

Herbalife considers Winston-Salem site for plant with nearly 500 jobs

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Winston-Salem is competing with Atlanta for a Herbalife Ltd. manufacturing plant that could reopen the vacant Dell facility with nearly 500 jobs, five sources close to the negotiations said Tuesday.

Under the proposal being considered by state, county and city officials, Herbalife could spend up to \$100 million on renovating the Dell plant and create 493 jobs over three years, according to the sources. They agreed to speak on condition of anonymity because the negotiations have not been made public.

Half of the capital investment would be for machinery and half for retrofitting the plant.

The jobs would pay an average annual wage of about \$42,000.

In exchange, Herbalife requests economic incentives worth \$10 million from the state, \$2 million from the city and \$1 million from Forsyth County.

Herbalife, based in Los Angeles, sells weight management, nutritional supplement, energy, sports and fitness products, and personal-care products.

According to company reports, it has expressed interest in the past year in doing more development and production in the United States. It has a plant in Lake Forest, Calif., and one in China. Company officials could not be reached for comment Tuesday.

Herbalife said in its 2011 annual report: "In the current era of increasing regulatory scrutiny, we are transforming our supply chain to become more vertically integrated, including building relationships all the way back to the source farms."

City sources said that like other similar projects, the Herbalife deal would pay for itself within seven years, meaning the additional property-tax revenue from the investment would cover the incentives within that time frame.

Robert Leak Jr., president of Winston-Salem Business Inc., said he could not comment on projects that his group may or may not be recruiting.

The finance committee of the Winston-Salem City Council is expected to discuss the proposal Monday.

Herbalife has 5,100 employees worldwide, with net sales of \$3.5 billion in fiscal 2011 in 79 countries. Weight management products represent about 63 percent of its sales, including meal replacement shakes, weight-loss enhancers, appetite suppressors and a variety of healthy snacks.

The company depends significantly on 2.7 million independent distributors for its products. It made about 20 percent of its worldwide production in 2011, depending on vendors for the rest. It upgraded its California plant in 2011 to increase production capacity.

Opening an East Coast manufacturing plant would make sense for Herbalife if it is committed to increasing domestic production, said John H. Boyd, a principal in The Boyd Co. Inc., a site-location consulting company based in New Jersey.

"The nutraceutical industry is booming in the United States," Boyd said.

Herbalife reported Oct. 29 it had record third-quarter sales of \$1 billion, up 14 percent. Its U.S. sales – its second-largest market behind Asia-Pacific – were up 15 percent to \$208.8 million.

"This could be a truly significant corporate recruit for Winston-Salem and North Carolina to land since this could be another growth industry," Boyd said.

"This could be more significant than just another metal-working plant, even though those have certainly been important catalysts for the Triad economy."

Vitacost.com Inc., an online retailer and marketer of health and wellness products, has 351 employees at an 115,000-square-foot plant in Lexington. Vitacost.com said in August it would stop manufacturing its products and lease its facility at 130 Lexington Parkway to Nutra-Pharma Manufacturing Corp. of N.C.

"Atlanta will have an advantage because of its global reach, such as its airport, so Winston-Salem and North Carolina will have to beat Atlanta on cost of doing business and the attractiveness of its incentive package," Boyd said.

"If Winston-Salem and North Carolina extended itself to land Dell and the computer industry, certainly it can do the same to land this growth company," Boyd said.

The 750,000-square-foot Dell plant cost \$110 million to build. It had a workforce of 1,400 workers at its peak, including contract and vendor employees. It was closed in November 2010 and has sat empty since spring 2011.

The sources said part of the Herbalife capital investment involves retrofitting the plant to feature clean rooms and other operations that have Food and Drug Administration oversight.

"We also have made significant investments in our own state-of-the-art quality control labs in the U.S. and China at which we routinely test products from our own facilities and from our contract manufacturers and raw-material vendors," Herbalife said in the 2011 report.

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