

ARKANSAS FOREST PRODUCTS INDUSTRY



ARKANSAS
INC

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Economic Impact (2016)

- Direct Employment: 28,057
- Direct, Indirect, and Induced Employment: 69,812 (2.5 multiplier)
- Annual Value Added Impact: \$6.3B
- Annual Payroll: \$1.457B
- Average Compensation: \$51,939
- 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 2016, USDA Forest Service

Economic Contributions to Arkansas Forestry 2016, UA Division of Agriculture

- Estimated State and Local Taxes \$115M (2017)

State Industry Economic Impact, American Forest & Paper Association

Forest Product Exports (2014-Nov 2016)

Commodity	2014	2015	2016 (Nov)	Top 3 Export Countries
113 Forestry Products	1,791,980	1,384,028	758,664	Australia, Mexico, Spain
1132 Forestry Products	58,352	257,086	196,743	Mexico, Canada, Denmark
1133 Timber & Logs	1,733,628	1,126,942	561,921	Australia, Spain, China
321 Wood Products	12,696,609	12,959,979	13,900,598	Canada, Mexico, China
3211 Sawmill & Wood Products	4,736,637	7,729,075	9,751,259	China, Canada, Mexico
3212 Veneer, Plywood & Engineered Wood Prod	4,355,124	1,185,604	1,805,322	Mexico, Canada, France
3219 Other Wood Products	3,604,848	4,045,300	2,344,017	Canada, Mexico, Australia
322 Paper	344,241,138	314,611,537	268,131,403	Canada, Mexico, Japan
3221 Pulp, Paper & Paperboard	108,034,191	84,833,685	60,893,307	Mexico, Italy, China
3222 Converted Paper Products	236,206,947	229,777,852	207,238,096	Canada, Japan, South Korea
323 Printed Matter And Related Products	37,441,349	38,986,352	38,586,660	Canada, UK, Brazil
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Measures: Total Exports Value (\$US) Source: U.S. Census Bureau: Economic Indicators Division USA Trade Online

Largest Forest Products Employers in Arkansas (300+ Employees)

<u>Company</u>	<u>Manufacturing Location(s)</u>	<u>Employee Code</u>	<u>Ownership</u>
Georgia-Pacific	Fort Smith, Crossett, Fordyce, Hope, and Gurdon	H	US
Evergreen Packaging	Pine Bluff	G	New Zealand
Domtar Corporation	Ashdown	G	Canada
Kimberly-Clark	Conway and Maumelle	G	US
West Frasier	Leola, Huttig, Mansfield, Russellville	G	Canada
Anthony Timberlands	Beirne, Bearden, Malvern, Hope, Sheridan, Magnolia	G	US
WestRock	Harrison, Fort Smith, Conway, Rogers	G	US
Weyerhaeuser	Dierks and Emerson	G	US
Green Bay Packaging	Plumerville, Morrilton	F	US
Bryce Corporation	Searcy	F	US
Clearwater Paper	McGehee	F	US
International Paper	Conway, Fort Smith, and Russellville	F	US
Mondi Bags	Pine Bluff	F	United Kingdom
Graphic Packaging International	Fort Smith	F	US
Deltic Timber Corporation	Ola, Waldo, El Dorado	F	US
Hood Packaging Corporation	Crossett and Monticello	F	Canada

Employee Code: A=1-10 B=11-49 C=50-99 D=100-199 E=200-299 F=300-499 G=500-999

H=1,000-2,499 I=2,500 +

Recent New and Expanded Projects/Announced Projects/Acquisitions

New and Expanded

Since January 1, 2015, the AEDC has signed incentive agreements for 25 forest products companies at 17 different facilities proposing the creation of 214 jobs and \$727.3M in new investment:

- Georgia-Pacific (Gurdon: \$55M Investment)
(G-P has investment more than \$3B in capital investments and acquisitions since 2006)
- Glatfelter Advanced Materials (Fort Smith: \$80M Investment, 83 Jobs)
- enviraPAC Monticello (Monticello: \$53M Investment, 27 jobs)
- Kimberly-Clark (Maumelle: \$40M Investment, 40 jobs)

Announcements

- Highland Pellets conducted a ribbon cutting ceremony in 2016 for a 2014 wood pellet project that is creating 68 jobs and \$229M investment.
- Caddo River Forest Products announced the reopening of a Glenwood dimensional and specialty lumber mill that will employ 136 and create \$50M in new investment.
- Sun Paper, one of China's largest paper companies, will build a \$1B bio products mill in Clark County which will employ 250 workers.

