6 Assessing Regional Competitiveness in Food Manufacturing

Food producing, manufacturers and processing companies have a large presence in Southwestern Pennsylvania, with over 400 businesses. However, the region does not have a complete picture of the size, scope or impact of the sector since no analysis on this industry has been completed. One way to assess our food-related sector is to complete a cluster analysis for the food sector in the Southwestern Pennsylvania region.

The Pennsylvania Department of Labor and Industry has included agriculture and food production in their listing of "high priority" clusters with "potential for growth or their overall importance to the stability of Pennsylvania's economy."[1] In addition, the Pennsylvania Targeted Industry Program from the Pennsylvania Higher Education Assistance Agency included agriculture and food production in their state grant program for students, further demonstrating the importance of the sector to the state and to the economy.

Generally, industry clusters like agribusiness, food processing and technology have been identified as important for regions with large rural areas like Southwestern Pennsylvania. [2] But little analysis has been done on the sector in Southwestern Pennsylvania. Preliminary data suggest that the Southwestern Pennsylvania region has many of the key components important for cluster development. A complete analysis of the agriculture and food cluster in the region is needed to address the current workforce challenges and the future growth of this sector.

An Industry Cluster is:

> A geographically concentrated group of interconnected companies and associated institutions in a particular field. [3]

What is Cluster Analysis?

In the past decade, economic developers have focused on the regional context of industry groups, called clusters, as a means of strengthening the regional economy and encouraging economic growth. The methodology recognizes that many factors play a role in the growth and success of regional businesses. Clusters and sub-clusters of industries generally represent a piece of a supply chain.

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[1] Pennsylvania Department of Labor & Industry, *High Priority Occupations Policy*, July 2012, p. 7.
Unlocking Rural Competitiveness: The Role of Regional Clusters, January 2007, Purdue Center for Regional Development,
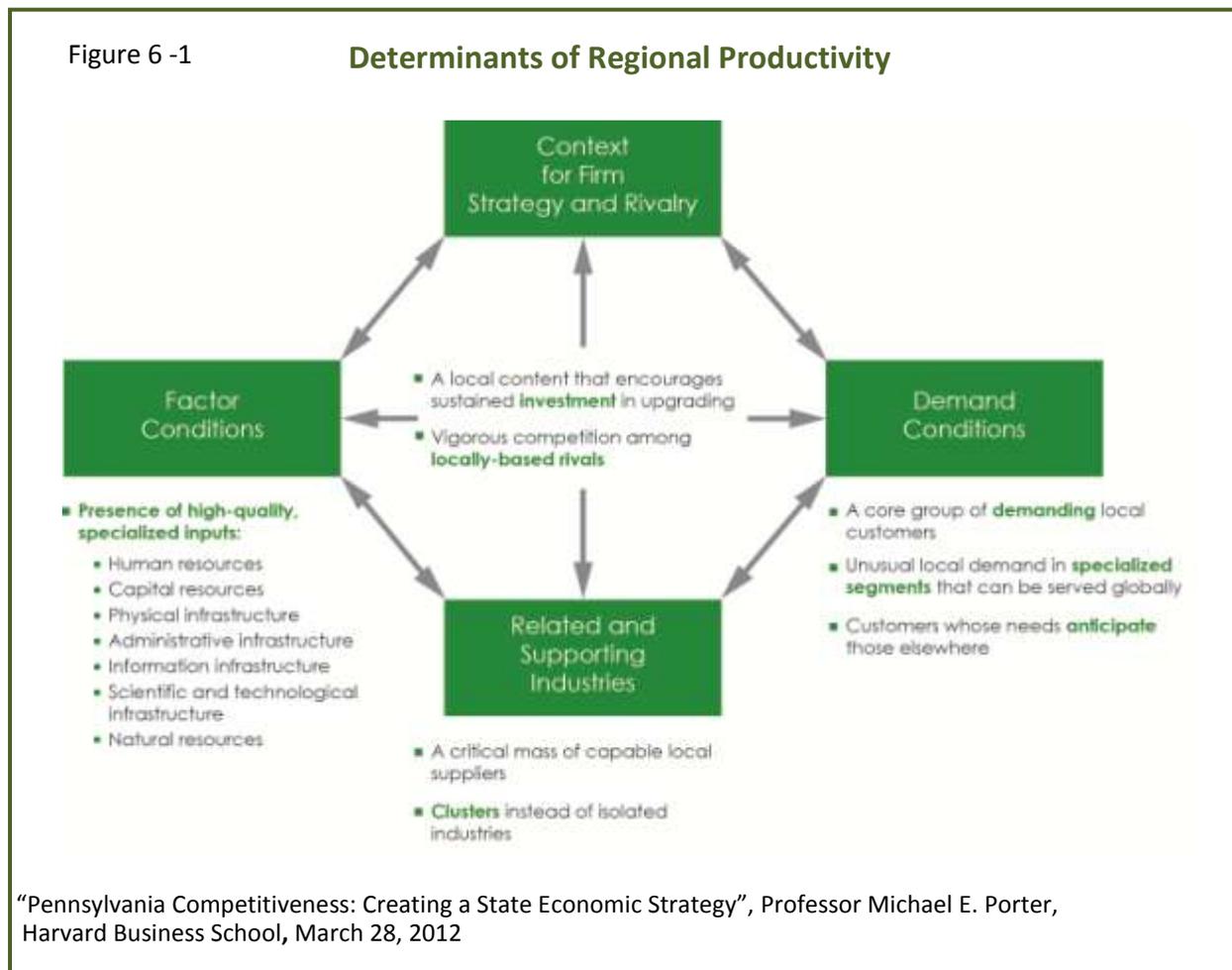[2] www.ibrc.indiana.edu/innovation, www.purdue.edu/dp/pcrd/innovation
[3] "Pennsylvania Competitiveness: Creating a State Economic Strategy",   Professor Michael E. Porter, Harvard Business School, March 28, 2012

