

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD
SCHOOL OF BUSINESS AND PUBLIC ADMINISTRATION



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Economic Research Center (weekly)
Business Education Center (weekly)
What's Happening? (weekly)
Children in the Marketplace (monthly)

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

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Editorial and analytical articles on important local, regional, national, and international issues and trends are invited for *consideration* of publication in the journal. Articles (not exceeding 800 words in length) must be submitted to the Managing Editor in hard or electronic copy. Individual authors are responsible for the views and research results.

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INSIDE THIS ISSUE:

Cover photo: A Wind Farm in Kern County, www.google.com

Economy at a Glance!2

Opinion Surveys

Kern Business Managers Less Optimistic.....3

Bakersfield Consumer Sentiment Unchanged at Year's End.....4

Tracking Kern's Economy

Economy6

Labor Market6

Housing Market.....8

Stock Market10

Inflation.....11

Commodity Prices.....12

Econ Briefs

The Bakersfield Consumer Sentiment Survey..... 1

Small Businesses Support Kern Economy.....13

Econ Brief!

The Bakersfield Consumer Sentiment Survey

Mark Evans

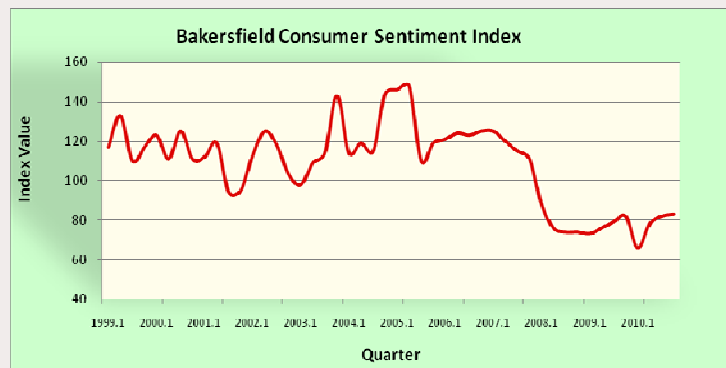
Associate Dean, School of Business and Public Administration

Professor and Chair of Economics, CSUB

The CSUB compiles the quarterly consumer sentiment data from telephone interviews of a random sample of households in order to help local private and public managers make more informed decisions given consumer perceptions. Index values above 100 indicate optimism, while values below 100 suggest pessimism.

Reviewing the data from 1999 when the CSUB began measuring local consumer sentiment to the present, our confidence level has been lower only 12 percent of the time. This exactly mirrors national trends. The University of Michigan's national index of consumer sentiment is at a level that has been lower just 13 percent of the time since the beginning of 1999.

The Bakersfield Consumer Sentiment Index fell into the pessimistic range during the recessions of 2001 and 2008-2009 and continued into 2010. Consumers stayed optimistic in expansionary years of 1999-2000 and 2002-2007. Our latest data from the fourth quarter of 2010 indicate that the index is, perhaps, on a rebounding trend with continued recovery of the national economy.



ECONOMY AT A GLANCE!

ABBAS P. GRAMMY

PROFESSOR OF ECONOMICS, CSUB

National Economy

Real Gross Domestic Product (GDP) increased at an annual rate of 3.2 percent in the fourth quarter of 2010, according to the "advance" estimate released by the Bureau of Economic Analysis. In the third quarter, real GDP increased 2.6 percent. The increase in real GDP primarily reflected positive contributions from personal consumption expenditures, net exports, and nonresidential fixed investment. These contributions were partly offset by negative effects of private inventory investment.

State Economy

In California, the unemployment rate remained unchanged at 12.4 percent. In the major metropolitan areas of the state, San Francisco (8.7 percent), Santa Ana (8.9 percent), San Diego (10.1 percent), San Jose (10.7 percent), and Oakland (10.9 percent) had rates below the state average. Whereas Sacramento (12.5 percent), Los Angeles-Long Beach (12.7 percent), Riverside (13.9 percent), and Fresno (17.2 percent) had above-average rates.

The state's civilian labor force shrunk by 19,800 and total employment declined by 24,100. Meanwhile, 4,300 more workers were unemployed. However, nonfarm industries were responsible for 33,000 more jobs and farming enterprises added 3500 jobs. Within the goods producing industries, mining and logging cut 600 jobs and construction slashed 3,800 jobs, but manufacturing added 3,600 jobs.

A wide range of services providing industries reduced employment: retail trade, transportation, warehousing and utilities, real estate and rental and leasing, arts, entertainment and recreation, information, and other services. In the meantime, several industries increased employment: wholesale trade, finance and insurance, professional and business services, educational services, health care and social assistance, and accommodation and food services. In the public sector, federal and local government agencies cut jobs, while state government agencies added jobs.

Local Economy

In Kern County, households continued to become less pessimistic about employment and financial conditions of their families and relatives as the *Consumer Sentiment Index* gained 1 point to reach 83. Conversely, businesses became less optimistic about their employment and fi-

nancial conditions as the *Business Outlook Index* dropped 12 points to reach 108.

In the meantime, the county's economy contracted at an annual rate of 2.0 percent. Kern's economy generated \$15.35 billion in personal income, \$70 million less than the previous quarter. The loss of personal income was aggravated by labor force growth. As a result, personal income per worker decreased by \$320 to reach \$40,450.

Labor market conditions improved in the fourth quarter of this year. Total employment increased by 1,100, which consisted of 3,170 more nonfarm jobs, but 730 fewer farm jobs and 1,340 fewer informal jobs. While private enterprises cut 260 paid positions, government agencies added 3,430 jobs.

A wide range of industries added jobs this quarter: retail trade, transportation, warehousing and utilities, educational services, health care and social services, and local public education. In contrast, several industries reduced employment: manufacturing, construction, leisure and hospitality, wholesale trade, professional and business services, federal government, and city and county government agencies.

