

**THE
MACARONI
JOURNAL**

**Volume 58
No. 2**

June, 1976

Macaroni Journal

JUNE, 1976

THE PASTA PICTURE

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2.0 BILION CONSUMPTION

5 PERCENT INCREASE

10-15% RELATED ITEM SELLER

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The Macaroni Journal

June
1976
Vol. 58
No. 2

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Pasta Paints a Pretty Profit Picture

The Pasta Picture will never match the Mona Lisa but it does make a very attractive portrait for the retailer. Picture these pluses for pasta products which include elbow macaroni, spaghetti, egg noodles and other shapes and sizes . . . \$707 million in annual industry gross sales; two billion pounds consumed in past year; six percent tonnage increase during 1975. Pasta is also a producer of peerless related item sales . . . 98 cents worth of spaghetti delivers \$7.69 in related items necessary to complete a spaghetti and meat ball dinner. Push pasta in your stores for volume and profits.

"National Macaroni Institute release to grocery trade press."

Functions For Which Executives Are Most Sought

In the last six months of 1975, according to a survey by the Association of Executive Recruiting Consultants, Inc., the most sought-after types

of executives were ranked in order:

1. General management.
2. Marketing and sales.
3. Accounting and finance.
4. Staff functions, such as personnel, public relations, legal.
5. General engineering, science, and research.
7. Electronic data processing.
8. Government and education.

The association made the survey among its member firms for Nation's Business. The study also shows:

- Demand for marketing and sales, and for accounting and finance executives, trailed that for the general management group by only a small margin.
- Almost 65 percent of all requests made by corporate clients for new executives fell in these three groups.
- More than six out of ten positions to be filled had salary levels of \$35,000 a year or more.
- Nearly three out of ten of the positions pay \$50,000 a year or more.

In the last six months of 1974, accounting and financial executives were most in demand. Second came general management, followed by marketing and sales.

Cheesy Meatballs and Spaghetti

From Better Homes and Gardens

You might already have all the makings for this speedy dinner. It's deliciously different, too, because the spaghetti features a creamy cheese sauce instead of the clinche tomato.

MENU

Tomato Juice Cocktail
Saucy Meatball Platter
Lettuce Wedge Italian Dressing
Bread Sticks
Spumoni
Dry White Wine

SAUCY MEATBALL PLATTER

The sauce starts with cheddar cheese soup—

- 2 beaten eggs
- 1½ cups soft bread crumbs (2 slices bread)
- ½ cup chopped onion
- ¼ cup milk
- 2 tablespoons snipped parsley
- ½ teaspoon salt
- ½ teaspoon dried oregano, crushed
- Dash pepper
- 1½ pounds ground beef
- 2 tablespoons cooking oil
- 1 can condensed cheddar cheese soup
- 2 tablespoons all-purpose flour
- ½ cup milk
- ½ cup dry white wine
- Hot cooked spaghetti

In large bowl, combine eggs, bread crumbs, onion, the ¼ cup milk, the parsley, salt, oregano, and pepper. Add ground beef; mix well. Shape in 30 meatballs. In large skillet, brown half the meatballs at a time in hot oil. Drain off excess fat. Return all meatballs to skillet. Stir together soup and flour; gradually add the ½ cup milk. Pour over meatballs in skillet. Cover; simmer 10 to 12 minutes. Stir in wine. Cover; simmer 5 minutes more. Serve over spaghetti. Makes 6 servings.

Mediterranean Casserole

A full-color Creamettes Macaroni ad in May Family Circle featured a 10¢-off coupon and a Mediterranean Casserole recipe that combines Creamettes Macaroni with chicken or turkey, cheese, salami, peas and olives for an exciting Southern European, one-dish meal. Economy and easy-fixing are the extra garnishments.

This is Creamettes' first national couponing venture.

Mac'n Cheddar

Golden Grain's nationally distributed Macaroni and Cheddar will continue to be promoted this spring and summer using Family Circle and Woman's Day as the principal advertising media.

The ads, which feature four-color food photographs, are attracting high readership. In appetizing terms, the copy describes the dish as real elbow macaroni covered with "the tastiest home-style cheddar sauce ever." A recipe in the ad for Mac'n Cheddar Burger suggests a popular way to serve this flavorful dish.

The Macaroni and Cheddar campaign continues in the May issue of Family Circle. It is supported by television spots on network game shows.

Automating Lasagna Production

From Business Week Magazine

Until about a year ago Skinner Macaroni Co. considered the making of lasagna noodles a complex art beyond the easy grasp of ordinary pasta makers. The Omaha (Neb.) company farmed out its lasagna orders to specialized suppliers. But a strong upturn in the U.S. appetite for pasta—and a resulting shortage in Skinner's supply of lasagna noodles—led the nation's fifth-largest pasta maker to think again. Explains Chairman Lloyd Skinner: "We felt it was time to make lasagna production a science."

To achieve this, the company invested about \$1 million in Swiss-made noodle making equipment and other plant revisions. And last month Skinner started turning out its own lasagna noodles.

Fragile Noodle

For years spaghetti and macaroni have been produced, weighed, and packaged automatically. But lasagna is a fragile noodle, and its ruffled edge and irregular weight have discouraged high-speed production. As much as half of the 40 million lb. of lasagna produced domestically last year was made with labor-intensive methods that required moving the wet noodles

to large drying rooms and then to cutting machines, all by hand. Even producers, such as Prince Macaroni Mfg. Co. of Lowell, Mass., make lasagna at a top speed of 1,400 lb. per hour, much slower than their 3,400 lb. per hour rate for spaghetti.

Although it is not the first to automate lasagna production, Skinner's system is the fastest. An automatic press squeezes out a continuous ribbon made of durum wheat and water at the rate of 2,750 lb. per hour. The noodle moves through driers on a series of belts and conveyers, all of which sharply reduce labor needs. But Skinner's noodle cutters are run even more slowly than the manually fed machines. This reduces the high breakage rate, which runs one-third higher for most producers. Eventually Skinner hopes to get its breakage rate below 20%.

Growing Demand

These savings are intended to boost the company's supply of noodles to meet a growing demand. Last year Skinner, which markets primarily in the South Central states, sold some 1.8 million lb. of lasagna noodles. Skinner President William Henry, "we were out of stock 20% of the time because the specialty producers couldn't supply us fast enough." Other pasta makers report similar rising demand. "Lasagna is No. 1 product in Chicago and No. 2 product in Detroit," says Skinner Vice-President Mario Giannini. Overall, the pasta industry has doubled sales in the past four years to \$1 billion, and lasagna and other specialty pastas—with about 20% of the industry's sales—are leading the surge.

Automated Weighing

Skinner's automated equipment simplified many of the steps in lasagna production; weighing the product is the main exception. But American Beauty Macaroni Co., a pasta maker in Kansas City, thinks that it solved this problem, too. It is installing electronic scanners to weigh noodles and automated scales to weigh the packages. "Unless there's a problem," says American Beauty President Ralph Sarli, "inspectors won't have to touch the product beginning to end."

THE MACARONI JOURNAL

FOOD PROCESSING & HANDLING EQUIPMENT



Company

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SEMCO offers a pressure system, a vacuum system, or a combination of both.

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SEMCO assures you of dust free and efficient systems which are in constant use by macaroni manufacturers throughout North America and overseas.

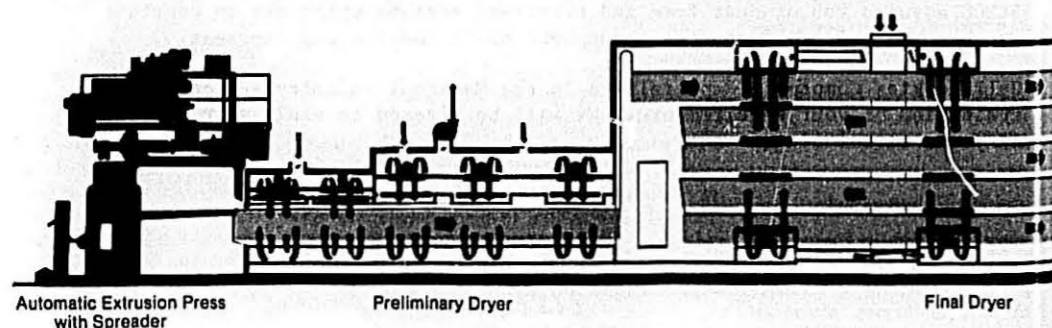
Call Hoskins Company -- specialists in the Macaroni Industry -- for complete evaluation of your requirements. We will be pleased to visit your plant at your convenience.

Yours very truly,

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Plate Counts Slashed.



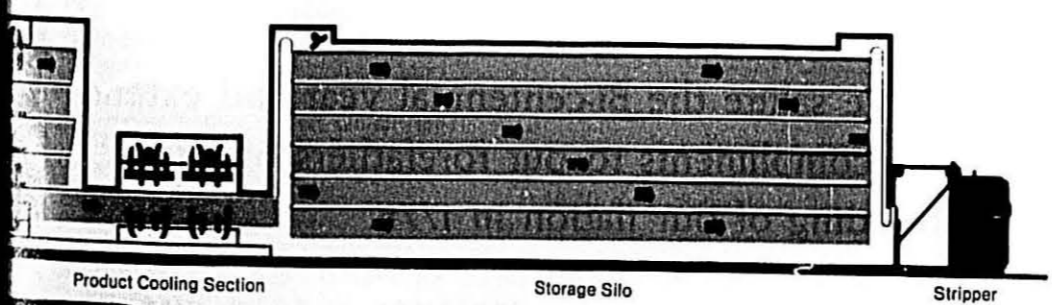
Side Panels Open for Easier Cleaning
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Cooking Qualities Improved.
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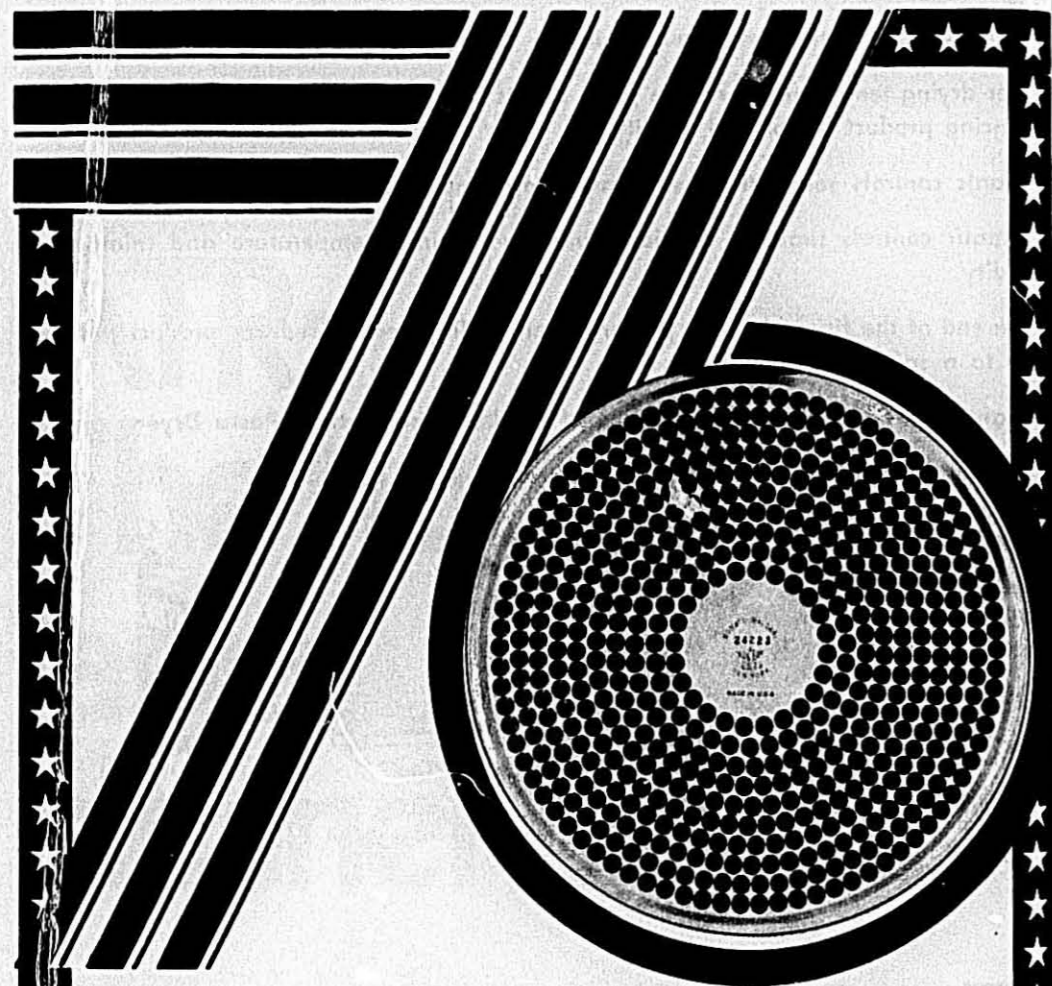


Drying Time Chopped.



Braibanti

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E. 1976



We salute the Bi-centennial year and extend our compliments to our forefathers on the founding of our nation in 1776.



