



Cabinet for Economic Development

Food and Beverage Manufacturing Industry In Kentucky



Kentucky's Food and Beverage Manufacturing Industry

Executive Summary

The food and beverage manufacturing industry represents a large portion of the United States' manufacturing sector. According to the Bureau of Economic Analysis, this industry accounted for over 13 percent of the nation's manufacturing gross domestic product in 2009.

The U.S. Bureau of Labor Statistics describes the food industry and the beverage industry as:

- Industries in the Food Manufacturing Subsector transform livestock and agricultural products into products for intermediate or final consumption. The industry groups are distinguished by the raw materials (generally of animal or vegetable origin) processed into food products.
- The industry group, Beverage Manufacturing, includes three types of establishments: (1) those that manufacture non-alcoholic beverages; (2) those that manufacture alcoholic beverages through the fermentation process; and (3) those that produce distilled alcoholic beverages. Ice manufacturing, while not a beverage, is included with non-alcoholic beverage manufacturing because it uses the same production process as water purification.

Nearly 14 percent of Kentucky's manufacturing jobs are in the food and beverage products manufacturing industry. This industry has been successful in the Commonwealth for reasons such as:

- Low Business Cost
- Quality Workforce
- Central Location
- Rich Agricultural History

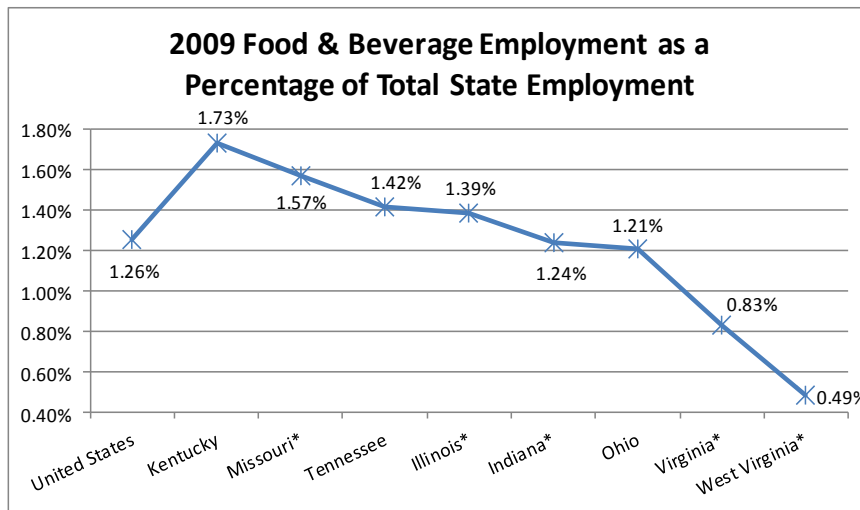
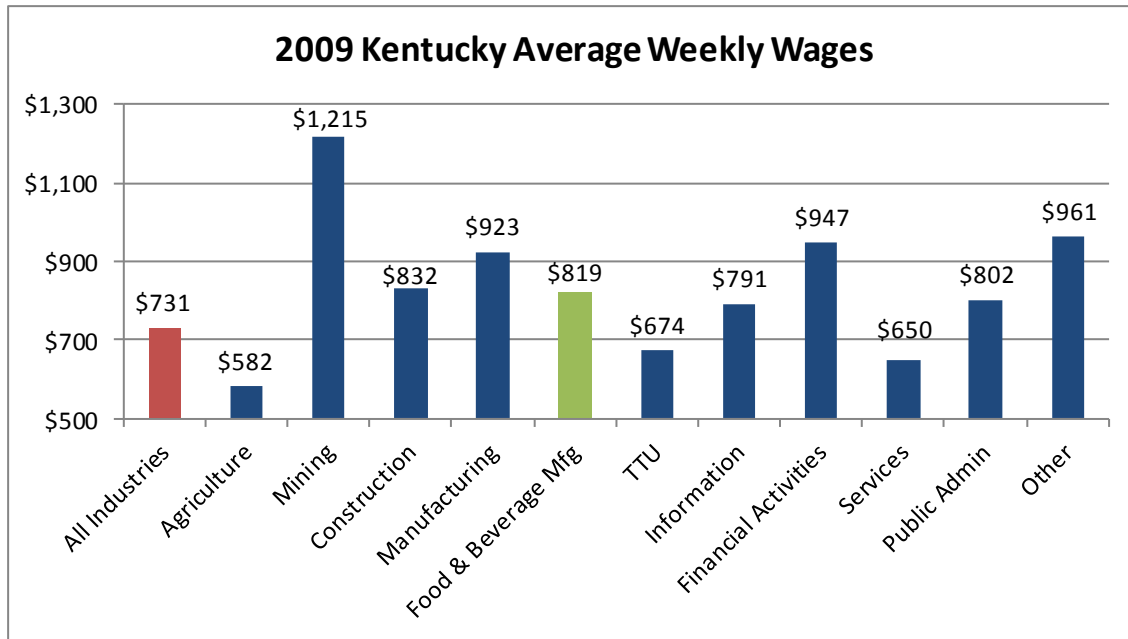
Kentucky's successful food and beverage manufacturing facilities make significant contributions to the Commonwealth's economy, including:

- In 2009, Kentucky's food products manufacturing industry represented almost 20 percent of the manufacturing GDP by state.
- The Bureau of Economic Analysis reports Kentucky's 2009 GDP by state for the food product manufacturing industry, which includes food, beverage and tobacco manufacturing, as nearly \$5 billion. That accounts for 2.4 percent of the nation's GDP for the food product industry.

