Food for Thought: State of the Food and Beverage Industry

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Agenda

- Respondent Population
- Growth Trends
- Industry Challenges
- Strategic Responses to Challenges
- Summary

Respondent Population: Industries

- Seven Specific Market Sectors Identified
  - Baked Goods
  - Snack Foods and Confectionary
  - Meat/Poultry/Seafood
  - Beverages (non-dairy)
  - General Distribution
  - Retail/Supermarkets
  - Food Service (restaurant/caterer)

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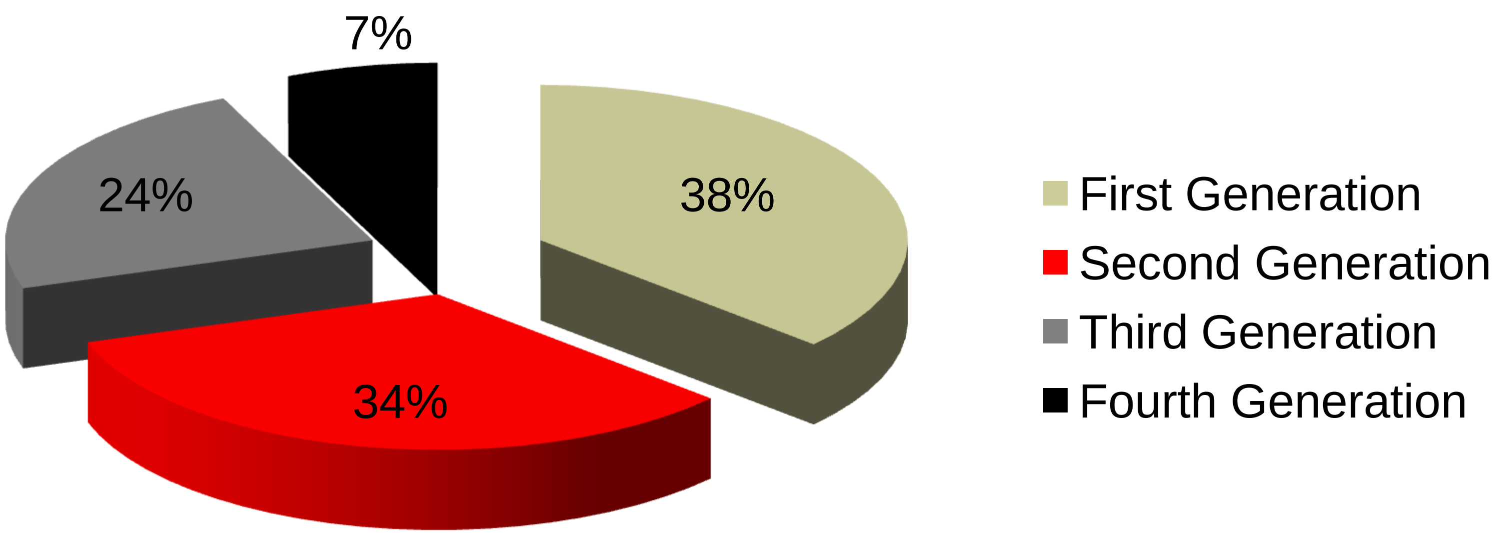
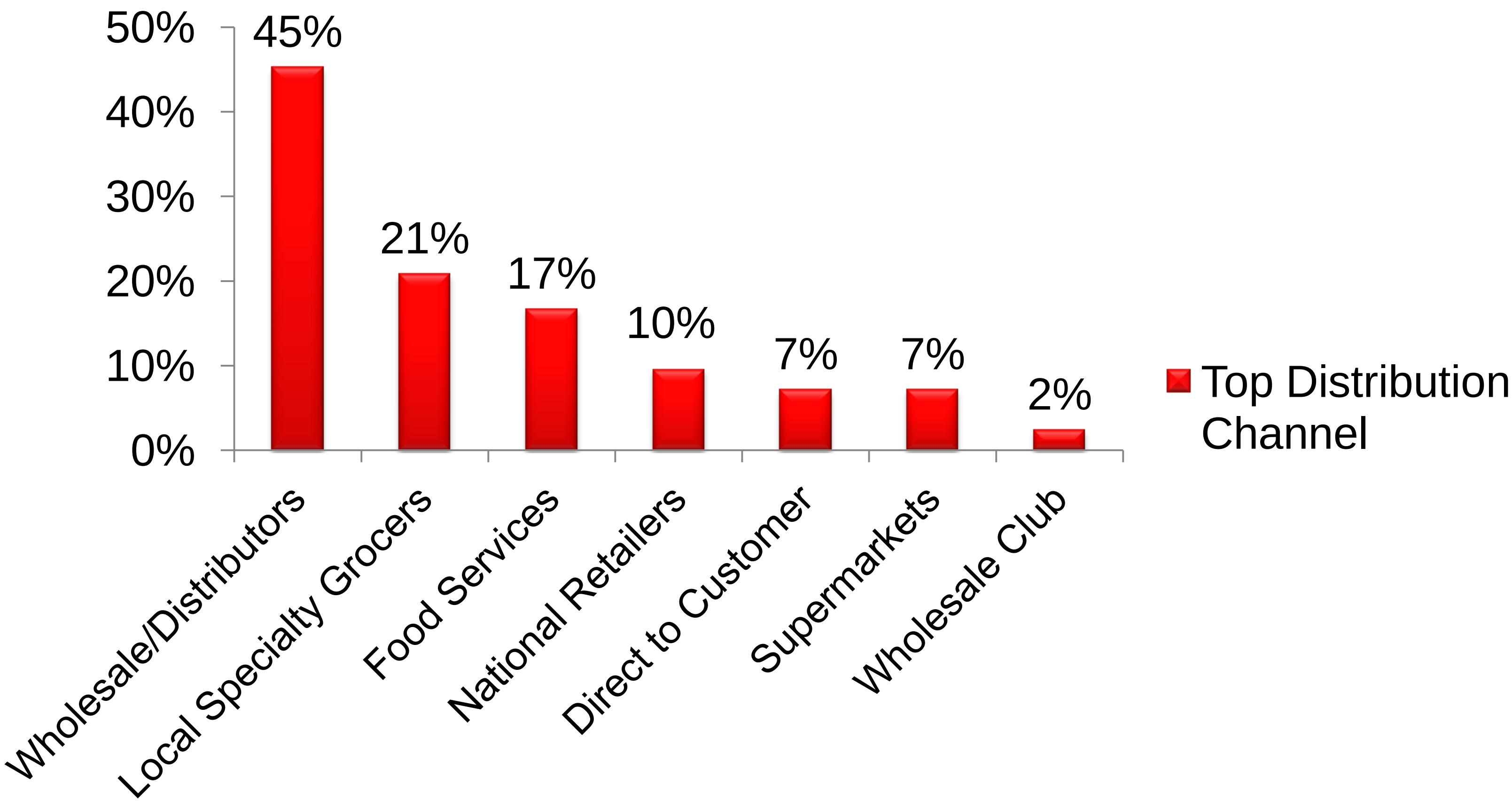
Respondent Population: Family Businesses