When adjusted for seasonal variations, the rate of unemployment remained unchanged at 14.9 percent. Still below the county average, the rate of unemployment averaged 10.8 percent in Bakersfield, 12.2 percent in California City, 8.9 percent in Ridgecrest, and 9.8 percent in Tehachapi.

Housing market conditions continued to deteriorate. The county's median sales price for all residential units depreciated \$9,700 (or 7.4 percent) from \$131,700 to \$122,000. In Bakersfield, the median housing price depreciated \$4,700 (or 3.5 percent) from \$133,000 to \$128,300. In addition, the number of housing units sold increased slightly from 2,770 to 2,781 in Kern County and from 1,970 to 1,980 in Bakersfield.

The number of building permits issued for the construction of new privately-owned dwelling units declined from 365 to 355. The housing affordability indicator improved from 27.8 to 29.9 percent. The county's foreclosure activity improved as 643 fewer homeowners received notices of mortgage loan default and 466 fewer

(Continued on page 5)

KERN BUSINESS MANAGERS LESS OPTIMISTIC

ABBAS P. GRAMMY

PROFESSOR OF ECONOMICS, CSUB



Results of the survey of Business Outlook indicate that Kern County business managers are less optimistic about employment and business conditions. In the fourth quarter (October through December) of 2010, the *Business Outlook Index* fell 12 points. The index descended to 108 from 120. Relative to four quarters ago, the index was down 2 points.

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

To make an in-depth analysis of business confidence, we disaggregated the *Business Outlook Index* into two indices relating to recent and future business perceptions. Survey respondents expressed pessimistic perceptions about current business conditions. The *Current Conditions Index* dropped to 96 from 102. In the meantime, survey respondents became less optimistic about next quarter's employment and business conditions as the *Future Conditions Index* dropped to 112 from 116.

Employment Outlook:

Sixty-one percent of interviewees reported that the number of jobs in their companies stayed constant this quarter. However, 18 percent said more jobs were available in their companies and 21 percent reported reduced employment.

Likewise, 71 percent perceived that the number of jobs would stay constant next quarter, whereas 20 percent expected their companies to hire more workers. The remaining 9 percent anticipated a smaller workforce.

Financial Outlook:

Thirty-nine percent of survey respondents reported that the financial conditions (sales and profits) of their companies were constant this quarter, whereas 37 percent indicated increased sales and profits and 24 percent stated reduced sales and profits.

Similarly, 51 percent expected financial conditions of their companies would remain constant next quarter. However, 41 percent anticipated increased sales and profits and 8 percent predicted reduced sales and profits.

Industry Outlook:

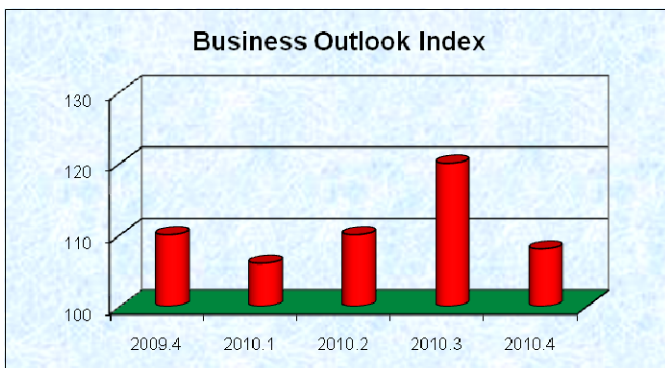
Fifty-four percent of survey respondents perceived that the employment and general business conditions of their industries remained the same as the previous quarter, while 17 percent felt these conditions improved and 29 percent indicated crumbling business conditions.

Fifty-six percent anticipated that the employment and general business conditions of their industries would stay unchanged next quarter. Yet, 27 percent expected progress and 17 percent felt otherwise.

Economic Outlook:

When asked about Kern County's economy, 52 percent of interviewees perceived no change this quarter. Nevertheless, 17 percent felt conditions improved and 31 percent said conditions worsened.

(Continued on page 13)



	Current Quarter	Previous Quarter	Four Quarters Ago
Business Outlook Index	108	120	110
Current Conditions Index	96	102	107
Future Conditions Index	112	116	112

BAKERSFIELD CONSUMER SENTIMENT UNCHANGED AT YEAR'S END

MARK EVANS

ASSOCIATE DEAN, SCHOOL OF BUSINESS & PUBLIC ADMINISTRATION
PROFESSOR AND CHAIR OF ECONOMICS, CSUB



Bakersfield's Index of Consumer Sentiment barely moved in the fourth quarter of 2010, increasing to 83 from 82 in the third quarter. The local index has tracked the national economy, fluctuating at a moribund level for all twelve quarters since the national economy peaked in December 2007. Nationally, the University of Michigan's consumer sentiment index inched forward to an average value of 71 after averaging 68 in the third quarter.

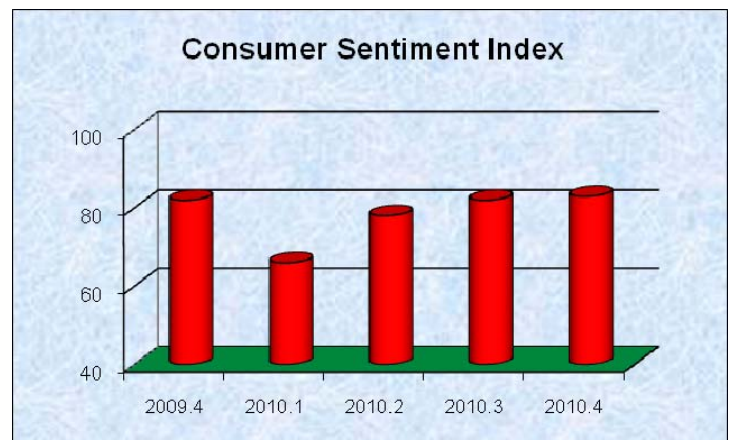
Although the Bakersfield index is conceptually similar to the University of Michigan's national index of consumer sentiment, their magnitudes cannot be directly compared. They have different base years and are tabulated from different questions using different formulas. However, the performance of both indexes relative to their historical levels has been similar since the financial collapse. Both are mired at a level that has been exceeded historically almost 90 percent of the time.

