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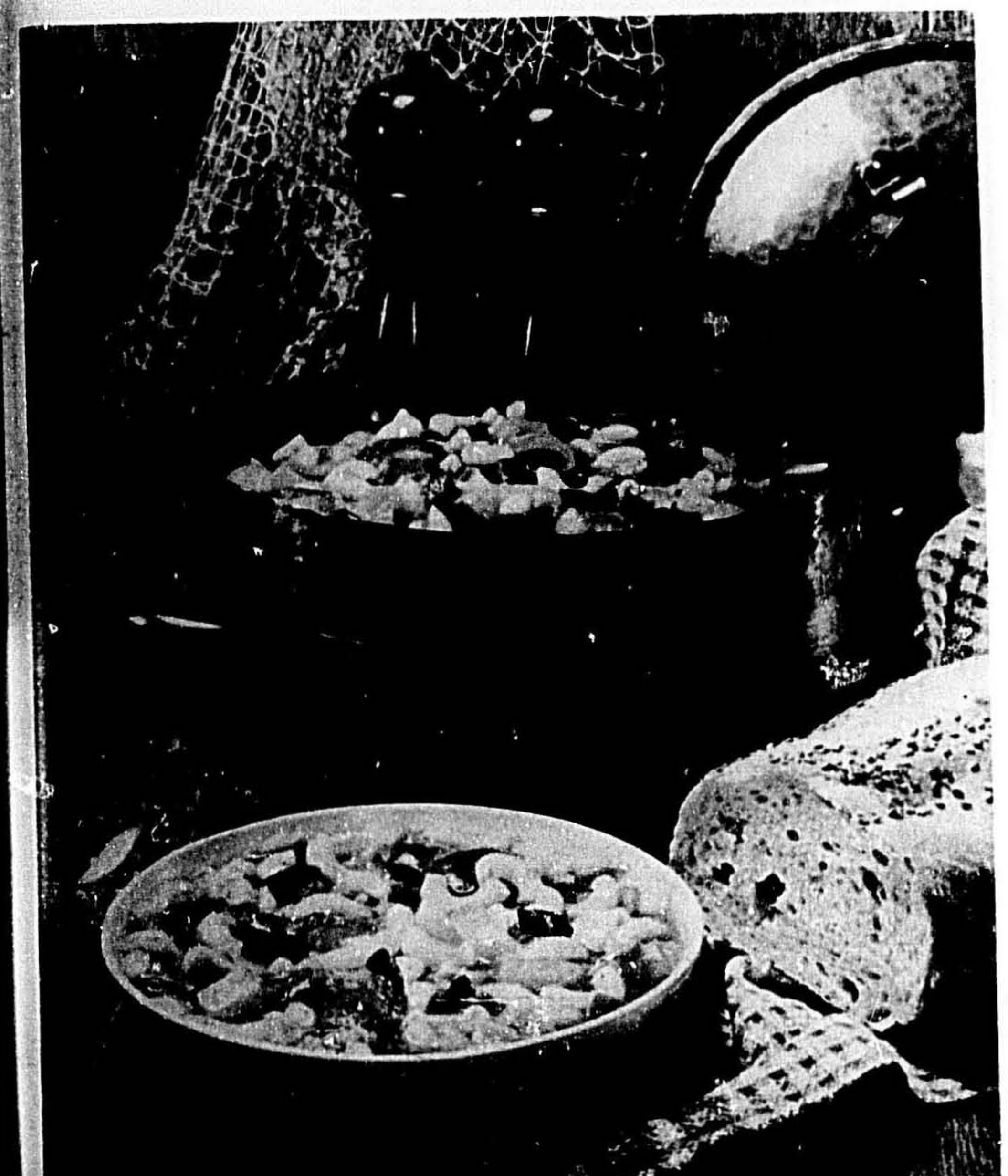

The Macaroni Journal

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In This Issue:

Cover Photo

World's Greatest Seafood Chowder

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Acquisition

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THE CHANGING IMAGE OF PASTA

"Pasta, the thin food — only 210 calories" is the theme of newsclips, talk-show clips, and publicity releases sent out by Burson Marsteller.

Carlo Middione, noted pasta chef and author, assembled a low-calorie menu for the National Pasta Association luncheon for food editors at the Helmsley Palace in New York last fall.

One popular brand of spaghetti and meatballs contains 320 calories, 14 grams of protein, 44 grams of complex carbohydrates, and a good selection of vitamins and minerals. It has the least calories in that line of dinners. A cup of cooked spaghetti and tomato sauce yields 179 calories; meatballs add about 120 calories. A cup of plain yogurt, made from whole milk, has 151 calories and gives about the same amount of protein; fruit adds about 130 calories, depending on the brand of yogurt. Yet, observes Frances Katz, executive editor of Cereal Foods World, the image of pasta as high in calories and less nutritious seems to persist.

Historically

Pasta sales historically have risen during economically tight periods. Sales shot up 20 percent during the 1974 recession; but the 1982 economic downturn was different. The 1974 rise was triggered as much by the meat boycott as by the recession. Between 1972 and 1976, pasta purchases rose and consumer interest in new packaged dinners made pasta packers very happy.

Since the rise of pasta consumption during the first half of the 1970s, however, pasta purchases have flattened out to a little more than the increases from population expansion. According to SAMI figures, the increase in the first half of 1982 was about 2.2 percent, which is better than the zero seen in the last half of the 1970's.

Frozen specialty products have increased in dollar value of product shipped, and increasingly, these products include some kind of pasta. The impact of microwave cooking and "upscale" images of more unusual pasta products appear to be helping pasta producers get their products introduced in restaurants and at home, and the success of these products is obvious from the increasing numbers and types of them available.

Popular in Restaurants

National Restaurant Association News reports: "The popularity of ethnic foods has induced restaurateurs of primarily American-style restaurants to add more and more of these selections to their menus. This trend show no sign of abating.

"According to a recent Gallup survey, Italian cuisine has become the favorite of many restaurant patrons. Thirty-eight percent of those surveyed cited Italian food as their number one choice, with pasta as the runaway favorite."

Of the more than two billion pounds of pasta shipped in 1982, about three-quarters were sold through supermarkets, directly to consumers. Only about a quarter was sold to industrial and institutional users, including restaurants. And many restaurants and even deli-departments of supermarkets are making their own fresh pasta. The use of pasta making machines in private homes is expanding the market somewhat, too.

Home Machines

Changing Times magazine lists popuar home-type pasta makers in its December issue:

Hand-operated: Ampia 110 ($28), Ampia V192 ($30), Imperia 150 ($35), Atlas V190 ($35), Pasta Queen ($50), Atlas Pasta Factory ($70), approximate prices. All have two dies.

Nonextruder: Bialetti Electric Pasta machine ($160), Kneading machine ($265). Also with two dies.

Electric Extruder: Osrow X-1000, 7 dies ($200); Osrow X-2000, 11 dies ($250); Bialetti Tutto Pasta, 10 dies ($200); Bialetti Pasta Now \ 240 ($250), 10 dies; Simac Pastamatic 700, 8 dies ($200).

Food processor attachments; Kitchen Aid Spaghetti/Noodle Maker and Food Grinder, 5 dies ($55); Robot Coupe Pasta Maker QRN, 4 dies ($84); Cuisinart Pasta Attachment, 6 dies ($125).

Segmentation

Although more people are sampling pasta, fewer consumers are loyal to a particular brand. Older housewives, according to a manufacturer's study, have a relatively high level of brand loyalty, but younger consumers rarely perceive functional differences between brands, and because virtually all pasta products are now made from semolina, the former problem of a proteinaceous mass forming in the bottom of the pot has about disappeared.

The pasta market is apparently following the classic action of a near-commodity product. It is segmenting — into a specific group of prod cts (imports, unusual domestics, unu ual shapes) for the gourmet product u er; a specific group of products (fr en pastas for the microwave, add-bo ng water types, etc.) for the user of ast foods; and products designed espe al-ly for nutrition-conscious users.

Whether this segmentation will reduce, increase, or have no effect on the sales of the classic "commo y" products remains to be seen. P ta consumption is likely to be affecte by a number of considerations: chan ng perceptions of the product, nati nal marketing strategies of larger c m-panies, general cost increases that affect diet as a whole, annual avail. bility of semolina, and governmental action(or no action) on imports.

The Farmer's Problems

Sluggish export markets, bul ing world supplies of grain, high interest rates and the third successive year of low income have made 1982 a painful year for U.S. farmers. The U.S.

Trea ry has also been strained to play s largest role ever in propping up th sagging farm economy.

Th October crop summary from the epartment of Agriculture put duru production at 150,879,000 bushels, 19 percent below last year's recor . Stocks in all positions were 222,1 0,000 bushels, up 17 percent. Quali y rated very good to excellent. Prices peaked in February with the range $4.80 to $5 in Minneapolis. Semolina sold at $12.40 cwt. but after harvest it was very steady in a range of $10.50 to $10.75.

President Reagan has formally and forcibly endorsed payment-in-kind concept, or p-i-k, for 1983 crops, but specifics of the program are being worked out and some changes were being considered in basic form law to accommodate the plan. Basic purpose of p-i-k is to reduce stocks of grain owned or controlled by the government by using that grain to compensate farmers for crop reductions.

Wheat p-i-k would allow farmers enrolled in 20 percent acreage set-aside on 1983 wheat to idle another 10 percent to 30 percent and receive a portion of crop that would have been produced on the additional acreage from stocks owned by CCC or in reserve. Farmers not in reduced acreage program could participate in p-i-k by bidding for a specific amount from those stocks, in exchange for taking entire wheat allocation out of production.

Se ator Jesse Helms of North Carolina, hairman of the Senate Agriculture Committee and Congressional spok man at the General Tariffs and Trad sessions in Geneva in November, arshly indicated the agricultural trade policies of the European Community and proposed four actions on the p rt of Congress and the Reagan administration: "First, the administration ould fully use the remaining $90 milli n earmarked to enhance agricultu l exports in fiscal 1983 and made available by an amendment to the 982 budget reconciliation act. The money can provide direct and cred. subsidies to offset predatory practices. Second, Congress should enco rage Secretary Block to consider releasing surplus dairy products into international markets. Third, Congress should mandate that the proceeds from the sale of these dairy products be used for additional measurers to export farm products. Four, it is time to re-evaluate the criteria for dispensing U.S. Treasury benefits overseas. America should even consider whether to deprive countries engaging in predatory practices of most-favored-nation status."

The Millers

The millers did not fare so well either. In a recent editorial in Milling and Baking News entitled: "Can anything be done about margins? — they point out that studies relating milling margins to the wheat market, which accounts for an inordinately large share of the price of the final product, which accounts for an inordinately large share of the price of the final product, would show that miller's margins tend to shrink when either price volatility diminishes or when prices tend to decline. Since both of these conditions have ruled in wheat for the same three years in which the milling business has been poor, it may be concluded that milling is experiencing the ultimate weight of this combination, and little can be done until the wheat market itself turns.

1982 saw two of the largest mergers, or acquisitions, in milling's history: Cargill's purchase of Seaboard's U.S. flour milling operations and Con-Agra's acquisition through merger of Peavey Company. The number of mills and capacity compiled by Milling and Baking News declined in 1982 but capacity was substantially increased in 1981 and the immediate past. This was particularly true of durum milling and may account in part for the millers' disappointment in 1982. During the first ten months of 1982 the durum millgrind was up 3.6 percent with semolina production up 7.4 percent indicating that most pasta manufacturers were back on the durum's standard of quality.

Egg Outlook

U.S.D.A.'s Egg Outlook reports that egg consumption declined 1 egg per person in 1982, down from 1981's 265, and may fall by 3 eggs in 1983. Prices may average 67 to 73 cents per dozen in 1983, little changed from 1982's 70 to 71 rents.

Egg production in 1983 is expected to trail 1982. On December 1, 1980, 17.9 percent of the laying flock had been force molted, up from a high of 15 percent during 1979. While the percentage has tended to flucuate, the trend of force molting has been up. The most recent data, for September 1, 1982, showed that 20.5 percent of the hens have been force molted. With the increasing number of layers force molted, the number of eggs produced per layer has continued to increase.

Nest egg runs peaked in price in March, dipped during the summer and rose again in the fall before declining to the year's low in December. Mid-March saw the price at $15-$16.20 and the first week in December $8.40-$9.60. Dried whole eggs were $1.96-$2.05 in Mid-March with yolks $2.05-2.14 and $1.45-1.55 for whole eggs in December with yolks at $1.76-$1.80. Frozen whole eggs hit a high of 49-52¢ in March; whites 25-28¢. The low in December was 14-17¢ for whites and 37-40¢ for frozen whole eggs.

Packaging

In the wake of the Tylenol tragedy, a search must begin for improved packaging methods Derek E. Till, vice president and manager of product technology laboratories for Arthur D. Little, Inc. stated at a recent National Emergency Executive Briefing in Washington. Mr. Till said that manufacturers should adopt a more systematic approach to developing tamper-resistant packaging. A good place to start, he said, is to review the wants and needs of all "players" — consumers, retailers, manufacturers, materials and machinery suppliers, and the government — and the various limitations that their needs impose. Drug and cosmetic manufacturers have been waging a crash campaign to make their packing more tamper-resistant. Food manufacturers, though not under the same pressure, are also reevaluating ways to protect their products.

The Plant Operations Seminar sponsored by the National Pasta Association in Toronto March 21-22-23-24 will concentrate on packaging technologies.

N.P.A.

The National Pasta Association will be in a year of transition with the hiring of Joe Lichtenberg as Executive Director and a contemplated move to Washington, D.C. by mid-year. Bob Green will aid in the transition and continue on as Editor of the Macaroni Journal.

Tariff Talks Unsatisfactory

U.S. Wheat Associates Newsletter reports: "The ministerial meeting of the General Agreement on Tariffs and Trade (GATT) held in November in Geneva ended in disappointment for U.S. negotiators and may have set the stage for trade warfare between the U.S. and EEC. While the meeting concluded with a 17-page joint communique which reaffirmed the GATT's principles of free trade and thus did not break up in disarray, the U.S. was unable to get EEC representatives to commit their countries to efforts to reduce or eliminate agricultural export subsidies in coming years. The U.S. has argued that the GATT rule permitting agricultural subsidies is contrary to the principle of free trade and should be changed. The EEC has refused to consider any such change and in this meeting finally agreed only that the issue may be studied without indicating that any action would be taken as a result of the study. The failure of the GATT meeting to establish a mechanism for resolving the U.S.-EEC agricultural trade dispute quickly resulted in intensified discussions in the U.S. on whether and how to move to the offensive in the dispute.

Threats

While the U.S. has repeatedly threatened the use of export subsidies to counter the EEC, it now appears quite likely that some action will be taken in the coming weeks or months. That action could be in the form either of direct subsidies on processed products, an expanded PL-480 program which would include wheat and other bulk commodities, or an expanded or revised blended credit program. The member EEC countries have, if anything, become more unanimously supportive of the Common Agricultural Policy and its export subsidies in the face of U. S. pressure. Noting that basic change of the CAP and elimination of the subsidies were impossible, French Agriculture Minister Edith Cresson proposed that exporting countries co-manage world trade and establish a system of market sharing. Such a course would eliminate competition and restrict market growth, and therefore has been consistently rejected by the U.S. most recently at the International Wheat Council (IWC) meeting in London."

IWC Meeting

The IWC meeting in London concluded with basically no resolution of the problems that have prevailed for several years. As it was clear that the basic issues that have long separated the member importing and exporting countries concerning pricing and stocking provisions in any new International Wheat Agreement would not be soon resolved, the IWC-member countries agreed for a period of three years beginning on July 1, 1983. This means that the primary roll of the IWC will continue to be to facilitate the exchange of world grain trade and production information between member countries.

