choose to live/work in Montana because...

Looking for a town with no traffic report, clean air, simple life, and kind people....

It wasn’t the job at first but the lifestyle. As I grew with the business and eventually became a partner, the job came more into play, but then so did the lifestyle.

A summer job in Yellowstone brought me here, then I fell in love with Montana. I transferred to a Montana college and tourism marketing became my career.

The vast open space, quality of air and water.

My wife and I thought it was a good combination of our favorite places in the world, there was plenty of business opportunity and a great place to raise a family.

I love to fly fish!
Travel Trends

Airport Deboardings 3rd Q +8%

Nat'l Park System 3rd Q +6%

Amtrak Deboardings 3rd Q +17%

Skier Visits -6%

Bed Tax Collections 3rd Q +5%
4.2% of all nonresidents in MT stayed in Helena

61% of nonresidents who spent a night in Helena came from these 7 states and Alberta (2012, Q1-3).

Where residents are from who stay overnight in Helena

- Yellowstone 15%
- Missoula 12%
- Gallatin 11%
- Cascade 9%
- Ravalli 7%
2013 Outlook

- Consumer confidence improving
- US Travel spending at record level ($8,467 billion in 2012 vs $5.45 billion in 2002).
- Overseas travel to US setting new records (29.2 million in 2012; 19.1 million in 2001)
- Hotel room demand is at an all time high (+3%)
- Restaurant industry on the incline (+3.5%)
- Gas prices on the way down (for now)
- 2% increase in nonresident travelers to MT
- 4% increase in traveler spending in MT

THANK YOU!

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norma.nickerson@umontana.edu
2013 Montana Agricultural Outlook

George Haynes
Department of Agricultural Economic & Economics
MSU Extension

Data Source: National Agricultural Statistics Service
Montana Field Office (NASS) and Livestock Marketing Information Center (LMIC)

2012 “Recap”

- **Crops**
  - All wheat prices – strong
  - All wheat production
    - Winter wheat production – down
    - Spring wheat production – up
  - Hay prices - strong

- **Cattle**
  - Cattle and Calf Prices – strong
  - Cow Herd – stable

- **Consumer Food Prices**
  - Increased
Droughts 2011 and 2012
(severe, extreme & exceptional – D2 – D4)

<table>
<thead>
<tr>
<th>Week</th>
<th>57.83</th>
<th>42.17</th>
<th>30.47</th>
<th>23.85</th>
<th>17.12</th>
<th>6.18</th>
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<tbody>
<tr>
<td>October 11, 2011</td>
<td></td>
<td></td>
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<tr>
<td>October 9, 2012</td>
<td>23.26</td>
<td>76.72</td>
<td>63.55</td>
<td>39.91</td>
<td>20.15</td>
<td>6.18</td>
</tr>
</tbody>
</table>

Drought Impacts:
Higher Corn, Barley, and Spring Wheat Prices

Source: LMIC and USDA, U.S. Corn, Feed Barley and Hard Red Spring Wheat
Drought Impacts: Higher Cattle and Calf Prices

Source: NASS

Drought Status – October 2012

Montana Water Supply and Moisture Status by County - October 15, 2012

Map Key
- Continental Drought Impact Types:
  - Extremely Moist
  - Moderately Moist
  - Slightly Moist
  - Near Average (Normal)
  - Slightly Dry
  - Moderately Dry (Drought Alert)
  - Extremely Dry (Severe Drought)

Drought Impact Types:
- A = Agricultural - Soil moisture, range conditions
- M = Municipal - Water supplies, streams, groundwater

Mountains & Minds
CROPS (GRAIN AND HAY)

Wheat Exports
Percent of Total U.S. Production

Source: WASDE, Total U.S. Exports = 1,050 mb in 2011/2012 and 1,050 mb in 2012/2013 (higher wheat production in 2012)
Where are Montana exports going?

  - Total 152.4 million bushels
    - Exports are 80% of total Montana wheat production
  - Destination
    - West 121.8 million bushels
      - Japan (50%), other Asian, Canada, & Mexico
    - East 30.6 million bushels

- **Export competition**
  - Canada, Australia, EU-27 & FSU-12 (Russia/Kazakhstan/Ukraine)

### Global Wheat Market Shares

<table>
<thead>
<tr>
<th>Country</th>
<th>2011/2012</th>
<th>shares</th>
<th>2012/2013</th>
<th>shares</th>
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<tbody>
<tr>
<td></td>
<td>mmt</td>
<td>%</td>
<td>mmt</td>
<td>%</td>
</tr>
<tr>
<td>Australia</td>
<td>29.9</td>
<td>4.3</td>
<td>21.0</td>
<td>3.2</td>
</tr>
<tr>
<td>Canada</td>
<td>25.3</td>
<td>3.6</td>
<td>26.7</td>
<td>4.0</td>
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<tr>
<td>China</td>
<td>117.4</td>
<td>16.9</td>
<td>120.6</td>
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<td>EU-27</td>
<td>137.2</td>
<td>19.7</td>
<td>131.7</td>
<td>19.9</td>
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<tr>
<td>India</td>
<td>86.9</td>
<td>12.5</td>
<td>93.9</td>
<td>14.2</td>
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<td>FSU-12</td>
<td>114.8</td>
<td>16.5</td>
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<td>U.S.</td>
<td>54.4</td>
<td>7.8</td>
<td>61.8</td>
<td>9.3</td>
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<td>Other</td>
<td>130.5</td>
<td>18.7</td>
<td>114.7</td>
<td>17.3</td>
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<tr>
<td>Total</td>
<td>696.4</td>
<td>100.0</td>
<td>662.8</td>
<td>100.0</td>
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Source: WASDE-813, December 2012
Futures Prices
(no basis adjustment – 12/26/12)

