
The Status and Conditions of New Jersey's Food Wholesale Industry

Food, Groceries, Confectionery, and Beverage Wholesale and Brokerage

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Food wholesale industry problems and recommendations herein contained (in parts IV and V of this report) are presented exactly as discussed during the focus group session of the food wholesale industry. They do not necessarily represent the views of the authors or the institution(s) they represent.

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The advisory committee was expanded to include industry and trade association members who provided further guidance on the direction and scope of this project. The study team would like to thank the following members of industry and trade associations who participated on the

expanded advisory committee. They are listed below in order of name, industry segment represented, company affiliation, and location.

John Celentano	Food Processing	Sorrento Cheese Co., Blairstown, N.J.
John DiGiacinto	Food Processing	PSE&G, Paramus, N.J.
Joyce Bianco	Food Processing	Ron-Son Mushroom Prod., Glassboro, N.J.
Fred Stults	Food Ingredients	Firmenich, Princeton, N.J.
Charles Manley	Food Ingredients	Takasago International Corp., Teterboro, N.J.
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Brooke Tarabour	Restaurants	Food Bank of Monmouth/Ocean Counties, Spring Lake, N.J.
Lawrence Fidel	Restaurants	N.J. Restaurant Association, Somerset, N.J.
Linda Doherty	Supermarkets/Wholesalers	N.J. Food Council, Trenton, N.J.
Donna Callahan Balara	Wholesalers	Agriconsultants, Marlton, N.J.
Marvin Spira	Wholesalers	Eastern Dairy, Deli, Bakery Association, Hasbrook Heights, N.J.

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Donna Callahan Balara	Agriconsultants	Marlton, N.J.
Marvin Spira	Eastern Dairy, Deli, Bakery, Assoc.	Hasbrook Heights, N.J.
Linda Doherty	New Jersey Food Council	Trenton, N.J.

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Hersh Marketing Co.	Fords, N.J.
J & S Food Broker	Edison, N.J.
The Matrix Marketing Group Inc.	Bloomfield, N.J.
New Jersey Food Council	Trenton, N.J.
Wakefern Food Corporation	Elizabeth, N.J.

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D & R Food Brokers	Union, N.J.
Dauito Produce, Inc.	Vineland, N.J.
Frank Donio, Inc.	Hammonton, N.J.
Frank J. Gatto	Vineland, N.J.
H&G Trading Limited	Englewood, N.J.
JASZ, Inc.	Kenilworth, N.J.
Keystone New York Corp.	Oradell, N.J.
Losurdo Foods	Hackensack, N.J.
Pezrow Corp.	Ramsey, N.J.
Sid Alpers Organic Sales	Oradell, N.J.
Sullivan & Fitzgerald Food Brokers	Livingston, N.J.
Willing and Shtafman	Springfield, N.J.

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Executive Summary

The food wholesale industry comprises establishments primarily engaged in the wholesale distribution of groceries and related products. Major components of the industry include distributors of a general line of groceries, packaged frozen goods, dairy products, poultry products, confectionery products, fish and seafood products, meat products, fresh fruit and vegetables, and other miscellaneous food items and grocery specialties (e.g., soft drinks, baked goods, canned foods, and coffee). New Jersey's food wholesale industry is a major component of the state's agriculture and food complex, as it services the state's 6,364 food stores and 11,464 assorted eating and drinking places. New Jersey has proven an amenable location for the industry due to its proximity to major urban centers, access to port facilities, and a dense and affluent consumer market.

Although the New Jersey food wholesale industry has thrived, industry representatives indicate that the industry is faced with pressing problems that need to be addressed by public policy. Given the interest of the New Jersey Department of Agriculture in improving the business climate in order to improve economic development in the food industry, the NJDA commissioned Rutgers University to conduct an economic analysis of the food wholesale industry (among others), to research the problems faced by the industry and to develop recommendations for improving the business climate of the industry. This report contains economic analysis based on secondary data on the food wholesale industry, as well as information on problems of the industry and recommendations for improving its economic growth obtained from a focus group of industry leaders. Three other reports

covering the food manufacturing (including food processing, flavors, and extracts), food service (including restaurants), and food retail (including supermarkets and grocery stores) industries are simultaneously being published.

In 1992, New Jersey's 1,939 food wholesale establishments generated \$26.3 billion in sales. This translates into more than 15 percent of New Jersey's wholesale trade sector's sales volume. The industry's 30,134 workers represented over 11 percent of the wholesale trade sector's total employment and earned an aggregate of over \$1 billion in payroll. In terms of sales, food wholesale exceeded food processing, food retail, and food service in New Jersey. Furthermore, the food wholesale industry is an important source of relatively high paying jobs in the New Jersey economy.

The largest sector of New Jersey's food wholesale industry is the distribution of soft drinks, bottled water, and other miscellaneous goods, which accounts for more than 36 percent of industry sales. Over the past 25 years the industry has enjoyed considerable growth, with the number of establishments increasing by 35 percent, employment rising by nearly 59 percent, payroll increasing by 716 percent, and sales expanding by 695 percent. The slight decline in employment during the recent recession indicates that, like most other industries, the food wholesale industry is somewhat susceptible to economic downturns. An indicator of the health of the industry is the fact that despite the overall decline in the Northeast's share of the national food wholesale industry, New Jersey's share of the national industry (and therefore of the region's industry) has grown in recent decades. The rapid growth in the industry over the last three

decades suggests that food wholesaling is an important area to target for economic development. Contributing to the success of the food wholesale industry in New Jersey is the state's proximity to New York City and Philadelphia, access to major ports, and access to a dense and affluent consumer base.

For many reasons, it is highly important that public policy makers recognize the importance of the food wholesale industry in planning for the economic development of New Jersey. One reason is that brokerage and wholesale activities, unlike manufacturing activities, have minimal adverse impacts on the environment while they provide considerable economic and employment benefits to the state. Food wholesale is particularly important because of the advantages inherent in New Jersey's proximity to major population centers. As the economy continues to move from manufacturing toward service, the food wholesale industry is particularly attractive as a target for economic growth because it provides quality jobs and because of the state's competitiveness in this area of business vis-a-vis other states. The New Jersey food wholesale industry is already among the most productive in the nation with sales per worker and sales per dollar of payroll exceeding the averages for the region and nation.

Industry representatives documented a number of pressing problems and concerns faced by business firms in the industry. If these problems were alleviated, the performance of firms in the industry would improve. In the area of transportation, they cite congestion, excessive toll booths, unavailability of backhauls, inadequate road signs, and insufficient road infrastructure in the southern part of the state as primary concerns. In the area of regulation, industry representatives cite inequity of unit pricing and other regulations as problems. The fact that food wholesalers face an unlevel playing field because price clubs and drugstores are competitors for business but are not subject to the same regulations is also cited as a problem. Other areas of concern with respect to regulations in the state include the lack of uniformity in some regulations, a lack of inspectors to enforce USDA regulations,

the excessive burden on time and money resulting from some regulations, and the fact that foreign competitors are able to avoid United States regulation and thereby gain a competitive advantage. Industry representatives also complain about garbage and solid waste disposal in the state. In the area of education and training, industry representatives cite the unavailability of reliable and competent labor, the high turnover rate of labor, the low quality of entry level labor, excessive training costs, and low educational level of entry personnel as the predominant problems.

In the area of public relations, industry representatives cite the lack of formal recognition of the industry by the state as a key problem and suggest this contributes to the obscurity of the food wholesale industry and the limited number of economic development initiatives provided to support the industry. Another concern in the industry is the fact that price clubs and other businesses not classified as food stores are not required to use union labor and consequently have lower costs and are able to divert business away from retail food stores served by the wholesale industry. With respect to the cost of doing business in the state, industry representatives complain that in almost every input area it costs more to operate in New Jersey than in other states. They are particularly concerned about the high minimum wage and the high cost of complying with regulations.

Industry leaders recommend a number of public policy innovations that would improve the business climate faced by the food wholesale industry. Among these recommendations are the following:

- Establishment of a formal information clearinghouse to facilitate and coordinate trucking transport and backhauling and the promotion of existing networks;
- Elimination of toll booths (as was done in Connecticut) or establishment of an automated toll system;
- Improvement of the traffic observation and coordination system (possibly following the Japanese model);

- Exploration of the potential for improving rail transport of food products;
- Expansion of the definition of food stores to encompass price clubs and other businesses selling food items;
- Regionalization of regulations to provide a degree of uniformity;
- Adoption of an “acceptable brands” list that is exempt from grading and stamping requirements;
- Application of nutritional labeling requirements to imports in order to promote fairer competition;
- Encouraging the use of domestic food (especially New Jersey food) in state programs over the use of imported foods in cases where such substitution is possible;
- Support for the initiation of a personnel training program (possibly using Wakefern as a model) for the food industry;
- Establishment of an industry/high school partnership to aid in the training of non-college-bound students;
- Convening of an Industry Conference sponsored by the Department of Commerce to promote improved education in the state;
- Undertaking of a state-level public relations campaign to attract food companies to the state;
- Promotion of New Jersey products, particularly agricultural and food products to illustrate the advantages of doing business in the state;
- Creation of incentives for businesses to locate in New Jersey;
- Adoption of a friendlier state attitude toward business;
- Appointment of a food industry ombudsman to help alleviate bureaucratic red tape and promote the food industries; and
- Promulgation of legislation to promote fairer competition between food stores under union contracts and businesses selling food that do not use union labor.

