



MEMORANDUM

ORIGINAL
FILE

DATE: June 19, 2007
TO: Michigan Economic Growth Authority
FROM: Mark Morante, Vice President
Toni Brownfield, Project Manager
SUBJECT: Briefing Memo – General Mills Operations, Inc.
Rural Credit

COMPANY NAME AND ADDRESS:

General Mills Operations, Inc.
P.O. Box 1113
Minneapolis, MN 55440

HISTORY OF COMPANY:

General Mills, Inc., was incorporated in Delaware in 1928 and is headquartered in Minneapolis, Minnesota. Through operating subsidiaries, it is a leading producer of packaged consumer foods and operates exclusively in the consumer foods industry. The principal product categories in the U.S. retail segment include, but are not limited to, Big G Cereals, Meals, Pillsbury USA and Yoplait. In addition to its consolidated operations, the company manufactures and sells products through several joint ventures. General Mills Operations, Inc. is a wholly owned subsidiary of General Mills, Inc. and operates the plant in Reed City, Michigan, which produces Yoplait yogurt. Yoplait had approximately \$1 billion in sales in FY 2006-2007. The company currently has 389 employees at its Reed City location.

PROJECT DESCRIPTION:

In order to meet the growing demand for Yoplait yogurt, General Mills Operations, Inc. is considering an investment of approximately \$32 million in real and personal property over three years, to expand its existing operations, to increase production and meet market demand. The proposed investment will consist largely of machinery and equipment associated with the manufacture and packaging of yogurt products.

If the proposed investment is approved by General Mills for the Reed City facility at least 25 new high quality jobs will be created over the next five years paying an average weekly wage of \$488.

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BENEFIT TO STATE:

According to the economic analysis done by the Michigan Economic Development Corporation utilizing Regional Economic Models, Inc. software, it is estimated that this facility will create a total of 52 jobs in the state by the year 2015. We also estimate that the project would increase total state government revenues through the year 2015, net of MEGA cost and adjusted for inflation, of \$1.6 million (2007 dollars) due to the location of this facility.

BUT FOR:

General Mills Operations, Inc. has three existing alternative facilities, in Tennessee, Massachusetts and California, to consider when planning for this increased production and proposed investment. The leading sites for this investment are Michigan and Tennessee. The Reed City facility produces 45% of the Yoplait yogurt produced nationally and the volume of the General Mills-Reed City facility has doubled since 2001. Because most of the the product is shipped out of Michigan, there is a significant transportation cost.

OTHER STATE AND LOCAL ASSISTANCE:

The City of Reed City has proposed a 12-year 100 percent property tax abatement for all new personal property that will be on the agenda of the June 18 city council meeting. The estimated value of the property tax abatement is \$3.7 million.

Through the Community Development Block Grant (CDBG) program, the State of Michigan is offering up to \$500,000 for qualifying wastewater treatment plant improvements.

Michigan Works! West Central will also work with the company to assist with training needs, employment screening, and ACT WorkKeys assessment.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent rural employment tax credit for seven years, for up to 25 net new jobs.