The World Bank discusses the benefits of using cluster analysis because it is[4]:

- **Market-driven** -- focusing on bringing the demand and supply side of the economy together to work more effectively.
- **Inclusive** -- reaching out to companies large and small as well as suppliers and supporting economic institutions.
- **Collaborative** -- placing great emphasis on collaborative solutions to regional issues by participants, motivated by self-interest.
- **Strategic** -- helping stakeholders create a strategic vision of their region's next generation economy shared by many different constituencies and providing motivation and commitment to action.
- **Value-creating** -- improving depth (more suppliers) and breadth (attracting more industries) to increase regional income.
  (Excerpted from Doing Cluster Analysis, The World Bank, 2011)

Professor Michael Porter from Harvard University developed the methodology as a means of analyzing the competitiveness of industries and later applied the concept to nations and regions. Figure 6-1 below shows how regional businesses and the public sector interact to create a competitive regional environment.

Figure 6 -1   **Determinants of Regional Productivity**

"Pennsylvania Competitiveness: Creating a State Economic Strategy", Professor Michael E. Porter, Harvard Business School, March 28, 2012

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[4] Doing Cluster Analysis, The World Bank, 2011,   http://go.worldbank.org/S8CZ3T18S1

The Agriculture and Food Processing Cluster

Pennsylvania ranks fifth in the nation on high employment in specialized sub-clusters. **Pennsylvania's Targeted Industry Clusters**[5] report identified agriculture and food production as a top industry cluster, with the top industries (by employment) in the sector being:

- Veterinary Services
- General Line Grocery Merchant Wholesalers
- Commercial Bakeries
- Other Grocery Product Merchant Wholesalers
- Mushroom Production
- Other Snack Food Manufacturing
- Confectionery Manufacturing from Purchased Chocolate
- Meat Processed from Carcasses
- Animal (except poultry) Slaughtering
- Poultry Processing

The same report showed competitive industries based on concentrations in the state as [6]:

- Mushroom Production
- Confectionery Manufacturing from Cacao Beans
- Other Snack Food Manufacturing
- Confectionery Manufacturing from Purchased Chocolate
- Other Tobacco Product Manufacturing
- Frozen Cakes and Other Pastries
- Other Poultry Production
- Creamery Butter Manufacturing
- Non-Chocolate Confectionery Manufacturing

Summary

Increased knowledge of the agriculture and food production industry cluster will enable the region to create better links between the key sectors to enhance economic competitiveness and sustain local food jobs.

SPC is proposing to conduct an analysis to answer the following:

- How can the region increase economic activity (jobs and investments) by supporting the local food system and value-added components of the system?
- What is the economic impact of increasing local food consumption?
- How can increased activity and/or producing value-added products increase incomes for people involved in the local food system?
- How large is the food supply chain in the region and what are the components?
- What regional actions and policies are needed to promote the local food supply chain?

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[5] Pennsylvania's Targeted Industry Clusters, October, 2008, Center for Workforce Information & Analysis, Pennsylvania Department of Labor and Industry
[6] Op cit. p.15