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Remarks of Betsy Holden
"Competing in the 21st Century"
USDA Outlook Forum
Arlington, VA
February 20, 2003

Thank you, Secretary Veneman, and thank you all for such a warm welcome. It's great to be here...and have an opportunity to talk with so many agricultural leaders about a business I'm very proud to be part of - the trillion-dollar global food industry.

I guess you could say that in some ways it's the most basic business of all...what could be more fundamental than putting food on the world's table? Yet it's also one of the most complex. Today, the food industry is confronted by a wide array of political, economic and social challenges - from world trade and government farm policy, to biotechnology and obesity, to food safety and bioterrorism.

But for all the challenges, it's also a time of extraordinary opportunities - the possibility for great strides in agricultural productivity, for progress against the world's nutritional deficiencies and for a new generation of food products to fit changing lifestyles.

It's hard to imagine a more interesting time for our industry. So I'm delighted to be here, Madame Secretary, and I thank you for the chance to share my thoughts with such an important group.

Whatever the future holds for this industry, I do know this: it will be determined in large part by the sectors represented in this room.

Together, government, production agriculture and food manufacturers can foster an environment where innovation can flourish and demand can grow. And together, we can inspire public confidence with responsible actions and enlightened regulations.

It will take partnership, creativity and commitment from us all. I have a few ideas on how we might go forward, and I'd like to share them with you tonight.

As context for that, first I'd like to tell you a little about Kraft Foods and where we fit in the larger picture. We've changed quite a bit in recent years, and you might not know us from the Kraft you grew up with.

With our recent acquisition of Nabisco, Kraft is now a \$30 billion global company. The largest food manufacturer in North America, and the second largest worldwide.

We have products for every eating occasion - from the first cup of coffee in the morning to a last late-night snack, and every meal in between.

Our revenue falls into five broad sectors built from a portfolio of the world's best-known and most-trusted brands.

Our largest sector is snacks, with more than \$9 billion in sales. It includes cookies, crackers, nuts and confectionery products, with brands like Oreo, Ritz, Planters, Life Savers, Altoids and Milka, one of Europe's favorite chocolates.

Second is beverages, with nearly \$6 billion in sales. Included here is our coffee business, which is neck-and-neck with Nestle as the world's largest, and also a variety of powdered and ready-to-drink beverages. Our brands include Maxwell House, Yuban, Kool-Aid, Tang, Capri Sun and Crystal Light.

Next is cheese, at more than \$5 billion. Our biggest brand, of course, is Kraft. But we've also got Philadelphia, the world's best-selling cream cheese, and Cracker Barrel, Velveeta and a variety of local brands around the world.

Convenient meals, at a little under \$5 billion, includes our Kraft Macaroni & Cheese dinners, DiGiorno and Tombstone pizza, Oscar Mayer and Louis Rich meats and Boca meat alternatives.

And our grocery sector, also just under \$5 billion, has a wide variety of brands - everything from Post cereals and Jell-O desserts, to Kraft salad dressings, Miracle Whip, A.1. steak sauce, Grey Poupon mustard.

With a line-up like this, it's no wonder Kraft brands are found in 99.6% of all U.S. households and sold in more than 150 countries around the world.

As you'd imagine, it takes an awful lot of what farmers grow to make what we sell. On a global basis, we purchase more than \$7 billion in agricultural commodities each year. And just about \$4 billion of those purchases are made from U.S. producers.

We're among the world's largest buyers of dairy, sugar, coffee, meat, and peanuts. And we're also big buyers of wheat, rice, corn, soy and a variety of other food crops.

But beyond our size, we're a company that thrives on market leadership. We hold the No. 1 position in 21 of our top 25 categories in the U.S., and internationally in 21 of our top 25 country categories.

That leadership is built on innovation. Continuous innovation in what we make, how we market and the services we provide. Innovation that generated more than \$1.1 billion in revenue from new products we introduced in just the last year alone.

In the long supply chain that extends from farm to table, that's the most fundamental value-added role we play. Our job is to understand everything we can about consumers and make food an easier, more enjoyable part of life. Plain and simple, we build markets for what you grow by turning it into food that fits the way people live.

The better we are at it, the bigger your market. Likewise, the better you are at what you supply, the better we can be in satisfying demand. And, of course, government plays the critical role of ensuring the safety and integrity of the entire supply chain.

In a world of WTO and global trade, I know our destiny is not entirely our own. But just how well each of us does at what we can control will surely be the biggest factor in how strongly we compete.

For my part tonight, I'd like to share with you the consumer's perspective - what people want and expect from companies like Kraft...and, in turn, what that causes us to want and expect from you.

