

Impact of Oscar Mayer Closure on the Dane County Economy

The announced closure of the Oscar Mayer plant in Madison, and the relocation of the corporate headquarters to Chicago, has been a source of concern in Madison and many surrounding communities. Beyond the impact of the announced closure on the moral of the region (the long and rich history of Oscar Mayer in Madison has resulted in Oscar Mayer being part of the cultural fabric of the region) there will be the loss of hundreds of well-paying jobs. To assess the economic impact of the Oscar Mayer closure we use a model of the Dane county economy to compute the relevant economic multipliers and conduct a simple analysis. The results of this analysis is provided on the backside of this fact sheet.

In summary the lost of 1,000 jobs at Oscar Mayer will result in a total loss of 2,900 jobs, \$191.8 million in labor income (wages, salary and proprietors income), \$278.7 million in total income (labor income plus all other sources of income such as dividends, rent and interest income among other source) and \$808.0 million in industrial revenue or sales. Depending on the metric of the economy considered, these represent about one percent of the county economy. Clearly, agricultural input supply industries will be impacted the greatest, but the lost of workers spending income in the local economy will impact restaurants (113 jobs) and even health care services such as hospitals (31 jobs).

The economic activity associated with Oscar Mayer (through the firm itself and the associated multiplier effects) also generates tax revenues that flow to state government and local governments. In aggregate the lost economic activity will result in a loss of \$20.7 million in total tax revenues. The largest impact is property taxes (\$7.5 million) which predominately flows to local public schools. The state will loose about \$4.4 million in income taxes and there will be a loss of \$5.8 million in sales taxes. Given the county optional sales tax, Dane County share of the lost sales taxes is just over one-half million dollars.

The impact on agriculture might be overstated. Because of the large presence of beef production within Dane County and the large purchases of beef in the production processes at Oscar Mayer, the economic model assumes that local production is favored over imports. Given the scale of production at Oscar Mayer this assumption of preferring local producers may be overstated. It is more likely that Oscar Mayer is sourcing inputs from national markets. Thus, the direct effects and impacts on production agriculture in Dane county may be more modest in reality.

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	Employment	Labor Income (MM\$)	Total Income (MM\$)	Industry Sales/Revenue (MM\$)
Direct Effect	1,000	\$106.0	\$131.3	\$537.8
Indirect Effect	1,109	\$50.7	\$85.0	\$166.5
Induced Effect	817	\$35.1	\$62.4	\$103.8
Total Effect	2,926	\$191.8	\$278.7	\$808.0
	Multiplier	2.926	1.810	2.123
	Share of County Economy	0.7%	0.9%	0.8%
Top Ten Impacted Industries				
Meat processed from carcasses	1,056	\$111.9	\$138.7	\$568.1
Beef cattle ranching and farming	370	\$6.2	\$15.3	\$36.0
Animal production, except cattle and poultry and eggs	201	\$6.4	\$14.7	\$16.1
Wholesale trade	118	\$11.4	\$18.2	\$27.1
Management of companies and enterprises	71	\$7.6	\$9.0	\$15.9
Full-service restaurants	63	\$1.3	\$1.5	\$3.0
Limited-service restaurants	53	\$1.4	\$2.0	\$3.1
Real estate	49	\$1.0	\$9.2	\$11.1
Hospitals	31	\$2.0	\$2.3	\$4.2
Services to buildings	30	\$0.6	\$0.8	\$1.4
Industries Summary				
Agriculture	609	\$14.0	\$31.5	\$54.5
Mining	0	\$0.0	\$0.1	\$0.1
Construction	23	\$1.9	\$1.9	\$4.6
Manufacturing	1,067	\$112.7	\$140.1	\$574.0
TIPU	82	\$6.0	\$10.4	\$22.0
Trade	262	\$15.9	\$24.4	\$37.4
Service	871	\$40.3	\$69.2	\$113.0
Government	11	\$1.0	\$1.0	\$2.3
State and Local Govt Revenues				
Sales Taxes (MM\$)		\$5.8		
Property Taxes (MM\$)		\$7.5		
Income Taxes (MM\$)		\$4.4		
Other (MM\$)		\$3.0		
Total State & Local Govt (MM\$)		\$20.7		

Definitions:

Direct Effect: The initial shock or event (Oscar Mayer).

Indirect Effect: The multiplier effect associated with business-to-business transactions.

Induced Effect: The multiplier effect associated with labor spending income.

Total Effect: The Direct + Indirect + Total effects.

Employment: Jobs and does *not* distinguish between part- and full-time employment.

Labor Income: Wages, salary and proprietor income inclusive of benefits.

Total Income: Labor income plus other income such as interest, dividend, rental and transfer payments (e.g., social security).

Industry Sales/Revenue: Business or firm sales.