Ceasefire

The U.S. and Western Europe have declared a ceasefire in their bitter feud over agricultural subsidies, but they still aren't close to a peace treaty, according to the **Wall Street Journal** of December 13. Top American and European Common Market officials met and managed to avert a trade war that was threatening to erupt over the Common Market policy of subsidizing farm exports. The two sides agreed to begin an intense study in January to examine American complaints that subsidized European exports are undercutting American farm sales abroad. They will try to decide by March what actions the Europeans should take to overcome American objections.

The Other Side Of the Question

by Dr. Giuseppe Menconi, Director Unione Industrial Pasta Italiani, Rome

1. The legitimacy of the institution of reimbursements for alimentary pastas has been contested. Aside from the fact that alimentary pastas are specifically included in List B, we wish to point out that raw materials account for 60 percent of their cost. Moreover, the logic of reimbursements (reimbursements, let us emphasize, and not exportation subsidies) is based on the fact that for exported products, the amount of the agricultural withdrawal in imported durum wheat is simply reimbursed.

It is well known that Italy imports from 700,000 to 1 million tons of durum wheat a year, mainly from the United States. Even when the amount of durum wheat exported is taken into account, there is still enough latitude between exportation of alimentary pasta to third countries and importation of raw materials from third countries to justify a positive balance on the part of FECGA.

This contradicts Documents 301/25 which supports the unlimitedness of imports available on the part of the Community to cover these reimbursements.

2. The reaction of American pasta manufacturers with regard to the price levels maintained by Italian exporters is indefensible if it refers to supposed dumping favored or directly determined by the amount of the reimbursements. In fact, they merely compensate the difference in raw material costs; this can be easily reduced from the difference in frank mill prices of durum wheat in the two countries. If the fact that transport alone amounts to 160 pounds/kilogram is taken into consideration, this argument does not stand up.

As far as price aggressiveness is concerned, the appreciation of the dollar compared to the lira (+43% in 1981) would seem much more relevant.

3. Evolution of Italian Pasta Importation to the United States. Despite American preoccupation, Italian pasta exportation to the United States has undergone an extremely modest evolution and corresponds to a very small market quota. In fact, in the Common Market countries, (where the phenomenon of reimbursements is irrelevant) the market quota of Italian pasta exceeds 15 percent, while in the USA, the same quota is about 2 percent.

Instead, the recent progressive evolution of Italian pasta should be attributed to its appreciation by consumers who recognize that the quality of Italian pasta corresponds to its image. It is known, in fact, that most American manufacturers utilize mixture of hard and soft wheat which, aside from lowering costs (and therefore rendering even more unfounded the accusation of unfair competition), have a negative effect on its resilience during cooking, a fact noted by consumers and reflected by their response.

4. Regional Penetration of Imported Italian Pastas.

There have been complaints about the high proportion of the market in the northeastern states. This phenomenon is readily explained by the large level maintained by Italian exporters Italian population in this area (obviously heavy consumers). The fact that this is the region of heaviest consumption should also be kept in mind, and the calculation of market quotas should take this into consideration.

5. The Threat of Italian Imports to Local Industries

The supposed threat of Italian pasta importation is put greatly into perspective if we consider the fact that importation from Canada is much more important than importation from Italy. Moreover, in a comparison between price levels of imported and locally manufactured pastas, the extremely different marketing systems should not be ignored: frequent promotions, such as "three for a dollar" by local manufacturers, in fact, make the famous national brands available to consumers at prices lower than those of Italian pastas, as they are not burdened by high promotional, advertising, and distribution costs.

Wheat Situation

from U.S. Department of Agriculture

Record U.S. Wheat Supply Depresses Prices

Although U.S. wheat growers harvested fewer acres in 1982, favorable growing conditions in major producing areas were more than offsetting. Yields rose to an all-time high of 35.6 bushels an acre, producing the largest wheat crop in U.S. history. Total 1982 production is estimated at a record 2.8 billion bushels, 1 percent above the previous high in 1981. The bumper crop adds to the very large June 1 carryin of old-crop stocks to create a record wheat supply of 4.0 billion bushels for 1982/83. Prospects are dim for using the entire 1982 crop; thus stocks carried into the 1983/84 marketing year (June 1-May 31) could reach 1.5 billion bushels, close to the 1961 record. More than three-fourths of the carryover will be grain reserve stocks and Government inventories.

Effects of the record supply have been quite severe, with market prices hitting a 4-year low. Because farm prices have fallen as much as 30 cents a bushel below the $3.55 regular loan, eligible producers have made heavy use of the $4-a-bushel grain reserve loan. Accelerated export buying and continued use of the reserve could help bolster prices in the short run, while indications of widespread participation in the 1983 acreage reduction and diversion program could buoy more distant prices. However, for this season, the average farm price is forecast at $3.40 to $3.50 a bushel, below last season's $3.65. The low June-October average farm price means that a 50-cents-a-bushel deficiency payment will be due program participants. Total payments may reach $530 million, compared with $415 million in 1981.

Ending 5 years of steady growth, world wheat trade during 1982/83 trade may be down 2 million tons from last year's record 102 million. Intense competition among exporting nations and reduced imports by the Soviet Union are expected to cause U.S. exports to fall 5 percent below 1981/82's all-time high of 1.77 billion bushels. To make the United States more competitive in world markets and to generate additional export sales, USDA announced a 3-year "Blended Credit" Export Enhancement Program in late October. This program is expected to benefit agricultural exports in general, but its effect on this season's total wheat shipment remains uncertain.

Second Successive Cutback

The 1983/84 season will be the second successive year that U. S. wheat growers will have to reduce acreage to be eligible for target price protection and the loan programs. Participation in the 1983 program is expected to exceed the nearly 50 percent compliance rate in 1982. Faced with low prices at fall planting time and a dim price outlook if supplies relative to demand are not reduced, growers should harvest fewer acres in 1983 than this year's 79 million acres.

Global wheat production in 1982/83 is forecast at 462 million tons, 4 percent above the 1978/79 record. Because this large crop will outpace expected use, world wheat stocks will rise to their highest point in 4 years. The United States will hold 44 percent of world stocks, up from an average of 30 percent from 1979 through 1981.

Canadian Wheat production in 1982 totaled 27,600,000 tons, up 11 percent from 1981's record. Bread wheat accounted for 24,500,000 tons and Durum 3,300,000 up 11.5 percent and 10.3 percent respectively.

Grain Surplus

If America's farmers stopped planting wheat and corn in 1983, Americans could, in theory, keep right on eating. The mountains of surplus grain now rising in the nation's storage bins could feed the nation for nearly a year, say farm experts.

Ideal weather pushed 1982 crop yields to record levels for the second consecutive year. Officials at the U.S. Agriculture Department estimate that "ending stocks" — grain for which there is no commercial demand at the end of the year — will amount to almost 150 million metric tons.

Unequaled in magnitude for 20 years or more, the surplus strains the budget and perplexes farm experts in and out of government.

"I don't know what . . . we're going to do with it," said Robert J. Mullins, director of legislative services for the National Farmers Union.

The surplus has farm lobbyists and Reagan administration officials talking about changing federal farm programs in 1983. And it has focused congressional attention on trade, long an outlet for surplus farm production.

The grain surplus is expensive evidence that the foreign markets upon which American farmers depended for a decade have stopped growing, for complex economic and political reasons.

During the 1970s, U.S. commodity exports rose 12 percent to 14 percent annually; in 1982 they dropped from 10 percent to 11 percent in value, compared with 1981. American farmers are harvesting much more grain than the world is willing — or able — to buy.

In the fiscal year recently ended, federal price supports for grain and dairy products, also in surplus, cost an unprecedented $12 billion. That is more than four times the average annual cost of those programs.

Costs are up because the surplus has depressed grain prices so much that it is more attractive for farmers to borrow from federal progams, using their crops as collateral, than to sell the corps. Many farmers are expected

(Continued on page 10)

Grain Surplus

(Continued from page 9)

to keep the money and let the government keep their crops.

Agriculture Secretary John R. Block has suggested to farm leaders that the government "pay" farmers in surplus grain if they agree not to plant in 1983. The intent is to reduce the existing surplus while heading off future ones.

Dawson Ahalt, Agriculture Department deputy assistant secretary for economics, blamed the erosion of U.S. farm exports on "simultaneous recession around the world and a strong dollar, which is really zapping us." Both trends mean that foreign customers cannot afford to buy as much U.S. food.

As Block told a group of exporters in November, "Even though the price of U.S. wheat is declining, the price to foreign buyers in their currencies increased by 160 percent over the last two years."

Other causes of farm trade troubles include stiff competition from other agricultural nations and a series of U.S. restraints on trade, capped by the 1980 embargo on most grain sales to the Soviet Union.

Damaged Reputation Cited

Farm leaders say that America has badly damaged its reputation as a reliable supplier of food. They say that the Soviet Union would rather buy anywhere else than in America, and they cite recent Soviet grain deals with Canada, Argentina, India, Thailand and France.

Of all the problems hurting U.S. farm exports, only America's tattered trading reputation appears reparable through legislation. A number of farm groups, including the conservative and effective American Farm Bureau Federation, are asking Congress to guarantee farm export contracts.

Without such a guarantee, they say, foreign customers will continue to view America as a supplier of last resort.

The Senate responded to these arguments on the last day before Congress adjourned for the election recess. It easily passed a "contract sanctity" amendment proposed by Sen. David Durenberger (R-Minn.) that is intended to repair America's trade image.

Durenberger's amendment requires that, except in time of war or national emergency, delivery be made on agricultural export contracts in effect at the time an embargo or other restraint on U.S. trade is imposed.

Amendment's Future Uncertain

No senator opposed Durenberger's amendment, but it is not clear whether it can become law. He added it to a bill dealing with regulation of the futures industry, and that bill has been threatened with a presidential veto for unrelated reasons.

Moreover, although they will not object publicly, Reagan administration officials dislike the restraints on presidential decision-making that Durenberger's amendment imposes.

Contract sanctity is a high-visibility issue in the agriculture community: Senate Agriculture, Nutrition and Forestry Committee Chairman Jesse Helms (R-N.C.) told the Senate that no other issue was so important to American farmers as "unfettered access to foreign markets."

Even if the Durenberger amendment fails, neither it nor the problems of agriculture and trade that it highlights will be lost in the new Congress. Concern about U.S. restraints on trade reaches beyond the agricultural community.

Congressional staff on trade-related committees expect to see support for legislated guarantees of both non-farm and farm-product export contracts.

1982 Durum Crop Second Largest; Disappearance Projected Down

The smallest acreage harvested in 3 years produced a 151-million bushel 1982 Durum wheat crop, 19 percent below last year's record. Sizable participation in the 1982 acreage reduction program was partially offset by a favorable growing season as yields were record high throughout most growing areas.

Yields in North Dakota and Montana reached new highs of 33 and 30 bushels per acre, respectively, 4 and 7 bushels above last year. Yields of over 90 bushels per acre were common in the Southwest (Arizona and California), but low Durum prices last fall caused a sharp cutback in seedings in favor of HRW. Excessive moisture during early harvest caused some concern for quality, but conditions improved as the harvest progressed, adding to generally very good quality characteristics for the 1982 crop. Minimal sprout damage was reported.

Along with the near-record harvest, the sizable carry-over stocks from last year will provide a record supply of 260 million bushels of Durum, enough to meet average annual disappearance for 2 years.

Exports

Prospects for whittling down this huge supply are not bright. While there may be some increase in domestic food use because low prices should keep pasta food product prices competitive, feed use should be minimal because of Durum's good quality, low feed grain prices, and reduced production in the Southwest The availability of large supplies of attractively priced U.S. Durum does not guarantee strong export demand. Expanded production in most foreign areas using Durum in their food production, including a banner 1982 Canadian crop, suggests U.S. Durum exports will fall back to their 72-million-bushel annual average of the last 5 years. A record 82 million bushels were exported last season. As of late October, commitments were only about half the volume of a year ago.

Prices

Reflecting the large supply, cash prices of No. 1, Hard Amber Durum at Minneapolis have been at their lowest level since 1978, barely $4 a bushel in September. This compares with $4.56 last fall and over $7 a bushel in 1980/81, when supplies were short. Considering the disappointing demand outlook for 1982/83, any favorable price response would have to center around heavy use of the 3-year grain reserve loan program. As of November 1, Durum reserves totaled 62 million bushels, including 24 million bushels of 1982-crop placements.

North African Durum Market

Although there are many differences between the North African and North Dakota social systems, there is a primary economic interest these two regions of the world have in common — durum wheat.

(Continued on page 12)

North African Durum Market

(Continued from page 10)

North Africa has in the last decade surpassed Western Europe as the world's major durum importing region, currently taking 40 percent (85 million bushels) of the total durum exported while North Dakota produces 76 percent (112 million bushels) of the durum grown in the United States. During the 1981/82 marketing year the United States controlled 35 percent of the North African durum market.

Increasing Competition

Neal Fisher, North Dakota State Wheat Commission marketing specialist, who recently returned from a North African durum market analysis tour sponsored by the Foreign Agricultural Service, USDA, and U.S. Wheat Associates, said competition from other suppliers is growing in the North African region.

"Although the U.S. and Canada have traditionally been the major exporters of durum to North Africa, the European Economic Community has recently increased its sales of semolina and durum to the region," Fisher said. "The EEC remains a net importer of durum as grain, but since the inclusion of Greece to the EEC, exports of durum, semolina and durum products have substantially increased because of heavily subsidized EEC durum production and exports. This tendency toward increased durum and durum by-product imports from the EEC could have a continued negative effect on the U.S. market share in North Africa."

Cereal Offices Contacted

While in North Africa, Fisher contacted officials of the "cereals offices" in Algeria, Tunisia and Morocco, the agencies responsible for importing wheat in these countries, to determine wheat production consumption trends, import needs and to discuss the competitive position of U.S. wheat producers relative to other suppliers of durum and bread wheats.

"North African cereals officials made several references to becoming more self-sufficient but population and domestic production trends would not seem to indicate this is a strong possibility," Fischer said. "Rather it would appear that durum and bread wheat consumption will grow, further increasing import needs, although the rate of growth should not be expected to continue at levels of the last decade."

Mokhtar Louhibi, director general of Algerian Cereals Office, indicated the quality of U.S. durum arriving at Algerian ports had improved in recent months. He said the quality of Greek arrivals are as good or better than U.S. or Canadian shipments but doubted whether Greece can be counted on as a consistant supplier.

"The quality of Greek durum is still in question following reports from Italy where at least one cargo was refused due to quality considerations," Fisher said. "Arrangements were made for samples of U.S., Canadian and Greek arrivals to be sent to the Department of Cereal Chemistry and Technology, North Dakota State University through the Wheat Commission for analysis."

Fisher said Greek durum has penetrated the Tunisian market primarily due to export subsidies. Mohamed Mouaffak, assistant director general, Office of Cereals, Tunisia, said price comparisons were in the neighborhood of $160-162 per ton cost and freight Tunis for Greek durum as compared to $165-168 per ton cost and freight Tunis for U. S. duurm.

Morocco Different

According to Fisher the situation in Morocco differs substantially from Algeria or Tunisia where a large amount of foreign exchange is generated through the sale of petroleum products. "Morocco has fewer opportunities to generate foreign exchange than Algeria or Tunisia where U.S. credit program considerations are not of particular interest. Morocco needs additional low cost credit and PL 480 assistance to increase wheat imports and construct additional unloading and distributing capacity."

Fisher's recommendations to the Foreign Agricultural Service and U.S. Wheat Associates are the following:

- **Conduct a thorough market analysis in North Africa to determine actual quantity and quality needs in this area.**
- **Supply technical assistance in the areas of merchandising, milling and baking to purchasing and milling officials to increase their awareness of the attributes of higher quality U. S. wheats.**
- **Expansion of PL 480 and GSM-102 credit programs with more attractive terms to Morocco.**

Pasta in the Philippines

The Philippines is on the threshold of a major increase in the consumption of spaghetti and macaroni products according to U.S. Wheat Associates (USWA), the market development organization for U.S. wheat producers. This conclusion was reached following a consultant assignment by Dr. Joel W. Dick, Professor at North Dakota State University, which also included visits to Hong Kong, Taiwan and Singapore.

