

Creating new Forestry Markets: the How-to's & What-for's of Wood-based Economic Development

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Southern Regional
Extension Forestry

UF | IFAS Extension
UNIVERSITY of FLORIDA

MAY 21ST, 1:00 PM CT (2:00 PM ET)

Expanding Forestry Markets- How is it done?

MAY 28TH, 12:00 PM CT (1:00 PM ET)

How do you Recruit Businesses?

JUNE 25TH , 1PM CT (2:00 PM ET)

The Fundamentals of Workforce Development in Forestry

JULY 10TH , 12PM CT (1:00 PM ET)

Where Do You Find Clients and Who Can Help You? Economic Development Allies

Expanding Forestry Markets- How Is It Done?

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Alabama Forestry Commission
May 21, 2024



Overview

- Opportunities in Forestry
- Importance of Existing Wood-based Industry in the South
- Business Retention & Expansion Factors
- Wood-based Economic Development Structure
- Industry Outlook

Opportunities in Forestry

The image shows a vast warehouse filled with numerous stacks of lumber and wood products. The stacks are organized in rows, with some taller than others. The wood appears to be light-colored, possibly pine or spruce. The warehouse has a high ceiling with visible structural beams. The entire image is overlaid with a semi-transparent teal gradient, which is darker in the corners and lighter in the center. In the upper left quadrant, there is a white text box containing the title 'Opportunities in Forestry'.

Forestry and the Forest Products Industry in the U.S.

- Sustainable Growth: The U.S. boasts a surplus of 15% to 20% in tree growth compared to consumption rates.
- Vibrant Forests: America's working forests are thriving.
- Evolving Landscape: Timberland isn't stagnant; it's a dynamic resource.
- Private Ownership Dominance: In the U.S. South, the most active wood basin in the world, private individuals own the majority of timberland.

The Forest Products Industry has a Rich Manufacturing Legacy in the South



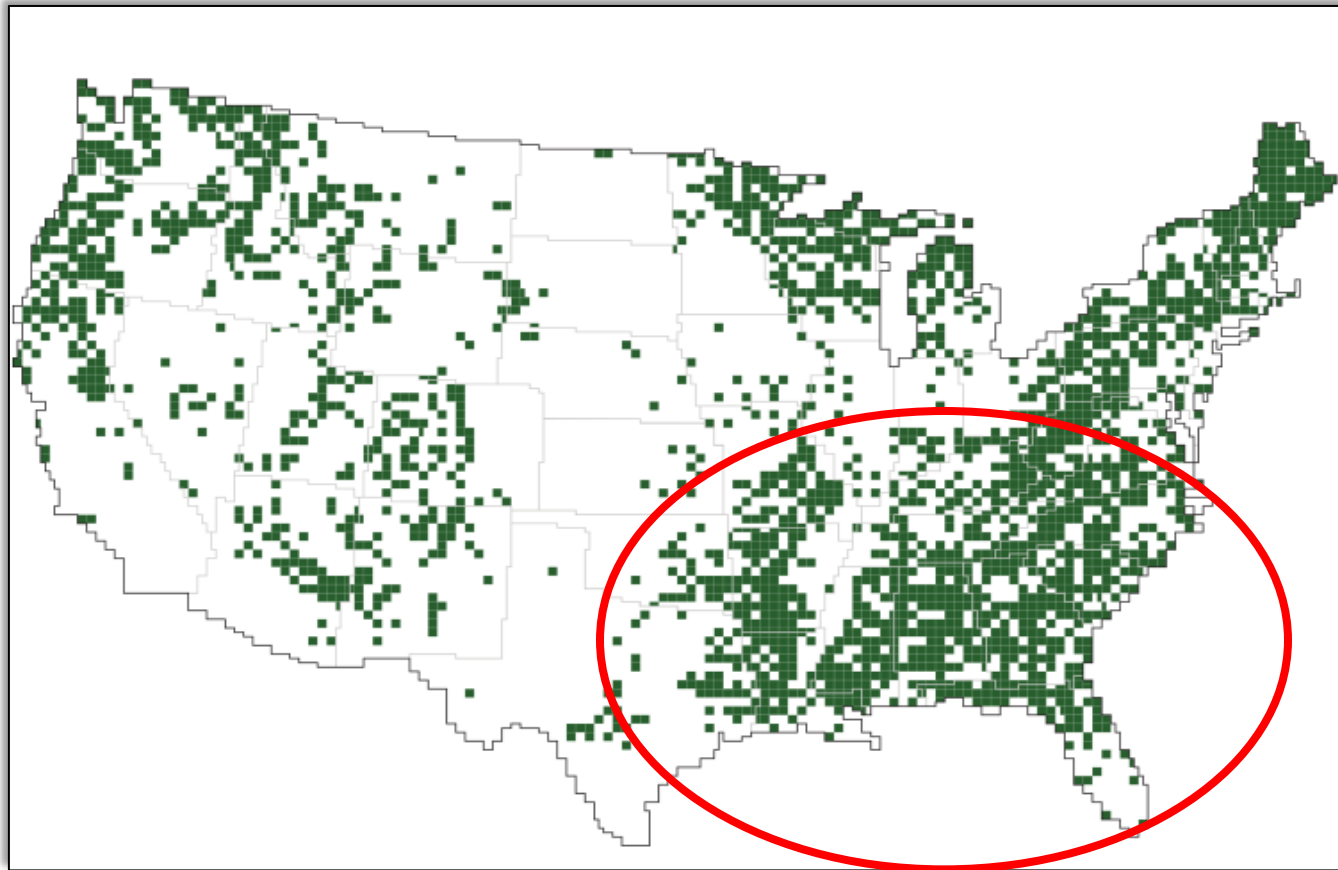
Source: *Encyclopedia of Alabama, University of Alabama Libraries*

Forest Cover in the U.S.



