



FOODSERVICE PACKAGING
INSTITUTE

Single Service News



WINTER 2009



More than 50 people, representing 38 member companies and 12 prospective member companies, came to Charleston, South Carolina on October 14-15 for the 76th annual meeting of the Foodservice Packaging Institute at Charleston Place.

The meeting agenda focused on the future of the foodservice packaging industry whether it was the newest markets opening up or the latest trends in packaging and the environment. Speakers presented detailed information about the industry and where it is going as well as what industry leaders can do to meet the future prepared.

The meeting kicked off Wednesday morning with the Executive Committee meeting followed by a welcome lunch and the start of the general session. The first presenter was Dean Dirks of Dirks Associates LLC who spoke on the future of foodservice in retail. Dirks provided details and statistics that focused in on grocery and convenience stores—two growing markets for single-use foodservice packaging. Following Dirks there was a panel of speakers including Jim Brendt, senior vice presi-

dent prepared foods, deli & specialty cheese for Wegmans Food Markets; Keith Boston, director of culinary development for Sheetz, Inc.; and Michael Farnick, purchasing agent for 7-Eleven, Inc. The panel discussed their specific foodservice markets and their developing needs from the foodservice packaging industry.

The reception and dinner was later that evening in the Palmetto Garden Courtyard in Charleston Place. There members were able to network with each other and speakers. But things were back to business on Thursday morning with the Egg Packaging and Food Packaging Tray Divisions and the Supplier Division meeting first thing. Following the division meetings, the FPI Board of Director met for reports from staff as well as to discuss and approve the FPI budget and Executive Committee for 2010.

Following the business meetings, the general sessions started up again. This time, discussion started off with a look at consolidation in the foodservice packaging industry with an in-depth presentation by Thomas Blaigne, chairman and

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PRESIDENT'S REPORT



John R. Burke

"Your Aptitude plus your Attitude determines your Altitude."- Rev. Jessie Jackson

Jessie Jackson's advice to Chicago's school children seems to be to be a fitting bit of philosophy for all of us to adopt in these recessionary times.

Our current recession will come to an end some day in the immediate future, be that one year or two years from now, depending on which economist you listen to. Our challenge is to hang in there until economic normalcy returns.

When that happens, the question for all of us to ponder is: when the economy returns to normal, will our traditional markets for single-use foodservice packaging return with it?

I think not.

All signs say that the immediate future markets and marketplaces we serve will be different from those of just a few years ago. That's how fast things are changing. When the economy returns all of us will be faced with a "new normal" in the marketplace. Our meeting in Charleston gave us a look at that evolving marketplace.

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FPI MEMBER COMPANIES

Converter and Supplier Member Companies

- Absolute Plastics, Inc.
- Americas Styrenics LLC
- Amhil Enterprises, Inc.
- Anchor Packaging, Inc.
- Boise, Inc.
- Cascades Inc.
- Commodore Plastics, LLC
- Dolco Packaging
- Dyne-A-Pak Inc.
- DuPont Fluorochemicals
- Eco-Products
- Elkay Plastics Co., Inc.
- Fabri-Kal Corporation
- Genpak LLC
- Georgia-Pacific Food Services Solutions
- Grupo Convermex, SA, DE C.V.
- Hawaii Foam Products, LLC
- Hoffmaster Group, Inc.
- Huhtamaki
- INEOS NOVALLC
- Inline Plastics Corp.
- International Paper Foodservice Business
- Jet Plastica Industries, Inc.
- MWV
- McNairn Packaging
- NatureWorks LLC
- New Ice, Inc.
- Pactiv Corporation
- PAKIT Inc.
- Paper Machinery Corporation
- Peerless Machine & Tool Corporation
- Pitt Plastics
- Reynolds Food Packaging
- Sealed Air Corporation
- Solo Cup Company
- TOTAL Petrochemicals USA, Inc.
- Waddington North America

