

BUILDING A FOOD CLUSTER

A PLAN FOR NORTHEAST INDIANA

NORTHEAST INDIANA 
FUND

Made possible with the support of


Lincoln[®]
Financial Foundation


INDIANA[®]
Accelerate Your Business

Presented to the Northeast Indiana Fund by


OnCallPSN[®]
Professional Services Network

December, 2009

Northeast Indiana Food Cluster Strategic Plan

- I. Executive Summary
- II. Introduction
- III. The Northeast Indiana Food Industry
 - a. Current State
 - i. National
 - ii. Northeast Indiana
 - b. Future Plans
 - c. SWOT Analysis
- IV. Building a Successful Cluster
 - a. Suggested Process
 - b. Potential Organization
 - c. Potential Partnerships
- V. Recommendations
 - a. Vision
 - b. Mission
 - c. Strategic Responses
 - d. Partnerships
 - e. Objectives
 - f. Action Items
 - g. Metrics

Appendices

- Appendix I: List of Steering Team Members
- Appendix II: Northeast Indiana Foundation Food Industry Survey
- Appendix III: Northeast Indiana Foundation Food Industry Asset Map
- Appendix IV: Summary Presentation
- Appendix V: Resources

I. Executive Summary

Two fundamental questions arise in the examination of Northeast Indiana (NEI) and the economic role it plays in food production. The first question is simply whether there is an ongoing demand and economy based on food production and the second question, does an “economic food based cluster” exist in NEI? The answer to the first question is “yes”. In NEI food processing related businesses employ approximately 12,000 private sector individuals representing 4% of the workforce and over \$2 billion of annual sales. Importantly this number excludes row crop and livestock operations and retail food sales such as groceries and restaurants. Therefore, the total food impact is significant. The answer to the second question is researched and reported throughout the document. A consensus conclusion is that a functioning food cluster does not exist today; however, it is in reach and necessary steps should be implemented to capture a food based cluster opportunity for the region.

NEI is represented by the entire food delivery chain. Significant row crop and livestock operations exist, supported by major grain and processing firms. A strong position in dairy including eggs, milk, and ice cream production is evident. Major specialty products including, but not limited to, marshmallows, popcorn, pickles, and fine chocolates are well established in the region. Adjacent counties are home to the largest duck processor in the U.S. and a major tomato processor. Agri tourism is growing and is uniquely canvassed with a strong Amish population throughout the area. Warehousing and distribution is prevalent in the region.

Accordingly, the Northeast Indiana Regional Partnership (www.chooseneindiana.com) and the Northeast Indiana Foundation included food production in their 2009 research effort into cluster based economic models. The effort was launched after previous research into cluster modeling. Three initiatives were funded by the Northeast Indiana Foundation: the defense industry, medical devices, and food processing. The Foundation engaged OnCall Professional Services Network (www.oncallpsn.com) to oversee the food processing project. OnCallPSN further engaged AEFNA LLC (www.aefnallc.com) to assist in the project.

During the spring of 2009 the project was launched. A steering team of approximately 20 individuals was identified. The team met monthly and OnCallPSN provided coordination and administrative support. Ongoing fact finding and communication continued between meetings. The team and regional community interest was more heavily weighted from education, government, and economic development. Industry support was evident, but minimized by time constraints for participation. The team gathered input from other cluster initiatives outside of the region, localized meetings, surveys, questionnaires, the Community Research Institute (CRI) located within Indiana University-Purdue University Fort Wayne, and individual interviews and discussions.

The steering team and planning process produced the following to further guide the cluster development. Specific activities support the vision, mission and strategic responses.

Vision:

To become nationally recognized as a major food processing cluster.

Mission:

To develop the infrastructure and strategic initiatives required to achieve a sustainable food cluster in NEI.

Strategic Responses:

1. Develop organization to support the NEI food business.
Lead partner – Section IV Potential Partnerships
2. Develop and promote educational and outreach programs to provide training to the food industry workforce and management.
Primary support partners – Purdue University, Work One Northeast, Indiana Department of Energy, Chambers of Commerce
3. Determine the best resources to develop a Center for Specialty Foods.
Primary support partners – Northeast Indiana Innovation Center, Purdue University, Industry Trade Associations
4. Encourage and assist local food production, marketing and agri tourism.
Primary support partners – Indiana Foodways, Buy Fresh – Buy Local
5. Provide assistance in understanding and initiating cooperative entities to interested food businesses.
Primary support partner – Indiana Cooperative Development Center, Chambers of Commerce
6. Provide ongoing linkage to local and regional economic development resources to encourage new business development and support existing business.
Primary support partner – Northeast Indiana Regional Partnership
7. Develop necessary marketing product programs, including an evaluation of regional branding, to encourage new business development and support existing business.
Primary support partner – Northeast Indiana Regional Partnership

II. Introduction

The production, processing and distribution of food are cornerstones of NEI's economy (Section III, Industry Overview). A combination of fertile land, water, climate, location, workforce, transportation, technology and a low cost of doing business has made this region attractive for the development and growth of its food industry. These factors and relatively high employment levels in the food processing industry provide an excellent rationale for developing a *Food Processing Cluster* in NEI.

Being a great place for food businesses to prosper is necessary but not sufficient for the success of NEI's food cluster. There are a number of critical issues that need to be considered in the development of the food cluster. A strategy based upon 'more of the same' will not address the need for innovative solutions to meet the challenges facing our food production system. Issues of food safety and security, the impact that food choices have on personal health and the environment, the economics of conventional agriculture, moral questions and the food preferences of a changing population are driving the transformation in our nation's food system.

Food Safety & Security - The frequency and magnitude of food recalls, food security threats, concerns about genetically modified foods and pesticide residues, and rising food imports from countries with lax regulations, all call into question the safety and reliability of our food supply.

Health – According to the CDC, the treatment of chronic diseases accounts for 75% of our nation's \$2 trillion annual healthcare expenditures. The growing recognition that food choices directly affect personal health has far reaching implications for changes in consumer behavior and food policy as the government attempts to reign in escalating healthcare costs.

Environment – The environmental impact of conventional agriculture has come to center stage for its role in global warming and the pollution of our nation's groundwater, streams, rivers and coastal waters. Growing residential concerns over land use management, including Confined Animal Feed Operations (CAFO's), highlight the need for development strategies that consider the broader impact on our communities.

Economics – The economics of conventional agriculture and food processing are under attack for the externalized direct and indirect costs of crop subsidies, water use, environmental costs and health. The rapidly growing demand for animal protein in the developing world and competition from the renewable fuels industry for grains is raising concerns about the potential for global food shortages.

Ethics – Concerns about the ethical treatment of animals in CAFO's continues to plague large scale meat and dairy operations. The actions of consumers and

reactions of policy makers increase the likelihood that low cost meat production will move offshore to countries with less regulation and the remaining producers will need to switch to less intensive, higher cost production systems.

Enjoyment – Food preferences are largely cultural. America’s growing cultural diversity and lifestyles that rely on convenience foods continues to fuel the demand for an even greater variety in personal food choices.

These issues present significant opportunities for those who respond most effectively to these major changes. NEI is well positioned to develop strategies that leverage the region’s diverse assets and capitalize on this changing market. These issues are changing how the food industry does business and are driving the rapid growth of specialty foods – the mass differentiation of our food supply that is defining our nation’s palate.

Specialty foods that were once reserved for niche markets of limited scope are gaining national distribution and broad consumer acceptance. Critical to the success in the highly competitive specialty foods market will be fielding the very best combination of resources to foster viable start-up’s, provide market access for growth companies and partnerships for established food businesses to attain highly efficient and effective business operations. NEI’s food industry can leverage its culture of innovation with strategic partnerships to adapt to rapidly changing market conditions and diverse consumer demands.

These new imperatives of the food processing cluster will require specialized education and training at all levels of the region’s food industry. NEI’s workforce provides real value – an excellent combination of education levels, skills, wages and work ethic. Innovation and entrepreneurship will be key factors in determining NEI’s success.

Fortunately, Indiana is home to one of the nation’s top agriculture and food science institutions, Purdue University. Forging a strategic partnership with Purdue University is seen as a critical component of a successful food processing cluster.

Most importantly will be the financial and personnel resources necessary to sustain the development of the food cluster through its second phase gestation period during the next 18-36 months. The attainment of financial commitments from local, state and federal sources will be necessary to maintain the current momentum of the Northeast Indiana food processing cluster.

Achieving the Vision and Mission

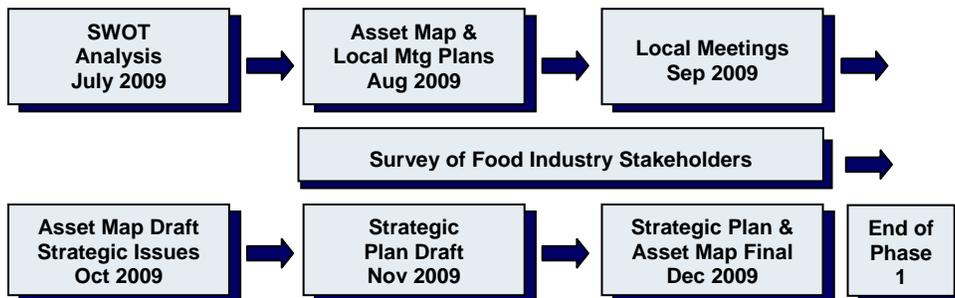
This strategic plan outlines the vision, mission, goals, strategies and activities that comprise the Northeast Indiana Food Processing Cluster’s Strategic Plan. This Plan outlines the next two phases of (1) organizational development and (2) strategic initiatives essential for the successful development of a Food Processing Cluster that is nationally recognized for its commercial viability.

