Memorandum

Subject Interview with [redacted]	Date July 3, 1996 60-2096-0002

b4, 7D

To Frito Files

From Jill Ptacek

Today I interviewed [redacted]

[redacted]

distribution: RWF, DNK, HALE, PTACEK, ALEXANDER - EAG, SWEENEY, JONES, CASE, CHRON, ARCHIVE [redacted] Apparently, this spring the fair market value of Florida potatoes should have been around $10/100#, but Frito was offering $14 and buying up all the stock. [redacted] said that he had not had any contracts with farmers and at that time was purchasing potatoes in the spot market.

He did not have any specific examples of Frito contact that had impacted on [redacted] A buyer from one chain did tell one of his employees that Frito had offered the store money to kick out competitors, but the store did not accept the offer. [redacted] has not been kicked out of any stores. However [redacted] has lost space in some stores because they could not afford to pay the going rate for shelf space [redacted] does pay for shelf space. Space payments average about [redacted] per foot per store (they do not pay that much in all stores -- convenience stores are not as expensive). This is a one time fee [redacted] has heard that some chains, though not the ones [redacted] deals with, are asking for payments shelf payments every year ("yearly maintenance fees"). If [redacted] were asked to pay that amount on an annual basis they would not be able to afford to do so [redacted] is about their upper limit. Even that amount can bring them below cost if the store does not have an adequate turn on the chips.

[redacted] has lost space when they cannot afford to pay the going rate. It may not be just Frito's offer they cannot match; the larger regionals in trying to stay in the ballpark with Frito may also bid more for the space than [redacted] can afford to pay. [redacted] said that [redacted] requires [redacted] feet of shelf space at a minimum. [redacted] feet of space limits the number of types of products they can display, for example, if they only have [redacted] feet of space they may only promote their potato chips and not their full line. However, he said that even if he is reduced to less than [redacted] feet, he will not exit a store unless he is ordered to do so.

Business has been less profitable for [redacted] now than it was in the past. 10 years ago any one in the business could make a profit. Today, his volume of sales have shrunk, in part due to nutritional concerns and the variety of different products that now exist. Also, the shelf fee and promotional expenses [redacted] must incur to stay in the game have cut into profits. [redacted] said that they were able to weather out the conditions of the past few years that have taken out a number of other companies. First, they were not carrying any debt entering to that period. Second, [redacted] He thought that Frito had not been as aggressive about offering discounts in their market area. Frito has run some two for one sales, but [redacted] did not think these were below [redacted] costs, and certainly not below Frito's, who is probably much more efficient than they are. However, he thought that during periods where Frito was paying exorbitant amounts for potatoes, their discounts may take them below cost.

[redacted] didn't have a specific incidents of Frito conduct to report; he said that many of the Frito actions he heard of were hearsay from other parties, such as potato brokers, as opposed to problems [redacted] had actually encountered. [redacted] b5