Forest Products Industry and Rural Economic Development: The Policy Makers Perspective

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Introduction

Many U.S. states are targeting their forest industries as a means to further economic
development and expansion, often in rural areas (Jones and Koester 1989, Vlosky and Chance 1996).
Pennsylvania, Oregon, Indiana, South Carolina, Virginia, Tennessee, and Kentucky, are a few examples
of states that are taking advantage of abundant forest resources to improve economic conditions within
their borders (Jones and Koester 1989).

This research is a follow-up to a study that examined the status of policies and programs that
target wood product industry economic growth and development by state agencies in the United States
(Vlosky and Chance 1996). In this study, the intent was to discern how state level forest products
industry policy makers and program implementers develop and execute strategies.

Rural Development

Because of economic influences, rural areas are attractive to mature industries which seek to
reduce manufacturing costs with low skill, low paying repetitive jobs. Low skill labor, low wages and
physical infrastructure no longer attract new jobs and industry as they once did (Rosenfeld et al. 1989).
With competition from Third World and Newly Industrialized Countries, most rural manufacturing
companies in mature industries, often are underbid in a very competitive global marketplace. An
abundance of low wage labor and generally less strict environmental regulations in third world and
emerging countries provide the basis for competitive advantages for many manufacturing companies
(Reid 1991). As this global competition increases and standardized repetitive jobs which require low
skill and semiskilled employees move offshore into emerging and new industrialized countries,
employment opportunities in rural areas will become more difficult to find. Further, with the work place
becoming more technology dependent, the labor force must become more capable of assimilating new technology and more proficient in the use of advanced technology.

New economic development opportunities may take the form of expansion and retention of existing industry through a combination of increased productivity and export expansion or through new business formation and recruitment.

In an emerging area of development, focusing on local entrepreneurship suggests that rural areas may have a largely untapped potential (Reid 1988). Utilizing local initiative, human and financial capital and natural resources, rural communities have found they can stimulate economic activity and change attitudes about local growth potential (McNamara and Green 1988). Entrepreneurship is defined as the creation of new and independent businesses (Reid 1988). Encouraging entrepreneurship in value added processing of renewable natural resources is proving to be an effective strategy for many rural areas.

**Forest Products Industry Based Rural Economic Development**

Rural communities, by definition, have a built in comparative location advantage in the primary and value-added processing of some renewable natural resources. Vlosky et al. (1995) write that Weber (1929) believes minimization of labor costs, transportation costs and raw material costs combine to determine the optimal location of industrial sites.

With regard to forest based industries, Skog (1991) reports that timber oriented companies were likely to locate in rural areas near resource supplies and be influenced by technology advancements as ways to reduce costs and increase profitability and competitiveness. Secondary, or value-added forest products firms however, often are located closer to the consumer markets such as
metropolitan or suburban areas. In areas where unemployment levels are high, locally generated secondary forest products industry jobs, which create transferable skills, may offer a viable alternative to forced migration to maintain or increase employment (Skog 1991). Forest resource development offers another important function to a rural economy; diversification. According to Deavers (1991), specialization, or an over-reliance on narrow economic sectors is a serious handicap for rural areas because structural declines.... can cause widespread dislocation....threatening the entire community.

In addition, timber related companies which are export oriented may offer rural communities additional economic benefits. Exports have the potential for enhancing the multiplier effect of forest based economic activity (Carriker 1988).

The economic development potential of the secondary forest products industry remains viable in many areas of the United States. While policies and strategies differ among those regions the common denominator seems to be focusing on specific opportunities which avail themselves based the situation of the particular region in question. Top-level state government commitment to targeted development efforts is a key ingredient of the programs presented.

The Study

This research is a follow-up to a study that examined the status of policies and programs that target wood product industry economic growth and development by state agencies in the United States (Vlosky and Chance 1996). In this research, the intent was to determine how forest products industry development policy makers and program implementers develop and execute strategies.
Methodology

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.

As was the case with the precursor study to this research, directories of state agencies, telephone books, journal and magazine articles, and personal references were used to generate a sample of thirty-seven state agencies and private organizations. 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

A mail survey was used to solicit information in this project. Survey development and implementation followed methods and procedures recommended by Dillman (1978) and described as the Total Design Method (TDM). The survey instrument developed for this project included closed ended, open ended, and scaled questions. After sample set development and phone calls, a pre-notification personalized letter was sent to targeted recipients to tell them to expect the survey. One week after the introductory letter was sent, a survey and cover letter were sent. Those members of the sample set who indicated they had not received the initial mailing were sent a second survey.
After receiving the survey documents, two survey recipients on initial mailing list forwarded their surveys more appropriate agencies. Ultimately, of the thirty-seven agencies contacted, twelve (32 percent) provided useable surveys, two returned unusable data and twenty-three did not respond.

All responses were completely anonymous and were combined with other information for reporting purposes. When provided with the opportunity to be identified in reports to indicate if the respondent’s program(s) are successful, all respondents wished to remain anonymous.

Results

Profile of Respondents

Twelve states that have forest sector development programs were represented contrasted to eighteen states that were represented in the precursor study. Although key forest product producing states were not represented in this study (e.g. Washington, Minnesota and Alabama), responses from the twelve respondent states help to identify issues and challenges in forest sector development. In particular, responses to open ended questions provided rich qualitative information.

