

GREAT AMERICAN GROUP ADVISORY & VALUATION SERVICES

Food Monitor
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Introduction

Welcome to the fifth issue of the *Food Monitor* from Great American Group Advisory & Valuation Services (“GA”). This publication will provide you with market value trends for a variety of segments within the food industry. The enclosed information represents a composite of GA’s industry expertise, well-respected industry publications, liquidation and appraisal experience, and conversations with industry personnel. Due to the commodity nature of certain food products, timely reporting is necessary to understand an ever-changing marketplace. GA strives to contextualize important indicators in order to provide a more in-depth perspective of the market as a whole.

In this issue of the *Food Monitor*, we have included market pricing and trends for beef, pork, poultry, dairy, fruits and vegetables, seafood, commodity goods, and wholesale distributors and their relation to the valuation process.

Trends in Recovery Values

Net orderly liquidation values (“NOLVs”) have been mixed for the fourth quarter versus the prior appraisal period. NOLVs have increased up to four percentage points due to positive inventory mix and higher pricing, while some companies experienced declines of up to six percentage points due to higher raw material prices and the inability to pass along price increases to customers. On a dollar basis, sales have increased due to elevated prices, yet volumes remain mixed as customers continue to limit their exposure and purchase materials on an as needed basis.

Due to this price volatility, companies continue to look at ways to improve their financial position. This has been accomplished through targeted price increases, forward purchase contracts with vendors, and overall initiatives to eliminate low-margin business to focus on improving bottom line performance.

Trend

Tracker



NOLVs	Mixed
Sales Trends	Mixed
Gross Margin	Decreasing
Inventory	Increasing
Pricing	Increasing

Raw material inventory levels have increased mainly on a dollar basis, as prices have continued to experienced increases. Cash flow continues to be tight, and companies are still pushing lenders to allow for increased borrowing to help maintain inventory levels and overall margins.

Analysts continue to believe that record planting and higher harvest levels for corn and wheat may result in lower raw material prices, but that remains to be seen. Forecasts of a weakening U.S. dollar and relatively strong Australian and Brazilian currencies, two of the U.S.’s major competitors in the beef export market, support an estimate of improving U.S. beef demand from foreign markets. However, this will also force a reduction of foreign beef imports.

GA internally tracks recovery ranges for numerous commodity food segments, as well as finished and cooked products and trends in food service, retail, and food distribution, but we are mindful to adhere to your request for a simple reference document. Should you need any further information or wish to discuss recovery ranges for a particular segment, please feel free to contact your GA Business Development Officer.



ABOUT GREAT AMERICAN GROUP

GA is a leading provider of asset disposition solutions and valuation and appraisal services to a wide range of retail, wholesale, and industrial clients, as well as lenders, capital providers, private equity investors and professional services firms. In addition to the *Food Monitor*, GA also provides clients with industry expertise in the form of monitors for the metals, building materials, auto parts/oil and fuel, and chemicals, plastics, and packaging industries, among many others.

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EXPERIENCE

GA has been involved in the liquidation of several food processing and distribution companies, including Metropolitan Foods; BSB, Inc.; New Sam Woo Trading; Markel Johnson; and Gulf Shrimp Company, as well as food processing, storage, and distribution equipment for companies such as Winn Dixie, Maui Pineapple Company, Humboldt Creamery, Loeb Equipment, and Webvan. Food processing, storage, and distribution equipment liquidated included blow molding lines, bagging machines, bottle conveyors, milk separators and pasteurizers, filling lines, pizza manufacturing lines, vacuum sealers, freezers and coolers, stainless steel tanks, liquid lines, and frozen and refrigerated box trucks. Liquidation results were positive, as stainless steel equipment recoveries have been strong due to elevated steel prices that have made new equipment more expensive. There is a limited supply of equipment less than five years old in the marketplace and those assets are in high demand during liquidations.

GA has worked with and appraised many large and well-known companies within the food service industries. While our clients remain confidential, they have included meat processors and distributors, leading fresh and processed fruit and vegetable distributors, and specialty and prepared food distributors servicing restaurants, retailers, food service companies, and wholesalers across the U.S. GA's extensive list of appraisal experience includes:

- One of the nation's largest independent canning and frozen food companies, which maintains production facilities throughout the country and exceeds \$700 million in sales annually;
- One of the world's largest producers of fresh and packaged fruits and vegetables, which exceeds \$800 million in annual sales;
- Processors of both conventional and organic frozen vegetables;
- Multiple importers and distributors of fresh and frozen seafood products to large national food wholesalers;
- Leading portion-controlled beef and poultry cutting operations for the casual dining and quick serve restaurant segments;
- A distributor of sweeteners, non-dairy creamers, croutons, crunchy toppings, stuffing, breadcrumbs/cracker meals, foodservice stuffing mixes, snacks, and snack mixes;
- A producer and distributor of ice cream and related frozen products;
- Vertically-integrated producers of high-quality coffees for the restaurant and supermarket industries;
- A producer and distributor of various fruit juices, as well as vitamin-enriched water and cocktail mixers; and
- Distributors of specialty food products, including pasta, sauces, marinades, and fine artisan cheeses.

In addition to our internal personnel, GA maintains contacts within the food industry that we utilize for insight and perspective on recovery values.

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OVERVIEW

Retail food prices remained above average throughout year-end 2011, driven by increased global demand, adverse weather conditions, and increased costs of fuel and animal feed. As reported by the Consumer Price Index, retail food prices for the year were up 4.7% compared to a 1.5% increase in 2010. The following table illustrates CPI increases by category for the year 2011 as compared to 2010:

Category	CPI index
Dairy products	8.1%
Meats, poultry, fish, and eggs	7.9%
Cereals and bakery	6.1%
Food at home	6.0%
Food away from home	2.9%
Fruits and vegetables	2.3%

Certain commodity food prices, such as coffee, fell slightly in December due to continued stagnation in the global economy. Prices for corn and wheat also declined as supplies in 2011 exceeded overall demand. Sugar prices continued to decline after peaking in July. Commodities continue to be impacted by global economic concerns and supply and demand imbalance.

