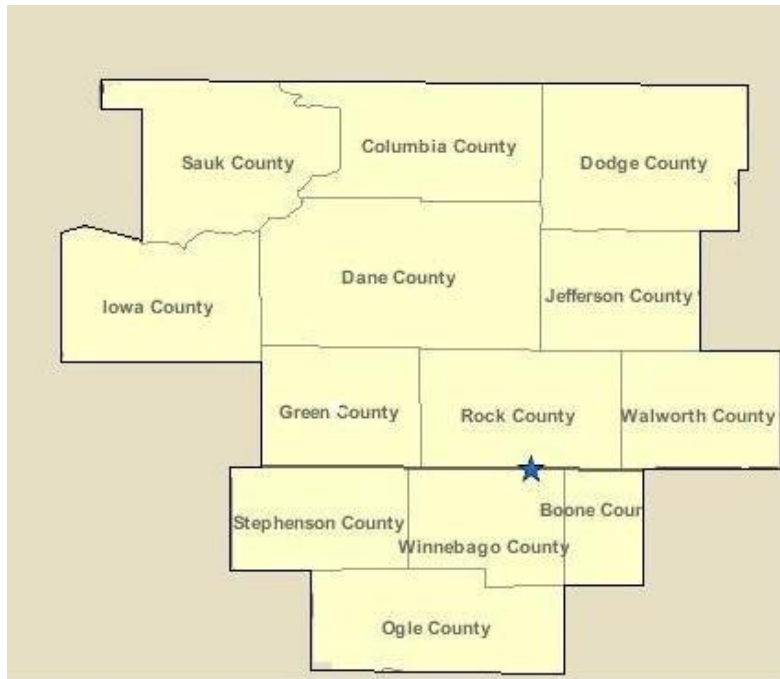


## Investigating a Food Processing and Technology Cluster



**Exploratory Research by Belmark Associates**

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## **Abstract**

At the beginning of our research period, Belmark Associates was asked to perform exploratory research with regard to the following questions:

- Is there a food processing and technology cluster in this region?
- What needs to happen in order to promote the growth of such a cluster?
- Would establishing and/or nurturing a food processing and technology cluster be a feasible economic development strategy for Beloit and the surrounding area?
- Does this cluster have the potential to develop into more specifically-defined clusters (e.g., specialty foods, snack foods, farmers' markets)?

The time necessary to conduct a full-scale study was not available to us, but we hope that our exploratory research allows other parties to expand upon the topic's breadth in the near future.

After the first few weeks of initial exploration, it became apparent that while there were already underpinnings of a food processing and technology cluster in existence, multiple shortcomings were hindering the cluster from operating at its full potential. This report will therefore describe—both collectively and on a case-by-case basis—what a cluster is as well as what key components of a cluster already exist and what gaps need to be filled within a 13-county region including Boone, Ogle, Stephenson, and Winnebago in Illinois, and Columbia, Dane, Dodge, Green, Iowa, Jefferson, Rock, Sauk, and Walworth in Wisconsin. These 13 counties were chosen to act as a link between the Thrive study area (eight counties in Wisconsin) and the Rock River Valley study area (four counties in Illinois). The 13 counties encompass the Wisconsin-Illinois Stateline area, which is why Walworth County was also included. Although we are not equipped with the tools to answer the last two questions, we hope that this report will assist those in a position to assess their value.

### **What are the underlying concepts of an economic cluster?**

When examining the characteristics of the food production and technology cluster in this region, it is important to understand the theoretical background of cluster development and its benefits. It is also essential to be aware of other economic development strategies that can coexist symbiotically with the cluster concept—such as, in this case, value-added agriculture and economic gardening.

Industry clusters are geographic concentrations of interconnected companies, specialized suppliers, service providers, and associated institutions within a particular field. They are critical masses of unusual competitive success that are linked in particular fields by common inputs and technologies as well as overlapping channels and technologies.<sup>1</sup> These clusters are a relatively new concept in economic development, but their benefits have already been observed. There are many smaller benefits to cluster formation—such as a louder voice for the industry where governmental decisions are concerned, improved access to suppliers and customized support

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<sup>1</sup> Porter, M.E. 1998. "Clusters and the New Economics of Competition." *Harvard Business Review*: 77-90.

services, and increased general awareness in regard to the industry as a whole<sup>2</sup>—but the four largest are increased productivity, innovation, employment, and new business formation.

Within a successful cluster, productivity will increase due to more productive use of inputs (i.e., better access to employees and suppliers that are already very specialized and experienced), lower transaction costs, and easier access to specialized information. The competitive advantage of economic clusters relies on continual innovation and the promotion of cooperation and competition between companies that work together to find solutions that are mutually beneficial. When a cluster is formed, not only does the workforce become more specialized and productive, but individuals also have more opportunities to find jobs or even form new businesses. New successful business ideas are formed when specialized individuals can more easily perceive gaps in existing products and services.

The last two major benefits to cluster formation—innovation and new business formation—are also key ingredients in the economic gardening recipe, a form of economic development that focuses on entrepreneurial growth.<sup>3</sup> This is because gaps in the flow of an industry are much easier to notice within an established industry cluster given the specialized expertise of the cluster’s human capital. This allows for more entrepreneurial opportunities and new business formation, both of which foster the growth of “gazelles”—small companies with high growth rates. These gazelles thrive on the productivity of industry clusters.

Given these basic concepts and strategies, it is important to recognize why they are highly applicable to this region, and why Beloit should therefore take a leadership role in their development here. This 13-county area is an excellent fit for a food processing and technology cluster for three main reasons: its location, resources, and framework.

All 13 counties have access to major interstates (I-90, I-43), and are surrounded by a market of 20 million people within a five-hour drive. This market has been coined “Circle City,” and includes the Twin Cities, Madison, Milwaukee, Chicago, and the Quad Cities; Beloit is right at the center of this market. Beloit is also situated at the intersection of Interstates 90 and 43, and has an already-established core group of businesses within a 10-mile radius of the City Center.

The abundance of freshwater and energy in the region are also a major boon to the food processing and technology industry. Ready access to water and an energy commitment between businesses and state governments allow industry companies to thrive here.

Finally, it is appropriate for Beloit to take a leadership role in the development of this cluster due to the work that has already been done here. The Economic Development Corporation, the Greater Beloit Chamber of Commerce, Vision Beloit, and the City of Beloit have all been discussing the “cluster concept” for quite some time. Because the food industry is already a large part of the community, other organizations and associations are beginning to take notice, as well.

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<sup>2</sup> Kures, M. 2008. “Industry Cluster Analysis of the Northern EDGE Region.” *UW-Extension*. [http://datcp.state.wi.us/workinglands/ppt/potential\\_ag\\_clusters\\_Feb\\_1\\_files/frame.htm](http://datcp.state.wi.us/workinglands/ppt/potential_ag_clusters_Feb_1_files/frame.htm).

<sup>3</sup> Gibbons, C. “Economic Gardening: An Entrepreneurial Approach to Economic Development.” *City of Littleton*. <http://www.littletongov.org/bia/economicgardening>.

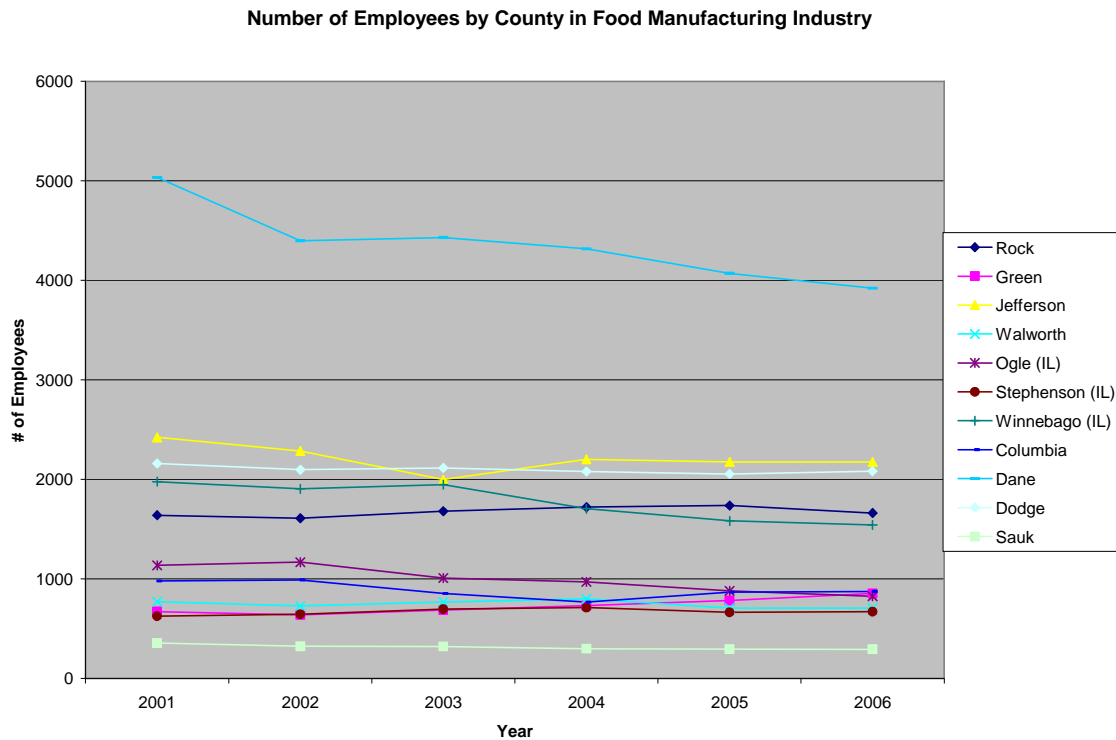
## Important Data and Explanation

As far as food processing and technology are concerned, what is already here? Is there an abundance of agricultural inputs in the region? Where does output take place? Why is this industry better suited than others to operate as a cluster? These are all questions that need to be answered.

This section explores the more empirical aspects to the food industry in this region. It includes a number of graphs and tables that examine the number of employees working in the food industry, the number of firms in the region, and units of agricultural output, including raw products. Appendix 3 will give listings and locations of over 700 companies within the 13 counties that consider the food and agriculture industries essential to their business operations.

*How many people work in the food manufacturing industry (NAICS code 311)?*

There are already a large number of people involved in the local food processing and technology industry. The chart below shows how many people work in the food manufacturing industry in each county.



There are 15,675 people already employed by the food industry, an amount that seems to have held steady over the past seven years, giving this area an exceptional base of employees with specialized knowledge that is unrivaled by any other area.

*How do these numbers relate to other key industries?*

The State of Wisconsin has identified 11 key industries within the state (see Table 1). Comparing the location quotient of the food industry to that of these other key industries provides a real measure of the food industry’s importance. The table below calculates the location quotients for each industry as compared to Wisconsin as well as the entire United States. The final column estimates the location quotient for Rock County with regard to Wisconsin. State of Wisconsin data is present throughout this section of the report to act as a benchmark for large-scale comparison. Illinois data could have just as well acted as a benchmark for comparison, but the Wisconsin data was more readily available.

The location quotient quantifies the ratio of employees in a specific area to those in a larger area. A result greater than 1.00 signifies that the industry in question has a larger-than-average workforce in that specific area.

**TABLE 1: INDUSTRY LOCATION QUOTIENTS**

<b>Total Number of Employees</b>	<b>13 County/WI LQ</b>	<b>13 County/USA LQ</b>	<b>Rock/WI LQ</b>
Food Manufacturing (311)	<b>1.02</b>	<b>1.93</b>	<b>1.13</b>
Beverage Manufacturing (3121)	<b>n/a</b>	<b>0.07</b>	<b>n/a</b>
Paper Manufacturing (322)	<b>0.08</b>	<b>0.28</b>	<b>0.18</b>
Plastics Manufacturing (3261)	<b>0.62</b>	<b>1.42</b>	<b>0.98</b>
Machinery Manufacturing (333)	<b>1.21</b>	<b>3.36</b>	<b>1.02</b>
Animal Production (112)	<b>0.88</b>	<b>1.78</b>	<b>0.73</b>
Electrical and Appliance Manufacturing (335)	<b>0.78</b>	<b>2.15</b>	<b>0.00</b>
Primary Metal Manufacturing (331)	<b>0.40</b>	<b>0.83</b>	<b>1.08</b>
Information (51)	<b>1.17</b>	<b>0.89</b>	<b>1.00</b>
Medical Devices Manufacturing (3391)	<b>0.75</b>	<b>0.69</b>	<b>0.21</b>

This table reinforces the nominal observation above that there is an abundance of well-qualified workers already in this region. It is important to note that of the ten industries listed by the State of Wisconsin as key industries, four of them are related to the food industry (beverages, animal production, food manufacturing, and machinery manufacturing). One important industry that is not included in the table is agriculture. The abundance of growers and crops in this region is another key force in our economy; this data is presented one page hence.