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<th>Location</th>
<th>Units</th>
<th>5/13</th>
<th>7/13</th>
<th>9/13</th>
<th>12/13</th>
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<tbody>
<tr>
<td>Minneapolis Grain Exchange</td>
<td>$/bu</td>
<td>8.80</td>
<td>8.89</td>
<td>8.87</td>
<td>8.92</td>
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<tr>
<td>Hard Red Spring Wheat</td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Kansas City Board of Trade</td>
<td>$/bu</td>
<td>8.35</td>
<td>8.42</td>
<td>8.54</td>
<td>8.69</td>
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<td>Winter Wheat</td>
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<td></td>
<td></td>
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<tr>
<td>Chicago Board of Trade</td>
<td>$/bu</td>
<td>6.96</td>
<td>6.94</td>
<td>6.20</td>
<td>6.00</td>
</tr>
<tr>
<td>Corn</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Sources: MGE, KBOT, CBOT and MGGA Market Manager

Montana Wheat 2012

- 2012/2013 Winter Wheat Plantings → ???
- Influence of corn prices (public policy)
- Influence of the 2011 & 2012 droughts
- 2013 Production/Prices
  - MT 2013 All Wheat Price: optimistic
CATTLE

U.S. Beef Production and Cattle Herd Size

Source: LMIC and MSU Agricultural Marketing Policy Center
U.S. Beef and Veal Exports
Percentage of Total U.S. Production

Source: LMIC, Beef and veal exports 2.5 billion pounds in 2012

Exports – who’s buying U.S. beef

Source: NASS
### Futures Prices
(no basis adjustments – 12/26/12)

<table>
<thead>
<tr>
<th>Location</th>
<th>05/13</th>
<th>08/13</th>
<th>10/13</th>
<th>11/13</th>
</tr>
</thead>
<tbody>
<tr>
<td>Chicago Mercantile Exchange</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Feeder Cattle, $/cwt</td>
<td>159</td>
<td>163</td>
<td>163</td>
<td>164</td>
</tr>
<tr>
<td>Live Cattle, $/cwt</td>
<td>132</td>
<td>132</td>
<td>135</td>
<td>137</td>
</tr>
</tbody>
</table>

Source: Chicago Mercantile Exchange

### Montana Cattle 2012/13

- **Strong prices for cow/calf producers**
  - Optimistic about calf prices through 2013 and beyond

- **Opportunity to increase cattle herd**
  - Beef demand – sell more beef at the same price
  - Farm programs – good insurance, good subsidies
  - Labor issue – more skills required to work on a ranch
  - Age of ranchers – little incentive
2013 Forecast

- **Crops**
  - Wheat, barley, & hay – prices higher than historical average

- **Livestock**
  - Cattle and calves – prices higher than historical average

- **Consumer Impact**
  - 3 to 4% increase in food prices
Montana Manufacturing & Forest Products: 2013 Outlook

Todd A. Morgan, CF

U.S. Manufacturing

- Approaching 12.5 million workers.
- Annual worker income is rising.
- Value of output per worker is increasing.
Montana & U.S. Manufacturing Employment 1990-2011

MT workers

US workers

9,000,000
12,000,000
15,000,000
18,000,000
21,000,000
12,000
16,000
20,000
24,000
28,000

Montana

U.S.

Source: BEA-REIS; SA-25N

Montana Manufacturing
2012 Labor Income

Total Sales: $13 billion
Total Employment: ~21,250
Total Labor Income: $1.08 billion

Chemicals, Petroleum & Coal 27%
Nonmetallic Minerals 4%
Machinery 7%
Computers, Electronics & Appliances 4%
Food & Beverage 13%
Metals 10%
Wood & Paper 16%

Other 19%

Sources: BEA-REIS; Census Bureau; and BBER estimates
### Montana Brewery Survey Summary

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2011</th>
<th>Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beer production (barrels)</td>
<td>87,442</td>
<td>102,925</td>
<td>18%</td>
</tr>
<tr>
<td>Beer sales (millions)</td>
<td>$21.8</td>
<td>$26.1</td>
<td>20%</td>
</tr>
<tr>
<td>Employment</td>
<td>231</td>
<td>320</td>
<td>39%</td>
</tr>
<tr>
<td>Compensation (millions)</td>
<td>$5.2</td>
<td>$6.4</td>
<td>23%</td>
</tr>
<tr>
<td>Expenditures (millions) (excl. employee compensation)</td>
<td>$15.6</td>
<td>$18.8</td>
<td>21%</td>
</tr>
</tbody>
</table>

