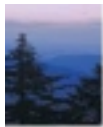


Northwest North Carolina Comprehensive Economic Development Strategy



Looking toward the future

Northwest North Carolina CEDS

Economic and Demographic Assessment

Yadkin County

May 2003

Yadkin County Economic & Demographic Assessment

May 2003



AngelouEconomics is pleased to present the Yadkin *Economic & Demographic Assessment* as part of the Northwest North Carolina Comprehensive Economic Development Strategy (CEDS). This report is one of several analytical documents that will examine the 8-county region during a 10-month process to identify the area's assets and prepare the region for future growth. All analysis and strategies will be done on a county-by-county basis in order to consider the unique challenges and opportunities present in each individual county. Following the completion of the county plans, a region wide plan will be formed from each county's goals to support the existing regional economic development efforts already underway.

All reports will be available online at www.northwestnc.com as they are completed. We encourage you to review them thoroughly and provide us with your comments and insight. Thank you for your input.

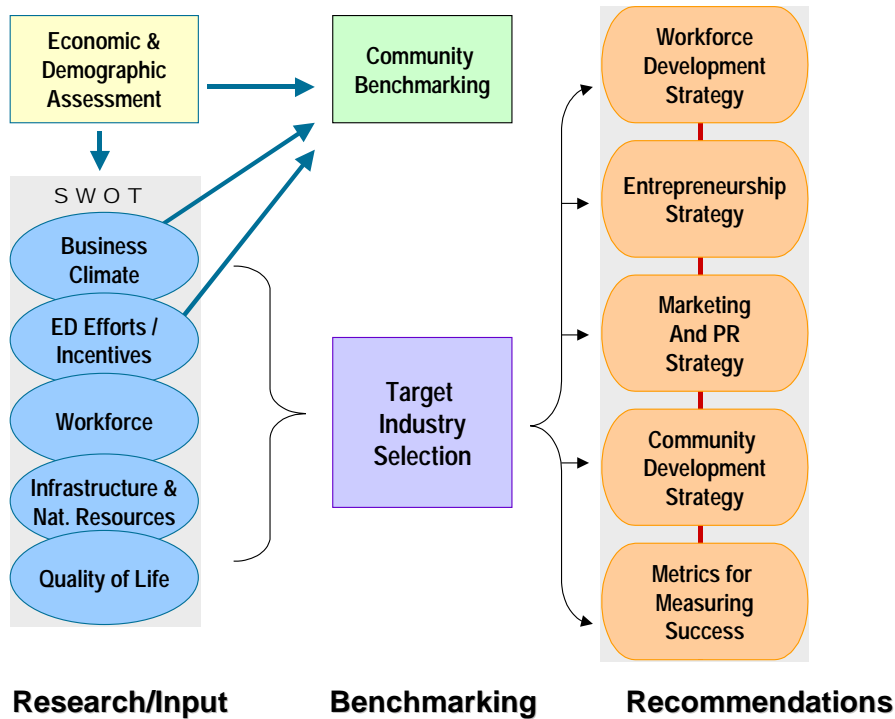
Angelos Angelou, Principal
Amy Holloway, Vice President for Economic Development
Chris Engle, Vice President and Senior Analyst
Sean Garretson, Project Manager
Travis Warziniack, Research Manager

AngelouEconomics

The CEDS Process

The following chart illustrates how the *Economic & Demographic Assessment* will lead to further stages in the analytical planning process:

Project Process Diagram



Report Overview

The *Economic & Demographic Assessment* looks at several key areas that provide a scan of Yadkin County's current economic condition. The data presented in this report will describe trends that are either well established in the county or just underway. We seek to show in numbers many conditions that are likely to be already observed by most of the county's citizens, as well as provide new information that will impact the county's future. As with all data, we seek to evaluate their significance in the eyes of expanding or relocating businesses – the county's current and future "customer" base.

Data presented in this report includes:

Population: Population growth is often used as a top line observation on a community's vitality and competitive success. Companies typically desire to be in growing communities, or communities that have the lifestyle amenities that will allow them to relocate their best employees. Corporate site selectors, particularly those in technology industries, desire a population that is both ethnically diverse and receptive to newcomers (including younger workers).

Worker Education: Site selectors usually look for a great educational system that includes high graduation rates, good performance by local K-12 system, and an established college or university. A high-quality and responsive community college system is often viewed as a critical partner in the training of a company's workforce (particularly with manufacturers). How the education system is funded can be a sensitive issue for some, as few companies desire to be perceived as straining an under funded system by bringing new workers (and their children) to an area without adequate tax revenue.

Income/Wages: Income and wage growth shows a strong and successful economy, but low to average wages are desired so that employers can afford workers in their skill set. Parity between wage levels and skill sets is examined to determine worker productivity and competitiveness.