CSUB compiles the Bakersfield index from telephone interviews of a random sample of households in order to help local decision makers compare national and local trends. The Bakersfield index is disaggregated into sub-indexes reflecting financial outcomes over the previous 12 months and expectations for the coming year. Both sub-indexes were essentially unchanged.

The sub-index measuring recent financial trends increased from 78 in the third quarter to 79 in the fourth quarter. As Table 2 indicates, the percent of respondents spending less than usual on discretionary items was more than double the percent spending more than usual for this time of year. However, the survey was completed before Thanksgiving and holiday shopping made a solid recovery from last year. Perhaps actual situations are improving more than chitchat would suggest. Almost one-in-five reported their families were better off than one year ago, while only one-in-fourteen thought their acquaintances were better off. Only one-quarter of respondents reported that they were worse off than a year ago, while nearly one-half thought their acquaintances were worse off.

The sub-index reflecting expectations for the coming year increased from 86 to 87. The percent of respondents expecting their financial situation to improve over the coming year exceeds those who expect it to worsen (38 versus 23 percent). However, it appears spending will continue to be restrained in favor of rebuilding balance sheets -- only 14 percent indicated this is a safe time to use savings or incur debt, while 61 percent think this is not the time to incur debt and reduce liquidity.

Most of the national data released in December after Bakersfield households were surveyed showed improvement, the exception being housing prices. The four-week moving average of initial unemployment claims stood at 414,000 at year's end, compared to 443,500 in mid-November. The Institute for Supply Management's manufacturing and nonmanufacturing indexes both stood at 57 in December. Readings above 50 suggest expansion. As 2010 wound down, the double dip recession that seemed plausible around mid-year now appears unlikely. The Fed reported in December that the net worth of households and nonprofits increased by \$1.2 trillion in the third quarter, recovering most of the \$1.4 million that was destroyed in the second quarter. Household debt service, which peaked at 14.0 percent of disposable income in the third quarter of 2007, decreased from 12.1 to 11.9 percent in the third quarter. Real GDP increased by 2.6 percent in the third quarter compared to



(Continued on page 5)

1.7 percent in the second quarter. Forecasters have been revising growth forecasts for 2011 upward to the 3.0-to-3.5 percent range after passage of the tax cut compro

mise in December. I would not be surprised if the first quarter of 2011 registered a solid increase in consumer sentiment.

Table 1: Index Values			
	Most Recent Quarter	Previous Quarter	One Year Ago
Bakersfield Consumer Sentiment Index	83	82	82
Sub-index: Current Conditions	79	78	81
Sub-index: Future Expectations	87	86	83

Table 2: Recent Buying and Financial Trends			
	More than usual	Same as usual	Less than usual
Your recent spending on discretionary items (dining out, weekend outings, entertainment).	15 %	52 %	33 %
	Better off	Same	Worse off
How your family is doing financially compared to one year ago.	19 %	54 %	27 %
How your acquaintances in Kern County are doing financially compared to one year ago.	7 %	48 %	45 %

Table 3: Future Expectations			
	Better or more stable	About the same	Worse or more risky
The most likely financial situation of your family one year from now	38 %	39 %	23 %
	Optimistic	Neutral	Fearful
How your acquaintances in Kern County view the coming year.	26 %	42 %	32 %
	Safe time to buy	Neutral response	Risky time to buy
Is now a safe or risky time for most people to use savings or incur debt to buy expensive goods?	14 %	25 %	61 %

At a Glance (Continued from page 2)

homeowners lost their homes to foreclosure.

In commodity markets, the average price of San Joaquin Valley heavy crude increased 13.7 percent from \$69.79 to \$79.34 per barrel. In the Bakersfield metropolitan area, the average retail price of regular gasoline increased 7.2 percent from \$2.91 to \$3.12 per gallon. The unit price of California’s Class III milk edged up 2.3 percent from \$15.06 to \$15.40. The index of prices farmers received for their outputs rose 12 point to reach 158, while the index of prices farmers paid for their inputs inclined 6 points to arrive at 188. As a result, the parity between output prices farmers received and input prices farmers paid widened 4 points to reach 84.

The composite price index (2009.4=100) of the top five locally traded stocks increased 3.5 points from 97.3 to 100.8. In the fourth quarter of this year, the average stock prices inclined for Chevron Corporation U.S., Tejon Ranch Company, Wells Fargo Company, and Granite Construction, but declined for Sierra Bancorp.

TRACKING KERN'S ECONOMY¹

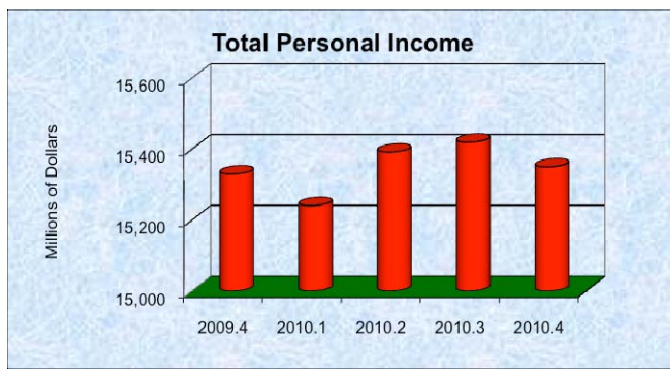
2010 FOURTH QUARTER

ABBAS P. GRAMMY

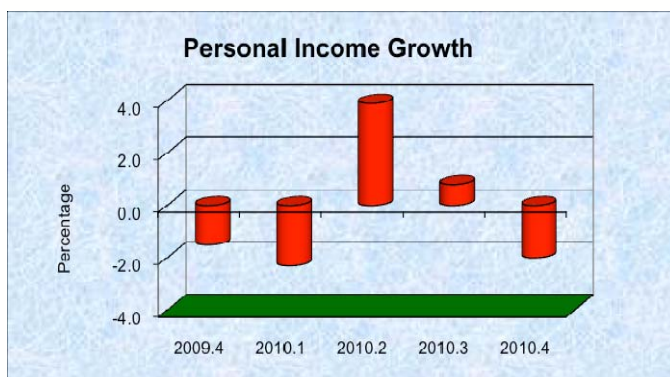
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Economy