### Statewide Economic Impacts Summary

<table>
<thead>
<tr>
<th>Category</th>
<th>Units</th>
<th>Impact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Employment</td>
<td>Jobs</td>
<td>434</td>
</tr>
<tr>
<td>Output (private sector sales)</td>
<td>$ Millions</td>
<td>48.4</td>
</tr>
<tr>
<td>Compensation (private non-farm)</td>
<td>$ Millions</td>
<td>9.8</td>
</tr>
<tr>
<td>Compensation (government)</td>
<td>$ Millions</td>
<td>1.8</td>
</tr>
<tr>
<td>Population</td>
<td>People</td>
<td>36</td>
</tr>
<tr>
<td>State government revenues</td>
<td>$ Millions</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Note: “Impact” refers to the difference between the baseline with brewing scenario, and the alternative without brewing scenario
Lewis & Clark County Manufacturing
2011 Labor Income

Petroleum & Coal Prods. 3%
Wood & Furniture 7%
Fabricated Metals 2%
Food & Beverage 12%
Other Durable Goods 39%
Other Non-durable Goods 37%

Total Labor Income: $39.3 million
Total Employment: 893

Sources: BEA-REIS, Census Bureau; and BBER estimates

2012-2013 Montana Manufacturers Survey

- annual survey
- conducted in November
- open-ended & multi-choice questions
- current & coming year
- 180+ firms participate
- response rate 80%
Montana Manufacturing 2012 Recap

- Better than 2011 for many firms
- Employment down at one-quarter of firms, up at 30%
- Many firms reported increased production, sales, and profits
- Few firms reported curtailments
- 40% of firms did make major capital expenditures

Montana Manufacturing Outlook for the Coming Year

<table>
<thead>
<tr>
<th>Percent of Firms</th>
<th>Outlook for 2012</th>
<th>Outlook for 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Better than last year</td>
<td>36%</td>
<td>41%</td>
</tr>
<tr>
<td>Same as last year</td>
<td>52%</td>
<td>43%</td>
</tr>
<tr>
<td>Worse than last year</td>
<td>11%</td>
<td>14%</td>
</tr>
</tbody>
</table>
Montana Forest Products Outlook for the Coming Year

Percent of Firms

- Outlook for 2012
- Outlook for 2013

- Better than last year: 11%, 32%
- Same as last year: 76%, 49%
- Worse than last year: 11%, 15%

Forest Products Employment Outlook for the Coming Year

Percent of Firms

- Outlook for 2012
- Outlook for 2013

- More than last year: 16%, 20%
- Same as last year: 71%, 60%
- Fewer than last year: 7%, 20%
Montana Forest Products Industry 2013 Forecast

- U.S. homebuilding recovering.
- Markets are expected to be better than 2012.
- Lumber production & sales should increase.
- Employment & worker earnings may increase slightly.
- Timber supply ...

Montana Manufacturing Outlooks by City/Region

[Graph showing manufacturing outlooks by city/region]
Lewis & Clark County Manufacturing Outlook for 2013

Montana Manufacturing Forecast for 2013

- Continued improvements anticipated.
- Modest growth expected in statewide employment & worker earnings.
- Health insurance costs and continued economic recovery are major concerns.
- 65% of MT manufacturers expect their health insurance costs to increase.
Montana Housing Outlook 2013

2012 was a good year.
Sales increased.

### Single Family Homes 2012 Sales

<table>
<thead>
<tr>
<th>Area</th>
<th># Sales</th>
<th>1 Year % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billings</td>
<td>2,001</td>
<td>18%</td>
</tr>
<tr>
<td>Bitterroot*</td>
<td>374</td>
<td>13%</td>
</tr>
<tr>
<td>Butte*</td>
<td>380</td>
<td>11%</td>
</tr>
<tr>
<td>Gallatin</td>
<td>1,079</td>
<td>18%</td>
</tr>
<tr>
<td>Great Falls</td>
<td>897</td>
<td>12%</td>
</tr>
<tr>
<td>Helena</td>
<td>779</td>
<td>24%</td>
</tr>
<tr>
<td>Missoula</td>
<td>962</td>
<td>23%</td>
</tr>
<tr>
<td>Flathead Co.*</td>
<td>1,238</td>
<td>20%</td>
</tr>
<tr>
<td><strong>OVERALL</strong></td>
<td>7,333</td>
<td>19%</td>
</tr>
</tbody>
</table>
### Single Family Homes 2008-12 Sales

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billings</td>
<td>1946</td>
<td>1967</td>
<td>1721</td>
<td>1698</td>
<td>2001</td>
</tr>
<tr>
<td>Flathead</td>
<td>990</td>
<td>912</td>
<td>1039</td>
<td>1029</td>
<td>1238</td>
</tr>
<tr>
<td>Great Falls</td>
<td>967</td>
<td>924</td>
<td>856</td>
<td>804</td>
<td>897</td>
</tr>
<tr>
<td>Missoula</td>
<td>901</td>
<td>913</td>
<td>830</td>
<td>779</td>
<td>962</td>
</tr>
<tr>
<td>Gallatin</td>
<td>744</td>
<td>688</td>
<td>796</td>
<td>911</td>
<td>1079</td>
</tr>
<tr>
<td>Helena</td>
<td>672</td>
<td>692</td>
<td>606</td>
<td>627</td>
<td>779</td>
</tr>
</tbody>
</table>

