

COSTAS PROVISIONS

2014 Cost Expectations

By Peter Thor, President, Bellissimo Foods



With business of the holidays behind us, we turn to face 2014 full of expectations. The job market is slowly improving, so hopefully demand will also be. But what about costs of food ingredients and non-food items necessary to operate a restaurant? After years of volatility due to high grain prices and government meddling, we might finally be seeing some relief.

Actual outcomes depend of course on how the year unfolds, but at this point there are a number of key trends which will positively impact us in 2014. These include 2013 harvests and grain prices, weather issues, energy costs, and imports. Overall, we expect food costs to moderate, forecast by many to increase only 2% in 2014 compared to an average of about 7% over the past five years. Nonfood costs will increase somewhat more.

A positive note starts with grain costs, which are down due to terrific harvest volumes in 2013. The 2013 corn crop is projected to be a record of 13,989 million bushels, up 30% from 2012. The price of corn especially is expected to continue to drop in 2014. This will have positive benefits for all products made from corn, and will materially benefit meat producers as well as dairy, especially poultry and pork producers. Wheat prices have also fallen, thanks mainly to the more than 5 million metric ton increase in production in Canada and Australia. Bulk prices per bushel for corn and wheat are down 46% and 18%, respectively from last year. This has obviously benefitted the grain products like flour and edible oils. Barring surprises in weather or other growing conditions, 2014 should be a good year with limited cost inflation.

GRAINS	Recent Price	2012 Price	PCT Change
Corn, bushel	\$4.195	\$7.71	46%
HRW Wheat, bushel	\$7.100	\$8.65	18%
DNS Wheat 14%, bushel	\$7.590	\$9.42	20%
Durum Wheat, bushel	\$6.633	\$8.20	19%

Chicken have the fastest growing cycle, as fast as 6 weeks, so lower corn costs can translate directly into lower costs for producers as well as lower prices for chicken. Unfortunately, strong demand for wings makes it unlikely to see much of a decline in wholesale wing prices from current levels, which are roughly 60 cents per pound lower than year ago. The outlook for the poultry industry in 2014 looks very promising as the growing cycle and response times are much faster than other protein options.

Pork and beef producers and consumers will also benefit from lower feed costs, just with longer lead times. Another limiting factor in price for pork

and beef remains the strong export markets, which are benefiting from a declining value of the dollar. Foreign exchange brings US producers into competitive economic position compared to overseas producers at the same time that international consumer demand is increasing. Despite the strong demand, pork belly prices are still forecast by industry experts to decline 5-10% compared to 2013. So depending on the specific pork product, wholesale costs are expected to gradually decline in the New Year. Canola and soy oil supplies and pricing are uncertain at this point and some forecasters are predicting modest price increases in the coming year. Olive oil supplies will be negatively impacted both by the severe weather in Europe as well as the value of the dollar dropping relative to the Euro and other foreign currencies.

Beef prices remain at or above year ago levels despite the lower feed costs. This is in part due to lower supply availability. The USDA has forecast that Q1 2014 beef production will be 4.9% below the same quarter in 2013. The supply rebuilding process is longer in beef, but a positive benefit will ultimately result.

Cheese prices have climbed in recent weeks in no small part due to strong export demand and production capacity constraints amongst cheese producers. Higher cheese inventories compared to last year are mostly in American style cheese. Strong powder demand from China and reduced Oceania cheese supplies have created opportunities for U.S. cheese exporters. Cheese exports year to date are up 16% compared to the same period year ago while milk production has only increased by about 1%.

Lower feed costs will encourage greater production. US cheese will remain price-competitive in world markets and export channels will remain open and attractive for US producers. Opportunities exist for exporters of milk powder, butter, and other dairy products as well. Most recent forecasts of cheese prices suggest modest price decreases of 5-15 cents per pound compared to current levels during 2014.

Operators can use this information to review menu choices and options, and adjust if possible to reflect the coming changes in relative costs among protein ingredients. Bellissimo distributors carefully track these and other cost opportunities, and can assist you to take advantage of this information as part of your 2014 purchasing and menu changes plans. On behalf of all of our partner distributors at Bellissimo, we wish you the best in the coming year!



ONLINE OPTIONS

Options for Creating an Online Portal for Your Company

By Daniel Thor, Bellissimo Foods

In today's competitive market atmosphere, finding and keeping new customers could be the difference between success and closing your doors. For those struggling to keep up with the technological age, the challenge is even greater. More and more pizzerias and fast casual restaurants are turning to the web to grab any customers left on the table. There are several ways to transition your business into an online platform, and here we will give you the advantages and disadvantages of each.

