

**THE
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Macaroni Journal

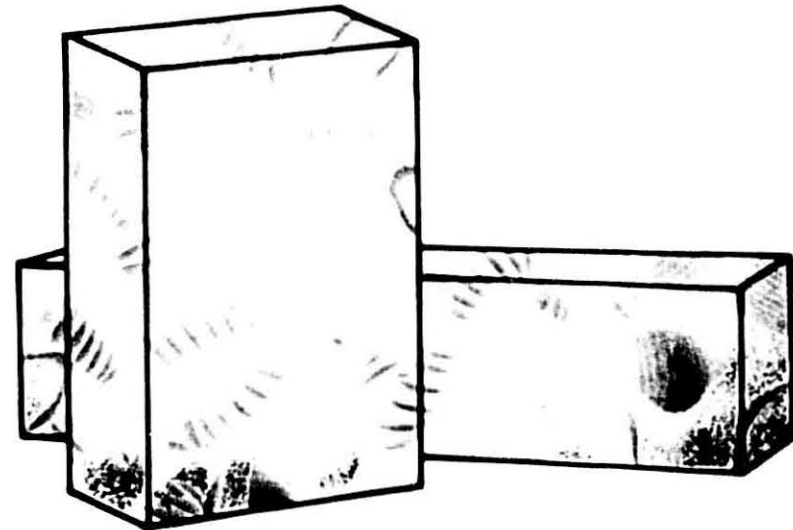
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SMART SHOPPER RECIPE PREVIEW TUNA NOODLE CASSEROLE



Pasta Luncheon

Food Marketing Institute, the association of supermarket operators, held a meeting for consumer affairs professionals for the nation's supermarkets in Washington, February 8-10.

The National Pasta Association hosted a pasta luncheon for the Council at which the Pasta Nutrient White Paper was presented to each participant. The White Paper, in the final stages of development, is the work of Darla Tufo's hard working Nutrition and Education Committee. "The White Paper is intended for a professional audience, like supermarket Directors of Consumer Affairs and Nutrition. A companion brochure with less technical detail is being developed for general use," said Darla Tufo.

The Ethylene Dibromide Problem

William D. Ruckelshaus, administrator of the Environmental Protection Agency, at a Washington press conference announced plans for his agency to decide "as soon as possible" whether it will order an emergency suspension of the use of ethylene dibromide as a fumigant for stored grain and on grain milling machinery. Mr. Ruckelshaus also said further work is being undertaken to refine several important elements needed before a decision can be made to set interim standards for products. Samplings by the Food and Drug Administration of bread, cereal, milk and flour showed EDB residues only in the flour, it was stated by E.P.A.

Mr. Ruckelshaus called the press conference and issued the E.P.A. statement in response to requests from several states that a national standard be set for EDB residues. Florida, the only state that has set an "action level" on EDB, at one part per billion, has issued "stop sale" orders on numerous batches of family flour, self-rising flour, cake mixes, pancake mixes, corn meal and grits, including nationally-advertised products and several regional labels.

Plan Interim Guidelines for States

E.P.A. is continuing work on an accelerated basis to determine residue levels for EDB in grains and food products that could serve as

guidelines for individual states until the F.D.A. exemption can be revoked. Mr. Ruckelshaus told the press conference. "Ultimately, these levels could be used for federal enforcement purposes," he said.

Pasta has not been included in any of the products removed from sale. EDB is an organic water soluble chemical that dissipates during processing. During the pasta making process the use of heat, the mixing action and the evaporation that occurs during drying all help to dissipate any EDB that may be in the flour. In addition, cooking pasta in boiling water prior to consumption plus the action of the product in the pan and the evaporation process that occurs during cooking would further reduce the amount of EDB that could be in the product. If EDB were present in the flour, it probably would be dissipated to a "less than detectable" level prior to consumption.

Pasta Samples

The Federal government has yet to set acceptable levels for Ethylene Dibromide (EDB). The EPA has, however, received data from the Grocery Manufacturers of America that should assist in this process. Included in the GAM submission were more than 140 tests on pasta products.

The limited cooking tests conducted by Winston Labs on behalf of the NPA demonstrate that most EDB is dissipated during the cooking process. The data show the usual cooking process lowers EDB levels in pasta by 67-85%. The most important result, however, is that all pasta products examined in the limited study contained less than one part per billion of EDB after cooking which is within the tolerance currently being utilized by the State of Florida's Department of Agriculture.

It should be noted that a number of NPA companies have submitted test data on both cooked and uncooked pasta to the Grocery Manufacturers Association for ultimate submission to the EPA.

According to statistics compiled by the Grocery Manufacturers of America pasta products represent about nine percent of the total wheat-based products produced for the retail market today. Other categories include: bread and rolls, 49%; cookies, crackers and pretzels, 14%; cakes, sweet goods,

10%; family flour, 7%; cake mixes, 6%; and export, 5%.

Millers Welcome Guideline

"The flour milling industry welcomes the announcement by the Environmental Protection Agency that it is continuing work on an accelerated basis to determine residue levels that could serve as guidelines for ethylene dibromide in grains and food products," James J. Feeney, chairman of the Millers' National Federation, told *Milling & Baking News*. Mr. Feeney is vice-president and general manager of the Sperry Division of General Mills, Inc., Minneapolis. "We have been encouraging the EPA to evaluate all data and set responsible standards and we are cooperating with them in this endeavor," he said.

Until these standards are determined, Mr. Feeney said, it is important to understand that the flour milling industry has not used EDB as a spot fumigant on manufacturing equipment for some time. "Flour products are completely safe to consume as prepared for normal consumption," he said.

Mr. Feeney stressed the same point that was made in the government studies. He said, "Tests which have found trace elements of EDB were in uncooked flour and grain mixes. Tests conducted by government and independent laboratories show that EDB is eliminated in the normal preparation for consumption. This is confirmed by Food and Drug Administration tests of bread and other finished products."

Recall Manual

Grocery Manufacturers of America, Inc., has completed publication of "GMA Guidelines for Product Recall," described by the association as the most comprehensive product recall manual ever published.

Included in the 130-page manual, G.M.A. said, are the following:

- How Food and Drug Administration defines, classifies and acts in recalls and product withdrawals.
- What food manufacturers need to know to establish a recall team.
- Notification procedures for manufacturers.
- Steps in locating the product, record-keeping and information re-

quired to reverse the distribution system.

The manuals are available at a cost of \$30 each, or \$25 each for five or more copies, from G.M.A., Suite 800, 1010 Wisconsin Ave. N.W., Washington, DC 20007.

Reduced 1983 Crop Turns Durum Supply Outlook Around

Back-to-back record Durum harvests in 1981 and 1982 often pushed market prices below the loan level during those marketing years. As a result, growers enrolled heavily in the 1983 wheat program, and plantings were the lowest since 1970—2.5 million acres, compared with 4.4 million in 1982 and 5.9 million in 1981. Producers harvested the smallest area and binned the smallest crop in over a dozen years. North Dakota's production was down 51 percent from 1982 and 58 percent below 1981's alltime high.

World Production Down

Although the 72 million bushel 1983 Durum harvest is down sharply, the record carryover from last season will be somewhat offsetting. The 1983-84 supply will be only 43 million bushels short of last year's record 249 million. Considering that 1983 Durum production is also down in other world growing areas (Canada, Western Europe, North Africa, and the Eastern Mediterranean), U.S. Durum exports could rise 20 percent above a year ago. The impact of reduced supplies and increased demand is reflected in farm prices which now show a premium of about 40 cents a bushel over the loan. During the past few seasons, Durum growers placed over 100 million bushels in the farmer-owned reserve. These supplies are not marketable without penalty because the wheat reserve is not in release status. However, 1983 PIK participants will receive entitlements that could release up to half of these stocks because spring wheat producers who have both Hard Red or Durum in the reserve can specify the class they want to receive as their PIK entitlement. This will increase readily saleable supplies, but farm prices are still likely to mean considerably above the loan rate all season.

Durum Exports

Durum was the only wheat class with better export sales than a year ago. Through January 5, durum export transactions for 1983-84 totaled 49.7 million bu., up 21% from 41.2 million bu. at this time last year for 1982-83; at the same time, export transactions for all wheat were 16% behind the year-ago pace.

Wheat Briefs

— The International Wheat Council reports that U.S. exports of wheat and flour in 1983-84 will fall to the lowest share in global trade in 12 years and will be below 40%, at 38.8%. Aggregate world trade in wheat and flour is currently projected by the IWC to reach 98 million tonnes, the second largest of record and exceeded only by 100.7 million in 1981-82.

— The USDA reports that export sales declined the past two fiscal years because of the weakened condition of the U.S. farm economy. This condition clearly emphasizes the increased dependence of U.S. agriculture on world market. USDA reports that about 20% of the U.S. farm production sold overseas in fiscal year 1983 compared to 12% a decade ago.

— The North Dakota Wheat Commission sees heavy wheat production for 1984. Reports of heavy plantings in U.S. winter wheat areas, short supplies of feed grain and oil seeds, general dissatisfaction with 1984 wheat program provisions and talk of increased spring crop plantings, all imply heavy U.S. wheat and grain production in 1984. Current estimates by private forecasters indicate as much as a 50% increase in durum plantings in 1984. Total wheat acreage is expected to increase on the rebound from the PIK program with greater interest in durum due to this fall's price spreads over other wheats, reports the Commission's Marketing staff.

Canadian Crop

The 1983 crop of Western Canadian amber durum wheat is estimated by Statistics Canada (Field Crop Reporting Series, No. 7, October 7, 1983) to be 2.65 million tonnes (97.3 million bushels) produced on 1.42 million hectares (3.50 million acres). The

1983 production is 15.2% smaller than the record durum crop of 3.12 million tonnes in 1982. For the decade 1973 to 1982, production of amber durum wheat in Western Canada averaged 2.24 million tonnes annually. In 1983, Saskatchewan was again the major producing province accounting for 79.2% of the crop. Alberta produced 15.4% and Manitoba 5.4%. The estimated carry-over in Canada of amber durum wheat from previous crops at July 31, 1983 is 1.7 million tonnes, including 166,000 tonnes stored on farms.

Good Start

Temperatures were very mild and snowfall was below normal over most of the growing area during the winter of 1982-83. However, moisture levels prior to the seeding of the 1983 durum crop were generally good to very good as a result of cool weather in early spring (which slowed the melting of the snow and consequent runoff) coupled with widespread early spring precipitation. Seeding of durum wheat was well underway by the second week of May. Rain and some snow in mid-May and cool temperatures that extended into June severely hampered seeding but assured adequate moisture for crop development. Seeding was virtually complete by the first week in June. Warm temperatures and favorable growing conditions prevailed from about mid-June through much of July leading to early estimates of a bumper crop. However, prolonged hot dry weather from the end of July through to early September resulted in sudden and premature ripening and in many fields resulted in kernels being underdeveloped and small.

Early Harvest

Swathing began the first week of August in some southern areas and was general by the second week. With the continuing hot, dry weather threshing commenced soon after and well over 80% was completed before cool weather with intermittent showers came in the second week of September. Harvesting was completed by the end of September.

The principal degrading factors this year are immaturity and smudge. The Grain Inspection Division of the Canadian Grain Commission estimates that 33% of the crop will qualify for

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Canadian Crop

(Continued from page 5)

the Grade No. 1 Canada Western (C.W.), 37% for No. 2 C.W., 20½% for No. 3 C.W. and 10% for No. 4 C.W. and lower. The 1983 Prairie Grain Variety Survey issued by Canadian Co-operative Wheat Producers Limited reports that the predominant variety was again Wakooma, representing 50.1% of the seeded area, followed by Wascana (33%), Couter (8.6%), Pelissier (4.2%) and others 4.1½%.

