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JULY, 1983

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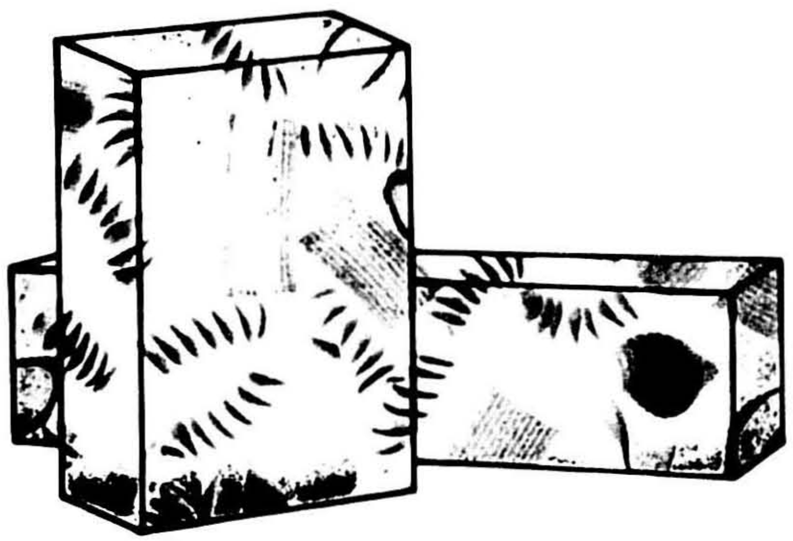

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In This Issue

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Cover Photo

Cycling Macaroni Salad

The Subsidization of Italian Pasta

The dramatic increase in imports of pasta products from Italy has drawn considerable attention to the export refund program of the European Economic Community ("E.C.") which has largely been responsible for the increase in those imports. In response to this subsidy program, the National Pasta Association ("NPA"), a non-profit trade association who members account for over 95 percent of all pasta produced in this country, filed on October 16, 1981, a petition under section 301 of the Trade Act of 1974. The petition alleged that the granting by the E.C. of export subsidies on pasta directly violates Article 9 of the GATT Subsidies Code which prohibits the granting of export subsidies on processed products. The petition also alleged that the export refund program had caused "serious prejudice" to the U.S. pasta industry in violation of Article 8 of the Code by displacing U.S. producers in domestic markets.

Subsequently, the Office of the United States Trade Representative ("USTR") initiated an investigation on November 30, 1981, and simultaneously requested bilateral consultations with the E.C., ostensibly to work out a settlement of the dispute. The request for consultations was denied by the E.C. after a two month refusal to respond. Following a failed attempt at conciliation, the United States requested the establishment of a GATT panel to rule on the validity of the U.S. allegations. The panel provided its report to the parties on April 19, 1983. The report—with only one member dissenting—supported all of the U.S. allegations and concluded that the E.C. export refund on pasta is an export subsidy on a processed product and therefore prohibited by the Subsidies Code. The report is now before the Committee of Signatories of the Subsidies Code which will have 30 days to vote on whether to adopt the panel report.

The E.C. Subsidy Program

The E.C. considers export subsidies fundamental to the overall functioning of its Common Agricultural Policy. In establishing a common market for cereals, the E.C. provided that certain cereal products exported as processed foods would be eligible for export refunds. The refunds were intended to cover the difference between quotations or prices for the component cereal (*e.g.* durum wheat) on the world market and the higher prices within the Community. The refund on pasta, however, which has fluctuated since 1975 between 3 and 12 cents a pound, and currently amounts to over 10 cents a pound, clearly exceeds that world-E.C. price differential. Thus, Italian producers, the principal beneficiaries of the program, to undersell U.S. producers in the U.S. market. The price undercutting has manifested itself both at the wholesale and retail level despite the advantages of proximity and market access held by U.S. producers.

Significance of the Pasta Case

Pasta is one of many processed products benefiting from the E.C. export subsidy program. As part of its Common Agricultural Policy, the E.C. subsidizes—in addition to basic agricultural commodities—exports of distilled spirits, chocolate, ice cream, candy, pastry, biscuits and many other processed foods. In fact, the E.C. has appropriated almost $300 million for 1983 to support the export of "goods obtained by processing agricultural goods." Such exports undersell U.S. producers in both the U.S. and third-country markets. If the GATT panel decision on pasta is adopted by the Subsidies Code Committee, it will force the E.C. into a major reassessment of its Common Agricultural Policy as it applies to processed products. If the E.C. fails to undertake this reassessment, a series of additional pasta-type cases may follow, as well as possible retaliation.

The Impact of Subsidized Italian Pasta Imports on the U.S. Market

The increase in the volume of imports of subsidized Italian pasta products has been astounding. From a volume of 10 million pounds in 1975, Italian imports of pasta containing no egg or egg products, increased 429 percent to a volume of 52.9 million pounds in 1982 (see Table 1). Based on figures through February, 1983, projected imports for 1983 could exceed 60 million pounds. Whereas in 1975, the level of import penetration was less than four percent, the level, according to industry estimates, will exceed eight percentt in 1983. Moreover, in the most important regional market, New York-New Jersey, industry representatives estimate the level of import penetration to be in excess of 10 percent. Less than ten years ago, such import penetration was negligible.

Increased import volume and import penetration, however, are only part of the problem. Industry surveys indicate that subsidized imports have been underselling U.S. producers in the New York-New Jersey market by over 15 percent at the retail level, and almost 25 percent at the wholesale level. This does not take into account promotional arrangements with large supermarket chains, where the wholesale price of the Italian product may be more than 30 percent below the price of comparable U.S. products. Moreover, there is evidence that most supermarket chains have greatly increased the amount of shelf space devoted to subsidized Italian imports with the result that certain domestic brands have been displaced to make room for the cheaper imported items. The loss or displacement of shelf space, as well as the general suppression of price, indicates that domestic producers are threatened with substantial long-term injury unless these trends are quickly reversed.

Section 301 Demands a Strong Response on Behalf of the U.S. Pasta Industry

The NPA is encouraged by the report of the GATT panel which confirms conclusively that the E.C. subsidy on pasta violates international commitments embodied in the Subsidies Code. The domestic industry welcomes foreign competition that comports with agreed-upon international norms of fair trade. It is the view of the domestic industry, however, that when those norms have been violated, the President must respond vigorously—and if necessary unilaterally—to counter the adverse effects of the offending practices. Section 301 provides him with that authority.

During the next 30 days, the E.C. will be lobbying intensely within the Subsidies Code's Committee of Signatories to prevent the adoption of the

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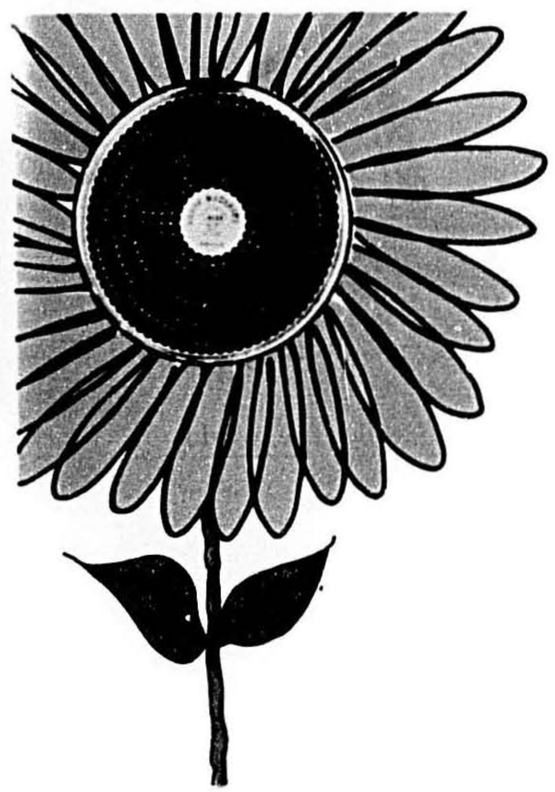

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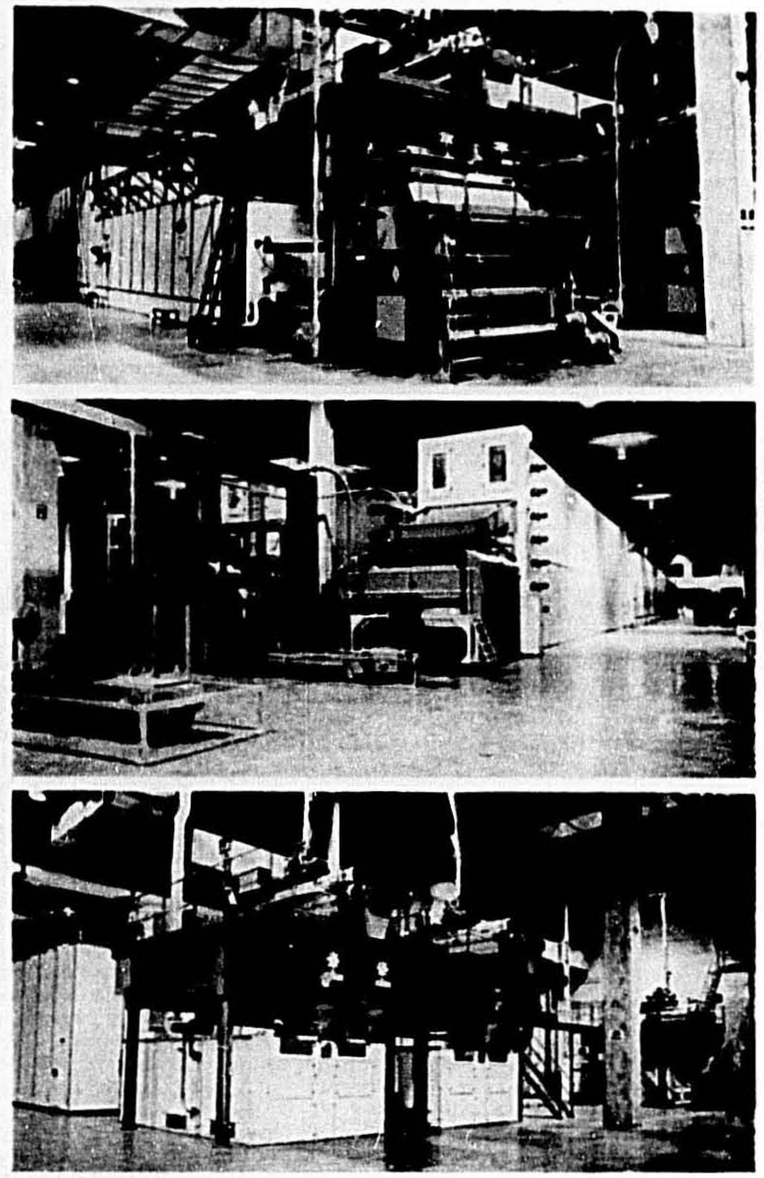

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(IMPORTS BY SELECTED COUNTRIES OF ORIGIN)

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YEAR	TOTAL ANNUAL NET QUANTITY (lbs.)	ANNUAL NET QUANTITY FOR SELECTED COUNTRIES Canada	Italy	Mexico	Japan	China M	Balance - All Other Cou tries
1975	49,273,347	22,291,306	10,016,969	7,280,879	3,191,560	502,448	5,990,1 5
1976	50,737,329	19,847,023	10,929,596	5,641,292 703,452	4,407,821	1,304,448	7,703,6 7
1977	. 52,110,934	19,239,577	13,839,875	5,274,969[4] 809,571	3,506,465	1,595,448	7,845,0.9
1978	65,707,672	25,749,132	19,075,122	5,880,581[4] 691,656	3,363,740	1,849,475	9,097,966
1979	69,793,517	25,780,143	20,284,553	6,836,956[4] 257,414	3,776,594	2,441,094	10,416,763
1980	76,778,536	27,206,630	26,051,913	2,211,402[4] 60,166	4,557,549	5,038,322	11,652,554
1981	94,352,433	26,496,142	39,868,755	2,952,924[4] 33,102	4,672,321	6,006,683	14,332,506
1982	110,331,163	22,966,987	52,942,850	3,370,939[4] 169,091	5,723,985	7,367,623	17,769,688
Jan.-Feb. 1983	19,016,775	3,460,565	10,072,852	468,475[4] 37,121	641,974	1,417,613	2,918,175

Note: "4" items imported under the Generalized System of Preference provisions of the Trade Act of 1974.

Source: U.S. Bureau of the Census, Department of Commerce, "U.S. Imports for Consumption and General Imports," Report FT 246, Annual (1975, 1976, 1977, 1978).

U.S. Bureau of the Census, Department of Commerce, "U.S. Imports for Consumption," Report IM 146, Monthly (December 1979, December, 1980, December, 1981, September, 1982).

The Subsidization of Italian Imports

(Continued from page 4)

GATT panel report. If the E.C. is successful, its illegal subsidy programs on a wide rage of processed food products, including pasta, may be immune from any kind of multilateral regulation The U.S. government must make every effort to insure that the Committee adopts the report so that the E.C. is forced to eliminate its illegal export refund program on pasta and other processed products or otherwise face GATT-authorized countermeasures. Alternatively, if the Committee rejects the panel report, the U.S. government must be prepared to retaliate against the subsidy program, notwithstanding the fact that such unauthorized retaliation might violate U.S. international obligations. The authority for the President to retaliate under section 301 clearly exists regardless of whether or not there is final authorization from the GATT. Such retaliation may be the only means by which the U.S. can preserve its rights under the GATT and its various Codes of Conduct. It may also be the only means to ensure that a competitive U.S. industry remains healthy.

