



TIMBER INDUSTRY REPORT



September 2018

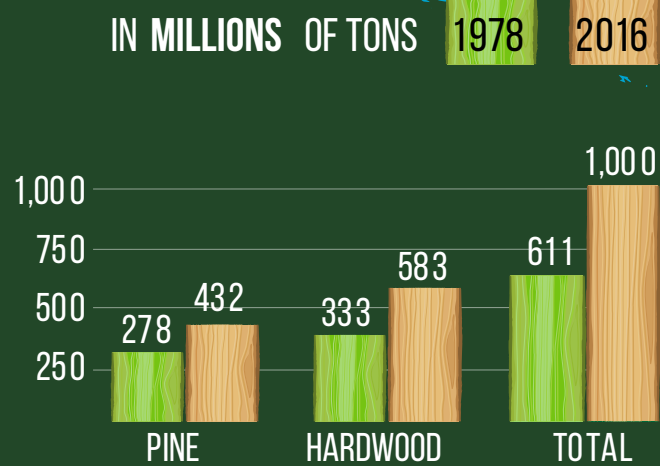
TABLE OF CONTENTS

<u>3</u>	● Introduction	<u>14</u>	● Timber and Forestry Announcements (2017)
<u>4</u>	● The Arkansas Wood Basket: By The Numbers	<u>15</u>	● Recent Acquisitions
<u>6</u>	● A History of Growth & Sustainability	<u>16</u>	● Major Forest Product Companies
<u>8</u>	● A Timber-Ready Workforce	<u>18</u>	● Arkansas Advantages
<u>v1</u>	● Economic Impact		● Tax Incentives & Programs
	● Forest Production Exports		● Sales Tax Exemptions & Reductions
	● Forest Production Employees		● Grants/Financing
			● Training/Other
			● Living In Arkansas
		<u>22</u>	● Contact

Surging economic development and hundreds of new jobs are coming to the state of Arkansas because of the influx of companies seeking to take advantage of the state's placement within the nation's wood basket. Arkansas is at the heart of this timber-rich area of the country, due to much of the state being covered by 19 million acres of forestland, or more than half of the total area of the state. This is having a huge impact on the state's economy, timber and paper products companies from around the world, and the lives of the many families living in the area who are seeing an increase in jobs created by those companies.

