



FOOD PROCESSING

Food processing in Kansas is a broad sector encompassing milling, slaughtering, processing and manufacturing and consists of large-scale processors as well as small, locally owned operations. Kansas offers efficiency to food processing companies, both in its central location and in its strong transportation infrastructure. These logistical advantages, combined with a growing demand for food sourced locally, create a positive environment for new business growth within the state.

Future success in the food processing sector may be impeded by challenges that exist in the current market. One of the most difficult is the ever-increasing food safety expectations from consumers and, as a result, from government regulations. This can impact facilities, equipment and workforce as existing companies must make changes to accommodate additional regulatory burdens. Although transportation is a



strength for Kansas, improvements to some freight and storage options would expand opportunities for many businesses. Some specific segments of the industry (e.g., meat processing) are subject to some federal regulations that serve as barriers to some businesses.

There is significant potential for growth in the food processing sector, and a coordinated strategy for long-term economic growth could make a major impact. Strategies can work to enhance existing businesses as well as attract new companies to Kansas. Opportunities exist in the field of mobile processing as well as fixed-location processing. Research and education, particularly compliance education, can play a role in the future of food processing. It will require collaboration between private and public entities in the development of this strategic growth plan.

STATUS

According to estimates prepared by the Kansas Department of Agriculture and based on the IMPLAN economic data model, the food processing industry (milling, slaughtering, processing and manufacturing) in Kansas has a direct output of nearly \$20.1 billion and creates 31,440 jobs in the state. Through indirect and induced impact, the industry supports a total of 121,081 jobs and creates a total economic contribution of approximately \$35.7 billion.

Central location and freight options create a logistics advantage for Kansas to not only add value to those commodities produced in the state, but for products that are shipped in from other states for further processing before moving on to their next destination.

Kansas is home to large-scale food processors as well as small, locally owned processors. The opportunities to expand food processing in Kansas are evident in the quantity of commodities leaving the state without any processing and in the quantity of products coming into Kansas already processed.

OPPORTUNITIES

In order to develop a strategic growth plan for the food processing sector, it is important to understand the areas where Kansas has a comparative advantage and the best opportunities for growth or expansion.

Factor	Implications for Growth and Development Opportunities
Demand	Tremendous demand exists for meat, eggs, fruits and vegetables sourced directly from the farmer particularly in major urban areas. Major grocery chains want to offer three lines of product: national brand, regional brand and a local option.
Entrepreneurship	Having an attractive environment for value-added facilities — including access to raw ingredients, processing expertise at the university and being business-friendly — make it more likely that innovation will happen in Kansas.
Export Infrastructure	Maintaining and improving export infrastructure will help ensure demand for Kansas food products around the world. Good roads for trucks, plenty of rail access across the state, a state-of-the-art intermodal facility, and a central location in the United States are all key to a strong export infrastructure.
<i>From the Land of Kansas</i>	The state trademark program offers a wide variety of services to Kansas companies with a range of membership levels that vary in cost and benefit options. With 408 member companies, an online marketplace, and a great brand, being part of <i>From the Land of Kansas</i> could be an asset for any food processor.

Factor	Implications for Growth and Development Opportunities
Policy Environment	<p>Kansas tax law allows sales tax exemption for farm machinery and equipment and various ag-based inputs. These state tax code provisions make Kansas a more attractive state for growth or expansion.</p> <p>At the federal level, Kansas is fortunate to have elected members of Congress who strongly support the agriculture industry. The Kansas congressional delegation will play an important role in influencing positive changes related to federal regulations or legislation, including a national traceability system, international trade, federal taxes, transportation rules, natural resources, and more.</p>
Supporting Institutional Infrastructure	<p>Kansas State University and KDA provide expertise to guide food processors looking to get started or expand in Kansas. They can help businesses be successful in the regulatory environment as well as offer some unique start-up and marketing assistance. The Kansas value-added lab offers expertise on preparation and storage for processed foods.</p> <p>This attracts owners and managers of food processing businesses to Kansas for training and exposure to the great business environment the state offers and plants the possibility for expansion or relocation to Kansas.</p>

CHALLENGES

While Kansas is poised for major expansion in the food processing sector, the following factors represent challenges serving as barriers to achieving the objective of the strategic growth plan.

