
The Status and Condition of New Jersey's Food Retail Industry

Grocery Stores, Supermarkets, and Other Food Stores

By

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

Department of Agricultural Economics and Marketing
and
Ecopolicy Center for Agricultural, Environmental, and Resource Issues

New Jersey Agricultural Experiment Station
Cook College

THE STATE UNIVERSITY OF NEW JERSEY
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The authors of this report are as follows:

Dr. Adesoji O. Adelaja is the principal investigator on this project. He is Associate Director of the Ecopolicy Center and Chair of the Department of Agricultural Economics and Marketing, Cook College, Rutgers University.

Dr. Rodolfo M. Nayga is Assistant Professor, Department of Agricultural Economics and Marketing, Cook College, Rutgers University.

Karen Rose Tank is Program Manager, Agriculture and Food Policy Research Group in the Department of Agricultural Economics and Marketing, Cook College, Rutgers University.

Brian J. Schilling is State Government Liaison Economist, Department of Agricultural Economics and Marketing, Cook College, Rutgers University.

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

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Prepared for

The New Jersey Department of Agriculture

Arthur R. Brown, Jr., Secretary

The Division of Rural Resources

George Horzepa, Director

By

Adesoji O. Adelaja

Rodolfo M. Nayga, Jr.

Karen Rose Tank

Brian J. Schilling

Department of Agricultural Economics and Marketing

and

Ecopolicy Center for Agricultural, Environmental, and Resource Issues

New Jersey Agricultural Experiment Station

Cook College

Rutgers, the State University of New Jersey

P.O. Box 231, New Brunswick, NJ 08903-0231

Tel: 908-932-9155 ext. 15 Fax: 908-932-8887

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Rutgers University

Daryl Lund	Former Dean, Cook College
Rod Sharp	Director of Research, NJAES/Dean of Research, Cook College
Jack Rossen	Senior Associate Director, Center for Advanced Food Technology (CAFT)
Stan Cajigas	Manager, CAFT Technology Extension Program (C-TEP)
David Listokin	Professor, Center for Urban Policy Research
Daymon Thatch	Professor, Agricultural Economics & Marketing
Tung-Ching Lee	Professor, Food Science
Stephen Decter	Senior Associate Director, Ecopolicy Center

New Jersey Department of Agriculture

Carol Shipp	Chief of Staff to the Secretary of Agriculture
George Horzepa	Director, Division of Rural Resources
Joan Elliott	Coordinator, Agricultural Development
Linda O’Dierno	Coordinator, Aquaculture & Fisheries Development
Karen Kritz	Agribusiness Development Representative
Donna Callahan Balara	Former Bureau Chief, Market Development

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

Joyce Bianco	Food Processing	Ron-Son Mushroom Prod., Glassboro, N.J. N.J. Food Processing Association, Trenton, N.J.
John Celentano	Food Processing	Independent Food Industry Representative (Formerly of Sorrento Cheese) Blairstown, N.J.
John DiGiacinto	Food Processing	PSE&G, Paramus, N.J.
Charles Manley	Food Ingredients	Takasago International Corp., Teterboro, N.J.
Glen Roberts	Food Ingredients	Flavors and Extracts Manufacturers Assn., (FEMA) Washington, D.C.
Fred Stults	Food Ingredients	Firmenich, Princeton, N.J.
Lawrence Fidel	Restaurants	Formerly of the N.J. Restaurant Association, Somerset, N.J.
Brooke Tarabour	Restaurants	Food Bank of Monmouth/Ocean Counties, Spring Lake, N.J.
Linda Doherty	Supermarkets/Wholesalers	N.J. Food Council, Trenton, N.J.
Donna Callahan Balara	Wholesalers	Agriconsultants, Marlton, N.J. (Formerly of the Division of Markets, NJDA)
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The Grand Union Company	Wayne, N.J.
The Great A&P Tea Company	Montvale, N.J.
Kings SuperMarkets, Inc.	West Caldwell, N.J.
New Jersey Food Council	Trenton, N.J.

Pagano's IGA	Bayonne, N.J.
Pathmark Stores, Inc.	Woodbridge, N.J.
Twin County Grocers, Inc.	Edison, N.J.
Wakefern Food Corporation	Edison, N.J.
Wawa, Inc.	Wawa, Pa.

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Pennington Supermarket	Pennington, N.J.
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The focus group meeting was facilitated by Barry Berkowitz and Philip Eisner who are President and Vice President, respectively, of Berkowitz & Associates, Inc., a management consulting firm located in Westfield, New Jersey. In addition to the focus group, a series of telephone interviews were conducted with individuals from several sectors that support the food industry in New Jersey including insurance, trucking, and refrigeration. These interviews were conducted by Donna Callahan Balara, President of Agriconsultants of Marlton, N.J. (formerly of the Division of Markets, NJDA).

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Executive Summary

The food retail industry comprises establishments primarily engaged in the retail sale of food for home preparation and consumption. Major components of the industry include grocery stores and supermarkets; meat and fish markets; fruit and vegetable markets; candy, nut and confectionery stores; dairy products stores; retail bakeries; and food stores selling other miscellaneous food items. New Jersey's food retail industry is a major component of the state's food production and distribution complex as it provides the primary avenue for consumers to obtain food. Food stores also represent a significant portion of the state's retail sector and, therefore, are important to the stability of the New Jersey economy. New Jersey has proven an amenable location for food retail due to its large and affluent population, high population density, and high degree of urbanization.

Although the New Jersey food retail industry has been successful in terms of growth and viability in recent decades, industry representatives indicated that the industry is faced with pressing issues and problems. Remediation of these problems may require public policy intervention. The New Jersey Department of Agriculture (NJDA) is interested in enhancing the economic development of the food industry by collaborating with other state agencies in improving the state's business climate of food firms. Consequently, the NJDA commissioned Dr. Adelaja of Rutgers University to conduct an economic analysis of the food retail industry (among others), research the problems faced by the industry that could be dealt with at the state level, and develop recommendations to state government for improving the business climate.

This report contains economic analysis of the food retail industry as well as information obtained from a focus group session with industry leaders and representatives on industry issues and problems that could be addressed by the state and recommendations for improving economic growth. Three other reports covering the food manufacturing, food wholesale, and food service industries are simultaneously being published.

In 1992, New Jersey's 6,634 food retail establishments generated more than \$13 billion in sales and accounted for nearly 21 percent of the state's retail trade sector's sales volume. With 97,578 workers, the food retail industry was the second largest employer in the retail trade segment of New Jersey's economy (behind eating and drinking places), accounting for almost 19 percent of the state's retail sector employment. Food store employees earned nearly \$1.47 billion in 1992 and accounted for more than 19 percent of the annual payroll in New Jersey's retail sector.

Relative to other components of the state's food industry, food retail was second in employment, payroll, and number of establishments (behind eating and drinking places) and second in gross sales (behind food wholesale). Beyond the direct fiscal contributions, the food retail industry is important as a source of jobs for the low-skill, entry-level segment of the state's population and is often the first source of formal job training and experience for many young people.

The largest sector of food retailing is by far the grocery stores and supermarket segment, which accounted for more than 83 percent of the industry's employment and nearly 94 percent of industry sales

in 1992. Retail bakeries represented the second largest sector in terms of both employment and sales, and dairy products stores was the smallest sector, contributing less than 1 percent of total industry sales and employment.

During the 25 years between 1967 and 1992, the industry as a whole enjoyed considerable growth, as the total number of establishments grew by 6 percent, employment rose by 71 percent, payroll increased by 520 percent, and sales expanded by 391 percent. In real terms, after adjusting for inflation, sales grew by 22 percent and payroll rose by 52 percent. The number of grocery stores and retail bakeries each grew by nearly 22 percent and miscellaneous food stores selling eggs, poultry, health foods, vitamins, spices, herbs, coffee and teas grew by 313 percent, during this 25 year period. However, food stores specializing in sales of candy and nuts, dairy products, and meat and fish experienced considerable declines in their numbers by 61, 52, and 41 percent, respectively.

During the recessionary years between 1987 and 1992, growth in the industry slowed, indicating that food stores, like most other retailers, are somewhat susceptible to economic downturns. Both the number of establishments and the number of employees grew by less than 1 percent over these 5 years. Gross sales grew by 17 percent and payroll rose by almost 26 percent. In real terms, sales actually fell by 3 percent while payroll grew by 4 percent during this short-term period.

The health of the industry can be assessed by comparing changes in New Jersey's food retail industry with corresponding changes in the region and the nation. Despite the steady overall decline in the Northeast region's share of the national food retail industry, New Jersey's food retail industry has declined at a lesser rate relative to the rest of the states in the region. This is illustrated by New Jersey's increasing share of the regional food store industry. This observation attests to the fact that New Jersey has many advantages in terms of a location for food retail activities. These advantages should be capitalized upon in order to better position New Jersey's food retail industry and spur economic development in the state.

It is critical that public policy makers recognize the importance of the state's food retail industry in planning for the economic development and stability of New Jersey's economy. While providing considerable economic and employment benefits, food retail activities are not as environmentally threatening as other industries because they sell rather than produce food, and because food packaging, the major source of food consumption-related pollution, primarily results from the manufacturing process. As the economy continues to shift from manufacturing toward service activities, the food retail industry could become increasingly attractive due to the magnitude of this industry's economic and employment contributions. New Jersey can contribute to the growth and viability of the food retail industry with more business-friendly policies that do not compromise environmental quality.

Issues and Problems

Industry representatives that participated in a focus group session of industry leaders documented a number of issues and problems facing their industry that could be dealt with at the state level. Due to the time lag since the focus group was held, the research team has conducted subsequent interviews with industry leaders to review the issues and discuss changes that may have occurred. The current report reflects these adjustments in issues, concerns, and priorities. These are presented below in order of importance.

Rising **wage rates**, from either legislated increases in the state's minimum wage or establishment of "living wage laws," was a leading industry concern as labor is the largest cost category for food stores. Given the rise in the federal minimum wage rates, coupled with New Jersey's precedent of setting rates higher than national levels, industry representatives were obviously concerned that the New Jersey legislature will soon raise the state minimum wage above the federal rate. According to industry representatives, an increase in minimum wages forces up wage rates for all employees, not just those at or near the minimum wage level.

Food retailers felt that any significant rise in labor expenses would greatly reduce profits in this industry which already has extremely slim margins (about 1 percent). They indicated that in an effort to contain costs, stores would replace full-time stable employees with less costly part-timers. As a result, the employment base of quality jobs in the state would be eroded and destabilized since the food retail industry provides a substantial number of the state's low-skill, entry-level jobs. Furthermore, they indicated that much of this cost would be passed along to consumers as stores, unable to absorb much of this expense, would be forced to increase food prices.

Another major issue was **energy deregulation**. Utility expense is the second largest cost category for food stores, after labor. Impending statewide deregulation of the electric utility industry could have significant favorable impacts on the costs, profits, and resulting viability of the food retail industry because food retail stores are highly energy intensive. Of concern to the industry is the handling of fixed or "stranded" costs (investments already made by utility companies in building and financing plants and equipment) and the degree to which these significant stranded costs (estimated between \$7 billion and \$17 billion in New Jersey) are either assumed by the state or passed on to utility customers. If stranded costs are primarily recovered from utility customers, the savings to the food retail industry from competition may be negated. An additional concern was whether or not stores would have the ability to aggregate electricity use from multiple store locations in order to qualify for industrial-grade discounts.

In the area of **labor, education, and training**, representatives were concerned about the inadequacy of the state's educational system which, in turn, limits the availability of qualified labor for low- and mid-level positions. Literacy problems and language barriers were also cited as problems as these interfere with the ability of supervisors to effectively communicate with their employees. The lack of adequate training was also a concern in light of welfare reform and the need for many individuals coming off welfare to find low-skill, en-

try-level employment.

Additional concern was expressed regarding the lack of adequate higher-level education programs to train management-level employees in the food industry. To begin addressing these needs, the New Jersey Food Council Foundation recently partnered with the New Jersey Council of Community Colleges to establish a 2-year degree program in Food Industry Management at 8 county and community colleges in the state. While representatives felt this was a start in providing in-state training, they cited the lack of a 4-year degree program in Food Industry Management and Marketing at Rutgers University, or other institutions in the state, and the lack of promotion of career opportunities in the food industry. They discussed the importance of such in-state training programs for the food industry since the majority of food stores hire employees from within their local communities.

Regulations were another category of concern as food stores must deal with a large number of rules that govern health and food safety, pharmaceutical, tobacco and liquor sales, weights and measures, solid waste disposal, packaging, salad bars, and unit pricing, to name a few. Specifically, representatives argued that the **lack of uniformity** in regulatory rules, enforcement, and inspection frequency across municipalities and counties places excessive cost and time burdens on food stores. They also cited the lack of adequate inspector training and inconsistencies among inspectors, which further exacerbates the problem.

The high costs of **permit fees and fines** was a concern. Food store representatives felt that by incorporating these funds into their operating budgets, state and local regulatory agencies have the incentive to maximize fees and fines rather than to mitigate violations. Some reform has already taken place in the fees and fines collected by Weights and Measures agencies. These monies now go into the state's general fund. Food retailers also indicated that fees and fines in New Jersey were significantly higher than those in other states. Specific concern was expressed about problems in the licensing and inspection of scales and about ob-

taining permits from the Department of Environmental Protection.

The prevention of **tobacco sales** to minors was another industry concern. While food retailers were in favor of laws that prevent the sale of tobacco products to minors, they took issue with the fact that it is illegal for stores to sell cigarettes to minors, but it is not against the law for minors to purchase these products. They felt that this unfairly places the burden of responsibility on retailers while relieving offending minors of any consequences. The new regulations requiring sales people to check photo identifications of young customers forces the sale of tobacco products, from a "self-service" item, into a "service" item. This requirement increases labor and capital expenses and leads to inefficiencies in store operation.

The inequitable enforcement of **unit pricing** and other regulations which apply to food stores but not to wholesale clubs, mass merchandisers, or other stores not classified as food stores but which nonetheless sell food, was another industry concern as this leads to unfair cost advantages and competition. **Advertising**, paperless coupons, and discounts, as they relate to electronic and unit pricing, were cited as additional problems. This is because consumers are not aware of the savings they receive from these discounts since they only see the final sale price and not the original price.

Other regulatory concerns of the industry included **discriminatory drug pricing** policies faced by in-store pharmacies and community drug stores. Preferential pricing opportunities are offered by Pharmacy Benefit Management Companies (PBMCs), which are branches of major drug companies, to mail order pharmacies, hospitals, and HMOs, but not to supermarkets or other retail drug stores. Of concern to industry representatives was not only the loss of retail business, but also the resulting loss of local pharmacists that provide a valuable service component to consumers, and therefore, on the structure and quality of health care.

With respect to **economic growth and development**, industry representatives were concerned about the lack of aggressive new business

and industry promotion by the state. They also discussed the difficulties faced by firms interested in expansion and renovation due to the lengthy and costly permitting process. They perceived issues such as security, shrinkage and loss, costs of doing business, urban development, economic development assistance, and port dredging as long-term economic development issues facing New Jersey's food retail industry.

While **security** at retail stores was cited as a problem in urban as well as some suburban locations, the industry was concerned about the costs associated with mandatory security guard programs. Excessive safety and security costs often lead food retailers to close stores in urban centers, thus limiting the ability of inner city populations to obtain adequate food supplies. Another security-related issue is the proposed legislation to prohibit the sale or possession of "utility knives" to minors. Representatives were concerned about the problem, but felt that current proposals placed all of the responsibility on employers, rather than having some of the responsibility borne by offending minors.

Shrinkage and product loss, including shoplifting and theft, were additional problems cited by food retailers. Shoplifting by repeat offenders has been on the rise and they felt that these crimes needed to be prosecuted. However, they indicated that local prosecutors in many communities refuse to handle these prosecutions and require store owners to carry the burden. In addition, they stated that major shoplifting rings are removing large quantities of product from loading docks and other areas of food stores. These products, which often show up at flea markets, on urban streets, and at other unregulated sales locations, are often sold beyond their expiration dates for freshness and effectiveness (e.g., infant formula and nonprescription drugs).

With the shift toward state block grants, food retailers were concerned about the loss of **food entitlement programs**, such as food stamps. Recent federal welfare reform, however, preserves the food stamp program and ensures that states cannot divert these funds to other uses. Of additional concern was the impending loss of food

stamp benefits to legal immigrants and the resulting potential for increased shoplifting and crime in some locations where many legal immigrants live. While this is a condition of federal welfare reform, state proposals, such as Work First New Jersey, continue to provide food stamps to legal immigrants. Representatives also discussed the delay in the statewide expansion of Electronic Benefits Transfer (EBT) for food stamps, through the use of the Family First Card, which has only been introduced on an experimental basis in three counties. A recent federal ruling protects retailers from liability should cards be lost or stolen and clears the way for a statewide EBT expansion.

Food retailers cited the high **costs of doing business** in the state as a major problem. They attribute much of this cost to regulatory enforcement and high property and other taxes. However, they also felt that the recent reduction in state income taxes has essentially resulted in higher taxes and fees in many other areas, especially property taxes. Replacing income taxes with other taxes that have impacts on the conduct of business somewhat shifts the tax burden to the private sector. Furthermore, since these costs often vary by region, county and municipality, multi-store retailers have had difficulty recording, documenting, and understanding all of their costs.

