



# Mountaire Farms, Inc

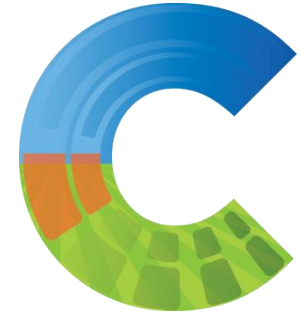
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PUBLIC HEARING FOR COUNTY INCENTIVE

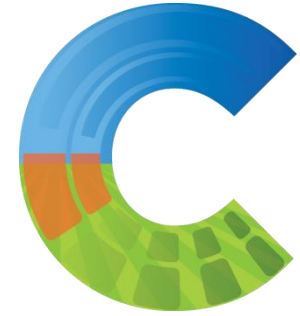
OCTOBER 17, 2016



# Mountaire Farms

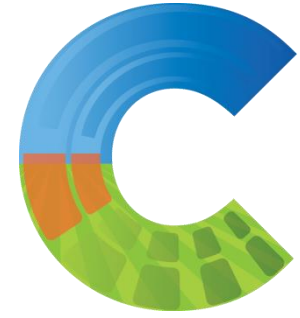


# Overview



- Announced May 4, 2016
- Renovation of Townsend Facility & Kellwood Facility in Siler City
- Purchase of Townsend Office in Siler City
- Expansion of Mt. Vernon Hatchery
- Set to begin processing February 2018

# Investment, Jobs, Wages



- Estimated investment: \$70,772,517
- Creation of 714 new jobs
- Average weekly wage: \$539.21

# **Economic Impact Study:**

Mountaire Farms

Hatchery Expansion and Processing Plant

## **Study Area:**

Chatham County

Prepared by:



# Methodology & Assumptions

- Input/Output Modeling Software:
  - Economic Modeling Specialists International (EMSI) -- Region: Chatham County, NC
- Data provided by Mountaire Farms on expected investments, employees, and salaries was used to determine the initial economic impacts for the modeling software.
- To determine the expected annual sales of each project, the region's average sales per employee value from each relevant industry was pulled from the model.
- We modeled the expected economic impact of these projects in two parts, the **recurring impacts** and **non-recurring impacts**. We keep the non-recurring impacts (construction, land acquisition, and machinery purchases) separate from the economic impact of the year-in-year-out operations. It is also assumed that only a portion of capital, land, and construction investments will be spent locally in the region. This portion was determined by model estimations of local demand.

# Multipliers Explained

Multipliers estimate the ripple effects of investment in a regional economy.

Four Types of multiplying effects:

1. *Initial* – this represents the jobs, sales, and earnings directly related to the project's construction or operations.
2. *Direct* – these impacts are the first round of impacts to the industry's supply chain due to new input purchases required by the project.
3. *Indirect* – these impacts reflect the second round of activity when the supply chains stimulate sales within their supply chains.
4. *Induced* – these impacts are the result of increased earnings and therefore further spending throughout the economy.

# Multipliers for Poultry Processing

As an example, below are the various multipliers for the poultry processing industry in Chatham County. A job multiplier of 1.32 means creating 3 jobs in the poultry processing industry creates another job elsewhere in the region's economy.

Type of Investment	Initial	Direct	Indirect	Induced	Total Effect
Sales	1.00	0.15	0.02	0.02	1.19
Earnings	1.00	0.20	0.03	0.05	1.28
Jobs	1.00	0.21	0.03	0.07	1.32



# Hatchery Expansion Overview

## Recurring Initial Impacts

*Industry: Animal Production and Aquaculture (112000)*

- 14 employees
- \$475,000 in annual wages
  - Average annual wage: \$34,000
- \$3.5 million in estimated sales

## Non-Recurring Initial Impacts

*Industry: Industrial Building Construction (236210)*

- \$6.3 million investment
  - ~\$1.4 million spent within region

*Industry: Farm and Garden Machinery and Equipment Merchants (423820)*

- \$3.9 million investment
  - ~\$330,000 spent within region

# Processing Plant Overview

## Recurring Initial Impacts

*Industry: Poultry Processing (311615)*

- 700 employees
- \$19,545,000 in annual wages
  - Average annual wage: \$28,000
- \$188 million in estimated sales

## Non-Recurring Initial Impacts

*Industry: Industrial Building Construction (236210)*

- \$17.2 million investment
  - ~\$3.7 million spent within region

*Industry: Farm and Garden Machinery and Equipment Merchants (423820)*

- \$40.8 million investment
  - ~\$3.5 million spent within region

*Industry: Offices of Real Estate Agents and Brokers (531210)*

- \$2.6 million investment
  - ~\$1.2 million spent within region

# Recurring Impacts of Hatchery Expansion

The expansion of Mountaire Farms' Hatchery is expected to add 18 jobs to Chatham County and bring in \$4 million in total economy sales.

