

**AN ECONOMIC ANALYSIS OF
FRANKLIN COUNTY IN
NORTHWEST ARKANSAS**



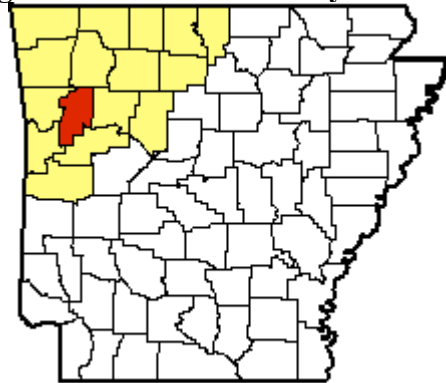
Center for Business and Economic Research
Reynolds Center Building 217
Sam M. Walton College of Business
1 University of Arkansas
Fayetteville, Arkansas 72701-1201
(479) 575-4151
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An Economic Analysis of Franklin County in Northwest Arkansas

I. Geographic Description

Franklin County is comprised of 610 square miles and is located in northwest Arkansas in the physiological regions known as the Boston Mountains (in the northern portion of the county) and the Arkansas Valley (in the southern portion of the county). Figure 1 highlights the counties that comprise the Northwest Arkansas region, as defined by the Arkansas Department of Economic Development. Franklin County is shown in red; all other counties in the region are shown in yellow.

Figure 1 – Franklin County’s Location



The Ozark National Forest, White Rock Wildlife Management Area, and Shores Lake are located in the northern portion of the county. The Mulberry River flows west through the northern portion of the county to the City of Cass and then flows south to the Arkansas River, which flows east through the middle portion of the county.

Sources:

United States Census Bureau. State and County QuickFacts.

<http://quickfacts.census.gov/qfd/states/05/05047.html>

Chart 2-5: Physiographic Regions. Arkansas Statistical Abstract – 2000. April 2000.

Census State Data Center, University of Arkansas at Little Rock. Page 72.

The Rand McNally Road Atlas, 2002 Edition. Page 10.

II. Demographic Characteristics

Population

In 1980, the population of Franklin County was 14,705 persons. The county ranked 48th in terms of population among Arkansas’ 75 counties and 11th among the 16 counties in Northwest Arkansas. By 1990, the population of the county had increased 1.3 percent to 14,897 to rank 47th among Arkansas’ counties and 11th among the counties in Northwest Arkansas. From 1980 to 1990, the population of the state of Arkansas increased 2.8 percent from 2,286,435 to 2,350,725; from 1990 to 2000, the state’s population increased 13.7 percent to 2,673,400 persons. In 2000, the population of Franklin County stood at

17,771, an increase of 19.3 percent from 1990. The county was the 44th most populous county in Arkansas and the 11th most populous county in Northwest Arkansas in 2000. The five most populous cities in Franklin County and their populations in the year 2000 were Ozark (3,525), Charleston (2,965), Altus (817), Branch (357), and Denning (270). The county seat for Franklin County is split between Charleston and Ozark.

DRI-WEFA, an economic analysis consulting firm, projects the population of Franklin County will decrease by 1.1 percent to 17,580 people in the year 2010. If the projections are realized, Franklin County will be the 44th most populous county in Arkansas and the 12th most populous county in Northwest Arkansas.

The gender makeup of Franklin County is similar to that of the state on the whole. In the year 2000, the proportions of males and females in the county were 49.5 percent and 50.5 percent, respectively, compared to 48.8 percent and 51.2 percent, respectively, for the state.

In the year 2000, Franklin County had the 37th youngest median age, the 30th highest proportion of residents under age 18, and the 33rd highest proportion of residents age 65 and older among all Arkansas counties. In the year 2000, the median age of residents in Franklin County was 37.6 years, compared to 36.0 years for the state. From 1990 to 2000, the proportion of the county's population that was under 18 years of age decreased from 26.3 percent to 25.8 percent; for the same period, the proportion of Arkansans under 18 years of age decreased from 26.4 percent to 25.4 percent. From 1990 to 2000, the proportion of the county's population that was 65 years of age or older decreased from 16.8 percent to 15.8 percent; for the same period, the proportion of Arkansans age 65 or older decreased from 14.9 percent in 1990 to 14.0 percent in 2000.

The racial composition of Franklin County is decidedly more Caucasian than the population for the state on the whole. In 2000, the proportions of Franklin County's population comprised of Caucasians, African Americans, American Indians and Native Alaskans, and Asians were 96.2 percent, 0.6 percent, 0.8 percent, and 0.3 percent, respectively. For the state, in 2000, the proportions of Caucasians, African Americans, American Indians and Native Alaskans, and Asians were 80.0 percent, 15.7 percent, 0.7 percent, and 0.8 percent, respectively. In 2000, the proportion of residents in Franklin County who were Hispanic was 1.7 percent, compared to the state's proportion of 3.2 percent.

Sources:

United States Census Bureau, Population of Counties by Decennial Census: 1900 to 1990. <http://www.census.gov/population/cencounts/ar190090.txt>

United States Census Bureau, Census 2000, Redistricting Data (Public Law 94-171) Summary File.

http://factfinder.census.gov/servlet/BasicFactsTable?_lang=en&_vt_name=DEC_2000_PL_U_GCTPL_ST7&_geo_id=04000US05

The Rand McNally Road Atlas, 2002 Edition. Page 10.

DRI-WEFA, U.S. Regional Analysis. Data supplied by the Institute for Economic Advancement, University of Arkansas-Little Rock.

United States Census Bureau, Census 2000, Table DP-1. Profile of General Demographic Characteristics: 2000. <http://censtats.census.gov/data/AR/04005.pdf>

United States Census Bureau, 1990 Census, Table DP-1. Profile of General Demographic Characteristics: 1990. http://factfinder.census.gov/servlet/BasicFactsTable?_lang=en&_vt_name=DEC_1990_STF1_DP1&_geo_id=04000US05

United States Census Bureau, Census 2000, Table DP-1. Profile of General Demographic Characteristics: 2000. <http://censtats.census.gov/data/AR/05005047.pdf>

United States Census Bureau, 1990 Census, Table DP-1. General Population and Housing Characteristics: 1990. http://factfinder.census.gov/servlet/BasicFactsTable?_lang=en&_vt_name=DEC_1990_STF1_DP1&_geo_id=05000US05047

Income

Table 1 presents median household income and median family income for the year 1999 and per capita personal income for the year 2000 for Franklin County. The table also ranks Franklin County in terms of these income statistics among the 75 counties in Arkansas and the 16 counties in Northwest Arkansas.

Table 1 – Franklin County Income Statistics

Income Statistic	Franklin County	Percent of State	Arkansas			Northwest Arkansas		
			Rank	Range		Rank	Range	
				Low	High		Low	High
1999 Median Household Income	\$30,848	95.9%	23	\$20,510	\$42,569	6	\$21,397	\$40,281
1999 Median Family Income	\$36,189	93.6%	30	\$25,846	\$48,717	6	\$27,580	\$45,235
2000 Per Capita Personal Income	\$17,317	78.7%	61	\$14,303	\$30,447	13	\$14,303	\$25,358

Table 2 presents poverty statistics for different resident groups in Franklin County and for the State of Arkansas in 1999. The table ranks the county among the 75 counties in Arkansas and among the 16 counties in Northwest Arkansas in terms of the three poverty rates presented. For example, the county ranked 54th among the counties in Arkansas and 8th among the counties in Northwest Arkansas in terms of the poverty rate for individuals in 1999.¹

¹ Note: Rankings are from highest poverty rate to lowest. Hence, a ranking of one indicates relatively high levels of poverty, and a ranking of 75 indicates relatively low levels of poverty.

