

# MADE IN MN

*THE VALUE OF BUYING LOCAL THIS HOLIDAY SEASON*



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**MINNESOTA** **20**  
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## **INTRODUCTION & KEY FINDINGS**

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Buying Minnesota-made products will improve Minnesota's economy and environment. If Minnesota families spent 25% of their holiday shopping budget on Minnesota-made goods, the small business ripple effect would feel more like a tidal wave. Additionally, Minnesota-made goods represent a dramatically reduced "carbon footprint," an increasingly important Minnesota family lifestyle value.

### **A conscious effort to buy Minnesota made products benefits the states economy**

- Even as little as a 10 percent diversion of the Minnesota's retail market to local products would have entrepreneurs adding jobs and boosting business with suppliers.
- The National Retail Federation has predicted a 4 percent increase in November-December store sales to \$474.5 billion, which would be the weakest seasonal growth in five years. Minnesota's usual share of the national retail market is 2 percent, translating to \$9.49 billion.
- When you spend \$1 at a local independent business, an average of 68 cents is re-circulated into the local economy. In contrast, when you spend \$1 at a national chain, only about 43 cents stays at home.<sup>1</sup>
- Minnesota small business owners say they can create more jobs if sales increase this holiday season.

### **Minnesotans who buy Minnesota made products save money and carbon**

- The typical holiday meal travels about 1,200 miles from farm to Minnesota dinner table. A large percentage of holiday gifts go at least that far, with many arriving on a fast boat from China.
- Buying local reduces packaging and transportation costs.

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<sup>1</sup> Andersonville Study of Retail Economics, by Civic Economics, October 2004 and MN Dept. of Revenue, Gross Retail Sales for 2003.

## CLOSE TO HOME

The typical holiday meal travels about 1,200 miles from farm to Minnesota dinner table. A large percentage of holiday gifts go at least that far, with many arriving on a fast boat from China.

Come to think of it, some of this year's gifts will probably make round trips from far-off places and back, thanks to burgeoning product recalls.

There is a better way to approach the annual holiday shop-athon that starts at stores and malls on the day after Thanksgiving: Buy local. Support our own economy this year by buying and giving high-quality gifts made in Minnesota.

"We [in Minnesota] don't do much to support local businesses like some other states," said Melissa Waskiewicz, executive director of the Metro Independent Business Alliance nonprofit group in Richfield.



Homemade marshmallows from Laura's Candy in St. Peter

help you give your far-flung friends and relatives a taste and touch of Minnesota this holiday season.

It isn't clear just how big a seasonal market there might be for Minnesota-made products and there's no consensus forecast for seasonal retail sales, either in Minnesota or across the nation.

University of St. Thomas researchers are forecasting that Minnesotans will cut holiday spending by 1 percent this year. That negative forecast contrasts with the National Retail Federation prediction of a 4 percent increase nationwide in November-December store sales to \$474.5 billion, which would be the weakest seasonal growth in five years.

"That might be a bit optimistic," said Minnesota state economist Tom Stinson. Minnesota's lagging economy, rising energy costs and problems with home mortgages all point to consumers reining in spending this year, he said.

Minnesota's usual share of the national retail market is 2 percent, Stinson said. That would mean \$9.49 billion sloshing through cash registers this holiday season if the retailers' forecast proves accurate.

Other states outdo us with holiday gift promotions, business and trade observers agree.

"Wisconsin does a better job with its cheese promotions," noted David Brennan, a marketing professor at the University of St. Thomas in the Twin Cities. Effective marketing and promotion of Minnesota products would mean more profits, and more jobs, staying home for the holidays, he added.

Today, Minnesota 2020 unveils an online directory of Minnesota entrepreneurs who offer products that could fill stockings by the fireplace, cover the floor around Christmas trees or add to holiday feasts for family and friends. It can also

## RIPPLE EFFECT

Even as little as a 10 percent diversion of the Minnesota's retail market to local products would have entrepreneurs adding jobs and boosting business with suppliers, said St. Paul toy manufacturer Jamie Seeley Kreisman, owner of Beka Wood Products.

"Packaging products, raw materials from our wood suppliers, it would have a ripple effect up and down the line," he said.

Economists would view anything like a 10 percent boost in local retail sales as an "external shock," said University of Minnesota applied economist Elton Mykerezzi. It would apply multiplier effects throughout the state economy, boosting demand stimulus for manufacturers and retailers alike, he added.

Beka Wood Products had as many as 22 employees before U.S. economic downturns slowed sales and inexpensive imports grabbed the lion's share of the toy market. Now, Seeley Kreisman said, Beka is down to eight employees, but hopes to recover lost market share.

That depends on consumers making a conscious effort to buy the high-grade products of local entrepreneurs, he said. "We're not talking the same quality now, but there are competitive-looking products coming into the market at wholesale prices that are about what we pay for raw materials," he said.

A 10 percent increase in sales probably would mean another job or two at Buffalo Billfold Co. at Worthington, said owner Bill Keitel. At a minimum, "it would give us pause," he said.

Keitel said the most obvious benefit for his family-run, five-person leather works would be more market power when negotiating for raw materials -- hides.

"It would really strengthen my position when I go to meet with the tanneries," he said.

Buffalo Billfold's primary retail market extends about 45 miles around Worthington, he said. The company also makes products for sale at western-themed tourist locations such as national parks.

"We have unflagging support from our customer base," Keitel said. "The downside is that a properly made billfold will last for 35 years. There is no planned obsolescence. You don't get to sell many of them to your good customers."

