OUTLOOK 2013
PRESENTATIONS

Yellowstone 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

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Outlook 2013

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Table of Contents

2 Introduction and Overview
   by Patrick M. Barkey

4 State and National Outlook
   by Patrick M. Barkey

17 Local Economic Outlook
   by Paul E. Polzin

26 Health Care Outlook
   by Gregg Davis

35 Travel and Recreation Outlook
   by Norma Nickerson

41 Agricultural Outlook
   by George Haynes

55 Manufacturing and Forest Products Outlook
   by Todd A. Morgan

64 Housing Outlook
   by Scott Rickard

78 Energy Outlook
   by Terry Johnson

86 The Best Medicine
   by Larry White
   (with Introduction by Bob Rowe, CEO, Northwestern Energy)
Introduction and Overview

HOW CAN MONTANANS TAKE CHARGE OF CHANGES IN HEALTH CARE?

By
Patrick M. Barkey

Routine DNA Sequencing
EKG With a Smart Phone
Changes in Health Care?
Matching Drugs to Your Tumor
Growing a Heart
Teaching Immune Systems to Attack Cancer
Repairing Defective Genes
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
Where’s the Growth?
Total Real Wage Growth

$ Millions

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?
Construction Real Wage Growth

$ Millions

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

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

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

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

Where’s the Growth?
Health Care Real Wage Growth

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

![Graph showing real wage growth across different areas, with Cascade, Flathead, Gallatin, Lewis & Clark, Missoula, Silver Bow, Yellowstone, and Rest of State categories.]

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>
<td>Price spike from war or international event</td>
<td>Consumer spending adversely affected</td>
</tr>
<tr>
<td></td>
<td>threatening supplies</td>
<td></td>
</tr>
<tr>
<td>Global Economic Growth</td>
<td>EU Recession, Asian Slowdown</td>
<td>Commodity price collapse, exports</td>
</tr>
<tr>
<td>Uncertainty</td>
<td></td>
<td>decline</td>
</tr>
<tr>
<td></td>
<td></td>
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</tr>
</tbody>
</table>
Global Growth Has Stumbled

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

2013: Risks and Uncertainty

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<tr>
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<th>Impact on Montana</th>
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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>
<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

**2013 Total**
- $621 Billion
- 3.8 percent of GDP

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

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

2013 Total: $139 Billion

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

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

![Graph showing percent change in Montana home price index, with Bust 2009-11 and Recovery 2011-12 categories.]

Source: Federal Home Finance Agency

---

**New Homes Becoming More Price Competitive**

![Graph showing median prices for new and existing Montana homes from 2008 to 2016.]

Median Prices, New and Existing Montana Homes
Forecasts from IHS Global Insight
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
Outlook for Key Industries

Energy and Mining:

Not a boom, but plenty of activity. Low natural gas prices affecting all markets.

Composition of Earnings in Montana’s Basic Industries, 2010-12

Outlook for Key Industries

Agriculture and Related:

Sustained high prices offset drought impacts. Policy uncertainty ahead.

Composition of Earnings in Montana’s Basic Industries, 2010-12
Outlook for Key Industries

Federal Military and Civilian:

Short- and medium-term risks have risen. Current mild declines expected to continue.

Composition of Earnings in Montana's Basic Industries, 2010-12

Change in Nonfarm Earnings, Montana, 2010-2016
Local Outlook: Yellowstone 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

<table>
<thead>
<tr>
<th>County</th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Montana</td>
<td>0.7</td>
</tr>
<tr>
<td>Gallatin</td>
<td>0.3</td>
</tr>
<tr>
<td>Lewis and Clark</td>
<td>1.9</td>
</tr>
<tr>
<td>Silver Bow</td>
<td>1.8</td>
</tr>
<tr>
<td>Yellowstone</td>
<td>1.9</td>
</tr>
<tr>
<td>Flathead</td>
<td>2.5</td>
</tr>
<tr>
<td>Cascade</td>
<td>2.5</td>
</tr>
<tr>
<td>Missoula</td>
<td>3.0</td>
</tr>
<tr>
<td>Ravalli</td>
<td>3.5</td>
</tr>
</tbody>
</table>
Annual Percent Change in Nonfarm Earnings (in Constant Dollars), 2001-07 and 2007-11

Nonfarm Employment and Inflation-Adjusted Wages and Salaries, Seasonally Adjusted, Yellowstone County
Montana’s Regional Health Care Industries

Definition of Health Care

<table>
<thead>
<tr>
<th>NAICS Code</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<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

