

**THE
MACARONI
JOURNAL**

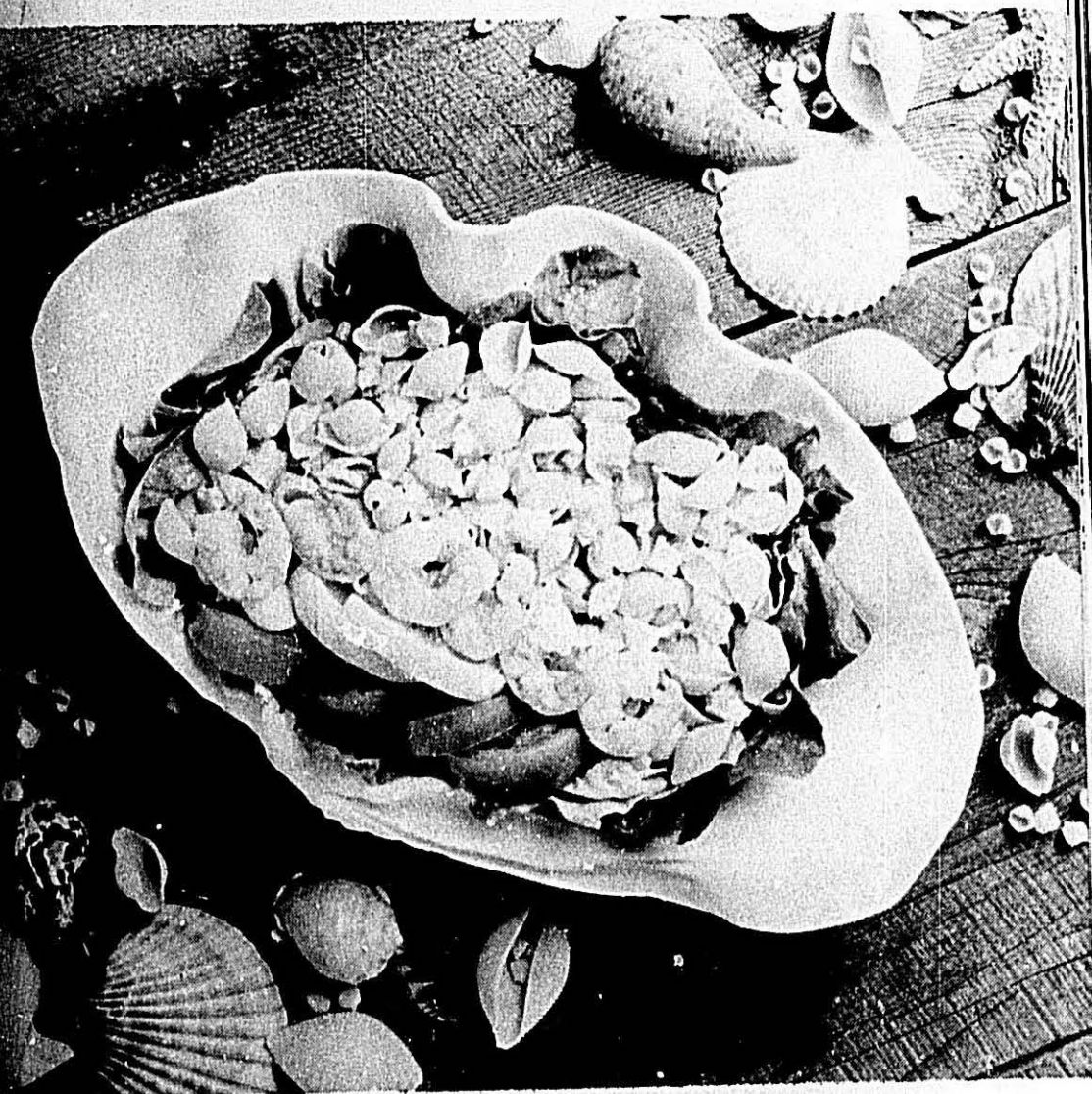
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February, 1979

Macaroni Journal

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The Macaroni Journal

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The month generally looked down to the fact that flour mills were up in the bid for making seasons and profit has been quite strong as is usual at this time of year. One grocer said: "Except as still doing too about the matter what the price is. Another said: "I would anticipate something like this in a number of months, some spaghetti and less in other."

Supermarket News has a section on store layout and pointed out that ethnic lines need merchandising and they said: "Although retailers around the nation don't always agree on the best size or location merchandising strategies for even product lines, most agree that ethnic food is a strong and

growing category.
"Is pasta an ethnic food? Has it become an American commodity? In other words, it is going to be merchandising and the opportunities present themselves with higher unit prices and people on budget, looking for alternatives. It is a matter of fact that the fast growth of ethnic restaurants coincided with the time of boom in the opening of 1970's and those in the pasta industry know that when people buy more ethnic pasta, more people buy more pasta. So, if you can't get a good source for your own production, pasta companies take advantage of the opportunities and do well in marketing.

5a. Opportunity

Buyers eye pasta and flour headlines. Milling & Baking Packing up projections of meat prices at the year-end 20th press conference of the Meat Institute where representatives predicted hamburger increasing by 40% to 50% in 1979 and augmenting it with a prediction that retail prices of veal in all of 1979 will be 11 percent higher than 1978. A 7 percent increase in the cost of grocery buyers was made to impact on flour and

Congress Is the Key

Look to Congress for key signs on what may happen to the economy and to your business this year.
The revised price standard in 1979 will be the Council on Wage Price Stability, now designed to fall says National Chamber Chief Economist Jack Carlson. He says the new standard requires a half percent per cent reduction from the average of 1970-1977 annual price hikes. These years saw low price increases 7 percent for producer goods, 4.7 for finished goods.
Consensus forecast for producer

prices next year is 5.8 percent, much higher than a three percent price standard would allow. But the key is in the way you already built in the business planning cycle. The price of possible cost increases for much of the year is not a compliance with the business profit margin. It is a cost where many business owners will be able to participate.
Mandatory wage price controls are still very possible. The National Chamber Gallup survey of business confidence shows that 70 percent of the top business leaders poll to support controls within two years.



CHANGE CRESCENDOS

"Spectacular changes in pasta industry" headlines the December 5 issue of Milling & Baking News. "Pasta Competition Grows" reports Advertising Age.

Mergers and acquisitions are not new to the pasta industry. What is new is the rapid acceleration and the sale of large companies in the field.

From 1848 when Antoine Zeraga established the first commercial plant at the foot of Brooklyn Bridge until the turn of the century, the pasta industry was mostly a neighborhood grocery business catering to a local trade. A press in the back room produced the product sold in bulk or blue paper wrap over the counter.

War & Depression

World War I had the effect of making the industry grow up overnight with the loss of imports. There were some 500 manufacturing units then, and they filled the gap.

World War II saw some 350 manufacturers, the mortality created by the Great Depression. Macaroni boomed during the war as a meat substitute, available without rationing stamps. And it boomed after the war as pasta was shipped overseas to feed Europeans bombed out during the hostilities. The Marshall Plan, knocked out the 225,000,000 pound export business overnight, and those producers without a brand franchise in the grocery store were out of business.

Cardinale in Brooklyn became part of Prince. So did Meisenzahl in Rochester, Sauercof in Allentown, Galio in Chicago, Viviano in St.

Louis, Viviano in Detroit, and recently Jenny Lee and Shreveport Macaroni.

La Rosa, headquartering in Brooklyn, built plants in Danielson, Conn., and Hatboro, Pa. Then they acquired Russo in Chicago and Tharinger in Milwaukee.

In the early sixties Pennsylvania Dutch-Megs became part of Lipton. Ronzoni absorbed the production of Julietta. Last year Paramount took over Goodmans.

Hershey first acquired San Giorgio, then Delmonico of Louisville who had already merged with their cousins the Palazzolos of Cincinnati. This year Hershey has added Procino-Rossi of Auburn, New York, and are in the process of acquiring Skinner. Skinner had absorbed Northern Illinois Cereal Co. and Roma of San Francisco.

Their neighbor in Lincoln, Gooch Foods, are a part of Archer Daniels Midland.

In the Cleveland area the Weiss Noodle Company and Ideal Macaroni Company became part of the Iron Mountain holding company.

In Chicago Mrs. Grass was sold to Hygrade and then spun off to become independently owned and managed again.

Foulds Milling Co. became a part of Grocery Store Products, was sold to Clorox and then sold back to former employees of the Grocery Store Products Company. Their Golden Age division in Los Angeles was sold to Anthony Macaroni Company.

Ravarino & Freschi in St. Louis took over the business of the old Quaker Oats plant in Tecumseh, Michigan, bought New Mill Noodles, Red Cross Macaroni, and El Paso Macaroni Company. Last year they became a part of the British firm Rank-Hovis-McDougal after acquisitions by RHM of Gattuso in Montreal, Gioia in Buffalo, and Bravo in Rochester. Gioia had taken over Piscitello Macaroni in Rochester some years earlier.

American Beauty was founded by three brothers: Peter in Kansas City, Anthony in Denver, and Louis in St. Louis. The firm grew with the establishment of a plant in Los Angeles run by Peter Jr. It acquired San Diego Macaroni Co. and then Perfection

and moved to Fresno. The 1950s City operation developed a satellite in Dallas, acquired Quality Macaroni Co. in St. Paul. Then the firm became a part of Pillsbury last year.

Pillsbury was in the macaroni business thirty years ago when a creditor defaulted to their Los Angeles mill. Then the durum shortage came along, and they got out of durum milling and the macaroni business, too, by selling Globe A-1 to Robert William who had merged Mills-DiGiorgio and Mrs. Weber's Noodles into one firm—Western Globe.

Up north Golden Grain Macaroni on Bryant Street, San Francisco, moved to San Leandro when a freeway condemned the old plant and made them build a large new facility. Rice-A-Roni became a hit and a national specialty. Their operation in Seattle bought out the leading brand, Mission (which owned half of Porter-Scarpelli in Portland), Favro, and Oregon Macaroni Co.

The C. F. Mueller Company of Jersey City, largest macaroni producer in the United States, was given to New York University back in the fifties to keep the assets from being sold to satisfy inheritance taxes. NYU spun it off two years ago to Foremost-McKesson. This past spring they acquired D'Amico in the Chicago area which will give them entrance to the midwestern market.

Latest acquisition is the Crevette Company by Borden.

Mortality of the smaller firm continues, Shoneberger in Chicago the latest to throw in the towel.

Invasion

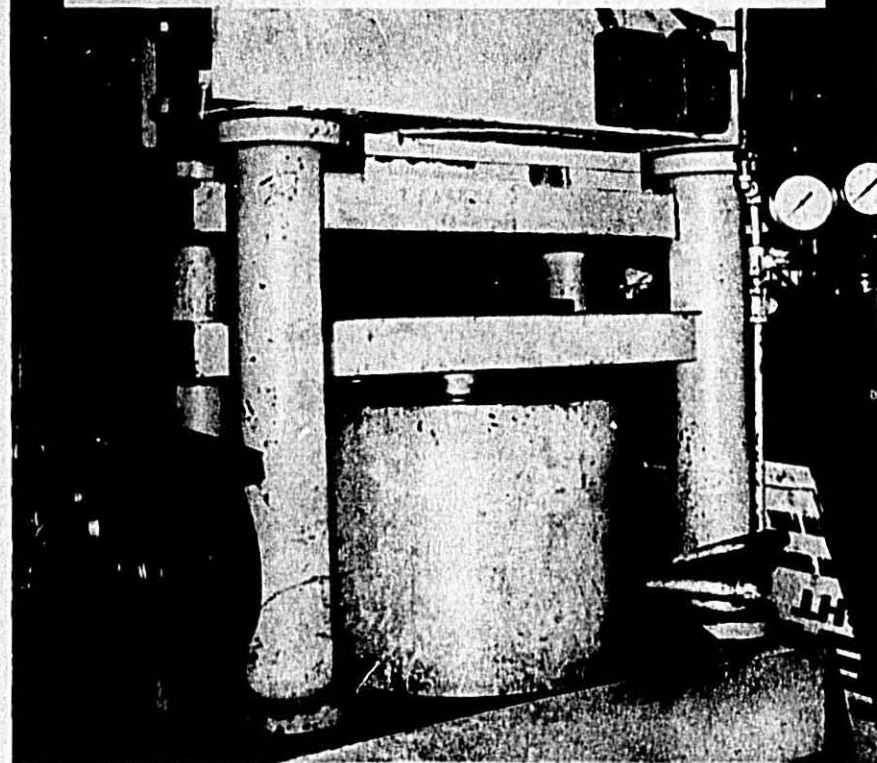
There is more competition for the food dollar than just intra-industry competition. Now comes the great noodle invasion as Marion Burrows of the Washington Post calls it. She says: "The Japanese eat a lot of rice but they love noodles, including the quick-cooking flavored Ramen noodle first produced in that country in the 1930's. Six years ago the Japanese opened the American market, and now the noodles are threatening to replace t.v. sets as Japan's hottest export to that country."

Progressive Grocer Magazine says: "Although Lipton, General Mills, and Nestle have now joined Nissan,

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Change Crescendos

(Continued from page 4)

Maruchan, and Sanwa Foods in national distribution of the hot instant lunches, grocers still don't know quite what to make of this new animal. Because hot, instant lunches usually do constitute a new product category, they don't fit conveniently into any existing section, and so, when the product started showing up at the door, grocers didn't know where to put them. Oriental noodle producers aren't happy with placement in the Oriental section. Soup makers don't want it in the soup section. Pasta makers don't want it in the pasta section to take sales away from their line. A consensus does seem to be building that in order to maximize sales grocers should put all of the products in the category in one place in the store, and Lipton has suggested two basic criteria: (1) single serving portions; (2) preparation simply by adding water.

Just as combination-dinners took space away from dry pasta some ten years ago, this is happening now with the instant lunches, and any loss of shelf space results in a decline of sales. The new category has the new thrust of national advertising and bids to be a factor in the market for some time to come.

The Association's Standards Committee has taken issue with the terminology of "Cup-o-Noodles," "Suddenly Spaghetti," and "Spaghetti-to-Go." Thus far FDA has not attached much importance to the complaints, but some muscle is being mustered to apply soon.

Sales Index Up

The Ernst & Ernst Macaroni Sales index study shows the cumulative index for the first three quarters of 1978 as 73.7 for government sales compared to last year's 58.7 (average sales for 1972 = 100). Industrial-institutional sales stood at 115.9 compared to last year's 116.1. Grocery-trade sales stood at 125.3 compared to last year's 122.9. All sales were up to 122.2 compared to last year's 119.9.

The durum mill grind for the first three quarters of 1978 was 6.9 percent below a year ago with straight semolina durum flour down 5.4 percent indicating that top grade durum products were coming back strong and blending diminishing.

