

**Economic Impacts
Of the Proposed
Mariani Packing Company Project
In Tracy, California**

Prepared By

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SUMMARY

Mariani Packing Co. Mariani is a major national and international producer of dehydrated foods, with 5 operations in Northern California. The company traces its history back to Paul Mariani in 1906. The firm remains under continuous family leadership, and will provide a stable and responsible corporate presence in the local economy. “Tracy, California” could appear on the distinctive Mariani label on products distributed throughout the nation and Asia.

The Proposed Operation. The proposed Mariani operation will actually include three types of economic activities:

1. A dehydrated food processing operation, employing about 400 full-time employees and an additional 167 full-year-equivalent seasonal employees.
2. A corporate headquarters for Mariani Packing Company, which will employ approximately 15 executives and managerial employees
3. A large trucking and distribution operation, which will not be owned or operated by Mariani.

The operation will bring approximately \$97 million per year into Tracy, including all of the expenditures associated with this facility. This will position Mariani as Tracy’s 5th largest employer, ahead of Owens-Brockway and just below the Deuel Vocational Institute.

The operation will be housed in a new 2-story plant with about 300,000 square feet of space. The estimated cost of the construction is \$12 million. An additional \$9 million for state-of-the-art equipment is planned.

Economic Impact

The \$97 million in annual operations and \$21 million in plant and equipment do not adequately measure the full economic benefit.

Mariani Packing Total Dollar Impact on the Regional Economy				
	Direct	Indirect	Induced	Total
Dehydrated food products	\$93.2	\$24.2	\$15.6	\$132.9
Motor freight transport	\$3.7	\$1.6	\$0.9	\$6.2
Management services	\$0.6	\$0.2	\$0.2	\$1.0
Total from Operations	\$97.5	\$26.0	\$16.7	\$140.1
New Industrial Buildings	\$12.0	\$3.1	\$2.8	\$17.9
Packaging machinery	\$9.0	\$2.1	\$1.5	\$12.6
Total from Construction	\$21.0	\$5.2	\$4.3	\$30.6

Companies which supply Mariani with utilities, trucking, packaging materials, employee benefits, and other services will expand their operations to service this new industry. The local retail, housing, and other businesses will expand to service the new employment base. As a result, the direct impacts of Mariani operations will be multiplied in its total impact on the region, creating a total

SUMMARY (Continued)

economic impact of \$140 million annually, and a one-time construction impact of \$30.6 million.

Employment Impact

The impact can also be expressed in numbers of employees. The plant's 400 full time and 167 seasonal equivalent employees, along with the headquarters and

transportation activities, will support a total increase of approximately 1,200 employees in the region. The 169 one-time construction jobs (annual equivalents) will support a total of 301 total jobs during the construction period.

Total Employment Created by the Mariani Project				
	Direct	Indirect	Induced	Total
Employment from Operations				
Dehydrated food products	567	295	261	1,122
Motor freight transport	32	17	13	63
Management services	15	4	4	23
Total Employment from Operations	614	316	277	1,207
Construction Employment				
New Industrial Buildings	112	44	42	197
Packaging machinery	57	24	23	104
Total Employment from Construction	169	69	65	301

Retail Sales

The community will feel the direct and indirect effects strongly in the retail and household serving businesses. The direct household will total about \$21 million per year, with an additional \$6.8 million during the construction period. This household consumption will be most noticed in the housing,

Household Expenditures	Annual Impact of Mariani Project (\$ million)	One-time Construction Impact (\$million)
Income before taxes	\$20.924	\$6.806
Taxes, all	\$1.731	\$0.563
Average annual expenditures	\$18.287	\$5.948
Major Expenditure Categories		
Food, at home and away	\$2.553	\$0.831
Housing. Rents and purchase	\$5.927	\$1.928
Household furnishings and equipment	\$0.794	\$0.258
Apparel and services	\$0.966	\$0.314
Transportation	\$3.409	\$1.109
(Net new Vehicle purchases)	\$1.495	\$0.486
Health care including insurance premiums	\$0.982	\$0.319
Entertainment	\$0.914	\$0.297
Personal insurance and pensions	\$1.680	\$0.546

SUMMARY (Continued)

transportation, and food sectors, all of which will have multi-million dollar increases in annual demand. An increase in taxable retail sales of approximately \$7.7 million per year is estimated.