THE ARKANSAS WOOD BASKET · BY THE NUMBERS

FOREST VOLUME INCREASE

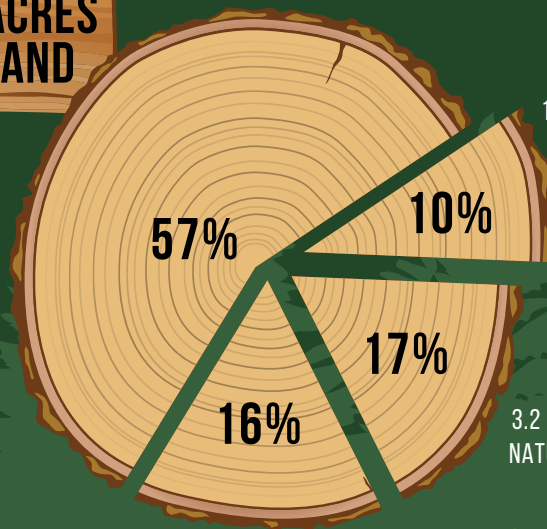


19 MILLION
TOTAL ACRES OF FORESTLAND

56%
OF THE STATE'S
TOTAL LAND AREA

19 MILLION ACRES OF FORESTLAND

10.8 MILLION ACRES OF HARDWOODS



1.9 MILLION ACRES OF MIXED PINE/HARDWOODS

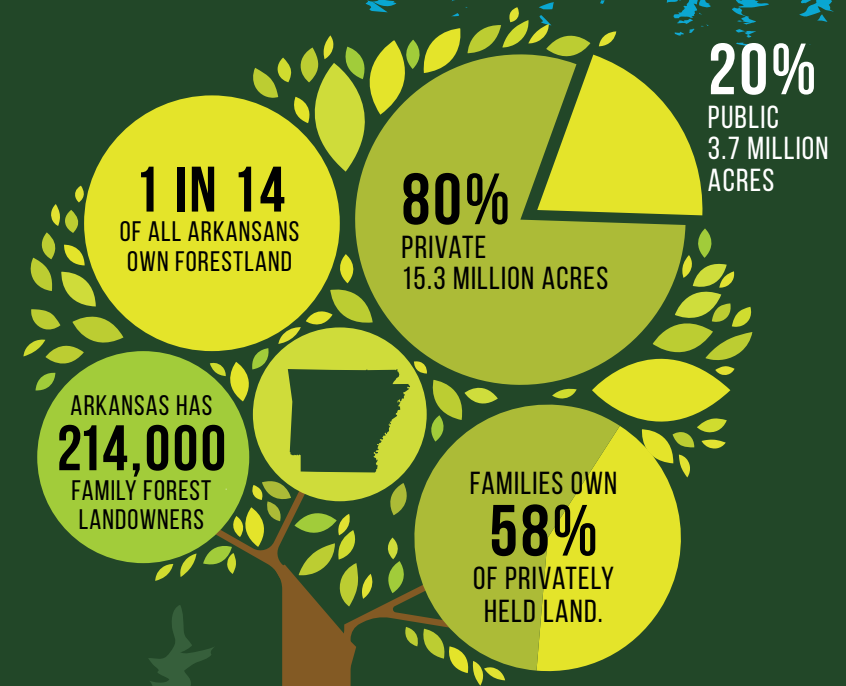
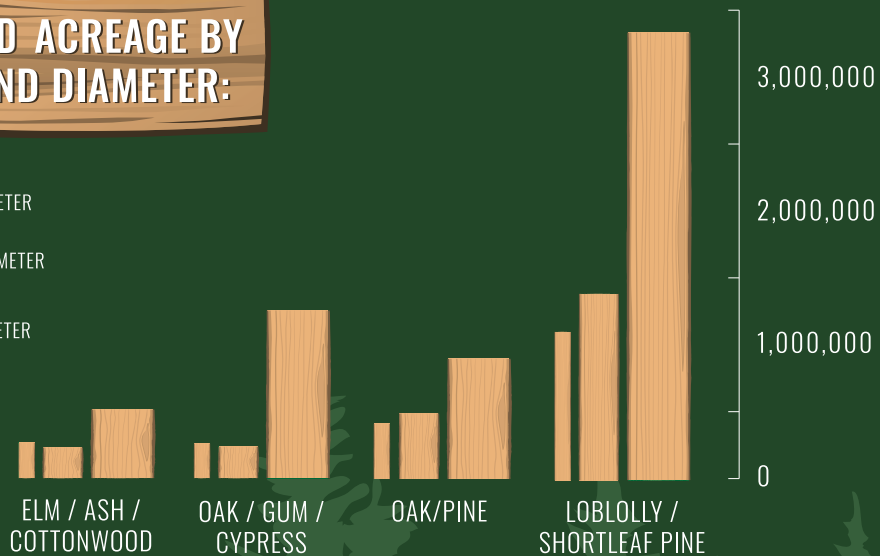
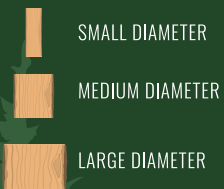
3.2 MILLION ACRES OF NATURAL PINE STANDS

3.0 MILLION ACRES OF PLANTED PINE STANDS

University of Arkansas System Division of Agriculture Arkansas Forest Resources Center 2018 Economic Contributions of Forestry in Arkansas

THE ARKANSAS WOOD BASKET · BY THE NUMBERS

FORESTLAND ACREAGE BY SPECIES AND DIAMETER:



FORESTLAND OWNERSHIP

University of Arkansas System Division of Agriculture Arkansas Forest Resources Center 2018 Economic Contributions of Forestry in Arkansas

Arkansas has an impressive track record when it comes to maintaining its timber resources, and it isn't showing any signs of slowing down.



