

Kane County Food Hub Feasibility Study
Economic Impact Assessment Analysis
Updated on December 1, 2016

Data		Notes and questions
Projected Food Hub Sales	\$3,362,150	From pro forma P&L developed as part of the Kane County Food Hub Feasibility Study
Retail Sales Equivalent	\$4,803,071	Assumes a 30% margin, based on USDA's farmer to wholesale to retail spreads: http://www.ers.usda.gov/data-products/price-spreads-from-farm-to-consumer.aspx
Retail Sales That Are Not Currently Local	\$3,362,150	Buyer survey results indicate that 70% of buyer spending is not currently local
Revenue to Growers	\$2,033,294	From pro forma P&L developed as part of the Kane County Food Hub Feasibility Study
LAND AND AG IMPACT		
Acres maintained	~850	Current production among interested growers; would be maintained with access to new, expanded markets
Expansion acreage	160+	Identified expansion potential among interested growers
REVENUE IMPACT		
Economic Multiplier (Total)	\$5,883,763	Assumes a 1.75 multiplier, not factoring in opportunity costs. Based on <i>Assessing the Economic Impacts of Regional Food Hubs: the Case of Regional Access</i> and <i>The Economics of Local Food Systems: A Toolkit to Guide Community Discussions, Assessments and Choices</i>
JOB CREATION [Total job creation – direct + indirect = 53.5 FTEs]		
Direct job creation		
Hourly Wages (including fringe)	\$309,755	From business analysis
Full Time Wages*	\$365,000, for seven salaried positions	From business analysis
Fringe and Benefits for Full Time Wages	\$91,250	From business analysis
Number of jobs created**	~20 total 19.25 full-time, seasonal warehouse positions (for 30 weeks of the year) 0.75 full-time, seasonal driver position for box program (for 14 weeks of the year)	\$11.66/hr for warehouse workers Based on MIT Living Wage Calculator, and reinforced by Kane County's Workforce Investment Board Local Workforce Investment Area 5 data (code 53-7062, whose hourly wage is \$10.52) \$14.79/hr for drivers This is based on Kane County's Workforce Investment Board Local Workforce Investment Area 5 data (code 53-3033, whose hourly wage is \$14.79)
Indirect job creation		
Construction job creation (FTEs over the course of four months)	12.4	Assumes that 20% of the renovation / retrofitting (\$800K) is for labor, \$25.48 per hour for construction workers, 3 months of total construction time. This is based on Kane County's Workforce Investment Board Local Workforce Investment Area 5 data (code 47-2061 whose hourly wage is \$25.48.)

		Note that the prevailing wage in Kane County ranges from ~\$38 (for laborer) to \$50+ (for highly skilled positions such as electrical). It is assumed that the food hub is a private entity and that federal funds are not accessed for the direct construction of a food hub in Kane County given the hub's strong potential to generate a competitive return for traditional debt and equity investors. In the event that federal funds are used for construction, the cost of construction labor would be revised to reflect prevailing wage rates. It is estimated that the overall assumed cost of construction would increase by 10%.
Indirect ongoing job creation	If the majority of production comes from acreage newly converted to specialty crop production, 23 jobs would be created, of which 10.5 are <i>on farm positions</i>	The Economic Contribution Potential of Local Foods Production in Kane County, IL indicates that for every \$1m in farm gate sales: <ul style="list-style-type: none"> • 5.18 on farm jobs are created • 3.77 jobs are created as a result of inputs procurement • 2.36 jobs are created as a result of induced household spending

Note: Economic multiplier and employment multipliers vary significantly and in particular, the degree to which and methodology by which opportunity costs are factored in ranges considerably.

The following resources were utilized to determine appropriate, well researched, average ranges of multipliers for this study.

- [The Economic Contribution Potential of Local Foods Production in Kane County, Illinois](#)
- [Evaluating the Economic Impact of Farmers' Markets Using an Opportunity Cost Framework](#)
- [Assessing the Economic Impacts of Regional Food Hubs: the Case of Regional Access](#)
- [The Economics of Local Food Systems: A Toolkit to Guide Community Discussions, Assessments and Choices](#)

Two important considerations given the complexity and need for direct and on the ground research to do so, include:

- *The above calculations assume that land is either newly converted to the production of specialty crops and that it was not previously being used for any income generating purposes or (in the case of the Kane County study) is being converted from row crop production. In reality, the expansion of land into specialty crop production will be through the conversion of land being used for a variety of purposes or that is not being utilized for income generated purposes at all. A detailed, localized assessment would account for these countervailing effects.*
- *Purchases on locally produced goods is not totally incremental; some or all of this spending is being diverted from existing spending on other (generally nonlocal) goods. A detailed, localized assessment would account for the impact of diverting this existing spending.*

* This is inclusive of the owner / operator compensation, assuming this person takes on the role of CEO (making \$70,000 in base salary).

** Note that warehouse worker positions will range. Most will be minimally skilled roles, focused on washing, sorting and packing as well as processing of produce. However, workers will gain on the job training on safe food handling practices and the use of equipment and machinery. Three to four of these workers will require forklift training and safety certification.