

Supporting Eastern Oregon's New Natural Resource Economy



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Executive Summary

Prepared by

The University of Oregon
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Project Team

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Greater Eastern Oregon Development Corporation



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About the Community Service Center

The Community Service Center (CSC) is a research center affiliated with the Department of Planning, Public Policy, and Management at the University of Oregon. It is an interdisciplinary organization that assists Oregon communities by providing planning and technical assistance to help solve local issues and improve the quality of life for Oregon residents. The role of the CSC is to link the skills, expertise, and innovation of higher education with the transportation, economic development, and environmental needs of communities and regions in the State of Oregon, thereby providing service to Oregon and learning opportunities to the students involved.

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Project Background & Purpose

Rural communities in Eastern Oregon, once fundamentally tied to commodity production (primarily in timber and agriculture) began to experience prolonged economic decline in the latter half of the 20th century. Technological advances in commodity production (including automation), globalization, changing social expectations, and environmental regulations created significant challenges for rural communities. While natural resources continue to be the dominant assets of many rural communities, opportunities are emerging to use these resources in new and creative ways. Innovations in natural resource management, coupled with new and expanding markets for natural resource products that represent a healthy environment-healthy economy principle present opportunities for rural entrepreneurs to complement traditional natural resource uses.

Project Purpose

Building on prior research by Michael Hibbard and Sue Lurie, the Community Service Center (CSC) at the University of Oregon collaborated with Hibbard and Lurie in 2016-17 to investigate the economic development opportunities of new natural resource markets. This study explores business needs and suggests methods economic development specialists in Eastern Oregon might use to revitalize rural communities and the greater regional economy through intentional and targeted support for innovative natural resource industries.

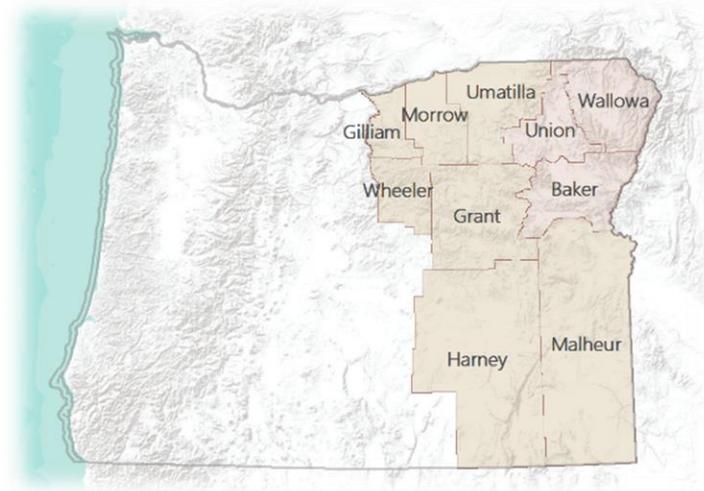
More specifically, this project identifies ways government and non-profit economic development organizations can support small, rural firms in Eastern Oregon that are finding innovative ways to use natural resources to create new products and reach new markets. We call this emerging aggregate of natural resource based businesses the “New Natural Resource Economy,” or NNRE.

This project investigates opportunities for growth in the NNRE by:

1. **Identifying the existing NNRE and its subsectors** in each of two economic development districts, the Greater Eastern Oregon Development Corporation (GEODC) and the Northeast Oregon Economic Development District (NEOEDD).
2. **Pinpointing barriers and opportunities** associated with the NNRE.
3. **Developing policy recommendations** aimed at state, regional, and local governments that will enhance development of the NNRE in Eastern Oregon.
4. **Developing strategies and tools** to reduce barriers to entry for innovative NNRE entrepreneurs and support NNRE business start-ups and expansions.

Our study area includes ten counties in Eastern Oregon: Gilliam, Wheeler, Morrow, Umatilla, Grant, Harney, Malheur, Baker, Union, and Wallowa.

Study Area



What is the NNRE?



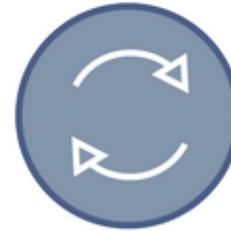
The New Natural Resource Economy is a complement to traditional natural resource enterprises that can help diversify local economies. It consists mostly of very small businesses that use natural resources in innovative ways to create new products (such as biomass fuels and lumber from juniper) and tap into new markets (such as farm-to-table agriculture and ecotourism). NNRE businesses contribute simultaneously to resilient local economies and a healthy environment by emphasizing stewardship and restoration principles.