Acquisitions

2015

- Plum Creek Timber acquired by Weyerhaeuser 2015
- Former Bean sawmill in Glenwood purchased by Caddo River Forest Products in 2015
- Anthony Forest Products acquired by Canfor Corporation in 2015
- Former Georgia-Pacific sawmill south of El Dorado acquired by Conifex Timer, Inc. in 2015
- Price Company sawmill in Monticello acquired by Interfor Corporation in 2015

2014

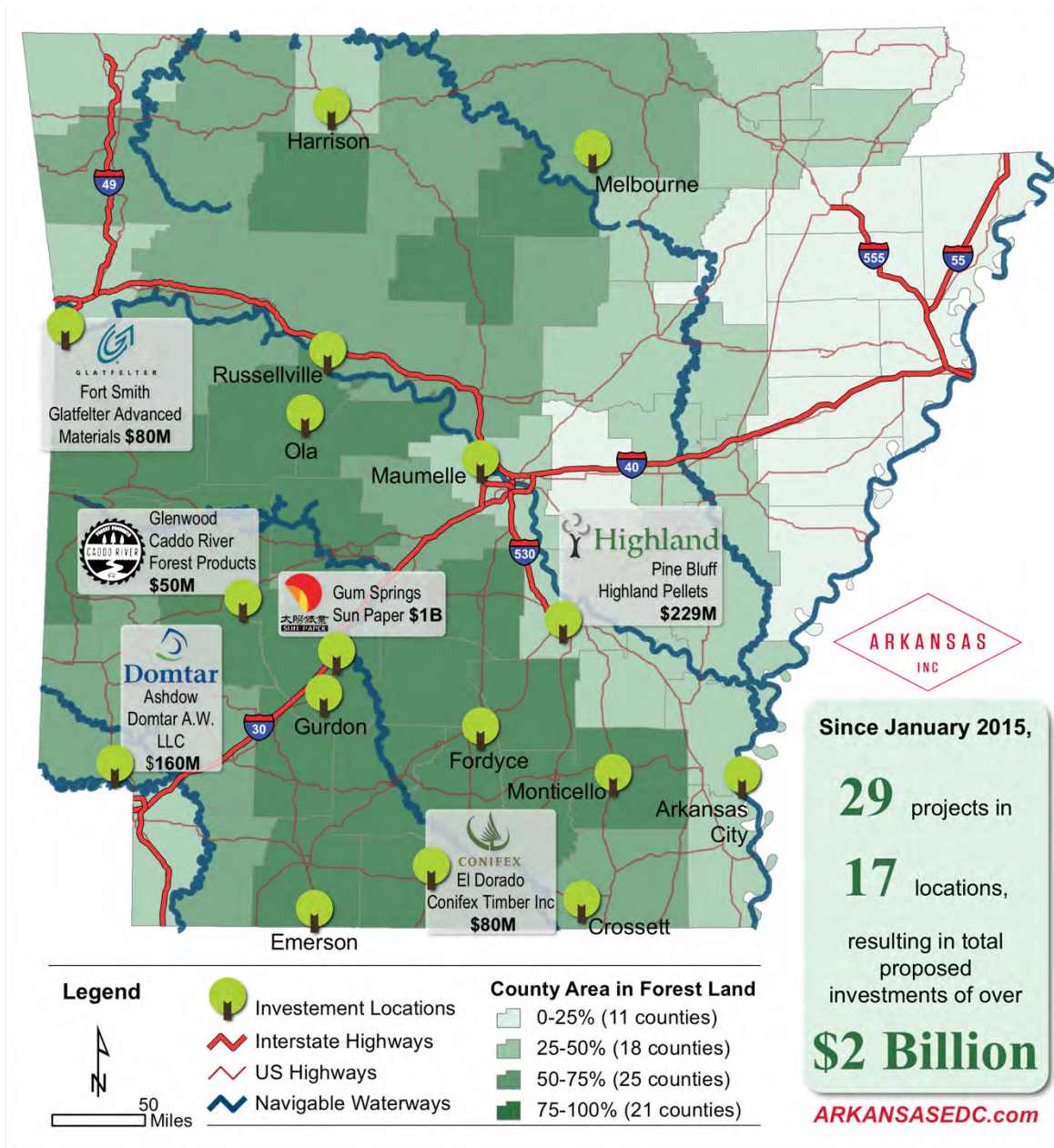
- Bemis Company's Paper Packaging Division was acquired by Hood Packaging in 2014
- Graphic Packaging International, Inc.'s bags and Kraft paper business was acquired by Mondi Group in 2014
- Travis Lumber Company's operations in Mansfield and Bibler Brothers operations in Russellville were acquired by West Fraser