51% of respondents are family businesses



Respondent Population: Customer Base



Excludes Restaurants & Retail respondents.

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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%

Growth Trends: Sales/Profits

	Avg. Δ Gross Sales 2009-2010	Avg. Δ Net Profit 2009-2010
Baked Goods	1%	1%
Beverages (non-dairy)	9%	6%
Food Service (restaurant/caterer)	13%	12%
General Distribution	-2%	0%
Meat/Poultry/Seafood	8%	2%
Retail/Supermarkets	8%	8%
Snack Foods and Confectionary	-4%	0%

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Growth Trends: Projected Sales/Profits for 2011

	Avg. Projected Δ Gross Sales 2010-2011	Avg. Projected Δ Net Profit 2011
Baked Goods	10%	9%
Beverages (non-dairy)	12%	2%
Food Service (restaurant/caterer)	10%	26%
General Distribution	2%	8%
Meat/Poultry/Seafood	17%	-1%
Retail/Supermarkets	9%	12%
Snack Foods and Confectionary	12%	12%

Growth Trends: Market Positioning

2008	2009	2010
Expansion with Existing Customers	Expansion with Existing Customers	Expansion with Existing Customers
New Customers in Existing Markets	New Product Offerings	New Customers in Existing Markets
Expansion to New Markets	New Customers in Existing Markets	New Product Offerings
New Product Offerings	Expansion to New Markets	Expansion to New Markets
Strategic Partners	Development of a New Brand	Private Labeling
Acquisition	Private Labeling	Strategic Partners
Private Labeling	Acquisition	Development of a New Brand
Development of a New Brand	Strategic Partners	Acquisition

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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

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Top 3 Challenges by Sector

Industry	2010 Challenges	Projected 2011 Challenges
Baked Goods	1) Commodity Costs 2) New Sales Channels 3) Increased Competition	1) Commodity Costs 2) Cost of Labor 3) Increased Competition
Beverages (non-dairy)	1) Commodity Costs 2) Financing/Cash Flow 3) New Sales Channels	1) Commodity Costs 2) Financing/Cash Flow 3) Increased Competition
Food Service (Restaurant/Caterer)	1) New Sales Channels 2) Commodity Costs 3) Government Regulations/Food Safety	1) New Sales Channels 2) Commodity Costs 3) Government Regulations/Food Safety
General Distribution	1) Commodity Costs 2) Increased Competition 3) Cost of Fuel	1) Cost of Fuel 2) Commodity Costs 3) Increased Competition
Meat/Poultry/Seafood	1) Increased Competition 2) Commodity Costs 3) Cost of Fuel	1) Cost of Fuel 2) Commodity Costs 3) Cost of Labor
Retail/Supermarkets	1) Cost of Labor 2) Commodity Costs 3) Increased Competition	1) Cost of Labor 2) Commodity Costs 3) Increased Competition
Snack Foods and Confectionary	1) Commodity Costs 2) New Sales Channels 3) Cost of Labor	1) New Sales Channels 2) Cost of Fuel 3) Financing/Cash Flow

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Industry Challenges: Discretionary/Non-Discretionary Factors

Discretionary			
Sales Prices	R&D Spending	Capital Expenditures	Advertising Expenditures
2%	3%	15%	4%

Non-Discretionary			
Direct Labor/Fringe Costs	Energy Costs	Transportation Costs	Commodity Costs
3%	6%	4%	11%

