

National Value Added Agriculture Conference



**Mike Meissen
Iowa Area Development Group**

June 4th, 2009

**“Evaluating the Economic Impact of
Rural Development Projects”**

Sponsors and Partners



- Central Iowa Power Cooperative (CIPCO)
- Corn Belt Power Cooperative
- Northwest Iowa Power Cooperative (NIPCO)
- Northeast Missouri Electric Power Cooperative (NEMO)
- Wholesale Power Purchasers (Municipals)
- Iowa Network Services (127 ITC's)

IADG Services



- Regional & National Target Marketing
- Key Account Consultation
- Project Management
- Community Development Training and Technical Assistance
- Database Management
- Financial Packaging
- Permitting Assistance

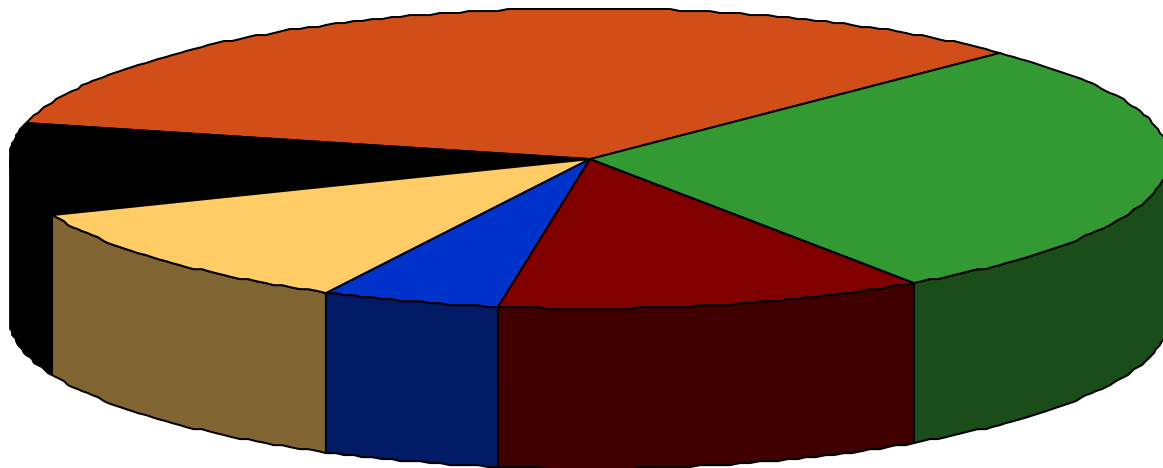
IADG Accomplishments



- 1,400+ Projects
- \$ 5.5 Billion of Investment
- Over 37,000 Jobs
- \$ 47.3 Million in USDA Grants and 0% Loans

Agriculture Employs Iowans

446,000 Jobs



- Farm Production
- Farm Inputs
- Distribution
- Ag Processing
- Ag Related Manufacturing
- Induced Retail and Services

Rural Development



- Raw Materials
 - Commodities, 1st Phase Goods or access to:
- Infrastructure
 - Rail, Water, Roads, Gas, Electric & Labor
- Technology
 - ISU, “Like” Companies & Trade Associations
- Market
 - J.Q. Public, Further Processors & Exporters

Home Grown Economics



- Identify Potential
 - Economic Impact
- Alliance / Infrastructure
 - City & County Cooperation
- Planning
 - TIF
 - State Programs
- Marketing
 - IADG