The assignment undertaken by Dr. Dick is the first special USWA program directed to servicing this growing Philippine pasta industry. This is just one of the many activities USWA conducts through its 13 offices around the world. During the ten day assignment in Manilla, Dick visited six of the major producers of pasta in the country.

"The potential capacity to produce pasta products in the Philippines is amazing," the North Dakota professor stressed in his report to USWA. "Quality of the pasta available in the Philippines is quite satisfactory, considering the price competition existing within the industry," Dick stated in reviewing the current market situation.

Pasta consumption in the Philippines is difficult to determine, but estimates point to a current consumption of approximately 36,000,000 pounds per year for the country, or slightly less than one pound per person. The available pasta includes domestic manufactured products and some imports of finished goods.

Recent entry into the market by two sizeable plants utilizing modern continuous systems has increased total production capacity by two and one-half times. Approximate total pasta production capacity in the Philippines is now 98,000,000 pounds per year.

"With this production capability the market for pasta products in the Philippines faces a realignment of massive increase in consumption levels if the investments made are to be effectively utilized," noted Ronald Ma[illegible], USWA Vice President, Manila.

Plant Operations Seminar

The NPA Plant Operations Seminar will be held in Toronto, March 21-22-23-24, 1983. Headquarters hotel will be the Toronto Hilton, Harbour Castle, overlooking Lake Ontario.

World Wheat Availability Increased

Competition for world markets is intensifying with world wheat production estimated by the International Wheat Council (IWC) at a record 466 mil. tons while prospects for wheat trade in 1982-83 have diminished from year earlier levels. Total world trade in wheat is expected to be 97 mil. tons (3,560 mil. bu.) this year as compared to 100 mil. tons (3,675 mil. bu.) in 1981-82.

All of the major exporters with the exception of Australia have increased wheat supplies available for export and carryover stocks this year after domestic commitments are met. Total supplies available for export are estimated at 155.3 mil. t. (5,710 mil. bu. in 1982-83 as compared to 149.3 mil. t. (5,485 mil. bu.) in 1981-82.

1981-82	Argentina	Australia	Canada	EEC	USA	5 Major Exporters
Beginning Stocks	0.9	2.1	8.4	7.4	26.9	45.7
Production	7.9	16.4	24.8	54.2	76.0	179.3
Domestic Use	4.2	3.3	5.3	44.0	23.1	79.9
Available for Exports and Stocks	4.6	15.2	27.9	21.7	79.9	149.3
Exports	3.8	13.0	18.5	14.9	48.3	98.5
Carryover	0.8	2.2	9.4	6.8	31.7	50.9
1982-83						
Beginning Stocks	0.8	2.2	9.4	6.8	31.7	50.9
Production	10.5	8.6	26.9	59.0	76.5	181.5
Domestic Use	4.2	3.4	5.5	44.5	23.5	81.1
Available for Exports and Stocks	7.1	7.4	30.8	25.3	84.7	155.3
Exports	6.3	7.0	18.7	14.5	46.3	92.8
Carryover	0.8	0.4	12.1	10.8	38.4	62.5

Mergers in Milling

ConAgra in 1982 became the nation's biggest publicly held grain merchant and the biggest flour miller when it bought Peavey Co. for $180 million. ConAgra also owns Banquet, the biggest frozen food brand; processes more shrimp and oysters than anyone else; and through a new joint venture, is the largest poultry processor in the U.S.

By growing, ConAgra is gambling that profits will rise sharply for basic foods like grain and poultry. It believes long-term demand for U.S.-produced food, and for inexpensive protein sources such as chicken and fish, will grow, mainly because of limited farmland and rising population world-wide.

That growth, largely accomplished by acquisitions, makes ConAgra a force in the basic foods industry, which has been consolidating during the current slump as small or weak companies are snapped up by their bigger or stronger competitors.

Not long ago, ConAgra was one of those marginal companies. In 1974, it was near bankruptcy. After losing $9 million speculating in the commodity markets and, consequently reporting a $12 million net loss that year, ConAgra was forced to sell some valuable properties to stay afloat.

Then it hired Mr. Harper, a group vice president of Pillsbury Co. and a former section manager for General Motors Corp. as executive vice president and chief operating officer. He was named president and chief executive officer in 1976. The company developed a new strategy and rebuilt its financial strength.

ConAgra tripped a few times. Some of its earlier acquisitions, including its Taco Plaza Mexican restaurant chain and its pet food and accessories business, don't meet its profit standards. And in 1978, ConAgra was outbid by Cargill Inc. in its attempt to acquire Mbpxl Corp., a beef packer. But generally, ConAgra's acquisition efforts have succeeded. The Peavey deal shows how ConAgra operates.

Mr. Harper and William Stocks, Peavey's chairman, had discussed merging the companies in November 1980, but grain profits were high then. By this February, however, the world recession and U.S. grain surpluses had crushed profits in grain and flour. Major flour-milling mergers by Cargill and Archer Daniels Midland Co. had given those companies leading market shares in flour milling, leaving Peavey and ConAgra the laggards.

Mr. Harper and Mr. Stocks met again, and Mr. Stocks says the logical step this time was a merger. "I saw a need for great financial strength and diversity and scale," which would have taken "either one of us alone years and years to build," he says. He is now vice chairman of Con Agra.

Peavey didn't look like a prize. By the time the merger was completed in July, it had reported a 62% profit drop from a year earlier for the third quarter ended April 30. It predicted further sharp declines.

The transaction pushed ConAgra's long-term debt as a share of total capital close to its self-imposed ceiling of 40%. And it will help depress ConAgra's return on common equity to a projected 17.5% for the fiscal year ending May 31, from 26% in fiscal 1982.

But ConAgra believes Peavey's grain exporting facilities, including a big Gulf of Mexico terminal, will fill the holes in its grain merchandising chain. Also, management consolidation in flour milling will cut costs. "Our whole goal in life is to throw no long bombs, but to do a lot of small things very well," Mr. Harper says.

ConAgra's Earnings Rise

ConAgra Inc.'s fiscal second-quarter profit rose 61% because of strong performances by its food units and inclusion of results from Peavey Co., acquired in July. The issuance of stock in the purchase increased 45% the number of shares outstanding.

In the quarter ended Nov. 28, net income increased to $14.7 million, or 75 cents a share, fully diluted, from $8. million, or 68 cents a share, fully diluted, the year earlier. Sales rose 45% to $644 million from $445.4 million.

ConAgra said that its Banquet Foods unit increased volume and profit during the half and that its Country Skillet Poultry earnings rose "significantly . . . but were below expectations."

Peavy retail companies "substantially increased earnings" in farm, fabric and building-supply stores, ConAgra said. Con-Agra, a commodity and agriculture-products processor, added that grain processing and merchandising trailed year-earlier results.

"During the second half of fiscal 1983 we look for little change from the unfavorable industry environment of the first half," ConAgra said, adding: "We expect reported results will continue to be satisfactory."

Don Giffay Chairman of GTA

Donald F. Giffey, Roseglen, N.D., has been elected chairman of the board of directors of the Grain Terminal Association, the St. Paul-based grain marketing and processing cooperative. Mr. Giffey was elected at the board reorganization meeting following G.T.A.'s 45th annual meeting at the Minneapolis Convention Center.

Mr. Giffey succeeds Gordon Matheson of Conrad, Mont., who continues as board member. Mr. Matheson stepped down from the chair this year following a board policy of naming a new chairman every five years.

Mr. Giffey has been a member of the board since 1970 and has been its secretary-treasurer since 1972. He has been a member of the boards of the North Dakota Rehabilitation Corp. and the North Dakota Association of Cooperatives. He also served 12 years as a member of the North Dakota House of Repersentatives and was majority floor leader from 1965 to 1966.

Succeeding Mr. Giffey as secretary-treasure is Edward Ellison, Elbow Lake, Minn. The board re-elected Philip Testerman, Wessington, S.D., first vice-chairman, and named Gerald G. Redlin, Lambert, Mont., as second vice-chairman. Mr. Redlin succeeds Olaf Haugo, Waubun, Minn., who announced that he will retire from the board next year.

Multifoods Gains

International Multifoods Corporation announced record earnings for the nine months ended Nov. 30, and reported its second best third quarter ever.

Third quarter net earnings were $12.3 million or $1.50 per common share on sales of $301 million. For the same period last year, earnings were $12.8 million or $1.58 per common share, including an 11 cent per share gain from redevelopment of assets in Canada. Last year, sales were $299 million in the third quarter.

Results for the first nine months of fiscal 1983 show a 6 percent improvement in net earnings to $25.7 million or $3.12 per common share on sales of $827 million. For the same period a year ago, the company had net earnings of $24.1 million or $2.98 per common share, with sales of $857 million.

Strategy Pays Off

William G. Phillips, Multifood's chairman and chief executive officer, said, "Our strong performance in these tough economic times is attributable to the continuing success of our strategy of geographic and product diversification. Key gains in earnings for the quarter came from our Venezuelan operations, and several consumer products. Despite a repeat of last year's record peso earnings from our joint venture in Mexico, an additional reduction of approximately 12 cents per common share was absorbed this quarter due to the impact of peso devaluation."

Agriculture Up

Darrell M. Runke, Multifoods' president and chief operating officer, said, "I am particularly encouraged by a significant earnings improvement in the Agriculture segment, led by a continuing turn-around in our U.S. Supersweet feed operations. I think we're seeing solid improvement over last year's depressed performance." In this market segment, third quarter and nine months earnings were up 72 percent and 100 percent, respectively.

Runke called a marginal third quarter profit improvement in the Consumer segment, "a very good performance." In this market segment, third quarter and nine months earnings were up 72 percent and 100 percent, respectively.

This area had to surmount last year's gain from asset redevelopment in Canada. We are quite pleased by results from cereals and consumer mixes in Canada, flour products in Venezuela, and cereals, Reuben meats, Kaukauna Cheese, and All American Nut in the United States."

Industrial Down

Third quarter and nine months earnings in Multifoods' industrial segment declined over the prior year. According to Runke, "For the last three months, U.S. and Canadian industrial flour have continued to perform in line with a generally depressed industry, and that has been disappointing. However, our U.S. bakery mix business is up nicely in both unit volume and earnings over last year, and exports from Canada have improved."

Runke reported that earnings in the Away-From-Home Eating segment declined from last year's level. "We have not been immune to the industry-wide problem of reduced customer counts," he said. "Still, a new luncheon offering in selected Boston Sea Party restaurants, and strong sales in new Mister Donut shops in the United States show promise for future performance."

Looking Ahead

Looking ahead, Phillips commented, "A resurgence in the global economy, particularly here at home, would be a welcome change from current uncertain conditions. Operationally our businesses are healthy, and we continue to expect to report improved earnings at fiscal year end."

Multifoods completed its most recent fiscal year on February 28, 1982 with sales of $1.1 billion and net earnings of $33.2 million or $4.07 per share of common stock.

Plant Operations Seminar

Quality circles, packaging products, and other production considerations will be on the agenda. There will be meetings in the morning and tours in the afternoon covering General Mills pasta operations at Lancia-Bravo and the milling operation of Primo.

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is always

N°1

★ in assuring confidence to pasta factories all over the world
★ with the most advanced technology
★ because of experience acquired throughout the world

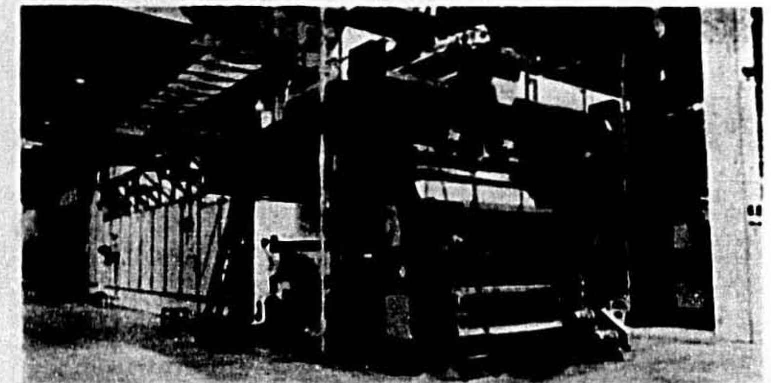
When there is "HIGH" Temperature to be considered, the preference of the customers is

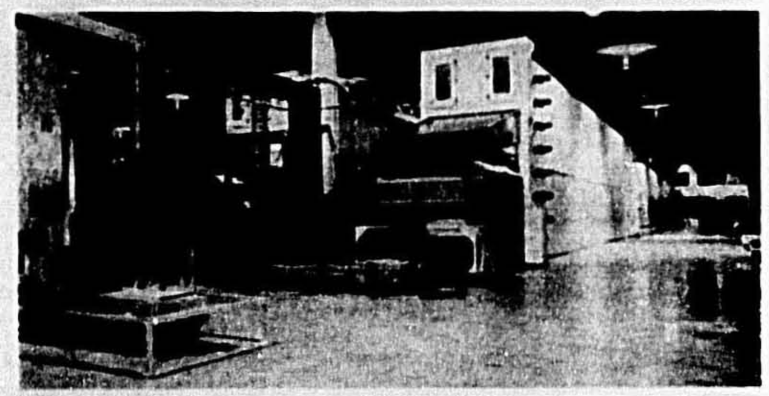
BRAIBANTI "HT" lines

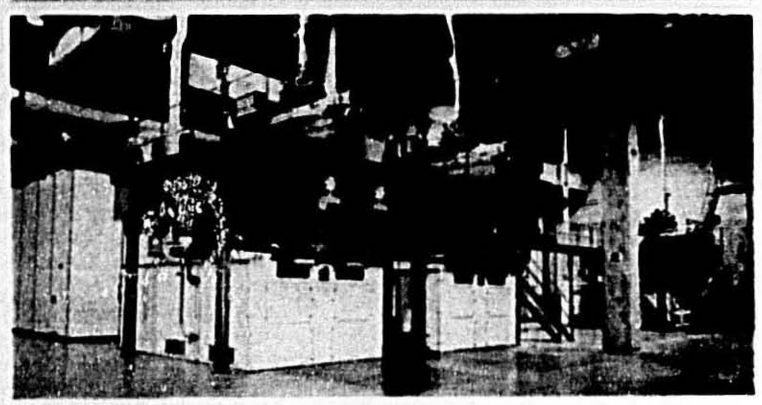
40	in ITALY
11	in FRANCE
10	in U.S.A.
8	in JAPAN
5	in PORTUGAL
5	in SPAIN
4	in GERMANY
4	in U.S.S.R.
3	in VENEZUELA
2	in POLAND
2	in SWITZERLAND
1	in AUSTRIA
1	in BOLIVIA
1	in CZECHOSLOVAKIA
1	in FINLAND
1	in GREAT BRITAIN
1	in GREECE
1	in INDIA
1	in IRAN
1	in HOLLAND
1	in RUMANIA
1	in TURKEY

113 of which **53** are for long pasta, **60** are for short pasta . . .

. . . besides innumerable lines operating at INTERMEDIATE TEMPERATURE







View of the new factory of PRI CE-LOWELL-U.S.A. with "HIG I TEMPERATURE" lines

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Gooch Revises Packaging and Advertising

Gooch Foods, Lincoln, Nebraska, announces the first package redesign for its 38 varieties of pasta in nearly a decade. The polyethylene bag features bright yellow sides and top panel, improving recognition on the shelf and still retaining the familiar blue and yellow borders and the red Martha Gooch pan logo. The new contemporary graphics provide distinctive brand and family identity.

"The main advantage of the package revision will be that consumers can more easily identify each of the 38 different varieties of pasta products going into today's home cooking," Orville Lowry, Vice President of Gooch Foods, stated.

