Industry Overview

The seasoning and dressing manufacturing industry includes about 600 companies with combined annual revenue of $13 billion. Major companies include Kraft, Heinz, and McCormick. The industry is concentrated: the top 50 companies account for over 60 percent of industry revenue.

The seasoning and dressing manufacturing industry includes companies that make spices, dry gravy mixes, seasoning mixes, salad dressings, sauces, and natural extracts. The industry doesn't include companies that make tomato-based sauces (including pasta sauce, ketchup, and salsa) or pourable gravies.

COMPETITIVE LANDSCAPE

Demand is driven by consumer tastes and health considerations. The profitability of individual companies depends on efficient operations, effective marketing, and a strong sales force. Large companies have advantages in purchasing, distribution, and marketing. Small operations can compete effectively by manufacturing exotic sauces, sourcing and selling rare herbs, or formulating custom spice blends, extracts, and mixes. Average annual revenue per employee is $425,000.

PRODUCTS, OPERATIONS & TECHNOLOGY

Major products include spices (15 percent of industry revenue); non-tomato-based prepared sauces (10 percent); pourable and spoon-type salad dressing (10 percent); powdered seasoning mixes (10 percent); and natural flavoring extracts (10 percent). Other products include mayonnaise, mustard, vinegar, cider, imitation flavoring extracts, powdered gravy and sauce mixes, and pepper.

To manufacture spices, blowers or gravity separators clean impurities from herbs, seeds, or peppercorns. Spices may need a special soak or treatment to eliminate bacteria. Imported spices may require additional fumigation, inspection, or gamma irradiation before being cleaned. Pepper, cumin, and cinnamon are sometimes ground into a fine powder using cold-mill rollers. A sifter sorts the spices by size and, for spice blends, conveys them to a mixing station. Sorted and blended spices move by conveyor to the packing station. Packaged spices can range from small one-ounce jars to 50-pound cases and canisters.

Mayonnaise is made with continuous blending machines that create an emulsion. The emulsified blend moves through a series of pumps and heat exchangers to maintain a constant temperature as flavorings are piped in through openings in the blending machine. A viscometer tests consistency, altering water or oil levels to produce an even, smooth spread. Most continuous blending machines can produce both mayonnaise and thick salad dressings made with cooked food starches.

Once blended, the finished product moves by tubes or extruders to a bottling station. Pre-sterilized jars or bottles move along a conveyor as overhead spouts drop pre-measured amounts of dressing into each container. Containers are mechanically sealed and labeled before being boxed, placed on pallets, and warehoused. Large companies typically maintain multiple factories and warehouses strategically located throughout the US.

Inputs for dressings include soybean oil, modified food starch, eggs, high fructose corn syrup, herbs, salt, and vinegar. Inputs for seasonings are the spices or herbs themselves. Both seasonings and dressings require material input costs for items like cardboard, metal, glass, and plastic bags.
Recent technological advances include more consistent dressing viscosity; new zero-bacteria emulsions; new methods to dispense product (squeeze bottles, sprays); improved packaging that requires less plastic; and reformulated recipes that reflect healthier eating habits. Companies are successfully substituting artificial and modified food starches with natural gums and thickeners, which often improves the taste but reduces a product's shelf life. Large seasoning and dressing companies use restricted-access Intranets, supply chain management systems, and electronic data interchange (EDI) systems to facilitate e-commerce transactions and track inventory.

SALES & MARKETING

Typical customers are food distributors, grocery stores, warehouse clubs, restaurant chains, dollar stores, and convenience stores ("c-stores"). Many companies sell products directly to food manufacturers for use in processed foods. Industrial and foodservice customers represent 60 percent of all spice sales; retail sales account for the rest. Within the retail category, grocery stores account for around 70 percent of total sales and Wal-Mart another 10 to 20 percent. Products are sold by a mix of internal sales forces, food distributors, and third-party brokers. Companies typically assign a sales force and national sales manager to Wal-Mart (and other major retailers) to handle high volume needs.

In addition to their own product line, many companies produce private-label seasonings and dressings for grocery and c-stores. Private-label condiments, gravies, dressings, and sauces are a $500 million industry. Private-label brands typically cost 20 to 40 percent less than name-brand products.

