Hostess Picks Little Debbie Maker For Drake's

Candice Choi, AP Food Industry Writer

NEW YORK (AP) — Hostess has picked the maker of Little Debbie as the lead bidder for its Drake's cakes.

According to a filing in U.S. bankruptcy court, McKee Foods has offered $27.5 million in cash for the cake brands, which include Devil Dogs, Funny Bones and Yodels. The fate of Twinkies and other Hostess cakes are still being negotiated with other bidders.

Hostess also said United States Bakery Inc. agreed to pay $28.9 million for its remained bread brands, which include Sweetheart, Eddy's, Standish Farms and Grandma Emilie's. That offer includes four bakeries, 14 depots and equipment. Earlier this month, Hostess picked Flowers Foods, which makes Tastykake and Nature's Own and Bunny bread, as the lead bidder for six of its major bread brands, including Wonder.

The "stalking horse" bids set the floor for an auction process that lets competitors make better offers. A judge would have to approve any final sales.

McKee Foods, based in Collegedale, Tenn., makes a variety of snack cakes under the Little Debbie banner that compete with Hostess cakes at a lower price. For example, its Cloud Cakes resemble Twinkies and its Devil Cremes resemble Devil Dogs. A representative for McKee Foods, Mike Gloekler, said the company didn't plan to scrap any brands as a result of the deal.

"Our intent is to produce like products as they are since they have different packaging and formulae," Gloekler said in a statement.

McKee's bid includes some equipment but not the Drake's bakery in Wayne, N.J. Gloekler said McKee hoped to make Drake's products at its plant in Stuarts Draft, Va. since Drake's cakes are best known in the northeast region.

When asked about the fate of the Drake's bakery, Hostess spokesman Tom Becker said the company continues "to market all remaining assets."

Hostess has said in court previously that it needed to move quickly in selling off its brands to capitalize on the outpouring of nostalgia and media coverage prompted by its demise. The company repeated the sentiment in its court filing Monday, noting that there is no advertising or marketing for Drake's brands, which also include Ring Dings, Sunny Doodles and Yankee Doodles.

"The longer Drake's products stay off the shelves, the more likely it is that consumers will begin to use competitors' products," the filing said.

McKee generates about $1.1 billion in sales a year, with its Little Debbie cake division accounting for $800 million of that, according to the company. In recent years, McKee has seen its sales remain flat or fall as eating habits have changed.

Hostess Brands Inc., based in Irving, Texas, has been plagued by even greater problems. The company announced in November that it was shutting down its business and selling its breads and snack cakes. Its demise came after years of management turmoil and turnover, with workers saying the company failed to invest its brands. Hostess filed for its second Chapter 11 bankruptcy in less than a decade this January, citing costs associated with its unionized workforce.

After declaring that it was going out of business, Hostess had solicited bids for its brands by a Dec. 10 deadline. The company said in its filing Monday that it had received one bid for "substantially all" of its assets. But Hostess said the bid was not as valuable as the combined total for of the bids it received for individual brands. In addition, Hostess said the bidder that made the offer for conducted "very limited diligence."

Source URL (retrieved on *08/30/2014 - 12:19pm*):
http://www.impomag.com/news/2013/01/hostess-picks-little-debbie-maker-drakes?qt-digital_editions=0&qt-most_popular=0