Plenty of Durum

The December crop report from the U.S. Department of Agriculture showed durum production at 133,328,000 bushels, up 7,663,000 from October and 67 percent above the final 1977 figure of 79,964,000 bushels. Outturn for 1978 was only slightly below the record production of 134,914,000 bushels in 1976.

USDA pointed out that durum yields averaged a record high of 33.1 bushels to the acre, up 6.7 bushels from last year and 3.7 bushels more than the average 1976 yield. Area planted to durum was 4,024,000 acres against 3,025,000 acres in 1977 and 4,584,000 acres in 1976. The December crop report noted that yields in Arizona were off from last year due to lodging.

North Dakota Wheat Commission reports durum carryover from 1978-79 at 67 million bushels against 92 million a year ago, domestic use at 47 million, up 3 million, and exports at 60 million, down 2 million. Ending stocks would be 87 million bushels compared to 1977-78 of 67 million.

Eggs Strengthen

The shell egg market gained strength during the year starting out last January with nest run in the Central States at \$8.40-9.60 and in the Southeast at \$9.00-9.30. By year's end they had hit a high of \$12.60-14.70 in the Central States and \$11.40-13.50 in the Southeast. Whole dried eggs gained about 40¢ a pound during the year as did yolks. Frozen whole eggs ended the year about the same level as they began as did whites.

Potatoes

As if Oriental noodles weren't enough in the way of competition, there are plenty of potatoes. It was recently reported that the U.S. is giving away \$5 billion worth to aid Maine growers beset by weather conditions. This diversion program is benefitting only certified livestock farmers who are willing to pay for transporting the potatoes. Many cattle farmers from southern Maine and New Hampshire are doing the hauling in their own trucks. Others ask growers to leave the potatoes on their fields for the winter to become freeze-dried and fit for spring munching.

This Washington action has attracted attention of the big Western potato-producing states which would also like a diversion program even though their crops weren't damaged.

In the Capitol

Dun's Review notes that benefit of new programs because of the tight budget, the Carter Administration is revving up the consumer issue again, and Presidential assistant Esther Peterson will lead the charge. She sees a prime need for trucking de-regulation, hospital cost payment, no fault insurance, better food labeling, and easier class action suits. Her staff will be concentrating on ways to stabilize food prices, examining precisely how they are affected by such government programs as agricultural price support, beef programs. Although Mrs. Peterson concedes that she cannot be as effective as an entire consumer agency (and that legislation may pop up again in 1979), she promises "to give it a hard try—because the President wants a strong consumer presence." As for her effectiveness, one aide says bluntly: "She's no little old lady pushing a shopping cart. She's what this job needs, a realist who knows government and the marketplace." Even more important, she has the President's ear.

Merger Mania

Dun's Review gives some background on the recent rash of mergers:

Mergers and acquisitions headlines announce them almost daily as company after company is snatched up by a suitor. Beatrice Food acquires Tropicana Products Inc. IC Industries takes a 96.5% stake in Jet Inc., R.J. Reynolds Industries purchases Del Monte Corp., to name a few. During the first half of '78, there were 37 acquisitions of companies worth more than \$100 million compared with twenty in the same period last year, and only twelve in all of 1976, according to merger specialists W. T. Grimm & Co.

In sharp contrast to the merger wave of the late 1960s, it's not just the gun-slinging conglomerates that are heating up the action. Some of the nation's most staid, old-line companies have moved into the acquisitions

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Merger Mania

(Continued from page 4)

game, including United Technologies (Carrier), Kennecott Copper (Carrborundum), Pillsbury (Green Giant) and Standard Oil of California (AMAX). While these combinations will bring higher sales and earnings to the acquiring companies, many economists believe that the merger wave augurs ill for the economy in the years ahead.

What's the reason? Buying Bargains

Their coffers bulging with cash, many companies have decided that it is cheaper—and quicker—to buy out an existing firm than to launch a new product themselves or build a new plant from scratch. While inflation has pushed prices to almost double their level of a decade ago, the Dow-Jones Industrial Average is some 10%-to-15% lower than it was in 1968. Consequently, many companies can be bought out relatively cheaply. At the same time, a welter of environmental and safety regulations make the construction of a new plant a long and costly affair. Notes Chase Econometric Associates, Inc. President Michael Evans: "The high inflation rate means that a company had to add at least five percentage points to its rate-of-return calculations. So if a company has been getting 15%, it must now aim for 20%, and there aren't many projects around that qualify. As a result, corporations are going the acquisitions route."

Fear of price controls also encourages acquisitions and discourages investment in bricks and mortar. Says Evans: "A lot of businessmen are worried that if they decide today to put up a new plant taking three years to go on stream, that just when they get the thing running and producing goods, the government will come along with controls and they won't be able to earn back their money. But if they buy an existing company, they can start producing immediately."

Still another factor encouraging takeovers is that many large companies are reluctant to enter a new market unless they can command a significant share of it, and the only way to insure that share from the inception is to buy out a company already in the business. Notes Northwestern University economist Alfred

Rappaport: "Many people now believe that market share is the most important variable dictating the rate of return a company earns on its investment."

Chicago Tribune Plugs Pasta

In the December 10 issue of the Sunday Chicago Tribune George Lazarus, marketing editor, headlined: "To the Big Boys, Pasta is Profit Paradise." He reported that some of the biggest names in the food industry are working their noodles overtime to develop and expand their dry pasta business. He cited the acquisition of the Creamette Company by Borden, the Mueller Company by Foremost-McKesson, Hershey Foods' intent to purchase Skinner Macaroni Company, and the acquisition of American Beauty Macaroni Company by Pillsbury.

He quotes an independent pasta company spokesman in saying: "It will become more competitive with people like Borden, Pillsbury, and Hershey around, but this business has long been under-promoted, and with a bigger chunk of advertising money, pasta sales could really take off."

Food Feature

In the Magazine Section Laura Thornton gives some little known facts about lasagne and the like. A dozen varieties of pasta shapes are displayed in full color in a double page spread, and background stories like Marco Polo, Yankee Doodle, Thomas Jefferson, and Spaghetti a la Winnie the Pooh are given. There is a glossary of some terms and interesting facts like "it's not fattening," and "it's good for you." She gives pointers on "to wind or not to wind," the definition of al dente, and finally quotes Christopher Morley as saying: "No man is lonely while eating spaghetti—it requires too much attention."

Ethnic Lines Need Merchandising

Highlights from a Supermarket
News Roundup

Although retailers around the nation don't always agree on section size or location, merchandising strategies

or even product mix, to name a few examples, they do, for the most part, agree that ethnic food is a strong and growing category.

Demographics play a major role in sales. Except for Chinese and Italian items, which have nearly universal appeal and can almost be considered "nonethnic," ethnic food sells best to shoppers of like customs, language or culture.

Solid ethnic customer support notwithstanding, supermarket operators still have to merchandise this category—to regular purchasers and to the remainder of their clientele. Since the category represents products in many departments, not just grocery, the task of presentation, pricing and promotion is often difficult.

In Chicago

Treasure Island Foods, an eight-store Chicago chain, lists countries representing ethnic food on store walls. The entire first aisle is devoted to the category, and space is divided by specific groups, said Robert Hanson, grocery supervisor.

"Every" ethnic type is represented in every store—including French, Spanish, Greek, Italian, Jewish, Scandinavian and Polish.

The category is advertised once every couple of months in the chain's newspaper ads, and promotions are linked to ethnic holidays, Hanson said.

Ethnic food is sold in grocery but each ethnic type has a separate section, and sections are not adjacent to each other, said Lawrence Newman, vice president, consumer affairs and public relations and advertising manager for Dominick's Finer Foods, Northlake, Ill.

Space given to each group varies by store location. Sections are 4-6 ft. and product mix varies by neighborhood, Nauman said.

The category is promoted in in-store displays and in Dominick's newspaper ads during holiday periods, other special occasions or when the manufacturer offers an allowance, Nauman said. The chain promotes an Italian festival every fall.

Best sellers in the Italian section are pasta, tomatoes and olive oil. Among Chinese products, the pace setters are bean sprouts, water chestnuts and dried ramen noodles used for soup. Best selling Greek items are grape

(Continued on page 10)

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Ethnic Lines Merchandising

(Continued from page 8)

leaves and sesame salad dressing. Mexican favorites are rice, certain peppers and beans.

St. Louis

At Tom-Boy, a St. Louis-based voluntary sponsoring Tom-Boy stores, ethnic sales are on the rise, with Mexican the fastest growing type, said Bob Pellin, vice president, merchandising.

Tom-Boy runs an Italian promotion for Columbus Day. Several Italian specials are listed in the firm's advertisements, and the products are put on end-aisle displays for a couple of weeks.

Cleveland

Italian and Jewish meat accounts for about 9% of deli sales at Bi-Rite Super Markets' Mayfield Rd. store in Cleveland. The unit has a big Jewish and Italian trade.

Best selling Jewish meats are salami chubs and wieners. Charles Ianni, an owner, said. Both are Hebrew National products. Bi-Rite also does a good job with bologna chubs, knock-wurst, beef bacon, and assorted cold cuts.

"Our younger Jewish customers are buying ethnic meat but not kosher meat, except for holidays," Ianni said. "Young Italian customers tend to buy the same meat products their parents buy."

Best selling Italian deli food includes provolone, salami and several pork and ham products. Joseph Ianni also an owner, who runs the grocery and frozen food departments, said best selling Italian products in the frozen case are ravioli, stuffed shells and lasagna. Mexican food also is popular, especially tortillas. Chicken sub gum and chow mein also are big frozen sellers.

Tampa Bay

Most operators in the Tampa Bay area of Florida are doing a good job of merchandising ethnic food. Particularly strong are Publix Super Markets, based in Lakeland, and B&B Cash Grocery Stores, Tampa, operator of 19 U-Save markets.

Publix features ethnic foods about three times a year, and occasionally runs a theme ad, such as an Italian festival, featuring recipes.

San Francisco

San Francisco area supermarkets are divided when asked about placement of ethnic food. Some operators prefer a single area; others use related departments.

The three biggest categories there are Mexican (by far the largest), Chinese and Jewish. Because of the large Italian population, and the many non-Italian people who cook Italian food as a matter of course, it is not considered "ethnic" there.

Phoenix

Smitty's of Phoenix does not carry Japanese food, "and we have no Italian food section per se because Progresso was drop-shipping merchandise here. Now that we're buying through Associated Grocers (of Arizona), we'll carry about a dozen Progresso items, but they'll be scattered throughout the store—for example, sauces with sauces, bread crumbs with bread crumbs," said Larry Santoro, grocery buyer-merchandiser.

Washington, D.C.

Supermarkets and wholesale distributors in the Washington, D.C., area reported oriental food had shown the largest growth over the past year. This was mainly because of strong competition between Chun King and La Choy, but also because of a steady influx of oriental Americans into the area.

There also was a slight increase in Italian food sales, but Mexican products have remained constant. There has been a 10-20% increase in shelf space allotted to all ethnic food, including oriental, Mexican, Italian, Jewish and East Indian.

George Shelton, owner of Shelton's Market, said he would like to see manufacturers put more money into co-op promotions instead of relying strictly on impulse sales or ethnic demand.

Foreign ethnic food manufacturers are "way behind the times" in offering deals, allowances and marketing programs, because they are not as large or as sophisticated as American manufacturers.

"They're becoming more aware that we need assistance," he said.

Ash Wednesday - February 28, 1979

Independent Grocer in Minneapolis

Jerry's Super Value was anything but a sure success when it opened in northwest Minneapolis in 1974.

The store site, next to a retirement complex in a blue-collar neighborhood, had been abandoned by the National Tea Co. supermarket chain in 1968, and the building had stood empty for more than five years.

But Jerry's added some new twists to the old store. To attract the neighborhood's many older people without large families to feed, Jerry's now offers lots of small-portion items such as single-serving cans and one-quart cartons of milk. Instead of wrapping most of its meat and produce in big family packs like many supermarkets, Jerry's sells small packs and leaves much produce loose so shoppers buy only what they need.

Also, because many long-time neighborhood residents aren't saddled with such big expenses as housing payments, Jerry's has high-priced features like delicatessen foods and fresh seafood.

The recipe works. The store's sales will approach \$5 million this year, compared with about \$800,000 for the National Tea outlet in 1968, owner Jerry Paulsen says. That is a huge increase, even considering that food prices have doubled in the last decade. The store is "comfortably profitable," says Mr. Paulsen, who also owns six other supermarkets in the Twin Cities.

Holding Their Own

Mr. Paulsen's success with a recycled chain store illustrates a surprising trend: Independent grocers are holding their own against the giant food chains like Safeway, A&P and Kroger. Indeed, some of the chains would dearly love to have the comfortable profits Mr. Paulsen speaks of. In recent weeks, Allied Supermarkets, based in Detroit, and Food Fair Inc., of Philadelphia, have filed bankruptcy proceedings. A&P, once the top chain and now second to Safeway, reported a \$16.8 million loss for its first half that ended in August.

Chains lost 320 supermarkets from their ranks last year, while independents added 740, says Progressive Grocer, a trade publication. Strangely,

(Continued on page 12)

THE MACARONI JOURNAL

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Independent Grocer

(Continued from page 10)

independents are keeping fit despite the industry's growth. Grocery sales rose about 7% to about \$160 billion last year, industry groups estimate, but prices rose 6%. With restaurant eating on the rise, in fact, grocery sales volume has been practically flat in recent years.

Chain stores grabbed more and more of the market share from independent grocers in the 1950s, 1960s and early 1970s, leading the Commerce Department to predict in 1971 that chains would rake in 75% of all grocery sales by the end of the decade. But that won't happen. Independent stores, which far outnumber chain stores but which tend to be much smaller in size, outsold the super-market chains last year, \$79 billion to \$76 billion.

Independents More Profitable

What's more, partly because of generally lower labor costs, the independents have reaped higher profit margins than the chains in an industry characterized by a very small return on sales. Industrywide profits were 0.72% of sales last year, according to the Food Marketing Institute, a trade group. Chain earnings alone, however, were only 0.51% of sales in the 12 months ended last April, according to a Cornell University report.

"Independents as a whole should hold onto their market share," says Thomas R. Kully, an analyst with William Blair & Co., a Chicago-based investment firm. He adds, "Independents are better able to adapt store size, product mix and service to neighborhood conditions, and they're getting more and more management support from their wholesalers."

The Soup Pot Is Boiling

Highlights from a Supermarket News Roundup

Sales of dry soup, which first registered a marked upward trend two years ago, really began to steamroll in 1977 and early 1978. Best estimates put sales last year at 25-30% above the previous 12 months. This represents volume somewhere between \$200 million and \$225 million, according to industry experts.

Lipton with its Cup-a-Soup and Nestle with its Souptime, continue to dominate the dry soup group, although such noodle-based items as Cup O' Noodles, Top Ramen and Oodles of Noodles have gained a significant share of the overall business.

