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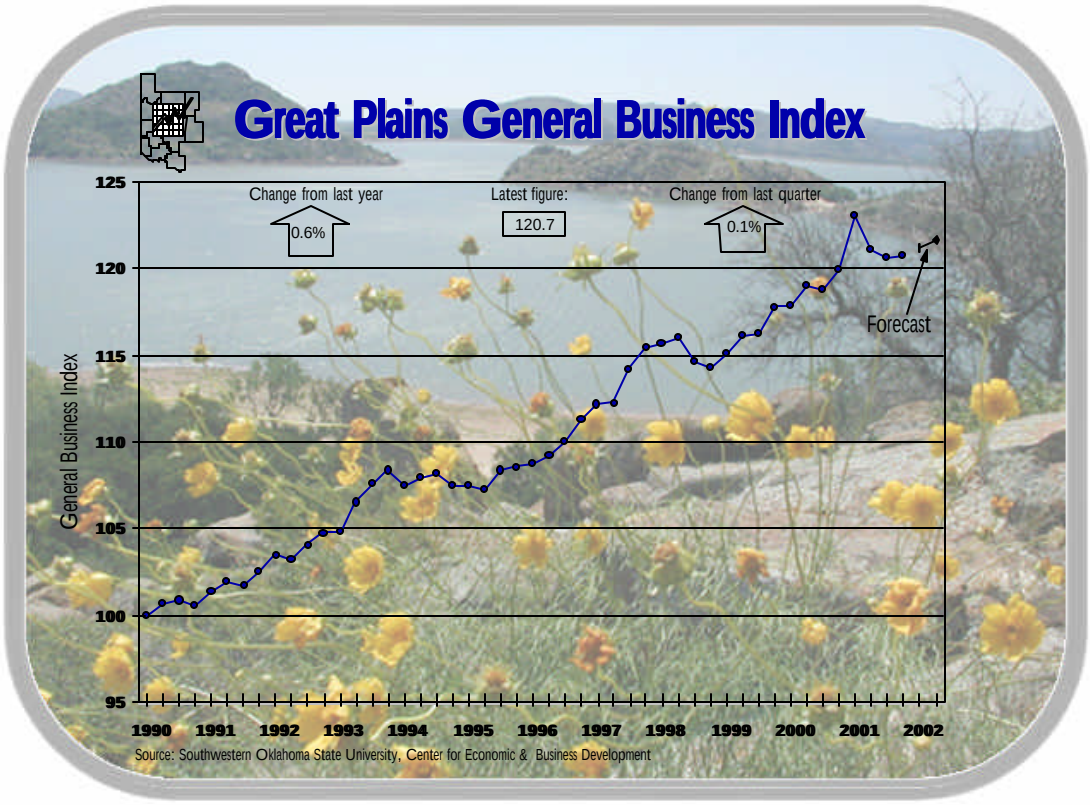
We are excited to announce two significant revisions being made to the *Great Plains General Business Index*. These changes reflect work being performed by the Center for Economic & Business Development on biomass issues. Specifically, we are updating the focus and content of the 'Energy' and 'Agriculture' sections to inform and educate our readers regarding biomass issues.

Previously, whereas the 'Energy' section solely covered oil and gas topics in southwest & west central Oklahoma, the updated section will cover bioenergy topics in addition to a continued coverage of oil and gas topics. Oil & Gas topics are and will remain important aspects to the economy, but bioenergy will become an increasingly important topic globally, nationally, and regionally. Similarly, the 'Agriculture' section will be updated to include biomass topics in addition to the regularly covered price and production topics.

The two new updated sections will be called 'Energy/Bioenergy' and 'Agriculture/Biomass' respectively, and their content in this quarter's issue will relate the economic, environmental, and demographic importance of developing biomass/bioenergy markets not only for the well-being of the agricultural producers, but also for the survival of rural western Oklahoma. By introducing and covering these topics now in the *Great Plains General Business Index*, we hope to keep our readers well-informed about bioenergy and biomass issues.

Turning to the regional economy, we forecasted a 0.5% growth rate in the *Great Plains General Business Index* between 3rd Qtr 2001 and 4th Qtr 2001 in our previous issue . Actual growth turned out to be slightly less than forecasted growth since the regional economy posted only a 0.1% growth rate over the two most recent quarters. Lower than expected non-agricultural employment growth and a decrease in the region's taxable sales were the primary culprits for the difference between forecasted growth and actual growth. Using statistical regression, our forecast for the regional economy is that it will post a 0.4% growth rate between 4th Qtr 2001 and 1st Qtr 2002.

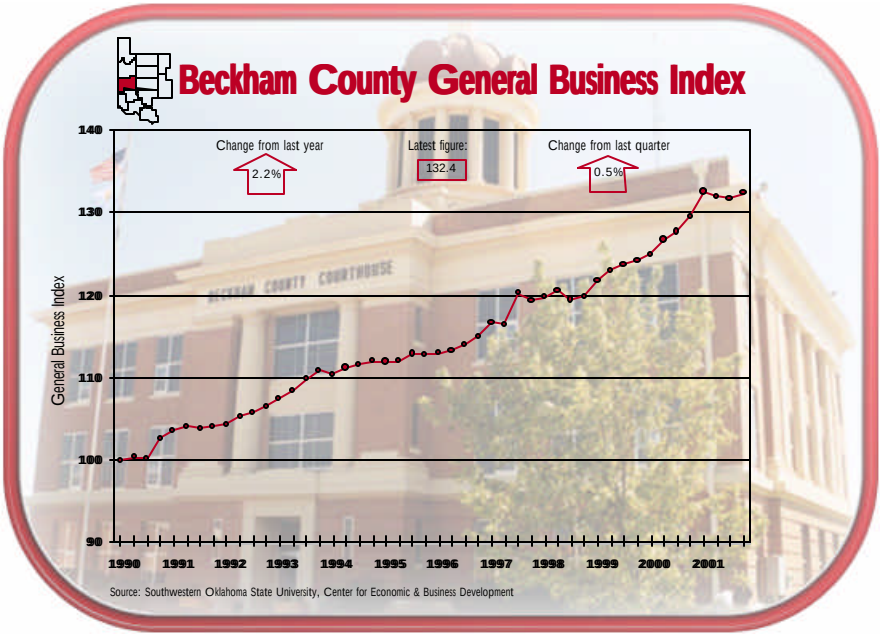


by: Jon Chiappe Questions and/or comments may be directed to chiappj@swosu.edu

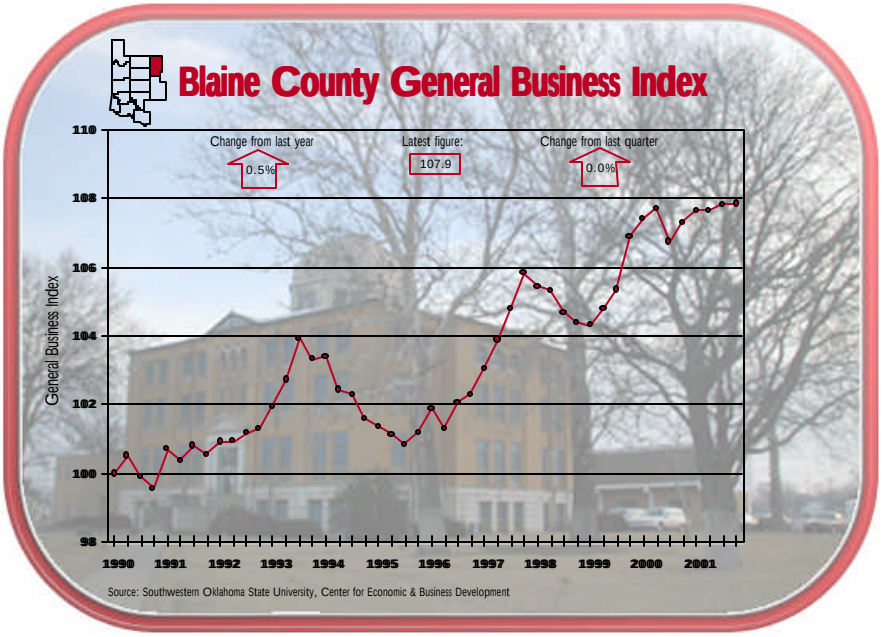
Beckham County

Beckham county's General Business Index posted a 0.5% quarterly gain over the two most recent quarters for which data is available. This most recent quarterly gain occurs after the county suffered two consecutive quarterly losses leading up to 4th Qtr 2001. However, despite this quarterly gain, Beckham county's index finished the year slightly lower than it began the year. Through the course of 2001, Beckham county's index fell 0.2%.

On a positive note, Beckham county posted a 2.2% yearly gain between 4th Qtr 2000 and 4th Qtr 2001. Contributing to this yearly gain, Beckham county's taxable sales increased 5.0%, or $1.422 million, between 4th Qtr 2000 and 4th Qtr 2001. Another important factor playing a role in the yearly performance of the county's index was a substantial 45.7% decrease in Bank Prime interest rates. Lower interest rates are intended to stimulate investment and spending.



Returning to the 0.5% quarterly gain, lower interest rates combined with higher taxable sales and earnings to counter lower non-agricultural employment in Beckham county to produce the quarterly index gain. Six of the county's eight non-ag sectors experienced employment losses totaling 180 jobs between 3rd Qtr 2001 and 4th Qtr 2001. Employment gains in the county's Government and Mining sectors reduced the county's total employment loss to 69 jobs, which represents a 1.0% quarterly percentage decrease. A quarterly 1.0%, or $286,000 taxable sales increase countered employment's effects upon the county and an 8.9% gain in the county's earnings permitted positive growth for the county's index.



Blaine County

Blaine county's General Business Index posted an increase, although a slight one, between 3rd Qtr 2001 and 4th Qtr 001. Rounded to one decimal place, the quarterly percentage change in the county's index equals 0.0%, however, when rounded to two decimal places the quarterly percentage change equals 0.04%. This slight quarterly growth has permitted the county's index to continue a string of positive quarterly growth dating to 3rd Qtr 2000.

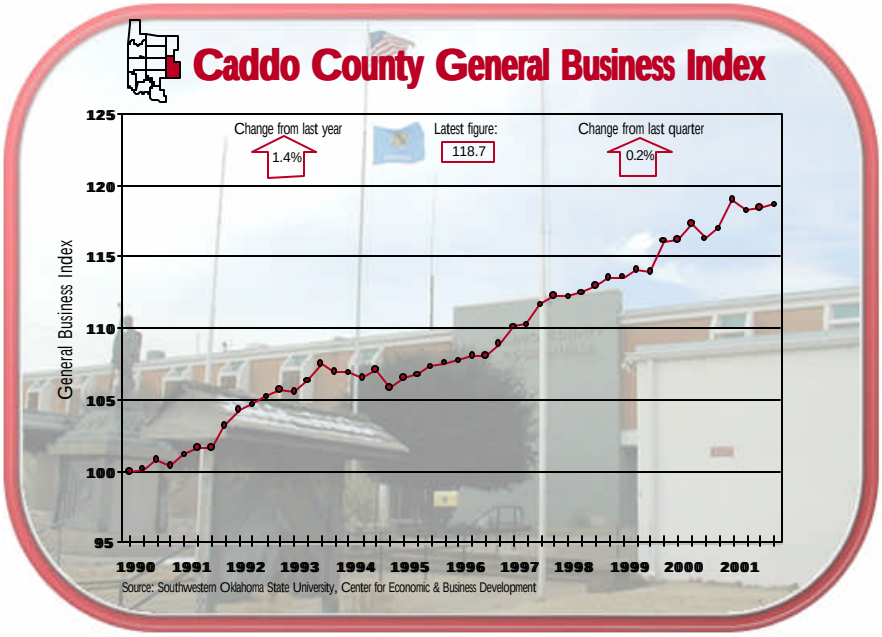
Since 3rd Qtr 2000, Blaine county's index has climbed to its highest point with five consecutive quarterly increases and a total percentage change of 1.1%. Between 4th Qtr 2000 and 4th Qtr 2001

Blaine county's index has increased 0.5%. This means that more than half of Blaine county's growth between 3rd Qtr 2000 and 4th Qtr 2001 occurred between 3rd Qtr 2000 and 4th Qtr 2000.

The cumulative positive effects of lower interest rates, higher employment and earnings were all but negated by the cumulative negative effects of lower taxable sales and energy and commodity prices between 3rd Qtr 2001 and 4th Qtr 2001. Blaine county's earnings increased 1.1%, while the county's non-ag employment increased 3.9% over the two most recent quarters. Blaine county's taxable sales decreased 3.6%, or by $238,000 between 3rd Qtr 2001 and 4th Qtr 2001.

Caddo County

Caddo county's General Business Index posted a 0.2% quarterly gain and also managed its second consecutive quarterly gain. Unfortunately, similar to Beckham county, Caddo county's index still finished the year lower than it began the year. A 0.6% quarterly loss between 1st Qtr 2001 and 2nd Qtr 2001 proved to be too much to regain by the end of the year for the county's index. On a more positive note, the most recent quarterly gain permitted Caddo county's index to achieve its second-highest point in 4th Qtr 2001.

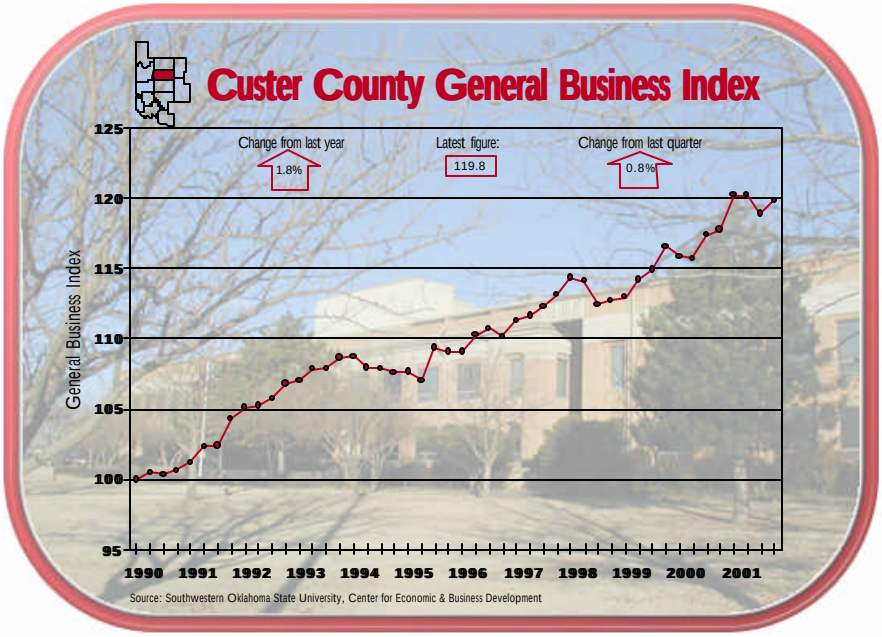


Lower interest rates and strong quarterly growth in the county's earnings (6.5%) and non-ag employment (5.3% or 367 jobs) contributed to the quarterly increase in the county's index. However, several factors prevented these positive influences from impacting the county's index more substantially. With Caddo county being one of the top agricultural producing counties in the state of Oklahoma, lower agricultural commodity prices and lower taxable sales, which decreased 2.6%, had negative influences upon the county's index and reduced overall growth to 0.2% in Caddo county.

With the help of higher employment, lower interest rates and higher taxable sales, Caddo county's index grew 1.4% between 4th Qtr 2000 and 4th Qtr 2001. From the previous year, total non-ag employment increased 0.5%, or by 36 jobs, and taxable sales increased 1.1%, or by $179,000.

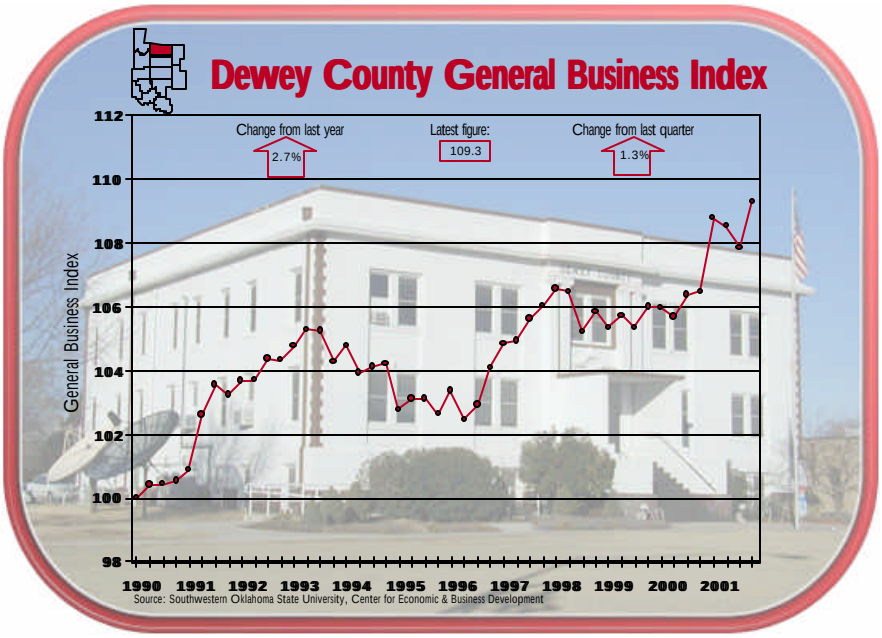
Custer County

After suffering a 1.1% quarterly loss between 2nd Qtr 2001 and 3rd Qtr 2001, Custer county's General Business Index rebounded with a 0.8% quarterly gain between 3rd Qtr 2001 and 4th Qtr



2001. As was witnessed in Beckham and Caddo counties, Custer county's index also ended the year lower than when it began the year. The last year in which this occurred in Custer county happened in 1998. However, despite finishing the year at a lower point than when it began, Custer county's index managed a 1.8% gain between 4th Qtr 2000 and 4th Qtr 2001.

Focusing on the quarterly gain in the county's index, lower interest rates, higher non-agricultural employment and higher earnings each positively impacted Custer county's economy. Custer county's earnings increased 2.9%, and with significant help from the Government sector, total non-agricultural employment increase 6.9%, or by 678 jobs, between 3rd Qtr 2001 and 4th Qtr 2001. Four of the county's eight non-ag sectors posted employment gains totaling 741 jobs, and the county's Government sector accounted for 581 of those jobs. The remaining four non-ag sectors suffered employment losses totaling 63 jobs.



Muting the positive effects of the aforementioned variables upon Custer county's index were lower agricultural and energy commodity prices and lower taxable sales. Custer county's taxable sales decreased 2.7%, or by $899,000 between 3rd Qtr 2001 and 4th Qtr 2001.

Dewey County

Unlike three of the region's largest counties, Dewey county's General Business Index finished the year at a higher point than it began the year. A strong 1.3% quarterly growth rate between 3rd Qtr 2001 and 4th Qtr 2001 erased a 0.8% combined loss in the county's index between 1st Qtr 2001 and 3rd Qtr 2001. The most recent quarterly growth rate resulted in 0.5% total growth for 2001 in Dewey county.

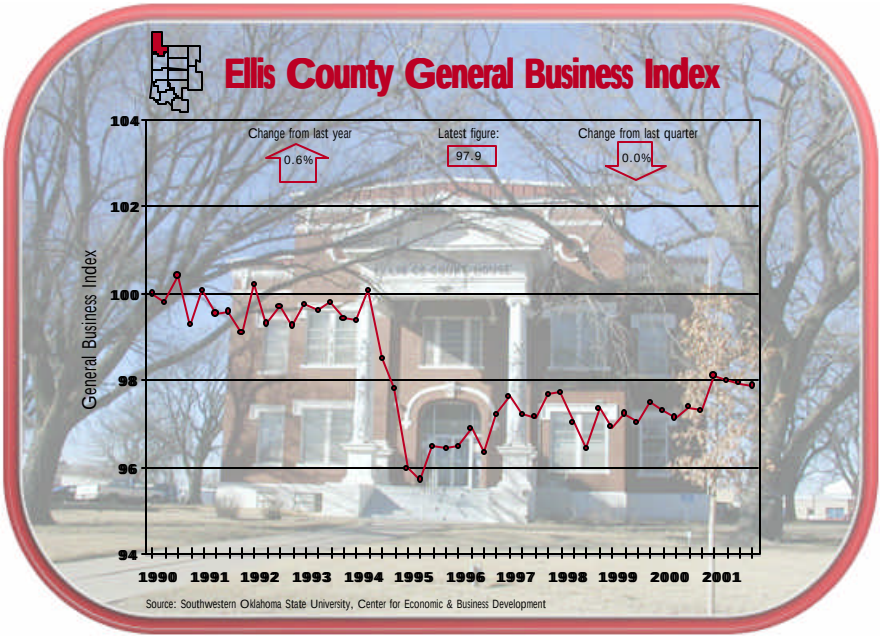
Compared to the previous year, the growth is even more impressive with a 2.7% gain in the county's index. Each of the county's three county specific variables contributed to the yearly growth. Although Dewey county's non-agricultural employment managed only a 0.7%, or 8 jobs, yearly growth, the county's taxable sales (up 7.2% or $172,000) and earnings (up 10.1%) variables contributed more substantially to the overall growth in the county's economy. As with every other county's index, lower commodity prices had a negative impact upon the county's economy.

As with the yearly growth, quarterly growth in the county's index is largely attributable to growth in each of the county's three county specific variables. Dewey county's taxable sales increased 2.3%, or by $58,000, between 3rd Qtr 2001 and 4th Qtr 2001 while the county's non-agricultural employment managed a 1.2%, or 13 jobs, gain during the same time period. Of the three county specific variables, Dewey county's earnings posted the greatest quarterly gain at 18.2%, and this variable contributed the greatest to the county's strong quarterly growth. Lower commodity prices prevented further quarterly growth in Dewy county.

Ellis County

After performing remarkably well in 1st Qtr 2001, Ellis county's General Business Index appears to have hit a plateau. Ellis county's index grew 0.8% between 4th Qtr 2000 and 1st Qtr 2001; however, since the beginning of the year, the county's index has suffered a 0.2% decline. Similar to three of the region's largest counties, Ellis county's index ended the year at a lower point than when it began the year.

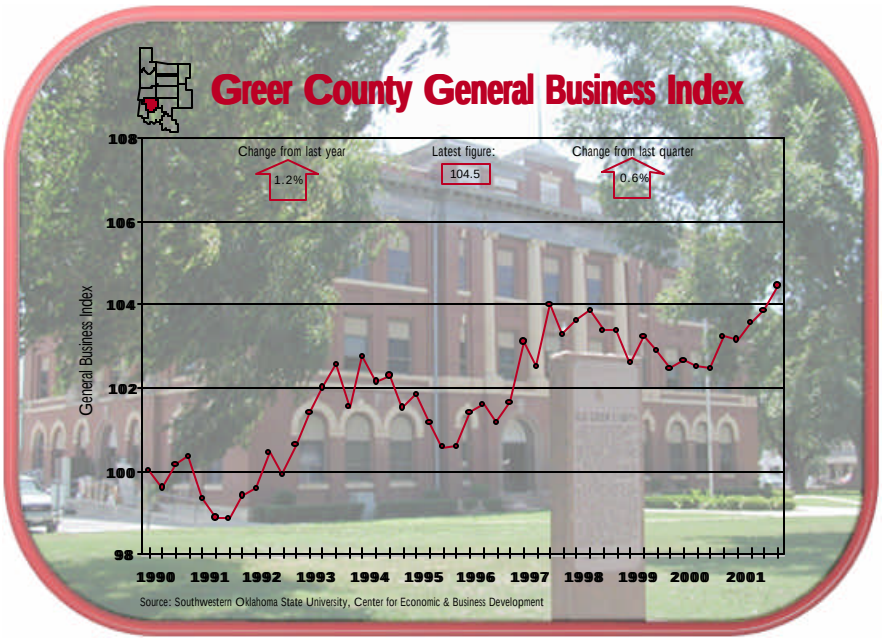
Over the two most recent quarters, Ellis county's index reports a 0.0% change, however, when carried to three decimal places, Ellis county's index experienced a 0.048% decline. This slight quarterly decrease is traceable to lower agricultural and energy commodity prices as well as a sizeable 8.5%, or $181,000, quarterly decrease in Ellis county's taxable sales. Lower quarterly interest rates and higher earnings and non-agricultural employment nearly erased the deficit caused by the other variables. Ellis county's earnings increased 1.2% while the county's non-agricultural employment grew 5.2%, or by 44 jobs, between 3rd Qtr 2001 and 4th Qtr 2001. Almost all of the quarterly employment gain in Ellis county is attributable to the county's Government sector.



