

West Michigan Agriculture Cluster Impact Analysis



Project Components

- Economic Impact Analysis
 - Size and character of the agricultural processing industry
- Market Analysis
 - Important factors affecting the industry and opportunities for growth
- Area Profiles
 - Summarizing the agricultural processing industry in study area
- Comparative Analysis
 - Lessons from Kent and Ottawa and opportunities for synergy

Economic Impact Analysis

Economic Impact Analysis

In West Michigan, there are:

68+
ag processing
establishments

\$2.8B
in annual sales of
processed ag goods

5,430
jobs in the ag
processing sector

The ag processing industry supports

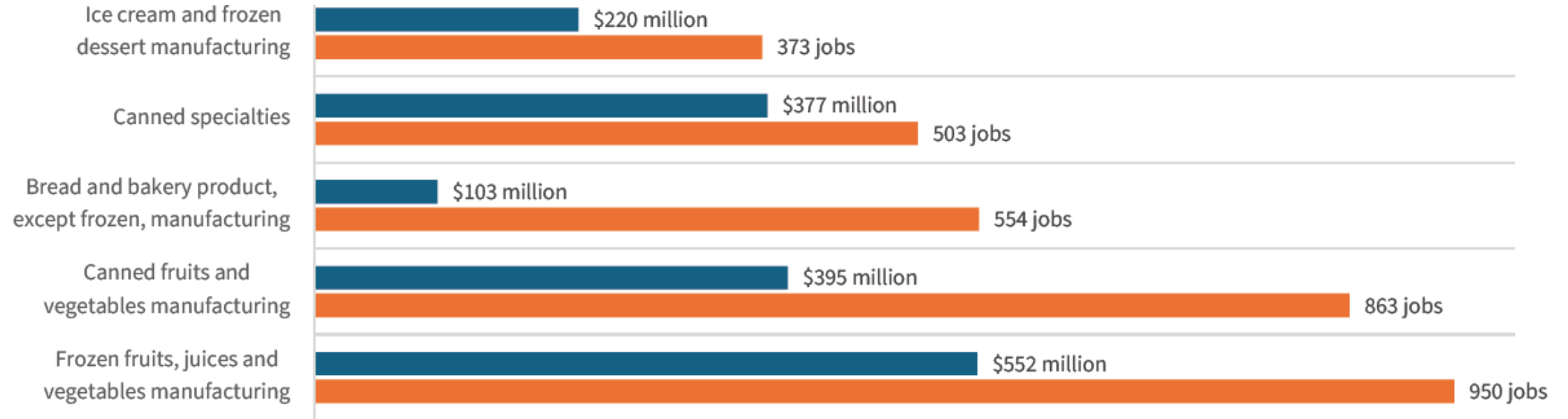
\$452M
in labor income

8,839
jobs

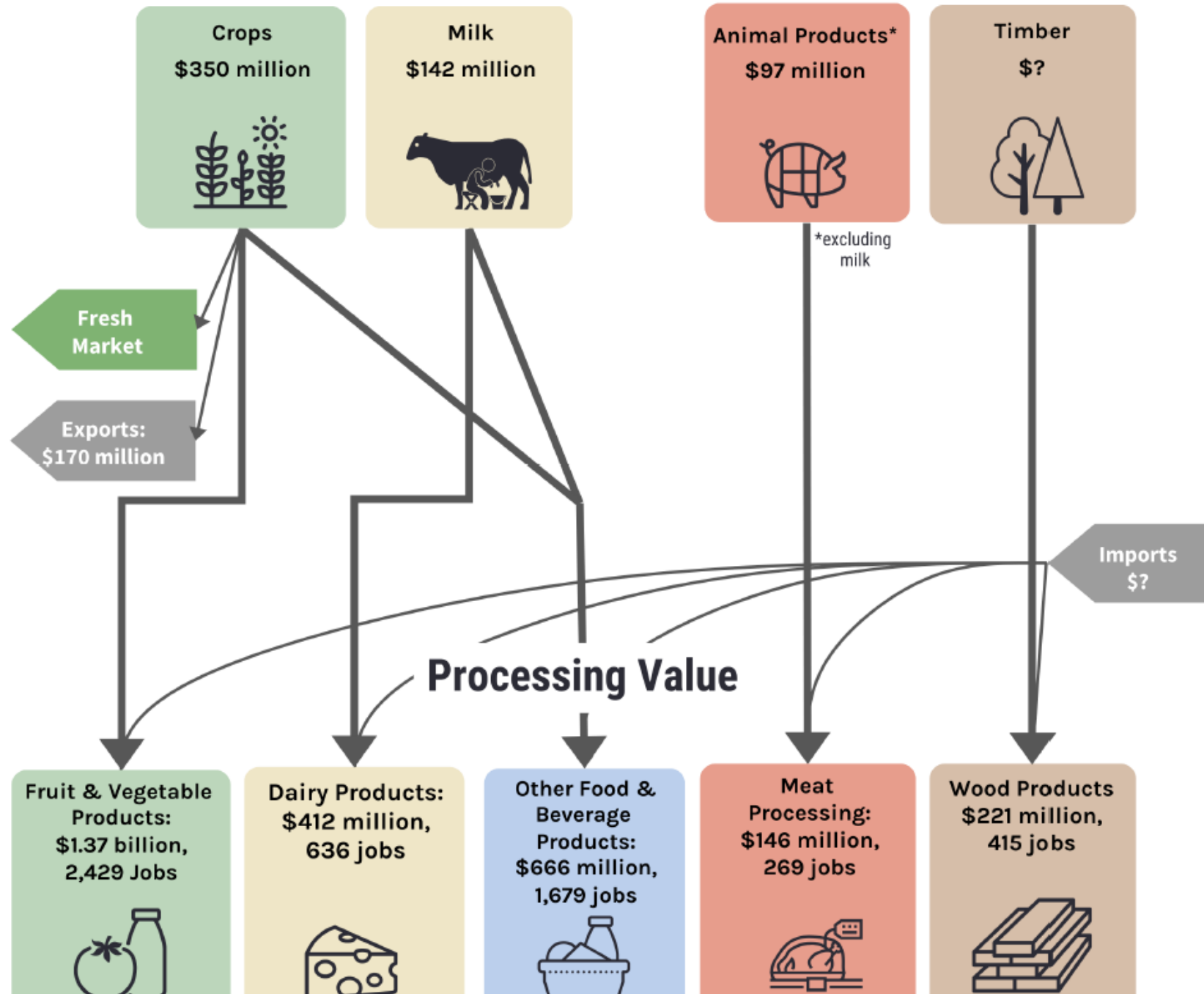
\$166M
in tax revenue

Economic Impact Analysis

Total Output (Sales)



