



Mitch Thames

Message from the President

Although the state and regional populations continue to grow, Matagorda County’s population dropped since the 2000 Census. Matagorda County’s recorded year 2000 population was 37,957. The 2010 Census recorded population was 36,702, a decline of 1,255 people or 3.2%. Nearly every community in our county lost residents during the ten year time period. For Bay City, this was the first loss of population from one census to the next since 1910.

	2000 TOTAL POPULATION	2010 TOTAL POPULATION
MATAGORDA COUNTY	37,957	36,702
BAY CITY	18,667	17,614
BLESSING	861	927
MARKHAM	1,138	1,082
MATAGORDA PALACIOS	N/A	503
VAN VLECK	5,153	4,718
	1,411	1,844

Population does not drop when there are decent jobs for all seekers. The decline in population and the delay of STP Units 3 & 4 make economic development efforts even more important. Because the number of our residents is dropping and the largest project on our economic horizon has been postponed, the need to cultivate our county’s economy has intensified. While we re-trench and re-focus our economic development plans, we do want to recognize that good things continue to happen in our county. Two new restaurants opened in Bay City in April. Both invested heavily in renovations to their buildings and created new jobs. These smaller projects add up over time in terms of job creation and tax base investment.

The MCEDC will sharpen its focus on growing Matagorda County and all sectors of business and agriculture. We will continue to work with our economic and Chamber partners, with local governments and our local business sectors to overcome this uncertain time.

What Happens Next?

STP Units 3 & 4 Expansion

“The recent events at the Fukushima plant in Japan will be a setback for new build projects in the U.S. Unfortunately, this includes STP Units 3 & 4. In the near-term, our project partners have announced a reduction in project scope and a recalibration of the schedule. It is inevitable that there will be a delay in the project. While disappointing, we believe that STP remains one of the best sites in the nation for expansion. We have the infrastructure – land, water, transmission – and, most importantly, very strong community support”, said Buddy Eller, Director of Public Relations & Community Affairs for STP.

NRC will conduct a comprehensive review of all U.S. nuclear power plants to ensure safety. The review will probably result in increased attention to U.S. spent fuel management policy. It may be 1-2 years before the review is completed and resulting regulations and design changes are determined. Without knowing these changes, owners of Units 3 & 4 cannot price their power. If they cannot price their power, they cannot complete contracts to sell their power. Without contracts to sell, they cannot accept a government loan guarantee. One

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Stable in Economic Uncertainty **Agriculture in Matagorda Co.**

Matagorda County has a history rich in agricultural commerce. Our farming history continues today with the production of large quantities of rice, sorghum, cotton, corn and turf grass.

Matagorda County is home to nearly 800 farms. Almost 250,000 acres of Matagorda County is in agricultural production. Our local agriculture industry grossed nearly \$131 million in 2010. It is projected to bring in over \$126 million in 2011 if we get needed rains. These values are receipts to farmers before any value added processes take place.

Even in an economic downturn, the agriculture and food processing sectors remain, for the most part, stable. Stability and growth in the national agriculture industry start at the local level where high crop values are currently being recorded.

Matagorda County crop prices fluctuate up and down with the economy. Farmers are earning more revenue for their product than they have in the past few years. While farmers may currently be receiving higher prices, Texas Farm Bureau studies show they receive only about 19 cents of every dollar a consumer spends on food. The rest of that dollar goes to transportation, refrigeration, processing, packaging and marketing.

Our quantities of crops have increased over previous years. The number of acres farmed per person has grown because of advances in equipment. Today's equipment is bigger and has more sophisticated technology. Farmers produce about twice as much per acre as they did 50 years ago. This productivity helps keep food affordable for American families. The average American household spends 10% or less of its income on food, while residents of nearly every other country in the world spend much more.

Our agricultural exports have increased in recent years. The growing populations of other countries need U.S. cotton, corn, soybeans, and grains. Because the U.S. dollar is down, other countries are willing to pay for the high-quality crops U.S. farmers produce. Rice is an excellent example. U.S. rice is the best quality rice in the world. When the U.S. dollar is weak, foreign countries

are more willing to spend on quality. When the dollar is strong, they will buy a lesser quality product. The value of U.S. agricultural exports in September through October of 2010 increased 13% over the same months in 2009, equating to more than \$108 billion. One out of every \$7 earned in U.S. exports comes from Texas. As export markets increase, Matagorda County's transportation network and proximity to ports gives producers the option of selling products locally or exporting them without much additional transportation cost.

