

**FINAL REPORT**

**ALAMEDA COUNTY'S  
JOBS & ECONOMIC DEVELOPMENT PROJECT  
FOOD PROCESSING STUDY**

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**I. INTRODUCTION**

The Alameda County's Jobs & Economic Development Project is led by the Alameda County Economic Development Alliance for Business (EDAB). The study is funded in part by the Community Bank of the Bay and its nonprofit affiliate, the Local Economic Assistance Program (LEAP). Over the last year, EDAB has worked closely with the food processing industry to begin to identify key issues affecting local food businesses and has convened a group of industry leaders -- the EDAB Food Processing Network -- to spearhead this effort. In addition, EDAB has been working closely with local agencies that provide services to local food processing firms such as Manex (the Corporation for Manufacturing Excellence) in Fremont, a consulting company that is part of the nationwide Manufacturing Extension Program (MEP), funded by the Department of Commerce. EDAB and Manex have begun to work with local companies in areas such as cost reduction techniques in processing, writing and implementation of marketing plans, as well as methods to increase plant productivity.

As part of its on-going activities with the Food Processing Network, EDAB has commissioned this study to identify initiatives to advance economic growth and create job opportunities in the food processing industry. Through interviews and data research, the project team looked at issues affecting the food processing industry locally, state-wide, nationally and internationally and identified ways that Alameda County can focus its business retention, expansion and attraction efforts. The team interviewed 35 existing Alameda County food processors and distributors, determined the current employment base and economic contribution of the industry in Alameda County, and identified growth opportunities and impediments for retaining and expanding these companies.

This final report contains a summary of the findings and a set of strategies that the County can use to 1) target its business expansion and attraction efforts and 2) retain existing jobs, create opportunities for upward mobility of existing workers, and provide new job entry possibilities. A vigorous, proactive strategy is necessary if Alameda County is to retain and attract food companies. The information and strategies described in this report are designed to identify ways in which Alameda County can work in the most effective manner to retain and expand the local food processing sector.

The region has unique local assets that benefit the industry -- high water quality; proximity to food growing regions; a transportation infrastructure that connects port, rail, truck, and air transport services; a base of skilled employees; and a strong foundation of established local food companies.

The future growth of the food processing sector is critical if the residents of Alameda County are to continue to benefit from the employment opportunities created by the industry. Without action,

food will continue to be made to supply consumer needs and demands; however, the question remains where will it be processed and distributed as the food processing industry enters a new cycle of business growth and development.

## II. THE IMPORTANCE OF THE FOOD PROCESSING INDUSTRY IN ALAMEDA COUNTY

For several reasons, the first pilot study in Alameda County's Welfare Reform Project focuses on the food processing industry. First, many jobs in food processing are entry-level positions; such jobs fit Alameda County's Welfare Project's definition of sustainable jobs. (Specifically, 65% of food processing jobs are in the occupation group that includes production, operations, maintenance and material handling.) In brief, the minimum job requirements plus the tradition of on-the-job training make the food processing industry a viable source for welfare-to-work positions. Second, the job skills acquired through work in this industry are easily transferable to other industries. Third, national food processors added \$125 billion in value to the raw materials they consumed in 1995. Alameda County can remain the region's center for food processing for two chief reasons 1) transportation access to agricultural areas; and 2) the County's proximity to a vast market both domestic and foreign (e.g., the Pacific Rim region and Latin America).

The industry has been a traditional source of employment for area residents and thus is a pillar of the local economy. Specifically, the Food and Kindred Products manufacturing industry in Alameda County directly employs 10,000 people in 170 businesses and Food-related Wholesale directly employs 11,360 people in 400 businesses.<sup>1</sup> Although there has been consolidation in some segments of the industry, emerging small- to medium- sized companies, particularly those that depend on proximity to local markets and distribution networks, continue to grow. These companies specialize in a variety of products, including bakery products, some ethnic foods, coffee, gourmet and other candies, and beverages. It is noteworthy that there are trends among these companies: to serve gourmet and specialty markets, to distribute locally, to deliver fresh product on a daily basis, and to serve new consumer tastes. For example, companies making artisan breads and gourmet-roasted companies have gained market share.

Though consolidation in larger companies has brought about a net job loss in the last ten years, there are indications that medium-sized firms (20 to 49 employees) have grown within portions of the sector within the last five years. Much of the increase in employment appears to have occurred from growth of existing establishments with some small increases in larger companies (50 to 99 employees). The greatest declines in employment occurred in the 1980's and are due, in large part, to the closure or consolidation of older facilities.

Alameda County's growth in specialized and younger companies is one of the most encouraging signs for new business growth and job development. Many of these firms are linked to other food-related businesses, particularly the restaurant and food service industries.

Bay Area consumers often act an informal "test market" for new products and local consumers provide a ready market for new and innovative products. In interviews, specialty food product producers reported that major supermarket chains look to smaller independent grocery stores for

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<sup>1</sup> Source Hausrath Economics Group based on U.S. Dept. of Commerce, *County Business Patterns*, 1994, California

new product and merchandising ideas. Food companies that can develop quick responses to shifting consumer taste have a distinct competitive edge in this ever-evolving industry. This fast paced market cycle may explain the growth of mid-size firms over larger establishments because mid-size firms are able to be more flexible and responsive.

