

**Economic Base Assessment of
Southeastern Ohio
Athens, Meigs, Morgan, and Washington Counties**

Executive Summary

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This report depicts socioeconomic characteristics and trends in Athens, Meigs, Morgan, and Washington Counties in southeastern Ohio. The goal of this work is to provide an assessment of how the economy of the four-county region has changed over time, where it stands today, and how its current structure will likely influence that of its future. This task is completed by way of an economic base analysis, with particular attention given to the forest industry.

The region currently has a fairly stable and diversified economic base, but its reliance on natural resources raises the question of whether the resources exist to sustain those industries and their potential for market growth. If past national and current local trends are any indication, then the fate of the coal mining industry is already sealed. However, the implications for the forest industry are not as clear.

Although an analysis of forest health is beyond the scope of this work, Ohio's forests appear to be thriving, based on data that show high growth to removal ratios, a large total volume of timber, and an increasing number of certified tree farms and management plans for future growth. In addition, unlike many other regions of the United States, the majority of forest lands are not in the hands of the government or "big business." Therefore, the ability to control resource use and capture income generated is greater for the study area than for most. Yet the availability of wood as a raw material

remains an issue facing wood product manufacturers in the region, and harvest restrictions and price increases are noted as contributing factors.

Another issue is market potential. This study does not provide the detailed information needed for a full-scale market analysis, as it is limited to current market structure. However, it does suggest that the supply of non-timber and wood products exceeds existing demand in the domestic market and that each already makes up a large percentage of local demand for those commodities. This does not mean that each has reached its potential as additional markets can be sought, but besides resource management and regulation, consumer characteristics must be carefully considered. This is particularly true for the non-timber forest products sector, whose growth has been driven by the aging and reasonably affluent “baby-boomer” population and a favorable climate for herbal medicines and environmentally friendly products. As demographics and consumer attitudes and preferences change so too may the market for non-timber forest products. Further investment in this sector may be more risky than in more traditional ones and should be carefully considered.

One factor that this study does point out quite clearly is the difference in the total impact of additional output in each industry sector on regional employment and income. Non-timber forest products currently contribute the greatest percentage of total value added for the forest industry; however, that effect is greatest as a direct impact. In other words, the total benefit for a one-dollar unit of output is achieved mainly in the initial round of economic activity and there is little added by way of indirect effects. This makes sense since there is limited, if any, intermediate processing for such products. The opposite is true for wood products, which adds value as its processes move through the

regional economy, ultimately amassing a larger value added multiplier effect on the economy than non-timber forest products. The same can be said for employment, which is initially impacted more extensively for non-timber forest products, a more labor-intensive sector than mechanized manufacturing, but inevitably only amounts to a multiplier that is 58 percent of that for wood products for a similar dollar increase in output.

Multiplier values should not be taken at face value, but rather must be considered along with other known factors pertaining to the regional economy. The results of the trend analysis suggest a need for further research into labor market dynamics and local wage rates in order to provide a reasonable assessment of the validity of the estimated impacts. However, the differences presented reinforce the need to consider the desired outcome. For instance, is the main goal to reduce unemployment or income-based poverty rates? Sustainability and growth can mean many things; depending on the answer to this and other goal-directed questions, the structural changes needed may be very different. What the economic base assessment offers is a way to consider the viability of alternatives.