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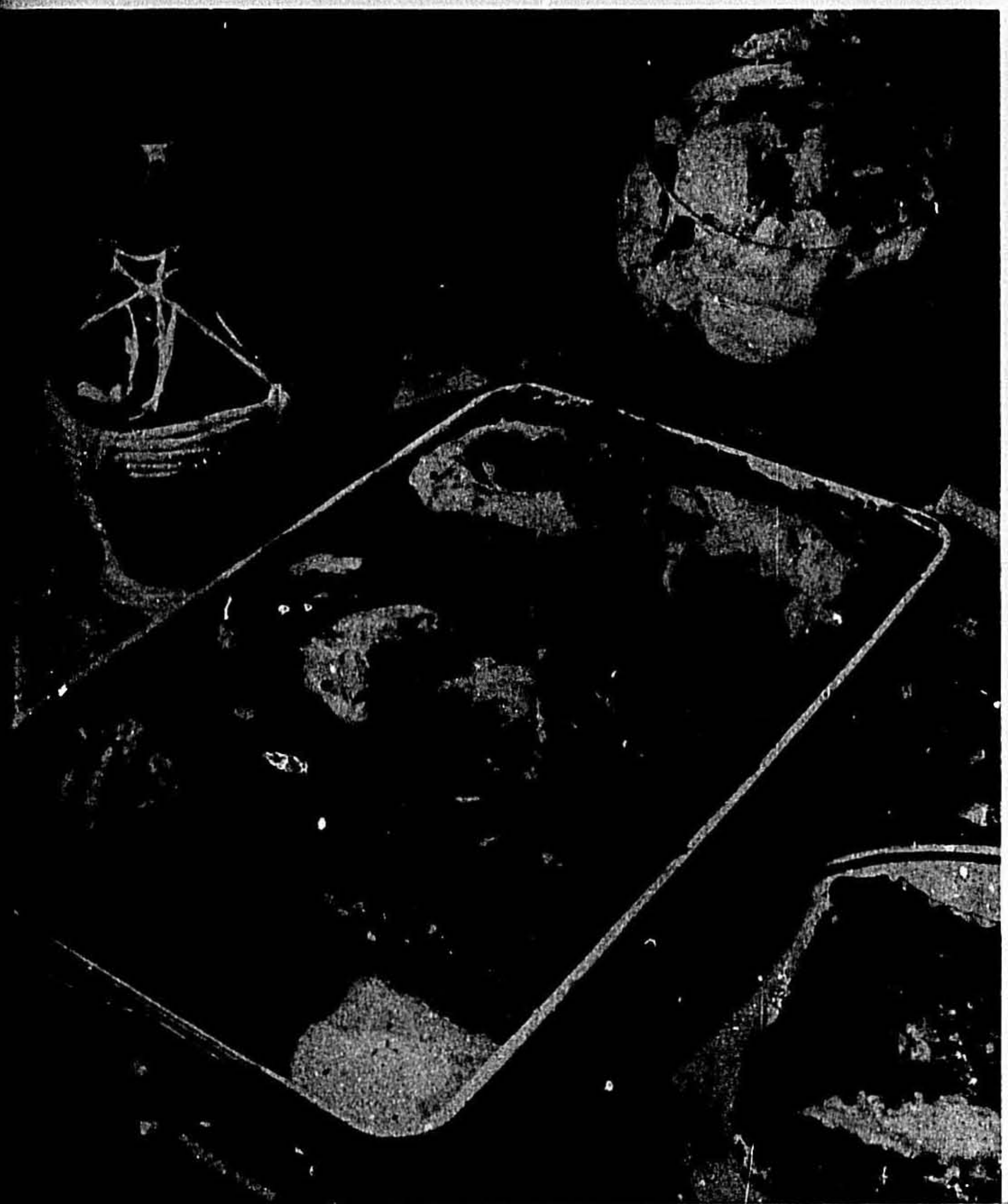

The

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In This Issue:

Cover Photo

Lasagne Pasticciata
Makes 8 to 10 servings

Parsley for garnish, optional

To cook lasagne. Gradually add lasagne and 2 tablespoons salt to ...

To prepare Bechamel Sauce. In ...

Crop Quality Council

U.S. WHEAT PRODUCTION PERSPECTIVES

by Raymond L. Davis, Chairman, Board of Directors
Great Plains Wheat, Inc.
At the Crop Production Conference

I appreciate the opportunity to appear here and to participate in this Crop Production Conference. It is indeed a pleasure for me to be asked to speak on "Wheat Production" because that is my business! It is also the business of some 60,000 wheat producers, in the Great Plains area, that I represent as Chairman of Great Plains Wheat.

Before proceeding with my remarks about wheat production, I would like to comment briefly about the organization and purpose of Great Plains Wheat (GPW). In conjunction with USDA's Foreign Agricultural Service, GPW has carried a successful foreign market development program on behalf of U.S. wheat producers for over two decades. Organized in the 1950's by wheat farmers in four states, the organization has grown to include wheat farmers in the states of Colorado, Kansas, Minnesota, Nebraska, North Dakota, Oklahoma, South Dakota, Texas and Wyoming. In addition to the central office in Washington, D.C., GPW maintains foreign regional offices in Rotterdam, The Netherlands, for both East and West Europe; in Cairo, Egypt, for the Middle East; in Casablanca, Morocco, for Africa; in Guatemala City, Guatemala, for Central America and the Caribbean; and in Santiago, Chile, for South America. It is also important to point out that the GPW sister organization, Western Wheat Associates, carries out a similar program of foreign market development for U.S. wheat farmers in the Asian areas, having additional wheat farmer membership from the states of Idaho, Montana, Oregon and Washington.

Board Devises Foreign Program

The nineteen-man Board of Directors of Great Plains Wheat, actual U.S. wheat farmers selected by the respective state wheat commissions of those states in the Great Plains region, establish the policies and directions for the organization' foreign market development program. The GPW professional and administrative staff carry out these policy directives, all of which are subject to periodic review and revision by the GPW Board of Directors at no less than three meetings of the Board each year.

Four-Pronged Approach

I will not attempt to provide you with an exhaustive list of successes in penetrating and expanding overseas markets for U.S. wheat exports; I will be pleased, however, to respond to any questions you may have on this matter. Suffice it to say that the GPW foreign market development program for wheat is an ongoing process based on a four-pronged approach: market intelligence; assistance and information to the foreign milling and baking industries about the quality and performance of U.S. wheats; technical and marketing assistance; and nutritional and related activities. All of these programs are carried out by GPW on behalf of U.S. wheat farmers and under U.S. wheat farmer auspices and approval in order to develop, expand and maintain foreign markets for all five classes of U.S. wheat. In addition, our marketing and promotional programs are designed and discharged with a view toward long-term results—and not on an "on-again, off-again" basis because of seasonal world wheat supply-demand factors. And even more importantly, these programs are carried out in a form and fashion that best addresses the varying foreign import purchasing systems, the types of wheat grown overseas, the state of economic development and the level of sophistication of the milling and baking industries in the multitude of countries in Europe, the Middle East, Africa, Central and South America. In brief, GPW has and will continue to encourage the greatest possible foreign purchases of U.S. wheats on the basis of the above four-pronged program, and emphasizing the undisputed fact that the United States has the highest reputation for the quality and grade of all five classes of wheat to be reliably supplied to any foreign cusomers at any time throughout the year.

I was asked to comment on my appraisal of current production trends relating to set-aside acreage programs, the loan rates, the wheat reserve program and how producers will participate in the 1979 program.

The United States is now in its second consecutive year of supply management in an attempt to reduce wheat acreage and adjust carry-over stocks to reasonable levels. The plan for 1979 production is an extension of the 1978 20 percent set-aside program. This program has been somewhat successful and along with the reserve program has succeeded in raising wheat prices, about one dollar per bushel above he 1977 level. The 1978 wheat harvest dropped below 2 billion bushels and the carry-over stocks were reduced by about 5 percent.

Storage Payments Offered

The wheat reserve program offered wheat producers annual storage payments of 25 cents per bushel under a three year loan contract. When wheat prices rise to 140 percent of the loan storage, payments can be discontinued and, at a higher level, stocks can be released. The latest figures show just under 500 million bushels of wheat in the reserve, in addition to over 400 million bushels of feed grains. I look for a continued wheat reserve program with producers pushing for higher storage rates and government incentives to keep both wheat and feed grains in the reserve. I do not look for higher loan levels on target prices for the 1979 crop year but there are various actions that the Secretary of Agriculture can take to keep grains in the reserve program. It appears to me that most producers now believe that a farmer held reserve is beneficial to them. The reserve has helped to build storage on the farms and has been a definite help in improved grain prices. The grain reserve has a stabilizing effect on farm program policies and also acts as a buffer against grain embargos that disrupt the market system.

Apparently the Carter Administration's decision to again curtail the 1979 wheat crop was arrived at with a great amount of deliberations. U.S. wheat producers have proven they can produce in excess of two billion bushels of wheat per year. The problem is that this uncontrolled production results in increased carryover of wheat stocks by 150 to 200 million bushels per year. The 1979 plan again is voluntary and this is where the fallacy lies in trying to determine the amount of participaion. As again prices rise, more producers will be willing to gamble on their ability to outguess the forecasters. As prices rise, less participation will occur because the gap between market prices and the target price of $3.40 per bushel will be very narrow.

20% Set Aside

The 20 percent set-aside means that for every 100 acres normally planted to wheat for harvest as grain, a producer must set aside 20 acres of comparable crop land. This will give him target price protection on 80 percent of his harvested acreage. If the producer signs up for 100 percent protection, then he must reduce his acreage by 15 percent of his 1978 base and still set aside 20 percent of this amount. A target price of $3.40 per bushel and a loan rate of $2.35 per bushel are the same as last year.

The program is designed to reduce wheat acreage by 10 million acres. If successful, harvested acreage would be about 57 million acres and production would fall well below the 2 billion bushel mark.

1979 Wheat Program

I look for good participation in the 1979 wheat program. It has been estimated that about 80 percent of the wheat acreage was enrolled in the 1978 program. I believe that wheat producers encouraged by higher prices will again respond to the set-aside program. I am sure that the National Association of Wheat Growers will go all out to urge wheat producers to participate and their efforts will be successful.

Export prospects for U.S. wheat are good but I must point out that we are the only country that has cut back on wheat production. I have attached a breakdown, by classes of U.S. wheat, of the most recent USDA supply-disappearance projections for the 1978/79 season. While the U.S. was providing incentives to its growers to obtain a 20 percent reduction in wheat acreage last year and again this season, this year Canada increased acreage by seven percent; Australia by 10 percent; Argentina by 25 percent; and the European Economic Community by eight percent. In addition, other minor exporters also pushed for all-out production.

What does all this mean to the producer! As I gaze into my crystal ball, I can see a lot of pressure brought to bear on producers and Congress to abandon production controls for the 1980 crop. Also the inability of the international wheat community to negotiate a meaningful successor agreement to replace the International Wheat Agreement will also put pressures on the U.S. set-aside program.

New Laws Hurt Production

Also, I might point out that my crystal ball shows me wheat producers will be working very hard to solve many of the vexing problems brought about by new laws and regulations that are creating havoc with production. As a case in point, witness the recent grasshopper plague in Nebraska, Colorado and Kansas. Hoards of grasshoppers destroyed thousands of acres of crops while producers begged and pleaded with the E.P.A. to release chemicals to control the pests. Producers do not want air pollution or conditions created that endanger human life, but some degree of responsibility and common sense must prevail if we are to continue feeding a hungry world.

Transportation Problems

Transportation is a very serious situation and I can only foresee more problems because of the added burden of transporting coal by the railroads. Producers are going to be seeking help with this complex problem, not only because of the lack of response by the raidroads, but the never ending price increases that the railroads ask, and are granted every year. The cost of transporting a bushel of grain from the Nebraska Panhandle to either the West Coast or the Gulf is about one dollar per bushel.

