

## ECONOMIC EMERGENCY PROGRAM

# City of Ada Elevator

On Thursday, January 3<sup>rd</sup>, a fire broke out at the Triple Crown Nutrition elevator in Ada. The result of the fire was the destruction of the 10-story elevator and an adjacent building. Other buildings on the site, including a recently expanded storage facility, were spared from the blaze. The City of Ada and the Triple Crown Nutrition company must now make a series of decisions to determine the future of the facility. That future will have an effect on the economy of the City of Ada and Norman County. In response, University of Minnesota Extension has prepared this economic emergency report. This report is presented in partnership with EDA Center at the University of Minnesota-Crookston.

### WHAT IS AN ECONOMIC EMERGENCY?

Communities often face a sudden and unanticipated change in their local economy. A major employer announces its reducing its workforce, a fire destroys an operating facility, or a flood damages downtown. In these situations, communities often need to make quick, but important, decisions about how to react. They work closely with the local business(es) affected and work to help the business(es) and community recover.

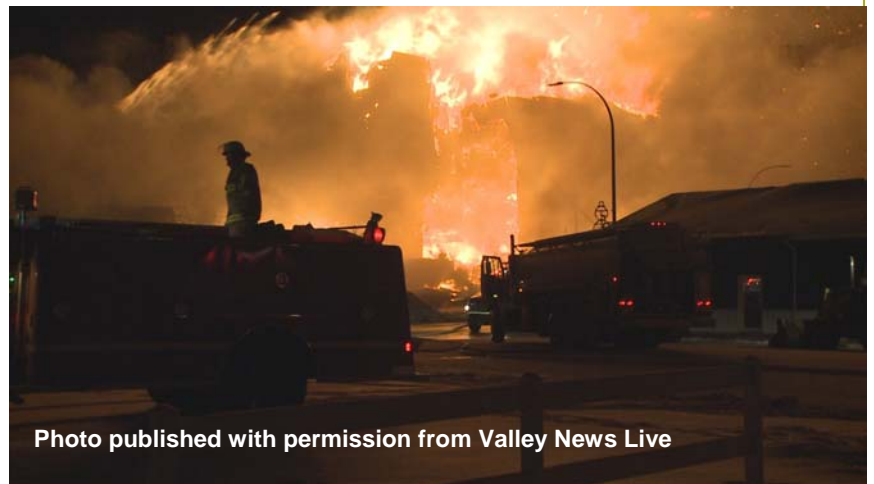


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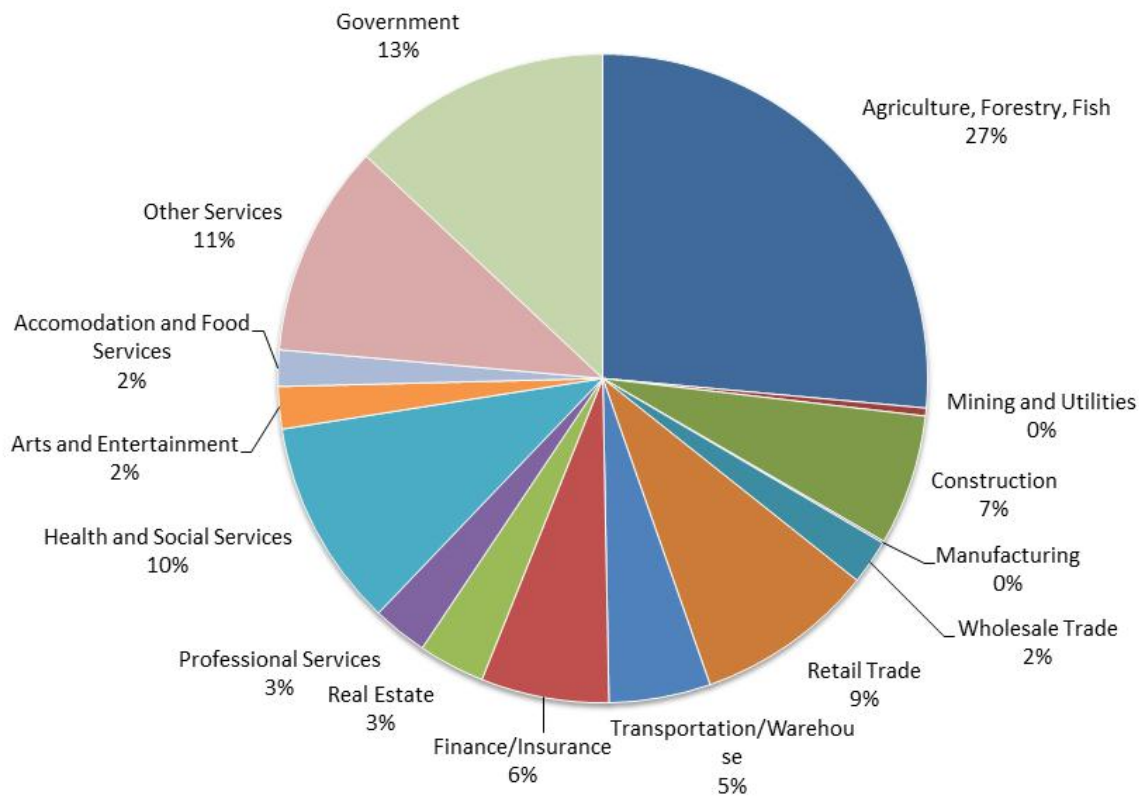
The University of Minnesota economic disaster program is designed to provide community leaders with information to assist in making decisions regarding the community's future. Information from the IMPLAN (MIG, Inc) model is used in this analysis.

