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The Food Marketing System in 1989

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***In this report...**Conditions in the U.S. food marketing system generally improved in 1989. Sales rose about 7.5 percent to an estimated $686 billion. Competition among manufacturers for scarce shelf space in retail foodstores continued strongly. The food marketing system introduced 12,000 new grocery products in 1989, but food processors cut down on direct consumer advertising. Food processors' and retailers' debt rose by nearly $70 billion in 1989, largely due to the financing of massive leveraged buyouts and mergers announced in 1988. Merger activity slowed in 1989. After-tax profits for food processors fell sharply due to higher interest payments. The balance of trade deficit in the U.S. processed food sector declined from $2.7 billion to $2.3 billion, reflecting strong export demand in 1989.*

This report analyzes and assesses yearly developments in the industry growth, conduct, performance, and structure of the institutions—food processors, wholesalers, retailers, and foodservice firms—that comprise the Nation's food marketing system.

"Industry growth" includes changes in sales for each of the four sectors, product mix, and external economic factors affecting the food system. "Conduct" measures firms' competitive behavior, which includes such price and nonprice competition as advertising, promotion, new product introduction, new store formats, price discounting, and menu variety. "Performance" includes profitability, capital expansion, foreign trade and investment, research and development, capacity use, equity market changes, and productivity. "Structure" developments include mergers, acquisitions, divestitures and leveraged buyouts, and changes in number of companies and establishments.

What Happened in the Food Marketing System in 1989?

Industry Growth

- Sales rose 7.5 percent to new high.
- Wage and price stability kept costs steady.

Conduct

- Competition for shelf space intense, but food processors cut back on advertising expenditures.
- Over 12,000 new products introduced.
- Food safety regulations initiated.
- Price wars prevalent throughout fast-food industry.

Performance

- Higher interest payments from leveraged buyouts and mergers lowered after-tax profits.
- Expenditures for new plant and equipment and research and development continued to increase.
- Equity appreciation reached record highs, but food system continued along below-average growth trend.
- The eighth consecutive balance of trade deficit in processed food fell from $2.7 billion in 1988 to $2.3 billion.

Structure

- Concentration rose in food processing and wholesaling; top three firms' share of food processing market rose from 9.5 percent to 13 percent.
- Merger activity slowed.

Sales Rise to $686 Billion

Sales in the U.S. food marketing system reached $686 billion, including $276 billion in retail food sales, $223 billion in sales by restaurants and institutions, $77 billion in alcoholic beverage sales, and $110 billion in sales of nonfood items.

Conditions were favorable to food markets in 1989. The U.S. population rose by 2.5 million, and employment rose by 2.1 million. The unemployment rate fell from 5.4 percent in 1988 to 5.2 percent. Per capita disposable income rose about 3 percent, after adjusting for inflation.

Sales. The food marketing system's trend as a slow-growth industry continued in 1989 as the portion of disposable income allocated to food fell from 11.9 percent to 11.6 percent. Items purchased at food stores and foodservice establishments, packaged alcoholic beverages and drinks purchased at eating and drinking places, and nonfood items purchased in retail foodstores probably reached $686 billion. About $276 billion of this amount was spent on food in retail foodstores and $223 billion in foodservice establishments (fig. 1). Food sales through retail stores (after adjusting for inflation) generally rise at about the same rate as the population; restaurant and institution sales typically rise at about half the pace of income.

Product Mix. Until 1989, restaurants had been taking a higher portion of the food dollar because income has been rising at a much faster rate than the population and because consumers have a tendency to eat out more often as their incomes rise. By 1988, the foodservice share of the food dollar rose to about 46 percent of food sales (excludes alcohol and nonfood grocery items, as distinguished from percentages cited in figure 1), while the retail share accounted for 54 percent (fig. 2). In 1989, however, this trend came to an abrupt halt as foodservice sales rose at a little more than half the pace of retail food sales.

The alcoholic beverage market, which accounts for about 11 percent of sales in the food marketing system, continues to reflect lower consumption. Alcoholic beverage sales likely accounted for $77.3 billion of food marketing sales in 1989. Nearly $44 billion was in the form of packaged alcoholic beverages, while alcoholic drinks served in restaurants and other institutions likely amounted to nearly $33 billion. Distilled spirits in 1989 likely accounted for about 32 percent of total alcoholic beverage consumption, while beer will likely account for nearly 56 percent. Wine sales appear to have fallen to about 12.5 percent of the total.

The nonfood component of retail sales likely amounted to about $110 billion. Nonfood groceries include tobacco, health and beauty aids, detergents, paper products, and other grocery items sold through retail foodstores. Nonfood items, such as tobacco products, catering supplies, and nonfood supplies sold through vending services, are grouped into the foodservice category.

Measures of Growth

The following indicators are used in this and the following section to measure growth in the food marketing system.

- Sales
- Product mix
- External economic factors
  - Wages and other labor costs
  - Farm prices
  - Advertising costs
  - Interest rates
  - Adding value to raw farm products

Figure 1
Food marketing sales, 1989

Food marketing sales rose 7.5 percent to $686 billion.