Major marketing includes TV and radio advertising; coupons in newspapers, magazines, and on the Internet; celebrity tie-ins; cookbooks and seasonal recipes featuring branded spices and sauces; in-store discounts and end-cap promotions; volume discounts; and product-specific websites. Many companies rely on food trade shows to generate interest and sales around new product launches and innovations. Since seasonings and dressings complement main dishes, salads, side dishes, and desserts, companies regularly co-promote products with food manufacturers and fruit and vegetable companies. A diversified manufacturer may tie its spice or sauce line to other food divisions owned by the parent company.

Customer service operations can be extensive. Companies must have staff in place to handle customer inquiries and manage product recalls. Recalls are frequent in the seasonings and dressings industry and often result from mislabeling ingredients, a failure to fully disclose allergens, and the risk of E.Coli contamination.

Many companies invest in Internet promotions, developing informative and interactive websites to promote brand awareness. Several specialty purveyors sell spices on the Internet, serving both food enthusiasts and industrial customers.

Mayonnaise and thick and pourable salad dressings typically cost $2 to $3 per eight-ounce bottle. Dry seasoning mixes cost around $1 each. Dried herbs typically cost $3 to $4 for a one-half ounce jar; organic herbs cost around $2 more. Natural liquid extracts like almond and vanilla cost around $4 to $5 an ounce. Rare spices like saffron can be as high as $100 per ounce. Retailer consolidation has shifted buying power from manufacturers to retailers. Competition is intense among manufacturers, but seasoning and dressing companies face little competition outside the industry.

FINANCE & REGULATION

Cash flow is slightly seasonal, as sales of spices and seasonings are higher in the second half of the year. For dry seasonings, the cost of the herbs or spices can account for 50 to 70 percent of the total cost of goods sold. Packaging for both seasonings and dressings typically account for 20 percent of cost of goods; freight, 10 percent. Most sales are FOB (freight on board), requiring the manufacturer to pay for all freight and transportation expenses.

Gross margins typically range from 30 to 50 percent. Inventory costs and receivables can both be high, typically 30 to 90 days. To lower inventory costs and reduce risk, small seasoning and dressing companies may have a larger manufacturer "co-pack" their product line. Some companies use financial hedging instruments or enter multi-year contracts with ingredient and packaging material suppliers.

The seasonings and dressings industry is regulated by federal, state, and local agencies. The FDA oversees food safety and sets rules regarding health claims on labels. The Food Allergen Labeling and Consumer Protection Act requires that manufacturers disclose the presence of specific allergens. Recent FDA decisions to expand nutritional labeling and disclose hydrogenated oils (trans fats) has shifted sales of high-fat mayonnaise and salad dressings to lower-fat offerings.
The FDA's **Standard of Identity** requires that mayonnaise contain vinegar, egg or egg yolks, and at least 65 percent vegetable oil. Non-pourable salad dressing must contain at least 30 percent vegetable oil. Companies are barred from using saffron or turmeric to make mayonnaise or salad dressing, as these yellow spices may make the product appear as though it contains egg yolk.

**REGIONAL & INTERNATIONAL ISSUES**

**Illinois** is the top state for the seasoning and dressing manufacturing industry. Ohio and California are the second- and third-largest for mayonnaise, dressing, and sauce production. Florida and Maryland are second- and third-largest spice and extract manufacturing states.

The US, a **net importer** of seasonings and dressings, imports close to 10 percent of the US market and exports 5 percent. Nearly half of industry imports come from Canada, India, Mexico, and China. Half of seasoning and dressing exports are shipped to Canada and Mexico.

**HUMAN RESOURCES**

Seasoning and dressing manufacturing **wages** average $25 per hour, about 25 percent higher than the national average. Spice and extract companies pay about 20 percent more than companies producing mayonnaise and dressing. Production workers must have mechanical, scientific, and technical skills and be physically able to operate machinery and lift heavy objects.

The annual **injury rate** in seasoning and dressing manufacturing is about 15 percent higher than the national average. Most injuries involve sprains, strains, bruises, and heat burns from handling equipment; overexertion; and exposure to harmful substances. Amputations are five times higher than the national average.

