

# Business

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# Awrey files for bankruptcy

Owner puts blame on lower sales, higher cost of dairy products at century-old bakery.

By Tenisha Mercer and Karen Dybis  
*The Detroit News*

Awrey Bakeries Inc., a fourth-generation, family-owned business making bread, cakes and pastries for nearly 100 years, has filed for Chapter 11 bankruptcy protection.

Declining sales, combined with higher costs of dairy products, the low-carbohydrate diet fad, rising health-care costs and soaring fuel prices, forced the Livonia-based firm to reorganize, said Vice President Betty Jean Awrey.

Awrey lost a major client, Alliant Food Service, last year, but couldn't replace the business fast enough to stave off filing for protection Wednesday in U.S. Bankruptcy Court in Detroit.

The company reported assets of \$35.4 million and debts of

## Awrey Bakeries Inc.

Headquarters: Livonia  
Employees: 350  
Ownership: Private held, family owned  
Assets: \$35.5 million  
Debts: \$29.2 million

\$29.2 million, according to court records. Awrey's largest creditor is New Horizons Baking Co. of Fremont, Ind., which is owed \$380,200, but it also owes the city of Livonia, the IRS, De-

Major products: 125 product lines including donuts, muffins, breads, coffeecakes and bagels.

Source: Detroit News research, Awrey Bakeries Inc., U.S. Bankruptcy Court for the Eastern District of Michigan

troit Edison Co. and other suppliers.

"It was like a house of cards crumbling down on us," Awrey said. "You lump everything together and, wow! We had no

other choice but to resort to this. We made good products, but we just needed more sales."

The firm couldn't pay its 360 employees last Friday, but still is making croissants, biscuits, brownies and danish at its 230,000-square-foot office and factory complex on Farmington Road while it restructures its debt, Awrey said.

Pending the approval of Bankruptcy Court Judge Steven Rhodes today, the company plans to pay employees two paychecks next week, Awrey said.

Until their union contract expired in December, employees at Awrey had been represented by the AFL-CIO's United Distributive Workers Union, Retail, Wholesale and Department Store Union, which is in Grand Rapids. The union could not be reached for comment on Thursday.

"You worry that if people don't get paid are they going to come back, but everyone is really cooperating," Awrey said.

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## AWREY

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"Nobody called off," Awrey added. "Our employees are really sticking with us and everyone is pulling together."

Awrey was founded in 1910 by Fletcher and Elizabeth Awrey on Tireman near West Grand Boulevard in Detroit, and grew into one of the country's largest family-owned bakeries. It made more than 200 baked goods, mostly for private-label clients such as Baskin-Robbins Inc., Gordon Food Service, Sysco Corp. and the military. Last year, Awrey shipped 5 million units a week.

But rising costs and ballooning debt from a line of credit and

a \$4 million Comerica loan chewed away the 94-year-old company's bottom line, Awrey said. Sales dropped from a high of \$75 million in 2000 to \$71 million last year. The company cut its work force in 2004, laying off about 40 employees. Awrey lost a key retail distributor, Koepflinger's Bakery Inc., when that firm closed in December. Koepflinger sold its brand and recipes to Perfection Bakeries Inc. in Fort Wayne, Ind.

The bakery industry typically operates on thin margins — as little as 1 percent to 2 percent — and even a small hiccup in business can be devastating, said Farmington Hills turnaround consultant Kenneth Dalto.

To survive, Awrey must develop new strategies and refo-

cus its marketing efforts, Dalto added.

"Chapter 11 is not a panacea. Simply reducing their debt is not going to work. They have to have profitable volume. It's about building more business and repositioning themselves."

The firm is trying to find new retail accounts and military contracts, Awrey said.

She added that she plans to eliminate some slow-moving products, but hopes to keep on nearly all of the bakery's employees.

"We've had other times where we didn't have a profitable year, but we were able to turn it around," Awrey said. "If we can just see this through, we will get through this hurdle. We want it to be 100 years old."