2012

- Temple-Inland was acquired by International Paper in 2012
- Temple Inland Building Products was acquired by Georgia-Pacific from International Paper in 2012

Major Pulp, Paper & Timber Investments in Arkansas

(2015 to date)

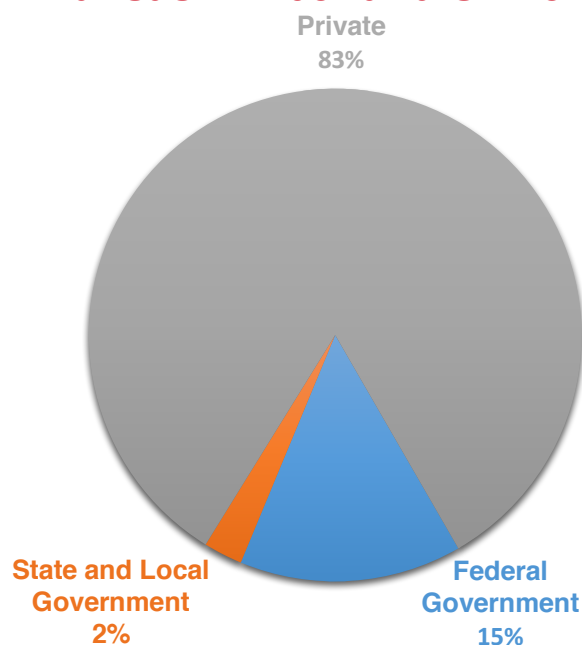


Data Sources: Arkansas Economic Development Commission, Arkansas Forestry Commission & Arkansas GIS Office Map by Arkansas Economic Development Commission Data: 1/27/2017

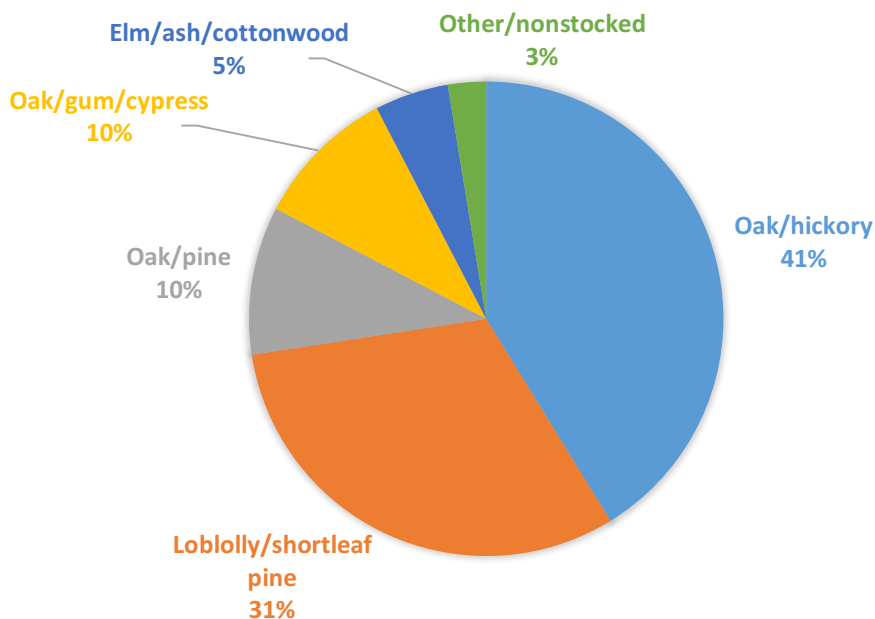
Arkansas Forest Industry Statistics

- Total Timberland Acreage 18.5 million acres
- Percentage of Land in Timber 54.3%

