



Oregon's Food & Beverage Manufacturing Industry Road Map

Executive Summary Report and Recommendations

Food and Beverage Steering Committee

January 2017



Oregon Food and Beverage
Leadership Council



November 2016

Dear Governor Brown:

On behalf of the Oregon Food and Beverage Leadership Steering Committee we are submitting the Food and Beverage Industry Road Map final report and recommendations. The Road Map was completed as a working partnership of private and public stakeholders. In developing this Road Map, the Food and Beverage Leadership Council, Business Oregon, the Oregon Department of Agriculture, the Oregon Business Council, the Oregon Business Association, and the Northwest Food Processors Association co-lead an effort to identify strategic investments and actions in key areas crucial to retain and strengthen Oregon's Food & Beverage industry's competitive advantages.

The Road Map, is intended to support a shared vision among industry leaders, policymakers and economic development professionals across Oregon regarding the opportunity to accelerate growth of the food and beverage industry through collaborative public-private partnerships. The recommendations are informed by the work of Applied Development Economics, Inc. (ADE), who conducted extensive industry survey work, market research, statewide outreach to economic development organizations, and in-depth interviews with food and beverage industry executives. ADE's formal report is attached.

After thorough analysis of the analytical work and extensive discussion, the Steering Committee reviewed and identified a set of near-term, high-priority recommendations, which include: 1) strategic investments in public R&D facilities and capabilities; 2) an integrated plan to coordinate workforce training and academic preparation to better prepare Oregonians for industry careers; 3) critical investments in the State's transportation infrastructure; 4) an explicit value-added food and beverage manufacturing market development strategy, coordinated with existing state marketing efforts; and 5) better alignment between state and federal policies and regulations concerning food and beverage manufacturing.

In recognition of the state's budget constraints, we recommend maximizing and leveraging existing programs and services to better meet the food and beverage industry needs. We are, however, proposing an investment of \$18 million in new facilities for OSU's brewing, wine, and dairy processing programs, which would be made up of equal shares of public and private contributions.

As co-chairs of the Steering Committee, we are enthusiastic about seeing these recommendations implemented and pledge our ongoing support to the public-private partnership to build Oregon's food and beverage industry.

Respectfully,

Sam Tannahill,
Co-Chair, Oregon Food and Beverage Leadership
Council
Chair, Oregon Business Association
Director of Viticulture and Winemaking, A to Z
(Founder)

Patrick Criteser
Co-Chair, Oregon Food and Beverage Leadership
Council
Chair, Oregon Business Plan
President and CEO, Tillamook County Creamery
Association

A Job Growth Opportunity for the State of Oregon

INTRODUCTION

The food and beverage industry was identified by the Oregon Business Plan¹ and Business Oregon as a major growth sector in Oregon, and a key opportunity for creating jobs, raising incomes and reducing poverty in rural and urban Oregon.

Food and beverage manufacturing represents a significant economic development opportunity for Oregon. The nature of the value-added food and beverage industry – in particular its close tie, and natural proximity to, agriculture – has the potential to benefit rural Oregon economies, where job growth and investment is most needed. Oregon has several notable competitive advantages in the global food and beverage marketplace, including: a high-quality, diverse agricultural base; proximity to large population centers in the Western U.S. and Asia; close and well-developed urban food culture, advanced agricultural production, and small family farms; and strong existing brand equity in quality food. Global food systems face several significant challenges and opportunities over the coming decades, including trends toward healthier eating in the U.S, and the need to feed as many as 9 billion people globally without destroying the planet. The companies and regions that address these opportunities will realize significant economic rewards; Oregon is well-placed to do so.

