

**THE
MACARONI
JOURNAL**

Volume 66

No. 8

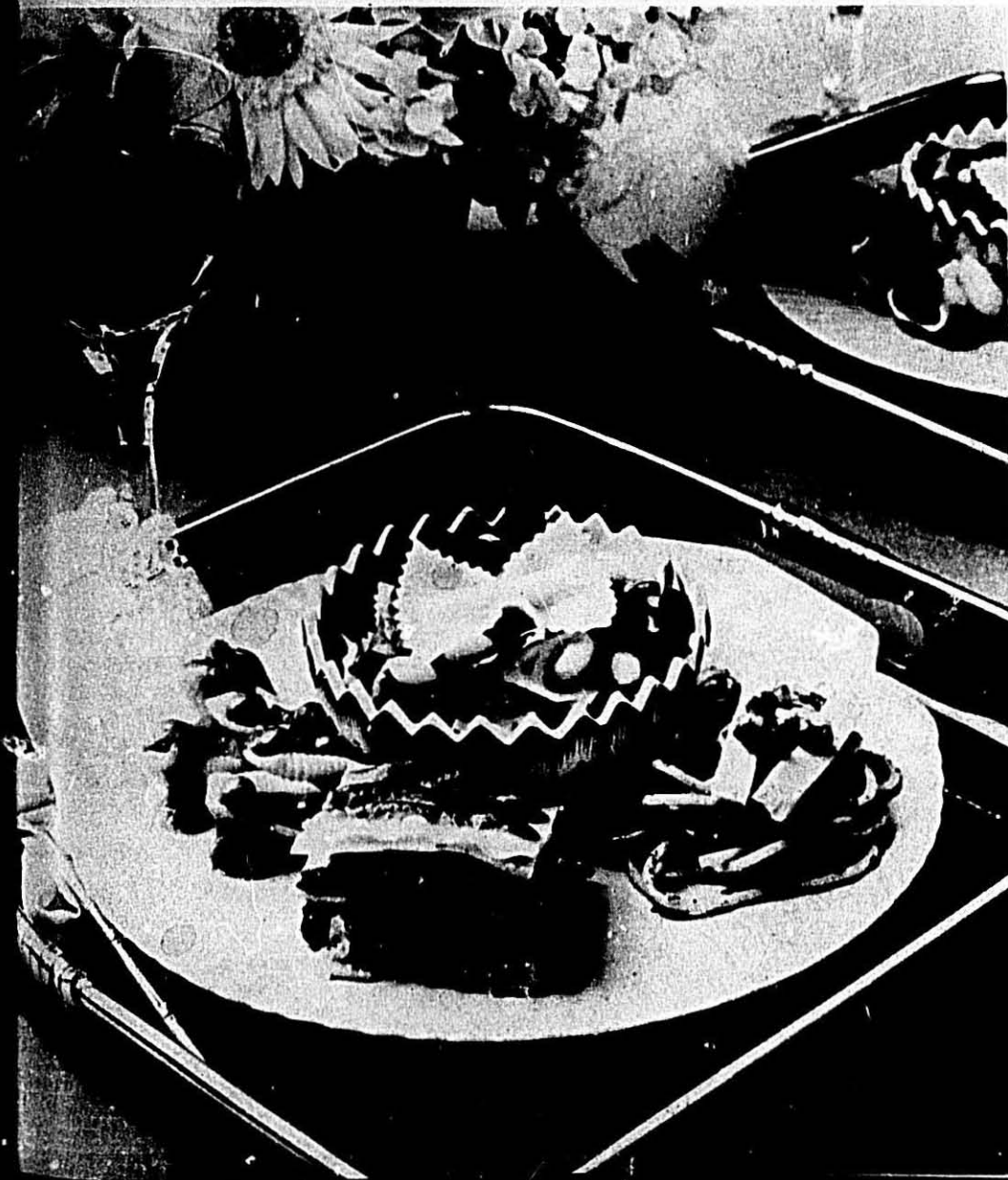
December, 1984

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Macaroni Journal

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DECEMBER, 1984



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Farewell, and Thanks For the Memories

After some forty years in the pasta industry and thirty of them as editor of this publication I am now about to put my pen down.

But first some reflections:

During World War II pasta gained popularity as an unrationed meat substitute or supplement. Today it is a fully recognized category in the super-market.

At the end of the war we had an export business shipping some 225,000,000 pounds of product to southern Europe where facilities had been destroyed during the fighting. In June of 1948 the Marshall Plan ended exports by giving raw material and equipment to our former customers. Today there is a flood of imports coming into the United States.

Any manufacturer without a brand franchise was out of business after the Marshall Plan. I was hired by the Association's Board of Directors that fall to see a product promotion program

at the rate of a cent a bag (of flour worth then some six dollars). I went to visit the 350 manufacturers around the country. The program was off and running when we went to Florida in January 1949 for our first meeting there. Many members brought their wife and children — quite a change from the meetings held in conjunction with the Brokers and Cannery in Chicago or Atlantic City.

Ted Sills and Associates were hired at that first Florida meeting to conduct publicity and promotion of pasta and the National Macaroni Institute was formally incorporated. Sills built a fine relationship with food editors around the country and pasta benefitted. This industry publicity plus individual brand advertising doubled production and consumption in a thirty year span — a feat unequalled by any other grain product.

During the fifties we were plagued by 15B Rust which devastated the durum crop for three years in a row. To obtain raw materials for the increasing

(Continued on page 4)

Farewell

(Continued from page 3)

demand we were enjoying the industry supported research and plant-breeding at North Dakota State University in Fargo to develop improved varieties of durum wheat. This led to participation in durum shows and relations with the growers who organized into the U.S. Durum Growers Association and then the North Dakota State Wheat Commission. Now a grower sits on the Board of Directors of the National Pasta Association.

The soaring sixties ran into the struggling seventies with the advent of consumerism, more and more government regulation, and battles to defend the standards of identity adopted in the depression days of the thirties. First there was phony-roni made of corn meal and fortified with nutrients to make it the equivalent of meat in the School Lunch program. But consumers didn't like pasta made of corn meal. Then came Oriental Noodles made without eggs but called noodles nevertheless.

This led to the employment of a Washington, D.C. firm of lawyers to represent the industry through the Association.

In the mid-seventies the larger food firms began looking at the pasta industry for growth opportunities and acquisitions began. Within five years eight of the top ten companies had been sold and they accounted for at least three-quarters of the industry's production.

But while this was going on fast foods sprung up giving supermarkets a run for their money in getting a share of the consumer dollar. With more women in the working force more meals were taken out of the home. The potato industry mounted a multi-million dollar promotional program to convince consumers that they were a versatile vegetable — not a fattening food. Also fast foods were basically hamburgers and french fried potatoes which boosted the stock of a carbohydrate competitor.

A poor durum crop in 1980 opened the door to a flood of Italian pasta imports aided by Common Market subsidies, as well as small machines for making pasta at home or in small boutiques — a throwback to the turn of the century when Italian immigrants made pasta in the kitchen or backyard before becoming factory opera-

tions. Despite legal victories in declaring the ECC subsidies illegal there has been no implementation of the decision and imports continue to grow.

With more and more activity centered in Washington, D.C. it was imperative that the National Pasta Association regroup and move on. The Executive Committee picked a fine candidate in Joe Lichtenberg and now Joe has obtained a fine prospect in Max Busetti as Director of Communications.

Our printer, Karl Knuth of Petersen Press in Appleton, Wisconsin, gave me a story of a retiring type setter who took his font of type and decided to make alphabet noodles, but it was slow going. I'll do the opposite — I'll squeeze the golden ink out of the egg noodles and write about the golden days when macaroni meetings and press parties were known as "Family Reunions."

Thanks for the memories.
Bob Green

Pasta: A New Day, A New Way

The theme for Pasta Week, October 4-13, was announced by NPA Chairman, Anthony Gioia, at the annual NPA Food Editors Press Reception, September 19 in New York City.

"Our theme for '84-'85 emphasizes how pasta can be enjoyed every day. It suggests to consumers that pasta is far more versatile than most believe. This theme provides a strong roll out of our PR messages. Consumers can think 'A New Day, A New Way' because pasta is: low in calories, healthy, delicious, economical and versatile. These messages underscore how well pasta fits into the lifestyle of the 1980's," said Robert Ronzoni, Chairman of the NPA Product Promotion Committee when announcing the theme to the Board.

Gioia stated the U.S. durum crop harvest has been completed with 100 plus million bushels . . . an ample amount to keep pasta prices relatively stable. The quality of the crop is very good. Consumers can continue to expect excellent quality pasta from U.S. producers.

More than 60 food editors and food writers from wire services, general circulation magazines, newspapers and specialty publications enjoyed an intriguing selection of hors d'oeuvres,

one for every day of the week, which were created by the Water Club's executive chef, Guy Peuch, to illustrate pasta's unique versatility. Seven different shapes of pasta were chosen for seven different menu ideas ranging from soups to cold salads . . . elbow macaroni, egg noodles, spaghetti, lasagne, mostaccioli, bow ties, shells.

The hot and cold specialties were "dual role" recipes. They fill the bill as hors d'oeuvres fare or can be served as entrees. Guests were reminded that pasta is a low-calorie food. Hors d'oeuvres averaged 30 calories a portion. As entrees the calories were 355 or lower. Recipes are available on request through the NPA.

Gioia pointed out that pasta continues to be one of the darlings of the grocery industry, with growth about triple the average grocery product category. This is due to the change in pasta consumer attitudes in the last several years. It is now an "in" food . . . no longer consumed almost exclusively by the Italian-American community and blue collar families buying it primarily for economic reasons. Pasta is now as evident at the New York society matron's dinner party as it is on tables across mid-America. Its fattening image is vanishing and versatility, convenience and economy now make pasta a staple in the American menu plan.

The reception was held at the Water Club, New York City, with a variety of newly developed pasta hors d'oeuvres. More than 150 New York-based food editors and writers were invited to join the NPA Board of Directors, Product Promotion Committee Members and a delegation representing the U.S. Durum Growers Association.

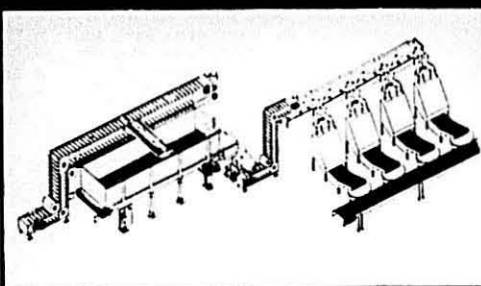
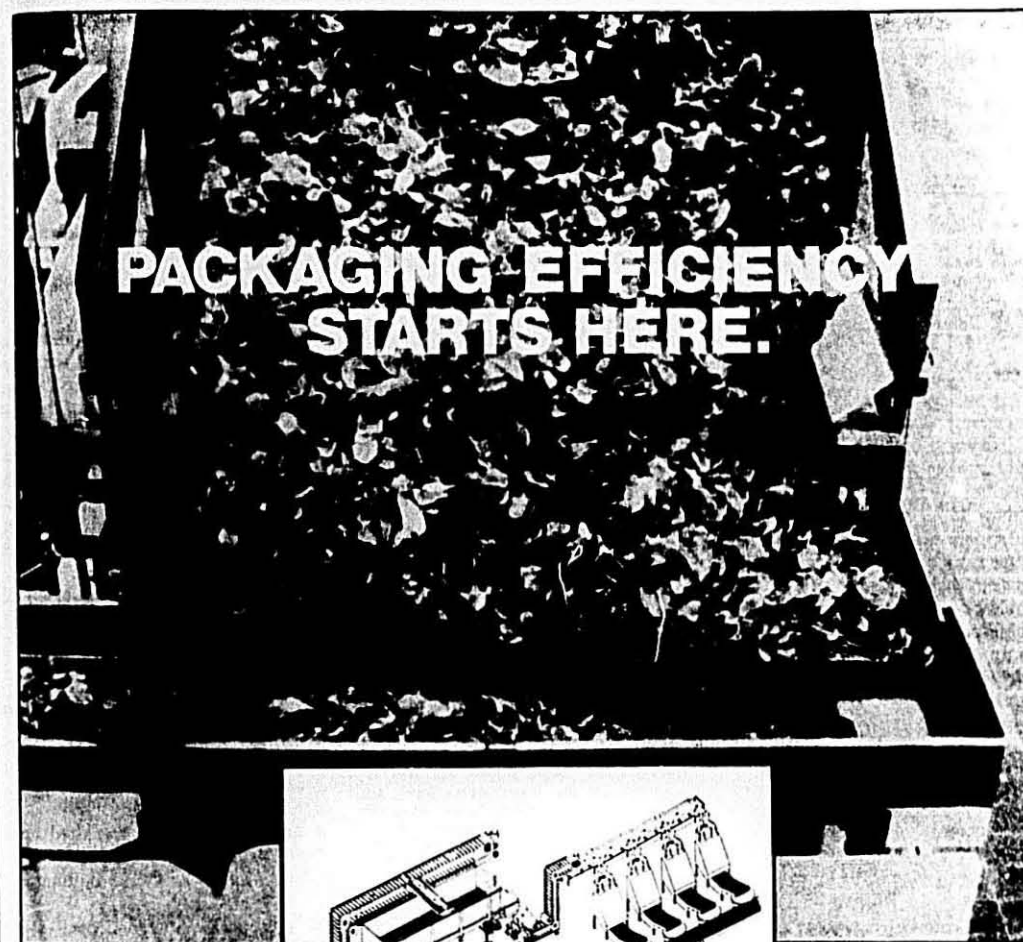
American Heart Association Cooperation

"A New Day, A New Way" pamphlet was distributed featuring recipes developed in cooperation with the American Heart Association. The brochure states:

Americans are increasingly health-conscious as a result of recently announced dietary guidelines from the American Heart Association designed to help Americans decrease high blood cholesterol levels which enhance the risk of heart disease. One of the key recommendations is to cut our fat intake from the present 40% of calories to 30%.

(Continued on page 6)

THE MACARONI JOURNAL



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American Heart Association

One way to achieve this goal is to eat more complex carbohydrates from grain products such as pasta, more vegetables and more legumes. The theme provides a concept that suggests to consumers that pasta is far more versatile than most believe. There is an infinite variety of ways to use pasta that fits well in the context of good nutrition.

COVER PHOTO Hot pasta hors d'oeuvres add new variety when entertaining. Guests will be glad to know these are about 30 calories a serving. Pictured are Bow Ties on Brada, Spanish Shell, Lasagne with Sun Dried Tomato Sauce and Spaghetti Salad with Turkey and Walnut Pesto Sauce.

Egg Noodle-Shrimp Salad with Dill Dressing

(Makes 32 hors d'oeuvres servings or 4 entree servings)

- 8 ounces medium egg noodles (about 4 cups)
- 1 tablespoon salt, optional
- 3 quarts boiling water
- 1 egg yolk
- 1 teaspoon dijon mustard
- 2 tablespoons lemon juice
- Pinch cayenne pepper
- 3 tablespoons safflower oil
- 2 tablespoons olive oil
- ¼ cup chopped dill
- 8 medium shrimp, cooked and chopped
- Dill sprigs



Choose pasta hors d'oeuvres for your next party. Shown are, from left to right, Macaroni with Vegetables Salad, Macaroni-Fruit-Cheese Salad with Gorgonzola and Egg Noodle-Shrimp Salad with Dill Dressing.

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

In small bowl, beat egg yolk with mustard, lemon juice and cayenne pepper. Combine oils. Add oil in a very slow steady stream to egg yolk mixture whisking constantly. Stir in chopped dill and shrimp. Toss cooked noodles with dressing. Garnish with dill sprigs. Garnish with additional shrimp, as desired.

Calories per hors d'oeuvres serving: 35
Calories per entree serving: 300

Macaroni-Fruit-Cheese Salad with Gorgonzola

(Makes 48 hors d'oeuvres servings or 4 entree servings)

- 2 cups elbow macaroni (8 ounces)
- 1 tablespoon salt, optional
- 3 quarts boiling water
- 1 tablespoon dry white wine
- 1½ teaspoons white wine vinegar
- ¼ teaspoon dijon mustard
- 2 tablespoons olive oil
- 2 tablespoons salad oil
- ½ cup seedless green grapes, halved

- ½ cup seedless red grapes, halved
- 2 ounces Gorgonzola cheese, finely crumbled
- 2 tablespoons toasted pine nuts, optional

Gradually add macaroni and 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.

