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MARKETING DEMAND AND MARKETING STRATEGIES: PANEL DISCUSSION*

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MR. TRACY: Gordon, I'm going to start with you. There are a number of questions for you, some of which are along the same line here. One is as follows: most of Campbell's foreign sales come from foreign subsidiaries, rather than from exports. Will reduced trade barriers result in a substantial increase in Campbell's export sales?

A related question is, what are the U.S. industries' weakest areas in competition with foreign food companies?

MR. MCGOVERN: Well, Alan, I think we're not going to see an awful lot of big increases in what we export. I think where we see good opportunities would be in developing businesses where we're actually producing overseas, and then developing that strength and being able to bring back the technology and, in effect, give Americans the benefit of world class performance.

I think the weaknesses we've got in the United States relate to a potpourri of things. I think we've got accounting weaknesses that give overseas companies the chance to snatch up and buy a lot of American operations at prices that our

*Based on a transcript.

accounting processes don't recognize. I think we've got technological weaknesses in many parts of our business. It was mentioned earlier in the case of meat processing, for instance, and that's true of many industries, that we're still struggling to attain the highest possible rate of efficiency. So I would say that the weaknesses we're seeing perhaps go back to the attitude that came out of World War II: that we pretty much had it all, and that we knew that we were number one and could stay that way. What's happened is that we've had a lot of people innovate and go beyond us.

MR. TRACY: Okay, the next question is for you, Curt: a couple of related questions again. Your excellent analysis of marketing in Japan encourages those who are studying the marketing of food in a given country. Why does USDA give so much more emphasis to exports by commodity than by country?

MR. BEATTY: Well, I'm not sure that they do. What the USDA has done with the TEA funds is to look at the market where there is the possibility of increasing exports. Japan has been a focus of that because of some of the things that I said.

In the U.S. Meat Export Federation, we try not to look necessarily at commodities or at countries alone; we try to match them up. In the United States Department of Agriculture, with its TEA funds, we have looked at where we could best have the best opportunity of increasing the meat exports by concentrating on that country. In the last three to four years, of course, that has been in Asia and primarily in Japan.

This, along with the work of Lyng and Yeutter, has paid off in taking the quota system out of Japan in three years; then that will be an open market. I think, at this point, we'll look at other countries with other commodities, at where we can best penetrate that market.

MR. TRACY: Okay, there are about three questions for you that refer to Japanese purchases, Curt: of cow-calf operations, feed operations and slaughter operations. They all ask the whether the U.S. can compete, not just abroad, but even here in the U.S.

MR. BEATTY: Well, we sure hope that we can compete. Yes, I don't think there's any doubt. There are going to be specialized operations that will cause the Japanese to come here to raise a certain kind of cattle and complete the operation here because of the labor factor and the high quality beef that we've got here.

The one thing the Japanese have to look at is that there's certain pieces and parts of that animal that sell better in Japan. Primarily, they would like to take those back to Japan, but when you slaughter hogs and when you slaughter cattle, you've got to sell the whole thing. The Japanese may have some problems here in operating within the U.S.

One of the things that we have been able to do is to go to the export market, sell the customer the kind of product that he wants to have, then use the rest of the carcass here in the United States and be able to market it here. The Japanese may have some problem doing some of that, unless they take the whole thing there. I think, in this day and age, that we can operate here in our country as well as a Japanese operation can.

MR. TRACY: The questioners also refer to Japanese purchases of production facilities in Australia and New Zealand.

MR. BEATTY: The same thing goes there. The Japanese can see, with the beef market opening up, that there's a tremendous amount of beef that will be imported into Japan.

Some of your larger corporations, trading companies, and those that are consolidated with other operations, can see that this will be a tremendous market. They will raise the kind of cattle, cut it to Japanese specifications, and take it to Japan. This is the same thing that I have said: we have a tremendous opportunity here in the U.S., as a U.S. business, to export there. We'll be competing with them, and if we can do it on a price basis and give the customers what they want, we can do it as well as the Japanese can.

MR. TRACY: Okay, Dr. Allen?