Industries: Corporations are usually sensitive to the industrial makeup of a region, and often avoid communities where they might be perceived as a conflicting use (such as heavy industry avoiding high end housing areas). Today, companies want to be part of a diverse and functional "family" of industries. Companies also look for similar industries or a supplier base that will both serve its business model and provide a source of trained and experienced workers.

Retail trade: A strong retail presence is needed but should not be the largest employer in the region. Companies typically view retail as an amenity for its workers, but prefer some level of buffer from high retail density due to traffic and housing encroachment concerns.

Tax revenue: Low, competitive tax rates are essential to attracting business, particularly the property tax rate. Communities with lagging tax revenue growth may be perceived as risk for future tax rate increases. A diversity of employers to support tax revenues is desired so that large tax increases will not be forthcoming when one business is removed from the picture.

Much of the data presented in this report will be revisited and built on in future reports such as the *SWOT Analysis*. A benchmarking report will be done later in the project to evaluate Yadkin County's competitive strengths relative to its peers.

INTRODUCTION

Yadkin County grew from a population of approximately 30,000 in 1990 to 36,300 in 2000, an increase of 19 percent. Most of this population growth occurred in unincorporated areas of the county.

With this growth came a shift in countywide demographics. The population became more diverse and a little older. There was a large increase in the Hispanic population due in part to migrant workers staying after the growing season and pursuing jobs in manufacturing. The influence of Hispanics in Yadkin will be significant long-term.

A decline in the younger population is a new trend, and one that has been seen in many rural counties in northwest North Carolina. Yadkin lost percentages of 25-44 year olds and gained percentages of 45-64 year olds. The median age in Yadkin County is 37.6, more than two years above North Carolina's median of 35.

Yadkin County at a Glance

Population, 2002	37,600
Net New Population, 90-00	5,860
% Change, 90-00	19.2%
% of Adults with a Bachelor's Degree or higher	10.3%
% of Private Sector Workforce in Manufacturing	37.7%
Median Household Income	\$36,600
Median Home Value	\$90,600
Private Sector Jobs	8,600
Total Private Sector Payroll	\$189 mil
Avg. Private Sector Salary	\$21,900
Avg. Manufacturing Salary	\$23,300
Avg. Professional Industry Salary	\$29,468

Sources: 2000 Census (Demographics), 2001 County Business Patterns (Jobs/Salaries), Employment Security Commission of NC

Educational attainment has improved in Yadkin County. The percentage of adults with a college background gained on the national average, rising more than 5 points. Those with an Associate's degree declined slightly, but still remains above the U.S. average. The areas for improvement lie in increasing the number of adults with 4-year and graduate degrees.

Contrary to most of the surrounding communities, manufacturing in Yadkin County never employed a larger share of workers than service-related industries (i.e., wholesale trade, retail trade, FIRE, and services). This has helped to maintain lower unemployment rates than many counties in North Carolina. A diverse workforce and new commuter patterns shape the county's economy – nearly 56 percent of the workforce travels out of the county for work, which helps to insulate the county from the effects of local layoffs.

One of the most important growth industries in Yadkin County is viticulture. The potential for tax revenue and tourism related to the wine industry is tremendous and will greatly impact local industries such as tourism and services. County leadership must continue to explore new opportunities for balanced growth long-term.

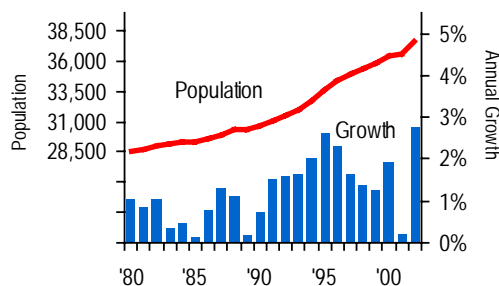
DEMOGRAPHICS

Population Growth

The 1990s were a period of strong growth in Yadkin County.

- The county added 5,900 people in the 1990s. Current estimates place county population at 37,600 people.
- Not only do unincorporated areas of the county hold most of the population, but these areas are also the fastest growing parts of the county.
- County population increased 19 percent, leading most other counties in Northwest North Carolina. By comparison, the Greensboro-Winston-Salem-High Point MSA was an area of extremely rapid growth, growing by 33 percent in the 1990s.
- The State Demographer expects the county to capture sizeable new growth, with 42,600 people living in Yadkin County by 2010 and 49,000 people by 2020.

Population Growth, 1980-2002



Source: US Census Bureau

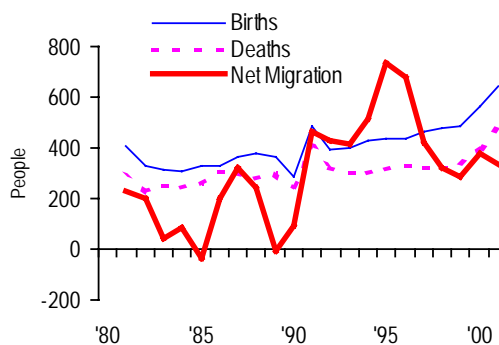
Population Breakdown

	Population, 2000	% Growth 1990-2000
Yadkin County	36,348	19.2%
Boonville	1,138	12.8%
East Bend	659	2.0%
Jonesville	1,464	-5.5%
Yadkinville	2,818	11.6%

Much of the growth that took place in the 1990s was due to migration of people relocating into the county.