Affiliate Member Companies

- 7-Eleven
- APP, Inc.
- ARAMARK
- Arby's
- Au Bon Pain
- A&W Restaurants
- Bank of America
- Boston Market
- Buffalo Wild Wings Grill & Bar
- Bunzl Distribution USA
- Burger King
- Canteen Corporation
- Captain's Co-Op
- Chick-fil-A
- The Coca-Cola Company
- Compass Group
- Denny's
- Dunkin' Brands Inc.
- Eastern Bag & Paper Group
- Edo Japan
- Einstein Noah Restaurant Group
- Fazoli's System Management, LLC
- FOCUS Brands Inc.
- Gordon Food Service
- HAVI Global Solutions
- HMSHost Corporation
- Hot Stuff Foods
- Hudson's Bay Company
- Humana Inc.
- Independent Marketing Alliance
- Independent Purchasing Cooperative
- Ivar's Seafood, Soup, & Sauce
- Jack in the Box
- Jose Santiago Inc
- Lagasse, Inc.
- Little Caesars Pizza
- M + K Associates, LLC

Maines Paper and Foodservice Inc.

- Manchu WOK
- Marco's Franchising, LLC
- McDonald's Restaurants of Canada Ltd.
- Mitsui Bussan Logistics Inc.
- Mr. Hero
- Network Services Company
- NewFreshCo
- Noodles & Company
- Panda Restaurant Group
- Peninsular Paper Company
- Qdoba Mexican Grill
- Quaker Steak & Lube
- Rubio's
- Sheetz, Inc.
- Silfen-Berman Huntington Paper and Packaging Company
- SODEXO
- Steak Escape
- Steak-Out Franchising, Inc.
- Strategic Alternatives, LLC
- Strategic Market Alliance
- Subway
- Supervalu
- SYSCO Corporation
- Target
- Tim Hortons — The TDL Group
- Ukrop's Super Markets
- Unified Foodservice Purchasing Co-op, LLC
- Unified Purchasing Group of Canada
- U.S. Foodservice
- Wegmans Food Markets
- Wendy's International, Inc.
- Which Wich
- White Castle
- YUM! Brands
- Zanios Food
- 32 school districts
- 17 colleges and universities

PRESIDENT'S REPORT

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The impending future will be one where the old lines drawn around foodservice operations are blurred. Single-use, takeout packaging won't be predominantly just a staple of QSRs, it will be (and is) an important part of the business of grocery stores like Wegmans and convenience stores like Sheetz and 7-Eleven. Consumers are starting to encounter our packaging in many new and unexpected places, and that's a good thing for our business.

In the foodservice operations of the immediate future consumers will find Starbucks in the hospital lobby, grab 'n go kiosks outside the classroom door, bakery and coffee carts in libraries, and drive-through windows at most quick casual restaurants, and grocery stores, where packages of both already prepared, and ready-to-micro, meals will be handed over.

The other thing we know, both from one-on-one conversations with members in Charleston, and from studying member observations in the Institute's recent *2009 Trends Report*, is that both operators and consumers want their foodservice packaging to be recycled and/or composted. This means, of course, that they are expecting us to figure out how to make that happen.


Our challenge in the immediate future is to fulfill

those expectations and make recycling and composting single-use foodservice packaging an ordinary event and a normal part of doing business in the years ahead. That's going to be a real challenge for a conservative, "What's-wrong-with-the-old-lightbulb" industry like ours.

Get ready for the challenging and changing foodservice packaging future. It's right on top of us. I know we have the Aptitude to change. We will have to work on our Attitude towards these coming changes. And when we handle them successfully, there's no telling the altitude we can reach 

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CEO of Blaige and Company. Blaige's presentation highlighted many FPI members. After Blaige, Kay Cooksey, professor and Cryovac chair at Clemson University spoke on innovations in packaging science.

After the guest speakers, it was time to discuss legislative proposals and John Burke and Lynn Dyer of the FPI staff lead a brief public affairs update before the meeting closed. 

2010-11 Meeting Calendar

June 2 – 4, 2010

**Fairmont Banff Springs in Banff, AB
77th Spring Meeting**



October 13 – 14, 2010

**77th Fall Meeting
The Palmer House Hilton in Chicago**



Spring 2011

**6th Joint Meeting with Pack2Go Europe
Barcelona, Spain**

Chair's Report



Charles Garlock

Everywhere you turn these days it seems that one community or another is banning some type of single-use foodservice packaging. Every two weeks in FPI's *Executive Briefs* you can read about a town, county, state, province or country proposing or passing some law to limit the use of our products. But I have to wonder if the people making these laws and passing these resolutions ever stopped to think what the world would be like without SFPs?