The easiest and cheapest way of creating an online presence is to create a social media page for your business. Facebook and Twitter are still the most common social media engine alternatives, and both give you the opportunity to connect with your customers, supply information about your restaurant, hours, new offerings etc. As a disadvantage they do not allow you much personalization in page layout or content, i.e. you are confined to the layout with which they provide.

The most expensive, and time consuming way to be seen online is to hire a company to create a website for you. A custom website can cost between roughly \$500 and up depending on what you want to include, and is the best way to incorporate your restaurant theme to the online world. This option, as with the social media outlet will allow you to communicate with customers, allow offerings etc, but will not bring customers to you. You will be in charge of forging the relationship, and marketing this new tool.

The third most popular way to go online is to use a 3rd party menu service. The most popular of these is GrubHub or Seamless. Both offer free website design, and menu listing, but the restaurant gets charged upwards of 10% on top of any order placed through their site. The benefit of using a 3rd party service is that the software to upload your menu is fairly user friendly, and they have their own marketing budget to try and attract more customers for you. That being said, according to a Cornell Hospitality Report, "nearly half [47 percent] of the consumers on multiple-restaurant sites said they clicked to the restaurant's website to order their food, once they found a restaurant they liked." Although there are some benefits of ease of use, there is some slight risk of cannibalizing your own business by being listed on the same site as your competitors.

There are an amazing number of resources for those interested in creating, or upgrading their online presence. No matter how you choose to market yourselves through the web, please remember these simple rules.

- Always make sure to market your online capabilities in your store. No one will use it if they don't know about it.
- Customers using online means of ordering do so for the convenience. Make delivery or pickup convenient as well. You won't win any votes if they have to wait in line with everyone else at pickup.
- Give your online customers a reason to come back. Give them a coupon that is only redeemable through the online ordering.
- Make whatever you do simple and easy to use, and always keep online information updated.

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Record Wheat Harvest 2014 Wheat Crop Forecast



This year's wheat harvest is a record crop, nearly 1 billion bushels compared to last year's 731 million bushels. This increase will lead to arise in production of 7.7%, and reserves before next year's harvest will increase 2.5%, leading to a surplus according to The World Trade Organization.

In the US market, the average national yield was higher than last year due mostly to increased precipitation and a cool spring. Good protein levels are expected, and relatively high at 47.2 bu. per acre. The Australian crop market, which is currently being harvested, will yield Australia's third largest crop ever, according to the Australian Bureau of Agricultural and Resource Economics and Sciences. Crop expectations are high in other parts of the world as well, Canada, and Argentina among them. The total increase in wheat could lead to a \$2.00 drop in price per bushel, and might lead to more corn production in the years to follow.

This news is in stark contrast to the last 18 months of continued rise in commodity prices (especially protein). As of November 2013, food costs were up an average of 2.3% over 2013, with a total inflation rate for the last 5 years of 7.1%. The price of corn is also expected to drop 20% in 2014, offering some relief to the poultry, and pork belly market. Wheat is expected to drop 10% in 2014. Canola and Soy oil are expected to increase in price, while cheese is expected to reduce by an average of 3.2%.

Spendiffer CEO Maryanne Rose said, "Operators need to understand not only their raw material costs but also yields, shrink, labor, packaging, overhead and freight costs." Chains will most likely take greatest advantage; although independents should see their food costs remain relatively unchanged in the coming year. That being said, it is expected to be another tough year in 2014.

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From the Buying Corner - 2013 in Review and Looking Ahead

2013 was an exciting and challenging year for us, and this year is looking to shape no different. We want to be sure that Costas Provisions is getting you what you need to succeed. How are we doing this?

- Adding new items to fulfill your customer's changing tastes and needs, and to differentiate your menu from your chain competition.
- Partnering with our suppliers to promote products aggressively.
- Holding our suppliers to the standards of their product specifications so you can get the same, consistent product.

We have brought in more new items this year than we have done in years. Here's a snapshot:

- *Brakebush's #5211 gluten-free chicken breast strip* is our newest addition to our gluten-free (GF) category. Remember that we carry a great gluten-free pizza shell by Better Bread Company (made in Maine by brothers Josh and Jeff Hartwell).
- We have a wide array of fresh, nutritious and delicious *Kettle Cuisihne soups*. Also, we upgraded our frozen line from condensed-soups to Chef Francisco's more convenient and flavorful Ready-to-Use product. Soup is a very popular menu option, and a great way to increase your lunch sales and profits.
- Speaking of ways to add easy profits, have you tried our imported line of artisanal Greek specialties? Zagoriso pies made by Havelas Co and desserts from Ntasios SA are unique products that will have your customers coming back for more. Both companies make to order, and ensure to freeze the foods immediately after they are freshly prepared and baked.
- We're working with our experts at Bellissimo FooHeadquarters to offer you products with excellent value. The Bellissimo tuna addition has been received with great success, and our Spendida French fries are back in stock.
- *Bellissimo Steamed Fully Cooked Chicken Wings* (Costas Code #420096) are an easy way to offer your customers crispy, juicy wings without risking contamination by handling fresh chicken. As an added benefit you'll enjoy easier cost control and won't be paying for water-weight that fresh wings lose when they're cooked. Ask about tasty sauce options and watch your store become an essential part of your customers' game day preparations.