SUPERMARKETS

Despite the ongoing recession and a sluggish economy, the supermarket industry performed relatively well as a whole in 2011. The year marked the end of 24 months of sales declines, with many retailers reporting comparable store sales increases in the low-to-mid single digits.

Growth has been spurred by rising prices, which have resulted in higher sales on a dollar basis, as grocery stores have been passing higher costs onto consumers to protect their profitability. It is estimated that food prices increased 4.0% to 5.0% in 2011, with prices increasing more significantly early in the year and stabilizing toward the latter half.

The industry has also been less promotional compared to 2010, pulling back on money-losing offers in favor of more rational promotions. However, intense price competition within the industry, coupled with consumers who are diligently seeking out low prices, has made it difficult for retailers to pass on all cost increases. Instead, they are trying to strike a delicate balance between profitability and pricing to maintain sales volume. For example, in a November press release, supermarket retailer Delhaize Group noted that sales volumes in its southeast stores suffered, and the company was unable to pass on all of its cost increases. In January 2012, the supermarket chain announced that it plans to close 113 Food Lion, seven Bloom, and six Bottom Dollar Food stores in the U.S.



This comes after disappointing fourth quarter sales, which management attributed to the economy and competitive pressure.

RESTAURANTS

The restaurant industry is showing signs of optimism, driven by increased customer traffic and increases in same-store sales. The National Restaurant Association's monthly *Restaurant Performance Index* ("RPI") – a composite index that tracks the health of and outlook for the U.S. restaurant industry – was at 101.0 in December, representing a 1.1% increase from its previous high in November. An RPI below 100 signifies contraction in the index of key industry indicators. Restaurant operators predict continued growth in 2012 as the economy recovers and consumers resume eating out more frequently.

OUTLOOK

Industry experts believe that overall food prices will continue to increase throughout 2012, with increases of 2% to 3% across all categories through year-end. The latest USDA commodity price forecast predicts 2012 beef and chicken prices to increase by 9% and 5%, respectively, while commodities such as coffee and chocolate are also expected to rise steadily.



RECENT APPRAISAL TRENDS

RECENT RECOVERY TRENDS

Companies continue to feel the impact of higher costs as margins have been declining and companies have been looking to implement price increases. Higher raw material prices have squeezed liquidity and forced companies to operate under a more just-in-time purchasing environment. Recovery values have been mixed, ranging from increases of up to four percentage points, due to positive inventory mix and higher pricing, to declines of up to six percentage points as a result of higher raw material prices and the inability to pass along price increases to customers.

Due to continued market volatility, companies have actively sought to implement price increases where possible, as well as entering into forward purchase contracts to limit the volatility of rising commodity prices, and continuing to focus on eliminating low-margin business to improve their financial position.

Margins have decreased, as raw material inventory costs have increased and the ensuing price increases have not yet fully been realized.

TRENDS IN MARKET PRICES/INVENTORY

Inventory levels have been increasing due to historically high raw material prices. Commodity goods such as beef and poultry are expected to experience strong export demand as the strength of the U.S. dollar is called into question. While record plantings for corn and wheat may help drive feed prices lower, which in turn could have a positive effect on meat prices, weather conditions and global export demand may still cause prices to remain elevated in the U.S.

INDUSTRY/SALES OVERVIEW

Sales have largely shown mixed results as higher overall prices have increased dollar sales, but customers have also been hesitant to purchase. Companies continue to focus on securing positive margin business and have found that bottom line performance is more important than top line growth in this market.

Monitoring Points

Monitoring Point	Impact
Monitor raw material acquisition prices and gross margin.	Increasing raw material prices could result in margin compression, despite the fact that companies are actively looking into taking price increases to offset these higher commodity costs.
Monitor inventory levels.	As inventory costs increase, higher inventory levels could impact liquidity as companies are forced to purchase inventory at higher prices.
Monitor aged inventory levels.	As the sale of aged inventory results in lower recovery values in a liquidation, the level of aged inventory as a percentage of total on-hand goods could negatively impact collateral value. These products typically require additional discounting to sell through in a liquidation.
Monitor USDA and ERS market prices for various commodities such as meats, dairy, and corn; and the International Coffee Institute for coffee prices.	The difference between current market prices and the company's inventory value could impact overall recoveries.
Monitor changes in customer base.	As dual sourcing has become more common in the marketplace, it is important to monitor the relationships between companies and their key customers. Any significant changes in these relationships could directly impact the results of a liquidation sale.

PRICING TRENDS

BEEF AND CATTLE

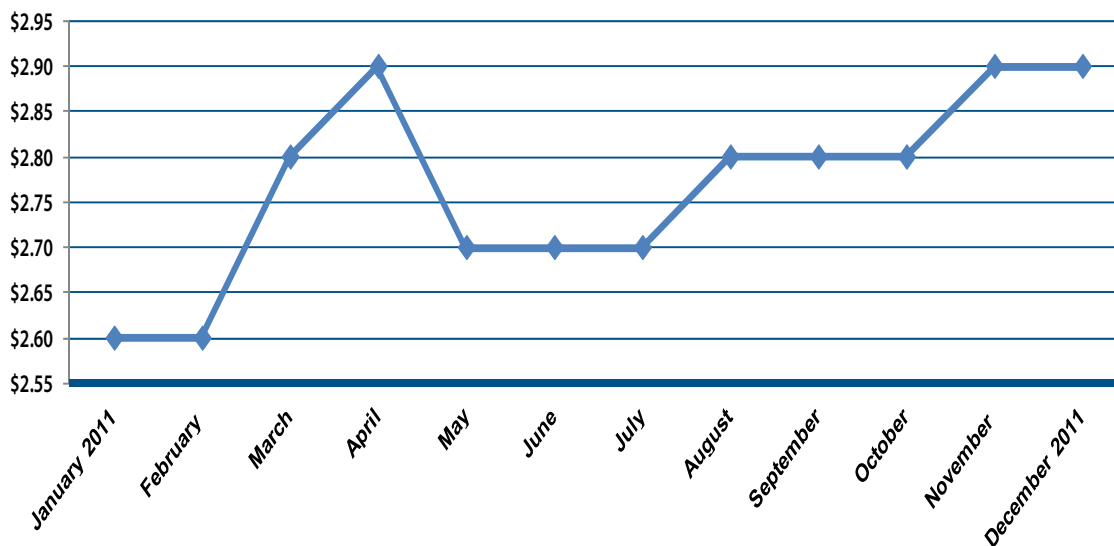
The USDA reported in January that beef prices were up 0.9% in December 2011, representing an 11.5% increase from the same month in 2010. Steak prices were up 11.0% during this period, while ground beef prices were 11.9% above 2010 levels. Choice retail beef prices reached record highs for the fourth consecutive month in December, according to data from the USDA. Beef prices in 2012 are predicted to exceed 2011 levels by 4.0% to 5.0% as cattle inventories remain low relative to demand.

