

Twinkies and Wonder Bread File for Bankruptcy: What is to Blame?

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The company responsible for Ho Hos, Twinkies, and Ding Dongs has announced that it has filed for bankruptcy protection. Hostess Brands filed for Chapter 11 bankruptcy once before, in 2004 when it was under the name Interstate Bakeries Corp. The company recently came out from a financial restructuring process in 2009 with changes that the company now considers “insufficient.”

Who’s to Blame?

There are several theories as to why [Hostess](#), who also owns the Wonder Bread, Drake’s, and Nature’s Pride brands, has plummeted back into financial distress. An [article by USA Today](#) suggests that America’s new eating habits are to blame, claiming that healthier snacks like yogurt and wheat bread are becoming preference over cakes and white bread in the United States. Even with America’s health craze, Hostess managed to sell 36 million packages of Twinkies last year, down only 2% from 2010, according to SymphonyIRI Group.

However, Hostess is pointing its finger at pension and medical benefits costs. The company plans to modify the collective-bargaining agreements that are governing the employment of its union workers. 83% of the company’s 90,000 employees belong to union organizations.

What’s the Damage?

The company’s debt is certainly another factor. Hostess’ most notable unsecured creditor is the [Bakery & Confectionary Union & Industry International Pension Fund](#), to which the company admittedly owes approximately \$944 million.

Though their situation seems bleak, the company plans to move forward and come out of this mess by obtaining new capital investment and withdrawing completely from multiemployer pension plans in hopes of reducing its heavy debt load, says president and chief executive, [Brian J. Driscoll](#).

Light At the End of The Tunnel?

While I admit that Twinkies and other Hostess products are unhealthy, have suspiciously long shelf-lives, and contain ingredients that I can’t even pronounce, it’s never good to see a giant like Hostess Brands fall along with so many others; once successful companies with thousands of employees continue to lose against the monstrous economy in America.

Benjamin Skinner is a bankruptcy and real estate attorney and senior associate at JacksonWhite. He focuses his practice on bankruptcy law, assisting individuals in financial distress. Benjamin also practices in the areas of residential and commercial real estate law. He has been practicing for over ten years and has handled thousands of bankruptcy and real estate cases. He is a member of the State Bar of Arizona and the Maricopa County Bar Association. Benjamin is a member of the American Bankruptcy Institute (ABI) and the National Association of Consumer Bankruptcy Attorneys (NACBA). To read more about what former clients are saying about hiring Mr. Skinner or to set up a free consultation, please visit <http://www.jacksonwhitelaw.com/arizona-bankruptcy/>.

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