Buffalo Billfold and the much larger Red Wing Shoes, for example, are extensions of Minnesota's huge food industry in that their chief raw materials are livestock byproducts.

Only California and Illinois among U.S. states can compare with Minnesota in global trade and domestic sales of food and feedstuffs. Nobel Prizes have been won by economists who noted how liberalized trade rules have raised prosperity around the globe and brought back profits to Minnesota food and agriculture companies.



Billfolds from Buffalo Billfold Co. in Worthington

## FRESHER BY FAR

At the same time, nothing says “Minnesota” to gift recipients like unique food products that rarely come from large, mass-market companies.

“The true distance from farm to plate these days is about 1,200 miles. But even at that, it takes a lot of energy to fuel the food chain, especially since oil prices climbed from about \$50 a barrel to nearly \$100 in recent weeks.”

*-Ben Winchester, Center for Small Towns*

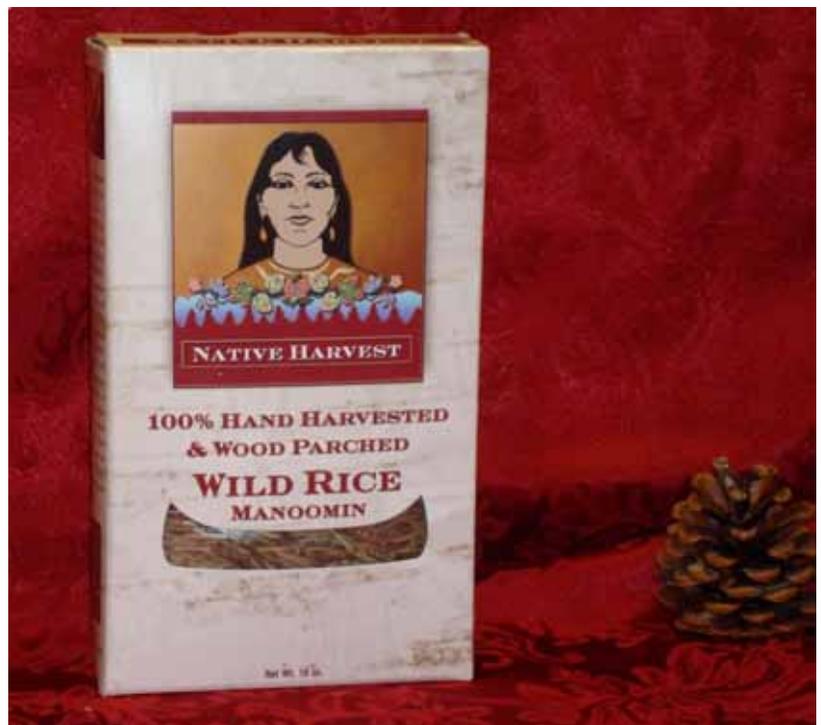
Native-harvested wild rice, wines from Minnesota’s growing vineyards, specialty cheeses, University of Minnesota-developed apple varieties and unique ethnic or regional foods are always holiday favorites.

The Minnesota Grown Directory produced by the marketing division at the Minnesota Department of Agriculture promotes 663 Minnesota farms and firms that produce local foods once touted as “1,500 Miles Fresher.” Many have holiday gift items for sale.

This directory should be in every Minnesota home, especially during the growing season. But it doesn’t list small, entrepreneurial companies that make gift items using Minnesota food and fiber crops.

Ben Winchester, at the Center for Small Towns at the University of Minnesota, Morris, said the true distance from farm to plate these days is about 1,200 miles. But even at that, it takes a lot of energy to fuel the food chain, especially since oil prices climbed from about \$50 a barrel to nearly \$100 in recent weeks.

As one response, the Center for Small Towns is looking at ways to develop a winter community-supported agriculture system that could reap energy savings and support rural development. Examining how to warehouse and distribute off-season and hothouse produce to local markets is the projected topic at the sixth annual Symposium on Small Towns the center is planning June 3 and 4 next year at Morris.



Hand Harvested Wild Rice from the White Earth Nation in Northern Minnesota

## FOLLOW THE MONEY

The real payoff for local economies of a Buy Minnesota focus comes at the end of the holiday gift transaction, said the University of St. Thomas' Brennan. "Do the profits stay in the community or get sent off to Bentonville [the Arkansas home of Wal-Mart], or even Minneapolis?" he said.

But there's room to share the wealth, too. Local entrepreneurs can thrive by getting their products distributed through large retail chains, said Metro IBA's Waskiewicz. Conversely, 90 of Metro IBA's 155 members are retailers who sell products from around the world as well as local goods, she said.

Some economic studies have shown that as much as 68 cents of every dollar in purchases from local retailers stay in the community, as opposed to 43 cents of the dollar spent at non-local retailers.

Bruce Sorte, a community economist with the University of Minnesota and Minnesota Extension Service at Crookston, said that benefits of buying local are indisputable. His research with a graduate student at Oregon State University found a threefold increase in community benefits from local development of wind energy when compared with development by outside investors.

While governments might mandate a homegrown approach on major infrastructure projects, it isn't as easy to encourage consumers to buy locally, he added.

"Everyone can understand there are benefits," Sorte said. "But, ..."

Price always influences our holiday purchasing decisions. Still, there is only one certain way to send relatives and friends a genuine taste or touch of Minnesota. That is to look for the real thing.

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