I have attached to this transcript a wheat cost of production study recently completed by the University of

U.S. WHEAT PRODUCTION
(Million Bushels)

	1977/78	1978/79*
Hard Red Winter	993	873
Soft Red Winter	341	205
Hard Red Spring	398	374
Durum	80	119
White	214	231

Source: Crop Production Report—October 11, 1978.
* Projected.

U.S. WHEAT EXPORTS BY CLASS
(Million Bushels)

	1977/78	1978/79*
Hard Red Winter	535	620
Soft Red Winter	197	110
Hard Red Spring	156	180
Durum	62	60
White	174	180

Source: Wheat Situation, August, 1978.
* Projected—Wheat Situation, November, 1978.

Cash Costs		
Purchased Inputs	13.00	
Variable Machinery Costs	13.66	
Interest on Operating Expense	1.77	
(Tot. Variable Costs x 9.5% x 0.7 Yrs.)		
Total Cash Costs		28.43
Labor		
Direct Labor	3.68	
(0.8 Hrs. x $4.00/Hr. x 1.2 (Overhead))		
Total Cash Costs and Labor		32.12
Fixed Costs		
Fixed Machinery Costs	23.40	
Taxes on Land ($375 Value/Acre x 1% x 2)	7.50	
Interest on Land ($375 Value/Acre x 6% x 2)	45.00	
Total Fixed Costs		75.90
Total Cost, Except Overhead and Mgt.		108.01
Overhead and Management		
Overhead (Total Cash Costs x 5%)	1.42	
Management Charge	5.10	
($0.15 x Estimated Yield)		
Total Overhead and Management		6.52
Total Cost Per Acre		114.53
Total Cost Per Unit of Production (Based on Estimated Yield)		3.37

(Continued on page 8)

PROFILE

Perhaps the most crucial of all community life-lines is our ability to communicate by phone. We can take that ability for granted — because the Lineman never does.

Trained extensively in climbing, cable-splicing and in operating near high voltage, the Lineman must apply his knowledge in all types of circumstances, such as working at uncomfortable heights.

Night or day, when a break occurs in a telephone network, the Lineman is there. And, because he is, the intricate system we've all come to depend on is there whenever we need it.

He's a Breadwinner

The tougher the weather, the harder a Lineman works.

When severe conditions cause cable "breaks" or [illegible] the Lineman is on the [illegible] the same weather that caused the problem. If the [illegible] must replace are suspended, he may [illegible] power lifted to heights in excess of thirty feet [illegible] he may often take forty to sixty pounds of [illegible] up with him.

[illegible] maps he carries showing underground [illegible] resemble anatomical drawings of nerve [illegible] and each emergency call requires a precise [illegible] of those maps [illegible] rapid [illegible]

[illegible] Lineman's lunch box is standard equipment [illegible] since the area he must cover and the [illegible]table nature of his work make prepared [illegible] of the question. He takes the energy [illegible] him. His sandwiches or macaroni dishes give him the stamina he needs to respond to the needs of others.

Like the Lineman, we at ADM are in the business of responding dependably to needs — needs, for instance, like those of the pasta manufacturers who produce macaroni, spaghetti and noodles.

We select only the finest [illegible] mill it into clean quality semolina and ship it in the most hygienically sound conveyances that exist. In addition, our emergency reserve supplies of high energy blends and our sophisticated product testing capabilities are available to ADM customers wherever — whenever needed.

While Linemen are at work maintaining our nation's communication life line, ADM is at work maintaining a [illegible] of food energy for the manufacturers we serve. A great deal of confidence is placed on our ability to supply quality quickly. At ADM, we take that very seriously.

Breadwinners supplying Breadwinners since 1902.

ADM

Baker's shortening, corn sweeteners, soy protein for the baking industry

Wheat Production

(Continued from page 5)

Nebraska for the Nebraska Panhandle. It shows a cost of $3.37 per bushel for wheat. When I left Potter, Nebraska, wheat was about $2.75 per bushel at the local grain elevator. This simply points out that we have a long way to go to bring prices up in relation to both the transportation costs and the production costs.

About the Foundation

I would like to close my remarks with a few words about the Wheat and Wheat Foods Foundation. This is an industry-wide organization to enable wheat producers, processors and end product manufacturers of wheat foods to work together to establish, finance, and administer a program of research and education to promote and improve human nutrition through the use of wheat and wheat products. It has been a very successful program and now we have legislation entitled Wheat and Wheat Foods Nutrition and Education Act. A Wheat Industry Council with representation of all phases of the industry, plus consumers, will administer the program. Hearings will be conducted by the USDA very soon and the Council will then be appointed with recommendations from the various phases of the industry. The foundation has great hopes and expectations from this legislation and from the council. It really shows what can be accomplished when people will put aside selfish interests and work out problems for the benefit of the whole industry.

1979 U.S. Spring Wheat And Durum Production

Trade sources point to this season's comparative improvement in prices over last year's levels as an indicator of increased spring wheat acreage for the coming year. However, the increase in spring wheat acreage is expected to be somewhat less than the 8% increase indicated in USDA's winter wheat acreage estimate. The proportions of spring wheat and durum in the total spring crop is not expected to change a great deal with present marketing factors. As the planting season approaches, weather, planting conditions and the administration's general attitude toward the set-aside program will, of course, influence producers' decisions and the final outcome of the 1979 U.S. wheat crop. It should also be pointed out that per acre yields in the major spring wheat areas in 1978 were substantially above average yields of recent years, a situation which is not likely to occur two years in succession. Yield reductions would significantly lessen the overall impact of any increase in acreage. Hard Red Spring Wheat and durum production, yield and acreage in N.D. and the U.S. are illustrated in the table below for crop years 1976-1978.

Durum Markets in January

No. 1 Hard Amber durum ranged from $3.52 to $3.65 per bushel Minneapolis.

DURUM & SPRING PRODUCTION—N.D. & U.S.

		Production (mil. bu.)	Yield (bu./a.)	Acreage Harvested	Planted (mil. acres)
North Dakota					
1978	Durum	102	31.5	3.2	3.3
	HRS	180	29.0	6.2	6.3
1977	Durum	61	24.5	2.5	2.6
	HRS	167	25.0	6.7	7.2
1976	Durum	91	25.0	3.6	3.7
	HRS	194	24.5	7.9	8.1
United States					
1978	Durum	133	33.1	4.0	4.1
	*Other Spr.	417	30.0	13.0	14.3
1977	Durum	80	26.4	3.0	3.2
	*Other Spr.	419	28.4	14.7	15.6
1976	Durum	135	29.4	4.6	4.7
	*Other Spr.	448	26.8	16.7	17.8

* Includes White Spring.

ESTIMATED 1979 COSTS PER ACRE, NEBRASKA PANHANDLE
Winter Wheat, Black Fallow

Cropland Acres	1600.0	Expected Yield Per Acre	34.0
Acres This Crop	800.0	Animal Units of Grazing	0.0

Job	Acres/Hour	Labor Min/Acre	Purchased Inputs Amount	Purchased Inputs Value	Machine Costs Variable	Machine Costs Fixed	Total
Moldboard Plow	10.20	5.88			1.98	3.65	5 [illegible]
Tandem Disc	15.00	4.00			1.08	2.58	3 [illegible]
Field Cultivator	20.40	2.94			0.78	1.47	2 [illegible]
Anhydrous Applicator	11.45	5.24			0.75	1.39	2 [illegible]
Nitrogen (Lbs. N)			40.00	4.00			4 [illegible]
Broadcast Spreader (Machine Rented, Tractor Owned)	16.00	3.75			0.45	0.66	1 [illegible]
Phos. (Lbs. P205)			30.00	6.00			6 [illegible]
Field Cultivator	20.40	2.94			0.78	1.47	2.25
Rod Weeder	24.00	2.50			0.68	1.31	1.99
Grain Drill	10.18	5.89			1.17	2.70	3.86
Cert. Seed			0.75	3.00			3.00
Combine, Grain Head	8.73	6.88			1.88	6.65	8.53
Truck	(Custom Op.)				3.40		3.40
Auger	10.00	6.00			0.69	1.52	2.21

TRANSPORTATION AND AGRICULTURE- GROWTH TOGETHER

by J. H. Hertog, Vice President, Operations, Burlington Northern Inc.
At the Crop Production Conference

Agriculture and railroads have been inseparable since this nation was in its juvenile years. Each has served as the backbone of the other for so long that the interdependencies they share often become obscured by the internal or external pressures of the moment.

One might easily conclude, from the headlines they've made, that freight car shortages and port congestion are disasters of the first water. Railroaders are inclined to see them as nagging gas pains caused by our collective overindulgence. Yet, as we all know, even the pain of overindulgence often dampens the memory of the Banquets we've shared and enjoyed.

It seems that, every year, we're looking for some magic "plop, plop; fizz, fizz" that will bring total and final relief.

Early Operations Were Local

There were times, of course—and they were the rule rather than the exception—when we managed to move a harvest very well. True, exports were not significant and specialized equipment hadn't been developed. Each railroad in those days handled the harvest in its own territory, largely because it had to.

Growing seasons in various sections of the country set a harvest pattern that began in the south and spread slowly northward. This enabled railroads to pool cars in harvest areas to meet the greatest demand. Sometimes an apparent car shortage developed, but the rest of the year we seldom heard the term. Then, revolution.

Yields-per-acre and total production burgeoned and ballooned with the spread of irrigation and increased use of chemical fertilizers, insecticides and pesticides. Further increases in yields are directly attributable to seed improvements developed by the Crop Quality Council. Shelter belts and strip farming inhibited erosion. In the past two decades, for example, corn and wheat output have doubled and soybean production has more than tripled.

Markets have changed, too. Although there was little public awareness of it, we've been exporting grain for years. Then came the Russian wheat deal and its tremendous impact both on prices and production.

Lusty Export Increase

Between 1960 and 1975, wheat production rose 60 percent, but exports went up 80 percent. Corn output climbed 50 percent, but exports showed a lusty increase of 485 percent. Soybean production expanded 180 percent, but exports soared 310 percent. In fact, we exported as much soybeans in 1975 as we produced in 1960.

Clearly all of this has had a telling effect on the railroads and car availability. Many seem to think railroads have only to wave a magic wand and a superabundance of equipment will appear instantly to match any level of demand. To see what can happen, let's take a look at what's happened in our own backyard.

Minnesota once was considered a wheat state. But over the years wheat gave way to such crops as oats, barley, sugar beets and potatoes. In 1969, wheat production stood at 24.6 million bushels. But by 1976, output had climbed to 130.5 million, more than five times what it was seven years earlier.

Expect 1978 Drop

Last year, production rose slightly to 132 million bushels, but in 1978 it's expected to drop 30 percent to about 94 million. The corn picture is even more surprising.

Some 356 million bushels of Minnesota corn were harvested in 1969. That figure grew slowly to 407 million in 1975. Drought hit us in 1976 and production sank to 330 million.

In 1977 our corn farmers went for the moon and touched down with 600 million bushels. About 604 million are forecast for this year.

From 1976 to 1977, then, we saw a swing of 370 million bushels in two crops in a single year. How very fortunate this country and its railroads didn't have to deal with that kind of growth in every farm state. As the nation's largest rail hauler of grain, BN in particular would have been faced with an even greater demand for transportation than is true today.

Over the past 20 years, based on USDA reports, the states served by Burlington Northern produced 78 percent of the nation's wheat, 65 percent of its corn, 83 percent of the barley and 82 percent of the oats. We don't and can't handle anywhere near the bulk of that, of course, but it's clear there can be a car supply problem of gargantuan proportions when a variety of market forces intrude unexpectedly at the same time. Look at the situation we've been facing since late last year.

Two Terminals Destroyed

In December, explosions destroyed two major export terminals on the gulf, reducing the country's export capacity and changing the basic traffic pattern. Many grain shipments had to be rerouted, some to Pacific Northwest ports. Not only did that tie up equipment longer than usual, but also that move is a longer haul for much Midwest grain that formerly went to the gulf.

On top of that, some grain exporting nations suffered drought and poor crops. The buyers turned to the U.S. to satisfy their needs. This brought on a sudden and unforeseen increase in world demand for grain, and prices edged upward.