EEC Agricultural Products Subsidies

European Economic Community's common agriculture policy of subsidizing farm exports at below world prices remains a major issue of contention between U.S. and EEC trade policy officials, and a topic of exploratory discussion at the monthly consultations now established between the two entities in an effort to contain trade war attitudes. A related issue, and catalyst to the ever expanding EEC production and increased export pressure from within the EEC, is the high level of price supports guaranteed to producers. In mid-May the EEC's farm ministers finally agreed to new, and higher, farm produce prices averaging 4.2 percent in European Currency Unit for the 1983-84 year which began April 1. For wheat and barley, as expressed in ECU's, the support price increase is 3 percent, however the ECU conversion actually masks the real impact on farmer prices in individual countries. In France, for example, where 42 percent or 920,000,000 bushels of the EEC's 1982 wheat crop was harvested, the increase equates to a 9.4 percent increase in light of both the devaluation of the French franc and the inter-EEC realignment of national currencies. Dutch farmers to the contrary, will only net about one-half a percent gain. Fair-to-average quality EEC wheat will draw an intervention or support price of 215 ECU's/mt for the 1983 crop. (Note: Presently U.S. $1 = 1.Gy ECU, however, to attempt to equate dollars to ECU's over time is misleading given the dollar's strength over the past two years against all EEC currencies.)

The adopted set of new intervention prices, although termed "fair or modest" by the EEC Commission, continues to display in part the misguided economics of the CAP not only to the EEC as an export competitor, but also to the EEC taxpayer. Over the past two years EEC prices have risen a cumulative average of 25 percent while world prices have moved at least 20 percent in the opposite direction. This "scissor" effect necessitates a continuing escalation of export subsidies necessary for the EEC to sell farm produce in third country markets. Furthermore, the widening gap between sagging world commodity values and EEC intervention prices will necessitate a one billion ECU supplementary budget this year and likely

(Continued on page 10)

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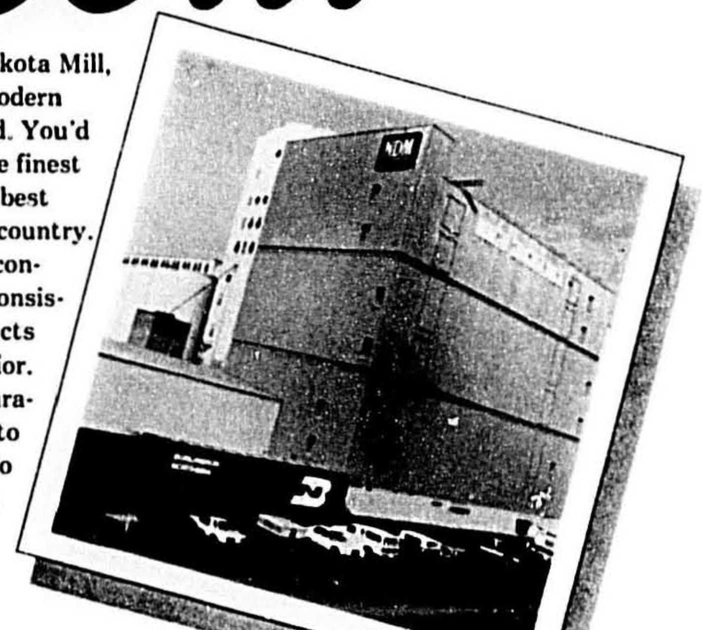

the durum people

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EEC Subsidies

(Continued from page 8)

trigger a budgetary crisis in 1984 if an increase in the present assessment rate each member pays (one percent of their value added tax receipts) is not enacted or, less likely, a watering down of the EEC's farm supports occurs.

The United States' "warning shot of displeasure" at EEC export subsidy policies, the subsidized wheat flour sale to Egypt, remains an unresolved complaint. The U.S., charging that the EEC has unfairly used export flour subsidies to improve its world market share, is seeking a complete review of the case by the full GATT Subsidies Code Committee in light of the failure of a special review panel to adequately adjudicate the dispute. The EEC, on the other hand, is seeking U.S. $30,000,000 in compensation from the U.S. for the subsidized Egyptian flour sale. The EEC's misconception that its routine export subsidy policy on most of its farm exports is fair, and the U.S. flour sale isn't, remains a static issue at official levels. However when a high USDA official recently asked a Dutch government/grain industry group to explain why the U.S. is unfair when it uses subsidies and the EEC isn't, no direct response could be offered.

Demand for Wheat Down

A continuation of depressed world demand for wheat combined with only a slight reduction in 1983-84 world wheat production estimates indicate further increases in world wheat stocks. The inability to pay in the currently depressed world economy will continue to reduce demand for U.S. agricultural products in many developing countries, those which depend heavily on revenues from sales of petroleum products and those carrying heavy foreign debt from previous purchasing periods.

Demand may also be reduced in major importing countries such as the People Republic of China, which raised an all time record 1982 grain crop, and also in the USSR where total crop production is expectedly to increase by 20 mil. tons over last year's crop to 200 mil. tons in 1983. Soviet wheat production is also expected to increase 5% this year to 90 mil. tons (3,300 mil. bus.). Total world wheat production is expected to decrease marginally with substantial production cuts occurring only in the U.S. and Argentina. Australian wheat production is expected to increase by 95%, marking a rapid recovery from last year's severe drouth conditions.

Spring Wheat Situation

Recent USDA acreage estimates indicate substantial, but not unexpected, reduction in U.S. hard red spring wheat and durum plantings for 1983. Early analysis of PIK participation in traditional spring wheat and durum state by most observers proved to be close to the recently released USDA estimates. U.S. durum and HRS production is expected to be 100 mil. bu. and 345 mil. bu., respectively, given current planting intentions and crop production conditions in the major producing areas.

This year's growth in HRS and durum carryover stocks offsets much of the potential gain in stock reduction provided by the 1983 acreage reduction programs. While the fundamental supply and demand estimates (using projected 1983 production figures) do not provide much optimism for long term price strength, recent developments in foreign and domestic demand for HRS and durum have maintained the recently improved prices for these two classes of U.S. wheat, in spite of generally bearish market reactions to the May 1 acreage report.

Export Commitments

To date total export commitments of HRS wheat at 236 mil. bus., are very close to the expected near record 240 mil. bus. projected for export this year. Improved prospects for a new LTA with the USSR should improve the overall U.S. wheat and feedgrain export outlook somewhat. Potential for additional North African export demand for U.S. durum in recent weeks has also kept Minneapolis durum prices firm as market receipts remain in low while producers are occupied with spring planting. Prospective North African import levels continue to provide short term price optimism after a recent Algerian durum tender resulted in the sale of twice the originally expected amount of 80,000 tons (2.9 mil. bus.). Current availability of Canadian durum is reported to be limited, increasing the likelihood of U.S. durums moving into export especially if additional North African or other demand for durum surfaces prior to harvest of the Canadian and Northern U.S. durum crops which are just being seeded at this time. Harvesting of Southwest U.S. durum has already begun, increasing immediate availability from that area.

Durum Situation

Wheat Outlook, USDA

Record amounts of durum continue to be in storage facilities throughout Northern Plains growing areas. April 1 stocks totaled 164 million bushels, a fourth greater than in 1982. With record durum supplies pressuring the marketplace, producers found the farmer-owned reserve an important alternative to sales. A third of their 1982 production was placed into the reserve, meaning that over 100 million bushels of durum—two-thirds of total stocks—are isolated from sales at current prices.

The large farmer-owned reserve stocks have done little to strengthen prices, because export demand has been particularly weak. Recent market prices have been sparked by expanded foreign sales for delivery next marketing year. However, durum exports during 1982/83 will be around 55 million bushels, the smallest in 6 marketing years. Expanded foreign production in 1982 (including a record Canadian crop) along with large old-crop stocks, ballooned the world's durum supply. This caused durum prices to remain fairly steady at around $4 a bushel in Minneapolis, 10 to 15 percent below a year ago. New crop prices will be tied to crop developments but will also be influenced by the expected heavy payoff of reserve durum to PIK participants. Thus the increased amount of readily marketable durum during 1983/84 will likely limit price advances.

Because either durum or hard red spring wheat can be grown on the same acreage, the price expectation of each variety may cause some changes in final planting decisions. Thus the durum production estimate ranges from 80 to 100 million bushels, compared with last year's 148 million.

Quarterly Durum Report

The Crop Reporting Board on May 1, 1983 reported that growers intend to plant 2.83 million acres of durum wheat in 1983. If these intentions are carried out, durum wheat seeded acreage will be 35 percent less than last

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Durum Situation

(Continued from page 10)

year's 4.35 million acres and the smallest since 1972 when 2.59 million were planted. North Dakota's seeded acreage, accounting for 85 percent of the total U.S. prospective acreage, is down 33 percent from 1982. Area of durum wheat seeded for conservation use under government programs is expected to total only 70 thousand acres in the six producing States, which is less than 3 percent of the total acreage to be seeded.

Stocks

Durum wheat stored in all positions on April 1, 1983 totaled a record high 164 million bushels (4.47 million metric tons), 24 percent more than last year's 133 million bushels (3.61 million metric tons) and 97 percent greater than April 1, 1981. Farm holdings of 130 million bushels (3.54 million metric tons) were 23 percent more than last year's 106 million bushels (2.88 million metric tons). Farm stocks accounted for 79 percent of the total April 1, 1983 durum stocks compared with 80 percent one year ago. Off-farm stocks of 34.0 million bushels (925 thousand metric tons) were 26 percent more than last year's 26.9 million bushels (733 thousand metric tons). Disappearance indicated during the January/March 1983 quarter totaled 25.1 million bushels (682 thousand metric tons), up 27 percent from the 19.8 million bushels (538 thousand metric tons) during the comparable period a year earlier.

Exports

U.S. durum wheat exports during June/March 1982-1983 period totaled 965.0 thousand metric tons (35.5 million bushels) compared to 1.7 million metric tons (61.3 million bushels) one year ago, a decrease of 701.9 thousand metric tons (25.8 million bushels). The largest importers were Algeria, Italy, Netherlands and Venezuela taking 681.4 thousand metric tons, accounting for a majority of the total imports for the period. Exports of durum wheat out of Duluth/Superior since the opening of the shipping season through May 9, 1983 totaled 7.8 million bushels (212.6 thousand metric tons) in comparison with 6.1 million bushels (165-6 thousand metric tons) one year ago, an increase of 1.7 million bushels or 47.0 thousand metric tons.

Canadian Situation

According to Canadian Statistics, based on March 15 findings, Canadian farmers intend to increase the wheat acreage by 7 percent in 1983, but keep durum wheat acreage unchanged from last year at 3,750,000 acres. Canadian statistics survey indicates that farmers will reduce the usage of commercial fertilizers by 6 percent from the year 1982. The visible supply of Canadian durum wheat in licensed storage and in transit on April 20, 1983, amounted to 691.8 thousand metric tons, 145.5 thousand less than last year's figure of 837.3. Canadian exports of durum wheat in the June/March 1982-1983 period amounted to 2.1 million metric tons compared with 1.9 million one year ago.

International Multifoods Moves

Multifoods' headquarters employees were "takin' it to the top" in March with their move to the top six and one-half floors of the 52-story Multifoods Tower in Minneapolis City Center.

Planning for the transfer of more than 600 employees, office furniture and the installation of a ne tele-phone system was a big task. M ting planning sessions, approvals, xcite-ment, changes, preparation an more meetings were just a few of the i redi-ents of a successful move recip .

The move drew on the tal ts of Multifoods' management team. Office Services, Human Resources, P chas-ing and divisional manageme and personnel people. Working together, these areas assembled plans to move their areas without major disruptions in their work flow and responsibilities.

The story behind the move began back in 1978, when Multifoods was approached by a large development company to be a major tenant in a proposed 30-story office tower in the heart of the city. Having been headquartered in downtown Minneapolis since 1923, Multifoods was interested in the idea. They conducted an in-depth study of the proposed facility, analyzing the efficiency of the space, their expansion needs, parking access and space design to be sure that the tower would be prime office space well-suited to our needs.

Tower Grows

As the study progressed, so too did the plans for the tower. The 30 floors grew to 52, making it the second tallest building in the city. In late 1979, they signed the lease for floors 44-50 in the building to be named the Multifoods Tower.

The move was made ove two weekends in March. Since th new tower is just a couple of block from old quarters in the former Mul oods Building, it was possible to run pera-tions from the two locations the week between the moves.

The involvement of employe be-gan early in the planning of the ctual moves. Several employees fron each

(Continued on page 16)

Durum Wheat: Prospective Plantings, May, 1983

State	AREA PLANTED 1981	1982	Indicated 1983	1982/1983	Conservation Use Acres Seeded for ARP or PIK Programs Indicated 1983
		1,000 Acres		Percent	1,000 Acres
Minnesota	140	80	40	50	0
Montana	490	350	150	43	0
North Dakota	4,600	3,560	2,400	67	10
South Dakota	260	150	105	70	0
Arizona	216	80	55	69	20
California	170	130	75	58	40
United States	5,876	4,350	2,825	64.9	70

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

Multifoods Moves

(Continued from page 14)

division were dubbed "Move Captains" and they helped prepare their co-workers for the packing of their offices and work areas before their weekend move. Newsletters and short-notice update emblazoned with the "I.M. Takin' it to the Top" theme kept employees informed about the move plans, building features and the new telephone system.

For the two Friday afternoons before the weekend moves, Multifoods headquarters were the scene of boxes, boxes everywhere. Packing labels and tape were order of the day as employees emptied drawers and files into boxes for the moving company. When they came to their new offices in the tower on the following Monday, they quickly unpacked and it was business as usual. Well, almost — this time they had a spectacular view of the city and new working arrangements to explore.