European Economic Community's Budgetary Crisis

Attempts to resolve the European Economic Community's budgetary crisis and related farm policy problems advanced as the EEC's Executive Commission adopted proposals to limit guaranteed average farm price increases in 1984 to less than 1% reported U.S. Wheat Associates. Some products, including cereal prices, would be frozen at 1983 levels.

Without making drastic farm policy and spending shifts the EEC is faced with at least a \$1.5 billion deficit this year and has already had to suspend advance payments to producers on several products. The EEC's Common Agricultural Policy or CAP which receives about 60% of the EEC's \$22 billion in outlays, has been singled out as the prime contributor to the budget dilemma.

The production of farm surpluses at prices far above world levels, and associated export subsidy costs to dispose of the surpluses, finally exceeded EC revenues last year.

Attempts at resolving the farm-budget problems this year will likely be near-term adjustments at best, some of which will undoubtedly be contrary to U.S. Export and Trade Policies. U.S.-EEC trade frictions remain a near impasse after a year of consultation and the U.S. has literally promised the EEC immediate retaliation if any trade barriers or other protectionist measures are taken against U.S. exports or export potential.

"The General Agreement on Tariffs and Trade is bogged down in disputes over what the rules should be. . . Perhaps if a consensus is reached in

the private sector first, the citizens of each country can persuade their elected representatives to act." — Senator Robert Dole of Kansas.

Italian-Japanese Connection

World Food Report says: Although Italy is still the leading consumer of pasta in the world, local consumption continues to decline slowly. Major pasta companies have been looking abroad for new markets, notably towards the U.S. But another country proving receptive has been Japan.

The latest company to line up a Japanese partner has been Ponte, one of the top five pasta producers. It has signed a deal with Showa Sangyo Co. to sell three types of its Romana spaghetti in Japan. It hopes to achieve sales of up to 1,000 tonnes in the first year. Ponte is one of the few integrated pasta companies in Italy, producing its own flour.

Other companies with recent Japanese connections include Barilla, the leading Italian pasta producer with a share of nearly 20% of the market. It has a deal with Nippon Flour Mills Co. Industrie Buitoni Perugia has an agreement with Kagome Co., and Cecco with Nissen Flour Milling Co.

1983 Egg Output Down

Output for all of 1983 will total a little less than three percent below 1982. This year's decline is due to a smaller laying flock, because the number of eggs produced per layer remained high. Poor returns since 1979 caused producers to reduce the number of replacement pullets entering the flock and during January-October, 1983, pullets hatched were down nine percent from last year. However, old hens have been kept in production longer when returns were relatively favorable. During the first quarter of 1983, production was down only one percent from a year earlier because of the retention of old hens. However, with rising grain prices when the PIK program was announced, egg producers began reducing the number of hens and egg production declined. The resulting higher egg prices offset higher feed prices and resulted in a profitable third quarter.

Layer numbers on November 1 totaled 273.9 million, down from 29.5 in 1981 (monthly data were not reported in 1982) but up 3.7 million from the 270.2 million reported on October 1, 1983. The percentage of the flock that has been force molted continues large. On November 1, 2.4 percent of the flock had been force molted, down from 23.6 percent on October 1, 1983.

During October, the number of eggs per layer was 20.76, up from 20.49 in 1981. The rate of lay has been above earlier years during 1983, in spite of the hot summer and more hens being kept for additional laying cycles. Advances in breeding and efficient management continue to increase the efficiency of egg production.

1984 Production Likely to Be Down

Continued high feed costs and seasonally weaker prices in the first half of 1984 are likely to encourage egg production to decline further from year-earlier levels. Layer numbers will continue to trail the year before. Although force molted hens still make up a high percentage of the flock, the share of hens force molted should decline as older birds are sold after the first of the year. The number of replacement pullets will only about equal last year in the first quarter. But, the table egg chick hatch was above last year in September and October, indicating egg producers are starting to gear up for higher output late in 1984. Replacement pullets or the remainder of 1984 will depend upon returns, feed price movements, and expected egg demand into 1985.

During the first half of 1984, egg production may be one to three percent below 1983's 2,832 million dozen. If feed prices begin to moderate in the spring, producers are likely to continue to retain older hens, and production in the third quarter of 1984 may about equal 1983's output. During the fourth quarter of 1984, production may be up one to three percent from 1983, with a modest increase in replacement pullets. Research in California has shown force molting is most profitable when feed costs are high or egg prices low, and this condition may be met during first-half 1984, favoring continued force molting.

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MARCH, 1984



Joseph Halow

DURUM EXPORT OUTLOOK

by Joseph Halow, Executive Director
North American Export Grain Association Inc., at the
Seventh International Durum Forum

durum producers in particular reduced their acreage substantially, considering the large carryover of durum and the depressing market outlook. Last year the durum exports totaled only 59 million bushels, which, with the large crop last year, left a carryin of about 142 million bushels.

This year's production of corn, soybeans, spring wheat and durum, as you all know, was further reduced by the effects of the most severe drought in the United States in many years. Yet the spring wheat and durum crops were better than had been expected. There were spots where the crop grew well and others where there was virtually no crop. This year's durum production was estimated to be no more than about 72 million bushels, not enough to cover the U.S. domestic consumption requirements and the anticipated exports. The carryover is, therefore, to be drawn down. The figures are relatively simple to put together: Carryin is 142 million bushels, this year's production is approximately 72 million bushels, leaving an available quantity of 214 million bushels. Of this about 50 million bushels goes into domestic consumption, and, the USDA estimates about 70 million bushels go to export, leaving a carryout of about 94 million bushels. This would suggest that the markets should be firm and prices would probably increase. This does not appear possible, however, and it has not been the case in other markets. It has not been the case with the soybeans, for example, the carryout of which is supposed to be appreciably smaller than the carryin. Yet the soybean markets, supposed to be the strongest, have been leading other grain prices lower. The soybean markets are very volatile, and for the moment that appears to be all they shall be.

Exports Make the Market

What is it that caused the great uncertainty in the markets? What is it that is different about the markets this year, which makes them behave in a different fashion?

First of all, if anyone needed any further proof that it is exports on

which U.S. domestic agricultural prices are based and on which they are supported, he should have no further need after this year. The problem is that the exports have, at least so far, fallen behind those of last year, and last year's were behind those of the previous year. Domestic use has apparently increased, according to the USDA's figures, but this has not been enough. Unless there is export activity in the market they are stagnant, and when they are stagnant, the prices are lower. Our exports have been declining since the U.S. embargo of grains to the Soviet Union in 1980. There could have been some improvement in the market performance had the current Administration not taken such an arbitrary stand on its trade with the Soviet Union, but the Soviets have been driven further and further away from the United States. Rather than being the preferred supplier to the Soviet Union, and unless something happens to improve relations, this situation could get worse. This year thus far the Soviets have purchased something in excess of four million tons of grain from the United States and about a half million tons of soybeans. They will undoubtedly purchase the minimum requirement covered by their agreement with the U.S., which would be something less than four million tons more, and that may be it for this year.

Although the reasons affecting the Chinese purchases from the United States are different, they all lead back to Government involvement and its effects on trade. The Chinese were angry at the United States because it imposed quotas on Chinese textile exports to the United States, and they retaliated by not buying U.S. grains for a period of time. It now appears they may have bought all they will from the United States this marketing year, despite their agreement.

The other nations are also buying less. One of their reasons is that they don't have the funds with which to buy, so that world trade is not growing to the extent that it could. But this factor does not explain the fact that the United States is losing its share of

(Continued on page 10)

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Durum Export Outlook

(Continued from page 8)

the market. At one point the United States dominated all the increased world import demand, but it is down off this pinnacle, with other nations taking some of the U.S. portion.

In the Case of Durum

In the case of durum, at the beginning of the season the United States could have expected larger export volumes to North Africa. The Greek durum situation appeared to be bleak—and you will remember that it was the Greeks who captured a large portion of the North African market last year—and the North African production prospects were not particularly good. This appeared to be true also of Italy—of, in fact, the entire Mediterranean area. What happened to the demand is uncertain, but the United States had looked forward to it. With a smaller crop in the United States, it appeared that the United States would draw down its carryover significantly. It has, but the quantities expected to go to export have not gone. It now appears that the United States may have a difficult time reaching the 70 million bushel export figure. (The U.S. grain trade had, in general, incidentally, expected that U.S. exports could be even a little larger this year.) If the United States does not export as much, and the carryover is not reduced as much as had been expected, it could be expected that the markets would weaken. Instead of that they appear to be firmer during the past several weeks. What is happening in the market is anyone's guess. Receipts are not particularly large, but they are apparently large enough to take care of the market. Failing to meet export expectations, the U.S. durum markets could be supported by the other markets, particularly the markets for Hard Red Spring, but the durum prices are still selling at a respectable premium over the spring wheat prices. It is all still somewhat difficult to understand, but there should be some understanding of the markets before long.

The 1980 Embargo

One of the factors which has caused the current problem I have already mentioned, and although I hate to keep harping on it, I must return to it as the most visible beginning of the current problems; and that is the 1980

embargo of grain sales to the Soviet Union. There had been other embargoes, but they had not been on the same proportion, nor were they followed by the strong rhetoric of this nation against the socialist countries. It is as a result of the embargo and the ensuing policy problems with the Soviets that our current agricultural trade problems lie. They actually began earlier than that, in the 1970's when the Administration first began attempting to use agricultural exports from the United States as what they felt could be diplomatic leverage against foreign grain importers. This has never worked; and yet, it is still startling, where there is a particular problem or an incident, to learn that there are still legislators who call immediately for a halt to the grain trade with the Soviet Union. Witness, for example, the Congressman from Oregon, James Weaver, who recently called for a cessation of all grain shipments to the Soviet Union. It is this type of talk which is costing the United States export sales.

For not only is the Soviet Union concerned about depending strongly on the United States as a food supply, but so are other nations, which have at one time or another had any particular political problems with the United States. It may be the Soviet Union to whom the message is directed, but other nations hear it too. And they keep hearing it from various sources, only some of which could be considered official and, therefore consistent or to be noted.

U.S. Looks in Wrong Places

Frequently, when the United States has had problems with its agricultural exports it has immediately turned its back on the real source of the problem and has begun to look at the European Community and Japan as the cause of its reduced exports. This has again happened and it has not actually begun, but accelerated, a form of trade war with both countries, a war which neither side will win. The United States has, however, a history of supporting the European Community and even its agricultural policy. The last Administration gave this policy its blessing and even negotiated its approval into the Kennedy Round of trade negotiations. It is almost unheard of that a future Administration would repudiate what a former administration has done; yet this Admin-

istration has done it and apparently gotten away with it. There is very little said now about the fact that the former administration accepted the Common Agriculture Policy and with it, the subsidies employed by the European Community. But it is another matter to suggest that the United States will succeed in having the Community abolish these subsidies and its practice.

For in typical U.S. fashion, the U.S. is looking at the export practices of the Community rather than at its domestic agricultural policy, and the two are tied very firmly together. It is as a result of its domestic agricultural policy that the Community is exporting. For if the Community were not increasing its production past the point where it is self-sufficient it would not have the surpluses which it must then export. If the Community continues to produce these quantities and does not export them this will decrease U.S. corn exports to the Community, for it must feed the grain to its livestock. If the Community does export them, these exports interfere with the United States ability to ship grain to the countries to which the Community is exporting.