I. Introduction

A. Background

The food wholesale and brokerage industry in New Jersey is a crucial component of the state's agriculture and food complex as it provides the linkage between agricultural producers and food manufacturers on one hand, and the retail outlets from which consumers purchase food and related items on the other hand (Adelaja, 1988).¹ Food wholesalers are responsible for distributing food and food-related products to the state's retail food segment, which comprises 11,464 assorted eating places and 6,364 food stores.² While some consumers may have direct access to fresh produce and other unprocessed food goods (at farm markets, for instance), most produce and food products, particularly the more sophisticated processed food items, require the services of distributors, as consumers are not able to deal directly with the producers or manufacturers. Increased demand for processed foods as a result of rising incomes, increasing consumer awareness and changing consumer tastes and preferences, coupled with the migration of food processing firms from the state, has heightened the importance of the state's food wholesale sector.

New Jersey has proven to be an amenable location for food wholesale activities due to a variety of factors. Among these are proximity to the largest consumer market in the nation, high population density and therefore high restaurant and supermarket density and access to ports enabling international food brokerage (imports and exports). Although the food processing industry has declined significantly in the state over the past few decades, the food wholesale sector has maintained its presence and experienced fairly constant growth in nominal terms, relative to the region, and relative to the nation. Despite its apparent success in the state, however, food wholesalers are not without concerns and complaints about the nature of the business climate in New Jersey. New Jersey's perceived antagonism toward business, labor issues and problems, regulatory concerns, transportation infrastructure, and other issues have limited considerably the industry's ability to operate efficiently. Considering the state was more adversely impacted by recent recessions than most other states, state policy makers have become more concerned about improving the business climate under which New Jersey firms operate in order to enhance economic vitality.

¹ New Jersey's agriculture and food complex comprises production agriculture, commercial marine fisheries and aquaculture, food manufacturing (food, flavors and extracts, and beverage processing), food wholesale (wholesale and brokerage), food retail stores (supermarkets, grocery, and other food stores), food service establishments (restaurants, fast food, and other eating and drinking places), and other miscellaneous activities related to these industries.

² These are the most recent figures available and are obtained from the 1992 Census of Retail Trade - New Jersey. This census is only conducted every five years and is typically not published until three years later. Excluded from the food retail sector in generating these numbers are establishments classified as drinking places (SIC 5813).

The agriculture and food complex in New Jersey is a large sector of the state's economy. It directly contributed some 12 percent of the total sales generated in New Jersey's economy in 1987 (Adelaja, Schilling, and Horzepa, 1994) and perhaps as much as 25 percent when indirect and induced economic effects, as well as, ancillary activities such as transportation, refrigeration, and insurance services are considered. Out of concern for the long-term health and economic viability of New Jersey's agriculture and food complex, the New Jersey Department of Agriculture (NJDA) is interested in developing (in conjunction with other state agencies) an economic development initiative to assist the state's food industry.³ In 1994, the NJDA contracted with Rutgers University to study the importance and contributions of all components of the food industry to the state's economy, the long-term trends in each food industry sector and the implications for economic development, the problems faced by each sector (particularly those detracting from the ability of New Jersey firms in the industry to compete with firms from other states), and the potential methods of improving the state's business climate through public policy.⁴

As part of the study, the research team compiled a number of key current and historical statistics on each of the food industries in New Jersey. These statistics allow for the analysis and evaluation of the status and condition of each of the industries, as well as the contributions made to the state. Realizing, however, that an effective way of documenting the problems of each industry was to solicit information directly from the industry, the study team decided also to convene focus groups comprising leaders and representatives from each industry sector. Several focus groups, each representing a homogeneous

group of industry representatives, were subsequently held between January and March of 1995. Thus, the study conducted for each industry included the analysis of secondary data, as well as the examination of information obtained from industry sources.

The food wholesale industry in New Jersey is the focus of this particular report. This report examines the importance of the industry in the state and analyzes industry trends. In addition, it discusses the problems faced by the industry and provides recommendations proposed by industry representatives on how to improve the business climate. Statistics and figures reported in this report were primarily obtained from the Department of Commerce's Census of Wholesale Trade (various census years between 1967 and 1992). These 1992 figures are the most recent data available on the industry, since this census is only conducted every five years and is typically not published until three years later. Segments of the report concerned with the problems faced by the industry and the recommendations for improving the industry's business climate were primarily obtained from the representatives at the focus group meeting of the food wholesale industry.

B. The Definition and Nature of the Food Wholesale Industry

Under the Census of Wholesale Trade definition, the food wholesale industry, Standard Industrial Classification (SIC) code 514, comprises those establishments primarily engaged in the wholesale distribution of groceries and related products. Major components of this industry include establishments primarily involved with the distribution of:

- A general line of groceries (SIC 5141),

³ The New Jersey Department of Commerce and Economic Development (Division of Economic Development and the Economic Development Authority) and the NJDA are the primary development-related agencies in the state.

⁴The food industry sectors included in this study are: food manufacturing, food wholesale, food retail stores, and food service establishments.

- Packaged frozen foods (SIC 5142),
- Dairy products (except canned or dried products) (SIC 5143),
- Poultry and poultry products (SIC 5144),
- Confectionery (SIC 5145),
- Fish and seafood (SIC 5146),
- Meats and meat products (SIC 5147),
- Fresh fruits and vegetables (SIC 5148), and
- Miscellaneous groceries and related products, not elsewhere classified (SIC 5149).

The miscellaneous category includes firms primarily engaged in distributing (but not bottling) soft drinks; bottling and distributing spring and mineral waters; and distributing canned goods, food and beverage basic materials, bread and baked goods, coffee, tea, and spices.⁵

The geographic distribution of the food wholesale industry across the state predictably varies according to proximity to major urban populations and densely populated areas. Within the southern part of the state, Camden County, which lies on the Philadel-

phia border, has the largest number of food wholesalers. Similarly, in the northeastern part of the state, Bergen, Essex, and Union counties, which are close to New York City, have the highest concentration of food wholesale firms.

Exhibit 1 illustrates the distribution of food wholesale establishments across New Jersey. Bergen County is home to the largest number of food wholesalers and similarly generates the highest level of food wholesale revenues in the state. Among the reasons Bergen, Essex, Union, and Camden counties lead the state in wholesale activity is the fact that New York City and Philadelphia do not have adequate warehousing capacity and rely on New Jersey wholesalers for supplying food to the cities. Furthermore, Port Elizabeth and Port Newark, as well as the Philadelphia port, enable international food brokerage.

The regional distribution of the industry in terms of employment and business volume suggests that, although counties such as Middlesex, Burlington, Somerset, and Monmouth have relatively fewer firms, they generate considerable business. The prevalence of food brokerage activities in these counties is consistent with the shifting of New Jersey's population toward these counties over the past 30 years.

⁵As grocery and food stores have broadened their product line to include general merchandise such as household goods, pharmaceutical products and health and beauty products, so have brokers that service the food retail industry.

Exhibit 1: Distribution of Food Wholesale Activity Across New Jersey's Counties in 1992.

County	No. of Establishments	Rank	No. of Employees	Rank	Gross Sales (x \$1,000)	Rank
Atlantic	68	10	884	11	638,422	11
Bergen	404	1	5,492	1	6,375,423	1
Burlington	63	12	1,771	6	797,115	8
Camden	107	8	1,185	9	932,390	7
Cape May	N/A	—	N/A	—	N/A	—
Cumberland ^a	43	16	403	14	200,761	12
Essex	177	2	2,511	5	1,705,547	5
Gloucester	55	13	N/A	—	N/A	—
Hudson ^b	150	4	3,399	2	2,345,416	4
Hunterdon	16	17	130	15	187,868	13
Mercer ^c	51	14	463	13	153,865	15
Middlesex	161	3	3,281	3	3,137,807	2
Monmouth	129	6	1,513	8	650,473	10
Morris	101	9	N/A	—	N/A	—
Ocean	65	11	521	12	181,658	14
Passaic	133	5	1,530	7	982,994	6
Salem	N/A	—	N/A	—	N/A	—
Somerset	44	15	905	10	781,418	9
Sussex	N/A	—	N/A	—	N/A	—
Union	120	7	2,759	4	3,003,078	3
Warren	N/A	—	N/A	—	N/A	—

^a Figures reported are for the Vineland-Millville-Bridgeton metropolitan statistical area.

^b Figures reported are for the Jersey City metropolitan statistical area.

^c Figures reported are for the Trenton metropolitan statistical area.

II. Industry Size, Contributions, and Trends

A. Industry Size and Economic Contributions

With 1,939 establishments and more than \$26.3 billion in gross revenue in 1992, New Jersey's food wholesale industry is a major contributor to the state's economy. As shown in Exhibit 2, the distribution of groceries and related products (food wholesale) was the largest component of the state's wholesale trade sector in 1992, accounting for 15 percent of all wholesale sales in New Jersey. The importance of the industry is also clearly evident from its employment contributions. In 1992, wholesale distribution of groceries and other related products provided employment for 30,134 individuals and accounted for over 11 percent (the second largest component) of New Jersey's total wholesale trade employment. The aggregate annual payroll in New Jersey's food wholesale industry exceeded \$1 billion in 1992 and represents over 10 percent of the annual payroll for the entire wholesale industry in the state.