In addition to developing new and unique products, there are opportunities for local companies that process, distribute and warehouse raw food products. In the region, the Port of Oakland serves as an entry point for goods from the Pacific Rim and West Coast. It also serves as an intermodal center for goods received from the US growing regions on route to domestic and off-shore locations. For example, one of Japan's largest domestic manufacturers of sushi products located a facility in West Oakland. The company ships fish roe in bulk from Japan to the Oakland facility and then sends the repackaged goods to markets throughout the US. This company illustrates the opportunities that exist for expanding local production capabilities serving international trade.

Though this is an industry in transition due to nation-wide changes in the food industry -- large scale consolidation, automation of plants, and increased competition within the US and abroad -- there is opportunity to transform the local industry. The existing skilled labor force needs to be ready with new skills to meet the demands of a technology-driven food industry and, over time, new workers will need to be ready to join their ranks. The industry has a strong history of on-the-job training that, when coupled with government sponsored initiatives *under the guidance of local industry leaders*, can prepare employees to meet these challenges.

As the industry expands and evolves, it also creates demand for support services such as transportation, packing, food testing, warehousing, and business services. Employment multipliers for Food and Kindred Products manufacturing are among the highest multipliers for all industries at both the regional and national levels. For the Bay Area, economic multipliers for the industry indicate that for every one job in food processing there are 7.5 additional jobs supported in other industries throughout the region.<sup>2</sup> This number includes jobs in agriculture, transportation, finance, distribution and sales. Related growth in all these sectors will assist in fulfilling the County's goal of creating sustainable jobs.

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<sup>2</sup> Association of Bay Area Governments, *1987 Input-Output Model and Economic Multipliers for the San Francisco Bay Area*, page 48. The regional employment multiplier of 8.50 is consistent with national multipliers for food and kindred products manufacturing per T.A. Roberts, C.R. Dillon, and T.J. Siebenmorgen, "The Impact of Food Processing on the U.S. Economy", reprinted from *Food Technology*, October 1996. This research shows a total economic multiplier of 11.71 for the U.S. food processing industry overall, with multipliers that vary among detailed food processing industries.

### III. SUMMARY OF KEY MARKET RESEARCH, ECONOMIC ANALYSIS, AND INTERVIEW RESULTS

Nationally, the food processing industry is made up of nearly 16,000 establishments. According to County Business Patterns data (see Footnote below), at the end of 1994 (the most current year for detailed employment data) in Alameda County, the **Food and Kindred Products manufacturing industry (SIC 2000) directly employed 10,000 people in 170 business establishments**, and **Food-related Wholesale Trade (SIC 5100) directly employed 11,360 people in 400 establishments**. Interviews with local companies conducted as a part of this study and County Business Patterns data also indicate that some manufacturing employment data is reported in the Food-related Wholesale Trade (SIC 5100) category.

The food processing industry is highly concentrated and recent consolidation among very large firms is reinforcing this industry characteristic on a national scale. On one hand, the East Bay has witnessed the closure of several plants including Sunshine Biscuits, Nabisco, and Kellogg's as a result of national consolidation. Employment in the food processing sector in the US fell from 2 million employees in 1972 to 1.1 million in 1993.

*On the other hand, trends in Alameda County indicate growth in some portions of the food-related manufacturing in the five years from 1989 to 1994 and growth in the food-related wholesale trade sector from 1989 to 1994.* In Alameda County from 1989 to 1994, employment in Food and Kindred Products manufacturing increased by 992 jobs (11%) and the number of establishments increased by 5 (4%). In that period, employment in food-related wholesale trade in Alameda County increased by 1,432 jobs (14%) and the number of establishments increased by 53 (16%). According to 1994 County Business Patterns data, compared to the state overall, **Alameda County has proportionately more establishments in the mid-size categories (particularly in those categories with 20 - 49 employees and 50 - 99 employees) and proportionately fewer in the smallest- and largest-sizes categories.**

The categories of food processors with the largest employment in Alameda County according to 1994 data include:

<u>SIC</u>	<u>Industry</u>	<u># of employees</u>	<u>Change in Employment (1979 - 1984)</u>
2050	Bakery products	3,809	+1,216
2090	Misc. food and kindred products	2,039	- 31
2060	Sugar and confectionery products	949	+ 152
2040	Grain mill products	815	- 50
2080	Beverages	732	+ 133
2010	Meat products	633	- 80
2020	Dairy products	589	-154

Footnote: It should be noted that a comparison of County Business Patterns data with information obtained in interviews shows that the data may not be showing a complete and accurate picture of the health of food processing in Alameda County as County Business Patterns reports only through 1994. In addition, inconsistencies occur in how companies report data (which SIC is used). An example is a large bakery products company that reports its employment under SIC 5149 Wholesale - Groceries General Line.

