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**CITY OF SACRAMENTO
CALIFORNIA**

OFFICE OF THE CITY MANAGER
OFFICE OF ECONOMIC DEVELOPMENT

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CITY COUNCIL REPORT

December 15, 1993

City Council
Sacramento, California

Honorable Members in Session:

**SUBJECT: SACRAMENTO'S FOOD PROCESSING INDUSTRY:
ANALYSIS OF ITS GROWTH AND ECONOMIC IMPACTS**

LOCATION AND COUNCIL DISTRICT: Citywide

RECOMMENDATION: Information only

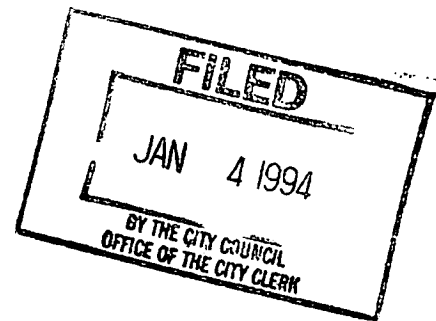
CONTACT PERSON: Tim Johnson, Economic Development Coordinator, 264-7223

FOR COUNCIL MEETING OF: January 4, 1994

SUMMARY

Employment growth in the food processing industry in Sacramento has fluctuated between 7500 to 9500 during the 1980s. However payroll increases have continued to grow by nearly 5% per year. Within the Sacramento MSA there are an estimated seventy-plus operating firms in the food processing industry, of which the majority employ between 50 to 250 workers. Over all, the state is seeing a continued growth pattern in all categories that has resulted in the employment of over 164,000 employees in this industry and creating over a four billion dollar payroll.

The outcomes of this positive growth is due to the fact that the food and beverage industry has become the nation's largest manufacturing sector. In the U.S. in 1992, there were shipments of more than \$377 billion. For the first time since at least 1978, there was a trade surplus in processed food and beverages — an estimated \$22.2 billion in exports. Total US and food and beverage export grew 23% during the



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1990-1992 period. For example, the export of condensed and evaporated milk almost tripled, canned and frozen specialties export rose 75%, bakery products exports rose by 65%, candy by 48%, and beverages by 23 percent. It is forecasted for 1993 that the dollar value of shipments is expected to rise 1.5 percent, up slightly from a 1.4 percent increase than in 1992.

The reality on why the Sacramento MSA has profited from this is that California has been the nation's largest agricultural producer for over forty years and the Sacramento Valley is the center of the state's agribusiness economy.

COMMITTEE/COMMISSION ACTION None

BACKGROUND INFORMATION

This City's Office of Economic Development is undertaking a study examining the economic impacts of the food processing industry. The analysis was borne out of the desire to know the size and scale of this segment of the Sacramento economy.

This project will study the dynamics of growth of this industry. The study focuses on international, national, statewide and local trends as they pertain to food processing.

The study is expected to be concluded by May 1994 and will examine the following data:

1. An in-depth study of economic trends in the Sacramento region food processing industry
2. A breakdown of growth and contraction of:
 - a. Individual firms: location discussion, i.e. costs and infrastructure
 - b. Types of foods being processed as they relate to the Sacramento MSA
3. A discussion of national trends including aggregate levels of earnings, assets, growth, and employment
4. An overview of the major food processors in the region
5. An overview of the specialty food processors in the region
6. Recommendations for enhancing the business environment for the food processing industry in the Sacramento region.

FINANCIAL CONSIDERATIONS None

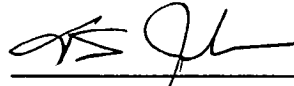
POLICY CONSIDERATIONS

The food processing industry has been identified by the City Council through the economic development agenda as a targeted industry, and efforts to support its growth recognize this issue.

MBE/WBE

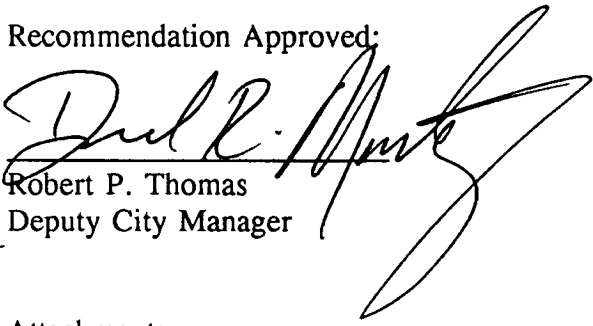
City will 1) support the effort of the private sector to employ minorities and women, and 2) assist in the development of MBE/WBE's in the food processing industry in Sacramento.