According to the 1994 Report of the Governor's Economic Masterplan Commission: Task Force on Agriculture, Agribusiness, and Fisheries (Adelaja, Schilling, and Horzepa, 1994), the state's food wholesale industry accounts for over 40 percent of gross sales, more than 8 percent of employment, and nearly 17 percent of payroll in New Jersey's agriculture and food complex in 1987.

Exhibit 3 highlights the economic importance of the food wholesale sector as a significant component of New Jersey's total food

industry. The food wholesale sector ranks first in terms of gross sales relative to the other food industry sectors with more than 48 percent of the total food industry's gross sales in 1992.

Figure 1 illustrates that relative to most other sectors of the food industry, food wholesale offer substantially higher paying jobs. The average annual salary in food wholesale establishments exceeded \$33,400 in 1992. Comparable figures were \$30,558 in food processing, \$15,020 for food stores, and \$9,970 in eating and drinking places. Whereas food retail establishments tend to offer mostly low-paying jobs at the entry level of the workforce, the food wholesale industry provides jobs mostly at the middle- and upper-income stratas. This attribute of the industry is an important reason why policy makers concerned about economic development must pay particular attention to this industry. Every state needs to be concerned about its job base at both the higher and lower ends of the income spectrum.

Exhibit 4 provides a breakdown of establishments, employment, payroll, and gross sales by each sector of the food wholesale industry. The exhibit enables the analysis of the relative importance of sectors of the food wholesale industry. Clearly, the largest sector within New Jersey's food wholesale industry is the distribution of soft drinks, spring and mineral waters, canned goods, food and beverage basic materials, bread and baked goods, coffee, tea, and spices (these are aggregatedly listed under miscellaneous grocer-

Exhibit 2: Sizes and Contributions of New Jersey's Wholesale Industries in 1992.

Industry	Establishments (number)	Sales (\$ millions)	Annual Payroll (\$ millions)	Employment (number)
Motor vehicles, parts and supplies	1,380 (7.5%)	23,618.0 (13.4%)	489.7 (5.1%)	15,967 (6.1%)
Furniture and home furnishings	703 (3.8%)	4,104.1 (2.3%)	344.3 (3.6%)	9,958 (3.8%)
Lumber and other construction materials	616 (3.3%)	2,570.8 (1.5%)	238.9 (2.5%)	6,883 (2.6%)
Professional and commercial equipment and supplies	1,907 (10.3%)	16,710.9 (9.5%)	1,557.7 (16.1%)	37,111 (14.1%)
Metals and minerals, except petroleum	460 (2.5%)	5,593.8 (3.2%)	206.0 (2.1%)	5,094 (1.9%)
Electrical goods	1,633 (8.9%)	16,605.8 (9.4%)	1,088.1 (11.3%)	26,018 (9.9%)
Hardware, plumbing and heating equipment and supplies	917 (5.0%)	2,769.3 (1.6%)	303.6 (3.4%)	8,862 (3.4%)
Machinery, equipment and supplies	2,330 (12.6%)	8,200.7 (4.7%)	821.5 (8.5%)	21,433 (8.2%)
Miscellaneous durable goods	1,272 (7.0%)	5,848.3 (3.3%)	425.4 (4.4%)	13,068 (5.0%)
Paper and paper products	960 (5.2%)	6,722.5 (3.8%)	421.4 (4.4%)	15,698 (6.0%)
Drugs, drug proprieties and druggists' sundries	393 (2.1%)	16,375.7 (9.3%)	746.3 (7.8%)	16,386 (6.2%)
Apparel, piece goods and notions	1,155 (6.3%)	8,930.5 (5.1%)	687.9 (7.1%)	19,624 (7.5%)
Groceries and related products	1,939 (10.5%)	26,339.5 (15.0%)	1,006.8 (10.5%)	30,134 (11.5%)
Farm-product raw materials	61 (0.3%)	432.5 (0.3%)	21.4 (0.2%)	541 (0.2%)
Chemicals and allied products	851 (4.6%)	11,542.5 (6.6%)	396.5 (4.1%)	9,280 (3.5%)
Petroleum and petroleum products	280 (1.5%)	9,732.0 (5.5%)	149.5 (1.6%)	3,719 (1.4%)
Beer, wine and distilled alcoholic beverages	124 (0.7%)	2,620.1 (1.5%)	169.5 (1.8%)	4,151 (1.6%)
Miscellaneous nondurable goods	1,463 (7.9%)	7,304.5 (4.1%)	554.2 (5.8%)	18,778 (7.1%)
Total Wholesale Industry	18,444 (100%)	176,021.6 (100%)	9,628.8 (100%)	262,705 (100%)

Exhibit 3: Comparison of New Jersey's Major Food Industries in 1992.

Industry	Establishments	Employment	Payroll (\$ million)	Gross Sales (\$ million)
Food Processing	567	33,500 (10.7%)	1023.7 (20.4%)	9,645.3 (17.7%)
Food Wholesale	1,939	30,134 (9.6%)	1,006.8 (20.1%)	26,339.5 (48.2%)
Food Retail	6,364	97,578 (31.1%)	1,465.5 (29.2%)	13,044.4 (23.9%)
Food Service	13,380	152,192 (48.6%)	1,517.6 (30.3%)	5,590.8 (10.2%)
Total Food Industries	22,250	313,404 (100%)	5013.6 (100%)	54,620.0 (100%)

ies and related products, not elsewhere classified). This sector accounts for about one-third of the industry and ranks first in number of establishments, number of employees, annual payroll, and gross sales.

Distributors of general lines of groceries were the second largest in terms of revenue, employment, and payroll. However, this segment ranks fourth in terms of number of establishments, reflecting the fact that firms in

Figure 1: Average Annual Salaries in New Jersey's Food Industries in 1992.

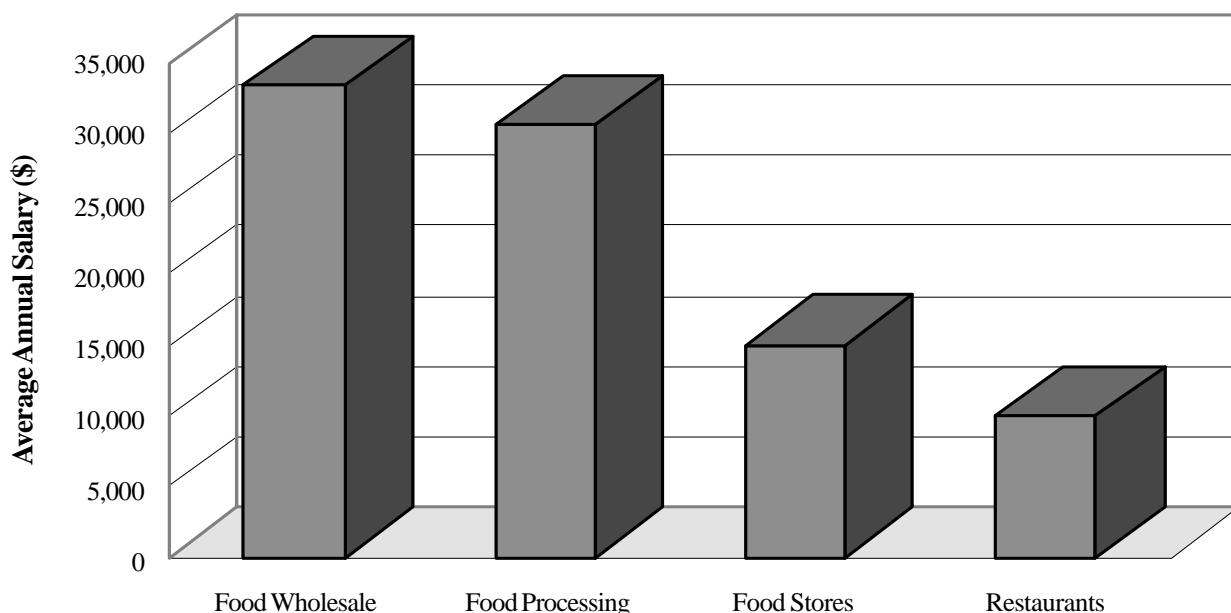


Exhibit 4: Distribution of Establishments, Employment, Payroll and Gross Sales by Sector of New Jersey's Food Wholesale Industry in 1992.

Sector	No. of Establishments	Paid Employees	Annual Payroll (x \$1,000)	Gross Sales (x \$1,000)
NJ Food Wholesale	1,939	30,134	1,006,815	26,339,481
Groceries, General Line	182 (4) ^a	5,232 (2)	183,278 (2)	5,081,222 (2)
Frozen Foods	148 (6)	2,304 (6)	74,521 (6)	1,785,562 (6)
Dairy Products	158 (5)	2,792 (4)	96,155 (4)	2,289,939 (4)
Poultry & Poultry Products	36 (9)	400 (9)	12,462 (9)	305,455 (9)
Confectionery	122 (7)	3,095 (3)	107,470 (3)	3,458,335 (3)
Fish & Seafood	101 (8)	976 (8)	22,171 (8)	434,980 (8)
Meat & Meat Products	260 (2)	2,406 (5)	78,817 (5)	2,126,264 (5)
Fresh Fruits & Vegetables	212 (3)	2,011 (7)	72,582 (7)	1,325,730 (7)
Groceries & Related Products (not elsewhere classified)	720 (1)	10,918 (1)	359,359 (1)	9,531,994 (1)

^a Rank of each sector is in parentheses.

