



### Events of Interest:

April 25

- MHTA Spring Conference at the Minneapolis Convention Center. Register at <http://www.mhta.org/event/spring-conference-at-minneapolis-convention-center/>.

April 26

- Arab Spring Update: North Africa Markets. 9-11 AM at the Carlson School of Management, Minneapolis, MN. Go to DEED's event calendar or <http://www.regonline.com/Register/Checkin.aspx?EventID=1075734> to register.

May 3

- Minnesota Water Technology Export Roundtable. 10:30 AM-2PM DeZURIK Offices in Sartell, MN. Call 651-259-7494 for more information or go to <http://www.regonline.com/Register/Checkin.aspx?EventID=1067631> to register.

May 10

- Export Process: An Introduction to Exporting. 9 AM-2 PM DEED Conference Center St. Paul, MN. Go to <http://www.regonline.com/Register/Checkin.aspx?EventID=1083871> to register.

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## Rural Jobs and Innovation Accelerator Challenge

On March 8, 2012 the White House announced an initiative intended to foster job creation as well as business innovation in rural communities across the United States. The \$15 million Rural Jobs and Innovation Challenge is a multi-agency undertaking that will be funded by the U.S. Department of Commerce Economic Development Administration, the U.S. Department of Agriculture, the Delta Regional Authority, and the Appalachian Regional Commission. The Task Force for Advancement of Regional Innovation Clusters and the White House Rural Council developed this competition to accomplish 2 objectives: to “accelerate distressed rural communities’ ability to create jobs and strengthen their regional economies; and help rural communities identify and maximize local assets, connect to regional opportunities and self-identified clusters that demonstrate high-growth potential”. Funds awarded will go towards “improving rural communities’ capacity and

ability to undertake projects related to housing, community facilities, or economic and community development along with creation of regional linkages that connect communities with innovation clusters and regional opportunities leading to job creation, expanded markets, and economic growth”.

The deadline for the Federal Funding Opportunity is May 9 2012. Of the \$15 million of support, \$10 will come from the EDA and \$4.3 million will come from the USDA for 20 national projects. There will also be \$500,000 available for regional funding from the ARC (ranging from parts of New York to Parts of Mississippi) and \$500,000 for regional funding from the DRA (parts of Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee). The EDA and USDA are funding the same 20 projects. Each project must have one EDA component (linking to regional clusters and opportunities) and one

USDA component (building community and regional capacity). Projects that want supplemental funding from either the ARC or DRA must include a third distinct scope of work related to one of the supplemental funding agencies. Applications for the supplemental funding are separate.

For more information related to this funding opportunity, go to <http://www.rurdev.usda.gov/RuralJobsAccelerator.html>. Go to <http://www.grants.gov/search/search.do;jsessionid=d8j0P7JBmCy2TpMvQDyW4G2pPz2MT1SjgBCZn22nzkyvmBDxJVMQ!482729280?op-pId=150574&mode=VIEW> for the full announcement and application. For more information on supplemental funding from the ARC, go to [www.arc.gov/accelerate](http://www.arc.gov/accelerate). For more information on supplemental funding from DRA, go to [www.dra.gov/economic-development/accelerator.aspx](http://www.dra.gov/economic-development/accelerator.aspx).

## Boston Consulting Group Predicts Return of U.S. Manufacturing

In the current global economy, there is going to inevitably be a variety of products available that have been manufactured in different countries. But, according to the Boston Consulting Group, in 2010 the United States manufactured almost 75% of what it consumed. The 2 industries with the lowest percentage were apparel/footwear/accessories (less than 10%) and computers/electronics (36%).

According to the Boston Consulting Group report, *Made in America Again: U.S. Manufacturing Nears the Tipping Point. Which Industries, Why, and How Much*, the biggest reason we import any goods manufactured overseas is the significant price savings. For example, they report factory wages in China in 2000 averaged just 52 cents per hour. This is 3% of what U.S. factory workers earn per hour. With costs like these it makes economic sense to manufacture goods in China and bring them over here to sell. However, with the changes in pay over in

China, it might not take long for the cost savings to become so minimal that it would make more sense to start manufacturing goods in the U.S.

Between 2005 and 2010, wages and benefits have been rising in China on average of 19% per year. Conversely, in the U.S. wages and benefits have been rising less than 4% per year. In certain industries, it will come to a point where the cost-savings from manufacturing products in China for use here will become so minuscule that businesses will start manufacturing the goods here. An example of this already happening is Ford Motors announcing in October 2011 they were adding 12,000 jobs and shifting some resources from suppliers in other countries. The Boston Consulting Group predicts 7 possible industries shifting from manufacturing sites in China to the U.S. if wages and benefits continue to rise at the current rate.

