



Southwest Mississippi

THE PLACE FOR
**LARGE FOOD
PROCESSING**



SOUTHWEST MISSISSIPPI PARTNERSHIP

Accessibility

888.528.2390 • www.southwestmississippi.us

THE PLACE FOR **LARGE FOOD PROCESSING**

Executive Summary 1

Introduction 3

Overview of Southwest Mississippi 4

- Area Description
- Historical Background
- Economic Development Trends
- Business and Industrial Investments
- Dedication to Development

Location Advantages for
Food Processing Facilities 7

- The U.S. Food Processing Industry
- Why Locate a Food Processing Plant
in Southwest Mississippi?

Cost-Saving Opportunities 12

- Personnel
- Building and Land
- Combined Building and Land Costs
- Energy Costs
- Taxes
- Summary of Costs



SOUTHWEST MISSISSIPPI PARTNERSHIP

Accessibility

888.528.2390 • www.southwestmississippi.us

Contact: Britt Herrin, President
Post Office Box 83, McComb, Mississippi 39648
800-399-4404 or 601-684-2291.

Executive Summary

“Southwest Mississippi is an especially attractive location for food processing plants. This advantage is especially strong for large facilities such as frozen food manufacturers, bakeries, snack food producers, and dairy product manufacturers. These assets result from Southwest Mississippi’s proximity to raw agricultural materials and other food resources, low cost for energy and other needs, and presence in the largest and fastest-growing part of the US supplemented by excellent highway and rail network for shipments to markets.”

These assets have been documented by BFPC, LLC, a leading site selection and location strategy consulting firm. BFPC recently completed an in-depth investigation of the Southwest Mississippi region and its economy.

Food Processing was selected for its particular ability to take advantage of economic, business, and other conditions in the area. Reasons for selecting this industry as a target include the following Southwest Mississippi area assets:

- Selected business costs nearly **21% below typical or national average costs for food processing facilities**. Projected costs for staffing, construction, utilities, and certain taxes and other expenses to establish and operate a fabrication plant in Southwest Mississippi are well below the comparable US national average figures. Details of these savings are presented at the end of this report.

- Above average **availability of personnel experienced in manufacturing** due to a well-established industrial base—over 7,400 people work in 140 manufacturing plants in Southwest Mississippi. About a dozen food processing plants are located in Southwest Mississippi, so there is much specific experience for companies to draw from. Local industrial training facilities contribute to labor availability. The area’s attrac-



The Bagley School of Engineering at Mississippi State University provides food processors with a wide range of R&D and technology transfer assistance.



Southwest Mississippi is an especially attractive location for large food processing facilities such as frozen food manufacturers, bakeries, snack food producers, and dairy product manufacturers.

tiveness as a living environment, with a high quality of life and low cost of living, support transfer and recruitment of people from outside the immediate area.

- A **high level of preparedness**. Southwest Mississippi has been the location of major manufacturing and other industrial activity for many decades. It is at a high level of readiness for new development, with a wide choice of sites and existing buildings ready for quick use by food processing plants. Major investments are being made in new industrial parks and sites and supporting access/infrastructure.

- **Academic, research, and industrial assistance capabilities directly related to food**. Mississippi State University has made food science a major focus; this capability, along with its Bagley School of Engineering, provides food processors with a wide range of R&D and technology transfer assistance. In the Southwest region itself are Alcorn State University—another institution with a long

continued

tradition of assisting the food industry—as well as Copiah-Lincoln Community College and Southwest Mississippi Community College, which offer diverse business and industrial training.

- **Huge regional customer base.** The South is by far the fastest-growing region in the US in population, business development, and purchasing power.
- **Excellent transportation including access to major markets for food products.** To the south, I-55 connects Southwest Mississippi with Louisiana; northward, it proceeds on to Memphis, St. Louis, Chicago and other population and market centers of the Midwest. I-20 between Atlanta and Dallas is just to the north, and there are several other major highways. The main north-south line of the CN Railway parallels I-55 as it passes through the region and also hosts Amtrak passenger service. Commercial airports including Jackson, New Orleans, and Baton Rouge are within one to two hours drive of various parts of Southwest Mississippi. Several Southwest Mississippi airports serve corporate aircraft.

The Southwest Mississippi economy has generated new jobs at a time when many areas experienced a decline in employment.

