

WISS Food Industry Group News

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Inside This Issue

- 1 Food Industry Trends
- 2 Specific Retail News
- 3 Other News
- 4 Results of Competitors
- 4 Recent Achievements



"The days of rapidly rising grocery pricing may be nearing an end ..."

Food Industry Trends

1. During the economic downturn, private label sales are showing an increase. However, unit sales grew by much less than the overall dollar sales, indicating the segment's success might be riding on higher unit pricing, rather than on substantial numbers of shoppers switching away from traditional brands. That would be a recipe for a short-term opportunistic spike, surely, but not for a long-term growth strategy. http://www.progressivegrocer.com/progressivegrocer/content_display/in-print/current-issue/e3i397aa99d2932d77d10e43d0d6eae95b1
2. Food store sales are increasing (however, under the inflation rate), as food-at-home prices (which are at an 18 year high) are increasing. Retailers seem to be passing along price increase from manufacturers and in some cases may be reducing promotional activity as a result. (source: The Food Institute Report – 10/20/2008)
3. Paperless coupons are gaining traction, attracting younger users than typical paper coupons. Online discounts can be linked to grocers' loyalty cards, or customers can carry promotion codes on mobile phones. <http://www.smartbrief.com/news/fmi/storyDetails.jsp?issueid=85F5F41C-41A9-4DA0-A7CA-C6D4BD7CE489©id=98D4823F-B181-4812-9C74-2597EF56D4D6&sid=a03887f5-b823-4f96-9a6b-9dc53f0d18c5&brief=fmi>
4. The days of rapidly rising grocery prices may be nearing an end as supermarkets push back against food companies that are reporting profit increases. Grocery chains in the US and abroad are balking at food makers' efforts to raise prices further. http://online.wsj.com/article/SB122527994591679805.html?mod=dist_smartbrief
5. "Grocers hope to be able to lower prices this holiday season as a result of lower diesel costs. Because of the volatile markets, however, it may be premature to make a project," says an energy expert. http://www.fosters.com/apps/pbcs.dll/article?AID=/20081030/GJNEWS_01/710309615
6. Sales at restaurants have taken a hit and have experienced the lowest quarterly increase in years. (source: The Food Institute Report – 10/20/2008)
7. Trend is developing where consumers are placing more importance to eating in the morning (leading to a decrease in evening consumption). (source: The Food Institute Report – 10/20/2008)
8. Dieting has hit a new low. Instead, the addition of dietary supplements to food has become a popular health trend. (source: The Food Institute Report – 10/20/2008)
9. A study was performed that indicates that cause-related marketing has a positive effect on sales. (source: The Food Institute Report – 10/20/2008)

Food Industry Trends (cont.)



*"Sales at restaurants
have taken a hit..."*

10. A growing number of food companies are coming out with lower-he number of food products with lower-sodium or lower-salt claims will continue to grow and spread beyond the current popular categories of soups and canned vegetables.
http://www.latimes.com/features/health/la-he-saltproducts27-2008oct27_0_4503755.story
11. The days of 25% growth in private-label organic food and beverages might be gone, according to data from The Nielsen Co. "I predict that in 2009, organic growth will be under 10%," the director of industry insights said.
<http://www.smartbrief.com/news/fmi/storyDetails.jsp?issueid=85F5F41C-41A9-4DA0-A7CA-C6D4BD7CE489©id=548DD209-548E-44C2-B235-BC29637513FF&sid=a03887f5-b823-4f96-9a6b-9dc53f0d18c5&brief=fmi>
12. Price and value are the top priorities for U.S. consumers buying over-the-counter medications, a recent survey revealed. Thirty percent of U.S. consumers consider price important when purchasing the drugs, compared with 17% of global consumers.
http://www.progressivegrocer.com/progressivegrocer/content_display/supermarket-industry-news/e3i69a1fca74124be46da22dad1b1d6c022

Specific Retail News



*"ShopRite launches a
new weekly circulars
widget"*

1. ShopRite launches a new weekly circulars widget (note: widgets are data files that can be embedded into a website and provide automatic content updates). The widget allows online users to see what products are on sale and connect to the store's web page.
http://supermarketnews.com/news/shoprite_widget_1027/
2. PuriCore has signed a deal to install its Sterilox food safety system in all Safeway Inc. supermarkets in North America not already using the system. The Sterilox system produces a natural sanitizer using salt, water and electricity. The sanitizer solution is used to protect food products from infectious pathogens and organisms that cause spoilage, and to enhance the freshness of perishables.
<http://www.bizjournals.com/philadelphia/stories/2008/10/20/daily41.html>
3. Tops Friendly Markets announced it will proof every customer purchasing alcohol and tobacco products, regardless of age. The implementation of the new policy, dubbed "We Proof Everyone," is an attempt to prevent sales of the forbidden merchandise to minors.
<http://www.buffalonews.com/145/story/477350.html>
4. General Mills' cost-trimming system, called holistic margin management, makes hundreds of cost-cutting decisions each year. For example, getting rid of multicolored Yoplait lids saved \$2 million a year, and consolidating the purchases of baking ingredients saved \$12 million a year.
http://money.cnn.com/2008/10/29/magazines/fortune/kimes_generalmills.fortune/?postversion=2008110311