The goals of this strategic plan are to:

1. Develop business support for the food processing cluster;
2. Enlist the collaboration of a broad range of regional and state-wide partners; and
3. Enable organizational capacity to implement the vision, mission and strategic initiatives of the cluster.

This Strategic Plan, funded by the Northeast Indiana Foundation, is the result of the collective efforts of regional business leaders and organizations. It began with the initial planning stages in April 2009 and the formation of a steering team in June 2009. Those initial organization efforts provided the foundation for the SWOT analyses, stakeholder survey, regional meetings, a formal asset map and finally, the development of this Strategic Plan.

Figure 1: Development Stages



Source: OnCallPSN

The realization of a viable and sustainable Food Processing Cluster is attainable and important to the development of the NEI economy. It is attainable because it builds upon the traditional strengths of this region by providing a substantial opportunity for the development of the food processing industry in general and the specialty foods sector in particular. **It is important because the cost of doing nothing is very real - it risks the marginalization of NEI's food processing industry as a consequence of ignoring the fundamental changes taking place in both the global and our nation's food economy.**

III. The Northeast Indiana Food Industry

Current State – National:

The core of the U.S. food processing industry is those firms in the NAICS 311 group. These firms employed 1.5 million people and generated \$590 billion in shipments in 2007 per the U.S. Census Bureau. Growth rates have typically been in the two-three per cent range. Beyond this core group, there are numerous supporting and related industries including packaging, warehousing, process equipment, and supporting services. Including these groups can double to triple the overall food related employment.

In looking at the overall food market it is important to understand some of the key trends. One of the most significant of these has been the continued strong growth of the specialty food segment. As noted in the introduction, the U.S. has evolved from the specialty markets that were primarily local to the point of “mass differentiation” where there are numerous national markets of these differentiated, specialty foods. Specialty products still often start in a local market but now frequently grow into national products. One of the best known examples of this would be specialty coffees, popularized by Starbucks Coffee. Starting in Seattle, Starbucks is now available nationally and internationally. What was once a product only known in Seattle now sets a national standard that many insist upon to start their day. Haagen-Dazs and Ben & Jerry’s specialty ice cream are two more examples that started serving a niche market in a local area and over time became nationally distributed. Expanding beyond food processing, specialty crops are also a growing category. Greenhouse tomatoes (vs. the field grown variety) have seen significant growth over the last ten years. Many other examples of specialty crops can be found in our neighboring state of Michigan.

Locally, DeBrand Fine Chocolates stands out as a perfect example of a specialty food item. The National Association for the Specialty Food Trade (NASFT) develops an annual “State of the Specialty Food Industry” report. The 2009 report indicated that total specialty food sales were \$60 billion in 2008. \$48 billion of this was in the retail channel with an 8.4% growth over 2007. Specialty foods accounted for 15.9% of all retail food sales. Over 2,300 specialty food products were introduced in 2008. The full 2009 report is available at <http://www.specialtyfood.com/do/educationalResources/ViewItem?id=174> .

Another fast growing area in the food industry has been the organic segment. The segment has been growing at nearly a 20% annual rate over the last decade. The Organic Trade Association estimated U.S. organic food sales at \$4.3 billion in 1998 (less than 1% of all U.S. food sales). Sales were estimated at \$23 billion in 2008, approximately 3% of U.S. food sales. Of this total, processed foods were over 60% and continuing to grow share. Distribution channel wise, supermarket sales were the fastest growing and approaching 40% of total sales. A detailed industry study by Philip Howard also showed that most of the leading organic firms had been acquired

by larger food processors although most downplayed this connection. These facts clearly show that organics are becoming main stream and increasingly important in the food processing industry.

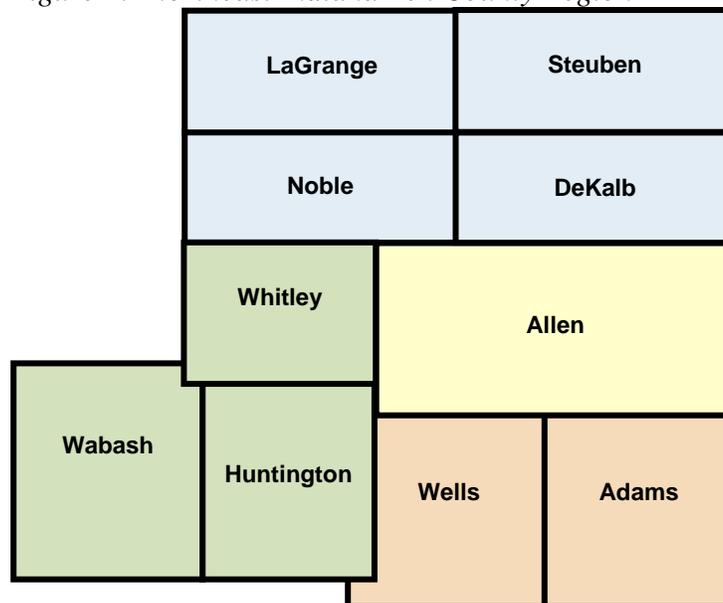
Beyond the above two trends, “natural” and “local” foods have gained attention. While statistics are not readily available for these two categories, there is clearly significant growth here. These terms are also not as clearly defined which adds to the measurement challenge. The net result of these three trends is that many opportunities exist—both within the traditional markets and the new growing markets.

The final national trend that needs to be mentioned is the efforts being made by various regions and states to develop their food processing industries. Many of these efforts are reflected in the studies and plans listed in Appendix V under the North American and European food cluster studies sections. **These plans vary significantly in scope and quality but all have in common the realization by their regions that food processing is an important economic development opportunity for them and requires focus and effort to grow its impact.** For some this is an added opportunity, for others with a well established, significant food processing base a threat if their actions are not successful. The key point is that change is happening and will impact all regions. For those that act effectively, this change can be a great opportunity. For those who don't, local economies may erode.

Current State – Northeast Indiana:

The following section provides highlights on the food processing industry in NEI. The region is comprised of ten counties as depicted in the map below.

Figure 2: Northeast Indiana Ten County Region



Source: OnCallPSN

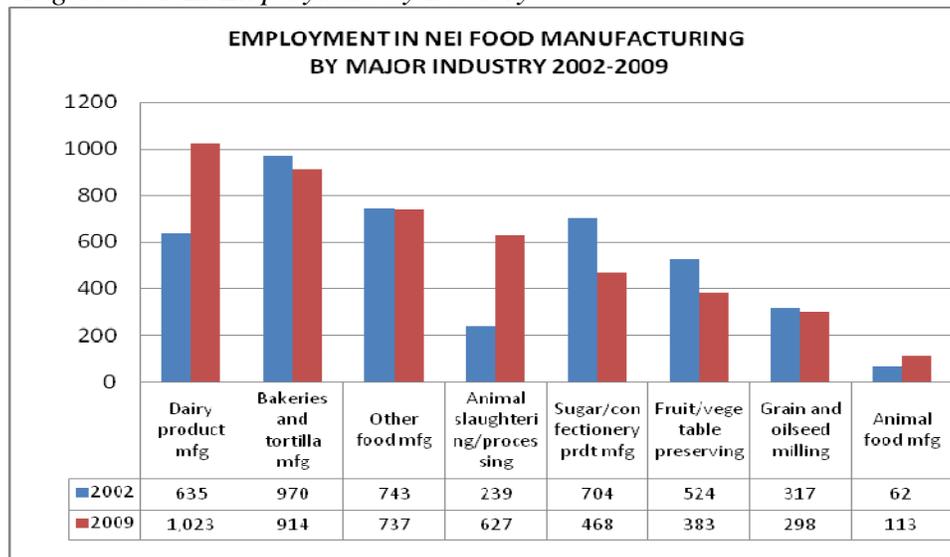
The data in this section is based on a detailed asset map report developed by the CRI, the applied business research center affiliated with IPFW. For further detail see that full report in Appendix III.

Industry Overview

NEI is estimated to **employ 4,569 in the core food manufacturing** industry (NAICS 311) in 2009 per Economic Modeling Specialists (EMSI) data reports. **2009 sales** from these firms are estimated to be **\$1.8 billion** per EMSI, approximately nine percent of the reported sales for all manufacturing sub sectors in NEI and over three percent of total NEI sales in all sectors. In total **with related industries (food warehousing, packaging suppliers, food equipment manufacturers, etc.), over 12,000 are estimated to be employed in NEI food manufacturing related firms.** This approximate 3X employment multiplier is important to keep in mind while reading the rest of this report. Due to time and funding limitations, this analysis focuses primarily on the core food manufacturing industry (NAICS 311). This focus understates the overall impact and importance of the food industry to NEI but allowed this report to be completed while still providing key insights. Keeping this 3X multiplier in mind as you read this report will give you a more accurate assessment of the overall impact on the region.

This total employment of approximately 12,000 represents over 4 % of the private employment in NEI. Of note is an analysis by CRI that shows the core food manufacturing (NAICS 311) employment in NEI increased by almost 9% from 2002 to 2009 while the total manufacturing employment in NEI declined by over 31%. This relative 40% gain versus overall manufacturing employment in NEI reflects the resiliency and strength of the food segment and its important role in providing economic stability and on-going growth. NEI has a strong, diverse base of food manufacturing industries dispersed throughout the eleven county regions. NEI employment by food processing industry for 2002 and 2009 is summarized in the table below.