---

### Single Family Homes 2008-12 Sales

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st</td>
<td>Billings</td>
<td>Billings</td>
<td>Billings</td>
<td>Billings</td>
<td>Billings</td>
</tr>
<tr>
<td>2nd</td>
<td>Flathead</td>
<td>Great Falls</td>
<td>Flathead</td>
<td>Flathead</td>
<td>Flathead</td>
</tr>
<tr>
<td>3rd</td>
<td>Great Falls</td>
<td>Missoula</td>
<td>Great Falls</td>
<td>Gallatin</td>
<td>Gallatin</td>
</tr>
<tr>
<td>4th</td>
<td>Missoula</td>
<td>Flathead</td>
<td>Missoula</td>
<td>Great Falls</td>
<td>Missoula</td>
</tr>
<tr>
<td>5th</td>
<td>Gallatin</td>
<td>Helena</td>
<td>Gallatin</td>
<td>Missoula</td>
<td>Great Falls</td>
</tr>
<tr>
<td>6th</td>
<td>Helena</td>
<td>Gallatin</td>
<td>Helena</td>
<td>Helena</td>
<td>Helena</td>
</tr>
</tbody>
</table>
So did prices.

<table>
<thead>
<tr>
<th>Area</th>
<th>Median Price</th>
<th>1 Year % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billings</td>
<td>$197,500</td>
<td>7%</td>
</tr>
<tr>
<td>Bitterroot*</td>
<td>$168,000</td>
<td>-4%</td>
</tr>
<tr>
<td>Butte*</td>
<td>$92,250</td>
<td>4%</td>
</tr>
<tr>
<td>Gallatin</td>
<td>$253,750</td>
<td>7%</td>
</tr>
<tr>
<td>Great Falls</td>
<td>$155,500</td>
<td>4%</td>
</tr>
<tr>
<td>Helena</td>
<td>$189,450</td>
<td>1%</td>
</tr>
<tr>
<td>Missoula</td>
<td>$209,450</td>
<td>2%</td>
</tr>
<tr>
<td>Flathead Co.*</td>
<td>$185,600</td>
<td>3%</td>
</tr>
</tbody>
</table>
### Single Family 2008-2012 Avg. Prices

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missoula</td>
<td>$428.3</td>
<td>$334.7</td>
<td>$330.1</td>
<td>$328.1</td>
<td>$335.7</td>
</tr>
<tr>
<td>Gallatin</td>
<td>$339.3</td>
<td>$277.6</td>
<td>$271.9</td>
<td>$251.8</td>
<td>$265.7</td>
</tr>
<tr>
<td>Flathead Co.</td>
<td>$223.1</td>
<td>$212.3</td>
<td>$214.8</td>
<td>$205.2</td>
<td>$214.7</td>
</tr>
<tr>
<td>Helena</td>
<td>$206.4</td>
<td>$200.5</td>
<td>$212.7</td>
<td>$208.5</td>
<td>$220.6</td>
</tr>
<tr>
<td>Billings</td>
<td>$171.0</td>
<td>$163.3</td>
<td>$161.3</td>
<td>$164.7</td>
<td>$187.4</td>
</tr>
</tbody>
</table>

In $ Thousands

---

### Single Family 2012 Days on Market

<table>
<thead>
<tr>
<th>Area</th>
<th>Avg. Days on Mkt</th>
<th>1 Year % Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billings</td>
<td>58</td>
<td>-18%</td>
</tr>
<tr>
<td>Gallatin</td>
<td>101</td>
<td>-10%</td>
</tr>
<tr>
<td>Missoula</td>
<td>123</td>
<td>-3%</td>
</tr>
<tr>
<td>Helena</td>
<td>141</td>
<td>0%</td>
</tr>
<tr>
<td>Great Falls</td>
<td>152</td>
<td>8%</td>
</tr>
<tr>
<td>Butte*</td>
<td>161</td>
<td>8%</td>
</tr>
<tr>
<td>Flathead Co.*</td>
<td>249</td>
<td>-30%</td>
</tr>
<tr>
<td>Bitterroot*</td>
<td>354</td>
<td>0.3%</td>
</tr>
<tr>
<td>OVERALL</td>
<td><strong>213</strong></td>
<td><strong>-11%</strong></td>
</tr>
</tbody>
</table>
What’s selling?

2,060 Square Feet
35 Years Old
3 Bed
2+ Bath
2 Car Garage
You still can’t afford it.