- An aggressive state economic development policy including a **right-to-work law established in the Mississippi Constitution**, an attractive **package of industrial development incentives**, and other policies contributing to a measurable growth of the state economy. Mississippi ranks well above the national average—as well as above many other states such as Texas and Florida—in the increase of its average compensation and other economic development and socioeconomic indicators.
- A **growing regional business sector.** The Southwest Mississippi economy has generated new jobs at a time when many areas experienced a decline in employment. Total jobs in the ten-county area grew over 2.5% during the most recent five-year period for which US Commerce Department figures are available.
- A **quality of life that supports recruitment, transfer, and maintenance of staff.**
 - A scenic environment including the Mississippi River and the Homochitto National Forest. Throughout Southwest Mississippi are beautiful historic houses and other structures in classic downtown settings. This attractive setting is combined with easy access to New Orleans, Jackson, and the Gulf Coast.
 - A cost of living 15% to 25% below the national average.
 - Local culture and entertainment including college sports.



More data about Southwest Mississippi and the region's advantages for your company are available from the

SOUTHWEST MISSISSIPPI PARTNERSHIP

Britt Herrin, *President*

Post Office Box 83

McComb, Mississippi 39648

800-399-4404 or 601-684-2291

www.southwestmississippi.us

Introduction

Mississippi has been a national leader in economic development for decades, having made a very successful transition from a traditional agricultural base into one of the most dynamic business and industrial economies in the nation. Nowhere is this optimistic, forward-looking attitude more evident than in Southwest Mississippi, where ten counties have banded together to undertake creative new economic development activities.

This regional organization, the Southwest Mississippi Partnership, has begun a new campaign to market this area as a location for specific businesses and industries that can profit from its appealing features. The Partnership is supported by many regional and statewide economic development allies including:

- The Mississippi Development Authority,
- Entergy (the commercial provider of electric energy to Southwest Mississippi),
- The Electric Power Associations of Mississippi (representing the electric cooperatives), and
- Momentum Mississippi (a unique public-private organization dedicated to advancing the state's economy).



BFPC, LLC, a major international site selection and location consulting firm, has been retained to provide professional counsel to this program. It was charged to identify specific business activities that are a particularly good fit with the locational attributes of Southwest Mississippi, and which might benefit by establishing a facility in the community. This was based on a solid, focused business and economic analysis as well as extensive experience assisting businesses to identify the right location for new and expanding facilities and investments.

The study concluded that Southwest Mississippi is an especially appropriate and attractive location for large food processing plants. This report provides details and makes a strong business case why companies in this important industry should consider Southwest Mississippi as the location for new and expanded production facilities.



Overview of Southwest Mississippi

AREA DESCRIPTION

The area covered in this report is a ten-county region in the southwest corner of Mississippi along the Louisiana border between the Mississippi and Pearl Rivers. All ten have linked together for economic development purposes as the Southwest Mississippi Partnership. Component counties are Adams, Amite, Claiborne, Franklin, Jefferson, Lawrence, Lincoln, Pike, Walthall, and Wilkinson. Bridging the area between the Jackson and Baton Rouge metropolitan areas, the region contains 5,268 square miles and about 187,000 people. Larger urban areas of the ten-county region include Brookhaven, McComb, and Natchez, which are Micropolitan Statistical Areas, as defined by the US Census Bureau.



Major transportation routes include I-55 which passes through Southwest Mississippi as it connects New Orleans with Memphis, St. Louis, and Chicago. The Natchez Trace Parkway follows a historic route from Natchez to Nashville, Tennessee. Interstate highway 20 lies just north of the ten-county area; I-10 and I-12 are about 30 miles south. US Highways crossing the region include 61, the “Blues Highway,” that parallels the Mississippi River from Louisiana to Minnesota; 84 en route from the Atlantic Ocean to Colorado; and 98 from Florida to the Mississippi River. Southwest Mississippi is also served by a major north-south line of CN Railway (formerly Illinois Central) on which Amtrak’s “City of New Orleans” passenger train runs along with heavy rail freight traffic.



From the southern edge of Southwest Mississippi, it is about 60 miles to New Orleans via I-55, so residents have easy access to the services and amenities of a major metropolitan area. At the same time, this part of Mississippi is 75 or more miles from the Gulf so that it is out of the hurricane impact area. In fact, Southwest Mississippi provided shelter for many persons who left New Orleans as a result of Hurricane Katrina.

continued

HISTORICAL BACKGROUND

Southwest Mississippi was founded as a fortified settlement in 1716 and held successively by France, Great Britain, Spain, and the United States. The region prospered as the south terminus of the Natchez Trace, a road connecting the area with Nashville, Tennessee, that was commercially and strategically important through the early 19th Century. Natchez became a great river port and cultural center before the Civil War and was the state capital from 1817 to 1821 as well as home of the state's first institution of higher education. Benefiting from the rich surrounding agricultural area, Southwest Mississippi became a shipping and processing center for soybeans, corn, cotton, livestock, and timber. It also served as the commercial hub for a wide area of Mississippi and Louisiana.