Other Economic Benefits

Stability. Economic stability is provided by this industry during recessionary cycles which increasingly affect the technology manufacturing and other Northern California industries.

Employment for existing residents. The activity provides a high level of employment compared to distribution or mechanized manufacturing processes, and the type of occupational skills needed is consistent with the existing Tracy workforce. This will create a high level of benefits to existing residents.

Community cohesiveness. A core of households who both live in and work in Tracy provides a higher level of community integration and civic participation than is achieved with a primarily commuter residential population.

Downtown Business. The proposed plant will be located near the downtown business district, which will encourage employees to patronize downtown businesses and participate in after-work community activities.

Consistent with existing plans. The plant will require high levels of infrastructure and utilities, but is located where these services have been planned and constructed. As a result, the plant provides a good fit to the existing land use and infrastructure plans, and will not require high levels of investment.

Headquarters presence. The proposal includes the Mariani corporate headquarters. This is likely to produce more corporate involvement and support for activities like the Chamber of Commerce and other business activities, civic activities, economic development, educational, and recreational planning than when the plant is a subsidiary of a firm with a distant headquarters location.

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Introduction

The introduction of a new industrial firm into a local economy produces a wide range of economic impacts, going far beyond the payroll and employment created directly by the company. The company's procurement, utilities purchases, taxes, employee benefits, and many other expenditures also have direct impacts on the community. The firms which supply goods and services to the manufacturing company, and retail firms which service the employees of all these local firms will also experience increased sales, will hire more employees and expand their facilities.

The purpose of this report is to measure all of the economic impacts, which will be generated by the proposed Mariani Packing Company plant in Tracy. The analysis uses economic models which are widely applied to this type of analysis, and identifies the full range of impacts, in both dollar terms and in numbers of employees. Estimates of retail sales by category are also included in order to illustrate the broad incidence of the economic benefits to a very wide spectrum of local businesses.

About Mariani Packing Company

Mariani Packing is a major national and international supplier of dried fruits, a company with a three-generation family ownership going back to Paul A. Mariani, who started processing fruit in 1906. Mariani products include dried prunes, apricots, raisins, pineapple, cherries, banana chips, peaches, figs, tomatoes apples, and pears. They are sold throughout the United States, and about 20% is exported, primarily to Japan and other Asian countries.

The company processes 67 million pounds of dried fruit a year, making it the nation's largest independent dried fruit processor. Plants are located in San Jose, Marysville, and Kelseyville, and the firm's headquarters is currently located in Danville. The company uses state-of-the-art equipment, a scientific laboratory, and total quality management to consistently achieve the highest industry ratings ever given for cleanliness and sanitation.

About the Proposed Tracy Plant

Mariani Packing is proposing the Tracy plant in order to expand its overall production capacity, to relocate some of its existing operations to a more efficient

location, and to consolidate production and headquarters operations. The Tracy location will become the company's corporate headquarters.

The operation will actually consist of three types of activities:

1. The food dehydration and packing plant;
2. The headquarters for Mariani Packing Company, Inc.; and
3. A transportation activity which includes both transport of agricultural products to the site from throughout Northern California, and distribution of both bulk and packaged finished products to national and worldwide markets. The transportation activity will not be owned or operated by Mariani, but is part of the economic impacts and is included in the study for completeness.

The proposed plant will employ an estimated 400 permanent and 167 seasonal full-year-equivalent employees in the production facility at build-out, as well as the corporate headquarters offices. A 2-story building of about 300,000 square feet is planned. The building itself is expected to cost about \$12 million, and state-of-the-art production and testing equipment is expected to cost about \$9 million.

