

# Michigan State University: Food and Ag Leaders hopeful about Industry, State Economy

**L**eaders in Michigan's food and agriculture industry remain optimistic about their businesses, and their confidence in Michigan's overall economy continues to climb. Those were the results of the Michigan Agriculture and Food Index (MAFI), shared on Tuesday, July 22 during the annual Ag Expo VIP breakfast.

The July MAFI is the third of its kind. It gauges the current business climate of the state's food and agriculture system by surveying 100 influential players in food and agriculture businesses. A rating of 100 on the index is considered neutral; ratings above 100 signal an overall positive outlook, and below 100, an overall negative outlook.

The MAFI for the overall state of food and agriculture has remained steady at 145 or higher since the initial survey was conducted in April 2013. The index rating for the overall state of Michigan's economy continues to grow—from 115 in April 2013 to 120 in January 2014 all the way up to 133 in the most recent survey.

Chris Peterson, director of the MSU Product Center, is the lead investigator on the project. He sat down with a select group of members of the food and ag system in June to discuss the findings.

"It boils down to this: the general economy is catching up to agriculture," Peterson said. "One representative of the ag lending industry told us that bankers are very bullish on agriculture, and competition is keen across the country. He pointed out that even banks that have typically not lended to agriculture businesses are starting to enter that realm. They see food and ag as a good place to invest their money."

In addition to the two overall scores, the MAFI rates three aspects of the food and ag system in Michigan. The current sales outlook is up slightly to 133, the job outlook hung steady at 126, and the investment outlook rebounded to 116 after dropping to 107 in January 2013.

A representative of the dairy industry pointed out that the growth of the middle class globally has a positive impact on demand and prices.



*MMPA member Larry Crandall (left) talks with Member Representative Ed Zuchnik (right) at Ag Expo.*

"Globally, when people have more discretionary money, the first thing they do is improve their diet, especially for their children," he said. "Dairy products fit in well to the increasing demands of the growing middle class in places such as China, where they are looking for higher protein, more nutrient-rich foods. We believe demand for dairy products will continue to grow in new areas around the world as incomes increase, and that will have positive impacts on dairy producers around the country and here in Michigan."

In an open-ended portion of the survey, researchers ask respondents what keeps them up at night. The top three issues remain the same as in previous surveys: government regulation and policy, various risk management concerns and labor. However, concerns about infrastructure made their debut in the most recent survey.

Bill Knudson, an MSU Product Center marketing economist, said it's the first time multiple respondents have mentioned roads and Internet connectivity as major worries.

"Certainly, finding good seasonal labor and full-time labor remains on the top of their list," he explained. "But several said that rural Internet is important to them and a topic that should be discussed broadly."

The MSU Product Center has been conducting the survey every six months since April 2013. Results are compiled, and the MAFI results are released semi-annually in March and July.