



Industry Overview of Benton, Lane, Lincoln, and Linn Counties

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Region 4's economy is closely tied to its neighbor's, Lane County. Lane County has a labor force of about 170,000 – larger than the three counties of Region 4 combined. The 2000 Census indicates that 3,143 people commuted from Benton, Lincoln and Linn counties to work in Lane County and 2,617 commuted from Lane County to work in the other three.

This paper examines some of the traditional industrial sectors and their employment in the four-county region. The term "region" here refers to the combination of Benton, Lincoln, Linn and Lane counties – not Workforce Region 4 alone. A brief overview of some emerging clusters in the region is also presented.

Traditional Sectors

Most data presented here are for jobs covered by Oregon Employment Department unemployment insurance tax. Agriculture, fisheries and government are industries in the region with significant noncovered employment. The department's economists use estimates of covered and noncovered employment for agriculture and government. There are no official published estimates of noncovered employment in fisheries. Wage data are for covered employment only.

Forest Products

The forest products industry remains vital to the region. This sector fueled the economy through much of the 19th century and well into the 20th. More recently, it's been battered by economic recession and timber supply reduction. In response, the industry has become more efficient, with larger mills that can process a wider range of raw material. The industry has also become more diverse, with a shift toward secondary wood products. Today, it's able to better handle the cyclic slumps and price swings that plague most of manufacturing.

The region's four counties each have some employment in the sector. Lane County has the most employment in forest products with 808 jobs in 2004.

Between 2001 and 2004, forest products employment in the region dropped from 9,867 to 9,193 (Table 1). Employment stabilized between 2003 and 2004, when strong demand for housing and resulting high prices in wood products markets supported the industry.

Industry wages tend to be high. The regional annual average is \$40,425, compared with the all-industry average of \$31,837 (Table 2).

Employment in the forest products sector is expected to decline slightly between 2004 and 2014 – by 5.1 percent or 473 jobs. Continued technological advances will likely make the industry less labor intensive.

Foreign competition, particularly from Canada, will contribute to the decline. The industry is protected somewhat by tariffs on Canadian lumber imports.

Fisheries

The region's fisheries employment is primarily in coastal Lincoln County – especially in Newport – with a few additional jobs in Lane County. Aside from a small number of jobs in aquaculture – primarily oyster growing – fisheries employment is in commercial fishing for wild finfish and shellfish.

Employment seems to be slowly decreasing, but accurate counts are difficult to make. Legislation in 1999 exempted most fishermen from unemployment insurance coverage – the primary source of employment data. The number covered by unemployment insurance dropped from 126 in 2001 to 111 in 2004. The total number of fishermen in the region is probably several times higher. The recorded decrease could be from fewer fishermen working or choosing to maintain unemployment insurance coverage – or a combination of the two. A decreasing number of licenses and a federal fleet-reduction program for groundfishing suggest some of the apparent decrease is real.

Fishing employment in the short run is tied to harvests and 2004 brought a record crab crop and larger tuna, whiting and sardine harvests. License and income data suggest employment increased slightly in 2004, but a good year or two is unlikely to offset the long-term trend. Fishermen face consolidation in the fish-processing industry, which reduces the number of viable ports; price competition from the aquaculture industry, which encourages the substitution of capital for labor to increase productivity; and increasing regulation on harvests. The Pacific Fishery Management Council declared several species of groundfish overfished and restricted harvests to rebuild their stocks. These restrictions will probably continue. Recent crab harvests have been excellent.

Fishing will continue to be an important source of income in the region. The landed value of fish in Lincoln and Lane counties was about \$30.4 million in 2004. That's about one-third of Oregon's total. Average wages in the industry are about \$40,000 per year and have risen sharply in the past few years. It is estimated that total employment, however, will slowly decline from 2004 to 2014.

Agriculture

Agriculture has long been a dominant and visible sector of the Willamette Valley economy. The region's agricultural production includes a variety of field crops as well as livestock and poultry production.

Linn County, also known as "the grass seed capital of the world," is not subtle about the county's largest crop. It produces more grass seed than any other county in Oregon. In fact, Linn County produced nearly one-third of the state's perennial ryegrass in 2004. Nearly half of Linn County's gross farm sales in 2004 were from grass and legume seed. Linn County had total gross farm sales of \$230 million in 2004, and the most agricultural employment of the four counties in the region. In 2004, its annual agriculture employment was 2,190.

Lane County is the second-largest agricultural producer in the region; its gross farm sales were just over half (\$119 million) of Linn County's. Lane County's agriculture industry is more diverse than Linn's, with only 14 percent of the county's gross farm sales from grass and legume seed. Lane County's top commodities in 2004 were farm forest products, cattle, nursery crops, and Christmas trees. In 2004, Lane County's annual agriculture employment was 1,820.