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America's Largest Macaroni Die Makers Since 1903 - With Management Continuously Retained in Same Family

CONVENTION PROGRAM

72nd ANNUAL MEETING

National Macaroni Manufacturers Association
The Broadmoor, Colorado Springs, Colorado

FRIDAY, JUNE 27, 1976

- 10 p.m. Arrivals and Registration in Broadmoor West Board of Directors Meeting, Briefing Room
- 10 p.m. Welcoming Reception, Broadmoor West Pool No planned dinner function

SATURDAY, JUNE 28

- 8 a.m. Continental Breakfast in Broadmoor West
- 10 a.m. Business Session in West Exhibit Hall **Physical Fitness**—Dr. Dean D. Miller
- 10 a.m. **The President's Report**—Appointment of Convention Committees—Nicholas A. Rossi
- 10 a.m. **Report of the Director of Research**—J. J. Winston
- 10 a.m. **Report on Industry Statistics**—John J. D'Asaro
- 11 a.m. **Government Affairs in an Election Year**—Harold T. Halfpenny
- 11 a.m. **The Outlook for School Lunch**—Dr. John N. Perryman, American School Food Service Assn.
- 12 p.m. Adjournment
- 12 p.m. **Tennis Mixer**
- 12 p.m. **Colorado Cookout** at Rotten Log Hollow—Bus transportation

SUNDAY, JUNE 29

- 8 a.m. Continental Breakfast in Broadmoor West
- 10 a.m. Business Session in West Exhibit Hall **"200 Slices"**—Multiple slide presentation by the Sosland Publishing Company
- 10 a.m. **Product Promotion Plans** Elinor Ehrman, Vice President, T. R. Sills, Inc.
- 10 a.m. **Durum Wheat Institute Report** Robert M. Howard, Chairman
- 10 a.m. **A Look to the Future**
- 10 a.m. Convention Committee Reports Adjournment
- noon **Organizational Luncheon for Board**
- 1 p.m. **Bus Tour of Air Force Academy**
- 1 p.m. **Suppliers' Social** at Broadmoor West Pool
- 1 p.m. **Dinner-Dance** in the Ballroom

1976



WEDNESDAY, JUNE 30

- 8:00 a.m. Continental Breakfast in Broadmoor West
 - 9:00 a.m. Business Session in West Exhibit Hall **Progressive Grocers' Report** on the Grocery Industry
 - 9:30 a.m. **Dialogue with Grocers:**
Moderator: Lawrence D. Williams, The Creamette Company
- Grocers:**
- Ray V. Rose, President, King Soopers, Denver
 - William G. Thompson, Executive Vice President and General Manager, Associated Grocers of Colorado
 - Jerry Mickelson, General Manager, Western Grocers, Inc., Denver

Manufacturers:

- Paul Vermeylen, President, A. Zerega's Sons, Fairlawn, N.J.
- Vincent DeDomenico, General Manager, Golden Grain Macaroni, San Leandro
- William A. Henry, President, Skinner Macaroni Co., Omaha
- 10:30 a.m. Round-table Discussions
- 11:30 a.m. Adjournment
- 1:00 p.m. **Golf Tournament**, East Course.
- 7:00 p.m. **Suppliers' Social** at Broadmoor West Pool
- 8:00 p.m. **Italian Dinner Party** with the Mario Singers in the West Ballroom

THURSDAY, JULY 1

- 9:00 a.m. **Board of Directors** meet in the Briefing Room
- Adjournment by noon

The New Broadmoor West

The new \$9 million 150-room convention oriented facility on the west bank of the Broadmoor Lake is open and meeting the increasing demands of the convention-resort business created in the Pikes Peak Region by the Broadmoor Hotel in the last decade.

At the foot of Cheyenne Mountain, Broadmoor West is the culmination of six years of planning and building with conventions remaining at the forefront.

"Broadmoor West is designed to have the ultimate in meeting and convention facilities," says Fred Sindt, the Broadmoor's publicity and advertising director.

"We are a resort-convention hotel. We offer all the resort amenities and are resort oriented with convention facilities 100 percent in mind."

Situated on the site of the former rodeo stadium, which the Broadmoor donated to the community, Broadmoor West was built to meet the discriminating needs and tastes of world-traveled convention guests.

With comfortable adjacent meeting rooms that open onto a new outdoor swimming pool, Broadmoor West has the hotel's first cocktail, entertainment showcase across from the exclusive a la carte Charles court dining room—which opens onto the lake and the charming 50-year-old hotel that begat the world of the Broadmoor.

An Institution

To many people, the Broadmoor is an institution.

"Natives still think it's a high class European resort spa" Sindt says. "Up until the mid-1950s, the Broadmoor was a European resort-type of spa. It catered to tourists who were coming up here for a resort experience."

Maintaining that resort atmosphere, the directors of the Broadmoor decided in the late 1950's to expand the hotel facilities with the 144-room addition (Broadmoor South) and the convention-designed International Center, which can seat a 1,600-person banquet.

"The International Center is basically a convention center although we do have some summer theatre there," Sindt says.



Panoramic view of the Broadmoor complex.

The additions were successful, according to Sindt, "for the first time in the Broadmoor's history we started to make a profit."

The occupancy rate mushroomed in the 1960's and early 70's with the increased convention trade.

Conventions Come Back

"Our market is good," Sindt says. "The conventions are coming back. They are growing. When they used to order 200 rooms they are now ordering 300 rooms."

"And we have more groups coming in. Say, for example, when we had 375 groups meeting here annually, we now have 450 with more wishing to come in. We have a sell-out period when we are completely sold out for the next 10 years. We are squeaking we're so tight."

Rather than lose the growing list of customers and create service problems, the board of directors again decided to expand.

"This expansion was going to be a bit more tricky because we were going to have a add additional golf facilities," Sindt says in reference to the third 18-hole golf course at the Broadmoor to be opened in May. The course was designed by Arnold Palmer.

special events, retail merchandise, food and beverages.

"As we created our own convention center," Sindt says. "That's the number one key to handling conventions; we need one room where you can hold a convention and all those attending can sit down and have dinner. We have that at the International Center."

Self Contained Entity

It's also important to understand that Broadmoor West can handle an entire convention by itself. There may be times when convention guests will have to come to the east side of the lake. A convention may also be held in Broadmoor West from the main part of the new hotel facility.

Where the Broadmoor once had a 65 percent annual room occupancy rate, it now has a 65-70 percent occupancy rate with periods of total book-

ings. "We feel Broadmoor West is going to increase our number one market, which is the convention industry," Sindt says.

The convention market includes conventions where 250 to 300 people desire a resort site where they can play golf and tennis, enjoy excellent dining and entertainment facilities and executive conference rooms. They have found all over the area. To this end, Broadmoor West also meet their needs.

In addition to the Broadmoor Hotel complex, the corporation also manages the largest downtown hotel in Colorado Springs, the Antlers. If city officials are successful in obtaining approval possibly in September, a million convention center will be built within a short block of the hotel.

The Broadmoor is not trying to monopolize the convention industry in Colorado Springs but meet the increasing demands placed on the Broadmoor by conventions," Sindt says.

Rooms during the April to November season at Broadmoor West will be \$70 a day with the four-bedroom house suites running \$40 a day. Broadmoor West is a resort home for conventions. It is a new world in a traditional state. West is the Broad-

Harsh Facts on World Hunger

from Chicago Daily News

A group of American religious leaders has urged Congress to adopt concern for feeding the world's hungry as a "cornerstone" of U.S. policy. The ministers urged Congress, in fact, to affirm the "right to food" as basic to humanity. The churchmen contend, however, that there is no need to tolerate hunger because there are means at hand to feed the millions of hungry mouths on Earth.

The humanitarian concerns of the religious leaders are sincere. But it is misleading the American people, to imply as the clerics did that solving the hunger problem is mainly a matter of correctly ordering policy of the U.S. government. Similarly, it poorly serves mankind to assert food as an inalienable right without emphasizing as well the obligations of national governments to work for control of population. The rate of increase in people is threatening to devour this planet's resources like cancerous cells ravaging a healthy body.

Since the United States and Canada today produce 80 per cent of the feed grains for export, the one-sided acceptance of the "right to food" idea would seem to mean that these nations are obligated to provide that food. Even if assisted mightily by the other developed nations—altogether a small portion of the Earth's 4 billion population—the surplus-food-producing countries could not meet world food demands. With too little food available already, the most optimistic forecast for increasing food production—about 3½ per cent a year—does not close the food-and-people gap.

Too Many People

One of the frankest assessments made of the food and population crisis comes from the Environmental Fund. In a recent statement by the public policy group, 39 leading Americans repudiated the idea of a "food crisis." "The problem is too many people. The food shortage is simply evidence of the problem," said the statement. It was endorsed by a disparate group of people, including biochemistry professor and author Isaac Asimov, biology professor Paul R. Ehrlich, editor Clifton Fadiman, poet

Archibald MacLeish and union leader Leonard Woodcock. The facts cited are harsh. But they must be faced.

Since the end of World War II, the United States has given at least \$80 billion in food aid; yet the underdeveloped nations are less able to feed themselves now than they were then. Incredibly, at a major world food conference in 1974, the Third World bloc denounced advocates of population control as racists, and said the rich nations of the world have the responsibility to feed the expanding millions in the poor nations.

Help must be given wherever possible, and one agricultural expert, University of Chicago professor D. Gale Johnson, argues that the developed nations are giving too little technical and scientific help to underdeveloped nations. In formulating foreign policy for the years to come, the United States and its industrialized allies must give greater emphasis to such self-help aid. To the extent it succeeds, such assistance creates security greater than any extension of arms and military alliances.

Hard Choices

But in a world where a majority of nations refuse to discipline themselves, some hard choices must ultimately be made. As the Environmental Fund statement notes: "At some point, we in the United States are going to find that we cannot provide for the world any more than we can police it. . . . We must not permit our aid to underwrite the failure of some nations to take care of their own."

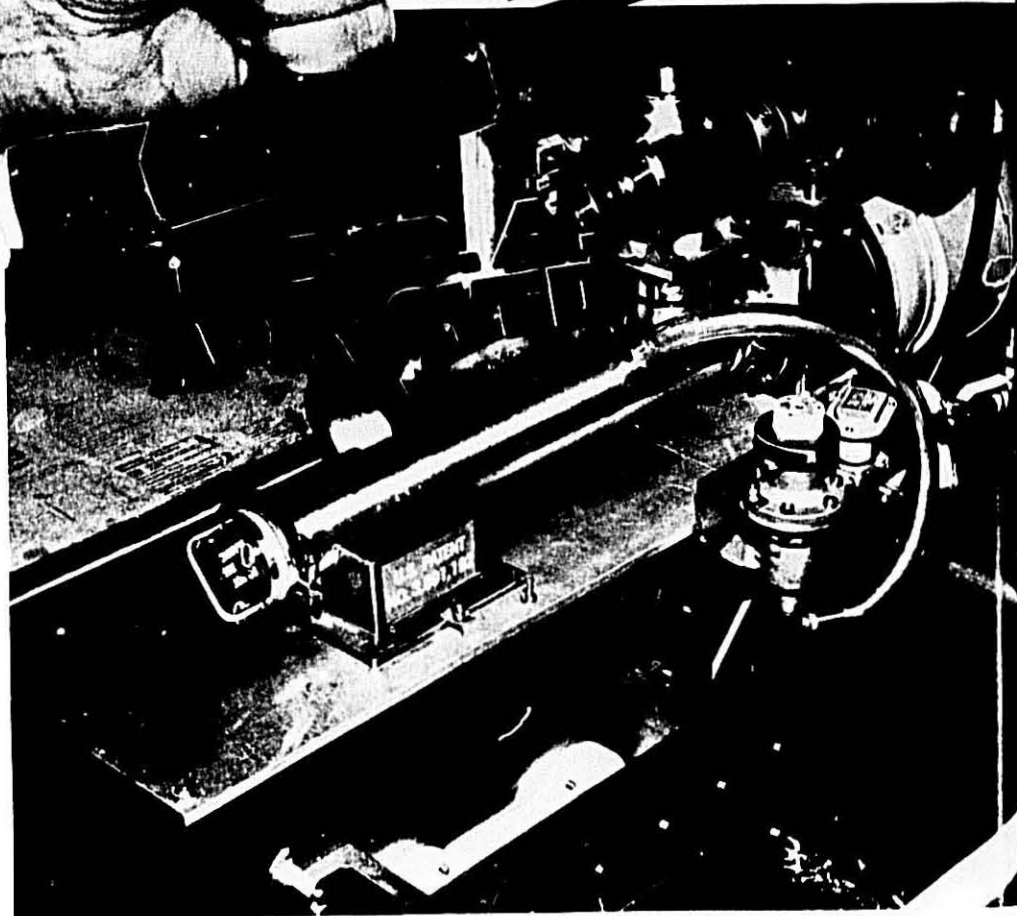
Birth control, not technological miracles or human compassion, is the fundamental answer to the food problem facing the world. Even if unexpected progress both in curbing births and increasing food supplies is made over the next several years, there will long be problems of malnutrition and starvation that are simply beyond human power to eliminate.

From the Horse's Mouth

" . . . we are a massive and complex society. It has long ceased, if it ever did, to operate best on government disinterest or indifference. Indeed, without massive government, it cannot operate at all."—Senate Democratic Leader Mike Mansfield (D-Mont.).



EXCLUSIVE



The only continuous macaroni mixer U.S.D.A APPROVED for use in meat and poultry plants under federal inspection

The United States Department of Agriculture, Consumer and Marketing Service, Protection Programs, Equipment Group has approved use of DEMACO Extruders

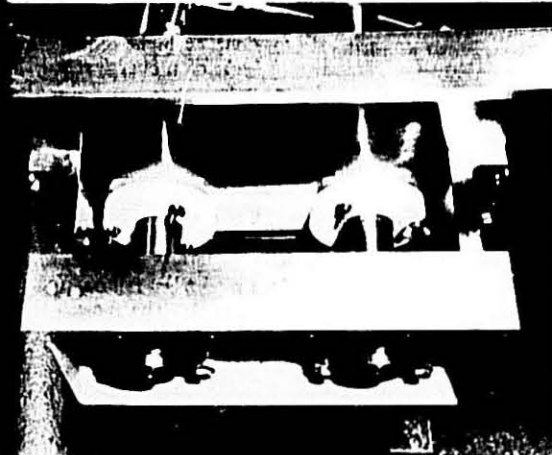
in Federally Inspected Meat and Poultry Plants. Each DEMACO Extruder so approved has the Continuous Macaroni Mixer shown here.



BACTERIA PROOF!

The DEMACO Mixer (shown on the left) has all welded and ground smooth stainless steel construction which eliminates any cracks and crevices which could harbor bacteria.

Mixer paddles are welded to the shafts with joints ground smooth as above, to eliminate probable trouble spots. Bearings and the gear box are located well away from the product zone.



OIL LEAK-PROOF!

The mixer shafts come through the stainless mixer end-plates. Delrin spacers seal the product zone. The mixer shafts continue into the gear box, where conventional packings are used.

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A Cool Look at OSHA

An editorial from the
Wall Street Journal

Of all the new rules imposed on business by Congress in its 1970 fit of environmental regulation, the ones that seemingly have caused the most annoyance are those in OSHA, the Occupational Safety and Health Act.

The quarrel, we suspect, is not with the objectives of the act. There are very few of us who would seriously argue that the nation cannot afford to give its workers reasonable protections against accidents and work-related disease. Anyone who has ever worked in an unsafe environment knows that there is indeed a role for the state's police power to play in insuring that such conditions are corrected.

The problem, we suspect, lies in how the act and its administrators have set about to do this. They have set about it by writing endless rules—there now are close to 4,400 of them covering 800 pages in the Code of Federal Regulations. With this massive codebook in hand, OSHA inspectors then go around to see if employers are obeying applicable federal standards.

Complexities Create Disgust

Should it be any wonder, given the complexities of trying to obey that many rules, that there has been a general disgust with OSHA, even among employers with the best of intentions towards their employees? The other part of the problem is that employers and employees alike can see clearly that some of the requirements they are asked to meet have little application to the safety of their particular jobs. One hospital worker we know, for example, tells a rueful story about being accidentally drenched by a federally mandated special shower designed to quickly remove caustic chemicals in case of accidental contamination. The shower cost the hospital a lot of money and no one felt it very likely there would ever be an accident of that type.