*How many food manufacturing firms are in the region?*

Addressing this question will show how important the food industry is to the overall economy. The table below shows the number of firms in the food manufacturing industry as well as the number in other key industries, for comparison. The data is represented for the region as well as the State of Wisconsin.

**TABLE 2: NUMBER OF FIRMS**

<b>Total Number of Firms</b>	<b>13 Counties</b>	<b>Wisconsin</b>
Food Manufacturing (311)	254	1,002
Beverage Manufacturing (3121)	16	83
Paper Manufacturing (322)	28	289
Plastics Manufacturing (3261)	121	485
Machinery Manufacturing (333)	447	1,302
Animal Production (112)	176	840
Electrical and Appliance Manufacturing (335)	46	220
Primary Metal Manufacturing (331)	49	175
Medical Devices Manufacturing (3391)	59	5,881

With 254 firms and over 25% of the state's companies located here, it is clear that the food industry is very important to this region.

*What else makes the industry thrive?*

A mass of pre-existing, industry-related companies and employees is one important piece of cluster framework, but the surrounding factors are just as important—if not more important—when examining potential for marketability and growth. Identifying both the rich agricultural background in this region and the specific reasons behind why related companies came to this area (see case studies) will allow decision-makers to market the cluster successfully.

Agriculture has been one of the leading economic drivers in Illinois and Wisconsin for a long time, and it continues to provide our economies with new opportunities. Grasping the span of this agriculture will put it all in to perspective. The tables below show how much corn, soybeans, and dairy are produced within this region as compared to the state.

**TABLE 3: CORN PRODUCTION BY COUNTY, 2007**

<b>County</b>	<b>Corn Planted (acres)</b>	<b>Production (bushels)</b>	<b>% of Total WI Production</b>
Columbia (WI)	136,000	18,670,000	<b>4.22%</b>
Dane (WI)	196,000	24,880,000	<b>5.62%</b>
Dodge (WI)	158,000	20,370,000	<b>4.60%</b>
Green (WI)	111,000	14,610,000	<b>3.30%</b>
Iowa (WI)	74,000	9,840,000	<b>2.22%</b>
Jefferson (WI)	95,000	13,360,000	<b>3.02%</b>
Rock (WI)	174,000	25,750,000	<b>5.82%</b>
Sauk (WI)	86,000	10,220,000	<b>2.31%</b>
Walworth (WI)	112,000	17,230,000	<b>3.89%</b>
Boone (IL)	87,000	15,633,800	<b>3.53%</b>
Ogle (IL)	244,000	45,360,000	<b>10.24%</b>
Stephenson (IL)	180,000	31,740,800	<b>7.17%</b>
Winnebago (IL)	102,000	17,558,400	<b>3.97%</b>
13 County Total	1,755,000	265,223,000	<b>59.90%</b>
Wisconsin Total	4,050,000	442,800,000	

Source: "Quick Stats: Agricultural Statistics Database." USDA National Agriculture Statistics Service.  
<http://www.nass.usda.gov/QuickStats>.

Wisconsin ranks 10<sup>th</sup> in the United States in corn for grain production and Illinois ranks 2<sup>nd</sup>.

**TABLE 4: SOYBEAN PRODUCTION BY COUNTY, 2007**

County	Soybeans Planted (acres)	Production (bushels)	% of Total State Production
Columbia (WI)	34,200	1,530,000	<b>2.95%</b>
Dane (WI)	66,900	3,150,000	<b>6.07%</b>
Dodge (WI)	56,100	2,570,000	<b>4.95%</b>
Green (WI)	35,900	1,670,000	<b>3.22%</b>
Iowa (WI)	25,200	1,150,000	<b>2.22%</b>
Jefferson (WI)	40,200	1,900,000	<b>3.66%</b>
Rock (WI)	69,700	3,180,000	<b>6.13%</b>
Sauk (WI)	23,500	903,000	<b>1.74%</b>
Walworth (WI)	37,000	1,660,000	<b>3.20%</b>
Boone (IL)	31,000	1,483,200	<b>2.86%</b>
Ogle (IL)	64,000	3,185,000	<b>6.14%</b>
Stephenson (IL)	60,000	3,164,100	<b>6.10%</b>
Winnebago (IL)	38,000	1,960,400	<b>3.78%</b>
13 County Total	581,700	27,505,700	<b>53.03%</b>
Wisconsin Total	1,350,000	51,870,000	

Source: "Quick Stats: Agricultural Statistics Database." USDA National Agriculture Statistics Service.  
<http://www.nass.usda.gov/QuickStats>.

Wisconsin ranks 13<sup>th</sup> in the United States in soybean production and Illinois ranks 2<sup>nd</sup>.

**TABLE 5: DAIRY PRODUCTION BY COUNTY, 2007**

County	Milk Production (thou. lbs)	Number of Milk Cows	% of Total WI Production
Columbia (WI)	309,060	15,300	<b>1.23%</b>
Dane (WI)	1,095,000	50,000	<b>4.01%</b>
Dodge (WI)	810,600	42,000	<b>3.37%</b>
Green (WI)	567,300	31,000	<b>2.49%</b>
Iowa (WI)	440,000	25,000	<b>2.00%</b>
Jefferson (WI)	289,170	15,300	<b>1.23%</b>
Rock (WI)	238,080	12,400	<b>0.99%</b>
Sauk (WI)	510,300	27,000	<b>2.17%</b>
Walworth (WI)	279,400	12,700	<b>1.02%</b>
Boone (IL)	-	-	
Ogle (IL)	-	-	
Stephenson (IL)	-	-	
Winnebago (IL)	-	-	
13 County Total	4,538,910	230,700	<b>18.50%</b>
Wisconsin Total	24,080,000	1,247,000	

Source: "Quick Stats: Agricultural Statistics Database." USDA National Agriculture Statistics Service.  
<http://www.nass.usda.gov/QuickStats>.

Wisconsin ranks 2<sup>nd</sup> in the United States in milk production.

These are just three of the big agricultural production categories in Wisconsin and Illinois. Wisconsin also boasts a well-established growing environment for potatoes, cranberries, mint, and many other fruits and vegetables. This rare combination of both quality and quantity leads us to conclude that there is indeed an unusual abundance of agricultural production in this region.

## Case Studies

With this data in mind, it should become obvious that this 13-county area has a unique advantage when it comes to growing and diversifying the food processing and technology industry. We have conducted 30 case studies in order to better understand the concepts of a cluster, identify gaps in the way that the current cluster is operating, and gain feedback regarding the cluster concept from businesses and associations already in the area. These studies begin with a brief business description, followed by an overview of that company's identified pros and cons to being located in this region, growth opportunities and concerns, complementary businesses within the region, and some companies' thoughts on the concepts of an economic industry cluster in general. The case studies are arranged to resemble the many food production chains in this area: we begin with farmers and growers, cycle through manufacturing companies and packagers, and follow with distributors and other markets. We end with several examinations of associations, organizations, governmental infrastructure groups.

Because the following information is based on interviews and conversations with company leaders and team members, the analysis provided here is more impressionistic than quantitative. In some cases, our personal contact with said companies has been supplemented by information provided by company brochures and websites.

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## **Case Study: River Valley Ranch (Walworth County)**

### **Business Description**

Founded in 1976 by Peter Rose and his son, Eric Rose, River Valley Ranch was started as a response to Peter Rose's inability to find fresh mushrooms for his restaurant in Chicago. The two men turned a stable in Burlington, Wisconsin into a mushroom-growing facility, and by 1988 they had 32,000 square feet of growing space. This commercial mushroom enterprise, staged on 10 acres of land where the mushrooms are grown along with other fresh vegetables, now employs 25 people. Across from their fields, River Valley Ranch has a storefront that sells River Valley products alongside other Wisconsin-grown items. The store opened 22 years ago, followed by a kitchen in 1997. River Valley Ranch has weathered many fluctuations in the mushroom market and has had two big breaks in business. The first came about when the company decided to pickle mushrooms, which not only increased their shelf life, but also made the product more appealing to consumers. Then, in 2003, Eric Rose received a call from the Food Network, asking if he would be willing to let them come interview him and document his operation for "Food Finds," a show featuring regional foods that are a little out-of-the-way. A six-minute video about River Valley Ranch then aired eight times over six days in March of 2004.

### **Complementary Businesses**

River Valley Ranch is very unique because their business is quite vertically integrated (until the final product is distributed to the regional market). Mr. Rose provides product to restaurants and retail locations, but the majority of his business comes from farmers' markets and his store. Thanks to this storefront, Mr. Rose is able to maintain relationships with other Wisconsin producers (like Renaissance Farm) who want to put their products on his shelves.

### **Growth Opportunities and Concerns**

Local and fresh food is a niche market, and one of the biggest concerns for River Valley Ranch lies in avoiding becoming a commodity. In order to do this, Mr. Rose has focused most of his sales on his own store and farmers' markets, and only sells his surplus product to wholesale buyers. However, while the ability to charge a premium price is important, there is a great deal more demand for product in the wholesale market. Rose continues to battle the market to find the equilibrium volume where his production is Pareto efficient. Other challenges that Mr. Rose faces include fighting large economies of scale, finding ways to lower transportation costs, and extending the farm's growing season.

For River Valley Ranch, opportunities for growth lie in the rising demand for local, fresh food. Although Mr. Rose is skeptical regarding the sustainability of this trend, it is helping his business now—and when he finds a way to grow production to meet the demand, it will make his operation much more profitable. River Valley Ranch also wants to do a better job of becoming a destination, and marketing their farm and store as such.

## **Case Study: Renaissance Farm (Sauk County)**

### **Business Description**

In the early 1980s, Mark Olson became a farmer in order to express his two biggest passions: good food and the outdoors. His zeal lay in growing field herbs, and he quickly decided he needed a way to fund that passion. Since then, Mr. Olson's farm has gradually developed into a business located in Spring Green, Wisconsin. Renaissance Farm specializes in the production and sale of seven different varieties of pesto, vinaigrettes, marinades, olive oils, and—his biggest seller—Zalta, marketed as “herb infused” sea salts. The farm also runs a cinnamon roll operation. Recently, Mr. Olson has been spending his time giving advice to other farmers and applying for grants from different governing bodies. He is currently a member of the National Association for the Specialty Food Trade and Something Special from Wisconsin.

### **Complementary Businesses**

Renaissance Farm is one of the best-performing specialty food producers in the area, so a great many start-ups come to Mr. Olson with questions. Renaissance Farm has relationships with River Valley Ranch (Walworth County), RD Pasta (Dane), Tomato Mountain (Dane), and many others. The farm also relies heavily on the entire cheese industry; a great deal of cheese production takes place in Spring Green, which allows Renaissance Farm to partner with these companies when transporting product to market.

### **Cluster Concepts**

Renaissance Farm's business model provides a perfect example of how a cluster can flourish. After all of the ingredients for his many different products are grown and harvested, Mr. Olson prepares the products in his commercial kitchen. Afterwards, Mr. Olson must package it. He gets many of his glass jars from Milwaukee, which are delivered by Cerniglia Products. After Mr. Olson's product is packaged, it is transported to L & L Foods, where it is stored and eventually transported to different markets around Wisconsin. Renaissance Farm's final product can be found on the shelves at River Valley Ranch, for example. Because the farm's products are becoming more popular, Olson is currently engaged in quite a bit of research and development. Create-A-Pack, which currently makes icing packets for Mr. Olson's cinnamon rolls, is working on duplicating Olson's products so that they can be manufactured at a higher volume. At present, L & L Foods is working on expanding Renaissance Farm's market and assisting Olson in developing a more efficient form of packaging for his line of Zalta products.

### **Growth Opportunities and Concerns**

Renaissance Farm's products are already registered on GreenLeaf Market, so if that takes off, it will benefit the farm's sales volume quite a bit. While the specialty foods market is a niche market, Olson has recently noticed a general rise in the popularity of specialty and local food. For example, Olson just applied for a grant from the Department of Agriculture to research “word-of-mouth marketing” and how to drive products off the shelf at retail locations. \$250,000 was made available by the Department of Agriculture, and businesses around the state applied for over \$3 million. The topic of Mr. Olson's proposed grant represents one of the challenges that his industry faces. Many specialty food producers are not natural salesmen, and for them, selling product proves to be a learning process. Another big challenge that the industry faces is price education, something on which local or state governments could provide training sessions.

