

This is Foodservice & Packaging Institute's sixth edition of *In the Loop*. This semi-annual newsletter is published specifically for our non-member friends and colleagues in the foodservice packaging industry. This newsletter is meant to highlight FPI's programs and activities and identify industry and market trends that exemplifies the types of data we share with our members. **If you have not already done so**, after you have reviewed this publication, please take a few minutes and fill out the feedback form on the back of this publication. If you would like more information about FPI, please visit our Web site at www.fpi.org or contact FPI President John Burke or Director of Member Services & Administration Beth Phillips by phone at (703) 538-2800, or by e-mail at jburke@fpi.org or bphillips@fpi.org.

In FPI News . . .

Memorable Meeting in Chicago!



Members of the Board of Directors and company representatives of the Foodservice & Packaging Institute were greeted by chilly winds blowing down Michigan Avenue as they entered the Hotel InterContinental Chicago for

the **70th Annual Meeting of the association**. For FPI members the thematic focus for the meeting was **"Managing Your Business Over the Next Five Years."** The theme was chosen because most companies have a hard time trying to figure out what is going to happen in their business over the next five months, much less the next five years. The topics covered during the first day's session included a highly informative and entertaining look at the economy, the larger concerns of the global marketplace and its opportunities – and impacts – for foodservice packaging manufacturers and suppliers, and a discussion of some of the human resource, workplace, and management issues that companies will have to wrestle with in the coming years. With thoughts of the proclivities of the generations in their heads, members strolled down Michigan Avenue to the John Hancock Building for the inaugural **FPI-QSR Magazine Foodservice Packaging Awards** presentations. With the sun setting over the 95th floor, members gathered with their customers and fellow manufacturers for a dinner honoring the most creative and technologically innovative packaging produced during 2003. It was a memorable and fun evening, especially for the five representatives from Sbarro whose "Listen to Your Lid" beverage cup lid walked off with "Foodservice Package of the Year" honors (story on page 2). The next morning, following the 70th annual association business session, members learned about the newest technological advancement facing their operations, radio frequency identification, and finally, who will be foodservice packaging's customers over the course of the decade, and, where are they? Five sessions on the future, all of them jammed packed with thought-provoking data. As one wag put it, "We'll have to have another meeting like this five years from now to see who was right!"

Reminder! FPI Converter Membership Dues Cut In Half - What a Bargain!

Earlier this year FPI's Executive Committee established a major goal of growing the association in 2003/2004. "Growth is critical to the viability of the organization," said FPI Chairman Matthew Shapiro. With that in mind, FPI's President, John Burke, visited a dozen potential member companies to find what major barrier(s) prohibited them joining the association. The same answer was given in most every case -- "You need to lower your dues." Your wish is our command! Starting in **2004 the dues rate for NEW CONVERTER MEMBERS will be \$.50 per \$1,000 of foodservice sales. That is a 50 percent cut in dues for the largest dues payers (to a maximum of \$35,000, from the present \$70,000), and somewhat smaller percentage reductions for medium-sized companies. Minimum dues for converters will remain at \$4,500 annually.**

The Foodservice & Packaging Institute, Inc. is the premier material-neutral trade association representing converters, suppliers and others who produce, market and distribute single-use foodservice packaging products.

In FPI News . . . (continued)

FPI Members

- Amhil Enterprises, Ltd.
- Appleton
- ATOFINA Petrochemicals Inc.
- BASF Corporation
- Boise Paper Solutions
- Brooklace, Inc.
- Cascades Inc.
- Chevron Phillips Chemical Company LP
- CKF Inc.
- *Commodore Machine Co. Inc.
- Dixie Foodservice
- Dolco Packaging
- The Dow Chemical Company
- DuPont Chemicals
- Dyne-A-Pak Inc.
- Genpak LLC
- Hartmann North America
- Lapaco Paper Products, Ltd.
- LINPAC Plastics
- *Menasha Packaging Company
- NOVA Chemicals Inc.
- Pactiv Corporation
- Paper Machinery Corporation
- Peerless Machine & Tool Corporation
- Prairie Packaging, Inc.
- Smith-Lee Company, Inc.

