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The Food Industry Center
UNIVERSITY OF MINNESOTA

TFIC NEWSLETTER

University of Minnesota

Vol. 9 No. 2 Fall 2003

STEPS TO HEALTHY LIVING CONFERENCE

The Food Industry Center is co-sponsoring a conference with the National Grocers Association on "Steps to Healthy Living" on October 22-23 at the University of Minnesota. With almost two-thirds of adult Americans overweight or obese and estimated direct and indirect health costs of \$117 billion annually, the food industry is coming under increasing pressure. We at The Food Industry Center do not believe it is reasonable or fair to blame the industry for this problem. However, the food industry can contribute to the solution. We also feel that there are opportunities for companies in the industry to both "do well and do good" by helping to address this issue. Food businesses may be able to become more profitable by helping consumers to eat and live healthier, which is to say both do well, increase profits, and do good, help people lose weight.

Speakers at the Conference include: **Dr. William Dietz**, MD, Director of Nutrition and Physical Activity at the Center for Disease Control; **Dr. Kenneth Cooper**, MD, and **Dr. Dean Ornish**, MD, medical experts on weight loss and working with Frito-Lay to develop healthier snacks, and **Dr. James Hill**, a founder of Colorado On The Move, which is one of the most successful community physical activity programs. America On The Move was recently launched based on the Colorado program with support from major food companies. In addition, the program includes from the food industry: **J.B Pratt** who was trained as a medical doctor and is now President of Pratt Foods, a supermarket chain in Oklahoma; **Brock Leach** with PepsiCo, and **Frank DiPasquale**, Senior V.P. at NGA, as well as several others.

In addition to N.G.A. and the Center, the Conference is being financially supported by the University's Center for International Food and Agricultural Policy, Kraft Foods, Kellogg, and PepsiCo. The Conference will be organized to stimulate a dialogue among participants, particularly those from the food and health care sectors. The outcome of the Conference will be driven by that interaction and discussion. Our vision is to identify opportunities where food businesses can "both do well and do good" in helping their costumers adopt healthier eating and exercise habits. Although the focus will be on the possibilities for the food retail (supermarket) sector, the Conference should certainly be of interest to people from throughout the industry,

since retailers are the ones who actually sell manufacturers' products to the consumer.

The Conference will begin at 1:00pm on October 22 and conclude by 2:00pm on October 23. There will be a gourmet, healthy dinner at Goodfellow's, one of the best restaurants in Minneapolis, on Wednesday night for participants. The registration fee is \$295, which includes the dinner. More information can be obtained by contacting Heidi van Schooten at the Center, 612-625-7019 or tfic@apec.umn.edu.

"Super Size America: How Our Way of Life is Killing Us"-*U.S. News and World Report*

"Why We're So Fat"-*Business Week*

"Is Fat the Next Tobacco?."-*Fortune*

Up Coming Events

October 22-23, 2003
Healthy Eating Conference
McNamara Alumni Center, Mpls. Campus

October 23, 2003
Board of Advisors Meeting
McNamara Alumni Center, Mpls. Campus

CO-DIRECTORS' NOTEBOOK

Where Are the Alumni?

An Industry Study Center initiated by the Sloan Foundation is charged with bringing reality into the classroom and to the academic research agenda. The nineteen Sloan Industry Study Centers (including TFIC) gather and analyze original data from the industry and help students better understand how text book theories and cases are played out in competitive, global markets. This grounding in reality will, ideally, lead to graduates who will go to other academies with a model for future research and teaching. Industries, economies, and citizens will benefit from a deeper understanding about how business/industry works (succeeds or fails), how it treats and retains employees, and how it serves its consumers. Specific industries will benefit from the fresh talent in the pool of graduates. Companies also benefit from the relationships built with faculty and students. An opportunity to speak in classrooms and seminars is an excellent recruiting opportunity for many companies.