According to industry sources, higher prices for U.S. cattle and beef were fueled by increased demand from global markets. During 2011, exports accounted for 10.7% of total U.S. beef production. Exports were driven by a weak U.S. dollar as compared to the value of the currencies for major export markets such as Australia and Brazil, coupled with an outbreak of disease in South Korea that resulted in increased demand for U.S. beef products in the third quarter. This trend continued through year-end, as the export market maintained strong demand while production levels continued to decline.



The largest markets, Mexico and Canada, represented 35.7% of U.S. beef export consumption in 2011. While Russia represents the fastest growing market for U.S. beef, with 2011 exports up 83% over 2010 levels, this nation represents a small segment of the entire export market. Japan and South Korea continued to expand their imports of U.S. beef in 2011, up 36% and 48%, respectively, compared to the prior year, and represent a collective 30.8% of the current market.

Monthly Choice Beef Wholesale Value Per Pound of Retail Equivalent
January 2011 through December 2011



PRICING TRENDS

PORK

According to the USDA, U.S. pork prices decreased 1.0% in December 2011 as compared to November; however, December prices were 8.1% above 2010 levels. U.S. pork prices have remained elevated through year-end as compared to the prior year, driven primarily by increased exports.

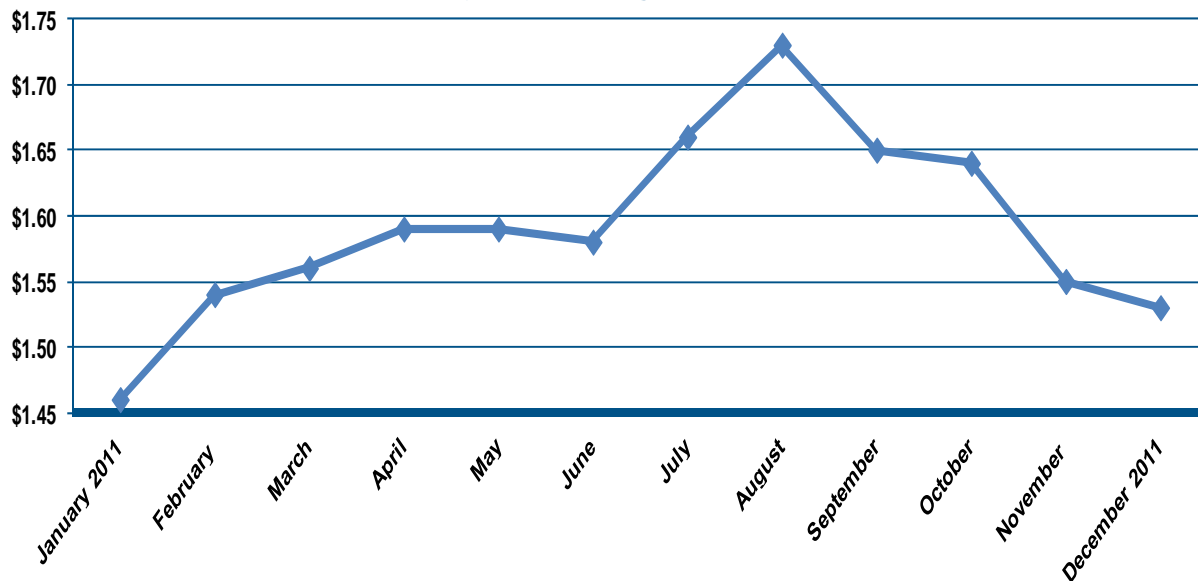
In the fourth quarter alone, the U.S. exported approximately 1.4 billion pounds of pork products, representing an increase of more than 22% from 2010. Exports for the full year were up an estimated 21% over 2010 levels, driven by the low-exchange values of the U.S. dollar and recent outbreaks of various swine diseases. Total U.S. pork exports in 2012 are predicted to remain stable, as Asian producers resume their own production.

This strong export demand for pork resulted in record prices in 2011. Prices peaked in August and began to fall as corn prices decreased, resulting in lower feed prices, and farmers began increasing their hog counts. While prices have fallen since August, they remain above historical levels. As an example, bacon reached a high of \$4.21 per pound before falling to \$3.97 per pound at year-end; however, this year-end price remains above December 2010's price of \$3.80 per pound.



Pork prices in 2012 are expected to exceed 2011 levels by 3.0% to 4.0% as hog inventories remain low relative to demand, particularly from overseas.