**Recent Developments**

**MONTHLY NEWS**

**Salt: Pillar or Poison to Human Health?**

Business Wire, 14 July, 2008, 1130 words
ASHVILLE, N.C. - (BUSINESS WIRE) - The phrase, "international salt talks" takes on a whole new meaning as ingredients-savvy consumers worldwide demand healthy salt in their diets. Throughout history, the world's populations have had a ...

**Spice Girls**

Time, 14 July, 2008, 771 words
With a fresh take on herbs, a pair of rookie entrepreneurs is stirring up the market for seasoning. Every once in a while, a packaging idea comes along that changes a food category. Pringles proved you could stack potato chips in a can. ...

**Mizkan Americas Announces Executive Internal Promotions**

PR Newswire (U.S.), 08 July, 2008, 598 words
MT. PROSPECT, Ill., July 8 /PRNewswire/ -- Mizkan Americas, a leading condiment manufacturer, today announced the promotions of three executives within the company. These changes will serve to accommodate the dramatic growth Mizkan ...

**QUARTERLY INDUSTRY UPDATE**

**Kraft Overhauls Dressing Line** - Kraft recently overhauled its salad dressing line, eliminating artificial preservatives and using 20 percent less plastic in packaging. The company will promote this and new recipes via an integrated billboard, print, and TV campaign. In May 2008, Kraft will plant lettuce in garden plots throughout neighborhoods and shopping areas in Chicago. Large dressing bottles will appear to pour dressing into the planters.

**Fat, Oil Prices Rise** - Prices for fats and oils, primary ingredients in mayonnaise and dressing production, reached record-highs in March 2008. Prices increased over 50 percent from March 2007, more than double from five years ago. Oil price increases have followed the surge in soybean prices, which have doubled in the past five years. Soybean
farmers are planting more corn due to the rising demand for ethanol, decreasing the supply of soybeans for edible oil production.

**Imports, Exports Rise** - US imports of seasonings and dressings increased 23 percent over a 12-month period ending February 2008 compared to year-ago levels; seasoning and dressing exports increased 16 percent. Total imports of seasonings and dressings exceeded $1 billion in 2007, the first time imports passed the billion dollar mark. Spice imports from India have doubled in the past year, making it the top spice importer to the US. Canada, Mexico, and Japan remain the nation’s top spice export markets, with continued strong demand for domestic red pepper and dehydrated garlic and onion.

**Business Challenges**

**CRITICAL ISSUES**

**Highly Competitive Industry** - The seasonings and dressing industry is mature and highly competitive. Industry leaders compete for shelf space and customer mindshare. Smaller companies must have a truly compelling product and a willingness to pay for shelf space to be considered by wholesalers and retailers. Manufacturers also compete with retail private-label offerings, even if the manufacturer doesn't produce private-label seasonings and dressings. Companies must differentiate brands to avoid competing on price: many consumers think of sauces, dressings, and spices as commodities bought solely based on price.

- Consumer prices for spices, seasonings, condiments, and sauces increased 3 percent in March 2008 compared to year-ago levels.

**Volatile Ingredient Prices** - Prices for commodity inputs such as soybean oil, high fructose corn syrup, herbs, and spices can increase significantly due to poor farm yields, unpredictable weather patterns, and government farm subsidies. Ingredient prices typically represent 50 to 70 percent of a seasoning and dressing manufacturer's total cost of goods sold. Consumers may decide to forgo purchases of sauces or spices if they cost too much. Food manufacturers and restaurants may import ingredients if domestic costs are too high, or alter recipes to incorporate cheaper spices, dressings, and sauces.

- The cost of salad and cooking oil, a major ingredient in many dressings, increased 43 percent in March 2008 compared to year-ago levels.

**OTHER BUSINESS CHALLENGES**

**Dependence on Consumer Tastes** - Consumer tastes and buying habits for seasonings and dressings are often unpredictable. Public attitude about particular products can change quickly, as seen in the decline in mayonnaise consumption over the past 10 years. Manufacturers often spend millions to reformulate products or develop new brands to capitalize on dietary fads (low-carb, organic, fat-free, sugar-free). Dietary trends can become quickly passé or replaced by new and emerging health concerns.