Most people immediately think of convenience and branding when they think of our products. Lawmakers proposing bans probably think, "Oh, it will be a bit more hassle for my constituents, but they will cope with it." It's true that convenience, ease of use and brand promotion or identity are indeed ancillary benefits of single-use foodservice packaging. But those who want to ban our products are overlooking the main reason single use foodservice packaging was invented in the first place: sanitation.


Pro-ban lawmakers and activists don't stop and think that one of the first effects of their ban will be the closing of many restaurants. Why? Well, if you ban single-use takeout packaging, restaurants and/or their customers will have to provide permanent ware replacements. Your neighborhood mom and pop burger joint or ice cream parlor isn't necessarily going to be able to afford the installation of equipment to wash dishes. Then there's the increased costs due to labor associated with washing the permanent ware, higher water and electricity consumption of dishwashing and the replacement costs of breakage and theft.

A few places might also take the risk and begin accepting customer's reusable containers—some places do that now. But what happens the first time someone brings in an improperly sanitized cup or plate that ends up contaminating other customers' food. What if it makes people sick...

or worse kills people? It might sound far fetched, but according to the *Wall Street Journal*, 50 to 80 percent of food-borne illnesses happen in the home, where micro-organisms can be spread from raw meat and vegetables on chopping boards, utensils and counters, and then spread on hands. Food-borne illnesses strike 76 million people each year, sending 300,000 of them to the hospital and killing 5,000. Right now that's just in people's homes. That's not considering cross contamination that could happen if people started bringing dishes from homes into restaurants.

There is another side to the ban consequences story as well. What about when disaster strikes and there is no power or water to sanitize reusables?

If single-use foodservice products are banned and no longer around, people won't have them in their disaster kits, the Red Cross won't have them in their warehouses, etc. And even if lawmakers make an exception for extreme cases, what manufacturer is going to make single-use items "in case of emergency only?" That is assuming there are any manufactures around. What happens then? What if victims from a hurricane, earthquake or other natural disaster cannot be fed and hydrated without high risk of disease? Remember Katrina and the condition the victims of that disaster were in? Remember the images on TV? Now imagine those same people hungry and sick as well because there was no single-use foodservice packaging with which to feed them.

Lawmakers might think they are doing the right thing by banning single-use foodservice products—but the reality is they aren't connecting the dots and thinking things through. They are banning a highly valuable and needed product that has a relatively small environmental footprint for the sake of appearing "green." 

Membership Development

FPI has welcomed four new members since the spring meeting in Boston:

- Boise, Inc.
- Hawaii Foam Products
- Jet Plastica Industries, Inc.
- Sealed Air Corporation

FPI's free affiliate membership for distributors and operators continues to grow strong, with nearly 125 companies receiving FPI materials to stay up-to-date on foodservice packaging news and product introductions.

If you have an opportunity to tout the benefits of FPI to potential members, please do so. FPI has seen the greatest success with the membership drive when a member is the one to introduce FPI to a potential member. As a reminder, FPI offers a free trial membership for potential members – contact FPI for more information or referrals.

Membership Retention

Two members have elected to leave FPI at the end of 2009: DuPont Fluorochemicals and New Ice.

Member Surveys

Since the spring 2009 meeting, FPI released the results of its biennial *Benefits Survey*, which contained information on general benefits (major medical benefits, retirement benefits, fringe benefits, etc.) and member companies' human resource policies. FPI also conducted a new annual *Trends Survey*, which allowed members to share their insights on the trends seen in foodservice packaging, raw material, machinery and the foodservice industry. The responses were included in FPI's new annual *Trends Report*.

Members may be on the look out for the following surveys, which will be distributed in the first and second quarters of 2010:

- annual *Foodservice Packaging Industry Survey*, which queries participants on a wide range of business issues impacting the foodservice and packaging industries;
- annual *Safety Statistics Survey*, which provides converters with statistical benchmarks for industry-wide data on employee injuries and illnesses; and
- biennial *Wage Survey*, which collects wage data for exempt, non-exempt and hourly employees.

State of the Industry Report

In May, FPI published the *2009 State of the Industry Report* and distributed it to Board members. The report included results from the *2009 Foodservice Packaging Industry Surveys* of converters, raw material suppliers and machinery suppliers, foodservice distributors and operators; news, facts and trends collected in 2008; and U.S. government data on domestic, export and import statistics. In addition, FPI produced an "overview" of the report for non-members.

