



WAYNE COUNTY (IN) AS A LOCATION FOR A SNACK FOODS PROJECT



Prepared for the
EDC of Wayne County (IN)



Prepared by:

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Introduction

This report, **Wayne County (IN) as a Location for a Snack Foods Project**, identifies business costs (pre-incentive) and conditions associated with the development of a plant in Wayne County. The report compares costs in Wayne County versus:

- Davenport, IA (Iowa-Illinois Quad Cities)
- Dayton, OH
- St. Louis, MO

Costs are drawn from a hypothetical snack foods project (see model description on page 5), which was based on our actual site selection experience. Key site location cost factors are examined in this report, including:

- Freight
- Salary and wages
- Fringe benefits
- Build-to-suit costs
- Select taxes
- Electric power
- Cost of living.

The cost comparison spreadsheet follows on pages 6-8. Costs were derived from actual field research in the Wayne County Area as a part of the recent target industry analysis and research on competitor communities. The latest available data was used for all cost comparisons.

Foote Consulting Group, LLC (FCG) is a global site selection and economic development firm based in the Phoenix area. Our partner, TranSystems, is an expert in freight/logistics modeling and analysis.

Project Model **Snack Food Processing Facility**

Purpose: The manufacturing of corn and soybean based snack food related products

Hours of Operation: 16 hours per day (2 shifts); 7 days per week

Labor: 150 total

10 – managerial and engineering

15 – clerical and support personnel

20 – maintenance mechanics with programmable logic control knowledge

50 – semiskilled, machine operators

55 – unskilled, material handlers and fork lift operators

Utilities: Electric Power – Demand: 1,000 KW; Energy: 400,000 KwH/month (average)

Buildings: 95,000 square feet total – 85,000 square feet of integrated manufacturing and warehouse space; 10,000 square feet of office space

Land: 20 level acres in a fully improved industrial park with rail

Freight: Inbound: Based on average miles and rates from suppliers via 50% TL and 50% rail;
Outbound: Product classification – 50; 12,000,000 units/year; weight per unit – 10 lbs.; 75% TL, 10% LTL, 10% rail, 5% small parcel to Midwest, Mid-Atlantic and Mid-South markets

Investment: Machinery & Equipment-\$8,000,000; Inventory-\$3,000,000

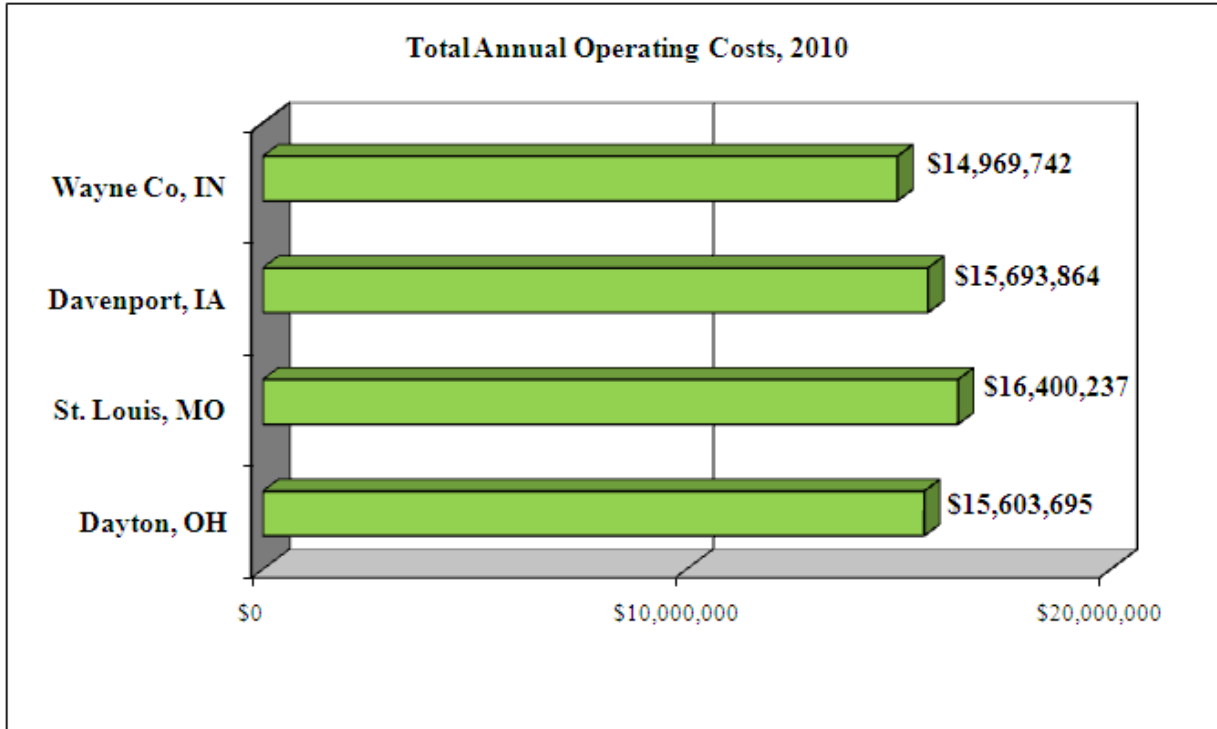
Other Critical Factors: Good access to reasonably priced skilled workforce; reliable and economical electric power supply; access to soybean product and customer network; good technical college with flexibility in training.

SNACK FOODS PROJECT				
FIRST YEAR OPERATING COSTS				
Labor Costs (150 jobs)	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
<i>Factory Manager</i>				
Number	3	3	3	3
Annual Salary	\$74,409	\$78,151	\$83,350	\$82,378
<i>Food Technologists</i>				
Number	7	7	7	7
Annual Salary	\$37,160	\$39,728	\$41,927	\$41,511
Total Salary	\$260,120	\$416,832	\$639,168	\$399,936
<i>Clerical</i>				
Number	15	15	15	15
Annual Salary	\$25,038	\$26,186	\$28,195	\$27,419
Total Salary	\$375,570	\$392,790	\$422,925	\$411,285
<i>Maintenance Mechanics</i>				
Number	20	20	20	20
Annual Salary	\$32,735	\$34,455	\$36,668	\$35,306
Total Salary	\$654,700	\$689,100	\$733,360	\$706,120
<i>Machine Operators</i>				
Number	50	50	50	50
Annual Salary	\$28,016	\$28,655	\$30,613	\$30,027
Total Salary	\$1,400,800	\$1,432,750	\$1,530,650	\$1,501,350
<i>Warehouse Laborers/Packers</i>				
Number	55	55	55	55
Annual Salary	\$24,311	\$24,810	\$26,448	\$25,915
Total Salary	\$1,337,105	\$1,364,550	\$1,454,640	\$1,425,325
Total Annual Salary Costs	\$4,028,295	\$4,296,022	\$4,780,743	\$4,444,016
Fringe Benefits	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Medical/Dental/Vision @ 25%	\$1,007,074	\$1,074,006	\$1,195,186	\$1,111,004
Disability @ .15%	\$6,042	\$6,444	\$7,171	\$6,666
FICA @ 7.5 %	\$302,122	\$322,202	\$358,556	\$333,301
Life @ .5 %	\$20,141	\$21,480	\$23,904	\$22,220
Unemployment Ins. Rate	2.70%	1.50%	3.51%	2.70%
UI Cost	\$28,350	\$55,125	\$68,445	\$36,450
Workers Comp Rate-Plant (per \$100)	\$2.56	\$2.64	\$3.11	\$2.67
Worker Comp Rate-Office (per \$100)	\$0.19	\$0.29	\$0.15	\$0.55
Workers Compensation Cost	\$88,058	\$94,389	\$117,243	\$101,457
Fringe Benefit Load Factor	36.04%	36.63%	37.03%	36.25%
Total Annual Fringe Benefits Costs	\$1,451,788	\$1,573,645	\$1,770,504	\$1,611,099
Build to Suit Costs	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Square Feet Office	10000	10000	10000	10000
Square Feet Manufacturing	85000	85000	85000	85000