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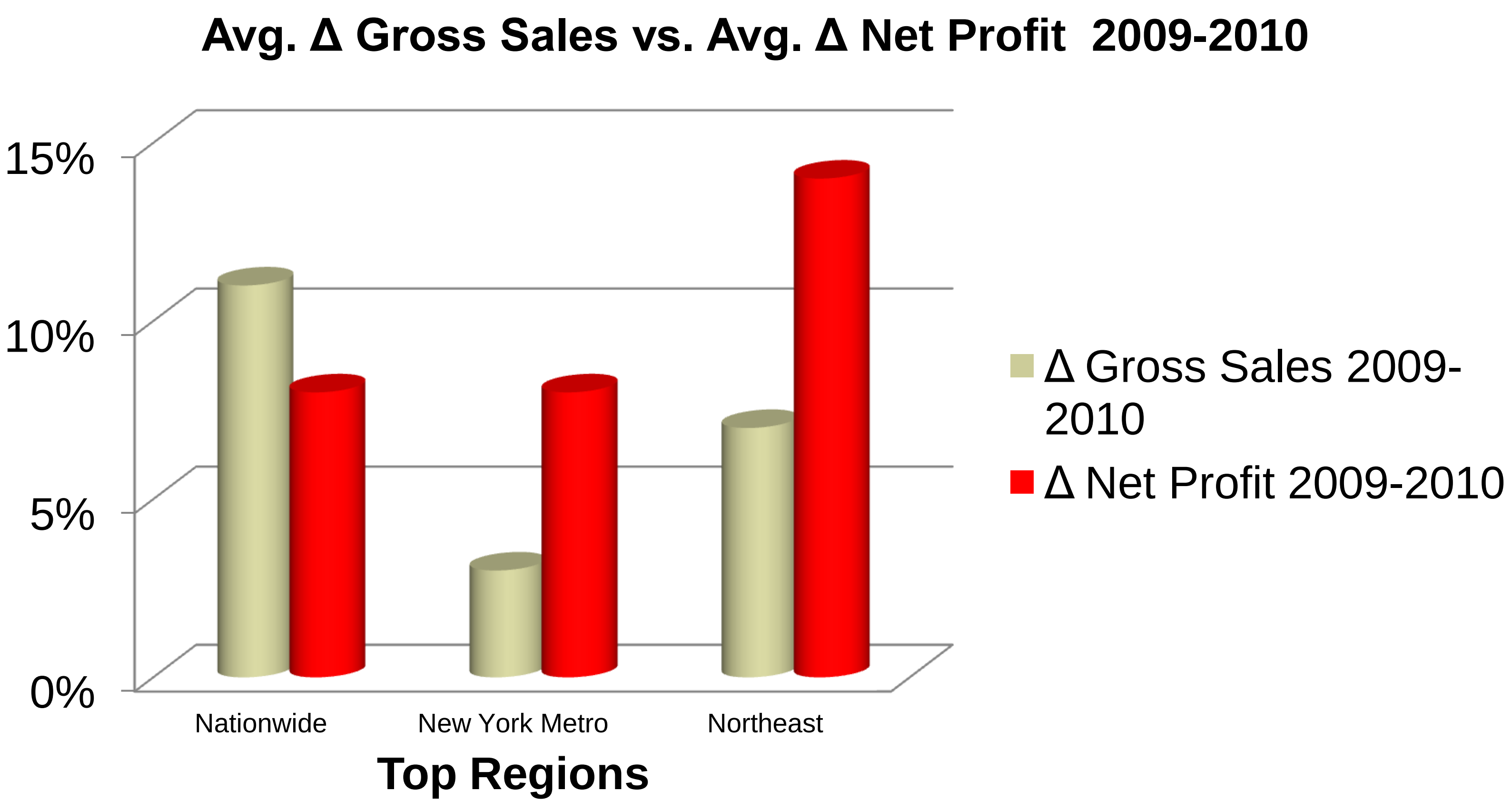