Respectfully submitted,



Tim Johnson
Economic Development Coordinator

Recommendation Approved:



Robert P. Thomas
Deputy City Manager

Attachments:

- Appendix A, Table, California Aggregate
- Appendix B, Table, Sacramento MSA Aggregate
- Appendix C, Graph, Trends in Business Establishments, Sacramento MSA
- Appendix D, Graph, Trends in Employment, Sacramento MSA
- Appendix E, Graph, Trends in Annual Payroll, Sacramento MSA
- Appendix F, Payroll Trend, Sacramento MSA
- Appendix G, Payroll/Employee Trend, Sacramento MSA
- Appendix H, Largest Food Processors in the Region

Table
California Aggregate
SIC 20
Food and Kindred Products

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Number of Employees	159,371	159,494	153,343	150,896	152,545	151,551	153,535	156,433	161,300	164,480
Annual Payroll in Thousands	3,104,196	3,322,492	3,331,328	3,433,808	3,577,295	3,587,931	3,732,798	3,951,493	4,141,107	4,295,656
Number of Establishments	2,296	2,359	2,526	2,530	2,554	2,554	2,574	2,529	2,571	2,645
Establishment Size by Employee										
1-4	467	507	595	593	614	659	622	572	575	644
5-9	298	295	342	350	349	320	324	329	329	355
10-19	368	382	407	411	437	425	439	431	456	417
20-49	476	483	519	497	495	480	515	530	507	514
50-99	293	303	281	302	284	291	293	288	301	310
100-249	246	245	244	238	231	243	244	227	258	262
250-499	101	99	93	95	101	93	91	106	96	86
500-999	39	35	36	34	34	33	37	37	40	50
1000+	8	10	9	10	9	10	9	9	9	7

Source: County Business Patterns

Table
 Sacramento MSA--Aggregate
 SIC 20
 Food and Kindred Products

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Number of Employees	7,474 ^b	8,043	7,889	8,067	9,486	8,659	8,118	9,050	9,031	8,372
Annual Payroll in Thousands	168,526 ^d	177,562	173,886	196,995	212,259	203,701	210,812	237,399	237,925	245,948
Number of Establishments	72	67	73	77	86	84	81	73	69	74
Establishment Size by Employee										
1-4	15	12	17	21	23	19	17	15	13	18
5-9	6	9	4	6	10	10	6	2	4	6
10-19	14	8	12	9	12	17	15	10	9	6
20-49	15	13	15	17	16	16	20	20	21	22
50-99	6	6	6	3	6	5	4	7	4	4
100-249	14	12	13	14	12	11	12	11	11	11
250-499	4	5	4	5	5	3	3	5	4	4
500-999	0	0	0	0	0	1	2	1	1	1
1000+	0	2	2	2	2	2	2	2	2	2

^b figure does not include El Dorado County (reported as a range between 20 and 99).

