

Enhancing Business Opportunities in the Food Wholesale Sector: A Case Study of New Jersey

Adesoji O. Adelaja, Rodolfo M. Nayga, Jr., Karen R. Tank, and Brian J. Schilling

New Jersey is very much like many other states in the northeastern region of the United States. On the other hand, it is unique in a number of ways. New Jersey is characterized by (1) a large and affluent consumer base, (2) access to major ports and air transportation facilities which facilitates foreign imports and exports, and (3) large food manufacturing, retail and service sectors. New Jersey's food wholesale sector is therefore an important economic sector with strong potential for future growth. Food wholesalers can provide stable high-paying jobs in an economy still recovering from the 1989–92 recession. Limited knowledge of the challenges facing this sector may hinder its potential growth and development. Given the implications that could be drawn from New Jersey, this paper investigates the challenges facing New Jersey food wholesalers based on information obtained directly from industry leaders via a focus group meeting. Findings suggest the need for public policies to address transportation, regulation, education and training, public relations, nonunion labor and quality of life issues. These findings are useful in planning for economic development of the food wholesale sector and fostering competitiveness not only in New Jersey, but in the Northeast and other regions.

The food wholesale sector is a major segment of the United States food industry.¹ It is the primary linkage between agricultural and food producers and the retail outlets through which consumers obtain their food (Adelaja, 1988). Food wholesaling is becoming increasingly important in a global market where fresh fruits, vegetables and produce, and processed food are being imported and exported in growing volumes. Unlike food retail and food service, which tend to employ lower-skilled and low-wage workers, wholesalers employ high-wage and highly-skilled workers (Adelaja, Schilling and Horzepa, 1994). The food wholesale sector is essential. Without it, the highly successful and dynamic food system in the United States would be far less effective than it is today.

Adesoji Adelaja is Associate Director of the Rutgers Ecopolicy Center and Associate Professor and Chair of the Department of Agricultural Economics and Marketing, Cook College, Rutgers University. Rodolfo M. Nayga, Jr. is Assistant Professor, Karen Tank is Program Manager of the Food Policy Research Program, and Brian Schilling is the State Government Liaison Economist at the Department of Agricultural Economics and Marketing, Cook College, Rutgers University. All correspondence may be directed to Dr. Adesoji Adelaja (Adelaja@aesop.rutgers.edu). This project was funded by a grant from the New Jersey Department of Agriculture and by Experiment Station funds appropriated under the Hatch and McIntyre-Stennis Acts.

During the 1989–1992 recession, manufacturing jobs were lost in record numbers. Job creation, economic development and industry promotion became key state-level public policy objectives. The food wholesale sector was recognized as a potential source of stable jobs (Adelaja, Schilling and Horzepa, 1994). For example, New Jersey recently targeted this and other food industry sectors for special economic development assistance as part of its program to accentuate tools designed to promote and retain desirable industries. As the United States attempts to manage the continuing decline of manufacturing and strives to enhance global competitiveness in the rapidly expanding international food wholesale business, it will be important to understand the challenges facing food wholesalers now and in the future.

Little is known about the challenges facing food wholesalers. Despite the growth and success

¹ Food wholesale activities include the group of activities denoted as the Standard Industrial Classification (SIC 514). SIC 514 includes establishments involved in the wholesale and distribution of a general line of groceries (SIC 5141), packaged frozen foods (SIC 5142), dairy products (SIC 5143), poultry and poultry products (SIC 5144), confectionery (SIC 5145), fish and seafood (SIC 5146), meat and meat products (SIC 5147), fresh fruits (SIC 5148) and miscellaneous food wholesale activities (SIC 5149).

of the sector, it has been relatively obscure to economists and to policy makers because of its service nature and the lack of direct consumer contact. For this sector to continue to thrive, it is essential that policy makers understand its needs and the role that public policy can play in stimulating its development. Given the sector's importance, and the need to further capitalize on the economic advantages it offers, the structure, nature and problems of the sector need to be well understood. Planning and development of state government incentives to stimulate growth and attract new businesses must be based upon the recognition of the specific impediments to growth.