LARGE-SCALE INVESTMENT IN TREE PLANTING TOTALED APPROXIMATELY

98,300 ACRES FOR THE 2016-2017 PLANTING SEASON,

in addition to other professional forest management measures to improve timber productivity, wildlife habitat and population balance, watershed protection and overall forest health. *(Arkansas Forestry Commission, 2018)*



Arkansas is **#4** in the South for the total number of seedlings grown

and **#1** in the South for the number of hardwood seedlings grown

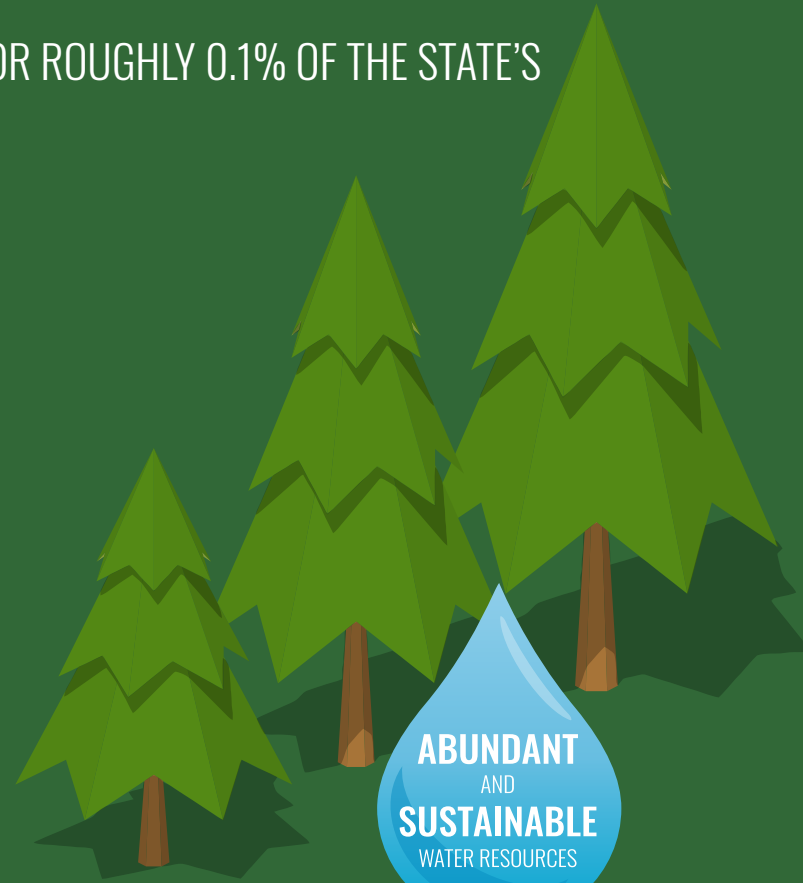
(Scott Enebak, Southern Forestry Nursery Management Cooperative, Auburn University)



AVERAGE ANNUAL LOSS TO WILDFIRES FROM 2008-2017 WAS
22,740 ACRES, OR ROUGHLY 0.1% OF THE STATE'S
TOTAL FORESTLAND ACERAGE



**1.6 TREES
GROWN**
FOR EACH TREE
HARVESTED
(2016)



**ABUNDANT
AND
SUSTAINABLE**
WATER RESOURCES

A TIMBER-READY WORKFORCE

In the wood basket of Arkansas, the forest products industry provides more than **27,000 JOBS**, largely in rural areas, with average wages greater than the national average wage index. Every forestry job creates **1.4 ADDITIONAL JOBS, FOR A MULTIPLIER OF 2.4** in Arkansas, and forestry contributes **5.1 PERCENT** of the state's economy.

Arkansas' manufacturing workforce offers paper and timber companies access to a well qualified and affordable workforce.

 **12.7%** OF THE STATE'S WORKFORCE IS EMPLOYED IN MANUFACTURING

 LABOR FORCE OF NEARLY **1.3 MILLION** STRONG

 **3RD HIGHEST** PERCENTAGE OF MANUFACTURING EMPLOYMENT IN THE SOUTH AND **7TH HIGHEST** IN THE NATION

 TIED FOR **10TH** (5.1%) LOWEST UNION MEMBERSHIP RATE IN THE U.S.