<table>
<thead>
<tr>
<th></th>
<th>Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yellowstone</td>
<td>55.2</td>
</tr>
<tr>
<td>Missoula</td>
<td>42.1</td>
</tr>
<tr>
<td>Cascade</td>
<td>40.2</td>
</tr>
<tr>
<td>Flathead</td>
<td>77.0</td>
</tr>
<tr>
<td>Gallatin</td>
<td>102.8</td>
</tr>
<tr>
<td>Lewis &amp; Clark</td>
<td>47.4</td>
</tr>
<tr>
<td>Silver Bow</td>
<td>55.6</td>
</tr>
</tbody>
</table>

Montana, Dakota Utilities Rocky Mountain Region

- MDU provides service to 81,969 customers in our service territory
- Our service territory is Montana and Wyoming
  - Montana is all gas service
  - Wyoming is electric, gas and combination gas and electric
Rocky Mountain Region Customer Counts

Average growth at about 1% per year

Billings Building Activity 2012 vs. 2011 YTD

<table>
<thead>
<tr>
<th></th>
<th>Total Permits</th>
<th>Calendar Year to Date *</th>
<th>2012 Vs. 2011</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Single Family Dwelling</td>
<td>334</td>
<td>186</td>
<td>79.60%</td>
</tr>
<tr>
<td>Duplex</td>
<td>16</td>
<td>15</td>
<td>6.70%</td>
</tr>
<tr>
<td>Multi-Family</td>
<td>19</td>
<td>8</td>
<td>137.50%</td>
</tr>
<tr>
<td>Hotel/Motel</td>
<td>0</td>
<td>0</td>
<td>NA</td>
</tr>
<tr>
<td>Commercial</td>
<td>69</td>
<td>63</td>
<td>9.50%</td>
</tr>
<tr>
<td>Garage/Carport</td>
<td>58</td>
<td>63</td>
<td>-7.90%</td>
</tr>
<tr>
<td>Total New</td>
<td>496</td>
<td>335</td>
<td>48.10%</td>
</tr>
</tbody>
</table>

* Current to November of 2012
MONTANA-DAKOTA UTILITIES CO.
COST OF GAS - MONTANA

[Graph showing the cost of gas in Montana with different components like Gas Commodity, Pipeline and Other, and Delivery Charge.

Health Shale Play

Horizontal drilling in Montana

[Map of Montana showing active wells and health sourced oil fields.

Source: [Link to the presentation for additional information.]

Local Outlook
### Key Points of the Play

- The shale formation is 250 miles wide East to West and 150 miles North to South
- The formation varies 10 to 40 feet in thickness
- 350 wells have been sunk into the shale play in the last 80 years
- The play is currently being evaluated with state of the art drilling technology to see if its economically viable.

### Yellowstone County’s Economic Base 2011-2013

<table>
<thead>
<tr>
<th>Industry</th>
<th>%</th>
<th>Economic Outlook</th>
</tr>
</thead>
<tbody>
<tr>
<td>Other Basic Industries</td>
<td>1%</td>
<td>Modest Growth</td>
</tr>
<tr>
<td>Nonresident Travel</td>
<td>4%</td>
<td>Energy Growth</td>
</tr>
<tr>
<td>Transportation</td>
<td>8%</td>
<td>Growth Potential</td>
</tr>
<tr>
<td>Mining and Support Services</td>
<td>11%</td>
<td>Pay Freeze Over</td>
</tr>
<tr>
<td>MSU-B and State Gov’t</td>
<td>7%</td>
<td>Stable at Best</td>
</tr>
<tr>
<td>Federal Government</td>
<td>13%</td>
<td>Slowdown Over</td>
</tr>
<tr>
<td>Health Care</td>
<td>14%</td>
<td>Food Products Closure</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>16%</td>
<td>Bakken, Bakken, Bakken</td>
</tr>
<tr>
<td>Trade Center</td>
<td>26%</td>
<td>Recovery has Started</td>
</tr>
<tr>
<td>Construction</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

24 | Local Outlook
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, Yellowstone County

<table>
<thead>
<tr>
<th></th>
<th>Expected Source of Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Employer Sponsored Insurance</td>
</tr>
<tr>
<td>Montana</td>
<td>742,310</td>
</tr>
<tr>
<td>Yellowstone County</td>
<td>120,837</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

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**ACA Impact on Health Care Demand, Yellowstone County**

<table>
<thead>
<tr>
<th></th>
<th>Ambulatory Care Setting</th>
<th>Total Additional Office Visits</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Primary Care</td>
<td>Surgical Specialty</td>
</tr>
<tr>
<td>Private Insurance</td>
<td>20,726</td>
<td>6,200</td>
</tr>
<tr>
<td>Medicaid</td>
<td>15,010</td>
<td>1,260</td>
</tr>
<tr>
<td>Total Increase</td>
<td>35,736</td>
<td>7,460</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

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, Yellowstone County

<table>
<thead>
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<th>Primary Care Supply</th>
<th>Primary Care Demand</th>
<th>Shortage (-) Surplus (+) Office Visits per Year</th>
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</thead>
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<tr>
<td>508,200</td>
<td>296,228</td>
<td>+ 211,972</td>
</tr>
</tbody>
</table>

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### 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

![Graph showing Health Care Earnings 2010-2011 with predicted and actual earnings.]

