



TFIC NEWSLETTER

University of Minnesota

Vol. 10 No. 2 Winter 2005

The Center's Strategic Initiative on Food and Health

Although it is not fair or reasonable to blame the food industry for the rising rates of obesity, the industry can play a crucial role in achieving a solution. A balanced, nutritionally sound diet can be a major contributor to good health. As the Center begins work on its new major food and health strategic initiative, rising rates of obesity, due to overeating and lack of exercise, represent the most rapidly increasing health risk for Americans and are a major contributor to rising healthcare costs.

Threats to the Food Industry from Obesity

- Critics are seeking to blame the food industry for the increases in obesity.
- Unhealthy eating is increasing the risk of chronic diseases and adding to healthcare costs for individuals, government, and employers.
- Legal experts warn that there are circumstances under which food companies could face a serious threat of litigation.
- Increased regulation by the government is possible.
- There is a growing perception that school lunch programs contribute to

Upcoming Events

*Program Leadership Board Meeting
April 14th
McNamara Alumni Center*

weight gains and to the development of unhealthy dietary patterns.

Opportunities for the Food Industry

- Positive actions can be taken to become part of the solution, such as introducing "healthier" food options.
- Companies can become supporters of physical activity programs for employees, customers, and in schools.
- Eating healthier may increase spending on food, as focus shifts from quantity to quality.
- Food companies can help schools redesign their programs to develop lifelong, healthy dietary and exercise patterns.

The proportion of overweight children increased over three fold between 1966-70 and 1999-2002. The Center's initial work on obesity issues will focus on childhood obesity and nutrition.

TFIC Involvement in the Hopkins School Food Program

Principles in the Center are currently involved in an evaluation of the innovative school food program in the Hopkins schools, a western suburb of Minneapolis. A District Food Service Director, who was a professional chef, has transformed the program with the support of the Superintendent and School Board. Healthy, diverse food choices, which are very popular with the students, are provided within USDA guidelines. The goal is to provide "nutritionally sound" meals, run the program on a sound business basis, and teach life-long healthy eating habits. Funding has already been received from Cargill and the McKnight Foundation to begin the initial evaluation of the program. The intention is to use the Hopkins program as a flexible template to redesign food service in other schools throughout the country and to change policies that affect the program.

The Center's involvement in the Hopkins School Food program is aligned with the *Healthy Foods, Healthy Lives* agenda, a priority initiative established by University President Bruininks. The Center hopes to play a critical role in actively involving the food industry in the University-wide initiative.

"The Royal Court"



CO-DIRECTORS' NOTEBOOK

Our Second Decade:

Our Board of Advisors, a group of CEO's and other leaders in the food industry, had their annual meeting October 14, 2004 at the headquarters of CHS Cooperatives in Inver Grove Heights, MN. The CEO of CHS, John Johnson and his staff were most gracious hosts. We appreciate their strong support as we move into our second decade with new sources of funds and new directions. We also appreciate the work and steady help of our Board Chair, Dale Riley.



readiness of food companies to “protect, defend, respond, and recover” from a potential terrorist attack on food or the food system. Our concern is a deliberate attacks with a catastrophic outcome in the form of disease, death, or the economic destruction of part of the food industry. We are also

conducting a consumer survey to ascertain the value placed on the protection of food relative to other parts of the economy.

Board members were most helpful in fine tuning our strategic plan and identifying two essential areas of work that are most important to the food industry. 1) Food security-primarily the protection of the food system against potential terrorist attacks. 2) Healthy food and diets especially for children. Jean Kinsey is heading up projects that deal with food protection and defense. Ben Senauer is heading up projects that focus on healthy school lunches.

After a presentation by Shaun Kennedy from the National Center for Food Protection and Defense (a U of M based Homeland Security Center of Excellence) the board was ready and concerned to help us begin work in this area. The project looks at how quickly foods are distributed from field to stores to homes and will examine the potential exposure both workers and consumers could have to deliberately placed harmful agents. We are starting interviews this winter to benchmark strategies and

Increasingly our work involves contact with people in the industry. Their cooperation in sharing data (on a confidential basis) and the mutual education between academics and industry experts is essential in a time of rapid change, of new regulations, and new threats. The need for this partnership is vital for the work on homeland security as well as the ERS Collaboration described below.

At the Board of Advisors' meeting the companies represented stepped forward and offered to help with interviews and information. The attendees said, “I am your contact for this work, call me.” We will, and we publicly thank them for their support.

