

# Arway



*Happy Birthday to Arway*

## 60 YEARS!

*And we are still marching to the beat of our own drummer after six decades of candy manufacturing!*

*Leader of the band since 1950!*

#### Focus Continued

Although consumption was off a bit due to the recession, speculators traded cocoa higher as a hedge against inflation and a hedge against a falling U.S. Dollar. As the Dollar weakens, the cocoa market, which is priced in British Pound Sterling, rises due to the currency conversion. Add the high price of sugar to a higher cocoa market, and the result is a significant increase for chocolate products.

**Pecans:** The pecan market recently surged to record levels mostly due to demand from China. China quickly and quietly purchased about a third of the crop (about 100 million pounds). A significant amount of this year's pecan supply has already been consumed throughout the busy holiday season, leaving a very tight supply for the balance of the year. Not only are prices high, but shellers are reluctant to offer contracts for pecans, fearing they will have difficulty supplying the contracts prior to next year's crop which begins to be harvested in October.

**China:** Although China is not a commodity, it sure has had a major affect on many of the commodities we purchase. With a population 4 times greater than the United States, a nation that continues to show double digit growth (*within a global recession*), and with rising incomes for its population, China's demand for all commodities, but specifically, agricultural products, has significantly increased. China has recently had a very strong appetite for pecans, almonds, and walnuts, and single handedly pushed all of these markets higher due to basic supply and demand principles. Years ago these markets were dependent on U.S. consumption. But we live in a global world, and currently China with cash to spend and a huge population to satisfy, has priced U.S. buyers out of its own markets. As China's economy continues to grow, it will only add that much more demand to many of these markets for years to come.



## 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. Winter/Spring 2010

2010 represents Arway's 60<sup>th</sup> year in business, and we look forward to celebrating our big birthday all year long. We believe our longevity is due to a proven track record year after year of consistent and high quality products, extremely competitive prices, and dependable service. Of course our dashing good looks and charming personalities help, but we all know that the "proof is in the pudding" (or in our case, *the chocolate!*).

2009 was definitely a challenging year for everyone. The good news was that our industry fared much better than the general economy. It turns out that food, and specifically chocolate, nuts, and candy, were somewhat recession proof. While we saw some segments a bit lower (gift packs and high end retail), we did see strong demand into grocery, mass market, pharmaceutical stores, and fundraising. For Arway, 2009 was slow to start but we finished the year strong. There seems to be a lot of momentum and confidence carried over from last year, and although the general economy remains weak, consumers are still eating what they need, and have continued to snack on the sweet, crunchy, and salty snacks that they crave.

One obstacle we will all have to face this year is the reality of higher prices. Commodities have been on the rise lately, and with stability in the financial marketplaces, we do not feel we will see the same drop we saw last year when all financial instruments (stocks, bonds, and commodities) collapsed. As investment portfolios soared higher after the March lows of the market, so did commodities. There are a number of arguments to justify the higher commodity prices including a weak U.S. Dollar, the fact that commodities are traded as a hedge against inflation, inflationary pressures, and strong demand with less supply. Whatever the reason, everyone is in the same boat. The real question then becomes, with higher prices will there be demand destruction at retail? I guess that answer comes a year from now.

After the peanut, pistachio, and hazelnut recalls last year, the FDA is paying more attention to the nut industry. The agency has received additional funding, and new government protocols will eventually be required by all food manufacturers in the name of consumer safety. In the short term, we understand that the FDA is currently working on auditing 1,000 nut facilities by the end of 2010. The audits include a review of good manufacturing practices and environmental testing for salmonella. We feel this trend will continue for many years to come. Arway has been proactive in regards to a food safety program, and have continued to make improvements to our factory and our process.

We are especially thankful to all of our loyal and long-term customers who have enabled us to continue to grow and prosper for over a half of a century. We know there are other suppliers to choose from, and we pledge to continue to offer the same service you have come to know and expect to earn your continued business. Please let us know if there is any way we can be of better service to your company, and we look forward to serving your confectionary and nut needs for the next sixty years!

Best wishes for a happy, healthy, and prosperous season ahead!

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



## IT'S AN ARWAY FEST IN 2010!

### COMMODITY FOCUS

After a year of stable commodity prices, we are seeing prices move higher across the board. A weak U.S. Dollar and government stimulus and intervention helps to fuel inflation, but also at play are supply and demand issues. Most of the commodities we use have followed the same volatility of the stock market. As the financial system stabilized and demand remained steady, a renewed confidence helped spur significant gains.

The following markets have a significant affect on our prices.

**Sugar:** Prices have just about doubled since last year, and sugar hit a 29 year high due to a tight global supply stemming from the largest fall in world production on record. India and Brazil, both major sugar suppliers, produced short crops. The U.S. supports artificially higher prices than the world market to protect domestic growers, but as world sugar prices surge, the domestic market also follows higher.

**Chocolate (Cocoa):** In March '09 cocoa fell to \$2000/ton. Less than a year later the market hit \$3500/ton (a 75% increase). *Continued on Back Page*