With respect to **urban development and economic assistance**, retailers cited the limited number of food stores serving the inner cities as a problem. This results from both economic and security constraints. They felt that there was a lack of adequate state programs to assist food stores operating in these locations. They supported the "Business Employment Incentive Program" and the "Business Relocation Assistance Program" but felt that these programs helped those looking to expand or relocate, rather than small companies needing assistance to remain in business.

Dredging New Jersey's harbors, a critical component in the distribution of food to retail stores, was another important issue. Millions of pounds of food products from around the world flow through these ports and any interruption would limit the ability of the industry to operate efficiently and competitively. The ports of Newark and Elizabeth

have become so clogged with silt that they are too shallow for many of the large container ships. As a result, these ships, and the businesses that rely on them, are moving to other deep water ports along the East Coast. Any loss of port business leads to the loss of jobs and a decline in disposable income available for food purchases in New Jersey. Furthermore, representatives indicated that declines in the use of our waterways would lead to increased reliance on roadways for transporting food products and, thus, increased traffic. Passage by New Jersey voters of the \$300 million bond act to dredge the state's ports and waterways was seen as an important step in keeping these waterways viable and for retaining businesses dependent on the state's ports.

With respect to **insurance**, industry representatives expressed concern about the availability and cost of health care, as well as the amount of time and paperwork associated with filing claims. The operation of the Worker's Compensation System in New Jersey was highly commended for its efficiency and effectiveness and was considered to be competitive in terms of insurance cost compared with other industrial states. However, it was considered relatively more expensive for food stores than for other industries in the state, considering that most injuries in food stores are minor and are not life threatening. Food industry representatives also felt that the state needed to find a long-term solution to charity care, as recent short-term measures using the Unemployment Trust Fund were deemed unacceptable.

Food retailers cited **solid waste disposal** regulations as a problem with public health ramifications, especially with respect to the returning of hazardous materials to food stores. Also, while they viewed composting as a good alternative for waste disposal, exorbitant costs and lengthy permit acquisition processes limit the feasibility of this option in New Jersey. Of additional concern was the danger posed to food store employees due to current requirements that supermarkets sort recyclables from trash cans located outside their stores. Since this sorting can only be done by hand, a serious threat is posed to workers since harmful

needles and broken bottles are sometimes discarded, along with other waste, in these trash cans.

In the area of **food safety and sanitation**, representatives indicated that putting the onus of food inspection at the retail level increases the potential for contaminated food to be distributed to consumers. Since the focus group was convened, new federal legislation known as HACCP, for Hazard Analysis Critical Control Point, moves the burden of inspecting meat for bacterial contamination back in the food system to slaughter houses and food processors.

Food retailers also expressed concern about the use of food safety standards that are outdated and are not reflective of technological advancements in the industry. They stated that recent progress was being made in updating the state's Food Safety Laws through the collaborative efforts of the New Jersey Food Council and the New Jersey Board of Health. They were further concerned about significant cuts to the budget of the Board of Health which have resulted in reduced assistance to food inspectors and service to the industry. The Board of Health was considered exemplary in the way it handles food contamination outbreaks and representatives felt it should be held up as a role model in how to work with the public and industry.

In the area of **transportation**, industry representatives cited problems associated with the poor maintenance of the state's secondary and feeder roads, inadequate road infrastructure, and excessive delays caused by toll booths. All of these traffic constraints cause delivery delays, hamper food distribution, and add to costs. They hoped the new state capital improvements program funded by the Transportation Trust Fund would begin to address these problems. The industry was also concerned about the potential loss of substantial federal transportation funds when the Intermodal Surface Transportation Efficiency Act (known as ISTEA) is considered for reauthorization. While New Jersey's high population density and aging infrastructure demand substantial amounts of federal assistance, powerful alliances from other regions of the country are forming to deny the state the amount of funds it has received from ISTEA in the past.

Other transportation-related problems included identifying alternative methods of transporting employees to work due to inadequate coverage of the state's mass transportation system. Ride sharing was said to be difficult in this industry as stores are open until late, even 24 hours, and employees have many varied shift schedules. Industry representatives were supportive of the shift of the Employers Trip Reduction Program (ETRP) from mandatory to voluntary, as it was difficult for them to comply.

Slip and fall and product liability and their resulting litigation were additional concerns of food retailers. These concerns were due to the expense of settling and protecting themselves against fraudulent injury claims and frivolous lawsuits, and their exposure to liability for defective products. A much awaited tort reform legislative package, recently enacted in New Jersey, places limits on tort claims and product liability settlements and makes it more difficult for frivolous lawsuits to be imposed. This legislation also states that retail establishments will no longer be held liable for the failure of a manufactured product (such as hot dogs and other prepared foods) except in cases where the original manufacturer cannot be identified or located. Food store representatives hoped that this new tort reform package would begin to resolve some of their problems.

Recommendations

Industry representatives recommended a wide range of public policy innovations that would improve the business climate of the New Jersey food retail industry. These recommendations are directed at state government and are an indication of what industry representatives would like to see. Among the state-level recommendations are the following:

Wage Rate Recommendations

- Refrain from increasing the state's minimum hourly wage rate regardless of increases in federal minimum wage rates;

- Discourage establishment of “living wage” laws;

Energy Deregulation Recommendations

- Deregulate energy utilities to provide effective competitive access to electric markets as soon as practical;
- Manage “stranded” utility costs such that savings to the food retail industry from energy deregulation and competition are not eroded;
- Allow food retailers to aggregate electricity usage from multiple store locations to qualify for industrial-grade price discounts;

Labor, Training, and Education Recommendations

- Improve the state’s public education system with increased emphasis on mathematics and English skills;
- Improve the state’s vocational training programs through support and expansion of current programs;
- Establish an industry/high school partnership to improve the training of non-college-bound students;
- Establish an industry conference and program, sponsored by the New Jersey Department of Commerce in association with the state’s industries, to target the improvement of academic education and vocational training to better meet the state’s employment needs;
- Provide support for training programs, especially in light of welfare reform, for numerous individuals interested in working in food retail but lacking adequate skills;
- Provide scholarships for students to attend the recently established 2-year degree programs in Food Industry Management at eight New Jersey community colleges in partnership with the New Jersey Food Council Foundation;

- Establish a 4-year degree program in Food Industry Management and Marketing at Rutgers University, or other institutions in New Jersey;
- Support industry partnerships with in-state colleges and universities to train students in the food industry;
- Promote career opportunities in the food industry;

Regulations Recommendations

Lack of Uniformity Recommendations

- Consolidate the many municipal and county regulations applicable to food stores to obtain a degree of uniformity across the state;
- Centralize regulatory inspection standards at the state level to reduce and consolidate efforts by municipal, county, and state agencies (particularly in regard to weights and measures);

Permits Fees and Fines Recommendations

- Reform current regulatory and fee systems in New Jersey to ensure that collected fees do not go directly into agency operating budgets but rather into the state’s general revenue fund;
- Enact construction permit reform;
- Adopt the use of multi-year renewal rates for a range of permit fees and licenses, including weights and measures;
- Compile and publish a listing of all regulatory fees, permits, and fines to which food stores are subject;
- Reduce composting fees to a level comparable with other states and overhaul the composting permit process to render it more efficient;
- Designate an ombudsman within the Department of Environmental Protection to foster communication with the food industry;
- Promote Alternative Dispute Resolution,

rather than the court system, for settling disputes regarding weights and measures through legislative changes to statutory laws;

Tobacco Sales Recommendations

- Support a “Youth Responsibility Act” that would share the burden of responsibility for sales of tobacco products to minors between retailers and offending youths;
- Provide anti-smoking education for minors caught purchasing tobacco products;
- Allow retailers to use alternative methods of regulating tobacco sales to minors rather than mandating “service station” criteria;

Unit Pricing Laws Recommendations

- Enforce regulations which apply to food stores, such as unit pricing, for all stores selling food including wholesale clubs and mass merchandisers;
- Revise regulations on advertising, paperless coupons, and discounts in food stores with regard to electronic and unit pricing with expanded assistance from the Division of Consumer Affairs;

Discriminatory Drug Pricing Recommendations

- Eliminate discriminatory pricing practices for pharmaceuticals by Pharmacy Benefit Management Companies (PBMCs) which favor mail order pharmacies, hospitals, and HMOs over in-store supermarket pharmacies and community drug stores;
- Support federal legislative proposals to eliminate discriminatory drug pricing practices;

Economic Growth and Development Recommendations

- Develop a more friendly and less hostile state attitude toward business;
- Aggressively promote and support new

business through construction permit reform and assistance;

Security Recommendations

- Remove state mandates requiring set numbers of security personnel for food retail stores;
- Revise current proposals regarding the use of “utility knives” to place some responsibility on offending minors;

Shrinkage and Product Loss Recommendations

- Amend current shoplifting statutes with enhanced penalties for repeat offenders by mandating prosecution and making shoplifting a fourth degree offense;
- Amend the Consumer Fraud Act to prohibit the sale of products intended for infant consumption and non-prescription drugs with expiration dates at flea markets and other unregulated locations;

Food Entitlement Programs Recommendations

- Protect state block grants for food entitlement programs such as food stamps;
- Provide state funds to offset the loss of federal food stamp benefits to legal immigrants and support state welfare reform programs (Work First New Jersey) that continue to provide benefits to legal immigrants;
- Expand Electronic Benefits Transfer (EBT) for food stamps statewide using the Family First Card and support efforts of the New Jersey Food Council’s EBT Advisory Committee;

Costs of Doing Business Recommendations

- Conduct a study of the many and varied costs borne by the food retail industry;

Urban Development and Economic Assistance Recommendations

- Expand the number and scope of economic

development programs for inner city food stores partnering with community groups through federal LISC funds and New Jersey Economic Development Authority (EDA) programs for underserved areas;

- Promote and expand Enterprise Zones and conduct a study of the advantages and disadvantages of operating a business in an Enterprise Zone;
- Expand such state programs as the Business Employment Incentive Program and the Business Relocation Assistance Program to include support for small companies trying to stay in business;

Harbor Dredging Recommendations

- Commence dredging of New Jersey's ports and waterways as soon as possible to stem the loss of port business, maintain access to imported food products, and reduce reliance on roads for food distribution;

Insurance Recommendations

- Promote the use of electronic forms and filing to reduce state insurance-related paperwork and fraud for such claims as Worker's Compensation and health insurance;
- Prevent making mental health benefits mandatory;
- Reduce and equalize Worker's Compensation rates with other industries to reflect the minor nature of most food store injuries;
- Provide a long-term state solution to charity care and operate it as a managed care program;

Solid Waste Disposal Recommendations

- Continue support for curbside recycling and using municipal and county sites for returning hazardous and toxic materials versus returning them to food stores;
- Continue support for the New Jersey Clean Communities Program and efforts by the

New Jersey Food Council to create a public/private partnership to oversee its administration;

- Eliminate requirements that retail food stores sort out recyclables from the contents of trash cans located outside food stores due to potential health hazards;
- Promote composting as a means of garbage disposal for food stores;
- Expand the definition of "composting" to include some recyclables (e.g., corrugated cardboard);
- Shorten the composting permitting process and lessen the permit fee to create an incentive for stores to compost;
- Increase the number of composting sites statewide;
- Emphasize source reduction and reduced packaging to reduce the solid waste stream;
- Allow use of incinerators to handle waste that can be neither recycled nor composted;

Food Safety and Sanitation Recommendations

- Inspect food earlier in the distribution chain at suppliers and manufacturers rather than at retailers. This has recently been addressed by federal HACCP regulations;
- Uphold the New Jersey Board of Health as a role model of how to work with the public and with industry during a crisis (food contamination), and provide stronger state advocacy to reduce food contamination problems;
- Provide improved training and education of health inspectors at the local level in light of drastic cuts in the New Jersey Board of Health's budget;
- Improve and update Rutgers University's/ Cook College's training program for food inspectors;

- Establish a certification program for food handlers through in-house or college courses on safe food handling;
- Review and update health laws and food safety standards to reflect new industry technologies and federal standards, and support New Jersey Food Council's efforts to work with the Board of Health on this issue;
- Encourage the use of electronic forms and filing to cut health department costs and improve efficiency;
- Liken the process of irradiation to "pasteurization" as a means of reducing food contamination;

Transportation Recommendations

- Increase state expenditures on road repair and transportation infrastructure, especially for secondary and feeder roads. It was hoped this would be addressed by recent Department of Transportation capital improvement programs funded by the Transportation Trust Fund;
- Reallocate a portion of funds collected on toll roads for use in the improvement and repair of secondary and feeder roads;
- Prevent the loss of federal ISTEA cost sharing funds for transportation projects and ensure that New Jersey obtains its full share;
- Implement new technology (e.g., roadside video cameras connected to a central traffic control center) to improve traffic flow;
- Establish alternative methods of toll collection with such programs as E-ZPass at toll booths or the complete elimination of toll booths;
- Establish discounts on prepaid tolls for in-state companies and heavy toll road users;
- Improve mass transit in the state through expanded bus routes and development of a

light rail mass transport system in northern New Jersey;

- Encourage collaboration between the Department of Transportation and New Jersey Transit to improve the ability of employees to get to work;
- Support shifting the Employers Trip Reduction Program to a voluntary, rather than mandatory, program with the provision of tax incentives to participating companies, as has already been done;

Slip and Fall and Product Liability Recommendations

- Support tort reform legislation, which has recently been enacted;
- Enable greater reliance on the use of arbitration through Alternative Dispute Resolution prior to court appearances to control litigation costs;
- Promote statewide standards for arbitration settlements;
- Shift product liability onto manufacturers rather than on retailers, as has recently been enacted.

I. Introduction

A. Background

The food retail industry comprises grocery stores, supermarkets, and other food stores. This industry occupies a central place in New Jersey's agriculture and food production and distribution complex (Adelaja, 1988).¹ Food stores provide consumers with their primary avenue to food and nutrition, as these retail outlets account for 55 percent of retail food expenditures and an even higher percentage of the number of meals consumed by New Jersey residents. Food stores also represent a major segment of the state's retail trade sector, since more than 20 percent of total retail sales in New Jersey were generated by food stores in 1992.² The food retail store industry also provides a large source of employment in New Jersey, with nearly 19 percent of the state's retail trade employment.

The economic importance of the industry is further indicated by the fact that of the 15 percent of total consumer spending that goes toward food in the United States, more than half is used for the purchase of food at retail food stores. Food retail stores also provide a critical service to consumers with their assembly of food products from various manufacturers and wholesalers into a single point for purchase. Today's supermarkets typically

have products ranging from beverages, to frozen foods, vegetables and produce, and other related products, thereby making food acquisition relatively easy for consumers.

The evolution of the food retail industry in the United States has been closely intertwined with changing social and economic characteristics. The 1950s were a time of expansion for grocery stores and supermarkets despite the impacts of World War II and price controls. Whereas in the past, food prices had been the predominant factor influencing consumer behavior, in more recent decades a growing demand for product differentiation is being witnessed. The impacts of the energy crisis in the 1970s again emphasized the importance of price to consumers. Food stores reacted accordingly by introducing generic, or no-name, products to the shelves and engaged in price merchandising to retain the flow of consumer dollars.

The influx of women into the workforce was a major demographic phenomenon that significantly shaped the development of food stores as a convenience to consumers. In response to the consumer's increasing demand for "one-stop-shopping," the industry expanded the number of services offered at food

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.

stores. These services now include hot and prepared food departments, bakeries, florists, drugstores, video rentals, and film processing. This expansion of services and departments has contributed to the current trend toward larger food stores. As incomes rise, consumer preferences continue to evolve. Today's consumers demand higher levels of food and produce quality, cleanliness, and service than in the past, illustrating perhaps another step in the progression of the industry.

Grocery stores and supermarkets are currently facing significant competition from wholesale clubs, mass merchandisers, and other businesses not classified as food stores, but which nevertheless sell food items. Also, changing economic and demographic status have elicited a shift in the flow of consumer dollars spent on food from food stores to food service establishments (restaurants, fast food businesses, etc.). Increased competition from food service establishments has led to a 17 percent drop since 1970 and a 6 percent decline since 1990 alone in the share of food dollars spent on food eaten at home in the United States, to a 1992 level of 55 percent. In 1992, 45 percent of the money Americans spent on food was dedicated toward purchasing food consumed away from home, a growth of nearly 34 percent since 1970 and almost 8 percent since 1990 (Nayga, 1994; Schwenk, 1991).³

New Jersey's food retail sector is susceptible to many of the same influences being faced by the national industry. However, the New Jersey industry also faces problems particular to the state. While locating in New Jersey affords the advantage of proximity to a very large consumer market, food retailers find it difficult to operate and compete in the

state due to a number of institutional, infrastructural, economic, and regulatory factors. While it has grown in absolute terms, New Jersey's supermarket and grocery store industry has lost ground relative to many parts of the rest of the country. Evidence of this can be seen in New Jersey's declining shares of national food retail employment and sales.

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, 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 (Adelaja, Schilling, and Horzempa, 1994).

