Georgia Food Processors' Location Determinants and Attraction-Retention-Expansion Factors

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Executive Summary
A mail survey of 150 food processors and manufacturers in Georgia identified a variety of factors as central to location and attraction decisions by management. The results point to certain strategies or policies state and local governments can follow in efforts to attract new food processing or manufacturing investments.

To increase the likelihood of attracting and retaining food processing facilities in Georgia, suggestions include:

- invest in infrastructure, particularly in the availability and quality of water, waste water treatment, and solid waste facilities;
- establish an information resource that facilitates timely and accurate information on availability of potential processing sites and relevant environmental, tax and zoning regulations and procedures;
- strive for better cooperation of all governmental regulatory, inspection and assistance agencies; and
- encourage the sufficient availability of qualified labor.

The results also show that some policies targeted at food processing firms are likely to be either unproductive or unappreciated. These efforts include: enhancing the availability of ports and ocean freight, increasing enterprise zones, providing additional state marketing assistance programs, and publicly advancing or promoting the unionization of labor.

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Abstract

This article examines the factors that influence the location choices of food and kindred products processors/manufacturers (SIC 20 and 21) in Georgia. Attraction-retention-expansion managerial considerations are also assessed. A five-point Likert Scale was used to ascertain the relative importance of numerous factors sorted into six categories: infrastructure, environmental policy/legislation, fiscal policy, market concerns, labor, and quality of life. Other information obtained in the mail survey included the type of food product(s) manufactured, the number of employees, estimate of annual sales, target market location, and general business concerns. Of most importance for the 150 respondents (922 surveys distributed) are issues related to work force training, energy and utilities, environmental regulations or issues, human resource
issues, and raw products and agribusiness development.

**Issue or Concern**

Food and kindred products processors are an important contributor to the Georgia agribusiness industry and to the Georgia economy for income and employment. Many of these businesses are also important in complementing commercial production agriculture by adding value to the raw agricultural commodities grown and raised in Georgia and making consumer-ready food products available for satisfying consumer needs. As communities seek opportunities for economic growth and diversification, food product manufacturers or processors are a logical consideration for adding employment and revenue to the local economy.

What factors are important in the firm's managerial decision to locate in Georgia, as well as stay in Georgia, and perhaps even expand operations in Georgia? Studies conducted in the Upper Midwest and the Mid-Atlantic States suggest that plant location choices are driven by market and infrastructure factors, while fiscal policies and development incentives are insignificant [Leistritz (1992); Lopez and Henderson (1989); Torok, Schroeder and Menkhaus (1991)]. Are Georgia's food and kindred products processors significantly different in their outlook on Georgia as a place to do business?

**Procedure**

Using the Georgia Manufacturing Directory 1996, specifically those businesses cited under SIC 20, food and kindred products, and SIC 21, tobacco and related products, plus a supplemental list of FOODPAC participants supplied by Georgia Tech University, a survey was mailed to the 992 individual business addresses. The survey instrument was designed by the Center for Agribusiness and Economic Development with input from both the Office of Planning and Budget and the Center for Food Safety and Quality Enhancement. A copy of the survey instrument is attached in Appendix A. One hundred fifty completed surveys were returned for the tabulation, after two separate mailings of the survey. Of further note is that nearly 100 additional surveys were returned by the Post Office as non-deliverable (forwarding had expired; moved with no forwarding address; no longer doing business; incorrect address).

**Results**

Food and kindred product processing:

The representation of the food processors’ primary interests or focus indicates meats and meat products was the leading category in the number of survey responses with 32, followed by poultry and poultry products (18), nuts, including pecans, walnuts and peanuts (13), and breads or bakery goods (12). Although fewer in number of responses, surveys were completed by businesses representing several other food product categories.
Infrastructure:

On a five-point Likert Scale (range from 1 = unimportant to 5 = critical) indicating the relative importance of selected infrastructure factors in the decision to be located in Georgia, the average scores show there is minimal difference among many of the stated factors. In order of importance, the factors (and average scores) are:

- availability and quality of water 3.79
- cost of property and real estate 3.57
- availability and cost of electricity 3.53
- availability and cost of waste treatment and waste disposal facilities 3.35
- availability of ground transportation (truck and rail services) 3.30
- availability and cost of natural gas 3.25
- construction costs 3.24
- developable land available 3.23.

Of least concern were the availability and cost of air freight transportation services (1.89) and availability to ports and ocean freight (2.00).

Environmental policy/legislation:

Using the same five-point scale for factors pertaining to environmental policy issues and legislation, the more important factors (and average scores) are as follows:

- annual costs to comply with environmental regulations 3.39
- fairness of enforcement of environmental regulations 3.38
- ease and speed of compliance with environmental regulations 3.32
- existence of municipal sewers to handle water waste 3.27
- water waste disposal costs 3.27
- water pollution regulations 3.23.