Source: 1992 Census of Wholesale Trade.

this segment tend to be fewer but larger. In contrast, wholesale distribution of fresh fruits and vegetables ranks third in number of establishments but seventh in employment, payroll, and gross sales, indicating that these firms tend to be relatively small. The wholesale distribution of poultry products and fish and seafood is a relatively small portion of the state's wholesale industry, accounting for only 7 percent of all New Jersey food wholesale establishments, less than 5 percent of employment and less than 3 percent of the industry's sales. Fish and seafood wholesalers and poultry wholesalers, respectively, rank eighth and ninth in shipments, payroll, employment, and establishments. Figure 2 provides a breakdown of the food wholesale industry based on the percentage of gross sales generated by each sector.

B. Trends in New Jersey's Food Wholesale Industry (1967-1992)

Unlike many other components of New Jersey's food complex, the food wholesale sector has experienced a steady increase in all major performance indicators over the last 25 years. Exhibit 5 provides a summary of the number of establishments, employment, gross sales, and annual payroll in the industry between 1967 and 1992. As shown in Exhibit 5, the number of food wholesale establishments in the state increased 35 percent over the past 25 years. Employment in the sector also increased from 18,972 in 1967 to 30,134 in 1992 (a 59 percent increase). The number of paid employees in the industry, however, actually declined slightly (about 3 percent) between 1987 and 1992. This decline

Figure 2: Breakdown of the New Jersey Food Wholesale Industry's 1992 Gross Sales by Sector.

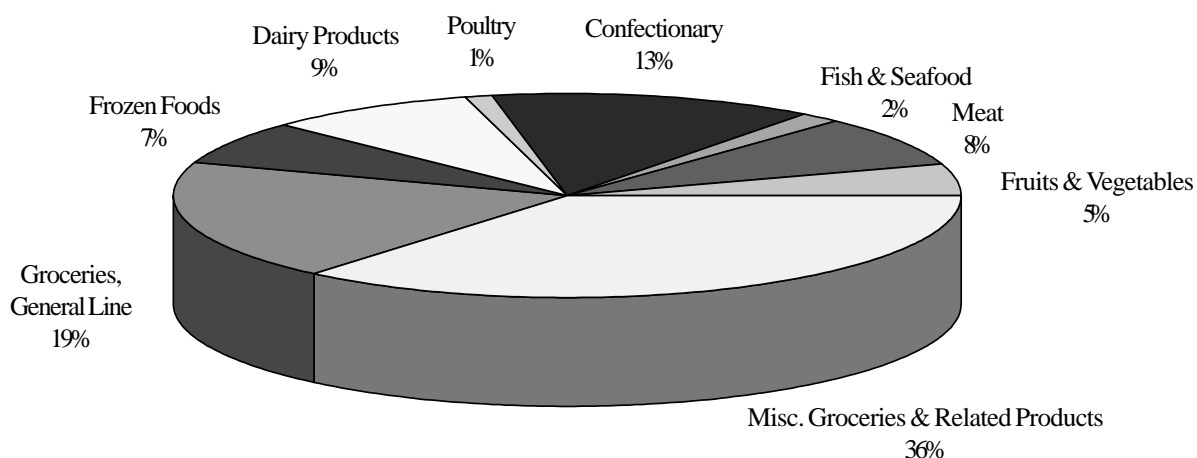


Exhibit 5: Statistics Related to the Food Wholesale Industry for 1967-1992 (Number of Establishments, Employment, Sales and Payroll).

Year	Number of Establishments	Paid Employees	Gross Sales (x \$1,000)	Annual Payroll (x \$1,000)
1967	1,436	18,972	3,225,843	126,726
1972	1,417	22,502	5,196,289	209,975
1977	1,547	24,006	10,179,474	343,309
1982	1,645	25,853	13,998,357	531,020
1987	1,882	31,043	19,139,561	788,043
1992	1,939	30,134^a	26,339,481	1,006,815
% Change (1987-1992)	3.0	-2.9	37.6 ^b	27.8 ^b
% Change (1967-1992)	35.0	58.8	716.5 ^b (496) ^c	694.5 ^b (397) ^c

^a Denotes a decline from the previous 5 years.

^b Percentage changes are calculated in nominal terms.

^c Percentage changes in real terms after correction for inflation.

occurred in almost every sector of food wholesale. This decline is hopefully an effect of the recent recession and does not suggest a long-term restructuring of the industry.

Other economic indicators also suggest that the industry is thriving. Both gross sales and payroll have steadily risen during the period. In 1992, the New Jersey food wholesale industry payroll was 695 percent higher than it was in 1967. Accounting for inflation, this represented a real increase of 397 percent. Similarly, the industry's gross sales increased by more than 716 percent over the period (496 percent when adjusting for inflation).

More detailed accounting of trends in New Jersey's food wholesale industry between the years 1967 and 1992 are presented in Exhibits 6 through 10, which, respectively, show the number of establishments, number of employees, gross sales, and annual payroll in the industry and in each of its component

sectors. Trends in these measures will be presented in the rest of this section.

1. Number of Establishments

Even during the late 1980's recession, there was modest growth in the number of food wholesale businesses in New Jersey (see Exhibit 6). Consequently, it appears that, unlike most other segments of the food complex the recession did not significantly affect this industry in terms of business failure. Between 1987 and 1992 the number of establishments grew fastest in wholesale distribution of frozen foods (15 percent), general lines of groceries (14 percent), and fresh fruits and vegetables (9 percent). The number of establishments involved with the distribution of miscellaneous food and food related goods also increased (by nearly 7 percent). The number of establishments engaged in wholesale distribution of dairy products and fish and seafood remained constant. Between 1987 and

Exhibit 6: Number of Establishments in New Jersey's Food Wholesale Industry, 1967-1992.

Industry Sector	1967	1987	1992	%Change (1987-92)	%Change (1967-92)
Total Food Wholesale	1,436	1,882	1,939	3.03	35.03
Groceries, general line	58	160	182	13.75	213.79
Frozen Foods	62	129	148	14.73	138.71
Dairy Products	141	157	158	0.64	12.06
Poultry & Poultry Products	124	50	36	-28.00	-70.97
Confectionery	75	135	122	-9.63	62.67
Fish & Seafood	56	101	101	0.00	80.36
Meat & Meat Products	300	281	260	-7.47	-13.33
Fresh Fruits & Vegetables	248	194	212	9.28	-14.52
Groceries & Related Products (not elsewhere classified)	372	675	720	6.67	93.55

Exhibit 7: Employment in New Jersey's Food Wholesale Industry, 1967-1992.

Industry Sector	1967	1987	1992	%Change (1987-92)	%Change (1967-92)
Total Food Wholesale	18,972	31,043	30,134	-2.93	58.83
Groceries, general line	2,515	4,613	5,232	13.42	108.03
Frozen Foods	803	2,636	2,304	-12.59	186.92
Dairy Products	2,689	2,884	2,792	-3.19	3.83
Poultry & Poultry Products	1,188	669	400	-40.21	-66.33
Confectionery	792	3,125	3,095	-0.96	290.78
Fish & Seafood	348	978	976	-0.20	180.46
Meat & Meat Products	3,483	2,756	2,406	-12.70	-30.92
Fresh Fruits & Vegetables	1,691	1,605	2,011	25.30	18.92
Groceries & Related Products (not elsewhere classified)	5,463	11,777	10,918	-7.29	99.85

1992, the number of food wholesale establishments dealing in the distribution of meat products and poultry products declined by 28 percent and 7 percent, respectively.

Discounting the slow growth during the recession, it appears that the food wholesale industry experienced significant long-term growth, except in the areas of poultry, meat, and fresh fruits and vegetables. During the 1967-1992 period, wholesale establishments in the poultry, meat, and fresh fruit and vegetable sectors dropped in number by 71 percent, 13 percent, and 15 percent respectively. Overall, however, the number of food wholesale establishments increased by over 35 percent with wholesale businesses distributing general lines of groceries and frozen foods experiencing particularly high growth (214 percent and 139 percent, respectively). Establishments distributing miscellaneous food and food-related products increased by 94 percent during the period and accounted for 37 percent of all food wholesale businesses in 1992. Distributors of fish and seafood,

confectionery, and dairy products similarly increased in terms of number of establishments (by 80 percent, 63 percent, and 12 percent, respectively) between 1967 and 1992.

In general, New Jersey food wholesale establishments tend to be larger than counterparts in the region and the nation in terms of sales volume. New Jersey establishments, on average, generated sales on the order of \$13.6 million in 1992. Establishments in the Northeast and the United States, however, averaged only \$10.8 and \$11.8 million, respectively.

2. Employment

As seen from the comparisons of 1987 and 1992 employment figures (see Exhibit 7), the 1988-1992 recession had a pronounced dampening effect on employment in all sectors of the food wholesale industry except wholesale distributors of fresh fruits and vegetables and general lines of groceries (which experienced 25 percent and 13 percent employment growth rates, respectively). A particularly

Exhibit 8: Productivity of Food Wholesale Workers in New Jersey, the Northeast and the United States in 1992.