Oregon needs an economic development strategy for the food and beverage industry, with clear goals and pathways to achieve those goals. Great pieces of activity currently exist, such as Team Oregon's efforts to recruit food processing companies to Oregon; Business Oregon's ongoing recruitment, retention and expansion work; and export assistances programs at Business Oregon and the Oregon Department of Agriculture. However, the State's private and public sectors lack a clear strategy that identifies Oregon's best opportunities to grow the industry and lays out steps to achieve that growth. The Food and Beverage Industry Road Map seeks to provide that strategy. This document is the summary and recommendations stemming from the full Road Map report available at: http://www.oregon4biz.com/assets/docs/FB_Road_Map_Final_Report_2016.pdf.

DEVELOPING A SHARED VISION

The Oregon Food and Beverage Leadership Council (OFBLC), comprised of executives from Oregon's leading value-added food and beverage companies, came together following the 2014 Oregon Leadership Summit, to help Oregon realize the state's full potential in the food and beverage manufacturing industry. The OFBLC, working in partnership with private and public stakeholders², has co-lead an effort to identify strategic investments and actions in key areas crucial to retain and

¹ Oregon Business Association, NW Food Processor Associations, and Oregon Business Council initiated the creation of the Oregon Food & Beverage Leadership Council, an industry lead food cluster group.

² Business Oregon, Oregon Department of Agriculture, Oregon Business Council, the Oregon Business Association, and the Northwest Food Processors Association.

strengthen Oregon's Food & Beverage industry's competitive advantages. The objectives of this effort included:

Create industry development strategy: Oregon needs an industry plan to maximize business retention, recruitment and expansion of food and beverage related businesses, based on solid data as well as qualitative information from business executives about real or perceived opportunities and barriers for growth in Oregon.

Assess food processing value chain and opportunities: By identifying critical gaps in Oregon's food processing infrastructure, such as the lack of cost-effective cold storage facilities or grape processing, and the reasons for those gaps, we can identify Oregon's best opportunities to close them and build the industry.

Create a strategy to maximize Oregon exports: Given favorable trends throughout the U.S. and the rapidly expanding global middle class, Oregon should have an ambitious goal for increasing exports of Oregon food products to the rest of the U.S. and the world.

Enhance Oregon's public research and development capabilities: Oregon has great assets, particularly at Oregon State University (OSU), and its Food Innovation Center and Agricultural Extension Services. We must leverage these assets and make Oregon, and in particular its universities, a world center for food innovation and research.

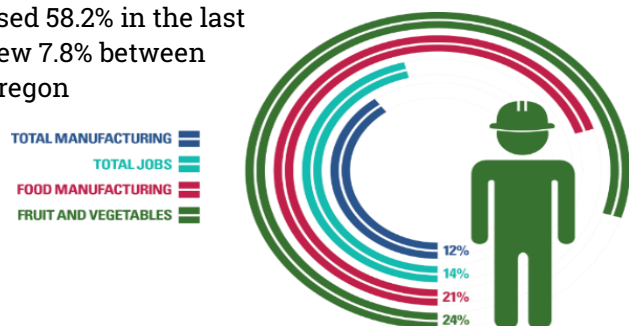
Marketing and branding strategy: By creating a coordinated Oregon plan to market the region as a center for food processing, innovation and entrepreneurship, we can attract critical businesses, talent and consumers.

Goals for industry growth and economic performance: By setting ambitious but attainable goals that measure not only traditional industry outcomes such as sales and jobs, but shorter term metrics for evaluating the implementation of the plan, we can ensure hold ourselves accountable for progress, over the long term.

ECONOMIC IMPACT OF VALUE-ADDED FOOD AND BEVERAGE

Food and beverage manufacturing³ is an important economic driver. The industry contributes \$16.4 billion in economic output (2014), which has increased 58.2% in the last 10 years. Food and Beverage manufacturing jobs grew 7.8% between 2007 and 2012, a period of time when total jobs in Oregon declined by 5.3% and other manufacturing jobs declined by 15.8%.

By 2014, F&B manufacturing supported 31,920 jobs, with another 4,200 jobs in related distribution, machinery and container manufacturing sectors.

