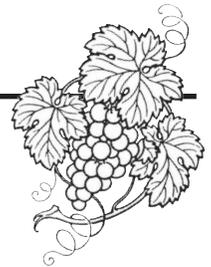


Growing a Vintage: Oregon's Wine & Grape Industry



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Planting From Good Stock

Wine grapes have been grown in Oregon for nearly two centuries. Accounts of vines being grown in Oregon date back as far as 1825. As settlers continued to move to Oregon in the following decades, Oregon's wine industry grew. Many of the early pioneers that came from Europe brought their tradition of wine and helped the industry grow throughout the 19th century.

Oregon's early wine-making industry fell on tough times. Growing competition from California's wine industry, as well as growth of the socially conservative Temperance Movement, challenged Oregon's wine industry. The Great Depression combined with the

prohibition era put an end to this early chapter in Oregon's wine industry.

The modern era of wine growing in Oregon did not begin until the 1960s when another wave of "pioneers" ventured to Oregon for its grape-growing climate. The first wine grapes were planted in the Umpqua Valley and a few years later the first Pinot Noir grapes were planted in the Willamette Valley. Throughout the 1960s and 1970s, a relatively small number of Oregon families were active in the wine business. But this small group made several important accomplishments that set the stage for Oregon's wine industry to flourish.

One thing that Oregon winegrowers adopted in the 1970s was Oregon's wine labeling regulations. Oregon's early winegrowers set the strictest labeling standards in the nation. These strict standards remain a distinctive feature of today's Oregon wine industry.

The second important event that occurred in the 1970s was the passage of Oregon's land use planning law in 1972. This bill (Senate Bill 100) mandated that each county work with citizen groups to create a land use plan. Winegrowers became very active in this process during the 1970s and were able to convince planners to set aside hillside land, which had previously been zoned for residential development, as agricultural land for vineyards.

By the late 1970s and the early 1980s, Pinot Noir from Oregon was placing

very highly at major winetasting events, beating out some of the top wines from France. All of these events helped to focus attention on Oregon's small but growing wine industry.

Yamhill County has more acreage planted in wine grapes than any other county in the state.

Bringing In The Harvest

Even though Oregon's modern wine growing era began in the 1960s, rapid growth did not come immediately. By 1970 there were five bonded wineries with

35 vineyard acres. From 1970 to 1980 the number of wineries grew from five to 34 wineries with 1,100 vineyard acres. Between 1980 and 1990 the number of wineries doubled from 34 to 70, and the amount of vineyard acres increased from 1,100 to 5,682.

Looking at the most recent data, in 2006 Oregon had 15,600 acres planted in wine grapes, a far cry from the 35 acres the state had in 1970. It should not come as a huge surprise that the acreage of wine grapes grew rapidly during the industry's infancy in the 1970s and '80s; small emerging industries often exhibit rapid growth. However, the pace of rapid growth in the wine industry continued through the '90s and into the 21st century. Looking over the past 10 years, the number of acres planted with wine grapes has more than doubled, going from 7,500 acres in 1996 to 15,600 in 2006. Production rose from 15,000 tons to more than 32,000 tons (Graph 1). Oregon's wine grape harvest in 2006 was estimated to have a value of roughly \$60 million.

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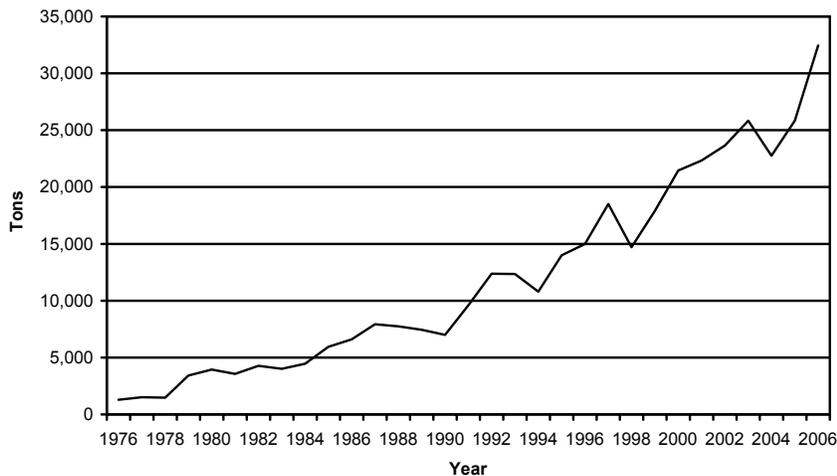
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Graph 1

Wine Grape Production in Oregon: 1976-2006



Source: Oregon Agricultural Information Network

Pinot Noir is the most common wine grape grown in Oregon, accounting for 57 percent (8,884 acres) of the acreage planted in wine grapes and accounting for 63 percent of the value of Oregon's wine production. Pinot Gris grapes come in a distant second, accounting for 14 percent (2,188 acres) of Oregon's wine grape acreage in 2006.

Yamhill County has more acreage (5,177 acres) planted in wine grapes than any other county in the state, making up one-third of the state's total. Neighboring Polk County and Washington County rank second and third. Polk County had 2,082 acres of grapes in 2006 while Washington County had 1,533 acres. Table 1 shows 2006 wine grape statistics by county.

Producing a Vintage

The Oregon Employment Department (OED) reports employment based on North American Industry Classification System (NAICS) codes. The main NAICS codes for direct employment in wine production are vineyards (111332) and wineries (31213). Vineyards focus on growing grapes while wineries focus on making wine.

The U.S. Department of Agriculture reported 770 vineyards in Oregon in 2006. OED records counted 46 firms in the vineyards industry that report their employment to the unemployment insurance (UI) program. The discrepancy is mostly due to the large number of vineyards that are not covered by UI. In Oregon, many small vineyards don't meet certain payroll thresholds, use mostly con-

tracted farm labor, or almost exclusively employ family members and, therefore, are not covered under UI.

Annual average UI-covered employment at vineyards was 498 in 2006. However, a survey done by Full Glass Research for the Oregon Wine Board estimated that, in 2004, the average Oregon vineyard had 2.7 full-time employees and hired 9.2 temporary employees during the year. This survey indicates much higher employment levels than counted in the covered employment records, likely due to the prevalence of contracted labor that is not covered.

Graph 2 shows the seasonal nature of covered employment at vineyards from 2001 through 2006. Each year employment grows through the spring, drops temporarily in August, and peaks with the harvest in October. In 2006, covered employment peaked at 843 in October and then dropped to 262 by December. The total covered payroll for vineyards was \$9.4 million with an annual average wage of \$18,877 (includes seasonal workers).

Wineries differ from vineyards in that their primary function is the manufac-

Table 1

2006 Oregon Wine Grapes: Vineyards, Acreage, Yield and Production, by County

County	Number of Vineyards	All Planted Acreage	Harvested Acreage	Yield Per Harvested Acre (in tons)	Production (in tons)
Benton	31	389	333	1.93	643
Clackamas	43	338	276	2.55	705
Douglas	52	857	719	2.66	1,914
Hood River	14	122	100	2.26	226
Jackson	73	1,208	948	3.10	2,942
Josephine	32	552	454	2.27	1,483
Lane	41	929	699	2.80	1,955
Linn	12	67	43	2.09	90
Marion	34	1,392	860	2.78	2,392
Polk	71	2,082	1,853	2.60	4,812
Umatilla	22	519	394	2.80	1,103
Wasco	17	158	146	3.41	498
Washington	78	1,533	1,305	2.90	3,786
Yamhill	227	5,177	4,254	2.52	10,719
All Others	23	277	216	5.24	1,132
Total	770	15,600	12,600	2.73	34,400

Source: National Agricultural Statistics Service, 2006 Oregon Vineyard and Winery Report

ture of wine. Many Oregon wineries also operate vineyards. For wineries, the USDA reports 350 firms in Oregon in 2006, while the OED figures show 135 firms covered under UI. Like vineyards, the discrepancy is again caused by the relatively large proportion of small and family-owned wineries in Oregon and the use of contract labor.

