



The Food Industry Center
UNIVERSITY OF MINNESOTA

TFIC NEWSLETTER

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Misinterpreting the New CDC Study on Weight and Health

A new study by researchers at the Centers for Disease Control and Prevention (CDC) seemed to suggest that the health risks of obesity have been greatly overstated. Previously, the government estimated that some 365,000 deaths annually could be attributed to diseases related to being overweight and obese. Most media coverage of the new CDC study has created considerable confusion and misinterpretation by the public. Many people have taken the new study as “a green light to chow down”. On April 20th, for example, *The New York Times* ran an article based on the study entitled “Some Extra Heft May Be Helpful, New Study Says.” Much of the media coverage focused on the overall result that only 26,000 additional deaths could be attributed to overweight and obesity and that being overweight is actually healthier than being underweight or even normal weight. The Center for Consumer Freedom immediately ran full-page newspaper ads referring to the obesity epidemic as just hype spread by the “food police” and trial lawyers.

The Food Industry Center would like to clear up some of the confusion and misinterpretation surrounding this study. First, to add some perspective, persons who are 5 feet and 8 inches tall would be considered underweight if they weighed less than 122 pounds, normal weight at 122 to 164, overweight at 165 to 196, obese at 197 to 229, and extremely obese at 230 pounds or more. Second, what the CDC study actually found is that obesity and extreme obesity are grave health risks, estimating they caused an additional 112,000 deaths annually. On the other hand, it is true that being overweight, but not obese, actually reduced the risk of death by 86,000. Subtracting these 86,000 fewer deaths from the 112,000 additional deaths, yielding a net 26,000 deaths. This led to a serious

misinterpretation by many. What should be stressed is that this study is consistent with many others that conclude obesity, and extreme obesity even more so, are unquestionably very real health risks.

The idea that Americans now have a “green light to chow down” is definitely the wrong conclusion.

*- Ben Senauer, Co-Director
The Food Industry Center*

In addition, the new study found that being underweight raised the risk of death by about 34,000 persons by year. The researchers themselves admitted they did not have an explanation for their findings. Most good scientists would readily admit that there is much that we do not know about the relationship between a

person’s weight and their health.

Nevertheless, what we do know can add some perspective to these results. First, most people gain weight gradually over many years so those who end up as obese or extremely obese were once only overweight. Second, this study did not address the importance of physical activity, aside from its effect on weight. Third, this study looked only at mortality (death) and not morbidity (disease), and many studies have found that additional weight raises the risk of many serious illnesses, such as heart disease and diabetes. Modern medicine has provided us with the ability to better treat many of these diseases, but there is still a substantial reduction in quality of life for those who suffer from them and treating them adds to the huge and ever growing cost of health care. The idea that Americans now have a “green light to chow down” is definitely the wrong conclusion.

Acknowledging potential flaws in the study, CDC chief Dr. Julie Gerberding told the press on June 2nd, “It is not OK to be overweight.” The bottom line is if you are in the normal weight range, do not gain weight with the idea that you will be healthier and if you are obese or extremely obese, you are dealing with a serious risk to your health.



Fleischhacker, Jewison, Smith

TFIC Student Interns Attend FMI Convention

The Food Marketing Institute (FMI) has, for many years, provided opportunities for students interested in the food industry to intern at its Supermarket Industry Convention & Educational Exposition. More than 40 students from the University of Minnesota, Purdue, Cornell, Western Michigan, St. Joseph and other universities with food industry programs or centers participated in the convention this year.

Seniors, Tracy Fleischhacker (Applied Economics) and Michael Jewison (Agricultural Food and Business Management), together with Emily Smith, a Master’s Student in Applied Economics, attended the convention as interns this year from The Food Industry Center. The students attended the many FMI workshops and provided necessary support work for the educational programs at the Convention. “On the first day of the convention I was responsible for setting up the new products from different companies in the Group Suites,” said Tracy. “The other jobs I performed were: setting up and cleaning up break-out session rooms, and instructing people where and what was going on at the convention.”