Table 2 – Franklin County Poverty Rates, 1999

Poverty Statistic	County Rate	Arkansas Rate	Arkansas			Northwest Arkansas		
			Rank	Range		Rank	Range	
				Low	High		Low	High
Individuals	15.2%	15.8%	54	7.2%	32.7%	8	10.1%	23.8%
Families with Related Children	13.6%	18.1%	69	7.8%	40.8%	14	11.2%	26.4%
Individuals 65 and Older	15.7%	13.8%	39	7.3%	27.6%	5	8.6%	26.6%

Table 3 presents average weekly earnings for covered employment in Franklin County in the year 2001. The table also displays average weekly earnings as a proportion of the state’s figure and ranks Franklin County in terms of average weekly earnings relative to the counties in Arkansas and Northwest Arkansas for which data were available. For example, in terms of average weekly earnings in the manufacturing sector, Franklin County ranked 49th among the 71 counties in Arkansas for which data were available and 10th among the 15 counties in Northwest Arkansas for which data were available.

Table 3 – Franklin County Average Weekly Earnings, by Sector, Calendar Year 2001

Sector	Average Weekly Earnings	Percent of State	Arkansas			Northwest Arkansas		
			Rank	Range		Rank	Range	
				Low	High		Low	High
Manufacturing	\$440.80	76.7%	49 / 71	\$260.75	\$894.22	10 / 15	\$312.98	\$587.60
Wholesale Trade	\$292.93	40.8%	67 / 68	\$214.77	\$995.14	13 / 14	\$214.77	\$995.14
Retail Trade	\$285.67	84.1%	46 / 73	\$215.61	\$439.32	10 / 15	\$244.32	\$358.05
Information	\$348.10	51.6%	55 / 56	\$306.77	\$869.54	12 / 12	\$348.10	\$832.62
Financial Activities	\$403.91	63.8%	69 / 73	\$282.76	\$829.55	11 / 14	\$282.76	\$622.20
Professional and Business Services	\$297.65	47.6%	63 / 68	\$218.14	\$955.05	14 / 15	\$256.91	\$955.05
Education and Health Services	\$364.97	67.3%	44 / 74	\$231.49	\$668.35	10 / 16	\$231.49	\$649.85
All Sectors	\$416.26	80.3%	47 / 75	\$316.63	\$681.93	8 / 16	\$316.63	\$631.34

Table 4 presents the share of personal income in Franklin County in 2000 attributable to different sectors of the economy. The table displays how this share compares to the proportion for the state in aggregate and ranks Franklin County in terms of the share of personal income attributed to the sectors relative to the counties in Arkansas and Northwest Arkansas for which data were available. For example, in terms of the share of personal income attributed to the manufacturing sector, Franklin County ranked 49th among the 73 counties in Arkansas for which data were available and 13th among the 15 counties in Northwest Arkansas for which data were available.

Table 4 – Disposition of Personal Income in Franklin County, by Sector, Year 2000

Sector	Share of Personal Income	Greater or Less than State	Arkansas			Northwest Arkansas		
			Rank	Range		Rank	Range	
				Low	High		Low	High
Farm Earnings	8.8%	6.2%	17 / 75	0.1%	15.9%	4 / 16	0.4%	15.9%
Manufacturing	9.9%	-4.4%	49 / 73	1.3%	77.9%	13 / 15	3.4%	27.1%
Transportation and Utilities	5.1%	-0.6%	16 / 71	1.3%	14.5%	5 / 15	1.8%	14.5%
Wholesale Trade	0.4%	-3.1%	66 / 67	0.2%	11.4%	15 / 15	0.4%	5.9%
Retail Trade	4.4%	-3.4%	52 / 75	1.4%	24.4%	12 / 16	2.4%	24.4%
Finance, Insurance, and Real Estate	1.4%	-2.0%	62 / 71	0.8%	8.0%	13 / 15	1.1%	3.5%
Services	6.6%	-8.3%	52 / 75	3.3%	29.0%	10 / 16	4.8%	29.0%
Business Services	0.6%	-2.0%	43 / 65	0.1%	10.5%	10 / 14	0.2%	5.5%
Health Services	3.1%	-3.1%	42 / 72	0.5%	14.4%	9 / 16	0.5%	14.4%
Hotel and Lodging	0.1%	-0.2%	44 / 55	0.04%	1.9%	12 / 14	0.05%	1.9%
Amusement and Recreation Services	N/A	N/A	N/A	0.03%	1.0%	N/A	0.03%	1.0%

The sale of livestock accounted for 98.6 percent of Franklin County’s cash receipts from farm marketings in the year 2000. Livestock cash receipts and total cash receipts for Franklin County in the year 2000 were \$105.6 million and \$107.1 million, respectively; the county ranked tenth in terms of the former and 14th in terms of the latter among Arkansas’ counties. Cash receipts for crops and government payments for Franklin County in the year 2000 totaled \$1.5 million and \$583,000, respectively; the county ranked 46th in terms of the former and 51st in terms of the latter among Arkansas’ counties. Franklin County ranked 40th among Arkansas’ counties in terms of wheat production in 2001; the county produced 56,000 bushels of wheat. The county ranked 26th among Arkansas’ counties in terms of total production expenses in the year 2000, \$84.8 million. As of January 1, 2002, Franklin County had a total of 43,000 cattle and calves and 21,000 beef cows; the county 11th in terms of both cattle and calves and in terms of beef cows among the counties in Arkansas.

Sources:

- United States Census Bureau, Census 2000, Table DP-3. Profile of Selected Economic Characteristics: 2000. <http://censtats.census.gov/data/AR/04005.pdf>
- United States Census Bureau, Census 2000, Table DP-3. Profile of Selected Economic Characteristics: 2000. <http://censtats.census.gov/data/AR/05005047.pdf>
- U.S. Commerce Department, Bureau of Economic Analysis, Regional Accounts Data, Local Area Personal Income, Table CA1-3: Personal Income Summary Estimates. <http://www.bea.gov/bea/regional/reis/>
- Arkansas Employment Security Department, Covered Employment and Earnings, Annual 2001. Table 6: County Summary Employment and Earnings, by Industry, Calendar Year 2001. <http://www.accessarkansas.org/esd/01antb6.htm>
- Arkansas Employment Security Department, Covered Employment and Earnings, Annual 2001. Table 1: Average Covered Employment and Average Weekly Earnings, by Industry, 2001. <http://www.accessarkansas.org/esd/01antb1.htm>

U.S. Commerce Department, Bureau of Economic Analysis. Regional Accounts Data, Local Area Personal Income. Table CA05 – Personal Income by Major Source and Earnings by Industry. <http://www.bea.gov/bea/regional/reis/>
 Arkansas Agricultural Statistics Service, National Agricultural Statistics Service, United States Department of Agriculture, 2001 County Profiles. <http://www.nass.usda.gov/ar/franklin.PDF>

Education

Franklin County contains the following five school districts, with October 1, 2000 enrollment found in parentheses: Altus-Denning (247), Charleston (826), County Line (600), Ozark (1,686), and Pleasant View (242). Table 5 displays the average ACT composite score for high school seniors (which ranges from 1 to 36, with 36 being the best), the attendance rate, the dropout rate (percentage of students dropping out of school in Grades 7-12 from October of one school year to October of the next school year), the graduation rate (percentage of students enrolled in Grade 9 and completing Grade 12), and the college remediation rate (percentage of freshmen entering an *Arkansas* college or university who are required to take at least one remedial class) for the above school districts and for the state in aggregate.

Table 5 – Educational Statistics for Franklin County Schools, 2000-2001 School Year

School District	ACT Composite Score	Attendance Rate	Dropout Rate	Graduation Rate	College Remediation Rate
Altus-Denning	17.0	91.6%	4.3%	91.9%	50.0%
Charleston	20.4	94.9%	2.1%	91.6%	39.0%
County Line	18.7	92.2%	7.6%	70.5%	50.0%
Ozark	20.1	93.4%	0.6%	94.4%	31.0%
Pleasant View	18.3	99.9%	0.0%	94.7%	33.0%
State Average	20.1	93.2%	3.0%	84.3%	41.0%

Among the 301 school districts in Arkansas for which data were available, the ACT composite scores for the school districts in Franklin County ranked as follows: Altus-Denning (tied for 277th), Charleston (tied for 94th), County Line (tied for 215th), Ozark (tied for 110th), and Pleasant View (tied for 232nd); because of ties, the rankings ranged from 1 through 299. Among the 72 school districts in Northwest Arkansas, the ACT composite scores for the school districts in Franklin County ranked as follows: Altus-Denning (70th), Charleston (tied for 37th), County Line (63rd), Ozark (tied for 44th), and Pleasant View (66th). District-wide average ACT composite scores for the 301 school districts in Arkansas for which data were available ranged from 24.0 to 14.0; for the school districts in Northwest Arkansas, the district-wide average ACT composite scores ranged from 24.0 to 15.8.

