Chapter 5: Natural, Social, and Economic Context

This chapter discusses those natural, social, and economic features of Appalachia and southwest Virginia important to the examination of NTFP marketing systems. Marketing practices which account for these features are most successful (Sinclair 1992). Natural, social, and economic features should be central to any changes made in NTFP marketing systems. Therefore, the following review provides valuable background for this research. Information on the natural, social, and economic context will be useful in making conclusions regarding NTFP marketing, the appropriateness of recommendations, and the feasibility of opportunities.

Southwest Virginia is representative of a larger region, the Appalachian region which is distinguished from the eastern United States by its unique natural, social, and economic characteristics. The Appalachian region covers 200,000 square miles in thirteen states from New York to Mississippi and follows the spine of the Appalachian Mountain range, which spans 1,500 miles from the island of Newfoundland to Alabama (Appalachian Regional Commission 1996). West Virginia is the only state completely situated within the Appalachian region and all others (New York, Pennsylvania, Ohio, Maryland, Virginia, Kentucky, Tennessee, North Carolina, South Carolina, Georgia, Alabama, and Mississippi) have portions of their area located within the region. Figure 5.1 is a map of the Appalachian region.

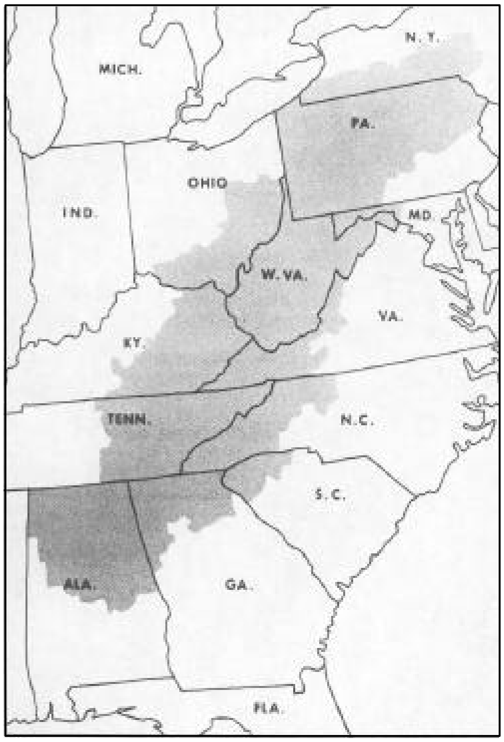

Figure 5.1 Map of Appalachian region (shaded)
Source: Rothblatt 1971

The Appalachian region is sub-divided into northern, southern, and central regions based on geographic and demographic features. Southwest Virginia has natural, social, and economic characteristics representative of the central and southern Appalachian regions. Natural characteristics include the region's rugged mountains, temperate climate, and hardwood forests. Southwest Virginia is economically representative in its low per capita income and high unemployment. In addition, the region is socially representative because dependence on natural resources is high, education is poorer quality than in other states, and people's attitudes and beliefs define the unique "mountain" culture.

Historically, the Appalachian region has been physically, socially, and economically set apart from the rest of America. President John F. Kennedy stated in 1963 that the region is a "mountain land boldly upthrust between the prosperous eastern seaboard and the industrial middle west" (Raitz, Ulack, and Leinberg 1984). This division is physically created by the rugged Appalachian mountain range. This rough terrain is more than three fifths forested and receives annual rainfall greater than the national average, third in the nation following the Pacific Northwest and the Gulf coast. Also, the region contains some of the richest mineral deposits in America (Daugneaux 1981). In addition to being rich in natural resources, the Appalachian region is famous for its beautiful landscapes which draw large numbers of tourists.

The abundant resources of Appalachia are widely known which has lead to the region's exploitation by the rest of America. Some consider Appalachia to still be a colony because it has stood on the side of mainstream America while its resources have created wealth for outside people (Weinberg and Shackelford 1977). Supportive of this idea is the fact that three quarters of the land is owned by absentee landowners (Williamson and Arnold 1994). In southwest Virginia, large absentee landowners are coal and mineral mining companies based in distant cities. Natural resources have supported Appalachia's prime industries: coal, tobacco, textiles, industrial clays, sand, rock salts, raw materials for food, and uranium for electronics and nuclear energy. However, the resources are declining and are generally removed from the region as raw material, which deprives Appalachia of value addition opportunities. Proper utilization, distribution, and conservation of these rich resources will be critical to future prosperity in the region (Raitz and Ulack 1984).

