

THRIVING NORTH BAY ECONOMY

County exports boom

Companies such as Reltek work with overseas distributors, boost growth

By

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For Robert Lindberg, an opportunity appeared last December when the president of a Chinese company brought a group of top managers to the offices of Santa Rosa adhesives manufacturer Reltek.

As a result of that meeting, Reltek acquired a new distributor for exports to China. Ten months later, sales of its high-performance adhesives, sealants and coatings are taking place from a new office in Ningbo, China, staffed by five of the Chinese company's employees. In turn, the Santa Rosa business of nine workers has expanded its own facilities in an office park near Corporate Center Parkway.

"We now have enough space to triple our volume, which we plan to do in the next three to five years," said Lindberg, Reltek's founder, president and CEO.

For Reltek, whose bonding products are used in outer space and under earth and sea, China is an untapped market. Lindberg said its new distributor, part of Ningbo-based Sino-Resource Group, has needed connections there in government and business.

"It's not a U.S. company trying to knock down the doors," he said.

Exports remain a significant part of Sonoma County's economy, totaling \$1.1 billion last year. That amounted to a 1 percent increase from 2014, according to data provided by the U.S. Commerce Department.

U.S. companies need to seek international markets because of the enormous growth expected in many foreign economies, said Dick Herman, president of 101 MFG, an alliance of manufacturing executives in Northern California. He likened such growth to what the U.S. experienced in the 1960s.

"Half to two-thirds of the world is going through their consumer boom," Herman said.

Companies that limit business to the U.S. will "have a finite growth potential."

Also, growth in international sales typically allows a company to significantly boost productivity, which in turn can lead to higher pay for workers.

When county residents think about exports, Herman said, "the 'why' I care is wages."

While county exports showed little growth last year, Sonoma did better than California, where exports fell 9 percent to \$167.9 billion, and the U.S., which saw exports drop 7 percent to \$1.5 trillion.

Officials for the commerce department attributed the national decline to a drop in the prices of petroleum and agricultural products, plus weaker international demand and a stronger dollar that made U.S. goods more expensive.

In the county, top export sectors remain computer and electronics manufacturing, chemical manufacturing, beverage manufacturing including wines and distilled spirits, and machinery manufacturing.

Asia, Canada, Mexico markets

Over the past decade, county exports to Asia have grown 25 percent to \$451.9 million last year and have soared 92 percent to \$287.5 million to North American Free



Sare Tekeste prepares a two-part epoxy at RELTEK, a manufacturer of sealants, bonding and coating materials in Santa Rosa on Tuesday.
JOHN BURGESS /THE PRESS DEMOCRAT

Trade Agreement partners Canada and Mexico.

But for the same period, exports to the European Union declined 36 percent to \$189 million. In 2008, E.U. exports peaked at \$405.7 million.

Ben Stone, executive director of the Sonoma County Economic Development Board, acknowledged 2016 is a year when presidential candidates from both parties have raised concerns about the proposed Trans-Pacific Partnership trade agreement or about American jobs lost as a result of such treaties. But he maintained that trade agreements typically have made it easier for the county's wine and tech sectors to sell their goods abroad.

"Free trade's been good for Sonoma," Stone said.

Sonoma State University economics professor Robert Eyler said the county has "branded itself pretty well," both for its high-end tech and wine products and for its lifestyle. The latter helps boost international tourism, a sector with economic benefits similar to those from export businesses.

"Sonoma County's still got a pretty good global footprint," Eyler said.

For local companies, the balance between domestic and international markets changes with circumstances.

In the past three years, new domestic opportunities came to Santa Rosa's Blentech Corp. as the company transformed itself from making industrial cookers and mixers to offering more consulting, engineering and automation services to food manufacturers.

Today about 20 percent of Blentech's revenues come from its machine manufacturing, compared to about 80 percent before the last recession, said Daniel Voit, the company's president.

The company still fabricates about the same amount of machinery, he said, but it acquired an automation company and greatly expanded its offering of services.

"Our goal is not just to sell steel," Voit said. If a company possesses knowledge and technology, "you absolutely can thrive and grow."