Graph 3 shows the covered employment for wineries in Oregon. Like the overall wine industry in Oregon, employment has grown steadily. Annual average employment rose 49 percent, adding 791 jobs between 2001 and 2006. In comparison, USDA figures show that 194 wineries were added over the same time period, a 55 percent increase.

Winery employment is very similar to vineyard employment.

Seasonally, winery employment is very similar to vineyard employment, partly because many Oregon wineries operate their own vineyards. Also, the most labor-intensive portion of production takes place at roughly the same time of year as the harvest. Total payroll at wineries in 2006 was \$39.9 million with an annual average wage of \$24,510 (like vineyards, this includes seasonal workers).

Going to Market

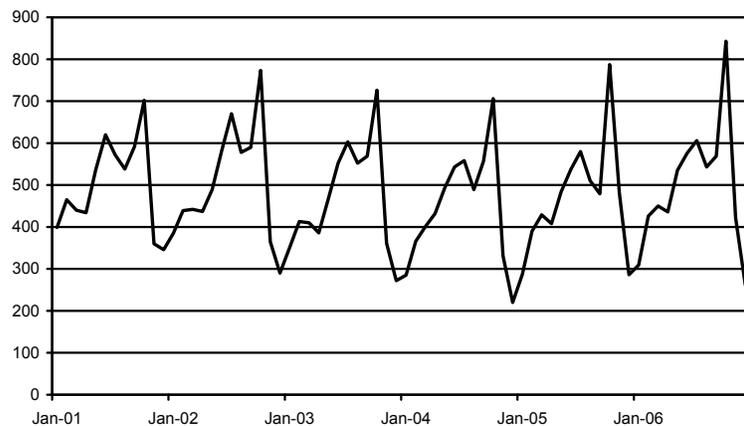
This far, we've seen that wine production in Oregon is growing. As the industry grows, it also generates employment indirectly in industries such as distribution, tourism, retail sales, equipment suppliers, and trucking.

Wineries sell a small portion of their wine directly, at the winery or via mail or Internet purchases. However, for legal and economic reasons, most wine is shipped through a distributor/wholesaler to retailers and restaurants.

OED records counted 25 establishments in the "wine and spirit merchant wholesalers" industry, the majority of which are wine wholesalers. Graph 4 shows employment for Oregon firms

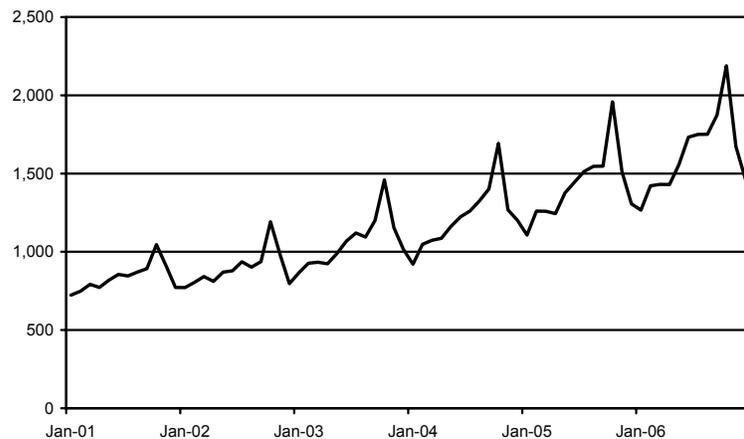
Graph 2

Oregon UI-Covered Vineyard Employment, 2001-2006



Graph 3

Oregon UI-Covered Winery Employment, 2001-2006



that are wine wholesalers. In comparison to the production side of the industry, the distribution side does not have very much seasonality. Employment is relatively stable throughout the year.

In 2006, wine wholesalers had an annual average employment of 399 and total payroll of \$16.8 million. Annual average wages are higher in wine wholesaling compared to the production side of the industry because there is more full-time and year-round work. The annual average wage for 2006 was \$42,168.

A 2006 study done by Full Glass Research estimates employment and wages in other indirect industries using 2004 data. In addition, estimates are made for the "multiplier effect" which include "other indirect" and "induced" effects.

Wine-related tourism includes restaurants, hotels, and other businesses in Oregon. Using data from their own survey as well as from Oregon Tourism, Dean Runyan Associates, and Travel Oregon, the Full Glass study estimates that, in 2004, tourism

directly related to the wine industry employed at least 443 people and generated over \$9 million in wages.

The Full Glass study estimates other indirect and induced effects on the economy (Table 2). Indirect effects are the changes in industries directly affected by changes in the supply of wine or grapes. Examples include bottles, corks and other goods and services supplied to the wine industry.

Graduate degrees with an emphasis in viticulture, enology, and/or sensory evaluation can be earned.

Induced effects are economic impacts resulting from changes in household spending of income earned from direct and indirect sales. For example, employees of wineries or equipment suppliers spend their wages in Oregon, resulting in additional output, income and jobs in Oregon.

Tomorrow's Enologists

Oregon State University has developed an education program in viticulture and enology. In addition to university research, academic programs offer undergraduate degree options through the departments of Food Science and Technology and Horticulture. Degree programs offered include:

- An enology and viticulture option for food science and technology majors.
- A fermentation science option for food science and technology majors.
- A viticulture and enology option for horticulture majors.

Graph 4

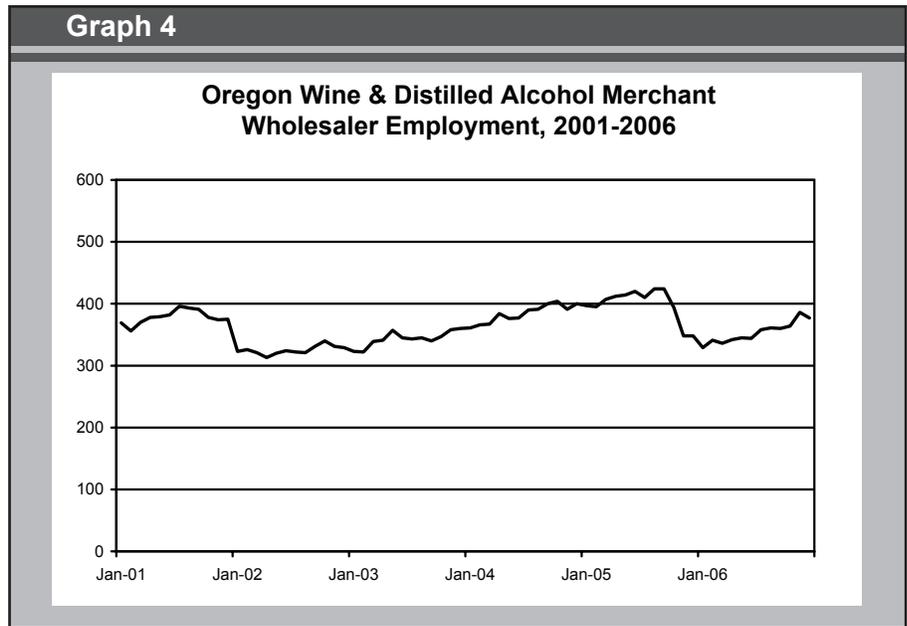


Table 2

Tourism Employees (hotel, restaurant, etc. wine-related only)	443
Miscellaneous Suppliers Employees	30
Grapevine/Nursery Employees	50
Trucking Employees	53
Wine Store Employees	812
Grocery and Chain Retail Employees (wine-related)	895
On-Premises Employees (wine-related)	1,837
Stainless Steel Tank Employees	50
Printing (including labels)	44
Professional Services, Banking, Finance, Insurance, Industry Assn	143
Other Indirect	576
Wine Industry Induced	1,507
Total	6,440

Source: Full Glass Research

Graduate degrees with an emphasis in viticulture, enology, and/or sensory evaluation can be earned from the Departments of Horticulture or Food Science and Technology.