In small bowl, combine wine, vinegar and mustard; mix well. Whisk in oils until smooth and creamy. Add grapes and cheese to macaroni. Add dressing and toss thoroughly. Garnish with toasted pine nuts, if desired.

Calories per hors d'oeuvres serving: 30
Calories per entree serving: 355

Spaghetti Salad with Turkey and Walnut Pesto Sauce

(Makes 40 hors d'oeuvres servings or 4 entree servings)

- 8 ounces spaghetti
- 1 tablespoon salt, optional
- 3 quarts boiling water
- 1 cup fresh basil leaves
- ¼ cup walnuts
- 2 cloves garlic
- 2 tablespoons safflower oil
- 2 tablespoons walnut oil
- 2 tablespoons olive oil
- 4 ounces cooked turkey breast, cut into julienne strips
- 3 tablespoons toasted walnuts optional

Gradually add spaghetti and salt to rapidly boiling water so that water continues to boil. Cook uncovered, stirring occasionally, until tender. Drain in colander.

In food processor or blender, combine basil, walnuts, garlic and oils. Process until a smooth paste forms. Toss spaghetti with basil mixture. Garnish with turkey strips. Top with toasted walnuts, if desired.

Calories per hors d'oeuvres serving: 35
Calories per entree serving: 255

Lasagne with Sun Dried Tomato Sauce

(Makes 64 hors d'oeuvres servings or 6 entree servings)

- 8 ounces lasagne
- 1 tablespoon salt, optional
- 3 quarts boiling water
- 4 ounces thinly sliced roasted breast of veal*
- 1 can (7 oz.) artichoke bottoms, sliced
- ¾ cup low fat ricotta cheese
- 2 cups fresh spinach leaves, blanched
- 4 ounces low fat mozzarella cheese, sliced
- ½ teaspoon olive oil
- ½ cup julienne sliced sun dried tomatoes
- 2 tablespoons dry white wine
- ¾ cup canned tomato puree

Gradually add lasagne and salt to rapidly boiling water so that water continues to boil. Cook uncovered, stirring occasionally, until just tender. Drain in colander.

Spray bottom of a 13 x 9-inch baking pan with no-stick cooking spray according to directions. Layer lasagne, veal, artichokes, ricotta cheese, spinach and mozzarella cheese in pan, beginning and ending with lasagne. Cover tightly and bake in a 325°F. oven for 25-30 minutes. Meanwhile, heat oil in small saucepan. Add tomatoes and

(Continued on page 8)



the durum people



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Pasta Hors D'oeuvres

(Continued from page 6)

saute until soft. Add wine and cook until dry. Stir in tomato puree; simmer 10 minutes. When lasagne is done pour sauce over top and serve.

* Chicken may be substituted, if desired.

Calories per hors d'oeuvres serving: 30
Calories per entree serving: 328

Mostaccioli with Vegetable Salad

(Makes 32 hors d'oeuvres servings or 4 entree servings)

8 ounces mostaccioli (about 2 cups)
1 tablespoon salt, optional
3 quarts boiling water
¼ cup julienne snow peas
¼ cup julienne carrots
¼ cup julienne zucchini
¼ cup julienne celery
¼ cup julienne red pepper
½ cup creme fraiche
1½ teaspoons fresh lemon juice
1½ teaspoons black pepper
¼ cup Parmesan cheese, optional

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

Blanch snow peas, carrots, zucchini, celery and red pepper; cool. Stir together creme fraiche, lemon juice and pepper. Toss mostaccioli with vegetables. Add dressing and toss again. Serve sprinkled with cheese, if desired.

Calories per hors d'oeuvres serving: 30
Calories per entree serving: 253

Bow Ties En Brodo

(Makes 48 hors d'oeuvres servings or 12 entree servings)

1 cup dry white cannellini beans
Cold water
3 quarts boiling water
8 ounces bow ties, (about 3½ cups)
1 tablespoon salt, optional
3 quarts boiling water
1 tablespoon olive oil
1 clove garlic, minced
2 cans (13¾ oz. each) chicken broth
2 cans (13¾ oz. each) beef broth
2 cups shredded escarole
1 head radicchio, shredded

Turn beans into medium saucepan. Add cold water to cover. Bring to a boil; remove from heat. Let stand covered for two hours. Drain. Add

soaked beans to 3 quarts boiling water. Simmer until just tender. Drain.

Gradually add bow ties and salt to 3 quarts rapidly boiling water so that water continues to boil. Cook uncovered, stirring occasionally, until just tender. Drain in colander. In large soup pot, heat olive oil. Add garlic and saute until transparent. Add broths and beans. Bring to a boil. Add bow ties, escarole and radicchio; heat through.

Calories per hors d'oeuvres serving: 12
Calories per entree serving: 127

Spanish Shells

(Makes 48 hors d'oeuvres servings or 4 entree servings)

8 ounces medium shells*
(about 2½ cups)
1 tablespoon salt, optional
3 quarts boiling water
1 tablespoon olive oil
1 package (10 oz.) frozen peas, thawed
3 tablespoons chopped pimiento
4 threads saffron
1 tablespoon olive oil
½ cup minced onion
1 garlic clove, minced
½ cup minced green pepper
¼ cup minced red pepper
¼ cup dry white wine
1 cup canned crushed plum tomatoes

Gradually add shells and salt to rapidly boiling water so that water continues to boil. Cook uncovered, stirring occasionally, until just tender. Drain in colander.

Meanwhile, heat 1 tablespoon oil in skillet. Add peas and pimiento and saute lightly. Stir in saffron. Cool. Stuff shells with peas mixture. Place shells upside up in a 13 × 9-inch baking pan. In a medium saucepan, heat 1 tablespoon oil. Saute onion and garlic. Add green and red peppers. Stir in wine and cook 5 minutes. Add tomatoes and simmer 15 minutes. Pour sauce over shells. Bake in a 325°F oven for 25 minutes or until heated through.

* Uncooked shells are about 1-inch in length. **NOTE: Do not use jumbo shells.**

Calories per hors d'oeuvres serving: 30
Calories per entree serving: 340

NPA WINTER CONVENTION
Boca Raton, Florida
February 17-21, 1985

Communications Director Selected

Max Busetti has joined the NPA as Communications Director. In that capacity he will be responsible for the weekly newsletter and, beginning December 1, for the monthly magazine. He will also assist in a wide range of public relations functions. Busetti has a B.S. degree in Journalism from the University of Maryland and has over five years of experience in communications for trade associations, having worked for the International Fabricare Institute and the National Electric Sign Association. He lived and studied in Italy during his high school years.

Pasta on the News

NBC Nightly News with Tom Brokaw and CBS Morning News with Bill Curtis included pasta features since the kick-off of Pasta Week October 4.

CBS Morning News host Bill Curtis interviewed cookbook author June Roth Friday, October 5 and trumpeted the "low calorie" message to millions of viewers. She shared a very low calorie Florentine Cheese Sauce recipe. Curtis asked if Italian made pasta was more dietetic than domestic and she answered, "No, they are the same and don't let anyone tell you any different."

The NBC Nightly News saluted pasta as a wholesome and increasingly popular food Monday evening October 8. It was a positive news feature-type story with a subtle pro-domestic endorsement.

New Pasta Salad Book

A new book on pasta will soon be out. It's entitled *The Pasta Salad Book* and it is by Nina Graybill and Maxine Rappoport. According to the publisher, Farragut Publishing Co., this is the first cookbook dedicated solely to pasta salads. Its more than 150 delectable recipes combine a dozen types of pasta with poultry, meat, fish and vegetables. The authors guide their readers with clear, friendly directions and suggest what each recipe can achieve.

Pasta Ads Up Nine Percent in First Half

While the amount of retailer ad space used for institutional advertising declined 37% for the six months ending in June, compared with the same



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Pasta Ads

(Continued from page 8)

period in 1983, dry pasta showed an increase of 9%, according to the second quarter retailer advertising trend report released by Mayers' marketing division. Dry groceries had an 8% decrease in ads during that same period. Along with pasta, the few categories that experienced increases in ads were sugar (up 63%), cake mix (up 18%), and flour (up 12%). Mayers found greater emphasis on nonfood and meat advertising at the expense of institutional ads.

Who Is Buying Pasta?

80.3% of the U.S. population use dry packaged pasta products and 26.8% are classified as heavy users according to Simmons Market Research Bureau as reported in the September *Progressive Grocer's* 1984 Guide to Product Usage.

66% of consumption is purchased by the heavy pasta user. The entry "+36 Northeast" indicates that there are 36% more heavy users than average in the northeast region. Heavy users in the other eight regions are near average or below.

Shoppers have never been so unpredictable and, consequently, expected results have never been more disappointing. Consumer loyalty to a given store tends to be only as permanent as that week's allotment of deal merchandise and, similarly, brand loyalty remains under constant pressure from cutthroat pricing. Further impeding the grocer's ability to stay on top of his customers' buying patterns is the dizzying rate at which new — and unorthodox — store formats are being unveiled in all regions of the country.

The data in this year's guide offers grocers an unrivaled opportunity to fine-tune their operations since it is based primarily on what shoppers do, rather than on what they say they do. Many products, needless to say, are bought by nearly everybody at least once in a while. But it's the heavy users that ultimately determine whether the amount of shelf space given to a particular product or line of products is justified. By matching the heavy user profiles of various products to a store's customer base, grocers can determine whether the category is one that should be emphasized — or deemphasized.

DRY PACKAGED PASTA (Spaghetti, Macaroni and Noodles)

Users	80.3%
Heavy Users*	26.8%
Heavy Users' Share of Consumption	66.0%
	% Heavy Users Vs. Norm
Geography	
Northeast	+36
Type of Area	
Metro Suburban	+9
Household Income	
\$30,000 or More	+12
\$25,000 or More	+12
\$20,000-24,999	+12
Age Group	
25-34	+16
35-44	+20
Race	
Other	+14
Marital Status	
Married	+11
Parents	+33
Household Size	
3 or 4 People	+17
5 or More People	+69
Education	
Graduated H.S.	+11

Source: SMRB 1983.

Base Group: Female Homemakers.

* Used 3 or more packages in last 30 days.

Pasta Industry Census

- Employment Up Slightly
- Shipments Valued At \$1.1 Billion

The latest Census of Manufacturers published in July 1984 for the U.S. Macaroni and Spaghetti industry (Standard Industry Code (SIC) 2098) reveals 1982 employment of 8,400 and total value of shipments for establishments classified in this industry of \$1.1 billion.

Employment

1982 employment of 8,400 is 2 percent above the 8,200 reported in 1977. The leading States in employment in 1982 were California, New York, New Jersey, and Illinois. Data for New Jersey have been withheld to avoid disclosing data for individual companies. These same States were the leaders in 1977, when they accounted for approximately 55 percent of the industry's employment, although there has been some shift in the relative importance of individual States.

Compared with 1981, employment increased 9 percent. The 1981 data are based on the Bureau's annual survey of manufacturers (ASM), which is a sample survey conducted each year between censuses.

Industry Shipments

In current prices the industry shipped \$1,065 billion (\$994 million of products primary to the industry, \$21 million of secondary products, and \$50 million miscellaneous receipts). Thus, the ratio of primary products to the total of both secondary and primary products shipped by establishments in the industry was 98 percent (specialization ratio — Table 1). In 1977, this specialization ratio was 99 percent. (Establishments in virtually all industries ship secondary products as well as products primary to the industry to which they are classified and have some miscellaneous receipts such as resales and contract receipts.)

Establishments in this industry also accounted for 85 percent of products considered primary to the industry no matter where they actually were produced (coverage ratio — Table 1). In 1977, the coverage ratio was 83 percent. The products primary to the industry, no matter in what industry they were produced, and aggregate to \$1.2 billion in current prices.

The value of shipments figure shown above is in 1982 prices. All dollar figures included in this report are at prices current for the year specified and, therefore, unadjusted for changes in price levels. Consequently, when making comparisons to prior years, users should take into consideration the inflation that has occurred.

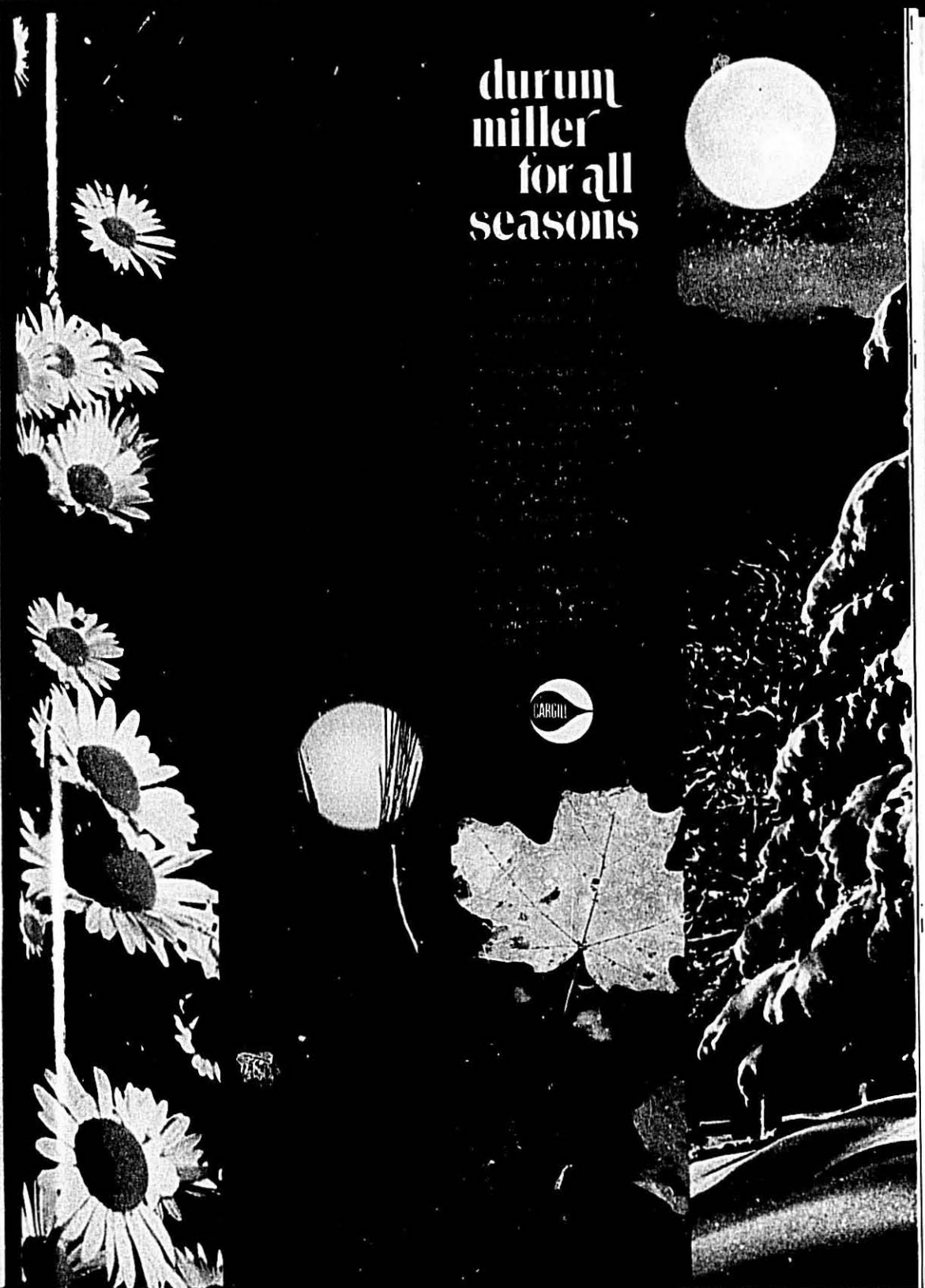
Costs of Materials and Service

The total cost of materials and services used by establishments classified in the macaroni and spaghetti industry amounted to \$515 million in current prices.