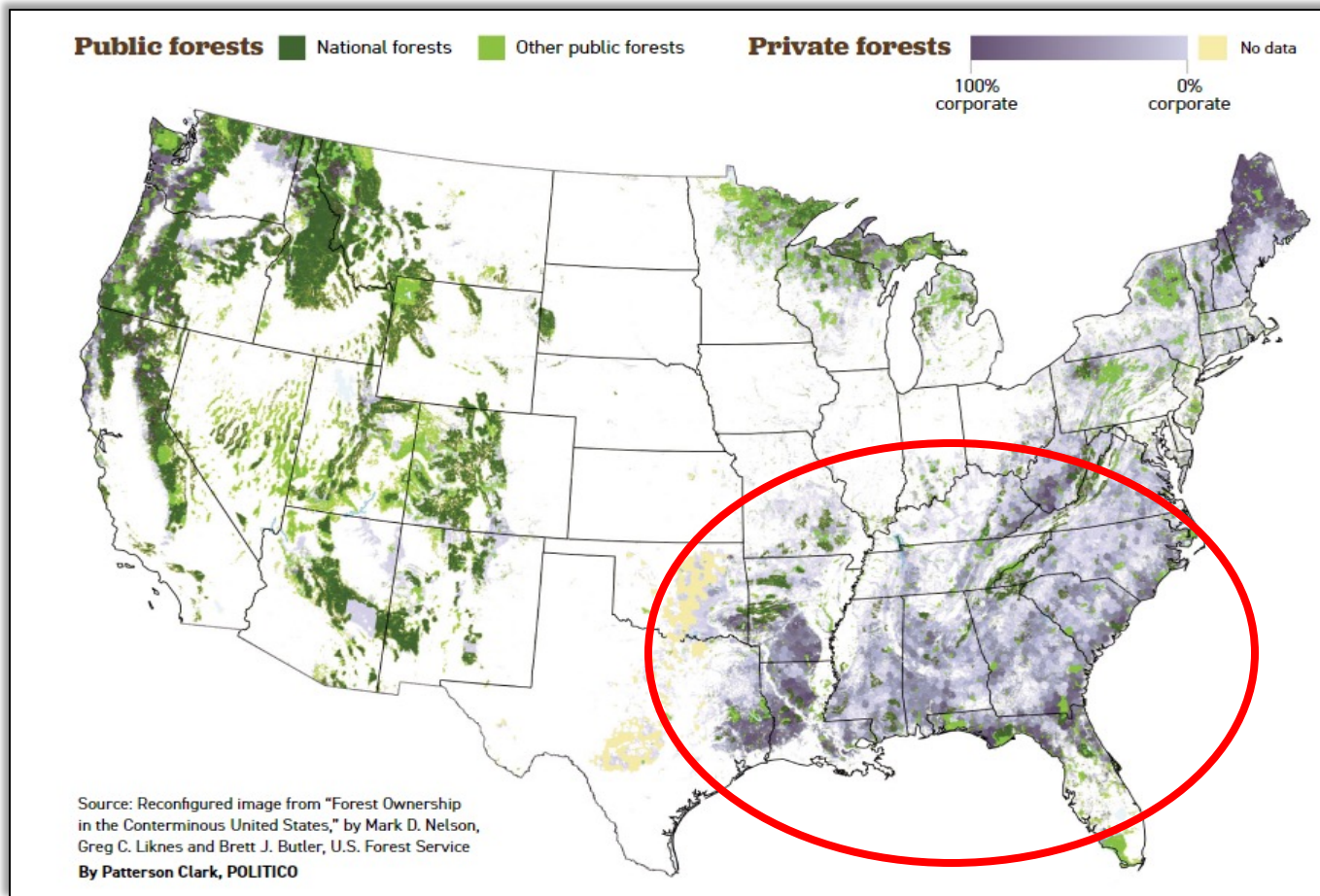
Source: USDA Forest Service


Land Use in the U.S.



Source: Bloomberg, July 31, 2018, "Here's How American Uses It's Land"

Timberland Ownership in the U.S.



A photograph of a large stack of cut logs, showing the circular cross-sections of the wood. The image is overlaid with a semi-transparent teal color. In the top right corner, there is a solid teal rectangular box containing white text.

Importance of Existing Wood-based Industry in the South

Wood-based Manufacturing Economic Contributions

Timber Markets

- Stumpage → Landowners
- Harvesting → Loggers
- Hauling → Trucking Companies

Revenue

- State → Income tax, sales tax, property tax
- Local → Sales tax, property tax
- Indirect from above