Rural Development



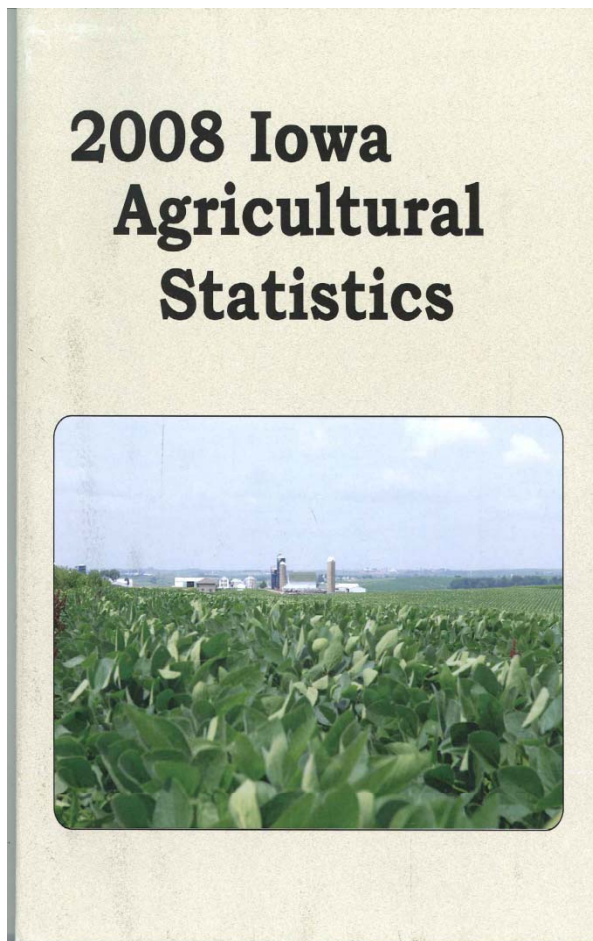
- Trade Shows
- National Advertising
- Sell Iowa Trips
- Existing Customers / Key Accounts
 - Over 80% of the new jobs in any given area come from the existing group of companies, industries, customers or key accounts.

Would you have invested?



Microsoft Corporation, 1978

Iowa Ag Statistics



Issued Cooperatively by

U.S. Department Of Agriculture
National Ag Statistics Service
Washington D.C

And

Iowa Farm Bureau
West Des Moines, Iowa

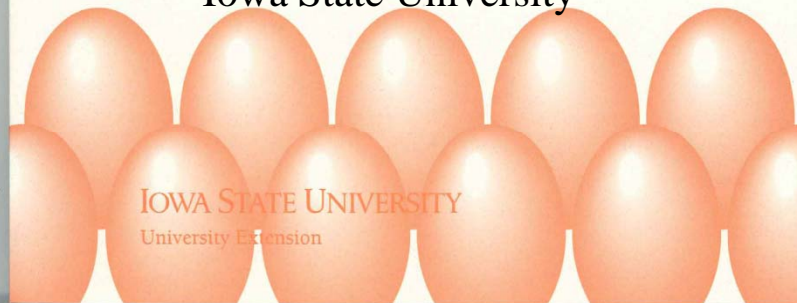
Eggs

Egg Production in Iowa

*TODAY —
TOMORROW*

January 1994

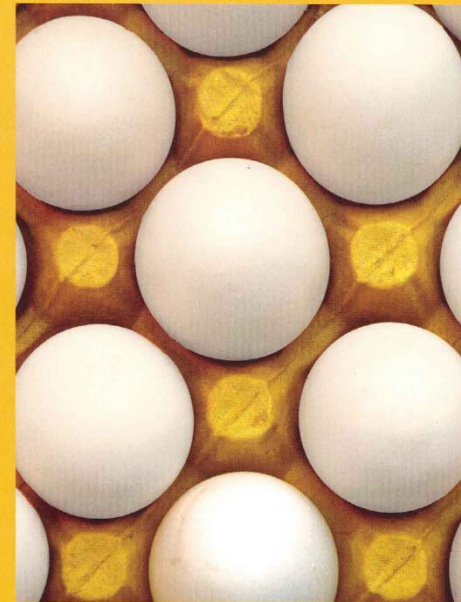
William J. Owings
Iowa State University



IOWA STATE UNIVERSITY
University Extension

ECONOMIC IMPORTANCE OF THE IOWA EGG INDUSTRY

John Lawrence, Gary May, Dan Otto
and John Miranowski, ISU



JUNE 2003

IOWA STATE UNIVERSITY
OF SCIENCE AND TECHNOLOGY

Eggs

January 2008

John Lawrence, Shane Ellis and
Dan Otto. Department of Economics
Iowa State University

2007 – 52.7 million layers

2001 - #1 Egg production

2001 - #1 Egg processing

2009 1st Qtr. – 56,545,245 Layers
(Flocks of larger than 300,000 Birds)