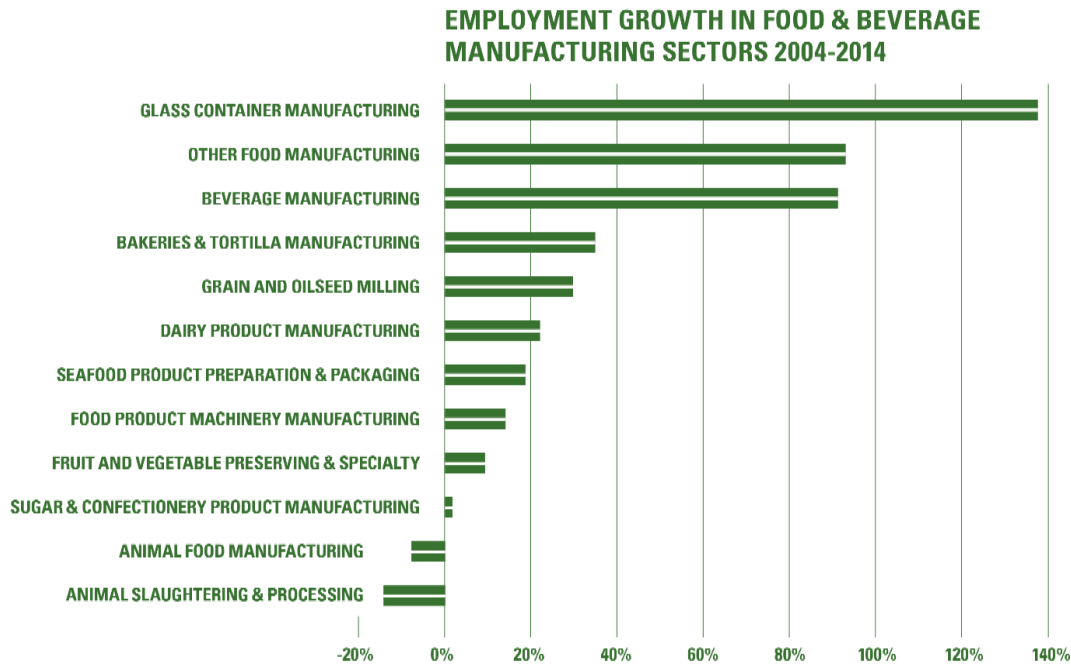


Industry Employment Projection – 2014-2024

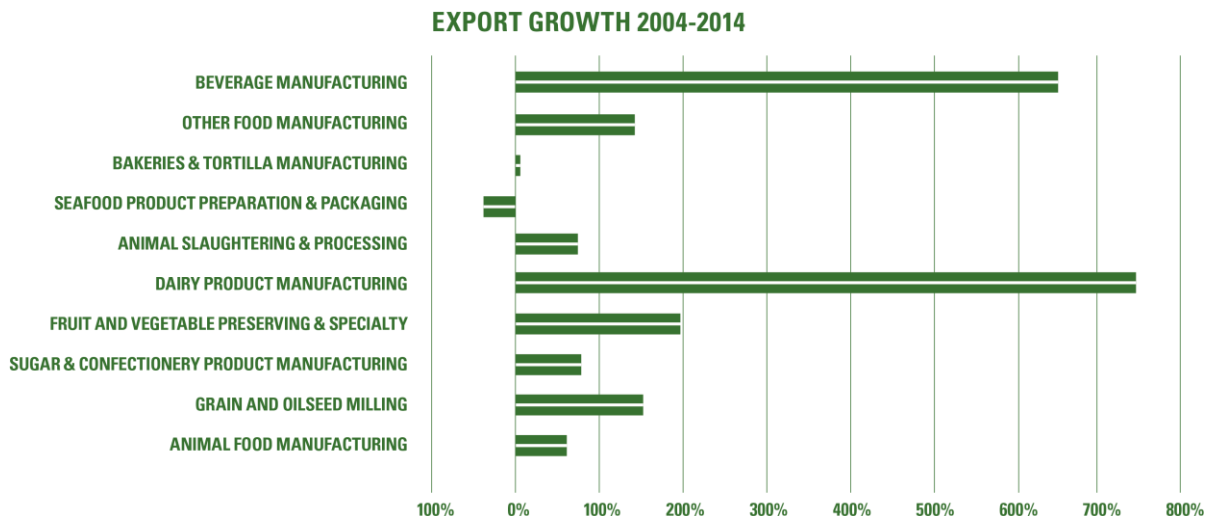
³ Oregon State definition: <http://oregonstate.edu/foodsci/foodweb/what-value-added>

