The Economic Impact of Food Processing

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Overview

- Impact on Output and Employment
- Michigan’s rank
- Potential for Growth
- Barriers to Growth
# Summary

## Economic & Employment Impact of Food Processing

<table>
<thead>
<tr>
<th>Economic Impact ($ billions)</th>
<th>Within Sector</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic Impact</td>
<td>14.7</td>
<td>25.0</td>
</tr>
<tr>
<td>Impact on Employment</td>
<td>40,828</td>
<td>133,980</td>
</tr>
</tbody>
</table>
Healthy Growth

• Sector output increased by 19.8%
  – CAGR of 3.7%, 2002-2007

• Employment is holding steady or has increased slightly
Breakdown by Industry

• 5 largest industries
  - Dry/condensed milk $2.33 billion
  - Soft drinks and ice $2.16 billion
  - Bread & bakery $1.32 billion
  - Breakfast cereal $1.24 billion
  - Animal slaughtering (except poultry) $1.06 billion
Top 5 Employers

- Bread & breakfast product mfg. 6,969
- Fruit/veg. canning/pickling/drying 4,374
- Soft drink and ice manufacturing 4,012
- Breakfast cereal manufacturing 3,908
- Fluid milk & butter manufacturing 3,196
Michigan Rank

- Michigan ranks 19th in food manufacturing similar to its ranking in farm output
- Michigan ranks last in Great Lakes Region
  - Relatively weak position in animal processing
  - Relatively strong position in fruit and vegetable processing
Potential of Additional Processing

• Looked at the following
  - dry milk powder plant
  - small scale artisanal cheese facility
  - $20 million fruit juice facility
  - small scale fruit processor
  - small increase in sugar processing
  - large increase in beef processing
  - small scale vegetable processing
## Impact of Various Food Processing Activities

<table>
<thead>
<tr>
<th>Activity</th>
<th>Economic ($1,000s)</th>
<th>Employment</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Direct</td>
<td>Total</td>
</tr>
<tr>
<td>Dry Milk Processing Plant</td>
<td>$206,954</td>
<td>$459,296</td>
</tr>
<tr>
<td>Artisanal Cheese Plant</td>
<td>$125</td>
<td>$276</td>
</tr>
<tr>
<td>Fruit Juice Plant</td>
<td>$20,000</td>
<td>$33,315</td>
</tr>
<tr>
<td>Expanded Beef Plant</td>
<td>$220,628</td>
<td>$423,324</td>
</tr>
<tr>
<td>Small Fruit Processor</td>
<td>$500</td>
<td>$832</td>
</tr>
<tr>
<td>Expanded Sugar Processing</td>
<td>$300</td>
<td>$650</td>
</tr>
<tr>
<td>Expanded Frozen Vegetable Processing</td>
<td>$500</td>
<td>$890</td>
</tr>
</tbody>
</table>
Impacts of Projects

• Large projects have the biggest impact
  – Dry milk plant
  – Beef expansion
  – But limited potential (one or two of these activities)

• Small projects have smaller impacts
  – However, greater potential for a large number that may spawn later ventures with time
Michigan’s Advantages

• Net exporter of feed grains
• Strong and diverse processing industry in existence
• Amble water supply
• Reasonable access to population centers
Barriers to Expansion

• Taxation, especially Michigan Business Tax
  – Similar to other industries

• Wastewater treatment/classification of byproducts
  – Low hazard solid waste instead of soil conditioner
Conclusion

• Food Processing is Important
  – $25 billion in total economic activity
  – Accounts for almost 134,000 jobs
  – Has potential for growth
  – Barriers exist, especially regulatory