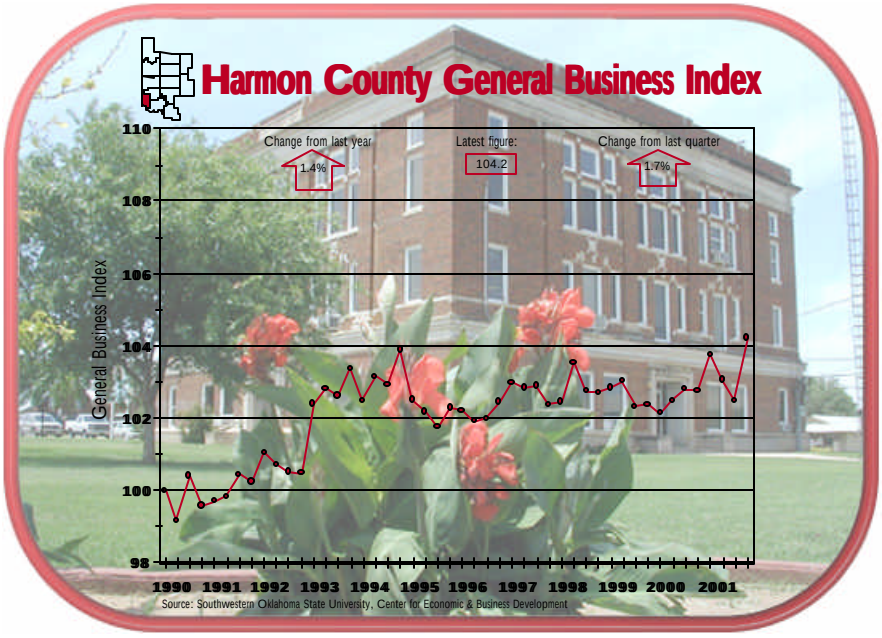
Greer County

Unlike any of the previous counties, Greer county's General Business Index posted quarterly gains throughout 2001 and ended 4th Qtr 2001 at its highest point in the graphed time period. Beginning with 1st Qtr 2001, each quarter in 2001 built upon the previous quarter's results, and the growth for the whole year totaled 1.3%. Over the most recent two quarters, Greer county's index posted a 0.6% gain, and compared to 4th Qtr 2000, Greer county's index grew 1.2%.

Contributing to the quarterly gain were lower interest rates, higher non-agricultural employment and earnings. Greer county's earnings grew 3.6% between 3rd Qtr 2001 and 4th Qtr 2001, while the county's non-agricultural employment increased 2.4%, or by 38 jobs. Most of the county's quarterly employment gain is traceable to the Government sector. Measurably lower taxable sales prevented Greer county's index from achieving greater quarterly growth. Between 3rd Qtr 2001 and 4th Qtr 2001, Greer county's taxable sales fell 8.1%, or by $226,000.



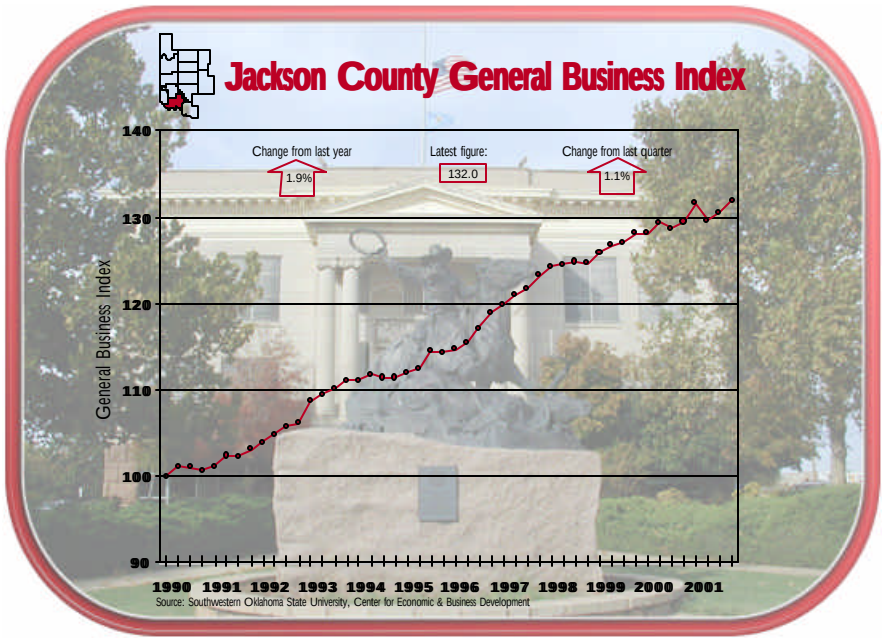
Regarding performance between 4th Qtr 2000 and 4th Qtr 2001, each of the variables that had a positive quarterly influence also had a positive yearly influence upon the county's index. Greer county's non-agricultural employment posted a 0.4%, or 7 jobs, yearly gain while the county's earnings posted a 1.3% yearly gain. Likewise lower commodity prices and lower taxable sales, which had a negative quarterly influence, also had a negative yearly influence upon the county's index.



Harmon County

Harmon county's General Business Index managed its greatest quarterly increase since 1st Qtr 1993. Between 3rd Qtr 2001 and 4th Qtr 2001, Harmon county's index posted an impressive 1.7% quarterly gain which not only erased the previous two declining quarters, but also placed the county's index at its highest point in the graphed time period.

Each of Harmon county's three county specific variables positively contributed to Harmon county's quarterly performance. Harmon county's taxable sales grew 7.3%, or by $110,000, between 3rd Qtr 2001 and 4th Qtr 2001. More impressively, Harmon county's earnings grew 13.2% from the previous quarter, and a 4.6%, or 31 jobs, non-agricultural employment gain also contributed to the county's positive quarterly performance.



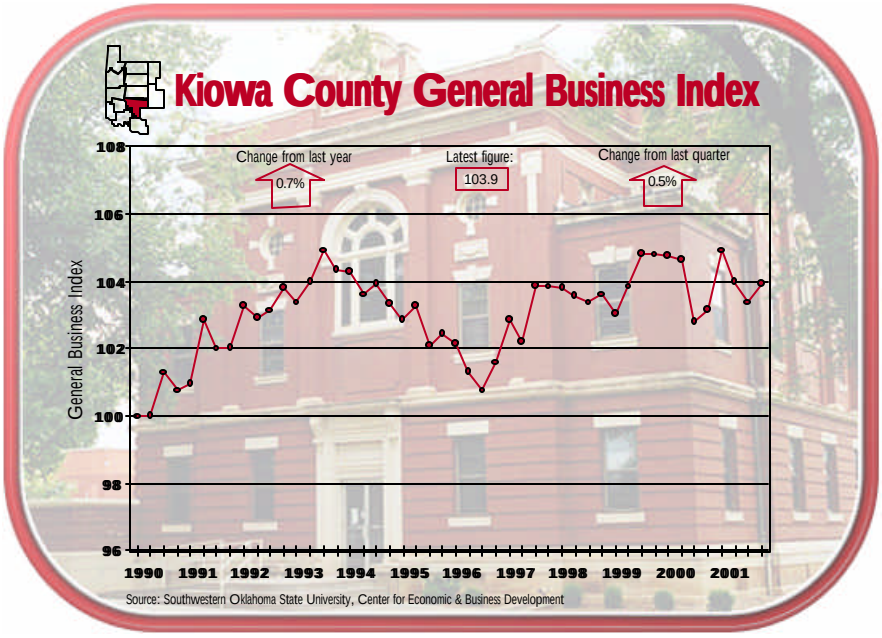
As can be seen from Harmon county's graph, Harmon county managed a greater quarterly gain than a yearly gain in its index. Between 4th Qtr 2000 and 4th Qtr 2001, Harmon county's index increased 1.4%. Harmon county's taxable sales, which increased 4.7%, or by $74,000, contributed to the yearly gain. Also contributing were lower interest rates and higher earnings (2.8%). However, lower non-agricultural employment combined with the fact that the county's other two county specific variables did not grow as much when compared to the quarterly growth rates account for the fact that the quarterly growth rate surpassed the yearly growth rate.

Jackson County

With a 1.1% quarterly gain, Jackson county's General Business Index achieved its highest point in the graphed time period for the 2001 year. Jackson county managed to end the year slightly higher than when it began despite its largest set back in 2nd Qtr 2001. Between 1st Qtr 2001 and 2nd Qtr 2001, Jackson county' index suffered a 1.5% loss, but has since regained that territory and ended the year 0.3% higher than when it began the year. Between 4th Qtr 2000 and 4th Qtr 2001, Jackson county's index posted a 1.9% yearly growth rate, which is the largest year-over-year growth rate since 4th Qtr 2000.

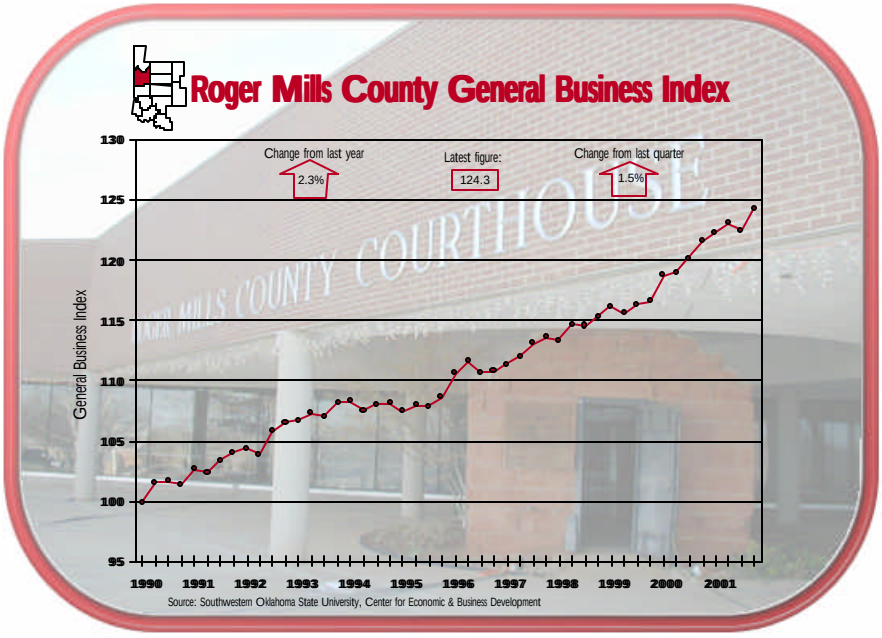
As with Harmon county, each of Jackson county's three county specific variables influenced the county's index positively and contributed the county's quarterly growth. Of the three variables, Jackson county's taxable sales posted the greatest percentage gain (7.4% or $2.209 million) followed by the county's earnings (3.6%) and non-agricultural employment (1.8%). Falling interest rates also contributed to the county's quarterly growth, but cotton prices, which have been falling had a negative impact upon the county's quarterly growth.

Focusing on Jackson county's quarterly non-agricultural employment performance, four of the county's non-ag sectors experienced employment losses totaling 205 jobs with the county's Manufacturing and Trade sectors suffering the greatest losses. With the county's Mining sector showing no employment change, three of the county's non-ag sectors posted job gains totaling 375 jobs. The county's Government sector accounted for most of the quarterly employment gain.



Kiowa County

Kiowa county's General Business Index ended the 2001 year on a positive note by posting a 0.5% quarterly gain between 3rd Qtr 2001 and 4th Qtr 2001. The most recent quarterly gain ends two quarters of consecutive declines in Kiowa county, but it did not allow the county's index to end at a higher point than when it began the year for 2001, Kiowa county's index ended the year 1.0% lower than when it began the year; however when compared to 4th Qtr 2000, Kiowa county's index managed a 0.7% gain.



As with several other regional counties, each of Kiowa county's three county specific variables positively contributed to the quarterly growth in the county's index. Kiowa county's taxable sales grew 5.7%, or by $289,000, while the county's earnings posted a 4.6% quarterly gain, and the county's non-agricultural employment grew 2.3%, or by 66 jobs.

Regarding the yearly growth in Kiowa county's index, the falling interest rates and a 3.9% increase in Kiowa county's earnings contributed the greatest to the yearly gain. Unfortunately, Kiowa county's non-agricultural employment muted the growth by falling 2.9%, or by 86 jobs, between 4th Qtr 2000 and 4th Qtr 2001. Three of Kiowa county's eight non-ag sectors accounted for the employment losses and totaled 116 jobs. The county's Manufacturing and Service sectors suffered the greatest yearly employment losses. The remaining five non-ag sectors posted employment gains, but these yearly employment gains totaled only 30 jobs.

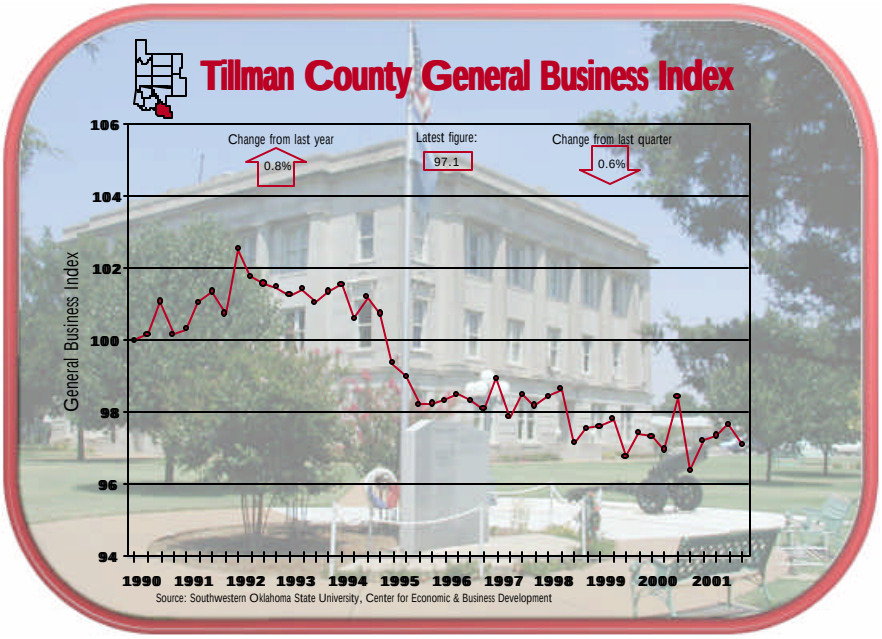
Roger Mills

Roger Mills county's General Business Index resumed its upward trend with a 1.5% quarterly growth rate between 3rd Qtr 2001 and 4th Qtr 2001. This quarterly growth rate not only permitted the county to grow 1.6% for the 2001 year, but also allowed it to achieve

its highest point for the graphed time period. Roger Mills county also achieved a relatively high 2.3% yearly growth rate between 4th Qtr 2000 and 4th Qtr 2001. This yearly growth rate is the third highest of the thirteen regional counties - behind only to Washita and Dewey county's yearly growth rate.

Between 3rd Qtr 2001 and 4th Qtr 2001, Roger Mills county's index managed a quarterly gain despite a large 15.7%, or $315,000, decrease in the county's seasonally-adjusted taxable sales. The reason for this may be explained by an even larger 19.6% growth in Roger Mills county's seasonally-adjusted earnings over the same time period.

Similarly between 4th Qtr 2000 and 4th Qtr 2001, Roger Mills county's index grew despite a 6.9%, or $125,000, decrease in the county's seasonally-adjusted taxable sales. And, as with the quarterly growth, the reason for this may be explained by a 17.5% growth in the county's seasonally-adjusted earnings.



Tillman County

After three consecutive quarterly increases, Tillman county's General Business Index suffered a 0.6% loss between 3rd Qtr 2001 and 4th Qtr 2001. Unfortunately, this quarterly loss placed the county's index at a lower level at the end of the year than at the beginning of the year. Tillman county's index ended the 2001 year 0.1% lower than when it began the year. However, when compared to 4th Qtr 2000, Tillman county's index grew 0.8%.

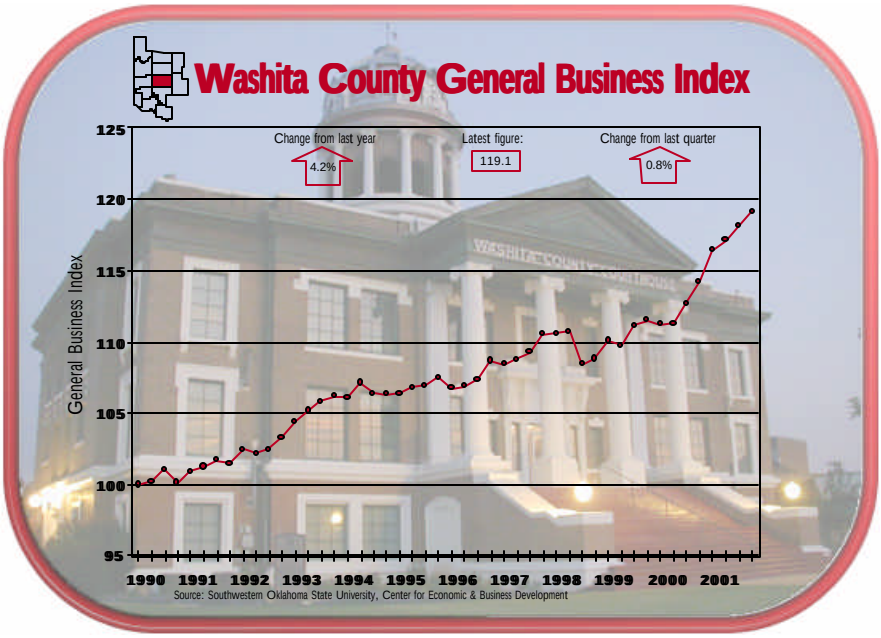
Lower agricultural commodity prices as well as lower quarterly taxable sales and earnings each had negative impacts upon the county's quarterly performance and overwhelmed the positive effects of higher employment figures between 3rd Qtr 2001 and 4th Qtr 2001, taxable sales suffered a 3.1% or $128,000, loss, while Tillman county's seasonally-adjusted earnings decreased 6.6%. The county's non-agricultural employment grew 3.0%, or by 59 jobs, but this positive growth combined with falling interest rates could not prevent the county's index from suffering the quarterly loss.

On a more positive note for Tillman county's index, preliminary figures for 1st Qtr 2002 indicate that the county's taxable sales increased 4.0% between 4th Qtr 2001 and 1st Qtr 2002. This information is contained within the Taxable Sales section of the *Great Plains General Business Index* and will undoubtedly have a positive impact upon the county's index in the next quarter.

Washita County

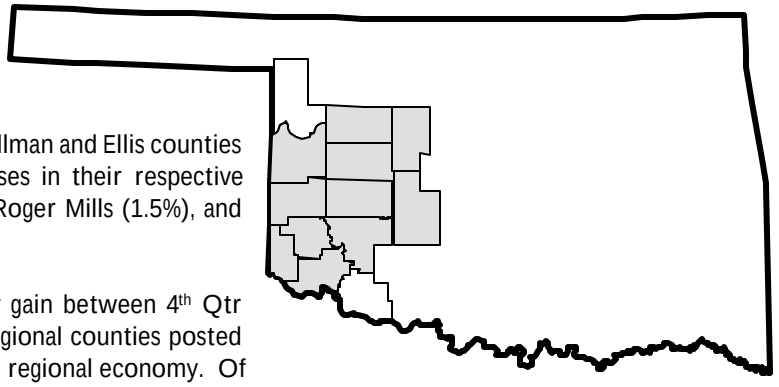
Washita county's General Business Index continued a string of quarterly gains with its seventh consecutive quarterly increase. Between 3rd Qtr 2001 and 4th Qtr 2001, Washita county's index grew 0.8%, which placed the county's index at its highest point in the graphed time period. For the 2001 year, Washita county posted a 2.3% growth rate. More impressively, when compared to 4th Qtr 2000, Washita county's index posted the largest yearly increase (4.2%) of the thirteen counties in southwest and west central Oklahoma. This is second quarter in a row in which Washita county's index has posted the largest yearly gain in the region.

Lower interest rates combined with markedly higher taxable sales (up 10.7% or $501,000) and employment figures combined to produce the yearly increase in the county's index. Between 4th Qtr 2000 and 4th Qtr 2001, Washita county's non-agricultural employment increased 8.4%, or by 178 jobs. With only the county's Manufacturing sector suffering a yearly employment loss, seven of the eight non-ag sectors contributed to the yearly employment increase. Of the seven non-ag sectors, Washita county's Construction sector accounted for the largest employment gain. Some of the Construction employment increase may be attributable to rebuilding Cordell after the October 9, 2001 tornado.



Regarding the quarterly increase in Washita county's index, higher non-agricultural employment and earnings had positive effects upon the county's index while a 5.1% taxable sales loss dampened the quarterly growth slightly. Between 3rd Qtr 2001 and 4th Qtr 2001, Washita county' earnings grew 9.5% and the county's non-ag employment grew 6.6%, or by 143 jobs.

County Summary



Eleven of the thirteen counties in the Great Plains region posted quarterly gains in their respective indices. These eleven counties contributed to the slight quarterly gain in the region's index between 3rd Qtr 2001 and 4th Qtr 2001. Tillman and Ellis counties were the only regional counties to suffer quarterly decreases in their respective indices. Of the remaining eleven counties, Harmon (1.7%), Roger Mills (1.5%), and Dewey (1.3%) counties posted the largest quarterly gains.

The *Great Plains General Business Index* posted a 0.6% yearly gain between 4th Qtr 2000 and 4th Qtr 2001. In a rare occurrence, all thirteen regional counties posted yearly gains and contributed to the yearly performance of the regional economy. Of the thirteen counties, Washita (4.2%), Dewey (2.7%), and Roger Mills (2.3%) counties posted the greatest yearly gains.

by: Jon Chiappe Questions and/or comments may be directed to chiappj@swosu.edu

As reported by the Oklahoma Employment Security Commission, the size of both the total labor force and total employment decreased between 4th Qtr 2001 and 1st Qtr 2002. For both of these statistics however, this quarterly decrease represents a seasonal decrease since both labor force and employment has decreased in every year, except one, since 1990 in the Great Plains region.

The size of the region's labor force decreased from 75,380 people in 4th Qtr 2001 to 74,087 people in 1st Qtr 2002. This represents a 1.7% decrease in the size of the region's labor force. Similarly, the number of people employed in the regional economy fell from 72,643 in 4th Qtr 2001 to 71, 290 in 1st Qtr 2002. This regional employment decrease translates into a 1.9% quarterly decrease.