 ARKANSAS IS HOME TO **26** FOUR-YEAR COLLEGES AND UNIVERSITIES AND **22** TWO-YEAR PUBLIC COLLEGES

TRAINING THE TIMBER TRADE IN ARKANSAS

UNIVERSITY OF ARKANSAS AT MONTICELLO (UAM) COLLEGE OF FORESTRY, AGRICULTURE AND NATURAL RESOURCES

The [College of Forestry, Agricultural and Natural Resources](#) is the only school of forestry in the state. Located in southern Arkansas, the college is housed in 45,000 square feet of teaching and laboratory facilities. UAM owns **1,400 ACRES** of forestland used for teaching and learning.

UAM OFFERS THE FOLLOWING DEGREES IN FORESTRY:

- **Associate of Science in Land Surveying Technology** (two year)
- **Bachelor of Science in Natural Resources Management with options in:**
 - Forestry
 - Wildlife Management and Conservation
 - Geospatial Science
 - Communications in Natural Resources
 - Environmental Science
- **Master of Science in Forest Resources, with emphasis in:**
 - Forest Science
 - Geospatial Science
 - Wildlife Ecology & Management
 - Natural Resources Management



While the University of Arkansas at Monticello is home to the state's only School of Forestry and Natural Resources, there are a multitude of opportunities across the state to bring up and maintain a strong timber workforce. Plus, most colleges and universities in Arkansas offer agribusiness, biology and environmental science degrees, providing an educated labor pool in other fields related to forestry and timber.

FORESTRY-SPECIFIC TWO-YEAR PROGRAMS

- Phillips Community College offers an [Associate of Arts degree in Forestry/Wildlife Management-UAM](#)
- Southern Arkansas University in Magnolia offers a [Pre-Forestry Pre-Professional program](#)
- Southern Arkansas University Tech in Camden offers an [Associate of Applied Science in Forestry Harvesting degree](#)

CONTINUING EDUCATION, EXTENSION AND RESEARCH

- The Arkansas Forestry Association hosts [workshops, meetings and environmental education](#) around the state
- The University of Arkansas Cooperative Extension Service provides in-person and online [continuing education courses](#) [required for registered foresters](#)
- The University of Arkansas Cooperative Extension Service hosts [a website with abundant information about forestry](#)
- The University of Arkansas Division of Agriculture Research and Extension maintains a [Livestock and Forestry Research Station in Batesville](#)
- The University of Arkansas at Monticello maintains the [Arkansas Forest Resources Center](#)

Direct Employment: **27,749**

Direct, Indirect, and Induced Employment: **66,433** (2.4 multiplier)

Annual Value Added Impact: **\$6.4B**

Annual Payroll: **\$1.5B**

Average Compensation: **\$53,511**

Economic Contributions to Arkansas Forestry 2017, UA Division of Agriculture

Value of Standing Timber: **\$12.6B**

Economic Contributions to Arkansas Forestry 2016, UA Division of Agriculture

#3 Economic Impact of Forestry (States)

#1 Economic Impact Among Southern States

(AR/MS/AL/SC/TN/GA/NC/KY/LA/VA/OK/FL/TX)

State and Private Forestry Fact Sheet Arkansas 2017, USDA Forest Service;

Economic Contributions to Arkansas Forestry 2017, UA Division of Agriculture

Estimated Annual State and Local Taxes: **\$115M**

State Industry Economic Impact 2017, American Forest & Paper Association

27,749 SKILLED WORKERS

EMPLOYED IN TIMBER, PAPER PRODUCTS AND RELATED INDUSTRIES



FOREST PRODUCTION EXPORTS (2015-2017)

Commodity	2015	2016	2017	Top 3 Countries
113 Forestry Products	1,384,028	904,777	2,488,418	China, Mexico, Canada
1132 Forestry Products	257,085	209,785	536,344	Mexico, Canada, Chile
1133 Timber & Logs	1,126,942	694,992	1,952,074	China, Dominica, South Korea
321 Wood Products	12,959,979	15,307,381	18,450,143	China, Canada, Mexico
3211 Sawmill & Wood Products	7,729,075	10,574,321	13,094,835	China, Canada, Mexico
3212 Veneer, Plywood And Engineered Wood Products	1,185,604	2,261,429	2,818,656	Canada, Mexico, France
3219 Other Wood Products	4,045,300	2,471,631	2,536,652	Canada, China, Mexico
322 Paper	314,614,498	291,612,121	450,001,287	Canada, Mexico, Japan
3221 Pulp, Paper & Paperboard	84,833,685	69,124,784	170,115,364	China, Mexico, Canada
3222 Converted Paper Products	229,997,808	222,514,226	281,284,499	Canada, Japan, South Korea
323 Printed Matter And Related Products	38,986,352	42,123,942	39,417,593	Canada, United Kingdom, Mexico,