Labor Cost Comparison

The labor costs for Kentucky employers in the food and beverage manufacturing industry compare favorably to surrounding states. Kentucky's average annual wages are below the U.S. average for all of private industry and manufacturing. For all private industry, the average annual wages in Kentucky are lower than all but one surrounding state.

Food & Beverage Manufacturing Industry Wages and Employment



Sources: Quarterly Census of Employment and Wages, US Department of Labor, Bureau of Labor Statistics, Annual 2009 June 2011.

* Beverage employment not included due to disclosure laws. TTU = Trade, Transportation and Utilities

The 2009 Manufacturing & Logistics Report Card scores Kentucky a grade of "A" in the Logistics Industry category and places Kentucky in the Top Five of all States in the category of Global Position.

Kentucky Companies in the Food and Beverage Manufacturing Industry

The Commonwealth of Kentucky boasts many success stories within the food and beverage industry. Some of the larger companies that produce products in Kentucky through direct manufacturing or contracting services are Kellogg's, Dean Foods, Swift, Tyson Foods, Schwan Foods, T Marzetti, JM Smucker and Nestle's. Below are several of the companies Kentucky is proud to have located within the state and some of the products these companies manufacture.



Ale-8-One – This soft drink unique to Kentucky has been bottled in Winchester since 1926.



Papa John's Pizza – Headquartered in Louisville, Papa John's boasts over 3,600 restaurants operating domestically in all 50 states and in 32 countries.

Bourbon – Kentucky is known around the world for its renowned bourbon industry. The state produces 95 percent of the world's bourbon. The 4.7 million barrels of aging bourbon in the state outnumbers the state's population of 4.3 million.



The J.M. Smucker Company – Facility in Lexington that produces JIF, America's favorite peanut butter.



Dippin' Dots – This tiny-beaded flash-frozen ice cream, which has been dubbed the Ice Cream of the Future, is manufactured in Paducah.



Tyson Foods, Inc. – America's largest meat packer has a chicken packaging facility in Robards.

Kellogg Snacks – Bakes goods for Keebler in Florence.



Bel USA - This French company, located in Leitchfield, manufactures cheese for The Laughing Cow.



Kellogg (Pikeville Plant) - Manufactures Pop-Tarts, one of America's favorite breakfast foods in Pikeville.



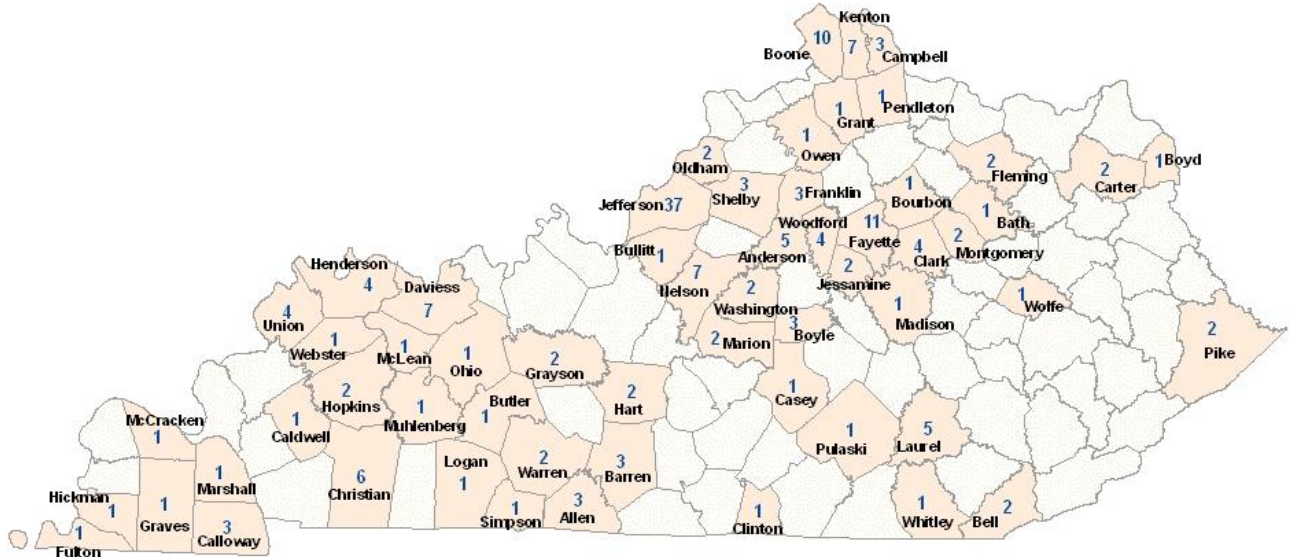
Winchester Farms Dairy – Produces milk for Kroger, America's largest grocery chain.