- While births and deaths continue to grow steadily, migration has followed a highly cyclical path.
- Beginning in 1991, net migration jumped to over 400 people per year. Another dramatic rise occurred in 1995, when over 700 people moved into the county.
- A majority of these people are relocating from Forsyth County.
- **As births outpace migration, children become an increasingly important portion**

Components of Population Change



Source: U.S. Census Bureau

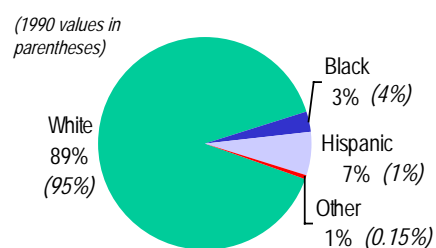
of the population, while the percentage of working-age residents decreases.

Racial Composition

While still largely White, the county has a growing Hispanic community that adds to the diversity of Yadkin County.

- Hispanics are the fastest growing minority in the region. There are now 2,400 Hispanics living in Yadkin County. This is a significant increase from the 300 that lived in the county in 1990.
- Evidence indicates that many Hispanic migrant workers are choosing to remain in the county rather than follow the growing season, bringing family and friends with them.
- Migrant workers are typically undercounted by the Census, which may mean that the Hispanic population is actually much larger. The Department of Health and Human Services estimates that there are 1,200 migratory and seasonal workers in Yadkin County.

Racial Composition, 2000



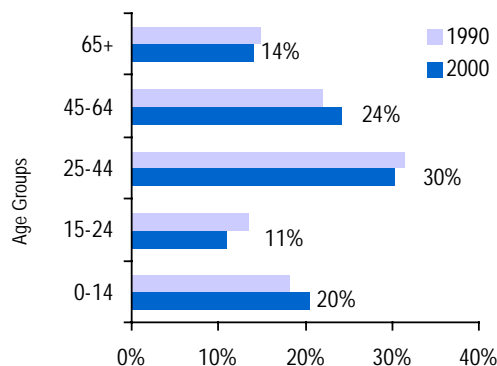
Source: U.S. Census Bureau

Age Breakdown

Much of Yadkin County's population growth has been at the lower and upper ends of the age spectrum.

- Two age groups, 0-14 and 45-64, saw a large share of the population growth during the 1990s.
- People between the ages of 25 and 44, a critical demographic group for economic growth, makes up only 30 percent of Yadkin County residents, down slightly from 1990.
- The median age of Yadkin County residents is 37.6, nearly three years older than both the national and North Carolina median age of 35.
- Unlike many surrounding counties, minorities in Yadkin County are only slightly younger than

Age Distribution, 1990 vs. 2000



Source: U.S. Census Bureau

the general population. The median age of non-Whites is 36.5.

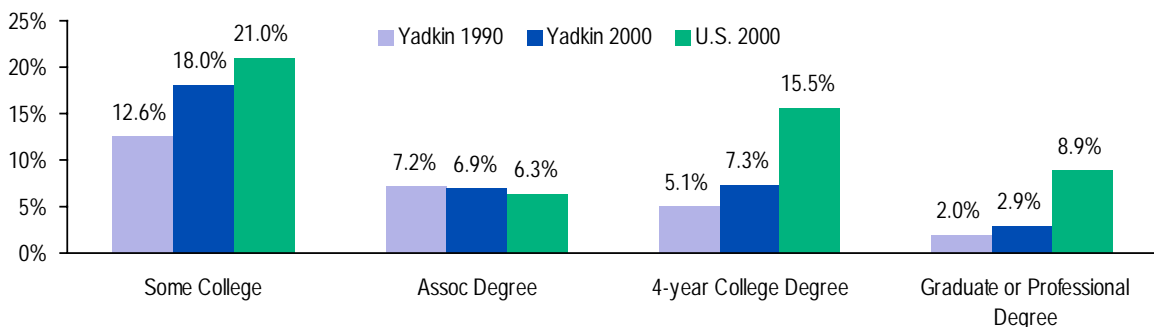
Educational Attainment

The educational attainment level of Yadkin County residents continues to improve.

- With significant advances in the 90s, the percentage of residents with some college is now merely 3 points below the national average.
- The percentage of residents holding an Associate's degree is slightly above the national average.
- In order to be competitive, the percentage of residents receiving higher degrees must increase. Lack of 4-year degrees reflects a job base that does not require advanced education.
- As the importance of education is emphasized, these levels will continue to improve.