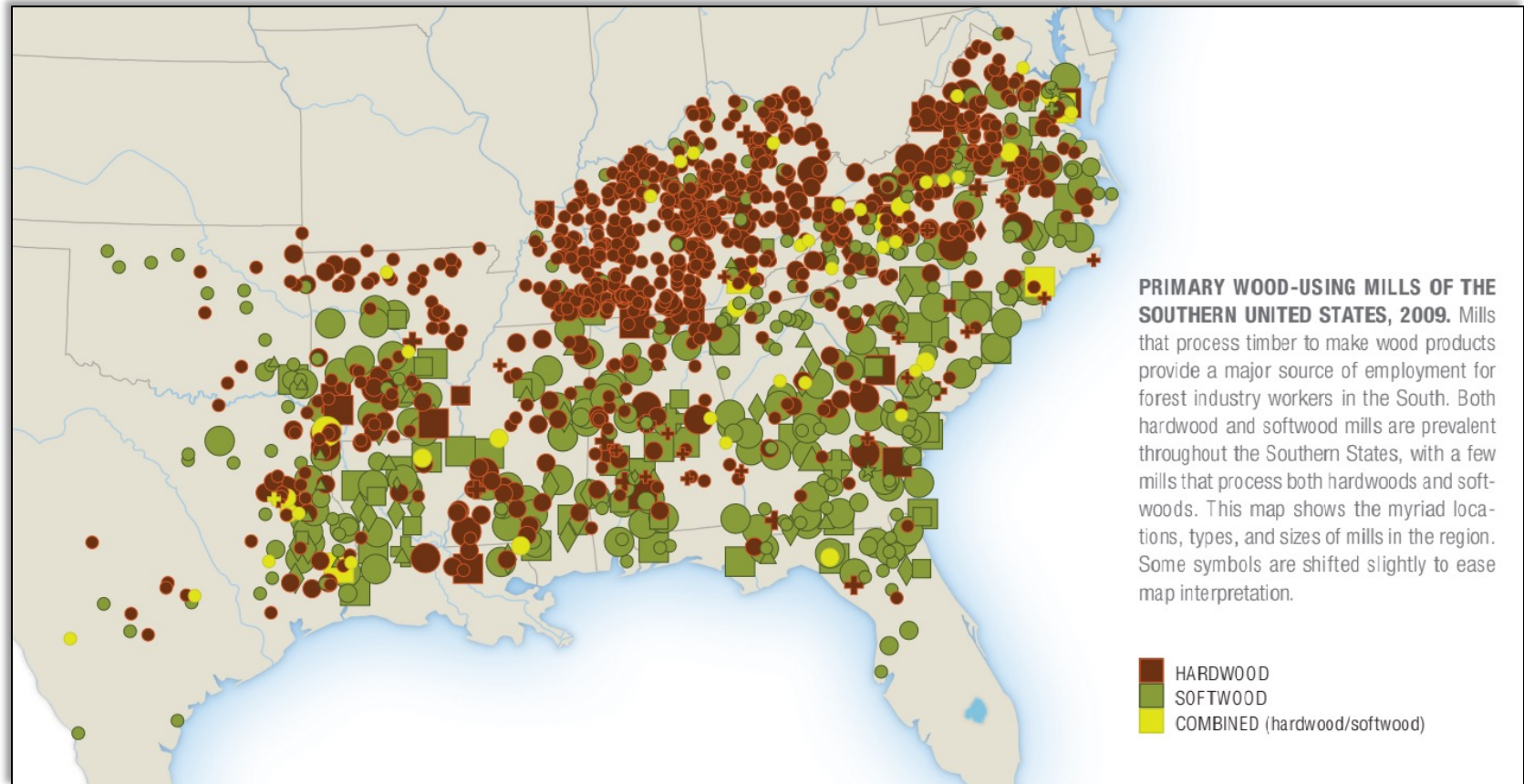
Job Creation

- Direct
- Indirect
- Induced

Asset Base

- Direct
- Future growth

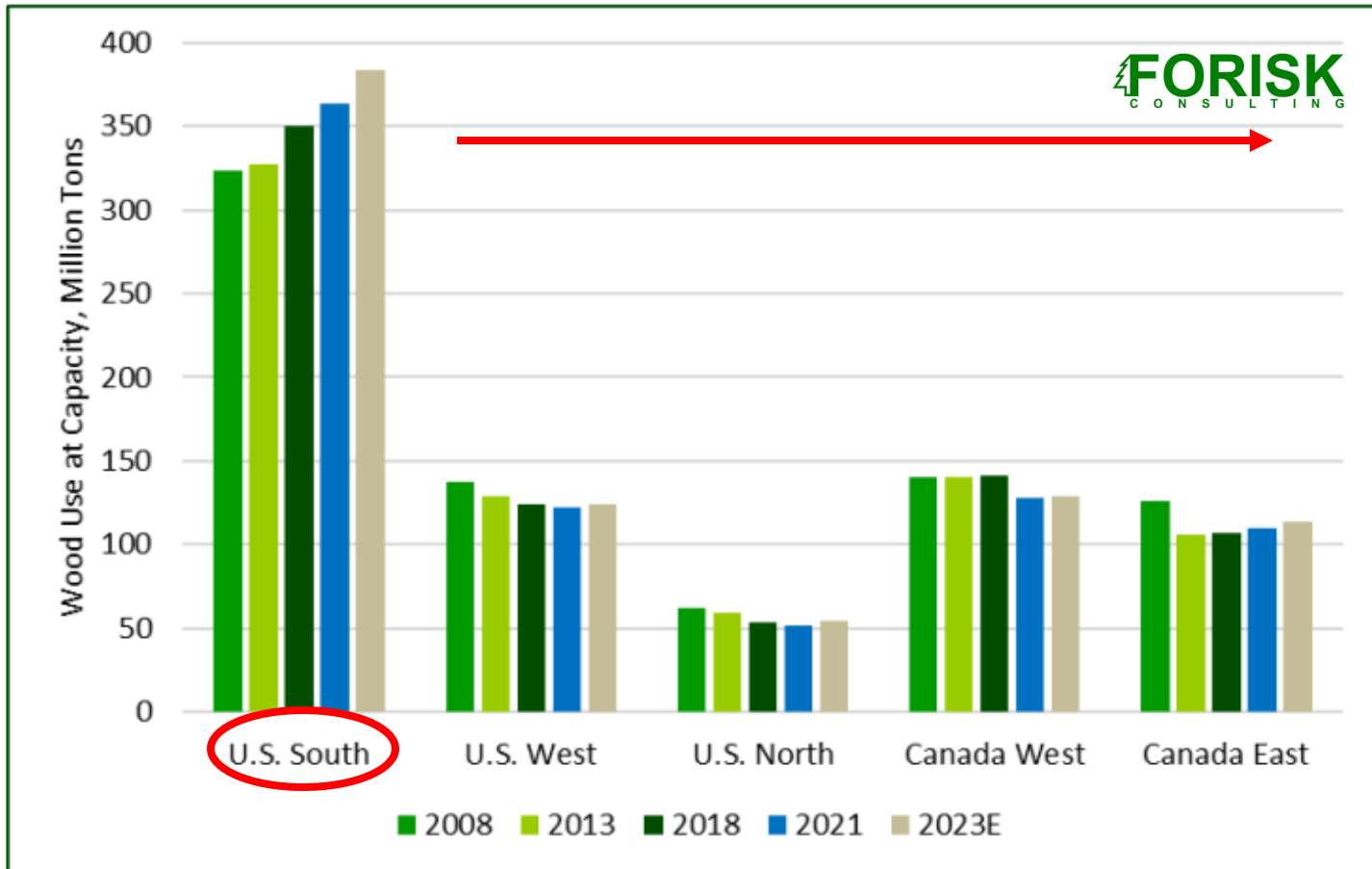
Concentration of Wood-based Manufacturing in the Southeast