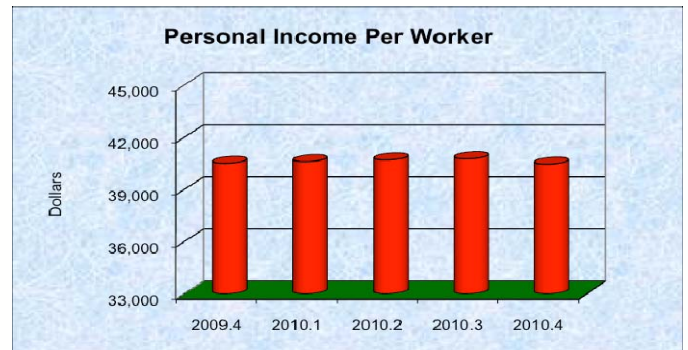
Personal Income - Kern County's total personal income (in constant 1996 dollars and adjusted for seasonal variations) declined \$70 million from \$15.42 billion in the third quarter to \$15.35 billion in the fourth quarter of 2010. Declining housing prices and loss of residential property to foreclosure largely offset the rise in employment income. However, this quarter's total personal income was \$20 million higher than that of four quarters ago.



Growth of Personal Income - The loss of \$70 million of personal income translated into a negative annualized growth rate of 2.0 percent in the fourth quarter of 2010. Kern's economy grew 0.8 percent in the previous quarter and -1.5 percent four quarters ago.



Personal Income Per Worker - Reduced total personal income was aggravated by labor force growth. As a result, personal income per worker decreased \$320 from \$40,770 in the third quarter to \$40,450 in the fourth quarter of 2010. Similarly, personal income per worker was \$50 less than that of four quarters ago.



Labor Market

We adjust published data in three ways. Firstly, we averaged monthly data to calculate quarterly data. Secondly, we recalculated quarterly data to take into account workers employed in the "informal" market (i.e., self-employed labor and those who work outside their county of residence). Finally, we adjusted quarterly data for the effects of seasonal variations.

Labor Force - The civilian labor force increased by 1,300 members from 378,210 in the third quarter to 379,510 in the fourth quarter of 2010. Likewise, 1,110 more workers were available for work relative to the fourth quarter of 2009.



Employment - In the fourth quarter of 2010, Kern County's economy added 1,100 jobs as total employment increased from 321,810 to 322,910. However, the county employed 490 fewer workers this quarter relative to the fourth quarter of last year.

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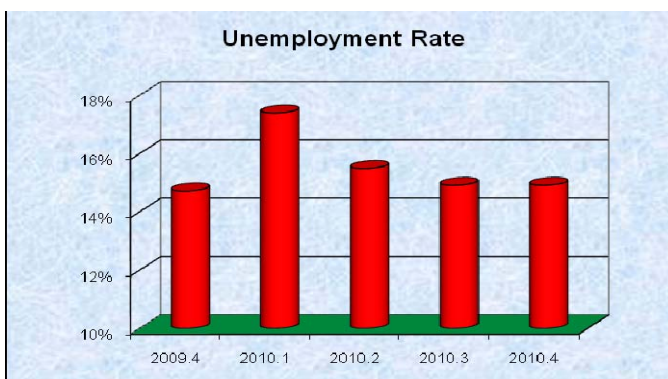
¹Source - Online databases: labormarketinfo.edd.ca.gov, bakersfieldgasprices.com, dqnews.com, economagic.com, bea.gov, bls.com, gpoaccess.gov, dairy.nu, msn.com, census.gov, kerndata.com, and bry.com



Unemployment - The number of jobless workers increased by 200 as unemployment climbed from 56,400 in the third quarter to 56,600 in the fourth quarter of 2010. Likewise, 900 more workers were unemployed this quarter than four quarters ago.



Unemployment Rate - The rate of unemployment remained constant at 14.9 percent in the fourth quarter of 2010. Similarly, there was no change in this quarter's unemployment rate relative to that of four quarters ago.



The rate of unemployment varied considerably across cities. Among cities shown below, the unemployment rate ranged between 8.9 percent in Ridgecrest and 38.1 percent in Arvin. In Bakersfield, the rate of unemployment was 10.8 percent.

Location	Unemployment Rate (%)	Location	Unemployment Rate (%)
Ridgecrest	8.9	Mojave	17.1
Tehachapi	9.8	Lake Isabella	18.0
Bakersfield	10.8	Shafter	26.6
California City	12.2	Lamont	26.7
Rosamond	12.8	Wasco	27.6
Frazier Park	13.5	McFarland	30.7
Taft	15.1	Delano	36.8
Oildale	16.2	Arvin	38.1

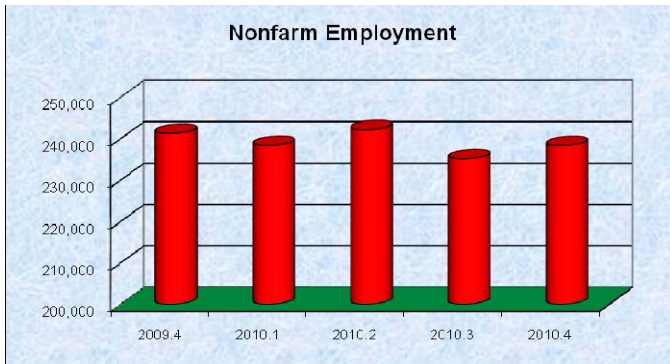
Note: City-level data are not adjusted for seasonality and "informal" market workers.