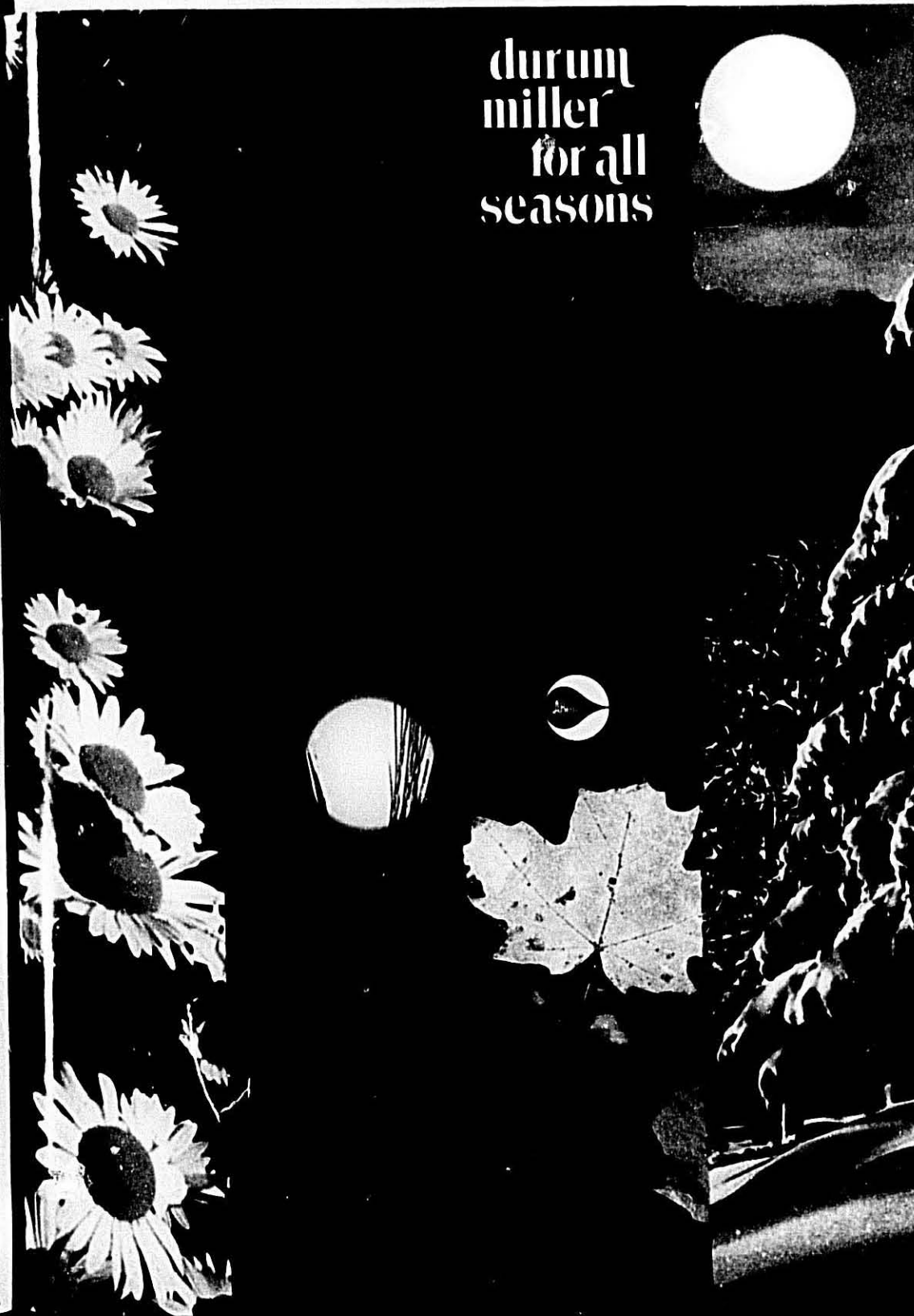
And to those who feel they would rather have the Community import less corn and export less wheat, let me say that if the United States exports less corn the wheat markets in the United States tend also to be weaker, for the wheat markets are supported by the corn markets.

The grain exports to the Far East are different, for Japan does not produce nearly enough grain to begin to supply its own requirements. It depends on imports but has not closed its eyes to the United States action in the international diplomatic field with its agricultural exports. Japan—as the country which cried the loudest during the soybean embargo in 1973, and, as a result, it has encouraged soybean production in Brazil and corn production in other countries. The United States may be Japan's chief grain supplier, but it is by far not its only grain supplier, and the United States has been unable to get Japan to increase the portion of U.S. grain which it uses.

If the Administration has been the most important factor in the decline of the markets then it should also be the factor which should help the United

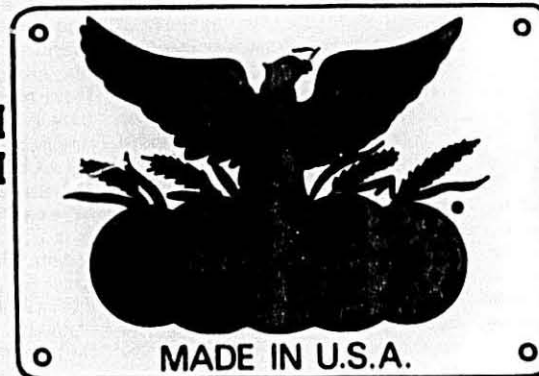
(Continued on page 14)

durum
miller
for all
seasons



MALDARI

For more than 80 Years, the Name in
FOOD EXTRUSION DIES
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Durum Export Outlook

(Continued from page 10)

States out of its particular dilemma—indeed, it must. The USDA has recently attempted to act by issuing lines of credit to various countries, with some credit announcements already made and more to be expected. The action is welcome, although it is a little late coming. It should be helpful, but much more is needed.

The United States has attempted to attract the EC's attention by subsidizing a flour sale to Egypt and almost subsidizing a dairy products sale to Egypt. The fact that there was no follow up has merely served the Egyptians, who are now being blessed with another subsidized flour sale, this one from the EC. The EC had been subsidizing its flour sales, but not to the extent that the United States did and, therefore, not to the extent that the newest EC effort will go. This means that the EC will retain the Egyptian flour market, except for the one incursion the United States has made into it, although it will do so at greater cost to the Community.

EC Subsidizes Pasta

Another factor which the durum farmer must face with regard to the European Community is the extent to which the EC is selling subsidized noodle and spaghetti products in the United States. This might not matter much to the producer—it does, of course to the pasta manufacturer in the United States—if the EC were buying more durum from the United States to produce the product. The problem is, however, that the EC is now depending, and will in the future, depend even more on its own durum production. The change is being accelerated because of the EC's acquisition of Greece as a member, for Greek durum is moving to the Mediterranean area, and the Greeks will keep increasing their durum production, so long as the EC's CAP will make it profitable for them to do so.

Faced with a declining export market and the probability that it will produce much larger crops in 1984, the United States could not only continue to have serious agricultural problems next year, but if the export markets do not expand, they will be much more serious problems. There will be no effective PIK program next year to discourage U.S. production. The cost

of the PIK program this year and the other huge costs of agriculture to the nation will not be repeated. Yet farmers expect the administration to do something for them next year, and since we are facing a new presidential election I would be the last one to rule out any possibility. Still, the budget problems faced by this administration are very serious, and they will not be less serious next year.

Spring Planting Will Be Up

No one knows yet what to expect in the way of spring wheat and durum planting next year, but my guess is that they will be substantially increased over this year's production. The farmers are forced to produce more if the prices are lower or if they are higher. If they are lower the farmer needs more units to sell to obtain the cash to cover his fixed costs. If they are higher the farmer wants to take advantage of the better market to improve his own financial situation. The only question which remains is which crop will do better for him. There are some farmers who traditionally plant one crop because it has done good for them in the past and they hope will continue to do well for them in the future. But this type of farmer is also disappearing, particularly in the areas where he has a choice. There are Hard Winter Wheat farmers who can plant not much other than Hard Winter Wheat. But in this part of the country the situation is different, for there are choices, and the farmer will exercise his right to change if the prices for the other crops are better. It will still be left to the farmer to decide.

If there appears to be little doubt that next year's production will be greater, there also appears to be quite a bit of question as to what the export markets will bring. The United States current agricultural policy is, remarkably enough, still called "a market oriented policy," which means that the farmer must produce for the market, but the Government has usurped the farmer's right to sell to whom he will in that market. This means that the Government has limited the farmer's access to that market. There appears little chance that this will change soon. The government is now engaged in an effort to reduce the farmer's price supports, which in normal times no one could argue with. But these are not normal times. And yet the only possible course which the Ad-

ministration can take is to improve the U.S. potential to export grain. This it appears unwilling or unable to do.

What bothers me about the entire incident, however, is that the United States continues to point in the other direction rather than attempt to analyze the situation correctly. Rather than admit it has made a mistake—and who wants to admit he has made a mistake—the Government continues to point in various directions, attempting to blame foreign governments for its problems and, worse yet, it is jokingly casting the blame on the U.S. farmer, because of his tremendous productive ability. This latter is probably the most short-sighted criticism the Government could make, for the farmer is doing what the administration is exhorting not only the farmer but all branches of U.S. industry to do, and that is to be more productive. In farming it is even more important, for it is U.S. farm productivity which is responsible for the fact that food prices have not been more expensive and don't climb more rapidly. For the cost of food is not reflected by the price of the commodity to the farmer. It is probably safe to say that farm prices are now not as high as they were ten years ago, but the cost of food certainly has continued to increase.

Farmer Needs Markets

The difference is in the export markets, for if the farmer continues to produce more—and he absolutely must do so in order to continue to exist—he must have greater markets in which to sell his products. Those markets appear now to have been lost to him—certainly the potential for any increase to those markets has been lost to him. For the farmer must have expanding markets, and instead of expanding, the export market potential has shrunk for the U.S. farmer, and it is going to continue to shrink unless and until something is done to correct the situation.

Four years ago the last Administration insisted that the U.S. had probably reached the end of its export capacity and would probably not be able to export more. It also insisted that the export problems of the 1980's would be in the allocation of grain exports rather than in any effort to increase exports. The situation is obviously quite different now, proving once again that there will be periods of grain surplus and periods of grain

shortages in the world. But by far the periods of grain surpluses are going to be longer than are the periods of grain shortages. About eight to ten years ago the United States came through its period of grain shortages. It is now facing a period of world grain surpluses, and how the U.S. will respond is still somewhat doubtful.

What is complicating the issue for U.S. agriculture, however, is that the world is now producing more grain. The U.S. must either back away from its grain production or be much more aggressive in selling it.

And that is why there is still some doubt about the U.S. durum export potential. For although durum is only a small part of the U.S. export effort it is a very important part, far greater than the size of its market would indicate. Its movements are also, to a large extent, indications of what one can expect from the other markets.

Egg Production Down

(Continued from page 6)

Egg Prices Strengthen

The prices for Grade A large eggs delivered store door in New York have not followed the normal seasonal pattern, especially in the second quarter. Prices weakened in the first quarter, following seasonal highs in fourth-quarter 1982, but reduced egg production and Government purchases of dried egg mix strengthened prices counter seasonally in the second quarter. Prices have continued to strengthen as production has slipped further below year-earlier levels during 1983 and averaged 74 cents per dozen in the third quarter, up from 65 cents last year.

In October, egg breakers began bidding for eggs to meet their orders for processed eggs, and this bidding strengthened prices. Normally, breakers build some inventory during the spring and summer quarters to meet demand in the fourth quarter. This year, stocks were record low at the beginning of the fourth quarter and breakers had to go into the market to try to fill current orders, further strengthening prices. In 1984, breakers are not likely to be able to rebuild stocks until egg production increases and egg prices are not so strong.

Lenten Casserole recipe on page 17

SALUTE TO LAKE REGION STATES

In March the *Macaroni Journal* salutes the states in the Lake region.

Michigan, named for the lake which forms the western boundary of its lower peninsula, is an Indian word which probably means "great lake" or "great water." Michigan is properly called the Wolverine State for an animal that figured prominently in the early fur trade of the Northwest.

Michigan has become a great manufacturing state with its rapid growth largely due to the development of the automobile industry. Much of the state lies within the dairy belt, and it is a prime producer of fruit such as apples, grapes, cherries, peaches and pears. Trout, whitefish, herring and perch come out of the lakes.

