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In following the theme of commodity costs and food prices over the past few months, I've strayed beyond our usual arena of foodservice sales and marketing. Hopefully, you'll find the first article interesting (if not troubling); next month, we'll return to more familiar territory!

Thanks for reading, and as always, let me know what you think.

Dave

"The United States is like a giant boiler. Once the fire is lighted under it, there is no limit to the power it can generate." - Winston Churchill

"Adding Fuel to the Fire"

We're all well aware of what's happening to commodity costs, and the pressure these costs are putting on the entire foodservice industry. I've seen excellent presentations by manufacturers which summarize the forces behind the costs, and make a compelling argument that the choice is either to accept higher prices or a shortage of supply. Most of the industry association newsletters have daily commentaries and links to related articles.

But last week, Time magazine and the New York Times weighed in with hardhitting stories about how government policies are contributing to the problem. The Time article refers to "The Clean Energy Scam," and the NY Times editorial asserts that "people are starving in Africa so that American politicians can court votes in farm states." Strong language, but both articles make a strong case that in the quest for renewable, clean energy sources, we're actually causing environmental damage that far outweighs the benefits of biofuels!

It's unusual for our world of food manufacturing and distribution to make front page news in the mainstream press, but I think it's going to be a good thing.

The issue is global and complex, but also as simple as Economics 101. The story goes something like this:

- the US Government decides that biofuels will help reduce greenhouse gas emissions and our dependence on foreign oil
- they (we) begin to subsidize ethanol refineries to turn corn into fuel
- the increased demand for corn begins to drive the price up
- farmers divert land dedicated to soybeans and other crops (and land set aside as conservation easements) to produce corn
- farmers in Brazil convert cattle lands to soybean production to fill the worldwide gap
- cattle ranchers clear and burn rainforests to create new grazing land
- ethanol (from corn) and biodiesel (from soybeans) prove to be less efficient energy sources than originally hoped
- but the impact on food costs not only creates inflation, but contributes to food shortages in many parts of the world

A few statistics illustrate the scope of the problem:

- every 1% increase in the cost of commodities adds 16 million people going hungry
- the grain used to provide 1 tank of ethanol for an SUV can feed a person for a year
- 750,000 acres of Brazilian rainforest were cleared in 6 months as a result of these forces

As stated above, this mainstream attention to the problem could well have positive effects.

First consumers can see that there are real, worldwide forces that affect the price of their groceries and restaurant meals. Second, it should provide a basis for detailed conversations among growers, processors, manufacturers, distributors, and operators. In more stable times, we get along with generalizations regarding costs and prices; that approach is no longer sufficient. Finally, it may cause our elected officials (and those that want to be) to address the link between energy policy and food costs while there is still time.

[Click Here for Time Article](#)

[Click Here for NY Times Editorial](#)

"Procrastination is the art of keeping up with yesterday." - Don Marquis

"Still At It"

IFDA has formed a committee to look into "the need for complete and accurate information in data exchange between trading partners."

Their intentions are right on the money. It's inexcusable that we're still talking about dealing with inaccurate or missing bar codes, inconsistent product descriptions, poor price maintenance practices and the like as if they were insurmountable challenges. In the IFDA press release, distributors report that "85-90% of inbound loads currently have errors."

The press release also says that change "must be industry-driven, not company-driven..."

I'm not so sure about that one.

As badly as we need this type of initiative, I'm not convinced that the "industry-driven" approach will be effective. As we've written before, "no one makes bonus for improving the state of the industry." Further, few people make bonus for improving the lot of their trading partners. And too often, the people who work on these committees represent the largest, most progressive companies while the resistance often comes from less-sophisticated companies (both manufacturers and distributors) who cling to outdated practices.

As much as I hate to egg on the big distributors to wield their power, that is probably what it will take to ultimately get the entire industry in line with modern trading practices. When the right customers decide to mandate change or stop buying from those who don't comply, the foot-dragging usually stops.

Until then, I wish this committee success in pulling foodservice forward in our use of technology.

The press release can be seen at: [IFDA - GS1 Committee](#)

"Worth a Try?"

As we approach 600 subscribers to this newsletter, I can't help thinking that we've got a great opportunity to help one another develop a shared perspective on the big issues facing our business.

With dozens if not hundreds of manufacturers, distributors, broker agencies, operators, and consultants on board, perhaps we can exchange opinions and ideas in a manner that cannot be achieved in the traditional seller/buyer environment.

One approach would be to create a Foodservice Foundation which would tackle four key issues per year. Members would remain anonymous, but everyone would know how many manufacturers, distributors, etc. are participating. On a quarterly basis, I would present a topic and gather as many questions as possible from the members. I would roll up the questions into a survey of approximately 20 questions, and make it available via an online survey instrument.

After gathering the responses, I would conduct phone interviews with a subset of the members to add depth and color to the findings. Finally, I would write a report of conclusions, implications, and recommendations, which would be published for members only.

Members would pay an annual fee to participate and receive the reports, but it will be very reasonably priced to ensure a broad-based membership and a high-value product.

What do you think?

Please let me know if this might be of interest to you, and provide any additional ideas or suggestions. If there is enough interest, we could do one or two "free trials" in the next few months for all FSMI subscribers, then you can decide if it's worth investing in the real thing.

I welcome any and all thoughts at [Tell Dave](#)

Thank you.