Impact	Employees	Earnings	Sales
Initial Impact	14	\$475,000	\$3,547,518
Multiplier	1.28	1.24	1.13
Direct, Indirect, & Induced Impacts	4	\$155,750	\$466,933
<b>Total Impact</b>	<b>18</b>	<b>\$590,750</b>	<b>\$4,014,451</b>

Source: EL estimates based on EMSI 2016.3

# Recurring Impacts of Processing Plant

The operations of a new processing plant is expected to add 922 jobs to Chatham County and bring in \$223 million in total economy sales.

Impact	Employees	Earnings	Sales
Initial Impact	700	\$19,545,000	\$187,672,565
Multiplier	1.32	1.28	1.19
Direct, Indirect, & Induced Impacts	222	\$5,410,178	\$35,560,231
<b>Total Impact</b>	<b>922</b>	<b>\$24,955,178</b>	<b>\$223,232,796</b>

Source: EL estimates based on EMSI 2016.3

# Total Recurring Impacts (Both Projects)

Together the hatchery expansion and new poultry processing facility is estimated to create 940 new jobs. Over 220 of those jobs would be created from the increases in supply chain demand and increased employee spending.

Impact	Employees	Earnings	Sales
Initial Impact	714	\$20,020,000	\$191,220,083
Direct, Indirect, & Induced Impacts	226	\$5,525,928	\$36,027,164
<b>Total Impact</b>	<b>940</b>	<b>\$25,545,928</b>	<b>\$227,247,247</b>

Source: EL estimates based on EMSI 2016.3

# Economic Impact on Tax Revenue

- At a \$0.6338 property tax rate in the county and with the land value listed at \$2.6 million the processing plant land will generate approximately **\$16,500 in property tax annually.**
- The multiplied economic activity generated by both project's sales, employees, and salaries will bring in an additional **\$505,124 in estimated local tax revenue annually.**
- Therefore the total tax revenue generated by both Mountaire Farms projects in Chatham County directly and indirectly is over **\$521,600 annually.**

# Non-Recurring Impacts

- Economic impacts from the hatchery expansion and new processing plant construction will be one-time impacts and are presented separately from the year-to-year operation impacts. Impact figures are more likely to show ***support to existing jobs*** than new employment.
- Initial impacts at the local level were calculated by applying an industry level estimate for local demand percentage from the input/output model.
- For example, \$17.2 million in construction costs for the building of the new processing plant were reduced to a local construction industry investment of \$3.5 million. This is based on model estimates of in-region demand percentages for the industrial building construction industry in Chatham County of 21.8%.

# Non-Recurring Impacts (Both Projects)

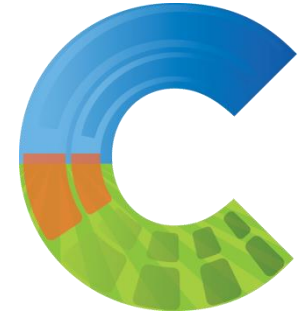
Together both projects in Chatham County would help support over 142 jobs within the county’s economy. These impacts come from Mountaire Farms’ projected spending on real estate, machinery, and construction. These impacts are more likely to support existing industries for a short time rather than create new employment.

Impact	Employees	Earnings	Sales
Initial Impact	121	\$3,624,998	\$10,140,258
Direct, Indirect, & Induced Impacts	21	\$569,703	\$1,447,620
<b>Total Impact</b>	<b>142</b>	<b>\$4,194,702</b>	<b>\$11,587,878</b>

Source: EL estimates based on EMSI 2016.3

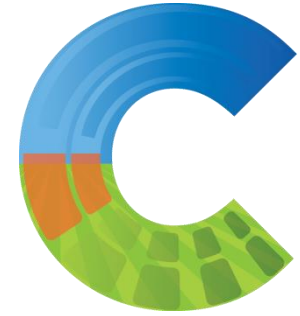


# How do incentives work?



- First, company must make agreed upon investment and meet other requirements imposed by the county
- Second, the company must pay full county taxes on time and not have an active appeal
- Third, if all other requirements met, the county gives a grant to the company equivalent to a **PORTION** of the **TAXES ALREADY PAID**

# Recommended incentive



Following the Chatham County Incentive Policy, the EDC recommends a **Level 4** incentive for Mountaire Farms, Inc.

Year 1—90% of taxes paid

Year 2—80% of taxes paid

Year 3—70% of taxes paid

Year 4—60% of taxes paid

Year 5—50% of taxes paid

Year 6—incentives end



Questions?

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