## LOCAL INDUSTRY TRENDS

**Data and research on Alameda County food processing companies show the following key trends:**

- **Bakery products** in Alameda County is the largest single industry and has shown the most growth between 1989 and 1994. National trends show that a greater than average number of new products have been introduced in this industry in the last few years, especially in the area of specialty breads (artisan, hand-baked breads). The Bay Area food processing industry has produced specialty breads for over 50 years, particularly French breads, and many of the established specialty bread companies in Alameda County may have lost market share to the new group of specialty bread and baking companies.
- **Misc. food and kindred products**, which includes ethnic foods, snack foods, mustards, sauces, as well as roasted coffee, potato chips, and pastas have shown a small decline in employment between 1989 and 1994. However, the growth of specialty coffee producers in Alameda County since 1994 may have offset that trend. Of note, employment in Macaroni and Spaghetti that is included in this category has not risen although the national trend is toward more consumption of these products. Some of the pasta production could be reported in the Food Preparations category, which has seen a modest increase in employment. In interviews, pasta companies report increased competition on the local level from national food companies (with a strong branded identity) as well as European pasta companies.
- **Sugar and confectionery products** manufacturers have increased employment in Alameda County in spite of a significant amount of consolidation in the industry, with companies like Hershey's and Nestle's moving strongly into both chocolate and non-chocolate candy markets. Nationally, this category contains the second largest number of new food products, including an increase in "healthy" snacks.
- **Grain mill products'** employment seems to have remained relatively stable in Alameda County, although interviews indicate that recent activities in businesses may result in some loss of employment. This is the 2<sup>nd</sup> largest US export category.
- **Beverages** continues its increase in employment on both the manufacturing and wholesale levels for bottled and canned soft drinks and wine. Nationally, this industry contributes the 3<sup>rd</sup> largest number of new food products. US exports of these products appears to be strong.
- **Meat products** has seen some decline in employment. A few companies in Alameda County make up this sector, with most reporting export activity as part of their market. There has been a marked increase in the emphasis on food safety in this industry, and it remains the largest US export category within food manufacturing.
- **Dairy products** employment has decreased in the County between 1989 and 1994. However, large investments in Alameda County in new plants and equipment by several large players and a national trend of greater than average number of new products, including specialty cheese, is likely to make this industry a viable, stable employer in Alameda County.

## NATIONAL INDUSTRY TRENDS BENEFITING THE LOCAL INDUSTRY

1. **Co-packing** -- The growth of private label products (co-pack situations) can also be positive for medium-sized food processors, because it permits them to compete without building a complex distribution and marketing system.
2. **Home Meal Replacement** - The trend toward ready-to-eat or semi-cooked meals can provide opportunities for small and medium sized companies as the demand for these products increase. Home Meal Replacement products will be sold through a variety of outlets including grocery stores, restaurants, and delis.
3. **Retailers are moving to a stocking system based on continuous replenishment of stock (CRP).** The system is similar to just-in-time manufacturing, where the retailers order just enough product to maintain the desired stock level. A mid-sized, agile, technologically advanced food wholesaler or manufacturer can have an advantage in meeting these requirements.
4. **Perishable food sales now represent one-half of all supermarket sales.** Interviews with local food processors and produce wholesalers confirm that fresh food preparation is a growing activity in Alameda County. This trend is also prevalent in national markets.
5. **Energy enhancing foods (bars and drinks especially), and trends in ethnic foods including food of Southeast Asia, the Caribbean, India and the Middle East are gaining national market share.** Many of these foods are prevalent in the Bay Area marketplace. There are opportunities for local companies to increase market share by serving the newly emerging national demand and this trend is supported by the Bay Areas diverse population base. Local companies that can make the transition to national scale systems of marketing and distribution will benefit from increasing markets for these products.

## LOCATION OF MARKETS AND MARKET ISSUES

- 65% of the companies interviewed as part of this report say their major market area is the Greater Bay Area, California and/or the West Coast. 22% of the companies interviewed supply to national markets; and only a few are actively exporting their products. Many of the medium-sized companies interviewed indicated an interest in expanding their markets beyond Northern California to include more of the West Coast and national markets and internationally through export activities.
- The companies interviewed were split between firms who sell direct to grocery/retail chains and those that sell through distributors. Most larger companies sell direct or through dedicated distributors. The mid-size companies sell primarily through distributors, unless their market is the Greater Bay Area where they often distribute directly (especially true for baked goods manufacturers).
- Competitive advantages mentioned most frequently by the companies interviewed: quality of the product and customer service (especially among mid-size companies); name recognition (especially among larger companies); and ability to stay flexible/meet changing customer demands.

- Market changes most frequently mentioned by the companies interviewed: continued consolidation of the industry (especially in Sugar and Confectionery Products, Meat Products, and Grain Mill Products), and increased price sensitivity/pressure to keep prices down.
- Changes cited most frequently as coming in next 5 years – more consolidation, increased competition, more reliance on technology in all phases of business operations, increased emphasis on quality of product and food safety.
- Most frequently mentioned by the companies interviewed as ways to help to expand their business are: help with marketing (exports especially); decrease or contain cost of labor (through equipment purchase and increased productivity of the workforce); and decrease or contain cost of regulatory compliance and utilities, primarily wastewater (EBMUD), and power (PG&E or alternatives).

## **DESCRIPTION OF ALAMEDA COUNTY FOOD COMPANIES**

- 80% of the food processors and food-related wholesale companies are located on the 880 corridor, particularly in the Cities of Oakland, San Leandro, Hayward, and Union City. The majority of the employees are reported by the companies interviewed to live in the East Bay, and most report that the employees live with 3 cities of the location of the facility. (ref. figure 2)
- 80% of the companies interviewed are privately owned corporations.
- 40% of the companies interviewed have been located in Alameda County for more than 50 years. 30% have been located in Alameda County for 20 - 49 years, 20% have been here for 10 - 19 years, and 10% have been here less than 10 years.
- 53% of the facilities these companies occupy are over 20 years old; 30% are less than 10 years old.
- 46% of the companies report an increase in the number of employees at their Alameda County operations in the last 5 years, 33% report a decrease and 20% report no change in employment.
- 80% of the companies have invested in renovations and improvements at their facilities in Alameda County in the last 5 years. However, only 63% report plans to invest in renovations and improvements in the next 5 years.
- 63% of the companies are planning no change or uncertainty about their level of operations in Alameda County in the next 5 years, and 6% plan to decrease their level of operations. Only 26% report plans to expand their level of operations in Alameda County.
- Among the most frequently cited issues that effect the cost structure of companies: regulatory costs, particularly wastewater disposal and the productivity loss due to lack of basic skills (e.g., basic reading and computation) of the workforce.