*New FPI Member

Foodservice Packaging Standards Council Holds First Meeting

Following the FPI Board of Directors Meeting in Chicago, FPI's Packaging Standards Council held its inaugural meeting. The Council got right to work and by the end of the meeting, **had organized itself into six sub-groups to review existing standards that have been worked on over the past 30 years, and discussed new "candidate standards, tests, terms and definitions" for review and codification over the coming year.** This Council was devised in early 2003 with the purpose of devising and adopting technical standards for finished single-use foodservice packaging products, and good manufacturing practices for such products, that will be used by manufacturers to assure compliance with applicable product performance, regulatory compliance and safety requirements necessary to provided consumers assurance that such products and manufacturing practices meet or exceed expectations for performance, product quality and sanitation. Participation by members and non-FPI members is encouraged. For more information, please contact FPI's President John Burke at (703)538-2800.

Foodservice Packaging Advisory Council Taking Shape

Scottsdale, Arizona, will be the setting for the 2004 FPI Spring Board of Directors meeting and the debut of the FPI's Foodservice Packaging Advisory Council. **The Council, which will include individuals within the distributor and operator communities who have responsibility for single-use foodservice packaging products, will serve as a discussion forum to help all FPI members identify current packaging issues and future needs and expectations.**

QSR/FPI Packaging Awards Program A Great Success!



In May of this year, FPI staff met with *QSR Magazine* to talk about the possibility of merging awards programs – and merge we did! Since *QSR* had already made plans to conduct their awards program in late summer of 2003 (in time for their November issue), FPI and *QSR* staff hit the ground running. FPI staff took on the responsibility of the administration of the awards program while *QSR* took on the promotion aspect.

When all was said and done on the deadline date of August 15, **the program was a huge success with over 85 entries entered in the five program categories.** The categories included: Merchandising Distinction; Graphic Design Distinction; Functionality/Consumer Convenience; Product Manufacturing Innovation and Advancement of Food Safety. Awards were presented during a dinner held on the 95th floor of the John Hancock Building in Chicago during FPI's Fall Board of Directors Meeting. **Congratulations to Sbarro Inc.'s "Listen to Your Lid" cup lid, which was chosen as the outstanding foodservice package for 2003!** All of the winners were featured in the November issue of *QSR Magazine*. However, if you missed that edition, log to FPI's web site at www.fpi.org and click on "awards programs." The next competition is set to take place in August 2004.

Look Out for California in 2004!



California will be a serious threat for foodservice packaging manufacturers once it straightens out its current political and financial mess. The two broad issues there are **litter and recycling.** A two-cents-per-cup tax proposal was generated both by a need for money and a concern about the presence of foodservice packaging items in litter. **The counties surrounding the Los Angeles River basin are under an EPA mandate to take definitive measures in the near future to reduce the amount of littered trash that is swept from streets and roadways into the LA River during the rainy season.** Eventually, LA's river trash finds its way into the Pacific Ocean, and

In FPI News . . . (continued)

EPA and the federal court has mandated that LA area municipalities put a stop to the problem or lose federal highway and water funds, two HOT lifestyle issues in Southern California. The second California issue of concern, recycling, particularly recycling of polymer-based foodservice packaging products, will be part of the deliberations generated by the issuance of the "**Plastics White Paper**," a document expected to be published in 2004. A recent draft (May 2003) of that document is surprisingly thoughtful, and moderate given the state Waste Board's mad at plastics...but it still leans toward mandating some type of "manufacturers responsibility" actions (i.e., take-back programs) for certain foodservice packaging items. Also, the **Waste Board is hinting that it will issue recommendations about the definition and use of biodegradable polymers**. Language favoring biopolymers for certain packaging applications could well turn up in legislative and regulatory proposals next year. Not so moderate is the Waste Board's report on "**Use and Disposal of Polystyrene in California**," which is in draft stage and under public comment. The report, which is a year late, will be sent to the legislature next year. It will receive a thorough beating by many parties before it finds its way there. FPI has been, and will continue to be, actively engaged in the California packaging coalition put together several years ago to oppose expansion of the state's rigid plastic packaging law. Further, we have been actively involved with plastics industry associations – the American Chemistry Council/American Plastics Council and the Society of the Plastics Industry – to monitor Waste Board recommendations in the Plastics White Paper, with an eye towards adopting and implementing a White Paper Action Plan for 2004.

In Industry News . . .