A third generation of dry soup has been creating interest since its introduction this fall. Touted as a "homemade" soup, Homemade Soup Starter follows on the heels of instant soup and instant lunch. The Swift & Co. product includes stock, noodles and vegetables, to which the consumer adds meat or poultry and water, and simmers for about 90 minutes.

In Philadelphia

A&P stores in Philadelphia, which average 20,000-25,000 sq. ft., often mount a soup and cracker tie-in promotion in a prime traffic area.

The spokesman added that dry soup promotions are couponed "since most people, it seems, prefer to buy their dry soup products one at a time, the same as rice. They apparently have the idea that the product will go stale at home, and so they don't purchase in multiple units. We have seen better sales through couponing than when dry varieties are on special."

New York

"Dry soup is still a growing category," said Jules Rose, executive vice president of Sloan's Supermarkets, New York. "The ramen products have made inroads. Eight or nine companies have entered the market and are promoting the items."

"The vast majority of the canned soups are Campbell's, but there are some specialty lines as well," Rose said. "Canned and dry are placed next to each other. What we're trying to do, although it's difficult and requires some major remodeling, is to put the individual lunch packages—the newest category—next to the main section and tie it all in together."

Soups, for the most part, are merchandised near prepared foods or macaroni and vegetable items. Shelf talkers are used "pretty constantly."

Dallas

Retailers in Dallas divide the soup category. But as Joe Tarver, merchandiser at Minyard Food Stores said, that is not always easy to do because of the heavy influx of dry packaged products.

"We have divided the category. The package must specifically say 'dry' before it goes into the soup section," Tarver said. "If it doesn't, we put it with pasta along with Hamburger Helper and noodle mixes, or the convenience-type foods."

San Francisco

San Francisco Bay Area supermarkets said the Campbell's line takes better than half of every soup dollar spent in stores here. As a result, most operators locate the department in the midst of the canned goods sections, with dry soup and other packaged soup there, too.

The packaged varieties are putting a dent in the cans' domination of the department, however. Robert O'Connor, grocery buyer for Cala Foods, said that what was once a 70-30 canned vs. packaged ratio, now has become 60-40. But the canned loss apparently was at the expense of other than Campbell's products. Strongest growth has come from Lipton's Cup-a-Soup and similar products.

Dry soup sometimes is positioned with pasta, he added, especially during ad promotions. At least one soup product is advertised each week.

Miami

Strong national promotion campaigns by dry soup manufacturers have at least temporarily pushed up sales in the Miami area.

But several area supermarket executives are skeptical that dry soup will attract new customers—side from canned soup users trying the instant soup products—once the campaigns slow down.

"We are waiting to see what happens. At the moment dry soup is doing well because there is a great deal of advertising pushing it. But the question is, how long will it last?" said Charles Capps, vice president, merchandising for Publix Super Markets.

The size of soup sections in the stores has not been expanded. "Now as the Japanese imports and noodle products start coming in, it is making it tougher as far as space is concerned. Unless space is drastically expanded these products will only take away from sales of existing products," Capps said.

Los Angeles

Thriftmart, Los Angeles, expects

to expand the space allocated to ramen-type (noodle) products this spring because of the tremendous growth in the category, according to William Widener, director of merchandise buying for the 44-unit chain.

Ramen products are merchandised from the 4-ft section, adjacent to canned and dry soup, near the middle of the store on the cookie/cracker table, "because of the tie in between soup and crackers," Widener explained. Thriftmart moved the ramens from the Japanese food section over a year ago, he said, reducing the space allocated to cookies and crackers to accommodate the move.

Phoenix

Smitty's, Phoenix, doesn't consider products such as Mug-O-Lunch and the ramens as soup. "We classify them as instant meals, similar to products like Spaghetti-to-go," said Larry Santoro, grocery buyer-merchandiser.

"When they first were introduced, the manufacturers wanted them to be near soup because of the traffic, and the retailer went along with that because he saw an opportunity to get a better profit item on the soup counter. But there has been so much product proliferation in instant food that the soup section is getting too crowded."

Last September, Smitty's began reducing an 8-ft. section between canned pasta and packaged dinners (items such as Hamburger Helper and macaroni & cheese dinners) to make an instant food section for Lipton's Lite Lunch, Betty Crocker's Mug-A-Lunch, Cup O'Noodles and various ramens and Maruchan noodle items, Santoro said.

Good Hot Soup

Centuries of good cooks have kept the soup pot bubbling all day, but no longer is it necessary to start the soup pot simmering early in the morning to have hearty thick soup to put on the table at night. Canned soups, dried soup mixes, and soup starters help you create the most delicious soups in almost a flash. You add the homemade touches. The flavors improve on standing, if the soup lasts that long. Create a memorable meal in a mug today, and then call the gang with "Soup's on!"

Minestrone

Total preparation time:
1 hour, 25 minutes

- 1/4 pound salt pork or bacon, diced
- 1 onion, peeled and coarsely chopped
- 2 cloves garlic, finely chopped
- 1 jar (15 1/2 ounces) extra-thick prepared spaghetti sauce
- 6 cups water
- 2 envelopes dehydrated beef broth
- 1/2 cup sliced carrots
- 1/2 cup sliced celery
- 1 large zucchini, sliced
- 1 teaspoon salt
- 1/2 teaspoon lemon-pepper seasoning
- 1 can (1 pound) kidney beans
- 1/2 cup vermicelli or small shell macaroni
- 1 tablespoon chopped parsley
- 2 tablespoons grated Parmesan cheese

In a Dutch oven or large heavy saucepan, saute pork until lightly browned. Stir in onions and garlic; cook until onion is tender but not browned. Add spaghetti sauce and next seven ingredients, mixing well. Bring to boil. Reduce heat to medium, cover, and cook one hour. Stir once or twice. Add kidney beans and vermicelli. Simmer 15 minutes longer. Garnish with parsley and grated cheese. Makes 8 servings (219 calories per serving).

Prepare Pasta Menus in 15 Minutes

Busy people with little time to spend in the kitchen will appreciate quarter-of-an-hour menus from home economists of the National Macaroni Institute. They are the answer to enjoying homemade meals rather than dining out to save time and money.

The menus have been created to utilize cooking centers to the fullest... microwave ovens, food processors, blenders. We also have directions for conventional preparation.

Shrimp Shell Salad is an excellent example. The processor chops the seafood mixture and the blender is used for the dressing as the shells cook. Suggested menu accompaniments... consommé to begin, assorted relishes and soft rolls with the salad, orange cake squares for dessert.

Shrimp Shell Salad

(Makes 4 servings)

- 8 ounces shell macaroni (about 3 1/2 cups)
- Salt
- 3 quarts boiling water
- 1 cup parsley sprigs
- 1/2 cup Lemon Mayonnaise*
- 3 large ribs celery, quartered
- 1/2 small onion
- 1 pound shrimp, cleaned, deveined and cooked
- Few grains pepper

Gradually add macaroni and 1 tablespoon salt to rapidly boiling water so that water continues to boil. Cook uncovered, stirring occasionally, until tender. Drain in colander. Rinse with cold water; drain again.

While macaroni is cooking, prepare Lemon Mayonnaise* and shrimp mixture. Process parsley until chopped with cutting blade in food processor. Mix parsley and 1/4 cup Lemon Mayonnaise into macaroni; reserve. Put celery and onion into processor. Process until chopped. Add shrimp, 1/2 teaspoon salt, pepper and remaining Lemon Mayonnaise. Process until shrimp are chopped. Arrange shrimp mixture with macaroni. Garnish with additional shrimp, tomato and lemon wedges and lettuce, as desired.

*Lemon Mayonnaise: Combine 1 egg, 1 tablespoon each vinegar and lemon juice, 1/2 teaspoon each salt and dry mustard and 1/4 cup salad oil in electric blender. Cover and turn on low speed. Leaving motor on, immediately uncover and slowly pour in 3/4 cup salad oil until blended.

Conventional method: Chop parsley, onion and shrimp. Substitute commercial mayonnaise for Lemon Mayonnaise using enough to moisten salad mixture.

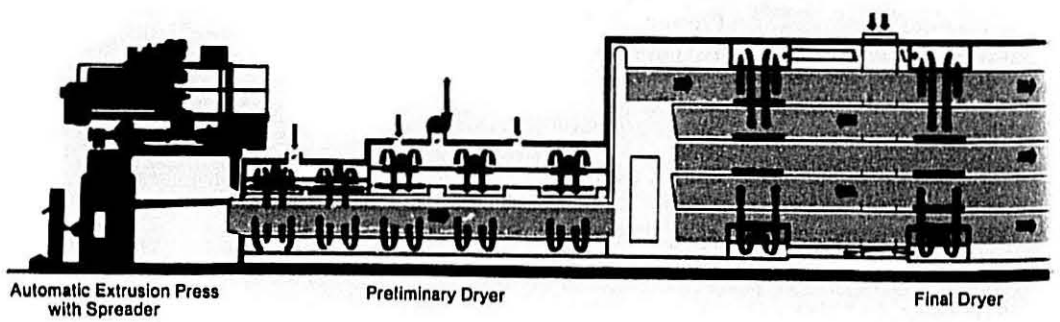
Tuna Macaroni Hollandaise

Equally tempting is Tuna Macaroni Hollandaise Salad. The Hollandaise dressing is made in the blender. Macaroni, tuna and vegetables are healthful, attractive salad components. Why not sip chilled tomato juice before the salad is served? Have melba toast with the entree and frozen yogurt for dessert.

It is recommended we increase our carbohydrate intake. Enriched pasta is one of the best sources. It furnishes

(Continued on page 16)

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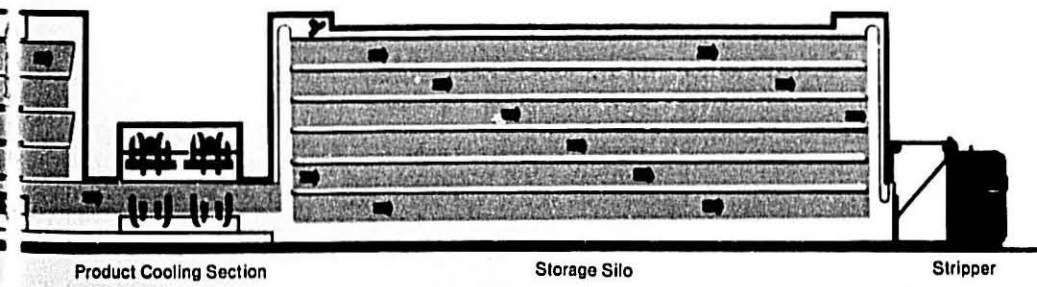
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Tuna Macaroni Hollandaise

(Continued from page 13)

niacin, thiamine and riboflavin along with iron. Pasta is a low fat, low sodium, easily digested food. Remember, there are only 210 calories in two ounces of uncooked macaroni and spaghetti . . . 220 in egg noodles. Enjoy good nutrition as you savor pasta!

Tuna Macaroni Hollandaise Salad

Makes 6 servings

- 2 cups elbow macaroni (8 ounces)
- Salt
- 3 quarts boiling water
- 3 egg yolks
- 2 tablespoons lemon juice
- Dash cayenne
- ½ cup butter or margarine, melted
- ¼ cup plain yogurt
- Dash pepper
- ¼ cup chopped red onion
- 2 cans (6½ or 7 ounces) tuna, drained
- 1 can (15 ounces) asparagus spears, drained
- 1 can (14 ounces) artichoke hearts, drained
- Lettuce

Gradually add macaroni and 1 tablespoon salt to rapidly boiling water so that water continues to boil. Cook uncovered, stirring occasionally, until tender. Drain in colander. Rinse with cold water. Drain again.

While macaroni is cooking, prepare Hollandaise sauce by combining egg yolks, lemon juice, ¼ teaspoon salt and cayenne in electric blender. Blend about 15 seconds. With motor on low speed, slowly pour in hot butter. Blend until thick. Mix ¼ cup Hollandaise sauce with yogurt and pepper. Toss with macaroni and onion. Arrange macaroni salad, tuna and vegetables on lettuce-lined platter. Serve with remaining Hollandaise sauce.

Conventional method: Substitute ¾ cup commercial mayonnaise mixed with ½ teaspoon grated lemon peel for Hollandaise sauce. Proceed as above.

Oysters Please Again in Savory Casserole

Oysters come in various sizes and although they are relatively small, they are mighty in food value and taste. Superior protein and other nutrients make oysters invaluable in



Oyster Macaroni Casserole

every diet. All it takes is one pint of oysters to go a long way in satisfying six hungry people when used in an Oyster-Macaroni Casserole. Sautéed onion, half and half, peas, and pimiento are combined with the oysters and macaroni, then topped with crumbs and dots of margarine before baking. Flavorful and savory in only 20 minutes time—this oyster delight is one you'll treasure.

Oyster Macaroni Casserole

- ½ cup chopped onion
- ½ cup margarine
- 1 pint fresh oysters
- 1 cup half and half
- 3 tablespoons flour
- 1 teaspoon salt
- ¼ teaspoon pepper
- 1 cup elbow macaroni, cooked and drained
- 1 package (10 ounce) frozen peas, cooked and drained (optional)
- 2 tablespoons chopped pimiento (optional)
- ¾ cup coarse cracker crumbs

Cook onion in 3 tablespoons margarine until tender, but not brown. Add undrained oysters; cook until edges of oysters curl. Remove oysters with slotted spoon; set aside. Blend half and half, flour, salt, and pepper until free of lumps. Stir into oyster liquid; cook, stirring constantly, until thickened. Stir in macaroni, peas, if used, and pimiento. Spoon ½ of the macaroni mixture into shallow 1½ quart baking dish. Add ½ of the oysters. Repeat process to use remaining macaroni mixture and oysters. Top with cracker crumbs; dot with remaining margarine. Bake in moderate

oven, 350°F., about 20 minutes or until hot and bubbling. Makes 6 servings.

Source: National Fisheries Education Center, National Marine Fisheries Service, NOAA, United States Department of Commerce, 100 East Ohio Street, Room 526, Chicago, Illinois 60611.

Campbell Soups for Food Service

Six popular soups are the basis of a new line exclusively for hotels, restaurants and other food service operations. Campbell Soup Company calls this new line of canned condensed soups—Chef's Kettle Soups.

These premium soups fit right into the menus of family and specialty restaurants. All six soups are also made to order for service from Campbell's Old Fashioned Kettles.

Packed in No. 5 cans

- French Onion Soup, 12/52 oz.
- Manhattan Clam Chowder Soup, 12/52 oz.
- Minestrone Soup, 12/51 oz.
- New England Clam Chowder, 12/50 oz.
- Vegetable Beef Soup, 12/51 oz.
- Vegetable Soup, 12/51 oz.

This introduction of six soups as a new line is a "first" for Campbell's Food Service Division. Food editors of restaurant and food service industry magazines sampled these soups during their International Foodservice Editorial Council meeting in Washington, D.C., in late October.

