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**DATE:** May 12, 1999  
**TO:** Michigan Economic Growth Authority  
**FROM:** James L. Donaldson, Acting Vice President  
Michigan Business Development  
**SUBJECT:** Briefing Memo - Murco Foods, Inc.

#### COMPANY NAME AND ADDRESS:

Murco Foods, Inc.  
Eleven 11<sup>th</sup> Street  
Plainwell, Michigan

#### HISTORY OF COMPANY:

Packerland Packing is the parent company of Murco Foods, Inc. Murco is located in Gun Plain Township near Plainwell. The company slaughters and processes beef. Murco currently employs about 850. Since March 7, 1998, Packerland Packing has been managing this facility. This facility processes 1250 head daily on a single shift. Packerland has processing facilities in Wisconsin, Nebraska and Arizona. With the expansion of this facility or the Green Bay facility, Packerland will be able to increase its sales in the Midwest and to the east coast.

Packerland feels that the recent resurgence of beef in the consumer market will benefit them. Also, Packerland has the financial resources to implement the latest safety standards at Murco Foods, Inc.. Many smaller companies will not be able to meet safety standards in the future and this is likely to constrain capacity in the industry. Currently, Murco purchases about 60 percent of its stock (over \$200 million) in Michigan.

Murco had been involved in environmental and safety issues with the state in the past. These issues have been resolved and fines and penalties have been paid. There is an outstanding environmental issue that will be resolved with the completion, in the next year, of a waste discharge line.

**PROJECT DESCRIPTION:**

Packerland must increase capacity at either its Green Bay or Gun Plain Township facility. Packerland intends to increase capacity at the Murco Foods, Inc., facility by rationalizing processes, purchasing new equipment, and adding a second shift. These activities would increase capacity at either facility by nearly 50 percent. Capital investment is not large at \$1.5 million, but there will be additional upgrading of equipment in the future to sustain the expected growth. This expansion will also create up to 300 new jobs. Average weekly wage of these new jobs, if the Michigan facility is expanded, will be \$461 with a full benefit package.

**BENEFIT TO STATE:**

According to the economic analysis done by the University of Michigan, we estimate this facility will generate a total of 703 jobs in the state by the years 2020. Total state government revenues through the year 2020, net of MEGA costs, net of property tax abatement costs, and adjusted for inflation, would be increased by \$48,945,000 (1998 dollars) due to the presence of the Murco Foods, Inc. facility.

**COST ANALYSIS:**

As part of the company's decision process, it has undertaken a comprehensive cost analysis between Wisconsin and Michigan. Based on figures obtained from the company, the annual cost disadvantage for Murco Foods, Inc. to expand its manufacturing operations in Gun Plain Township rather than Green Bay is approximately \$3 million. This cost differential is due to wage rates approximately 50 percent higher in Michigan versus Wisconsin and utility costs to operate the Michigan facility. Higher utility costs are due to less efficient processing equipment and higher utility rates.

**OTHER STATE AND LOCAL ASSISTANCE:**

The Michigan Economic Development Corporation and the local communities will provide Murco Foods, Inc. with up to \$2 million in infrastructure for a waste water discharge line to improve the waste water processing the facility will be required to implement.

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In addition, the Michigan Economic Development Corporation will provide a 100 percent abatement of the six-mill State Education Tax for the same term as the local abatement, which could be worth up to \$34,867. Gun Plain Township will provide a tax abatement for up to 12 years worth \$151,691.

**BUT FOR:**

Murco Foods, Inc. must lower operating costs at the Gun Plain Township facility in order to upgrade the facility and operate profitably. While MEGA cannot offset the entire cost differential, the new facility, with a lower cost structure due to MEGA, can be competitive and offer Packerland increased capacity to meet sales goals in the future.

**RECOMMENDATION:**

The Michigan Economic Development Corporation recommends a MEGA employment credit of 100 percent for a period of 20 years for up to 300 net new jobs.