The industry includes establishments primarily engaged in the manufacture of dry macaroni, spaghetti, vermicelli, and noodles. Also included is the manufacture of dry macaroni, spaghetti, vermicelli, and noodles packaged with other ingredients. Establishment data were tabulated based on industry definitions contained in the 1972 Standard Industrial Classification (SIC) Manual and its 1977 Supplement.

The complete report is for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402. Ask for MC82-I-201-5 (P), July 1984, Preliminary Report, Industry Series, 1982 Census of Manufacturers, U.S. Dept. of Commerce, Bureau of the Census.

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Illegal Subsidized Pasta Imports Projected to Increase Fifty Percent in 1984

Subsidized Italian pasta products continue their unprecedented flood into the United States domestic market. According to U.S. Bureau of Census statistics, Italian foreign imports should increase by more than 50% to 110 million pounds, compared to 72 million pounds in 1983.

"This is the fourth consecutive year of 30% plus growth. While the Italians still have a relatively small share of the U.S. market, about 5%, the trends are most alarming. Domestic companies are at a competitive disadvantage in the marketplace," said Anthony H. Gioia, Chairman of the Board, National Pasta Association and President of RHM Macaroni, Buffalo, New York.

In 1981, the National Pasta Association challenged the unfair competition from Italian imports by filing an official complaint with the Office of the United States Trade Representative. The U.S. petitioned the General Agreements on Tariffs and Trade (GATT) with a Section 301 case on behalf of the industry. A GATT panel investigating the complaint supported the U.S. industry's position by a three-to-one vote.

"Our industry identified the unfairness and illegality of the subsidies in 1975, when the Italian government first began direct subsidization of pasta manufacturers in violation of the GATT rules. The GATT panel, considering our complaint, found in our favor back in April, 1983. We still do not have resolution. All the while, our domestic manufacturers, who do not have the advantage of a subsidy, are continuing to suffer the economic impact of three consecutive years of 30% plus annual growth of illegal imported Italian pasta into the domestic market," said Gioia.

10 Million Pounds to 110 Million Pounds in Nine Years

When the subsidy began in 1975, Italy exported about 10 million pounds of pasta to the United States. In each year since then there has been an increase — with the most dramatic growth from 1980 (26.7 million pounds) to 1981 (41.8 million pounds). In 1982, some 53 million pounds were imported and in 1983 more than 72 million pounds were imported.

Italian foreign imports have been sold — because of the EEC subsidy

IMPORTED PASTA PRODUCTS* (in 000,000 Pounds)

Year	Italian Imports In Pounds	Percent Increase	Total Pasta Imports From All Countries In Pounds	Italian Imports As Percent of Total Imports
1975	10.5	—	53.5	27%
1976	11.5	+10%	56.9	20
1977	14.5	+26	57.3	25
1978	20.0	+38	73.4	27
1979	21.1	+ 6	77.4	27
1980	26.7	+27	83.2	32
1981	41.8	+57	101.9	41
1982	55.0	+32	119.8	46
1983	72.9	+33	138.3	53
1984	110.4**	+51**	175.0	63

* Combined non-egg and egg added products.

** 12 months projected based on January-May actual.

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

U.S. Bureau of the Census, Department of Commerce, "U.S. Imports for Consumption," Report IM 146, monthly (December, 1979, December, 1980, December, 1981, December, 1982, December, 1983, May, 1984).

— at prices that are about 25% less at wholesale level and about 15% less at retail level than domestic pasta. American brands average \$.69 to \$.75 a pound while the subsidized pasta sells between \$.49 and \$.59 per pound.

"There has been a lot of talk about the unfairness to pasta manufacturers by the Administration and in Congress. But unfortunately, relief still eludes us. Negotiations continue between the United States and the European Economic Commission for a bilateral settlement. But, it won't take many more years of 50% annual increases before the pasta industry is severely crippled, not just injured. Domestic pasta manufacturers are at a distinct disadvantage when they attempt to sell their products to retail outlets and the competition can come in with illegal subsidies ranging anywhere from \$.10 to \$.07 and cut a deal. This kind of differential could conceivably jeopardize a stable, productive industry," said Joe Lichtenberg, President of the National Pasta Association.

GATT Rules on Subsidies To Be Rewritten

After nearly two years of deliberations, the General Agreement on Tariffs and Trade (GATT) has produced a 60-line document recommending a dismantling of international agricultural trade barriers and subsidies. The *Journal of Commerce* described the document "about as vague as it is short." Agricultural export subsidies

will be the focal point of a GATT meeting on November 25 and will include an attempt to eventually rewrite the GATT rules on the matter. The crucial recommendation is for a general prohibition on farm subsidies but with exceptions. The EEC is greatly upset by the mere suggestion of a general prohibition, while the U.S. welcomes such a guideline but worries about exemptions. Worldwide farm subsidies are enormous, totaling about \$75 billion annually just in the U.S., EEC and Japan. According to Timothy Oviatt of the U.S. Wheat Associates, prospects for eliminating farm subsidies through GATT aren't very good, but tougher or at least rules with less vagueness and more clarity are possible. GATT's inability to resolve longstanding complaints against EEC subsidies on wheat flour, sugar, pasta products and canned fruit is a case in point. Oviatt suggests that discipline on the use of export subsidies, whether direct or up-stream, must materialize this decade among the industrialized countries if economic warfare is to be avoided.

In negotiations there is always a decision point. Considering all knowns should you go after your objective? Is weighing the positive and negative consequences in negotiations at this time a prudent move? In certain cases the answer has to be "no." If it is "yes" then we have to be prepared for some nervous periods.

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World Durum Crop Up

World production of durum wheat in 1984-85 is estimated by the International Wheat Council at 24.3 million tonnes, up 13% from the previous year's crop of 21.6 million. At the same time, this year's crop is down from the 1982-83 outturn of 25.3 million and the record crop of 26 million tonnes raised in 1981-82.

Primarily accounting for the rebound in production this year was a surge in Western European production to 6.5 million tonnes, contrasted with 4.1 million in the previous season and 4.4 million in 1982. In Italy alone, where beneficial spring rains were followed by ideal ripening and harvest weather, production rose to 4.6 million tonnes, against 2.9 million in 1982.

North American production is forecast at 5 million tonnes, against 4.6 million in the preceding year and 7.1 million in 1982.

Export trade in durum wheat, excluding semolina, in 1984-85 is projected by the I.W.C. at 4 million tonnes, down slightly from 4.1 million shipped in the previous season and 4.6 million in 1982-83. In making that forecast, the Council said that "world trade in durum is unlikely to recover unless there is a steep rise in Soviet requirements."

The export projection for 1984-85 includes:

Canada, 1.9 million tonnes, against 2.4 million in the previous year; E.C., 300,000, against 100,000; U.S., 1.7 million, compared with 1.5 million, and "others," 100,000, the same as in 1983-84.

For the U.S.S.R., durum wheat imports this year are projected at 800,000 tonnes, against 400,000 in the preceding year and 1.3 million in 1982-83.

Africa is expected to provide a market for 1.6 million tonnes, against 1.7 million in 1983-84.

Carryover stocks of durum wheat in the three major exporting countries are likely to decrease this year, from around 4.3 million tonnes at the end of 1983-84 to some 4.1 million at the close of 1984-85. "This would be the lowest level since 1980-81," the I.W.C. said.

Durum Stocks

On October 1, durum stocks at Duluth-Superior were 11,001,000 bus, against 9,487,000 a year earlier. At Minneapolis, durum stocks were

5,260,000 bus, against 2,398,000 a year earlier. Included in Minneapolis stocks were 2,132,000 bus of C.C.C. storage.

In terms of general appearance, test weight and color, the 1984 durum crop was rated very good — one of the best in recent years. Also, dry conditions during August allowed a rapid harvest, and the crop was generally free of sprout damage and with the highest numbers in five years.

Record Italian Grain Crop

All grain production in Italy in 1984 established a new record of 18.8 million tonnes, up 7% from last year's drought-reduced harvest, the U.S. agriculture counselor in Rome told the Foreign Agricultural Service.

Wheat production in Italy is estimated at 9.5 million tonnes, up 12% from last year, and made up of 5.4 million tonnes of soft wheat and a record 4.1 million tonnes of durum. It was noted that this year's wheat crop has an unusually high dockage level due to heavy weed growth in wheat fields.

Coarse grain production in Italy in 1984 reached a record 8.6 million tonnes, up 4% from the previous year. The barley crop was estimated at a record 1.5 million tonnes, up 24% from 1983. Corn production was placed at 6.66 million tonnes, about the same as last year's outturn. Italy's rice crop in 1984 reached 647,000 tonnes, down 4% from the previous year.

Canadian Wheat Crop Down

Production of wheat in Canada in 1984 is estimated by Statistics Canada at 775,725,000 bus, down 21% from 976,915,000 bus in 1983 but 4% above the August estimate, it was announced by the federal agency. It is also 21% below the record outturn of 982,396,000 bus in 1982. The reduction from a year ago is attributed to a combination of a 4% cutback in seeded area and a 19% drop in average yield to 23.8 bus per acre from 28.9 bus in 1983.

Estimate of spring wheat production is 651,525,000, down 22% from 835,892,000 last year. Durum outturn is estimated at 78,500,000 bus, down 19% from 97,300,000 bus in 1983, despite an estimated increase of 20% in plantings. The durum crop is largely concentrated in the area most

seriously affected by drought. The winter wheat crop is estimated at 45,700,000 bus, up 5% from 43,723,000 bus in 1983.

ConAgra Plans to Purchase 240,000 Shares of Its Common Shares

Omaha, Neb. — ConAgra Inc. said it will purchase about 240,000 common shares in the open market from time to time in the next year.

The commodity and agriculture concern, which has about 22.2 million shares outstanding, said the stock will be used for general corporate purposes.

CPC International Reports Higher Sales

CPC International Inc. reported net income for the second quarter of 1984 of \$50 million, compared to \$48 million in the second quarter last year. Earnings per share increased 4 percent to \$1.03, from \$0.99 per share in the second quarter of 1983.

Sales in the quarter advanced 10.4 percent to \$1,115 million from \$1,010 million in last year's second quarter, and operating income rose 8.5 percent to \$106.2 million from 97.8 million.

For the first six months, net income amounted to \$85 million, or \$1.75 per share, compared to \$84 million, or \$1.73 per share, in the first half of 1983. Sales in the first half rose 10.3 percent to \$2,171 million from \$1,969 million in the first six months of 1983, and operating income of \$185 million was up 7.2 percent from last year's first half of \$172 million.

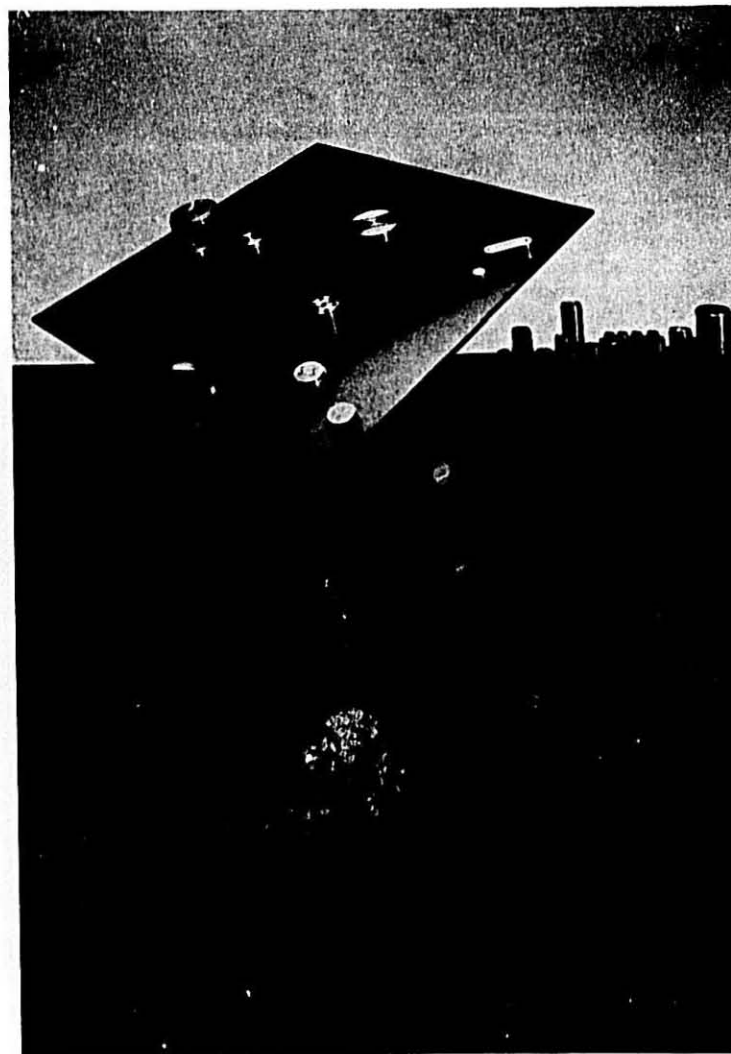
James W. McKee, Jr., chairman and chief executive officer of CPC, said the improvements in sales were constrained by the continued strengthening of the dollar against most foreign currencies, as approximately 60 percent of CPC's revenues come from operations outside the United States.

Egg Production Up

During July and August, the number of eggs produced was up 2 percent from last year. The number of hens on hand during July and August was also up 2 percent from last year, and the rate of lay was about the same. On September 1, the number of hens was 2 percent above last year and the rate of lay was down slightly—67.1 eggs per 100 hens this year, off from 67.2 last year.

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MACARONI DIES WITH INTERCHANGEABLE COMPONENTS

Direct Product Profit Idea Gains Ground

Supermarket purchasing as well as allocation of shelf space, will become increasingly sophisticated in the future as both vendors and supermarkets take advantage of new computer technology for measurement of individual product profitability, it was predicted at the annual convention and exposition of the Food Marketing Institute in Dallas.

Executives attending F.M.I. convention sessions on product profitability and allocation of shelf space agreed with speakers' assessments that adoption by retailers of the direct product profitability concept — represents "the biggest revolution in manufacturer-retailer relations since the adoption of the Universal Product Code."

Under direct product profitability, all costs associated with transporting, warehousing and retailing individual food products are measured in determining an actual profit contribution, rather than assigning all products in a category an equal share of operating costs to determine by vendors and/or stocked on the shelf by the manufacturer rather than the retailer are normally allocated a much higher profit contribution.

Workshop Session

In a workshop session at the F.M.I. meeting, it was pointed out that 16 of the 30 largest retailers in the nation are involved in establishing the system or in studying its implementation. The other 14, it was noted, have made initial inquiries into the system. At least six companies have D.P.P. programs in place and operating.

Implications of the D.P.P. system for vendor-retailer relationships were the focus of workshop comments by E. Richard Jones, executive vice-president information services and planning, Safeway Stores, Inc., Oakland, Calif., the nation's largest supermarket operation.

"I am here to tell you who are vendors that Safeway is using direct product profitability to make decisions, and we believe that the system can work," Mr. Jones said. "We are convinced that it is the right way to make decisions."

Pointing out that supermarkets "spend a lot of time buying 'right,'" Mr. Jones said, "the other half of the equation is managing our costs of op-

eration effectively and efficiently. And a big part of the ability to control and minimize costs is dictated by the nature of the products we sell."

D.P.P., Mr. Jones continued, merchandising decisions and better operation decisions, resulting in a more efficient retail distribution system.

"We are believers. We are using it, we are going to continue to use it, we are going to continue to refine it."

"We are going to expect over time that vendor representatives will be able to talk with us not just about raw product cost or direct product costs as it leaves your manufacturing facility, but the impact that that product will have on our distribution costs and operating costs as well."

The system developed by Safeway, Mr. Jones said, "tracks on a regular basis the direct product contribution of virtually every product that goes through our system. It includes data on selling prices, allowances received, labor costs in warehouses, hourly labor costs and actual hours worked. It transforms that into a historical direct product contribution."

The primary use for the system, Mr. Jones told the F.M.I. workshops, is "buy our merchandisers in our retail, private label supply and manufacturing operations. They can compare individual products with a category as well as category to category to see which within a group are most profitable. They can compare brands and manufacturers across categories, so that when we are having a vendor review, we have an idea not just of product by product how that vendor stacks up, but cross-vendor."

