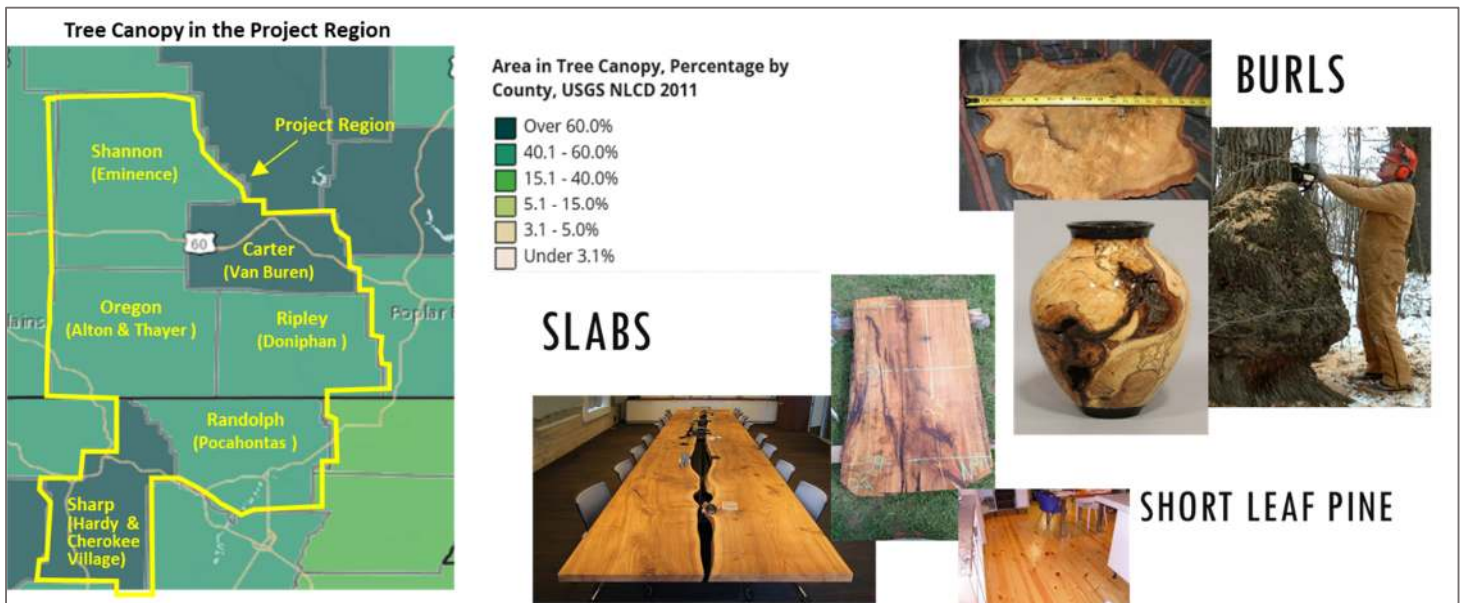


# Artisan Wood Products Opportunities in the Eastern Ozarks

Prepared For  
Ozark Vitality



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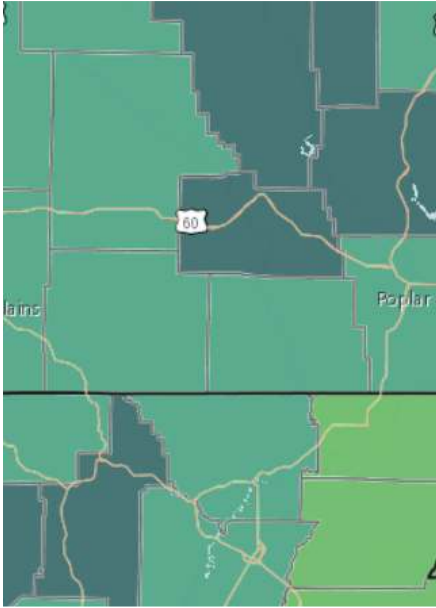
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## Overview

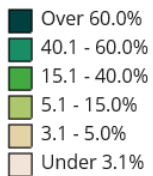
Within Missouri, the forest products industry encompasses over 1400 forest product firms with an employment of over 27,000 workers (2007 data). The Ozark counties of Carter, Oregon, Ripley and Shannon have high concentrations of forest product firms and forest product employment.

<https://www.missourieconomy.org/pdfs/forestproducts.pdf>

Land in forests in Carter, Oregon, Ripley and Shannon either exceed or approach over 60% of the land in these counties.