Total Square Feet Required	95000	95000	95000	95000
Cost per Square Foot of Office	\$60.00	\$75.00	\$85.00	\$50.00
Cost per Square Foot of Mfg.	\$40.00	\$45.00	\$32.00	\$32.50
<u>Total Building Cost</u>	<u>\$4,000,000</u>	<u>\$4,575,000</u>	<u>\$3,570,000</u>	<u>\$3,262,500</u>
Land Costs	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Cost per Acre	\$11,550	\$40,000	\$62,000	\$30,500
Acres Required	20	20	20	20
Total Land Cost	\$231,000	\$800,000	\$1,240,000	\$610,000
<u>Total Building & Land Cost</u>	<u>\$4,231,000</u>	<u>\$5,375,000</u>	<u>\$4,810,000</u>	<u>\$3,872,500</u>
<u>Annual Payment (@ 5%, 15 yrs)</u>	<u>\$293,481</u>	<u>\$372,833</u>	<u>\$333,643</u>	<u>\$268,613</u>
Property Tax Costs	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Value of Real Estate	\$4,231,000	\$5,375,000	\$4,810,000	\$3,872,500
Assessment Ratio	100%	100%	100%	100%
Property Tax Rate	2.65	38.33	2.48	82.48
Real Estate Taxes	\$112,122	\$206,024	\$119,288	\$319,404
Value of M&E	\$8,000,000	\$8,000,000	\$8,000,000	\$8,000,000
Assessment Ratio	0%	0%	100%	0%
Property Tax Rate	0	0	2.41	0
Personal Property Tax	\$0	\$0	\$192,800	\$0
Value of Inventory	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Assessment Ratio	0%	0%	0%	0%
Property Tax Rate	0	0	0	0
Inventory Tax/CD business tax	\$0	\$0	\$0	\$0
<u>Total Annual Property Taxes</u>	<u>\$112,122</u>	<u>\$206,024</u>	<u>\$312,088</u>	<u>\$319,404</u>
Corporate Income Taxes	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Adjusted State Taxable Income	\$4,000,000	\$4,000,000	\$4,000,000	\$4,000,000
Tax Rate (Federal)	34.00%	34.00%	34.00%	34.00%
Tax Rate (State)	8.50%	0.05%	5.20%	0.26%
<u>Total Federal and State taxes</u>	<u>\$1,700,000</u>	<u>\$1,362,000</u>	<u>\$1,568,000</u>	<u>\$1,370,400</u>
Electric Power Costs	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
KW Demand	1,000	1,000	1,000	1,000
KwH/Month Usage	400,000	400,000	400,000	400,000
Cost/KwH	\$0.07	\$0.06	\$0.06	\$0.09
<u>Total Annual Electric Power Cost</u>	<u>\$316,800</u>	<u>\$268,320</u>	<u>\$292,800</u>	<u>\$408,000</u>
Freight Costs (see freight model)	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
Inbound	\$2,208,000	\$2,208,000	\$2,208,000	\$2,208,000
Outbound	\$4,859,257	\$5,407,020	\$5,134,459	\$4,974,163
<u>Total Freight Costs</u>	<u>\$7,067,257</u>	<u>\$7,615,020</u>	<u>\$7,342,459</u>	<u>\$7,182,163</u>
Total Annual Operating Costs	Wayne Co, IN	Davenport, IA	St. Louis, MO	Dayton, OH
	<u>\$14,969,742</u>	<u>\$15,693,864</u>	<u>\$16,400,237</u>	<u>\$15,603,695</u>
<i>Operating costs greater than Wayne Co., IN</i>		\$724,122	\$1,430,495	\$633,953
<i>Percentage greater than Wayne Co., IN</i>		5%	9%	4%

Total Project Operating Costs

Wayne County is the lowest cost locale for this snack foods project. Over \$1.4 million per year could be saved by locating this project in Wayne County versus the highest cost area, St. Louis.



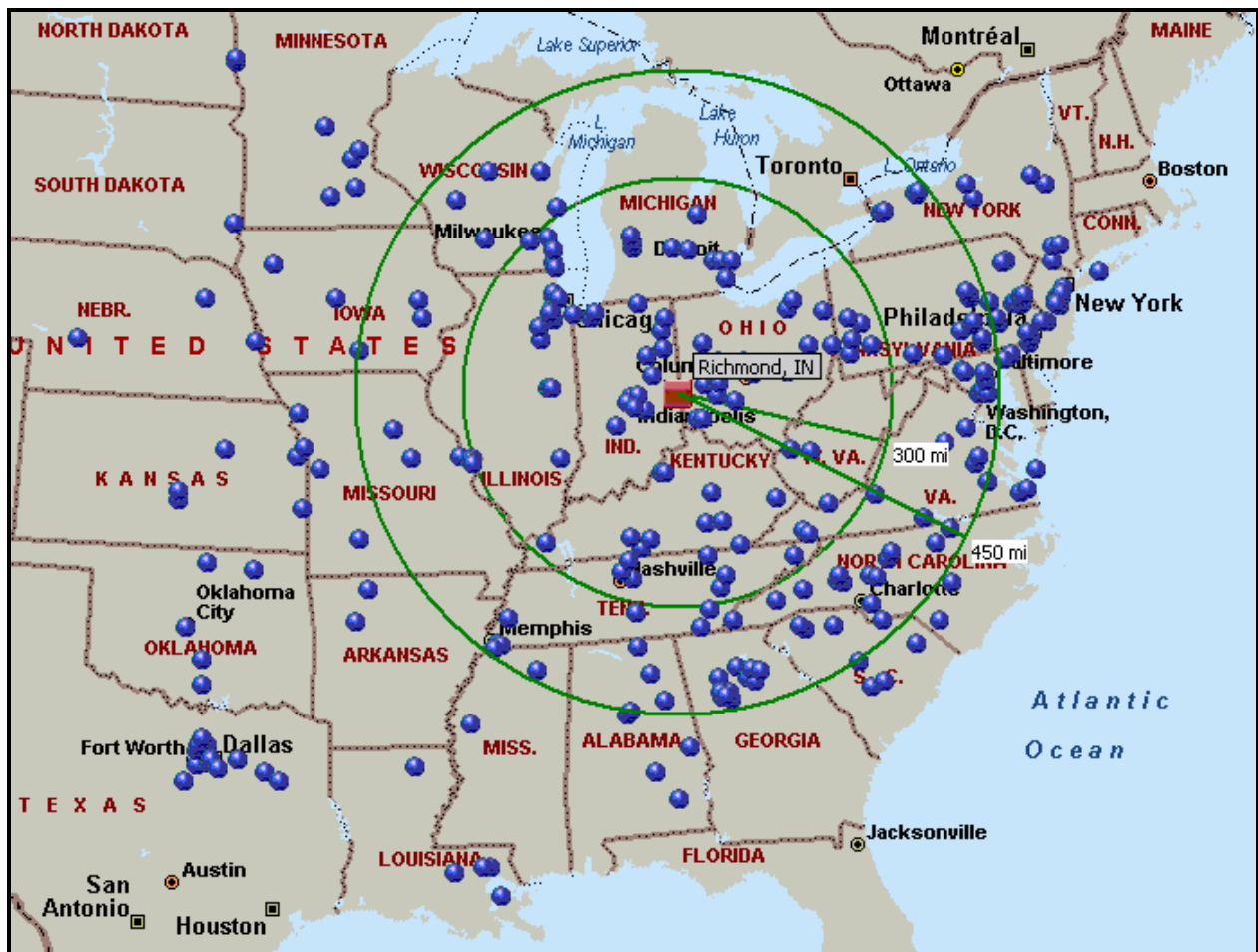
Freight

Freight costs represent the largest annual operating cost item for this project, approximately 60%. A separate, detailed freight model is available and can be used as a reference.