Among the 307 school districts in Arkansas for which data were available, the dropout rates for the school districts in Franklin County ranked as follows: Altus-Denning (tied for 51st), Charleston (tied for 151st), County Line (15th), Ozark (tied for 264th), and

Pleasant View (tied for 285th); because of 27 districts' being tied for last place with a 0.0 percent dropout rate, the rankings ranged from 1 through 285.² Among the 72 school districts in Northwest Arkansas, the dropout rates for the school districts in Franklin County ranked as follows: Altus-Denning (8th), Charleston (tied for 28th), County Line (3rd), Ozark (tied for 64th), and Pleasant View (tied for 69th); because of four districts' being tied for last place with a 0.0 percent dropout rate, the rankings ranged from 1 through 69. For the state, dropout rates ranged from 15.4 percent to 0.0 percent; for the districts in Northwest Arkansas, dropout rates ranged from 12.5 percent to 0.0 percent.

Among the 307 school districts in Arkansas for which data were available, the graduation rates for the school districts in Franklin County ranked as follows: Altus-Denning (tied for 85th), Charleston (tied for 89th), County Line (286th), Ozark (tied for 44th), and Pleasant View (tied for 40th). Among the 72 school districts in Northwest Arkansas, the graduation rates for the school districts in Franklin County ranked as follows: Altus-Denning (tied for 20th), Charleston (tied for 23rd), County Line (68th), Ozark (10th), and Pleasant View (9th). For the state, graduation rates ranged from 100.0 percent to 23.6 percent; for the districts in Northwest Arkansas, graduation rates ranged from 100.0 percent to 63.2 percent.

Among the 307 school districts in Arkansas for which there were data available, the college remediation rates for the school districts in Franklin County ranked as follows: Altus-Denning (tied for 124th), Charleston (tied for 201st), County Line (tied for 124th), Ozark (tied for 248th), and Pleasant View (tied for 231st); because of 31 districts' being tied for last place with a 0.0 percent college remediation rate, the rankings ranged from 1 through 281.³ Among the 72 school districts in Northwest Arkansas, the college remediation rate for the school districts in Franklin County ranked as follows: Altus-Denning (tied for 20th), Charleston (47th), County Line (tied for 20th), Ozark (tied for 60th), and Pleasant View (tied for 57th); because of three districts' being tied for last place with a 0.0 percent college remediation rate, the rankings ranged from 1 through 70. For the state, college remediation rates ranged from 100.0 percent to 0.0 percent; for the districts in Northwest Arkansas, college remediation rates ranged from 80.0 percent to 0.0 percent.

In the Altus-Denning School District, neither of the district's schools is accredited by the North Central Association of Secondary Schools and Colleges (NCASSC). In the Charleston School District, both of the district's schools are accredited by the NCASSC. In the County Line School District, neither of the district's schools is accredited by the NCASSC. In the Ozark School District, all three of the district's schools are accredited by the NCASSC. In the Pleasant View School District, neither of the district's schools is accredited by the NCASSC.

² Note: Rankings are from highest dropout rate to lowest. Hence, a ranking of one indicates a relatively high dropout rate, and a ranking of 285 indicates a relatively low dropout rate.

³ Note: Rankings are from highest remediation rate to lowest. Hence, a ranking of one indicates a relatively high dropout rate, and a ranking of 281 indicates a relatively low remediation rate.

Table 6 displays the proportion of persons 25 years of age or older in Franklin County with various levels of education in the year 2000. The table also presents the proportions for the state in aggregate and ranks the county among the 75 counties in Arkansas and among the 16 counties in Northwest Arkansas in terms of the four levels of education presented. For example, Franklin County ranked 38th among Arkansas' counties and 10th among the counties in Northwest Arkansas in terms of the proportion of the persons 25 years of age or older with a bachelor's degree in 2000.

Table 6 – Educational Attainment in Franklin County, 2000

Level of Education	County	Arkansas	Arkansas			Northwest Arkansas		
			Rank	Range		Rank	Range	
				Low	High		Low	High
Bachelor's Degree	7.6%	11.0%	38	4.2%	18.0%	10	5.4%	14.8%
Graduate or Professional Degree	3.4%	5.7%	48	1.8%	10.1%	10	2.8%	9.8%
Bachelor's Degree or Higher	11.0%	16.7%	39	6.3%	28.1%	10	8.4%	24.5%
High School Diploma or Higher	71.1%	75.3%	40	56.2%	84.4%	10	65.4%	80.4%

There are 11 Arkansas colleges and universities within 100 miles of Ozark, Arkansas. The institutions, the number and type of degree programs offered at the institutions, and their enrollment statistics are presented below.

Arkansas Tech University (ATU), located in Russellville, Arkansas in Pope County, is a four-year public university. The Arkansas Higher Education Coordinating Board (AHECB) of the Arkansas Department of Higher Education has approved the dissemination of the following academic degrees and certificate programs at ATU: technical certificates in 3 program areas, associate degrees in 10 program areas, baccalaureate degrees in 54 program areas, master's degrees in 20 program areas, and a specialist degree in educational leadership. Opening fall enrollment for ATU was 5,576 in 2001, 7.8 percent greater than fall 2000. Opening fall enrollment for the four-year public universities in Arkansas stood at 65,704 in 2001, 2.4 percent greater than fall 2000. The school ranked fifth among the ten four-year public universities in terms of fall enrollment in 2001. Since 1997, fall enrollment at ATU has increased 31.6 percent, compared to a 4.8 percent increase for four-year public universities in Arkansas.

Central Baptist College (CBC), located in Conway, Arkansas in Faulkner County, is a four-year private college and offers associate degrees in three program areas and baccalaureate degrees in nine program areas. Opening fall enrollment for CBC was 358 persons in 2001, 8.5 percent greater than fall 2000. Since 1997, fall enrollment at CBC has increased 7.5 percent.

Hendrix College, located in Conway, Arkansas in Faulkner County, is a four-year private liberal arts college associated with the United Methodist Church and offers baccalaureate degrees in 27 program areas and a master's degree in accounting. Opening fall

enrollment for Hendrix College was 1,085 persons in 2001, 4.6 percent less than fall 2000. Since 1997, fall enrollment at Hendrix College has increased 4.9 percent.

John Brown University (JBU), located in Siloam Springs, Arkansas in Benton County, is a private, four-year Christian college (interdenominational) that offers associate degrees in 6 program areas, baccalaureate degrees in 50 program areas, and master's degrees in 6 program areas. Opening fall enrollment for JBU was 1,684 persons in 2001, 9.0 percent greater than fall 2000. Since 1997, fall enrollment has increased 27.1 percent.

Northwest Arkansas Community College (NWACC), located in Bentonville, Arkansas in Benton County, is a two-year public college. The AHECB has approved the dissemination of the following academic degrees and certificate programs at the NWACC: certificates of proficiency in 4 program areas, technical certificates in 3 program areas, associate degrees in 26 program areas, and an advanced certificate in medical dosimetry. Opening fall enrollment for NWACC was 4,292 persons in 2001, 5.8 percent greater than fall 2000. Opening fall enrollment for the two-year public institutions in Arkansas stood at 43,387 in 2001, 6.3 percent greater than fall 2000. The school ranked 3rd among the 23 two-year public institutions in Arkansas in terms of fall enrollment in 2001. Since 1997, fall enrollment at NWACC has increased 32.5 percent, compared to a 16.6 percent increase for two-year public institutions in Arkansas.