Figure 3: NEI Employment by Industry



Source: CRI

Two industries account for most of the employment growth since 2002 in NEI: dairy product manufacturing and poultry processing (a subset of animal slaughtering) with estimated 2009 employment of 1,023 and 627 respectively. NEI facilities for these two industries will have estimated projected sales of \$436 million and \$291 million respectively in 2009. Other key industry employers include bakeries and sugar/confectionery product manufacturing with 2009 employment of 914 and 468 respectively. Estimated projected 2009 sales for these industries are \$195 million and \$123 million. While lower in employment with approximately 300, grain and oilseed milling (primarily soybean processing) is projected to generate \$408 million in sales.

In addition to the NAICS 311 companies included in the table above, beverage companies (NAICS 3121) are traditionally included in the food processing industry. Over 450 are employed in NEI in these companies. Nearly 200 employees have been added here recently with the addition of Living Essentials, the manufacturer of 5 Hour Energy Drink. Other local employers included the Coca Cola and Pepsi bottling facilities and Satek Winery.

Another useful way to view an area's particular industry strength is via Location Quotients (LQ), an economic measure that assesses the relative concentration of a given industry group employment in an area versus the U.S. as a whole. This results in eliminating the effect of size and shows relatively how important that industry is in the specific area being examined. The LQ for food processing (NAICS 311) would be calculated as follows:

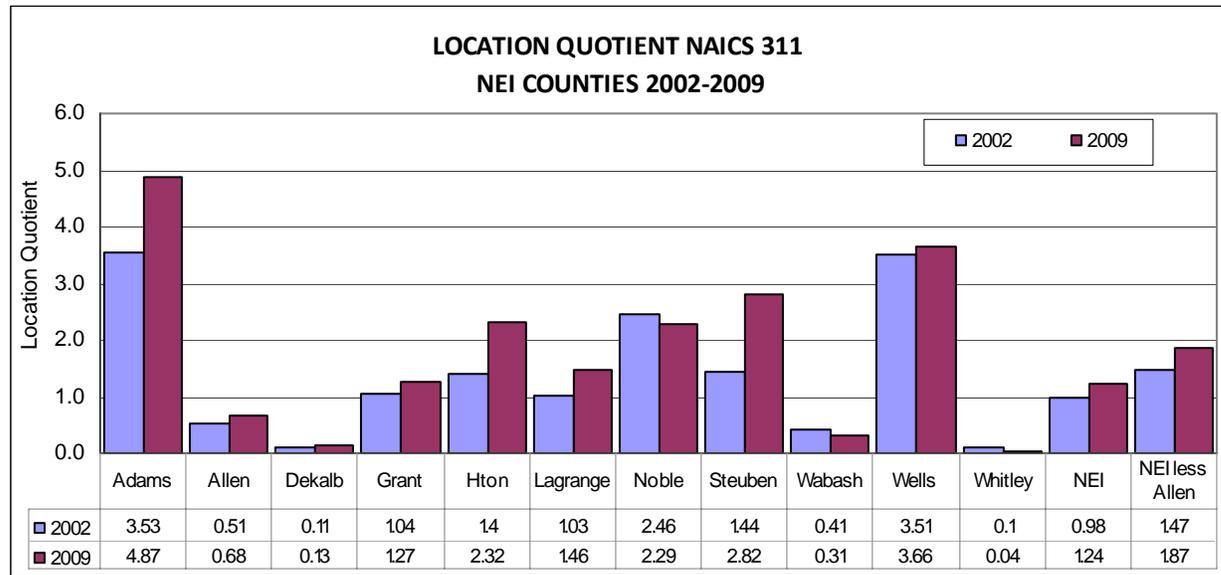
Figure 4: Location Quotient Formula

$$\frac{\text{(Employment in County X for NAICS 311/Total Employment in County X)}}{\text{(Employment nationally in NAICS 311/Total US Employment)}}$$

Source: CRI

Economic development experts consider an LQ over 1.2 indicates that an area has an advantage or specialty in a particular industry. NEI as a region has a LQ of 1.24 for the food processing industry as a whole (NAICS 311) and 1.87 excluding Allen County indicating NEI has an advantage or specialty in this industry. This is even more the case for several of the counties in NEI. Seven of the eleven counties have LQs over one with five exceeding two (Adams-4.87, Huntington-2.32, Noble-2.29, Steuben-2.82 and Wells-3.66). Equally significant, the region LQ has increased from 0.98 in 2002 to the current level of 1.24 (1.47 to 1.87 for the area less Allen County). It should also be noted that Wabash County would significantly increase its LQ if the beverage industries were included. The Wabash LQ would likely exceed 1.5 with the addition of the beverage industry (Living Essentials facility). County and regional data is shown below for NAICS 311:

Figure 5: NEI- Location Quotient by County



Source: CRI

Beyond the region's overall strong foods focus, some specific food manufacturing areas stand out. CRI performed an analysis at the 5-digit NAICS level summarized in the table below that identified several specific food processing industries with very high LQs in the region or in specific counties. On a regional basis, two industries stand out from the rest with LQs exceeding 10—non-chocolate confectionery & ice cream and frozen dessert manufacturing. In other words, relatively speaking, NEI has ten times the typical national employment concentration for these industries. The first is largely driven by the Kraft plant in Kendallville that makes marshmallow and caramel confections for Kraft's total North American requirements. The second is driven by several companies including Dean Foods, Edy's, Good Humor Breyer and Atz's that make NEI a center of ice cream manufacturing. Related to the strength in ice cream, the area is also strong in other dairy products with an LQ near two. Two other groups have LQs exceeding three—starch and vegetable oil processing and snack food manufacturing. Bunge's soybean processing facilities in Adams County drive the first while Pretzels & Inventure drive the snack food area. One caveat should be mentioned here. CRI has noted that economic data at the county level should be used with some care as one omission or incorrect piece of data may have quite an effect on the analysis. To minimize the risks of this, county data was cross checked versus the CRI county company database for a reasonableness check. However, this caveat is good to keep in mind. It also highlights that one major facility in a given county can have a very significant impact on economic data such as LQs.

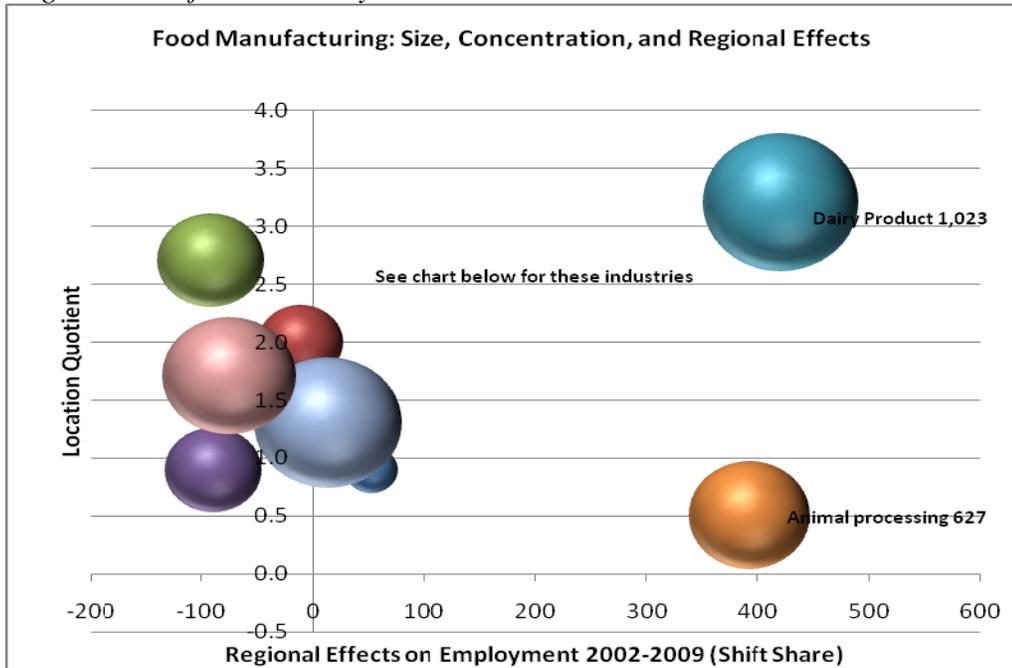
Figure 6: Location quotient by Industry and County

Industry and NAICS code		NEI	Adams	Allen	Hton	Grant	LaGrange	Noble	Steuben	Wabash	Wells
31111	Animal food mfg	0.91					12.78			4.52	
31121	Flour milling and malt mfg	1.67				6.11		19.56			
31122	Starch and vegetable oil mfg	3.20	65.09								
31134	Non-chocolate confectionery mfg	10.06					16.57	166.36			
31142	Fruit and vegetable canning & drying	1.78	35.28								
31151	Dairy product, except frozen, mfg	1.87		1.88							
31152	Ice cream and frozen dessert mfg	10.04	65.98	7.89	51.71			5.48			
31161	Animal slaughtering and processing	0.49	1.99				1.14		6.09		
31181	Bread and bakery product mfg	1.45		1.89		1.45	2.28		4.77		1.33
31191	Snack food mfg	3.20		1.18							72.51
31199	All other food mfg	2.03				22.39					
DeKalb and Whitley Counties had no food manufacturing industry with a LQ over 1.0											

