
Estimated Economic Impact of DoRan Sea-Pak, LLC

On Tangipahoa Parish, the
Northshore Region, and the
State of Louisiana

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The Southeastern Louisiana University Business Research Center (BRC) is jointly operated by the Southeast Louisiana Business Center and the Southeastern College of Business. The BRC provides applied economic analyses and research studies that aid business and economic development efforts for the five-parish Northshore region of southeast Louisiana. The Center represents one aspect of the University's commitment to economic development in the region.

The Center is located in the Southeast Louisiana Business Center on Martens Drive, two blocks west of the main campus of Southeastern Louisiana University. The Business Research Center is a proud member of the Association for University Business and Economic Research (AUBER) and the Council for Community and Economic Research (C2ER).

The following study was conducted using generally accepted research methods, models and techniques.

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Sincerely,

A handwritten signature in black ink that reads 'William Joubert'.

William Joubert
Director
Business Research Center

Southeastern Louisiana University Business Research Center
*A Collaborative Effort of the Southeast Louisiana Business Center and
the Southeastern Louisiana University College of Business*

Introduction

DoRan Sea-Pak, LLC (DoRan) is a privately-owned seafood processing company located in Independence, Louisiana (Tangipahoa Parish). The company, which began operations in April 2007, purchases fresh shrimp from Gulf of Mexico shrimpers (primarily in Louisiana) and produces various forms of frozen shrimp for private label customers.

Analysis Methodology

This analysis utilized the input-output method to estimate the economic impacts of DoRan's operations on the Tangipahoa Parish and Louisiana economies. The input-output method is based on the economic linkages between various sectors and industries, which cause every dollar of expenditures to "ripple through" the study area's economy. This results in expenditures being "multiplied" to various degrees, causing a larger economic effect than the original amount of the expenditure. These "ripple" or "multiplier" effects continue to contribute to the economic impact of the expenditure until the effects leave the study area or become too small to measure.

The total economic impact of a company, industry, event, or project consists of *direct*, *indirect*, and *induced* effects. *Direct* effects are the immediate effects on business activity in the area occurring as a direct consequence of the company, industry, event, or project being studied.

Indirect effects occur in sectors that supply materials, goods, and services to the directly-affected businesses. For example, a landscaping contractor hired by the company under study is *directly* impacted by expenditures of the company. Plant nurseries which provide plants to the landscape contractor are *indirectly* impacted, when the landscaper purchases plants to use at the subject company's facilities. In turn, businesses that provide goods and services to the plant nurseries are indirectly impacted from the increased activities of the nurseries. These indirect impacts continue to contribute to the economic impact until the subsequent expenditures become too small to measure or leave the study area, e.g. if the plant nursery purchased their potting soil from outside the study area, that portion of the impact chain would stop. However, other expenditures by the nursery, such as fuel and maintenance for greenhouses, may continue to accrue to the study area.

Induced effects are created by the increase in consumer spending generated by increased payrolls in the directly and indirectly impacted industries. In the example above, the company under study has employees and their associated wages, the landscape contractor will hire employees (or increase the work hours of existing employees) to handle the work at the subject company's facilities, and the plant nurseries will hire workers to produce the plants for the landscape contractor. All of these employees in the various industries will then spend their wages on food, housing, entertainment, etc., creating further economic benefits in the region. The sum of all of the impacts deriving from increased payroll spending is the induced effect.

The sum of the direct, indirect, and induced effects represents the total economic impact. The total economic impact divided by the direct effect yields the economic impact *multiplier* of the company, industry, event, or project in question. In most cases, the multiplier will be between 1.0 and 2.0.

IMPLAN Professional 2.0[®] software and structural matrices (Minnesota IMPLAN Group) were utilized to complete the analysis of estimated economic impacts of DoRan Sea-Pak's operations on Tangipahoa Parish and the state of Louisiana. RIMS II (Bureau of Economic Analysis) multipliers for the north shore region and the state of Louisiana were also used to generate impact estimates for comparison.

Data and Assumptions

This input-output analysis was based on income and expenditure data provided by DoRan management for their fiscal year which ran from May 1, 2007 – April 30, 2008. DoRan segregated their expenditures into three categories – those to firms or individuals in Tangipahoa Parish, those to firms or individuals in other Louisiana parishes, and those expenses to out-of-state entities. When all expenditures were summed together, approximately 17% of DoRan's expenditures were to persons or entities within Tangipahoa Parish, approximately 79% to other parishes within Louisiana, and approximately 4% to out-of-state entities.