Educational Attainment Comparison, 1990 vs. 2000

Adults 25 years or older



Source: U.S. Census Bureau; AngelouEconomics

Commuting Patterns

Yadkin County has traditionally been a community of agriculture and commuters. It was not until the development of US 421 and Interstate 77 that industry began to locate into the county.

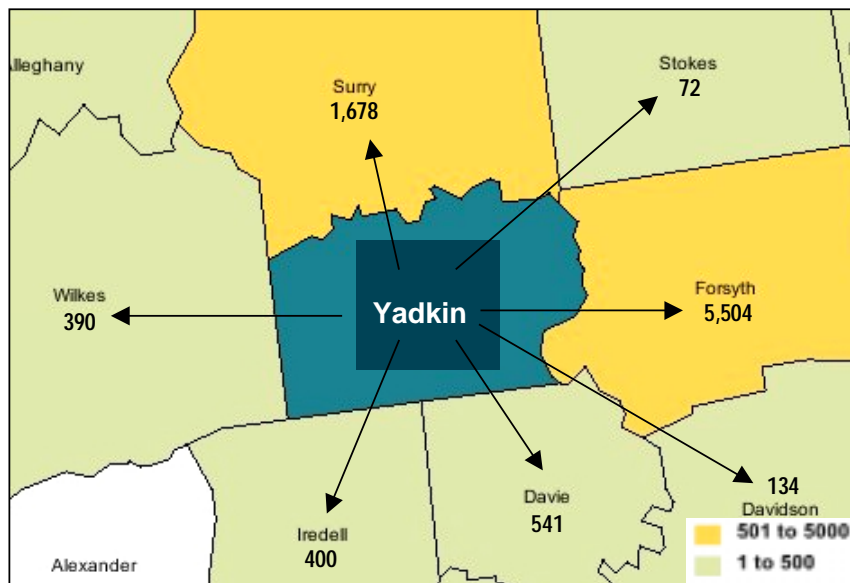
- 56 percent of resident workers commute out of the county for work, with about half of these heading into Forsyth County everyday.
- Those leaving the county are mostly employed in management, sales, or office jobs. This contrasts greatly to the mostly manufacturing jobs found within the county.

Commuting Patterns, 1990 vs. 2000

People	1990	2000
Working in Yadkin	9,370	11,016
Live & work in Yadkin	7,296	7,572
Live elsewhere & work in Yadkin	2,074	3,444
% workforce commuting in	22%	31%
Live in Yadkin & work elsewhere	7,775	9,695
% resident workers commuting out	52%	56%

Source: US Census Bureau

Persons Commuting out of Yadkin County for Work, 2000



Source: U.S. Census

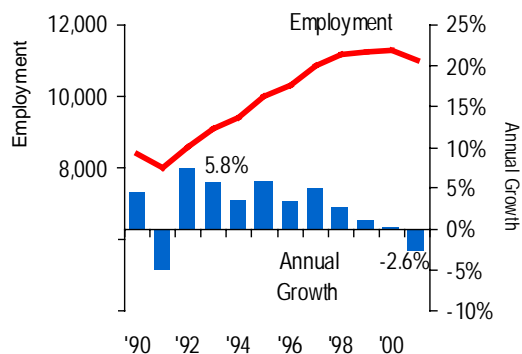
ECONOMIC TRENDS

Employment & Wages

After several years of slowing growth, Yadkin County had a net loss of jobs in 2001.

- The county added more than 2,500 wage and salary jobs over the past 10 years. This is an increase of 30 percent over 1990.
- The two years of negative growth likely reflect the county's dependence on a few large employers. 1991 saw a net loss of 400 jobs; in 2001, there was a net loss of 290 jobs.

Wage & Salary Employment, 1990 - 2001

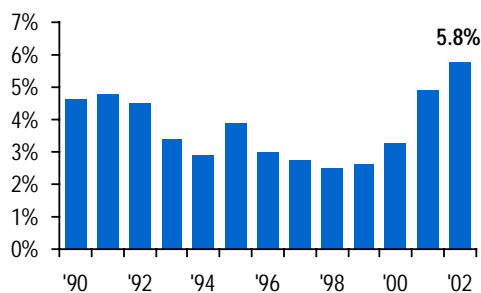


Source: Employment Security Commission of NC

Unemployment, while high, is still lower than most North Carolina counties.

- With yearly increases since 1998, Yadkin County's annual unemployment rate was 5.8 percent in 2002.
- With a large amount of residents leaving the county for work, unemployment is heavily influenced by Forsyth County. This insulates the county somewhat from the strong downturn felt in the more rural counties.
- Most of the jobs lost in the county have been in the textiles industry, including the closing of Sara Lee Hosiery, Inc. and layoffs at Unifi Inc.

