

# What workers are striking against: A global profile of the Kellogg Company

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“The pandemic presented us with a sampling event like none other and we saw increases in household penetration that outpaced most of our categories...” This is how Kellogg’s CEO Steve Cahillane summed up the company’s performance during 2020, when widespread lockdowns drove demand for packaged foods as millions sheltered in their own homes. Net income for the breakfast cereal giant increased 30 percent to \$1.25 billion, and revenue jumped slightly to \$13.77 billion.

This rosy description of the coronavirus pandemic, which has killed 800,000 in the US alone, is an example of the cold logic driving forward the company’s attempts to smash the two-month strike by 1,400 cereal workers in the United States. It responded to their overwhelming rejection of a concessions contract brokered by the Bakery, Confectionery, Tobacco Workers and Grain Millers’ International Union (BCTGM)—that would have eliminated restrictions on the hiring of lower-paid, second tier workers—by declaring it would accelerate plans to fire and replace the strikers en masse. This autocratic move sparked outrage among workers around the country and the world.

But this ruthless campaign is not the product of a company struggling for survival. Indeed, Kellogg’s remains as highly profitable as it has been in its more than 110-year history, and it has expanded its operations significantly in recent years, driven by ruthless cost-cutting. Indeed, breakfast cereal is among the most profitable segments in the food processing industry, which Yahoo! in turn recently rated the 14th most profitable industry in the world.

In 1995, when the International Committee initiated a campaign against Kellogg’s global job-cutting campaign at the time, we noted that Kellogg’s had already vastly increased its international scope. Of its global workforce of 15,000 at the time, 7,000 lived outside of the United States, and the company was expanding aggressively into emerging markets such as southeast Asia and the former Soviet Union. The company had made \$705 million in net profits the year before, on worldwide sales of \$6.6 billion.

At the same time, the company controlled 42 percent of the global cereal market and was locked in a bitter struggle over market share with rival General Mills.

Since then, both the company’s revenue and profits have roughly doubled. Kellogg’s earnings before interest and taxes (EBIT) were \$1.6 billion, with an 11.6 percent profit margin. By comparison, Ford Motor Company reported of \$1.63 billion on \$115.8 billion in revenue, making the world’s fourth-largest auto

manufacturer slightly more than one-tenth as profitable as Kellogg’s.

Dividends, meanwhile, have increased for decades, and now stand at \$2.31 cents a share. At a share value of \$63.37, this means Kellogg’s dividend yield is 3.5 percent, more than twice the average of the S&P 500. Even though many other large companies suspended dividend payments last year to conserve cash during the pandemic, Kellogg’s continued to dole out tens of millions of dollars to its shareholders.

## A globalized food company

In spite of this, Kellogg’s market share in breakfast cereals has continuously eroded since the 1990s. Its US market share declined from 36 percent in 1995 to 30 percent in 2017. This is one factor in the company’s growing diversification into different segments of the prepared foods market. It has done this through a series of high-profile mergers and acquisitions that will continue to play a critical role in the company’s current “Deploy for Growth” strategy, which targets accelerated growth rates of between 1 and 3 percent.

These mergers have expanded Kellogg’s from a cereal maker primarily centered around on the US market to a multinational producing a wide variety of packaged foods for different markets across the world. The most high profile of these acquisitions was arguably its \$2.7 billion purchase of potato chip brand Pringles in 2012 from Proctor & Gamble. Most of its recent acquisitions, however, have focused on international brands and joint ventures.

These include:

- A joint venture announced in 2012 with Singapore-based Wilmar International focused on the growing Chinese snack market;
- Another joint ventured in 2015 with Tolaram Africa focused on West Africa. Kellogg’s later invested another \$420 million into the venture;
- The purchase of majority stakes in Egyptian food companies Bisco Misr and Mass Food Group, also in 2015;
- A 2016 acquisition of a controlling stake in Brazilian food company Parati for \$429 million

As a result of these moves, breakfast cereals occupy a substantially smaller portion of the company’s sales than it did

less than 20 years ago. According to a 2018 slide show for investors, the proportion of cereal as a total of net sales declined from roughly two-thirds in 2005 to less than half in 2017, while snacks, a category that includes products such as Cheezits, Pringles, Town House crackers and Nutri-grain bars, doubled to 52 percent. The volume of products sold in the United States as a share of worldwide also declined in this period.