Source: U.S. Forest Service, Forest Atlas (usda.gov)

U.S. South Regional Capacity Dominance

North American Forest Industry Capacity by Region

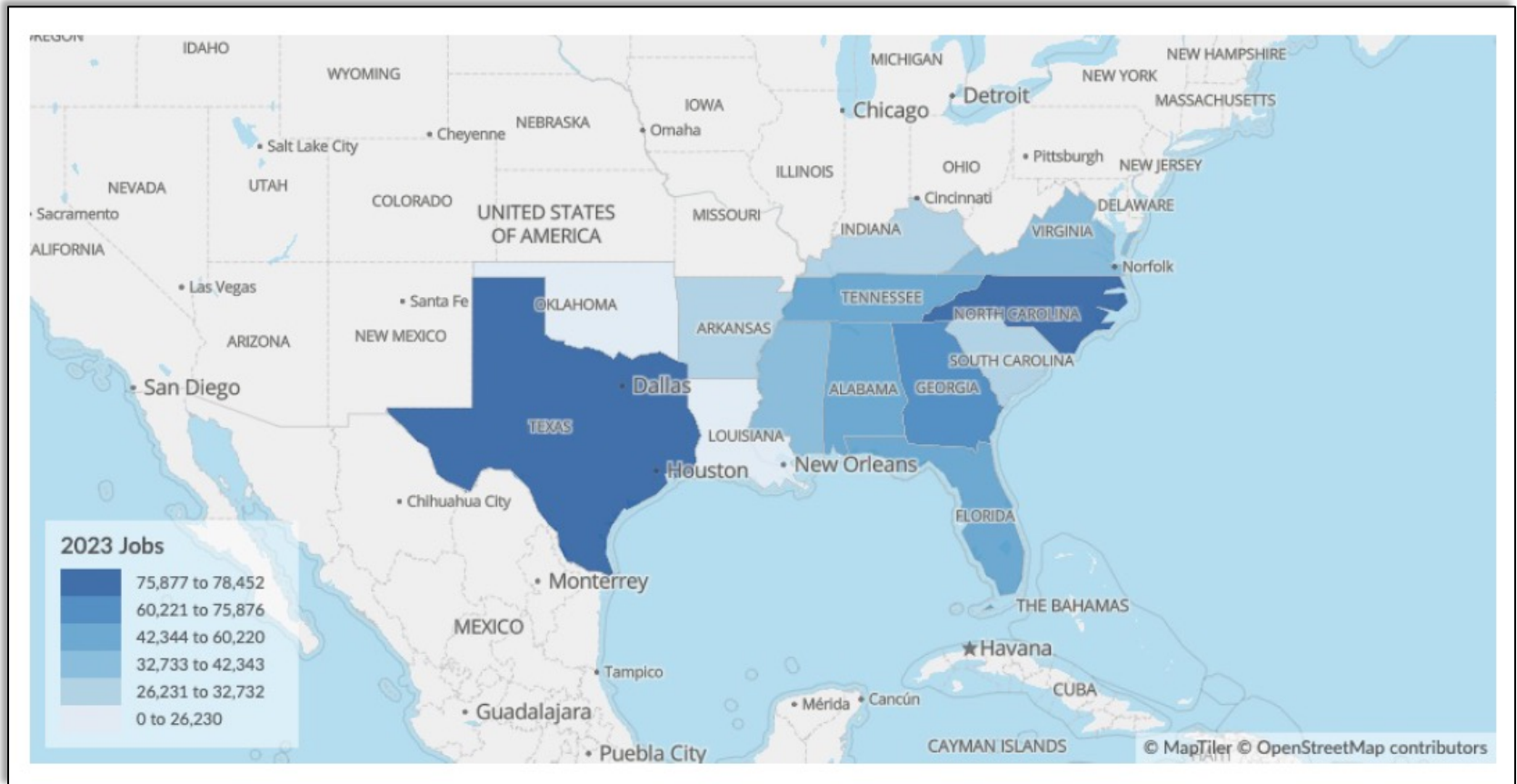


Source: Forisk North American Forest Industry Capacity Database

Impact of Existing Wood-based Industry in the South

<p>19,061</p> <p>Payrolled Business Locations</p> <p>Payrolled business locations increased by 1,242 over the last 5 years.</p>	<p>521,070</p> <p>Jobs</p> <p>Jobs increased by 5,079 over the last 5 years. Projected to increase by 11,526 over the next 5 years.</p>	<p>1.17</p> <p>Concentration</p> <p>Regional job concentration is 1.17 times the national job concentration.</p>	<p>\$74.9K</p> <p>Earnings Per Job</p> <p>Regional earnings per job are \$1.2K below the national earnings per job of \$76.1K.</p>
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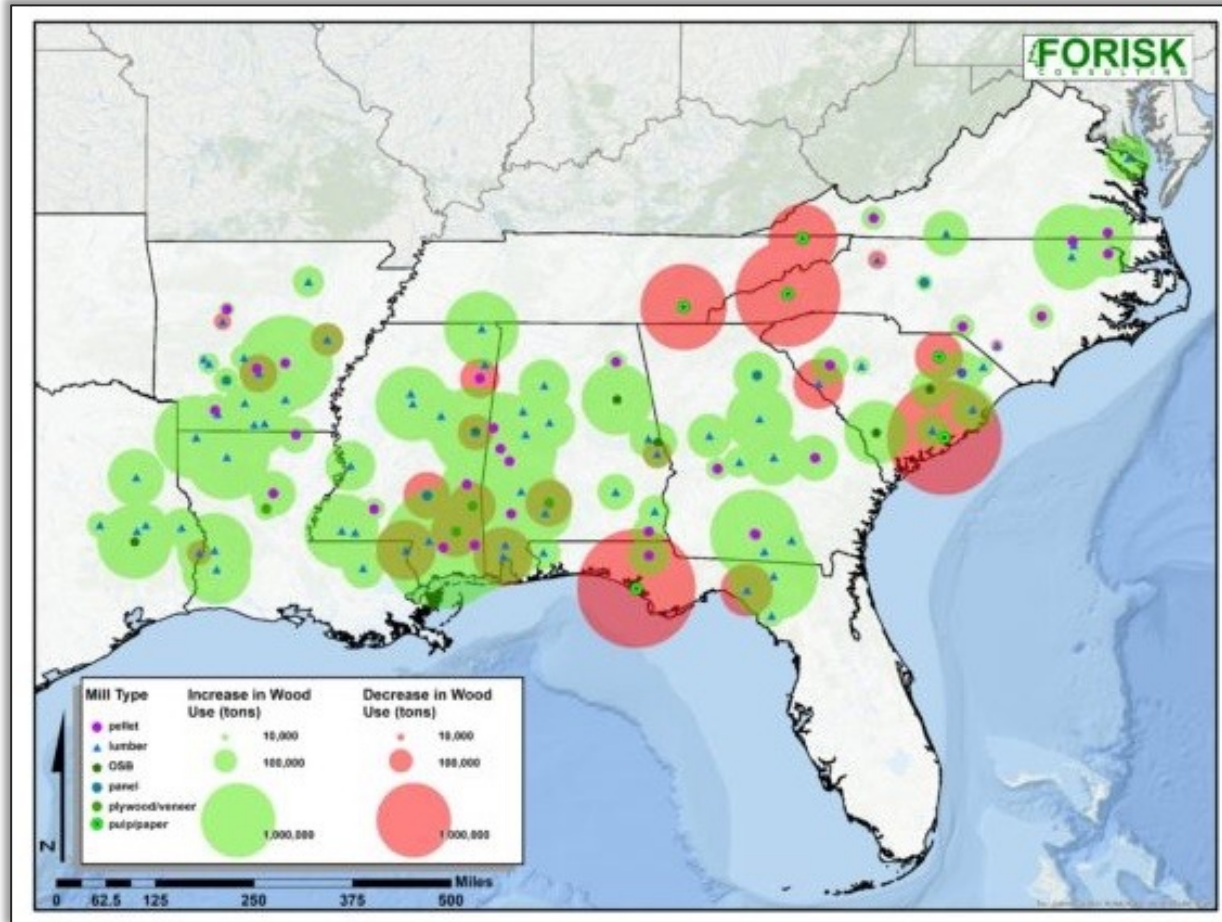
Workforce Concentration of Wood-based Industry in the South



Source: Lightcast Q1 2024 Data Set, NAICS 113, 321, 322, 337

Wood-Based Mills in the South

Increases and Decreases in Wood use



Source: Forisk Blog, August 2023



Business Retention & Expansion Factors

Why is Your Existing Industry Important?



Most new jobs and capital investment are generated from companies that already exist in your community

One southern state documented 80% of wood-based announcements were generated from existing industry from 2019-2023.

What is Business Retention & Expansion (BRE)?



Growth & Expansion
of Existing Businesses



Business or Industrial
Recruitment



Entrepreneurial
Development

- Preserves and grows local jobs
- Preserves and increases local tax revenues
- Maintains or diversifies the local economy
- Maintains or diversifies access to goods and services