Indiana, the Hoosier State, is an important farming state. It grows more tomatoes than any other state in the Midwest. A large amount of the nation's supply of mint comes from the northern part of the state. Its leading crops are corn, wheat, livestock and dairy products. Large crops of fruit and vegetables are produced on Indiana farms.

More Restaurant Meals

"With real disposable income increasing 4.6% in 1984, people will be enjoying many more meals away from home. Research shows that if all consumers were able to eat out as often as they liked, customer traffic would jump by 30%." — Joe R. Lee, National Restaurant Association.



Lenten Tuna-Noodle Casserole

Our best to you...



Your order deserves the best . . . and that's what you receive. We start with the world's finest quality durum wheat. It's milled by the most modern milling facilities in the nation, with careful quality control every step of the way. It's shipped in our own air slide and jumbo railroad cars, so you can be assured of our best all the way to your plant. Order Durakota No. 1 Semolina, Perfecto Durum Granular or Excellent Fancy Durum Patent Flour. We send you our best

the durum people



NORTH DAKOTA MILLING
Grand Forks, North Dakota 58201

Lenten Casserole

Tuna, egg noodles, corn, soup, cheese, milk and stuffed olives make a tasty dish.

The Recipe Makes Six Servings

- 1 can (11 oz.) condensed Cheddar cheese soup
- 1/2 cup milk
- 1 package (4 oz.) shredded Cheddar cheese (1 cup)
- 2 teaspoons chili powder
- 8 oz. medium egg noodles cooked
- 1 can (12 1/2 or 13 oz.) tuna, drained and flaked
- 1 can (12 oz.) whole kernel corn with sweet peppers (undrained)
- 1/2 cup sliced pimiento-stuffed olives

In 2-quart casserole, stir undiluted soup, milk, cheese and chili powder until well blended. Stir in noodles, tuna, undrained corn and olives. Bake in 350° oven for 40 minutes or until hot and bubbly. Garnish with additional sliced pimiento-stuffed olives and shredded Cheddar cheese, if desired.

Hunt's Advertisises New Tomato Sauce

Hunt's Tomato Sauce will break a new, full-page advertisement, appearing in Family Circle, to introduce its new tomato sauce, described as thicker and richer.

Designed to increase reach, the ad describes the end benefit to the consumer of the new product's consistency: "... difference you can taste when when it's in a spaghetti sauce." Support for this claim was provided through taste tests against leading national brands that provide the taste difference.

The ad copy places strong emphasis on the fact that "people all across America" took part in the tests of the new Hunt's Tomato Sauce, with Hunt's "their runaway favorite."

Consumers are advised not to solely follow the taste tests against leading national brands, but to prove the new product's superiority for themselves.

The advertising agency for Hunt's Tomato Sauce is Ketchum Advertising in San Francisco.

MARKETING: THE NEW PRIORITY

Business Week Magazine ran a cover story in November 21 about the splintered mass market forcing companies to target their products. Some highlights:

In essence, marketing means moving goods from the producer to the consumer. It starts with finding out what consumers want or need, and then assessing whether the product can be made and sold at a profit. Such decisions require conducting preliminary research, market identification, and product development, testing consumer reaction to both product and price, working out production capacities and costs, determining distribution, and then deciding on advertising and promotion strategies.

Simple as those steps may sound, many of them were all but forgotten in the 1970s, when inflation kept sales pacing upward and marketing was of secondary importance. Corporate strategies emphasized acquisitions, cash management, or the pursuit of overseas markets. Then came the recession, with its stranglehold on consumer spending, and companies were forced into trying to understand what made the domestic marketplace tick. They soon discovered that *demographic and lifestyle changes had delivered a death blow to mass marketing and brand loyalty.* A nation that once shared homogeneous buying tastes had splintered into many different consumer groups, each with special needs and interests.

The emergence of this fragmented consumer population, together with an array of economic factors—intense international competition, the impact of rapid technological change, the maturing or stagnation of certain markets, and deregulation—has altered the shape of competition. "If you have to change how to compete, then all of a sudden marketing is a very important function," says Robert D. Buzzell, a Harvard University School of Business Administration professor who specializes in strategic market planning.

Market Research

With marketing the new priority, market research is the rallying cry. Companies are trying frantically to get their hands on information that identifies and explains the needs of the powerful new consumer segments now being formed. Kroger Co., for example, holds more than 250,000 consumer in-

terviews a year to define consumer wants more precisely. Some companies are pinning their futures to product innovations, others are rejuvenating time-worn but proven brands, and still others are doing both.

Unquestionably, the companies that emerge successfully from this marketing morass will be those that understand the new consumer environment. In years past, the typical American family consisted of a working dad, a homemaker mom, and two kids. But the 1980 census revealed that only 7% of the 82 million households then surveyed fit that description. Of those families that reported children under the age of 17, 54% of the mothers worked full- or part-time outside their homes. Smaller households now predominate. More than 50% of all households comprise only one or two persons.

Singles and Teenagers

Even more startling, and most overlooked, is the fact that 24% of all households are now headed by singles. This fastest-growing segment of all—up some 80% over the previous decade—expanded mainly because the number of men living alone increased. Some 20% of households include persons 65 or older, a group that will grow rapidly. Already, almost one out of six Americans is over age 55.

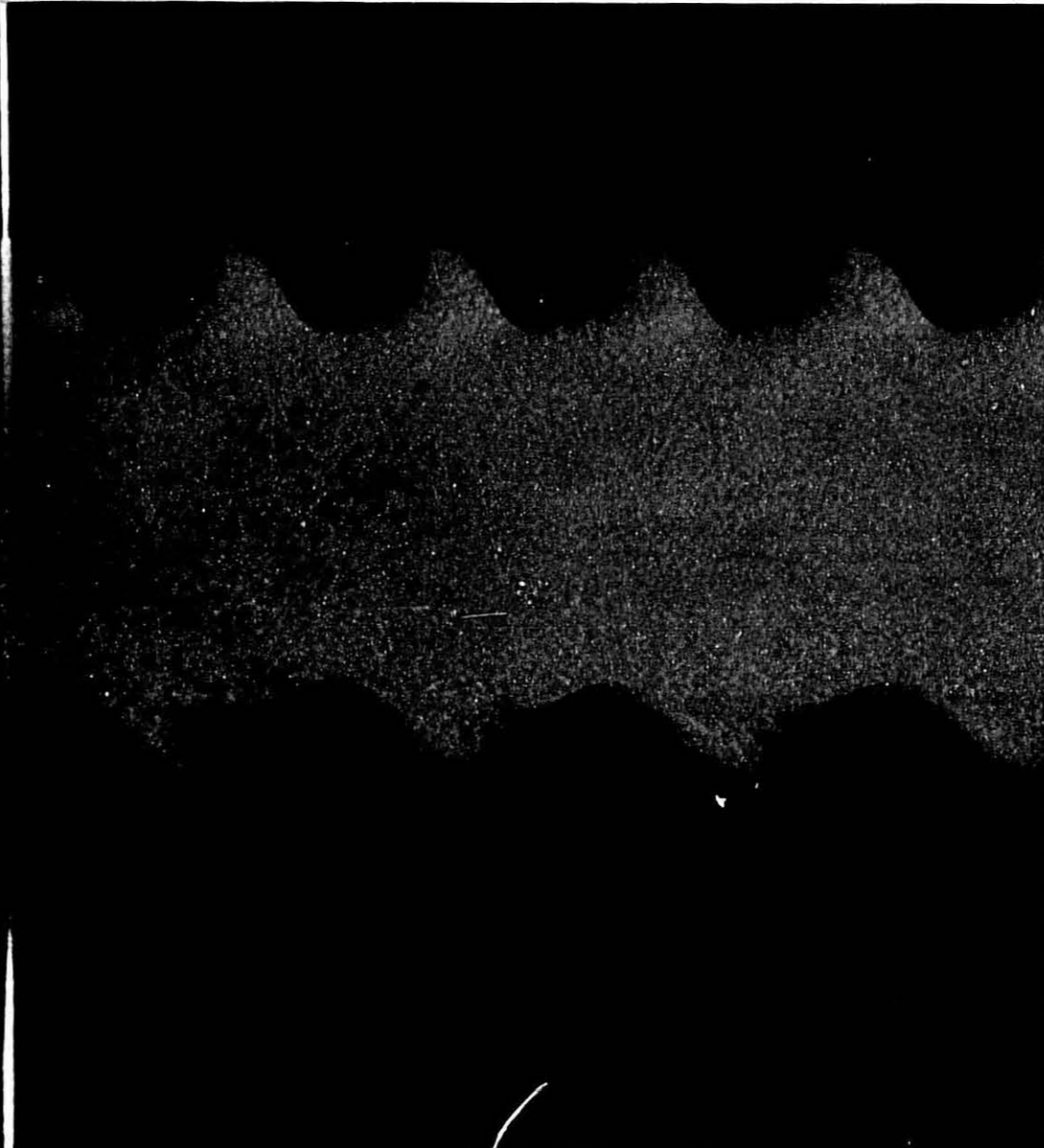
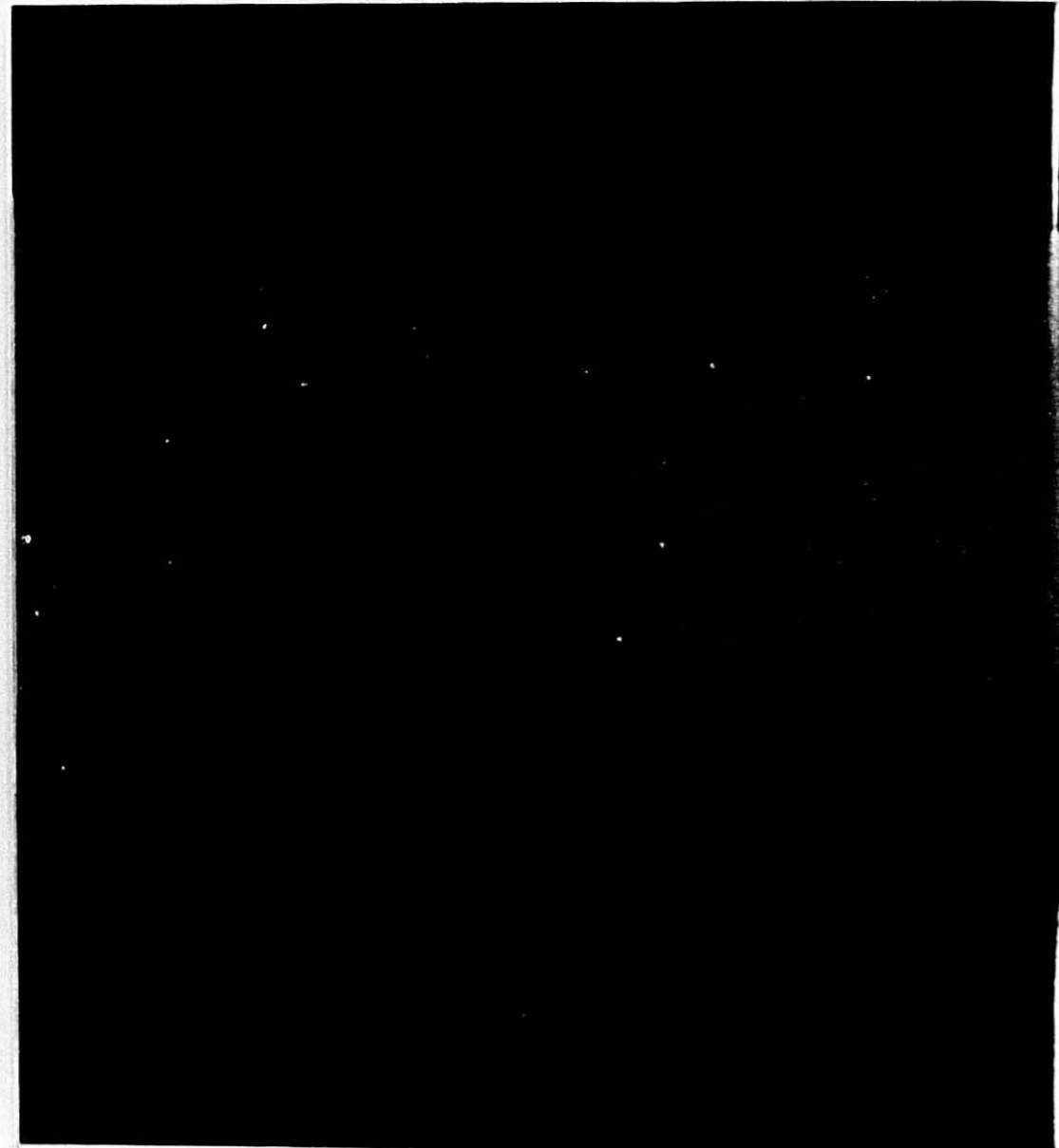
Teenagers, too, have become a much larger shopping force. A Yankelovich, Skelly & White Inc. poll, undertaken with Seventeen magazine, found that nearly 75% of teenage girls with working mothers now regularly shop for groceries. Yet few companies try to reach the group to sell anything but games, records, and clothes.