Challenge	Details of Challenge
Consumer Demand	<p>A growing demand for fresh products as opposed to dried or frozen is a challenge for processors in an interior state such as Kansas. Consumers are also increasing their demand for a wider variety of products that suit their preferences for the story behind the food.</p>
Critical Infrastructure	<p>Transportation infrastructure is critical for food processing. Access to processing facilities with roads that can handle tractor trailers and access to rail for receiving raw commodities is important. Processors rely heavily on the freight network to move their products to those areas of higher population primarily in states around the exterior of the country.</p> <p>Refrigerated shipping capabilities are also a key component in which Kansas has room to grow. Refrigerated storage capacity at the Edgerton intermodal facility will open another door of opportunity to move Kansas products around the world in a refrigerated condition.</p> <p>For smaller operations, taking advantage of back haul opportunities and other freight sharing options can dramatically reduce the cost of moving goods. There is a need for a way to easily connect those businesses that could work together on freight.</p>

Challenge	Details of Challenge
HRI Scale Requirements	It is challenging for local, farmer-direct suppliers — whether it be individuals or organized efforts such as coops — to meet the demands of hotel, restaurant and institution (HRI) requirements for quantity and consistency.
International Trade	There is a need to continue to build an international awareness of all that Kansas has to offer and create an appreciation for those products grown and processed in Kansas. <i>From the Land of Kansas</i> has a role to play in building the international brand recognition for Kansas.
Meat Inspector Access	<p>It can be challenging to get U.S. Department of Agriculture meat inspectors to rural meat processing operations on a schedule that matches the needs of all parties.</p> <p>There are also some regulatory limits on trading particularly in the area of meat. Only those facilities inspected by USDA are allowed to sell meat outside of the Kansas borders even though state-inspected facilities must meet the same requirements for food safety.</p>
Policy	<p>Ever-increasing food safety expectations from the public and the government result in a growing regulatory burden on food processing businesses to implement processes, upgrade equipment, sample product, document activities, and hire additional employees to complete all of this work.</p> <p>Though not unique to Kansas, there exist significant challenges due to federal laws and regulations, including: food labeling, dietary requirements, Waters of the U.S., the Endangered Species Act, burdensome Occupational Safety and Health Administration regulations and more.</p> <p>Government assistance to the unemployed makes it too easy not to work. It's easy to compare unemployment income and other assistance to jobs paying minimum wage or even jobs paying \$10-\$13 per hour and choose to stay unemployed.</p>
Water	Water efficiency and conservation is important in all business sectors.

Challenge	Details of Challenge
Workforce Development	<p>The level of education for employees in food processing is typically not as challenging as finding employees who have the desire to do the work and appreciate the work environment in which the work is done. Hiring and maintaining a workforce particularly in the rural communities is a challenge. Basic life skills are required, such as showing up to work on time and calling if you aren't going to make it in. Employers in this sector are comfortable training for the job-specific skills.</p> <p>Schools need to provide options for students to work in the fields where local businesses need them through partnerships with local employers. A processing sector that connects with high school agriculture education programs and hires graduates with an agriculture certificate would have access to a larger workforce.</p> <p>There is a shortage of housing options in rural communities.</p> <p>For locally owned processing businesses, such as meat lockers, succession planning and attracting the next generation of ownership into the business is an area of concern.</p>

SUCCESSES

Key successes in the food processing industry:

- *From the Land of Kansas* has reorganized with a new benefits structure and more marketing opportunities which can help food processors.
- A Kansas sorghum processor has established a market for baijiu alcohol in China, expanding the operation's export opportunities.
- A system has been developed to share necessary food safety guidelines with small mobile processors.
- Licensed food processors in the state have increased by more than 10 percent from 2017 to 2018.

