

Generic food products gaining in popularity

WASHINGTON, D.C. — A new tactic being adopted by food retailers to attract and hold customers is the introduction of "generic" or "unbranded" products.

"Generic food products generally cost less than national and store brands," said Charles Handy, project leader in the food economics area of the U.S. Department of Agriculture. "While they often use lower grade ingredients, the difference in quality from the consumer's point view may not be significant."

"Generic foods save consumers money because their ingredients are less expensive and distributors generally spend less money to advertise, package and label them. Consumers can expect to save an average of 25 per cent over national brands and about 15 per cent over store brands."

Handy recently headed a study of generic foods and their acceptance by retailers and the public.

"Studies by private industry show prices of generic foods averaged 39 per cent below national brands in the Midwest and 30 per cent below in the East," said Handy. "The price average was 20 per cent below the store brand in the Midwest and 19 per cent below in the East."

While generic foods have spread rapidly, they still aren't available to many shoppers. Some retailers are competing with generics by lowering prices on store brands. Others are consolidating their second and third line store brands into a new store label similar in quality and price to generics. In any case, the consumer benefits from reduced prices.

Usually, generic foods come in plain packages and

carry no brand names or trademarks. Generally, the labels are black and white with bold lettering. They often give only the basic name for each product, such as "sweet peas," and essential information about ingredients, net contents and the manufacturer or distributor's name.

"They were first introduced in late 1977 in Chicago and quickly spread through the country," said Handy. "The number of retailers carrying them grew quickly from 20 in early 1978 to 100 by Summer. Meanwhile, the number of items they carried rose from about 10 to 100. Most stores carry 25 to 50. Many retailers say they don't plan to carry more than 45 or 50 items and they generally carry only one size."

Most retailers display all generic products together in the store. That makes them highly visible but also makes it difficult for shoppers to compare prices of generic products with their name and store brand counterparts.

"The retailers we contacted were generally satisfied with sales and expected them to increase."

Handy said retailers agreed the standard minimum specification for generic foods was USDA grade C, with some grade B to fill in as needed. National brands and top line store brands, on the other hand, use primarily grade A and some grade B. One retailer said grades for generic products were 80 per cent "C" and 20 per cent "B" while their private label was about 80 per cent grade A and 20 per cent "B."

All three grades are safe, wholesome and nutritious and are packed under the same sanitary standards.

USDA grades B and C are acceptable quality for standard consumer table and cooking use. Grade C products may have less uniform size color, texture and maturity.

"The wholesale price difference between grade C and grades B and A is a major source of savings. Grade C costs typically 10 to 35 per cent less than grade A," said Handy. "For example, in June 1978, the wholesale list price of whole kernel corn per case of 24/303 cans was Grade A, \$5.50-\$5.75; grade B, \$5.30-\$5.50 and grade C, \$4.25-\$5.30. That's a difference of up to 25 per cent between grades A and C and doesn't include discounts or allowances buyers often negotiate."

"While our research showed that reduced or no advertising of generics contributed to savings, it's probably less than that due to using less expensive ingredients. National brands are the most heavily promoted. Retail prices of national brands support not only national advertising campaigns but also the more costly and complex sales distribution networks and new product development activities of these firms."

Store brands avoid many of the costs of developing and introducing products by imitating established national brands, Handy said. While advertising expenses for store brands are much

less than for national brands, store brand advertising has increased in recent years. This probably contributed in part to the narrowing price difference between store and national brands.

"Almost every retailer we interviewed said cheaper packaging and labels helped keep costs of generic foods down," said Handy. Many said they used any suitable package (can, jar or plastic) available, depending on what was the best buy.

"They used lighter weight packages, some with slight imperfections and more utilitarian packages (no spouts, protective coatings, or pull tabs). One retailer reported their generic packaging costs were up to 15 per cent less than for their private label or national brand products."

Typically, generic labels are black and white, printed on lighter non-varnished paper and use no back labels on glass jars. They minimize design, photography and lithography expenses. Plain generic labels, however, represent only a small source of savings. The cost difference between color and black and white labels is a one-time set up cost of about \$150 for black and white compared to \$500 for color, said Handy.

Limiting sizes saves money by reducing handling, ordering and warehousing costs.

October milk production up

HARRISBURG — Milk production in Pennsylvania during October totaled 655 million pounds or 305 million quarts, about the same as the previous month but one

per cent more than October 1977, according to the Pennsylvania Crop Reporting Service.

The number of milk cows in the commonwealth in October was 700,000 head, down 3,000 head from a year ago. Production per cow averaged 935 pounds or 435 quarts, up almost two per cent from a year ago.

Butter production in Pennsylvania totaled 2.745 million pounds in October, 12 per cent below a year ago. Ice cream production in October totaled 6.1 million gallons, 14 per cent less than in October 1977.

United States milk production in October amounted to 9.82 billion pounds or 4.57 billion quarts, down very slightly from a year ago. Production per cow averaged 906 pounds or 421 quarts, up seven pounds or 3.3 quarts from a year ago. The total number of milk cows averaged 10.8 billion head, off one per cent from last year.

United States butter production in October totaled 71.1 million pounds, down 15 per cent from a year ago. Ice cream production in the nation was 64.7 million gallons, a decrease of eight per cent from a year ago.



Sniders Prince Lily, (pictures), a registered Guernsey cow is the new first place fat and second place milk National Class Leader in the Senior 2 year old class. She was bred by Bernard O. Snider of New Enterprise, and is now owned by John D. Myers and Dr. Marvin Sanner of Littlestown. "Lily" produced 21,350 pounds of milk and 1203 pounds of butterfat in 305 days twice daily milking beginning at two years and nine months old. The sire of "Lily" is Lyrene Mat Rose Prince and her dam is another 20,000+, Class Leader, Lerson Lawn Jasons Lassie. "Lassie" is a 1974 Gold Star Dam and classified Excellent in 1975. This record was supervised by Pennsylvania State University at University Park.

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