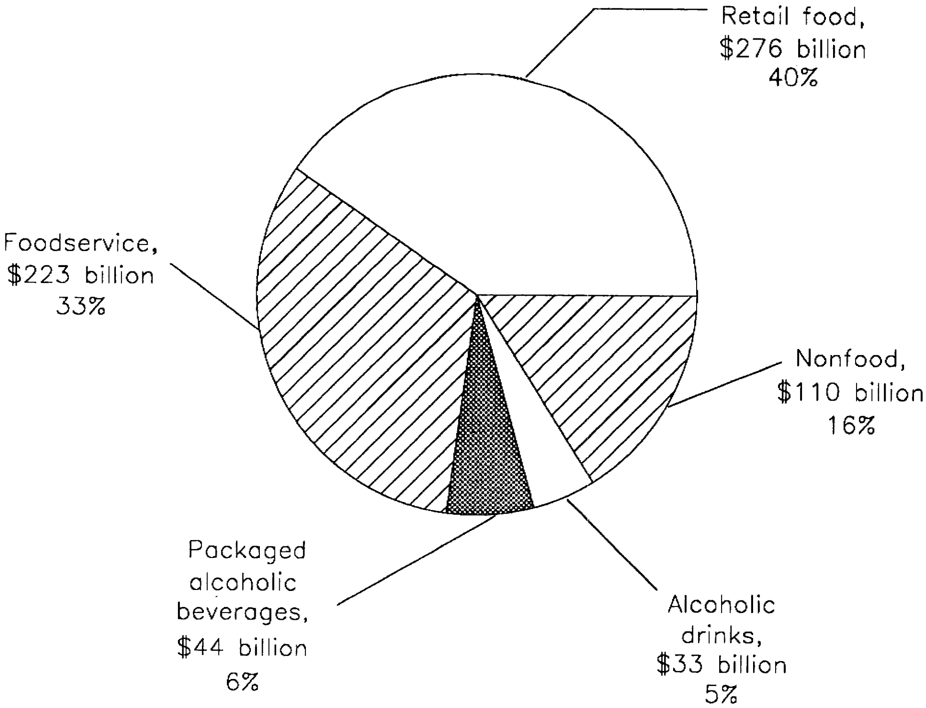
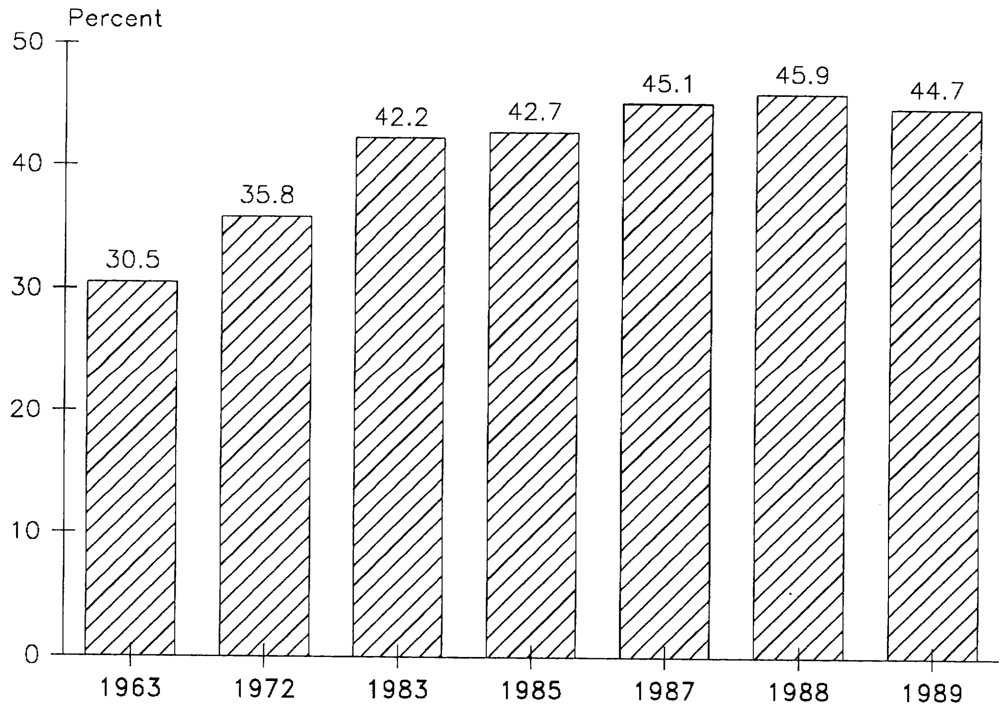


Figure 2
Share of food sales accounted for by foodservice sector

Share of food sales fell in 1989.



Stable Wages and Prices Hold Down Costs

Wage and price stability held down costs for the seventh consecutive year. The food marketing system purchased an estimated $105 billion in U.S. agricultural commodities, $20 billion in foreign agricultural commodities, and $9 billion in seafood products. The food system then added an estimated $495 billion in value to these raw products.

The economic climate governing the food marketing system in 1989 was excellent for the seventh consecutive year in terms of both costs and demand. Moderate inflation and 7 years of uninterrupted economic expansion benefited the American economy in 1989. For the food sector, economic developments have their greatest effects on costs because of the system's labor intensity and dependence on farm prices. Low farm prices, along with minimal increases in food processing, wholesaling, and foodservice wages, benefited the food system. However, short-term interest rates considerably raised interest costs.

Prices. Price stability for purchased food and feed inputs for each channel in the food marketing system is reflected by the Producer Price Index (PPI). The PPI for finished consumer foods, an indicator of changes in prices paid by retailers, wholesalers, and restaurateurs to food manufacturers, rose 5.4 percent in 1989 compared with 2.8 percent in 1988 (fig. 3). The PPI for intermediate foods and feeds, an indicator of changes in prices food processors pay one another, increased 6.3 percent. The PPI for crude foodstuffs, or prices paid by food manufacturers at 37 major markets, rose 4.7 percent. The 1989 index reflected a 10-percent increase for milk products and a 7-percent drop for alcoholic beverages.

Labor Costs. For the seventh consecutive year, labor costs, which included hourly earnings and fringe benefits, constituted the major expense item for the food marketing system. In 1989, the food marketing system had more than 12 million full- and part-time employees. Nearly 6 million workers were employed in food service, and more than 3.2 million were employed in food retailing. About 1.6 million were employed in food processing, and nearly 840,000 worked in grocery wholesaling. Average hourly earnings in food retailing and food processing increased 2.5 percent. In food retailing, wage concessions, benefit reductions, and lump-sum payments in lieu of wage hikes were sometimes negotiated, but much less frequently than in the previous 4 years. Wages in eating and drinking places averaged 6 percent higher, at $4.74 per hour.

Advertising. The food system, the economy's largest advertiser, faced increased advertising costs for evening network television, network radio, magazines, and newspapers. Increases ranged from 5 percent for nighttime network television to nearly 19 percent for cable. Daytime network television prices continued to decline.