New Research Reports

FPI produced two new reports over the summer: the quarterly *Economic Indicators Report*, which provided members with U.S. government data on the foodservice industry, as well as all consumer food expenditures, and the annual *Trends Report*, which offered insights from members and staff on the trends seen in foodservice packaging, raw material, machinery and the foodservice industry.

Foodservice Packaging Advisory Council

In September, FPI hosted a Foodservice Packaging Advisory Council conference call, which featured comments from Earl Engleman, senior vice president, corporate strategic sourcing at Bunzl Distribution North America. Earl provided insights on Bunzl's new green initiatives and green prod-

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uct offerings. A review of the call will be included in *Council Communications*.

Market Research Program

In 2010, FPI will conduct a proprietary research study on single-use foodservice packaging products used in the fast casual restaurant market. A task force of members has been selected to work on this project, and the project will get underway this winter.



Media Outreach

Since the spring meeting, FPI has published three press releases. They were about the winner of the 2009 Crumline Award competition; the *State of the Industry Report*; and planning for a disaster (such as a hurricane). In addition, FPI was interviewed by or featured in the following media:

- Packaging Manufacturers Cautiously Optimistic about 2009, Report Says, April 30, 2009 by *Nation's Restaurant News*.
- Can Packaging Boost Sales, April 2009 by *Convenience Store Decisions*.
- Packaging for Cash-Strapped Connoisseurs, July 29, 2009 by Reuters News Service (and picked up and republished in various publications that subscribe to Reuters including the *New York Times*, *Business Week* [Business Exchange], *ABC News Online* and *Yahoo Finance*)

- The Full Package, September 2009 by *FoodService News*.
- *QSR Magazine* (interview for a future article on improving the drive thru experience).

FPI Web Site

From April through September, FPI's Web site was visited by over 52,000 users and the areas most viewed were the Foodservice Packaging Library, Products and News.

2009 Foodservice Packaging Awards Program

The 2009 Foodservice Packaging Awards Program is currently under revision. An ad-hoc committee was formed to determine the mission and future of the award. At the fall meeting, the Executive Committee requested FPI staff to rewrite the mission of the award and award categories. In particular, it was decided that entries for the awards must be featured products in FPI's quarterly publication, *Packaging Innovations and Insights*. After revisions are made, staff will present them to the ad-hoc committee for review.

Exclusion from CPSIA 2008

FPI continues to work with the law firm of Keller and Heckman to win an exclusion for single-use foodservice packaging products from the lead testing requirements of the federal Consumer Product Safety Improvement Act of 2008 (CPSIA). FPI met in August with the general counsel of the Consumer Product Safety Commission to discuss foodservice packaging exclusion from CPSIA, explaining that foodservice packaging is already governed for lead by FDA's Code of Federal Regulations Title 21 and by the CONEG heavy metals laws in effect in 19 states AND that lead levels, where they exist at all, are 1,000 percent below even CONEG's strict requirements.

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FPI/PFPG LCA Study of Reusables versus Single-Use Products

During the summer, members and staff of FPI and the Plastics Foodservice Packaging Group (PFPG) reviewed proposals received by three consultants on a proposed life cycle analysis of reusable versus single-use foodservice packaging products. Prior to a decision on the consultant being made, one of the PFPG member companies came forward with LCA data they had that painted single-use products in a less flattering light than reusables. For this reason PFPG decided not to fund their portion (50 percent) of the study. Without PFPG's financial support, the study had to be cancelled.

At the meeting, the Executive Committee approved the plan to conduct a more narrowly-focused LCA study on water usage for reusable versus single-use foodservice packaging products. The Executive Committee agreed that it would be especially important as water footprinting may very well be the next big environmental concern.

SQF 2000 Code Update

FPI hopes to meet soon with the Food Marketing Institute to discuss its SQF 2000 Code, which prescribes, for food producers' Level 2 and Level 3 Certifications, the following validations to ensure the functionality of packaging materials to ensure product safety and quality

- Certificates of conformance for all packaging in direct contact with food; and
- Tests and analyses to confirm the absence of potential chemical migration from the packaging to the food contents.