## **Case Study: Kinnikinnick Farm (Boone County)**

### **Business Description**

1994 was Kinnikinnick Farm's first year of business—if you consider 1993 “year zero.” David Cleverdon and his wife Susan say that during this year, everything that could have gone wrong did go wrong. It seems fitting, then, that every year since the Cleverdons' Caledonia, Illinois farm has seen countless additions and alterations. As early as the farm's second year in business, chefs began to discover the high quality of the Cleverdons' produce (arugula, tomatoes, and Italian greens) at the Green City Market in Chicago. Kinnikinnick's 114 acres now produce 100-150 tons of produce per growing season, and the farm is strictly devoted to selling at the Green City Market and 28 restaurants in Chicago (including Blackbird, North Pond, Maha, Lula Café, and all of the restaurants under Lettuce Entertain You Enterprises' ownership).

### **Pros and Cons of Being Located in this Region**

The Cleverdons bought their farm in the late 1980s for two reasons: farm land was very inexpensive at the time, and the couple was looking for a place near Harvard, Illinois. Ever since the Cleverdons began running their business, they have enjoyed everything about the location. It is very close to their Chicago market (a factor that's becoming increasingly important as energy and fuel prices increase), and the quality of Caledonia's growing environment means that Kinnikinnick can tout their produce as some of the best in the country.

### **Growth Opportunities and Concerns**

Since 1993, Kinnikinnick Farm has not stopped growing, and has no plans to stop any time soon. Providing produce to restaurants proves a challenging business year after year due to changing products and quantities. Kinnikinnick Farm wants to continue to grow their business through their customers, which is why they continue to sell at the Green City Market and the Evanston Farmers' Market.

### **Cluster Concepts**

The concept of a food processing and technology cluster in this region sounded like a very good idea to Kinnikinnick Farm, but Mr. Cleverdon identified numerous challenges and gaps that need to be addressed before such a cluster could be successfully established. When the idea of a commercial kitchen was brought up, Mr. Cleverdon said that it was a great idea, but that problems with occupancy rates could develop. Although many people say that they want to make value-added products, few take the opportunity to do so when given the chance. Other gaps that Mr. Cleverdon identified include sustainable farmer training and development, large-scale industrial greenhouse production, cold/freezer storage facilities, and the fact that there is no poultry processor in Northern Illinois.

The Stateline Farm Beginnings program trains about sixteen young farmers every year, and it is estimated that in a 20-year period, each group of beginning farmers will add 5,000 jobs and over \$20 million in farming business that did not exist before. Simply put, this region has the necessary skeleton for the cluster concept—skilled agriculture workforces, access to large markets, demand, and necessary transportation routes are all in-place already.

## **Case Study: Angelic Organics (Boone County)**

### **Business Description**

The concept of Community Supported Agriculture (CSA) was developed in 1986, and four years later Angelic Organics was founded as the first CSA to serve the Chicago area. This CSA is owned by shareholders who pay an annual fee in exchange for a share of the goods produced on the farm during a given growing season. Angelic Organics is one of the largest CSAs in the country, with 5,000-6,000 shareholders. These shareholders have a variety of options for share purchase—including a 20-week share for \$600, a 12-week share that starts in September, and an extra winter share—and receive vegetables, chicken, and eggs at different times throughout the year. Angelic Organics is not a certified organic farm; because they already have an established relationship with their customers, they don't feel the need for official certification. However, to Angelic Organics, the word "organic" means that they only use things found in nature to grow their vegetables. This is why Angelic Organics also maintains livestock on the farm; diversity is very important to a farm's overall performance. Angelic Organics currently has two beef cattle, 30 goats, and 150 chickens.

Angelic Organics also has an educational segment that they call the Learning Center. The Learning Center employs 20 people full-time and provides opportunities for the community to learn about CSA and other concepts of farming.

### **Pros and Cons of Being Located in this Region**

Angelic Organics was founded in Caledonia, Illinois because it is a rural setting that is still sufficiently close to Chicago, where almost all of the shareholders reside.

### **Cluster Concepts**

Angelic Organics would like to see a strong and vibrant food system develop on all levels of production in this region. They are trying to get local farmers to consider starting their own farm-based businesses. The Learning Center at Angelic has numerous classes on farm training available, including "Farm Dreams," a course for area people that want to start their own farms.

### **Growth Opportunities and Concerns**

Angelic Organics aims to help maintain and grow their operation by becoming more self-sufficient and diverse. They have plans to create a vision for the next 25 years on the farm. That vision might include bringing in more diverse livestock, adding a dairy section to the business, and possibly opening a restaurant.

## **Case Study: DaVal's Bison Meats (Rock County)**

### **Business Description**

David and Valerie Heider are probably most well-known for breeding and raising “Miracle,” the first white female buffalo calf born in 600 years. That was in 1994, and the Heiders’ story has gotten quite a bit lengthier since then. After attending an exotic animal sale in Michigan in 1987, David decided that he wanted to raise bison on his Janesville, Wisconsin farm. One year later, he had already purchased four bison and had begun to raise them. Four years after Miracle was born, Dave decided to “start making [his] hobby work for [him].” During their first year of business, DaVal’s Bison Meats processed 18 bison. The business has grown incredibly quickly; last year, DaVal’s processed 84 bison, and this year they plan to process 96 bison. They are currently raising 100 bison on their 45 acres of land. When the Heiders process a bison, they use as much of the animal as possible. They sell steak cuts, hamburgers, jerky, snack sticks, and even dog bones at local farmers’ markets, restaurants, and retail stores.

### **Complementary Businesses**

With grain prices on the rise, DaVal’s has gone to alternative forms of feed. They are now purchasing three to five tons of potato chip waste per week from Kettle Foods in Beloit; they also purchase wet cake from area ethanol plants. One other area business that complements DaVal’s Bison Meats is in New Glarus—Hosely’s Meat Market processes the Heiders’ bison and assists DaVal’s with new product development.

## **Case Study: Golden Bear Monarchs Elk Farm (Rock County)**

### **Business Description**

Richard Spanton of Golden Bear Monarchs Elk Farm has one of the best elk farms in the world—the 100 elk that he raises on 300 acres of farm land in rural Beloit, Wisconsin win international awards constantly. Mr. Spanton raises his elk with the intention that every one of them be the best. Animals that do not develop to be breeding quality, however, are butchered and processed for meat. Elk meat is the “number-one heart healthy meat,” and its popularity continues to rise in light of the population’s growing concerns regarding food and health. Spanton sells elk meat in many different forms and cuts—including tenderloins, ribeyes, New York strips, and snack sticks. He also does quite a bit of business by selling the velvet from the elk antlers to international markets; Mr. Spanton also sells this velvet to local markets in pill form. Elk antler velvet provides an excellent cure for joint problems.

### **Complementary Businesses**

Many local businesses provide services during Mr. Spanton’s elk-raising process. Supplement feed is purchased from ADM in Madison (with additional feed is grown right on Mr. Spanton’s farm), and the elk are slaughtered in Bloomington, Wisconsin. Meat from Golden Bear Monarchs Elk Farm can then be purchased at the Beloit Farmers’ Market and at Bushel & Peck’s.

## **Case Study: Margie's Grass-Kickin' Chicken (Boone County)**

### **Business Description**

Margie's Grass-Kickin' Chicken started producing chickens four years ago on the family's six acres of land. The farm has been previously used by Margie's brother for hay, but the operation's size was not efficient enough to keep it going. During Margie and Mark Nelson's first year, they raised and processed 200 chickens as a test—a successful test, apparently, because in their first year of business, the Nelsons increased production to 750 chickens. With approximately 1200 chickens today, Margie's Grass-Kickin' Chicken is now at maximum capacity for their land. Margie's Grass-Kickin' Chicken has been a favorite at the Beloit Farmers' Market for the past two years, and the Nelsons continue to add product to their stand. The family also sells eggs and seasonal vegetables, including spinach, arugula, scallions, green beans, potatoes, sweet potatoes, cucumbers, zucchini, and tomatoes. The farm prides itself on producing natural food, which to the Nelsons means that they use no chemicals, pesticides, or antibiotics when raising their chickens and vegetables.

### **Complementary Businesses**

When Margie bought the farm from her brother four years ago with an idea to raise chickens, she took a class called "Farm Beginnings" at Angelic Organics. This training program allowed her to start her business down the path to success. The farm buys its baby chicks from a farm in Beaver Dam, Wisconsin and also purchases local feed. However, because of state boundary regulations, the Nelsons must travel all the way to Arthur, Illinois (south of Champaign) to get their chickens processed for market—despite the fact that there is a poultry processing plant (Twin Cities Pack) located just across the Wisconsin-Illinois border.

### **Growth Opportunities and Concerns**

Margie's Grass-Kickin' Chicken is fairly land-locked on its six acres, but the farm continues to find different ways to make more product. Their level of chicken production is currently at its maximum, but their vegetable business should continue to grow as the Nelsons perfect their growing cycles.

## **Case Study: The DeLong Company (Rock County)**

### **Business Description**

The DeLong Company is a family-owned and operated business that was founded in the early 1920s. In those days, the company sold malt and barley to breweries. The company has since expanded its business to employ 180 people (80 at the Clinton, Wisconsin branch) and works with seed, feed, fertilizer, and grain; it also operates a transportation division. The grain and feed is exported internationally—corn, generally domestically; soybeans, overseas to Japan. By cleaning and processing these food-grade raw materials, DeLong acts as a stop between growers and manufacturing companies during the course of the manufacturing process.

### **Pros and Cons of Being Located in this Region**

Family provides the biggest reason for why The DeLong Company is located in Clinton, Wisconsin. The family business started here, grew here, and will remain here for many years to come. Being located in this area also allows the company to be very close to their producers and to have access to major rail and trucking containers in the Chicago area.

### **Complementary Businesses**

As previously stated, DeLong is very close to its producers. Half of DeLong's contracts from growers come from within a 30-mile radius, and almost all of their growers are in Wisconsin or Northern Illinois. Two area producers, McCleary Foods and Ortega, have contracts to purchase corn from The DeLong Company.

### **Growth Opportunities and Concerns**

One of DeLong's biggest problems with being located in Clinton, Wisconsin lies in trucking container load laws. Containers are allowed to be a great deal heavier in Illinois, which means that DeLong misses out on key transportation savings because of the company's Wisconsin location. As a result, DeLong has recently decided to build four more grain elevators in DeKalb, Illinois. Not only will this allow them to save money on transportation; it will also double the company's storage capacity. Even with these savings, though, DeLong has seen transportation costs increase 40% in the last several years. One-container shipments to Asia that cost \$900 each several years ago now cost more than \$2,000 each. Dramatically increasing food prices have caused some concern for the company, but DeLong has done a good job of hedging the price risk for their growers and the companies to which they supply.

### **Cluster Concepts**

Not surprisingly, transportation is very important to The DeLong Company, and they believe that this could be a common link between all businesses in the food industry cluster—one that has potential to foster mutually beneficial relationships. For example, DeLong could potentially backhaul for any importer companies, and both parties would benefit from transportation savings. DeLong recommended that the local government and area organizations create a forum related to transportation. They also suggested forming a group that helps businesses to fight their way through bureaucracy.

## **Case Study: Twin Cities Pack (Rock County)**

### **Business Description**

Twin Cities Pack opened over 25 years ago in Clinton, Wisconsin as a hog, cattle, and chicken processor. The business—now operating under new ownership and stricter regulations from the state and federal government—specializes in processing poultry. The company receives orders from chicken producers of all sizes, from local farmers with five chickens to large producers with over 2,000 chickens. The company is the only state-inspected poultry processing facility in the area, and people drive from over two hours away to have their poultry processed. Twin Cities Pack employs 15 people—just enough to keep processing steadily at 800 birds per day. Due to the nature of the chicken processing industry, Twin Cities Pack is a very seasonal business.

### **Pros and Cons of Being Located in this Region**

Being the only state-inspected facility in the area has allowed Twin Cities Pack to expand its market. However, it is sometimes frustrating to current owner Brian Lutzow that Illinois poultry farmers have to travel to Arthur, Illinois to have their chickens processed when his business is just 30 minutes from their farms. (See below for details.)

### **Complementary Businesses**

Twin Cities Pack processes poultry for backyard growers, local farmers, and larger operations throughout the state of Wisconsin.