"We have used it for addition and deletion of products within categories, as we now know which categories we want to expand on and where we are willing to take new products. We also have a point of view on which categories we are going to be more restrictive on because they are low-profit."

Mr. Jones said the D.P.P. system has helped Safeway "achieve significant economies in private label operations." During a question and answer session, Mr. Jones was asked if he could divulge any information on how the direct product profitability of private label brands compares with name

brands. "I'm not going to touch that one," he responded.

D.P.P., Mr. Jones said, "is and will continue to have a bigger role to play in shelf allocation and in product emphasis on the shelf. It is a guide to purchasing products between alternate distribution systems, whether through direct delivery systems, drop shipments, or through warehouse. We now have the basis for deciding what kind of cost makes sense."

Safeway initiated development of the system about 18 months ago and is now using it in six of its 17 retailing divisions, Mr. Jones said. The company expects to have it in operation in all divisions by the end of this year or early next year, he added.

McKinsey Comments

Widespread adoption of the D.P.P. system "appears very likely," Thomas W. Wilson Jr., director, McKinsey & Company, New York, said at the workshop. Mr. Wilson, whose company first developed the concept in the early 1960's and who has addressed American Bakers Association meetings on the strength of branded baked foods under D.P.P., added, "The pace of change will be more rapid than scanning because it is easier to implement."

In reviewing the history of the concept, Mr. Wilson pointed out that it was conceived as "a system to create a profit and loss account process, by product or category, for management decision making at retail, much like manufacturers have had for many years."

Development of scanners, computers and processors in the 1970's, Mr. Wilson said, removed mechanical barriers to implementation of D.P.P. and thus created new interest in the system.

In explaining D.P.P., Mr. Wilson said that standard supermarket accounting procedures "assume that operating cost is shared equally by all products that move through a category such as dry grocery. The only difference perceived is that if you have an increase in gross margin, you assume that the profit before tax is higher. What D.P.P. tends to do is to look at all costs of distribution and differentiates products by how they are handled and delivered."

Warehousing, transportation and store costs are computed to determine

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Direct Product Profit Idea

(Continued from page 18)

direct product profitability, Mr. Wilson continued. "This system," he said, "shows you that there is almost no correlation between gross margin and the contribution margin or direct product profit. So merchandising decisions made against gross margins are made totally without regard to what the bottom line profit is going to be."

Mr. Wilson summarized advantages of D.P.P. as follows:

1 — Allow retailers and manufacturers to spotlight individual product performance; identifies high-cost products by category.

2 — Improves manufacturer-retailer communication. "Without it," he said, "the manufacturer talks product cost and the retailer talks unit costs, and the twain doesn't meet. D.P.P. provides the opportunity to communicate, the ability to break down distribution costs from the manufacturer's point of view, to understand product density and wasted space in shipping containers and displays because of package or container shape."

3 — Increased emphasis on return on investment, or profitability.

Procter & Gamble

Experiences in development of a computerized system to measure D.P.P. were reviewed by Roy W. Franchi, manager of corporate sales coordination for Procter & Gamble Co., Cincinnati.

In establishing the program — covering five computer models representing about 70% of all products stocked by supermarkets — Mr. Franchi said that P.&G. learned that 76% of total product costs were store-related, whereas manufacturers have focused primarily on warehouse handling. Noting that D.P.P. assigns warehouse, distribution and retail handling costs on an individual product basis, including various product sizes, Mr. Franchi said the system helps identify areas in which "retailers can sell the same amount of product through less space, or more product through the same amount of space."

Manufacturers, he said, often can reduce costs by altering product characteristics, such as package shape, and by changing distribution methods. As examples, he noted that a change in the Duncan Hines mix package design from

vertical to horizontal resulted in a 13¢ savings per case to the retailer. Mr. Franchi said increased use of store-door delivery and drop shipment is suggested for some products and that manufacturers may be able to further reduce retail handling costs by use of tray packs, which eliminates placing products on shelves one at a time. "You spend a lot of time building displays," he said, "and if we can build them for you in our packaging, it is worth doing."

Noting a growing interest among retailers in D.P.P., Mr. Franchi said, "Why now after 20 years? I think there are four reasons why D.P.P.'s time has come:

"1 — It is now a marketing tool, a management tool that can be used not only for merchandising but also to improve operating efficiencies.

"2 — Technology has caught up with us; the technology is available to make it work.

"3 — An industry that has been able to absorb scanning and all the complexities of scanning finds D.P.P. really no problem to look at now.

"4 — The manufacturer and retailer know the dollar is getting smaller; we're getting squeezed. And if you have a profit squeeze, you better know where your profits are if you're going to improve them. And direct product profitability does just that.

"Direct product profitability can replace gross margin, and it will, for one very simple reason. Because D.P.P. focuses on real profit. You know what you're getting, as distinct from some average that can lead you down the garden path."

In response to the private label vs. branded D.P.P. question which Mr. Jones of Safeway declined to answer, Mr. Franchi said that D.P.P. shows that the assumption that handling costs for private label are less than for manufacturer brands is not always correct. "On the other hand," he said, "private label does have the benefit of being in only one or two sizes. It benefits from avoiding a proliferation of sizes, shapes and colors."

Shelf Management

Use of D.P.P. systems in shelf space allocation also was cited in a workshop on "Shelf Management: New Approaches" at the F.M.I. convention. Tom Morrison, vice-president of sales

development for Pepsi-Cola Co., White Plains, N.Y., said, "The industry is on the threshold of space management technology which will be advanced enough to allocate space for categories of products based on direct product profitability, profit margins and weekly sales."

Mr. Morrison was one of two speakers at the workshop session representing direct store delivery products. The other was Jack Higgins, vice-president, national account sales department, Anheuser-Busch, Inc., St. Louis.

In examining shelf space management, Mr. Morrison pointed out problems in relying on manual store audits, store and vendor estimates of sales, and warehouse disappearance data to allocate shelf space on the basis of sales share. Explaining his company's development of a computer program that utilizes store scanning data, Mr. Morrison said that when completed, it will provide "allocation based on space-to-sales ratio, week's supply, gross profit or direct product profit. You can get recommendations for section lengths, heights and depths. Not just by the foot, but by the inch."

The grocery industry, he said, "needs to keep pace with the dynamics of the marketplace. We can't relax and automatically stock our shelves tomorrow with the products that did well for us yesterday, or the packages, or the brands."

Mr. Higgins prefaced his presentation on computerized space management programs by emphasizing the importance of direct store delivery products, noting that it includes cookies, crackers, baked foods, greeting cards, beer and soft drinks.

"Research," he said, "indicates that D.S.D. items represent 25% to 35% of the total store sales with independent stores receiving a higher percentage of their volume from direct delivery vendors than chain stores. But, more significantly, these items generate from 30% to 40% of the gross margin dollars. Thus, enlightened retailers have awakened to the profitability of direct store delivery products and have started paying more attention to managing the D.S.D. system."

Data from the current Anheuser-Busch program, he said, can be used to identify slower selling packages, to obtain a detailed analysis of dollar volume and profit-ability of all packages, to identify each segment's profit

contribution, and to minimize wasted space.

The workshop also featured a presentation on Profit-Oriented Shelving Technique, a shelf space allocation program developed by Lever Brothers Co. Inc., New York. James Armstead, sales manager for national accounts, told the F.M.I. session that "until the late 1970's, in too many cases, space management was simply a tug of war with shelves actually shifting based upon which sales representative was in the store last. You could actually tell by the way a section was set up which company had done the most recent shelving work. Tugs of wars like these were costly for both of us and not always productive."

Noting that Lever Brothers was among the sponsors of early McKinsey studies to develop a grocery shelving program based on direct product costing and profitability, Mr. Armstead said the study "showed great potential, but was probably ahead of its time."

In acknowledging that many manufacturers now have their own shelf management programs to assist retailers, Mr. Armstead said, "What we must find out is which of the current burgeoning technologies can be combined, and in what manner, to put more speed, accuracy and efficiency into the process.

"Some retailers are looking at systems which will ultimately combine the tools provided by scan data, and direct product profit models, with current shelf allocation programs. Direct product profit is a sound philosophy whose time has come. It requires a great deal of commitment and resources to implement, but we all should be working hard to get a handle on it."

The Super-Warehouse Store

Steve Weinstein of Supermarket News Reports

The super-warehouse-store format will be a dominant factor in the supermarket industry for the foreseeable future, but will not overwhelm other types of food stores. This prediction was made by Willard Bishop, president of Willard Bishop Consulting Economists, Barrington, Ill. during a Food Market Institute convention workshop.

The two other workshop speakers concentrated on the effect of super warehouse stores on the Milwaukee

market. They were Tim Murphy, an associate of Bishop's firm, and Martin I. Cohen, director of marketing research for Sperry & Hutchinson, New York.

There will be a short-term "rush of development" of these stores, Bishop said, followed by a "shakeout" among operators who could not solve the success equation.

Over the long haul, the units "have a good—and in some cases excellent—chance of profitability serving their segment of the market." But a "strong majority" of the business will be available for operators of other formats, Bishop said. He quoted one operator as saying, "Super warehouse stores probably will take 20% of the business in my market. But I'm going to be the best-positioned supermarket to serve the remaining 80% of the business."

Location

A major factor in the growth of the format will be the availability of good locations, Bishop said. For a store and parking, 10 acres or more may be needed, and this often is not available at affordable prices. A large population base is needed also.

The growth of the stores will depend on competitive response, he noted. Super warehouse stores are most successful "when they can establish and maintain a significant price differential." A strong response may not limit the stores' sales, but it does reduce profit, which in turn slows growth.

In addition, overstoring will limit growth relatively quickly, according to Bishop. "These operations cannibalize each other's business at surprising distances."

The strengths of the concept are well known, but Bishop pointed out that operators seem to combine them so that in a successful store, "in effect, two and two equal five."

Among the strengths are high volume, which spreads fixed costs thinly, drives up inventory turns and increases the amount of merchandise that is sold before it has been paid for.

Another strength lies in buying. The super warehouse store can use drop shipments and direct buying more than its competitors, particularly with produce and meat. Conversely, Bishop said, this reduces the ability to coordinate product flow from warehouse to store.

Profit mix affords another advantage. Particularly in more densely populated markets, "it's no longer possible to sell only dry groceries and have a profitable operation," Bishop said.

Super warehouse stores use perishables to establish a blended gross profit, with dry groceries representing less than 50% of the business. He predicted these stores soon would put more emphasis on other high-gross departments such as general merchandise and health and beauty aids.

Shelf Efficiency

Another factor is staff efficiency. While the labor costs does not approach the 4% of sales of traditional warehouse markets, the bill, including fringes, generally is under 8%.

The super warehouse store tends to fill the squarefoot gap in an understored area, he said, or increase competition in one that is overstored.

At the same time, its entry tends to lower margins and prices. A strong reaction can cause a price war. More often, this is not the case, but there are some price adjustments the lower the average price in the area and cut margins. Customer loyalty becomes more fragile, and "this can lead to an unstable marketplace," Bishop said.

Reactions of competitors include the following: Strengthening operations, reducing prices, trading up, opening a competitive super warehouse store and finding a niche.

Some operators say they don't want to become just a big convenience store," Bishop said. The real risk is not in doing that but in "not realizing that this is the role you have been awarded in the market."

In Milwaukee

In Milwaukee, according to Cohen, Cub's entrance did not spark a full-scale price war. Instead, "retailers tended to special some highly visible prices and talked a good price story."

Pick 'N Save, Roundy's traditional warehouse stores, opened two 60,000-sq.-ft. units representing "their version" of the super warehouse store, he said. The group also stepped up advertising, with a double-the-difference price offer and a campaign proclaiming that "at Pick 'N Save We Care About You." Store hours were extended to 24 hours.

Kohl's, once the leading Milwaukee chain and now owned by A&P, intro-

(Continued on page 24)



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Super-Warehouse Store

(Continued from page 21)

duced a program stressing that quality is higher and prices lower.

Godfrey has continued to stress on quality, service and courtesy in its Sentry stores. It also is adding more perishables departments and is using more mass displays.

The chain also opened its own super warehouse stores—Sun Foods. There are two in Milwaukee, one converted and one built by Godfrey. In its newest Sun, items are placed back in the shopping cart, unbagged, by the cashier. The customer wheels the cart to a special area where she does her own bagging.

Markets Studied

Three types of markets were studied by Bishop's firm in Milwaukee, Murphy said. They were: Nonprice Tier — Kohl's, Sentry and some strong independents; Price Tier — Pick 'N Save and Save U, both traditional warehouse stores; Price Plus Tier — Cub and Sun.

The firm in March did a phone survey of 500 randomly selected shoppers throughout the four county area and 250 other interviews within the immediate trading areas of Cub and Sun stores.

It found that the super warehouse stores took customers from all types of competitors, although there was a greater impact on the traditional warehouse stores.

The super warehouse concept attracted younger shoppers, Murphy said, particularly those in the 25-44 age range. Sixty per cent of Cub shoppers and 54% of Sun's were under 45. The same held true for traditional warehouse stores, but the conventional operators appeared more to customers over 45.

Kohl's appealed to both higher- and lower-income shoppers, while Sentry attracted the middle-income segment more strongly, as did Pick 'N Save. Sav-U customers tended to be in the lowest income group. Cub attracted those with upper-middle incomes and those making under \$15,000. Sun appealed primarily to the upper-middle income segment.

Cub had the lowest shopping frequency — 2.5 visits a month. Sun's, on the other hand, was 3.8 times a month. Other figures: Kohl's and Sen-

try, 4; Pick 'N Save, 3.5, and Save-U more than once a week.

Surprisingly, Murphy said, Cub and Sun had lower average transactions (\$37 and \$35) than Pick 'N Save (\$53) and Sav-U (\$47). For conventionals, the figures were \$25 for Kohl's and \$27 for Sentry.

The super warehouse stores had more fill-in shoppers, about 60%, while the traditional warehouse units had more primary customers.

Shoppers were asked to rate the stores in several categories. In quality and freshness, Kohl's and Sentry were first and Sun Foods did well. Lower ratings went to Cub, Save-U and Pick 'N Save, in that order.

The super warehouse stores, particularly Cub, did better on variety. Kohl's and Sentry did well, with Pick 'N Save "reasonably adequate" and Sav-U far behind.

Cub was perceived as offering the lowest overall prices, with Pick 'N Save a strong second, followed by Sav-U. Sun's price image was only slightly stronger than Kohl's, with Sentry last.

In a 24-item market-basket survey conducted by the Milwaukee Journal, the results were relatively close to the shoppers' perceptions, although Sun Foods, tied for second lowest, had better prices than what consumers perceived.

In a rating of service levels, Kohl's and Sentry did better than did the other firms. The conventionals, especially Kohl's, also did well in a rating of such store conditions as cleanliness. Sun and Cub were strong, with the two traditional warehouse store firms far behind.

Bulk Food Departments

Properly run bulk food departments do not pose risks to consumers' health, said Robert L. Winslow, manager of food technology for Safeway, at the FMI convention.

"While the industry acknowledges the potential for an intentional product adulteration," Winslow said, "this hazard must be recognized as an overall society problem to which all foods, with the possible of those packaged in metal cans, are subject."

In general, supermarkets "are aware of and recognize the importance of the rough receiving inspections, open dating, product rotation, minimum inventories for rapid turnover of product,

and cool storage temperatures of certain products," Winslow said.

Safeway has bulk food departments in approximately 5% of its U.S. stores and 15% of its Canadian units, Winslow said.

"The supermarket industry recognizes its responsibility to safeguard the foods which it handles," Winslow said. "However, we do not feel we should tell the consumer what foods should or should not be consumed; rather we attempt to provide the foods the customer wants in the form wanted."

To guard against contamination, when Safeway first offered bulk food in 1977 it used gravity-fed modules which "were not well received by our customers, difficult to clean, disrupted product rotation within the modules and resulted in excess spillage."

The chain dropped the products as a result until two years later, when it switched to rack-mounted display bins with scoops and hinged plastic lids.

"Customer interest in this approach increased to the extent," Winslow said, "that we were ready to try expanded bulk-food displays in a few of our stores by 1981 or 1982."

Regulators' Interest

Winslow said bulk foods had been offered for years without regulations. "Most of us have not given a second thought to such common practices as open display of produce, salad bars at restaurants," he noted, "or peanuts, popcorn and other snack foods that are set out in lounges or on bars for consumption from common bowls."