Exports now make up about 25 to 30 percent of Blentech's business. Demand is currently stronger domestically for the company's consulting, design and automation services, Voit said. But he predicted exports will grow as the cost of the related technology decreases and more international companies see the advantages of switching to highly computerized, automated food manufacturing systems.

Opportunity to expand

For Reltek, opportunity came in the chance to greatly expand sales to China.

The company, founded in 1996, has provided products to Boeing, NASA, Tesla Motors and the US Army, Navy and Air Force.

Its bonding materials have been used to attach large sheets of an incredibly tough plastic known as ultra-high molecular weight polyethylene to steel barges along the docks of the Port of Seattle and to the beds of gargantuan mining trucks operating in subzero Siberia.

A Reltek product also has been selected to help attach a 4-mile-long polyethylene pipe to a steel manifold for the proposed Honolulu Seawater Air Conditioning project. That effort would use chilly sea water from ocean depths as the source of cooling for commercial and residential properties in the Hawaiian capital's downtown.

The world has large numbers of adhesive makers, Lindberg said. But when it comes to such manufacturers in China, "you can count them on two hands."

The key for a U.S. company there is getting the right distributor, he said. He credited the work of local export officials for helping make introductions that led to his meeting with the officials from Sino-Resource.

Those export officials, part of the commerce department's North Bay U.S. Export Assistance Center at Dominican University, count it a success that they were able to help Reltek find a Chinese distributor.

"You need somebody on the ground in China to help generate sales and to provide after-sales service," Daniel Giavina, an international trade specialist with the office, wrote in an email.

The North Bay office also introduced Reltek to staff from the U.S. Small Business Association. Those officials helped the company obtain financing for its export business to China.

Santa Rosa's Loring Smart Roast, a maker of highly efficient coffee roasters, also has turned to local export officials for research on new foreign markets and to make contact with potential distributors in such countries as Italy and China.

Loring President/CEO Robert Austin said the trade officials also came to the company's aid when a dispute arose over the amount of the tariff that South Korea would charge on a roaster exported to a company there. With their knowledge of the related trade agreement, the U.S. officials helped "resolve a very tough problem" that allowed for a lower tariff of 3 percent rather than 15 percent on the roaster, he said.

Exports account for about 40 percent of revenue at Loring, whose roasters use far less energy for coffee roasting and incinerating smoke byproduct. And Austin predicted exports will keep growing because of a rising middle class in regions like Asia.

In many countries, he said, "Coffee is an enabler of the social scene. Coffee and tea are the drinks when you're sitting in the cafe and socializing."

Currency concerns

An ongoing issue with exports is currency rates. Austin said some foreign customers think the prospect of higher U.S. interest rates means the strength of the dollar is "going to get worse" from their vantage point, prompting them to buy U.S. machinery rather than wait.

But a strong dollar remains a challenge for Labcon, a Petaluma maker of pipette tips, medical containers and transfer devices. The company's total revenues have grown about 15 percent in two years, but exports have remained steady at about 30 percent of sales, said Tom Moulton, the company's director of marketing and sales for global markets.

Labcon wants to raise exports to about 40 percent of its business. “We still have a little bit of a ways to go,” Moulton said.

The company’s efforts got a significant boost earlier this year when an “electron beam” sterilization facility opened in Petaluma, operated by U.K.-based Synergy Health and long sought by Labcon.

The facility will cut the time for sterilization to a few days from a few weeks when products had to be shipped to other facilities around the state.

“It was key to our export business, to have a ... much closer source of sterilization,” Moulton said.

Elizabeth Krauth, director of the local export assistance center, said local companies should expect an increasing amount of competition in the U.S. from foreign businesses.

“If your competitors are not here already in this market,” Krauth said, “they will be.”

She and other experts maintained that U.S. companies can improve their diversification through exports. If one region of the world is suffering through recession, another elsewhere may be enjoying a growing economy.

Herman of the manufacturing group noted the U.S. has benefited from relatively good economic growth this year, “but that won’t last forever.” *You can reach Staff Writer Robert Digitale at 707-5215285 or robert.digitale@pressdemocrat.com. On Twitter @rdigit.*