### **Growth Opportunities and Concerns**

Federal regulations do not currently allow poultry to cross state borders after being processed. For example, it would be illegal for Margie's Grass Kickin' Chicken to sell their chickens in Illinois after having them processed at Twin Cities Pack. This is why Margie's Grass Kickin' Chicken only sells the chickens that are processed at Twin Cities Pack at the Beloit, Wisconsin Farmers' Market. The birds they sell in Illinois are processed in Arthur, Illinois. If this law were changed, it would allow Twin Cities to increase production and potentially add more space and employees to their current facility.

## **Case Study: Frito-Lay (Rock County)**

### **Business Description**

Nearly everyone has tasted a Frito-Lay product, but not many know that one of Frito-Lay's best plants is right here in Beloit, Wisconsin and has been for 35 years. It is such an excellent plant, in fact, that 19 of Frito's original Beloit employees still work at the plant today. Overall, there are 700 Frito-Lay employees that help to manufacture, move, and distribute core Frito-Lay products (Doritos, Tostitos, etc.) in Beloit. The local plant supplies a seven-state market, including Minnesota, North and South Dakota, Iowa, Wisconsin, Illinois, and Michigan. Frito-Lay's production process is fairly straightforward: the company brings in potatoes and corn from Wisconsin and other areas via their own trucking line, makes them into their special snack products using Frito-Lay production techniques, and packages the final product to be shipped out.

### **Pros and Cons of Being Located in this Region**

Frito-Lay moved to Beloit 35 years ago because it was a strategic location for the seven states in their distribution network. Now, the biggest reason they remain here is the people; the work ethic of the employees in this area is phenomenal. Mike Stahl, the technical manager, made it clear that the city has done a wonderful job in fostering company visibility and public awareness, and has helped Frito-Lay out with funding for expansions, training, and more.

### **Complementary Businesses**

Frito-Lay relies heavily on Kerry for product seasonings and works with growers in the area when possible. They also have a relationship with their parent company, PepsiCo, which has a location in Winnebago County, Illinois. On occasion Pepsi products will be stored in the Frito warehouse and shipped via Frito-Lay trucks.

### **Cluster Concepts**

In a sense, Frito-Lay and Kettle Foods have already exhibited behavior characteristic of businesses operating in an industry cluster environment. By putting such a strong emphasis on sustainable development and production, Kettle Foods has helped Frito-Lay to implement more sustainable business practices; this in turn is starting to save Frito-Lay quite a bit of money. Even though the two companies do not talk much, the simple fact that they exist in close geographic proximity has enabled both companies to become more productive.

Additional cluster concepts that were discussed during this case study included transportation and education. Mr. Stahl thinks that an organization could help to "grow" a potential food cluster by looking for training grants to educate people on new technologies in the industry. Furthermore, the rising cost of transportation has made it an important issue for a great deal of companies, and it is possible that many businesses would be willing to cooperate and collaborate under common ideas related to minimizing the transportation price tag. Under normal circumstances, inducing such teamwork would not be an easy task, Mr. Stahl emphasized; many businesses would be wary of getting too close to their competitors. Hence, transportation hardships could provide a unique opportunity to "grow" the local food industry.

## **Case Study: Kettle Foods (Rock County)**

### **Business Description**

The doors of the Beloit, Wisconsin Kettle Foods facility opened in 2007 in the Gateway Business Park and started producing kettle-cooked potato chips immediately. The plant up on the hill prides itself on its sustainable, “green” production process. The Beloit plant is a Gold LEED-certified building that utilizes wind energy, bio-fuels, water run-off reuse techniques, and solar power in an effort to conserve energy; Kettle Foods has made sustainability a priority “since day one.” Employees are another big priority for Kettle Foods; 100 people are employed full-time, and 93% reside in Beloit. Chips produced in this Beloit plant service all markets east of the Rocky Mountains and a large part of Canada. Kettle’s two biggest raw material inputs are potatoes and oil, both of which are purchased as close to the plant as possible. As the potatoes are brought in, they are put through a very intricate production process before they are packaged and taken to a warehouse, where distribution takes place shortly thereafter.

### **Pros and Cons of Being Located in this Region**

Kettle Foods began searching the Midwest for a new plant location primarily because their business was growing rapidly; they needed another plant to service the Midwest, East Coast, and Canada. Kettle searched far and wide for the perfect place before eventually choosing Beloit for several reasons: Beloit is relatively close to a large potato supply in the Central Sands area of Wisconsin, transportation is easily accessible with the area’s main highways and Interstates just steps away from the Gateway Business Park, and Kettle’s green and sustainable development goals fit in well with the City of Beloit and the State of Wisconsin.

### **Complementary Businesses**

For such a large company, Kettle Foods does an exemplary job of seeking out business partners locally before pairing up with outside companies. Kettle Foods gets seasonings from Kerry Ingredients (located in Beloit), packaging materials from Corrugated Cartons in Rockford, Illinois, and their warehousing is taken care of by Menlo in Janesville, Wisconsin. Coulee Regional Bio-Fuels LLC in Ettrick, Wisconsin recycles Kettle’s oils and makes them into bio-fuel. Consumers looking for Kettle chips in this region can find them at Woodman’s, Pick ‘n Save, and Piggly Wiggly. Product that does not meet set specifications is sold as animal feed at a minimal cost to local farmers like DaVal’s Bison Meats.

### **Growth Opportunities and Concerns**

Kettle is a very new addition to this region and is nowhere near done growing their operation in the Beloit area. After just one year of production, Kettle Foods is already expanding the interior of their plant to accommodate another production line. By 2009 they will expand their property and hopefully bring a warehouse to Beloit. By 2010 they intend to see 30% employment growth. Kettle Foods is also working to get Kettle products on the shelves at more major retailers.

Kettle Foods is a very open-minded company that is truly looking forward to developing alongside the Beloit community. Their main belief is that it is important to grow with Beloit’s history, and if developing a food industry cluster is one way to recognize some of this history, they think it is a great idea.

## **Case Study: McCleary Inc. (Winnebago County)**

### **Business Description**

The “Adams Korn Kurl” (today’s Cheeto) was invented through a production mishap in the years just following World War II. The Adams Corporation employed 500 people in South Beloit, Illinois, New Jersey, and Los Angeles. The two South Beloit plant managers at the time were “Mac” McCleary and Jack Pate. Back in this time it was common for each region to have its own local snack food company, and after the successful development of the “Korn Kurl,” Mac and Jack started their own companies—McCleary, Inc. and Pate Foods, respectively. The gradual emergence of Frito-Lay as a snack food powerhouse caused a majority of these companies to consolidate or sell to Frito-Lay. McCleary, Inc. survived this scare by consolidating and changing their business model to supply directly to stores, and they continue to supply to small chains with regional ties. McCleary now manufactures corn-based snacks (corn curls, tortilla chips, party mixes, etc.) for their own private label (Axium Foods) as well as others, and then distributes product via for-hire trucking companies to stores throughout the region and nation. McCleary now has 130 employees—70% from South Beloit and 30% from Beloit—to oversee the entire production process. This process begins with corn from The DeLong Company, which is then produced into McCleary’s many varieties of snacks. The products are then packaged and sent to storage in a warehouse until it is shipped directly to a customer store, such as Woodman’s or Save-A-Lot.

### **Pros and Cons of Being Located in this Region**

McCleary Inc. has a very rich history in this region, and the company has utilized this history to become one of the most respected companies in Beloit and the surrounding area. Not surprisingly, this local history is one of the company’s biggest assets, combined with the excellent raw materials and the variety of transportation systems available in the area. When asked about the negative characteristics to the area, President Pat McCleary drew a blank stare and replied, “There are none.”

### **Complementary Businesses**

All of the stores to which McCleary Inc. supplies directly are considered complementary businesses. Within this 13-county region, this includes all Woodman’s stores, Aldi, and Save-A-Lot. The relationship between McCleary’s and Woodman’s is one worth mentioning: Woodman’s believes that their customers should not have to pay \$3.00 for a bag of chips, so McCleary serves as a buffer between the grocery chain and Frito-Lay; McCleary also allows Woodman’s to fight competition from Wal-Mart. This symbiotic relationship has been in place for roughly five years, and it has allowed both parties to compete successfully with national brands. Other complementary businesses in the area include Kerry Americas (for seasoning) and DeLong Co. (the source of McCleary’s corn input).

### **Cluster Concepts**

McCleary Inc. thought if a food cluster were to continue to grow as an economic development strategy in this region, it would allow us to better serve—and draw business from—the large metropolitan areas in and surrounding the region. The concept already seems to have momentum and appeal, and the ingredients necessary for its successful creation all exist within the area.

## **Case Study: Hormel (Rock County)**

### **Business Description**

Hormel opened their Beloit plant on January 8, 1974 with a plan to make this their “flagship factory” for producing shelf-stable grocery products. Now, almost 35 years later, this factory produces 169.5 tons of goods annually. These goods include chili, Spam, salsa, hash, spreads, microwavable products, and more. With such a wide variety of products to put out, the plant gets its raw materials from around the United States, but most of Hormel’s meat is Midwestern. Hormel is a very large company, with total of 337 people employed at the Beloit plant, 203 of which are in production. Other businesses owned by Hormel include Century Foods; Mexican Accent in New Berlin, Wisconsin; Jennie-O; Dan’s Prize; Valley Fresh; Farmer John; Diamond Crystal; and several more.

### **Pros and Cons of Being Located in this Region**

Hormel has been in Beloit for almost 35 years for many reasons, but the big three are the area’s hard-working employees, the business accommodations provided by the local government (as well as their efforts in recent years to revitalize both downtown and the industrial areas of Beloit), and the close proximity of Interstates 90 and 43. The only negative aspect to being located in Beloit is the bad reputation that Beloit has struggled against in recent years—a generally unfair assumption, according to Mike Lee, Plant Manager.

### **Complementary Businesses**

Hormel does not work with any complementary businesses in the immediate 13-county area save private trucking and packaging companies. However, Mr. Lee did remark that he was planning to visit Kettle Foods so that he could tour their plant and talk to them about their sustainability practices. He believes that guiding more companies toward an interest in sustainability might successfully induce them to foster relationships and work together.

### **Growth Opportunities and Concerns**

When Hormel built their plant in Beloit, they were told to listen to their founder’s famous words: “Innovate...do not imitate.” The company has done all that it can to live up to those words. Over the past year, Hormel has created 50 new jobs, added a new production line, and has begun producing chili in a glass container. The company continues to look for new innovation strategies and growth opportunities.

### **Non-Industry-Specific Observations**

An interesting fact pointed out by Mr. Lee was that most of Hormel’s employees in management positions do not live in Beloit. The majority of them choose to commute from areas like Delavan, Rockton, Roscoe, and Rockford, for various reasons.

### **Cluster Concepts**

Mr. Lee warned that because competitive businesses are not keen on working together, it might be difficult to establish an industry cluster. He believes that state influence or the successful recognition and marketing of the cluster by outside organizations might help to sell the concept to businesses.

## **Case Study: Kerry Group (Rock County)**

### **Business Description**

The Kerry Group “develops, produces, and markets lifestyle and nutritional foods, flavors and ingredients, meeting today’s consumer demands for healthy, convenient, and tasteful food and beverages.”<sup>4</sup> Over the past 15 years, Kerry has grown through the acquisition of 50 companies. No production takes place at Kerry’s Beloit location, but a good majority of the research and development for Kerry’s many ingredients, foods, and flavors is done here. Kerry currently employs 200 people in Beloit. However, because Kerry has made the decision to headquarter all American business units in Beloit, the number of Kerry employees in Beloit is expected to grow to 400 by the first quarter of 2009. In light of these additional business units’ imminent arrival in Beloit, Kerry has begun construction of a new headquarters building—the Center for Excellence—at the intersection of Interstates 90 and 43.

### **Pros and Cons of Being Located in this Region**

When Kerry decided to move all of their American business units to one place, they ran a broad search for a new location. In the end, they chose Beloit over the Madison, Milwaukee, and even Chicago areas because the City of Beloit exhibited a willingness to cooperate with Kerry and a strong desire for their company, both of which were unmatched in any other city. Kerry was enthusiastic about the speed and efficiency involved in the construction of their new building, as well as the fact that their difficulties with red tape have been minimal.

### **Cluster Concepts**

The concept of a food cluster makes a great deal of sense to Kerry, especially in this region. According to Randy MacIntyre, Senior Vice President, the two big advantages that this region has over others are tied up in heritage and an educated workforce. The current Kerry office in Beloit, for example, was producing ice cream in 1912, and was converted into a spray-drying factory after World War II.