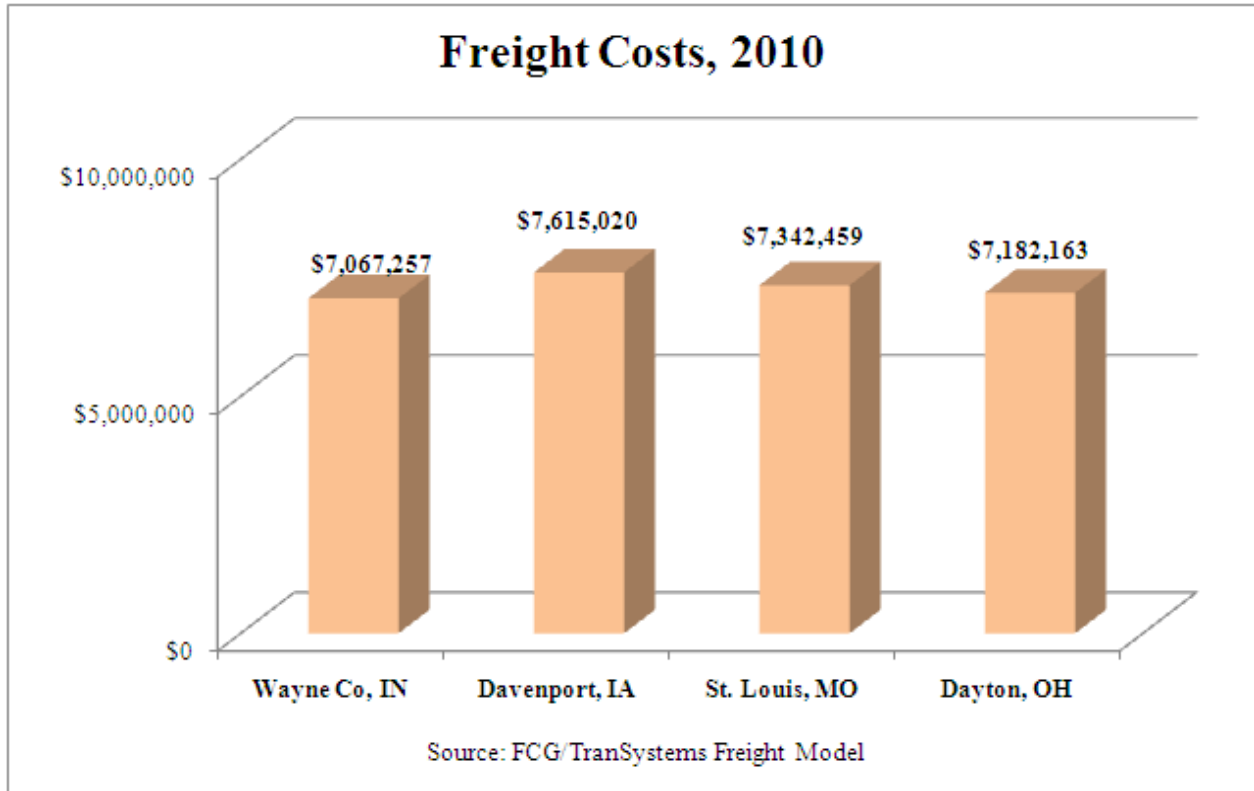
Products will be shipped outbound from the plant to areas within a 450-mile radius of the plant site with a focus toward Midwest, Mid-Atlantic and Mid-South markets. Inbound freight is based on the average miles from suppliers and is assumed to be equal to each location.

The following map depicts the desired distribution area up to a 450 radius and covers the major markets of Midwest, Mid-Atlantic and Mid-South. The blue dots depict TranSystems client base and the locations of their DCs which serve all major markets. A sample of TranSystems clients:

- Kroger
- SuperValu
- Wal-Mart
- Meijer
- Spartan Stores
- Aldi
- 7-Eleven
- Trader Joe's
- Costco
- Dollar General
- HT Hackney



Wayne County has the lowest freight costs. Freight costs are lower than in Davenport and St. Louis, in part, since outbound product is moving to more eastern centers.



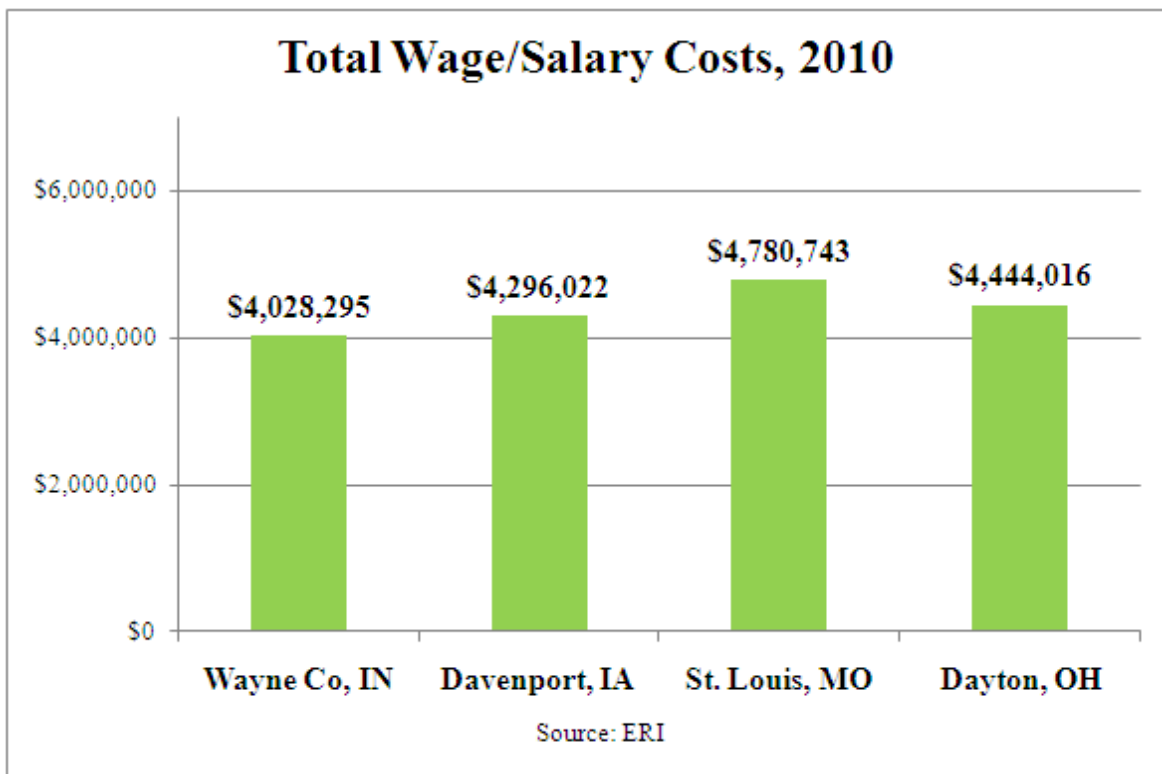
Labor

Wages/Salaries and Fringe Benefits

Labor costs (wage/salary/fringe benefits) represent about 23% of the total operating costs for this project. This is the second largest annual cost factor.

