

Anchin, Block & Anchin LLP
Accountants & Advisors
1375 Broadway New York, NY 10018
212 840-3456
www.anchin.com

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Anchin's 2011 Survey Shows Resilient Food & Beverage Industry

For further information:

Kayte Steinert-Threlkeld

212.840.3456

Kayte.steinert-threlkeld@anchin.com

The food and beverage industry remains "a bright spot in the region's economy."



That's the message that Greg Wank, Partner and Chair of Anchin's Food and Beverage Services Group, delivered as he revealed the results of Anchin's annual survey to assembled industry executives at the firm's recent event, "Food for Thought: State of the Food and Beverage Industry."

Based on the feedback of 60 companies in the tri-state area, the results provide benchmarks at a regional level offering insights into one of the densest and most dynamic food markets in the country. Despite the challenge of the recent downturned economy, food company executives remain optimistic, expecting strong growth rates for the coming year.

Highlights of this year's survey include:

- Employment increased across all sectors in 2010 by 9% vs. a 2% decrease in 2009.
- Smaller companies (less than 75 employees) grew employment by 11% overall.
- Overall, companies experienced an average of 4% increases in both sales and net profit. In the protein sector, sales grew by 8% while net profits only grew by 2%, primarily due to commodity pricing pressures.
- Sales growth across all sectors came largely from expansion with existing customers and new product offerings. Private label offerings also continue to gain importance across all industry sectors.
- For 2011, companies are expecting on average a 10% rise in both sales and profitability with baked goods and snack foods companies leading the way with strong double-digit growth projections.
- Key challenges reported by all respondents included commodity and fuel costs. Competition and regulatory changes were cited as less important than in previous years
- Discretionary outlays in research and development, advertising and capital expenditures saw only modest growth to counter the uptick in uncontrollable energy, commodity, and transportation costs (non-discretionary costs).



- Small and mid-sized companies used hedging strategies such as buying co-ops, locking in commodity costs to match sales orders, and long-term supplier contracts.
- Succession plans increasingly turned to key employees rather than family members in subsequent generations.
- More companies anticipated making acquisitions than selling their company, a positive sign for capital markets as multiples return to more competitive levels driven by the demand to acquire companies.



Respondents to the survey included 51% family-owned businesses, with two-thirds or more of these companies in the second or greater generation of ownership.

Complete results of the survey are available at www.anchin.com. The survey, in addition to the firm's networking events, proprietary newsletters, and specialized industry services, is yet another example of Anchin's commitment to the food and beverage industry. Additional information is available at www.anchin.com.



Growth Trends: Employment



	2010	2009
Baked Goods	4%	4%
Beverages (non-dairy)	4%	-3%
Food Service (restaurant/caterer)	10%	-4%
General Distribution	17%	-18%
Meat/Poultry/Seafood	7%	5%
Retail/Supermarkets	7%	3%
Snack Foods and Confectionary	15%	-1%

Industry Challenges

Rank	Actual, 2009	Actual, 2010	Projected, 2011
1	New Sales Channels	Commodity Costs	Commodity Costs
2	Commodity Costs	New Sales Channels	New Sales Channels
3	Financing/Cash Flow	Increased Competition	Cost of Fuel
4	Cost of Fuel	Cost of Fuel	Increased Competition
5	Cost of Labor	Cost of Labor	Cost of Labor
6	Government Regulations/Food Safety	Financing/Cash Flow	Financing/Cash Flow
7	Increased Competition	Government Regulations/Food Safety	Government Regulations/Food Safety