Examples of Supporting Industry with BRE Programs

Communication

- Current Affairs
- Business Events
- Community Activities

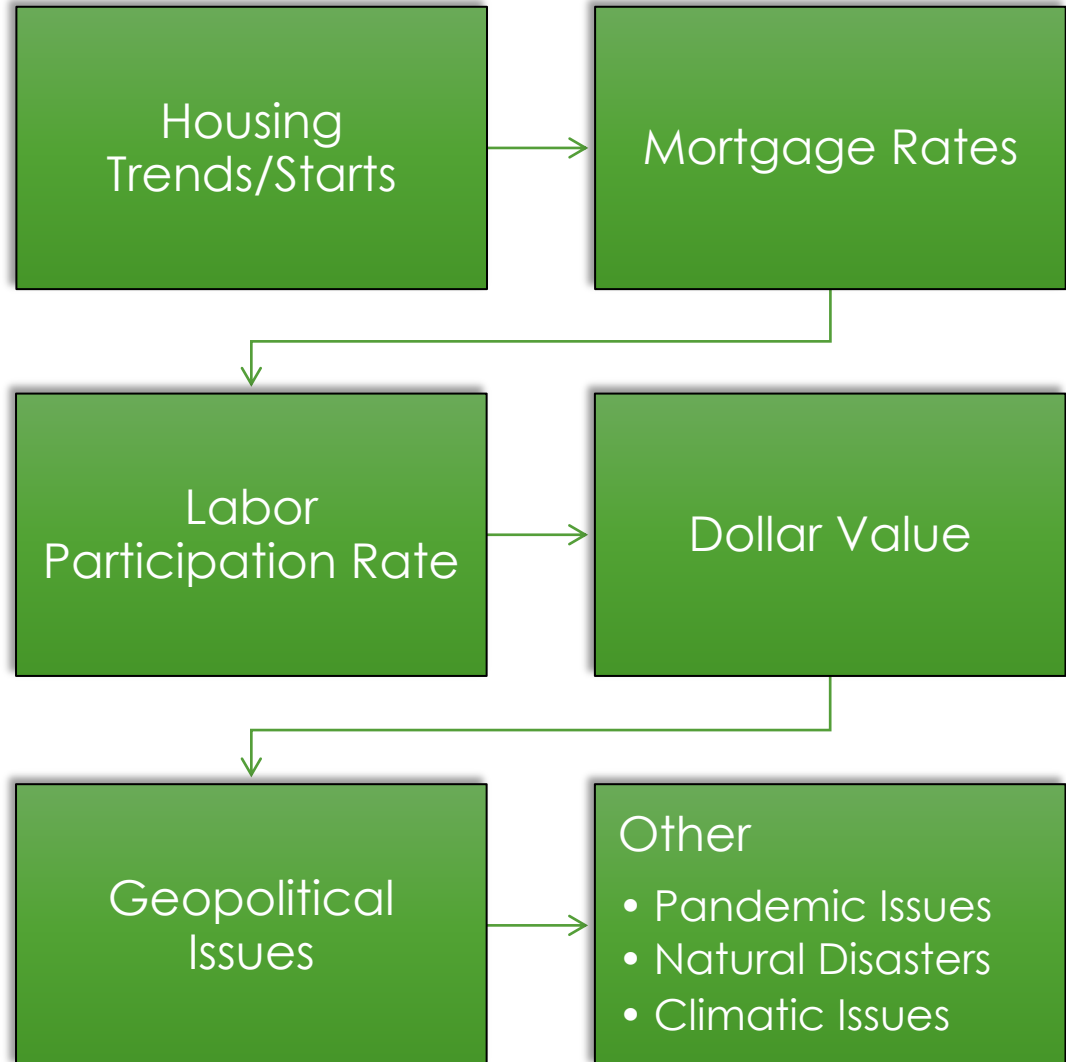
Visitation

- Mill Opportunities or Closures
- Company Recognition

Involvement

- Area Industry Roundtable
- Workforce Development
- Promotion

Factors That Can Affect Wood-based Economic Development Expansion Opportunities



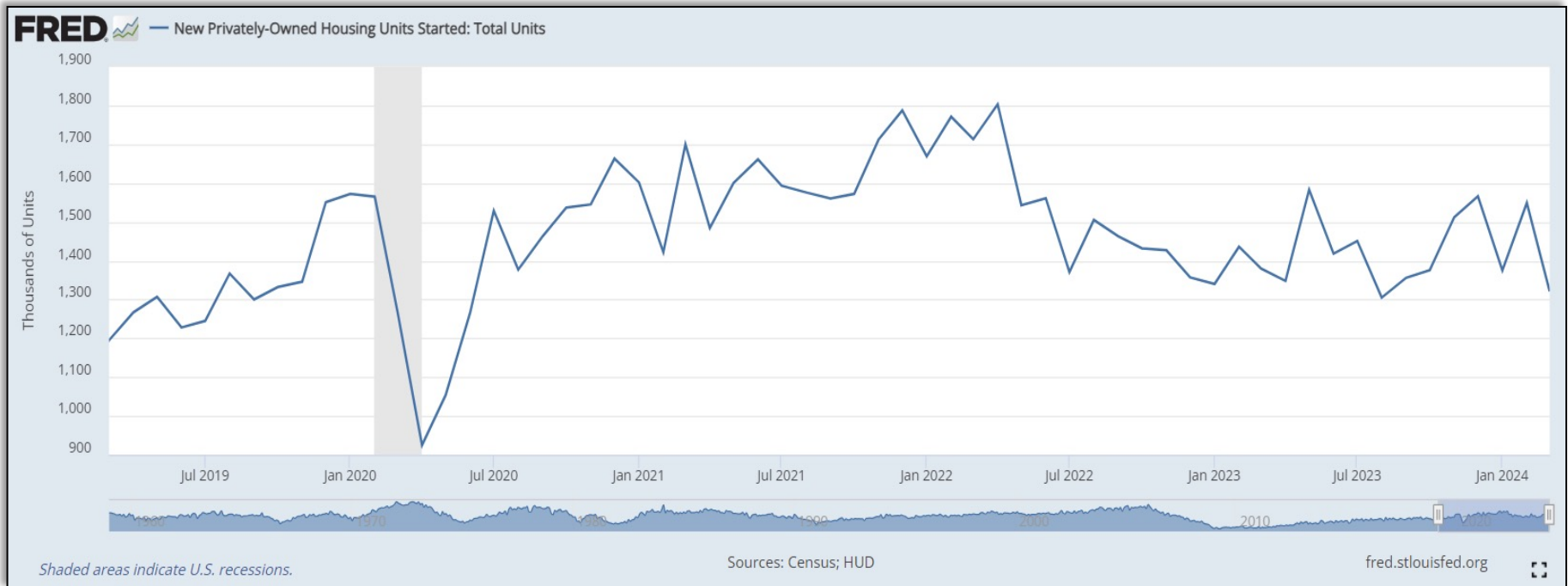
30-Year Fixed Rate Mortgage Average



Current Rate is 7.17% as of April 25, 2024

Source: FRED Economic Data

Privately-Owned Housing Starts



Current Units Started is approximately 1.3 million as of January 2024