The industry also creates significant economic multiplier effects for the Oregon economy, supporting 6.1% of total state industry output based on Oregon State University estimates. With the multiplier effects, the 36,000 direct jobs in food manufacturing and distribution increase to support more than 80,000 jobs statewide. Overall, agriculture, food and fiber manufacturing and distribution support more than 13% of the state economy.

The Oregon Employment Department (OED) prepared projections of employment growth for the 2014-2024 period.

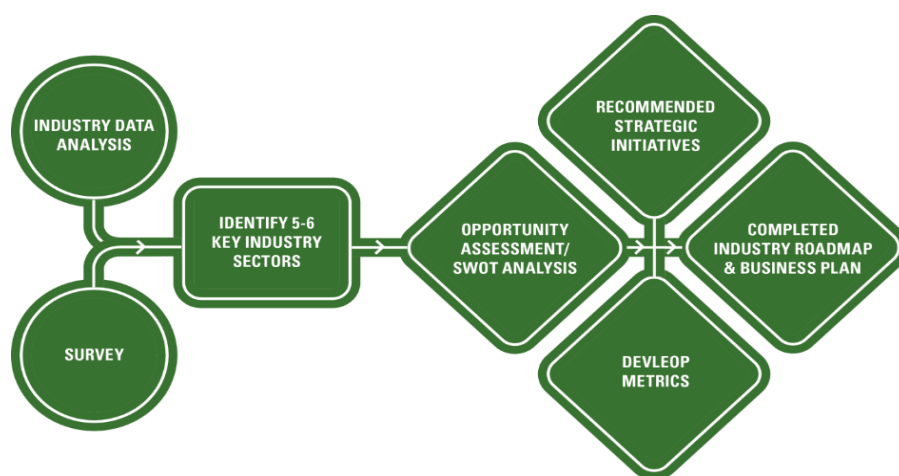


The food and beverage manufacturing industry is estimated to have more than \$700 million in export sales in 2014, reflecting an average increase of 155% growth over the past ten years. Export sales volume represents about 4.4 % of total industry sales. Fruit and vegetable processing led all other subsectors, with nearly a 200% increase since 2004. Dairy products and beverages growth rates are even higher at 745% and 651%, respectively.



DATA ANALYSIS AND KEY INDUSTRY SECTORS

The F&B Industry Road Map Steering Committee hired Applied Development Economics (ADE⁴), an independent consulting firm with expertise in the industry's global and domestic markets, to conduct extensive market research and outreach to companies, business association experts and state-wide economic development officials. ADE's work included conducting business interviews, an online survey, state-wide economic development roundtables, and industry-specific focus groups. The consulting team, along with Business Oregon, conducted data analysis of key industry growth trends and indicators. ADE's opportunity assessment and SWOT analysis provided the foundation for a set of strategic and tactical Road Map recommendations. An in-depth review of ADE's analysis can be found in Appendix A of the full [Road Map Report](#).