Source: CRI

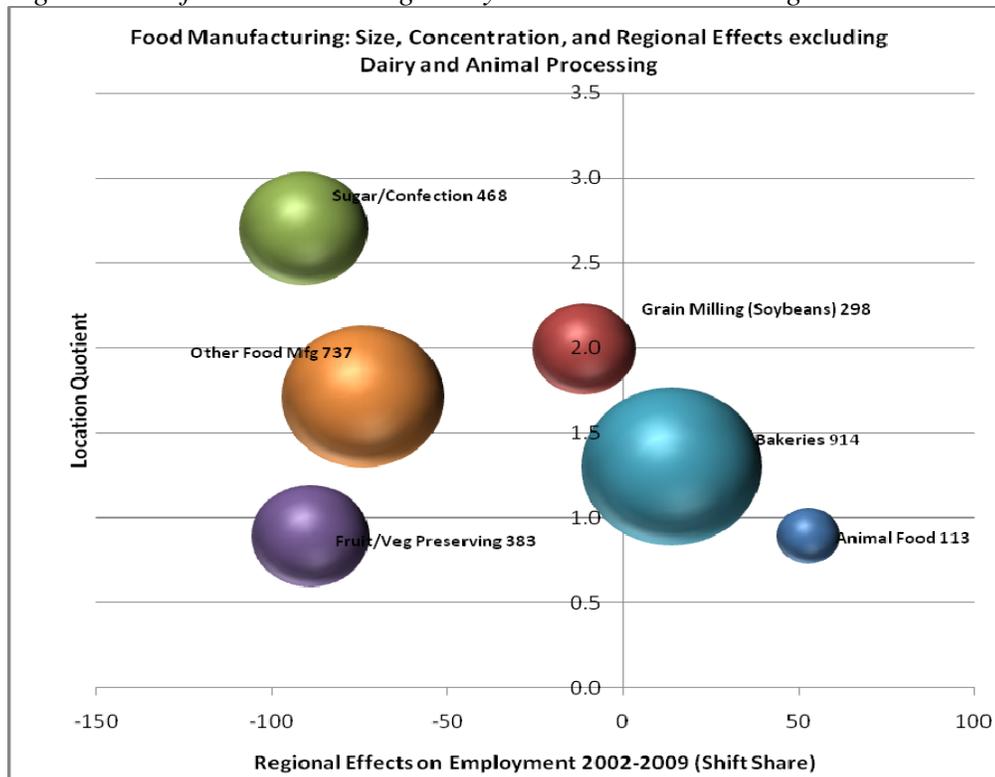
Another tool used in economic development known as “shift-share analysis” helps shed light on changes in employment in a local industry by separating changes due to overall national growth, growth or decline nationally in a particular industry, and local factors unique to that area. These local factors may include a specific effort to recruit that type of industry to the area or programs to help those type of firms already there to grow such as training programs, innovation assistance, an environment conducive to start-ups in that industry or any other efforts that affect that particular industry in the region. CRI analyzed the food manufacturing industry in NEI at the sub sector level (NAICS 4-digit) for changes from 2002 to 2009. They graphically summarized their results with the location quotient (the employment concentration relative to the nation) on the y-axis, the current employment level represented by the size of the bubble on the plot and the regional component of the change in employment from 2002-2009 as the x-axis.

Figure 7: Shift Share Analysis



Source: CRI

Figure 8: Shift Share excluding Dairy and Animal Processing



Source: CRI

The shining star in this analysis is dairy product manufacturing (fluid milk and frozen ice cream). Dairy products “added” 421 jobs due to local effects and now has approximately three times the average national employment level on a percentage basis for the region (LQ of 3). This reflects growing those firms already here. Examples include the multiple Edy’s expansions at the Ft. Wayne plant, the expansions of the Driggs plant in Decatur which was recently acquired by Dean’s Foods, expansions at the Good Humor/Breyers plant in Huntington, and various expansions at the dairies in the region. There is clearly strong momentum in this sub sector for the region.

Animal Processing also “added” approximately 400 jobs due to local effects. This is also significant but with this sub sector starting from a low relative employment level, it does not give it as strong of a relative position.

Partially offsetting these employment gains were decreases for the sugar/confection, fruit/vegetable processing and other foods manufacturing sub sectors. Much of this reflects gains in productivity at the existing facilities without the addition of new facilities in the region to grow the employment base. This highlights the importance of an active effort to bring new firms to the area, to grow new local businesses and to help existing local business to expand. To maintain a competitive position, existing facilities must become more productive. Unless significant new business is added, the net result is a decrease in employment. Just maintaining the existing company base is not likely to grow employment.

Top Employers

With the preceding overview of the food processing industry in NEI and the trends it has seen, it is useful to look at the largest employers in the NEI Food Cluster. CRI has developed a list of the food related firms in NEI. While it is not a perfect list, it is the most comprehensive and up-to-date specific firm list available. As of September 2009 this list included 97 firms in the 11 county NEI areas and represents over 12,000 employees in food manufacturing, beverage manufacturing, specialized warehouse and transportation, and specialized manufacturing, as well as some agriculture. These firms are generally those that send a significant portion of their product outside of the region. The list does not include those firms that are retailers, restaurants or those primarily growing agricultural products. Those employers with 350 or more employees include the following:

Figure 9: NEI Major Employers

County	Business	Employment	Type of Business
Wells	Peyton's Northern	1,185	Food Warehousing and Distribution
Grant	Wal-Mart Distribution Center	905	Food Warehousing and Distribution
Allen	Edy's Grand Ice Cream	486	Ice Cream and Other Frozen Treats
Noble	Kraft Foods	451	Candy & Confectionery -Mfrs
DeKalb	Wal-Mart Distribution Center	450	Food Warehousing and Distribution
Allen	C&M Fine Pack, Inc	428	Plastic Food Packaging
Allen	Supervalu-FW Division	400	Food Warehousing and Distribution
Steuben	Miller Poultry	400	Poultry Processing Plants
Noble	Silgan Plastics Corp	380	Plastic Bottles for food and pharmaceutical ind.
Allen	Lincoln Foodservice Products	365	food service equip.
Adams	Red Gold Geneva Facility	362	Tomatoes
Allen	Mullinix Packages, Inc	360	Thermoformed plastic packaging
Grant	Weaver Popcorn Co	350	Popcorn & Popcorn Supplies

Source: CRI

The above represent over half of the food related employment in NEI. Of the 6,500 employees in these 13 firms, approximately 2,000 are in the core food processing industries (NAICS 311) with the other 4,500 in supporting industries. This reflects the 3X employment factor mentioned earlier. This highlights the importance of the related industries such as warehousing, packaging and food equipment. The list of firms above provides specific examples of these related firms.

Comparison to Other Indiana Regions

The asset map analysis also assessed NEI’s position relative to other regions within Indiana. The following table provides the summary results:

Figure 10: Indiana Comparative Regions

NEI RANK (out of 11 Regions)	NEI Data	Indiana Region Leaders	
# Establishments	2	74	Region 5 has 84
# 2009 Jobs	3	4,569	Region 4 has 7,597; Region 5 has 6,410
2009 Location Quotient (LQ)	4	1.24	Region 4 is 3.52; Region 10 is 1.83
Change in Employment since 2002	6	9.0%	Region 7 gained 46%, but on a small base.
Average # of Employees/Firm	5	62	Region 4 averages 131 empl.

Source: CRI

While an overall conclusion could be debated, a strong case could be made that NEI is, or at the very least, could easily become the food processing industry leader in Indiana. NEI, Central Indiana/Marion County (region5) and the Lafayette area (region 4) significantly exceed the other regions of Indiana for employment, a key first tier measure. The Lafayette area had nearly 7,600 employees in NAICS 311. Of these, over 4,400 were in animal slaughtering, leaving 3,200 in the other food categories. Region 4’s overall LQ of 3.52 positions it very well. Even without animal slaughtering, their LQ would be in the 1.5 range. Central Indiana had 6,400 employed in food manufacturing industries but in a much bigger employment base than NEI. Their LQ was 0.7, approximately half of the NEI LQ. NEI’s 4,600 employees in the food manufacturing area produced a LQ of 1.24. While it is not an open and shut case that NEI leads all other regions in Indiana, it clearly is one of the leading regions. With the right actions, it could capitalize on its assets and significantly increase its position. However, without sufficient effort, it can easily fall back among the pack.

Major Asset Map Findings

The most significant overall finding is that NEI has the key assets to develop into one of the leading food processing areas in the country. One analogy that has been made is that NEI has all the ingredients to bake a great cake. With a few more ingredients and a very good baker, it could make an outstanding cake. The following will discuss the key assets that NEI has and comment on the added ingredients that would make it even stronger.

Given the very competitive nature of the traditional food processing industry and its tight margins, being in a competitive cost area is critical. This encompasses several key areas for the food industry—raw material costs, energy costs, water availability,

government related costs, labor costs and transportation costs to market. While each of these individually is important, the accumulative impact is even more important. NEI ranks well here due to its strong performance cost wise across the board. The following paragraphs will cover the highlights from the asset map findings (see appendix III for added detail). It should be noted that the specialty and organic food industry have historically had less focus on minimizing costs. While this is expected to remain true, it is likely to become less so as these products grow in volume and become more main stream. Thus NEI's good cost position will become more important to this portion of the food industry as well.

