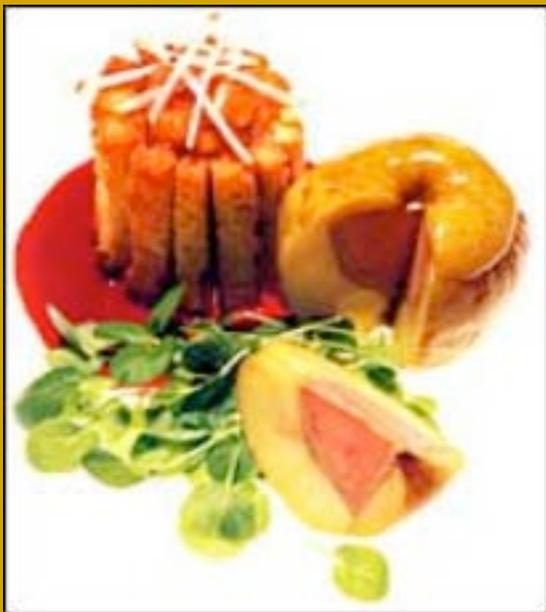


The Economic Importance of the New York State **FOIE GRAS** Industry



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The Economic Importance of New York State's **FOIE GRAS** Industry

FOIE GRAS is a rapidly growing agricultural niche industry with \$17.5 million in U.S. annual sales

FOIE GRAS generates \$23.1 million in total economic output from New York State

FOIE GRAS represents 42% of New York's meat poultry industry and 19% of all State poultry sales

New York accounts for 85% of U.S. and 50% of North American **FOIE GRAS** production by volume

FOIE GRAS represents 43% of Sullivan County's agricultural production and 23% of its manufacturing

New York **FOIE GRAS** production directly employs 230 individuals and 488 persons in total

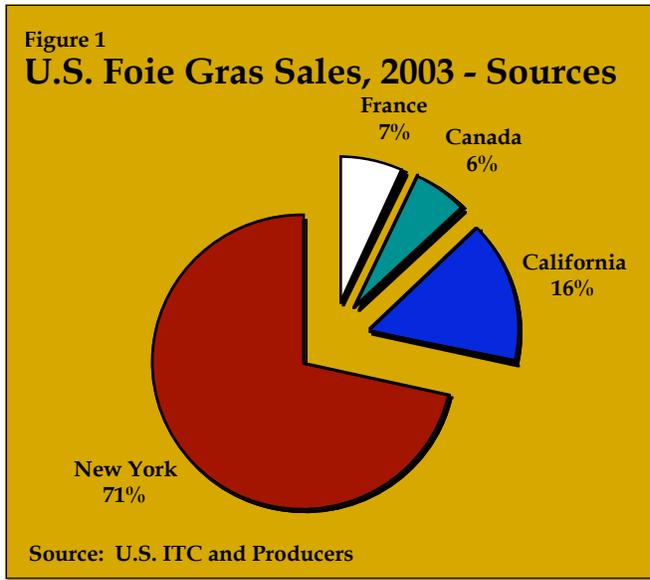
FOIE GRAS production in New York State includes \$2.9 million of valued added manufacturing

New York State **FOIE GRAS** is served by 33 of New York City's Top 50 food rated restaurants (Zagat)

The **FOIE GRAS** industry generates an estimated \$625,000 per year in sales, income and property taxes for New York and Sullivan County

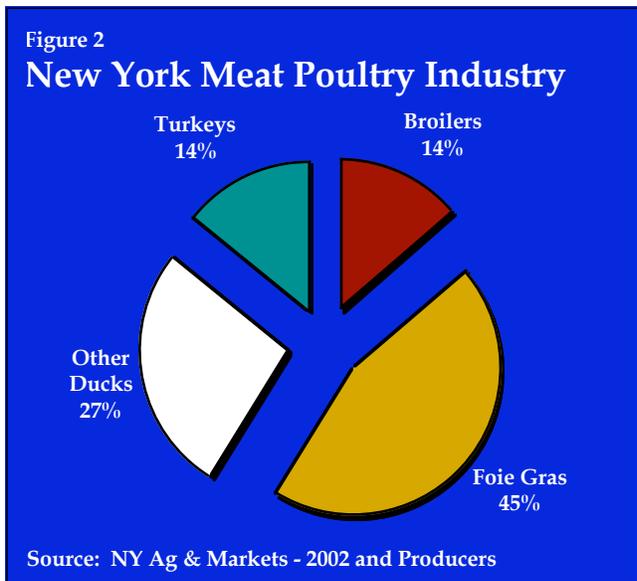
New York's FOIE GRAS Industry

New York State is home to two of the U.S.'s three Foie Gras producers. Both are located in Sullivan County, which has traditionally had a strong poultry industry.