Priority Sub-Sectors and Issues. The analysis identified several high-potential industry sub-sectors as well as cross-cutting issue areas to be addressed in developing the Road Map plan. The following industry sub-sectors were recommended for in-depth exploration:

- Fruit and Vegetables
- Grains and Baking
- Dairy Products
- Beverages
- Snacks, coffee, tea, ingredients and mixed food manufacturing

Research and analysis identified a number of high-priority opportunity areas, which were common to most, if not all, of the food and beverage subsectors:

- Research and Development / Technical Assistance
- Workforce Development
- Distribution Infrastructure
- Market Development
- Government Regulation

⁴ www.adeusa.com

STRATEGIC OPPORTUNITIES AND RECOMMENDATIONS

The Road Map keys in on the strategic opportunities that emerged from the survey and industry focused group discussions and includes recommendations for driving beneficial growth in the food and beverage industry. The opportunities and recommendations summarized below are intended to highlight near-term actions that can be taken to accelerate growth in Oregon's food and beverage industry. The Road Map also includes a number of initiatives and actions that can be taken in the medium- and longer-term in order to sustain a collaborative effort to create good jobs, raise incomes and reduce poverty in rural and urban Oregon through development of this industry.

OPPORTUNITY:

Improve Research & Development and Technical Assistance

For the Oregon food and beverage industry to remain competitive in the domestic and global marketplaces and to stay on top of technological and production advancements and food safety requirements, food and beverage companies of all sizes and from every corner of the state must have access to adequate research and development opportunities, facilities, and programs. The state's primary provider of food and beverage-related research and development support is Oregon State University, primarily through its College of Agricultural Sciences and Department of Food Science and Technology ("FST"). The University has proposed a major infrastructure and renovation project focusing on a "Soil to Shelf" process. This effort proposes to invest \$18 million in renovations and new facilities for OSU's brewing, wine, and dairy processing programs. Funding would be raised through equal shares of public and private contributions. The University is also committed to



enhancing and improving the services and facilities of its Food Innovation Center ("FIC") in Portland. In addition, ODA and other state agencies provide essential technical assistance to Food and Beverage companies in terms of export and domestic market development, 3rd party audits for food safety compliance other operational issues. The Road map identifies areas for expansion of R&D capacity and technical assistance to facilitate expansion across all segments of the food and beverage manufacturing industry. [Road Map Report](#)

pages 21-23.

Recommendations for R&D and Technical Assistance Investments:

1. Support the expansion and upgrade of OSU facilities in the proposed "Soil to Shelf" project; \$18 million total investment, \$9 million leveraged;
2. Develop a business model whereby OSU can work directly with food and beverage companies on proprietary research, leveraging the new facilities;
3. Develop a financially sustainable business model and public-private funding model to expand the capacity and scale of services offered at the Food Innovation Center (FIC);
4. Expand resources and research capacity to assist firms with food safety issues (particularly with additional microbiologists) and utilize federal programs in which the state could match federal funds in the area of food safety and technology development.

OPPORTUNITY:*Preparing a 21st Century Workforce and Talent Pipeline*

Food and beverage companies report difficulty finding enough qualified workers with necessary mechanical and technical skills. The food and beverage industry also needs management, marketing, and entrepreneurial talent to support long-term future expansion. Oregon's existing educational infrastructure can potentially address these needs, but focus from educators and agencies and strong industry involvement is needed to help assemble and direct resources. Although ongoing state-level efforts will help pull these resources into a more cohesive program, the food and beverage industry should engage with local, regional, and statewide educational entities to design and implement the educational and training programs needed for future industry development. [Road Map Report](#) pages 23-27.

Recommendations to achieve a quality, well-trained workforce:

1. Develop an inventory of existing resources and providers of education and training programs specific to the Food and Beverage Industry;
2. Assign a single, state-wide resource to partner with private industry to better leverage existing educational resources, notably to:
 - a. Explore opportunities to develop technical education models through the Oregon Talent Council (OTC).
 - b. Connect with Workforce Investment Boards (WIBs) sector training strategies
 - c. Connect with STEM Industry Council and regional STEM Hubs
 - d. Identify a local area in which to activate a pilot of the Oregon Career Technical Education Skill Cluster for Food Science and Processing
3. Work with university business schools to integrate focus on food and beverage careers in the curriculum.
4. Work with Oregon Employment Department and private workforce referral agencies to better coordinate part time and shared worker availability and summer/high school work rules and liability issues.

