

MEMORANDUM

Date: May 18, 2010

To: Michigan Economic Growth Authority

From: Amy Deprez, Manager
Packaging Team

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Packaging Team

Subject: Briefing Memo – ConAgra Foods Packaged Foods, LLC
Standard MEGA Credit

COMPANY NAME

ConAgra Foods Packaged Foods, LLC
One ConAgra Drive
Omaha, Nebraska 68102

HISTORY OF COMPANY

Founded in 1919 as Nebraska Consolidated Mills, ConAgra Foods, Inc. (NYSE: CAG) manufactures many leading brands of packaged foods including Healthy Choice, Chef Boyardee, Hebrew National, Hunt's, Orville Redenbacher's and Banquet, among others. ConAgra's consumer brands are found in 96% of U.S. households. Additionally, ConAgra Foods has a significant presence in the commercial food sector and is one of the nation's leading specialty potato providers to restaurants.

ConAgra Foods Packaged Foods, LLC currently has 531 employees in Michigan.

PROJECT DESCRIPTION

ConAgra recently acquired Elan Nutrition, a privately-held formulator and manufacturer of snack and nutrition bars. Elan has a 230,000 sq/ft manufacturing facility in Kentwood, Michigan. This acquisition allows ConAgra the ability to grow its private label snack bar business through new product development capabilities and expanded manufacturing capacity. ConAgra currently manufactures private label snack bars at its Lakeville, Minnesota facility. The proposed project is an expansion of manufacturing capability, through the addition of new machinery and equipment, and potentially a new R&D center of excellence at the Kentwood, Michigan site. The company will also incur costs in real property improvements to build-out the facility to accommodate the proposed expansion.

ConAgra proposes to invest approximately \$73 million and create approximately 75 jobs in the first year and up to 205 new jobs over the next five years as a result of this project. The average weekly wage for the newly created jobs will be \$607. The company also offers healthcare benefits, and plans to pay a portion of the benefit cost.

The effect on other Michigan businesses in the same industry was taken into consideration when recommending the amount and length of this tax credit.

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 generate a total of 460 jobs in the state by the year 2015. Total state government revenues through the year 2015, net of MEGA costs, would be increased by \$5,307,444 (current dollars) due to the presence of this facility.

BUSINESS CASE

Alternatively, ConAgra would expand their Lakeville, Minnesota facility to accommodate new product lines. The Lakeville facility has a well trained workforce and efficient operations, whereas the employees at the Elan facility will require training on ConAgra products, and corporate procedures. Minnesota does not have a personal property tax and the company calculates that with the changes in Minnesota's corporate tax, the company will have less tax burden in Minnesota. Minnesota also put forward an incentive proposal for the company to grow in Lakeville via the Minnesota Investment Fund for job growth.

OTHER STATE AND LOCAL ASSISTANCE

The City of Kentwood is supportive of this project and anticipates the approval of up to a 12 year PA 198 tax abatement on real property and up to an 8 year PA 198 abatement on new personal property. The estimated value of the abatement is \$3 million.

The MEDC is also supporting a 6-mill State Education Tax abatement on all personal property improvements for the duration of the PA 198 abatement.

RECOMMENDATION

Based on the factors described above, the Michigan Economic Development Corporation recommends a 100 percent standard employment tax credit for 5 years for up to 205 net new employees in excess of the company's established base of 533.