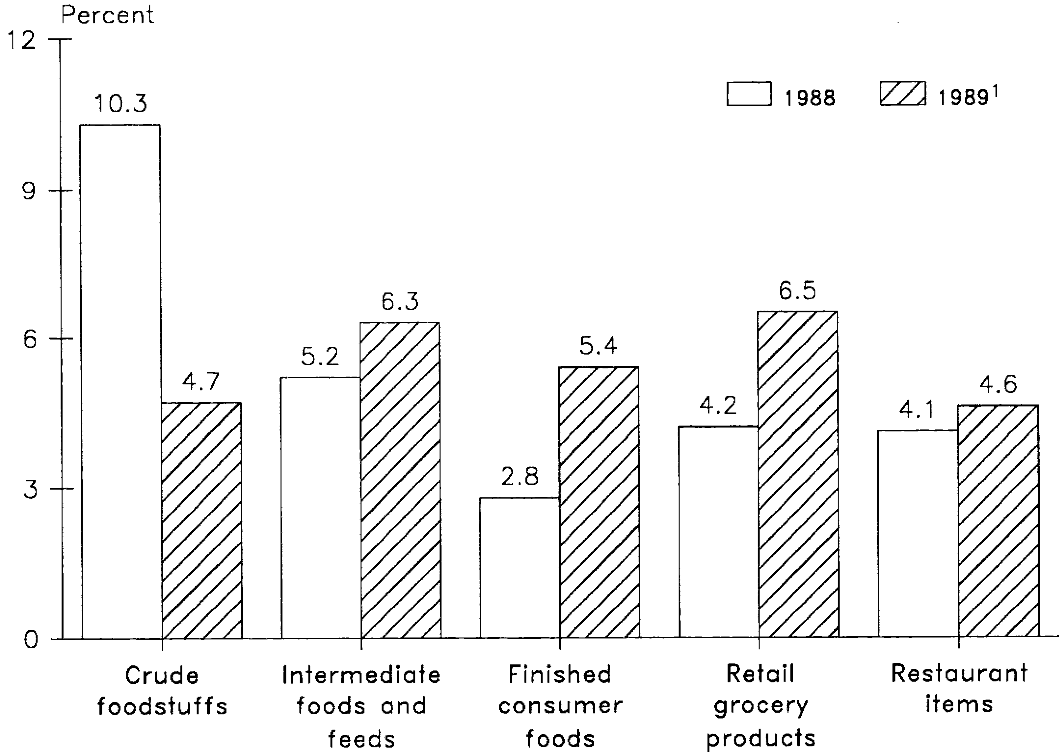
Interest. By year end, the prime interest rate was 10.5 percent compared with 9.5 percent during the third quarter of 1988. Interest rates were more important in food marketing in 1989 because of leveraged buyouts and mergers, which required large issues of debt as well as increased equity capital. The rates on Moody's AAA 20-year bonds fell from 9.51 percent in the fourth quarter of 1988 to 8.89 percent in the fourth quarter of 1989. However, the rate on junk bonds (high-yield, high-risk bonds), now prevalent in the food system, rose sharply by year end. The value of the U.S. dollar relative to major foreign currencies rose significantly from that of 1988, further raising the price of food exports and lowering prices of imports.

The food system purchased about $105 billion in animal and crop products from the U.S. farm sector, about 65 percent of domestic production, USDA's Economic Research Service estimates. An additional $20 billion was spent on imported agricultural products, and $9 billion was spent on seafood. To this base of $134 billion in raw agricultural and fishery products, the food system added an estimated $495 billion in value in 1989, compared with $470 billion in 1988 (fig. 4). Food processors added about $91 billion in 1988, while wholesalers, retailers, and transportation firms added another $136 billion. The contribution of 400,000 separate eating and drinking places to value added topped $68 billion.

Figure 3

Price increases in the food marketing system

Low farm prices and a minimal rise in wages held down increases in the prices producers paid for food and feed inputs in 1989.

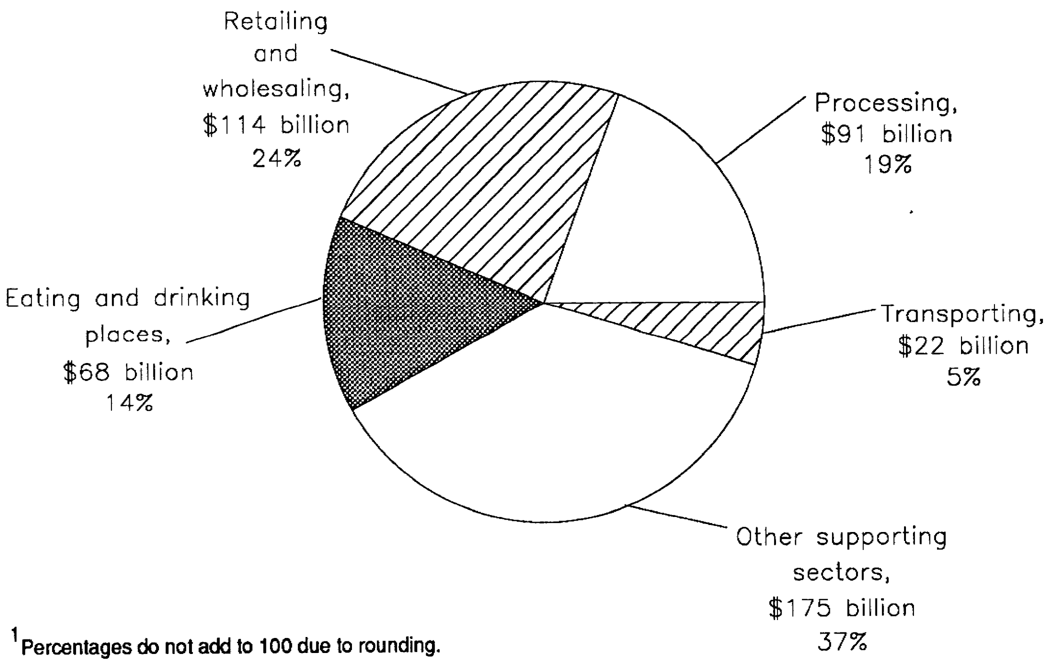


[1] Preliminary.

Figure 4

Value added in food marketing, 1988[1]

The $470 billion added to raw products in 1988 compares with a preliminary estimate of $495 billion in 1989.



[1] Percentages do not add to 100 due to rounding.

New Product Introductions Rise; Advertising Declines

Competition was keen for shares of the food marketing dollar as 12,000 new products were introduced. But, advertising expenditures slowed as many food processors cut back on direct consumer advertising.

The food industries' slow growth affects conduct, or how firms compete. In 1989, less than 9.5 percent of the Nation's gross national product (GNP) was generated by the food marketing system compared with 12 percent in 1972. And while the value added by the food system has increased in dollar terms, a much greater portion of this output is supplied by far fewer and larger firms.

Although food marketing is becoming significantly more concentrated and leveraged, competition continued at a vigorous pace in each industry sector as firms sought to acquire a greater market share. Price competition in 1989 was apparent in the fast-food sector of the food-service industry, where major discounts were given to consumers in what now appears to be a seller-saturated market. Price competition was also widespread among such selected food products as colas and frozen pizzas. In comparison, retail prices for food purchased in grocery stores rose 6.5 percent, up from 4.3 percent in 1988. Restaurant meal prices rose 4.6 percent, only 0.5 percent more than in 1988.

However, nonprice competition has traditionally been the mainstay of the branded packaged products segment of the food system. New product introductions rose sharply, totaling more than 12,000 new products in 1989 with the total between 1982 and 1989 now at more than 62,000 (fig. 5).