FPI contends that proving the absence of a potential chemical would require manufacturers of packaging to, in effect, prove a negative, an impossible task.



New Guidance Document for Qualifying Ovenable Packaging

FPI released a new "Guidance Document for Qualifying Ovenable Packaging," with the help of members and non-members on FPI's Standards Council. It is available on FPI's Web Site.

Public Affairs

The bad economy in 2009 kept the California legislature's attention fixed on that state's \$42 billion budget deficit. As a result, every proposed piece of legislation in Sacramento this year had to be examined in light of its potential cost to the state and the deficit. That, in turn, meant that nothing negatively impacting foodservice packaging passed in the California Assembly this year.

One idea being considered by industry is to offer an alternate proposal to California Assemblymembers Hill and Nava's AB 1358 bill, which was at one time a comprehensive ban on virtually all foodservice packaging. The bill did not pass in 2009, but is expected to return this fall.

Los Angeles County, on the other hand, has been hard at work, recently releasing a draft report on prohibiting polystyrene (PS) foam food containers. The report states "Since EPS food containers contribute disproportionately to the litter and

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environmental problems within the County of Los Angeles, the County working group recommends phasing out the purchase and use of EPS food containers and encouraging the use of environmentally preferable alternatives within all County operations." The report also proposes a purchasing hierarchy, in this order of preference: reusable, biodegradable, recyclable, other alternative and finally EPS. FPI submitted comments on behalf of the industry to the county.

Meanwhile, a group of San Francisco Bay area counties and cities took up where the legislature left off and proposed bans on polystyrene foodservice packaging. To date, plastics industry lobbying has stalled the bans, but it has been, and will continue to be, an exceedingly tough fight for industry into 2010 in the land of environmentalism and activist-government.

Further up the West Coast, the Seattle City Council lost a citizen-initiated referendum on its proposed fee on plastic bags, and just outside Seattle, the city of Issaquah is considering a PS foam ban and encouraging the use of compostable materials. With the Cedar Grove Composting facility nearby, the infrastructure is already in place to deal with these items, so passing the ban seems likely. If approved, it would take effect approximately 18 months after approval, and there would possibly be some exceptions for certain markets like schools. Members are also reminded that according to an ordinance passed in 2008, all foodservice packaging sold in Seattle must be compostable or recyclable after July 1, 2010.


Moving west, Hawaii saw several bills introduced earlier this year that would prohibit the use of

PS foam, but they did not make any progress. Maui County also introduced a bill to ban PS foam in early June, but a hearing in the county council's Infrastructure Management Committee has not occurred yet. It was reported through lobbying circles that there is more focus on a bag ban than a foam ban.

On the East Coast, a series of bills banning PS foam and mandating the use of recyclable or compostable single-use foodservice packaging were introduced earlier in the year in New York, but because of the power struggle between the Democrats and Republicans in the Senate, there was no movement on these bills before the Senate adjourned in early July.

In New York City, Councilmember Bill de Blasio had proposed a polystyrene foam ban in the city back in 2007, but it was never heard. He was elected the city's Public Advocate, and will be leaving the City Council. The question is whether any other councilmember will champion his bill in the future.

In Boston, a proposed ordinance to prohibit the use of PS foam and "non-recyclable plastics" was introduced in late August and referred to the Committee on Government Operations.

Even in the prototypical Mid-West small town, Highland Park, Ill., outside Chicago, in the backyard of several FPI member company headquarters, city council met in August to discuss an ordinance to ban plastics bags and polystyrene foam foodservice packaging! No action was taken at that session, but an ordinance is said to be in the offing. 

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FALL MEETING PRESENTATIONS

The Future of Foodservice in Retail

Dean Dirks, president of Dirks & Associates, presented the first topic, the Future of Foodservice in Retail, at the general session on October 14. In his presentation, he hit upon some of the changes and challenges facing foodservice retail in the future. Highlights of his presentation include: the role of supermarkets and c-stores; opportunities and trends in foodservice; the green movement; challenges regarding food safety, obesity, and legislation; and technological changes in the foodservice industry.

First Dirks talked the numbers behind growth in the retail foodservice industry. He noted that supermarket and c-store foodservice are in a position to take a large portion of the foodservice segment. He also noted that QSRs are predicted to have flat to negative growth for 2009 and not much change is expected in 2010.