Innovative entrepreneurs and very small business owners in Eastern Oregon (and elsewhere in rural areas throughout the US) are pursuing natural resource-based activities that combine environmental values with profit motives. Farmers and ranchers are using low-impact practices to feed the growing local and organic food market, foresters are experimenting with sustainable timber harvesting and biomass production, and value-added producers like brewers, distillers, and furniture-makers are capitalizing on the area's resources to produce craft products for specialty markets.

New firms specializing in habitat restoration, renewable energy, and agritourism or ecotourism and existing firms that are transitioning over to these activities emblemize an emerging economic trend.

Our work centers on the idea that the NNRE has significant potential to increase prosperity in Eastern Oregon and in resource-based rural economies everywhere. We suggest ways to support their efforts in order to increase business diversity and economic resilience in rural communities through a healthy environment/healthy economy approach to rural economic development.

WHY IS NNRE IMPORTANT?



Complements Existing Economy

Increases Resiliency



Benefits Local Community



Preserves Environmental Health



Findings

To better understand the NNRE in Eastern Oregon, we interviewed 42 NNRE businesses and economic development professionals in the ten-county region and conducted an online survey which received responses from 43 NNRE businesses throughout the study region. These interactions were designed to gather information about the **characteristics of NNRE businesses** in Eastern Oregon, how these businesses **interact with service providers**, and the major **concerns and barriers**, NNRE businesses feel are slowing their success.

While findings do not definitively apply to all NNRE businesses, scoping work, interviews, and surveys revealed common threads that provide a preliminary understanding of a range of NNRE enterprises in Eastern Oregon. The needs and preferences of NNRE businesses from interviews and the survey may not be representative of the entire sector; however, responses provide important insights into some of the issues NNRE businesses face. This research offers a starting place for further exploration and definition of Eastern Oregon NNRE businesses' needs.

Characteristics of NNRE Businesses

We have organized NNRE businesses into a simple four-category typology: forest products, agriculture, tourism and restoration. These categories are just a starting place for understanding what the NNRE comprises, based on the responses to this research. They are also flexible as a number of enterprises fit into more than one category.

Over half of responding businesses fell into the agriculture category, and just over one-quarter worked in tourism. The vast majority had been in operation for at least three years (with over 60% operating for more than ten years), meaning that the perspectives of very new businesses may not be completely captured in the results.

Most NNRE businesses that responded to the survey served either retail customers or other businesses, with fewer working directly with government. Additionally, the majority of respondents reported regional customers (25 – 300 miles), with many also reporting a focus on the immediate local area (less than 10 miles) and Western States.



Another defining characteristic of NNRE businesses is their multifunctional nature. They use the landscape for multiple purposes, including *production* (such as agriculture or forestry); *consumption* (using the land without using it up, such as agri- and eco-tourism); and *restoration* (activities focused on returning landscapes to healthy states, such as though riparian and forest plantings).

Business Goals and Decision Making

In terms of business goals, responding NNRE businesses naturally want to be successful, but they make business decisions based on more than just financial gain. Responses suggest that they adopt a holistic approach to decision-making, weighing environmental, economic, and social impacts. While profitability is, as might be expected, a priority, environmental health and community well-being are also important business goals.

When asked about financial considerations that influenced their decision-making, typical objectives included increasing profits and reducing costs. Most respondents indicated, however, that getting rich, creating a business to sell, or building equity are much less important factors in decision-making than achieving long term stability and providing for their families and their workers.

NNRE BUSINESS GOALS

NNRE business owners care more about the health of their community and the environment than they do about getting rich

- SUSTAINING BUSINESS**
No business can exist without making money, so business owners want to ensure their business is profitable. However, becoming rich is not a common goal. 
- SUPPORTING FAMILY**
Business owners want to make sure they can provide for themselves and their families. Having a profitable business is also important for this goal. 
- SUPPORTING COMMUNITY**
Business owners look beyond themselves to the health of their community. Most want to provide a living wage for their employees and support other local businesses. 
- STRENGTHENING ENVIRONMENT**
NNRE business owners know their success depends on a healthy environment. They make decisions with environmental impact in mind. 
- CONTINUING RURAL LIFE**
Rural communities exist because residents enjoy a rural lifestyle. NNRE business provide jobs that allow people to live and work in a location they love. 