Rich Mountain Community College (RMCC), located in Mena, Arkansas, in Polk County, is a two-year public college. The AHECB has approved the dissemination of the following academic degrees and certificate programs at the RMCC: certificates of proficiency in 5 program areas, technical certificates in 10 program areas, and associate degrees in 17 program areas. Opening fall enrollment for RMCC was 1,003 in 2001, 4.0 percent greater than fall 2000. The school ranked 17th among the 23 two-year public institutions in Arkansas in terms of fall enrollment in 2001. Since 1997, fall enrollment at RMCC has increased 29.8 percent.

The University of Arkansas (UA), located in Fayetteville, Arkansas in Washington County, is the flagship institution of the University of Arkansas system. The AHECB has approved the dissemination of the following academic degrees and certificate programs at the UA: associate degrees in 2 program areas, baccalaureate degrees in 123 program areas, post-baccalaureate certificates in 2 program areas, master's degrees in 101 program areas, specialist degrees in 8 program areas, doctoral degrees in 42 program areas, and a professional degree in law. Opening fall enrollment for the UA was 15,752 in 2001, 2.6 percent greater than fall 2000. The school ranked first among the ten four-year public institutions in Arkansas in terms of fall enrollment in 2001. Since 1997, fall enrollment at the UA has increased 7.5 percent.

In January 2002, Westark College, located in Fort Smith, Arkansas in Sebastian County, joined the University of Arkansas system, changed its name to the University of Arkansas at Fort Smith (UAFS), and became a four-year institution. The AHECB has approved the dissemination of the following academic degrees and certificate programs at UAFS: certificates of proficiency in 28 program areas, technical certificates in 17 program areas,

associate degrees in 34 program areas, an advanced certificate in industrial automation, and baccalaureate degrees in 8 program areas. Opening fall enrollment at UAFS was 5,673 in 2001, 8.3 percent greater than fall 2000. Since 1997, fall enrollment at UAFS has increased 0.7 percent.

The University of Arkansas Community College at Morrilton (UACCM), located in Morrilton, Arkansas in Conway County, is a two-year public college associated with the University of Arkansas system. The AHECB has approved the dissemination of the following academic degrees and certificate programs at the UACCM: certificates of proficiency in 3 program areas, technical certificates in 17 program areas, and associate degrees in 17 program areas. Opening fall enrollment for UACCM was 1,290 in 2001, 10.1 percent greater than fall 2000. The school ranked 12th among the 23 two-year public colleges in Arkansas in terms of fall enrollment in 2001. Since 1997, fall enrollment at UACCM has increased 43.8 percent.

The University of Central Arkansas (UCA), located in Conway, Arkansas in Faulkner County, is a four-year public university. The AHECB has approved the dissemination of the following academic degrees and certificate programs at UCA: associate degrees in 6 program areas, baccalaureate degrees in 105 program areas, post-baccalaureate certificates in 2 program areas, master's degrees in 50 program areas, specialist degrees in 2 program areas, and doctoral degrees in 3 program areas. Opening fall enrollment for UCA was 8,486 in 2001, 0.1 percent greater than fall 2000. The school ranked fourth among the ten four-year public institutions in Arkansas in terms of fall enrollment in 2001. Since 1997, fall enrollment at UCA has decreased 6.0 percent.

The University of the Ozarks, located in Clarksville, Arkansas in Johnson County, is a four-year private liberal arts university and offers baccalaureate degrees in 25 program areas. Opening fall enrollment for the University of the Ozarks was 654 persons in 2001, 5.1 percent greater than fall 2000. Since 1997, fall enrollment at the University of the Ozarks has increased 22.5 percent.

Sources:

Arkansas Department of Education, Arkansas School Information Site, Performance Report, 2001. <http://www.as-is.org/reportcard/rc2001/>

North Central Association Commission on Accreditation and School Improvement. <http://www.ncacasi.org/>

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<http://www.arkansashighered.com/Research/Enrollment/Actual%20Enroll%20Fall%202001.xls>
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Hendrix College. <http://www.hendrix.edu/abouthendrix/glance.htm>
Hendrix College Registrar's Office.
John Brown University, "Catalog for 2001-2003."
<http://www.jbu.edu/academics/catalog/03catalog.pdf>
University of the Ozarks. <http://www.ozarks.edu/academics/programs.html>

III. Infrastructure

Ports

There are no public ports on the Arkansas River in Franklin County. The river flows along the southern border of Franklin County, and is navigable on a year round basis offering a 9-foot ice-free channel. The 450-mile McClellan-Kerr Arkansas River Navigation System runs through the heart of the nation. The waterway not only connects all the public ports in Arkansas to the ports of the world, but also with America's entire inland waterway system, from Houston to New Orleans, to Pittsburgh and Minneapolis.

The Arkansas River provides navigation through Arkansas to Catoosa, Oklahoma, near Tulsa. Some 313 miles of channel are located in Arkansas. Public ports are located at Pine Bluff, Little Rock, and Fort Smith. An estimated \$3 billion in private investments have been made on the navigation system since it was opened in 1971.

Sources:

Fort Smith Chamber of Commerce. <http://www.fschamber.com/transportation.asp>
Arkansas Waterways Commission. <http://www.waterways.dina.org>

Highways

Figure 2 displays the major cities, highways, lakes, and rivers found in Franklin County.



Sources:

Arkansas State Highway and Transportation Department. Statewide Transportation Improvement Program 2003-2005 Preliminary.

<http://www.ahtd.state.ar.us/contract/progcon/stip/stip%20by%20ffy%202003%2D2005%20prelim.xls>

MapQuest.com, Inc. <http://www.mapquest.com>

Utilities

Table 7 displays the surplus water capacity, the surplus wastewater capacity, the electricity provider, and the natural gas provider for the three most populous cities in Franklin County.⁴

Table 7 – Utilities for the Three Most Populous Cities in Franklin County

City	Water Surplus Capacity	Waste Water Surplus Capacity	Electricity Provider	Natural Gas Provider
Ozark	1.2 million GPD	1 million GPD	Arkansas Valley Electric Cooperative (AVEC)	Arkansas Western Gas
Charleston	0.85 million GPD	0.3 million GPD	Oklahoma Gas & Electric (OG&E)	Arkansas Western Gas
Altus	0.242 million GPD	N/A	OG&E / AVEC	No Gas Service

The City of Ozark plans to increase its water plant capacity from 4.9 million gallons per day to 6.0 million gallons per day in the next one to two years.

Sources:

Cecil Zolliecoffer, Ozark Water Treatment.

Gary Woodard, Charleston Water Department.

City of Altus.

Railroads

The Union Pacific Railroad has a line running from its hub in Little Rock along the Arkansas River through Russellville, Clarksville, Ozark, Van Buren, and Fort Smith to a mainline junction in Muskogee, Oklahoma.

The Dardanelle & Russellville Railroad, located in Russellville in Pope County, is a five-mile short-line providing direct access to the Port of Dardanelle, local industry, and the Union-Pacific Railroad Railroad's main line. The D&R Railroad also owns available industrial sites with rail access.

The Arkansas & Missouri Railroad junctions with the Kansas City Southern Railroad in Fort Smith in Sebastian County, with the Union Pacific Railroad in Van Buren, Arkansas, and with the Burlington Northern Santa Fe Railroad in Monette, Missouri.

Sources:

Union Pacific Railroad. <http://www.uprr.com/aboutup/usguide/usa-ar.shtml>

Russellville Economic Development Partnership, Inc.

<http://www.russellville.org/enter/transportation.htm>

Arkansas & Missouri Railroad. <http://www.arkansasmissouri-rr.com/map.html>

⁴ GPD = Gallons Per Day

Airports

The Ozark-Franklin County Airport is the only airport serving Franklin County. The airport, located two miles northwest of Ozark, has two asphalt runways, each 3,302 feet in length, that can accommodate a 12,000-pound single-wheel aircraft. There is no control tower at this airport. Services offered at the Ozark-Franklin County Airport include: aviation fuel, aircraft parking (hangars and tie-downs), and flight instruction.

