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Interview with Rob Hauf

Molly Sharp

Rob Hauf

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Co-workers present: None

RH: ...there are obviously warehouse slots cost money and unless they turn on the inventory you're not going to make money, and we're in the business to make money. So we have this redistribution warehouse where they will carry some of this odd-ball stuff like tahini sauce, tahini paste. They have a pallet—50,60, or 100 cases—in that warehouse. Every SYSCO house in the country draws from the warehouse on a weekly basis. So the economies of scale are there. We'll get a truck in every Tuesday from this warehouse. It may have five cases of tahini paste, and two cases of this, and fifteen cases of that, but overall the economies of scale are sufficient to be able to bring it in. With all the SYSCO houses drawing from the one place, their economies are sufficient to be able to stock it. So it's a system that works very well.

MS: So where does the bulk of the rest of your produce come from...in terms of vegetables, meats, etc. Are these really large-scale farms that ship in bulk to you, or are you drawing from a bunch of little people who all distribute to one local center?

RH: When you're dealing with manufactured products, obviously you buy from the manufacturer. When we're dealing with products like dairy, produce, and things like that we deal with large cooperatives. For instance out in California SYSCO has an office in southern California where we have field representatives. They will physically go out and inspect and buy a field of lettuce. We will contract to buy everything in that field. So the inspectors can say that this is a quality product and we're going to buy it. Whether that be owned by a specific grower or a grower's coop (generally speaking the coops because with most anything in today's society the little guy can only service a little area—your Knox. Co grower can only service basically about twenty miles, or he can drive his truck economically with that distance. To do something nationally you have to have the economies of scale.) So we will contract with coops, we'll contract with growers, and we get a straight truck of produce from California every day seven days a week. Because obviously fresh produce has to have lots of turn over. In peak season we will sometimes get two or three trucks a day depending on the volume, but we do get produce every day without question. In the dairy end of it—as far as fluid milk is concerned—fluid milk is something that isn't done nationally. It's done locally so we have contracted with one of the local dairies to bring us product on a daily basis.

MS: And it has to be daily? You couldn't contract to buy produce from local people just when it is in peak season because that is when they're going to be able to meet the demand?

RH: Yes, we do buy some seasonal products locally. Things like peppers and stuff like that, but tomatoes no because the locally grown tomato—though it tastes far, far, better (I love vine ripened tomatoes!)—by definition is soft. You put in on a semi and have it bounced down the road a hundred and fifty miles to get to Kenyon College and what are you going to have? Tomato soup. It just doesn't work. They commercially grown tomato is much, much, harder. It has no damn flavor but it's much harder and it can be transported, and worked with, and you can do all kinds of things with it. But unfortunately commercially-grown tomatoes—whether it be in Florida or California—have virtually no flavor because they're picked while they're green. Then they're transported cross-country green. Then they're put in ripening rooms and they're gassed with ethylene gas and that causes them to ripen. They're delivered to us in the just-ripe state and we send them out and they're still very firm. But unfortunately that process just doesn't get much flavor. It's the same in a grocery store unless your grocery store is buying locally your tomatoes are just as bland as can be as compared to what you'd grow in your garden or buy at a roadside stand. It's a totally different process.

MS: What's the time lag then—if you're buying something like tomatoes—from when they're picked until they finally get to Kenyon?

RH: That's really a meaningless number because when they're picked really doesn't matter because they're green.

MS: So you could wait as long as you wanted to?

RH: They can be kept for several weeks because they haven't ripened yet. They're picked when they get the first tinge of pink to them. Just so that they know that it is a ripenable product. Then they pick it and ship it cross-country to the local produce houses. We do not have a ripening room at our facility which I sorely wish we did. We cannot ripen bananas (that's a major problem) and we cannot ripen tomatoes—two things which are important...and avocados which we don't really sell much of around here. In other parts of the country avocados are a huge portion of your money. An avocado is something else that needs the ethylene gas to ripen and they have to be at just exactly the right stage.

MS: So where do they ripen, since you can't do it here?

RH: We buy them from what we call a "repacker". They're a company that that's all they do. They get tomatoes in bulk and they run them through the ripening room to get them to the proper stage, they box them, and they ship them to us. That's they're business. That's they're entire business. It's mind-boggling to see one of those plants because that's all they do. They run tomatoes through it. Believe it or not food distribution has become an extremely specialized business. You do what you do best. We do not manufacture anything. There is not one thing that a SYSCO plant owns. SYSCO does not own any manufacturing plants. We contract. We have our SYSCO brand on products, and we have our specifications. We'll have people who will go into those plants to inspect them, to insure that they were following the SYSCO specifications but we do not manufacture anything. Everything that we buy we have what is called a "hold harmless" agreement. It's a contractual liability for insurance purposes. Let's say you bite into a hamburger and there's a piece of glass in that hamburger and you cut yourself and you sue me. Well I've got this piece of paper that says that they're going to hold me harmless because I had nothing to do with it. I did not manufacture that hamburger. They manufactured it and your suit automatically goes to them. We will not carry one single item in our warehouse that we do not have that legal document for or we would be out of business in a heartbeat. The food service business—whether in be the grocery store or food service distribution—margins in the extremely small. You can make money because of the volume, but the margin and the percent of profit on the bottom line is exceedingly small. We're talking one percent.