Source: FRED Economic Data

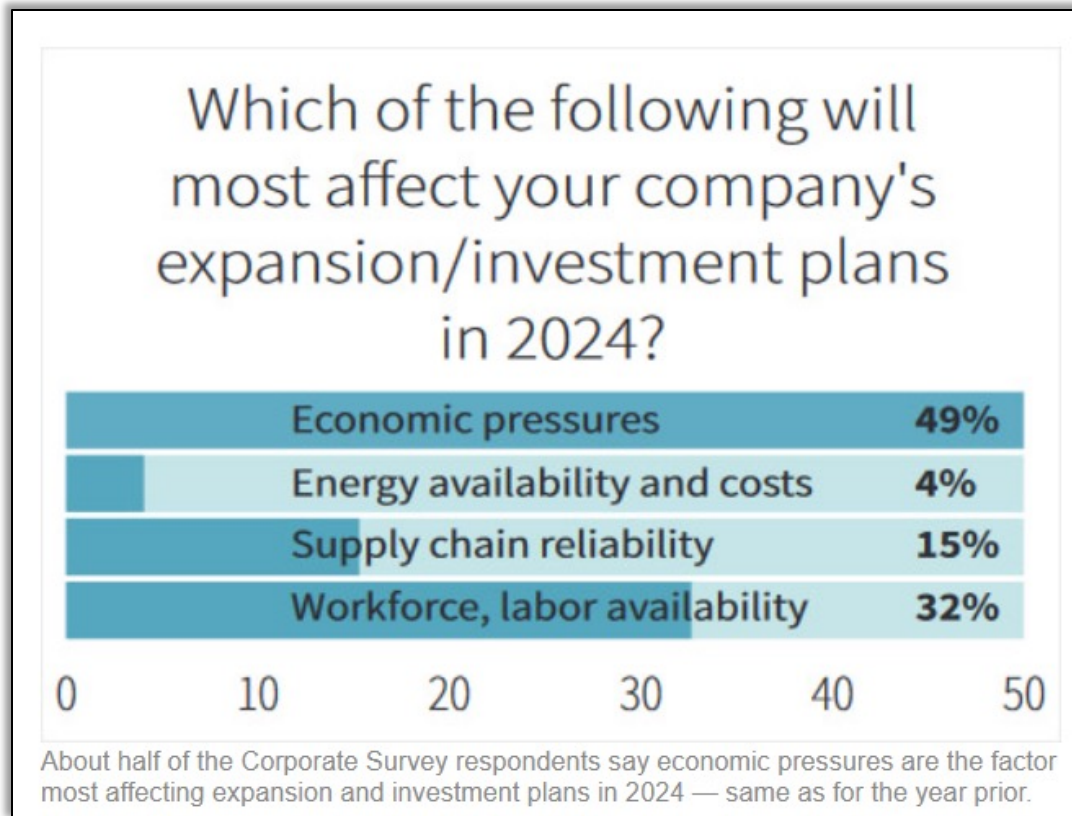
Area Development Magazine 38th Annual Corporate Survey

COMBINED RATINGS*
CORPORATE SURVEY

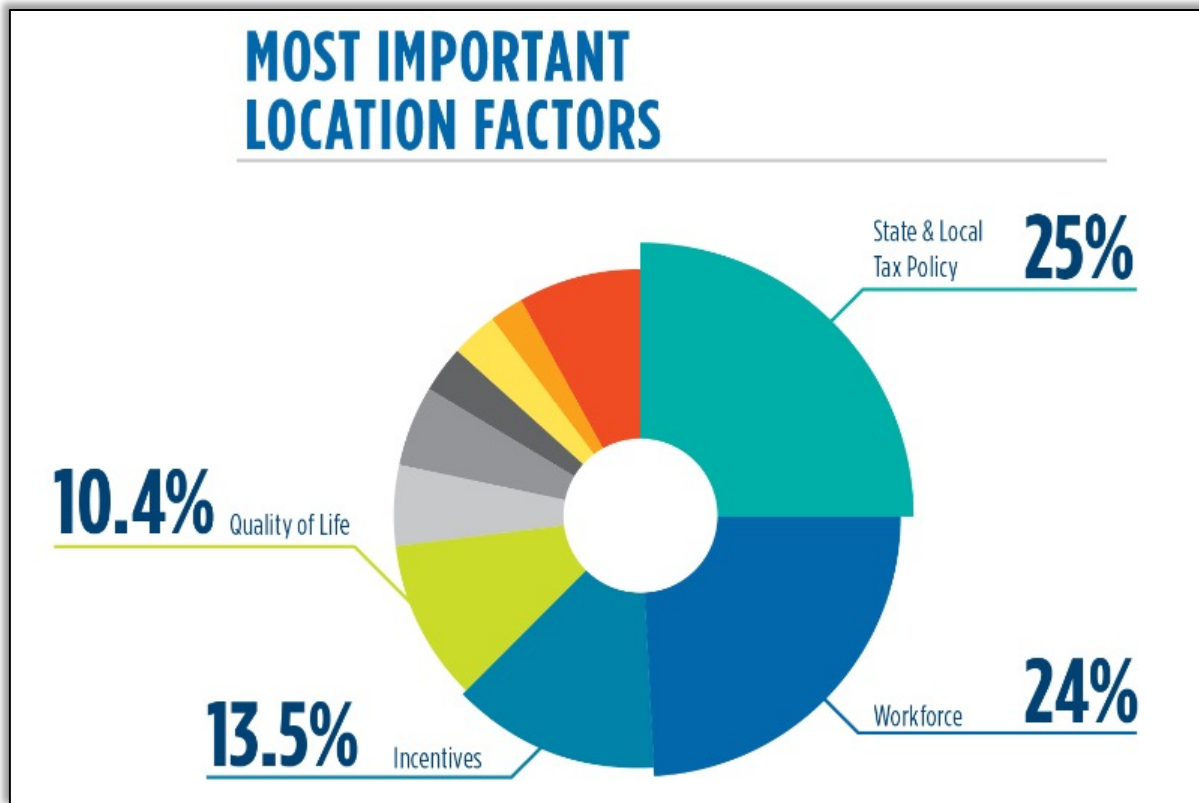
Site Selection Factors	2023	2022
Ranking		
1. Labor costs	92.5	89.1 (1)**
2. Availability of skilled labor	87.2	85.8 (3)
3. Environmental regulations	81.5	79.0 (9)
4. Tax exemptions	79.5	73.0 (13T)
5. ICT/broadband	79.0	80.7 (6)
6. Right-to-work state	78.4	66.7 (18)
7T. Quality-of-life	78.3	87.1 (2)
7T. Energy costs	78.3	79.4 (8)
9T. Corporate tax rate	76.9	79.7 (7)
9T. Highway accessibility	76.9	77.8 (11)