The four major airports closest to Franklin County are Northwest Arkansas Regional Airport in Bentonville, Arkansas (roughly 100 miles northwest of Ozark), Adams Field Airport in Little Rock, Arkansas (roughly 120 miles southeast of Ozark), Tulsa International Airport in Tulsa, Oklahoma (roughly 160 miles northwest of Ozark), and Springfield-Branson Regional Airport in Springfield, Missouri (roughly 170 miles northeast of Ozark).

Source:

AirNav, LLC. Ozark-Franklin County Airport: Ozark, Arkansas.

<http://www.airnav.com/airport/7M5>

IV. Labor Force

A breakdown of covered employment for Franklin County in 2001 is provided in Table 8 below.

Table 8 – Covered Employment for Franklin County, 2001 Annual Averages

North American Industry Classification System Industry Group	Average Employing Units	Average Covered Employment
Natural Resources & Mining	12	158
Construction	23	120
Manufacturing	22	1,173
Trade, Transportation & Utilities	84	899
Wholesale Trade	11	59
Retail Trade	54	535
Transportation, Warehousing & Utilities	18	305
Information	7	46
Financial Activities	23	145
Professional & Business Services	14	49
Education & Health Services	35	483
Leisure & Hospitality	24	254
Other Services	19	56
Local Government	23	695
State Government	11	133
Franklin County - Total	296	4,211

The manufacturing sector accounted for 27.9 percent of total covered employment in Franklin County in 2001, compared to the state's figure of 20.5 percent. In terms of the proportion of covered employment attributed to the manufacturing sector, the county ranked 27th among the 71 counties in Arkansas for which data were available and 7th among the 15 counties in Northwest Arkansas for which data were available. For the state, the proportions ranged from 62.4 percent (Calhoun County) to 5.1 percent (Perry County); for Northwest Arkansas, the proportions ranged from Marion County's 48.2 percent to Newton County's 8.3 percent.

The wholesale trade sector accounted for 1.4 percent of total covered employment in Franklin County in 2001, compared to the state's figure of 4.1 percent. In terms of the proportion of covered employment attributed to the wholesale trade sector, the county ranked 57th among the 68 counties in Arkansas for which data were available and 11th among the 14 counties in Northwest Arkansas for which data were available. For the state, the proportions ranged from 23.0 percent (Woodruff County) to 0.3 percent

(Marion County); for Northwest Arkansas, the proportions ranged from Boone County's 7.5 percent to Marion County's 0.3 percent.

The retail trade sector accounted for 12.7 percent of total covered employment in Franklin County in 2001, compared to the state's figures of 11.9 percent. In terms of the proportion of covered employment attributed to the retail trade sector, the county ranked 34th among the 74 counties in Arkansas for which data were available and 9th among the 15 counties in Northwest Arkansas for which data were available. For the state, the proportions ranged from 18.9 percent (Saline County) to 2.7 percent (Calhoun County); for Northwest Arkansas, the proportions ranged from Baxter County's 14.5 percent to Benton County's 8.6 percent.

The transportation, warehousing, and utilities sectors accounted for 7.2 percent of total covered employment in Franklin County in 2001, compared to the state's figure of 5.5 percent. In terms of the proportion of covered employment attributed to the transportation, warehousing, and utilities sectors, the county ranked 9th among the 69 counties in Arkansas for which data were available and 5th among the 14 counties in Northwest Arkansas for which data were available. For the state, the proportions ranged from 18.4 percent (Little River County) to 0.8 percent (Marion County); for Northwest Arkansas, the proportions ranged from Crawford County's 17.7 percent to Marion County's 0.8 percent.

The information sector accounted for 1.1 percent of total covered employment in Franklin County in 2001, compared to the state's figure of 1.9 percent. In terms of the proportion of covered employment attributed to the information sector, the county ranked 21st among the 56 counties in Arkansas for which data were available and 9th among the 12 counties in Northwest Arkansas for which data were available. For the state, the proportions ranged from 3.6 percent (Pulaski County) to 0.3 percent (Little River County); for Northwest Arkansas, the proportions ranged from Boone County's 3.2 percent to Johnson County's 0.4 percent.

The financial activities sector accounted for 3.4 percent of total covered employment in Franklin County in 2001, compared to the state's figure of 4.3 percent. In terms of the proportion of covered employment attributed to the financial activities sector, the county ranked 38th among the 73 counties in Arkansas for which data were available and 10th among the 14 counties in Northwest Arkansas for which data were available. For the state, the proportions ranged from 7.5 percent (Pike County) to 1.9 percent (Nevada County); for Northwest Arkansas, the proportions ranged from Marion County's 5.0 percent to Scott County's 2.3 percent.

The professional and business services sector accounted for 1.2 percent of total covered employment in Franklin County in 2001, compared to the state's figure of 9.2 percent. In terms of the proportion of covered employment attributed to the professional and business services sector, the county ranked 62nd among the 68 counties in Arkansas for which data were available and 14th ahead of Scott county among the 15 counties in Northwest Arkansas for which data were available. For the state, the proportions ranged

from 23.3 percent (Benton County) to 0.5 percent (Woodruff County); for Northwest Arkansas, the proportions ranged from Benton County's 23.3 percent to Scott County's 0.6 percent.

The education and health services sector accounted for 11.5 percent of total covered employment in Franklin County in 2001, compared to the state's figure of 11.3 percent. In terms of the proportion of covered employment attributed to the education and health services sector, the county ranked 29th among the 74 counties in Arkansas for which data were available and 6th among the 16 counties in Northwest Arkansas. For the state, the proportions ranged from 19.9 percent (Baxter County) to 2.2 percent (Little River County); for Northwest Arkansas, the proportions ranged from Baxter County's 19.9 percent to Crawford County's 6.6 percent.

The leisure and hospitality sector accounted for 6.0 percent of total covered employment in Franklin County in 2001, compared to the state's figure of 7.8 percent. In terms of the proportion of covered employment attributed to the leisure and hospitality sector, the county ranked 49th among the 73 counties in Arkansas for which data were available and 13th among the 16 counties in Northwest Arkansas. For the state, the proportions ranged from 16.7 percent (Carroll County) to 1.9 percent (Woodruff County); for Northwest Arkansas, the proportions ranged from Carroll County's 16.7 percent to Madison County's 4.3 percent.

A summary of Franklin County's largest employers is presented in Table 9 below.

Table 9 – Franklin County's Largest Employers

Company Name	City	Product	Employees
Cargill	Ozark	Poultry	C
Baldor Electric	Ozark	Electric Motors	B
Correll, Inc.	Charleston	Wooden Furniture	B
Arkansas Valley Electric Cooperative	Ozark	Utility	B
Ozark Nursing Home	Ozark	Skilled Care	B
SGL Carbon	Altus	Carbon and Graphite Products	A

Employee Codes – A: Less than 100; B: 100-250; C: 251-500

Figure 3 displays the annual unemployment rates for Franklin County, the State of Arkansas, and the United States for the period 1995 through 2001. For the period, Franklin County experienced unemployment rates well below the state and national averages; the annual unemployment rate in Franklin County was between 1.1 and 1.8 percent below the annual unemployment rate for the state and between 0.4 and 1.8 percent below the annual unemployment rate for the U.S. for the period. In 2001, the unemployment rate in Franklin County was 3.4 percent, compared to the state and national figures of 5.1 percent and 4.8 percent, respectively. Franklin County had the sixth lowest unemployment rate among Arkansas' 75 counties in 2001 and the 4th lowest unemployment rate among the 16 counties in Northwest Arkansas. Unemployment rates in Arkansas ranged from 2.2 percent in Benton County to 13.9 percent in Mississippi County; unemployment rates in Northwest Arkansas ranged from Benton County's 2.2 percent to Newton County's 6.7 percent.

