Kellogg to lay off hundreds at Michigan plant

Jerry White
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The giant cereal maker Kellogg announced Thursday that it was considering closing part of its giant Battle Creek, Michigan plant and eliminating 700 of the 1,100 jobs there as part of a plan to save between $35 million and $45 million a year. Kellogg, which has 14,500 employees worldwide, said it would determine the exact number of layoffs at the plant after a meeting with the workers union, the American Federation of Grain Millers Local 3-G.

Just six months ago Kellogg, the maker of Corn Flakes, Rice Krispies, Pop-Tarts and other breakfast foods, said it would cut about 765 jobs, or 20 percent of its salaried employees. The latest cuts, which could come as early as the first quarter of next year, are expected to primarily affect production workers.

In 1996 Kellogg slashed 800 blue-collar workers at the plant. At the time the union accepted sweeping concessions in wages and working conditions to maintain production at the plant, the company's largest. This was part of a global restructuring by Kellogg that laid off workers at its Australian and European operations, and pressured unions throughout the world to increase productivity and profit margins or face plant closings.

In a statement announcing the new round of layoffs, Kellogg President and CEO Carlos Gutierrez said, “An integral part of our strategy is continuing to reduce costs and improve efficiency to enable greater reinvestment for profitable growth.”

Analysts cite the impact of lower costing store brand cereals and competition by more portable breakfast foods, bagels and cereal bars, for Kellogg's declining market share and profits. An industry analyst for Goldman Sachs said, “It's no secret that the cereal business in the US has shrunk over the years. This is an industry with overcapacity. Another food industry analyst said, “We can expect to see even more streamlining or jobs cuts and plant closings.”

The layoffs will sharply impact the southwestern Michigan town, also known as “Cereal City,” where the company's founders began making corn flakes at the turn of the century. Four percent of Battle Creek's 55,000 people work at Kellogg, the town's biggest employer, and thousands of others work at packaging, printing and other companies that supply the cereal maker.

“This is a real atrocity. How are people—in their 50s and 60s—going to start all over?” said Julia Hawkins, a college student whose parents have worked for Kellogg for three decades. “My dad said he saw these layoffs coming. It's a hellhole in there. The company's been shifting its production to the Omaha and Memphis plants and using more automation to put people out of work.”

“Lot's of people are going to lose their homes, especially the ones with lower seniority who won't be able to retire,” said Loretta Willis, a longtime Kellogg's worker. “A lot of them have expensive homes, kids in college or private schools, and they are going to lose it all. Some of them were hired back after 1996, but they aren't going to be so lucky this time. People are in shock right now. They don't know what to say. But they are angry at Kellogg's.”

Battle Creek Mayor Ted Dearing said the latest layoffs would be more devastating than last December's because many of the workers would not be able to find other jobs that pay similar wages and benefits. The sheer number of the layoffs would severely impact the community, he said. “All of the sudden those 500 jobs could become 1,200 jobs lost in a six-month period,” he said.

The layoffs will affect the company's older South Plant. As one worker pointed out, there is a large mosaic of founder WK Kellogg in the lobby there and a quote, “I'll invest my money in people.” “They'll have to take that down,” the worker commented.

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Chuck, a skilled tradesman at the plant, said, “The company has been running the plant into the ground without any new investment. The equipment we are working on is 1940s and 1950s vintage.

“In 1996 management got the workers to vote on the contract by sweetening the buy-out offer and pension payments. We lost job classifications and the no layoff clauses that were in different departments. The workers who were laid off had to reapply for their jobs. If they were hired back they lost all of their seniority and vacation time and had to start all over again at $6 an hour. Now these workers are going to be the first to go in the new layoffs. Can you imagine getting two severance packages from the same company?

“If you tell people that things are bad, they say ‘show me: unemployment is low, houses are being sold, the market is up.' But just look at Battle Creek.”

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