The Northwest Viticulture Center at Chemeketa Community College has a hands-on training program in viticul-

ture and wine production. Students can earn an Associate of Applied Science degree in Vineyard Management and/or Winemaking or a certificate in Vineyard Operations. ■

LOCAL HIGHLIGHTS:



Durable Goods Cushion Food Manufacturing Losses in Umatilla County

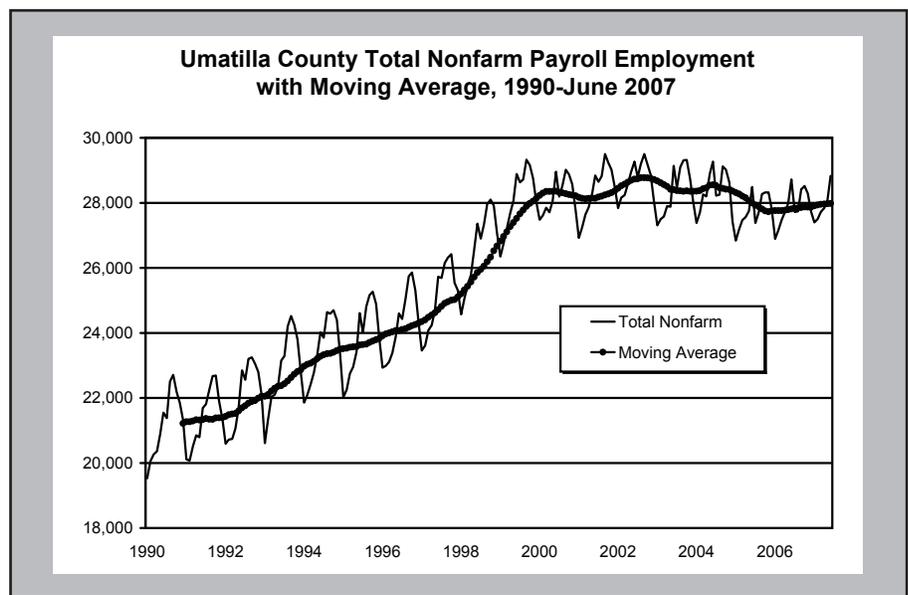
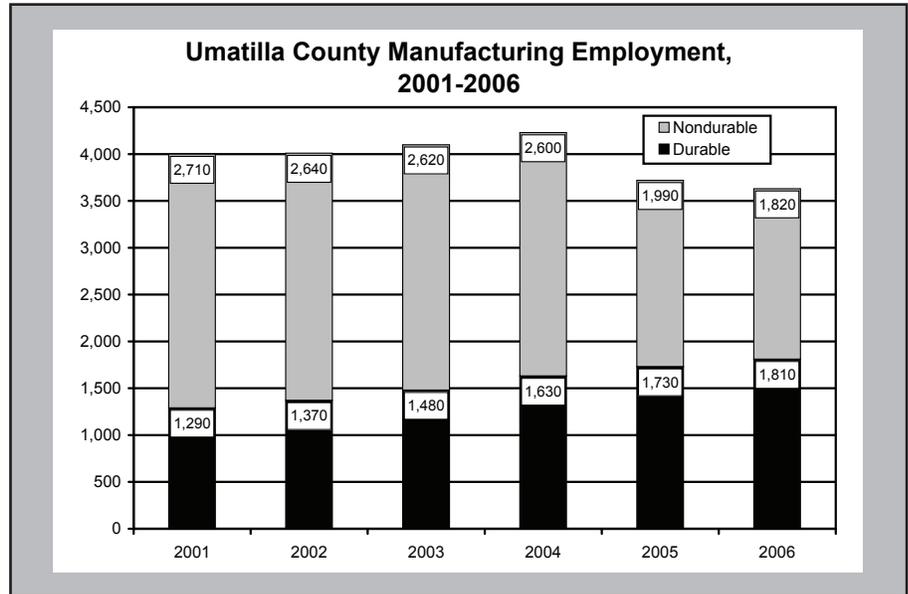
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As recently as 2001, nondurable goods manufacturing employment in Umatilla County outnumbered durable goods by a margin of more than 2-to-1. Dominated by large food manufacturing plants, the industry lost one of its largest employers in late 2004, falling by roughly 600 jobs in the process. Subsequent closures cost food manufacturing an additional 160 jobs in 2006, lowering the nondurable goods average to 1,820.

Job losses in Umatilla County's nondurable goods manufacturing sector were offset – at least partially – by growth in durable goods, and in particular, transportation equipment. Durable goods gained 520 jobs over the five-year period (+40%) to average 1,810 jobs in 2006, about half the county's manufacturing industry total.

Despite recent losses, nondurable goods may add jobs in the coming years. Biofuel production is in Umatilla County's future, with 487 acres of property near Stanfield purchased by Inland Pacific Energy Center for a proposed biodiesel and ethanol complex.

Business changes are taking place outside of manufacturing as well. A unique investment by the Confederated Tribes of the Umatilla Indian Reservation will have Cayuse Technologies open for business later this year. The 40,000-square-foot facility currently under construction will house software development and document image processing services and also offer call center capabilities. The Tribes will own Cayuse Technologies



and have partnered with Accenture for operational support.

For more information on specific regions, visit www.QualityInfo.org, select

“Regions” from the list on the screen’s left, then choose an area on the map or from the drop-down list under the map. ■

Winemaking – A Blend of Passion and Science

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Introduction

Oregon's winemakers supervised the production of over a million and a half cases of wine, worth nearly \$200 million in 2006. Don Crank, a winemaker at Willamette Valley Vineyards in Salem, one of the state's largest wineries, and Lawrence Grupp, owner and operator of Golden Pond Cellars, a small boutique winery in Newberg, both contributed to that effort. In spite of the difference in the size of the two wineries, these winemakers share values important to winemaking: a passion for wine and an appreciation for and knowledge of its scientific aspects. It's a pre-requisite for the job.

How Many Winemakers Practice Their Craft in Oregon Wineries?

An exact answer isn't possible. The Bureau of Labor Statistics places winemakers in the occupation "separating, filtering, clarifying, precipitating, and still machine setters, operators, and tenders" and that's where Oregon Employment Department

(OED) researchers must classify them also. According to OED, beverage manufacturing employed 162 people in this occupation statewide in 2004. About two-thirds were likely winemakers.

Self-employed folks are captured in a census survey under the category "beverage manufacturers." Add two-thirds of them to the salaried winemakers, and that brings the total of Oregon winemakers to 150.

As of 2006, there were 350 wineries in Oregon, so it's safe to say that there are more than 150 winemakers – some of them may be classified in management-related occupations.

Winemakers participate in all stages of production, often beginning in the vineyard.

What Winemakers Do

In a word, everything. Winemakers participate in all stages of production, often beginning in the vineyard, if there is one, with deciding the timing of the harvest. They select and buy the fruit and supervise and participate in all the jobs in the winery, including marketing, according to Paul Gallick, long-time owner of Honeywood Winery in Salem.

Lawrence Grupp of Golden Pond literally does do everything, with the

help of his wife Marilyne. He has a vineyard, which he planted, so his duties as winemaker begin there. Sometimes he hires helpers to pick the harvest, but he makes the wine, including the crushing, fermenting, and bottling, himself. He now has a label and is beginning to think about marketing and opening a tasting room.

Although Don Crank works for one of the larger wineries, he says it's important to know how to do all the jobs. Crank supervises all aspects of Pinot Noir production for the winery, works with the enologist to get the taste just right, and does lots of record-keeping. It's definitely a hands-on job, he says. He repairs barrels, fixes pumps, wears steel-toed boots and overalls to work, and often goes home with purple hands. Crank even goes on the road to market the wine, because "people are more willing to buy wine from the winemaker."

Skills and Requirements

A list of selected skills for the occupation is in Table 1. Notice the scientific slant to many of them – algebra, chemistry, statistical process control, metrics. Additional skills can be found in "wine-maker wanted" ads in several of the websites devoted to listing jobs in wineries (like winejobs.com). Some of these are: public relations skills; being able to anticipate market direction and trends; strong organizational, planning, and financial skills; supervisory skills; strong interpersonal/people skills; computer literacy; and experience in the vineyard. Some job listings for winemaker ask for a Bachelor of Science degree in enology and/or viticulture, and/or several years of winery experience.

Interning is a way to acquire these skills. A number of positions with wineries listed on winejobs.com are for interns for the 2007 harvest, with jobs lasting from about August to the end of November.