Benton County's 2004 gross farm sales were slightly less than Lane County's at \$106 million. Benton

County produces a number of commodities. In 2004, its largest commodities were farm forest products, perennial ryegrass, dairy products, and tall fescue. Benton County's annual agriculture employment was 1,260.

Lincoln County has the smallest agriculture sector of the four counties, with 2004 employment of 210. The county's gross farm sales were \$11 million in 2004. Its largest commodities last year were farm forest products and cattle.

In 2004, the regional average annual wage for crop production was \$23,646, above the statewide average of \$19,575. For animal production, the average wage in the region was \$25,305, just above the statewide average of \$24,697.

Using only covered employment data, agricultural employment is expected to grow by 4.5 percent from 2004 to 2014.

High Tech (less software)

The high-tech sector is made up of computer and electronics manufacturing and computer systems design and related services. All four counties have some employment in the sector, with Benton County leading the way – due mostly to the presence of Hewlett-Packard Development Co. Another major employer in the region is Hynix Semiconductor Inc. in Lane County. Hewlett-Packard has had several publicized rounds of layoffs in recent years; Hynix has slowly added employment and made capital improvements totaling hundreds of millions of dollars.

After growing rapidly in the 1990s, high tech declined in the region when the recession started in 2001. It lost 644 jobs between 2001 and 2004. Much of the loss can be attributed to Hewlett-Packard in Corvallis and Rosen Products LLC in Eugene. After losing jobs in 2001 and 2002, the sector stabilized at around 7,000 jobs. Jobs in this sector are generally high paying, with annual average wages at \$64,200 in 2004.

The high-tech sector is expected to decline slightly in the region through 2014 – losing 150 jobs or around 2.2 percent of current employment levels. Continued improvements in production efficiency and competition from domestic and international companies are expected to limit growth.

Software

Software in the region is characterized by several, mostly small software publishers. There were 59 locations employing 1,321 in 2004. Two of the larger software publishers are Symantec Corp. in Springfield and Tripod Data Systems in Corvallis.

The region's software industry declined during the last recession, largely due to a downward correction in computer-related industries. From 2001 to 2003, employment in the sector dropped from 1,562 to 1,217, a loss of 345 or 22 percent. The sector regained some of the loss in 2004 by adding 104 jobs. Wages in software are generally high. Average annual wages in 2004 were \$63,992, compared with an average annual wage for all industries of \$31,837.

Software is expected to add 250 jobs or about 20 percent by 2014. Symantec will expand its facility and other smaller firms – including Lunar Logic Inc. and Traffic Leader in Lane County – have seen recent employment gains.

Tourism

Tourism is important in all four counties of the region. Dean Runyan Associates estimated the region received about \$1 billion in travel spending in 2003 and that travel provided about 14,000 jobs. Estimating tourism-related employment is difficult because tourism is not an industry proper, but a source of customers. Two industries strongly affected by tourism are arts, entertainment and recreation, and accommodation and food services, referred to here as the leisure and hospitality industry.

Employment in leisure and hospitality dipped slightly in 2002 during the recession. It grew in 2003, surpassing its earlier level, and continued to grow in 2004. The industry provided 23,744 jobs in 2004 – about 10 percent of the region's total covered employment. Leisure and hospitality is relatively more important in Lincoln County, where it provides about 25 percent of the covered jobs. The average covered wage was about \$12,500 per year in 2004. This was much lower than the region's average of \$31,837. The low covered wage reflects the prevalence of part-time and seasonal work, use of tip income to augment covered wages, low skill and low training requirements, and the apparent increasing use of recent immigrants, who may lack the education, language skills or work history to command higher wages.

Employment in leisure and hospitality is expected to grow faster than average in the region – about 15.4 percent by 2014. Growth will be fueled by the continuing expansion of demand for services in the U.S. economy, increasing travel as the baby-boom generation enters retirement, casino expansions, and Oregon's tourism marketing. In 2003, the Oregon Legislature passed a 1-percent lodging tax to promote tourism. This dramatically increased spending on marketing in some counties – more than a 10-fold increase in Lincoln County – and has led to more collaborative marketing between the state's regions and industries.

Metals

The region's metal manufacturing sector is concentrated in Linn and Lane counties. Linn County is responsible for nearly all of the primary metals employment in the region and Lane County comprises the majority of fabricated metals employment in the region.