MS: Now why is that? Just because of all your costs involved in delivery and all of that processing?

RH: When you consider that all of our deliveries are conveyed on tractor-trailer, that vehicle cost about a hundred and fifty thousand dollars. The trailer may last twelve or fifteen years if you're taking care of it well, and the tractor's probably more like five years before it has to be replaced. Now that's an incredible cost. Electricity to run our warehouse is sixty thousand dollars a month. Just our electric bill. Do you think you have a big electric bill at home? You just have to consider the incredible costs. We have freezers that are bigger than this whole building. To do that obviously takes a heck of a lot of electricity. We just installed a back-up generator. This generator is probably twice the size of this room. It's powered by a sixteen-cylinder diesel locomotive engine to put out enough power to be able to supply electricity to our facility.

MS: So you don't have a back-up source right now?

RH: We do have a back-up source. We have two completely separate electrical lines coming into the facility. About two years ago both got hit at the same time. One was struck by lightning coming off of our facility and I don't remember what happened on the other one, but they were both out at the same time. We lost freezers, electric doors—all the freezer doors are automatic—so nothing works. In today's business society everything is done on computers. We would not function without a computer, we would be out of business if the computers went down period. Most customers, like Kenyon College, they put their order in through a computer they have here. They can bring all the products up on the screen just like I have on my laptop, and it shows the price and quantity on hand etc. They place their order, transmit it via

modem across the telephone line using our computer. All the orders are put together at four o'clock in the afternoon. They start the picking process, which means there are people who are literally going up and down the aisles in the warehouse pulling products to put that order together. Then they are put on the trucks in the wee hours of the night, and shipped out. All that is computer generated. In order to be able to pick the product (the people who are doing the picking) we have what we call "picking slips". There yellow slips of paper that describes what the product is, the customer number, the product number, the date, the invoice number, and a big number up in the corner for the driver to know what number stop it is so he can pull the right cases out of the truck.

MS: So how many deliveries does a place like Kenyon get in, say, a month?

RH: Right now Kenyon is getting five deliveries a week. (In effect, Monday through Friday.)

MS: What is the volume of these orders just in terms of food products, not anything else?

[Rob pulled out his laptop and we waited while he tried to pull up Kenyon's account.]

RH: They are getting deliveries that are anywhere between \$3,500 and \$7,500 a day. That's a lot of groceries!

MS: And how much of take is produce, how much is dairy, and how much is meats?

RH: I don't know specifically in that context. John (Darmstadt) could probably tell you that better than I could without having to pull up all the orders. I don't have that on me here.

MS: So what exactly is your position and what do you do in relation to Kenyon College?

RH: My title is "Programs Account Executive". I'm not a commissioned salesman. I am a salaried employee. I take care of problems more than anything else. I try to assure that my customers are properly taken care of, that they get what they order in a timely manner. There's always questions. Do you carry this? Why don't you have that? This was out of stock. What's a better price on this? Can this be used in this recipe? You know, there's just constant variety of questions. Like with the special orders...I want Hawaiian tofu?! I'm sorry, no, we're not going to carry that for you. I will frequently make deliveries. If you going to order here and you have to have something and it wasn't on our truck for whatever reason, I'll run up and get it and bring it down. I do probably close to \$300,000 worth of sales a week. Our street salesman—a very, very good top-of-the-line street salesman—will be running about \$50,000 a week. He physically takes the orders. He goes in to the customer every day and takes their orders, and they pay for that service. The distributor offers three things: the quality of the merchandise, the service, and the price. Everybody wants the highest quality, the best service, and the lowest price. That's physically impossible. You cannot do that because quality costs money and service costs money. So what the chains do, instead of paying the commissioned salesman to come into their facility two or three times a week, they know what they're doing and they don't need to pay for that. They take that out of the equation instead of paying a commissioned salesman who sees them twice a week, they're paying a salaried employee who might see them once a month. I don't spend that much time per account, and I can therefore handle a whole lot more accounts. So SYSCO is not losing money and the customer is not spending extra money. We can also give the national accounts lower pricing because of the sheer volume. Kenyon College right now, the entire operation, is my biggest customer. And ARAMARK as a whole is SYSCO's biggest customer...by far. ARAMARK is a huge corporation nationally. They are everywhere. That buying power—it's not anything else—that buying power is it. If you go down to the Walmart and you want to buy a roll of toilet paper it's going to cost you x-dollars. But if you go to the manufacturer and you want to buy a truckload of toilet paper obviously it's going to be a whole lot less. Volume and buying power is the name of the game.

MS: You mentioned that quality is one of the things that people are looking for. Do you have government regulations or any standards that you need to meet?

