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Louisiana Forest Products Laboratory
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Introduction

At a 1991 United States Department of Agriculture (USDA) conference, it was stated that natural resource based industries represent a diminishing opportunity for economic growth and development (11). State and local governments seem to believe renewable resource based economic development as viable options (1,9,10,12,) while some federal agencies argue against such programs (11). In spite of development detractors, many regions are pursuing value added natural resource processing strategies. For example, many states are fostering economic diversity in their forest resource based industry sectors. Kentucky, Louisiana, Maine, Oregon, Pennsylvania and Washington are examples of states that are taking advantage of abundant resources to improve economic conditions within their borders (9).

Economic growth and development strategies typically center on either retention and expansion of existing companies or attracting new industrial investment. In addition, industry development efforts generally focus on value added secondary processing (i.e. dimension products, furniture, flooring) as opposed to primary production (i.e., lumber and plywood). In locales where jobs are in short supply, locally generated secondary forest products industry jobs which create transferable skills, may offer a viable alternative to forced migration to maintain or increase employment (12). If wage differentials between local forest products manufacturing companies and other manufacturers are not dramatic, many workers would likely choose to stay in forest resource-rich communities. Further, secondary forest products wages often exceed average wages of other jobs in rural areas adding incentives for recruitment and development efforts aimed at secondary forest products industry companies (12). In addition, export oriented timber related
companies may offer rural communities added benefits as exports have the potential for enhancing the multiplier effect of forest based economic activity (2).

This paper first reviews a sample of forest products oriented development efforts in place in the United States and then discusses the results of a study that examines state level initiated wood products industry development policies and programs. This exploratory study identifies elements of successful programs targeting economic development in the forest products industry throughout the United States. Specifically, the study discusses how forest products development programs are initiated, planned, funded, promoted, and evaluated.

**Current forest products industry economic development efforts**

Economic development of the secondary forest products industry is a high priority in many areas of the United States. While policies and strategies differ between regions, the common denominator seems to be focusing on region- or state-specific opportunities based on unique constraints or parameters. The literature reveals a plethora of federal, state and local programs, most of which lack a history of coordination (2,5,11). Recent thinking calls for greater local input in program development as well as increased local control of implementation and greater coordination among agencies to improve efficiency of operation of the programs being planned or implemented (3,6,7). Following is a sample of forest products sector development programs in the United States.

**Kentucky**
In 1986, the Kentucky legislature directed Morehead State University to develop a comprehensive forest products industry expansion plan (9). Along with other state agencies and representatives from the forest products industry, a long range expansion and development plan was created to be implemented over a five year period.

Based on the Morehead State University plan, in 1988 the state established a Forest Products Industry Task Force to continue the planning process (14). In 1990, House Bill 417 created the East Kentucky Economic Development and Jobs Creation Corporation. The corporation is budgeted $450,000 per year, with an estimated one-third of its annual allocation targeting wood industry development activities (14). In 1992, a full-time Director of Wood Product Industries was added to the staff, funded by a combination of state and local funds.

Additionally, efforts of the Cabinet for Economic Development, the Division of Forestry, universities, and other state agencies and local government entities have joined forces to promote the secondary wood industry development (13). Based on the Secondary Wood Manufacturers Directory, in the two year period between 1992 and 1994, the state realized a 10 percent increase in the number of new companies, with a gain of 3.5 percent in the number of employees.

**Louisiana**

During the 1980’s the demise of the petroleum production industry in Louisiana created a need to diversify the state’s economic base. In response to that situation several economic recovery programs were created.

With regard to forest sector development, Louisiana made a significant investment in the Louisiana Forest Products Laboratory (LFPL) at the Louisiana State University Agricultural Center
in Baton Rouge and at Louisiana Tech University in Ruston. The Laboratory was funded by the Louisiana legislature in 1992 after a feasibility study indicated the secondary forest products industry represented high economic development growth potential. Housed in the LSU School of Forestry, Wildlife and Fisheries, the LFPL is charged with providing technical assistance and training to all segments of the forestry and forest products industries located in Louisiana. Specific strategic areas include marketing, community outreach and graduate education.

The Louisiana Department of Economic Development’s (LADED) Office of Business and Development Services also operates a number of economic development programs. Included in the OBDS are the Resident Industry Visitation Program, the Match Maker Program, Quality Management Program, and numerous award programs. While secondary forest products development programs are not specifically targeted by the department, secondary forest products companies may avail themselves to the resources of the LADED.