Because New Jersey was more adversely impacted by the 1989 to 1993 recessions than many other states, state policy makers have heightened their interest in methods to enhance the economic vitality of the state. Out of concern for the long-term health and economic viability of New Jersey's food production and distribution system, the New Jersey Department of Agriculture (NJDA) is developing, with other state agencies, an economic development initiative to assist the state's food industry.⁴ Towards this end, in 1994, the NJDA contracted with Dr. Adelaja of 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 of the sectors of the industry and their implications for economic development, the critical problems faced by each sector that could be dealt with by the state, and potential methods for improving the state's business climate through public policy.⁵

³ The consumption of food away from home is sensitive to income, with individuals in higher income brackets spending proportionately more income on food consumed away from home.

⁴ The New Jersey Department of Commerce and Economic Development (Division of Economic Development and the Economic Development Authority) is the primary development-related agency in the state. However, the NJDA also has programs related to economic development of the food industry.

As part of the study, the research team compiled a number of key current and historical statistics on each of the food industry sectors. These statistics allowed for the analysis and evaluation of the status and condition of each of these industry sectors, as well as the contributions made to the state. Realizing, however, that an effective way of documenting the problems of each sector 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 sector included the analysis of secondary data, as well as the examination of information obtained from industry sources.

The food retail store industry in New Jersey is the focus of this particular report. This report examines the importance of the food retail industry in the state and analyzes industry trends. In addition, it discusses the critical problems faced by the industry that could be addressed by the state and provides recommendations proposed by industry representatives on how to improve the business climate. Statistics and figures presented in this report were primarily obtained from the Census of Retail Trade (various census years from 1967 and 1992) published by the U.S. Department of Commerce. The 1992 figures are the most recent Census data available on the retail industry, since this census is only conducted every five years and is typically not published until three years later.

Segments of this report concerned with problems faced by the industry and the rec-

ommendations for improving the industry's business climate were primarily obtained from the industry representatives at the focus group meeting of the food retail store industry. Due to the time lag since the initial focus group was held, the research team has reviewed the issues, and any changes that may have occurred during this time lag, in subsequent discussions with industry leaders. The current report reflects these adjustments in issues, concerns, priorities, and recommendations.

B. The Definition and Nature of the Food Retail Industry

The United States Department of Agriculture (USDA) defines a food store as a retail outlet with at least 50 percent of its sales of food products intended for off-premises consumption. Under the Census of Retail Trade definition, the food retail store industry, Standard Industrial Classification (SIC) code 54, comprises those establishments primarily engaged in the retail sale of food for home preparation and consumption. A food store may further be delineated as a grocery store or a supermarket. A grocery store is a retail establishment selling a variety of dry goods, canned goods, perishable goods, and nonfood items. A supermarket, on the other hand, is defined as a full-line, departmentalized, self-service grocery store with an annual sales volume in excess of \$2.5 million.⁶ In addition to grocery stores and supermarkets, there are a number of other categories of food stores. Classification of these other food stores is typically based on the predominant sale item including meat and fish; fruits and vegetables; candy, nuts, and confectionery; dairy prod-

⁵ The food industry sectors included in this study are: food manufacturing, food wholesale, food retail stores, and food service establishments.

⁶ For the purpose of this report, grocery stores and supermarkets will remain as an aggregated group of establishments meeting the general definition. Decomposition into various other classifications based on size, merchandise or departments is sometimes presented in the literature but will not be adhered to in this study in order to provide a more encompassing overview of the industry.

ucts; baked goods; and other miscellaneous food items. Major components of this industry include the following:

- **Grocery stores (SIC 541)**, including stores that primarily sell a wide selection of canned or frozen goods, packaged or bulk dry groceries and other processed foods and nonedible groceries. This sector encompasses supermarkets, convenience stores, convenience food/gasoline stores, and delicatessens,
- **Meat and fish markets (SIC 542)**,
- **Fruit and vegetable markets (SIC 543)**,
- **Candy, nut, and confectionery stores (SIC 544)**,
- **Dairy products stores (SIC 545)**,
- **Retail bakeries (SIC 546)**, and
- **Other miscellaneous food stores (SIC 549)** that primarily sell specialty foods not classified elsewhere. These may include eggs, poultry, health foods, vitamin foods, spices, herbs, coffee, and tea.

The geographic distribution of food stores across the state is not uniform, as illustrated by Exhibit 1. Location decisions in the food retail sector are primarily based on proximity to a consumer population sufficient in size to support the business, and on business climate conditions. Not surprisingly, the densely populated counties in the northeastern portion of the state which lie in close proximity to New York City, (Bergen, Essex, Hudson, and Union), and in the southwestern

portions of the state which are near Philadelphia (Camden), have relatively high numbers of food retail stores. In addition, the suburban but highly populated central New Jersey counties, such as Middlesex, Monmouth, and Ocean, also support significant numbers of food retail establishments. On the other hand, more sparsely inhabited counties, such as Warren, Hunterdon, Sussex, Cumberland, Gloucester, and Cape May, have relatively fewer food stores.

The regional distribution of the industry in terms of business volume generally follows that of the number of food retail stores, with Bergen and Middlesex counties ranked first and second in both gross sales and number of stores. However, income levels of county residents also play a major role in retail food store sales as some of the wealthier counties with fewer food stores generate greater total sales volumes. For example, while Monmouth ranks fifth in the number of stores, it ranks third in gross sales, and while Morris ranks tenth in the number of stores, it ranks fifth in gross sales, indicating greater per store sales in these counties. Furthermore, these numbers indicate that in these suburban counties where land is more readily available for large stores and store expansion, there tend to be more large supermarkets and fewer numbers of smaller grocery and specialty food stores. In contrast, more urban counties tend to have a greater number of stores but lower sales per store. For example, Essex, which ranks third in the number of stores, ranks fourth in gross sales, and Hudson, which ranks fourth in number of stores, drops down to a ninth place rank when it comes to total sales volume.

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

County	Establishments (number)	Rank	Employees (number)	Rank	Gross Sales (\$ million)	Rank
Atlantic	228	13	3,205	14	393.9	14
Bergen	771	1	12,219	1	1,689.4	1
Burlington	293	11	4,870	10	620.4	10
Camden	385	6	5,969	6	758.0	8
Cape May	189	14	1,938	16	252.9	16
Cumberland ^a	124	17	1,730	17	249.1	17
Essex	558	3	7,420	4	1,027.0	4
Gloucester	178	15	2,982	15	345.0	15
Hudson ^b	545	4	5,111	9	694.8	9
Hunterdon	73	20	1,297	19	189.8	19
Mercer ^c	229	12	4,311	12	544.8	12
Middlesex	564	2	8,629	3	1,156.3	2
Monmouth	446	5	8,695	2	1,076.3	3
Morris	334	10	5,850	7	844.4	5
Ocean	348	8	6,195	5	828.5	6
Passaic	337	9	4,433	11	603.9	11
Salem	N/A	N/A	N/A	N/A	N/A	N/A
Somerset	178	15	3,484	13	493.0	13
Sussex	94	18	1,630	18	239.5	18
Union	369	7	5,703	8	772.7	7
Warren	81	19	1,211	20	167.2	20 ^a

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

^bFigures reported are for the Jersey City metropolitan statistical area.

^cFigures reported are for the Trenton metropolitan statistical area.

N/A represents data **Not Available** since the data was withheld to avoid disclosing data for individual companies. Data are included in higher level totals in the following Exhibits.

II. Industry Size, Contributions, and Trends

A. Industry Size and Economic Contributions

New Jersey was home to 6,364 retail food stores which, as an industry, generated more than \$13 billion in sales in 1992. Food stores were the largest segment of the state's retail trade sector in terms of sales in 1992, ranking above retail automobile dealers, and accounting for nearly 21 percent of all the state's retail trade activity, as shown in Exhibit 2. Food stores also accounted for more than 18 percent of the retail trade sector's total employment by providing over 97,000 jobs with an aggregate annual payroll of \$1.47 billion. This ranked the industry second in employment and second in payroll within the state's retail trade category, just behind that of food service eating and drinking places.

Exhibit 3 highlights the importance of the food retail sector as a significant contributor to New Jersey's total food industry. Food retail stores were the second largest employer of the four major food industry sectors in New Jersey, following the food service sector, with 31 percent of the employment and 29 percent of the annual payroll of the state's combined food industry in 1992. In terms of gross sales, food retail stores were ranked second, behind the food wholesale sector, with 24 percent of New Jersey's food industry gross sales.

The average annual salary of workers employed in food stores was roughly \$15,020 in 1992. This was significantly lower than the average salary earned by food wholesale

employees (\$33,400) and food processors (\$30,558), but higher than the average for workers in food service establishments (\$9,970). Figure 1 provides a visual layout of the average wages of employees in the four food industry sectors in New Jersey. While the average salary for food store employees is low, the industry is a major source of employment for part-time and low-skilled workers and often serves as the entry point into the workforce for many younger persons.

Exhibit 4, which provides a breakdown of the food retail industry's establishments, employment, payroll, and gross sales by type of business, allows for the analysis of the relative contributions of various segments of the industry. Grocery stores are by far the largest segment of the food retail industry in terms of both sales and employment, accounting for more than 93 percent of all food store sales and 83 percent of food store employment. Retail bakeries were a distant second in terms of sales and employment in the industry, with about 3 percent of gross sales and 9 percent of employment. Dairy products stores, which sell milk, cheese, ice cream and related products, rank last in number of establishments, employment, payroll and gross sales.

Figure 2 provides a breakdown of the relative sizes of the sectors within the food retail industry based on the percentage of gross sales generated by each sector. This figure highlights the significant dominance of the grocery and supermarket segment over that of the other segments in the food retail industry.

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

Retail Sector	Establishments (number)	Gross Sales (\$ million)	Annual Payroll (\$ million)	Employment (number)
Building Materials & Garden Supply Stores	1,774 (3.6%)	2,693 (4.3%)	343 (4.5%)	16,017 (3.1%)
General Merchandise Stores	874 (1.8%)	6,605 (10.5%)	729 (9.6%)	56,079 (10.7%)
Food Stores	6,364 (13.1%)	13,044 (20.7%)	1,465 (19.2%)	97,578 (18.7%)
Automobile Dealers	2,263 (4.7%)	12,994 (20.6%)	1,048 (13.8%)	34,014 (6.5%)
Gasoline Service Stations	3,259 (6.7%)	3,838 (6.1%)	230 (3.0%)	16,814 (3.2%)
Apparel and Accessory Stores	5,497 (11.3%)	4,689 (7.4%)	555 (7.3%)	48,041 (9.2%)
Furniture & Home Furnishings Stores	3,440 (7.1%)	3,723 (5.9%)	449 (5.9%)	22,619 (4.3%)
Eating and Drinking Places	13,380 (27.5%)	5,591 (8.9%)	1,518 (19.9%)	152,192 (29.2%)
Miscellaneous Retail Stores	10,099 (20.8%)	7,239 (11.4%)	962 (12.6%)	58,755 (11.3%)
Drug & Propriety Stores	1,698 (3.5%)	2,693 (4.3%)	312 (4.1%)	20,254 (3.9%)
Total Retail Trade	48,648 (100%)	63,109 (100%)	7,613 (100%)	522,363 (100%)

Source: New Jersey Census of Retail Trade, 1992.

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

New Jersey's food stores have undergone a major transition in recent decades. Perhaps the most significant change in the industry is the trend toward larger supermarkets with greater selection of products and vastly expanded services. The industry experienced a large number of mergers during the 1980s and subsequently a great deal of industry con-

solidation. Today, there is a growing number of food store variations being established, each occupying a niche in the market.

Conventional stores are remnants of the dominant type of food stores that existed in the past, these being generally small and carrying a more restricted variety of items at lower prices. Newer combination stores, on the other hand, offer the services of both food stores and drug stores, while the most recent superstores offer even greater services, at-

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

Industry	Establishments	Employment	Payroll (\$ million)	Gross Sales (\$ million)
Food Manufacturing	567 (2.5%)	33,500 (10.7%)	1023.7 (20.4%)	9,645.3 (17.7%)
Food Wholesale	1,939 (8.7%)	30,134 (9.6%)	1,006.8 (20.1%)	26,339.5 (48.2%)
Food Retail	6,364 (28.6%)	97,578 (31.1%)	1,465.5 (29.2%)	13,044.4 (23.9%)
Food Service	13,380 (60.1%)	152,192 (48.6%)	1,517.6 (30.3%)	5,590.8 (10.2%)
Total Food Industries	22,250	313,404	5,013.6	54,620.0

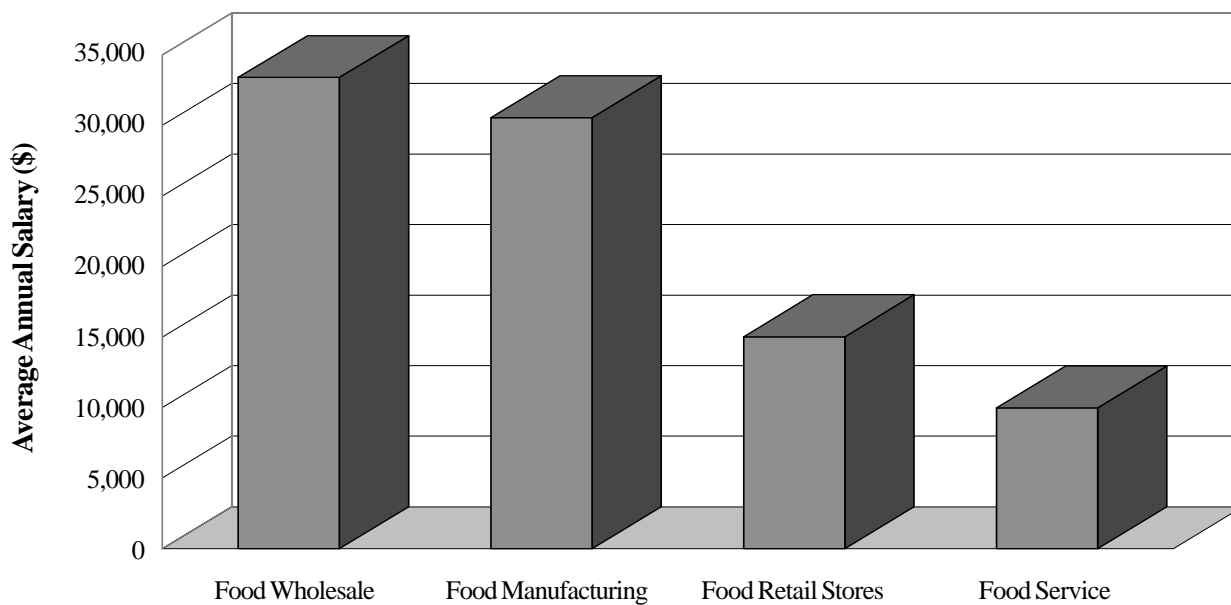
Source: New Jersey Census of Manufacturers, 1992; New Jersey Census of Retail Trade, 1992; New Jersey Census of Wholesale Trade, 1992.

tempting to allow for one-stop-shopping. A re-emerging form of food retail establishment is the warehouse store (e.g., wholesale clubs), which provides fewer services and less variety, but is able to charge lower prices as a result of extremely large inventory stock. These businesses often take the form of membership

clubs requiring a small membership fee to access the lower prices offered.

A significant and growing challenge currently faced by retail food stores is competition from the food service industry. Food consumption away from home has been increas-

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



Source: New Jersey Census of Manufacturers, 1992; New Jersey Census of Retail Trade, 1992; New Jersey Census of Wholesale Trade, 1992.

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

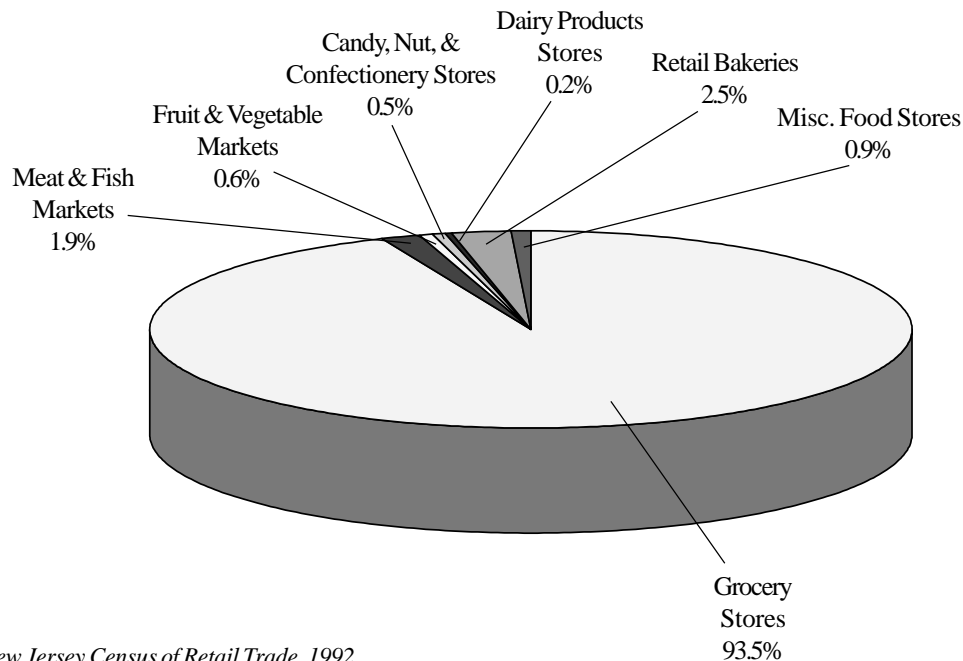
Sector	Establishments (number)	Employees (number)	Annual Payroll (\$ million)	Gross Sales (\$ million)
Food Stores	6,364	97,578	1,465.5	13,044.4
Grocery Stores	4,122 [64.8%] (1)	81,114 [83.1%] (1)	1,315.1 [89.7%] (1)	12,199.1 [93.5%] (1)
Meat & Fish Markets	436 [6.9%] (3)	2,718 [2.8%] (3)	26.0 [1.8%] (3)	242.9 [1.9%] (3)
Fruit & Vegetable Markets	152 [2.4%] (6)	606 [0.6%] (6)	9.5 [0.6%] (6)	76.8 [0.6%] (5)
Candy, Nut & Confectionery Stores	244 [3.8%] (5)	1,533 [1.6%] (4)	11.9 [0.8%] (5)	66.6 [0.5%] (6)
Dairy Products Stores	102 [1.6%] (7)	403 [0.4%] (7)	2.9 [0.2%] (7)	21.0 [0.2%] (7)
Retail Bakeries	994 [15.6%] (2)	9,112 [9.3%] (2)	84.9 [5.8%] (2)	324.4 [2.5%] (2)
Miscellaneous Food Stores	314 [4.9%] (4)	1,472 [1.5%] (5)	15.2 [1.0%] (4)	113.7 [0.9%] (4)

Percentage of total industry is in [brackets].

