The Economic Outlook for the Green Industry in 2013

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UNCERTAINTY

Inertia or opportunity?
In sum, a wide gap exists between the future cost of the services that the public has become accustomed to receiving from the federal government and the tax revenues that the public has been sending to the government to pay for those services.
1. *Bush-Era Tax Cuts:* this includes the return of the current 10/15/25/33/35% individual tax rate brackets to the pre-2001 rates of 15/28/31/36/39.6%, the return of the tax-rate on long term capital gains and qualified dividends from 15% to 20% and 39.6%, respectively, and the return of the limitation on itemized deductions and phase out of personal exemptions. Several Obama-era provisions also expire that benefit the lower income classes — e.g. increased child tax and earned income credits and the expanded education credits.

2. *The Estate Tax:* the estate tax exemption and tax rate are currently at $5,120,000 and 35%, respectively. Come January, they will return to $1,000,000 and 55%.

3. *Expiration of the AMT Patch:* The most recent patch raised the AMT exemption for 2010 and 2011 from $45,000 to $74,450 for MFJ. In 2013, this will reset to $45,000, pulling tens of millions of taxpayers into AMT.

4. *Temporary Payroll Tax Cut:* For 2011 and 2012, the employee’s share of Social Security tax was cut from 6.2% to 4.2%. This rate cut expires at year end.

5. *Business Expensing:* Bonus depreciation and 50% expensing goes away.

6. *Extenders:* There are a host of provisions set to expire at year end that regularly do so, before Congress retroactively resuscitates them. Foremost among the “extender” provisions are the R&D credit and the personal deduction for state and local income taxes.

7. *PPACA (Obamacare) Taxes:* Starting in 2013, taxpayers earning more than $250,000 will pay an additional 0.9% Medicare tax on their wages and 3.8% on their unearned income (interest, dividends, capital gains.)

**Tax side of the cliff = $514 Billion**
$1.2 Trillion  
(1,000,000,000,000)  
(31,546 years)  

Budget Control Act of 2011 (forced automatic cuts/sequestration)  

Non-defense sequestration. The $54.7 billion in non-defense cuts will come from both mandatory (entitlement) and discretionary (non-entitlement) programs. The mandatory cuts will include:  
- Cuts in Medicare payments to providers and insurance plans; limited to 2 percent, or $11 billion in 2013.  
- About $5.2 billion in cuts in the other mandatory programs such as farm price supports; etc.  
- The remaining $38.5 billion in non-defense cuts will come from discretionary programs.  

Defense sequestration. The $54.7 billion in 2013 defense cuts will occur by across-the-board proportional reductions in funding.  

Spending side of the cliff = $109 Billion
How will all this affect the deficit?

Fiscal cliff vs Status Quo
How will it affect the economy?

Fiscal cliff vs Status Quo
What’s next?

- We will likely hit the debt ceiling by Feb 2013, so we have to do something.
  - Go over the cliff
  - Extend tax cuts and eliminate reductions
  - Extend some, but not all current policies
  - Phase out more gradually

- Funds are needed b/c of Superstorm Sandy

Where do we stand right now?

![Graph showing Real U.S. GDP vs. Employment from 2002:Q1 to 2012:Q3](chart.png)

1. PCE
2. Gov spending
3. Business investment
4. Net exports
The Conference Board Leading Economic Index® (LEI) for the United States

The Conference Board Coincident Economic Index® (CEI) for the United States

Leading economic index
Employment trends index

Unemployment insurance claims
Significant regional differences!

Housing prices have bottomed

Homeownership trends down
The 2013 home improvement market is forecast to grow by almost 5.0%.

Positive home improvement outlook

The new age of energy?

WTI crude = $93/barrel in 2013 = 6+ bbl/day
Oil & Gas Production

Regional differences in gas prices

$3.58/gal in Q4 2012

$3.43/gal in 2013

$4.05/gal for diesel in Q4
“100-year” natural gas?

- Storage inventory 13% higher this year.
- Natural gas generation will decline 10% in 2013.
- Henry Hub spot price:
  - 2011 $4.00/MMBtu
  - 2012 $2.65/MMBtu
  - 2013 $3.34/MMBtu

Even the uncertainty of our economic climate does not diminish the opportunity ahead of us.
Effect of future demographics?

[Graph showing births per year in the U.S.]

[Graph showing University of Michigan Consumer Sentiment Index and GDP with recessions]

11/16/2012
Real personal consumption expenditures

Expenditures rise to meet income.
– (C. Northcote Parkinson)

People afford what they want.
– (Lowell Catlett)

People want things that enhance the quality of their lives.
Want some proof?

Value
Relevancy
Authenticity

A long road back to Lake Wobegon
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Ellison Chair in International Floriculture

Mission Statement
The mission of this Chair is to enhance the health and viability of the floriculture industry.

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Webinars
Webinars, simply put, are web-based workshops and continuing education sessions. Given the time and resource constraints placed on green industry firms, this new internet technology is effective in making educational programs more readily available. The links below are recordings of previous webinars that are sponsored by the Chair or by other educational delivery partners.

Special Topical Series (sponsored by the Southern Risk Management Education Center and the Texas Nursery and Landscape Association)

- Results of the TNLCA Economic Impact/Scope Report. Dr. Marcus Palma, Texas A&M AgriLife Extension. October 24, 2017
- The Latest Consumer Trends Research. Dr. Bridget Behe, Michigan State University. September 18, 2013

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