**Dependence on Large Customers** - Buying power is firmly in the hands of retailers, particularly large national chains. Many large manufacturers depend on their top five customers for half of total revenues. Wal-Mart typically accounts for 10 to 20 percent of all seasoning and dressing sales. Retailers maximize profits by tightly guarding shelf space and requiring manufacturers to pay for the first allotment of new products.

**Product Safety Concerns** - Seasoning and dressing manufacturers sell products that can sometimes be mishandled, mislabeled, or contaminated. The public perception that mayonnaise is risky may be untrue; however, dressing manufacturers regularly face lawsuits and claims of spoilage and sickness. To protect themselves, companies typically invest in legal services and customer service operations.

**Infrequent Buying** - Consumers often buy seasonings only because of a recipe. Aside from sales to the food industry and amateur chefs, sales of spices and herbs are often passive purchases, with products that can sit in cupboards for years. Grocery store shelves and home kitchens are stocked with secondary spices that many consumers buy once. Infrequent buying of seasonings makes building brand loyalty among customers difficult for manufacturers.
Trends & Opportunities

BUSINESS TRENDS

Employment, Wages Rise - Employment in the seasonings and dressings industry has increased over 20 percent in the past decade, wages have risen over 40 percent, but productivity has remained largely flat. This increase in hiring and pay has coincided with higher industry revenue and a slight rise in exports.

Bolder Flavors - Consumers want bolder and spicier flavors in their sauces, spice mixes, and dressings. Market research has different conclusions about what's behind the push for more exotic flavors: increasing affluence, a more ethnically diverse population, and duller taste buds of aging baby boomers have been proposed. Regardless of the reason, sales of hot spices like wasabi; ginger; cinnamon; and ground habanero, jalapeño, and chipotle peppers are increasingly more popular. The shift to spicier flavors isn't just a seasoning trend: salad dressing manufacturers are also introducing bolder and spicier products.

Spice Imports Rise - Imports of spices and extracts have increased 75 percent over the past five years. Increased interest in Asian, Indian, and Mexican foods has boosted the sale of spices not grown domestically. Sales of spices from India, China, and Peru have more than doubled and now account for 50 percent of all spice imports to the US. The most common imported spices are cinnamon, mustard, and cumin.

Shift from Prepared Dressings - Sales of non-refrigerated salad dressings, like Miracle Whip, have fallen over the past five years, according to study by Information Resources Incorporated (IRI). IRI's research also shows a 20 percent drop in Kraft's pourable salad dressing sales within a recent five-year period. This drop isn't due to a drop in salad sales: bagged lettuce sales have increased significantly. IRI suggests that consumers may be creating their own salad dressings, using oil-and-vinegar combinations, or relying more on additions of nuts and cheese to enhance the flavor of salads.

INDUSTRY OPPORTUNITIES

Low-Salt Dressings, Seasonings - Building on the sales success of organic and low- and reduced-fat dressings, manufacturers are testing and launching new low-sodium dressings, sauces, seasonings, and marinades. Americans are increasingly aware that high-sodium foods can raise blood pressure and increase the risk of diabetes. Some manufacturers are also exploring how new packaging can improve portion sizing, limiting the temptation to drench food with a lot of sauce.

Promoting Healthy Pairings - Seasoning and dressing manufacturers are promoting the health benefits of pairing sauces, dressings, and spices with fruits and vegetables. A recent University of California study shows that children eat nearly 25 percent more vegetables when they're paired with Ranch dressing. The study also concludes that pairing vegetables with a moderate amount of fat helps the body absorb more nutrients. Companies can also promote healthy pairings in ready-to-eat fruits and vegetables sold in fast food restaurants and grocery stores.

Going Green - Manufacturers are increasingly seeking sustainable ways to produce and sell spices, extracts, dressings, and sauces. New "green" manufacturing initiatives include biodegradable packaging, sustainable herb farming, and organic seasonings and dressings. Spice manufacturer McCormick has rolled out gravity-fed bulk dispensers in over 10,000 supermarkets, which can potentially reduce packaging while increasing overall sales.