A substantial introductory program, including four-color ads in leading trade magazines is under way.

Announcement to the trade began in November. "Response to this product line has been enthusiastic," reports Dave Larson, product manager for Campbell's Food Service products.

Heinz Plans to Expand Weight Watchers

H. J. Heinz Co.'s acquisition this year of Weight Watchers International Inc. and Foodways National Inc. may be only the start of the Pittsburgh-based food processor's foray into weight control, Anthony J. F. O'Reilly, president and chief operating officer, said.

(Continued on page 18)

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BIN STORAGE

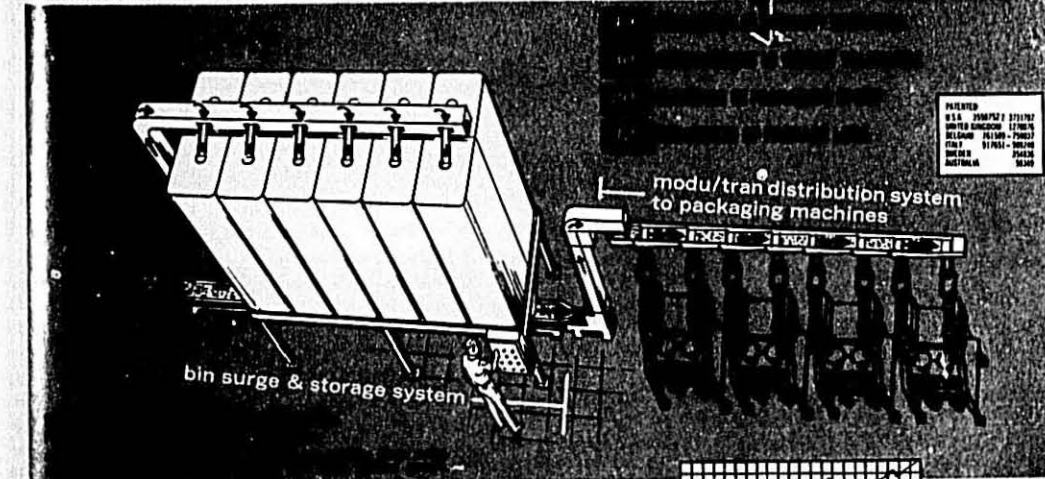
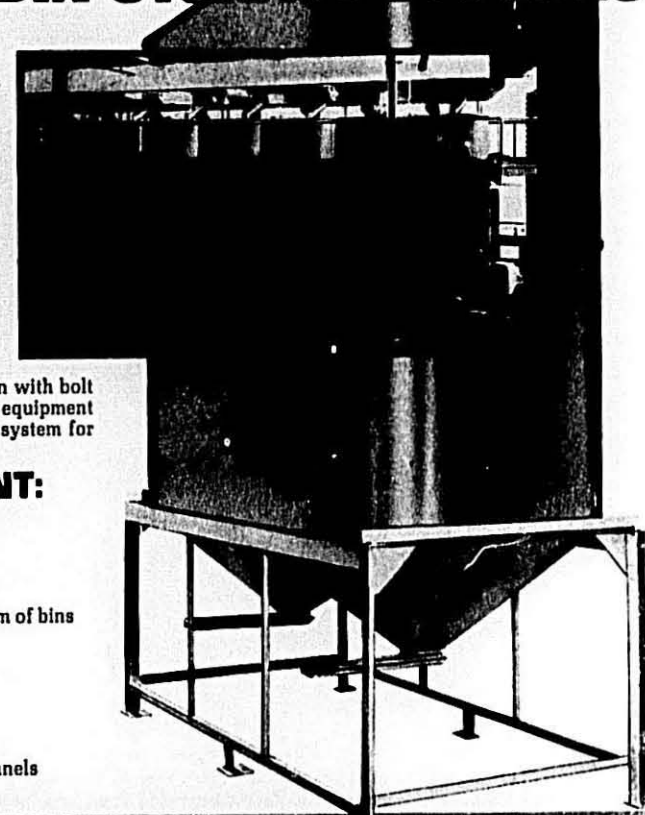
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Weight Watchers

(Continued from page 16)

"It isn't impossible that a logical extension of our involvement in the weight control field will lead us into health spas, vacation camps devoted to physical conditioning and specialty restaurants," Mr. O'Reilly told analysts.

Mr. O'Reilly said he didn't foresee any "dramatic changes" at Heinz when he succeeds R. Burt Gookin as chief executive officer next July.

Mr. O'Reilly said Heinz's Foodway unit, which manufactures frozen foods under the Weight Watchers label, soon will complete a 25% capacity expansion.

Heinz spent \$50 million to acquire Foodways and \$71 million for Weight Watchers earlier this year. "Additional acquisitions aren't imperative either for long-term growth or profitability," Mr. O'Reilly said.

Still, Heinz isn't getting out of the acquisition game. The company also will be looking at acquisitions as a way of obtaining new products, Mr. O'Reilly said. "The best way to get into new product development is to steal the other guy's ideas. You buy the company," he said.

"I'm rather cynical about new product developments in certain areas, especially when certain well-heeled competitors are up against you," the Heinz president said.

Trend to Eating-Out Continues

Expenditures for food away from home continue to rise steadily since reaching 37% of total U.S. food spending in 1976, and the percentage is expected to exceed 40% during the 1980's and could possibly increase to 50% in the 1990's, according to the 1979 food service industry forecast conducted by the National Restaurant Association.

The association notes in its third annual forecast that total food service industry sales will exceed \$100 billion for the first time in 1979. The industry's food and drink sales are projected to increase to \$105,126,923 next year, an increase of 10% over \$95,760,541 in 1978. The report points out that within the retail industry only food stores, automobile dealerships and

general merchandise stores have exceeded the \$100-billion sales plateau.

In making projections for 1978, N.R.A. breaks the industry down into the commercial group, which includes all eating establishments open to the public, and the institutional group, which consists of organizations which operate their own food service. Information contained in the report was prepared in consultation with the research firm of Malcolm M. Knapp, Inc.

Total sales of the commercial feeding group for 1979 are predicted at \$89,156,321,000 also up 10% from \$80,884,094,000 in 1978. Commercial food service sales for 1976 are estimated by N.R.A. at \$66,163,875,000. "Continuing the past trend," N.R.A. states, "the limited menu operators in the commercial group who have been the driving force behind eating place sales expansion should post a 13.3% increase, substantially outpacing GNP growth."

Word of Caution

Commenting on the report, the association injects a word of caution on making projections for the food service industry. It says that sales estimates are based on the "best data available" as of October, 1978. N.R.A. notes that if the economic outlook or the food situation changes during the coming year, as was the case in 1978, "then our predictions for industry sales will also change."

Among the premises upon which the 1979 forecast is based, N.R.A. says, are that the nation's economic expansion will slow, with real GNP advancing by less than 3% during the year, and that no recession will occur. "The possibility of a recession next year exists, however, and some consider it a probability," the association states. It also notes that the projections were made before the announcement by the Carter administration of a program for voluntary wage and price guidelines. "If the President's program proves to be successful, curbing the inflation rate to about 6 to 6½%, we would expect only a slight moderation in menu prices."

Growth Areas

The fastest growing segment of the food service industry during the 1976-79 period is expected to be food contractors at recreation and sports cen-

ters, the report indicates. The compound annual growth rate for this group is set at 14.2% during the three-year period, supported by increased consumer demand for entertainment as leisure time increases.

Also among the growth leaders in the commercial feeding area are the limited menu or fast food restaurants whose projected annual growth rate of 13.8% is the primary factor behind gains in eating away from home, the N.R.A. report indicates. These retail outlets, the second largest food service industry sector after restaurants and lunchrooms, are expected to record sales of \$21,947,868,000 in 1979, up from 19,376,077,000 in 1978.

Restaurants and lunchrooms, the largest industry sector, are expected to increase sales about 9.7% during 1979 to \$35,398,432,000, while commercial cafeterias are projected to show a sales gain of 9.1% to \$3,265,506,000.

Institutional Feeding

In the institutional feeding area, N.R.A. says sales are expected to rise at a slower annual rate of 7.8% over the three-year period. The report says that food service at hospitals and nursing homes makes up 52% of the institutional area, followed by schools with 26% and employe feeding with 10%. A slower rate of growth than commercial feeding, the association states, "is due primarily to the fact that institutional populations have moderated their growth in some areas, stabilized in others and declined in schools and hospitals. Institutions have shown an increased effort to reduce their costs by altering their menu mix to protect themselves as much as possible from bouts of rapidly accelerating food prices which afflicted the food service industry in the 1970's."

The outlook for food and drink sales at eating places, which account for about 60% of the total food service sales, depends largely on economic factors, the report says. Among factors affecting sales at eating places are consumers' confidence in their financial situation, the rate of increase of personal consumption expenditures and the rate of gain in both personal and disposable income. The report points out that personal income is forecast to rise 9.8% in 1979 following

(Continued on page 20)

THE MACARONI JOURNAL



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Eating-Out Trend

(Continued from page 18)

a gain of about 11.7% this year while real disposable income is predicted to be up 3.8% after advancing about 5% in 1978.

"Based on the outlook for the general economy, consumer behavior and income growth, we expect 1979 eating place sales to rise by nearly 11% outpacing growth for both personal income and GNP," the report states. It notes that a major assumption in the 1979 forecast is that the gain in eating place sales will exceed personal income growth, reestablishing the pattern before 1978. "This assumption appears reasonable when we note that durable goods expenditures are projected to rise only 6.8% next year; housing starts are likely to slow and high interest rates could curtail the consumer's ability to assume new debt," it states.

Menu Prices Rise

Menu prices at eating places are projected to increase about 8.6% in 1979, a decline from 8.8% in 1978, the N.R.A. study points out. This projection is based on estimates of a 10% rise in labor costs, an 8.4% increase in wholesale food prices and a 7% jump in all other costs.

As economic expansion slows in 1979, the sales performance of eating places will depend more and more on marketing and merchandising skills of restaurant operators, N.R.A. states. The strength of television advertising is seen as a major factor in the continued growth of the food service industry, and the association predicts generally rising television advertising budgets. Other merchandising and marketing skills which are expected to be increasingly applied are effective use of promotions, restructuring of menus to offer meals in all price ranges and the upgrading of restaurant decor.

"For a growing segment of the American public, the habit of eating out, particularly in fast food places, has been deeply ingrained," the report states. "Now a real potential exists for the operator to create a variety of dining environments so that people can choose within a spectrum ranging upward from 'no frills' eating to more elaborate themes and menus. In addition, a definite trend to personalize

the eating out location is evident as more and more restaurants feature a theme or relate to a prominent local activity, location or person."

Sales growth for the institutional feeding group continues to slow, the N.R.A. report indicates. The compound annual growth rate for institutional sales is projected at 7.8% for the three-year period, and sales for 1979 are estimated at \$15,241,528,000. The report says that wholesale food prices, which are averaging about 11% higher this year, are expected to increase 8.4% in 1979. Much of the boost in institutional sales is coming from increased food costs and prices but stabilizing populations are offsetting this boost.

Commercial Feeding—1979

Eating Places	70%
Bars & Taverns	8%
Hotels/Motels	7%
Food Contractors	7%
Other	8%

Institutional Feeding—1979

Hospitals & Nursing Homes	52%
Schools	26%
Employee Feeding	10%
Other	12%

School Lunch Study

Studies to assess the impact of the Department of Agriculture's interim changes in school lunch meal patterns, which among other considerations give schools more options in meeting bread requirements, were announced by Carol Tucker Foreman, assistant secretary.

The changes will update Type A school lunch meal patterns in line with new knowledge about the nutritional needs of children. The new meal patterns will conform to the 1974 revisions of the Recommended Dietary Allowances issued by the National Academy of Sciences.

The interim school lunch patterns vary minimum serving sizes according to age and grade groups; permit choice in portion sizes for children over 12; and require schools to serve lunch to children under five in two sittings.

The changes also affect the types of milk served and give schools more

options in meeting bread requirements by adding enriched or whole grain rice, macaroni, noodles and other pasta products to the list of bread alternates.

The regulations also address questions of food appeal, plate waste, student and parent involvement in the school lunch program and the current dietary concerns, including the use of fat, sugar and salt in school lunches.

The interim regulations authorize voluntary field testing of the proposed changes by all schools. Schools that want to participate in the voluntary field test must first obtain approval from the state administering agency. States are responsible for overseeing the test and providing guidance to schools.

From the field test and from the studies U.S.D.A. will determine if the proposed changes are feasible and desirable. In addition to the major study of a controlled sample of about 400 schools, the studies include three demonstration projects now under way at schools that volunteered to participate. All studies are expected to be completed in the spring of 1979.

Studies Planned

The studies planned by U.S.D.A. include the following:

- Determination of the effect of changes in the school lunch meal pattern requirements. The purpose of this study is to learn how proposed changes in the school lunch meal patterns will affect student participation, food consumption, food cost, parent, faculty and student opinions of the lunch program and program administration and operation.

Participating schools will use the current Type A pattern early this fall and then adopt the interim pattern after a training session.

Test schools will begin to use the interim meal pattern in November.

- Demonstration projects involving students, faculty and parents in the lunch program.

- Demonstration projects for controlling sugar, fat and salt in school lunches.

The projects will compare two models for controlling the amount of sugar, fat and salt in school lunches. During the study, food service workers will be given training in food purchasing, recipe revision, menu

planning and food production and preparation.

The study will produce the first collection of data on the amount of sugar and sodium present in school lunches. Laboratory analyses for fat, sodium, sugar, carbohydrate and protein will be performed on a "representative lunch" each day from each school participating in the study.

- Demonstration projects for providing one-third of the Recommended Dietary Allowance (RDA) for food energy in school lunches.

Current and proposed meal patterns provide less than one-third of the RDA for energy, because the Department believes that many children do not need one-third of the RDA for energy at lunch. Rather, foods eaten at other meals and for snacks frequently provide more than two-thirds of their daily energy needs. However, because some children, especially those who are growing rapidly or who come from low-income families, may rely on lunch for one-third of their food energy needs, the Department is studying how effective second helpings of any item will be in providing one-third of the RDA for food energy.

The study also will show how the use of second helpings for energy affects food choices, student participation, cost and administration.

Food Labeling Hearings

by Harold V. Semling, Jr.
Washington Correspondent
Food Processing Magazine

Federal regulatory officials heard consumers express a wide variety of views about what they want to see on food labels during five public hearings held around the United States. The hearings, held by the Food and Drug Administration, Agriculture Department and the Federal Trade Commission in Wichita, Little Rock, Washington, San Francisco, and Boston, will be used to establish a comprehensive, coherent food labeling strategy.

Few industry witnesses were allowed to appear at the hearings.