Food marketing firms spent $11.5 billion in 1988 in direct consumer advertising, such as electronic and prime media (fig. 6). And by most industry estimates, food processors spent about twice that amount on acquiring shelf space in the Nation's retail food shelves through trade shows, promotions, discounts and allowances, and other incentives.

In 1989, consumer advertising by the food system appeared to have declined, after adjusting for inflation. For the first 9 months of 1989, total advertising was up less than 1 percent, well below the 6-percent increase in advertising price increases (fig. 7). The decline would have been much sharper had eating and drinking places not increased advertising expenditures by nearly 13 percent. Foodstores showed a nearly 30-percent increase, largely due to more spot television commercials, which offset a first-time decline in newspaper advertising. Food processors, however, showed a 3.4-percent drop, inferring a 10-percent decline, after adjusting for inflation. The drop was rather widespread among all food categories. The decline reflected a drop in advertising throughout the economy and some scaling down in expenditures due to mergers and leveraged buyouts.

Food safety concerns continued to escalate during 1989 and 1990. Food marketing firms are struggling to find appropriate responses. The industry generally is seeking stronger Federal, as opposed to State, food safety regulations. Some retailers and wholesalers are developing private pesticide residue testing and certification programs to supplement government-operated testing operations.

Measures of Conduct

The following indicators are used in this section to measure conduct, or competitive behavior, in the food marketing system.

- Advertising
- Promotions
- New product introductions
- New store formats
- Price discounting
- Menu variety
- Federal safety regulations

Figure 5
New food and grocery product introductions

New product introductions rose about 14 percent between 1988 and 1989.

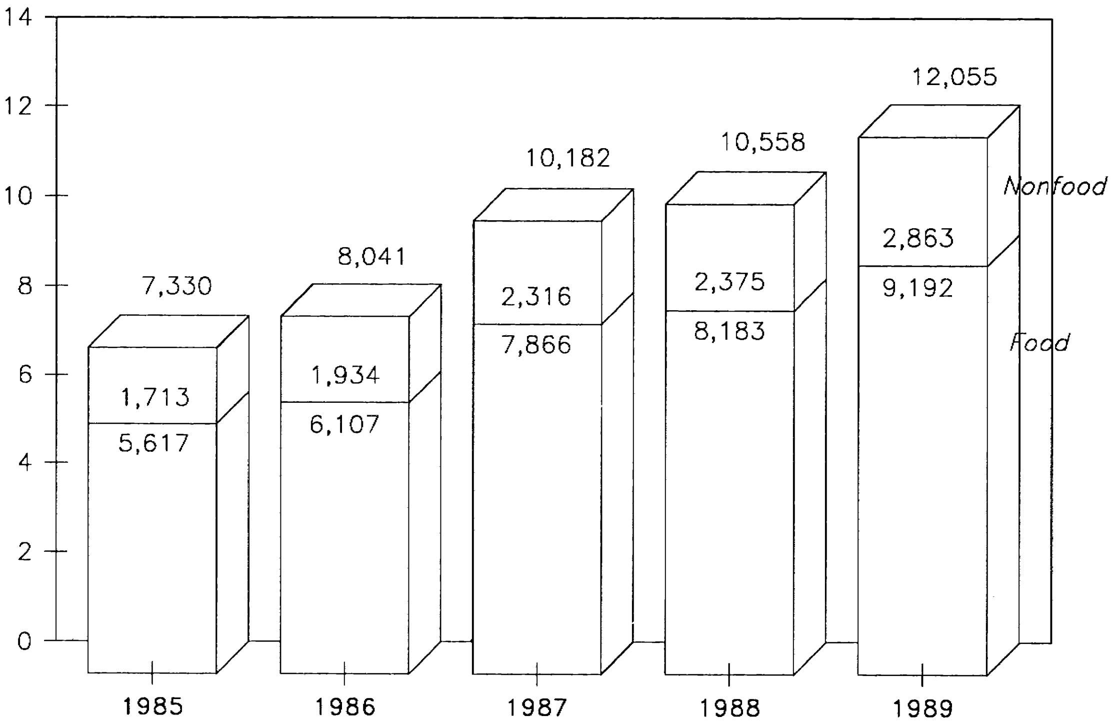
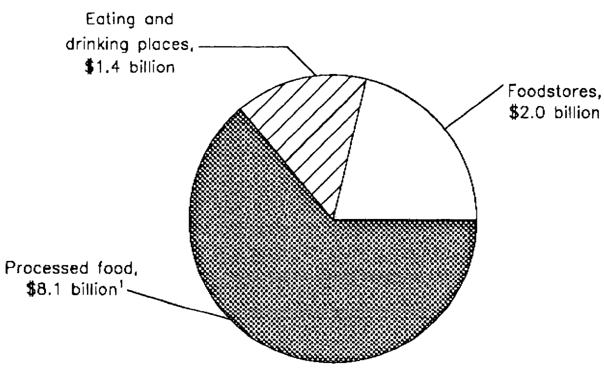


Figure 6
Food-related advertising, 1988

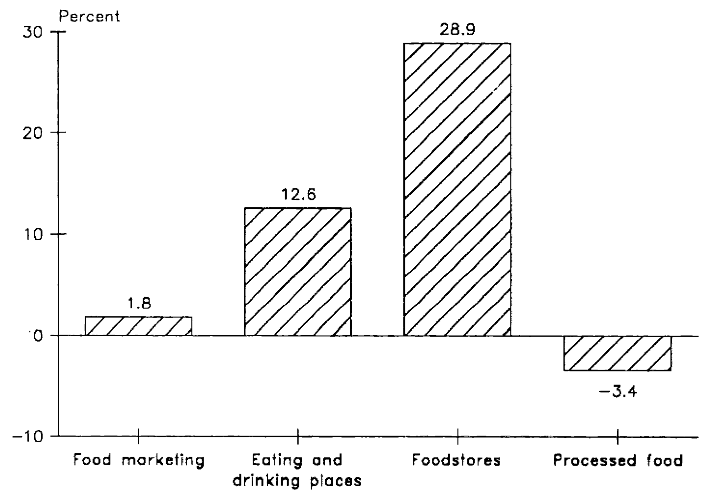
Food marketing firms spent $11.5 billion in direct consumer advertising.



[1] Includes coupon redemptions.

Figure 7
Changes in nine media advertising expenditures between 1988 and 1989[1, 2]

Advertising in food processing declined.



[1] Changes are for the first 9 months of 1988 to first 9 months of 1989.
[2] Nine media include network, spot, cable, and syndicated television; network and spot radio; billboards; magazines; and Sunday supplements.