Rank of sector is in (parentheses).

Source: New Jersey Census of Retail Trade, 1992.

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



Source: New Jersey Census of Retail Trade, 1992.

ing and, consequently, the proportion of consumer food dollars flowing into retail food stores has been declining. Recent figures put the typical American family's food budget at 15 percent of average total annual expenditures. The share of food spending for food eaten at home dropped by 17.2 percent over the past 22 years from 66.2 percent in 1970 to 54.8 percent in 1992, with a 5.5 percent decline alone in the two years from 1990 to 1992. In contrast, the share of food spending on food eaten away from home in the United States rose by 33.7 percent during this 22 year period, from 33.8 percent in 1970 to 45.2 percent in 1992, with a 7.6 percent increase alone since 1990 (Nayga, 1994; Schwenk, 1991). The move by many supermarkets toward greater service (e.g., bakeries, hot prepared foods, salad bars, etc.) has, in large part, been an effort to counter this growing competition from the food service industry.

Exhibit 5 provides a summary of the New Jersey food retail industry's performance during the period 1967 to 1992. The net change in the total number of food retail establishments of all types in the state was 6 percent over this 25 year period, with negligible expansion during the 1987 to 1992 period. However, total employment in the sector increased by more than 71 percent over the long-term (from about 57,000 in 1967 to about 98,000 in 1992), and was negligible between 1987 and 1992. Annual payroll increased from \$236 million in 1967 to nearly \$1.5 billion in 1992. This represents a long-term increase in annual payroll of 520 percent in nominal terms and of 52 percent in real terms. In the shorter run, payroll grew by 26 percent nominally and by 4 percent in real terms from 1987 to 1992.

Sales rose steadily over this 25 year period, with annual gross sales of more than

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

Year	Establishments (number)	Employees (number)	Gross Sales (\$ million)	Annual Payroll (\$ million)
1967	6,015	56,975	2,656.2	236.4
1972	5,450	68,155	3,767.9	370.5
1977	5,749	71,509	5,630.0	578.9
1982	5,821	79,217	8,432.6	839.1
1987	6,353	96,958	11,118.6	1,164.5
1992	6,364	97,578	13,044.4	1,465.5
% Change (1987-1992)	0.2	0.6	17.3 ^a (-3.4) ^b	25.8 ^a (3.6) ^b
% Change (1967-1992)	5.8	71.3	391.1 ^a (21.5) ^b	520.0 ^a (52.4) ^b

^aPercent changes are in **nominal** terms.

^bPercentage changes in **(parentheses)** are in **real** terms after correction for inflation.

Source: New Jersey Census of Retail Trade, various census years.

\$13 billion for the entire food retail store industry in 1992, compared with \$2.7 billion in 1967. This represents a long-term growth in gross sales of more than 391 percent in nominal terms and of 22 percent in real terms. This rate of growth slowed considerably between 1987 and 1992 to only 17 percent in nominal terms. In real terms, industry sales actually declined by 3 percent over this five year period.

Rapid employment, sales, and payroll growth from 1967 to 1992, in the face of negligible growth in number of establishments, reflects the growth in the average size of retail food stores and the emergence of superstores and combination stores.

More detailed information about the changes that occurred between 1967 and 1992 for each major food store category are presented in Exhibits 6 through 10. Exhibit 6 provides information on number of establishments, Exhibit 7 provides information on employment, and Exhibit 8 presents an analysis of worker productivity. Exhibits 9 and 10 display information on payroll and gross sales,

respectively.

1. Number of Establishments

Growth in the number of food store establishments was extremely low between 1987 and 1992, with a net of only nine additional stores being opened during this recessionary period, as presented in Exhibit 6. During this five year period, stores selling packaged dairy products experienced an 11 percent increase in number. This was an unusual event considering that the same category of stores experienced drastic decline in numbers during the 1967-92 period. Retail bakeries, miscellaneous food stores, and grocery stores also experienced increases in the number of their establishments by 7, 5, and 3 percent, respectively. On the other hand, stores involved in the retail sale of candy, nuts, and other confections declined by 28 percent, as did meat and fish markets with a 19 percent decline. The number of fruit and vegetable markets declined by 8 percent as well. The recession of the late 1980s was most likely a contributing factor in the reduction in the number of food stores in the state.

Exhibit 6: Number of Food Stores in New Jersey, 1967-1992.

Industry Sector	1967	1987	1992	% Change (1987-92)	% Change (1967-92)
<i>NJ Food Stores</i>	<i>6,015</i>	<i>6,353</i>	<i>6,364</i>	<i>0.17</i>	<i>5.80</i>
Grocery Stores	3,391	3,997	4,122	3.13	21.56
Meat and Fish Markets	733	535	436	-18.50	-40.52
Fruit & Vegetable Markets	164	165	152	-7.88	-7.32
Candy, Nut & Confectionery Stores	619	337	244	-27.60	-60.58
Dairy Products Stores	212	92	102	10.87	-51.89
Retail Bakeries	820	927	994	7.23	21.22
Miscellaneous Food Stores	76	300	314	4.67	313.16

Source: New Jersey Census of Retail Trade, various census years.

Long-term trends were somewhat similar in terms of direction, but different from the 1987 to 1992 trends in terms of magnitude. Overall, between 1967 and 1992 there was only a 6 percent increase in the number of food stores in New Jersey as a net of 338 new food stores opened. Much of this increase was due to the rapid growth experienced by miscellaneous food stores selling eggs, poultry, health foods, vitamins, spices, herbs, coffee, and teas. The number of these stores increased by 313 percent during this period, from 76 to 314 stores. The increased sale of vitamins and health foods contributed a great deal to the overall expansion of this line of food stores and reflected prevailing attitudes towards personal health. Grocery stores and supermarkets also grew in number by an additional 731 stores, a gain of 22 percent, highlighting the trend toward larger stores. Retail bakeries also experienced significant growth, as this category grew in numbers by 21 percent. On the other hand, the number of establishments primarily engaged in the retail sale of candy, nuts, and other confectionery products fell by 61 percent, and the number of retail dairy products stores fell by 52 percent. Meat and fish markets and fruit

and vegetable markets similarly experienced declines in number by 41 and 7 percent, respectively.

2. Employment

Short-term employment growth from 1987 to 1992 was similar to that of the growth in the number of establishments, as employment figures for the food retail industry, in general, remained stagnant with an increase of less than 1 percent. Despite relatively stable employment for the food retail industry as a whole, Exhibit 7 reveals that this period was characterized by marked differences in sectoral growth. Employment in grocery stores (the major contributor to overall industry employment) and fruit/vegetable stores increased by more than 4 percent and by nearly 8 percent, respectively, while all other types of food stores experienced losses in employment. The decline in other segments is consistent with the overall decline experienced by these businesses in terms of number of establishments with retail meat and fish markets, candy, nut, and confectionery stores, and dairy products stores all having experienced about 30 percent drops in employment between 1987 and 1992.

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

Industry Sector	1967	1987	1992	% Change (1987-92)	% Change (1967-92)
NJ Food Stores	56,975	96,958	97,578	0.64	71.26
Grocery Stores	44,816	81,114	84,615	4.32	88.81
Meat and Fish Markets	2,506	2,718	1,849	-31.97	-26.22
Fruit & Vegetable Markets	333	606	652	7.59	95.80
Candy, Nut & Confectionery Stores	1,834	1,533	1,090	-28.90	-40.57
Dairy Products Stores	1,119	403	281	-30.27	-74.89
Retail Bakeries	6,150	9,112	7,948	-12.77	29.24
Miscellaneous Food Stores	217	1,472	1,143	-22.35	426.73

Source: New Jersey Census of Retail Trade, various census years.

Exhibit 8: Productivity of Food Store Workers in New Jersey, the Northeast, and the United States, 1967-1992.

Gross Sales per Dollar of Payroll (\$)	1967	1972	1977	1982	1987	1992
New Jersey	11.2	10.2	9.7	10.0	9.5	8.9
Northeast	11.3	10.5	10.3	10.6	10.0	9.6
United States	11.9	10.9	10.4	10.2	10.1	9.9

Gross Sales per Employee (\$)	1967	1972	1977	1982	1987	1992
New Jersey	46,621	55,285	78,731	106,449	114,674	133,682
Northeast	43,764	52,083	72,424	93,347	100,702	120,665
United States	45,720	55,951	77,971	102,453	105,738	124,338

Source: *New Jersey Census of Retail Trade, various census years.*

On the other hand, despite stagnancy in the number of establishments, longer-term employment growth was significant in the food retail industry with most of it occurring in grocery stores, vegetable and fruit markets, and miscellaneous food stores. Between 1967 and 1992, employment declined in the state's meat and fish markets, confectionery stores, and dairy products stores. Dairy product stores experienced the sharpest drop in employment with a 75 percent decline between 1967 and 1992, followed by candy, nut, and confectionery stores experiencing a 41 percent drop in employment, and meat and fish markets experiencing a 26 percent decline. Retail bakeries did not expand to the same extent as the industry in general, but nevertheless increased employment by more than 29 percent during this 25 year period. Employment growth in miscellaneous food stores, fruit and vegetable stores, and grocery stores over this period exceeded the average of 71 percent for the overall industry, as these sectors expanded by 427 percent, 96 percent, and 89 percent, respectively.

Job quality can be evaluated on the basis of worker productivity (sales per dollar of payroll and output generated per worker). In terms of sales per employee, the productivity of New Jersey food store workers was higher than the national and regional averages. Exhibit 8 shows that the average food store worker in New Jersey generated more than \$133,000 in sales in 1992, compared with \$120,665 for the Northeast and \$124,338 for the United States. However, worker productivity based on sales generated per dollar of payroll suggests that the productivity advantage is consistent with the higher wages they receive, relative to their regional and national counterparts. The *1992 Census of Retail Trade* indicates the average employee in New Jersey food stores earned over \$15,000 in 1992, as compared to the regional and national figures of \$12,600 and \$12,540, respectively. The higher sales per employee and per store in New Jersey helps to offset the lower sales per dollar of payroll. However, increased labor productivity through means recommended by industry representatives in Section 6 could help better position the state's industry.

Exhibit 9: Annual Payroll in New Jersey's Food Stores, 1967-1992 (in \$ million).

Industry Sector	1967	1987	1992	% Change (1987-92)	% Change (1967-92)
<i>NJ Food Stores</i>	<i>236</i>	<i>1,165</i>	<i>1,466</i>	<i>25.84</i>	<i>520.01</i>
Grocery Stores	196.6	1,022.8	1,315.1	28.59	568.98
Meat and Fish Markets	9.8	32.3	26.0	-19.50	164.24
Fruit & Vegetable Markets	1.4	7.0	9.5	37.23	562.04
Candy, Nut & Confectionery Stores	5.0	11.0	11.9	7.78	139.04
Dairy Products Stores	4.1	3.1	2.9	-7.50	-31.00
Retail Bakeries	18.6	76.1	84.9	11.57	357.22
Miscellaneous Food Stores	0.8	12.3	15.2	22.86	1,769.30

Source: New Jersey Census of Retail Trade, various census years.

3. Payroll

Short- and long-term changes in payroll were consistent with the changes in employment, suggesting very little change in the wage structures of subsectors in the food store industry. As shown in Exhibit 9, the total annual payroll in food stores rose by 26 percent in nominal terms between 1987 and 1992. Consistent with the patterns of employment growth, payroll in the state's grocery stores and fruit and vegetable markets increased faster than the industry's average at more than 28 and 37 percent, respectively. Other classes of food stores lagged behind in payroll growth with meat and fish markets and dairy products stores having lower annual payrolls in 1992 than in 1987.

For the longer run time period between 1967 and 1992, total annual payroll in New Jersey's food stores rose by 520 percent, as presented in Exhibit 9. Consistent with the rapid increase in employment, annual payroll of miscellaneous food stores increased by more than 1,700 percent. Grocery stores and fruit and vegetable markets also experienced great percentage increases in annual payroll

of 569 and 562 percent, respectively, as growth in these sectors exceeded the rate of growth in the aggregate food store industry. Payrolls in meat and fish markets, confection stores, and retail bakeries all expanded significantly during this 25-year period, although to a lesser extent than did food stores on average in the state. Consistent with the sharp decline in employment, annual payroll in retail stores selling dairy products dropped by 31 percent between 1967 and 1992.

4. Gross Sales

Sales (in nominal terms) in all categories of food stores in the state grew over the short run between 1987 and 1992, except for meat and fish markets and dairy product stores, where revenues actually declined. As presented in Exhibit 10, sales generated by grocery stores, fruit and vegetable markets, and miscellaneous food stores grew at rates surpassing the average for all food stores (17 percent), while sales revenues of retail bakeries, dairy products stores, and confectionery stores also increased, but at rates below the average for the industry. During this five year period, annual sales per food store in the state

Exhibit 10: Gross Sales Generated by New Jersey's Food Stores, 1967-1992 (in \$ million).

Industry Sector	1967	1987	1992	% Change (1987-92)	% Change (1967-92)
<i>NJ Food Stores</i>	<i>2,656</i>	<i>11,119</i>	<i>13,044</i>	<i>17.32</i>	<i>391.09</i>
Grocery Stores	2,379.7	10,298.1	12,199.1	18.46	412.62
Meat and Fish Markets	100.2	300.4	242.9	-19.13	142.52
Fruit & Vegetable Markets	15.0	64.1	76.8	19.78	411.60
Candy, Nut & Confectionery Stores	39.8	63.9	66.6	4.21	67.56
Dairy Products Stores	38.6	19.4	21.0	8.29	-45.67
Retail Bakeries	76.6	288.4	324.4	12.45	323.55
Miscellaneous Food Stores	6.3	84.2	113.7	34.94	1,693.77

Source: New Jersey Census of Retail Trade, various census years.

also grew by 17 percent from \$1.75 million in 1987 to \$2.05 million in 1992.

New Jersey food stores experienced a 391 percent increase in sales over the long-run period between 1967 and 1992. All sectors of the industry realized such increases, except dairy products stores, which suffered a decline of 46 percent. The decline in employment, sales, and payroll in dairy products stores is consistent with the fact that many of the products sold by these stores are now available in supermarkets and grocery stores. On the other hand, sales in miscellaneous food stores rose by nearly 1,700 percent to lead the industry in sales growth, while in both grocery stores and fruit and vegetable markets sales increased by about 412 percent. Long-term growth in sales was also experienced by meat and fish markets, confectionery stores, and retail bakeries, although these industries lagged behind the average growth for the industry. The growth in grocery stores is due, in part, to significant expansion of product lines in recent years. For the industry as a whole, the annual sales per New Jersey food store grew from about \$440,000 in

1967 to nearly \$2.05 million in 1992, an increase of 365 percent.

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

Exhibit 11 illustrates the trend in New Jersey's shares of total regional and national food store businesses in terms of the number of establishments, employment, payroll, and sales. These are compared to New Jersey's shares of regional and national population in order to further assess the state's market share and competitive posture. If the state's share of national food store sales, for example, exceeds its share of national population, then New Jersey is over represented compared with the average state. Similarly, if trends in the state's share of national population diverge from trends in its share of sales, then New Jersey's competitiveness relative to other states can be called into question.