Demystifying Spices, Herbs - Companies that invest in educating consumers about properly using spices and herbs may directly benefit through increased sales. Spice manufacturers are investing heavily in interactive, online education. The next step may be making spices and herbs fun and less intimidating, perhaps by tying in seasonings with celebrity chefs, cooking competitions, or a premium line of exotic and rare spices bundled with ethnic cookbooks.

Spice, Sauce Exports - The US exports only around $500 million of spices annually. The weak state of the US dollar may make it more attractive for other countries to import spices. India's and China's middle class is rapidly expanding and eating a more Western, meat-heavy diet, which may provide opportunities for spice, dressing, and marinade manufacturers.

Executive Insight

CHIEF EXECUTIVE OFFICER - CEO
Identifying Optimal Product Mix
Companies are evaluating the ideal product offering mix and shedding underperforming and non-core business divisions. Most large seasoning and dressing manufacturers are highly diversified. Non-core divisions may be sold off or eliminated if they stop being a strategic fit for the company, if they add additional complexity to business operations, or if they fail to meet the company's required profitability.

Cutting Costs
The seasoning and dressing industry is mature and growing slowly, so companies are reducing operating costs to boost margins. Many companies face tough choices, including eliminating plants and reducing worker hours. Innovative manufacturers are combining these cutbacks with investments in consumer marketing and new product developments.

CHIEF FINANCIAL OFFICER - CFO
Managing Commodity Purchases
Ingredient costs are unstable, often rising or falling 10 percent or more from year to year. Finance executives must know when to secure long-term agricultural commodity contracts and when to hedge against rising prices. Spice companies are particularly vulnerable to commodity price increases: ingredient purchases typically represent more than 50 percent of total input costs.

Ensuring Profitable Retail Contracts
Many manufacturers depend on large retailers like Wal-Mart, major grocery chains, and large foodservice accounts. Companies must secure profitable long-term contracts with major retailers and carefully evaluate the commitments required to support the needs of large buyers. A CFO must work in tandem with the company's head of sales to establish wholesale prices, set marketing budgets, and determine the optimal size and structure of the company's sales force.

CHIEF INFORMATION OFFICER - CIO
Creating Product-Specific Websites
Manufacturers are investing heavily in interactive product and company websites. Web-based information often includes recipes, information on the health benefits of the company's product line, and links to other products the manufacturer offers. IT professionals may extend information beyond websites to include newsletters, blogs, and mobile communication.

Automating Customer Service Operations
Companies rely on technology to manage phone- and web-based customer service operations. Effective customer service manages both customer complaints and requests for information and recipes. Advanced technology can help automate and route customer inquiries, lowering the time spent on the phone, reducing labor costs, and improving response times.

HUMAN RESOURCES - HR
Hiring Qualified Workers
Companies may be evaluating plant locations and seeking productivity gains, but overall employment continues to rise. Companies must find highly qualified employees to replace departing workers. Hiring managers are looking for workers with a technical or college degree. Managerial roles often go to MBAs and graduates with advanced science and technology degrees.

Training Workers on Safety Issues
Seasoning and dressing manufacturers rely on fast-moving, complex machinery that must be operated with caution. Companies teach employees how to operate equipment safely to comply with federal and state regulations and minimize worker injuries. Packaging and drying can be particularly dangerous steps in the manufacturing process.

VP SALES/MARKETING - SALES
Developing Sales Strategy
Manufacturers can select from a wide range of sales strategies, but there's no one ideal way to sell spices and sauces.
Companies spend considerable energy and resources developing the ideal sales mix. Some commit to inside sales; others rely on a network of brokers of a food wholesaler. Most companies combine these strategies and incorporate a national broker network to coordinate the sales strategy.

**Overhauling Product Lines**
To improve profitability and shake off the image of a rather staid industry, manufacturers are overhauling product lines. Some companies highlight the environmental benefits of more efficient packaging, while others reformulate recipes to be healthier. Companies try to turn a product overhaul into a PR boon, but only a few capture the public's attention.

**Call Preparation Questions**

**CONVERSATION STARTERS**

**What competitive issues is the company facing?**
The seasonings and dressing industry is mature and highly competitive.

**How does the company manage changes in commodity costs?**
Prices for commodity inputs such as soybean oil, high fructose corn syrup, herbs, and spices can increase significantly due to poor farm yields, unpredictable weather patterns, and government farm subsidies.