Debt Rises Sharply; After-Tax Profits Fall

Debt of the Nation's food processors and retailers rose by nearly $70 billion in 1989, largely to finance massive leveraged buyouts and mergers. After-tax profits fell sharply due to higher interest payments.

Total liabilities of food processors and retailers rose from about $194 billion to nearly $263 billion between the third quarter of 1988 and the fourth quarter of 1989 (fig. 8). Inflation, several successive years of major capital expansion, and normal asset growth accounted for a small portion of that growth. But the overwhelming portion of growth in liabilities was due to leveraged buyouts and mergers, and at that, several firms accounted for much of the increased debt. A selloff of some of these assets should further reduce debt. In the case of leveraged buyouts, after-tax proceeds that would normally be paid out as dividends are now paid as interest.

Measures of Performance

The following indicators are used in this and the following section to measure performance in the food marketing system.

- Debt
  Stockholders' equity-to-debt ratio
- Profits
  After-tax profits to sales
  Return on stockholders' equity
- Expansion, modernization, and production capacity use
  Capital expenditures
- Research and development
- Productivity
  Output per hour
- Investment performance
  Common stock prices
  Owners' equity appreciation
- Participation in the global market
  Foreign trade balance
  Foreign investment

Debt. The equity-to-debt ratio of food manufacturers fell from 1.13 in the third quarter of 1988 to 0.77 in the fourth quarter of 1989, considerably below the 1.36 for all manufacturing corporations in 1989. The equity-to-debt ratio for food retailing fell from 0.56 to 0.36 during that same period (fig. 9). By comparison, the equity-to-debt ratio for all retailers was 0.69 during the fourth quarter of 1989.

Profits. After-tax profits of food retailers and food processors as a portion of sales dropped significantly from those of 1988, due to higher interest payments. Food processors' after-tax profits were about 4.2 percent of sales in 1989, compared with 5.5 percent in 1988. Food retailers' after-tax profits in 1989 were 0.7 percent of sales versus 0.9 percent of sales in 1988. Food processors' return on equity for this period fell from 20.9 percent to 16.9 percent (fig. 10). Income from operations, which exclude interest payments, rose sharply in both industries. However, after-tax profits between the food processing, retailing, foodservice, and wholesale grocery industries vary significantly, and even more so among individual firms. Discerning a true picture of industry profits is difficult because such a large portion of food sales are controlled by large diversified food marketing firms.

Figure 8
Total liabilities of food and tobacco processors and retailers

Liabilities rose sharply between 1988 and 1989 to accommodate buyouts and mergers.

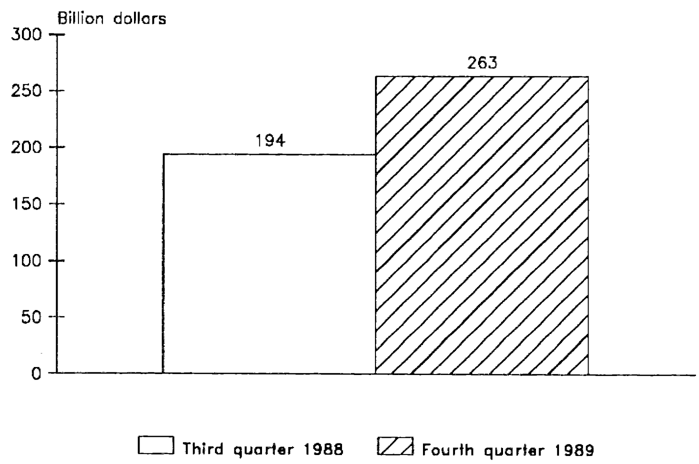


Figure 9
Total stockholders' equity to debt

Debt rose sharply in 1989.

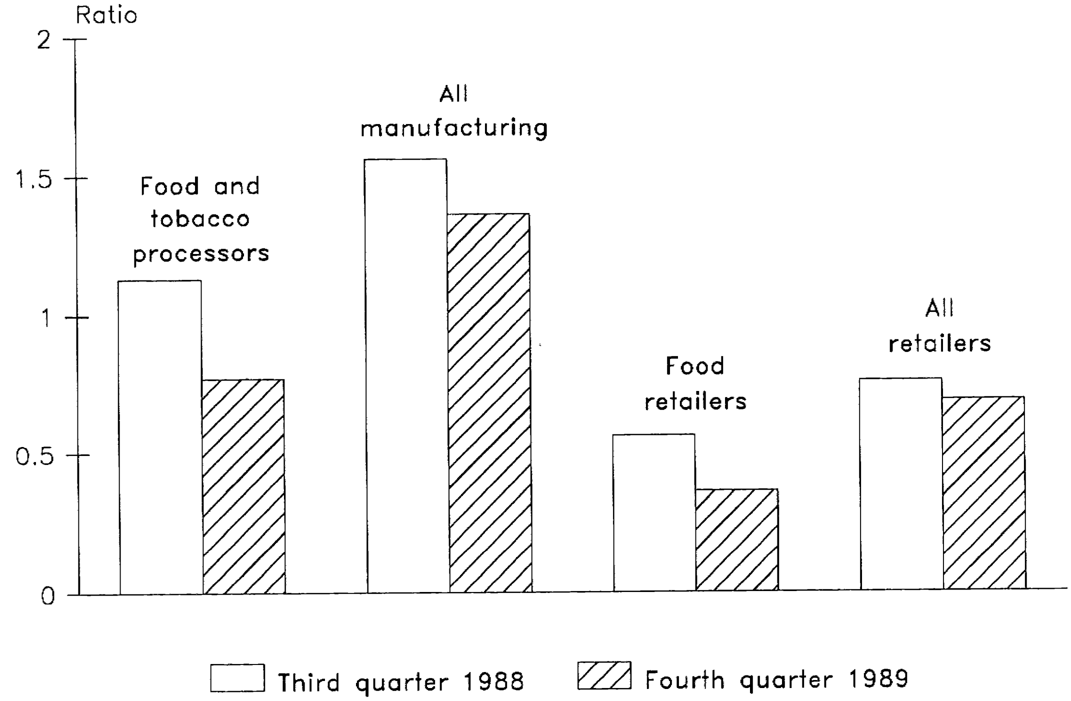
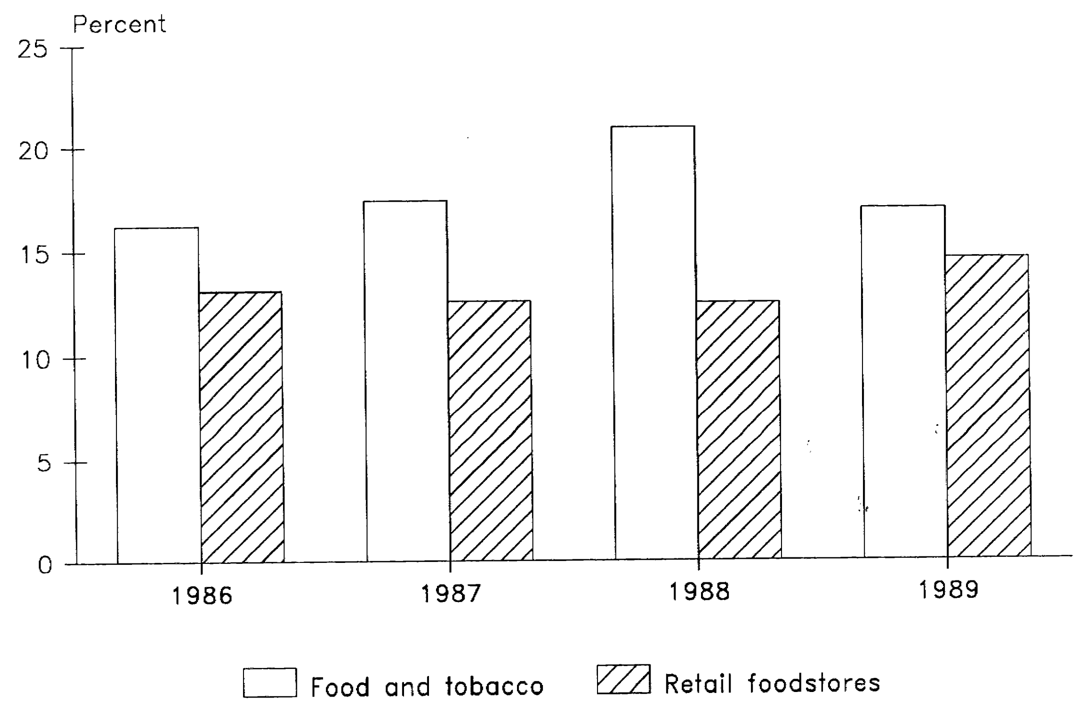