Social and economic characteristics make Appalachia unique from the rest of the country and have resulted in various developmental efforts (Appalachian Regional Commission 1996). High poverty rates, high unemployment rates, low per capita income, little urbanization, and a deficit in education and living standards are historically characteristic of the Appalachian region (Daugneaux 1981). The Director of the Appalachian Regional Commission, a federal agency established to deal with Appalachia's problems, reported in 1964 that rural Appalachia lags behind rural America; urban Appalachia lags behind urban America; and metropolitan Appalachia lags behind metropolitan America (Raitz, Ulack, and Leinberg 1984). Employment, education, race relations, and health care pose serious problems in Appalachian mountain life for which no easy answers have been found. The most immediate problem is employment, and many consider that migration and welfare are unacceptable solutions to the situation of job scarcity (Weinberg and Shackelford 1977). As a result of physical isolation and the scarcity of amenities in Appalachia, the people are known to be highly independent, self-reliant, and individualistic (Moore 1988).

Two major industries have sustained the southern and central Appalachian economy since the turn of the century - tobacco and coal. However, these “twin pillars of the Appalachian economy”, are both declining (Austin 1995). Tobacco is the only major crop still grown on small farms throughout southern and central Appalachia as a result of an early 20th century government allotment system. This system has not changed much since its inception and allows each farmer to grow a limited amount of tobacco for an assured price. This gives farmers a stable and regular income although it is usually supplemented with other farming activities to sustain a household. “A little tobacco, some cattle, a father or mother working in the mine, factory, store, or school will keep the old homeplace in the family” (Austin 1995:12). As a result, small farms have remained the predominant pattern of land holding in the region (Austin 1995).

The government purchase program and price supports which keep tobacco companies from buying cheaper foreign tobacco may be phased out during next decade. The disappearance of these protection programs may cause serious harm to farmers. “As a result, the economic underpinnings of thousands of small farmers will collapse and the consolidation of farmland into a few large landowners accelerate, driving families from their rural homesteads” (Austin 1995:12). Some feel that a solution is for local farmers to sell products outside of what large companies buy through the government purchase program. However, most farmers lack the time and resources needed to develop their own markets. Prices are uncertain when a farmer acts independently of the government program because he or she does not have government-supported power. Selling to large companies is cumbersome and unprofitable for individual small farmers since companies usually want large volumes of products uniform in quality (Austin 1995). Although there is no government purchase program for medicinal and herbal NTFPs, the tobacco situation is similar. This NTFP trade is controlled by larger companies outside of the region which set prices and determines volumes purchased. Local economies may benefit more if collectors and other local market players develop access to markets and market information to take greater control of trade. However, as with tobacco, many local NTFP market players lack resources and time to devote to such a project. It is also difficult for individual collectors to offer large volumes of products which companies seek.

A second major industry, coal mining, has provided employment to many people in Appalachia. However, the industry is also declining. In 1947 Appalachia's coal mining industry peaked to meet demand for fuel caused by World War II. Coal production has since been replaced by increasing oil use, causing the Appalachian region economic hardship as this major industry declines (Daugneaux 1981). In southwest Virginia, mine companies are warning people to prepare for an economy without coal (Austin 1995). Three key indicators for the decline of coal in Appalachia are that there is virtually no investment in new mines, production is being shifted to western American seams, and coal employment is less than a third of what it once was.   An example of the effects of the declining coal industry is McDowell county, West Virginia. In this county 23,000 mines operated in 1948 and only 1,500 in 1990. More than half the population has left the county since 1960 and presently only one third of the working age population are employed (Austin 1995). McDowell county is an extreme example of the result of the decline in coal production, however, similar unemployment trends are seen throughout the Appalachian region, including southwest Virginia. The decline is also creating land tenure problems resulting from large tracts of land being owned by private coal companies based outside of the region which regulate land access and use (Austin 1995).

Some feel that mining must be stopped and large corporate land ownership changed to local private ownership. They believe this will allow the region development before everything which attracted outside investors in the first place is destroyed (Weinberg and Shackelford 1977). Seventy five percent of land in Appalachian coal counties are owned by coal and land companies with headquarters in cities outside the region such as Pittsburgh, Philadelphia, and London. The land is held for possible coal, gas, or timber development and is rarely sold for local use (Austin 1995). Companies remove resources as raw material and most value is added in processing plants outside the region. Furthermore, the affects of mining as an economic activity are worsened by the strip mining method commonly used to extract coal. Strip mining requires fewer laborers to mine than traditional shaft mining and further aggravates the problem of unemployment in Appalachia (Weinberg and Shackelford 1977). It is suggested that many small enterprises would give a more secure economic foundation than large outside-owned industries (Austin 1995). Non-timber forest products can play an important role in small enterprise development and make use of available natural resources at the local level.