**How do shifts in consumer eating habits change the company’s product mix?**
Consumer tastes and buying habits for seasonings and dressings are often unpredictable.

**What new healthy products does the company manufacture?**
Building on the sales success of organic and low- and reduced-fat dressings, manufacturers are testing and launching new low-sodium dressings, sauces, seasonings, and marinades.

**How important is co-marketing with other foods to the company’s marketing strategy?**
Seasoning and dressing manufacturers are promoting the health benefits of pairing sauces, dressings, and spices with fruits and vegetables.

**What new environmental initiatives is the company exploring?**
Manufacturers are increasingly seeking sustainable ways to produce and sell spices, extracts, dressings, and sauces.

**QUARTERLY INDUSTRY UPDATE**

**How has the rise in soybean and vegetable oil prices affected the company?**
Prices for fats and oils, primary ingredients in mayonnaise and dressing production, reached record-highs in March 2008.

**How important are exports to the company’s overall success?**
Seasoning and dressing export has increased 16 percent over the past year, but is still only a $650 million industry.

**OPERATIONS, PRODUCTS, AND FACILITIES**

**What are the company’s main products?**
The industry’s main products are spices (15 percent of industry revenue); non-tomato-based prepared sauces (10 percent); pourable and spoon-type salad dressing (10 percent); powdered seasoning mixes (10 percent); and natural flavoring extracts (10 percent).

**What other products does the company produce?**
Secondary industry products include mayonnaise, mustard, vinegar, cider, imitation flavoring extracts, powdered gravy and sauce mixes, and pepper.

**How many manufacturing and distribution locations does the company operate?**
Large companies typically maintain multiple factories and warehouses strategically located throughout the US.

**What are the company’s most popular package sizes?**
Packaged spices range in size from small one-ounce jars to 50-pound cases and canisters. Dressings are sold both in individual sized containers and in bulk.
Does the company outsource packing and shipping?
To lower inventory costs and reduce risk, small seasoning and dressing companies may have a larger manufacturer “co-pack” their product line.

What are the company's major operating expenses?
Common inputs for dressing manufacturing are soybean oil; modified food starch; sweeteners like high fructose corn syrup; and herbs, salt, and vinegar. Inputs for seasoning manufacturing are spices and herbs, which account for 50 to 70 percent of the total input cost.

What types of packaging materials does the company use?
Both seasonings and dressings require material input costs for items like cardboard, metal, glass, and plastic bags.

CUSTOMERS, MARKETING, PRICING, COMPETITION

Who are the company's customers?
Typical customers are food distributors, grocery stores, warehouse clubs, restaurant chains, dollar stores, and convenience stores (c-stores). Some companies sell directly to food manufactures for use in processed foods.

How does the company promote new products?
Many companies rely on food trade shows to generate interest and sales around new product launches and innovations.

What is the company's breakdown in sales between institutional/foodservice and consumers?
The seasonings and dressings industry relies on institutional and foodservice sales for 60 percent of total revenue; sales to consumers account for the rest.

How much does the company rely on key accounts for sales?
Within the retail sector, grocery stores account for around 70 percent of total sales and Wal-Mart 10 to 20 percent.

How does the company manage sales to key accounts?
To handle high-volume needs, companies typically assign a sales force and national sales manager to Wal-Mart and other major retailers.

Does the company produce private-label brands?
Many companies produce private-label seasonings and dressings for grocery and c-stores. Private-label condiments, gravies, dressings, and sauces are a $500 million industry, with products that typically cost 20 to 40 percent less than name-brand.

How does the company market its products?
Major types of marketing include TV and radio advertising, coupons, celebrity tie-ins, cookbooks and seasonal recipes, discounts and promotions, and product-specific websites.

How does the company respond to customer needs and inquiries?
Customer service operations can be extensive. Companies must have staff to handle inquiries and manage recalls.

REGULATIONS, R&D, IMPORTS AND EXPORTS

How does the company ensure safety in food allergen labeling?
The Food Allergen Labeling and Consumer Protection Act requires that manufacturers disclose if specific allergens are present in the product.