This paper's objective is to investigate the impediments to growth in the food wholesale sector. Despite its uniqueness, the state of New Jersey is used as a case study because it provides a glimpse of issues and problems that other states will face in the future, particularly the more urbanized and highly regulated states.² New Jersey has a high concentration of food wholesalers due to its proximity to critical trade points (ports and financial centers), its large consumer base (New York and Philadelphia) and its high concentration of affluent consumers whose tastes and preferences are

rapidly changing.³ Due to its location, New Jersey is also at the forefront of many of the problems and challenges faced by food wholesalers. Due to the growing importance of exports, much of the opportunities for growth in food wholesaling will be in states with similar profiles to New Jersey.

In determining the problems and obstacles impeding the performance and expansion of the food wholesale sector in New Jersey, the approach chosen was to elicit information directly from corporate leaders and other industry representatives in the state during a focus group session specifically organized for that purpose. The focus group was held on March 3, 1995 on the Rutgers University campus.

A selection of government, university and private sector experts on food wholesale, retail, processing and service guided the selection of companies participating in the focus group meeting and in this research project. Two professional focus group facilitators (from the firm of Berkowitz and Associates, a renowned industry management consulting firm) were retained to conduct the focus group session. Companies represented at the food wholesale focus group meeting and that offered input into the process include: Eastern Dairy, Deli and Bakery Association; the Matrix Marketing Group Inc.; Hersh Marketing Company; J & S Food Brokers; Wakefern Food Corporation; Agri-consultants; New Jersey Food Council; Lasurdo Foods; Frank Donio Inc.; JASZ Inc.; Dauito Produce Inc.; Sid Alpers Organic Sales; Frank J. Gatto Company; H & G Trading Ltd.; Pezrow Corporation; Willing and Shtafman; Keystone New York Corporation; D & R Food Brokers; and Sullivan & Fitzgerald Food Brokers. Each company was represented by only one individual. About 50 percent of the participants were CEOs or Presidents while the others were managers, buyers and brokers. This approach is uniquely different from other approaches to the study of food industry problems.

² In 1992, New Jersey represented 3.07 percent of total US population, but 4.52 percent of total US establishments, 3.71 percent of total US employment, 5.22 percent of the total US gross sales and 4.63 percent of total US payroll in the food wholesale sector. Back in 1967, state share of national population was 3.54 percent while state shares of national wholesale establishments, employment, gross sales and payroll were, respectively, 3.59, 3.55, 4.33, and 3.81 percent. Food wholesale activities obviously thrived in New Jersey. On the other hand, in 1992, the Northeast represented 20.1 percent of total US population, but 25.9 percent of total US establishments, 20.3 percent of total US employment, 23.7 percent of the total US gross sales and 22.9 percent of total US payroll in the food wholesale sector (this compares to 1967 figures of 24.4 percent of national population, and, respectively 28.5, 25.6, 30.4 and 27.5 percent of national wholesale establishments, employment, gross sales and payroll. The lackluster performance of the regional industry, vis-à-vis New Jersey, may reflect a declining competitive advantage, especially when viewed in the context of the locational and other advantages of the northeastern states (e.g., proximity to large urban centers, access to major ports, consumer affluence and the abundance of food retail and food service activities).

³ To put the problems and challenges of New Jersey's food wholesale sector in proper perspective, it is useful to evaluate various statistics on the structure and performance of the sector. Statistics presented in Table 1 help demonstrate the characteristics of the sector.

Table 1. Profile of New Jersey's Food Wholesale Sector, 1967-92.