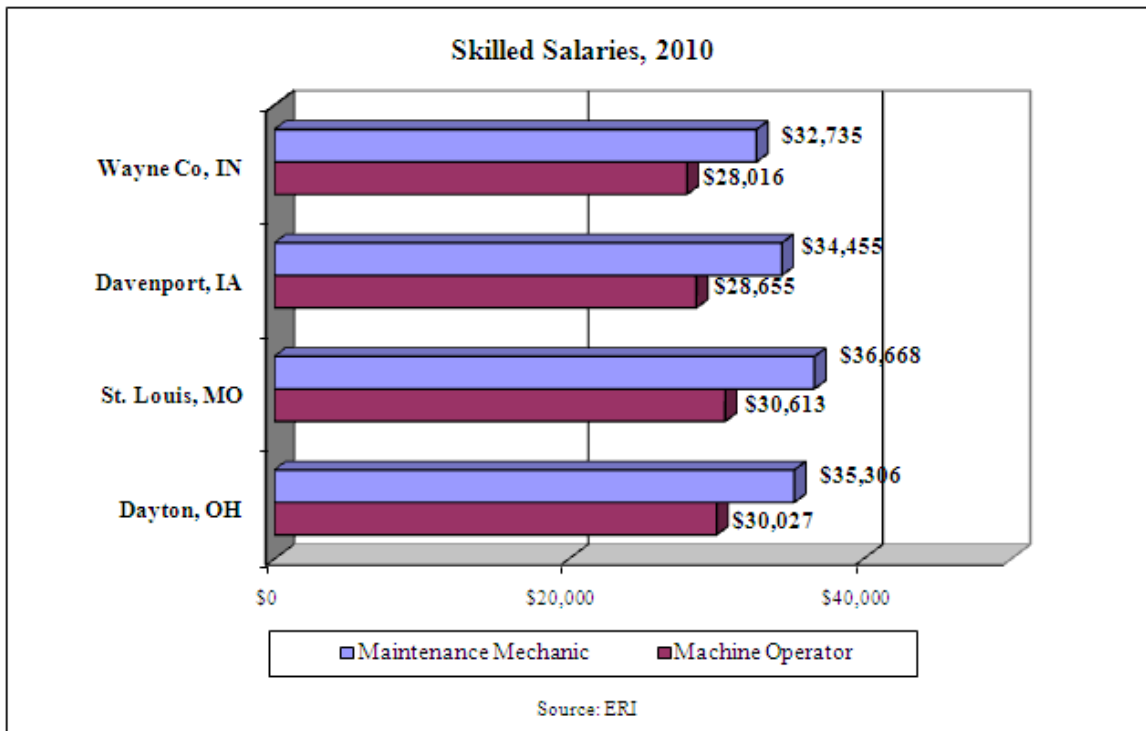
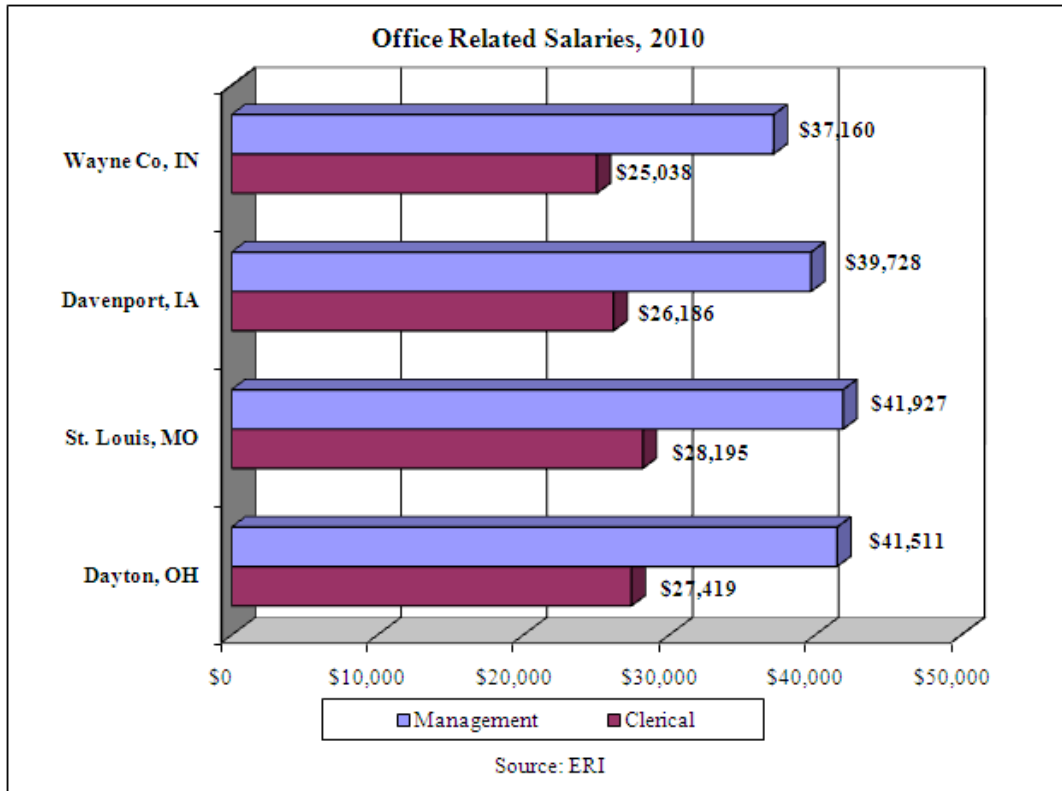
Wages and salaries used in the model are for incumbent worker median salary range positions. All wages come from our national data resource, Economic Research Institute (ERI).

Wayne County has the lowest overall wage/salary costs. Over \$750,000 would be saved annually by locating this project in Wayne County instead of the highest cost locale, St. Louis.