<table>
<thead>
<tr>
<th>Resort</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gallatin Valley/Big Sky/W. Yellow.</td>
<td>$1,100.0</td>
<td>$550.0</td>
<td>$582.5</td>
<td>$552.0</td>
<td>$535.0</td>
</tr>
<tr>
<td>Paradise Valley &amp; Gardiner</td>
<td>$450.0</td>
<td>$334.1</td>
<td>$306.0</td>
<td>$343.0</td>
<td>$342.5</td>
</tr>
<tr>
<td>Bigfork</td>
<td>$305.0</td>
<td>$315.0</td>
<td>$336.0</td>
<td>$247.3</td>
<td>$252.2</td>
</tr>
<tr>
<td>Whitefish</td>
<td>$305.0</td>
<td>$256.8</td>
<td>$226.0</td>
<td>$246.6</td>
<td>$227.0</td>
</tr>
<tr>
<td>Lakeside</td>
<td>$295.0</td>
<td>$305.0</td>
<td>$238.5</td>
<td>$243.5</td>
<td>$217.9</td>
</tr>
</tbody>
</table>

$ thousands
## Resort 2008-2012 Sales

<table>
<thead>
<tr>
<th>Resort</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whitefish</td>
<td>182</td>
<td>157</td>
<td>216</td>
<td>218</td>
<td>215</td>
</tr>
<tr>
<td>Bigfork</td>
<td>78</td>
<td>67</td>
<td>83</td>
<td>72</td>
<td></td>
</tr>
<tr>
<td>Lakeside</td>
<td>42</td>
<td>43</td>
<td>50</td>
<td>48</td>
<td>49</td>
</tr>
<tr>
<td>Gallatin Val./Big Sky/W. Yellow.</td>
<td>39</td>
<td>41</td>
<td>52</td>
<td>64</td>
<td>73</td>
</tr>
<tr>
<td>Paradise Valley &amp; Gardiner</td>
<td>19</td>
<td>18</td>
<td>31</td>
<td>28</td>
<td>20</td>
</tr>
</tbody>
</table>

"It’s got it all. Style. Location."
## Location Estimate

<table>
<thead>
<tr>
<th>Location</th>
<th>Price/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silver Bow</td>
<td>$ 64</td>
</tr>
<tr>
<td>Cascade</td>
<td>$ 82</td>
</tr>
<tr>
<td>Other</td>
<td>$ 89</td>
</tr>
<tr>
<td>Yellowstone</td>
<td>$ 93</td>
</tr>
<tr>
<td>Ravalli</td>
<td>$ 101</td>
</tr>
<tr>
<td>Flathead</td>
<td>$ 113</td>
</tr>
<tr>
<td>Lewis&amp;Clark</td>
<td>$ 127</td>
</tr>
<tr>
<td>Gallatin</td>
<td>$ 129</td>
</tr>
<tr>
<td>Lake</td>
<td>$ 146</td>
</tr>
<tr>
<td>Missoula</td>
<td>$ 154</td>
</tr>
</tbody>
</table>

## Style Estimate

<table>
<thead>
<tr>
<th>Style</th>
<th>Price/SF</th>
<th>Price/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mobile</td>
<td>$ 63</td>
<td>1 Level</td>
</tr>
<tr>
<td>1.5 Level</td>
<td>$ 71</td>
<td>Split F/B</td>
</tr>
<tr>
<td>Bungalow</td>
<td>$ 82</td>
<td>Cottage</td>
</tr>
<tr>
<td>Split Level</td>
<td>$ 82</td>
<td>3 Level</td>
</tr>
<tr>
<td>Split Entry</td>
<td>$ 87</td>
<td>Traditional</td>
</tr>
<tr>
<td>3 Story</td>
<td>$ 88</td>
<td>1.5 or 2 Lev.</td>
</tr>
<tr>
<td>2 Story</td>
<td>$ 89</td>
<td>Townhouse</td>
</tr>
<tr>
<td>Manufactured</td>
<td>$ 90</td>
<td>Other</td>
</tr>
<tr>
<td>Contemporary</td>
<td>$ 90</td>
<td>Tri-Level</td>
</tr>
<tr>
<td>Ranch</td>
<td>$ 95</td>
<td>Custom</td>
</tr>
<tr>
<td>4 Level</td>
<td>$ 95</td>
<td>Condo</td>
</tr>
<tr>
<td>Baseline</td>
<td>$ 97</td>
<td>Cabin</td>
</tr>
</tbody>
</table>
### Ranch Style Estimate

<table>
<thead>
<tr>
<th>Area</th>
<th>Price/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Silver Bow</td>
<td>$71</td>
</tr>
<tr>
<td>Cascade</td>
<td>$97</td>
</tr>
<tr>
<td>Yellowstone</td>
<td>$112</td>
</tr>
<tr>
<td>Flathead</td>
<td>$122</td>
</tr>
<tr>
<td>Ravalli</td>
<td>$127</td>
</tr>
<tr>
<td>Lewis &amp; Clark</td>
<td>$133</td>
</tr>
<tr>
<td>Gallatin</td>
<td>$135</td>
</tr>
<tr>
<td>Lake</td>
<td>$135</td>
</tr>
<tr>
<td>Missoula</td>
<td>$158</td>
</tr>
</tbody>
</table>

### Condo Estimate

<table>
<thead>
<tr>
<th>Area</th>
<th>Price/SF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Missoula</td>
<td>$211</td>
</tr>
<tr>
<td>Gallatin / Lake</td>
<td>$181</td>
</tr>
<tr>
<td>Lewis &amp; Clark</td>
<td>$178</td>
</tr>
<tr>
<td>Flathead</td>
<td>$163</td>
</tr>
<tr>
<td>Yellowstone</td>
<td>$150</td>
</tr>
<tr>
<td>Cascade</td>
<td>$130</td>
</tr>
</tbody>
</table>