Farmers who had increased on-farm storage so they could hold their grain for just such an eventuality—and they were numerous—responded immediately. Can't blame them for that. That's just plain good business. However, all of these factors worked to produce a demand for transportation that has been far beyond anything the railroads can be reasonably expected to meet.

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Trc ısportation & Agriculture

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A ıidst the big hullabaloo that imn ·diately arose over the car shortage. Dudley Russell, who's now retirec from the Minneapolis Grain Exc ange, commented drily that, "you don't build a church just for Easter Sunday." To which I add a most solemn amen. Even so, Burlington Northern is working to make things better.

List Car Availability

Since our 1970 merger we have acquired 5,975 covered hopper cars. We added those 975 just this year. On top of that, we already have our orders in for 1979 and 1980—1,000 covered hoppers in each of those years.

Right now our covered hopper fleet stands at 16,334, of which more than 11,000 are jumbos. In addition, we have nearly 11,000 conventional box cars suitable for grain hauling. Of course, not all of these are being used in grain service.

Last year we handled 737 million bushels of grain. This year we expect to see an increase to about 775 million bushels.

Back in May, our car ownership on line was about 60 percent for box cars and 62 percent for covered hoppers. It's a little better now; by mid October it had risen to about 72 percent for box and 64 percent for covered hoppers. But we still have acci nulated orders for 7200 box cars and 27400 covered hopper cars, as of yest rday.

Not Enough Equipment

I gree that this state of affairs can leac immediately to the conclusion that railroads don't have enough equ ıment, and certainly our own plai . to acquire additional cars indicate we agree that enough equipmen is not now available in the nation's car fleet . But some in the grain trad · deny that there should ever be a ca shortage.

Not long after the first Russian grain deal was completed, Cargill's transportion vice president, Jim Springrose, made this rather startling observation:

"In the recent past we heard criticism because 10,000 freight cars were at port facilities awaiting unloading. That isn't very distressing," he said, "when one considers that 10,000 cars represent only three days' work, based on current unload capacity. It does suggest," he added, "(that) we are trying to do the job with more cars than necessary and that the excess tends to clutter up the system."

He went on to note that one billion bushels of corn moving by rail for export would call for 371,000 individual shipments. Then he said, "it might surprise you to learn that under ideal unit train circumstances, these one billion bushels could be moved with a mere 8,000 covered hopper cars."

I can vouch for the accuracy of that statement. At Burlington Northern we expect to originate about 60 million tons of coal by year's end. In terms of tonnage, our total grain traffic will be only about a third of that. What's more, while we have more than 17,500 cars in grain service, we have just 8,000 coal hoppers and handle coal in an additional 5,400 shipper-owned cars. The big difference here is that 85 percent of our 1978 coal tonnage will have been moved in unit trains.

Ideal Unit Train

Furthermore, the ideal unit train move operates between one origin and one destination. The train is loaded while in motion, makes stops en route for crew changes, and is unloaded by one of several rapid discharge techniques. Thus, grain trains could be as efficient as coal unit trains only if there were vast changes in current gathering, loading and unloading methods.

Even so, it's true that car utilization can be improved immensely with grain trains. Evidence of this was provided recently by an Iowa co-op manager after the Interstate Commerce Commission had issued car service order 1304, which barred a railroad from using more than 20 percent of its covered hopper fleet in solid grain train service.

At a congressional hearing in May, Wayne Seaman reported that the Farmers Cooperative Association of Ralston and Jefferson, Iowa had shipped 1,575 covered hoppers in 75 grain trains last year and 62 single shipments in hoppers. He told the committee that each grain train had averaged 7,141 ton-miles a day, while the single cars managed only 1,095 ton-miles a day.

Unfortunately, not every part of the grain-growing territory is geared to that kind of performance. But that shouldn't stop them from seeking ways to modify their operations to the end that they can derive the same benefits such an achievement can bring to all parts of the trade, including transportation.

You'll notice that in the comments I've just cited, the principals spoke only of covered hopper cars. That points up another problem we all must face—the relentless decline of the conventional box car fleet with the passage of time. Unquestionably it is going the way of the passenger train, and for the same reason—lack of meaningful patronage.

Some Won't Accept Boxcars

Many grain shippers view box cars as an anachronism and simply will not accept them for grain loading. Maintaining box cars is becoming more and more a money-losing proposition. For those roads that operate on the thin-ice edge of bankruptcy, or for those that want to acquire more hopper cars to provide better service and attract more revenues, it's an easy decision to red line cars that won't even earn enough to cover the cost of repairing them.

You might properly ask, isn't there something more the railroads can do then, quite aside from expanding their covered hopper fleets, to improve car supply? Frankly, yes. There are a number of areas where positive actions will help.

Return Empties Promptly

We must cooperate with each other by returning empties as promptly as possible. That's an age-old complaint. We should also make every effort to reduce bad order ratios, and slow-order track should be repaired as rapidly as finances permit.

In that regard, we've been quite successful at BN. During the past five years our capital expenditures for road and roadway structures totaled $389 million. In the same period, we spent $1.3 billion for maintenance of way and structures operating expenses, including track repairs and

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Transportation & Agriculture

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renewals. And that won't be the end of it—no way. During the five-year period that began last January 1, we expect to spend about $2.2 billion more for maintenance of way and structures operating expenses, including more repairs and renewals of track.

Of course, all the grain cars in the world and the best rail plant money can buy can't ensure an efficient operation. What's needed, even with such advantages, is an orderly market place. Let's take an illustration from everyday life.

Supermarket Analogy

Everyone of us has been to a busy supermarket at one time or another. So we have firsthand knowledge of the fact that, even if every customer can get a shopping cart, if there are too many of us in the store at one time, there'll be a sizable traffic jam.

Likewise, although you may fill your shopping cart in record time, if there aren't enough cashiers at the check-out counters, or if those on duty can't handle the job, lines can grow so long that other shoppers can't move freely among the aisles to load their carts.

Don't Flood the System

The point is, we can be better served with the equipment available if the system isn't flooded with too much grain and if terminals can maintain a smooth outflow. We shouldn't have to resort to embargoes. But if they are employed, judiciously, they can be a useful tool. Just so long as we effect expeditious turnarounds at the ports we'll have a fluid situation and, therefore, better utilization of equipment. Then, there's the government.

We're all familiar with the rigid controls exercised by government in Canada. We don't want that here. Our goal is a market free of the heavy hand of government. Yet there are some things Washington can do to help all of us.

The Department of Agriculture can give us information services that encompass every conceivable bit of grain data they can unearth. Publishing timely crop reports that cover current acreages and conditions around the world, the weather and how it might affect crops and yields, carryover stocks, the ability of elevators to accept grain, the whole picture from the most remote farm to the largest elevator, would help immensely.

But government should not become involved in the market itself by buying and selling grain. In the past, releases of government-held grain at the height of market activity contributed greatly to glutting the system and impeding the flow. But if government feels it must become a dealer, it should use its activity as a way of leveling the peaks and valleys that are a major contributor to so-called car shortages.

In closing, I just want to emphasize what we all know, that transportation and agriculture need each other as never before and that we must continue to work and grow together for the benefit of the whole human race.

U.S. Wheat Supply And Demand

The U.S. wheat supply and demand picture according to USDA estimates at the mid-point of the 1977-78 marketing year is marked by near record export projections and decreased year end stocks. Feed use of wheat is expected to decrease somewhat due to higher prices; food use should stay nearly constant and total disappearance is expected to decrease only a slight amount due to the projected increase in exports over last year. Exports are expected to exceed the 1,100 mil. bu. mark for the sixth time in seven years.

U.S. WHEAT SUPPLY AND DEMAND
(million bushels)

	1978-79	1977-78
Carryover	1,176	1,112
Production	1,778	2,026
Imports	2	2
Total Supply	2,956	3,140
Domestic Use	770	840
Exports	1,150	1,124
Total Disap.	1,920	1,964
Ending Stocks	1,036	1,176

The situation for Hard Red Spring wheat and durum does not necessarily follow the pattern of the overall picture, however. Due primarily to increased production in the case of durum year end stocks will be higher than a year ago. Durum exports have been moving briskly on excellent overseas demand and are expected to approach last year's level of 62 bi bu. This year's Hard Red Spring (RS) wheat production was down a ttle from the two previous years bu the unusually heavy carryover goin into this season is expected to substan ally raise year end stocks again. Ex orts of HRS are also moving very we .

HRS AND DURUM SUPPLY AND DEMAND
(million bushels)

	Durum		HRS	
	1978-79	1977-78	1978-79	1977-78
Carryover	67	92	344	252
Production	126	80	376	398
Total Supply	194	173	721	651
Domestic Use	47	44	155	151
Exports	60	62	180	156
Total Disap.	107	106	335	307
Ending Stocks	87	67	386	344

Planting Intentions for 1979

According to recent surveys as reported in the USDA's Prospective Plantings report, growers intend to plant 14.5 million acres to Spring wheats in 1979, up from 13.9 million acres actually harvested in 1978. Prospective plantings for Durum wheat are projected to be 4.25 million acres, slightly above last year's harvested acreage of four million acres. Earlier reports indicate that winter wheat seedings for the 1979 crop totaled 51.1 million acres, eight percent more than in 1978.

Potato Stocks Increase 6%

Stocks of potatoes for all us in storage in the fall producing eas on Dec. 1 amounted to 218,68 00 cwts., up 6% from 206,690,000 a year ago and 8% more than 2,980,000 in 1976. Department of gri-culture said. Recent low in D . 1 potato stocks was 185,965,000 cw . in 1975.

Disappearance of the 1978 fall crop to Dec. 1 was 94.6 million ts., down 1%.

Egg Products

January Price Range
Central State Nest Run—$11.40 to $13.40.
Southeast Nest Run—$11.70 to $12.90.
Frozen Whole—44¢ to 46¢.
Frozen Whites—34¢ to 36¢.
Dried Whole—$1.65 to $1.78.
Dried Yolks—$1.45 to $1.60.

Pillsbury Protest

The Pillsbury Co., Minneapolis, in a reply to the Interstate Commerce Commission, strongly opposes a proposal by eastern railroads which would in effect cancel proportional wheat and wheat product rates in Official Territory (eastern states) where transit was involved. The reply was prepared by Eugene J. Mielke, general traffic manager for Pillsbury.

The proposal, part of the current phase of the Chicago Board of Trade case dating back to 1973, represents a change from an earlier tariff by the eastern railroads which would have canceled all wheat and wheat product proportional rates in Official Territory.

This proposal drew tentative approval from the American Bakers Association and from a number of flour mills in the Midwest, but was strongly opposed by the Chicago Board of Trade and other flour mills that would still be affected by the proportional rate cancellations.

I.C.C. Ruling

A vital development in the lengthy case recently was a new ruling by I.C.C. administrative law judge, Richard McG. Wilkins, who refused to accept the proposed rate changes and ordered the eastern railroads to cancel the entire tariff under which they originally cancelled the proportional rates. The railroads are expected to appeal this decision.

Analyzing the recent proposal of the eastern railroads to cancel wheat and wheat product proportional rates that include eastern transit, Mr. Mielke points out that "throughout the period of April 9, 1973, the filing date of the Chicago Board of Trade complaint, until the tariff filing date of May 31, 1978, it would seem reasonable to expect that the carriers had more than ample opportunity to determine the revenue/cost ratios on the involved traffic."

"Only now, a period of more than two months after the scheduled effective date of the tariff change, the carriers have concluded 'that the Chicago proportional level of rates provided adequate revenues . . .' on certain of the traffic. Although 'the respondents were struck by the (preceding) fact,' the wheat and wheat products shippers would today be faced with paying and continuing to pay in the future the higher flat rates on that same traffic if the Commission had not seen fit to suspend and investigate the matter.

"The 'alternative' tariff provisions being 'offered' by the respondents can be best described as a 'type of compromise'; it may be viewed by the shippers as something worse than today's arrangements, and for certain of the protestants better than the suspended provisions. Tariff compilations could be simple since the proportional and flat rates are already in the tariffs. None of these factors, however, represent justification for the Commission's approval of the respondents' petition.

