

# Arway



**A SUPPLIER YOU CAN COUNT ON!!**

**SMOOTH SAILING!**

Set sail with a company you can always rely on for *Better Quality Confections*, *Extremely Competitively Prices*, and the *Best Darn Customer Service* you will possibly find. What are you waiting for?

***Come sail away with Arway!***

# Arway Confections, Inc. Winter/Spring 2006

*Time does fly...Does that mean we're all having fun??* While Arway had another record year (and yes, we had fun doing so!), I am not sure that anyone really enjoyed the challenge of juggling the combination of skyrocketing nut prices, higher general commodity costs, and higher trucking rates all in one year. In the end, though, most of our suppliers and customers seem content with their business in 2005.

The good press regarding the health benefits of both nuts and chocolate helped increase our demand, in spite of higher prices. Another, and perhaps more important point, is that consumers are willing to pay a little more for something that is of better quality. There are plenty of examples to cite in the marketplace including Trader Joe's, Whole Foods, Corner Bakery, and of course, Arway who share the same philosophy of offering something of better quality at a competitive, but not necessarily the absolute lowest price. If you are already an Arway customer, you know this firsthand, but if you are new to Arway, I am almost certain you would be successful with our products. ***Quality sells itself!***

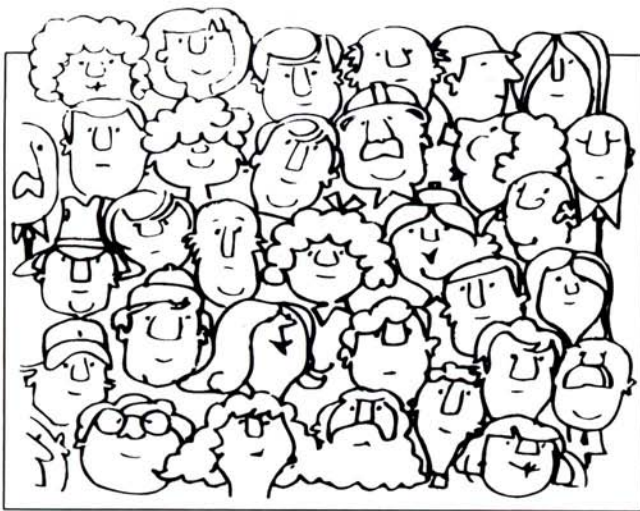
After a year of historically high priced nut commodities across the board, we are seeing signs of softening markets; however, prices seem to go up a lot faster than they come down! While we are seeing some price relief, we feel that further declines will be gradual over time, specifically in respect to Almonds, Hazelnuts, Brazils, and Pistachios. The pricing of sugar, however, spiked higher after Hurricane Katrina hit, and it remains at significantly higher levels than 2005. An increase in sugar prices forces higher chocolate/coating pricing (sugar represents about 60% of chocolate coating), as well as higher priced toffees, brittles, and so on.

In general, you will find our pricing mostly the same or lower than 2005 levels. All pecan and almond prices have been reduced to reflect the lower prices we are now paying. We are hopeful that almond pricing will fall even further in the months to come. The sugar coated items are another story. Should sugar prices continue to remain firm, you will see higher prices from all chocolate and candy suppliers in the months to come. We are always more than happy to discuss any of the commodity markets with you in more detail. Please give us a call at anytime with any questions you may have.

For those of you who do not know, there are a couple of new labeling laws that have been enacted by the FDA. One pertains to the listing of "Trans Fat" in the nutritional panel. Trans Fat has been proven to increase the risk of heart disease. The good news for Arway is that all of our products will show a serving size of "0" grams of Trans Fat on our nutritional statements. The other law applies to an allergen statement, which highlights 8 specific allergens that affect 90% of all those who have allergies. We have included a separate sheet which will explain the new labeling laws, and how these changes will affect your nutritional/ingredient labels.

Thank you again for your continued business and consideration. We appreciate all of the business we receive (regardless of size). Our loyal customer base has been 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**



**GIVE YOUR CUSTOMERS  
WHAT THEY WANT!!**  
*Quality Does Matter!*

## 2006 OUTLOOK

**Chocolate/Sugar:** Pricing is up mainly due to sugar prices. Sugar prices surged higher after Hurricane Katrina ripped through the gulf coast. About 25% of U.S. sugar is refined in this area. World sugar prices are also at record levels. The cocoa market has also shown signs of volatility due to the continued fighting in the Ivory Coast. As we have reported, there has been civil unrest in the region since 2002 when the country was literally split in half with the government controlling the port cities in the south, and the rebels controlling the cocoa growing region in the north. The fighting has intensified lately, and a return to an all out war will not help matters any. ➔

CONTINUED ON REVERSE SIDE

### 2006 OUTLOOK (CONTINUED)

**Almonds:** Almond prices have come way off their 2005 record levels. The higher prices helped reduce demand not only in the U.S., but worldwide (about 70% of the almond crop is exported). Shipments are off 20%, forward commitments are down, and another billion plus pound crop could be on the trees. Barring any major disasters, we should see lower priced almonds for the next year.

**Pecans:** Prices have come off about 15% from last year's levels; however, this was not as much as everyone had hoped for. The crop was late and much smaller than anticipated. A light crop, strong consumption, and the likelihood of an upcoming "off-year crop," will help keep prices at or above current levels. It may be another 18 months before we see more price relief.

**Filberts/Brazils:** After a disastrous crop last year, Turkey has produced a good Filbert crop. Everyone is waiting for what should be massive price decreases, but the lack of availability is keeping prices from falling. We expect prices to fall slowly throughout the year, as the pipeline gets filled. The prices for Brazils are also slowly falling. Based on the high price and lack of demand, pricing should continue to fall.

**Oil/Natural Gas:** The rise of oil prices affects everyone. We have seen a decline in the fuel surcharges lately, however, there are too many global scenarios that could push oil prices to unprecedented highs. There is, unfortunately, very little news out there that will help depress prices. At best, we can hope that the market remains steady, but our gut says otherwise. On the natural gas side, we have seen our costs literally double compared to last year. A mild winter should help to depress this market in the months ahead.



## ***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.

Contact: ***Craig Leva or Chris Perkins***

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*As always, we remain....*

***At your service!***