How challenging is the requirement to disclose trans fat?
Recent FDA decisions to expand nutritional labeling and trans fat disclosure have shifted sales of high-fat mayonnaise and salad dressing to lower-fat offerings. Many companies have struggled to reformulate products to limit trans fats yet make them taste good.

Has the company had to reformulate products to comply with FDA's Standard of Identity regulations?
Mayonnaise must contain vinegar, egg or egg yolks, and at least 65 percent vegetable oil. Non-pourable salad dressing must contain at least 30 percent vegetable oil.

How does the company attract new export markets?
The US export market is growing, but is only 5 percent of industry revenue; imports are close to 10 percent.

ORGANIZATION AND MANAGEMENT
What is the company's hourly wage for production workers?
Seasoning and dressing manufacturing wages average $25 per hour, about 25 percent higher than the national average. Spice and extract companies pay about 20 percent higher than companies producing mayonnaise and dressing.

What skills or training does the company require of its workers?
Seasoning and dressing manufacturing requires mechanical, scientific, and technical skills. Production workers must be physically able to operate machinery and lift heavy objects.

How does the company prevent serious injuries?
The annual injury rate in seasoning and dressing manufacturing is about 15 percent higher than the national average. Sprains, strains, bruises, and heat burns typically result from handling equipment, overexertion, and exposure to harmful substances. Amputations are five times higher than the national average.

FINANCIAL ANALYSIS

How does seasonality affect company cash flow?
Cash flow is slightly seasonal, as sales of spices and seasonings are higher in the second half of the year.

For seasonings: What percentage of gross sales is spent on food ingredients?
The cost of the herbs or spices can account for 50 to 70 percent of the total cost of goods sold.

How significant are packaging and shipping costs?
Packaging typically accounts for 20 percent of cost of goods; freight, 10 percent. Most sales are freight on board, requiring the manufacturer to pay for all freight and transportation expenses.

What is the company's typical inventory level?
Companies typically carry 30 to 90 days of finished product inventory.

On average, how long does it take the company to collect from buyers?
Receivables can be high, typically 30 to 90 days.

What are the company's gross margins?
Gross margins typically range from 30 to 50 percent.

What is the company's annual revenue per employee?
Average annual revenue per employee is $425,000.

BUSINESS AND TECHNOLOGY STRATEGIES

What new technologies has the company invested in?
Recent advances include more consistent dressing viscosity; new zero-bacteria emulsions; new methods of dispensing product (squeeze bottles, sprays); and improved, "greener" packaging.

How has the company responded to consumer health concerns?
Companies have reformulated recipes that reflect healthier eating habits. Some companies have substituted artificial and modified food starches with natural gums and thickeners, often improving the taste but reducing a product's shelf life.

What plans does the company have to expand operations?
Large companies have advantages in purchasing, distribution, and marketing.

If a small company, how can the company compete against larger operations?
Small operations can compete effectively by manufacturing exotic sauces, sourcing and selling rare herbs, or formulating custom spice blends and mixes.

Financial Information

COMPANY BENCHMARK INFORMATION

Seasoning and Dressing Manufacturing - (NAICS: 31194)
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<th>12 Month Rolling Data Period</th>
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<td>Table Data Format</td>
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### Income Statement

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<td><strong>Net Sales</strong></td>
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<td><strong>Operating Income</strong></td>
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<td><strong>Net Profit After Tax</strong></td>
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### Balance Sheet

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<th>Aggregate</th>
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<td><strong>Cash</strong></td>
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<td><strong>Accounts Receivable</strong></td>
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<td><strong>Inventory</strong></td>
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<td><strong>Total Current Assets</strong></td>
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<td><strong>Total Fixed Assets</strong></td>
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<td><strong>Other Non-Current Assets</strong></td>
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<td><strong>Total Assets</strong></td>
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<td><strong>Total Long-Term Liabilities</strong></td>
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<td><strong>Net Worth</strong></td>
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### Financial Ratios

(Click on any ratio for comprehensive definitions)

