

**Economic Impact Related to Loss of PMI Operations
at Port of Morgan City**

prepared by

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Introduction

The Port of Morgan City is located on the U.S. Gulf Coast at the intersection of the Atchafalaya River and the Gulf Intercoastal Waterway approximately 18 miles from the Gulf of Mexico. The Port, along with a number of other ports, connects the continental United States to the international community. According to the U. S. Coast Guard and reported by the Ports Association of Louisiana over 60,000 passages per year have gone through Berwick Bay. The Port District primarily serves inland and offshore oil and gas drilling and production industry. Major activities include fabrication, shipbuilding, and vessel repair and conversion. Primary cargos include fabricated items, limestone and aggregates, barite, petroleum oils and fuel oils, and oil and gas drilling and production equipment and supplies. The Port's tonnage averages on average 2 million tons annually.

Presently, Purina Mills International (PMI) is the sole break-bulk tenant at the Port of Morgan City. PMI imports salt from Mexico and then transfers the salt to barges to carry the material to various PMI domestic facilities. Barges bring basic freight such as DDG/S, rice and other commodities to the Port of Morgan City and these commodities are transferred to the ocean-going vessels with destinations at various places in the Caribbean. PMI maintains a steady flow of incoming and outgoing activities at the Port of Morgan City and provides an economic driver in the local economy.

¹ The author is solely responsible for the analysis and findings.

Economic Impact of PMI Operations at Port of Morgan City on Local Economy

PMI is considering moving its operations to another port because the current shallow depth of the channel necessitates the use of smaller vessels operating with lightened loads. Operating revenues and costs for transporting materials are related to the size of the vessel. Current channel depth is approximately 14 feet even though the channel is scheduled for a depth of 20 feet.

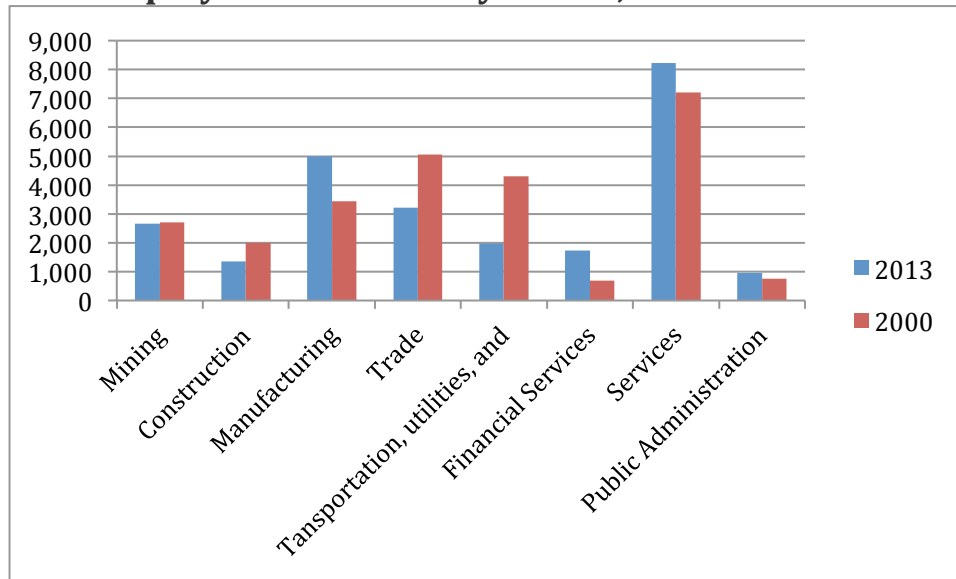
PMI is a major user at the Port of Morgan City. This loss of this client will create revenue issues for the Port, but even broader, economic ripples for the St. Mary area and possibly the state. The purpose of this report is to estimate the economic impact of the loss of this user on the local and state economy. It should also be noted that other users of the port that used small oceangoing vessels similar to PMI, if its depth was 20 feet, might be engaged to become a tenant and user of the Port of Morgan City. In this report we focus, from the perspective of the local community, on the possible losses associated with PMI taking its business to another port. We will comment on other losses associated with such a change from a larger perspective—statewide and nationally.

Background Material for Morgan City and St. Mary Parish

The Port of Morgan City is in the municipality of Morgan City, a city in St. Mary Parish. Morgan City has a population of just over 12,000 as of 2013. Morgan City's population peaked in 1970 at 16,586 and then has declined each decade since 1970. The population in St. Mary Parish also peaked in 1970 at over 60,000 and then has declined to less than 54,000 in 2013.

Total employment in St. Mary Parish grew modestly from 2000 to 2013 from 26,457 to 27,004, but the distribution of this employment changed substantially. Employment by various sectors of the economy is illustrated in Table 1. Manufacturing employment jumped from just a little over 3,000 jobs to close to 5,000 jobs in 2013. Job in services also rose from just over 7,000 jobs in 2000 to over 8,000 jobs in 2013. However, transportation and warehousing jobs, the sector in which employment associated with the Port of Morgan City would be counted, declined from 4,296 in 2000 to 1,983 in 2013, a reduction of almost 50 percent. In wholesale and retail trade employment declined from 5,050 in 2000 to 3,213 in 2013, a decline of approximately 50 percent.

Table 1
Employment in St. Mary Parish, 2000 and 2013



Source: Labor Workforce Commission, *Annual Wage and Employment 2013 and 2000*

Mining, manufacturing, and transportation are clearly economic drivers in the Morgan City economy. These are industries that provide goods and services to other economies around the globe. These industries create the jobs that provide support for the local population and initiate the demand for the other industries, such as trade and services, that support the local population. According to the Regional Input-Output Model as developed by the U.S. Department of Commerce, jobs associated with the Port create 2.1805 jobs in other local industries; jobs associated with oil and gas extraction create 2.0488 jobs in other industries; and, jobs associated with the manufacturing of fabricated metals create 1.3184 jobs in other industries in the local economy. The Port services the oil and gas industry and the fabricated metals industry as well as providing jobs in other areas such as trade and services.

