



## Arkansas' agriculturally concentrated economy less affected by national recession, report says

SARAH EDDINGTON Associated Press

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LITTLE ROCK, Ark. — Arkansas' economy has been less affected by the national recession than most other states because of its concentration on agricultural industries, according to a report released Friday.

The report, issued by the University of Arkansas Division of Agriculture, said the state's thriving agricultural sector contributed to its ability to outperform other states in terms of gross domestic product and employment.

Arkansas typically follows the nation's trend with periods of economic growth, but the state's economy actually expanded during the national economic recession, said Archie Flanders, assistant professor of agricultural economics for the University of Arkansas Division of Agriculture and the report's author.

The main reason for the state's economic success is because Arkansas specializes in food and fiber production industries, which were less affected by the economic downturn, Flanders said.

"Those industries are much more stable than financial and real estate services, which were impacted by the recession," he said. "Arkansas' economy is not as vulnerable because these are basic commodities that people continue to use even as the overall economy may decline."

The report said the state's agricultural sector generated \$1.1 billion in 2009 state tax revenue, which was 14.2 percent of all state taxes collected. The report also said that while the GDP for the U.S. economy contracted by 1.7 percent between 2008 and 2009, Arkansas' grew by 0.5 percent.

"You hear about these other state economies that didn't grow as much as Arkansas or actually declined and where state tax collections were drastically reduced," he said. "But the sustainable economic growth led by food and fiber production industries maintains revenue collections by state government without increasing rates on Arkansas taxpayers."

The report said that Arkansas' state tax collections decreased by 0.8 percent from 2008 to 2009 while the national decrease in state tax collections averaged 8.5 percent.

Flanders said that Arkansas is having to tighten its budget, "but it's not having a crisis situation."

Kathy Deck, director of the Center for Business and Economic Research, said many people wrongly believe that Arkansas's economy is largely based on agricultural production.

"A lot of people think Arkansas is a predominantly agricultural state," she said. "We are more concentrated in agriculture than the typical U.S. state, but it's actually less than 5 percent (of the state's employment). However, it counts for a disproportionate amount of tax revenues in the state."

In 2009, there were 72,105 people employed in agricultural production in Arkansas, which is higher than the national average for that sector, but only makes up 4.7 percent of the state's employment, the report said.

Deck said the state still has room for economic improvement.

"Arkansas' business cycles have historically been more muted. Our lows have not been as low, but our highs haven't been as high," she said. "The challenge is to keep downside managed while also getting an economy that is positioned to take advantage of really good times

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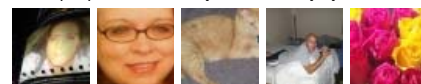
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