DR. ALLEN: I think one of the intriguing things, Curt, is that Tom and I have been doing a lot of analysis of the domestic market for beef and pork and lamb. We're talking about meeting the needs of foreign markets, and a living case history is your company's response to it. I think, to be candid, in this country, we have a long way to go before we meet our primary core market here, in terms of providing meats in the desired form, place, and convenience. You know, you put that whole list up there, and I think fresh meats are wanting.

You dropped a little nugget, which I thought was intriguing, that perhaps we're learning what we need to do for our domestic market through the experience that we're having with foreign markets; and I think that was the thrust of the question that was raised here. You know, you look at meats and the meat departments in supermarkets, Gene, and you find that they are still the largest departments, and probably the departments where we're still selling commodities and not the food that people want.

I'd like to see this panel address the question of whether we can bootstrap our fresh meat industry, and maybe even part of our fresh produce industry, to do what it ought to be doing in terms of meeting consumer wants and needs, because we're not doing it yet.

MR. TRACY: Any response from any of the panelists, briefly?

MR. HOFFMAN: You know, if you look in the supermarket and you look at the new products, the great majority of new products -- meat, poultry, and seafood for the most part -- are occurring in the frozen food case rather than in the fresh meat case. I would complement Jack's point by saying that that's a great unserved marketing challenge for both agriculture and the food industry.

MR. TRACY: Another question for Mr. McGovern; actually there are three questions, related to each other. What changes in North American food processing do you anticipate as the result of the Canada-U.S. free trade agreement and, similarly, what specifically will that mean to the Campbell Soup Company and how it does business in Canada with the opportunities presented?

MR. MCGOVERN: I think there's going to be a lot of excitement in the Canadian-American relationship over the next 5 to 10 years. We are up there with soup and mushrooms making things, and we're looking at how those things are going to work out in the next few years. And I think the Canadians have a large number of wonderful resources up there, and they're now pledging themselves to get very competitive. Our folks in the Toronto plant have decided that they're going to get as competitive in their costs as the best American soup plant.

So I would see that this will be a gradual thing, but over the period of 5 or 10 years, we're going to have a build-up of trade and really effect a push toward efficiency in Canada and the United States. The results are going to be very beneficial. So our company was pleased with that agreement and we think that it'll be efficient.

MR. TRACY: Professor Allen, we have a dairy farmer in the audience, and since I'm from Wisconsin, I have to recognize such a person. Milk has not been specifically mentioned here today, and yet, according to the writer's perspective, it contains all the perceived benefits of all the products that you laid out, except excitement. He wants to know how you can make milk more exciting.

DR. ALLEN: Well, as you may know, there've been a fair amount of efforts to try and make milk more exciting. We're talking about things like carbonated milk. There are some technological problems associated with carbonated milk.

If you're in doubt about the excitement of milk, just think about this. When children are at home, they often will have milk because it's good for them, right? Parents will often insist upon that. When we go out to restaurants, the situation is frequently different; the children are often allowed to have soft drinks.

I think there are some opportunities to make milk a more exciting beverage. We've tried flavorings; I wonder if we've tried them enough. I wonder how much research has been done to add some excitement to milk.

You know, I was interested in Curt's comment when he was at the podium. He said that if we look to the future, we've got some real research and development challenges out there. I think in the area of milk, to add excitement to it, to add variety to it, I think we have marketing challenges to really know what would put variety and excitement into milk as a beverage, because, as you said, Alan, it does have so much associated with it.

Let me close with a question that some of my colleagues up here might want to address. When we look at the future of our food industries, agriculture and food, where's the research going to be done? Who's going to be doing the research? How much will be done in our manufacturing corporations? Are retailers going to do research? Who's going to do the research to find some of these answers to improve products?

I know the question came on milk, but maybe we could address that question somewhat more broadly.

PANELIST: Let me talk about milk. Milk, in my opinion, is considered a commodity. The mentality of how you deal with milk is a commodity mentality. When you take that same ingredient or commodity, milk, and put it into ice cream, all of a sudden you see some of the imaginative thinking that has taken place.

Today, the ice cream industry is about twice the dollar volume that it had with the same degree of consumption, simply because of the innovative approach to marketing ice cream to a diet-conscious, health-conscious nation, by making it richer, with more fat, but tasting incredibly good. And I am saying we are the enemy because we consider milk a commodity rather than a product that has consumer value. For some reason, we don't try to seek out those values until milk enters into a byproduct or secondary processing activity.

