

A NEBRASKA SCENARIO

# HOG FINISHING EXPANSION IN NEBRASKA:

## To Serve Up a Stronger Economy



The following information reflects A NEBRASKA SCENARIO of hog finishing expansion that would grasp a significant opportunity to diversify family farm operations and grow communities in rural areas of Nebraska.

Following the current pattern of hog finishing units being built across the country, this analysis assumes that the facility's owner would contract with an integrator for finishing the hogs owned by the integrator, and be paid an annual fee based on production capacity.

This expansion scenario may also be critical in helping Nebraska maintain its existing three pork processing plants, which are major employers. Should just one of the pork processing plants choose to relocate closer to other hog production areas, Nebraska could lose more than 2,000 direct pork processing jobs to one of its neighboring states.



## THE SCENARIO: ECONOMIC IMPACT OF A 25% INCREASE OF HOG FINISHING PRODUCTION IN NEBRASKA

- Expansion of **1.3 million head** per year, a 25 percent increase over 2012 market hog volume.
- Provides a total additional **648,000-head** space increase.
- The expansion is assumed to occur equally across three multicounty Nebraska regions.
- The summation of the three regions would be some **270** on-farm units added to the state's production capacity.
- Hog processing facilities would expand production by the equivalent of **50 percent** with the additional hogs finished in Nebraska, most likely existing plants would add additional production shifts rather than expanding facilities.

### Per-unit financial implications:

- Net return from the contract: **\$65,915**
- Value of the manure co-product: **+ 21,600**
- Total annual net return to the facility owner: **\$87,515**

**PAID  
IN FULL**

- Revenue would pay off a 100 percent mortgage of the facility in 10 years, at a 5 percent rate of interest.
- It is assumed the facility would continue to be contracted for the remaining 15 years of its useful life.
- The annual sales from each finishing facility would average

**\$842,400.**



# THE RESULTS: ECONOMIC IMPACT OF A 25% INCREASE OF HOG FINISHING PRODUCTION IN NEBRASKA

Statewide, the economic impact of 270 new hog finishing facilities would include:

- Employee compensation impact at **\$24.8 million** in labor income
- **\$23.2 million** in proprietor's income

- **\$52.7 million** in direct, value-added economic impact
- The total multiplier impact for the state is **\$312.4 million** in output and over **2,040 new jobs**.

The economic impact of the new hog finishing facilities and the expanded hog processing facilities would include:

- **\$184.6 million** in direct, value added economic impact
- **\$115.6 million** in total proprietor and labor income
- **2,676 jobs** added to the state's employment role
- **\$800.2 million** total economic impact on the State of Nebraska

## LOCAL TAX REVENUE IMPACTS

The estimated annual local tax revenue impact from the hog industry expansion is

**\$6.1 MILLION,**

with nearly 94 percent of that being local property tax revenues.

- Average annual property taxes for a 2,400 finish unit in the three multicounty regions is about **\$8,000**. For the new 270 units, this would add a total of **\$2.16 million per year**.
- Given the multiplier impact, there also is an economic impact on non-agricultural property. In

particular, the number and size of homes may expand as the local income expands, and the number and size of commercial properties also may increase.

- In rural counties, the bulk of the property tax revenues (60 percent or more) are usually directed at funding K-12 school districts; thus, the hog expansion activity generating county-wide property tax revenues of **\$200,000** or more annually is a significant aspect for local stakeholders to consider in their deliberations of this kind of development.

## FEED INPUT METRICS OF EXPANSION

Under the scenario presented, additional feed requirements would utilize approximately

**11.6 MILLION  
BUSHELS OF CORN AND**

**4.9 MILLION  
BUSHELS OF SOYBEANS**

- The value-added activity of expanding hog finishing in the state is key! In short, it represents a shift from Nebraska's production of commodities (corn, soybeans, distillers grains, and feeder pigs) exported out of state, to agricultural products (finished market-weight hogs processed into meat, hides, and other products) for export out of state.
- The expansion of hog finishing would utilize some of the commodities currently exported to produce value-added agricultural products to the benefit of local area economies.

# ECONOMICS OF MANURE CO-PRODUCTS

In total for the state, the manure co-product would be valued at

## \$6.48 MILLION

and provide the soil nutrient requirements of nearly **52,000 acres** of corn annually.

- **80 acres** could be fully fertilized annually per 1,000 head of hog capacity (of facility). This converts to the manure co-product of each facility in this scenario being sufficient for **192** cropland acres.

- At current budgeted fertilizer costs for corn production of at least \$125 per acre for commercial fertilizer, this would put the value of the manure co-product at **\$24,000 per facility**. Assuming a 10 percent cost adjustment for application, each facility still captures a soil nutrient value of **\$21,600 per year** — either to sell or to use directly.

While total statewide impact of industry expansion is noteworthy, it is no less important to recognize local economic impacts, and to put those impacts into proper context. In any of the counties where the new finishing units are located, an average of 44 additional employment positions would occur, with diversity across the full spectrum of the local economy and at wage rates typically above current county averages.

As can be seen, the jobs, wages, and incomes expand by some multiple of the more direct effects. And the greater the economic activity of moving raw materials and commodities to more complex final products in a local economy, the greater that economic multiple will be.

This type of economic development may actually allow farm expansion to support a son or daughter joining a family farm operation that would otherwise be too small to do so — thus sustaining, and even increasing, rural population.

This represents positive and sustainable economic growth, and is enhanced by the fact that economic benefits from this type of development are effectively distributed across the geographic area. Rather than centered in one location or community, the economic activity of this livestock-based expansion is evident across the countryside and local main streets — an attribute afforded by few other economic development strategies.

**Make plans today by calling the Nebraska Pork Producers Association.**



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