



FLORENCE COUNTY ECONOMIC DEVELOPMENT

**Assessing Forest Industry Cluster
in Florence County**

USDA FOREST SERVICE ECONOMIC RECOVERY PROGRAM

Florence County Economic Diversification Analysis and Plan Update

GOALS OF THE GRANT

1. Trail System Designation and Promotion
2. Value-Added Wood Industry
3. Biomass Power/Heating Plant
4. Business Retention, Expansion, and Recruitment
5. 2nd Annual “Sustainable Forestry Planning for Communities”



GOAL 1: TRAIL SYSTEM DESIGNATION & PROMOTION

- GPS and Map Trails
 - 8 Trails Done
- Construct Trailhead Signs
 - 8 Signs Installed
- Purchase Trail Designation Signs
 - 25 Purchased + 8 Weatherproof Brochure Holders
- Develop and Print Trail Brochures
 - 9 county trails in brochures: 10,000 Color & 12,000 B&W



GOAL 2: VALUE-ADDED WOOD INDUSTRY

- 1) Profile businesses for potential areas of expansion
- 2) Identify potential end use markets for new products
- 3) Identify underutilized forest resources and list of potential companies to use them
- 4) Identify wood materials leaving the County and what new business could be started to add value
- 5) Identify potential funding sources to assist companies to expand or build new facilities



GOAL 3: BIOMASS POWER/HEATING PLANT

- 1) Determine amount of woody residue and/or sawmill byproducts available locally for raw material.
- 2) Identify a business able to use the thermal energy.
- 3) Determine feasibility of building a biomass power/heating plant in the industrial park.
- 4) Determine projected costs and possible timetable for plant construction with Florence Utility.



GOAL 4: BUSINESS RETENTION, EXPANSION, AND RECRUITMENT

- 1) Conduct a BRE survey of existing businesses
 - a. *16 Forest Products companies completed*

- 2) Develop list of available commercial buildings/sites
 - a. *Partially completed*

- 3) Inspect questionable buildings for condition
 - a. *One questionable building completed, 2 others to finish*

- 4) Enter appropriate sites into LOIS (Location One Information System)
 - a. *More work needed here*



GOAL 5: 2ND ANNUAL “SUSTAINABLE FORESTRY PLANNING FOR COMMUNITIES”

- 1) April 2005 1st Sustainable Forestry Conference in Florence County: 100+ people from WI & MI attended.
- 2) 73 people attended the 2nd Conference on 4/6/06
- 3) Many attendees had no idea how important the forest economy and forest management was to their local communities health.
- 4) The first two conferences provided background and developed interest, today's 3rd is a call to ACTION!
- 5) This region's communities, businesses, legislators and schools **must set/accomplish mutual goals so our #1 industry, Forest Products can survive & grow.**



FLORENCE COUNTY ECONOMIC DEVELOPMENT

Assessing Forest Industry Companies in Florence County

VALUE-ADDED WOOD INDUSTRY & BRE/RECRUITMENT (GOALS 1 &2)

- 1) Goal 2 and BRE portion of goal 4 were completed together
- 2) Compiled list of 20 existing forest industry companies in Florence County.
- 3) Mailed letter/survey asking for interview and explaining purpose of Forest Products Cluster BRE study.
- 4) Conducted 1-2 hour face to face interviews with 16 of these companies from October through January.
 - a. 5 - Primary Industry
 - b. 3 - Secondary Industry
 - c. 5 - Loggers
 - d. 3 - Others



FOREST PRODUCTS CLUSTER

- \$30 Million+ total sales in Florence County
- Currently represents 225 jobs in Florence County
- Wages are at the higher end for this area
- Over 75% of the jobs offer some benefits



VALUE-ADDED

Landowner



Logger
(Trucker)



Primary Mill



Secondary Manufacturer



Retailer/Wholesaler



Consumer

NO VALUE-ADDED TO FOREST INDUSTRY

- Trees are not harvested



1) PROFILE EXISTING BUSINESSES FOR POTENTIAL AREAS OF EXPANSION

- A. Most existing companies are not in the expansion mode at this time due to:
- lack of markets
 - fewer timber sales are available
 - age of owner
- B. Currently working with 2 companies to identify new market options that will expand and diversify product line or customer base thus stabilizing their continued presence in Florence County.



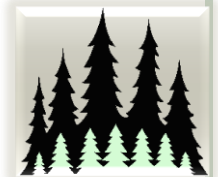
2) IDENTIFY POTENTIAL END USE MARKETS FOR NEW PRODUCTS

- A. During interviews, a potential value-added product was identified based on materials currently leaving the County.
- B. A regional survey of potential market size and demand was conducted to determine the feasibility of adding this new business locally.
- C. FCEDC working to identify a local entrepreneur able to start a new company to produce this value-added product.



3) IDENTIFY UNDERUTILIZED FOREST RESOURCES AND WHICH COMPANIES COULD USE THEM

- A. Due to recent market trends, in particular for pulpwood, there is a considerable amount of underutilized smaller diameter material that could potentially be utilized for wood energy.
- B. Utilization of traditional logging residue in Florence County is almost non-existent.
(172,000 tons/year)
- C. Recruitment efforts are ongoing for a bio-oil, wood ethanol or wood pellet facility in Florence County.