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Upcoming Events

Program Leadership Meeting
October 14, 2005
McNamara Alumni Center

Upcoming Working Paper Publications

The Empirics of Information Sharing in Supply Chains: The Case of the Food Industry

Hamid Mohtadi

Product Market Competition and Human Resource Practices: An Analysis of the Retail Food Sector

Liz Davis,
Matthew Freedman,
Julia Lane,
Brian McCall,
Nicole Nestoriak,
Timothy Park

Emerging Research and Public Policy Issues for a Sustainable, Global Food Network

Jean Kinsey

TFIC Working Papers can be found on our web site under <http://foodindustrycenter.umn/Publications.html>



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Co-Director's Notebook

One of the great things about TFIC is our talented students and staff. Their talent and energy keeps our projects moving, sharpens our minds, and produces results. We take this opportunity to thank them for their work and to introduce five of them to you.



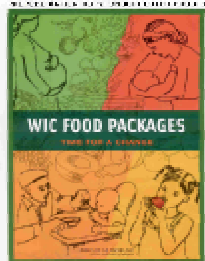
Emily Smith comes to us with a B.S. degree from St. Thomas University, St. Paul, MN where she concentrated her studies in International Economics and Spanish. While working on a M.S. degree in Applied Economics with a concentration in the food industry, she is a research assistant on a grant from the National Institute of Health to study obesity in women. Emily's skill in managing work and her ambition to learn give TFIC an added bonus. Emily was one of the students who attended the FMI Convention (see FMI article on page 1).

Research Associate **Koel Ghosh** is working on two main projects: the homeland security consumer survey and our project to convert agricultural production into per capita consumption estimates. Koel is originally from Calcutta, India. She has almost completed a Ph.D. from Penn State University in Agricultural, Environmental and Regional Economics. Koel brings a bundle of energy, analytic capability, writing skills and a most positive attitude. She is a joy to work with.

Min Xue from Shangai has written a Master's paper about the development of supermarkets in China that enlightens us from the perspective of someone whose family lived through the experience. Supermarket growth is highly correlated with general economic development and urbanization but Min's insight into consumer acceptance is unique.

Charlotte Friddle from the University of Arkansas is a Ph.D. candidate writing about the correlation of global economic development and the expansion of the food service industry in various countries. The potential implications for global obesity are an extension of her work. Charlotte is one of those people who readily takes on any task that needs to be done. She is multi-talented, friendly, ambitious and efficient. Her experience working in the food industry before she arrived at University of Minnesota has been a huge asset to our projects, especially the industry supply chain benchmarking project related to homeland security. Charlotte has been active in the American Agricultural Economics Association, coaching academic quiz bowl teams and serving as an officer on the graduate student committee. Charlotte is seeking a position in the food industry when she finishes her Ph.D.

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New Recommended Foods for the WIC Program

For the first time since 1974 when the Special Supplemental Nutrition Program for Women, Infants and Children (WIC) was launched, the types of foods recommended for recipients have changed. The Program was reevaluated by the Institute of Medicine (IOM) of the National Academies at the request of the USDA's Food and Nutrition Service. The Committee, chaired by Dr. Suzanne Murphy from the University of Hawaii, is quoted as saying "Because scientific knowledge about nutrition has greatly increased since the WIC program's inception, and the nutritional challenges facing families have altered significantly, it is definitely time for a change in the foods offered through WIC."

Over 50 % of all infants in the U.S. and 25% of all children ages 1-4 participate in this program. In 2003, the total cost was \$4.7 billion and served 7.6 million women, infants, and children. This food and nutrition program has always been very successful. It provides not only supplemental foods, but nutrition education and health advice to mothers in the program. In most localities food "packages" are itemized vouchers or checks that participants receive at a WIC clinic and then use to obtain specific food products at participating grocery stores. The WIC program prescribes foods for individuals based on their nutritional and health status and those foods are selected from a master list of foods allowed by the WIC program.

On April 27, the IOM Committee released a report titled *WIC Food Packages: Time for Change*. The primary recommended changes are:

- Adding fresh fruits and vegetables to be selected by the participants for up to a \$10 per month for women and \$8 per month for children.
- Adding whole grain cereals, bread, and alternative whole grain products.
- Reduction in the amount of juice, eggs, cheese, and whole milk to reduce the fat and caloric intake and help contain food costs.
- Only milk with a maximum of 2% fat content will be allowed for participants over age 2.
- Promoting breastfeeding by increasing the attractiveness of the breastfeeding mother's food package and decreasing infant formula.
- Adding more flexibility and alternatives in the food packages and more freedom of choice for the participants, particularly with regard to fruits and vegetables.