Our commodity crop production encourages growth in the processing industry. During the past few years, communities across the nation have seen expansions of processing operations. Processing comprises a growing

percentage of Matagorda County's agricultural base.

This includes rice dryers, a cotton gin, and processing plants for the aquaculture sector. The potential exists for Matagorda County to further expand its food processing sector.

One of the initiatives of MCEDC is to expand the agriculture and aquaculture sectors of our county's economy by seeking

businesses that use our crops in their products. The assets of Matagorda County which can attract industry are also beneficial for agriculture. We have:

- A transportation network, including commercial barges and two rail companies, which make transportation of crops in and out of the area easier and less expensive. Two highways converge in Bay City providing access in all directions.
- Availability of surface water, Gulf water, and potable and brackish groundwater.
- Large tracts of flat land.
- A history in agriculture, aquaculture and seafood production and processing.
- A broad spectrum of agribusiness activities.
- Opportunities for green energy projects based on agriculture and our natural resources of sun and wind.

For an expanding agriculture sector, an area's

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STP Units 3 & 4

of the requirements for U.S. Department of Energy loan guarantees is to have a portion of the energy production under contract.

Nuclear Innovation of North America, LLC, jointly owned by NRG Energy and Toshiba Corporation, is the nuclear development company leading the Units 3 & 4 project. Tokyo Electric Power Company, the owner of Fukushima Daiichi in Japan, has an agreement to buy 10 - 20 percent of NRG's stake in Units 3 & 4. While there has been no indication that Tokyo Electric would withdraw from the agreement, it is understandable that the primary focus of the company will be on its damaged Japanese nuclear plants.

The owners of Units 3 & 4 will continue pursuing the combined Construction and Operating license for 3 & 4 which is scheduled to be issued in early 2012. The owners will also pursue a loan guarantee offer from the Department of Energy.

Delay of Units 3 & 4 will postpone most of the associated retail and residential development in Matagorda County intended to support the construction of the new units. Projects included RV parks, contractors and suppliers to STP's expansion, retail projects, apartments and single-family residential projects. All projects relying on Units 3 & 4 are now uncertain and "on hold" at this time. How quickly the uncertainty of Units 3 & 4 is resolved will determine the progress of these projects.

What projects are not relying on Units 3 & 4? Interest continues on a syn gas plant in Matagorda County. White Stallion Energy Center is in its permitting process, and construction is scheduled to start in mid-2011. Texas ChemOil Technologies is in construction and on track to begin operations in the 4th quarter of 2011. These projects are moving forward despite the delay in Units 3 & 4.

Although the future is uncertain, many entities throughout Matagorda County are working in coordination to make Units 3 & 4 happen. \$1 billion has already been invested by the partners in this project. The projected value of Units 3 & 4 is over \$10 billion. At the peak of construction, this project would create jobs for approximately 5,800 workers and once completed, the project would create 850 new permanent STP jobs and additional service sector jobs. The Units 3 & 4 project team will work diligently in moving this project forward. Matagorda County fully supports these efforts.

Special thanks to Buddy Eller, Director of Public Relations & Community Affairs for South Texas Project Nuclear Operating Company, for his contributions to this article. For more information on South Texas Project, please visit www.stpnoc.com.

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Agriculture

background in growing and processing crops combined with infrastructure advantages creates a variety of opportunities. These assets are what a growing agriculture industry can use in order to succeed.

Special thanks to Brent Batchelor, CEA- Ag/Natural Resources for Matagorda County AgriLife Extension, for his contributions to this article. For more information on AgriLife Extension, please visit <http://matagorda-tx.tamu.edu>.

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-- Buddy Eller, Director of Public Relations & Community Affairs for STP

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Green Energy

green energy projects. Unfortunately, government assistance will not always be available.

One biomass processor identified Matagorda County as a location in which it would like to construct a plant to convert energy cane into ethanol. The plant would cost \$150 million and employ 150 people. However, the plant would require 20,000 acres of energy cane to be planted within 15 miles of the plant because transporting green energy cane over longer distances is cost prohibitive. Energy cane requires irrigation to get the perennial crop started and to insure a crop during dry periods. Water from the Colorado River is already in high demand. We need to look for biomass crops that do not require irrigation.

