

Economic Impact of a New Broiler House in Alabama

► The entry of a new 39,600-square-foot (66' × 600') broiler house in Alabama causes a measurable increase in economic activity within the state in terms of construction and ongoing annual operations. Consider the following economic activity created during construction and a broiler house's first year of operation.

Jobs
4

jobs are supported each year from ongoing operations; 6 during the construction phase

Value Added

\$504
THOUSAND

is supported each year from ongoing operations; \$395,594 during the construction phase

Labor Income

\$357
THOUSAND

is supported each year from ongoing operations; \$290,848 during the construction phase



Output (Sales)

\$1.5
MILLION

is supported each year from ongoing operations; \$798,918 during the construction phase

Taxes Paid

\$90
THOUSAND

is supported each year from ongoing operations; \$87,105 during the construction phase

34%

A broiler house in Alabama sources roughly 34% of all inputs locally

Construction Impacts

Broken down by phase of economic activity, a new 39,600-square-foot broiler house would generate the following estimated total impact from **construction** to the state economy.

| | <u>Construction</u> |
|-------------------------|---------------------|
| Employment (jobs) | 6 |
| Value Added | \$395,594 |
| Labor Income | \$290,848 |
| Output (sales) | \$798,918 |
| Taxes Paid (all levels) | \$87,105 |

Operations Impacts

The following is an estimated impact in terms of the total economic impact to Alabama's economy from one full year's **operations**.

| | <u>Operations</u> |
|-------------------------|-------------------|
| Employment (jobs) | 4 |
| Value Added | \$504,164 |
| Labor Income | \$356,662 |
| Output (sales) | \$1,530,884 |
| Taxes Paid (all levels) | \$90,021 |

Top Industries Impacted

The following are a few of the industries within Alabama most impacted by the economic activity from **construction**:

| <u>Industry</u> | <u>Value Added</u> |
|--|--------------------|
| Construction of new commercial structures, including farm structures | \$227,091 |
| Wholesale trade | \$18,521 |
| Real estate | \$11,218 |
| Architectural, engineering, and related services | \$6,997 |
| Monetary authorities and depository credit intermediation | \$5,957 |
| Offices of physicians | \$4,531 |
| Truck transportation | \$4,234 |
| Hospitals | \$4,160 |
| Limited-service restaurants | \$3,623 |
| Commercial and industrial machinery and equipment rental and leasing | \$3,225 |

The following are a few of the industries within Alabama most impacted by the economic activity from **operations**:

| <u>Industry</u> | <u>Value Added</u> |
|---|--------------------|
| Poultry and egg production | \$260,358 |
| Wholesale trade | \$42,974 |
| Real estate | \$12,968 |
| Other animal food manufacturing | \$12,721 |
| Support activities for agriculture and forestry | \$10,449 |
| Truck transportation | \$9,163 |
| Monetary authorities and depository credit intermediation | \$6,073 |
| Offices of physicians | \$5,501 |
| Rail transportation | \$5,225 |
| Hospitals | \$4,949 |

Overview¹

The construction of a new broiler house requires several purchases including lumber, along with steel, concrete, and equipment. Once construction is completed, the poultry integrator provides feed and veterinary and other professional services, while the farmer provides water, equipment, electricity, and supplies. The direct purchase of supplies and equipment are known as direct effects. The suppliers and vendors used by the broiler integrator and farmer then purchase inputs to supply the broiler house; these are known as indirect effects. Those who construct the broiler house, those who work for the broiler house once complete, and those who work for the farm's suppliers and vendors then use their additional income to make household purchases; these are known as household, or induced effects. Taken together, the sum of direct, indirect, and induced effects are known as total effects and accounts for the total multiplier effect present from the construction and operation of a new broiler house.

Common measures of economic activity are employment (jobs), labor income, output (sales), and value added (output minus the cost of inputs). When a broiler house enters a local economy, it causes a series of new economic activities (impacts) to take place. For this summary, the economic impacts are broken into construction and operations. The magnitude of these new economic activities is largely related to the presence of industries that supply the needed inputs for a broiler house.

To arrive at the total effects of a new 39,600-square-foot broiler house, the following basic assumptions (from Auburn University) were used: 1) 40 pounds live weight per square foot is produced per year; 2) a 5-year average sales price of \$0.55 per pound of live weight; and 3) a \$0.325 per square foot "new housing bonus" is paid per year for 10 years. Construction costs to build a new broiler house were assumed to be \$12.10 per square foot for a house of this size.

¹ Additional details on methodology can be obtained through communication with the study's author, Decision Innovation Solutions (info@decision-innovation.com).