Indicators	1967	1992	Percent Increase
Number of Food Wholesale Establishments	1,436	1,939	+ 35.0
Food Wholesale Sector Employment	18,972	30,134	+ 58.8
Food Wholesale Sector Gross Sales (\$ million)	3,226	26,339	+716.5
Food Wholesale Sector Payroll (\$ million)	127	1,007	+694.5
Food Wholesale as % of:			
Total State Wholesale Employment	13.9%	11.5%	-17.3
Total State Wholesale Gross Sales	18.0%	15.0%	-16.7
Average Annual Payroll in:			
Food Wholesale (\$/person)	6,680	33,400	+400.2
Food Processing (\$/person)	6,980	30,560	+338.1
Food Stores (\$/person)	4,150	15,020	+262.0
Food Service (\$/person)	3,000	9,970	+232.4
Gross Sales per \$ of Payroll in Food Wholesale:			
New Jersey (\$/Capita)	25.5	26.2	+2.7
Northeast (\$/Capita)	24.7	24.0	-2.8
U.S.(\$/Capita)	22.4	23.2	-3.6
Gross Sales per Employee in Food Wholesale:			
New Jersey (\$/Capita)	170.0	874.0	+443.5
Northeast (\$/Capita)	165.6	722.4	+337.6
U.S.(\$/Capita)	139.2	621.5	+346.5
New Jersey Share of U.S.			
Population (%)	3.54	3.07	- 13.3
Food Wholesale Establishments (%)	3.59	4.52	+25.9
Food Wholesale Employment (%)	3.55	3.71	+ 4.5
Food Wholesale Gross Sales (%)	4.33	5.22	+20.6
Food Wholesale Payroll (%)	3.81	4.63	+21.5
New Jersey Share of Northeast			
Population (%)	14.5	15.3	+ 5.5
Food Wholesale Establishments (%)	12.4	17.4	+40.3
Food Wholesale Employment (%)	13.9	18.2	+31.7
Food Wholesale Gross Sales (%)	14.3	22.0	+53.8
Food Wholesale Payroll (%)	13.8	20.2	+46.0

Source: U.S. Department of Commerce, Bureau of Census, *Censuses of Retail and Wholesale Trade, Census of Manufacturers*, and *Annual Survey of Manufacturers*, Washington D.C., various years.

Issues Facing the Food Wholesale Sector

Focus group participants were asked to identify impediments to the profitability and expansion of their sector and to rank these impediments on the basis of perceived magnitude and severity. The issues were then discussed based on the priority assigned. Attempts were made to obtain group consensus. In total, seven key categories of issues were identified by food wholesalers. In order of importance, the top issues were: (1)

transportation, (2) regulation, (3) workforce education and training, (4) public relations, (5) non-union competition, (6) costs of doing business and (7) quality of life in the state. These issues are discussed in this section in order of importance.

Transportation Issues

According to participants in the focus group meeting, transportation is the most serious prob-

lem facing the food wholesale industry. The most critical aspect of transportation cited was the degree of congestion and traffic-related problems. An end result of such congestion is a reduction in the number of deliveries possible per day (brokers indicate that the number of deliveries has declined from 6 or 7 per day to 4 or 5 per day in just a few years). Furthermore, an estimated 10 to 15 percent of trucks are delayed or do not arrive for deliveries or pickups each day. This causes wholesalers to incur a detention fee charged by manufacturers or a late delivery charge levied by retailers. Such fees are substantial both in New Jersey and New York. For instance, detention fees charged by manufacturers in New Jersey may range from \$10–20 per hour. Similarly, fees for late deliveries charged by retailers in New York run as high as one percent of the wholesale shipment value per day.

Apart from sheer traffic volume, other causes of delay include excessive numbers of toll booths, inadequate road signs and poorly maintained and structured roadways. Delays are commonly encountered at toll booths on major traffic routes. 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 and information on turns are often placed too close to turn-offs for trucks to be able to maneuver safely. Infrastructural problems also impede the performance of food wholesalers. For instance, in southern New Jersey, participants indicated that while north-south access is sufficient (since several major highways go north-south), east-to-west roads are inadequate. Consequently, the ability of wholesalers to efficiently transport goods to new growth areas is often limited.

