Honey-making isn’t ever a sure thing.” For instance, cool, Maine, they “don’t even talk honey with them,” she says. "Berries make good honey, when they pollinate that crop in from the pollination services. For example, although blueberries are considered small, when a smaller crop in 2008, according to the "nucs," the nucleus of a hive. Right now, honey is where the income, which also derives from honey and making sideline into a full-time operation. He currently breeds queen bees, good for disease resistance, for eventual sale. He places bees in a 400-acre forest of sourwood trees for a distinctive honey that can bring a price premium of up to 200 percent over other varieties. Hatley also rents hives to organic farmers. North Carolina has the most beekeepers of any state in the nation, but most keep the bees as hollieberries or sideline businesses, like Charles Hatley. He has kept bees for 33 of his 45 years. With demand for pollination services ramping up, and bee populations in jeopardy, he wants to transform his sideline into a full-time operation. He currently breeds queen bees, good for disease resistance, for eventual sale. He places bees in a 400-acre forest of sourwood trees for a distinctive honey that can bring a price premium of up to 200 percent over other varieties. Hatley also rents hives to vegetable and fruit growers for about $50 per colony for six weeks. He has drafted his own contract, one that specifies whether they use insecticides because he prefers to rent hives to organic farmers. He now can’t keep up with demand. "I got a call from a farmer who wanted 600 colonies for watermelon and tangerines. It’s what the market will bear. Some guys [beekepers] will rent for $50 per hive."

While the Kutiks’ business is going well, most aspects of the bee business are fickle. For instance, temperatures over the past five years have been too cold for nectar in South Carolina. “We have had to feed our bees this year,” Karen Kutik says. Weather can wreak havoc on pollination and honey production alike. When it rains or temperatures drop, the bees don’t forage. For instance, the bees may be out in the almost groves of Florida for a month and only fly 10 days, she explains. The Kutiks depend on pollination services to round out their income, which also derives from honey and making “mops,” the nucleus of a hive. Right now, honey is where the money is, she says. Honey prices have risen, in part because of demand in major honey-producing countries and a smaller than average crop in 2008, according to the American Honeybee Producers Association. While there’s no explicit honey subsidy, there was a new $1.65 per kilogram duty placed on Chinese honey in January.

Karen Kutik says they separate the honey production from the pollination services. For example, although blueberries make good honey, when they pollinate that crop in Maine, they “don’t even talk honey with them,” she says of the blueberry growers. “That’s a perk. It is not a sure thing. Honey making isn’t ever a sure thing.” For instance, cool, rainy weather in the past two years have stymied sawdust and locust honey production for the Kutiks. “It is feast or famine,” she says, of the bee business in general. “Right now seems to be a good time. For a number of years we were too small.” She adds that they run between 2,500 to 3,000 hives, while among the Midwest bee operations, 10,000 is considered small.

Future of the Bee Business

While feerald bees have vanished from the fields and forests, domestic bees are also struggling with a variety of mites and viruses. There are pest control options, but keeping hives healthy is tricky. Researchers are even examining the possibility that the migrations may weaken bee colonies, making them more susceptible to mites like varroa. Apiculturists are worried. Some losses are odd and include reports of bees failing to return to the hives and rapid colony losses for reasons that remain largely unknown, according to a 2008 report by the Congressional Research Service.

“The market for pollination services has grown and has it consolidated with these infestations of exotic pests we’ve had,” says Don Hopkins, the state apiculturist for North Carolina. The pests are one reason most states require inspections, certifications, and permits for incoming bees.

Silver Screen Subsidies

Is hoping to land the next Hollywood hit a sound economic development strategy? BY DAVID VAN DEN BERG

S ubsidy contests among states to lure sports teams and factories have been fought for years. Now many states are advertising their production incentives to the Hollywood producers of the next big film. Some of those Hollywood productions generate generous incentives. Critics of incentive programs argue that they don’t pay for themselves. Supporters of production incentives claim they are an attractive and quick way to inject money into a community.

When production companies arrive, they immediately spend money on items such as lumber for set construction and accommodations for out-of-town cast and crew. Tim Reid, an actor who played the disc jockey “Venus Flytrap” on the television show “WKRP in Cincinnati,” has firsthand knowledge of these expenditures. Reid is also a filmmaker and co-founder of New Millennium Studios in Petersburg, Va. He says bringing a production to a community is like hosting dream in-laws. “They come and visit you, they spend lots of money and they leave quickly,” he says. “Who wouldn’t want in-laws like that?”