The pre-tested package design, created by Hopkins & Minturn, consumer products specialists, has been in development for more than two years.

With the enhanced package design, Hopkins & Minturn Advertising, Inc. has developed an advertising campaign featuring a new Martha Gooch animated character, representative of the heart of golden wheat.

The heart-shaped character displays a staff of golden wheat and effectively transmits Gooch's new message: "Made from the heart of the finest golden wheat." ("Only the heart of the wheat kernel is good enough for Martha Gooch.")

"The character revitalizes the image of one of the Midwest's leading manufacturers of pasta products," Dick Hopkins, Creative Director, explained. "It generates a distinctive identity and drives home the central message of Martha Gooch's goodness."

President, Harold Wendt (left), and Vice President-Director of Marketing, Orville Lowry (right), display samples of the new package design for Martha Gooch pasta products. Brent Braun (center), General Sales Manager, holds the new Gooch character that will be seen in television commercials, magazines and newspaper ads beginning January, 1983.

Mueller's Pasta Shapes and Sauces

Foremost-McKesson's C. F. Mueller Co. has introduced Mueller's Pasta Shapes & Sauces.

The company, which claims to be the largest marketer of pasta in the U.S., debuted the five-item line in Buffalo/Rochester and Miami. These markets are described as lead markets that wil oson be followed by a rollout in Mueller's entire marketing area, primarily east of the Mississippi.

The varieties in the line are wagon wheels and bacon cheese sauce, shells and garlic butter sauce, mini lasagne and tomato sauce, ruffles and mushroom sauce and twists and beef flavor sauce. Advertising that broke recently positions the line as side dishes that will please everyone in a family.

Ogilvy & Mather, New York, is the agency.

According to Steven Brounstein, vp-marketing at the Jersey City, N.J., company, the new product is the result of a long-term effort to expand out of the traditional dry pasta business. Mr. Brounstein said when Foremost bought Mueller in 1977, the company set out to expand its dry pasta business geographically as well as seek new value-added items to bear the Mueller name.

A geographical expansion effort by Mueller, like that of other companies with similar objectives, turned out not entirely successful. After failing to make the inroads it desired, the company turned its attention to putting the Mueller name on other products.

Mr. Brounstein said the company looked at any kind of product that would make sense under the Mueller name. He added that the company was all prepared to go with an instant-lunch noodle product when that category was hot, but at the last minute decided to wait. "That was probably one of the smartest decisions we made since that category virtually no longer exists," he noted.

He would not disclose what sort of share the company is aiming for in the $425 million packaged-dinner market. Macaroni and cheese dinners account for some 60% of the category, a segment that Mueller did not think was appropriate for its brand name. So the company considers Golden Grain's Noodle Roni and Lipton's Noodles & Sauce its most direct competitors.

Mr. Brounstein pointed out that dry packaged dinners, which have been showing a real growth rate annually of about 4% for the past several years, offer more potential than dry pasta, a stagnant though larger business.

The executive said Mueller's regional sales translate to about a 1[illegible]% market share of the national $[illegible]50 million dry pasta market. Its share averages about 25% in those markets where it's sold, accounting for some 50% of U.S. households. In the Southeast, Mueller's share is as high as 60%, and in New York, it holds about 16%.

Ad spending for the new line will be "competitive," Mr. Brounstein noted. Commercials are aimed at women age 18 to 49, and spots are designed to reach 96% of households over eight times a month. For the first seven weeks, 15 spots per week are planned. Couponing and newspaper inserts will complement the tv effort.

Big Spaghetti Sauce Battle

The Wall Street Journal quotes John McCrosky, executive vice president of Waring & LaRosa, Inc., advertising agency handling Ragu' spaghetti sauce, as saying: "Ragu' and Prego are beating each other's brains out."

Prego is the new Campbell Soup entry. And each company is spending tens of millions of dollars on tactics that will include coupon warfare and trade allowances.

The $600 million a year spaghetti sauce market is worth fighting for. About half the spaghetti sauce consumed in this country is homemade, but because spaghetti dinners are cheap, easy to prepare, and increasingly popular among working women, the market for bottled spaghetti sauce, by some estimates, is expected to increase 10 percent annually to $1.5 billion over the next decade. This would be a sharp departure for an industry whose annual growth has been more like 1 percent or 2 percent a year.

Betsy Morris of the Wall Street Journal characterizes Campbell Soup Company as a conservative company while Chesebrough-Pond's is known for its aggressive marketing of cosmetics, perfumes, toddlers' clothing, and Ragu'.

Strong Initial Impact

So far, Chesebrough concedes that Prego spaghetti sauce has made a strong initial impact. The sauce, first sold regionally two years ago and nationally in October, already has 18 percent and 24 percent of shares of its markets in the Northeast and Midwest respectively. It contributes $100 million to Campbell's annual sales, and Campbell says it expects Prego to capture 25 percent to 30 percent of the national market by next fall. Nationally, Prego grabbed about 16 percent of the market after its first month, according to Campbell estimates.

But Ragu' is a formidable competitor. Chesebrough acquired the small upstate New York sauce maker in 1969 and transformed it into a national brand. For more than a decade, Ragu' has had a secure hold on roughly 60 percent of the market. It commanded so strong a loyalty among its users that Campbell consumer surveys found "people were actually insulted at the suggestion we might try to improve on Ragu'," says William Hildebolt, a vice president in Campbell's food-research division.

Hunt-Wesson tried to move into the sauce market five years ago with its Prima Salsa, a "thick and zesty" sauce. Before Prima Salsa could even complete trials in its test markets, Chesebrough had countered with its own premium Ragu' Extra Thick & Zesty spaghetti sauce. Prima Salsa's market share peaked at 11 percent the first year and has since declined to less than 5 percent. Hunt-Wesson, a subsidiary of Norton Simon, Inc., won't discuss spaghetti sauce.

Chesebrough has now come out with Ragu' Homestyle and says it will spend $20 million to get it started. Campbell has increased its annual spending on Prego to $25 million from $15 million last year. Marketers on both sides say that Homestyle may have hurt Prego by beating it to the Western markets. There the battle is heating up with Chesebrough offering 75¢ off the purchase of two jars of Ragu'.

Despite the advent of Prego, Ragu' claims to be selling more sauce than ever, though it concedes the success has been at the expense of some of its other tomato-based sauces. And while Campbell and Chesebrough are battling, there is industry speculation of possible new national competition, maybe from one of the many regional brands that are vying for a bigger share of the business. There is also talk that Hunt-Wesson might climb back into the ring with a new spaghetti sauce.

Mike Schell (left), manager of Lawry's seasoning/sauce mix category and Mike Caron, manager of Lawry's bottled blends, joins forces in company's first tie-in promotion featuring Spaghetti Sauce Mix and Garlic Powder with Parsley.

Make It Fresh 'n Italian

In January, Lawry's Foods, Inc., launched a major retail promotion designed to increase grocery sales of two related products — Spaghetti Sauce Mix and Garlic Powder with Parsley.

"The garlic powder tie-in brings extra strength to our regularly slated promotion for Spaghetti Sauce Mix — the biggest selling event of the year," says Bill Keller, national sales manager for the Los Angeles-based foods company. This tie-in is also one of the company's largest, nationally supported Garlic Powder campaigns.

Highlighting the tie-in promotion is a newly designed prepackaged floor display. Now, for the first time, Lawry's Spaghetti Sauce Mix and Garlic. Powder can be merchandised together in one space-saving location. The Spaghetti Sauce display and Garlic Powder tray will featrue free Garlic Powder mail-in offers and tear-off pads of Italian recipes to stimulate sales of Spaghetti Sauce Mix and Garlic Powder, as well as pasta, tomato paste, and other related food items.

The consumer-oriented promotion was supported by the January distribution of over 30 million cents-off coupons — 10¢ for Spaghetti Sauce Mix and 20¢ for Garlic Powder. The coupons were distributed nationally through a free-standing insert and R.O.P.

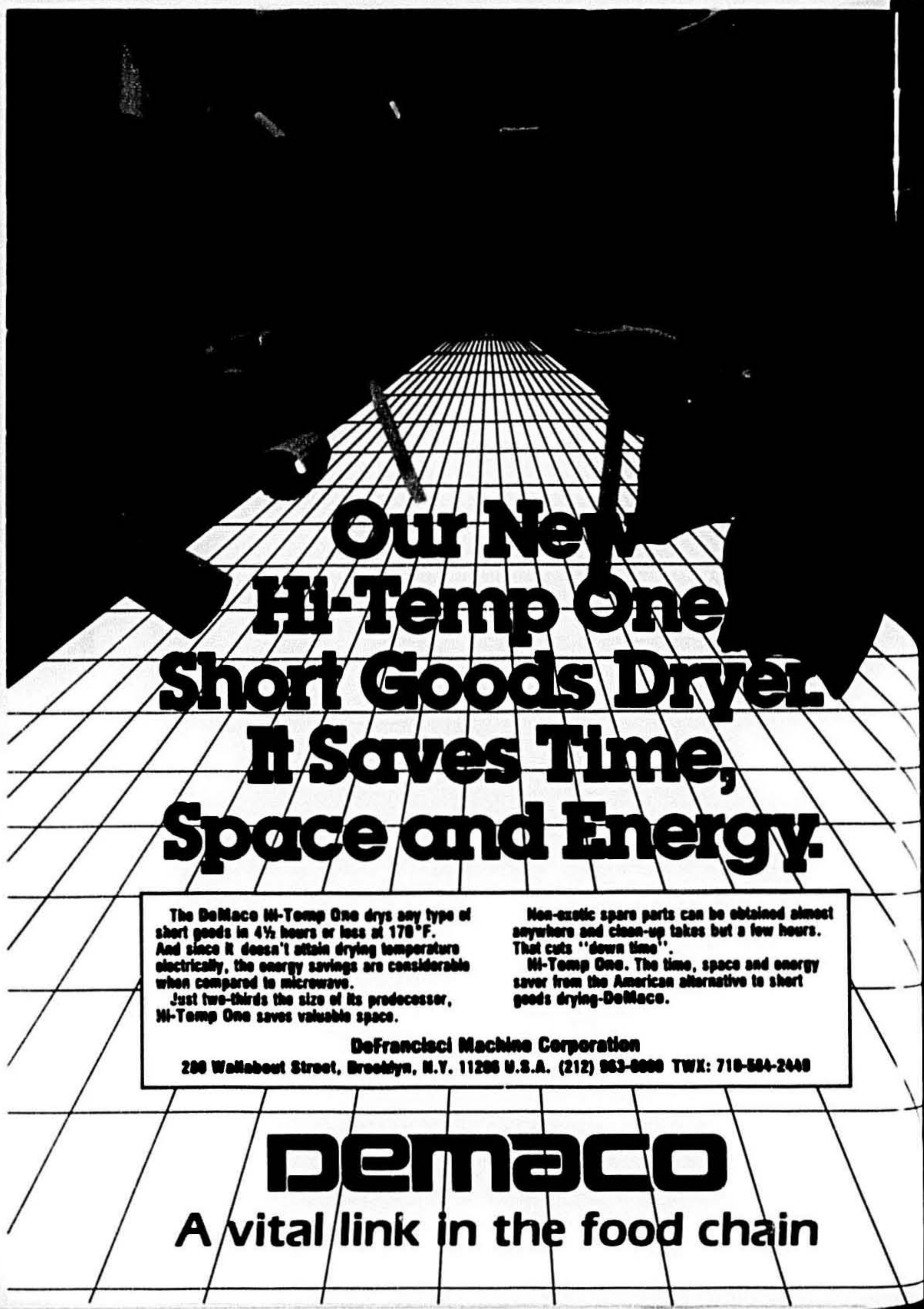
Lawry's Spaghetti Sauce Mix was the first dehydrated, foil-pouched sauce mix on the market and is the leader in the industry today. Lawry's Garlic Powder with Parsley, with sales in 1981 up over 65%, is the fastest growing brand in a large and growing category.

Lawry's Foods, with sales approaching $100 million in 1981, manufactures over 110 blended seasonings and food products for the retail and food-service industries.

Award for Prego Sauce

Prego Spaghetti Sauce and Campbell Soup Company's Grocery Business Unit have been named winners of the company's new David Ogilvy Award. R. Gordon McGovern, Campbell's president recently established the award to honor the company's business units that do the most creative

(Continued on page 23)



Award for Prego Sauce

(Continued from page 20)

an effective job in marketing an existing or new product line.

David Ogilvy, eminent personality in the field of advertising, after whom the award is named, selected the winner.

Entries were judged on marketing creativity and product positioning (advertising, media, promotions), strategy development/rationale, efficiency of marketing budget, and case volume performance versus objectives.

Prego's marketing strategy emphasized the product's homemade taste, bits of herbs and spices that consumers can see, and its all-natural ingredients.

For "excellence in marketing," the business unit received a trophy and a cash award. The Grocery Business Unit is headed by General Manager Bob Subin. Miniature duplicates of the award were given to Marty Buchalski, Director - Marketing Tony Wilson, Marketing Manager - Prego; Cindy Conrad, Assistant Marketing Manager - Prego; and Jack Dodd, Marketing Director, members of the team that launched Prego Spaghetti Sauce.

Campbell Soup

Campbell Soup Company Limited, Canada announced the following appointments. Mr. B. J. Stevens, who was General Manager, Gattuso Business Division, is appointed General Manager, Campbell Soup Business Division. Mr. Stevens' new responsibilities include Campbell's Red and White Soups, Chunk Soups and Franco American products. Mr. Stevens has been an active member of both Canadian and National Pasta Associations.

Mr. A. S. Bernstein, previously Marketing Manager, Gattuso Division, is appointed General Manager, Gattuso Division. Mr. A. S. Bernstein intends to continue Gattuso's active involvement in the Canadian and National Pasta Associations.

Brand Loyalty Still High

While brand loyalty has declined from the level it reached in the mid-1970s, it still remains high, said a speaker at a marketing research panel at the Point of Purchase Advertising Institute convention.

Judy Davidson, group brand-research manager for Kraft Retail Food Group, Glenview, Ill., estimated about half of today's consumers still claim loyalty to name brand products, while another fourth, when faced with specific category decisions, will choose their preferred brands rather than switch to generics, even if the generic item is offered at half the price.

Consumer Wants to 'Shop Smart'

Davidson said another significant change has occurred in the shopping experience as perceived by the consumer. The consumer is aware of greater competitive activity and an increase in choices in the purchase decision and wants to "shop smart," she said.

Growing numbers of consumers recognize the different choices; know the differences between products; are aware of the different prices and what promotions are available, and realize the decision is theirs, she said.

Consumer reaction to this shopping experience varies, she said. At one extreme the consumer may be "overwhelmed" by the number of choices and try to simplify the task by remaining loyal to a brand, or loyal to price — which means always buying the lowest price, regardless of other characteristics — she said.

At the other extreme is the consumer who takes pride in shopping decisions, actively seeks information and takes an almost militant attitude toward the retailer, joining with other consumers in such activities as coupon clubs, she said. "Shopping takes on psychological overtones. This consumer looks down with disdain on the less well-informed consumer."

In the middle is the consumer who passively collects and processes the information available and simplifies the decision process to acceptable alternatives. Some of the variables that can affect a decision include hold-out factors such as price and whim, she said.

Influence Each Purchase

The goal for manufacturers with these consumers is not to create brand loyalty but to influence each purchase occasion, Davidson said.

Plant Operations Seminar

The NPA Plant Operations Seminar will be held in Toronto, March 21-22-23-24, 1983.

Clipping Coupon Costs

The retail grocery and drug industry could save from $72 to $89 million per year by improving the efficiency of coupon handling procedures.

That's the conclusion of a coupon handling report prepared by Arthur Andersen and Company following a comprehensive study of coupon handling procedures involving retailers, manfacturers, wholesalers, clearing houses and associations.

