

ECONOMIC LOSSES

FROM SUSPENDING PORK PROCESSING AT THE WORTHINGTON, MINNESOTA PLANT

WEEKLY ECONOMIC IMPACT OF SUSPENDING PRODUCTION WHILE STILL PAYING EMPLOYEES AT THE COMBINED SLAUGHTER AND PROCESSING PORK PLANT IN WORTHINGTON, MINNESOTA:

Suspending production at the combined slaughter and processing pork plant in Worthington, Minnesota (Nobles County) while employees continue to be paid would generate the following estimated weekly net economic impact. The Nobles County combined slaughter and processing pork plant was assumed to operate 5.4 days per week and have a capacity to slaughter 113,400 head of pigs per week¹. The plant directly supports 2,000 jobs. Nobles County was estimated to have a population of nearly 22,000² according to the U.S. Census Bureau in 2019. For further details on the assumptions used to get results, please see background on the next page.

WEEKLY NET ECONOMIC IMPACT OF SUSPENDING PRODUCTION WHILE PAYING EMPLOYEES

LOSS OF

2,509 JOBS

\$2.1 Million

LABOR INCOME

\$4.7 Million **VALUE-ADDED**

\$35.3 Million **SALES**

WEEKLY NET ECONOMIC IMPACT OF SUSPENDING PRODUCTION AND PAYING EMPLOYEES³

Impact Type	Jobs	Labor Income	Value-Added	Sales
Direct Effect	0	(\$0.0 M)	(\$1.0 M)	(\$25.2 M)
Indirect Effect	(2,225)	(\$1.9 M)	(\$3.3 M)	(\$9.4 M)
Induced Effect	(284)	(\$0.2 M)	(\$0.4 M)	(\$0.7 M)
Total Effect	(2,509)	(\$2.1 M)	(\$4.7 M)	(\$35.3 M)

WEEKLY STATE & LOCAL TAXES PAID

Event	Taxes
Suspending Production	(\$593,958)
Paying Employees	\$73,337
Net of Both Effects	(\$520,621)

WEEKLY FEDERAL TAXES PAID

Event	Taxes
Suspending Production	(\$968,657)
Paying Employees	\$318,728
Net of Both Effects	(\$649,929)

WEEKLY TAXES PAID (NET EFFECT)

Jurisdiction	Taxes
State and Local	(\$520,621)
Federal	(\$649,929)
Total	(\$1,170,550)

¹<https://www.pork.org/facts/stats/u-s-packing-sector/>

²<https://www.census.gov/quickfacts/noblescountyminnesota>

³Totals may not sum due to rounding

WEEKLY ECONOMIC IMPACT OF SUSPENDING PRODUCTION AT THE PORK SLAUGHTER PROCESSING PLANT IN WORTHINGTON, MINNESOTA: As the plant does continues to sit idle a series of economic activities that typically take place in Nobles County also stop. This weekly impact shows the effect of the Worthington, Minnesota combined slaughter and processing pork plant no longer existing in Nobles County.

WEEKLY ECONOMIC IMPACT OF SUSPENDING PRODUCTION				
Impact Type	Jobs	Labor Income	Value-Added	Sales
Direct Effect	(2,000)	(\$2.6 M)	(\$3.6 M)	(\$27.8 M)
Indirect Effect	(2,225)	(\$1.9 M)	(\$3.3 M)	(\$9.4 M)
Induced Effect	(642)	(\$0.5 M)	(\$0.8 M)	(\$1.6 M)
Total Effect	(4,867)	(\$4.9 M)	(\$7.8 M)	(\$38.7 M)

WEEKLY TAXES LOST FROM SUSPENDING PRODUCTION	
Jurisdiction	Taxes
State and Local	(\$593,958)
Federal	(\$968,657)
Total	(\$1,562,615)

WEEKLY ECONOMIC IMPACT OF CONTINUING TO PAY EMPLOYEES AT THE PORK SLAUGHTER PROCESSING PLANT IN WORTHINGTON, MINNESOTA: The plant has continued to pay employees even though production has stopped, generating a positive economic impact. In addition to the 2,000 positions that have a direct effect from being paid there also is an induced effect that happens as those employees spend their wages in the community on food, entertainment and other activities.

WEEKLY ECONOMIC IMPACT OF CONTINUING TO PAY EMPLOYEES				
Impact Type	Jobs	Labor Income	Value-Added	Sales
Direct Effect	2,000	\$2.6 M	\$2.6 M	\$2.6 M
Indirect Effect	0	\$0.0 M	\$0.0 M	\$0.0 M
Induced Effect	358	\$0.3 M	\$0.5 M	\$0.9 M
Total Effect	2,358	\$2.9 M	\$3.1 M	\$3.5 M

WEEKLY TAXES PAID FROM CONTINUING TO PAY EMPLOYEES	
Jurisdiction	Taxes
State and Local	\$73,337
Federal	\$318,728
Total	\$392,065

BACKGROUND: A combined slaughter and processing pork plant causes a measurable increase in economic activity within Nobles County, Minnesota through the operations of the plant. Common measures of economic activity are: Employment (jobs), Labor Income, Value-Added and Output (sales). When a meat processing plant that also slaughters suspends production, but still pays employees, this causes a series of economic activities (impacts) to stop. For this summary, the net economic impact was broken into two events: suspending production (weekly impact) and paying employees of the plant (weekly impact). The magnitude of these economic activities is largely related to the presence of industries which supply the needed inputs for a packing plant.

To arrive at the net effect of suspending production while still paying employees at the pork slaughter processing plant in Worthington, Minnesota, we used the following basic assumptions: 1) Suspending production assumes a negative impact, but as the plant continues to pay employees this would soften some of the impact from suspending production; 2) Only employee compensation was included in the impact of paying employees while proprietors income was excluded; 3) Labor income, value-added, and sales impacts are shown on a per week basis (52 weeks per year); 4) Employment impacts shown are one-time impacts and are not additive for each week the plant is closed; 5) All dollars are reported in 2020 dollars.

The operations of a pork processing plant that slaughters require purchases of pigs, equipment, chemicals, professional services and purchases of many other inputs to produce pork for sale. The direct purchase of supplies and equipment are known as *direct effects*. The suppliers and vendors used by the pork processing plant then must purchase inputs to support the pork processing plant operations; these are known as *indirect effects*. Those who work in the pork processing plant and for the suppliers and vendors then use their additional income to make household purchases; these are known as *household or induced effects*. Taken together, the sum of direct, indirect and induced effects are known as total effects and accounts for the total multiplier effect present from the operations of the pork processing plant.

ADDITIONAL DETAILS on methodology may be obtained through communication with the study's author, Decision Innovation Solutions (info@decision-innovation.com)