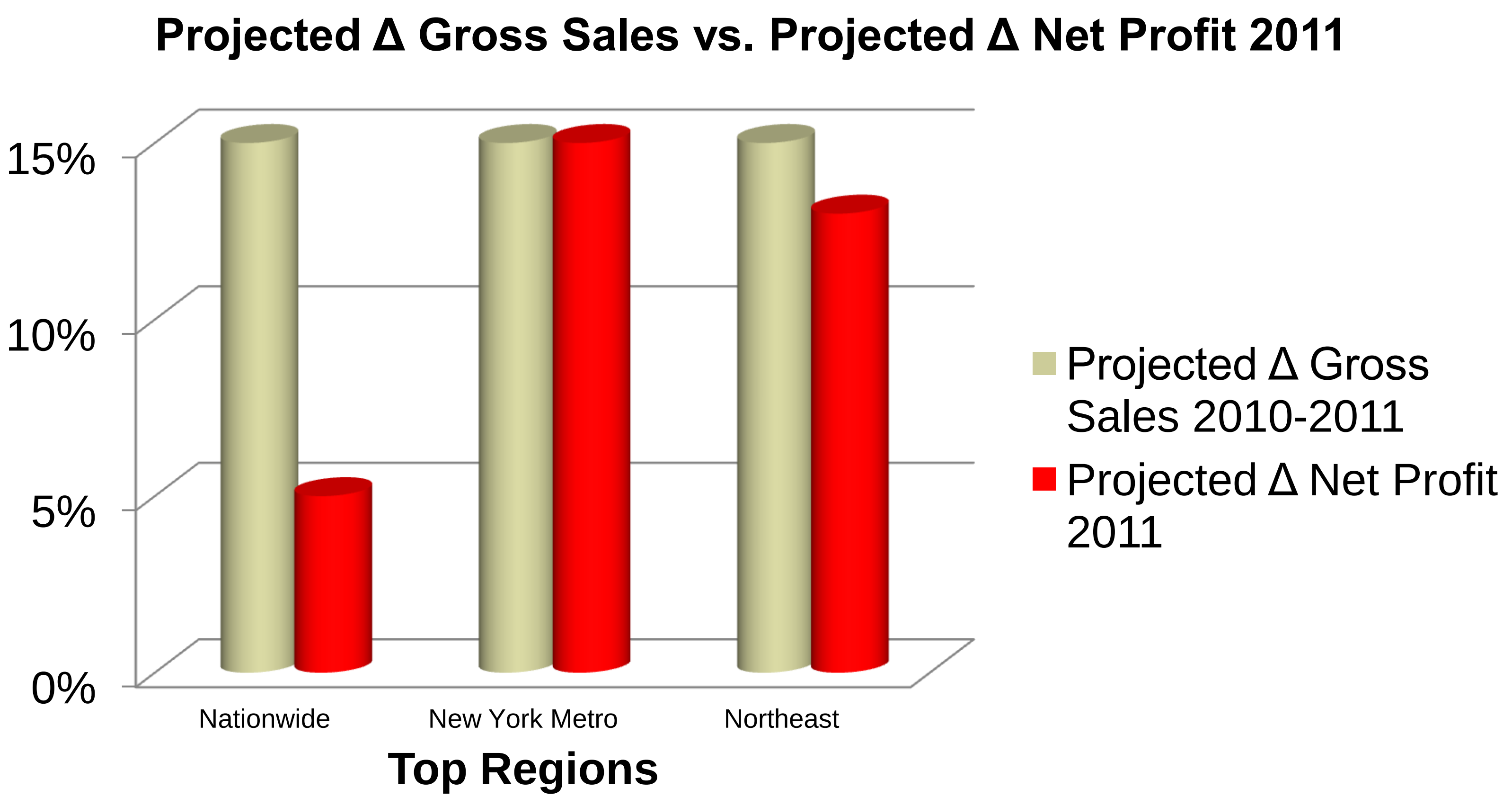
Strategic Responses: Facing the Challenges