MR. TRACY: Gene, do you suppose that has something to do with the government's involvement in the pricing of the two commodities? We're not directly involved in the pricing of ice cream.

MR. HOFFMAN: I would say the government ought to stay out of ice cream.

MR. TRACY: I wasn't making offense. What'd I have to drink with my lunch today, Gene? I just want this on the record.

MR. HOFFMAN: Milk.

MR. TRACY: Okay, thank you.

Several questions, Gordon, about takeover activities, and that's how Campbell's thinks corporate takeovers in the food business affect competitiveness. And I guess a related question is whether Campbell's is vulnerable. How will it affect your ability to be innovative and competitive over the long run? What are potential repercussions for the food consumer? Do you expect more merger activity and concentration in the future?

MR. MCGOVERN: Well, that's a hot topic for everybody today. I think everybody pretty much agrees that we haven't seen the end of it. We're going to see more of it because of the way the economics are set up. The Wall Street financial markets are not pricing companies in the United States at the value that other people put on them. That results in constant pressure to break up companies and sell off the pieces for a high price. And that's being abetted, certainly, by the financial community and by the investment community.

So we have a lot more of it to come, I think. When it's done in a leveraged format, you're dealing with the issue of not being able to afford anything but the interest payments. And that does bring us back to the point that the research end of the business is going to take a licking, and I think that's a very significant thing for us. I think the investment part of the businesses also are going to take lickings, because you can't do anything but cover that interest.

For us particularly, it's meant that when Cheeseborough Ponds gets picked up by Unilever, that means our Prego is fighting not Ragu and Cheeseborough Ponds; it's fighting Ragu and Unilever. And that's quite a different thing. Unilever's been known to stay in a market for 10 years and lose money, just to make sure that it's there. And it can do that on a universal, global basis because it's got lots of resources to play against one market versus another.

So I think that is one of the underlying questions for us now is how big do you have to be to be global in this business. And I think it's certainly looking like something north of $8-12 billion for an American company to be world-competitive today.

So I think we're tentative. We're not looking at these things as the end of the world, but it's certainly providing a different climate of competitiveness. And the companies that are forcing their way through the American market with great power and strength -- Nestle is a good example -- are formidable. And I think we'd better get really straightened out in our costs and our value systems and our ability to compete if we're going to compete with those kinds of people.

MR. HOFFMAN: Let me just lay out two other interesting aspects of that. First of all, I think the consolidation aspect is going to continue until there's just one of each, a supplier and a retailer and a farmer. But right now, 20 food manufacturers supply over half of the products that are sold in supermarkets. And over half of the supermarkets and mass marketers sell half of the product that's sold at retail in the United States.

So we have changed the dimensions of what's going on in this country tremendously. And whether it's right or wrong is a secondary issue at the moment; it has to be corrected on a different platform. But it emphasizes the fact that since so much volume is being controlled by fewer and fewer people, it emphasizes the need to know how you deal with those customers that are starting to control the supply-demand sector after it leaves agriculture.

DR. ALLEN: One of the things that we observe in the food industry is that a lot of front-rank food companies have resulted from the acquisition of truly small, innovative firms. And with the restructuring and, indeed, compounded by the kind of trade practices we have by retailers and suppliers, I wonder if it shuts off the historic flow of innovation into the food system. And the other thing that bothers me, where you have companies, retailers, and manufacturers that are struggling to cope with huge debts, resulting in a retrenchment in terms of true R&D -- product development or value-added -- I wonder if this has negative long-term implications for agriculture.

You know, there's something that should be straightened out here. We don't intend to indicate in the real world that farmers are actually, in every case, the ones to do the value-added steps. But they have to be partners in a food system where that activity is going on, and be very mindful of fitting their products and services into the process where value-added is going on.

If you have a food system that retrenches for a period of time, I'm wondering if you have consumers, on the one hand, whose needs are being met effectively and agriculture, on the other hand, where there would be a tendency to leave those commodities in that undeveloped form. And I think this is a very serious issue that needs to be aired.

MR. TRACY: Any comments on that from any of the panelists?