Figure 3 – Historical Unemployment Rate Comparisons: 1995-2001

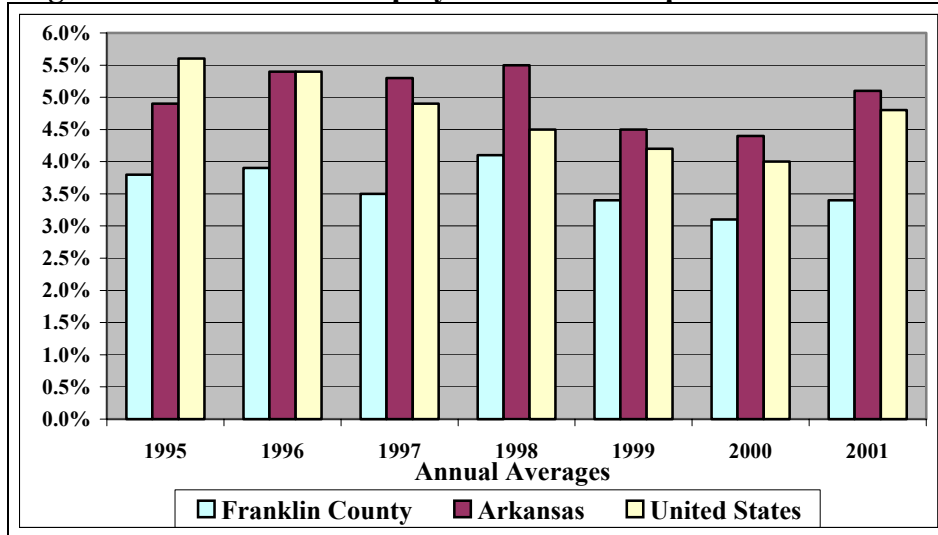
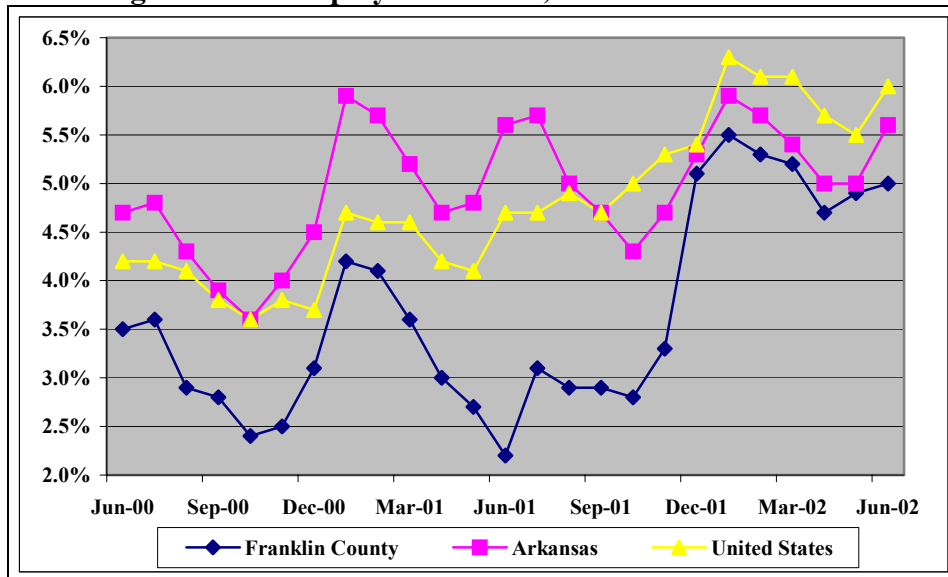


Figure 4 displays the monthly unemployment rates for Franklin County, Arkansas, and the United States from June 2000 to June 2002.⁵

Figure 4 – Unemployment Rates, June 2000 – June 2002



Sources:

Arkansas Employment Security Department, Covered Employment and Earnings, Annual 2001. Table 6: County Summary Employment and Earnings, by Industry, Calendar Year 2001. <http://www.accessarkansas.org/esd/01antb6.htm>

⁵ Note: Data are not seasonally adjusted.

Arkansas Employment Security Department, Covered Employment and Earnings, Annual 2001. Table 1: Average Covered Employment and Weekly Earnings, by Industry, 2001. <http://www.accessarkansas.org/esd/01antb1.htm>

Largest Employers by County data from Arkansas Department of Economic Development.

Arkansas Economic Security Department, Arkansas Revised Labor Force Statistics, Annual Average, 2001. <http://www.accessarkansas.org/esd/lmiaa01.htm>

Arkansas Employment Security Department, Arkansas Labor Force Statistics. <http://www.accessarkansas.org/esd/lmilaborforcestats.htm>

V. Available Industrial Sites and Buildings

There are currently six available industrial sites in Franklin County. The first property is located outside the city limits of Altus and is owned by the City of Altus. There are 75 acres of available land within the property priced \$4,000 per acre, price negotiable. The site is partially cleared and has a slope between 2 and 8 percent. Arkansas Highway 64 is three miles north, U.S. Highway 924 is 1 mile east, Interstate 40 is 7.5 miles north of the site. The Union Pacific Railroad has a line on the east boundary of the site. The Fort Smith Municipal Airport is 45 miles west of the site. There are also port facilities with a barge-rail terminal available at the Port of Dardanelle east of the site. The City of Altus has a 6-inch water main with a normal line pressure of 150 pounds per square inch (psi) 1,300 feet to the east of the site; an extension will be required. The City of Altus also provides sewer services through an 8-inch main with the treatment plant on-site. The Arkansas Western Gas Company (AWG) provides natural gas service to the site through a 4-inch main with a normal line pressure of 200 psi. The Oklahoma Gas and Electric Company (OG&E) provides electricity to the site with a voltage of 7.2 kilovolts.

The second property is located within the city limits of Charleston and is privately owned. There are 50 acres of land available within the property priced at \$5,000 per acre, price negotiable. The site is cleared with a slope of less than 3 percent. There are no major structures on the site. Arkansas Highway 22 directly services the property, and Interstate 40 and is 20 miles north of the site. The Union Pacific Railroad has a line adjacent to the site on the southern border of the property. Commercial air service is available at the Fort Smith Municipal Airport 20 miles west of the site. There are also port facilities with a barge-rail terminal, loading docks, and warehouse facilities are available at the Port of Fort Smith 23 miles to the west of the site. Water service is provided by Charleston Water Department through a 6-inch main with a normal line pressure of 70 psi. The City of Charleston provides sewer service to the site through an 8-inch sewer main. AWG provides natural gas service to the site through a 4-inch main with a normal line pressure of 30 psi. OG&E provides electricity to the site with a voltage of 12.5 kilovolts.

The third property is located inside the city limits of Charleston. There are 30 acres of land available within the property priced \$3,000 per acre. The site is 98 percent cleared and has a slope of 2 percent. The site is naturally drained to the southwest, and a small part of the site is in the 100-year flood plain. There are no major structures on the site.

Arkansas Highway 22 is 0.25 miles north of the site, and Interstate 40 is 20 miles north of the site. The Union Pacific Railroad has a line 40 feet north of the site. Commercial air service is available at the Fort Smith Municipal Airport 20 miles west of the site. There are also port facilities with a barge-rail terminal, loading docks, and warehouse facilities available at the Port of Fort Smith 23 miles to the west of the site. The City of Charleston provides water service to the site through an 8-inch main with a normal line pressure of 70 psi. The City of Charleston also provides sewer services to the site through an eight-inch sewer main. AWG provides natural gas service to the site through a four-inch main. The line is 20 feet to the east of the site with a normal line pressure of 30 psi; an extension will be required. OG&E provides electricity to the site with a voltage of 34.5 kilovolts.

The fourth property is located inside the city limits of Ozark and is privately owned. There are 20 acres of land available within the property priced \$6,000 per acre, price negotiable. The site is cleared and has a slope of five percent. There are no major structures on the site. Arkansas Highway 219 is 0.4 miles east of the site, and Interstate 40 is 0.5 miles east of the site. The Union Pacific Railroad has a line two miles south of the site. Commercial air service is available at the Fort Smith Municipal airport 35 miles west of the site. There are also port facilities with a barge-rail terminal available at the Port of Van Buren 30 miles to the west of the site. The Watalula Water User Association provides water service through a 4-inch main with a normal line pressure of 50 to 60 psi. The City of Ozark has a sewer line 2,800 feet south of the site; an extension will be required. AWG provides natural gas service to the site through a 4-inch main with a normal line pressure of 350 psi. The Arkansas Valley Electric Cooperative provides electricity to the site with a voltage of 7.2 kilovolts.