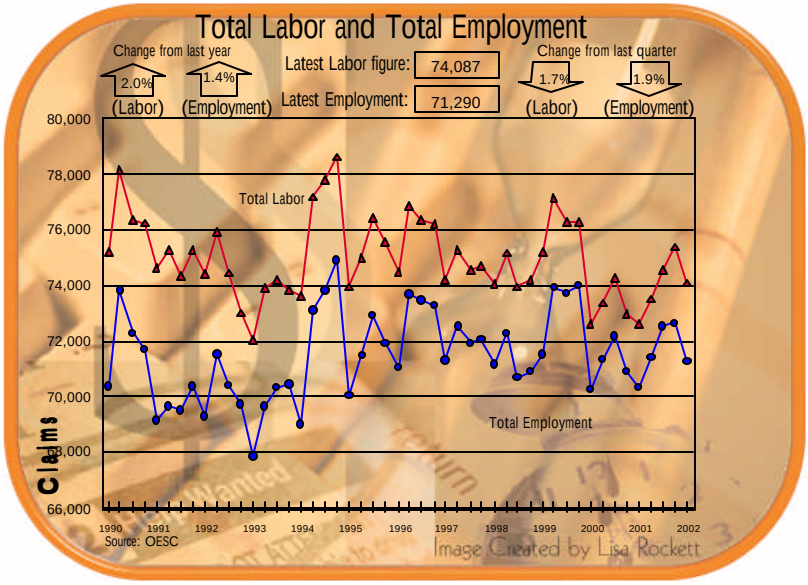
Since employment fell at a greater rate than labor force over the two most recent quarters, the unemployment rate increased in the Great Plains region. The regions unemployment rate increased from 3.6% in 4th Qtr 2001 to 3.8% in 1st Qtr 2002. In terms of absolute numbers, the total number of people unemployed grew from 2,737 in 4th Qtr 2001 to 2,797 in 1st Qtr 2002.

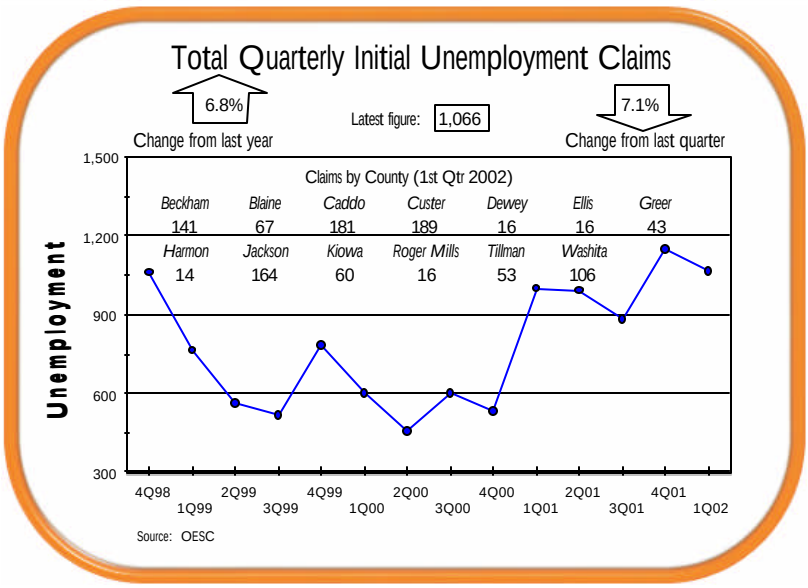
From a comparison with the previous year's data, the region's labor force grew 2.0%, or by 1,470 people, while the region's employment grew 1.4%, or by 957 jobs, between 1st Qtr 2001 and 1st Qtr 2002. However, even in light of the positive information that employment grew from the previous year, there is some bad news. Because the labor force grew faster than employment over the same time period, the number of people unemployed grew from 2,284 people in 1st Qtr 2001 to 2,797 people in 1st Qtr 2002.

Although initial unemployment claims filed in 1st Qtr 2002 decreased 7.1% from the previous quarter, the most recent quarter's claims represent the second highest level in the graphed time period. Initial unemployment claims decreased by 82 claims from the previous quarter, but as revealed from the previous data series, more people are unemployed in 1st Qtr 2002 when compared to 4th Qtr 2001.

Eight of the thirteen counties saw their respective initial unemployment claims decrease from 4th Qtr 2001 to 1st Qtr 2002. Of those eight counties, Beckham county experienced the greatest quarterly decrease with 92 fewer claims filed in 1st Qtr 2002 than in 4th Qtr 2001. Of the five counties that reported higher initial unemployment claims, Greer county suffered the greatest quarterly increase with 25 more claims.

Despite the fact that total goods-producing employment has fallen to its lowest level since 1st Qtr 1993, total non-agricultural employment rose 3.4% over the two most recent quarters for which data is available. Total non-agricultural employment increased 1,640 jobs between 3rd Qtr 2001 and 4th Qtr 2001. This quarterly non-ag employment gain still left the region's non-ag employment 0.7%, or 368 jobs lower than the previous year's data.





As a component of non-ag employment, employment in the region's goods-producing sectors fell by a combined 150 jobs, or 2.1%, between 3rd Qtr 2001 and 4th Qtr 2002. This most recent quarterly employment loss in the region's combined goods-producing sectors is unfortunately, continuing a recent downward spiral for the combines sectors. The region's goods-producing sectors had a combined employment level of 8,058 jobs in 2nd Qtr 2000, which represents the highest point in the graphed time period. However, since that quarter, goods-producing employment has plummeted 14.6%, or by 1,177 jobs.

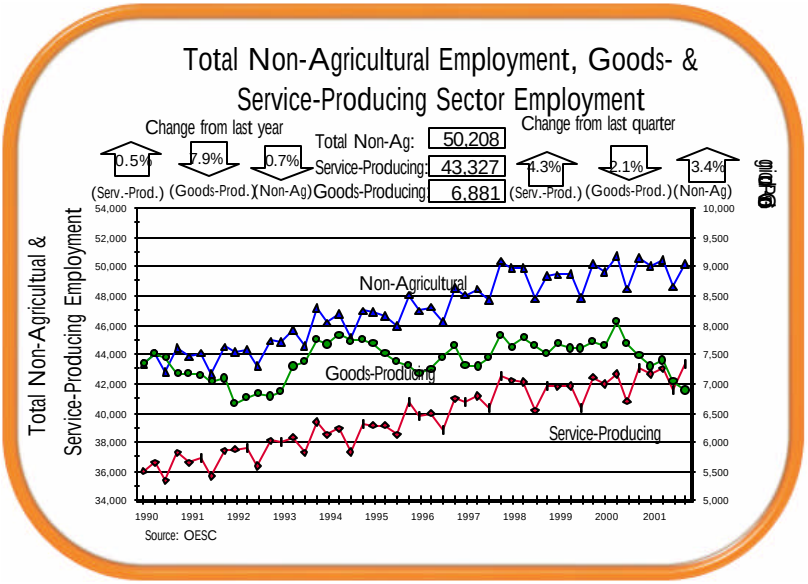
As will be discussed later, the quarterly employment gain in the region's combined service-producing sectors is primarily attributable to a seasonal employment increase in the Government sector. The five service-producing sectors combined to produce a 4.3%, or 1,790 jobs, quarterly employment gain for the regions service-producing sector.

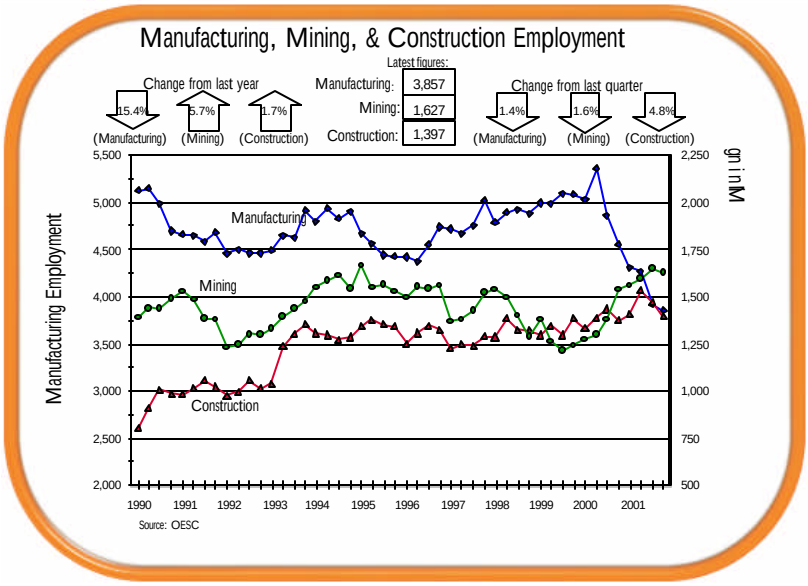
Focusing on the combined goods-producing sectors, each of the three goods-producing sectors lost employment from the previous quarter and contributed to the overall 150 jobs lost in the regional goods-producing sector. Between 3rd Qtr 2001 and 4th Qtr 2001, the region's Manufacturing sector los 54 jobs, the Construction sector lost 70 jobs, and the Mining sector lost 26 jobs.

Six of the thirteen regional counties suffered manufacturing employment losses from the previous quarter with the combined losses totaling 123 jobs. Of these six counties, Jackson (66 jobs or a 7.4% decrease) and Washita (36 jobs or a 27.3% decrease) counties suffered the greatest losses. With Harmon county experiencing no quarterly manufacturing employment change, the remaining six counties managed employment gains totaling 69 jobs. Tillman (33 jobs or a 9.2% gain) and Custer (17 jobs or a 1.3% gain) counties posted the greatest increases.

Of the three goods-producing sectors, the region's Construction sector suffered the greatest quarterly employment loss. Eight of the region's counties combined to lose a total of 89 jobs between 3rd Qtr 2001 and 4th Qtr 2001. The greatest Construction employment losses were reported in Jackson (27 jobs or a 14.2% decrease) and Kiowa (16 jobs or a 23.3% decrease) counties. Roger Mills county experienced no employment change while the remaining four counties combined to create 19 Construction jobs from the previous quarter. Of the four gaining counties, Washita (9 jobs or a 4.1% gain) counties posted the largest quarterly employment increases.

As for the last goods-producing sector, five counties in which oil and gas play very little role, had no employment change between 3rd Qtr 2001 and 4th Qtr 2001. Of the remaining eight counties, six experienced employment losses totaling 49 jobs. Most of these quarterly employment losses were suffered in Custer county (33 jobs or a 13.8% loss). Only two counties managed

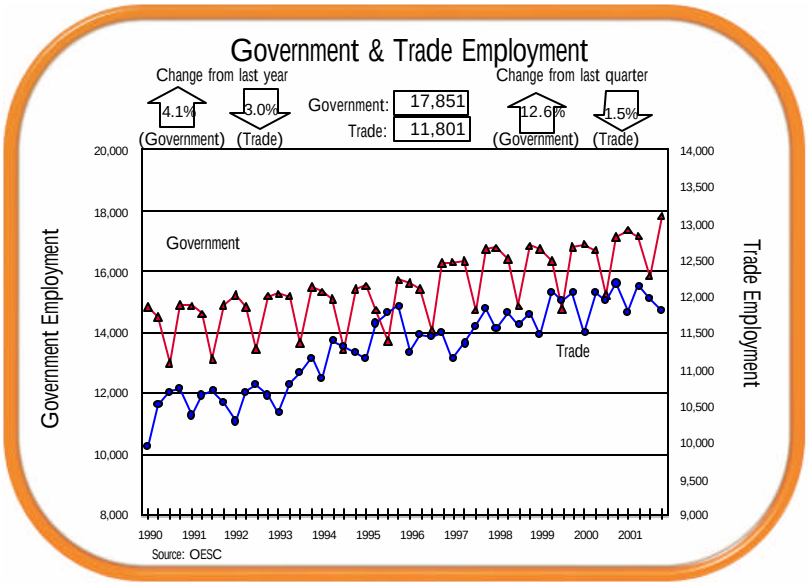


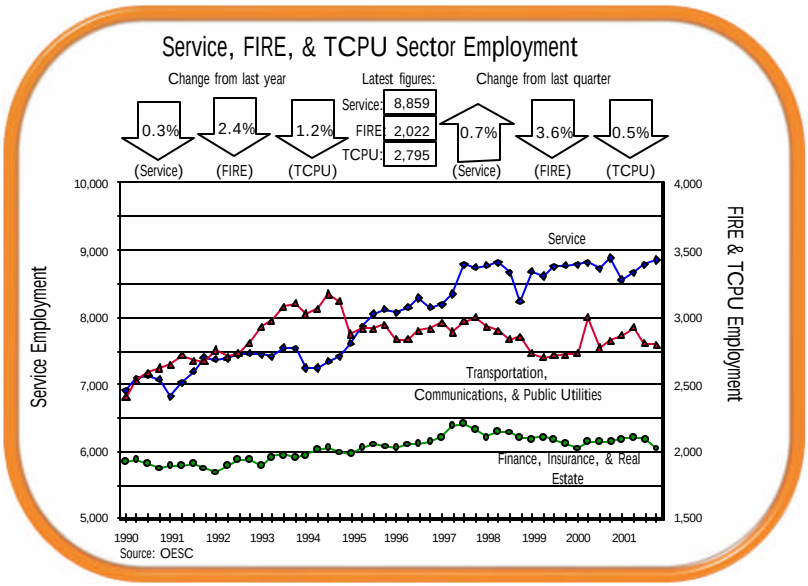


employment gains, Beckham (22 jobs or a 2.8% increase) and Caddo (1 job or a 1.0%) counties, from the previous quarter.

Turning to the five service-producing sectors, as can be seen from the Government & Trade employment graph, regional Government employment increased 12.6%, or by 1,993 jobs, to its highest level in the graphed time period. Government sector employment due to public school employment, exhibits seasonality in is movements during the course of a year. With summer break constituting much of the third quarter of the year, public school employment is very low, which affects overall government employment. But, when school lets back in. Public school employment rises and shows up more clearly during the fourth quarter of the year.

Average Government sector employment has risen by 1,961 jobs between the third and fourth quarters of the year since 1990. The most recent quarterly increase is on par with the time period average, and all thirteen regional counties posted quarterly government employment gains. Of the thirteen counties, Custer (581 jobs), Caddo (435 jobs), and Jackson (274 jobs) counties achieved the greatest government employment gains between 3rd Qtr 2001 and 4th Qtr 2001.





For the first time since 1994, Trade sector employment in the Great Plains region has suffered consecutive quarterly losses. The most recent quarterly decline equaled 174 jobs, or a 1.5% decrease with nine counties suffering trade employment losses totaling 258 jobs. The largest quarterly trade employment losses were experienced in three of the region's largest counties - Beckham (72 jobs), Caddo (64 jobs), and Jackson (63 jobs) counties. The remaining four counties managed employment gains totaling 94 jobs with more than half of those employment gains traceable to Custer (56 jobs) county.

The regional Service sector has managed three consecutive quarterly employment increases with the most recent quarterly increase totaling 62 jobs, or a 0.7% increase. Although five counties posted quarterly service employment gains, without the employment increases in Custer (86 jobs) and Jackson (77 jobs) counties, the regional service sector would have lost employment. Blaine county experienced no employment change while the remaining seven counties combined to lose a total of 130 jobs. Of these seven counties, Beckham (76 jobs) county suffered the greatest employment decrease.

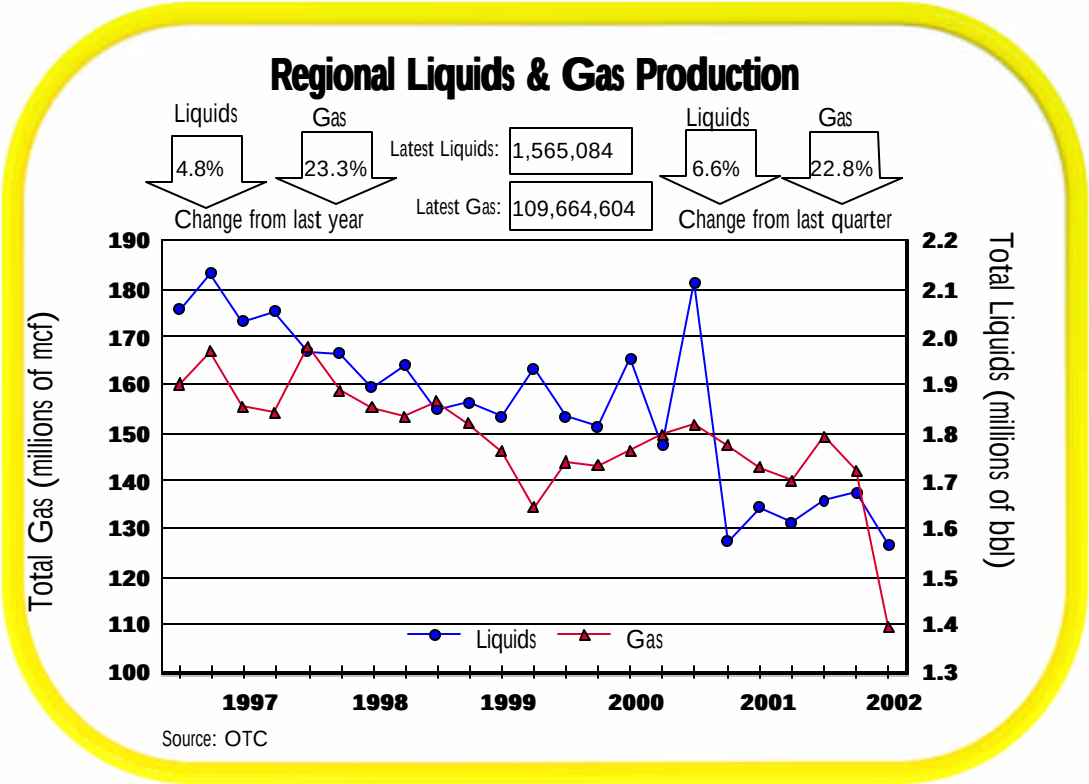
The remaining two service-producing sectors each suffered quarterly employment decreases with the FIRE (Finance, Insurance & Real Estate) sector suffering a 3.6%, or 76 jobs, decrease from the previous quarter. The TCPU (Transportation, Communication , and Public Utilities) sector also suffered a slight employment loss totaling 15 jobs.

by: Jon Chiappe Questions and/or comments may be directed to chiappj@swosu.edu

Regional liquids production fell 6.6%, or by 110,863 bbls, between 4th Qtr 2001 and 1st Qtr 2002. This quarterly decrease places total liquids production on par with 4th Qtr 2000 production, and as can be seen from the accompanying graph, regional liquids production has yet to recover from the 25.5% decrease between 3rd Qtr 2000 and 4th Qtr 2000.

Worldwide, the Energy Information Administration, a division of the U.S. Department of Energy, reports that unseasonably warm winter weather combined with a global economic slowdown to produce lower global oil demand an a subsequent rise in inventories worldwide. Despite the lower demand, the OPEC-10 succeeded in lowering their oil production between January and April, 2002 by an estimated 900,000 bbls/day. As oil stocks are drained from the winter build-up, world oil markets are expected to tighten, thus producing higher oil prices. (Short-Term Energy Outlook, Energy Information Administration, U.S. Department of Energy, pages 2-3, May, 2002.)

In the United States, the Energy Information Administration reports that "average domestic oil production is expected to increase by 50 thousand bbls/day in 2002, or 0.9%, to a level of 5.89 million bbls of oil per day." (Short-Term Energy Outlook, Energy Information Administration, U.S. Department of Energy, page 5, May, 2002.)



Moving from liquids production to natural gas production, regional gas production fell 22.8% between 4th Qtr 2001 and 1st Qtr 2002 according to preliminary figures released by the Oklahoma Tax Commission. A slightly larger percentage decrease is noticed when 1st Qtr 2002 gas production data is compared with 1st Qtr 2001 gas production data. From the previous year, regional gas production fell 23.3%, or by 33,219,529 mcf.

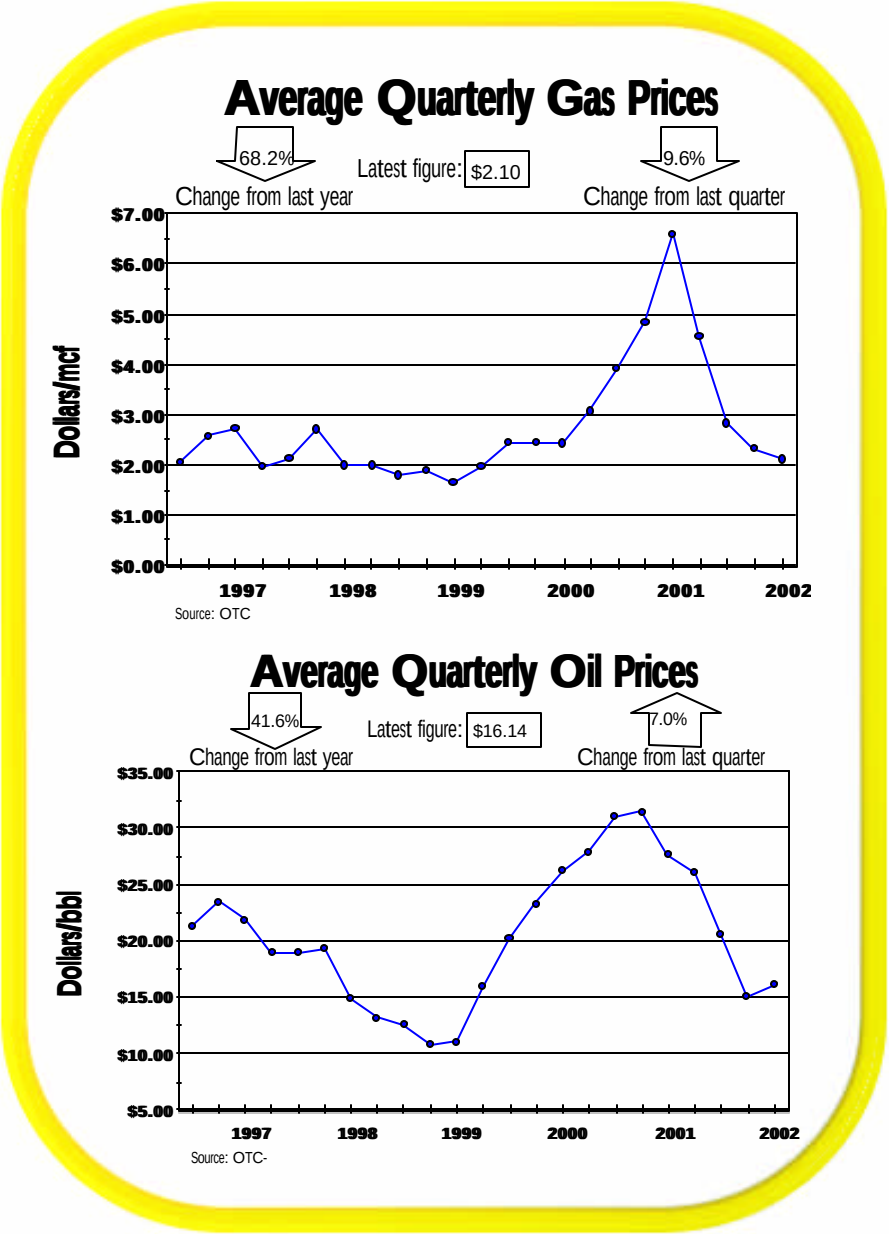
Weak demand for natural gas as caused by warm winter weather and has produced lower gas production over the last year. Furthermore, the Energy Information Administration projects that domestic natural gas production will fall by almost 2% in 2002 compared to the 2001 level. The warmer winter weather caused natural gas storage levels to end the heating season at 1,520 bcf which is more than double the 724 mcf storage level at the end of the previous year's heating season. (Short-Term Energy Outlook, EIA, US DOE, page 6, May 2002.)