The Food Industry Center has participated in the graduate research education of more than 28 graduate students since 1995. These students have received M.S. or Ph.D. degrees in the Departments of Food Science and Nutrition, Applied Economics, and the Carlson School of Management. Where are they now? About half are in academic departments around the world.

To feature a few in academic positions:

Dr. Stacy Bosley, Faculty, Department of Economics, Hamline University, St. Paul, MN; **Dr. Hui Liao**, Faculty, Institute of Labor and Industrial Relations, U of IL, Champaign; **Dr. Humaira Mahi**, Faculty, Marketing & Supply Chain Management, University of Michigan, East Lansing, MI; **Dr. Gregory Heim**, Faculty, Business School, Boston College; **Dr. Joanne Peck**, Faculty, Business School, U of WI, Madison; **Dr. Shekhar Jayanthi**, Department of organization and Management, Colorado School of Mines;



There are also seven alumni who are faculty at Universities in Taiwan, China, Australia, Peru, and South Korea.

Some of our graduate students have positions in government research agencies. Those in the Economics Research Service (ERS) or Center for Nutrition Policy and Promotion (CNPP), of USDA are continuing their analysis of food industry practices and strategies and how they interact with public policy.

To feature a few in government research positions:

Dr. Lisa Mancino, ERS, USDA; **Dr. Andrea Carlson**, CNPP, USDA; **Dr. William Chambers**, ERS, USDA

Some graduate students have taken positions in the private sector, bringing the industry new talent and ideas.

To feature a few in private industry positions:

Dr. Sara Ashman, Marketing Analyst, Simon Delivers, and General Mills; **Dr. Nancy (Havir) Volt**, e-commerce analyst with IBM, and Robins, Kaplan, Miller and Ciresi Law firm; **Nikolaos Katsaras**, Accenture, in Berlin, Germany; **Taro Nagashima**, CGC Japan Company Limited, Tokyo; **Lynn Szybist**, McKee Foods, Co., TN.

In addition we have helped to place many undergraduates in internships and permanent positions in a variety of food companies. Since Minnesota is so rich in food companies, many of these students don't have to go far from home to participate in the industry. A sample of food companies employing graduates with a Bachelor's degree from the departments affiliated with the Food Industry Center include:

Archer Daniels Midland, Cargill, Cenex, C.H. Robinson, Dow, Hormel Foods, Land O'Lakes, and SUPERVALU.

We are proud of these students and are proud to bring them to you. Stay tuned, there are more to come!

The Schwan's Food Company - A Convergence of Technology - Seminar

The driving force at The Schwan Food Company is serving the time-conscious consumer with differentiated, high-quality frozen food products in convenient locations. These locations are at the consumer's home (half of their business), in the supermarket with branded products, (30% of their business) and in foodservice channels including school lunches. This \$3-billion company, headquartered in Marshall, MN, has 13 manufacturing locations in the U.S.-three in Europe, and more than 550 depots from which to deliver product using 7000 of the familiar, yellow "ice cream" trucks. Starting in March of 1952 with a 1946 Dodge truck, delivering ice cream to farm households in Western Minnesota, they have grown to deliver more than 430 products to more than 5.5 million households across the country.

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On September 25, 2003 **Michael B. Ziebell**, Executive Vice President and Chief Marketing Officer of Schwan's presented a public seminar for The Food Industry Center at which he

talked about the 50-year history of Schwan and the incredible changes and challenges they have weathered. Michael is a great storyteller; he captivated the audience with tales of consumer brands (e.g. Tony's, Red Barron, Freschetta), trucks (run on propane), and marketing opportunities and successes especially in the southeast U.S. and in Europe. He told us about the leadership and vision of Schwan's owners that have led it to have the number-one brand in the country in ice cream novelties, frozen egg rolls, frozen pizza, frozen pies and desserts.