"The respondents' revenue/cost ratio appears to have been given little concern in the alternative proposal when it is recognized that a constant differential does not exist in the proportional versus flat rates. Today's spread between the proportional and flat rate on shipments to New York City from Chicago is 30½¢ per cwt, from St. Louis 21¢ and from Springfield 29¢. In addition to these 'increases' from the proportional to the flat rates, the eastern carriers maintain a 12½¢ per cwt transit charge within the East."

International Negotiating Conference for Wheat Agreement to Resume

Following a series of meetings between the major wheat exporting and importing countries in Geneva, Switzerland, during the month of December, the Interim Committee of the UNCTAD Conference to Negotiate a Grains Arrangement decided to call for a resumption of the entire international negotiating conference in Geneva, Switzerland. According to various press reports, all of which originate in Brussels, Belgium, the site of the European Economic Community Headquarters, the United States and the European Economic Community (EEC) have reached a degree of compromise on the size of an international reserve, the percentage share to be held by each participating country and the points on an indicative price range at which stocks would either be acquired or released from the internationally coordinated reserve. With additional support from or willingness to negotiate on these compromise issues by other major countries, the resumed negotiating conference on January 22 will begin negotiations on the following matters:

Negotiation Matters

(1) The compromise size of the internationally coordinated reserve would be placed at approximately 25 million tons, a volume that will depend on the number of participating countries in any new international wheat agreement;

(2) The point on the indicative price range for acquisition of wheat stocks would be at US $140.00 (or US $3.81 per bushel) FOB average values based on the eight wheats in a basket, on which the indicated price point would be averaged;

(3) The eight wheats would include four U.S. wheats (No. 2 Hard Red Winter, Hard Red Spring, Western White and Soft Red Winter), plus two Canadian wheats, one Australian wheat and one European wheat for averaging an FOB value;

(4) Half of the percent share of each country's obligation would have to be acquired between the level of US $140.00 per ton (US $3.81 per bushel) and US $125.00 (US $3.40 per bushel) FOB average values, with the remaining fifty percent to be acquired at or below the US $125.00 per ton (US $3.40 per bushel) FOB average during the first year of the Agreement;

(5) The release level on the indicative price range has been reported to be US $215.00 per ton (or US $5[illegible]5) FOB average value, although the EEC apparently is still insisting on a significantly lower indicative price point for release.

Many other issues are yet to be successfully resolved in the process of attempting to conclude any grains arrangement that would include a wheat trade convention. There will undoubtedly be additional bilateral and multilateral meetings between the major wheat exporting and importing countries prior to the resumption of the actual negotiating conference, to attempt to find additional compromises on all elements of such an international wheat agreement. Moreover, the entire timetable for concluding the GATT multilateral trade negotiations has now been delayed until sometime in early 1979.

Canadian Crop Was Better

Based on data from a number of surveys, the Canadian Grain Commission estimated that 62% of the 1978 wheat crop in the prairies will grade No. 1 and 2 C.W. red spring, compared with 43% in that category in 1977. The commission placed No. 3 C.W. red spring at 27% of the 1978 western Canada crop, against 37% in the previous year.

Dr. G. N. Irvine, chief chemist for the commission, who released the survey data, said, "The quality of the 1978 crop is slightly better than the previous year. Grains harvested in August were excellent in quality.

In durum, the Grain Commission said No. 1 C.W. amber durum accounts for 17% of the 1978 western crop, against 24% last year; No. 2, 26% against 37% on the 1977 crop; No. 3, 23%, against 21%; No. 4, 27%, against 11%, and No. 5, 7%, compared with 6% last year.

Grain Exchange Names Three Directors

A North Dakota farmer and a South Dakota agricultural economist have been named to the Minneapolis Grain Exchange Board of Directors, Exchange President Merlin W. Mills announced in Bismarck.

The appointments of small grain grower, Norman D. Weckerly, Hurdsfield, N.D., and Professor Arthur B. Sogn, extension economist at South Dakota State University, Brookings, S.D., were announced at a joint meeting of the Minneapolis Grain Exchange and North Dakota Wheat Commission at the Bismarck Holiday Inn.

Weckerly and Sogn fill two additional non-member positions recently created by the Board to broaden the base of representation of the Board of Directors. The third non-member director is Professor Reynold P. Dahl, a University of Minnesota agricultural economist.

Weckerly grows durum wheat and sunflower seeds in the Hurdsfield area, where he has farmed for 25 years. He served on the North Dakota Wheat Commission for four years and was the chairman of the commission in 1976-77.

He is an owner of Hurdsfield Grain Inc., a country grain elevator. Weckerly is the vice president of the U.S. Durum Growers Association and is the chairman of the Greater North Dakota Association's Agricultural Commission.

Sogn has served in education and agribusiness. Before joining the university as a specialist in grain marketing and farm supply, he was the general manager of Farmer's Cooperative Co. at Brookings from 1956 to 1967. From 1947 to 1956, he managed the company's grain department.

He was a member of the National Grain Marketing Committee and has conducted grain marketing workshops throughout the country. Sogn, a land owner and farm manager, is a member of the agriculture honor society, Gamma Sigma Delta, and is listed in **Who's Who for South Dakota.** He is the author of publications on farm management, marketing and grain futures.

RHM Earnings Cut

Pre-tax profits of Ranks Hovis McDougall Limited in the fiscal year ended Sept. 2 were down 15% from the previous year, according to a preliminary statement just issued. At the same time, total group sales for the 1978 fiscal year rose 11%.

RHM's pre-tax profits for the 1978 fiscal year totaled £31,121,000 ($60.8 million), against £36,458,000 ($71.3 million) in the previous year. Profit attributable to RHM after taxes and minority interests was £13,595,000 ($26.6 million), down 10% from £15,174,000 ($29.7 million) in the 1977 fiscal year.

Commenting on Results

External sales by RHM for fiscal 1978 amounted to £1,228 million ($2.4 million), against £1,107 million ($2,164 million) in the preceding year.

Commenting on the year's results, RHM said in part:

"A reduction in total group profit for the full year, due principally to the problems in the bread industry in the U.K., had already been forecast. However, apart from the Republic of Ireland, there were increased contributions during the year from the overseas division and from the U.K. grocery division and Wessex Finance Corp.

"The trading results of the group's other main activities were generally similar to those of the previous year."

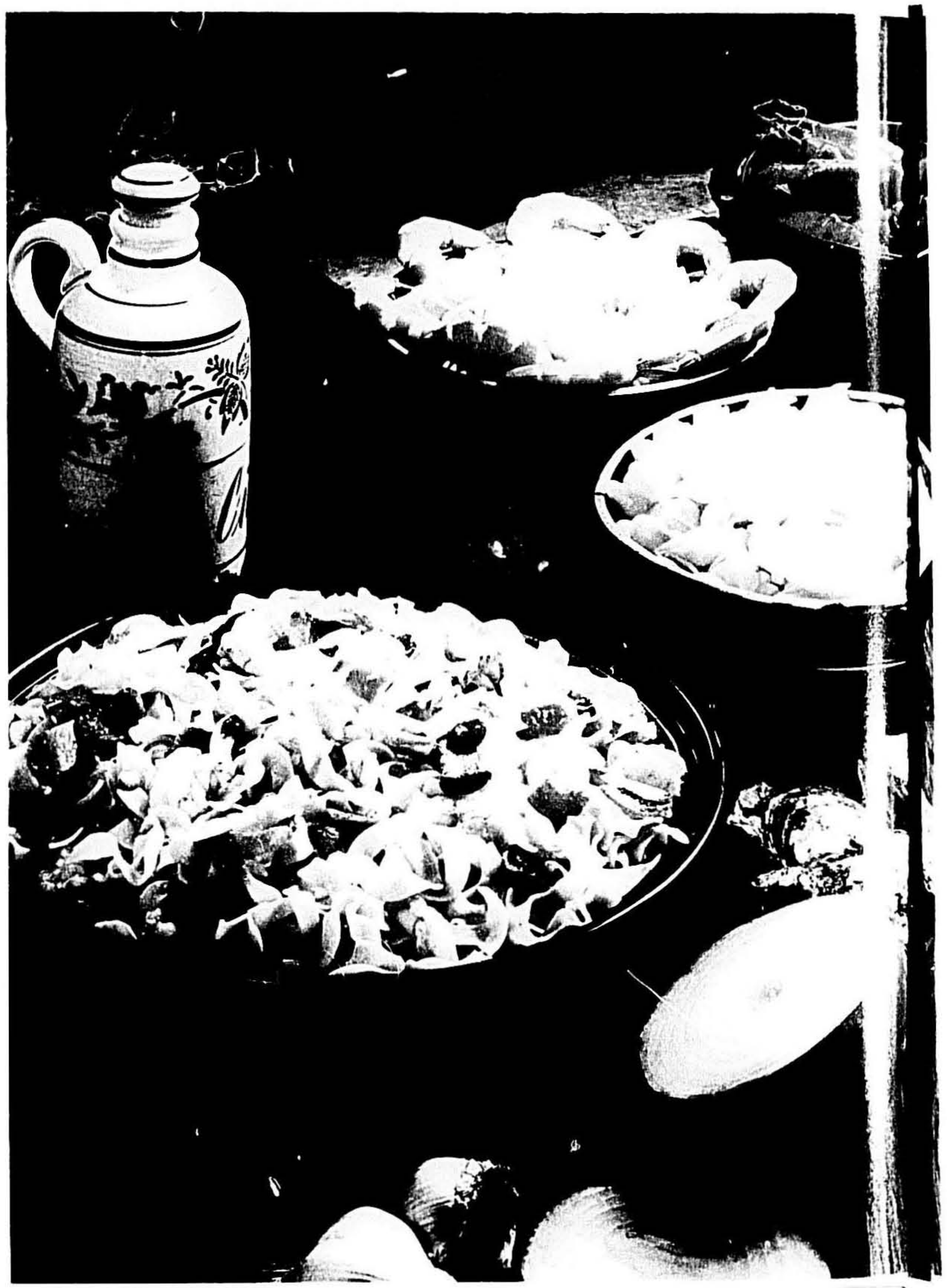
The 1978 fiscal year results were issued during the baking industry strike in the U.K., which ended Dec. 17. The company said, "Results for the first two months of the current financial year were ahead of target, with improved performances from nearly all sectors, but group profits are currently being severely affected by an industrial dispute in the bakery industry, which commenced on Nov. 7. In the circumstances, it is not possible at this stage to make a forecast."

As a result of this uncertainty, directors of RHM decided against an increase in the final dividend, which will be unchanged at 1.968 pence per share, making a total of 3.42p for the full year, against 3.288p in the previous year. By not paying the maximum increase, RHM in effect lowers its future dividend base, with no way of making up for this action as long as government dividend controls are in place. Final earnings per 25p ordinary share were 5.3p for 1978 fiscal year, against 6.1p in 1977.

RHM also disclosed that reserves of the company and subsidiaries at Sept. 2, 1978, were up to £158,799,000 ($310.5 million), contrasted with £87,056,000 ($170.2 million) a year earlier. The sharp increase reflects, besides retained profits of £3,983,000, a surplus of £76,906,000 arising from a valuation by external professional valuers of the group's U.K. freehold and long-term leasehold properties, a release of £25 million from deferred taxation and a reduction of £32 million in the value of good will.

Gooch Ad Agency

Barrett-Yehle Inc. of Kansas City, MO, has been appointed to handle the advertising account of Gooch Foods, Inc., Lincoln, NE, effective January 1. Gooch Foods manufactures a line of food products, including pasta, flour, and packaged dinners, which are distributed throughout the Midwest under the Martha Gooch and Budget Brands names.