Another transportation-related problem is the inefficient use of truck back-hauling. 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 the region, trucks heading west often return empty. This lack of back-hauling is an extremely inefficient and costly use of transportation. According to focus group participants, a contributing factor to this problem is the rise of independent trucking as a result of trucking deregulation. While independent trucking introduces

more competition and drives down the transportation rates for specific routes, it also makes it more difficult to organize and coordinate transportation and to locate and obtain goods to back-haul.

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 back-hauling. The various trucking associations have information on transportation brokers that could be built into a system that would help enhance back-hauling. One factor that focus group participants indicated that they would like to see addressed is federal regulation prohibiting trucks hauling food items from also transporting non-food products. While participants felt this would facilitate backhauling, it is questionable whether this is realistic given consumers' food safety concerns.

Many of the findings regarding transportation are applicable outside New Jersey. Many northeastern states face congestion problems. So do the urban areas of many other states. The high population density in the Northeast creates the tendency for the region to experience a net inflow of goods. The prevalence of toll booths and the highly over-burdened road network makes transportation a major issue. As the most urbanized and most densely populated state in the nation, New Jersey is at the forefront of regional transportation problems. New Jersey may, therefore, offer insight into the potential magnitude of transportation problems elsewhere and a glimpse of the issues that might have to be addressed nationally if the trend toward suburbanization persists.

The transportation-related issues above probably apply to most types of wholesalers in the Northeast. Given the perishability of many food products and the high frequency of food shipments, the problems are likely to be more pressing for food wholesalers and the cost implications more severe. Improvement of the transportation system in the region would benefit wholesalers of food and produce in the region, but could also facilitate the shipment of goods into the region, thus benefitting wholesalers from other parts of the country.

Regulatory Issues

Of equal concern among focus group participants was the issue of regulation. A major problem faced by food wholesalers in New Jersey is the inequitable enforcement of laws and regulations to which grocery stores must adhere. Specifically, wholesale clubs, mass merchandisers, and super drug stores, as well as other stores now selling food products (K-Mart, Walmart, convenience stores, etc.), are not subject to some of the regulations to which food stores are required to abide. An example is the unit pricing law in New Jersey, which requires food stores to display unit prices of all products sold on store shelves. The distinct labor and cost benefits accruing to businesses not subject to these regulations create an uneven playing field and unfair competition.

Another regulatory concern expressed was that wholesale clubs often do not use brokers, as they frequently acquire goods directly from manufacturers due to the large volume of goods purchased. In addition, since many wholesale clubs are national, even when they use brokers, they tend to bypass local brokers. A focus group participant estimated that 10 percent of food sales in New Jersey can be attributed to wholesale clubs. Given the growing consumer support for such establishments, this percentage can be expected to grow over time.

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

USDA requirements are also seen as problematic. According to focus group participants, the process of inspecting, grading and stamping food goods adds considerable cost to the food industry (up to 40 to 50 percent more to the cost of doing business for some food wholesale companies) and is very time consuming. The problem is amplified in New Jersey, which, according to focus group participants, has only two or three federal 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.

While 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 the recent 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 are asked to assist manufacturers (primarily small firms) in obtaining nutritional labeling for their products.

Another aspect of food labeling that is a source of concern is the competitive edge held by foreign suppliers. Some imports are not required to adhere to nutritional labeling (and several other) regulations. As a result, some foreign goods enter the domestic market at lower price levels, despite higher transportation costs. Focus group participants also criticized the fact that many state programs (schools and prisons, for example) use less expensive imported canned goods.

Environmental regulations are also 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, damaged products, etc.).