Other cities in Southwest Mississippi such as Port Gibson developed as part of the river-based exchange of agricultural products from the South and manufactured goods from upstream cities such as Louisville, Cincinnati, and Pittsburgh. Brookhaven, McComb, and other cities inland from the river sprang up with construction of roads and railroads from New Orleans north to Jackson and Memphis. In the 1800's, Southwest Mississippi was a classic American melting pot, with immigrants from Europe and Asia, free people of color, and relocatees from the North and East. Southwest Mississippi has effectively preserved its antebellum charm and the area's extraordinary past is documented today by its many historic houses, commercial buildings, churches, synagogues, and other structures.

The area has generated arts, culture, literature, and music ranging from classical to Blues. The Mississippi Blues Trail commemorates artists such as McComb native Bo Diddley, harmonica player Papa Lightfoot, and the Rabbit's Foot Company which started in Port Gibson in 1900. Amite County native Jerry Clower was a writer, comedian, and recording artist who made regular



Southwest Mississippi has effectively preserved its antebellum charm.

appearances on the Grand Ole Opry. Southwest Mississippi has developed a large tourism industry that attracts visitors worldwide to experience its unique heritage and sincere southern charm.

ECONOMIC DEVELOPMENT TRENDS

The earliest commercial development in Southwest Mississippi was trade via the Mississippi River, which continues to be important. The Port of Natchez maintains bulk and liquid terminal facilities and infrastructure to support barge traffic. Interior counties of Southwest

Mississippi held huge stands of pine and other trees. The post-Civil War construction boom and expanded railroad service promoted development of a major lumber and forest products industry which also continues to be important through the present.

Mississippi's establishment of the nation's first comprehensive state economic development program in the 1930's helped expand regional business activity. Manufacturing plants were constructed to produce clothing, textiles, wood and forest products, electrical appliances, fabricated metals, and machinery. Thus the current effort to recruit food processing plants builds on nearly a century of previous manufacturing activity and takes advantages of skills and knowledge in this area developed over several generations.

While Southwest Mississippi has diversified and now has a well-rounded economic base, manufacturing remains a key component of its economy. Currently the region has about 7,400 employees in 140 plants, with facilities in each of the ten counties of the region. Details on these companies and other aspects of the individual counties are available at: [http://www2.locationone.com/\(S\(3meafz45gc3zvcfxwljarj45\)\)/StateMainPage.aspx?type=state&profileid=MS-Mississippi](http://www2.locationone.com/(S(3meafz45gc3zvcfxwljarj45))/StateMainPage.aspx?type=state&profileid=MS-Mississippi).

continued

State and community leaders make it clear that manufacturing continues as the cornerstone of economic development. Mississippi has worked diligently to create an attractive and prosperous setting for industry. It has received well-deserved attention and compliments for some of its large successes such as Nissan, but has also made a point of striving to recruit and accommodate medium-sized and smaller facilities as well. The list below illustrates the variety of industry in Southwest Mississippi.

BUSINESS AND INDUSTRIAL INVESTMENTS

A quick scan across Southwest Mississippi shows that its economic development work has been successful; for example:

- Adams County:** Delta BioFuels, Dynasteel (steel rolling), Stine Lumber
- Claiborne County:** Southern Lumber
- Lawrence County:** Atlas Manufacturing
- Lincoln County:** Great Southern Yella-Wood, EPCO Carbon Dioxide, Reed's Metals, Rex Lumber
- Pike County:** Summit Plastics, Weyerhaeuser, Magnolia Biofuel
- Walthall County:** Brigade Manufacturing, Kalencom Stringer Industries
- Wilkinson County:** Netterville Lumber Company, Magnolia Honey Jelly

A promising event related to the former International Paper site in Natchez is the potential for its re-use for production of synthetic jet fuel described in: <http://www.vicksburgpost.com/articles/2009/12/20/opinion/doc4b2bedc473684264533488.txt>.