The expenditure data was used to modify both the production function for IMPLAN Sector 71 – "Seafood Product Preparation and Packaging" – and certain Regional Purchase Coefficients (RPCs) within the IMPLAN model to more accurately reflect DoRan's business model.

RIMS II calculations and the resulting estimates were adjusted to account for differences in DoRan's expenditure patterns and the "standard" production function used to develop the RIMS multipliers.

Estimated Economic Impact on Tangipahoa Parish

Because detailed expenditures by category were available, as well as the actual amount of expenditures within Tangipahoa Parish, the Tangipahoa Parish economic impact estimates were developed utilizing the IMPLAN model for Tangipahoa Parish and a "bill of goods" approach. Under this approach, expenditures within Tangipahoa Parish were allocated to representative sectors and run through the impact model for those particular sectors. The results are shown in Table 1.

Table 1. Estimates of DoRan Sea-Pak, LLC's economic impacts on the economy of Tangipahoa Parish -- May 1, 2007 through April 30, 2008	
	Impact Estimate
Total Economic Impact	\$11,571,939
Earnings Impact	\$1,173,454
Number of Full and Part-Time Jobs Supported for 1 year	76.7

Estimated Economic Impact on the Northshore Region of Louisiana

Economic impacts typically increase as the size of the study area increases, both because a greater share of the direct expenditures usually occur in the larger area, plus the indirect and induced effects circulate longer in the larger economy before leaking out.

Estimates of DoRan's impact on the Northshore were calculated using RIMS II multipliers for the 5-parish region. DoRan's revenues were segmented into multiple sectors to reflect the particular characteristics of their expenditures.

Estimates of DoRan's impacts on the Northshore economy are detailed in Table 2.

Table 2. Estimates of DoRan Sea-Pak, LLC's economic impacts on the economy of the Northshore Region -- May 1, 2007 through April 30, 2008	
	Impact Estimate
Total Economic Impact	\$14,144,909
Earnings Impact	\$1,961,027
Number of Full and Part-Time Jobs Supported for 1 year	96.5

Estimated Economic Impact on the State of Louisiana

As discussed above, impacts typically increase as the size of the study area increases. This can be seen in a comparison of the estimated impacts on the Northshore (Table 2) and Tangipahoa Parish (Table 1). As the study area is expanded to the state as a whole, this trend would be expected to continue.

In DoRan's case, 95% of their raw seafood purchases occur within Louisiana, but none within Tangipahoa Parish (and few, it was assumed, in the other Northshore parishes). Therefore, DoRan's seafood purchases directly impact Louisiana's economy, but not those of Tangipahoa Parish or the Northshore region.

The expansion of the study area and the DoRan-specific expenditure characteristics resulted in much larger estimated impacts for the state than for the parish or region (Table 3).

The estimated state impacts were calculated using two methods – the IMPLAN model and the RIMS II multipliers for the state of Louisiana (both modified for DoRan's expenditure patterns). These somewhat different estimates can be viewed as a range which should include DoRan's actual impact.

Most of the increase in the number of jobs supported (compared to the parish or region) can be attributed to jobs in the commercial fishing sector, supported by DoRan's purchases of raw shrimp from Louisiana shrimpers.

	IMPLAN Estimates	RIMS II Estimates
Total Economic Impact	\$18,920,044	\$18,193,421
Earnings Impact	\$3,569,557	\$4,584,516
Number of Jobs Supported	206.4	177.8

Conclusions

Using income and expenditure data provided by DoRan Sea-Pak, LLC for the period May 1, 2007 – April 30, 2008, DoRan's operations for that fiscal year were estimated to have total economic impacts of approximately \$11.6 million on Tangipahoa Parish, \$14.1 million on the Northshore region, and \$18.2 to \$18.9 million on the state of Louisiana.

Earnings impacts were estimated to be \$1.2 million in the parish, \$2.0 million in the Northshore region, and \$3.6 to \$4.7 million for the state.

The number of full and part-time jobs supported for one year were estimated to be approximately 77 for the parish, 96 for the region, and 178 to 206 for the state as a whole.