A third economically important industry in the Appalachian region has been timber harvesting. Lumbering has been described as an activity that came and went, providing enough jobs to keep families on their otherwise unproductive land for another generation (Pearsall 1959). Like mining, lumbering has stripped the land of its major resources leaving no other stable income opportunities close to people's home. The major profits from economic activities of mining and timber harvesting went to outside interests, while local people gained only in wages or from the sale of timber or mineral rights (Pearsall 1959). Myles Horton, a life-long Appalachian resident describes the income flow accurately. He states, "Appalachia is rich in resources and poor in people. All the richness goes out and we must find a way to take back some of the richness that belongs to the people." (Williamson and Arnold 1994).

This research on marketing of NTFPs takes place in the central Appalachian counties of Buchanan, Dickenson, Lee, Wise, Russell, Scott, and Washington. These counties were selected because they are the major Appalachian counties in Virginia and demonstrate a high level of dependence upon natural resources for subsistence living and income generation. The study site covers 3,251 square miles which are highly representative of the entire central Appalachian region in natural, social, and economic characteristics.

Southwest Virginia is ruggedly mountainous forested in northern hardwoods and pine. Forest land is mainly privately owned by industry (coal, mineral, timber) or local residents. Two major coal industries own land in southwest Virginia: Pittston, headquartered in Lebanon, and Penn-Virginia, headquartered in Duffield. Both have managed the forests covering their land for timber production and offer permits for hunting and collecting ginseng.

The largest area of public land in southwest Virginia is the Washington-Jefferson National Forest which covers 111,904 acres in counties of the study site except for Buchanan and Russell. Eighty to one hundred percent of land in southwest Virginia is classified as rural, whereas Virginia state is 30.6 percent rural. The Virginia population classified as non-metro in 1990 was 23 percent of the total Virginia state population. Much of this non-metro population exists in southwest Virginia as all these countries are classified as non-metro, except for Scott and Washington (Virginia Employment Commission 1993). Two main cities in Southwest Virginia are Abingdon, a historical tourist center, and Norton, a central location for coal mining in Wise county. These cities serve as central locations for political, cultural, and market activities.

The seven counties studied for NTFP markets had a total 1995 population of 205,609 or 3.1% of the total Virginia population. Due to declining job opportunities and poor economic conditions, all counties experienced outward migration as shown by a population growth rate of –1% to –4% between 1983 and 1993 (Virginia Employment Commission 1993). Coal mines were once a major employer and two large private companies, Pittston Coal Company and Penn Virginia Coal Company, continue to operate in southwest Virginia. Since has coal industry declined, unemployment has become a serious problem in southwest Virginia. The average unemployment rate in 1996 was 12.8%, with Dickenson county as high as 20.5% and Buchanan 15.1% (see Appendix 12.3 for unemployment rates of each county). The highest rates of unemployment over the course of a year occur in winter months of December and January and summer months of May through August. Average per capita personal income in 1994 for the seven southwest Virginia counties was $15,276 and for Virginia as a whole, $22,493. Average per capita income growth rate between 1984 and 1994 for southwest Virginia is 4.6% and for the state of Virginia 5.1% (Bureau of Economic Analysis 1994). (See Appendix A and B for per capita income data on each county.)

Southwest Virginia has natural, social, and economic characteristics representative of the central Appalachian region. Mountainous terrain has contributed to its isolation from the rest of the developing United States. As a result, inhabitants are highly dependent upon natural resources, such as timber, coal, minerals, and non-timber forest products. In addition, the region has economically lagged behind most of the eastern United States. Low per capita incomes, high unemployment, and low quality education and social services characterize southwest Virginia and the wider central Appalachian region. Outward migration has occurred in response to the scarcity of job opportunities and decline in traditional industries. NTFPs may offer an alternative for economic development as a source of income and employment for a population already heavily dependent on natural resources. This analysis of NTFP marketing systems will reveal opportunities for southwest Virginia communities to optimally benefit from NTFP resources. The following chapters present results from field work in which market players in the four selected product categories were interviewed.