Assessing the Future of Food and Beverage Manufacturing in New York State

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Objectives

The competitiveness of food and beverage manufacturing establishments in New York State relative to other regional or national firms is of growing concern. This study is part of a larger project to analyze the economics of the food manufacturing industry in New York and develop recommendations for firms and policy makers to improve the competitiveness and business climate for food manufacturing in New York.

Methods

A survey was mailed to food and beverage manufacturers in New York State in spring, 2009; 482 valid responses were received. Survey questions included establishment demographics, business environment and consumer trends, collaborative activities, and annual growth. Secondary data included variables representing agglomeration and regional effects.

A cumulative logit growth model was estimated based on five annual firm revenue-growth categories.

Results

Agglomeration economies were tested based on the level of establishment activity in upstream (farm production), within-stream (food and beverage manufacturing), and downstream (food wholesale and retail trade, food-service) sectors. Within-stream agglomeration economies were positive and significant for establishments in urban areas, but negative and significant in rural areas. Specifically, for each unit increase in the percentage of food and beverage manufacturing establishments in a county, the odds of being in a higher growth category were 2.3 (0.5) times higher for establishments located in urban (rural) areas. Down-stream agglomeration economies were not significant; however, upstream (farm production) agglomeration economies were.

The number of employees had a positive significant effect. Manufacturing wages was significant only for Alcoholic Beverage (primarily wineries) and was negative, where for each unit change in hourly wages the odds of being in a higher growth category were reduced five percent (odds ratio = 0.95).

Regional fixed effects were included to account for region-specific factors including policy differences, geographic location, and geographic size. The regions showing significantly stronger firm growth included the Capital, Long Island, and Mid-Hudson regions. Subsequent modeling revealed that these effects are primarily driven by population growth rates.

Those industries showing the weakest growth rates were Sugar/Confectionery (odds ratio = 0.40) and Slaughter/Processing (odds ratio = 0.44), while the Alcoholic Beverage industry (largely wineries) was the strongest (odds ratio = 2.50).

Respondent age, business environment, and consumer trends factors showed no significant effects on annual growth.

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