Table 1

Selected Skills for Separating, Filtering, Clarifying, Precipitating, and Still Machine Setters, Operators, and Tenders

- Apply algebra
- Apply basic chemistry
- Apply basic mathematics such as arithmetic and ratios
- Apply principles of distillation process
- Apply quality assurance techniques
- Apply statistical process control
- Comprehend, apply, and communicate technical information
- Operate precision measuring devices, tools, and equipment
- Read schematics and specifications
- Understand properties of gases and liquids in production, processing, and manufacturing
- Use metric system

Requirements are generally few. The basics are a "passion for wine," being willing to work lots of overtime in a physically demanding environment, and being attentive to detail. Sometimes, students who are enrolled in enology or wine-making programs, or with prior winery experience, are sought after.

Coming up through the ranks of winemaking occupations is another way to become a wine maker. There are three basic jobs in a winery – winemaker, cellar master, and cellar assistant – and it's common that a winemaker has done all of them, according to Paul Gallick, of Honeywood Winery. Honeywood's winemaker apprenticed for years to the head winemaker, and took correspondence courses at UC Davis during that time, Gallick said.

Even those with bachelor's degrees in science-related fields may come through the ranks, in order to learn the entire winemaking process. After completing his bachelor's degree, Crank of Willamette Valley Vineyards started out as a cellar assistant at one winery, and

sorted fruit at another. Gallick says this upward movement is common because "it's a growing business."

Winemakers' careers do seem to be a blend of passion and science.

A Blend of Passion and Science

Many of the job listings for winemaker and other winery-related jobs list "a passion for wine" as one of the pre-requisites, and winemakers' careers

do seem to be a blend of passion and science. Crank of Willamette Valley Vineyards says "I love what I do. It's not like work at all." But he has a B.S. in biochemistry and food science to back him up. Barney Watson, owner of Tyee Wine Cellars in Philomath, and instructor at Chemeketa Community College's Northwest Viticulture Center, has a master's from UC Davis (a top school for learning viticulture and winemaking) and has taught at Oregon State's viticulture and enology program for years. He's been called a winemaker's winemaker (Oregon Wine Press, April 2007).

Lawrence Grupp of Golden Pond has a passion for winemaking that dates back to his childhood, when

his winemaking uncles let him "stir the barrel." But he says science is necessary too – "science provides the boundaries ... if you stray from them, no amount of art will keep the wine from going bad." Grupp has a background in chemistry and keeps his scientific skills current by reading the wine experts in their publications.

A Rosy Future for Winemakers in Oregon?

The Oregon wine industry's need for more people with winemaking and vineyard management skills prompted the founding of Chemeketa Community College's Northwest Viticulture Center in 2004. The school has doubled its teaching and student capacity since then, according to Dr. Craig Anderson, the director. If the growth in the number of Oregon wineries is any indication – from five in 1970 to 100 in 1998 and to 350 in 2006, according to the Oregon Vineyard and Winery Report of the National Agricultural Statistics Service – a passion for winemaking is becoming increasingly popular in Oregon. ■

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Oregon's Commercial Fishing Mixed in 2006

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Commercial fishermen had a mixed year in 2006. Total landings were slightly lower than in 2005 but income was up from the previous year (Graph 1).

Total landings of all species decreased from about 312 million pounds in 2005 to 300 million pounds in 2006. The landed value of all fish increased from about \$88 million in 2005 to \$105 million in 2006, thanks mainly to crab landings. All values are in 2006 dollars.

Good ocean conditions led to a record crab harvest in 2006 of more than 33 million pounds (Graph 2) valued at nearly \$54 million – about double 2005's value. Dungeness crab was Oregon's single most valuable fishery. On the down side, closures and restrictions for the salmon season resulted in a harvest of only 1.8 million pounds – the lowest since 1999 – although higher prices kept the value of the salmon fishery greater than it was for most of the 1990s. The largest drop in landings was in the sardine fishery – down about 20 million pounds from 2005.

Employment Dipped in 2006

As with pounds landed, estimated employment in commercial fishing also seems to have dipped a bit in 2006, to 1,557 from 1,596 in 2005. Measuring employment in fishing is more difficult than measuring the harvests. Legislation in 1999 allowed most fishermen to be exempt from unemployment insurance coverage – the primary source of employment data. The Oregon Employment Department now estimates the total number of fishermen based on survey data and the number of fishing licenses sold.

The number of fishermen covered by insurance dropped considerably since 1999. The apparent decrease could

be from fewer fishermen working but it is more likely that fewer fishermen are electing to maintain unemployment insurance coverage.

A federal fleet-reduction program for groundfishing removed 92 boats along the West Coast in 2003. Thirty-five of them were based in Oregon. Since most of the boats had a three-person crew, employment in fishing could easily have declined in 2004. Instead, bumper harvests and an increase in the number of licenses issued by the Oregon Department of Fish and Wildlife led to a jump in estimated employment that year. The restric-

tions to the 2006 salmon season led to newspaper reports of reduced employment in that fishery and our estimates support those reports.

A Valuable Resource

Although the number of people directly employed in fishing is smaller than in many of Oregon's industries, fishing provides a great deal of income to some rural counties, the raw input for much of the food manufacturing

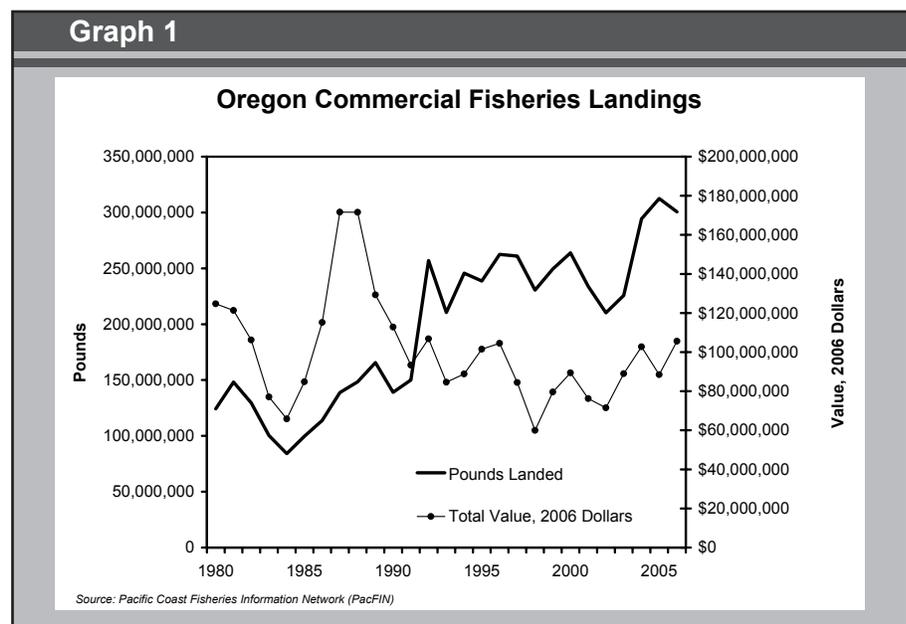
along the coast and the demand for marine goods and services to keep the fleet working. The Research Group of Corvallis estimated that fishing, including distant water fishing, contributed about \$421 million in personal income to Oregon in 2006. This was four times the value of fish landed in Oregon.

Just those fishermen covered by unemployment insurance had a payroll of about \$12 million in 2006. Many fishermen are self employed and work for a share of the catch, making earned income difficult to estimate. Some fishermen report that about 40 percent of landed value goes to the skipper and crew. This implies wages of about \$42 million for 2006. The Bureau of Economic Analysis estimates that total earned income from fishing for Oregon residents was about \$74 million in 2005 but this figure would also include earnings by Oregon's distant water fleet (see box on page 11) and probably many boat owners. In addition, Oregon had 29 seafood processing firms in 2006 with a combined payroll of about \$23 million and average annual employment of slightly more than 1,000 jobs. Shipyards in coastal counties employed 166 people in 2006 and had a payroll of about \$6 million.