Dirks then delved into dining patterns and trends. "68 percent of U.S. adults have changed their cooking and eating habits," he said. Citing the economy, he also noted that slightly more than half are eating dinner at home more often. One of the more notable trends Dirks said was that customers are trading down from fine dining to fast casual and then fast food.

As far as future food menu growth goes, Dirks noted that the top food trends expected in the next decade include: organic, home meal replacement, light and low calorie options, and easy meals (fruit, snacks as meals, yogurt, etc). Of these trends, the one that Dirks noted that surprised him was the trend towards natural and organic foods, despite the economy.

However, the economy seems to be affecting consumers as Dirks noted that 75 percent feel they are "pinched" or strapped for cash. This trend is what will lead to home meal replacement. Dirks

noted that Wal-Mart is testing a number of concepts on home meal replacement and that they are now offering chilled entrees in select stores. Even Boston Market is expanding their menu to include fully-cooked entrees that are chilled down to heat and serve when the consumer gets home.

Snacking occasions has the potential to be a major factor for the foodservice packaging industry.

Dirks noted that portability was one of the most important factors in regards to snacking. He noted packaging design innovations such as packaging designed to fit in cup holders, snack wrap options at McDonalds and KFCs toasted wrap. "It's important to design items and packaging to avoid food ending up in a consumer's lap," he said.

Dirks said that consumers expect retailers to be more green with just under 50 percent expecting retailers to improve recycling. An important statistic he quoted was that 45.3 percent of consumers assume retailers should use biodegradable materials for cutlery, napkins, beverage cups or other takeout packaging.

He also touched on food safety. In particular to foodservice packaging, Dirks said there may be a push by state health departments to requiring fast food feeders dispense soda lids and bulk condiments behind the counter, mainly due to handling by the general public (such as a customer digging through cup lids to get a "clean one" from the middle of a stack of lids). He also mentioned legislation about obesity with expanding menu labeling being a possibility as well as bans on QSR construction in certain areas such as South Los Angeles.

Foodservice industry economics might affect foodservice packaging. Discounting is a major force

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FALL MEETING PRESENTATIONS

Panel Discussion on Foodservice in Retail

One of the more popular sessions at the FPI meeting in Charleston was the Panel Discussion on Foodservice in Retail. The discussion, which featured Jim Berndt of Wegmans Food Markets, Keith Boston of Sheetz Inc and Michael Farnick of 7-Eleven covered a wide variety of convenience store and grocery store trends that effect the industry.

Berndt started off the discussion and talked about the trends he sees at Wegmans: mainly that people are buying more prepared food to eat at home, but there is a tight price threshold despite the convenience of prepared meals with \$5-\$6 seeming to be the threshold, Berndt said. He also said that lines of what customers and therefore Wegmans values in packaging is changing with style and "green" being major issues for his customers. The chain, he added, is encouraging the use of reusable bags. He also talked about grocery stores become more like restaurants noting that now Wegmans has restaurants in the stores and even a high end restaurant next to a store in Collegetown, Pa.

Keith Boston of Sheetz spoke next. He said his stores are at the end of the trade down scale and that costs were an important factor in their operations. Despite this, Sheetz is known for its made to order kiosk system where customers can get their food choices customized. Most of Sheetz's pre-packaged food is made at a commissary, Boston said. This presents a unique problem he said, adding that they are, "struggling with convenience versus home-made look versus shelf life."

Michael Farnick of 7-Eleven dived right into the packing challenges at the 6,000 7-Eleven stores across the nation. "What does packaging mean to the consumer?" he asked. He answered the question by saying 7-Eleven needed eye-opening and sustainable packaging from suppliers. He added that their packaging priorities are: customers followed by price point.

After each panelist introduced himself and spoke, the panel was open for questions from the attending members. Questions revolved around cus-

tomers needs, imports and "green" packaging. Some questions included:

Q: How do you do consumer research?

Farnick: Our research is driven by our unique relationship with customers. We do focus groups and listen to employees as well.

Q: Do you buy imported (foodservice packaging)?

Boston: We buy American, but sometimes we buy foreign. Food safety dictates foodservice packaging more than anything.

Bernt: China scared us because there were issues with compliance not being met. We have a lot of Canadian and American partners.