Companies and associations with attendees at the Board of Advisors' meeting were: Cargill, CHS Cooperatives, General Mills, Hormel, Restaurant Services, Inc., Old Dutch Foods, SUPERVALU, SYSCO, and the Grocery Manufacturers of America.

We Are Eating More Now; Or Are We?

To help understand the impact of new products and new processing technologies, USDA in collaboration with The Food Industry Center, is looking to establish a new approach to developing and maintaining factors that convert agricultural commodities into retail-level food product availability.

Impact of Change

The development of new forms of food products – bagged salad versus heads of lettuce, bagged “baby” carrots and value added cuts of meat all have impacted the conversions. These mix changes, together with improved processing techniques have raised significant questions as to the appropriateness of the current conversion factors.

New Approach

To account for changes in products and technologies, The Food Industry Center is developing a process to better capture current practices. For the next two years, TFIC will be developing a transparent process to capture information on current practices, quantifying how much food that is produced is actually available to consume, and providing a better means to maintain updated conversion factors.

Initial meetings were held in Washington, D.C. with industry representatives and USDA in early December. From these first meetings, data collection methodologies will be developed and reviewed by USDA, industry, and consumer groups in early April 2005.

Shifts in the Demand for Grain-Based Foods

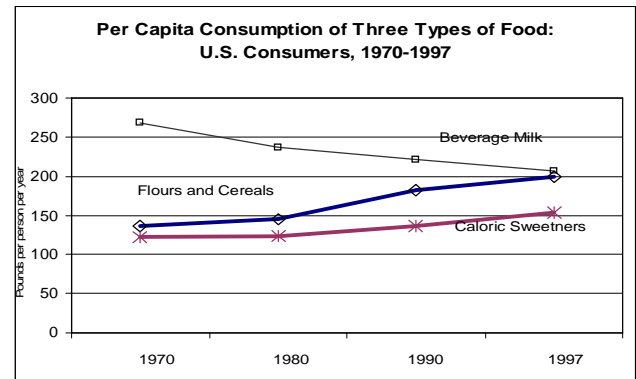
On September 28, 2004 a balanced mix of people from the industry (17), academics (14), government (13), and media (3) gathered at the McNamara Center, on the University of Minnesota campus, for a workshop to articulate the trends in grain consumption, discuss the gathering of food consumption data, and design a plan for improving the numbers going forward. The workshop was sponsored by USDA's Economic Research Service and the Farm Foundation and was hosted by The Food Industry Center.

Industry speakers, including Ron Olson from General Mills and Greg Heying from SUPERVALU, indicated that taste remains the most important attribute of a food product followed by convenience and price. Low-carbohydrate food sales were around \$1.4 billion in 2003 with more than 930 new low-carb products having been introduced in the last five years. There are already signs that this "fad" is fading.

Conclusions from the Workshop:

- Consumption of grain-based foods fell with a recent fad towards "low-carb" diets.
- The trend towards "low-carb" foods is slowing.
- New dietary guidelines will emphasize the consumption of more "whole grain."
- Food availability data show an increase of 250 calories more per day than a decade ago.
- Grain-based foods are more likely to be eaten by persons without children, who eat at home, and who read food labels.
- Whole grain products are most often eaten for breakfast or as a snack.

- Accurate data on what people eat and its nutritional value is hard to get and to maintain. Various data sources each provide part of the picture (per capita food consumption; CSFII; NHANES; ACNielsen; SAMI)
- Food industry firms who produce grain-based foods need to know long-term eating trends and seek leading indicators of consumer demand.
- Foodservice companies know the importance of taste to food sales. Sales of signature breads in restaurants and tortillas in general are not down in spite of "low-carb" diets
- We need credible information for consumers to select good diets. The messages should be right and consistent.
- Food loss in the supply chain between producers and consumers needs to be treated much more carefully. The cooperation of food companies needs to be solicited and maintained.



Program Leadership Board Update:

Engaging Board Members in the New TFIC Strategic Vision

At this year's Fall Program Leadership Board meeting (held October 21 and 22), the Center's new strategic plan was shared with the Board's members. Under this plan, the Center aims to provide thought leadership on important and timely food industry issues and aims to raise the profile of the Center as a thought leader. The plan focuses Center efforts on industry issues that 1) are broad based and difficult for companies to address on their own and 2) enable the Center to leverage equities that are unique to the University of Minnesota and its partner institutions. Specifically, the plan is comprised of two primary research initiatives:

1. **Homeland Security:** securing the food supply chain from terrorism.
2. **Healthy Foods and Healthy Lives:** becoming part of the solution to the obesity epidemic.