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<tr>
<td><strong>Quick Ratio</strong></td>
<td>1.19</td>
<td>1.78</td>
</tr>
<tr>
<td><strong>Current Ratio</strong></td>
<td>2.20</td>
<td>3.87</td>
</tr>
<tr>
<td><strong>Current Liabilities to Net Worth</strong></td>
<td>53.0%</td>
<td>27.5%</td>
</tr>
<tr>
<td><strong>Current Liabilities to Inventory</strong></td>
<td>105.5%</td>
<td>114.0%</td>
</tr>
<tr>
<td><strong>Total Liabilities to Net Worth</strong></td>
<td>68.0%</td>
<td>57.5%</td>
</tr>
<tr>
<td><strong>Fixed Assets to Net Worth</strong></td>
<td>28.0%</td>
<td>28.5%</td>
</tr>
<tr>
<td><strong>Collection Period</strong></td>
<td>31.1</td>
<td>45.3</td>
</tr>
<tr>
<td><strong>Inventory Turnover</strong></td>
<td>9.6</td>
<td>12.5</td>
</tr>
<tr>
<td><strong>Assets to Sales</strong></td>
<td>43.5%</td>
<td>48.0%</td>
</tr>
<tr>
<td><strong>Sales to Working Capital</strong></td>
<td>5.9</td>
<td>4.0</td>
</tr>
<tr>
<td><strong>Accounts Payable to Sales</strong></td>
<td>4.0%</td>
<td>4.5%</td>
</tr>
<tr>
<td></td>
<td>2007</td>
<td>2008</td>
</tr>
<tr>
<td>--------------------------------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Return on Sales</td>
<td>4.0%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Return on Assets</td>
<td>10.0%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Return on Investment</td>
<td>16.0%</td>
<td>15.0%</td>
</tr>
<tr>
<td>Interest Coverage</td>
<td>10.4</td>
<td>5.1</td>
</tr>
</tbody>
</table>

Financial industry data provided by Fintel -- offering leading benchmarking with a database of over 900 industries. Utilize financial analysis through profitability, liquidity, sustainable growth rate, business valuation, custom research, and other tools. Visit us on the web at [www.fintel.us/firstresearch](http://www.fintel.us/firstresearch) to find out how we can help you.

ECONOMIC STATISTICS AND INFORMATION

Change in Producer Prices - Bureau of Labor Statistics

Change in Consumer Prices - Bureau of Labor Statistics

Industry Forecast

The output of US other food manufacturing, snacks, coffee, condiments, nuts, which includes seasonings and dressings, is forecast to grow at an annual compounded rate of 4.1 percent between 2007 and 2012.

Seasoning and Dressing Production Growth Steady

First Research forecasts are based on INFORUM forecasts that are licensed from the Interindustry Economic Research
Fund, Inc. (IERF) in College Park, MD. INFORUM's "interindustry-macro" approach to modeling the economy captures the links between industries and the aggregate economy.

**First Research Industry Growth Rating**

The First Research Industry Growth Rating reflects the expected industry growth relative to other industries, based on INFORUM's forecasted average annual growth for the combined years of 2008 and 2009.

- Demand: Driven by consumer tastes and health trends
- Need efficient manufacturing and marketing
- Risk: High commodity prices squeeze margins

**First Research Industry Drivers**

Changes in the economic environment that may positively or negatively affect industry growth.

- **Consumer Spending**: Change in overall level of consumer spending on goods and services
- **Commodity Prices**: Changes in prices for commodities, such as crops, metals, and other raw materials

**Web Links & Acronyms**

**INDUSTRY WEBSITES**

- **American Spice Trade Association (ASTA)**
  Industry association for the US spice industry.

- **Association for Dressing and Sauces (ADS)**
  International trade association of salad dressing, mustard, condiment sauce, and mayonnaise manufacturers.

- **McCormick Friends & Flavor Club**
  Good example of an interactive seasonings website.

- **Spices Board of India**
  Import and export information from a major US spice partner.

- **USDA: The Spice Market in the United States**
  Comprehensive overview of how spices are manufactured and sold.

**GLOSSARY OF ACRONYMS**

- **ADS** - Association for Dressing and Sauces
- **ASTA** - American Spice Trade Association
- **FOB** - freight on board
- **HFCS** - high fructose corn syrup
- **IRI** - Information Resources Incorporated
- **RTE** - ready-to-eat
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