

2. Agri-Food

The agri-food industry encompasses the production of food, beverage, and tobacco products. In the United States alone, the industry provided more than 1.5 million jobs 2007. The industry is highly fragmented, with thousands of small independent food processors competing for market share with some of the world's largest conglomerates.

a) Representative Operation – Food Processing

The representative operation modeled is a small independent food processor, producing medium-value, non-perishable products, such as packed, dried, or canned foods; or confectionary products. As illustrated in Exhibit 3.6, this operation is characterized by:

- Moderate facility and equipment requirements
- A workforce with a relatively high proportion of lesser-skilled employees
- Moderate energy requirements.

The business is assumed to operate as a stand-alone profit center.

b) International Results

International results are illustrated in Exhibit 3.7. These results reflect the combined impact of 26 location-sensitive cost components applied to the modeled operation. Detailed results, by key cost component, are presented in Exhibit 3.8.

c) Selected Cities

Exhibit 3.9 profiles results for selected cities, by country, from among the 95 cities featured in this report. Results for all other featured cities can be found in Chapter 4, Exhibit 4.7.

EXHIBIT 3.6 – AGRI-FOOD	
Food Processing – Summary of Operating Parameters	
Facilities Requirements	
Leased industrial facility	3 acres (12,141 m ²)
Size of factory built	50,000 ft ² (4,645 m ²)
Other Initial Investment Requirements	
Machinery and equipment – US \$'000	\$18,000
Office equipment – US \$'000	\$300
R&D equipment – US \$'000	–
Inventory – US \$'000	\$2,000
Equity financing – % of project costs	50%
Workforce	
Management	6
Sales and administration	12
Production/non-dedicated product development	
- Professional, technical	8
- Operators	44
- Unskilled laborers	37
Other	3
Total employees	110
Energy requirements	
Electricity monthly consumption/peak demand	370,000 kWh and 1,260 kW
Gas monthly consumption	30,000 CCF (84,986 m ³)
Other Annual Operating Characteristics	
Sales at full production – US \$'000	\$40,000
Materials and other direct costs – % of sales	44%
Other operating costs – % of sales	6%
Investment in tax-eligible R&D – % of sales	–