FDA will not depend solely on what it heard at the hearings, but is conducting a number of studies to generate additional information

needed to make decisions on food labeling.

FDA Commissioner Donald Kennedy explains that: "Food labeling has not kept up with the . . . times. The government too often has responded to technological change by generating a patchwork system of regulation which is complex, duplicative, sometimes outdated and not likely to serve the best interests of the consumer."

Albert Kramer, Director of the FTC's Bureau of Consumer Protection, explained that the hearings are the basis "for a comprehensive strategy for providing consumers with comprehensible and useful label information . . . the public makes its food purchase decisions on the context of an information environment which includes both labeling and advertising. . . . Thus each agency in designing regulation must take into account the total information environment."

Thanks to heavy publicity efforts, the hearings have been well attended. Public participation has been very good. In addition, the FDA has received over 3000 public comments.

There have been few surprises. Comments have called for mandatory ingredient labeling, open dating, drained weight labeling, and country of origin identification for imported meats. Other comments were directed at fortification and imitation food labeling.

Mandatory Labeling

Mandatory ingredient labeling, including names of food and color additives, for more or all foods was the major demand made by consumers. Consumers also said they want additional ingredient information, such as the listing of ingredients by the percentage of their content in foods, especially sugar. In addition, consumers expressed a strong desire for labeling the type of fat or oil, such as cottonseed oil or lard.

Consumers, by-and-large, have said they need the following information on food labels in order to help them choose healthy diets and spend their money wisely:

- Disclosure of all ingredients in all products—with percentages given for each ingredient and specific names for spices, flavorings, coloring, and

other additives.

- Nutrition information that is simplified and easy-to-read.

- Drained-weight labeling for all canned fruits and vegetables.

The cost of label changes was highlighted at the Little Rock hearings when a number of elderly and retired persons said they would not be willing to pay anything extra to have more information on the label.

Thomas B. House, President of the American Frozen Food Institute, at the Washington hearing, explained that "label changes are costly both in terms of developing new information and altering existing labels. In most cases costs are passed on to consumers." He urged that the wide variety of proposed label changes be market-tested and subjected to cost-benefit analysis prior to becoming regulations.

Mr. House said the hearings already have demonstrated that "existing labels contain too much information, that they are difficult to read, and not only incomprehensible to the consumer but raise unnecessary worries."

Consumers seem to be divided in their views about labeling "imitation" foods, with a slightly larger number supporting the use of the word "imitation" over giving the product a different name than the food it imitates. (Comments at the Little Rock hearing were strongly against the use of the word "imitation" on any product. Instead, they wanted a completely new name for those products.)

Some witnesses consider Recommended Daily Allowances (RDAs) too difficult to understand and use. Vitamins and minerals are considered less important for inclusion on labels than calories, protein, sugar, complex carbohydrates (starch), salt, and types of fat.

Open Date Labeling

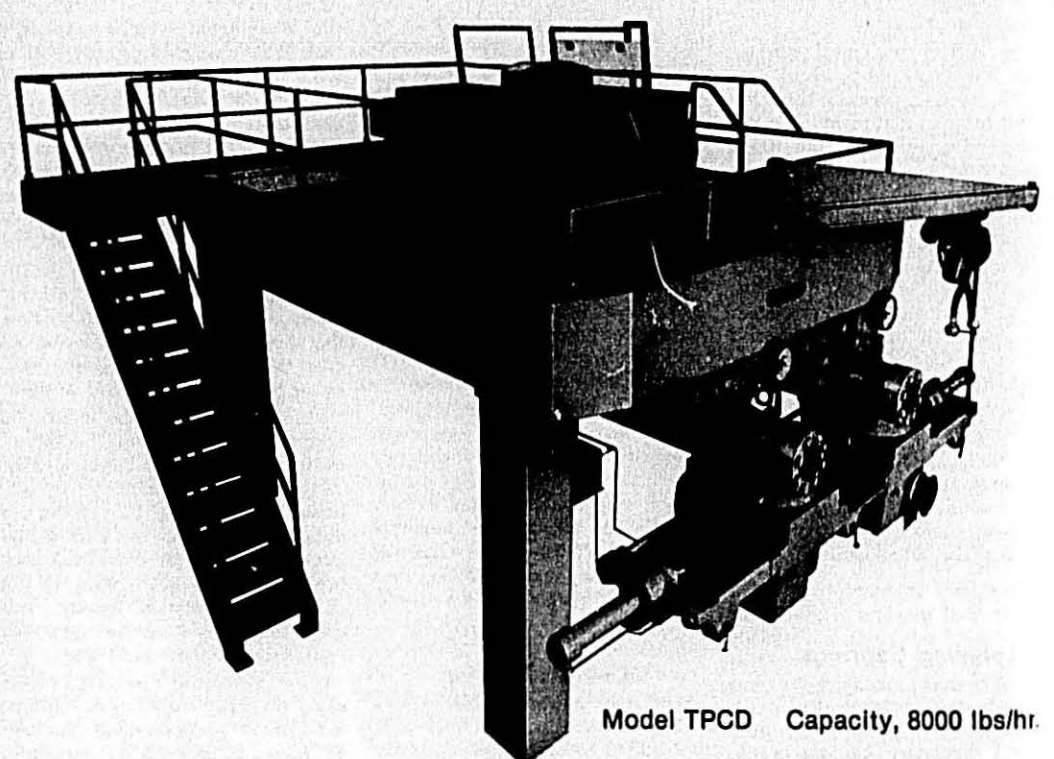
Mandatory open dating received strong support from some consumers. The witnesses seem to want federal requirements that require a "use by" date, but would accept a "date of pack."

Thomas B. House, President, American Frozen Food Institute, said AFFI opposed compulsory open date labeling for non-perishable food products since "frozen foods, properly handled,

(Continued on page 26)

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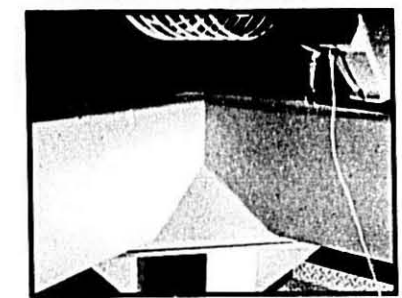
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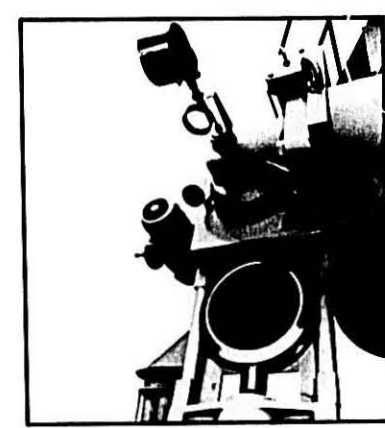
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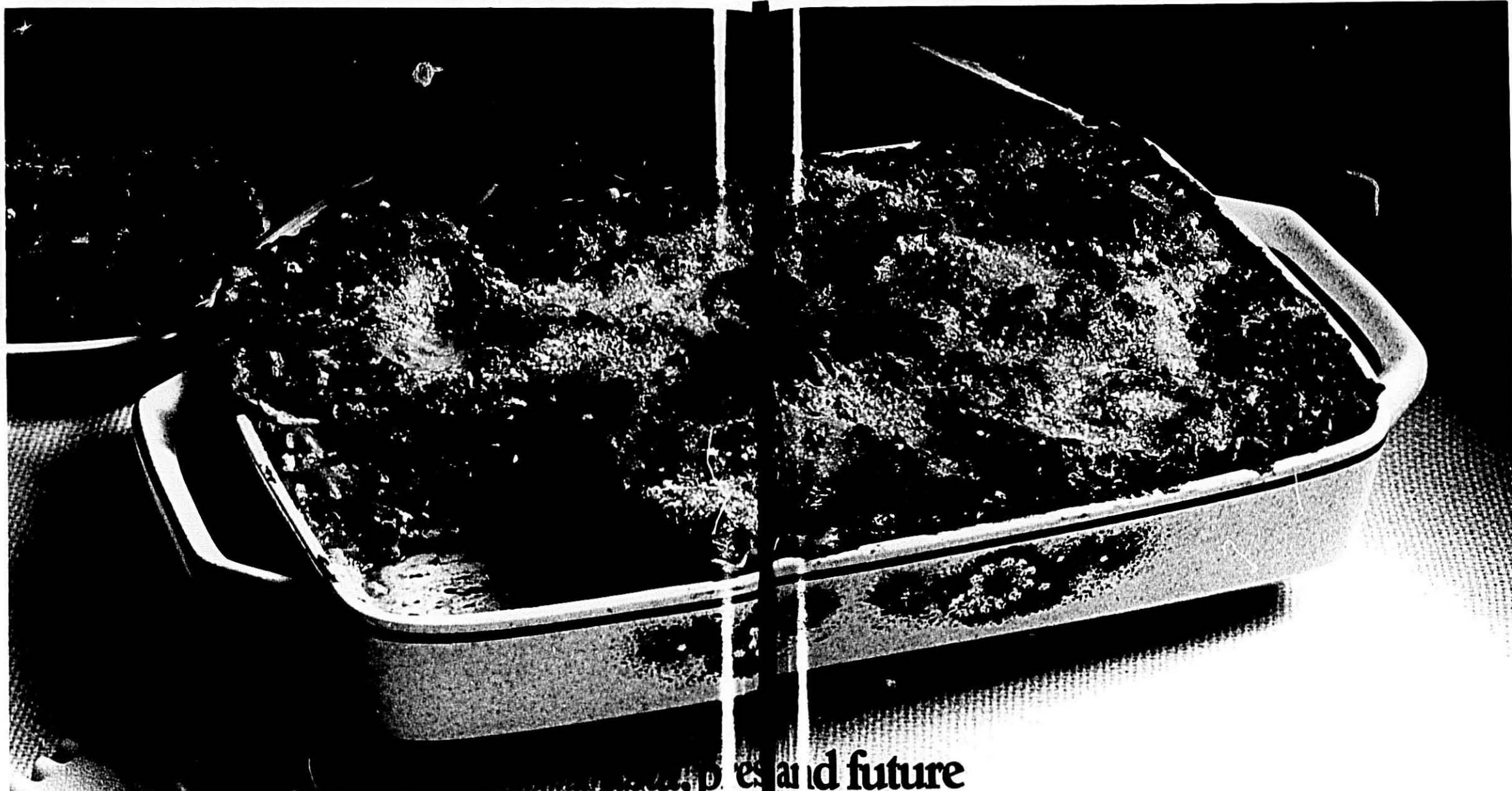
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Food Labeling Hearings

(Continued from page 21)

are non-perishable." He also told the panel that "mandatory open date labeling would be inappropriate because: open dating of frozen would substantially detract from the critical need for good temperature control during distribution; frozen pass through numerous handlers during the distribution process—if the product is properly handled time becomes virtually irrelevant, and open dating will mislead and confuse consumers."

The Food Marketing Institute testified that its research indicates consumers want full ingredient disclosure, but are confused by detailed nutrition information in the present form. FMI Scientific and Technical Advisor John Farquhar urged continuance of voluntary open-dating of food products and called on government to test market a wide variety of food labeling formats before revising federal labeling regulations.

FDA Associate Commissioner for Policy Coordination Ellen Williams summarized some conclusions based on the hearings. She said: "Most consumers want a complete and specific listing of ingredients on all processed foods, including standardized foods. There was no unanimous endorsement of percentage or weight, but order of predominance is inadequate. Most people saw no need to list ingredients for fresh produce, and there was disagreement as to whether additives should be listed by function, complete chemical name, or shortened chemical name.

"Consumers felt the exact source of vegetable oil should be specified; that all sweeteners should be specifically listed and a total content given. All salt sources should be specifically listed and a total sodium content should be given. And, most people want some form of open dating. Though not unanimous, 'best used by' received most favor. Price was also felt to be necessary."

More than 3000 Columbus, Ohio, residents gave their opinions to FDA Commissioner Kennedy during a recent television interview. Dr. Kennedy participated in a talk show over Cable TV in which consumer responses came instantly over a two-way communications system and were tabulated in seconds by computers.

One question asked was whether ingredients in food packaging should be listed by weight or percentage. The response was very close. Dr. Kennedy had said he expected that more people would want percentage listing.

The food labeling hearings have shown that different federal agencies can get together on matters of common interest. The true test will come as regulations are developed.

FDA Continues Research

FDA is conducting research to generate additional information, including a survey of consumer attitudes, knowledge, and behavior, aimed toward a national probability sample of 1500 family food purchasers. The Multipurpose Food Information Survey encompasses a collection of subjects—including nutrition labeling, ingredient labeling, open dating, solids content labeling, dietary supplement consumption, concerns relative to food additives, food faddism, and economic deception as related to food colors.

"In essence," FDA's Kennedy explained, "the survey focuses on the information that is on, or perhaps should be on, food labels and how the consumer uses or could use it."

Interviews are being undertaken with a subsample of the survey population both while purchasing food in the store and in the home, in order to define the specific information actually used by consumers when they purchase food, and the uses to which food labeling information is put in the home.

In addition, and in collaboration with the Grocery Manufacturers of America and the American Institute of Nutrition, FDA will be extracting from the main consumer survey those questions pertaining to the specific nutrition-related information that might appear on the label.

The same questions are being addressed to representative samples of the following groups: the nutrition scientific community, consumer organizations, food manufacturers, and retail food marketers.

By the end of 1978, FDA hoped to have quantitative information from five major population segments on what nutrition and related dietary information should be on food labels.

Several other consumer surveys are being initiated to assess consumer understanding of quantitative declarations and consumer comprehension of the nutrition and technical food labels currently used.

The results of all the activities may result in revising current regulations, issuing new regulations, requesting Congress to amend the law—or all three—Dr. Kennedy explains.

While there has been strong support for more information on the label, there is a feeling that no label could ever carry all the information some people think should be there.

Massachusetts Open-Dating Regulation Challenged

Massachusetts' controversial open-dating regulation will be challenged by the Grocery Manufacturers of America and the American Frozen Food Institute, seeking to nullify provisions that would require open dating of virtually all food including frozen items, baked products and staples such as flour.

The associations contend the suit marks a watershed, stating that its defeat would establish the precedent that food manufacturers are responsible for the mishandling of their products by everyone from truckers to consumers. Should the regulation stand, one GMA official said the \$200 billion-a-year food industry would be "negatively impacted" by \$2 billion a year.

GMA and AFFI take issue with a basic premise of the 1978 Public Health Service regulation: That "virtually all food is perishable and, therefore, needs to be open dated to assure quality."

Observed Michael Brown, vice president of AFFI's government relations group: "What Massachusetts doesn't understand is that frozen foods are 'time-temperature dependent."

What this means is that a frozen product that has, say, a one-year shelf life if constantly held at 0 degrees C may be of poor quality if somewhere along the way it was left standing at much higher temperatures for a few hours."

