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TOOTSIE ROLL INDUSTRIES INC  
Form 10-Q  
May 13, 2009

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended APRIL 4, 2009

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ----to----

COMMISSION FILE NUMBER 1-1361

Tootsie Roll Industries, Inc.  
(Exact Name of Registrant as Specified in its Charter)

VIRGINIA 22-1318955  
(State of Incorporation) (I.R.S. Employer Identification No.)

7401 South Cicero Avenue, Chicago, Illinois 60629  
(Address of Principal Executive Offices) (Zip Code)

773-838-3400  
(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files)

Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer   
Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

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Yes No X

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date (April 4, 2009)

Class	Outstanding
Common Stock, \$.69 4/9 par value	36,513,865
Class B Common Stock, \$.69 4/9 par value	19,932,500

## TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES

APRIL 4, 2009

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This Quarterly Report on Form 10-Q contains "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of

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the Securities Exchange Act of 1934. See "Information Regarding Forward-Looking Statements" under Part I - Item 2 "Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Quarterly Report on Form 10-Q.

PART 1. FINANCIAL INFORMATION  
 ITEM 1. FINANCIAL STATEMENTS  
 TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
 (in thousands of dollars) (UNAUDITED)

ASSETS	April 4, 2009	March 29, 2008	Dec. 31, 2008
<b>CURRENT ASSETS</b>			
Cash & cash equivalents	\$ 53,774	\$ 45,267	\$ 68,908
Investments	16,257	13,945	17,963
Trade accounts receivable, Less allowances of \$2,016, \$2,084 & \$1,923	26,980	27,395	31,213
Other receivables	2,354	4,789	2,983
Inventories, at cost			
Finished goods & work in process	47,159	49,637	34,862
Raw material & supplies	23,229	22,938	20,722
Prepaid expenses	7,117	4,193	11,328
Deferred income taxes	-	1,590	-
 Total current assets	 176,870	 169,754	 187,979
<b>PROPERTY, PLANT &amp; EQUIPMENT, at cost</b>			
Land	19,298	19,398	19,307
Buildings	89,046	88,226	89,077
Machinery & equipment	279,761	265,565	279,100
Construction in progress	26,232	10,061	20,701
	414,337	383,250	408,185
Less-accumulated depreciation	193,675	180,348	190,557
Net property, plant and equipment	220,662	202,902	217,628
<b>OTHER ASSETS</b>			
Goodwill	73,237	73,237	73,237
Trademarks	189,024	189,024	189,024
Investments	50,280	75,011	49,809
Split dollar life insurance	74,808	74,944	74,808
Prepaid expenses	10,929	-	10,333
Investment in joint venture	8,940	11,002	9,274
	407,218	423,218	406,485
 Total assets	 \$804,750	 \$795,874	 \$812,092

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(The accompanying notes are an integral part of these statements.)

	(in thousands except per share data)		(UNAUDITED)
LIABILITIES AND SHAREHOLDERS' EQUITY	April 4,	March 29,	Dec. 31,
CURRENT LIABILITIES	2009	2008	2008
Accounts payable	\$ 15,085	\$ 16,919	\$ 13,885
Dividends payable	91	4,424	4,401
Accrued liabilities	36,679	38,322	40,335
Income taxes payable	-	509	-
Deferred income taxes	631	-	631
Total current liabilities	52,486	60,174	59,252
 NON-CURRENT LIABILITIES			
Deferred income taxes	43,427	36,234	43,346
Postretirement health care and life insurance benefits	15,847	13,503	15,468
Industrial development bonds	7,500	7,500	7,500
Liability for uncertain tax positions	19,144	20,496	19,412
Deferred compensation and other liabilities	32,234	36,668	32,344
Total non-current liabilities	118,152	114,401	118,070
Total liabilities	170,638	174,575	177,322
 SHAREHOLDERS' EQUITY			
Common Stock, \$.69-4/9 par value- 120,000 shares authorized; 36,514, 35,656 & 35,658 respectively, issued	25,357	24,761	24,762
Class B common stock, \$.69-4/9 par value- 40,000 shares authorized; 19,932, 19,409 & 19,357, respectively, issued	13,842	13,478	13,442
Capital in excess of par value	498,265	472,067	470,927
Retained earnings	114,172	123,744	142,872
Accumulated other comprehensive loss	(15,532)	(10,759)	(15,241)
Treasury stock (at cost)- 67, 65 & 65 shares, respectively	(1,992)	(1,992)	(1,992)
Total shareholders' equity	634,112	621,299	\$634,770
Total liabilities and shareholders' equity	\$804,750	\$795,874	\$812,092

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(The accompanying notes are an integral part of these statements.)

TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF  
 EARNINGS, COMPREHENSIVE EARNINGS AND RETAINED EARNINGS  
 (in thousands except per share amounts) (UNAUDITED)

	13 WEEKS ENDED	
	April 4, 2009	& March 29, 2008
Net product sales	\$ 94,054	\$ 90,341
Rental and royalty revenue	977	1,092
 Total revenue	 95,031	 91,433
Product cost of goods sold	60,719	60,629
Rental and royalty cost	216	282
 Total costs	 60,935	 60,911
Product gross margin	33,335	29,712
Rental and royalty gross margin	761	810
 Total gross margin	 34,096	 30,522
Selling, marketing and administrative expenses	22,133	20,050
 Earnings from operations	 11,963	 10,472
Other expense, net	(380)	(1,240)
 Earnings before income taxes	 11,583	 9,232
Provision for income taxes	3,263	2,779
Net earnings	8,320	6,453
 Other comprehensive income (loss), before tax:		
Foreign currency translation adjustments	(751)	2,916
Unrealized gains (losses) on securities	153	(2,144)
Unrealized gains on derivatives	386	574
 Other comprehensive income (loss), before tax	 (212)	 1,346

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Income tax (expense) benefit related to items of other comprehensive income	(79)	(379)
Other comprehensive income (loss), net of tax	(291)	967
Comprehensive earnings	\$ 8,029	\$ 7,364
Retained earnings at beginning of period	\$142,872	\$156,752
Net earnings	8,320	6,453
Cash dividends	(4,391)	(4,296)
Stock dividends - 3%	(32,629)	(35,165)
Retained earnings at end of period	\$114,172	\$123,744
Net earnings per share	\$0.15	\$0.11
Dividends per share *	\$0.08	\$0.08
Average number of shares outstanding	56,539	57,185

\*Does not include 3% stock dividend to shareholders of record on 3/10/09 and 3/10/08.

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(The accompanying notes are an integral part of these statements.)

TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (in thousands of dollars) (UNAUDITED)

13 WEEKS ENDED  
 April 4, 2009 & March 29, 2008

CASH FLOWS FROM OPERATING ACTIVITIES:

Net earnings	\$ 8,320	\$ 6,453
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	4,158	3,988
Amortization of marketable securities	86	97
Net sales (purchases) of trading securities, net	(693)	632
Changes in operating assets and liabilities:		
Accounts receivable	4,160	5,043
Other receivables	1,015	(1,302)
Inventories	(14,884)	(15,091)
Prepaid expenses and other assets	3,596	2,373
Accounts payable and accrued liabilities	(2,421)	1,573
Income taxes payable and deferred	(287)	881
Postretirement health care and life insurance benefits	379	289
Deferred compensation and other liabilities	240	(1,193)
Other	(188)	85
Net cash provided by operating activities	3,481	3,828

CASH FLOWS FROM INVESTING ACTIVITIES:

Capital expenditures	(7,287)	(5,394)
Purchase of available for sale securities	-	(23,236)
Sale and maturity of available for sale securities	1,669	36,736

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Net cash provided by (used in) investing activities	(5,618)	8,106
 CASH FLOWS FROM FINANCING ACTIVITIES:		
Dividends paid in cash	(8,792)	(4,339)
Shares repurchased and retired	(4,205)	(19,934)
 Net cash used in financing activities	 (12,997)	 (24,273)
 Increase (decrease) in cash and cash equivalents	 (15,134)	 (12,339)
Cash and cash equivalents beginning of year	68,908	57,606
 Cash and cash equivalents end of quarter	 \$ 53,774	 \$ 45,267
 Supplemental cash flow information:		
Income taxes paid	\$ 758	\$ 411
Interest paid	\$ 126	\$ 50
Stock dividend issued	\$ 32,537	\$ 35,043

(The accompanying notes are an integral part of these statements.)

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(The accompanying notes are an integral part of these statements.)

TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
APRIL 4, 2009  
(in thousands except per share amounts) (UNAUDITED)

Note 1 - Foregoing data has been prepared from the unaudited financial records of Tootsie Roll Industries, Inc. and Subsidiaries (the Company) and in the opinion of management all adjustments necessary for a fair statement of the results for the interim period have been reflected. All adjustments were of a normal and recurring nature. Certain reclassifications have been made to the prior year financial statements to conform to the current year presentation. These consolidated financial statements should be read in conjunction with the consolidated financial statements and the related notes included in the Company's 2008 Annual Report on Form 10-K.