The only factor to not score as important or higher (3.00) is air pollution regulations, with a 2.87.

Fiscal policy:

On the five-point Likert Scale, the fiscal policy factors of importance included the following:

- overall tax burden on business 3.70
- community attitude toward business development 3.55
- workers' compensation insurance 3.49
- local property taxes 3.49
- sales tax exemptions on manufacturing and processing equipment 3.40
- unemployment insurance taxes 3.33
- state regulatory climate 3.33.

Of least importance were the availability of enterprise zones (2.74) and incentives for venture capital formation (2.82).

Market concerns:
Among nine market concerns delineated on the survey, only one factor scored less than important (less than 3.00)—state marketing assistance programs, with a weighted average score of 2.44 on a five-point scale of importance. The leading factors, in terms of importance in the decision to be located in Georgia, are:

- quality, availability and cost of labor 3.95
- quality and availability of transportation (cost and accessibility) 3.53
- proximity to markets 3.49
- environmental regulations and concerns 3.48
- business climate in Georgia 3.45.

**Labor:**

The presence of unions scored the lowest (2.39 on the five-point scale) among labor factors influencing the decision to locate in Georgia. The more important factors (and their scores) are:

- availability of labor 3.99
- labor productivity 3.97
- non-unionization of labor 3.86
- work ethics and attitude 3.84
- prevailing wage rates 3.71
- right to work laws 3.66.

**Size of business:**

The criteria used for measurement of the size of a food processing business is the number of full-time employees. Of the respondents, 45% were small (1 - 19 full time employees), 26% were medium (20 - 99 full time employees), and 29% were large (100 or more full time employees).

The survey responses of companies with annual sales over $7 million were computed separately to check for differences between large and smaller companies. The results were found to be very consistent across company size, so no separate results are discussed. Companies of all sizes appear to have similar concerns.

**Estimate of annual sales:**

Forty percent of the survey respondents reported annual sales of less than $500,000. Eighteen percent reported sales exceeding $20 million, while 29% cited annual sales between $½ - $7 million.

**Destination of sales:**

In descending order, the destinations of the majority of the food products processed by each firm are: local; adjacent states; elsewhere in Georgia; international; and national. This suggests some niche markets are served with some niche food products processed by these Georgia food processors.

**General business concern prominence:**

Using a three-point scale (1 = not important, 2 = important, 3 = very important) to evaluate issues or problems that could impact a firm's performance, effectiveness and efficiency, those factors with a mean score
exceeding 2.00 include:

- problems with government regulations (food safety, labeling, new products, OSHA, EPA, FDA, ADA, IRS) 2.40
- labor problems 2.21.
These factors are followed by:

- marketing problems (forecasting, increasing sales, pricing, merchandising, advertising/promotion) 1.99
- problems created by competitors 1.98
- problems associated with economic climate (local, state or regional economy) 1.93
- state taxes 1.90
- transportation problems 1.88
- finance problems (obtaining loans, interest rates, credit terms, cash flow) 1.86.

Quality of life:

On a personal level, the respondent was requested to evaluate personal factors that may have affected his/her own decision to locate in Georgia. This, too, was using the five-point scale described earlier. The leading or more important factors appear to be:

- attractive place to live 3.66
- quality and cost of housing 3.55
- cost of living 3.52
- quality of medical care and facilities 3.44
- quality of schools (pre-K through 12) 3.42
- weather or climate 3.40
- quality and proximity of higher education (college, vocational/technical, continuing education) 3.38.

Of least importance numerically are:

- diversity of business 2.88
- proximity to relatives 2.88
- proximity to cultural opportunities 2.90
- proximity to recreational activities 2.96.

Overall importance of factors in establishing food and kindred product processing in Georgia:

Of most importance are the factors of workforce training, energy, environmental regulations and issues, human resource issues, and raw product and agribusiness development. Of least importance are the factors of research and technical assistance, food companies and trade associates, financial issues, food safety and technical affairs, and agricultural markets with production and packaging facilities.

Implications

The analysis of location factors suggests that communities in Georgia likely will be more successful in economic development efforts to attract food processing businesses if the communities can tailor any assistance/incentives to address the specific needs of a particular candidate industry or firm. For example,
food processors identify water supply and water treatment as very important location considerations, whereas these factors typically are less salient for some other types of agribusiness and or general business. Incentive packages to attract food processors are more effective, so it seems, when focused on the provision of infrastructure and the availability of a qualified labor force rather than focused on tax and development incentives or promotion and marketing programs.

Selected References