### CURRENT ECONOMY

In 2010, there were 4,100 jobs in Norman County. The agriculture, forestry, fishing, and hunting industry employs 1,100 of those workers, or approximately 27 percent of all jobs, thus making it the largest single industry in terms of employment (see chart 1). The service industry collectively employs 37 percent of all individuals with jobs in Norman County. The largest single service industry is health and social services. Retail trade employs 9 percent of the working population in the county. In the IMPLAN model, one job is one job regardless if the job is full-time, part-time, or seasonal.

The Triple Crown Nutrition elevator in Ada is classified as a “wholesale trade” business. Wholesale trade in Norman County employs 92 people. The 12 employees at the Ada elevator represent 13 percent of the jobs in that industry.

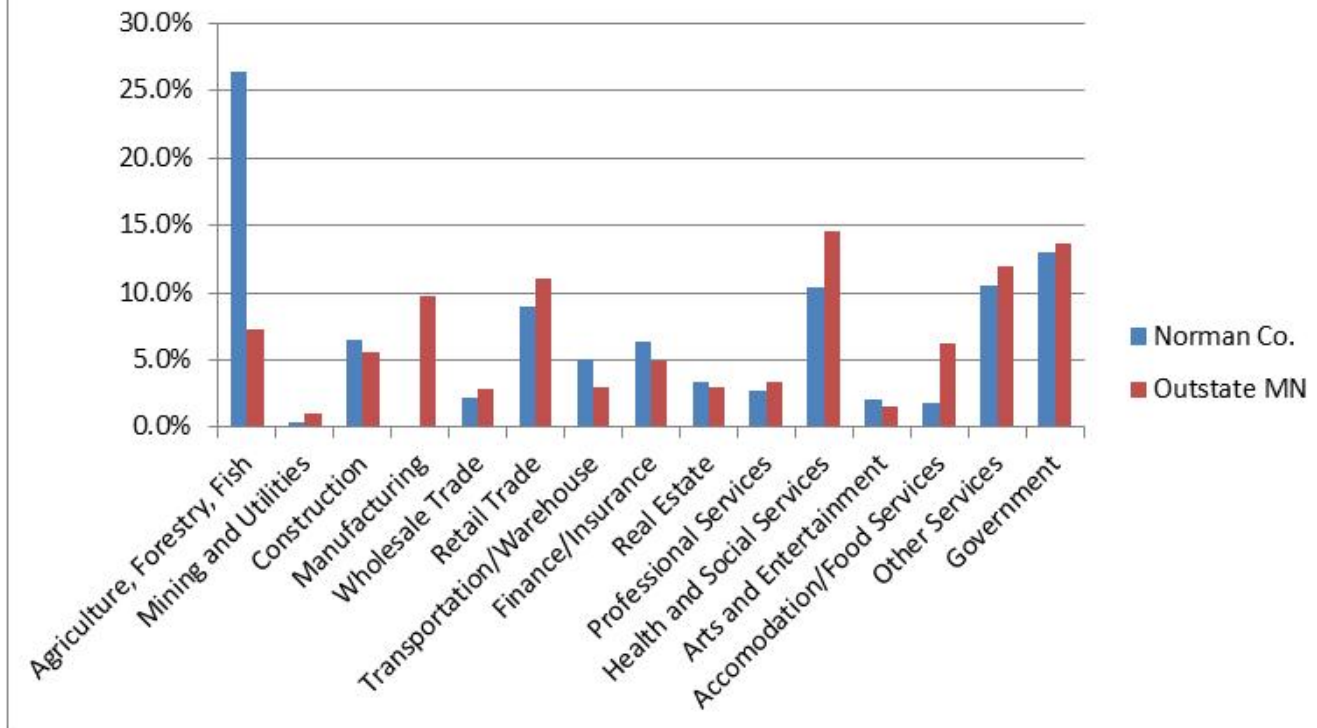
**Chart 1: Employment by Industry, Norman County 2010**



The economy of Norman County looks different than your average outstate Minnesota county. See chart 2. Norman County is far more dependent on the agriculture, forestry, fishing and hunting industry for employment than its counterparts. The share of employment in the manufacturing sector is significantly lower than the average county in Minnesota. Employment share in the wholesale trade industry in Norman County is approximately the same as in an average Minnesota county.