Interactions with Business Service Providers

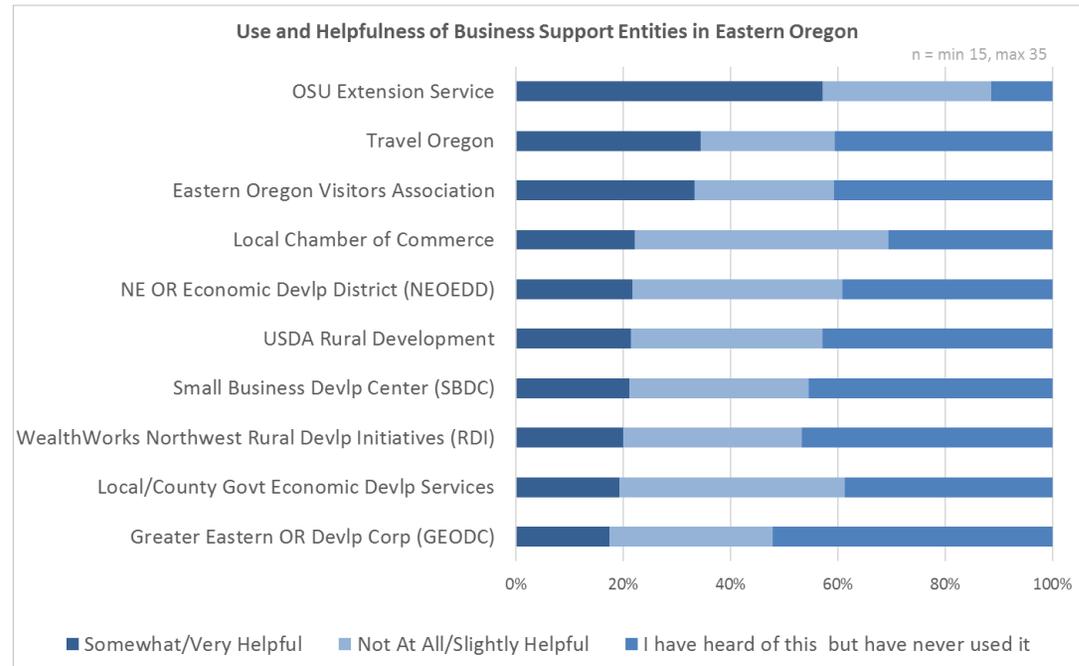
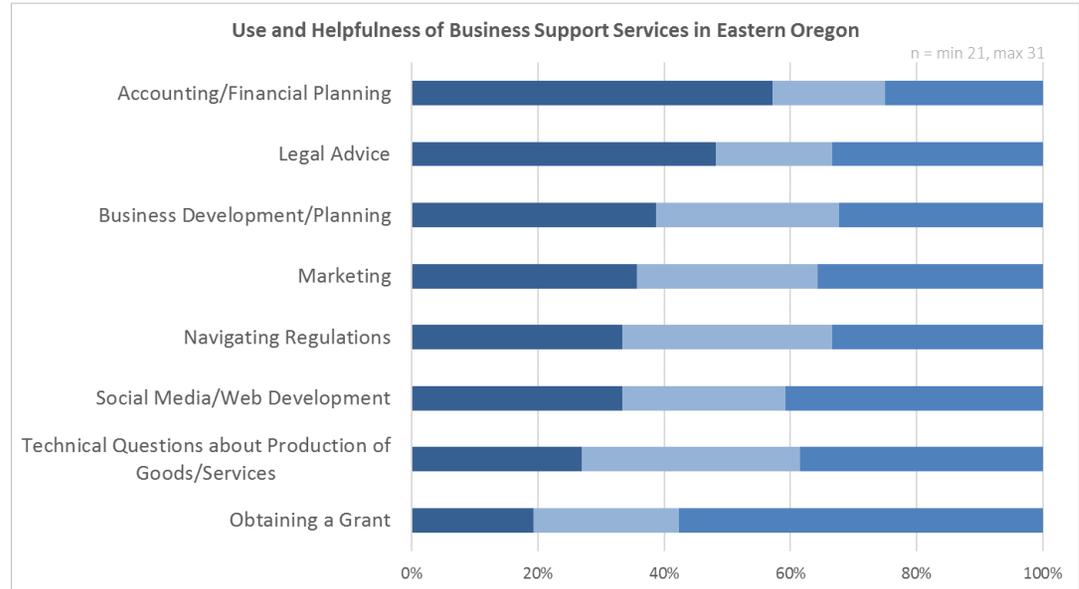
Survey responses reveal that, while respondents are aware of many support services and the organizations that provide support, they don't necessarily use those services. When they did use the services, businesses indicated some ambivalence about their helpfulness. At the same time, surveyed businesses stated they are much more likely to seek help from subject matter experts (such as lawyers, accountants, banks, etc.) or their peers before turning to the "generalist" services provided by business or economic development organizations.

