

Arizona's Five C's

Economy Today

We've finally arrived at the question of how much the historic bedrocks of our economy, Arizona's traditional five C's (copper, cattle, cotton, citrus, and climate) - affect the current state economy.

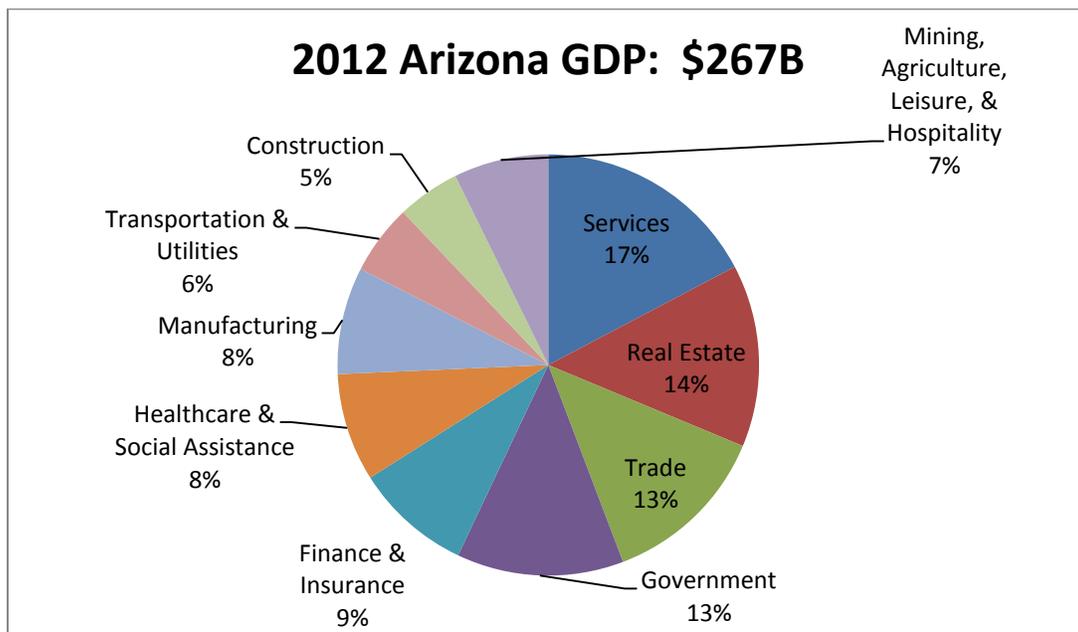
The Size of our Economy

First let's look at the significant contributors to Arizona's economy today. (If you want to skip this, go right to the answer in the shaded box below.)

A useful measure to compare industry groups is Arizona's Gross Domestic Product (GDP). Think of GDP as the state's adjusted gross income.

Using the latest data available, the U.S. Bureau of Economic Analysis assesses Arizona's GDP for 2012 at \$267 billion, and breaks this number down into the contributions of each economic sector.

The accompanying pie chart displays the results.



This breakdown of Arizona's Gross Domestic Product (GDP) for 2012 shows how our state economy has transitioned from a mining and agriculturally oriented economy to a high-technology and service based economy. (Data from U.S Bureau of Economic Analysis)

Arizona's total employment in December 2012 was 2.78 million people.

Five C's Today

The contributions of the five C's to Arizona's economy are largely contained in the seven percent piece of the GDP pie chart that is labelled "Mining, Agriculture, Leisure & Hospitality."

Mining includes copper, molybdenum, coal, gold, silver, and uranium for a GDP total of \$5.085 billion, of which \$4.37 billion was from copper mining. Copper's work force was approximately 10,500 people.

The agriculture category includes livestock and crop production for a GDP contribution of \$2.115 billion.

Livestock covers cattle, including beef and a sizeable dairy industry, hogs and pigs, sheep and lambs, and goats. Cattle ranching accounted for revenues of \$1.021 billion.

The most important crops in Arizona, in order of production value, were hay, lettuce, cotton, wheat, corn, broccoli, cauliflower, citrus, and barley. Production value for cotton was \$300 million and for citrus, approximately \$38 million. Total farm labor was estimated at around 20,000 people.

There is no GDP element to measure the dollar value of climate. In my previous column, we talked about how the importance of Arizona's fabulous climate was most directly reflected in tourism and travel to our state. So to get some kind of handle on the economic value of climate today, let's continue to look at the value of travel.

The Leisure and Hospitality GDP piece in the pie chart includes arts, entertainment, recreation, accommodation, and food services. Much of that is related to travel. There are also travel-related revenues associated with all the other economic sectors.

According to Dean Runyon Associates, in a report of Arizona travel, the GDP contribution of the travel industry was \$7.6 billion in 2012, with employment of 161,300 people.

So the contribution of the five C's to Arizona's 2012 GDP was approximately \$13.3 billion of the total of \$267 billion.

The five C's make up roughly 5% of Arizona's current economy.

Future of Five C's

That relatively low portion of the Arizona economy is not likely to grow much in the future. Copper and cattle production, and climate-related travel should sustain or even show modest growth. The smaller contributions of cotton and citrus are expected to continue their recent decline.

Comparing the five C's employment to total state numbers confirms the modest impact of the five C's on the overall Arizona economy.

According to Linda Obele, writing in the Phoenix Business Journal in 2010, the bigger growth opportunities for Arizona's future economy are aerospace/defense, technology, renewable energy,

health care, and small businesses. Obele quotes Barry Broom, then president and CEO of the Greater Phoenix Economic Council, “The idea that these industries [five C’s] are not economically important is a mistake. But you can’t change the economy unless you’re in growth markets.”

Let me conclude by repeating something from the introduction of this series, a comment by Bruce Dinges, publications division director for the Arizona Historical Society, in the *Arizona Capitol Times* in 2012:

“The cowboy, the miner, the farmer, the fruit grower, and the health-seeker are inextricable parts of our history – and our mythology. They personify who we are and what we strive to be. But, most of all, they are reminders of the optimistic outlook and pioneering spirit that continues to motivate Arizona and Arizonans. From this perspective, they are as relevant as ever.”

Selected Sources and Information: Arizona Industries Move Beyond the 5 C’s, Linda Obele, December, 2010; Arizona Travel Impacts, 1998-2012, Arizona Office of Tourism, 2013; Bureau of Labor Statistics Data, Arizona Labor Force Timeline, 2014; Comparative Economic Indicators: Year vs. Year Analysis of Real Total Industry Earnings, Arizona, 2000 vs. 2012, Arizona Regional Economic Analysis Project; Economic Impact of Mining on Arizona, Arizona Mining Association, 2012; U.S. Bureau of Economic Analysis, Gross Domestic Product by State, 2013; U.S. Department Agriculture, Arizona Annual Livestock and Arizona Annual Crops, 2013; 5 C’s: A Vision of progress and prosperity for more than 100 years, *Arizona Capitol Times*, August 6, 2012.