4) IDENTIFY WOOD MATERIALS LEAVING THE COUNTY AND WHAT NEW BUSINESSES COULD BE STARTED TO ADD MORE VALUE

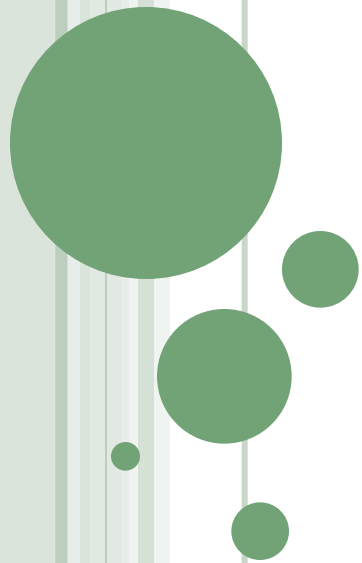
- A. Current uses for sawmill residue, residue volumes totals, and more efficient uses for the sawmill residue within the county are being studied.
- B. Helping several companies identify new value-added manufacturing opportunities.
- C. A potential primary forest industry company was identified and the feasibility of and financing for that type of company is being explored.



5) IDENTIFY POTENTIAL FUNDING SOURCES TO HELP COMPANIES EXPAND OR BUILD NEW

- A. The Florence County Revolving Loan Fund & Dept. of Commerce programs were discussed with companies.
- B. Other funding sources (loans & grants) are being investigated and shared with companies as needed.
- C. WHEDA analyzing potential for new deferred loan program to help loggers pay up front stumpage costs.
- D. The needs and opportunities will be presented to federal representatives, state representatives, and county board members to identify additional funding sources and other potential courses of action.





RETENTION AND EXPANSION INTERVIEWS

Summary of Issues/Needs Identified

CURRENT INTERVIEW FOLLOW-UP

- 1) Assisting 2 companies with new market identification needs
 - Terry Mace - WDNR Forest Products Market Specialist
 - Dave Townsend – WMEP New Manufacturing Markets

- 2) 2 companies interested in Lean Mftg Info
 - Brian Lancour – NWTC Business Training Programs
 - Brian Brashaw – UM Duluth Lean Mftg Workshops

- 3) 2 companies need faster more reliable internet – Florence Utility, Charter, Commerce



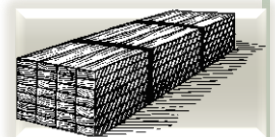
COMMON ISSUES FOR MAJORITY

- 1) Lack of north-south Class A Highway
- 2) Lack of National Forest harvests has impacted everyone in the industry, ripple effect
- 3) Auto Parts Store is a big plus to the industry due to excellent customer service and stocking a wide array of parts for the logging industry.



PRIMARY INDUSTRY ISSUES

- 1) Electricity costs are high
- 2) Poor regional rail service for export markets
- 3) Markets are disappearing
- 4) Need political involvement to address stumpage availability
- 5) Lack of trained workforce to do second shift
- 6) Business plan writing/use training needed



SECONDARY INDUSTRY ISSUES

- 1) Lack of local quality kiln dried lumber
- 2) Need help marketing products
- 3) Finished product delivery is difficult
- 4) Must diversify into other products to remain viable
- 5) Business plans are not utilized by small companies
- 6) More local training options
- 7) Quality workforce is dwindling



LOGGERS

- 1) Mills bidding on timber sales
- 2) Retention of Northern Products
- 3) Most Florence County timber sales go to non-county loggers
- 4) Have a quarterly loggers meeting with foresters, & Economic Development & ????
- 5) Need for insurance options (Income Continuation, Business Interruption, Health) and lower workers comp
- 6) DNR favors certain loggers, some landowners never hear about private timber sales



LOGGER'S ISSUES (CONT.)

- 7) Loan availability (Revolving loan fund, WHEDA? others)
- 8) Lack of skilled operators coupled with turnover
- 9) Logger Co-op fueling station to offset rising fuel costs
- 10) Knowledge of off-road rebate
- 11) Training offered by FISTA is not relevant to truck drivers
- 12) Shortage of trucking options



ISSUES FOR OTHER COMPANIES

- 1) Sell locally produced wood products
- 2) More services to increase traffic
- 3) Fuel cooperative to reduce costs
- 4) Lack of mechanics



BENEFITS OF INTERVIEWING FOREST PRODUCT COMPANIES?

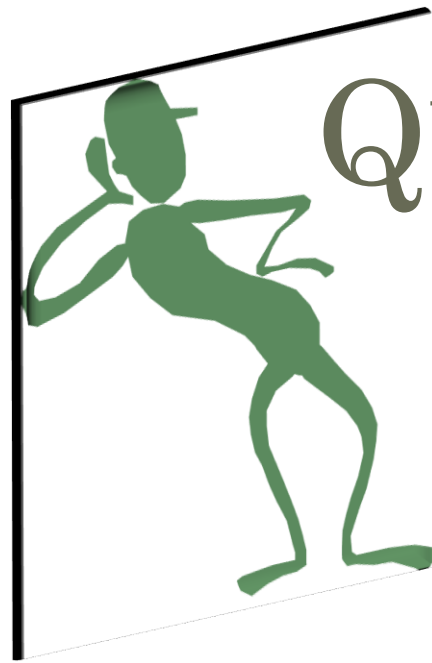
- 1) Identified size of cluster and number of jobs
- 2) Identified 2 at risk companies to help = 75 jobs
- 3) Identified 2 opportunities for new businesses
- 4) Discovered key service provider who will be supported
- 5) Initiated relationships with important Florence County businesses
- 6) The comprehensive list of common issues for all and issues by sub category within the cluster will be a focus for future projects and lobbying



CALL TO ACTION – HOW CAN YOU HELP?

- Communicate/network
- Industry training needs are communicated and addressed by training entities
- Communicate as a unified industry with legislators





QUESTIONS?

