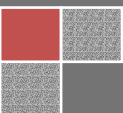




**COMPARATIVE
CONFECTIONERY INDUSTRY
MANUFACTURING COSTS**

BizCosts®....*The Cost of Doing Business*

BizCosts.com
Princeton, NJ



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EXECUTIVE SUMMARY AND NOTES***Introduction***

In the following **BizCosts®** analysis, major operating costs scaled to a representative confectionery products manufacturing plant are presented for a series of 43 comparative production sites in the U.S., Canada and Mexico. In the full **BizCosts® Report's** summary Exhibit I, annual costs are itemized and totaled and the full study ranks the 43 cities from the highest cost to the lowest.

Annual operating costs were projected solely for comparative purposes, with only major geographically-variable factors being considered. Those costs not varying significantly with geography, including relocation and start-up expenses, were not considered. The independent **BizCosts®** analysis focuses on those key geographically-variable cost elements considered to be most pivotal to the confectionery industry site selection process. All costs in the analysis are expressed in U.S. dollars at an exchange rate of .0916 (Mexico) and at parity (Canada). Geographically-variable operating cost differentials are current for **2010 and 2011**.

Overall costs were scaled to a hypothetical 150,000 sq. ft. production plant employing 300 hourly workers and shipping over-the-road to key North American regional consumer market cities. The cost simulations are designed to provide an independent, third-party point of reference for the confectionery planner's assessment of relative operating cost levels in each of the surveyed manufacturing sites. The format of the cost exhibits will also allow the confectionery planner to tailor the **BizCosts®** data, facility specifications and shipping assumptions to reflect alternate scales of operation, staffing needs and market expectations.

The full **BizCosts® Report** has been structured to be a useful and authoritative tool for a broad segment of the confectionery industry group. Geographic

differentials in operating costs could be expected to be consistent with a variety of confectionery products manufacturing operations. These would include, e.g., production of both chocolate and non-chocolate confectionery items such as:

- **Candy Bars**
- **Candy Novelties**
- **Chewing Gum**
- **Cough Drops**
- **Mints**
- **Non-Pharmaceutical Lozenges**
- **Energy, Breakfast and Granola Bars**
- **Cookie Bar Products**
- **Marshmallows**
- **Candied and Glazed Fruit Products**

Comparative Confectionery Plant Locations

For purposes of comparative economic analysis, major geographically-variable operating costs have been projected for a series of 43 manufacturing sites in the U.S., Canada and Mexico. The comparative plant sites in the full ***BizCosts***® ***Report*** all house regional concentrations of confectionery products manufacturing. Major North American benchmark cost centers such as Chicago, Montreal, San Francisco, Hershey, PA, and Hackettstown, NJ, are included as are a series of smaller market hubs of North American confectionery manufacturing activity.

Operating cost structures for Mexico are representative of Maquiladora plant sites in border cities such as Tijuana, Juarez, Mexicali and Nogales which have attracted new confectionery and food processing investment in the recent post-Nafta period. Also included in the analysis is Monterrey, Mexico, which has attracted Hershey's newest \$600 million confectionery plant.

The 43 comparative locations included in the full ***BizCosts*® Report** are detailed below by region.

Northeast Region

- Boston, Massachusetts
- Springfield, Massachusetts
- Burlington/St. Albans, Vermont
- Rochester, New York
- Hackettstown/Phillipsburg, New Jersey
- Pennsauken/Camden, New Jersey

Pennsylvania Region

- Hershey/Lebanon, Pennsylvania
- Lancaster/Lititz, Pennsylvania
- Philadelphia, Pennsylvania
- Allentown/East Greenville, Pennsylvania
- York, Pennsylvania
- Scranton/Duryea, Pennsylvania

Southeast and South Central Region

- Richmond, Virginia
- Atlanta, Georgia
- Charlotte, North Carolina
- Chattanooga/Cleveland, Tennessee
- St. Louis, Missouri