"It is only since retailers have expanded their displays from three or four dozen products in a natural foods display to an expanded super bulk food department of several hundred different food items that most regulators have become concerned about this mode of display."

Regulators in some jurisdictions where Safeway runs stores "have not seen fit to accept certain of the components of the FDA/AFDD bulk-food interpretation of the model Retail Food Store Sanitation Code," Winslow said. This had led the chain not to offer the sections in some areas and challenge regulators' decision in others.

The zealous regulations are an attempt to protect "a consumer from the imagined hazards of consuming non-potentially hazardous food that had been touched by a fellow human."

The expanded departments, Winslow said, have attracted regulators' attention, but also have resulted in "the closer monitoring of the shoppers resulting from the assistance of one or more employees to these departments."

Like some of my regulatory friends, he added, "I was initially appalled at the concept of bulk food merchandising. However, as a food microbiologist, after more rational — rather than emotional — evaluation of the hazards involved, I, in concert with many regulators, have now concluded that this merchandising approach need be no more hazardous than the traditional approaches to which we have become accustomed."

FMI Reports Retail Store Sales Up 6.4%

With inflation virtually wrung from the economy last year, real supermarket sales surged ahead 6.4%, their biggest annual gain in the history of the Food Marketing Institute's annual financial survey.

In contrast, actual dollar sales, which are not adjusted for inflation, rose 7.6% in 1983, vs. 8.7% a year earlier, the smallest gain on record.

To a great extent, both trends are tied to the economy. "We have gone from double-digit inflation in 1980 (13.5%) to 10.4% in 1981, to 6% in 1982 and in 1983, less than 4%," Allen Bildner, president of Kings Super Markets said at FMI's annual convention.

Bildner, chairman of FMI's member services committee, noted that last year's 3.8% rise in the overall Consumer Price Index was the smallest increase since 1972. Although double-digit inflation pushed actual dollar sales skyward, up 15% in 1979, for example, it added greatly to supermarkets' cost. Adjusted sales rose just 3.1% that year.

"We really begin to see this impact (of lower inflation) when we compare identical store sales," Bildner said. "Identical store sales in current dollars demonstrated the lowest annual increase in six years at 6.1%. But again, this increase, although appearing low, was greater than the inflation rate and resulted in real sales increases of 4.9%, the highest in six years."

FMI statistics, which date back to 1974, indicate the last time sales approached a 6.4% real increase was in 1976 when this indicator posted a 6.2% gain. Only two years earlier, in the midst of another inflationary cycle, current dollar supermarket sales increased 16%, but real sales rose just 0.9%.

Overall, Bildner said the increase in real sales gains stemmed from two forces. "First, early 1980s inflation was so high that virtually all of the yearly sales gains disappeared when we deflated the numbers."

"Second, in the late 1970s and early 1980s some very large companies in the industry were experiencing substantial problems," he said. "Many of these companies now have stabilized or actually accomplished a turnaround. Others have left the industry."

Changing Strategies

Last year's strong growth in real sales is also attributed to changes in marketing strategies, said Timothy M. Hammonds, an FMI senior vice president. "Many supermarkets have broadened their product lines to include more produce. In many areas of the country there has been a strong growth in the offering of new services, especially salad bars," Hammonds told Supermarket News prior to the convention.

But even as supermarkets made sales gains by expanding product lines last year, they faced stiff competition from nonfood stores for consumers' dollars.

A January 1984 survey by Louis Harris & Associates for FMI found that supermarkets "lost ground" to these competitors in the areas of health and beauty aids, magazines and paper items. These findings, Hammonds said, are "extremely significant." They indicate that drug stores and discount department stores are broadening their lines and compete directly with us."

Hammonds told the FMI audience that this means food retailers will have to "learn" how to compete with these stores "for the grocery dollar."

On the other hand, supermarkets managed to gain ground against non-food stores in the area of prescription drugs, household repair and household items, he said.

Overall, the slowing inflation rate last year and higher real sales combined to improve supermarkets' profits

as measured by the gross profit margin — total sales minus the cost of goods sold.

"For companies without their own warehouses, gross profit margins were 21.5% last year, Hammonds said. This is up from 21.2% in 1982, and represents the best industry performance since 1978 when the margins totaled 21%. (Earlier statistics are not valid since FMI changed its method for calculating such data.) Supermarket firms with their own warehouses posted a 23.72% gross profit margin, compared with 23.4% in 1982, which is also the best performance since 1978.

Other financial indicators declined slightly in 1983 from the year before. "Return on net worth, which reflects the earning power of the stockholders' equity, decreased slightly from 16.9% to 16.2%," Hammonds said. Return on total assets, which measures the ability of the industry's assets to generate profits, fell to 10.5% from the five-year high of 10.7% in 1982, but Hammonds noted that the 1983 level was "still higher."

This development is not "very significant," since other favorable 1982 statistics reflected the fact that supermarkets led the economy as it came out of the deep recession, said Hammonds.

This same momentum continued through 1983. He said the supermarket industry jumped up 12 positions, to 16th, in Forbes magazine's annual study of industry profitability.

The performance of other indicators was mixed, but Hammonds said that these too, were not significant since they reflected changes in the inflation rate and, in any event, are typical of the up-and-down fluctuations since 1980.

Sales per customer transaction rose from \$14.33 in 1982 to \$14.60 last year. After adjustment for inflation, they slumped from \$5.13 in 1982 to \$5 last year.

Hammonds told the FMI session, "Warehouse stores led in average sales per customer transactions \$22.15, followed by superstores and combination stores. Again, only conventional stores, with an average sales-per-customer transaction of \$14.02, fell below the industry average."

Sales per square foot of selling area declined from \$7.90 in 1982 to \$6.95



All that meat and no potatoes

Not a bad idea, especially when you consider that a very recent study on foods that "hold calories" in our body lists white potatoes right up there with candy bars.

Simply stated, what the study says is that "the way we hold calories in the body may be a result of our insulin response to different foods. One function of insulin is to pack away every calorie that the body takes in." If we eat foods that don't immediately jump the insulin level, our overall metabolism responds differently and we don't necessarily deposit the calories.

Most nutritionists have been urging us to cut down on our intake of fats and protein and increase our intake of foods with complex carbohydrates.

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For example, new studies show white potatoes shoot the glucose and insulin levels as high as a candy bar. The circulating glucose from the potato is likely to be packed away as fat.

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Retail Sales Up

(Continued from page 25)

last year. After adjustment, this fall off was less pronounced, from \$2.83 in 1982 to \$2.38 last year. Warehouse stores again led the pack with an average of \$8 in sales per square foot. FMI did not release data for other types of retail food stores.

Meanwhile, Bildner noted that sales per labor hour "followed the trend of the last three years, increasing slightly in current dollars" to \$91 vs. \$90 in 1982. "Warehouse stores demonstrated the highest sales per labor hour with \$130.80," he said, adding, "superstores were next with \$91, which equaled the industry average, followed by conventional stores at \$88.20 and combination stores at \$87."

Operations

Turning to the operations side, Hammonds pointed to the steady gains of the produce department in the overall store merchandise plan. In 1983, produce departments occupied 10% of the total selling area, up from 8% when the last survey was done in 1979.

However, Hammonds noted that a survey of supermarkets found 83% neither expanded nor decreased their produce departments between 1982 and 1983. "About 16% said it increased at an average of 3%, and 2% said it decreased an average of 2%. Perhaps," he said, "the rapid growth of this department over the last few years is beginning to stabilize."

Other sections of the survey disclosed that, between 1979 and last year, produce department's contribution to sales rose from 8% to 8.5%. Over the same period, the average number of employees in the produce department increased from 3 to 3.5 persons.

Between 1979 and 1983 the average number of produce items carried by the typical supermarket in summer rose from 141 to 183, and in winter from 126 to 163. During the same period sales per labor hour rose from \$75 to \$100, or from \$32.20 to \$34.22 after inflation.

The 1983 FMI study also found that the pace of new store construction slowed. Last year 3.7% of all food stores were new, down from 4.5% in 1982. Of the stores that opened, most were combination and warehouse stores.

Specifically, the percentage of new combo stores vs. all new stores rose

from 26.9% in 1982 to 31.4% last year, while warehouse store growth spurred from 4.7% two years ago to 8.4% in 1983.

Meanwhile, construction of conventional supermarkets slumped from 25.4% in 1982 to 16.4% last year.

Superstore construction was off, from 42.1% of all new stores built to 41.2% in 1983. Limited assortment store construction rose from 0.9% in 1982 to 2.6% last year.

Nevertheless conventional supermarkets did make a comeback of sorts last year, as their share of the total food store universe grew from 71.6% in 1982 to 76.3% last year, reversing several years of decline. In 1980 conventionals accounted for 89.9% of all supermarkets.

Other formats generally gained as a percentage of the industry at the expense of superstores. These stores' percentage of all supermarket formats dropped from 21.4% in 1982 to 14.5% last year.

The FMI survey also disclosed that computerized checkout scanning is making impressive inroads into store operations. In 1982, just 16.6% of all stores surveyed had scanners. Last year this total jumped to 36.2%.

Warehouse-Store Format Grows

The warehouse-store format will continue to forge ahead in upgraded units, which will increasingly take on characteristics of conventional and super stores. A shortage of good locations will hamper growth of super warehouse stores, but the units could have total sales of \$4 billion by the end of 1985.

Such were the observations of consultants and retailers attending Food Marketing Institute's warehouse marketing conference in Kansas City, MO., a city itself saturated by 56 depot units.

"Warehouse stores will be appearing in virtually all markets in the near future," said Willard Bishop, president of Willard Bishop Consulting Economists, Barrington, IL. "A considerable proliferation will continue over the next several years in both large and small stores."

The popularity of the format stems from an increasing number of people "worrying a lot about the cost of food," Bishop said. With companies

in some industries closing and wage earners accepting reduced salaries, consumers are "moving down from a comfortable life style to just getting by."

Warehouse stores have penetrated over 30% of the market in some areas, the consultant told an audience of 160, a higher-than-expected turnout. There are 3,000 depot operations in the United States today, garnering 8% of all commodity volume, he said.

Interest in the super warehouse store in the past six months has been "absolutely incredible," Bishop declared. However, he saw the possibility of stormy times ahead in some areas as more firms adopt the format.

"It is inevitable," that their super-warehouse-store successes "will be less dramatic. The easiest and best locations have been cherry-picked." In some markets, such as Milwaukee, two or more super warehouse units will be in direct competition, Bishop noted. "This may lead to shake-out."

Depot stores, large and small, will continue to upgrade facilities and merchandise, several speakers predicted. Even though people are taking pay cuts, "they don't want to walk in the mud," said Don Watt, president of Don Watt & Associates, Toronto.

"Customers really want a better place to shop," Watt said the warehouse store would evolve into a "more complex vehicle in the next two years but declined to elaborate because of client confidentiality.

Repackaging the Supermarket

The depot store of the future will be a "repackaging of what today is a conventional supermarket," Bishop said.

Attendees got a taste of the upgraded style while touring the Karas City area. A Super Save Mart operated by Milgram Food Stores, which opened in February, has the appearance of a superstore while using a minimum of warehouse fixtures—or appearance and for storing back stock. Eighty percent of the store's items are displayed conventionally—a quite a contrast to one year ago when all the firm's Save Mart displays were in cut cases.

The Save Mart is one of 56 warehouse stores in this market. According to the keynoter, Frank Quaney, president of Associated Wholesale

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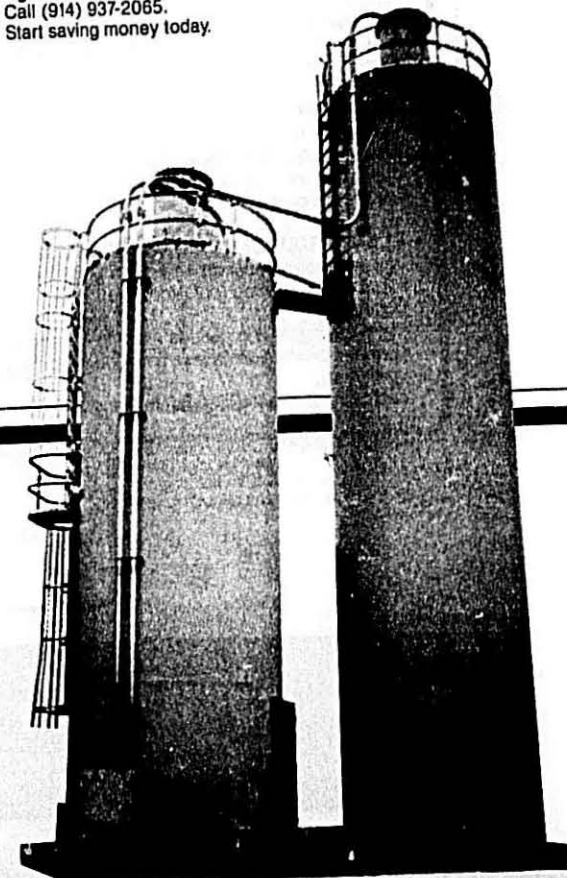
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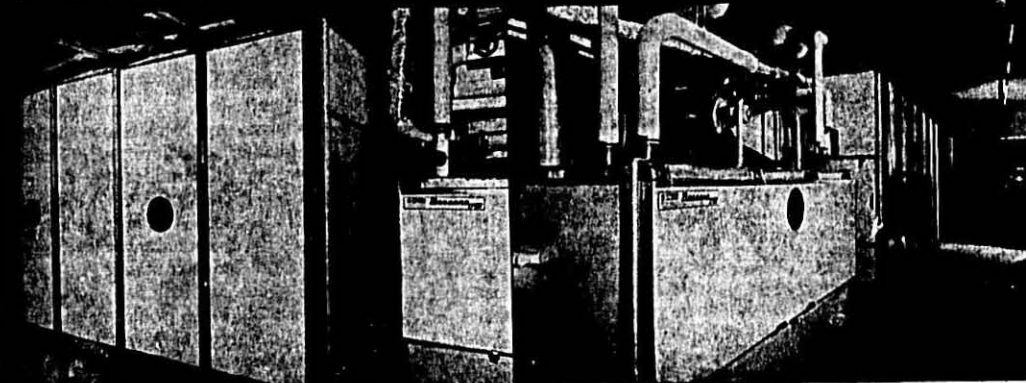
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V.H.T. drying is obtained by optimization of the ventilating and hydrothermic circuits. The heating is controlled by an electronic regulator, the air extraction and steam injection allow us to maintain optimum climatic conditions.

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Grocers, they pull a 43% market share. Asked how many of these stores are profitable, Quaney answered, "The whole 43% is profitable right now."

The super warehouse store is the "most important development of the decade," said Tim Murphy, an associate in Bishop's firm. There are 30-35 such stores, doing over \$1 billion in sales. By the end of 1985, 100 to 125 hybrids can be expected on the scene, with sales totaling \$3.5-\$4 billion.

Focusing on a study he had made of a 65,000-sq.-ft. store, Murphy said the investment totaled \$5,950,000, or about \$91 a square foot. This included land, \$800,000; site work \$650,000; building/decor, \$1.5 million; fixtures/equipment, \$1.7 million; inventory, \$975,000, and miscellaneous, \$325,000. Operating costs were 12.5% of sales—with wages the highest factor in the total—running at 6.3% of sales.

In a study of three companies operating eight of the large stores, Murphy found average gross margins to be: Dry groceries, 8%; dairy, 12%; frozen, 15%; processed meat, 13%; fresh meat, 20%; produce 22%; bakery 60%; deli, 35%, and HABA/general merchandise, 22%.

For a super warehouse store to be successful, it needs a minimum volume of \$10 a square foot and must function on a labor ratio of not over 7-8%, Murphy said. "You need 100,000 people to support one of these stores."

Quaney, of AWG, warned in his keynote address that the new breed of market needs special management skills. "You must have a manager with entrepreneurial leadership to hire men to run a business within a business. The meat manager should be a well-paid businessman within that business, and not a person wearing a white apron."