DEDICATION TO DEVELOPMENT

One reason for continued manufacturing growth is the vigorous ongoing effort to maintain the area at a high state of readiness. The communities of this part of Mississippi have worked hard to develop sites and buildings, train workers, ensure widespread availability of energy and utilities, and assist prospects with a quick path to profitability. Over 800 acres of new industrial parks and sites have been made available in the past three years.

Workforce preparation is managed through area high schools and two state postsecondary schools with campuses throughout Southwest Mississippi: Copiah-Lincoln Community College and Southwest Mississippi Community College. In April, 2010, SWMCC broke ground on a new \$6 million, 80-employee Regional Workforce Training Center which will greatly expand the college's capability to train workers for a wide range of positions.

Alcorn State University, rated by US News among the nation's best colleges, maintains its historic main campus in Claiborne County. Its new center in Natchez houses the Nursing and MBA Program (<http://colleges.usnews.rankingsandreviews.com/best-colleges/alcorn-state-ms/alcorn-state-university-2396>). Its academics include diverse business and professional training and education through the master's level to 3,500 undergraduate and graduate students. Alcorn is true to its land grant university heritage with many outreach programs to make its capabilities available to local business and industry clients.

PhD programs in engineering and other relevant disciplines are offered by Mississippi State University and the University of Southern Mississippi, located about an hour east of the Southwest Mississippi region.



Location Advantages for Large Food Processing Facilities

Southwest Mississippi's counties comprise a unique and particularly attractive location for larger food processing facilities. This section begins with a concise review of business conditions and trends in the food processing industry. It then points out how Southwest Mississippi is well suited to serve this industry's locational needs.

THE U.S. FOOD PROCESSING INDUSTRY

Industry Overview. The US food industry, with nearly 1.5 million employees, is among the nation's largest production sectors. It generates around \$550 billion of products each year and accounts for over 10% of the nation's manufacturing value. Besides the core food processing industry (defined as NAICS Code 311), the industry is generally considered to include some elements of beverage manufacturing and the processing and handling of some non-food agricultural products.

While it is one of the oldest industrial sectors, it is now undergoing some of the most rapid changes of any industrial sector. Some of the reasons are noted below.

Technology. The food industry is experiencing a transition from highly labor-intensive production conditions to more automation and use of sophisticated machinery, equipment, and systems. Machines have been invented to handle an amazing variety of processing tasks that previously were done by manual labor that was often tedious, repetitive, and prone to injury. Major academic institutions such as Mississippi State University have engaged in research and development, combining food science with engineering and other disciplines, to bring new technology to the industry.

Productivity per worker has risen substantially in the industry, reflecting greater capital investment and efficiencies available in large plants. New food processing tech-

nology produces higher quality products, adds greater value, and helps serve new consumer demands. It leads to greater energy efficiency, a greener and more environmentally friendly operation; and is a major contributor to the industry's ability to process and deliver foods to the consumer more rapidly so that they are fresher.

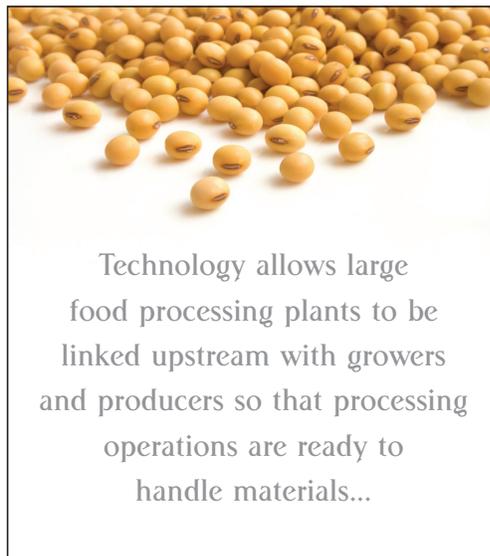
Technology allows large food processing plants to be linked upstream with growers and producers so that processing operations are ready to handle materials as they come from farms; and assures that downstream logistics providers are set up to deliver finished products. This helps deal with some of the most frustrating traditional problems of food processing—managing the irregular flow of inbound raw materials, which will always be affected by variations in crop volumes and other conditions affecting production levels; and addressing changes in consumer and market demand.

With food processing plants representing a rapidly growing capital investment, companies are becoming more attentive to locating in areas which provide a stable and profitable business environment.

Market Conditions and Consumer Preferences. There have been large shifts in demand for various types of food and agricultural products in the US.