These 7 “tipping point” industries

identified in the report are: transportation goods, computers/electronics, fabricated metals, machinery, plastics/rubber, appliances/electrical equipment, and furniture. Using final numbers from 2010, these industries had a total value consumed in the U.S. of over \$1.9 trillion with approximately \$210 billion imported from China. They estimate that 10-30% of those goods in these industries currently manufactured in China could end up being manufactured in the U.S. within this decade. They use many factors to make this estimate, such as logistics cost, the evolving supply and demand (both here and in China) as well as the “movability” of production (e.g. is it too costly to move production).

*For more information on Sirkin, Zinser, Hohner, and Rose's report, go to [https://www.bcgperspectives.com/content/articles/manufacturing\\_supply\\_chain\\_management\\_made\\_in\\_america\\_again/](https://www.bcgperspectives.com/content/articles/manufacturing_supply_chain_management_made_in_america_again/). (To see the full report you must sign up. The sign up is free.)*

## Sustained Competitiveness of U.S. Manufacturing

The current initiatives of “In-sourcing” jobs offer new opportunities for US Manufacturing and once again raise the question of its global long-term competitiveness. High labor cost countries and Manufacturing leaders like the US, Germany and Japan will have to follow a very different path to overcome the labor cost gap. Being smarter, faster and more innovative is the general direction for Manufacturing companies in these countries to stay competitive . . . in other words: more sophistication. Excellence in Operations will be a vital pillar to achieve this. A lot of Manufacturing companies have been trying to improve their operations with concepts

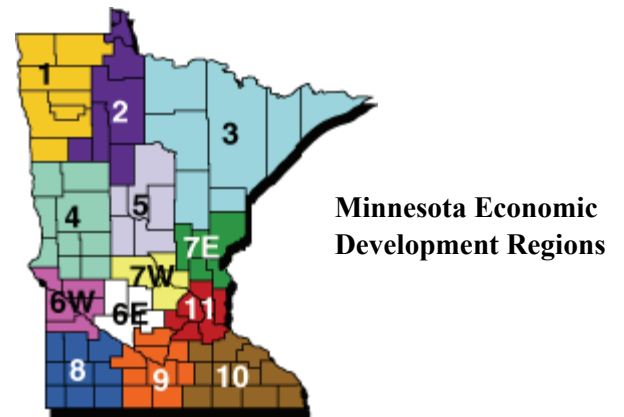
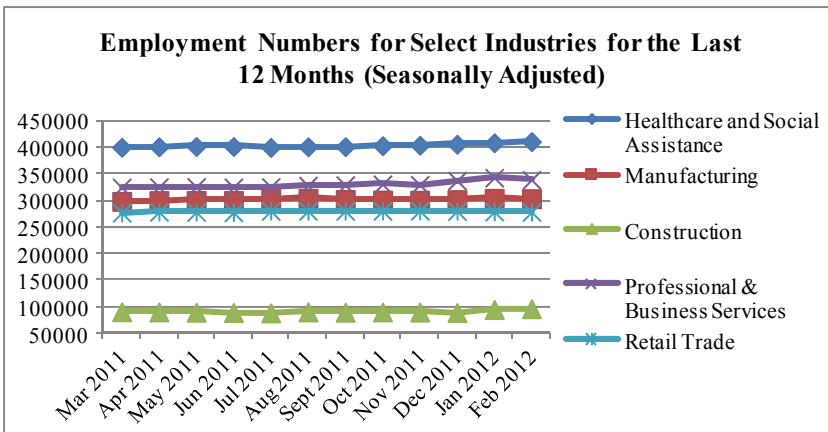
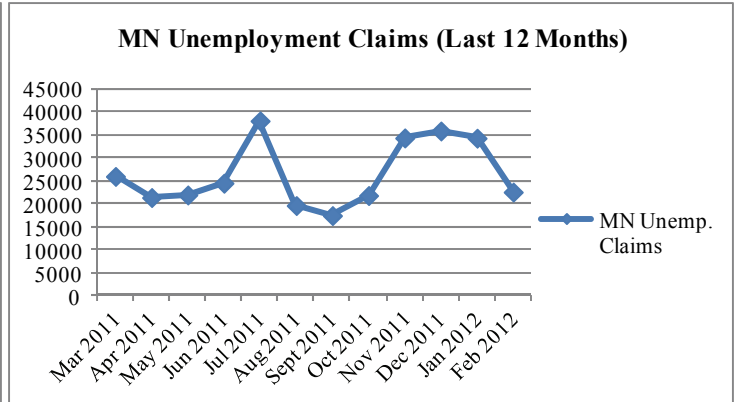
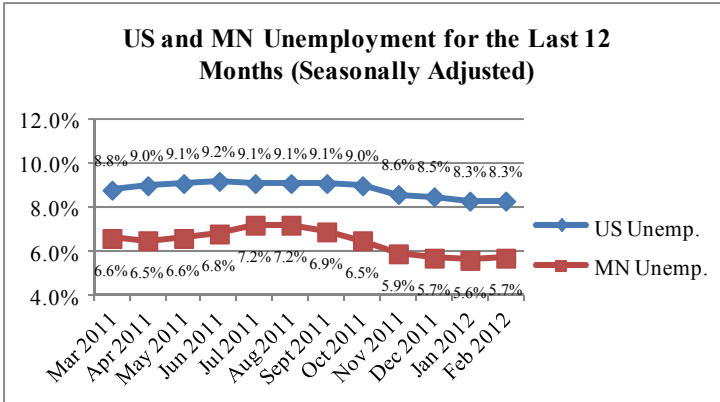
like Lean Production with mixed results and so the ultimate question is: how excellent are they really and how can they achieve operational excellence and sustain it?