MR. HOFFMAN: Well, I tend to agree with that. I think that we've got a phenomenon going on which is a little bit outside of the agricultural sector. But we're now having a situation where a lot of innovative and entrepreneurial companies bump up against problems in the retail sector such as heavier and heavier entrance allowances, getting into the warehouse, slotting allowances, and things of this nature. And I think that's a very inhibiting factor.

Everything that I think we've been saying in the last few minutes, after the question about R&D was posed, I think are very vital questions. I don't think that debt, when it goes to the extent that it's gone in terms of leveraged buy-outs and all the other things that we've talked about, really serves the basic consumer. Fundamentally, I think we're losing sight in the food business of the fact that our fundamental challenge is to feed consumers in the most efficient and inexpensive possible way. That, of course, also implies that we have to fulfill their expanding needs because of their economic wherewithal.

And I would think, if I go back to my editorial, again, that, well, each of us talking to these kinds of problems is kind of like wringing our hands. It seems to me that this might be a very interesting kind of a role for a task force or for the Department of Agriculture to take in applying some leadership in bringing all these forces together in the best interest of the citizens of the United States.

MR. TRACY: A couple of questions for you, Ron. Regarding your farming operation, one questioner wants to know how you priced or sold your corn crop in 1988, and do you think you did better than your neighbors; and then, also, your suggestions about how to handle the planting of soybeans on base acres of other crops this coming year.

MR. RAIKES: No comment on that first question. On the second one, I did cover it on my surveys, and basically what I found out probably reinforces the other things I found out: namely, that producers are making that decision strictly on a production basis. What we're talking about is a provision of the drought relief bill that gives producers the option to switch up to 25 percent of their feed grain base into soybeans without the problems of losing feed grain base in later years.

One guy had a farm with a 100 percent feed grain base that he had been planting to feed grains year after year in order to maintain that base. He said he would take the opportunity to switch some of it out in order to deal with production problems such as weeds, and so on. Others answered that they would not shift any out, especially if they did not have much of a feed grain base.

The thing that concerns me is that most of the producers have not really, at least when I talked to them, looked at the question of whether the market is suggesting that they make this shift or not. And it is a new question -- well, it is and it isn't. You're still talking about soybeans comparing, profit-wise, with feed grains that are based on target prices.

In response to the first part, I will respond a little bit. I did, I think, maybe do slightly better with pricing, particularly with the soybean crop, during the growing season. With the corn crop, I was sort of lulled to sleep by the notion of pricing some of it. I did, and I thought I didn't need to worry too much because I still had my target price protection. Well, I don't think that was a wise decision, in retrospect.

MR. TRACY: Okay, thank you.

Let's get back to the grocery store now. Mr. McGovern, there's a question here regarding the slotting of space on grocery market shelves, and whether that's detrimental or beneficial to customers.

MR. MCGOVERN: A few weeks ago I was on a panel of the Frozen Food Association, where this was discussed with great heat by both retailers and manufacturers. The manufacturers look upon slotting allowances as extortion, and you can think of it that way. The retailers say that they have only limited space, and that this is a way of controlling it and keeping manufacturers from going hog-wild with new products and things that retailers can't handle. And there were ample statistics on both sides for both points.

I think there has to be a more efficient way of looking at slotting allowances. The Food Marketing Institute and the Grocery Manufacturers of America are jointly going to study the whole area of new product costs and see just exactly what it does cost to get into the store. We hope that we can set up some guidelines that will at least give the smaller entrepreneurs a chance to get into the marketplace and not have to pay $25,000 a store and such things as we hear about on the marketplace. Campbell does not pay a slotting allowance.

MR. TRACY: Several questions are addressed to several different people on the panel; I'll just ask all of you. How can a farmer, a grain farmer or somebody else, add value to his bulk commodity and boost his profit? How concerned should farmers be about the fact that they are receiving a smaller and smaller percentage of the total consumer dollar? These are very closely related questions.

Does anyone care to take a stab at that? Tom or Jack, do you want to start? Are there any suggestions? Ron, go ahead.

MR. RAIKES: Well, I guess the only thing I would say is that I think from an accounting standpoint, your percentage of the retail food dollar is not really one of the number one considerations. So in that regard, I would say that there is probably not a whole lot of concern.