While other factors like trade policies and weather patterns are certainly just as important, at the end of the day no market can thrive and grow if it fails to meet the needs and expectations of its end users.

This happens to be Kraft's centennial year. Over the last hundred years of trying to ensure that our food really does fit the way people live, it's amazing how much things have changed. It's even more amazing how much they're the same.

Take convenience, for example. Our company was literally founded on the notion of convenience. On taking cheese, a food with 4,000 years of history, and making it more convenient by extending its shelf life. Today, convenience is still the biggest driver of all we do.

It takes dozens of forms. A great-tasting convenient meal that's ready in minutes, with minimal preparation and no clean-up. Our Go Pak snacks that come in a package specially designed to fit the cup holder in your car. Or a nutritionally balanced energy bar that can serve as a quick meal replacement.

While the desire for convenience hasn't changed, its definition has. In a highly mobile, time-starved world, convenience means food on demand - providing just what people want to eat, where and when they want to eat it - and all at a great price.

It's the job of companies like Kraft to keep pace...to continuously innovate and create ever-more convenient product forms from the commodities you produce.

Another rising expectation is health & wellness. It's also one of the oldest. Back when J.L. Kraft was getting his cheese business going, C.W. Post was starting his cereal company in Battle Creek, Michigan. His revolutionary new products were expressly designed to deliver a healthy alternative to the usual breakfast fare - the same benefit we're delivering today across a whole spectrum of product categories.

Low-fat products...sugar-free products...meat alternatives... fortified products...nutritionally balanced energy bars...you name it.

A great example is Kraft 2% Milk Singles with double the calcium. As you may know, calcium is a nutrient for which few Americans are meeting the recommended dietary intake. Two out of three kids do not get the recommended daily amount. Nine out of ten women and teenagers don't, and eight out of ten men don't either.

Kraft 2% Milk Singles is a great way to get 20% of your daily requirement in just one serving of a reduced-fat dairy product.

It's also a great way to build the dairy business. Since the roll-out of our calcium campaign on our U.S. Singles business in 1999, we've added 25 million pounds of consumption to the category.

And we expect to add a lot more with the recent launch of the three-a-day campaign, in partnership with the Dairy Marketing Institute and the National Cheese Institute.

The goal of the three-a-day campaign is to establish three servings of dairy a day as a simple eating habit that people can enjoy and, of course, get the needed calcium in their diets.

Today, health & wellness has taken on a new complexity with the startling growth of obesity. So not only should we be thinking about specialized products to help people manage their weight, we also need to be acutely conscious of marketing all our products in a highly responsible way.

All of us in the supply chain need to recognize that different foods play different roles in the diet, and more is not always better. It's in everyone's best interest - both the public's and the industry's - for us to help people use our products in a healthful and responsible way.

Another dynamic consumer trend is the drive for greater personalization - actually customizing food solutions to meet the individual needs of individual people.

We might do it in simple ways, like our half-and-half pizzas that let one person enjoy pepperoni while someone else has sausage - both from the same pie.

But we also do it in very sophisticated ways - for example, the Dinner-On-Hand feature on our kraftfoods.com website. You just type in the foods you happen to have on hand - whatever meat or vegetables or starches you might have - and we instantly send back a variety of convenient recipes for exactly those ingredients.

Or, if you tell us the individual food preferences of your family members - their likes and dislikes - we can send you seven-days worth of menus that reflect those preferences, and we'll even throw in the shopping list for all the foods you'll need that week.

I could go on and on, with a dozen more trends - smaller households, the growth of ethnic groups, the aging of the population. All of them help create the size and shape of the consumer demand the food industry must satisfy.

But if you reduce them all down to simplest terms, the food business always has been and always will be about taste, nutrition, convenience, value and variety.

And it's about one more thing - the most important of all.

Ultimately, food is about trust. People must trust the products we offer...if they don't, it doesn't matter what other virtues a food may have, they will not buy it.

And if that mistrust ever goes beyond individual products and extends broadly across the food chain, it has the potential to disrupt commerce, impede innovation and politicize decision processes that should be science-based.

Nowhere is there a greater need or greater test of trust than the safety of the food supply.

In fact, in all the consumer research we've done, food safety consistently ranks at the top as the issue of greatest importance and where expectations are highest.

At Kraft, the safety of our products is our No.1 priority. Since 1999, we've invested more than \$150 million to strengthen what we believe was already an industry-leading food safety system.

We've improved the infrastructure across our facilities, tightening the separation between raw and cooked products to further prevent cross-contamination.

We've upgraded the sanitation standards of equipment we've bought, then shared our advances with the equipment manufacturers so they could share them with other food companies.