The potential is great for renewable energy crops in Matagorda County, and interest in processing the crops has been shown in previous years. However, the market for energy crops is still weak. As the market strengthens and green energy crop production becomes more feasible, Matagorda County can be a prime location for green power production.

The Matagorda County Economic Development Corporation (MCEDC) Board represents all of Matagorda County and consists of eleven appointed members from five public entities: Matagorda County, Bay City Community Development Corporation, Palacios Economic Development Corporation (EDC), Matagorda County Navigation District #1 (MCND#1), the Port of Bay City Authority, and the four Chambers of Commerce from Bay City, Palacios, Matagorda and Sargent.

The MCEDC is focused on recruiting new industrial, commercial, and tourism infrastructure businesses to Matagorda County and expanding existing ones. The Bay City Community Development Corporation (BCCDC) recruits retail businesses to Bay City and helps existing retailers expand.

MCEDC Board Members:

Mitch Thames- Bay City Chamber- President
Debbie Morris- MCND#1- Vice President
Susan Mitchell- Matagorda Area Chamber- Secretary
George Harrison- Port of Bay City Authority- Treasurer
V.L. Bowers- Palacios Chamber
Mayor Mark Bricker- BCCDC
John Chipman- Palacios EDC
Tiger Lane- Sargent Chamber
Councilman Brent Marceaux- BCCDC
Judge Nate McDonald- Matagorda County
Mayor John Sardelich - Palacios EDC

Owen Bludau- Executive Director
Marsha Butler- Director of Communications

For more information contact:

For Industry & County Land Development:

MCEDC
Owen Bludau, Executive Director
979.245.8913
obludau@co.matagorda.tx.us

For Retail & City Land Development:

BCCDC
D.C. Dunham, Executive Director
979.245.8081
dcdunham@cityofbaycity.org



MATAGORDA COUNTY ECONOMIC DEVELOPMENT CORP

Mission Statement:

*To attract, develop and retain
environmentally acceptable business and industry
in and near Matagorda County.*

This newsletter
is produced three times per year by the
Matagorda County Economic Development
Corporation.

For questions or comments
concerning the newsletter, please contact
Marsha Butler at 979.245.8913 or
mbutler@co.matagorda.tx.us, or write to:
MCEDC Newsletter
2200 Seventh Street, Suite 302
Bay City, TX 77414.

For more information on MCEDC,
visit our website at: www.mcedc.net.

M.C.E.D.C.
2200 Seventh Street, Suite 302
Bay City, TX 77414

*Matagorda County . . . where opportunities abound
in a vibrant community rich with rural charm and natural resources.*

Potential for Agricultural Growth

Green Energy in Matagorda Co.

An agriculture related history bodes well for Matagorda County and will help the possible transition to using land to grow specialty crops for new and interesting uses.

Matagorda County is positioning itself as an energy cluster for conventional and green power generation. A primary goal of MCEDC is to diversify the county's economy by building on our existing agricultural, chemical and power production assets. We want to consider expanding our agriculture sector into also growing renewable energy crops for power and fuel production. Expansion into renewable energy crops can create jobs and add value to the commodities produced by our farmers.

Renewable energy crops may be a more productive venture than other green energy projects. Although wind and sunshine are infinite and abundant and generating electricity with them produces no emissions, wind and sunshine can't be stored. No commercial-scale technology exists for storing the electricity they generate. They require conventional power plants for back-up. Renewable energy crops and the energy fuels they produce can be stored. Locations best-suited for sprawling wind and solar systems are far from populated areas, so they require costly transmission infrastructure. Renewable energy crops can be transported with existing infrastructure used to transport traditional crops. Energy produced per acre can be much higher if the acreage is devoted to energy crops than if the same acreage is devoted to wind or solar energy production.

Initiating green energy projects can be challenging. Government assistance has made it easier.

The Biomass Crop Assistance Program can provide up to 75% of the cost to establish perennial biomass crops (energy crops). The primary purpose of the program is to encourage new energy crop development.

The Rural Energy for America Program provides assistance to biofuels plants, either for construction of new plants or for efficiency improvements to existing plants. Biofuels are renewable and burn with lower emissions than petroleum fuel. Biofuel projects involve the production of liquid fuels from energy crops.

Currently, government assistance is almost always a necessity in

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