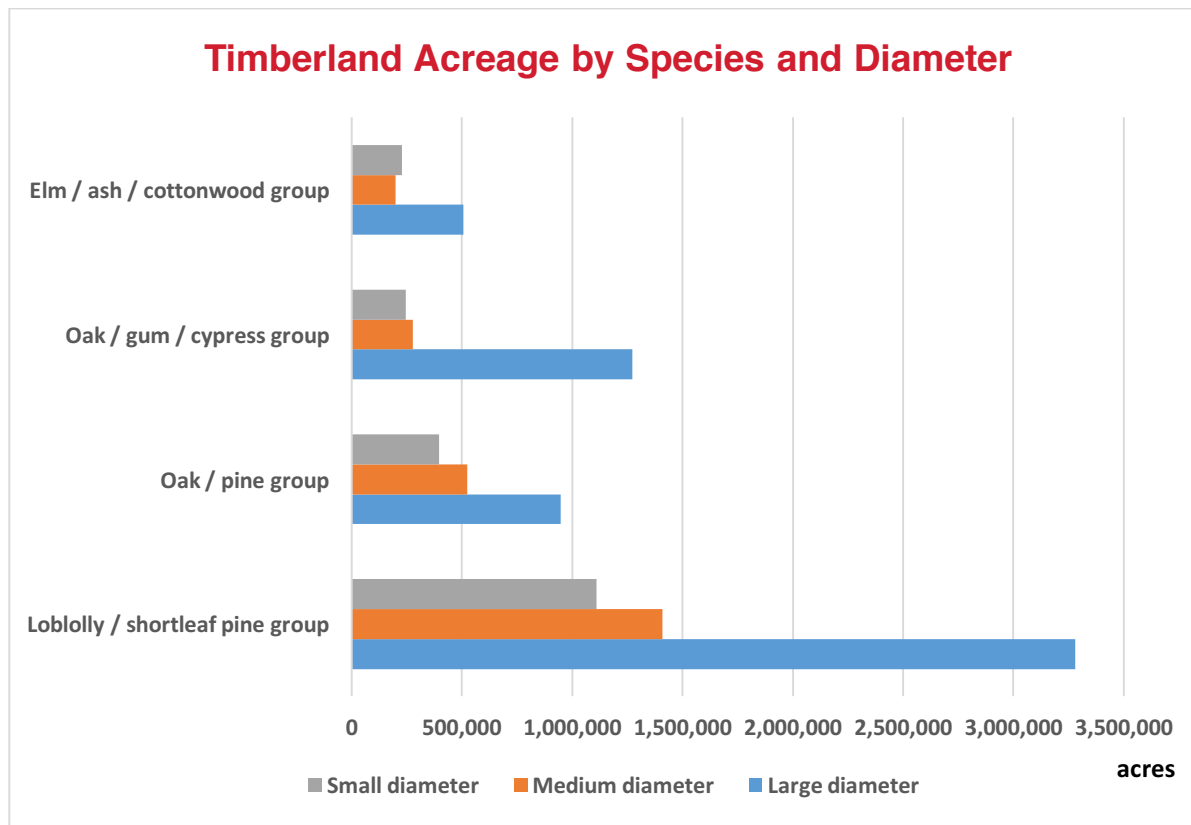
Arkansas Timberland Ownership



ARKANSAS TIMBERLAND BY COVER