And we've invested millions of dollars in research on ingredients that prevent the growth of foodborne pathogens. We've identified combinations of inhibitors that reduce the growth of pathogens by a thousand-fold up to ten-thousand-fold - and thereby dramatically reduced the potential for illness.

Again, we've shared what we've learned with others in the industry and with USDA, FDA and other government agencies. It's our belief that food safety should not be an area where companies vie for competitive advantage.

When safety performance is raised across the entire industry, we all benefit from the higher trust the public invests in us. Likewise, we all suffer when the actions of a few erode the public's confidence.

Today, we do enjoy a high level of public confidence in the U.S. It comes, in part, from the private sector's commitment to take its responsibilities seriously. But a great deal comes from the strong leadership USDA, FDA and others in government have shown on food safety over the years.

Our regulatory system is a model for the world. We can all see the trust it inspires, especially in contrast to other regions. In Europe, for example, positive steps are underway to centralize and strengthen the EU's regulatory system. But, as we all know, European confidence in the safety of the food supply over the last decade has suffered - and the economic and political consequences have been significant.

We must never allow the confidence we enjoy here to become a cause of complacency. We should always look for ways to improve safety, while continuing to maintain a healthy, vibrant marketplace.

As part of the search for an even safer food supply, my hope is that five principles can help guide the regulatory process.

First, that regulations should be based on solid risk assessment and consensus science. Doing so will help us focus scarce resources where they will do the most good, and assure that the protective measures we take are truly meaningful.

Second, that regulatory bodies provide transparency around the safety assessments they conduct. For sure, there will be times when complete transparency won't be possible.

Genuine trade secrets, for example, deserve protection. But in general, we should seek the fullest transparency practicable, because transparency increases confidence - just as a lack of transparency usually breeds suspicion, whether it's justified or not.

Third, that government should increase its investment in preventive technology. The more we focus on preventing problems before they occur, rather than on detecting problems after they have occurred, the better off we'll be.

Fourth, government must have adequate resources to get the job done. Resources, not just for research, but also for timely risk assessment and to appropriately train and equip an adequate inspection force.

And fifth, that we all continue our efforts to educate consumers on the role they must play to help ensure food safety. The most prevalent risks to safety are still in the home. The more we empower consumers to protect themselves, the greater their trust will be.

Food security is another critical trust factor, made all the more important by the 9-11 terrorist attacks.

In response, USDA and FDA have developed strong food-security guidelines for industry, on top of the regulatory protections already in place.

For our part, Kraft has invested more than \$30 million since 9-11 to enhance our security safeguards. Using the government guidelines, we conducted a comprehensive assessment and identified where we believe the risks were highest. And we've adopted a range of new procedures, governing people, product and equipment, to address those risks.

Each of us, from farmer to retailer, has a part to play. We must all rely on each other to guard the integrity of our products as they move along the food chain. And it's government's role to ensure that, across the board, industry is following the USDA/FDA guidelines and implementing all the necessary protections.

I'd like to touch on one other trust factor before I close and we get to your questions - and that's biotechnology.

Let me just state for the record that Kraft has no direct economic investment in biotech. But we do believe it holds promise for significant nutritional and environmental benefits, not to mention the cost and yield benefits production agriculture may enjoy.

In the meantime, we also believe that strong regulatory systems must be in place to ensure that those benefits are attained safely. And those regulations must be met with strict compliance.

Two applications of biotechnology pose particular concerns - the use of food crops for the production of pharmaceutical and industrial compounds, and the development of genetically modified animals.

Both share the same issue - the risk of co-mingling with the food supply, the same problem that led to the recall a couple of years ago of our Taco Bell products that were adulterated with StarLink corn.

There have been some recent close calls with plant-made pharmaceuticals - one for example, where the corn in question mistakenly found its way into elevators full of soy.

Right now, public acceptance of biotechnology in America is relatively high. But how many more times can we test the public's trust before we begin to lose it? We simply must put in place the assurances that this technology will be managed with the care and discipline its potential benefits deserve.

As I said earlier, our destiny is not fully our own. We cannot control the actions of other nations. We cannot change the weather. We have little power to soften the heart of a terrorist bent on hate.

But there is so much we can do. And there's even more when we join together, the three sectors here tonight: government, production agriculture and food manufacturers.

Together, we can make sure the safest food supply in the world only gets safer. Together, we can ensure the most prolific agricultural nation on earth grows even more productive. Together, we can build demand by creating products that truly do fit the way people live and that earn their trust.

Working together, we can and will compete successfully in the 21st Century.

Thank you all very much.