Area in Tree Canopy, Percentage by County, USGS NLCD 2011



## Discussion with Gary Gognat

Gary Gognat is a forester with Missouri Department of Conservation (MDC). Gary is a Resource Forester with MDC, and markets timber for property owned by the state of Missouri, that is controlled by MDC and private property.

Gary assists with appraising the timber, marketing trees to be cut and then operating a sale of that timber through a competitive bidding process. A contract is agreed to between the timber buyer, harvester etc. and the owner of the timber, inclusive of the state of Missouri or private landowners. The entity that purchased the timber, then owns the timber.

According to Gary, the entity that purchased the timber will have control of who can harvest, for example, tree forks, burls, firewood etc. and not the landowners. However, exceptions can be made with the contract for the harvest of the remains.

The species of the highest value for most sales include white oak, red oak, hickory and shortleaf pine. Prices on the stump, vary, but of recent red and white oak sells for \$175-\$250 per 1000 board ft., and shortleaf pine sells for \$100-\$110 per thousand board foot. Hickory, is presently selling for about \$250 per thousand-board ft. The Missouri Department of Conservation, Division of Forestry tracks timber sales; that information can be reached by the following website: <https://mdc.mo.gov/trees-plants/timber-sales/timber-price-trends>.

Since Ozark forests are predominately oak and hickory, local business specialize in the use of those species. The highest to lowest value wood usage are in the following order: 1. Veneer 2. Stave bolts, this is specific to white oak, staves are used for barrels (wine, whiskey), 3. Grade lumber – typical use is flooring 4. Ties – railroad cross ties and 5. Block wood – pallets. Species besides oak and hickory are used for ties and block wood.

An additional avenue for exploration may be overseas markets. According to Mr. Gognat, logs are exported to China, from the Missouri Ozark region, packed into a shipping container. Additionally wood flooring from Missouri is shipped off shore, with China being a major importer of Missouri hardwoods.

Mr. Gognat discussed the utilization of the short leaf pine species. The short leaf pine is the only species native to Missouri, and grows in the Southeast Missouri Ozark counties in abundance. Since the Missouri Ozark short leaf pine trees grows in shallow soil, which is prevalent in the Missouri Ozarks, the slow growth produces narrow tree rings. A Missouri shortleaf pine may have as many as 15 rings per inch diameter, compared to Southern pine of half or less the number. The Missouri short leaf pine lumber should be stronger than typical framing or structural lumber from the Southern states. Presently short leaf pine is selling at a discount; but maybe with marketing, additional value may be obtained from this species; especially that grown in Missouri conditions.

One avenue of adding value to wood products would be for landowners to attain Sustainable Forestry Certification for their timber tracts. The American Tree Farm Association offers forest sustainability certification as described from the ATFS web site, <https://www.treefarmssystem.org/certification-american-tree-farm-standards>:

Certification in the American Tree Farm System is voluntary. The certification process incorporates established standards and guidelines. Certification is evidenced exclusively by listing of a forest in the ATFS Verification Database. All properties certified under the three certification options must conform to the [2015-2020 Standards of Sustainability for Forest Certification](#).

The [2015-2020 Standards of Sustainability](#) for Forest Certification were approved by the American Forest Foundation's Board of Trustees in November of 2015. ATFS is a program of the [American Forest Foundation](#). The 2015-2020 Standards were developed by an independent panel of experts, representing academia, conservation organizations, federal and state governments, landowners, and foresters. The Standards recognize new conservation forestry practices and evolving consumer demand for sustainably harvested forest products. Once ATFS verifies that the Standards are met and the Tree Farm is certified, landowners will be added to the ATFS Verification Database.

The integrated Standards Guidance document includes examples and information on how the AFF Standards can be implemented on the ground. The guidance statements are intended to inform landowners, ATFS-trained inspectors and the third-party auditors as to the intent of the AFF Standards. Guidance statements are not the Standard.

Clearly, sustainable forest certification could add value to landowner's timber.

Mr. Gognat believes there was potential to develop markets for artisans; to use wood that had character – that with the present grading scale would be considered a low grade; to utilize parts of the tree that are not valuable, i.e. tree forks, burls; and to obtain additional value from tree species that have low or no market value. An example of the latter would be elm, sycamore or box elder.