- Dallas, Texas

Upper Midwest Region

- Chicago, Illinois
- Omaha, Nebraska
- Milwaukee/New Berlin, Wisconsin
- Minneapolis/St. Paul, Minnesota
- Grand Rapids/Holland, Michigan
- Kansas City, Missouri

Western Region

- Las Vegas/Henderson, Nevada
- Phoenix/Mesa, Arizona
- Salt Lake City, Utah
- Denver/Boulder, Colorado
- Portland, Oregon
- Seattle/Bellevue, Washington

California Region

- Los Angeles/Glendale, California
- San Francisco/Burlingame, California
- Stockton, California
- Fresno, California
- Riverside/San Bernardino, California
- San Diego, California

Canada and Mexico Region

- Toronto, Ontario
- Montreal, Quebec
- Vancouver, British Columbia
- Winnipeg, Manitoba

- Halifax, Nova Scotia
- Maquiladora, Mexico
- Monterrey, Mexico

Hourly Labor Costs

Annual costs for hourly labor, including direct and indirect production workers, are presented in the full ***BizCosts*® Report's** Exhibit II. Costs are based on a representative mix of 15 distinct nonexempt job descriptions for the model confectionery products plant. Labor costs for management and technical staff were not included as these costs would tend not to vary as significantly by geography, but rather by individual company compensation practices.

Comparative Electric Power and Natural Gas Costs

Comparative annual electric power and natural gas costs are presented in the full ***BizCosts*® Report's** Exhibit III. Annual costs reflect industrial rate schedules of the respective local electric utilities serving each area. Natural gas costs are based on an assumed monthly consumption of industrial-use gas.

Comparative Land Acquisition and Construction Costs

Exhibit IV of the full study presents comparative costs for the purchase of industrially-zoned land and the construction of confectionery manufacturing space in each of the surveyed North American locations.

Comparative Ad Valorem and Sales Tax Costs

Exhibit V in the full ***BizCosts*® Report** presents comparative ad valorem (property) tax costs in each of 43 surveyed production sites scaled to the land and building specifications of the model confectionery plant. Also presented in this exhibit are comparative local, state, provincial and federal sales tax costs based on a fixed annual purchase of supplies, equipment, furnishings and other taxable goods associated with the plant.

Comparative Shipping Costs

Transportation costs from each of the 43 surveyed manufacturing sites to a designated North American confectionery market are detailed in the full ***BizCosts*® Report's** Exhibit VI. Comparative costs reflect over-the-road finished product shipments in truckload lots.

Comparative Sugar Costs

In this ***BizCosts*®** exhibit, comparative costs for securing key ingredient sugar are projected based on structural price differentials between the U.S. confectionery sites and the Canadian and Mexican locations.

Comparative Corporate Travel Costs

Comparative annual on-site corporate travel costs in each of the 43 surveyed cities are presented in the full study's Exhibit VII. Costs include corporate traveler lodging, meals, local transportation and other business travel incidentals. Figures are indicative of local business travel cost structures expected to be incurred by management, technical support, regulators and other employee and customer visitations to each of the 43 surveyed confectionery manufacturing sites.

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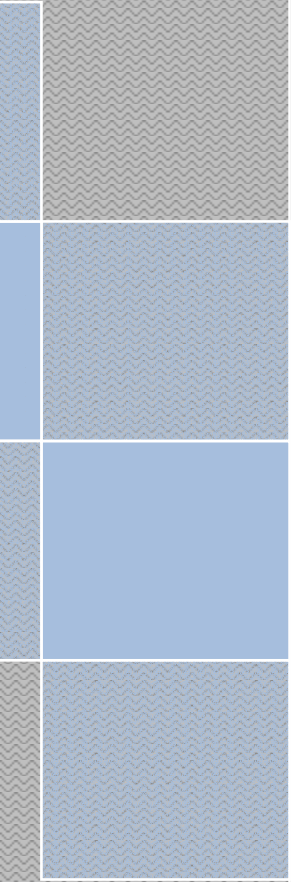
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