Many companies still gear their products and ads to 18-to-34-year-olds, who dominated the marketplace of the 1970s but have been supplanted in power and size by the 25-to-45-year-olds. "Youth reflected everything we did as a culture for a long time, but that's not where the bulge is today," says Paula Drillman, executive vice-president and director of research at McCann Erickson Inc.

Indifferences to Brands

Indifference to brands is partly the result of the massive proliferation of

Continued on page 20



**CONAGRA
AND PEAVEY:
MILLERS TO AMERICA'S
PASTA MAKERS**

No one mills more quality durum than Peavey and ConAgra. No one provides a more dependable supply — the right product at the right time at the right price.

That's why you can count on Peavey and ConAgra — America's largest supplier of quality Semolina and other fine durum products.

 ConAgra Flour Milling Company

Marketing: The New Priority

(Continued from page 17)

consumer goods. In an attempt to fire up sales, companies have been swamping the market with new products and line extensions backed by ads, coupons, giveaways, and sweepstakes. For instance, of the 261 varieties of cigarettes for sale today, about half are 10 years old or less.

This huge influx of products has shifted the balance of power from manufacturers to retailers. Lawrence C. Burns, a partner with the Cambridge Group, a Chicago firm of marketing consultants, finds that "stores are eliminating slow movers and won't take on any new products unless they are assured of good inventory turns and margins. They want proof that a product really is a success, and the only way companies can provide is through more regional roll-outs and more test marketing."

Whether a product is new, old, or rejuvenated, the task facing all marketers is to differentiate it from competitors' offerings. The consumer must be made aware of its usefulness and given a reason to choose it over all other brands.

Advertising's Role

Advertising plays a major role in carving out distinct identities for consumer products. The push is on for harder-hitting, product-selling ads and the increased use of sales-promotion devices, such as direct mail and rebates. Broadcast television is still the preferred medium, because cable is not yet in enough homes, and viewership data are still too sketchy to make it efficient as an audience-targeting device. However, specialty publications are getting more play from companies that wish to reach a particular market group—usually a working population that may not have the time to read more general media or watch TV.

The Safeway Story

Two years ago, Safeway Stores Inc. was in a sorry way. The Oakland (Calif.) supermarket chain had built a \$6 billion, 150,000-employee business on the concept of look-alike stores that kept the same hours and carried the same goods. But while the 2,500 Safeway units remained the same, their customers had changed.

"Our customers used to be the family of four, and 85% of the shopping was done by women early on Saturday morning," says John H. Prinster, senior vice-president and marketing director for Safeway. With the trend toward smaller families and two-income households, Safeway began losing customers. In Los Angeles alone, its market share was halved, to about 7%, from 1975 to 1980. As a result, operating income fell 34%, to \$184 million.

At that juncture, Peter A. Magowan, who had taken over as chairman and chief executive officer from William S. Mitchell in 1980, began emphasizing marketing. Magowan, whose father had overseen Safeway's fast growth from 1955 to 1969, had a retail background and felt that under Mitchell—an accountant by training—financial and legal considerations had overshadowed merchandising.

Marketing Head

Magowan's first move was to create Prinster's job. Until then, marketing had been left up to each of the 18 divisions. Prinster hired seven new executives to run national marketing programs in the grocery, meat, variety, deli, dairy, and bakery departments, as well as a new one—natural foods.

Outside help was also sought. Doody Co., best known for department-store layouts, designed a new kind of supermarket. The prototypes have a high-tech emphasis: Safeway's square, box-style store has been scrapped in favor of a hub-and-spoke unit, with beams and wiring in full view.

The new design is only part of an effort to diversify each store to keep up with what Prinster terms "the jogging generation"—those aged 25 to 44. Stores are staying open longer, and new departments, such as bakeries, delis, and pharmacies, have been created to appeal to consumers who have eclectic tastes and little shopping time. The store's new motto is "Fresh and Full at 5."

Safeway has also placed automated teller machines in 200 stores and is experimenting with computer sales. It is selling hardware, software, and books in a Seattle unit. The chain houses 1,800 video games and is testing warehouse sales of 40 bulk items, such as sugar, flour, and nuts. Produce sections that carried 60 items now bulge with 180 different offerings—including 13 kinds of melons.

To reach its target customers, Safeway is using upscale magazines, drive-time radio, and prime-time TV. Newspapers have become a secondary but the chain's studies indicate that only 40% of its customers read a daily.

Innovating

Under Magowan, Safeway is trying hard to become an innovator. "We used to watch what the other guy was doing, then test the hell out of the idea and bring it out late," says Prinster. The new "try it" philosophy has backfired on occasion—an attempt to introduce home-repair centers in its stores was a failure—but other efforts have fared better. When the TV mini-series *Shogun* was attracting huge network audiences, Safeway pounced on a major display and ad program for the book and sold 400,000 copies—or one-quarter of all paperback sales.

In addition, the food chain is using its scanner equipment to test the results of price or display changes and to help figure out shelf space allocations. "Right now we're monitoring the customer, but more and more we're going to try to predict the consumer," explains Prinster. Indeed, Safeway is giving check-cashing privileges and discounts to customers who fill in questionnaires on a regular basis. "Marketing is now our prime focus," declares Prinster. "In the past, we ran our business by giving the consumers what we thought they wanted. Now we've got to find out what they want and then develop the products."

Campbell Soup

Ever since R. Gordon McGovern took the helm at Campbell Soup Co. in 1980, the old-line food processor known best for its soups and its Pepperidge Farm, Swanson, Franco American, and Godiva products, has been undergoing a rapid and remarkable transformation. The 56-year-old McGovern has been working feverishly to shift the company's emphasis from production to marketing.

McGovern started by reorganizing Campbell's four divisions into about 50 business groups and making group managers responsible for the marketing, manufacturing, and profit and loss of their units. He believes this structure fosters entrepreneurship and brings

the managers much closer to the market.

"There's a tremendous feeling of urgency because an overseas company could come in here with innovative packaging and technology and just take us to the cleaners in basic lines we've taken for granted for years," McGovern says, pointing to the success of Japanese companies selling ramen noodles in the dry-soup category. "They've made a penetration at the low end of the American food market just as they did with cheap cars, and they are going to smash into a lot of other things, he worries.

To keep that from happening to Campbell, the push is on to target the consumer and improve quality. "I think we've had some serious problems in losing touch with our markets," says McGovern. Last year he raised industry—and company—eyebrows when he publicly labeled the Swanson TV-dinner line "junk food." McGovern insists: "It was great in 1950, but in today's world it didn't go into the microwave; it didn't represent variety or a good eating experience to my palate." Campbell has set up Project Fix to improve the quality of its old standbys, and the Swanson line has been bolstered by the new, high-priced Le Menu entrees.

Consumer Is Goal

McGovern's goal for Campbell is "to be positioned with consumers as somebody who is looking after their well-being." Last fall the company set up a health and fitness business unit, and in May it bought a small maker of fitness and sports medicine products. Campbell is also emphasizing segments such as frozen foods, fish (it acquired Mrs. Paul's Kitchens Inc. in 1982), juices (a new Pepperidge Farm apple juice hit the market recently) and produce (Campbell now sells fresh mushrooms).

The program is working. For the last 10 fiscal years average tonnage rose 5%—exceeding the 5% goal and an improvement over the previous two years, which showed an average decline of 2%. "Our share of market is holding and in some cases building," McGovern says. Mrs. Paul's, for example, reversed a market share decline, going from 24% to 27% in a year.

Much of the new strategy hinges on targeting the consumer. "My 83-year-old mother doesn't eat like my son," McGovern observes. "And my

daughters eat differently than their parents, and we eat differently from the people around the corner." So Campbell will gear particular products and ads to specific groups and even to regional marketing. For instance, it will sell its new, spicy Ranchero Beans only in the South and Southwest.

Prego Spaghetti Sauce

But Campbell also wants new products that will have national appeal. Its Prego spaghetti sauce has been a big winner and a breakthrough product for Campbell. For the fiscal year ended Aug. 1, Prego ran up sales of around \$100 million, even though it was not in national distribution for the full year. It is now the No. 2 sauce behind Ragu, grabbing a 22% share.

Prego almost did not get made. The former Campbell policy was that a new product had to show a profit within a year, and the payout on Prego was expected to be three years. Herbert M. Baum, vice-president for marketing, notes that in the 10 years before Prego, Campbell had only two major new-product successes—Chunky Soups and Hungry Man dinners—"and both were nothing more than glorified line extensions." But because the policy held back product development, then-Chief Executive Officer Harold A. Shaub changed it, and Prego, which was started in 1978, went national in September, 1982. Campbell has recouped its investment in Prego. In all, there are now 20 to 30 new U.S. products in various test-market stages. One of these is Juice Works, a line of fruit-juice blends without added sugar, aimed at children. Research on the line included 6,000 evaluations by kids.

Advertising Strategy

Advertising strategy is also being rethought. Campbell used to cut advertising at the end of a quarter to boost earnings. Besides hurting the brands, "it gave us a terrible reputation among the media," says Baum. Spending is now up—and continuous. Ad expenditures for fiscal 1983 rose 39% over the previous year, to \$144 million. This year's budget will be \$175 million. And the message focuses on the nutritional benefits of its products. "Soup is good food" is an example. Previously, Campbell had relied on the sing-and-sell approach. "m-m good" was its slogan for years.

McGovern is challenging managers to do better, to respond to the market faster, and to develop products "that consumers perceive to be in their best interest." He seems to be getting his message across.

PMMI Elects 1984 Officers

William J. Maybury, Jr., Corporate Vice President of Sales and Marketing, Package Machinery Manufacturers, has been elected 1984 President of the Packaging Machinery Manufacturers Institute.

As PMMI President, he succeeds John M. Johnston, President, Doboy Packaging Machinery, Inc.

To serve as officers with Maybury are Kenneth J. Gollmann, President, Consolidated Packaging Machinery Company, as First Vice President and Arthur R. Schaefer, President, New Jersey Machine, Inc., as Second Vice President.

A graduate of Northeastern University, Maybury's career with Package Machinery Company spans 36 years. After ten years in sales, he was moved into management in 1958, promoted to Director of Sales in 1965, elevated to Vice President of the Packaging Division in 1972 and named Vice President of Sales and Marketing in 1983. He was elected to the Packaging Machinery Manufacturers Institute Board of Directors in 1978 for a four-year term and served as vice president since January, 1982.

