
Estimated
Economic Impact of:
Acadian Cypress &
Hardwoods, Inc.

Acadian Hardwoods
of Louisiana, Inc.

Louisiana State
Cypress, LLC

On the
State of Louisiana

January 2009



Southeastern Louisiana
University
Business Research Center
&
College of Business

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The Southeastern Louisiana University Business Research Center (BRC) is jointly operated by the Southeast Louisiana Business Center and the Southeastern College of Business. The BRC provides applied economic analyses and research studies that aid business and economic development efforts for the five-parish Northshore region of southeast Louisiana. The Center represents one aspect of the University's commitment to economic development in the region.

The Center is located in the Southeast Louisiana Business Center on Martens Drive, two blocks west of the main campus of Southeastern Louisiana University. The Business Research Center is a proud member of the Association for University Business and Economic Research (AUBER) and the Council for Community and Economic Research (C2ER).

The following study was conducted using generally accepted research methods, models and techniques.

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Sincerely,

A handwritten signature in black ink that reads 'William Joubert'.

William Joubert
Director
Business Research Center

Southeastern Louisiana University Business Research Center
*A Collaborative Effort of the Southeast Louisiana Business Center and
the Southeastern Louisiana University College of Business*

Introduction

Acadian Cypress & Hardwoods, Inc. (ACH), Acadian Hardwoods of Louisiana, Inc. (AHL), and Louisiana State Cypress, LLC (LSC) are three integrated, privately-owned companies located in Ponchatoula (ACH and AHL) and Roseland (LSC), Louisiana (Tangipahoa Parish). The companies perform various operations in the production and distribution of fine hardwood and cypress lumber for use in flooring, cabinets, and furniture, as well as stock and custom molding. “Acadian” will be used throughout this document when referring to the combined operations of all three companies.

Analysis Methodology

This analysis utilized the input-output method to estimate the economic impacts of Acadian’s operations on the Louisiana economy. The input-output method is based on the economic linkages between various sectors and industries, which cause every dollar of expenditures to “ripple through” the study area’s economy. This results in expenditures being “multiplied” to various degrees, causing a larger economic effect than the original amount of the expenditure. These “ripple” or “multiplier” effects continue to contribute to the economic impact of the expenditure until the effects leave the study area or become too small to measure.

The total economic impact of a company, industry, event, or project consists of *direct*, *indirect*, and *induced* effects. *Direct* effects are the immediate effects on business activity in the area occurring as a direct consequence of the company, industry, event, or project being studied.

Indirect effects occur in sectors that supply materials, goods, and services to the directly-affected businesses. For example, a landscaping contractor hired by the company under study is *directly* impacted by expenditures of the company. Plant nurseries which provide plants to the landscape contractor are *indirectly* impacted, when the landscaper purchases plants to use at the subject company’s facilities. In turn, businesses that provide goods and services to the plant nurseries are indirectly impacted from the increased activities of the nurseries. These indirect impacts continue to contribute to the economic impact until the subsequent expenditures become too small to measure or leave the study area, e.g. if the plant nursery purchased their potting soil from outside the study area, that portion of the impact chain would stop. However, other expenditures by the nursery, such as fuel and maintenance for greenhouses, may continue to accrue to the study area.

Induced effects are created by the increase in consumer spending generated by increased payrolls in the directly and indirectly impacted industries. In the example above, the company under study has employees and their associated wages, the landscape contractor will hire employees (or increase the work hours of existing employees) to handle the work at the subject company’s facilities, and the plant nurseries will hire workers to produce the plants for the landscape contractor. All of these employees in the various industries will then spend their wages on food, housing, entertainment, etc., creating further

economic benefits in the region. The sum of all of the impacts deriving from increased payroll spending is the induced effect.

The sum of the direct, indirect, and induced effects represents the total economic impact. The total economic impact divided by the direct effect yields the economic impact *multiplier* of the company, industry, event, or project in question. In most cases, the multiplier will be between 1.0 and 2.0.

IMPLAN Professional 2.0[®] software and structural matrices (Minnesota IMPLAN Group) were utilized to complete the analysis of estimated economic impacts of Acadian’s operations on the state of Louisiana. RIMS II (Bureau of Economic Analysis) multipliers for the state of Louisiana were also used to generate impact estimates for verification and comparison.

Data, Assumptions, and Model Construction

This input-output analysis was based on income and expenditure data provided by Acadian management for calendar year 2007. Acadian management indicated that 2008 revenues and expenses were very similar.

Acadian provided estimates of the allocation of expenses to Louisiana and out-of-state/country entities. Eighteen percent (18%) of ACH raw material purchases were estimated to come from Louisiana sources, as were all operating supplies and services except for truck leasing, which is paid to an out-of-state firm. All raw materials and operating supplies and services purchased by AHL and LSC were assumed to be from Louisiana sources.

Because detailed expenditures by category were available, the economic impact estimates were developed utilizing a “bill of goods” or “analysis by parts” model. Under this approach, expenditures within Louisiana were allocated to representative sectors and run through the impact model for those particular sectors.

Estimated Economic Impact: Separate Entities

Initially, impact estimates were generated for the three separate Acadian entities – ACH, AHL, and LSC – to provide information on the relative scale of each entity and their individual impacts.

The estimated impacts of the three separate companies are illustrated in Tables 1-3.

Table 1. Estimated impacts of Louisiana State Cypress, LLC on Louisiana’s economy: 2007	
Total Economic Impact	\$ 7,267,674
Earnings Impact	\$ 1,819,784
Number of Jobs Supported	55.3
State & Local Tax Impacts	\$ 246,458

Table 2. Estimated impacts of Acadian Hardwoods of Louisiana, Inc. on Louisiana's economy: 2007		
Total Economic Impact	\$	6,670,693
Earnings Impact	\$	1,176,426
Number of Jobs Supported		42.6
State & Local Tax Impacts	\$	158,239

Table 3. Estimated impacts of Acadian Cypress & Hardwoods, Inc. on Louisiana's economy: 2007		
Total Economic Impact	\$	42,750,613
Earnings Impact	\$	6,870,804
Number of Jobs Supported		211.6
State & Local Tax Impacts	\$	743,229

Estimated Economic Impact: Combined Entities

Because Acadian is a vertically-integrated set of companies, the three separate impact estimates cannot be summed together to calculate the impacts of the total "company". Most of LSC's production is purchased by AHL, and all of AHL's production is purchased by ACH, so summing the estimated impacts would double-count some indirect impacts that are already included in the impact estimates of the purchasing entity.

For example, ACH's impact estimates already include "down chain" impacts on their suppliers of raw materials, so to add AHL's impacts would double count those impacts.

In order to most accurately estimate the economic impacts of the total Acadian operation, ACH's productivity and employee compensation rates were modified to reflect the inclusion of AHL employees, and LSC's sales and expenditures were allocated to estimate "outside sales" and inside-company sales to AHL/ACH. Only the "outside sales" were used to estimate the combined economic impacts, as shown in Table 4.

Table 4. Estimated impacts of combined Acadian entities on Louisiana's economy: 2007		
Total Economic Impact	\$	45,085,253
Earnings Impact	\$	7,372,512
Number of Jobs Supported		233.6
State & Local Tax Impacts	\$	844,179

Conclusions

Using income and expenditure data provided by Acadian for Calendar Year 2007, Acadian's combined operations were estimated to have total economic impacts of approximately \$45 million on Louisiana's economy.

Earnings impacts were estimated to be approximately \$7 million for the state, supporting 234 full- and part-time jobs per year.

Acadian's operations are estimated to have generated approximately \$800,000 in state and local tax revenues.