LARGEST FOREST PRODUCT EMPLOYERS IN ARKANSAS (300+ EMPLOYEES)

Company	Manufacturing Locations	Employment Code	Ownership
Anthony Timberlands, Inc.	Bearden, Beirne, Hope, Magnolia, Malvern & Sheridan	G	US
Bryce Corporation	Searcy	F	US
Clearwater Paper	Arkansas City	F	US
Domtar A. W. LLC	Ashdown	G	US
Evergreen Packaging	Pine Bluff	G	New Zealand
Green Bay Packaging	Morrilton & Plumerville	F	US
Georgia-Pacific	Crossett, Fordyce, Fort Smith, Gurdon & Hope	H	US
Graphic Packaging International	Fort Smith	F	US
Hixson Lumber Sales	Magnolia, Pine Bluff, Plumerville, Rison & Russellville	F	US
International Paper Company	Conway, Fort Smith & Russellville	F	US
Kimberly-Clark Corporation	Conway & Maumelle	G	US
Mondi Bags, USA, LLC	Pine Bluff	F	US
PotlatchDeltic	El Dorado, Ola, Waldo & Warren	G	US
West Fraser, Inc.	Huttig, Leola, Mansfield & Russellville	G	Canada
WestRock Corporation	Conway, Fort Smith, Harrison & Rogers	G	US
Weyerhaeuser	Dierks & Emerson	G	US

Employment Code: F=300-499, G=500-999, H=1,000-2,499, I=2,500+

TIMBER AND FORESTRY ANNOUNCEMENTS (2017)

JUNE

- Highland Pellets announced a **\$105 MILLION EXPANSION** of their industrial wood pellet manufacturing plant in Pine Bluff
- Anthony Forest Products LLC announced an expansion of their lumber manufacturing plant in El Dorado, with an investment of **\$10.1 MILLION**, creating **50 NEW JOBS**

JULY

- Arkansas Stave and Lumber, LLC announced the creation of a new sawmill in Malvern, with a proposed investment of **\$3.2 MILLION**

AUGUST

- Conifex Timber, Inc. announced the opening of a new lumber manufacturing facility in El Dorado, with a proposed investment of **\$78.5 MILLION**

NOVEMBER



- WestRock completed their **\$8 MILLION** project in Harrison, which includes a new printer from Germany that can run **18,000** paperboard sheets per hour

DECEMBER

- Cooks BBQ Products announced a **\$1.4 MILLION** investment to open a manufacturing facility in Pindall, called Ozark Mountain BBQ Products LLC, expected to generate **45 NEW JOBS**
- RusCorr LLC and Rusken Packaging announced a partnership, with plans for **50 NEW JOBS** at a facility making corrugated sheets in Harrisburg

RECENT ACQUISITIONS


2018

-  Twin Rivers Paper Company LLC acquired Mondi Group paper mill in Pine Bluff
-  Conifex Timber, Inc. acquired Cado River Forest Products, LLC

