Dante Castillo – Director of Operations, Sartorius Stedim Biotech Puerto Rico



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In June 2019, Sartorius Stedim Biotech inaugurated the USD 130 million expansion of its Yauco site,

one of the first multi-million dollar investment projects on the island after Hurricane Maria. Dante Castillo, the Yauco site's director of operations, explains how this expansion fits within the group's global ambitions and what makes Puerto Rico an ideal investment destination. He also shares the lessons learned from Maria, and how the site contributes to the surrounding community.

What is the strategic significance of the Yauco facility within Sartorius Stedim's global footprint?

Sartorius started with a small operation in 1982 to produce acetate membrane filters at a cheaper cost compared to Germany and some other few production assemblies and filters. Then, back in 2012, the company realized the potential of Puerto Rico and decided to expand operations and transfer the production of single-use sterile bioprocess bags from California to this facility. At the time, Sartorius expected the expansion to be able to sustain growth for the next 15 years. However, in just 4 or 5 years, it became clear that the expansion fell short and would not be able to meet the rapidly increasing demand. Hence, the management decided to initiate a major USD 130 million expansion to double the production capacity of membrane filters and single-use bioprocess bags, and triple cleanroom capacities to sustain current and future demand. The investment will

generate 300 new jobs while retaining the 545 current employees.

The expansion was inaugurated on June 19 in the presence of Sartorius Stedim's CEO Joachim Kreuzburg, CFO Rainer Lehmann, the previous governor of Puerto Rico Ricardo Rosselló, and Economic Development and Commerce Secretary Manuel Laboy. It includes the construction of a new complex of 330,000 square feet, at a cost of over USD 100 million, and an investment of around USD 30 million in machinery and equipment. The complex is comprised of three layers of production floors as well as a sizeable warehouse with the capacity for over 5,000 pallets. As Joachim Kreuzburg said during the inauguration, the aim of the expansion is to make this facility the hub of Sartorius Stedim in America. The considerably higher production capacity gives us the necessary scope to supply our US customers with a wider range of products directly from the region and support our ambitious growth plans in America. This expansion is a key element in the group's global vision to double revenue in the next five years.

Sartorius produces membrane filters in two locations, Germany and Puerto Rico. Typically, Sartorius has been very careful to assure the manufacturing of membranes, the heart of the filtration business, due to the high tech and technical expertise it involves. However, due to the many advantages Puerto Rico offers as a highly conducive business environment, a favorable investment climate, skillful talents source, and a manufacturing location part of the US territory, they decided to continue growing membrane production on the island and supply all the filtration demand for the North American market, thereby vertical integrating this business unit. Out of the three additional planned lines, one is already validated and ready to start ramping up production in October. Next year we are going to start one more line of a different type of membrane, and within the next three years the third line will be completed. Today we produce about 10 percent of the volume made in Germany, but our contribution will significantly increase as soon as the expansion is completed as production is expected to grow at a faster rate than in Germany.

After these projects are finalized, Yauco will become a vertically integrated operation for filtration, which is one of the key drivers of Sartorius Stedim's business. We will produce three types of membranes as well as finished goods, the single-use bioprocess bags, which is going to simplify the logistics, speed up product cycle, improve on-time delivery and reduce cost. The single-use business is increasing at an annual average growth rate of about 10 percent and we are continuously expanding our market share. With this expansion, Sartorius is also strengthening the business continuity program, by having double manufacturing sourcing for "Separation" and "Fluid Management Technology" business; we are also set up to sustain the growth for the next 10 years.

With the expansion, what are the key imperatives defined by the group?

One of the imperatives is digitalization and speed. We want to leverage digital technologies and become more data-driven to improve planning, logistics, product documentation, and manufacturing so we can end up with a more robust integrated system with the vision to consistently deliver products faster to our customers. The second imperative is to focus on Lean manufacturing to eliminate waste and improve process and logistic efficiencies. Last but not least, we want to increase our efforts in education, training and recognition, to provide our employees with the tools necessary to sustain the growth under an environment of teamwork and collaboration.

You became GM of this plant in July 2017, a few months before Hurricane Maria hit the island. How did you deal with this unprecedented situation?

No one was truly prepared for Hurricane Maria as we had never faced an event of this magnitude. Everybody was in shock, and it made us all think about the sustainability of the business. Two years after, we are now better prepared as we have integrated all the learnings from the hurricane. Contingency measures were taken so that in the event of an unexpected phenomenon we feel more prepared to mitigate the possible impacts. We focused on improving our business continuity program (BCP) so that we can avoid any interruption of supply to our customers. For instance, we created a contingency inventory of products on the mainland, in Miami. Even though the city is also exposed to hurricanes, it can recover very quickly based on historical data and is obviously a strategic and conveniently located logistics hub.

Besides dealing with the aftermath of Maria, what were your priorities going in?

My priority was to demonstrate that Puerto Rico continues to be the ideal location for making business in North America. The reality that we are in the hurricane alley does not diminish the advantages that Puerto Rico offers to the net bottom line. I think that the expansion and the sustained growth we are experiencing demonstrates that we were successful.

The first concern was the risk of business disruption. We believe we have a strong facility with a low risk of business disruption thanks to a strengthened BCP ensuring we can be fully operational in less than one week in case we face any adverse phenomenon.

What do you see as the competitive advantages of Puerto Rico?

With more than 50 years' experience in medical device manufacturing, the technical skill you can find in Puerto Rico is unparalleled. At the end of the day, the right people with the right spirit is what really drives the difference.

Moreover, the level of cooperation and communication between the government and the industry is incredibly good, which facilitates the process of continuing to invest in the island. The continuity of incentives irrespective of the party in power is a concern in the industry, and one of the topics being discussed between the Medical Device Cluster and the government. The new governor is very aware of this concern and we are working together. I am optimistic that in the end, we will overcome those concerns because collaboration is a win-win for both parties.

How are you contributing to the community in Yauco?

We have traditionally been working very closely with the mayor of Yauco to support community projects. For example, we are building a soccer field together, and support the local baseball and basketball teams. In addition, we are replacing the lighting system around the plant with an investment of USD 300,000. We try to get involved in any way we can to support the community, and to let people know that we are here, that we belong to Yauco. We want them to perceive us not as a German company but as a Yauco company.

What is your vision for Sartorius when we return to Puerto Rico?

My vision is very simple: become the preferred choice for making business globally for Sartorius.

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