Health Care Earnings, 2012-2014

![Graph showing Health Care Earnings from 2012 to 2014 with predicted and revised percentages for each year.]
Annual Per Capita Spending Available AFTER Health Care Spending

• “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

gregg.davis@business.umt.edu
Nonresident Visitors to MT

<table>
<thead>
<tr>
<th>Year</th>
<th>Visitors</th>
</tr>
</thead>
<tbody>
<tr>
<td>2003</td>
<td>9,670,000</td>
</tr>
<tr>
<td>2004</td>
<td>9,800,000</td>
</tr>
<tr>
<td>2005</td>
<td>10,126,000</td>
</tr>
<tr>
<td>2006</td>
<td>10,378,000</td>
</tr>
<tr>
<td>2007</td>
<td>10,684,000</td>
</tr>
<tr>
<td>2008</td>
<td>10,000,000</td>
</tr>
<tr>
<td>2009</td>
<td>9,992,000</td>
</tr>
<tr>
<td>2010</td>
<td>10,377,000</td>
</tr>
<tr>
<td>2011</td>
<td>10,547,000</td>
</tr>
<tr>
<td>2012</td>
<td>10,882,000</td>
</tr>
</tbody>
</table>

*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!
Nonresident Travel Outlook

Travel Trends

Airport Deboardings 3rd Q +8%

Amtrak Deboardings 3rd Q +17%

Nat’l Park System 3rd Q +6%

Skier Visits -6%

Bed Tax Collections 3rd Q +5%
62% of nonresidents who spent a night in Billings came from these 9 states (2012, Q1-3).

Where residents are from who stay overnight in Billings:
- Silver Bow: 9%
- Gallatin: 7%
- Lewis and Clark: 7%
- Cascade: 7%
- Flathead: 5%
- Missoula: 5%
- Richland: 5%
- Roosevelt: 5%
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
Gross Revenue Estimates
(2012 dollars)

Dollars ($1 million)

Source: NASS and MSU Estimates

Livestock  Crops  Government

Agricultural Outlook
Droughts 2011 and 2012
(severe, extreme & exceptional – D2 – D4)

<table>
<thead>
<tr>
<th>Week</th>
<th>Nothing</th>
<th>D2-D4</th>
<th>D1-D4</th>
<th>D3-D4</th>
<th>D3-04</th>
<th>D4</th>
</tr>
</thead>
<tbody>
<tr>
<td>October 11, 2011</td>
<td>57.83</td>
<td>42.17</td>
<td>30.47</td>
<td>23.85</td>
<td>17.12</td>
<td>9.76</td>
</tr>
<tr>
<td>October 9, 2012</td>
<td>23.28</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

Mountains & Minds
Drought Impacts: Higher Cattle and Calf Prices

![Graph showing $/CWT (inflation-adjusted) over years 1990 to 2012]

Source: NASS

Drought Status – October 2012

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

Map Key:
- Continental Divide
- Drought Impact Type
- Moisture Status
- October 2012
- 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
- H = Hydrologic - Water supplies, streamflow, groundwater
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 shares</th>
<th>2012/2013 shares</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mmt</td>
<td>%</td>
</tr>
<tr>
<td>Australia</td>
<td>29.9</td>
<td>4.3</td>
</tr>
<tr>
<td>Canada</td>
<td>25.3</td>
<td>3.6</td>
</tr>
<tr>
<td>China</td>
<td>117.4</td>
<td>16.9</td>
</tr>
<tr>
<td>EU-27</td>
<td>137.2</td>
<td>19.7</td>
</tr>
<tr>
<td>India</td>
<td>86.9</td>
<td>12.5</td>
</tr>
<tr>
<td>FSU-12</td>
<td>114.8</td>
<td>16.5</td>
</tr>
<tr>
<td>U.S.</td>
<td>54.4</td>
<td>7.8</td>
</tr>
<tr>
<td>Other</td>
<td>130.5</td>
<td>18.7</td>
</tr>
<tr>
<td>Total</td>
<td>696.4</td>
<td>100.0</td>
</tr>
</tbody>
</table>

Source: WASDE-813, December 2012
Grain Production (2012)

- Winter Wheat
- Spring Wheat
- Barley

Source: NASS

Grain Prices (2012 dollars)

- Winter Wheat
- Spring Wheat
- Barley

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

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

Source: NASS

Calf Prices
(2012 dollars)

NASS, 1990 – 2011, MSU 2012 estimate
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
    *why* produce beef
  - Labor issue – more skills required to work on a ranch
  - Age of ranchers – little incentive
Consumer Food Prices

