

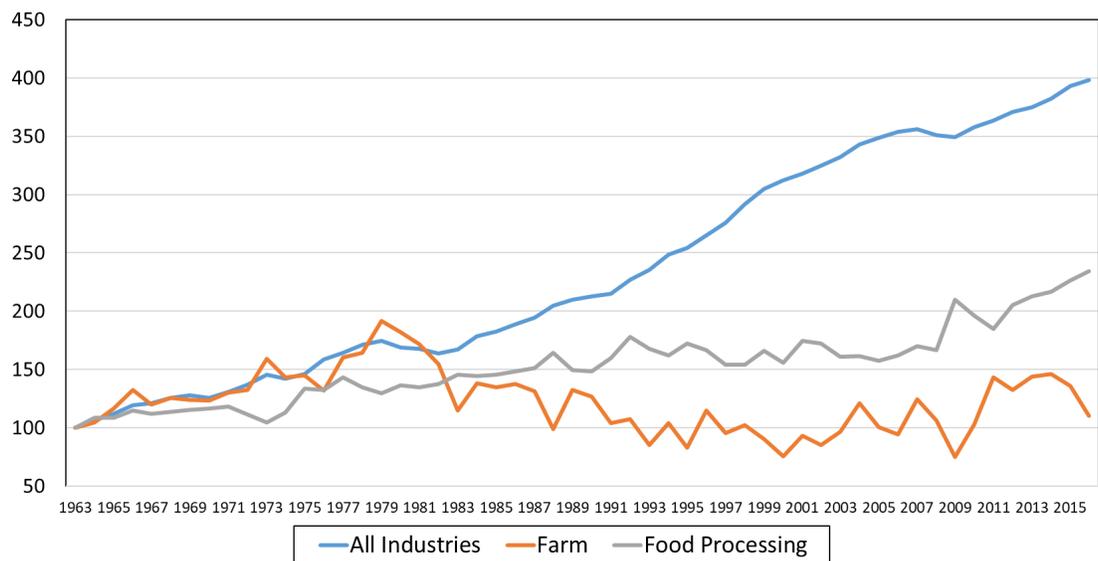
## Trends in Wisconsin Agriculture Gross State Product

Wisconsin agriculture remains an important component of the Wisconsin economy. In 2017 agriculture, defined as on-farm and food processing activities, contributed some \$104.8 billion to industrial revenues (16.4% of the state total), 435,700 jobs (11.8%), \$22.5 billion to labor income (11.3%), and \$37.6 billion to total income (11.6%). Although these represent increases over 2012 levels, agriculture is not historically viewed as a growth industry, such as the health care sector. What exactly are the historical trends for Wisconsin agriculture? As demonstrated with the contribution analysis, there are several ways to measure economic trends including jobs, income and gross state product. In this short report we focus on historical trends in agriculture's contribution to gross state product. From a definitional perspective, gross state product is akin to total income from the contribution analysis.

As seen in Figure 1, gross state product measures for Wisconsin go back to 1963 and currently run to 2016. In order to compare on-farm, food processing, and total economic activity a simple growth index is constructed with 1963 as the base year. Movement from one year to the next represents a percent change in gross state product. All figures are adjusted to 2016 dollars to remove the effects of inflation. Wisconsin trends are provided in Figure 1, and comparisons to the other Great Lake States and the U.S. are provided in Figures 2 and 3 for on-farm and food processing, respectively.

Looking within Wisconsin the average annual growth rate in real (i.e., adjusted for inflation) gross state product is 5.6%, and for food processing it is about 2.5%, but for farming it is only 0.2%. In essence, the level of farm output as measured by gross state product is about the same today as it was in 1963. Peak farm output was in 1979, which capped a growth period

Figure 1: Wisconsin Gross State Product Growth Index  
(Real 2016 Dollars)



from 1963 till 1979, then there has been a sustained downward trend till about 2000 when a modest upward trend appeared. Indeed, 2014 saw the largest level of farm output (measured by gross state product) since the farm crisis of the early 1980s. Unfortunately, there has been a marked downturn in the farming sector after 2014. If we place these Wisconsin trends within the context of the U.S. and the other Great Lake States (Figure 2) it is clear that Wisconsin on-farm activity, as measured by gross state product, is following national and regional trends.