Monthly Average Pork Wholesale Value Per Pound of Retail Equivalent
January 2011 through December 2011



PRICING TRENDS

POULTRY

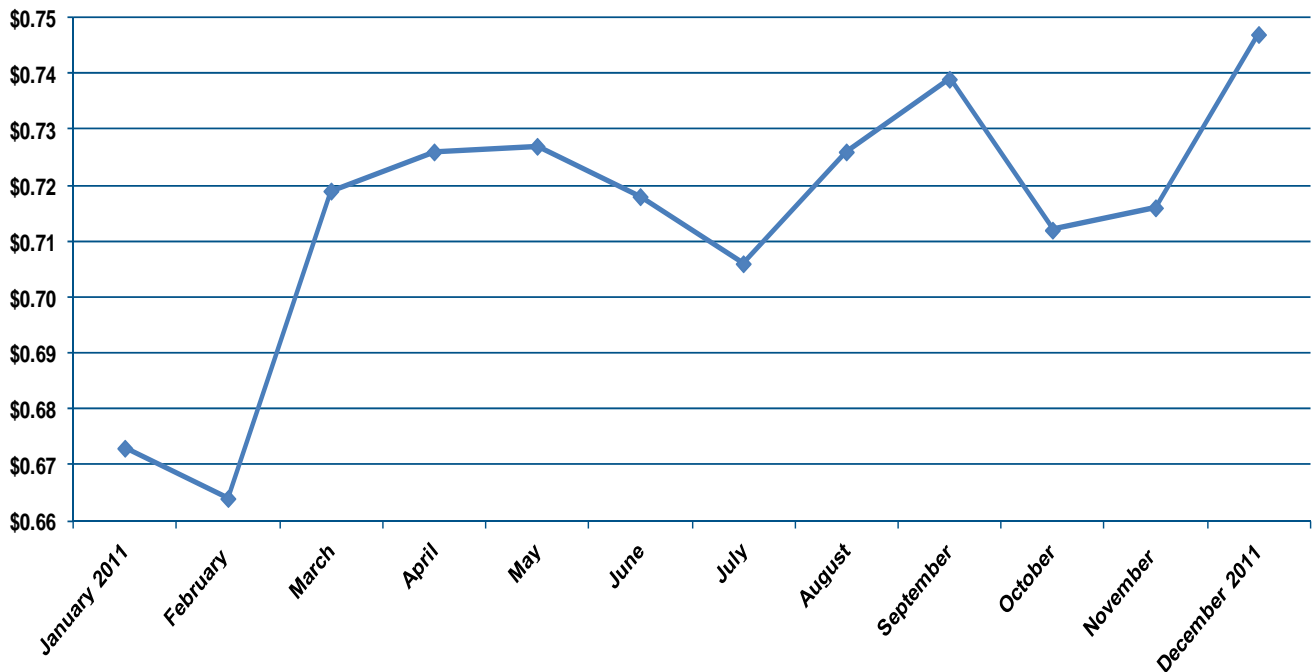
Production declines are expected to continue to push poultry prices upward throughout 2012. As the U.S. poultry industry has been faced with higher production costs, the number of birds being raised has decreased, impacting the overall market supply.

December prices for whole hen turkeys averaged \$1.07 per pound, up 9.0% from the previous year; prices in the fourth quarter 2011 had averaged \$1.12 per pound. With stocking levels expected to languish, prices are expected to remain above year earlier levels through the first half of 2012. Even with egg production higher in the fourth quarter 2011 as compared to the year prior, wholesale egg prices have remained strong. Wholesale prices for a dozen grade A large eggs averaged \$1.31, up 7.0% from the previous year and 11% from the third quarter 2011. Broiler shipments totaled 606.2 million lbs for the same period, which amounted to a 9.0% decrease from a year ago.



Overall poultry prices increased 1.0% in December and were 4.8% above 2010 prices, with chicken prices up 2.9% and other poultry prices (including turkey) up 12.4%. Retail poultry prices are expected to increase between 3.0% and 4.0% in 2012 as the pressure of reduced supply and higher feed costs continue to influence demand and overall market prices.

Monthly Wholesale Broiler Composite Per Pound January 2011 through December 2011



PRICING TRENDS

DAIRY

U.S. dairy product prices in December 2011 were 8.1% above 2010 levels, despite being down 0.1% from November. Milk prices in December fell 0.1% for the month but were 9.2% above prior year-end prices. Cheese prices followed a similar pattern, falling 1.0% for the month yet increasing 7.8% above 2010's level. Butter prices decreased 0.5% for the month and remained 1.9% below December 2010 levels.

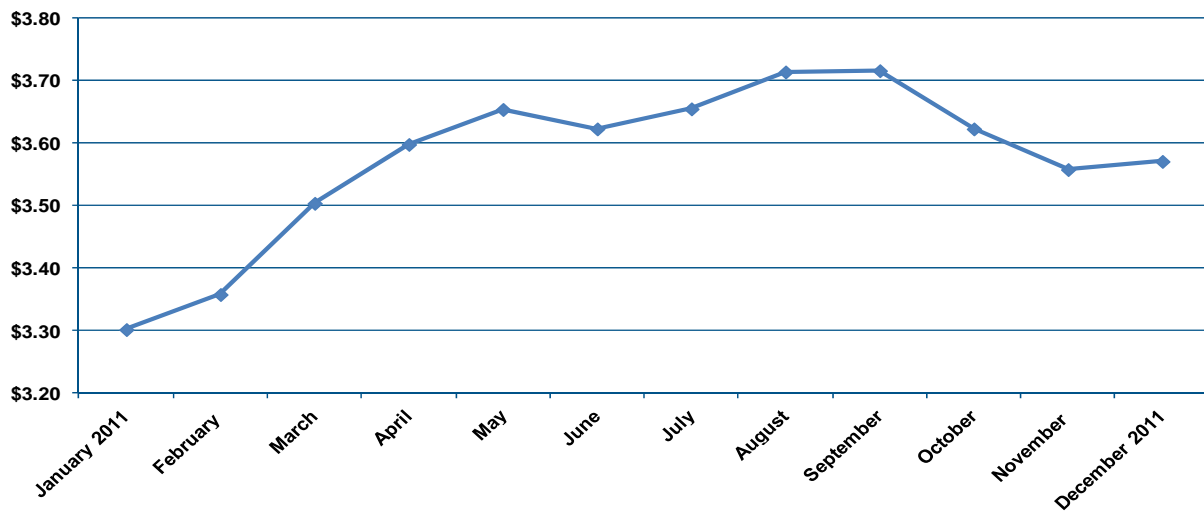
Recent declines in month-to-month prices were fueled by increased production rates. More than 15.4 billion pounds of milk was produced in December, representing a 2.7% increase from December 2010. Production per cow in the 23 major U.S. states averaged 1,818 pounds for December, which was 27 pounds above December 2010's production level.