One of the greatest growth trends has occurred in demand for foods that require less preparation by the consumer. This is based on widespread lifestyle changes, such as greater participation in the workforce by family members who might previously have had time to buy and prepare food. Products such as packaged fresh fruits and salads are finding terrific acceptance in the marketplace. Many other innovative concepts such as complete prepackaged meals in frozen or refrigerated form have also proven popular.

continued



But while US consumers seek foods that take less time and effort to serve, they are also more quality- and nutrition-conscious. They seek better products, with less processing and fewer additives, lower fat and salt, more wholesome and healthy content, and with special characteristics such as reduced carbohydrates or the addition of vitamins and minerals. There has been much diversification of foods sought by consumers, with ethnic foods an especially prominent growth field. (Not only are there expanding ethnic populations in the US, but mainstream consumers often enjoy new foods.) Customers seek greater variety in their foods, which leads to markets for spices and flavorings. Food is an area where people feel comfortable treating themselves occasionally—they may not be able to buy a new car but they can buy a high-end salad dressing.

Globalization and Import/

Export. A significant part of food produced in the US is exported, accounting for over \$100 billion per year, second only to capital goods, and is one of the fastest-growing US exports. The US runs a healthy trade surplus; so foods comprise a vital part of the country’s international economy. As other countries develop, they seek the high-quality, high consumer-appeal food products of the US. This has been a cause of growth for US-base food processing corporations.

At the same time, the excellent business climate and market opportunities here attract substantial investment from overseas. Many of the largest food manufacturers in the US are part of corporations headquartered outside the US such as Swiss giant Nestle and Belgium-based InBev (which acquired Anheuser Busch in 2008). Interestingly, significant US-based expenditures by our neighbors in North America, Canada and Mexico, have occurred, both as direct investment in manufacturing facilities and in acquisition of existing US companies.

The United States continues to be one of the most effective and least expensive of the industrialized nations in which to conduct manufacturing activities.

Business Opportunities. Rapid growth of the restaurant business and institutional food service has created the need for food items prepared in a central kitchen. These facilities send food items to individual stores, restaurants, schools, hospitals, and workplace cafeterias in refrigerated, frozen, or other stabilized form for final preparation and serving or sale. The facilities receiving such products can then serve a hot, recently cooked, high-quality meal without the need for a major kitchen or specialized cooking skills on-site. This approach allows more efficient use of staff time, assures higher and more consistent food quality, allows serving a variety of foods, minimizes waste, and assures adherence to a company’s particular style and branding.

Emerging Food Sectors.

Several elements of the food processing business have become important only within the recent decade or so.

The interrelationship between food and health has been generally known for thousands of years but not understood or utilized fully. Increasing consumer awareness of health benefits from foods and natural supplements has led to increase in markets for food products called “nutraceuticals.” These products may provide health or medical benefits in a more natural state or be enhanced to increase a given food’s content of desired nutritional components. They are believed to enhance the body’s ability to resist and prevent disease, combat some health conditions, and avoid problems and side effects sometimes caused by medicine.



continued

Many are surprised to learn that the demand for food for pets and companion animals has risen even faster than most foods for human consumption. In the past, there was a smaller market for this product because many pets were simply given leftovers from their masters' meals. This was not always optimal for their health, however; and as the importance of pets in American society increases, market for foods produced expressly for them has increased. The average wage for animal food plants is one of the highest in the entire food processing industry, over \$60,000 per year—more than in breweries.

Another trend providing markets for processed agricultural products is their use as an input to new biotechnology production activities including pharmaceuticals, chemicals, fuels, and other applications.

Consequences for Food Processing Plants. As a result of these changes, US food processing facilities are changing. There is a clear trend toward fewer plants, which are larger, more sophisticated, more diverse in output, and serve a wider market. Food is less likely to be processed by a multitude of small regional plants and more likely to be handled via a few large, modern, facilities that are well-located to serve a large geographic area.

Mississippi has been one of the most active states in development of new, larger food processing plants, for several reasons described in the following section.

WHY LOCATE A FOOD PROCESSING PLANT IN SOUTHWEST MISSISSIPPI?

Southwest Mississippi is particularly well suited as a location for food processing plants, especially larger and more complex facilities. The state ranks third-highest in the nation for the percentage of its food processing plants that are large, with over 250 employees. This is due to a combination of unique local conditions as well as a diligent effort by the community to welcome new

manufacturers and provide an operating environment that allows them to prosper. Here are some specific reasons:

Market Opportunities in the Surrounding Region.