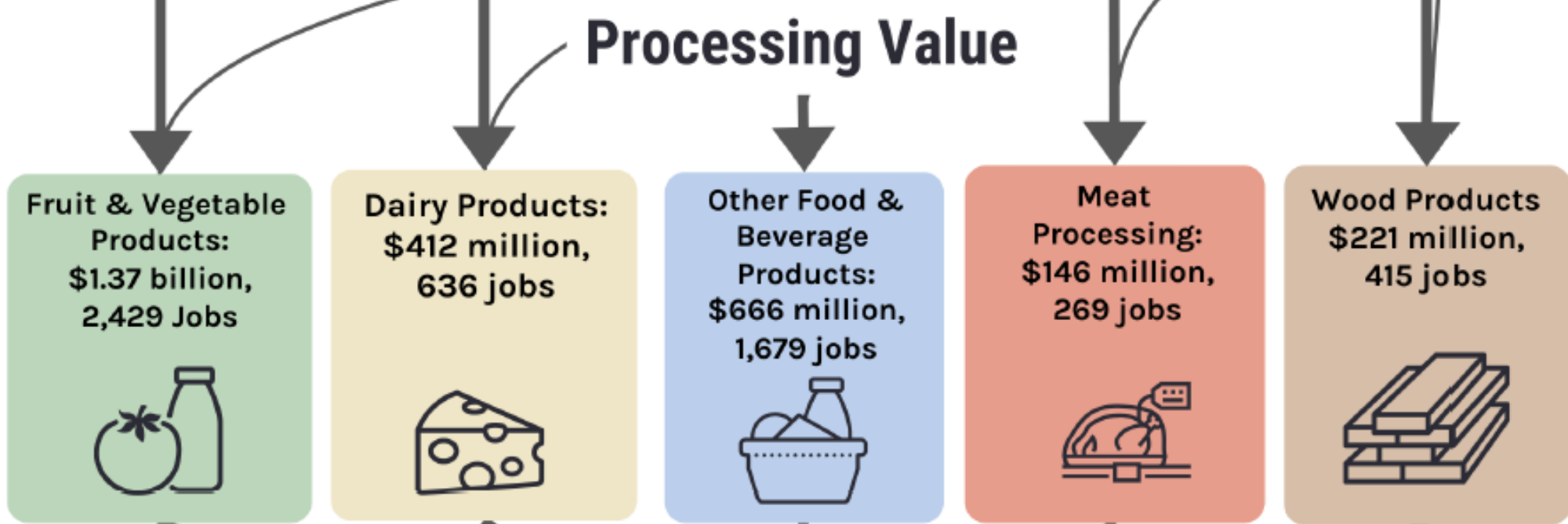
Production Value



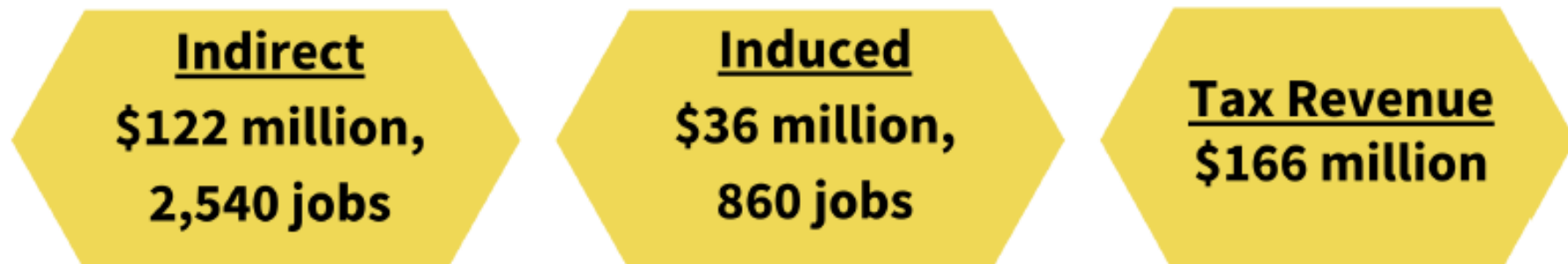
Economic Impact Analysis

- Direct Impacts
 - Employees
 - Wages paid (labor income)
 - Annual sales
- Indirect Impacts
 - Purchases from other locally businesses
 - Jobs and income supported by purchases
- Induced Impacts
 - Purchases made locally using direct and indirect wages
 - Jobs and income supported by spending