Released in Septembr by a joint food and drug industry committee including FMI, GMA, FIAE, NAWGA, NARGUS and NACDS, the report suggests more efficient coupon handling practices in each step of the process.

Among the specific recommendations:

- Eliminating expiration dates or standardizing the position of dates on coupons.
- Discontinuing hard-to-handle coupons.
- Developing scannable coupons with UPC symbols.
- Reducing coupon processing time at store level via use of ECR and scanner equipment to eliminate hand counting and sorting.
- Developing standardizd guidelines to make clearing house processing more efficient.
- Speeding up coupon reimbursement to retailers.
- Establishing acceptable guidelines and procedures for payment and accounting to all companies involved in couponing.

The efficiency study was only the first of the three-pronged project. Phase II — now underway — involves disseminating study findings to the industry and implementing them to whatever extent is possible. (A recommendation such as the use of scanners to record coupons, for instance, has not been possible thus far due to legal considerations connected with a pending patent infringement case which may soon be resolved.)

How feasible are the report's recommendations and will companies comply with them? "It is in a company's self-interest to implement these recommendations," says GMA's Paul Kelly. "If they do not, it will be reflected in higher handling costs. GMA is conducting an educational program on this for its members," he adds.

Peavey

Sales Offices

Mergers in Food Distribution

The Kroger Company in November agreed to buy Dillon Companies. There probably have been acquisitions in the industry where the acquired companies had more stores than Dillon (218 supermarkets and 349 convenience stores), but that was back in the days when chains operated many more markets, and smaller ones, than is the case today. However, this is by far the industry's largest acquisition in terms of dollar sales and the amount of the transition. Kroger is the nation's second-largest chain and Dillon, with sales of $2.8 billion, is the 11th largest.

Assuming the deal is approved by regulatory agencies and goes through, the Dillon purchase would put Kroger much closer, but still considerably behind Safeway, the industry's leader. In their last fiscal years (both are in the fourth quarter of fiscal 1982), Safeway had sales of $16.5 billion, compared with $11.2 billion for Kroger. Safeway, in fear of FTC or Justice Department reaction, has not made a domestic acquisition, other than individual stores, for many years. But its chairman, Peter Magowan, has said the chain is open to acquisitions now.

Steve Weinstein of Supermarket News writes: "Other than the Kroger acquisition of Dillon, chains have not been that active on the merger front this year. The biggest contemplated chain mergers have fallen through — Thorofare's acquisition of Red Owl and Supermarkets General buying Pantry Pride. Instead, the big story as far as mergers are concerned in the food field has been provided by wholesalers.

In The Works

In some cases, the wholesalers have purchased chains. But to a large extent, the acquisitions have been of other wholesalers, further reducing number of firms operating in the field. This trend certainly is not new, but it has accelerated considerably in the past year or two. Here's a rundown of some of the biggest acquisitions which either are in the works or fait accomplis:

— Super Valu has agreed to buy Western Grocers, Denver, and the Hinky Dinky warehouse in Omaha. The acquisitions, at least in part, probably were made to insure supply sources when the firm expands its corporate and franchised Cub stores. It also repurchased Maloley Foods, 13-store Indiana chain.

— Fleming, in a $91 million deal, has agreed to buy Waples-Platter, Ft. Worth. It also will take over Ameri-can-Strevell, laying out about $25 million, including money to help pay off the Salt Lake City wholesaler's Chapter 11 creditors. Finally, Fleming bought 27 A&P stores in Kansas City.

— Scrivner hopes to extend its territory north into Illinois by purchasing Chris Hoerr & Son, East Peoria, Ill.

— Malone & Hyde has been very active. After the wholesaler bought Piggly Wiggly Corp., Jacksonville, it agreed to buy a Piggly Wiggly wholesaler not included in the deal, Piggly Wiggly Operators Warehouse, Shreveport, and 60% of a chain, Piggly Wiggly Red River, Clarksville, Tex. It also bought Liberty Cash Grocers, Memphis-based retailer and wholesaler, and 38 A&Ps in Kentucky.

— Peter J. Schmitt Co., Buffalo wholesaler owned by Loblaw Cos., is buying Star Supermarkets, Rochester, N.Y., chain.

— Wetterau bought most of the assets of General Grocer Co., St. Louis, and also has a long-time deal pending to buy Laneco, Easton, Pa.-based chain.

— Fox Grocery Co., Belle Vernon, Pa., a Wetterau subsidiary, bought most of the assets of Thorofare Markets, Youngstown-based chain. Thorofare was to acquire a two-thirds interest in Red Owl, Minneapolis retailer-wholesaler, but that deal fell through.

There have been wholesale changes in food wholesaling."

Cooperation Called For

Mark Singer, retiring president of the National Food Brokers Association, Saturday called on the association and other grocery groups to assume a stronger role in directing the future of the industry.

Speaking at NFBA's annual convention, Singer said, "Each of our associations has a job to do for its respective members. For each of us, our members do come first. There is nothing wrong with that. Let us deal with those differences in a responsible, statesmanlike way.

"However, there are many areas where our associations can and do have supportive interests," Singer said in his farewell address after 36 years with NFBA. He did not specify the differences between his association's members and others.

Singer appealed "for a new effort at strengthening principal-broker rapport. Food brokers serve their principals well and will continue to do so. Such service does not make them servants. They are partners in the sales and marketing function and should be recognized and treated as such.

There is a need for adequate compensation for the broker to provide the services needed by the principals and earn a reasonable profit, he added. "Incentive should be the drive wheel that spins out increased profits for both the principal and the broker.

"Whether this incentive involves quotas, commission rates or other formulas, it should be realistic and attainable." Singer expressed the hope that recent years' progress in handling competing items would continue. "Many manufacturers successfully sell competing items within their own company. Food brokers should be given the opportunity to do the same, so long as they do not jeopardize the sales of the principals involved."

Adapt to New Technology

Meanwhile, Roy B. Martin, Jr., NFBA chairman, told association members at their opening convention session that adapting to new technology is up to the individual firm but should be given top priority by food brokers.

"Yes, we need better-educated, more technical people at the retail level. Yes, we need to reevaluate our entire approach to the retail end of the business."

Martin advised brokers to make sure every level of management is involved in this learning process.

"It won't help the person out there in the retail store much if the boss back in the front office doesn't really understand the information he is generating."

Mergers provide incentives for food brokers to have strong organizations, Martin said. "We could be severely hurt through no fault of our own, when two companies merge and consolidate their broker sales.

This trend," he continued, "is not confined to principals. Many brokers are looking to mergers for added company strength and/or to insure perpetuation of the company. The merger of two broker firms can also create a situation of conflict in the representation." Such situations should be dealt with individually, he added.

Food Brokers Convention

The National Food Brokers Association held its 78th annual Convention and Sales Conference for food industry executives in San Francisco with participation by an estimated 15,000 manufacturers, processors, food brokers and other industry representatives.

Be Sensitive to Change

The opening address of the Convention Program by J. W. Marriot, Jr. set the tone for the meetings. Mr. Marriott spoke on industry creativity. He told the audience that the food industry must be extremely sensitive to change and communication with employees because that is where the creativity will come in. "The most effective managers are usually the best listeners. We encourage our senior managers to hold regular listening sessions with employees . . . We want people to participate in the decisions that affect them. We know there is always a better way to do something, and it is generally true that the employee doing the job knows more about that job than the management directing it," Mr. Marriott told the audience.

NFBA in Good Shape

1982 National Chairman Roy B. Martin, Jr. (Commonwealth Brokers, Inc., Virginia) reported on the business of the Association during the past year, pronouncing NFBA's affairs to be "in very good condition", thanks to many years of consistent, conservative and forward thinking. He talked about the many projects underway or just completed by the Association, the NFBA Special Committees, and by the NFBA Education Foundation.

NFBA moved into its new headquarters building shortly after the first of the year and the new facilities will afford NFBA the opportunity to expand the services offered to members and the industry. He also discussed the plans of food broker firms for the perpetuation of their business. "It seems that more and more principals these days are demanding the reassurance of knowing that this has been provided for."

Mr. Martin also paid tribute to Charles Haywood, who assumed the Presidency of the Association when Mark Singer retired after thirty-six years with NFBA. "1983 will be another milestone in NFBA's long history of achievement. We will move to a beautiful new building, see a change of staff leadership, and pursue new programs on behalf of food brokers," Mr. Martin told the NFBA audience.

Scanning Savings

Richard E. Shulman, President of Industry Systems Development, Inc., a consulting firm which specializes in scanning and its applications, delivered a progress report on the industry's adoption of this technology and use of the data it generates.

He listed some hard savings from scanning as pricing control, reduced sales shrinkage, direct store delivery control, and improved packer productivity.

He noted that the concern that automated reordering would severely curtail the efforts of brokers in the industry has been a "singularly unsuccessful" aspect of scanning technology.

"Soft" savings, according to Mr. Shulman, include product line management, pricing analysis, promotion and advertising analysis, new item evaluation, shelf and space management, and financial management.

He noted that the data produced by scanning equipment allows the retailer to assess a promotion or a product in terms of the overall category, rather than as an isolated item or effort.

C. J. McNutt Honored

The 1982 NFBA Watson Rogers Award for Outstanding Service was presented to C. James McNutt, Vice President of Campbell Soup Company and President of Campbell Sales Company.

In presenting the award, NFBA President Mark Singer told Mr. McNutt and the audience that this year's award "salutes a person whose reputation establishes him as a dean in the food industry. He is universally respected and has been honored in many ways. At the risk of being sentimental, I might say that he is beloved throughout the industry — a friend to manufacturers, wholesale and retail distributors, and to food brokers."

Robert Siler, President of Sales Force Companies, Inc., Chicago, who serves as Chairman of the NFBA Education Foundation, gave a brief talk on the activities of that body. He called on the industry members to support the efforts of the Foundation through contributions and other participation.

Bet on Yourself

Thomas Haggai, Chairman of the Independent Grocers Alliance (IGA) challenged each member of the audience to "bet on yourself" and learn to analyze situations in a way that allows you to visualize the most creative answers to problem areas.

Arthur Woelfle, President and Chief Operating Officer of Kraft, Inc. presented an overview of the Uniform Communications Standard (UCS) and reported on the current status of the industry's adaption to this innovation. Mr. Woelfle is Co-Chairman of the Joint Industry Committee for UCS development.

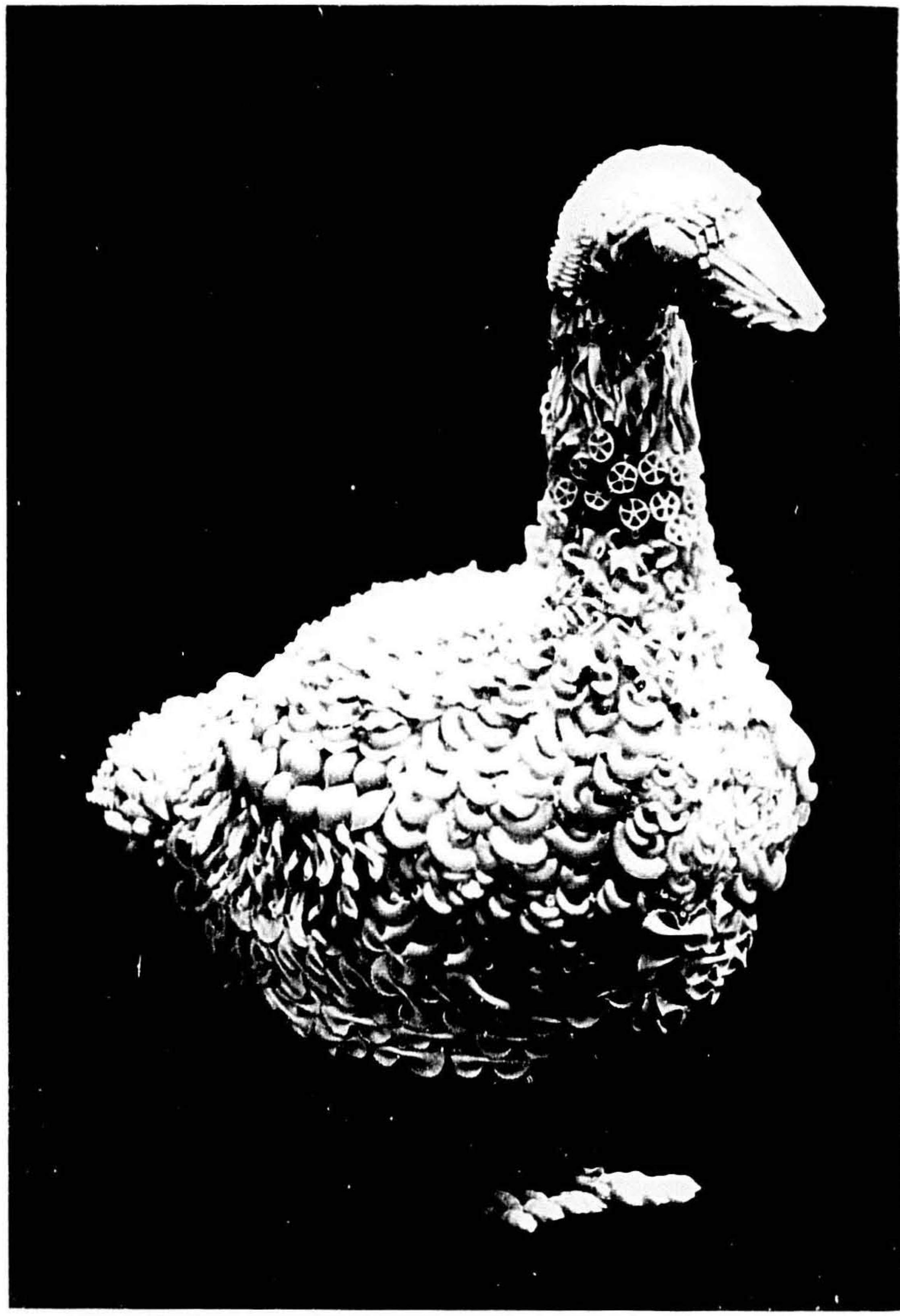
He ran through the program from its inception to the present day and talked about the various applications for the Standard in the future. Mr. Woelfle told the NFBA audience that this standardized communications format and language will save the industry an estimated $300 million annually. The increased accuracy, control and reduced processing time produced by computer-to-computer ordering and invoicing will also reduce capital requirements because it will cut the time between order and delivery to two to three days. He noted that the next phase of UCS implementation, to begin in July of 1983, is now being considered by another 20 to 25 corporations representing various segments of the industry.

Mark Singer Honored

NFBA President Mark Singer, called for stronger roles by the grocery industry associations and urged NFBA and the other associations to work closely with each other for the benefit of the industry as a whole.

He talked about several aspects of broker-principal working relations. "I appeal for a new effort at strengthening the principal-broker rapport. Food brokers serve their principals well and

(Continued on page 30)



The pasta goose lays a golden egg, too.

Pastas – let's tell it like it is.

ADM

ADM also supplies quality bakers shortening, [illegible] sweeteners, [illegible] soy proteins, dough conditioners and vital wheat gluten for the baking industry.

Food Brokers Convention

(Continued from page 27)

will continue to do so. Such service does not make them servants. They are partners in the sales and marketing function and should be recognized and treated as such," Mr. Singer told the food industry representatives.

"Any practice which stifles incentive for extra earnings can mean short-term savings at the expense of long-term growth for the principal. For the broker, it can mean economic attrition. Whatever the compensation package, if it is inflexible or restrictive, it is not productive. If it is not productive, it is not a sound way to build for long-term stability and expansion, for either the principal or the broker," Mr. Singer emphasized.