IOWA STATE UNIVERSITY
University Extension

Economic Importance of the Iowa Egg Industry



Authors:
John Lawrence
Shane Ellis
Dan Otto

January 2008
Department of Economics
Iowa State University
Ames, Iowa 50014

Value Added to GDP = \$9.03 per bird

TABLE 3.1

Economic importance of egg industry in Iowa.

| Sectors | Total Sales | Labor Income | Value Added to GDP | Jobs |
|----------------------------|------------------------|----------------------|---------------------------|--------------|
| Agriculture | \$401,681,024 | \$32,159,024 | \$113,862,768 | 910 |
| Construction and Utilities | \$24,164,962 | \$6,275,065 | \$16,109,245 | 96 |
| Manufacturing | \$1,017,960,256 | \$107,649,256 | \$125,784,624 | 3,227 |
| Trans and Utilities | \$35,178,536 | \$14,500,602 | \$19,417,404 | 333 |
| Wholesale and Retail Trade | \$76,563,632 | \$29,390,242 | \$50,765,076 | 807 |
| Fin, Ins, and Real Estate | \$53,483,608 | \$14,156,014 | \$31,737,148 | 348 |
| Professional Services | \$148,195,408 | \$62,404,080 | \$76,708,488 | 1,193 |
| Other Services | \$66,336,320 | \$14,753,202 | \$41,361,900 | 682 |
| Total | \$1,823,563,746 | \$281,287,485 | \$475,746,653 | 7,594 |

Source: IMPLAN Model for Iowa

2007 to 2009

Iowa has added 4 million layers


TABLE 3.2

Economic impact of a 10 percent growth in Iowa's egg industry.

| Sectors | Total Sales | Labor Income | Value Added to GDP | Jobs |
|------------------------------------|----------------------|---------------------|---------------------------|-------------|
| Agriculture | \$40,569,783 | \$3,248,061 | \$11,500,140 | 92 |
| Construction and Utilities | \$2,440,661 | \$633,782 | \$1,627,034 | 10 |
| Manufacturing | \$102,813,986 | \$10,872,575 | \$12,704,247 | 326 |
| Transportation and Utilities | \$3,553,032 | \$1,464,561 | \$1,961,158 | 34 |
| Wholesale and Retail Trade | \$7,732,927 | \$2,968,414 | \$5,127,273 | 81 |
| Finance, Insurance and Real Estate | \$5,401,844 | \$1,429,757 | \$3,205,452 | 35 |
| Professional Services | \$14,967,736 | \$6,302,812 | \$7,747,557 | 120 |
| Other Services | \$6,699,968 | \$1,490,073 | \$4,177,552 | 69 |
| Total | \$184,179,938 | \$28,410,036 | \$48,050,412 | 767 |

Source: IMPLAN Model for Iowa

IADG New Egg and Poultry Projects – First Qtr. 2009



| <u>Project</u> | <u>Member System</u> | <u>Project Investment</u> | <u>Member Investment</u> | <u>Jobs</u> | <u>Leverage</u> |
|--------------------|----------------------|---------------------------|--------------------------|-------------|-----------------------------------|
| Hawkeye Pride | Prairie Energy | \$90,000,000. | \$0 | 90 | 0.0000% |
| Henning Cage Free | Humboldt Co. REC | \$9,000,000. | \$75,000.00 | 9 | 0.8333% |
| Centurion Hatchery | Prairie Energy | \$15,000,000 | \$0 | 18 | 0.0000% |
| TOTALS: | | \$114,000,000. | \$75,000 | 117 | <u>Average</u> 0.2778% |

Rural Economic Impact = \$ 40,635,000.

