Factors Affecting the Growth of Food and Beverage Manufacturers in New York State

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Introduction
• Food and beverage (F&B) manufacturing is an increasingly important source of total NYS manufacturing output and employment growth.
• A strong F&B manufacturing sector benefits local agricultural producers.
• Wide diversity of NYS F&B establishments by size, location, sector, and marketing channels utilized.
• Over 4,000 F&B establishments in NYS, over half of which are firms with no employee payroll (US Census Bureau).
• Renewed interest by policymakers in upstate economic development and agriculture-based manufacturing investment.

Study Objectives and Contributions
• Conduct plant-level enumeration and survey of F&B manufacturers in NYS to identify: input procurement and sales distribution areas, business environment factors on firm performance, and firms’ past and predicted revenue growth.
• Examine influence of firm, market, and spatial factors on growth of F&B manufacturing establishments.
  ✓ Previous studies have largely focused on changes in the aggregate number of establishments over time.
  ✓ We specifically account for market access and agglomeration effects in upstream (farm), downstream (wholesale/retail/foodservice), and within-stream (F&B manufacturing) markets.
• Identify implications for firm-level and policy-oriented strategies to improve firm performance and enhance industry competitiveness.

Plant Survey
• 482 complete surveys returned (13%); lowest response from bakery (3%) and other food (7%) plants; highest response from dairy (21%), meat (24%), and beverage (29%) plants.
• Rated 23 business environment factors on a 5-category Likert scale. Principal components analysis used to reduce to 5 aggregate factors.
• Inter-regional input procurement and sales distribution among upstate and downstate regions were generally quite limited.
• Average annual growth (past and future) varied considerably across plants.

Empirical Results
• Younger firms and larger firms had higher growth rates.
• Population growth (density) positively (versely) related with plant growth.
• Higher levels of agriculture production beneficial to plant growth; higher concentration of downstream firms had little effect on growth.
• Within-stream firm clustering reduced revenue growth in rural counties, but was more beneficial in urban counties.
• Labor force factors largely insignificant, except for negative wage effects in alcoholic beverage sector (e.g., seasonal labor demand in grape harvest).

Implications & Conclusions
• Lower growth rates for more established (older) firms may highlight a priority cohort addressing firm retention.
• Higher growth for larger firms may indicate capital constraints for smaller firms looking to expand operations.
• Neatness to markets is highly beneficial; local agricultural production and growing population centers are associated with larger rates of revenue growth.
• Negative population density effects and limited downstream cluster benefits may indicate constraints within urban areas due to non-manufacturing activities that congest infrastructure.
• Concentrations of F&B manufacturers in rural areas may face negative competition effects that are more substantial than agglomeration benefits.
• As further interest in ‘local’ food systems develops, these implications to the F&B manufacturing sector will become increasingly important to consider.