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EXCLUSIVE REPORTS

War's economic fallout

Hunter, Milnot feel pinched; Merisant ups production in Middle East

Margie Manning

The war with Iraq has taken a small bite out of sales at RIBUS Inc., a St. Louis-based food ingredients manufacturer.

A customer in Saudi Arabia put an order from RIBUS on hold after the war began, said J. Stephen Peirce, president. "They didn't want their goods tied up on the sea or in the port, and rather than tying up their money, they're saying they want to sit tight."

Hunter Engineering Inc. has seen orders from Turkey and Egypt for its wheel-balancing, wheel alignment and auto workshop equipment tail off considerably since January, said Jeff Henry, regional manager for sales in the Middle East.

At Milnot Holding Co., sales of Beech-Nut Baby Food have fallen to near zero in Lebanon and Syria because of a more than year-long boycott of U.S.-made goods, said John Hall, vice president of sales.

RIBUS, Hunter and Milnot are among the Missouri companies that exported a total of \$198.3 million in goods to 13 Middle East countries last year, according to the Missouri Economic Research and Information Center. That was down 34.5 percent from 2001.

The war, which started March 19, is raising additional concerns, said Randy LaBounty, director of the U.S. Exports Assistance Center in St. Louis. Insurance costs are up, because of the risk of shipping into an area with ongoing military action, and increased security concerns have delayed processing shipments in and out of ports in Israel, Jordan and the Saudi peninsula.

President George W. Bush took business concerns into account before committing troops to action, said Arnold Donald, chairman and chief executive of Merisant Co., the world's leading manufacturer of tabletop sweeteners, and a member of the President's Export Council.

"A couple of weeks before the war, the president shared with us his empathy for concerns about the economy, but he also said without national security, there is no economic security," Donald said.

LaBounty said for now, "most people are treating it as a nuisance and

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extra cost to do business there. It's a frustration, but they also view it as fairly short-term."

Peirce said he expects RIBUS' business to return to normal within about four months or sooner, while Henry said he's already getting word that business is picking up in Kuwait.

Lucrative markets

Milnot has felt dramatic repercussions from tensions in the Middle East, well before the war started, Hall said. The impact of the boycott of U.S.-made goods started showing in February 2002 and for the company's fiscal year ended in June 2002, there was a 50 percent reduction in Milnot's business in the Middle East. In fiscal 2003, which ends in two months, Hall expects Middle East business to be down 90 percent compared to the 2002.

"We're virtually out of the business in the Middle East," Hall said. "Competitors, such as Gerber, now bring product into that market from other countries, but we don't have that option."

About 5 percent of Milnot's \$196 million in sales last year came from exports, much of that in the Middle East. This year, Hall expects exports to account for only 3 percent of Milnot's sales.

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