Table of Contents

A Study of the Spent Hen Processing Industry

June 1999

Spent
Hens

New

Industry

NRP, LLC

\$9 Million
9 Direct Jobs

Co-Locating in
Bio-fuels
Industrial Park

IOWA'S TURKEY INDUSTRY – AN ECONOMIC REVIEW



IOWA STATE UNIVERSITY
OF SCIENCE AND TECHNOLOGY

Agriculture and Home Economics Experiment Station
University Extension

November 2000

IOWA STATE UNIVERSITY
University Extension



PROJECT FUNDED BY IOWA TURKEY FEDERATION

Iowa's Turkey Industry— An Economic Review

AUTHORS:

John D. Lawrence
Laura Bortz

JANUARY 2000

Department of Economics
Iowa State University
Ames, Iowa 50014

Turkey Economic Impact



Iowa Raised/Processed – 9 million birds

Iowa Processed 9 Million birds

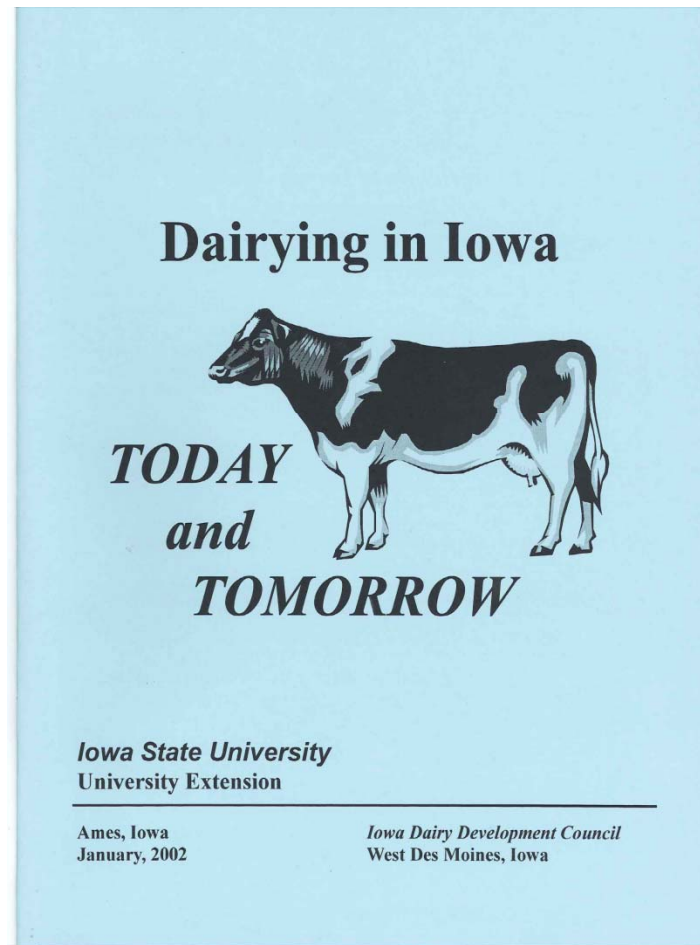
Raised/processed @ \$16/bird = \$144M

Processed only @ \$8/bird = \$72M

Total Impact = \$216M/Year

Iowa Dairy Industry Economic Impact

Dairy



Economic Impact of 1000 cows on a community:

- \$2.7 million in farm income
- 12 people employed
- Land use of 1224 acres corn, 621 acres hay
- Purchased services - annually
 - \$65,550 in vet and breeding services
 - \$176,232 in interest
 - \$63,835 in supplies
 - \$458,650 in utilities, \$57,600 in taxes, insurance
 - \$342,985 in wages

Source: Dan Otto, ISU Economics Dept. Oct 2005

Economic Impact of 5000 new cows to a region:

- Supports 206 jobs – direct & indirect
- \$24.1 million total sales
- \$4.8 million total personal income
- \$6.7 million value added in the region

Source: Dan Otto, ISU Economics Dept., October 2005

Every Cow generates \$13,000- \$17,000 economic activity

- DIRECT
 - Value of milk sales, meat sales, calf sales
 - Approx \$3500/cow
- INDIRECT
 - From turnover of dollars for other jobs needed to serve the dairy
 - Approx \$10,000- 17,000. (The more processing done locally, the higher the range limit.)

Robert Tigner, ISU Extension, March 2006



May 28, 2009

To: Mike Meissen, Vice-president, Value-Added Agriculture,
Iowa Area Development Group

From: Mary Johnson, Director of Marketing and Information, Nishnabotna Valley REC

Nishnabotna Valley REC is proud to support and serve value-added agriculture projects, and is fortunate to have four major facilities in and surrounding its service area. Two are dairies (about 9,000 cows total) and two are food-processing businesses, mainly for pork and beef products. All four provide jobs, increased family income, greater economic activity and create stronger rural communities.