OPPORTUNITY:*Invest in Much Needed Transportation Infrastructure*

The state of Oregon's transportation infrastructure heavily impacts the food and beverage industry. Loss of container shipping capacity at the Port of Portland has affected processors' access to raw products as much as it has the distribution channels for finished goods. As an industry that relies heavily on the ability to cost-effectively move raw materials and finished product within and out of the region, the current state of Oregon's highways and bridges is negatively impacting growth. And, as shipping and rail options have decreased, greater burdens have been placed on the state highway system, with adverse effects for all Oregon citizens, as well as the distribution industry. [Road Map Report](#) pages 27-29.

Recommendation to support critical investments in freight transport:

1. Pass a statewide transportation improvements package that adequately invests in highways, roads, bridges, and other critical transportation infrastructure.

OPPORTUNITY:*Coordinated Market Development*

Although Oregon food and beverage products enjoy a good reputation for quality, safety, and ethical production, the majority of these goods have been sold in bulk or as supplemental ingredients, and have been marketed by out-of-state affiliates. (For example, Oregon-grown apples, pears, and cherries marketed under Washington branding). A robust effort should be undertaken to not only open new markets for Oregon products, but to further enhance the value potential in Oregon-identified food products. Oregon specialty crops and craft products present an opportunity to redefine the value proposition for Oregon-branded food and beverage products in general. [Road Map Report](#) pages 29-31.

Recommendations to expand markets for Oregon food and beverage products:

1. Assign and appropriately fund either Business Oregon or ODA to work with the private sector to define and develop an explicit value-added food and beverage manufacturing market development strategy and coordinate with existing state marketing programs where appropriate such as those conducted by Travel Oregon;
2. Assign and appropriately fund either Business Oregon or ODA to work with the private sector to develop a comprehensive public education campaign within Oregon to convey the benefits of the food and beverage manufacturing industry;
3. Support existing recruitment efforts through the Team Oregon partnership to attract more food and beverage companies and entrepreneurs to Oregon, particularly co-packaging, distribution, transportation, and food machinery businesses.

OPPORTUNITY:*Collaboration and Streamlining Government Regulation*

Food and beverage companies are subject to multiple layers of federal, state, and local regulations, particularly concerning food safety. Industry companies also, of course, work within regulations on land use, work rules, environmental, and others. Several state entities, notably ODA, Business Oregon, and the Food Innovation Center (FIC), provide assistance to food and beverage companies regarding process innovation, regulatory issues, and export market development, among other services. Some companies are unaware of these services and would benefit from a better-coordinated information referral system. Disparities between Oregon state and federal policies on regulatory topics such as equipment depreciation, agricultural land inheritance, and reporting requirements, create unnecessary confusion that adds to the cost and difficulty of compliance. These problems could be substantially reduced by bringing state and federal regulations into closer congruence. Additionally, Oregon's food and beverage companies are learning (and in some ways struggling) to work with new workforce regulations. It is important the private sector and state government engage in an open dialogue regarding these new regulations to avoid unintended negative impact on Oregon's food and beverage industry and employment. [Road Map Report](#) pages 31-32.

Recommendations to streamline government services and requirements:

1. Follow federal lead in food and beverage regulatory issues, including issues such as labeling and capital investment tax incentives;
2. Invest in modern regulatory compliance systems that feature online data entry and retrieval;

3. Collaborate on information clearinghouse system to make regulatory and technical assistance services more visible to small and medium-sized firms;
4. Initiate public-private dialogue, particularly leveraging NWFPA and other industry associations, on the impacts of recent changes in workforce-related regulations;
5. Resist implementation of new workforce-related regulations pending thorough understanding of how those regulations would impact the food and beverage industry and employment;
6. Collaborate to promulgate building development standards and wastewater reclamation processes that meet performance criteria but recognize unique food and beverage characteristics.