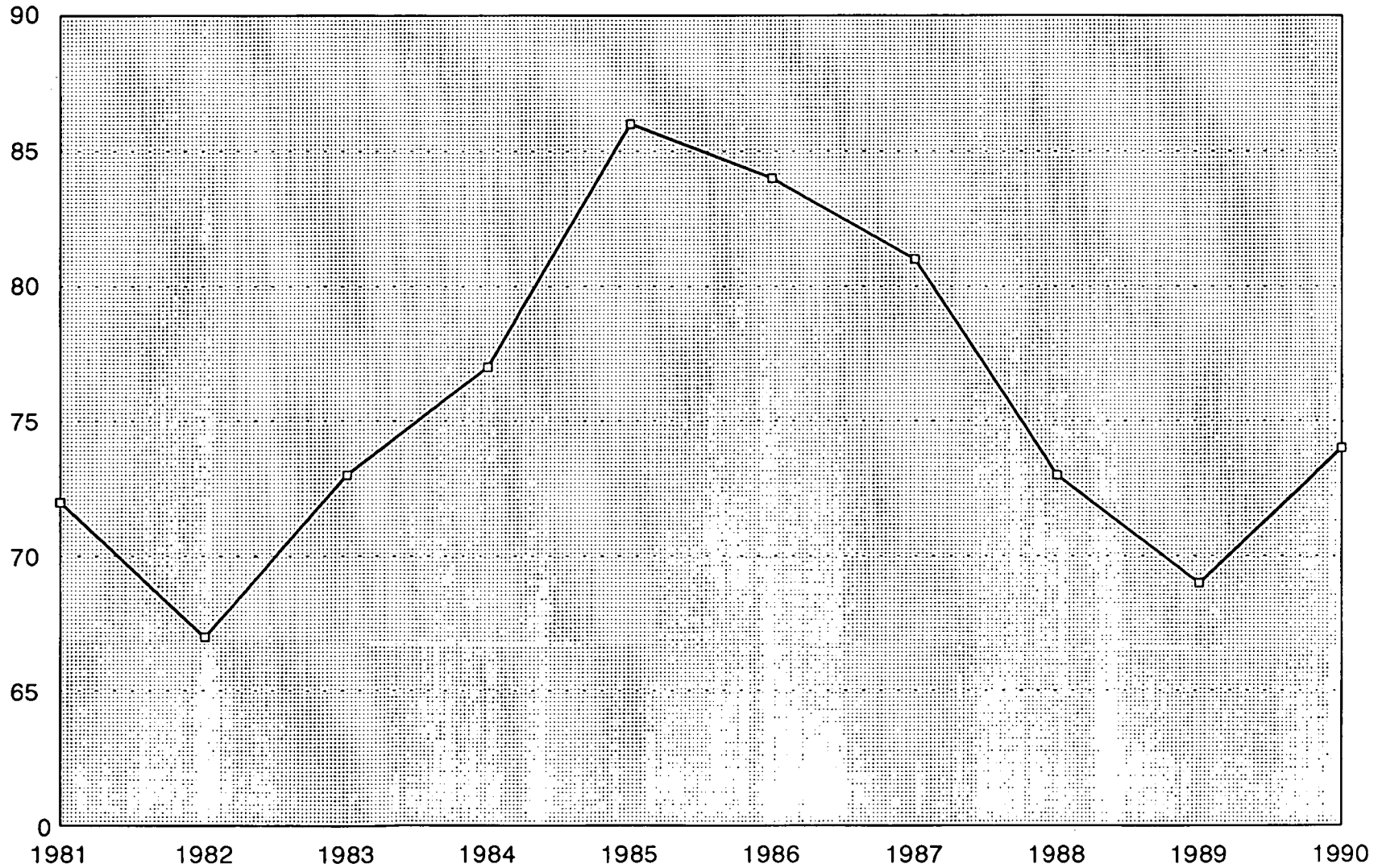
^d figure does not include El Dorado County (figures withheld to avoid disclosure of operations of individual establishments).

Source: County Business Patterns

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**Trends in Business Establishments
Sacramento MSA Aggregate
SIC 20**