New York producers accounted for an estimated \$14.5 million in sales of Foie Gras and related products in 2003, over 71% of the U.S. market by value. This included about \$11.6 million in liver sales and another \$2.9 million in added value sales of products such as Duck Confit and Magret. Such products also include duck fat (raw and rendered) and duck parts used in creating terrines (jellied foie gras), patès and mousses. New York produced 85% of U.S. livers and 50% of North American production by volume but Canadian (and French) products are of lower value.

This activity places Foie Gras at the forefront of New York State's meat poultry industry. The New York State Department of Agriculture and Markets indicates that the meat poultry industry generated sales of \$19,727,000 in 2002, including \$10,850,000 of duck meat. Those statistics, however, are based on a \$0.70 per pound (roughly \$6.00 per duck) price, which allows little or no value for Foie Gras. Therefore, Foie Gras represents an additional value in sales to the New York meat poultry industry of approximately \$35 per duck (including added value products) or \$12.3 million.



Altogether, the \$14.5 million total value of Foie Gras duck production, accounts for 45% of New York meat poultry production and 19% of all poultry production. It's also particularly important to Sullivan County where Foie Gras production represents 43% of total agricultural output. Moreover, some 30% to 40% of the activity on a Foie Gras farm involves food manufacturing. This is, by itself, an industry generating \$4 million to \$6 million of revenue for the County. It represents, on that basis, a minimum of 23% of Sullivan County's manufacturing base.

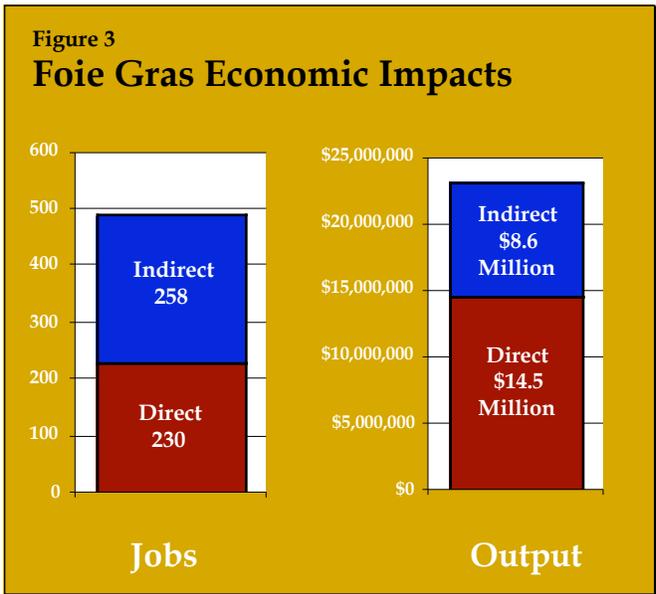
Economic Impacts of **FOIE GRAS**

The economic benefits of the Foie Gras industry, as illustrated on the previous page, are not limited to the farm. The Foie Gras industry extends into other sectors of the economy, including both manufacturing and trade. Foie Gras farms are, of course, also a perfect illustration of the added-value processing being promoted throughout the agricultural sector as a means of helping farmers and preserving farmland. They are also major job generators within the agriculture industry, which has traditionally involved relatively low employment levels. Table 1 below illustrates.

Table 1		
Sullivan County, New York		
Agriculture and Manufacturing Sectors, 2002		
	Jobs	Payroll
Agricultural Production	267	\$ 5,901,234
Manufacturing	1,001	\$ 25,504,905
Totals	1,268	\$ 31,406,139
Foie Gras	230	\$ 4,784,000
	%	
	18%	15%

The cross benefits of Foie Gras production among Sullivan County and New York State economic sectors are also major in nature. Not only are workers directly employed in breeding, growing and processing the ducks, some 230 in total, but there are also a considerably higher number of individuals employed in related endeavors after the Foie Gras and other added value products leave the farm. These include the transportation workers who move the product to markets across the country, distribution warehouse employees, restaurant workers, advertising personnel who help sell the product and design the menu's where it is served, employees of on-line marketers and numerous others.

There are a number of input-output studies regarding the multiplier benefits associated with agricultural sales. A December, 2001 study by Cornell University, for example, indicates that every \$1.00 of revenue generated by a poultry production operation produces \$1.58 in total output for the economy. Every \$1.00 of revenue produced from a meat processing plant stimulates \$1.64 of output. New York's Foie Gras operations represent about \$10.2 million dollars of farm-related income and \$4.4 million of manufacturing income (both on-farm). Applying the multipliers to these figures suggest the combined total economic impact of New York's Foie Gras industry is as much as \$23.1 million. It is a measure of the importance of the industry to both Sullivan County and New York.