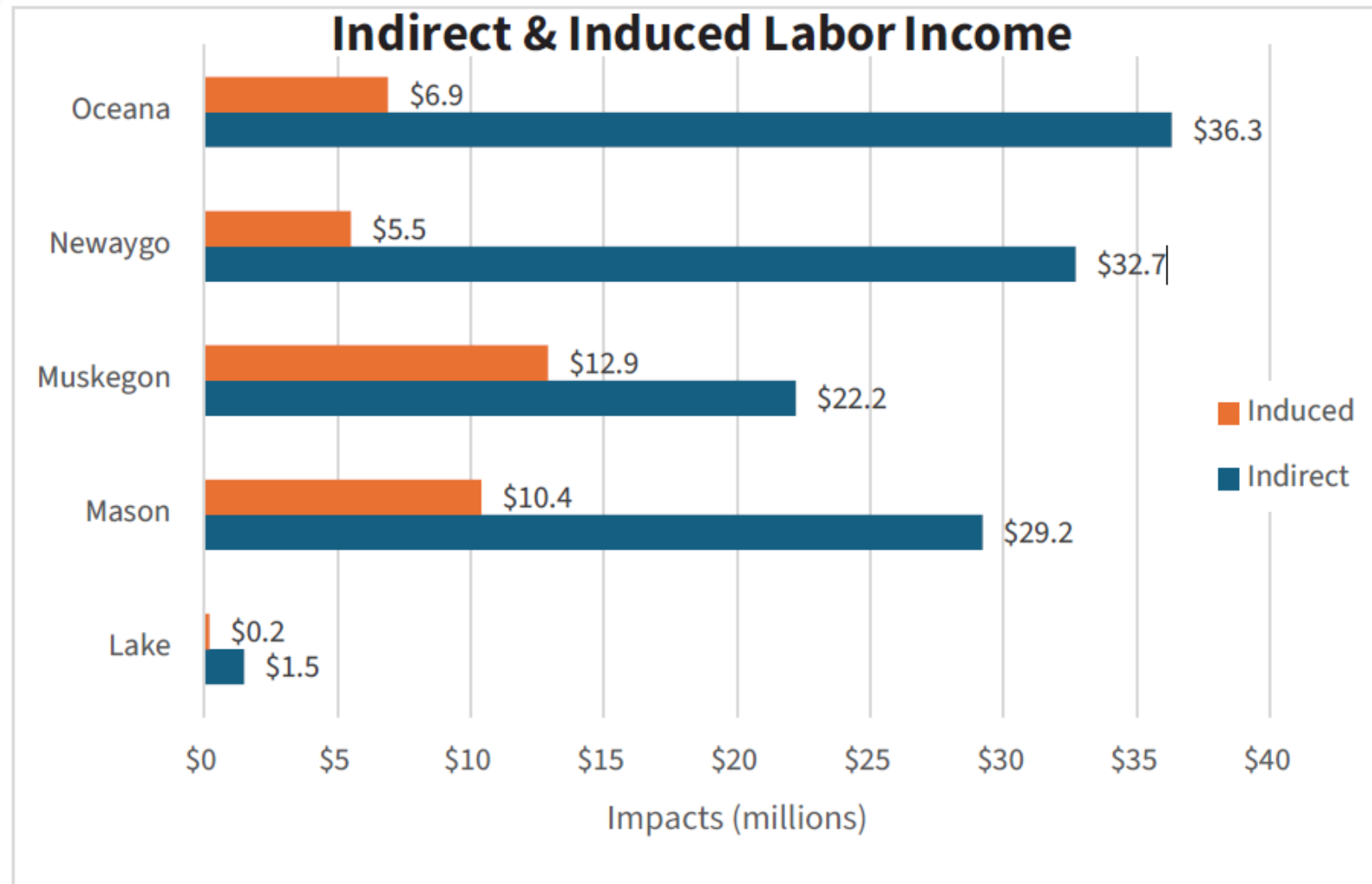
Processing Value



Impacts



Economic Impact Analysis



Market Analysis

Market Analysis - Labor

Labor is a constraining factor on industry growth due to:

- **Availability:** Limited labor pools
- **Cost:** A significant expense that continues to rise
- **Skills and education:** Workers lack the necessary skills and education and there is a shortage of workers skilled in the trade fields

Market Analysis - Labor Availability

- Rural nature of West Michigan
- Low unemployment rates
- Low labor force participation rates
- Lack of affordable housing and childcare
 - Affects both producers and processors

Use of H-2A workers in Michigan has risen 50%¹ in the last five years, indicating the agricultural labor pool is constrained.

Market Analysis - Labor Cost

Labor Costs

- Wage rate of H-2A labor increased 46% between 2018 and 2024.¹
- H-2A labor has additional overhead costs, such as mandatory housing and transportation requirements.
- At least one processor indicated in our survey that wages were too high to keep business profitable.

Market Analysis - Labor Skills

Skills, Education, Training

- Previous studies of ag business employers have revealed the need for more ag tech education/training.^{4,5,6}
- The need for bilingual skills and training.
- Skill sets that are in short supply: journeyman meat cutters, food processing workers, electricians and plumbers, and long-haul truck drivers.

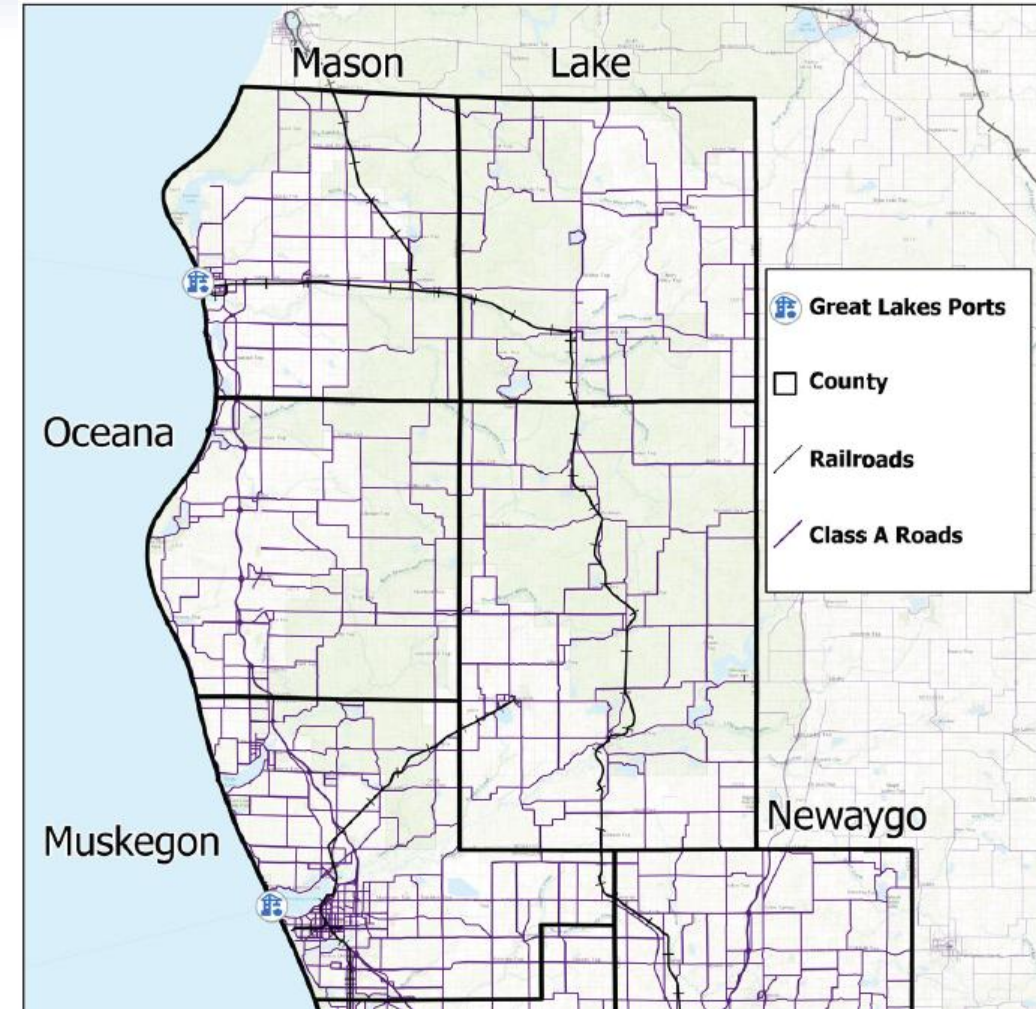
Market Analysis - Labor

Possible methods to support labor

- Support zoning reform and local governance agreements that can streamline the process for affordable housing development.
- Offer educational programs that fill gaps in skill sets.
- Continue to market the job opportunities in food processing and trade work (Michigan Works!).