I do feel concern that the concerns of farmers seem so different than the concerns of other people that they deal with down the line. And, of course, this gets to the question of how do you add value to commodity products at the farm level, and that's a tough one. There have been some people that have done some things in sort of a small way, but I don't know of any really large-scale operations that as yet have been successful.

DR. ALLEN: Okay, how are we going to turn raw commodities or fruits and vegetables into value-added products? Well, there are people outside the industry coming down and saying that something can happen. There are people who have been in the beef or pork or poultry business that have a product idea and go around looking for producers that want to play in that game. Amazingly enough, they're hard to find because, Gene, back to your point, when you're feeling comfortable or surviving, it's tough to change.

I don't think there's one generalization to a commodity problem. I think you've got individual consumer segments, processors, people with an idea. There will be that 3 percent, 5 percent, 10 percent, 20 percent that will play the value-added game.

MR. HOFFMAN: This doesn't relate to grains, but, you know, I can remember about 20 years ago when among the things for which I was responsible was a broiler operation in Arkansas. And those were the days when broilers were all ice-packed, and 29 cents was the retail price, as it had been for five, 10 years. It was a straight commodity. You, the producers, lost money two out of three years, and then after they had a good year, they always put more birds out, denied it, and then there was always overproduction, and then you lost the next two years.

It wasn't until the broiler industry came to grips with the fact that there was an opportunity to do some value-added things -- which I thought was amply demonstrated in your presentation, John and Tom -- that we did it. Now, today, the majority of the broiler industry is enjoying a great deal of value-added rewards for an item that was a commodity a couple of decades ago. Is that fair?

Let's take milk; let's hitchhike off the milk question and go to ice cream. Ice cream is fundamentally milk, flavoring, and sweeteners. Ice cream's a static industry. Tonnage really isn't up, but in terms of dollar value, it's up tremendously. And it's only up because of the tremendous marketing activities that have gone on with the people that market ice cream. Fundamentally, they have focused on a new way to appeal to changing consumer lifestyles and have done a marvelous job.

So I think that we're seeing examples. It's just a matter of time when we're going to see the pork and the beef complexes start showing evidence of value like this. You've got a product right now by Hormel, a company for whom I've got a lot of respect. It's a microwavable bacon in a package that you throw in, and it's cooked. You don't have to do a thing except cook it, open it and then eat it. It's about $1.69 for, I think, for four, five, or six strips -- it's tremendously expensive in terms of commodity references. And those are the kinds of things which I think will eventually take commodity thinking and translate it into marketing thinking. The process is at work. I think the challenge is to tune your mind into it.

DR. ALLEN: Gordon, when you were with us two years ago, you said the bywords of today's society were chilled, fresh, natural. And now here comes this fresh prepared food category that many of us have commented on here.

If we're really going to take the quality level and put it up another six inches, is this going to create a market for agricultural products of an extraordinary degree of quality, for products handled in a way that goes beyond being just a crop, but includes the services and everything else that goes with it? Will this be a significant growing market for people in agriculture to hitch onto?

MR. MCGOVERN: Well, I think the answer to that is a loud yes. I think every major American food processor's in there just as hard as he can looking at the various aspects of that. Everybody's been over to Marks and Spencer about every other month, and they've taken a look at refrigerated; they've looked at take-out; they've looked at what's going on in the non-retail sectors, where a lot of this is coming along very strongly. And I think the conversion to fresh and refrigerated chilled forms of food in the United States is going to present a real opportunity for agriculture, and I think it's going to tie in agriculture to the consumer rather quickly and in some rather interesting ways.

MR. TRACY: Two questions --

DR. PIERSON: Can I just add a final comment on this?

MR. TRACY: Go ahead.

DR. PIERSON: You know, it is often difficult for individual producers to do their own marketing or to find their own value-added niche. We gave you an example of the dark bread. Kidney beans is another example. We gave you an example of the sweet peppers, the different colors, the different varieties now. But those are relatively isolated examples.

A much broader example of growers influencing their own marketing future comes through, for example, the beef referendum that was passed about a year ago at this time, where beef producers decided to literally grab the bull by the horns and do some of the research that's essential to finding out what consumers want so that they in turn can expand demand for their products, so that producers can learn about what kinds of products are necessary for the future. That's another way that growers, perhaps not individually, but in group actions, can come together and influence their own marketing futures.

