

Prepared Statement of Andrew Siegel

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Our bakery was started in 1993. Since then it has it has grown and changed dramatically. The Bakery has gone from a sole proprietorship baking 85 loaves per day and delivering to a handful of local stores and restaurants to where it is today. Delivering to over 250 grocery stores and supermarkets in Maine, New Hampshire, Massachusetts, and a small presence in Rhode Island , Connecticut, New Jersey and New York . The bakery also has established 5 company stores where we bake and deliver our fresh breads seven days a week and we have an online business where customers can order and have breads shipped anywhere in the country. We have about 50 employees who are full and part time This is an increase of 25% over last year.

As in any business there are lots of obstacles and hurdles to overcome. I think that when a business starts up the odds of it surviving 10 years is not very high. So when we look at the decisions to be made one of the factors that we take into consideration is what can and what can't we control.

We are very fortunate that the bread we bake is a product that consumers really like. The biggest challenges we face are not where to deliver our bread but how do we get it there and insure that the quality maintained as we grow the business.

So what hurdles has the bakery faced recently and what steps can we make to insure that we can continue to bake quality bread and deliver them to our customers at a reasonable price.

In the last 2 years we have seen some dramatic price increases in every part of our business. The cost of propane, electricity, gasoline, ingredients like honey, nuts, seeds, flour have had increases of 50 to 100% . We use about 50000 lbs of flour per week. If you relate that into costs

in September of 2007 it was about \$7600 per week

In October of 2007 it increased to \$9700 per week

in December it was \$12400 per week that's when things started to get crazy there were rumors that there may not be enough of some kinds of flour to get through until the next crop. So from December until the end of February the price went as high as \$28000 per week. Before reaching the \$28000 level I purchased some at \$22000. An increase of 189% just from September

So now the price is about \$15000 per week 100% above the cost of flour in September but almost 50% lower than where it was at the end of February.

The factors involved as I understand it is corn being planted instead of wheat to make ethanol, China's economy growing and using more grains to feed livestock , The worst weather conditions making this the poorest wheat crop in decades and hedge funds

manipulating driving prices up in a bubble and causing us bakeries and the consumers to bear the costs.

So when the prices are racing to the sky literally by thousands of dollars per week. Our bakery and every other bakery has to purchase flour or go out of business. So now we have raised our prices. Customers are upset and our employees are feeling the pain due to no pay raises and increased costs of all their living expenses. I think that we will survive this crisis. My fear is that if all of the above mentioned factors continue that next year we will not be so lucky.