

# Recipe for growth

Otay Mesa's infrastructure, zoning and financial advantages have civic leaders promoting it as a center for food production

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At Cantare in Otay Mesa, Lilliana Morales (left) and Mary Huerta place packaged mozzarella into shipping boxes. Cantare's arrival last year got civic leaders thinking of attracting more food production.



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At Cantare, a worker loads blocks of curd into a machine. The food factories provide a variety of jobs.



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At Cantare in Otay Mesa, fresh mozzarella comes off the molds during production. Betty Hernandez collects the cheese exiting from the cooling section of the production line. There are now seven food factories in Otay Mesa.

**OTAY MESA** — When you walk into Olivier Fischer-Morelle’s factory in Otay Mesa, the first thing that strikes you is the smell.

Not the smell of sweat, grease or welding sparks, which might hit your nose in other factories.

Instead, hints of fresh mozzarella and newly chopped olives, mixed in with whiffs of tomatoes and basil, waft through the Cantare plant, the only cheese factory operating in San Diego County.

With Cantare’s arrival last year, there are now seven food factories in Otay Mesa, with 1,020 workers, generating \$41 million in payroll and \$184 million in economic activity per year, according to a recent report by the San Diego Association of Governments, or SANDAG.

Despite the recession, some of the companies are expanding. And that has given local civic leaders the idea that Otay’s vast array of industrial parks and warehouses can be transformed into a bustling food production mecca, tying food factories, refrigerated warehouses and distribution lines into a unified network that could draw even more food producers — and jobs — to the area.

“These companies are creating jobs in South County,” said Ben Hueso, who heads the San Diego City Council. “When you look at the outflow of employees in the mornings going north on the I-5 and I-805, it’s obvious we need jobs in South County so we can retain that skill set here, and citizens can enjoy a better quality of life with less time spent on the road.”

Linda Greenberg, a commercial property specialist with Colliers International Real Estate, said that so far, the growth in food processing has happened “purely through serendipity, without anyone recognizing the growth that was happening in the area.”

But with some planning and coordination, local business leaders believe the food processing sector could grow far beyond its current size.

The SANDAG report — done on behalf of the South County Economic Development Council — suggests that if the food companies just buy more of their goods locally and encourage workers to spend more of their money locally, the economic impact of the factories could nearly double, creating 810 more jobs with \$42 million more in payroll and generating an additional economic impact of \$123 million.

Some of the companies are already growing. Tortilla maker Circle Foods doubled its production capacity last year with a state-of-the-art factory and a promise to hire 30 to 50 more workers. Mayor Jerry Sanders and Seagram heir Stephen Bronfman, who owns the company, showed up at the ribbon-cutting for the new facility in Otay's Siempre Viva Business Park. Eric Brenk, the company's general manager, said the facility would be "the cornerstone for our continued growth, giving us the increased size and the latest, most innovative equipment to drive all parts of our business forward,"

Other companies include S&S Bakery, which opened a 3,500-square-foot plant in Otay Mesa in 2003 after growing out of its much-smaller facility near downtown San Diego, and Delimex, a homegrown Mexican frozen food company that spent \$19 million on a state-of-the-art facility in Otay Mesa before being acquired by Heinz in 2001.

But it was the arrival last year of Cantare that caused civic leaders to start considering whether the area could be turned into a real hub for food processing, Greenberg said.

Fischer-Morelle said he was drawn to Otay Mesa by a package of tax incentives, a large labor pool, the ability to tap into industrial development bonds and room for expansion.

"Before we moved here, we had three facilities spread out over a 200-mile range in Southern California," Fischer-Morelle said. "Now we're able to do everything under one roof in a way that's virtually integrated."

In one of the central production areas of the factory, a set of boat-shaped vats rocks 1,200 gallons of cheese back and forth to separate the solid curds from the liquid whey.

Thick chunks of curd are then loaded into a machine that heats them to 140 degrees, pulls them like taffy, molds them into balls and sends them into a lazy river where they are cooled down to 40 degrees to create a firm outer skin.

Other rooms in the factory are devoted to such specialties as frozen quiches and prepackaged salads.

Fischer-Morelle said he's confident his company will continue to grow, thanks to deals with such retail chains as Trader Joe's and Costco. But if countywide trends are any indicator,

Otay Mesa could face some headwinds as it tries to build a new industrial base centered on food.

Like most manufacturing sectors in San Diego County, the local food processing sector has been on a decline for more than a decade. The total number of food processing companies in the county has dwindled from 291 in 1995 to 174 today. Employment in the sector peaked at 5,740 workers in 2001 and has since dropped 25 percent to 4,305 today.

Those numbers don't keep Cindy Gompper-Graves, the development council's executive director, from thinking Otay Mesa could buck the trend. She said that even if food processing has been declining in the county as a whole, it has been growing in Otay Mesa, thanks to the community's favorable characteristics.

One of the area's biggest draws is its dual status as a California Enterprise Zone and Foreign Trade Zone.

In an enterprise zone, companies can qualify for tax credits for hiring local employees or buying equipment and can also accelerate their expense deductions, get lower interest payments on loans and qualify for low-interest bond financing.

Due to the state's budget-wrangling, there are some moves afoot in Sacramento to alter some of those benefits, but Fischer-Morelle said those benefits were definitely a factor in his decision to move from his previous headquarters in Orange County to Otay Mesa. Among other things, his company qualified for a \$10 million bond to help pay construction bills.

Otay Mesa's Foreign Trade Zone status cuts the tariffs of goods being purchased from abroad. That's particularly helpful for the 30 food wholesalers in Otay Mesa, many of which buy produce from suppliers in Baja California and western Mexico and then sell it to other wholesalers in the United States.

Gompper-Graves said one of her goals is to build stronger relationships between the food factories, the wholesalers and refrigerated warehouses. "Once we've helped build those connections, that might help us attract larger distributors and manufacturers," she said.

Unlike the high-tech and biotech clusters in other areas of the county, many of the jobs in the food factories are for low-skilled, low-paid workers. The production, sales and transportation workers at the factories get paid between \$18,000 and \$34,000 per year, according to the SANDAG report.

But Gompper-Graves said that even the low-paying jobs are important at a time of sky-high unemployment in South County. The jobless rate in nearby Chula Vista in June was 11.7 percent, compared to the countywide rate of 10 percent.

In addition, there are some higher paying job opportunities at the factories, including jobs for biologists and quality assurance workers. The professional and technical jobs range from \$46,482 to \$67,212, while management earns \$72,716 to \$150,162.

Fischer-Morelle said that while he thinks the council's idea of creating networks between factories and distributors has some promise, the program that he thinks is most useful now is a project involving the council and Southwest College to train students in some of the technical aspects of food production.

"I've had no problem finding factory workers, but some of the jobs on the tech side are harder to fill," he said.

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