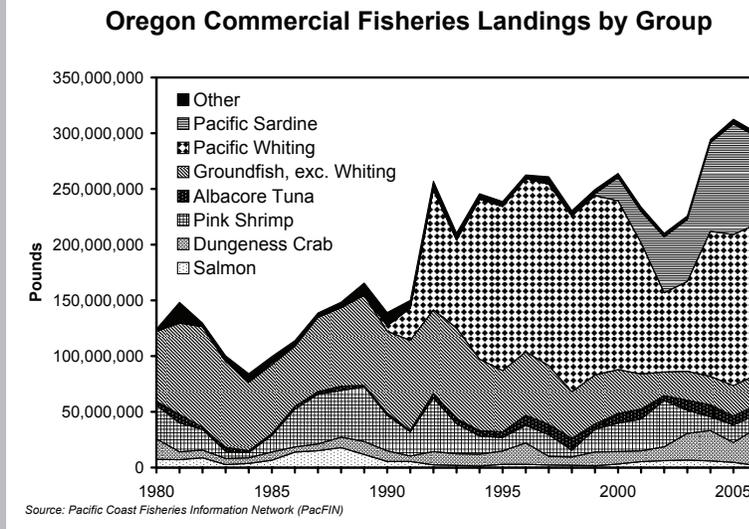
Few data are available to indicate what fishermen earn. The average an-

Dungeness crab was Oregon's single most valuable fishery.

Graph 1



Graph 2



nual wage in 2006 was about \$47,350 for those fishermen with unemployment insurance. Most fishermen are self-employed or work for a share of the catch. In years past, a crew member typically received 15 percent of the catch revenue, before any expenses were deducted. The increasing price of fuel and bait have led to more variability in share arrangements, but a crew member on a trawler will typically now receive about 7 percent to 8 percent of the value of the catch after deducting fuel, bait and grocery expenses. In a good year on a large boat a crew member may earn \$80,000. In an average year on a small boat earnings are typically around \$20,000 per year.

Although the number of fishing vessels is declining, fishing is generating more revenue per boat (Graph 3) and is probably becoming a higher-paying occupation. Herb Goblirsch, a fisherman from Otter Rock, noted that there are fewer seasonal fishermen now than in years past. Years ago it was common for school teachers to fish during the summer salmon season. Now, most crew are year-round professional fishermen that switch from one species to another depending on regulations, abundance and price.

A Bountiful Harvest

The source of this wealth is the variety and quantity of Oregon's

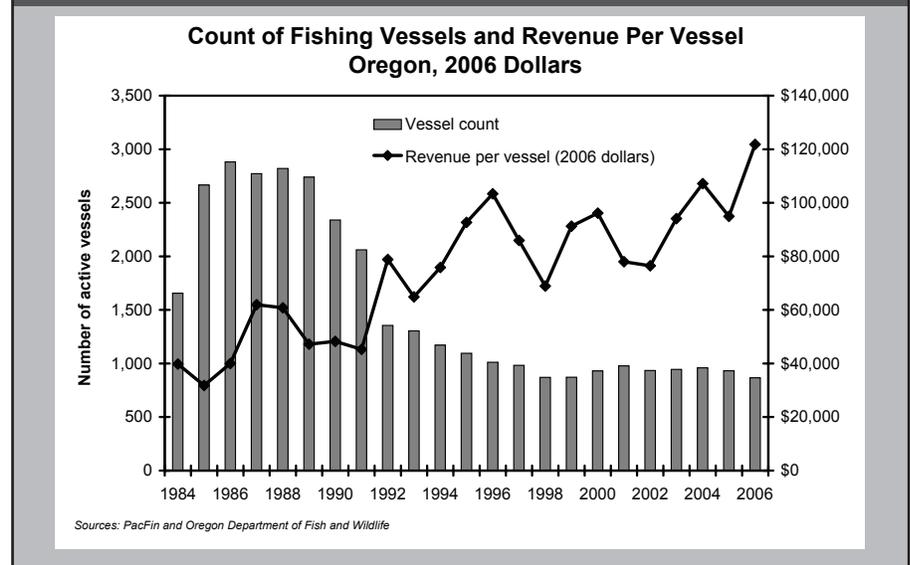
ocean bounty. In the past couple decades Oregon's fishing industry has changed from a low-volume, high-value fishery to one with high volume and lower value. This trend is exemplified by the Pacific whiting fishery which greatly expanded in the early 1990s with the discovery of a way to stabilize whiting flesh for use in making surimi. Surimi is a fish paste used to make artificial crab and similar products. About 135 million pounds of Pacific whiting were harvested in 2006 – making it the largest fishery by volume, but its value is only a little more than six cents per pound.

Sardines returned to the Oregon coast after years of absence but they are another high-volume, low-value species. Almost 80 million pounds were landed in 2006. They fetch about five cents per pound. New processing facilities were built in Astoria to handle sardines and maintain the high quality demanded by buyers – no, not just for human consumption – many of Oregon's sardines are used for bait by other fishermen.

Some of Oregon's fisheries are for high-value species. The salmon harvest was 1.8 million pounds. Regulation limited the 2006 harvest but even in the absence of regulation, harvests for salmon historically have fluctuated proportionately more than many species. The landed value of salmon in 2006 was down from 2005 but higher than it was during the period 1992 to 2000. The price of wild salmon jumped after labeling requirements were placed on farmed salmon in 2003.

2006 also brought a record Dungeness crab harvest. Thirty-three million pounds were landed. The previous year's harvest was about 17 million pounds. A typical harvest is around 10 million pounds. Crab prices averaged \$1.62 per pound and the landed value of crab was almost \$53 million in 2006 – roughly half of all landed value – making it Oregon's single most valuable fishery.

Graph 3



Other species also contributed to the harvest. The pink shrimp harvest was down to 12 million pounds in 2006 but a price of \$0.37 per pound made the harvest still worth about \$4.5 million. The price and harvest of albacore tuna slipped a bit in 2006. The harvest was about 8.5 million pounds with a total value of about \$8 million. In addition to fresh market sales, some of the albacore is being canned by fishermen and small, local canneries. The groundfish harvest changed little from 2005, about 27 million pounds. The

The Pacific Fishery Management Council declared several species of groundfish overfished and restricted harvests.

Pacific Fishery Management Council declared several species of groundfish overfished and restricted harvests to rebuild their stocks. These restrictions will probably continue indefinitely.

Trends in Fishing

Fishermen are affected by onshore events as much as they are by ocean conditions and the industry is changing in several ways. Fishermen face

consolidation in the fish-processing industry, which reduces the number of viable ports. They also face price

competition from farmed and imported seafood, which may encourage the substitution of capital for labor as a means of increasing productivity. Finally, the industry is seeing increasing regulation on harvests and increased direct marketing as a way to add value to their catch.

The number of seafood processors in Oregon rose to 29 in 2006 from 26 in 2005 but is down from the 32 operating in 2000. The number of jobs in the processing industry decreased from 1,213 to 1,031 over the six-year period. Some ports, such as Florence and Reedsport, have fish buyers who now transport the harvest to be processed elsewhere.

Distant Water Fleet

In addition to the fishing boats generally moored in Oregon and landing fish primarily in Oregon there is a more migratory fishing fleet based in Oregon called the distant water fleet. There is no hard and fast definition of a distant water boat but the term is generally used to describe a boat based in Oregon that lands a substantial portion of its annual catch outside Oregon, and usually refers to boats that fish in Alaska. In fact, some distant water boats rarely ever return to Oregon – they are licensed and fish elsewhere and only the crews return to Oregon.

Distant water crew are not considered to be employed in Oregon while they fish elsewhere but their economic contribution is important to Oregon. Their wages are spent in Oregon and the boats that return for repair work spend millions of dollars annually in Oregon. Don Mann, director of the Port of Newport, estimates the annual economic impact of Newport's 15 to 20 boat distant water fleet to be \$27 to \$30 million.

One distant water boat is the Gold Rush owned and operated by Bert Ashley of Newport. The Gold Rush is a 99-foot trawler that fishes year-round in Alaska. The boat employs four to five crew but only two to three work on the boat at a time while the remainder rotate on leave. As with the local Oregon fleet, distant water crew are paid by taking a share of the catch, generally seven to eight percent after deducting fuel, food and observer expenses. (Certain fishing boats are required to carry a paid observer at times to monitor their harvest.) Typical distant water crew will earn \$40,000 to \$80,000 per year depending on the boat's success. A skipper will earn nearly twice that, usually taking 12 percent to 15 percent as a share. The remaining share, about 60 percent, will go to the boat owner who pays for insurance, repairs, nets and other gear, and, of course, the boat.