Figure 10
After-tax profits as a percentage of stockholders' equity

Profits declined for food manufacturers in 1989.



A Continuing Rise in Performance Measures Shows the Food Marketing System's Ability To Change

Capital expenditures in U.S. food processing rose sharply in 1989 for the second consecutive year. Productivity increased in most food processing industries in 1988 but declined for foodstores for the third consecutive year due to added services. The investment performance of owners' equity, as measured by increases in common stock prices, outpaced other sectors of the economy.

Capital expenditures, research and development, productivity, owners' equity, and global participation are important performance measures.

Capital Expenditures. Food processors spent an estimated $9.4 billion on new plant and equipment in 1989, up about 16 percent over that of 1988 (fig. 11). Food processors undertook 379 new plant projects in 1989. In 1982, new capital expenditures for food wholesaling, retailing, and eating and drinking places accounted for about 30 percent of total food marketing capital expenditures. If this same pattern were maintained in 1989, the entire food marketing sector may have invested an estimated $13 billion in plant and equipment expenditures. We do not yet have information on the extent to which firms used their existing capacity in 1989. But in the fourth quarter of 1988, food processing firms used 81 percent of existing capacity. The number of retail grocery stores fell by an estimated 1,000 stores in 1988, but new supermarkets continue to increase in size, averaging about 30,000 square feet per store. About 1,300 new fast-food restaurants opened in 1988.

Research and Development. R&D within the food marketing sector is largely conducted in the food and tobacco processing industries. Like most other nondurable manufacturing industries, food is not R&D intensive. In 1989, food and tobacco processors likely spent about $1.3 billion, or about 0.4 percent of sales, on R&D. Only about 6 percent of this amount went to basic research. More than 60 percent of all R&D funds went to processing and new products. However, much of R&D in food and tobacco processing is purchased from other sectors, such as food packaging, computer, and machinery firms (much of the technological innovation for food processing comes from these sources). ERS estimates this amount to be about $1 billion. USDA spent more than $311 million on developing new products and processes, conducting health and nutrition research, expanding export markets, and improving market efficiency.

Productivity. Output per employee in 1988, the most recent data available on productivity, increased in foodservice industries but decreased in food retailing. This index of labor productivity also increased in some food processing industries, such as those for milk, sugar, and soft drinks. Output per employee declined for beer and bakery products and preserved fruits and vegetables after years of rapid growth.

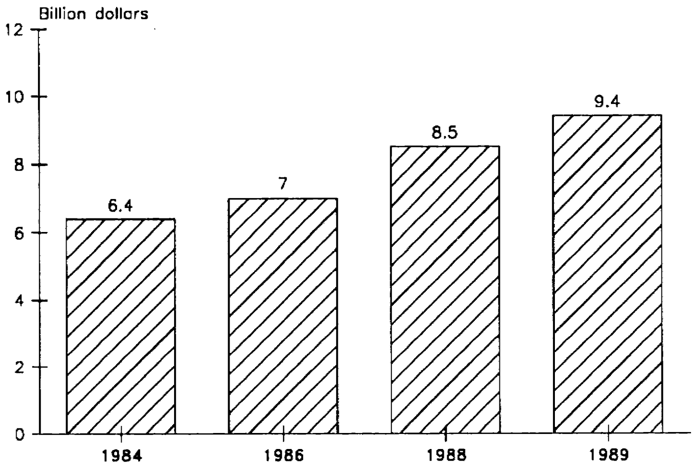
Owners' Equity. Another measure of performance is how well the food system has performed for its owners. One important measure of that performance is how well the common stock has performed. Over the past 7 years, the food system, even though a low-growth industry, has done extremely well. The Dow Jones Equity Market Index for all companies showed a threefold increase between 1982 and 1989 (fig. 12). Food processors showed a sixfold increase. Food retailers and wholesalers averaged more than five times greater. Beverages and soft drinks also outperformed the market. This trend continued in 1989, especially for food processing, which rose nearly 25 percent. Also, the price earnings ratio, a measure of how investors value the quality of an industry's earnings, was above average in both 1988 and 1989 for the food system. There are several reasons for this increase. First, part of the system's appreciation reflects speculation due to leveraged buyouts and mergers, many of which were very favorable to investors. Second, food processing and retailing profits have grown rapidly in recent years. Third, although food marketing is a slow-growth industry, it is nevertheless noncyclical, with stable growth in earnings and income.

