

# Food Production Has Ample Opportunity to Grow in South County

## MANUFACTURING: Farm-to-Table Cluster Boosts Jobs Near Border



Photo by [Stephen Whalen](#)

Cantaré Foods CEO Olivier Fischer-Morelle says consolidating manufacturing near the U.S.-Mexico border has enabled the company to add 35 jobs, bringing the total to 95 employees.

By [Mike Allen](#)

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Long known as a place where such durable goods as Navy cargo ships and golf clubs are built, San Diego is also home to a growing cluster of food manufacturing and processing companies.

According to a recent study done for the South County Economic Development Council, the region is home to about 550 businesses that are engaged in food manufacturing, distribution and warehousing, and employ about 12,600 people. The study also found 38 of these firms are based in Otay Mesa, near the port of entry at the U.S.-Mexico border, and had a total employment of about 1,540.

Linda Greenberg, a broker with the Colliers International real estate firm and a member of SCEDC's board, which commissioned the study, said the study revealed larger numbers than she had imagined.

“We knew about the biggest companies, but I was surprised about the number of

businesses that the study uncovered,” Greenberg said.

The nonprofit group that promotes the South County region hopes to use the findings to recruit similar food-related businesses and establish some support systems that could help these businesses to expand, and create more jobs.

“When you identify a manufacturing or business cluster, you tend to be able to grow it,” Greenberg said.

While manufacturing jobs in San Diego have been waning for decades, in Otay Mesa the making of food products is clearly on the rise.

### **Region Attracts Large Plants**

Within the past three years, several large production plants relocated to the area, including Cantaré Foods, a maker of cheeses, baked goods and salads, and Circle Foods LLC, a maker of tortillas and frozen Mexican products.

In 2007, Cantaré moved into a new building not far from the border. It has since expanded that facility to 72,500 square feet. “We spent between \$10 million to \$15 million including equipment to come here,” said Olivier Fischer-Morelle, Cantaré’s chief executive officer.

Cantaré previously operated at two plants, in Miramar and Irwindale. Since relocating it added some 35 jobs to bring the total to 95, Fischer-Morelle said.

One of the key reasons behind Cantaré’s move was to consolidate operations under a single plant with the latest machinery for creating products sold to such major retailers such as Costco Wholesale Corp., The Kroger Co. including Ralphs supermarkets, and Albertsons, Vons and Trader Joe’s.

It also took advantage of a state industrial bond program that allowed the company to borrow about \$10 million at below-market rates. Fischer-Morelle said the interest on the funds is now about 3 percent.

Since his family acquired the business in 1992, Cantaré’s sales have increased tenfold, from about \$2 million to more than \$20 million, Fischer-Morelle said.

### **Family Business Thrives**

Circle Foods is another food-processing business that consolidated in Otay Mesa from two locations in San Diego and Chula Vista.

Dan Redfern, Circle’s chief financial officer, said the company formerly owned by several families “is a clear example of a family business that got too big.”

In 2007, Claridge Food Group, a Montreal-based private equity firm, purchased the business for an undisclosed price and decided to build a new plant.

In 2009, Circle moved into a new customized plant in Otay that has about 160,000 square feet. The plant produces two main product lines, uncooked tortillas, and frozen Mexican foods such as burritos, quesadillas, tamales and taquitos.

Circle works with national and local distributors, and sells under major store labels and brand names that include Tortilla Land, La Terra Fina, and Nuevo Grill. Among the retailers carrying its products are Costco, Wal-Mart Stores Inc., Vons and Trader Joe's, says Dante Vasquez, Circle's director of human resources.

Circle's most recent head count was about 425, but during the holidays it ramps up staffing to handle increased production of such items as brie in brioche. Redfern said sales grew last year "in the low single digits," but that was fine compared to the declines experienced by many other businesses.

"Our business is good," he said. "When you can grow at the same time that a lot of people didn't, you feel good about it."

Delimex is the largest food-processing plant in Otay Mesa when measured by staff, with some 500 workers, according to a spokeswoman for Heinz North America, which acquired the business in 2001.

"While we don't disclose specific sales information, Delimex sales are meeting our expectations and it continues to be one of Heinz's top 15 global brands," said Jessica Jackson of H.J. Heinz Co. in Pittsburgh.

At the time it was acquired, Heinz said Delimex did more than \$150 million in revenue in 2000.

### **Passing the Produce Along**

In addition to about seven larger food-processing companies, the Otay region is also home to a large number of produce importers and other types of food wholesalers, many of which get their fruit and vegetables from farms in Baja California and other parts of northern Mexico.

Organics Unlimited imports tropical fruit such as bananas, coconuts and pineapples from Mexico and Ecuador. The business niche is organically grown fruit that is free of chemicals and pesticides, and an increasing choice of many Americans, said CEO Mayra Velazquez de Leon.

The 10-year-old business sells to a variety of distributors, some of which are based in the vicinity. Organics Unlimited, with 10 employees, also provides refrigerated storage to

other wholesalers at times when it has excess space.

Refrigerated warehouse storage is the sole focus of yet another food-related business in the area called Innovative Cold Storage Enterprises Inc. The refrigerated warehouse was built in the late 1990s to handle the ever-increasing inventory of Delimex and other food companies in the area. Last year, Innovative completed a 125,000-square-foot refrigerated warehouse near the original warehouse as a result of the growing food business in the Otay area.

Throughout San Diego County, the EDC study found there were 558 businesses connected to food manufacturing, wholesaling and food storage, with a total employment of 12,630 workers.

In Otay Mesa, the study found there were seven manufacturers, 30 distributors, and one storage business. The manufacturing segment was the biggest in terms of employees, with 1,023 workers who generated an aggregate annual payroll last year of \$41.5 million, the study found.

There is definitely room to improve those numbers, especially if more suppliers and vendors to the food businesses set up shop in the Otay area, says Cindy Gompper-Graves, chief executive of the SCEDC.

“The idea is that many of them are likely buying many of the commodities and services they are using from outside the county when much of the stuff they need may be right here,” she said.

If the food manufacturers were to get the majority of their supplies and services from local sources, the segment could increase by about 430 jobs, and boost local payrolls by about \$25 million, the EDC study estimated.