Gross Sales per Dollar of Payroll	1967	1972	1977	1982	1987	1992
New Jersey	25.5	24.7	29.7	26.4	24.3	26.2
Northeast	24.7	24.1	27.7	24.8	23.2	24.0
United States	22.4	22.0	24.5	23.5	22.8	23.2

Gross Sales per Employee	1967	1972	1977	1982	1987	1992
New Jersey	170.0	230.9	424.0	541.5	616.6	874.1
Northeast	165.6	220.1	368.7	472.3	549.7	722.4
United States	139.2	183.7	303.9	428.4	500.0	621.5

sharp decline in employment was experienced in businesses engaged in wholesale distribution of poultry and meat products. This recession-related decline is consistent with the longer term (1967-1992) decline experienced in the poultry wholesale business. Between 1967 and 1992, both meat- and poultry-related wholesale operations suffered a consistent drop in employment.

With the exception of poultry and meat wholesalers, which experienced declines in employment, and dairy, which experienced less than a 4 percent increase, all other sectors of food wholesale in New Jersey experienced significant net growth in employment over the past 25 years. Confectionery wholesalers experienced the greatest growth in employment (over 290 percent), followed by wholesale distributors of frozen foods (187 percent), fish and seafood (181 percent), general lines of groceries (108 percent), miscellaneous foods (100 percent), fresh fruits and vegetables (19 percent), and dairy products (4 percent). In 1992, employment in the miscellaneous food brokerage and wholesale sector accounted for 36 percent of all food whole-

sale employment. Exhibit 7 suggests that all components of the food wholesale sector did not share equally in the growth and vitality of the industry between 1967 and 1992.

Job quality can be evaluated on the basis of worker productivity (sales per dollar of payroll and output generated per worker). In 1967, the ratio of gross sales to payroll (sales per dollar of payroll) was higher in New Jersey than in the Northeast, and the Northeast's ratio was higher than that of the nation (refer to Exhibit 8). This relationship was maintained throughout the period 1967-1992 indicating a relatively higher level of worker productivity in New Jersey. As shown in Exhibit 8, in 1992 a dollar of payroll issued to a New Jersey food wholesale employee had an average return of \$26.2 in gross sales generation (as compared with \$24.0 and \$23.2 in the Northeast and the nation). Exhibit 8 also suggests that the average sales generated per employee was greater in New Jersey than the average for the region and the nation. New Jersey's food wholesale workers generated an average of over \$874,000 per employee in 1992, whereas the average Northeastern and

national workers generated only \$722,400 and \$621,500, respectively.

3. Payroll

Between 1987 and 1992 total industry payroll rose by only 28 percent (see Exhibit 9). During this period, growth in annual payrolls in wholesale distribution of fresh fruits and vegetables, general lines of groceries, and fish and seafood exceeded payroll growth for the overall food wholesale industry. Conversely, growth in the annual payroll during the period was more sluggish than the overall industry in businesses involved in distributing poultry products (3 percent), confectionery (7 percent), meat products (15 percent), and frozen foods (18 percent). While somewhat slower, payroll growth in businesses distributing dairy products and miscellaneous food and related products were more on par with payroll expansion in the overall industry.

As shown in Exhibit 9, total annual payroll in the food wholesale industry and all

component sectors consistently climbed between 1967 and 1992. Thus, the industry and all its components paid increasing wages over time. Between 1967 and 1992 total industry payroll rose by 694 percent. Within the industry, payroll in businesses distributing general lines of groceries and fish and seafood expanded to a greater extent than did the industry as a whole. Overall, growth in payroll in frozen foods, confectionery, and miscellaneous food products distribution were significantly above the increase for the total food wholesale industry. Conversely, between 1967 and 1992, payroll in businesses involved with distribution of fresh fruits and vegetables expanded slightly less than the total food wholesale industry's payroll. Consistent with the overall declines in business establishments and employment, payrolls in the wholesale sector responsible for distributing poultry products and meat products grew at much lower rates than the aggregate industry. Over the 1967-92 period, the annual

Exhibit 9: Annual Payroll in New Jersey's Food Wholesale Industry Payroll, 1967-1992.

Industry Sector	(in \$ thousands)			%Change (1987-92)	%Change (1967-92)
	1967	1987	1992		
Total Food Wholesale	126,726	788,043	1,006,815	27.76	694.48
Groceries, general line	18,746	119,801	183,278	52.99	877.69
Frozen Foods	5,050	63,009	74,521	18.27	1,375.66
Dairy Products	19,218	78,504	96,155	22.48	400.34
Poultry & Poultry Prods	5,967	12,157	12,462	2.51	108.85
Confectionery	4,705	100,306	107,470	7.14	2,184.17
Fish & Seafood	1,856	14,858	22,171	49.22	1,094.56
Meat & Meat Products	21,764	68,600	78,817	14.89	262.14
Fresh Fruits & Vegetables	9,519	36,865	72,582	96.89	662.50
Groceries & Related Prods (not elsewhere classified)	39,901	293,943	359,359	22.25	800.63

payroll in dairy product distribution also grew at a substantially lower rate than the aggregate food wholesale industry.

Overall, employees in New Jersey's food wholesale industry earned higher annual salaries relative to their counterparts elsewhere. In 1992, the average industry salary in New Jersey was roughly \$33,400. The United States average was substantially lower (\$26,700), while the Northeast's average salary (\$30,100) was more comparable to that of New Jersey.

4. Gross Sales

Exhibit 10 presents gross sales figures for the food wholesale industry and its component sectors for the census years between 1967 and 1992. Over the longer term (1967 to 1992) sales revenue in New Jersey's food wholesale industry expanded by 717 percent. During this period, the breakdown of growth in sales

by sector is as follows: confectionery (3,960 percent), frozen foods (2,373 percent), fish and seafood (1,598 percent), miscellaneous food products (926 percent), fresh fruits and vegetables (496 percent), meat products (237 percent), and poultry products (108 percent).

More recently (between 1987 and 1992) the food wholesale industry expanded sales revenues by nearly 38 percent. Examination of sectors within the industry shows there was considerable variation in the economic performance during this period, with distributors of confectionery, general lines of groceries, and dairy products exceeding overall industry growth (revenue from confectionery sales increased by more than 106 percent). Sales from the distribution of fresh fruits and vegetables, which experienced a decline of 7 percent in sales, was the only sector to actually decline during the period.

Exhibit 10: Gross Sales Generated by New Jersey's Food Wholesale Industry, 1967-1992.

Industry Sector	(in \$ thousands)			%Change (1987-92)	%Change (1967-92)
	1967	1987	1992		
Total Food Wholesale	3,225,843	19,139,561	26,339,481	37.62	716.51
Groceries, general line	791,040	3,326,584	5,081,222	52.75	542.35
Frozen Foods	72,196	1,500,229	1,785,562	19.02	2373.21
Dairy Products	321,873	1,537,915	2,289,939	48.90	611.44
Poultry & Poultry Prods	147,052	263,679	305,455	15.84	107.72
Confectionery	85,173	1,674,722	3,458,335	106.50	3960.37
Fish & Seafood	25,610	330,192	434,980	31.74	1598.48
Meat & Meat Products	631,548	1,990,589	2,126,264	6.82	236.67
Fresh Fruits & Vegetables	222,600	1,429,999	1,325,730	-7.29	495.57
Groceries & Related Prods (not elsewhere classified)	928,751	7,085,652	9,531,994	34.53	926.30

Exhibit 11: New Jersey's Contribution to the Regional and National Food Wholesale Industry and Population, 1967-1992.

New Jersey's Contribution (in % terms) to:	1967	1972	1977	1982	1987	1992	% Change (1987-92)	% Change (1967-92)
<i>United States</i>								
<i>Population</i>	3.54	3.53	3.39	3.20	3.15	3.07	-2.54	-13.28
U.S. Food Wholesale Establishments	3.59	3.68	4.08	4.27	4.47	4.52	1.12	25.91
U.S. Food Wholesale Employment	3.55	3.88	3.99	3.84	4.07	3.71	-8.84	4.51
U.S. Food Wholesale Gross Sales	4.33	4.88	5.57	4.85	5.02	5.22	3.98	20.55
U.S. Food Wholesale Payroll	3.81	4.34	4.60	4.33	4.71	4.63	-1.70	21.52
<i>Northeast</i>								
<i>Population</i>	14.50	14.78	14.87	15.06	15.26	15.30	0.26	5.52
N.E. Food Wholesale Establishments	12.41	13.34	15.10	15.80	16.81	17.44	3.75	40.53
N.E. Food Wholesale Employment	13.89	16.25	17.08	17.19	18.35	18.21	-0.76	31.10
N.E. Food Wholesale Gross Sales	14.26	17.05	19.64	19.71	20.58	22.03	7.05	54.49
N.E. Food Wholesale Payroll	13.84	16.63	18.38	18.55	19.62	20.21	3.01	46.03

C. New Jersey's Contribution to the Regional and National Food Wholesale Industry

1. Relative to the United States

The relative importance of New Jersey's food wholesale industry and its competitiveness can be examined by comparing the state's contribution to both regional and national population to its contribution to national and regional food wholesale industry shipments, employment, and other indica-

tors. If the state's share of national food wholesale employment, for example, exceeds the state's share of national population, then New Jersey is overrepresented in the area of food wholesale compared to other states. Similarly, if trends in the state's share of population are divergent from trends in shares of employment, sales or establishment, changes in the state's competitiveness may be indicated. Exhibit 11 shows that there was a decrease in the percentage of total national population attributable to New Jersey between 1967 and 1992. This table also shows

that there was a steady increase in the percentage of the Northeast region's population contributed by New Jersey. Hence, while the population shares of both New Jersey and the Northeast are declining relative to the nation, New Jersey's share is declining more slowly.