### **Non-Industry-Specific Observations**

The 200 new employees moving to the Beloit area during the next six months will inevitably have to decide where to live their non-occupational lives. Because the proximity of major highways makes it easy for workers to commute to the Beloit area, it is important that Beloit continue to develop the attractiveness of the area, enhancing the cultural experiences—among other things—that help to induce people to reside in Beloit. Kerry observed, for example, that Beloit needs to continue to think about what they can offer to young professionals and college graduates as far as available activities and housing are concerned. One suggested solution could be to develop a more favorable living arrangement downtown.

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<sup>4</sup>*Kerry Group*. 2008. 14 June 2008. <<http://www.kerrygroup.com>>.

## **Case Study: Fontana Flavors (Rock County)**

### **Business Description**

Fontana Flavors has been doing business in Janesville for the last five years. The company's Janesville location is their primary production site; Fontana's corporate offices are located in Naperville, Illinois. Fontana Flavors produces savory powdered flavor additives for all types of food at a rate of about 400,000 pounds per year. Savory flavors are characterized as anything that tastes better with salt—such as beef, chicken, and other meat flavors. Adam Srmovsky, the plant manager, has been working for Fontana since the company was created. He describes Fontana as a business that is competitive with larger companies and sees opportunity for growth in the company. Because Mr. Srmovsky views his workers as the most valuable resource he has, however, he would like to look into improving their benefits and wages before attempting to grow in production. Fontana Flavors competes with companies like Kerry, so they have chosen to gain an advantage by focusing on customer care and their ability to produce orders faster than larger companies. Fontana Flavors acquires some of its raw inputs from Wisconsin due to local dairy production; the rest comes from surrounding Midwestern states. A large portion of product is sent to the Midwest, but some goes to the East and West Coasts.

### **Pros and Cons of Being Located in this Region**

Fontana feels that the company is in a good location for several reasons. For starters, they are situated on a major trucking route, and are able to pull talented workers from the surrounding area. They are also a member of Forward Janesville, an organization that they have been able to utilize to their benefit on occasion; Fontana Flavors and the City of Janesville have been able to build a quality working relationship. Although Fontana Flavors is centrally located in many respects, however, it has had to deal with extended shipping time because of its northern position. Fontana has also had to face increasing shipping costs due to the price of gas and unavailable alternative shipping methods to trucking. Furthermore, Fontana Flavors struggles to find employees that are educated in food science and able to perform specialized duties. The company has found it hard to attract employees to the idea of living in the Janesville area because of the lack of recreation and entertainment.

### **Complementary Businesses**

Fontana Flavors does business with the local trucking companies; it also acquires some raw materials from area dairy producers. Much of Fontana Flavors' inputs come from brokerage firms, though, and this limits local supply options.

## **Case Study: Genencor (Rock County)**

### **Business Description**

Located in Beloit since 2002, Genencor is an industrial biotechnology company that develops and markets innovative enzymes and bio-based products. The majority of the business done at Beloit's branch of this international company is in Genencor's Agri-processing division, which "develops enzymes to improve agricultural material processing to produce animal feeds, food ingredients, and renewable fuels."<sup>5</sup> Currently, Genencor's big business has come from the ethanol boom, as they supply enzymes directly to ethanol plants across the country. Genencor draws workers from around the Stateline area and currently has 63 full-time employees.

### **Pros and Cons of Being Located in this Region**

Genencor moved to Beloit in 2002 by acquiring Corn Products, a company that had been in Beloit since 1985. This move was made necessary by how rapidly Genencor's business was growing; simply put, the company needed more space for more capacity. Genencor cited numerous benefits that they have gleaned from the area since locating to Beloit, including the city's excellent workforce as well as its proximity to larger cities and major interstate highways. The company has also noticed the City of Beloit doing great work to cultivate growth in the area over the past five years.

### **Cluster Concepts**

During our conversation, Genencor stressed quite forcefully that a good workforce is vital to an industry cluster, and Beloit certainly has an excellent workforce with quite a bit of specialized knowledge pertaining to the food industry. Genencor also mentioned the importance of growth opportunities, a vital component of cluster formation; Genencor is constantly searching for new technology to further develop the expertise of their organization.

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<sup>5</sup>"Products and Services." *Genencor*. 2008. 14 June 2008.  
<[http://www.genencor.com/cms/connect/genencor/products\\_and\\_services/agri\\_processing/](http://www.genencor.com/cms/connect/genencor/products_and_services/agri_processing/)>.

## **Case Study: Seneca Foods (Rock County)**

### **Business Description**

Seneca Foods started in 1949 as a juice company owned by their current chairman, Art Walcott. The business started small and eventually began growing through acquisition; Seneca has acquired more than 50 companies to date and are now a publicly traded company. Seneca began working with vegetables in 1982 when the company acquired four plants (one in Janesville, Wisconsin) from Nestlé and Libby. The Janesville location has since become one of two corporate headquarters as well as a vegetable processing and canning facility. It serves as Seneca Foods' largest distribution center for their private labels of potatoes, corn, asparagus, peas, and mixed vegetables. It employs over 800 people during peak business production; 100 of those employees are in management.

### **Pros and Cons of Being Located in this Region**

Seneca Foods' Janesville location benefits the company in a variety of ways. The plant is in close proximity to a portion of Seneca's growing area (Seneca 14,000 acres of potatoes in the Central Sands area of Wisconsin), and almost all of the company's food inputs can be found within a reasonable distance. Transportation has also become more important to the company as of late, and being close to multiple interstate highways and rail systems has made transportation costs less than they would be other locations. Lastly, the population density within a five-hour drive of the plant (Circle City) is beneficial, as well.

### **Complementary Businesses**

Seneca Foods' growers are the most important part of their business. Even though Seneca owns 14,000 acres of their own land, they are an international company that requires inputs from all around the country. The success of Seneca's business is enhanced by the fact that the company has access to so many growers at such a close range. Seneca's other major complementary businesses in the area are private trucking and logistics companies. Because Seneca Foods is such a large company, many operations are covered internally, but supporting Seneca plants are not far from one other. Seneca has a canning location in Baraboo, Wisconsin (Sauk County), for example, and another processing plant in Cambria, Wisconsin (Columbia County).

### **Growth Opportunities and Concerns**

Seneca Foods is in a high-cost-of-entry industry, which means that new companies likely will not be entering the market soon. The industry has seen consolidation in the market in the past, but that seems to have ceased, and Seneca is taking advantage of its position and is growing at a steady rate. At their Janesville location, the company has just decided to add 200,000 square feet of warehousing space.

### **Cluster Concepts**

If a cluster were successfully initiated, it would allow Seneca to draw from an employment pool with specialized knowledge. According to Executive Vice President and COO Paul Palmby, a cluster would also generate more productivity. In addition, Mr. Palmby mentioned that an established cluster would help Seneca Foods to collaborate with educational institutions in the region (UW-Madison, UW-Rock County, Blackhawk Tech) for training and management purposes.

## **Case Study: Del Monte Foods (Columbia County)**

### **Business Description**

Del Monte Foods has had a plant in Cambria, Wisconsin since 1999. Del Monte purchased the plant from Dean Foods, who had purchased Larsen Company (previously known as Michigan Fruit Company prior to 1974) in 1986. Del Monte uses their Cambria plant to clean, prepare, process, and can peas, green beans, wax beans, corn, and mixed vegetables. In order to keep up with production demands during peak periods, the plant utilizes 270 employees for 100 days out of the year. Fifty employees stay on full-time and take care of maintenance, management, and minimal production issues. The raw materials needed for Del Monte's production process are obtained from field operations in Plover, Wisconsin, where Del Monte has contracts with growers. Del Monte also owns land and harvests some of their own products. The company's Cambria plant participates in all stages of the production process except for the labeling step. When complete, product is shipped from Cambria to a labeling facility in Markesan, Wisconsin, and is then sent to Rochelle, Illinois for distribution. There, two major rail systems ship the product nationwide.

### **Pros and Cons of Being Located in this Region**

The biggest benefit that Cambria has to offer Del Monte lies in its growing environment. Even though the area faces a relatively short growing season, environmental conditions for fresh vegetables are phenomenal in the region.

### **Complementary Businesses**

While most of their operations are done internally, Del Monte has a very interesting relationship with one of its competitors, Seneca Foods. Seneca Foods also has a plant in Cambria, and if either party ever has a maintenance issue or malfunction, one plant calls the other to see if they have any surplus parts available to help fix the problem. Hence, although the two companies are direct competitors in the marketplace, their relationship in Cambria is very cooperative, featuring a great deal of back-and-forth communication.

### **Growth Opportunities and Concerns**

Del Monte is a fairly mature company, but it does remain on the cutting-edge of technology. They have looked at alternative forms of packaging for their products and sustainable operating alternatives for their plant. They are currently performing cost/benefit analyses with their boilers and researching potential uses for their byproducts. (Interestingly, one of the major reasons for this surge in sustainable exploration is due to pressure from Wal-Mart; the mega-store now requires its suppliers to provide corporate headquarters with reports about how they are making their products "green.") Today's economic environment has not helped Del Monte to grow at a rapid pace, however. High commodity and transportation prices—as well as increased competition for land—have been causes for concern.

## **Case Study: Kikkoman (Walworth County)**

### **Business Description**

Kikkoman Corporation is one of the oldest brand names in the food industry; its parent company began making soy sauce in Japan over 350 years ago. Production of Kikkoman soy sauce has since progressed from hand-craft to fully automated techniques, but the taste and quality of Kikkoman's product has stayed constant. Along with these advances in production procedures has come diversification into different markets. Kikkoman is now an international company, with plants in Japan, Netherlands, Australia, and the United States. The company came here in 1973 when they decided to build a plant in Walworth, Wisconsin. This plant, now the largest soy sauce-producing plant in the world, is responsible for providing soy sauce to food service, retail, and industrial markets throughout North America. Producing soy sauce is a long and exacting process, lasting about six months from start to finish. It requires very simple raw ingredients, however: soybeans, wheat, salt, and patented live Kikkoman cultures. Kikkoman's final product is produced in 38 different varieties, from one-ounce packages to five-gallon pails to full rail cars.

### **Pros and Cons of Being Located in this Region**

Kikkoman built a plant in Walworth 35 years ago because of the area's central location in relation to North America, the clean and abundant supply of water, and the strong work ethic evident in the local population. Since the beginning, Kikkoman has appreciated the favorable business environment that the State of Wisconsin has developed, and has enjoyed a positive relationship with the surrounding community.

### **Complementary Businesses**

Kikkoman is an international company, and as is the case with other companies of its kind, a lot of Kikkoman's complementary businesses are owned by the Kikkoman name. However, Kikkoman does contract out for product transportation and a few packaging inputs. Their glass comes from a company in Burlington, Wisconsin, and their caps come from Seaquist Closures in Mukwonago, Wisconsin. While the company's soybeans come from all around the Midwest and Canada, Kikkoman does use as much Wisconsin product as possible. Kerry is one large local company with whom Kikkoman has established a business relationship.

### **Growth Opportunities and Concerns**

Currently, a great deal of Kikkoman's growth has been focused on the idea of sustainability. As part of their 35<sup>th</sup> Anniversary celebration, the company put on a conference about the "business behind going green." Not surprisingly, as fuel prices continue to rise, transportation costs continue to be a significant concern for Kikkoman.

## **Case Study: Protient (Green County)**

### **Business Description**

Protient, a branch of Associated British Foods (ABF), is a large producer of protein and lactose. Located in Juda, Wisconsin, Protient employs 56 people, 12 of whom come from the Beloit area. The location of this operation is very important to its production process, which uses whey, a byproduct of cheese production, as its main ingredient. Protient's whey comes from 18 different cheese producers, all within an 80-mile radius of the Juda plant. The whey then goes through the production process at the rate of 600,000 pounds of protein and lactose per week. After the protein and lactose are bagged, they are shipped to warehouses in Argyle and Monroe, Wisconsin. Many different companies purchase the final protein product—most notably, Quaker and Sports Nutrition—while the final lactose product is sold exclusively to Nestlé.

### **Pros and Cons of Being Located in this Region**

As previously mentioned, the most important asset to this plant is its proximity to cheese production plants. As transportation costs continue to rise, it has become more and more beneficial to source from a plethora of producers within a very short distance. Other positive traits of this region include cheap land, quality employees, proximity to a very large market (i.e., Circle City), and cheap logistics. Protient gets quite a few visitors from around the world, and transportation in and out of Juda is difficult at times, but this was the only concern for the company as far as location is concerned.

