

# Contribution of Agriculture to Wisconsin

## Food Processing's Contribution to Wisconsin Labor Income 2012

Agriculture has historically been considered a backbone of the Wisconsin economy. Over time, however, other components, such as the service producing sectors including tourism-recreation and business services to name a few, have grown more important. This raises the question, how much does agriculture contribute to the modern Wisconsin economy. Using data from 2012, the most current year available, we seek to provide insights into that fundamental question.

Using an input-output model of the Wisconsin economy and several sub-regions to capture the multiplier effects we find that food processing contributes \$12.9 billion to labor income, which is 7.5% of the state total. If we explore the contribution of food processing activity to different parts of Wisconsin we see a unique and somewhat expected pattern. For example, in South Central Wisconsin food processing activity contributed over \$1.7 billion to labor income or 5.8% of total labor income within the region..

### All Food Processing (2012) (MM\$)

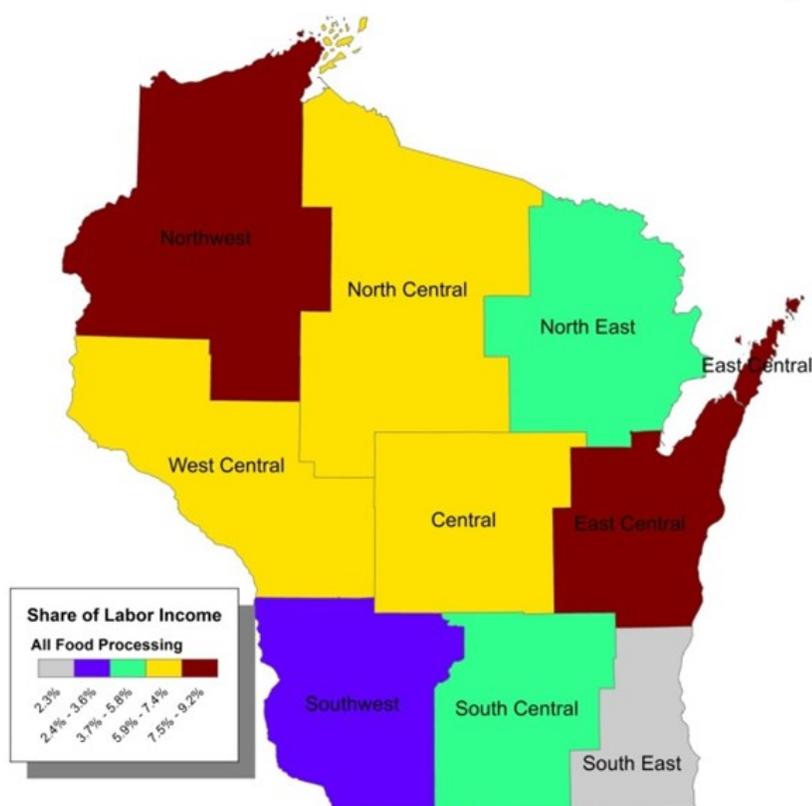
	Labor Income	(%)
Wisconsin	\$12,891.0	7.5%
North West	\$444.9	8.1%
North Central	\$591.0	7.4%
North East	\$159.9	5.4%
West Central	\$835.2	6.8%
Central	\$494.4	6.5%
East Central	\$2,914.5	9.2%
South West	\$179.9	3.6%
South Central	\$1,776.5	5.8%
South East	\$2,393.2	2.3%

Labor income is defined as returns to labor and includes wages, salaries and proprietor income. For most farms, the return to the farmer's labor is in the form of proprietor income. A handful of farmers structure their businesses and draw a salary and any retained profits.

Even South East Wisconsin, which is dominated by the Milwaukee Metropolitan area, food processing contributes \$2.4 billion to labor income (2.3% of total in the region). East Central Wisconsin has the highest level of dependency on food processing with \$2.9 billion in labor income, or 9.2% of the regional total. North West Wisconsin draws 8.1% of its labor income, about \$445 million, from food processing and related industries and only South West Wisconsin (other than the South East region) is dependent upon food processing for less than five percent of labor income. In general, food processing is an important source of labor income (wages, salaries and proprietor income) throughout most of Wisconsin.

When thinking about agriculture within Wisconsin we must think beyond the farm gate and

### Share of Labor Income from All Food Processing



view food processing as part of the complex agricultural economic cluster. One could think of on-farm activity and food processing as two sides to the same economic cluster. The two parts of the industry are mutually dependent upon each other.

### Methods of Analysis

In this study we use an input-output model of the economy at the state level and the nine sub-regions of Wisconsin defined by National Agricultural Statistic Service (NASS). Input-output models can be viewed as a “spreadsheet” of the economy where buyers or demand move across the columns of the spreadsheet and sellers or supply move down the rows. An individual cell of the spreadsheet captures the dollar flow from sellers (supply) and buyers (demand). A key to the model is that the economy is in “equilibrium” or demand equals supply. In this framework we can trace how changes in one sector ripples throughout the entire economy. These ripples are widely known as the “multiplier effect”. For this study these multipliers are custom to the region we are examining and reflect the economy in 2012.