The basic operating estimates for the operations are shown in the table below. The data are estimates for build-out levels of operation, and are based on information provided by Mariani Packing Co. Inc. and from information on typical firms in this industry sector located in San Joaquin County and throughout the central valley region. The plant will be about a \$97.5 million per year operation.

Mariani Packing facility Estimated Operating Expenses	Annual Expenses \$ Millions
Purchase of Agricultural products	\$50.7
Plant operations and overhead	\$25.7
Employee wages	\$9.6
Packaging materials	\$5.5
Shipping	\$3.7
Benefits	\$1.2
Utilities	\$1.2
Total annual expenditures	\$97.5

The operation will employ approximately 400 full time employees, and an additional seasonal work force which total a full-time equivalent of about 167 additional jobs, for an equivalent of about 567.

Measuring the full Economic Impacts

The 567 employees and \$97.5 million do not come close to measuring the total impact on the Tracy area economy, however. The economic impacts of an industrial firm extend far beyond its payroll and other direct expenses, to include the effects on other local firms which expand to supply the industrial operation and service its employees. There are two major categories of expenses which may not be readily visible but which provide large economic benefits to the community: the indirect impacts, and the Induced impacts.

The **Indirect impact** or **supplier impact** is created by the local business, utility companies, and government activities which supply the firm. The supply paths for the Mariani firm will include many providers of goods and services for the firm, and only the largest and most easily identified are listed below.

Indirect Employment Impacts

Local government services
Utilities
Trucking companies
Providers of packing materials
Employee benefits providers
Supplies and services for maintaining the building
Plant equipment maintenance services and supplies
Accounting, legal, and advertising services

The **Induced Impacts** or **consumer impacts** occur when the employees of the Mariani firm, and the employees of the suppliers like those listed above, spend their wages in the local economy. This creates a demand for the broad categories of consumer goods and services, which make up the retail and professional services component of the local economy.

The sum of the direct impacts of the firm, plus the indirect (supplier) and induced (consumer) impacts best describes the total effects on the economy. The sum of these impacts is much higher than the direct impacts of the basic firm itself, and the ratio of total impacts to direct impacts is referred to as the “economic multiplier” of the activity.

The \$21 million in construction of the structure and the production equipment will provide an additional but temporary boost to the local economy. Like the

production operation, indirect (supplier) impacts and induced (consumer) impacts are also generated by the construction activity.

Total Economic Impacts

The overall annual economic impacts of the Mariani Packing operation, including its indirect and induced effects, are measured using econometric models called Input-Output or Leontief models, which are calibrated for a local economy and include all of the linkages between industrial firms and their suppliers and the consumer sector. Measurement for this project was made using the IMPLAN model with coefficients for San Juan County and other central valley firms in the dehydrated firms industry. The economic impacts are summarized in the table below.

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The \$97.5 million in direct impacts from the firm’s operations will generate an additional \$26 million in business for other local businesses. In addition, the consumption by the employees of these two categories will generate \$16.7 million in new business for retail, housing, health care, local government, and other household serving businesses. The total impact on the local economy will be approximately \$140 million annually.

(Note: the impacts in this report all accrue within San Joaquin County, but not necessarily in the City of Tracy. It is likely that some of the workforce in the proposed plant may live and consume outside the City of Tracy, and that some of the inputs for the production process will occur outside the City.)

The multiplier from the Mariani Packing operation is about 1.44, which is relatively low for a manufacturing operation. The low multiplier is due to two reasons:

- (1) Food processing operations go from agricultural product to final consumer product in essentially one operation, so the number of additional inputs, and therefore the indirect (supplier) multiplier, is low. By contrast, the number of operations from raw material to consumer product

is much greater for more complex operations like electronics or mechanical manufacturing, which have much higher multipliers.

(2) The data used for this analysis are specific for San Joaquin County, which has what is called a “leaky” economy. This means that most of the goods which residents of the County purchase are manufactured outside the County. As a result, some of the multiplied effects of San Joaquin County operations appear elsewhere, and are not counted in this analysis.

