

Arway



A SUPPLIER YOU CAN COUNT ON!!

IT'S A SLAM DUNK!

*With higher quality products,
extremely competitive prices, and
service that you can rely on, your
success is just about guaranteed!*

Take a shot with Arway!

We're having another great year at Arway. Thank you again for your continued business and consideration. We truly appreciate all of the business we receive (regardless of size). Our loyal customer base continues to be the secret of our success. Best wishes for a happy, healthy, prosperous, and *peaceful* year ahead. Again, thank you for your support, and we hope to hear from you soon.

Craig Leva

& all of your friends at Arway Confections

P.S. If you get a chance, check out our new website at www.arwayconfections.com

THE SPIKE IN SUGAR PRICES

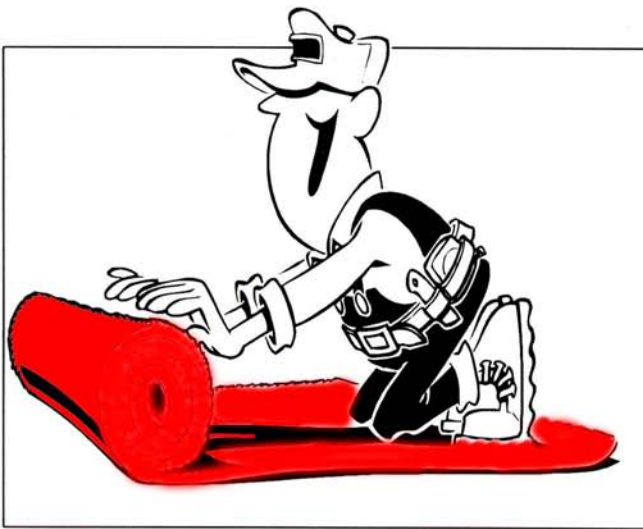
Due to the fact that sugar plays such a vital role in all the coatings we purchase and many of the finished products we manufacture, we felt an update of the world sugar market would be of interest to our customer base. As I am sure you have heard, sugar prices have been trading significantly higher over the last year. In fact, over the last 32 years, there have been only three significant spikes in sugar prices; 1974, 1980, and 2005/2006.

The first spike coincided with the OPEC oil embargo of 1973. Up until that point most people in the world, particularly American consumers, took crude oil and energy for granted. That all changed in October 1973 when the price of crude rose by 70% to \$5.12 a barrel (seems hard to believe, doesn't it?). This sent shock waves through the economy, which caused commodities to rally. Sugar wasn't immune. In 1974 sugar prices reached their all time high. The rally was actually set up by crop production problems in several different countries. The price rally provoked a drop in sugar consumption in developed countries due to alternative products like artificial sweetener and High Fructose Corn Syrup. At the same time, many countries raised their production levels, which helped sugar prices ease back to normal levels.

The second rally in 1980 was set off by another oil embargo, this time begun by Iran in 1979. Oil, once again, helped provoke an inflationary mindset even more so than in 1974. In addition there were extenuating circumstances with poor crops, and the market skyrocketed (not quite as high as 1974 but still enough to cause even more changes to the world sugar landscape). Production was again boosted world wide.

The second oil shock in 1979 also led the Brazilian government to institute an ethanol production plan. This provoked a huge boom in sugarcane cultivation, but the major recipient wasn't sugar production but ethanol production. The rest of the world concentrated on increased sugar production, and as prices fell, Brazil at least had ethanol to fall back on. Twenty years down the line it would be ethanol which would help provoke the next rally, the one we are experiencing now.

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RED CARPET SERVICE!

Spike in Sugar (Cont'd)

So, where does today's rally stem from? Up until recently, Brazil was one of the world's largest exporters of sugar, and with the Brazilian Real currency at extremely weak levels in the early 90's, Brazil single-handedly forced world sugar prices lower. Prices were so low, in fact, that many countries decided to convert sugar production to other, more profitable crops and left sugar growing to Brazil. However, the Brazilian ethanol program redirected additional sugarcane production when the flex fuel car began to appear in late 2003, and sugar exports began to plateau. The decreased production by other countries, as well as the concentration on ethanol production helped push sugar prices upward. Also adding pressure to sugar prices is the massive amount of speculative money currently being directed toward commodities (sugar included). And here in the U.S., hurricanes Ivan, Katrina, and Wilma devastated sugar production in Louisiana and Florida.

The price of crude has been a catalyst, albeit in a different manner this time around. The rise in

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Spike in Sugar (Cont'd)

energy prices has provoked an increased use of alternatives including bio-renewable fuels, i.e., ethanol. This in turn has pushed Brazil, which began their fuel program after the second price rally, to divert more of its sugarcane resources towards ethanol at the expense of sugar. Other sugarcane producers are following suit. This is causing worry among sugar consumers for now and in the future. Overall world crude prices will continue to be a major influence on ethanol production, good or bad. If prices in crude were to begin to fall, ethanol production might slow and sugarcane might be directed more towards sugar.

ALMOND / PECAN UPDATE

Almonds: Almond prices have been extremely volatile all year long. After significantly lower prices early in the year, the almond industry continuously raised prices back to last year's historically high levels. With a large crop coming and proof that almond consumption falls at higher prices, pricing should eventually settle lower; however, the lack of current inventory, the lateness of the crop, and current supply / demand principles will probably delay these lower levels until after the Fall/Xmas demand wanes.

Pecans: Prices have recently begun to firm due to the expectation of a shorter crop this fall. Pecans have an alternate bearing crop cycle, and 2006/07 should be the "off-year." The industry is also nervous of potential damage from the current hurricane season, as well as drought conditions that have plagued the entire country throughout the summer. Arway, however, has contracted pecans at favorable levels, and we will be able to hold the line on price through the end of the year. We expect to see higher prices throughout 2007, though.



General Information

Terms : 2% 10, Net 30 Days

All pricing is FOB Arway (Chicago, IL)

Minimum Order 500 Lbs. (assorted items)

*For less than 500 Lb. minimum, call
Chicago Candy & Nut (a division of Arway)
(773) 463-7600 for lower bracket pricing.*

All products are Certified Kosher (Circle K)

Pricing is subject to change without notice.

Credit applications must be processed
and approved before open accounts will be
established. Prior to credit approval, all
orders will be paid in advance.

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As always, we remain....

At your service!