As with employers everywhere, Ashley states that his biggest challenge as an employer is hiring the right people – someone with a good work ethic and a personality that fits with the rest of the crew. His primary recruitment tool is to use word of mouth and referrals from his existing crew. Desirable entry level skills are being able to repair nets or perform mechanical work but Ashley often has one crew member working as a trainee.

One of the more important trends in commercial fishing is the increasing emphasis on safety. "My biggest challenge as a business owner is keeping people safe in rough weather," Ashley said. "I need to maintain safety for my crew's welfare and to reduce my liability and insurance costs." The U.S. Coast Guard performs extensive safety inspections on boats at sea and also mandates safety training and dockside inspections. Drug and alcohol testing is now commonplace and is required after any accident.

A more surprising trend in the distant water fleet is the cultural change due to mobile telecommunications. Crew members use wireless laptops and cell phones to stay in touch with families. Ashley noted that in recent years there is less of a sense of isolation and, with safety concerns increasing, less of a bar-and-alcohol lifestyle while away from home.

The National Marine Fisheries Services estimated that more than 70 percent of the seafood consumed in the United States was imported in 2005 and at least 40 percent was farmed. The influx of farmed salmon, especially from Chile, is widely viewed as contributing to the decrease in the wholesale price. Concerns about the safety of eating farmed salmon helped increase the price of wild salmon in 2004. The value of all imported edible seafood, wild and farmed, increased in 2006 to around \$13.4 billion, up from about \$6 billion in 1994.

Many of the major fisheries in Oregon have restricted harvests. Fishing permits are limited for groundfish, crab, salmon and shrimp. Recent fish stock assessments indicate that overfishing is now occurring on albacore tuna and that the stock may be overfished,

although a formal notification has not yet been issued by the National Marine Fisheries Service. If one is issued, albacore tuna could join the list of restricted fisheries.

With fuel and other costs increasing and price competition from imported and farmed seafood, fishermen are seeking ways to add value to their harvests. Some of the ways to do this are selling to restaurants, retail sales from boats, and doing their own processing and canning. Another possibility is to create a fishermen's market, similar to farmers' markets. The Port of Newport and other partners are planning for just such a market.

Outlook for 2007

It is doubtful that harvests and income in 2007 will be as high as in 2006.

The value of the harvest in 2006 was about 25 percent higher than the average for the previous 10-year period, so even an average year would mean a drop in revenue. The crab harvest in 2006 set an all-time record that is unlikely to be repeated. Limitations on salmon fishing due to a low population of the Klamath River salmon will probably mean a low salmon harvest again in 2007. The dip in fishing employment in 2006 could be repeated in 2007 if the harvest is lower. From year to year employment in fishing seems to follow the abundance of harvests but it is expected that employment will slowly decline in the next 10 years as the industry continues to consolidate and become more efficient. ■

Growth Continues in Most Metros

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- In June, over-the-year job growth rates were positive in 47 of the nation's 49 largest metropolitan areas. Growth in nine metros exceeded the national average job gain of 2.3 percent.
- June unemployment rates in 25 metro areas were equal to or lower than the national rate of 4.5 percent.
- Job growth in the Portland metro area ranked 22nd fastest among growth rates in the largest metros. Portland's unemployment rate remained slightly above the national rate, and was 32nd highest among the largest metro areas in June. ■

June 2007 Job Growth and Unemployment Rates for Selected Metropolitan Areas (not seasonally adjusted)

	Over-the-Year Job Growth Rate	Unemployment Rate
Highest Job Growth		
Austin-Round Rock, TX	4.0	3.8
Lowest Job Growth		
Detroit-Warren-Livonia, MI	-1.5	8.1
Highest Unemployment		
Detroit-Warren-Livonia, MI	-1.5	8.1
Lowest Unemployment		
Birmingham-Hoover, AL	3.3	3.0
Portland-Vancouver-Beaverton, OR-WA	1.4	4.8
<i>Rank Among 49 Largest Metropolitan Areas (highest rate = 1)</i>	22nd	32nd

Source: U.S. Bureau of Labor Statistics

Manufacturing is Still Important

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Rumors of its demise are greatly exaggerated. Oregon's manufacturing sector still provides more than 200,000 payroll jobs and more than \$10 billion per year in payroll – exceeded by only two other sectors. In 2006, the manufacturing sector accounted for one-in-eight payroll jobs in Oregon and one-in-six payroll dollars earned, higher than the national shares.

It is true that Oregon's manufacturing sector used to be even more prominent than it is today. Employment in the sector has been more or less flat over the past 30 years while the rest of the economy soared. Manufacturing employed about 200,000 in 1976, just as it did in 2006. Thus, its share of total employment and payroll has declined to its current, but still prominent, size (Graph 1).

Oregon now has a diverse manufacturing sector that adds to economic stability. While retaining some of its

Manufacturing is not just a big-factory industry in Oregon.

concentration in wood products, the sector boasts considerable employment in high technology as well as in food products, transportation equipment, fabricated metals, machinery, primary metals, kitchen cabinets and similar furniture, printing, plastics, and paper.

Manufacturing is not just a big-factory industry in Oregon. There are lots and lots of small firms, too. More than 2,000 manufacturing businesses in

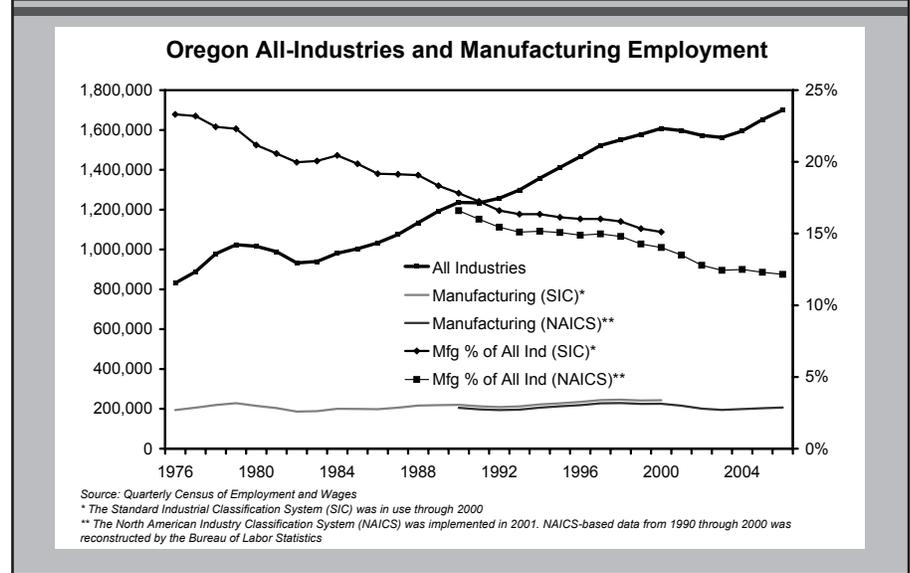
Oregon had four or fewer employees in 2005. Almost 1,800 more had from five to 19 employees. Yet we have large factories as well. More than 400 businesses had 100 or more jobs and 15 had 1,000 or more jobs.

Manufacturing jobs tend to pay well (Graph 2). In 2006, the average annual pay per job was \$49,700. This is much higher than the \$38,057 average for all industries. In fact, of the major industrial sectors, only information pays more, on average, than manufacturing. There are four manufacturing industries with average pay over \$50,000: computer and electronic products, paper, primary metals, and machinery.