Farm Employment - In the fourth quarter of 2010, Kern County employed 730 fewer farm workers. Farm employment decreased from 47,500 to 46,770. Likewise, the farming industry hired 4,130 fewer workers this quarter than four quarters ago.

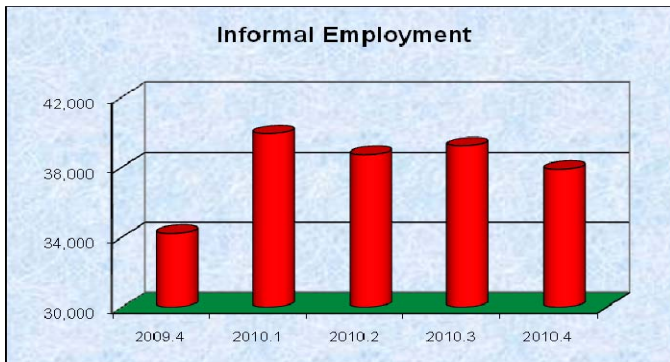


Nonfarm Employment - Local nonfarm industries employed 3,170 more workers this quarter. The number of nonfarm jobs increased from 235,100 in the third quarter to 238,270 in the fourth quarter of 2010. Nevertheless, nonfarm industries employed 2,930 fewer workers this quarter than four quarters ago.

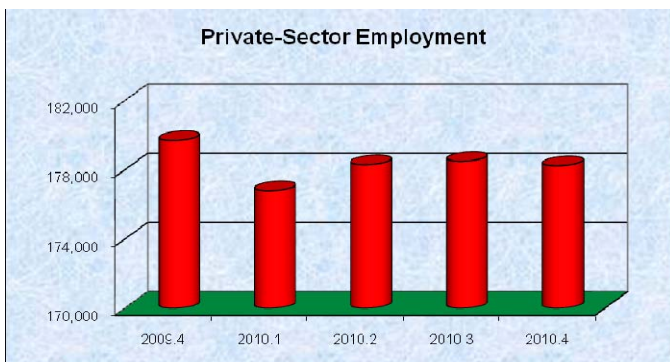
A wide range of industries added jobs this quarter: retail trade, transportation, warehousing and utilities, educational services, health care and social services, and local public education. In contrast, several industries reduced employment: manufacturing, construction, leisure and hospitality, wholesale trade, professional and business services, federal government, and city and county government agencies.



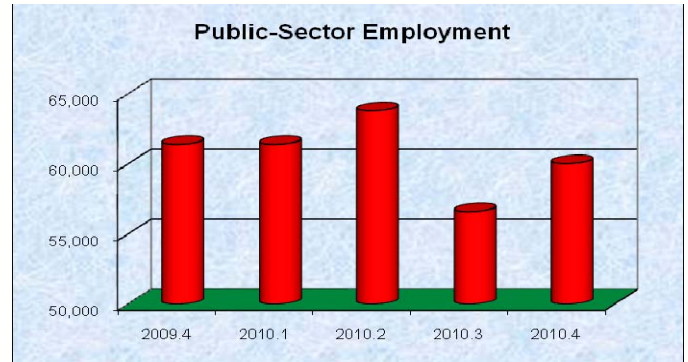
Informal Employment - Informal employment is the difference between total employment and industry employment. It accounts for self-employed workers and those who work outside their county of residence. In the fourth quarter of 2010, the number of informal workers decreased by 1,340 from 39,210 to 37,870. In contrast, the informal labor market offered 3,660 more jobs this quarter relative to the fourth quarter of last year.



Private-sector Employment - Nonfarm employment is comprised of private-sector employment and public-sector employment. In the fourth quarter of 2010, private companies cut 260 jobs as their employment decreased from 178,500 to 178,240. Relative to four quarters ago, the private sector offered 1,460 fewer jobs.



Public-sector Employment - The public sector consists of federal, state, and local government agencies. The local government labor market includes county and city agencies and public education. In the fourth quarter of 2010, employment in government agencies inclined by 3,430 from 56,600 to 60,030. However, the public sector employed 1,370 fewer workers this quarter relative to four quarters ago.



Housing Market

Housing Price - In the fourth quarter of 2010, Kern County's housing market conditions continued to deteriorate. The median sales price for all residential units depreciated \$9,700 (or 7.4 percent) from \$131,700 to \$122,000. Similarly, the county's median housing price was \$12,300 (or 9.2 percent) lower than that of four quarters ago.



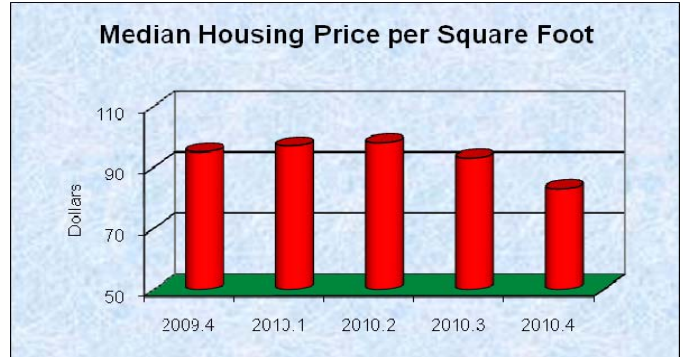
In Bakersfield, the median housing price depreciated \$4,700 (or 3.5 percent) from \$133,000 to \$128,300. Likewise, the city's median housing price was \$11,200 (or 8.0 percent) lower than that of four quarters ago.

Housing price changes varied across the county. Among selected locations shown below, the median sales price depreciated in Bakersfield, California City, Delano, Ridgecrest, and Tehachapi. The median housing price appreciated Rosamond, and Taft.