### **Complementary Businesses**

There are a few businesses in the region that are complementary to Protient, but again, none are more important than the cheese producers. This relationship is very efficient; it allows the cheese producers to sell one of their byproducts for an additional profit, and it further allows Protient to add value to an accessible raw material by producing protein and lactose for quite a valuable gain. Product that is not up to Protient's specifications is sold to local farmers as animal feed, another business practice that is mutually beneficial. Other complementary businesses in the area include Curran Storage and Wisconsin Pallet Storage in the transportation industry and warehouses in Argyle and Monroe. Protient also has a significant amount of product testing done by the University of Wisconsin-Madison and Blackhawk Technical College.

### **Growth Opportunities and Concerns**

The Juda plant has been, and continues to be, the best Protient plant, and thus is growing rapidly. The plant just added 13 jobs and started a \$6 million project to get rid of its 20-year-old equipment, an endeavor that will allow them to make a higher quality product. Protient prides itself on planning five years into the future, which is why they have been working to become more sustainable. Protient mentioned, however, that the company was looking for a large central warehouse that is closer to Chicago—a concern that also poses an opportunity for the area.

### **Cluster Concepts**

Emmanuel Fontes, Operations Manager, acknowledged that the idea of fostering a cluster in the area is great, but also that competition is a large part of the food industry. Thus, it might be hard to get everyone to agree. This obstacle could be successfully approached with a carefully constructed business-case argument.

## **Case Study: IPM Foods (Rock County)**

### **Business Description**

IPM Foods was founded in January 2007. The company is now located in Beloit, Wisconsin, and is working on updating and equipping what was once a pretzel factory; this location will serve as the company's main contract manufacturing site for Tetra Recart®. IPM produces soups, broths, and other liquids for store brands and private labels. The company provides mixing, sterilization, packaging, and secondary packaging services using state-of-the-art materials and production methods to meet the needs of its customers. Raw materials come into IPM Foods already processed and are then sent through their packaging assembly line, where water is added and the final product is packaged. The individual packages are then boxed and sent to a warehouse until they are transported to the local market. A recent innovative endeavor on the part of IPM involves a new type of paper packaging with a minimal amount of polypropylene (see below for details). Although the company is currently hard at work on product research and development, they have nearly perfected their production process.

### **What is Tetra Recart®?**

Tetra Recart® is the “first retortable carton-based packaging and processing system designed for shelf-stable food products with particles of almost any size.”<sup>6</sup> This includes chunky foods, opening up a world of new possibilities for revitalization of some traditional categories such as soups and beans. The Tetra Recart® package delivers numerous benefits along the value chain. It is “a way for brand owners to differentiate themselves on the shelf while providing consumers with a package that meets modern life demands in relation to convenience, quality, and the quest for more natural, organic and environmentally-friendly products.”<sup>7</sup> In addition, “retailers appreciate the package’s square shape, which offers space efficiency and shelf impact.”<sup>8</sup>

### **Pros and Cons of Being Located in this Region**

Initially, IPM Foods had planned to erect a new plant, but quickly found that it would be too expensive. They immediately began an extensive search and found an old pretzel manufacturing plant in Beloit that was a “perfect construction” for their equipment and processes. Besides this initial benefit, other positives to being located in the area include easy access to both Chicago for warehousing and to transportation in general. However, while renovating the plant, IPM quickly noticed that the road leading up to the building was not conducive to frequent truck travel in and out of the plant. The City of Beloit is currently resurfacing and widening the road so that IPM Foods can operate more efficiently.

### **Complementary Businesses**

Because IPM Foods has not begun market production yet, they do not supply to any businesses in the area; however, the company does have relationships with Blackhawk Technical College and—obviously—Tetra Pak® in Vernon Hills, Illinois.

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<sup>6</sup> “Products and Services.” *Tetra Pak International*. 2008. 3 June 2008.  
<[http://www.tetrapak.com/products\\_and\\_services/packages/tetra\\_recart/Pages/default.aspx](http://www.tetrapak.com/products_and_services/packages/tetra_recart/Pages/default.aspx)>

<sup>7</sup> “Weekly Newsletter.” *Institute of Food Technologists*. 1 August 2008.  
<[http://members.ift.org/IFT/Pubs/Newsletters/weekly/nl\\_100307.htm](http://members.ift.org/IFT/Pubs/Newsletters/weekly/nl_100307.htm)>.

<sup>8</sup> Ibid.

### **Growth Opportunities and Concerns**

The technology used by IPM Foods is new and promising, but several things must happen before IPM's packaging can become competitive with cans: the company needs to do an exceptional job of selling their product to brand owners, transportation costs need to be minimized, and consumers need to become more educated about sustainable packaging.

## **Case Study: Create-A-Pack Foods, Inc. (Jefferson County)**

### **Business Description**

Create-A-Pack Foods, Inc. was launched as a contract manufacturing firm in 1997; the company specializes in packaging small company products. The company started out with 1500 square feet of space in Oconomowoc, Wisconsin. Glenn Cochrane, owner of Create-A-Pack, had been working in the same industry for a large company that was getting rid of their smaller clients. Mr. Cochrane realized the potential of these small companies and resigned from the large company in order to start up Create-A-Pack. He believed that he could use this company to supply and produce for these disregarded small companies, and he met a great deal of success. Create-A-Pack's business grew so rapidly that they have already relocated to Ixonia, Wisconsin because the space in Oconomowoc was too small. Since moving to Ixonia in 2006, Create-A-Pack has seen profits increase from \$4 million to an estimated \$15 million in 2008. They have also seen their workforce increase from 40 employees in 2006 to 70 today. Part of the reason Create-A-Pack has grown so quickly lies in the value that the company adds to smaller companies; they take smaller company recipes and help to create replicas suited for production on a larger scale. Create-A-Pack then contracts out for the raw materials, produces the good for its customer, and finally packages the final product (in pouches, bottles, or plastic containers, depending on the product). If a label is supplied, that label will also be attached to the final product.

### **Pros and Cons of Being Located in this Region**

The move from Oconomowoc to Ixonia was a strategic decision for Create-A-Pack. They needed more space for their company, but still wanted to remain fairly close to Oconomowoc for two reasons: some of their employees still reside there, and a portion of Create-A-Pack's work is still done in Oconomowoc. Transportation was another factor that Create-A-Pack considered when choosing their relocation site. It was beneficial for the company to remain in the upper Midwest, where they have access to short routes between Madison, Milwaukee, and Chicago.

### **Complementary Businesses**

Any relatively small producer that wants their product(s) to reach the market in a more diverse or efficient manner can contact Create-A-Pack to form a business relationship. Currently, Create-A-Pack is working with many small companies—Renaissance Farm, Wisconsin Rapids Cranberries, and Cerniglia Products, for example, to name just a few. Create-A-Pack's two largest customers are McCormick and Hammer Nutrition. Create-A-Pack's diverse group of customers is unsurprising, though, in light of the values on which the company was founded; the business's main goal was always to provide an opportunity for small producers to get their product to market.

## **Case Study: Southeastern Container (Rock County)**

### **Business Description**

Opened in Beloit in June 2007, Southeastern Container began production of plastic bottles for Coca-Cola shortly thereafter and was in full production by October of the same year. Southeastern Container was founded in 1982 in Ashville, North Carolina (hence the name Southeastern) as a co-op of Coca-Cola. Southeastern Container has been growing alongside Coca-Cola ever since, and currently has 10 plants strategically placed around the country, making resin preforms and plastic bottles. The Beloit plant receives the preforms from a plant in Bowling Green, Ohio, pumps air into the preforms in the presence of a bottle mold in order to create bottles that are the correct size and shape, and then ships pallets of bottles to Coca-Cola plants in Milwaukee, Chicago, Bismarck, Sioux City, Atlantic (IA), Eagan (MN), and Rapid City (SD) at a rate of 10-12 million bottles per week. The production process is highly automated, but Southeastern Container still has 52 full-time employees from the Beloit and Janesville area.

### **Pros and Cons of Being Located in this Region**

Southeastern Container originally chose to open in Beloit because they saw the city as a very strategic location for their growing operation, especially in light of rising transportation costs. Bill Bock, General Manager, emphasized the importance of recognizing where one's market is; for Southeastern Container, Beloit was right in the center of that market. Other positive traits of the Beloit region for Southeastern Container included the generous business incentives and training provided by the City of Beloit; they also appreciated the opportunity to be located in the Gateway Business Park. The excellent workforce in the region was listed as yet another boon.

### **Complementary Businesses**

Because Southeastern Container does all of its business for Coca-Cola, the majority of their operations do not involve any complementary businesses in this region. Two exceptions are Blackhawk Transportation and Kolnik Transportation, on whom the company relies for the distribution of bottles to surrounding Coca-Cola plants.

### **Growth Opportunities and Concerns**

When Southeastern Container moved to the Gateway Business Park, they already knew that business would continue to grow in the near future. While they are currently only using 245,000 square feet of space, they have access to just over 700,000. With this extra space they will have the capacity to start producing their own bottle preforms instead of receiving them from Bowling Green, Ohio. In addition, the company performs constant research regarding new types of materials for bottles (e.g., soy plastics); their biggest concern is finding a way to make plastic bottles competitive with metal cans in regard to product shelf-life. For that to happen, a new type of air-resistant plastic would have to be developed so that product stays bubbly for a longer period of time. However, while the inferior shelf life of plastic bottles is always a concern for Southeastern Container, it is not as large a concern as that of transportation costs.

## **Case Study: L & L Foods (Dane County)**

### **Business Description**

Located in Verona, Wisconsin, L & L (Lazarz & Lamb) Foods is currently celebrating its 60<sup>th</sup> anniversary as a wholesale food distributor and warehouse. Although their main operations consist of distribution and warehousing, L & L Foods is likely best-known for its “Bucky Badger” private label, which has been in existence since 1964. Today, the company has 500 different Bucky Badger products, ranging from cheese blocks and spreads to snack mixes and tortilla chips. Beyond the Bucky Badger label, L & L Foods distributes 5,000 items directly to stores in the southern half of Wisconsin. L & L Foods’ sales methods vary with the size of their customers—for example, working with corporate-owned stores requires a bit more legwork than working with small stores—but in smaller locations, if a producer wants L & L to distribute their product, L & L comes into the store and sells product directly to management. If management approves the product as a viable product, L & L will work with the producer to optimize production techniques and to help grow the producer’s market—proof that service truly is L & L’s number-one priority. L & L Foods currently employs the third generation of Lazarz as well as six salesmen and 24 other workers from around the Madison area.

### **Pros and Cons of Being Located in this Region**

Being located in the Madison area has definitely helped the viability of the Bucky Badger label. L & L foods has used the Bucky Badger label to establish an initial relationship with grocery stores, bars, and restaurants, and then gradually starts selling other products—such as Renaissance Farm’s Zalta and sauces—to the businesses. This process has thrived in the southern half of Wisconsin because of the quality of the market.

### **Complementary Businesses**

Seen as the middle-man between producer and retail, L & L Foods has a wide variety of complementary businesses within the region. You can find Bucky Badger products in almost any grocery store in the area, whether it be Woodman’s, Wal-Mart, Miller’s, Walgreen’s, or an assortment of bars and restaurants. L & L Foods also has relationships with producers like Renaissance Farm, Oskri, Martha’s Mustard, and anyone else that has a viable product that can succeed on retailers’ shelves.

### **Growth Opportunities and Concerns**

L & L Foods maintains quality relationships with everyone they do business with, whether it is a broker, retailer, or producer—which is why their business seems to grow even in the absence of drastic changes. With the “Buy Local” trend that seems to be evolving in the marketplace, L & L Foods is uniquely situated to provide necessary services to both the small, local supplier and the regional (and even national) retailer.

With prices increasing in almost every aspect of their business, L & L Foods is beginning to see some challenges with the pricing of their products as well as those of other producers. Their concern for fuel is also rising as the company begins seeing more fuel surcharges on their books—surcharges for which they must incur a loss.

## **Case Study: Cerniglia Products Inc. (Dane County)**

### **Business Description**

Cerniglia Products is a privately-held company located in Middleton, Wisconsin, and is a member of Bellissimo Foods in California. Since its inception in 1984, Cerniglia has focused on providing food and restaurant supplies to area restaurants and independent food services. Within their 70-mile distribution ring, Cerniglia adds 10 new products and one new customer every week.