## **EMPLOYMENT AND LABOR TRENDS IN ALAMEDA COUNTY**

The food processing industry in Alameda County employs people in a variety of occupations. 65% of food processing jobs are in the occupation group that includes production, operations, maintenance, and material handling jobs. Jobs in this group employ skilled, semi-skilled, and unskilled workers performing machine and manual tasks involving production, machine setting and operating, maintenance and repair, packaging, transportation, and material moving. Many of the jobs in production require heavy lifting.

Few companies require experience for production workers and most promote from low-skilled to higher-skilled positions in production. Almost all of the companies train production workers on-the-job, and most supplement the training with in-house safety training. Experience is usually required in Transportation and Clerical/Administrative positions.

The companies interviewed in this study employ over 4,750 full-time people in Alameda County. 40% of the company representatives also report the need for part-time and seasonal workers. From team interviews, 450 jobs per year for periods of time from three to six months are needed to fulfill current hiring needs of the 35 interviewed companies. Several company representatives stated that they would take advantage of seasonal hiring programs for developing and expanding products lines.

60% of the companies run more than one shift per day, and 43% of the companies report running 20 - 24 hours per day. Turnover rates at the companies interviewed are reported to be around 20% for employees who have worked at the company more than 6 months. Turnover rates for employees in their first 6 months, and especially the first 3 months, are much higher. The turnover rate in the first few months is due, according to interviews, to layoffs due to absenteeism and attrition.

Almost all of the companies find employees through: word-of-mouth/referrals from existing employees; newspaper advertisements; and union halls. Only 10% of the companies currently use government hiring programs to find employees. Some of the companies report researching government programs, but choosing not to participate due to upfront costs/fees, past bad experiences, or the time involved in learning about and using the system.

In Production/Operations/Packaging positions, 65% of the companies that gave information regarding entry level starting wages paid between \$7.00 and \$8.00 per hour, and 27% of the companies reported entry level wages over \$8.00 per hour. In Transportation (driver positions), entry level wages start at over \$10 per hour, with the average of \$12 per hour. Less than 50% of the companies interviewed have employees represented by unions. Over 95% of the companies interviewed offer health benefits to their employees. Most also offer 401K plans to employees after 6 months or one year of employment.

## **JOB OPPORTUNITIES AND CONSTRAINTS**

The food processing industry can be an integral part of the County's effort to upgrade existing workers jobs skill and find "sustainable" jobs for individuals with few job skills who need to earn livable wages. However, it is unlikely that the industry at present will be able to provide jobs for more than a small percentage of new workers. The challenge lies in preparing this workforce not only for basic jobs but for the higher skilled, technology oriented jobs of the future.

**In order to assist the workforce and the industry, the County will have to design programs that take the following factors into account:**

- 60% of the companies run more than one shift per day, and 43% of the companies report running 20 - 24 hours per day, resulting in a need for transportation and childcare programs for their workers.
- Many of the jobs in production require heavy lifting, which could limit some potential job candidates.
- Turnover rates for employees in their first 6 months, and especially the first 3 months, are much higher than for employees who have been on the job more 6 months or more. Chronic absenteeism and individuals who are not prepared to enter the workforce are major barriers to long-term employment opportunities and a major expense to the businesses.
- While the national and international trends are toward automation in the food processing industry, the existing workforce, including management staff as well as potential new workers in the industry, are largely not prepared to work in a higher tech environment. Automation will result in work environments where fewer people will have more responsibility – self-directed work teams will be critical.
- The companies interviewed report the skills that are hardest to hire and train for are also the skills that will be critical in a team-oriented, automated environment. The skills the companies have a hard time hiring and training for include (as illustrated in Figure 5): "soft skills" such as basic job skills, problem solving skills; and work ethic (e.g., show up on time, continue to show up, follow directions); technical and mechanical skills (e.g., specialty cooks, machinery mechanics, engineers); English as a Second Language; math skills. Other skills include those that relate to job safety; "communication" or basic English language skills; and driving skills.
- New food safety requirements will also demand a basic understanding of science, especially biology.
- Positions that are reported to be the hardest to hire for include equipment mechanics, food engineers, and specialized, higher level production workers and supervisors.

## KEY ISSUES FACING THE LOCAL INDUSTRY

According to both research data and interview results, 50% of the companies interviewed could be considered “at risk” in terms of their short- to mid-term future (1 - 8 years) in Alameda County. Growth in some companies and the vital need for automation in the industry indicate that many of the companies interviewed will be making significant investment decisions in the immediate and mid-term future.

A major issue facing local food companies is the need to upgrade and/or expand existing facilities. Many companies are located in older facilities that no longer meet their needs. Alameda County food companies have, to date, not fully participated in the industry trend toward automation to improve food quality and safety and increase productivity. The exception is the Dairy industry, which has already invested heavily in new plants and equipment in Alameda County. These companies have a pressing need to invest in new equipment to keep their facilities operating efficiently and to keep their products competitive in the marketplace. The investment will occur in areas that allow them to serve the Greater Bay Area, Northern California and West Coast markets.