Moving from production to price information for the regional economy, average quarterly oil prices increased for the first time in 1st Qtr 2002 since 4th Qtr 2000. After a substantial price decrease between 4th Qtr 2000 and 4th Qtr 2001 totaling $16.36/bbl average

quarterly oil prices increased 7.0%, or by $1.06/bbl, between 4th Qtr 2001 and 1st Qtr 2002. The most recent quarterly increase still left average quarterly oil prices 41.6% lower in 1st Qtr 2002 when compared to 1st Qtr 2001.

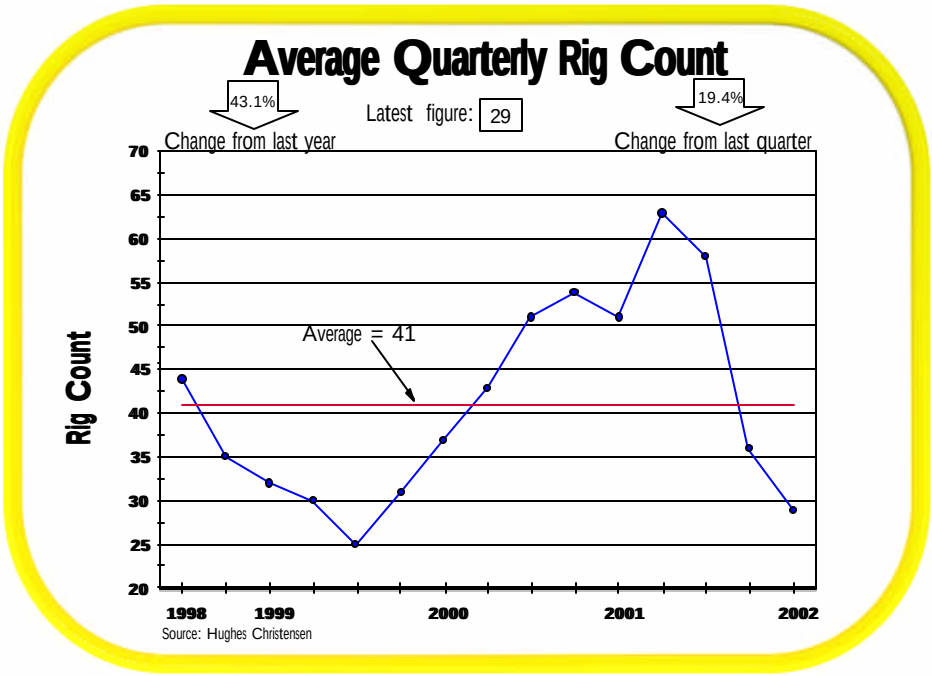
Average quarterly oil prices graphed in the Great Plains General Business Index report quarterly prices for the thirteen county region in southwest and west central Oklahoma. World spot prices (fob) for various crude oil varieties also showed a quarterly increase between 4th Qtr 2001 & 1st Qtr 2002. Over those two quarters, North Sea Brent (fob) prices rose $2.02/bbl (10.5%), Saudi Arabian Light (fob) prices rose $0.47/bbl (2.5%), and West Texas Intermediate (fob) prices increased $1.14/bbl (5.6%).

More recent data is available for world crude oil varieties but not regional quarterly oil prices. As of mid-June, 2002, the average quarterly spot prices equaled $23.08/bbl for Saudi Arabian Light (fob), which is a 20.3% or $3.9%/bbl, increase from 1st Qtr 2002. Like wise for North Sea Brent (fob), average quarterly prices equaled $25.3/bbl as of mid-June, 2002. This price represents a 17.5%, or $3.73/bbl, increase over 1st Qtr 2002 for North Sea Brent (fob). Lastly, West Texas Intermediate (fob) prices increased from $21.64/bbl in 1st Qtr 2002 to $26.40/bbl as of mid-June, 2002. This $4.76/bbl price gain represent a 22.0% quarterly increase. Given these price appreciations, average quarterly oil prices should increase between 1st Qtr 2002 and 2nd Qtr 2002. A price range of $19.87/bbl to $20.9/bbl might be expected for regional oil prices in 2nd Qtr 2002.

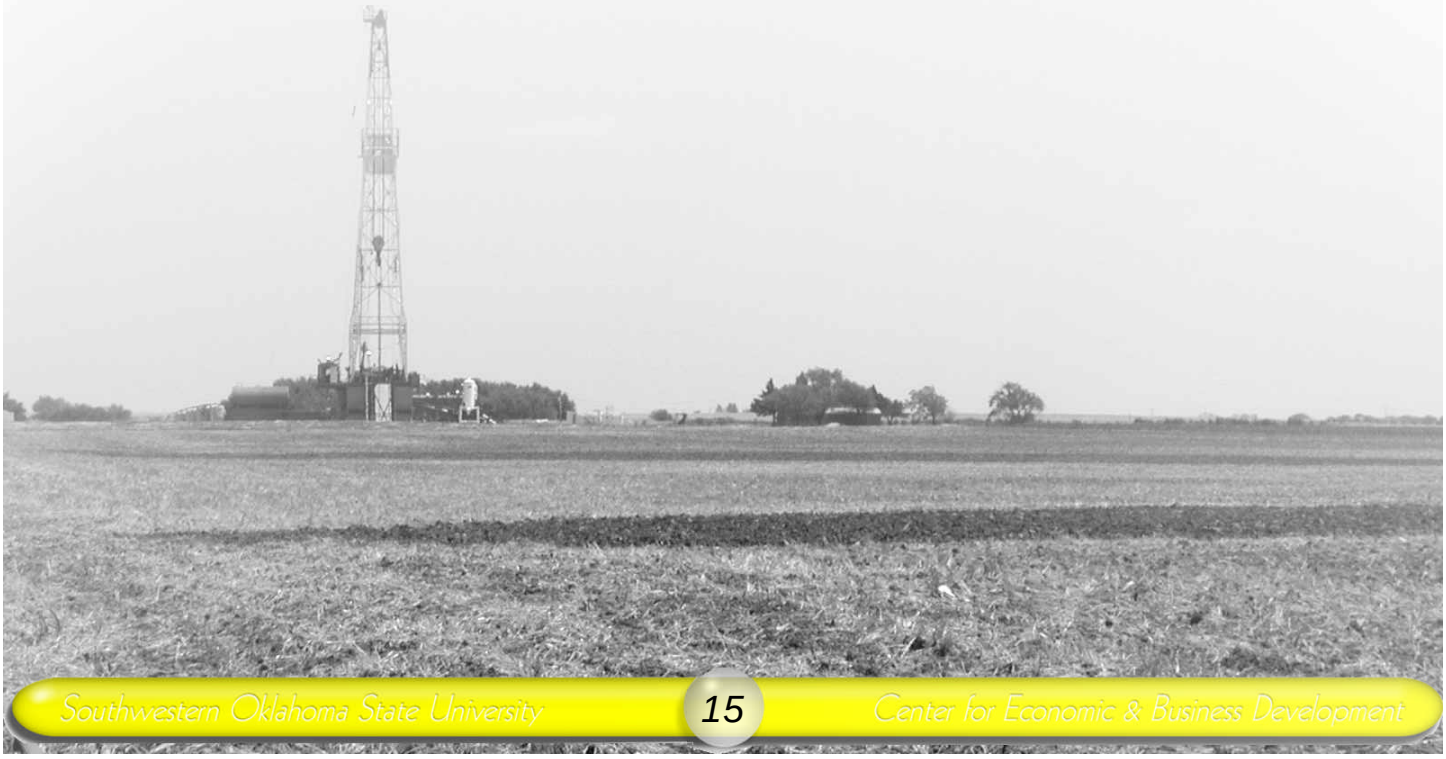


Unlike regional oil prices which rebounded after four consecutive quarterly declines, regional gas prices continued to fall with its fourth consecutive quarterly decrease. Average quarterly gas prices fell 9.6%, or by 22¢/mcf, between 4th Qtr 2001 and 1st Qtr 2002. The quarterly decline placed average quarterly gas prices at their lowest point since 2nd Qtr 1999. Compared to the previous year, average quarterly gas prices fell 68.2%, or by $4.50/mcf.

Unlike oil prices, the most recent natural gas price data reported by the Energy Information Administration is for March, 2002 in the United States. Average natural gas prices at the wellhead equaled $2.34/mcf in the United States in 1st Qtr 2002. This represents a 6.8%, or $0.17/mcf, decrease in 4th Qtr 2001 natural gas prices int eh nation. As can be compared with regional data, natural gas prices received at the wellhead decreased more in the region than in the nation as a whole between 4th Qtr 2001 and 1st Qtr 2002.



After sustaining its greatest quarterly decrease in 4th Qtr 2001, the average quarterly rig count continued to fall into 1st Qtr 2002. The most recent quarterly rig count not only represents the third consecutive quarterly decrease, but also represents the second-lowest rig count in the graphed time period. The lowest rig count equaled 25 rotary rigs in 3rd Qtr 1999. Between 4th Qtr 2001 and 1st Qtr 2002, the average quarterly rig count fell by 19.4%, or by seven active rotary rigs. From the previous year, average quarterly rig count decreased 43.1%, or by 22 rotary rigs, in the Great Plains region. These rig count decreases may end in 2nd Qtr 2002 as early data from Baker-Hughes indicates an increase in World Rig Count totals. Worldwide, the rig count averaged 2,016 active rigs in January, 2002. This rig count decreased to 1,597 by April, 2002 but has since increased to 1,658 active rigs in May, 2002.



Bioenergy refers to the process of converting biomass into energy. As will be discussed in more detail in the Agriculture/Biomass section, biomass resources can be any type of plant, plant-derived, or animal waste material. Unlike petroleum and petroleum-derived products, biomass is a renewable resource, and as a renewable resource, more biomass can be grown and converted into energy as more energy is demanded.

Although fossil fuels are derived from plant and animal material, nature converts that material into oil and gas over many millions of years. Given these time requirements, petroleum resources are not renewable resources. As a renewable resource, the use of biomass resources for energy bypasses the millions of years required to convert it into a fossil fuel.
Converting biomass into energy obviously is not a new technology. Burning wood is one method of converting a forestry product into heat energy. However, technologies to convert biomass into energy have advanced beyond direct combustion technologies. What is more, uses of biomass are not limited to heating applications or electricity generation. Biomass may be converted into liquid or gaseous fuels, which may be burned for transportation purposes. Biomass may be converted into chemicals, fibers, and even plastics. Each of these products offers substitutes for petroleum based products.

Globally, the U.S. Department of Energy's National Renewable Energy Laboratory (NREL) reports that "Biomass is the fourth largest contributor to the world energy economy after coal, oil, and natural gas." NREL goes on to state that virtually every nation has biomass resources, but, unfortunately, those resources are used inefficiently. (Biopower Program, National Renewable Energy Laboratory, U.S. Department of Energy, October, 2001.)

Overview of Bioenergy

I. Economic Issues
   - A. Sustainable Development
   - B. Energy Security
   - C. Rural Economic Growth
   - D. Land Use

II. Environmental Issues
   - A. Air Quality
   - B. Global Climate Change
   - C. Soil Conservation
   - D. Water Conservation

III. Technologies Used to Convert Biomass to Energy
   - A. Direct Combustion
   - B. Co-firing
   - C. Gasification
   - D. Pyrolysis
   - E. Anaerobic Biomass

IV. Products from Biomass
   - A. Biofuels
     1. Ethanol
     2. Methanol
     3. Biodiesel
     4. Gaseous Fuels
   - B. Biobased Chemicals & Materials
     1. Renewable Fuels
     2. Green Chemicals
     3. Natural Fibers

V. Market Issues
   - A. Green Power Marketing
   - B. Combined Heat & Power
   - C. Modular Power Systems

Nationally, the Energy Efficiency and Renewable Energy Network (EREN), a division of the U.S. Department of Energy, reports that "bioenergy ranks second to hydropower in renewable U.S. primary energy production and accounts for three percent of the primary energy production in the United States." (www.eren.doe.gov/RE/bioenergy.html)

For the state of Oklahoma, EREN estimates that "18.5 billion kWh of electricity could be generated using renewable biomass fuels in Oklahoma." EREN further states that this 18.5 billion kWh "is enough electricity to fully supply the annual needs of 1,847,000 average homes, or 110 percent of the residential electricity use in Oklahoma. "Unfortunately, Oklahoma's biomass resources are not as economically viable as natural gas and coal at this time. But if high fossil fuel prices are sustained in the energy market, then biomass resources become more economically viable. (Oklahoma Bioenergy Resources, EREN, DOE, www.eren.doe.gov)

Given the potential for biomass, the rest of this section will discuss economic and environmental issues regarding the importance of developing biomass/bioenergy markets. As can be seen from the accompanying outline, these two topics are multifaceted. The rest of the outline provides a framework for subsequent issues of the *Great Plains General Business Index.* Given the detail associated with each of the topics, only one to two of the biomass/bioenergy topics will be covered within the Energy/Bioenergy. For example, we plan to concentrate solely upon direct combustion and co-firing technologies in the next issue of the *Great Plains General Business Index*.

Economic Issues

The economic & environmental issues related to biomass address the question: "Why is biomass/bioenergy important?" As will be discussed later, there are environmental issues relating the importance of biomass/bioenergy. But, even if you are not an environmentalist, there are economic reasons relating the importance of biomass/bioenergy.

"Then I say the earth belongs to each…generation during its course, fully and in its own right, no generation can contract debts greater than may be paid during its own existence." Thomas Jefferson, September 6, 1789.

Sustainable Development

The Center for Excellence for Sustainable Development, which is a project of the U.S. Department of Energy, offers several definitions and descriptions of sustainable development. The first is from the UN World Commission on Environment and Development. It reads: *"Sustainable development meets the needs of the present without compromising the ability of future generations to meet their own needs."*

Sustainable development is not a new concept either. One of America's greatest founding fathers is quoted as saying: *"Then I say the earth belongs to each…generation during its course, fully and in its own right, no generation can contract debts greater than may be paid during its own existence."* Thomas Jefferson, September 6, 1789.

Sustainable development therefore relates the idea that the present generation has an obligation and responsibility to future generations. This responsibility is to build communities/societies that can not only sustain our generation but also those that follow our generation. Future generations should be able to enhance their quality of life based upon the foundations built by our generation and those that have proceeded ours.

Energy, if it is from renewable sources, is a building block to sustainable development. Sustainable development cannot occur from the use of fossil fuels. Although there is a great quantity of fossil fuels remaining, energy derived from fossil fuels is not a renewable source of energy and thus cannot be a building block for sustainable development.

Energy Security

Energy security is also an economic issue relating the importance of developing biomass/bioenergy markets in the United States. In the 1970's, long lines and considerably higher gasoline prices resulted from a 2% decrease in the supply of oil. OPEC initiated the disruption and the effects contributed to a period of stagflation (high inflation and high unemployment) in the U.S. economy. Demand for oil is considerably higher in the U.S. economy today than in the 1970's, and future disruptions could cause similar hardships. The Energy Information Administration reports that increasing world oil consumption (73 million bbls/day) is far outstripping the amount of oil discovered (15 million bbls/day). This is a long-term imbalance that will begin to affect the crude oil markets when this translates into less world supply. (Biofuel's for Sustainable Transportation, Biofuels for Energy Security, Energy Information Administration, U.S. Department of Energy, March 2000.)

In 1989, the U.S. imported 48.6% of the total petroleum supplied to the U.S. market. In 2001, the EIA estimates that net imports of total petroleum will reach 65.0% of the total petroleum supplied to the U.S. markets (Short-term Energy Outlook, Table A1, EIA, US DOE, May 2002.)

This increased dependence upon imported oil translates into the U.S. spending $300 million/day, or $100 billion/year, for imported oil. (Ethanol Industry Outlook 2002 - Growing Homeland Security, Renewable Fuels Association, page 5, February, 2002)

Given the increased dependence upon imported oil, and the wake of the September 11, 2001 terrorist attacks, George Bush stated *"America cannot have homeland security without energy independence."*

Rural Economic Growth

So far, economic reasons presented for developing biomass/bioenergy markets have been based upon either concern for future generations or national security. Rural Economic growth however, is an economic reason that translates into greater income and employment opportunities for rural America.

Statistics in Iowa report that the Iowa ethanol industry accounts for 2,550 jobs and affects an additional 10,000 jobs. Ethanol consumption in Iowa in 1997 totaled 57 million gallons which displaced 790,000 bbls of imported oil. Overall the Iowa ethanol industry adds more than $1.7 billion to the state's economy.

The ethanol industry, only one facet of the biomass/bioenergy market, has grown tremendously the past two decades in the nation's grain belt. Traditionally, ethanol has been produced from corn, however, new technologies are allowing ethanol to be produced from grasses, wheat straw and other biomass. The nation's first biomass-to-ethanol plant is being constructed in Louisiana. (Maurice Kaya, "Energy Security and the State Energy Program", State Energy Conservation Update, U.S. Department of Energy, Jan-Feb, 2002.)

Because transporting large volumes of biomass to ethanol plants is expensive over long distances, and also because transporting large volumes of ethanol to market is expensive over long distances, ethanol plants are built close to their required biomass sources and used by the surrounding population. This dispersed ethanol production boosts rural employment and income opportunities.

Statistics in Iowa report that the Iowa ethanol industry accounts for 2,550 jobs and affects an additional 10,000 jobs. Ethanol consumption in Iowa in 1997 totaled 57 million gallons which displaced 790,000 bbls of imported oil. Overall the Iowa ethanol industry adds more than $1.7 billion to the state's economy. (Energy Efficiency and Renewable Energy: The "No Regrets Path to American's Energy Future, State Energy Advisory Board, 35 pgs., August 2001.)

Similar statistics abound for Minnesota, which leads the country in ethanol production. The Minnesota ethanol industry has a production capacity of 340 million gallons/year from 14 ethanol plants. Thirteen of those ethanol plants are owned by farmers. The state's ethanol industry consumes 130 million bushels of corn, and provides $15 million in taxes. (Ethanol Industry Outlook 2002: Growing Homeland Security, Renewable Fuels Association, page 13, February, 2002.)

Oklahoma could benefit from ethanol production if either the nation or the state adopted a renewable fuels standard (RFS). An RFS would require a portion of the gasoline market to be derived from renewable resources. Nationwide, a renewable fuels standard would create 300,000 jobs, provide $10.5 billion in new rural economic investments, and increase net farm income an average of $6.6 billion annually. (Ethanol Industry Outlook 2002: Growing Homeland Energy Security, Renewable Fuels Association, page 13, February, 2002.)

Land Use

Land Use is another economic issue that relates the importance of developing biomass/bioenergy markets. In the context of developing biomass/bioenergy markets, land use has two aspects. They are 1) increased landfill life and 2) improved land quality.

Approximately 20% of the total amount or non-hazardous waste entering a land fill is comprised of woody material and yard trimmings. Most of this material can be diverted from landfills and used as a biomass source to produce energy. By diverting this material landfill life can be extended which would save money for municipal governments. (Biopower: renewable electricity from plant material, U.S. Department of Energy, www.eren.doe/biopower/benefits/be_env_lu.htm.)

Underutilized or marginally-producing agricultural land can be diverted to producing energy crops which would improve land quality and its value. Energy crops require less herbicides compared to row crops and therefore reduce chemical runoff into surface water and groundwater. Perennial energy crops also minimize solid erosion which also improves land quality. (Ibid.)

Environmental Issues

In order to more fully meet the sustainable development objective, environmental issues must be taken into account to ensure that the land remains or becomes protective. Bioenergy has several advantages over fossil fuels to improve environmental conditions.

Air Quality

The use of biomass to produce bioenergy can improve air quality relative to traditional use of fossil fuels. According to the U.S. Department of Energy, bioenergy offers the following advantages over fossil fuels.

Reduced Sulfur Emissions

Coal usually contains up to 5% sulfur, and, in the process of generating electricity, burning coal releases sulfur dioxide (SO_2), an acid rain precursor, into the atmosphere. However, because biomass contains very small amounts of sulfur, burning biomass to generate electricity emits very little sulfur dioxide. (Biopower: renewable electricity from plant material, EREN, DOE www.eren.doe.gov/biopower/benefits/be_env_aq.htm.)

Co-firing biomass with coal to generate electricity can significantly reduce the power plants SO_2 emissions compared to burning coal alone. The Department of Energy reports that "using biomass for 5% of a coal-fired plant's heat input would reduce SO_2 emissions by 5%." (Ibid.)

Reduced Nitrogen Oxide Emissions

In the same Biopower publication, the U.S. Department of Energy reports that *"recent biomass co-firing tests at several coal-fired power plants in the U.S. have demonstrated that NO_x emissions can be reduced relative to coal-only operations."* They report that the power plant can achieve 10% NO_x reductions if biomass is co-fired at a 5% heat input rate by carefully adjusting the combustion process. (Ibid.)

Reduced Carbon Emissions

Generating electricity from biomass can be considered a carbon-neutral power generation option when biomass is managed in a sustainable cycle. Replanting harvested acres or raising energy crops replenishes the land with plants which are able to absorb CO_2 that has been emitted once harvested biomass has been burned. (Ibid.)

Global Climate Change

Climate change is an increasing concern among populations worldwide. Burning fossil fuels for energy has released hundreds of millions of tons of greenhouse gases into the atmosphere. Released carbon dioxide and methane from the combustion of fossil fuels cause concern that the climate will change.

The Environmental & Energy Study Institute (EESI) reports that indications that the climate may be changing include the fact that the U.S. set a record for winter warmth the third year in a row. Additionally, two-thirds of the winters in the past 20 years have had average temperatures above the long-term national average. These higher winter temperatures have resulted in shortened winters which have reduced the amount of frozen precipitation available for spring thaw.

The EESI also reports that there has been reduced hemispheric snow cover in fourteen of the past fifteen years. This reduced snow cover, reduces the water available in a frozen reservoir for a spring thaw. Agriculture needs water the most during the spring. Other indications include higher sea levels caused by reduced Arctic Sea ice cover and mountain glaciers. (Climate Change & U.S. Agriculture, Environmental & Energy Study Institute, May, 2000.)

Climate change affects agriculture and its yields. EESI reports that, *"Over the past thirty years, warmer winters have allowed certain pests to expand their ranges northward and also have reduced the number of insects killed by cold weather... This results in larger insect populations and consequently increasing damage to crops."* (Ibid.)
Also affected by climate change are extreme weather events. Extreme weather events, like hurricanes, drought and floods, have caused increased crop damage over the past two decades. (Ibid.)

Climate change ultimately affects agricultural yields. EESI finally reports that "In looking at crop yields between 1950 and 2000, (there were) a low variability in yields between 1950 and 1970, but an increased variability over the last thirty years. "This yield variability can cause price variability as well. (Ibid.)

Using more biomass resources to generate electricity can help reduce the release of greenhouse gases which are affecting the climate. Direct combustion of biomass is a carbon-neutral process, which is unlike fossil fuel combustion. And diverting biomass from land fills would reduce the amount of methane released by the landfills.

