



Executive Brief

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Year-End
Edition

Leadership

Existing
Industry

Downtown

Quality
of Life

Education

Infrastructure

Labor

Land

Buildings

Fourth Quarter

A Few Bright Spots

For 2005

Dr. Jeff Humphreys
Selig Center for Economic Growth
University of Georgia

Despite slowly rising employment, Georgia's economic growth will be relatively uninspired in 2005. The gross state product (GSP) - the inflation adjusted sum of goods and services produced within Georgia - will increase by only 3.2 percent, which is lower than the 3.8 percent advance in GSP estimated for 2004. This marks Georgia's fifth-straight year of sub-par GSP growth.

Many of the forces underlying the slowdown in Georgia and in the U.S. are the same: rising interest rates; dwindling federal fiscal stimulus; and overextended consumers. Nonetheless, there are several short-term developments that will make it difficult for Georgia's economy to grow substantially faster than the U.S. economy in 2005.

For example, because businesses rather than consumers will power economic growth in the coming year, the anticipated slowdown in consumer spending reduces the prospects for above-average growth in places like Georgia where the industrial base is consumer-oriented. Another problem is that several of the state's largest employers are not doing very well. It will be difficult for small and medium-sized companies to grow fast enough to compensate.

A slowdown in new construction activity in Atlanta also will make it difficult for Georgia to outperform the nation in 2005. Atlanta is the nation's largest home building market, and higher mortgage rates therefore are likely to affect the metro

"In 2005, the manufacturing "depression" will have ended," reports University of Georgia's economist Jeff Humphreys, PhD.



Jeff Humphreys

A Few Bright Spots...continued
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economy more than the national economy.

Georgia's concentration of federal employment and high dependence on federal spending implies that the gradual tightening of the federal purse strings will slow growth here more than it will in the nation as a whole. Also, the next round of base closing and realignments will be announced in late 2005, and the state's 13 bases are susceptible.

More diverse industries & jobs

In 2005, year-over-year employment gains will be shared by service-producing and goods-producing industries, which will increase by 1.7 percent and 0.6 percent, respectively. The broadening of the expansion to include more industries and more occupations will be one of the main distinctions between the 2005 economy and the 2004 economy. Both IT and hospitality will be major sources of job creation in 2005, and the manufacturing "depression" will have ended.

Services-Producing Industries

Professional and business services will create 27,700 jobs—more than any subsector. The expansion of corporate profits, rising markets for most goods, the expense of maintaining in-house experts, and the ever-increasing complexity of business operations are the primary forces behind the pro-

jected 5.4 percent increase in employment. Surging export markets also will stimulate demand for businesses that provide services to Georgia's export-oriented companies. Meanwhile, private firms that provide education and health care will add 11,800 jobs, prompted by above-average population growth and favorable demographic trends that spur demand for these basic and increasingly essential services.

The leisure and hospitality cluster did very well in 2004 and will do even better in 2005. Employment will grow by 3 percent, or 11,100 jobs, and most hotels will see a boost in occupancy rates. Restaurants will see moderate increases in overall sales

After some extremely difficult years, information services companies are hiring. After inching up by 0.2 percent in 2004, employment will accelerate by 1.9 percent in 2005. The upturn reflects that fact that the industry has addressed most of its overcapacity issues and demand is surging for a broad range of service offerings including DSP and broadband connections, mobile telecom services and wireless Internet.

Financial services companies will hire 4,000 additional workers. The trade (wholesale and retail), transportation, and utilities grouping will lose jobs for a fifth-straight year. In contrast, cyclical increases in demand and increasing volumes of cargo moving through Georgia's deepwater ports will generate new jobs in Georgia's trucking industry. Retailers, meanwhile, will see both top- and bottom-line growth, but productivity gains and competitive restructuring will temper job creation

Goods-Producing Industries

From December 1998 through September 2004, Georgia lost 100,000 manufacturing jobs, or nearly one out of every five

factory jobs. But now they are beginning to regain some footing, and expect to create an annual average 5,400 manufacturing jobs. Although the projected gains are meager compared to jobs that have already been lost, they are a distinct change from years dominated by plant closings and layoffs.

Excerpts from
2005 Economic Outlook

Georgia Scores a Fifth Kubota Facility

Georgia is sharing in Kubota Manufacturing's success with more jobs and more product. Kubota reports "unprecedented growth, increased customer demand, and a dynamic market."

The new facility, near Commerce, will occupy 400,000 square feet on 88 acres, employ 500 and anticipates manufacturing 70,000 loaders and backhoes for tractors annually.

Kubota Manufacturing of America (KMA), based in Gainesville, 25 miles from the new facility, was formed in 1988 and employs 1500.

Georgia Kubota facilities

National Distribution Center	Gainesville
KMA	Gainesville
Kubota Tractor Corporation	Oakwood
Kubota Tractor Corp. SE Division	Suwannee

Did you know?
Kubota is the only tractor manufacturer to design, build and market its own diesel engines and all major equipment components.

