

Processing, What We Already Do Here and Where Michigan Production Sells

Bill Knudson and Tom Kalchik

Overview

- Impact on Output and Employment
- Michigan's rank
- Where it goes
- Potential for growth

Summary

Here are the numbers

Summary of Economic and Employment Impact of Food Processing		
	Within Sector	Total
Economic Impact (\$ billions)	14.657	24.971
Impact on Employment	40,828	133,980

Total

- Total impact direct, indirect and induced is \$24.97 billion
- Total employment direct, indirect and induced is 133,980
 - this includes full time and part time employment

Healthy Growth

- Output in the sector increased by 19.8 percent over the previous estimate
- Employment is holding steady or has increased slightly

Breakdown by industry

- The five largest industries
 - Dry/condensed milk \$2.33 billion
 - Soft drinks and ice \$2.16 billion
 - Bread and bakery products \$1.32 billion
 - Breakfast cereal \$1.24 billion
 - Animal (except poultry) slaughtering \$1.06 billion

Top 5 Employers

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

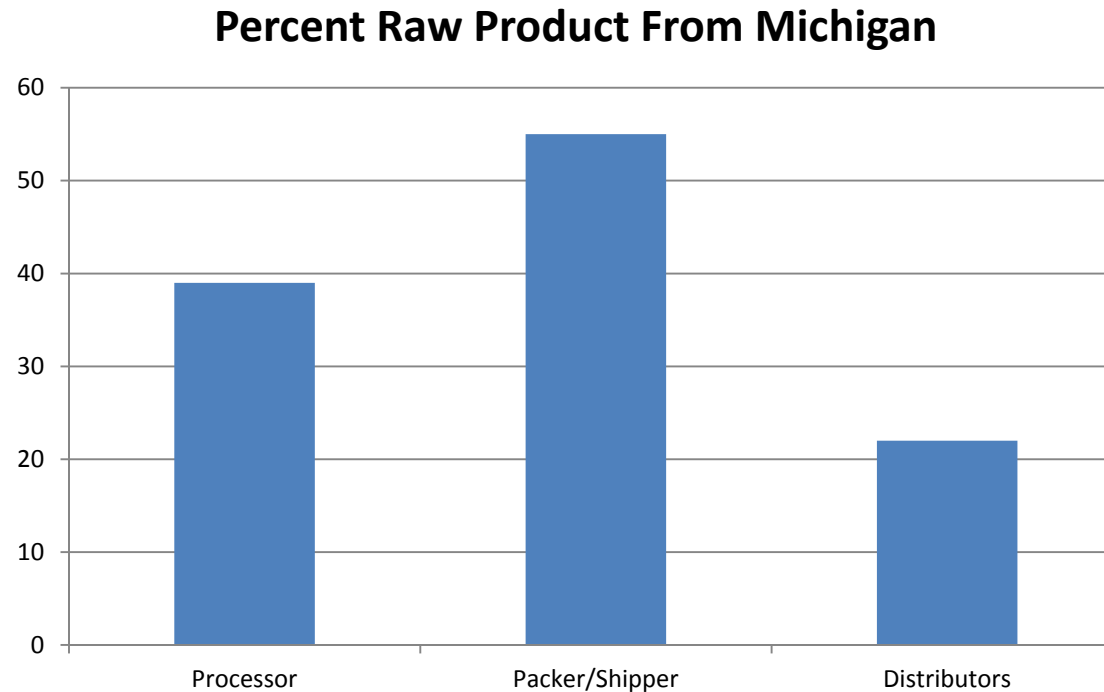
Michigan Rank

- Michigan ranks 19th in food manufacturing similar to its ranking in farm output
- Michigan ranks last in the Great Lakes Region
- Relatively weak position in animal processing holds it back
- Relatively strong position in fruit and vegetable processing helps

Where Does it Go?

- Good data is difficult to find
- USDA uses market share data for exports
- MSU Product Center and the Center for Regional Food Systems has done some basic work on this issue