The company's workforce has also doubled since 1995 to approximately 30,000 today. Currently, it operates 52 plants worldwide, half of which are located outside of North America. These include three plants in Russia, three in South America, three in Africa and two in India. Slightly less than half, or 25 of these plants, actually produce cereal, with others producing frozen foods and pre-packaged snacks. Only five of the company's 26 factories in the US and Canada, four of which are involved in the current strike, produce cereal (the fifth, a new plant located in Belleville, Canada, is not a party to the same labor contract as the US plants).

The 1,400 workers on strike in the four US cereal plants comprise less than five percent of Kellogg's the global workforce. This is, in part, the product of relentless job-cutting campaigns, such as the one in 1995 that eliminated 1,075 jobs worldwide. The cuts have reduced the workforce of these plants to a fraction of what they were a generation ago. The company's flagship plant in Battle Creek, Michigan currently employs only 410 workers, less than a quarter of the 1,700 people who worked there in 1995.

Kellogg's global workforce has been subjected to repeated job cuts. The most recent of these, "Project K" which was completed just before the pandemic in 2019, eliminated 7 percent of the global workforce, resulting in an estimated cost savings of \$700 million per year, according to the company.

At the same time, Kellogg's has demanded repeated concessions from workers' wages and benefits, supposedly in the name of "saving" jobs. Before and during the 2015 contract talks, it locked out workers at the Memphis plant and threatened to close an unnamed US plant if workers did not accept the establishment of a new second tier of lower-paid "transitional" workers. The BCTGM obliged, pushing the contract through, but its repeated acceptance of concessions has not saved a single job.

In part to deflect attention from this record, the BCTGM is promoting a ferocious anti-Mexican campaign, calling on Kellogg's and other companies to cease production in Mexico and blaming foreign workers for the loss of jobs and wages in the United States. This racist agitation has been taken up by the far-right news outlet Breitbart, which is a key media promoter of Trump's ongoing attempts to build a fascist, extra-constitutional movement. In fact, Trump's nationalist "America First" tirades, directed against Mexico in particular, had been the stock in trade of the American unions for decades before Trump emerged as a major political figure in the Republican Party.

In reality, Kellogg's presence in Mexico goes back decades, and it was the first non-English speaking market that the company expanded into. The Kellogg's plant in Queretaro, Mexico was built in 1951, making it decades older than the US plant in Lancaster, Pennsylvania.

While the company has, almost from the start, conducted business on a multinational scale, the international expansion of

Kellogg's and the global integration of capitalist production over the past four decades has rendered the national-based strategy of the BCTGM, and indeed the trade unions as a whole, hopelessly obsolete. It serves only to isolate the striking workers in the United States from their most powerful allies in Kellogg's global workforce and the international working class as a whole, all of whom would be outraged to learn of the company's strikebreaking efforts. Indeed, Kellogg's is attempting to weather the strike by utilizing its international supply chains to compensate for lost production in the United States.

But the international dimensions of Kellogg's operations are a source of strength for workers, not weakness. Kellogg's, like any other major international company, is extremely vulnerable to disruptions in its global supply chains and a global campaign among Kellogg's workers to unite with workers in the US would have a powerful impact.

Workers in Mexico have repeatedly demonstrated their determination to oppose their exploitation. In January 2019, auto parts and electronics workers in Matamoros, just across the border from Brownsville, Texas revolted against the poverty wages and sweatshop conditions at the US and other foreign-owned maquiladoras. They staged a series of wildcat strikes in defiance of the company-controlled unions and marched to the border where they appealed to their class brothers and sisters in the US to join them.

In the summer and fall of 2019, workers at the General Motors factory in Silao, Mexico refused to work overtime during the strike by 45,000 GM workers in the US. For their courageous act of class solidarity, GM fired and blacklisted the leaders of the struggle. In response, rank-and-file workers in the US called for their reinstatement and donated money to support the victimized Mexican workers.

The American media, the BCTGM, the United Auto Workers and other US unions blacked out any information about these struggles in order to keep perpetuating the poisonous lie that Mexican and American workers are enemies.

Among striking Kellogg's workers in the US there is enormous sympathy for their coworkers in Mexico and the developing world, whom they regard as a super-exploited "third tier" of workers.

Kellogg's has an international strategy to pit workers against each other in a race to the bottom. To defeat this, workers need their own international strategy. That means rejecting the divide-and-conquer nationalism promoted by the BCTGM and reaching out to their class brothers and sisters around the world to defend the jobs, living standards and working conditions of *all* workers.

This requires taking the conduct of the strike out of the hands of the pro-company union by establishing a rank-and-file strike committee, independent of the BCTGM, to establish lines of communication and joint action by workers across Kellogg's global empire.



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