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Jean Kinsey, Co-Director of The Food Industry Center and a participant in the University's Healthy Foods, Healthy Lives Initiative, served on the IOM committee that made these recommendations. She is keenly interested in having the USDA's Food and Nutrition Service adopt recommendations that will improve the diets and health of WIC participants. The deliberative committee met over a period of about 16 months designing seven new food packages. One of Dr. Kinsey's tasks was to solicit the advice of food retailers about how proposed changes would impact their operation. Retailers' advice about dollar denominated checks for fresh produce led to the final form of the fresh produce recommendations. In addition, Dr. Kinsey worked with Helen Jensen from Iowa State University to keep the recommendations cost neutral.

Happily, the final estimated cost per participant is \$35 per month, approximately the same as the old food packages.

The Food and Nutrition Service has 18 months from the date the report was released to implement the recommendations they choose to take. The study was sponsored by the U.S. Department of Agriculture. The IOM is a private, nonprofit institution that provides policy advice under a congressional charter granted to The National Academies. The committee members participate on a volunteer basis. For more information go to <http://www.nap.edu>. or <http://foodindustrycenter.umn.edu/links.html>.



WIC Committee members (left to right): J.Kinsey, G. Harrison, S. Murphy, G. Stallings, C. Sutor, L. Meyers
IOM Staff (back row): J. Sanders & J. Okita

Program Leadership Board Update:

Building Agendas on TFIC Strategic Initiatives

At the spring 2005 Program Leadership Board Meeting, board members and their organizations began their work on the Center's three strategic initiatives: **Healthy Food, Healthy Business; Food System Security; and Food Industry Academic Program Development**. Three working committees were formed around the strategic initiatives then agendas were developed in order to bring value to the industry, member organizations, and consumers. Each committee meeting began with an overview of the Center's activities on these topics followed by a "Bring and Buy" session where board members shared their respective organizations' issues and efforts to address these topics.

Outcomes from the breakout committees are as follows:

Healthy Food, Healthy Business

Two focus areas were identified as collaborative opportunities for the University and industry to provide solutions to the obesity epidemic.

1. Develop a program to provide **unbiased, understandable, and effective education for consumers on healthy eating/living**. Currently, consumers are highly confused and frustrated with the seemingly conflicting and complex information they are receiving from a myriad of sources. The challenge is to build a multi-disciplined channel of communication that is both broadly focused (not just on selected product categories) and simple for the consumer to understand.
2. Collaborate with member organizations to identify **implications from key University research initiatives** currently underway. These include:

- ✓ **Food Accessibility in the Inner City**
- ✓ **School Lunch Programs**

Food System Protections & Defense

It was clear from the sharing of information that organizations are currently placing a **high priority** on securing their individual supply chains from terrorist attack. Efforts, however, are generally still in the formative stages and there is a strong sense that collaboration across the industry, government, and the academic community would produce more effective results. Therefore, Board Members are getting involved in the Center's current food defense research. This involvement will include:

- 1) Act as a **portal/conduit linking relevant people in their respective organizations with University researchers** in the Benchmarking Practices Survey.
- 2) Provide **feedback** on questionnaires and **respond to findings** from the research.

Food Industry Academic Program Development

A specialized food industry academic program has long been a goal for The Food Industry Center and was the focus of discussion for the third breakout committee. The committee noted the industry's need for students with senior management potential and a holistic perspective of the industry. In addition, the committee encouraged that students develop critical thinking, entrepreneurial, interpersonal, and networking skills along with food industry internship experience in order to become a valuable resource for the industry. Moving forward, the committee recommended consulting other similar academic programs as they continue to develop TFIC's program as well as identifying industry partners interested in participating in the program.

The next Program Leadership Board Meeting will be held on October 14th at the McNamara Alumni Center.

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Michael noted, “The best part about the convention was being able to find out what is going on in the world of food retailing. I was able to listen to the problems in this industry and then I was also able to listen to solutions to these problems.”

Tracy, who completed an internship with Jewel-Osco last summer, said, “I was surprised to see how much I had really learned with my (summer intern) experience. The breakout discussions and the seminars I attended solidified information I had learned at Jewel-Osco. I got to see a lot of new products that will be hitting the market (or just did).”

