

Aroostook County Cluster Analysis

Results of Industry Sector Analysis

Prepared for the Northern Maine Development
Commission

August 21, 2003

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Purpose of Project

- Identify opportunities for growth in targeted industries within Aroostook County
- Develop strategies & resources for marketing those industries for business development and attraction

Industries Analyzed

- Forest Products
- Precision Manufacturing
- Agriculture and Food Products
- Four-Season Tourism
- Information Technology

What is an Industry Cluster?

- Concentration of industrial activity in the same or related industry

– Examples –

- Route 128 around Boston (computer manufacturing),
- Maine's forest products industry

– Aroostook County clusters: **Forest Products, Agriculture**

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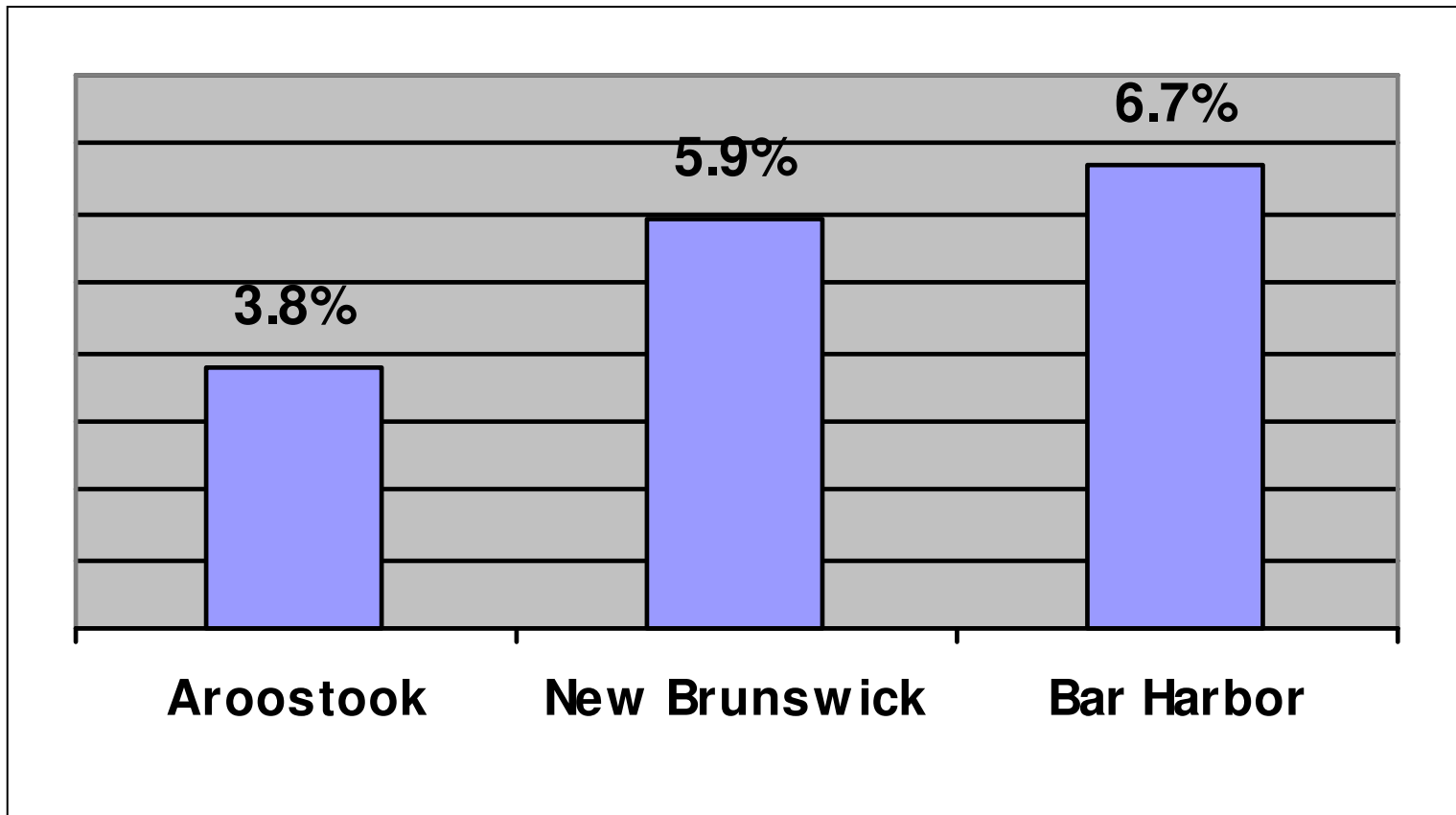
Clusters can be recognized by:

- numerous companies within a single industry or closely related industries;
- strong presence in regional, national or international markets;
- major companies, plants or facilities;
- large well trained labor force with specialized skills;
- strong networks, trade associations, and supporting institutions.

