



MICHIGAN ECONOMIC DEVELOPMENT CORPORATION

MEMORANDUM

DATE: October 18, 2005

TO: Michigan Economic Growth Authority

FROM: James Donaldson, Vice President
Michigan Business Development

SUBJECT: Briefing Memo – Keebler Company
Standard Credit

COMPANY NAME AND ADDRESS:

Keebler Company
One Kellogg Square
Battle Creek, Michigan 49016

HISTORY OF COMPANY:

Keebler Company is a subsidiary of Kellogg Company, the world's leading producer of cereal and a leading producer of convenience foods, including cookies, crackers, toaster pastries, cereal bars, frozen waffles and meat alternatives. The company's products are marketed in more than 180 countries around the world under the brand names Kellogg's, Keebler, Pop-Tarts, Eggo, Cheez-It, Nutri-Grain, Rice Krispies and Morningstar Farms. Currently, the Kellogg Company has nearly 2,600 employees in Michigan.

PROJECT DESCRIPTION:

This project involves the purchase of equipment and renovation of an under-utilized facility in order to increase production capacity. The project includes the renovation of two recently acquired facilities in Wyoming, Michigan. The project would lead to the creation of 236 new jobs in the first year of the project and up to 352 jobs over the next two years. The jobs will have an average weekly wage of \$657.

The project would require a capital investment of \$5.6 million, including \$1.75 million for building improvements and \$3.8 million for updated manufacturing equipment and computers.

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BENEFIT TO STATE:

According to the economic analysis done by the University of Michigan, we estimate that this facility will create a total of 664 jobs in the state by the year 2015. We also estimate that the project would create total state government revenues through the year 2015, net of MEGA cost and adjusted for inflation, of \$20.8 million (2005 dollars) due to the location of this facility.

BUT FOR:

In addition to the site in Wyoming, Keebler also considered an existing manufacturing facility in Rome, Georgia for this expansion. The site in Georgia was attractive to the company because of several operational cost benefits, including lower wages and lower electrical costs. An analysis completed by the company indicates that wages are lower by 10 percent in Georgia while electrical costs are almost three times higher in Michigan. In addition, Keebler anticipates spending \$1.75 million for building renovations costs in Michigan, compared to \$500,000 for the facility in Georgia.

OTHER STATE AND LOCAL ASSISTANCE:

The state of Michigan will provide the company with an Economic Development Job Training (EDJT) grant of \$500 for each of the 352 new hires, up to \$176,000.

The City of Wyoming has proposed 50 percent abatement of the company's new real and personal property for 12 years. The estimated value of the local property tax abatement is \$608,000. The abatement is expected to be finalized on October 17, 2005.

RECOMMENDATION:

The Michigan Economic Development Corporation recommends a 100 percent employment tax credit for ten years, for up to 352 net new employees.