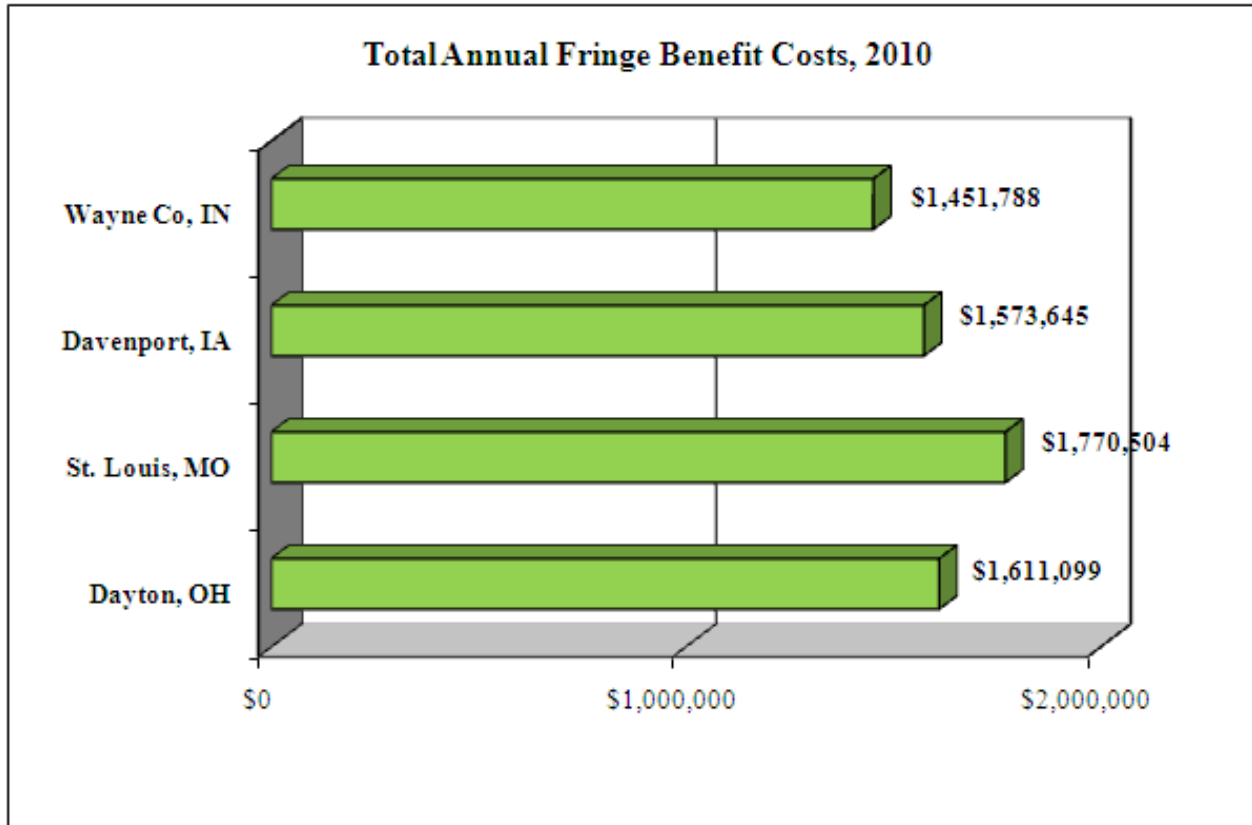


One Wayne County food company commented: “Wages are very stable here now.”

Following are specific salary comparisons:



Wayne County has the lowest fringe benefit load. This was due to lower overall wages which translates into lower FICA, health care, disability and life insurance costs, and lower unemployment insurance costs.

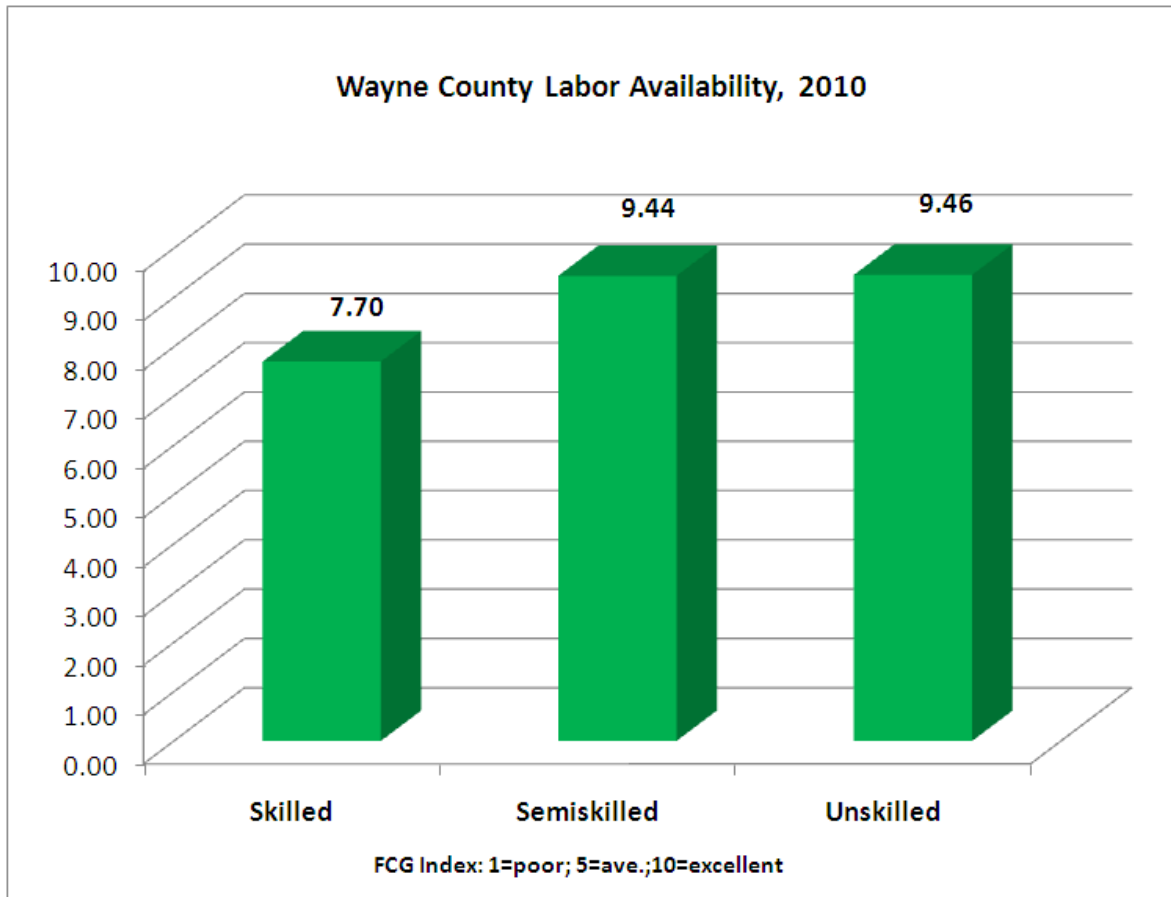


Labor Availability & Quality in the Wayne County Area

Good labor availability and quality are critically important to the success of this project. We have compared both availability and quality in the region using our unique *FCG Index*. The index factors on a 1 (very poor) to 10 (excellent) point scale (5 is average). The index takes the results of our fieldwork interviews conducted during the recent target industry analysis and measures the combined opinions of company decision-makers. The resulting index is a very realistic way of comparing communities on an “apples-to-apples” basis.

Availability

- **The availability of skilled manufacturing workers is good.**
- **Semi-skilled and unskilled availability is excellent.**
- Management talent is more difficult to recruit, hire and relocate (rated 5.25 – or average).