Food processing in Wisconsin, and indeed nationally and regionally (Figure 3), has tended to experience modest upward growth. But since the end of the Great Recession there has been strong growth, particularly in Wisconsin. For Wisconsin, gross state product for food processing grew by 49.8% compared to total growth (state-wide) of 34.8% since 2012. These trends reflect growth in specialty food processing, such as those products one might associate with the local foods movement. This would include growth in artisan cheese production, craft breweries, and other prepared foods (not including restaurants). This trend is also reflective of the consumers growing preference for prepared meals that are becoming more common in grocery stores.

If one decomposes the make-up of the increase in the contribution of agriculture to the Wisconsin economy....much of the growth in the increase comes from growth in the food processing sectors.

Figure 2: Farm Gross Domestic/State Product Growth Index (Real 2016 Dollars)

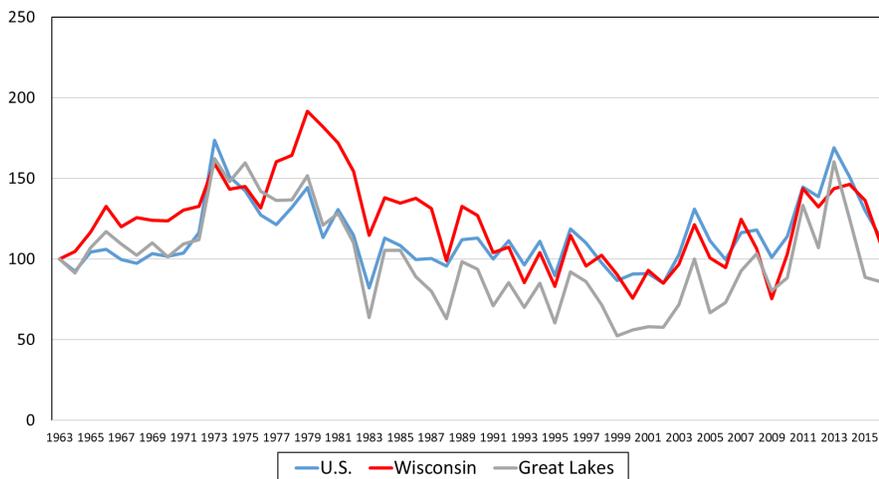
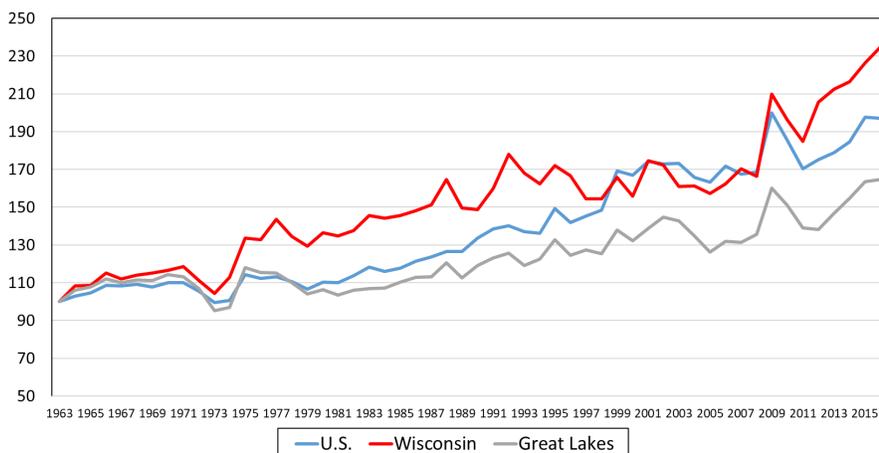


Figure 3: Food Processing Gross Domestic/State Product Growth Index (Real 2016 Dollars)



These trends reflect growth in specialty food processing, such as those products one might associate with the local foods movement. This would include growth in artisan cheese production, craft breweries, and other prepared foods (not including restaurants). This trend is also reflective of the consumers growing preference for prepared meals that are becoming more common in grocery stores.

If one decomposes the make-up of the increase in the contribution of agriculture to the Wisconsin economy detailed in the larger report that complements these shorter fact sheets, much of the growth in the increase comes from growth in the food processing sectors. The policy implication here is that while programs aimed at helping farmers become more profitable are essential, we must consider the growing importance of the food processing sector in Wisconsin.

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