

# Independent Economic Impact of FY 2014 Ohio Food Program, Agricultural Clearance Program, & Executive Order Programs

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## I. Overview

In state fiscal year 2014, funding was provided for two programs to enhance the availability of fresh fruits, vegetables, protein items and shelf staple items to Ohio's 12 Feeding America foodbanks. These two programs are the Ohio Food Program which focuses on protein and shelf staple items, and the Agricultural Clearance Program which directs agricultural surplus items from Ohio farmers and growers to the foodbanks. Each of these programs was funded at over \$7.25 million in FY14 for a combined total of over \$14.5 million. In addition, in FY14, Governor Kasich also authorized through Executive Order an additional \$2.053 million in funding to supplement the availability of food supplies to Ohio families. This Executive Order supported the Governor's Summer Weekend Meal programs where vulnerable children received a weekend's worth of meals and additional fresh produce and vegetables, or, in targeted rural counties where no federally funded summer meal programs were available, eligible families received a home delivered box containing 11 shelf-stable, kid-friendly meals.

Not only do these programs play a vital role in providing much-needed support to Ohio families struggling with the impact of poverty and the continued slow recovery from the recession, but these programs also provide an additional benefit to the state in terms of supporting Ohio's agricultural sector. This report provides a summary of the economic impact of these programs on the state economy.

## II. Direct Economic Impact of Ohio Food Support Programs

Table 1 on the following page provides an overview of expenditures, food purchased, and meals provided through each of the three Ohio food support programs in fiscal year 2014.

The data in Table 1 (provided by the Ohio Association of Foodbanks) summarizes the **direct economic impact** of the three food support programs in Ohio. 42.1 million pounds of food is purchased at a total cost of \$14.2 million. This food is sufficient to provide 32.9 million meals to needy families through Ohio's network of foodbanks (note that based on calculations made by the U.S. Dept. of Agriculture, 1.28 lbs of food is considered to constitute 1 meal). When transportation, storage and administrative costs are included, total food support program costs total \$16.58 million in FY 2014. The direct economic impact of the food support programs includes the meals provided as well as the income received by the food producers, transportation and storage providers, and administrators of the programs.

**Table 1: Summary of Ohio Food Support Programs, FY2014**

Measure	Ohio Food Program	Agricultural Clearance Program	Governor Kasich Exec. Order	Total State Food Support Programs
Total Cost of Food Purchased	\$6,106,142	\$6,241,982	\$1,836,617	<b>\$14,184,741</b>
Total Pounds of Food Purchased	9,632,766	30,417,537	2,057,259	<b>42,107,562</b>
# of Meals Provided	7,525,598	23,763,701	1,607,234	<b>32,896,533</b>
Transportation & Storage Costs	\$725,000	\$725,000	\$125,000	<b>\$1,575,000</b>
Administrative Costs	\$362,500	\$362,500	\$91,831	<b>\$816,381</b>
Total Program Costs	\$7,193,642	\$7,329,482	\$2,053,448	<b>\$16,576,572</b>

### III. Economic Multiplier Effects

In addition to direct impact, all economic activity also produces indirect and induced effects that are the result of “economic multiplier effects”. Multiplier effects are the result of additional expenditures made by those who are suppliers for the food support programs, as well as from purchases made by those who derive income directly or indirectly from the food support programs in Ohio. For example, when a farmer purchases fertilizers for his crops from an Ohio crop nutrient supplier, this supplier will earn profits, make investments in his or her business, and hire employees. These types of effects are termed **indirect economic impact**. In addition, the supplier’s employees in turn spend the money they have earned on other items in the local economy, providing additional economic impact, which is termed **induced economic impact**. Finally, the merchants whose goods are purchased by these employees also enjoy an increase in their income, which begins another round of economic “ripple effects”.

The economic ripple effects created by the three Ohio food support programs can be measured by using standard economic multiplier models. Multiplier models allow researchers to compute the indirect and total economic impact resulting from a particular economic initiative or industry based upon the inputting of the initial data reflecting the direct economic benefits of the initiative or industry in question. This analysis uses the RIMS II Multiplier Model developed by the U.S. Department of Commerce Bureau of Economic Analysis (BEA). This model is based on national and regional economic data, which is periodically updated by the BEA. The RIMS II model is the most widely used model of its type in the country. The most current RIMS II multipliers available are based upon 2002 national data and 2010 regional data.

## A. Agricultural Clearance Program

Table 2 provides a slightly more detailed overview of the direct economic impact of the Agricultural Clearance Program. The BEA multiplier model has different multipliers for different categories of farm products.