Awareness, Use, and Helpfulness of Existing Business Support Services

The survey asked businesses about their awareness and use of business support services and organizations as well as how helpful they found these services or organizations to be, if they had used them. These results are presented in the accompanying charts and show that in many cases, the majority of respondents did not use services or organizations, and when they did, helpfulness was often viewed as limited, particularly for more "generalist" services.

Desired Services and Common Sources of Assistance

Businesses expressed a desire for assistance with technology (specifically related to online presence) and marketing. Businesses also expressed interest in assistance with navigating regulations, and requested workforce development programs and technical training through high schools and community colleges to assist young people interested in small-scale agriculture.



Businesses are not particularly concerned about access to space and materials; rather, they are interested in services that might provide specific technical assistance or access to peer networks. More than half of respondents thought workshops/trainings, business counseling/technical assistance, and networking opportunities would be useful for an entrepreneurship or business support center to provide.

TOP

SOURCES OF SUPPORT

- 1 Their network of colleagues engaged in similar types of businesses (peers)
- 2 Their co-owners, friends, and relatives
- 3 Business service professionals such as accountants or lawyers (experts)

NNRE businesses typically are looking for direct, one-on-one help when they encounter a problem they cannot solve on their own.

Preferred Service Delivery Formats

Surveyed businesses selected their preferences for how support should be provided at a business support or entrepreneurship center. The top responses all involved direct access to a person, whether through an online interactive webinar or a physical space where business owners could go for help.

DESIRED SERVICES ?

Business Owners Want:
Targeted one-on-one help finding solutions to their problems, especially with

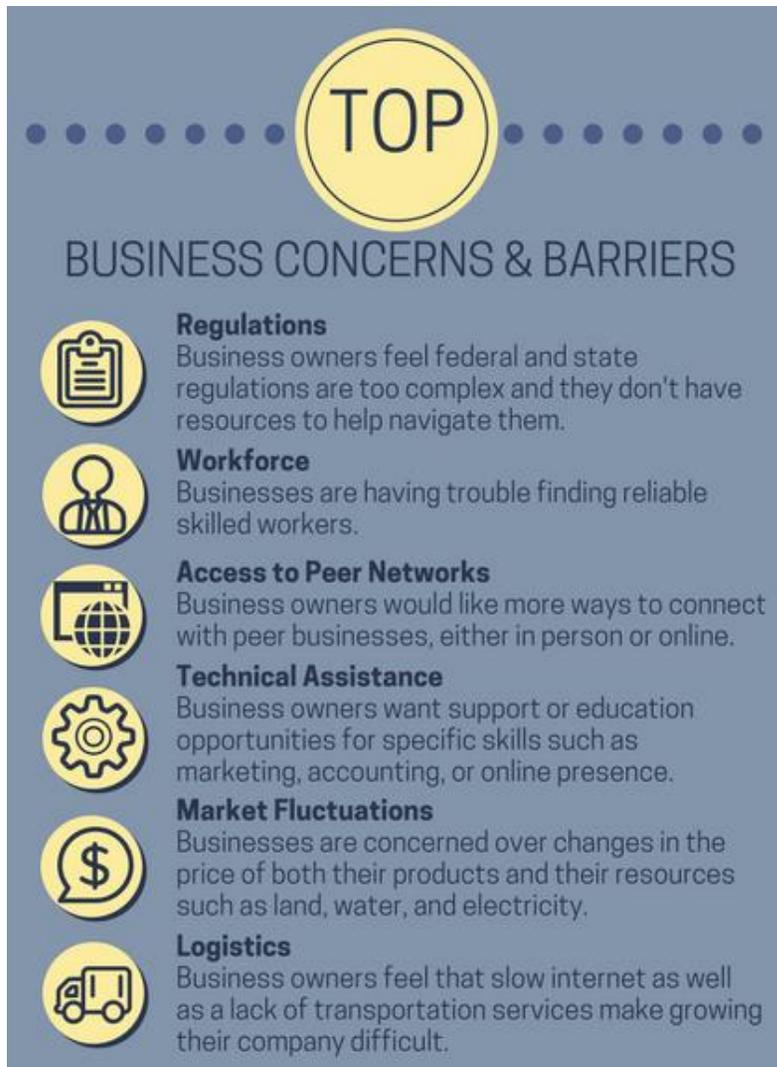
Marketing - Online Presence - Networking