![Graph showing percentage change in consumer food prices from 2004 to 2013, with separate lines for 'Away from home' and 'At home'.](http://www.ers.usda.gov/data-products/food-price-outlook.aspx)

Source: USDA

---

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

Source: BEA-REIS SA-25N

Montana Manufacturing

2012 Labor Income

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

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) (excluding 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.
Yellowstone County Manufacturing
2011 Labor Income

- Petroleum & Coal 61%
- Chemicals 4%
- Other Durable Goods 14%
- Other Non-durable goods 3%
- Metals 8%
- Food & Beverage 10%

Total Labor Income: $298 million
Total Employment: 3,426

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 Manufacturers Outlook Trend

Montana Manufacturing Outlooks by Sector
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
Yellowstone County Manufacturing Outlook for 2013

Percent of Firms

<table>
<thead>
<tr>
<th>Better than 2012</th>
<th>Same as 2012</th>
<th>Worse than 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>53%</td>
<td>32%</td>
<td>16%</td>
</tr>
</tbody>
</table>

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**

<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>

**2012 Sales**
### 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.

### Single Family 2012 Median 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>Area</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>Great Falls</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.

## Resort 2008-2012 Median Prices

<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 Val./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>Condo 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

![Floor plan of ranch style and condo style homes]
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](image)
Homeowners By Income Level

- % Owning
- % Non-Owning

Credit Score Risk of Default

- FICO
- Probability of Default
2013 has potential.

Thank you.
Presentation Outline

- Fossil Fuel Focus
  - Coal
  - Oil
  - Natural Gas
- Renewables, Minerals, Alternatives
- What Changed? 2008 to 2011
- Energy Outlook
- What Does This All Mean?
Oil Production Value Decline: What Happened?

Montana Oil Production By Quarter

<table>
<thead>
<tr>
<th>Year</th>
<th>Price</th>
<th>Barrels</th>
</tr>
</thead>
<tbody>
<tr>
<td>2008</td>
<td>$88.87</td>
<td>31.9</td>
</tr>
<tr>
<td>2011</td>
<td>$88.77</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>MCF's</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, 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

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
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
Yellowstone County and Montana: The Uninsured

<table>
<thead>
<tr>
<th></th>
<th>Yellowstone County</th>
<th>Montana</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Uninsured</td>
<td>24,283</td>
<td>195,000</td>
</tr>
<tr>
<td>Percent of Total County Pop Uninsured</td>
<td>16.6%</td>
<td>20%</td>
</tr>
<tr>
<td>Number Covered by Medicaid before ACA</td>
<td>12,312</td>
<td>106,000</td>
</tr>
<tr>
<td>Number Eligible for Medicaid after ACA</td>
<td>27,777</td>
<td>175,000</td>
</tr>
<tr>
<td>Hospital Cost of Uncompensated Care (2010)</td>
<td>$49,497,622</td>
<td>$244,900,000</td>
</tr>
<tr>
<td>Physicians and Other Community Providers (Est)</td>
<td>$31,646,021</td>
<td>$156,700,000</td>
</tr>
<tr>
<td>Total Uncompensated Care (Est)</td>
<td>$81,143,643</td>
<td>$401,600,000</td>
</tr>
<tr>
<td>Uncompensated Care Reduction</td>
<td>$20,205,090</td>
<td>$100,000,000</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>Patient Experience</td>
</tr>
</tbody>
</table>

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

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

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

Source: Health Care Advisory Board Interviews and Analysis
© 2011 The Advisory Board Company - 21648

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Montana Number of Employers by Employee Category, 2012

<table>
<thead>
<tr>
<th>Site of Employer by Number of Employees</th>
<th>Number of Employers</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 to 4</td>
<td>25,327</td>
</tr>
<tr>
<td>5 to 9</td>
<td>6,899</td>
</tr>
<tr>
<td>10 to 19</td>
<td>4,337</td>
</tr>
<tr>
<td>20 to 49</td>
<td>2,382</td>
</tr>
<tr>
<td>50 to 99</td>
<td>686</td>
</tr>
<tr>
<td>100 to 249</td>
<td>264</td>
</tr>
<tr>
<td>250 to 499</td>
<td>53</td>
</tr>
<tr>
<td>500 to 999</td>
<td>19</td>
</tr>
<tr>
<td>1000 or more</td>
<td>18</td>
</tr>
</tbody>
</table>

Number of Employers
Primary Care Physicians Per 100,000 Population, 2005

Montana Physicians in Active Practice by County

0 Doctors (10 Counties)
1-5 Doctors (20 Counties)
6-20 Doctors (12 Counties)
21-100 Doctors (8 Counties)
100+ Doctors (6 Counties)
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
OUTLOOK 2013
PRESENTATIONS

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

2013 Montana Chamber of Commerce
Treasure State Investors