It is evident, however, that while New Jersey's contribution to the United States population has been declining in percentage terms, the proportion of total establishments the state contributes to the national food wholesale industry has risen steadily and exceeds its contribution to national population. In fact, New Jersey's percentage contributions to national food wholesale employment, sales, and payroll in 1992 all exceed its population contribution, indicating that the state has a disproportionately high volume of food wholesale activity when considering its size relative to the nation. Growth in New Jersey's share of the nation's food wholesale industry, despite a steady decline in the state's national population share, suggests that the advantages of locating food wholesale firms in New Jersey is growing vis-a-vis the nation.

Closer examination of Exhibit 11 also shows that while New Jersey's share of the national food wholesale industry is growing, there has been some fluctuation over the past decade. While New Jersey's percentage of United States food wholesale establishments has consistently risen since 1967, the percentage of the national wholesale industry's employment and payroll have fluctuated in the past decade, with declines occurring during the 1977-1982 and 1987-1992 periods. Similarly, New Jersey's contribution to national gross sales during the 1977-1982 period decreased, although it has since escalated and accounted for more than 5 percent of the national industry's sales revenue in 1992. The less definitive trend in recent years, vis-a-vis the more aggressive growth experienced from 1967 to 1977, may indicate some erosion of

the comparative advantage held by New Jersey food wholesale firms, some of which can be attributed to population related decline in demand.

2. *Relative to the Northeast*

Recall that while New Jersey's contribution to United States population has been declining over time, the state's contribution to the Northeast's population has been steadily increasing.⁵ Simultaneously, the percentages of the Northeast's food wholesale industry establishments, sales revenue, and payroll contributed by New Jersey have all been increasing since 1967, suggesting that the New Jersey industry is becoming stronger relative to the region as a whole. During the 1987 to 1992 period, New Jersey's contribution to employment in the Northeast food wholesale industry dipped slightly, perhaps indicating that New Jersey's food wholesale industry is more susceptible to economic downturns than the region.

After 1967, New Jersey's contribution to the Northeast's food wholesale industry exceeded the state's contribution to population in terms of number of establishments (with the exception of 1972 when New Jersey still had proportionately fewer food wholesale establishments in relation to the Northeast given the state's population), employment, gross sales, and total annual payroll. In fact, in 1992 New Jersey was responsible for 17.4 percent of all Northeast food wholesale distributors, employed 18.2 percent of the Northeast's food wholesale industry's workforce, paid 20.2 percent of the Northeast industry's annual payroll, and generated 22.0 percent of the Northeast's total gross sales for the year. For comparison, New Jersey represented only 15.3 percent of the Northeast's population, indicating that a disproportionately high amount of food wholesale activity was located in the state.

⁵ The Northeast comprises New Jersey, New York, Pennsylvania, Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

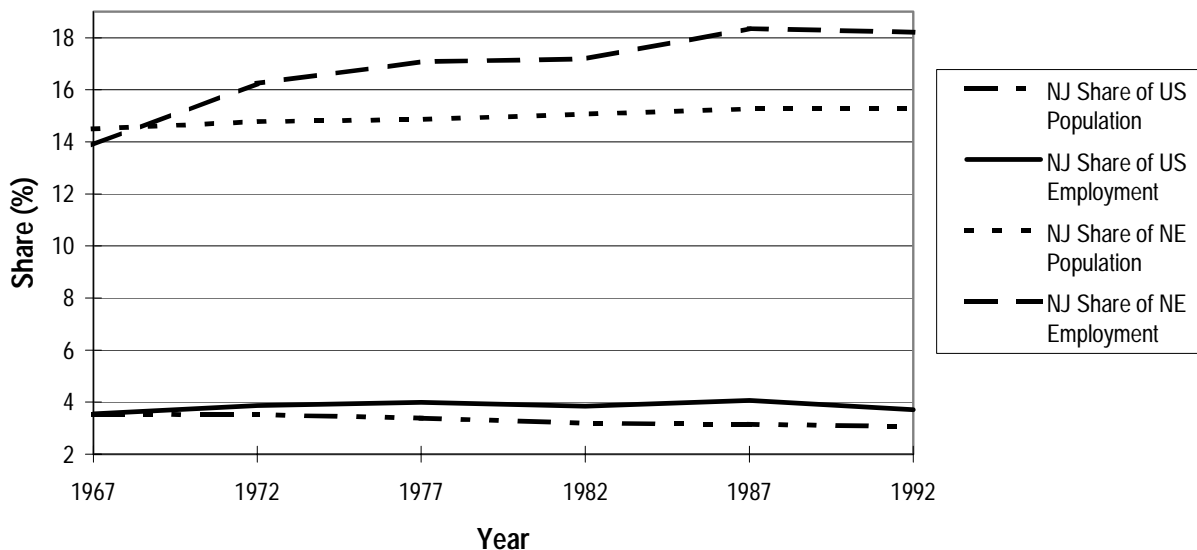
The Northeast region in general has been losing ground to the rest of the nation in the food wholesale sector, as illustrated by the region's declining share of United States food wholesale employment, establishments, gross sales, and payroll. On the other hand, New Jersey has been gaining ground. Between 1967 and 1992 the Northeast's shares of national food wholesale sector employment and payroll dropped by 20.2 percent and 16.7 percent, respectively. In 1992, 20.4 percent of the nation's food wholesale employment was located in the Northeast, while nearly 23 percent of the industry's annual payroll was paid in the region. This indicates that employees in the Northeast are higher paid, on average, vis-a-vis the nation.

The Northeast has also experienced a reduction in its share of total food establishments relative to the nation, dropping its share of national food wholesale distributors

by more than 10 percent in the past 25 years. Commensurate with the relative shrinkage of the Northeast's food wholesale industry has been a sharp lag in the growth of gross sales revenue, as evidenced by the region's declining share of national gross sales during the 1967-1992 period.

As illustrated in Figure 3, New Jersey has maintained a disproportionately high share of the nation's food wholesale employment and is similarly expanding its share of the regions's total food wholesale employment despite a slight decline during the 1987-1992 period. The growth of New Jersey's food wholesale industry relative to the nation at a time when the industry in the rest of the region is declining is indicative of the advantages held by New Jersey such as proximity to major consumer markets, urban centers and ports, and the high population density in the state. These advantages need to be exploited.

Figure 3: New Jersey's Shares of Regional and National Food Wholesale Employment and Population.



III. The Need for Public Policy Initiatives to Improve the Business Climate

A. Attractiveness of New Jersey for Food Wholesale

The success of New Jersey's food wholesale industry should come as no surprise. New Jersey is ideally situated between two major urban centers (New York City and Philadelphia) and supports a consumer market of more than 20 million people. For this reason, the state is an optimal location for the wholesale warehousing and distribution of food items produced within the state, as well as of those produced elsewhere in the region and the country. Further, being a coastal state proves advantageous for the wholesale sector. Products from overseas may be readily accessed due to the state's proximity to major Northeastern ports (Delaware/Philadelphia and New York/New Jersey) thus making New Jersey a focal point for international food brokerage and trade. As a result, while many other components of New Jersey's food industry complex have declined in recent years, the state's food wholesale sector has not only maintained its presence in the state, but has expanded in both real terms and in relation to the nation and region.

B. Importance of Supporting the Industry

There has been a trend in the United States, in the region and in New Jersey away

from manufacturing activities and toward wholesale and retail services. This trend should continue for a number of years, and food wholesale activities should continue to grow. Wholesale trade is an important source of potential growth for the state's economy because of the comparative advantage held by New Jersey vis-a-vis other states. On the average, food wholesalers in New Jersey are larger than their regional and national counterparts. Similarly, New Jersey food wholesale establishments have been experiencing growing shares of the nation's and the region's food wholesale business. The fact that New Jersey accounted for 3.07 percent of the national population in 1992 but 4.52 percent of the nation's total number of food wholesale establishments, 3.71 percent of the nation's food wholesale employment, 5.22 percent of the nation's food wholesale revenue, and 4.63 percent of the nation's food wholesale payroll suggests that New Jersey holds advantages over other states as a location for food wholesale firms.

Food wholesale activities are service-oriented and therefore have less negative impact on the environment. The food wholesale industry may be viewed as a "green industry" in light of both its environmental compatibility and its positive economic impacts. In a state where there is significant concern about the quality of the environment, an environmentally benign industry such as food wholesaling is a logical target for economic development.

The quality of the jobs offered by the industry is another important consideration. New Jersey continues to lead the region and the nation in terms of gross sales per dollar of payroll and gross sales per employee in the food wholesale sector. The average wage for an employee in food wholesaling is 20 percent higher than the average for food manufacturing, twice the amount received by food

store employees, and three times the amount received by restaurant employees. As the highest average paying sector in the food complex and with workers that are more productive than those in the region and nation, New Jersey's food wholesale industry is an ideal area for public policy makers to focus on for the development of quality jobs.

IV. Problems Facing the Industry

While the food wholesale industry has been successful in maintaining and indeed expanding in New Jersey, a number of problems exist that hinder the industry's ability to operate. As part of this research process, a focus group consisting of industry representatives was convened to identify and discuss major concerns held by the industry that could be impacted through state policy. In order of importance, the top issues raised by industry participants in the wholesale focus group were: (1) transportation, (2) regulation, (3) education and training, (4) public relations, (5) nonunion labor competition, (6) costs of doing business, and (7) quality of life in the state.