(Continued on page 9)



Location	Median Price 2010.3	Median Price 2010.4	Price Change 2010.3-2010.4	Price Change 2010.3-2010.4
Kern County	\$130,000	\$122,000	-\$9,700	-7.4
Bakersfield	\$133,000	\$128,300	-\$4,700	-3.5
California City	\$61,750	\$61,300	-\$450	-0.7
Delano	\$126,200	\$118,950	-\$7,250	-5.7
Ridgecrest	\$158,300	\$155,000	-\$3,300	-2.1
Rosamond	\$103,800	\$116,800	\$13,000	12.5
Taft	\$46,400	\$68,800	\$22,400	48.3
Tehachapi	\$181,200	\$162,000	-\$19,200	-10.6



Housing Sales - In Kern County, 11 more homes were sold as total sales increased from 2,770 in the third quarter to 2,781 in the fourth quarter of 2010. However, 490 fewer units were sold this quarter relative to the fourth quarter of last year.

New Building Permits - In the fourth quarter of 2010, the number of building permits issued for the construction of new privately-owned dwelling units declined by 10 from 365 to 355. Similarly, 3 fewer building permits were issued this quarter relative to four quarters ago.



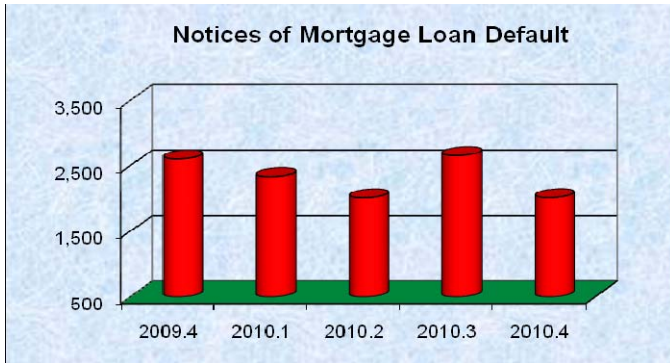
In Bakersfield, 10 more homes were sold as sales of residential units rose from 1,970 in the third quarter to 1,980 in the fourth quarter of 2010. Nevertheless, sales were down by 315 units this quarter relative to the fourth quarter of last year.

Mortgage Interest Rate - In the fourth quarter of 2010, the interest rate of thirty-year conventional mortgage loans decreased from 4.44 to 4.41 percent. Four quarters ago, mortgage loan interest rate was 4.92 percent.

Median Housing Price per Square Foot - The median sales price per square foot of housing area declined \$10 from \$93 in the third quarter to \$83 in the fourth quarter of 2010. Likewise, the median housing price per square foot has gone down \$12 since the fourth quarter of last year.



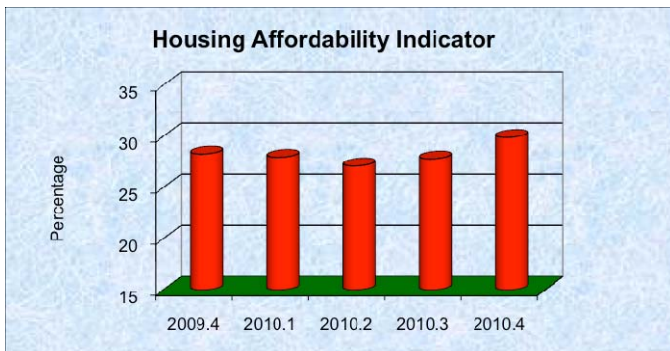
Housing Foreclosure Activity - In the fourth quarter of 2010, the county's foreclosure activity slowed from 2,654 to 2,211. As a result, 643 (or 24.2 percent) fewer homeowners received notices of loan default from their mortgage bankers. Likewise, the number of default notices has gone down by 591 (or 22.7 percent) since the fourth quarter of last year.



Sixty-four percent of homeowners receiving default notices lost their homes to foreclosure. The number of homes lost to foreclosure declined from 1,752 in the third quarter to 1,286 in the fourth quarter of 2010. As a result, 466 (or 26.6 percent) fewer homes were lost to foreclosure. Similarly, 491 (or 27.6 percent) fewer homes were lost to foreclosure relative to the fourth quarter of 2009.



Housing Affordability - Median housing prices divided by median household income is a measure of housing affordability. The affordability indicator rose from 27.8 percent in the third quarter to 29.9 percent in the fourth quarter of 2010. The housing affordability indicator was 28.3 percent four quarters ago.

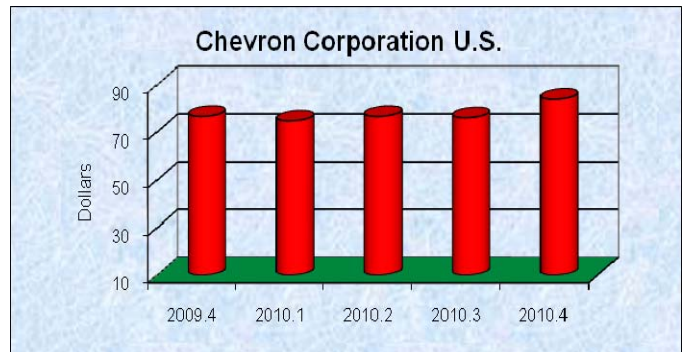


Stock Market

In the fourth quarter of 2010, the composite price index (2009.4 = 100) of the five publically traded companies doing business in Kern County increased 3.5 points from 97.3 to 100.8. The index was only 0.8 points higher than that of four quarters ago. Average "close" prices were measured for five local market-movers: Chevron Corporation U.S., Tejon Ranch Company, Granite Construction, Wells Fargo Company, and Sierra Bancorp.