The issues discussed above that pertain to regulatory equity (wholesale clubs, unit pricing, etc.) may be legitimate concerns. However, it may be difficult to justify penalizing wholesale clubs and other emerging discount outfits for their innovation. In the case of kosher food regulations, multi-state discussions and agreements may be feasible among state policy makers in order to ease the burden on food wholesalers in the region. The federal issues (USDA inspections and nutritional labeling laws) are probably issues that state and regional policy makers may not be able to influence, unless regulators from various states collaborate to influence federal legislation. While the regulation related issues above are not generic

problems of the Northeast or the nation, they may apply to other states whose regulatory environments are tending toward New Jersey's.

Education and Training Issues

A food industry problem that is common to manufacturers, wholesalers and retailers is the availability of qualified and reliable labor. While there is an abundance of well-educated individuals to fill high-level corporate jobs, lower level jobs are difficult to fill. Wholesale sector representatives reported that the average turnover rate of part-time employees in a given year may exceed 40 percent. 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 employees have only a high school education or less). Oftentimes, language barriers interfere with brokers' ability to interact with retail employees and to explain new product items. Similarly, literacy problems and language barriers may impede work at warehouses, as workers may erroneously ship the wrong boxes. These problems, coupled with a declining work ethic and poor worker reliability, have resulted in severe labor quality problems.

New Jersey is similar to many other northeastern states in terms of literacy problems and the percentage of the adult population with a high school education. For example, according to Brizius and Forster, New Jersey ranks 33rd in the nation in its literacy rate and 20th in high school attainment. Maryland is 25th in literacy rate and Connecticut, Pennsylvania, and Rhode Island are 25th, 25th, and 40th, respectively. Education and training may indeed be areas where northeastern states can collaborate. Training required for lower level jobs may be most effectively done in junior, community and vocational-technical colleges. Because very few vo-tech programs are specifically targeted to training food industry workers, the quality of the labor pool from which the food industry draws has been relatively low. Distance learning offers an opportunity to regionalize training of food industry workers in the future.

Public Relations Issues

Despite its size and contributions, the public knows little about the food wholesale and brokerage sector. The obscurity of the sector may explain the lukewarm support it receives in terms of public policy. Greater awareness of this industry's importance could result in a more favorable attitude on the part of policy makers. The image of this sector and the recognition of its economic contributions were important to focus group participants. The Cooperative Extension Services and researchers throughout the land grant system could be very helpful in educating state policy makers about the importance and problems of this sector.

New Jersey has the reputation of having a hostile regulatory environment. According to industry sources, the state's perceived antagonism toward business is a severe deterrence to the location of firms in the state. For example, participants cited the absence of recruitment and retention programs to attract food firms, high fines for regulatory violations, the punitive regulatory approach often taken by the state and the layers of regulation that industry has to deal with as obstacles to business location in the state. This reduces the volume of food wholesale business handled by New Jersey's brokers.

A wide range of incentives can be used to enhance the performance of the already successful food wholesale sector and/or attract new food brokers to the state. In developing incentives to attract food brokers, focus group participants indicated the need to accentuate the advantages of locating in states where there is proximity to consumers; where skilled labor (that is able to meet upper-level staffing needs in the areas of finance, research and development, engineering and management) is abundant; where there are significant quality of life benefits (such as proximity to cultural centers like New York City and Philadelphia); and where small towns, historic sites, seashores and other diverse points of interest are available. According to focus group participants, a major step forward for state policy makers would be the recognition, appreciation and promotion of existing food firms. Given the current austerity and reduction in state programs, the possibility of expanding the state promotional

program in New Jersey and elsewhere may be limited.

Non-union Labor Issues

Focus group participants indicated that wholesale clubs and national mass merchandisers such as Walmart, are able to hire low-cost, non-union workers while the majority of grocery store and supermarket chains are bound by union contracts. The differential in wage rates, they suggest, is significant, with union employees costing up to \$7 to \$8 more per hour than non-union workers. Furthermore, focus group participants were concerned about the cost reduction benefits accruing to wholesale clubs and mass merchandisers due to the fact that they are exempt from unit pricing and other such laws which apply to food stores. These policy-induced cost differences create profit differentials between supermarkets and discount competitors. In turn, the economic viability of wholesalers and brokers servicing food stores is affected.

