



BUSINESS INNOVATION IN FOOD,  
AGRICULTURE, NATURAL  
RESOURCES, AND THE BIOECONOMY

# 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

	Within Sector	Total
Economic Impact (\$ billions)	14.7	25.0
Impact on Employment	40,828	133,980

# 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 \$1.06 billion  
(except poultry)

# 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 19<sup>th</sup> 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

Activity	Economic (\$1,000s)		Employment	
	Direct	Total	Direct	Total
Dry Milk Processing Plant	\$206,954	\$459,296	250	2,011
Artisanal Cheese Plant	\$125	\$276	0	1
Fruit Juice Plant	\$20,000	\$33,315	31	115
Expanded Beef Plant	\$220,628	\$423,324	500	2,288
Small Fruit Processor	\$500	\$832	1	3
Expanded Sugar Processing	\$300	\$650	1	6
Expanded Frozen Vegetable Processing	\$500	\$890	4	7

# 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
- Ample 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