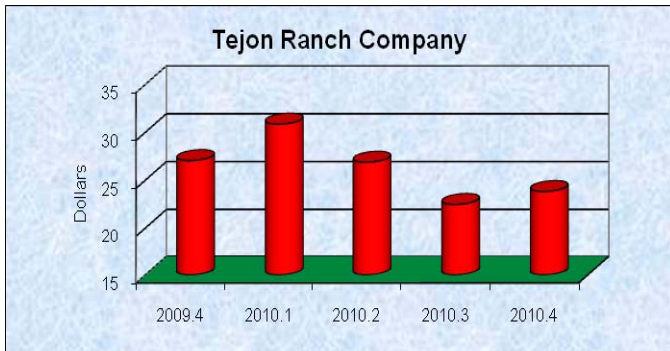
Chevron Corporation US - CVX gained \$7.95 (or 10.5 percent) per share as its price rose from \$75.99 in the third quarter to \$83.94 in the fourth quarter of 2010. Likewise, CVX has gained \$7.36 (or 9.6 percent) since the fourth quarter of 2009.



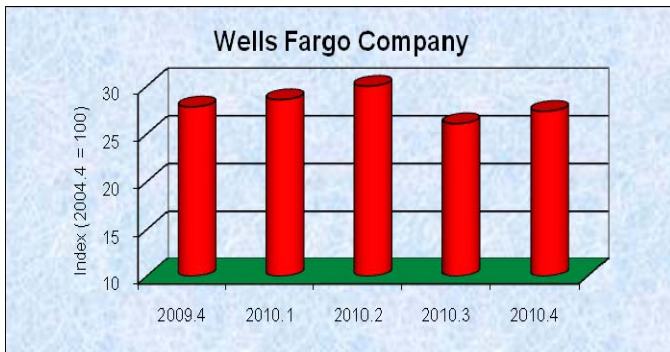
Tejon Ranch Company - TRC made \$1.35 (or 6.0 percent) per share as its stock price rose from \$22.48 in the third quarter to \$23.83 in the fourth quarter of 2010. However, TRC was down \$3.23 (or 11.9 percent) relative to the fourth quarter of 2009.

Granite Construction - GVA gained \$2.29 (or 9.9 percent) per share in the fourth quarter of 2010 as its stock price increased from \$23.11 to \$24.40 per share. Nonetheless, GVA has gone down \$5.10 (or 16.7 percent) since the fourth quarter of 2009.

(Continued on page 11)



Wells Fargo Company - WFC made \$1.29 (or 4.9 percent) per share as its stock price rose from \$26.08 in the third quarter to \$27.37 in the fourth quarter of 2010. Relative to one year ago, WFC was down 46¢ (or 1.7 percent).

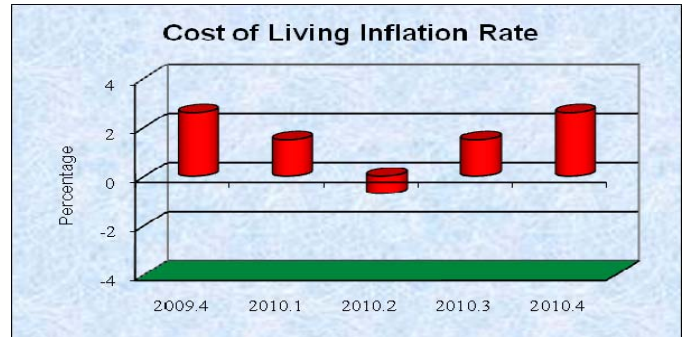


Sierra Bancorp - BSRR lost 86¢ (or 7.3 percent) per share as its price declined from \$11.76 in the third quarter to \$10.90 in the fourth quarter of 2010. However, BSRR has gone up \$2.17 (or 24.9 percent) since the fourth quarter of 2009.



Inflation

Cost of Living - The Consumer Price Index for all urban areas (1982-84 = 100) inclined from 218.0 in the third quarter to 219.4 in the fourth quarter of 2010. As a result, inflation for the cost of living accelerated at an annual rate of 2.6 percent. The cost of living inflation rate was 1.5 percent last quarter and 2.6 percent four quarters ago.



Cost of Producing - The Producer Price Index for all commodities (1996 = 100) climbed from 184.6 in the third quarter to 188.2 in the fourth quarter of 2010. The inflation rate for the cost of producing accelerated at a rapid annualized rate of 7.9 percent. The cost of producing inflation rate was 0.7 percent last quarter and 7.6 percent four quarters ago.



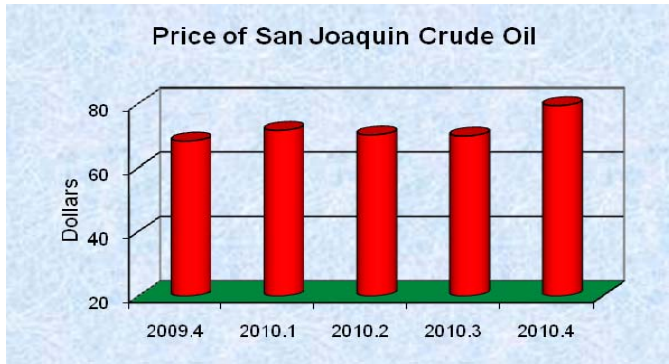
Cost of Employment - The Cost of Employment Index (December 2005 = 100) increased from 112.8 in the third quarter to 113.3 in the fourth quarter of 2010. The cost of employment inclined at an annual rate of 2.0 percent, 0.4 percent higher than that of the previous quarter and 0.6 percent more than that of four quarters ago.