It is unlikely that the same flexibilities that apply to wholesale clubs will be applied to food stores. On the other hand, consumers will likely resist the inclusion of wholesale clubs in state provisions that are supportive of unions. Sentiments in favor of discount stores are very strong in New Jersey. While the union issue is an equity issue, it also is a cost issue, at least for many consumers.

Costs of Doing Business Issues

According to the focus group participants, many of the previously discussed issues translate into high costs of operating a business. For instance, toll booths not only add to 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, put local wholesalers at a comparative disadvantage vis-à-vis wholesale clubs and brokers from outside the state and region.

Costs associated with training employees and the advantage held by businesses using non-union labor put some wholesalers at a distinct disadvantage. Also particularly problematic are the higher wages (New Jersey has among the highest minimum wage in the country). Disposal of packaging and other solid wastes is another expense particularly relevant to the New Jersey food wholesale sector. Industry sources cite high disposal costs which result from inadequate solid waste disposal facilities. The persistently high cost of doing business in New Jersey has been extensively debated in recent years. The extent to which it hinders business performance in the state and region is an important issue that policy makers and researchers must address in coming years.

Quality of Life Issues

A problem common to many food wholesale businesses is that of the low quality of life in many locations that may otherwise be attractive to wholesalers. Focus group participants suggest that 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 that are appealing to businesses from a quality of life perspective are often too expensive because of the high cost of land and warehouse space. These areas also tend not to have an adequate supply of low-skilled employees.

Industry Recommendations for Enhancing the Business Climate of Food Wholesalers

Industry leaders participating in the focus group were also asked to provide recommendations on how policy makers can assist in positioning their sector for growth. The following is a list of the public policy recommendations proposed to create a more hospitable business climate for the food wholesale sector.

Transportation

A critical factor that could enhance food wholesalers' ability to operate efficiently is an improved trucking/back-hauling coordination system. Industry representatives feel that existing

information clearinghouses, which currently facilitate and coordinate trucking transport, provide inadequate information on the supply and demand of loads. Improved coordination would provide an opportunity to increase back-hauling and subsequently raise efficiency and lower costs. While food wholesalers recommend assistance in the development and operation of a bulletin board to achieve a greater level of coordination and efficiency in trucking transport, it is questionable whether this is feasible given the fiscal constraints faced by most northeastern states.

The elimination of toll booths (e.g., as was done in Connecticut) or establishment of an automated toll system would eliminate some of the traffic delays and costs associated with the existing toll system. The focus group participants recommend the examination of alternatives for equitably financing highways in order to reduce traffic congestion. The establishment of better systems 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). Significant public-private sector dialogue and interstate cooperation would be needed in order to address this issue.

Focus group participants also recommended that the potential for improved rail transport be explored. Rail transportation currently accounts for a very small percentage of shipments. To the extent that information may already exist on the rail system's ability to enhance food distribution, such information needs to be utilized.

Regulation

Focus group participants recommend that the definition of food stores be broadened to encompass wholesale clubs and other businesses not currently classified as such, in order to level out the effects of regulation such as unit pricing laws. Further, regionalization is also 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 York's lead be followed whereby an "acceptable brands" list that

waives some of the need for grading and stamping is adopted. Also, it is recommended that nutritional labeling regulations be uniformly enforced in the case of imports in order to spur fairer competition between domestic and foreign goods. It is also recommended that state institutions give priority to domestic foods in state programs when they are available as substitutes for imports.

Education and Training

A study of existing employee training programs offered by several large food wholesale firms and consideration of the initiation of similar programs for the entire food industry is recommended. The establishment of an industry/high school partnership was expected to aid in raising the standard of education, work ethic and reliability of non-college-bound students. Toward this end, it is recommended that vocational training programs be expanded to develop skills in non-college-bound students, grooming them to meet the needs of business. It is also recommended that an industry conference be sponsored to promote the improved education of the emerging work force.

