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Logging—One of Mississippi's Most Important Industries

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Logging is extremely important to Mississippi's economy for two reasons. First, the industry is essential in providing wood-based raw materials necessary for many thousands of jobs throughout the state. The industry is the "first link in a manufacturing chain that reaches through the state and touches the pulp and paper industry, the sawmill industry, the furniture industry, the building/construction industry, and many others." The industry is also important because of the economic contributions it makes through its own employment and income created. In 1993, the industry contributed an estimated \$1.45 billion to Mississippi's economy, and over 11 thousand jobs were directly and indirectly related to logging activities.

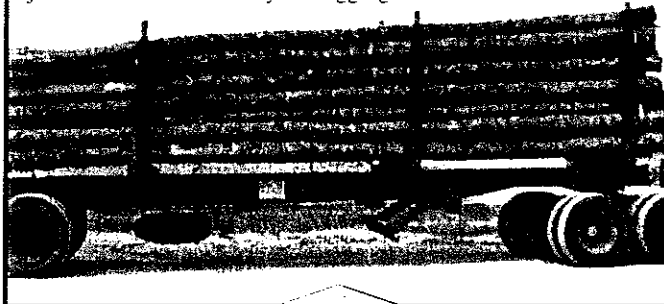
"Value added" is the difference between total industry output and the cost of purchased inputs – it reflects the income created by an industry, and is a good measure of an industry's direct and indirect economic contribution in a state. The logging industry's \$410 million of total value added and \$200 million in total impact on wages and salaries clearly reflect the industry's importance in Mississippi. Wholesale, retail, and service businesses, construction industries, miscellaneous manufacturing, and metal, machinery and equipment industries are among those heavily affected by income created through logging in Mississippi.

Taxes are another aspect of logging's impact on Mississippi's economy. One estimate of the total

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Total Economic Impact: \$1.45 Billion in 1993*
Total Number of Jobs: 11,280*

*Does not reflect lumber, pulp and paper, and furniture industry jobs and income that rely on logging for raw materials.



Background

This is the first in a series of articles on the economic contributions of various segments of the forest products industries to Mississippi's economy. Future articles will emphasize the pulp and paper industry, and lumber and related products industries. These articles report findings of an analysis of the state's economy conducted by members of the Department of Forestry at Mississippi State University. In the present article, the logging industry is defined as "all establishments primarily engaged in cutting timber and producing rough, round, hewn or riven primary forestry or wood raw materials, or in producing wood chips in the field."

How the analysis was done

IMPLAN—an input-output computer model for IMPact PLANning developed by the USDA Forest Service—was used to assess the economic contributions of various industries in Mississippi. The most recent data available was for 1993, and more recent changes in the forest products industries in the state are therefore not reflected by the results. For each industry segment examined, "direct," "indirect," and "induced" effects were estimated. Their combined impacts on the state's economy are reported here.

The logging industry has significant *direct* effects on Mississippi's economy, but the *total* impact of the industry is much greater than the direct effects alone...

Direct Effects (the logging industry)...

- ➔ Total Output Value = \$1.02 billion
- ➔ Value Added = \$192.6 million
- ➔ Employment = 5,060
(full and part-time jobs)
- ➔ Wages and Salaries = \$83 million

The \$1 billion of direct output value for logging in 1993 represents nearly 3% of all manufacturing output in the Mississippi that year. Over 26% of all manufacturing employment, payroll, and value of shipments³ in Mississippi is tied to logging, however, since the industry provides essential raw materials for lumber, plywood, furniture, pulp, and other major wood-based industries.

Total Effects (direct effects + indirect effects + induced effects)...

As shown above, these include only firms directly involved in logging.

Indirect effects take into account the logging industry's purchase of fuel, tires, etc., from firms in Mississippi.

Induced effects are generated by the increased consumer spending made possible by the wages associated with logging's direct and indirect effects.

- ➔ Total Output Value = \$1.45 billion
- ➔ Value Added = \$410 million
- ➔ Employment = 11,280
(full and part-time jobs)
- ➔ Wages and Salaries = \$200 million

Logging impacts many industries. Examples are equipment manufacturers and dealers, and tire and fuel companies and distributors. Many other industries are also affected by the wages and salaries earned through logging. Examples include service industries, construction industries, and retailing. Total effects of the industry are more than double the direct effects in value added, employment, and wages.

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taxes paid in logging activities in Mississippi was \$310 million in 1993¹ – this estimate included severance taxes, taxes generated in harvesting activities, and in transporting logs from woods to mill, and taxes generated in manufacturing and delivering wood-based products such as lumber.

In summary, the "total" effect of Mississippi's logging industry on the state's economy is quite significant. The industry's overall importance is much greater than the effects estimated and presented here, however. Timber harvesting and transportation are essential for lumber, furniture, and paper manufacturing – three industries that together represent about one-fourth of *all* employment, payroll, and value-added through manufacturing in Mississippi. Considering these industries' total impact on the state's economy, logging is clearly one of Mississippi's *most* important industries.

¹ Daniels, B. 1995. Should we cuss the log truck? (And those that drive them?) Tree Talk 17(3):31.33.

² Office of Management and Budget. 1987. Standard Industrial Classification Manual. National Technical Information Service, Springfield, VA.

³ Bureau of the Census. 1996. Annual Survey of Manufactures. U.S. Department of Commerce, Washington, D.C.

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