According to the IMPLAN database, the average wage in Norman County is \$30,500. The average wage of the wholesale trade industry is \$53,200.

**Chart 2: Employment by Industry  
Norman County Versus Outstate Minnesota  
2010**



**ECONOMIC IMPACT OF ADA ELEVATOR**

The Triple Crown Nutrition facility in Ada, Minnesota employs 12 individuals. The elevator facility is classified as a wholesale trade business. According to the model used in this analysis, 12 employees in the wholesale trade industry in Norman County produce an estimated \$1.8 million in economic activity in the county. These employees are paid an estimated \$678,000 in labor income or approximately \$56,500 per year<sup>1</sup>. See table 1. One job is one job in the model. Given these relatively high wages, one can assume the elevator jobs are full-time, year-round positions. This average wage is also well above the county average of \$30,500.

Production at the elevator generates additional economic activity in the county as a result of the elevator making purchases in the local economy. When the elevator makes purchases of inputs and supplies in the local economy, this creates indirect, or business-to-business impacts. When elevator employees make purchases in the local economy, this creates induced, or consumer-to-business impacts. The indirect and induced impacts are shown in table 1. As a result of local purchases from other businesses, the Triple Crown Nutrition elevator generates an estimated \$217,600 in additional output, 2 jobs, and \$54,600 in labor income in Norman County. As a result

<sup>1</sup> Total output, labor income, and wage per job are estimates from the IMPLAN model based on secondary data and industry averages. They have not been verified or confirmed by the Triple Crown Nutrition facility.

of Triple Crown Nutrition employees spending their wages in the county, the Triple Crown Nutrition elevator generates an estimated \$271,600 in additional output, 2 jobs, and \$63,800 in labor income.

In total, the Triple Crown Nutrition elevator located in Ada, Minnesota contributes an estimated \$2.3 million in output to the Norman County economy. This includes an estimated 16 jobs and \$796,610 in labor income. In other words, if the Triple Crown Nutrition elevator in Ada were to cease all operations, a total of 16 jobs in the Norman County economy would be affected. The direct loss of 12 jobs in the plant would result in \$678,000 in lost wages to be spent in the county. An additional 4 jobs would see a reduction in their hours and in pay equal to \$118,630.

	Direct	Indirect	Induced	Total
	At the Elevator	Business-Business	Consumer-Business	
Output	\$1,818,683	\$217,620	\$271,635	\$2,307,939
Employment	12	2	2	16
Labor Income	\$678,251	\$54,562	\$63,798	\$796,610
Average Wage				

Estimates by University of Minnesota Extension Center for Community Vitality

The model can also provide estimates of the industries in Norman County that will feel the largest magnitude of impacts from changes at the Triple Crown Nutrition elevator. In terms of employment, the largest indirect and induced impacts will be in the following industries:

- Couriers and messengers
- Nondepository credit intermediation and related services (commercial lending)
- Nursing and residential care facilities
- Offices of physicians and dentists

Impacts in the couriers and messengers industry and the nondepository credit intermediation industry reflect the indirect impacts of the elevator making local purchases. The nursing and residential care facilities industry and offices of physicians and dentists impacts reflect the induced impacts related to lost wages.

In terms of output, the largest indirect and induced impacts will be in the following industries:

- Imputed rental activity for owner-occupied dwellings (proxy for the housing market)
- Nondepository credit intermediation and related services
- Telecommunications
- Real estate establishments

The largest losses measured in output will be in the housing and real estate market, in banking, and in the telecommunications industry in Norman County.

### **IMPACTS OVER TIME**

The Triple Crown Nutrition elevator is currently closed as a result of the fire. In the short-term, the economic impact will depend on how the company reacts. If a portion of the facility remains open and some of the workers remain employed, then the impact of the loss will be mitigated. If the company continues to pay workers in the short-term, even if they are not working, then the consumer-to-business impacts will be mitigated.

In the longer-term, if the plant closes completely, then Norman County can expect the shock predicted above. If company rebuilds the facility, spending the insurance money locally, then in the long-term this could be a positive economic impact for the county.

### **PREPARED BY**

Brigid Tuck (Analyst), Rani Bhattacharyya (Extension Educator), and Neil Linscheid (Extension Educator).