Milk production in the U.S. during the period from October through December totaled 48.7 billion pounds, a 2.3% increase from the same quarter in 2010. The average number of milk cows in the U.S. during the quarter was 9.22 million head, which was 86,000 head more than the same period in 2010.

The USDA predicts fluid milk prices to level off early in 2012 and to remain below the average 2010 farm price. Retail dairy prices are predicted to increase 2.0% to 3.0% over 2011 levels, and may vary based on the levels of milk production and dairy exports.



**Average Monthly Milk Retail Prices
Fresh, Whole Fortified Per Gallon
January 2011 through December 2011**



PRICING TRENDS

FRUITS AND VEGETABLES

Fresh fruit prices increased 0.6% in December, with increases in several categories. Among the leading categories, apple prices rose 7.1% and banana prices increased 3.6%. Apples received a boost in demand, as McDonald's opted in 2011 to include sliced apples in all Happy Meal products. On the contrary, citrus fruit prices decreased 3.8% and other fresh fruit prices fell 3.0% in December as compared to the prior year. Fresh fruit prices are expected to increase 3.0% to 4.0% in 2012 due to continued increased demand.

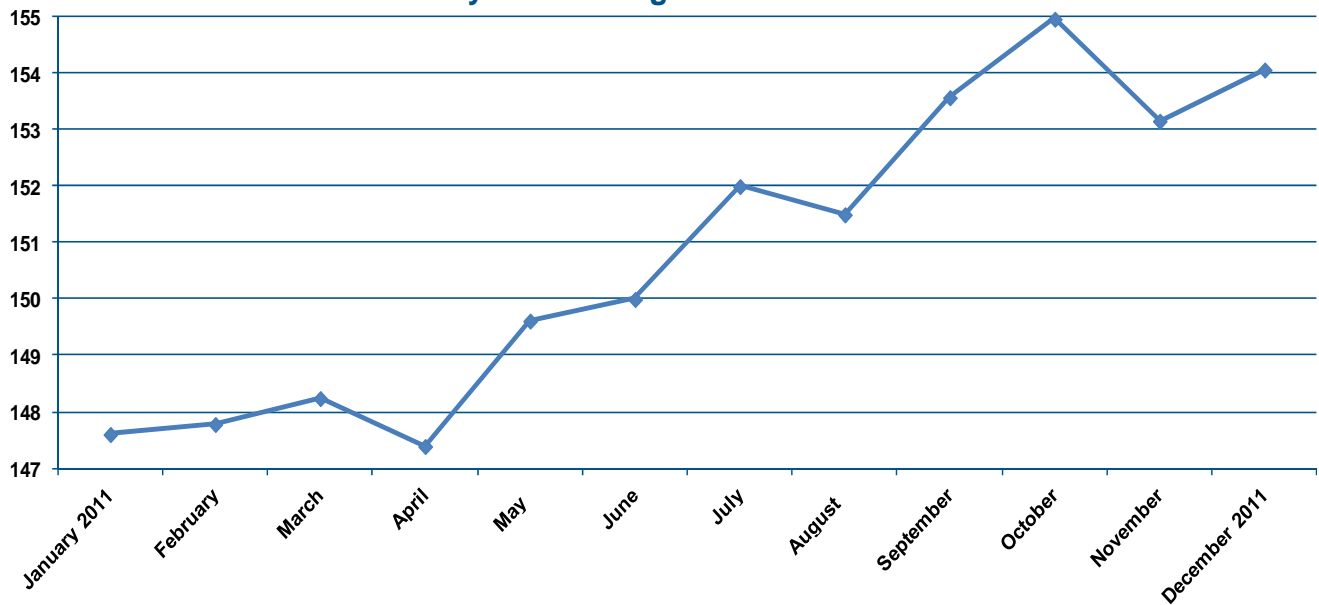
While the fresh vegetable index decreased 0.1% in December, several categories posted increases as compared to 2010 levels. Overall fresh vegetable prices are up 2.4%, with potato prices up 7.4%, tomato prices up 1.3%, and other fresh vegetable prices up 1.9% from the same period in 2010. Lettuce prices remained consistent with 2010 levels. Overall fresh vegetable prices are expected to post increases of 1.0% to 2.0% in 2012.

In terms of processed fruits and vegetables, overall prices increased 0.6% in December and were 7.0% above 2010 levels.

Certain products, such as peas and crinkle-cut carrots, have been in low supply due to increased demand in the foodservice sector. According to the USDA, the contracts within the processed fruit and vegetable industry have kept price inflation below that for fresh fruits and vegetables throughout 2011; however, 2012 prices are expected to reflect increased fuel and commodity costs. The processed fruit and vegetable index is forecast to increase 3.0% to 4.0% in 2012.



**Monthly Consumer Price Indexes - Processed Fruits and Vegetables (December 1997 = 100)
January 2011 through December 2011**



PRICING TRENDS

CORN AND WHEAT

Grain prices were volatile throughout 2011 due to continuing changes in production and demand estimates, as well as macro-economic issues including the European debt crisis. Corn prices reached near \$8.00 per bushel in April, pre-harvest, on a poor yield outlook for the U.S.

The USDA expects commodity prices in 2012 to continue to be volatile based on both agricultural and nonagricultural market factors. The primary data point that is expected to drive grain prices in 2012 is planted acreage. Analysts are expecting the largest global corn crop on record, including 95 million acres of corn in the U.S., and many commodity prices are expected to be heavily correlated to any deviation from the forecasted harvest.