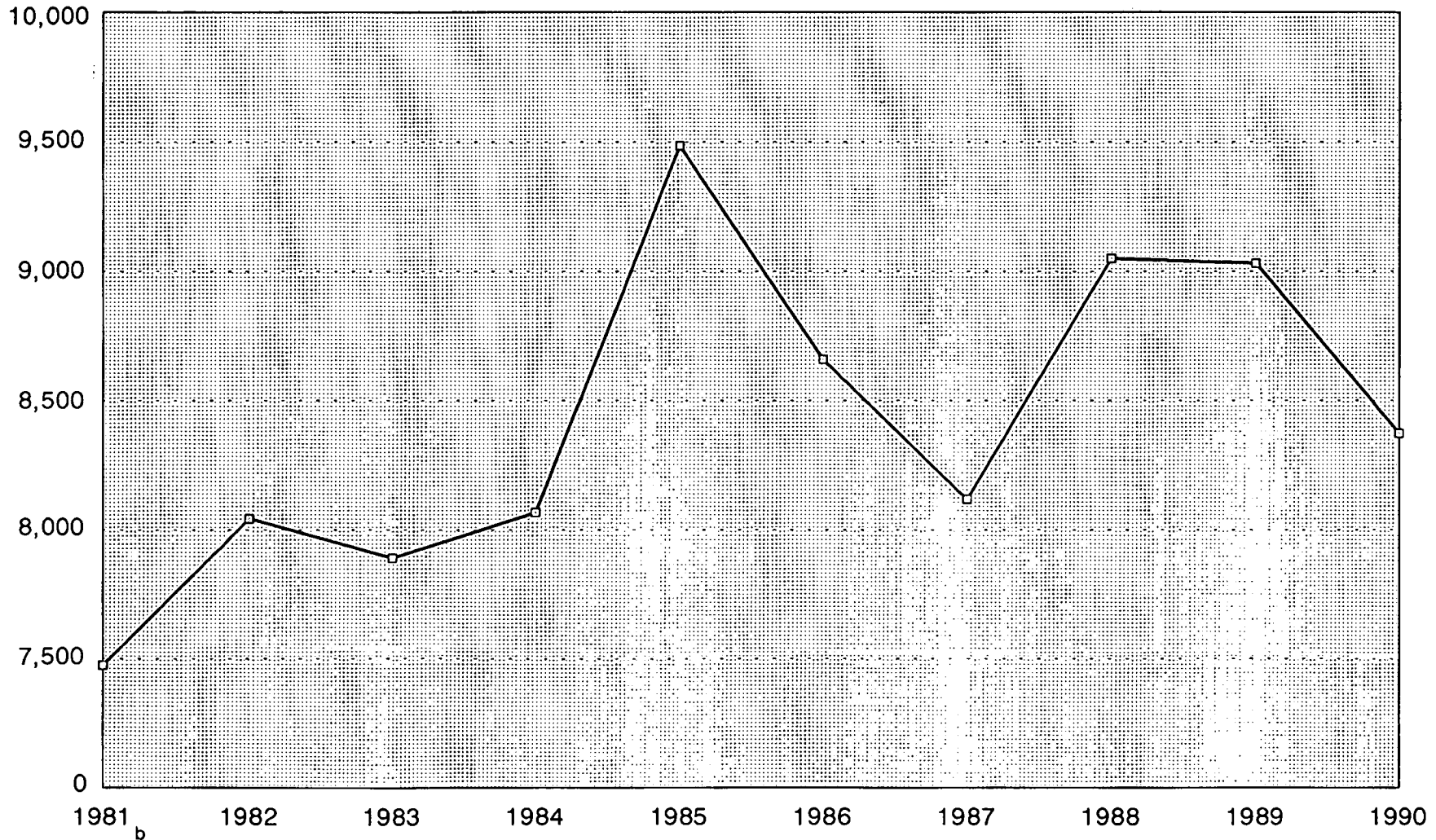
Number of Establishments



Source: County Business Patterns

Trends in Employment Sacramento MSA Aggregate SIC 20

Number of Employees

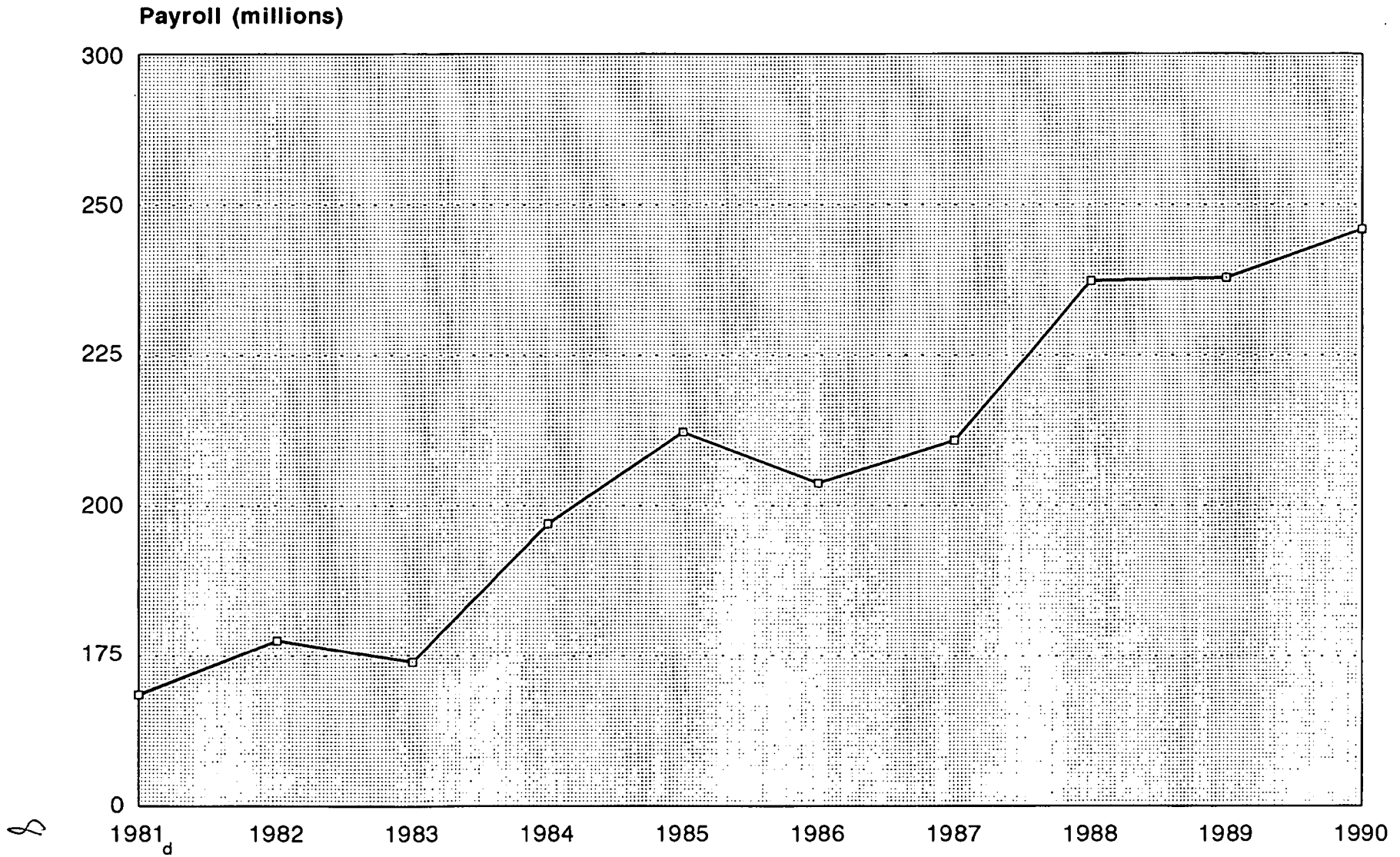


