Economic Development for County Economies

Cooperative Extension
Winter School 2008

Presented by
Archie Flanders and Sharon Kane
Center for Agribusiness and Economic Development
University of Georgia

Rock Eagle 4-H Center
Eatonton, GA
January 24, 2008
Economic Development

• Economic development is sustained change to attain individual and group interest through expanded and adjusted use of resources.

• The term growth is limited to more jobs, more income, more people, and more real estate transactions.

• The term development simultaneously involves social, environmental, and economic change to enhance quality of life.

• Extension is interested in development.
Community

- Community is a group of people with common geographical, political, social, and economic boundaries who have discernable communication linkages.
- County communication linkages: local newspapers, radio stations, and spoken word.
- State communication linkages: larger newspapers and expanded telecommunications.
- National and international communication linkages are expanded media such as CNN, Weather Channel, and the internet.
Four Pillars of Economic Development

• Business Attraction
• Business Retention and Expansion
• Community Capacity and Image Enhancement
• Entrepreneurship
Business Attraction

- Infrequent successes in needful communities, but get most of the attention. *Needful*: being in need
- Any efforts that serve to attract a business should also serve community *development*.
- Sites must be ready for utilization. Requirements:
  - 1) An inventory of available property,
  - 2) Proper zoning,
  - 3) Infrastructure in place: ex. water and sewer, industrial parks
  - 4) Available workforce and training, and
  - 5) Relevant officials (who to contact to get something done).
Business Retention and Expansion

Short-Term Objectives

• Develop community support for local businesses
• Increase awareness of contributions made by local businesses
• Assist in solving short-term problems

Long-Term Objectives

• Increase the competitiveness of local businesses
• Establish and implement a strategic plan for economic development – make sure existing businesses are included in objectives
Entrepreneurship

• Entrepreneur is derived from a French word that means *to undertake*.
• It is related to the word *enterprise*.
• Definition: One who organizes, manages, and assumes the risks of a business or enterprise.
• Entrepreneurs are usually small in scale and often in-home.
• An entrepreneur will achieve a large share of the rewards from success.
• An entrepreneur will endure most of the misery from failure.
Community Entrepreneurs

- Consider the number of independent businesses in your community, especially on “main street” in small towns and urban communities.
- Consider the services you use: auto repair, barbers and hair salons, heat and air conditioning, plumber, florists, physicians, insurance agents, restaurants, etc.
- A franchisee is an entrepreneur.
- Entrepreneurs have great importance for economic development (quality of life), but may have limited importance for economic growth.
Flavor of Georgia Food Product Contest

• Developed to provide exposure and publicity for Georgia food businesses

• 2007 contest included over 150 products in 8 different categories, finalists were awarded prizes by the Governor on Ag Awareness Day in Atlanta

• This year’s contest is under way – accepting food product submissions until Feb. 1; Finalists to be announced by Feb. 18

• Online registration at www.areg.caes.uga.edu

• Some success stories…
Community Capacity & Image Enhancement

**Capacity**

- What are the capabilities of your community?
- Strengths?
- Weaknesses?
- A county economy will increase its capacity when it can become part of a regional *cluster* that includes other counties.
Community Capacity & Image Enhancement

**Image**

- Civic amenities are business attractions. Ex. A technical college or high school with an auditorium for community events.
- Recreational opportunities are important for business retention and attraction – not just ball fields, but walking trails, nature based recreation, local festivals, local arts and crafts.
- Community branding is important. Ex. Vidalia onions, Thomasville Rose Show and Festival, Catfish Festival (Kingsland), Dillard Bluegrass and Barbeque Festival.
- A community must be neat, clean, and have a welcoming appearance. Public funds are available.
Measuring Capacity

• Demand Threshold
• Location Quotient
• Impact Analysis
• Shift-share Analysis
Demand Threshold

• Demand threshold is a numerical estimate of the population required to meet the cost structure of a firm.
• Distances involved vary based on population density.
• Firms with higher cost structures require more people to support the business.
• Demographics and lifestyles can affect demand threshold in a community.
Location Quotient

- Location quotient is the ratio of *percent of county employment in a sector* to *percent of state employment in a sector*.
- It indicates the importance of a particular sector in a county relative to the importance in the state.
- LQ > 1 indicates greater importance in the county.
- LQ < 1 indicates less importance in the county.
- LQ significantly > 1 indicates a strength on which a community may be able to capitalize.
Impact Analysis

• Operation of a business involves impacts in the economy by generating spending, jobs, and income in other businesses. This is called the **multiplier effect**.

