Northeast pay particularly close attention to energy as those regions have the nation's highest power costs and the most stringent environmental laws, which limit the use of alternative energy sources.

The laws in California are particularly tough. "There are clearly some challenges in putting in generating capacity here than there are in other places," says Larry Rauch, president, Los Angeles Cold Storage, Los Angeles. "It's very difficult—if not impossible—to get a diesel engine permit here. Even with relatively clean burning natural gas engines you need to do something to make the emissions cleaner."

A more feasible approach is the use of co-generation, which entails taking the waste heat from generating power and reusing it for some other process. "Some companies use the waste heat for steam or hot water—we do not," says Rauch. "We use the heat to eliminate or reduce the second stage of compression in the production of cold. This involves two stages and by using ammonia absorption technology, part or all of the second stage can be avoided."

Another solution is distributed power. Rather than building huge power plants to provide energy for multi-state regions, power generation is distributed across a series of small power plants. Rauch paints a scenario where "a company like LA Cold Storage or some other PRW or Alcoa or UCLA decides to have its own power plant. That takes power off the distribution grid and leaves more for the residential and commercial customers who don't have that option."

Transmission and distribution over the grid system are at the heart of many of the problems of energy use in the Northeast, says Gerard Von Dohlen, president and CEO, Newark Refrigerated Warehouse, Newark, NJ.

"There is plenty of generating capacity circling New York City, lower New York state and New Jersey, but there are no transmission and distribution lines to take the additional power into the city," says Von Dohlen. "Consequently, the prices in the city go extraordinarily high in July and August because you can't deliver any more power. They go high in New Jersey, too, up to $1 a kilowatt hour compared with the year-round average of 8 1/2 to 9 cents per kilowatt hour. But it's worse in New York City, because New Jersey has adequate distribution and transmission capabilities so when that market is in a state of catatonic arrest, it can go as far south as Florida and as far west as Ohio to buy power from generators spread that far out."

Yet New Jersey and other areas still face critical problems

SHARING A COLD ONE WITH JACK AMPUJA

Food Logistics recently spoke with Jack Ampuja, managing partner, Logistic Solutions International, Getzville, NY, a veteran food industry logistics executive, about trends in the cold supply chain logistics.

How do you assess the current status of the PRW industry?

Ampuja: I think we are seeing the industry splitting into winners—AmeriCold, Atlas, U.S. Cold Storage, P&O, TLC—who can support the largest manufacturers such as Unilever, Nestle and ConAgra. The others will be relegated to less sophisticated, smaller customers. It's also highly likely that the big players will further combine into fewer entities. The irony is that the big processors have enough freight support to control cost and service, but will have a tougher time getting that from the regional PRWs. At best, their situations will be inconsistent if their logistics support is divided among many suppliers.


AMPUJA

How can the others—these regional PRWs—survive?

Ampuja: They need to become logistics providers. They can take a page from the dry side, where the customers want a "one-stop shop." The suppliers there tell a warehouse that if it's going to be a logistics provider, it must handle warehousing and transportation or at least leverage those service. They want the provider "to be their eyes and ears in the industry" for logistics and distribution.

On the frozen side, logistics has tended to be more compartmentalized, "I'll give you the frozen storage, but you make your own arrangements for trucking."

Is this being driven by customer demands?

Ampuja: Yes. When it comes to value-added services, most manufacturers I talk to say they are willing to pay for those services. If a PRW can go to the table of a prospective customer and offer visibility on their inbound product, stock rotation, date code, value-added services, customer pickups and transportation—a complete turnkey operation—for a set price per 100 pounds, they will be interested. But if a PRW says, "I can do the warehousing, but I don't have visibility and you're going to have to make your own deal on trucking, and I can't do a lot of stock rotation deals for you," the prospective customer won't be interested.

Where do you see the industry headed?

Ampuja: PRWs must not only be logistics providers but they must help customers take costs out of the supply chain. When I talk to business classes and executive seminars, I always ask them what they think the time is between date of production to retail for food products, like cereal, for example. They guess seven days and are shocked when I tell them it's 104. That speaks to the inefficiencies in the business.

That's why Wal-Mart stands out. They go to the manufacturers and tell them to forget producing this stuff on overtime and buying one, getting one free. "Just replenish my pipeline. Then as we use this stuff, we'll dump you the data and you'll just keep firing it through the pipeline at low cost." —*A.R.*