2017

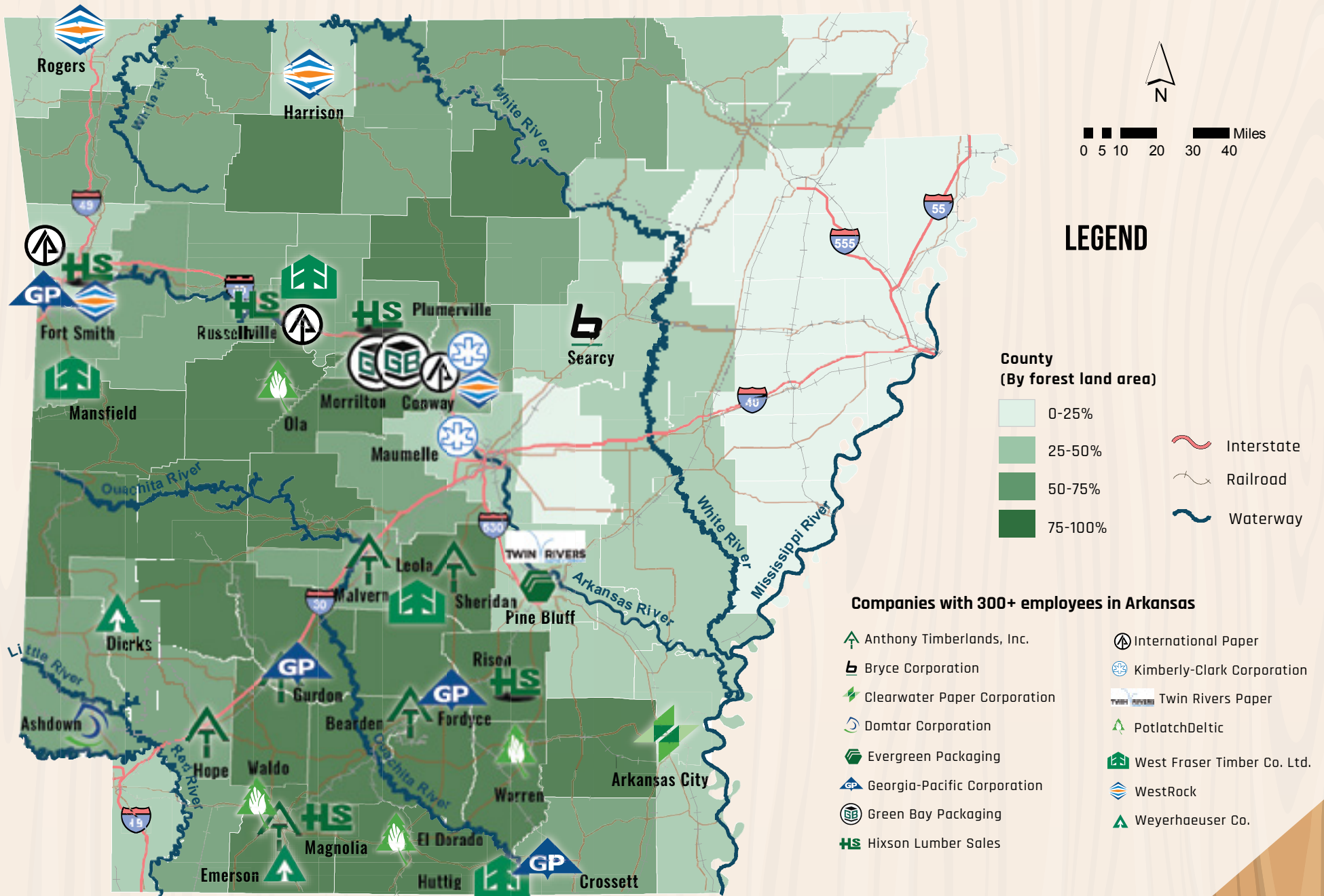
-  MJB Wood Group acquired Pacific MDF Products Inc. of El Dorado
-  Potlatch Corporation acquired Deltic Timber of El Dorado, creating PotlatchDeltic Timber Corporation (HQ'd in WA).

2015

-  Weyerhaeuser acquired Plum Creek Timber
-  Caddo River Forest Products purchased former Bean sawmill
-  Canfor Corporation acquired Anthony Forest Products
-  Conifex Timber, Inc. acquired former Georgia-Pacific sawmill south of El Dorado
-  Interfor Corporation acquired Price Company sawmill in Monticello

Major Forest Product Production Locations in Arkansas

Source: Arkansas Economic Development Commission 6/20/18



TAX INCENTIVES & PROGRAMS

The **TAX BACK PROGRAM** provides sales and use tax refunds on the purchase of building materials and machinery and equipment in conjunction with an approved project. Tax Back requires a minimum investment of \$100,000 for a new construction, expansion or modernization project approved by AEDC. This program also requires a job creation agreement under the Advantage Arkansas or Create Rebate programs.