Multiply that hospital shower a million times or so and you have an extremely large capital cost that pays no return in any sense, economic, social, psychic or whatever. There is obviously something wrong with a government program that has such a

result. The other side of the coin is that in its focus on rules, OSHA probably spreads itself too thin and thus neglects opportunities for having a stronger impact.

Suggestions from New Study

In a new American Enterprise Institute study, Cornell labor economist Robert Stewart Smith notes that OSHA has only enough inspectors to inspect the typical worker's factory once every 10 years at the most—and even then only the most obvious violations are caught. Not only are the standards too detailed and numerous for complete comprehension by either employer or inspector, they are constantly being outdated by changing materials and technology.

Professor Smith offers some suggestions worth considering as a way of meeting the problems of OSHA. He proposes, for example, that OSHA target on plants with the highest injury rates within detailed industry and size groups and set about to find the actual causes of the problem, rather than merely theoretical hazards. To provide an incentive for employers to identify hazards and deal with them, he proposes an injury tax which would be computed from, and remitted with, the injury reports plants now file with the Department of Labor, or possibly assessed through the workman's compensation as presently set up has only a small safety incentive, because it does not sufficiently target on hazard-out plants.

Professor Smith concedes that such an approach might raise prices relatively in industries that are inherently hazardous, the lumber industry, for example. But he finds nothing basically wrong with the possibility of substitutions that might reduce employment in inherently hazardous industries. He also suggests that OSHA would be more effective if it devoted more time and resources to identifying occupational health problems, rather than expending so much effort to control injuries.

The arguments of Professor Smith are subject to debate. Positive incentives toward plant safety might be more beneficial than penalties, since many hazardous plants probably are also economically marginal. But positive incentives imply subsidy, a principle that has economic problems of its own.

At any rate, it is an issue that Congress should muster up enough courage to reopen. Those complaints from constituencies really do have merit. And, who knows, on the second try they might get it right.

OSHA Reports the Top Ten

In one southern state, the top 10 violations reported by OSHA were:

- 1) Failure to post OSHA poster;
- 2) Failure to post summary of injuries where employees can readily see it;
- 3) Failure to keep injury log (which must be maintained even if there have been no injuries);
- 4) Electrical equipment plugs were not all three-pronged and properly grounded;
- 5) Rails lacking around stairways and stairwells;
- 6) No guard around open gears;
- 7) Fire extinguishers not in proper position (they must not be on floor or higher than five feet);
- 8) Lack of proper first aid kits on premises;
- 9) Lack of proper exit signs;
- 10) Violation of general good housekeeping rules.

Changes in Management Style

In a report last fall on "Young Management: The new goals, rewards, lifestyles," *Business Week* concluded, "Often the biggest change young executives make is in management style itself, inviting participation and handing down authority as their predecessors never did." In the words of one 32-year-old president, "We work together as peers. It doesn't matter whether you're president or an engineer. Authority goes to competence."

A top financial vice president says, "I like to select talented people and then attempt to motivate them. I'm more risky, but I like to give them the freedom to be creative." Robert Bell, at 31 the general manager of grocery marketing for Heinz, is proud that he has never fired anyone. He describes his management style as "Hire the best people, establish their goals, and leave them alone."

72nd ANNUAL MEETING
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THE MACARONI JOURNAL



Vintage Pasta

For pasta products worthy of distinction, you need perfect ingredients... ADM pasta-perfect ingredients.

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Packaging In Perspective

Arthur D. Little, Inc. was retained by the Ad Hoc Committee on Packaging to conduct a study on the many roles of packaging in our economy and our society. Following are the results of that study reprinted from Pure-Pak News, published by Ex-Cell-O Corporation.

In recent years packaging has been under attack as a consumer of our limited material and energy resources and as a contributor to solid waste. These are the issues that are being debated today. Some urge sanctions; others cry out for less packaging.

Viewed solely from this perspective, such outcries may be justified. However, this perspective is only one of many. We must also consider packaging's role in our economy and in our society. If we do not, we may risk the serious danger of overreacting and of neglecting the harmful rippling effect that can result from an injudicious attack on packaging waste.

Packaging has many roles, means many things and is often seen differently, depending upon the viewer. Some consider one-way containers and other packaging materials wasteful and major contributors to urban solid wastes.

The average consumer seldom mentions the solid waste issue when asked what he or she dislikes about packaging. Consumers are more preoccupied with packages that are difficult to open and reclose, that do not protect or dispense their products properly, that leak, that do not store easily on the home shelf, or that lack proper identification or instructions. In short, the average consumer is concerned that the package function properly.

But packaging is more than a container. It is a system in which the product is the focal point. And in this context, the total value of packaging when the cost of design, filling, plant operation and other services are included, is estimated to be \$35-40 billion annually or about 10% of the value of all finished goods bought by the U.S. consumer each year.

The Functions of Packaging

To understand why packaging is what it is today, we should understand what packaging does

Protection. In America's complex distribution system, where a product made or grown in one locality often is found in every city and town, protection is a key function of packaging. The package must protect the product during transit and in storage.

Containing. A second function is to contain. Without packaging, such products as carbonated beverages, sanitary and sterilized products, highly corrosive liquids and many gaseous products would be virtually impossible to transport and distribute.

Sanitation. Packaging maintains the sanitary integrity of a product. Sanitation is fundamental in our modern society, where many food and drug items are stabilized against deterioration during processing.

Communication. Packaging serves as a communication medium. Mass self-service retailing, which lowers the cost of moving products from producer to consumer, could not readily exist without the package. The task of communicating identity, brand, price, instructions, warnings, and warranties is left to the package and the all-important label. Less than half of the products sold by the typical supermarket receive significant media advertising. The remainder (excluding commodity products such as produce and meat) are promoted only by the package—an approach that is generally less expensive than most media advertising.

Unitizing. An important function of the package is to unitize or combine a number of single units or individual packages so they can be transported, marketed and, in some cases, purchased as a single unit with a minimum of labor or mechanical energy and at less cost to the consumer.

Prevention Against Pilferage. A function which has assumed increasing importance in recent years is the prevention of pilferage.

Apportioning and Dispensing. Packaging frequently apportions and dispenses products into quantities readily used by the consumer, and does so safely and easily. Thus, we have bottles with "no-drip" tops, easy-grip handles, metal pouring spouts, special dispensers for salt, pepper, mustard and salad dressing, and plastic

squeeze bottles for detergents. And we have packages that are easily open and reclose.

The Benefits of Packaging to the Consumer

Because packaging provides protection, preservation and sanitation on a mass scale, the U.S. consumer today is supplied with an abundance of nutrients at the lowest cost. Even now, when food prices are high, the American consumer spends less of his income for food than do his counterparts in most of the rest of the world.

Because of the efficiencies of the U.S. food-distribution system and the package, few nutrients are lost in moving food from the field to the table. For example, the average loss incurred in processing and packaging tomatoes and in moving them from field to the consumer are 5-10%. In areas of the world where no packaging industry exists, much of the food produced in the field never reaches the consumer, and the population suffers from malnutrition.

Packaging is worth money to the consumer because it reduces the cost of the product, reduces risks in purchasing, preparing and using the product, and increases the choice of available products. Today, if a product is sold with or without packaging, the packaged product is usually the lower cost one. For example, according to government and industry studies, many processed foods are less expensive to the consumer than their unprocessed equivalents. Savings range from 5¢ for a serving of peaches to 36¢ for a serving of pot roast.

The food-processing industry lowers the cost of packaged food significantly, because this industry provides the farmer with a huge market that permits him to grow his crops efficiently on a massive scale. This has led to mass production economies which have provided today's consumer with a variety of high-quality food year 'round at low cost. The canning industry alone produces 1,400 different items.

Not only is a wide range of food products available to the U.S. consumer at low costs, but they are microbiologically safe and hygienic.

ASEECO BIN STORAGE SYSTEMS

BIN STORAGE

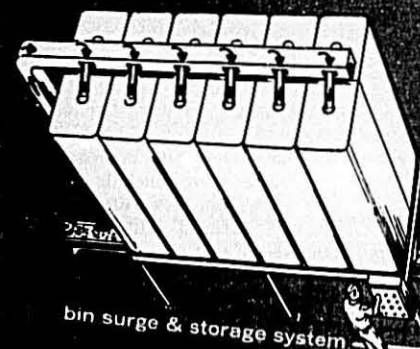
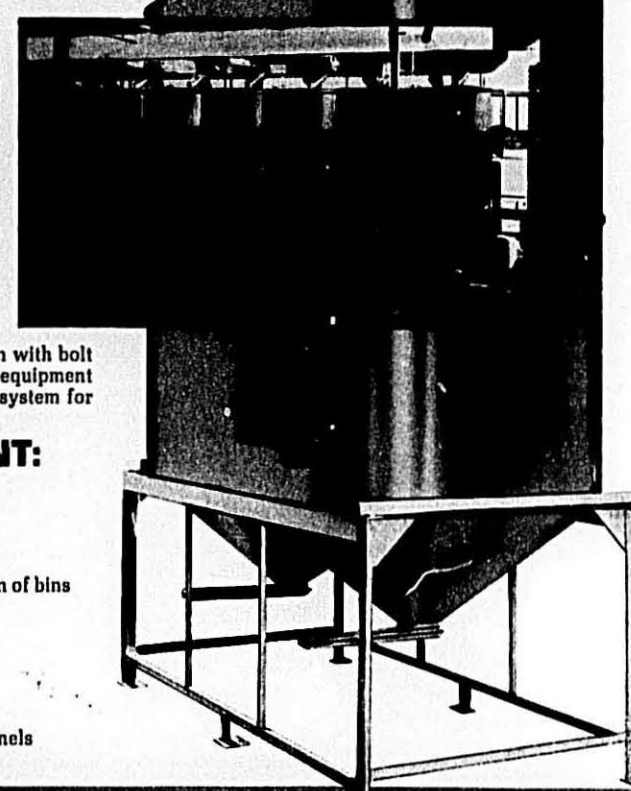
A fully automatic bin storage system for free flowing materials—Product is conveyed from processing into the Aseeco Bin Storage System by means of conveyors. The operator can fill any bin by operating a selector switch at floor level. In a few hours, when the bin is full and a signal is actuated, the next bin can be selected manually or automatically.

Material is discharged from bins on demand from packaging or processing machines. Automatic discharge gates at bottom of bins control material flow into belt or Vibra-Conveyors.

Bins are available in sanitary construction with bolt or weld on support structures. Optional equipment provides for a complete automated storage system for large storage or overnight storage.

OPTIONAL EQUIPMENT:

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- Bin Empty Signal System
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- Bin empty light indicators
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Packaging in Perspective

(Continued from page 16)

In providing production, packaging has made convenience foods possible. These range from dressed poultry to fully prepared hot meals. They offer the consumer ease and speed of preparation and high quality and uniformity. In general, convenience foods take about one-fourth as long to prepare as it would take to make the same foods from the basic ingredients. Moreover, though they save time, many convenience foods are not expensive. A government study indicated that of 158 convenience foods considered, 42 were calculated to be less expensive than the counterpart products prepared in the home from fresh ingredients.

These savings occur because processing convenience foods often reduces marketing costs. For example, removing water and waste during processing reduces perishability and bulk weight and thus reduced transportation costs for the processed products. All existing government and industry statistics clearly demonstrate that convenience built into most packaged products provides cost saving to the consumer as a total system, and these advantages have been recognized by consumers who have been investing increasingly in these types of packaged foods.

Packaging will continue to have many roles and many functions. It will remain an essential system within the total system that brings more products to the American consumer at a cost he can afford. It will continue to be a complex, delicately balanced, self-correcting system that has operated and should operate on the basis of a free competitive market.

Promoting your Grand Design

A speech delivered by Elinor Selame, Executive Vice President, Selame Design, Newton, Massachusetts, to the Annual Conference of the Paperboard Packaging Council in Chicago.

Stand proud, you packagers. It is you who have helped to give the American family the highest standard of living in the world. Our American packaging and distribution system has reached a state of the art that is the



Elinor Selame, author of *Developing a Corporate Identity: How to Stand Out in the Crowd*, recent Library Journal best business book award-winner, uses examples of Selame Design's packaging projects in her lectures to the packaging industry.

envy of the world. And when the critics tell you that packaging is wasteful, tell that person to eat uppackaged goods in a country where the state of the art does not exist. Tell them to eat food the really natural way, complete with healthy mealworms and buzzing flies, housed in bacteria-soaked barrels and felt by a thousand hands. And when the critics say that package design which helps to sell the products is an unfair influence on the consumer and should be curtailed, tell that person to study the esthetics of army nomenclature on a C-ration following regulations created by army engineers. Those of you who have been in the armed services may remember the value of a Hershey bar in that silver and brown sleeve, compared to the regulation bar that looked like insecticide.

Constructive Criticism

"Constructive criticism is the motivating force for improvement. On the other hand, destructive criticism by the uninvolved impedes progress and prolongs human agony. And speaking of agony, it was my pleasure (as you may know) to have been a judge at this year's packaging competition. Those of you who have ever judged know the agony of picking a few winners out of so many good entries.

"Your industry is involved in packaging needs of products that actually range from soup to nuts and beyond. It's also interesting to note that when an innovation is made and you market a concept which takes a product out of a jar or a can and put it into paperboard, the manufacturer's costs are lowered, and the consumer benefits because the product is usually lighter, more convenient to carry and less expensive to buy.

Qualities for Judging

"And when you do this and use a little board as possible, you win at other point. The four qualities I look for in judging a package are:

1. Is there a recognizable trademark or a power idea that stands out?
2. Does the package show and tell? Can the self-service customer understand the contents?
3. Has every modern technique been used to hold down per unit cost and save costly materials?
4. Is the package attractive and above all attracting?

Evaluate Your Image

"Now it's one thing for you in your industry to get together and congratulate the award winners, but what happens after? All year, you've been working hard to sell packaging, maybe some of these award winning packages can now help to sell you. Does your company project the same quality image your award winning packages project? Now is the time to evaluate your visual image—do you look as good as you know you are? How can you promote your grand design?

"Some of the visible areas available to you where a unique theme can help your company to stand out in a crowd include signing, sales promotion, advertising, and the best promotional billboard of all—your trademark that sixty foot travelling package bears your name. The secret of promoting your grand design is to repeat the same visual theme in all available media. Your trademark should serve as the one visual constant in the long chain of communications from your company to its customers and the public at large. Planned corporate identity has the potential to make tomorrow's business something more than an accident."