Construction Activities Construction activities will add another temporary component to the local economy. The construction of the plant and its production equipment will total \$21 million in direct expenditures, as shown in the previous table. Indirect impacts from the firms which supply and support the construction will add another \$5.2 million, and local household services for these workers and suppliers will create an additional \$4.3 million, for a total impact of \$30.6 million during the construction period.

Employment Impacts

Employment Impacts from Operations. The economic impacts can also be measured in terms of employment. The table below shows that the direct impact of the plant operations, including the seasonal employment, will be about 567 jobs. The transportation and headquarters operations will bring the operations component to 614 jobs.

The indirect (supply) component will add another 316 jobs in the region, and consumer services will add 277 new jobs, for a total employment impact of 1,207 new employees.

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Employment impacts from construction. Direct construction employment resulting from this project from the structure and the production equipment will total 169 person-years, equivalent to the effect of 169 employees for one year of construction employment. This will actually be spread over a larger number of individual employees in different trades, and of variable durations during the construction period for the project.

Indirect employment generated in the firms which supply materials, construction equipment, and services to the construction firms will create an additional 69 jobs, and consumer services to the households of these workers will create 65 jobs, for a total of 301 new jobs resulting from the construction activity.

Employee Compensation

Employee compensation rates from the Bureau of Economic Analysis and the Employment Development Department for some of the types of occupational categories directly employed in the food processing, headquarters staff, transportation, and construction activities are listed in the table below. The table shows total compensation including benefits. For seasonal workers, the data show annual equivalent compensation.

Employee Compensation Estimates	
Occupational Category	Annual Compensation including benefits
Food and kindred products manufacturing	\$32,452
Seasonal Food Processing	\$20,640
Business services excluding exempt management	\$43,009
Trucking except Local	\$31,422
Construction, commercial & industrial structures	\$31,634
Packaging Equipment manufacture and servicing	\$36,242
Sources: Bureau of Economic Analysis ES-202 data; California Economic Development Department compensation series.	

Effect on Retail Sales

Part of the economic impact of the project is the effect on local businesses which serve the households of the direct and indirect workers, as well as workers in other local businesses. The most effective way to illustrate this effect is by showing the increase in specific types of household expenditures which will result from the economic activities generated by the project.

The table below shows typical household expenditure patterns based on the Bureau of Labor Statistics Consumer Expenditure Survey and the wages generated by the project and its indirect and induced effects.

Household Expenditures	Annual Impact of Mariani Project (\$ million)	One-time Construction Impact (\$million)
Income before taxes	\$20.924	\$6.806
Taxes, all	\$1.731	\$0.563
Average annual expenditures	\$18.287	\$5.948
Major Expenditure Categories		
Food, at home and away	\$2.553	\$0.831
Housing, Rents and purchase	\$5.927	\$1.928
Household furnishings and equipment	\$0.794	\$0.258
Apparel and services	\$0.966	\$0.314
Transportation	\$3.409	\$1.109
(Net new Vehicle purchases)	\$1.495	\$0.486
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Entertainment	\$0.914	\$0.297
Personal insurance and pensions	\$1.680	\$0.546
Source: Consumer Expenditure Survey, US Dept of Labor Statistics		

The table shows that households will receive about \$20.9 million per year in direct payroll (not including benefits and other withheld amounts) and after paying about \$1.7 million in taxes will spend about \$18.3 million in the local economy. The major categories will be about \$6 million per year for housing, \$3.4 million for transportation (\$1.5 million for new autos), \$2.6 million for food, and \$1.7 million for insurance and pensions.

Temporary construction employment will generate another \$5.95 million in after-tax consumption expenditures.

While not all of these consumption expenditures are subject to retail sales taxes, an estimate based on the 1998 ratio of current income to taxable retail sales indicates that taxable retail sales will be approximately 37% of household

income, or about \$7.7 million per year, with an additional one-time taxable retail sales of \$2.5 million from construction activities.