Linn County makes up nearly all of the region's primary metal manufacturing, employing over 1,700 in 2004. In fact, Linn County accounted for 22 percent of primary metal manufacturing employment statewide in 2004. Lane County makes up the small remainder of the region's primary metal manufacturing, employing less than 100 in 2004. Benton and Lincoln counties had no primary metal manufacturing employment in 2004. Wages in primary metal manufacturing are significantly higher than the average wage across all industries in the region. The average annual wage in primary metal manufacturing was \$55,441 last year, 74 percent higher than the region's average wage of \$31,837.

Fabricated metal manufacturing is a slightly smaller industry than primary metals, employing 1,540 in the region during 2004. Lane County had 75 percent of the region's employment in the industry. Linn County comprised 21 percent of the region's employment and Benton and Lincoln counties made up the small remainder. The average annual wage in fabricated metals was \$34,702 in 2004, higher than the \$31,837 average paid across all industries, but not nearly as high as the average wages in the region's primary metals industry.

Overall, metals manufacturing is projected to decline by 2.8 percent in the region from 2004 to 2014, but it is a tale of two industries. Primary metal manufacturing is projected to decline by 11 percent over the 10-year period, while fabricated metals is projected to grow by 7 percent. The projections place

metals manufacturing among the declining and slower-growing industries in the region. Across all industries, the region's employment is projected to grow by 13.7 percent between 2004 and 2014.

Government

Public-sector employment is significant in the region. Statewide, public-sector employment makes up about 17 percent of total nonfarm employment. In the region, it accounts for 20 percent of the total nonfarm employment. Federal government employment (1.4%) in the region is slightly lower than the statewide average of 1.9 percent. Local government in the region accounts for 11 percent of nonfarm employment, matching the statewide percentage.

The region differs significantly from the statewide pattern in state government employment. State government makes up 8 percent of the region's employment, twice the statewide percentage of 4 percent. The biggest reason for this is that the state's two largest universities are in the region. Oregon State University and the University of Oregon are the largest employers in Benton and Lane counties, respectively.

The average annual covered wage for government workers in the region was \$36,449 in 2004, lower than the statewide average of \$38,864. The regional average wages were lower than statewide for federal, state, and local government.

The region's government sector is projected to grow by 8 percent from 2004 to 2014. Statewide, employment growth in the public sector is projected to grow at a similar pace – 9 percent over the 10-year period.

Emerging Clusters

Motor Coach and Bicycle Manufacturing

Motor coach and bicycle manufacturing are centered in Lane County, where, in 2004, motor coach manufacturing employed 3,663 and bicycle manufacturing, 169. Motor coach manufacturing is cyclical and has had two recent large employment increases – once in the late 1990s and again from 2004 to 2005. Monaco Coach Corp. and Country Coach Inc. are two of several companies that use bus chassis as bases and add amenities to produce high-end coaches. Burley Design Cooperative is a large bicycle manufacturer in Lane County that has often been included in *Oregon Business* magazine's list of best places to work.

Motor home and bicycle manufacturing are expected to grow from 2004 to 2014. With the baby-boom generation entering its retirement years, national demand for motor coaches is expected to remain strong. Bicycles are a popular form of transportation in such college towns as Eugene and Corvallis. High gasoline prices may also increase demand for bicycles.

Viniculture

Viniculture has expanded in the region for the past several years. There were 80 vineyards in the region in 2004 with 1,208 planted acres – up from 65 vineyards with 1,044 planted acres in 2000.

Most of Oregon's wineries are relatively small and often have difficulty finding major market distributors to carry their brands. In May 2005, the Supreme Court ruled that bans on interstate, direct-to-consumer wine shipments were unconstitutional. That may help open markets to the region's smaller

wineries. Since then, New York has lifted its ban on direct sales, opening the nation's second-largest market to small wineries.

Specialty Foods

The region's temperate climate allows for a wide variety of agricultural products that can be used to produce specialty foods. Specialty foods are defined by the National Association for the Specialty Food Trade as "limited supply, high quality." Fruits, nuts, berries, vegetables and animal products are all used to create the value-added niche foods described as specialty foods. Oregon State University's College of Agriculture and the Oregon Department of Agriculture (ODA) support specialty foods production through research and funding. Some examples of projects in the region that have been funded through ODA-administered specialty crop grants include: Wild Harvest Honey of Eugene, \$25,000 for a breeding program using mite-resistant honeybees; Local Ocean Seafoods Inc. of Newport, \$90,000 for developing tuna and crab products for export; Green & Green Inc. of Corvallis, \$53,000 for development of uniquely packaged processed fruit products.

Some specialty food companies in the region include Emerald Valley Kitchen organic salsa, Oregon Lox Co. and Harry and David, which runs a call center during the holiday season in Eugene.