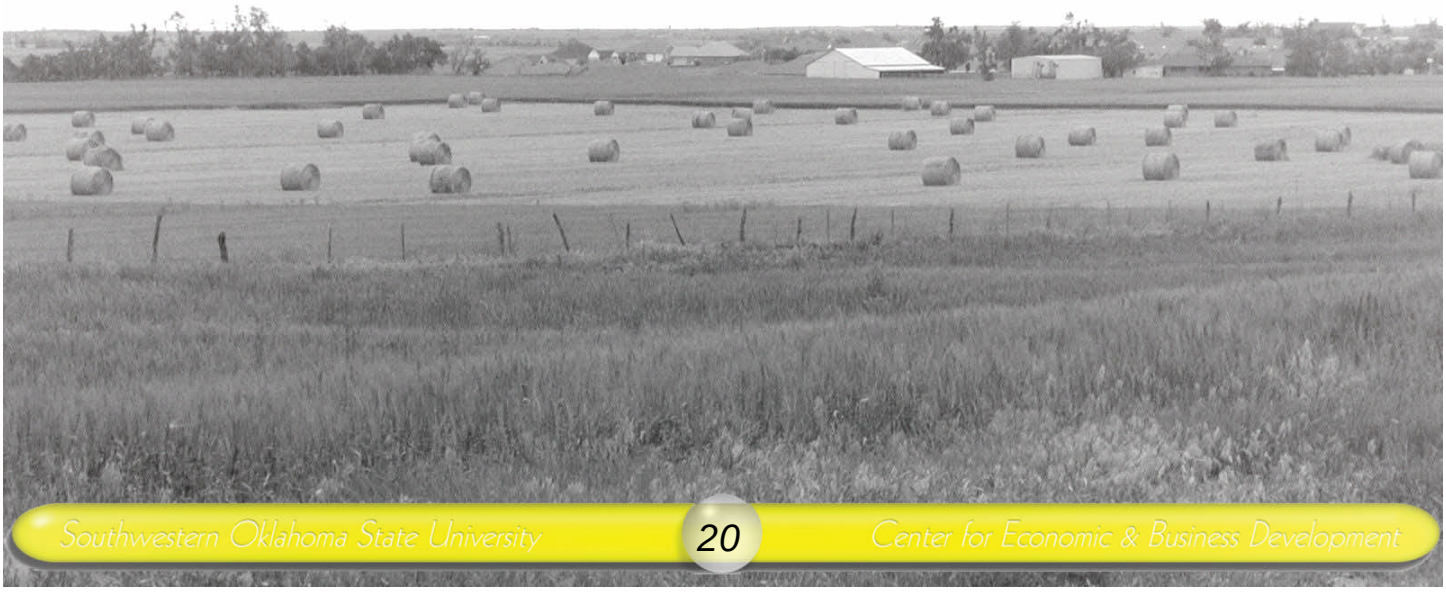
Soil Conservation

Compared to conventional row crops, growing biomass energy crops improves nutrient retention and soil quality. The American Bioenergy Association reports that *"the soil cover provided by perennial energy crops and no-till agricultural crops decreases erosion and surface water runoff compared to annually-tilled agricultural crops. This results in nutrients being retained on land rather than polluting surface and ground waters. In addition, the turnover of perennial and untilled roots from both tree and herbaceous biomass crops returns nutrients to the soil and keeps the soil aerated."* Additionally, there is less soil disturbance and compaction associated with perennial biomass energy crops than with annual row crops, and biomass crops can improve soil quality by adding organic matter. (Biomass Resources: Soil and Water Conservation, American Bioenergy Association, www.biomass.org(soil_water.htm.)

Water Conservation

Surface water quality can be improved with biomass energy crops. These trees and perennial grasses have extensive root systems which minimize soil erosion. Reduced soil erosion improves surface water quality in part because the Biomass energy crops filter agricultural chemicals and keep these chemicals from entering streams. Additionally, biomass energy crops require less herbicide and pesticide use when compared to traditional row crops. These reduced requirements also reduce chemical runoff into surface water and infiltration of chemicals into groundwater beneath the crop lands. (Energy Crops: Water Quality Protection and Improvement, American Bioenergy Association, www.biomass.org/waterquality.htm.)

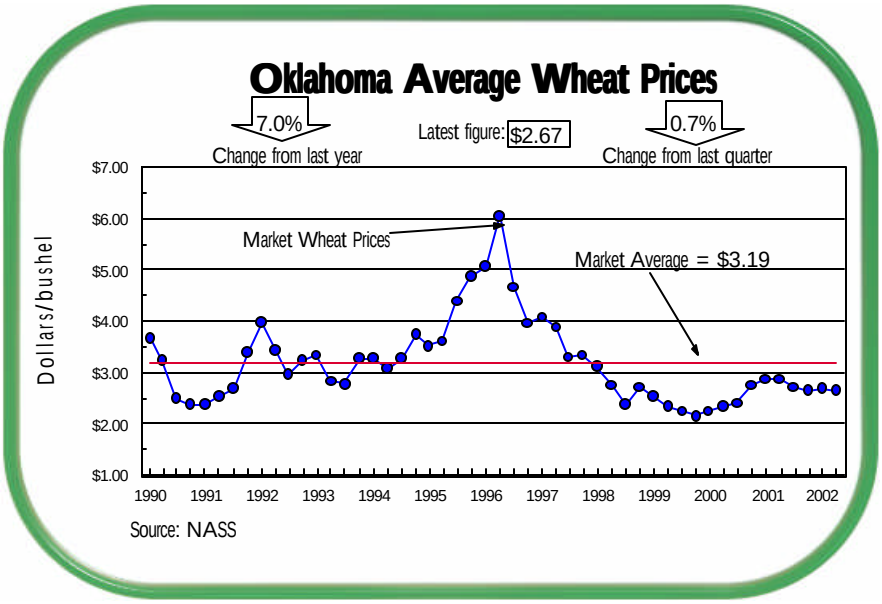
An indirect benefit of improving water quality from the use of biomass instead of fossil fuels like coal comes from the fact that water is polluted when these fossil fuels are extracted from the earth. (Ibid.)



by: Stephen Nelson Questions and/or comments may be directed to nelsons@swosu.edu

As of this summer we are introducing a new revamped agriculture section, which will now be called Agriculture/Biomass. We are making this change in order to help our readers understand how the Agriculture sector is changing and how the challenges arising from these changes can be met by increasing our utilization of Biomass. We will go into more detail in the second half of the section, but for now we will start off by looking at our state's wheat prices.

Oklahoma Average Wheat Prices, which are at $2.67/bu for the 2nd Qtr 2002, stayed well below the market average of $3.19. The market average is simply the average of all the prices reported during the graphed time period and it serves as a marker to judge the current market conditions. With the current average price of wheat 52¢/bu below the market average wheat in Oklahoma has not been doing well.



The same can be said for most of the United States and it shows as stated in the June 14th Wheat Outlook published by the Economic Research Service of the USDA that, *"Winter wheat harvested area for 2002 is forecast at 30.2 million acres, unchanged from May, but down 1.1 million acres from 2001. This is the smallest winter wheat area since 1917."*

Prices could see an increase if a small harvest were combined with poor harvest conditions, "As of June 9, 40 percent of the winter wheat crop was rated poor to very poor. A year ago 24 percent of the winter wheat crop was rated poor to very poor. This year 29 percent of the crop rated good to excellent, less than the 42 percent for 2001."

As a result, "the projected price range for the 2002/03 marketing year is up 15 cents per bushel on each end to $2.65 to $3.25, compared with $2.78 estimated for 2001/02."Wheat Outlook. Economic Research Service, United States Department of Agriculture. http://www.ers.usda.gov/publications/so/view.asp?f=field/whs-bb/, June 2002.)

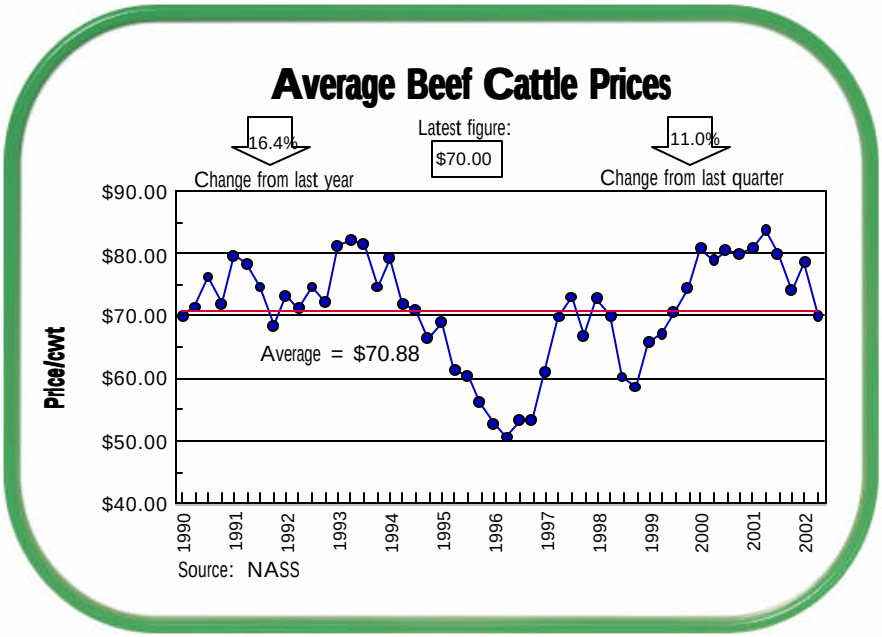
This is of course on the national level, currently Oklahoma wheat harvested as of the week ending June 23 was rated 21% very poor, 17% poor, 29% fair, 29% good, 4% excellent. The Oklahoma wheat harvest was reported to be 79% complete as of June 23. This figure lags behind last years 90% complete, which was unusually quick, but remains above the five year average of 72%. (Crop Weather Report. National Agricultural Statistic Service and the Oklahoma Agricultural Statistic Service, http://www.nass.usda.gov/weather/cpcurr/ok-crop-weather, June 25th 2002.)

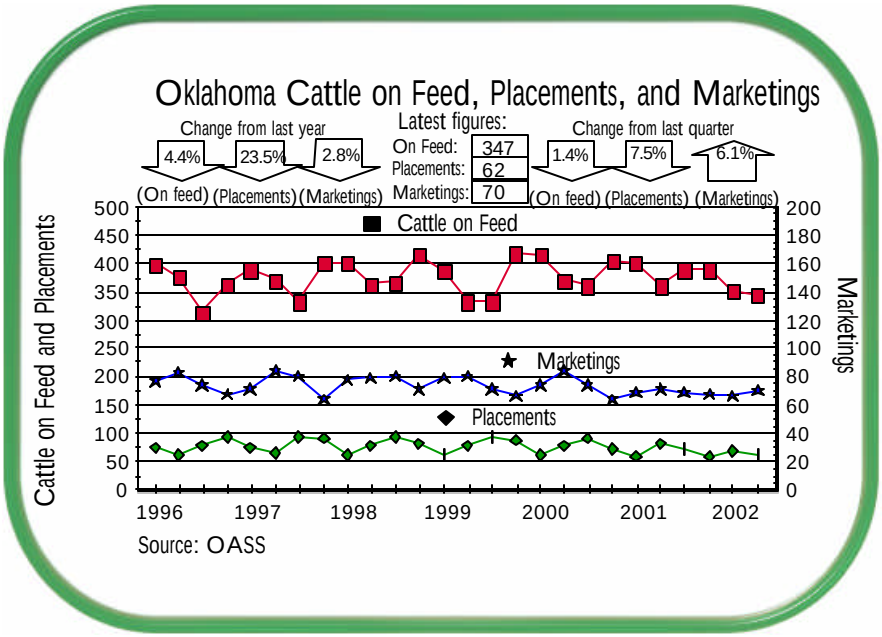
As you can see, initial indications are that the Oklahoma wheat harvest does not have quite as high a percentage of poor and very poor wheat as the national average with only 38% of the harvest so far rated at poor to very poor. Early indications also point to the Oklahoma wheat harvest having a higher percentage of wheat in good to excellent condition. These figures could change as the harvest continues and revisions are made. (Crop Weather Report. National Agricultural Statistic Service and the Oklahoma Agricultural Statistic Service, http://www.nass.usda.gov/weather/cpcurr/ok-crop-weather, June 25th 2002.)

The latest figure for the Oklahoma average wheat price of $2.67/bu is up 0.8% from the 1st Qtr 2002. While this figure is down almost 7.5% from the same quarter of the previous year it is possible that wheat prices could stay flat or rise as the level of wheat stocks are down with the lower production.

Turning to livestock we see that average beef cattle prices for Oklahoma have dropped 11.0% to $70.00/cwt in 2nd Qtr 2002. This is disappointing as demand is only likely to fall further in the third quarter of 2002 further pressuring beef cattle prices downward.

Prices will come under even more pressure as summer weather tends to reduce demand following the May-June period of strong holiday demand and as production rises seasonally. Prices are expected to average in the low- to mid- $60s this summer, with prices beginning to strengthen in late summer. (Livestock, Dairy & Poultry Outlook, Economic Research Service, USDA. http://www.ers.usda.gov/publications/so/view.asp?f=livestock/ldp-mbb/, June 17, 2002)





Compared to the 2nd Qtr 2001 the current price stumbled 16.4% and is 88¢/cwt below the market average for the time period covered in the graph. This is in part due to the fact that, "ranchers have been forced to sell more cattle due to worsening pasture conditions. In addition, large meat supplies have held down livestock prices."("The Rural Economy at a Glance", Center for the Study of Rural America, Federal Reserve Bank of Kansas City. June 2002)

This leads us to Oklahoma cattle on feed, placements, and marketing's. As alluded to in the previous paragraph Oklahoma cattle on feed has dropped by 1.4% to 347,000 head as the marketing's have shot up 6.1% to 70,000 head for 2nd Qtr 2002. At the same time placements have gone down 7.5% to end at 62,000 head.

For the year-over-year statistics Oklahoma cattle on feed are down 4.4% from 2nd Qtr 2001's count of 363,000 head. The poor conditions really show through in placements as they are down by almost a fourth from last year dropping by 23.5% or by 19,000 head. Marketing's have also dropped from the same quarter last year losing 2.8% or 2,000 head.

The new farm bill, entitled the Farm Security and Rural Investment Act of 2002, was passed and signed into law in Washington, D.C. on May 13th 2002. This falls short of the hoped for early April completion mentioned in last quarters *Great Plains General Business Index*, but it is finally on the books.

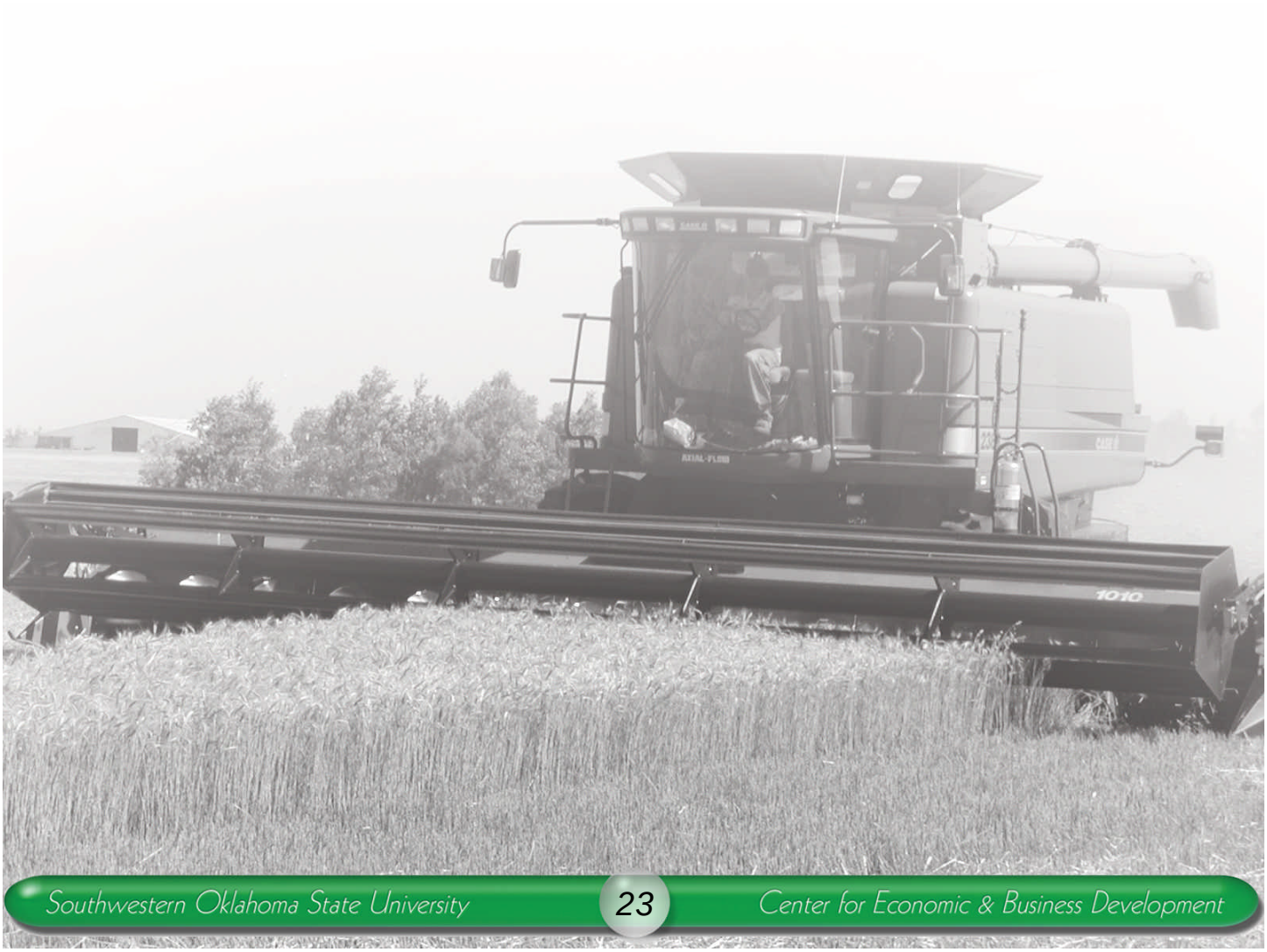
Some items of interest include the new commodity programs. There are now three programs to provide income support for wheat, feed grains, upland cotton, rice and oilseed. The first is direct payments, which a producer must enter into an annual agreement to take part in. Payments can

be expected no earlier than October 1st of the year the crop covered is harvested. Producers can receive advanced payments starting on December 1st of the preceding year of up to 50%.

The second program providing income support is counter-cyclical payments. As stated on the USDA's farm bill website, " *Counter-cyclical payments are available to covered commodities whenever the effective price is less than the target price."*(The 2002 Farm Bill: Title I – Commodity Programs, United States Department of Agriculture. http://www.ers.usda.gov/Features/farmbill/titles/titleIcommodities.htm#b, June 26th, 2002.) The target price for wheat is $3.86/bu in 2002-03 and $3.92/bu in 2004-07.

The final income support program is the Marketing Loan program. There is a lot of new material in the 2002 farm bill and we hope to provide you with more detailed analysis in the coming quarter. Some of the provisions in the new farm bill deal with the second half of our new Agriculture/Biomass section and we will discuss those in the Biomass half of the section.

If you are looking for further information on the new farm bill, and you have access to the Internet, go to http://www.usda.gov/farmbill.



As discussed in the first half of the Agriculture/Biomass section the Agriculture sector is changing or perhaps more appt Rural America is changing. These changes are bringing some new and some old challenges in to focus. In order to move on we need to identify some of the challenges that the Agriculture Sector and consequently our region and Rural America is facing today. These challenges include:

- An Aging Farm Population
- Increased competition on a global scale
- Dependence on Government payments

Perhaps the most difficult challenge faced by agriculture today is the fact that the average age of farmers is increasing. This is happening because those farmers who retire or pass away are not getting replaced by a new generation of younger farmers. According to the National Agricultural Statistics Service,

"The average farm operator was 54.3 years-old in 1997, one year over the 1992 average and compared with the average age of 52.0 in 1987. The number of farm operators under the age of 35 totaled 149,305 in 1997, a sharp drop from the 206,732 farm operators under the age of 35 in 1992." (http://www.nass.usda.gov/ny/01jan/cen90128.htm)

This has a tremendous impact on the future of farming and our region as more and more young people who grew up on farms move to the urban areas to find employment and earn a living. This leaves many farms without a clear successor to take over when the farmer passes away or is unable to continue working.

It could be argued that this is happening throughout the United States as people retire later in life or do not retire at all. This argument is mute as according to the Bureau of Labor Statistics the problem is far more acute in those employed as farmers, where "at 68.5 percent, farmers easily had the highest percentage of workers aged 45 and older, more than double the average for all employees." (http://stat.bls.gov/opub/ted/2000/Sept/wk2/art01.htm)

In addition to this challenge, our aging farmers are faced with global competition as we become more dependent on other countries to find markets for our surplus commodities.

Global Competition is sparking widespread restructuring in traditional rural industries, from agriculture to energy to manufacturing.("A New Focus on Rural America", Annual Report 2001, Center For the Study of Rural America. Federal Reserve Bank of Kansas City.)

Mattie R. Sharpless, the former acting administrator of the USDA's Foreign Agricultural Service, made the following statement during testimony given to the Subcommittee on Production and Price Competitiveness, which is a part of the Senate Agriculture Committee, on August 1st 2001.

> *Trade continues to be critically important to the long-term economic health and prosperity of our food and agricultural sector. We have far more capacity than needed to meet domestic food market requirements. To avoid excess capacity throughout the system — our farmland, transportation, processing, financing, and other ancillary services – we must maintain and grow our sales to customers outside this country. In fact, our system capacity grows faster than the domestic market alone can absorb. Given the maturity of our own food market, aggregate U.S. domestic demand has grown slower than the farm sector's rate of productivity growth. However, steadily expanding foreign demand – brought on by income gains, trade liberalization, and changes in global market structures – has helped U.S. exports double over the past 15 years to $53.5 billion estimated for the current fiscal year. Clearly, without the offsetting effects of an expanding export market, farm prices and net cash incomes would be significantly lower today.* (http://www.fas.usda.gov/info/speeches/ct080101.html)

Unfortunately, we will not always be able to depend on demand for our agricultural exports to help us out. Combine this with the fact that payments from the Government are becoming increasingly necessary for farms to stay profitable.

"We have far more capacity than needed to meet domestic food market requirements."
Mattie Sharpless, August 1, 2001.

"During the 1990s, almost one-fourth (23 percent) of the net farm income for U.S. agriculture came from direct government payments. Since the passage of the current farm bill, government payments have averaged 26 percent of the farm sector's cash income (based on 1996 through 2001 estimates)." (http://www.ag.iastate.edu/centers/leopold/newsletter/2001-2leoletter/farmbill.html) This quote was made before the passage of the 2002 farm bill, but it is still applicable as the new farm bill maintains or expands many of the payment programs.

If government payments were reduced or disappeared, the rural regions of the United States would find themselves hard pressed. The odds of this happening are not as high as they were before the new farm bill was passed this last May, but urban legislators are coming under increasing pressure to justify the government's support of agriculture. This becomes more of an issue as rural regions find themselves with less and less legislative pull. This is evident as Oklahoma is losing a congressional seat after the 2000 Census.

