

# A hearty appetite

## The local food and beverage industry grows despite the recession

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Raise a glass — or fork — to Lane County’s food and beverage manufacturers.

They were among just a few sectors that actually added jobs in this latest deep and punishing recession.

They managed to create 189 jobs between 2007 and 2009, while Lane County manufacturers overall lost 7,345 jobs, according to the state Employment Department.

Some of that strength was from local dairies, bakeries and producers of other staples that people eat in both good economic times and bad. But it took more than bread and butter to carry food and beverage manufacturing through a recession that decimated many other industries.

It took skilled and enthusiastic wine and beer makers; food manufacturers with a national reputation as trailblazers in organic and natural foods, and innovators in the emerging, fast-growing markets of dairy-free and gluten-free foods.

Two Lane County companies now are the national pacesetters in a dessert category they pioneered.

“Turtle Mountain and Luna & Larry’s lead the dairy-free frozen novelties and desserts segment, with coconut-based products,” global market research firm Mintel International Group, wrote in an October 2010 report.

Turtle Mountain has headquarters in Eugene and factories in Springfield, and Luna & Larry’s was founded by Eugene couple Luna and Larry Kaplowitz and now is owned by Lochmead Dairy, which is based in Junction City.

More than 12 million people in the United States have food allergies; 30 to 50 million are lactose intolerant; an estimated 3 million have celiac disease and 40 million don’t have celiac disease but are gluten intolerant, the Mintel report said.

More and more products are being developed to serve these consumers, and sales of dairy-free, gluten-free products are burgeoning. Sales of labeled “free-from” products in natural food stores jumped 31 percent — to \$276.4 million — from June 2008 to June 2010, and with incidences of

food allergies and intolerances on the rise, this category should continue to enjoy strong growth, the Mintel report said.

“We’re optimistic,” said Chris Turek, Turtle Mountain marketing services manager. “We think there’s always going to be demand for high-quality and all-natural dairy-free products because people are becoming more attuned to what they eat and how that affects their well-being.”

Turtle Mountain, which is owned by founder Mark Brawerman, doesn’t disclose financial figures, but sales rose during the recession, primarily from its coconut-based “So Delicious” milk, creamer, yogurt and frozen desserts, Turek said. Turtle Mountain’s sales so far this year are up 20 to 30 percent from the same period last year, Turek said.

Now with 109 employees in Lane County, Turtle Mountain’s work force doubled in 2008 when it began making frozen desserts at a 50,000-square-foot plant at 1100 Shelley St. in Springfield. That work previously was done by various processors nationwide through “co-packing” arrangements.

Another local manufacturer of sweets, Chocolate Decadence, which makes dairy-free, gluten-free dark chocolate, has zeroed in on the rapidly growing “free-from” market.

“I am riding that wave,” said Larry Bradley, who bought the business from its founder seven months ago.

The company has grown from three employees to 11. Sales from February 2010 to February 2011 were up 60 percent, he said, and Bradley projects 25 percent to 30 percent annual revenue growth for the next five years.

Like Turtle Mountain and Luna & Larry’s, Chocolate Decadence serves a national market. About half of Chocolate Decadence’s sales come through the Internet.

Food and beverage manufacturing in Lane County is a midsize manufacturing sector, with 1,854 employees — 1,519 made food and 335 made beverages last year, according to the state Employment Department. The industry is almost half the size of the county’s largest manufacturer — wood products, which employed 3,500 last year, department figures show.

Beverage manufacturers added 99 jobs during the recession; food companies, 90.

Ninkasi, the Eugene brewery founded in 2006, is responsible for about half of the growth in beverage manufacturing. Ninkasi added 50 employees from 2007 to 2009, and it plans to hire more here and in other markets, CEO Nikos Ridge said.

Hop Valley Brewing Co., which was founded in Springfield in 2008, started out with two manufacturing employees and now has seven, said Jonas Kungys, one of the brewery’s owners.

The county's food and beverage manufacturing isn't dominated by large corporations. Instead it's made up of more than 50 small- to medium-size ventures, which at most, employ about 200 people.

That wasn't always the case.

The Agripac Inc. growers' cooperative in Eugene, which had roots dating back to 1908, once churned out truckloads of canned corn, beans, carrots and beets where the U.S. Courthouse now stands. In the late 1990s, Chiquita Processed Foods bought Agripac out of bankruptcy and moved the work to a more modern factory in Salem.