METRICS

To track overall progress in the industry, the Road Map proposes a number of traditional outcome metrics such as industry sales, jobs, average wages, and location quotients and provides resources for this data.

However, it is also important to track successes or failures in implementing program developments. Examples of process metrics could include the following:

- Dollars invested in upgrading/expanding university Food and Beverage research and education facilities and programs
- Number of Food and Beverage instructional programs at high school and community college level
- Number of students enrolled in Food and Beverage educational programs
- Regulatory/tax policy changes effected for the benefit of the Food and Beverage industry
- Federal grants received for R&D/Food safety
- Number of food and beverage related projects completed by Regional Solutions Teams

CONCLUSION AND PATH FORWARD

The Oregon food and beverage manufacturing industry has significant potential to grow, creating additional living wage jobs in both rural and urban parts of the state. However, it will require both public and private sector investments and commitments to accelerate both high impact opportunities and address constraints facing the industry. The Road Map is the result of strong collaboration among leaders in private industry and the public sector. The analysis and resulting recommendations represent a strong foundation on which to expand this partnership for the benefit of the industry and Oregon's economy.

Through a coordinated approach to leveraging Oregon's comparative advantage and maintaining the highest level of product quality, the food and beverage manufacturing industry can continue to provide an economic engine for the state economy and a source of pride for all Oregon residents. The recommendations included in this report represent an actionable approach to taking advantage of this opportunity. In order to act on these recommendations, the following steps should be taken immediately:

1. The state legislature should adequately fund both the OSU R&D expansion and an adequate transportation infrastructure package.
2. The Governor, state legislators, and agency heads should continue to view the food and beverage industry as a source of beneficial economic growth, taking into consideration the opportunities and recommendations represented here when establishing priorities, setting budgets, implementing programs and adopting new regulations and requirements.
3. The Governor should assign a statewide resource to work with the private sector to leverage existing educational programs and resources to support skills development and job creation in the food and beverage industry.
4. The Governor should direct and appropriately fund either Business Oregon or Oregon Department of Agriculture to serve as the lead in working with industry leaders on pursuing action to support the remaining near-term recommendations.

ROAD MAP WORKING GROUP

Patrick Criteser	Co-Chair Oregon Food and Beverage Leadership Council Chair, Oregon Business Plan President and CEO, Tillamook Creamery Association
Sam Tannahill	Co-Chair Oregon Food and Beverage Leadership Council Chair, Oregon Business Association Director of Viticulture and Winemaking, A to Z (Founder)
Jeremy Rogers	Vice President, Oregon Business Council
D.J. Vogt	Vice President of Public Affairs, Oregon Business Association
Joel Fischer	Senior Policy Analyst, Oregon Business Association
David McGivern	President, Northwest Food Processors Association
Ian Tolleson	Director, Government Affairs, Northwest Food Processors Association
Dave Klick	Outreach Executive, Northwest Food Processors Association
Karen Goddin	Assistant Director, Business Oregon, Economic Strategies and Policy
Donna Greene-Salter	Strategic Initiatives Projects, Economic Strategies, Business Oregon
Terry Fasel	Marketing Director, Oregon Department of Agriculture
Gary Roth	Director, Industry Initiatives, Oregon Department of Agriculture
Lindsay Eng	Director of Market Access & Certification, Oregon Department of Agriculture

Consultants

Doug Svensson	President, Applied Development Economics, Lead Consultant
Lon Hatamiya	President& CEO, The Hatamiya Group,
Wes Ervin	CEcD, Senior Consultant
Bob Moore	Moore Information

The full Road Map Report can be found at
www.oregon4biz.com/Economic-Analysis/Specific-Initiatives/

business
oregon®