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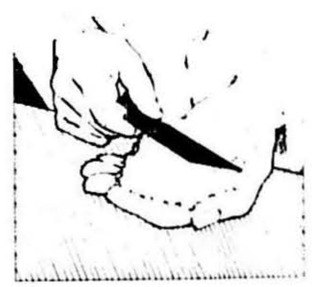
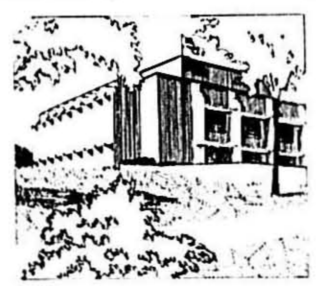
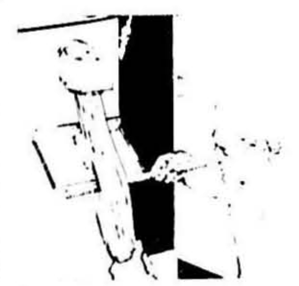
Where Quality Pasta Products Begin







Industrial Foods Group

George Gosko, Peavey President

The board of directors of Peavey Company on Nov. 30 elected William G. Stocks chairman and George K. Gosko president and chief operating officer. Mr. Stocks continues as the company's chief executive officer.

Mr. Stocks, in announcing the board's action at the annual meeting of shareholders the same day, said, "George Gosko has had considerable experience in operating management at Peavey and is fully prepared for the challenge he has accepted today. His primary concern will be with operations on a day-to-day basis."

Certain corporate staff functions will continue to report to Frank T. Heffelfinger, executive vice-president, Mr. Stocks said. In becoming chairman, Mr. Stocks fills the position held by Fredric H. (Fritz) Corrigan until his retirement last Jan. 1. At that time, Mr. Stocks became chief executive officer of Peavey.

Stock's 22-Year Career

Mr. Stocks began his career with Peavey in 1956 as assistant tax manager. He became assistant treasurer in 1962 and vice-president and treasurer in 1968. He was named to the board of directors in 1969 and in January, 1974, was named executive vice-president.

Mr. Stocks became president and chief operating officer of Peavey in mid-1975. He is a magna cum laude graduate of the College of St. Thomas in St. Paul and holds a law degree cum laude from the William Mitchell College of Law.

Mr. Gosko, 55, joined Peavey in 1948 and has held various management positions in the company's agricultural operations in both the U.S. and Canada. He became president of the Canadian subsidiary, National Agri-Services Limited, in 1973 and was named an executive vice-president at Minneapolis headquarters in 1975. Mr. Gosko also became a director and member of the Peavey executive committee that year. He was named executive vice-president, operations, with responsibility for all four operating groups, in January of 1978. The groups are agricultural, industrial foods, consumer foods and retail.

First Quarter Earnings Up

At the annual meeting of shareholders, Mr. Stocks announced that net earnings in the first quarter ended Oct. 31 totaled $4,151,000, equal to 72¢ per share on the common stock, up from $3,494,000, or 60¢ per share, a year ago. Sales came to $144,127,000, against $126,491,000 in the first quarter of the previous year.

New Orleans Elevator Starts

"The agricultural and retail groups had a strong first quarter," Mr. Stocks said. "Grain merchandising, to both domestic and export markets, and commodity brokerage activities had good results." Mr. Stocks said operations of Peavey's new export elevator near New Orleans began in mid-September and generally went well, although, as expected, start-up costs adversely affected first quarter earnings.

Flour unit sales volume and earnings, declined significantly as Industrial Foods Group felt the impact of strikes at its Hastings, Minn., and Superior, Wis., flour mills, Mr. Stocks said. Both strikes were settled just before the end of the quarter.

Mr. Stocks noted that dollar sales in the Industrial Foods Group increased because of higher wheat prices.

Consumer Foods sales, the Peavey chairman said, were up but earnings fell below expectations as higher costs of ingredients, labor, packaging and distribution continued to affect margins. In addition, sales of family flour declined as the mill strikes caused production cutbacks.

Specialty Retailing Successful

All three major categories of specialty retailing—building supplies, U.S. farm stores and fabrics—did well in the quarter, Mr. Stocks said.

Results from Canadian farm stores and the Steamex carpet cleaning equipment and chemical operations improved over a year ago but still were not satisfactory, Mr. Stocks said.

"For the remainder of fiscal 1979," Mr. Stocks said, "we look for continued good performance from the Agricultural and Retail groups. With the strikes settled, the Industrial Foods Group operations should return to normal levels. Consumer Foods Group sales should continue strong, though we are concerned that earnings growth may not keep pace with sales due to increased costs of production and distribution.

"On balance, we expect fiscal 1979 earnings to show considerable improvement over last year."

Peavey Dividend Increased; Rauenhorst to Board

Directors of Peavey Company on Nov. 30 voted to increase the quarterly dividend on the company's common stock and elected Gerald A. Rauenhorst of Edina, Minn., to the board of directors.

The board approved a quarterly dividend of 23¢ per share, payable Jan. 16 to shareholders of record Jan. 2. That compares with the previous quarterly dividend of 21¢. The board also declared quarterly dividend of $1.50 per share on the two classes of preferred stock, payable on the same date.

Mr. Rauenhorst, the new Peavey director, is president and chief executive officer of Rauenhorst Corp., a Minneapolis-based design, construction and development company. Charles B. Green, a Peavey board member since 1961, retired from the board, and H. Clifton Whiteman, a director since 1970, did not stand for re-election.

Marshall Foods' President Resigns

David J. Weiner, chairman of the board and chief executive officer of Marshall Foods, Inc. (AMEX-[illegible]) announced that Mack M. Evans has resigned as president, chief operating officer and a director of the company in order to investigate several opportunities to enter into business for himself.

Mr. Evans' resignation became effective January 4, 1979. He will continue to serve in a consulting capacity to the company, Mr. Weiner said.

Mr. Evans' position will, for the present, be assumed by Mr. Weiner, who previously served in the dual capacity of chief executive and operating officer.

Marshall Foods President

The board of directors of Marshall Foods, Inc. (AMEX-MFI) of Marshall, Minn., have elected David J. Weiner, board chairman and chief executive of the company, to the additional post of president. He replaces Mack M. Evans, who resigned from the company in December.

The board also elected Gloria Shimer a director to fill a vacancy on the board. Ms. Shimer, who is Secretary of the company, is associated with the Beverly Hills, California law firm of Gold & Gold.

Marshall Foods is a diversified food company and a leading Midwest service merchandiser.

Seaboard Net Almost Doubles

Net income of Seaboard Allied Milling Corp. in the 24 weeks ended Nov. 30 was almost double earnings in the same period of the prior year. Also, the half-year net, with the exception of the 1978 fiscal year ended last May, exceeded all previous full-year earnings.

Net income of Seaboard for the first 24 weeks of fiscal 1979 totaled $4,798,-458, equal to $3.55 per share on the common stock, compared with $2,-429,784, or $1,81, through mid-year of fiscal 1978.

Net sales totaled $155,540,807, against $115,743,530 in the prior year, up 34%. Seaboard said unit sales also were ahead of the previous year.

Noting increasing interest by the federal government in railroad industry deregulation, Seaboard said, "Innovative rate making and other rail tariff adjustments may be expected in the future. During the past 15 years, Seaboard's milling capacity relocations have been predicated on basic economic factors, and we believe that the net result of these coming changes should be favorable rather than adverse."

The company also said, "All of Seaboard's overseas mills are experiencing an increased demand for flour as the prices for local competing foods become more inflated. The interest of local governments in improving the protein content of national diets is straining the capacity of our annual feed operations. Likewise, demand for fish and shrimp in Nigeria is quite strong."

Seaboard said that while earnings to date "are most heartening, they are not necessarily indicative of final year-end results."

Earnings before taxes in the 24-week period of fiscal 1979 were $9,228,008, compared with $4,861,384 a year ago. Net income is after taxes of $4,429,550 in the current year and $2,431,600 last year.

Multifoods Gains

Record sales and earnings were reported by International Multifoods Corp. for both the third quarter and nine months ended November 30.

Net earnings for the third quarter were $8,550,000 or $1.07 per share on sales of $251,013,000. Last year, third quarter net earnings were $7,216,000 or 91 cents per share on sales of $212,733,000.

For the nine months, Multifoods net earnings were $16,434,000 or $2.05 per share on sales of $689,622,000. This compares with net earnings of $15,952,000 or $2.01 per share on sales of $608,703,000 for the nine-month period last year.

The third quarter sales increase of 18% and net earnings increase of 19% resulted in the best quarterly results ever recorded by Multifoods.

William G. Phillips, Multifoods chairman, said that these results are a good indicator of the momentum which began to build late in the second quarter and continued through the third quarter.

Best Ever Quarterly Result

According to President Darrell Runke, sales and earnings were up in all of the company's four worldwide market areas for the quarter.

Runke said that excellent increases were achieved in the consumer area. He added that Kaukauna Klub cheese experienced very strong results and that good increases were made in family flour and Venezuelan corn flour. Runke said that the decorative accessories group recorded strong sales increases and was profitable for the quarter.

In the agricultural area, Runke said that animal feed continued to record increase in sales and earnings and that gains also were reported in animal health and veterinary supplies.

In the industrial area, Runke said bakery flour margins had good improvement during the quarter. Bakery flour and export flour in Canada showed further recovery from last year's strike with substantial gains in sales and earnings. Poultry meats in Canada also had major gains. King Foods, the company's frozen, portion-controlled meat operation, had excellent sales growth and was profitable for the quarter.

Runke said the away-from-home eating area continued to grow and that five additional Boston Sea Party restaurants are scheduled to open during the next five months.

According to Phillips, the strong quarterly results give credence to management's earlier predictions that Multifoods will record its 11th consecutive year of earnings improvement, and put the company in a good position to maintain growth into the coming year.

Wright International Sales Manager

Bobby W. Thomas has been promoted to International Sales Manager of Wright Machinery Division, Rexham Corporation, it was announced by Wright Vice-President of Sales, Martin D. Cicchelli.

Thomas has been Assistant Sales Administrator since 1975, and was on the firm's sales staff from 1957-1[illegible].

Thomas will be responsible for all Wright sales activity outside of the continental United States. Wright designs and manufacturers a complete line of automatic packaging machinery, including form-fill-seal systems, rotary net weighers, and modular in-line fillers. They are presently represented in Japan, India, Paristan, the Phillipines, South Africa, Sri Lanka, Venezuela, Mexico, Iran, Australia, and the Netherlands. Wright packaging equipment is operating in 22 countries other than the United States and Canada.

BUHLER-MIAG LONG GOODS LINES

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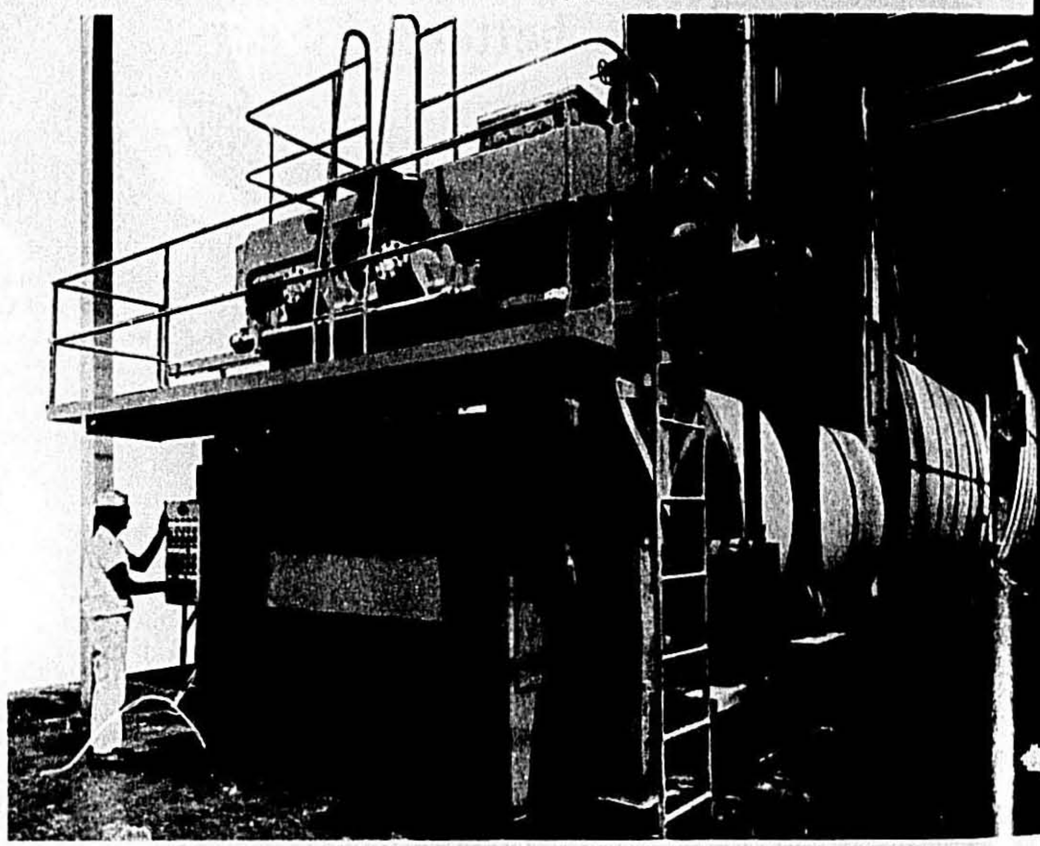

Long goods line with maximum capacity of 3000 lbs/hr. Line consists of Double Screw Press TPBD, Spreader TSSA, Dryers TDEC-3/TDCA-4/TDFB-11, Stick Storage TAGB, Cutter TST and Stick Return

Three Standard Models . . . 500 to 4500 lbs/hr

LONG GOODS DRYERS

MODEL	CAPACITY
TDEC/TDCA	500 to 1000 lbs/hr.
TDCA/TDCA	1000 to 2500 lbs/hr.
TDCA/TDFA	2000 to 4500 lbs/hr.