Moreover, Brown contended, "the last date for use" or "sell by" date on

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Massachusetts Challenged

(Continued from page 26)

a frozen product, could actually mislead a consumer. "Since we don't know if the item has been handled properly down the line, there's no way of telling that it went 'bad' weeks before the pull date, for example."

The statute, although enacted this year, sets a three-year phase-in period for mandatory open dating. Beginning July 1, 1979, all perishable foods—such as dairy products—must bear an open date stamp. On July 1, 1980, all frozen food sold in the state must bear this stamp. Finally, by July 1, 1981, all remaining nonperishable food must be so stamped.

The new regulation makes no provision for open dating of most canned goods because the National Food Processors Association is formulating a voluntary open-dating plan for its members.

"This position," Brown insisted, "will cause our (AFFI) members a hardship" from the standpoint of competition.

Not Opposed Per Se

GMA is not opposed to open dating per se, according to James May, vice president, communications, but "in fact supports the open dating of perishables." May contends, however, that the Bay State regulation extends the "perishable" tag to food that has a shelf life of more than 60 days, "and by definition should be called nonperishable."

(The 1974 conference on Weights and Measures recommended that the "nonperishable" term be applied to any food with a normal shelf life of more than 60 days.)

Because all 22 states that have an open-dating law have adopted the 60-day definition for perishables, May said Massachusetts alone would require the labels on such foods as frozen items, cookies, pasta, flour and pretzels. This would pose a hardship for national distributors of such products, GMA believes.

"Frequently there are regional distribution centers for these products," May said. "Since Massachusetts alone would require special open-dating labels on certain products, national disclosure would face a situation where special amounts of a product would have to be specially (open dated) and diverted to that state for distribution."

This expense, plus that for disposing of goods that have passed their "last day of sale" date, could cause "hardship" for food processors. May said the food industry could suffer a 1% annual loss, about \$2 billion, should the Massachusetts open-dating regulations be implemented.

One GMA member firm, whose identity May said he could not divulge, claimed the statute would add \$360,000 to its annual operating costs for each line of food it markets. This cost, the company claimed, would be incurred by having to segregate Bay Statebound food from that going to the 49 other states.

Moreover, the food industry would incur higher overhead costs, several trade group officials said, because the purchase of temperature monitoring devices would become virtually mandatory, to insure that a product would stay fresh until the stamped date.

John Farquhar, a scientific adviser to Food Marketing Institute, explained that these devices—which would be kept with each food shipment—"would change color, for example, if the product had been mishandled somewhere along the way after it had left the processing plant."

National Uniformity Needed

GMA contends that, even given these expenses, open-dating regulations, such as those in Massachusetts, would not be so onerous if they were adopted uniformly and nationwide. "Frankly," the GMA official said, "we'd prefer a single Federal standard that preempted all such state (open dating) laws."

Massachusetts isn't the only state that needs such (a strict) law," declared Dr. George Michael, director of the food and drug division of the Massachusetts Department of Public Health. "It is needed throughout the U.S."

Michael said packaging technology no longer produces "packages or containers that will last forever." Research has shown that cans now are manufactured "to a paper-thin thickness" and the interval between the time a product is packaged and the time it is sold has become "much greater than in the past."

Tests by canners have shown canned products have a shelf life of 18 months, he said. "We don't want to find six-year-old cans on shelves any more. The consumer is entitled to

know what he is buying and the age of the product.

"The frozen food industry needs this new regulation more than any other sector of the food industry," Michael added, explaining that frozen are "more perishable" than almost any other food product. He said the "concept of frozen foods is predicated on the fact that there is a rapid turnover in their sales."

In-Ad Coupons

In-ad coupons are effective merchandising tools that are popular with consumers and effective traffic builders, many retailers told a Supermarket News survey.

On the other hand, a minority, citing administrative problems, avoid in-ad coupons, preferring price reductions.

Some of the retailers who like in-ad coupons said they are more effective than price reductions, while others stressed that both merchandising tools should be part of an overall marketing strategy.

The effectiveness of in-ad coupons versus price reductions varies with the item, said Lawrence Nauman, vice president, consumer affairs and public relations, as well as advertising manager for Dominick's Finer Foods, Northlake, IL. "On some items there will be more response to a 10% off coupon than if we cut 15¢ off the price."

Warehouse stocking of items to be featured in in-ad coupons is not a problem, however, because communications between manufacturers and retailers has improved, Nauman said. "Manufacturers today notify the retailer when they are running coupons in the industry, so the retailer is able to buy ahead and send notices to his stores, so they will know by the additional supply of an item is arriving."

Some retailers for many years have shied away from newspaper coupons, aiming instead for a lower shelf price and unadvertised specials at stores through massive impact-building displays that carry a lower special price.

New product introductions in grocery stores slumped to 4,918 items in 1978 from 5,479 a year ago and from 6,776 in 1973, says an A. C. Nielsen Company study.

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THE INTERNATIONAL GRAIN MARKET OUTLOOK

by Melvin S. Sjerven, Senior Editor, Markets, Milling and Baking News
At the Crop Production Conference

No business is more exciting than the grain business and certainly none could be called more important—in the U.S. or worldwide.

With regard to my assignment of discussing the international grain market outlook, I would like to start by saying the U.S. must be doing something wrong! From a position of great strength—being the most efficient producer of grains in the world—we allow ourselves to be relegated by our competitors to the role of residual supplier and, indeed, even take on the risk of becoming a non-reliable supplier. When other exporting countries are urging growers to maximize production, we enter into production control programs and announce to the world that we are not going to try to be competitive in world trade, but will be satisfied with what is left when other exporting countries have "done their thing."

Comparative Statements

An excellent example of these differing philosophies is provided by a comparison of statements made by Secretary of Agriculture Bob Bergland and Chief Commissioner W. Esmond Jarvis of the Canadian Wheat Board. When Mr. Bergland last August announced the 20% set-aside program for 1979 crop wheat, he said that having no set-aside in 1979 would have resulted in wheat stocks well above needs, considerably lower farm prices, high government payments and a decrease in export earnings. He called the set-aside program a stabilizing measure designed to benefit both producers and consumers. "If farmers use the 1979 program as well as they did this year, we believe that farm wheat prices will be maintained," he said, adding, "This program is also anti-inflationary. Its provisions will not add to food price inflation."

A contrasting view was expressed by Mr. Jarvis of the Canadian Wheat Board, when he said, "The Wheat Board's feeling is that we must move as many bushels as possible to try and compensate for the lower prices and keep farm cash flow as high as possi-



Melvin S. Sjerven

ble." Referring to three successive bumper crops in Canada, Mr. Jarvis explained, "There are two factors in a farmer's income—price and volume." The Wheat Board has done everything possible to try Canada's wheat marketing capacity to its full capacity and beyond, Mr. Jarvis said.

Why Tell Competitors?

Far from saying that the Canadians have a marketing system better than ours—we certainly don't believe that—the point I am making is that the emphasis on volume and price compares with efforts to curtail production in the U.S., with a hesitancy to press for new devices to expand exports and even undertaking programs that tie the hands of exporters or create an unfavorable environment for expanding sales abroad. I refer specifically to the numerous adamant statements of the Carter administration that it is our intention never again to have export subsidy programs. No one is suggesting that the payment of export subsidies is a desirable procedure, but one certainly can question the good sense of telling our competitors in world trade that we don't intend to compete, no matter what they do in the area of subsidizing sales. We feel strongly that a stand-by subsidy program would be very much in the interest of U.S. producers and the breadstuffs industry as a whole. Even though the U.S. consumer is competing in the marketplace with the buying missions of the Soviet

Union, the People's Republic of China and all the importing world for this country's agricultural output, an awareness has developed that producers need the export market in order to assure production of adequate supplies for consumption here at home.

Federal Grain Inspection Service

I refer also to the activities of the Federal Grain Inspection Service in its preoccupation with foreign buyers and a persistent search for complaints, while ignoring the trade promotion intent of the legislation that created the Service. Section 2 of that Act calls for "the promotion and protection of grain commerce in the interests of producers, merchandisers, warehousemen, processors, and consumers of grain; promotion of uniform application of standards; marketing of grain in an orderly and timely manner, facilitating trading in grain, and elimination of burdens on commerce." I've seen no better statement about how F.G.I.S. is not meeting those Congressional intentions than the one issued by Pete Stallcop for the Grain Elevator and Processing Society.

Wheat Marketing Seminar

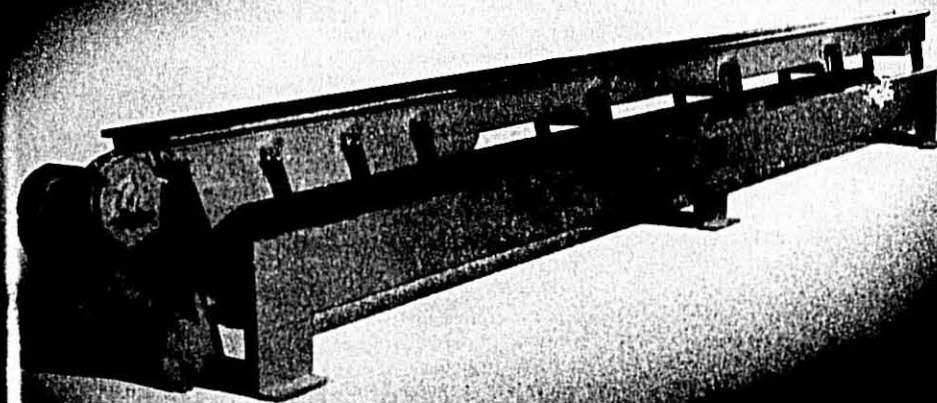
It is important to understand why production controls, or set-aside programs, are fraught with hazards. I participated a few months ago in a wheat marketing seminar of Great Plains Wheat in North Africa. That meeting was noteworthy, if for nothing else, in drawing together in one room representatives of so many Arab countries.

Papers were presented on many different subjects, but the discussions were always drawn back in the question sessions to concern over the impact of the wheat set-aside program on availability of U.S. wheat at affordable prices. Spokesmen for the Department of Agriculture faced the impossible task of trying to explain to the Arab buyers of U.S. grain that the purpose of the set-aside program was not to increase the cost of wheat to them, but rather was intended to pre-

(Continued on page 32)

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Grain Market Outlook

(Continued from page 30)

vent the return of huge storage payments by the government at home. Also, those Mediterranean countries were concerned over the reliability of the U.S. as a supplier of wheat—in that area including large portions of spring wheat and durum—if production is cut back. We learned something of the need to be a reliable supplier after the embargoes earlier this decade caused Japan and other buyers to diversify their grain and oilseed suppliers.

Consumption Exceeds Production

Also, it is important to realize that in more years than not world consumption of grain has been exceeding production. In the past eight years, for example, or since 1971-72, world utilization of wheat and feed grains has exceeded world production in five years, while production has exceeded utilization in only three. The current season, or 1978-79, is one of the three in which production is exceeding utilization. In most recent U.S.D.A. assessment of the world grain situation, world grain utilization for 1978-79 is estimated at 1,118,000,000 tonnes, against world grain production of 1,132,000,000 tonnes. But, in each of the previous four seasons, or since 1974-75, world grain consumption has exceeded world grain production. In 1977-78, for example, the U.S.D.A. estimate of world grain production is 1,075,300,000 tonnes, or smaller than consumption of 1,084,600,000 tonnes.

Production Up This Year

The world grain production is above projected consumption for this year and is the result of bumper crops in an unusual number of important producing areas—a phenomenon that cannot be counted on, as evidenced by the history of the past eight years or more. In spite of the banner production, U.S. grain exports are being maintained at extremely heavy rate.

Current supply and demand estimates of the Department of Agriculture project wheat exports for 1978-79 at 1,150,000,000 bus, plus or minus 100 million bus, or slightly above 1,124,000,000 bus in 1977-78 and significantly better than 950 million bus in 1976-77. Corn exports for 1978-79 are estimated at 1,900,000,000 bus, plus or minus 150 million,

down from 1,950,000,000 bus in 1977-78 but substantially better than 1,684,000,000 bus in 1976-77.

Certainly an important factor in maintenance of high export levels in the face of better production around the world has been the pounding taken by the dollar in the past several months, accompanied by soaring prices on gold. It's difficult to pinpoint the demand that can be attributed to the flight from dollars into "something solid," like grains and other commodities, but there is no doubt that the dollar's cheapness is accountable in some measure for increased export demand and the higher plateau of farm prices we have seen in face of building carryover stocks.

Large Communist Purchases

In the areas of exports, business with the U.S.S.R. and China is most market-stirring. Last week China made sizable purchases of U.S. grains, bringing total to 3,200,000 tonnes wheat, including 2,700,000 tonnes for 1978-79 and 500,000 tonnes for 1979-80, and 1,300,000 tonnes of corn. The China business was not unexpected, but considerable uncertainty prevails over how much additional grain will be taken. China's buying serves as reminder that there is a market there with mind-boggling potential and that purchases will be made of U.S. grains even without a resolution of the Taiwan situation. It leaves U.S. traders to ponder how much business could be done if that political situation were resolved. As if to accentuate that situation, the Taiwanese team is about to embark on another grain buying tour in this country.

For the third year in the long-term agreement, the U.S.S.R. thus far has purchased only 329,900 tonnes wheat and 988,000 tonnes corn. Minimum required purchases in the agreement are 3 million tonnes each of wheat and corn.

Several round lots have been recorded as sold to unknown destinations under the 24-hour reporting system of the Department of Agriculture and much opinion was that much of this would eventually be designed as sold to the Soviet Union. But, with a crop of at least 220 million tonnes and perhaps even a record above 224 million tonnes, Soviet needs are not urgent. Some wondering was whether

wheat purchases would be postponed until shipment after June 1—the agreement year that began Oct. 1 but in 1979-80 wheat marketing year.

Sole Supplier

An important reason for the heavy export business in wheat this season is that for the first half of the marketing season, the U.S. has pretty much had the world market all to itself. Then, the Canadians had harvest problems for the 1978 crop. Europe produced a larger crop and has lately been heavily subsidizing sales against world tenders. Argentina and Australia are attempting to increase production and their harvests are about to get under way. Some minor wheat exporters also have emerged—Turkey, Greece and Sweden.

Export prospects for the U.S. for the balance of the season depend on the outcome of Southern Hemisphere crops, the extent of Soviet and Chinese buying, selling attitude of U.S. farmers and, in no small measure, the government's attitude toward promotion or hindering of exports.