**Table 2: Agricultural Clearance Program FY14 Fruit & Vegetable Purchases**

Commodity	Pounds Purchased	Cost
Vegetables & Melons	26.5 million	\$4.6 million
Fruit from Trees	3.3 million	\$1.0 million
Berries	0.3 million	\$0.1 million
Eggs & Protein Products	0.4 million	\$0.6 million
<b>Total</b>	<b>30.4 million</b>	<b>\$6.2 million</b>

The data in Tables 1 and 2 can be used with the RIMS II multiplier model in order to compute the total (direct + indirect) economic of the Agricultural Clearance Program on Ohio's economy in FY 2014. Table 3 provides a summary of this impact, showing the direct and indirect economic impact on output in the state of Ohio as well as the income generated and number of jobs created.

**Table 3: FY 2014 Economic Impact of the Ohio Agricultural Clearance Program**

Agricultural Clearance Program	Direct Economic Impact	Indirect Economic Impact	Total Economic Impact
<b>Food Purchases</b>			
Value of Output	\$6.2 Million	\$5.7 Million	\$12.0 Million
Income			\$2.5 Million
Employment			99 Jobs
<b>Transportation, Storage &amp; Administration</b>			
Value of Output	\$1.1 million	\$1.4 million	\$2.5 million
Income			\$0.8 million
Employment			18
<b>Ag Clearance Total</b>			
Value of Output	<b>\$7.33 million</b>	<b>\$7.1 million</b>	<b>\$14.5 million</b>
Income			<b>\$3.3 million</b>
Employment			<b>117</b>

The data in Table 3 show that \$6.2 million of direct food purchases through the Agricultural Clearance Program led to an additional \$5.7 million in output produced across the state, for a total increase in output of \$12.0 million. \$2.5 million in additional income was generated across the state, and 99 jobs were created. In addition, \$1.1 million of expenditures on

transportation, storage, and administration resulted in an additional \$1.4 million in output across the state, along with nearly \$800,000 in additional income and 18 additional jobs. In total, in FY14 the Agricultural Clearance Program added **\$14.5 million in output** across Ohio, generated **\$3.3 million in income**, and led to the creation of **117 jobs**.

## B. Ohio Food Program

Table 4 shows the results of applying the RIMS II economic multiplier models to the data in Table 1 relating to the Ohio Food Program. The multipliers for the BEA economic category “Community food, housing, and other relief services” were used to compute the economic impact of the Ohio Food Program as these commodities were not purchased from farmers, as is the case with the Agricultural Clearance Program. Note that the economic impact from transportation, storage and program administration activities was identical under the two programs.

The data in Table 4 show that \$6.1 million of direct food purchases through the Ohio Food Program led to an additional \$7.6 million in output produced across the state, for a total increase in output of \$13.7 million. \$4.4 million in additional income was generated across the state, and 190 jobs were created. In addition, \$1.1 million of expenditures on transportation, storage, and administration resulted in an additional \$1.4 million in output across the state, along with nearly \$800,000 in additional income and 18 additional jobs. In total, in FY14 the Ohio Food Program added **\$16.2 million in output** across Ohio, generated **\$5.2 million in income**, and led to the creation of **208 jobs**.

**Table 4: FY 2014 Economic Impact of the Ohio Food Program**

Ohio Food Program	Direct Economic Impact	Indirect Economic Impact	Total Economic Impact
<b>Food Purchases</b>			
Value of Output	\$6.1 Million	\$7.6 Million	\$13.7 Million
Income			\$4.4 Million
Employment			190 Jobs
<b>Transportation, Storage &amp; Administration</b>			
Value of Output	\$1.1 million	\$1.4 million	\$2.5 million
Income			\$0.8 million
Employment			18
<b>OH Food Program Total</b>			
Value of Output	<b>\$7.2 million</b>	<b>\$9.0 million</b>	<b>\$16.2 million</b>
Income			<b>\$5.2 million</b>
Employment			<b>208</b>

### C. Governor Kasich Executive Orders Authorizing Additional Food Assistance

Table 5 shows the results of applying the RIMS II economic multiplier models to the data in Table 1 relating to the Governor's Executive Orders authorizing additional food assistance in FY14. These additional food programs include an array of summer food assistance programs including the Backpack, Innovative, Weekend, and Summer Farmer's Market programs. The analysis of these supplemental food assistance programs used the same multipliers as were used to estimate the impact of the Ohio Food Program.

The data in Table 5 show that \$1.8 million of direct food purchases through the Governor's Executive Order led to an additional \$2.3 million in output produced across the state, for a total increase in output of \$4.1 million. \$1.3 million in additional income was generated across the state, and 57 jobs were created. When the \$217,000 in transportation and program administration expenditures are included, the FY14 Executive Order for additional food assistance added a total of **\$4.6 million in output** across Ohio, generated **\$1.5 million in income**, and led to the creation of **61 jobs**.