A. Transportation Issues

Transportation is one of the most serious problems facing the food wholesale industry in New Jersey. Perhaps the most critical aspect of transportation cited by focus group participants was the degree of congestion and traffic-related problems in the state. An end result of such congestion is a reduction in the number of deliveries possible per day (food brokers indicate that the number of deliveries has declined from 6 or 7 to 4 or 5 per day). Furthermore, an estimated 10 to 15 percent of trucks are delayed or do not arrive for deliveries or pickups each day, sometimes causing the wholesaler to incur a detention fee charged by manufacturers or a late delivery charge levied by retailers. Late fees are substantial. Detention fees often range from \$10-

20 per hour. The state of New York limits fees that retailers can charge for late arrivals to 1 percent of the wholesale shipment value per day.

Apart from sheer traffic volume, other causes of delay include too many toll booths, inadequate road signs, and poorly maintained and structured roadways. Delays are commonly encountered at toll booths on major traffic routes (New Jersey Turnpike, for instance). Similarly, road signs do not provide adequate directional information and are not easily understood by out-of-state truckers. Furthermore, signs are sometimes positioned poorly with turn information placed too close to turnoffs for trucks to be able to safely maneuver. Infrastructural problems existing in the state also impede the performance of food wholesalers. For instance, south of the Raritan River, east-to-west roads are inadequate. This limits the ability of wholesalers to transport goods effectively across the southern part of the state.

Another transportation-related problem is the inefficient use of truck backhauling. For example, industry sources suggest that a significant proportion of produce comes into the region from California, yet due to a relatively fewer number of producers in New Jersey, trucks heading west often return empty. This lack of backhauling is an extremely inefficient and costly use of transportation. A contributing factor to this problem is the deregulation of the trucking industry and the subsequent rise of independent trucking. This effectively reduced the organization of the in-

dustry, lessened transportation coordination and resulted in a decreased ability of truckers to locate and obtain goods to backhaul.

Bulletin board systems already exist at major truck stops to enable truckers to locate loads. However, there is inadequate information on demand and supply of loads and trucking services available which, in turn, limits the coordination of backhauling. The various trucking associations (e.g., the New Jersey Motor Truck Association) have information on transportation brokers that could be built into a system that would help enhance backhauling. One factor that must be addressed is federal regulation prohibiting trucks hauling food items from also transporting nonfood products.

B. Regulatory Issues

Of equal concern among focus group participants was the issue of regulation in the state. A major problem faced by the industry is the inequitable enforcement of New Jersey's unit pricing laws and other regulations to which grocery stores must adhere. Specifically, price clubs and super drug stores, as well as other stores not classified as food stores but which nevertheless sell food items (K-Mart, Walmart, convenience stores, etc.), are not subject to unit pricing regulations which require food stores to display unit prices of all products sold on store shelves. The distinct labor and cost benefits accruing to these businesses creates an uneven playing field due to unfair competition, as grocery stores are required to adhere to unit pricing laws and subsequently experience higher labor costs. The end result of this disparity is a reduction in the amount of goods sold by grocery stores, which effectively reduces the sales volume moved by brokerage firms. Furthermore, buying clubs often do not use local brokers, as they frequently acquire goods directly from manufacturers due to the large volume of goods purchased. In addition, since many

price clubs are national and regional, they bypass local brokers and instead tend to use out of state brokers. This compounds the impact on the state's food wholesale industry. An industry source estimated the share of New Jersey food sales attributed to price clubs as currently on the order of 10 percent.

Another key area of concern involves the lack of uniformity in kosher food regulations. Due to variations in the degree of reliance on and influence by religious authorities, there are variations in the regulatory guidelines regarding kosher foods. Consequently, these guidelines tend to vary by state, making it difficult for brokers to sell products across state and regional boundaries.

Another area creating concern within the industry is USDA requirements. According to focus group participants, the process of inspecting, grading, and stamping food goods in New Jersey adds considerable cost to the food industry (40 to 50 percent extra) and is very time consuming as New Jersey has only two or three inspectors. New York has addressed this problem by establishing an "acceptable brands list" identifying brands which are exempt from the inspection, grading, and stamping process.

Another concern shared by all food industry segments is federal nutritional labeling regulations. While the new nutritional labeling laws are of benefit to consumers, the rapid implementation of these laws has resulted in a number of ambiguities in the requirements. A gray area currently exists in deli, dairy, and bakery businesses where packaging varies by size and oftentimes packages are too small to accommodate labels. One result of nutritional labeling requirements has been an increase in manufacturers' costs to the extent that some manufacturers have petitioned the FDA in order to get relief. Brokers are impacted by these nutritional labeling regulations as they often assist manufacturers (primarily small firms) in obtaining nutritional labeling for their products.

Another aspect of food labeling that is a source of concern in the industry is the competitive edge held by foreign suppliers, as some imports are not required to adhere to nutritional labeling (and several other) regulations. As a result, foreign goods often enter the domestic market at lower price levels. Many state programs (schools and prisons, for example) use less expensive imported canned goods, eliciting further criticism from the industry.

Environmental regulations are likewise a problem affecting the industry. Garbage disposal, particularly solid waste disposal, is a primary concern. Wholesalers take possession of goods and therefore are responsible for the disposal of a large amount of solid waste (packaging material, etc.).

C. Education and Training Issues

Another food industry problem that is common to manufacturers, wholesalers, and retailers is the availability of qualified and reliable labor. While New Jersey has an abundance of well educated individuals to fill high-level jobs in the state, low- and middle-level jobs are difficult to fill. Wholesale industry representatives reported that the turnover rate of part-time employment in a given year may be 40 percent or more in the industry. The time, energy, and cost of training employees make this a critical concern in the industry. The educational level of the pool of employees at the entry level of food wholesale businesses (and the food industry in general) is relatively low (industry representatives indicated that an estimated 90 percent of the food industry's 315,000 total employees have only a high school education or less). Oftentimes, language barriers interfere with brokers' ability to interact with retail employees and explain new product items. Similarly, literacy problems and language barriers may impede work at warehouses, as workers may mistakenly ship the wrong boxes. These

problems, coupled with the prevalence of a poor work ethic and lack of worker reliability, result in labor quality problems which are a significant source of concern in the industry.

D. Public Relations Issues

Despite the size and contributions of the food wholesale and brokerage industry, the public knows little about the industry. The obscurity of the industry may explain the lukewarm support for the industry in terms of public policy. Perhaps if state-level decision makers were made more aware of this industry and its potential as a source of future economic growth and stability, the state's attitude towards this industry would be friendlier and more oriented toward economic development. The image of this industry and the recognition of its economic contributions are important to representatives of the food wholesale industry.

According to industry sources, the state's perceived antagonism toward business is a severe deterrent to a firm's decision to locate in the state. The fact that New Jersey is not perceived as having a preferred regulatory environment discourages the location of food firms in the state. This has an adverse impact on the volume of food wholesale business handled by New Jersey's brokers. New Jersey has failed to put any effort toward recruitment and retention of food companies and has not capitalized on the fact that the state lies amidst a large consumer market and therefore, is ideally situated for the establishment of food related firms.

To attract food businesses to New Jersey, state attitudes toward industry must be more favorable. In addition, a wide range of incentives may be required to attract businesses to the state. In developing a public relations plan, the state needs to accentuate the advantages offered by locating in the state including reduced transportation costs; a skilled

workforce able to meet upper-level staffing needs in the areas of finance, research and development, engineering, and management; and quality of life benefits such as proximity to cultural centers (New York City, Philadelphia) and availability of small towns, historic sites, seashores, and other diverse points of interest. A major step forward would be the state's recognition, appreciation, and promotion of existing food industry firms residing in New Jersey.

E Nonunion Labor Issues

Industry representatives indicated that price clubs and national retail discount chains such as Walmart, are able to hire low-cost, nonunion workers. On the other hand, most grocery store chains are bound by union contracts. The differential in wage rates is significant, with union employees costing up to \$7 to 8 more per hour than nonunion workers. This is in addition to the cost reduction benefits accruing to price clubs and discount chains due to the fact that they are exempt from unit pricing and other laws which apply to food stores. These policy-induced cost differences create substantial profit differentials between supermarkets and discount competitors, effectively jeopardizing the ability of food stores to remain in business. In turn, the economic viability of wholesalers and brokers servicing food stores is also threatened.

E Costs of Doing Business Issues

Many of the previously discussed issues

are at least partially correlated with the relatively high cost of operating a business in New Jersey. For instance, toll booths not only imply direct costs, but they impose additional costs, as distributors may be assessed late fees by retailers due to traffic related delays. Increased fuel consumption, time lost, and pollution generation are additional secondary costs incurred by food wholesalers and the public as a result of traffic delays. As discussed earlier, regulatory costs may be substantial and in some cases they put local wholesalers at a comparative disadvantage vis-a-vis price clubs and other brokers from outside the area.

Costs associated with training employees and the advantage held by businesses using nonunion labor put New Jersey wholesalers at a distinct disadvantage. Also particularly problematic is the fact that New Jersey has the highest minimum wage in the country. Disposal of packaging and other solid wastes is another expense particularly relevant to the industry.

