

# Josephine County Fair: A Brief Economic Analysis<sup>1</sup>

June 2007

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“There is a candle in the window. As much as ever we need safe and festive ground where we can publicly communicate our own individuality and safely scrutinize each other’s qualities as well as inherent differences in peaceful gatherings. Local communities need an opportunity to showcase themselves to each other and to see evidence of how their individual experiences add to their whole community’s identity and character. In other words we need fairs.”

—Sharon Jensen, in *Agricultural Fairs in America: Tradition, Education, Celebration*.

## Background

Counties that have relied on federal funds to reimburse them for federal lands that are tax exempt will be seriously affected if those funds are not reallocated in 2008. If the reduced federal funding causes Josephine County to decrease or eliminate its support for the Josephine County Fair (Fair), the Fair may not be able to continue operating. The Josephine County Fair Board asked Oregon State University (OSU) to estimate the economic effects of closing the Fair and eliminating its year-round activities. OSU recently completed a statewide estimate of the impacts of the county fairs in Oregon and we applied a similar methodology to the one we used in that study to complete this brief analysis.

We estimated the economic effects of the Fair in two ways: both its economic “footprint” or all the economic activity in the County that is related to the Fair; and its economic “impacts” or the extent that the County’s economy depends on the Fair and may contract if the Fair closes. We also discuss social capital or the networks and relationships that are created and sustained by the Fair. Economies rely on social capital to reach higher levels of economic efficiency and resilience, which is the ability to bounce back from economic shocks.

<sup>1</sup> This is a working paper. Please send comments to [bruce.sorte@oregonstate.edu](mailto:bruce.sorte@oregonstate.edu)

## Summary of Results

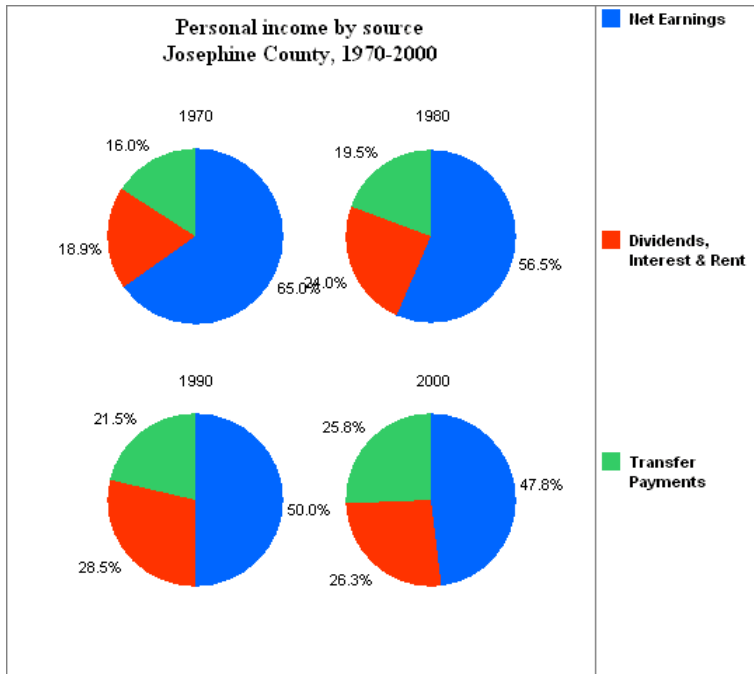
We found that the Fair's contributions to the local economy are consistent with the findings of our statewide study. The Fair contributes to the County economy by;

- 1) Highlighting and reinforcing the natural resource-based economic sectors with competition that informs and teaches through example and demonstration. The information and teaching help to retain natural resource-based businesses and increase their productivity.
- 2) Retaining local expenditures (import substitution) for both goods and services by providing flexible and frequent market settings for many different types of local vendors and providing entertainment that is competitive with events for which people may travel outside their county.
- 3) Attracting people who are both consumers and potential residents to the communities to attend county fairs and fairground activities or events throughout the year.
- 4) Using County funding (\$50,000) to leverage an additional \$1.37 million in total operating budget or \$27 in direct expenditures for each dollar the County contributes.
- 5) Building social capital that connects diverse groups in terms of culture, age, profession, and leisure activities.