Market Analysis - Transportation

- Generally good transportation networks
 - One-day access to Chicago, Detroit, Indianapolis, Cleveland
- Network of Class A roads is critical to supporting the agricultural processing industry
 - Allows year-round operations
- State weight restrictions
 - Highest gross vehicle weight (164k)
 - Lowest weight per axle (18k)



Market Analysis - Transportation

- Lack of public transportation
 - Cited by processors and producers
- Ports of Ludington and Muskegon
 - Require updates and reform to support the agricultural processing sector



Muskegon State Park; photo by Tyler Leiprandt & Michigan Sky Media LLC via Michigan DNR

Market Analysis - Transportation

Possible methods of supporting transportation

- Conduct studies that examine the costs and benefits of various public transportation options
- Support initiatives to maintain and expand the network of Class A roads in the region
- Support initiatives to examine how the area's two ports (Ludington and Muskegon) could be improved to facilitate transport of agricultural products

Market Analysis - Regulations

- Multiple layers of local government
 - Can make development more difficult
 - Housing, processing, support facilities
- State wastewater regulations
 - Commonly cited as a barrier to the industry
 - Strict standards
 - Difficult and shifting compliance
 - Long and expensive approval process

Market Analysis - Regulations

Opportunities to streamline regulatory compliance

- County-wide GIS platforms can improve access to zoning data (some counties already use BS&A or similar systems).
- Inter-local agreements or unified development codes could harmonize zoning and reduce friction.
- Pre-development meetings with regional planners (e.g., WMSRDC, Right Place) can help coordinate across jurisdictions and potentially improve relationships between farmers, processors, and the general public.

Table Discussion

Comparative Analysis

Comparative Analysis

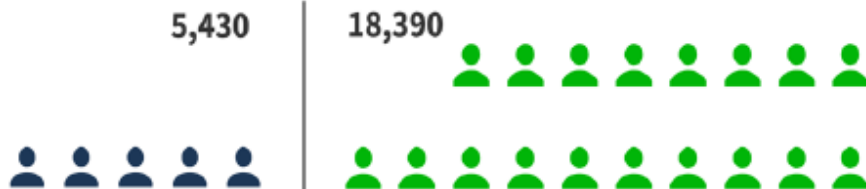
Five County Area

Kent & Ottawa

Establishments



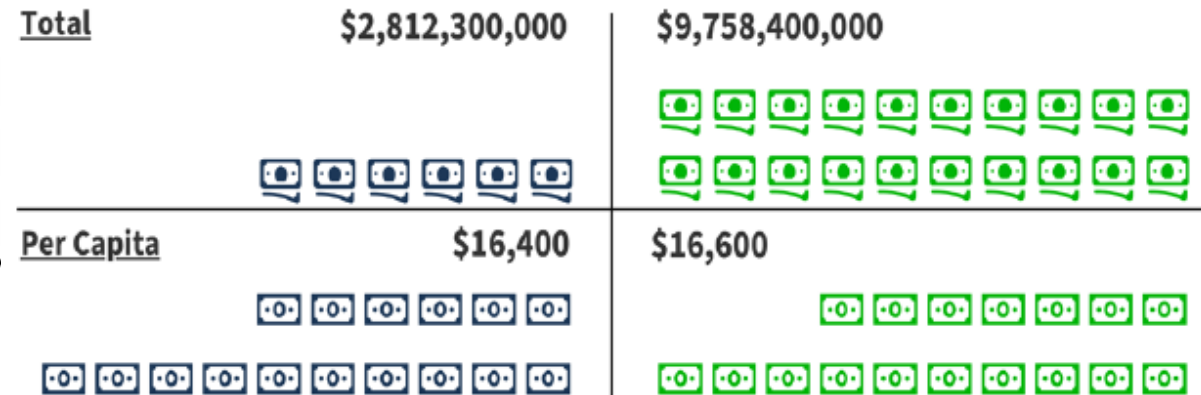
Jobs



Five County Area

Kent & Ottawa

Sales



Comparative Analysis

	Total Sales	
	5-County Area	Kent & Ottawa
Frozen fruits, juices and vegetables manufacturing	\$552,432,000	\$36,410,000
Canned fruits and vegetables manufacturing	\$394,555,000	\$229,855,000
Canned specialties	\$377,446,000	\$238,473,000
Ice cream and frozen dessert manufacturing	\$220,074,000	\$12,357,000
Cheese manufacturing	\$170,695,000	\$263,910,000
Bottled and canned soft drinks and water	\$161,143,000	\$403,791,000

	Total Sales	
	5-County Area	Kent & Ottawa
Paper mills	\$111,268,000	\$0
Mayonnaise, dressing, and sauce manufacturing	\$103,721,000	\$17,025,000
Bread and bakery product, except frozen, manufacturing	\$102,788,000	\$507,688,000
Meat processed from carcasses	\$93,527,000	\$1,579,460,000