THE MACARONI JOURNAL



Experts don't kid around when it comes to digging into good-tasting, nutritious pasta dishes.

**You can't kid
a real
spaghetti
expert.**

Sure, it has to look good, and of course it has to taste delicious.

But even a 7-year-old "expert" probably doesn't know how pasta gets to tasting so good. That's why it's good to have Amber Milling around. Our milling and quality control experts make sure your pasta operations have a reliable source of semolina and durum flours milled from the choicest durum wheats...Venezia No. 1 Semolina, Imperia Durum Granular, or Crestal Fancy Durum Patent Flour.

Amber also makes it easier to control your production schedule by meeting your specs and making shipments when promised.

When it comes to eating pasta, everybody's an "expert." When it comes to making good pasta products, you're the expert; and when it comes to making good semolina and durum flours, Amber's an expert. Call Amber, now!

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The Story of A. Goodman & Sons, Inc.



Hannah Gutkind. She started the family's baking tradition in 1766.

The firm of A. Goodman & Sons, Inc. Long Island City, N.Y. had modest beginnings in Philadelphia where it was founded in 1865 by Augustus Goodman. The company traces its origin to the German village of Filhene in the province of Posen, now part of Poland. It was here, beginning in 1766 that the honor of baking Passover matzos for the Jewish population of the town was bestowed upon Hannah "the matzo baker" as she came to be called. She was assisted by seven children and by her grandchildren, including Augustus.

Army Baker

When Augustus Goodman came to the United States, it was only fitting that he follow his grandmother's heritage. He settled in Washington, D.C. where he found employment as a baker for the Union Army. His name in Germany was Gutkind, meaning good child. He changed it to Goodman, and following the end of the Civil War married Clara Kraft and opened a bakery in Philadelphia.

Here he noticed that at Passover time his customers bought more matzo than they needed for the week-long observance, so he began to bake them for year-round consumption. Another turning point came when he started to make noodles and related products.

The bakery prospered and Augustus and Clara, by now the parents of three sons and three daughters, moved to the lower east side in New York City in 1883. One son, Eddie, and David Cowen, a son-in-law married to

daughter Miriam, were brought into the business. Miriam Cowen lived until March of this year when she died shortly before her 103rd birthday.

In succeeding years, the Goodman company in need of larger quarters moved to a multi-storied building on East 17th Street in Manhattan. It remained there until 1946 when the present location in Long Island City was purchased.

Founder Goodman lived until 1921 after which David Cowen became president. In the meantime, the company's line had been expanded into a variety of pasta products, dehydrated soups and other kindred items. Distribution was made by salesmen driving horses and wagons. These gave way to a fleet of trucks and sales expanded to chains and independent grocers in the metropolitan area. Out of town sales also were begun through local distributors.

Erich Cohn - Robert Cowen

During this period, two grandsons of Augustus Goodman, Robert I. Cowen and Jerome Maier, joined the company, as did Erich Cohn, a great nephew of the founder who had come from Germany to attend the 50th wedding anniversary of his great uncle and aunt.

When David Cowen died in 1937, Mr. Cohn became president of the company. Robert I. Cowen succeeded Mr. Maier as vice president in 1948



Erich Cohn. President of A. Goodman from 1937 to 1972.



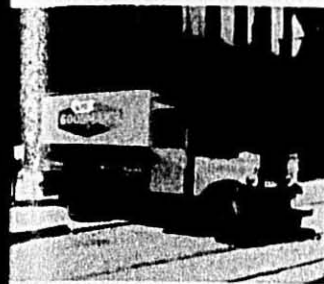
Augustus Goodman. He founded the company bearing his name in 1865.

and became president following the death of Mr. Cohn in 1972. He devoted much of his time and energy to the National Macaroni Manufacturers Association serving as an officer for eight years including two as president. At the end of 1975, his son Robert Cowen Jr., was elected president and Cowen Sr. board chairman. Mr. Cowen Jr. and Melvin H. Golbert, vice-president and son-in-law of the late Mr. Cohn, also were named directors of the firm.

Tradition

The Goodman operation is a traditional one. Noodles still are rolled by hand on the company's white, six story factory which, with its spectacular roof sign, is a landmark seen by riders crossing the 59th Street bridge from Manhattan to Long Island City. Raw materials are lifted or blown to the top floor and gravity-fed through various production stages to the bottom elevator shipping department. Noodles, other pasta products and dehydrated soup mixes are distributed in the metropolitan area through chain and warehouse salesmen and elsewhere through distributors. Matzo products are handled in all markets by distributors with store-door delivery to retailers.

The Goodman brand of noodles with its red and blue packaging graphics has maintained a dominant share of market in the metropolitan New York area. Fine, medium and wide noodles are packaged in 16- and 8-ounce boxes and 7-ounce clear plastic bags. There also are a variety



Horse-drawn wagons gave way to trucks in the early 1920's.

The Goodman Story

cuts including wide-wide, barley shape, flakes, alphabets and bows. Now macaroni and spaghetti varieties round out the pasta line.

Goodman Noodles help to make Podleman Noodle Soup mix a popular product. Other dehydrated soup mixes include onion, vegetable noodle and cello packs of split pea, vegetable and minestrone.

Eastern Markets

Today approximately 60% of the company's sales are made in the New York metropolitan area. The remaining 40% is divided among distributors, institutional accounts, and industrial accounts throughout the country with most concentrated along the eastern seaboard.

A continuing program of radio, television and newspaper advertising has helped to position the Goodman's name as one of the best-known in the food industry. Above all, however, it is family pride that motivates the present day descendants of Augustus Goodman to maintain the highest product quality guide and to verify the company's slogan. . . "What does the company's name like Goodman, what does it stand for?"

Planning for Succession in the Family Business

In his workshops, Frank Butrick, managing director of the Manufacturers' Institute, Oxford, Michigan, points out that when an owner reaches his mid-forties or fifties—in short, when the business has been established—this is the time to take a look at the future. "What does the man want for the future of his company himself? Does he want to stay in



Goodman's present management: Robert Cowen, seated, is Chairman of the Board. Standing, left to right, are Melvin H. Golbert, vice president and Robert Cowen, Jr., who was elected President last year.



Artist's rendering of the Goodman building on East 17th Street, Manhattan, in which the company was headquartered from 1922 until 1946.

business? Does he want to build the business up and sell it? There are a number of different options," Butrick says. This is also the time when a man will know if any of his children are interested in joining the business and, more to the point, if he is interested in having them join, Butrick adds. "If he has no sons or daughters who are interested, it's also time to face up to this and take a look at his other employees to see if there might be a surrogate son or daughter whom he would want to develop.

"If he has a successful business and intends to keep it so, particularly if he hopes to retire early or if he wants to retire and derive some of his income from the business," Butrick continues, "then he dare not have it collapse." There's no real point in building up a business and leaving it to someone who is not associated with it, he stresses, so he needs some kind of successor.

Butrick believes in planning ahead. "If a man does want to develop his own children within the business, he should get started on this relatively early—based on my experience, 12 to 14 seems to be the ideal age to get children involved in the company, working on company business on weekends, after school, etc." Butrick encourages getting children involved in the business fairly early in life "so that by the time they go to college, they've had enough years of working

in the business to have gotten past the unloading trucks and sweeping the floor end and have gotten really interested in the business." He adds, "When youngsters get started early enough, it works out beautifully."

Though succession is the "umbrella," the first big step, Butrick says, is to interest the son in the business and having him unload trucks is not the way to do it, he points out. "The father who is the president and owner of a business could make a lot more progress with his own youngsters if he introduces them first to the presiding end of the business—the excitement of decision-making, risk-taking, planning. If he can reveal this side of the business to the youngster, often he can stir up interest that often would not be there if the youngster thought all he was going to do was wait on customers, sweep floors and shuffle inventory," Butrick says.

Building Interest

"I think that an early exposure to why the parents do what they do is important," Butrick stresses. "The man who runs the business works long hours and he wonders and worries and struggles in the business. Whether it's going well or not is beside the point, he still works longer hours and I think it behooves the parents to get the youngsters interested so they understand the reason that father isn't home for dinner every night is be-

(Continued on page 24)



Pasta Masters.



Super cool summer salads start with pasta made by Peavey experts from our fine Semolina and Durum flours.

At Peavey, there's a longstanding tradition of searching out ways to make our products perform a little better for you. In our miniature macaroni press and dryer operation, for example, our own pasta experts actually make test batches of pasta so they can precisely analyze its color, nutritional content, and shape retention. We've found this is a proven way to constantly improve our products. We're also very willing to work with our customers on their new product ideas, using our miniature equipment. Naturally, we're very discreet about keeping their secrets.

Another reason why Peavey's such a popular name with pasta manufacturers is the consistently high quality of our King Midas Semolina and Durum flour. We start with Durum wheat from the North Country. Then mill it in our modern, well-equipped facilities that were designed specifically for producing the best Semolina and Durum flour available today.

Our pasta masters even develop recipes utilizing pasta in mouth-watering new ways, as in the cool summer salads shown here. Recipes are available to you without obligation. Just drop us a line, and we'll rush them to you, plus answers to any questions you may have.

Peavey Technology. Continuously probing the future to get better results for you.

Peavey

Industrial Foods Group

Peavey

Sales Offices

Family Business

(Continued from page 21)

cause he's tied up in the business—not because he's forced to, but because it's the most fascinating thing he can think of doing with his time. And if the youngster can begin to see the magic, the excitement of paddling your own canoe at an early age, that will carry him past a lot of the 'garbagy' kind of work he'll be introduced to in the beginning, just the way that it carried the man past the 'garbagy' end of the business when he was starting it up. I think the passing of the dream is the most important thing. If you can find a child who has adopted his father's dream or some minor variation on it, then he's the one who'll come along, who'll develop management expertise and ability because he wants to—not because his father insisted on it."

While the youngster is learning the "menial" end of the business, Butrick says, "at the same time he should be given a constant running exposure to the presiding and how the father does the things he does and why he does them that way." He advocates giving the son a running acquaintance with the company from top to bottom while pursuing a deliberate program of learning from the ground up. "You have to teach at two levels simultaneously," he says.

As the son develops ability and self confidence, usually by his middle or late twenties, the next problem, Butrick says, is "how to keep an ambitious son happy and out of the father's hair as he continues to run the place the way he wants to. So then we begin to talk in terms of developing new lines, opening new markets, opening branch stores, buying competitors. Since many men like the idea of acquisition, it becomes a rather integral part of planning a family business and an ideal training ground for the son, if it's done right.

"And there's estate planning," Butrick continues. "If all this is working well, what combination of trusts and investments and other things does the man need for the long-term continuity of the company and the security of the family? There's no real point in developing a son to take over and run the business if the estate is so organized that the company has to be sold

to settle the taxes and that happens all too often."

Family Business in the Office Products Industry

"It's a tremendous feeling of satisfaction when your child comes to work for you, and you see the things he can do and accomplish and that's what really makes the business fun," says Jack Maloney, president, Bush's Van Nuys Stationers, Van Nuys, Calif. Jim Conwell, Youngstrom-Conwell Co., Denver, Colo., agrees, adding, "There are some tremendous advantages in the parent-child relationship in the business. I think you have a more personal interest in the company, more interest in its growth and develop more concern and responsibility."

"The family-owned business continues to be a very important factor to the Gross National Product of the country, but it seems more so in our industry," says Maloney.

John Fellowes, president, Bankers Box Record Storage Systems, Franklin Park, Ill., says, "One of the major strengths of our industry is the large number of family-owned and operated businesses and particularly heartening has been the succession of second and third generations." He adds that because of tax problems, though, it becomes more difficult for families to maintain ownership.

Discussing Problems

Another problem family businesses face is that it is harder to train business leadership in one's own family, says Tommy Olmstead, president, American Office Equipment Co., Macon, Ga. "Just by having a Family Forum, we'll begin developing leadership within our own families and the forum might shed some more light on how to cope with this situation. I feel that so many members of our families have left our industry because they weren't given a chance to express their leadership abilities and a number don't come into our industry because they feel they cannot advance to be leaders."

He adds that another problem of the family-owned business is that you want to give the child enough room for development, but at the same time

you don't want to let it go to the other employees on a business level, says Olmstead. "This is the struggle for a parent with a child coming up in the business, plus the fact that he has other employees to consider." He points out that this is one area that the Family Forum can take up for discussion because it's a common problem.

Maloney continues with some additional topics that might be discussed in the Family Forum. "Top management can exchange ideas in the area that seem to create problems—how do you start training a young person when he comes to work for you, how do you compensate him, methods of promoting him in the company, which is the best way of passing on authority."

He sees several possible results of the group's formation. "Not only do you interest younger people to come into the industry, but how to keep them enthused and retain their interest would be one of the outcomes. Dealers with like organizations, non-competitive areas might want to exchange junior management for a period of time to help them see how others are doing things. This could be a tremendous asset." Maloney says the forum, simply because it gets members of family-owned businesses together to exchange ideas, will be a tremendous benefit, but the most beneficial result will be the contact that will be made among members of the group. Because of these contacts, he adds, members can call each other to discuss problems individually.

Strengthening Communications

Butrick says, "I think the long-term objectives would be better satisfied if the forum is a meeting place for two generations. This will help with communication and this is the crux of the problem in a family-owned business. If fathers, particularly, can make a deliberate effort to bridge the communications gap or avoid it, this will be beneficial."

Conwell adds that through the group, "you might achieve more understanding on both sides of the family and help people develop their relationships better." He points out that a big problem with having family members in the business is that it is not a pure business relationship."

plains that you communicate with other employees on a business level, says Olmstead. "This is the struggle for a parent with a child coming up in the business, plus the fact that he has other employees to consider." He points out that this is one area that the Family Forum can take up for discussion because it's a common problem.

Butrick says, "Husbands should work harder at getting their wives involved in the business—not necessarily by making them bookkeepers, but by having them know what's going on and discussing business decisions with them." He "most emphatically" suggests that wives attend the Family Forum meeting. He says, "In a family business, the wives have a tremendous effect, whether they're involved in it or not. Their positive or negative attitudes influence their children greatly. If the father and mother have a united front, it's much easier to interest the youngster than if the mother knows nothing about the business and doesn't care."

John Huguley, president, John Huguley Co., Inc., Charleston, S.C., points out that the business world is no longer a man's world alone. "One of the things the Family Forum will do is

give an opportunity to daughters and wives to learn more about the business and maybe it will attract them to joining the business."

Congress Acts on Small Business Bills

Several bills sponsored by SBC Senators were acted on in the first session of the 94th Congress. A summary of some of these bills follows. Further information on these items may be obtained from the SBC office.