**Table 5: FY 2014 Economic Impact of Executive Order for Food Assistance**

Governor Kasich Executive Order	Direct Economic Impact	Indirect Economic Impact	Total Economic Impact
<b>Food Purchases</b>			
Value of Output	\$1.8 Million	\$2.3 Million	\$4.1 Million
Income			\$1.3 Million
Employment			57 Jobs
<b>Transportation &amp; Program Administration</b>			
Value of Output	\$0.2 million	\$0.3 million	\$0.5 million
Income			\$0.2 million
Employment			4
<b>Exec. Order Total</b>			
Value of Output	<b>\$2.1 million</b>	<b>\$2.5 million</b>	<b>\$4.6 million</b>
Income			<b>\$1.5 million</b>
Employment			<b>61</b>

## FY14 Food Assistance Program Summary

Table 6 below shows the cumulative economic impact when all of the State's FY14 food assistance programs are added together.

**Table 6: FY 2014 Total Economic Impact of All Ohio Food Assistance Programs**

All Ohio Food Assistance Programs	Direct Economic Impact	Indirect Economic Impact	Total Economic Impact
<b>Food Purchases</b>			
Value of Output	\$14.2 Million	\$15.5 Million	\$29.7 Million
Income			\$8.3 Million
Employment			346 Jobs
<b>Transportation, Storage &amp; Administration</b>			
Value of Output	\$2.4 million	\$3.1 million	\$5.5 million
Income			\$1.7 million
Employment			40
<b>Food Assistance Totals</b>			
Value of Output	<b>\$16.6 Million</b>	<b>\$18.7 Million</b>	<b>\$35.2 Million</b>
Income			<b>\$10.0 Million</b>
Employment			<b>386 Jobs</b>

The data in Table 6 show that \$14.2 million of direct food purchases through the three food support programs led to an additional \$15.5 million in output produced across the state, for a total increase in output of \$29.7 million. \$8.3 million in additional income was generated across the state, and 346 jobs were created. When expenditures on transportation, storage and program administration are included, FY14 the Agricultural Clearance Program, Ohio Food Program, and the Executive Order authorized by Governor Kasich added **\$35.2 million in output** across Ohio, generated **\$10.0 million in income**, and led to the creation of **386 jobs** in addition to the direct benefits of providing **32.9 million meals** to needy Ohioans.

## IV. Summary of 2013 Agricultural Clearance Program Survey Results

The variability of the weather and other factors makes crop yields unpredictable from one year to the next. As a result, many growers plan to “over-produce” in order to ensure that sufficient quantities will be available to meet the product obligations to primary vendors. The idea behind the Agricultural Clearance Program is that Ohio's foodbanks can provide an outlet for growers in the event that surplus fruit and produce is available from farmers. This public/private partnership is “win-win” because the foodbanks benefit from the availability of farm-fresh food and the farms benefit by seeing their surplus product used for a worthy purpose rather than go to waste.

The Ohio Association of Foodbanks periodically surveys Agricultural Clearance Program participants in order to elicit additional information about the program. A summary of selected findings from the 2013 survey is provided below.

- 80% of survey respondents have participated in the Agricultural Clearance Program for at least 5 years.
- 45% of participating farms have 1-9 full-time employees and 45% have 10 or more full-time employees. 58% have 1-9 part-time employees and 42% have 10 or more part-time employees.
- 77% of survey respondents reported that they have been able to extend work hours for employees as a result of the Clearance program, and 68% reported that they were able to hire additional workers and/or extend the workers season of employment as result of the Program.
- Only 5 of 26 respondents did not extend work hours or hire additional employees as a result of the Agricultural Clearance Program.
- Roughly half of the survey respondents attempted to quantify the impact of the Agricultural Clearance Program on additional employee hours and/or wages. 5 companies estimated the additional wages paid at a total of **\$969,000**. 4 other companies estimated additional weekly wages, which at an estimated growing season of 20 weeks resulted in an additional **\$129,000** in wages paid to workers.
- 86% of respondents reported that the Clearance Program increased worker loyalty to their company. This was both because of the opportunity for additional work and because of the gratification that employees felt from assisting with a worthy cause.
- 80% of survey respondents reported that the Clearance Program allowed them to expand production. However, 100% of respondents who reported that they typically intentionally “over-produce” their commodities reported that the Clearance program provides them with a valuable outlet for this over-production.
- 76% of respondents reported that the Agricultural Clearance Program allows them to lower production costs or recover expenses in a manner that they would not otherwise be able to do.