IPACK-IMA Tour Finalized

The itinerary has been finalized for National Pasta Association's trip to the IPACK-IMA international exhibit March 24-April 3, 1985. Held every other year in Milen, Italy, IPACK-IMA is the primary exhibition of pasta manufacturing and packaging equipment in the world.

In addition to the show, the program will include visits to the Braibanti, Pavan and Buhler-Miag equipment

manufacturing plants in Northern Italy and Switzerland. The tour will also take in some magnificent sightseeing, including Milan, the Italian Lakes, Venice, Cortina d'Ampezzo, the Austrian and Swiss Alps, Zurich.

ITINERARY SYNOPSIS

Sunday, March 24—Evening departure from New York's Kennedy Airport.

Monday, March 25—Morning arrival in Zurich where a connecting flight is boarded to Milan. Transfer to the Grand Hotel Fieromilano. Evening function sponsored by Braibanti.

Tuesday, March 26—Members attend Exhibition. Spouses morning Milan city tour.

Wednesday, March 27—Members attend Exhibition in morning; afternoon visit to Braibanti plant. Spouses full day tour to Italian Lakes.

Thursday, March 28—Morning coach departure to Venice, with stop enroute for plant visit. Lunch in Riva (on Lake Garda). Late afternoon arrival in Venice.

Friday, March 29—Members full day tour to Pavan. Spouses morning walking tour of Venice. Evening function sponsored by Pavan.

Saturday, March 30—Morning departure to Innsbruck, stopping en route for lunch in Cortina d'Ampezzo, then through the Alps and Brenner Pass.

Sunday, March 31—Morning departure through the Western Tyrol region (and the Arberpass) to Liechtenstein for lunch, then on the Zurich.

Monday, April 1—Morning Stein-am-Rhein/Rhine Falls tour. Evening function sponsored by Buhler-Miag.

Tuesday, April 2—Morning city tour. Members afternoon visit to Buhler-Miag facility.

Wednesday, April 3—Morning transfer to the Zurich airport for return flight to New York, with arrival there mid-afternoon.

Pass the Pasta

In its Nov. 5, 1984 issue, *Forbes* magazine took a look at the recent trends in the pasta industry. Here's what it reported:

A generation ago, in 1948, the pasta business was the preserve of 250 small, specialized regional companies. Perhaps it was the high price of meat that turned Americans on to a good thing, but by 1980 per capita pasta consumption had doubled, and suddenly everyone wanted a helping (*Forbes*, March

17, 1980). In five years five major food corporations—Pillsbury, Borden, Hershey Foods, Foremost-McKesson and Ranks Hovis McDougall, the British grain and baking giant—had spent \$240 million buying into nine regional pasta manufacturers. About 40% of the \$900 million retail market was controlled by the majors, and their long-term goal was to establish a national brand.

A national brand of pasta is still a dream, and some big names have already given up. McKesson sold its C. F. Mueller subsidiary to CPC International for \$123 million last December (*Forbes*, Dec. 19, 1983). Pillsbury has agreed to see American Beauty to Hershey Foods for an undisclosed sum. It was marketed in 23 states; Pillsbury's other brands are national, and bringing pasta national would have taken capital it wanted to invest elsewhere. Coca-Cola, which had bought Ronco in 1982, has agreed to see the \$20 million (sales) subsidiary to Borden.

"People wanted to take one particular brand national, but because of strong regional labels it just hasn't worked," explains C. Mickey Skinner, president and CEO of Hershey's San Giorgio-Skinner pasta firm. But although that strategy didn't work, pasta has not lost its zest. At 4% a year the business has grown three times faster than other dry grocery products. Pasta sales should hit \$1.3 billion this year; \$1 billion at retail, the rest in institutional sales. The American public will consume more than 2 billion pounds; and sales may double by 1990, says the National Pasta Association. (Italian imports are taking \$55 million of that retail market and grew 50% this year.)

New companies are still coming in. General Foods bought New York's \$60 million (sales) Fonzone Corp last February for \$52 million.

Those left in the business hope to reap big gains. With American Beauty, Hershey says it will have about 17.5% of the retail market and will be the largest manufacturer and distributor of branded pasta in the U.S. Borden will have about a 12% share of the market, says Jon Hettlinger, senior group vice president of Borden's grocery and specialty products, and is expanding its Creamette line by 10% a year by moving into new regions. Eventually Borden wants "a quality national product," he says, but it is also eyeing pasta for possible convenience food lines. CPC has the same idea for Mueller's, now available in half the nation.

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Retail Issues, Challenges, and Opportunities

by Steven Koff, President of the Southern Californian Grocers Association

I've looked forward to sharing some thoughts with you about the current status of the retail industry, hopefully in some areas that you may not be completely aware. Remember, that by being aware you feel more a part of this dynamic, essential and ever-changing industry of ours. Because this is a complicated business you just can't have too much exchange of ideas. We don't have or often don't take the time to do all the reading we should in order to keep up with the changes going on around us. Sometimes we don't see how some things going on relate to us in positions within our own companies. So let's examine some of the activities going on in the local food industry and those around the nation.



Steven Koff

Mergers, acquisitions and takeovers are confronting retailers throughout the country. *Grocers Spotlight* has reported in the past month along the following: In Tennessee, Malone and Hyde announce plans for a leveraged buy-out that would make it private; Super Value of Minnesota sought and then dropped plans to acquire Certified Grocers of California; American Stores made a bid for Jewel Stores and got them, but not before Jewel, in defense, sought to acquire Vons Market; Roundy's wants to buy out Scotlad Foods; Pathmark wants to buy Purity Supreme; Scribner just recently completed the acquisition of S. M. Flickinger, and those are just the deals publicly reported. In the Los Angeles area alone, I probably heard rumors regarding four more retailers. What's going on? Well people say it's growth. In the 60s and 70s food retailers and wholesalers established great growth records fueled by both the baby boom and inflation. That growth is not there anymore. Instead of a 20-30% increase in sales most markets are happy to see 5% or 7%. In the American Jewel acquisition, American stores will buy for 1.6 billion an immediate sales increase of 5.7 billion dollars. It would cost much more than that to build the 1100 Jewel's bringing into the fold. Moreover, most stores operate profitably. Building a new store is always iffy, but buying a profitable one is less of a gamble. Real estate, construction costs times the number of stores needed to make a dent in a new market makes

expansion in that manner just too expensive. Acquiring companies is also buying real estate. The *New York Times* recently reported that real estate and the leases of most leading retail chains could not be replaced at many times the cost. In the case of Roundy's bid for the wholesale division of Scotlad, the company is buying an established customer base in states where it has never done any business before. From its base in Wisconsin and Illinois, Roundys now moves into Indiana, Ohio, Michigan, Kentucky and Missouri. Some 800 new accounts will be added resulting in 800 million dollars in new sales, almost doubling Roundys size. Mergers and acquisitions aren't just limited to retailers and wholesalers. Beatrice Foods is in the process of acquiring Esmark and that will make in the largest consumer product organization in the food industry. The retail grocers in southern California share with market owners throughout the nation a myriad of concerns. As issues develop that affect their operations and their desire to make a commitment to operate as efficiently as possible. Among them, cost containment programs, UPC in scanning, uniform communications, direct store delivery, capital needs, efficient coupon handling, new store formats and services and new store development.

Combating Rising Costs

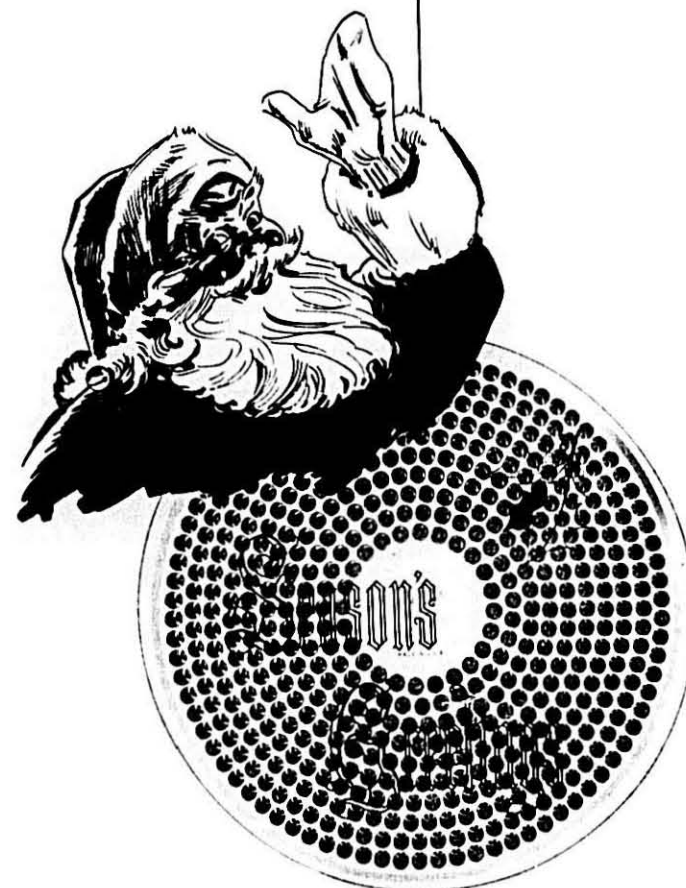
Supermarkets owners and operators are on the frontline combating the elements that contribute to rising costs and the resulting food price increase. But in recent years, factors such as the inflation rate, weather, export demand,

and other market components are beyond our industry control. You share with the most feasible way to slow down price hikes. And that is to increase productivity or output per unit of input. In food retailing productivity is measured in terms of real sales per labor hours, sales per square foot, and sales per customer transaction. Now inflation has pushed up operating costs and other expenses causing productivity to decline. But, there has been some progress in one area and that has been real sales per hour. This progress is due in large part to the innovations and advances such as computer assisted scanning. Since supermarket operating costs and particularly operating costs are tied directly to the rate of inflation, productivity improvements are essential if the rate of food price inflation is to be moderate at the food check-out counter. The development of the Universal Products Code, or UPC, and computer assisted check-out systems are improving industry productivity. Scanner data is helping the retailer to tailor his store needs to his own individual neighborhood. Operating now in more than 9,000 markets nationally, the system is being hailed for its speed and accuracy. Retailers cite such advantages as increased inventory control, improved checker productivity, more efficient pricing, shrink loss control, and decrease bookkeeping time by utilizing the scanner to perform store counting functions. More importantly to you, data retrieved from the computer is helping to prevent stock shortages and controlling direct store delivery. It's also tracking the performance of your product and enables retailers to make strategic changes.

Uniform Communications Standard

With today's technical advances and computer operations, the supermarket industry has embarked on a project that could revolutionize the way that retail and wholesale food orders are placed. The Uniform Communication Standard, or UCS, will eventually replace any paper messages, such as purchase orders and involves with electronic messages. As an example, under UCS, a supermarket's computer will be able to place a call and deposit

(Continued on page 36)



and Best Wishes for a Healthy, Prosperous and Happy New Year



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America's Largest Macaroni Die Markers Since 1903 - With Management Continuously Retained In Same Family

Retail Issues

(Continued from page 34)

an order directly into the food manufacturer's computer system. Based on a feasibility study conducted in 1980, potential savings for the food distribution industry are in the range of \$300 million annually. If 50% of the industry's message volume is carried on the system, it will achieve that amount. Eventually this message exchange could contain detailed information concerning products shipped, substitution, shipping modes and shipping dates. With this information in hand, wholesalers and supermarket operators will be better able to schedule their own receiving docks and improve their inventory decisions. UCS has been successfully tested by the industry and it is now being used by more than 50 companies nationally. Further growth and implementation of UCS are expected in 1985.

Approximately 25% of all grocery items delivered to the supermarket are directly from the manufacturer. The direct store delivery system currently is underway to streamline and improve programs for the industry. Recently, innovations in delivery invoices and computer systems have allowed retailers to look at manufacturer's performance and delivery practices from store to store. And also, to examine shelf space allocation and control inventories. Accurate and time-saving accounting methods are an important advantage of direct store delivery programs. Accounting for DSD items was traditionally labor intensive. Computerized DSD systems eliminate a retailer's manual counting chore. One food retailer recently saved \$6,000 over a two-month period by identifying billing errors from a particular vendor. DSD programs provide tighter controls over supermarket operation and although the consumer may never see or know about the DSD system they are ultimately working for their benefit.

Investment Capital Needed

New technology and productivity advancements depend in large part on the availability of investment capital. Ten years ago a supermarket was able to finance 60% of their investment capital from within their own companies. Today, they are fortunate if they can finance 30% internally. More and more supermarkets have to borrow at today's high interest rate. Low industry profits and increase in replace-

ment costs have contributed to this problem. In meeting demands of the marketplace during the present period of high inflation, industry's productivity has become the single greater challenge to the food distribution industry. In recent years in order to dull the bite of inflation consumers have turned to using manufacturer's coupons for a variety of food and non-food items. In 1983 more than 142.9 billion coupons were used issued by manufacturers of the United States. About 5.6 billion of those coupons were redeemed for an approximate value of 1.69 billion dollars. In 1982 the Food Industry Trade Associations sponsored a comprehensive study of coupon handling in the supermarket industry. The study reported that potential savings to the retail grocery industry are estimated to be between 72 and 89 million dollars annually. By implementing specific recommendations in six areas, cashier handling, store processing, clearing functions, investment costs, misredemption and coupon control techniques, the system is working. The first phase of a three phase plan to improve coupon handling practices has been endorsed by a joint industry committee and their recommendations recently introduced are the following: (1) food manufacturers should consider eliminating, or at a minimum, standardizing the position of the expiration date on a coupon, (2) complex and hard to handle coupons should be discontinued, (3) coupons should be distributed in standard sizes and shapes, (4) scanner equipment should be used to reduce the time that is spent on hand counting and processing coupons, thereby reducing store processing time, (5) coupons should be encoded with a symbol that conforms to the UPC guidelines, (6) the method of picking up, sorting and recounting coupons should be re-examined to see if the process can be reduced or eliminated. The intention of the study was to identify those areas where coupon handling efficiencies could be increased for all industry segments involved. With the first phase completed, the second phase will be the implementation of the above recommendations that I just read. The third phase will measure the cost of handling coupons in the food industry.

Store Formats

Getting into new store formats such as the warehouse stores, there have

been introduced to increase the types of stores available to the public. Many of these stores reduce services to keep operating costs and retail prices low. Warehouse stores often cut costs on overhead and labor. And, the marketing concept is to reduce services and supposedly pass that savings onto customers. Limited assortment stores also eliminate services and they reduce the number of items offered for sale. Instead of approximately 14,000 items carried in a traditional supermarket, a limited assortment store is now carrying around 1500 non-perishable items. Often food companies have attempted to increase the volume by offering greater convenience and variety. The super store is usually up to 55,000 square feet and offers a wider selection of foods, beverages, and now general merchandise. The object is to draw customers from a much broader area than the conventional supermarket would. A combination store which combines a supermarket and a drug-store work on the same principle. Both the super store and the combination store are designed to foster higher sales per transaction.

With market areas taking on their own individuality, retailers have begun to tailor the mix of stores to specific communities. Now, even the conventional supermarket has responded to the diversification of customer lifestyles. One of the more exciting and growing services now being offered by supermarkets is electronic funds transfer. Transferring money electronically is faster, safer, and often cheaper than handling checks and cash. Currently, the most viable EFT system is the automated teller machine which enables consumers to withdraw cash from checking or savings account, transfer money between accounts, and obtain cash advances against credit cards. The industry estimates that 1500 of the nation's supermarkets now use ATM or cash dispensers. EFT for food retailers provide the opportunity to automate basic banking functions and services while providing additional customer convenience. The benefits for customers are three-fold: it is a convenient way of banking outside of normal banking hours, it saves trips to the bank, and fits neatly into the one-stop shopping concept offered by today's supermarkets, and it saves time for customers who prefer to withdraw cash to pay for their purchases in the super-

(Continued on page 38)

**"IF YOU
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Retail Issues

(Continued from page 36)

market, rather than take the time to have the check authorized or cashed. Another form of EFT is used at the check-out counter. The customer can pay for groceries electronically rather than writing a check or paying cash. The process works like this: the customer has a plastic card and is assigned a personal number, these are used for identification to the EFT systems by a card reader located in the check stand. Once the order is totaled and the customer properly identified, the clerk initiates the transfer of funds and provides the customer with a receipt for the transaction. When properly executed, the procedure will be faster than writing a check. One of the reasons that the idea has not been more popular with customers is the possibility of a float. That is the possibility of writing a check without the funds to cover that check for several days.