Product quality and consistency sell. Buhler-Miag quality and reliability give you the selling edge.

Reliable Performance

- Sturdily-constructed 2- or 4-stick spreaders allow selection of ideal extrusion area for a given capacity.
- Spreader, Dryer and Stick Storage are continuously driven and controlled by one variable speed drive.
- All stick conveying chains and drives are heavy duty and contain automatic tensioners. Dryers have lubricating systems requiring an absolute minimum of maintenance.
- Automatic climate controls ensure proper conditions at every stage. Zones are completely separated, cutting down on required supervision.
- Motors, sprockets and drive chains, in addition to electrical and climate controls, are standard U.S. components.

Efficient Energy-Saving Design

- New dryers are smaller sized. High temperature and high humidity drying requires a minimum volume of fresh air. Fan motors for air circulation are mounted inside dryers, utilizing 100% of electrical energy. (New style, energy-efficient motor is optional). A most energy-efficient design!
- Panels are 1⅜" thick with polyurethane foam core. Aluminum lining on inside for heat reflection and absolute vapor barrier. No heat bridges.

Bacteria Control

- High temperature drying controls bacteria growth. Dry bulb temperature is adjustable from 100°F to 180°F.
- Dryer is absolutely tight, yet easy to clean, maintain and supervise. Swing-out side panels extend entire dryer length, allowing fast cleanout and service.

Top Quality Product

- High drying temperatures in both final drying stages improve product texture, cooking quality and appearance.
- Steady, high temperature drying ensures a straight product, ideal for the high speed packers of today. The high humidity drying climate gives the product an appealing golden color.

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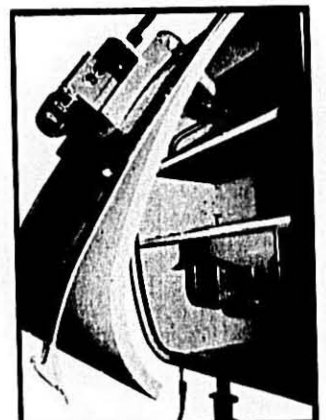

Super sanitary design for easy maintenance. All-plastic panels swing out for easy access to all machine parts. Extra-thick polyurethane insulation and off-the-floor construction prevent condensation.

Each spaghetti strand travels exactly the same path, so you can count on consistent drying results. Positive control stick elevator keeps sticks from rolling or sliding from transfer point to the drying tiers.

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Convenience Food Market in Europe

Combined sales of Convenience Foods in six EEC countries (UK, West Germany, Italy, France, Belgium, and Holland) exceed the £109 billion level in 1977—the equivalent of $213.6 billion U.S.—establishing a trend forecast to continue, according to Frost & Sullivan, Inc., the New York based market research specialists. F&S points out "Ireland and England are the notable exceptions to growth within their convenience food sectors, each having failed to show increases during the 1970-1977 period."

Analyzing the market's status and potentials in a new, 280-page "Convenience Foods in Europe Market" (#E266) report, Frost & Sullivan points out, while overall convenience food volume was subject to inflation and population increases, it nevertheless rose up to 12% (in some countries) since 1970, representing a continuing consumer trend toward the consumption of more expensive "basic" and "convenience" foods. F&S also indicates consumption may possibly decline in Ireland and England, despite its growth in other EEC regions.

Grower Factors

Factors contributing to growth among ten product groups under study including breakfast cereals, frozen cakes, ice-cream, desserts, soups, sauces, pizza, instant potatoes, fish-fingers, and margarine; are listed by F&S as follows: (1) growing affluence enabling consumers to afford more convenience foods, (2) greater work opportunities for women, increasing the demand for time-saving convenience foods; (3) more "leisure" activity, with less time spent in the kitchen; (4) more effective advertising and promotional support—breaking down resistance to price structuring and use of non-fresh foods; (5) real income growth-making cost less important to consumers; and (6) increasing professionalism among food and feeding operations where preparation and labor costs are vital factors.

On the industry's supply side, Frost & Sullivan report, "although farm labor has declined, this is compensated for by advances in mechanization, and the benefits obtained through use of more effective fertilizers and agrochemicals, all elevating productivity. Today's market is dominated by Nestle and Unilever, with these companies claiming the largest share of the retail trade. The current, continuing trend is toward fewer but larger outlets with the advent of more shopping centers and more self-service stores.

Frozen foods are forecast to provide the greatest growth prospects among convenience foods (ice-cream and poultry excluded) despite their respective declines during the recent economic recession. Growth is expected to be strongest in West Germany, France, and England, where freezer ownership is forecast to rise. Italy, conversely, poses a major weakness insofar as its freezer capacity is limited throughout the country's entire distribution network.

Wide Use of Blast Freezing

Examining the Convenience Food Industry's technology and equipment, F&S indicates blast freezing is the most widely use approach in the EEC. Though it can be operated on the batch method technique, most processors tend to use continuous systems with food placed on racks or trolleys and moved slowly through refrigerated air tunnels.

Spray drying, vacuum drying, freeze drying, fluidized-bed and foam-mat drying techniques are all used.

Aseptic canning is a recent development in which containers and a food product are sterilized separately. The product, via a flash process at 280°F for a short duration; the containers are filled and sealed in a sterile atmosphere. The system is generally preferred by the dairy industry and other processors producing "delicate" foods.

Other Materials Used

F&S indicates, that while cans continue to be extensively used, the manufacturers ability to avoid prolonged sterilization by heating has led directly to growing applications of other packaging materials, with the Tetra-pak carton, for example, used for UHT milk instead of a can.

Polypropylene, polythene, polystyrene and PVC have revolutionized packaging techniques, turning glass and old-fashioned tin cans into a replacement market. Currently, 1 /C bottles are used to package fruit ·v- erages and milk, plastic packagin is used for soft-margarine, ice-cr m, mousse, yogurt and convenience es- serts; propropylene-based steril ed pouches are employed for aseptic lly packaged sauces, thermoformed p ly- styrene packaging is used for fro en food products, thereby replacing foils.

For more information, contact Customer Service, Frost & Sullivan, Inc., 106 Fulton Street, New York, New York 10038 (212) 233-1080. Reference Report #E299.

German Firm to Buy 30% of A&P

A West German food retailer said it plans to buy a 30 percent stake in the Great Atlantic & Pacific Tea Co., and is contemplating the purchase of an additional 12 percent share of the nation's second-largest food chain.

The plan was announced by the Tengelmann Group, a privately-owned chain that operates about 2,000 food stores in West Germany and Austria. Its outlay for the purchase could total $78.6 million, spokesman Henry W. Van Baalen said in an interview.

Tengelmann would buy the chain's stock from the Hartford Foundation —which was established by a son of A&P founder George Hunting n Hartford and which owns about 5 percent of the company—as well as from three other major sharehold s.

A&P, once the largest supermarket chain in the United States, has lost its lead in sales to Safeway Stores. It is about 1,900 stores and has lost mo y or has been only marginally profita e every year since 1971, although its fortunes began to turn upward lat n 1978.

The purchase plan was announced after Tengelmann conducted "rath r extensive studies" of the American food industry and discussed merger plans with several unidentified U.S. supermarket chains, Van Ballen said.

Tengelmann, headquartered in Mulheim an der Ruhr, West Germany, is headed by Erican Haub, 46. It recorded sales of about $3 billion in the fiscal year ended last June 30.

"Play Spaghetti" — Tennis Controversy

Werner Fischer Sports, Inc., of Omaha is the distributor of a tennis product for stringing tennis racquets called "Play Spaghetti." This is a system to string tennis racquets doubly. The company has been sponsoring a series of tennis tournaments throughout the country called the Spaghetti Bowl. The tournaments are to be for teaching professionals of an area, and they are prize money tournaments. Because of the interest of Play Spaghetti for the tennis-playing public, the company has had excellent coverage by the media. Likewise, each winner and runner-up of local tournaments qualify for the national championship to be held in Chicago at the Midtown Tennis Center this spring.

The double stringing system was invented by a German gardner named Werner Fischer. The system of Mr. Fischer was very difficult and time consuming to string and a very different system than "Play Spaghetti." When Gunther Harz and Werner Fischer ended an expensive promotional trip through the United States, Mr. Harz took over the world-wide rights to found the Fischer Companies and invented the "Play Spaghetti" on which he has applied for patent protection.

"Skinner Spaghetti Bowl" was played in Omaha December 28-30. Pictured are first place winner and top-seed Toma Ovici of Omaha (left) and second place finisher Marty Johnson of Sioux City, Iowa. The tournament featured the double string "spaghetti racquet" and drew 32 entrants. Skinner also sponsored a youth clinic before the tournament which drew about 100 children between the ages of 9-17.

Moore's Success

Last year a few Australian professionals played the European circuit with double strung racquets. One of them was 42-year-old Barry Phillips-Moore. Moore had success and won three tournaments and was runner-up in others. Other unknowns also won tournaments or reached semi-finals using double strung racquets.

A second class player, Goven, beat Nastase in the first round of a Paris tournament using a spaghetti racquet. Mr. Harz, a friend of Nastase, convinced him to use a spaghetti racquet at the Gran Prix tournaments in Aix-en-Provence. At Aix Nastase was winning the tournament without losing a set and beat Vilas in the final.

At the same time members of the Committee of Management were meeting in Barcelona where members of the International Tennis Federation chose to see a demonstration between two Spaniards who were representatives of a competing firm in tennis equipment using spaghetti racquets rather than traveling to Aix. At Aix nine top professionals used spaghetti racquets. The two Spaniards illegally copied poorly the racquet and purposely gave a poor demonstration to the committee members. After seeing the demonstration, the Committee members placed a temporary ban on the double strung racquet.

New Federation Founded

At the present time, the support of the United States Tennis Association or the International Tennis Federation is not visable. For this reason Mr. Harz founded a new tennis federation (The International Open Tennis Federation). The new federation will not restrict new developments in tennis techniques. It will permit the use of almost any sized racquet or stringing techniques as long as the game of tennis is improved.

This newly formed Federation is going to sanction tennis tournaments that will be played by the rules of tennis. The new innovation in tournaments will be to allow players to play with double strung racquets or with conventional racquets. It will promote the game of tennis for the tennis-playing public.

If you have an interest in working with Werner Fischer Sports, Inc. on these Spaghetti Bowl tournaments, let us know.