Comparative Analysis

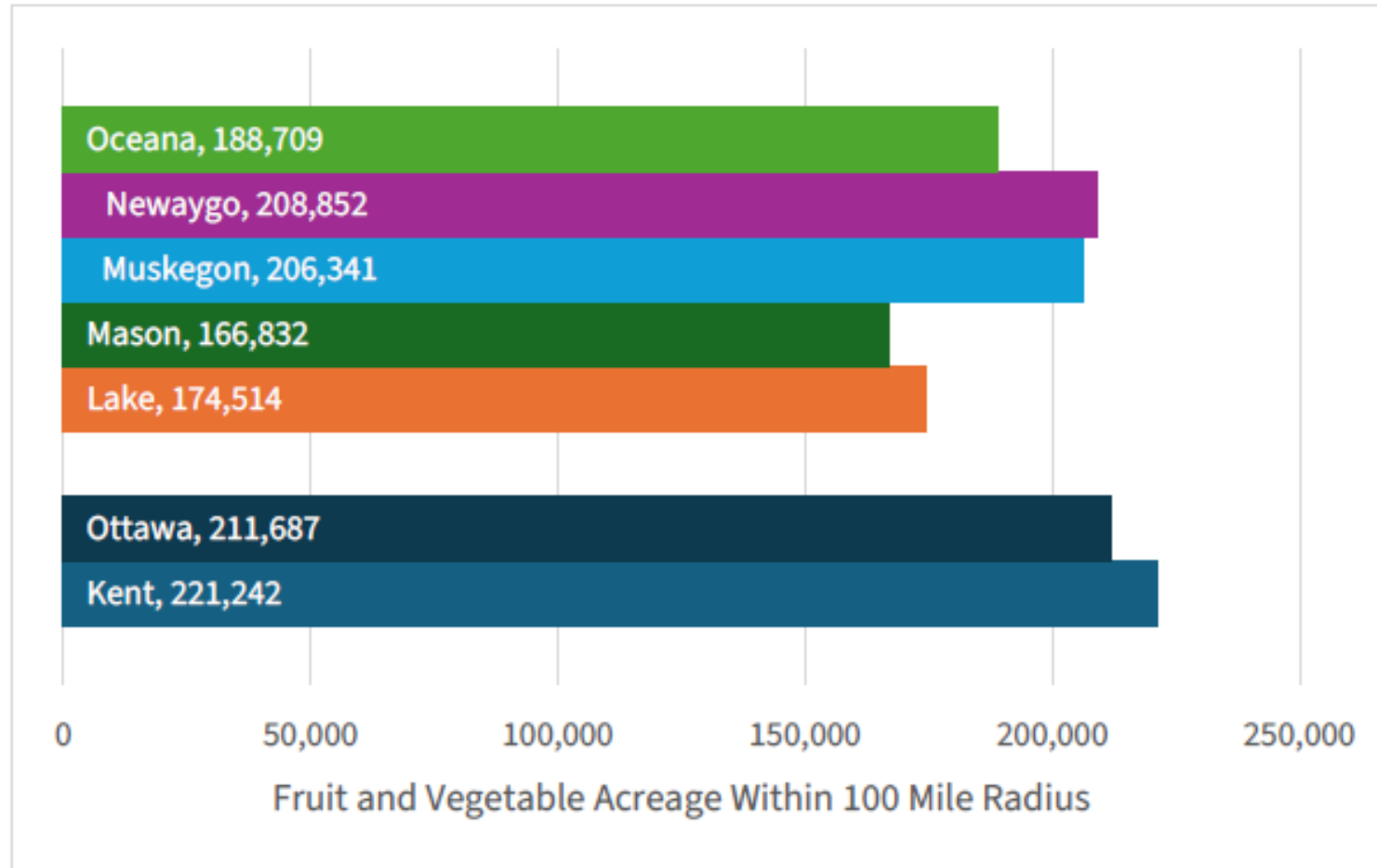
	Sales Per-Capita	
	5-County Area	Kent & Ottawa
Frozen fruits, juices and vegetables manufacturing	\$3,225	\$62
Canned fruits and vegetables manufacturing	\$2,303	\$391
Canned specialties	\$2,203	\$406
Ice cream and frozen dessert manufacturing	\$1,285	\$21
Cheese manufacturing	\$996	\$449

	Sales Per-Capita	
	5-County Area	Kent & Ottawa
Bottled and canned soft drinks and water	\$941	\$687
Paper mills	\$650	\$0
Mayonnaise, dressing, and sauce manufacturing	\$605	\$29
Bread and bakery product, except frozen, manufacturing	\$600	\$864
Meat processed from carcasses	\$546	\$2,688

Comparative Analysis

Agricultural Product - Associated Processing Sectors	Agricultural Production Value		Processing Sales		Processing : Production Ratio	
	5-County Area	Kent & Ottawa	5-County Area	Kent & Ottawa	5-County Area	Kent & Ottawa
Fruits and Vegetables - Frozen Fruits/Juices, Frozen Specialties, Canned Goods	\$200 million	\$534 million	\$1.37 billion	\$913 million	6.8	1.7
Milk - Cheese, Dry Dairy, Fluid Milk, Butter, Ice Cream	\$140 million	\$63 million	\$412 million	\$1.69 billion	2.9	26.9
Cattle and Hogs - Animal (Except Poultry) Slaughtering	\$96 million	\$130 million	\$53 million	\$82 million	0.6	0.6
Cattle, Hogs, and Poultry - Meat Processed from Carcasses	\$97 million	\$301 million	\$94 million	\$1.58 billion	1.0	5.2

Comparative Analysis



Comparative Analysis

Indicator	5-County Area					Kent & Ottawa	
	Lake	Mason	Muskegon	Newaygo	Oceana	Kent	Ottawa
Unemployment Rates	3.2%	2.5%	4.1%	2.5%	3.2%	2.9%	2.4%
Labor Force Participation Rate	38.1%	50.7%	57.1%	53.0%	50.4%	64.3%	61.7%
Education Level for Population 18+							
At least some college	41.1%	59.1%	56.1%	48.8%	51.5%	66.9%	66.8%
Childcare†							
Share of household income, annual	14.2%	9.9%	8.9%	11.0%	11.2%	9.6%	8.5%
Price, annual	\$9,422	\$8,395	\$7,286	\$8,547	\$8,609	\$9,988	\$9,481
Housing Affordability							
% Renting population paying more than 30% of income in rent	43%	40%	43%	36%	25%	45%	43%
% Homeowners with mortgage paying more than 30% of income in housing cost	33%	20%	22%	29%	27%	18%	17%

Opportunities

Agritourism

Agritourism allows producers and processors to increase revenue and diversify their income sources, increasing economic resilience and adding value to products.

Agritourism ventures can include:

- Farm stays and glamping
- On-farm dining experiences
- Winery/brewery events
- Corn mazes, pumpkin patches, and petting zoos
- Workshops and classes
- Festivals and events tied to harvest cycles

Agritourism

Local examples of agritourism include:

Lewis Adventure Farm & Zoo (Oceana): Offers amusement park attractions and rides, prepared food for sale, interactive experiences with exotic animals, special events, and a market that sells fresh produce, baked goods, and sweet treats.