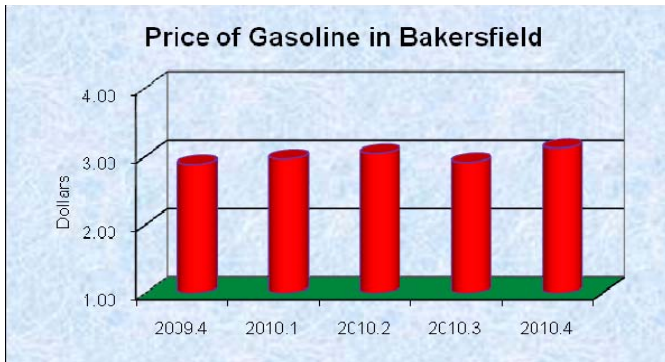
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Commodity Prices

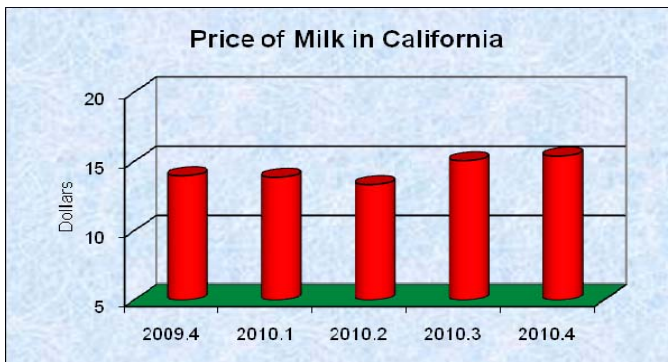
Price of Oil - The average price of San Joaquin Valley heavy crude increased \$11.15 (or 13.7 percent) per barrel from \$69.79 in the third quarter to \$79.34 in the fourth quarter of 2010. Likewise, the average price of crude oil was up \$9.55 (or 13.7 percent) per barrel relative to the fourth quarter of 2009.



Price of Gasoline - In the Bakersfield metropolitan area, the average retail price of regular gasoline increased 21¢ (or 7.2 percent) per gallon from \$2.91 in the third quarter to \$3.12 in the fourth quarter of 2010. Compared with the fourth quarter of last year, the average gasoline price was up 24¢ (or 8.3 percent).



Price of Milk - The unit price of California’s Class III milk increased 34¢ (or 2.3 percent) from \$15.06 in the third quarter to \$15.40 in the fourth quarter of 2010. Likewise, the unit price of milk has gone up \$1.44 (or 10.3 percent) since the fourth quarter of 2009.



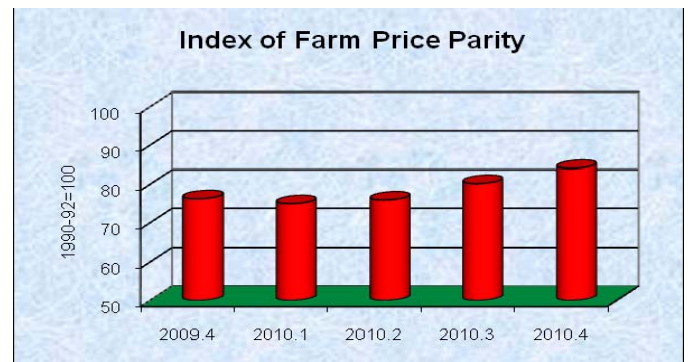
Farm Prices - In the fourth quarter of 2010, the national Index of Prices Received by Farmers for all farm products (1990-92 = 100) climbed 12 points to arrive at 158. Likewise, the index was 23 points higher than that of four quarters ago.



The national Index of Prices Paid by Farmers for commodities, services, interest, taxes, wages, and rents climbed 6 point to reach 188. Similarly, the index value was 11 points higher than that of four quarters ago.



We measure the Index of Farm Price Parity as the ratio Index of Prices Received to the Index of Prices Paid. In the fourth quarter of 2010, the gap between prices paid and prices received narrowed as Index of Farm Price Parity widened to 84 from 80. Likewise, the gap between prices farmers paid and prices farmers received expanded 8 points since the fourth quarter of 2009.



Likewise, 58 percent felt that economic conditions would remain unchanged next quarter. However, 30 percent anticipated the economy would get better and 12 percent said conditions are likely to get worse.

Factors Affecting Business Outlook:

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

- Increased sales during the holiday season
- Low interest rate
- High oil prices

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

- Slow economy and high unemployment
- People not investing enough money in the local economy
- Tight business credit

Question	Response		
	Better	Same	Worse
Employment in your company this quarter was	18%	61%	21%
Employment in your company next quarter will be	20%	71%	9%
Financial condition (sales or profits) of your company this quarter was	37%	39%	24%
Financial condition (sales or profits) of your company next quarter will be	41%	51%	8%
Employment and general business conditions in your industry this quarter were	17%	54%	29%
Employment and general business conditions in your industry next quarter will be	27%	56%	17%
Employment and general business conditions in Kern County this quarter were	17%	52%	31%
Employment and general business conditions in Kern County next quarter will be	30%	58%	12%

Econ Brief!

Small Businesses Support Kern Economy

David Layman
 City of Bakersfield
 Economic and Community Development Department

According to the U.S. Census Bureau, New York City leads all metropolitan areas in the nation with 526,063 small businesses. The runners-up are Los Angeles-Long Beach (331,479), Chicago (235,700), Miami-Fort Lauderdale (170,762), and Philadelphia (144,593).

The U.S. Census Bureau counted 12,416 private-sector businesses and 187,461 private-sector employees in Kern County in 2008, the latest year for which official statistics are available. Almost 98 percent of these companies - a total of 12,136 - were small enterprises (i.e., those with 1-99 employees). In addition, Kern County was credited with 271 medium-sized businesses (i.e., those with 100-999 employees) and 9 large companies (i.e., those with 1,000 or more employees). To support all employees, local businesses provided \$7.1 billion in annual payroll.

Sources:
 Business First, January 7, 2011
 U.S. Census Bureau data

Indicators	Bakersfield Metropolitan Area
Number of Businesses	12,416
Private-sector employees	187,461
Annual payroll	\$7,091,539,000
Small businesses (1-99 employees)	12,136
Medium businesses (100-999 businesses)	271
Large businesses (1,000 or more employees)	9

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