farmers have done well, averaging 3.6 percent of U.S. farm income; farmers, however, account for only a tiny fraction of Indiana's PI.

Housing

Indiana's housing market has been fairly stable the past year, with sales and prices roughly level. The inventory of unsold homes on the market has averaged nearly 11 months' supply, but that figure is gradually decreasing, which should help prices start to rise again in 2012. We forecast home sales to rise 15 to 20 percent in 2012, and home construction to finally rebound, increasing as much as 30 percent or more over 2011.

Retail Sales

Indiana retail sales rose 6 percent in 2010, and they're still growing this year, though more slowly (5 percent). Our forecast for 2012 predicts even slower retail growth of about 1.5 percent.

Leading Index for Indiana

The Indiana Business Research Center's Leading Index for Indiana (LII) is designed to predict changes in the state's economic performance several months in advance. Currently at 96.4, the LII has inched up the past few months, which suggests modest improvements in Indiana's economy, although the index is at the same level where it was a year ago. Fortunately, the "warning signs" that the LII monitors are not present, suggesting that contraction of Indiana's economy in the coming months is unlikely.

All told, the forecast for Indiana's economy is nothing to cheer about, but at least it's moving in the right direction. Unfortunately, a return to a truly vigorous economy is still quite a distance off.

Indiana's Agricultural Outlook for 2012

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The outlook for Indiana agriculture in 2012 is bright because corn and soybean prices are projected to set a new record, following record prices in 2011. The one concern is that Indiana was negatively impacted by the wet spring and dry summer, so many farmers have a smaller crop to sell and cannot fully benefit from these high prices.

The upward trend in grain prices started in August 2010 due to the Russian drought and is further supported by the smaller than expected U.S. corn crop, record world sugar prices and the low world grain inventories. These high prices mean that crop producers can expect above average incomes in 2012 even as they raise concerns about higher input costs for the 2012–2013 crop.

Meanwhile, these higher crop prices will cut into profit margins for the livestock sector that had just returned to profitability in 2010 after suffering major losses since feed costs started escalating in 2007. The silver lining for the livestock sector is that these higher feed costs will likely limit expansion of livestock herds, maintaining higher livestock prices and passing these higher feed costs onto consumers.

The pork industry has responded to the uncertainty over feed prices by modestly increasing the size of the breeding herd by 0.6 percent. The USDA expects pork exports to increase 2.8 percent in 2012. As a result, pork producers should return to profitability in 2012 as long as feed costs remain at current levels, i.e., the price of corn remains below $7 per bushel. If there is a return to normal corn yields in 2012, feed costs could moderate further and pork producers would be in a position to expand production.

The dairy industry is facing higher feed costs for grains and forages, as well as lower milk prices, in 2012. At the same time, milk production is forecasted to increase largely due to increased output per cow. As a result, the dairy industry has tipped back into a period of losses and the USDA currently forecasts the dairy herd will contract slightly in terms of the number of dairy cows in 2012, though overall milk production may continue to increase with additional output per cow. Dairy farms that produce their own feed and forage may be in the best position to survive this period of volatile feed costs.

Of all the livestock sectors, the beef industry is the best positioned to weather the higher feed costs. Over the last four years, the beef sector has adjusted to the higher feed costs by reducing the breeding herd. The drought in the Southern Plains is forcing cattle producers to liquidate their herds, further reducing the cattle herd. As a result, per capita domestic beef availability in 2012 is anticipated to be 17 percent lower relative to 2007, and the USDA is forecasting record beef prices. Indiana beef producers who have access to water, grain and forage are well positioned for a profitable 2012.

Shifting back to the row crop sector, 2012 will see another major acreage battle between corn, wheat and cotton, which will push field crop prices higher through the planting season next spring. Corn is expected to gain the most acreage, especially here in Indiana, and these acreage gains will come at the expense of soybeans and other oilseeds, which in turn will push up soybean prices. Given the outlook for very high crop prices, the biggest risk to row crop agriculture is continued rapid increase of input costs.

As of June 2011, the value of average quality Indiana farmland increased 23.7 percent over the previous 12 months according to the Purdue Land Value Survey. This is consistent with Federal Reserve Bank of Chicago survey findings that the value of "good" farmland was 21 percent higher in the second quarter of 2011 compared with the second quarter of 2010. Looking to 2012, with anticipated higher net farm income than in 2011, farmland values and cash rents are expected to continue increasing. Cash rent increases have lagged farmland values, with farmland values currently priced at 30 times cash rents. As a consequence, cash rent increases are forecasted to increase faster than farmland values as they "catch up."

In addition to farm incomes, farmland values depend on factors including long-term interest rates, government price support payments, real estate taxes and alternative investment opportunities. Given the current price levels for corn, soybeans and wheat, prices continue to be well above the level where government price support payments would be triggered, reducing the influence of government programs. Long-term interest rates are extremely low and are expected to remain low in the near future, which supports higher land prices. The biggest factor supporting higher land prices is the absence of attractive alternative investments.

For more information about Indiana farmland values, see the Purdue Land Value Survey at www.agecon.purdue.edu/extension/pubs/paer/pdf/PAER8_2011.pdf.

For more information about the outlook for Indiana agriculture, see the Purdue Agricultural Economics Report at www.agecon.purdue.edu/extension/pubs/paer/pdf/PAER10_2011.pdf.

Anderson Forecast 2012

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The data available thus far for 2011 show a mixed economic picture in the Anderson metropolitan area (Madison County). There are a few encouraging signs in the local economy. The 2010 Census showed only small population decline (1.3 percent) from 2000. The unemployment rate has decreased over the past year. Manufacturing employment has increased as have overall wages. Anderson, like other cities in the Midwest, is struggling to redefine itself after the exodus of large-scale manufacturing firms over the past several decades. Added to this mix is the necessary restructuring of local government activities due to property tax caps. To its credit, Anderson has some high-profile companies such as Bright Automotive (hybrid electric vehicles) and Coes (antimicrobial additives) working on new technologies and increasing employment.

This article includes the most current data available on various measures of economic activity from public sources for the Anderson metropolitan area in order to analyze changes over the past year. A summary of the labor market forecast for the Anderson area is included in the conclusion.

Labor Markets

In Madison County, the unemployment rate has decreased over the past year with the exception of a couple of months early in the year (see **Table 1**). The preliminary unemployment rate for September 2011 is 9.7 percent and is higher than the state (8.5 percent) and national (8.8 percent) unemployment rates (not seasonally adjusted). The number of unemployed workers in

Table 1: Labor Force and Unemployment for Madison County, September 2010 to September 2011

Year	Month	Labor Force	Unemployed	Unemployment Rate
2010	September	60,992	6,400	10.5%
	October	61,086	6,275	10.3
	November	61,144	6,567	10.7
	December	60,411	6,355	10.5
	Annual	**61,538**	**7,035**	**11.4**
2011	January	60,374	6,821	11.3
	February	60,124	6,612	11.0
	March	60,527	6,228	10.3
	April	59,466	5,643	9.5
	May	60,338	5,802	9.6
	June	60,681	5,998	9.9
	July	59,998	6,079	10.1
	August	60,674	6,171	10.2
	September*	60,246	5,834	9.7

*September 2011 data are preliminary. Note: Data are not seasonally adjusted.
Source: Bureau of Labor Statistics