### Price Per SF

Montana State University Billings
Access & Excellence
Overall Estimate  2012 Home Values

3% to 4% Increase

Who is buying?
## When Do They Buy? By Age Range

<table>
<thead>
<tr>
<th>Buying Type</th>
<th>% of All Buyers</th>
<th>18-24</th>
<th>25-44</th>
<th>45-64</th>
<th>65+</th>
</tr>
</thead>
<tbody>
<tr>
<td>1st-Time</td>
<td>41%</td>
<td>4%</td>
<td>30%</td>
<td>7%</td>
<td>&lt;1%</td>
</tr>
<tr>
<td>Prev. But Not Current</td>
<td>43%</td>
<td>&lt;1%</td>
<td>13%</td>
<td>21%</td>
<td>8%</td>
</tr>
<tr>
<td>2nd Home Purchaser</td>
<td>13%</td>
<td>&lt;1%</td>
<td>4%</td>
<td>7%</td>
<td>2%</td>
</tr>
<tr>
<td>3rd Home Purchased (+)</td>
<td>4%</td>
<td>&lt;1%</td>
<td>2%</td>
<td>1%</td>
<td>&lt;1%</td>
</tr>
</tbody>
</table>

## Homeowners Years Between Moves

[Graph showing Years Between Moves for SFH Owners and Condo Owners]
2013 has potential.

Thank you.
NATURAL RESOURCES & ENERGY OUTLOOK
BY TERRY JOHNSON
Coal, Oil, Natural Gas (Fossil Fuels)
Renewables, Minerals, Alternative

Presentation Outline
- Fossil Fuel Focus
  - Coal
  - Oil
  - Natural Gas
- Renewables, Minerals, Alternatives
- What Changed? 2008 to 2011
- Energy Outlook
- What Does This All Mean?
Montana’s Fossil Fuel Sources

Coal, Oil, Natural Gas
Value of Production Change - 2008 versus 2011

<table>
<thead>
<tr>
<th></th>
<th>Coal</th>
<th>Oil</th>
<th>Gas</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$442,840</td>
<td>$2,833,194</td>
<td>$861,864</td>
</tr>
<tr>
<td>2011</td>
<td>$577,001</td>
<td>$2,126,098</td>
<td>$265,523</td>
</tr>
</tbody>
</table>

1/22/2013

Coal Production Value Increase
What Happened?

Montana Average Coal Price By Quarter

Average price increase from 2008 to 2011 was 34.1%

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Price</th>
<th>Tons</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$11.85</td>
<td>37.4</td>
</tr>
<tr>
<td>2011</td>
<td>$15.89</td>
<td>36.3</td>
</tr>
</tbody>
</table>

1/22/2013
Oil Production Value Decline
What Happened?

Montana Oil Production By Quarter

<table>
<thead>
<tr>
<th>Year</th>
<th>Price</th>
<th>Million Barrels</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>888.87</td>
<td>31.9</td>
</tr>
<tr>
<td>2011</td>
<td>888.77</td>
<td>24.0</td>
</tr>
</tbody>
</table>

Gas Production Value Decline
What Happened?

Montana Natural Gas Production By Quarter

<table>
<thead>
<tr>
<th>Year</th>
<th>Price</th>
<th>Million MCFs</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>6.90</td>
<td>116.2</td>
</tr>
<tr>
<td>2011</td>
<td>3.47</td>
<td>76.6</td>
</tr>
</tbody>
</table>
Reasons for Production Value Change - 2008 to 2011

- Coal  
  Price increases due to world demand  
  International energy policies

- Oil  
  Stable prices (on average)  
  Slow implementation of new technology

- Natural Gas  
  Weak demand, over supply  
  Transportation

Montana's Energy Outlook
Coal --- ↔

- Why?
  International Demand  
  International Natural Gas Price vs. Coal Price

- What to monitor
  Federal Environmental Rules  
  Construction of Port Facilities
International Coal Consumption

Consumption by Country - Calendar 2010

- China, 46.2%
- United States, 13.1%
- India, 9.0%
- Other, 31.7%

Montana’s Energy Outlook

Oil --- ↑

- Why?
  - Rig Count Improvement
  - Economic Recovery
  - U.S. Energy Independence

- What to monitor
  - Environmental Issues With “Fracking”
  - Transportation Issues
  - Federal & State Taxation Policies
Montana Oil Rig Count

Montana Oil Rig Counts By Month

- Why?
  - Electricity Generation
  - Environmental Issues with Coal
- What to monitor
  - Environmental Issues With “Fracking”
  - Federal & State Taxation Policies
  - International Energy Policies
What Does This All Mean?

- Economic Growth
  - Eastern Montana
  - Other Areas (Billings for example)
- Enhanced Governmental Revenue
  - Natural Resource Taxes
  - Income Taxes
  - Consumption Taxes
- Governmental Service Pressures
  - Education
  - Public Safety
  - Infrastructure (State and Local)
Questions

Some Interesting Energy Facts

- Montana has the highest estimated recoverable coal reserves in U.S.
- Wyoming produced the most coal in U.S. (2011) – over 40%
- U.S. was 3rd largest oil producer in 2011 – Saudi Arabia and Russia were 1st and 2nd, respectively
- North Dakota was second largest oil producer in U.S. (2012)
- U.S. natural gas production was highest level ever in 2011
- U.S. natural gas use for electricity generation increased 188% from 1988 to 2011
HELENA BUSINESS CLIMATE
6-YEAR TREND REPORT

Cathy Burwell
President/CEO
Helena Area Chamber of Commerce
(updated January, 2013)

HELENA – Your
Montana Capital City!