Relief Under Fixed-Price Contracts

The Small Business Emergency Relief Act (P.L. 94-190) was signed into law December 31, 1975. The Senate version of this bill (S. 1259) was introduced last March by SBC member Senator William D. Hathaway (D-Me.).

This law provides that an executive agency may terminate or make limited modifications in fixed-price contracts between that agency and small business concerns upon certain findings, including a finding that specified cost difficulties are shown. Authority under this Act expires on September 30, 1976.

Simplified Social Security Tax-Reporting

New legislation will save small business at least \$300 million every year beginning in 1978 by ending the onerous reporting of wages every quarter to the Social Security Administration.

Introduced by Senator Thomas J. McIntyre (D-N.H.) in July 1975 (S. 2150), the bill to end quarterly reporting came to the floor as an amendment added in December by Senator Bill Brock (R-Tenn.) to H.R. 10727, a social security bill.

President Ford signed this important piece of legislation into law on January 2, 1976 (UP.L. 94-202), abolishing form 941A.

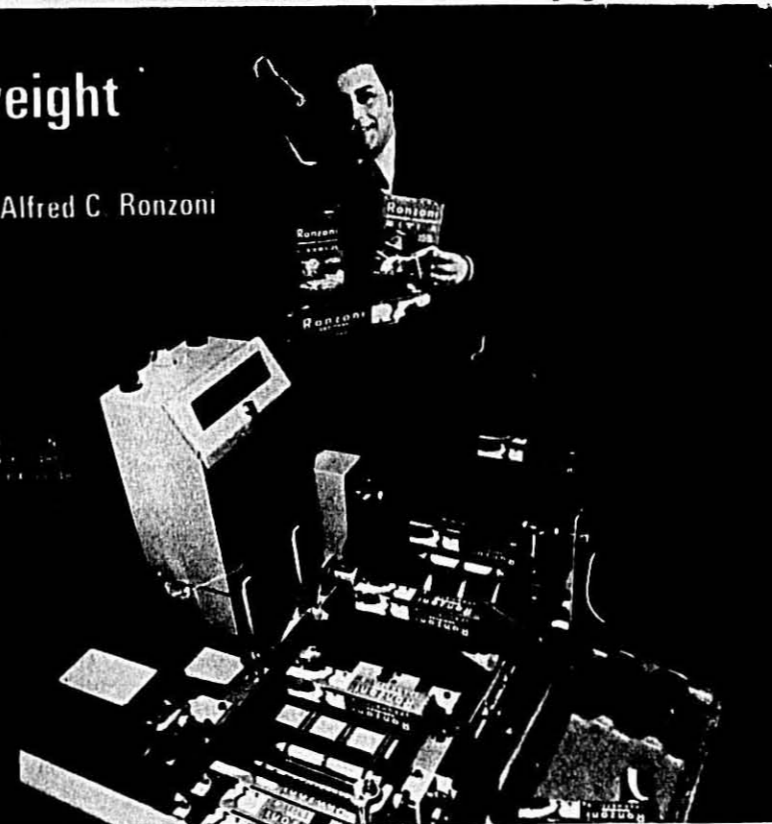
Farmers Eligibility for SBA Assistance

Under an amendment by SBC Chairman Senator Gaylord Nelson (D-Wis.) and Senator Jacob K. Javits (R-N.Y.), with 22 cosponsors, the Small Business Administration (SBA) would be directed to make its financial assistance and other programs available to farmers and agriculture-related small businesses. In the past, SBA has not incorporated loans to farmers in its financial assistance programs.

We keep our weight under control"

Alfred C. Ronzoni

HI-SPEED



Durum Wheat Improvement

From North Dakota Farm Research
Bimonthly Bulletin

North Dakota released durum varieties have made up at least 85 per cent of North Dakota and United States production during each of the last 10 years, continuing the dominant position held for many years. When durum production fell to about six million bushels in North Dakota in 1953-54 because of stem rust devastation, the varieties Langdon and Ramsey, released in 1956, brought durum production back to normal levels.

New races of stem rust attacked Langdon and Ramsey, which were then replaced by the resistant varieties Wells and Lakota, released in 1960. While Wells today is an important variety in North Dakota and still resistant to stem rust, newer varieties such as Leeds, Ward and Rugby have provided progressively higher stem rust resistance levels.

North Dakota State University and the USDA released their first semidwarf durum variety, Cando, in December, 1975. This release represents research over a 20-year period. Cando has high grain yield, excellent quality and excellent disease resistance. Cando is the first semidwarf durum to meet the requirements of North Dakota farmers and processors, a significant accomplishment by an already successful variety improvement program.

Three new durum varieties, Crosby, Botno and Rugby, were jointly developed and released by the North Dakota Agricultural Experiment Station and the USDA in December, 1973. These new varieties possess increased yielding ability over Leeds, and also have stronger straw, earlier maturity, improved disease resistance and improved spaghetti quality. These varieties join Rolette and Ward, released in 1971 and 1972, respectively, to provide North Dakota farmers six new varieties with several major advantages.

Leeds durum, released in 1966 and possessing greatly improved grain and spaghetti quality over Wells, has been largely responsible for happy domestic durum processors and for holding the large durum export market and favorable prices enjoyed the past few

years. Its acreage has been largely taken over by Rolette and Ward during the past years.

Rolette durum, released in 1971, was grown on about 38 per cent of the North Dakota acreage in 1974 and probably occupied 26 per cent in 1975. Early maturity, short stiff straw, large kernels and high yield make Rolette an attractive choice for producers.

Ward durum, released in 1972, occupied 47.5 per cent of the North Dakota acreage in 1975. Ward has about a 12 per cent yield advantage over Leeds and has stronger straw, greater resistance to leaf rust, excellent spaghetti quality and a lower incidence of leaf spotting than other varieties.

Several medium height durum selections, intermediate between Ward and semidwarf types, are undergoing final evaluation. These lines of a new height class for durums will provide shorter straw needed in most of the durum area, and allow a stem to carry additional spike weight without lodging. A smaller effort is being applied to the improvement of semidwarf durums. Recent improvements have been made in increasing kernel size, broadening disease resistance, stiffening the straw and improving spaghetti quality in experimental lines which are used in hybridization breeding programs. Research just completed has indicated several sources of genetic resistance to leaf rust are available and easy to manipulate genetically.

Higher-Protein Durums Might Strengthen Overseas Market

Genetically modifying durum wheat by adding protein characteristics of spring wheat may eventually improve acceptance of U.S. durums in export markets, a scientist of USDA's Agricultural Research Service suggests.

Dr. Leonard R. Joppa points out that spaghetti and macaroni manufacturers in Italy, an important overseas market, have criticized the low gluten-protein content of durum imported from this country. About half of our durum crop is exported.

Dr. Joppa has increased protein content and improved protein quality in semolina (flour) milled from an

experimental durum by adding a pair of spring wheat chromosomes.

The added pair of chromosomes increased the protein content of semolina by 2 to 3 percent—from the average of about 13 percent to 15 to 16 percent—and also greatly improved dough strength, he reports.

Dr. Joppa, an ARS geneticist, developed the new durum in cooperation with North Dakota State University, Fargo.

Semolina from the genetically modified durum may eventually be available for breadmaking, Dr. Joppa says, giving growers an alternate market in years of high production. Bakers seldom use durums now grown because of poor milling and baking qualities and the yellow color of semolina. Spring and winter wheat flours, in contrast, have the high gluten protein needed in producing yeast-leavened bread and rolls.

Durum and the common wheats which include spring and winter varieties used in bread and pastries—separate species, Dr. Joppa explains. They are similar in appearance, growth, and general adaptation but have a different number of chromosomes.

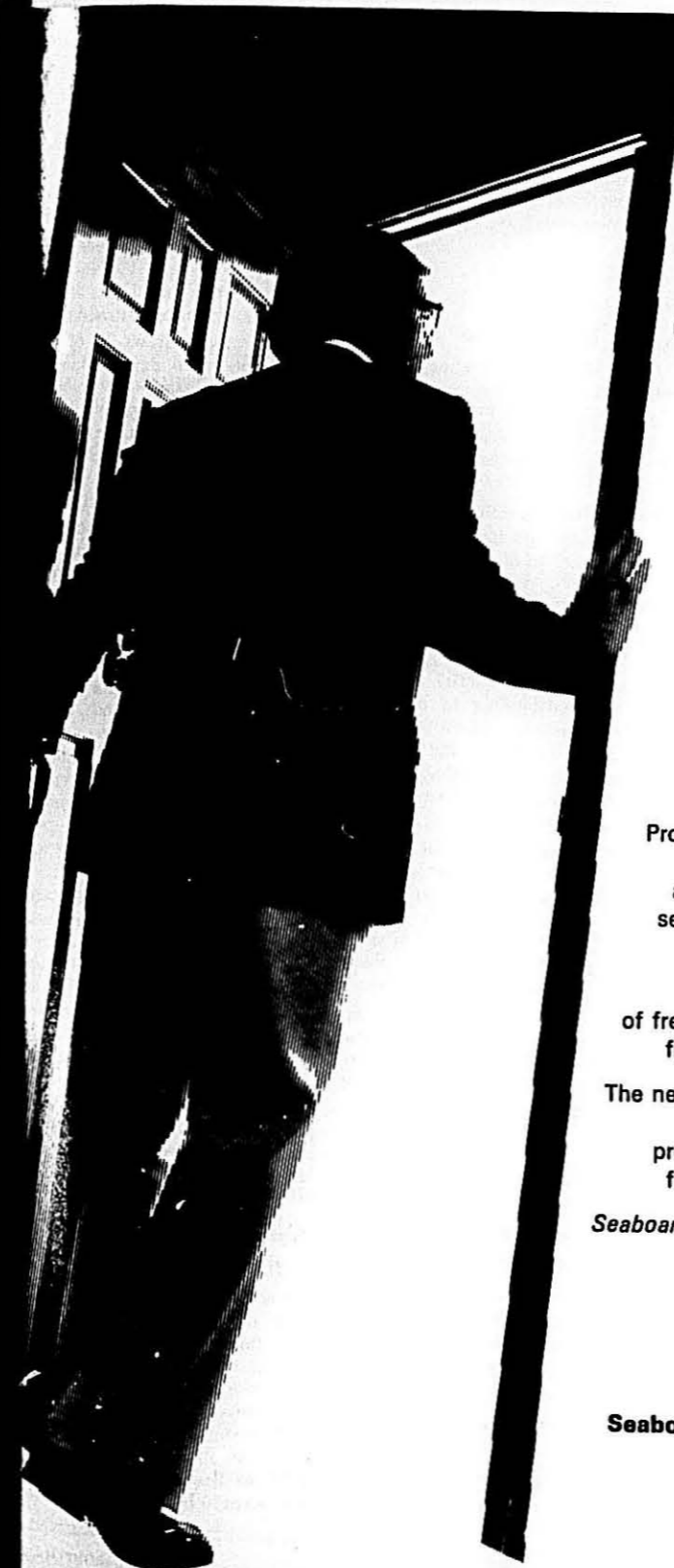
Durum has 14 different chromosomes—the A and B sets of seven chromosomes each. Common wheats have 21 different chromosomes—the A, B, and D sets of seven chromosomes each. The A and B sets of chromosomes appear to be very similar in the two species, he says, but many of the differences between durum and common wheats may be genetically controlled by D chromosomes.

Dr. Joppa created a durum with 15 pairs of chromosomes by adding a pair of D chromosomes from the variety Chinese Spring. Earlier studies at the Northern Regional Research Center, Peoria, Ill., had identified a pair of chromosomes, normally absent in durum, as one principally responsible for glutenin content of common wheats. Glutenins are the proteins controlling mixing quality characteristics in bread doughs.

The breeding technique is complex. Dr. Joppa selected a Chinese Spring line with four copies of

(Continued on page 27)

THE MACARONI JOURNAL



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Higher-Protein Durums

(Continued from page 26)

D chromosome and none of one A chromosome and crossed this line to the durum variety Langdon. After self-mating for two generations, he backcrossed resulting plants with 14 pairs of chromosomes to Langdon. Further backcrossing and selection resulted in a durum plant with 15 pairs of chromosomes.

Dr. Joppa says repeated backcrossing to Langdon should have eliminated most Chinese Spring chromosomes other than the D chromosome responsible for improving protein content and quality. Additional research must be done to determine whether a commercially acceptable durum can be developed by this breeding technique.

Multifoods Net Up for Eighth Year

Higher earnings for the eighth straight year were announced by International Multifoods.

Earnings per common share rose 13 percent to \$4.38 from \$3.88 for the broadly-based food manufacturer whose fiscal year ended February 29, 1976.

Net earnings rose to \$16,380,000 from \$14,111,000 in the previous year.

Sales declined to \$800,834,000 from \$828,200,000. This decline resulted from lower selling prices, reflecting lower ingredient costs, even though the Company's volume of goods sold increased.

Consolidated fourth-quarter net earnings were \$4,958,000, or \$1.33 per common share, on sales of \$202,626,000. This compares with \$3,636,000, or \$1.00 per common share, on sales of \$207,780,000 in the final quarter a year earlier. The results reflect the acquisition in February of the operations of Lynk Bros. and Baird, an Iowa seed company, on a pooling-of-interests basis. Prior quarters have been restated accordingly.

William G. Phillips, board chairman and chief executive officer, said that the Company now has generated compound annual growth rates of 10 percent in sales, 19 percent in net earnings and 16 percent in earnings per common share since 1968.

Phillips was optimistic over the outlook for the current year.

"The growth that we planned, with added emphasis in the Away-from-Home Eating and Consumer markets, is producing the earnings gains we anticipated," Phillips said. "We expect our growth to continue with total sales increasing on greater unit volume."

ADM Earnings Up

Net earnings of Archer Daniels Midland Co. in the three months ended March 31 were up 57% from same period of the previous year and for the first nine months of fiscal 1976 showed an increase of 78%.

For the three months ended March 31, ADM said net income was \$17,677,730, equal to 60¢ a share on the common stock, compared with \$11,248,947, or 43¢ a share, in the same quarter of 1975. Net per share for the three months rose 40%.

An average of 28,324,017 shares of stock was outstanding in the third quarter of this year, against 26,405,381 a year ago, adjusted for the Tabor & Co. acquisition on a pooling of interest basis and the three-for-two stock split in December, 1975.

In the first nine months of the current fiscal year, ADM's net earnings totaled \$48,500,062, equal to \$1.71 a share on the common stock, against \$27,187,051, or \$1.03 a share, in same period of fiscal 1975. Net per share for the nine months was up 68%.

Provisions for federal and state income taxes in first nine months of the current fiscal year were \$44,952,000, against \$24,421,204 in same period of the previous year.