Country Dairy Farm Store (Oceana): Visitors can get a tour of the farm or shop in the market, which offers dairy products made from their own milk, as well as other packaged and prepared food products, souvenirs, and games.

House of Flavors (Mason): This ice cream maker boasts 3,400 different recipes and makes 28 million gallons of ice cream each year. It also hosts a full service restaurant at their production facility, where each meal comes with a free dish of ice cream in the flavor of your choice.

Jawor Brothers Country Store (Muskegon): Co-located at their blueberry farm, this store sells fresh and frozen blueberries and value-added products that include jams, sauces, baked goods, ice cream, as well as a selection of local products and souvenirs. The farm also offers U-pick.

Heritage Farms Market (Newaygo): Offers fresh produce and baked goods, as well as a variety of entertainment options that include a corn maze, hay rides, a children's activity area, a petting zoo, and a pumpkin patch. The farm also provides tours for school groups.

Agritourism

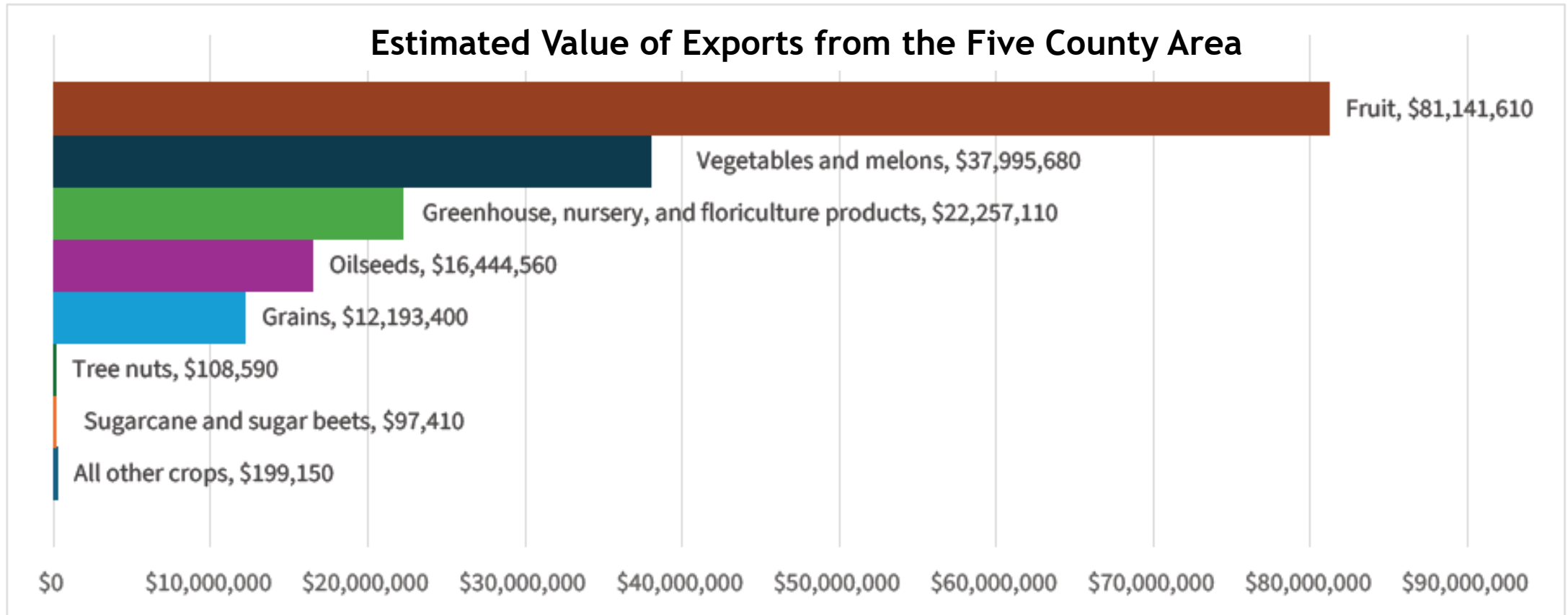
Methods for supporting agritourism

- Create, support, and promote marketing campaigns and events for local agritourism events
- Where needed, enact and support zoning reform that will allow for development of agritourism businesses
- Produce and distribute educational materials that can inform growers and processors how to expand their agritourism initiatives

Possible threats to agritourism

- Zoning laws and local governance structures that restrict agritourism businesses

Capturing Value-Added Processing



Capturing Value-Added Processing

Products that often leave the Five County Area for processing:

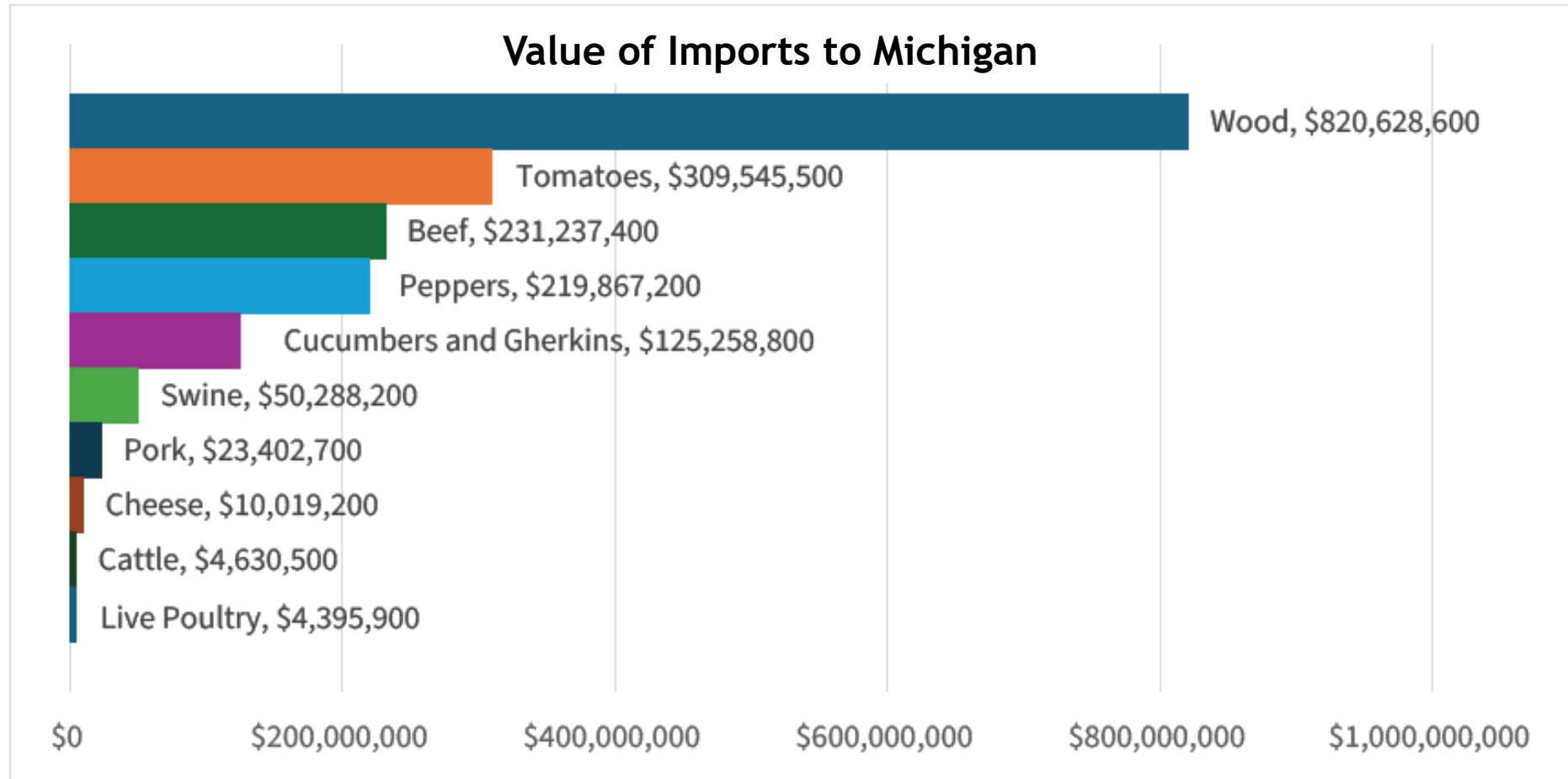
- Peaches
- Livestock
- Milk
- Grains
- Asparagus

Capturing Value-Added Processing

Possible threats to value-added processing

- Recent consumption trends have favored fresh produce over processed products
- Production in the region may not be big enough to take advantage of economies of scale and support a commercial sized processor
 - » The area previously hosted processing facilities for peaches and asparagus, but these facilities closed operations, indicating that the industry may not be economically viable
 - » Recently, a nearby cheese plant closed, a possible indication that dairy manufacturing economics are unfavorable²⁷
- The presence of large milk processing in neighboring counties may make it more difficult for a new milk processor to establish in the area

Import Substitution



Import Substitution

Products that processors import to the Five County Area:

- Cherries (sweet)
- Blueberries
- Milk
- Livestock

Import Substitution

Challenges

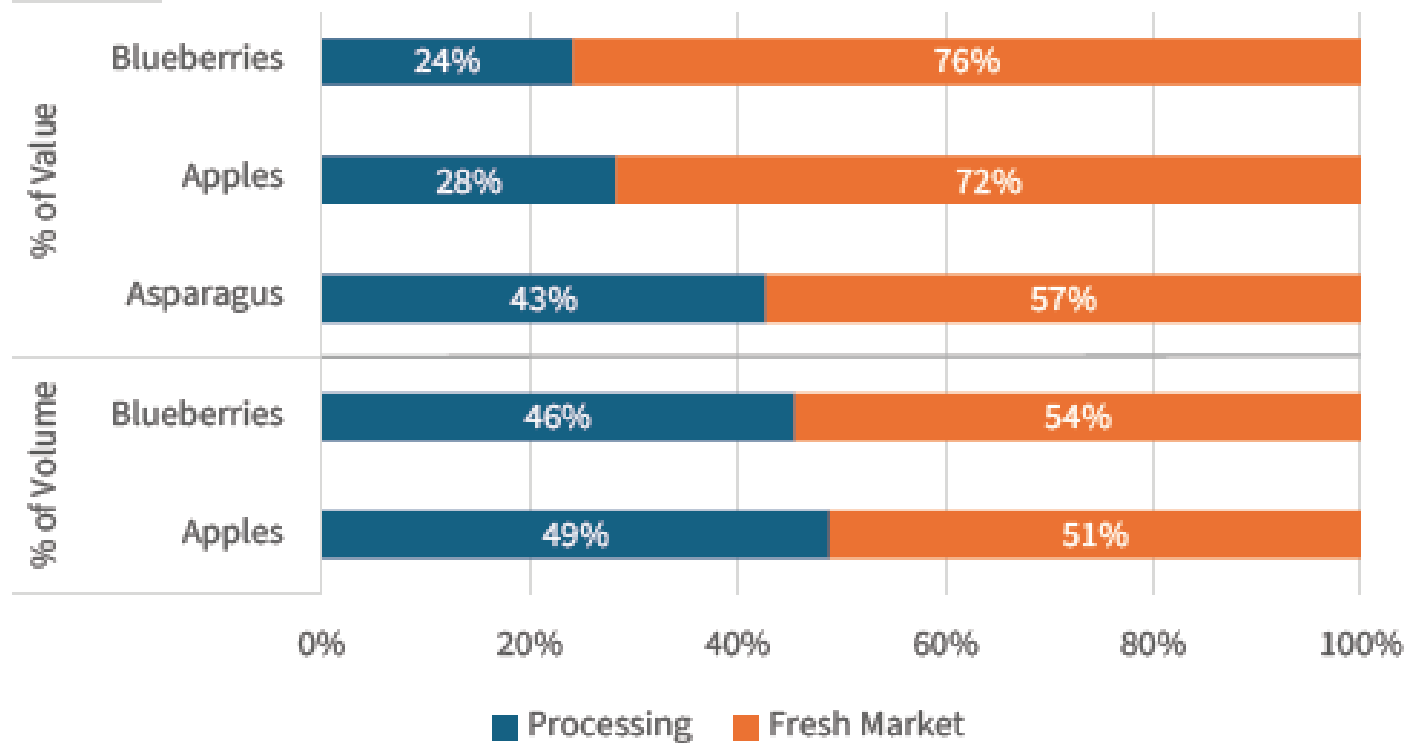
- Lack of suitable growing conditions
- Production costs are higher than competitors
- Demand for imports during non-growing season
- Production may not meet the scale needed for processing