A Healthy Donation

It's not unusual for Multifoods' flour mill in New Prague, Minn. to grind wheat into flour. But in February, this Industrial Foods Division facility ground some special wheat—special because it was purchased by the Minnesota Wheat Growers Association for donation to emergency foodshelves in the Twin Cities and Iron Range areas of the state.

The Wheat Growers wanted to help stock foodshelves with high-quality flour. They planned to purchase about 100,000 pounds of wheat, and asked if Multifoods would donate the cost of milling the grain and also keep the millfeed from the grind. The idea was quickly okayed by Robert M. Howard, executive vice president, and the wheels were put into motion.

Approximately 50 employees at IFD's New Prague will were involved in the work. Terry Davis, plant manager, estimated tha the task took about six hours, including the flour's packing into 10,0000 10-pound bags, donated by Bemis Co.

Davis reported that he and all the employees at New Prague were pleased to be part of the program. The flour was distributed through the Metro Food Share program, a month-long drive to fill foodshelves throughout Minnesota.

Multifoods also donated 20,000 one-pound packages of its Reuben brand weiners to the Metro Food Share program. These 100 percent beef hot dogs, made by the U.S. Consumer Products Division, helped fill the need for protein in the mix of foods donated to Twin Cities and Iron Range food-shelves.

Employees at the Reuben plant in northeast Minneapolis packed and specially labeled the packages for the February drive. Sherwin Alpert, marketing manager for Reuben Meats, put the production together at the plant and worked with the Food Share people on the distribution of the weiners.

Multifoods Dividend

International Multifoods Corporation announced an increase in the dividend paid to shareholders of common stock. A quarterly dividend of 44 cents per common share will be payable July 15, 1983 to shareholders on record on June 28, 1983. This will be the 12th consecutive year in which Multifoods has increased the dividend paid to shareholders of common stock.

Multifoods new dividend rate is a 10 percent increase over the quarterly dividend of 40 cents per common share paid in July and Oct., 1982. This new quarterly dividend is a seven percent increase over the payment of 41.25 cents per common share paid in Jan. and April, 1983. The amount of 41.25 cents had been established to permit final payment in Jan. 1983 under the cash distribution plan approved by stockholders of the company at the annual meeting in June 1982.

A regular quarterly dividend also was declared on each series of Multifoods preferred stock with the same record and payment dates as the common stock dividend.

Minneapolis - based International Multifoods is a diversified food company operating principally in the United States, Canada, Venezuela, Mexico and Japan that has paid dividends on its common stock each year since 1923. The company completed its most recent fiscal year on Feb. 28, 1983 with sales of $1.1 billion and net earnings of $35.5 million or $4.32 per share of common stock.

No. 1 Hard Amber Durum hit $5 per bushel in Minneapolis at the end of May.

Egg Outlook

From USDA Economic Research Service

Egg production is expected to decline further because of prospects for continued price-cost squeeze and the reduced hatchery activity in recent months. Plentiful supplies of other high-protein foods and continued high unemployment are expected to keep egg prices relatively weak despite reduced supplies.

Producers Trim Laying Flocks

During December 1982 through February 1983, egg production was 1 percent below last year. Productivity per hen was above last year and offset much of the decline in layer numbers.

The average number of layers declined each month during the first quarter of 1983 — the normal pattern as producers respond to seasonally weaker demand. Year-over-year comparisons by month are not possible because such data for 1982 were not collected. From December 1982 through February 1983, the average number of layers was 3 percent below the number from December 1981 through February 1982. Egg producers have been reducing the number of old hens in response to weak egg prices and rising feed prices since last fall. In addition, producers have been placing fewer pullets in their flocks.

On April 1, 17.7 percent of the laying flock had been force molted even with the increased slaughter in January-March 1983. By force molting the hens, producers can cut current egg output for a few weeks and yet maintain their production base. Producers are expected to increase force-molting in the spring and summer because they do not have enough replacement pullets coming along to keep the houses full. During second quarter 1983, the number of replacement pullets hatched 5 to 6 months earlier will be 9 percent below a year previous.

Producers are expected to slow the rate of selling older hens from the first quarter's level; then, even with fewer replacements, they will be able to maintain production about 1 percent below last year during the remainder of 1983. Because of lower egg prices earlier this year, producers may have sold hens they would normally move in late spring.

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Egg Outlook

(Continued from page 16)

Egg Prices To Stay Weak

In the first quarter, prices for cartoned Grade A large eggs in New York averaged 66 cents per dozen, down from 79 cents last year. Egg prices averaged 68 cents per dozen in April and have strengthened to over 70 cents in early May. In April 1982, egg prices averaged 72 cents per dozen.

Foreign demand still appears very weak, hurt by the strong U.S. dollar and increased production in some other countries. During January 1983, exports of shell eggs and the shell equivalent of egg products were 53 percent below a year earlier. In February, exports were down 54 percent from last year. During January and February 1983, egg exports were 1 percent of production, down from 3 percent in 1982. However, a blended credit sale to Iraq is expected to provide some strength to the egg market after mid-year. Also, a sale of eggs to Mexico is another possibility. Third-quarter 1983 egg prices may average 65 to 69 cents per dozen, near last year's 66 cents.

Production and Value Down in 1982

Egg production during the 1982 marketing year was down 12 million dozen from the 5,819 million produced in 1981. Output increased one egg to 244 per layer, partially offsetting the 1-percent decline in the number of hens.

Per-capita consumption of shell eggs and shell equivalent of egg products declined by one egg from the 266 consumed during calendar 1981, because of lower production. By quarters, per capita consumption declined one egg in the first quarter from a year earlier, increased by one in the second, was unchanged in the third, and declined by one in the fourth quarter.

The weak prices for eggs in 1982 cut the value of production $0.21 billion from the $3.67 billion in 1981, a 6 percent drop. Prices received by farmers declined from 63.1 cents per dozen in 1981 to 59.5 cents in 1982.

The Need for Agricultural Research

The long-term productivity of American farmers could be seriously damaged by proposed changes in agricultural research programs, according to the chairman of the National Agricultural Chemicals Association.

Dale E. Wolf, a Du Pont Company vice president and head of the company's agricultural chemicals business, questioned a redirection of resources away from agricultural research that reduces the costs of production for farmers and increases their profit potential.

"If our farm system is ravaged by bankruptcies during the next five years because of short-term surpluses and falling prices, we will not be in a good position to supply world needs," Dr. Wolf told a group of agricultural researchers at a symposium sponsored by the United States Department of Agriculture.

Maintaining and increasing farm production, he said, requires accelerated agricultural research efforts by a coalition of universities, government and industry.

Can't Be Taken For Granted

Dr. Wolf said, "Agricultural productivity cannot be taken for granted, and the margin of safety separating too much from not enough is smaller than some suppose. From 1930 through 1977, U.S. production of agricultural products, with the exception of a few years, did not exceed U.S. needs by more than 6 percent. Since 1969, corn production has averaged less than 2 percent and wheat less than 1 percent above U.S. needs.

"World grain stocks, which represent essential food security reserves, have been declining in recent years — from 24 percent of yearly use in 1960 to 13 percent in 1981. Even with this year's substantial world stock building, the figure is expected to rise to only 14 percent."

Dr. Wolf explained that to keep pace with increasing world food demands the American farmer must be more productive than ever before. "For instance, according to the best modeling our agricultural experts have, . . . corn yields will have to be raised from the present 109 bushels per acre to at least 275 per acre by the year 2000 and at least 385 per acre by 2050. Similar high yield increases will also be required for wheat, rice, cotton and soybeans," he said.

"Cooperative programs among industry, government and state institutions on 'traditional' research activities, including discovery and development of chemical compounds for crop protection and crop breeding programs to develop more productive varieties of major crops, must be maintained," he said. "There is a continuing need to modify germplasm and use the biology of crop species and available technology to cope with shifts in plant disease and with the invasion of insects, nematodes and 'problem' weeds that may develop as cropping practices are changed."

Moreover, he said, "There is a need for industry geneticists and plant breeders to work in basic research areas alongside the emerging cadre of molecular biologists, geneticists and plant breeders in the Agricultural Research Service and the state agricultural experiment stations."

Italian-Japanese Pacts

According to the **Asian Wall Street Journal**, the rising demand for pasta on the part of the Japanese has led three major Japanese companies to enter into production and marketing agreements with leading Italian manufacturers.

Nisshin Flour Milling Co., Japan's leading flour miller and also a leader in the noodle market in Japan and in other countries, has entered into an arrangement with De Cecco to sell 24 varieties of pasta to be imported from Italy. While current plans call only for imports, with sales the first year projected at Y800 million ($3.4 mil on). Nisshin has indicated that it in ends eventually to draw on De Cecco ech- nology to begin manufacturing It ian-type pasta in Japan.

Nippon Flour Mills Co. has ndi- cated that it will begin manufac ring immediately, having contracted with Barilla for technological help in tart- ing production. Barilla has an esti- mated 20% share of the Italian asta market.

Kagome Co., a major produc r of tomato products in Japan, ha ar- ranged with Industrie Buitoni eru- gina, the world's largest pasta anu- facturer, to sell pasta, as well as a whole range of Italian ingredien s related to pasta, in Japan.

Both Nippon and Kagome are forecasting first-year sales near a billion yen.

Dried Yolks ranged from $1.95 to $2.10 per pound during May.

Ob olete Promotional Me ods

T use of coupons, cents-off labels, exce ive listing of retail prices in weel print ads and certain trade deal are obsolete merchandising tech- niqu that are counterproductive to sales ncreases, a Del Monte executive told etailers and manufacturers during a panel discussion at the Western Association of Food Chains convention in Honolulu.

Tonnage Needed

"As we move out of a period of inflationary sales growth, we're going to need tonnage increases to show real growth," Fernando Gumucio, group vice president of Del Monte Corp., San Francisco declared. "But many of the techniques manufacturers and retailers still rely on, which were effective in getting consumers to try various products when they were first used, have outlived their usefulness," he said.

The industry must abandon obsolete merchandising techniques in favor of creative and exciting forms of promotions, Gumucio said. In response to a Supermarket News question, he noted that Del Monte has tried to break old patterns with two recent promotions — Country Fair and Disneyland Incentives — that offer consumers valu in addition to price.

T find the best method of mean- ingf differentiation, each company mus "drill a lot of holes," Marasca saic The holes that come up dry can be ndoned rapidly. But the more hol you drill — the more different thin you try — the better chance you hav f bringing in a gusher."

I also suggested the use of infor- mat ads, recipes, sampling and oth ncentives as creative alternative met ls of promotion.

(pons, he said, have enveloped mar acturers in "an endless upward spir and are used "only as a pana- cea o move new products or slow mov s and to meet competitive pres- sur while costing manufacturers mil- lion of dollars to redeem.

C nts-off coupons, he said, are regarded as "instant gratification for bargain-conscious consumers," but they only lead shoppers to feel cheated by retailers. "Grocers have been against them for years, but manufacturers seem to have stepped up their use recently, which has permanently lowered already razor-thin profit margins," he pointed out.

Newspaper ads have begun to resemble phonebooks, "with columns of prices that seldom give consumers any reasons to patronize a particular store other than price," Gumucio charged, while trade deals are "as useless as ever, because their proliferation has led to phony pricing policies that never come close to establishing regular list prices."

Ralph's Approach

Responding to Gumucio's remarks, panelist Al Marasca, senior vice president, marketing, Ralphs Grocery Co., Compton, Calif., agreed that cents-off labels are obsolete, especially in a scanning environment, "where they simply don't work."

However, he disagreed about the status of coupons. "If manufacturers don't like them, they should stop distributing them," Marasca said. "We will continue encouraging our customers to use them as long as manufacturers charge all retailers for them. Otherwise, the ones who don't use coupons will be subsidizing the ones who do."

In his talk, Marasca urged retailers and manufacturers to find different ways of presenting themselves — "meaningful differentiation" — to relieve consumers of what they regard as the drudgery of shopping. "Learn the game of competition and play it differently than your competitors do, or else play a different game," he said.

Ralphs "played a different game" when it introduced its plain-wrap (generic) program, Marasca said, while Vons Grocery Co. did it with its Double the Difference guarantee. Lucky Stores, with its total emphasis on price, "plays a totally different game," he said, as does Safeway Stores, with its varying store formats.

"On the manufacturers' side, meaningful differentiation means a willingness to go against the mainstream," Marasca said. "Rather than telling retailers why a program won't work, work with them to find a way to make it succeed."

Minicomputers

Another panelist — Timothy Blotzer, an assistant manager in one of Safeway's Bon Appetit stores and a student in the food industry management program at the University of Southern California — advocated the use of personal minicomputers by store managers to facilitate their work. "The store manager is the most important person in the industry," Boltzer said, "And if we can make his job easier, we'll get a greater return-on-investment."

Responding from the audience, Patrick W. Collins, Ralphs president, said the thought of "a store manager spending time in his office with a computer instead of walking the store makes me nervous. Store managers who become burdened with personal computers may forget what checkstands are."

Defending his position, Blotzer replied, "There's so much a manager must do, and his job is becoming more complex as we add new departments. The computer can cut down the manual paperwork he has to do and free his time to spend on the sales floor."

Also speaking from the audience, Robert D. Bolinder, vice chairman of Albertson's, Boise, Idaho, noted that computerization is "a bit scary because it's so new for all of us, but it's obviously the answer to assimilating a lot of information into a small time-frame so managers are not interrupted minute-by-minute."