Q: (In terms of cost) what value does green packaging bring in?

Bernt: We have more flexibility for cost in packaging. Keith (Sheetz) does not have that kind of margin.



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in the industry in both supermarkets and in QSRs. Dirks mentioned that the discounting war has locked the food industry into elastic pricing. For example, Subway customers now expect \$5 subs. Labor costs are also impacting industry economics, and technology is offering ways to reduce those labor costs. The number of kiosks is expected to increase from 1 million to 2.5 million worldwide by 2014.

Dirks concluded by saying that supermarkets and c-stores are well positioned to take a bigger portion of the foodservice segment given changing dining patterns from the economic downturn. Opportunities for the foodservice packaging industry are out there with new food trends and home meal replacement. But the industry also needs to keep an eye on challenges facing the foodservice industry as well as new technology which is a growing part of foodservice operations. 

FALL MEETING PRESENTATIONS

Consolidation in Foodservice Packaging

Thomas Blaige, CEO and managing director of Blaige and Company, spoke to FPI members on the major challenges facing foodservice packaging, in particular the global consolidation of the foodservice packaging industry.

Some of these challenges facing foodservice packaging companies in 2009 are:

- Tight credit markets
- Need to show sustainability

After discussing challenges, Blaige dived into the things driving consolidation in the foodservice packaging industry including growth, scale and geographic concerns. Blaige said that there are many pressures on FSP companies and it's these pres-

Segment	1980	2009
Glass Bottles	19 competitors	3 Leaders: 91% share (Anchor, Owens, St. Gobain)
Food Cans	25 competitors	3 Leaders: 81% share (Ball, Crown, Silgan)
Beverage Cans	14 competitors	3 Leaders: 78% share (Ball, Crown, Rexam)
Flexible (Plastic) Packaging	Many competitors	4 Leaders: 32% share (Amcor, Bemis, Printpack, Sealed Air)

Foodservice packaging industry global consolidation: evolution across packaging types show that flexible packaging is due for significant consolidation

- Volatile raw material costs
- Competitors, customers and suppliers growing in size; gaining leverage
- Machinery and equipment as well as technology costs increasing
- Substitute materials and technologies on the horizon
- Scarcity of management talent in middle market
- Risk Associated with owners "funding the next level of growth"
- Liquidity, diversification, succession, estate planning and tax – "value preservation" issues for successful entrepreneurs
- Exchange rate volatility
- General market and consumer spending slow-down

ures that have caused consolidation in the last 30 years and will continue to affect FSP in the future, in particular flexible packaging. "Evolution across packaging types show that flexible packaging is due for significant consolidation," he said.

The foodservice packaging industry global consolidation is comprised of three groups according to Blaige, the leaders, followers and others. Leaders are the top consolidators, he said, and they are rapidly gaining share of the marketplace. Followers are looking for a leader to consolidate them and are planning accordingly and are selling at maximum price. Most companies, he said, are others and are experiencing share erosion, and this isn't good. "Pick a strategy one way or another," he said.

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FALL MEETING PRESENTATIONS

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Blaige then went on to discuss mergers and acquisitions of several different foodservice packaging industries to show how consolidation is a trend that will continue into the future. He said that companies are continuously buying and selling and making deals.

Blaige said that foodservice spending has been growing at a compound annual growth rate ("CAGR") of 6 percent for almost 30 years. He added that in 1980, the retail market was almost twice the size of the foodservice market, however the steady growth has allowed foodservice spending to surpass retail spending. The foodservice industry has been growing as consumers increasingly seek convenience.

He added that the U.S. foodservice packaging market is forecast to grow at a CAGR of 4 percent through 2011 and that packaging is driving this growth and will overtake serviceware (dinnerware, tubs, cups, and cutlery) as the largest segment within foodservice items in 2009.

Consolidation within the single-use foodservice packaging industry happens for a number of reasons including:


- Geographic diversification
- Product diversification
- Redundant facilities
- Consolidation/establishment of customer relationships

- Addition of high quality, highly efficient capacity
- Scale economies

For those looking to consolidate other companies and for those looking to be consolidated, Blaige offers detailed advice.

For consolidators, he recommends looking at success companies in the foodservice packaging industry.

