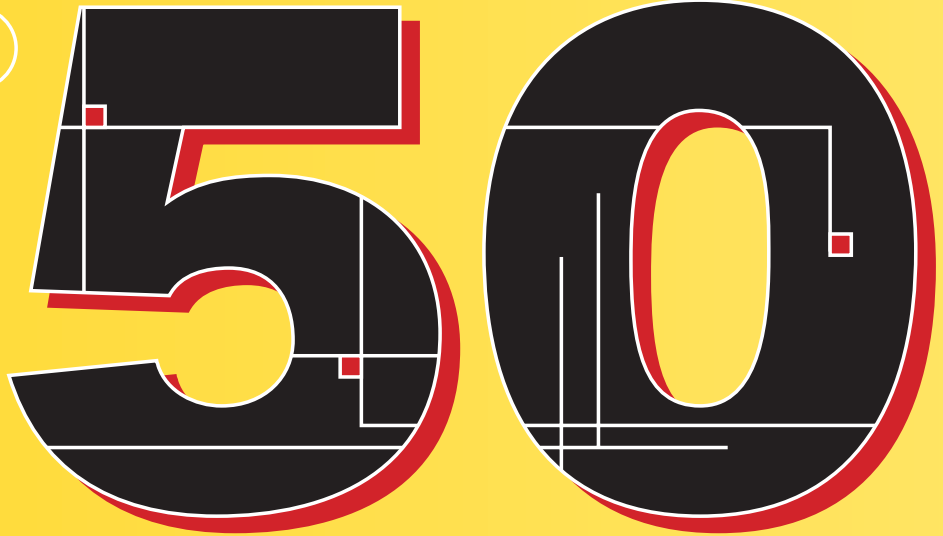


Despite Calamities,

THE ID

TOP



BY IHOR DLABOHA

The American foodservice distribution industry has shown uncanny resilience in the face of international terrorism and an economic recession and fared rather well last year.

Though its 2001 annual growth of 4.3 percent was the lowest since 1998, foodservice distributors rang up \$170 billion in sales in 2001, continuing their upward spiral, reported the industry researcher Technomic, Inc., Chicago. The annual ID Top 50 survey demonstrated that this fraternity followed suit at almost the same rate. The leading 50 broadliners increased their sales volume 4.8 percent in the same time period from \$56.4 billion to \$59.1 billion. This was the lowest increase in recent memory. The Top 50's market share was 34.8 percent of industry sales, and 62.3 percent of all broadliner volume.

The Top 50 roster further exemplified the volatile nature of the foodservice distribution industry as nearly every company changed its ranking since the 2000 study. Some companies jumped ahead, while six dropped in their standings. There were also five new entrants.

Due to U.S. Foodservice's acquisition

of Alliant, 10 of 2000's top 11 broadliners moved up one spot, with the 10th position now being occupied by The IJ Co., Knoxville, TN, with \$570 million in sales. Compared with 2000, the top 10 broadliners' sales volume increased 7.0 percent from \$48.8 billion to \$52.2 billion. This group's share of foodservice distribution also grew from 29.9 percent in 2000 to 30.7 percent, indicating that the largest broadliners continue to seize an ever-increasing portion of sales.

As expected, the perennial powerhouse, Sysco Corp., Houston, remains solidly entrenched as the No.1 broadliner with \$22.6 billion in sales. It is trailed by U.S. Foodservice, Columbia, MD, which due to its acquisition of Alliant boosted its volume 47.5 percent to \$17.7 billion. The third-place distributor, Performance Food Group, Richmond, VA, also saw double-digit growth, increasing by 22.8 percent to \$3.2 billion. All told, more than half of the Top 50 reported double-digit growth this past year.

The positive picture of the industry comes on the heels of gloomy initial predictions about the state of the economy in the wake of the devastation wrought

by the events of Sept. 11 and an ongoing recession. However, the pundits' prognostications about the economy proved to be off target.

Beginning with operator sales, the National Restaurant Association estimates total sales of \$378 billion in 2000, \$392.5 billion in 2001 and \$407.7 billion this year. To be sure, the operator community endured losses of \$1 billion—the equivalent of one day's worth of business—as a result of the terrorist attacks, according to the NRA, but the U.S. Census Bureau showed that the subcategory of eating and drinking places recorded encouraging, stable business throughout 2001, hovering at a monthly level of around \$26 to \$27 billion—even in the fourth quarter.