Grunt Work

Panelist John C. Thompson, vice president and general manager of Knudsen Corp., Los Angeles, questioned whether manufacturers and brokers should invest time and money developing retail sales forces "if all they're going to do is check products on the shelves for distribution, pricing, location, condition and spoils. Do we really need college graduates to do that?"

He also questioned whether top-notch sales representatives should be used to assist retailers with store resets.

Gumucio aid retail sales representatives should not be expected to do such "grunt work." Retailers have to run their stores, he said, "and you shouldn't rely on manufacturers to supply labor for you. We sell products and services and we shouldn't be expected to provide labor."

Robert Richards, executive vice president of A. J. Bayless Markets, Phoenix, said suppliers in his area "keep knocking down our doors" ask-

(Continued on page 22)

Peavey

a ConAgra company

General Office

Sales Offices

Promotional Methods

(Continued from page 19)

ing to assist retailers with store resets. "We believe they really want to work in the stores, and we want them to be able to do so," he said.

Fred McLaren, president of Hughes Markets, Los Angeles, noted that so-called grunt people, who help set the shelves, "do the best job and enable their companies to get the best shot at proper shelf sets."

In his talk, Thompson also asked retailers whether their headquarters people will still be able to make major merchandising decisions when scanning data determines velocity and dictates schematics.

His boss, Dave Greenawalt, Knudsen president, responded from the audience that scanning can only tell what moves based on the space allocation and merchandising programs already in place. "If you rely only on automatic calculations of scanning devices, you miss out on what we're all supposed to be doing — selling and merchandising products, not just keeping track of numbers."

Foremost-McKesson Fourth Quarter

Foremost-McKesson, Inc. reported an 8% increase in revenues and a 6% rise in earnings per share from continuing operations in the fourth fiscal quarter ended March 31, Thomas E. Drohan, president and chief executive officers, announced.

For the full year, revenues were up 7% but per share earnings from continuing operations declined 8%, due in large measure to a sharp drop in the results of the company's chemical business, reflecting economic conditions.

The 8% increase in fourth quarter revenues pushed the total to $1,031,-402,000 from $958,458,000, while earnings from continuing operations were up 11% to $16,962,000 from $15,224,000 and per share earnings increased 6% to 90 cents from 85 cents. Net income totaled $15,224,000, down 10% from $16,873,000, or 82 cents a share compared with 94 cents in the year-earlier period. Net income included a small profit from discontinued homebuilding operations offset by losses related to the disposition of certain foods operations.

For fiscal 1983 ended March 31, the 7% increase in revenues brought the total to $4,081,481,000 from $3,-823,958,000. Income from continuing operations was down 4% to $63,208,-000 from $65,824,000, or $3.44 a share, 8% from $3.72 in fiscal 1982. Net income totaled $56,493,000, down 23% from $73,537,000, or $3.10 per share, down from $4.14. The results included losses of $647,000 from homebuilding and $6,068,000 from the operations and disposition of certain foods businesses.

Dairy Business Sold

Noting that operating profit and pre-tax income were down only 3% and 4%, respectively, Drohan said, "With the sale of our dairy business and cost reductions achieved during the past year, we are in a good position to benefit from expected improvement in the economy. We are emerging from the recession in a healthy financial condition and are actively seeking acquisitions to reinforce our position as the nation's leading distributor of drugs and health care products, wine and spirits and chemicals and to strengthen our position in selected proprietary products and services."

Reflecting the impact of the recession, only the Drug & Health Care Group, which accounted for 53% of revenues and 37% of operating profit, reported gains in both revenues and profit for the year. Revenues of the group rose 14%, topping the $2 billion level for the first time, while operating profit was up 16%. Fourth quarter profit, which was up 7%, was impacted by an increase in the reserve for last-in-first-out (LIFO) inventory charges. The LIFO adjustment was made necessary by a surge in pharmaceutical prices during the January-March period.

Foods Group Down

Foods Group revenues dropped 4% for the year, with the decline attributable to the sale of two small product lines late in fiscal 1982. Profitability was off 10%, stemming in large measure from weaker pricing for pasta products and losses related to water-vending operations.

Name Change to McKesson Corporation

McKesson Corporation will be the new corporate name for Foremost-McKesson, its board of directors voted. The change is subject to ap oval of the corporation's sharehold s at the annual meeting in San Fra cisco July 27.

The name change proposal r lects the sale last December of Fo most Dairies and the corporation's i reasing focus on its distribution busi sses, all of which carry the name McK sson. They include McKesson Ch nical Company, McKesson Drug Co pany and McKesson Wine & Spirits Company, which account for approximately 85% of revenues.

"The principal thrust of these core operations and the future direction of the company are in Value-Added Distribution, the business with which the McKesson name is clearly identified with our customers, employees, and the investment community," said Thomas E. Drohan, president and chief executive officer of Foremost-McKesson, Inc.

"Proprietary products and services will continue to be an important part of our company," Drohan added, "and we are in fact actively negotiating acquisitions in this area."

"The McKesson name also is synonymous with the advancing technology of the distribution business which is increasingly recognized for its important contribution to the efficient functioning of our economy," he said.

150th Anniversary

The name change proposal comes as the company marks the 150th anniversary of its founding by John McKesson in New York City. McK sson and Charles Olcott formed a ph maceutical importing and whole ling firm in 1833, primarily to serv the ships taking on supplies in New York harbor. In 1862, he and another part-ner, Daniel Robins, added di illed spirits to their business. They egan distributing chemicals in 1880.

Foremost-McKesson became the corporate name in 1967 followi the merger of Foremost Dairies wit McKesson & Robbins, Inc. Fo most Dairies and the rights to the Fo most brand for dairy products were s ld in December 1982 to a privately held corporation. The corporation wil continue to use the Foremost brand name on some of its food ingredient products, principally whey.

Foremost-McKesson's revenues in fiscal 1983 ended March 31 were about $4 billion.

Gi o Spaghetti Sauces

T e Gino Corporation of Stamford, CT nnounces that their 36 year old line of tomato sauces are now available or generic and private label sales.

F r the retail market, the sauces are onveniently packed in 15.5 oz, 24 , and in 32 oz glass jars. The sauc s are also available in #10 cans for ood service sales. The line of Gino prepared sauces include: all-purpose spaghetti sauces, spaghetti sauce flavored with meat, USDA meat spaghetti sauce, mushroom sauce, and marinara sauce.

These sauces are made without preservatives and are backed by the quality and the integrity of the Gino name.

Ragu Grows

The spaghetti sauce category, where Ragu' sauces have by far the largest share, continued its rapid growth. More consumers are serving pasta meals as the nutritional benefits of pasta become better known, and increasing numbers of consumers who had made their own sauce from scratch are being won over by new sauces. Sales of Ragu' spaghetti sauces felt the impact of a shift in the promotional calendar in the first quarter but should resume their growth in the second quarter. Ragu' Pizza Quick products registered strong sales for the first quarter and represent an increasing important new business area for the division. Advertising expenditures were greatly expanded and work continued on new products being readied for introduction in 1 3 and 1984.

Ca pbell Investing in Pre o Facilities

C npbell Soup Company, Camden, NJ, investing more than $2 million in new roduction facilities at its plant here to increase the output of its pop r Prego Spaghetti Sauce. The Can en plant will be second in the Can bell system to produce Prego pro cts, now manufactured only in Can bell's Napoleon, OH, plant.

E pansion will include 25,000-sq-ft usec for filling, cooling and casing equi ment; 10,000-sq-ft for blending; 5,00 -sq-ft. used for miscellaneous operations. Some of the existing equipment at the Cambden plant is being modified and adapted for the new Prego line.

The new production line will be state-of-the-art, and it will be able to containerize any kind of product in glass. This opens up the possibility of adding a whole new range of products to those the Camden plant currently manufactures. Possibilities include "V-8" Cocktail Vegetable Juice, soups, Vlasic products, and others. Prego currently is manufactured in 15½, 32, and 48-oz sizes and in four flavors: Regular, Flavored with Meat, Mushroom and Marinara.

McNutt Honored by Wholesale Grocers

C. James McNutt, president of Campbell Sales Company and vice president-sales for Campbell Soup Company, recently received the Herbert Hoover Award of the National-American Wholesale Grocers Association (NAWGA) for "noteworthy contributions in the food field that have been of benefit to the industry and the general welfare."

Mr. McNutt (left), received the award from NAWGA Board Chairman Jack Twyman at the group's recent convention.

Mr. McNutt has received a number of industry awards since becoming Campbell's chief sales executive in 1966, including the 1982 Watson Rogers Award of the National Food Brokers Association and the 1979 William H. Albers Trade Relations Award from the Food Marketing Institute.

Mr. McNutt, a resident of Haddonfield, New Jersey, is a member of the board of directors of several Campbell subsidiaries, plus the Continental American Life Insurance Company Wilmington, Delaware, and the Wilson Foods Corporation, Oklahoma City, and is a member of the board of governors of the Academy of Food Marketing, St. Joseph's University, Philadelphia.

Franco-American Ads Stress Nutritional Value

The Campbell Soup Company is launching a new ad campaign for Franco-American Spaghetti products aimed at making consumers aware of their nutritional value.

Scheduled to begin early in 1983, the campaign will give consumers important information about specific Franco-American products, including such facts as: they have no preservatives, they have as much protein as a peanut-butter-and-jelly sandwich, they have more Vitamin A than milk, and they have more iron than spinach. The simple straightforward facts are supported by data from the U.S. Department of Agriculture and Michigan State University.

As Tom Noto, Product Marketing Manager, stated, "Today's mothers want to be informed. They are concerned about what their family eats, especially when they're not home. Our campaign, 'Franco-American — more than just delicious,' does that. It tells them about Franco-American's nutritional value."

Commercials will be aired on prime, day and kids' television, and ads will appear in several magazines including Family Circle. The print campaign will be launched with a two-page spread ad, while the television schedule will feature three 30-second commercials.

The ad agency is Needham, Harper & Steers in New York.

Campbell Soup Co. Up in Third Quarter

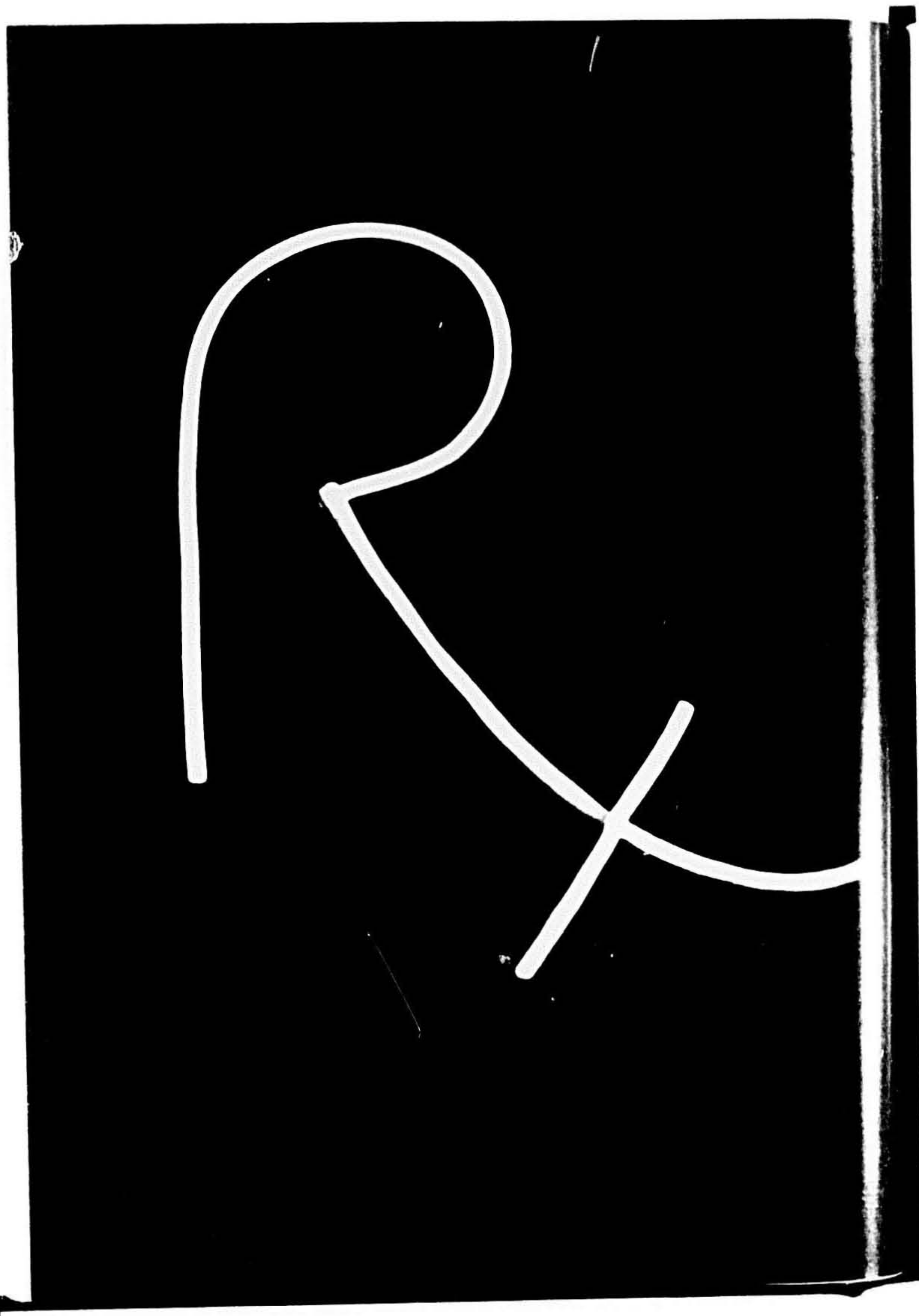
Campbell Soup Company reported increased sales and earnings for its third quarter and nine months ended May 1.