A surprise presentation was a tribute to retiring NFBA President Mark Singer and his wife, Phyllis. The NFBA Executive and Advisory Committees presented the Singers with a "Second Honeymoon" trip. NFBA National Chairman Roy Martin told the food brokers, manufacturers, processors and other industry guests who filled the Hilton ballroom that "Mark Singer is a man whose whole life has been devoted to the food brokerage profession. There is no man in the food industry who is more highly thought of or whose advice is sought more often." He added that Phyllis Singer deserved special praise also because she and Mark "have always worked as a team on behalf of NFBA members." The emotional ceremony brought thunderous applause and enthusiastic affirmation from the audience.

Uniform Communications Standard

Arthur Woelfle, Co-Chairman of the Joint Industry Committee for development of the Uniform Communications Standard stated that "the indirect benefits of UCS will exceed the direct benefits." Mr. Woelfle is President and Chief Executive Officer of Kraft, Inc.

The Uniform Communications Standard is designed to address the ordering process, not bypass the buyer-seller relationship. "That interface will not and can not change," Mr. Woelfle said, adding that "those decisions as well as the buyer-seller relationship will always remain at the heart of the business."

UCS, Mr. Woelfle explained, is a standard that has been developed for the use of the entire industry as a vehicle to streamline the process of ordering and invoicing. He said the estimated cost savings that will be realized from use of this standard will be at least $300 million each year. "UCS can add to the profitability of every person in this room," he stated.

Mr. Woelfle reported on the various steps and phases the development and implementation process has already completed and announced that as a result of the pilot project success, all twenty divisions of Safeway are now "on stream" with Kraft and are exchanging purchase orders.

He also announced that twenty to twenty-five more corporations have expressed "serious interest" in participating when the next phase of the UCS implementation program commences in July of 1983.

Wide Representation

In August of 1982 an open seminar was held in Washington, DC and Mr. Woelfle noted proudly that of the 300 people from 100 companies who participated, there were representatives of packers, manufacturers and distributors, as well as food brokers and retailers.

"The benefits of UCS will be shared by all segments of the industry," Mr. Woelfle stated. "For instance, UCS can cut to two to three days the time between order and delivery. This will reduce capital requirements by reducing the need for heavy inventory."

He advised brokers that there "are no conceptual problems" for them with UCS. NFBA, he said, has been actively involved in UCS deveolpment from the outset and the food broker has been built into this system as an integral part. The roles of buyers and sales representatives will continue to include the functions of reviewing quantities and other factors.

Mr. Woelfle reiterated his enthusiasm for UCS, the cost and time savings it will produce for the industry, and the efficiency it will bring to the ordering and invoicing process.

"I hope you will all seriously consider its application, especially in the broker segment of the industry. As we work to improve our own efficiency, we will be working for each other, as well as ourselves," he stated.

Following Mr. Woelfle's talk, NFBA National Chairman Roy B. Martin, Jr. expressed special thanks to NFBA member Marsh Blackburn, Chairman of Sales Force Companies, who has been a member of the Joint Industry Committee overseeing the UCS project. Mr. Blackburn's company participated in the pilot.

Mr. Blackburn has been appointed Chairman of a committee formed to explore an ongoing administrative structure for UCS. One of the alternatives that will be considered is the linking of UCS to the Universal Product Code organization.

Principal's Panel

Five manufacturer members of NFBA's Principal Advisory Group gave their views on factors they considered significant in broker-principal relations.

Marketing Programs

"Principals' Marketing and Promotional Programs" were discussed by Jon Peterson, General Manager, Grocery Sales, H. J. Heinz. He outlined the Heinz approach to marketing programs, which entails adapting each program to some 78 individual marketing areas. He noted that they try not to rely on tried and true approaches because they are constantly looking for better and more creative ways to approach this.

"We need timely input from our brokers and broker managers in order to develop optimum marketing and sales strategies. We need to know which programs are working; which programs are not meeting expectations and why; what to expect from our current and previous programs; how programs can be structured to achieve better results; and what volume can we expect if we follow the broker recommendations."

To facilitate this type of communication, Heinz uses Regional Market Managers who are responsible for working with the brokers in the local market basically in four areas — monthly promotions, business building programs, evaluation of programs, and special events.

"While our philosophy of 'field interaction and input' may differ from

(Continued on page 32)

Principal's Panel

(Continued from page 30)

that of other manufacturers, including possibly some of my friends on this panel, we feel it has worked for us and will be even more successful in the future.

"What about execution? It is critically important that trade allowance and consumer programs be put together in one logical, attention-getting presentation. Today's buyers are better educated and are supported by computers and scanning data. Merely 'selling price' will not get the job done anymore," Peterson stated. He explained that Heinz provides brokers with a great deal of information on the products including market research data, promotional specifics and documentation of the product's quality.

"However, we find that too often this information is not communicated to the buyer at the same time as information is on trade allowance. As our local sales and marketing arm, the brokers representing our lines must present the full story and present if effectively."

At this, he called on food brokers to be creative to maximize sales results. Noting that through its feedback approach Heinz has been able to achieve significant sales gains in many areas, he added:

"We are convinced that our brokers can be considerably more effective if they will challenge themselves to be more creative in (1) providing us with the information we need, and (2) making presentations to accounts that address not only net selling price but also total promotional program benefits."

Product Conflicts

Robert Kill, President, Confectionery and Snack Foods Division, Beatrice Foods, discussed the situation of "Product Conflicts." After cautioning that his remarks were to a large extent geared to the confectionery and snack food markets which he described as "somewhat unique and somewhat atypical" of the general and broader food market, he offered the following analysis:

"I believe brokers should be able to handle competing items but rarely conflicting items. Using confectionery as an illustration, virtually every candy bar competes with every other candy bar, but the market is so fragmented that many different brands are usually sold and competing wherever candy bars are sold. But within each market segment or niche there may be an additional competitive situation that will only allow one brand to be present. If there are two to three brands in this niche then I'd consider them conflicts.

Mr. Kill allowed that product conflicts are not a new problem and they will most likely always be a factor in the industry. "I think every case is different and should be decided on its own merits and significance," he advised the NFBA audience.

"When we have problems of this kind it seems that there can be no meaningful partnership in effect. I believe strongly that brokers and manufacturers have to be partners to be successful. If they are, then conflicts are usually handled in a fair, intelligent and reasonable manner. If there is a weak partnership in place, then any situation that even smacks of a conflict can be a good excuse to resign an account or fire a broker. I don't think that arrangement is good enough for us or for you. We both deserve better. If we are partners in the real sense of the word we'll be able to work out our problems fairly," Mr. Kill stated.

Growth Opportunities

Carl Stinnett, Vice President - Sales, The Clorox Company, talked about "Growth Opportunities Through Education and Training." He told the audience that "our survival as professional sales organizations is at stake. Those organizations not prepared through disciplined training will vanish."

He warned that the trade, the buyers, will have increasingly sophisticated and detailed data on the sales and profit contribution of every size and brand. He added, however, that the data "will only tell them what happened, and under a given set of circumstances.

"The smart retailer will still be vitally interested in presentations that show him how to build his business. But he will have so much sophisticated data of his own that only the more prepared, professional salesperson can hope to get his attention, much less motivate him to action."

Mr. Stinnett stated flatly that he feels too much emphasis is placed on personal relationships/trade rapport. "We've all seen examples where familiarity — being comfortable with the buyer — results in sloppy and unprofessional sales habits."

His second point is that often broker salespeople are responsible for too many products to be fully informed about them. "This is usually a result of the first problem — assigning one person to one account and expecting him to represent all or most of your line at that account."

Mr. Stinnett said the answer lies in training and in reorganizing priorities. He feels salespeople need frequent training and constant follow-up on that training. He stated that the specific areas which should receive attention are the salesperson's ability to research and analyze sales information and reports, to prepare presentations, and to set and follow sales objectives. He also suggested that brokers move away from the account/customer specialist approach and more towards product or category specialization for the salespeople.

Incentive Programs

Melvin I. Davis, Corporate V.P., Package Goods Customer Department, Chesebrough-Ponds, tackled the subject of "Food Broker Incentive Programs," which he defined as "supplemental methods and activities designed to motivate and move brokers to accomplish specific goals beneficial to both principal and brokers."

He advised the audience that his philosophy on incentive programs, whatever type they may be, is to "keep them simple . . . direct them at the detail level as much as possible for the greatest return on investment over the long term . . . and the program must be mutually developed and agreed upon to be most successful."

Mr. Davis ran through the list of options available to use when structuring incentive programs.

He outlined several points of the principal-broker relationship which he feels are critical as prerequisites to any successful incentive program. These included: "The business partnership must be profitable to both parties on along range basis . . . the standards of performance must be

(Continued on page 34)

Principal's Panel

(Continued from page 32)

clearly stated, mutually agreed upon, attainable operational objectives on a day-to-day basis . . . adequate sales tools and training programs must be available . . . and there must be periodic feedback on achievements and restatement of the objectives."

Mr. Davis advised that he feels the objectives of an incentive program should include the ability to improve communication with the broker personnel at headquarters and particularly at the retail level; it should focus the broker personnel's attention on the principal's priorities both short and long-term; address specific product needs in the local marketplace; and provide recognition and rewards for specific job performance.

Sales Meetings

The final presentation, on "Sales Meetings With Food Brokers" was made by John McRobbie, President, LaChoy Food Products. In a lively presenation Mr. McRobbie said that he believes sales meetings are supposed to do four things: entertain, instruct, persuade, and inspire. He said that LaChoy holds sales meetings with brokers once a year, with the full broker sales force present. LaChoy does this in the top 25 markets which covers about 80 to 83 percent of the companys' total sales.

"LaChoy covers much of the same material but we incorporate a little fun and figures together in the meetings," he told the NFBA Convention participants. "Communication, awareness, and a little planning can surely help to promote a more positive and enthusiastic approach to these gatherings. You cannot do the same old things time after time."

He listed five points to consider to make sales meetings more valuable to all concerned: (1) review the agenda beforehand and improve on it where possible; (2) emphasize the advantages to the broker and to the principal; (3) be sure of the facts, don't exaggerate; (4) tell those attending exactly what you want them to do and why; and (5) be sure that the person making the presentation is a good speaker.

Private Label Spurs

Private label remains a growth category for the foreseeable future because of the "dismal" economic outlook, the "new" consumer who is not blindly loyal to national brands and the "new retailer," who is trying to create a "consumer franchise," according to David Hawkins, professor of business administration at Harvard Business School, Boston.

New Consumer

A new consumer has developed in response to economic hard times, Hawkins said at a Private Label Manufacturers Association convention seminar. "The consumer has learned to cope very well, probably better than most corporations: is not adverse to price increases in line with inflation; he is reluctant to hold monetary assets, more conscious of cash flow, more cautious; he understands the concept of indexation, the rate of credit; he would rather save than spend; he is working to protect himself against difficult times," said Hawkins. The new consumer will also pay premiums, but will not pay for things, features or services he does not need. He is trading down, reducing home inventories and buying closer to the time needed. "He is more value-conscious, feels a desire to join others with a common interest and is reassessing the way he lives," Hawkins said.

Private-label products meet some of these consumer needs, he added. Private label will stretch cash, offer quality, has a superior value/price relationship and leaves the consumer with the impression the retailer has joined him in the struggle against difficult times, he said.

Ads by West Coast supermarkets that stress private-label and generic products can be seen as telling the consumer, "We understand your problem; we are working with you," Hawkins said. "Those stores are developing a consumer franchise: A bond between the retailer and consumer."

To Realize Potential

To take advantage of private-label potential, retailers have to maintain adequate stock; price aggressively; endorse the line to give reassurance that the store stands behind its quality, and merchandise enthusiastically, he said.

The retail response to the economy of the 1980s has been to push for more volume, improve gross margin and productivity, reduce investment tie-up cost and risk, assume a heads-up management style and apply new measurements to success, he said.

There has been growing interest at retail in promotions, particularly in-store events, and a widening of lines within brands carried, to get maximum impact, Hawkins said.

Kroger on Generics

A Kroger Co. executive foresees a leveling off of low-end products and a renewed interest in top-quality private-label products.

"We, as an industry, must take junk (generic) products off the market . . . I condemn both the manufacturer and retailer who markets such products. When the consumer picks up this junk, some (of the blame) rubs off on you and me," Kenton A. Gast, vice president, procurement of grocery private label, said. He was speaking at the Private Label Manufacturing Association 1982 Trade Show.

Kroger's version of the generic label is the Cost Cutter brand.

Responding to a question, Gast said he did not mean to say all generic products are junk, adding that many of his customers understand that generics give value for the price without some of the frills. "We may not need the frills on private-label and national brands."

Questions

Gast, who moderated the session and conducted an audience participation period that followed, posed several questions for which, admittedly, there are no ready answers: Where are generics going? What about private labels that are almost generics in quality? How will inflation and/or deflation affect the private labels? How do retailers protect their top-quality private-label products from being cannibalized by generics and lower-grade private labels? What about the three-tier private labels?

Gast did not see any great changes in the economy in 1983. He expects a low rate of inflation and a good environment for private labels to compete with national brands.

Gast acknowledged that generics may replace the second tier of private labels, although it would depend on the category.

He suggested retailers play down generics or their equivalents, and promote and display the retailer's top of the line private label. If this line is presented properly to the consumer, Gast said, she will recognize the value in top-quality private labels. In this way, the trend to generics possibly could be reversed.

Price Not Sole Attraction

Price is not the only thing that brings customers to a food store and sells merchandise. Aspects such as service, atmosphere, cleanliness, etc., still are determining factors.

"We, at Kroger, prefer to buy on a net basis. We prefer to run our own promotion programs and integrate them with our private labels. But, if I were a manufacturer, I would offer two programs. We are partners (with the supplier), he said.

Responding to a question, Gast said: "Absolutely, we stand behind our generic Cost Cutter products as we do our private labels." Kroger's Cost Cutter labels carry product guarantees.

Gast said care must be exercised where a retailer uses the three-tier private-label system. A supplier said that some of his retailers have been asking for an added tier of private-label products, that would be sold in bulk. Gast said he would not pass judgment on the idea but warned that there may be sanitation problems involved.

Trained Buyers

Responding to a supplier's complaint that retail buyers sometimes are not well-informed about the products they buy, Gast said, "We (Kroger) are committed to having buyers well trained . . . we hold seminars for new as well as experienced buyers. When they get into my department, they have had several years experience."

Gast asked suppliers and brokers what they are doing to educate retail buyers. Several in the audience responded that they acquaint retail buyers with technical aspects of a new product and some even offer them plant tours.

The Value of Generics' Negative Sell

A letter to Private Label magazine, written by Dr. Barbara B. Stern, associate professor of marketing, Department of Economics/Management Science, Kean College of New Jersey, Union, N.J., raises an important point about generics — the use of a negative sell.

Dr. Stern, an ex-English professor, writes: "I am rather sensitive to language and think that part of the problem of small market share (for generics) is the unfortunate and confusing terms used for generic products."

No Name Monsters

She submitted a short article, based on discussion in her class, titled "Help Stamp Out 'No-Name' Monsters!" In it, she states: "The only term which can reach the mass market's heart is generic: any linguistic usage which stresses a negative — and that includes 'no-frills' as well — will turn off the less educated, less sophisticated, less brand loyal 98% of the market that represents real buying power."

Professor Stern is correct about the effects of a negative sell — up to a point. Actually, there is a positive side to generic's negative identitiy, i.e., no-name, no-frills, unbranded, or whatever. Generics are sold minus something: less packaging pizzaz, less quality in the ingredients, less advertising punch, less convenience features. It's an honest sell, sometimes spelled out right on the label, telling consumers exactly what the product doesn't represent. It is often something less than a branded product.

Brand Means Top Quality

A brand name stands for something, usually top quality. No name, paradoxically also stands for something: acceptable qualtiy at the lowest possble price.

It's probably more accurate to say that consumers today should be educated with respect to an honest sell. For example, Coca-Cola's latest ad campaign states simply that "Coke is it." That certainly tells consumers volumes about its product? Conversely, generics tell consumers exactly what they're not getting in order to realize a savings.