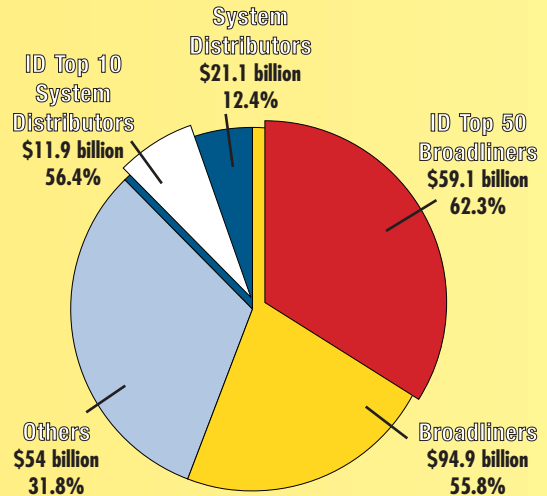
Furthermore, the national economic picture is improving at a surprisingly quick pace, compelling the government to forecast a faster recovery. Wall Street recovered nearly half of its post-Sept. 11 losses, the gross domestic product in the fourth quarter of last year inched up 0.2 percent and personal income in December increased by 0.4 percent, the biggest gain since July 2001. While consumer

Industry Grows

Summit Gets Bigger; Future is Bright

Top 50 profiles were written by Carol Casper, Lori Desiderio, Tara Mastrelli, Stephanie Salkin and Ihor Dlaboha.

BROADLINE DISTRIBUTORS



Total 2001 Distributor Sales: \$170 billion

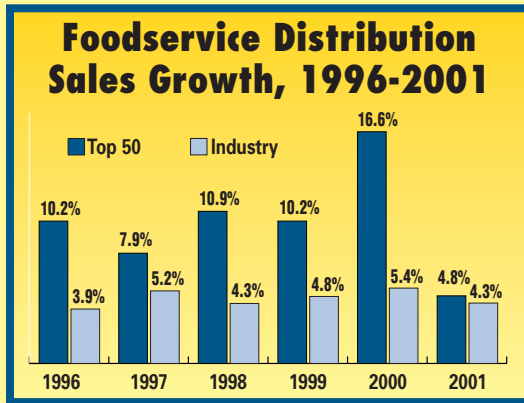
spending on durable goods fell 4.3 percent and remained flat for nondurables, consumers increased their spending on services by 0.5 percent. Finally, consumer confidence, as measured by the Conference Board, surged in December to 94.6 and in January to 97.3. Consumer expectations for the next six months reached the highest point in more than a year, boosting optimism that consumer spending, which represents about two-thirds of economic activity, would remain strong in months ahead.

Industry leaders point out that consumers' desire to eat out will maintain the resilience of foodservice.

Explaining these trends, Roger Toomey, president and ceo of UniPro Foodservice, Inc., Atlanta, points out that consumers have downscaled their restaurant activity from white tablecloth to family eateries, and from family establishments to QSRs. However, Toomey continues, "The business shift from retail to foodservice, in terms of stomach share, continues to occur. In spite of 9/11 and the economic conditions that we face today, there is still a bright future for the continued growth

and success of the foodservice sector."

John Gray, president of the International Foodservice Distributors Association, Falls Church, VA, observes that the industry "has rebounded nicely" since September. "The foodservice industry continues to be the growth engine of the U.S. food industry. Consumers have not



altered their eating patterns," Gray says. "The business is robust and we can be optimistic about the future."

Describing foodservice as a "lifestyle expectation in our changing society," Doug Coen, director of sales and marketing, Martin Brothers Distributing Co. Inc., Cedar Falls, Iowa, points out,

"While we will see short-term changes in the market due to outside influences, the broader market will continue to grow." Even though the food and supply chain remains at risk from terrorist activity, Coen emphatically declares, "I see a bright future for foodservice."

These optimistic sentiments were echoed by a majority of the survey respondents, a handful of which reported that acquiring other companies was in their future.

The billionaire's club of broadliners gained an eighth member in 2001, Maines Paper & Food Service, Inc., Conklin, NY, with sales of \$1.02 billion. This group's sales volume is \$50.9 billion, up 10.7 percent from two years ago and it is also expanding its segment of the marketplace from 28.2 percent in 2000 to 29.9 in 2002.

The population of Top 50 DSRs, the lifeblood of the industry, in 2001 was 18,790, up from 18,212 a year earlier and many distributors indicate they will be increasing that number in 2002. >

The ID editorial staff would like to thank the executives of the ID Top 50 and ID Special Breed companies, as well as those of the buying groups, for their assistance with this project.

CHART SOURCE: TECHNOMIC, INC., & ID TOP 50 SURVEY