R. Gordon McGovern, President, said net earnings for the third quarter rose 16% to $38,412,000 from $33,-175,000 in the third quarter last year. Earnings per share advanced 16% to $1.19 from $1.03 in last year's quarter. Sales increased 15% to $832,112,-000 from $722,187,000.

For the first nine months of Campbell's fiscal year, earnings climbed 8% to $128,278,000 from $119,284,000 reported in the first nine months of fiscal 1982. Earnings per share rose 8% to $3.98 from $3.70. Sales for nine months advanced 10% to $2,527,500,-000 from $2,288,966,000.

Unit volume was up 13% over the prior year's quarter and 10% over the nine-month period. Excluding the acquisitions of Mrs. Paul's Kitchens and Juice Bowl, unit volume increased 5% in the quarter and 4% for the nine months.

Marketing expenses continued at the increased level as total marketing expenses were up 35% in the quarter and 32% for the nine months.



Pasta Prescription

Prescribe pasta. It could reduce the risk factors associated with coronary heart disease.

saturated

substitute unsaturated fats

How does this relate to pasta consumption?

not not

is

Pastas – let's tell it like it is.

ADM

ANTOINE ZEREGA AND HIS GREAT IDEA FOR PASTA

Antoine Zerega
Native of Lyons, France, the founder of A. Zerega's Sons, Inc. started America's first pasta factory in Brooklyn in 1848

Frank L. Zerega
Frank Zerega joined his brother in assisting with the new family venture, continuing in the company's management until his death in 1967

Thomas H. Toomey
Elected president of the National Macaroni Manufacturers Association in 1904

In 1848, America was booming. Recovered from the depression of the 1830's, the vigorous young nation was bursting out of its Western boundaries and moving by wagon train and horse toward the Pacific. Gold was discovered in California, and the rush was on — encouraged by the Polk Administration's promise of free land to permanent settlers and protection from warring Indians. The census put the population figure at 17 million.

In 1848 in Europe, the old homelands were rent by war, revolution, and crop failures. The Eastern ports of the United States were crowded

Edward Vermylen
Nephew of Frank and John Zerega, Ed spent a life time with the company, rising through the sales department to guide company policy for many years. He died in 1966

with people from all parts of Europe, arriving to build new lives. Among them was Antoine Zerega of Lyons, a French flour miller like his forefathers since the 1700s.

He settled in Brooklyn close by the wharves where the bowsprits and figureheads of the sailing ships jutted out across the cobbled street. And it was there that Antoine Zerega established the first factory for the production of pasta products in the United States. His power was located in the basement — a single horse, turning the mill stone as well as other moving machinery on the upper floors. His drying method was the simplest — spreading the spaghetti and other pasta out in the sunshine on the roof. Come showers, and everyone scrambled to the roof and rushed the golden food to shelter!

The corporate history of R. Hoe & Company (still in existence as a printing press manufacturer) contains this record:

"During this year, 1856, a screw press was built for Antoine Zerega for pressing out the various forms of vermicelli. The bottom of the cylinder that held the dough was fitted with removable plates pierced with holes of desired shapes, through which the screw and piston forced the dough in long strips of vermicelli. When desired, revolving knives cut the vermicelli into short pieces as it issued, forming letters of the alphabet and other shapes. . . ."

Only eight years after the founding of the Zerega company, it had become in its own way a leader in the industrial revolution of the 19th century in the United States.

Early Times

Although his business continued to prosper, Antoine Zerega reported in letters to his family and friends some harsh facts. "This is a hard place to live. . . . In summer, when most sickness occurs, you can fry an egg on the pavement. . . . Three out of five children die by the age of . . ."

When the senior Zerega sailed from Marseilles to visit his son in Brooklyn, he brought his own bathtub with him.

Antoni Vermylen
Another nephew of Frank and John Zerega, Antoni was in charge of production and active with the company for more than 60 years until his death in 1975

"YOU WANT TO MAKE THE BEST PRODUCT AT THE LOWEST COST, RIGHT?"

That's what our new high temperature long goods line is all about. Interested?

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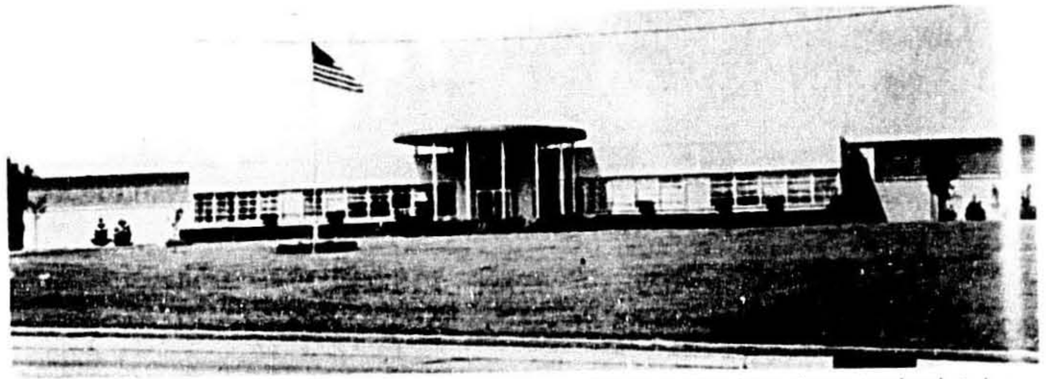

Today, A. Zerega's Sons, Inc. operates in these spacious facilities in Fair Lawn, New Jersey, having transferred its bu... in its centennial year, 1948.

The Zerega Company thrived despite war, other turbulence, and the slowness of technical advance. During his 40 years at the company helm, Antoine Zerega saw Brooklyn grow to become a city and then to become part of the city of New York. Of his nine living children, two sons, Frank and John, carried on the business after his death, and in 1888, the year of his death, the Brooklyn Bridge was opened, its eastern end about 100 feet from the Zerega factory on Front street.

Under the direction of the Zerega sons, live horse power was replaced by steam and steam by electricity. Even more important, however, was the replacement of the traditional Ukranian durum wheat, milled in Marseilles and shipped across the Atlantic. American farmers developed new, native strains of high-gluten durum started from Russian seed, and established a domestic market that included several score of pasta makers.

Paul Vermylen

Continuing the family tradition, Paul Vermylen, Antoni's son, became president of A. Zerega's Sons in 1967.

Durum Introduced

Durum wheat was first brought to the United States in 1853. But it was not until 1900 that durum varieties brought from Russia by Mark A. Carleton, a pioneer wheat scientist with the U.S. Department of Agriculture, were grown successfully. Carleton helped develop the durum crop by finding which part of the country was best for its growth. He also promoted the use of durum wheat for macaroni products.

From 1900-1910 durum wheat production increased tremendously in the upper midwest. North Dakota is the prime producer with South Dakota and Minnesota following. Montana began production after World War II; California after the Korean War. Winter increase programs saw contract growing in Arizona in the 1950's, and desert durum became a commercial crop in Arizona and New Mexico in the 1970's.

Industry Organizes

At the opening of the 20th century, a score or more of the more progressive manufacturers of macaroni and noodle products almost spontaneously realized the fact that their trade had made sufficient advance to warrant the organization into some sort of national body to look after the general welfare of the industry. In 1903, a well-edited magazine called the Macaroni Journal was launched by Fred Becker, a Cleveland noodle manufacturer, as a private publication. It soon became recognized as the spokesman of the infant industry. Through its columns solidified the growing sentiment in favor of an association of manufacturers that the boasted nearly 100 small, widely separated manufacturing plants.

Early in 1904, a call went out for the first national meeting of pasta manufacturers in America, and in answer to this call representatives of some 30 firms met in the Lincoln Hotel in Pittsburgh on April 19, 1904 and established the National Association of Macaroni and Noodle Manufacturers of America. The keynote of the proceedings was "cooperative competition".

John Piccardo of Pittsburg... selected as temporary chairma... Edwin C. Forbes, the editor ... Macaroni Journal, as tempora... retary.

Jay Vermylen

And on it goes, bringing still anot... eration into the fold of company ... ment. Paul Vermylen's son Jay ... a plant engineer in the firm founded ... 100 years ago by his great great grand father, Antoine.

Experience* Counts in Flour Handling...

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Pasta Maker Zerega

(Continued from page 28)

On the following day a constitution and set of by-laws were adopted. Officers were elected, and a general program of trade improvement approved. A representative of A. Zerega's Sons, Inc., Thomas H. Toomey, was elected president of the Association. Mr. Forbes was elected secretary, and Mr. Becker treasurer.

Other representatives of the Zerega firm were to hold high office in the Association in later years.

The Zerega Tradition

Continuing the Zerago tradition of 50-plus years Frank and John Zerega were joined by their nephews Ed and Antoni Vermylen, sons of their sister Josephine. Ed spent a lifetime with the company in sales and then finally in administration to guide company policy. He died in 1966. His brother Antoni was in charge of production for more than 60 years until his death in 1975.

A cousin, John Zerega, Jr., joined the family firm, spent a lifetime in the business and retired before his father released management reins with his death in 1967.

John lived on Pineapple street, a few blocks away from the plant. That area of Brooklyn was infested with wharf rats, and the story was that John had to go armed with a baseball bat if he entered the basement of his home. There were other tall tales of monstrous alligators in the sewers of Brooklyn brought by tourists returning from Florida who had purchased them as souvenirs and then disposed of them when they continued to grow after they had gotten them home.

During World War II Zerega was engaged in more than just making pasta. They had a thriving business with the Belgian Congo with inexpensive jewelry. Actually these were fancy shapes of pasta dumped into barrels of paint that whirled atop electrical motors, and the centrifugal force had the painted pasta climb a string which was tied into strands for beads.

The small pasta factory, which started on the Brooklyn waterfront, grew eventually into six stories, spread across the bustling thoroughfare that was Front street, and, almost annually it seemed, added ells, wings, and annexes. Its early production which had amounted to some thousand pounds of pasta a day, grew year by year.

Centennial

In 1948, marking its first centenary, the company was producing more than 100,000 pounds a day — in a strikingly modern new plant in Fair Lawn, New Jersey. The move from Front street was absolutely required, and it was hard to make, especially for the old-timers.

The new plant contains some 140,000 square feet. It is situated in 20 landscaped acres and was distinguished at its opening by the first pneumatic flour handling system in the pasta industry. Other modern features were added like continuous presses and dryers throughout the plant, and completely updated packing facilities. Since the move, some 40 percent has been added to the original floor space. Through constant replacement and modernization programs, the company can now serve every pasta-using segment of the food industry. It has always been strong as a manufacturer's manufacturer.

The company itself, A. Zerega's Sons, remains firmly in the founder's family. Antoni Vermylen's son Paul, great grandson of Antoine, joined the company as a salesman after World War II and was elected president in 1967. His sons, Jay and Rob, work in the plant. He was president of the National Macaroni Macaroni Association during 1978-80.

Solidly and modestly, this company represents a model of American business growth. Founder Antoine Zerega's great idea for pasta was — and is — a great idea for private enterprise.

Computers Confront the Food Industry

"We can no longer expect the consumer to respond to the supermarket just because that is the way it has been (done)," Jerry D. Metcalf, chairman and president of S. M. Flickinger Co., Buffalo, said at a National-American Wholesale Grocers Association workshop on what is likely to be ahead for the food industry.

For one thing, the computer has changed all that — not only in the food industry but in all business. For example, a computer on an executive's desk today may have greater capability than did a large console 10-15 years ago, he noted. "These are all changing our lives."

Metcalf said he would make no attempt to predict how his company or the industry would be operating and what food stores would be favored most by the consumer in five years. He would only warn wholesalers and others that changes are coming and "we should not hold on to old ways until it is too late. We must be flexible and adapt to changes in our industry."

Flickinger owns 76 food stores and supplies stores of 8,000-70,000 sq. ft.

"Supermarkets will change, no matter how the diehards feel. The changes are occurring faster than we anticipated a few years ago. It is a changing world . . . the Japanese are leading in auto production, oil is no longer cheap. . . ."

Scanner Data

Gromer's Supermarket, Elgin, Ill., is collecting scanner data, which John Landeck, vice president, considers one of the most important benefits of scanning.

"We watch how much profit a manufacturer is making for our store" to decide how much shelf space will be given to its products, he said.

Gromer's is using electronic data processing for time and attendance, payroll, payables, receivables, general ledger, spread sheet analysis, forecasting, budgeting and variation reporting, mini P/L reporting, labor scheduling, productivity trends, norms, front-end accounting, accountability, check cashing trends, etc.

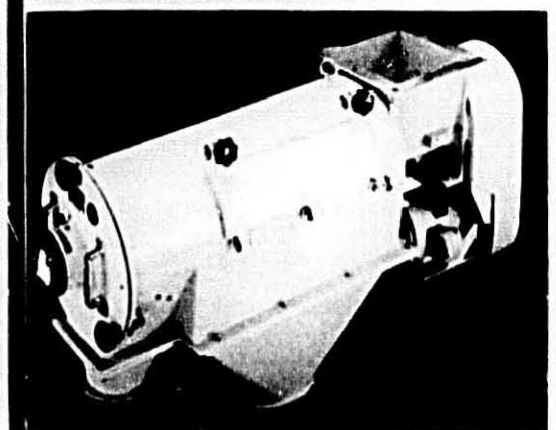
Coupon Control

Landeck EDP has been especially useful in determining what the norms are, not only in front-end productivity but also in determining whether a checker's coupon redemption is low and she is "sweethearting," or redeeming coupons for which no product was purchased.