Food Processing

GROWTH OBJECTIVE:

Increase the number of facilities accessible for small, medium and large food processing companies, and expand opportunities for existing companies to increase sales and profitability.



OUTCOMES & ACTION ITEMS

Leaders from throughout the Kansas food processing industry will continue to collaborate in the development and implementation of a long-term strategic growth strategy with input and discussion among key partners. Industry-identified desired growth outcomes, initially developed in 2016 and expanded to include action items, will be implemented by industry and key partners and updated annually at the Kansas Governor's Summit on Agricultural Growth. Following are the proposed action items to continue building on the achievement of the food processing sector desired outcomes.

High Priority Outcomes

Kansas communities identified that express acceptance to and interest in understanding the economic benefits of food processing facilities and are open to welcoming businesses into their region.

ACTION ITEMS:

- Promote the Strategic Growth Initiative process, a pilot program to help counties and communities proactively seek potential business growth opportunities, working with the Kansas Department of Agriculture, the Kansas Department of Commerce, and K-State Research and Extension.
- Provide information to communities about how to bring food processing into a community (e.g., examples of successful communities that have shown interest and welcomed new business, ways to communicate locally to get communities on board, methods to identify if a community is qualified and has an adequate work force, etc.).
- Assist areas to identify attributes that are unique for recruiting businesses to the community, to possibly include land, infrastructure, transportation, housing, workforce, natural resources, etc.
- Maintain a listing of pre-certified sites for easy reference.
- Work strategically with Commerce representatives to identify locations in the state to fulfill the needs of inquiring parties.
- Work with local economic development professionals for site and resource availability that have the infrastructure to support a specific processing facility.

Training for small to medium-sized companies through webinars or workshops on various topics (e.g. food safety, workforce management and marketing). Delivery through K-State Research and Extension or industry associations would be well-received.

ACTION ITEMS:

- Deliver training through K-State Research and Extension, Value-Added Food Product Development Laboratory or industry associations.
- Ensure clear awareness of required training.
- Provide training in multiple languages so entire workforce can be trained as needed.
- Break Food Safety Modernization Act topics down into small pieces.
- Find a subject matter expert for each small piece to address common questions and challenges regarding that piece.
- Film the subject matter expert addressing the questions and challenges.
- Post the video on the KDA website for easy access by industry.
- Promote web-based FSMA training written by K-State.
- Make seminars and workshops available to companies in all aspects of production (i.e., food safety, marketing, etc.).
- Partner with IGP or K-State Global Campus for distance delivery including online modules that would be accessible anytime at any pace.

Expanded benefits and marketing potential for food processors through the *From the Land of Kansas* trademark program.

ACTION ITEMS:

- Increase exposure of program and expand marketing efforts to encourage and enhance consumer knowledge and confidence with local products that are part of the program.
- Establish (or continue) additional private and public partnerships with organizations that can help local businesses (such as Food Lab at K-State and multiple grocery store chains).
- 90 days before harvest, start talking about local products being available so consumers and organizations are ready to shop for them.
- Increase communication between producers and From the Land of Kansas.
- Establish new benefits for the From the Land of Kansas program for food processors.
- Increase marketing opportunities for companies through program promotional venues.
- Establish networking opportunities among companies.
- Create options to obtain funding for locally grown or produced businesses to increase advertising or selling outlets.

Medium Priority Outcomes

Regulations that allow products from state-inspected meat facilities to be sold across state borders. Current law prevents meat from being sold across state lines unless it is from a federally-inspected plant but does not recognize state inspections as equal to the federal inspections.

ACTION ITEMS:

- Kansas Department of Agriculture to coordinate with meat processing plants during inspections to understand the number of requests they receive to butcher products that can be sold across state borders.
- Speak at farmers' market workshops across the state and publish information in the From the Land of Kansas newsletters to educate and gather more information about the need to sell meat across state lines.
- Work collaboratively with other states that are interested in a joint effort to change interstate meat shipment rules.
- Work with USDA and the congressional delegation to get the state inspection recognized across state borders instead of requiring two inspections.
- If rules are changed, notify state-inspected plants that they can now conduct interstate meat shipment.
- Connect state-inspected plants to From the Land of Kansas to explore options for website sales, etc.
- Create easy-to-understand one-pager explaining differences between state and federal laws.