Of the twelve respondents, five (42 percent) are employed by state level forestry agencies, two (17 percent) are with state level departments of economic development, two (17 percent) are university employees, two (17 percent) represent an industry association and one (8 percent) is with a state department of agriculture.

All respondents indicated that there existed programs at the state level that target forest products industry development. As far as having a comprehensive and coordinated forest sector strategic plan at the state level, six respondents indicated that such a plan existed.
Program Strategic Development

When asked to explain how and why the forest products industry was targeted for existing or planned policies or programs aimed at encouraging forest based economic development, many respondents said that their states have forest resources which can support a forest-based industry which is and can continue to be a significant contribution to the state’s economy. One respondent said that “almost every county in the state has adequate timber resources to support jobs where work might otherwise not be available.” Another respondent said “The forestry industry is the second largest industry in our state after textiles, so it is vital to the state’s economy. Keeping this industry healthy not only provides jobs, but also provides markets for our timber products.” The North American Free Trade Agreement (NAFTA) and associated loss of apparel and textile jobs was cited as the impetus for forest sector development in two Southern states. A theme that runs through many responses is that it is hoped that forest sector development will create local jobs in rural communities as well as in metropolitan areas. And finally, many respondents indicated that the motivation is to strengthen and develop their states’ existing or potential economic base by increasing the potential for job creation and increasing tax revenues and by developing the secondary wood industry to add value to the resource.

Programmatic Goals and Outcomes

Vlosky and Chance (1996) found that the top six goals of forest products sector development programs were, in ranked order of importance: increasing employment, attracting new value-added industry, supporting rural economic development efforts, increasing market share for the state’s wood products, and increasing export opportunities. Respondents in this study discussed tactics to accomplish programmatic goals and levels of success in their outcomes.
In addition to activities and program elements, respondents were asked to discuss specific outcomes which indicate that program goals are being achieved. One respondent stated that “Our overseas offices in Brussels & Hong Kong have helped to make contacts and solve problems which we could not have done from home base” while for another, a directory of state companies with export capabilities in forest products has helped to establish many productive contacts. Trade show participation was also listed by a number of respondents as an indicator of success, particularly the ability to establish and maintain contacts. One state made several “new” sales for state value-added companies at a European trade show.

Companies inquiries regarding availability of raw materials, logs, chips, residues, etc. as inputs for production was an indicator of goal success as well, specifically in the generation of awareness of the forest products sector. Processing and manufacturing increases, industry employment growth, an increase in business recruiting contacts and number of companies exporting, significant forest industry company recruitment, and improved markets for secondary wood products are additional outcomes that are cited indicators of program goal achievement.

Respondents also discussed program goals that have not been achieved. One concern was that many trade leads received from association and federal government contacts are not of much value and that a lot of time and expense is expended in following up on them. Also, for some, because of cutbacks and tight budgets, there is little time or money for travel, trade shows, promotional materials, etc. which should be provided for in order to meet some of key program goals. One respondent voiced a concern that the goal of developing the forest sector in his state was not adhering to the concurrent goal of sustainable forest management and that they may be overcutting the resource. Additional areas where goals have not been achieved are in the areas of business development contacts regarding new development being lower than expectations, recruitment opportunities being lost due to lack of
personnel and time to follow up, limited networking successes, and training programs having not yet
been implemented.

**Levels of Success in Implementing Programs**

Previous research indicates that the most important attribute in successful forest sector
development, from the policy makers perspective, 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. Additional important success
factors 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 (Vlosky and Chance
1996).

In this study, scale questions were posed to respondents regarding the levels of success in
implementing program elements as well as the level of support from different agencies and industry
influentials. Most successful outcomes (3.5/5.0 and above), in decreasing ranked order, are supporting
rural economic development, attracting new value added industry, encouraging a sustainable timber
supply concurrent with forest industry development, promoting company network formation and
expanding the existing value-added forest products industry. Once again, the responses indicate that
there is no one basis for success.

**Level of Support**

Coordination and cooperation among state and local agencies, industry, universities, and other
key entities is one of the prerequisites for success of forest products sector economic development
(Vlosky and Chance 1996). Using a five-point scale from 1=least supportive to 5=most supportive,
respondents indicated levels of support contributed by various agencies and groups. Heading the list is State Bureaus of Forestry, followed by universities and industry, while at those below 3.0 (neutral support) include timber oriented entities (U.S. Forest Service and landowners), consultants, and environmental agencies.

**Summary**

States in regions with abundant renewable resources are developing new approaches to stabilize and foster growth in forest products industry economies. Defining and implementing effective forest products industry economic development policies are daunting tasks complicated by a myriad of factors. A state level focus allows individual states to optimize opportunities given specific and unique capabilities and constraints.

Industry development has many goals and objectives but seems to revolve around increasing value added processing of the timber resource and rural economic development. By combining public sector infrastructure resources and private sector capabilities, forest products sector based development opportunities are emerging to provide employment opportunities and economic stability for many states. Programs designed at the state level emphasize cooperation and communication to overcome obstacles and optimize opportunities.

This study identifies program strategic development, success and challenges from the perspective of state-level forest products sector planners. By understanding these elements of success and pitfalls, current and future program developers may be able to create or refine forest sector expansion programs.
Literature Cited


Jones, Stephen B. and Mary Carol Koester 1989. Evaluation of State and Interstate Programs to Encourage Forest Resource Based Economic Development. College of Forestry, Penn State University.