We know that competition is increasing and your customers' away-from-home eating options are increasing. That's why we're here to help, and together we can make it a great year.

Questions, comments – how are we doing? Please feel free to contact me via phone or email.

By Elias Tsismenakis, Purchasing Department
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MARKET REVIEW & THOUGHTS

Looking back...

The Corn Market: Last October, we were looking at bushels of corn at over \$6.40/bushel. We are currently looking at \$4.34/bushel and last week we had a low of under \$4.20. At this point we have seen good yields and a lot of acres harvested. Cheaper corn means cheaper protein, and we are enjoying some of that now.

The same holds true for soybeans and soybean oil. With good yields and more acreage, we have seen the market go from \$0.51/lb to recently breaking under \$0.40/lb. We are currently trading in a range of .40 to .41 per pound. We are hoping to test lows of \$0.39. What does that mean to you? Lower cost fry and blended oils.

The Wheat Market: This is down from

over \$9.00 to currently trading in the \$7.25 range. More often than not, all of the grains will move together (whether up or down).

The net result in all of these cases is lowering your costs and hopefully improving margins.

We have also enjoyed lower chicken prices. Again, many factors affect this, but the single highest cost of growing the chicken is the feed, and that has come way down. We have also experienced an interesting phenomena with chicken wings. Historically, from August going forward, the demand increases dramatically and so does the price. This year, because of potential demand, the suppliers put 80 odd million pounds in the freezers. This abundant supply has kept the cost of wings down. While we may see a moderate increase at this point, it is clearly not skyrocketed as they have in years past.

As we approach the holiday season, there will be pressure in certain product

categories. This historically holds true for beef roasts, ham, and turkeys. When we eat a lot of an item (increased demand) there is pressure on the item and costs go up.

Specials: we are constantly looking for opportunity buys. What is an opportunity buy?

- Supplier or manufacturer gets into a long inventory position. They then seek us, being the predominant pizza distributor in New England, to help them move the inventory. We step in and buy the product at a discount and pass the savings on to you.

By Louis Lipman, Purchasing Director
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Don't Get Mad...



GET STEAMED!

Steamed cooked wings...that is!



BAKED OR FRIED

Fresh Wings

- Prices change weekly -No control on food cost.
- 14-16 minutes cook time. Often need to cook twice - decreases the quality of the wing.
- Extreme possibility of cross contamination - can serve under cooked product.
- Possible waste - product not used in time.
- Fresh Wings lose 35-40% of product in fryer - reduces oil quality and usage.
- Producers can vary depending on where the distributor gets their best weekly price.
- Quality can vary.



Steamed Wings

- Prices change every 6-9 months.
- 5-6 minutes cook time. No need to cook twice. Saves time and labor – better quality of wing.
- No cross contamination - Always Fully Cooked.
- Can cook from frozen or defrost one bag at a time - Five day shelf life when defrosted.
- Steamed Wings lose 5% of product in fryer - increase fryer oil quality and extend oil usage.
- Consistent quality.

Steamed Wings Costas Code 420096

16933 Bellissimo Jumbo Savory Steamed Wings (6-9 ct) 6/5 lb

ADD YOUR FAVORITE SAUCE!

Sweet Chili Sauce
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Original BBQ Sauce
4/1gl (730076)



COSTAS PROVISIONS

NEWS AND INFORMATION

GUESS WHAT'S HAPPENING....

Did you check out our new logo? We felt it was time to create a new, fresh image! I'm sure you have noticed all the changes happening this past year such as our monthly sales flyers and promotional flyers! We have been focused on getting information delivered to our customers that will be beneficial to them.

In addition to starting something new, we are currently working on updating our website. We are planning for our new and revamped site to be up and running by the beginning of 2014! Our new website will be user-friendly, where anyone can visit and see our current promotions, monthly flyers, and much more! With the help of our website, you can view what new items you may want to add on your menu! You can also check us out on Facebook, Twitter & Flickr! We want our customers to be informed of the latest trends and information. Our latest flyer also includes a new item list. Every quarter, we make a list for all our customers to see what recent products we have added to our inventory. You can check this flyer out on Facebook & on Twitter!

If you have any questions about new products or promotional material such as posters or table tents for example that you would like, please do not hesitate to contact us. We are here to help you!