Employment figures are equally impressive. The same Cornell study referenced above indicates that poultry farms generate 1.91 jobs for the overall economy for every position on the farm. Likewise, meat processing firms produce 2.72 jobs for the economy as a whole for every job in the plant. Applying these multipliers to the estimated 170 jobs in Foie Gras farm operations and the estimated 60 jobs in manufacturing at those locations, suggests a total of 488 jobs generated from New York State Foie Gras - 230 directly on the farm and 258 indirectly at other locations.

The most important aspect of New York's Foie Gras industry is its future potential. Americans are more interested than ever in fine dining experiences. New York City has the finest restaurants in the world. They represent a very important element in the appeal of the City and New York State to tourists. Tourism, in turn, is a vital part of the State economy. Those restaurants depend on New York grown products as an integral part of their appeal. Foie Gras has been a spectacularly successful demonstration of added value agriculture and how upstate New York farms can benefit from New York City's role as capitol to the world.

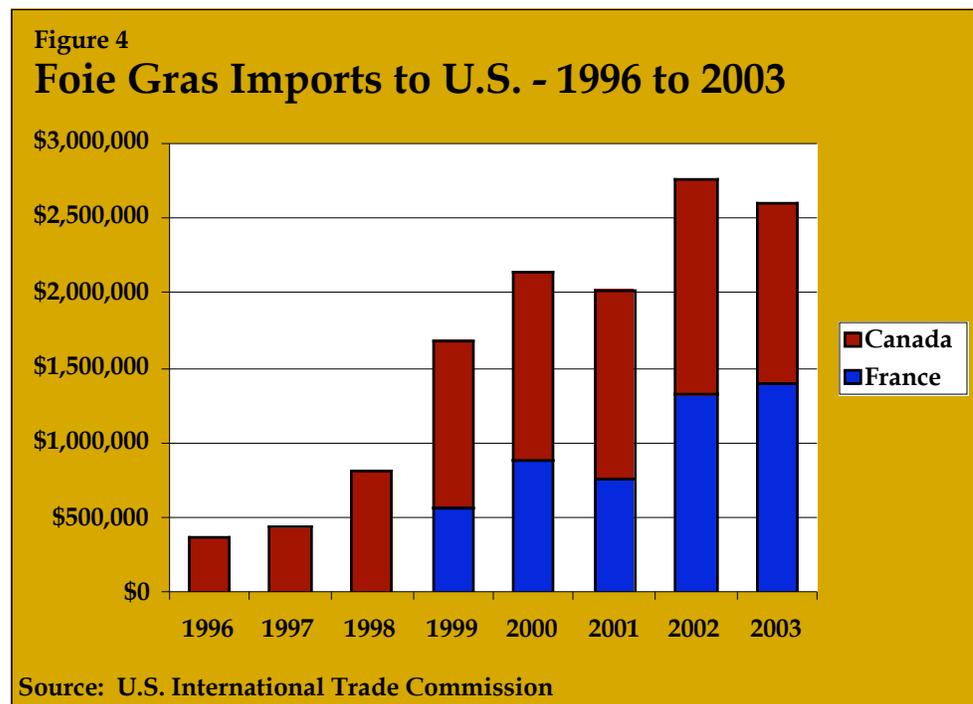
FISCAL IMPACTS

New York State's Foie Gras industry has a major positive fiscal impact on the State and Sullivan County. Its high valued products are often consumed in restaurant settings where sales taxes are collected. New York City restaurants sell large volumes of Foie Gras, generating considerable sales taxes for the State and City. It is estimated that a minimum of \$3 million of sales taxable Foie Gras is sold in New York each year, generating some \$250,000 of sales tax. The Foie Gras industry also generates an estimated \$315,000 annually in income taxes for New York and pays \$60,000 per year in real property taxes to Sullivan County, which needs this industry to continue revitalizing its economy.

New York has faced declining farm employment, food manufacturing and meat production, but Foie Gras trends are all positive. It is a niche opportunity where New York is able to provide all the right ingredients. The currently low per capita consumption of Foie Gras in the U.S., compared to other countries, together with rising disposable income, suggest room to grow. Numerous other added value products are being developed and New York producers are continually improving their product. The marketing of New York as a wine growing region offers still other opportunities to match up State food products while appealing to fine dining tastes. Cuisines featuring Foie Gras are becoming more popular and expanding the market. Foie Gras is a winning industry for the State of New York State and the farm economy.

The FOIE GRAS Industry - Its Future

Foie Gras, or fattened duck or goose liver, has been produced for thousands of years, beginning with the early Egyptians. This high quality culinary delicacy has become a staple of French cuisine, an average of over one-half pound per person being consumed there annually. France, in fact, consumes over 17,500 tons of Foie Gras per year, producing equally large quantities in complement to its wine industry. It, along with Canada, is now exporting large quantities of Foie Gras to the United States (see Figure 4). Foie Gras production has growth from virtually nothing in the U.S. two decades ago to a little less than 340 tons per year in 2003 but plainly has tremendous potential for additional growth.



