



UNIVERSITY OF
FLORIDA

FE369

EXTENSION

Institute of Food and Agricultural Sciences

Economic Impact of Tyson Foods' Plant Closure in Northeast Florida, 2002¹

Tom Stevens, Alan Hodges, and David Mulkey²

The Food and Resource Economics Department was asked by the Florida Department of Agriculture and Consumer Services to evaluate the economic impact of the closure of a Tyson Foods, Inc. poultry processing facility in Jacksonville, Florida. Based on information provided by a company spokesman, the *Florida Times Union* reported on December 10, 2002 that the facility processed around 650,000 chickens per week and employed 627 persons. The poultry industry, and particularly Tyson Foods, is one of the most vertically integrated businesses in the United States. To service its processing facility, the company owns and operates a feed-mill that employs 88 individuals, a hatchery employing 22 people, and five broiler farms in the surrounding area. It was also reported that the company has contracts with over 80 farmers in the area to provide additional live chickens. Seventy-six of these farms are located in northeast Florida, with the remainder in southeast Georgia. By comparison, the 1997 Census of Agriculture reported that there were a total of 321 broiler and other meat-type chicken operations in Florida, with total sales of nearly 106 million birds, that year. It is important to note that individuals operating or employed on broiler production farms

are independent contractors and are not considered employees of Tyson Foods. It was also reported that Tyson Foods' annual payroll in Jacksonville was \$17 million annually, but it was not clear whether this represented all employees or just those at the processing facility.

To evaluate how the lost revenues and jobs due to this plant closure will reverberate throughout the area economy, the estimated loss of jobs (627) at the processing facility was entered into a regional economic modeling software package (IMPLAN Pro™). This software is licensed to the University of Florida by the Minnesota IMPLAN Group, Inc. It can be used to construct detailed input-output models for the economy of a county, group of counties, or a state. The model describes the local or regional economy and estimates how a change in one industry will impact all other sectors of that economy. The economic area evaluated for the Tyson plant closure included 16 Florida counties located in the Department of Commerce's Bureau of Economic Analysis, Economic Area 29. This includes Alachua, Baker, Bradford, Clay, Columbia, Dixie, Duval, Gilchrist, Hamilton, Levy, Lafayette, Nassau,

1. This is EDIS document FE369, a publication of the Department of Food and Resource Economics, Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida, Gainesville, FL. Published January 2003. Please visit the EDIS website at <http://edis.ifas.ufl.edu>.

2. Tom Stevens, Post-Doctoral Associate; Alan Hodges, Assistant-In; and David Mulkey, Professor; Department of Food and Resource Economics, Florida Cooperative Extension Service, Institute of Food and Agricultural Sciences, University of Florida, Gainesville, FL.

The use of trade names in this publication is solely for the purpose of providing specific information. UF/IFAS does not guarantee or warranty the products named, and references to them in this publication does not signify our approval to the exclusion of other products of suitable composition.

The Institute of Food and Agricultural Sciences is an equal opportunity/affirmative action employer authorized to provide research, educational information and other services only to individuals and institutions that function without regard to race, color, sex, age, handicap, or national origin. For information on obtaining other extension publications, contact your county Cooperative Extension Service office. Florida Cooperative Extension Service/Institute of Food and Agricultural Sciences/University of Florida/Christine Taylor Waddill, Dean.

Putnam, St. Johns, Suwannee, and Union Counties. Impacts for southeast Georgia were not estimated.

A summary of the estimated annual economic impacts from Tyson Foods' plant closure is shown in Table 1. Output, value-added, labor income, indirect business taxes, and employment impacts are given in individual rows. The table columns include the direct, indirect, induced, and total economic impacts. Output impacts represent a gross measure of economic activity flowing from the revenues generated by the plant. Value-added impacts represent income or returns to labor, management, and ownership that are generated by the activity. Labor income is the earnings component of the value-added impact. Employment impacts convert labor income to an equivalent number of jobs based on industry-average output per worker statistics and represent both full- and part-time jobs. Indirect business taxes are estimates of how the plant closure will affect government tax revenues. As noted below, the latter estimates are conservative since complete government transfers are not captured.