EBay and other internet sites have numerous wood products pertinent to Ozark species and conditions, examples of these niche market products include:

1. Osage orange. Osage orange for hunting bows. In addition, there are some using Osage orange for bowls, duck calls, musical instruments and furniture. Osage orange slabs for tables and Osage orange turning blocks are sold on the internet.
2. Eastern Red Cedar. Eastern red cedar lumber is available from several suppliers. Prices vary, but one-site markets eastern red cedar boards – 100 bd. ft. for \$ 567. Whereas from Craigslist, Nashville, Eastern Red Cedar 8 ft. board, six inch width is marketed for \$5 or about \$1.25 per board ft. Eastern Red Cedar outdoor furniture is a specialty market.
3. Oak slabs and burls. The asking price for a 51 in. L x 14 in. W white oak slab is \$55. Oak burl wood is more expensive, i.e. the asking price for a black oak burl slab 10 x 8.5 x 7/8 inches is \$15.95.
4. Box elder slabs. Of interest are box elder slabs with the red streaks. There are sold on eBay as high as \$1000 each. Slabs are typically used for tabletops.
5. Other slabs. Sycamore, ash, sassafras, elm, cherry and walnut are all sold in slabs. Prices vary depending on the streaking the wood variations.

The Ozarks Classic Crafts Mall, Hardy, AR does offer niche wood for sale to artisans. These were small lots, which would be affordable to artists.

Band saw mills and their operators may be able to provide wood for these niche products. One advantage to a band saw mill is the portability – they are typically set up on site, wood is then sawed and afterward the machine is moved to the next site. Typically, one to two people are required to operate a portable band saw. Volume varies dependent on the machine design, automation and the operator. Typically, a band saw can saw from 500 – 3000 bd. ft./day.

## **Infrastructure**

Within the Missouri Ozark and Arkansas counties, there are numerous sawmills, kilns and forestry equipment enterprises. This infrastructure may allow custom processing of wood products, and higher utilization of byproducts. The Missouri Forest Products Association provides a membership directory with business information. <http://www.moforest.org/>.

## **Available Funding for Niche Forest Products Markets**

The Missouri Department of Agriculture, through the Missouri Agriculture and Small Business Development Authority (MASBDA) offers to landowners and farmers funding to explore value added agriculture opportunities. Programs include the Missouri Value Added Grant Program and the New Generation Cooperative Incentive Tax Credit Program. According to the Missouri Department of Agriculture, <http://agriculture.mo.gov/abd/financial/> the following are the descriptions of the two programs:

### **Missouri Value Added Grant Program**

The Missouri Value-Added Grant Program provides grants for projects that add value to Missouri agricultural products and aid the economy of a rural community. Grant applications will be considered for value-added agricultural business concepts that:

- Lead to and result in development, processing and marketing of new or expanded uses or technologies for agricultural products; and
- Foster agricultural economic development in Missouri's rural communities.

Applications will be considered for expenses related to the creation, development and operation of a value-added agricultural business including:

- Feasibility studies,
- Marketing studies,
- Legal assistance,
- Marketing plans,
- Business plans,
- Prospectus development for cooperatives, and
- Operational consulting

How Does the Program Work?

Proposals will be selected on a competitive basis. Each proposal will be evaluated and rated using the following criteria:

- Economic development potential for the agricultural industry,
- Credibility and merit,
- Probability of near-term commercialization and practical application of project results,
- Presence, source and level of matching funds, and
- Where the project will have an economic impact

Who is Eligible?

- Applicant must be at least 18 years old,
- Missouri resident, and
- Applicant may be groups of individuals, businesses, and organizations related to agriculture whose proposed value-added agricultural business concept is based in Missouri

Grant Amount and Terms

The maximum grant to any person, groups of individuals, businesses or organizations related to a value-added rural agricultural business concept is \$200,000.

Restrictions

The grants cannot be used for:

- Business start-up except as detailed in program guidelines,
- Business expansion, unless qualified on the basis of program criteria,
- Paying off existing debts,
- Substituting existing efforts or research already underway,
- Covering institutional overhead costs,
- Production costs,
- Operational costs such as payroll, utilities, inventory, insurance, and advertising,
- Buying land, buildings, or equipment,
- Implementing feasibility studies, marketing studies, marketing plans, or business plans except as detailed in the program guidelines, and
- Application fee or grant writing expenses

### ***Missouri New Generation Cooperative Tax Credit***

#### Description

The Missouri Agricultural and Small Business Development Authority provides New Generation Cooperative Incentive Tax Credits to induce producer member investment into new generation processing entities that will process Missouri agricultural commodities and agricultural products into value-added goods, provide substantial benefits to Missouri's agricultural producers, and create jobs for Missourians.