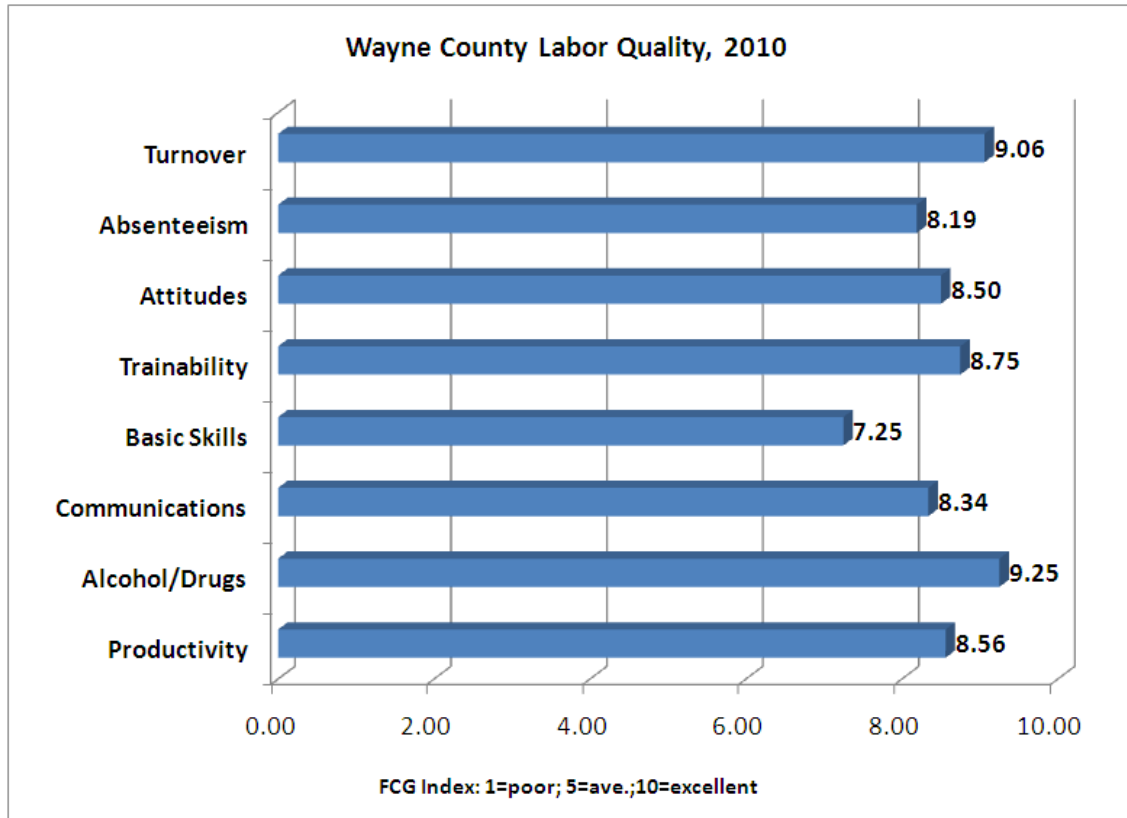


The following are employer quotes regarding availability:

- *“Good skills and manufacturing culture here”*
- *“It is a challenge to retain some workers... grass is always greener elsewhere. However, more are realizing that they are fortunate to work for a safe, dependable and supportive company, especially during this tough economy.”*
- *“It is a great area to set up a plant because of the skilled workforce and the great cooperation and assistance of the college.”*
- *“Richmond has provided this firm with a great workforce for years and years.”*
- *“Skills are here due to closures.”*
- *“The greatest strength in the area is the skills of the workforce and the relationships between employers and employees.”*
- *“There are now an overwhelming number of good candidates for positions in our plant because of all the closures and layoffs in the area.”*
- *“Unskilled workers are readily available.”*

Quality

- **Overall labor quality is rated very good (8.49), with no weak spots.**
- **All sectors, except basic skills, are rated very good to excellent.**
 - Basic skills (rated “good”) are better here than most other places in the country right now.



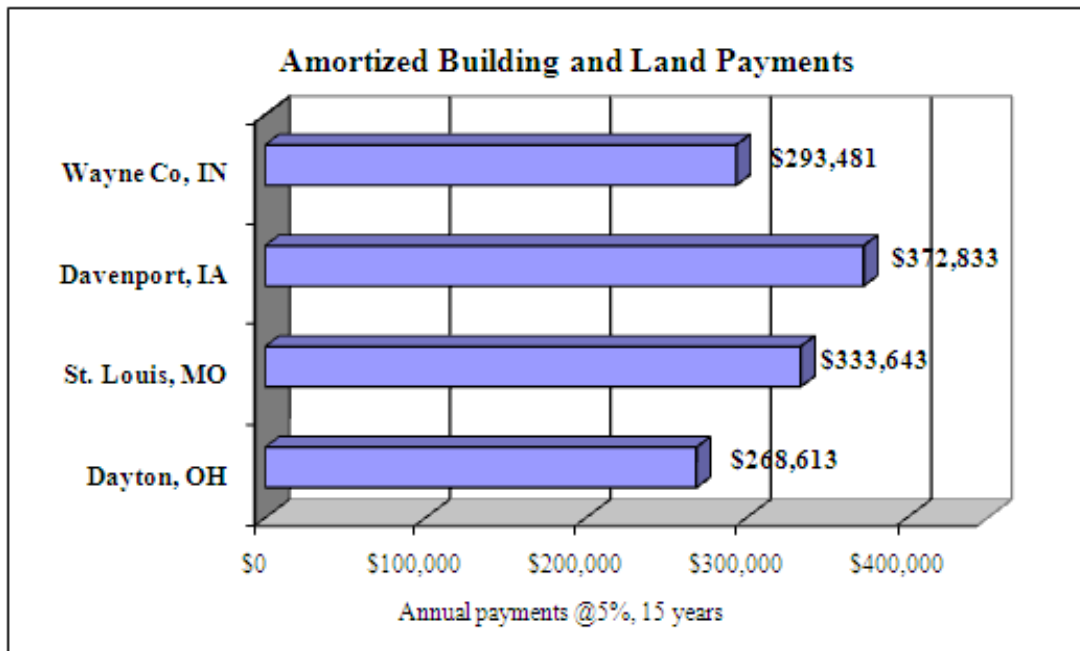
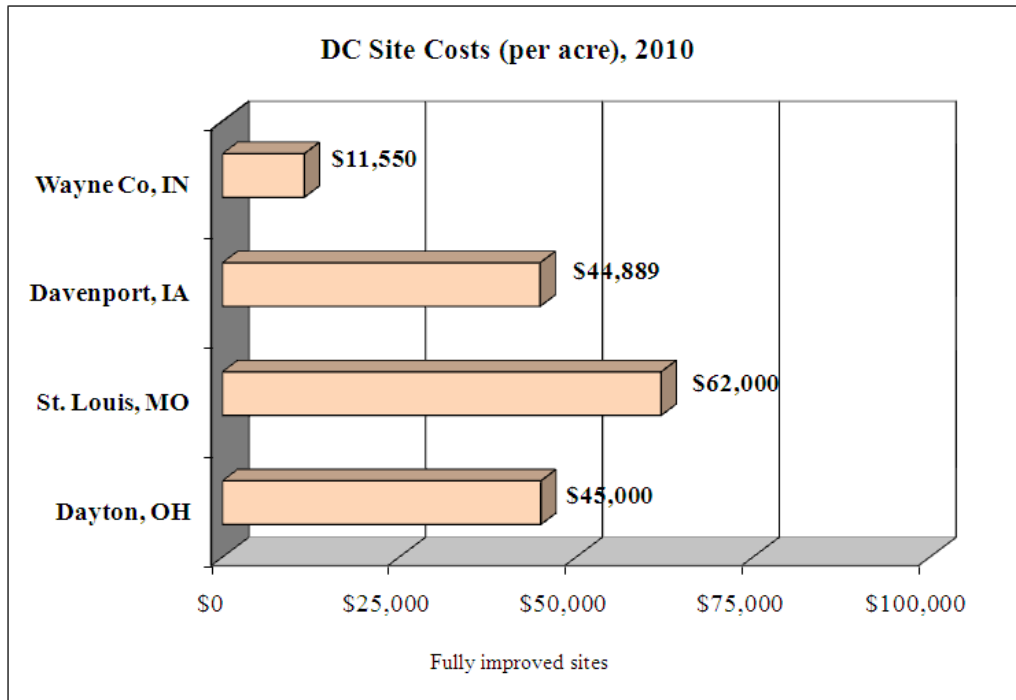
Employers tell us:

- *“All labor quality characteristics are high, but there are concerns over recent attitudes because of the economy.”*
- *“Area is innovative and entrepreneurial and employees have a great work ethic”*
- *“Attitudes are fantastic and morale is high, especially after we passed out those bonus checks!”*
- *“Good labor-management relations”*
- *“Good skills and manufacturing culture here”*
- *“Good work ethic!”*
- *“No union noise due to proactive management...we would be crippled with a union”*
- *“Productivity has been so good that we have laid off people.”*
- *“Quality is excellent (plant tour showed positive attitudes and communications)”*
- *“Rate quality characteristics high except basic skills”*
- *“The greatest strength in the area is the skills of the workforce and the relationships between employers and employees.”*

Build-to-Suit Costs

Annual building and site costs represent only approximately 2% of total annual operating costs in the model (this cost is amortized).