A Southwest Mississippi location puts food processors in the middle of the fastest-growing part of the nation. The region from Texas to the Southeast ranks highest in expansion measured by demographics, economic development, purchasing power, and other key indicators of market strength. Mississippi and other parts of the South also rank among the highest in the US for growth of purchasing power; food is one of the chief areas where families tend to spend increased income.



Shipment of finished products is one of the largest cost items for food processors. After foods have been made ready for the consumer, they often have a short shelf life and must be moved promptly. Many, such as frozen or refrigerated foods, must be kept in specific conditions in transit. Some, such as cereals have low density and fill up a truck or railcar with their bulk before they reach the maximum weight; this imbalance means that shipping them is expensive. Food products often require significant protective packaging to protect the contents and keep the finished items cosmetically in good shape—picky shoppers may not buy food products if the package appears damaged.

Southwest Mississippi especially is well-served for outbound shipping of food products. The presence of Interstate Highway 55 and a major CN Railway line make up an important transportation advantage, reducing cost and time of shipment. No part of Southwest Mississippi is farther than a one to two-hour drive from a commercial airport. Within the ten counties are several general aviation airports capable of handling large corporate aircraft and some with major service and maintenance capabilities. These include Brookhaven Airport (5,000 X 75-foot runway), Hardy-Adams Field in Natchez-Adams County (runways of 6,500 X 150 and 5,000 X 150 feet), and Lewis Airport in McComb-Pike County (5,000 X 75-foot runway).

continued

Availability of Agricultural Raw Materials. Southwest Mississippi is well positioned to obtain a wide variety of foods in a raw state ready for further processing.

Mississippi is one of the nation’s most productive agricultural states, with an annual value of \$5 billion. It is the nation’s fourth-largest corn growing state and also ranks high in rice, soybeans, vegetables, and other crops. It is a leading poultry producer and significant source of other meats. Mississippi virtually created a new aquaculture industry, transforming catfish from a food randomly available according to skill and luck to a major source of healthy, low-cost, high-nutrition value meat.

Southwest Mississippi is especially prolific and saw a 72% increase in the value of its agricultural production between the two most recent US Censuses of Agriculture in 2002 and 2007. Southwest Mississippi’s Walthall County, known as the “Cream Pitcher of Mississippi, is the state’s primary milk producer.

Southwest Mississippi is also well positioned to receive and process many foods from overseas. It is within a few hours truck drive of New Orleans and other deepwater ports on the Gulf, and has barge access from the Mississippi River; so many imported raw food materials are easily accessible.

Availability of Good People. Southwest Mississippi is better prepared than many other locations to offer well qualified employees to a new or expanding food processing plant. Availability of people with industrial work backgrounds, often going back several generations, is a main feature—over 7,400 people currently work in 140 manufacturing plants here, according to the latest US Commerce Department data. About a dozen food plants are distributed throughout Southwest Mississippi, totaling hundreds of employees, so there is much existing specific experience from which companies may draw.

Mississippi’s industrial training programs are among the nation’s oldest and best. The state is constantly updating and expanding its training capabilities, with the

new Regional Workforce Training Center in Southwest Mississippi a primary example. Mississippi has advanced steadily up the ranks of states in improving the quality of jobs and income of its citizens. It ranks well above the national average in the increase of average pay received by its private sector employees over the most recent five-year period for which complete statistics are available. This reflects a workforce in Southwest Mississippi that is better educated and prepared to be productive for employers.

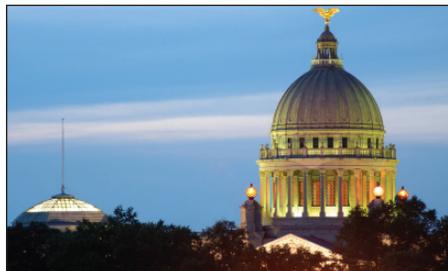
With the area’s quality of life, low cost of living, and proximity to urban and ocean attractions, it is possible to recruit skilled people from other areas. Mississippi has a right-to-work law and low unionization. Although

its average income is lower than the national average, its percentage of home ownership is higher, reflecting a strong work ethic, sense of personal responsibility, and commitment to the area.

Public Policies. For nearly 80 years, Mississippi has made economic development a priority of the state. Its “Balance Agriculture With Industry” initiative, begun in the 1930’s by Southwest Mississippi native and Governor Hugh

White, was the first comprehensive statewide public economic development program in the nation. Many techniques that became keystones of business recruitment and expansion, such as industrial development revenue bonds, emerged from this innovative program. While many other states’ programs have often been inconsistent and variable, Mississippi’s focus on economic development has remained firmly in place through changes of time, administration, and other conditions. Public officials up to the Governor have made it clear that economic development is a primary responsibility of the state and its communities. The state has a widely recognized reputation for aggressive recruitment, thorough attention to the needs of prospective and existing companies, and works hard to close deals with new and expanding companies.

continued



Mississippi has made economic development a priority.