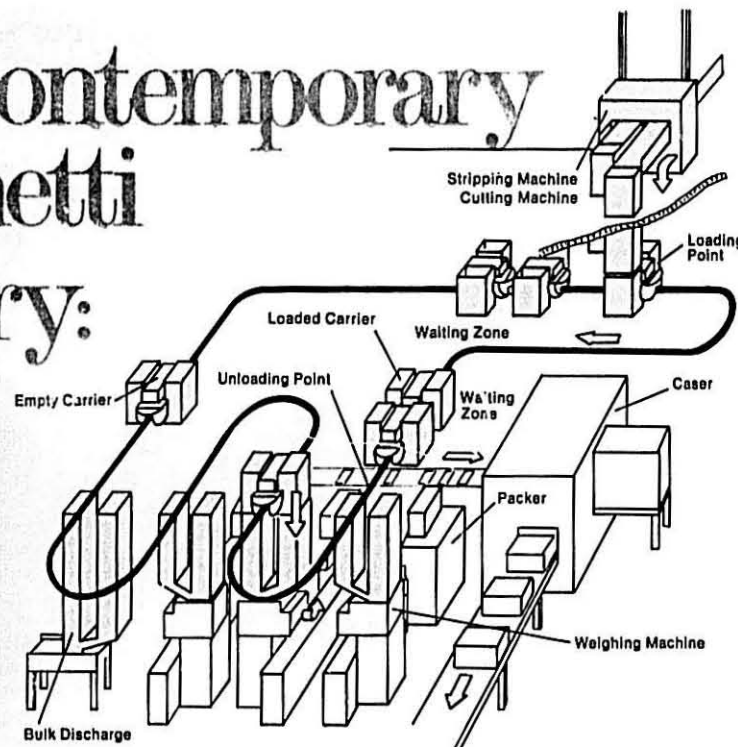
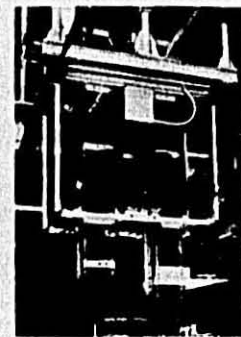
Those Unable To Pay

A discussion of export grain potential requires at least a reference to the fact that even expanded business does not take care of the needs of the world—the needs of that portion of the world unable to pay. The annual report of the World Bank states that per capita food production in developing regions, except Asia, is less than it was two years ago. Even in Asia, the statistics for which are dominated by India, the Bank says it is difficult to tell how much of the increase in agricultural production can be credited to long-lasting improvements and how much has been due to a string of a few years' good weather. The aggregate food deficit in developing countries could rise to as much as 145 million tonnes by 1990, the World Bank annual report warns.

The Environmental Fund, a Washington-based non-profit group, issued a study last week illustrating the food surplus situation in the U.S. by stating that there are available 3.6 average daily U.S.-size meals per capita a day. But it also says that hunger and starvation stalk most of the rest of the world, including Latin America, which

(Continued on page 34)

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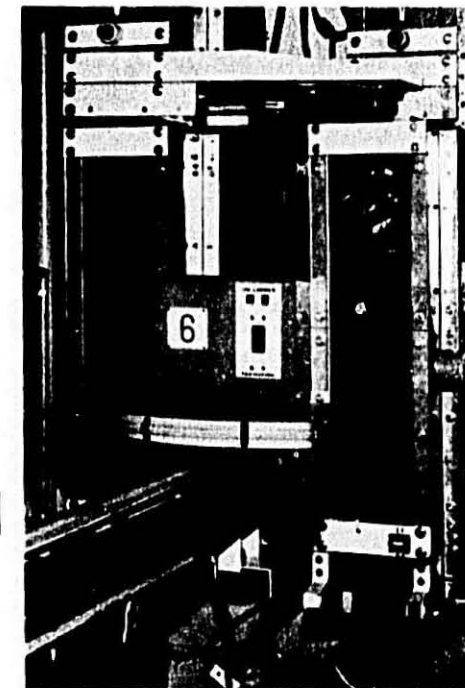
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Grain Market Outlook

(Continued from page 32)

has a food supply of 1.7 U.S. meals per capita a day.

What to do about food deficits is a very special problem for which solutions do not appear imminent. In the past several years, we have learned in no uncertain terms that high prices are the best cure for high prices. When hard winter wheat at the U.S. Gulf reached its all-time high of \$6.45 a bu on Feb. 28, 1974, it allowed us to discover the price at which quite a few countries were unable to afford to purchase the grain in the same quantities as previously. We have not yet been allowed to ascertain whether low prices are as effective a cure for low prices as high prices are for high prices, because it is politically unacceptable. Thus, a full test has been avoided of the power of low prices to affect either a dramatic cutback in production or a surge in domestic usage and exports.

Let the Market Function

In the long term, the prosperity of agriculture depends on avoiding so-called remedies that have no chance of working. A sharp buildup in stocks, as we have witnessed in the U.S. in the past two years, is best cured by expanding disappearance and not interfering with the clear signals the markets send to producers on needed crop production levels.

Letting the market function, avoiding too many false signals, such as establishing arbitrary costs of production, and doing everything possible to stimulate export sales and to open markets abroad must be the main function of government. If that course is followed, and if the certain desire on the part of hundreds of millions of people for improved standards of eating are allowed fulfillment, one can predict the result. It is that between now and the end of this century there will be many more years when our chief concerns will focus on the adequacy of the world food supply, and not on whether prices to farmers are above or below the cost of production.

Durum Markets in December

No. 1 Hard Amber durum ranged from \$3.42 to \$3.60 per bushel Minneapolis with semolina quoted at \$9.20 to \$9.55, granular 15¢ less, durum flour 40¢ less.

POLICY CONSIDERATIONS FOR U.S. AGRICULTURE

by Howard W. Hjort, Director of Economics, Policy Analysis and Budget, U.S.D.A. at Crop Production Conference

I was delighted to receive the invitation to appear on the program of the 45th Annual Crop Production Conference. I want to take this opportunity to discuss the policy and program decisions that have been taken and how our production and markets may be affected by such decisions. But, I think it useful to first review the status of the agricultural supply and demand situation, and then the domestic and international policies and programs that affect producers, processors, transporters, and ultimately, the consumers of agricultural commodities.

A Brief Review

After several years of relatively low and stable crop prices, the dramatic commodity price increases of 1972 led many to believe crop prices would stay at profitable levels over the longer run. The administration was encouraging crop producers to expand production. They did, and many made large credit-based investments. When crop prices began receding with the big crops here and in other parts of the world, the cash flow on many farms was insufficient to service the increased debt incurred for those investments. For many farmers, simply staying solvent was a struggle, a struggle cattle producers had been engaged in since the fall of 1974.

By the end of 1976 most of the world-wide events that had triggered the boom in agriculture had subsided. Grain production the world over had increased with favorable weather. Stocks were being rebuilt. The spectre of chronic food shortages was fading. The inflationary pressures set in motion by events such as the oil embargo, and by the world commodity shortages, were continuing to push farm input prices even higher, while farm prices were falling. This was the situation facing the new administration in January 1977.

With the Congress, the Administration worked to develop comprehensive food and agriculture policies and programs which take into account the growing interdependence of all

economic groups—of farmers and consumers, of livestock and feed producers, of exporters and importers, of developed and developing nations. Furthermore, these policies and programs are designed to mesh intelligently with the broader international concerns of the nation and the world.

Restoring economic stability and viability to agriculture was a first task of the Carter Administration. Market support prices were increased and a reserves policy adopted. The Congress passed the Food and Agriculture Act of 1977 and the Emergency Agricultural Act of 1978. In the past 22 months, a more flexible food and agricultural policy has evolved—one that can be more responsive to the ever-changing conditions for food and fiber. Policies and programs have been designed to deal more effectively with periodic surpluses and depressed farm prices, or with periodic shortages and rapid food price inflation.

Market price support levels for the major crops and dairy products were increased to more realistic levels. Yet, our products remain competitive in world markets. Target prices were boosted sharply to levels that provide more adequate income protection. The reserve programs have removed excess production from the market, which has strengthened prices while also providing insurance against inadequate supplies. The Agricultural Credit Act of 1978 modernized lending programs of USDA and authorizes up to \$4 billion in emergency loans through May 15, 1980.

The set-aside and diversion programs have brought production better balance with demand, though the combined wheat, grain and cotton acreage for harvest this year is about 2 percent more expected and weather patterns have been very favorable, especially for corn production.

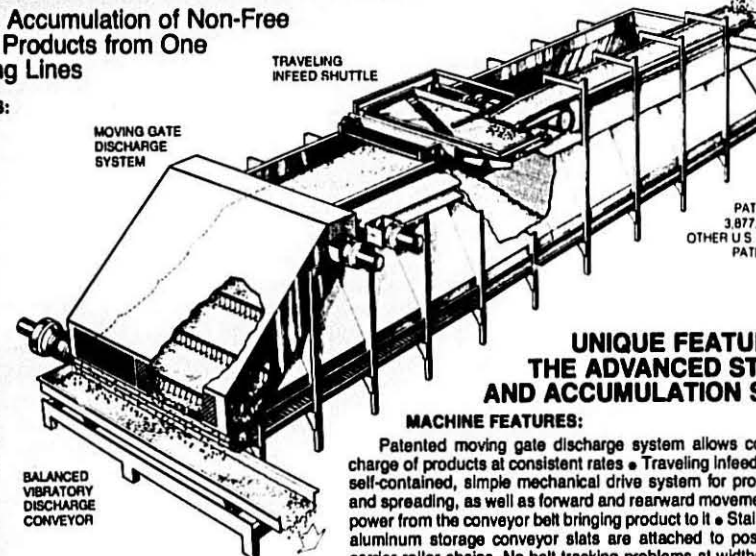
Wheat production in 1978 was slightly less than expected when the set-aside was announced. Carryover stocks will decline slightly, and farm prices will average 50 to 70 cents above the 1977/78 season average price of \$2.31 a bushel.

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Policy Considerations

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Natural forces intervened and brought cotton production well below our expectations. The effects of weather and insects mean yields will be the lowest in 21 years. However, carryover stocks at the end of the 1978/79 marketing year will still be adequate, and prices will be better.

Feed grain production in 1978 is indicated to establish another record. More than any other factor, the weather was responsible. The national average corn yield for 1978 is indicated to be a record 101 bushels per acre, 4 bushels more than the previous record and 16 bushels above the average yield for the last four years. Had there not been a 1978 crop set-aside for feed grains, the crop would have been 12 to 14 mmt greater, with most of the increase going into stocks.

We now anticipate 144 mmt of the 209 mmt feed grain crop to be used domestically. Exports in 1978/79 are forecast to be around 55 mmt, down slightly from the 1977/78 record. Stocks are expected to exceed 50 mmt by the beginning of the 1979 season.

Realized net farm income—\$21 billion in 1976 and 1977—is forecast to exceed \$26 billion in 1978. Farm product exports are record high this year.

The 1979 Outlook

As in the United States, 1978 is a year of agricultural records for the world. World food production is forecast at new highs. Total world grain supplies should be record high.

Weather patterns were extraordinarily favorable over most of the Northern Hemisphere, with the major exceptions being the PRC and Southeast Asia. Accordingly, a significant increase in the world consumption requirement is anticipated.

Meanwhile, world grain trade is expected to continue high. Trends over the past 18 years show an ever-increasing gap between production and consumption of grains in nearly every part of the world except North America and some countries in the Southern Hemisphere. This "gap" will continue to grow and the United States and Canada will supply an increasing absolute amount and proportion of global demands.

While beef production will continue to decline as the cattle herd is rebuilt, there will be more cattle on feed during the 1978/79 feeding year. Poultry and hog production are increasing, offsetting the decline in beef production, but also requiring more feed concentrates. And even with total meat output essentially unchanged in 1979, more grain and other feedstuffs will be required.

International Policies and Programs

In developing a food and agricultural policy, these initiatives must be matched by a set of equally effective, compatibly-structured international policies and programs. We think significant progress is being made.

Exports have steadily expanded under the Carter Administration. The total value of agricultural exports for fiscal 1978 is now estimated at \$27.2 billion—13 percent more than last year which was an all-time record high. The volume of exports, 122 mmt was also a record. Agriculture's net contribution to the nation's trade balance is an all-time high—\$13.5 billion. We expect exports to remain strong through the next year. But, we cannot rest on the achievements of the past. We must continually strive to expand our foreign markets.

The United States also has a special interest in moderating fluctuations in world grain and other commodity prices. We must reduce the magnitude of adjustments that have to be made by U.S. producers and consumers in response to external forces. The means of achieving this must not distort long-term growth in agricultural production and trade, but must enhance world security and contribute to economic progress in the developing countries.

In pursuit of these objectives, the United States has participated in negotiations over the past several years in the General Agreement on Tariffs and Trade (GATT), Multilateral Trade Negotiations (MTN), and in the International Wheat Council (IWC). I would like to review today our objectives in these negotiations and the impact the negotiations will have on the agricultural sector in some detail.

During the current round of negotiations, one of our major objectives

is to make substantial progress for the benefit of U.S. agricultural exports. Representatives of major developed countries meeting in Geneva in July agreed on a framework of understanding for a comprehensive settlement of the MTN. This included three areas of concentration for agricultural reductions in tariff and non-tariff barriers; multilateral codes—particularly on subsidies, and other improvements in international trading rules; and international commodity arrangements—including meat and dairy products, and grains which are being negotiated in the IWC. A new general understanding on agriculture is also being considered to improve the conduct of international agricultural trade.

U.S. tariff and non-tariff requests pertain to about \$3 billion of our agricultural exports in 1978, about 13 percent of the value of our total agricultural exports in that year. Grains have been largely excluded by other countries from this exercise in view of their political sensitivity and the parallel negotiations under way in the IWC. Similarly, relatively few trade concessions are expected on oilseeds and products; that trade is already largely unencumbered by tariff and non-tariff barriers.

The impact of tariff and non-tariff reductions on U.S. exports is difficult to estimate. Nevertheless, we must be realistic. With an export base of about \$27 billion, in the short run, we are probably talking about hundreds of millions of dollars, rather than billions of dollars, of increased U.S. agricultural exports due to trade concessions. Yet, in some sectors, the proportional increase could be extremely large and have significant impact on the income of some farmers.

The United States hopes to strengthen the code governing agricultural export subsidies because they cause major distortions in agricultural trade. If we can obtain stronger GATT rules governing subsidies, we are prepared to negotiate for improved rules on imposing countervailing duties on subsidized imports. Countervailing duties have recently become a critical issue in the MTN. The United States, under the 1974 Trade Act has waived countervailing duties on certain cheese, canned hams, and

other subsidized agricultural imports. The European Community has been adamant that the waiver be extended or else the MTN would be jeopardized. An amendment to extend the waiver was attached to the recent sugar legislation, but that bill was not approved by the Congress before it adjourned. The President has assured the European Community that the new Congress will consider the issue when it convenes. However, the Congress will want to be assured that satisfactory progress is being made toward a conclusion of the negotiations before extending the waiver.