Source: County Business Patterns

b - Year does not include El Dorado County

(Reported as a range between 20 and 99)

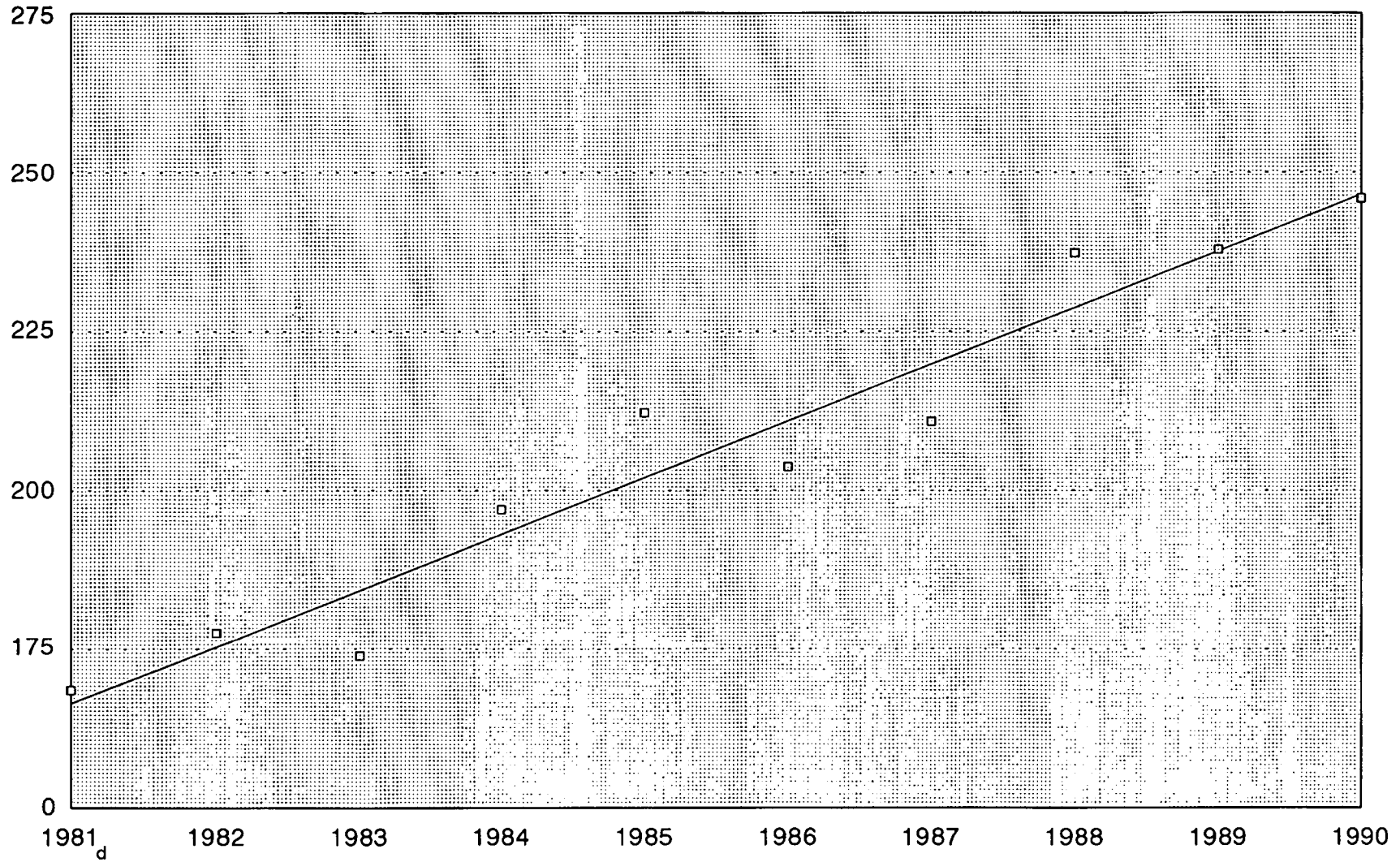
Trends in Annual Payroll Sacramento MSA Aggregate SIC 20