Maine

The forest products industry in Maine is the largest single contributor to the state’s economy (9). Several economic development programs to promote the industry have been executed by various agencies within the state. The Finance Authority of Maine (FAME) provides financial assistance to natural resource firms within the state through loans, grants and tax incentives in both the domestic and international arena.

In addition to the FAME program, in 1987 a grant by the Kellogg Foundation provided the needed funds to establish a database of the forest products industry and its business environment and in 1988 the Department of Environment Conservation, the Department of Economic and
Community Development, as well as other state agencies, implemented a program to promote forestry education, technology transfer and technical assistance.

Oregon

Oregon’s Economic Development Department (EDD) implemented the Flexible Networks for Oregon Business, Key Industries Development Program in 1991. The effort, a tripartite involving the public sector, business community and selected industry associations, is intended to enable the development of flexible manufacturing networks (FMN). The Key Industries Development Program sponsors a $10,000 matching challenger grant incentive to help in the formation of FMN’s (1).

An additional effort to stimulate forest sector development was the establishment in 1991 of the Oregon Wood Products Competitiveness Corporation (WPCC). The WPCC was originally funded through the State legislature but has since reverted to a private sector program with funding supplied by participating wood products industry companies. The WPCC’s mission is to assist the state’s secondary forest products industry to become “the finest, most competitive value added producer in the world.”

Pennsylvania

The Pennsylvania hardwood industry has an immense economic impact. The industry employs more than 90,000 people with over 1,700 hardwood companies (8). With the support of the Governor and state legislature, Pennsylvania initiated a multifaceted aggressive hardwood initiative in early 1989 to elevate the economic yield of the state’s forest products industry.
As a result of the hardwood initiative, Pennsylvania has secured several major new hardwood companies and increased employment at existing companies (8). In addition, millions of dollars in state financial assistance has been provided to existing companies within the industry. The Bureau of Forestry and the Pennsylvania State University School of Forest Resources have played an integral role in the overall hardwood initiative by providing forest management techniques, research and education.

Washington

The Governor’s Timber Team represents Washington’s response to wood industry development issues. Established in 1990, the program assists local companies as well as unemployed timber industry workers. The Team which coordinates with other groups is comprised of state program managers serving wood related industries who advise the Governor and the legislature on timber industry problems and issues (1).

In addition, the Washington State Legislature created the Export Assistance Center in 1990. Closely tied to the Washington Department of Trade and Economic Development (DTED), the Export Center provides export financing assistance to small and mid-sized businesses (1). The Forest Products Division of DTED provides policy development, initiates programs and gives technical assistance to small and medium sized forest product companies (1).
Research objectives

The objectives of this research were to (1) Document the status of policies and programs that target wood product industry economic growth and development by state agencies in the United States and; (2) Identify characteristics of successful programs.

Methods

An unbiased research effort was designed to focus on perceptions of state agencies regarding programs that are involved in or promoting forest products economic development. A thorough literature review of the rural economic development and renewable resource utilization literature was conducted.

Utilizing directories of state agencies, telephone books, journal and magazine articles, and personal references, a sample of thirty seven state agencies and private organizations was identified. Potential survey sites were limited to those states which indicated the existence of agencies involved in forest products industry economic development. All sample set members were contacted by telephone to confirm the appropriateness of the sample set. The sample set included state forestry agencies, state economic development agencies, universities, and private not-for-profit entities.

Data collection and response rate

Discerning the current status of state-level wood products industry economic development was accomplished by using mailed surveys. Questions were adapted from Jones and Koester (9) and designed for economic development agencies to identify planning, implementation and maintenance phase of programs in their respective states. Survey development and implementation
followed methods and procedures recommended by Dillman and described as the Total Design Method (TDM) (4).

The survey instrument developed for this project included closed ended, open ended, rating, and scaled questions. After sample set development and phone calls, a pre-notification personalized letter was sent to targeted recipients to remind them to expect the survey instrument. One week after the introductory letter was sent, a survey and cover letter were sent followed one week later with a follow-up telephone call to ensure the survey documents were received. Those members of the sample set who indicated they had not received the initial mailing were sent a second survey. Two weeks later a second survey document and reminder letter was sent to non-respondents.