MR. TRACY: A couple of related questions. Mr. Beatty, why not beef? When's beef getting on board with high quality fresh as a convenience food, ready to cook?

MR. BEATTY: Well, the industry, as it's being integrated, is going in that direction. Morrell has gone even beyond that now to completely cooked steaks. Our company now operates and offers baby back ribs complete with barbecue sauce, boneless loins, those kinds of items that are complete convenience food.

I think that in the cattle business you're going to see premiums paid for specific weights and for specific grades of cattle more and more often. Again, this will probably result from what we have to do for Japan: to go with the prime and a very high choice, that is, cattle of a certain weight and a certain yield basis. We're offering better money to the producer for that kind of cattle.

As we get better cattle, we're going to spill over into the U.S. market in terms of giving higher quality, higher grade steaks that are probably better for you, have less fat cover on them, but enough marbling so that there's still flavor there. These things are evolving, little by little. As I said, the meat packing industry is probably one of the slowest ones to pick some of this up, but little by little it's coming.

MR. TRACY: If safety is so important to the consumer, who do so many processed foods still come loaded with fats? This was addressed to Tom Pierson, to start with.

DR. PIERSON: Thank you very much, Alan.

You know there are different consumers out there; we're not all alike. There's 240-some odd million of us; we're all somewhat different.

Gene Hoffman commented that the ice cream that has increased in sales the most recently is the super premium: higher in fat, higher in sugar, and so on. Because they're so great for us? No. It's because they taste extraordinarily good. You've got different consumers out there that want different kinds of products.

I think we are, as a society, becoming sensitized, over time, to nutritional issues. I think we care more, over time, about the safety issues. But that's not to say that we all behave that are totally consistent at all times with safety issues, with nutrition issues, and so on. Each of us behaves in ways that we might consider at times to be somewhat inconsistent. But we're thinking about it more than we ever have.

I nevertheless think the standards of nutrition and safety are going higher and higher as we, as a society, learn more and more about the issues.

MR. TRACY: Jack?

DR. ALLEN: I agree with what Tom said. I see Stan Emerline back there, who represents the meat supplying to the restaurant, National Meat Purveyors Association. Stan is a great advocate of beef and pork; and it's got to change, you know. By and large, we're overfeeding these animals. But Stan works with people who are in the business that serve customers that come in once a month, maybe, into a restaurant and want a very fine, finished, carefully trimmed, properly aged, ideally cooked and sauced piece of meat.

And so you might look at that and say, gee, the chemical fat on that thing is 12 percent, and the Heart Association is saying, oops, never go over 7 percent. And select beef is, on average, you know, 4 or 5 percent.

I think we have to recognize that in a segmented market fat is not necessarily bad.

A student in my class four years ago said, "Professor Allen, you're wrong in referring to junk food." She said, "There are no such things as junk food, there are junk diets." And I think what we have to do when we're fixing the commodity machine is recognize that there are markets, there are segments, there are niches, and there are appropriate foods for each of those.

And I know Gordon McGovern's going to agree with me because two years ago, when he was on campus, he went shopping in a grocery store and four or five of my students were privileged to tag along on your coattails, and that's where Gordon discovered the Dove Bar in a Meyers Supermarket in our little town of East Lansing. And he had a Dove Bar before he gave his evening address to our students. Well, Gordon looks in pretty good shape still, and that was not a junk food you were eating, but I bet you really had to bite down on the butter fat to get to the chocolate. I think we have to recognize that.

One other point is this, that I think, while I agree with Tom that we're becoming sensitized to nutrition and healthfulness, that we still are woefully illiterate on the subject. We don't know what we're doing most of the time with respect to that.

And I'm wondering, Gene, who's the teacher here in terms of really providing information. I don't mean brainwashing, but I mean really providing the kind of information that we ought to have as consumers to make rational decisions in the marketplace. And I can tell you we're not making them now. Our children are so woefully out of shape. Now, the husband and wife may be out there jogging and pumping iron, but their kids are slobs. They can't do push-ups, they're not agile; and it's a serious problem.