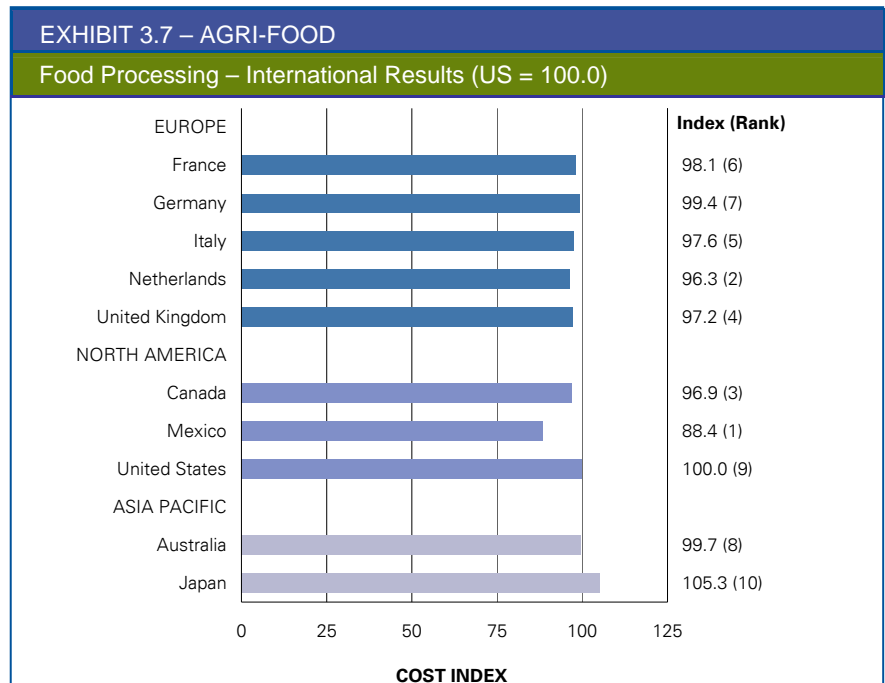


EXHIBIT 3.8 – AGRI-FOOD

Food Processing – Costs, by Major Component, US \$'000

	Europe					North America			Asia Pacific	
	France	Germany	Italy	Netherlands	UK	Canada	Mexico	US	Australia	Japan
Revenues	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000	38,000
Costs										
- Salaries & Wages	4,303	5,932	4,574	5,302	4,821	5,202	1,742	5,103	5,350	6,955
- Statutory Plans	1,985	1,076	1,000	710	447	590	123	637	700	680
- Other Benefits	901	1,246	1,305	1,318	1,628	1,330	529	1,983	1,209	1,813
- Total Labor & Benefits	7,189	8,254	6,879	7,330	6,896	7,122	2,394	7,723	7,259	9,448
- Facility Lease	342	427	410	455	697	265	242	253	359	792
- Transportation	1,971	1,687	2,063	1,747	1,750	2,766	4,039	2,781	3,219	2,339
- Utilities	892	1,134	1,503	1,036	987	655	611	624	1,043	1,049
- Interest & Depreciation	2,762	2,823	2,752	2,741	2,813	2,814	2,085	2,835	2,571	2,968
- Non-Income Taxes	591	147	31	29	428	235	42	528	96	681
- Location-Insensitive Costs	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000	19,000
Profit Before Income Tax	5,255	4,530	5,362	5,664	5,431	5,145	9,588	4,257	4,454	1,724
- Income Taxes ¹	1,663	1,377	1,598	1,412	1,511	1,125	2,597	1,320	1,411	629
Effective Rate	31.6%	30.4%	29.8%	24.9%	27.8%	21.9%	27.1%	31.0%	31.7%	36.4%
After-Tax Profit	3,592	3,153	3,764	4,252	3,920	4,020	6,991	2,937	3,043	1,096
Total Annual Costs	34,408	34,847	34,236	33,750	34,081	33,981	31,010	35,063	34,958	36,905
Index (US=100.0)	98.1	99.4	97.6	96.3	97.2	96.9	88.4	100.0	99.7	105.3
Rank	6	7	5	2	4	3	1	9	8	10

¹ Income taxes may be either positive or negative, irrespective of whether profit before income tax is positive or negative, due to the impact of specific expense deduction rules, minimum taxes, and refundable income tax credits. Effective tax rates are not shown where results are not meaningful because of low profitability.

EXHIBIT 3.9 – AGRI-FOOD

Food Processing – Results for Selected Cities, by Country

Country and City	Index	Rank ¹	Country and City	Index	Rank ¹	Country and City	Index	Rank ¹
International Locations – All Cities						North America – Lowest Cost Cities		
AU Adelaide	100.2	73	JP Osaka	104.9	92	CA Sherbrooke, QC	95.9	4
Brisbane	100.2	74	Tokyo	105.6	93	Quebec City, QC	96.6	11
Melbourne	98.9	56			Moncton, NB	96.7	13	
Sydney	100.5	76	MX Mexico City	89.1	2	Montreal, QC	96.8	14
			Monterrey	87.8	1			
FR Lyon	98.4	39			US Charleston, WV	96.4	8	
Paris	97.9	27	NL Amsterdam	96.1	5	Youngstown, OH	96.5	10
			Brabant Stad	96.3	6	Lexington, KY	96.6	11
GE Berlin	98.8	52	The Hague	96.4	9	Greenville-Spartanburg, SC	96.9	15
Frankfurt	100.0	72	Utrecht	96.4	7	Shreveport, LA	97.0	16
					Atlanta, GA	97.3	22	
IT Milan	97.3	21	UK London	98.8	55	Buffalo, NY	97.4	23
Rome	98.0	28	Manchester	95.6	3	Raleigh, NC	97.7	25

¹ Rank among 95 cities.