RH: Absolutely. Nothing can be sold in the way of consumable food that doesn't have a government regulation. Nothing. The government has their fingers in everything. Especially in meats and things like that, you get into definitions. If you have an item that is say, a breaded steak, if that breading is less than 30% of the weight you can call it a steak. If that breading is 31% then it has to be called (by federal law) a fritter. If your breaded shrimp has more than 50% by weight of breading in has to be called "artificial shrimp. Stupid definition, but that's what the law says. You won't see that on your menu, but you'll that on the box. Every box of product coming in, that's manufactured, has a little round seal in the corner about the size of a quarter. It is a USDA inspection. It will give an "est. number". ("est." means establishment) It is usually a four-digit number and that will tell you where that product was manufactured...so it can be traced back. Every can of can of canned products has a stamp on the top of it. That's a code that will tell you when and where that product was manufactured. Any manufacturer keeps "sample lots". For every lot manufactured they keep a sample for an extended period of time. So that if something goes wrong—say people get sick—they inspect the lot and find that there's botchulism in it. They can go back to their records, check their lot, and sure enough that has grown. They can go into their computer and figure out who purchased from that lot during that time frame and that's how a recall gets established. You probably saw an article in the paper where such and such a company is recalling such and such a product? They have all the information.

MS: What if you are ordering one of these specialty products; if someone wants Hawaiian tofu? Something you don't usually carry. Is there some sort of procedure that you have to go through to make sure that it meets standards that you need it to meet?

RH: If it's available from a manufacturer which we already to business with, then it's not a problem. We already have their hold harmless agreements. If they carry the product we'll just have the person here who wants it sign a special order that they're responsible and I'll process it through and we'll order it in with the next delivery from that manufacturer and it gets automatically shipped to them. If it's a product from someone we don't buy from then you run into major problems. Usually it will not happen. If it's a volume of something they need to have, we obviously have to get the whole hold harmless agreement. We have to find out what their minimums are. The manufacturer say, in Oregon, is not going to ship three cases of product to SYSCO in Cleveland. It isn't going to happen. Most manufacturers will have a minimum delivery of one pallet. A palate is a wooden platform that's 48 inches by 42 inches. That's how a product is shipped. They stack it up on a palate, the forklift goes under it, picks it up, and sets in on the truck. The truck goes to our warehouse, our forklift pulls it out and sets it on the ground for picking. A palette of number ten cans if 56 cases. Depending upon the size and the weight of the product that palette could be any number of cases. We're not going to buy 56 cases of Hawaiian tofu if we're going to sell one case a month. It economically not feasible. I cannot tie up a pallet slot for less than five cases a week. Our rule with our program customers is five cases a week. Not just one unit, but for the whole customer group. If ARAMARK as a whole will use five cases a week of product we'll bring it in unless their minimums are to high. Sometimes manufacturers will not sell less than say, \$5,000 a shot. If that stuff costs ten dollars a case then it's not going to happen. There's just too many problems involved. In distribution the two most important things are gross profit (dollars per stop), and "turns" of the inventory. "Turns" mean how many times per year the total inventory is turned over. That should be at least 12. So the inventory should turn over once a month. If you buy 24 cases and sell one case a month, that turn is 0.5. It's a half a turn a month. Not exactly right.

MS: Now you said you buy dairy locally. So how does that work in terms of regulations? You're already contracted, or...?

RH: Oh, absolutely. The dairy is already inspected heavily. When you get into things like meats, USDA inspection versus state inspection is an issue. The state of Ohio (and all states) must inspect the meat plant. They don't necessarily have to be federally inspected. Federal inspections are a little bit more stringent than state inspections. We will not buy from any producer that is not USDA inspected. Consequently you can buy some meats on the market cheaper than what we can get. Every time you check into it they're not USDA inspected because that inspection process costs the manufacturer. He has to pay for that federal inspector to be in his plant. It seems strange, but that's the way it works.

MS: If he is going to be able to sell his product for more money then it works out.

RH: And the inspection process is more stringent so therefore he can better assure the public that his product is always safe. I personally do not buy a product that is not federally inspected. I would not eat hamburger coming from a non-federally inspected plant, period. There's just too many things that could go wrong with hamburger. Hamburger is one of the most dangerous products in the world. If it's not handled absolutely properly it can go bad like that, because you're cutting and mixing constantly. So if there's just one spot that the bacteria grows on the outside of one piece of meat, now it's spread throughout the whole mess. It's everywhere. I've always said that if the average American housewife were to work in any slaughterhouse they'd be a vegetarian for life.

MS: I believe it. I was a vegetarian myself.

RH: Poultry, beef, ham, pork, slaughtered for sale. It takes a different type of mentality to work in a place like that too. We were at a work plant many years ago down in Florida. They were having a problem with the ham we were buying from them. It was going bad, and they couldn't figure out what the problem was. I was a buyer at the time and I was just checking through it. Essentially you have a pouch with a lid of plastic (cryovac) that is cryovacked on and in quite a few places I could see a little piece of ham between the two pieces of plastic. This means that it's not sealed. I thought about it and nothing happened. So we were invited up for a tour of the plant. During the tour there's three guys from this distribution plant in Florida who know nothing about ham processing and we told the general manager in the process of this tour, "There's your problem. You're putting too much product in the mould before it's baked and it expands in the baking process. When the lid is cryovacked on, it's not sealed." Little bits and pieces sticking out is not sealed. Sometimes outside eyes can see things that people who are on top of it day in and day out can't see. A pair of fresh outside eyes can see things that you become blind too.

MS: How often do you get to do that, go out to a plant?