The message is conveyed in plain labels — black-and-white, yellow-and-black, one-color, or in an economic sounding store brand name — Cost Cutter, Money $avings Brand, The Way It Was, Budget-Line, Scotch Buy, Price Breaker, No Frills, Econo Buy, Penny Smart, etc.

Evolution Not Orchestrated

The generics evolution has not been orchestrated. Each retailer/wholesaler follows a different course. The common thread is savings for the customer. The shopper gets value — good quality at the lowest possible price — with or without a name on the package.

Dr. Stern argues that "there really is no such thing as a 'no-name' product, despite the popular usage of that term. Every product on every market shelf is labelled with the name of the manufacturer and city of manufacture . . . Today's educated consumer expects a store to stand behind a product.

"And today's less-educated, mass consumer must be educated to believe that every store will stand behind every product, including the generic ones."

In fact, that's exactly what's happening in the marketplace, as retailers adopt economic-sounding names for their generic lines. We feel there's room for both no-name and brand name generics, as long as the retailer/wholesaler keeps the standard established in generics: good or acceptable quality at the lowest possible price. And as Dr. Stern indicates, the store should stand behind that named or nameless line.

Consumer Expenditures Study

The 35th annual Supermarketing Business Consumer Expenditures Study shows supermarket and grocery sales gains from 1980-1981 up 9.4 percent. Macaroni product sales were up 4.3 percent. The average shopper spent 18¢ of her weekly supermarket budget on macaroni products in 1981, no change from 1980.

Value of total domestic consumption:

Spaghetti	$ 447,750	$360,010*
Macaroni	351,500	247,730*
Noodles	260,550	188,420*
Mac. Products	1,059,800	796,160*

*Amount spent in grocery stores.

The category represents 0.47 percent of food sales in grocery stores. Percent of increase over 1980, 4.3 percent.

Average Shopper

The average shopper spent 18¢ on macaroni, spaghetti and noodles in 1981 - no change from 1980.

She spent 79¢ on cereal and rice in 1981 - up from 74¢ in 1980.

NATIONAL PASTA ASSOCIATION
WINTER MEETING

February 20-23, 1983 — Marriott's Marco Beach Resort, Marco Island, FL

Sunday, February 20

1:00 p.m.	Registration Desk in the Ballroom Foyer
3:00 p.m.	Board of Directors Meeting in the Mainsail Room
6:00 p.m.	Welcoming Reception at the Main Poolside
7:00 p.m.	Florida Lobster Cookout

Monday, February 21

9:00 a.m.	First General Session in the Wardroom
9:15 a.m.	Greetings from the Chairman
9:30 a.m.	Product Promotion Report
9:50 a.m.	Trade Relations Report
10:10 a.m.	Standards Committee Report
10:20 a.m.	Nutrition Research and Education Committee Report
10:30 a.m.	Council Meetings: Consumer Affairs, Government and Technical Affairs, Internal Affairs, Industry Advisory Council
2:00 p.m.	Tennis Mixer at Hotel Courts — sign up in advance
6:30 p.m.	Suppliers' Social in Ballroom A, B, C
7:30 p.m.	Old Timers' Dinner Party

Tuesday, February 22

9:00 a.m.	Second General Session in the Wardroom Jaine and Jim Carter, Personnel Development, Inc., Marco Island, Florida, will present a workshop for husbands and wives on Assertive Management, Burnout and Stress. This workshop emphasizes active participation in techniques for assertively coping with time demands, stress, conflict, anger, manipulation, guilt, and offers biofeedback techniques and relaxation exercises
12:30 p.m.	Golf Tournament at Marco Shores Country Club — sign up in advance — transportation from Service Manager
	No evening functions planned — enjoy facilities of hotel.

Wednesday, February 23

9:00 a.m.	Third General Session in the Wardroom Frank M. Butrick, Akron, Ohio, business owner, author and business broker will lead discussions on Cash Flow Management. To make money, you have to manage money — pricing, costs, taxes. The business operator who manages his cash flow — and controls his tax exposure — can even use this slump for fast growth, by buying businesses which are less well managed.
12:30 p.m.	Board of Directors' Luncheon — Veranda II
1:30 p.m.	Board of Directors' Meeting — Veranda IV
6:30 p.m.	Suppliers' Social in Ballroom A, B, C
7:30 p.m.	Dinner Dance

FAMILY BUSINESS COLUMN

by Frank M. Butrick, Akron, Ohio

PART IX — IS YOUR BUSINESS BIG ENOUGH FOR YOUR SON?

The size of a business, in terms of the number of employees or its volume or profits, is determined by many things — its age, original capital, the owner's ambition, luck, competitive forces, how much experience the owner had in that business line when he started, and how well (and quickly) he learned to manage his people and money. Some men want to grow, work hard at it, have good luck, do all the right things at the right times, and wind up owning giant businesses. Others, from a lack of desire, knowhow, or other factors, have businesses which are always small. Sometimes the owner/managers find that they cannot reproduce themselves; because of personality, standards, or the type of the business, the owner must do or oversee everything himself, and his company's size is limited by his own limitations. Some men taste bigness, are repelled by all the complications, responsibilities, and risks involved, and cut the firm back to a more convenient size and keep it there, content with what they have.

As long as a man owns and runs his company for his own sake, it can be whatever his desires, ambitions, and abilities make it — big, small, dominant, low-profit, a money-maker, or milked until it wobbles. But when a man invites his son to join him in the business — when he makes it a FAMILY BUSINESS — he can no longer run it to suit himself alone. The owner must also plan for his son. And that planning should start as soon as possible.

First, the company must have achieved some nominal size, bigger than just one man, merely to attract him as a boy, working summers. The son must see it as a business, not just a "job helping dad". Well before he finishes his schooling, he must see that the business offers him an arena for his talents and ambitions, not merely a job as a salesman or machinist or craftsman. By the time he has married and made the owner a grandfather, the business must be large enough to support the owner in his accustomed style, and his son and his family, too. And if the owner has sons — in the plural — or a son and daughter or daughters (and then sons-in-law), then he must plan on a company which is large enough to give productive, challenging, and well-paid positions to the family members.

So how big should a company be? As big as its owner decides if he is alone. But if he wants to have a family business, then it must be big enough for his family. It must be—or become—as large as it needs to be.

Making a Business Large Enough For All

Too many owner/managers miss the concepts, the guiding philosophy, which has to be adopted to make a business into a family affair. While you run the company alone, and until your oldest involved son is in his midtwenties, you can do as you see fit. You run it and your sons work in it. And right here is where way too many fathers, deliberately or by default, adopt a course which leads to endless problems, frustrations, and bitterness. They go on as before, visualizing their sons as employees.

It must not be done that way. As soon as your son achieves adulthood (somewhere from 23 to 28 on the average but occasionally earlier and sometimes even later), he should be invited in to begin to help with the thinking end of the business. He had already seen the long-term planning. Not the day-to-day management and running — that is your job as long as you are the president. But he should begin to help with the longer-range planning. This simple step on your own part serves many purposes:

First, it assures him that he is important to you; he is more than just your wife's boy, he is your SON, somebody you want to have share your career and your business. Second, it opens up communication channels between you — provided you let him do part of the talking and then listen to him. Third, it gives you a chance to get to know each other as adults—you have always known him as "my boy" and he has always known you as somebody who projects authority along with teachers, policemen, and the neighborhood bullies. Fourth, inviting him to help plan the firm's future proves that there will indeed be a meaningful position for him — and it lifts his thinking far above the mundane day-to-day performance of his job. And fifth, by him helping you to develop the plan, he can hee his own contributions and responsibilities in making the plan work. In fact, if making room for your son in your business necessitates growth beyond what you would want for yourself alone, then let him become the instrument of its accomplishment.

Your son's true job in your company is not to trot around behind you, or to be your helper, or to fill your weak areas, or become a department head because you cannot or will not hire a qualified man to fill the position. His job is two-fold: First, yet of little significance, is to earn his pay. But second, and the only objective of any real importance, is to learn presidenting. He must learn how to plan and how to do, how to make decisions and take risks, and how to manage facilities and money and men. How better to begin this learning than to [illegible] you plan a growth program, then — with your help and guidance — put your joint plan into effect?

There are a number of ways to visualize growth which your son can create. The most obvious, helping to increase the business as it stands, is the worst. Do not plan on a straightforward increase in what you now have; if that comes, it is your job, not his. Getting your son involved in your business means he would be treading on your every improvement or alteration which he suggests would become an implied criticism of what you have already accomplished, and although you could take it at first, it would soon lead to trouble. It is not really workable, anyway, even if it does seem the logical way to go. After he has work-

(Continued on page 40)

Family Business Column

(Continued from page 38)

ed with you for a few years and pretty well knows the business, has had a taste of the different types of work, and has been introduced to the thinking side of the business, it is time he put his own talents and energies to work —in independent action. Turn him loose on his own project. The family business has enough sticky aspects without creating some more, and nothing leads to many misunderstandings and frustrations as an ambitious son trying to stir his father's pot.

So look outward from what you now have. A manufacturer/producer might look at new markets or adding a whole new line of products — or move into private-brand marketing, wholesaling, etc. A wholesaler could explore new lines, manufacturing, branches, acquisition, private branding, retailing, or going national. All of them can be worthwhile, require your son to learn, analyze, study, plan, and to make his own decisions; they buttress your parent firm, keep him in areas where you have built enough experience and knowledge to be helpful, and yet require your son to break new ground. In short, perfect practice for presidenting.

One of the best methods is the acquisition of a company which is in financial difficulty. Such firms can be found in every major city, and will probably become plentiful in the troubled times ahead. In essence the procedure consists of making a plan of what to accomplish, searching out troubled firms who fit the requirement, then setting up a wholly-owned subsidiary corporation and using it to buy one of them from the owner or from the mortgagor after his foreclosure. Typically, it requires very little investment, but you wind up with a mountain of debt and will have to move fast to make the firm profitable —and bring a turnaround. The thin capital-to-debt ratio may make a conservative father (and his banker) flinch, but this is a classic set up for a high return on your investment — and the parent firm is protected by the separate and subsidiary corporation.

Acquisition is the perfect training ground for your son; he not only has the analysis and decision making on the marketing side, but he must be ambitious enough to take on the undertaking and experienced enough to know when he is being lied to — and firm enough to move the former owner and most of the old department heads out or into areas where they cannot continue the decisions and practices which cut the firm down.

Just remember to let your son run the show himself. He cannot learn presidenting by watching you; he has to learn as you did—by doing it.

NEXT MONTH: Should you have your wife involved in your business?

This article is condensed from a chapter in the author's book, THE FAMILY IN BUSINESS, to be released by the IBI Press, Box 159, Akron, OH 44309.

MACARONI JOURNAL will be printing key chapters from the book, the first ever devoted exclusively to the personal relationships within the privately-owned business, during the forthcoming months. For information on the book, contact the publisher directly.

Managers Must Give Workers Tools to Build Productivity

By Robert F. Huber
Editor and Publisher of Production Magazine

Of all America's problems, the declining productivity of our industrial base is the only one we can collectively solve. By doing so, we can influence our slumping economy and ease unemployment.

We are not going to do much about international terrorism and aggression, world famine or political ineptness.

But, because of our station in life, we not only can influence productivity but also we have been charged to do so by our society.

Other nations have been doing a better job of using new technologies than we have despite the fact that we created most of those technologies.

Some U.S. companies are trying hard and are frustrated by the time and the cost required to use technology well. Others are working as well as they can, given their limits.

Companies Wring Hands

But too many companies are wringing their hands, crying out for someone else to ease the pain.

Many of their managers cite lazy or incompetent workers as major problems, and they turn to Washington for laws that would protect their markets.

Some workers are both lazy and incompetent, and Washington must recognize that U.S. manufacturers need both a domestic and international environment in which capital can be formed and cooperative research and development can take place.

But all of that doesn't change what must be management's view of productivity.

Arthur R. Thomson, director of the Manufacturing Engineering Department of Cleveland State University, says simply: "The key to productivity is management."

Manufacturing is not an art but rather a science that is subject to analyses that can identify the rules governing its behavior.

The principal activity of most people in a manufacturing organization is creating, analyzing, transmitting and managing data — not the actual transformation of material, as is generally believed.

The major productivity problems, and their solutions, rest with management. Will it take a risk? Will it settle for long-term payback when needed?

Has it defined its problems? Does it know where to look for solutions? Is it capable of working with suppliers to help them trim costs?

Managements must understand that the days of the "us and them" view of management and labor have passed. A year ago, I asked the manufacturing manager at Oldsmobile if I could come up and see the company's new plant for making diesel engines.

"Sure," he said. "I know you'll want to see the new machines and the new processes, but I can tell you that the story of what we have accomplished there is the people and their attitudes." Its' no wonder that this young man is already a General Motors Corp. manager.

But the major challenge to management in terms of the ability to use new technologies and achieve real gains in productivity is the training of our people.

G. E. Dieter, dean of engineering at the University of Maryland, has

(Continued on page 46)

From left to right: Mr. Salvatore Di Cocco, Mrs. Laura Ricciarelli, Mr. Mario Ricciarelli, Mr. Aldo Ricciarelli, Mrs. Mirca Di Cocco, Mr. Alessandro Di Cocco.

To Build Productivity

(Continued from page 40)

focused on the people aspect of integrating advanced technology.

Dieter voices concern that there will not be enough properly educated and prepared engineers to accommodate the demands of companies using future technologies.

Many Students Foreigners

He says that in the last five years, there has been a 50 percent increase in engineering students.

However, 40 percent to 50 percent of those four-year students are from foreign countries. They are likely to return to their native countries after they receive their degrees.

The problem is identical on the technician and blue-collar levels. This, again, is an area in which management can make a difference.

Management's role in productivity is to make it a prime objective and to implement both the decisions and the tools that will permit their employees to make it happen.

Restaurant Riddle

Does it help to charge the highest prices in town?

Yes, insists a waiter at Jean-Louis a Washington restaurant patronized by President Reagan, where a three-course meal costs $55 a person before drinks and tip. "It is good to be known as expensive," says the waiter. "People know they can impress their guests here." But at Dudley's in Denver, where $12 appetizers of truffles sell out nightly, "we try to downplay the cost as much as possible," a partner says.

Customers' perceptions of what's expensive vary widely from region to region. The most expensive entree at Danny's, Baltimore's highest-priced restaurant, is lobster thermidor, at $25; the same money couldn't buy a fettuccine - and - caviar appetizer at Tony's in Houston (the price is $37.50). The base charge at the Palace in New York is $70 a person, before drinks and tip; the restaurant says it sells several dinners-for-two each week in the $800-to-$1,000 range. But a Buffalo, N.Y., restaurant named Cloister, one of the fanciest in town, can't recall a tab-for-two over $130.

Cafe Royal in Dallas says its most expensive entrees are the best sellers; a typical meal is $60.

Restaurants Lead in TV Spending

Restaurants spend more than double the amount supermarkets do in their TV advertising in trying to reach the same customer, warned Robert Baker, vice president, local sales for the Television Advertising Bureau.

Baker, who addressed the National-American Wholesale Grocers' Association advertising/sales promotion seminar, also discussed several successful case histories of supermarket retailers who use TV heavily.

Supermarkets' television advertising expenditures grew 62% to $175 million last year, Baker said. Despite the growth, however, they were behind restaurants and fast foods, which spent $351 million in 1981, up 101% from five years ago. "Where supermarkets are in television today, restaurants were five years ago," he said.

"To be very blunt about it, the restaurants are outspending you two-to-one on television to sell the same customer.

Reason Why

"Now, why do they do that? Well, listen to a few of their problems: Inflation, high energy costs, competition. Do they sound familiar? They should, because your industry and theirs both face the same problems.

"When the share of market slips, attack! Restaurants are attacking — they're attacking on television. The battleground is on the television set, and the winner gets the larger portion of the food dollar."