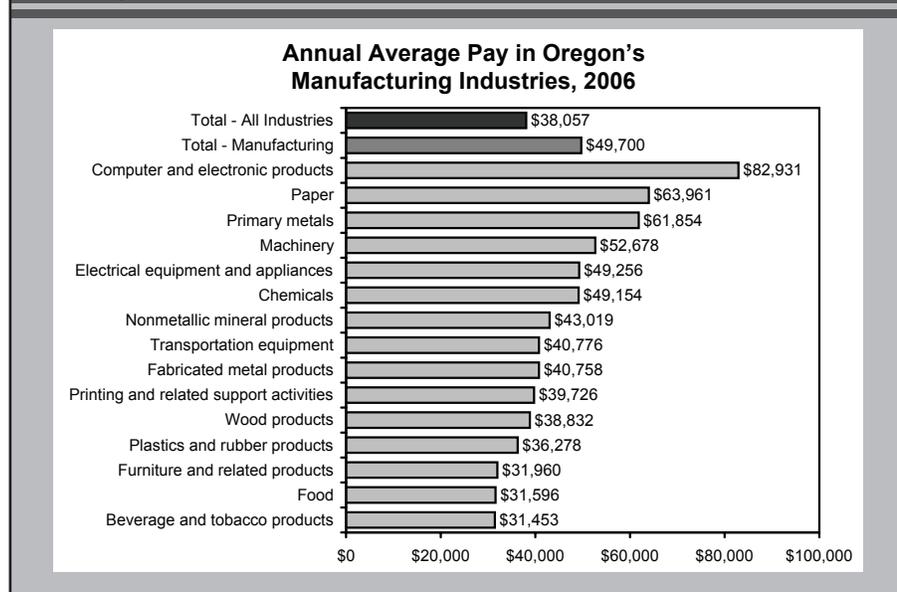
Employee benefits tend to be more available in manufacturing, too. A 2005 survey of Oregon businesses found that 71 percent of manufacturers offered health insurance to their full-time employees, whereas across all industries only 60 percent did so. Also, 82 percent of manufacturing employers offered their full-time employees paid vacation leave, while across all industries 73 percent did so.

Many jobs in manufacturing require only on-the-job training. About one-quarter of the sector's jobs can be learned on the job within one month. Another third require up to one year of on-the-job training. But college graduates also have opportunities in manufacturing: more than 15 percent

Graph 1



Graph 2



of jobs require at least a bachelor's degree. Of course, whether the position requires only on-the-job training or a college degree, employers often prefer job candidates with related work experience.

Over the coming decade, there should be many job openings in

Oregon's manufacturing sector. Rapid growth is not expected, but many jobs will open up as current workers either change industries or retire. That spells excellent job opportunities for younger workers. And these jobs will be available in all areas of the state, in rough proportion to the number of

manufacturing jobs in each location. Production occupation jobs are the most numerous and should have the most openings, but employment opportunities all the way up to management positions are expected. ■

Summer Brings Continued Construction Activity, School Vacations, Dining Out

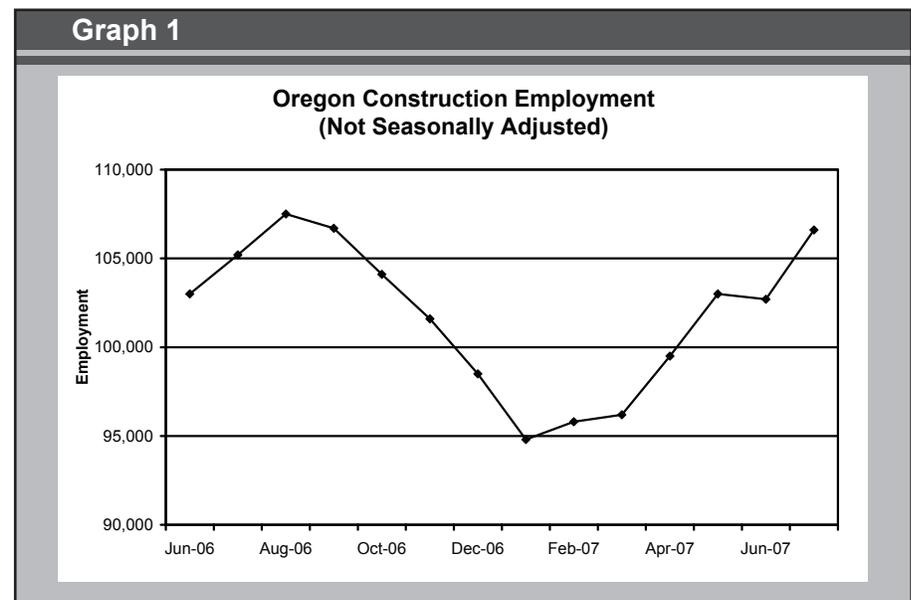
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Oregon's seasonally adjusted unemployment rate was 5.5 percent in July, up from 5.1 percent in June. The U.S. unemployment rate was 4.6 percent in July and 4.5 percent in June.

Oregon's seasonally adjusted non-farm payroll employment in July was up 2,100 from June. This seasonally adjusted gain resulted from a July decline in employment that was smaller than seasonally expected. The loss of 22,500 jobs in July was due primarily to a decrease in educational employment as schools closed for summer.

Three broad sectors – construction, manufacturing, and government – showed substantially stronger over-the-month job changes than seasonally expected. Two other sectors showed changes that were substantially weaker than expected: professional and business services, and educational and health services.

Compared to July 2006, Oregon has 15,000 more nonfarm payroll jobs. This over-the-year gain is the weakest in several years. Sectors with the largest job gains since one year ago were leisure and hospitality and trade, transportation, and utilities. Manufacturing saw the largest loss.



Construction Regains Some Lost Ground

Construction reversed its June direction, adding 3,900 jobs in July to reach a total of 106,600 (Graph 1). Specialty trade contractors added 3,500 jobs in July due partially to gaining back the striking drywall hangers that were out 20 days during June. Drywall hangers are found primarily in the building finishing contractors industry, which was up 1,700 in July. The majority of the additional gain in construction came from building equipment contractors, which added 1,300. Residential building construction was unchanged at

16,100, while heavy and civil construction lost 400 jobs in July, ending the month with 11,000.

Another goods-producing sector also fared well in July. In a reversal of its recent downward trend, manufacturing added 2,500 jobs in July, which is about twice the typical seasonal July gain. Durable goods added 800 jobs, aided by a gain of 200 each in wood product manufacturing, primary metal manufacturing, and fabricated metal manufacturing. Over the past 12 months, manufacturing lost 7,100 jobs, or 3.3 percent. Wood products,

computer and electronic products, and transportation equipment each lost at least 1,600 jobs over the past 12 months.

Nondurable goods manufacturing added 1,700 jobs in July. Oregon's summer cannery season is in full swing, with fruit and vegetable preserving and specialty adding 1,600 jobs.

The other sector that performed above seasonal expectations was government. In July, it lost 28,300 jobs. The largest portion of the downturn came from local government education, which lost 23,400 jobs as schools closed for summer. State government lost 5,900 jobs; state government education accounted for 5,700 of those losses. Over the past 12 months, government has added 4,400 jobs.

Two Sectors Showed July Weakness

Professional and business services lost 2,200 jobs in July primarily due to a downturn in employment services (Graph 2). Several large temporary help supply services in the Portland metro area reported less business and their employment was down. Temporary help services employed 40,900 in July, down from 43,800 a year ago.

Educational and health services declined by 2,500 jobs, which is a larger-than-normal decline for this time of year. Health care dropped by 300 while social assistance lost 1,600 jobs.

However, over the past four years, private education has added close to 4 percent per year, while health care and social services has added over 2 percent per year.

July changes in other sectors were closer to normal. Trade, transportation, and utilities added 1,500 jobs in July and 5,500 jobs over the year. Kohl's plans to hire about 150 people for its store at Salem Center and about 130 for its store in Albany. Both will open this fall. Wholesale trade gained 600 jobs in July and 2,300 over the year, while retail trade gained 900 jobs in July and 4,100 since July 2006.

Information lost 100 jobs while financial activities added 900 in July. Completion of new headquarters for Clear Choice Health Plans in Bend is expected by April. It employs between 160 and 180 employees and could grow to as many as 300.