“One Tree Hill,” a CW television network drama filmed in Wilmington, N.C., shows that with the impact a production can have, says David Hartley, a producer for the show. The program has just finished its sixth season shooting in Wilmington. In the time it has been there, Hartley says the show has generated revenue for Wilmington’s economy through spending at local businesses, which boosts the city’s tax base. “We’re not even a big budget show,” he says. “The honey they make for organic farmers, however, remains in question. States that seek those revenues and offer production incentives should be asking themselves of incentive programs argue that they don’t pay for themselves. Supporters of production incentives claim they are an attractive and quick way to inject money into a community.

The Incentives Game

Many states offer incentives to all sorts of companies looking to relocate or open a plant. However, not all firms will view incentives as a major factor in their location decision. Education levels of the workforce, the ease of transporting goods, and the overall quality of life could prove just as important for the company A comparative advantage, like the abundance of a particular natural resource or a specialized labor input, may also attract a firm to a state.

Film and television productions differ from corporations making choices about where to put factories because movie productions in particular are short-term work. Television series can stay longer in a community but don’t always last. Besides, with special feature films shot on location, much of the labor force could come from somewhere else and eventually leave.

Readings


production hubs like California and New York — provide incentives in various forms.

The entertainment industry is a fixture of the economy in both Los Angeles and New York City. Companies are involved in pre- and post-production, operating studios, and renting production equipment. Service providers like accounting and legal offices all there to assist projects as needed, every stage. Both places initially established leadership in the industry and developed a comparative advantage without them, but added that many of these sorts of companies can be applied toward “above the line” expenses such as salaries for star actors.

Top stars and big-budget movies have come to New Mexico to shoot. The state enacted its incentive program in 2003 and has since expanded it. The program includes a tax rebate on production expenses, employment training for “below the line” costs (mostly production workers), support for film and media programs at colleges and universities, and funds for capital expenses. Filmmakers have responded, as have cities like “One Country for Only Men” and the action film “Terminator: Salvation” were filmed in the state. A film production support industry has developed, according to a New Mexico State University study, the industry had 156 businesses employing 2,184 workers in 2007. Both numbers had increased since 2003.

In Wilmington, N.C., has housed a studio since 1984. Film producer Dino De Laurentis built the sound stages to double as another, incentives can influence decisions about where productions are shot. “The Curious Case of Benjamin Button,” the Oscar-nominated film starring Brad Pitt in reverse, was based on an F. Scott Fitzgerald short story set in Baltimore. The film’s director had chosen Maryland locations for filming and the Maryland Film Office provided $1.1 million in incentives. Companies have built and announced plans to build studio complexes in the state since the incentives took effect. Popp says he hopes the state’s incentives will stabilize an industry that can survive without the aid of the federal government. Many of these sorts of companies are mobile. “The transaction costs of moving someplace else are fairly small,” he says.

Set Design

One region where one city can double as another, incentives can influence decisions about where productions are shot. “The Curious Case of Benjamin Button,” the Oscar-nominated film starring Brad Pitt in reverse, was based on an F. Scott Fitzgerald short story set in Baltimore. The film’s director had chosen Maryland locations for filming and the Maryland Film Office provided $1.1 million in incentives. Companies have built and announced plans to build studio complexes in the state since the incentives took effect. Popp says he hopes the state’s incentives will establish an industry that can survive without the aid of the federal government. Many of these sorts of companies are mobile. “The transaction costs of moving someplace else are fairly small,” he says.

One of the studios here is run by the University of North Carolina. William Mullins says that decision — like so many others in the film industry — depends on executive producers, mostly based in Los Angeles. “The incentives offered by Louisiana and Michigan are very often too small for them to turn down.”

R e a d i n g s


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The entertainment industry is a fixture of the economy in both Los Angeles and New York City. Companies are involved in pre- and post-production, operating studios, and renting production equipment. Service providers like Locations International serve all the industry projects and its every stage. Both places initially established leadership in the industry and developed a comparative advantage with our comparative advantage. Now some states hope to use incentives to build their own comparative advantage. Production incentives generally come in the form of either tax credits or rebates. Some states create tax breaks for in-state construction of studios and other businesses related to moviemaking and production. Filmmaking incentives are typically applied toward “below the line” expenses such as salaries for star actors. Top stars and big-budget movies have come to New Mexico. The state enacted its incentive program in 2005 and has since expanded it. The program includes a tax rebate on production expenses, employment training for “below the line” costs (mostly production workers), support for film and media programs at colleges and universities, and funds for capital expenses. Filmmakers have responded, as Anthony Popp and a co-author show that in the 2008 fiscal year, for every dollar provided in incentives, New Mexico received only 14 cents in revenues. Companies have built their shares of the market.