Dieters 'Weigh In' as Market Factor

At least one person was "dieting" in 45% of all U.S. households in the past year—according to data broken out of a 1000-household A.C. Nielsen survey. ("Dieting" was interpreted to include not only a weight-loss diet, but any deliberate controlling of food intake for medical or other reasons.) As reported by Dr. Eugene Tel r, Nielsen's vice president, Custom Research Service, women tended to e on a non-medically prescribed diet or weight loss, while men were more likely to be on a diet for specific medical reasons, and more of n under medical supervision.

Results of the survey, published n a 20-pg brochure—"Who's Dieting and Why?"—may provide some interesting insights into the practical aspects of developing products that meet the needs of today's dieter. Single copies are available without charge from A.C. Nielsen.

Pasta products provide quick energy and easy digestibility before the big game.

Skinner Acquisition Consummated

Officials of Hershey Foods Corporation and Skinner Macaroni Company met in Omaha January 3 to consummate the acquisition of Skinner by Hershey.

Hershey's Chief Executive Officer William E. Dearden and Skinner's Chairman Lloyd E. Skinner jointly announced the merger of Skinner into a wholly-owned subsidiary of Hershey Foods. Under the merger agreement, which was approved by Skinner shareholders December 21, Hershey has acquired Skinner for approximately $8,000,000.

Mr. Dearden said that Hershey Foods is impressed with the organization and management which Skinner brings to this merger. "Skinner's current management will be retained, and their business will continue to operate as in the past," he said.

"Both Skinner and our San Giorgio subsidiary are well known for their premium quality pasta products made from 100% durum semolina," he continued. "We feel that the Skinner Macaroni Company is a natural partner in our efforts to produce and market products of the finest quality."

Lloyd E. Skinner said, "The long-term future of our Company is enhanced by our association with Hershey Foods Corporation. We plan to grow along with this leader in the American food industry which is known for quality products and consumer value."

San Giorgio V.P. for Manufacturing

Kenneth B. Kwiat has been named Vice President of Manufacturing for San Giorgio Macaroni, Inc., a Hershey Foods subsidiary. The appointment, effective January 2, 1979, was announced by Joseph P. Viviano, President of the Lebanon-based pasta manufacturer.

Kwait holds a B.S. degree in chemical engineering from the University of Notre Dame and an M.B.A. degree in management from St. Johns University.

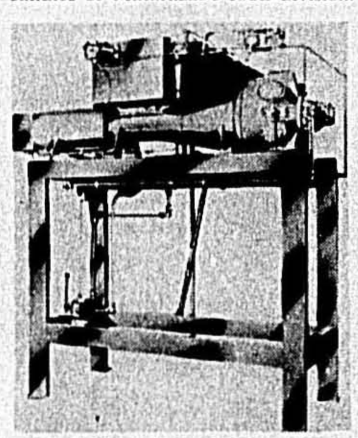
Prior to joining San Giorgio, Kwait was the Plant Manager of the Lancaster facility of Y & S Candies Inc., another subsidiary of Hershey Foods. At Y & S, he was involved in many areas of manufacturing, including production, engineering, quality assurance and personnel.

As Vice President of Manufacturing for San Giorgio, he will be responsible for the total Lebanon facility including production, packaging, engineering, distribution, scheduling, purchasing and quality assurance.

Kwait and his wife, Carol, and their four children reside in Lancaster.

Hershey in Joint Venture

Hershey Foods Corp. and Industrias Reunindas F. Matarazzo will form joint-venture corporations in Brazil to manufacture pasta, biscuit and margarine products and to sell the flour, cooking oil, soap and candles of Matarazzo's food division.



New Mixer/Extruder

Just feed flour and water into the new Demaco Sanitary Mixer/Extruder and it will automatically mix and extrude dough continuously, that has the moisture level and temperature you have pre-calibrated.

Completely constructed of stainless steel, with all cracks and crevices eliminated and with paddle joints ground smooth, the formation of bacteria is virtually impossible.

Gear box, bearings, pulley and motors are separated from the extruder assembly and are well away from the product zone, making for easy cleaning by hosing down in place. There are no corrodible materials to contact the product at any time.

USDA approved for use in Federally inspected meat and poultry plants, the Extruder also can handle many types of extrusive materials for food and non-food industries. It produces between 500 to 3,000 lbs. per hour, depending upon the material and type of extrusion.

The Mixer/Extruder may be used in conjunction with Demaco's Continuous Motion Ravioli Machine and will produce 500 to 2,000 lbs. of filled Ravioli per hour.

For complete details, specifications and technical information, contact the manufacturer: De Francisci Machine Corp., 280 Wallabout Street, Brooklyn, N.Y. 11206, telephone 212/963-6000.

Egyptian Project by Demaco

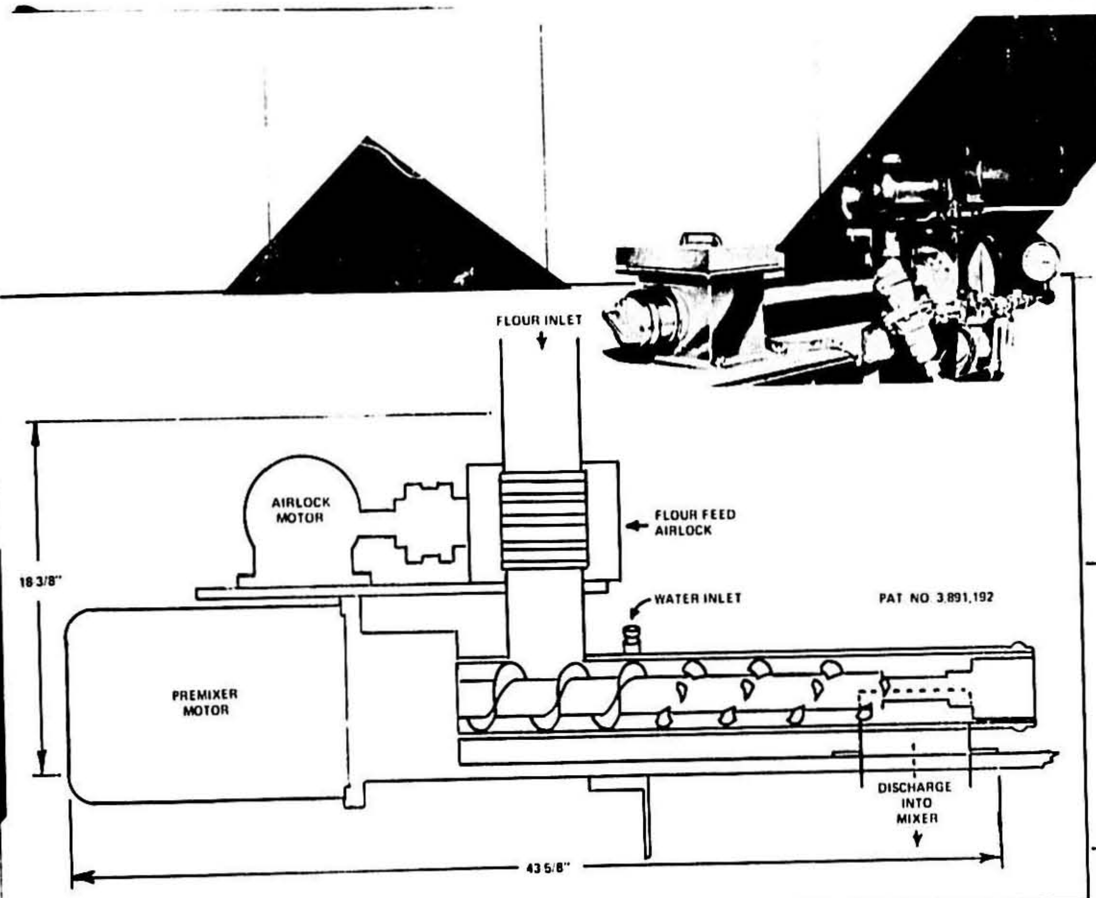
The government-owned South Alexandria Flour Milling Company of Alexandria, Egypt is in the process of modernizing the Egyptian pasta industry. The increasing export value of rice has created a new emphasis on pasta in the Egyptian diet. As a part of a recent industrialization plan, they have recently opened a new production facility in Alexandria. The new plant has a capacity of thirty metric tons in its first phase with installation of additional equipment, now under construction to expand the plant to sixty-five metric tons per day.

Unlike American macaroni, pasta in Egypt is made from imported soft wheat flour of 72% extraction. Flour arrives to the plant in bags, which are manually loaded into the system. Pigments are added to give the product its characteristic golden color. Lines for processing both long goods and short cut are provided for including automatic packing machines using polyethylene film.

All equipment for the new plant was contracted by the De Francisci Machine Corporation, 280 Wallabout Street, Brooklyn, New York 11206. This was a new experience for Demaco, since the plant was supplied as a turn-key installation, including boilers, packaging equipment, storage systems and even a quality control lab, as well as Demaco macaroni processing equipment. This total coordination of the new plant was a useful education for Demaco's engineers, since it provided them with additional insight into the problems

(Continued on page 37)

Give your Continuous Press a new Demaco Pr ixe and w ch y efficiency go up!



Here's what the Demaco Pre-mixer does for you:

- It increases dramatically, the efficiency of the Mixer.
- It prepares dough properly for the Mixer. Eliminates white specks due to improper mixing.
- Improves product quality. Smoother consistency, more uniform result.
- Mixer stays cleaner longer. Negligible free water and flour dust build-up in Mixer.
- Easy to dis-assemble for cleaning in minutes. Thumb-screw construction. All stainless steel and nickel plate construction.

Want more details? Contact **DE FRANCISCI MACHINE CORP.**

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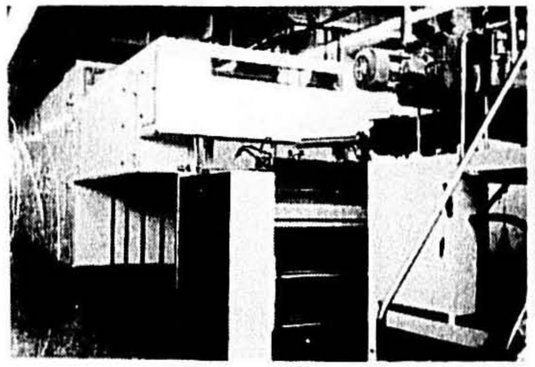
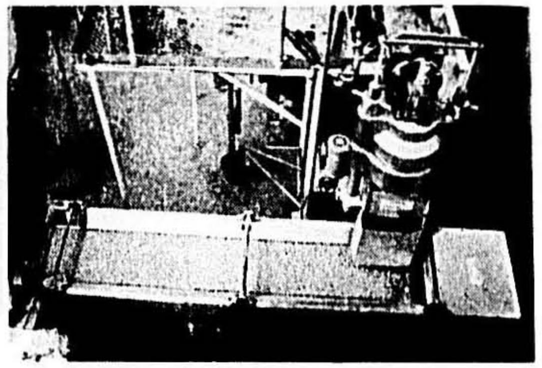
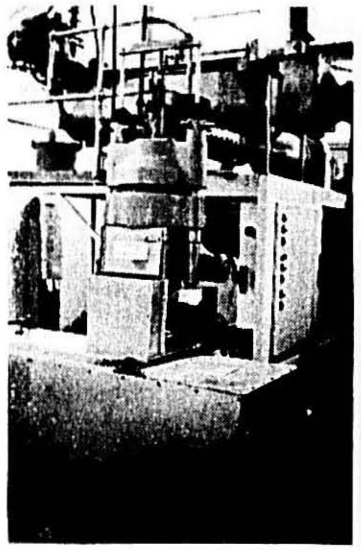
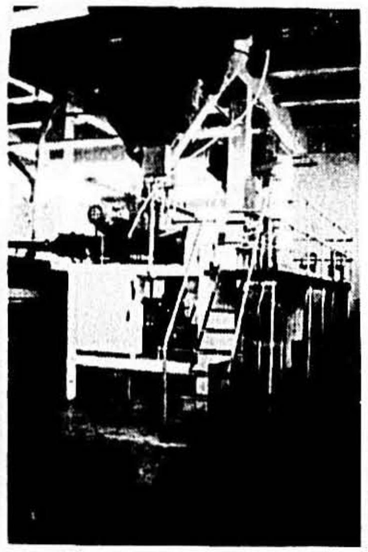
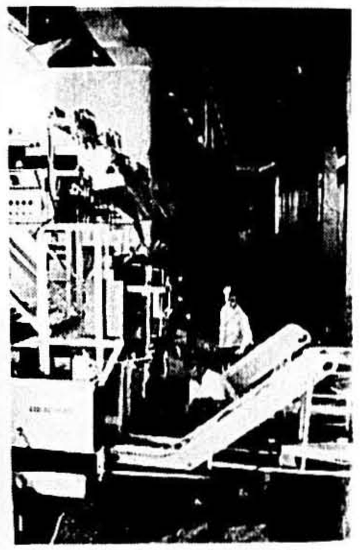
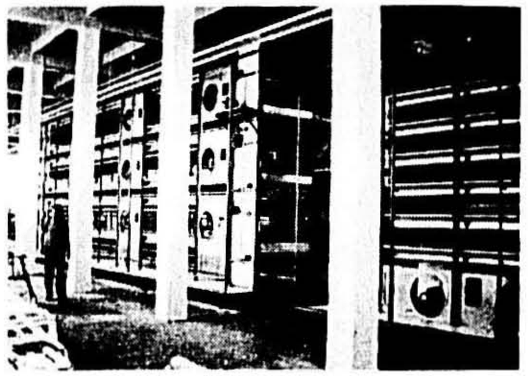