Gromer also is using computer technology in its scratch bakery. Computerization lets him take account of cost changes for every ingredient.

He takes inventory of perishables every Monday morning. "We are still supporting our own direct store deliveries." He also expects to wand-scan wholesale cartons when they are coded. "We have total price removal (in the store)." The retailer also is selling raw and formulated scanner data.

Flour Sifting



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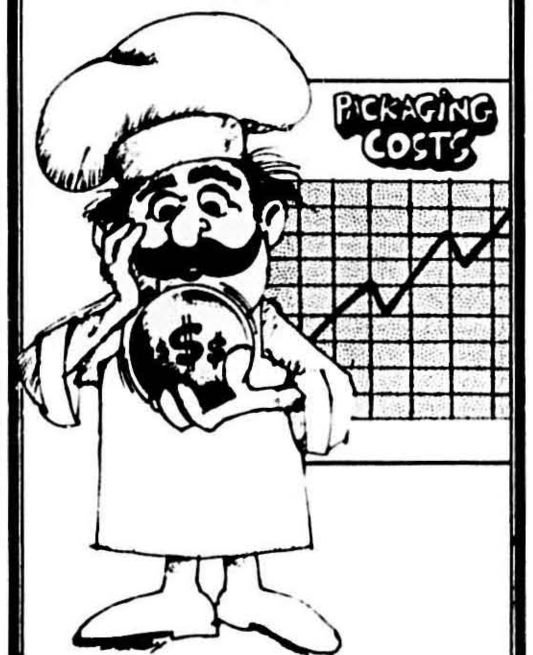

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BUSINESS PROGRAMS

79th Annual Meeting

National Pasta Association

Tuesday, July 19

Will Phillips, Senior Associate, Director of Certification Programs for Adizes Institute, Inc., will speak on **"Mismanagement Styles".**

According to the Peter Principle, individuals in organizations tend to be promoted to their level of incompetence. This means that people mount the ladder of promotion until they fail because they have achieved a position that is beyond their capacities. Yet while author Peter Laurence presents a vivid description of corporate reality, he does not provide a theoretical explanation of this phenomenon. Will Phillips does.

Styles of mismanagement exhibited in extreme cases are those in which a manager (or rather a mismanager) performs only one role, whether that of an individual producer, an administrator, an entrepreneur, or an integrator. From these "pure" cases, mixed types of mismanagement can be identified subsequently.

Mr. Phillips, a graduate of Haverford College, has lectured about the Adizes Method to top management worldwide. He has extensive experience in career counseling and developing strategies of career change for executives and managers.

Before joining the Adizes Institute, Mr. Phillips founded his own business — Habitat Inc. — which he directed for five years. As the former Associate Director of the Massachusetts Quality of Working Life Center, he often served as third-party facilitator on labor-management problem-solving committees from the highest levels in the ogranization down to shop floor and office committees.

A former chief instructor for the Outward Bound Schools, Mr. Phillips has led three major mountaineering expeditions to remote areas of the world.

Wednesday, July 20

"Discovering the Fountain of Youth: How to Explore Growth Opportunities in Mature Industries"

Presented by Kathleen Crispell Blackmer and Roger W. Hearne, Arthur D. Little, Inc., San Francisco, California

With well over 70% of U.S. companies operating in large, stable industries best described as "mature", senior executives face new challenges in stratetgic planning. The number of emerging growth businesses is declining, and many firms seeking renewal through "portfolio" acquisitions have been disappointed with the results of their efforts. Arthur D. Little, Inc., offers an alternative strategy for corporations wishing to take best advantage of their position in a mature industry. This seminar focuses on their experiences in consulting to such clients, and offers some suggestions for planning and achieving renewed growth in a field with a surprisingly large range of opportunities.

Four specific topic areas will be covered in the presentation:

- **Fighting Corporate Senility:**
  A Diagnosis and a Prescription

  The problem of the 1980s for U.S. business executives is to match the skills of our worldwide competitors in finding ways to create new growth through rethinking and renewing our mature industries. Strategic planning theory and practice must concentrate on what is possible rather than merely what is theoretically attractive. What is possible — and is done every day around us — is to find rewarding growth and greater profitability within the existing mature industries which already produce most of our profits.

- **Rediscovering Youth:**
  How to Identify Opportunities Within the Current Portfolio

  Even the most mature industry has potential for growth. The Strategic Opportunities Profile is a powerful tool for identifying important new growth areas in mature industries. It results in an Innovation Budget which supports the pursuit and management of fresh ideas and new approaches to technology, user needs, competition, and other key factors.

- **Controlling Exuberance:**
  A Guide to Profiting From Change in Mature Industries

  The rules of the game are different in mature markets. Previous experience in a growth market can be misleading and self-defeating. Mature markets require special, non-traditional tactics for introducing new product lines. Too many new products fail because their entry strategies are driven by ambition rather than by conditions in the marketplace.

- **Nurturing Vitality:**
  How to Foster Growth Through Renewal

  Perhaps the most difficult challenge to a corporation is that of creating managerial systems and compensation plans which encourage the successful coexistence of both entrepreneurial activities and mature businesses within the same company. Unless the barriers to risk-taking are lowered, a corporation may find that in a mature industry it is its own worst competitor.

Kathleen Crispell Blackmer

Ms. Blackmer is a senior member of the Strategic Consulting practice staff in the San Francisco office specializing in marketing and corporate strategic planning.

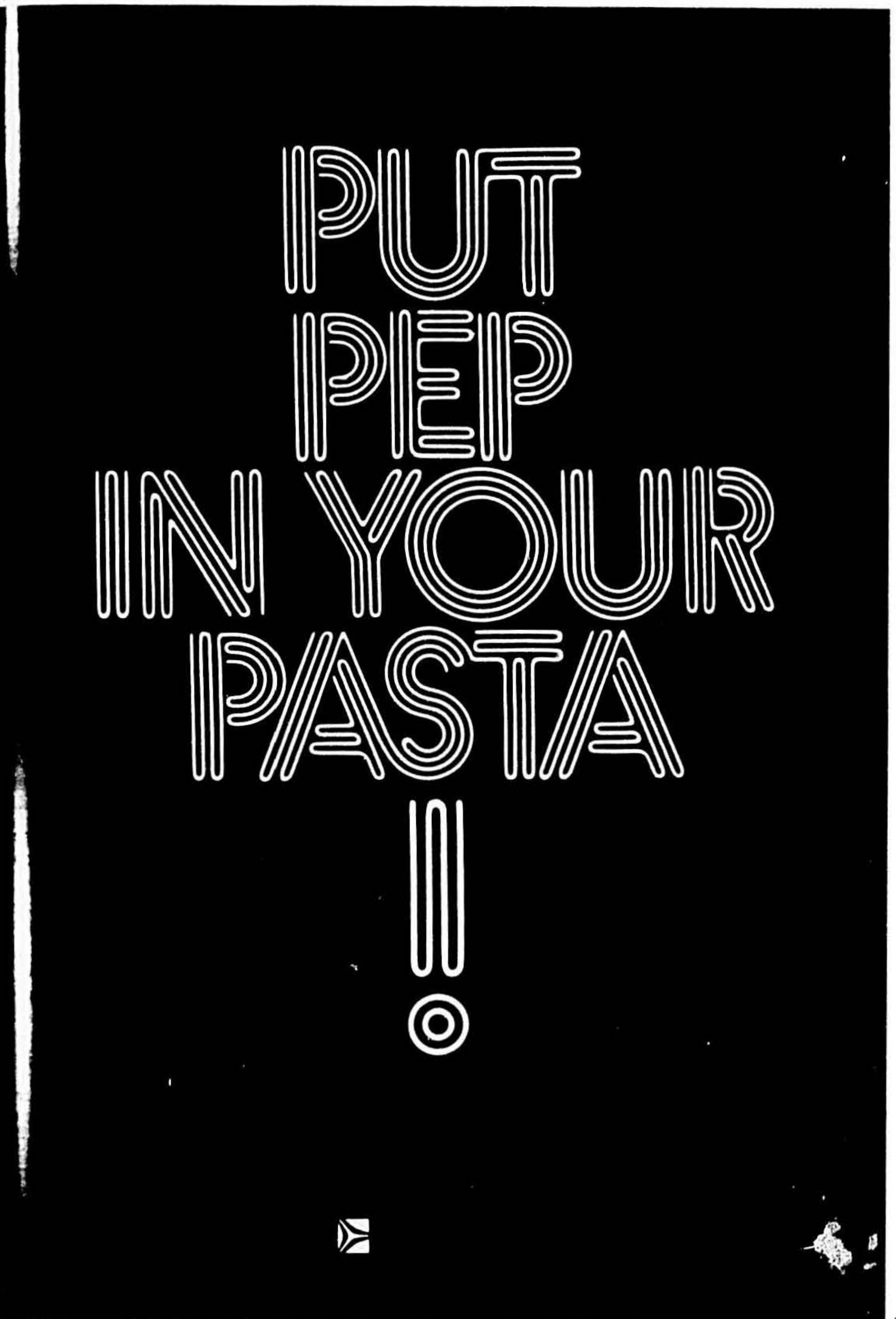
Since joining Arthur D. Little in 1976, Ms. Blackmer has worked with a number of clients in developing strategic plans at both the corporate and business unit level, assessing industry structure and opportunity areas, and developing marketing strategies for both industrial and consumer-oriented companies. Much of her work has been in the food industry.

Recently she has led an assignment for a major U.S. diversified corporation, examining the strategic alternatives for its sugar operations. The focus of the work was on corporate strategy issues growing out of the value of the corporation's agricultural land. The work has included development of a corporate business plan and implementation of the plan through acquisition and cost reduction task forces.

Other experience has included:

- A comprehensive study of the U.S. food service industry with emphasis on industry structure and opportunity areas, leading to

(Continued on page 34)



About the Speakers

(Continued from page 32)

development of an acquisition strategy. The assignment included the preparation of profiles of 74 different industry segments including manufacturing, distribution, and retailing activities.

- Strategic planning for a multi-faceted institutional food service company, using the Arthur D. Little strategy center concept to assist in devising a corporate strategic plan. The process included the development of a strategic profile on each of the corporation's four business units and the preparations of strategic plans for the business units and the corporation as a whole.
- A strategic planning assignment in the consumer electronics area. The scope of the work included industry analysis; identification of opportunity areas consistent with the company's strengths; development of specific product concepts; and technical, engineering, and marketing assistance in taking the products from conception to the marketplace.
- A marketing strategy study for a West Coast-based national food processor examining the current and future markets for a subsidiary engaged in the production of frozen entrees for the food service industry. The result was a written strategic plan for the business unit based on examination of its capabilities and competitive position.
- A marketing strategy/strategic planning assignment for a Northwest processor of fruits and vegetables. Among the issues addressed were: (1) food service versus retail grocery business, (2) branded versus private label business, and (3) regional versus national geographic coverage.

Formerly advertising director for a national apparel firm, Ms. Blackmer was an integral part of the company's marketing group. She coordinated all advertising, sales promotion, and public relations activities. Her work involved significant interface with the firm's parent company, a multinational conglomerate with both industrial and leisure product interests.

Ms. Blackmer is a member of the North American Society for Corporate Planning and has been vice president-administration of the Northern California Chapter, Corporate Planners Association. She was a major contributor to Arthur D. Little's publications, "A Management System for the 1980s" and "Planning and Managing for Inflation."

She received a B.A. degree with honors from the University of Michigan in 1967 and an M.B.A. degree from Stanford University in 1976.

Roger W. Hearne

Mr. Hearne is responsible for coordinating Arthur D. Little's strategic consulting practice in the western states. He has worked extensively with retailers, distributors, and manufacturers to implement strategic plans. He has a strong interest in practical, operational changes that significantly improve profits and return on equity.

His background includes:

- Project leader for a substantial analysis of current and future market, technical, economic, and competitive forces in consumer foods and food service. The client, one of the largest and most successful U.S. food manufacturers, adopted a new strategy as a result of this work. This strategy should accelerate their growth rate and improve the focus of their technical work, among other factors.
- Leader of a major project to analyze the U.S. food and food service industries and find profitable segments that a large multi-national company could enter through acquisition.
- Evaluation of two large supermarket firms as acquisition candidates.
- Project leader on a project to rescue and reposition an $80 million new product entry into the food industry.
- Several analyses of the viability of companies competing in the food and beverage industries.
- Evaluation of the impact of changing distribution patterns on a large soft drink corporation.
- Leadership in the analysis of the ability of a large winery to improve its profits.
- Project leader for several years of corporate planning, profit improvement, and acquisition work for the executive committee of a large multi-national food and beverage corporation.
- Project leader in continuing work on strategic planning and acquisitions for a major department store company. The top management of this corporation reported significant profit and volume improvement as a result of the project.
- Leadership of a team that took a $120 million company from a $7 million loss to profitability within six months. This work required massive increased in productivity that were successfully achieved.
- Leader of a project that analyzed and substantially revised the multi-level "direct sales" system used by a major diet food marketer. This project involved all aspects of that marketing plan including the compensation methods for their "counselors".

Before joining Arthur D. Little, Mr. Hearne was Group Vice President of the largest housewares distributor in the United States and had line responsibility for all of their wholesale activities. He was a member of the Executive Committee of the Board of Directors. His responsibilities included management of separate profit centers in Miami, Atlanta, and Baltimore. Merchandise areas included housewares, small appliances, toys, hobbies, consumer electronics, imports, record rack jobbing, and record distributing.