By Leo Maloutas, Marketing Department
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values, which need to be implemented throughout all levels of operation, from the manager to the individual cleaning the store. A well designed, nicely decorated store with a good ambiance is a very basic factor. The combination of colors, pictures and décor need to be in agreement and tasteful. If a theme can be incorporated, it will make it easier for the patrons to create a distinguishable image. All communication and promotional materials need to be well defined and consistent with the store design and theme. All operational activities need to be conducted in a way that will support and enhance the store image. The cleanliness of your store has a major influence on your patron's image. Create signature menu items which weigh very heavily on customer's image. Food quality and customer expectations are two other very important factors. What is even more important is consistency in quality and a good management of customer's expectations. Well-trained, friendly and pleasant personnel enhance the image.

Customer complaints and dissatisfaction need to be treated with professionalism, fairness, and more importantly, with generosity. Every customer is a profit center in the long term. You may lose in a particular instance, but if you satisfy your customer, they will be back to give you the opportunity to recover your loss and be more successful. The bottom line is you need to make every customer's visit to your store a pleasant and satisfying affair. In today's environment, customers are more demanding than ever, and they are looking for a good value and satisfaction. Unsatisfactory customers will "punish" by scorning your store at least for a period of time, if not forever. The potential pool of customers is limited, and you need to satisfy them by giving them a great dining experience every time they visit your store or you deliver food to them.

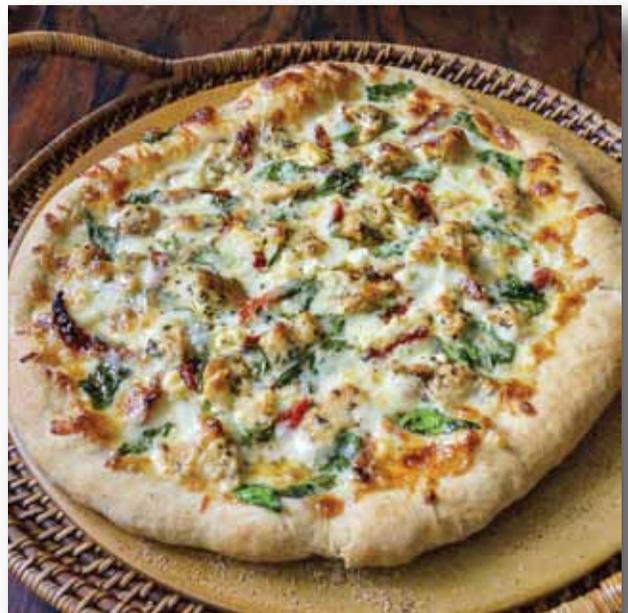
By Angelo (Vangeli) Kechris, Purchasing & Sales Manager
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CREATING STORE IMAGE

In today's highly competitive environment, a distinct and favorable image is paramount to the store's success. An image is a mental picture in the customer's mind about your establishment and an eating opportunity. The clearer and the more favorable the image is, the higher the probability the customer will patronage your establishment, and if satisfied, will continue being your customer.

This image is a combination of store factors, attributes, and characteristics blended with management philosophy, values, and operational activities. For example, the store layout, the decor, the menu assortment, food quality, portion sizes, pricing, personnel attitude and appearance, and cleanliness. The stronger the store image, the higher the appeal to the consumer who is willing to travel further to patronage your establishment. These stores can attract customers from several miles away which enhances the success and the value of the corporation.

How do you build a great image? Today's pizza restaurants compete not only within the pizza segment, but with all the other eating sectors and establishments. The owner of today's pizzeria needs to know the market well, and devote a dynamic and capable management team to create the appropriate management philosophies and





GOLD MEDAL NEAPOLITAN FLOUR



In recent years, there has been a market trend toward Neapolitan-style pizza. Because this pizza has its roots in Italy, there are some who believe that Italian flour is needed to create the best Neapolitan-style pizza crust. Fortunately, this is not the case. The milling experts at General Mills have developed a new flour that meets the needs of this style of crust. Gold Medal Neapolitan is a high-quality, untreated patent bread flour milled from a select blend of domestic hard winter wheat. Tailored to the tradition of European milled flours, Gold Medal Neapolitan provides the desired dough extensibility for hand stretching along with dough tolerance needed for fermentation and the hot, fast bake of the crust.

Costas Code (760016)

GMI	TREATMENTS	BRAND	DESCRIPTION	PROTEIN LEVEL	UNIT WEIGHT
50237	Untreated	Gold Medal Neapolitan	Hearth Style	12.0%	50 lb

NEAPOLITAN FLOUR

- *Neapolitan is the domestic match for Italian Type 00 flour
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- *Unbromated
- *Low Gluten
- *100% Winter Wheat



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