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# Sour news for sweet industry in the state [The Times-Tribune, Scranton, Pa.]

May 25--The state's business climate is turning sour for confectionery manufacturers, a new industry survey concludes.

The study finds many states, including Pennsylvania, face competitive disadvantages against right-to-work states, which are mostly in the south and west and prohibit union membership as a condition of employment. All states, in turn, face growing competition for manufacturing from Mexico.

The analysis, which was summarized for a group of candy manufacturers who gathered in Scranton recently, was conducted by BizCosts, a division of the Boyd Co., a site-selection firm based in Princeton, N.J.

Pennsylvania has a high concentration of snack food and candy manufacturers. Three local companies manufacture candy products, Dunmore-based Gertrude Hawk Chocolates, Topps Co. Inc., in Scranton, and Eddyleon Chocolate Co. Inc., in Moosic. Hershey Corp. makes some of its chocolate and candy products it its plant in Humbolt Industrial Park in Hazleton.

John Boyd Jr., director of BizCosts, discussed the survey results with Business Weekly, along with the outlook for candy manufacturing. The following is an edited transcript:

Q: Why did you come to Scranton to release the details of the study?

A: We met with a former client as well as a prospective client. One of the ways we can service our clients and keep in touch with them is to provide them with valuable research.

Q: What are the prospects, generally, for confectionery manufacturers in the United States?

A: Sadly, not good. The big issue, obviously, with the confectionery industry is high sugar prices. In the U.S., domestic sugar costs about 21 cents a pound. On the world market, sugar is much less expensive, about nine cents a pound.

Q: Six of the 43 cities included in the study are in Pennsylvania. Why is there a concentration of candy and snack food manufacturing in this state?

A: Historically, one of the reasons Pennsylvania was perhaps the most successful in the nation in attracting this industry had to do with availability of land, not only in the Lehigh Valley, but Lancaster and Hershey. You have access to the Philadelphia market and the New York market and the whole rich Northeast market in general.

Q: Where did this region rank among cities in the survey in annual operating costs rankings, and is this area competitive in the field?

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A: Scranton is in the 28th-most-expensive location. Scranton is competitive with respect to the large U.S. markets. It's competitive with Canada for the first time because of the weak U.S. dollar. The cost efficiencies associated with Canada no longer exist. But the study points out how cost prohibitive it is to do business here with respect to Mexico.

Q: What were Scranton's strengths and weaknesses?

A: A strength would be low land costs, especially for the Northeast. You can get a good acre here for about $68,000. You can compare that with Philadelphia, which is about $275,000 an acre, and Hershey is about $100,000 an acre. Regionally speaking, property taxes are on the low end.

I'll give you a big negative. Pennsylvania has a very litigious business climate, and it's something that companies are starting to pay attention to. The big issue now is tort reform, which would send a wonderful signal to the business and corporate community.

Q: Hershey is shipping jobs to Monterrey, Mexico, and closing plants in the United States. Is growth anticipated in U.S. confectionery manufacturing? Are companies looking to expand?

A: They are looking to expand, but outside the U.S. Hershey is a great example. The (Hershey) manufacturing that will be happening will be in right-to-work states, like Virginia, where you have a less-regulatory business climate.

Q: The study summary lists weighted average hourly earnings for confectionery work in this area at $17.74 an hour. That seems extraordinarily high. How did you arrive at that number?

A: These are weighted figures. A lot of the low-level jobs obviously are paid less. We're saying, when a prospective employer is entering a market, what will they need to pay a good worker? Typically, those numbers are higher than what a current worker is making. For weighted figures, that's about what you are going to have to pay.

Q: The report concludes that the way for manufacturers to succeed is on costs, not revenues. Does that point to continued loss of confectionery manufacturing to Mexico?

A: You've got to know the strengths and weaknesses. There are hidden costs associated with Mexico and those hidden costs are becoming greater, like social service add-ons and housing costs. Workers in Mexico are not as skilled as they are in the U.S. Social service add-ons can add as much as 100 percent to the labor costs. What happens is, countries become victims of their own success.

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