Long-term factors that will continue to weigh on grain prices in 2012 will be the increasing demand for bio-fuels, emerging market demand, global yield trends, and the political outlook. Corn has been recently trading between \$5.50 to \$6.50 per bushel. The price of corn began to decrease as wheat became an alternative for feed usage and macro concerns prompted investors to sell off grain positions.

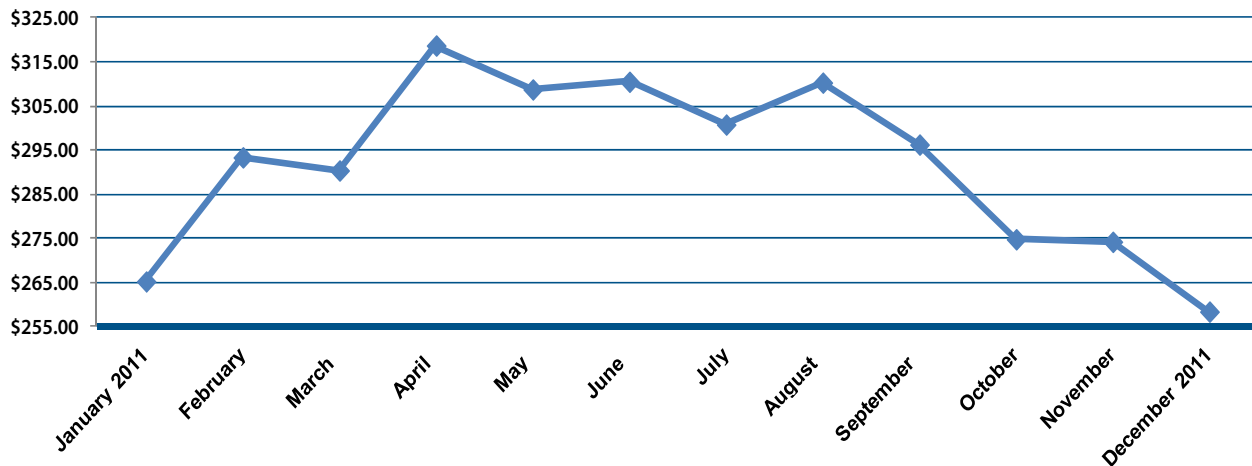
Corn has a more attractive profit margin compared to soybeans and farmers have already forward-sold portions of their 2012 crop at high prices, forcing the farmers to plant corn to fulfill said contracts.

The USDA is predicting a 3.4% gain in grain stockpiles to 202.89 million metric tons by June. Wheat has fallen 25.0% to \$5.97 on the Chicago Board of Trade this year, heading for the biggest annual drop since 2008. It is the fifth-worst performer in the Standard & Poor's GSCI gauge of 24 commodities, behind cotton, cocoa, sugar and nickel. Global wheat production is expected to increase 5.3% to 683.3 million tons in the 12 months ended May 31, 2012, according to the USDA. Demand will expand 3.3% to 673.3 million tons.

Surging global grain output is compensating for a decline in the U.S., the world's biggest agricultural exporter. Farmers will reap a smaller wheat crop for a third consecutive year in 2012, and less corn for a second year, according to USDA estimates. The nation's wheat exports are down 22.0% from a year earlier at 18.1 million tons.



**U.S. No. 2 Yellow Corn Prices - \$ Per Metric Ton
January 2011 through December 2011**



PRICING TRENDS

SEAFOOD

Fish and seafood prices increased 0.7% from November to December 2011 and were 6.8% above the December 2010 level. While Japanese output is expected to continue its recovery in the coming months, seafood prices are predicted to remain high throughout year-end 2012. Overall seafood prices are expected to increase between 4.0% and 5.0% in 2012.

LOBSTER

Prices for lobster in December remained weak, due in part to heavy volumes of soft-shells, which either have to be sold locally or shipped to canneries. Dock prices were down to \$3.25 per pound in December, which was significantly lower than 2010. In Canada's Bay of Fundy fishery, dock prices of \$3.50 per pound were the lowest in a long period of time. Prices were also impacted by economic struggles in both the U.S. and Europe, which have limited consumer spending on "luxury" foods such as lobster. Wholesale prices in New England averaged \$4.00 per pound FOB in December, which was nearly \$1.00 less than last year.

The market is expected to be bolstered in the coming year by China's sudden appetite for live American lobster, which is a less expensive option than coldwater lobsters from New Zealand or Australia. U.S. exports of live American lobster to China have recently quadrupled to just under 1,000 metric tons monthly.

SHRIMP

The market for headless, shell-off shrimp remained unchanged from November to December, with companies waiting for the conclusion of the holidays to make purchase decisions. Prices for headless, shell-off ("HLSO") black tiger shrimp were at \$6.72 per pound as of December 29, 2011, nearly even with the beginning of the year, but up from approximately \$5.40 per pound at the beginning of 2010. White shrimp cost \$3.80 per pound, also nearly unchanged from the start of the year, yet up from approximately \$2.95 per pound at the beginning of 2010.

Demand for shrimp from consumers in China, Brazil and India has driven up prices on a year-over-year basis. Prices are not expected to ease for at least another year, according to various industry insiders.



SALMON

Fresh farmed salmon was priced at an average of \$3.29 per pound as of December 29, 2011, virtually unchanged from November according to market surveys. The West coast whole fish market remained flat, with supplies adequate for moderate demand. Despite this, prices were below the year-end prices achieved in both 2009 and 2010. Salmon fell throughout the second half of the year from a peak of \$5.25 in May of 2011, but closed on a slight increase.

OTHER SEAFOODS

As the majority of seafood consumed in the U.S. is imported, pricing continues to be impacted by the weak U.S. dollar, increased demand from emerging countries, high feed and energy costs, and declines in discretionary spending. Many of these higher costs, particularly feed and energy fees, are being passed along to customers, resulting in increased prices.