RH: I'm not purchasing anymore, I'm in sales. I've been back and forth between sales and purchasing many times in my career and I prefer sales. More freedom. On that same plant, the mentality of people that work in the slaughterhouse is obviously different from you and I. First of all it's a blue collar job. It's a repetitive job. It's a dirty, cold, ugly job. The worst job is the actual slaughterer, the guy who sticks in the knife, twists, and pulls it out. All day long that's all he does. Stick, twist, pull. Next one up stick, twist, pull. It's repetitive and they also get carpal tunnel and all that kind of thing. But they also discovered that in this little town, they started doing some studies of knifings, bar fights, and murders. When you have somebody who his job is repetitively sticking in a knife and he's in bar and getting a little drunk, and somebody picks on him, what's his natural reaction?

MS: That same motion again, that he does all day long.

RH: Exactly.

MS: That's terrible.

RH: They started to discover that this really was a problem. So from that point on that job is a three-week turn around. You're there for three weeks and then you're out of there. It may not be for another year of two that you're there for another three weeks. So it cannot become ingrained habit in a person. It's fascinating! You don't think about things like that.

MS: I would think that since everything is so mechanized (I visited a dairy farm and that sort of thing) that they would have some sort of machine that would do that job instead of making a human being stand there and kill an animal.

RH: It is mechanized in a chicken processing plant. Because they're small enough, and they're all basically exactly the same size. Chicken processing today; when the egg is laid they can tell you exactly the date and the hour that that chicken will be slaughtered and how much it will weight. It is cut and dry.

Everything is processed. They eat “x” number of ounces of this every “x” number of hours. There’s no question. It’s very, very cut and dry. It’s a manufacturing process. Yes it’s a live animal, but it’s a manufacturing process. There’s nothing left to question. But when you get into large animals that doesn’t happen. They aren’t kept, they roam free. So no two cows and identical. The farmer tries to fatten them up in a feed lot on corn. They’re corn fed at the feed lot to get as much extra bulk put on to get the marbling to the beef and so they’re not identical, whereas chickens are absolutely identical. So when that steer comes up the chute, first of all it’s a big animal and if the chute is not wide enough for the shoulders then they can’t hold it from not moving. If the steer is doing this [shaking his head] you’re not going to be able to kill it. When you get into the cutting up process, the beef, once it’s split and drained and quartered they have to cut out all the different cuts of meat. That’s a skill. One person has a lot to do and you have to follow the contours of the bone. The bones are different sizes and it has to be done specifically. Believe it or not that have two people sitting side by side that they’re entire job all day, long five days a week, fifty weeks a year is to dig out the pituitary gland out of the skull. It is the size of a pea. They’re sold for hundreds of dollars an ounce for medical research.

MS: Well that’s one career I will be avoiding. Another question, do you get a lot of demand for certified organic?

RH: I’ve never heard of the term. Certified organic? No.

MS: So you wouldn’t know if anything you sold was organic?

RH: No. Generally speaking I don’t know of any organic process that isn’t literally homegrown and very small. It probably would be a local farm or whatever.

MS: I guess I was wondering because of Pan-Geos that we have here. Is that through ARAMARK as well and you supply to them?

RH: We supply a lot of the Pan-Geos items, but not everything. Some of the stuff I’ve never even heard of, and I’d have no concept where to even look for it. You could go down to your local health food store and buy it. We sell a lot of it, and most of it comes through that big redistribution warehouse I told you about. Pan-Geos has not spread to a lot of ARAMARK operations so most SYSCO houses are going to use some of this type of stuff. They use two cases here, two cases there, so if every SYSCO house nationally uses two cases a week that’s 120 cases a week for the redistribution warehouse that they can afford to carry it.

MS: Where is this warehouse?

RH: Fontblack, Wisconsin.

MS: And where is your office?

RH: Our warehouse is in Bedford Heights, which is a suburb of Cleveland.

MS: So every shipment that Kenyon gets is coming from Cleveland?

RH: Yes and no. It is picked from our warehouse in Cleveland, but we do what we call “redistribution points”. The redistribution plant for here is Mansfield. We will have a driver pull double trailers (one tractor two trailers) loaded trailers out of Cleveland. It goes to Mansfield, drops those two trailers and picks up two empties from yesterday and goes back to Cleveland. This is like two o’clock in the morning. He’ll pick up two more loaded trailers, bring them down there, drop them, and pick up two empties, take them back to Cleveland. Now we have four loaded trailers by four o’clock in the morning sitting on that yard. The drivers live in Mansfield. Their tractors are parked on that yard. So they’ll come in at six o’clock in the morning, back their tractor onto the loaded trailer and head out to make they’re deliveries.

MS: And how long is the route-?

RH: It saves a tremendous amount of time. Instead of driving all the way from Cleveland to Kenyon College, we just have one driver pulling two trailers to make all those miles down to Mansfield. It cuts the labor force in half. Plus by federal law a driver can only work at maximum of twelve hours a day. He can drive a maximum of ten hours in one day, and he can work a maximum of fifteen hours in one day. Then there's also laws about how many hours in a seven day period he's allowed to work. So there are very stringent regulations on drivers. It's to keep sleepy drivers off the road. It's that just that simple. But it's very stringent rules on that. So if a driver is only allowed to drive ten hours a day and he's already driven five hours round trip of dropping from Cleveland down to here, he only has five hours to work. That's not good husbandry of resources. So if they're starting in Mansfield he's got time to get his job done. We do that in a lot of places: Mansfield, Columbus, Youngstown, Canton, Newcomerstown, it just saves a lot of time and miles.