Source: County Business Patterns
d - Year does not include El Dorado County

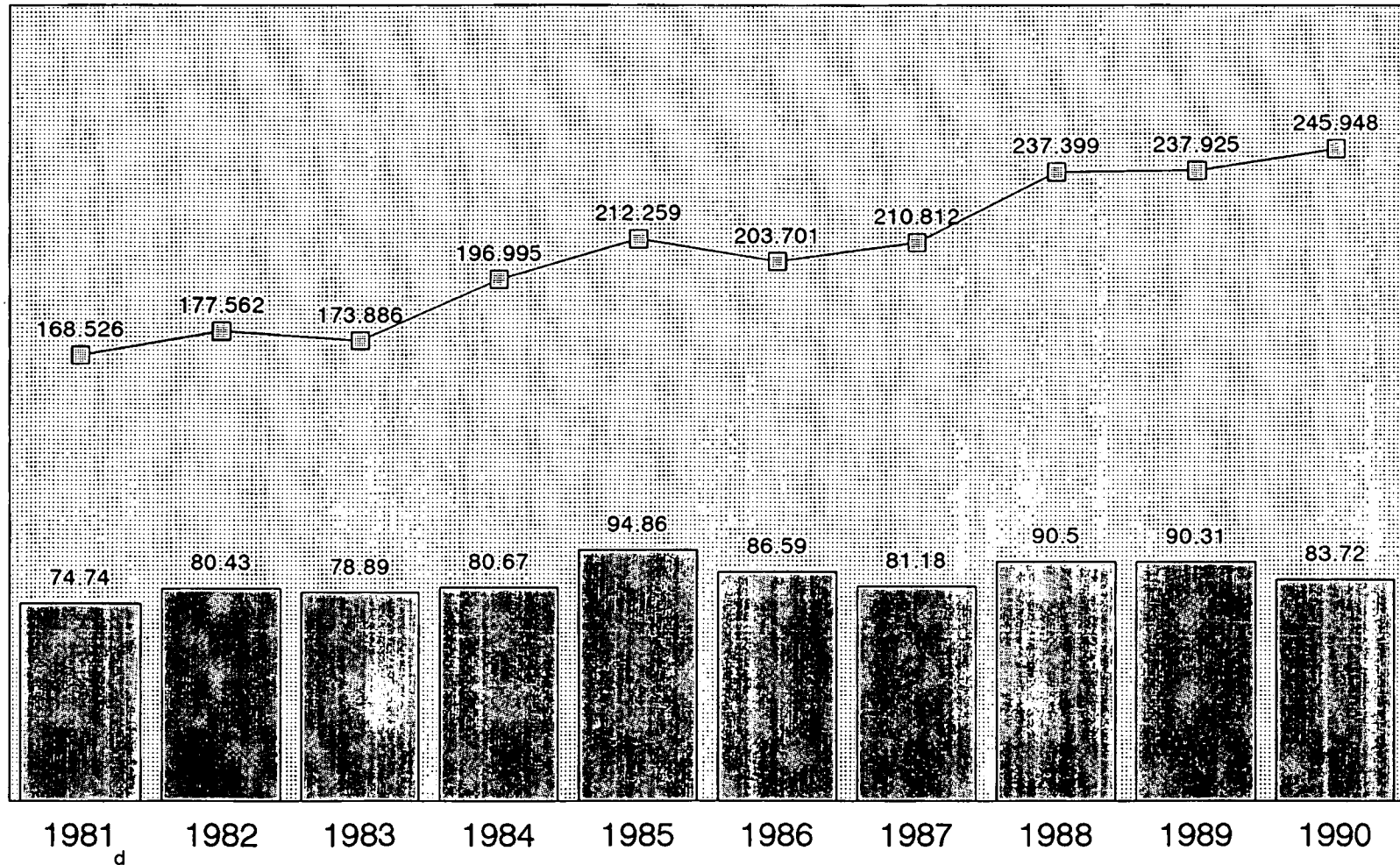
Payroll Trend Sacramento MSA Aggregate SIC 20