This quiet company is coming out of its shell and talking about how it built one of the most sophisticated home delivery systems in the food industry. With a convergence of many digital technologies, they have been able to segment their market by types of customers. They have converted about 10% of their home deliver customers to Internet orders, becoming the number 1 or 2 food order website. They are the 81st largest commercial website. They use global positioning systems to manage their truck routes and numerous computer and scanning techniques to manage inventory and track sales. And, they manufacture fuel systems used to convert truck and car engines to the use of propane gas.

With their distribution system and manufacturing capacity they can bring product to market faster than many competitors. With the detailed knowledge about customer preferences, they can tailor products that fit every taste and move from freezer to table in 20 minutes. This is truly one of Minnesota's success stories.

Urban/Inner City and Emerging New Markets Initiative Announced by Ahold USA

Ahold USA has announced that Henry Edwards - Vice President, Organizational Effectiveness Ahold USA - will turn his attention to a major opportunity area for the entire food industry. Henry, who is on the Program Leadership Board of The Food Industry Center, will work with us to design and conduct a hands-on, field based research study examining issues that impact the ability to penetrate and operate competitively in Urban/Inner City and Emerging New Markets. The results of this research effort will be used to develop a process model for the industry that will:

- 1) Identify unmet needs of the Urban/Inner City and Emerging New Markets,

- 2) Ascertain the barriers/impediments to meeting these needs, and
- 3) Develop marketing and operating strategies for gaining a competitive edge in penetrating and capturing these markets.

The results from this effort will be used to develop an Urban/Inner City and Emerging Markets Institute that will be modeled after the Food Industry Center but will focus on Urban/Inner City and Emerging Markets issues facing the industry. The Institute will also be a teaching/learning institute that will develop intellectual capital for the Food Industry.

Organizations wishing to participate in, or provide sponsorship for this initiative can contact Henry (hedwards@aholdusa.com) or The Food Industry Center (tfic@apex.umn.edu).

Benjamin Senauer (TFIC Co-Director) along with co-authors Ford Runge, Philip Pardey and Mark Rosegrant announce their recent publication, *Ending Hunger in Our Lifetime: Food Security and Globalization*, Johns Hopkins Press for the International Food Policy Research Institute, 2003.

At a time in history when conflict erupts daily in far-flung corners of the world, ending severe deprivation may be critical to global peace and stability. Yet we are far from reaching the goal of reducing hunger by 2025. The authors of this book bring good news: hunger can be banished in our lifetime. They first distill what is already known about fighting hunger and then report on important new research findings and projections that show it can be done, through new and renewed institutions, scientific innovation, global economics and investment, and sustainable environmental practices. Although the book encompasses a wide array of ideas, arguments, facts, and figures, it is not a dry, academic text. Anyone wanting a better understanding of poverty and hunger and how to end it will benefit from reading it.

The text is strikingly illustrated with photographs by the renowned Brazilian photographer, Sebastião Salgado.

ENDING HUNGER IN OUR LIFETIME

FOOD SECURITY AND GLOBALIZATION



C. FORD RUNGE, BENJAMIN SENAUER,
PHILIP G. PARDEY, MARK W. ROSEGRANT

This book illustrates that global chronic hunger can be defeated in our lifetime. Divided into two parts, this book first discusses the challenges of ending the global hunger problem, utilizing science to achieve food security, and bringing about institutional change. Part two presents an array of solutions to solving hunger, including supporting pro-poor growth, enhancing and diversifying foreign direct investment, investing in health, education and nutrition, promoting gender equality, using technological tools such as the use of GM crops, and undertaking sustainable environmental practices.

DID YOU KNOW?