Wal-mart will have nine distribution centers in Georgia upon the completion of the new 480,000 square foot facility in 2005 in Monroe.

Moving Product in Georgia

Calhoun, Monroe and Cordele provide some logistical solutions for a carpet manufacturer, retail giant and food service distributor.

Kane Carpets moved to the heart of carpet manufacturing country not to manufacture but to distribute its multi-million dollar carpet inventory. Through its Georgia and New York locations, Kane processes and ships orders within 48 hours anywhere in the world.

“A number of North Georgia locations would have worked, but we chose Calhoun because of their enthusiasm in having us,” explains President Herb Frank. “The financial incentives were helpful but it was the relationship of Daryl Ingram of Location Georgia and Calhoun’s Jimmy Philips that made the difference.”

One of Georgia’s largest employers, Wal-mart is opening a Distribution Center adjacent to its cold storage distribution facility in Monroe. Together the campus includes almost a million square feet and 800 jobs.

“This new center is designed for high velocity product movement of dry goods to Georgia and South Carolina stores; the current center



Kane Carpet is known for its state-of-the-art weaving technology and offers a hand-tufted all wool carpet.

is for perishable foods - the only one in Georgia,” explains plant manager Phil Ingram.

Whatever is on the menu of your favorite restaurant in Mississippi, Alabama, Georgia, Florida, Tennessee and South Carolina probably got there by MBM Corporation located in Cordele. MBM, one of the largest food distribution operations in the U.S., is already expanding its year-old Crisp County operations to hire an additional 80 people.

MBM provides food to national chains such as Red Lobster, Olive Garden, Arby’s, Chick-fil-A, Burger King and more.

Location Georgia



“Companies looking to expand or relocate want data, lots of it and fast,” reports Daryl Ingram, Manager of Location Georgia, economic development for MEAG Power. “We see more and more dependence on web site research and requests to statewide developers to compile community data sheets across a variety of criteria. This need for immediate response is an excellent reason why we are all together in Technology Square.”

This summer, Location Georgia joined twelve plus statewide economic development partners at The Busbee Center for Global Economic Development and Innovation in Atlanta’s Technology Square.

According to Craig Lesser, GDEcD Commissioner, “The center provides prospective businesses insight into the professional, cooperative nature of Georgia’s business community.”

At the heart of the center is a marble sculpture honoring Governor George Busbee, a past leader in Georgia’s economic development. Appropriately, it is sculpted in blue granite from Elberton, the granite capital of the world. There are thirty-seven granite quarries in this Georgia community from which the famed Elberton blue-gray granite is quarried.

Building A Culture to Foster Entrepreneurs

“All ships rise with a rising tide,” says CEO Gene Chambers of MarCraft Inc. in Douglas as he explains why he is interested in helping entrepreneurs in Douglas succeed. His business, special order faux marble products such as vanity tops for Lowe’s and Home Depot, has flourished in this community for 27 years. Chambers serves on Douglas-Coffee County’s entrepreneurial committee and has helped organize resources for start-up business owners.

The community efforts have paid off and Douglas-Coffee County was one of the first two communities designated Entrepreneur Friendly by GDEcD’s Office of Entrepreneur and Small Business Development and Georgia Tech’s Economic Development Institute. Douglas completed the ENet Program developed and managed by the two entities. ENet is a set of strategies that build a culture conducive to small business development.

Cartersville, also with an impressive roster of corporate citizens, received private sector funds from Anheuser Busch to launch a business incubator in support of start-ups. The community has goals of adding 75 jobs from new small business.

Buildings In Demand

“It works,” asserts Rick McCaskill, economic developer with Cairo-Grady County when he speaks of the importance of a having a speculative building. “It brings prospects,” he added. Eighty-five percent of prospects ask to see available space, whether they actually take an existing facility or opt to build.

Cairo’s 40,000 square foot spec building is the new home for an existing industry, Park Model Manufacturing who in a year’s time had doubled production of cedar lodges.

“They were looking for new space; we could have lost them to another community without that building. We are planning our next spec building now,” states McCaskill.

Sandersville has a brand new 100,800 square foot spec building on the market. It is a product of a fifty/fifty partnership with the city and Washington County. Georgia Tech assisted in choosing the best site for the building and the industrial park and citizens agreed to a SPLOST to help fund the initiative.

“We noticed the prospects stopped coming when we didn’t have a spec building,” reports economic developer Theo McDonald.

Sandersville has a great looking masonry spec building on the market in its industrial park.



Special Focus

Earth Friendly Innovation

“Next year we may look at adding scents to our logs,” suggests Ross McRoy, president of a 2004 start-up operation in Fitzgerald.

Enviro-Log is a manufactured log from a raw material that previously was destined for the landfill. The product begins as a food-grade wax corrugated cardboard used by grocers to transport perishables. Every year more than 600,000 tons of wax corrugated cardboard containers are sent to landfills.