To answer this question, Dr. Denis Maier, a Management faculty member of the Business Department at UMC with 20 years of industry and consulting background, researched widely recognized performance benchmarks and principles to achieve and sustain excellence. Operational Excellence can be measured and together with an experienced partner he launched a service (“**SOPHISTICATED FACTORY**”) to

provide this knowledge and to make Operational Excellence accessible. They developed a new approach to empower small and medium-sized Manufacturing companies towards more sustained competitiveness.

With a self-evaluation tool (AUDIT), Manufacturing companies can determine their level of excellence and a self-improvement tool (ACADEMY) will help to close the gaps based on the audit results. For more information please go to the **SOPHISTICATED FACTORY** website at [www.sophisticatedfactory.com](http://www.sophisticatedfactory.com).

## 2011-2012 Local Area Unemployment Statistics and Current Employment Situations in Select Industries



### 2011-2012 Minnesota Unemployment by Economic Development Region (Not Seasonally Adj.)

Date	EDR1	EDR2	EDR3	EDR4	EDR5	EDR6E	EDR6W	EDR7E	EDR7W	EDR8	EDR9	EDR10	EDR11
Mar 2011	8.2%	10.6%	8.7%	7.2%	10.7%	8.7%	7.5%	11.1%	8.2%	6.4%	7.3%	6.9%	6.5%
Apr 2011	7.0%	9.6%	8.1%	6.1%	8.9%	7.4%	6.3%	9.8%	7.2%	5.2%	6.2%	6.1%	6.1%
May 2011	6.2%	8.5%	7.6%	5.4%	7.7%	6.6%	5.7%	8.6%	6.6%	4.8%	5.9%	5.9%	6.3%
Jun 2011	6.3%	8.8%	8.0%	6.0%	8.0%	7.1%	6.4%	8.7%	7.1%	5.5%	6.5%	6.6%	7.0%
Jul 2011	6.4%	9.6%	8.6%	6.1%	8.4%	7.4%	6.5%	9.3%	7.0%	5.8%	6.8%	6.6%	7.5%
Aug 2011	6.5%	8.5%	7.5%	5.6%	7.6%	6.9%	6.1%	8.2%	6.7%	5.4%	6.2%	6.2%	6.7%
Sept 2011	5.3%	7.3%	6.5%	5.0%	6.7%	6.0%	5.2%	7.2%	5.9%	4.7%	5.3%	5.4%	6.0%
Oct 2011	4.6%	6.7%	6.0%	4.4%	6.2%	5.3%	4.5%	6.6%	5.3%	4.3%	4.8%	4.9%	5.4%
Nov 2011	5.0%	7.5%	6.3%	4.6%	7.1%	5.5%	4.4%	6.9%	5.4%	4.0%	4.7%	4.7%	5.1%
Dec 2011	5.9%	8.4%	6.9%	5.5%	8.3%	6.4%	5.4%	8.5%	6.4%	4.4%	5.3%	5.3%	5.3%
Jan 2012	7.8%	9.4%	7.8%	6.4%	9.6%	7.6%	6.5%	10.0%	7.4%	5.4%	6.3%	6.0%	5.7%
Feb 2012	7.9%	9.7%	8%	6.7%	9.8%	7.9%	6.7%	10.3%	7.6%	5.8%	6.6%	6.4%	5.9%

After seasonal adjustments, US unemployment in February stayed steady at 8.3% while unemployment in Minnesota rose to 5.7%. Unemployment claims sharply decreased from 34,314 in January to 22,573 in February. February unem-

ployment claims are down 7% when compared to February 2011. Minnesota gained 27,900 jobs this February and saw a job growth of 1.1% when compared to last February. All of the EDRs saw another increase in unemployment for Feb-

ruary, but the unemployment numbers for the EDRs are NOT seasonally adjusted. Go to the DEED website; [www.positivelyminnesota.com](http://www.positivelyminnesota.com) to view more employment and wage statistics.