Global Participation. The U.S. food marketing system continued to expand as the world's most global food system. This expansion is measured by the system's foreign trade balance, foreign investments, and the sales of its foreign subsidiaries. The United States is the world's leading importer and exporter of processed food, but continued its trade deficit in 1989 for the eighth consecutive year, with more than $20 billion in imports and nearly $18 billion in exports. The deficit in processed food trade dropped from $2.7 billion in 1988 to $2.3 billion in 1989 (fig. 13). An increase in foreign demand stimulated U.S. exports.

The U.S. global presence, however, is shadowed by foreign investment in the U.S. food marketing system. Direct foreign investment in the American food system amounted to $24 billion in 1988, compared with $17 billion invested by U.S. food firms abroad (fig. 14). The Netherlands, United Kingdom, and other Western European countries accounted for 90 percent of investment in the United States, while about 75 percent of U.S. investment abroad was in Europe and Canada. Foreign income from U.S. investment was about $2 billion, while U.S. investors in the foreign food system had income remittances of more than $3 billion. Sales from U.S. firms' foreign food marketing affiliates exceeded $74 billion. Conversely, foreign firms' food marketing affiliates in the United States had sales of nearly $59 billion.

Figure 11
Plant and equipment expenditures in food processing industries, selected years[1]

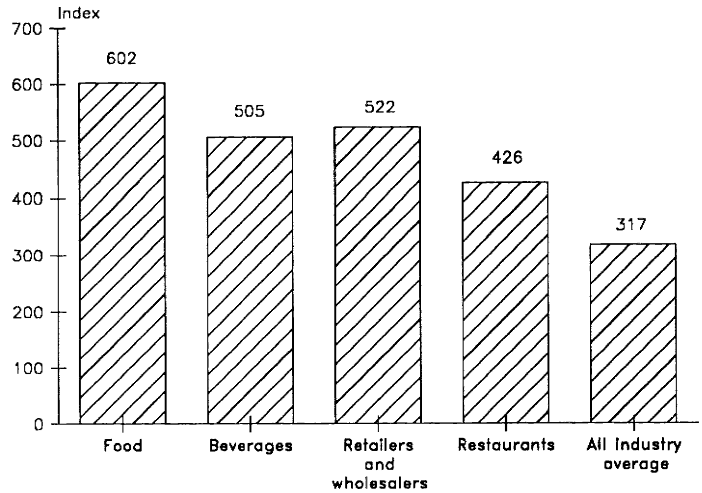
Food processors undertook 379 new plant projects in 1989.



[1] ERS estimate.

Figure 12
Dow Jones Equity Market Indexes for the food marketing system as of November 1989[1]

The index for all companies rose threefold between 1982 and 1989.



[1] June 30, 1982 = 100.

Figure 13
Trade balance in food processing, 1989

The deficit in processed food trade dropped $400 million.

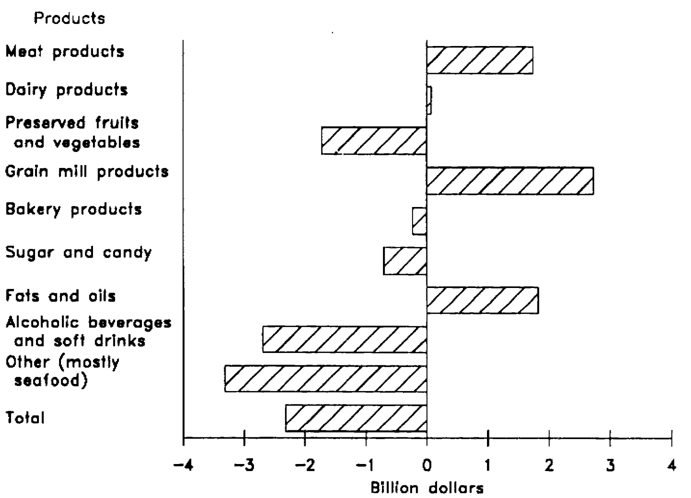
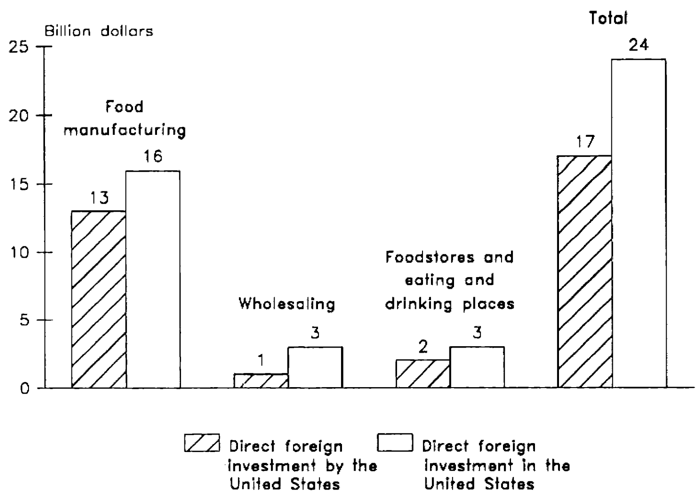


Figure 14
Foreign investment in the food marketing system, 1988[1]

Western Europe accounted for 90 percent of investment in the United States; about 75 percent of U.S. investment abroad went to Europe and Canada.



[1] Totals may not add to 100 due to rounding.

Merger Activity Slowed in 1989

Reduced merger activity followed 1988's 573 announced or completed mergers and leveraged buyouts, which were worth $61 billion, the most spectacular level in U.S. history. However, changing structure dominated the food system during the entire decade of the 1980's.

In 1989, a number of the mergers and leveraged buyouts announced in 1988 went to actual closing, such as that for RJR Nabisco. Preliminary data for 1989 indicate that new transactions dropped sharply from those of 1988, not only in dollar magnitude but in number as well. The number of acquisitions (purchase of a company or subsidiary) fell from 652 in 1988 to 556 for 1989 according to the Food Institute. These data include merger activity in such related industries as packaging and supplies (table 1).

Last year's decline in activity is not surprising. The record pace of industry restructuring through the 1980's has certainly reduced the number of likely merger and leveraged buyout candidates. More significantly, the high yield, high risk ("junk") bond market sharply weakened toward the end of 1989, drying up a major source of financing. Financial institutions also appeared more reluctant to provide financing.

The focus of restructuring activity in 1989 appeared to be in the adjustments made by newly leveraged or merged firms. Divestiture activity in food marketing is strong; nearly 50 percent of all acquisitions are divestitures. Given that a number of leveraged buyouts are speculative in nature, a number of spinoffs were sold in the same year of closing. RJR Nabisco's gross proceeds from these divestitures, both foreign and domestic, amounted to $5.5 billion in 1989. The impact of these adjustments on conduct and performance, vis-a-vis higher interest payments because of higher debt loads, scaling down of staffs, capital expenditures, and profitability, is analyzed in the domestic performance and conduct sections.