Business Owners Prefer:

Talking to a live person A help center Online information

Concerns and Barriers

Over three-quarters of survey respondents indicated that they were either concerned or very concerned about their businesses' ability to thrive. Workforce issues, regulatory complexity, the price of energy, and taxes were highlighted as top areas of concern.



The Role of *Ranchitos* in Oregon's NNRE

Gerardo Sandoval, associate professor at the University of Oregon, conducted a secondary study investigating NNRE activities within Eastern Oregon's Latino community.

The findings reveal a new/old NNRE business type that some Latinos are involved with, the *ranchito*, which makes an important contribution to the community.

Latinos own small farms called *ranchitos*, where they raise chickens, pigs, cattle, wheat, alfalfa, and vegetables. They sell their products by word-of-mouth to friends, family members, and other Latino community members. *Ranchitos* are particularly prevalent in the Hermiston and Ontario areas.

Although not certified as such, the agricultural products are grown organically and the meat is not treated with antibiotics or with hormones, hence *ranchito* activities fit the definition of NNRE. Also, they add value to the local economy since the products are sold locally.

Eastern Oregon's *ranchitos* parallel similar institutions in rural Mexico that play an important social and cultural role in the community in addition to their contributions to the economy and environment. They provide safe, healthy food and contribute to the buy-local movement, keeping money in the community. They also serve as social-spatial forms of immigrant integration by replicating a Mexican rural lifestyle in Eastern Oregon.

To sum up, *ranchitos* are friendly to the natural environment and support a rural Latino cultural lifestyle through rural economic activities. *Ranchitos* are not very visible to the larger community and their important role needs to be investigated to better understand how they can be supported and strengthened.

Recommendations

The recommendations outlined in this section are based on responses to the interviews, surveys, and feedback from previous workshops with economic developers. They are meant to become part of a toolkit that economic development entities at the local, regional, and state level can use to support NNRE businesses in the future

Regulations

The greatest concern of NNRE businesses lies in government priorities and regulatory complexity. Our investigation revealed that business

owners have trouble finding answers to their questions about regulation and often feel like they are shuffled around to multiple agencies before their issue is resolved. This requires a large amount of effort and time for business owners, and sometimes their employees. Additionally, certain types of NNRE activities require strong government support in order to maintain their business. This is especially true for restoration work, which is largely funded by the state and federal government. Fluctuations in government priorities and funding sometimes forces these businesses to lay off workers, harming the local economy

Regulations		
Concern	Potential Solution	Action Items
Regulations are too complex.	Provide “case manager” capacity to explain and navigate regulations.	Regional Solutions is an organization that may have this capacity. If so, economic development organizations can highlight its existence and refer interested businesses to it.
		Find funding for a dedicated case manager role and determine which economic development entity should host it. NEOEDD and GEODC are likely candidates.
		Build on existing relationships with regulatory agencies, and identify a point of contact that the case manager can use to answer regulatory questions for clients.
		Collaborate with government agencies to provide easily accessible information online. Oregon Business Xpress already has substantial online options; identify any NNRE or rural business needs that aren’t already included.
Government priorities change.	Advocate for consistent spending on NNRE projects and share the important role these businesses have in the local community.	Partner with advocacy groups and trade organizations in NNRE-related sectors. These groups provide lobbying power to effectively establish the benefit of natural resource work to Eastern Oregon communities and the importance of consistent government funding and support. Initially, this will be most effective at the local or state level, though there is the potential that positive outcomes in Oregon can be used to influence federal funding priorities as well.