Unemployment Rate, 1990-2002



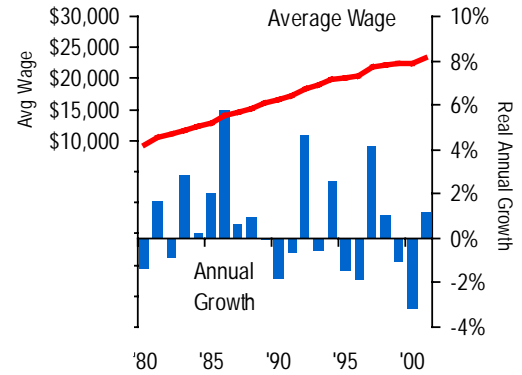
Source: Employment Security Commission of NC

YADKIN COUNTY

Most of the jobs created in Yadkin County have been in three of the lowest paying sectors in the county's economy. This has led to a net decrease in real wages over the last three years.

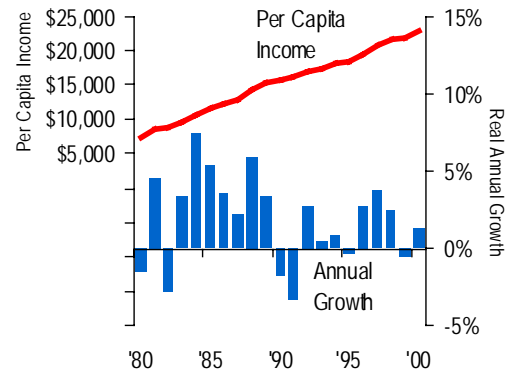
- Real per capita income has seen consistent moderate growth, as more people per household are entering the labor pool.
- Services, which added 900 positions in the 1990s, is the second lowest paying industry. Retail, which added 700 positions, is the lowest paying industry in the county.

Average Wage, 1980 - 2001



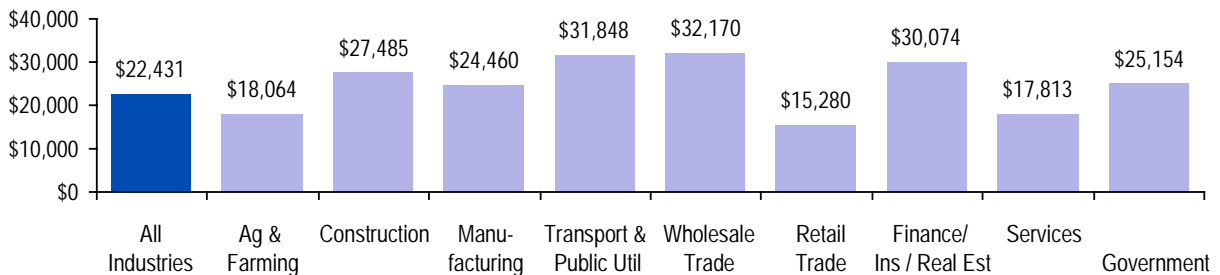
Source: Bureau of Economic Analysis; AngelouEconomics

Per Capita Income, 1980 - 2000



Source: Bureau of Economic Analysis; AngelouEconomics

Average Wage By Industry, 2000

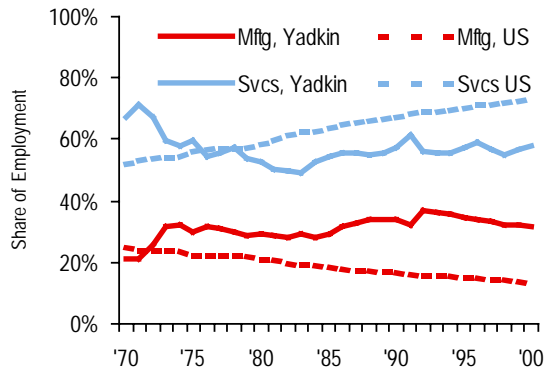


Source: Employment Security Commission of North Carolina

The industrial make-up of Yadkin County is comparatively stable.

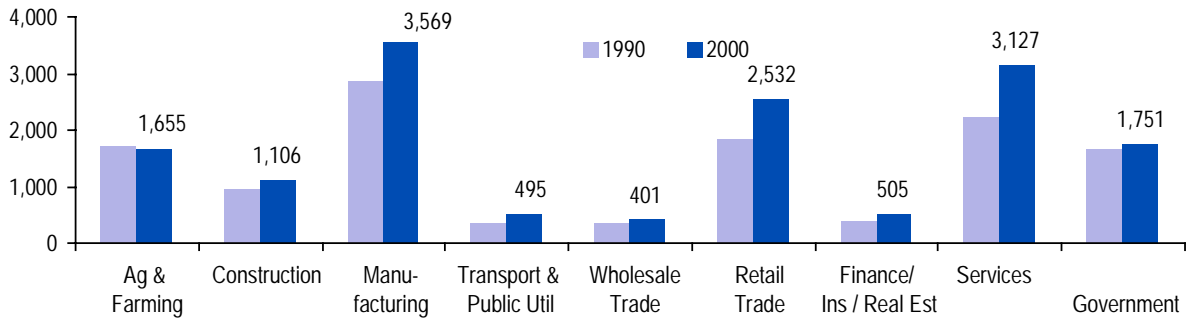
- National trends show a decrease in employment share for manufacturing and an increase in share for services. This trend shows up in Yadkin County, but much less pronounced than at the national level.
- Yadkin County is unique in Northwest North Carolina in that manufacturing never employed more people than service industries (i.e., Wholesale Trade, Retail Trade, FIRE, and Services).
- This is most likely due to early decisions restricting railroad access into the county.
- Agriculture and farming was the only industry to have a net loss of jobs. The largest gains were in manufacturing, retail, and services.