Aggregate concentration rose sharply in food processing, wholesaling, and foodservice because of merger and acquisition transactions between 1988 and 1989. The top three firms' share of market rose from 9.5 percent to 13 percent in food processing. Aggregate concentration in food retailing has remained nearly constant.

Changing structure has dominated the food system during the entire decade of the 1980's, and 1989 was no exception. Between 1982 and 1988, the years during which ERS monitored complete data, nearly 3,400 mergers, divestitures, or leveraged buyouts took place in the food marketing system. Food processing, which had 16,800 companies in 1982, had more than 2,000 of these transactions during that period, while food wholesaling merger transactions numbered nearly 400. Food retailing and foodservice each had nearly 500. In 1988, the food marketing system announced or completed the largest magnitude and number of mergers and leveraged buyouts in U.S. history, costing more than $60 billion. The nearly $25-billion leveraged buyout of RJR Nabisco, Inc., the largest in U.S. economic history, exceeded the combined value of history's five largest food marketing mergers. In the food processing sector, Phillip Morris Companies, Inc., acquired Kraft, Inc., at a cost of nearly $13 billion. Food wholesaling underwent its largest merger when Fleming Companies, Inc., acquired Malone and Hyde, Inc. The four largest leveraged buyouts in history were all in the food marketing system (table 2).

Measures of Structural Development

The following indicators are used to measure structural development in the food marketing system.

- Mergers—The combination of two or more firms into one.
- Acquisitions—The purchase of a business unit or subsidiary.
- Divestitures—Selling of a business unit or subsidiary.
- Leveraged buyouts—The purchase of the common stock of a company through debt-financing, pledging assets of the new company as collateral.
- Changes in number of companies and establishments.

There were 573 mergers and acquisitions in food industries (excluding the related industries shown in table 1) in 1988 (table 3), of which 46 each cost more than $100 million. Many of the acquisitions were also divestitures, as only part of the firm was acquired. Among recorded transactions in food processing, 22 foreign buyers brought U.S. food companies with a value of $8.6 billion, while U.S. food marketers purchased 14 foreign firms at $1.6 billion. Acquisition leaders in the United States were Borden, Kraft, Inc., ConAgra, Inc., IC Industries, Inc., and H.J. Heinz Company. Quaker Oats, RJR Nabisco, Inc., and Beatrice Companies were among the leading divestitures. Food processing mergers numbered 355, while retailing mergers rose to 76. There were 71 mergers in wholesaling and 75 in foodservice.

Table 1—Food business mergers and acquisitions, 1988 and 1989

New transactions dropped sharply in 1989, both in dollar amounts and in number.

Category	Total acquisitions		Individual purchasers	Acquisitions of firms outside food industry
			Number	
Agricultural cooperatives	4	(5)	4	1
Bakers	27	(19)	18	0
Brewers	3	(1)	2	1
Brokers	14	(11)	14	0
Confectioners	10	(12)	9	0
Dairy processors	14	(19)	10	14
Diversified firms with interests in the food industry	4	(31)	1	0
Food processing firms	107	(136)	5	66
Foodservice vendors	29	(31)	23	1
Hotel and lodging companies	6	(1)	5	NA
Nonfood marketers selling through supermarkets	7	(7)	6	NA
Packaging suppliers	25	(27)	17	NA
Poultry processors	5	(7)	5	0
Primary products companies	47	(18)	40	5
Restaurant and foodservice concerns	57	(74)	54	1
Retailers:				
Convenience stores	16	(18)	15	0
Supermarkets	26	(42)	25	0
Others	9	(13)	8	6
Seafood processors	4	(5)	3	0
Snack food processors	6	(12)	6	0
Soft drink bottlers	12	(18)	7	0
Sugar refiners	1	(0)	1	0
Suppliers to the food industry	3	(9)	3	NA
Unclassified and private investors	21	(30)	21	3
Wholesalers	21	(29)	20	0
Foreign acquisitions:				
U.S. firms/subsidiaries	55	(29)	54	11
U.S. operations of foreign firms	4	(6)	4	1
Foreign operations of U.S. firms	6	(8)	6	2
By Canadian firms	10	(14)	10	0
Total	556	(652)	459 (521)	52 (59)

Note: Numbers in parentheses represent totals for 1988.
NA = Not available.

This number includes the 573 mergers and acquisitions shown in table 3.

Table 2—Ten largest going-private leveraged buyouts in history

The four largest leveraged buyouts were in the food marketing system.

Acquisition	Target	Price	Year	Industry
		Billion dollars		
Kohlberg Kravis Roberts and Co.	RJR Nabisco, Inc.	24.72	1989	Tobacco, food
Kohlberg Kravis Roberts and Co.	Beatrice Cos., Inc.	6.25	1986	Food
Kohlberg Kravis Roberts and Co.	Safeway Stores, Inc.	5.34	1986	Supermarkets
Thompson Co.	Southland Corp.	4.00	1987	Convenience stores
AV Holdings Corp.	Borg-Warner Corp.	3.76	1987	Automotive, industrial products
Kohlberg Kravis Roberts and Co.	Owens-Illinois, Inc.	3.69	1987	Glass
TF Investments, Inc.	Hospital Corp. of America	3.69	1989	Health care
FH Acquisition Corp.	Fort Howard Corp.	3.59	1988	Paper
Macy Acquisition Corp.	R.H. Macy and Co., Inc.	3.50	1986	Department stores
Pandandle Eastern Corp.	Texas Eastern Corp.	3.22	1989	Pipeline

Table 3—Mergers and divestitures in food marketing, 1987 and 1988

Of the 573 mergers and acquisitions in 1988, 46 cost more than $100 million.

Sector	Acquisitions						Divestitures	
	By U.S. firms in sector		By other firms		Total			
	1988	1987	1988	1987	1988	1987	1988	1987
	Number							
Processing	229	220	122	81	351	301	161	116
Wholesaling	49	44	22	27	71	71	32	12
Retailing	41	39	35	26	76	65	51	34
Foodservice	46	56	29	21	75	77	29	35
Total	365	359	208	155	573	514	273	197

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This report summarizes a more detailed report, *Food Marketing Review, 1989*, to be published in fall 1990. The full report includes detailed data on mergers, sales, concentration, advertising, product industries, profits, productivity, plant and equipment expenditures, equity performance, prices, and international performance measures. It also includes charts and a sizable appendix.

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