Local and Niche Markets

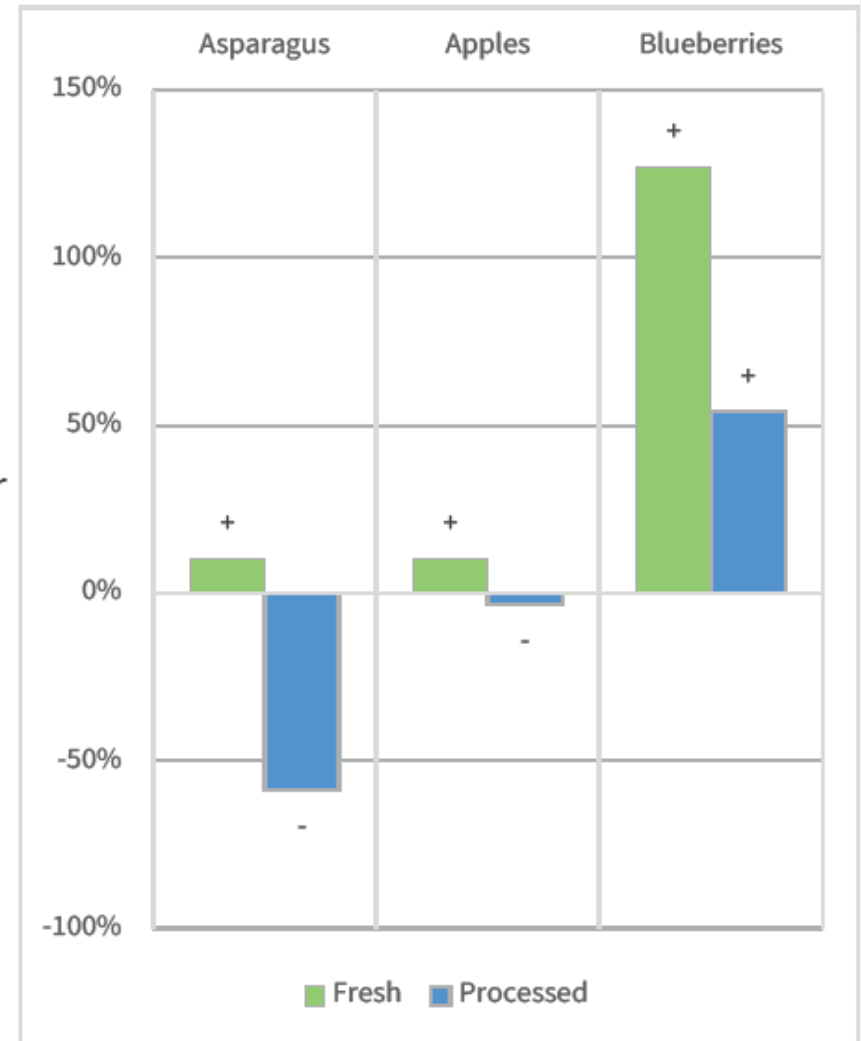
- Local foods: increased consumer demand
- Specialty products - artisan cheeses, fruit juices, frozen fruit for smoothies, nutritional additives
- Sustainability and humane products - fair trade, grass-fed, pasture raised, “natural”
- Organic - growing at twice the rate of the total food market

Local and Niche Markets

Percent of Value & Volume by Market



Change in Per Capita Availability of Select Crops⁴³: 2010-Presentⁱ



Greenhouse Production

- There are over 17 acres of greenhouses in the Five County Area
- Operations focus on spring/summer production
- Fall and winter utilization is reduced
- Year-round utilization could:
 - Increase workforce retention
 - Improve profitability
 - Increase economic returns to infrastructure

A collection of studies on greenhouse conversion³² found that **one 20,000 square foot facility** (less than half an acre) operating from October to May can produce:

- **40,000 lbs** of strawberries
- **180,000 lbs** of cucumbers
- **120,000 trays** of microgreens

Greenhouse Production

Strengths

- Mild climate
- Access to water
- Plentiful sunlight hours
- Existing greenhouse operations / infrastructure in the area
- Existing value chains in place for fresh produce in winter season (processing and fresh market)

Opportunities

- Coalition of greenhouse producers (purchasing / selling power with buyers, negotiating power with Utilities)
- Grants for expansion
- Ability to keep staff on board year round to allow for continuity from season to season instead of laying off most of workforce seasonally
- Expand the notoriety of West Michigan as a year-round fruit and veg production region

Greenhouse Production

Weaknesses

- Power costs are just average in the region
- Production of food crops over winter is uncommon currently
- Possibly need for additional infrastructure (e.g. lights) for existing greenhouse producers

Constraints

- Volume may be limited for single producer to sell to agricultural processor – may be limited to fresh market value chains, labor (seasonal)
- Negotiating energy costs may be difficult without collective and collaborative efforts

Table Discussion

Conclusions and Recommendations

Conclusions and Recommendations

- West Michigan has a strong and vibrant agricultural production and processing industry
- Many factors working in its favor:
 - Diverse agricultural production
 - Favorable climate
 - Good access to fresh water
 - Productive soils
 - Access to markets



Conclusions and Recommendations

Growing the agricultural processing industry requires:

- Creating favorable conditions for growth
- Remove barriers to the industry
- Leverage available resources

Conclusions and Recommendations

Creating favorable conditions for growth

- Support the maintenance and expansion of the Class A road network
- Fund studies to examine the feasibility of public transportation
- Industry-focused policy and planning
 - Kent County's "Food System Plan in 2023"
 - Ottawa County's "Focus on Agriculture" plan
 - Lakeshore Advantage's "Power Our Future" plan

Conclusions and Recommendations

Remove barriers to the industry

- Advocate for reform of state wastewater regulations
- Establish intra-governmental agreements that streamline development initiatives
 - Fremont's Joint Planning Commission
 - 425 agreements allow for revenue sharing
- Advocate for initiatives to develop more affordable housing and increase access to affordable childcare

Conclusions and Recommendations

Leverage available resources

- Tax incentives
 - Industrial Facility Tax Exemptions (IFTs)
- Economic Development Organizations
- Workforce training programs in community colleges
- State and federal grants
 - MDARD Rural Development Fund Grants
 - Michigan “Rural Readiness” Grants
 - USDA Rural Business Development Grants
 - USDA Rural Innovation Stronger Economy (RISE) Grants
 - USDA Rural Economic Development Loan & Grant (REDLG)
 - USDA Community Facilities Direct Loans & Grants

Open Discussion