Source: Area Development, Q1 2024

Area Development Magazine 38th Annual Corporate Survey

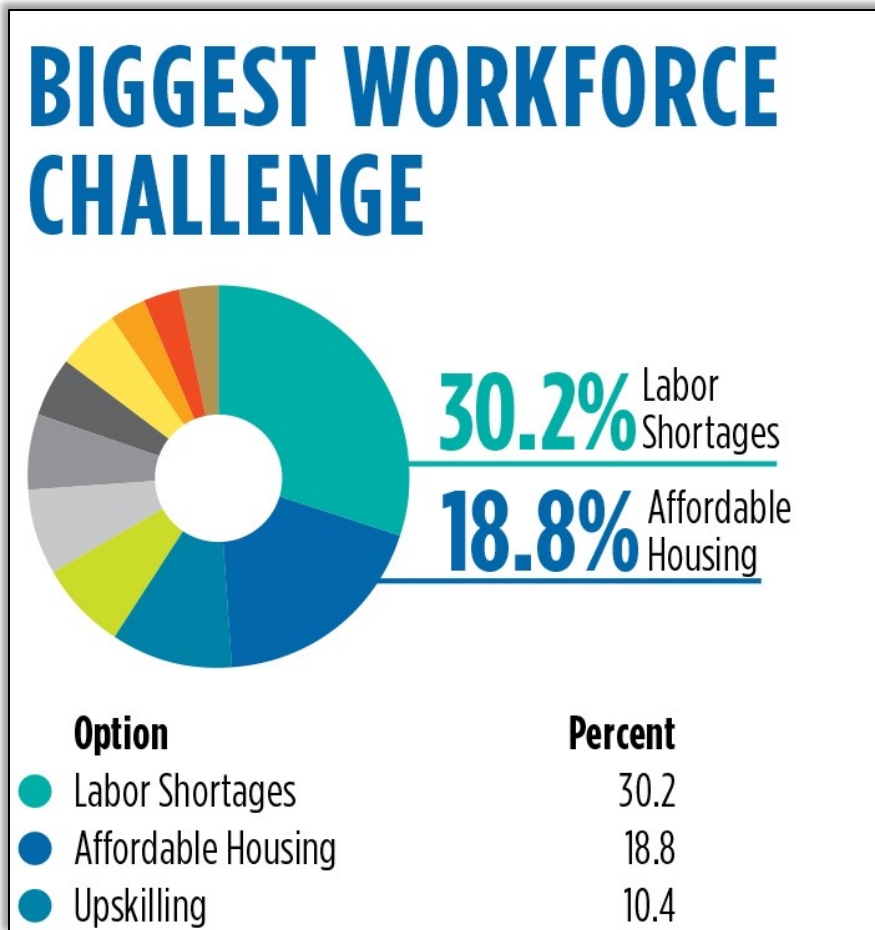


Site Selection Magazine Survey on Most Important Location Factors



Source: Site Selection Magazine, January 2024

Site Selection Magazine Survey on Workforce Challenges



Source: Site Selection Magazine, January 2024

Common Incentives Provided for Existing Industry

Taxes – credits, abatements, rebates

Workforce development & training

Infrastructure (road access, rail, utilities, etc.)

Grants & loans

Discretionary / other

Wood-based Economic Development Structure



Development of a Wood-Based Economic Development Team



Wood-based Site Selection Essentials

Industrial property / sites

Forest inventory analysis / data

Existing industry locations

One-stop economic development recruitment team

Workforce development programs

State / community strategic plans

Strategy for Wood-based Industry in Your State or Community



No Plan

General Plan

Targeted Strategy w/Goals



Basic Types of Wood-based Manufacturing Expansions

Primary Forest Industry

The first point of processing of logs.

NAICS 321 (wood products manufacturing)
NAICS 322 (pulp & paper operations)



Secondary Forest Industry

Processors using products from the operations of primary forest industry operations.

NAICS 337 (furniture and related products)



Opportunities for Wood-based Expansion

Commercial Printing	Cooperage	Converting Paper Product Manufacturing	Truss Manufacturing	Engineered Wood & Composites
Furniture & Related Products	Manufacturing Housing	Medium Density Fiberboard	Millwork	Oriented Strandboard
Cabinets	Medium Density Fiberboard	Paper	Paperboard	Pellets
Preservative Treating	Pulp	Pole & Piling	Reconstituted Wood Products	Veneer & Plywood
	Wood Containers	Cross Laminated Timber	Others	

Industrial Marketing & Recruitment Tradeshows & Conferences





Industry Outlook

Outlook

1. The inventory destocking that occurred in virtually every industry in 2023 is coming to an end.
2. Most new forestry investments in 2024 will be concentrated in the US South.
3. Housing starts will be relatively strong in 2024, hanging between 1.3 – 1.5 mm starts.
4. Increase in investment in bio-economy production at pulp mills.
5. Global operating rates in the pulp and paper industry will continue to improve, bringing stability to the sector.

THANK YOU!

*“Someone’s sitting in
the shade today
because someone
planted a tree a long
time ago.”*

Warren Buffett