MS: If Kenyon College were to buy produce or something from the farmer down the road, do you have a problem with that?

RH: Absolutely. They are contracted to buy their product from us.

MS: So is there now way that a place like Kenyon College could buy from local people as long as they're contracted with you?

RH: That is basically correct.

MS: They can't contract certain things from you and buy others locally?

RH: When you start taking a national contract and massaging it for local problems it involves money. There's so many exceptions to every rule that the rule no longer exists. If you're dealing with a local entity, if Kenyon College ran their own food service operation rather than contracting with ARAMARK they could do whatever they damn well please. But in doing so they would also be paying considerably higher prices. You have to weigh the balances. You're getting, as a student, a better deal because ARAMARK is here, because they're getting a better deal by their size and volume nationally from SYSCO. If ARAMARK was not here and Kenyon was doing their own cooking, their prices would be higher and you'd have to pay more.

MS: In a way I see how that works, after hearing your explanation of volume and prices and quality and such. But at the same time having been to the farmer's market and things like that the prices are so low!

RH: But they're for just those items. What percent of total business are those produce items you find at a farmer's market? Five percent? If I cut five percent in half (you won't) but lets just say you'd save 2.5 percent) of your total business. But if you're overall costs went up ten percent because of losing volume discounts you've lost.

MS: Just as a person, who goes to the grocery store, do you see any benefits to local foods over big manufacturers?

RH: In some things definitely. Like I said I much, much, much prefer a homegrown vine-ripened tomato over anything grown from any manufacturer anywhere. The difference is like day and night. But that product is not going to travel. The cost involved in making all those changes isn't going to happen. It's a whole different world. And that's true of any industry you want to talk about. When you look at the net result of any market, it's really amazing. If you go back through and figure out what it takes to get that up and going, it's mind boggling how many pieces have to fit together. The whole inventory process just in time for delivery. I service the GM plant over in Mansfield. The line of trucks in there everyday is what they call "just in time" delivery. In other words when the bin is empty is that same time that truck is coming in with supplies. Basically we do the same thing. We want one of our inbound trucks coming in just before we ship the last item. We ship approximately 70,000 cases a night. Which means we also have

to receive in 70,000 cases a night. That's 140,000 cases of product going in and out of our warehouse a night. The numbers are astounding!

MS: That's so much coordination with a lot of different people!

RH: And we're just one distributor. One warehouse. As a country we have a tremendous faith in our distribution systems. We know that you can go down to the grocery store and buy a can of peaches and we know they're going to be there. You have absolute, total faith that that can of peaches is going to be on the shelf when you need it. Consequently you don't worry. Do you remember Johnny Carson? Johnny Carson had his late night show probably before you were born. He made an off-handed joke one night and caused a worldwide panic and shortage of toilet paper.

MS: What was the joke?

RH: He made some off-handed comment about he's heard that there's a shortage of toilet paper and you'd better go get some because it probably won't be available. And everybody ran out and bought a load of toilet paper, which literally emptied the supermarkets. Emptied all the stores, and the manufacturers tried to reorder but the wholesale warehouses were cleaned out. The manufacturers are running 24 hours a day to restock, but they can't keep up. He created a worldwide toilet paper shortage. Instead of having the faith to know that when they needed a roll of toilet paper they could go down to the store and buy one, they went out and bought everything they could and hoarded it. That's how a whole system can break down, like banks back in the 20's and 30's. Your money is not in that bank. It's out in somebody else's house that's being built. It's physically not there and if everybody that has money in that bank goes to the bank and wants their money out, then the bank's out of business. The collapse. We have to have faith in the system, whatever the system might be, whether it be the distribution system, the banking system, whatever. Without that faith, it kinda doesn't work. That's true whether it be the food business, the banking business, or whatever else. That instance with Johnny Carson proves how the system can break down. If the faith is not there, it's gone. It's a fascinating story! Absolutely true.

MS: I'm rather discouraged that you don't think that local food is possible at all. I can understand why you would say that, but-

RH: You have to look at the big picture, and the big picture is not Kenyon College. The big picture is ARAMARK as a corporation, as a nation-wide corporation. They do what's best for their corporation nationally.

MS: And be reliable like you were just saying--you have to know that you can go and buy these products—you need to be national because seasonally things aren't going to be ready in one place all the time.

RH: That's what happens in produce pricing. You've seen in the grocery store where sometimes a head of lettuce might be a dollar fifty a head, and it's really not a very pretty piece of lettuce to start with. This is one of those things where price is usually absolutely contrary to the quality. When the quality is absolutely dead beautiful, gorgeous, the price is low because it's supply and demand. When it's growing well and its being transported well, the price is low. If they get a freeze in California or heavy rains and they get field rot or aphids, or things like that, the quality goes to hell and the demand is still there so the price goes way up. You can pay \$40 for a case of lettuce that is little tiny slime balls! It's disgusting, and you're paying \$40 a case for it! Whereas a normal case of lettuce is about twelve or thirteen. It's strictly supply and demand, and you'll see lettuce crops don't grow in any one place year-round. They'll start in Mexico and the fields will move north up into northern California, and the fall it will work backwards. The people know pretty much what the weather is going to do from history. They know when to plant, when their field is going to come due and the right time as the process is working itself out. They use the term "deal". Don't ask me why, but they call it a deal. You know, "The lettuce deal for this date is in Silinus," or "The lettuce deal is in Tucson," or "The lettuce deal is in Mexico," or whatever. But if the weather doesn't cooperate and this deal finishes before this deal is ready you may have a week in there where there's no lettuce. We're very low, so what happens then? The price goes through the roof. Consequently the