For companies looking to be acquired, Blaige recommends consulting with professionals who have actual operating experience in your industry to evaluate your options, establish your target price, structure and terms as well as determine what strategic and tactical actions are necessary to achieve target price and terms. He also advised that you don't wait until you are ready to retire because you may need one to three years to complete the acquisition process amount other reasons. He also said it's critical to implement actions that will create the most appeal to potential investors. Blaige continued saying that those wanting to be acquired need to capture value typically realized by buyers. The key is to maximize your value.

Blaige concluded by saying, "you can be successful as both a consolidator or a consolidatee." The key is selecting and executing the right strategy. 

Please note that speakers' presentation slides from the FPI fall meeting may be found at www.fpi.org, on the "Meetings" page.



FALL MEETING PRESENTATIONS

Future Developments and Innovations in Packaging Science

After a brief introduction to Packaging Science at Clemson University, Dr. Kay Cooksey delved into the upcoming developments and innovations in packaging science including active packaging, intelligent packaging and sustainability.

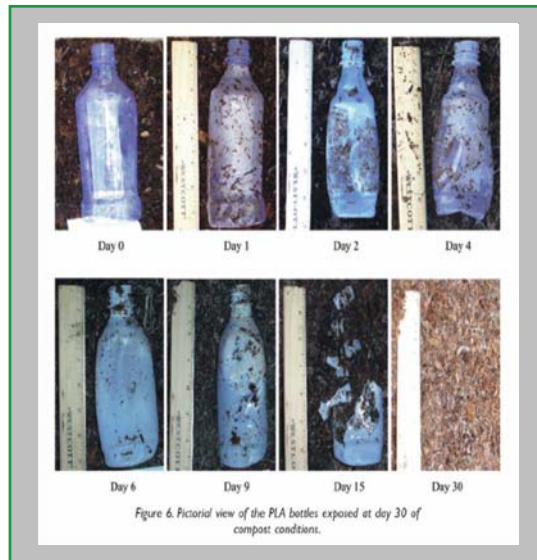
Cooksey explained the differences between types of packaging. Active packaging is when a food product is enhanced with a package and intelligent packaging is something that changes in response to the environment (but can not effect the environment).

Active packaging is represented by a wide variety of products including purge absorbers, antimicrobial packaging, modified atmosphere packaging and ripeness indicators. Most of these products would see use in grocery and convenience store packaging. Intelligent packaging features temperature-time integrators, quality and spoilage indicators—some of which make product purchase impossible with blocked out barcodes, RFID for inventory control and tracking purposes, and design changes that improve package use and branding.

Cooksey highlighted many examples of both active and intelligent packaging through out her presentation including modified atmosphere packaging (MAP) which is often used for prepared salads sold at c-stores. MAP allows for a much longer shelf life. MAP refers to a condition initially produced at the time of packaging. The gases within the package are allowed to change as the physical and biological conditions of the food change. Rather than preserving foods through the extremes of heat (sterilization) or cold (freezing), MAP utilizes “minimal processing” - preserving food with the absolute least amount of damage to quality, texture, taste and nutrition.

She also talked about ripeness indicators on packaging and how the packaging would change to indi-

cate the level of ripeness of fresh fruits and vegetables—allowing the consumer to pick the perfect product. But she also added that currently, the cost might not justify the use of ripeness indicators.



Of great interest to the audience was her discussion on spoilage indicators as well as packaging that could indicate if there has been any temperature changes to the package and the food inside that may lead to foodborne illness. Some packaging can even identify certain types of bacteria, such as e-coli, that might be growing in food. The biggest challenge to this technology Cooksey said, is that currently packaging can only be specific to certain types microorganisms and no package can currently

detect all spoilage microorganisms. There have been several innovations in their field including barcodes that are rendered unscannable when food is spoiled.

Probably the packaging innovation topic of most interest to session attendees though was sustainability. The first thing Cooksey emphasized was that terms such as “environmentally friendly” and “green” are outdated. Instead she encourages a detailed explanation of what makes the product unique in relation to the environment. For example, she advocates defining specifically if a product is biodegradable or compostable (and backing up that claim with evidence such as meeting ASTM standards, etc).

She briefly delved into advancements in alternative packaging materials and what foodservice packaging converters are doing with those materials. She also touched on what some companies such as Starbucks and McDonald's are doing to make sure their traditional material products are more sustainable. 