Earlier, Mr. Hearne worked for Stop & Shop, Inc., a large East coast supermarket firm, and for a subsidiary company, Bradlees. His career started at store level and included positions as Director of Property Development, and then Buyer, and subsequently Merchandise Manager for the company's general merchandise stores. This last position involved management of a substantial portion of the company's hardlines activities.

Mr. Hearne has addressed various industry groups and has guest lectured at Harvard Business School. For several years, he headed the Consumer Marketing Unit at Arthur D. Little. He is the recipient of two Presidential Awards from the company for outstanding performance. His educational background includes a B.A. degree in economics from Harvard University and an M.B.A. with distinction from Harvard Business School.

PROGRAM

THE 79TH ANNUAL MEETING NATONAL PASTA ASSOCIATION

Silverado Country Club and Resort, Napa Valley, California

Sunday, July 17

10:00 a.m.	Executive Committee Meeting	Inglenook Room
3:00 p.m.	Board of Directors Meeting	Trefethen Room
6:30 p.m.	Newcomers Reception	Patio Terrace
7:00 p.m.	Welcoming Reception	Fairway Deck
8:00 p.m.	Dinner in the Oak Grove Casual Dress — Entertainment	Silverado Grove

Monday, July 18

8:30 a.m.	Chairman's Report President's Report Committee Reports	West Ballroom
10:30 a.m.	Product Promotion Review	Elinor Ehrman
2:00 p.m.	Tennis Mixer — Sign up in advance	Tennis Club
6:00 p.m.	Robert Mondovi Winery Tour — Testing, Reception, Dinner Robert Mondovi, host; Andre Mercier, chef	

Tuesday, July 19 WEST BALLROOM

9:00 a.m.	**"Mismanagement Styles"** — Will Phillips,	
12:00 noon	Senior Associate, Director of Certification Programs for Adizes Institute, Inc.	
10:00 a.m.	Ladies' Golf Tournament — Sign up in advance	South Course
10:00 a.m.	"The Marrage of Food and Wine" — A Novelle Cuisine cooking school. Andre Mercier, instructor and chef. Registration limited to first 25 to sign up. Course repeated on Wednesday	
1:00 p.m.	Men's Golf Tournament — Sign up in advance — Golfers may compete tournament round prior to this time if their card is validated by the NPA Tournament Chairman, Mickey Skinner, before play and by the golf pro after play	North Course
	Open evening	

Wednesday, July 20 WEST BALLROOM

[illegible]:00 a.m.	Council Breakfasts	River Room
[illegible]:00 a.m.	**"Discovering the Fountain of Youth: How to Explore Growth Opportunities in Mature Industries"** Kathleen Crispell Blackmer, Roger W. Hearne Arthur D. Little, Inc.	
11:30 a.m.	Convention Committee Reports	
12:00 noon	Board of Directors Meeting	Beringer Room
7:00 p.m.	Suppliers' Social	Fairway Deck
8:00 p.m.	Dinner, Program and Dance	Ballroom

Wheat Industry Council Sets Program

Members of the Wheat Industry Council gave approval to an ambitious new schedule of program activities for the Council's 1983-84 year beginning next July 1.

Approval of the Council's fiscal year budget came at the organization's annual meeting March 9-10 in Washington, which included a review of consumer education programs, including a new regional spokesperson campaign that is off to what appears to be an encouraging start in two regions.

Chairman's Review

In reviewing the Council's first two-years of operation and activities for the year ahead, Raymond L. Davis, newly-elected chairman of the Council, said, "This is the year that we can put this whole thing together." Mr. Davis, a producer member of the Council from Potter, Neb., has long been associated with wheat promotion programs on the state, national and international levels.

Mr. Davis succeeds Vernon L. Baird, chairman of Mrs. Baird's Bakeries, Inc., Fort Worth, Texas, chairman of the Council the past two years. Succeeding Mr. Davis as vice-chairman is Lauren H. Batty, chairman, president and chief executive officer of ITT Continental Baking Co., Rye, N.Y.

Alice H. Perkins, American Dietetic Association, Chicago, newly-named consumer member of the Council, was elected secretary, succeeding Sheila Sidles, Iowa Consumer League, Corydon, Iowa. Howard H. Holmes, president, Chelsea Milling Co., Chelsea, Mich., was re-elected treasurer.

Newly-elected as at-large member of the executive committee is Paul A. Vermylen, president, A. Zerega's Sons, Inc., Fair Lawn, N.J., a new end product manufacturer member of the Council.

Members of the Council approved a budget and expenditures of $900,000. Basic program expenses include $387,000 for consumer nutrition education, $50,000 for Scientific Advisory Committee operations, and $40,000 for industry relations and communications.

Program Review

The 1983-84 program given preliminary approval by the Council was outlined by representatives of Myers CommuniCounsel, New York, the Council's new public relations agency.

Donna Myers, president of the agency, said there are three basic objectives for the fiscal 1984 program, as follows:

"• Generate maximum consumer awareness and understanding of W.I.C.'s basic messages and communications theme.

"• Create W.I.C. member awareness/enthusiasm via internal communications and reporting effort.

"• Lay groundwork for expanded communications activity for even broader audiences in fiscal 1985."

Ms. Myers suggested "The Natural Choice" as the overall program theme for the Wheat Industry Council, stating that it would work collectively as well as for individual wheat foods products.

In describing the program's "message," Ms. Myers said the basic message must:

"• Make the strongest possible points about the health, lifestyle and dietary benefits of bread and pasta.

"• Clear up common misconceptions that bread and pasta are high in calories and low in nutrients.

"• Emphasize that bread and pasta are made from wheat, with all the positive values wheat connotes.

"• Be verbally flexible enough to allow for the incorporation of new findings produced by research.

"• Be applicable to the widest range of publics.

"• Be new and different — stand out from the mass of current health-related program messages.

"• Lend itself to strong graphic treatment — thus allowing production of attractive, distinctive program materials."

Regional Advisor Program Cited

Margaret A. Warder, New York-based public relations counselor for W.I.C. told the group of progress in training and scheduling nutrition advisors who will make regional appearances on behalf of the Council's nutrition education programs.

The first two advisors are Dr. David Lineback, head of the department of food science at North Carolina State University, and Dr. Johnson Dwyer, associate professor at Tufts Medical School and director of the Frances Stern Nutrition Center in Boston.

In showing videotapes of Dr. Dwyer and Dr. Lineback in recent appearances with the media, Ms. Warder said the interviews in Boston and Atlanta, Ga., respectively, resulted in 48 minutes' television air time, 70 minutes' radio air time and two print interviews. Total audience reached for W.I.C. was placed at 2 million persons.

C. Joan Reynolds, executive director of the Council, emphasized that the nutrition advisors are representing their own area of scientific expertise and are not spokesmen for the Council. This approach, she said, strengthens credibility of the program.

Ten Nutrition Education Advisors

The 10 nutrition education advisors for the Wheat Industry Council are:

- Dr. Bert L. D'Appolonia, professor, North Dakota State University, Fargo.
- Dr. Johanna T. Dwyer, director, Frances Stern Nutrition Center, Inc., Boston.
- Dr. John W. Erdman, associate professor of food science, University of Illinois at Urbana-Champaign, Urbana.
- Dr. Jeanne Freeland-Graves, associate professor, graduate nutrition division, University of Texas at Austin.
- Dr. Julia M. Jones, associate professor of foods and nutrition, College of Saint Catherine, St. Paul, Min
- Dr. Kathryn M. Kolasa, chairperson, department of food, nutrition and institution management, School of Home Economics, East Carolina University, Greenville, N.C.
- Dr. David R. Lineback, department head, North Carolina State University School of Agriculture and Life Sciences, Raleigh, N.C.
- Dr. Arlette I. Rasmussen, professor, department of food science, University of Delaware, Newark.
- Dr. Joyce Vermeersch, Davis, Calif.
- Dr. C. Jane Wyatt, associate professor, department of food science and technology, Oregon State University, Corvallis.

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FAMILY BUSINESS COLUMN

by Frank M. Butrick, Akron, Ohio

XIII — THE NON-FAMILY PARTNERSHIP — A ONE-GENERATION BUSINESS?

Probably there is no more fragile form of human endeavor than a business partnership. In theory, the joint talents and money of two or more compatible and ambitious men is perfect. In practice it all too often turns into a nightmare, and it gets worse as the years grind by and the arrangement grows into something too big, too complicated, and too expensive to untangle and start over — and well nigh impossible to pass to the next generation.

Frank M. Butrick

The typical partnership begins with two ambitious people, usually with complementary skills and experience, and both short on capital. Each would prefer to own his own business, but he is impatient of the time needed to build up his missing skills (or the expense of hiring them) and his capital is not great enough to risk becoming an individual entrepreneur. The idea of a partnership is time sensitive; that is, it is the best compromise with what each person really wants — at the time the decision is made. His partner has the same ambitions, impatience, and obstacles; each sees the other as the ideal solution to a short-term problem. Thus, they join forces and a new business is born.

If all goes well, they are too busy to quarrel — and their money dwindles away so fast that there is nothing to fight over. Ironically, if the fledging venture fails, the erstwhile partners usually part as friends. When the venture begins to succeed, the partners become elated over their joint success and each congratulates himself on having found such a smart, hard-working, and amiable partner. It is only after the profits begin to accumulate that serious trouble arises: as they divide the annual profits, each begins to wonder if he could have made it alone.

Once the honeymoon is over, each looks more objectively at his partner, finds irritating personality traits he has overlooked before, decides that he works harder and longer hours than does his partner, wonders if he will be happy spending the rest of his life in this business marriage, and whether his partner really earns his share of the proceeds. After all, they started with just money — and they work full time, and should not the profits be split on the basis of work and effectiveness — value to the business — rather than the one-time accident of the equality of their starting capital? From this point onward, the more successful the business, the more intolerable grows the partnership.

Even when partners manage to survive the attack of success, without antagonism over who does what, problems can arise from a different direction — what to do with those profits. Typically, one partner wants to re-invest in additional growth, and the other one wants to take a business trip to Hawaii.

In many cases, to avoid antagonisms, partners bend over backwards to eliminate friction or misunderstandings. Typically, this leads to an inability to make decisions except after endless "I'll see what George thinks" delays. I just made an appointment for two days of consulting to do estate planning for a three-partner business in Texas; We have had phone conversations for over three years. Finally all three agreed that they wanted to hire my services — and it has taken over six months to agree on the date! Fortunately, I don't have to worry about a cancellation; just making that decision would probably take 2 or 3 months.

Some partnerships develop between two or three people where one is clearly dominant by virtue of his personality. When this happens, the dominant one runs the business as though he owned it, and the subservant one is like a co-owner employee. I have encountered a number of cases where the dominant one was taking a salary far greater than his partner; they shared the remaining profits equally, as a sort of consolation prize.

Open warfare between partners is not at all unusual. I once had a client in Detroit where the partners ran the business on alternate months—literally. They had not met in years. One ran the business for a month, then tidied up, left a status report, and flew to Florida. The other partner came up from Florida (their partnership owned a condo there), read the status report, and then ran the business his way for a month. On the 30th, he wrote his own status report, and they changed places again. Imagine trying to make decisions under those circumstances.

But I have seen worse. One very successful partnership in Cleveland was also a client of mine. There the partners—brothers—ran the place alternate weeks! One played president for a week while his brother was on the road, selling. They traded places every weekend. Like the first example, they too had not met face-to-face in years. They finally sold out. Each partner had his own lawyer, and to settle the firm they had their lawyers get together and agree on a third lawyer, who found a broker, who found a buyer.

Buying Out a Partner

From what I have seen, in almost every partnership one partner wants to buy out the other at times of peak frustration. But seldom do they know how to do it, and such plans collapse because the buyer cannot afford to be a buyer and the seller would be taxed to death. Actually, buying out a partner can be relatively painless as to taxes, and with a proper installment deal, most partnerships could be broken up. The process is not really complex, it just requires a number of steps:

1. Incorporate the business, with the partners owning shares in proportion to their capital accounts.

2. Set up the corporate books in two divisions, and allocate the assets and liabilities so the two are of equal value. Concentrate on getting all the current assets (cash, A/R, inventory) in one and all heavy fixed assets (building, trucks) into the other.

3. A second corporation is setup and the heavy assets are put into it; the first corporation now owns a subsidiary of equal value to the parent.

4. The seller partner exchanges his 50% stock in the parent corporation for 50% of the stock of the subsidiary, thus he owns none of the parent and all of the subsidiary.

At this point, which only takes a week or two, the buyer partner owns all the cash company and the seller partner owns the asset company; both are of equal value. Legal expense has been only about $1000, and accounting expenses probably not much more. None of these transactions are taxable.

5. The buyer's corporation leases the seller's assets for 13 months at a rate about equal to what the seller would have taken out as his salary and draw. The rent flows into his asset corporation and he takes it out as salary and draw. The rent flows into his asset corporation and he takes it out as salary. Taxes same as before, and the seller can play landlord for 13 months.

6. At the end of 13 months, the buyer's corporation puts together an installment buyout of the seller's corporate assets. Because of depreciation, the buyer's corporation gets major tax shielding. The seller liquidates his corporation and takes home the proceeds of the asset sale. If the two people are not related, much of what the seller gets is capital gain, at 20% maximum tax rate.

The result is a largely tax-shielded buyout of a partner. If you try to just buy out a partner, there is either no tax shielding for the buyer while the seller gets capital-gain treatment, or the buyer gets tax shielding and the seller has ordinary income. If you incorporate and then redeem one stockholder's stock, he gets capital gain but the buyer has no tax shielding at all. These arrangements offer the false attraction of simplicity, at the expense of a major tax burden.