Direct Market Foods

Farmers and other food producers can increase their revenue by selling directly to customers instead of to wholesalers. This is done through farmers' or fishermen's markets, you-pick operations, community-supported agriculture (CSA), farm stands, mail order and Internet sales, and sales to restaurants and stores. There are farmers' markets in Albany, Corvallis, Eugene, Florence, Kings Valley, Lincoln City, Newport and Yachats. There are CSA farms in, Albany, Corvallis, Philomath, Junction City, Eugene, Springfield, Coburg, Blachly, Cottage Grove, Pleasant Hill, Creswell, and Noti.

Lincoln City opened its second farmers' market this year. The Port of Newport is developing plans for a fishermen's market in conjunction with the Greater Newport Chamber of Commerce, the Coastal Oregon Marine Experiment Station, and the Newport Fishermen's Wives Association.

Nurseries

Greenhouse and nursery employment has generally been significant and stable in the region. Most employment is in Lane and Benton counties, with a few establishments in Linn County. From 2001 to 2004, industry employment remained flat at 786 jobs spread across 35 business locations. Greenhouse and nursery crops are high-value crops for the region, producing about \$22 million in sales in 2004.

Greenhouse and nursery employment is expected to add about 130 jobs in the region by 2014, for a 16.7 percent increase.

Nano- & Micro-technology – University Spinoffs and Tech Transfer

The presence in the region of Oregon State University and the University of Oregon has been a factor in attracting high-tech companies and creating spinoffs such as consulting firms and software companies. Nano- and micro-technology is a recent promising development that these universities are facilitating.

The 2003 Oregon Legislature established the Oregon Nanoscience and Microtechnologies Institute (ONAMI) with a \$21 million investment, of which \$20 million was for capital construction. The group

includes departments at Oregon State University, the University of Oregon, Portland State University and the Northwest National Laboratory in Richland, Wash.; the state of Oregon; and Oregon Health and Science University. In addition, private companies in the region, including Hewlett-Packard and Hynix, participate in the effort. The governor's recommended budget and the Legislatively Adopted Budget for the 2005-'07 biennium included \$7 million for purposes related to "a signature research center" (as ONAMI is termed) following a very successful startup.

As part of the ONAMI effort, University of Oregon chemistry professor Jim Hutchison has won a patent that could lead to a new class of nanoscale electronics and optics assembled from nanoparticles – including ultrasmall transistors that operate efficiently at room temperature.

Table 1
Regional Traditional Sector Employment¹

	2001	2002	2003	2004	2014	2004- 2014 Number	2004- 2014 Percent	Statewide 2004-2014 Percent
Forest Products	9,867	9,603	9,147	9,193	8,720	-473	-5.1%	-5.8%
Fisheries	104	100	91	87	63	-24	-27.6%	-11.5%
Agriculture ²	5,150	5,000	5,080	5,480	5,727	247	4.5%	8.8%
High Tech	7,588	7,082	6,933	6,944	6,794	-150	-2.2%	11.6%
Software	1,562	1,415	1,217	1,321	1,581	260	19.7%	22.6%
Tourism	23,056	22,899	23,253	23,744	27,410	3,666	15.4%	18.4%
Metals	3,577	3,088	3,117	3,304	3,210	-94	-2.8%	7.2%
Government ³	48,750	48,440	42,940	48,390	52,344	3,954	8.2%	9.0%
All Industry ⁴	235,130	234,890	233,160	237,240	269,720	32,480	13.7%	15.1%

¹Includes only covered employment except for agriculture, government, and all industries.

²Oregon Employment Department estimate that includes both covered and noncovered employment. Projection is from covered employment only applied to the Employment Department estimate.

³Government includes tribal employment and noncovered employment.

⁴Includes covered and noncovered. 2004 is preliminary.

Table 2
Regional Traditional Sector Wages

	Annual Average Wages ¹					Statewide
	2001	2002	2003	2004	2004	2004
Forest Products	\$35,965	\$37,017	\$38,456	\$40,425	\$40,425	\$39,293
Fisheries	\$30,349	\$30,342	\$35,581	\$43,463	\$43,463	\$36,527
Agriculture	\$22,256	\$23,190	\$23,104	\$23,855	\$23,855	\$20,083
High Tech	\$58,523	\$59,616	\$65,008	\$64,200	\$64,200	\$69,274
Software	\$57,828	\$58,107	\$64,263	\$63,992	\$63,992	\$87,937
Tourism	\$11,679	\$12,052	\$12,312	\$12,537	\$12,537	\$14,535
Metals	\$44,156	\$44,387	\$44,032	\$45,774	\$45,774	\$43,231
Government ²	\$34,549	\$35,153	\$36,131	\$36,449	\$36,449	\$38,864
All Industries	\$29,607	\$30,276	\$31,051	\$31,837	\$31,837	\$35,621

¹Includes only covered employment

²Government includes tribal employment