Industry Shift, 1970 - 1999



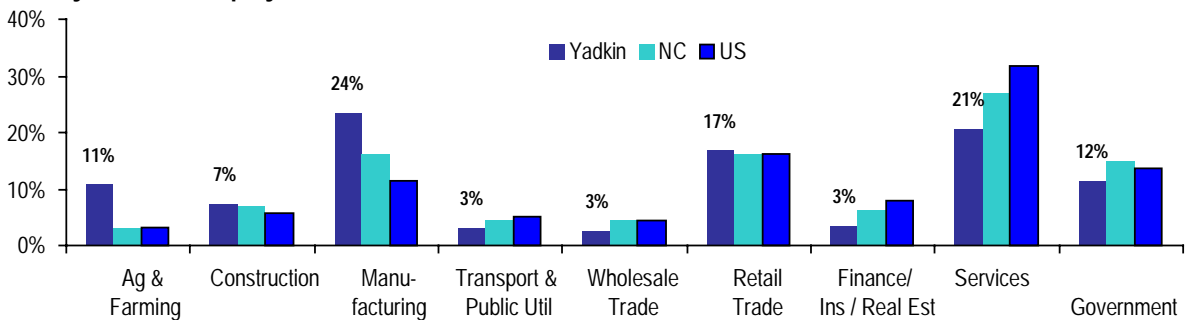
Source: U.S. Bureau of Labor Statistics; AngelouEconomics

Employment by Industry



Source: Bureau of Economic Analysis; AngelouEconomics

Industry Share of Employment, 2000



Source: Bureau of Economic Analysis; AngelouEconomics

INDUSTRY SPOTLIGHTS

Agriculture

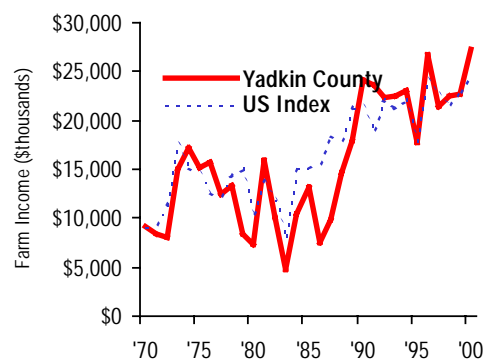
Agriculture as an industry continues to play a large part in the Yadkin County economy.

- While the number of farms continues to rapidly decrease, the decline in actual acres farmed has been slow. Much of the smaller farms have been transferred to large commercial farms, averaging 115 acres in size.
- These larger farms produce most of the county's farm income, which has been following a highly cyclical upward trend, matching almost exactly the national trends.
- The largest single source of farm income is flue-cured tobacco, accounting for 21 percent of all farm income.
- Poultry is growing rapidly throughout the county. It leads tobacco, bringing in 35 percent of the Yadkin County farm income.

Grapes have recently begun to receive some attention in the county due to a growing regional wine industry.

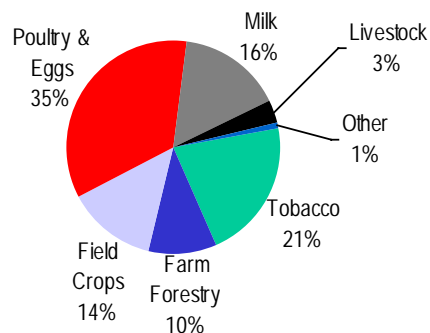
- The Yadkin Valley has recently received national attention and was named an American Viticultural Area by the U.S. Bureau of Alcohol, Tobacco, and Firearms.
- The wine industry has served to unite agriculture with the regional tourism industry, spurring such economic development efforts as the Yadkin Valley Wine Trail.

Farm Incomes, 1970 - 2001



Source: U.S. Bureau of Economic Analysis; AngelouEconomics

Farm Income by Commodity, 2000



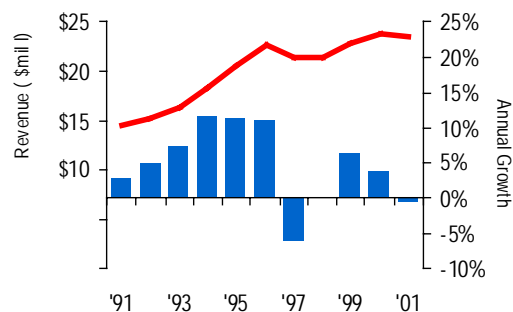
Source: NC Cooperative Extension

Tourism

Tourism has not played an important role in the Yadkin County economy.