Wayne County annual building costs are second lowest. Industrial site costs are the lowest and there is good availability of fully improved sites.



Taxes

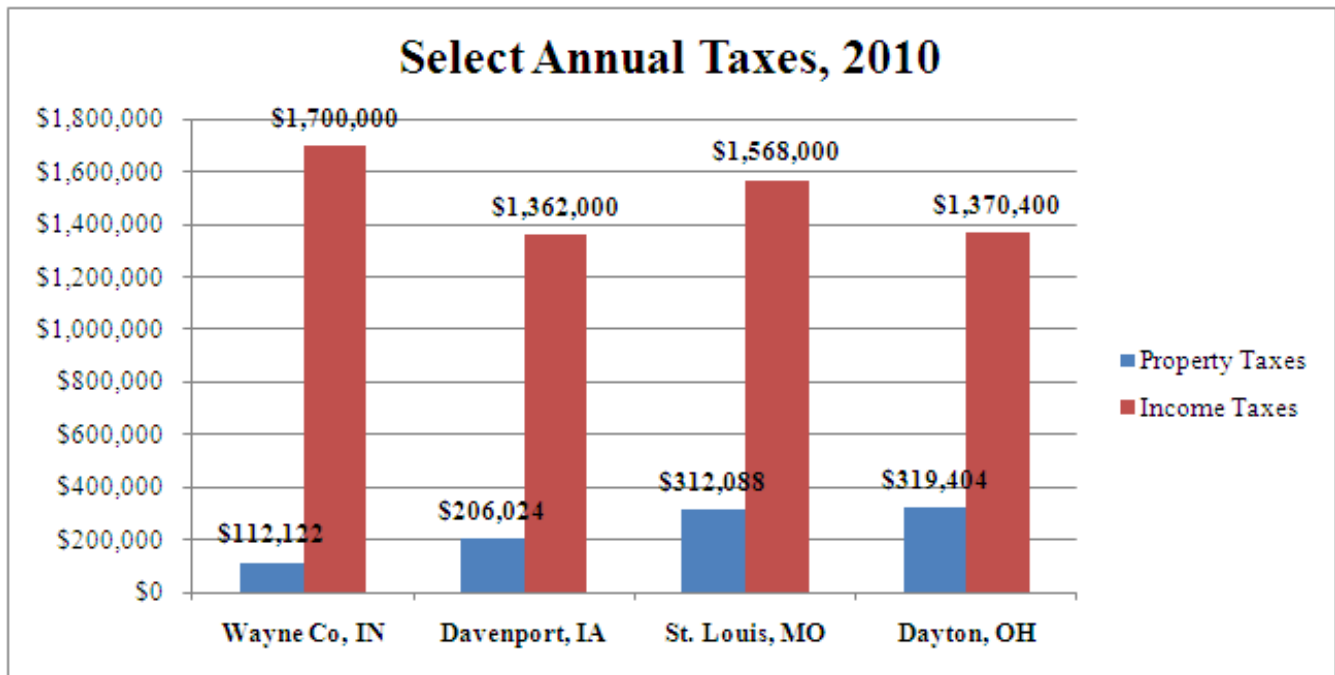
Property Taxes

Property taxes consist of real estate and personal property taxes, which may include taxes on machinery and equipment (M&E). They represent approximately 1% of the annual operating costs.

Wayne County property taxes¹ are modest compared to the other cities since there is no tax assessed on M&E (assume abated²) or inventories. Missouri still taxes personal property.

Corporate Income Taxes

Corporate income taxes were examined at a high level. They represent approximately 10% of the annual operating costs. Corporate income taxes were figured on an adjusted taxable income of \$4,000,000.



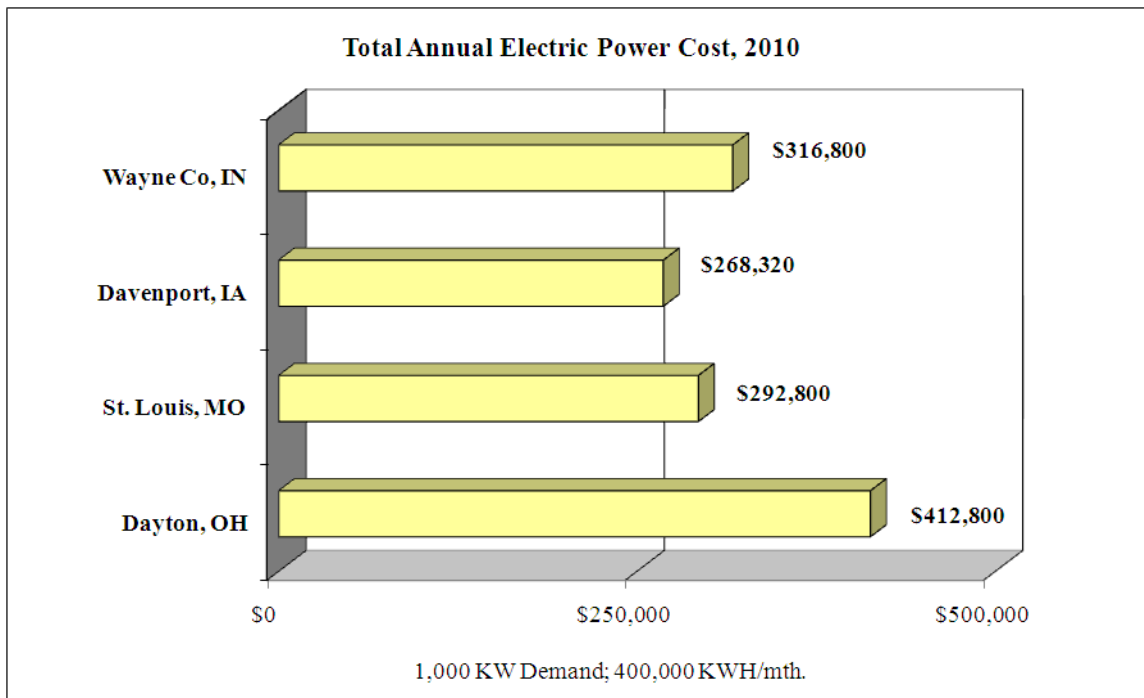
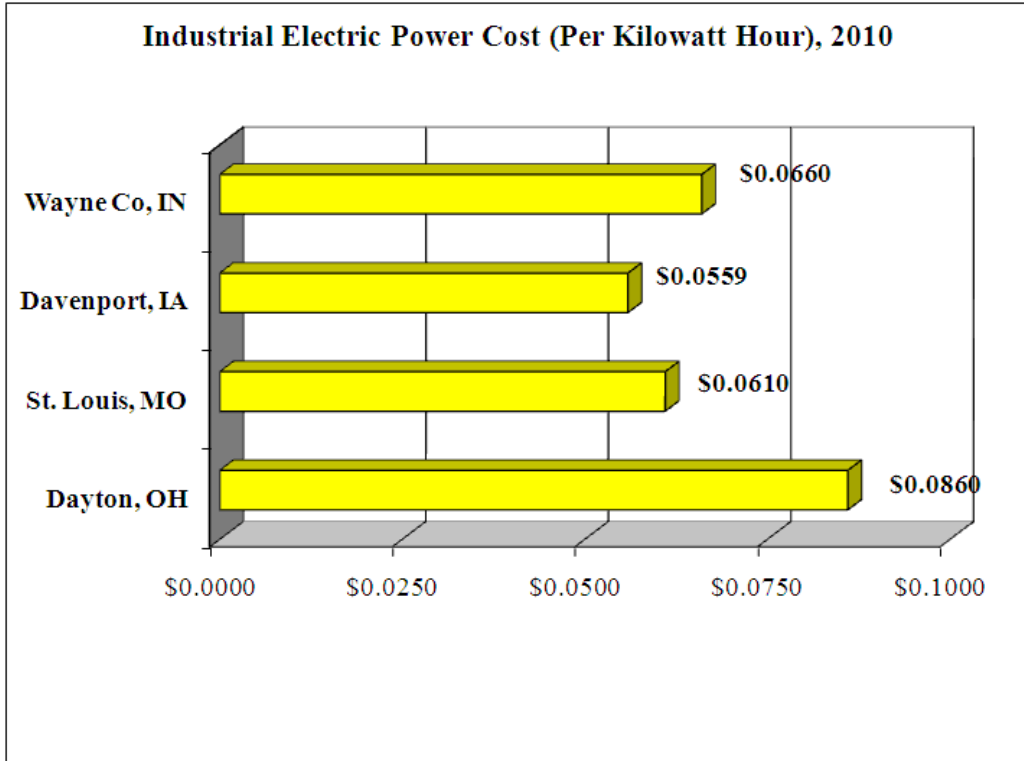
¹ Property tax caps - 1% of a homestead property's gross assessed value, 2% on investor owned residential properties and on agricultural land's gross assessed value and 3% cap of the gross assessed value on all other real and personal properties.