After receiving the survey documents, three of the thirty seven agencies in the initial data set determined that their particular agency was not the appropriate agency to respond to the inquiry. New contacts were recommended and the survey documents were forwarded by the initial agency contacted or survey documents were mailed to the newly identified contact agencies. Ultimately, of the forty agencies contacted, thirty-two (80 percent) provided usable responses, two provided unusable data and six did not respond.
Results

Profile of respondents

Eighteen states\(^1\) representing 32 targeted programs in various stages of planning and implementation are represented. The earliest program was started in 1977 and the most recent in 1995. The average funding for the 23 wood product industry economic development programs identified by respondents that answered this question was $2.4 million. The total for these projects was $93.4 million and ranged from $30,000 to $80 million.

Status of forest industry economic development programs

Respondents indicated that their states have fifteen forest industry economic development programs established; an additional five funded and in the implementation phase; four currently being researched for best program options; two in development and; one approved and awaiting funding. Development of an existing secondary value-added wood products sector has the highest priority (33 percent of responses) of development efforts followed by attracting new secondary industry (23 percent), developing the existing primary industry (23 percent) and attracting new primary industry (20 percent). The majority of programs target market development for wood products, rural economic development and enhanced utilization efforts.

A milieu of agencies and other entities are involved in wood sector economic development efforts. While state economic development agencies are most often the impetus for development programs, state government at the legislative and executive levels initiated programs in many states. Beyond initiating development activities, a number of entities are involved in program development.

\(^1\) Alabama, Arkansas, Florida, Georgia, Indiana, Kentucky, Louisiana, Maine, Michigan, Mississippi, North Carolina, Oregon, Pennsylvania, South Carolina, Tennessee, Texas, Virginia and Washington.
Respondents indicated that state forestry oriented agencies have the highest frequency of leading program efforts while universities are most often found in a planning role. Many entities play an advisory role including, in ranked order of responses, private industry, private land owners, the United States Forest Service and state forestry agencies, to name a few.

A more detailed view of development goals and priorities was found using the following 5-point scale indicating varying levels of importance: 1=Very Unimportant to 5=Very Important. All criteria rate greater than 3.0 (neutral), suggesting that all of the goals listed are important. The differences are in relative response magnitude. The top six categories (4.0 and above) support the notion that development programs in the forest products sector focus on rural economic development and growth. The tactics to accomplish this include attracting new industry and concurrently increasing employment as well as focusing marketing efforts on both domestic and export opportunities.

When one looks at existing program elements, marketing efforts (marketing and export assistance) are key program elements. Resource based analyses and forest management are also highly ranked program components. Elements of lesser importance include financial incentives (loans and tax incentives), employee training (labor and management), and product development.

Respondents indicated methods employed to develop existing wood product industries and to attract new industry to their states. Existing industry market development centers on market promotion and research. Publication of industry directories ranks highest followed by market research to explore export market opportunities, attendance at trade shows and product information dissemination through other venues.
In contrast, efforts to attract new industrial growth and development centers on “selling the state” to potential participants. In addition to distributing promotional information about the state, specific data on potential development sites and general business climate information is disseminated. Offering tax incentives for investment was also cited as an important method to attract new industry.

**Program success and deficiency attributes**

Respondents were asked to evaluate factors that lead to success in establishing development programs. Respondents believe that the most important attribute is having an adequate forest resource base to sustain development efforts. This is closely followed by the need for strong government leadership, the need to have favorable state economic conditions and interagency cooperation. The remaining success factors, all receiving a rank greater than 3.0, include the need to have the program adequately funded, strong industry support and the need for demand for current or potential products that result from industry development.

**Summary**

While nationally, studies indicate that natural resource based economic development is risky and of limited potential, some states are successfully targeting rural development of the wood products industry sector. States in regions with abundant forest resources are developing new approaches to stabilize rural economies and maximize economic contribution. By combining public sector infrastructure resources and private sector capabilities, value added forest resource based programs are emerging as stimuli for employment growth.

However, defining and implementing effective wood products industry economic
development programs at the state level are daunting tasks complicated by a myriad of factors. In this study, development agency respondents identify program goals and objectives as well as methods to actualize strategic program plans. Specific attributes that contribute to program success as well as those that have hindered development may serve as input in development efforts.
Bibliography