- In 2001, revenues from tourism fell slightly to \$23.5 million.
- The North Carolina Department of Commerce estimates that 370 jobs within the county are directly related to tourism.
- These jobs are primarily for restaurant workers and pay some of the lowest wages in the county. The average tourism wage for 2001 was \$14,400.
- Regional efforts, such as the Yadkin Valley Wine Trail and the Blue Ridge Music Trails, will likely bring more visitors into the county.

Revenue from Tourism, 1991 - 2001



Source: NC Dept of Commerce

Largest Tourism Impacts

Tourist Attractions in Yadkin County

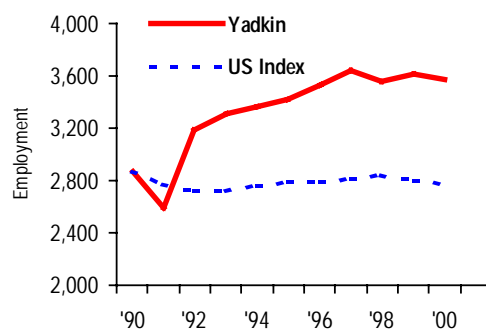
Yadkinville Bluegrass Contest and Fiddlers Convention
 Shelton Vineyards
 Laurel Gray Vineyards
 RagApple Lassie Vinyards
 Hanover Park winery
 Richmond Hill Law School

General manufacturing

Manufacturing is relatively new to Yadkin County. This is largely due to early decisions to restrict rail access into the county. It was not until later, with the development of a reliable highway system, that larger manufacturers began moving into the county.

- Manufacturing reached its peak in Yadkin County in 1992, when 37 percent of all jobs in the county were in the industry. Since then, the number of Manufacturing workers has increased, but actual share of employment has been in constant decline.
- In 2001, Manufacturing employed more than 3,000 people.
- 1,900 of these jobs were in textile mills, representing 23 percent of total employment within the county. Approximately 1,500 of these jobs are with Unifi, Inc.
- Such dependence on one industry, and even one employer, make Yadkin County extremely vulnerable to adverse business conditions, as seen with recent layoffs at Unifi and the closing of Sara Lee.

Manufacturing Employment, 1990-2000



Source: US Bureau of Labor Statistics

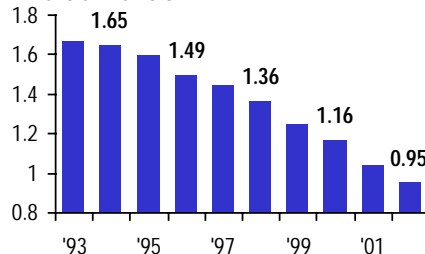
Outlook for the Textile Industry

The U.S. textile industry is in the midst of a crisis. While the industry has been under pressure from international competitors for some time, the Asian financial crisis of 1997 has severely weakened American producers' pricing power. As Asian currencies devalued in 1997 and 1998, products manufactured in those countries became less expensive to American and European markets. Today, six years later, Asian currencies are still trading 40 percent lower than in 1996 and the average price of Asian textile products is one third lower.

Textile Employment - US

SIC Codes 22 & 23

Millions of Workers

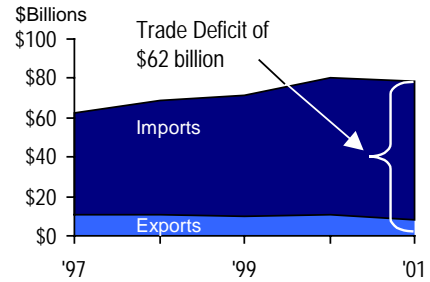


Source: Bureau of Labor Statistics

As a result of this pricing pressure, the U.S. textile industry has responded with investments in labor-saving technology and severe cutbacks in employment. Industry employment, measured by SIC codes 22 & 23, has fallen by over 700,000 in the last decade, and America's textile trade deficit increased by over 50 percent as the American market was flooded with cheap imports. The situation is likely to worsen. New multilateral and bilateral trade agreements are further lowering barriers to trade and will expose the domestic industry to additional competitors.

Textile Trade - US

NAICS Codes 314 & 315



Source: International Trade Administration

FISCAL TRENDS

The economic downturn has hit the entire state of North Carolina hard. The State and County governments are struggling to balance budgets often at the expense of providing services.

During the past two fiscal years, the State has either reduced or denied reimbursements from the inventory and intangibles taxes. In Yadkin County, this led to an estimated \$819,000 reduction in revenues for the 2002-2003 budget year.