Workforce

A consistent concern for NNRE businesses is a perceived lack of reliable workers with the necessary skills. This might be explained in part by the current robust labor market and low unemployment rate, but respondents described it as an ongoing problem that persists regardless of economic conditions. Businesses identified two main concerns with workers: lack of a good work ethic (reliability, willingness to work hard, and the like) and lack of the knowledge and technical skills necessary to do the job. Imbedded in the issue of the size and

quality of the labor pool is the general movement of young people from rural to urban areas. This phenomenon is not unique to Eastern Oregon, of course, and there are local actions that will encourage the retention of youth within the local community. They center on introducing the idea and possibilities of entrepreneurship early in the school curriculum so students can see the prospects for a self-made future in their home town. Along with this, experiential opportunities for high school students through mentoring, job-shadowing, internships, and part-time work can provide job training, build a good work ethic, and expose students to the possibilities of having a small business in their home town.

Workforce		
Concern	Potential Solution	Action Items
Lack of reliable skilled workers.	Incorporate entrepreneurship into K-12 education.	Work with local school districts to create and promote age-appropriate entrepreneurship content throughout K-12.
		Incorporate knowledge of NNRE and entrepreneurship into the outdoor school programs in all Eastern Oregon school districts.
	Build entrepreneurship and professionalism skills in college.	Eastern Oregon University offers both business and natural resource classes. There is an opportunity to incorporate business skills and professional development skills in natural resource programs to produce well-rounded graduates that are ready to enter the labor force or start their own natural resource business.
	Create job training programs that focus on skills needed by NNRE businesses.	Create a job shadow or internship program for high school students that would pair them with NNRE businesses to build skills and gain work experience. Depending on the needs of the business owner, this program could provide short-term or long-term work.
		Find funding for a job training program, potentially through Business Oregon and/or the Oregon Employment Department.
		Create a phone survey for NNRE businesses to determine their most needed job skills.
		Establish a partnership with the Workforce Investment Board and Business Oregon's Rural Opportunity Initiative to set up and run this program.
	Host local job fairs for NNRE businesses.	Partner with cities across the region and develop a job fair that cycles through each location. Local chambers of commerce can help organize and promote these events.
Offer employer-employee mediation services to resolve conflicts before the employee needs to be fired.	Find a host organization for a mediation program, likely the Oregon Employment Department.	

Networking

NNRE businesses expressed a desire for increased networking with local entrepreneurs and peer businesses. While online networking capacity exists through forums and email lists, respondents showed a strong

interest in a physical meeting space where they could gather to share ideas, build relationships, and get advice for common problems. The interviews and survey also revealed a lack of utilization of existing professional support services. As previously stated, this stems from a lack of understanding of the services provided and skepticism over the agenda of economic developers as an arm of the government.

Networking		
Peer Support Networks		
Concern	Potential Solution	Action Items
Lack of physical networking space and events.	Sponsor or host NNRE networking events.	GEODC or NEOEDD can partner with chambers of commerce, cities, and county economic developers to host networking events.
		Events could be part of a larger business accelerator or incubator program modeled after the Regional Accelerator and Incubation Network (RAIN) in the Willamette Valley.
		Publicize networking events and maintain a consistent event schedule to encourage attendance and foster a community feeling.
Lack of online networking space.	Create online networking spaces, or facilitate access to existing networks.	Partner with local, regional, and national trade organizations to create a list of existing online networks. This list should be displayed on the website of all economic development entities so it is easily visible to businesses. Economic developers should also have a working knowledge of the list so they can recommend the relevant online network to businesses when asked.
		If online networks do not exist, facilitate their creation in partnership with trade organizations.
Professional Support Networks		
Concern	Potential Solution	Action Items
Economic development support services are underutilized.	Increase awareness of available services and build stronger relationships with NNRE businesses.	Create a marketing campaign for economic development organizations highlighting the benefits to NNRE businesses. Marketing can take the form of local ads and brochures to display at chamber of commerce offices, banks, and other business support providers.
		Economic development staff should emphasize making personal connections with business owners. It was suggested by one economic development organization's employee that workers spend more time "in the field" and less time in the office.
		Economic development staff can attend networking events, chamber of commerce meetings, and other local business events to become friendly and familiar faces representing their organization.
	Better coordinate the efforts of economic development entities serving the region.	Coordinate among economic development entities to share ideas and approaches to determine what strategies appear to be most effective.
		Provide information on services offered by other economic development entities to businesses.
	Create an inventory of specialized support organizations and services.	Business Oregon can create and host an inventory of support organizations with assistance from other economic developers. The inventory should include hyperlinks to each support organization and include a description of the services each provides. Each economic development entity can display or link to the inventory on their own websites.

