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The Twinkie: Will it return as a Mexican expat?

Hostess Brands is liquidating its business after 82 years, which means some of the most iconic brands of the century may be up for auction. Will Twinkies become a foreign import?

By Patrik Jonsson – 11/17/12

Who knew there were so many Twinkie diehards?

The announcement that Hostess Brands would shutter and liquidate its 33 bakeries – including its Twinkie-making plant in Illinois – sparked a fevered Boomer nostalgia ironically belied by the fact that it's been years since most people have bit into that impossibly long-lasting and sticky-sweet miracle of artificial confectionery. (Today, about 12 percent of UShouseholds buy Twinkies, down from 15 percent in 2004.)

But news that Twinkie bars are now selling at gold bar prices on eBay hints at opportunity: In fact, global firms are already lining up to bid on the iconic brand names – Ding Dongs, Ho Ho's, Wonder Bread, Drake's – in order to prepare many, if not all, for reissue.

The brands "most likely will be purchased by a competitor that will bolt the additional sales to a more efficient delivery system," David Pauker, a food industry restructuring specialist, tells Reuters. "The company itself won't survive."

Food producers ConAgra and Flowers Food, the American company behind Nature Valley granola, have expressed interest and so has Little Debbie baker McKee Foods. But another possible bidder hints at the future of Twinkies and maybe the US bakery business as a whole:Mexico's Grupo Bimbo, the world's largest bread baking firm, which already owns parts of Sara Lee, Entenmann's and Thomas English Muffins.

Bimbo has already sniffed around the bankruptcy proceedings that have haunted Hostess for a decade, in a bid to further expand its North American portfolio and pad its $4 billion net worth. Bimbo reportedly put in a low-ball bid of $580 million a few years ago, Forbes reports, and may be rewarded for that move since the Hostess kit-and-kaboodle may fetch more like $135 million today.

But the big question is whether the same problems that haunted Hostess – high sugar prices tied to US trade tariffs, changing consumer tastes, and union pushback against labor concessions – will squeeze whatever profit is left in the brands.

Especially if a Mexican buyer is involved, production may go the way of the Brach’s and Fannie May candy concerns: south of the border. With US sugar tariffs set artificially high to protectFlorida sugar-growing concerns, a non-unionized shop with access to lower-priced sugar in Mexico could be the Twinkie lifeline, economists suggest.

On the other hand, if Hostess’ problem is its legacy delivery system, which is what University of Maryland economist Peter Morici suspects, Bimbo may be able to squeeze profits out of the supply chain while still making Twinkies in the US, albeit probably not in union shops.

“It may well be that other US producers step into the void and expand their US production, in which case the Hostess liquidation might not be a total loss,” says Chris Edwards, an economist with the conservative Cato Institute.

For now, the future of 18,500 Hostess jobs are up in the air, and many may never return. As for the Twinkie? It looks like it actually is indestructible.