Agricultural Raw Materials

While the key agricultural raw material costs will vary by the specific industry, Indiana performs well for a broad range of food industries. Since prices vary on a daily basis, looking at overall production is more useful. Indiana ranks 8th nationally for the market value of crops produced in 2007 and 10th for total value of agricultural products sold. The table below lists those products with a top 10 national ranking:

Figure 11: Indiana Agricultural Ranking

STATE RANKING OF KEY AGRICULTURAL OUTPUTS				
2007 Census of Agriculture USDA				
Products in top 10 rankings	INDIANA	Measure	Rank (50 states)	Percent of US
Specialty (Top 5 Ranking):				
Soybeans	211,074,079	bushels	4	8.17%
Poultry: Layers Inventory	24,238,513	#	3	6.92%
Corn for grain	959,947,232	bushels	5	7.54%
Popcorn, Shelled	220,971,578	pounds	2	25.67%
Tomatoes in the Open	8,868	acres	3	2.01%
Mint for Oil, all	428,403	pounds	4	4.93%
Peppermint	348,457	pounds	4	5.83%
Ducks Sold	9,886,148	#	1	36.18%
Watermelons	6,582	acres	5	4.62%
Specialty Products 6-10 Ranking:				
Pork, Hogs and pigs Sold	9,523,891	#	6	4.60%
Cantaloupes	1,447	acres	8	1.72%
Pumpkins	3246	acres	8	3.49%
English Walnuts	73	acres	10	0.94%
Rabbits Sold	53,071	#	6	5.42%
Tobacco	4,525,089	pounds	10	0.58%
Fresh Cut Herbs, Greenhouse	4,761,836	\$ sales	10	0.86%

Source: CRI

Energy Costs

Two key **energy costs** include electricity and natural gas. Indiana as a whole ranks well on a national and regional basis. Based on U.S. Department of Energy data, Indiana ranked second lowest for natural gas costs in 2008 and fourth in 2007 for the states listed below.

Figure 12: Indiana Natural Gas Cost Ranking

NATURAL GAS SUMMARY, sorted by 2008 (industrial) \$/cf		
	2007	2008
Texas	6.76	8.98
Indiana	8.45	10.04
Michigan	9.47	10.21
Kentucky	8.37	10.46
Mississippi	8.29	10.50
Tennessee	9.32	10.57
California	9.07	10.71
Missouri	11.02	11.26
Georgia	8.87	11.63
Virginia	9.33	11.72
New York	11.33	12.97
Ohio	10.63	13.19
Illinois	9.00	NA

Source: Natural Gas Summary provided by Energy Information administration, US Dept Energy. www.tonto.eia.doe.gov CRI note: uncertain regarding delivery cost.

Indiana also performs well for electricity costs. Department of Energy data ranked Indiana 12th nationally in 2008 for the average retail price of electricity to industrial consumers. Looking regionally, Indiana has the 2nd lowest cost based on July data for 2008 & 2009 as shown below:

Figure 13: Indiana Electricity Cost Ranking

**AVERAGE RETAIL PRICE OF ELECTRICITY TO ULTIMATE CUSTOMERS
(Industrial)**
Sorted by July 2008 Total Year Costs
Cents per Kilowatt hour

Rank in Comparison Group	State	July, 2008	July, 2009*
1	Kentucky	5.60	5.43
2	Indiana	5.68	5.85
3	Missouri	5.87	6.33
4	Virginia	6.25	6.60
5	Tennessee	6.48	6.52
6	Ohio	6.49	7.12
7	Region Avg:East North Central**	6.87	6.93
8	Mississippi	6.99	6.45
9	Michigan	7.55	7.45
10	Georgia	8.04	6.53
11	Illinois	8.84	7.88
12	Texas	10.21	6.53
13	California	11.51	11.17
14	New York	14.78	11.34

*Electric data through July 2009; ** East North Central Region includes Indiana and its contiguous states less Kentucky and including Wisconsin. Source: Electric Power Monthly from Energy Information Administration. Retrieved Oct 26, 2009 from www.eia.doe.gov

Tax Costs

Another important cost of doing business in a given area includes taxes and other government related costs. Due to the large number of different types of taxes and government costs—property tax, income tax, sales tax, unemployment tax, etc.—this requires a full analysis for a given business or industry. Different types of businesses using a different mix of assets and inputs can have significantly different results. Overall Indiana has been rated very well by a wide range of businesses when these analyses are done. Typically Indiana has been ranked best in the Midwest and in the top 10 or so nationally. Indiana also has strong workforce development and incentive programs that are important to businesses. *Chief Executive Magazine’s* January 2009 issue provided the following representative ranking showing Indiana as the best in the Midwest.

Figure 14: Indiana Business Climate



Source: *Chief Executive Magazine*, Jan. 2009

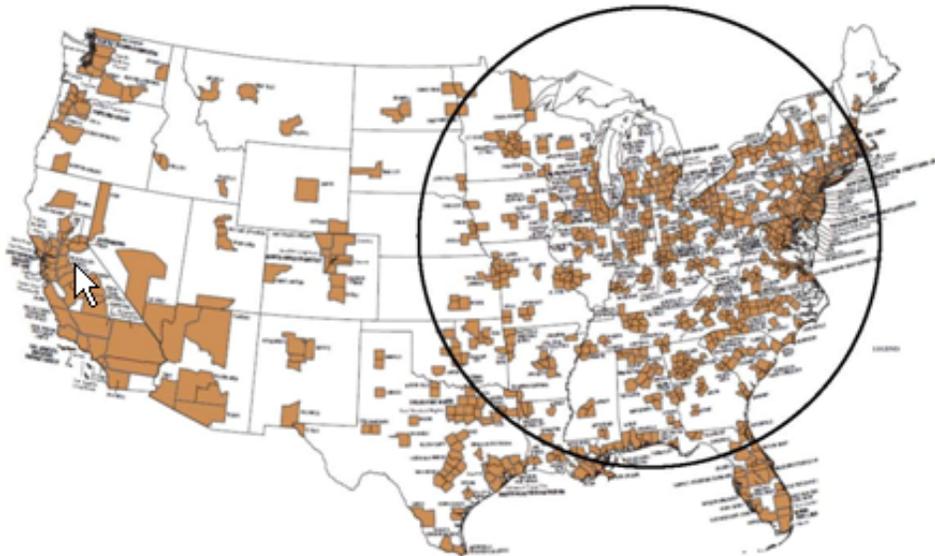
Other Cost Components

Water availability is critical for the food processing industry as significant quantities are needed. The Indiana Department of Natural Resources Division of Water has undertaken numerous studies of water availability. NEI has been classified as being good to excellent with well yields from 200 to 2,000 gallons per minute or 0.3 to 2.8 million gallons per day expected in most areas.

Labor costs and skills are important as well. In general NEI has competitive wage rates. However, based on an earlier CRI analysis, NEI does not appear to have a wage cost advantage. In the analysis, NEI wages for approximately half of the top 25 food production occupations were higher than the national average for those occupations. Given similar wages, skill levels become even more important. One measure of this is educational attainment. The asset map analysis found that NEI performed well here relative to the other food processing areas reviewed. NEI typically had a higher portion of the population graduating from high school and a smaller portion with less than a high school diploma attainment. The net result is a better educated pool on average available for the typical production positions in food processing.

Transportation costs to market are also a key part of the overall cost structure for a food manufacturing firm. NEI is well positioned in this regard with a large percent of the eastern U.S. market within an 800 mile radius of the area as shown below. NEI easily matches or exceeds other food manufacturing areas in this metric.

Figure 15: Indiana 800 Mile Distribution Range



Source: Brand Acceleration

Purdue Food Science Resources

NEI also has direct access to a key resource in Purdue University and its strong food related degrees, research and programs. Purdue is ranked as one of the top universities in the country in the food area. Purdue's resources include a pilot lab and

numerous centers focused on key areas within food processing—food safety engineering, carbohydrate research, food manufacturing, new ventures, business education and general research. In today’s competitive markets, innovation is key to being a strong and healthy competitor. The expertise at Purdue is a major potential advantage to food firms in NEI. Purdue’s key food related programs are summarized below.

Figure 16: Purdue University Resources

<p>Purdue University West Lafayette, IN</p>	<ul style="list-style-type: none"> *Pilot Lab (9000 ft2) with processing/packaging capabilities, equipment design, process design, quality control/recipe mgmt, ultrasound applications, chemical sensor evaluation, shelf-life studies, etc. *The Center for Food Safety Engineering: purpose –rapid detection and eradication of food borne pathogens. *The world-renowned Whistler Center for Carbohydrate Research (WCCR) is a university-industry research center that conducts fundamental research related to practical applications of carbohydrates. *The Center for Integrated Food Manufacturing (CIFM) has the mission to raise the level of education in automation and process control among food scientists and engineers, and to increase the value of automation to food manufacturers through enhanced productivity, food quality and food safety. *Additionally, the office of University Engagement provides a direct means of access to IPFW, Indiana University, and Purdue University resources in research, technology, technical expertise, and educational services. The goals of the office are to facilitate the utilization of university intellectual property to enhance new and existing regional businesses. This interaction stimulates economic development, which improves the overall quality of life in NEI. *Additionally, the Agricultural Economics Department has an “Agricultural Innovation and Commercialization Center“(AICC) which sponsors a “New Ventures in Food and Agriculture for Indiana”. The purpose is to help citizens of Indiana interested in starting a food or agricultural related business. The Purdue Extension Office is also of assistance in this program, as well as in many other facets. *The Center for Food and Agricultural Business provides innovative and relevant professional development experiences and applied research to firms and individuals operating in those industries which interface with production agriculture.
---	---

Source: OnCallPSN, Purdue University

MSA Population

In a review of food processing areas around the country identified by CRI, NEI significantly exceeds most areas in population. This potentially provides firms in NEI with access to added resources their counterparts in smaller communities may not have. This can also provide benefits in attracting technical and managerial staff who are likely to consider the amenities offered by the local area.

Figure 17: NEI Population Comparison

Comparable Food MSAS	Population (2008)
Stockton, CA	672,388
Modesto, CA	510,694
Fort Wayne, IN	410,247
Merced, CA	246,117
Kingston, NY	181,670
Joplin, MO	172,933
Terre Haute, IN	168,982
Pascagoula MS	157,563
Dalton GA	134,139
St. Joseph, MO-KS	124,754
Victoria, TX	114,153
Cleveland TN	113,081
Michigan City-La Porte, IN	110,888
Owensboro, KY	110,553
Danville, VA	104,806

Source: CRI

Other Potential Ingredients

While NEI is well positioned regarding most food industry related assets, there are some additional assets that could significantly boost the area. The most significant of these is an organized effort that pulls together the local food firms for common purposes. Both a strength and weakness for the area is its diverse group of food companies with a wide range of interests. Unlike some regions where a few firms dominate an industry group and take a leadership role that is not the case in NEI. The recommendation section of this report addresses this further.