Nestle's – Nestle Prepared Foods in Mt. Sterling is one of only a few facilities in the United States that manufactures Hot Pockets and Lean Pockets.



Over the past five years, Kentucky's food and beverage manufacturing industry has expanded. During this time, the Economic Development Cabinet's database of business and industry reports 93 food and beverage manufacturing facility locations or expansions resulting in 2,972 new jobs for the Commonwealth. These 93 locations/expansions account for 6.4 percent of the state's new and expanding industry announcements during the past five years.

Kentucky Food & Beverage Manufacturing Facilities (184 facilities, 30,659 employees)



A list of these food and beverage manufacturing facilities can be obtained at the Cabinet for Economic Development's website. The searchable database, located at <http://www.ThinkKentucky.com/kbiis/> allows the user to search facilities in Kentucky by NAICS code. Food and beverage manufacturing facilities will be found using NAICS codes 311 and 312.

Other Influential Factors

State Support

The agriculture industry is a driving force behind the food and beverage manufacturing industry. Kentucky has historically maintained an active agricultural industry. According to the 2007 Census of Agriculture, released by the United States Department of Agriculture, Kentucky is home to 85,260 farms, ranking the state 5th in the nation for number of farms. These farms cover 13,993,121 acres, or 54 percent of the state's total acreage. The average farm in Kentucky is 164 acres. Because of this strong agriculture base, the state's Department of Agriculture administers many programs that promote local businesses in the food and beverage industry.

The Kentucky Department of Agriculture's Division of Value-Added Plant Production and other agriculture leaders recognized a need for infrastructure development and marketing assistance for fruit and vegetable growers across the Commonwealth. These issues are two of the largest problems facing farmers wanting to diversify their operations. The Division serves Kentucky farmers looking to enhance or develop markets for a variety of horticultural crops. Their marketing specialists serve farmers' markets, fruit and vegetable growers, ornamental agriculture producers and certified organic farmers.

**KDA's mission
is simple**

To help sell Kentucky
agricultural products
and services around
the world!



The Kentucky Proud Market is located at <http://www.KentuckyProudMarket.com>. Here you can find items produced fresh throughout the state.

The Kentucky Department of Agriculture Office of Agricultural Marketing and Product Promotion assists farmers, agricultural businesses and commodity groups in promoting and marketing their products by expanding existing markets, as well as, developing domestic and international markets.

For more agricultural information, please visit the Kentucky Department of Agriculture website: <http://www.kyagr.com>.

Research for the Future

The University of Kentucky College of Agriculture conducts research, as well as provides education, of agricultural issues. The University's Kentucky Agricultural Experiment Station has been providing research results to farmers and rural residents for more than 130 years. With external grants and contracts now reaching \$31 million a year, UK's College of Agriculture researchers also address problems of agribusiness, consumers, international trade, food processing, nutrition, community development, soil and water resources, and the environment with over 300 externally funded projects.

The research continuum reaches from basic to applied science, with new fundamental knowledge as well as applied knowledge that has impacts on the lives of Kentuckians and people across the world.

The Experiment Station encompasses all research activities of the College of Agriculture conducted on the Lexington campus, as well as across the state:

- Campus (Fayette County): laboratories and specialized equipment for all research program areas.
- Coldstream, Maine Chance, Spindletop Farms (Fayette County): beef and dairy cattle, poultry, horses, sheep and swine; forages and grain crops, tobacco, and turf.
- Research and Education Center and West Kentucky Substation Farm (Caldwell County): grain crops, beef cattle, swine, fruits and vegetables, forages, and tobacco.
- Robinson Station (Breathitt County): fruits and vegetables, ornamentals, forages, grain crops, tobacco, and wood utilization. Also headquarters of Robinson Forest, which covers parts of Breathitt, Perry, and Knott counties and is the site of forestry and watershed management research.
- Other Units affiliated with the Research Office/Experiment Station are:
 - The Maxwell H Gluck Equine Research Center
 - Kentucky Tobacco Research and Development Center
 - Livestock Disease Diagnostic Center
 - Division of Regulator Services
 - Tracy Farmer Center for the Environment

With the spirit of cooperation that has existed since the creation of the Experiment Station in 1865, research faculty also conduct dozens of trials on farms and at other sites throughout the Commonwealth.