## Economic Trends

Rural counties have struggled since 1970 to maintain their natural resource industries and at the same time diversify their economies. Josephine County is no exception. Josephine County's population and personal income have grown. However, as can be seen in Figure 1, the County's economy has become more dependent on income from transfer payments and dividends that are not earned through current production of goods and services.

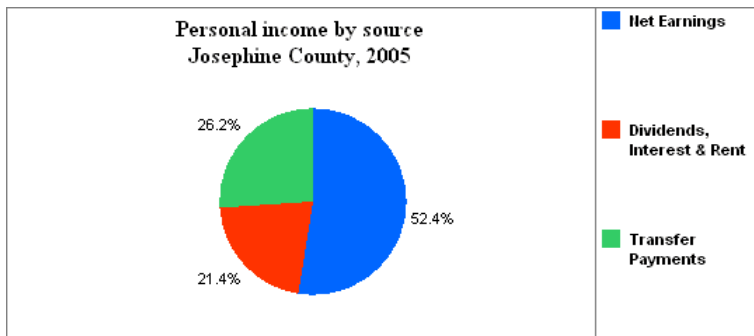
**Figure 1. Josephine County Sources of Personal Income 1970-2000**



*Source:* Northwest Area Foundation and 1969-2005: Bureau of Economic Analysis, Regional Economic Data, Local Area Personal Income, Table CA05, (<http://www.bea.gov/bea/regional/reis/>);

There has been some improvement recently from 47.8% in 2000 to 52.4% in 2005 as the proportion of income that is comprised by net earnings as shown in Figure 2.

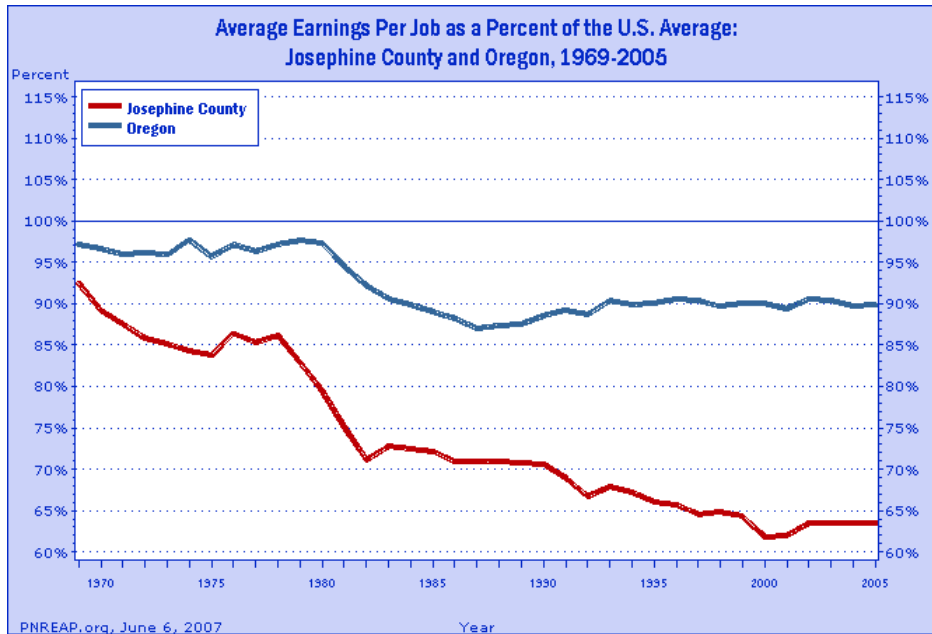
**Figure 2. Josephine County Sources of Personal Income 2005**



*Source:* Northwest Area Foundation and 1969-2005: Bureau of Economic Analysis, Regional Economic Data, Local Area Personal Income, Table CA05, (<http://www.bea.gov/bea/regional/reis/>);

However, average earnings per job in the County have not changed in real terms for 35 years while average earnings per job in Oregon and the U.S. have grown. So, the County's average earnings per job as a percentage of the Oregon and U.S. average earnings per job have declined as can be seen in Figure 3.