Partially related to the above is a lack of awareness within the region of its strong position for food processing. This extends from the general population to the business community to the political community and includes the economic development community. This project was initiated to reduce this lack of awareness. While these efforts to address the internal recognition within the region are important, it is also critical to develop an effort to build external recognition. A recent issue of *Business Facilities Magazine* listed the top food processing areas in the country. Missing from the list was any mention of NEI. The local region would compete well with any of the areas listed.

An additional area for the region to further develop is entrepreneurship and the resultant start-up firms. The mainstream food industry is largely mature with 2-4% per year growth rates. Much faster growing are specialty and organic food products. Start-ups have fueled much of the growth of these markets. While some programs exist such as the Purdue Extension's "New Ventures" program, awareness is low. The area's low level of awareness of the food processing industry further limits local food start-ups.

Another important area is the development of local markets. This encompasses large central markets, local farmers' markets, community sponsored agriculture (CSAs) and local sourcing by area restaurants. These markets significantly assist the start-up of new food businesses by providing a ready market which reduces barriers to entry for new firms and provides opportunities for businesses to grow and expand. NEI significantly lags much of the rest of the country in this activity. While many of these firms may not export product outside of the region initially, they keep money within the region which helps these firms to grow and reach the level where they do ship product outside the region. Especially important in this growth process is the development of a large central market. This brings together a critical mass that allows more specialized growers and products, in particular ethnic foods, to become viable and reach needed sales levels. Discussions are underway here but have not yet reached fruition.

Long term, developing a local university food science program would be useful. With its Purdue connection, IPFW would be a logical choice. In the interim, better awareness and utilization of the Purdue resources is important.

Future Plans:

The food industry is experiencing another crossroads of evolution that demands recognition of the past decades of success and unrestricted forward thinking about products and services for the future.

Food science and technology have created tremendous gains in raw material production and prepared food alternatives. However, the consumer is now identifying shortcomings in food safety such as traceability and labeling. The internet and globalization have created a new awareness of global foods and ingredients that are becoming commonplace in large U.S. population centers. Even the U.S. heartland is searching for new differentiated food products.

Thus the previous success cycle of U.S. row crop and livestock economies of scale are at a crossroads with a series of substantial but niche food product categories. These categories are further defined with an overlaying concern of food safety. The new niches are generally defined as "specialty foods". Within the category are noticeable and well known niches such as organic, locally grown, natural, diet categories, free range, livestock, and differentiated products including imported food.

Although some consumers are steadfastly entrenched in one single niche, other mainstream food buyers move in and out of various niche categories driven by real

and perceived notions of eating healthier and experiencing differentiated foods. Data reflects strong growth rates in many of the niches and the evolution toward permanent niche categories that are no longer ignored by the food industry and economic developers.

Few expect or predict that mainstream row crop and livestock will be removed by these new niches. The consumer however is voting daily at the supermarket, import shops, specialty markets and local farm markets indicating that some buyers are looking for differentiated product. While the cost may be higher in some cases, the value of local production and the experience of new foods are offsetting.

At the crossroads, the U.S. government, traditional land grant universities, major food corporations, state economic development, and local municipalities are now searching for the right mix of services to support the new cycle of food development in the U.S.

The crossroad creates a major shift in thinking about a portion of U.S. food production and establishes a dual path of large scale production and specialty production alternatives. Traditional economies of scale are being challenged by higher cost special handling, reduced yields, and small scale marketing. Races for higher crop and livestock yield are now competing with differentiated products, output per acre, and even imported products. Environmentalists previously targeting air and water are now joined by animal welfare groups making large inroads toward free range livestock production. The same groups threaten the previous success cycle of large scale confined feeding operations with public voting referendums to change policy. The long term trend of “larger but fewer” major farming operations in the U.S. still exists but is also buffeted by growth in “small farms”. These small farms are ideal for specialty production.

Figure 18: Food Production and Processing Crossroads

Carryover Trends from Past Decades

- Larger and fewer farms
- Fewer farm and food workers
- Economics of scale
- Large production, processors and markets
- Active merger and consolidation
- Strong government farm policy
- Food safety difficulties
- Food quality concerns
- Exports
- Open markets
- Industrial uses

New Opportunities at the Crossroads

- Small farms
- More farm and food workers
- Small volume and higher per unit costs
- Differentiated value added products
- Small emerging companies
- Large businesses investing
- Limited government farm policy
- Food safety models emerging
- Food quality assurances
- Contract growing
- Imports
- Food uses

Source: OnCallPSN

The Midwestern U.S. is perhaps the most challenged to recognize the crossroads of change. Row crop and livestock production remains the backbone of these “farmbelt” states. Alternatively, coastal areas have higher density populations and broader ethnic diversity yielding to a wider variety of food preferences. Accordingly, government and education may be slower to change in these farmbelt states; especially, since traditional farming will not disappear. In these farmbelt states a clear cut commodity oriented food differentiation factor is hard to achieve. **Forward thinking governments and educators in the Midwestern U.S. may find the leading economic development edge by embracing the new cycle of food development as a point of differentiation.**

Economic developers, busy supporting local business and balancing efforts to attract the next mega facility to land in their community, may be missing the opportunity to build a differentiated food cluster that does not minimize the existing traditional row crop and livestock footprint, but builds upon the existing footprint into the specialty foods segment.

Although individually the specialty companies are small and often entrepreneurial, the areas are growing and the opportunity for specialization exists. While large farms and major food processors need fewer employees, fragmented and growing specialty niches require more employees with new training needs. The demand for technology driven food safety processes and research allow for higher skilled jobs and education. As the threat of facility consolidation in the mature food industry is more likely than construction of a new large facility, the specialty market is looking at new investment with new opportunities for construction, finance, and jobs. In addition, large established companies are also actively investing in successful specialty product companies.

The current food industry is well represented in NEI, although not significant in differentiation. However, Fort Wayne is statistically a larger urban area compared to other similar food processing areas. Strong university resources are available and the region hosts a wide variety of farmland and existing specialty food business is present in smaller entrepreneurial ventures and well established companies with a significant industry position.

SWOT Analysis:

The strengths, weaknesses, opportunities and threats (SWOT) analysis was done with input primarily from the Northeast Indiana Food Cluster steering team. Results were later shared with regional focus groups and further examined through use of a survey and questionnaire. Minor modifications were then made and approved by the team. The results reflect macro level threats, and localized strengths and opportunities for the future.

Figure 19: Northeast Indiana Food Cluster SWOT Analysis

<p>Strengths: <u>Business Infrastructure</u></p> <ul style="list-style-type: none"> ▪ Labor availability and training ▪ Water availability and price ▪ Energy cost ▪ Distribution facilities and transportation ▪ Raw material availability ▪ Regulatory environment 	<p>Weaknesses: <u>Lack of Regional/Local Food Network</u></p> <ul style="list-style-type: none"> ▪ Food Incubator ▪ Local Food Network <p><u>Access to Venture Capital and Finance</u></p> <p><u>Workforce</u></p> <ul style="list-style-type: none"> ▪ Labor – Localized Entitlement Mentality ▪ Attracting Professionals – Diversity and Sophistication Lacking
<p>Opportunities: <u>Development of Food Network</u></p> <ul style="list-style-type: none"> ▪ Growth of Specialty Foods ▪ Growth of Service Sector ▪ Leverage Existing Business ▪ Focus on Education ▪ Identify Food Resources ▪ Leverage Pro Business Position ▪ Leverage Location & Distribution 	<p>Threats: <u>Macro Economics</u></p> <ul style="list-style-type: none"> ▪ Global Competition ▪ Government Trade Barriers ▪ Plant Closures & Consolidation ▪ Slowing Midwest Population Growth ▪ Government Regulations

Source: OnCallPSN

IV. Building a Successful Cluster

Suggested Process:

The primary reference points for the development of the Northeast Indiana Food Processing Cluster are the works of Dr. Michael Porter, 'Clusters and the New Economics of Competition' (*Harvard Business Review*, Nov-Dec 1998) and Reid, Carroll and Smith, 'Critical Steps in the Cluster Building Process' (*Economic Development Journal*, Fall 2007, IEDC).

Porter defines clusters as “geographic concentrations of interconnected companies and institutions in a particular field. Clusters encompass an array of linked industries and other entities important to competition.” Porter further points out that, “the mere co-location of companies, suppliers, and institutions creates the potential for economic value; it does not necessarily ensure its realization.”

Industry clusters have come into existence as the result of favorable condition such as climate, natural resources, skilled craftsmen, superior leadership, and technology breakthroughs among them. Others have come into existence as the purposeful result of economic or political mandates. In any case, the degree to which the clusters are successful has much to do with the effectiveness of collaboration among cluster members.

The food processing industry was identified in a May 2007 Target Industry study commissioned by the Northeast Indiana Regional Partnership as having excellent potential for regional economic development. However, a number of questions needed to be asked and answered to establish the base case for the development of a food processing cluster in NEI:

- What will be the process for the development of the cluster?
- How will the process be governed and who will carry out the work?
- What is the value chain of suppliers and institutions that comprise the cluster?
- What is the scope of the cluster and the related NAICS classification?
- Is there a sufficient geographic concentration of food businesses in the region to comprise a cluster?
- Who are the likely members of the food cluster and how are they connected?
- What is the overall business context in which the cluster will exist?
- What are the real and perceived strengths, weaknesses, opportunities and threats facing the cluster?
- What are the regional assets that comprise the cluster and how do they compare with other areas of the country?
- What are best opportunities available to the cluster?