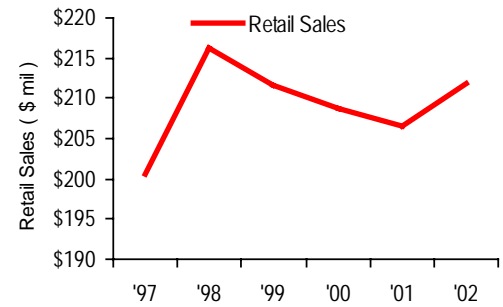
In response to this reduction in State funds, counties have been permitted a half-cent local-option sales tax, which every county in North Carolina adopted. Yadkin County revenues from this sales tax are expected to be \$950,000.

Retail Sales

Retail sales are highly dependent on the performance of the general economy, making tax collections from Retail Sales an unreliable source of revenue.

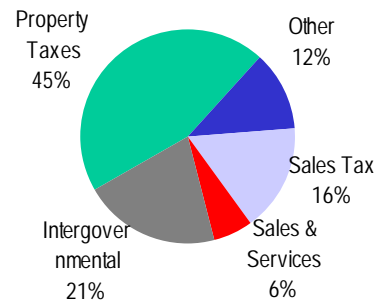
- Retail sales increased to \$212 million after three straight years of decline.
- With large gains in retail, Yadkin County could bring in more revenue from the new sales tax than it did previously with the state reimbursements.

Retail Sales, 1997 - 2002



Source: NC State Treasurer, NC Dept of Revenue

Tax Revenue by Source, 2002



Source: NC Dept of State Treasurer

YADKIN COUNTY

Yadkin County's largest source of revenue is property taxes, making up 45 percent of total revenues.

- Property taxes are also more reliable than sales tax since assessed valuation fluctuates less than retail sales.
- Following a countywide reassessment, rates were lowered in 2000. However, tough economic times forced an increase two years later. Rates currently stand at 64 cents per \$100 valuation.
- Growth in per capita tax revenues has been declining in the county since 2000, eventually becoming negative in 2002. Without an increase in revenues, county services will have to be reduced.

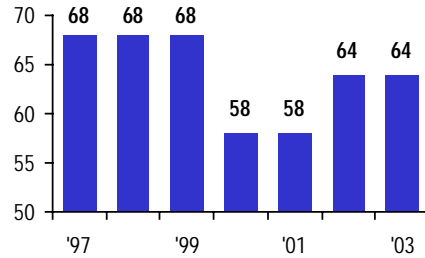
Tax Rates, 2001-2002

(per \$100 valuation)

Yadkin County	\$0.6400
Boonville	0.3900
East Bend	0.4800
Jonesville	0.5100
Yadkinville	0.3400

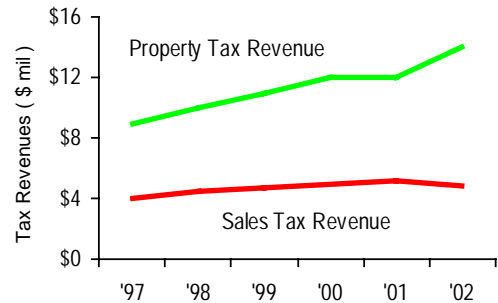
Property Tax Rates

Cents per \$100 Valuation



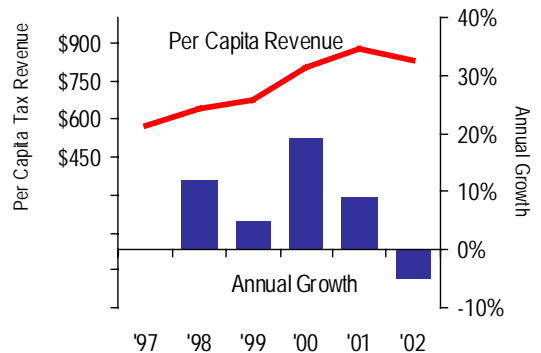
Source: NC Dept of Revenue

Tax Revenue, 1997 - 2002



Source: NC State Treasurer, NC Dept of Revenue

Yadkin County Per Capita Tax Revenue



Source: NC State Treasurer; AngelouEconomics

NEXT STEPS

The national and regional economic downturn has hit the entire state of North Carolina. Many of the counties that are part of the Northwest North Carolina CEDS Project have been severely impacted by NAFTA, lower trade tariffs, and the national transition from a manufacturing economy to a service economy.

A majority of the cities in the 8-county region are what some refer to as traditional “company towns” – where large companies, such as R.J. Reynolds, would historically provide parks, golf courses, and leadership to the community. The downsizing of the traditional manufacturing base has literally created a void in corporate leadership as well as a decline in funding for community improvements.

This *Economic and Demographic Assessment* is the first step for the counties and consulting team in understanding the total impact that the changing economy is having on the region. Our next step will be to provide a **SWOT** report for each county – providing an overview of the key **S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats from an economic development perspective. This SWOT report, combined with the *Economic and Demographic Assessment* will form the basis from which the consulting team will develop key strategies to support economic growth and transition the counties from traditional industries of yesterday to sustainable economies of tomorrow.