As shown in Exhibit 11, New Jersey's

Exhibit 11: New Jersey's Contribution to the Regional and National Food Retail 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 Population</i>	3.54	3.53	3.39	3.20	3.15	3.07	-2.54	-13.28
U.S. Food Retail Establishments	3.50	3.15	3.35	3.30	3.33	3.52	5.71	0.57
U.S. Food Retail Employment	3.94	3.96	3.65	3.37	3.40	3.29	-3.24	-16.50
U.S. Food Retail Gross Sales	4.02	3.91	3.69	3.51	3.68	3.53	-4.08	-12.19
U.S. Food Retail Payroll	4.26	4.20	3.93	3.57	3.91	3.94	0.77	-7.51
<i>Northeast Population</i>	14.50	14.78	14.87	15.06	15.26	15.30	0.26	5.52
N.E. Food Retail Establishments	12.92	12.69	14.17	14.73	14.80	15.16	2.43	17.34
N.E. Food Retail Employment	14.38	14.73	14.87	14.65	14.99	15.28	1.93	6.26
N.E. Food Retail Gross Sales	15.32	15.63	16.16	16.71	17.07	16.92	-0.88	10.44
N.E. Food Retail Payroll	15.45	16.16	17.13	17.58	17.86	18.20	1.9	17.8

Source: *New Jersey Census of Retail Trade*, various census years.

share of the national population has declined by more than 13 percent during the 25 years from 1967 to 1992 (from 3.5 percent in 1967 to 3.1 percent in 1992). During this same time period, the state's share of the Northeast region's population has grown by nearly 6 percent (from 14.5 percent in 1967 to 15.3 percent in 1992).⁷ Hence, the northeastern states also experienced declining shares of national population, however the rate of decline in New Jersey was less than the rate of decline experienced by the region as a whole. It could be expected that population share would affect the concentration of business firms in New Jersey, especially since the demand for food stores is dependent on population. However, since the demand for food stores is also dependent on income, the higher income of New Jersey residents, relative to the national average, would suggest a greater con-

centration of food stores in New Jersey than would be expected given the state's share of population.

1. Relative to the United States

Upon examining Exhibit 11 closely, it is apparent that New Jersey's shares of national food retail employment, payroll, and sales declined from 1967 to 1992, while New Jersey's share of national food store establishments was fairly constant during these years. This suggests that New Jersey food retailers are losing some ground compared with the rest of the country. However, the fact that the state still has a higher level of food retail activity relative to its population, suggests that advantages do exist in terms of locating food stores in New Jersey. These advantages are related to the high incomes of New Jersey consumers, the urban/suburban population,

⁷ The Northeast comprises New Jersey, New York, Pennsylvania, Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont.

and other factors related to locating in this densely populated area.

In 1992, New Jersey's food store industry payroll was nearly 3.9 percent of the total for the nation while the state accounted for only 3.1 percent of the country's population and 3.3 percent of the nation's retail food store employment. This can be explained in part by the state's higher labor cost. Relative to the state's population, proportionately more food stores are located in New Jersey and proportionately more food store employees are employed in New Jersey. New Jersey's food store employees earn proportionately higher wages, and, proportionately, the New Jersey industry is larger in terms of gross sales. However, New Jersey's edge is declining. Based on the fact that from 1967 to 1992 the percentage decline in population share (13.3 percent), is similar to the percentage decline in sales share (12.2 percent), one could conclude that the decline in sales share is due largely to the loss in population share. However, in more recent years from 1987 to 1992, the percentage decline in sales share (4.1 percent) and the decline in employment share (3.2 percent) have exceeded the downward trend in the state's population share (2.5 percent). This indicates that additional factors are affecting on the loss of competitiveness of New Jersey's food stores relative to the nation.

2. *Relative to the Northeast*

While New Jersey's food retail sector is losing ground on the national level, from a regional perspective the state has become a larger contributor to the food retail industry in the Northeast. Part of the reason for this is the increase in New Jersey's population relative to the region. However, another reason is the greater growth in income in New Jersey, which has led to much greater increases in gross sales, number of establishments, employment, and payroll than in population. Between 1967 and 1992, New Jersey's share of the regional population increased by 5.5

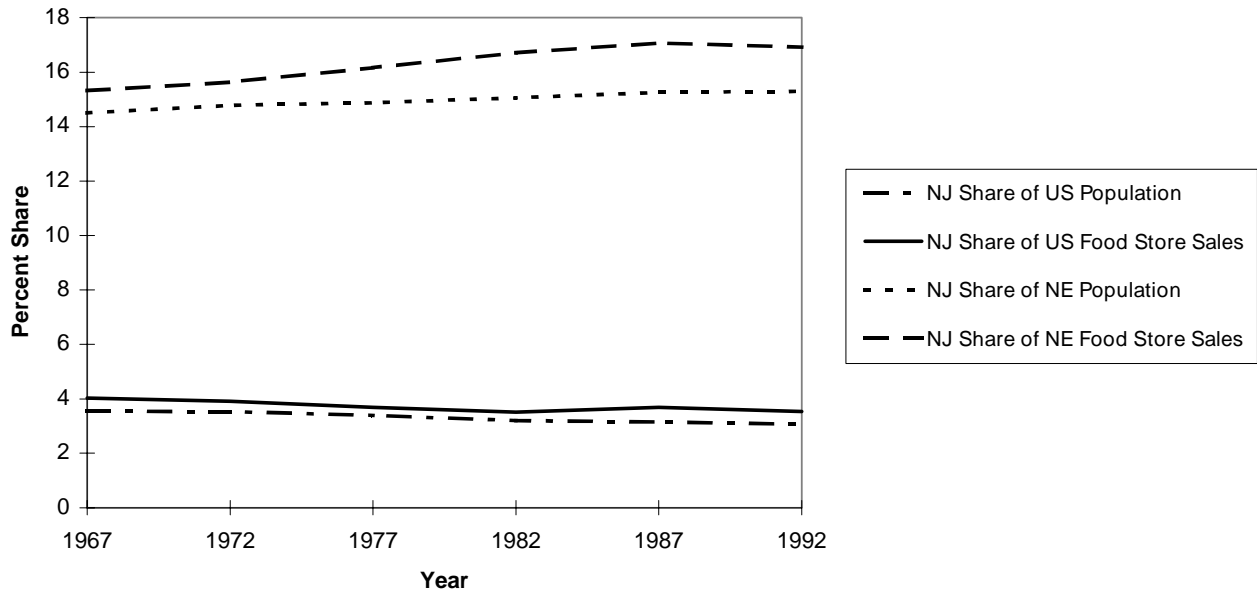
percent, while the state's share of regional food store gross sales increased by 10.4 percent, number of establishments grew by 17.3 percent, employment increased by 6.3 percent, and payroll grew by 17.8 percent.

However, in more recent years from 1987 to 1992, the state's share of regional food store gross sales (which actually fell by 0.9 percent) failed to keep pace with slight growth in the state's share of regional population (0.3 percent). In spite of declines in the state's shares of regional food store gross sales during these five years, New Jersey's share of regional food store establishments, employment, and payroll all grew (by 2.4, 1.9, and 1.9 percent, respectively) at levels greater than the growth of the state's share of regional population.

Even though the region itself is losing ground, New Jersey is obviously holding its own better than the typical state in the region. Exhibit 11 shows that while New Jersey's percentage of regional food retail establishments and employment fell below the state's population share in 1992, New Jersey's payroll and sales shares exceeded the state's population share. New Jersey's contribution to the Northeast's food retail industry has also become increasingly pronounced. New Jersey food stores tend to be larger (in terms of sales volume), employ fewer workers, and pay higher wages than food stores in the Northeast in general.

Figure 3 illustrates the trends in New Jersey's shares of population and food store gross sales from 1967 to 1992. The figure suggests that both regionally and nationally, New Jersey's share of food store sales closely follows the trends in the state's share of population. As New Jersey's share of regional population has grown, so too has the state's share of regional food store sales. On the other hand, while New Jersey's national population share has declined, so too has the state's share of food store sales, relative to other states in the country.

Figure 3: New Jersey's Shares of Regional and National Food Retail Store Sales and Population, 1967-1992.



Source: New Jersey Census of Retail Trade, various census years.

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

A. Attractiveness of New Jersey for Food Retail Stores

New Jersey's attractiveness as a prime location for retail food businesses lies in its large population, high population density, and high per capita income. New Jersey consumers, compared with their national counterparts, tend to purchase more food from retail outlets such as food stores and eating places. Given the high degree of urbanization, New Jersey consumers are also less reliant on direct purchases from farmers (Adelaja, 1988). With more than 7.8 million residents, New Jersey is the ninth largest state in terms of population in the country. Similarly, with more than one thousand inhabitants per square mile, New Jersey is the most densely populated state. Such a concentrated consumer market caters to retail activity due to the ease in achieving the critical mass of patrons required to support retail establishments.

Further increasing the attractiveness of the state for food retailers is the fact that the per capita income of New Jersey residents is among the highest in the nation (second only to Connecticut). The presence of a large concentration of affluent consumers is paramount to the success of retail activity. While food is a necessity and absorbs consumer dollars regardless of income level, the high level of affluence in the state is an advantage, particu-

larly for establishments that provide high-quality and specialty food items.

B. Importance of Supporting the Industry

The trends in the economy nationally, regionally, and in New Jersey, have been toward growth in service-related activities and toward decline in the importance of manufacturing. These trends have largely affected the employment structure, as well as the entrepreneurial opportunities that exist in the economy. These trends suggest that wholesale and retail activities, as well as other services, will continue to experience growth relative to manufacturing. Furthermore, states that promote themselves well in terms of their ability to support, entice, and encourage service activities may have an edge in terms of economic growth.

New Jersey's unique advantages offer the food retail industry an opportunity for growth. Among the advantages are the facts that, on average, New Jersey residents are among the wealthiest and have among the highest purchasing powers in the nation. New Jersey is also ahead of the competition in terms of worker productivity. These factors, coupled with the business climate, are key determinants of the rate of growth and competitiveness of the state's economy. Therefore, policies to level the playing field and provide for a favorable business environ-

ment would, at the least, give New Jersey an edge over regional competition.

As is true with most service industries, the food retail industry does not have nearly as much adverse impact on the environment as most manufacturing industries. Food retailers sell, rather than produce, food. Furthermore, food packaging, the major source of food consumption related pollution, primarily results from the manufacturing process. The choice of packaging is driven by consumer preferences and manufacturing technology and is hardly under the control of food retailers, who are essentially service providers within the food system. Considering New Jersey's extensive industrial and manufacturing history, the industries that are the most desirable targets for economic growth are those that threaten the environment the least.

While the food retail industry does not generate the types of high-wage jobs one observes in manufacturing and wholesale activities, it generates significant employment. Food stores and food service institutions are two key industries in terms of the employment of low-wage, low-skilled workers, as they provide almost 50 percent of all retail jobs in the economy and a much higher percentage of first jobs in New Jersey. Many state residents earn their first paychecks as check-out clerks and stock workers at supermarkets and as waiters at food service establishments. If state policy makers are concerned about the supply of jobs for New Jersey's large, low-skilled, low-wage, entry-level population, and about the movement of welfare recipients into the workforce, they must pay significant attention to the economic development of the food retail industry.

IV. Problems Facing the Food Retail Industry

The food retail industry in New Jersey has managed to maintain and expand its presence in the state over the last several decades. Nevertheless, a number of barriers currently exist that interfere with the industry's ability to operate efficiently. As part of the research process, a focus group of people representing the state's food retail store industry was convened to help in identifying critical and important issues and problems faced by the industry. The group was encouraged to focus on issues and problems that could be addressed by the state. Due to the time lag since the focus group was held, the research team reviewed the issues and changes that have occurred in subsequent interviews with industry leaders. The current report reflects these adjustments in issues, concerns, and priorities.

Major areas of concern expressed by industry representatives, ranked in order of perceived importance, were: (1) wage rates, (2) energy deregulation, (3) labor, training, and education, (4) regulations (lack of state-wide uniformity, permit fees and fines, tobacco sales, unit pricing laws, discriminatory drug pricing), (5) economic growth and development (security, shrinkage and product loss, food entitlement programs, costs of doing business, urban development and assistance programs, harbor dredging), (6) insurance, (7) solid waste disposal, (8) food safety and sanitation, (9) transportation, and (10) slip and fall, and product liability. An over-

view of these issues is presented below.

A. Wage Rates

Industry representatives were concerned about the passage of minimum wage increases at the federal level. They felt that this would inflate wages in New Jersey if the state strives to keep its minimum wage at a level above the federal rate. The difference between the previous federal minimum wage rate of \$4.25 an hour and the New Jersey rate of \$5.05 an hour is \$0.80 or 20 percent. Federal law raised the minimum wage from \$4.25 to \$4.75 an hour, initially, and to \$5.15 by July 1997. When the federal level is raised to \$5.15, the industry representatives were concerned that New Jersey may try to maintain a 20 percent higher rate, which may lead to a state minimum wage rate of \$5.85. New Jersey currently has the third highest minimum wage rate in the country (after Washington, D.C. and Hawaii).

While any increase in minimum wage would affect all employers, industry representatives indicated that it would have an especially large impact on food retailers, as labor expense is their largest cost category. Even though the majority of employees working in retail food stores earn more than the minimum wage, any increase in base wage rates places upward pressure on all wages and leads to wage escalation in general. Industry

representatives cited this as a particular concern in a state where the costs of doing business are already high. Furthermore, higher wage rates place New Jersey food retailers at a competitive disadvantage with neighboring states that have lower wage expenses.

Of similar concern to industry representatives was the issue of "living wage" laws. Many cities and communities (including Baltimore and New York City) have passed legislation whereby companies must pay employees a set "living wage" in order to bid for contracts in the city. While no community in New Jersey has yet to pass this type of legislation, Jersey City is considering a living wage law for city contracts and there is currently a living wage proposal in the state legislature.

Industry representatives felt that the establishment of a living wage, as with any rise in the minimum wage, will force up wages at all levels of the pay scale. This, in turn, would lead to dramatic increases in labor costs and would result in the elimination of jobs. They felt that in efforts to reduce these labor expenses, food firms would decrease the number of full-time employees that receive benefits and increase their reliance on part-time jobs that do not offer benefits. As a result, they felt that the base of quality jobs in the state would be eroded and replaced with poorer quality jobs. Industry representatives felt that it would not be attractive for the state legislature to pass policy which would replace stable, quality jobs with less stable, part-time employment.

Furthermore, since margins are extremely slim in food retail (about 1%), industry representatives indicated that they would not be able to absorb these increased labor costs and would have to pass some of the cost burden on to consumers. An increase in food costs for consumers would lead to an increase in the cost of living in the state. In addition, they were concerned that for food stores located in inner cities, establishment of a living wage

would not only increase the cost of food to urban consumers, but would also raise store operating expenses and, therefore, prevent new businesses from moving into these areas where profits are already slim.

B. Energy Deregulation

Energy deregulation has been taking hold across the country with movement toward a market driven approach to electricity and gas purchase and distribution. New Jersey deregulated the natural gas market two years ago along with 11 other states. Four states, Pennsylvania, Rhode Island, California, and New Hampshire, have already enacted laws to deregulate electricity, and virtually all other states, including New Jersey, are exploring similar opportunities. The current proposal in New Jersey is to open the electric utility market to competition beginning in October 1998. Impending changes in the electric utility industry could have significant favorable effects on the costs, profits, and resulting viability of the food retail industry in New Jersey because food stores are highly energy intensive. Furthermore, electric rates in New Jersey are the seventh highest in the nation. Utility expense is the second largest cost category for food stores after labor expense. With the introduction of competition into the energy markets, utility customers will have the same bargaining leverage that they have with suppliers in virtually all other areas of business. This is also important as food stores are one of the leading users of utilities in the state.

Of concern to the industry is the handling of fixed or "stranded" costs which are investments already made by utility companies in building and financing plants and equipment. In New Jersey, these stranded costs are estimated at \$7 billion to \$17 billion. The degree to which these stranded costs are either assumed by the state or passed on to utility customers will have a marked effect on the potential savings to the industry from energy

deregulation. If stranded costs are primarily recovered from utility customers, the savings to the food retail industry from competition may be negated.

An additional concern of the food retailers was that they be allowed to aggregate electricity usage from multiple store locations to qualify for industrial-grade price discounts. This is important since a single food retail store may not utilize enough electricity to qualify for these price discounts. However, when the electricity load from all locations of a multi-chain store are combined, they represent significant amounts of usage which would most likely qualify for industrial-grade price discounts.

C Labor, Education, and Training

Industry representatives were concerned about New Jersey's educational system which, they felt, does not provide adequately qualified individuals for hire at low- and mid-level positions. While New Jersey's workforce has an abundance of highly-educated and highly-qualified individuals suitable for upper-level jobs, it has a shortage of well-trained, skilled individuals with good work ethics to fill positions at lower levels. Even though labor is available, it is often poorly trained and poorly educated, requiring food stores to invest excessive amounts of time and money for employee training. In the supermarket industry, about 93 percent of employees have only a high school education. In addition, the limited availability of qualified, low-level workers is of particular importance to the food retailing industry because of the high rate of employee turnover (about 40 percent over a 12 month period for part-time workers). Furthermore, language and literacy problems among workers at food stores make it difficult for supervisors to communicate effectively with their employees and to explain new products.

A few programs exist at county vocational

and technical high schools (as in Union County) where mini supermarkets are set up to provide training for local students prior to entering the workforce at food stores in their community. However, industry representatives felt that high school programs to increase the proficiency of math and English skills are also needed since food stores hire the majority of their workforce from their local communities.