The fifth property is located outside the city limits of Charleston. There are 18 acres of available land within the property priced at \$4,000 per acre. The site has some timber on it, and the slope of the site is 6 percent. There are no major structures on the site. Arkansas Highway 22 directly services the site, and Interstate 40 is 20 miles north of the site. The Union Pacific Railroad has a line 0.25 miles south of the site. Commercial air service is available at the Fort Smith Municipal airport 20 miles west of the site. There are also port facilities with a barge-rail terminal, loading docks, and warehouse facilities available at the Port of Fort Smith 23 miles west of the site. The City of Charleston has a 6-inch main with a normal line pressure of 70 psi. The City of Charleston has an 8-inch sewer main 300 feet south of the site; an extension will be required. AWG has a 4-inch main with a normal line pressure of 30 psi 1,000 feet south of the site; an extension will be required. OG&E has a 12.5 kilovolt line 300 feet south of the site; an extension will be required.

The sixth property is located within the city limits of Ozark and is owned by an individual and a trust. There are 10 acres of available land within the property priced at \$5,000 per acre. Most of the site has been cleared, and the slope of the site is between 1 and 2 percent. The Pony Express Convenience Store and the Mug & Jug Drive-in are located in the area. Interstate 40 is 3.5 miles north of the site. The Union Pacific Railroad has a line one mile southeast of the site. Commercial air service is available at

the Fort Smith Municipal airport 40 miles west of the site. There are also port facilities with a barge-rail terminal, loading docks, and warehouse facilities are available at the Port of Van Buren 30 miles west of the site. The City of Ozark has an 8-inch water main with a normal line pressure of 60 psi 200 feet south of the site; an extension will be required. The City of Ozark provides sewer service to the site through a 6-inch main. AWG has a 2-inch main with a normal line pressure of 30 psi 400 feet southeast of the site; an extension will be required. OG&E provides electricity to the site with a voltage of 12.5 kilovolt.

There are currently no available industrial buildings in Franklin County.

Sources:

Available Building and Site Database for Arkansas Communities, Arkansas Department of Economic Development.

http://www.1800arkansas.com/Buildings_Sites/Site.asp?SiteNumber=ALTU001

Available Building and Site Database for Arkansas Communities, Arkansas Department of Economic Development.

http://www.1800arkansas.com/Buildings_Sites/Site.asp?SiteNumber=CHAR002

Available Building and Site Database for Arkansas Communities, Arkansas Department of Economic Development.

http://www.1800arkansas.com/Buildings_Sites/Site.asp?SiteNumber=CHAR001

Available Building and Site Database for Arkansas Communities, Arkansas Department of Economic Development.

http://www.1800arkansas.com/Buildings_Sites/Site.asp?SiteNumber=OZA003

Available Building and Site Database for Arkansas Communities, Arkansas Department of Economic Development.

http://www.1800arkansas.com/Buildings_Sites/Site.asp?SiteNumber=CHAR003

Available Building and Site Database for Arkansas Communities, Arkansas Department of Economic Development.

http://www.1800arkansas.com/Buildings_Sites/Site.asp?SiteNumber=OZA006

VI. Economic Goals

Franklin County has challenges to overcome to be prepared to take full advantage of the jobs in the new economy. With a workforce that is slightly older and less educated than the state average, Franklin County's economy primarily consists of jobs in the agricultural and manufacturing sectors. The county's per capita personal income is lower than the state average and poverty among the elderly is higher. Most sectors' average weekly earnings are quite low compared to the rest of the state.

Franklin County is fortunate to have a major national east-west corridor running through the county. The importance of Interstate 40 to the local economy should not be overlooked; indeed, the existence of such infrastructure should be highly touted when attempting to recruit new industries. Also, the proximity to 11 postsecondary institutions (all within 100 miles) should allow the population easy access to the kinds of education and job training that lead to success in the new economy.

Economic developers in Franklin County should attempt to diversify the local economy by attracting professional, financial, and high-end service jobs. These jobs can help soften the effects of the national trend of declining employment in manufacturing.

VII. Opportunities for Future Business Development

Poultry

The domestic market for the U.S. agribusiness industry is relatively mature, with consistent but modest growth likely in the future. Demand for protein-rich foods is growing more rapidly in developing countries than in the United States, because of their higher population growth, rapid industrialization, and rising disposable income. Furthermore, agricultural output in such countries is growing less rapidly than consumption. Consequently, the U.S. agribusiness industry is strongly positioned to take advantage of future increases in worldwide food demand.

With the world's gross domestic product expected to rise to nearly \$10.1 trillion in 2009 (a 34 percent increase over the preceding 10 years), there is ample reason to expect ever-growing demands on the world's agriculture. Whenever incomes begin to rise, one of the first things people do is to upgrade their diets. With increasing prosperity, people consume more food grains, meat, sweeteners, and vegetable oils. Since 1990, worldwide consumption of beef, pork, and poultry has surged approximately 29 percent.

Another trend in the U.S. agribusiness industry is the number of market participants, ranging from farmers to processors, has steadily declined, as agriculture has moved toward vertical integration and consolidation. According to the Center for Rural Affairs, a private nonprofit group focused on rural development and agricultural policy, as of 2000, an estimated 80 percent of the U.S. beef market was controlled by four firms: Tyson Foods, ConAgra, Excel Corp., and Farmland National Beef Inc. These same firms, plus Smithfield Foods, controlled approximately 58 percent of the U.S. pork market. In 1999-2000, 24 percent of pork producers went out of business. Today, 35 producers account for 95 percent of the pork slaughter capacity, although they operate only about 5 percent of the estimated 800 pork slaughterhouses in the United States. According to the National Chicken Council, during 2000, the top 8 chicken producers raised 64 percent of the broilers sold in the United States. Further consolidation in the poultry industry is expected to cut the number of broiler suppliers almost in half by 2010.

For the past three decades, much of the consolidation among meat processors occurred at the slaughter capacity level. Today, however, more and more companies are focusing on acquisitions that will expand their final offerings to include higher-margin processed and prepackaged meat that is ready for the consumer to heat and eat. These can include freshly cooked and frozen meats that have been marinated or seasoned. Advocates of consolidation believe that the process will lead agricultural producers toward more efficiency, less dependence on government assistance, and greater global competitiveness. Furthermore, as larger and more specialized producers realize lower

production costs through economies of scale, these savings can be passed through to consumers in the form of lower commodity and processed food prices.

In the mean time, agribusiness is being transformed by modern technology. Technological developments have changed the way things are done on the farm, in assembly, in processing, and in distribution. An increasing number of farmers and ranchers are doing business over the Internet. According to the U.S. Department of Agriculture, 55 percent of all farms were using computers in 2001, up from 38 percent in 1997. In 2000, 24 percent of farms used the Internet as a management tool in their farming operations, including \$665 million in online buying and selling. Use of this technology allows farmers to receive and manage timely information in rural locations. In addition, nearly all farms that used the Internet in 2000 to purchase inputs indicated that they are likely to maintain or increase purchases in the future. Thus, with decreasing costs of computers and Internet access, growth in Internet use is likely to continue.

In April 2000, the world's leading meat and poultry processors took the next step toward realizing "seamless" trade — the transacting of wholesale business without intermediaries, and the streamlining of the purchase and sales process to facilitate higher volumes. Tyson Foods Inc., Cargill, Smithfield Foods, Gold Kist Inc., and Farmland Industries Inc. launched an online marketplace, or portal, for meat and poultry products called Provision X; the venture is headquartered in Chicago. Provision X agreed to be acquired by iTradeNetwork (ITN) in February 2002. ITN provides online e-business solutions for 38 percent of the U.S. retail grocery and food service industries, including seven of the top fifteen food retailers in the nation.

Capital Goods

The capital goods industry has a number of trends and themes: consolidation; customers' ever-growing demands for improved value and service; e-commerce initiatives; and the cyclical nature of the overall capital goods industry.