### **Complementary Businesses**

All of Cerniglia's business comes from within a 70-mile radius, which means there are a lot of local complementary businesses for the company. Cerniglia's relationship with Renaissance Farm was especially interesting. They have a relationship based on basil; Renaissance Farm produces basil for Cerniglia, and Cerniglia assists in producing and selling some of Renaissance Farm's pesto. Cerniglia Products also backhauls glass jars from Milwaukee for Renaissance Farm. In addition, Cerniglia cited Create-A-Pack as an area complementary business.

### **Growth Opportunities and Concerns**

As previously stated, Cerniglia Products averages one new customer and 10 new products per week, a self-diagnosed good pace for growth. Opportunities for further growth will require continued service to and from current customers, and the ability to become more competitively priced. Receivables have become a concern for Cerniglia, however, and could hinder the company's growth.

## **Case Study: LaGrou Distribution (Ogle County)**

### **Business Description**

LaGrou Distribution is a product distribution company located in Rochelle, Illinois. Seven to ten years ago, almost all of their distribution was for the food industry. Three years ago, due to many different reasons, a great deal of LaGrou's customers in the food industry decided not to use third-party logistics anymore. Thus, LaGrou's current clientele is more diverse, ranging from small "Mom & Pop" producers to large companies like Orange Glo (the producer of Oxi Clean); the company no longer distributes exclusively for the food industry.

### **Pros and Cons of Being Located in this Region**

Location is the LaGrou Distribution's biggest asset. They pride themselves in being "Chicago's Leading Distribution Service" and "your food distribution system for the Midwest."

### **Growth Opportunities and Concerns**

As the market sees a push toward local food, LaGrou is in a unique position to gain a slice of the potentially imminent increase in demand for local product distribution. Because transportation costs are an integral part of the company's decision-making process, LaGrou is constantly searching for ways to hedge price increases in that area.

## **Case Study: Brown Swiss Association (Rock County)**

### **Association Description**

The Brown Swiss Association (BSA) has a very interesting history, one that is indirectly related to the food industry. As its name suggests, the association works with Brown Swiss cattle to protect the integrity of each cow's records (especially the ancestry of each animal). The organization was launched in the early 1900s. Ira Inman, the first secretary of the association, moved BSA to Beloit, Wisconsin in 1935. Everyone has seen commercials and news clippings about Certified Angus Beef (CAB), and Brown Swiss is working on similar marketing strategies in order to promote their cattle for their great dairy production. BSA registers approximately 10,000 calves per year and is currently researching genetic recessives, different DNA strategies, and the possibility of competing on factors other than population. While these three research topics are very important to the association, Brown Swiss is hindered by financial limitations. Finding a marketing strategy that will provide end product differentiation will allow BSA to separate their Brown Swiss animals from other cattle and hopefully bring the association more money for further research.

### **Pros and Cons of Being Located in this Region**

The Brown Swiss Association has been here for over 70 years, in a building perched beautifully along the Rock River. The scenery is an added bonus, of course, but the biggest reason the association remains in Beloit is the concentration of Brown Swiss cattle in the area. Within this immediate eight-county region (including Rock and its neighboring counties) lies the largest concentration of Brown Swiss Farms in the nation.

### **Cluster Concepts**

As an organization, BSA might not be directly concerned with the concept of food production and technology, but they did offer excellent insight on the topic. The fact that their association is struggling with marketing hearkens back to how important it is that a cluster take full advantage of marketing opportunities. Without a forceful marketing strategy, a cluster cannot function properly. Another daunting difficulty is centered on the word "commodity;" agricultural inputs are and likely always will be commodities, which is why value-added agriculture should be given proper emphasis during the development of this cluster.

With regard to specialty foods, Dave Kendall, Executive Vice President of BSA, noted that specialty, organic or local food is only 10% of the market. Thus, it will be very difficult for producers to meet market demand if it increases. This is why Mr. Kendall believes that organic and local foods will always remain a niche market.

## **Case Study: Midwest Food Processors Association (Regional)**

### **Association Description**

The Midwest Food Processors Association's (MWFPA) mission statement is as follows: "To enhance and promote the business interests of the Midwest food processing industry, to be the foremost recognizable legislative voice in the three-state area espousing the objectives and concerns of the food/vegetable processing industry, involve members in association activities and promote activities which assure the safety, quality, and nutrition of our members' products."<sup>9</sup> This mission statement encapsulates perfectly the reasons why businesses like Seneca, Del Monte, Kraft, Hormel, Lakeside, and Frito-Lay are (or have been) MWFPA members. In short, serving their members' interests is the MWFPA's overall goal, whether it be by lobbying with state and federal governments or by running educational programs for the industry. The association's members operate 70 facilities in Illinois, Minnesota, and Wisconsin. There are also over 200 firms in allied industries that are associate members of the association. Although these may seem like impressive numbers, the association is still working on expanding membership to include a broader sector of the food processing industry.

### **Cluster Concepts**

Because the MWFPA is an association that deals with the governing bodies, they have discussed the concept of an economic cluster several times. They noted several optimistic points along with a few pessimistic ones. On the positive side of things, the MWFPA has seen the State of Wisconsin do great deal of preliminary research on the food industry, and they have gone so far as to identify the food industry as a cluster. However, nothing has been done since the completion of that identification process. Wisconsin—and especially this 13-county region—has the framework and the resources to develop a successful cluster. In order for the cluster to be established, though, more opportunities to share ideas must be created and more cluster-specific data needs to be made available to the public. The cluster will also need to institute a specific marketing strategy.

The most interesting thing that the MWFPA offered as advice in regard to cluster formation was that those in charge of overseeing or advancing the cluster should promote business incubators within the industry. Several obstacles currently stand in the way of this recommendation, however—the largest being the fact that there exists a great deal of division between food processors and the entire food industry. These divisions are referred to as "silos" within the industry, and finding a way to combine these silos will be very challenging.

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<sup>9</sup> "Mission Statement." *Midwest Food Processors Association*. 18 May 2008. <<http://www.mwfpa.org>>.

## **Case Study: Wisconsin Department of Agriculture**

### **Department Description**

The Department of Agriculture has a lot of responsibility, but their most important duty with regard to the food industry is the assistance and breadth of opportunity that they supply to the industry. The Department of Agriculture offers beginning farmer training, grants for the public, and many different marketing departments. The following list covers some of the projects in which the Department of Agriculture has a role:

- Savor Wisconsin – Virtual farmer’s market, started in January 2004
- Something Special from Wisconsin – Labeling and marketing mechanism for any product that has at least half of its inputs sourced from Wisconsin
- Food Marketing Institute
- Food Marketing Seminars
- Wisconsin Grocers’ Association
- Annual Food Entrepreneurship Training – At the University of Nebraska- Lincoln
- Agriculture Marketing Bureau
- Agricultural Business Development Bureau
- Grants – Available to people who want to do research that will be beneficial to the entire industry

### **Growth Opportunities and Concern for the Industry**

The research being conducted for the food industry right now is very timely—especially in regard to specialty foods—because consumers are becoming more and more concerned with where their food is coming from. People in general do not realize how important food is to the state of Wisconsin, which is why consumer education needs to be addressed more in the future. Once consumers realize how important this industry is, it is likely that more industry-specific business opportunities will present themselves.

Most of the challenges mentioned in the discussion with the Department of Agriculture involved the developing specialty food market—not already-large firms like Frito-Lay, Kraft, and Seneca. The need to find processing facilities for smaller start-ups must be addressed before the food cluster can operate at full capacity. The difficulty of getting small company product into our grocery stores should also be addressed accordingly. The biggest challenge for this segment of the industry lies in the distribution and pricing of products, and there should be more educational opportunities for small producers in regard to these two topics.

## **Case Study: Thrive (8 Counties)**

### **Association Description**

Thrive is an association that was started up with the vision of growing the Madison region's economy in ways that preserve and enhance the quality of life. The association has identified agriculture, biotechnology, and healthcare as the three major industries within the eight-county "Madison Region," which includes Columbia, Dane, Dodge, Green, Iowa, Jefferson, Rock and Sauk counties. While most of Thrive's research has been done in Madison, they have recently been attempting to find ways to partner with other organizations outside of Dane County. The topic of specialty foods—those slightly above commodities—is what has allowed Greg Lawless, Director of Agriculture Initiatives, to branch out to the surrounding seven counties (Columbia, Dodge, Green, Iowa, Jefferson, Rock, and Sauk). His research includes working with the GreenLeaf market—an online database that allows buyers (restaurants, grocers, schools) to link with sellers (farmers)—as well as finding out about the needs of the area farmers.

### **Recommendations**

The overlap of Thrive's eight counties with Belmark's 13 is not a coincidence. This overlap of interest will provide both parties with the opportunity to partner on upcoming projects. The fact that Vision Beloit and the Greater Beloit Chamber of Commerce share an interest in some of Thrive's counties will allow Thrive to expand parts of its research into areas outside of Madison.

## Summary of Case Studies

Here, we wish to highlight major trends and facts from the case studies as a whole.

### *What We Have*

- **Circle City** – The region of our research is at the direct center of a market of 20 million people. This market includes cities such as Minneapolis, St. Paul, Madison, Milwaukee, Chicago, and the Quad Cities.
- **Workforce** – The area already has a fairly mature workforce with specialized knowledge in the food processing and technology industry. This allows existing companies as well as new entrants to recruit from a well-qualified pool of potential employees.
- **Heritage** – Located in America’s Breadbasket, this region has grown with the agricultural industry for decades. This region hosts multiple companies that have been in the area for over 30 years, and some recent arrivals have purchased plants from companies that were in the food industry up to 90 years ago.
- **Raw Materials** – With a rich agricultural background and an abundance of freshwater, this region is ideal for businesses that are interested in the food industry.
- **Room to Expand** – With ample space available in Beloit’s Gateway Business Park, new companies have plenty of room to grow. (See Appendix 1 for map.)
- **Transportation** – With major interstates, highways and rail systems dispersed throughout the region, the area is uniquely situated to provide distribution to markets around the world.
- **Governing Body Support** – Many different businesses mentioned that the continuous assistance given to them by local and state governments was a key component to locating within this region.

### *What We Need*

- **Lack of Producers** – Agriculture is a very large part of our economy, and it would be beneficial to see more producers—both large and small—begin operation in this region. To get an idea of how agriculture affects our economy, we asked David Cleverdon, a member of Stateline Farm Beginnings®, about the program. He reported that they train 16 new farmers every year, and he estimated that each class of farmers will add 5,000 jobs and \$20 million to the economy over a 20-year period.
- **Expanded Growing Season** – While this region’s soils and crops are among the world’s best, some companies and growers struggle with the length of the growing season. It is hard to compete with locations that grow year-round, and many companies are looking at different ways to expand the growing season.
- **Emphasis on Cultural Appeal of the Region** – Some companies in the Beloit area remarked that certain improvements needed to be made in order to attract both college graduates and families to the immediate Beloit area. Young adults seem to be concerned with entertainment and housing opportunities—which are lacking in diversity—while families are repelled by the quality of the school system.
- **Educational Training and Development Opportunities** – In order for the cluster to operate at its full potential, many businesses from the above case studies believe that Blackhawk

Technical College should be utilized in some way. Organizations could work with BTC to start sustainable agriculture programs for existing and future farmers, and could also begin workforce training for larger employers. Furthermore, the University of Wisconsin-Madison has one of the nation's top food science programs, and more partnerships could be created there.