opposite side of the fence, this one's not done and this one's ready. Now you have a tremendous supply and the price goes down. Produce is one of those things that quality is probably 20% of the price factor, and supply and demand and about 80% of the price factor. Yes, a good quality is going to be a little bit more expensive than a cheaper quality. I have proved to customers time and time again—who complain that, “Oh, this is \$13 a case. I can get lettuce from the local guy for \$8 a case.” I say let's prove it. You buy a case of his \$8 lettuce and you buy a case of my \$13 lettuce and I'll be out there and we'll prepare it. You have you're people cut it, clean it, prepare it, and weigh the net result—the useable product. I'll guarantee you that my \$13 case is cheaper than your \$8 case every time, and I've never failed.

MS: Why is that?

RH: Because that \$8, there's a reason why that price is low. There's always a reason for price. Doesn't happen because I really like the way you look and I'm going to give you a hell of a deal. The reason for pricing—if somebody is selling lettuce for \$8 there's a reason for it. Generally speaking the reason is either it's old, or the quality isn't there, so by the time you open up that box and cut off all the bad parts, and peel off all the outer leaves, and clean out all the rot, what you're actually paying for is cost per serving. It doesn't matter what the case price is. If you buy a fifty-pound case of lettuce and it's only twenty pounds of useable product, you're cost is not based on fifty pounds; it's based on twenty pounds. So if my case gives you 40 pounds of useable product and his case gives you 20 pounds of useable product, my product can be twice as expensive as his before it matches. So if I'm thirteen and he's eight, I'm cheaper. There's always a reason for cost. Like they say in politics, “If you want to know the answer to the question, follow the money.” Who's paying? That's true in most things in life. In fact that's true in everything in life! Follow the money. There is a reason. A can of peaches and the cans are absolutely identical. My can and the can from a competitor—the cans are absolutely the same size, they weigh absolutely the same amount but that doesn't mean that it's the same product. You have to open the can, drain off the juice which you're not going to use, and if you're going to put to halves to a serving the question is how many servings are you going to get out of that can? How many pieces are actually in that can? If I get 36 servings out of my can and they get 27 servings out of their can, and they're the same price, which is cheaper? That's the hardest thing for people to understand. The case price is meaningless. It doesn't matter what the case price is. It's what is the cost per serving. If you're dealing with something that's a manufactured hour d'oeuvre that's a hundred pieces a box, then the case price matters because they're both exactly a hundred pieces a box and a hundred servings. Bingo. When you're dealing with anything that has to be further processed or further or worked on before it's served, then it's cost per serving. Companies like ARAMARK have obviously done their homework, and they've looked at all the distributors and they found in the long term that SYSCO does better. I'll cut my canned products against any other distributor and I'll we every time. We have the quality. We have quality insurance people in every manufacturing plant, maybe not every day, but they'll get in to every manufacturer. Right now we have 120 manufacturers the last I heard. Quality insurance people, that's their job, that's their total job to go into the manufacturing plant, verify that what is packed under the SYSCO brand meets the specifications that we gave that manufacturer for the SYSCO brand. If you take the SYSCO imperial peach half and compare it to another distributor's peach half—pull out a bucket and just look at them—you'll see the difference in color, in size, in damage, in extraneous pieces. It happens. There's going to be a piece of a leaf, or branches, it's just reality. I know it's get disgusting when you talk about it, but in most things in the government specifications of legalities there is a certain percentage allowed of things that aren't supposed to be there.

MS: Well I guess you're going to get some at some point, but—

RH: You can't have a 100% perfect product. It isn't going happen. There's dust in the air. In that dust is dust mite droppings, so that's going to get in your food. Your body is used to it, it's always had it. I think that's one of the reasons why there is such a large increase in incidents of asthma in kids today. Because you're body is used to/ designed for filtering out problems. You have the armies in your body that will attack and invader. The white blood cells or whatever they are. That's their job. If nothing comes in and you live in too damn sterile environment like many houses are today, they don't have anything to do. They start attacking things they really shouldn't be attacking. That's what causes, in simple terms, asthma. It's basically your body's defenses attacking things that they really shouldn't be attacking. I've read recent

studies that have really begun to look in that direction. That our society today is so clean. You know we put air filters in our houses, we filter everything, everything is sanitized. We put antibiotics in the cattle so that we're inundated with antibiotics. Everything in us is too damn clean. So you get a little piece of pollen coming in, and all you defenses just jump on it instead of ignoring it like it always used to do. Pollen is not an enemy, but when they have no enemy they attack it. You don't see that instance of asthma going up in other countries as it has in the United States. Fascinating.

MS: Sounds like you do your homework.