Public Relations

For New Jersey, focus group participants recommend that the state undertake a national public relations campaign to attract more food companies and manufacturers. This campaign, they indicated, should stress the advantages inherent in locating in New Jersey, promote state products (particularly agricultural and food products), and be aimed at convincing 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 indus-

tries and to assist food firms in dealing with and relieving bureaucratic red tape.

Non-union Competition

Focus group participants recommend 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 non-union labor.

Summary and Conclusions

The food wholesale industry is an ideal target for economic development and job retention strategies because of the numerous advantages it offers. As states look for industries to attract and support in order to retain and create jobs, this sector should perhaps be given consideration in light of its numerous benefits.

Industry representatives that participated in this study provided numerous insights on barriers to growth and offered recommendations for enhancing expansion opportunities. The key deterrents to the growth of the food wholesale sector identified include (1) transportation-related problems, (2) stringent and inequitably enforced regulations, (3) a poorly trained and educated workforce for entry level positions, (4) poor public relations and inadequate public support, (5) use of non-union labor by competitors of food wholesalers' clients, (6) high costs of doing business, and (7) quality of life concerns in potential business locations. According to industry representatives, the removal of these obstacles will substantially improve the competitiveness and growth of the food wholesale sector.

Some of the issues raised by industry spokespersons that participated in this study apply to other industries as well. For example, the costs of doing business are generally known to be higher in New Jersey, in most, if not all, sectors and industries. Some of the issues, problems and recommendations documented in this study are applicable only to New Jersey while others apply to many northeastern states. Policy makers in New Jersey and in other states can use the findings of this study as the start-point in identifying the issues that face food wholesalers in their jurisdictions and in determining broad categories of

issues that public policy might seek to address. For example, while the regulatory climate in New Jersey is often seen as being among the most stringent in the nation, the regulatory climate in the typical state in the Northeast is also considerably more stringent than in such states as Kentucky and North Carolina which have had a shorter history of industrialization. Hence, recognizing that New Jersey may be at the forefront in terms of regulatory impediments to industry growth, this study may be useful in foreseeing potential regulatory barriers to industry growth in other states in the nation.

Focus group meetings of other industry segments, including food manufacturing, food service and food retail were also held. The results are available through the authors. It is important to note that while other industry segments face issues similar to food wholesalers, there is some disagreement regarding the order of importance of these issues. In order of importance, food wholesalers cite transportation problems, excessive regulation, low labor quality, inadequate training and education, and public relations problems as their most pressing concerns. On the other hand, in order of importance, food retailers cite litigation and liability issues, high costs of doing business, excessive regulation and high insurance costs as their most pressing issues. Food processors cite excessive regulation, high taxation, barriers to economic development and high business costs while food service institutions cite excessive regulation, licensing and permit problems, low labor quality and high labor costs, and high business costs as the leading problems they face. All industry segments support the notion of a statewide conference that will bring all industry segments together with university personnel and policy makers.

Finally, caution needs to be exercised in interpreting and attempting to operationalize the recommendations offered by the industry leaders involved in this study because they represent industry's sole perspective. Policy makers have an obligation to promote and encourage the development of their business sector. However, they are also accountable to the public and must protect public health, safety and welfare, objectives that may not be the primary concerns of food wholesalers or others in the private sector. For

example, a recommendation of focus group participants is to uniformly and equitably enforce nutritional labeling requirements as they apply to imports. While this would benefit wholesalers, it would be reasonable to implement only if it is clear that it does not hurt consumers. Another example is the concern expressed by focus group participants regarding wholesale clubs and national mass merchandisers such as Walmart. These newer competitors of the northeastern food wholesale sector may actually be beneficial to the public by putting downward pressures on prices.

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