LINPAC Plastics has announced that it has agreed to the sale of its US expanded polystyrene foam operations to GENPAK and The Jim Pattison Group. Many of the current LINPAC employees will transfer to GENPAK as part of the sale agreement. The deal is expected to close on or around January 1, 2004. (Source: LINPAC



Inc. letter, 12/15/03)



Solo Cup Co. agreed to acquire competitor SF Holdings Group Inc. and its Sweetheart Cup unit for an undisclosed amount. The sale also includes the Hoffmaster napkins and Fonda Brands plate businesses. The transaction is expected to close in the first quarter. Jefferies

and Co. advised Sweetheart on the sale. Banc of America Securities and Citigroup Global Markets advised Solo. All of Sweetheart's outstanding notes will be repurchased or redeemed, and Solo said Vestar Capital Partners will make an investment in the company because of the acquisition. (Source: *The Baltimore Sun*, 12/23/03)



Dow Chemical Co. will split a majority of its businesses into three units: plastics; chemicals and intermediates; and performance chemicals and thermosets. Each unit will be led by

a senior vice president. Plastics will include Dow's polyethylene, polypropylene, PET, polystyrene, engineering thermoplastics, fabricated products, automotive, wire and cable and rubber and elastomers businesses. The unit will be led by Romeo Kreinberg, a 26-year Dow veteran who previously had served as business group president of polyolefins and elastomers. (Source: *Plastics News*, 12/11/03)



Foam cup and container maker Radnor Holdings Corp. asserted itself in the foodservice market with two sudden moves. First, it entered an agreement to buy Polar Plastics Inc. Radnor paid

\$28.7 million — \$6.8 million of that in cash and the rest in notes and the assumption of contractual liabilities. Second, to pay for that acquisition and boil down debt, **the privately-held holding firm registered the same day to launch an initial public offering that is expected to raise \$54.8 million.** Radnor, the owner of EPS cup maker Wincup Holdings Inc., is burdened with \$135 million in senior notes due in stages by 2010. "The IPO is a crapshoot," said Timothy Burns, president of Cranial Capital LLC. "But the foodservice area is still viewed as a growth segment, and it's been a hot area." (Source: *Plastics News*, 11/17/03)



The European Commission issued its final complete proposal for new chemical regulations that will require chemical companies seeking to market their products in Europe to get varying degrees of regulatory approval. The rules, called REACH for registration, evaluation, authorization

of chemicals, could affect the commercialization of more than 30,000 different chemicals. It would require all companies producing chemicals in volumes of 10 tons or more to undergo extensive testing to prove their products

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In Market News . . .



Foodservice sales will rise by 4.4% next year, or 2% in inflation-adjusted terms, signaling a marked improvement in the industry's fortunes, according to figures released December 11 by the National Restaurant Association. The numbers were taken from a comprehensive forecast that will be released to the media today. The data indicates that full-service restaurants will fare better than quickservice outlets next year, with nominal sales growth of 4.6% and 3.9% respectively. The numbers translate into industrywide sales next year of \$440.1 billion, or more than \$1.2 billion per day. (Source: *restaurantbiz.com*, 12/12/03)

A new report analyzing the potential for international RFID deployment over the next 20 years estimates that tagging will be commonplace within four years as tag prices drop dramatically. The report, "Countdown to RFID," acknowledges that the technology is not quite ready. Tags are less than completely reliable. Solutions still need to be developed to handle the huge volume of data RFID systems will create. The infrastructure offered by competing RFID vendors can be incompatible, and nations have yet to agree on unified standards, frequencies and power levels for RFID tags and readers. Still, the Insight Research authors are confident these hurdles will be overcome quickly and that tagging will be well on its way to becoming commonplace within supply chains. (Source: *RFID Journal*, 12/5/03)

TECHNOMIC INC. Foodservice sales in the United States, which have not recovered as quickly as anticipated because of lingering high unemployment and depressed consumer confidence, are projected to grow by an unadjusted 1.6 percent this year (industry sales of \$429.9 billion) and 2.4 percent in 2004, according to the IFMA/Technomic Inc. Forecast & Outlook report. Full-service operations are expected to experience unadjusted sales growth of 3.3 percent and 3.5 percent for 2003 and 2004, respectively, while the limited-service segment of quick-service and fast-casual concepts would sales grow by 2.6 percent this year and 3.0 next year. (Source: *Nation's Restaurant News*, 10/6/03)



Consumption of on-the-go is rising rapidly throughout Europe. Even in France, a country known for its drawn out and relaxed eating occasions, consumption of on-the-go food and drink products is already above the European average and set to increase, a Datamonitor report suggests. The report suggests that by the year 2007, over 16 percent of all eating occasions will happen on-the-go, while drinking on-the-go is also set to become even more popular, rising from 24 percent in 2002 to almost 26 percent in 2007. Meanwhile the British have the highest on-the-go rate of eating out at 22 percent. (Source: *foodproductiondaily.com*, 11/14/03)



In the first half of 2003, U.S./Canadian sales of solid PS and EPS were down almost 8 percent, according to the American Plastics Council. **The only major PS end market bucking the downward trend in the first half was food service, where sales grew almost 2 percent. Food service generated almost 35 percent of total first-half PS sales.** (Source: *Plastics News*, 9/1/03)

Things are Looking UP!