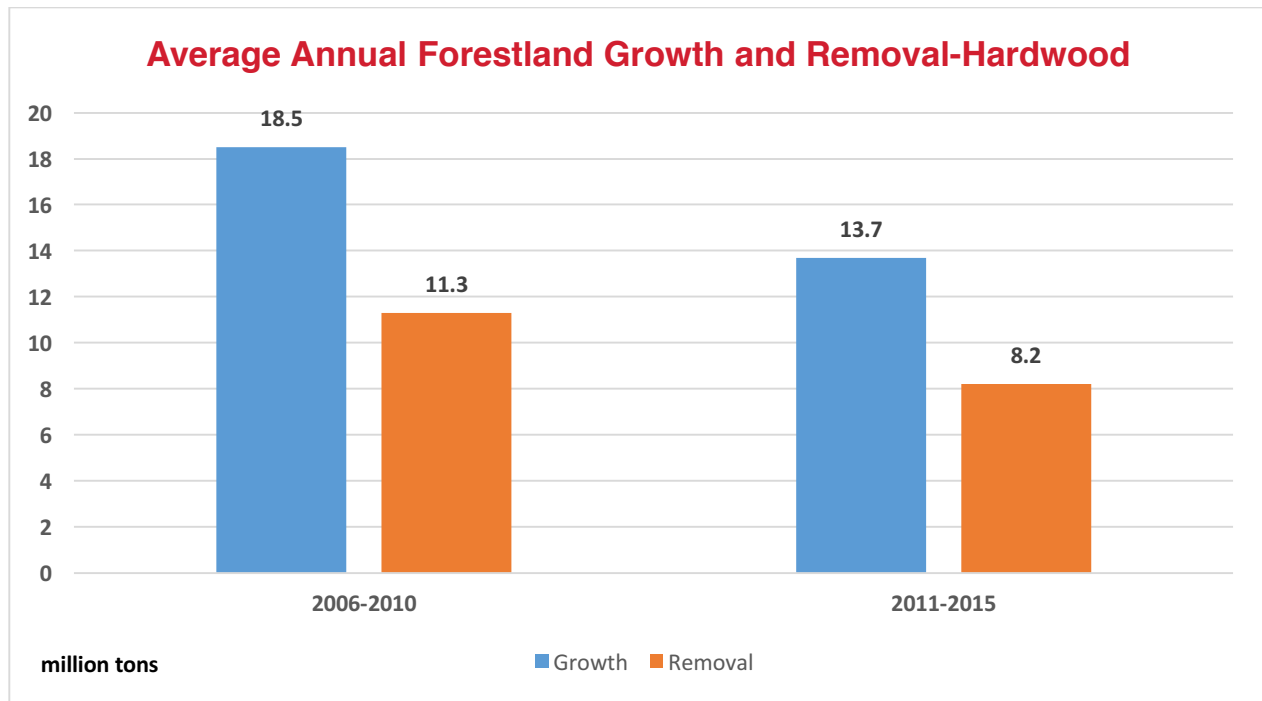
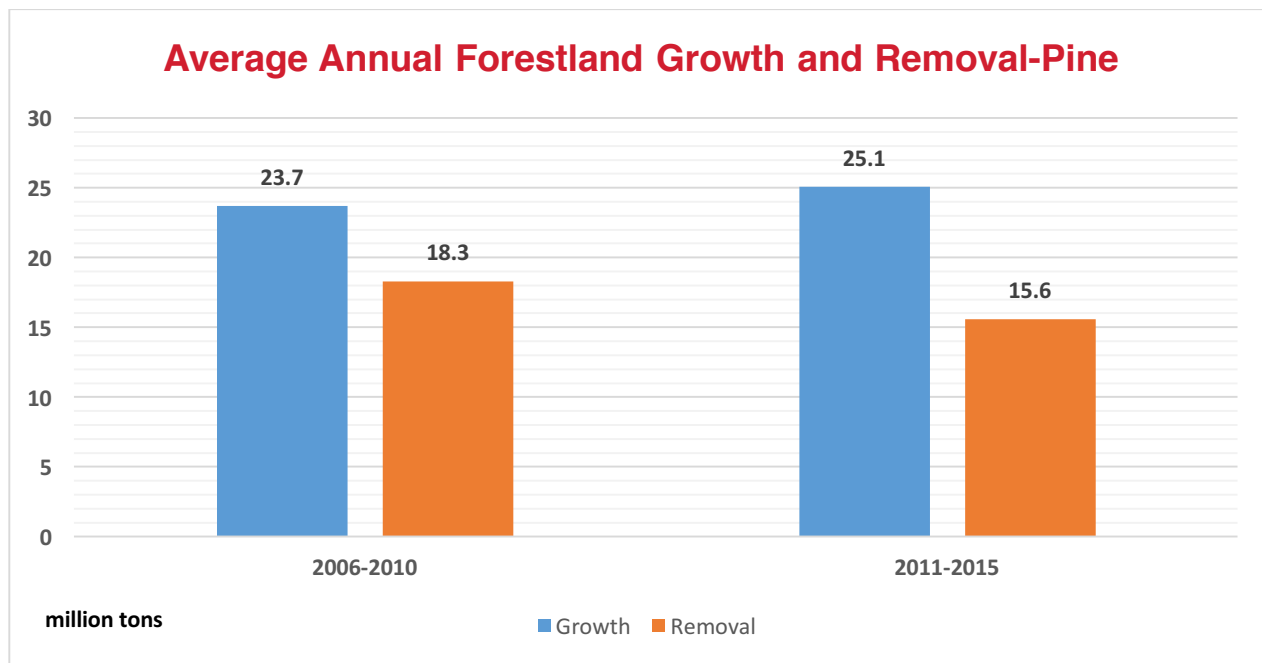