#### How Does the Program Work?

Prior to issuing any tax credits, the new generation processing entities must be organized, file an Application for Requesting Certification of New Generation Cooperative Incentive Tax Credits, and be approved by the authority. After investment, producer members then file a Member Application for Requesting New Generation Cooperative Incentive Tax Credits.

#### Who is Eligible?

New generation processing entities, partnerships, corporations, cooperatives, or limited liability companies organized or incorporated pursuant to the laws of Missouri and consisting of not less than 12 members, approved by the authority, for the purpose of owning or operating within this state a development facility or a renewable fuel production facility in which producer members:

- Hold a majority of the governance or voting rights of the entity and any governing committee;
- Control the hiring and firing of management; and
- Deliver agricultural commodities to the entity for processing, unless processing is required by multiple entities.

"Development facility" is defined as a "facility producing either a good derived from an agricultural commodity or using a process to produce a good derived from an agricultural product." A "renewable fuel production facility" is defined as a "facility producing an energy source that is derived from a renewable, domestically grown, organic compound capable of powering machinery, including an engine or power plant, and any by-products derived from such energy source."

Tax credit eligibility:

- "Producer member" is a person, partnership, corporation, trust or limited liability company whose main purpose is agricultural production that invests cash funds to an eligible new generation cooperative or eligible new generation processing entity.

Tax Credit Amounts

The amount of a tax credit issued to a member may be the lesser of 50 percent of the member's cash investment or \$15,000, except for any pro-ration of the member's tax credits.

Restrictions

If members' investment in a new generation "Large Capital Project" processing entity would be eligible for tax credits in excess of the project's allocation (maximum allocation per project is \$1.5 million) or "Employee Qualified Capital Project" (maximum allocation per project is \$3.0 million), tax credits will be pro-rated between producer members on a percent of investment basis, not to exceed the maximum allowed per producer member.

### ***USDA Value Added Producers Grants***

The United States Department of Agriculture offers the Value Added Producers Grant, the follow is a description of the grant from the USDA website, <https://www.rd.usda.gov/programs-services/value-added-producer-grants>.

What does this program do?

The Value Added Producer Grant (VAPG) program helps agricultural producers enter into value-added activities related to the processing and/or marketing of new products. The goals of this program are to generate new products, create and expand marketing opportunities, and increase producer income. Applicants may receive priority if they are a beginning farmer or rancher, a socially-disadvantaged farmer or rancher, a small or medium-sized farm or ranch structured as a family farm, a farmer or rancher cooperative, or are proposing a mid-tier value chain. Grants are awarded through a national competition. Each fiscal year, applications are requested through a notice published in the [Federal Register](#) and through an announcement posted on [Grants.gov](#).

**Program Funding:** \$18 million

**Maximum Grant Amount:** Planning Grants \$75,000; Working Capital Grants: \$250,000

**Matching Funds Requirements:** 50 percent of total project costs

**Who may apply for this program?**

Independent producers, agricultural producer groups, farmer- or rancher-cooperatives, and majority-controlled producer-based business ventures, as defined in the [program regulation](#) are eligible to apply for this program.

### **How may funds be used?**

Grant and matching funds can be used for planning activities or for working capital expenses related to producing and marketing a value-added agricultural product. Examples of planning activities include conducting feasibility studies and developing business plans for processing and marketing the proposed value-added product. Examples of working capital expenses include:

- Processing costs
- Marketing and advertising expenses
- Some inventory and salary expenses

### **Targeting of Both USDA and Missouri Department of Agriculture Funds**

Ten percent of the USDA-VAPG funds in 2017 are allocated for projects in persistent poverty counties. All four of the Missouri counties; Carter, Oregon, Ripley and Shannon are persistent poverty counties. Proposals from these counties will receive additional consideration.

The Missouri Department of Agriculture will consider the economic impact of projects. Projects from poverty counties has received special consideration for Value Added Grant funding.

### **Conclusion**

There are opportunities to develop a niche wood and timber industry in the Missouri Ozark counties of Carter, Oregon, Ripley and Shannon; and the Arkansas counties of Sharpe and Randolph. Funding is available for a feasibility study of this concept. For capitalized projects, there are grants and loans available from both the Missouri Department of Agriculture and USDA.