Payroll (millions)



Source: County Business Patterns
d - Year does not include El Dorado County

Payroll/Employee Trend Sacramento MSA Aggregate SIC 20



Employees (hundreds)
 Payroll (millions)

Source: County Business Patterns
 d - Year does not include El Dorado County

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**LARGEST FOOD PROCESSORS
IN THE SACRAMENTO MSA**
(number of employees)

1.	Campbell Soup Co. - Sacramento County Soup and canned foods	2,000
2.	Blue Diamond Growers - Sacramento County Almonds, Macadamias, Hazelnuts, and Pistachios	2,000
3.	Tri Valley Growers - Sacramento County Canned Fruit and Fruit Cocktail	1,485
4.	Contadina Foods, Inc. - Yolo County Canned Tomato Products	1,000
4.	Hunt-Wesson, Inc. - Yolo County Tomato Products	1,000
6.	Rainbo Earthgrains Bakery - Yolo County Wholesale Bread, Buns and Rolls	600
7.	Crystal Cream & Butter Co. - Yolo County Dairy Products	500
8.	Mariani Nut Co. - Yolo County Nuts	450
9.	Spreckles Sugar Co. - Yolo County Beet Sugar Products and Sugar Beet By-Products	330
10.	Continental Baking Co. - Sacramento County Bakery Products	300
10.	Nor-Cal Beverage Co., Inc. - Sacramento County Juice and Soft Drinks	300
12.	Sacramento Coca-Cola Bottling Co., Inc. - Sacramento County Soft Drinks	285
13.	Farmers' Rice Cooperative - Yolo County Milled Rice and Rice By-Products	280-300
14.	Pepsi-Cola Bottling Co. - Sacramento County Soft Drinks	250

15.	Delta Sugar - Yolo County Beet Sugar, Molasses, Beet Pulp	250
16.	Pacific International Rice Mills, Inc. - Yolo County Milled Rice Products	200
17.	Pacific Grain Products, Inc. - Yolo County Rice Products and Hot and Cold Cereals	140
18.	Seven-Up Bottling Co.- Sacramento County Soft Drinks	110
19.	Rice Growers Association Products, Inc. - Yolo County Rice-Based Products and Food Packaging	105
20.	Honey Hill Farms - Sacramento County Soft-Serve and Frozen Yogurt	75
20.	Mary Ann's Baking Co. - Sacramento County Danish Pastries	75
22.	Fabila Foods, Inc. - Sacramento County Corn and Flour Tortillas	74
23.	Gibson Wine Co. - Sacramento County Wine	55
24.	Sunfield Foods - Sacramento County Fruit and Granola or Carob-Coated Bars	40
25.	Frasinetti Winery - Sacramento County Wine	35

Sacramento City Council

Food Processing, Rice and the Economy of the Sacramento Area

*John R. Roberts, Executive Director
California Rice Industry Assn.
Sacramento, California*

January 4, 1994

***Introductory Biography
John R. Roberts III***

John Roberts is Executive Director of the California Rice Industry Association, a non-profit trade association whose members represent over 92 percent of rice milled in California. He has been with the organization since its founding in 1990.

Prior to his service to the association, John served as Executive Director of the Sacramento Area Commerce and Trade Organization (SACTO) and for a short while in the same capacity at the Sacramento Metropolitan Chamber of Commerce. He was an economic developer for 16 years, has published extensively in the field of economic development and is a Certified Economic Developer. He serves on the Mayor's Council of Economic Development Advisors.

He appears before the Council to discuss Sacramento's food processing industry, particularly as it pertains to the industry he represents, rice.

Sacramento City Council

Food Processing, Rice and the Economy of the Sacramento Area

*John R. Roberts, Executive Director
California Rice Industry Assn.
Sacramento, California*

Economic Impact (MSA)

- ✓ 70 or more firms
- ✓ 7,500 to 9,500 direct employment
- ✓ direct payroll: \$250 million

Food processing assets

- ✓ relatively non-cyclical
- ✓ adds value to local resources
- ✓ jobs and capital investment
- ✓ not as "footloose"

Food processing costs

- ✓ may require higher sewage treatment
- ✓ thinner margins, cost sensitive
- ✓ Impact of weather conditions

"All economics is regional"

- ✓ regional employment links
- ✓ food processing industry is regional
- ✓ examples:
 - international firms
 - domestic firms

The California rice industry

- ✓ Sacramento Valley based
- ✓ Dominant ag commodity there
- ✓ Close links with City businesses