The only arrangement which is fair to both parties and does not incur heavy taxes is the procedure outlined. Obviously, the deal must be carefully tailored to each situation, and no two are alike. For instance, when the fixed assets are not valuable enough to come up to a full 50%. In this case, I put the fixed asset and part of the inventory into the seller's corporation. After 13 months, the buyer buys the assets from the seller's corporation on a faster buyout—say 5 years. The seller's corporation is thus reduced in value. Once the assets are all paid for, then the inventory is purchased in a second sale and the seller corporation is liquidated. As I said, no two are likely, but any experienced acquisitions practitioner can put together a tax-shielded partner buyout, and these work out very well as long as everybody is patient and follows the game plan.

This buyout procedure is something every partner should know, because

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The Non-Family Partnership

(Continued from page 39)

the chances are about 80 to 90% that every partnership will eventually either be sold to a third party or one partner will be bought out. The reason for this is because everybody grows older; in time, every business owner or co-owner looks to the next generation for succession—for the owner's sons and daughters to come in, learn, take over, and preserve the income source. But no two partners ever produced the same number of equally capable offspring, of equal ages. So always one family ends up short. Worse yet, most partners have signed tontines called buy/sell agreements; whomever lives the longest gets to own the business!

Really smart young people take a long careful look at dad's partnership, study the buy/sell agreement—and walk away. However, when sons and daughters do come into a partnership, the number of people tends to dilute any personal animosities.

As long as the business is big enough to avoid overcrowding, a reasonably natural pecking order will usually develop (carried over from childhood) and protects their relationships. Of course, one ambitious younger son can tear the business apart, particularly if he is a politician, rather than a doer. Partners must work actively at keeping their own relationship harmonious and beware of any development among their sons which might become disruptive. Any troublemakers are best ejected from the business for the good of those who remain to work.

But worthwhile long-term succession planning is almost impossible, since the number of involved heirs is seldom equal on both sides. For the good of the partners' families, the business must be considered expendable; sell it quickly if it appears that it would be the source of more grief than good in the years to come.

This article is condensed from a chapter in the author's book, *The Family in Business*, 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.

Frank Butrick has, for over two decades, been a leading consultant, convention speaker and author on the family-owned business. He has written hundreds of magazine articles through the years and his concepts have been incorporated in numerous books. He averages nearly 50 convention appearances a year, and is active as a consultant, serving business owners all over America. If you have a situation upon which you would like Mr. Butrick's comments or advice, you may contact him through *Macaroni Journal*, or by writing the IBI Press in Akron, or calling him at 216/253-1757. There is no cost or obligation—but if you write, be patient. His heavy travel schedule precludes quick replies to his correspondence.

Buitoni Foods Names Powers Vice President of Sales

James T. Powers has been appointed Vice President of Sales for Buitoni Foods Corporation, it was announced recently by Vernon Bacher, President and CEO.

In his new position, Powers will be responsible for supervisiong the corporation's sales efforts on the branded, private label and food service product lines.

Powers joined Buitoni in June, 1981, as National Sales Manager. Prior to joining Buitoni, Powers held various sales management positions at Gioia Macaroni and The Pillsbury Company.

Gooch Foods Promotes Schmohr, Kolb

Harold Wendt, President of Gooch Foods, Inc., manufacturers of Martha Gooch pasta products, announces the promotion of Bob Schmohr as Executive Vice President and Peter Kolb as Vice President of Manufacturing.

Schmohr has been with Gooch Foods, Inc., since 1948. His assignment as Executive Vice President will be in general management of the company and special assignments as directed by Wendt, who will continue to function as Chief Executive Officer.

Kolb has been with Gooch Foods, Inc. since 1954. His new position as Vice President of Manufacturing will include the responsibilities of planning and coordinating efficiencies of all Gooch manufacturing plants. He will be in charge of equipment procurement, operations and packaging.

Gooch Foods, Inc. manufactures and distributes a variety of pasta and other food products under the Martha Gooch and La Rosa brand names.

Birkel Acquisition

A subsidiary of Heinrich Leiher, part of the Birkel group, Germany's principal pasta manufacturer, has taken over the Baeren noodle factory in Ulm. The trade name will be maintained.

According to **World Food Report**, Birkel's principal pasta brand is Drei Glocken. The U.K.-based publication said that German pasta manufacturers have been facing increasing competition from Italian imports.

Pillsbury Gain

The Pillsbury Company announced that net earnings and earning per share for the fiscal year ending May 31, 1983 are expected to exceed results of the previous year.

Fiscal 1983 net earnings will reflect a fourth quarter tax rate below that previously anticipated and will result in a full year rate approximately the same as last year. The change results from permanent tax deferral of current and prior years' earnings from certain export-related sales. The impact of this change on fourth quarter earnings is estimated to be approximately 55 cents per share. This tax deferral method is expected to be continued in the future.

The Company also stated that operating earnings in the fourth quarter continue to be strong with all the major areas of the business — Restaurants, Consumer, and Agri-Products — anticipated to be ahead of last year's quarter.

Actual results for fiscal 1983 will be available in late June.

Pillsbury Promotions

The Pillsbury Company Consumer Foods Group announced five organizational changes, according to John M. Stafford, president, Consumer Foods Group.

Raymond V. Kimrey, becomes senior vice president, Business Development; Thomas R. McBurney becomes group vice president, Frozen and Re-

(Continued on page 42)

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Pillsbury Promotions

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frigerated Businesses; Kent C. Larson, becomes group vice president, Dry Grocery Businesses; Charles H. McGill, III becomes vice president, Acquisitions, and Thomas E. Reddy becomes business unit manager, Toaster Products.

Mr. Kimrey, 57, will be responsible for managing all internally developed new business efforts. He was formerly vice president and general manager, Refrigerated Products.

Mr. Kimrey joined The Pillsbury Company in 1950 and has held various senior sales and product management positions.

Mr. McBurney, 45, had been vice president and general manager, Dry Grocery Products. He began his Pillsbury career in 1968, assuming responsibility for a variety of sales, marketing and product areas in refrigerated foods and dry grocery products. He graduated from the Amos Tuck School, Dartmouth College in 1962 with an M.B.A. degree. He also holds a B.A. degree in economics from Dartmouth University (1960). In 1973, he completed the Stanford University Advanced Management Program.

Marvin E. Winston

Mr. Larson, 44, had been group vice president and general manager, Frozen Products, since 1982. He joined Pillsbury in 1975, with varied sales and marketing responsibilities, including frozen and refrigerated products.

He holds a B.A. degree from Macalester College (St. Paul, MN), and an M.B.A. degree from the Wharton School of Finance.

Mr. McGill, formerly vice president, Mergers and Acquisitions on the corporate staff, joined Pillsbury in 1981. Prior to joining Pillsbury, he held operations, planning and development positions with financial and food companies.

He holds a B.A. degree in Liberal Arts and Finance (1963) from Trinity College (Hartford, CT) and an M.B.A. degree (1969) from the Amos Tuck School, Dartmouth College.

Mr. Reddy, 39, joined Pillsbury in 1981 as director, Business Development. Prior to joining Pillsbury, he held various product management positions with General Foods Company and was President and C.E.O. of Baldwin Brass Company (Long Island).

He is a graduate of the Rensselaer Polytechnic Institute Troy, (NY) with a B.S. degree (1964). He also holds an M.B.A. degree (1966) from Northwestern University.

Marvin E. Winston

Marvin E. Winton, youngest son of the late James J. Winston, was born in New York City May 26, 1950.

He graduated from the Bronx High School of Science in 1968 and earned a Bachelor of Arts in Chemistry from Indiana University in Bloomington in 1972.

Prior to graduation from Indiana, Mr. Winston co-authored: "Pre-Cooked Frozen Macaroni Products" The Macaroni Journal, Vol. 51; and "The Use of Alcolec 505 in Canned Macaroni". The Macaroni Journal, Vol. 52.

After graduation Marvin went to work as Assistant Director of the Jacobs-Winston Laboratories, Inc. in New York City. He co-authored: "Effect of Protein Additives on Macaroni," in the Italian publication Tenica Molitoria, Vol. 23, pp. 486-490

In 1974 he wrote "Microwaves and Pasta Drying," for the Macaroni Journal, Vol. 5, No. 1.

Masters from Rutgers

The following year he received his his Masters degree in Food Science at Rutgers University, New Brunswick, New Jersey. He was quoted as an authority on nitrates and notrites in meat products in the New York Times.

He was adjunct lecturer, Experimental Food Course, Herbert H. Lehman College of the City University of New York in the spring semesters 1976-1977. He was also guest lecturer at the City College of New York for the course entitled "Chemistry and Society".

In May, 1977 he was a panel member at the Food and Nutrition Council of Greater New York and the Greater New York Dietetic Association joint meeting. Topic: "Food Technology Research and Implications." Later in the year he participated in "[illegible] Fils", Food Science Seminar at Rutgers University. He wrote on "Current Pesticide Laws" in the Macaroni Journal, Vol. 59.

In 1980 he was appointed an Associate Referee on Color in Egg & Egg Products for the Association of Official Analytical Chemists.

In 1982 during the spring term he became Ph. D. candidate in Food Chemistry at Rutgers University. The National Pasta Association appointed him consultant to the Association and its members upon the death of his father who had been Director of Research for the Association.

He owns and manages the Winston Laboratories in Ridgefield Park, New Jersey.

He is married. He and his wife, Ellen, have two daughters - Emily 5 and Sarah 3.

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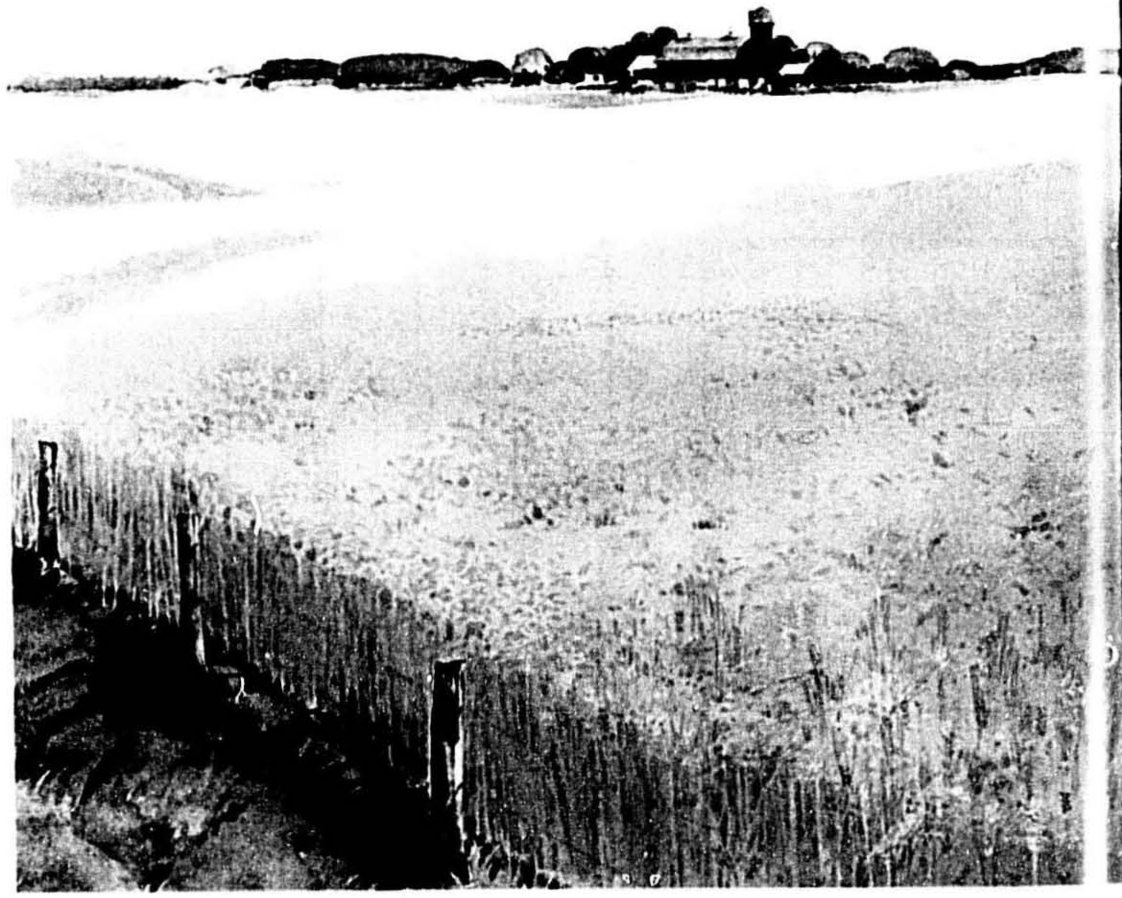

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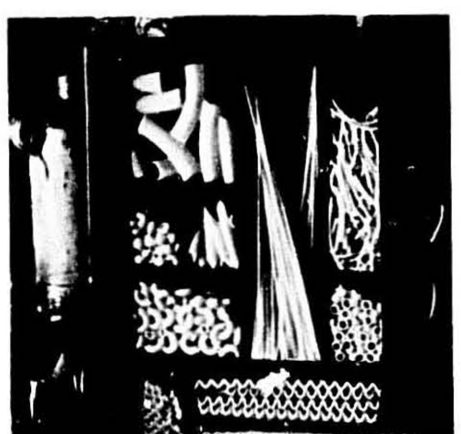

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