
USA Today, McLean, VA

Under Fire, Food Giants Switch to Healthier Fare

July 1, 2003

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Junk food's best consumers are kids -- increasingly obese kids.

So that's not the dinner bell you hear. It's an alarm bell raising Oreo-size goose bumps for the giant makers of now-unfashionable sugary, fatty and calorie-laden foods. All are faced with this new reality: As concern about obesity rises, they're within a few cookie crumbs of becoming the next Big Tobacco for trial lawyers.

"You can't stop tobacco from being unhealthy," says Sam Hirsch, an attorney whose obese clients filed lawsuits against McDonald's. "But you can make food less unhealthy."

Consumer groups are screaming. Parents are steaming. Lawyers are suing. The obese are stewing. Lawmakers are threatening a "fat tax." And some analysts are giving food stocks the ax.

That's why, faster than you can say "supersize it," the nation's food behemoths are responding:

* Kraft Foods, the nation's largest food company, will announce today a sweeping, global overhaul of the way it creates, packages and promotes its foods. Kraft plans to reduce the portion size, fat and calories of many of its foods, a move that other major food companies worldwide are expected to mimic. "This will force everyone else to review their policies and get on board," says Derek Yach, coordinator of diet and physical activity at the powerful World Health Organization.

* McDonald's this summer will test a Happy Meal with an option to replace the wildly popular -- but fat-filled -- french fries with a bag of fresh, sliced fruit.

* Frito-Lay is within weeks of eliminating all artery-clogging trans fatty acids from its chips and snacks. And the CEO of its parent company, PepsiCo, has vowed that at least half of its new foods and beverages will be aimed at nutrition-conscious consumers.

* Kellogg recently bought Kashi, whose cereals have no highly refined sugars or preservatives.

Analysts say the food giants haven't suddenly become food pyramid angels looking out for the nutritional well-being of America's youth. Rather, they're increasingly concerned about lawsuits, legislation and profits.

"This issue isn't going away," says Caroline Levy, consumer group director at UBS, which issued a report warning why many food stocks could be hit hard. "It puts at risk companies that make unhealthy foods."

That's most foodmakers.

"The bottom line for the food industry is money," says William Sears, author of two books on kids and nutrition. Few products are cheaper to dump into food than sugar, so many foodmakers pour in lots, he says. "What motivates the food industry and health-minded mothers is worlds apart."

Not so, says Betsy Holden, co-CEO of Kraft Foods. "We're a company focused on doing what's right," she says. "As a mother and a former teacher, I believe one of the most important things we can do is to educate people about eating and living better."

Looking to stay out of court

It's no longer socially acceptable for food giants to blatantly target kids with junky foods. Just about anyone who markets food to kids is rethinking what they make and how they package and promote it.

"Every major foodmaker is terrified about lawsuits," says Marion Nestle, nutrition department chair at New York University. "All big food companies are re-examining their product lines -- and how they market them."

Big Food senses Big Trouble. Americans will spend just under \$ 1 trillion on food this year, and foodmakers can no longer sit idly hoping the wave of concern is just a temporary case of indigestion cooked up by the media.

Some school lunch programs are eliminating the junkiest foods. Consumer groups are proposing a "fat tax" on some junk foods -- and even nutritional "warnings" on product packaging. Some legislatures have discussed requiring fast-food makers to post

calories and fat on their menu boards. And lawsuits are being filed by folks who accuse the food kingpins of helping make children obese.

Perhaps no one scares the fast-foodies more than John Banzhaf. He's best known for spearheading billion-dollar victories over the tobacco industry and is widely credited for the removal of cigarette commercials from television. Now the professor of public interest at George Washington University is taking aim at food.

As a prelude to a lawsuit, Banzhaf recently sent fast-food executives a letter demanding they display restaurant signs warning that fatty foods are addictive. "I don't expect they'll do it," he says. "But we have to start somewhere."

More overweight children

The food giants all know what that means: They must square the foods they target at kids with statistics on how fat the kids are getting. There are twice as many overweight children and three times as many overweight adolescents as in 1980, says the U.S. Centers for Disease Control and Prevention.

Jennifer Beaton only wishes her daughter, Katherine, 10, could drop fatty, salty snacks. Katherine adores Doritos chips and McDonald's fries.

When the Westlake, Ohio, mom noticed Katherine putting on weight, she ceased the weekly Friday afternoon trips to McDonald's for large fries and a soft drink. And she began to remind her daughter how fattening the chips could be. Katherine has lost weight since then, but it hasn't been easy.

"How do you fight with these companies?" asks Beaton. "Maybe they just don't realize how frustrated parents are."

Not everyone, however, blames the food giants.

"It's fun and easy to blame all this on supersized meals and too many vending machines," says Robyn Flipse, a registered dietitian and author. "But one of the most important things a parent can do for a child is to give them a concept of how to eat well."