² Property tax on M&E would be phased in over a period of 10 years if the full 10 year abatement was awarded to the company.

Utilities

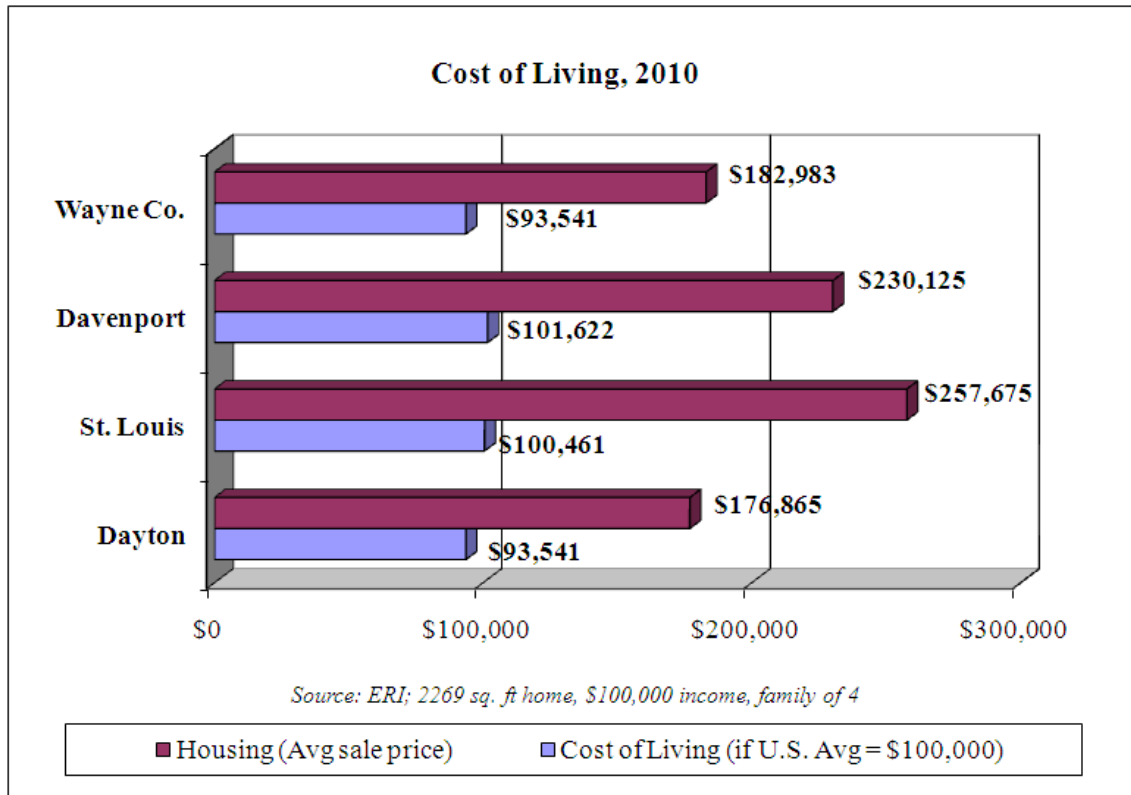
Electric Power

Power costs represent only about 1% of total operating costs. Wayne County has the second highest electric power rates.



Cost of Living

The cost of living will influence the relocation of key personnel to the project city. It should be relatively easy to sell employees on Wayne County's low costs. One company executive said: "I have moved six times around the globe and after moving here I felt that I had died and gone to heaven."



Incentives

Wayne County and Indiana have a number of attractive incentives available. The programs that can best assist a snack foods project include:

- EDIT – Flexibility to assist both labor intensive operations such as call centers and capital intensive projects such as food processing, industrial machinery, and renewable energy. \$1 million plus local fund.
- EDGE – Provides valuable tax credits for any locating or expanding target creating new jobs for up to 10 years
- Indiana Training Grant Program – One of the best training programs in the country, it offers grants that can cover up to 50% of the total training budget up to \$200,000 for projects that create new jobs.

One Wayne County food company commented: *Indiana is pretty favorable!*

The Food Processing Industry in the Wayne County Area

Understanding the Sector

Food processing is still a dominant sector in the Midwest due to the direct access to an abundance of raw food materials and water, and access to large consumer market areas of the Midwest and East.

However, activity has been off due to the recession. Only 71 locations/expansions occurred in 2009 within the three-state region³. Projects included:

<u>City</u>	<u>State</u>	<u>Company</u>	<u>Sq.Ft.</u>	<u>Jobs</u>	<u>Type</u>	<u>NAICS</u>
Ashland	OH	Lance, Inc.		278	Crackers	311821
Blue Ash	OH	Wornick Co.		250	Canned foods	311412
Frankfort	KY	Jim Beam Brands	22,000	121	Liquors	312
Middlesboro	KY	Smithfield Packing		250	Smoked meats	311612
New Albany	IN	Kemper Foods		350	Frozen foods	311422
Orrville	OH	J.M. Smucker	137,000	150	Various foods	311
Owensboro	KY	Sazerac		300	Liquors	312140
Sebree	KY	Tyson Foods		280	Chicken	311
Wellston	OH	General Mills	34,000	75	Snack foods	311919

Wayne County has a good concentration of food processing companies including: Richmond Baking, Smith Dairy, Hills Pet Foods, Land O' Lakes/Purina Mills, Maxwell Milling, and Really Cool Foods.

<i>Wayne County Strengths</i>	<i>Wayne County Weaknesses</i>
<p>Food/Beverage Processing</p> <ul style="list-style-type: none"> • Labor availability (strong occupational projections) • Labor costs • Excess water/sewer capacities • Electric power cost/reliability • Improved sites with rail • Incentives (capital intensive) • Highway access • Regional location activity • Presence of other local operations 	<ul style="list-style-type: none"> • Large (100-plus-acre) sites with rail • Electric power cost is not as low as some competitors

³ Indiana, Ohio and Kentucky

Wayne County Area's Strengths for Food Processing Firms – Summary

- Very competitive overall costs
- Excellent proximity and accessibility to Midwest and Eastern markets
- Lowest wage rates and good availability of labor
- Good labor quality
- Good site and build-to-suit opportunities with rail
- Reliable, competitively priced electric power
- Excess water and sewer capacities
- Low property taxes
- Attractive incentives could reduce costs even more
- Low cost of living.

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