Furthermore, as welfare reform proceeds in the state with the Work First New Jersey program, the food retail industry will play a critical role in providing employment opportunities for low-skilled employees entering the workforce. Industry representatives were concerned that adequate training programs should be available for the numerous individuals that will be looking for work at food retail stores but lack appropriate education and skills.

Another concern expressed by industry representatives was the lack of adequate training programs in New Jersey for mid- and upper-level employees in the area of food industry management. Currently, the food industry relies on St. Joseph's University in Philadelphia to train management-level employees through their program in Food Marketing. To begin addressing this need of preparing students in-state to work in the food industry, in the fall of 1996, the New Jersey Food Council Foundation partnered with the New Jersey Council of Community Colleges to establish a 2-year degree program in Food Industry Management at eight county colleges in New Jersey. While this is a beginning to prepare New Jersey residents for professional careers in the food industry, food retailers expressed the need for a food industry management program at Rutgers University/Cook College, or other 4-year institutions, to accept graduates from the 2-year community college programs. They felt that the Rutgers' Office of Continuing Professional Education Short Courses are very helpful, but they do not provide programs to meet all the

needs of the food industry.

Another concern was the lack of knowledge by students regarding the opportunities available in the food retail industry. Food retailers felt that very little promotion was done by their industry and by schools to provide students with information on career choices in the food industry. Students are often not aware of the wide variety of professional career opportunities in this industry including store management, sales, customer service, and computer programming.

Furthermore, the fact that food retailers hire from within their local communities is another reason to provide community college and in-state university training for management-level employees in the food industry. These programs would better enable companies to keep employees who graduate from vo-tech programs or who have worked in food stores during high school. These individuals could grow with food retail companies by attending one of these in-state college programs.

D. Regulations

Food retail stores are subjected to a large number of regulations including laws that govern the sale of liquor, tobacco, and pharmaceuticals as well as the enforcement of standards for sanitation, health, public and employee safety, fire safety, weights and measures, waste disposal, and other environmental areas. Industry representatives indicated that excessive regulations force retail food stores to incur significant expense as they must hire additional personnel to handle permits, fees, and inspections.

1. Lack of Uniformity

Industry representatives cited the lack of uniformity of regulations across counties and municipalities in New Jersey as a major problem. For example, there are roughly 200 health departments in New Jersey, at both

county, and municipal levels, many having different regulatory requirements. Thus, health inspectors from state, county and local government agencies all come to inspect food stores, each often having different, and sometimes conflicting, rules and interpretations of health codes. In addition, industry representatives highlighted a number of outdated health laws in the state which add confusion to the interpretation and enforcement of these regulations. Consequently, significant costs are incurred by the industry in keeping up with the relevant regulations and agency inspections.

Similar situations occur with weights and measures regulations as each authority operates independently and sets guidelines for inspections and fines. Weights and measures are currently governed by numerous municipal agencies, 21 county offices, and a state agency.

Additional regulations that vary in their implementation across municipalities include those dealing with in-store salad bars, both in the types of items that can be offered and the requirements for protective Plexiglas shields. Regulations governing the types of packaging and containers used for food items also vary as each municipality establishes its own set of rules governing the use of such nonrecyclable packaging as polystyrene. Tobacco regulations also vary as each municipality has the authority to set rules on the sale and display of cigarettes. Recent federal regulations on the sale of tobacco products adds yet another level of rules.

Inconsistencies in the frequency of inspections by these various agencies also makes it difficult for stores to plan, leading to excessive costs as stores must allocate personnel to handle these inspections. Considerable variation occurs in the frequency of health inspections across the state. Some urban health departments, lacking adequate budgets, inspect food stores as infrequently as once every three years, while those in

wealthier suburban areas may inspect as often as four times a year. There is also significant variation in the number and frequency of many weights and measures inspections. Industry representatives were also concerned about the poor quality of service which is sometimes provided by inspectors from these various agencies. Many inspectors often improperly enforce laws because they lack adequate training. As a result of these variations across municipalities, home rule differentially impacts the costs face by retail food stores.

There is also considerable variation across New Jersey counties in the types and magnitudes of fees to which food stores are subject. At present, no comprehensive list of fees applicable to supermarkets in New Jersey has been compiled. Consequently, there is a search time involved with getting information on applicable fees. This lack of uniformity across the state creates an unlevel playing field and excessive paperwork for many of the food retail chains that operate in multiple counties.

2. *Permit Fees and Fines*

A major concern of the industry was the high cost of state and local permit fees and fines faced by food stores in New Jersey. Permit fees and fines often go directly into the budgets of the agencies responsible for their collection, rather than into a general fund. As a result, industry representatives believed that these agencies are strongly motivated to over-enforce regulations and inflate the magnitude of the fees and fines collected. In addition, the multiplicity of levels of governing agencies leads to a wide variation in the levels of regulatory enforcement and fines across the state. This has been of particular concern regarding the enforcement of weights and measures regulations as the frequency of inspections and levels of fines vary substantially by municipality and county. Some reform has recently taken place in weights and measures agencies whereby fees and fines now go into

the state's general funds as opposed to going directly into their own agency's operating accounts.

Industry representatives also indicated that fees and fines in New Jersey are significantly higher than those in other states. For example, the application fee for a composting permit is \$100,000 in New Jersey. A similar fee in Pennsylvania costs only about \$2,500. In addition to being disproportionately expensive, in New Jersey, these fees are usually required up front with no guarantee of permit approval and are nonrefundable even if the project in question is never executed.

Industry representatives also expressed frustration in dealing with Weights and Measures regarding the licensing and inspection of scales. They indicated that every time a store changes, replaces, or repairs a scale, they must inform Weights and Measures and wait for them to come and inspect the scale before it can be used. This situation becomes especially difficult when scales breakdown and replacement scales must be used. Food stores often get fined for using replacement scales since their registration numbers do not match the numbers on the form for the original scale. In these cases, food store representatives indicated that they are fined by Weights and Measures in addition to having to pay a new license fee for the replacement scale. They indicated that this becomes further burdensome for both the stores and the government agencies as they must maintain records for all scales and keep up with the annual renewal of licenses. They felt that this process could be much more efficiently handled with multi-year license renewals, as has been done in such states as New York.

Food store representatives highlighted the difficulty of working with the New Jersey Department of Environmental Protection (DEP). They indicated that the DEP's antagonistic attitude towards business and lack of adequate internal communications has caused food retail firms to expend excessive

amounts of time and money, especially when it comes to obtaining permits.

3. Tobacco Sales

Food store representatives were in favor of laws that prevent the sale of tobacco products to minors. They cited that while it has long been illegal in New Jersey to sell tobacco products to minors, recently both state and federal governments have increased enforcement and penalties for violations. Even though it is against the law for retailers to sell tobacco products to minors, it is not illegal for minors to purchase them. Therefore, industry representatives felt that this places the burden of responsibility primarily on retailers rather than having it shared by minors who attempt to purchase tobacco products. In the case of alcohol, responsibility is borne by both retailers and minors as it is not only against the law for stores to sell alcoholic beverages to minors, but it is also illegal for minors to purchase these products. Industry representatives felt that it was important for minors to share in the burden of responsibility of illegal purchases of tobacco products.

Under new federal regulations, to be governed by the Food And Drug Administration (FDA), tobacco products can only be sold by a sales person who must first check picture photo identifications proving that young customers are old enough to buy tobacco. This forces the sale of tobacco, from a "self-service" item into a "service" item. This requirement places cost burdens on stores for both increased labor and capital expenditures and leads to inefficiencies in store operation. Industry representatives estimated it would cost the average store \$5,000 to construct the required service stations for tobacco products.

Other concerns indicated by food store representatives was the multiplicity of levels of government regulating the sale of tobacco, including municipal, state, and now federal rules. They were also concerned about the increase in license fees for vendors of cigarettes from \$5 in 1995 to \$40 in 1996 and to

\$50 in 1997. Concern over the use of these license fees to conduct random unannounced inspections of retailers who sell cigarettes using undercover teenagers was also discussed.

4. Unit Pricing Laws

Another industry concern regarded the inequitable enforcement of unit pricing laws and other regulations which apply to grocery stores and supermarkets but not to wholesale clubs and mass merchandisers, which are not classified specifically as food stores, but which do sell food. The labor and cost of displaying unit prices on store shelves for all products sold and meeting other regulations creates an unfair playing field for food stores leading to unfair competition with these other types of retail outlets.

Advertising, discounts, and paperless coupons, as they relate to electronic pricing, were also concerns of industry representatives. Unit pricing regulations often result in a situation where the consumer is not aware of the actual discount they are receiving. This occurs because customers only see the current sale price and not the previous regular price of the sale item.

5. Discriminatory Drug Pricing

Differentials in the pricing of pharmaceuticals faced by retail food outlets operating in-store pharmacies was of concern to industry representatives. Many supermarkets operating pharmacies within their stores face unfair pricing competition due to a class of trade pricing policies which afford mail order pharmacies, hospitals, and health maintenance organizations (HMOs) preferential, or lower, drug costs. Supermarkets with in-store pharmacies, as well as retail pharmacies in communities, are excluded from this preferential pricing opportunity which is provided by Pharmacy Benefit Management Companies (PBMCs). PBMCs are branches of major pharmaceutical companies set up as mail order pharmacies.

The industry representatives felt that this discriminatory pricing for drugs will lead to the loss of local pharmacists and the closing of community drug stores. They saw this as a significant problem for the health care structure in the state as senior citizens, among others, rely heavily on the advice and guidance provided by local pharmacists regarding the use of prescription and nonprescription drugs. In comparison, mail order services cannot provide the same services. The loss of corner drug stores and in-store supermarket pharmacies also means the loss of community jobs. Industry representatives would, therefore, like to see these drug pricing discounts available to all retail outlets selling pharmaceuticals in order to even the playing field.

E. Economic Growth and Development

With respect to economic growth and development, industry representatives indicated that the state is not aggressively promoting new business and is, in fact, hostile toward many industries. They stated that numerous food retail firms need to renovate and expand existing stores as well as build new retail facilities. This process is made extremely difficult due to a lengthy and costly permitting process. Furthermore, industry representatives felt that the decrease in state income taxes has led the state to raise revenues through increases in other taxes such as automobile registration fees, scale licenses and fines, and tobacco vending licenses.

1. Security

Security at food stores was discussed as a problem facing the industry in urban centers as well as in some suburban locations. According to industry representatives, safety and security are some of the leading reasons why consumers choose to shop at particular food stores. Food stores have established their own security systems to protect their clien-

tele. However, industry representatives felt that a state mandate requiring one full time security guard per 200 parking spaces to be on duty whenever a store is in operation adds excessive costs to security programs already in place by retail food stores. They indicated that the cost associated with this mandated provision of security places a significant financial burden on each food store. When the cost of providing security becomes too great, food companies may decide to close stores in these locations, which, in many cases, leaves local consumers without adequate facilities for obtaining food.

Another issue of concern regarded legislation that would prohibit the sale or possession of "utility knives" to minors. While food retailers were aware of and concerned about the growing problem with teen possession of utility knives, they felt the current proposal places all of the responsibility on employers, as it is they who would be held liable. They felt that some of the responsibility should be shared by the offending minors. They also indicated that the imposition of tracking procedures for the use of these implements by minors would be disruptive.

2. Shrinkage and Product Loss

Shrinkage, or the loss of product from a store, was identified as a significant problem by industry representatives. Shrinkage can occur both through the natural spoilage of produce, damage to goods, shoplifting by consumers "out the front door," and theft "out the back door" by those who have access to store goods. They cited that shoplifting by repeat offenders is on the rise and that these crimes are of such significance that criminal prosecutions need to be pursued. However, they indicated that in some communities, local prosecutors refuse to handle these prosecutions and require store owners to carry the burden. They felt that since many local prosecutors use plea bargaining in cases of shoplifting, this refusal to prosecute may in fact encourage more crime.

In addition to the regular levels of shoplifting, industry representatives indicated that major crimes are being committed by organized shoplifting rings that remove large quantities of product out the back door and from loading docks of food stores. These products have shown up at flea markets, on urban streets, and at other such unregulated sales locations. Often times, such consumer products as infant formula and over-the-counter drugs are sold by itinerant vendors beyond their expiration dates, compromising their freshness and effectiveness. Furthermore, the industry was concerned that some products obtained through the Women, Infant, and Children (WIC) program, such as infant formula, are being sold for cash on the streets.

3. Food Entitlement Programs

Industry representatives were concerned about the loss of food entitlement programs, such as food stamps, as these programs become administered through block grants to the states from the federal government. However, recent federal welfare reform preserves the federal food stamp program and ensures that states can not divert funds intended for food stamps to other uses.

They were also concerned about other potential consequences of welfare reform including the loss of food stamp benefits to legal immigrants. The impact of this loss of benefits could be significant in certain pockets of the state having large concentrations of legal immigrants. They were concerned about the results of this social distress on the food retail industry with potential increases in crime and shoplifting. Food retailers were supportive of current welfare reform proposals in the state, Work First New Jersey, that provide food stamp benefits to legal immigrants beyond those allowed under the federal program.

In addition, industry representatives were concerned about the delay in expanding Elec-

tronic Benefits Transfer (EBT) for food stamps statewide, through the use of the Family First Card, which has only been introduced on an experimental basis into three counties. A recent federal ruling protecting retailers from liability if food stamp recipients lose their cards clears the way for expanding the EBT program statewide. They supported the efforts of the New Jersey Food Council's EBT Advisory Committee which will work with retailers, state and county officials, USDA representatives, and the contracted EBT processor to discuss the statewide implementation process.

4. Costs of Doing Business

As discussed throughout this section, the food retail industry faces a wide number of costs which often vary by region, county, and municipality. Historically, this industry has had difficulty recording, documenting, and understanding all of the many costs that go into putting their products on the shelf. Industry representatives were concerned about this lack of full understanding regarding their costs of doing business because as costs in this low margin industry continue to escalate, profits will become increasingly tied to incremental improvements in a firm's ability to contain costs.

5. Urban Development and Economic Assistance

The limited number of retail food stores serving the inner cities was a problem cited by industry representatives which has resulted from both economic and security constraints. They felt that the New Jersey Department of Commerce and Economic Development was not providing adequate programs to assist food stores operating in these underserved areas.

The industry supported the recently passed "Business Employment Incentive Program" under which companies could receive grant monies from the state over a ten-year period when they create more than 75 new

jobs or 25 new jobs in economically depressed areas. This program offers incentives for companies planning on growth and looking to expand into urban areas. However, they felt that this program does not address firms needing assistance to continue their current level of operation and is primarily geared at large companies. Another beneficial program cited was the "Business Relocation Assistance Program" under which companies moving to New Jersey can receive up to 50 percent of relocation costs and moving expenses.

6. Harbor Dredging

New Jersey's ports are critical to the overall food industry in the state. Millions of pounds of food products from around the world flow through the ports of New Jersey and New York for further distribution and for sale in the state's retail stores. Industry representatives indicated that any interruption in food shipments through the ports would effect the cost and availability of imported products and would limit the ability of the industry to operate efficiently and competitively. Port Newark and Port Elizabeth have become so clogged with silt that they are too shallow for many of the large container ships. As a result, these ships, and the businesses that rely on them, are moving to other deep water ports along the East Coast that can accommodate them.

Industry members felt that if the port capacity is allowed to diminish, the state's economy would decline, disposable income of New Jersey consumers would fall, and retail stores would be negatively impacted. Furthermore, they indicated that decreased port capacity would lead to an increase in the use of roads to transport food. This would result in increased traffic and greater air pollution.

The passage by New Jersey voters in November 1996, of the \$300 million bond act to dredge the state's ports and waterways was seen as an important measure for keeping

these waterways viable and competitive and for keeping businesses dependent on the ports in New Jersey.

E Insurance

The availability and cost of health care insurance were major areas of concern to food retail representatives. In addition, they cited the excessive amount of paperwork and administrative effort required to file health claims which results in reduced administrative efficiency and increased costs. They were also concerned about the current trend to include mental health coverage as a mandated benefit. Requiring mental health benefits in New Jersey would add significantly to the cost of medical insurance coverage for retail store employees, and, in turn, would raise the cost of labor (already the leading cost category for food stores).

Industry representatives indicated that the cost of Worker's Compensation Insurance is much greater for food retail businesses than for most industries due to the high number of minor injuries such as scrapes, cuts, and back injuries sustained by personnel. However, industry representatives pointed out, while there are many minor injuries in food stores, relatively few are life threatening and Worker's Compensation rates should be adjusted accordingly. They were encouraged by the recent drop in the state's Worker's Compensation rates, but still felt food store rates were high relative to other employers. They did feel, however, that the Worker's Compensation Insurance program was handled well in New Jersey relative to other states.

The issue of charity care posed additional concern to food store representatives as they felt the state needed to find a long-term solution. They were not satisfied with the current short-term solution to charity care which resulted in the use of funds from the Unemployment Trust Fund.

G Solid Waste Disposal

Food store representatives were concerned that several solid waste regulations in New Jersey endanger public health and food safety. They indicated that, as a result of recycling requirements and regulations, used motor oil, old batteries, and household hazardous waste could be returned to retail food stores where they may end up being stored near food products. This situation has the potential to cause health and safety problems.