Other News

1. About 74% of food industry employees believe the credit crisis will have a "moderate" to "great impact" on their company's business. (source: The Food Institute Report – 10/20/2008)
2. Attorneys general from CT, NJ and DE sent letters to companies to ask that they no longer use the chemical bisphenol (BPA) in their manufacturing. The most common uses of BPA are plastic water and baby bottles, food and beverage can lining. (source: The Food Institute Report – 10/20/2008)
3. New England merchants are expanding an e-mail alert system to notify each other and law enforcement agencies about major theft rings. The Retailers Association of Massachusetts, along with retailers' groups from five other states, formed the Law Enforcement Retailer Alliance of New England in September 2008. The group, which is in the fledgling stages, will distribute information about shoplifting incidents to merchants and law enforcement.
http://money.cnn.com/2008/10/29/magazines/fortune/kimes_generalmills.fortune/?postversion=2008110311
4. More than half the respondents in a survey said they change their buying habits after hearing about problems with a product's safety or quality. The consumers stopped buying the products for an average of nine months, increasing the changes they would stop buying the product for good.
http://www.progressivegrocer.com/progressivegrocer/content_display/features/health-wellness/e3ibd07936c0a943ae76e29b17228f157f9
5. Retailers, growers, packers and foodservice companies are supporting the Produce Traceability Initiative, a voluntary industry program that would improve the response times of recalls and narrow the effect of outbreaks.
http://supermarketnews.com/viewpoints/fda_intervention_not_1027/



"New England Merchants are expanding an e-mail system to notify each other..."

RESULTS OF INDUSTRY COMPETITORS

(based on the most recently issued report)

Note: Click on the link below each report for more detail

Village Super Market, Inc.
7/26/2008 10-K

- 2008 QTD vs 2007 QTD
 - Change in sales – 10.66%
 - Change in gross profit – 9.16%
 - Change in net income – 8.83%
- Sales for the quarter were positively impacted by the distribution of the economic stimulus check. On the other hand, sales were negatively impacted by increased sale item penetration and trading down, as consumers appeared to be more cautious due to concerns about the economy and rising gas and food prices.

Results of Competitors (cont.)

- Reduced warehouse assessment charges from Wakefern helped lead to a higher ratio of gross profit to sales. This was partially offset by increased promotional spending and higher LIFO expense.

<http://www.sec.gov/Archives/edgar/data/103595/000109690608001852/0001096906-08-001852-index.htm>

Wal Mart Stores Inc.

7/31/2008 10-Q

- 2008 QTD vs 2007 QTD
 - Change in sales – 10.44%
 - Change in gross profit – 11.94%
 - Change in net income – 16.84%
- Operating expenses are expected to increase in the future due to longer term projects which will improve the information systems for merchandising, finance and human resources.
- Membership and other income increased from the prior quarter due to an increase in recycling income and their continued growth for sustainability
- Gross margin increased from prior quarter due to improving inventory management and, therefore, reducing shrink as well as decreasing markdown activity.

<http://www.sec.gov/Archives/edgar/data/104169/000010416908000006/0000104169-08-000006-index.htm>

Costco Wholesale Corp

8/31/2008 10-K

- 2008 YTD vs 2007 YTD
 - Change in sales – 12.51%
 - Change in gross profit – 12.61%
 - Change in net income – 18.47%
- Membership fees income increased due to the increase in new membership sign-ups at new warehouses.
- Net sales increase was partially due to the increase in gasoline sale prices.

<http://www.sec.gov/Archives/edgar/data/909832/000119312508211709/0001193125-08-211709-index.htm>

Kroger Co.

8/16/2008 10-Q

- 2008 QTD vs 2007 QTD
 - Change in sales – 11.86%
 - Change in gross profit – 4.11%
 - Change in net income – 3.75%
- There is continued growth in all departments except drug and general merchandise, which is similar to other retailers.

<http://www.sec.gov/Archives/edgar/data/56873/000110465908060204/0001104659-08-060204-index.htm>



"Operating expenses are expected to increase in the future..."



"Membership fees income increased..."

Recent FIG Achievements

Other News

- **James Duffy, CPA** presented a workshop at the 6th Annual Conference of the Food Business Incubation Network held October 4-8 in Cherry Hill, NJ. Duffy addressed the impact that the current financial crisis has on the various sources of financing (i.e. private equity, venture capital, traditional bank lines of credit, etc), while providing real-life stories of businesses who are grappling with suddenly limited access to capital.
- **Matthew Barbieri, CPA** has been appointed to the Trade Relations Committee of the New Jersey Food Council. The Food Council is an alliance of food retailers and their supplier partners who work to promote the interests of its members. The Trade Relations Committee places emphasis on promoting communication and better understanding among the food industry trade.