Hire Now for Future Needs

Social scientist Peter Drucker predicts that beginning in 1977 there will be a sharp decline in the number of young people entering the labor force, because of a sharp decline in the birth rate which began in 1960. With this in mind, some management types are advising businesses to hire, train, and develop management people now because when the shortage hits it will be more expensive to do so.

Egg Processing

A total of 44.7 million dozen eggs were broken February through March 27, 1976 under USDA's Egg Products Inspection—up to 30 percent from the corresponding four weeks of last year. Percentage increases by regions from year were: Western, 13; North Atlantic, 30; North Central, 31; and South Atlantic and South Central, both 37.

During the four weeks 66 million pounds of liquid egg products were used in processing—up to 25 percent from the same period last year. Ingredients added in processing totaled 2.3 million pounds, 11 percent more than a year ago.

Liquid egg production (including added ingredients) for immediate consumption and processing totaled 3 million pounds during the 4-week period—up 14 percent from the same period last year. Products for immediate consumption totaled 15.0 million pounds, compared with 13.2 million a year earlier. Those for processing totaled 11.0 million pounds, compared with 9.7 million last year.

Frozen egg products amounted to 24.7 million pounds, 31 percent more than last year. Dried egg products were 4.7 million pounds, 60 percent above the 4-week period a year ago.

Cumulative totals July 1, through March 27, 1976 and percentage decreases from the corresponding 1974-75 period were as follows: Shells broken—407 million dozen, 4 percent; liquid egg used in processing—598 million pounds, 4 percent; frozen products—220 million pounds, 4 percent; and dried products at 42 million pounds, 6 percent. The cumulative total for immediate consumption and processing at 231 million pounds was up 2 percent from the same period last year.

Protein Contributions to the U.S. Diet

Since 1909, the protein contributions of flour and cereal products have fallen from 35.7% of the protein in the American diet to 17% now—the only foods in the ten categories surveyed that show a decline in protein contributions since 1909. However, there has been no change since 1971, so flour and cereal products now seem to be holding their own.

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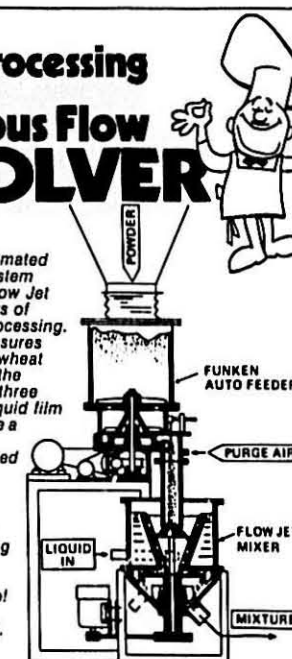
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Competition in the Food Industry

The problem is the rising cost of food. The dilemma is knowing what is behind this increase. Is it simply factors such as increased international demand, rising energy costs and bad weather? Or is it the result of a lack of competition in the food industry?

It has been suggested that a lack of competition exists and that it is responsible for high food prices. There is alleged economic concentration (called "oligopoly" by the economists) in the food industry. A draft Federal Trade Commission staff study of several years ago supports those who make such a claim. However, that study was subsequently repudiated. And it was repudiated by the very people who made it, namely the FTC itself. Indeed, the profits of the food processing industry have traditionally been on a par with the average return on equity for all manufacturers in this country. Competition in the food industry is fierce, and the lack of "monopoly profits" proves that this competition is working.

The food industry has also been faulted for involving itself in the farming industry. Aside from the facts that both industries are directly related and mutually dependent and that only five percent of domestic farm production is vertically integrated, a close working relationship between farmers and processors provides reliability and stability for both. This ultimately benefits the consumer since the contractual relationship between farming and processors has traditionally been the most beneficial method of maintaining a smoothly functioning interdependence between the two.

Another frequently heard allegation is that the food industry competes only through advertising and that the high cost of advertising acts to keep smaller firms out of the market, thus breeding greater concentration. No clear evidence exists which indicates that firms in the more concentrated sectors of the food industry have accelerated their advertising in order to keep out competition. Additionally, new research has established that by increasing information about the variety of products, advertising is

more likely to decrease concentration than to increase it.

The food industry is subject to much interest and scrutiny by consumers. It is also subject to a diversity of controls, safeguards and government regulations. The following material deals with some of the many questions raised regarding competition in the food industry. It presents the various popular allegations concerning a lack of competition and it looks at the economic facts surrounding these allegations.

Economic Concentration In The Food Industry

Allegation: The food industry is a "shared monopoly" in which a few big firms exert excessive control over the marketplace and enjoy monopoly profits at the expense of the consumer. Food prices could be reduced 25% if the industry were deconcentrated.

Fact Summary: (1) The average four firm concentration ratio for the food processing industry is well below that necessary to sustain an oligopoly. (2) Historically, profits in the food industry have been on par with the average return on equity for all manufacturers in our economy. (3) The original study which first suggested a decrease in food prices would accompany deconcentration was repudiated by the federal agency which conducted it over three years ago.

Monopoly Power

Monopolies are illegal. One firm controlling an economic activity is anti-competitive, anti-consumer and not in the best interests of a free economy. The Antitrust Division of the Department of Justice and the Bureau of Competition at the Federal Trade Commission are specifically charged with policing the marketplace and prosecuting those who act in an anti-competitive manner.

Recently, the concept of oligopoly or "shared monopolies" has had the attention of economists, public policy makers and consumer spokesmen. This theory is based on a large share of the market controlled by a handful of firms. Oligopoly is defined as four or fewer firms controlling fifty percent

or more of a market, therefore allegedly having a monopolistic impact on competition and prices.

The average four firm concentration ratio for the food processing industry is 33%—well below the control alleged to be necessary to establish an oligopoly. This ratio remained relatively constant over last several years.

¹ Concentration, Competition and Efficiency, Chamber of Commerce of the United States, 1974. Note: Care must be exercised when interpreting concentration ratios. For instance, the 33% figure cited here considerably overstates the average share of four largest firms in the relevant market determining the extent of competition. This occurs because the government study upon which the concentration ratio is based makes no allowance for the competition which exists between products which have been classified in different industries. For example, no account is taken of the competition between canned and frozen vegetables nor even of that between cane sugar and beet sugar.

Particularly when compared with other segments of our economy, the food industry is a model of competition. Thomas Kauper, head of Justice Department's Antitrust Division, has testified before Congress that there is not "the degree of concentration in most sectors of the food industry that we have in a number of others."²

² 1973 Price Investigations, United States House of Representatives, Subcommittee on Monopoly, June-July, 1973.

Average Four Firm Concentration Ratio For Selected Industries³

Motor Vehicles	.....
Primary Batteries	.....
Photographic Equipment and Supplies	.....
Tires	.....
Industrial Gases	.....
Radio and TV Sets	.....
Musical Instruments	.....
Food Processing	.....
Book Publishing	.....
Men's and Boys' Suits and Coats	.....
Newspapers	.....
Women's and Misses Suits and Coats	.....

³ U.S. Department of Commerce, Bureau of the Census, "Annual Survey of Manufacturers," 1972.

Monopoly Overcharge

Proponents of the oligopoly hypothesis often cite a Federal Trade Commission staff study which suggested that prices in general were

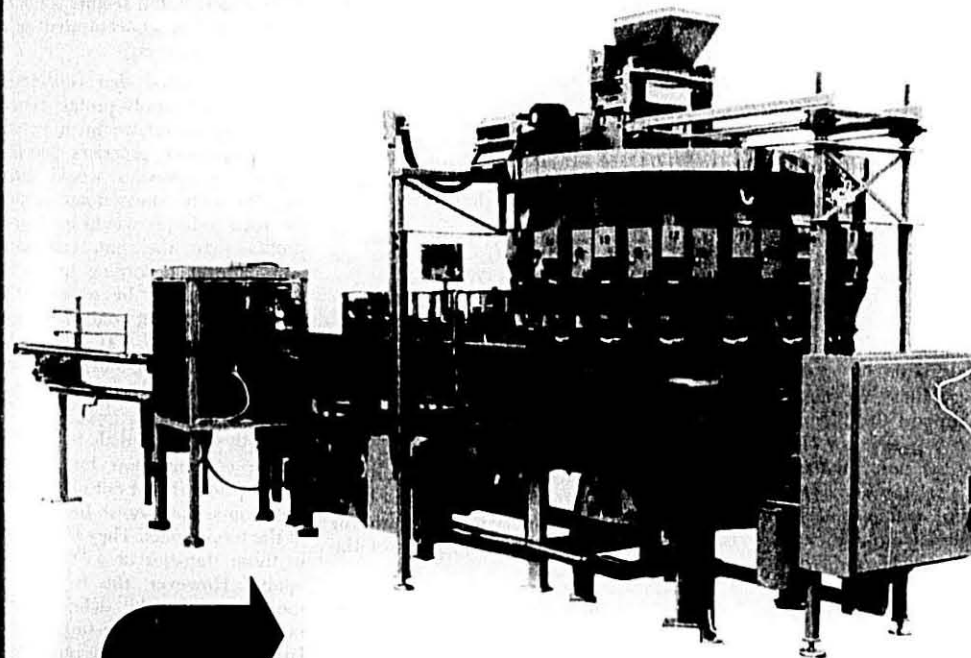
(Continued on page 31)

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Competition in Food Industry

(Continued from page 30)

decrease by 25% if industry were more competitive.⁴ It is inferred from this that food prices could, likewise, also decline by 25%. What is not pointed out, however, is that this 1972 staff study has been officially repudiated by the FTC.

⁴ Green, Mark J., with Beverly C. Moore, Jr., and Bruce Wasserstein. *The Closed Enterprise System*, Bantam Books, New York, 1972. Quoted in Senate Select Committee on Nutrition and Human Needs, Report on Nutrition and Food Availability, Committee Print, December, 1974, Washington, D.C.

In a letter to House Monopoly Subcommittee Chairman Peter Rodino, the FTC said of the "overcharge study," "It is in no way appropriate to conclude from this material that any or all of the consumer savings could be attained." Describing the study as, "highly speculative and theoretical," the FTC told the Congress, "It is certainly inappropriate to conclude from this report that the anti-trust laws have been violated in the case of any particular industry."⁵

⁵ 1973 Food Price Investigations, United States House of Representatives, Subcommittee on Monopoly, June-July, 1973.

In a direct rebuttal to the oligopoly concept, Wesley Liebler, the Director of Policy Planning and Evaluation for the FTC, said in his overview of the 1976 FTC budget, "Divestiture or de-concentration . . . could well raise prices and injure consumer welfare."⁶

However, there are those who continue to support the oligopoly theory. They cite a different FTC study on concentration ratios, not between industries (i.e., autos v. food), but by product line within the food industry (i.e., applesauce production is concentrated). Their error is in applying firms may produce the majority of this oligopoly thesis (designed to measure concentration between industries) to individual product categories.

For example, while a handful of firms may produce the majority of applesauce, it is not an isolated market. Applesauce is in competition with canned peaches, pears, apricots and fresh fruits. While four firms may control 62% of the applesauce market, they do not control anything approaching that percentage of the total

fresh, frozen and canned fruit market. To suggest that such a statistic is a shared monopoly is to simply not be in full possession of the facts.

⁶ Federal Trade Commission, "Mid-Year Budget Review—Fiscal 1975," Office of Policy Planning and Evaluation, January 20, 1975.

Middleman Ripoff

The oligopoly thesis is currently being presented as the solution to the present food price predicament. If the food industry were competitive, oligopoly supporters argue, it would not be able to get away with increasing food prices.

Such a hypothesis has been specifically rejected in studies by the White House Council on Wage and Price Stability and the Federal Trade Commission.⁷ Both of these agencies, after exhaustive investigations, concluded that the increase in food prices was the result of higher expenses for food processors, not increased profits.

Since 1972, when the food spiral really began, input costs for food processors have risen dramatically.⁸

⁷ Council on Wage and Price Stability, Marketing Spreads for Food Products, April, 1975, and Federal Trade Commission, Price and Profit Trends in Four Manufacturing Industries, staff report, July, 1975.

⁸ U.S. Department of Labor, Bureau of Labor Statistics, Wholesale Price Index and Consumer Price Index, 1972-1975.

Item	Percent
Glass Containers	33
Paper Boxes	36
Metal Cans	50
Fuel	107
Retail Food Prices	42
Farm Prices	49

Historically, the average return on equity for food processors has been on par with the average return for other manufacturing segments of the economy.⁹

⁹ Federal Trade Commission, Quarterly Financial Report for Manufacturing Corporations.

Year	Food Processors	All Manufacturers
1967-1975 3rd Quarter	11.8%	11.6%
1972-1975 3rd Quarter	12.9%	12.5%

Even the noted economist Gardiner Means, the father of the oligopoly theory and no apologist for industry,

has observed, "in the last year the of prices to consumers while prices to farmers fell did not mean that someone was pocketing the difference but that someone (the middleman) was recovering from a price squeeze."¹⁰

¹⁰ *Washington Post*, April 6, 1975.

Monopoly Profits

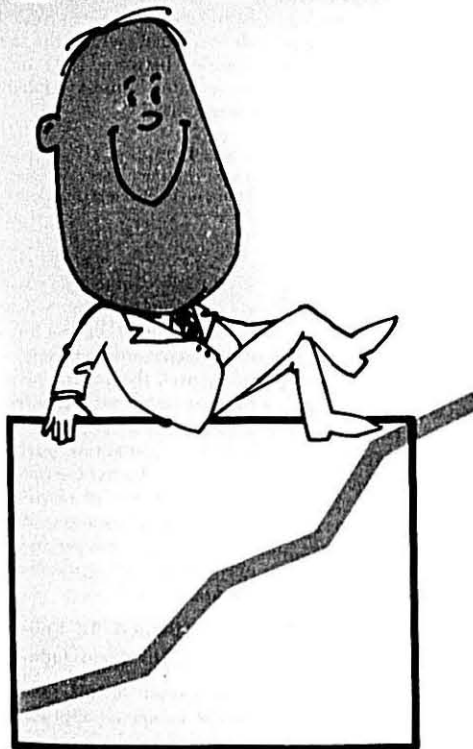
Decreased competition in concentrated industries results in excess profits, the oligopoly theorists suggest. Analysis of FTC data, however, specifically refutes the allegation. The FTC study on Rate of Return Selected Manufacturing Industries shows that the twelve largest companies in the less concentrated sectors of the food industry are more profitable than their concentrated counterparts. In addition, the FTC shows that the return on investment for the two largest companies in more concentrated sectors is the same as in the less concentrated sectors (see table following)

It is theorized that concentrated results in monopoly profits, generally producing an environment in which non-competitive practices flourish. This is so, statistics would indicate that the more concentrated sectors of the food industry would have greater profits than the less concentrated sectors. And, according to the theory, it would be especially true for the two largest companies in each sector. However, FTC data in the next table, demonstrates that neither situation is applicable to the food industry.