## Governor's International Trade Award Winners Announced

As Governor Dayton pushes for doubling Minnesota's global exports by 2017, he announced the winners of the 27<sup>th</sup> Annual Governor's International Trade Award. These awards are given each year to businesses that have demonstrated success in the international

marketplace. The 10 award winners this year are: Delkor Systems, Inc., Digi-Key Corporation, Jet Edge, Inc., Gear Grind LLC, KwikRink Synthetic Ice, Mayo Clinic, ME Global Inc., Northwest Grains International, LLC, PaR Systems, Inc., and Proto Labs. For More in-

formation about each individual award winner, go to <http://mn.gov/governor/images/Governors-International-Trade-Award-Winners-2012.pdf> for more information.

## Proposed Change to Angel Tax Credit Legislation

In our March Newsletter, we mentioned the increased investments of "angels" in Minnesota small businesses since the inception of the Angel Tax Credit in April of 2010. The tax credit provides an incentive for people to invest in new and emerging businesses focusing on high-tech products and/or proprietary technology. In a Post-Bulletin editorial, Rochester Chamber Director John Wade points out that 90% of all investments were made to businesses falling within the 7 county Metro Area since the beginning of the Angel Tax Credit. The remaining 10% was invested in businesses lying outside this region, or what is considered Greater Minnesota. As a result, Senator Carla Nelson from Rochester has proposed a new change in the Angel Tax Credit legislation. She proposes an increase in the tax credit from the current 25% to 40% to any "angel" investing in businesses in Greater Minnesota. This provision has now been adopted in the Minnesota Senate Omnibus Tax and Jobs Bill.

The purpose of this change is to,

as Wade puts it, "address an imbalance in a program intended for statewide benefit". According to the introduction of *Minnesota's Angel Tax Credit-Small Corporate Offering Registration (SCOR)*:

"Minnesota's *Small Business Investment Tax Credit* (the '*Angel Tax Credit*'), codified at Minn. Stat. § 116J.8737, is intended to encourage equity investment in early stage, technology-based businesses and encourage job creation by providing tax incentives to investors making investments in these innovative companies either directly or as owners of a '*Pass-Through Entity*' which makes such an investment."

In the first year of this program (2010), 93% of the businesses receiving an investment qualifying for this tax credit were in the 7 county Twin Cities area as well as 93% of the money invested. In

2011, the percentage of companies in the Twin Cities area decreased slightly to 88%; with 79% of the total amount invested.

While there is still a big disparity in the investments going into the Twin Cities area when compared to Greater Minnesota, it is at least moving in the right direction. Also, it seems that the goal of the legislation as it was originally written is currently being met. The amount of investments made last year doubled from 2010. The proposed change to the legislation would appear to add a goal of promoting investments in Greater Minnesota.



## Finalists Announced

With submission of \$150 entry fee, a registration form and a “business pitch” to the judges, the 4<sup>th</sup> Annual IDEA Competition kicked off for applicants in late November 2011. For the second round, competitors presented an initial business plan by February 15, 2012. Competitors that made it to the finals were to then turn in a final business plan including prospective financials by April 10, 2012. Final judging will commence April 19, 2012 where the finalists will make an oral presentation to the IDEA panel of judges in Crookston, Minnesota.

For the 2012 IDEA Competition, there

are 7 finalists that have been announced by the Northwest Minnesota Foundation. The 7 finalists are: Don & Sandra Buerkle (America Log Maker) from Park Rapids, Jay Fisher & James Marvin (Eleven Hockey) from Warroad, Mark Landes & Jennifer DeBarr (Shield Snip) from Bemidji, William & Julie Stephani (Slot Rail Fence) from Puposky, Brady & Jodi Dyrdaahl (The Sidekick) from Shevlin, Jeff Sullivan (Varimax Evaporator) from Bemidji, and Tim & Adam Wagner (Wagner Malting & Brewing) from Fisher.

These finalists will compete for a \$10,000 award to be used for the promotion and advancement of their business. The winners will be announced at the IDEA Competition Awards Banquet on April 25, 2012 to be held from 5:00-8:30 PM at the Sanford Center in Bemidji. The banquet is open to the public and pre-registration is required. Tickets are \$25 per person and you can register by going to [www.ideacompetition.org](http://www.ideacompetition.org).



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*The EDA Center at the University of Minnesota, Crookston is one of more than 40 university centers nationwide, supported by the Economic Development Administration, U.S. Department of Commerce.*

*We conduct applied research, provide direct technical assistance and deliver educational programs development agencies that support the economy of economically-distressed rural communities throughout Minnesota.*

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