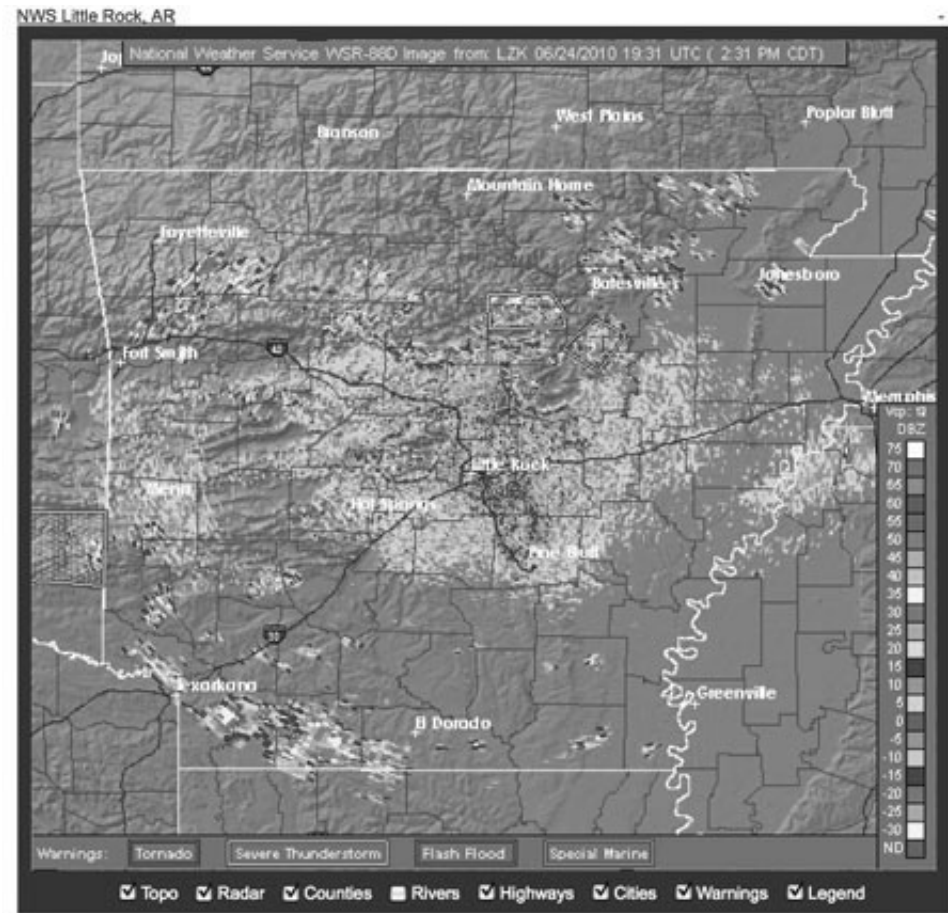


Dry Skies Prompt Producers To Keep Pumping As Fuel Prices Rise

JONESBORO, ARK. High temperatures and little to no rainfall have Arkansas farmers irrigating throughout much of the Delta at a time when fuel prices are moving higher, said Scott Stiles, extension economist-risk management for the University of Arkansas Division of Agriculture. Since bottoming just below \$69 per barrel on May 25, crude oil futures have surged as high as \$79.94 this week. August 2010 crude oil futures closed at \$76.35 on Wednesday and diesel prices have risen nearly 30 cents per gallon or 17 percent compared to the same time last year. “The price strength seen in energies is puzzling in some respects,” Stiles said. “From a supply standpoint, there’s no shortage of petroleum in the United States.”

“A few reasons come to mind,” he said. “There have been predictions of an active Atlantic hurricane season this year. There are signs of modest economic recovery, plus the Gulf oil spill or drilling moratorium could be factors as well.” Stiles said that when investors are worried about inflation, they turn to “hard assets” or commodities as investments. “Either out of fear or hope for economic improvement, investors have been shifting funds this year to commodities such as gold and crude oil,” Stiles said. “This could be blamed for higher crude oil prices.” On the positive side, the National Weather



The National Weather Service radar image from Thursday afternoon shows pop up thunderstorms around Arkansas. Most farmers are continuing to run irrigation pumps.

Image courtesy of the National Weather Service.

Government sources such as the Energy Information Agency report that crude oil and diesel inventories are at five-year highs. Stocks of gasoline are also at record levels for this time of year. Key economic indicators such as household spending, unemployment and new home purchases indicate that the U.S. economy and energy demand are recovering slowly. So, why are fuel prices significantly higher than a year ago?

Service on Thursday was offering some hope for rain. The high-pressure area that has kept the state dry may be sliding westward. “This pattern change could usher in storm systems, bringing much needed rainfall to the Natural State and helping with developing drought conditions,” the weather service said. Thundershowers were popping up Thursday afternoon, concentrated in northern and southwestern Arkansas. The weather service forecast a 30 percent chance of thunderstorms for Thursday night, Friday night and Monday. Δ