Another charge made by those who blame concentration for high consumer prices is that out of 32,000 food processors, the largest 100 made 70% of the total profits. They find evidence in these statistics of a "share 1 monopoly." However, this is simply not the case, either by definition or fact. It should not be surprising that large firms earn more profit in absolute terms than do small firms.

The only measure of whether or not "monopoly profits" are occurring is the profit rate of the alleged oligopolistic firms. As was discussed earlier, in the food processing industry, the rate of return on equity according to the FTC, is on par with the average profit rate for all manufacturers in the economy.

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Competition in Food Industry

(Continued from page 32)

Industry	1963-72 Average Return on Investment—2 Largest Cos.
Sugar	8.2%
Distilled Liquor	6.5
more concentrated	Average 9.5
Malt Liquor	13.7
Candy and Chocolate	15.7
Bakery Products ..	10.7
Dairy Products	11.0
less concentrated	Average 9.5
Meat Products	6.8

An oligopoly, by definition, restrains competition in the pursuit of maximum profits. If higher than average profits do not exist, then an oligopoly simply cannot be said to exist. For these reasons, the food processing industry—with profits on par with the average for all manufacturers—cannot be termed an oligopoly.

Economic Integration in the Food Industry

Allegation: Big food processors are overwhelming the small farmers in their quest for total control of the food marketplace. Vertical integration and contract farming do not benefit consumers or farmers—only the large food processing firms.

Fact Summary: (1) Only 5% of domestic farm production is vertically integrated. (2) The contractual relationship between producers and processors provides reliability and stability for both the farmer and processor—thus, ultimately benefiting the consumer.

Overwhelming Small Farmers

It is argued that the "non-competitive" sectors of food processing are absorbing the agricultural sector into their own systems. Such is not the case. The simple facts are that only 5 percent of domestic farm production is vertically integrated, according to the U.S. Department of Agriculture (USDA).¹² Furthermore, USDA reports this percentage reflects "considerable stability" over time and any further growth of such integration "is likely to be gradual."

¹² U.S. Department of Agriculture, Contract Production and Vertical Integration in Farming, 1960 and 1970.

In those 5% of the instances where integration does occur, it offers the

Concentration and Profits in the Food Processing Industry¹¹

Industry	1970 Average Concentration Ratio	1963-72 Average Return on Investment—12 Largest Cos.
Sugar	58.7%	8.4%
Distilled Liquor	47.0	7.7
more concentrated		Average 9.3
Malt Liquor	46.0	11.9
Candy and Chocolate	40.2	13.3
Bakery Products	35.5	11.6
Dairy Products	26.0	11.6
less concentrated		Average 10.3
Meat Products	20.2	7.7

¹¹ Federal Trade Commission: Rate of Return in Selected Manufacturing Industries, and U.S. Bureau of Census. (Data available only for the seven subindustries listed.)

opportunity for increased efficiency and thus lower operating costs for food processors. This average does not necessarily come through the ability of integrated farms to produce the raw product cheaper, but through the optimal utilization of processing facilities. The maximum utilization of trucks and other transportation facilities and the ability to anticipate and avoid potential problems in producing or processing is more efficient than if several levels of intermediaries were involved. In fact, a study of economic integration in the egg industry undertaken by the Economic Research Service of the USDA observed, "The overall growth in integration has also helped reduce egg-marketing margins."¹³

¹³ U.S. Department of Agriculture, Vertical and Horizontal Interpretation in the Market Egg Industry, 1955-69.

"Contractual integration" is the euphemistic sleight of hand used to tie together the two completely different concepts of vertical integration and contracting farming. "Vertical integration" occurs when a firm undertakes to produce raw materials and semi-fabricated inputs which previously were supplied by independent producers. "Contract farming" is when a farmer contracts with a processor for his acreage and tonnage in advance of the planting season.

As has already been established, the degree of vertical integration in the food industry is minimal. Contract farming, on the other hand, has been practiced by large and small processors, independent growers and grower organizations alike for almost as long as there has been a food processing industry. It is not a form of vertical integration since the processor

does not own the raw product production fields or facilities. The contract provides the grower with a reliable market for his harvest and processor with a reliable source supply. It is hard to imagine how either could operate successfully without this arrangement.

An example of how contract farming helps the farmer is provided by sugar beets. The price which a sugar beet grower receives for his crop is determined by a contract formula based on the processor's net income. Using this formula, the USDA farm-retail price spreads for sugar showed that while the retail value doubled between 1973 and 1974, farm value almost tripled over the same period.¹⁴

¹⁴ U.S. Department of Agriculture, Economic Research Service, "Marketing and Transportation Situation Report," February 1975.

Contract farming by independent producers cannot be confused with vertical integration where a firm which would otherwise buy raw products from independent producers takes over the means of production. In most instances, a raw food product producer operating on a contract basis has many potential markets for his production: he has the option of growing any number of crops on his acreage, he may contract with any one of several canners or freezers, or he may decide to grow for the fresh market.

Barriers To Entry In The Food Industry

Allegation: Small food processors cannot compete with the large corporations which exercise predatory pricing, and compete only through advertising.

Fact Summary: (1) "Predatory pricing" can only exist when high levels of concentration already exist—it is

(Continued from page 34)

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What makes Marshall egg products so special is simply this—Marshall is able to control quality from the very start...even before the hen gets down to laying eggs. Marshall uses hens fed a special diet formulated by its own grain mills. Its processing plant utilizes spray-drying to assure

total uniformity of product and has on site U.S.D.A. inspectors to continuously monitor quality. Next, products are certified for purity at Marshall's U.S.D.A. bacteriological laboratory. Finally, the pasteurized products are submitted to continuous testing in Marshall's own test kitchen.

Sure, that's a lot of trouble to go to...but then Marshall didn't get to be the nation's No. 1 dried egg processor by taking short-cuts. So for quality—plus free technical service that may prove an important cost-saver—why not contact your local Marshall representative or call the company collect.

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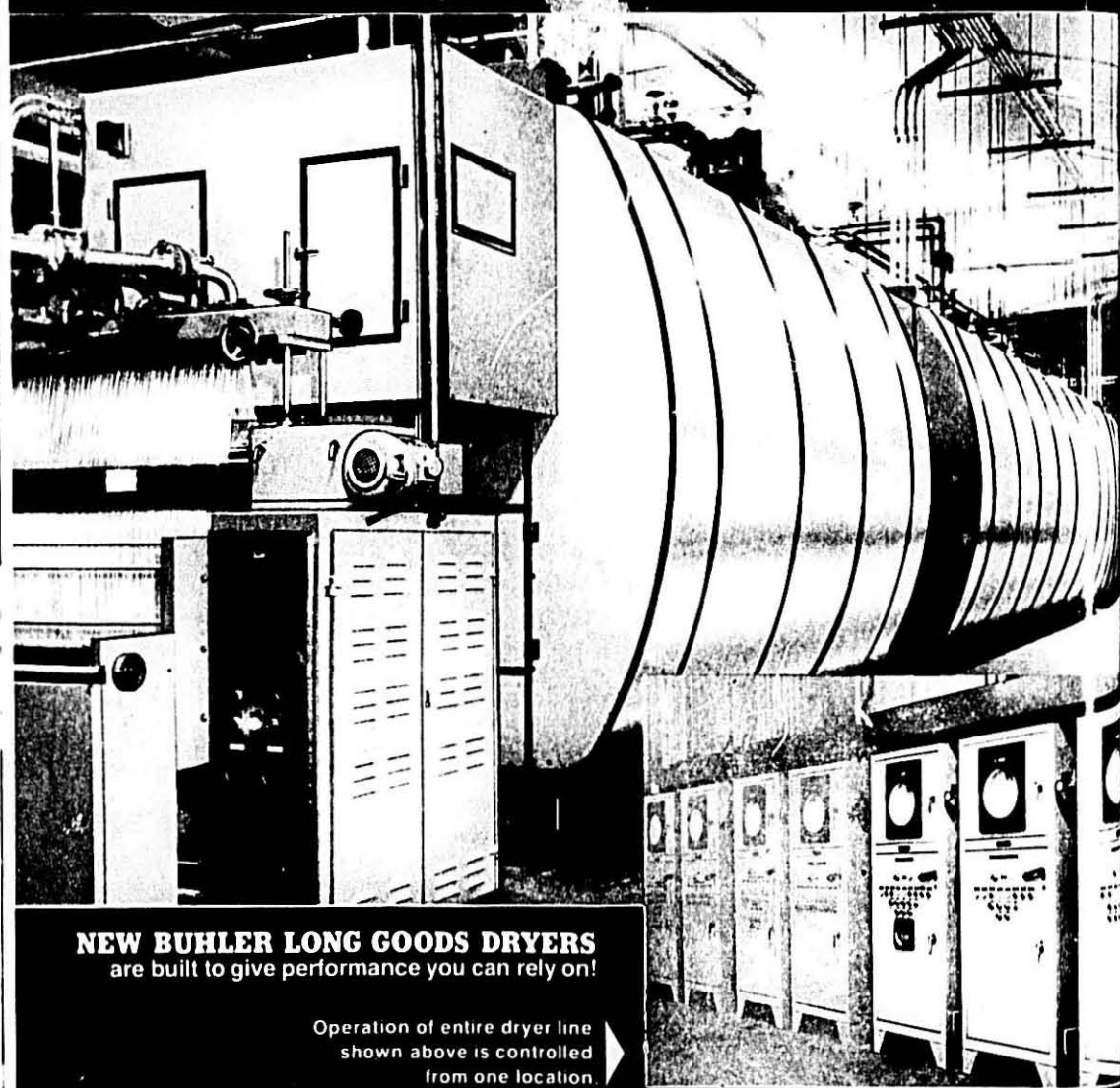
MARSHALL PRODUCE COMPANY

103 North Eighth Street, Marshall, Minn. 56258

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RELIABLE.



NEW BUHLER LONG GOODS DRYERS
are built to give performance you can rely on!

Operation of entire dryer line
shown above is controlled
from one location

completely re-designed

features that make them

THE MOST RELIABLE

IN THE INDUSTRY!

Conveying system never stops.

Product moves slowly and continuously from feeder to accumulator. No starts and stops. Simplified design means greater reliability since there is less wear than conventional "stop and go" dryers.

Product is consistently excellent

because drying action is always steady. You can count on the product to come out with appealing color and texture. Uniform and straight every time. Ideal for handling with automatic weighing, transporting and packing machines.

Temperature zones are positively separated.

Extremely tight enclosure with Buhler patented Delta T control allows high temperature, high humidity drying environment.

Capacity range 500-4,000 lbs/hr.

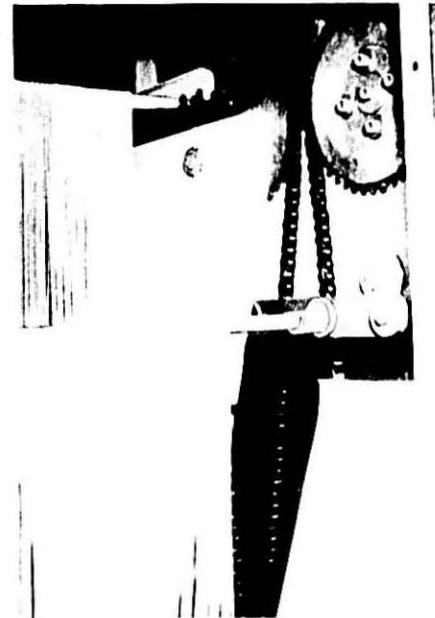
Standard stick lengths: 60 or 80 inches.

Ask for details

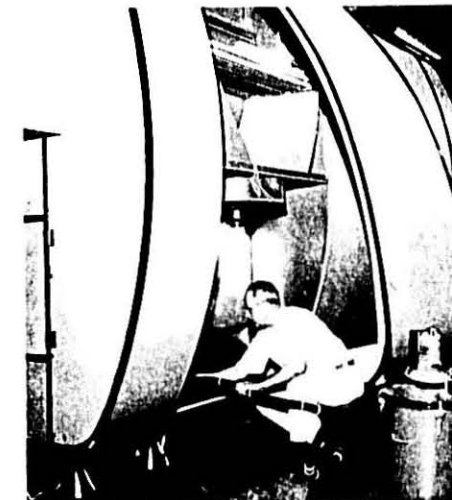
For the built-in reliability of Buhler dryers and macaroni equipment Call us or write:
BUHLER-MIAG INC., 8925 Wayzata Blvd., Minneapolis MN 55426, 612/545-1401.
Sales Office: 580 Sylvan Ave., Wood Cliffs, NJ 07632, 201/871-1000.
BUHLER-MIAG (Canada) LTD., Don Mills, Toronto, (416) 445-6910.

Complete Macaroni Plants by

BUHLER-MIAG



Each spaghetti strand travels exactly the same path through the plant in consistent drying process. Product is consistently excellent because of uniform drying from start to finish of transfer point to the drying tank.



Super sanitary design, easy maintenance. All plastic panels swing out for easy access to all parts of drying chamber. Extra thick polyethylene plastic floor and walls insure construction prevents contamination.

Competition in Food Industry

(Continued from page 34)

not create concentration. (2) If price is paramount to the consumer then that company which cuts advertising costs and thus can cut price will have a competitive advantage, not disadvantage.

Predatory Pricing

It is alleged that the larger food producers can squeeze a competitor out of the market by taking a loss on the product line which is the subject of competition and subsidizing that loss with profits from other product lines. If such is the case, then the over 32,000 food processors in existence today should have long ago been squeezed out of business by the hundred or so largest firms.

The kind of situation which is alleged can only occur where there is already a severe lack of competition. As we have previously discussed, the concentration ratio in the food industry is not indicative of such a situation.

Where several firms are competing in the marketplace, predatory pricing by one firm in order to be successful and drive out the competition would have to be absurdly low. Without an absurdly low price, the impact would be spread out over each of the several competitors and thus be insufficient to squeeze them out of the market. In short, "predatory pricing" can only extend a pre-existing lack of competition—it cannot create monopoly power by itself.

Advertising

It is charged that the food industry competes only on the basis of advertising and that the high level of cost associated with advertising precludes smaller firms from entering the market.

If consumers are interested in price and quality competition and are not already receiving such competition, it should be quite easy for new entrants in the food industry to cut advertising substantially, resulting in lower costs and prices, and thus capture a substantial part of the market.