- Historically Most Stable Economy Of The Larger Cities In Montana
- Higher Median Income Levels
- Many corporate offices located here
- 41% of Local Economy is State Govt. Jobs
  (62% if add in Fed/Local Govt.)
FACTS TO REMEMBER....

- 82% of L&C County’s population lives in the Greater Helena Area
- Helena’s share of Lewis & Clark County’s employment & income is close to 90%

HOW DO WE MEASURE UP?
Policom Ranking:

OF 577 cities across the nation:

2007: Helena ranked 23\textsuperscript{rd}
2008: Helena ranked 13\textsuperscript{th}
2009: Helena ranked 9\textsuperscript{th}
2010: Helena ranked 6\textsuperscript{th}
2011: Helena ranked 2\textsuperscript{nd}!!!!
2012: Helena ranked 2\textsuperscript{nd}!!!!

“Economic strength is the long term tendency for an area to consistently grow in both size and quality.”

Employment in Helena Area...

(unemployment rates)

Dec. 2007: 1.9%
Dec. 2008 4.0%
Dec. 2009 4.6%
Dec. 2010 5.1%
Dec. 2011 5.2%
Dec 2012 4.4%
(Mt. 5.8%)
EMPLOYMENT:
Median Wages

Our Facts Your Future (MT.GOV):

HELENA -  $34,114 (median)
            $38,149 (average)
            $39,407 (per capita income)
            (highest micropolitan city in MT)

EDUCATION OF WORKFORCE

- In Lewis and Clark County:
  - 25.4% have some college
  - 5.1% have Associate Degree
  - 2.7% have Professional Degree
  - 21.3% have Bachelor’s Degree
  - 6.9% have Master’s Degree
  - .8% have Doctorate Degree
COST OF LIVING INDEX

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall Index =</td>
<td>100%</td>
<td>100%</td>
<td>106%</td>
</tr>
<tr>
<td>Food –</td>
<td>112%</td>
<td>108%</td>
<td>108%</td>
</tr>
<tr>
<td>Utilities -</td>
<td>94%</td>
<td>92%</td>
<td>92%</td>
</tr>
<tr>
<td>Other –</td>
<td>104%</td>
<td>100%</td>
<td>103%</td>
</tr>
</tbody>
</table>

*info from www.BestPlaces.net  (Overall UP FROM 93.6 in 2009...)

ATTRACTION TO RETIREES?

• July – 2009

USA Weekend named Helena #1 of the top five places for young retirees (55-60 years old)
Based on: recreation, weather, health resources, crime, and cost of living
BUSINESS FACTS...

• 78% of all businesses in the Helena Area have 10 or less employees

• There are now approx. 3500 businesses in the entire Helena Valley

• 3000+ Jeff. Co. & 600+ Broadwater County workers travel to Helena to work each day.

Interesting fact:

Helena has the largest population within a 90 minute drive of any city in Montana

226,000 people

(doesn’t include Missoula.....10 minutes further away.!) 

*From 2005 study done w/Travel Montana, MDT & Mt. Aeronautics Division*
Residential Permits

- RESIDENTIAL – City of Helena
  - 2006 – 241 permits = $36.5 million
  - 2007 – 216 permits = $31.2 million
  - 2008 – 184 permits = $21.0 million
  - 2009 – 226 permits = $21.5 million
  - 2010 – 244 permits = $29.2 million
  - 2011 – 211 permits = $26.5 million
  
  2012 - 195 permits = $27.4 million

PLUS 254 permits for septic in the valley outside city limits....(comp. to 198 in ‘11, 332 in ’10, 284 –”09 & 08..... & 426 - ’07)

HOME PERMIT INFO:

- Of 211 permits = 67 total new residences
- Of the 67 = 44 were spec homes (not owned when permitted) ½ under $200,000.
- Homes: 29 private: of those 3 were $500,000- $600,000, 9 were $300-500,000.
Average Home Prices

2007 - $225,000
2008 - $224,888
2009 - $211,822
2010 - $213,705
2011 - $208,486.
2012 - $___________

(Helena Assoc. of Realtors)

Commercial Building permits

• 2007 – 187 permits - $44.9 million
• 2008 – 175 permits - $59.8 million
• 2009 – 196 permits - $64.8 million
• 2010 – 231 permits - $53.7 million
• 2011 – 215 permits - $42.0 million
• 2012 - 209 permits - $50.4 million
CREDITS.....