• **Direct Effect**: Sales (output), employment (jobs), and income (wages & benefits) paid by a business.

• **Indirect Effect**: Sales, employment, and income due to other firms that supply the business and due to employees spending their income.

• **Total Impact** = Direct Effect + Indirect Effect
Impact Analysis

- **Predictive** analysis estimates impacts that a *new* business *will* have on the economy.
- **Descriptive** analysis estimates impacts that an *existing* business *is* having on the economy. Descriptive impact analysis can be applied to determine the importance of the business in the economy.
Shift-Share Analysis

- Assists in analyzing competitiveness of community industries specifically through employment change.
- Provides a tool for separating out the role of local and national effects on local employment trends.
- Depends on concentration of employment in certain industries.
- Shift-share analysis can help to separate the effects of growth due to national trends, growth due to the specific local industry mix, and that due to the competitiveness of local industries.
Shift-Share Analysis

• How can I conduct a **shift-share analysis** in my community?

The Easy Way

www.georgiastats.uga.edu
Financial Resources

- Grants and Loans
  - USDA
  - OneGeorgia
  - Whole Foods
  - Small Business Administration
Summary

• Developing relationships with potential entrepreneurs is one method of developing an economic development program.
• Programs for economic development can be added to existing youth programs.
• CAED has resources to assist county agents in participating with local officials for economic development.
• Services provided by CAED. **Analysis** usually has fees. **Guidance** usually does not have fees.
Center for Agribusiness & Economic Development (CAED)

“Supporting Economic Development through Agricultural Research and Extension”
Faculty/Staff of the CAED

- Dr. John McKissick – Economist - Director
- Dr. Bill Thomas – Economist & Cooperative Development Specialist
- Dr. George Shumaker – Economist, Biofuels Projects (Statesboro)
- Dr. Archie Flanders – Economist, Economic Impact Analysis
- Dr. Kent Wolfe – Agribusiness Economist, Marketing
- Sharon Kane – Food Business Development Specialist
- Dr. Tommie Shepherd – Agribusiness Economist
- Sue Boatright - Research Coordinator
- Duren Bell – Agribusiness Network/Entrepreneurship Initiative
- Wes Harris – Natural Resource Roundtable Initiative
- 4 Student Workers
- 3 Graduate Students

- 300 Faculty in 10 Departments of CAES
What is the Center?

• The Center’s mission is to add value to Georgia’s agricultural economy through coordinated Research and Extension programs.

• One of three UGA centers in the College, the only one combining Research and Extension.

• We consist of faculty and staff located in the College of Agricultural and Environmental Sciences.
Center Objectives:

• Provide data and analysis on relevant policy issues for public and private decision makers.

• Provide feasibility studies, marketing studies, and/or business planning for new, emerging or expanding value added food and fiber ventures.
Data for Decision Makers

- Farm Gate Value Report
- Georgia County Guide
- Community Demographic Profiles
- Georgia Statistics System
- Industry Economic Impact Series
Feasibility Studies – Cost vs Returns + Economic Impact + Structure

- Bottled Water Study
- Oilseed Processing Feasibility
- Farmer’s Market
- Biofuel
- Goat Meat Processing
- Vegetable Processing Studies
- Agriculture Centers
- Ag & Nature-Based Tourism
- Branded Products (Georgia Grown)
- Specialty Products
- Composted Products
Energy and Value-Added Grant Related Studies

• On Farm Dairy Processing
• Peanut Shelling
• Oilseed Processing
• Pastured Beef Marketing

How we can help?

Most grants require technical/economic feasibility
Most state grants require economic impact
We can review grant applications before filing
Welcome to AGNET!
The AGNET system is resource provided by The University of Georgia’s Center for Agribusiness and Economic Development (CAED) to provide easy access to the many agricultural entertainment and nature-based tourism activities Georgia has to offer. To find out more about pick-your-own operations, hayrides, festivals, nature trails, places to fish or hunt, camping, educational opportunities, and many more fun activities, search or browse the AGNET system.

The Center for Agribusiness and Economic Development offers a variety of publications and services focusing on new agribusiness enterprises. To learn
Georgia MarketMaker

• Why it was created
• Website address – www.marketmaker.uga.edu
• Use for finding information by census tract, business/producer location, products
• Includes educational resources – factsheets and publications
• Help populate the database – encourage businesses to register – free and easy!
• Report quirks, errors to gamarket@uga.edu
Extension and Economic Development

How can you measure your success?
What are your needs?