RH: Oh, I read a lot. I like to learn. My favorite magazine is Smithsonian. Have you ever seen Smithsonian? Every issue is totally different. The articles could be on any subject under the sun. It could be something stupid, like a couple of months ago they had on demolition derby auto racing, or it could be on termites, or it could be on Monet's art. I just love reading it...what else?

MS: Well, I think that I'm about out of questions here. You answered everything I had.

RH: Distribution is a much more difficult process than people know once you start to think about it. You're dealing with not only expensive trucks (we already talked about that), but the people who have to do their jobs. The trucks are routed by a computer system that keeps track of all the miles. It costs almost \$2 a mile to run a truck. The real cost is about \$85 to stop a truck to make the delivery. So when you order ten pieces of groceries you'll be fine. You deal with all the peripherals that every business has to have; the human resources department, the insurance department, the payroll department, the buyers, the sales force, the customer service, and all the backup people that are necessary; it's a tremendous amount of people involved! And they all have to get paid. The bottom line in distribution is about 1% so it doesn't take much to kill that bottom line. In distribution there's been quite a bit of shakeup in the last couple years. A whole bunch of major companies have gone under.

MS: What as it that made them go under?

RH: I'm not sure how to put this. SYSCO is lucky; we have as our top people, what I refer to as bean counters. Financial people who know about numbers. If you a company run by the sales driven company, as long as the sales are going up, everything is fine. Well, if you're not making any money on those sales everything is not fine. You can have the best sales in the world, and if you're losing a penny on every sale, you're going bankrupt. You can't make it on the volume if you don't have at least a percentage over cost. We are driven by this. Unless we have sales people, we have personnel people, but our top people are financial people and if it doesn't work it's not going to happen. At our facility a few years ago we were experiencing a slow downhill slide. I made a comment about two years ago in December that until our president is gone; nothing is going to happen. Sure enough he left in January and things started going up.

MS: What is your training? What was your schooling? Do you have a financial background?

RH: No, actually I graduated from Michigan State with a degree in hotel/restaurant/institution management. So I started out in the restaurant and hotel business and after a relatively short period of time I decided that I really didn't like the operations side. Every job you can imagine in a restaurant I've done it all; the manager, the dishwasher, and everything in between. But you're on call 24 hours a day, 7 days a week, 365 days a year. Sometimes I worked half days from 6 in the morning until 6 at night. Sometimes the phone would ring right in the middle of the night.

MS: I've worked in my fair share of kitchens myself so I understand.

RH: It's not as easy as people think it is. There's too many things that can go wrong. We use the phrase, "All it takes is one bad hamburger and you're bankrupt." In today's litigious society, one thing goes wrong and you're out of business. You can't afford to have even one thing go wrong when it comes to food safety. Too many restaurants have survived more by what they lack than by what they have. There's a lot of restaurants that I've served in that I wouldn't eat in. There's a lot of restaurants out there that I wouldn't eat in. You're lucky that you have people like ARAMARK to run your operation because they are trained,

they are certified to know what they are doing. There are people at a self-op operation that don't know what they're doing.

MS: Are there self-op ones that do know what they're doing?

RH: Oh yeah. If they're lucky enough to get good people. You need people in food service to hire everybody and then train everybody from top to bottom. That's another advantage to ARAMARK, is that they have the resources both financial and training. If you were self-op do you think you would have ever heard of Pan-Geos? Nope, it'd never happen. But they have the resources nationally to come up with this kind of thing, to come up with these recipes, concepts, which is why they're successful. They are the biggest and the best in contracting service, period. We are the biggest and the best in food service distribution, period.

MS: Every single kitchen that I have worked in has been supplied by SYSCO.

RH: Oh really?!

MS: My parents used to work at a summer camp where they were managers, and I got familiar with SYSCO when I was twelve. The big truck came every week.

RH: Yeah, SYSCO has been around of 26 years now. We were 6 individual distributors who got together and decided that they could do better as a group than they could individually, and that's how SYSCO came into being.

MS: Is there a central headquarters?

RH: Houston, Texas.

MS: What's the chain of command?

RH: Each SYSCO distribution center is called a house. Each house is very autonomous to a point. The president is allowed a lot of leeway in terms of his business. He does all his numbers and sales, but we all use the same national computer system. The exact same product in Cleveland is going to be the same as if you ordered it from Miami or anywhere else. It's the same SUPC numbers (SYSCO universal product code). Again, economies of scale at work. The buying power is there to contract to buy an entire field in California. A local distributor couldn't do that; they don't have the resources. It would take a national distributor that has the resources that we do to do something like that. A company like ARAMARK keeps a very low profile. There a lot of facilities that they're in, including colleges, where you will never see the name anywhere.

MS: Why is that?

RH: Because the college wants to keep that as a low profile. They don't want the students to know that they're contracted out. This is XYZ college, we are XYZ college, and nobody knows any different. It's just a philosophical difference.

MS: Is this to maintain an image?