Technical Assistance

Because many NNRE businesses are small and have limited capacity, many respondents expressed a need for assistance when they run into

problems managing their business or producing their product. Respondents remarked on the limited value of generalized management advice and the need for assistance or training on specific issues, such as marketing, accounting or online presence.

Technical Assistance		
Marketing and Online Presence		
Concern	Potential Solution	Action Items
Businesses need assistance with marketing.	Create a marketing assistance program.	Partner with Eastern Oregon University’s College of Business to establish an internship program or class projects for NNRE business marketing.
		Create marketing templates for specific audiences modeled after Travel Oregon’s resources for tourism businesses.
Businesses need assistance with branding.	Create a branding assistance program.	Add branding classes to economic development organizations’ suite of business development classes.
		Establish partnerships with journalists, marketers, or other communication professionals that can assist NNRE businesses with developing their brand and telling their story.
Businesses need assistance with developing a stronger online presence.	Determine specific needs of NNRE businesses for their online presence.	Conduct outreach with NNRE businesses to determine what they currently struggle with in their online presence.
		Based on outreach, create classes to teach desired skills.
	Assist with website development.	Partner with Squarespace or other website hosting service to provide resources on website development to business owners.
Business Management		
Concern	Potential Solution	Action Items
Businesses need assistance learning specific business management skills.	Continue and expand existing business management classes.	NEOEDD hosts business management classes. Other economic development entities should recommend these classes when they complement the business’s needs. For example, if SBDC asks the business to write a business plan, SBDC should recommend NEOEDD’s business plan class.
		Find funding to offer classes more frequently and in more locations.
		Offer classes online through webinars to increase access to NNRE businesses that are often based outside of town. GEODC can partner with NEOEDD to promote these online classes to businesses within their jurisdiction.
Production Assistance		
Concern	Potential Solution	Action Items
Businesses need assistance with specific production issues.	Facilitate connections with other businesses and technical experts.	Increase networking among peer businesses, following the recommendations in the Networking section above.
		Partner with trade organizations, universities, and extension services to connect businesses with experts that can answer their questions. A business retention and expansion program focused on NNRE businesses could provide a framework for this type of partnership.
		Establish a Manufacturing Extension partnership in the region.

Additional Issues

Respondents to the interviews and survey identified other critical concerns for NNRE businesses, including unstable or unfavorable markets and infrastructure challenges such as a lack of abattoirs, cold storage and warehousing. Additionally, economic developers raised the concern that many businesses have not engaged in any kind of succession planning. These issues are beyond the direct capacity of local and regional economic development organizations to address, but we encourage economic developers to think creatively about what they can do to make progress on both issues.

Final Thoughts

NNRE is not a panacea for the economic problems facing small towns and rural regions. Nevertheless, it is a valuable contributor to jobs and wealth, to economic diversification, and to community and environmental well-being. As such, NNRE firms, individually and collectively, need to be a strong focal area for Eastern Oregon's local and regional economic development organizations. As a starting point, economic development organizations should work collaboratively to increase the visibility of the NNRE. This could include gathering and publicizing data regarding the number, type, and economic impact of NNRE businesses.

In addition to raising the NNRE's visibility, the overarching recommendation of this report is for economic development entities at the state, regional, and local level to **coordinate their efforts and leverage their collective resources for the benefit of NNRE businesses and the economy of Eastern Oregon as a whole**. In the face of limited resources, coordination and collaboration are critical activities for meeting businesses' needs.

Yet coordination alone is not enough. There is much creative energy in Eastern Oregon's economic development organizations and their dedicated staff. We encourage economic developers to view

themselves as members of learning organizations and as a network of 'service entrepreneurs.' Organizations' coordination efforts must be flexible experiments in how best to support NNRE entrepreneurs and their businesses. Some experiments in coordination will succeed and some will not. But a learning organization will learn either way, to the benefit of businesses, the community, and the region.