The company has an innovative product that can be used in more applications than the traditional petroleum-based manufactured logs. These logs can be burned in wood stoves or used for cooking. Enviro-Log is a long-lasting, clean-burning product. It burns hotter than wood, burns 60-70 percent cleaner than wood, and is an odorless, smokeless three-hour burn per log.

“We are transforming an ecologically challenging waste material into an economically appealing consumer product,” according to McRoy. The plant’s first product shipped in late third quarter of 2004.

Production line byproducts are recovered, packaged and sold as Enviro-Log Firestarter. The firestarter, which exhibits the same characteristics as the firelogs, can be used to light any combustible material.



Agribusiness

- Broiler production is big business in Georgia and it got bigger this year when Sanderson Farms expanded its business to Georgia to create a fully integrated poultry operation. The Mississippi-based poultry processor is the seventh largest in the nation and looked to [Adel](#) and [Moultrie](#) for its first Georgia operations. Sanderson Farms sales for fiscal 2004 will surpass \$1 billion exceeding a record breaking \$870 million in 2003.

In Adel, a feed mill and hatchery will be producing by summer 2005. The feed mill anticipates producing 7,000 tons of finished poultry feed per week and the hatchery can incubate and hatch approximately 1.5 million eggs and 1.3 million chicks per week.

The Moultrie processing plant will be capable of producing approximately 1.2 million chickens per week and create 1400 jobs. Both initiatives received One Georgia equity funds.

- [Moultrie](#) welcomed over 1200 exhibitors to the 2004 October Sunbelt Agricultural Exposition. Director Chip Blalock says “The sophistication of the show broadens each year as exhibitors use the expo to introduce new technology.” For example, A DNA test for beef can increase revenue for producers. The test defines tenderness and studies show that people will pay \$2.67 more per pound for tender meat. For field crops, the latest development in precision farming was introduced, which is a critical concept for high value, closely spaced crop production.



Location Georgia offers its third annual Economic Development Forum March 30-April 1 at Lake Blackshear Retreat in Cordele. Come hear the latest tips, meet economic develop leaders and share the success. Make reservations at 770-661-2876.

Agri-innovation

Outstanding in the Field Farm Dinner and Tours

Acclaimed by *Gourmet Magazine* and the *New York Times*, these farm dinners bring together the farmer, the winemaker and gourmet chefs to create adventures in dining right on the farm.

The national 2004 schedule included dinners in Colorado, the Berkshires, and [Athens](#), Georgia. Anne Quatrano, Atlanta’s Bacchanalia Restaurant chef prepared the eight course meal which featured Tiger Mountain Wines from North Georgia and cheeses from Sweet Grass Dairy in [Thomasville](#). The host farm was Woodland Gardens, Organic Produce.

Reservations and more information at outstandinginthefield.com.

MIT Graduate is Farmer of the Year

Joe Boddiford of [Sylvania](#) was named Georgia Farmer of the Year in October.

Boddiford believes that irrigation and nutrient management are the key’s to his peanut and cotton crops. His relationship with the University of Georgia’s precision agriculture division has paid dividends on his bottom line with variable rate pivot irrigation techniques.

Boddiford farms 2500 acres and graduated from MIT with a mechanical engineering degree and later from Purdue University with a master’s degree in agricultural engineering.

He serves on the Georgia Peanut Commission Board.

Make A Note

- Harvard's Kennedy School of Government announced a new online portal for accessing government innovations, The Global Innovators Network. The website is divided by topic, including technology, economic and community development and others.

(<http://www.innovations.harvard.edu/topic.html?c=98>)

- Georgia DEcD offers co-op advertising matching funds to help communities market tourism.

- The 2005 Red Carpet Tour will be in North Georgia. Matt Jackson of Dalton and Otis Raybon from Rome are co-chairs of the steering committee.

MEAG Power is a charter member of Georgia Allies, a statewide economic development marketing alliance of utilities, financial institutions and private business.

Contacts

Walter West
Director of Marketing



770.563.1250
wwest@meagpower.org

Daryl Ingram
Economic Development Manager

770.563.0321
dingram@meagpower.org

Michelle Cooper
Economic Development Project Manager

770.563.0435
mcooper@meagpower.org

Don Yates
Sr. Economic Development Project Manager

770.563.0319
dyates@meagpower.org

Dinah Silvio
Market Research Analyst

770.563.0028
dsilvio@meagpower.org

Oleta Herron
Sr. Administrative Assistant

770.661.2876
oherron@meagpower.org

Location Georgia offers statewide economic development services to expanding businesses. We also provide communities economic development support in aerial photography, advertising support, strategic planning facilitation and various other services through strategic

MEAG Power
Economic Development
75 Fifth Street
Suite 850
Atlanta, Georgia 30308

For an electronic copy of
this newsletter contact
oherron@meagpower.org.

Newsletter designed by
Underwood & Co.
Debra Underwood
229.226.1434