Other Economic Considerations

The previous analysis has focused on the income and employment aspects of the proposed Mariani operation, but there are also important benefits which are not readily quantified in these terms. Some of these non-quantifiable benefits are listed below.

Economic Stability

As northern California's economy becomes more linked to technology manufacturing and global exports, vulnerability to national and international economic cycles and recessions increases. Although Tracy is not concentrated in technology manufacturing employment, many of its residents who commute to East Bay Area jobs are vulnerable.

By contrast, food processing industries, and especially the preserved fruits and vegetables sector, are very stable over economic cycles. For example, during the recent 1990 – 1993 California economic downturn, this industry had almost no variability related to the business cycle, providing its host communities with level of stability obtainable from no other economic sectors.

Employment Intensity and Workforce Compatibility

Most of California's industries are rapidly shifting toward mechanized and automated processes in their newer production facilities, often resulting in new plants which employ mostly highly technical employees new to the community rather than benefiting existing residents. The proposed food processing operation will have a state-of-the-art food processing technology but will still depend on a very significant level of staffing. The types of employees required, both permanent and seasonal, are consistent with Tracy's existing workforce, so that the employment benefits are likely to be realized by existing Tracy residents.

Community Integration

Like many other communities near the East Bay economic centers, Tracy is benefiting from the residential decisions of higher paid commuter households. While this provides growth in the housing and retail sectors, there is a downside to a largely commuter population, which does not have the time to participate in community activities and may not have the same level of commitment as do residents who live and work in their community. The proposed plant will provide a large base of full-time Tracy community households, who can integrate their work and residence lives into the community fabric.

Corporate Participation

A feature of the proposed Mariani project is that it will provide a corporate headquarters in the community. A corporate headquarters usually provides a different relationship between a manufacturing plant and its host community. The corporate presence results in a more interactive and responsible relationship between the firm and its community. There is usually more support for activities like the Chamber of Commerce and other business activities, more support for civic activities, more participation in economic development, educational, and recreational events than when the plant is a subsidiary of a firm with a distant headquarters location.

Downtown Business Support

The location of the proposed Mariani operation is directly adjacent to the Tracy downtown business district, and this will enhance the mutual business benefits. Employees are likely to patronize downtown restaurants and retail businesses, and will find it easy to participate in after-work recreational and community activities.

Consistency with Existing Development Plans and Infrastructure

The proposed Mariani operation will require significant local infrastructure, including water, waste water disposal, transportation access, and other utilities. The cost of providing this level of infrastructure is greatly reduced because the site has been used for similar operations in the past, and Tracy has already put significant infrastructure investment in place as part of its redevelopment of the area. The plant will be compatible with nearby firms in the Stonebridge Industrial Park, and is likely to share suppliers, service providers, transportation resources, and other operating activities. As a result, the proposed plant provides a good fit to the existing land use and infrastructure plans, and will not require high levels of investment.

Data Sources

The data used in this report come from the following sources:

1. Interviews and operating data provided by Mariani Packing Company describing current operations and intended levels of activity at the proposed Tracy processing plant.
2. Data on typical dehydrated food products firms in San Joaquin and other central valley counties, including levels of employment, employee compensation, overhead expenses, and total value added multipliers provided by the Minnesota IMPLAN Group used to calibrate the IMPLAN input-output model.
3. Wages for specific activities in food processing, management, and transportation activities from the Department of Commerce ES-202 data series.
4. Consumer expenditure information from the Department of Labor Statistics Consumer Expenditure Survey.
5. Taxable retail sales data from the State Board of Equalization.

Researcher Qualifications

Dr. Robert Fountain is a professor emeritus at California State University, Sacramento where he is research director of the Real Estate and Land Use Institute. He performs economic development and land use planning studies for clients including economic development agencies, local government planning departments, State of California departments, and private firms performing site selection and economic impact analysis. He provides economic analysis and data for the Sacramento Area Commerce and Trade Organization, the Placer County Department of Economic Development, and the Sacramento Metropolitan Chamber of Commerce.