It has been exciting to see the development of the one business in particular, and the impact it has had on the REC, as well as the county and communities. OSI Industries located one of its 42 food processing facilities in the Cooperative's service area in 1997. We expected the company to be a good community steward and employer to its 200 employees. What we didn't expect was its continued expansion, increased electric use and that it now provides jobs for about 900 people!

The other surprise we had was that another company, performing similar processing of pre-cooked bacon, also located in our service area. That was an impact that we feel the OSI facility had that we didn't expect. So, besides the economic stimulus of jobs, increased tax base, and enhanced community retail sales that value-added agriculture projects provide, they can also encourage the development of like industries in an area. I'm pleased to report that both of these companies are planning expansions this year!

Value-added agriculture projects such as our two food processing plants are major forces within Nishnabotna Valley REC's service area, and an indicator of how Iowa's agriculture industry is shifting to meet growing global competition. Products produced at both of these facilities end up in restaurants and on grocery shelves all over the globe.

Nishnabotna Valley REC appreciates your efforts to strengthen Iowa's agriculture industry, and Iowa Area Development Group's commitment to value-added agriculture projects in the state.



Courthouse • P.O. Box 214 • 115 North Main Street • Clarion, Iowa 50525

May 22, 2009

Mike Meissen, Vice President
Iowa Area Development Group
2700 Westown Pkwy, Suite 425
West Des Moines, IA 50266

Mr. Meissen,

The Wright County Economic Development Commission made a decision in 1984 to aggressively market and support agribusiness development by identifying our strengths and working to target markets that would utilize those strengths.

Wright County was successful in attracting the Layer portion of the Poultry industry as well as farrow to finish swine production. The evidence of the success is as follows:

- We are home to 15.2 million layers on nest.
- Wright County is No. 1 County in eggs produced in a state which is the No. 1 Egg Production State in the U.S.
- We have just over $\frac{3}{4}$ million hogs within the farrow to finish sites.
- We have one of the largest feed mills in the Midwest.
- We have one of the largest seed bean facilities in the Midwest.
- We have more than 1 billion dollars in agribusiness facilities in the past 10 years.
- We are home to 2 of the top 20 egg production companies in the U.S.
- We have 3 of the largest swine production companies in the U.S.
- We have a successful and profitable ethanol production facility.
- We are a net-in labor county.
- We have a net zero base in population over the past 10 years.
- Our county has a revolving loan fund that has grown to over \$1,400,000 in loans executed for existing business and recruitment.

The decision to develop our agribusiness assets is one that has allowed our county and communities to support the following asset developments.

- Three new aquatic centers.
- Three new additions and renovations to existing schools.
- Two new libraries.
- Two museum renovations.



June 1, 2009

Iowa Area Development Group
Attention: Mike Meissen
2700 Westown Parkway, Suite 425
West Des Moines, IA 50266-1411

Dear Mike,

In the last 4 years O'Brien County, Iowa has seen the dairy numbers go from 700 to over 5,000. This was possible due to the emphasis O'Brien County put on the dairy industry and the support and service received from Iowa Area Development Group and NW IA REC.

With 3 new dairies located in the communities of Sanborn, Paullina and Primghar there has been a noticeable, positive, impact with job creation, road improvements and business growth. Our local milk plant has moved forward with phase 2 of a 3 phase expansion project and one local business owner has reported an average monthly increase in sales of \$1,000.00.

Another direct result of the dairy growth would be a new business in O'Brien County. We had one new business start and grow with rapid pace as a bottle calf operation. They have even taken advantage of a USDA housing program to provide housing to their workers, the first and only business in NW Iowa to use this program. This business is currently in the planning stage to expand. This business started as a husband and wife operation, both had full time employment outside the home but this has since changed with both now working for their business and creating 4 new jobs.

These are only a few examples of many. Overall O'Brien County has benefited greatly from these new dairies and we will continue to encourage and support the dairy industry.

Thank you for all your work and support.

Sincerely,

Kiana Johnson
Executive Director

Questions



Thank You!