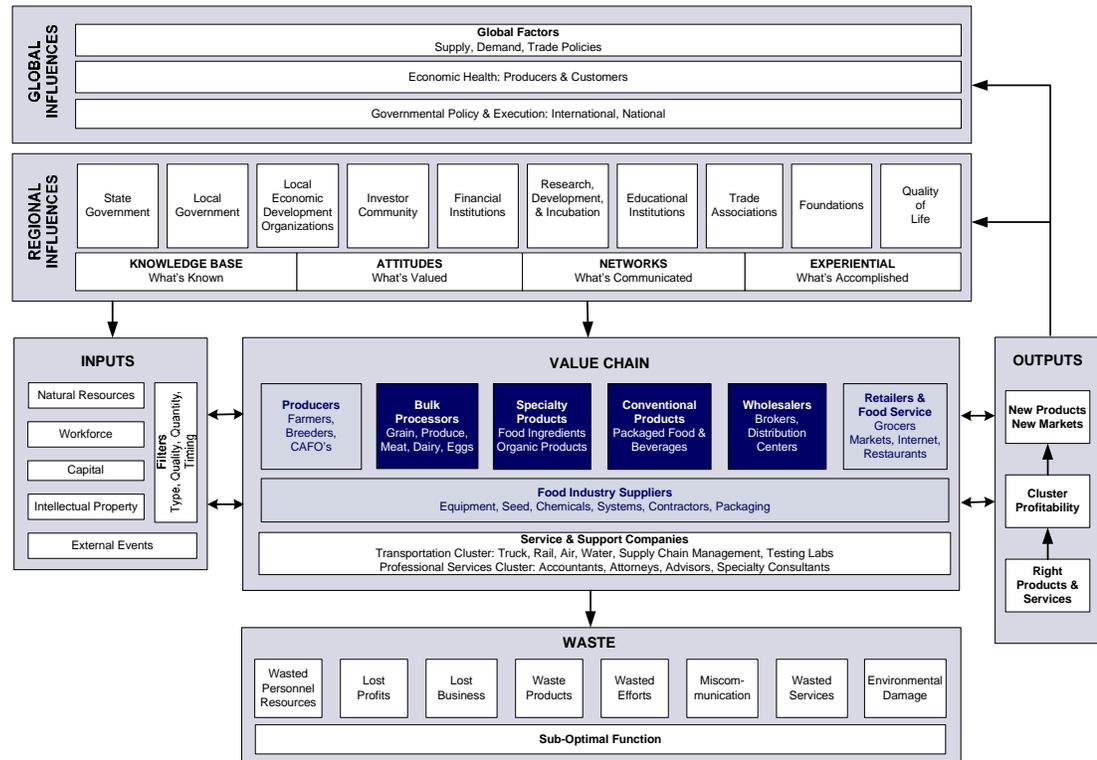
- What strategies and activities need to be undertaken to capitalize on those opportunities?
- What sort of infrastructure and resources will be needed to support and sustain the cluster after it is launched?
- Who will champion the cluster?

This strategic plan begins to answer these questions and thereby provide the facts upon which informed decisions can be made about the continued development of the food processing cluster in Phase II (Section IV, Organization).

A View of the Food Processing Cluster

The food processing industry is defined as NAICS code 311 - Food Processing, and NAICS code 3121 - Beverages. A view of the overall network comprising the food cluster is shown in Figure 1 below:

Figure 20: Food Cluster Map



Source: OnCallPSN

The strategic responses in this strategic plan form the basis for the plans, decisions and actions that will be necessary for the successful development of NEI's Food Processing Cluster. While all of the ingredients for a food processing cluster are present, it will take the commitment and collaboration of business leaders, economic development resources, and key partners to ensure that it will be a success.

Potential Organization:

A degree of organization will be required to facilitate the linkages and shared efficiencies that can transform the economic potential of co-located food companies, suppliers and institutions into the realization of economic value that provides a competitive advantage for NEI. The greater the degree of organization, the more likely those benefits will be realized. Timing is also important. Benefits delayed are benefits lost. What are the main options?

1. Industry support has not materialized sufficiently at this early stage to provide the leadership, funding, and manpower necessary for start-up much less on-going success. Relying on the local food industry at this time to step forward is a decision to do nothing and will only ensure that the efforts made to date will not progress beyond the initial planning and analysis stage.
2. Identifying a *regional partner* with the resources to incubate the cluster that has a vested interest in the success of the cluster to directly benefit NEI would provide organization, speed of execution and facilitate the linkages essential for cluster development. Leading contenders are the Northeast Indiana Regional Partnership, a coalition of regional chambers of commerce, a coalition of NEI local economic development organizations (LEDO's), and the Northeast Indiana Innovation Center.
3. Potential partners exist that are state-wide with a high degree of focus on the agriculture and processed food sectors. Among challenges of these state-wide organizations is dedicating resources to directly benefit the development of the food industry in NEI. The region would most likely serve as a pilot for broad-range initiatives that are state-wide. Leading contenders are Purdue University School of Agriculture, a coalition of Purdue Extension offices, and the Indiana State Department of Agriculture.
4. Another option is to contact existing trade organizations outside the region and invite them to extend their reach into NEI. Two well established food processing associations exist for Michigan and for the upper Midwest (Illinois/Wisconsin/Minnesota). The scope of these organizations at a minimum is state-wide. If the scope of the initiative is to be broadened, the time may have come to encourage a broad alliance between Michigan, Indiana, and Ohio for Food Processors.

With all options, the following elements are needed to launch an effective organization that leverages the best opportunities for NE Indiana's food industry:

- Appoint a food cluster coordinator;
- Establish a board or similar group of industry participants, economic development organizations, and educational institutions;
- Recruit active cluster partners;
- Define the scope of Phase II development;
- Commit funding for Phase II development;
- Prioritize Cluster Projects; and,
- Establish a Center for Specialty Foods.

Potential Partnerships:

The following table offers further insight into potential partnership links and the defined strategy areas to build a successful NEI Food Cluster.

Figure 21: Potential NEI Food Cluster Partnerships

	Trade Associations	Northeast Indiana Regional Partnership & LEDO's	Area Chambers	Indiana Foodways	Northeast Indiana Innovation Center	Work One	*Purdue	Other
Buying Cooperatives	x							
Food Safety							x	
Process Innovation							x	
Education		x				x	x	
Energy							x	x
Regulatory			x					
Start Up & Growth		x			x		x	
Organic Food Production	x						x	
Specialty Foods & Beverage		x		x	x		x	
Certified Production				x			x	
Local Markets				x				
Agri Tourism				x				
Branded Markets	x	x						x
Marketing Cooperatives	x	x						
Organization		x	x		x			

Source: OnCallPSN

- *Purdue: Pilot Food Lab
 Center for Food Safety Engineering
 Center for Integrated Food Manufacturing
 School of Agriculture
 Whistler Center for Carbohydrate Research
 Agricultural Innovation and Commercialization Center
 Center for Food and Agricultural Business
 Industrial Associates Program

There is a compelling case for a food processing cluster for NEI that needs to be shared. The initial planning and analytical stages are complete. Many of the key ingredients for a successful cluster exist today. A commitment to support the cluster initiative is needed now to realize its economic benefits. The organization to start-up the Food Processing Cluster is uncertain. It may develop in stages as broader support is garnered for the initiative and tangible benefits begin to materialize. The initial organization structure to incubate the cluster may not be its longer-term host. Every journey starts with a first step. Now is the time to take it.

V. Recommendations

Vision:

To become nationally recognized as a major food processing cluster.

Mission:

To develop the infrastructure and strategic initiatives required to achieve a sustainable food cluster in NEI.

Strategic Responses:

1. Develop organization to support the NEI food business.
Lead partner – Section IV Potential Partnerships
2. Develop and promote educational and outreach programs to provide training to the food industry workforce and management.
Primary support partners – Purdue University, Work One Northeast, Indiana Department of Energy, Chambers of Commerce
3. Determine the best resources to develop a Center for Specialty Foods.
Primary support partners – Northeast Indiana Innovation Center, Purdue University, Industry Trade Associations
4. Encourage and assist local food production, marketing and agri tourism.
Primary support partners – Indiana Foodways, Buy Fresh – Buy Local
5. Provide assistance in understanding and initiating cooperative entities to interested food businesses.
Primary support partner – Indiana Cooperative Development Center, Chambers of Commerce
6. Provide ongoing linkage to local and regional economic development resources to encourage new business development and support existing business.
Primary support partner – Northeast Indiana Regional Partnership
7. Develop necessary product marketing programs, including an evaluation of regional branding, to encourage new business development and support existing business.
Primary support partner – Northeast Indiana Regional Partnership

STRATEGIC RESPONSE 1

Develop organization to support the NEI food business.

An identifiable coordination point with clear accountabilities must be formed to forge the cluster development in Phase II.

Objective 1:

- Identify Coordinator, Leading Partner, and Core Leadership Team to develop Food Cluster Initiative.

Action Plan

- (a) Provide overview of goals and objectives for cluster organization based on Phase I Strategic Report
- (b) Meet with Purdue University, state officials, and elected representatives to communicate concept
- (c) Analyze and create a budget for 12 months
- (d) Determine various funding resources including chamber members, foundations, and industry sources
- (e) Identify food class members
- (f) Identify and obtain dues structure and outside funding resources

Objective 2:

- Establish links with Lead Partners.