- **Sales and Customer Relations**
  - New Products
  - New Markets
  - Referrals/Networking
- **Operational**
  - Internal Reviews
  - Utilizing Available Resources
  - Strategic Partnerships
  - Recruitment
- **Financial**
  - Cost Management
  - Price Increase
  - New Source for Financing
  - Hedging

Strategic Responses: New Markets



Strategic Responses: New Markets



Strategic Issue: Hedging

- Long-Term Futures Contracts
- Buying Co-op
- “The Jeweler’s Approach”
- Long-Term Supplier Contracts
- Diversity of Hedging

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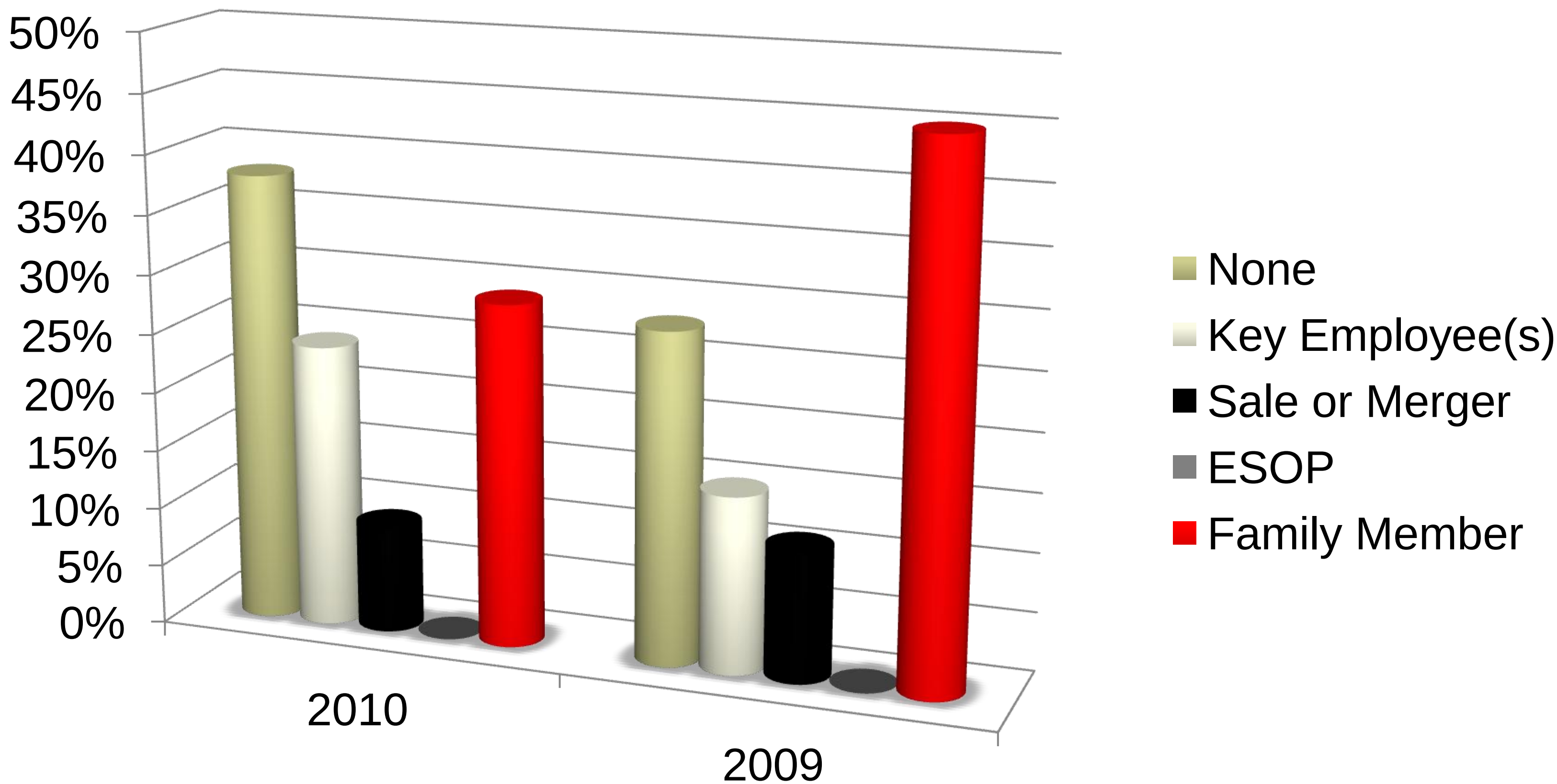
Strategic Responses: Succession Plans/Family Businesses