Leisure and hospitality added 2,500 jobs in July, and has added 6,400 positions over the past 12 months. Amusement, gambling, and recreation was positive for the month (+700) but down for the year (-1,000). Accommodation and food services was up for both the month (+1,500) and the year (+7,000). Helping this industry along will be the Nines, a 331-room luxury hotel being built atop the downtown Portland Macy's. It is scheduled to open next summer and will employ about 200 workers. ■

**June 2007
Unemployment Rates**

(Preliminary; not seasonally adjusted)

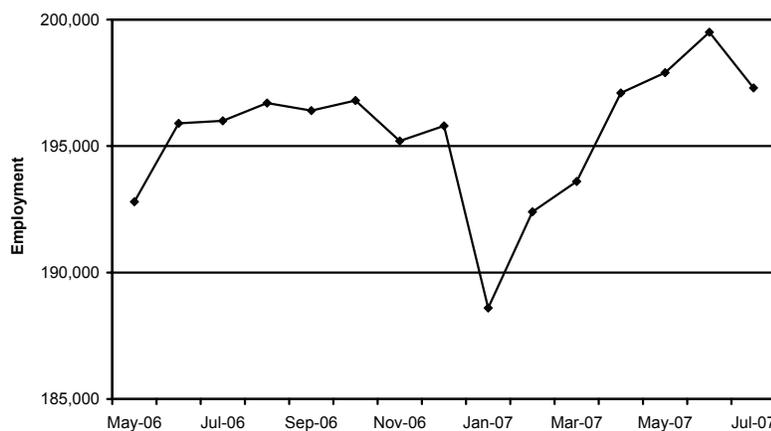
United States	4.7
Oregon	5.1

Counties

Harney	7.2
Douglas	7.0
Jefferson	6.7
Josephine	6.7
Lake	6.6
Grant	6.5
Linn	6.3
Curry	6.2
Klamath	6.2
Malheur	6.2
Coos	6.1
Crook	5.7
Jackson	5.6
Baker	5.5
Columbia	5.5
Lincoln	5.2
Marion	5.2
Polk	5.2
Umatilla	5.2
Lane	5.1
Hood River	5.0
Multnomah	5.0
Sherman	5.0
Wheeler	4.9
Union	4.8
Yamhill	4.8
Morrow	4.7
Tillamook	4.7
Wallowa	4.7
Clackamas	4.6
Deschutes	4.4
Washington	4.4
Clatsop	4.3
Gilliam	4.2
Benton	3.9
Wasco	3.9

Graph 2

**Oregon Professional & Business Services Employment
(Not Seasonally Adjusted)**



Oregon Current Labor Force and Industry Employment

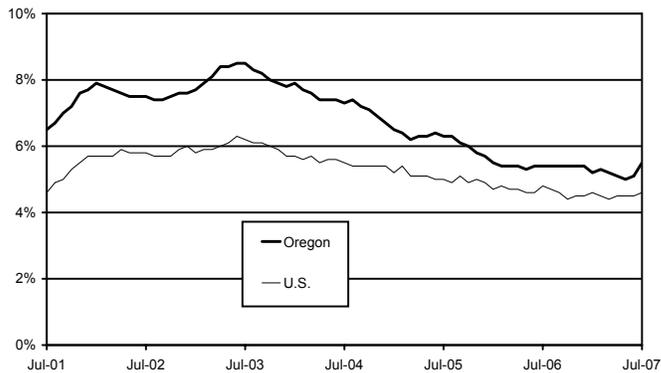
	July 2007	June 2007	July 2006	Change From June 2007	Change From July 2006
Labor Force Status					
Civilian labor force	1,937,311	1,939,706	1,921,346	-2,395	15,965
Unemployed	103,431	98,029	103,313	5,402	118
Unemployment rate	5.3	5.1	5.4	0.2	-0.1
Unemployment rate, seasonally adjusted	5.5	5.1	5.4	0.4	0.1
Employed	1,833,880	1,841,677	1,818,033	-7,797	15,847
Nonfarm Payroll Employment					
Total nonfarm payroll employment	1,719,000	1,741,500	1,704,000	-22,500	15,000
Total private	1,447,600	1,441,800	1,437,000	5,800	10,600
Natural resources and mining	8,600	9,000	9,800	-400	-1,200
Construction	106,600	102,700	105,200	3,900	1,400
Manufacturing	205,600	203,100	212,700	2,500	-7,100
Durable goods	150,500	149,700	156,600	800	-6,100
Nondurable goods	55,100	53,400	56,100	1,700	-1,000
Trade, transportation, and utilities	343,300	341,800	337,800	1,500	5,500
Wholesale trade	83,400	82,800	81,100	600	2,300
Retail trade	203,000	202,100	198,900	900	4,100
Transportation, warehousing, and utilities	56,900	56,900	57,800	0	-900
Information	36,900	37,000	35,100	-100	1,800
Financial activities	106,400	105,500	107,800	900	-1,400
Professional and business services	197,300	199,500	196,000	-2,200	1,300
Professional and technical services	72,800	71,600	68,500	1,200	4,300
Management of companies and enterprises	27,500	27,800	27,900	-300	-400
Administrative and waste services	97,000	100,100	99,600	-3,100	-2,600
Educational and health services	203,300	205,800	200,200	-2,500	3,100
Educational services	24,200	24,800	24,600	-600	-400
Health care and social assistance	179,100	181,000	175,600	-1,900	3,500
Leisure and hospitality	179,000	176,500	172,600	2,500	6,400
Other services	60,600	60,900	59,800	-300	800
Government	271,400	299,700	267,000	-28,300	4,400
Federal government	30,300	29,700	30,100	600	200
State government	71,300	77,200	71,700	-5,900	-400
State education	23,600	29,300	23,500	-5,700	100
Local government	169,800	192,800	165,200	-23,000	4,600
Local education	79,500	102,900	76,200	-23,400	3,300
Labor-management disputes	200	1,500	0	-1,300	200

The most recent month is preliminary, the prior month is revised. Prepared in cooperation with the U.S. Department of Labor, Bureau of Labor Statistics.

Labor Force Status: Civilian labor force includes employed and unemployed individuals 16 years and older by place of residence. Employed includes nonfarm payroll employment, self-employed, unpaid family workers, domestics, agriculture, and labor disputants. Unemployment rate is calculated by dividing unemployed by civilian labor force. Nonfarm Payroll Employment: Data are by place of work and cover full- and part-time employees who worked or received pay for the pay period that includes the 12th of the month. The data exclude the self-employed, volunteers, unpaid family workers, and domestics.

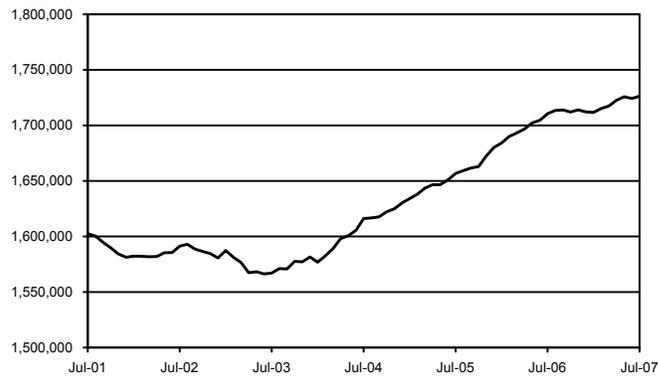
Unemployment Rates

Unemployment Up in July, Still Low for Oregon



Total Nonfarm Payroll Employment

Still Adding Jobs, Fewer Than Past Two Years
Oregon Nonfarm Payroll Employment, Seasonally Adjusted



Indicators

Unemployment Rate (Seasonally adjusted)

	Oregon	U.S.
July 2007	5.5	4.6
June 2007	5.1	4.5
July 2006	5.4	4.8

Seasonally Adjusted Employment (Total Nonfarm Payroll Jobs)

	Oregon	U.S.
July 2007	1,726,300	138,122,000
June 2007	1,724,200	138,030,000
July 2006	1,710,500	137,828,000
Change From		
July 2006	15,800	294,000
% Change	0.9%	0.2%

Consumer Price Index (CPI) (All urban consumers, 1982-84=100)

Port.-Salem, OR-WA	Index	Yearly Change
Jan.-June 2007	206.7	3.4%
Annual Average 2006	201.1	2.6%
United States		
July 2007	208.3	2.4%
Annual Average 2006	201.6	3.2%



OREGON LABOR TRENDS

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