

Anchin Alert

Anchin, Block & Anchin LLP
Accountants and Advisors

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Results of Anchin's 8th Annual Food and Beverage Survey Show Optimism for Higher Profits in 2014



Greg Wank, CPA, Practice Leader of Anchin Block & Anchin LLP's Food and Beverage Industry Group

The statistics revealed at **Anchin's 8th Annual State of the Food and Beverage Industry Event**, held in Manhattan on June 4th, showed the industry, a leader in the recovering economy in 2013, anticipates an even more profitable 2014.

Noting that the five major industry sectors—baked goods and snacks; distribution; meat, poultry and seafood; restaurants and caterers; and supermarkets—were represented in the survey, **Greg Wank, CPA**, Practice Leader of Anchin's Food and Beverage Industry Group, said 90% of respondents predicted increased sales and 87% projected increased profits in 2014. This was up from 74% and 57%, respectively, in 2013. Growth predictions were especially strong in the snack food and restaurant categories, and profit expectations were highest in the distribution and supermarket sectors.

as the top expansion method, as it has for the last five years. New products are primarily focused in all natural (45%); organic (25%) and gluten-free (13%). Respondents were asked to select all categories that apply, and the results reflect their view of marketplace demand and consumer trends.

Interestingly, new sales people or relationships claimed the number two spot for expansion methods expected for 2014. It was the first time this appeared on the survey. Price, which was the second leading method for growth in 2013, slid to fifth place for expected source of growth in 2014.

There were consistencies from previous surveys. New product offerings maintained its standing



Commodity pricing remained the top industry challenge for the fourth consecutive year in 2013 and is still projected to be the top challenge in 2014. Respondents named vertical integration and

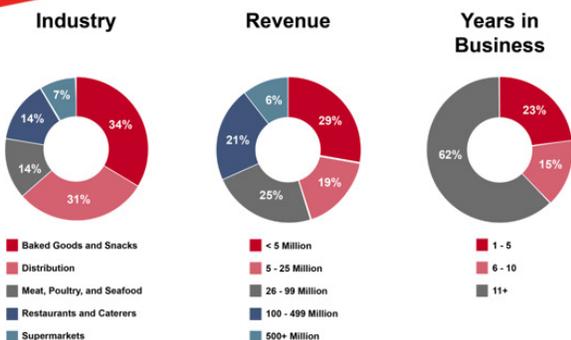
alternative sourcing as the top methods for dealing with this issue. Other key industry challenges included rising nondiscretionary costs, developing new sales channels and the cost of labor.

Wank also observed that respondents were more focused on succession planning. This year, 77% said they had a strategic plan for succession. Of those, 55% listed either sale/merger or key employee as their primary strategy. Only 39% were looking toward a family member as a successor which was well under the 57% cited in 2012.

Lastly, the number of respondents expecting a sale, merger or acquisition in the next 3 to 5 years hit an all-time high, with nearly two-thirds indicating this expectation. In addition, more than two-thirds expect to raise debt or capital in near term. Surprisingly, 40% of these companies acknowledged that they had no specific plan in place to accomplish these transactions.

The complete survey presentation as well as photos from the event, which attracted over 150 food company executives, is available at www.anchin.com.

Respondent Population





(L-R) Vincent James, Mediterranean Snacks; Meena Mansharamani, Intend Growth; Jody Levy, World Waters; Andy Unanue, Associated Foods Holdings; Greg Wank, Anchin Block & Anchin LLP

The survey presentation was followed by a panel of food industry executives who shared great insight into the front lines of the industry. **Vincent James**, Founder and CEO of Mediterranean Snacks, spoke about the genesis of his company. The company's initial goal was developing a healthy snack with 4 grams of protein, 3 grams fiber and 3 grams fat. Lentils and garbanzo beans were the only foods that met these criteria. The first product launched in 2009, and it won a Sofi Award in 2010.

Once the product hit the market, the company began getting inquiries about whether it was gluten free. Research showed that it was. The company recognized the beginning of a trend and completely changed its product line to meet growing consumer demand for gluten-free snacks that are healthy and taste good. They evolved over the next several years from a private label producer to a branded company.

there needs to be a continual pipeline of new products that can meet consumers' changing needs and tastes as his company has added crackers and now full meals to its original chips line. He also said that success is related to the alignment of passion, ideas and trends in the healthy foods category.

James stressed the importance of constantly assessing the market and having a growth strategy that is in line with what consumers are looking for. He noted that

Jody Levy, Co-Founder, began World Waters after learning that 800 million pounds of watermelon are wasted each year in the United States alone. Her passion for using this wasted food in a sustainable way brought her to the food and beverage industry after a successful career in experiential design.

The company launched WTRMLN WTR, its first product, in 2013 with the twin goals of creating a product that everyone loves while educating people about raw, healthy foods. Everyone connects with watermelon, Levy believes, because it evokes memories and creates emotional connections—and it has many health benefits.

WTRMLN WTR has such a great story that the product gained traction in the market even though the company had a shoestring marketing budget and the product is expensive. Now, celebrity clients help promote the brand. Levy predicts that the cost will go down as market share grows and efficiencies are gained in this new and rapidly growing supply chain.



Meena R. Mansharamani, President of Intend Growth, shared insights gleaned from a career at major companies where her responsibilities included looking for new products aligned with consumer interest in drinking healthier beverages, developing the U.S. market for GoGo squeeZ, and launching her own business (a dog carrier) through networking and guerilla marketing tactics. Mansharamani emphasized the need for passionate belief in the brand and a great marketing strategy. She also stressed the importance of protecting the company's "soul," which she described as the reason the business was started. Maintaining the company's core culture gets more difficult as the company grows, but it can be done.

Andy Unanue, Associated Foods Holdings, worked his way up to COO in Goya Foods, a family-owned company, so he knows the food and beverage industry well. Now Chairman of a chain of more than 200 independently owned supermarkets, his perspective is a little different.

While acknowledging that supermarkets generally are slower to make changes than other distribution channels, he believes that independent owners like those in Associated are more nimble and better able to respond to customer demand. In fact, his mission is to have each store shape its inventory using the unique values, demographics and needs of its community while maintaining competitive prices. Getting healthy foods into these supermarkets is easier than it is in centrally managed supermarket chains. The views of these four industry executives illustrate how the industry is growing and evolving to meet consumer demand. Each of them relies on customer.

This year's event was co-sponsored by BevForce/FoodForce, the only hiring strategy agency specializing in staffing for the beverage industry, Giannuzzi Group LLP, a boutique New York City-based law firm with significant experience in consumer brands, and City Harvest, the world's first food rescue organization, which rescues food for the nearly two million New Yorkers facing hunger each year. At the event, Wank presented City Harvest with a donation of over \$4,000 from Anchin employees and partners who participated in the organization's Skip Lunch/Fight Hunger program.



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