Additionally, a third area of activity will involve the development of an **academic curriculum** to turn out future industry leaders.

Feedback from the Program Leadership Board was highly supportive with members expressing a desire to become actively involved in these initiatives. Therefore, the Center will be restructuring the PLB and shifting into an executional mode with its member organizations. Action committees for each of the three strategic initiatives will be formed. Organizations with membership on our Program Leadership Board will be able to participate on one or more of the action committees of their choice. Members can participate themselves or designate other people from their respective organizations who may have more relevant expertise in one of the three initiatives. Responsibilities of the action committees will include:

- **Prioritizing** and setting the agendas for the action committees and the Center.
- Bringing together the organizations and the University in the **collection of vital data for conducting research.**
- Generating **funding strategies** for committee research agendas.
- **Linking** the organizations and the Center to **maximize the value of the Center's learning** to the organization.

At the spring 2005 Program Leadership Board meeting, the newly formed committees will begin their work by forming into breakout sessions where they will develop action plans.

DID YOU KNOW?**Midwest Retail Store Certified Organic:**

Lunds Food Holdings Inc. in Minneapolis/St. Paul is the first conventional food retailer in the Midwest to have all 20 of its produce sections certified organic by the USDA. For full certification it took two years to complete the application and certification requirements. Retraining produce handlers to keep organic and conventional produce separate at all times – on pallets, on cutting boards, in storage bins, in trucks – takes time and effort, but for those who believe that organic produce is a way of life, it is worth it. (Grocery Headquarters Magazine, 2003 Carol Radice, “An Organic Odessey”)

Food Tampering – A Problem But Not A Catastrophe:

Recent stories about finding castor beans in a few jars of baby food at a Ralph’s store

in Irvine, CA, reignited concern about food tampering. Most of these incidents are isolated hoaxes but they raise the fear factor for consumers already on alert to any terrorist type of activity. Consumers bear a lot of responsibility to examine products they purchase but retailers are also more alert than ever. Some steps retailers are reported to be taking are using more security cameras, positioning employees where there are no good sight lines, and checking for packages that might be compromised as they stock shelves. (Progressive Grocer, 8/2/04)

EU Funds Obesity Research:

The European Union headquartered in Brussels is investing in a five-year program to investigate the most effective way changes in dietary fat could impact worldwide obesity. Under the *Lipgene* project at St. James hospital in Dublin,

Ireland, researchers in human and animal nutrition, plant biotechnology, and economic and social/consumer sciences will look into a range of areas including dietary, biochemical and genetic data for a cohort of 8,000 subjects in eight European cities. They will seek to understand how variation in composition of dietary fat influences the metabolic syndrome. They will also investigate consumer attitudes and economic barriers to new agro-food technologies/ (<http://foodproductiondaily.com/news/9/8/04>)

Quiz:

What is the parent company that owns each of the food companies listed below?

1. Subway
2. Chipotle
3. Pizza Hut
4. Quaker Oats
5. Baja Fresh
6. Odwalla

Answers:

1. Doctor’s Associates, Inc.
2. McDonald’s
3. YUM! Brands, Inc.
4. PepsiCo
5. Wendy’s International, Inc.
6. Coca Cola

TFIC will begin publishing its newsletter electronically this year. If you would like to continue receiving this newsletter, please send your e-mail to tfic@apc.umn.edu

Classroom Corner:**Information and Behavioral Economics: *ApEc 8402***

In a Ph.D. class students are exploring a new way to analyze consumers’ choices over time that combines economics and psychology. Work piloted by Nobel prize winner, Daniel Kahneman and his early co-author, Amos Tversky, has grown into a hefty literature about bounded rationality and how to explain choices more accurately than older economic theories. Behavioral economics can be used to explain why people seem to reverse their long term preferences when making short term decisions. For example, how do we explain the choices of people who want to be healthy and thin and overeat with great regularity? Discussing topics like rational addiction, winners curse, people’s anomalous choices in economic experiments, and neuroeconomics, makes for some exciting debates in this class.



University of Minnesota
Applied Economics Department
317 Classroom Office Building
1994 Buford Avenue
St. Paul, MN 55108-6040

Co-Directors:

Jean D. Kinsey 612-625-2744
& Ben Senauer 612-625-5724
Lisa Jore, Executive Administrator
612-625-7019
Fax: 612-625-2729

Web Site: <http://foodindustrycenter.umn.edu>

Nonprofit Org.
U.S. Postage
PAID
Mpls., MN
Permit No. 155