Action Plan

- (a) Identify Core Leadership Team
- (b) Document established links with lead partners
- (c) Communicate to stakeholders
- (d) Prepare objectives and action plans for each link

Measure	Due Date
1.1(a)(b) Develop overview document and achieve lead partner commitment	Q1
1.1(c)(d) Establish budget and funding resources	Q1
1.1(d)(e) Establish Food Class membership	Q2
1.1(e)(f) Initiate dues structure and outside funding resources	Q4
1.2(a) Identify individual(s) to coordinate cluster effort	Q1
1.2(b) Document established links to lead partners	Q1
1.2(c) Communicate to membership	Q2
1.2(d) Prepare objectives and identify contacts	Q2

The Phase II development stage estimated to last eighteen months requires interim development resources to further the mission and establish long term goals and financial resources. The development resources are identified as “lead partners” in the plan. Potential lead partners, but not limited to, include the Northeast Indiana Regional Partnership, a coalition of regional chambers of commerce, a coalition of NEI LEDO’s and the Northeast Indiana Innovation Center.

STRATEGIC RESPONSE 2

Develop and promote educational and outreach programs to provide training to the food industry workforce and management.

Educational and industry programs can support all sizes of area food business and become important building blocks for new curriculum and degree programs at technical and four year university programs.

Objective 1

- Develop an Outreach Initiative

Action Plan

- (a) Identify outreach alternatives and lead partners
- (b) Meet with industry and other stakeholders for input
- (c) Prioritize alternatives for initial 12 months
- (d) Develop agenda and content for coursework
- (e) Communicate to food industry and stakeholders
- (f) Initiate outreach programming
- (g) Develop ongoing data regarding attendance, feedback, and ideas for additional programming
- (h) Begin discussions to develop local four year post secondary degree programs in food related disciplines

Measure	Due Date
2.1(a)(b) Identify alternatives and gain industry input	Q1
2.1(c)(d) Prioritize alternatives and develop content	Q2
2.1(e) Communicate programming	Q3
2.1(f) Initiate program offerings and future meeting dates	Q4
2.1(f)(g) Develop ongoing data collection	Q4
2.1(h) Begin discussions for local food degree curriculum	Q4

The food industry is constantly evolving with new opportunities, technology, and regulatory emphasis. Accordingly, a regionalized outreach program offering training and certification will be useful. Programs could include WorkOne sponsored prequalified job applicant screening. Purdue University also has a broad array of existing resources such as the Technical Assistance Program (TAP) which could be channeled to the Cluster. Additional topics such as, but not limited to, food safety, HAACP, traceability, allergens, OSHA and FDA standards, energy management, and packaging and warehousing could be evaluated for implementation. Importantly, the outreach program provides training benefits and national expertise to existing local companies. It is the beginning stage of preparation for local classroom programming at the technical and university level. A potential longer term strategy would be to develop a post secondary degree program.

STRATEGIC RESPONSE 3

Determine the best resources and action plans to develop a “Center for Specialty Foods”

The Center can be a point of differentiation to identify existing and needed regional physical facilities available for the industry to test products and also capture new research projects in areas of product development, research, food safety, and specialty production agriculture

Objective 1

- Develop Center for Specialty Foods framework
 Action Plan
 - (a) Identify lead partner(s) to support specialty foods center
 - (b) Coordinate with partners and key regional inputs to launch specialty foods center
 - (c) Document year one goals and objectives

Objective 2

- Develop a “Master List” of resources available to assist start up food companies
 Action Plan
 - (a) Work with lead partners to catalogue resources
 - (b) Interview recent successful start ups for insight
 - (c) Identify trade and marketing associations
 - (d) Develop list
 - (e) Prepare list for electronic and hard copy format and distribute

Objective 3

- Determine action plans for year two key development steps
 Action Plan
 - (a) Coordinate with partners and industry

Measure	Due Date
3.1(a) Develop framework for center	Q1
3.1(b) Identify lead partner(s)	Q1
3.1(c) Document year 1 goals and objectives	Q2
3.2(a)(b)(c) Develop ongoing master list of resources	Q4
3.2(d)(e) Develop, finalize, publish and distribute list	Q4
3.3(a) Determine year 2 action plans	Q4

A Center for Specialty Foods is envisioned as an immediate development opportunity for the Cluster initiative. Possibly staffed initially by a common resource with the Cluster, the Center would provide a clearing house and communication point for area resources in the rapidly growing specialty food sector. The Center would also identify new support resources including hands on facilities that may be required, and provide a research and development link for innovative ideas, marketing and grant funding. An existing effort to build a test kitchen in Bluffton, Indiana is one example of a potential resource.

STRATEGIC RESPONSE 4

Encourage and assist local food production, marketing and agri tourism.

Utilize the food cluster organization to become a coordination and communication point for area food companies to share resources, technology and marketing alternatives.

Objective 1

- Establish links with partners to optimize effort

Action Plan

- (a) Create link with Indiana Foodways and Indiana Artisans
- (b) Identify additional local marketing resources

Objective 2

- Identify existing local food businesses

Action Plan

- (a) Expand local food business database
- (b) Develop master list for region
- (c) Communicate findings with partners, economic development, and tourism bureaus

Measure	Due Date
4.1(a) Establish partnership with Foodways and Artisans	Q1
4.1(b) Identify additional local food resources	Q2
4.2(a) Identify local food companies/Ongoing	Q1
4.2(b) Develop master list (file)	Q3
4.2(c) Communicate list periodically (semi annual)	Q4

The Steering Team for Phase I cluster analysis immediately recognized the void in regional communication and knowledge about the region’s food processing businesses. Other areas of the U.S. are initiating clusters. In some cases, state agriculture departments are getting more active. Some food “associations” have been in existence for decades. However, NEI seems to lack this fundamental collection and communication point to identify and leverage a strong representation of food business in the area. The purpose of this initiative is to build upon our existing resources and leverage needed new resources, but not reinvent the wheel. In the latter case, an example might be Indiana Foodways (www.indianafoodways.com) which focuses on agri tourism and locally produced products.

STRATEGIC RESPONSE 5

Provide assistance in understanding and initiating cooperative entities to interested food businesses.

Certain companies may be able to benefit from a cooperative approach to resourcing common raw material and ingredients. Similarly, companies may be able to evaluate a cooperative marketing approach.

Objective 1

- Provide outreach programming for cooperative opportunities

Action Plan

- (a) Coordinate with partners
- (b) Determine local opportunities
- (c) Integrate into outreach program schedule
- (d) Evaluate potential next steps with partners and local businesses

Measure	Due Date
5.1(a)(b) Determine need for local cooperatives	Q2
5.1(c) Integrate into outreach programs – deliver program	Q3
5.1(d) Deliver programs and evaluate feedback for next steps	Q4

A common theme identified in the Phase I analysis was in raw material procurement opportunities and in product marketing. The use of group buying or cooperative buying was introduced as a method to create price leverage, transportation savings, and improve shelf life utilization. Similarly, a cooperative effort to market products from the region was identified. Resources such as the Indiana Cooperative Development Center (www.icdc.coop) may be useful in understanding opportunities.

STRATEGIC RESPONSE 6

Provide ongoing linkage to local and regional economic development resources to encourage new business development and support existing business.

Utilize the food cluster organization to become a coordination and communication point for area economic development interface.

Objective 1

- Develop marketing approach for economic development

Action Plan

- a. Coordinate with partners
- b. Assist in development of position
- c. Assist in communication of message and documents
- d. Assist in identification of target food industry segments for development
- e. Assist in business recruiting effort
- f. Assist LEDO's in support of existing business

Measure	Due Date
6.1(a)(b) Coordinate with partners-develop position	Q3
6.1(c) Assist in communication of position	Q4
6.1(d)(e)(f) Assist in support of new business and existing business	Ongoing

The backbone of the Phase I cluster analysis is that of economic development. As in Strategy Four (local production and agri tourism), the communication and knowledge in the area lacks a common coordinator and driver for new development. This development may be expansions, new industry, or importantly, supporting industry for the food processing sector. Strategy Six focuses an effort on improved knowledge within the region and clear resources to help target and drive opportunistic new and expansion growth with a goal of further building of the Cluster. A primary link would be established between the Cluster and the Northeast Indiana Regional Partnership. Additional impacted groups include, but are not limited to, a coalition of regional Chambers of Commerce, a coalition of NEI LEDO's and the Northeast Indiana Innovation Center.

STRATEGIC RESPONSE 7

Develop necessary product marketing programs, including an evaluation of regional branding, to encourage new business development and support existing business.

The Cluster may evaluate the benefits of a regional brand to be used by area food companies on a volunteer basis. The brand could be an economic development tool but more importantly a marketing tool for products

Objective 1

- Investigate potential for regional branding of products

Action Plan

- (a) Identify similar existing brands in region
- (b) Evaluate success of competing brands and success factors
- (c) Create action plans for year two

Measure	Due Date
7.1(a) Identify existing brands	Q2
7.1(b) Evaluate success of similar brands	Q3
7.1(c) Create action plans	Q4

Product marketing was also identified as an opportunity. In addition to Strategy Five (marketing cooperatives), the concept of establishing a regional brand was identified. While likely being a later development stage opportunity, and one requiring additional research, it might offer additional recognition to the area and another avenue for product sales for those companies voluntarily participating. The brand might also help early stage companies with a product umbrella to jump start name recognition. Various states and organizations have initiated similar efforts such as South Carolina's "Certified SC Product" (www.scsfa.org). Indiana Artisans (www.in.gov/indianaartisan), although representing a broader product concept, is another example.