Percent of Raw Product Purchased in Michigan by Type of Business

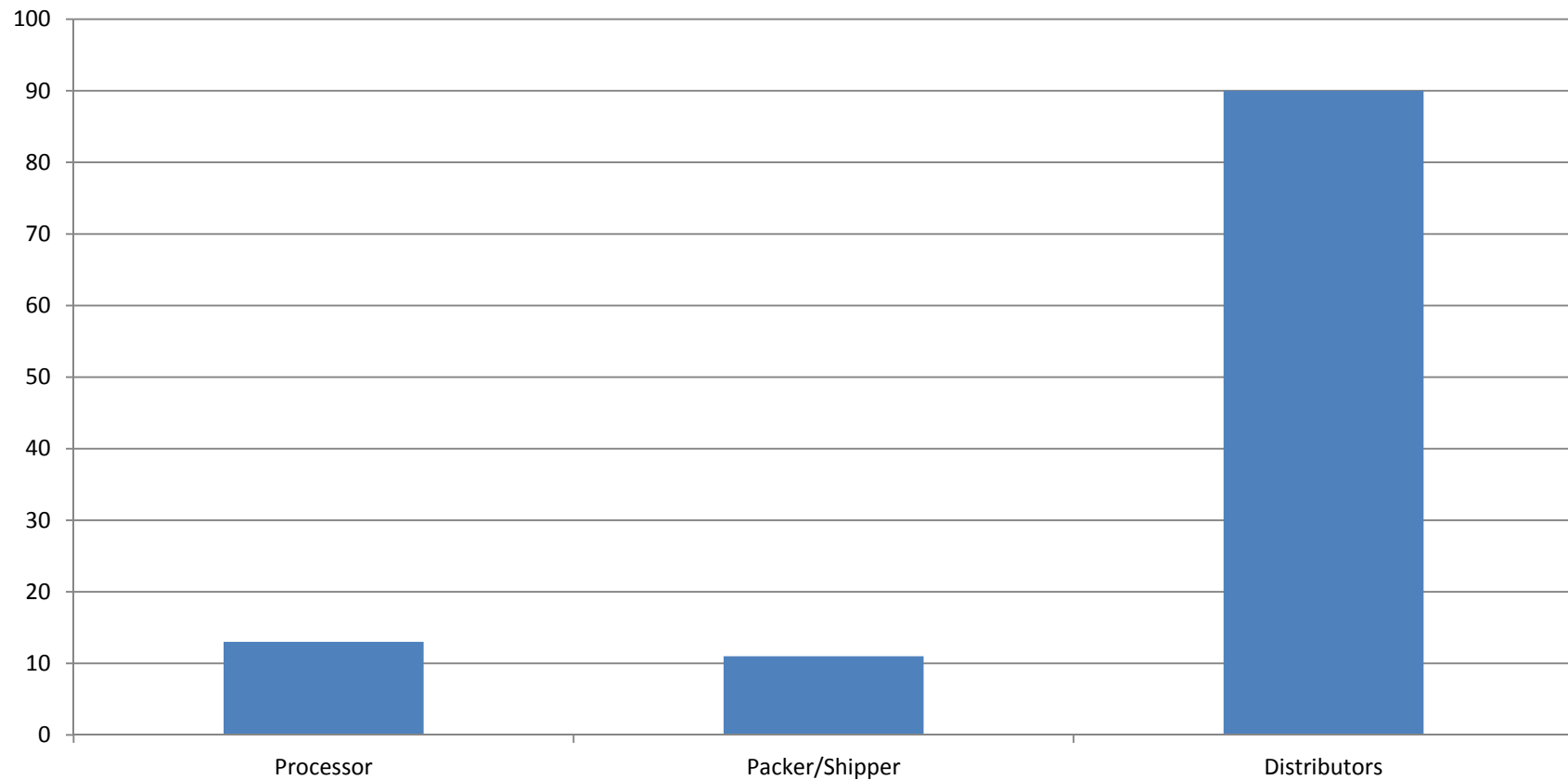


Where is Goes Depends on the Type of Business

- Distributors are far more dependent on Michigan than processors or packers

Percent Sales in Michigan by Type of Firm

Percent Sales in Michigan

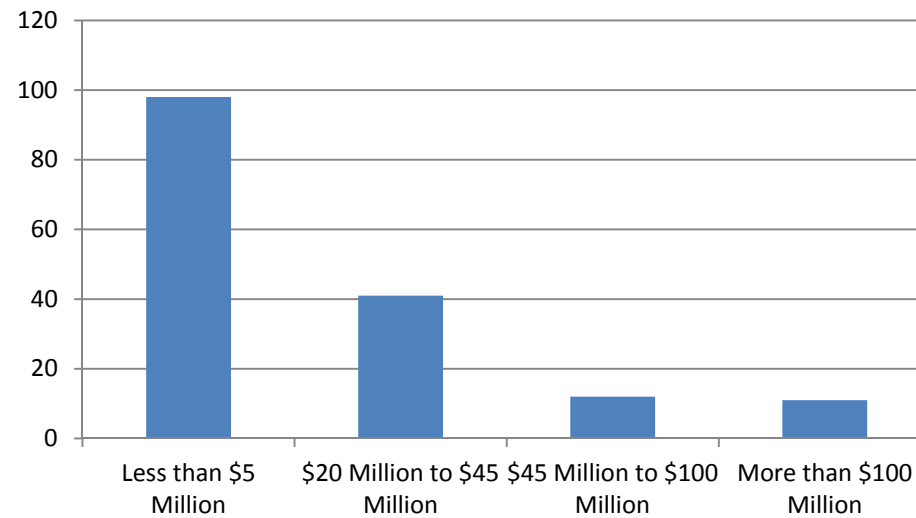


Larger Processors Ship Out of State

- Small Processors are dependent on the Michigan market
- Larger processors ship primarily out of state.
- Only 17% of the fruits and vegetables produced in Michigan are sold within the state

Percent of Sales in Michigan by Size of Business (gross \$\$ of sales)

Percent Sales in Michigan by Size of Firm



Where do Commodities Go?

- Corn that is not used in Michigan generally goes to Canada and the Southeast
- Milk and dairy products also generally go south and east

The Need for Exports

- The U.S. in general and Michigan in particular are mature markets with limited growth potential
- This is not true for other countries, especially China and India
- This is important because 36 percent of the world's population lives in those two countries

China Statistics

- In the past 30 years, meat consumption has increased by 300 percent.
- Total meat consumption is double that of the U.S.
- But on a per capita basis, meat consumption is low compared to the U.S.
- Demand for processed food is likely to increase as urbanization increases
- Food safety concerns work to the advantage of U.S. producers and processors

India Statistics

- Meat consumption is not rising as fast in India as it is in China
- However, the demand for milk and dairy products, vegetables, fruits, and eggs is increasing.
- This size of the agri-food system is expected to increase from \$328 billion to \$895 billion by 2020
- The average age in India is 26
- Increased urbanization will also increase the demand for processed products

Conclusion

- Food Processing is Important
 - Contributes \$24.97 billion in total economic activity
 - Accounts for a total of almost 134,000 jobs
 - Smaller processors tend to specialize in meeting the Michigan market, larger processors tend to export out of state
 - Processing has the potential for growth especially in export markets
 - Michigan and U.S. markets are mature which limits the potential for growth