Gollmann, author of several articles on packaging and packaging machinery, is a graduate of the University of Buffalo and a 23-year veteran with Consolidated Packaging Machinery Company. He is a past president and board member of the Packaging Institute/USA and has been a member of PMMI's Board of Directors since 1979.

Schaefer started with New Jersey Machine, Inc. in 1946 as a sales engineer. He later served as Customer Service Manager, General Sales Manager, Vice President in charge of sales, and Executive Vice President. He is a graduate of Stevens Institute of Technology, a past president and fellow of the Packaging Institute/USA, past chairman of the Industrial Management Association, and has been a member of PMMI's Board of Directors since 1979.



Pasta is in the "Good Group"

New research shows pasta releases the right complex carbohydrates – rewards us with better health, slowed aging and built-in weight control.

pasta produces a flat reading on insulin release

which

Pasta – let's tell it like it is.

ADM

ADM also supplies quality shortening, soybean oil, corn oil, protein, dough conditioners and more wheat flour for the baking industry.



NURTURING VITALITY: HOW TO FOSTER GROWTH THROUGH RENEWAL

Earlier we noted that there are two principal reasons why good strategic opportunities are not successfully exploited. The first reason is the lack of a sensible Market Attainment Plan. The second is that the management systems of many U.S. corporations discourage the entrepreneurial activities and risk-taking necessary for a new venture. The best Market Attainment Plan will not succeed unless the company has an organization and an environment that encourage rather than block innovation.

By organization we do not mean just the boxes on an organizational chart and the lines that indicate the relationships between them.

Nor do we mean the informal organization by which most companies are managed.

Instead, we refer to a management system which encompasses all of the resources available to managers to direct, control, and support innovation.

Each of the nine organizational elements in the list below should support the execution of the chosen Market Attainment Plan.

DISCOVERING THE FOUNTAIN OF YOUTH: AN APPROACH TO CORPORATE GROWTH AND DEVELOPMENT

A Presentation by Roger W. Hearne and Kathleen Crispell Blackmer, Arthur D. Little Inc.

Top Management Group
Critical Driving Forces
Structure
Coordinating Mechanisms and
Conflict Resolutions
Management Style
Planning Process
Control and Information Systems
Performance Measures and Rewards
Human Resources

The nine organizational elements can be characterized by asking a series of questions.

- Top Management Group**
- Who is in it?
 - How large is it?
 - What holds its members together?
 - Is it highly focused or diffuse?

- Critical Driving Forces**
- What areas of activity are consistently in the forefront?
 - What values drive most of the corporation's activities?
 - Is the company more oriented toward its customers, its technologies, or its manufacturing methods?
 - Is it oriented toward long-term growth or short-term survival?

- Structure**
- What form do the lines and boxes on the organizational chart take?
 - Is the structure primarily functional or divisional or matrix?
 - Are authority and responsibility centralized or spread among the company's operating units? Or, is authority at one level and responsibility at another?

- Coordinating Mechanisms and Conflict Resolution**
- How many coordinating tools are used (e.g., committees, task forces, manuals, socialization, mutual accommodation)?
 - How complex are they?



Kathleen Crispell Blackmer

- How are conflicts between managers typically resolved?

- Management Style**
- Is there one approach to managing that the company favors?
 - Is it oriented toward risk-taking or caution?
 - Is competition with other companies given more attention than achieving internal operating efficiencies?
 - Is management directive or participative?
 - Does the company believe in Theory X, or Theory Y, or Theory Z?

- Planning Process**
- Does the company plan first and then act, or does it first experiment and then develop plans as it goes along?
 - Are the plans wide-ranging and built around several alternative assumptions about the future? Or, are they detailed, cost-oriented, and tightly linked to annual budgets?

(Continued on page 26)

THE MACARONI JOURNAL

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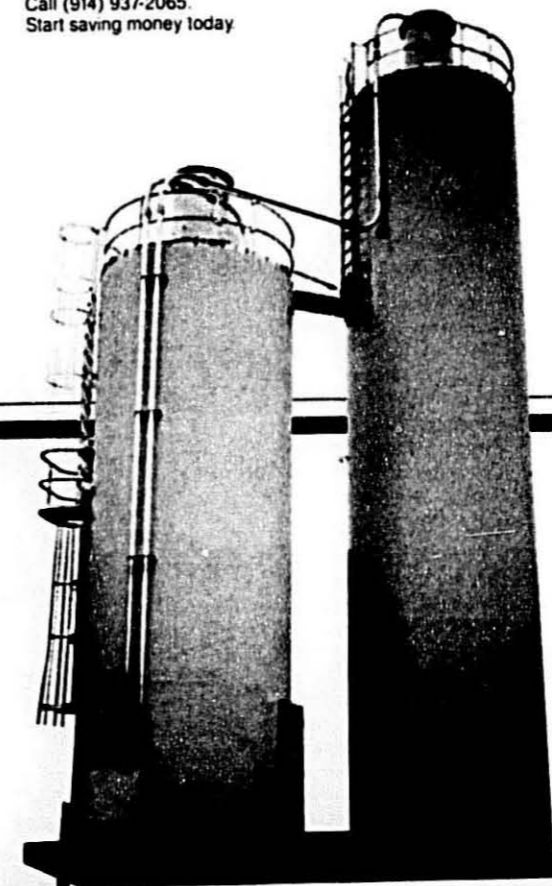
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How to Foster Growth

(Continued from page 24)

Control and Information Systems

- Are the company's financial and operational controls centralized or decentralized?
- To what extent are training and management education used to supplement the formal control system?
- Does information tend to flow up or down the hierarchy?
- Are there extensive lateral communication links among the organizational units?

Performance Measures and Rewards

- Does the company monitor progress toward strategic objectives?
- Which of the company's activities seem to receive a disproportionate share of the rewards?
- Do the rewards encourage risk-taking, or do they favor short-term profit-maximization?

Human Resources

- What kind of employees are most valued — risk-taking generalists or analytically-oriented specialists?
- Is the size of the work force growing rapidly, or are cutbacks common?
- Is turnover high or is longtime employment encouraged?
- Do most recruits start their careers at this company or do many enter at middle and senior levels?

We can split the nine organizational characteristics into those that are "hard" versus those that are "soft." The "hard" elements are the more familiar, quantifiable ones:

- Structure
- Planning Process
- Control and Information Systems
- Performance Measures and Rewards

These "hard" characteristics are the ones that are most emphasized in mature companies today. They use the organizational skills that are taught in our business schools and that are familiar to many managers.

However, we have found that the remaining "soft" elements can have an equally important impact, although they are only rarely discussed:

- Top Management Group
- Critical Driving Forces

- Coordinating Mechanisms and Conflict Resolution
- Management Style
- Human Resources

If you have read the numerous reports on Japanese management in the past few years you know that the message is not that the Japanese have discovered some miracle technology, or that Japanese workers are more skilled than their U.S. counterparts. The message is that Japanese managers have been well trained to handle the "soft" elements of organization.

At this point, we need to relate the nine organizational characteristics to the process of finding growth opportunities in mature businesses. As you have already seen, a company can use the Strategic Opportunities Profile, the Innovation Budget, and the Market Attainment Plan to create growth and renewal. The next step is to figure out how the management organization must change to both permit and reward innovation.

Most companies apply the same organizational characteristics to each business unit they operate, whether or not they are useful. If the corporation's original business emphasized manufacturing skills, the same criteria are applied to measure success in its other businesses, however dissimilar their requirements. While the problem is obvious to the outside observer, it is most difficult to change because of the extent to which managers prefer to ignore those things which are uncomfortable to change.

The problem is compounded by the fact that top management usually reached their positions by using the skills for success in the company's core, dominant business, from which they emerged. Thus, entrepreneurial activities may "feel uncomfortable."

When we analyze mature businesses, we usually find that the predominant characteristics of the successful manager are those that belong to what we might call a "Critical Administrator," typified by the desire to increase efficiency, control, and financial returns. However, management interested in innovation must adopt many of the characteristics of the "Entrepreneur," whose focus is on new product development and market penetration.

The "Critical Administrator" and the "Entrepreneur" are contrasted in the following listings:

Organizational Element

- Top Management Group
- Critical Driving Forces
- Structure
- Coordinating Mechanisms and Conflict Resolution
- Management Style
- Planning Processes
- Control and Information Systems
- Performance Measures and Rewards
- Human Resources

The Critical Administrator

- Stable and entrenched
- Internal; corporate values emphasized
- Tight, formal, authoritative
- Policies and manuals; slow, formal decisions
- Buttoned-down, risk-averse
- Rigid, detailed, cost-oriented; multiple approvals required; many plans, few actions
- Staff-controlled; "this is what you need"
- The previous year's results; the "rearview mirror"
- Formal and paternalistic; many functional specialists; "promote from within"; seniority counts heavily

The Entrepreneur

- Fluid and diverse; has a fearless leader and changing membership
- External; market-driven
- Simple, loose, flexible; perhaps no organization chart
- Informal, with ad hoc decision making
- Charismatic leader; encourages personal risk-taking
- Problem- and opportunity-oriented; many actions, few plans
- Line-controlled; "this is what need"
- New product successes; the "telescope"
- Informal; mostly explorers and generalists; hire best person, whether from inside or outside; seniority is of minor importance

The ideal organizational situation for a corporation would be to have all of the organizational elements aligned with a particular strategy. For example, an entrepreneurial organization would support a growth and renewal strategy whereas a critical administration organization would support a maintenance strategy in a basic, mature industry.

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When we discuss this alignment with clients in a variety of industries, we find strong agreement about the importance of alignment. However, there are usually a number of difficult roadblocks to overcome.

- Political Reality
- Ignored Organizational Characteristics
- Misdirected Self-Interest
- Lack of Organizational Skills

In most companies, it simply is not possible to line up all of the organizational elements perfectly to support strategies. In the real world, you must deal with the personalities and conditions you have been given. This may mean that the nephew of the boss' wife holds a key position and works up to his limited best where another person might do a better job; or that old Ernie is going to retire next year and it would be impractical to take away his role in Personnel. That is normal; even though the "politics" prevent you from designing the perfect organization, you can nevertheless create an organization which supports growth and renewal strategies much more effectively than your current organization may allow.

Many companies do not employ all of the nine organizational elements because managers may be unaware they exist. For example, it is not uncommon for a family-dominated company to have an organization chart that was handed down by the founder and that no one has critically evaluated.

There is often conflict between the behavior required to implement an innovative plan and that encouraged by the dominant elements of the company's organizational system — most frequently, the compensation system. We are sure that many of you know of at least one company that has stated an objective of innovation and long-term growth, but in which managers know that they will forfeit their bonuses if quarterly earnings do not make budget. In other words, it is possible to have all of the organizational characteristics lined up, but to have them pointing in the wrong direction.

A company should have a different organizational system to support the strategies of each of its business units. An oil company, for example, should manage its mature oil and gas business like a "Critical Administrator," but

should manage a new office products venture like an "Entrepreneur." In practice, the organizational system that supports the dominant business in a corporation often prevails across all of the corporation's businesses. It requires considerable top management skill to create and maintain a portfolio of organizational characteristics to support a portfolio of strategies.

We recently analyzed the nine organizational elements in an assignment for a large subsidiary of a "Fortune" "500" manufacturing company. The parent company is in a mature metal-bending industry; the subsidiary is in a fast growth service industry with operating conditions dramatically different from those of the parent.