A total of 98% of all homes now have television, with viewing time in the average home more than six hours and 45 minutes a day. Housewives and working women alike, he said, are influenced by restaurant TV commercials they watch to take their families out to eat.

Baker went on to discuss Pathmark's use of James Karen as its spokesman in its commercials "In the past 13 years that this program has been in effect, the chain has become the largest sales-dollar-pre-store supermarket organization in the entire United States."

Weavers Warehouse Markets, La Crosse, Wis., a five-store operation increased sales 30% the first year it used television, Baker said, and its closest competitor went out of business.

Baker also discussed how Quality Food Centers, organized as a five-store operation in 1963 and a big TV user, has grown to 18 supermarkets today. Also successful with the use of TV, said Baker, has been Big Bear Supermarkets and Big Star and Dixie Dandy stores that buy from Malone & Hyde.

Alpha Beta, he said, brought in 387,000 new customers a week with its TV campaign, which now claims about 90% of its ad budget. American Stores, its parent company, was also successful in running TV ads for its Acme units in the East.

Baker also quoted Eugene Walters, president of Farm Fresh Supermarkets, Norfolk, Va., as stating that television now accounts for about 60% of its total advertising budget.

"Television has played a major part in the success of Farm Fresh in recent years," Baker said. "It was a decision that was carefully thought out over time and coordinated with all areas of the organization. Television was the spearhead for a total advertising program, a complete media mix that emphasized communications and information at the store level."

NRA Predicts Growth For Foodservice

The National Restaurant Association expects 1983 to mark the third consecutive year of real growth for the foodservice industry with real sales advancing 2 percent, the largest increase since 1977. Industrywide sales are expected to reach nearly $144 billion in 1983 — an increase of over $10 billion and 7.8 percent over 1982.

Commenting on NRA's promising prediction for foodservice in the near term, NRA Chairman and President John G. Dankos said, "NRA's forecast for continued and improved real sales growth is based on the existence of a number of factors — the occurrence of an economic recovery during 1983, moderate gains in inflation, rising consumer income, the consumer's renewed faith in the economy and his continued desire and need for meals prepared away from home."

"Despite the expected presence of high unemployment throughout most of 1983," Dankos said, "our best economic advice is that the economy will

(Continued on page 48)

Growth for Foodservice

(Continued from page 46)

rebound in 1983." He cited economic predictions that real gross national product (GNP) will rise 3.2 percent in 1983, the largest real GNP gain since 1978.

"Consumers should have greater disposable income in 1983 and have a greater willingness to spend that income," Dankos said. Economists predict that personal income will rise 8.4 percent in 1983 and that real disposable income (DPI) will advance 3 percent, achieving its greatest increase since 1978. The 10 percent tax cut to take effect July 1, 1983 and a moderate level of inflation are factors contributing to the gain in real disposable income.

Economic Gains Vary Throughout Industry

Not all segments of foodservice are expected to share equally in the gains of 1983. The Commercial Group, which includes eating and drinking places, foodservice contractors, and restaurants in hotels, motels and in retail establishments, accounts for 85 percent of total foodservice industry sales. Real sales in this group are expected to increase 2.2 percent in 1983, somewhat higher than the 1.6 percent increase recorded in 1982. The Institutional Group, which includes business, educational and government organizations that manage their own foodservice operations, is expected to record a somewhat slower real growth of 0.4 percent.

Food and drink sales at eating places, which account for about 60 percent of foodservice industry sales, are expected to reach $87.4 billion and post a real sales growth of 2.6 percent in 1983.

NRA predicts that menu prices will increase by 6 percent in 1983. The most dramatic increases should occur at the end of the year as the economy improves. This 6 percent expected increase in menu prices assumes that increases in food, labor and other operating costs will hover near 1982 levels.

Limited menu restaurants, or fast food operations, continue to lead the industry in real growth with an expected increase of 4.5 percent in real sales for 1983. Total sales at fast food operations should top $37 billion in 1983. Industry experts attribute this sustained growth to a number of factors including the need of consumers for convenient and speedy service and their tendency to maintain eating out frequency by trading down to less expensive foodservice outlets. Other contributing factors are the fast food segment's high level of new unit construction and the continued heavy use of television advertising and promotion.

Other Expected Industry Achievers:

- Sales at restaurants, the largest eating place category, are expected to advance 7.4 percent in 1983, reaching over $45 billion. This segment of the industry should see its second consecutive year of real growth with real sales advancing 1.4 percent in 1983.
- Ice cream and frozen custard stands are expected to post the second best performance of the Eating Place Group with real sales advancing 2.1 percent and nominal sales up 8.5 percent in 1983.
- Commercial cafeterias are expected to post their best gain in real growth since 1973. Sales at commercial cafeterias are expected to break even in terms of real growth next year and to record a 6 percent gain in nominal sales.
- Food and drink sales at lodging places are expected to advance 8.9 percent in 1983, reaching a total of $8 billion. Within this category hotel restaurants will post the most rapid growth — an increase of 9.8 percent in nominal sales and 3.8 percent in real sales.

Forces at Work In the Marketplace

NRA predicts that the following emerging trends will make further inroads in 1983:

- Foodservice operators will place greater emphasis on improving sales during non-peak demand times like weekdays, mornings and between meals.
- More restaurants will be combined with bookstores, bakeries, wine shops and delis as the dual retail concept becomes more popular in the industry.
- Menus will be expanded in order to give patrons the option of trading down rather than going to another restaurant.
- Carryout and off-premise catering menu items will present new opportunities for restaurant operators.
- Promotions stressing value rather than price will find favor with the growing value-conscious consumer.

Starch Blockers Fail to Match Ad Claims

A medical experiment found that the highly popular and controversial "starch blockers" for weight loss don't live up to their advertised claims.

The experiment, using five healthy volunteers, found that even when the volunteers took the starch-blocker tablets their bodies continued to digest just as much starch as they normally did.

The starch blockers sprang into popularity about two years ago. They were claimed to help a person lose weight by blocking the digestion of starch from such foods as bread, spaghetti, and potatoes. At the peak of the fad, according to some estimates, 200 different brands of starch blockers were being sold through health-food outlets and drugstores, and Americans were gulping down the tablets at the rate of one million a day.

The starch blockers were banned from the market by the U.S. Food and Drug Administration in September. In early October a federal judge supported the FDA's contention that the pills were drugs that hadn't been approved for marketing, rather than food supplements as several manufacturers had claimed.

The new experiment was carried out by researchers at Baylor University Medical Center in Dallas in an attempt to find out if the tablets really do block starch digestion as claimed to do. In the experiment, the researchers literally washed out all food matter from the stomachs and intestines of the volunteers. Four hours later the volunteers ate a meal of spaghetti, sauce, bread and margarine. The meal totaled 680 calories of which 388 calories were from starches.

About 14 hours after the test meal, the stomach and intestines were again washed clean of food matter. The recovered food matter was then measured for its calorie content to see how many of the 680 calories had been digested.

The experiment was done twice, once with the volunteers taking three starch-blocker tablets before and during the meal and once with them taking three inert, look-alike tablets known as placebos.

In all five volunteers, the number of calories in the recovered food matter was about 80 calories, regardless of whether they took starch blockers or placebos, the Baylor researchers reported in the New England Journal of Medicine. The starch blockers failed to live up to the advertised claims that each tablet would block the digestion of about 400 calories of starch.

The researchers noted that the claims for the starch blockers had been based largely on laboratory and animal experiments. Those experiments showed that extracts from kidney beans and certain other plants could block an enzyme produced by the pancreas gland that is responsible for digesting starch.

The Baylor scientists agreed that the starch blockers can do chemically what they are claimed to do, that is, block the enzyme that digests starch. The reason they don't work in humans, they suggested, is because the pancreas gland probably produces many times as much of the digestive enzyme as the body needs to digest starch. Thus, even after taking the tablets, there is more than sufficient of the enzyme left to digest starch in food, the researchers said.

Petition to Expand Enrichment

The Foundation for Nutritional Advancement, a Washington-based scientific/nutrition organization, has petitioned the Food and Drug Administration to amend the standards of identity for enriched flour, enriched bread and related products to allow for expanded fortification as suggested by the Food and Nutrition Board of the National Academy of Sciences in 1974.

In its statement of grounds for the change, the Foundation states that "a substantial improvement in the nutritional status of many citizens could be derived if the Commissioner were to amend the applicable regulations so that bakery products, cereal flours and related products, and macaroni and noodle products were allowed to be enriched at the levels set forth in the Food and Nutrition Board's proposed fortification policy."

F.N.B. in 1974 suggested studies into the possibilities of adding vitamin A, vitamin B6, folic acid, magnesium and zinc to the nutrients already in the enrichment standards — iron, niacin, riboflavin and thiamin.

Citing recent nutrition and health studies, the Foundation states that many Americans are nutritionally deficient, particularly the elderly and economically disadvantaged.

"Increased enrichment of cereal grains and similar products," the Foundation petition states, "is an excellent and simple method by which to improve the nutritional status of American diets. These products are consumed in considerable quantity, especially by those who are in most need of added nutrients."

Addition of the nutrients recommended by F.N.B. would be optional, with the provision that "if insufficient amounts are added to meet the levels stated no claim may be made on the label for the ingredient as a nutrient except as a part of nutrition labeling." The maximum levels for the optional ingredients, per lb. of bread, follow:

Vitamin A: Vitamin A retinol equivalent of 2.2 mg.

Vitamin B6, 2 mg.

Folic acid: 0.3 mg.

Magnesium: 200 mg.

Zinc: 10 mg.

The revised standard for enriched flour would retain existing enrichment levels and include as optional those recommended by F.N.B., at the same levels petitioned for enriched bread.

A spokesman for the Foundation said it anticipates a formal response from F.D.A. on the petition early next spring.

Self Inspection

The Food & Drug Administration has perpared a simple guide entitled, "How to Do Your Own Establishment Inspection - A Guide to Self Inspection for the Smaller Food Processors and Warehouse."

Single copies are available free from the Industry Programs Branch, Food & Drug Administration, 200 C Street, S.W., Washington, D.C. 20204.

Gatorlode Taken to Task

Gatorlode 280 advertised by Stokely Van Camp compares it with pasta in a carbohydrate loading program. Darla Tufto, RD, nutrition specialist, North Dakota State Wheat Commission and Chairman of the NPA Nutrition Education Committee, wrote Food Engineering Magazine pointing out that the carbohydrate diet has been heralded for extending an athlete's physical performance, and pasta is an important part of a high carbohydrate diet as are bread, rice, etc.

She complained, however: "The comparison of 6¾ cups of cooked spaghetti to three 12-oz. cups of reconstituted Gatorlode is rather unfair. The amount of spaghetti is an unusual portion. Perhaps we should take a closer look at the pasta/Gatorlode observations and comparisons. The accompanying chart compares the two products at a caloric equivalent. The chart demonstrates that pasta provides a wider range of nutrients than Gatorlode 280. Vitamin C and riboflavin are easy nutrients to get in most any balanced diet. Iron and thiamine are more difficult to find in food sources. Both items provide some thiamine, but pasta is a better source of iron. B vitamins are essential in energy utilization. The B vitamin, niacin, is not included as an enrichment in Gatorlode. That nutrient is available in pasta."

	Pasta		Gatorlodge 280	
	6¾ c. cooked spaghetti	1½ c. cooked spaghetti	1 - 12 oz. serving	3-12 oz. serving
Calories	1260	280	280	840
Carbohydrates	240 gms.	53 gms.	70 gms.	210 gms
Protein	43 gms.	9.5 gms.	0 gms.	0 gms.
Vitamin A	0%	0%	0%	0%
Vitamin C	0%	0%	30%	90%
Thiamine	260%	57.7%	30%	90%
Riboflavin	50¢	11%	30%	90%
Niacin	30%	6.7%	0%	0%
Iron	100%	22%	0%	0%

INDEX TO ADVERTISING

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Obituary

Philip P. La Rosa, 54, died of a heart attack in Milwaukee during the first week in January. He was one of the third generation managers of V. La Rosa & Sons, macaroni manufacturers.

Borden Backhauls

Borden has begun a cost-justified backhaul program at its 14 U.S. depots. The company had been testing a program with grocery and confectionery products since March.

The program includes a 5,000 lb. minimum to qualify for backhaul, full allowances and revised price brackets to reflect current distribution cost differences between weight brackets.

Proctor & Gamble has also begun a national backhaul program with its food products.

Deadhead Is Dead

Pillsbury Co. has announced a backhaul policy in trade advertising: they will invoice the distributor at the lowest delivered price offered in that market. The pickup allowance will be cost justified based on the transportation cost from their facility to the customers. They will update twice a year to keep current.

Pillsbury slip sheets in full layers or puts the shipment on customer pallets.

Market Facts, Inc., to Conduct Baseline Study on Wheat Foods

Market Facts, Inc., Chicago, Illinois, widely recognized as a specialist in mail panel research, is conducting a baseline study of consumer attitudes on wheat and wheat foods. Market Facts is one of the top four research firms in the United States. 1981 billings were over $26,000,000. Their clients include a majority of top 100 Fortune companies.

The project is being funded by Universal Foods Corporation, makers of Red Star Yeast, Milwaukee, Wisconsin. The results will be public information and can be used by the Wheat Industry Council to target educational programs and to measure attitude changes over time.

Charles B. Riter, Riter Marketing Research, Inc., Baltimore, Maryland, is coordinating the content, survey design and analysis. Riter has conducted many market research studies and specializes in strategic marketing planning.

The field work is scheduled to begin in mid-February with the final report due in early fall.

The content of the study will include: attitudes toward nutrition and health; perceptions of wheat, wheat foods and other food groups; awareness of recommended dietary guidelines; eating habits and usage, physical activity; and relevant demographic information.

Company executives, marketing research directors and marketing managers in the wheat foods industry will be contacted for their comments and suggestions.

Thomas Grocery Register

Thomas Grocery Register has added 750 pages to its 1983 Edition and is including a new Food Marketers' Handbook—free—to all subscribers.

The three-volume annual directory, the largest in the food industry, with 3,450 pages, has added 3,000 companies and 160 product categories. Most of the growth is from additions to supermarket chains, wholesalers and listings under new institutional frozen food and health categories.

In addition, type size has been made larger and the food broker section has been enlarged by the addition of 16 sections — one for each "type" of product handled. Now, if a reader wants health and beauty aids, or deli or pet food brokers, he can find them in these special sections.

Food Marketers' Handbook

The Food Marketers' Handbook is a 36-page supplement containing food industry statistics and a 12-month trade calendar spotlighting major convention dates. The statistical data is adaptable for use in presentations and marketing projections. It includes U.S. Departments of Agriculture and Commerce statistics on crop production, exports and imports and socioeconomic statistics on business, finance, population, income and prices.

TGR-1983 contains information on 60,000 U.S. and Canadian firms, over 4,500 wholesalers, 1,800 grocery chains, 1,200 public warehouses, 4,400 brokers and 10,000 brand names and trademarks.

More than 2,000 firms were deleted in the annual updating process that saw changes in more than 40,000 companies. Designed to fill the growing need for back haul, the directory also includes a section on transportation carriers — air, sea, truck and rail.

The 4,100 categories and services include food and non-food products, supplies, equipment and industry related machinery. General categories include Canners, Frozen Food Processors, Meat Packers, Bakeries, Dairy Products, Packagers, Aseptic and Retort Pouch Foods.

Because of the growth in global trading of foodstuffs, TGR has expanded both the Importers and Exporters section which have a combined total of 2,500 companies.

The 1983 Thomas Grocery Register is available for $89.00, postage and handling charges included, on a 15-day free trial basis. Books shipped overseas are $120.00, including Air postage. To order, write: Thomas Grocey Register, Attn: E. Brager, One Penn Plaza, New York, N.Y. 10119, or call (212) 290-7349.