



## THEIR STATE: MORE OPTIMISTIC



Dan Schroeder, left, and Dustin Rollins tested a packing machine at Delkor Systems. The company's recent upturn reflects the State of Manufacturing report.

### **A survey of 400 Minnesota manufacturing executives found far more expecting better sales than in 2008.**

By SUSAN FEYDER • [sfeyder@startribune.com](mailto:sfeyder@startribune.com)

The recession was especially brutal for companies like Delkor Systems Inc., which makes packaging equipment for other manufacturers.

"We're a bellwether for the condition of manufacturing," said Dale Anderson, president of the Circle Pines company, whose 2009 sales fell by about 25 percent, forcing him to lay off about eight employees.

"It was a really tough time, but we

started coming back last year, and this year so far has been fantastic," Anderson said. Sales rose about 35 percent in 2010, and are up about 20 percent this year. The company added 20 people to its 105-person workforce last year and expects to hire another 10 to 12 employees in the next few months, he said.

The outlook for Delkor reflects what many manufacturing executives reported in a survey of 400 Min-

nesota companies released Tuesday. The State of Manufacturing report revealed increased optimism about the economy and companies' prospects for higher sales and profits this year. It was released by Enterprise Minnesota, a nonprofit consulting organization that works mostly with small and medium-sized manufacturers.

The survey found 40 percent of executives anticipating economic

expansion in 2011, with only 9 percent forecasting recession. Two years ago just 8 percent of respondents said they expected the economy to expand,

the total increase in nonfarm employment for the state, according to the Minnesota Department of Employment and Economic Development.



*Delkor Systems CEO Dale Anderson, whose Circle Pines company makes automated packaging systems, said that 2009 "was a really tough time, but we started coming back last year, and this year so far has been fantastic."*

while 56 percent said they anticipated recession. Most seem to believe the manufacturing has moved beyond a period of simply restocking customers' inventories and into a period of sustained growth.

Most predict sales uptick

The survey said 51 percent expect their sales to increase this year, compared with 44 percent last year and 23 percent two years ago. Profit increases are expected this year by 39 percent of those surveyed, up from 17 percent two years ago. Almost one-third of the respondents said they plan to boost capital expenditures this year, compared with 24 percent last year and 19 percent two years ago.

The state's manufacturing sector was hard hit during the recession, shedding almost 50,000 jobs in 2008 and 2009. About 10,700 manufacturing jobs were added in 2010, more than one-third of

The survey didn't specifically address companies' hiring plans but indicated that manufacturers have begun expanding their workforces. More respondents said they were having a difficult time finding qualified workers, 45 percent compared with 40 percent a year earlier. Some said they were "road-testing" new employees by first adding them as temporary workers before offering them permanent jobs.

Demand for skilled workers

Ron Kirscht, president of Donnelly Custom Manufacturing, said he has not had trouble adding to his company's workforce in the last year. The Alexandria-based maker of injection-molded plastic products laid off about 40 people when sales fell in 2009 but last year added about 30 people. It now has about 220 employees and will likely add another 10 this year, he said.

Kirscht said he tends to hire less-

experienced workers for entry-level jobs and trains them for more complex work so they can move up the ladder. "I know from talking to other companies that there are some skilled positions, like welders, where it's become very difficult to find people," he said.

The survey found outstate employers were having more trouble attracting qualified workers than metro-area businesses, said Enterprise Minnesota CEO Bob Kill. "The tightness in some job markets surprised us," he said. More than half those surveyed said they expect wage rates to rise in the next two years.

Health care costs continued to be uppermost on the minds of respondents this year, with 71 percent listing health care as their top concern. The survey found fewer companies offering health insurance, 62 percent vs. 73 percent two years ago.

The survey was conducted in January by Public Opinion Strategies, a research firm based in Alexandria, Va. The research was supplemented by interviews with 17 focus groups across the state

Susan Feyder • 612-673-1723

## A BETTER OUTLOOK FOR MANUFACTURING

Compared with the past two years, more Minnesota manufacturing executives said in a survey that they expect good things ahead.

Expecting...	2009	2010	2011
Economic expansion	8%	26%	40%
Sales to increase	23%	44%	51%
Profits to increase	17%	36%	39%
More capital spending	19%	24%	32%
Higher wages in 2 years	41%	45%	53%

Source: State of Manufacturing survey by Enterprise Minnesota

Delkor Systems, Inc.  
8700 Rendova St NE Circle Pines, MN 55014  
Telephone: 1.800.328.5558  
Website: [www.delkorsystems.com](http://www.delkorsystems.com)  
email: [info@delkorsystems.com](mailto:info@delkorsystems.com)



packaging innovation at work.