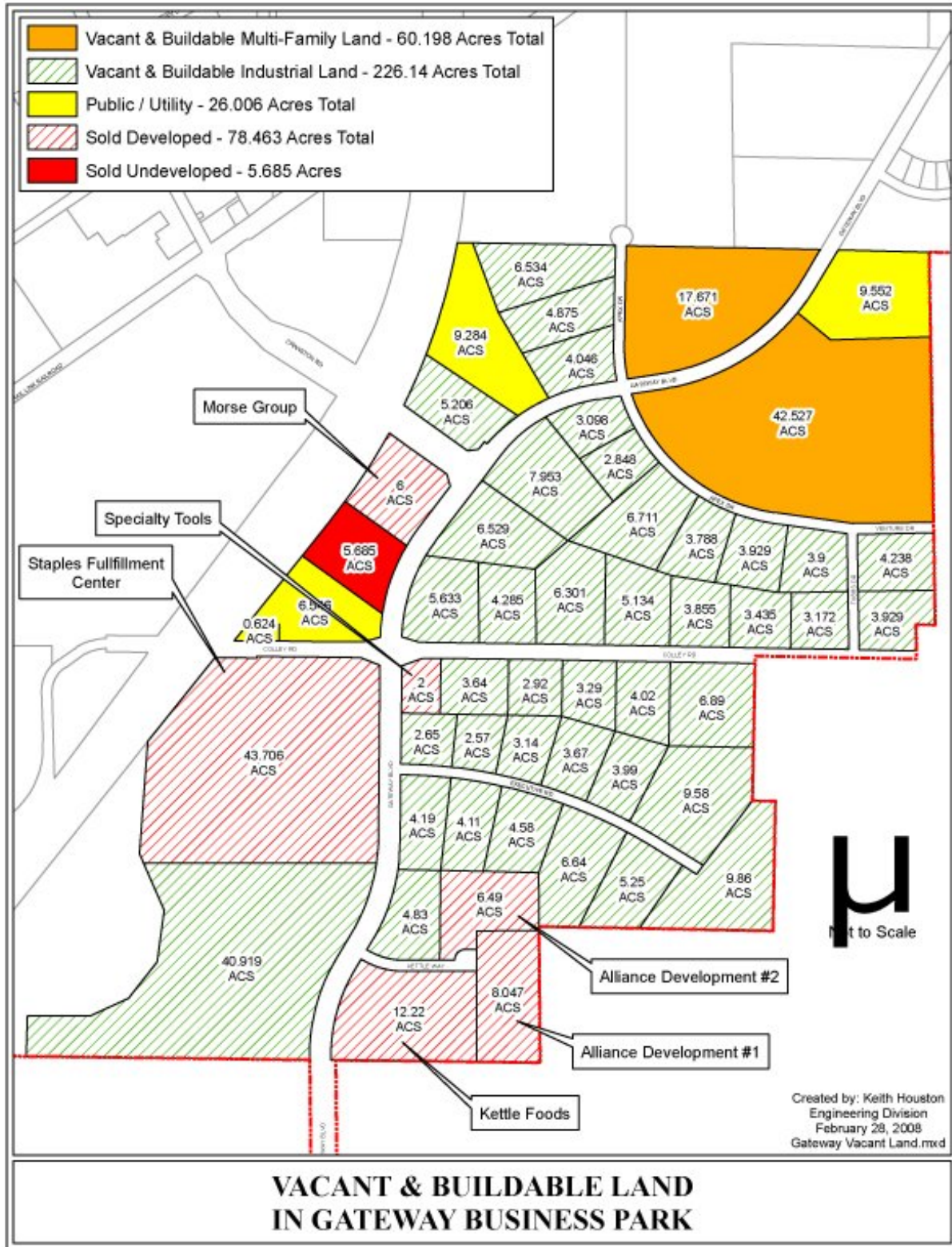
- **Marketing the Cluster** – A cluster has been identified in this region by the State of Wisconsin, Thrive, and the City of Beloit (among other organizations), but nothing has been done to promote the *growth* of this cluster. One of the most important stipulations of successful cluster growth requires that the cluster be recognized by everyone in the surrounding area—not just the governing bodies and a few of the industry's producers. In order for this cluster to be efficient, it must be marketed accordingly.
- **Logistics and Distribution** – Transportation is becoming one of the largest expenses for food producers and distributors. It is our opinion that innovation and new approaches are necessary. Our case studies have identified the following as potential opportunities for improvement: a central distribution center, logistical planning for efficiency, and storage facilities to reduce the “food miles” involved in food manufacturing and production.
- **Unique Opportunities for Collaboration** – Competition is fierce among food processors, and information-sharing is rare. If a cluster is to thrive, it must have a web of connectivity, which is likely the biggest challenge for large producers. These large companies tend to be set in their ways, while small companies and growers are always looking for new methods for improving their operations. Our case studies identified transportation and sustainability as two topics that could be used to initiate relationships among the entire cluster.

## **Conclusion**

This report has identified the principles of a cluster that are already in place in our region of study, as well as gaps that have been observed by the entire food processing and technology industry. The report has also described what businesses are present in the study area and their involvement in the food processing and technology sector. Each case has identified cluster concepts that were already in practice as well as possibilities for improvement.

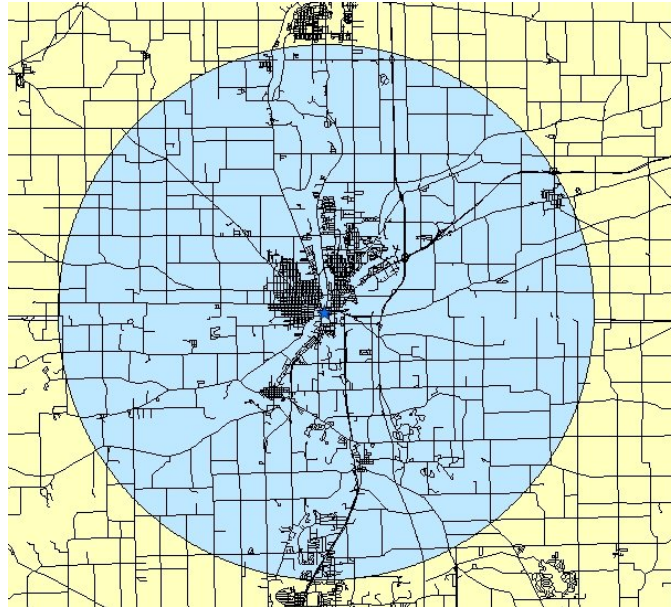
Our findings show that food processing and production is a prominent and growing industry in this region's economy. The potential for growth in this cluster is evident, but the gaps we have identified must be filled before this growth can meet its full potential. The development of the cluster must encapsulate the concepts of economic gardening as well as economic hunting. With these two economic development strategies working together, this region will be able to nurture smaller local producers as well as larger international producers, resulting in a food processing and technology cluster that is as diverse and complete as possible.

# Appendix 1: Gateway Business Park – Beloit, Wisconsin



Source: Andrew L. Janke, City of Beloit Economic Development Director

## Appendix 2: Market Profile for 10 Miles Radius from Beloit City Center



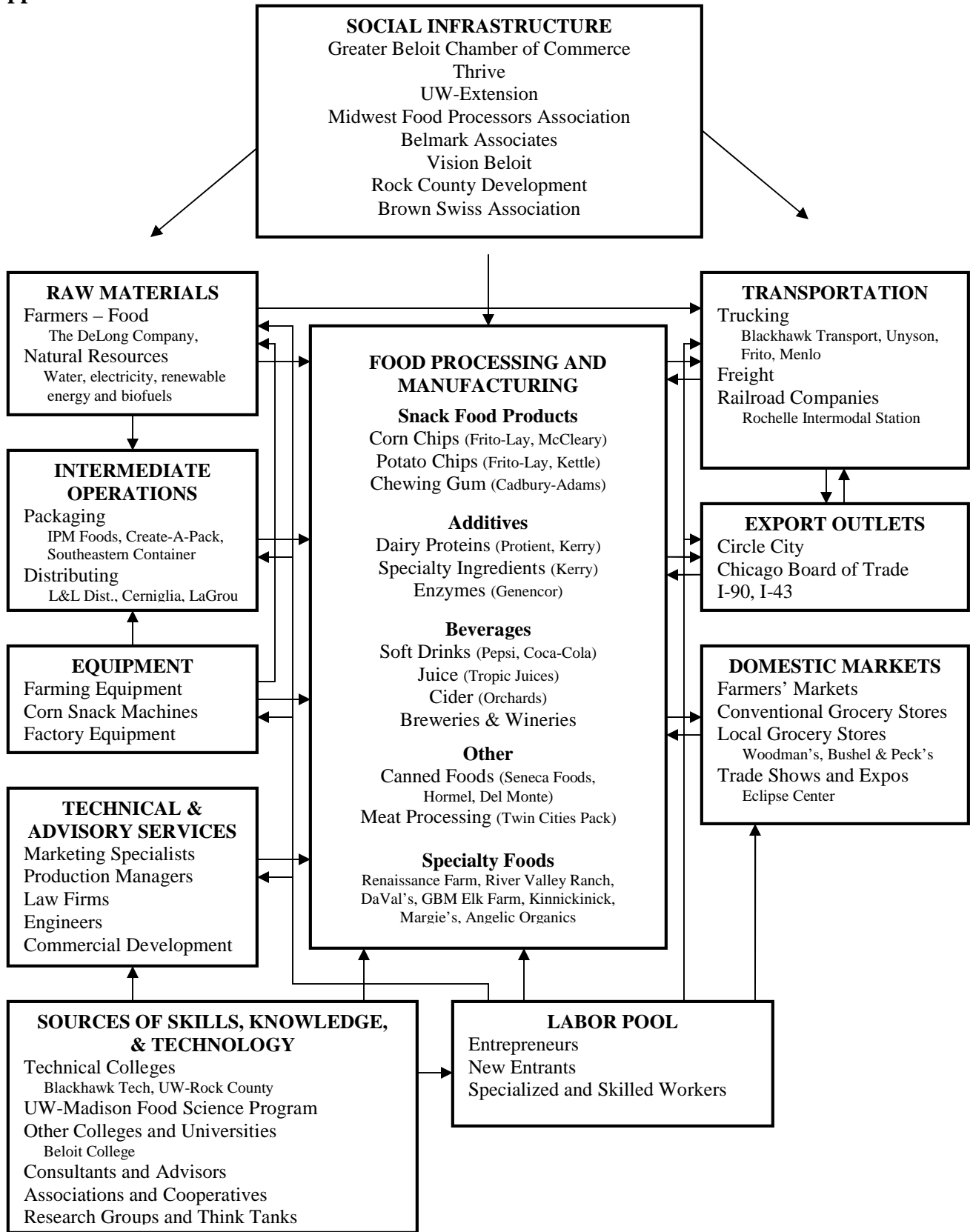
**Figure 1**

Figure 1 shows a ten-mile radius from Vision Beloit at 500 Pleasant St. Beloit, WI. This area is a primary focus for the growth in the region if it is to be the center of a food processing and technology cluster. Table 1 represents a brief market profile for the ten-mile area which shows current and future facts of individuals residing in the area. The data from Table 1 indicates that this area has greater than 70% of its population twenty-five and older without college education, and is aging. These issues need to be considered in creating economic development strategies such as a food processing and technology cluster.

**Table 1**

<b>2008 Total Population</b>	110,014	<b>2008 Population 25+ by Educational Attainment</b>	
<b>2013 Total Population</b>	118,275	Total	72,197
<b>2008 Per Capita Income</b>	\$26,868	Less than 9th Grade	3.8%
<b>2013 Per Capita Income</b>	\$30,412	9th - 12th Grade, No Diploma	10.5%
<b>2008 Median Age</b>	37.6	High School Graduate	36.4%
<b>2013 Median Age</b>	38.4	Some College, No Degree	22.7%
<b>2008 Median Household Income</b>	\$62,112	Associate Degree	7.6%
<b>2013 Median Household Income</b>	\$69,068	Bachelor's Degree	12.5%
		Graduate/Professional Degree	6.5%
<b>2008 Households by Income</b>		<b>2013 Households by Income</b>	
Household Income Base	40,767	Household Income Base	43,944
< \$15,000	7.9%	< \$15,000	6.9%
\$15,000 - \$24,999	7.8%	\$15,000 - \$24,999	6.4%
\$25,000 - \$34,999	8.6%	\$25,000 - \$34,999	7.3%
\$35,000 - \$49,999	14.6%	\$35,000 - \$49,999	11.1%
\$50,000 - \$74,999	22.4%	\$50,000 - \$74,999	23.2%
\$75,000 - \$99,999	22.8%	\$75,000 - \$99,999	21.8%
\$100,000 - \$149,999	10.1%	\$100,000 - \$149,999	15.7%
\$150,000 - \$199,999	2.9%	\$150,000 - \$199,999	3.6%
\$200,000 +	2.8%	\$200,000 +	4.0%
Average Household Income	\$71,871	Average Household Income	\$81,180

### Appendix 3



## References (Businesses Contacted)

Angelic Organics	Kinnickinick Farm
Brown Swiss Association	La Grou Distribution
Cerniglia Products	L&L Foods
Create-A-Pack Foods	Margie's Grass Kickin' Chicken
Del Monte Foods	McCleary Foods
DeLong Company	Protient
Fontana Flavors	Renaissance Farm
Frito-Lay	River Valley Farm
Genencor	
Golden Bear Monarchs Elk Farm	Seneca Foods
Hormel	Southeastern Container
IPM Foods	Thrive
Kerry Group	Twin Cities Pack
Kikkomann	Wisconsin Department of Agriculture

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