ADVANTAGE ARKANSAS offers a state income tax credit for job creation based on the payroll of new, full-time, permanent employees hired as a result of the project. In order to qualify for the Advantage Arkansas program, the proposed average hourly wage of the new employees hired as a result of the project must be equal to or greater than the lowest county average hourly wage. The Advantage Arkansas income tax credit is earned each tax year for a period of five years.

CREATE REBATE provides annual cash payments based on a company's annual payroll for new, full-time, permanent employees. To qualify, the company must create a minimum of \$2 million annually in new payroll. The minimum payroll must be met within 24 months of the effective date of the financial incentive agreement.

ARKANSAS® FREEPORT LAW provides that raw materials and finished goods in transit or awaiting shipment to out-of-state customers are exempt from property tax.

SALES TAX EXEMPTIONS & REDUCTIONS

The following may be eligible for sales tax exemptions or reductions:

- Machinery and equipment used directly in manufacturing and purchased for a new manufacturing facility or to replace existing machinery or equipment
- Machinery and equipment or replacement parts purchased to modify, replace or repair manufacturing machinery and equipment
- Machinery and equipment required by Arkansas law to be purchased for air- or water- pollution control
- Property that becomes a recognizable, integral part of property manufactured, compounded, processed, or assembled for resale
- Catalysts, chemicals, re-agents and solutions consumed or used in producing, manufacturing, fabricating, processing, or furnishing articles of commerce at manufacturing or processing plants or facilities
- Machinery, new and used equipment, and related attachments that are sold to or used by a person engaged primarily in the harvesting of timber
- Electricity and natural gas used by manufacturers in the manufacturing process is subject to a reduced state sales and use tax rate of 0.625 percent

GRANTS/FUNDING

The **QUICK ACTION CLOSING FUND** is a discretionary fund that allows the Governor to provide funds for infrastructure, training, and other capital expenditures for projects creating, expanding, and retaining employment in Arkansas.

The AEDC administers the federally-funded state **COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM** (CDBG) for Arkansas. CDBG funds may be loaned to eligible companies for fixed-asset financing on projects that create jobs for low- to moderate-income families. Examples of eligible activities for this set-aside loan program include acquisition of property, purchase of equipment, leasehold improvements, and construction or expansion of buildings or physical plants. Grants may be made to qualifying cities or counties for projects that will benefit persons of low to moderate income, eliminate conditions of slum and blight, or address an urgent community need, such as infrastructure.

INDUSTRIAL REVENUE BONDS provide manufacturers with competitive financing. Interest on tax-exempt issues, which is normally 80 percent of prime, may vary depending on terms of the issue.

TRAINING

AEDC's Customized Training Grants are flexible and highly customizable, providing reimbursement for both on- and off-site training for newly created positions related to an expansion or new location. Pre-employment training, new employee orientation, on-the-job training, and/or skills upgrades for new positions qualify under this program.

OTHER ADVANTAGES

- Arkansas has one of the most progressive **WORKERS' COMPENSATION PROGRAMS** in the nation, with more than 900 certified insurance underwriters
- **UNION MEMBERSHIP** rate of 5.1%, tied for 10th best among US states
- **COST OF LIVING INDICES** that are among the lowest in the nation

LIVING IN ARKANSAS

- Arkansas has the **FOURTH-LOWEST COST OF LIVING** in the country, with lower-than average housing and the third-lowest residential electricity prices
- The average commute time in Arkansas is just **21.4 MINUTES**
- From the Crystal Bridges Museum of American Art in Bentonville, to the Murphy Arts District in El Dorado, there's something exciting going on in every corner of the state
- Arkansas ranks **12TH** among the 50 states in the number of National Board Certified Teachers and is home to 46 colleges and universities
- Since 2015, Arkansas has seen a **400 PERCENT INCREASE** in high school students taking computer science courses
- Arkansas is geographically diverse, with the alluvial valleys of the Arkansas and Mississippi rivers, mountains, forests, many lakes, rivers and bayous
- Outdoor recreation is a part of life for many Arkansans; it's called **THE NATURAL STATE** for good reason

CONTACT



Bentley Story

Director, Business Development

501-682-7384

bstory@arkansasedc.com

ArkansasEDC.com