Alameda County has a location advantage thanks to its proximity to these markets. Due to the existing transportation network, companies can deliver product efficiently throughout Northern California and the West Coast from Alameda County. However, many companies expressed interest in relocating to areas that are perceived to be lower cost locations such as Contra Costa County, Solano County, and particularly Central Valley locations such as Tracy and Modesto. There is an opportunity to assist with financing to head off relocation efforts.

***The danger for Alameda County is that these companies will choose to locate in other parts of Northern California as they make their next round of investment decisions.*** The reason a food processing firm may be “at risk” of leaving the County depends not only on facilities and equipment cost, but on several factors including the ability to merchandise and distribute product from a new location as well as the company’s organizational structure. The companies interviewed tend to fall into one of three categories. Following is a brief description of each category and a chart describing the risk factors and programs needed to keep the company in Alameda County.

1. *Growing Companies* -- tend to be mid-sized. They are unlikely to be tied to bigger operations and conventional channels for marketing and distribution; instead they are tied to local markets. Their products tend to fall into the growing markets of fresh, gourmet and specialty foods, and they tend to be younger companies.

2. *Mature Companies* - tend to be larger sized. They often have a substantial, historical investment in real estate and equipment and are usually subsidiaries of larger national corporations. Their markets tend to be national or to cross several regions of the country, and their products are more traditional.

3. *Evolving Companies* - tend to be small to medium sized companies, with long-term ties to the area. They are opportunistic companies that have shown a willingness and ability to evolve their product lines to match changing consumer tastes. They cite quality and customer service as their competitive advantages.

## **IV. STRATEGIES AND PROGRAMS TO ASSIST THE LOCAL FOOD PROCESSING INDUSTRY**

### **WELFARE TO WORK AND WORKFORCE PREPAREDNESS STRATEGIES**

The following strategies should be developed by the County in conjunction with the Food Processing Network and take into account these factors:

- 60% of the companies run more than one shift per day, and 43% of the companies report running 20 - 24 hours per day, resulting in a need for transportation and childcare programs for their workers and making organized training sessions difficult to schedule.
- Many of the jobs in production require heavy lifting, which limits potential job candidates.
- Turnover rates for employees in their first 6 months, and especially their first 3 months, are much higher than for employees who have been on the job 6 months or more. Companies attribute the high turnover rate in the first few months to the physical and time demands of entry level work.
- Food companies operate on very tight margins that leaves very little capital available for short but intensive job training.

#### **1. Certification for Basic Skills**

*Objective:* Prepare Entry-Level Workers/Welfare-to-Work Training

*Target Businesses:* Food companies with short-term or seasonal labor needs / companies with short-term research and development projects

*Implementation Time Frame:* Medium- to long-term (6 mo. to 2 years)

EDAB should work with the Food Processing Network and employment/training organizations to develop a “Certification for Basic Skills” program for welfare-to-work training. The food industry could be a source of employment for a portion of the individuals making a transition from welfare to work.

40% of the companies interviewed report the need for part-time and seasonal workers estimated at approximately 450 jobs per year for 3 to 6 month periods of time. The companies are interested in sources for finding employees to fit these needs. Although the food companies would be unable, at the current time, to absorb a large number of new employees into the workforce on a full-time basis, most of the companies do hire their full-time employees from a pool of part-time and seasonal workers.

Part-time or short-term workers are referred to as “jobbers”. Companies look to these workers as a first source of employment as full-time work becomes available. Many food processing companies, in interviews, stated that wage subsidies and tax incentives were not motivations for hiring because of the degree of management time involved in both processing applications and managing/training employees that are new to the workforce.

Simplifying and consolidating the administrative structure for hiring and training programs would be a way to make government hiring programs more attractive to this industry. The local food processing industry would be best served by a labor pool that already has basic job skills that could be provided by County training programs.

Locally, the East Bay Conservation Corporation (EBCC) is a model program for training of new and inexperienced workers. They combine an education component with work experience. They develop a soft job skills base, as well as a more technical skills base. Most importantly, the type of jobs the EBCC participants do, such as cleaning creeks or removing underbrush to minimize fire hazards instills a message to the participants that the job is valuable and their contribution is worthwhile.

In addition to working closely with local educational institutions, government training/hiring programs need to operate in conjunction with -- become similar to -- the private temporary employment agencies that many of the food companies use. The advantage of private agencies over existing government employment placement agencies is the ability of private companies to streamline the hiring process.

In team interviews, many companies report failure with government training programs because of the degree of management time and the administrative work involved. There is a need simplify the food company's management and administrative requirements in screening new hires for basic jobs skills. Employment training programs and educational institutions can be the vehicles within the public sector to best test applicants and provide training as identified by the testing process.

The screening and testing should occur *before* any applicant is referred to work. In addition to providing screening and administrative assistance, any government training/hiring program targeting welfare-to-work individuals will need to provide assistance to workers with logistical problems, such as child care and transportation. Finally, the government training/hiring programs should provide opportunities to participate in longer-term skill development training outside the work place for individuals interested in continuing to upgrade their skills.

### **Specific Actions:**

- The Food Processing Network and EDAB should work with the existing training organizations and educational institutions to encourage a pilot group of food companies to participate in doing a skills assessment for key positions in food industry such as production, operations and packaging jobs.
- With the results of those assessments and this study and with more outreach through the Food Processing Network, EDAB should identify food companies with short-term and seasonal labor needs.
- EDAB should work with business assistance providers and employment trainers to encourage training/placement programs and educational institutions in the County to adopt the skills assessments and use them to evaluate and train prospective job applicants for positions in the food industry.