New store activity has remained stable for the past three years. Although store closings increased in the last six months of 1983. Today, the typical supermarket is 30,000 square feet, or slightly larger than two years ago. The cost and average of \$579 per square foot to build a new store, of this \$28 is for equipment and fixtures, \$30 for the actual building excluding the land. More than 40% of new stores are super stores and about 16% are conventional with 30% combination stores. By the way, those stores that closed last year actually were conventional. In fact, 75% were, as opposed to 20% that were super stores. Also, 6% of the nation's markets remodeled stores last year with an average investment of \$400,000 spent on those remodelings. And rent for a new market now averages \$5.50 a square foot.

New Items

A couple of facts you may be interested in knowing about today's retail outlets is that almost one of ten items now listed in the wholesalers order books were new in the past year. Between 1978 and 1983 9,251 new items were introduced to market buying staffs. 536 of those items reached one million dollars or more in sales. Many other items continue to do well, but many do not, although we do need the space to put in new items for those that are not making it. New item devel-

opment is encouraged by grocers. It is estimated that over the next five years grocers will make 31% and 37% of their sales from new items. Did you also know that in 1983 the food eaten away from home including fast food rose to 4.4% nationwide, or twice as much over the previous year. Remember "where's the beef" earlier this year? Well, Wendys sales rose 15% this first month of that commercial and 17% the second month. It might be safe to say that some of you in this room as suppliers sell to restaurants. There aren't too many grocers who own restaurants. Eating out continues to be a major competitor to the retail grocer with over 60% of American households having both husband and wife working, convenience becomes an important word. The time may be here when the grocery industry needs to do a better job of selling the enjoyments of eating at home. Some of your companies have done an excellent job in selling home cooking as part of your product information. Grocers need to add this to their weekly ads and in-store merchandising. In store take-out departments, many now feature pasta bars and pasta products. Also, we need to continue to grow collectively to understand how we can continue to sell the idea of eating at home.

Finally, let me tell you about the latest study going on in our industry. It is to determine the reasons why people in this industry have a reluctance to deal with their local state and federal government. Borden, Inc. along with the Food Marketing Institute are conducting a study with results expected by this October have relevance to all industries. It is becoming apparent that a small percentage of members are willing to make the effort to express their interest and concerns to government bodies when legislation or regulation directly impacts them. Let me cite an example in another industry. A bill was introduced in Congress that would have literally put that industry out of business. Their trade association in Washington, D.C. wired its members and asked for immediate help. Out of 2,000 the Association received evidence that only one member wrote his Congressman. The Association then sent out a telegram to all members stating that "we are closing down our office because it is obvious that none of you wish to continue your businesses. Best wishes for your success in whatever field you decide to

enter." Well, the response was overwhelming and that legislation was defeated. But, the causes for reluctance of businessmen to get involved with government are complex. I'm sure many of you feel that the National Pasta Association or my association should be handling legislative problems. But it is not possible any longer for only us, the Association executives to do the job, Congress, your state assemblies, or your city council need to know that a particular bill or legislation is of direct interest to their constituents. They can only know this if they are personally contacted by people directly involved. They need to see and hear industry people directly testify on bills, otherwise, the matter is not going to be regarded as serious. Some of you may still feel you can't fight city hall, well believe me, you can and you should by getting to know your elected officials. There are some retailers who also feel that taking a too active role to public issue may cause resentment among their customers resulting in a loss of business, but if you don't respond sometimes, you may lose your business. There are many possibilities as to why we don't get involved and the results of the forthcoming study will help develop a clear direction for our association to muster strength when a new legislative crises emerges.

In conclusion, the retail food industry is a very efficient system — not perfect — but sensitive to public needs and pretty good at getting the product — your product to the customer at the lowest possible price. New technology, innovative ideas, and a basic cooperative spirit to overcome problems of mutual concern will help to continue that efficiency.

NPA Supports Scholarship Fund

NPA will contribute \$1,000 to the Monroe Scheflo Scholarship Fund. The scholarship fund, recently created by the U.S. Durum Growers Association in honor of deceased past president Monroe Scheflo, will be used to support students of agriculture. Fund co-chairman Wes Tossett said the NPA contribution is a significant step toward the scholarship goal of \$10,000 by November 15, when the International Durum concludes in Minot.

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Pasta Makers in America

GOLDEN GRAIN — THE SAN FRANCISCO TREAT

Rice-A-Roni is the unlikely combination of rice and pasta with a packet of seasoning in a package. In Italy the rice eaters are in the north and the pasta eaters in the south and seldom the twain will meet. But in California wagon-jobbers were used to stock some of the dry grocery racks in grocery-produce-meat combination stores that developed into modern supermarkets. Golden Grain made macaroni but also packaged rice, beans, candies and cookies and distributed them.

Domenico DeDomenico (Sunday of Sundays literally translated) and his partner Antonio Ferigno operated a pasta plant on Bryan Street in San Francisco in the thirties. Sons Pasquale (Paskey), Vincent and Tom sold for the company. The firm moved to a new enlarged plant in San Leandro when a superhighway went through their old location. Vincent was named general manager of the new operation while older brother Paskey ran a small satellite operation in Seattle in the shadow of Mission Macaroni which they were to buy along with Favro Macaroni in 1956. The Federal Trade Commission was later to accuse them of monopoly in this market.

In 1957 the sales personnel of bankrupt Budget Pack Corporation was picked up to give the company a foothold in the Los Angeles market.

Rice-A-Roni was introduced in 1958 and successfully advertised with a jingle utilizing Barney Google music and cable-car bells from San Francisco —



Rice-A-Roni, the San Francisco treat. As a combination dinner in a folded-carton the product was a specialty and soon had national distribution. A plant was built in Bridgeview, a suburb of Chicago, to take care of midwestern and Eastern demand for products. In 1982 The National Pasta Association's Plant Operations Seminar paid a visit to this plant after an enlargement and improvement program of some \$12 million.

In 1969 the DeDomenico acquired Ghiradelli Chocolate in San Francisco and later Vernell Candies in Seattle. The old chocolate factory in San Francisco was developed in a prime tourist attraction known as Ghiradelli Square. Paul DeDomenico, a son of Paskey, went to Hawaii to become king of the macadamia nut distributors.

Vincent DeDomenico was elected President of the National Macaroni Manufacturers Association at Del Coronado, California, at the 68th Annual Meeting held in July, 1972. During his term of office industry concerns included nutritional labeling and bacterial count at critical points in processing.

During the administration of President Richard M. Nixon there were profit and wage controls — then price controls — then Watergate, the energy crisis, and a dose of inflation.

President DeDomenico said this about inflation: "Just a short time ago labor with its high wage demands and fringe benefits was a primary cause of inflation. Then a shortage of basic farm products due to world demand and the devaluation of the U.S. dollar caused such a rapid inflation that consumers, businessmen and politicians all clamored for price controls. As a result, we had Phase I-II-III, and now we are out of price and wage control. Now we have increasing prices on manufactured goods, increasing demands on labor to meet increased costs of living and taxes. The end result of inflation can only be one thing — worthless paper money.

"The bells will toll for us if we do not do the following:

"Comply with all government regulations, including nutritional labeling, OSHA regulations, sanitary food practices per Food & Drug standards, programs for hiring minorities and physically handicapped, comply with all FTC regulations, advertise and promote the products you sell, build an



Vincent DeDomenico



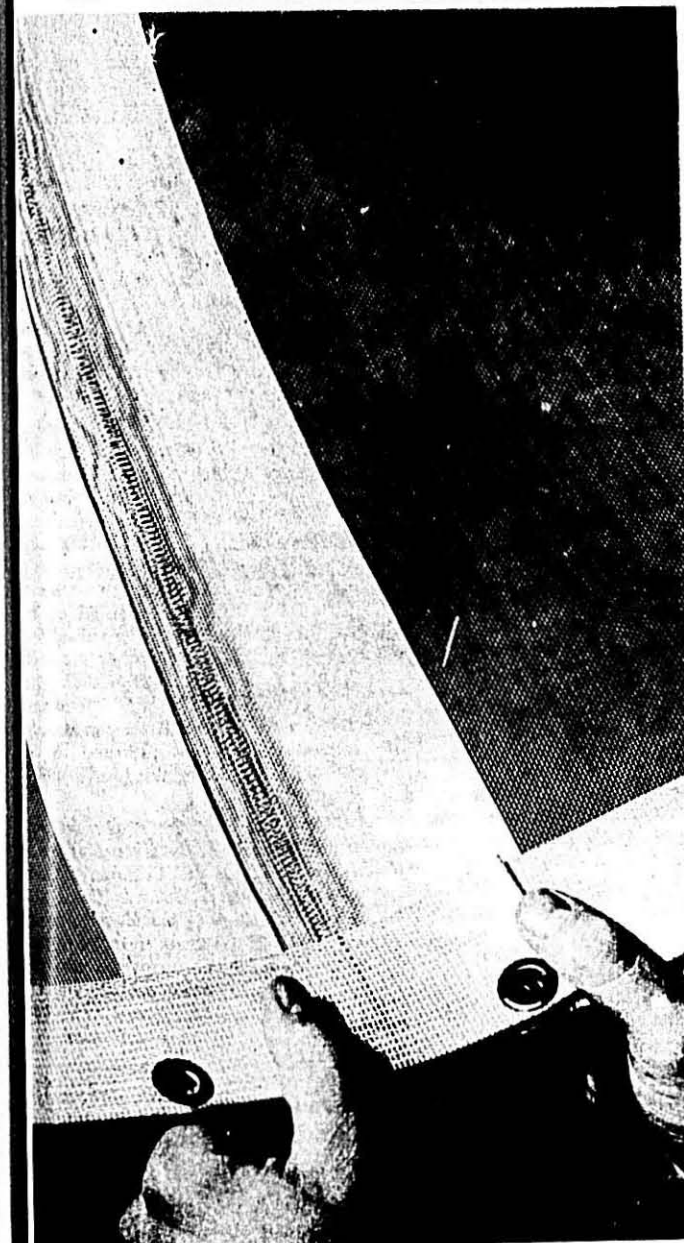
Paskey DeDomenico



Tom DeDomenico

THE MACARONI JOURNAL

Test your metal against our fabric.



When you compare Tetko® polyester dryer belts with standard metal belts, you'll find some very important differences.

First, because polyester monofilament belts are flexible and lightweight, they're easier to handle. Installation can be accomplished more quickly. So production down-time is minimized.

Secondly, these sturdy fabric belts are reinforced with preshrunk polyester edging. So they can stand more wear and tear. And keep your production line moving longer without interruptions.

And with their unique continuous construction, these belts can also be cleaned more quickly and easily. Another feature that can help your whole operation run more smoothly and productively.

Finally, if our comparison hasn't convinced you yet that polyester belts are superior to conventional metal belts, maybe you should make one more comparison: cost. You'll discover that polyester belts are less expensive to purchase, install and maintain. One more good reason to switch from metal to polyester dryer belts.

To find out more about switching to Tetko dryer belts made from Swiss precision woven fabrics, contact your equipment manufacturer, or Tetko Inc., 420 Saw Mill River Road, Elmsford, NY 10523, (914) 592-5010.

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TETKO INC
PRECISION WOVEN SCREENING MEDIA

Golden Grain

(Continued from page 40)

effective rapport with your customers and the consumer.

"The bells will also toll for us if we do not get to know our national, state, and local politicians, because they are the ones who are going to shape the business and social world we live in.

"Let us also strengthen and improve our National Macaroni Manufacturers Association, because as a body our voices can be heard whereas the individual can be ignored."

When Vincent was elected president of the National Macaroni Manufacturers Association in 1972, San Francisco Mayor Joseph Alioto presented him with an original cable car bell commemorating the 60th anniversary celebration of Golden Grain Macaroni Company and Vincent's newly elected position.

Sophia Loren

Also during Vincent's administration Sophia Loren was honored by being named "Macaroni Woman of the Year." Sophia has done much for publicizing pasta, even though we refused to make her the "Spaghetti Queen of the U.S.A." when she first broke into movies. A photo of Sophia was presented by the National Macaroni Institute to the Spaghetti Museum of Agnesi in Pontedassio, Italy. The De Domenico visited the museum in 1980 with a National Pasta Association tour.

The DeDomenico family has traveled around the world probably more widely than any other pasta family since Marco Polo.

Microdry

Upon his return from another trip in 1971 Mr. DeDomenico was quoted as saying:

"A year ago last May at Barilla, in Parma, Italy I saw the biggest macaroni plant in the world. They have tremendous drying ovens 300 feet long

"These are so big because when they need more production they just use existing know-how and make bigger equipment. That's how they wound up with such huge ovens and space requirements. Fantastic!

"But, risky, too! One point in that big line breaks down and everything stops!

"I saw that size is not the answer. The only answer is small, compact units. But I didn't know how to work

it. At that time, you see, I didn't know much about microwaves.

"Then when I got back here, I heard that Lipton was drying soup noodles with microwave. This would be what we wanted."

Golden Grain then contacted Microdry Corporation, the manufacturer of the microwave dryers and took a truckload of various kinds of wet pasta to Microdry's service center in nearby San Ramon. They ran them through microwave ovens, guessing a bit at techniques for each different pasta. Results were mixed.

As he told of it, Mr. DeDomenico gave one of his quick warm smiles before saying:

"Some products came out lousy. In appearance, I mean. Blistered. White. No housewife would buy them.

"But then some came out good. And we felt that if some came out good all could, if we worked at it."

Golden Grain bought a production size, 915 megahertz, 60 KW microwave unit, capable of drying 3000 lbs./hr. of macaroni products. This was the only change required in the production line. Then with Microdry engineers they perfected techniques for drying 80% of their products.

Microdry is now a subsidiary of Golden Grain Macaroni Company.

Over the years Charles Foll and Vantage Advertising have handled Golden Grain's advertising and publicity to keep the company and product image before the consumer as well as any grocery item in the field.

Hershey Sales and Earnings Up

Hershey Foods Corporation announced record consolidated sales and earnings for the third quarter ended September 30, 1984. Net sales were \$530,895,000 compared with \$462,745,000 for the third quarter of 1983. Record net income for the quarter was \$35,262,000, or \$1.13 per common share, compared with \$29,550,000, or \$.94 per common share, for the same quarter last year.

Net sales in the first nine months of 1984 were \$1,368,992,000 compared with \$1,241,941,000 in the first nine months of 1983. Record net income for the first nine months was \$73,912,000, or \$2.36 per common share, versus \$69,900,000, or \$2.23 per common share for the same period last year.

"We are pleased with the Company's results for the third quarter of 1984," said Richard A. Zimmerman, President and Chief Executive Officer. "Hershey Chocolate Company's sales for the period, including a portion of the important Halloween season, were excellent with both established and new products contributing to significant unit volume gains. Operating margins for the quarter were enhanced as a result of higher selling prices, manufacturing efficiencies related to the increased sales volume, and productivity improvements.

"Friendly Ice Cream Corporation's results for the third quarter were somewhat below expectations because of the cooler summer weather and competitive pressure. Last year's third quarter was excellent when extremely hot weather boosted ice cream sales. However, in spite of less than ideal weather, increased marketing costs and higher operating costs associated with new restaurant start-ups, Friendly continues to make strides forward in an increasingly competitive environment," Zimmerman continued.

"After getting off to a slow start in 1984, San Giorgio-Skinner Company had a fine third quarter with most of its sales gain attributable to volume growth. New market areas are showing good development, and the Company's pasta brands continue to achieve growth despite strong competition in the New York market from subsidized foreign imports and in other areas of the country from domestic brands. The third quarter results do not include any contribution from the American Beauty acquisition, which is expected to be consummated during the fourth quarter of 1984.

"Our nine months results reflect healthy operating gains, especially for Hershey Chocolate Company, and lower net interest expense. These results were tempered somewhat, however, by a higher tax rate. We are confident in the Company's ability to continue its profitable growth and to make 1984 another record year for Hershey," Zimmerman concluded.