RH: Yeah. Overall, ARAMARK is a low-profile company. They don't plaster their name up on a billboard outside the door. You may see in on their uniforms, or you may see on the door, but that's all you might see. They don't have a sign out in the road. It's a low-profile company, and SYSCO is very much the same way. Unless you've worked in a kitchen you don't know the name SYSCO. You don't see that anywhere. You don't see it at all. We used to have products that would have SYSCO's name on it for tabletop, and in the last few years we've gotten away from that because it did not sell well. It is a good name, but it's not a good name. People aren't going to identify with the name SYSCO as far as food. So we've gone to some brand names that are readily identifiable. Italian foods are Areezio brand. That

sounds Italian! So anything that's Italian from SYSCO is sold under the brand Areezio. Anything Chinese, is Jade Mountain. Anything for a deli is Block and Barrel. It's a beautiful blue logo with a cheese block and a barrel. It looks like a real, live deli product. It looks better than a SYSCO cube.

MS: So is there a preference then, for things that aren't/ don't look like they're mass-produced?

RH: Yes. Consumers are very fickle. They want both sides at the same time. They want a locally grown product at a national contract price. It isn't going to happen. So we try to give a feel of a local product with the Block and Barrel brand. If you go into a convenience store deli and you see a ham laying there that has a beautiful blue Block and Barrel label it resonates in your mind better than the exact same ham with the SYSCO cube on it. The same with Areezio. If you see olive oil with the Areezio label on it, it looks like an imported product instead of the one with the SYSCO cube on it. So we've gone to being branded in various areas with names that do resonate with others. SYSCO is a market, pure and simple. We are America's largest marketer of quality assured food service products. That is our title. We don't make anything, we market products, and we distribute them to others. We don't have cash and carry operations. We do distribution only, and yes there's a cost to that. People say that they can get the stuff down at Sam's Club cheaper. Fine. You get in your car, you drive to Sam's Club, you spend your time, your insurance, your gas, and you go and bring it back home. Fine! Whatever you want to do. There's a cost to bringing it to your door. When you're down in your at Sam's Club picking up your product, you're not in your kitchen watching what's going on in your kitchen. You're not managing your business when you're out at Sam's Club. Many years ago down in Florida I was with the owner of a franchise barbecue chain. We were selling our distribution program to a group of franchisees and we were down in Ft. Lauderdale. I'll never forget this. The guy is standing facing me and his cook is behind him so I'm basically looking past him watching his cook. He's telling me how he gets in his station wagon every day and he goes down to some cash and carry Sam's Club type place, and he can save a nickel on this and a dime on that. When you put it all together you save a lot of money every week. I'm watching his cook who has the little scoop for French fries. It's a portion control so that when you scoop you have X number of ounces of French fries. Every single plate was getting scoop and a handful. So while you're out saving a nickel a case on product, your cook is giving away 40% food cost. HELLO!!!! You save a nickel and you lose a dollar. Which makes more sense? You pay the people who are experts in the field to do their job. You're the expert in the kitchen so take care of the kitchen. I'm the expert at getting your groceries to your backdoor. Let me take care of that job. I'm the expert at that and it works. He's the expert in the kitchen and it works. If you were suddenly in charge of the kitchen, would it work?

MS: Not at all! Put me in charge of dishes and I'd be all set.

RH: Even that, realistically, wouldn't work. Because the dishwashing today is a very scientific process. You take people like Ecolab who supplies your cleaning supplies; your soaps, your detergents, your floor cleaners, and the like. The tests that they run on dishes are mind boggling. How many parts per million in the water you have to have of your surfactant, of your detergent, of your rinsing agent, of all these various chemicals. And if it's not right, it either isn't going to clean, or if it's not right in the other direction you're going to leave residue. Either way it may look clean, but it's not. Even dishwashing now is a very exacting science. You can't just fill up your sink with hot water, and scrub your dish, and rinse it off, and send it out to get eaten off in a service environment. You can't do that, it's illegal. If you cut yourself in the kitchen and you drip a drop of blood on the floor and a guy come up with a mop and mops it up, that's illegal. That blood by federal law is a hazardous material and it has to be handled accordingly. Everything now has federal regulations. You can't do anything without following federal regulations, which is why expertise is now putting more and more into less and less hands. Whether it be distribution, or cooking, or manufacturing, or whatever. Because everything today has become a very, very specialized science.

MS: Which is why we have people like you.

RH: Absolutely. I take care of business.

MS: Well thank you very much, this was very helpful.

RH: I hope it works for you, and I'm sorry about your local produce.

MS: That's all right, we were sort of afraid that that was the way it would be.

RH: One other thing about your local products. When you buy local products you're literally buying a pick in a poke. You don't know what you're getting. You don't know how it's been handled. You don't know if there's any hormones, any germs. If you get sick and you go back to the local farmer what's going to happen.... I don't know. You have no recourse, and you don't really know what you're getting. In today's society I want to know.

MS: So you're never going to shop at the farmer's market?

RH: To be honest with you I really don't think so. Tomatoes I'll try to grow in my garden, or I'll go to an Amish farmer because they know what they're doing. But no, I don't think so. You don't know if he's using hog waste as fertilizer in its raw form. How long before the plant was coming up was it put on? Is it on the surface? Do you know? But if you buy a product commercially from California I can guarantee you that they know exactly what's on there. There are a lot more to most things than what's on the surface. The bottom line is I want to know what's under the surface!

MS: Well thank you very much. Actually I need to sign a release form if you would please?

RH: What am I signing here?

MS: Just that this tape will go in an archive, which can be used by other students in the Rural Life Center for research.