

Food Processors Look to Rock County

By [JASON SMATHERS](#) ([Contact](#)) - Aug. 29, 2010



BELOIT — Kettle Foods hit a wall in about 2005.

The Oregon-based specialty potato chip company had grown significantly, but company officials knew their chip manufacturing plant in Salem, Ore., couldn't carry them eastward.

The company surveyed several locations for a new plant, eventually settling on a handful of possibilities in the Midwest. In the end, Beloit had the resources, location and economic incentives to best reach a new market.

The decision to locate in Rock County resulted in a multimillion-dollar investment in a state-of-the-art manufacturing plant and about 100 new jobs. About 2,700 people applied for the positions.

The good news kept coming.

In 2007, Kerry Ingredients, an Irish company with an existing plant in Beloit, announced it would build its Center for Excellence and headquarters there, creating an additional 300 jobs.

In 2009, Frito-Lay, which already had two plants in the area, announced plans to expand its food development operations, retaining 500 jobs and creating another 25.

Kettle, Kerry and Frito-Lay are among a constellation of food processing employers clustered in Rock County. In a time when other industries are suffering, the food processing industry has actually seen an uptick.

While the food processing sector won't solve all of the area's employment woes, economic developers are betting south central Wisconsin has plenty of room—not to mention resources—for food processing firms looking for a new plant or headquarters.

Why Rock County?

Wisconsin is a major hub for food processors, with the state shipping about \$1.2 billion worth of food products a year. But Rock County has gained about 800 employees in the food processing industry in the last five years, with 2,200 employees total.

While the dragging economy has hurt other industries, most processors have actually seen it as a boon, said Nick George, president of the Midwest Food Processors Association.

The recession has forced more people to stop dining out and start eating home cooked meals. While that has meant a dip for restaurant suppliers, companies such as Hormel and Frito-Lay that produce grocery staples have seen steady or increasing sales, George said.

Rock County is attractive to the food processing industry for several reasons, including agriculture.

The county's output of corn and soybeans is the second-largest in the state by inventory, while livestock numbers for hogs and sheep rank high as well, Rock County Economic Development Director James Otterstein.

Add those figures to Wisconsin's abundance of potatoes, grains, cattle and dairy, and the entire area begins to look more attractive to a potential food processing company. "We're (Wisconsin) No. 1 in a lot of areas, and so we attract some types of industry," George said. "For instance, the whole cheese export market is going crazy right now, which is good for companies like Kerry."

The other element is market proximity. With Interstate 90/39 running through Beloit and Janesville, both have immediate proximity to markets in Chicago and the lower Midwest. The county also has relatively quick access to markets in Milwaukee and the Twin Cities in Minnesota by rail.

The area's existing food processing companies help draw others, too. Andrew Janke, Beloit's economic development director, said the concentration of the companies says something about the technological resources and human capital present. It also attracts companies related to, but not necessarily in, the food processing industry.

"If you take a look at all these businesses in Rock County, all of these people use pallets, all these people use plastic, most of them use bags," Janke said. "Some companies start thinking maybe it's time to move suppliers here."

A homegrown processor

Even with the proliferation of major corporations in the area, some success is local. MacFarlane Pheasant Farm is one example.

For most of its 91 years in business, McFarlane was almost entirely a game bird farm. Any processed pheasants the company happened to sell came out of an ice chest at Don MacFarlane's home on Center Avenue.

That started to change in the late 1980s, when the farm received larger pheasants from a breeding experiment at Texas A&M and the market for dressed pheasants started to open up.

Bill MacFarlane, who now runs the business, knew the farm needed to diversify its revenue and recognized two markets for his products. "One is a hunting preserve, and one is a high-priced restaurant," MacFarlane said. "There was a push for wild game since it provides a leaner meat. So, high end restaurants began selling bison and deer products."

MacFarlane started selling dressed, oven-ready birds. In the beginning, the company sold 3,000 a year. Today, MacFarlane sells more than 150,000 processed pheasants annually across the country and counts food products as 20 percent of its business.

MacFarlane said the company's national (and occasionally international) reach is thanks in part to Janesville's proximity to large markets in the Midwest and easy access to shipping through O'Hare International Airport by way of the Interstate. It helps, he said, that the conditions in Rock County are perfect for raising pheasants and growing cover for their pens.

Bringing them in

While homegrown firms such as MacFarlane know the benefits of Rock County, national firms are a tougher sell. A company's decision often hinges on the information and incentives provided. Such was the case with Kettle.

Janke said Beloit was contacted through the state Department of Commerce. Kettle was not identified, and the company gave only basic details: what they made, what they might bring to Beloit and, most importantly, what they needed.

The county and city had to compile a ream of data: available acreage, water capacity, workforce information and other specifics. Eventually, Beloit and other cities submitted incentive packages, along with state contributions. Kettle was offered:

- 20 percent in direct developer incentives for 10 years.
- A \$500,000 forgivable development loan from the state Department of Commerce.
- \$510,000 in tax credits from Beloit.
- A \$132,000 Transportation Economic Assistance grant from the Department of Transportation.
- A \$50,000 grant to train new employees at Blackhawk Technical College.

Janke said financial incentives combined with land prices lower than competing sites in Illinois helped seal the deal.

Joe McCarthy, Kettle's vice president of manufacturing, said Beloit made the most sense. "Beloit was built because of the significant increase in East Coast value," McCarthy said. "It has good central location, good access to highways to distribute and its wonderful spot for the potatoes. The vast majority of potatoes (we use) are grown in Wisconsin."

The Kettle package was not a rarity.

When Kerry was trying decide where to locate its headquarters, the company was offered a 35 percent direct developer incentive, \$2.5 million in state loans and \$3 million in city tax credits.

In May, Gov. Jim Doyle signed a bill creating a food processing tax credit of up to \$200,000 for companies that modernize or expand their processing or warehouse operations.

Moving forward

The last decade of growth was not a fluke, and Rock County's economic development team is doing what they can to build on past success.

In the last few months, Rock County has started marketing itself as a prime location for food processors. Officials produced a brochure touting the county's agricultural output and location, sent out 6,000 direct mail marketing pieces to processing companies across the country and started advertising in industry trade magazines.

Beloit and Janesville also are working to certify sites as "shovel ready." Such efforts convince George that the county is in a good spot.