Changing directions, if world markets were to turn against US agriculture, the same pressure would be brought to bear. If both were to occur the effects could be disastrous. In order to mitigate the potential effects of these problems and reverse the brain drain Rural America needs to diversify itself. This is easier said than done and it does not entail saying that we do not want Agriculture to play a role in our future. Rather it means that as Rural America must diversify so must Agriculture.

A big part of this involves changing perception, which can be on of the hardest things to do. Not only does the average citizens perception need to change, but also those involved with agriculture need to change their perception. In the United States, if the word Agriculture is brought up in a conversation it is most likely brought up with food in mind. Most farmers or stockmen if asked what they do would respond that they grow America's food.

This is where the term Biomass comes in. A biomass resource is, according to the Energy Efficiency and Renewable Energy Network of the US Department of Energy, any organic material available on a renewable basis. According to this definition everything grown or raised by US farmers and stockmen is biomass. What agriculture needs to do is to broaden its horizon to include all different types of biomass.

Biomass can be used for much more than just food. It is a source of power, fuel, chemicals, and materials as well as food. In order to diversify agriculture and move away from a commodity based system of agriculture, it will become necessary to seek out new opportunities for growing biomass and finding new ways to utilize the biomass we are able to grow.

By diversifying agriculture in our region we will help to diversify the region itself, making ourselves less subject to the ups and downs of the energy and agriculture sectors that we have grown to depend on for economic sustenance. This will provide the region greater stability and improve the quality of life so that money will become less of a factor for the younger generations making the decision to leave us.

In essence what has to be done is to find the value in what we do and we are capable of doing so that we may give our children and our grandchildren a reason to stay in Western Oklahoma. In the next issue of the *Great Plains General Business Index*, I plan on discussing some of the areas in which there are opportunities for growth in agriculture, particularly with regards to the different uses of Biomass, and what needs to be done in order to take advantage of these opportunities.

by: Jon Chiappe

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Total assets held by the financial institutions in the Great Plains region increased 1.1% from the end of the previous quarter. With this $14.990 million quarterly increase, the Great Plains financial institutions recouped some of the $58.317 million in Total Assets losses suffered during the previous quarter. From the previous year, Total Assets increased 0.7%, or by $10.261 million, in the region's financial institutions.

Financial Condition of Commercial Banks in the Great Plains Region

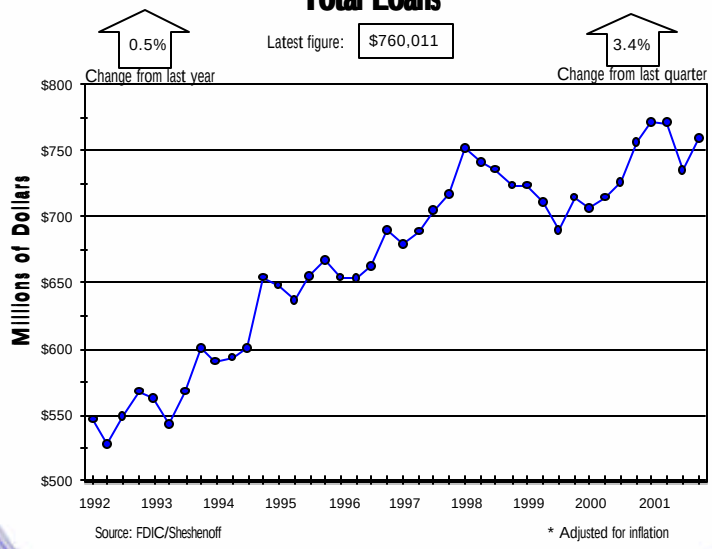
(dollar figures are in thousands)

	Dec. 2001	Sept. 2001	% Change[1]	Dec. 2000	% Change[1]
Total Assets	1,398,445	1,383,455	1.1%	1,388,184	0.7%
Total Deposits	1,171,843	1,164,539	0.6%	1,183,320	-1.0%
Demand Deposits	*146,458*	*134,890*	*8.6%*	*142,669*	*2.7%*
Time Deposits	*1,025,384*	*1,029,649*	*-0.4%*	*1,040,651*	*-1.5%*
Total Loans	760,011	734,835	3.4%	756,408	0.5%
Commercial & Industrial	*147,949*	*144,993*	*2.0%*	*140,602*	*5.2%*
Real Estate	*320,285*	*309,400*	*3.5%*	*315,828*	*1.4%*
Individual	*99,970*	*99,991*	*-0.0%*	*100,637*	*-0.7%*
Agricultural Production	*184,931*	*173,608*	*6.5%*	*192,395*	*-3.9%*
Loan-to Deposit Ratio	64.9	63.1	2.8%	63.9	1.5%

(1) Compared to Current Quarter

* Inflation Adjusted (82-84 = 100)

Source: FDIC Call Reports



Total Deposits in the region's financial institutions managed a 0.6%, or $7.304 million, quarterly gain which was caused by a large 8.6%, or $11.568 million, quarterly increase in the region's Demand Deposits. A 0.4%, or $4.264 million quarterly decrease in the region's Time Deposits dampened the quarterly increase in the region's Total Deposits.

Of the two Total Deposits components, Demand Deposits exhibits regular seasonal movements. Demand Deposits increase between the first and second quarters of the year, decrease between the second and third quarters of the year, increase again between the third and fourth quarters of the year and finally decrease between the fourth quarter of one year and the first quarter of the next year. The quarterly Demand Deposit increase between 3rd Qtr 2001 and 4th Qtr 2001placed the region's Demand Deposits at its highest point in the graphed time period.

As opposed to Demand Deposits, Time Deposits does not exhibit seasonality in its movements over time. However, given the relative magnitudes of Demand Deposits and Time Deposits, usually movements in Time Deposits affect Total Deposits more than movements in Demand Deposits. This was the case between 4th Qtr 2000 and 4th Qtr 2001. From the previous year, a 2.7%, or $3.789 million, increase in Demand Deposits was overwhelmed by a 1.5%, or $15.267 million, decrease in Time Deposits to produce the 1.0%, or $11.478 million, Total Deposits decrease.

After experiencing its greatest quarterly loss for the whole time period in 3rd Qtr 2001, Total Loans rebounded in the most recent quarter with a 3.4%, or $25.176 million, quarterly gain between 3rd Qtr 2001 and 4th Qtr 2001. This most recent quarterly increase regained about two-thirds of the Total Loans decrease experienced in the previous quarter.

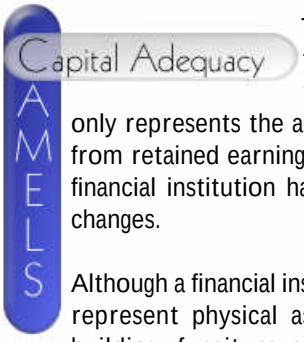
Of the four Total Loans components, three posted quarterly gains totaling $25.197 million between 3rd Qtr 2001 and 4th Qtr 2001. Loans to Individuals were the only component that suffered a quarterly loss. However, the quarterly loss was relatively small with only a $21,000 decrease. Of the three remaining Total Loan components, Agricultural Production Loans posted both the largest quarterly percentage (6.5%) gain and the largest quarterly absolute gain ($11.323 million). Real Estate loans also posted a substantial quarterly

gain at $10.855 million, while Commercial & Industrial Loans posted a $2.956 million quarterly gain between 3rd Qtr 2001 & 4th Qtr 2001.

With Total Loans increasing more than Total Deposits, financial institutions in the Great Plains region loaned a greater proportion of their deposits to the people, businesses and communities of western Oklahoma. The loan-to-deposit ratio demonstrates this by increasing 2.8 % from 63.1% in 3rd Qtr 2001 to 64.9% in 4th Qtr 2001.

CAMELS Analysis

Introduced in the previous quarter's publication for the financial institutions of southwest & west central Oklahoma, we will continue the CAMELS Analysis for the aggregate of all financial institutions in the region. Briefly, CAMELS is an assessment tool used by state and federal regulatory agencies to uniformly assess the financial soundness of banks and credit unions. When used by the regulatory agencies, the CAMELS assessment identifies insured institutions that require special attention from regulatory agencies.



The Capital Adequacy component of a CAMELS analysis focuses upon the capital and assets held by financial institutions. Capital Adequacy is one measure of financial soundness for a financial institution, and the greater the proportion of capital to assets, the better will be its Capital Adequacy rating. Capital not only represents the amount invested in a financial institution by its shareholders but also the appreciation in that investment from retained earnings. Capital is the amount that the shareholders have put at risk, and the greater amount of capital that a financial institution has, the better its ability to sustain losses, economic downturns, and sudden, unexpected interest rate changes.

Although a financial institution's assets can represent physical assets like a bank's building, furniture and equipment, the financial institution's assets more typically represent loans, bonds and cash. The financial institution will use funds from capital and liabilities (primarily deposits from depositors) to lend and invest in assets. These assets, again primarily loans, will earn the income for the financial institution over a period of time. However, if a significant number of those assets do not earn the bank enough of a return, then the bank may have difficulty meeting its liability obligations if it does not have enough capital. So, everything else equal, the greater the proportion of a financial institutions capital to its assets, the more financially sound will it be.

CAMELS Analysis - Capital Adequacy Table

(dollar figures are in thousands)

	Dec. 2001	Sept. 2001	% Change[1]	Dec. 2000	% Change
Total Capital (Tier 1 + Tier 2)	$159,387	$158,689	**0.4%**	$160,033	**-0.4%**
Core Capital (Tier 1)	*$150,461*	*$149,898*	*0.4%*	*$151,755*	*-0.9%*
Supplementary Capital (Tier 2)	*$8,926*	*$8,791*	*1.5%*	*$8,279*	*7.8%*
Net Risk-Weighted Assets	$855,028	$830,093	**3.0%**	$834,448	**2.5%**
RWA: 0%	*$112,911*	*$124,059*	*-9.0%*	*$136,950*	*-17.6%*
RWA: 20%	*$460,015*	*$447,388*	*2.8%*	*$430,123*	*6.9%*
RWA: 50%	*$152,375*	*$158,939*	*-4.1%*	*$147,196*	*3.5%*
RWA: 100%	*$688,913*	*$663,244*	*3.9%*	*$689,421*	*-0.1%*
Capital Adequacy Ratios					
Risk-Adjusted Capital Ratio (Total Capital/Net RWA)	18.6	19.1	-2.5%	19.2	-2.8%
Tier 1 Risk-Based Ratio (Core Capital/Net RWA)	17.6	18.1	-2.6%	18.2	-3.2%
Leverage Ratio (Core Capital/Adj. Total Assets)	10.8	10.9	-1.0%	11.1	-2.5%
Dividends Declared/Net Income	87.4	69.4	26.0%	65.6	33.2%

(1) Compared to Current Quarter

* Inflation Adjusted (82-84 = 100)

Source: FDIC Call Reports/Sheshenoff

Image created by Jon Chiappe

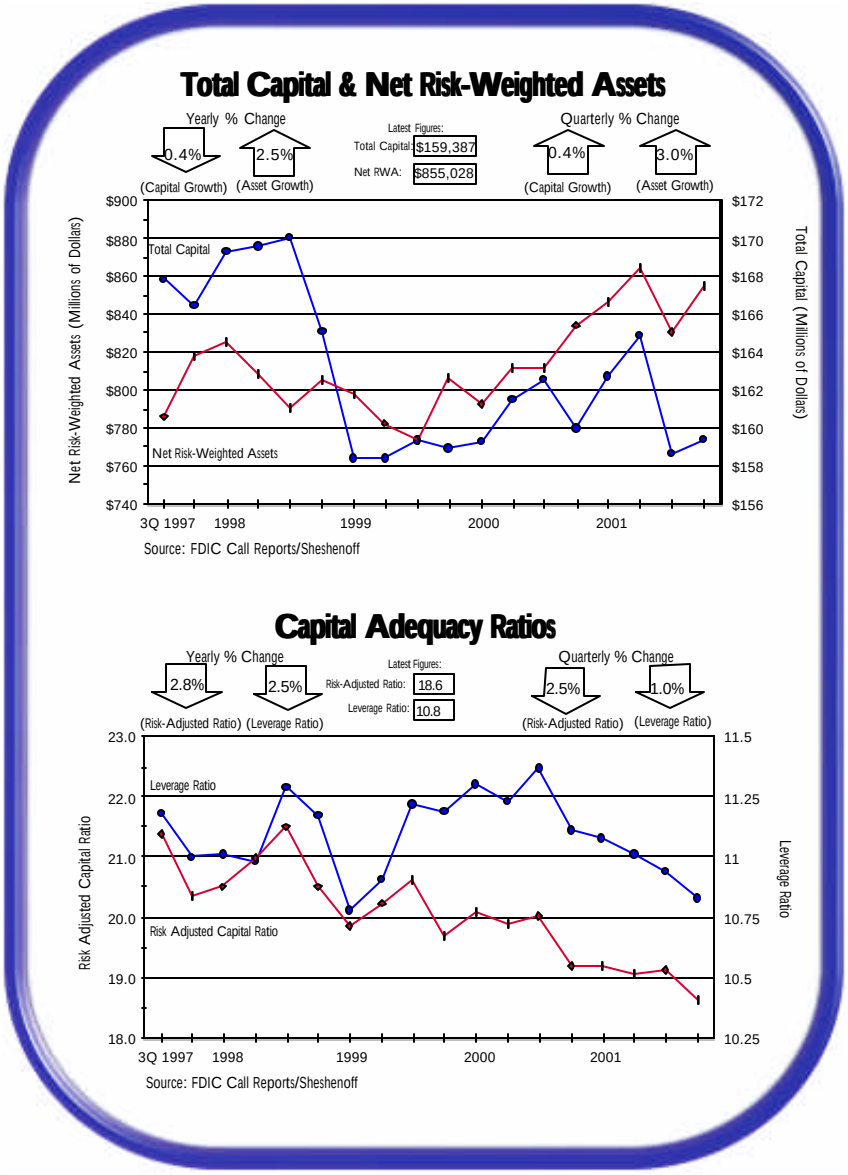
As mentioned in the previous quarter's issue of the *Great Plains General Business Index*, the Federal Financial Institutions Examination Council (FFIEC) established five capital adequacy zones, which are used by federal banking agencies to trigger bank supervisory actions to quickly address/correct banking problems. The five capital adequacy zones are (1) well capitalized, (2) adequately capitalized, (3) undercapitalized, (4) significantly undercapitalized and (5) critically undercapitalized. Corrective action is required for the under capitalized, significantly and critically undercapitalized zones.

As mentioned in the previous quarter's publication, a financial institution is classified as "well capitalized" if it meets each of the three following listed criteria. The institution must: (1) have a Risk-Adjusted Capital Ratio greater that 10%; (2) have a Tier 1 Risk-Based Ratio greater than 6%; and (3) have a Leverage Ratio greater than 5%. A financial institution is classified as "adequately capitalized" if it: (1) has

a Risk-Adjusted Capital Ratio greater than 8%, (2) has a Tier 1 Risk-Based Ratio greater than 4%, and (3) has a Leverage Ratio greater than 4%.

The aggregate of the financial institutions in southwest Oklahoma may be classified as "well capitalized" since their aggregated ratios surpass the thresholds established by the federal bank regulatory agencies. The region's financial institutions attained a Risk-Adjusted Capital Ratio of 18.6%, a Tier 1 Risk-Based Ratio of 17.6%, and a Leverage Ratio of 10.8%. So although each of these ratios declined between 3rd Qtr 2001 and 4th Qtr 2001, the ratios each remained well above the thresholds established by the federal bank regulatory agencies to be classified as "well capitalized".

The reason that the Capital Adequacy Ratios declined between 3rd Qtr. 2001 and 4th Qtr 2001 may be explained by the fact that the region's financial institutions experienced greater asset growth than capital growth between 3rd Qtr 2001 and 4th Qtr 2001. Over the two most recent quarters, Total Capital increased 0.4% (or by $698,000) while Net Risk-Weighted Assets increased 3.0% (or by $24.935 million). Similar factors explain the yearly decline of the region's Capital Adequacy Ratios between 4th Qtr 2000 and 4th Qtr 2001. From the previous year, Total Capital decreased 0.4% (or by $646,000) while Total Assets increased 2.5% (or by $20.580 million).



As can be seen from the Capital Adequacy table, Total Capital is comprised of Tier 1 capital (also known as Core Capital) and Tier 2 capital (also known as Supplementary Capital). Core Capital, which is the sum of common stock, preferred stock, undivided profits and surplus, increased 0.4% (or by $563,000) between 3rd Qtr 2001 and 4th Qtr 2001. However, from 4th Qtr 2000, Core Capital fell 0.9% (or by $1.294 million). The decline in the region's aggregated Core Capital from the previous year may be the result of an economic slowdown.

Supplementary Capital, which primarily consists of subordinated debt, allowances for loan losses, and hybrid capital instruments, increased 1.5% (or by $135,000) from the previous quarter. Compared to the previous year, supplementary capital increased 7.8% (or by $647,000). Despite the yearly increase in Supplementary Capital, Total Capital fell for the year since the region's financial institutions experienced a yearly Core Capital decline of $1.294 million.

Assets held by financial institutions have different levels of risk associated with them, and for the purposes of a Capital Adequacy Analysis, Federal bank regulators have devised a measure that takes into account the different risk levels. This variable is the "Net Risk-Weighted Assets" measure and is used by bank regulators as a denominator of several Capital Adequacy financial ratios. As explained in the previous quarter's publication, assets that have little or no risk associated with them, like cash, are assigned the lowest weight. A 0% weight has been assigned to cash and

none of the amount held by a financial institution will count in the net risk weighted assets measure. Cash held by the region's financial institutions decreased 9.0% (or by $11.148 million) between 3rd Qtr 2001 and 4th Qtr 2001. The yearly decrease in cash balances was more than double the absolute amount with cash balances decreasing 17.6% (or by $24.039 million) between 4th Qtr 2000 and 4th Qtr 2001.

Cash balances held at other banks are one example of an asset that has been assigned a 20% weight by bank regulators. From the previous quarter, these assets increased 2.8% (or by $12.627 million) and from the previous year, these assets increased 6.9% (or by $29.892 million). With a 20% weight, approximately $92 million of this asset class' total counts toward the Net Risk-Weighted Assets amount.

Residential loans secured by a first lien are one example of an asset that has been assigned a 50% weight by bank regulators. From 3rd Qtr 2001, this asset class experienced a 4.1% (or $6.564 million) decrease, but from 4th Qtr 2000, this asset class posted a 3.5% (or $5.179 million) increase. Corporate are an example of loans that have been assigned a 100% weight, which nears the full amount of this asset class is applied to the Net Risk-Weighted assets measure.

C A M E L S

Asset Quality

Asset Quality improved among the aggregate of all financial institutions in southwest & west central Oklahoma over the two most recent quarters. As can be seen from the accompanying Asset Quality table, three of the four main Asset Quality ratios improved between 3rd Qtr 2001 and 4th Qtr 2001. Asset Quality ratios generally improve by decreasing from one time period to the next. By decreasing, non-performing loans and assets make up a smaller proportion of gross loans or total assets. Consequently, because they make up a smaller proportion, Asset Quality improves as more of the financial institution's assets are earning income for the financial institution.

Between 3rd Qtr 2001 and 4th Qtr 2001, the Non-performing Loans to Gross Loan Ratio improved 26.2% by falling from 2.1% in 3rd Qtr 2001 to 1.6% in 4th Qtr 2001. As can be seen from the Asset Quality ratio graph, the Non-performing Loans to Gross Loans ratio reached its lowest point in the graphed timed period in 4th Qtr 2001. Asset Quality, as measured by this ratio alone, is the best it has been since 3rd Qtr 1997. As can be further seen from the graph, the most recent third to fourth quarter progression marks the largest quarterly decrease in the time period. Asset Quality, as measured by this ratio, appears to exhibit a seasonal pattern. Between the first and third quarters of the year, Asset Quality usually deteriorates with an increase in the proportion of non-performing loans to gross loans. However between the third and

CAMELS Analysis - Asset Quality Table

	Dec. 2001	Sept. 2001	% Change (1)	Dec. 2000	% Change
Nonperforming Loans/Gross Loans	1.6	2.1	-26.2%	1.6	-1.9%
Nonper. Real Estate Loans Ratio	*1.6*	*1.9*	*-15.4%*	*1.8*	*-10.2%*
Nonper. Consumer Loan Ratio	*0.9*	*0.9*	*5.7%*	*0.8*	*10.2%*
Nonper. Commercial Loan Ratio	*1.8*	*2.8*	*-36.2%*	*1.8*	*1.4%*
Nonper. Ag Loan Ratio	*1.7*	*1.6*	*7.6%*	*1.8*	*-6.0%*
Nonper. Loans/Loan Loss Reserve	116.6	154.2	-24.4%	109.3	6.7%
Nonper. Assets/Core Capital	9.4	11.8	-20.3%	9.3	0.9%
Loan Loss Reserve/Total Loans	1.4	1.4	-2.2%	1.5	-7.8%

(1) Compared to Current Quarter

Source: FDIC Call Reports/Sheshenoff

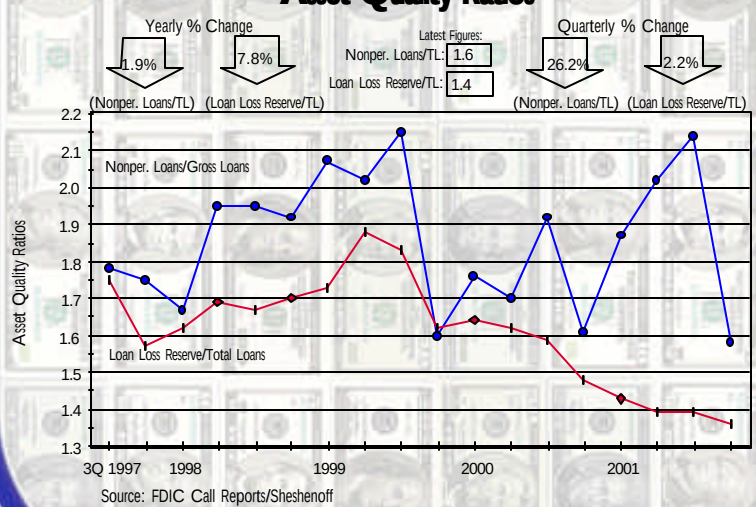


Image created by Jon Chiappe

fourth quarters of the year, Asset Quality has improved in every year since 1997. In the most recent three years, Asset Quality has improved significantly between third and fourth quarters of the year.

Two of the four tracked subcomponents of the Non-performing Loans ratio decreased over the two most recent quarters. Although the Non-performing Commercial Loans ratio has the highest proportion of nonperforming loans in 4th Qtr 2001, it managed the greatest improvement from the previous quarter by dropping 36.2%. The non-performing Real Estate Loan ratio also improved between 3rd Qtr 2001 and 4th Qtr 2001 by dropping 15.4%.

