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### The Next Frontier for Functional Foods

#### A new report examining corporate locations trends in the food and beverage sector puts some interesting cities at the top of the list.

By Rebecca Wright  
Editor



Which state is well endowed with mammoth bones, is home to the largest underground gold mine, and is the cheapest place to build your next functional foods facility? The answer is South Dakota. More specifically, Sioux Falls, which happens to be the largest city in the state, not to mention the commercial, industrial and shipping center of an extensive agricultural area.

But as anyone in the nutraceuticals business knows, the hubs for this industry are New York/New Jersey, Utah and California. So what makes South Dakota so special?

According to a report released earlier this year, Sioux Falls, SD, is the ideal place for a functional food company in terms of operating costs and proximity to major universities studying healthy food ingredients. Given the tight economy, companies are currently considering any and all factors that

may help them to improve their bottom line, and operating costs for some is a top priority.

The report, put together by corporate location consultants, The Boyd Company, Princeton, NJ, reviewed national corporate location trends within the functional food and beverage sector. It compared the cost of operating a functional foods facility in 35 U.S. and Canadian cities. Surveyed costs included skilled labor, including scientific workers with advanced degrees in food technology and the life sciences, utilities, taxes, construction, shipping, corporate travel and other occupancy cost factors. Operating costs are scaled to a representative 60,000 sq. ft. functional foods facility housing research and processing functions and employing 150 workers.

Findings from the study showed total annual operating costs ranging from a high of nearly \$19 million in New York/Nassau County, NY, to a low of \$12.5 million in Sioux Falls, SD. Among the Canadian cities, annual operating costs range from a high of almost \$15 million in Toronto to a low of almost \$13 million in Saskatoon. (See Table 1.)

In today's distressed economy, the report noted, comparative costs are ruling the site selection process. "For most bio-industry companies, improving the bottom line on the cost side of the ledger is much easier than on the revenue side due to the credit squeeze, rising R&D costs, soaring litigation expenses arising from civil lawsuits and the long and expensive regulatory approval process, all making comparative operating cost structures an overriding concern for the 2009 corporate planner," the report said. "Operating cost differentials between an acceptable location and an optimum bio-industry site can be substantial, running into millions of dollars per year."

What about taxes? You can forget about them in South Dakota. For company owners there's no corporate income tax or inventory tax. For prospective employees, there's no personal income tax or property tax.

According to John Boyd Jr., the Midwest is likely to be the biggest recipient of these relocation trends, particularly because this is where a majority of these types of products are produced. "Companies are currently shifting their resources to generic manufacturing and nutraceuticals. Researchers are also taking interest in studying these ingredients," he said. "And with venture capital money hard to come by these days, companies are being extra cautious."

The Midwest is also attractive because it is situated near most of the country's ethanol production. One of the byproducts from ethanol production is distiller's dried grain, or DDG, which is already being used in cattle feed. In terms of other uses, Mr. Boyd pointed out that DDG also offers a variety of health benefits for humans.

Bio-Industry Location	Total Annual Operating Costs
New York/Nassau County, NY	\$18,806,714
San Francisco, CA	\$17,781,024
San Jose, CA	\$17,381,242
Los Angeles, CA	\$16,886,028
Boston, MA	\$16,386,231
Middlesex/Somerset/Hunterdon, NJ	\$16,338,694
Princeton, NJ	\$16,318,245
San Diego, CA	\$16,203,069
New Haven, CT	\$15,887,480
Chicago, IL	\$15,432,082
Philadelphia/Montgomery/Bucks, PA	\$15,330,157
Montgomery County, MD	\$15,239,253
Camden/Cherry Hill, NJ	\$15,003,957
Minneapolis, MN	\$14,990,591
Stockton, CA	\$14,871,105
Toronto, ON	\$14,761,099
Fairfax County, VA	\$14,756,559
Baltimore, MD	\$14,675,996
Wilmington, DE	\$14,670,179
Miami, FL	\$14,657,369
Denver, CO	\$14,419,911
Vancouver, BC	\$14,173,126
Palm Beach County, FL	\$14,132,893
Cincinnati, OH	\$13,960,709
Atlanta, GA	\$13,957,024
St. Louis, MO	\$13,929,230
Montreal, QC	\$13,759,913
Cedar Rapids, IA	\$13,247,513
Edmonton, AB	\$13,198,968
Omaha, NE	\$13,194,653
Des Moines, IA	\$13,174,793
Winnipeg, MB	\$13,144,719
Salt Lake City/Provo, UT	\$13,136,233
Saskatoon, SK	\$12,765,410
Sioux Falls, SD	\$12,556,884

Founded in 1975, The Boyd Company, Inc., provides independent location counsel to leading U.S. and overseas corporations. Devoted exclusively to corporate mobility, it is recognized as the nation's premier authority in comparative business cost analysis. Boyd has served such companies as: PepsiCo, Hershey Foods, Aventis, Nestle, Michael Foods and Frito-Lay.

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