U.S. Foie Gras consumption is now about 420 tons per year but will expand as the adult population grows, incomes increase and American culinary tastes continue to evolve. It is an increasingly popular gourmet item, appearing on fine dining menus across the country. Indeed, 33 of New York City's "Top 50 Food" restaurants identified in the Zagat Survey serve Foie Gras. This includes not only French cuisine dining establishments but also Italian, Japanese, Scandinavian and American menu restaurants. Foie Gras serves as a popular complement to fish, for instance.

The relatively low per capita level of Foie Gras consumption in the U.S. compared to France ensures industry growth. Opportunities associated with it parallel those in fine wine, which was also initially a gourmet item in the U.S. but burgeoned into a huge industry of enormous importance to New York as restaurants promoted it and American tastes changed.

Foie Gras production has, importantly, also generated an entirely new value-added line of products in recent years as on-farm processors have developed more uses for the byproducts. Producers have worked with individual chefs as well as the Culinary Institute of America, the Vermont/New England Culinary School and many others to create and demonstrate new recipes using the meat of the Foie Gras duck. Producers now sell the duck fat, duck legs ("confit") and large quantities of duck breasts (known as "magret"). Much of this product is sold raw or unprocessed to secondary processors. However, on-farm processors are increasingly adding value through additional secondary processing before products leave the farm.

DUCK CONFIT: Herb and spice dry marinated duck legs stewed in melted duck fat.

MAGRET: The smoked breast of a Foie Gras duck, which has a very meaty, thick consistency more akin to beef than poultry.

Such new and ever higher quality products will help to further grow the industry. Duck confit and magret are appearing on the same menus as Foie Gras and gaining popularity. Such value added production is one of the keys to strengthening New York agriculture. The State's Foie Gras producers are leading the way, generating up to 20% of revenue from value added products, some \$2.9 million of new value in total.

The U.S. Foie Gras industry as a whole exhibits much potential for additional growth. When added value products are included, it already generates approximately \$17.5 million in revenue annually. This is quite astounding for a food industry that didn't exist in the U.S. until twenty years ago. The gains in imports (Figure 4) not only confirm this growth, but also demonstrate that foreign producers will supply the market if U.S. producers do not. France and other countries supporting the development of their Foie Gras industries (e.g. Hungary, which now exports to France) will capture ever larger portions of the U.S. and worldwide market if U.S. producers do not obtain such support. This includes easily accessible Canada, which can also process on-farm and ship directly to the U.S. on a fresh basis to offer product of similar quality. Canada already has three Foie Gras producers and generates large volumes of product (as many as 5,000 livers per week compared to an estimated 8,250 for the United States).

The U.S. market accounts for over \$20 million annually in sales of Foie Gras and related products. U.S. producers presently supply about 85% to 90% of that market in terms of value. Preserving this market share for U.S. producers is critical to the health of U.S., and especially New York State, agriculture. Feed dealers and other suppliers on whom Foie Gras producers depend are also critical agricultural core support industries for dairy farms, for instance.

Sources of **FOIE GRAS** and Other Data

The following sources of data, among others, were employed in this analysis:

1. Production and financial data from Hudson Valley Foie Gras and LaBelle Poultry, New York York State's two Foie Gras producers, 2003-2004
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3. New York State Department of Agriculture and Markets *Annual Report, 2002*
4. New York State Department of Labor, *Covered Wages and Employment Program, 2002*
5. *Agriculture-Based Economic Development, Trends and Prospects for New York, Cornell University, 2001*
6. *Zagat Survey, New York City (website listings), 2004*
7. Menus and websites of *Zagat Top 50 Food* restaurants, 2004
8. *LaBelle Poultry Secondary Processing Project Feasibility Study and Business Plan, Gerald J. Skoda and Shepstone Management Company, 2003*
9. U.S. International Trade Commission, *Trade Data Reports, 1996-2004*
10. *American Foie Gras Now Makes the Grade, Columbia News Service, 2003*
11. *French Consumption of Luxury Foods, Every Day or Once in a While?, eGullet.com, 2003*
12. *Foie Gras: A Thousand Year History, French Tourist Office website, 2004*
13. *Terroir and Cultural Patrimony: Reflections on Regional Cuisines in Aquitaine, Isabelle Techoueyres*
14. Sullivan County Agricultural Economic Development Specialist, Interview, 2004
15. *Foie Gras: A Passion, Michael A. Ginor, John Wiley & Sons, Inc., 1999*