And I see TV and radio programs on used cars and how to rebuild a car and how to invest in the financial market. I don't see anything that says, you know, food for thought or thought for food, one way or the other. I don't want to lay it on the USDA, but, clearly, the food manufacturers who are going brand against brand aren't doing this, with maybe a few exceptions in this room. But I think if we're going to really address safety and nutrition, somebody's got to be more affirmative in bringing some rationality to us.

MR. HOFFMAN: I agree with what you're saying, Jack, but, you know, you talk about various consumer segments. Remember, there are a lot of consumer segments that really want to eat potato chips and want to eat fat ice cream and want to eat fat in products because it tastes good. They might even know that it's bad for them, but they've made that choice. A lot of people continue to eat a lot of products that they know aren't good for them, for any number of reasons.

Manufacturers continue to put out tremendous amounts of sugar-coated cereals and any number of different things because people eat them. And yet, there's a tremendous amount of information out about safety.

I think Tom's right; I think there's more awareness of nutrition and dietary information than ever in the history of this country. But, fundamentally, there are countervailing forces: advertising, promotion, and, of course, just pure taste; rewarding yourself because you say that tastes good. You know, if you look at a grocery store today and go from year to year, that snack department, which is fundamentally corn chips, potato chips, and all those things, which are high in fat content, are growing and growing and growing. Now, you may not eat them, but somebody out there must be doing your share if you're not.

So we've got to recognize that we're in a very diverse marketplace with a lot of different modules, and each one of these modules are probably unlike other modules, and are causing various kinds of market niches to be formed. And some people like product that has fat because it adds to the taste.

DR. ALLEN: You're saying they're fully knowledgeable --

MR. HOFFMAN: That's the reason butter is still a very prominent product.

MR. TRACY: No, that's good for you.

MR. HOFFMAN: Because it tastes good, too.

MR. TRACY: We're going to close in just a minute, but I'm going to ask the panelists to think about whether they'd like to close with one or two sentences, and just look out to the future, point to some trend that you think's coming. I know it's hard to pick something out like that, but I'd like to just give you a chance to go right down the row in a second and give each of you a last comment.

Gordon?

MR. MCGOVERN: Well, I would just make one comment. I think that as we get older, we're getting more health-conscious; we're getting more interested in how our bodies work, and we're going to pay more attention to how we feed them and how we put the drink into them. And, therefore, I would say that one of the opportunities for agriculture and for the value-added segment is going to be attention to that, and that it goes right back to the farm. You can grow vegetables and fruits and all kinds of things, nuts, good example, and so forth, that are addressed to that segment. So I think we ought to keep a very healthy eye on that because it's going to grow.

MR. TRACY: Jack?

DR. ALLEN: I think I'll pass, thanks.

MR. TRACY: Ron?

MR. RAIKES: I guess I would just say that as a commodity producer, I look forward, to the time -- which I think will be soon -- that farmers get actively involved in pricing, which they haven't been; and eventually on down the road to the point where they get actively involved in satisfying the demands of consumers. I certainly don't think we're there now.

MR. TRACY: Gene?

MR. HOFFMAN: I think any time a society gets too comfortable with its way of life it tends to allow other societies to take its place; and I think that's what we are facing today.

MR. TRACY: Curt?

MR. BEATTY: Quite a few years ago, there was a musical where the main character said you've got to know the territory. The musical was "The Music Man." Those of us that are interested in exporting have got to know the territory. Get there, find out what the customer wants to buy, not what you want to produce. I've said it over and over again, but it's the truth. You've got to know the territory.

MR. TRACY: Dr. Pierson?

DR. PIERSON: I'll close with a short concern; it's somewhat self-serving. Coming from a university base, I am concerned with research. We talk about the tremendous opportunities out there that are associated with the changing consumer, changing society, changing environments that we're in. My concern is where are our research base is coming from. How are we going to meet the challenges of tomorrow without a really good, strong research base?

MR. TRACY: Well, I want to apologize to those of you who sent questions up that we couldn't get answered in the time allowed. There were a number of very good ones.

I want to thank John Lee and Jim Donald and Ewen Wilson, and everyone involved with the conference for helping to get us such a great panel of speakers as we've had this afternoon. And I want to ask you all to join me in thanking them.