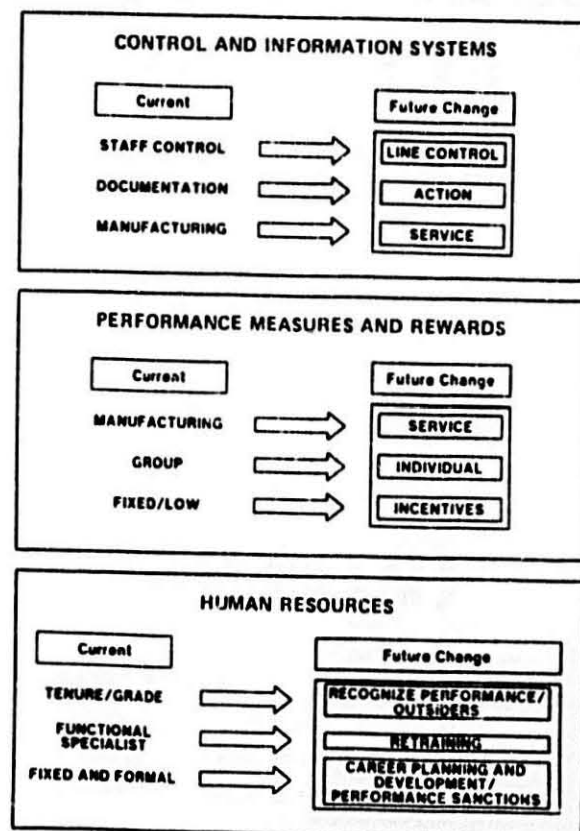
By analyzing the client organization, we were able to determine whether the organization and the system used to manage and control the businesses were appropriate for the fast growth, innovation-oriented strategies that were selected. Below we illustrate the result of this analysis for three of the nine organizational elements.

The client's control and information systems were managed at corporate level by the financial staff. Reports were circulated to document their accuracy rather than to provide the data needed by the line managers. In short, the Finance Department controlled the management information system and used it to document other groups' mistakes.

Both our client and we concluded that this organizational characteristic was more commonly found in a large, manufacturing-oriented corporation than in a fast growth service company.

In the performance measures and rewards area, we found that the group performance was more highly valued than the individual performance. Compensation was rigid and somewhat low for the services industry, although it was adequate for the manufacturing industry in which the parent company competed. Incentive compensation was available only to a few people, and it was a rather routine device for "old hands," not the "comers." The fringe

(Continued on page 30)



PUT
PEP
IN YOUR
PASTA



How to Foster Growth

(Continued from page 28)

benefit system reinforced a caste structure and was a disincentive to innovators.

We found that tenure and grade were valued most. Managers were expected to spend their careers in one functional specialty. Personnel policies were fixed and formal; for instance, there were six levels of approval required for annual compensation changes, although these were preset by budget. Most of the compensation changes for management personnel were based on the results of the union negotiations for bargaining unit employees. And, we found that all senior managers were promoted to their positions from within the company.

We recommended changes to develop an organizational system which better suited the growth Market Attainment Plans which the client was attempting to follow. We formulated new control and information systems processes, restructured the formal organization, and revamped the compensation and benefit plans. The number of managerial levels was reduced from 21 to six. The staff units now support line management, rather than attempting to run the business. The span of control has been narrowed at the top and broadened at the center. Numerous overhead reductions have been made to allow a better response to the market and decentralized profit and loss responsibility.

Growth Through Renewal

To recap briefly what we have said about permitting growth and innovation through organizational change:

- Organization means more than structure and charts.
- The revitalization of a company requires management to line up the nine organizational elements to support the new strategy. It is almost impossible to implement a new Market Attainment Plan with an old organizational system designed to support a considerably different direction.
- Where there are several separate business units with different strategies, each should have its own supporting organizational system. Instead, most companies have standard systems for all business units.

As a nation, we face a major challenge during the 1980s in learning how to renew innovation and growth in industries that have become mature. The Strategic Opportunities Profile, the Innovation Budget, and the Market Attainment Plan are specific tools that we at Arthur D. Little, Inc., have developed to assist our clients in rejuvenating mature businesses. We have also learned that the "soft" skills of managing people are important considerations in encouraging innovation within a company. We believe each company can renew itself and grow profitably if it will make the commitment to identify and then exploit the opportunities available to it by using the approach and methodology we have presented here.

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Labor Costs

Neither two recessions nor even outright wage-price controls did much to halt the steady upward march of U.S. labor costs during the 1970s. But the 1981-82 recession, which came when U.S. industry was in an unprecedented struggle with imports, hit labor hard. Average hourly compensation rose only 5% for the four quarters ended in September, the smallest gain in a decade. Unit labor costs rose a mere 1.4%

and actually dropped in manufacturing by 2.3%, the first decline since 1953, helping restrain inflationary pressure as the recovery took off.

This pattern of modest wage increases is likely to continue in 1984, a relatively light year for collective bargaining. Both union and non-union workers will try to recoup their losses of recent years, and union rank-and-file members are increasingly militant against making further wage and benefit concessions. But business, aided by high unemployment and the declining clout of unions, has the leverage it needs to hold down the gains. There will be tough confrontations, especially in the again profitable auto industry, but few believe a wage explosion is in the cards. A panel of labor and management officials convened by the Conference Board forecasts that first-year wage-and-benefit settlements in 1984 will run 3% to 6.5%, only a bit higher than 1983.

There is one bright spot for labor in this generally dismal picture. Although nominal wage gains were very small in 1983 and are likely to continue to be modest in 1984, the decline in inflation has produced significant gains in real wages. According to the Bureau of Labor or Statistics, real average hourly earnings increased 2.3% for the four quarters ended in September, the biggest one-year gain since 1975. But if inflation flares up again, the minimal gains now being negotiated could leave the workers unprotected and open the way to a sharp decline in purchasing power.

NPA Survey

In the wage and policy survey made by the National Pasta Association last November some thirty plants reported an increase in wages but frequent some adjustment in fringes.

A press operator for example might earn \$5.45 an hour or at a larger operation \$13.25. The one paid the low wage received eleven paid holidays. In some establishments that could have been six or as much as fourteen.

Shipping clerks are compensated apparently somewhat on the basis of volume and responsibility. The lowest pay was \$5.80 an hour; the highest a salary of over \$27,000 annually. In Canada it was slightly higher.

Bulk packers had a pay range of \$4.50 to \$10.50 per hour.

Summaries of the survey were sent to those who supplied information.



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

Pasta Makers in America

AMERICAN BEAUTY MACARONI COMPANY -- WESTWARD HO!



P. F. Vagnino

Three Italian brothers became a force to be reckoned with in the pasta industry west of the Mississippi River.

Peter F. Vagnino the eldest headquartered in Kansas City where the company headquarters were located. Brother Louis was in charge of the St. Louis operation which originally was the Faust Macaroni Company, and brother Anthony was born, raised, and died in Denver, Colorado, with the American Beauty Plant there his responsibility.

The Kansas City Macaroni Company started in 1912 in a small room and employed only four men. Some seven years later these four had grown to a force of 100 occupying 5,440 square feet of space producing 120 barrels per day. Local Italian merchants organized a company to supply the local trade. The bulk of sales were in 20-pound packages. Local advertising built up a demand for small packages, and the management pushed this type of packaged goods strongly.

The *Northwestern Miller*, a trade publication, reported: "Durum wheat is bought in the northwest by the company as there is little grain suitable for use in the southwest. A small amount is bought from eastern Colorado."

The president and manager of K. C. Macaroni was a man by the name of R. Sarli. When he died, his widow married P. F. Vagnino. Her son, Ralph Sarli, became president of the American Beauty Macaroni Company upon the death of Peter F. Vagnino, Sr.

At the June, 1922 convention at Niagara Falls P. F. Vagnino was called upon to report market conditions in the west.

He stated: "We have found in our territory we have to depend entirely upon the American trade and that we must pioneer our way in advertising and in helping the consumer. In order to do this we have to spend considerable money in advertising in proportion to the production. If we were to attempt to market a full pound package, we would have to get at least 25¢ for that pound. If we could get the ultimate consumer to pay 25¢ for a pound package, we would spend about 10¢ to advertise it, and we would have 10 times as many factories running as we now have."

"I believe the problems of this industry are chiefly financial. It seems to me that if we would put \$100 a month for the average factory into a common fund, the right kind of men could be employed to further the efforts of the industry to get the proper recognition and respect which it does lack. In the larger cities, when you go into a store and talk about macaroni, they turn up their noses and regard it as so much cord wood or something like that. You would have to spend the money to create demand, and I don't think that \$1000 a year for membership in this organization would be too much."



Ralph Sarli



Louis S. Vagnino

Louis S. Vagnino was president of the National Macaroni Manufacturers Association during the period of 1934-36, during the depths of the depression and during the National Recovery Administration.

He had this to say about his administration: "Our code of fair competition had been approved and adopted by the industry in February, 1934. Under the code minimum wages and maximum hours were established for employees; standards of quality for finished product were provided; unfair and destructive trade practices prohibited. In the words of Hugh Johnson, N.R.A. administrator, 'the provisions of the code will tend to stabilize the industry, which has suffered from destructive price cutting by members of the industry engaged in the distributing of an inferior product under claims of equal quality with better merchandise.'"

The outstanding accomplishment of the Convention of 1934 was agreement between durum millers and macaroni manufacturers whereby the number of grades of semolina milled for pasta would be restricted to two. Secondly, there was a general expression of faith in the macaroni code and in the manner of its administration as expressed by a unanimous resolution of the Convention. Finally, the convention accepted the report of the Standards Committee on sizes of bulk and packaged goods.

Realizing that one of the principal causes of unfair competition was the

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American Beauty Macaroni

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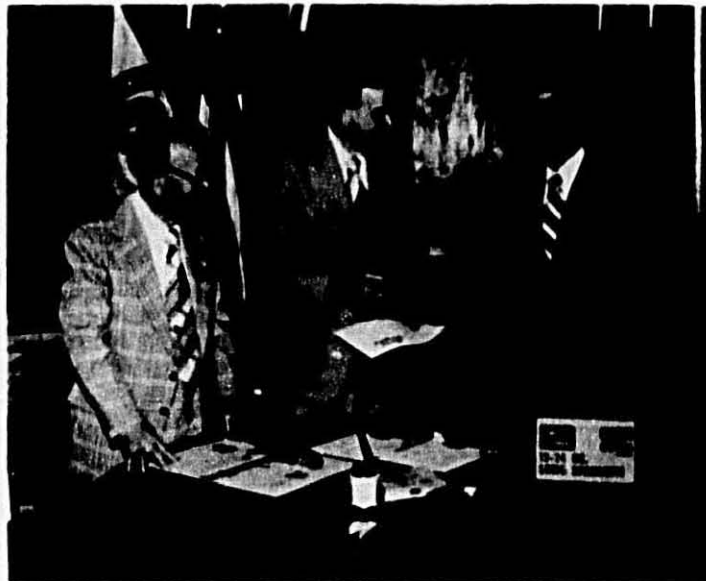
use of odd sizes of weights and containers, the Association set out to make a comprehensive survey of the industry with the view of standardizing a minimum number of sizes and weights of packages and bulk containers, eliminating all others. Every manufacturer in the country received a questionnaire. Replies came in from 169 firms. Results of the survey disclosed that there were 21 different sizes of packaged goods on the market ranging from 3 oz. to 48 oz. There were 23 different sizes of bulk goods ranging from 3 pounds to 100 pounds. The committee recommended the abolition of 17 sizes of packages and 18 sizes of bulk containers. These recommendations were unanimously approved and adopted by the Convention, but were never put into practice. Five years later the same 21 odd sizes of packages and 23 sizes of bulk containers can be found. The need for standardization of sizes today is just as imperative as it was in 1934, but whether the need will ever be fulfilled is doubtful.

On May 27, 1935, the Supreme Court of the United States handed down the death-dealing decision declaring all provisions of the National Recovery Act null and void. The whole business world was astounded by the terseness and the thoroughness of the decision. Six months later, the Agricultural Adjustment Administration processing tax was declared unconstitutional, and prices, including macaroni quotations, dropped immediately.

The Association attempted to pick up the pieces, and Glen Hoskins, who had been the Macaroni Code administrator and was now a consultant, was charged with making a comprehensive study of the macaroni industry. His report dealt with all phases of production and distribution and proposed a strong administrative organization adequately financed to carry out a well conceived long-time program, but because of inadequate finances, the program was never put into effect.