- **5 A Day?** The elderly are the most likely to eat five servings a day of fruits and vegetables (39%) compared to singles (22%) and families (13%). Overall, just 20% of Americans meets the 5 A Day standard with females more likely than males to meet it (82% vs. 69%). Overall fruit and vegetable consumption has fallen nearly 14% in the past ten years and obesity levels are lowest in those with the highest intakes of these types of food. (NPD Study reported in Food Institute Report, 1/6/2003)
- **Plastic for Food?** Only 3% of quick-service restaurants report credit card transactions compared to 35-40% of consumer purchases in other industries. *Subway* and *KFC* are accepting credit or debit cards and records show that consumers spend more per transaction when they use a credit card. At *Subway*, the normal bill is \$4-\$5 where as a credit card sale is about \$8. Other quick service places are considering adopting credit card payment options soon. (Food Institute Report, 1/6/2003)
- **Wal-Mart Marches on.** Wal-Mart has announced it expects to double its sales within five years to \$480 billion. That is roughly equal to

U.S. expenditure on food and drink for home consumption in 2002. "Simply put, our long-term strategy is to be where we're not," said Lee Scott, Wal-Mart's CEO. Time Online Edition (1/5). (Food Institute Report, 1/13/03)

- **Chicken Fat!** The sale of chicken nuggets in restaurants has doubled since 1990 reaching 5% of the total orders. It is the favorite food of many children. However, more than 50% of the calories in most chicken nuggets is from fat. Chicken nuggets at McDonalds contain 20 grams of fat compared to one gram of fat in a boneless, skinless, roasted chicken breast. (WSJ, 3/18/03, D1)
- **Where's the Chicken Sold?** In 2001 grocery stores sold 46 pounds of chicken per person or 57% of the chicken produced in the U.S. for domestic food use. Restaurants sold 33 pounds per person with 60% of that being sold in fast food restaurants. (Food Institute Report, 12/9/02)
- **Restaurant Sales:** Of the \$407.8 billion spent on food in the foodservice sector in 2002, 72% of it was spent in eating and drinking places (restaurants, bars, and fast food places). Half of that was in full service restaurants. More than

6% of foodservice food expenditures were in contractor managed services like airlines or nursing homes and 4.5% was in lodging places like hotels. Noncommercial restaurants like school cafeterias and hospitals accounted for more than 9% of foodservice sales. (Food Institute Report 12/23/02)

• **No ice please:** Ice cubes are a health risk even in Western countries. In tests of ice cubes samples from ice buckets and ice machines had traces of coliform bacteria in the UK. *E. coli* was found in one in twenty samples, and ten percent contained enterococci. In sufficient doses all of these bacteria could cause gastrointestinal diseases. (BBC News, 9/15/03)

• **QUIZ:**

Quiz: Which restaurant chain owns the following name brand restaurants?
 a. Taco Bell, b. Dunkin' Doughnuts, c. Chipotle, d. Tim Hortons, e. Subway, f. Bahama Breeze, g. KFC, h. Burger King, i. Boston Market, j. Seasons 52

Answers a. YUM! Brands, b. Allied Domecq, McDonald's Corp., d. Wendy's International, Co., e. Doctor's Associates, Inc., f. Darden Restaurants, Inc., g. YUM! Brands, h. Burger King Corp., i. McDonald's Corp., j. Darden Restaurants, Inc.

CURRENT TFIC WORKING PAPERS AVAILABLE ON-LINE OR FOR PURCHASE:

03-04: The Obesity Crisis: Challenge to the Food Industry. Ben Senauer. August 2003.

Rising rates of overweight and obesity pose a major challenge to the food industry. The industry has the opportunity to take positive steps to become part of the solution, rather than part of the problem, which is the increasing perception. The gain in weight is the result of eating more combined with less physical activity. Three areas are getting particular attention. The increase in portion sizes. The potential legal liability of food companies. And the foods and beverages available at schools, as well as the disappearance of physical education as part of the curriculum. If progress is to be made, people will need to develop healthier eating and exercise habits. The food industry can contribute to both. Some companies, such as Kraft Foods and Subway are emerging with proactive strategies. Community programs which encourage physical activity, such as Colorado on the Move, and now America on the Move, are drawing increasing attention. With a shift in attitudes toward "less can be more" and quality over quantity, food spending might actually increase, which suggests there may be a "silver lining" of opportunity for savvy food companies

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The Food Industry Center
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