Federal statistics refute the allegation that the more concentrated sectors of the food industry advertise more in order to exclude competition. The following table demonstrates that there is no clear tendency for adver-

Advertising as a Percent of Sales for Sectors of the Food and Kindred Product Industry 1968-1971¹⁵
(Industries are listed in descending order of their concentration ratios)

Industry Name	1970 Average 4-Firm Concentration Ratio	Advertising as a Percent of Sales			
		1971	1970	1969	1968
Sugar	58.7	0.4	0.6	0.5	0.4
Alcoholic beverages except malt liquors and malt	47.3	3.5	3.1	3.1	2.1
Malt liquors and malt	45.6	4.3	4.8	5.3	5.3
Average for 3 most concentrated sectors		2.7	2.8	3.0	2.9
Other food and kindred products	44.1	3.5	3.6	3.8	3.7
Grain mill products	37.9	3.8	3.5	3.8	4.0
Bakery products	35.5	1.7	2.0	1.8	2.4
Canned and frozen foods	33.4	2.3	2.5	2.4	2.3
Average for middle 4 sectors		2.8	2.9	3.0	3.1
Dairy products	26.0	1.4	1.5	1.5	1.7
Bottled soft drinks and flavorings	23.7	4.7	4.9	5.0	5.1
Meat Products	20.2	0.4	0.4	0.5	0.4
Average for 3 least concentrated sectors		2.2	2.3	2.3	2.4

tising expenditures as a percentage of sales to be significantly higher for the more concentrated food sectors. In most years it has been the food sectors with concentration ratios in the middle range that have had the highest advertising-to-sales ratio. In fact, the table shows the most highly concentrated sector of the food industry (sugar) to have advertising-to-sales ratios which on average are the same as those for the least concentrated sector (meat).

New research conducted at the State University of New York by Professor Phillip J. Nelson has gone beyond the traditional question of how advertising affects market structure and examined how advertising affects the consumer. Starting with the premise that advertising does provide at least some information to consumers that they would not otherwise receive, Professor Nelson has demonstrated that information about a variety of products is far more likely to decrease monopoly power than to increase it. "Advertising increases information about substitutes, and this reduced monopoly power," he explains.

The 1976 Federal Trade Commission Budget Review by Policy Planning and Evaluation Director, Wesley Liebeler, addresses the alleged anti-competitive aspects of advertising. "Potential entrants who are able to produce as efficiently as existing industry members will be at no competitive disadvantage by reason of the (advertising) head start that their rivals have," the FTC review stated.¹⁷

¹⁵ *Business Week*, "A New View of Advertising's Economic Impact," December 22, 1975.

¹⁶ Advertising deductions and sales measured by business receipts are taken from IRS Corporation Source Book of Statistics of Income. Concentration ratios are based on averages of those published by the Bureau of the Census for the corresponding SIC Industries.

¹⁷ Federal Trade Commission, "M&A Budget Review—Fiscal 1975," Office of Policy Planning and Evaluation, January 1975.

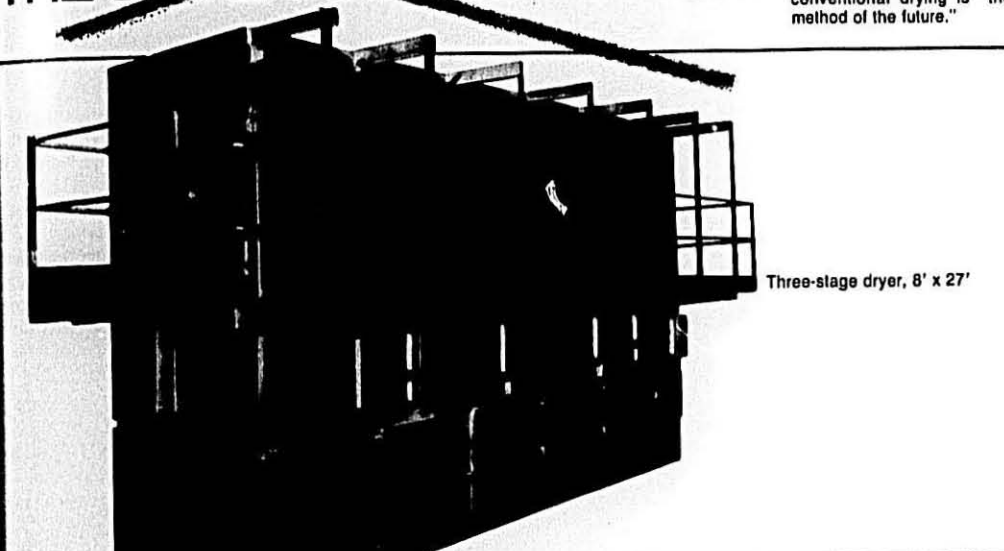
Finally, it must be remembered that if advertising results in increased sales then it is a socially desirable activity. Increased sales result in economies of scale which make products less expensive and thus help to bring the consumer prices low.

What Then, Is Behind Food Price Increases?

An incredible array of circumstances beyond the control of consumers, farmers or food processors have combined to bring about the recent rise in food prices. Of course the general inflationary trend has helped to push food prices up. Consumers and the food industry are in the same predicament—the price they both pay for goods and services are increasing. In addition to this inflationary trend, however, other developments as diverse as domestic and international weather, the energy crisis, government decisions and increased international demand for agricultural output have all worked to drive food prices upward.

The answer to the food price predicament does not lie with theoretical economic hypotheses or with trying to pin the blame on one party or another. The answer lies with an increased resolve to make better use of resources. (Continued on page 39)

THE DRYER OF THE FUTURE



Three-stage dryer, 8' x 27'

In a 1973 survey of the entire pasta industry by an independent research firm, 67% of respondents stated that a combination of microwave and conventional drying is "the method of the future."

TODAY'S DRYER

The pioneering is over! The microwave dryer is standard 24 hour/7 day equipment for any size macaroni or noodle plant

up to 4 times the production in the same feet of floor space (a bargain in itself with construction costs in the \$20 sq. ft. range).

Reduces infestation up to 99.99%. Kills: bacteria, Salmonella, E. Coli, coliforms, mold, yeast, weavils and eggs.

Most easily sanitized dryer. Hose it down or steam it clean.

Makes a richer looking product; no blanching.

Energy savings reported: 52% less BTU's, 6% less KW's.

Lowest downtime. "We keep an accurate record of all downtime and express it as a percentage of time down to time scheduled. Microdry leads the list at less than 2%" — Plant Mgr., leading mid-west operation.

All future equipment will be Microdry" — Tech. Dir., large pasta plant.

Compared with conventional dryer

Units in these lbs./hr. Capacities: 1500, 2500, 3,000 and 4,000.

Operating today at: Golden Grain, San Leandro (2 units); Golden Grain, Chicago (2 units); D'Amico, Chicago; Catelli, Montreal; Gooch, Lincoln; O. B., Ft. Worth; Lipton, Toronto (2 units); Gilster Mary Lee, Chester, Ill.

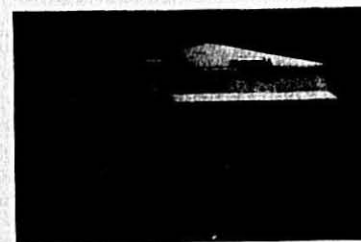
Completely fabricated and assembled in our plant. All stainless steel construction. Complete microwave and process control instrumentation systems with the unit — no extras to buy. Personnel generally can learn operation in one day. Continuing consultation privileges with Microdry.



MICRODRY CORPORATION

3111 Fostoria Way, San Ramon, CA 94583
415/837-9106

碗 Dishwasher by Microdry. More compact; 2000 psi. water nozzle pressures.



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Competition in Food Industry

(Continued from page 38)

which are escalating in cost so that tomorrow's food prices will not be as susceptible to circumstances beyond the control of those who produce and consume.

Spaghetti in a Skillet

Millions of women know by now that "Ronco is Italian for good eating". Full-color advertising appears in southern regional editions of May Family Circle. The ad features a recipe for easy-to-prepare spaghetti in a skillet. The continuing campaign includes 30-second television commercials in all major southern markets.



C. Mickey Skinner

C. Mickey Skinner has been elected executive vice president of Skinner Macaroni Company it was announced by W. A. Henry, president.

For four years Mr. Skinner has been vice president-plant operations. With the company 20 years, his first job was as a Production Department employee, and later as a Production foreman. In 1959 he was named superintendent of production, packaging and shipping.

He was elected Omaha's Outstanding Young Man of the Year in 1965. The honor was based on his work for 14 civic and professional organizations. He is a member of the Committee on Quality Control of the North Dakota State Wheat Commission and the Cereal Chemists Association.

Mr. Skinner is a former president of the Omaha Junior Chamber of Commerce, a former officer of the Nebraska Jaycees and has served as a regent of the College of St. Mary and director of such organizations as the University of Nebraska at Omaha Alumni Association, Omaha Civic Opera Society, Omaha Safety Council, Omaha Zoological Society and Urban League. He is a director of Highland Country Club and a past president of Oak Hills Country Club.

Mr. Skinner attended Creighton University one year before his induction for two years' service in the Army during the Korean Conflict. Following his discharge in 1955, he went to work at Skinner while simultaneously attending full-time the University of Omaha, where he was graduated in 1958.

Simplified Checkweigher Control

The Model SD74 Checkweigher Control is specifically designed to provide an extremely reliable, simplified checkweigher control. A single printed circuit board contains the essential circuitry and is plug-in for easy placement. Indicator lights on the front of the control enclosure indicate when the product is under, over or correct weight. The unit may be used on a single level (under, accept) or two-zone (under, accept, over) application. Available as an option with the SD74 Control are two or three zone control panels housed in a stainless steel enclosure with 20'0" of cable for convenient remote mounting.

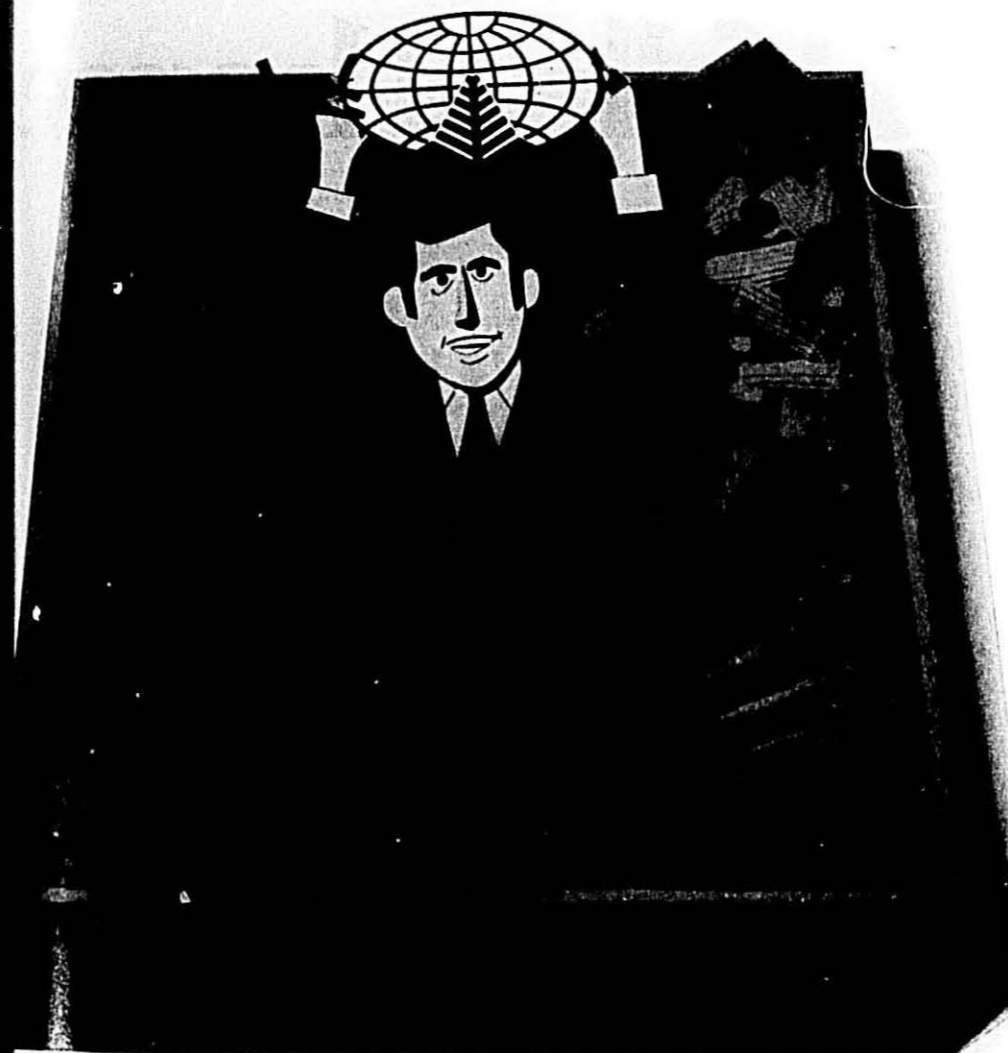
Design features of the SD74 Control include: NEMA-12 enclosure, single solid state printed circuit board, solid state relays, indicator lights, Accept/Reject Overs switch, and optional counter panel.

The SD74 Control is standard on Model ST71 Checkweighers. Together, their combined simplicity of design and construction represent exceptional value in checkweighers.

Complete information on the SD74 Control and ST71 Checkweigher is contained in Data Sheet 75-3. Data Sheet 75-2, available from Speed Checkweigher Co., Inc., Box 314, Ithaca, New York 14850.

The Food Industry Should Fight Back

In their new book, *Panic in the Pantry: Food Facts, Fads and Fallacies*, Harvard's Dr. Frederick Stare and Elizabeth M. Whelan set out to prove that food additives in use are safe and contribute to good health. They deplore what they see as a growing defeatist attitude on the part of the food processing industry. Says Whelan, "It appears that the food industry has chosen not to fight back, electing instead to get on the 'narrow bandwagon' itself. In assuming a 'me-too' approach, instead of expanding public educational effort about the advantages additives offer, industry representatives are doing none of us a favor."



Packaging is more than a Box

When it comes to pasta, the choices are many... macaroni, spaghetti, vermicelli, lasagna, ziti, farfalle — and numerous more. When it comes to packaging, Diamond International is your logical choice. Diamond packaging is designed to provide your product with creative folding cartons, plus labels, streamers shelf-talkers and point-of-sale displays... Diamond can be your one-stop, one-source for packaging and merchandising aids.

We're in the middle of it all!



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PACKAGING PRODUCTS DIVISION, 733 THIRD AVENUE, NEW YORK, NEW YORK 10017 AREA CODE: 212 — 697-1700

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