

Food processing is candidate for high tech

NEWARK, DEL. — "High technology" implies industries such as computers, electronics and precision instruments which invest heavily in research and development. These are considered growth industries and most communities are eager to have them.

Food processing is another candidate for high technology. According to University of Delaware resource economist Gerald F. Vaughn, the future of this industry looks bright thanks to recent biotechnical food innovations, including new preservation and packaging systems and new product forms which are expected to enhance the food we eat. Computer-controlled processes and microwave applications are also part of this new technology.

"The area from northern Delaware to central New Jersey is favored to become a center of high technology food processing (HTFP)," he says, "because of its closeness to the necessary food sources, technology and markets. The folks who are exploring the opportunities for HTFP in this region feel it offers a solid foundation for growth." Technologically the industry can

draw on research and development support services at the University of Delaware and other institutions; area chemical, pharmaceutical, food processing and packaging industries; and the U.S. Department of Agriculture's food laboratories in Philadelphia. Scientists and development officials are already talking about steps they could take to encourage growth of this new industry.

What could this mean for Delmarva? "I feel HTFP is an idea well worth exploring," the economist says. "But, while the industry requires a sound technological base to succeed, profitability is the bottom line in any new venture. And to determine this, a comprehensive feasibility study is needed which thoroughly addresses the economic as well as the technological considerations."

In assessing the potential for HTFP in this region, he recommends decisionmakers consider the following economic factors:

- * Delmarva's need for greater economic diversification;
- * The mid-Atlantic region's potential as a premium market for food products;
- * The present need for new capital investment in the region's food processing plants;

* Potential raw commodity supply problems;

* International trade possibilities;

* Current unfavorable employment trends in the region;

* Environmental concerns.

"I believe high technology food processing could help Delmarva achieve greater economic diversity," Vaughn says. Today's leading food processors are very diversified. Besides food, they produce a wide range of nonfood items including chemicals, machinery, containers, clothing, soap and other toiletries, and games.

Also on the plus side is the fact that the mid-Atlantic is a premium market for high quality food products. It has a vast, stable population with a concentration of above average incomes. Higher incomes and changing lifestyles usually mean greater demands for processed food--ready-to-cook convenience foods, special diet foods and vitamins--and food

which can be eaten away from home.

What would be the most profitable place to invest new food industry capital in the mid-Atlantic? According to Vaughn, regional capital investment is in good balance in the agricultural industry's other main sectors--production supplies, farming, wholesaling, retailing and food eaten away from home. But plant modernization and new investment have lagged in food processing.

Though it's possible to find ultra-modern food plants in some suburbs near interstate highways, he says mid-Atlantic food processing plants tend to be obsolete and located in central cities or small towns. Typically, these plants are older and smaller than in other regions. And their equipment is often outmoded.

"Obsolescence could be a barrier to profitability," Vaughn says, "making it hard for plants in this area to operate efficiently. So any exploration of HTFP's

potential in the mid-Atlantic must start with a thorough appraisal of the needs of existing food processors. Could HTFP serve the area best by helping improve existing businesses, by creating entirely new ones, or by doing some of both?"

As attention shifts to the Sun Belt and other currently favored growth regions, the economist says there could be less competition for investment capital among mid-Atlantic businesses. So this may be the most opportune time to expand or start promising new ventures here.

"To succeed, any regional HTFP effort must have a reliable supply of raw commodities," he says. "Existing food plants rely heavily on shipped-in supplies, since farms within the region produce only a small share of what processors need. Besides costing more, shipped-in commodities carry a greater risk of supply disruption due to crop disasters and transportation of work stoppages elsewhere.

"The supply of local farm products for processing is limited (Turn to Page D22)

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(Continued from Page D19)

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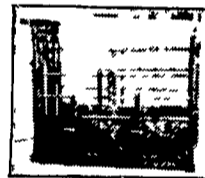
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