Increased amount of food processing in Kansas facilities, from small to large scale operations. Co-packers capability available to small processors to produce or package items.

ACTION ITEMS:

- Identify co-packer capability available to small processors to produce or package items.
- Expand existing facilities to assist others.
- Continue to make the effort to communicate with larger facilities to gain their perspective on industry needs or solutions.
- Work with Kansas Legislature to pass legislation to allow for agribusiness technology and entrepreneurship districts.

State-sponsored economic development incentives which meet the needs of value-added enterprises.

ACTION ITEMS:

- Evaluate all state incentives currently available.
- Meet with industry to learn which incentives work, which need to be adjusted, and what needs to be added to the list.
- Draft a white paper outlining challenges with current incentives for agriculture and propose an alternative plan that works for agriculture, with input from industry and incentive experts .
- Get approval from the Governor's office to move ahead with legislation.
- Make incentives for tax credits vs. training reimbursement programs available for the industry.
- Review options for obtaining low-interest loans and funding to support marketing initiatives.

Low Priority Outcomes

Strong reputation among the national industry as a state with great potential for food processing companies to expand or move their business.

ACTION ITEMS:

- Develop promotional materials highlighting Kansas as a food processing state.
- Market Kansas to companies in the food processing sector.
- Gather company contact information to set up meetings.
- Meet with site consultants to introduce them to Kansas.
- Send annual reports and letter of invitation from the Kansas Secretary of Agriculture to food processing companies which may be interested in Kansas.

Food processors have an industry-influenced pipeline of college graduates from K-State to hire into management, engineering, research and quality areas of their businesses.

ACTION ITEMS:

- Educate secondary agriculture education students on the opportunities available in the food processing industry.
- Increase communication between companies and K-State or other educational institutions.
- Find out what potential graduates/employees look for in a career, the company, incentives, pay scale, benefits, etc.
- Increase the number of trained graduates.
- Look into feasibility of creating a single list of all agriculture-related jobs/internships.
- Create listing of companies which would provide educational tours for students interested in a more in-depth look at careers in agriculture.
- Create guide for companies on how to establish a successful internship for students and the companies involved.
- Review options and requirements for various visas and make readily available to companies.

Increased export opportunities for Kansas food processors, including increased participation in export programs and other sales experiences (e.g., Food Export Midwest programs).

ACTION ITEMS:

- Encourage companies to participate in trade missions.
- Encourage companies to be open to reverse trade missions.
- Partner with other food processors to round out or help fill orders for export.
- Improve rail systems and access to shipping containers (Garden City, Dodge City — dairy and beef)
- Define how companies export on varying levels, including who and where.
- Work together to get retail goods consolidated for export to reduce expense.
- Advance food products through e-commerce worldwide.

The benefits of living in Kansas are widely known and understood by food processing corporations and can be used in the employee recruitment process. Housing is a recruitment aid rather than a concern, and food processing employers don't struggle with adequate employee housing in the communities in which they do business. State-sponsored incentives for processors which assist in securing employee housing.

ACTION ITEMS:

- Create/enhance marketing materials for housing and cost of living factors as an incentive to recruit and move to the area.
- Partner on opportunities to share the “quality of life” options in Kansas.
- Identify state-sponsored incentives for processors which assist in securing employee housing.