4-Season Tourism - Key Findings

- Half of tourists come to Aroostook for outdoor activities, few for other reasons;
- Aroostook market – not much from Boston, closer for day trips (parts of Maine) and further south for overnights (e.g. Pennsylvania for snowmobiling);
- Aroostook sits between two tourist flows - New Brunswick (Canadian cities to the coast) and coastal Maine (Boston to coast and back) – and is growing more slowly than either.

Annual Tourism Growth 1992-2002



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Tourism – Strategies for Growth

- Cross market – winter visitors can be summer visitors as well;
- Market to nearby tourist streams – Canadian & Coastal Maine;
- Get existing tourists to extend stays – through discounts, packages, additional attractions;
- Develop additional destination attractions – wildlife viewing? modified national park?

Tourism

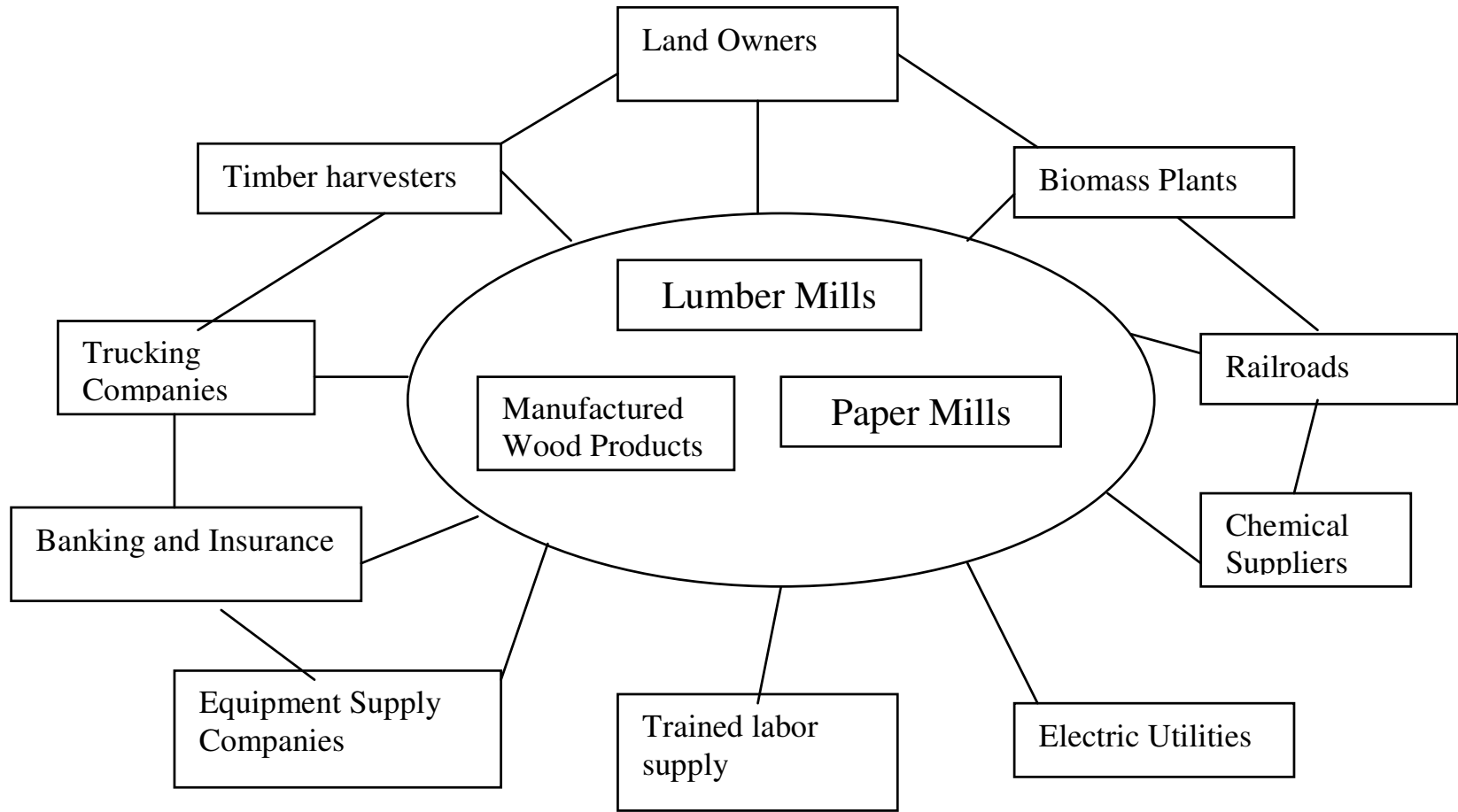
- 5,000 visitors will come for the World Cup Biathlon next year, and the County will be televised to over 20 million Europeans and Americans - **are you ready?**

Tourism

Organizational Imperative

- Aroostook County Tourism must organize like a resort to compete
 - package tours;
 - allow tourists to make reservations on a 1-800 line;
 - accommodate large blocks of visitors;
 - create year-round attractions;
 - establish and promote common advertising themes – like New Brunswick.