- The employment placement programs and educational institutions should identify and develop course modules to train the job applicants in the areas identified through the skills assessment evaluation. The areas where training is most likely to be needed for entry-level employment in the food processing industry include: English as a Second Language, math skills, time management and organization skills, and basic work skills.
- A temporary employment pool should be identified consisting of individuals needing work experience as well as the opportunity to exhibit job skills such as attendance, ability to work with a team, and ability to learn new skills. These individuals could work for a 3 - 6 month period of time as part of a longer-term program developed for them through local educational institutions.
- Companies with short-term and seasonal labor needs should be encouraged to hire from this temporary employment pool. Incentives for businesses need to be: providing available, qualified (i.e. have basic jobs skills, meet physical requirements) people; making sure there are quick and easy ways to participate; reducing administrative costs of hiring; providing a liaison from training/placement organizations to address worker issues; and subsidizing wages during the initial on-the-job training period.

## **2. Certification for Advanced Skills in Food Processing**

*Objective:* Workforce Preparedness/Training to Upgrade Existing Jobs

*Target Businesses:* Medium-size companies (20 - 150 employees)

*Implementation Time Frame:* Medium- to long-term (6 mos. To 2 years)

Universally, Alameda County food companies are concerned about upgrading their existing workforce's job skills. The food processing industry is facing an unprecedented wave of automation and needs a workforce that can operate in a high technology environment.

Automation is critical to ensuring food safety and increasing the productivity of this low-margin, very cost-conscious industry. While the national and international trends are toward automation in the food processing industry, Alameda County food companies' existing facilities have yet to be upgraded. As a result, much of the workforce is not prepared to work in a technology intense environment.

Automation will result in work environments where fewer people will have more responsibility – self-directed work teams will be critical. New food safety requirements will also demand a basic understanding of science, especially biology.

Only 10% of the companies currently use government hiring programs to find employees. Some of the companies report looking into government programs but choosing not to participate due to upfront costs, past bad experiences, or the time involved in learning about and using the system.

The Food Processing Network and EDAB need to work to address these concerns about participating in job training programs so that they can increase the number of food processing companies that participate in the job training services offered through job training organizations and local educational institutions.

### **Specific Actions:**

- The Food Processing Network and EDAB should encourage a pilot group of food companies to participate in doing a skills assessment to upgrade positions in food industry production, operations and packaging. The results of this pilot study will provide the information needed to prepare 1) the Basic Skills Certification for entry level workers and 2) an Advanced Skills Certification for existing workers. The Food Processing Network and EDAB can 1) identify companies that do have the resources to commit to being part of the pilot group, and/or 2) make recommendations to existing training programs on ways to modify their programs to better match the training needs of local food companies.
- In addition to the skills assessments and certification program, the Food Processing Network and EDAB should work on an on-going basis with training organizations, business service providers, and local educational institutions to identify existing programs and develop any needed new programs that will assist food company employees interested in upgrading their job skills. The areas where training is most likely to be needed include: English as a Second Language, math skills, time management and organization skills that encourage more personal responsibility and self-directed work; a basic understanding of science, especially biology; and continuing work on basic job skills. In addition, high skilled jobs will require more advanced instruction in the sciences as well as computer technology.
- The Food Processing Network and EDAB should also work with job training organizations to develop instructional programs for food company managers and supervisors on workforce related topics such as implementing workforce training quickly and efficiently; managing change in the workplace; motivating employees to upgrade job skills; and hiring the right people for the job. Many of the managers interviewed in this study understand the importance of a trained and motivated workforce. However, many of the managers interviewed were more involved in sales and administration. Day-to-day interactions with the workforce are often the responsibility of line supervisors. In many cases, the leadership in the companies are uncertain about what steps to take to achieve the results their companies need. Training the leaders of the companies on effective ways to implement training programs is as crucial to the success of the program as training the employees.

### **3. Establish Employment Linkages Among Alameda County Industrial Businesses and Governmental Entities**

- Create an *Alameda County Industrial Skills Matrix* to identify common skills needed by leading County industries as identified by industrial business policy (a skills matrix that will relate different industrial sectors with the skills required for entry-level jobs and to upgrade existing jobs).
- Link job training efforts to entrepreneurial programs such as Oakland's *One-Stop Capital Shop* to assist in small local business formation.
- Develop education and training modules to employment programs to 1) match training needs identified in *Alameda County Industrial Skills Matrix* to new jobs and 2) to continue to upgrade the skills of existing workers to promote transferability and flexibility of workforce.
- Develop a "trip wire" for subsidized jobs. At the point that a company becomes economically viable without job subsidizes (this would apply to both start-ups and existing companies), jobs would revert to non-subsidized.

## **BUSINESS RETENTION, REHABILITATION, EXPANSION ATTRACTION STRATEGY**

The following are strategies that should be taken by the County to achieve retention, rehabilitation, expansion, and attraction goals:

### **1. Create a County-wide Industrial Business Policy**

*Objective:* To provide the framework for future business growth and development

*Targeted Businesses:* All industrial companies in Alameda County

*Implementation Time Frame:* On-going

A county-wide industrial businesses strategy, when combined with a targeted geographic focus for locating companies, would give clarity to efforts to attract and retain food processing companies. It is critical to see this effort as part of an overall county-wide plan to retain, rehabilitate, expand and attract industrial businesses. By utilizing the combined resources of the county and the cities and by identifying those industries that provide the greatest potential in terms of future growth and investment, the County will be most effective in creating and sustaining the greatest number of jobs for area residents.

