

THE STRATEGIC MARKETING INSTITUTE WORKING PAPER

The Economic Impact of Michigan's Food and Agriculture System

EXECUTIVE SUMMARY

Major Findings

Michigan's food and agriculture system remains a major contributor to income and employment in the state's economy. The system accounts for an estimated \$91.4 billion in direct, indirect and induced economic activity annually. This sector also accounts for an estimated 923,000 jobs. These figures are estimates based on the best available sources of information with measurements consistent with the calendar year 2010. Some activities such as direct farm sales to consumers are not captured, and given the delay in publishing data, particularly for food processing and wholesaling, the actual figures may be higher especially for the economic impact numbers.

Economic Impact

Exhibit A provides the summary analysis. Michigan's food and agriculture system which includes agriculture, food processing and manufacturing, leather processing, and food wholesaling, retailing and food service, as well the floriculture/ornamentals/turfgrass and ethanol industries, accounts for a total of \$91.4 billion in total economic activity - including direct, indirect and induced activity. This is an increase of 51.9 percent from the 2006 study (based on 2004 data) and represents a compound annual growth rate of 7.22 percent. (See Table 12 in the body of the report for 2004-2010 comparisons.)

These figures need to be interpreted carefully. The direct impact of the entire system is \$52.4 billion; an increase of 45.9 percent or a compound annual growth rate of 6.50 percent from the 2006 study. The direct impact of the agribusiness and farm sector is \$7.2 billion or about 13.4 percent of the total. Most of the value added activity in the sector is related to food processing, wholesaling and retailing (grocery, restaurant and food service).

Impact on Jobs

Michigan's food and agriculture system is a major source of employment for the state's workforce. Total employment in this sector - including direct, indirect and induced is more than 923,000 of which almost 618,000 are directly employed within the sector. The level of employment has declined 2004-2010 by just under 112,000. Further analysis shows that the decline is nearly entirely in the food wholesale and retail sector

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while the remainder of the system grew. Food and agricultural production and processing created just under 14,000 jobs, a 6.3% increase which is significant given the downturn in the general economy over the same period. Food wholesale and retail lost 124,000 jobs, an 15.9% decline.

The food and agriculture system remains an important source of employment. The total employment impact accounts for approximately 22 percent of the total employment in the state. Given these figures, Michigan' food and agriculture system is of substantial importance to the state's economy.

Full-time direct employment in the farm sector including farm labor is estimated to be in excess of 73,000 or approximately 12 percent of the total direct employment in the sector. Most sector employment is accounted for in food processing, wholesaling and retailing.

Exhibit A: Total Direct, Indirect and Induced Economic Activity in Michigan's Food and Agriculture System (2010)						
Category	Economic Impact (Millions \$)			Employment		
	Direct	Indirect and Induced	Total	Direct	Indirect and Induced	Total
Food and Agricultural Production and Processing						
Farming	7,239	5,852	13,091	73,726	31,038	104,764
Food Processing and Manufacturing	14,657	9,906	24,563	40,828	88,358	129,186
Leather Processing	52	32	84	149	231	380
Total	21,948	15,790	37,738			
Adjustment for Double Counting	(1,231)	(909)	(2,140)			
Net Total	20,717	14,881	35,598	114,703	119,627	234,330
Food Wholesale and Retail	29,046	22,000	51,046	482,499	172,600	655,099
Total Food and Agriculture before Related Sectors	49,763	36,881	86,644	597,202	292,227	889,429
Floricultural/ornamental/turfgrass services and retail*	2,472	2,043	4,515	20,517	12,876	33,393
Net Impact of Ethanol Production**	195	28	223	175	503	678
Grand Total Food and Agriculture	52,430	38,952	91,382	617,894	305,606	923,500

*The total value of the floriculture/ornamentals/turfgrass industry is not shown on this line; only services and retail are shown. When these activities are added to production of these commodities, the total direct impact of the floriculture/ornamentals/turfgrass industry is approximately \$3.1 billion in direct activity and \$5.7 billion in total economic activity.

**The figure for ethanol subtracts the value of corn (otherwise accounted for under farming) that is used to make ethanol. In 2010 ethanol sales in Michigan were approximately \$560 million. The total economic impact of ethanol production including corn and related indirect and induced effects is \$640.4 million.