At its peak, the Eugene plant had about 500 seasonal employees, said Brian Rooney, labor economist with the state Employment Department.

Dave Zeponi, president of the Northwest Food Processors Association in Portland, said Lane County was at the southern boundary of the large processors' growing area. So when they consolidated their operations in the Salem area, Lane County "was one of the areas that lost out."

But "it was still a great place to grow stuff," which created the opportunity for more organic farming and more specialty crops, "and some really fabulous foods," he said.

So a new crop of producers, such as Sweet Creek Foods of Elmira, which packs a variety of Oregon grown foods in glass jars, including pickled items and fruit spreads, joined the stable of longtime area food companies, such as Springfield Creamery; Golden Temple, whose cereal operations are now owned by Hearthside Food Solutions; and Toby's Family Foods, maker of tofu spreads, salad dressings and Genesis Juice.

The "locally grown" movement that has gained traction recently has increased Lane County's reputation for boutique operations turning out unique food products, Zeponi said.

Jack Roberts, executive director of the Lane Metro Partnership, an economic development agency, said "we'll see whether (the locavore movement) has real staying power."

Unless Lane County food processing grows into more than a conglomeration of little cottage industries, "you're not going to get to the quantity and quality of jobs that makes a real industry cluster," Roberts said. "It's going to remain a small industry cluster rather than a major contributor to the overall economic health of the area."

Zeponi, the Northwest Food Processors Association executive, disagrees.

He said his industry is used to being undervalued by economic development officials.

"It's kind of my Rodney Dangerfield impression, 'They never give us respect,'" he said. "That's OK. They don't have to give us respect. But the fact is we grew. We're the only manufacturing sector (in Oregon) that grew jobs in the recession."

The diversified nature of the industry and its extensive supplier network is a strength, Zepponi said. “You aren’t going to have a layoff of (all of these) different companies at once, like you would have with a big company coming in.”

Food processing may not be as “sexy” as solar energy or high technology, Zepponi said, but “you need to have a foundation industry that’s always there — that you know you have a strategic, sustainable, competitive advantage in, and that is food processing.”

One of the lessons learned in this latest recession is that “a lot of the economy is being driven by just the needs of people,” said Steve Bradbury, general manager of the Franz Family Bakery in Glenwood.

“People have to eat, and that’s what keeps us going,” he said. “If we produce the right thing that they want, we should remain pretty stable through this.”

The bakery employs 150 to 200 workers, with peak employment in the summer because of the fairs and other summer events that drive bun sales, Bradbury said.

That employment level is virtually the same as six years ago when the bakery built its new facility in Glenwood.

The bakery’s sales are flat to down in recent years because gains made in one product are offset by losses in another, Bradbury said. The business supplying restaurants and institutions has plunged during the recession, he said.

But the Glenwood bakery hasn’t had to cut employees, Bradbury said. “We’ve been able to maintain a decently steady work force.”

Steady also characterizes conditions at Hearthside Food Solutions, which bought Golden Temple’s cereal business in May 2010. Over the past six to nine months, the company has maintained fairly stable employment of 200-plus workers, said Jim Gaspar, the facility’s general manager.

That is down slightly from the 230 employees Hearthside had when the Illinois company bought Golden Temple’s cereal business.

Had Hearthside decided to shutter the Eugene cereal plant, that would have erased the 189-job gain the local food and beverage manufacturing industry eked out during the recession.

But Gaspar said the company is “really, really pleased with the level of talent and energy and engagement that we have with all the team members in Eugene. We’ve had nothing but a positive experience over the past 13 months and look forward to building on that base over the long term.”

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## Wage comparison

Lane County average annual wages in 2010

Food manufacturing: \$38,091

Beverage manufacturing: \$25,525

All manufacturing: \$44,265

All sectors: \$35,885

Source: Oregon Employment Department

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Kevin Clark/The Register-Guard

Turtle Mountain's manufacture of coconut-based desserts and creamers has expanded during the recent tough economic times. George Torres (in background) monitors the flow of products on the Turtle Mountain production line.



Chris Pietsch/The Register-Guard

Springfield's Hop Valley Brewing Co. is one of the new, small food and beverage producers that have added jobs recently.