Economic impacts are also classified in terms of what level or stage of transactions they are generated in an economy. Direct impacts are those directly attributable to the revenues generated by the sales of a particular enterprise or industry, basically measuring the value of production or services. In the case of Tyson Foods, this represents the sale of processed poultry products, estimated to be \$78 million annually. Indirect impacts count the expenditures that the processing operation makes for inputs it needs to produce its output and the increased output and purchases of its suppliers. A major indirect impact of the Tyson facility is the payments it makes to area poultry farmers for live broilers. Additional indirect impacts occur when area farmers purchase inputs such as equipment repair services and electricity for growing broilers and, in turn, when the firms that supply the broiler farms purchase their own inputs. Induced effects include the impacts from the spending of earnings by employees and owners in the local economy. When processing plant and broiler farm workers purchase groceries, automobiles, or medical services, these represent additional "induced" impacts on the economy. The total economic impact is the sum of the direct, indirect, and induced effects,

which represents a more complete measure of a business's economic impact on a regional economy.

The estimated impacts provided below should be considered with the following qualifications concerning their accuracy. The data used to generate these estimates were limited to numbers that were published in the popular press and were not subject to independent expert review. Since the estimated impacts generated by the IMPLAN model are based on national industry averages of the types and amounts of inputs used to make processed poultry, the accuracy of the estimates of this analysis depends on how closely the inputs used by the Jacksonville Tyson Foods' operation match the national averages. No additional information describing specific business relationships or activities within or beyond the economic area under consideration were obtained from the company. The induced and total impacts estimated below are conservative in that they do not capture certain transfers between governments, households, and businesses. Such unaccounted transfers would include social security, unemployment compensation, interest and dividend payments, individual taxes and savings, business investments and borrowings, and government deficits and surpluses. Finally, these estimates do not account for any severance payments to employees or contracted farmers, nor is there any consideration given for the future use of the facilities and real estate currently owned or leased by Tyson Foods.

The total annual economic impact from the closure of the Tyson Foods' processing facility in Jacksonville, Florida to the economic area is an estimated loss of \$170.9 million. This represents a multiplier effect of approximately 2.2 times the direct impacts from the plant closure. It is estimated that a total of 1,656 jobs to the economic area will disappear. This is 2.64 times the 627 jobs lost directly from the closure of the processing facility. Lost value-added to the regional economy is estimated to be \$52.3 million, and estimated lost income to the area is approximately \$38 million. Reductions in indirect business tax revenues to the State and Federal governments are estimated to be approximately \$3 million.

Details of the estimated impacts of the Tyson Foods' plant closure on specific industrial sectors are not shown here, but can be found at http://economicimpact.ifas.ufl.edu/publications/Tyson_Impact.pdf. In general, the largest output impacts occur to the *Manufacturing* sector, which is the industrial classification for poultry processing plants. The second largest impacts occur in *Agriculture*, which in this case represents the poultry growing operations (farms) that supply the plant. The third, fourth, and fifth largest impacted sectors are *Services*, *Trade*, and *Financial/Insurance/Real-Estate*, respectively. The relative shares of impacts among the different sector categories follows a similar pattern for value-added, labor income, taxes and employment.

Table 1. Annual economic impacts of plant closure to Jacksonville, FL economic area, 2002.

Impact Type	Unit	Direct	Indirect	Induced	Total
Output	million dollars	(77.59)	(71.40)	(21.92)	(170.91)
Value-Added	million dollars	(14.87)	(23.85)	(13.55)	(52.26)
Labor Income	million dollars	(12.19)	(17.90)	(7.93)	(38.03)
Indirect Business Tax	million dollars	(0.47)	(1.13)	(1.36)	(2.95)
Employment	jobs	(627)	(680)	(349)	(1,656)
Economic impacts were calculated using IMPLAN Pro™ (a regional economic modeling software) and were based on data published in the <i>Florida Times Union</i> , December 10, 2002.					