Industry representatives cited composting as a good solution to the solid waste disposal problem at food stores since about 80 percent of supermarket garbage is compostable. However, no incentives are currently provided to business to encourage the use of composting. On the contrary, the state has imposed excessively high composting permit fees for firms wishing to pursue this route of solid waste disposal. To compound this issue, they indicated that it usually takes a store about five years to even obtain a composting permit and these fees are not refundable even if the composting project never comes to fruition.

Another solid waste concern cited by industry representatives deals with the handling of and regulation regarding the separation of recyclables from other waste in trash cans located outside food establishments. Several towns have threatened to take food stores to court if these outside trash cans become contaminated with recyclables and are not "sorted out." Industry representatives remarked that state and municipal regulations requiring retail food stores to sort outside trash cans pose a significant danger to the health of food store employees. Since this sorting can often only be accomplished by hand, a serious threat is posed to workers as harmful needles and broken bottles are sometimes discarded, along with food and other waste items, in these outside trash cans. While not only extremely dangerous to employees, they felt that this sorting requirement

could lead to higher insurance and litigation costs.

H Food Safety and Sanitation

There was particular concern in the food retail industry regarding the contamination of food with bacteria, such as *E. coli*. Industry representatives indicated that there were roughly 64 cases of meat contamination in New Jersey in 1994. They argued that because meat inspection was not done early enough in the distribution chain to prevent contamination, the onus to prevent *E. coli* contamination in meat is on the food retailers rather than on the suppliers. They contended that if contamination is found at the supplier level it is much easier to prevent contamination by taking the product off the market before it is widely distributed to retail outlets. It takes several days to confirm a contamination problem at a retail store, during which time contaminated products have often already been sold to the public before the test results confirming contamination even come back. This problem was especially troublesome with meats since beef products are often sold within 24 hours of reaching a retail outlet.

Since the focus group was convened, new federal legislation has been enacted to address the problem of sampling ground beef for contamination at the retail level and other related food safety concerns. Much time and effort have gone into developing the new federal guidelines for sampling procedures of meat for bacterial contamination which require meat processing plants to adopt a system known as HACCP, for Hazard Analysis Critical Control Point. This system enables the plants to determine where bacterial contamination, or hazards, are likely to occur, to take corrective steps, and to verify that those steps are working. In essence, this regulation moves the burden of inspecting meat and poultry products for bacterial contaminants back in the food system to slaughter houses

and food manufacturers. This new system allows more time to pull food products out of the retail stream should contamination be found than could be done once the food had already been distributed to retail stores.

Industry representatives stated that many state standards regarding food safety are old and are often not reflective of new packaging technology, new product lines, and new information. In addition, some state standards regarding bacterial levels in food products far exceed those set federally, placing excessive burdens on New Jersey food retail establishments. They were pleased that the New Jersey Food Council was currently working with the Board of Health (BOH) to review the Food Safety Laws of the state.

Food retailers felt that while the New Jersey BOH was an exemplary, professional, and open agency, the drastic cuts in their budget during the '90s have prevented them from providing the high level of assistance to food inspectors and service to the industry that they had been able to provide in the past. Industry representatives felt that the quality of service provided by food inspectors has declined during the '90s. They stated that the BOH acted in an exemplary fashion in handling the outbreak of *E. coli* in 1994. They felt that this agency was now a role model of how to work with the public and with industry in handling matters of food contamination and public safety.

I. Transportation

Industry representatives highlighted two major areas of concern dealing with transportation in the state; the first is that of transporting goods to retail food stores and the second is that of transporting workers to and from their places of employment.

Industry representatives were concerned about the problems associated in transporting goods to retail stores. They felt that traf-

fic problems, which cause delivery delays and hamper food distribution, are the result of many poorly maintained secondary roads. They indicated that the food distribution industry in New Jersey is a "prisoner of the New Jersey Turnpike" due to the crumbling infrastructure of secondary roads. Monies collected at tolls on the Turnpike are used by the New Jersey Turnpike Authority to maintain only the Turnpike, considered the finest road in the state, and not to improve the secondary and feeder roads which provide access to the Turnpike. This lack of maintenance on secondary and feeder roads was of great concern because it is on these roads where traffic problems and delays are often encountered. These delays in turn hamper the transport and distribution of goods to retail food outlets in a timely, cost-efficient manner.

In 1996, the New Jersey Department of Transportation initiated a 5 year capital improvement program for roads, bridges, highways, and mass transit. The industry representatives hoped that these projects, funded with \$700 million a year from the Transportation Trust Fund, will begin to address these problems.

Food retailers were also very concerned about the potential loss of substantial federal transportation funds when the Intermodal Surface Transportation Efficiency Act (known as ISTEA) is considered for reauthorization. Under ISTEA, for every dollar New Jersey sends to Washington, \$1.12 is returned for highway funds and \$4.69 in mass transit funding. However, when all federal programs are considered, New Jersey receives 85 cents for every dollar it sends to Washington. Representatives felt that the state's high population density and aging infrastructure require a substantial amount of federal assistance. However, they were worried about powerful alliances from other regions of the country that are being formed to prevent New Jersey from receiving its current level of ISTEA funds.

Industry representatives agreed that the mere presence of toll booths (e.g., on the New Jersey Turnpike and Garden State Parkway) causes additional problems by slowing traffic and adding to the delay of food deliveries. Furthermore, they indicated that any increase in the tolls on these roads would add to industry costs. The food retail industry faces extremely slim margins which are reduced by these additional costs. They also indicated that food stores usually absorb these extra costs as most of these transportation-related expenses are not passed along to consumers.

Food retailers were discouraged by the state's attitude toward the business sector in terms of solving automotive pollution problems. The Employers Trip Reduction Program (ETRP) placed the burden of solving the state's air pollution problem on business and industry. They indicated the difficulties the industry was having in utilizing alternative methods for transporting employees to and from work at retail stores. It was difficult for this industry to participate in the ETRP since many stores are open until late hours, and others stay open 24 hours a day. This results in nonuniform employee work schedules where shifts often vary from worker to worker, and an employee's ability to ride share is limited. In addition, industry representatives cited that alternatives to the use of cars are just not available as the state's mass transit system is limited and does not often serve their employees' time and locational needs.

Since the focus groups were held, Congress passed a federal law making the ETRP a voluntary program to be implemented at the discretion of individual states, provided they develop an alternative program to effectively reduce air pollution emissions. The ETRP, is also now a voluntary program in New Jersey that provides tax incentives to employers choosing to participate. Food retailers supported this change to share the burden of reducing auto emissions across both the public and industry.

J. Slip and Fall and Product Liability

Liability for injuries sustained by patrons falling in stores was cited as a costly aspect of the supermarket business. Industry representatives argued that they have been the target of excessive false "fall down" claims. Food stores are particularly susceptible to these claims because of the presence of fresh produce, sauces, glass, and other such breakable and slippery items. Consequently, supermarkets have had to install video cameras throughout their stores, change store designs, install new flooring, hire extra cleaning personnel, and install floor protectors to defend themselves against fraudulent claims. Industry representatives indicated that even with these measures in place, they still often prefer case settlements to court proceedings because of the high cost of litigation. Furthermore, there is no statewide consistency in the magnitudes of the payments issued for arbitration settlements.

Retail food stores have also been frequent targets of product liability suits. Although food stores are not the manufacturers of the majority of the products they sell, once they take possession of a product, they assume the responsibility for that product's quality and safety. Therefore, it is the retail food stores that are held liable if problems arise with a particular product. Industry representatives indicated that the media often prematurely publicizes cases involving defective products and often assigns unwarranted blame on retail stores.

Since the focus group was held, a much awaited tort reform legislative package has been enacted in New Jersey. The food retail industry welcomes this important legislation which places limits on tort claims and product liability settlements, and makes it more difficult for frivolous lawsuits to be imposed. This legislation also states that retail establishments will no longer be held liable for the failure of a manufactured product (such as hot

dogs and other prepared foods) except in cases where the original manufacturer cannot be identified or located. Food store representatives hoped that this new tort reform

package would begin to resolve some of the problems discussed here, and indicated that they will be watching to assess its effectiveness.

V Public Policy Recommendations

New Jersey recently implemented various initiatives and programs to improve the business climate and competitiveness of firms in the state. While most of these initiatives are not industry specific, many would certainly apply to the food retail industry. The STARR report, 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 retail industry are already being implemented through these recent initiatives, this report presents the full scope of recommendations regarding issues that can be addressed by the state as suggested by industry sources.

It is important to note that the industry concerns seem to indicate a gulf between policy makers and industry. State government appears genuine in its interest in addressing industry problems. However, any serious attempt to address these problems must involve extensive dialogue, a great deal of listening on both sides, and a great deal of partnership. Industry needs to be directly involved in the policy making process. Of course, industry must also recognize that the state must balance the needs of industry against public health, safety, and economic concerns.

The following is a list of public policy recommendations generated by representatives of New Jersey's food retail industry to create a more hospitable business climate in the state. These recommendations are di-

rected at state government and can be seen as an indication of what the industry would like to see. Therefore, these recommendations represent a good starting point for government/industry discussions and collaborations. Rutgers University remains committed to playing a role in assisting the fostering of greater government/industry collaboration.

A. Wage Rates

Industry representatives recommended that the state refrain from imposing any increases in the state's minimum wage rates, even in light of rises in the federal minimum wage level. Furthermore, they were against any legislation in the state that would link "living wage rates" for employees of companies holding state or local contracts. The food retail industry operates on extremely slim margins and the representatives felt that any upward pressure on wages would force stores to reduce the numbers, stability, and quality of their work force by replacing their full-time employees with part-time workers. Furthermore, since labor is the number one cost category for food stores, they felt that this significant increase in operating costs would be passed along to consumers and raise the cost of food in the state. They also felt that this would have a large impact in urban areas where consumers are least able to shoulder increased food costs and where food stores would close due to reduced profits.

B. Energy Deregulation

Regarding the deregulation of the electric utility industry, food store representatives recommended the availability of effective access to competitive electric markets as soon as practical in New Jersey. A competitively priced energy market in New Jersey could be a significant cost advantage for food stores operating in the state, as utilities are their second highest cost category after labor. They also suggested that the burden of “stranded” costs be handled in such a way that the savings resulting from energy deregulation and competition will not be effectively eroded.

Industry representatives further recommended that food retailers be allowed to aggregate electricity use from multiple store locations so that they can qualify for industrial-grade price discounts. While a single food retail store may not utilize enough electricity to qualify for these price discounts, when the electricity load from all locations of a multi-chain store are combined, they represent significant amounts of usage.

C. Labor, Training, and Education

Industry representatives felt that there is a strong need in New Jersey to improve the public education system. To attract more industry to New Jersey by ensuring an adequately educated workforce, industry representatives recommended that the state strive to improve the quality of all school systems statewide, with increased emphasis placed on improving English and math skills. They felt that currently just a few high-income municipalities have adequate school systems.

Along these lines, food retail representatives recommended that the state improve vocational training programs at the high school level. Toward this end, they recommended that the state support currently existing training programs being run by county vocational and technical schools and expand

them throughout the state. To better educate and train the state's non-college bound students for entry-level jobs, they further recommended that New Jersey high schools form a partnership with industry. They also recommended that the New Jersey Department of Commerce and Economic Development sponsor a conference and program in association with the state's industries which would target the improvement of academic education and vocational training in the state to ensure a well trained and appropriately educated emerging workforce for the benefit of all industries and companies in New Jersey. Since food stores hire the majority of their employees from their local communities, it is in their best interest to see New Jersey's students receive the best and most appropriate education possible.

Furthermore, as welfare reform proceeds in the state with the Work First New Jersey program, industry representatives recommended support for training programs for the numerous individuals that may be interested in working at food retail stores but who lack appropriate education and skills.

To improve and promote the training and education of potential mid- and management-level employees for the food industry, industry representatives recommended the provision of scholarships for students to attend one of the new 2-year degree programs in Food Industry Management programs recently established by the New Jersey Food Council in partnership with the New Jersey Council of Community Colleges at eight county community colleges. They further recommended the need to establish a 4-year degree program in Food Industry Management and Food Marketing at Rutgers University or other institutions in the state. This program could accept graduates from the 2-year community college programs and could provide an in-state alternative to the only other such program in the region (offered at St. Joseph's University in Philadelphia). Along these lines they recommended support for industry partnerships

with county colleges and in-state universities to provide appropriate training for students to work in the food industry. Providing in-state training programs for management-level food store employees was cited as critical since this industry primarily hires workers from their communities and prefers to train current employees to move upwards through the ranks of management. To attract qualified students to their industry, food retailers recommended a promotional campaign for the food industry which represents it as an exciting, technologically advanced industry to work in.

D. Regulations

1. Lack of Uniformity

Representatives of the food retail industry recommended that regulations effecting food stores, including health and safety, weights and measures, tobacco sales, packaging, solid waste disposal, and other environmental areas, either be consolidated to make them uniform across counties and municipalities or centralized at the state level to provide a rational and consistent structure to the various codes, fees, and regulations. In addition, the industry suggested a centralization of regulatory inspection standards at the state level so that a business need deal primarily with one individual at the state level rather than a myriad of individuals and departments throughout state, county, and municipal governments.

Specifically with regards to weights and measures, industry representatives recommended creating one statewide agency with uniform operating criteria. They felt that re-engineering these agencies would reduce waste and duplication of services and result in a reduction of governmental costs at all levels. Cost savings from consolidation and uniformity across the state would better serve the consumer and the state's economy.

2. Permit Fees and Fines

Reform in the permit fee and fine system utilized in New Jersey was highly recommended by food retail representatives. Specifically, they suggested that fees collected from supermarkets go into a general revenue fund instead of directly into the budgets of the agencies involved in their collection. Recent reform in Weights and Measures has resulted in fees and fines going into the state's general fund and no longer into their own agency operating accounts.

Industry representatives were also in favor of construction permit reform and support various proposals from the Governor's Office, the New Jersey Builders Association, and the New Jersey Chapter of the National Association of Industrial and Office Parks. These proposals include consolidated technical reviews, definite time frames for permitting decisions, qualification requirements for reviewers, regulatory consistency among programs, elimination of duplicated reviews, prohibition of after-the-fact changes in regulations, creation of a critical path system for processing permit applications, and establishment of an expedited appeal process.

Food retailers further recommended that the state adopt the use of multi-year renewal rates for a range of permit fees and licenses (New York has adopted 3-year renewals of many licenses). They felt that going to 2- or 3-year renewal schedules would reduce paperwork, hassle, and the expense of processing these permit fees and licenses for both food stores and government agencies. In particular, they suggested that Weights and Measures issue multi-year renewals for scales.

The compilation of a complete listing of fees, permits, and potential fines to which food retail outlets are subject was also recommended by industry representatives. This compilation should document the variations in fees across counties and municipalities and, therefore, assist firms with stores in numer-

ous locations in complying with these many and varied laws.

The industry also recommended that composting fees be brought in line with other states (e.g., Pennsylvania) and that the DEP overhaul the composting permit process to render it more efficient. In particular, they recommended that an ombudsman be designated within the DEP as the single liaison person between the food industry and the DEP with regard to permits and fees. This DEP/industry liaison could significantly reduce the confusion, inefficiencies, and red tape currently experienced by the industry when attempting to obtain permits and pay fees and fines.

Food retailers also recommended that disputes regarding weights and measures be initially mediated through Alternate Dispute Resolution (ADR) prior to entering the court system. This will require legislative changes to statutory laws which currently force parties to initially go to the courts to solve disputes.

3. Tobacco Sales

Industry representatives recommended supporting the passage of a “Youth Responsibility Act” that would share the burden of responsibility for sales of tobacco products to minors between retail stores and youths. This Act would make it illegal for minors to purchase tobacco products and would aim to instill a sense of responsibility in young people for actions they choose to take. Retailers felt that minors would reduce their attempts to purchase cigarettes if they knew there was the possibility for punishment. They also recommended that offenders undergo anti-smoking education.

Food store representatives suggested that cigarette vendors be allowed to use alternative methods of regulating tobacco products rather than mandating “service station” criteria. For example, they suggested that scanners be used to flag a tobacco purchase, at

which point a photo identification could then be asked for by the sales person.

4. Unit Pricing Laws

The food retail representatives recommended leveling the playing field between all types of outlets selling food products through a more equitable enforcement of regulations, such as unit pricing, which currently apply only to grocery stores and supermarkets but not to wholesale clubs and mass merchandisers.

The industry recommended more attention from the Division of Consumer Affairs regarding advertising, discounts, and paperless coupons as they relate to electronic unit pricing. They recommended that regulations on unit pricing and advertising be updated to reflect the use of paperless coupons and discounts. Cost savings are not evident to consumers with the unit pricing systems currently in place.

5. Discriminatory Drug Pricing

Industry representatives recommended the elimination of discriminatory pricing practiced by Pharmacy Benefit Management Companies (PBMCs) which provide discounts on pharmaceutical prices to HMOs and hospitals but not to retail pharmacies operating in supermarkets or independently. They recommended that these discounts be available to all drug retailers so that local pharmacists, an important component in the healthcare system, can remain viable. They also suggested that the state support and follow the status of federal legislation that has been drafted to address the discriminatory pricing practices of PBMCs.