Faust Modernizes

On December 5, 1946, the Faust Macaroni Company, St. Louis branch of the American Beauty Macaroni Company, completed its modernization plans by installing a Consolidated



Louis Vagnino (left) looks on as John Cimino (right), sales manager, presents St. Louis Mayor John M. Paeffler product and promotional material for National Macaroni Week, 1976. The Mayor proclaimed the event.

Macaroni Machine Corporation continuous press and automatic spreader.

A St. Louis newspaper reported: "Party launches new spaghetti machine—pretty hostesses, soft lights, red roses, gypsy musicians, and a bottle-breaking ceremony launched a new spaghetti making machine at the American Beauty Macaroni Company yesterday.

"Joe Garagiola, catcher for the St. Louis Cardinals baseball team, swung a bottle of Chianti wine on the machine while Louis S. Vagnino, the firm's head, beamed like a new father at a christening.

"The machine marks the coming of age (the machine age) of macaroni and spaghetti. It is the child of the Consolidated Macaroni Machine Corporation of Brooklyn and is said to be the first of its kind in the country. It combines all the arts of spaghetti making in one unit. It produces 25,200 pounds in 24 hours."

New Plant in Kansas City

In the spring of 1957 American Beauty built a new plant in the Fairfax industrial area of Kansas City on a 3½-acre site. Four-bin storage towers on the west side of the building were enclosed in a reinforced concrete. They held 6 million pounds of flour, a two-week supply, were 40 feet high, and had a 12-foot diameter. The build-



Anthony S. Vagnino

THE MACARONI JOURNAL

Pasta! Today's All-American word for fun. A powerhouse of nutrition in all shapes and sizes. High in energy-producing carbohydrates. Lower in calories than many popular weight-control foods. A reliable source of iron and hard-to-get B-complex vitamins. *Pasta!* Elegant enough for gourmet tastes.

Light enough for America's new fitness generations. *Pasta!* Made best from Amber Mills Venezia No. 1 Semolina, Imperia Durum Granular or Crestal Fancy Durum Patent Flour. Make sure your pasta products are as fit as the crowds they feed. Shape 'em up with Amber's pasta performing ingredients.



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America is getting into shapes.



American Beauty Macaroni

(Continued from page 34)

in principle to acquire the American Beauty Macaroni Company, Kansas City, Kansas, in an exchange of common stock valued at about \$43.2 million. Under the agreement, American Beauty shareholders would receive 1.194 million shares of Pillsbury common. American Beauty's annual sales at that time were about \$49 million.

The completion of the merger was announced at Pillsbury's annual stockholders' meeting September 13. Raymond F. Good, executive vice president-consumer products operations, said the merger of Pillsbury and American Beauty provided Pillsbury an entry into the pasta products section, expected to be one of the fastest growth segments of the supermarket. The versatility of pasta and the increased popularity of ethnic foods, he said, offers Pillsbury excellent new product opportunities under the merger.

Pennwalt Adopts B-K Name For Food, Dairy Operations

Pennwalt has changed the name of its Penchem operations to the "B-K Department" as part of a program already underway to revitalize and expand its cleaner/sanitizer services to the food and dairy processing industries.

Choice of its historic, 71-year-old product brand name — B-K® was the first chlorinated sanitizer in the U.S. — symbolizes a new dedication to leadership in plant sanitation, according to Robert Steen, president of Pennwalt's Specialty Chemicals Division, of which B-K is now a part.

The new "B-K spirit" at Pennwalt, according to Steen, will see advances in new products and services, a more active company role in automated CIP cleaning and chemicals batching systems, and an entirely new approach to pricing.

One major step will be the early announcement of joint marketing effort with a leading supplier of industrial controls into microprocessor-controlled automation of plant sanitation.

Guy Scott, a figure well-known throughout the industry for his hands-on approach to the solution of food and dairy cleaning and sanitation problems, continues as national sales manager. Chad Tennant rounds out the

B-K management team as newly appointed national marketing manager. Both will report to R. Steen.

Other steps—either initiated or planned, according to Pennwalt's Steen, will include:

- A major commitment to research and development for new products and sanitation methods. The B-K R&D budget for the coming year will be the largest ever.

- Further development of automatic systems. The B-K group plans soon to be involved in the marketing of several chain conveyor lubrication control systems as well as an alkaline chemical concentration controller, for example.

- Fuller utilization of the considerable food and dairy industry resources of several other company divisions. B-K has already taken the basic alkali products of Pennwalt's Industrial Chemicals group as the basis for a brand new, low-cost chelated cleaner (GL Alkali). The new products is already saving one large volume user \$1 a pound over the previous cleaner.

B-K has also begun the manufacture of its dry blends at Pennwalt's Mayo plant in Atlanta to serve better the dairy and food processors of the Southeast, and plans to work more closely with the Wallace & Tiernan Division, a major supplier of pumps and mixers to the food processing industry nationally.

- Restructured pricing. A more competitive approach to pricing has just seen a general decrease in prices across much of the B-K/Pennchem product line. "We view pricing as a two-way street," says Chad Tennant, B-K marketing manager. "The movement won't always be up—at least not when basic bulk chemical prices have dropped, as has been the recent case."

- Expanding technical support. The size and technical scope of B-K's field force will grow with the increasing sophistication of food and dairy sanitation. Two industry specialists have already been added to the customer service group in the initial phase of the new program.

- Distributor Involvement. Fuller use in the past will be made of the considerable capabilities of B-K's distributor organization. Their marketing expertise will be more closely coordinated with the B-K representative servicing each customer plant.

For further information, contact Pennwalt Corporation, B-K Department, Three Parkway, Philadelphia, Pa., 19102.

Pennwalt Corporation, with headquarters in Philadelphia, is a worldwide manufacturer of chemicals, health products and precision equipment.

PLANT OPERATIONS SEMINAR

Boston, Massachusetts

April 8-12, 1984

Sunshine Ham & Mac

Joining forces to sell an all-time winter favorite, macaroni and cheese, Carnation Evaporated Milk and Creamettes Elbow Macaroni ran advertising in the January 24 issue of *Family Circle* and other magazines.

Offering a recipe for "Sunshine Ham and Mac," the full-color advertisement strikes a "Make It Yourself and Make It Better Than Ever" note that is designed to carry through winter meal planning.

Ease-of-preparation is another emphasis of the ad, which, in addition to *Family Circle*, will be running in *McCall's*, *Working Woman*, *Good Housekeeping*, *New Woman*, *Better Homes and Gardens*, *Essence* and *Woman's Day*.

Eight insertions in as many magazines are designed to achieve a total readership of over 80 million.

The ad was prepared by SSC&B Inc., Los Angeles.

Rice-a-Roni and Noodle-Roni Double Network TV Advertising in 1984

Four television networks with stepped up advertising schedules for Rice-a-Roni and Noodle-Roni are being used to promote these two popular package dinners in 1984. Always a large user of television time, this represents a schedule for the brands which more than doubles that of previous years.

Carrying the new commercial mes-



sages for Rice-a-Roni and Noodle-Roni are top rated shows on CBS, ABC, NBC and the Hearst/ABC cable network. In addition, a blitz of Rice-a-Roni and Noodle-Roni TV spots are

slated to run in major markets during special promotional periods.

Supporting this heavy television schedule for Rice-a-Roni and Noodle-Roni are full color advertisements in

18 of the country's leading national magazines. Each ad features a new recipe with appetizing good photographs.

The 1984 campaign is the largest ever scheduled for these two products.

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Kraft Strategy

Crain's Chicago Business says Dart & Kraft Inc. is looking to pep things up at its food unit.

The Kraft Inc. portion of the consumer products company, based in Glenview, is expected to seek growth through acquisitions and new products. J. Bruce Harreld, 32, will bear much of the responsibility for the changes as Kraft's vice-president of strategy and development, a newly created position.

Kraft's operating margins have improved recently, according to Value Line Investment Survey estimates, which peg food products gross margins for Dart & Kraft at 8.5% last year, up from 6.9% in 1982.

But analysts predict that the company's overall growth will be limited by tough competition in the food market and rising commodity prices.

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Sales for the food group were off slightly in 1982, to slightly more than \$7 billion. As Kraft pulled out of low-margin food businesses such as fluid milk during 1983, sales were expected to decline further. Over all food-processing companies racked up a 2.6% growth rate during 1983, according to Value Line.

To improve its performance, observers say that Kraft will need to develop new products and make acquisitions. That's where Mr. Harreld—who comes to Kraft from a similar post at the parent company—will come in.

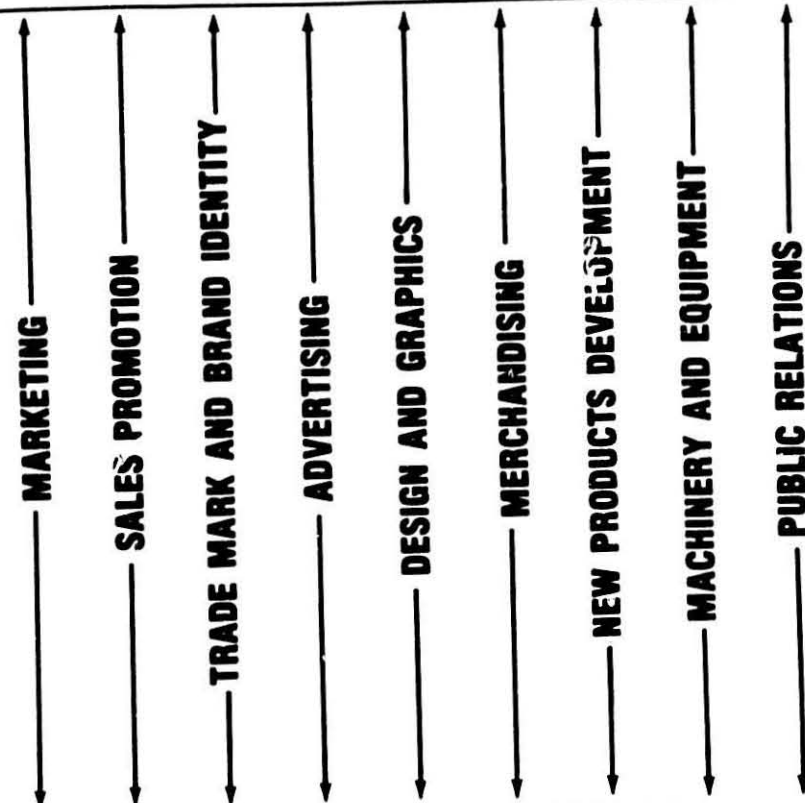
With about \$827 million in cash and cash equivalent in the third quarter, Dart & Kraft is equipped to make a wide range of acquisitions.

In his role as strategist, Mr. Harreld will keep his eyes on long-term results. "There are two pieces to my new job," he says. "There's strategy—where are we headed for the long term. And there's corporate development—the mergers and acquisitions piece. To the extent that we have a serious commitment to long-term growth, mergers, and acquisitions could be a part of that."

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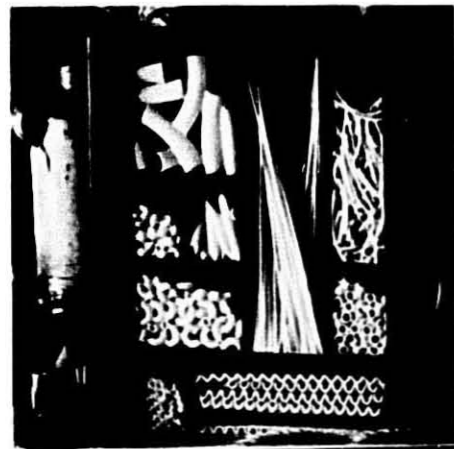
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