Some states have incentives and other recruitment efforts that sound impressive but are actually available to only a few prospects. Mississippi has a record of supporting business development at all levels, including small and start-up facilities. Its incentives can lead to payback of a large percentage of a new or expanding operation's capital expenses. Details on these programs are available from the Mississippi Development Authority website at: <http://www.mississippi.org/index.php?id=45><http://www.mississippi.org/index.php?id=458>.

Manufacturing plants have faced difficulties and reluctant public acceptance in much of the US. Mississippi, by contrast, is proud of its commitment to attract new production industry and has made this process easier for companies than virtually any other state. Success of this policy is clear. US Commerce Department data show that the contribution made to the Mississippi economy by its manufacturing sector has grown at a rate well above the national average

(at a time when it has declined in some states).

Manufacturing is well established in Southwest Mississippi. People living here understand the value

and opportunity which it brings. One of the challenges specific to construction of large food plants has been the physical setting and environmental permitting. Some plants have conditions such as high waste water BOD that have made them difficult to site. Southwest Mississippi is well prepared with appropriate sites and infrastructure. The state's Department of Environmental Quality has established a one-stop process to speed the permitting process.

Mississippi has proven itself a hospitable and successful location for major food processing plants. The presence of globally known food-related companies in the state such as Sanderson Farms, Land O' Lakes, Sara Lee, and Tyson illustrates its attractiveness for this important industry.



Preparedness. A terrific general business climate is not of much use to a company unless the area has available sites and buildings ready for quick acquisition and use. Most counties in Southwest Mississippi have developed publicly-owned industrial parks and sites, some have available buildings, and the utilities, energy, and industrial support services likely to be needed by a food processing facility of almost

any type are in place in many areas. Industrial property is available in all ten counties of Southwest Mississippi. Over 800 acres—more than a square

Utilities, energy, and industrial support services likely to be needed by a food processing facility are in place in many areas.

mile—of newly prepared industrial parks and sites have come on line in the area recently. Other infrastructure is also widely available, such as broadband telecommunications networks, electric service at a variety of voltages suitable for various industries, and natural gas lines.

Favorable Economics. A food processing plant in Southwest Mississippi can possibly save nearly 21% relative to the US average for the industry. In the particular model, this savings amounts to well over \$3.5 million. This asset is so important and compelling that it deserves more detail, which is provided in the following chapter.

Cost-Saving Opportunities

Southwest Mississippi offers food processing plants the potential for a nearly 21% reduction in capital and operating costs, compared with the national average or typical costs for such facilities. This section illustrates some of those potentials. It estimates certain costs for a hypothetical large food processing facility in Southwest Mississippi and then compares them with national average or typical costs for similar plants. This hypothetical plant consists of a 250,000-square foot building on a site assumed to be 50 acres and is assumed to employ 100 personnel. Its electrical energy consumption is assumed to be 37 million kilowatt-hours per year, with a 5.5 MW load, based on similar plants in this industry.

PERSONNEL

The national average annual pay for a large, specialized food processing plant is estimated from various public and private sources to be about \$55,000. This is much higher than the average for food processing in general, and refers to very large, capital-intensive plants with large numbers of highly-skilled technical specialists such as engineers, computer programmers, and senior maintenance staff and virtually no basic manual laborers. It is estimated that a similar pool of employees could be hired in Southwest Mississippi for an average of \$43,000. This is based on data from public sources including the US Department of Commerce and discussions with managers of numerous industrial plants in Southwest Mississippi. On this basis, annual direct wage costs for 100 employees in Southwest Mississippi would be \$4,300,000, while the national average would be \$5,500,000.

Benefits are estimated to cost an additional 34% in both cases, annually costing \$1,462,000 in Southwest Mississippi and \$1,870,000 in the national average plant.

Therefore the total annual personnel cost in the hypothetical Southwest Mississippi production plant would be \$5,762,000 and in the national average plant \$7,370,000.

On this basis, **a food processing plant located in Southwest Mississippi could save its owner \$1.6 million per year in staffing costs.**

BUILDING AND LAND

On a national average basis, construction of a food processing plant would probably cost \$100 per square foot. This is for the basic structure and does not include any equipment, nor does it include the special interiors required for good manufacturing practices in some types of food plants. A building of 250,000 square feet would thus cost \$25,000,000.