Timberland Acreage

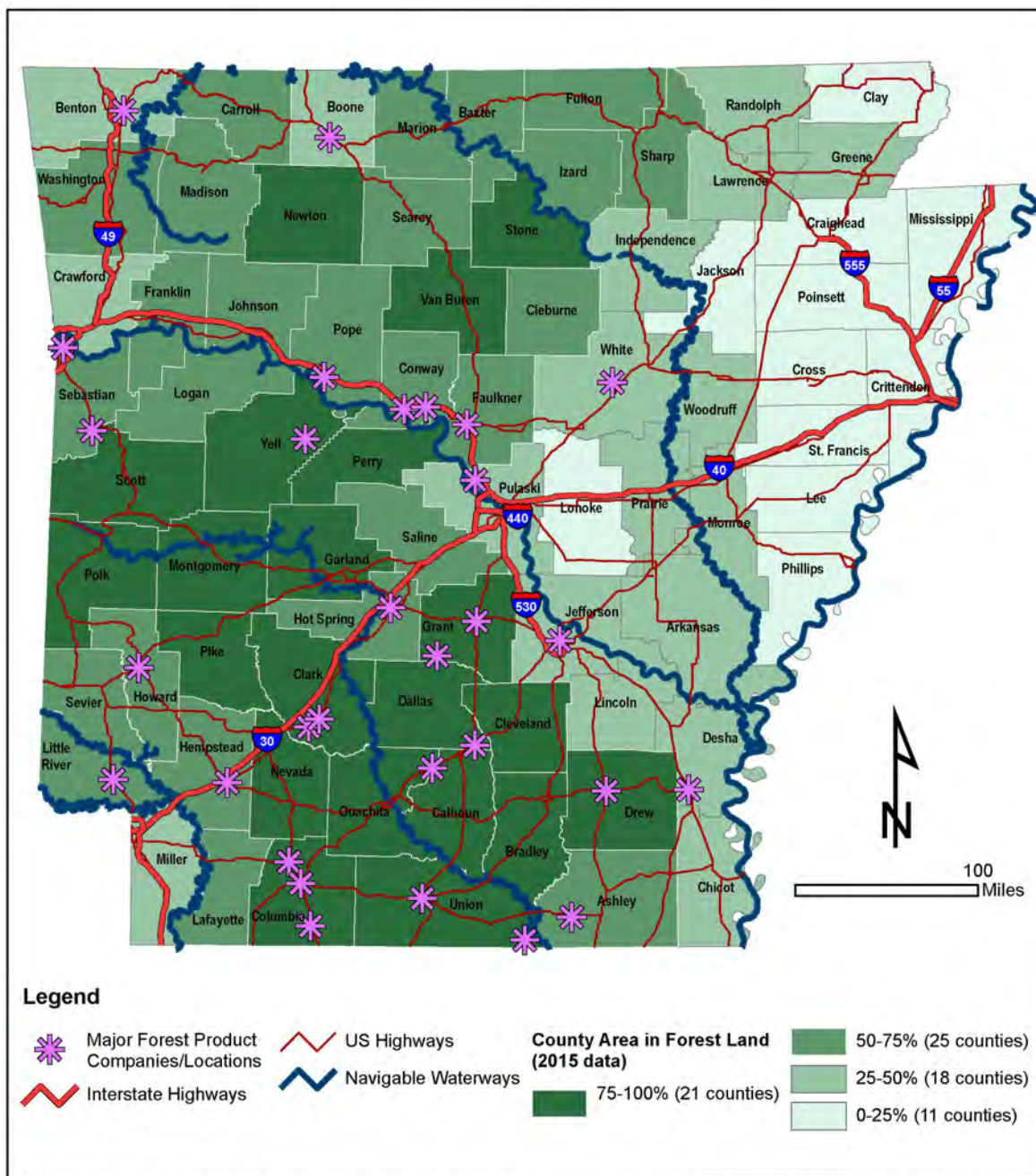


Growth/Drain Ratios

- Pine 1.6
- Hardwoods 1.7



Forest Coverage & Major Forest Product Companies in Arkansas



Tax Incentives and Programs

Job/Payroll Creation:

The **Create Rebate** program requires a minimum payroll of \$2 million for the new permanent employees and provides annual financial incentive payments up to 10 years based upon a percentage of payroll for the new permanent employees. The annual payroll threshold of the new employees must be met within 24 months following the date a financial incentive agreement is signed with AEDC. Payments under this program, ranging from 3.9 percent to 5 percent of new payroll, are determined in relation to the tier in which the business locates

The **Advantage Arkansas** program offers a state income tax credits from 1-4% of new payroll, accruing for five (5) years, for job creation based on the payroll of the new employees hired as a result of the project.

Investment

AEDC offers several Research and Development programs including a 33 percent income tax credit for taxpayers who pay for research performed at Arkansas universities. In addition, a 20 percent income tax credit is available for eligible businesses performing in-house research. Targeted businesses may also earn income tax credits equal to 33 percent of approved expenditures for in-house research.

A Recycling tax credit is available for the purchase of equipment used exclusively for reduction, reuse, or recycling of solid-waste material for commercial purposes, whether or not for profit, and the cost of installation of such equipment by outside contractors. Ten percent of the recycled solid waste must be post-consumer content. The tax credit shall equal 30 percent of the cost of eligible equipment and installation costs.

Payroll and Investment

The **ArkPlus** program offers an income tax credit equal to 10 percent of the investment in land, buildings and equipment associated with an approved project. The benefits under this program are the same regardless of the tier in which the business locates; however, the company must meet the investment and income thresholds established for the tier in which it locates or expands.

Tax Advantages