Reliant upon public support structure

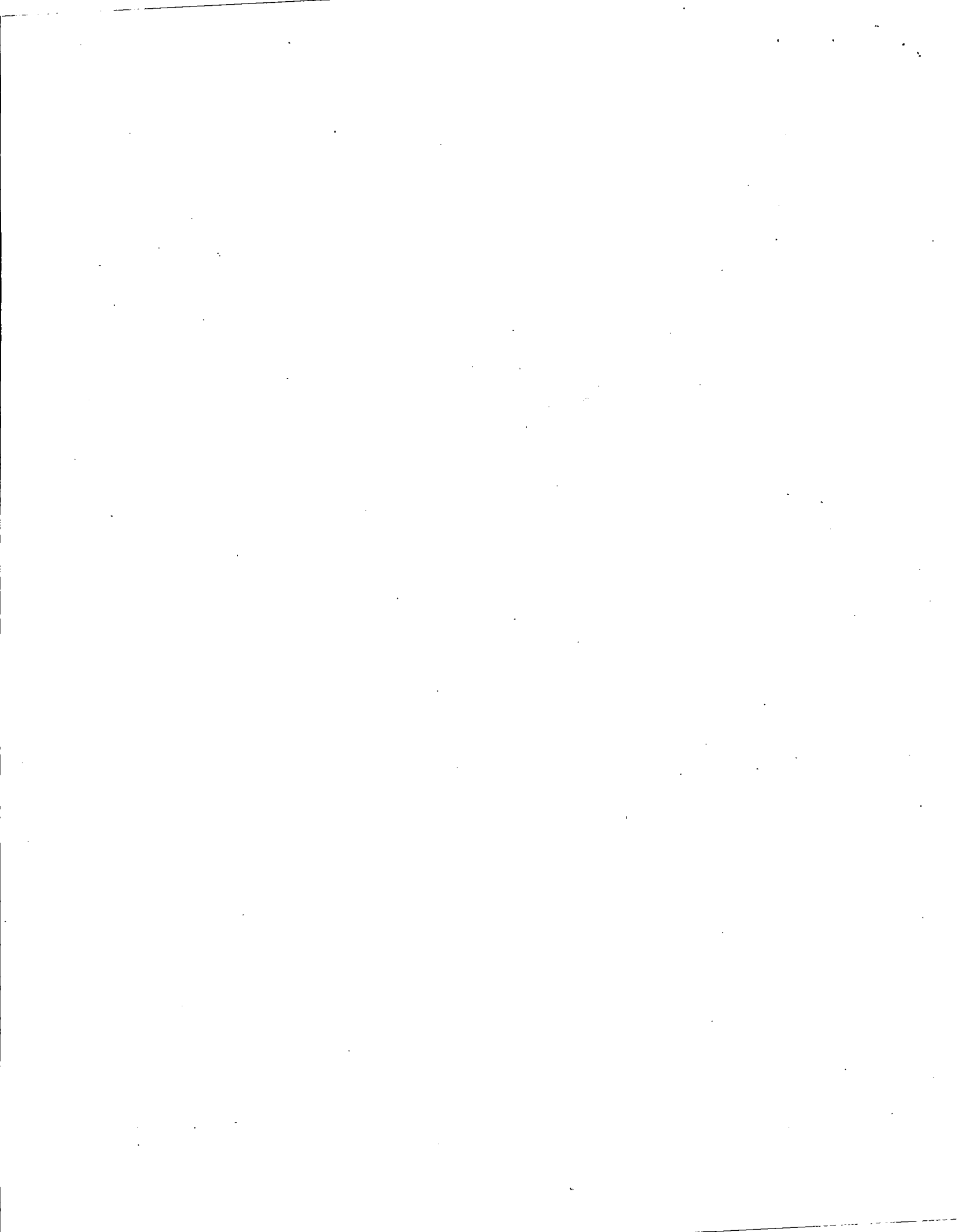
- ✓ highways
- ✓ Port of Sacramento
- ✓ rail
- ✓ telecommunications
- ✓ air service
- ✓ public safety

Regional economic impact

- ✓ \$677,952,000 direct impact
- ✓ largest firm HQ'd in City (\$150mm)
- ✓ impact on Port

Good neighbor

- ✓ water
- ✓ air
- ✓ wildlife benefits



Observations on economic environment

- ✓ Investments that enable companies to employ
- ✓ focus on non-economic issues
- ✓ Is government the solution?

Enabling retention, job growth and tax base

- ✓ preservation of historic water rights
- ✓ cost of doing business
- ✓ support for public works