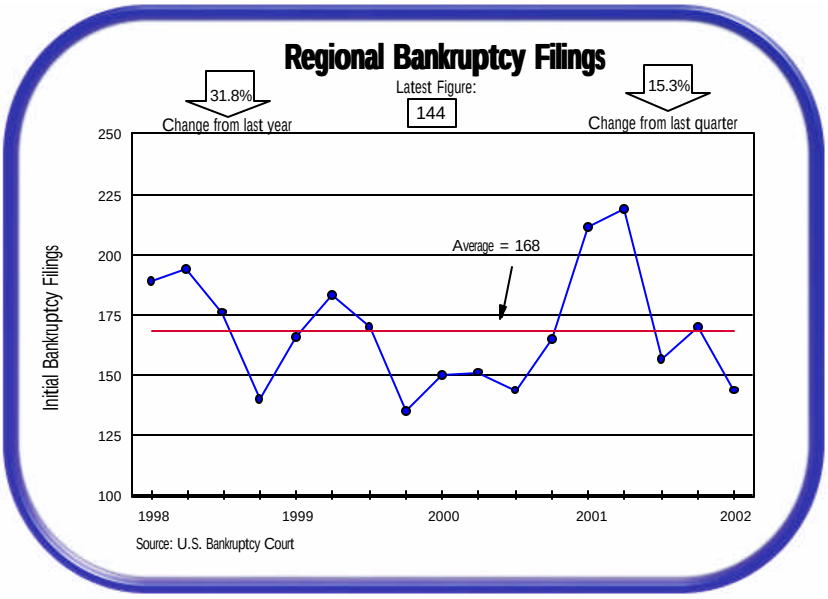
Of the four subcomponents of Non-performing Loans/Gross Loans tracked, only the Non-performing Ag Loans Ratio and the Non-performing Consumer Loans Ratio deteriorated between 3rd Qtr 2001 and 4th Qtr 2001. When compared to total consumer loans, non-performing consumer loans made up the lowest proportion of their loan category in 4th Qtr 2001. Only 0.9% of consumer loans were classified as non-performing in 4th Qtr, which is half the proportion of the more risky commercial loan category.

The Non-performing Loans to Loan Loss Reserve Ratio is a measure of a financial institutions ability to absorb loan losses. If the ratio consistently increases from one quarter to the next and shows an upward trend, then the financial institution becomes less able to absorb loan losses. And when this happens, the bank becomes less liquid and may experience solvency problems.

As can be seen in the Asset Quality Table, aggregated Non-performing Loans made up a significantly lower proportion of the aggregate Loan Loss Reserve in 4th Qtr 2001 than in 3rd Qtr 2001. Between those two quarters, Non-performing Loans fell from 154.2% of Loan Loss Reserves in 3rd Qtr 2001 to 116.6% in 4th Qtr 2001. The Financial institutions in southwest Oklahoma were able to improve Asset Quality either by increasing their Loan Loss Reserves or by improving the quality of their loan portfolio. Improving the quality of a financial institution's loan portfolio would have the benefit of reducing the proportion or amount of the institution's non-performing loans. Of these two methods to improve this Asset Quality's ratio the financial institution's in southwest Oklahoma probably improved Asset Quality by improving the quality of their loan portfolio. Reasons for this statement include the fact that: (1) Non-performing loans decreased as a proportion of gross loans and (2) non-performing assets decreased as a proportion of core capital.

As mentioned in the Capital Adequacy section, Core Capital increased 0.3% over the two most recent quarters. This Core Capital increase helped to improve Asset Quality. As a proportion of Core Capital, Non-performing Assets decreased 20.3% between 3rd Qtr 2001 and 4th Qtr 2001.

The only Asset Quality ratio that did not improve over the two most recent quarters was the Loan Loss Reserve to Total Loans ratio. Whereas each of the three previous ratios generally improve by showing a decrease from one time period to the next, a decrease in the Loan Loss Reserve to Total Loans ratio may indicate that the financial institution has less of an ability to absorb losses in its loan portfolio. However, there are instances in which a decrease in this ratio may be a sign of improvement. For example, if the bank expects future credit and loan losses to be minimal due to healthy economic conditions, then financial institution may hold less reserves in its loan loss account. Another example may be that the overall quality of its loan portfolio has improved and the bank needs less reserves. These are two of several instances in which a decrease in the financial institution's Loan Loss Reserve to Total Loans ratio indicates an improvement from one time period to the next. The performance of this ratio should be analyzed with other information to determine whether charges can be classified as improvements.



As can be seen from the Asset Quality ratio graph, the Loan Loss Reserve/Total Loans ratio has decreased in each of previous seven quarters. Between 1st Qtr 2000 and 4th Qtr 2001, this ratio has fallen from over 1.6% in 1st Qtr 2000 to below 1.4% in 4th Qtr 2001. From the previous year, the Loan Loss Reserve/Total Loans ratio has fallen 7.8% and from the previous quarter the ratio decreased 2.2%. As can be further seen from the graph, the Loan Loss Reserve/Total Loans ratio exhibited an upward trend between 4th Qtr 1997 and 2nd Qtr 1999. After reaching a high in 2nd Qtr 1999, the ratio has exhibited a downward trend continuing to the most recent quarter.

State and federal bank regulators also rate Asset Quality by reviewing the financial institution's lending practices and the trend of borrower bankruptcies. Regarding bankruptcies, after rising from 157 initial bankruptcy filings in 3rd Qtr 2001 to 170 filings in 4th Qtr 2001, regional bankruptcy filings in southwest Oklahoma were the lowest they have been since 3rd Qtr 2000 when bankruptcy filings also totaled 144. The only other quarter in which initial bankruptcy filings were lower, occurred in 4th Qtr 1998 when initial bankruptcy filings equaled 135.

CAMELS

Management

As mentioned in the previous quarter's issue, the purpose of a Management assessment in the CAMELS analysis is to ensure that the financial institution is operated in a safe and sound manner. By assessing the competency of a financial institution's management, bank regulators, including the FDIC, hope to minimize the risk of bank failures and the costs associated with them. However, of the six components of a CAMELS analysis, the Management component is the most difficult to rate using banking statistics provided by the FDIC (Federal Deposit Insurance Corporation).

A detailed Management assessment includes a review of financial statements, internal and external audits as well as supervisory examination reports. Given that information from these sources is not readily available and that it would be difficult to consolidate for the aggregate of all banks in southwest Oklahoma, two "bottom line" indicators will be used as a basic assessment of the Management component. Net Income and the Return on Average Assets relate bank performance and profitability. These two statistics may be used as a proxy for the more detailed information that is not as readily available.

The Net Income figure reported in the *Great Plains General Business Index* is a year-to-date figure. To calculate the net income earned in any one quarter, simply subtract the previous quarter's net income from the most recent quarter's net income. Net Income earned by the financial institutions in southwest & west central Oklahoma totaled $26.834 million for the year ending December, 2001. This is the lowest Net Income earned in any year for which data is available since 1997. The national recession, probably had an effect upon earnings for the regional financial institutions.

During 3rd Qtr 2001, Net Income earned by the region's financial institutions totaled $7.171 million. However, with the Return on Average Assets falling from 1.4% to 1.1% between 3rd Qtr 2001 and 4th Qtr 2001, quarterly Net Income totaled $2.266 million for the region's financial institutions during 4th Qtr 2001. So, while the YTD Net Income grew 9.2%, the quarterly net income fell 68.4% between 3rd Qtr 2001 and 4th Qtr 2001.

Return on Average Assets suffered its largest quarterly decrease in the graphed time period. Although Return on Average Assets usually decreases between the third and fourth quarters of the year, the 18.7% quarterly decrease between 3rd Qtr 2001 and 4th Qtr 2001 was probably affected by the economic slowdown widely reported at the end of 2001. As can be seen from the accompanying graph, Return on Average Assets equaled 1.1% in 4th Qtr 2001, which was the lowest it has been in the graphed time period.

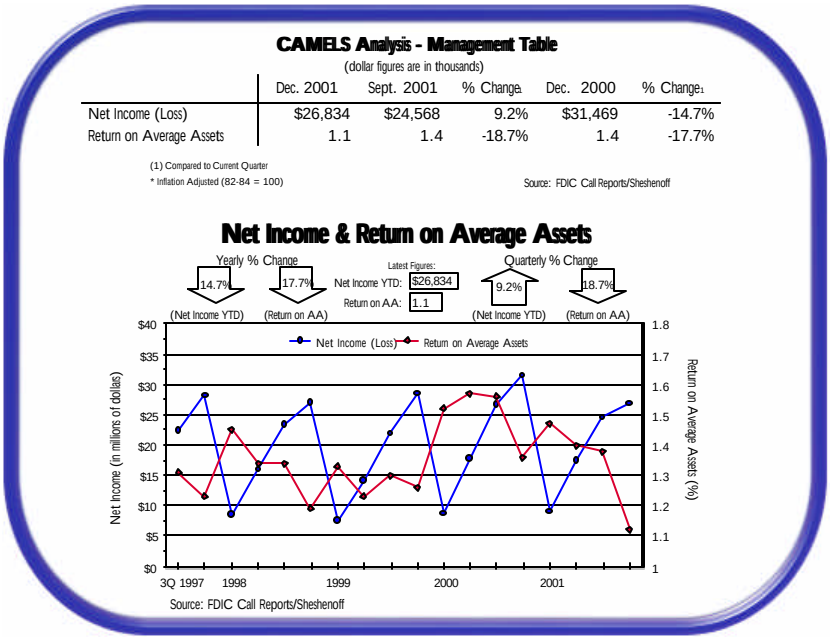
CAMELS Analysis - Management Table

(dollar figures are in thousands)

	Dec. 2001	Sept. 2001	% Change1	Dec. 2000	% Change1
Net Income (Loss)	$26,834	$24,568	9.2%	$31,469	-14.7%
Return on Average Assets	1.1	1.4	-18.7%	1.4	-17.7%

(1) Compared to Current Quarter
* Inflation Adjusted (82-84 = 100)

Source: FDIC Call Reports/Sheshenoff



CAMELS

Earnings Strength

As mentioned in the previous quarter's issue of the *Great Plains General Index*, the Earnings Strength component of a CAMELS analysis relates the general composition and trend of bank profits. Strong sources and levels of earnings enable financial institutions the ability to have "sufficient profits to support operations, provide for asset growth, and build capital." Additionally, a strong source and an upward trend of earnings will create more stability within the financial institution. In order to have strong earnings, sources of income should be stable, reliable, and large enough to cover expenses and still provide enough left over to build capital. (Forrest Myers, "Basics for Bank Directors", Federal Reserve Bank of Kansas City, December, 2001, page 55.)

Interest Income earned by regional financial institutions were 7.2% of Average Assets in 4th Qtr 2001, which decreased from 7.4% of Average Assets in 3rd Qtr 2001 and 7.6% in 4th Qtr 2000. Although Interest Income's proportion has fallen recently, the region's financial institutions have kept Interest Expenses in line. The proportion of Interest Expense to Average Assets has fallen from 3.5% in 3rd Qtr 2001 to 3.3% in 4th Qtr 2001. By controlling interest expenses, the region's financial institutions have maintained a 3.9% Net Interest Margin to Average Asset ratio between 3rd Qtr 2001 and 4th Qtr 2001.

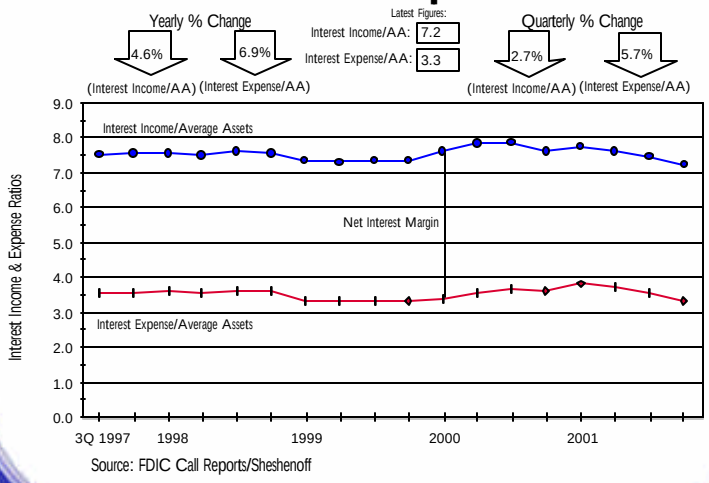
CAMELS Analysis - Earnings Strength Table

	Dec. 2001	Sept. 2001	% Change(1)	Dec. 2000	% Change(1)
Interest Income/AA	7.2	7.4	-2.7%	7.6	-4.6%
Interest Expense/AA	3.3	3.5	-5.7%	3.6	-6.9%
Net Interest Margin/AA	3.9	3.9	0.1%	4.0	-2.5%
Tot Noninterest Income/AA	0.9	0.9	0.0%	0.8	3.6%
Provision for Loan Losses/AA	0.4	0.2	88.5%	0.1	224.0%
Operating Profit/AA	1.2	1.5	-19.5%	1.6	-24.7%
Yield on Loans	*9.1*	*9.4*	*-2.9%*	*9.5*	*-4.1%*
Yield on Leases	*N/A*	*9.3*	*--*	*4.2*	*--*
Yield on Securities	*6.0*	*6.0*	*-1.2%*	*6.0*	*-0.9%*
Cost of Funds	*4.3*	*4.6*	*-5.7%*	*4.6*	*-6.7%*
Cost of Funds - Fed Funds Rate	*2.1*	*3.5*	*-39.0%*	*6.5*	*-67.0%*
Cost of Deposits	*4.3*	*4.6*	*-5.7%*	*4.6*	*-5.8%*
Cost of Borrowings	*4.3*	*4.5*	*-4.9%*	*5.9*	*-27.8%*
Efficiency Ratio	64.2	62.5	2.7%	62.9	2.1%

(1) Compared to Current Quarter

Source : FDIC Call Reports/Sheshenoff

Interest Income & Expense Ratios



Source: FDIC Call Reports/Sheshenoff

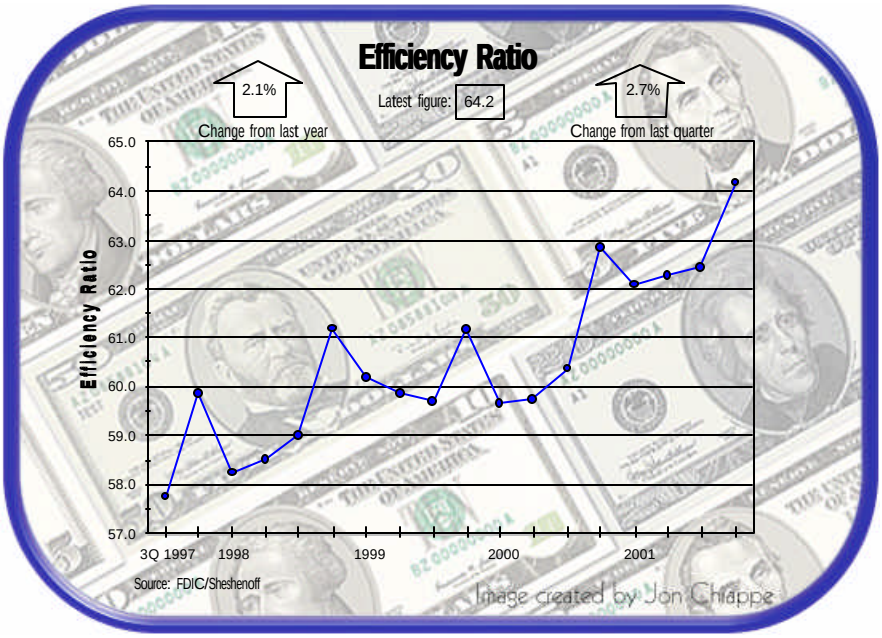
Total Non-interest Income, as a proportion of Average Assets, remained stable over the two most recent quarters staying at 0.9%, but rising slightly from 0.8% from the previous year.

Because Non-performing Loans have recently been a high proportion when compared to loan loss reserve, regional financial institutions have increased their Provisions for Loan Losses. This has caused the Provisions for Loan Losses to increase as a proportion of Average Assets from 0.1% in 4th Qtr 2000 to 0.4% in 4th Qtr 2001. In percentage terms, this translates into a 224.0% increase in the Provision for Loan Losses to Average Assets ratio.

Unfortunately, Earnings Strength, as measured by the Operating Profit to Average Assets ratio, has deteriorated over the past quarter and the past year. Operating Profit decreased from 1.5% of Average Assets in 3rd Qtr 2001 to 1.2% of average Assets in 4th Qtr 2001. Between 4th Qtr 2000 and 4th Qtr 2001, Operating Profit decreased from 1.6% to 1.2% of Average Assets. Earnings and profit usually suffer during periods of economic recession, but if financial institutions have strong capital foundation, they are usually able to weather the economic downturns.

The Efficiency Ratio, which measures the relationship between income and expenses for a financial institution, spiked in 4th Qtr 2001. An increase in the Efficiency Ratio indicates that more of a financial institution's income is required to cover its expenses. Therefore, Earnings Strength is weakened when a financial institution's Efficiency Ratio increases. Unfortunately, the region's financial institutions experienced a 2.7% quarterly increase in their aggregate Efficiency Ratio. This quarterly increase

placed the region's Efficiency Ratio at its highest level in the graphed time period. As can be seen from the Efficiency Ratio graph, each of the spikes occurred in the fourth quarters of the year. Between 3rd Qtr 1997 and 4th Qtr 2001, the Efficiency Ratio has increased from 57.7 to 64.2 - an 11.2% increase over the graphed time period.



C A M E S Liquidity

Liquidity allows financial institutions the ability to quickly raise cash at a reasonable expense. Financial Institutions that have liquidity can quickly take advantage of business opportunities and also meet unforseen events without too much disruption in their operations. Unfortunately, an economic downturn can quickly change a financial institutions liquidity position and place a strain upon its liquidity. If a financial institution needs more liquidity, one way to improve its liquidity is to sell assets. However, the financial institutions must be careful not to sell its best assets. Since assets for a financial institution often are loans, if the financial institution sells its best assets, it is selling its most stable earning and safest loans. By doing this, the financial institution will be placing itself in a position for future trouble.

Liquidity, as measured by the Liquid Assets to Total Liabilities ratio, deteriorated between 3rd Qtr 2001 and 4th Qtr 2001. As a proportion of Total Liabilities, Liquid Assets fell from 17.3% in 3rd Qtr 2001 to 15.0% in 4th Qtr 2001.
Similar Liquidity declines are noticed when Liquid Assets is compared with Short-Term Liabilities and Total Assets. As a proportion of Short-term Liabilities or those liabilities due within one year, Liquid Assets declined from 60.2% in 3rd Qtr 2001 to 49.5% in 4th Qtr 2001. This represents a 17.8% quarterly decline in this ratio. Additionally, Liquid Assets fell as a proportion of Total Assets with a 13.2% quarterly decrease over the two most recent quarters.

The region's Liquidity Ratio also declined slightly from 32.7% in 3rd Qtr 2001 to 30.8% in 4th Qtr 2001. This 5.9% quarterly drop also had the effect of deteriorating Liquidity slightly.

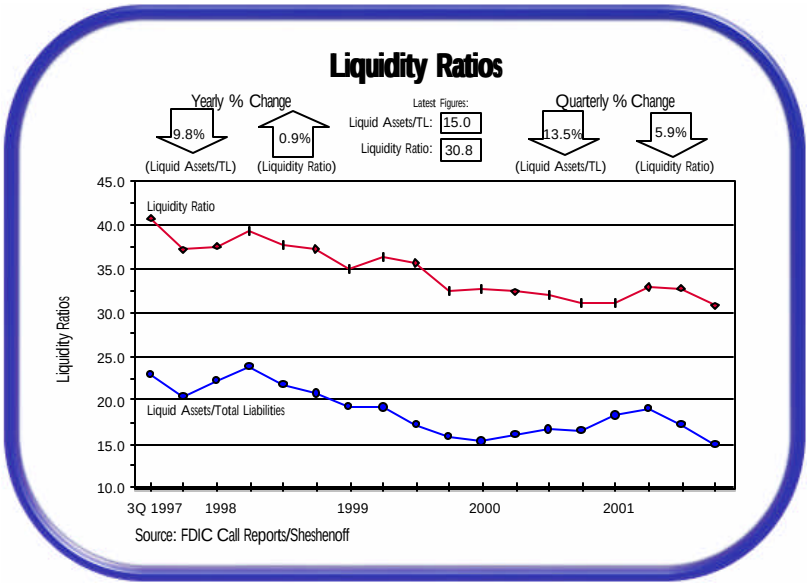
A high loan to deposit ratio may indicate that few internal cash sources remain in the financial institution. The financial institution may be sacrificing its liquidity position for increased earnings. The region's Total Loans to Total Deposit ratio increased from 63.1% in 3rd Qtr to 64.9% in 4th Qtr 2001. This represents the highest loan to deposit ratio for the regions financial institutions. In 3rd Qtr 1997 the Total Loans to Total Deposit ratio equaled 54.5%. With banking deregulation, the competitive environment may be influencing banks to achieve higher earnings, and one way of accomplishing this is to loan more of its deposits.

CAMELS Analysis - Liquidity Table

	Dec. 2001	Sept 2001	% Change (1)	Dec. 2000	% Change (1)
Liquid Assets/Total Liabilities	15.0	17.3	-13.5%	16.6	-9.8%
Liquid Assets-Large Liabilities/TA	*-4.4*	*-2.2*	*98.7%*	*-1.8*	*144.1%*
Liquid Assets/Purchased Funds	*75.3*	*87.5*	*-13.9%*	*89.2*	*-15.5%*
Liquid Assets/Short Term Liabilities	*49.5*	*60.2*	*-17.8%*	*55.6*	*-11.0%*
Liquid Assets/Total Assets	*13.3*	*15.3*	*-13.2%*	*14.7*	*-9.7%*
Liquidity Ratio	30.8	32.7	-5.9%	31.1	-0.9%
Large Liability Dependence Ratio	5.6	2.9	94.3%	2.3	147.7%
Total Loans/Total Deposits	64.9	63.1	2.8%	63.9	1.5%
$100,000+ Time Deposits/TA	13.5	14.2	-4.8%	14.0	-3.7%
Brokered Deposits/TA	0.1	0.1	-1.6%	0.1	-9.6%
Pledged Securities/Total Securities	41.7	39.7	4.9%	40.1	3.9%

(1) Compared to Current Quarter
Source: FDIC Call Reports/Sheshenoff

Pledged securities are those securities that have been set aside, perhaps as collateral by the financial institution and are not available for sale. A high proportion of Pledged Securities to Total Securities may indicate that few securities are available for sale and that the financial institution may have trouble raising cash if it were required to do so quickly. Among the financial institutions in southwest Oklahoma, the proportion of Pledged Securities to Total Securities increased 4.9% from 39.7% in 3rd Qtr 2001 to 41.7% in 4th Qtr 2001.



CAMEL Sensitivity to Market Risk

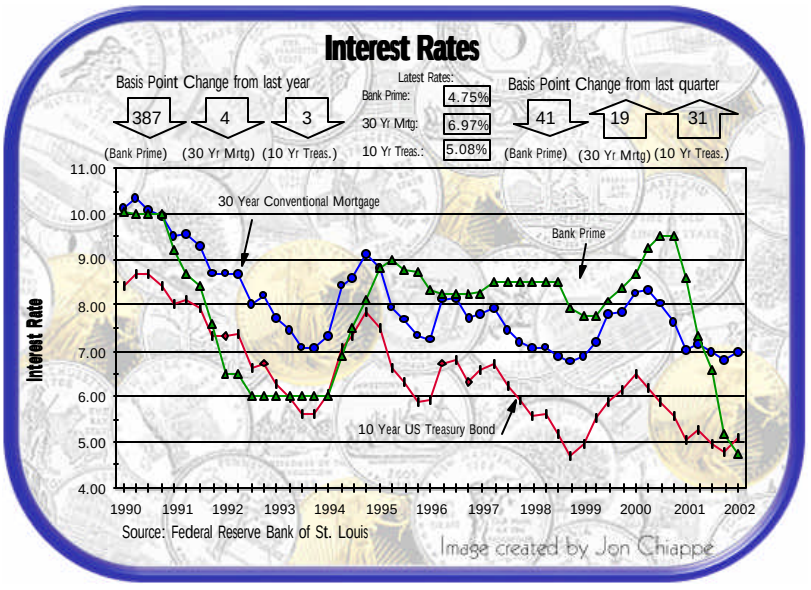
Interest rate changes affect a financial institution's earnings and capital position. One method that federal and state regulators assess a financial institutions sensitivity to market risk is to measure how interest rate changes affect the institution's earnings. Other factors that affect earnings are commodity prices and exchange rates. However, the primary concern for most financial institutions is interest rate changes.