Another facet of the MTN is the commodity arrangements for wheat, coarse grains, dairy products and meat. Generally, consultative arrangements for meat, dairy and coarse grains have been agreed upon. These arrangements may provide useful forums for the exchange of information and for consultations on world market conditions and the effects of countries' trade policies. Except for the dairy arrangement, there would be no mandatory economic provisions. In the dairy arrangement, minimum export prices would be established as one means of restricting the use of export subsidies.

Coarse Grains

In addition to wheat, it appears that some countries are prepared to establish an international consultative arrangement for coarse grains. Although no economic provisions are contemplated, this could lead to a harmonization among countries of policies and actions based on improved mutual understanding of market conditions and outlook. It is uncertain whether these coarse grain arrangements will be part of a Wheat Agreement or be established independently.

The last issue in the MTN is the development of a general understanding for agriculture—a set of principles that would lead to improved international cooperation to secure adequate farm incomes, stabilization of food prices, and an expansion of trade. A consultative framework is to be developed, possibly through a new committee under the GATT. Such a framework could be helpful in getting prompt attention to agricultural trade problems on a continuing basis.

In assessing the current negotiations, it is extremely important to view

depressing supplies from the market and holding them in reserve until they are needed.

The benefits of such an arrangement to the United States could be substantial. In the past, the United States has borne almost the entire burden of holding stocks or adjusting production to prevent excessively low prices. This arrangement would provide greater burden-sharing. Other countries would hold surplus grain in reserve, adjust production, and take other measures during periods of world surplus.

Secondly, the convention would contribute to the long-run expansion of the world wheat trade. By helping to create a more secure, predictable and dependable world market, importers would have more incentive to rely on efficient exporters for vital food supplies. This could also assure that all countries contribute fairly to greater world food security, especially for the developing countries.

Another aspect of the wheat agreement is a new Food Aid Convention. Donor countries would pledge minimum annual quantities of food aid to the developing countries.

International Wheat Agreement

We have taken the lead in securing a new International Wheat Agreement. A full negotiating conference under the auspices of UNCTAD begins this week. Such an agreement, as we envision it, could provide greater world food security, moderate extreme fluctuations in prices, promote expansion of world wheat trade, assure adequate food aid and encourage more international cooperation in all aspects of wheat trade.

The cornerstone of the new International Wheat Agreement would be a system of nationally-held but internationally-coordinated reserve stocks. The agreement would include critical price levels which world wheat prices would not surpass if the cooperative actions on reserves, production, and utilization adjustments are successful. There would, however, be no regulatory minimum/maximum prices as contained in some past agreements. Stocks would be accumulated in times of excess, thus taking large, price-

the agricultural negotiations in the context of total world trade and economic relations. U.S. agricultural exports cannot continue in a climate of growing protectionism and economic stagnation. The most lasting contribution of the MTN may well be a resolution of some of the conflicts that have arisen over the conduct of economic relations—subsidies and countervailing duties, the status of developing countries (which are becoming far more important in the trading system), safeguards, standards, government procurement, and other non-tariff issues.

"Cooperator Program"

A major part of our efforts to increase our exports is participation in these international fora. But this is by no means our only effort.

Many of you are familiar with the so-called "cooperator program"—a foreign market development and promotional program. We are working with more than 40 agricultural trade groups and with state Departments of Agriculture to educate potential foreign customers about our products and to show them how our products might be used, thereby stimulating demand for them.

U.S. agricultural exports will also be given a new emphasis by the Agricultural Trade Act of 1978 which directs the establishment of six to 20 trade offices in major foreign markets for encouraging exports of U.S. farm products. Using existing authority, we had already opened one such trade office. These will complement the "cooperator's program."

Under the same Act, we have authority to extend intermediate-term export credit for breeding livestock, the building of grain reserves by developing countries as a part of an international agreement such as IWA, and for construction of market facilities abroad. This three-to-ten year credit program supplements the short-term CCC Export Credit Program and the longer-term PL 480 Credit Programs.

These are some of the initiatives that have been taken over the past 22 months. We believe the results of this approach—expanding farm exports, improving commodity prices and farm income—speaks to its success. There

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PROFII

In many ways, a Chimney Sweep's job is the same as poets, playwrights and historians have portrayed centuries ago. The same kinds of brushes and chisels are needed to clean the same kinds of chimneys. Time-honored superstitions associated with the job observed, such as wearing second-hand top hats for good luck.

But, for all the legend and romance surrounding the profession, the Chimney Sweep performs a very modern-day function—a function which makes him popular in 20th Century Yellow Pages and in 17th century plays.

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Policy Considerations

(Continued from page 37)

is, of course, more to be done. When the Congress reconvenes, the Administration will resubmit legislation to create a comprehensive disaster insurance program. We will seek to ratify U.S. participation in the International Sugar Agreement and to develop a domestic price support program that balances the interests of producers and consumers. The International Emergency Wheat Reserve Bill remains to be passed by Congress. In the battle against inflation, the Department of Agriculture will play an active role in monitoring food and fiber prices, and not just the prices of the raw products—but the prices of furnished products as well. In past inflation control efforts, too much emphasis has been paid to the price of food at the farm gate; too little to the price of food when it finally reaches the consumer.

You may be assured that in these efforts and others, we are striving for a stronger food and agriculture system, not only for today, but for tomorrow as well.

Thank you.

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Central State Nest Run—\$12.00 to \$15.00

Southeast Nest Run—\$12.60 to \$15.60

Frozen Whole—45¢ to 49¢

Frozen Whites—34¢ to 38¢

Dried Whole—\$1.70 to \$1.88

Dried Yolks—\$1.50 to \$1.72

FTC To Focus on Food

A House subcommittee has called on the Federal Trade Commission and the Justice Department to concentrate antitrust enforcement efforts on "predatory" marketing and advertising practices, with emphasis on the food industry. These practices put small businesses at a serious competitive disadvantage, the subcommittee found.

It asked FTC and Justice to develop a blueprint for Congress to reverse the trend toward growing concentration through mergers and acquisitions.

The Subcommittee on Antitrust, Consumer and Employment has spent a year examining the future of small

business in America. It concluded that small business might disappear unless aggressive action were taken to restore competition to an increasingly concentrated and monopolized marketplace. It also found competition is ebbing in many areas and the consumer is paying the price.

The subcommittee, headed by Rep. John Breckinridge (D., Ky.), recommended to Congress and the Administration vigorous antitrust law enforcement and enactment of laws to give such statutes more muscle and wider scope.

Other proposals included amending the tax laws to eliminate provisions encouraging mergers and acquisitions; making sure Government regulations do not have a disproportionate economic impact on small business; expanding Federal procurement contracts with small firms; further graduating the corporate tax rates, and targeting small business for preferential capital gains treatment.

Market Concentration

The subcommittee produced statistics confirming that acquisitions and market concentration were increasing, especially in manufacturing and mining. It found the same taking place in retail trade, where an increase in concentration was said to "impose a heavy burden on an already battered consumer."

During subcommittee hearings, Charles Mueller, an antitrust specialist, estimated that overcharges flowing from the monopolized one-third of the U.S. economy totaled about \$175 billion a year, or 9.2% of the gross national product. Willard Mueller, former FTC chief economist, estimated a 1% increase in food prices, originating in concentrated areas of the industry, had led to a cost of \$1.5 billion annually to consumers.

The subcommittee characterized the effectiveness of existing antitrust laws as doubtful, suggesting they do more to harm small business than to protect competitive entrepreneurs or bolster competition.

Statistics marshaled by the subcommittee show that from 1950 to 1976 a steady increase had materialized in the percentage of manufacturing assets controlled by the top 100 and 200 manufacturing companies. The 200 largest firms enlarged their market share from 47.7% to 60%.

Testimony was almost unanimous in agreeing that the trend would continue unabated unless immediate and forceful steps were taken.

Conversely, the subcommittee found a disturbing trend in the percentage of manufacturing sales controlled by a few companies. In retailing, the subcommittee found sales by the 50 largest retail companies rose in 1971-1976 from \$80 billion to \$132 billion, translating into 24.2% for 1971 and 25.6% for 1976.

An FTC analysis prepared for the subcommittee found the 50 biggest retailers controlling 25% of U.S. retail sales and 31% of retail assets. Firms with less than \$10 million in assets account for 50% of sales and 50% of profits.

Advertising's Role

Advertising took its lumps for playing a major part in the growing domination by big business and the decline of effective competition. Testimony indicated that in 70 consumer-product industries (e.g., canned goods and other grocery products) the number of companies had declined in two-thirds of those industries during the period from 1947 to 1977.

Over 80% were industries with heavy advertising and extensive product differentiation. Result: The number of firms in the 70 consumer product industries shrank from 49,901 in 1947 to 37,700 in 1972, and since then are believed to have receded even further.

As the 12,000 small firms were out of business, the subcommittee found the concentration ratios in those industries rose from an average of 7% in 1947 to 41.8% in 1972. In industries with high product differentiation and heavy advertising, the rise was even more pronounced and dramatic—from 47.7% to 60.6%.

Basic Creators of Wealth

"The public generally support the business system, which is to say our competitive enterprise system of operating in the markets. Poll after poll has produced evidence of such support. There is, I perceive, a basic understanding that business and industry are the basic creators of our national wealth."—Thomas G. Pownall, president of the Martin Marietta Corp.

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Stone Container plants currently are combining Super Stone Cor in various grades.

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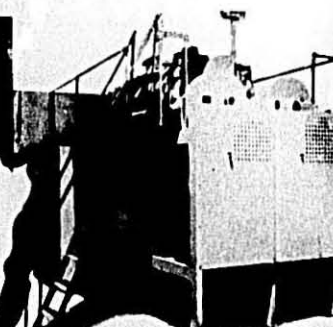
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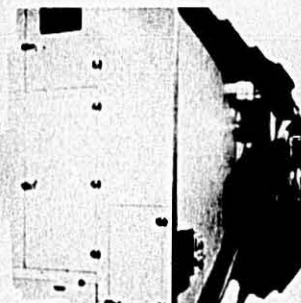
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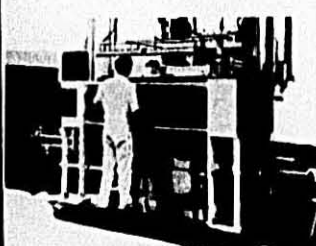
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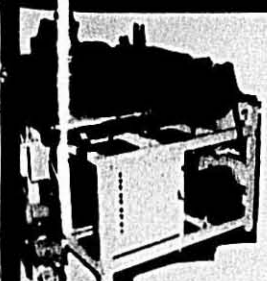
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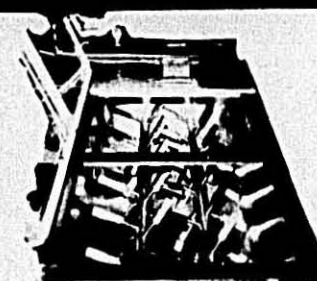
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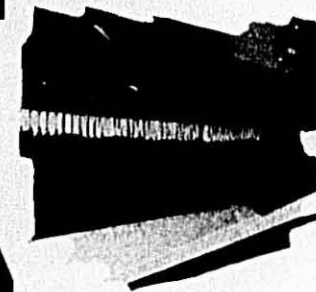
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Minimum \$3.00

New Recipe Booklet

"America Entertains At Home . . . with Pasta" is an invitation to enjoy meals at home which are fun, fast and easy. "Quarter-of-an-Hour" menus featuring pasta entrees are geared to the use of time-saving appliances . . . microwave ovens, food processors, blenders . . . for the time-conscious cook who prefers eating at home as a happy alternative to eating out. Conventional directions are included for those with more time to spare in the kitchen.

Copies of the booklet are available by sending 55 cents for each to cover postage and handling to: The Macaroni Journal, P.O. Box 336, Palatine, IL 60067.

Avicel Brochure

A new 15 page brochure describing the functions performed by and the benefits derived from the use of Avicel microcrystalline cellulose (cellulose gel) in canned foods has been published by FMC Corporation, Food & Pharmaceutical Products.

This revised bulletin designated RC-31, includes new specifications for MCC as well as 16 formulations demonstrating the effectiveness of MCC in canned heat processed canned foods. Functions such as emulsion



stabilization, heat stability, thickening, cling, starch extension, whitening and flavor release are discussed. Information relative to handling of MCC compatibility with other ingredients and labeling are other topics of interest.

Copies of the new FMC canned food brochure are available from FMC Corporation, Food & Pharmaceutical Products, 2000 Market Street, Philadelphia, Pa., 19103, telephone 215-299-8460.

Employee Benefit Costs Soar

According to a U.S. Chamber of Commerce survey, employee benefits, including vacations, paid holidays, sick leave, insurance, and Government plus private pensions, will cost employees a record 350 billion in 1978. The total cost of these benefits currently consumes nearly 1/3 of all payroll dollars. Benefit costs are increasing about twice as rapidly as wages. These costs increased 173% from 1967 to 1977, while wages and salaries were up 98%. Employees spent an average \$90.23 per week for each employee's benefits last year, almost 3 times the \$33.06 paid out weekly in 1967.

Minimum Wage and Social Security

Went up January 1 — minimum wage from \$2.65 to \$2.90 per hour, and social security from 6.05% on both employee and employer, to 6.13% on each. Also the taxable wage base jumps from \$17,700 to \$22,900, which means higher-paid employers will each pay \$332.92 more in 1979.

How to Lose 25,000 Job from a Wall Street Journal Editorial

In a benevolent attempt to pull workers up by their bootstrap the government of Quebec has ordered minimum wage increases that have made the province's rate the highest in Canada. But officials were jured this summer when a study they had commissioned showed Quebec's high minimum wage has actually increased unemployment and reduced the earnings of many workers.

Laval University economist Pierre Fortin said in the report, done for the Quebec Minimum Wage Commission, that the high minimum wage has wiped out at least 25,000 jobs—and perhaps as many as 42,000—in the last 20 months, adding 1 to 1½ percentage points to Quebec's unemployment figures. Quebec's jobless rate was a seasonally adjusted 11.0% in mid-August compared to 8.5% in all of Canada.

Provincial officials were, understandably, embarrassed by Mr. Fortin's findings. Even Mr. Fortin was surprised. He says in the report that he began his investigation with a prejudice in favor of redistributing income within Quebec society but as he gathered data he became convinced a high minimum wage was not the way to do it. He concluded, "It has raised unemployment and actually reduced the earnings from employment of those it is meant to help."

Higher Minimum

Quebec's minimum wage currently is \$3.27 Canadian (\$2.80 U.S.) compared to \$2.85 Canadian (\$2.45 U.S.) in neighboring Ontario. By comparison, the current U.S. minimum wage is \$2.65.

The U.S. would do well to take note. When Congress last year ordered a 45% boost in the federal minimum wage over three years, it salved its conscience by establishing a national commission to study the economic and employment effects of such a move. But the eight-member commission was only appointed this summer and it has a leisurely 36 months to make its study.

It could save a lot of time and money by getting a copy of Mr. Fortin's report.

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