**Figure 3. Josephine County Average Earnings per Job 1969-20005**



**Source:** Pacific Northwest Regional Economic Analysis Project Income Indicator Project 2007 and the U.S. Bureau of Economic Analysis: <http://www.pnreap.org/Oregon>

The major factors for the comparative decline in average earnings per job are (1) the increased mechanization in natural resource-based manufacturing and (2) policy changes that have limited access to and/or increased the cost of growing and harvesting natural resources. These changes reduced the number of jobs and the real wages for semi-skilled employees in natural resource-based industries. While it will continue to be difficult to retain jobs in the natural resource sectors, including agriculture and wood products, support for those sectors through events like the Fair can be quite important.

Another factor affecting particularly rural Oregon counties like Josephine County, is that economies have become much “leakier” as people have progressively purchased more goods and services outside the County. So, even if production is increased in the County the money may not be respent and “ripple” through the economy as much as it did in the past. An interesting finding from our statewide report, which we can confirm in Josephine County, is that the Fair provides a valuable forum for local sales of specialized goods and services that people might have purchased from outside the County. This effect is called import substitution.

A substituted import can be valuable to an economy not only to retain local dollars, it may serve as the foundation for future export industries. The Fairs and year-round events can provide a market place that may not otherwise be available for locally produced goods and services.

## **Analysis**

This section provides a brief summary of how the Fair’s direct expenditures, spending by Fair visitors, and import substitution affected the Josephine County economy. We use two measures: (1) *economic activity* or “*footprint*,” which includes both the basic or export and service portions of the Fair and year-round events, and (2) the subset of the economic footprint that is described as *economic impacts*, which include the export or visitor spending portion and import substitution effects of the Fair and year-round events. Exports and import substitution form a part of the County’s economic engine and their contributions are expressed as economic impacts.

To complete these calculations, we needed to estimate the percentage of attendees at the Fair and year-round events who were from outside the County. We estimated out-of-county visitors at 25 percent for the Fair and 10 percent for year-round events. To determine the amount of operating expenditures that were consider exports, we multiplied the visitor percentage times the gate receipts and we also counted State funding for both general operating and horse racing as exports. The average community expenditure per visitor was estimated at \$15 per day, which included \$5 for each of the three major expenses—lodging, food, and retail purchases. Since we did not have survey data and the percentages of visitors and their level of expenditures vary a great deal by time of year and event, we were conservative in our estimates.

We also estimated at 25% the percentage of vendor sales during the Fair and year-round events that would have leaked out of the County and qualified as import substitution. Table 1 summarizes the direct expenditures that were use for the footprint and impact calculations.

**Table 1. Estimated Total Direct Operating and Attracted Expenditures (Footprint) and Exports (Impacts) of the Josephine County Fair and Year-Round Events in 2006 Dollars**

<i>Type of Expenditure</i>	<i>Economic Footprint (All Economic Activity)</i>	<i>Economic Impacts (New Money Attracted to the County)</i>
Staff Salary and Fringes	\$247,792	\$41,040
Temporary Services Personnel	\$191,023	\$31,637
Services, Supplies, Construction & Misc.	\$612,876	\$101,505
<i>Subtotal of Operating Budget</i>	<i>\$1,051,691</i>	<i>\$174,182</i>
Racing Horse Owners' Living and Horse Maint.	\$975,000	\$318,000
Out-of-County Visitors Community Spending	\$681,465	\$681,465
Import Substitution Based on Vendor Sales	\$794,417	\$198,604
<i>Total</i>	<i>\$3,502,573</i>	<i>\$1,372,252</i>

We used an *IM*pact *PL*ANning (IMPLAN) out-of-the-box economic model to estimate the total effects of the direct spending as it rippled through the Josephine County economy, both for the footprint and impacts. In Table 2, we describe the footprint and impacts as three types of effects within the County's economy:

- ***Output:*** Total sales of goods and services
- ***Value-added:*** Salaries/wages of employees, proprietors' incomes, rents and leases, and business permits
- ***Employment:*** Full- and part-time jobs

**Table 2. Economic Footprint and Economic Impacts of the Fair and Year-Round Events in 2006 Dollars**

<i>Type of Economic Effect</i>	<i>Economic Footprint (All Economic Activity)</i>	<i>Economic Impacts (New Money Attracted to the County)</i>
<b>Output</b>	<b>\$4,452,300</b>	<b>\$1,813,824</b>
<b>Value-Added</b>	<b>\$2,112,951</b>	<b>\$911,644</b>
<b>Employment</b>	<b>81</b>	<b>31</b>

The Fair’s annual operating expenditures of \$1,051,691 (see subtotal in Table 1) generated an economic footprint both in the additional direct expenditures it attracted and the “ripple” effects of all direct expenditures of approximately \$4,452,300 in output, \$2,112,951 in value-added income, and 81 full- and part-time jobs.

As discussed earlier, the economic footprint includes all the economic activity related to the Fair’s expenditures. However, if export base theory is used to explain what drives an economy, only the portion of the economic footprint that is initiated by outside expenditures or exports and the expenditures that would have leaked out of the economy to purchase imports or import substitution are included to measure economic dependency or the economic impacts. These economic impacts were estimated at \$1,813,824 in output, \$911,644 in value-added income, and 31 full- and part-time jobs.

Leverage is a metric that is often considered by decision makers. It is usually defined as the amount of additional support or spending that result from some initial level of public support. Leverage in the case of the \$50,000 of County funding for the Fair has a range of an additional \$88 for each County dollar  $(\$4,452,300 - \$50,000) / \$50,000$ , for the footprint output effects to an additional \$17 for each County dollar  $(\$911,644 - \$50,000) / \$50,000$ , for the value-added income from exports and import substitution.

Even if the State’s general (\$46,000) and dedicated (\$318,000) horse racing funding in the Fair’s budget is added to the County’s funding (\$50,000) to get the total public funding, which is \$414,000, the Fair leverages between \$9.75 in economic output activity and \$1.20 in economic impact value-added for each public dollar.

*Any way the Fair’s economic footprint or economic impacts are analyzed the Fair provides very good returns on public investments.*

In addition to the economic activity and impacts that can be measured financially, the social capital that was mentioned earlier and is created at the Fair is also important. People visit the Fair and its year-round events 242,490 times each year. Twenty-five hundred exhibitors show the products of their labor or teach people how to do what they do in 7,998 exhibits or presentations. Thousands of young people participate in all aspects of the Fair from 4-H to enjoying the carnival. As schools and nonprofit organizations experience increasing community and financial pressure to provide activities and settings where youth can compete and socialize in ways that build skills they will take into the workplace, the Fair and year-round youth activities become progressively more important.

## **Summary**

This report indicates that the Josephine County Fair and its year-round events are important contributors to the County economy. The Fair uses public support to create an enterprise that is many times greater than the public funding it receives. The economic activities it initiates or attracts are more than four times its base operating expenditures. The economic impacts the Fair drives in the local economy amount to 1.72 times the Fair's base operating expenditures.

The idea we have discussed in this report, which is not usually considered, is the Fair's role in providing market places and entertainment that retain funds within the County that otherwise would have been spent outside the County. Fairs have been doing this for more than two centuries. The Josephine County Fair may have the potential to grow this portion of its enterprise.

County fairs provide a setting for both full-time production farmers and adaptive part-time farmers to learn from one another. There may be potential to slow or reverse some of the job losses of the past three decades in agriculture through these very labor-intensive adaptive farms. The Fair and the 4-H youth programs may be able to help foster a new and larger generation of farmers.

Finally, as people spend more and more time in their homes and less time visiting and working with their neighbors, the Josephine County Fair and its year-round events draw people back together. The importance of this social capital is demonstrated by continuing strong support for county fairs statewide. Every Oregon county has a county fair. Josephine County's effort to retain its Fair is an investment that may provide even greater social and economic benefits in the future.



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Published June 2007.