- City of Helena Planning Office
- L & C County Planning Office
- Ron Mercer, Helena Airport
- Helena Association of Realtors
- Ourfactsyourfuture.org
- Bestplaces.net
- www.policom.com
- US Census 2000
- Helena Area Chamber of Commerce

The
Helena Area
Chamber of Commerce

YOUR BUSINESS ADVOCATE

Health Care: Avg. Annual Growth = 7.0%

Total: Avg. Annual Growth = 5.2%

Source: Centers for Medicare and Medicaid Services and Bureau of Economic Analysis

By Larry White
Associate Professor
and Director Western AHEC
The University of Montana
The Health Care System

**Inputs**
- Human Resources
- Financing
- Facilities and Equipment

**Process**
- Hospitals
- Doctors Offices
- Nursing Homes
- Home Care

**Outputs**
- Accessible Care
- Quality of Care
- Cost of Care

Montana’s 195,000 Uninsured: How ACA Can Help

- Eligible for Low Income Subsidy, 40,000
- Medicaid Eligible (<138% FPG), 69,000
- Remains Uninsured, 86,000
Montana: The Uninsured

<table>
<thead>
<tr>
<th># of Uninsured</th>
<th>195,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>% of Total Pop Uninsured</td>
<td>20%</td>
</tr>
<tr>
<td># Covered by Medicaid before ACA</td>
<td>106,000</td>
</tr>
<tr>
<td># Eligible for Medicaid after ACA</td>
<td>175,000</td>
</tr>
<tr>
<td>Hospital Cost of Uncompensated Care (2011)</td>
<td>$244,900,000</td>
</tr>
<tr>
<td>Physicians and Other Community Providers</td>
<td>$156,700,000</td>
</tr>
<tr>
<td>Total Uncompensated Care</td>
<td>$401,600,000</td>
</tr>
<tr>
<td>Uncompensated Care Reduction</td>
<td>$100,000,000</td>
</tr>
</tbody>
</table>

Lewis and Clark County: The Uninsured

<table>
<thead>
<tr>
<th>Number of Uninsured</th>
<th>6,435</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent of Total County Pop Uninsured</td>
<td>10.2%</td>
</tr>
<tr>
<td>Number Covered by Medicaid before ACA</td>
<td>5,091</td>
</tr>
<tr>
<td>Number Eligible for Medicaid after ACA</td>
<td>8,853</td>
</tr>
<tr>
<td>Hospital Cost of Uncompensated Care (2010)</td>
<td>$6,210,966</td>
</tr>
<tr>
<td>Physicians and Other Community Providers (Est)</td>
<td>$3,970,945</td>
</tr>
<tr>
<td>Total Uncompensated Care (Est)</td>
<td>$10,181,911</td>
</tr>
<tr>
<td>Uncompensated Care Reduction</td>
<td>$2,535,336</td>
</tr>
</tbody>
</table>
Health Insurance Exchange

- **Functions**
  - Internet virtual marketplace for individuals and small employers to shop for insurance
  - Provide consumer choice (bronze, silver, gold, platinum)
  - Increase transparency of products and prices
  - Ensure all plans offer “essential health benefits”

Financing Moves Away from Fee For Service

<table>
<thead>
<tr>
<th>Performance Risk</th>
<th>Utilization Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost of Care</td>
<td>Quality of Care</td>
</tr>
<tr>
<td>Volume of Care</td>
<td></td>
</tr>
</tbody>
</table>

**Bundled Pricing**
- Episodic Efficiency
- Readmission Reduction
- Care Standardization

**Pay-for-Performance**
- Process Reliability
- Clinical Quality
- Patient Experience

**Shared Savings**
- Chronic Care Management
- Care Substitution
- Disease Prevention

Source: Health Care Advisory Board Interviews and Analysis
© 2011 The Advisory Board Company - 21648
Montana Number of Employers by Employee Category, 2012

Primary Care Physicians Per 100,000 Population, 2005
Upcoming Events

Manufacturing/Trade Day at the Capitol
April 4, Helena

Montana Chamber Summer Meeting
June 18-19, Big Sky

2012 Governor’s Cup Golf Tournament
August 1-3
Flathead Valley
www.2013GovernorsCup.com

Montana Goes to China Tour
September 28-October 7
www.MontanaGoestoChina.com

Montana Goes to Cuba Tour
October 25-November 1
www.MontanaGoestoCuba.com

Membership Benefits
Office Depot Program
HR e-Source
Monthly Newsletter “Eye on Business “
Weekly membership e-updates

Programs
Montana Manufacturing Council

Montana High School Business Challenge
www.MTHSBC.com

Montana Chamber Choices
www.ChamberChoices.com

Montana Safety Choices
www.MTSafetyChoices.com
2013 Economic Update

Kalispell
Thursday August 1, 2013
12:00 – 1:30 p.m.
Red Lion Hotel

Billings
Tuesday August 6, 2013
7:00 – 8:30 a.m.
Crowne Plaza

Bozeman
Tuesday August 6, 2013
12:00 – 1:30 p.m.
Best Western GranTree

Helena
Wednesday August 7, 2013
7:00 – 8:30 a.m.
Jorgenson’s

Butte
Wednesday August 7, 2013
12:00 – 1:30 p.m.
Comfort Inn

Great Falls
Thursday August 8, 2013
7:00 – 8:30 a.m.
Hilton Garden Inn

Missoula
Thursday August 8, 2013
12:00 – 1:30 p.m.
Holiday Inn Downtown

Check out
www.MontanaChamber.com
for the latest Montana business news and resources