Firm finds hot spot in chilly environment

Preferred Freezer finds niche in navigating food supply chain

By Beth Fitzgerald

John J. Galiher's new frozen food warehouse in Elizabeth is a fully robotic facility where 70-foot tall cranes on tracks work in total darkness, automatically shuttling pallets of frozen shrimp, beef and chicken between trucks and the cavernous, minus-10 degree freezer.

"This is the future of all warehouses," said Galiher, who said he founded Preferred Freezer Services in 1989 with one warehouse, in Perth Amboy, and grew it into the world's fourth-largest frozen food public warehouse, with annual revenue of $200 million and 1,370 employees. "Every warehouse in the United States will be like this (fully automatic) in 20 years."

As a third-party logistics company, Preferred Freezer services thousands of food producers and retailers by moving food through an intricate supply chain that links processing plants, trucks, railroads, container ships and supermarkets all over the world.

While the U.S. population and food demand have held steady over the past decade, privately held Preferred Freezer has grown 20 percent a year, as the company has taken market share from competitors, Galiher said. Its next big growth area is Asia, where two of its 28 facilities are located.

"I've yet to meet anyone under the age of 40 in China who knows how to buy a live chicken, kill it and cook it," meaning greater demand for his products, said Galiher, who makes monthly trips to China. He said many Chinese live like Americans in two-paycheck families that buy the food they put on the table.

Today, only about 2 percent of the company's revenue comes from China, but Galiher sees that rising to 20 percent in three years.

Still, New Jersey "is our biggest market and our most successful market, and that is why we're still building, even in a recession," Galiher said. His company does well here, and in places like Chicago, Miami, Houston, Los Angeles and Philadelphia, "because these are major gateways, and the demographics are full of ethnicity," Galiher said. "You have Europeans, Asians and Hispanics who eat far more speciality foods that are imported from other parts of the world. That ethnicity drives an entire network of small specialty food distributors, importers and exporters."

The food industry over the past two decades has been outsourcing warehouse and distribution functions, which has created demand for the third-party logistics providers like Preferred Freezer Services, said Tom Fung, a process and business consultant at the Rutgers Food Innovation Center, in Bridgeton.

"A lot of these 3PLs are offering the market something unique," helping food manufacturers manage operating costs and improve their financial balance sheets, he said.

Domenick Celantano teaches entrepreneurs how to launch food businesses and calls his Morristown consultancy "The FoodPreneur." His father founded the Celantano frozen Italian specialty food company in 1948, and the family
It's difficult to break into frozen food, he said. "Of all the departments in the store, frozen food is the most expensive to operate; (it) requires margins that allow the supermarket to recoup some of the extra cost." Space in the frozen food aisle is scarce, "which means a very competitive environment that drives up the cost for a new product launch."

That's where the third parties can come in. Fung said third-party logistics providers bring agility that allows the food industry to optimize supply-chain costs. Such companies invest in cutting-edge IT infrastructure to track shipments via the Web, and leverage consolidated shipments to help small producers market their products most efficiently and effectively.

Preferred Freezer has 300 employees in New Jersey — at warehouses in Perth Amboy, Elizabeth, Jersey City and Newark, with its corporate headquarters in Chatham — and is adding 40 well-paying jobs here this year, Galiher said; 250 people have joined since January 2008, with the recession in full swing.

Lee Bloom is vice president of Eastern Fish, in Teaneck, which imports more than 50 million pounds of frozen fish a year. Preferred Freezer handles Eastern Fish products throughout the United States.

"They are great people to work with," Bloom said. "Their facilities are new and efficient, and logistically, they are in areas that help my customers. For me to make timely deliveries, their professionalism and their service made it very worthwhile to do business with them."

Preferred Freezer has spent about $1 billion on capital construction since its founding, but Galiher said the company grew slowly in its first decade, and by 1999 had three or four facilities.

But then came the recession of 2000 to 2001, when manufacturers focused on squeezing costs out of their supply chains. The goal was to reduce inventory, and thus reduce the investment in third-party logistics operations like those of Preferred Freezer. "But we've been growing because we've been watching this trend, and positioning our buildings in the places that are the new centers for distribution," Galiher said. His goal is to deliver the same logistics efficiency to a small company as a big player like Kraft can get. If a Preferred Freezer customer "buys from 100 companies, we put those 100 in one building and each puts a small order on a truck, and 100 people can deliver on one truck to the customer."

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