G Quality of Life Issues

A problem common to many food wholesale businesses in the state is that of the low quality of life in many locations that may otherwise be attractive to wholesalers. While urban areas offer an abundance of low-skill, low-cost labor, wholesale businesses are generally unwilling to locate in these areas due to safety and security considerations. On the other hand, areas appealing to businesses from a quality of life perspective are often too expensive because of the high cost of land.

V Public Policy Recommendations

The state of New Jersey has recently implemented various initiatives and programs to improve the business climate in the state and the competitiveness of firms in New Jersey. Most of these are not industry specific, although many would apply to the food wholesale industry. The STARR report, recently released by the Business Ombudsman's office details some of these policy reform initiatives. While some of the recommendations provided by representatives of the food wholesale industry are already being implemented through these recent initiatives, this report presents the full text of recommendations suggested by industry sources.

The following is a list of public policy recommendations to the state proposed by industry representatives to create a more hospitable business climate in New Jersey for the food wholesale industry.

A. Transportation

A critical factor that could enhance food wholesalers' ability to operate efficiently is an improved trucking/backhauling coordination system. The industry feels that the existing information clearinghouses which currently facilitate and coordinate trucking transport provide inadequate information on the supply and demand of loads. The improvement of this system would provide an opportunity to increase backhauling and subsequently raise efficiency and lower costs. Food wholesalers therefore recommend that the

state (possibly Department of Transportation) assist in the development and operation of a bulletin board to achieve a greater level of coordination and efficiency in trucking transport.

The elimination of toll booths (as was done in Connecticut) or the establishment of an automated toll would eliminate some of the traffic delays and costs associated with the existing toll system. The industry recommends that the state examine the alternatives for equitably financing highways with the purpose of reducing traffic congestion. The establishment of a better system of traffic observation is also recommended. Improved control and communication is required to alleviate traffic-related delays (for instance, the Japanese have television cameras along highways that communicate to a traffic center and automated signs and radio reports that assist in redirecting traffic).

Focus group participants also recommend the potential for improved rail transport be explored (currently, only 5 percent of the food shipped to New Jersey is by rail). To the extent that information may already exist on the rail system's ability to enhance food distribution, such information needs to be utilized.

B. Regulation

Industry representatives recommend that the definition of food stores be broadened to encompass price clubs and other businesses not currently classified as such, in order to

level out the effects of unit pricing laws. Further, regionalization is recommended in order to unify kosher food regulations that currently vary across states. To reduce the time and cost associated with inspecting and grading, the industry recommends that New Jersey should follow New York's lead and consider the adoption of an "acceptable brands" list that waives some of the need for grading and stamping. Also, it is recommended that nutritional labeling regulations be uniformly applied to imports in order to spur fairer competition between domestic and foreign goods. In addition, to promote the use of New Jersey products, the industry also recommends that state institutions give priority to food produced or processed in New Jersey, where it is available as a substitute for imported food. This recommendation is consistent with Senate bill (S1768) sponsored by Senators Ciesla and LaRossa to promote New Jersey commerce.

C. Education and Training

The industry recommends that the state study the employee training program offered by Wakefern and consider supporting the initiation of a similar program for the entire food industry. The establishment of an industry/high school partnership would aid in raising the standard of education, work ethic, and reliability of non-college-bound students. Toward this end, it is recommended that the state expand vocational training programs to develop skills in non-college-bound students, grooming them to meet the needs of business. It is also recommended that the Department of Commerce sponsor an Industry Conference to promote improved education of the emerging work force for the wide number of industries in the state.

D. Public Relations

The industry recommends that the state undertake a national public relations cam-

paign to attract more food companies and manufacturers to New Jersey by capitalizing on the advantages offered by the state. To aid in this effort, it is recommended that the state more aggressively promote New Jersey products, particularly agricultural and food products, and convince potential firms that New Jersey offers an environment conducive to the operation and success of their businesses. The current Jersey Fresh promotional program is geared toward the promotion of agricultural products and not toward the promotion of food in general.

Focus group participants also recommend that the state create incentives for businesses to locate in New Jersey and adopt a more business-friendly, less antagonistic stance toward industry. It is recommended that the state have an ombudsman in place to promote food-related industries and assist firms in dealing with and relieving bureaucratic red tape.

E. Nonunion Competition

The industry recommends that legislation be passed to aid food industry firms currently locked into union contracts in order to promote fairer competition with businesses able to use nonunion labor.

F. Costs of Doing Business

Most of the recommendations above are related to the cost of doing business. Consequently, the implementation of these recommendations would significantly reduce the cost of doing business in New Jersey.

G. Quality of Life

Although the industry representatives indicated that the low quality of life in many urban areas deters businesses from locating in the state's major cities, no specific recommendations were offered to address this problem.

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Appendix: Industry Statistics

Food Wholesale (SIC 514)

Employment

	1967	1972	1977	1982	1987	1992	% Change (1987-92)	% Change (1967-92)
SIC 514	18,972	22,502	24,006	25,853	31,043	30,134	-2.93	58.83
SIC 5141	2,515	3,361	3,936	4,266	4,613	5,232	13.42	108.03
SIC 5142	803	796	907	1,677	2,636	2,304	-12.59	186.92
SIC 5143	2,689	2,365	2,550	2,217	2,884	2,792	-3.19	3.83
SIC 5144	1,188	1,619	1,241	1,346	669	400	-40.21	-66.33
SIC 5145	792	1,017	1,709	2,225	3,125	3,095	-0.96	290.78
SIC 5146	348	441	517	780	978	976	-0.20	180.46
SIC 5147	3,483	3,341	3,194	2,790	2,756	2,406	-12.70	-30.92
SIC 5148	1,691	1,673	1,448	1,683	1,605	2,011	25.30	18.92
SIC 5149	5,463	7,889	8,504	8,869	11,777	10,918	-7.29	99.85

Number of Establishments

	1967	1972	1977	1982	1987	1992	% Change (1987-92)	% Change (1967-92)
SIC 514	1,436	1,417	1,547	1,645	1,882	1,939	3.03	35.03
SIC 5141	58	75	89	122	160	182	13.75	213.79
SIC 5142	62	72	80	100	129	148	14.73	138.71
SIC 5143	141	136	142	111	157	158	0.64	12.06
SIC 5144	124	97	73	60	50	36	-28.00	-70.97
SIC 5145	75	87	110	122	135	122	-9.63	62.67
SIC 5146	56	54	64	84	101	101	0.00	80.36
SIC 5147	300	296	323	280	281	260	-7.47	-13.33
SIC 5148	248	214	206	197	194	212	9.28	-14.52
SIC 5149	372	386	460	569	675	720	6.67	93.55

Gross Sales

(in \$ thousands)

	1967	1972	1977	1982	1987	1992	% Change (1987-92)	% Change (1967-92)
SIC 514	3,225,843	5,196,289	10,179,474	13,998,357	19,139,561	26,339,481	37.62	716.51
SIC 5141	791,040	1,014,736	2,046,032	2,837,141	3,326,584	5,081,222	52.75	542.35
SIC 5142	72,196	166,550	299,904	831,762	1,500,229	1,785,562	19.02	2373.21
SIC 5143	321,873	461,661	1,105,511	1,324,166	1,537,915	2,289,939	48.90	611.44
SIC 5144	147,052	201,666	368,603	436,426	263,679	305,455	15.84	107.72
SIC 5145	85,173	185,292	993,594	1,122,340	1,674,722	3,458,335	106.50	3960.37
SIC 5146	25,610	71,130	92,510	232,267	330,192	434,980	31.74	1598.48
SIC 5147	631,548	831,523	1,296,530	1,510,087	1,990,589	2,126,264	6.82	236.67
SIC 5148	222,600	262,914	474,726	649,987	1,429,999	1,325,730	-7.29	495.57
SIC 5149	928,751	2,000,817	3,502,064	5,054,181	7,085,652	9,531,994	34.53	926.32

Payroll

(in \$ thousands)

	1967	1972	1977	1982	1987	1992	% Change (1987-92)	% Change (1967-92)
SIC 514	126,726	209,975	343,309	531,020	788,043	1,006,815	27.76	694.48
SIC 5141	18,746	28,972	61,822	94,421	119,801	183,278	52.99	877.69
SIC 5142	5,050	6,104	12,310	33,261	63,009	74,521	18.27	1375.66
SIC 5143	19,218	25,072	40,549	49,671	78,504	96,155	22.48	400.34
SIC 5144	5,967	10,505	12,953	19,122	12,157	12,462	2.51	108.85
SIC 5145	4,705	8,840	25,296	47,367	100,306	107,470	7.14	2184.17
SIC 5146	1,856	3,401	5,130	10,743	14,858	22,171	49.22	1094.56
SIC 5147	21,764	32,484	44,582	57,976	68,600	78,817	14.89	262.14
SIC 5148	9,519	12,216	17,849	27,870	36,865	72,582	96.89	662.50
SIC 5149	39,901	82,381	122,818	190,589	293,943	359,359	22.25	800.63

Standard Industry Classification Codes

SIC 514	Groceries & Related Products	SIC 5145	Confetionery
SIC 5141	Groceries, general line	SIC 5146	Fish & Seafoods
SIC 5142	Frozen Foods	SIC 5147	Meats & Meat Products
SIC 5143	Dairy Products	SIC 5148	Fresh Fruits & Vegetables
SIC 5144	Poultry & Poultry Products	SIC 5149	Groceries & Related Products, n.e.c.