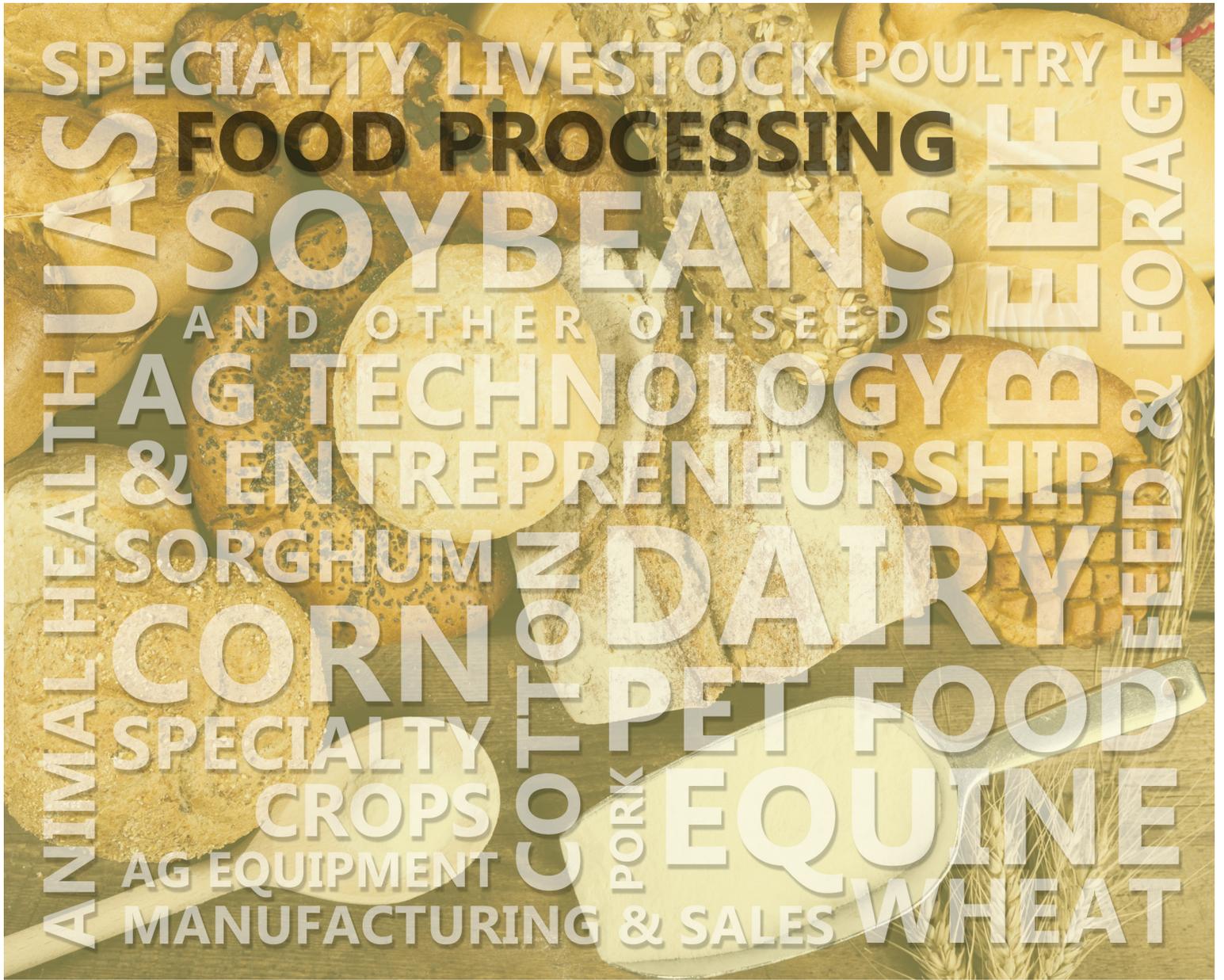
Competitive utility rates in Kansas that do not create a competitive disadvantage with other states and allow Kansas to maintain existing enterprises and grow industry in the future.

ACTION ITEMS:

- Work with electric utilities to understand the most economical places to locate major processing facilities and what drives those economics.
- Include industrial electrical rate options and favorable locations in pre-selected site data.
- Evaluate options for adjusting the regulated nature of Kansas electricity such that rates can be more competitive.

Research to develop methods for phosphorus elimination in waste water.

Policies in this document are a reflection of industry discussion and not a representation of state government.



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