Sometimes a state’s comparative advantage is vital. “One Tree Hill” started shooting in Wilmington before North Carolina’s incentives started. It followed in the footsteps of “Dawson’s Creek,” a drama shot in Wilmington for six years. But the setting for this show was Massachusetts. Warner Brothers TV then “betrothed” that place in order to “because of the presence of EUE/Screen Gems Studios and the city’s pre-existing base of crew members, Hartley says. The state’s incentives strengthened the argument for keeping the show in Wilmington. If the show was starting today, and no incentives were in place, Hartley says the show likely would not be filming there, and said consideration was even given to moving “Dawson’s Creek” out of the city at one time. “Creatively if you have a certain look in mind there are certainly other places in the country that have incentive programs that can approach this place as a comparison.” Gerbes says state film commissioners like him are especially salespeople who travel to trade shows, film festivals, and similar events selling their state’s film industries, diversity of locations, and other amenities for filmmakers. Nothing would make him happier than to go back to the 1990s when decisions about whether to film in Maryland were made on those factors. But now it’s all about incentives. “That’s unfortunately the economics of today’s Hollywood,” Gerbes says.

A Shift in Strategy?

When will incentives stop? No one has asked that question. Popp says, but he thinks salespeople stop when states can no longer afford them. For now whenever states want something done, they award tax incentives for it. Politicians often focus on the jobs created but disregard the costs. Any hake to incentives would cause problems, including anger from those who feel they are being offered to every economic condition, however, may mean that the approach states take toward economic development could have to change. I think we’re in a different film starring Brad Pitt is something that should be doing in terms of economic development,” Popp says.

North Carolina may be at that point now. The state’s incentive program took effect in August 2007. In 2007 and 2008, the state provided a combined $15 million to 41 productions that spent $225.4 million. Pending legislation would increase the state’s incentive program from a 15 percent share of select production expenses to 25 percent. More than 150 films and 12 television series have been filed in North Carolina, many before the state started offering incentives. After the subsidy took effect, the state has continued attracting productions, including feature films like “Night at the Roxboro” and television shows like HBO’s “Eastbound & Down,” both shot in Wilmington. Even with all the productions that have been shot and the projects that have left, we’re not a player anymore,” says Aaron Syrett, director of North Carolina’s film office. “We’re seeing an industry that has been there for 25 years start to dissipate and go away. We’re losing that competitive edge along with our share of the market.”

EUE/Screen Gems Studios could see more activity if the state expands incentives. The third stage this year, it’s largest. The new sound stage will have a 60- by 60-foot water tank and will put the company in contention for productions that wouldn’t have a chance of nabbing otherwise, says Bill Vassar, the studio’s executive vice president. A television production with distribution, money, and major talent behind it is interesting in the new stage. Vassar says, however, a Disney film starring Miley Cyrus and written by a North Carolina author, will be shot in Georgia instead of North Carolina because that state’s more generous incentives. “Disney would have been the first client in there, which would have been great,” Vassar says.

Wilmington remains home to several small production companies. Some of them benefit from the presence of large productions. Sometimes a state’s comparative advantage is vital. They can get called to produce behind-the-scenes features for the DVD release of the show, says Jennifer Mullins, who owns Grima Entertainment with her husband, William. Their company was based on an F. Scott Fitzgerald short story set in Baltimore. The film's director had chosen Maryland locations for filming and the Maryland Film Office provided the director with a $25,000 loan. The project that has a lot of development money in place at this point, and fortunately it’s coming from private equity so the town has never seen this before,” says Mullins. “But it has created a lot of creative control, and he wants to bring it to Wilmington.”

The firm is serving as consulting producers on some feature films, which may or may not be shot in North Carolina. William Mullins says that decision — like so many others in the film industry — depends on executive producers, mostly based in Los Angeles. “The incentives offered by Louisiana and Michigan are very often enough for them to turn down.”

R E A D I N G S


