

Peanut butter recall bites smaller businesses

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MILWAUKEE – To Betsy Sanders, the nationwide salmonella outbreak tied to peanut butter has been a hurricane. Her tiny cookie dough business is the debris.

Reimbursing customers for recalled products has already cost her Dough-To-Go Inc. business as much as \$7,000, she says — a big chunk for a company that turned little profit last year. She also has 2,500 pounds of peanut butter that she can't use because it came from Peanut Corp. of America — the company that was the source of the outbreak and that has since filed for bankruptcy protection.

"We're the victim, too," said Sanders, who started the business off an idea her son had at age 12. "We've done nothing wrong and we're doing everything we can to make sure everyone's safe."

With at least nine deaths suspected of being tied to the outbreak, hundreds of people sickened and thousands of products recalled, companies from name brands like Kellogg Co. down to small ones like Dough-To-Go have been affected. But while big companies have equally large public relations departments, smaller ones have limited budgets and fewer ways to cope.

The timing could hardly be worse, as the recession has already crimped how much people are spending.

Sanders, who has run the Santa Clara, Calif.-based business for 26 years with her son, said she's worried about the half of her sales — which reached a total of \$1.7 million last year — that come from school groups like the PTA or marching bands for fundraisers that help pay for uniforms and school trips.

The peak selling season for that starts next month. But parents could be leery of buying anything at all with peanut butter.

The outbreak has already forced the maker of Detour energy bars, Forward Foods LLC, to file for Chapter 11 bankruptcy protection. The Minden, Nev.-based company plans to stay in business but needs money to pay to replace recalled products.

Meanwhile, even companies that didn't have to recall products still have plenty to worry about.

Jarred peanut butter sales have been tumbling, even though that category has generally not been involved in the recalls. In the four weeks ending Jan. 24, about 33.8 million pounds of peanut butter in jars were sold — a 22 percent drop from the same period last year.

It's too soon to tell, whether those kinds of declines are because stores are pulling items off the shelves or because consumers are turning away from peanut butter products, said Todd Hale, senior vice president for consumer and shopper insights at Nielsen.

"Generally speaking, any time we have a scare like this, there are probably more manufacturers that are hurt than should be," he said.

Girl Scouts of the USA, whose member troops sell a total of 200 million boxes of cookies a year worth \$700 million, won't know for months what effect the nervousness had on its sales, said spokeswoman Michelle Tompkins. About one-fourth of its cookies contain peanut butter.

The group, which uses the proceeds of the cookie sales to fund trips and projects for its member troops, has been putting out news releases telling people that its products are not involved in the recall. Some scouts are even carrying official Girl Scout statements saying the cookies are safe when they go to make sales.

Total sales of cookies listing peanut butter in their description are slumping, according to Nielsen. The number of pounds sold of cookies with peanut butter in them tumbled 14.6 percent in that four-week period ending Jan. 24 compared to the prior year.

People like Nina Perez-Bauschka have put a lid on their peanut butter spending. The 34-year-old mother of two in Grayson, Ga. recently scraped her last jar clean and doesn't know what she's going to do now.

"I want to, but I'm afraid," she said of buying more peanut butter. "I know it sounds so silly, but I'm afraid."

Lance Inc., the maker of the nation's best-selling peanut butter crackers, saw its sales dip after the outbreak — it won't say by how much — but says they rebounded after the company launched a campaign to tell consumers its products are safe.

The Charlotte, N.C.-based company, whose 4,800 employees make it nearly one-twentieth the size of the nation's largest food maker, Kraft Foods Inc., went from doing practically no marketing in 2008 to taking out half-page ads in 50 newspapers, setting up a Web site — <http://www.lancecrackersaresafe.com> — and putting up a video on YouTube featuring Chief Executive Dave Singer talking about how the company makes peanut butter and its safety methods.

"I basically couldn't think of anything that could get in our way" after a multiyear turnaround effort, Singer said. "So when I found out about it, I was like 'Oh great.' But

we'll get through this. There's always something you have to deal with. I just wish it wasn't this."

Dough-To-Go had to recall all of its varieties of peanut butter dough last month because Peanut Corp. was a supplier.

Scott Joiner, Sanders' son, said the recalls will most likely cost the 12-employee company at least \$20,000 in unused product, unused peanut butter and to provide customers replacements. They'd like to be reimbursed by Peanut Corp., but figure that's unlikely since the Lynchburg, Va.-based company plans to liquidate its operations.

Meanwhile, Sanders doesn't know what to do with more than a ton of peanut butter that she can't use. Peanut Corp. won't come to reclaim it and she's waiting for authorities to tell her how she can dispose of it.

"It's becoming part of our decor," she laughed.