Within this economic environment the Port of Morgan City has developed its facilities and provided its port services serving the inland and offshore oil and gas drilling and production industry and the fabrication industry. The Port has also been active in the importing and exporting of container, break-bulk, and bulk cargo. These activities support major employment activity throughout the local economy as well as support of the oil and gas sector and the manufacturing sector.

Preliminary Economic Impact of Losing PMI as Tenant

PMI has two components to its business activities: movement of freight along the inland waterways using barges and the connection at the Port of Morgan City with ocean going vessels that will travel to ports in Mexico, Haiti and possibly other ports in the Caribbean/Gulf of Mexico region. The economic impact of this activity or the loss of this activity can be categorized in several stages:

- (1) Dollars spent by the vessel on port activities and port facilities such as
 - a. Vessel staying at dock for 3 days per trip and making 2.5 trips per month or 30 trips per year with harbor fee and restocking with fresh water with annual payment being \$52,830
 - b. It is estimated that approximately 27 persons are employed as a result of the operations of PMI at the Port of Morgan City. These jobs range from cargo operations to warehouse operations to guards to supervisors to customs to fueling operations to the barge crew.
 - c. Barge fees being \$33,600
 - d. Fees associated with Rice exports being \$54,800
 - e. Warehousing fees being \$21,292
 - f. Revenues estimates being \$162,522
- (2) Dollars spent by crew and vessel owner on staying in Morgan City area while ships and barges are being off-loaded
- (3) Work associated with loading and unloading ships/barges
- (4) Other expenditures associated with shipping traffic

These dollars are all direct economic activity within the local economy. The fees paid to the Port of Morgan City, the dollars spent by the crew on their time spent in the local economy, the income earned by the stevedores, and any other expenditures with shipping, handling the cargo, and other such activities.

Economic Impact of Current Operations and Loss of PMI

Economic activity at the Port of Morgan City now has this impact on the local and state economy as noted in Table 2.a and the impact of losing the PMI activities will lead to the estimated losses as noted in Table 2.b.

Table 2.a			
Economic Impact under Current Operations			
		Local	State
Jobs	Direct	42	44
	Indirect	92	96
Personal Earnings	Direct	\$2,427,600	\$2,542,571
	Indirect	\$5,290,000	\$5,520,000
State and Local Tax Collections	Direct	\$315,588	\$330,534
	Indirect	\$687,700	\$717,600

Just over 134 jobs are created and supported with personal earnings of over \$7.6 million and state and local tax revenues, both direct and indirect, accounting for about \$1,000,000 in state and local tax collections.

If the PMI cargo is lost at the Port of Morgan City and is lost to other Louisiana ports as well, then the overall loss to the local and state economy is noted in Table 2.b.

Table 2b.			
Economic Impact of Losing PMI Operations at Port of Morgan City			
		Local	State
Jobs	Direct	-27	-29
	Indirect	-59	-63
	Total	-86	-92
Personal Earnings	Direct	-\$1,566,000	-\$1,682,000
	Indirect	-\$3,392,499	-\$3,622,499
	Total	-\$4,958,499	-\$5,304,499
Taxes	Direct	-\$203,588	-\$218,660
	Indirect	-\$441,025	-\$470,925
	Total	-\$644,613	-\$689,585

The economic losses associated with losing the PMI activities primarily affects the local economy with a loss of 27 direct jobs, and a loss of 86 direct and indirect jobs; a loss of almost \$5 million of personal earnings, and a loss of almost \$650,000 in state and local tax collections.

This loss of PMI will establish a pattern reducing the likelihood that the Port of Morgan City will attract another operation such as PMI.

Economic Impact of Expanding Operations at Port of Morgan City

The economic impact of expanding the capability of the Port of Morgan City is estimated to increase jobs, income, and state and local tax collections as illustrated in Table 3. We have estimated that the Port can increase by twofold its present operations. This increase will lead to additional jobs, earnings, and state and local tax collections.

		Local	State
Jobs	Direct	84	88
	Indirect	184	192
Personal Earnings	Direct	\$4,855,200	\$5,085,142
	Indirect	\$10,580,000	\$11,040,000
Taxes	Direct	\$631,176	\$661,068
	Indirect	\$1,375,400	\$1,435,200

The port activities would generate 268 direct and indirect jobs as opposed to the 134 jobs now being supported and created. Personal earnings would increase to over \$15 million as opposed to the approximately \$7.5 million currently being generated. And, state and local tax collections are projected to be almost \$2 million as opposed to the \$1 million currently collected due to the activities of the Port of Morgan City.

These new jobs will present themselves in terms of retail, personal services, construction, among other sectors of the economy.

Summary and Conclusions

Ports are transportation corridors. Their business activities are related to the physical characteristics of the port. Shallow channels will accommodate certain vessels and a certain weight. These constraints will affect the business that can take place at the port and, hence, the direct and indirect impact the port may have on the local economy.

Our analysis suggests a projected gain of 134 net new jobs, additional personal earnings of approximately \$7.5 million, and net state and local tax collections of about \$1 million in additional tax collections if the channels leading to the Port of Morgan City could accommodate additional vessels.

The Port of Morgan City could lose, if the channel is not improved, certain tenants such as PMI who is looking for better shipping opportunities. This affects the local and state economy with a loss of 86 jobs, a loss of almost \$5 million of personal earnings, and a loss of almost \$560,000 in state and local tax collections.