M E M O

TO: Daniel F. Kotwicki DATE: February 11, 1988

FROM: Mike Kanan SUBJECT: MARKET CONDITIONS - MICHIGAN AND OHIO

As you know, you and I have discussed on numerous occasions, concentrate is being sold from Holiday Juice to Flavor Fresh in Chicago, who is in turn redistributing it into Michigan, through Pensular Products.

You are also aware that Flavor Fresh is extremely underpricing the product in the Michigan market as well as in Ohio. This is causing us great concern inasmuch as it is approximately 80¢ to $1.00 a case cheaper than we are selling in the marketplace. It is devastating to our sales as well as morale. It is essential that something be done about this A.S.A.P.

Further, be advised that EverFresh is now paying $1.85 per pound solid for 65 brix concentrate from Brazil. I am wondering if any of this cost is being passed on to Flavor Fresh.

We never had this problem until Holiday began to sell concentrates through Flavor Fresh. They are affecting our bottom line by approximately $10-15M per week. We will never profit and/or meet our sales objective with this kind of competition. It is the main cause for the loss of JZ business as well as EF and FNP. The price from the Abner Wolf Book is showing $6.60 delivered to the stores for Flavor Fresh orange juice.

I know you have other deals going with Flavor Fresh in Illinois, but they need you as bad as Boden production needs them. Each deal should stand on its own merit. We cannot continue to feed the dragon.

My current cost for plastic orange juice at $1.85 is $7.15.
You set Duane Kotwicki at $6.25 per case less 2%.
We are selling on the routes at $7.32.
Our distributor F.O.B. price is $7.35 for EF, FNP and JZ at $7.15.

We need an instant price increase of at least $1.00 or more but how do we do this with Pensular products so cheap?

My suggestion is, that you immediately stop selling Flavor Fresh this product and let them go on the open market and buy products like we have to, instead of giving them a distinct price advantage over not only our routes, but also our distributors here in Michigan and Ohio.

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