U.S. companies imported less seafood in early 2011 than 2010, particularly fresh and chilled salmon, as well as frozen lobsters and sea crawfish. Total seafood imports sank 1.2% between January and November of 2011 versus the same period the year before. Some items, nevertheless, became more popular, including frozen whole fish; fresh or chilled fish fillets; and frozen, dried, or salted cuttlefish and squid.

Pricing Trends

Coffee

According to the International Coffee Organization's ("ICO") most recent *Monthly Coffee Market Report*, coffee prices have fallen in the second half of 2011. December's composite price averaged \$1.89 per pound, a decrease from \$1.94 per pound in November. Current prices represent the lowest mark in 2011, following record highs set in the late spring and early summer.

Experts are somewhat confused by the strong downward price pressure, as most market fundamentals do not seem to support the trend. Supply continues to remain fairly tight in relation to demand, while global consumption levels have remained consistent or even increased, which typically results in consistent or increasing market prices. However, the earlier increase in market prices may have been in reaction to global commodity trends, indicating that the high prices may have been unwarranted.

The ICO believes that the continued stagnation in the global economy has put downward pressure on coffee prices in recent months. Additionally, many growing countries have experienced poor weather conditions in recent months. The Asia and Latin America regions, in particular, were impacted by above-average levels of rainfall, which impacts growth and the harvest.

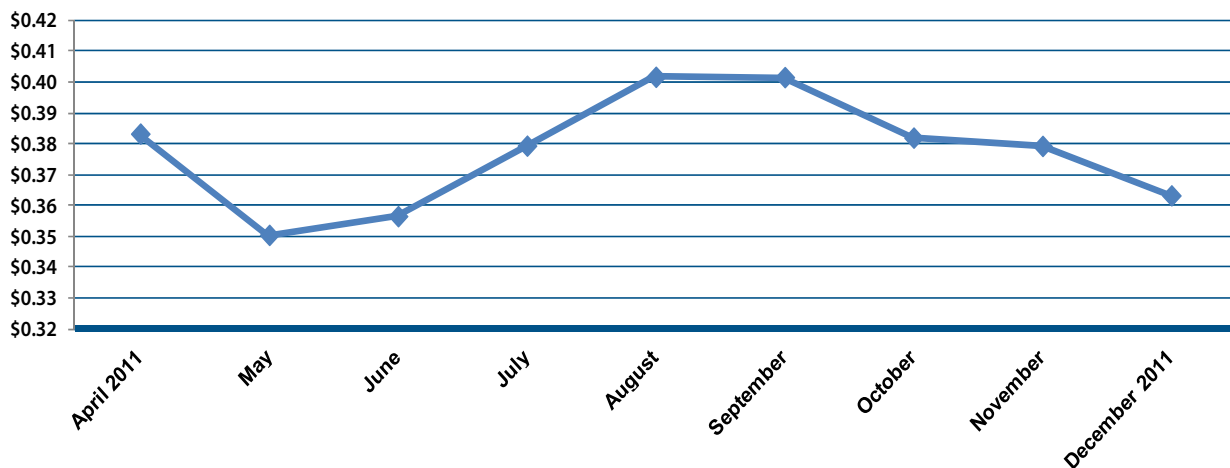
ICO believes that the current financial crisis in Europe has also impacted global coffee markets. According to the *Monthly Coffee Market Report*, the "liquidation of financial instruments, including commodities futures contracts," caused the value of coffee to fall.

Sugar

Sugar prices were volatile in 2011, peaking at \$0.40 per pound in September before falling to \$0.36 per pound at year-end. Prices in the current year are expected to increase 2.0% to 3.0% over 2011 levels due to the current U.S. policy on controlling the sugar supply and a continued elevation in shipping costs. In terms of production, a decline in sugar beet production and poor growing conditions in Minnesota and North Dakota will cause U.S. sugar levels to fall slightly in 2012.



U.S. Raw Sugar Prices Per Pound - Duty Fee Paid New York April 2011 through December 2011



FOOD AND BEVERAGE EQUIPMENT OVERVIEW

Over the last few months, food and beverage related equipment has continued to increase in value in the secondary market. Increased consumption of frozen, canned, and air-dried foods has led to greater demand for food processing equipment. Additionally, the price of stainless steel – commonly used in the manufacture of food and beverage equipment – while decreasing in recent months, remains at a relatively high level. With the cost of stainless steel still elevated, recovery values for used equipment composed of this material have remained strong as new unit prices continue to increase.

Most food processing equipment continued to recover well through the end of 2011. Meat grinders, slicers, and other equipment utilized to process animals experienced growth from the recent economic downturn. Additionally, ancillary equipment utilized in the food processing industry, such as metal detectors, has recovered well in recent used equipment sales due to the ubiquitous nature of the items at all processing facilities.

Frozen pizza manufacturing is one area of the industry that has declined slightly in recent months due to increased competition from quick service restaurants (“QSRs”) such as Pizza Hut, Domino’s, and Papa John’s. As a result, the demand for related equipment, such as spiral freezers, has experienced minor declines. Additionally, cheese processing equipment has remained flat in recent months as many consolidations occurred in 2011. These consolidations resulted in an excess of available equipment in the secondary market, which has hindered growth in the industry.

Air popping equipment was in strong demand throughout the second half of 2011. As a viable alternative for health conscious consumers who look to avoid fried foods, air popping has become a popular method of processing food. As a result, related equipment has been selling quickly and at higher prices.