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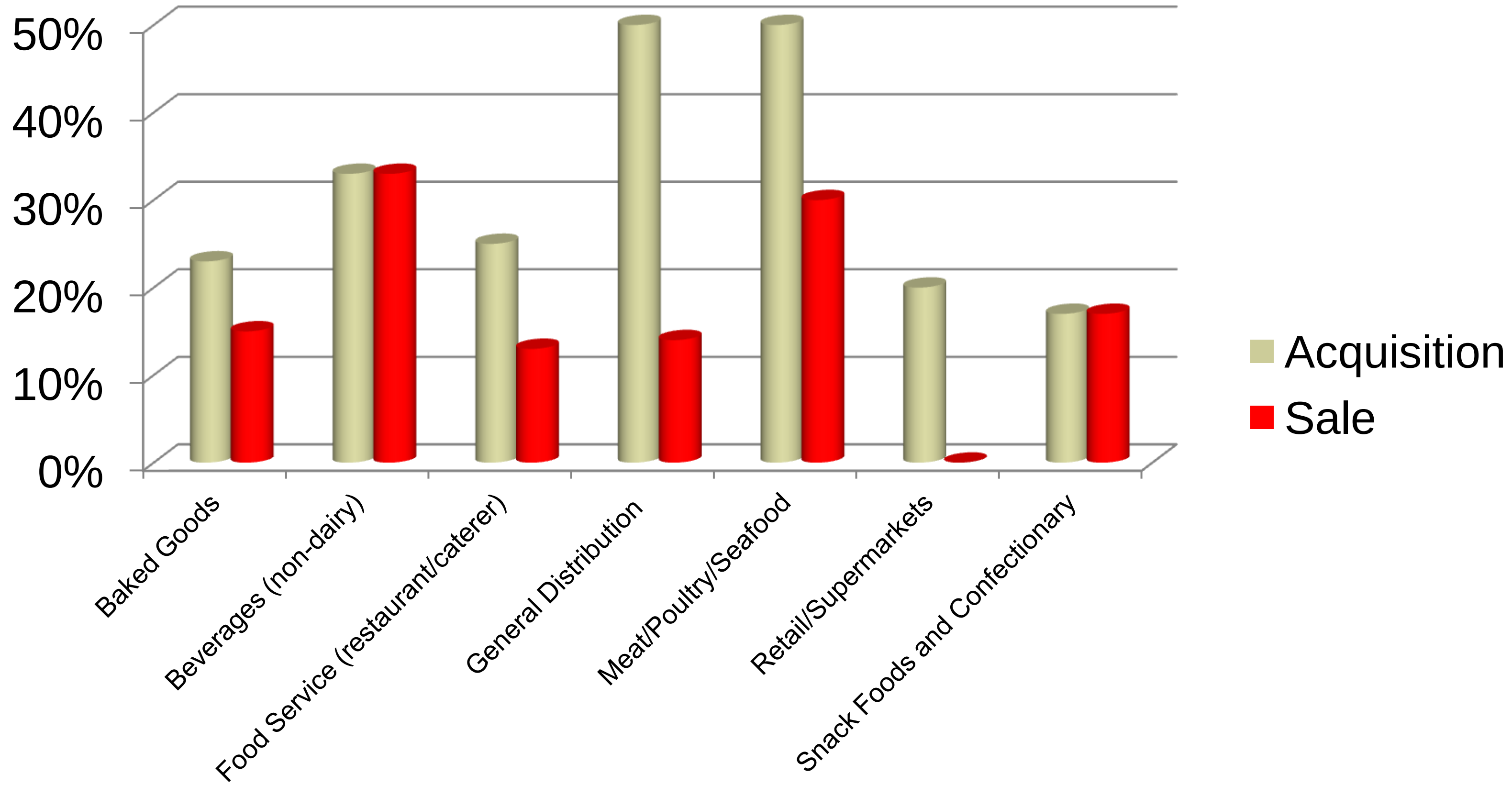
Strategic Responses: Acquisition & Sales



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Summary

- **Growth Trends**
  - Growth in 2010
  - Projecting strong growth for 2011
- **Industry Challenges**
  - Commodity/Ingredient Costs
  - Developing New Sales Channels
  - Cost of Fuel
  - Increased Competition
- **Strategic Responses**
  - Market Positioning
  - Hedging
  - M&A
  - Role of Advisors

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