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# ButterKrust Bakery Will Be Sold

**Flowers Foods is buying the landmark Lakeland business for \$90 million. All 368 employees will keep their jobs.**

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LAKELAND | ButterKrust Bakery, a landmark Lakeland business since 1916, will be sold to Flowers Foods Inc. of Thomasville, Ga., one of the nation's largest producers of packaged baked goods, for about \$90 million.

Under the deal announced Thursday, ButterKrust will keep all its 368 employees, including the management team, and expects to hire an additional 20 to 30 people by the end of the year, said president Doug Wimberly, who will retain his current position.

"The good news is Flowers is going to allow us to remain in business and contribute to philanthropic activities in the community," Wimberly said. "They are bread people. They are by far the finest commercial bread bakery in America, and I'm proud to be part of it."

ButterKrust's current owners - Don Kelley and Ed Gustafson, both of Chicago, operating under the name Southern Bakeries - regularly received and rejected offers to purchase the bakery at 3355 W. Memorial Blvd. during the past 20 years, he said.

When Flowers Foods came calling several months ago, they decided to sell because they wanted to get out of the bakery business but turn ButterKrust over to a quality company that would keep it in business, Wimberly said.

Flowers will pay Kelley and Gustafson \$90 million cash "less certain indebtedness and other payments" for ButterKrust, according to a statement filed Thursday with the federal Securities and Exchange Commission.

Mary Krier, a Flowers spokeswoman, declined to elaborate on the financial terms of the sale. Wimberly also declined to discuss financial details.

In 2005, ButterKrust completed a \$35 million expansion of its plant, including a new



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BUTTERKRUST BAKERIES CEO DOUG WIMBERLY holds freshly baked bread in front of a bread cooler at the facility in Lakeland in this Feb. 2, 2005, photo.

40,000-square-foot building for an additional production line for buns and rolls, and a new loading dock and warehouse facility.

The purchase is subject to regulatory approval by the Federal Trade Commission and the U.S. Department of Justice, Krier said.

"We're not expecting that to be a long period," she said, but could not say how long it would take.

Local business leaders reacted positively to the sale because of Flowers' commitment to keep the plant in business and even expand employment.

"I see it as a win-win situation for Doug, ButterKrust and the community," said Kathleen Munson, president of the Lakeland Area Chamber of Commerce, where Wimberly and other ButterKrust officials have been active.

"I would anticipate them (Flowers) being here for many years to come. The bakery is here in Lakeland because it makes sense to be here," said Steve Scruggs, executive director of the Lakeland Economic Development Council, citing the plant's excellent location near an I-4 interchange and other bakeries in the area, including Publix Super Markets Inc. and Pepperidge Farm.

This is not the first time ButterKrust has changed hands. It was owned by the former Beatrice Foods Co. during most of the 1980s, Wimberly said.

Kelley, then the chairman at Beatrice, and Gustafson formed Southern Bakeries about 1988 to purchase ButterKrust and two other bakeries in Alabama and South Carolina, which they sold in 1998. They hired Wimberly to run ButterKrust in 1989.

The ButterKrust deal came just days after a more significant purchase by Flowers of Holsum Bakery in Phoenix, Ariz., for \$146 million, said Josh Sosland, editor of Milling & Baking News of Kansas City, Mo., a trade publication.

The Holsum deal will extend the company's reach in "direct service delivery" from 19 states in the South from Georgia and the Carolinas through New Mexico into Arizona, Nevada and Southern California, Sosland said.

Direct service delivery means supplying supermarkets and other retailers with fresh bread and other bakery products straight from the plant. Flowers also sells cookies, snack cakes and other packaged foods nationwide.

Flowers already has three bakeries in Jacksonville, Miami and Sarasota, but the ButterKrust deal will strengthen its market share in Florida, he said.

"As a market observer, this makes sense. Its presence in Florida is not as strong as elsewhere in the Southeast," Sosland said.

The recent purchases fit a decades-long pattern of Flowers purchasing a major regional bakery for expansion purposes about every six months, he added.

The deal benefits ButterKrust by giving it more financial resources to draw on, particularly buying power for raw materials, such as flour and sugar, Wimberly said.

The rising costs of raw materials is the major issue facing the bakery industry today because U.S. agriculture has diverted crops and resources toward manufacturing ethanol, he said.

The price of flour has risen 151 percent since May 2007 as farmers have taken wheat fields out of production to grow corn for ethanol, Wimberly said. Sugar has risen about 25 percent in year.

ButterKrust sells under its own brands, including Country Hearth, Rich Harvest and Sunbeam, and various other supermarket labels, including Publix. It supplies packaged bakery products for all 674 Publix stores in Florida.

Flowers sells its fresh breads and rolls under brands including Nature's Own, Cobblestone Mill and Bunny. Its snack lines include the brands Mrs. Freshley's and Blue Bird.

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