

# Arway



## ARWAY ROCKS!



*Greatest hits include "Quality Rules The Free World," and "Service Like No Other." ...And the critics agree!!*

*Hall of Fame supplier since 1950!*

#### Focus Continued

**SPECULATION** helped form a bubble in the markets, which has recently popped. Obviously, stocks, bonds, and investments of all kinds have lost a lot of money in a relatively short amount of time. The Dow Jones Industrial Average, perhaps the key indicator, peaked at 14,000 in October of 2007, traded at 11,500 in Sept. of 2008, and now trades close to 7,500 (off 45% from its peak). The recession has quickly altered the levels of risk and leverage in the marketplace. The high risk tolerance and easy access to borrowed funds (leverage) helped the markets rise. The recent reduction of risk and leverage, then, has helped push all markets lower, including commodity prices.

**The U.S. Dollar** has been on the rise lately. After falling to an all-time low against other currencies like the Euro or British Pound last year, the U.S. Dollar has recently surged higher. In recent months, the Dollar has appreciated more than 20% vs. the Pound, 9% vs. the Euro, and 7% vs. the Yen. Unfortunately, the strength in the Dollar is not really a sign that the U.S. economy is in great shape compared to other countries, rather it is a reminder that this recession is global, and its affect may be even worse outside of the U.S. Commodities are generally quoted in Dollars, and a stronger Dollar will increase the cost of goods for foreign buyers. The result of higher costs is a decrease in demand, which in turn, pushes prices lower.

Oil, speculation, and the U.S. Dollar have all gone through major reversals due to the current recession. There are no shortages of opinions for how long the recession will last, how bad it may get, as well as the affects it will have on consumers and businesses all over the world. We believe that commodity prices will remain low and/or stable, though, as long as global demand remains weak.



## 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 and ask for Carol Aichast.*

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.

### ArwayConfections, Inc.

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*As always, we remain....*

*At your service!*

# Arway Confections, Inc. Spring/Summer 2009

It is amazing to see the drastic economic change from our last report, which was released in September of 2008. At the time, the markets were fine, prices were rising, and demand was robust. We felt the affects of the general economy in November, and while we were busy throughout the entire Christmas season, the pace was a bit slower. All things considered, we had a good year; however, it was the first time since 1991 that we did not grow our business (it was our second best year, though!).

2009 is shaping up to be a challenging year for the general economy. Although food, and specifically chocolate, snacks, and candy are somewhat recession proof, we are seeing first hand that the industry is not bullet proof. The affect of the recession is lowered demand for just about all goods and services. While consumers will always continue to crave sweet and salty snacks, no one really knows how this current recession will affect consumer demand. Perhaps the silver lining is the fact that the majority of candy and nuts are sold in the 3<sup>rd</sup> and 4<sup>th</sup> quarters, and hopefully, by then we will see signs of stabilization and be on our way towards recovery.

One bright spot of a recession is the falling of commodity prices. You will note that many of our prices have moved lower as a result. Cocoa has been extremely volatile; however, we have been able to lock into favorable contracts for the rest of the year. Based on the current economic climate, we feel that pricing will be much more stable in 2009, unlike the skyrocketing inflation and extreme volatility we experienced throughout 2008.

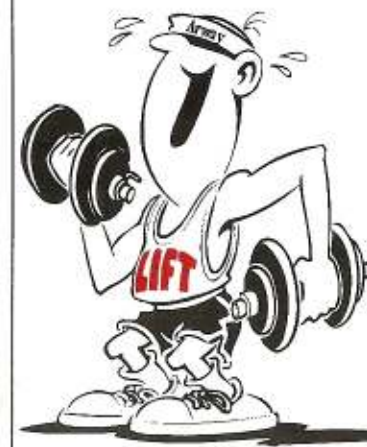
With the economy in a tailspin, the Peanut Corporation of America recall could not have come at a worse time. This recall, which became the largest food recall ever, affected roughly 4,000 different products in a variety of industries including candy, baked goods, cereals, snacks, and ice cream. We were extremely lucky to only have had a *very* small exposure (750 lbs.), which literally affected a handful of customers. We are aware of several customers, competitors, and peers in our industry who were not so lucky. Aside from the financial impact, this recall has brought much attention to food safety, and it is very likely that we will see new regulations out of Washington for more oversight and review. The recent Setton Pistachio recall will only add fuel to the fire. As you may recall, Arway has been proactive in regards to a food safety program, and we have already implemented many of the potential new procedures which may be required in the near future.

After many years of requests, Arway will finally be producing a variety of *trail mixes*. We now have a group of stock mixes that we are offering on an everyday basis, but should you have a specific mix you need to have matched, please let us know.

Thank you again for your continued business and consideration. Please let us know if there is any way we can be of better service to your company. We hope to hear from you soon.

Best wishes for a happy, healthy, prosperous, and *peaceful* year ahead!

**Craig Lova**  
& all of your friends at Arway Confections



## WORRY NOT!

Arway has been in business since 1950.

Arway has a proven track record for the highest quality, most reliable service, and competitive prices!

Arway takes pride in the strong and loyal partnerships we have made with customers and suppliers alike.

## WE ARE IN TIP-TOP SHAPE!

### COMMODITY FOCUS

In September of 2008, we argued that three key factors were responsible for the skyrocketing inflation we witnessed in respect to commodity prices for the first half of last year. In review, those factors were:

#### OIL, SPECULATION, & U.S. DOLLAR.

The current recession has in a six month period dramatically changed the direction for these three indicators. A look at the reversals will provide some insight on why commodity prices have shifted lower.

**CRUDE OIL** has been the leading indicator in the world of commodities. This specific commodity is sold in U.S. Dollars, which has been on the rise lately. While a strong dollar will help ease import prices, the collapse of the oil market was mostly caused by the recession and significant demand destruction. Oil, which traded as high as \$150/barrel late last summer currently trades at about \$50/barrel. Most other commodities have also fallen as well over this time period, and also caused by lower demand.

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