Emily noted the market segmentation study. “In one of the educational programs given by McKinsey, (they) explored each store types’ customers and the strengths, weaknesses, and opportunities for each store type.” She added, “It was interesting to learn that grocery stores still account for the highest frequency of shopping trips and McKinsey found that grocers should shrink the variety of individual product offerings and focus instead on preventing out-of-stocks and offer larger pack sizes.”

Walking the convention floor was a big part of the experience. “I loved being able to see all the different presenters: local small businesses, worldwide corporations, and international companies. It was so interesting to see how each one did things (alike and differently),” said Tracy.

The role of women in the industry was both a surprise and an opportunity. “The biggest surprise at the convention was seeing how male dominated the food industry is even though the targeted market of this industry is women,” said Emily. “I was shocked to see how few women were there and how few of the executives were women. I guess (it) just leaves it up to me,” Tracy added.

Upon graduation, Tracy will begin working with Target in Chicago and Michael will begin work in the Twin Cities area. Emily is a Research Assistant for Jean Kinsey and is doing her Master’s Thesis on: The Direct Healthcare Costs of Type 2 Diabetes on the Uninsured.



Did You Know?

Private Label

Retailers of all types are now selling 20 % of their products under their own brand. This is a lower percent than private labels sold in most U.K. stores like Tesco, but the percentage is rising annually. This puts retail stores in the position of “being the brand.” Private label continues to rise as retailers strive to differentiate themselves from mass markets and cater to emerging niche markets.

Wal-Mart Marches On

Wal-Mart has now has 6,000 stores in 13 countries. They have \$309 billion in sales and are looking to move into India. (www.progresseivegrocer.com May 30, 2005)

Organic Growth?

Sales of organic foods were \$9.4 billion in 2003. Although their sales rise more rapidly than the rest of the food market, they are still only about 1% of the total sales of food and beverage in the U.S. \$1.0128 trillion in 2005.

(http://KPMGinsiders.co.display_analysis)

Retail Food Net Profits: Small is Good

On average the net profits in retail food chains fell again to 0.88% in 2004 from 0.95% in 2003. However, smaller retail food stores with less than \$100 million in sales posted a six year high net profit of 1.45% and a return on equity of 20.3%.

(<http://www.fmi.org/pub>)

Shoppers Hug the Perimeter

New tracking technology shows us how consumers move about a store. A new study shows that shoppers use the perimeter of the store as home base for quick trips into longer aisles. They do not generally weave up and down the aisles; they move in a counterclockwise direction; they speed up as they approach the checkout stands.

(<http://knowledge.wharton.upenn.edu/>)

article/1208.cfm)

Eating Out

The portion of total food and beverage spending that goes for food-away-from-home is still 47% versus 25% in 1955. According to NPD the most popular food ordered by men who eat out is a hamburger; for women it is french fries. In a survey of fast food consumers taste was the number one criteria for selecting food. Sixty-nine percent said they valued the availability of healthy/nutritious food. (USA Today, May 13-15, 2005)

Center of the Population?

The center of the population in the U.S. has shifted west continuously. The U.S. Census bureau calculates the “mean center of population.” It is now in Edgar Springs, MO. It crossed the state line from Illinois to Missouri during the 1970’s. It is a point at which an “imaginary, flat, weightless, and rigid map of the U.S. would balance perfectly” if every person – counted where they live on the day of the census – weighed the same. One has to wonder where it would be if each person were weighted according to their actual weight given the trends in obesity by state. It would probably shift towards the southeast from Edgar Springs, MO.

Quiz:

Match the food companies below with the percent change in the price of their stock between May 2004 and May 2005. Answers Below.

Companies: United Natural Foods; Spartan Stores; Wal-Mart; Kroger; Marsh;

Percent change in stock price: 4.72; 10.42; -3.77; 8.58; -0.29;

Answers: United Natural Foods (10.42); Spartan Stores (8.58); Wal-Mart (-0.29); Kroger (4.72); Marsh (-3.77)

(continued from Co-Director’s Notebook)

Ajay Behl from India is also working on a Ph.D. in Applied Economics at the University of Minnesota. His interest in networks, economics, and human behavior, and his talented computer analysis has been invaluable to TFIC. He mastered GIS mapping techniques to help us study the accessibility of food to inner city consumers. There seems to be no computer or software problem that Ajay cannot solve and no software he cannot run. Ajay has a Bachelor of Technology degree from Jalandhar, India Regional Engineering College and a MBA from Panjab University. After working in the banking industry in India, he studied at the University of Wisconsin.