The 2010 R.S. Means Building Construction Cost Data report indicates that construction costs in Southwest Mississippi are about 78.4% of the national average. Therefore a local cost of \$19,600,000 is assumed for constructing the hypothetical plant. **This is a saving in construction costs of \$5.4 million.**

A recent national average estimate for above-average quality industrial sites was \$37,000 per acre. In Southwest Mississippi, serviced land can be purchased for \$12,000 per acre, and possibly even less. So for a site of 50 acres, the national average cost would probably be \$1.85 million and the Southwest Mississippi cost would be \$600,000, representing **savings in land costs of \$1.25 million dollars.**

COMBINED BUILDING AND LAND COSTS

Based on the above assumptions, the national average cost for building and land together would total \$26,850,000; while in Southwest Mississippi the comparable cost would be \$20,200,000. The total in Southwest Mississippi would be \$6.65 million lower.

One way to express this cost in a manner comparable to wages and other ongoing expenses is to spread it across a period of years, in a manner similar to a mortgage. Even if the firm does not literally borrow money from a bank, in effect it pays an opportunity cost for money that could otherwise be invested or used profitably elsewhere.

Based on a 6% interest rate and monthly amortization over 8 years, annual payments for the national-average facility would be \$4,234,167. In Southwest Mississippi, this cost would be \$3,185,481. This amounts

continued

to an annual saving of nearly \$1.05 million per year in facility costs in Southwest Mississippi compared with the national average.

ENERGY COSTS

Based on a review of similar plants, the hypothetical food processing plant considered in this study is assumed to have an annual average electricity consumption of 37 million kilowatt-hours with a 5.5 MW load. According to the US Energy Information Administration, the national average cost for electric power sold to industrial users is \$0.0655/kilowatt-hour (*Electric Power Monthly*, data for February, 2010, http://www.eia.doe.gov/cneaf/electricity/epm/table5_6_a.html). It is thus projected that the nationwide average annual electric power cost for a plant with these requirements would be \$2,423,500. Based on estimates from Entergy, which supplies electric energy to much of Southwest Mississippi, the likely rate would be \$0.0435/kilowatt-hour so the plant's total annual average electric energy cost would be \$1,609,500. Using these figures, **a food processing plant located in Southwest Mississippi would save \$814,000 per year in electric energy bills.**

The natural gas consumed by this plant is assumed to be purchased from a broker or wholesale supplier, rather than directly from the local gas company. The cost of such "transportation gas" is dependent on the spot price of gas at the wellhead rather than local tariffs, and so its variations are mostly not affected by location. In fact, Southwest Mississippi's proximity to major gas fields and large number of pipelines would almost certainly result in lower costs for a major user but no figure can be projected.

TAXES

The plant's liability for state and local taxes is difficult to project. BFPC has made an approximation based on data from various nationwide surveys. Using an assumed national average base of three million dollars, the cost in Southwest Mississippi is projected to be \$2,907,000, representing an **annual saving of \$93,000.**

SUMMARY OF COSTS

The capital and operating costs associated with a food processing plant as discussed on the previous pages, are summarized below:

Cost Item	National Average or Typical Plant	SW Miss. Plant
Wages	\$5,500,000	\$4,300,000
Benefits	1,870,000	1,462,000
Amortization of Land and Building	4,234,167	3,185,481
Electric Energy	2,423,500	1,609,500
State and Local Tax Cost	3,000,000	2,907,000
TOTAL	\$17,027,667	\$13,463,981
Index (National Average = 100)	100.0	79.1

Thus the total of these selected costs in Southwest Mississippi is nearly 21% below the national average for a comparable facility. All of these costs are before the application of any incentives, so the savings potential in Southwest Mississippi may be significantly understated.

These costs are highly generalized estimates for a hypothetical food processing plant. Most base data are derived from figures developed by the US Commerce Department and other governmental agencies, industry organizations, and BFPC's experience with clients in this business.

The overall finding is very compelling. **Southwest Mississippi shows great promise as a location for food processing plants, based on a wide range of cost and other advantages.**



More data about Southwest Mississippi and the region's advantages for your company are available from the

SOUTHWEST MISSISSIPPI PARTNERSHIP

Britt Herrin, *President*

Post Office Box 83

McComb, Mississippi 39648

800-399-4404 or 601-684-2291

www.southwestmississippi.us