Before discussing the interest rate movements, there has been a change in the interest rates covered by the *Great Plains General Business Index.* Prior to this quarter, our publication tracked the 30-year Treasury Bond rate. However, the Federal Reserve Bank of St. Louis ceased reporting this interest rate. We have replaced the 30-year Treasury Bond rate with the 10-year Treasury Bond rate.

The last occasion upon which the Federal Reserve Board (specifically the Federal Open Market Committee) changed the Federal Funds rate occurred in December 2001. The FRB has not changed interest rates in 2002. The FRB cut the federal funds rate on eleven occasions during 2001 totaling 475 basis points. As it stands now, the intended federal funds rate equals 1.75%. With very little room left to fall, the last occasion that the FRB increased interest rates occurred May 16, 2000 when the FOMC raised the federal funds rate 50 basis points to 6.5%.

Of the three interest rates graphed in the *Great Plains General Business Index*, the Bank Prime fell 41 basis points between 4th Qtr 2001 and 1st Qtr 2002. The most recent change marks the fifth consecutive quarterly decrease in the Bank Prime interest rate. The quarterly decrease places the Bank Prime rate at 4.75% during 1st Qtr 2002.

While the Bank Prime rate continued to fall, the 10-year Treasury Bond rate and the 30-year mortgage rate each increased between 4th Qtr 2001 and 1st Qtr 2002. The 30-year mortgage rate increased 19 basis points over the two most recent quarters placing it at a similar level when compared to the previous year. From 1st Qtr 2001, when the 30-year mortgage rate equaled 7.01%, the mortgage interest rate has fallen by only 4 basis points. Which is in stark contrast to the 387 basis point decrease in the Bank Prime interest rate. Similarly, the 10-year Treasury Bond rate increased 31 basis points from the previous quarter but decreased 3 basis points from the previous year.



by: Stephen Nelson

Questions and/or comments may be directed to nelsons@swosu.edu

First quarters historically have been hard on the region's taxable sales. The first quarter of 2002 can be seen as an exception to this because although taxable sales declined they only fell a mild 3%. In 1st quarters since 1995, the average taxable sales growth has been a negative 7.4%. This includes the 1st Qtr 2001, which is the only first quarter in the graphed period to have positive growth. Without this positive quarter, the average growth in taxable sales would be a negative 9.0%. The greatest decline in taxable sales growth occurred in 1st Qtr 1995 when taxable sales fell 13.4%. As you can see, the start of a new year is generally not kind to our region's taxable sales.

This slight decline in the first quarter taxable sales is hopefully an early indicator that 2002 will see a revival in the growth of the region's taxable sales. Over the course of 2001, there was almost no growth, with the exception of 4th Qtr 2001, which eked out a 0.1% gain. Because of the string of mildly disappointing results in our region's taxable sales growth in recent quarters, the coming quarter's results will be greatly anticipated. With taxable sales having fallen 6.4% over the past year and the overall number dropping below $140 million for the first time since 1st Qtr 2000, we are for the next quarter's results to see if the region's taxable sales will grow or recede further.

Changing perspective slightly reveals a much different and more positive outlook. Even though there has been very little movement from quarter to quarter, the region's economy has been stable enough to produce taxable sales of more than $140 million over the past seven quarters before finally dropping to $138.9 million in the first quarter of this year. Hopefully, when next quarters results come in we will be able to report growth in the regions taxable sales and see the number rise above $140 million once again.

Comparative Sales Subject to Sales Tax

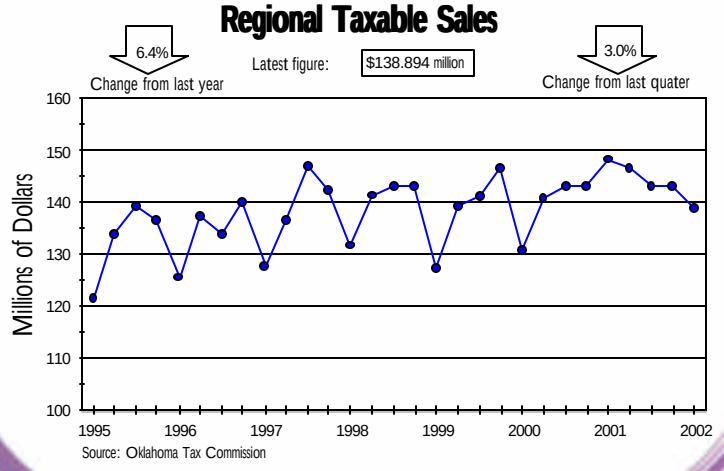
(millions of dollars)

	1st Qtr 2002	4th Qtr 2001	% Change**	1st Qtr 2001	% Change**
Beckham	$28.482	$30.090	-5.3%	$30.836	-7.6%
Blaine	$6.171	$6.380	-3.3%	$6.256	-1.4%
Caddo	$16.984	$17.269	-1.7%	$18.656	-9.0%
Custer	$30.910	$32.419	-4.7%	$34.068	-9.3%
Dewey	$2.407	$2.559	-5.9%	$3.106	-22.5%
Ellis	$1.850	$1.938	-4.5%	$2.061	-10.2%
Greer	$2.729	$2.562	6.5%	$2.945	-7.3%
Harmon	$1.441	$1.623	-11.2%	$1.669	-13.7%
Jackson	$30.809	$32.201	-4.3%	$30.854	-0.1%
Kiowa	$5.438	$5.395	0.8%	$5.988	-9.2%
Roger Mills	$2.185	$1.545	41.4%	$1.844	18.5%
Tillman	$4.158	$3.999	4.0%	$4.540	-8.4%
Washita	$5.330	$5.184	2.8%	$5.630	5.3%
Great Plains	**$138.894**	**$143.164**	**-3.0%**	**$148.453**	**-6.4%**

*Adjusted for inflation

** Compared to the current quarter

Source: OTC/CEMR



Changing focus to the individual counties, you will see that five out to thirteen counties experienced increases it their quarterly taxable sales. This is the same number of counties that had increased taxable sales in the 4th Qtr 2001, but the counties that increased are not the same ones. More importantly the sum of the increase in taxable sales was $2.952 million in 4th Qtr 2001 compared to $1.155million in the current quarter.

The five counties that increased their taxable sales during 1st quarter 2002 were Greer County by 6.5%($0.167 million), Kiowa County by 0.8%($0.043 million), Roger Mills' county by 41.4%($0.64 million), Tillman County by 4.0%($0.159 million), and Washita County by 2.8%($0.146 million).

Of the remaining eight counties that had receding growth for the 1st Qtr 2002, Beckham, Dewey, and Harmon counties led with percentage declines of 5.3%, 5.9%, and 11.2% respectively. In terms of absolute declines, Beckham, Custer, and Jackson counties led the way with real decreases of $1.61 million, $1.51 million, and $1.39 million respectively.

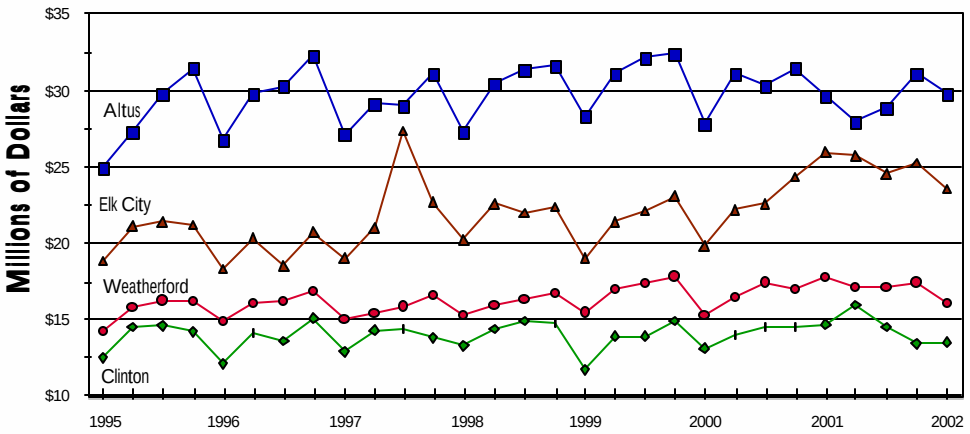
Roger Mills county, which had by far the best percentage taxable sales increase of all the thirteen counties, made up for its dismal performance in the 4th Qtr 2001. Overall a downward trend could not be avoided as only Roger Mills County and Washita County have increased over a one-year period.

This trend is mirrored in the four major cities in our region as only one of the four managed an increase in taxable sales for the 1st quarter of 2002. This is not anymore unusual for the cities as it is the region. Over the past seven years our region's four major cities all had declining taxable sales in five out of seven 1st quarters.

Clinton was the only major city that managed growth in the 1st Qtr 2002, which is quite a feat considering that it was during the first part of the year when growth does not usually happen.

Unfortunately, over the course of the past year only Altus has managed to grow its taxable sales. These four cities play an important role in the region's economy and consequently their taxable sales figures are important to the region. Hopefully, we will see these cities and the regions taxable sales grow in the second quarter of 2002.

Taxable Sales For Selected Cities*



City	1Q02	4Q01	% Chg*	1Q01	% Chg*	1Q00	% Chg*
Altus	$29.789	$31.231	-4.6%	$29.675	5.2%	$27.808	12.3%
Clinton	$13.474	$13.369	0.8%	$14.657	-8.8%	$13.088	2.1%
Elk City	$23.564	$25.240	-6.6%	$26.005	-2.9%	$19.784	27.6%
Weatherford	$16.076	$17.509	-8.2%	$17.740	-1.3%	$15.333	14.2%

*Adjusted for inflation

** Compared to the current quarter

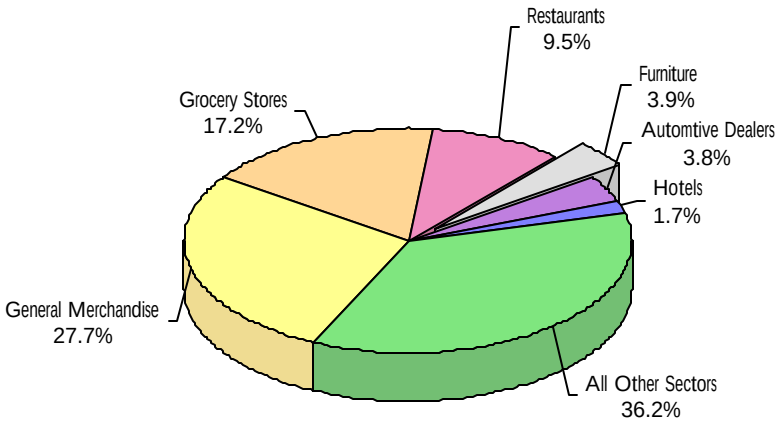
Source: OTC/CEMR

Regional Focus on the Furniture and Home Furnishings sector (SIC 57)

For the Regional Focus Section in the Summer 2002 issue of the *Great Plains General Business Index,* we will cover taxable sales in the Furniture and Home Furnishings sector (SIC 57). This will be the sixth sector that we have covered in the regional focus section and we hope that our readers will find each one informative and timely.

Furniture and Home Furnishings is ranked seventh regionally with a 3.9% share of total taxable sales in the fourteen regional cities in 1st Qtr 2002. The Furniture sector's share of total taxable sales can be seen in the pie chart to the right along with the sectors we have covered in previous issues.

Proportion of Sales to Total Sales in 14 Regional Cities



As shown in the Table below sales subject to sales tax for the sector accounted for $4.4 million during 1st Qtr 2002. This is an increase of 13.5% from the previous quarters total of $3.9 million and a 5.1% increase from the year before total of $4.2 million. This shows that the sector is growing in our region.

In addition to its growth in the region the Furniture and Home Furnishings sector already has a significant impact in the fourteen regional cities that are covered in the index. In all but two of the cities listed the Furniture sector holds more than a 1 percent share of total taxable sales. In fact, almost half of the cities listed have 3 percent or more of their total taxable sales attributed to the Furniture sector. Altus, Clinton, Cordell, and Elk City lead the way with furniture sales in these cities accounting for 5.1%, 4.0%, 4.4%, and 5.0% of total taxable sales respectively.

Ten out of the fourteen regional cities listed experienced yearly growth, while nine cities had quarterly gains. These numbers can be misleading, as sales in the Furniture and Home Furnishings sector can be highly erratic and irregular.

The next pie chart shows each cities share of the Total Taxable sales associated with the Furniture sector. The four largest regional cities of Altus, Clinton, Elk City, and Weatherford account for 81.9% of the sectors taxable sales. Altus, the largest regional city, led the way with a 33.4% share. Altus was followed by Elk City, which had a 25.6% share. This is no surprise as Elk City is the second largest city in the region. Not surprisingly the third and fourth largest cities, Weatherford and Clinton, follow with

Furniture and Home Furnishing (SIC 57)
Sales Subject to Sales Tax

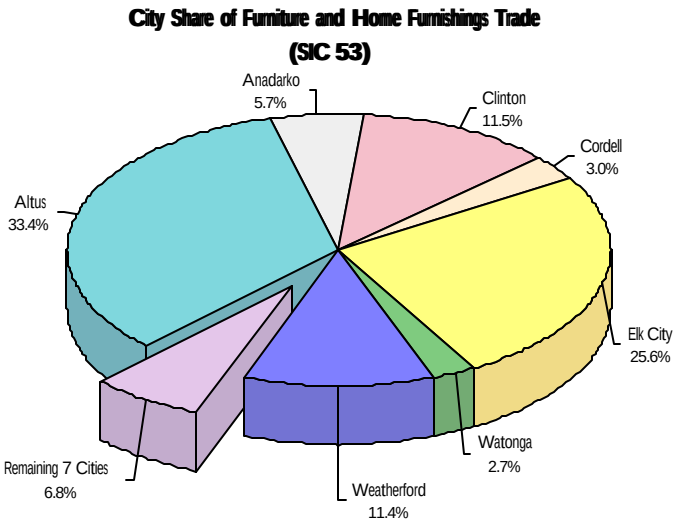
(in dollars)

	1st Qtr 2002	4th Qtr 2001	Quarterly % Change**	1st Qtr 2001	Yearly % Change**	Proportion of Total Sales
Altus	$1,483,094	$991,089	*49.6%*	$1,187,620	*24.9%*	5.1%
Anadarko	$253,054	$213,731	*18.4%*	$224,701	*12.6%*	2.7%
Burns Flat	$12,298	$1,654	*643.3%*	$3,934	*212.6%*	2.3%
Cheyenne	$7,024	$6,314	*11.2%*	$7,609	*-7.7%*	0.6%
Clinton	$509,811	$421,718	*20.9%*	$421,895	*20.8%*	4.0%
Cordell	$134,262	$136,490	*-1.6%*	$66,449	*102.1%*	4.4%
Elk City	$1,136,414	$1,066,189	*6.6%*	$1,508,027	*-24.6%*	5.0%
Frederick	$76,566	$108,506	*-29.4%*	$91,726	*-16.5%*	2.0%
Hobart	$74,681	$49,820	*49.9%*	$64,828	*15.2%*	1.9%
Hollis	$8,246	$8,531	*-3.3%*	$5,163	*59.7%*	0.6%
Mangum	$62,450	$21,712	*187.6%*	$33,474	*86.6%*	2.9%
Sayre	$58,963	$148,280	*-60.2%*	$50,413	*17.0%*	1.6%
Watonga	$118,018	$308,164	*-61.7%*	$213,384	*-44.7%*	3.6%
Weatherford	$507,491	$430,162	*18.0%*	$348,569	*45.6%*	3.2%
14 City Total	**$4,442,371**	**$3,912,361**	*13.5%*	**$4,227,789**	*5.1%*	**3.9%**

Adjusted for inflation

** Compared to the current quarter

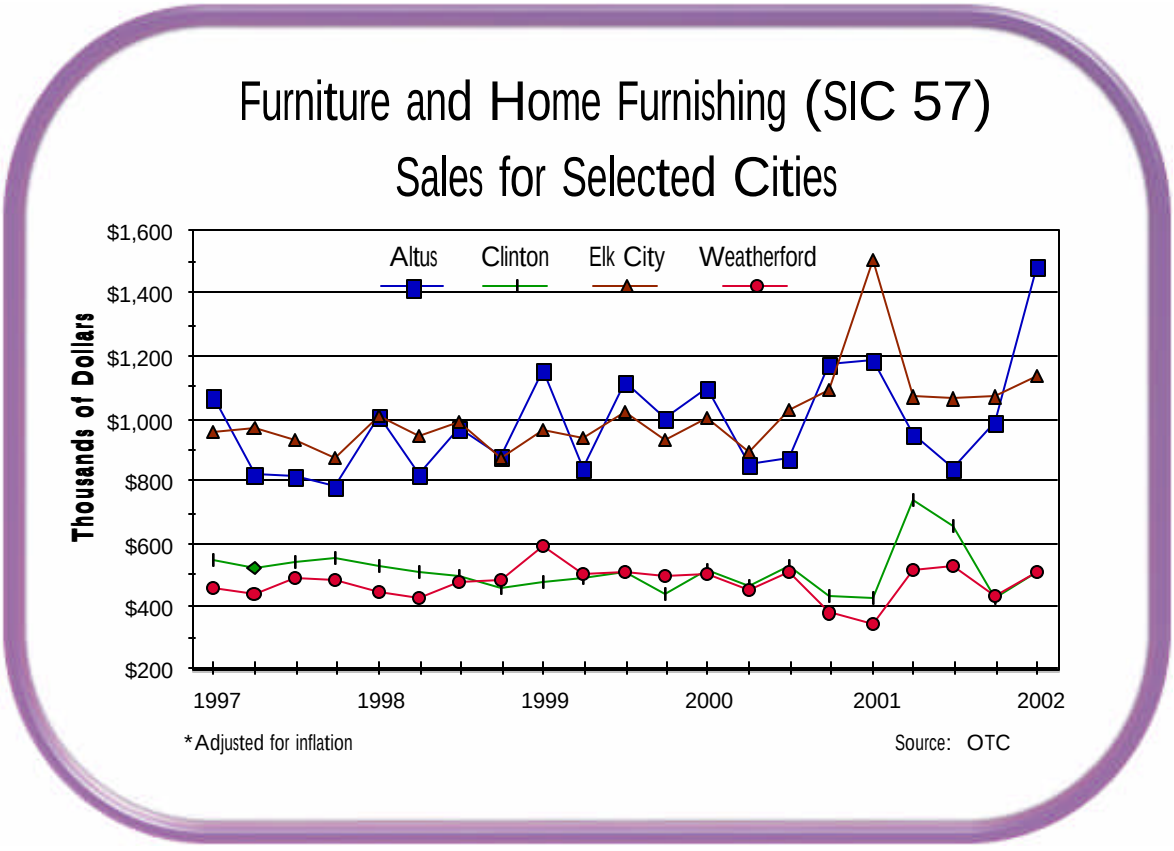
Source: OTC



11.4% and 11.5% respectively. The last 18.1% that is leftover is divided between Anadarko (5.7%), Cordell (3.0%), Watonga (2.7%), and the remaining seven regional cities (6.8%).

It was stated earlier that the furniture sector experienced erratic sales and this is illustrated in the graph below. Altus has grown the last two quarters with this quarter's increase being especially dramatic. This is the highest level that Altus' Furniture sales have ever reached in the time period covered. It is the highest level of taxable furniture sales any city has reached except for Elk City in the 1st Qtr 2001. Since that record breaking first quarter Elk City's furniture sales subject to sales tax has remained relatively flat until this quarter when there was a modest increase.

Meanwhile, Clinton and Weatherford have been riding a roller coaster over the past year and a half. They both started out with their furniture sector's taxable sales at the $500 thousand level before Clinton fell right above the $400 thousand mark and Weatherford below that same level by the first of 2001. In the 2nd Qtr 2001 they both shot up, Clinton did so in dramatic fashion reaching an all time high by going above the $700 thousand level. Then in the next two quarters they fell to within ten thousand dollars of each other before rising together in 1st Qtr 2002. They both are now within three thousand dollars of each other.



by: Jon Chiappe Questions and/or comments may be directed to chiappj@swosu.edu

The regional economy and an amazing eleven of thirteen regional counties posted quarterly increases in their respective General Business Indices between 3rd Qtr 2001 and 4th Qtr 2001. Of the eleven counties posting quarterly gains, Harmon, Roger Mills, and Dewey counties posted the greatest quarterly gains at 1.7%, 1.5% and 1.3% respectively. Of the two counties that suffered quarterly losses, Tillman county suffered a 0.6% decline, while Ellis county only suffered a 0.048% decline.

Total non-agricultural employment increased 3.4%, or by 1,638 jobs, between 3rd Qtr 2001 and 4th Qtr 2001. This is a seasonal employment increase since employment always rises between every third and fourth quarters of the year. The average non-agricultural employment gain between the third and fourth quarters of the year is 2,037 jobs. From this information the 2001 employment increase did not fare as well (by 399 jobs) as other third to fourth quarter progressions since 1990. This seasonality is caused by public school employment, which is classified as local government employment

Between 3rd Qtr 2001 and 4th Qtr 2001, Government employment increased by 1,993 jobs (12.6%). The average Government sector employment gain between the third and fourth quarters of the year since 1990 has been 1,961 jobs. One other important note, without the Government sector employment gain, regional non-agricultural employment would have decreased 353 jobs over the two most recent quarters.

Turning to energy, oil and gas production continued decreasing in recent quarters in the regional economy. Average quarterly gas prices also continued to fall between 4th Qtr 2001 and 1st Qtr 2002. The most recent average quarterly gas price decrease marks four consecutive declining quarters from the high achieved 1st Qtr 2001. On the other hand, average quarterly oil prices increased for the first time since 4th Qtr 2000 between 4th Qtr 2001 and 1st Qtr 2002.

Moving from energy to agriculture, average quarterly wheat prices decreased 2¢/bu. between 1st Qtr 2002 and 2nd Qtr 2002. The $2.67/bu average quarterly price remains well below the $3.19/bu average price for the whole time period. Unfortunately, average quarterly beef cattle prices also decreased between 1st Qtr 2002 and 2nd Qtr 2002. The $70.00/ctw average quarterly price fell below the average for the whole time period for the first time since 3rd Qtr 1999.

As would be expected for taxable sales, a variable that exhibits seasonality, taxable sales decreased (3.0%) between 4th Qtr 2001 and 1st Qtr 2002. This seasonal decrease is attributable to holiday sales in the fourth quarter of the year. Unfortunately, regional taxable sales also decreased (6.4%) from the previous year. However, taxable sales in 1st Qtr 2001 were unnaturally high due to the record natural gas prices observed during that quarter.

The Great Plains General Business Index may be downloaded on the internet at:
www.swosu.edu/bdc/indx

We appreciate Lisa Rockett and Leia Wallace for their contributions to the ***Great Plains General Business Index****.*

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