Performance Food Group has reported a 35% rise in quarterly profit, helped by higher sales of fresh foods to supermarkets and restaurants. The company posted profit of \$21.6m, or 44 cents per share, for the third-quarter, compared with \$16.0m, or 34 cents per share, a year earlier. (Source: *just-food.com*, 10/28/03)

Sysco Corp. has reported a 14% rise in first-quarter earnings with a net income of \$208.8m, or 32 cents a share, compared to \$182.6m, or 28 cents a share, a year earlier. Sales increased 11% or \$7.13bn for the quarter, with acquisitions contributing around 1.9% of growth. (Source: *just-food.com*, 10/27/03)

McDonald's Japan has reported a 2% rise in November same-store sales, its first monthly sales increase since September 2001. The company said same-store sales fell 8.8% in August, 8.1% in September, and were flat in October. (Source: *just-food.com*, 12/15/03)

7-Eleven has reported a 4.1% rise in same-store merchandise sales in the US. Total merchandise sales for November rose 5.4% to \$613.6m. (Source: *just-food.com*, 12/15/03)

US bakery chain Panera Bread has reported a profit of \$7m, or 23 cents per share, for the third quarter, compared with \$5.2m, or 17 cents a share, a year earlier. Third-quarter revenue increased to \$84m from \$65.5m a year earlier. (Source: *just-food.com*, 10/30/03)

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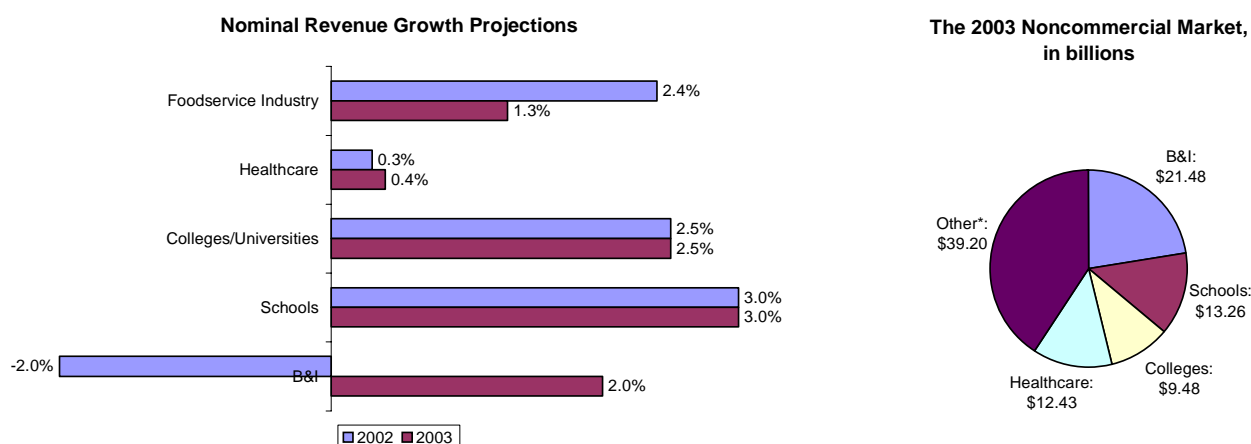
In Industry News . . .(continued)

are not a threat to public health or the environment. Lobbying over the proposal is expected to focus on the Council of Ministers and the European Parliament where the regulations must be approved before becoming law. (Source: *Environment Reporter*, 10/31/03)

BASF BASF Corp. has formed a plastics distribution unit to work more closely with distributors that supply its styrenic resins to end users. The new unit will be led by former FPI Board member Edward McKenna. BASF also has been busy this year with the introduction of a high-impact PS grade designed for printability and chemical resistance in extrusion applications. The firm also said it is seeing some success with its Ecoflex-brand biodegradable polymer for, among other products, disposable packaging. (Source: *Plastics News*, 10/6/03)

In Market News . . .(continued)

SEGMENT ANALYSIS: Noncommercial Market



(Source: *Restaurants & Institutions*, 9/15/03)

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Foodservice & Packaging Institute, Inc.
Attn: Beth Phillips, Director Member Services & Administration
150 South Washington Street, Suite 204
Falls Church, VA 22046
Phone: (703) 538-2800 ♦ Fax: (703) 538-2187