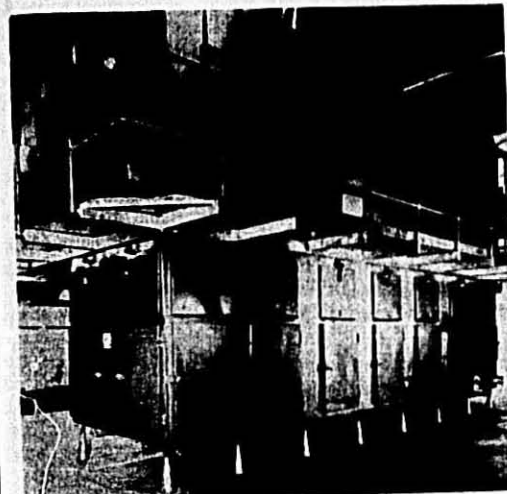
Buitoni Names Marketing Head

Bennett S. White, former director of marketing for Buitoni Foods Corporation, has been promoted to Vice

(Continued on page 44)

NEXT TIME YOU BUY A DRIER . . .

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Microwave Pasta Drier vs Conventional Drier

- Energy savings of 30% or more.
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"I often tell people we now have a piece of equipment that can produce two and one half times the product in one third the space in 22% of the time."

—C. "Mickey" Skinner, executive vice president, Skinner Macaroni Company.

"Microwave drying helps tremendously in scheduling and reducing errors. That's important in pasta processing."

—Carlo Varesco, plant manager, Golden Grain Macaroni Company, Bridgeview, Illinois plant

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Doubled air flow (from 100 to 200 feet/minute) in the microwave section for greater drying efficiency.

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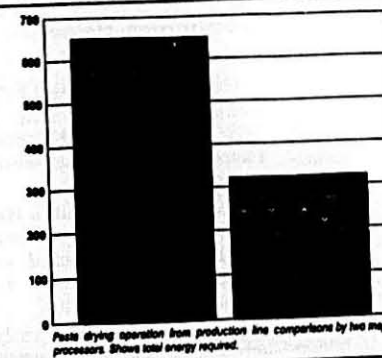
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	CONVENTIONAL DRYING	MICROWAVE DRYING
Floor space	100%	20%
Drying time	100%	5%
Load-in and load-out time	100%	10%
Downtime per pound of production	100%	10%
Maintenance	100%	10%
Equipment cost	100%	10%
Microbiology count	100%	10%



Space requirement of Microwave Drier compared with Conventional Dryer

President of Marketing and Retail Sales for the company.

In his new position, White will be responsible for repositioning the company's retail line and sales through a network of regional sales managers and brokers.

Italian-headquartered Buitoni Foods, founded in 1827 in Perugia, Italy, by Giulia Buitoni, is the world's largest producer of Italian foods. Owned and operated by the Buitoni family, the company's United States division, opened in 1939, distributes Buitoni products nationally with concentration in large, urban areas.

White joined Buitoni in December of 1983 from Bowman Apple Products in Mt. Jackson, Va., where he was director of sales and marketing. White has additional sales and marketing experience with The Pillsbury Company in Minneapolis, Minn.; Ore Ida, Boise, Idaho; Country Pride Foods, El Dorado, Ark.; and Pet Inc., St. Louis, Mo.

White is a former member of the Board of Directors of the American Marketing Association. He currently resides in Bluemont, Va.

Chesebrough-Pond's Third Quarter Sales

Chesebrough-Pond's Inc. sales for the third quarter of 1984 increased by 11.7 per cent over 1983's third quarter to a record level, Ralph E. Ward, Chesebrough's chairman and chief executive officer, announced. Mr. Ward added that third-quarter net income was 8.4 per cent below the year-earlier period due to higher manufacturing costs as a per cent of sales, higher interest expense and lower income from the company's minority interest in its Indian operations.

"New products introduced in several divisions during the quarter are providing the momentum to close 1984 with a very strong fourth quarter and further improve the outlook for 1985," Mr. Ward said. "For 1984 overall we now expect sales to increase about 10 per cent over 1983 and net income to slightly exceed the 1983 level."

Packaged Foods Division

The strong performance of the Ragu brand in the growing spaghetti sauce category highlighted the quarter. Divisional sales exceeded third-quarter 1983 sales, which had benefited from

the introduction of a Ragu Pizza Quick product. Overall, Ragu spaghetti sauces hold a strong leadership position in the category and continue to increase their market share, which now is more than twice the nearest competitor's. To capitalize further on the success of Ragu Chunky Gardenstyle spaghetti sauce, launched about a year ago, the division introduced two new flavors of this popular sauce during the quarter.

Hunt's Tomato

Hunt's Tomato Products launched a major new campaign in November to announce the "Hunt's Tomato," the special tomato that goes into every can of Hunt's Tomato Sauce, Tomato Paste and Whole Tomatoes.

The advertising explains that the "Hunt's Tomato" is different from store bought tomatoes.

It took three universities, eight seed companies and eight years to develop. It's specially grown, staying on the vine two to three weeks longer than produce section varieties, so it's picked at its peak of sweet ripe flavor.

The copy asks the consumer "is all the waiting worth it?" The advertising answers the question with "Hunt's Tomato Sauce and Tomato Paste were chosen the best-tasting among the leading brands."

The advertising, using the tag line "Hunt's. It's a better way to say tomatoes" will kick-off with two consecutive four-color full-page ads in November issues of Family Circle and other leading national women's magazines.

The campaign was created by Hunt-Wesson Foods advertising agency, Ketchum Advertising in San Francisco.

At Campbell Soup Co.

Campbell Soup Co. named Herbert M. Braun, its vice president of marketing, to the new job of executive vice president of its largest operating unit, Campbell U.S. Divisions, effective Nov. 1.

The appointment puts Mr. Baum, 47 year old, in line for the top job at the unit. The unit generated almost two thirds of Campbell's \$3.66 billion in sales in the fiscal year ended July 29 and almost three quarters of the company's operating profit.

The company said John M. Landley, the U.S. divisions' 53-year-old president, plans to retire early on Jan. 1,

1986, to pursue business opportunities with Campbell's help, in his native Canada. Until his retirement, Mr. Landley is expected to remain a director and executive vice president of the corporation as well as the unit's president, Campbell said.

Mr. Baum's appointment to the new job signals that Campbell will continue to emphasize marketing in the years ahead. Campbell said Mr. Baum will keep his current title and responsibilities as corporate vice president of marketing.

Mr. Lindley has concentrated mostly on production during his 29 years at Campbell. Mr. Baum, like Campbell's president and chief executive officer, R. Gordon McGovern, is a marketing man. Before joining Campbell in 1978 as an associate director of new product development, Mr. Baum worked for 10 years for Needham Harper & Steers Inc., a Chicago advertising firm now called Needham Harper Worldwide. Mr. Baum handled Campbell's beans and Franco-American canned pasta accounts.

Campbell's new-product strategy was developed by Mr. McGovern, who became president and chief executive in December 1980. Since then, the one-lethargic soup company has cooked up an extensive menu of new foods.

Campbell said Mr. Baum, who now holds the additional titles of vice president of marketing for the U.S. divisions and group general manager for soups, will give up those jobs on Nov. 1. Campbell didn't name a new divisional vice president for marketing.

Hamburger Helper Offers Soup Recipe

Hamburger Helper will be featuring a Beefy Mexican Soup recipe in a full-page, four-color advertisement in Family Circle and other women's service publications.

The prime ingredient is Hamburger Helper's improved Chili Tomato Flavor, described as enriched with more spices and seasoning for a livelier-than-ever result.

In addition to the Family Circle appearance, the advertisement offering the Beefy Mexican Soup recipe will run in Woman's Day, Good Housekeeping, True Story, Parents and Essence.

Needham, Harper & Steers, Chicago, is the ad agency.

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Efficient processing of pasta items including both free and non-free flowing products takes special care, special equipment. Food Engineering Corporation offers you top quality processing machines and systems to meet the needs of your most challenging applications.

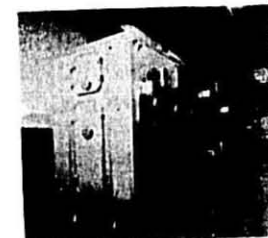
Our complete line of short goods dryers, coolers, belt storage systems, bin storage systems, spiral let-down chutes, sanitary belt conveyors, screw conveyors, vibratory conveyors, and product spreaders includes features that assure you of sanitary, trouble-free product handling, smooth operation and dependable service life. Food Engineering Corporation equipment is your best buy, by all performance standards.

TELL US YOUR PROCESSING NEEDS!

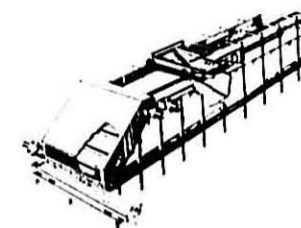
Food Engineering Corporation can respond with equipment and system suggestions to answer your needs for price and performance. Free literature with full details of equipment operation and illustrations available upon request. Call or write today!

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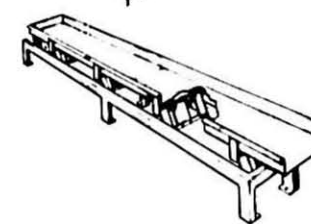
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Vibratory Conveyors
Dynamically balanced for smooth operation, low maintenance. Many sizes and arrangements available including spreading or feed systems, also multiple gates for distribution to various locations.



The new headquarters of Food Engineering Corporation feature 60,000 sq ft. manufacturing facilities with adjoining engineering, research test lab and administrative offices.



FOOD ENGINEERING CORPORATION
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Fall Radio Campaign For Prince Foods

Prince Foods, has taken its "Wednesday Is Prince Spaghetti Day" theme one step further for a new fall radio campaign featuring Prince Brand Pasta, Prince Light and Prince Superoni. According to Venet Advertising, the agency retained by Prince for over 15 years, a :60 radio spot updating the popular hit "Sunday Will Never Be The Same" will kick off their fall campaign for Prince.

Venet's jingle, "Wednesday Will Never Be The Same — It's Prince Spaghetti Day," is a new twist on the lyrics of Spanky & Our Gang's popular hit, as well as on the theme Venet immortalized in its famous "Anthony"

commercial 14 years ago. The commercial spotlights the traditional Prince Brand Pasta, Prince Light, which contains 1/2 less calories than ordinary pastas, and Prince Superoni, the pasta packed with 70% more protein than its competitors.

Prince, a recognized and established name in Italian foods since 1912, known for its advanced, state-of-the-art technology and one of the industry's most complete lines of pasta and sauce products, has enjoyed an increased market share during the last two years and is currently expanding into new markets. The company remains one of the most competitive leaders in the pasta category, now estimated to be a \$1.2 billion dollar industry at retail.

General Mills Canada Achieves Record Sales

General Mills Canada, Inc. reported record Sales of \$222.0 million for the fiscal year that ended April 29, 1984, a gain of 6.8 percent over the previous year. Net earnings before extraordinary items were \$10.4 million, a decline of 13 percent from the record \$12.0 million reported last year.

John D. Herrick, Chairman of the Board, gave several reasons for the lower earnings: "We invested heavily to develop and introduce sixteen new food products, thirteen of which were researched and developed entirely in Canada. We also established two important new divisions, Red Lobster Restaurants and Izod Fashions."

Major operating highlights included the addition of a new Eddie Bauer retail outlet in the Toronto market and a catalogue sales growth of 20 percent; Izod Fashions opened a Sales and Marketing headquarters and permanent showroom in Toronto's popular fashion Centre, Hazelton Lanes; Blue Water Seafoods registered a record share of market and all packaging was given a redesigned facelift; Lancia-Bravo entered new markets with a line of Chicken and Beef Baking Sauces, offering a new, innovative way to serve chicken or beef; Honey Nut Cheerios ranked as the fastest growing established cereal in the highly competitive Canadian cereal market; Pro-Stars, a new high protein cereal with no sugar added is the first cereal product featuring the new natural sweetener "Nutra-Sweet" to be introduced into

the Canadian market and has the endorsement of Wayne Gretzky; the first Red Lobster Restaurant opened in Windsor, Ontario and plans were laid for expansion; Parker Brothers had healthy increases in both earnings and sales from strong volume gains with games, video software, Nerf, Play-Doh puzzles and model kits and entered the children's book business.

Lancia-Bravo Foods Division

The annual report of General Mills Canada, Inc. says Lancia-Bravo factory shipments were off slightly from an all-time record year in fiscal 1983 as the Canadian pasta market was relatively flat and the spaghetti sauce market received many new competitive entries.

Fiscal 1984 marked the introduction of new Harvest Grains 100% whole wheat pasta into test market. Harvest Grains provides consumers with a nutritious, high fibre product in the tradition of the Lancia quality. Lancia regular pasta is made with semolina from 100% Canadian amber durum wheat. Consumer satisfaction with Lancia's policy of using only premium raw materials and maintaining consistent product quality is evidenced by the brand's strong market share position.

Unlike the pasta market, the sauce market demonstrated rapid growth. Within this buoyant market, Bravo Spaghetti Sauce continued to show solid volume growth. Bravo Spaghetti Sauce, which is made from an original, authentic Italian recipe, continues to be the leader in the important and highly competitive Ontario market.

A new line of Chicken Baking Sauce and Beef Baking Sauce was introduced into the Ontario market. These products offer a new, innovative way to serve chicken or beef, featuring large chunks of pineapple, green peppers, onions and other tasty ingredients.

Lancia-Bravo looks forward to growth through new product development and increased share and distribution of the many distinctive, high quality Italian-style products it has to offer.

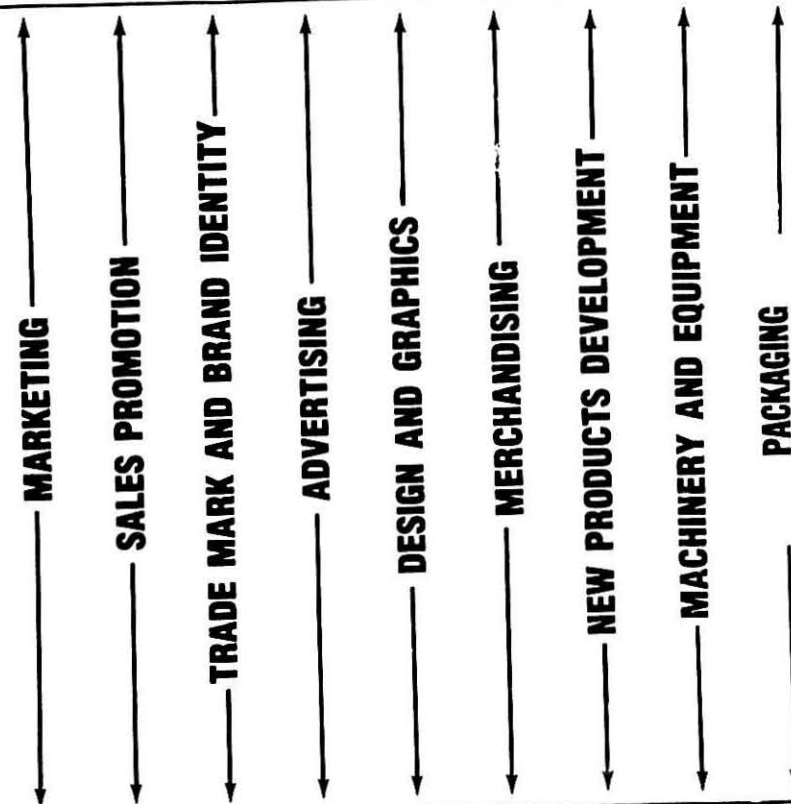
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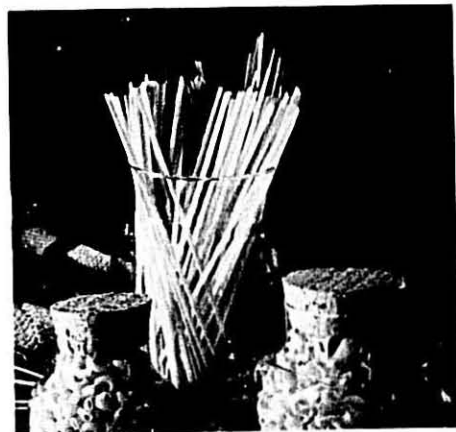
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