- Develop contacts with key industry groups and organizations. Create a database of useful contacts and important publications for identified sectors.
- Create an *Industrial Skills Matrix* that identifies skills needed for entry-level positions for key industrial sectors.
- Create a marketing campaign to *displace imports* from both other US regions and abroad. Increased competition effects many industries. (Food processing operates with very tight cost margins.)

### **2. Formalize the EDAB Food Processing Network.**

*Objective:* Enhance the effectiveness of county-wide business assistance efforts for the food processing sector

*Targeted Businesses:* All food companies in Alameda County

*Implementation Time Frame:* 3 - 6 months

At this time, there are a multitude of diverse government and non-profit groups working on issues affecting the food processing industry. Most of the food processors report they have limited time to spend away from their businesses. A coordinated and targeted effort among all the organizations and entities working to assist the sector would ensure greater communication and, as a result, greater effectiveness. A few companies are contacted many times by government and non-profit organizations, but many companies are still unaware of the work being done and the resources available to assist them.

The Food Processing Network should be formalized and developed as the point group for addressing food business issues in Alameda County, with EDAB as the organizer/lead economic development agency. This group will serve as a clearinghouse for industry issues in the county. EDAB should get a commitment from and coordinate with the cities with the most interest in food companies,

especially Oakland, San Leandro, Union City and Hayward to work in a focused manner to address issues facing these companies.

Actions for the Food Processing Network include:

- Continue the work already begun on Workforce Preparedness, Waste, and Regulatory Issues. Either through Working Groups or through the Food Processing Network as a whole, EDAB should develop a mechanism to address the issues of financing new and expanding companies.

### **3. Siting Services and Facilities for Business Attraction and Expansion**

*Objective: Identify appropriate local sites for food processing companies*

*Targeted Businesses: Mid-size food companies in Alameda County*

*Implementation Time Frame: On-going*

Many of the mid-size companies identified in this study have issues related to the cost and the feasibility of expanding existing sites or moving to new sites in the County that require more information than individual cities can provide.

EDAB needs to work with the economic development organizations of cities in the county, especially Oakland, San Leandro, Union City, and Hayward to identify areas that are appropriate for and receptive to food processors' expansion and location. These areas will require the infrastructure to support food processors.

#### **Specific Actions include:**

- The Food Processing Network should identify and contact a few leading food industry site selection consultants, and work with them to identify reasons why site selection consultants recommend or do not recommend Alameda County locations to their clients. EDAB can have those consultants evaluate Alameda County as a place to do business for the food industry, and can use the results to further work within the county to address the issues identified. Also, EDAB can follow-up with the food consultants on an on-going basis regarding any misconceptions or changes in Alameda County that should be addressed.
- EDAB should make a coordinated effort to educate area lenders about the needs of the food processing industry, as well as to coordinate and inform businesses of the availability of financial resources, such as Industrial Development Bonds (IDBs) and Small Business Administration (SBA) loans. A Financing Working Group or Study Group should be led by an EDAB member representing a local financial institution committed to providing financial services to mid-size (20 - 150 employees) companies, since this size company will benefit the most from direct intervention by the County.
- EDAB should target businesses that are in transition and "at risk" as identified through this study's interviews and additional interviews by others. Direct marketing of EDAB's services through individual phone calls and targeted mailings can educate the "at risk" companies about the programs developed through the Workforce Preparedness Work Group, the Waste and Regulatory Work Group, and the Financing and Siting Services and Facilities studies.

## FOOD MARKET DEVELOPMENT STRATEGIES

Increased markets and demand for their products is the number one reason companies expand. Many of the companies interviewed mentioned that expansion may not occur in Alameda County because of the perceived cost of doing business in the County. Alameda County can encourage businesses to expand here by assisting companies to develop new markets for their products, while at the same time, working to provide cost-effective site services and facilities for redeveloping and expanding food companies.

### **Specific Actions that Alameda County can take to bolster food markets for area companies include:**

#### **1. Locate and Support Entrepreneurial Growth in Sector**

*Objective: Provide Local Companies with New Market Opportunities,  
Assist Local Food Entrepreneurs in Developing Small Businesses*

*Target Businesses: Start-up, small and mid-size companies (1 - 150 employees)*

*Implementation Time Frame: Short to medium term (3 mo. to 2 years)*

In interviews, food industry consultants state that there is a high degree of product development and opportunity for new food businesses in Northern California and the East Bay. From team interviews, many of the local companies view *Northern California as a leading center for food innovation and new product development*. The other areas topping the list as centers for new product development are Chicago and Minneapolis. Unlike the Bay Area, these cities house several large food development/production companies.

In an interview with Richard Stier, a Berkeley-based Food Science Consultant, Stier suggested that part of reason that Bay Area and East Bay food companies play a leading role in the food industry is the industry's connection to the local restaurant business. More local restaurants are selling their own branded products at their sites or, in some cases, through other distribution channels such as department stores, independent grocers, and traditional supermarkets. For example, Bette's Ocean View Diner in Berkeley sells a line of prepared scone and muffin mixes; several of the local artisan bakeries are owned and operated by former dessert and pastry chefs such as SemiFreddie's in Emeryville and Metropolis Bakery in Berkeley.

Many food industry consultants remarked that consumers often identify products made in California with good health. An example of a company that typifies the embodiment of the "California lifestyle" is PowerFoods of Berkeley. The company started producing the PowerBar, a fruit and carob nutrition bar, because its owners were long distance runners and wanted a product that would supply energy during races. As interest in natural, healthy products is growing, locally branded products may have an advantage in gaining credibility and identity in this national market.