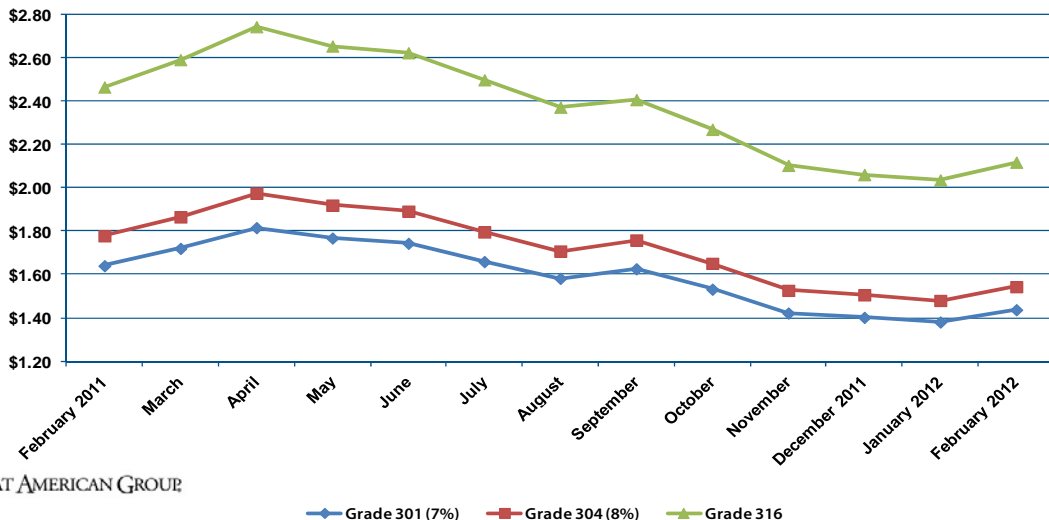
However, while consumers have sought alternatives to fried and baked foods, the equipment related to these processes remains steady as baking and frying continue to be the predominant methods of processing for snack foods.

Packaging equipment has typically been a stable sector of the food and beverage industry. Large swings in equipment values, either positive or negative, are uncommon as the recovery values for packaging equipment are typically flat. Equipment that can be easily moved and placed in varying formations, such as modular conveyors, commands a premium due to the ability to seamlessly integrate into an existing processing line.

Many pieces of equipment, such as silos, processing lines, freezers, and ovens, within the food and beverage processing industry tend to have a relatively low recovery value as a proportion of cost due to the installation, engineering, and other soft costs associated with the items. As a result, equipment that was very costly to set up and install typically is sold for a small fraction of cost when sold in the secondary marketplace. While the market for such equipment is stable, recovery values are typically not expected to be high. As such, most dispositions for these assets as of late have been in-place sales as opposed to sales of equipment with the intent of removal.

Currently, the food and beverage industry continues to perform well across nearly all categories. Consumer purchases within the frozen and canned food sectors are driving the demand for equipment. Foods processed in a healthier manner are also driving the demand for equipment. These categories will lead the way moving forward as consumers look for cheaper and healthier alternatives to what is currently available.

**Stainless Steel Flat Rolled Coil
Monthly Average Base Selling Price Per Pound
Less Discounts, Including Surcharges
February 2011 Through February 2012**



FOOD REFERENCE SHEET

Choice Beef Values, Price Spread, and All-Fresh Retail Value

	Dollars per pound of retail equivalent		
	December 2011	November 2011	December 2010
Retail Value	5.016	5.001	4.438
Wholesale Value	2.908	2.939	2.485
Net Farm Value	2.576	2.634	2.166
Beef Price Spreads			
Wholesale to Retail	2.108	2.062	1.953
Farm to Wholesale	0.332	0.305	0.319
Total	2.440	2.367	2.272
All-Fresh Beef Retail Value	4.572	4.495	4.116

Source: ERS/USDA

Pork Values and Spreads

	Dollars per pound of retail equivalent		
	December 2011	November 2011	December 2010
Retail Value	3.461	3.511	3.188
Wholesale Value	1.525	1.553	1.423
Net Farm Value	1.069	1.091	0.883
Pork Price Spreads			
Wholesale to Retail	1.936	1.958	1.765
Farm to Wholesale	0.456	0.462	0.540
Total	2.392	2.420	2.305

Source: ERS/USDA

FOOD REFERENCE SHEET

Retail Prices for Poultry Cuts

	Dollars per pound		
	December 2011	November 2011	December 2010
Retail Broiler Composite	1.778	1.793	1.785
Wholesale Broiler Composite	0.747	0.716	0.669
Wholesale-Retail Broiler Spread	1.030	1.077	1.116
Chicken, Fresh, Whole	1.340	1.304	1.280
Chicken, legs, bone-in	1.457	1.470	1.483
Chicken, boneless breast	3.102	3.147	3.324
Turkey, frozen, whole	1.574	1.541	1.380

Source: ERS/USDA

Retail Prices for Dairy Products

	December 2011	November 2011	December 2010
Milk, fresh, whole, fortified-gal. (\$/gal.)	3.565	3.557	3.318
Butter, salted, grade AA, stick, 1-pound package (\$/lb)	3.320	3.323	3.416
American processed cheese (\$/lb)	4.303	4.367	3.797
Cheddar cheese, natural (\$/lb)	5.430	5.630	4.933

Source: ERS/USDA

FOOD REFERENCE SHEET

Coffee: ICO Indicators and Futures Prices (New York Market)

	Dollars per pound		
	December 2011	November 2011	December 2010
ICO Composite	1.8902	1.9366	1.8426
Colombian Milds	2.5160	2.5699	2.6197
Other Mild Arabicas	2.3671	2.4509	2.4817
Brazilian Natural Arabicas	2.2879	2.3675	2.0425
Robustas	0.9841	0.9724	0.9409

Source: International Coffee Organization

Durum Wheat: Prices received by Farmers, Monthly and Marketing Year Average, Montana, USA (USDA)

	Dollars per bushel											
	Jan	Feb	Mar	Apr	May	June	July	Aug	Sept	Oct	Nov	Dec
2011	6.54	7.00	7.67	8.59	8.56	9.06	9.95	9.42	10.20	10.00	12.60	10.80
2010	5.02	5.28	5.25	4.15	4.46	4.29	4.20	4.20	4.44	5.19	6.10	7.00

Source: NASS/USDA

Corn and Sorghum: Average Prices Received by Farmers

	Dollars per bushel		
	December 2011	November 2011	December 2010
Corn	5.54	5.84	4.82
Sorghum	5.66	5.99	4.93

Source: ERS/USDA