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.

Arkansas's 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:

- Machinery and equipment used directly in manufacturing and purchased for a new manufacturing facility or to replace existing machinery or equipment is exempt from sales tax.
- 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.
- Energy (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/Financing

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.

Training

AEDC's **Business and Industry Training Program** (BITP) helps new and expanding businesses with recruiting workers, pre-employment training, on-the-job training and train-the-trainer programs.

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.

Other Advantages

- Arkansas has one of the most progressive **Workers' Compensation** programs in the nation, with more than 230 certified insurance underwriters.
- **Union Membership** rate of 5.1%, 6th best among US states.
- **Cost of Living Indices** that are among the lowest in the nation.

Education

- The University of Arkansas at Monticello's School of Forestry and Natural Resources offers the following degrees:
 - Associate of Science in Land Surveying Technology (two year)
 - Bachelor of Science degrees in:
 - Natural Resources Management: Forestry Option, Wildlife Management and Conservation Option, Geospatial Science Option, Communications in Natural Resources Option, and Environmental Science Option
 - Land Surveying
 - Master of Science in Forest Resources, with four emphasis areas:
 - Forest Science
 - Geospatial Science
 - Wildlife Ecology & Management
 - Natural Resources Management
- The SFNR has 14 faculty members, three research support staff, two IT support staff, and two forest managers.
- The School of Forestry and Natural Resources is also home to the Arkansas Forest Resources Center, a University of Arkansas Center of Excellence and the umbrella organization for the U of A's activities in forest-based natural resources research and extension statewide.
- The SFNR's 45,000 square feet of new and renovated teaching and laboratory facilities includes two computer labs equipped with state-of-the-art hardware and software.
- The university also owns 1,400 acres of forest land used for teaching and learning.