Consolidation remains a long-term trend in many capital goods sectors. Service companies, such as those in engineering and construction, can expand their geographic range or acquire specialty firms that extend their capabilities. Acquisitions are considered by these companies as a mean to add to a business' portfolio. Through acquisition, the operating subsidiaries may optimize the use of the parent company's capital and to provide the most favorable returns to investors.

To meet customers' demand, capital goods makers have applied sophisticated electronics to mechanical systems in order to enhance productivity, increase precision, facilitate maintenance, and provide operators with more complete information on the equipment's operating status. Reducing the complexity of the capital equipment is another tactic used by manufactures to improve the equipment's quality and reliability, while cutting the cost to buy and operate it.

The Internet is revolutionizing the way many capital goods manufacturers conduct

business. The Internet will affect capital goods manufacturers positively or negatively, and to different degrees, based largely on whether a manufacturer produces price-sensitive, commodity-like products, or proprietary, hard-to-duplicate products. Makers of commodity products, such as nuts and bolts for the auto- and aircraft-manufacturing industries, are probably most vulnerable to the profit-squeezing potential of the Internet. While companies that make sophisticated, hard-to-duplicate industrial goods probably will not be affected much by the Internet.

The cyclical pattern for industrial machinery and equipment demand generally follows the strength of the economy. Growth in industrial equipment sales cooled dramatically over the past few years. Based on U.S. Census statistics, non-military, nonaircraft industrial equipment sales grew at only a 0.25 percent annual rate from 1999 through 2001. The slowing global economy, as well as global industrial overcapacity, forced many manufacturing businesses to reduce production rates dramatically.

Furniture

Two reasons for optimism in the appliances and furniture industries are the current U.S. demographics and housing trends. The main population group targeted by the industry is 35-to-64 year-olds, which is the fastest-growing segment in the United States. This group comprises individuals who have reached their peak spending years and who are likely to trade up in the housing market and to replace earlier purchases of major durables, such as furniture and appliances. As consumers enter their prime income-earning years (between 35 and 55 years of age), they are more likely to replace old, inexpensive furniture with new, higher-quality brands and to renovate their kitchens with state-of-the-art appliances. The most popular remodeling projects are those with the biggest payoffs in terms of home values. Topping the list are minor kitchen improvements, followed by major kitchen improvements (both of which foster demand for new appliances) and the addition of a master suite (which spurs demand for bedding and other furnishings).

In the meantime, houses in U.S. are getting larger. More total floor space and a greater number of rooms per house translate into more furniture and appliance sales. In 2000, new homes averaged 2,273 square feet, versus 1,645 square feet in 1975, according to the Census Bureau. Home ownership is also growing. According to the U.S. Census Bureau, the percentage of householders owning houses rose to 68 percent during the fourth quarter of 2001, up from 67.4 percent for all of 2000 and 63.8 percent in 1988. This bodes well for furniture manufacturers, as homeowners generally buy more furniture and spend more dollars per item than do renters.

Demographics also suggest that the housing market for consumers who can afford new homes is fairly saturated. Standard & Poor's forecasts that housing starts will rise only about one percent from 1.61 million (revised) in 2000 to 1.63 million units in 2005. This suggests that during the next five years, furniture and appliance manufacturers will depend more on replacement demand, including remodeling purchases, than in the prior decade. In that environment, companies will need innovative, stylish, and attractively priced products to stimulate sales.

On the distribution side, strategies and channels for both furniture and appliance sales are changing. The number of single-vendor furniture stores - retail outlets that sell just one brand of furniture - has been rising in recent years. The single-vendor retail stores benefit both manufacturers and retailers. For manufacturers, the benefits include attracting a dedicated customer and enjoying more floor space and a higher brand profile than in a multivendor format. By building a network of retail locations, manufacturers create a customer base for their products and enhance their brands. For retailers, the benefits include exclusive distribution territories, the efficiency of working closely with just one vendor, and brand-name recognition. While single-vendor stores may be smaller than multivendor units, their sites are usually highly trafficked by consumers. The single-vendor stores are usually highly trafficked by consumers, typically resulting in higher sales and profits per square foot than in traditional stores.

A continuing challenge for U.S. manufacturers is to compete for domestic market share with the ever-growing number of foreign producers. Although it is beneficial to U.S. consumers in the form of lower furniture prices, the outsourcing trend means a continued reduction in domestic manufacturing and manufacturing jobs.

Utilities

The electric power industry is in the midst of radical change brought on by deregulation. The National Energy Policy Act of 1992 exposed the generation and wholesale power markets to competition. The industry restructuring has been focused on open-access transmission, pricing, and the recovery of stranded costs.

Despite the specter of increased competition, the U.S. electric industry is mature. Over the long term, utilities are facing the prospect of sluggish demand growth. Industry experts have projected long-term average annual growth in national demand at about 1.7 to 1.8 percent through 2010. On a regional level, however, growth can vary substantially due to differences in the composition of local businesses, industries, and economies.

Residential electric utility customers accounted for nearly 88 percent of the 126.7 million total final customers in the United States in 2000. The number of residential electric utility customers increased 1.2 percent to 111.1 million in 2000. This modest increase in the customer base will likely persist, reflecting the sluggish rate of new U.S. household formations and slow growth in the overall population, trends that are expected to continue for the foreseeable future. Thus, demand growth will remain mostly weather-related.

Long-term growth in sales to industrial customers is also expected to be modest. Standard and Poor's expects the volume of annual industrial sales growth to be relatively modest through 2006, with demand determined by the relative strength of the economy.

Over the next several years, Standard and Poor's expects to see increased demand from the commercial sector, with the pace dependent on the vigor of the economy. Demand

should be boosted by the growing number of customers as well as the increasingly widespread use of computers and other office equipment.

Facing slow demand growth and regulatory constraints in their core business, many electric utilities are diversifying in an attempt to generate higher returns. In general, however, diversification strategies have been limited to the purchase of natural gas and water utilities, geographic expansion, and a focus on various electric services.

Another trend in the electric utility industry is that the investor-owned utilities have begun to consolidate with gas pipeline and/or distribution companies in order to become providers of “energy” rather than of just electricity. Numerous recent mergers have involved at least one partner with gas operations.

The advent of wholesale wheeling and non-utility generation created the opportunity — and the need — for companies to market and broker power. As of May 1, 2002, 534 independent power marketers and 171 affiliated power marketers were registered with the Federal Energy Regulatory Commission. However, the move toward developing an efficient power market has encountered serious problems that led to astronomical rise in power prices and pushed several utility companies into financial disaster.

Skilled Care

As cost pressures throughout the healthcare industry have grown, nursing homes have converted segments of their facilities to provide sub-acute care, rehabilitation, or other higher-margin business lines. Many nursing home chains have developed expertise in skilled rehabilitation therapies, e.g., occupational, physical, speech, and respiratory. In addition, many now offer complex and intensive medical services to patients whose health problems are more serious than those of the typical nursing home resident. This sub-acute care market niche provides a cost-efficient alternative to general acute-care hospitals.

The growth of assisted-living facilities will be driven by change in U.S. demographics. Individuals aged 85 and older — a group representing the largest number of users of long-term healthcare services — is currently the fastest-growing segment of the U.S. population. At present, 3.6 million people are over the age of 85, and that number is expected to reach 5.7 million by 2010. Industry sources project that expenditures for senior living approximated \$18 billion in 2000 and could reach \$30 billion by 2005. Assisted-living services are provided largely to private-pay, long-term clients, but many states are developing regulatory structures to provide some reimbursement under Medicaid.

Beginning in the 1980s, the assisted-living industry emerged as an attractive housing alternative for frail and elderly persons who do not require intensive medical care. However, financial struggles have reduced the projected growth rate of this housing model over the past few years. Standard & Poor’s believes that assisted living remains desirable for individuals able to pay for the bulk of their housing needs. However, the

industry will continue to struggle unless additional state and/or federal payment reimbursements are instituted.

Source: Standard and Poor's NetAdvantage.

<http://0-www.netadvantage.standardpoor.com.library.uark.edu/>