Even some parents agree the food buck stops with them.

"The foodmakers are in business to make money -- and to do that, they've got to target kids," says Kerrie Mae Mitchell, an Olney, Md., mother of an 11-year-old son. "A parent's job is to redirect."

But some food giants -- motivated by the bottom line -- are starting to redirect themselves.

Foodmakers' game plan

* Kraft.

The food kingpin is forming a global advisory panel of nutritionists and other outsiders who over the next year will change the way Kraft makes, packages and promotes its food.

A cap -- to be determined -- will be placed on the portion size of all single-serve products. Many products will have calories and fat reduced. Kraft will eliminate all in-school marketing and drop some products -- perhaps sugary cookies -- from school vending machines.

"We're making these commitments because we think it's the right thing to do for the people who use our products -- and the right thing to do for our business," says Michael Mudd, senior vice president at Kraft. "Sometimes, the right thing to do is also the smart thing to do."

Kraft's highly profitable Lunchables meal kits, which typically contain crackers, processed meat and cheese, fruit punch and candy, have long been criticized by nutritionists.

In response, Kraft recently added the Lunchables Fun Fuel line that the company claims has more nutritious products -- including yogurt (replacing a candy bar) and 100% fruit juice (replacing fruit punch). The new lunch kit replaces the ham, cheese and crackers with such items as chicken and cheese wrapped in pita bread.

And, following a lawsuit over the trans fatty acids in its Oreo cookies, Kraft is on a mission to eliminate -- or greatly reduce -- trans fat in all of its cookies and crackers.

* McDonald's.

For McDonald's, the upcoming Happy Meal fruit test may be just the beginning. The test will also give consumers an option to substitute 100% juice for soft drinks. Industry consultants also expect McDonald's to eventually offer fresh vegetables -- such as bagged carrots -- as an option for kids.

If healthy lifestyles are becoming more important to our customers," says CEO Jim Cantalupo, "we want to play a leadership role."

But critics wonder: What took so long?

Even as McDonald's recently introduced a much-advertised entree salad line that targets adults, critics wonder when McDonald's will pump as much promotional money into new, kid-friendly products that also are more nutritious.

"McDonald's has spent billions of dollars to convince kids that somebody at

McDonald's loves them," says Hirsch, the attorney. "But the food is downright unhealthy if consumed on a regular basis."

McDonald's and healthy lifestyles

McDonald's is feeling the pressure. About three months ago, McDonald's named its first-ever corporate vice president of healthy lifestyles. And within the past few months, it overhauled its Web site to include an interactive section dubbed Bag A McMeal. It allows consumers to find out the precise amount of calories, fat and sodium in every meal option available.

"We see in our research that this is becoming more important to consumers," says Ken Barun, corporate vice president of healthy lifestyles. "Moms want to provide healthy options for their kids."

* Frito-Lay.

For a company that has built its snacking empire on chips fried in oil, Frito-Lay would seem to have the toughest nutritional nut to crack.

Perhaps no Frito-Lay product is more kid-targeted than its puffed, orange-colored Cheetos. Earlier this year, the company introduced Reduced Fat Cheetos.

The new line has about half the fat of regular Cheetos and about half the unsaturated fat. Even the sodium was reduced to 210 milligrams per serving from 290.

The company has spent big promotional dollars to convince school cafeteria managers that these new Cheetos are the real nutritional deal. It even sent thousands of videotapes on which PepsiCo CEO Steven Reinemund says the unthinkable: "Overindulgence in any of our products is not something we encourage or recommend."

What's behind all this?

"We read the papers," says Rocco Papalia, senior vice president of technology at Frito-Lay. He's in charge of all new product development. So, it's no accident that Frito-Lay also plans to eliminate artery-clogging trans fatty acids from all of its products by the end of September. But none of this comes easy -- nor is it easy to sell.

"It's difficult to get kids to eat something they don't want," says Papalia. "It doesn't do any good to reduce calories, fat or sodium on something nobody wants."

* Kellogg.

Even the maker of Froot Loops says it's serious about kids' nutrition. Never mind that two of its newest cereals -- Disney's Mud & Bugs and Tony's Cinnamon Krunchers --

are heavy on sugar.

Earlier this year, Kellogg introduced Froot Loops & Milk Bars, a snack bar with dehydrated milk. "Too many kids are skipping breakfast," says Donna Banks, senior vice president of research, quality and technology at Kellogg. "This way, they get the nutrition of milk and cereal right inside the bar."

Kellogg purchased Kashi, an organic cereal line, for \$ 30 million two years ago. Industry executives say Kellogg executives are studying the line to figure out ways to put some of its nutritious elements into future products.

How much sugar is too much? "We do a lot of consumer testing," says Banks. "We put as little sugar in as we can to make it acceptable."