Economic activity slows down in Yuma County

Economic activity, in particular job creation, has slowed down in Arizona rural counties including Yuma County, leading the Greater Yuma Economic Development Corp. to examine ways in which the area can overcome obstacles.

The United States is experiencing an uneven recovery from the recession, and Arizona is the worst state for this uneven recovery, according to Julie Engel, president and CEO of GYEDC. She presented a mid-year report to the Yuma City Council during an April 3 work session.

She noted that while data seems to show Arizona is in full recovery, it’s really Maricopa County that is experiencing this recovery. The rest of the counties have not, including Yuma County. Arizona has more counties in distress than any other place in the U.S., she said.

“I wanted everyone to be aware of what we’re up against, and the rural economies are really struggling right now ... The activities have really slowed down,” Engel added.

In 2018, 73% of the new jobs that came to Arizona went to the Phoenix metro and Maricopa area. By 2020, that’s supposed to jump to 84%.

“That doesn’t leave much for the rest of the state,” Engel said, adding that Tucson is getting 8.7% of the jobs, “so that means the rest of us are getting less than 7% of those jobs.”
GYEDC is trying to bring attention to the state that this trend is not sustainable. “You cannot have one machine driving everything, having everybody moving to one location so these outer regions are really suffering,” Engel said.

The consequence is that infrastructure and education will deteriorate in the other regions “because everyone going to one megacenter area where the jobs are, where the higher education is, and all these opportunities that are being sucked out of the rest of the state.”

Some of the challenges facing Yuma County include an aging workforce in agriculture and difficulty finding labor. To address this, the agriculture industry is turning to automation.

The advantage that Yuma has is a skilled workforce in the 1,200 Marines that exit the service every year. Before they leave, they are trained and certified so they can use their skills to cross the bridge to a civilian workforce.

In addition, the cost of labor is driving business, such as agriculture, across the border. Operations that would have come to Yuma three years ago are now going to Mexico, in particular San Luis Rio Colorado and Mexicali, where the labor is cheaper.

Finding an adequate labor pool is critical, and logistics is driving location deals, Engel said. Yuma’s edge is its proximity to California and ability to reach the second largest economy within a day’s truck haul.

GYEDC predicts that South County is the next growth center, and a proposed $250 million expansion to the San Luis Port of Entry will position the region for continued growth.
Nevertheless, Yuma County has continued to see some economic growth. Almark Foods is now fully operational and making a million hard boiled eggs a day. “It’s a very sophisticated operation... It will just blow your mind,” Engel said.

LRC Coil Co. moved to Yuma County after getting “squeezed in California” and ended up building its own building here. MPW Industrial Services should be functional by October.

Paina Nonwovens is occupying 200,000 square feet of an existing building in San Luis Ariz. InsulTech first moved into the former Russell Coil building, but after bringing the remainder of its operations from California, the company also had to build its own facility. The company makes insulation products for John Deere and Cahartt and just secured a contract for the F-35 aircraft.

S&A Industries came to Yuma because the company was building seven of the components that go into the Toyota Tacoma that’s built in Tijuana, Mexico. Since then the company has added two more contracts and expanded its line.

These projects have resulted in more than 200 new full-time jobs, $6 million in new payroll and $30 million in capital investment with 200,000 square feet of industrial space.

“That’s not chump change. That’s pretty good,” Engel noted.

She explained that Yuma needs more partners in Mexico, like the relationship with Mexicali-based PIMSA Industrial Development that brought MarTech Medical Devices to Yuma and still has operations in Mexicali.
“These companies are the economic driver in Mexico and these are who we’re working with on a regular basis,” Engel said, also noting that these companies created new jobs and hired locally.

GYEDC has also partnered with the Arizona Mexico Commission in working with Mexico and Canada. Engel and another 40 people from Arizona descended on Washington, D.C., where Engel talked about the importance of the United States Mexico Canada Agreement, which is set to replace the 25-year-old North American Free Trade Agreement.

The Yuma Proving Ground testing facility continues to be a significant asset in the area. Testing revenue at YPG has been going up $2 million every year since 2016.

The Yuma 50, a united effort to support Yuma County military assets, brought Mesa Industry and Defense Council and Tucson aerospace companies to YPG. They were “amazed and taken aback” with what they can do at YPG that they are now testing there. All these Arizona companies had been going out of state for their testing.

The organization has also been working closely with the Marine Corps Air Station to recruit an additional F-35 squadron, which makes it necessary to address the relocation of the Yuma County Fairgrounds. Engel will be lobbying in Washington, D.C. the first week in June in an effort to federal funding to offset the cost of relocating the fairgrounds.

Deputy Mayor Gary Knight asked about the recent report that highlighted deficiencies at the local military bases. Engel explained that YPG cannot test artillery that requires 100 kilometers and the best it can do is 78 kilometers.

“There’s ways to do testing by models and computers, but you really need to live test this,” she noted. “They’re going into live theater without fully testing these things.”
The backup solution is to do this type of testing at the Barry Goldwater Range, and in the meantime YPG is trying to get a land exchange so it will have enough distance to fire back towards the testing grounds. The request is being considered.

Requests for funding for range upgrades have also been submitted.

“Modernization has become a priority for (the Department of Defense) and modernizing our ranges is a priority we pushed really hard and it did end up in the authorization bill,” Engel said, adding that it includes funding for new base barracks.