A list of initial recommendations follow:

- Locate start-up food companies. By forging alliances with key food product development companies as well as California-based contract packers (manufacturers who produce products for other companies) and by participating in local trade and suppliers shows, Alameda County can locate new food companies.
- Serve as an information clearinghouse for start-up food companies. The first step would be to make new food companies aware of appropriate agencies and entities, both public and private, that are available to assist them. The next step would be to provide information in areas such as financing, regulatory requirements, site assistance, employment training programs.
- Serve as an information clearinghouse for existing food companies. As companies grow, they are at risk of leaving the County or relocating. The Alameda County Food Industry Information Clearinghouse can be the first step in assisting growing companies to ensure that they expand at their existing sites or, if this is not possible, relocate within the County.

## **2. Regional/National Market Development**

*Objective: Provide Local Companies with Marketing Assistance*

*Target Businesses: Small and mid-size companies (10 - 150 employees)*

*Implementation Time Frame: Short to medium term (3 mo. to 1 year)*

The Food Processing Network and EDAB can coordinate with business assistance to provide expert advise to food companies. This assistance may be delivered through a variety of forums, for example:

- Pilot seminars – marketing assistance on issues such as labeling, working with rural co-ops, developing brand identity (Bay Area/Alameda Co.). Seminars should target specific food types, include industry experts, and be marketed through direct mail with direct phone calls to provide additional information.
- Cooperative marketing strategies - Selling Alameda County products or Bay Area products nationally. Berkeley already has a national reputation for gourmet specialty foods. Through cooperative marketing strategies, Alameda County can develop similar recognition.
- One-on-one marketing assistance.

## **3. Export/International Marketing**

*Objective: Increase Export Opportunities for Local Companies*

*Target Businesses: Mid-size companies (20 - 150 employees)*

*Implementation Time Frame: Short to medium term (3 mo. to 1 year)*

While existing nonprofit trade organizations provide valuable information and access to resources for companies committed to pursuing export opportunities, mid-size companies with limited management personnel and uncertainty about the viability of exporting their products appear to need additional assistance. The following are ways that mid-sized food processing companies may be helped:

- The Food Processing Network and EDAB should coordinate with trade organizations to develop a program for companies interested in exporting on a smaller scale than these organizations usually target. The first step would be to develop a list of companies that would be interested in a joint export effort sponsored by the trade organizations and Alameda County and to evaluate the level of commitment each company is ready to make. Example: Group I - Ready to set up an overseas office. Group II - Want to start working with broker to export on a smaller scale. Group III - Interested in selling through catalogs.
- The Food Processing Network and EDAB should also coordinate with the trade organizations to provide information on export to groups by type of food product (i.e., beverages, bakery, confectionery, etc.). This information can be provided in small sessions (approximately 8 - 12 businesses per seminar, 3 hours per session maximum) given by experts and marketed through direct phone invitation and mail.
- The Food Processing Network and EDAB should also encourage Alameda County food processors to participate in export trade shows & groups visiting US. Most of the food companies interviewed did not know about the trips organized by State and Federal trade organizations.
- The Food Processing Network should facilitate connections with “brokers” (industry experts) to reduce the costs to individual companies of breaking into the export trade.

## V. CONCLUSION

As the food processing industry continues to change, so must the model for business-government relationships. In the past, local, state, and national governmental entities have been more likely to place limitations on new business growth through regulations and taxing mechanisms than to provide or enhance governmental services required by a specific industry. Many of the entities governing day-to-day food operations control health and human safety standards. It is likely standards will become more rigorous in the future.

*By having a County staff member who is knowledgeable about the industry available to assist companies who are contemplating changes, EDAB can have a key role in directing the continued health and longevity of the food processing industry within Alameda County. As companies make a marked shift to specialization and higher technology to keep pace with new industry demands, local government will need to have a greater understanding of food industry practices and operations. If changes happen more rapidly, it will be incumbent upon governmental entities to make an on-going commitment to track new developments within this industry.*

To be successful, EDAB should draw upon the wide range of resources available to the industry from both public sector and private investment sources such as Community Bank of the Bay and other local financial institutions and organizations. The business-to-business networks that already exist among local food processing firms through EDAB, if expanded, will be a first step in increasing visibility of the industry. EDAB has a critical role 1) in continuing to raise the visibility of the sector to financial institutions, investors, other governmental entities, as well as industry leaders and 2) in ensuring an ever-widening arena of support for local food companies.

To foster the health of local food processing firms, Alameda County must make certain that there is an employment pool of residents with the necessary skills and education to participate in the growth of the local food processing industry. Furthermore, there will be an increasing need for workers who possess the technical sophistication to be able to function with automated production and distribution systems. In addition, workers will need to have the skills to respond to the anticipated changes in food safety and handling requirements. Finally, business and government must be joined by local educational institutions in the effort to educate and train new workers and in upgrading the skills of existing workers within the industry.

Although the County can be a strong advocate for the local food processing industry, individual companies must be equal participants in the process. As trends in consumer demand continue to drive new business formation, there is a unique opportunity for local food processing businesses that are able to respond to changing markets. Research and interviews show that many of Alameda County's food processing businesses have already begun to serve new markets. Alameda County provides the diversity of consumers that innovative companies need to develop new product lines. A prepared workforce and a government working in partnership will be key to guaranteeing the ability of local food processing firms to continue to succeed.