E. Economic Growth and Development

The industry representatives recommended that the state be more friendly and

less hostile towards business. They also recommended that the state be more aggressive in promoting new business, especially in relation to construction permit reform and assistance. This would decrease the cost and time required to obtain permits for store expansion, renovation, and construction at new sites.

1. Security

In terms of security issues, industry representatives recommended the removal of mandates requiring certain numbers of security guards and, instead, placing reliance on food stores' own internal security programs to protect their consumer clientele. Regarding the use of "utility knives" by minors, food retailers recommended revising current proposals that would regulate companies that have minors using these implements. They suggested reviewing the recently enacted "Box Cutter" ordinance in New York City that targets the real problem by banning the possession of box cutters by teens on school property. This ordinance places increased responsibility for possession of utility knives on offending minors.

2. Shrinkage and Product Loss

To curb the rise of shoplifting, industry representatives recommended amending the current shoplifting statute to provide enhanced penalties for repeat offenders. They suggested making shoplifting a fourth-degree offense and mandating the prosecution of shoplifting offenses by county and local prosecutors.

The industry representatives also recommended amending the Consumer Fraud Act to prohibit the sale of products intended for consumption by infants (WIC products) and non-prescription drugs with expiration dates at flea markets, on streets, and at other unregulated locations. They hoped this would assure greater safety for consumers using these products and reduce the theft of these types of products from retail stores.

3. Food Entitlement Programs

Industry representatives recommended that the state protect food entitlement programs such as food stamps as these programs become administered through block grants to the states from the federal government. Recent federal welfare reform preserves the federal food stamp program and ensures that states can not divert funds intended for food stamps to other uses.

Regarding other consequences of welfare reform, industry representatives recommended that the state provide funds to offset the loss of federal food stamp benefits to legal immigrants. They felt this would be especially important in certain pockets of the state where large concentrations of legal immigrants live to prevent a possible increase in crime and shoplifting. Current welfare reform proposals in the state, Work First New Jersey, that provide food stamp benefits to legal immigrants, beyond those allowed under the federal program, were supported by food retailers.

Industry representatives also recommended a statewide expansion of Electronic Benefits Transfer (EBT) for food stamps through the use of the Family First Card, which has only been introduced on an experimental basis into three counties. A recent federal ruling protecting retailers from liability if food stamp recipients lose their cards clears the way for a statewide expansion of the EBT program. They also supported the efforts of the New Jersey Food Council's EBT Advisory Committee to work with retailers, state and county officials, USDA representatives, and the contracted EBT processor to plan the statewide implementation process.

4. Costs of Doing Business

Industry representatives recommended a study of the many and varied costs borne by the food retail industry to provide a better understanding and documentation of the many costs that go into putting food and as-

sociated products on the shelf. Assisting the industry in gaining a better understanding of their costs could lead to improved efficiencies, cost savings, and profits in this low margin industry.

5. *Urban Development and Economic Assistance*

To address the lack of adequate food retail facilities in the inner cities, industry representatives recommended an expansion of economic development programs based on partnerships between retail food companies and inner city community groups which create new, community-owned food markets. These partnership stores can address the security and safety concerns of urban areas and often serve as cornerstones in community revitalization programs. While a few of these partnership programs are operating in New Jersey, industry representatives recommended increased support by the state in obtaining low-cost loan funding to expand these community economic development programs into many more urban locations. Examples of such low-cost funding sources are the federal LISC program and the New Jersey Economic Development Authority (EDA). Food retailers further recommended that additional programs by the New Jersey Department of Commerce and Economic Development be made available to assist food firms operating in these underserved urban areas.

Industry representatives also suggested the expansion and promotion of Enterprise Zones (EZs) where cost savings can be realized by consumers from reduced sales taxes and by retailers from reduced taxes on purchases of equipment. A study into the successes and failures of firms operating in EZs was recommended to provide more information on the advantages and disadvantages of using this type of program for economic development in urban areas.

The industry supported the recently passed "Business Employment Incentive Pro-

gram" under which companies could receive grant monies from the state when creating new jobs. While this program offers incentives for companies planning on growth and looking to expand into urban areas, they felt it does not address firms needing assistance to continue their current level of operation and is primarily geared at large companies. Another beneficial program cited was the "Business Relocation Assistance Program" under which companies moving to New Jersey can receive up to 50 percent of relocation costs and moving expenses.

6. *Harbor Dredging*

The passage by New Jersey voters in November 1996, of the \$300 million bond act to dredge the state's ports and waterways was seen as an important measure for keeping these waterways viable and competitive and for keeping port-dependent businesses in New Jersey. In light of this, food store representatives recommended that dredging of Port of Newark/Elizabeth and approaching waterways be commenced as soon as possible. This is important to stem the tide of firms moving out of state to more southerly, deep water draft ports, to keep in state the more than 200,000 jobs dependent on port activities, and to maintain access to imported food products and food distribution channels.

E Insurance

Industry representatives recommended that the state encourage the use of electronic forms in conjunction with an electronic filing and reporting system for Worker's Compensation and health insurance claims. This electronic system would replace the current reliance on paper forms for filing claims which, in turn, would reduce fraud and reduce costs by improving administrative efficiency. They also recommended against making mental health benefits a mandatory medical benefit as this would substantially increase labor costs for food retailers.

Industry representatives recommended that Worker's Compensation rates for food stores be reduced and equalized with other industries to better reflect the minor injury nature of the majority of claims in their industry. They also urged the state to provide a long-term solution to charity care with funds appropriated from the state's general revenues, as this is an issue to be borne by all state residents. From the perspective of cost savings, they further suggested that charity care be operated as a managed care program.

G Solid Waste Disposal

Industry representatives strongly supported the continuation of curbside recycling at the place of residency along with the use of municipal and county centers for recycling and returning hazardous and toxic products. Based on a concern for food safety, they recommended against a system whereby recyclables are returned to retail stores where they were purchased. They felt that this practice creates unsanitary conditions in food stores whereby hazardous and toxic substances could be stored in close proximity to food items. They also did not support a national bottle bill which would significantly add to costs. Instead, they supported continued recycling efforts which have surpassed targets in New Jersey. They indicated that in support of recycling efforts, the state's retail food stores currently contribute a self-inscribed tax to the New Jersey Clean Communities Program. They supported efforts by the New Jersey Food Council to create a public/private partnership to provide oversight of and administrative support to this program through a Clean Communities Council.

For health and safety reasons, industry representatives advised against a system requiring food store workers to sort recyclables by hand from other waste in trash cans located outside retail food stores. They strongly recommended that food stores be exempt

from sorting rules as they relate to outside trash cans due to potential health hazards.

Industry representatives recommended that composting be encouraged by the state as composting of suitable garbage generated by food stores was perceived as a good solution to the solid waste problem of the food retail industry. They suggested that the definition of composting be expanded to include various items currently considered recyclables (e.g., corrugated cardboard) by the state rather than only solid waste items that cannot be recycled. They cited that currently, there is no incentive for food stores to compost their garbage as it is still less expensive to send solid waste to landfills. Thus, as an incentive to food stores to use composting as a means of handling their solid waste disposal, they recommended that the composting permit process be shortened and made less costly. In addition to reducing fees, they expressed the need for a greater number of composting sites to be established across the state to handle the large volume of waste suitable for composting..

As a whole, food retailers indicated that they are geared up to emphasize source reduction through reduced packaging (e.g., the use of concentrated cleaning products) as a means of reducing their total solid waste stream. They also recommended that incinerators be made available to handle waste that can neither be composted nor recycled.

H Food Safety and Sanitation

Industry representatives recommended that food inspections be conducted much earlier in the distribution chain (e.g., at slaughterhouses and manufacturing plants rather than at retail stores) and that suppliers be held responsible if contamination is found at their sites. The goal of early inspection is to make it easier to take a product off the market if need be and to better ensure the safety of food for consumers.

Since the focus group was convened, new federal legislation known as HACCP, for Hazard Analysis Critical Control Point, has been enacted to address the problem of meat contamination and other related food safety concerns. This system requires meat processing plants to sample for bacterial contamination, or hazards, and to take corrective steps. In essence, HACCP moves the burden of inspecting meat back in the food system to allow more time to pull food products out of the retail stream should contamination be found.

Industry representatives recommended that the New Jersey Board of Health (BOH) be a role model of how to work with the public and with industry in handling matters of food contamination and public safety. This recommendation comes in light of the exemplary fashion in which the BOH handled the *E. coli* outbreak in 1994. To reduce food contamination problems in general, stronger state advocacy was also recommended.

In light of drastic cuts in the budget of the BOH, which has historically been responsible for health and food inspections, industry representatives suggested that the state improve the training and education of health inspectors, particularly at the local level. They recommended that the Rutgers/Cook College training program for food inspectors, which has provided excellent service to the industry, be reevaluated, updated, and expanded, if need be. These measures were deemed important by industry representatives to improve the level of service currently being provided by food inspectors and to better meet the needs of the industry.

To ensure adequate and up-to-date training for food store employees, industry representatives recommended the development of courses on food handling for their employees. They suggested that these courses, which could be provided in-house, at county colleges, or by the Office of Continuing Professional Education at Rutgers/Cook College,

lead to an industry-issued "certification of food handlers."

Food store representatives recommended that health laws be reviewed and updated to reflect new developments in industry and to become more in line with federal standards. Frequent review of food safety standards with industry input was also recommended for developing new standards reflective of current industry technology. In addition, they suggested that minimum standards established by the state be used by municipal Board of Health inspectors to improve enforcement of municipal health codes. The industry supports the New Jersey Food Council, who is currently working with the BOH to review the state's Food Safety Laws.

To cut costs and improve administrative efficiency, industry representatives recommended that the state encourage the use of electronic forms and filing by the BOH and local health departments to replace paperwork. They also suggested likening irradiation to "pasteurization" to avoid adverse reaction by the public.

I. Transportation

Industry representatives recommended that the state enhance funding to repair and maintain its transportation infrastructure. This is important to assist distributors and wholesale truckers in getting their products to retail outlets without extensive difficulty and delay. With the recent reallocation of the state gasoline tax, food retailers hoped that additional funds would be available for the repair and maintenance of the state's transportation infrastructure, including secondary and feeder roads. Along these lines, they recommended the reallocation of some portion of funds collected on toll roads to be used for the improvement of secondary roads and feeder roads where traffic congestion and delays often occur. Food retailers were hoping that the Department of Transportation's

5-year capital improvement program, funded by the Transportation Trust Fund with \$700 million a year, will address these recommendations.

In addition, they recommended that the state seek to prevent the loss of federal ISTEA cost sharing funds for transportation projects and ensure that New Jersey obtain its full share of federal transportation dollars. They supported the formation of a coalition in New Jersey to protect the state's federal transportation funds.

To improve traffic flow, industry representatives recommended the use of new technology. For example, video cameras connected to a central traffic control, along with automated road signs and radio broadcasts, would help motorists and truckers avoid delays. Police and repair vehicles would also be able to react faster under such a system.

While industry representatives recommended the elimination of toll booths, they also suggested the use of alternative methods for toll collection. They expressed support for the electronic E-ZPass system, already in use in New York, and look forward to its expanded use in New Jersey. Utilizing advanced technology to improve traffic flow and reduce air pollution at toll booths, E-ZPass uses tags affixed to a vehicle's window which are read by an electronic scanner in the toll booth as the vehicle drives by. Drivers can open accounts by mail or in person at a customer service center. Food retailers felt that New Jersey has the potential to be a national leader in the use of high technology in their transportation network. In an effort to attract more business to New Jersey and help reduce the costs of those currently operating in the state, industry representatives recommended that prepaid toll discounts be established with the E-ZPass system for in-state companies and heavy users of the Turnpike.

To facilitate the ability of food store employees to commute to and from work, indus-

try representatives recommended an improvement in the state's mass transit by developing a light rail system in northern New Jersey and by providing more extensive bus routes. This mass transit expansion would take some of the burden to reduce automotive pollution off the shoulders of industry and spread it across all state taxpayers. They also recommended that the Department of Transportation and New Jersey Transit coordinate their activities to improve the ability of employees to get to work.

The recent change in the federal and state Employers Trip Reduction Program (ETRP), from mandatory to voluntary, was supported by the food retail industry as a step to share the burden of air pollution between industry and the public. They also supported the use of tax incentives to companies who voluntarily participate in the ETRP.

J. Slip and Fall and Product Liability

Industry representatives strongly supported current tort reform in the state to prevent costly fraudulent claims and frivolous lawsuits. They recommended that attempts at arbitration be conducted prior to court appearances in an attempt to control costs. They also suggested changes in current legislation and recommended that slip and fall law suits go first to arbitration before entering the court system. Food retailers felt that only through legislative reform could Alternative Dispute Resolution be promoted to help reduce the number of frivolous law suits. Furthermore, they recommended that the state promote the establishment of consistent statewide standards for arbitration settlements. They also suggested that mechanisms are needed to ensure that manufacturers, and not retailers, be held liable for defective products.

Food store representatives indicated that they will be closely watching the use of New

Jersey's new tort reform legislation as a means of reducing product liability cases, limiting settlement costs, and reducing the number of frivolous lawsuits. They also indicated the

need for state assistance in convincing the media not to over publicize unproven claims prior to the determination of a product's defectiveness.

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Appendix: Industry Statistics¹

Food Retail Stores (SIC 54) in New Jersey

	Employment <i>(Number of Paid Employees)</i>						% Change (1987-92)	% Change (1967-92)
	1967	1972	1977	1982	1987	1992		
SIC 54	56,975	68,155	71,509	79,217	96,958	97,578	0.64	71.26
SIC 541	44,816	54,390	57,670	63,572	81,114	84,615	4.32	88.81
SIC 542	2,506	2,306	2,575	2,632	2,718	1,849	-31.97	-26.22
SIC 543	333	352	503	534	606	652	7.59	95.80
SIC 544	1,834	1,900	1,055	1,219	1,533	1,090	-28.90	-40.57
SIC 545	1,119	1,640	1,953	1,659	403	281	-30.27	-74.89
SIC 546	6,150	7,170	7,016	8,699	9,112	7,948	-12.77	29.24
SIC 549	217	397	737	902	1,472	1,143	-22.35	426.73

	Establishments <i>(Number)</i>						% Change (1987-92)	% Change (1967-92)
	1967	1972	1977	1982	1987	1992		
SIC 54	6,015	9,152	9,026	5,821	6,353	6,364	0.17	5.80
SIC 541	3,391	4,883	4,933	3,430	3,997	4,122	3.13	21.56
SIC 542	733	960	983	539	535	436	-18.50	-40.52
SIC 543	164	394	402	165	165	152	-7.88	-7.32
SIC 544	619	1,051	743	320	337	244	-27.60	-60.58
SIC 545	212	N/A	476	322	92	102	10.87	-51.89
SIC 546	820	980	951	809	927	994	7.23	21.22
SIC 549	76	N/A	538	236	300	314	4.67	313.16

¹ For annual information on the industry, please contact Dr. Adesoji Adelaja, Department of Agricultural Economics and Marketing, Rutgers University.

Gross Sales

(\$ thousand)

	1967	1972	1977	1982	1987	1992	% Change (1987-92)	% Change (1967-92)
SIC 54	2,656,215	3,767,918	5,629,988	8,432,563	11,118,582	13,044,385	17.32	391.09
SIC 541	2,379,723	3,394,801	5,120,313	7,707,843	10,298,108	12,199,052	18.46	412.62
SIC 542	100,174	133,757	178,914	261,940	300,396	242,941	-19.13	142.52
SIC 543	15,007	21,755	36,805	45,028	64,100	76,776	19.78	411.60
SIC 544	39,758	43,276	35,908	53,537	63,925	66,617	4.21	67.56
SIC 545	39,636	61,247	93,042	105,916	19,383	20,990	8.29	-45.67
SIC 546	76,581	100,009	128,325	205,336	288,446	324,356	12.45	323.55
SIC 549	6,336	13,073	36,681	52,963	84,224	113,653	34.94	1693.77

Payroll

(\$ thousand)

	1967	1972	1977	1982	1987	1992	% Change (1987-92)	% Change (1967-92)
SIC 54	236,360	370,497	578,929	839,071	1,164,527	1,465,465	25.84	520.01
SIC 541	196,591	313,213	501,671	729,089	1,022,752	1,315,147	28.59	568.98
SIC 542	9,832	13,421	19,068	24,488	32,275	25,980	-19.50	164.24
SIC 543	1,441	1,948	3,530	4,617	6,952	9,540	37.23	562.04
SIC 544	4,967	6,132	5,590	8,302	11,016	11,873	7.78	139.04
SIC 545	4,149	6,519	9,067	12,570	3,095	2,863	-7.50	-31.00
SIC 546	18,569	27,251	35,188	53,804	76,098	84,902	11.57	357.22
SIC 549	811	2,013	4,815	6,201	12,339	15,160	22.86	1,769.30

SIC 54 Food Stores

SIC 541 Grocery Stores

SIC 542 Meat & Fish Markets

SIC 543 Fruit & Vegetable Markets

SIC 544 Candy, Nut & Confectionery Stores

SIC 545 Dairy Products Stores

SIC 546 Retail Bakeries

SIC 549 Miscellaneous Food Stores

N/A represents data **Not Available** since data was withheld to avoid disclosing data for individual companies. Data are included in higher level totals.

Source: New Jersey Census of Retail Trade, various census years.