Demaco Long Goods Line

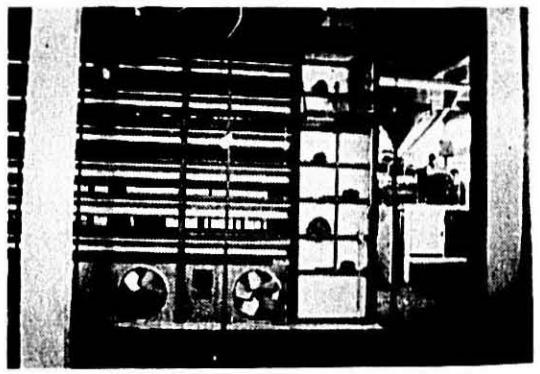

Demaco Short Cut Press

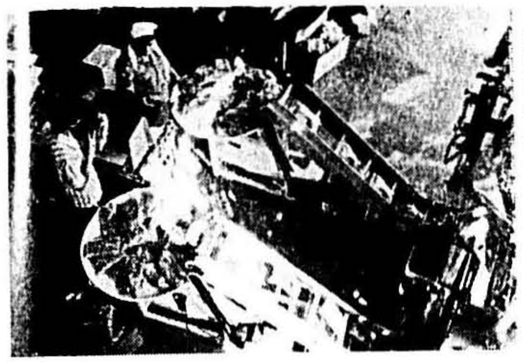

Demaco Short Cut Press


Demaco Presses in operation.


Short Cut Packing Machines


Additional Short Cut Equipment being installed


Additional Processing Lines in operation


Finished Product from Packing Machines.

Egyptian Project

(Continued from page 32)

encountered by their customers. Some of the subcontractors who provided equipment for the plant were Wright Machinery, Durham, North Carolina, Richarelli, Pistoia, Italy for packing machines, Semco Corporation, Houston, Texas for flour handling, Aseeco Corp., Los Angeles, California for short cut storage.

The South Alexandria Flour Milling Company is very pleased with the acceptance of the new product by the local market claiming that it is equal in quality to currently imported product while retailing for half the price.

An important part of the implementation plant for the new system was to educate the Egyptians in modern processing techniques. Demaco set up a six week training program at its New York Plant for six top technical men from the Egyptian f od industry.

These six scientists and engineers were trained in pasta manufacture, and were given a course in equipment repair. Lectures from various suppliers as well as visits to suppliers' plants and pasta plants proved very informative, and provided a chance for the visiting Egyptians to see some of our country.

The Quality Control Lab in the new plant is completely equipped. Staffed by a graduate chemists, the lab has capabilities for protein determination (Kjeldahl Method), and color metrology in addition to normal quality control tests.

Giovanni Buitoni Dead

Giovanni Buitoni, a fourth-generation pasta maker and head of a worldwide Italian food and confectionary empire, died January 13 at a clinic in Rome.

Mr. Buitoni, who was 87 years old, was equally at home in his native Italy, in New York City and Paramus, N.J., dividing his time between the two continents after passing active leadership here to the fifth generation of the Buitoni family a dozen years ago.

(Continued on page 38)

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Giovanni Buitoni

(Continued from page 36)

At the time of his death, Mr. Buitoni was still chairman of Buitoni Foods Corporation, which has its headquarters in South Hackensack, N.J. and which produces macaroni, sauces and canned and frozen Italian specialties. The company, with branches elsewhere in the United States, is a subsidiary of IBP Industrie Buitoni Perugina.

The parent concern is a family enterprise that owed its spectacular growth since the 1920's to Giovanni Buitoni and his brothers. Its origin lay in a small pasta shop their great-grandmother set up in the Tuscan town of Sansepolcro in 1827 after pawning her wedding jewelry.

Stranded in U.S. Without Funds

Curiously, Mr. Buitoni made his American start similarly when,

Giovanni Buitoni

stranded here without funds during World War II, he opened a modest business in Jersey City from the proceeds of jewelry pawned by his wife, Letizia, a former opera singer and now a director of Buitoni Foods.

Mr. Buitoni, a distinguished-looking man, stood over six feet tall. His interests were broad—he was a gifted amateur basso profundo, contributed frequently to charities, held a law degree, served as mayor of Perugia in the 1930's, had a sound footing in Latin and classical Greek and spoke, besides Italian, fluent English, French and German.

Mr. Buitoni had taken singing lessons since 1948, and after having turned over some of his business responsibilities to his wife in 1960, he began to pursue his avocation as a singer more actively here and in Italy. He brought his operatic dreams to fruition in 1961 when he rented Carnegie Hall one night and, assisted by Licia Albanese and Anselmo Colzani, sang arias from Don Giovanni, Rigoletto and Ernani. Noting his appearance as the Don, a New York Times reviewer wrote that he "made up for the lack of power in his singing with the ardor necessary in the role."

Another of his passions was horseback riding, and he assembled a large tract in Bergen County, outside Paramus, to keep it from developers as a natural setting for riding.

Pasta Business Began in Home

Mr. Buitoni's great-grandmother, Giulia Buitoni, began the pasta business at home with just a few simple tools. Her purpose was to eke out living for the family in the face of h husband's illness. Her son, Giovann began the process of expansion. Whe his sons, Antonio and Francesco, too over, they founded plants in othe towns, including Perugia.

There, Francesco started the Peru gina confectionary company. Th fourth-generation Giovanni was born in Perugia on Nov. 6, 1891, one of Francesco's five sons who later took over various branches of the fast-growing enterprise.

Following his graduation from high school, Giovanni Buitoni went to Germany to learn the language and study German industrial operations. While there, he learned that Perugina was failing. Only 18 years old, he asked his father to let him manage the confectioners.

He did so well that Perugina expanded from a small basement operation to a large factory with hundreds of workers. While he was running the company, he earned a doctor of law degree at the University of Perugia and served as the town's mayor from 1930 to 1935.

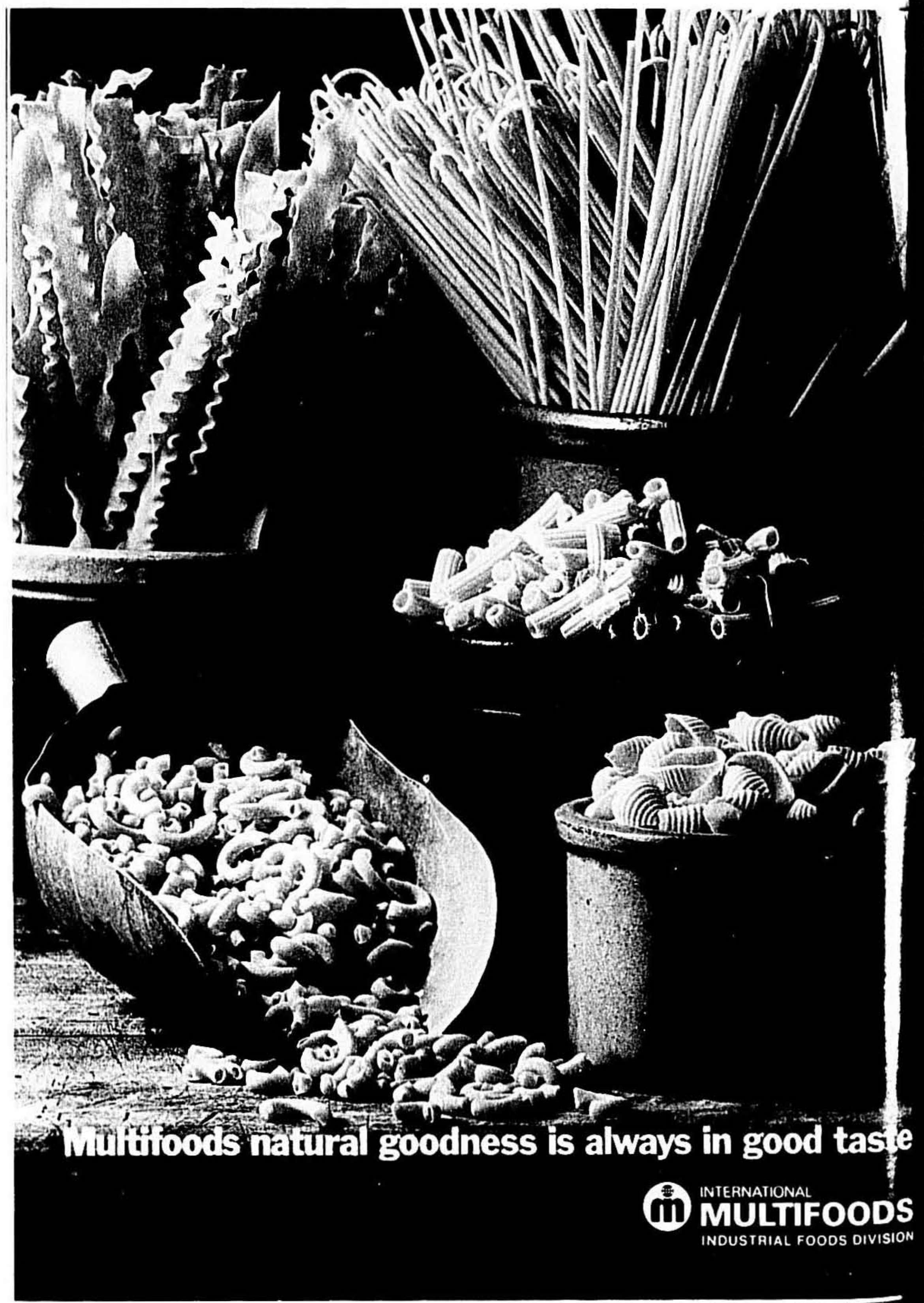
Imaginative Use of Advertising

One of his strategies was the imaginative use of advertising, including contests and radio musicals. The Buitoni enterprises even started their own lithographic plant with several hundred workers to turn out boxes and other printed materials.

Giovanni and Letizia Buitoni came to this country in 1939 for a visit, having been invited by the Hershey Chocolate Company. They liked the United States so much that they decided to stay. But the war then cut off their financial support from France and Italy, and Mr. Buitoni, with the help of his wife's jewels, started anew with a tiny spaghetti plant in 1941 in New Jersey.

Fifteen years later he built his modern plant in South Hackensack.

Mr. Buitoni and his wife, who is known in Europe as the opera singer Letizia Cairone, had no children. When the time came for him to relinquish his active direction of the American company, Mr. Buitoni turned to his nephew, Marco Buitoni, who succeeded him as president and chief operating officer in 1966.



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