Aroostook Forest Products Cluster Illustrated:



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Forest Products - Key Findings

- Key part of state's forest products cluster;
- Cluster's strength depends on continued operation of key facilities in logging, lumber, paper and biomass energy;
- Intense competition in paper and lumber, ineffective tariffs, and reduced investment have pushed many companies into the red;
- Exchange rate fluctuations have given lumber industry brief reprieve, but several regional paper mills are in precarious position and continue to downsize;
- Portions of the Aroostook forest cluster that manufacture specialized products such as OSB, veneer, and cedar products remain healthy.

Forest Products – Strategies for Growth

- Expansion of Empowerment Zone and aggressive use of TIF's will directly benefit some companies;
- Innovative assistance initiatives, such as Forest Products Stabilization Fund, may help smaller companies;
- Explore ways to exploit the abundant supply of cedar in the region to promote woods products businesses;
- County officials should work with area businesses and state officials to generate demand for rail shipping to help stabilize local rail system.

Agriculture — Key Findings

- Represents Aroostook’s “truest” cluster
 - growers and processors support a vast array of supplementary industries including farm equipment, fertilizer products, potato handling, bag manufacturers, truckers, brokers, bankers, insurance agents and others;
 - supporting industries help to increase the competitiveness and productivity of the cluster.

Agriculture — Strategies for Growth

- Potato production could be increased on same acreage through investments to increase yield
 - irrigation
 - storage
 - rotation crops
 - develop organic niche
- Potato processing could be increased
 - help refrigerated products processors with marketing
 - encourage additional investment in french fry production

Agriculture — Strategies for Growth

- Beef production holds great promise for growth
 - stocker operations could increase business for feed lots (and for complementing potato production)
 - providing slaughterhouse operation for Canada could increase volume to level required for economical operation
- High-tech applications could help support local IT businesses
 - market simulation models
 - moisture and disease control monitoring
 - consumer trend tracking; food service buying patterns

Precision Manufacturing — Key Findings

- Too small to be a cluster by itself, but significant metals manufacturing occurs just across the Canadian border in Carleton County;
- Linkages and networks among local firms and with cross-border firms should be strengthened;
- NMCC is well positioned to play a leadership role in training for metals manufacturing in the County and in adjacent Carleton County;

Precision Manufacturing

Strategies for Growth

- Assist in expanding linkages for NMCC metals program, to southern part of the state and cross border to Carleton County metals companies;
- Expand training facilities at Northern Maine Community College for specialized training for manufacturing and other professions;
- Assist in developing marketing materials for NMCC metals programs, with the goal to strengthen the County's' reputation as a center for training.

Information Technology — Key Findings

- Wages considerably higher than most other industries;
- Strong IT infrastructure for rural area;
- Several businesses serve as leadership organizations;
- Few networking opportunities exist;
- Local demand for IT services not sufficient to support significant growth;

Information Technology — Key Findings

- Distance from markets is obstacle for growth for smaller IT companies;
- Ability to attract skilled employees varies depending on business size – more difficult for small companies;
- Aroostook IT sector lacks connections to R&D entities – such as UMO;
- Data recovery & back-up - most business located near major metropolitan areas due to recovery point standards

Information Technology

Strategies for Growth

- Develop Aroostook IT Identity - rural IT region (like New Brunswick) – increase awareness of IT businesses, resources, and infrastructure to businesses within the County as well as those external to it;
- Increase potential for information technology R&D in the region;
 - promote awareness of R&D programs
 - build on areas on expertise in e-commerce, GIS, and IT within forestry and agriculture

Information Technology

Strategies for Growth

- Explore affiliation/coordination with MESDA and New Brunswick IT Associations;
- Market IT locally to heavy users, such as hospitals, education institutions, banks, and not-for-profits;
- Consider program to promote co-location in which a Canadian firm opens an Aroostook branch and vice-versa;
- Establish the County as disaster recovery center for Northern New England and Maritime Canada by attracting companies to aggregate the needs of many small and mid-size businesses.

Common Themes

- New Brunswick is a resource for Aroostook County's economic growth;
- The nascent information technology industry is important in its own right, but is also important for the success of other sectors in the region;
- The County has three institutions of higher education that together serve as a great asset for business development;
- Transportation is an important issue across the board and this is an area of weakness for the region that must be strengthened.

Questions, Feedback, and Discussion

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