Note 2 - Average shares outstanding for the period ended April 4, 2009 reflects stock repurchases of 213 shares for \$4,205 and a 3% stock dividend distributed on April 9, 2009. Average shares outstanding for the period ended March 29, 2008 reflects stock repurchases of 839 shares for \$19,934 and a 3% stock dividend distributed on April 10, 2008.

Note 3 - Results of operations for the period ended April 4, 2009 are not necessarily indicative of results to be expected for the year to end

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December 31, 2009 because of the seasonal nature of the Company's operations. Historically, the third quarter has been the Company's largest sales quarter due to Halloween sales. The Company's quarterly financial reporting is based on thirteen week periods, the first quarter of 2009 ended on April 4, 2009, and benefited from three additional shipping days compared to the same period of the prior year.

Note 4 - The Company is subject to taxation in the U.S. and various state and foreign jurisdictions. The Company remains subject to examination by U.S. federal and state and foreign tax authorities for the years 2005 through 2007. With few exceptions, the Company is no longer subject to examinations by tax authorities for year 2004 and prior. The Company experienced a decrease in state income tax expense due to the effective conclusion of an income tax audit in first quarter 2009 and resulting favorable adjustment.

Note 5 - Fair Value Measurements

In the first quarter of 2009, the Company adopted FASB statement 157, "Fair Value Measurements," (SFAS 157) for non-financial assets and liabilities that are not recognized or disclosed at fair value in the financial statements on a recurring basis. This adoption did not have a material impact on the Company's financial position or results of operations.

The Company's investments are carried at fair value which is measured on a recurring basis and adjusted each time a financial statement is prepared. In determining fair value of financial instruments, the Company uses various prescribed techniques. The availability of inputs observable in the market varies from instrument to instrument and depends on a variety of factors including the type of instrument, whether the instrument is actively traded, and other characteristics particular to the instrument.

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For many financial instruments, pricing inputs are readily observable in the market, the valuation methodology used is widely accepted by market participants, and the valuation does not require significant management discretion. For other financial instruments, pricing inputs are less observable in the market and may require management judgment.

The Company assesses the inputs used to measure fair value using a three-tier hierarchy, as prescribed under SFAS 157. The hierarchy indicates the extent to which inputs used in measuring fair value are observable in the market. Level 1 inputs include quoted prices for identical instruments and are the most observable. Level 2 inputs include quoted prices for similar assets and observable inputs such as interest rates, foreign currency exchange rates, commodity rates and yield curves. Level 3 inputs are not observable in the market and include management's own judgments about the assumptions market participants would use in pricing the asset or liability. The use of observable and unobservable inputs is reflected in the hierarchy assessment disclosed in the table below.

As of April 4, 2009, the Company held certain financial instruments that were required to be measured at fair value on a recurring basis. These included cash and cash equivalents, derivative hedging



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instruments related to Canadian dollar forward purchase contracts, and investments in trading securities and available for sale securities, including auction rate securities (ARS). The Company's available for sale and trading securities principally consist of municipal bonds and mutual funds that are publicly traded.

The following table presents information about the Company's financial assets measured at fair value as of April 4, 2009, and indicates the fair value hierarchy of the valuation techniques utilized by the Company to determine such fair value:

Description	Estimated Fair Value April 4, 2009			
	Total Fair Value	Level 1	Input Levels Used Level 2      Level 3	
Cash and Cash Equivalents	\$ 53,774	\$ 53,774		
Auction Rate Securities (ARS)	8,410			\$ 8,410
Available-For-Sale Securities excluding ARS	31,760		\$ 31,760	
Derivatives	734	734		
Trading Securities	26,367	26,367	_____	_____
<b>Total Assets Measured at Fair Value</b>	<b>\$121,045</b>	<b>\$ 80,875</b>	<b>\$ 31,760</b>	<b>\$ 8,410</b>

As of April 4, the Company's long term investments include \$8,410 (\$13,550 original cost) of Jefferson County Alabama Sewer Revenue Refunding Warrants, an ARS, originally purchased with an AAA rating. The fair value remained unchanged from December 31, 2008. The Company estimated the fair value of this ARS utilizing a valuation model with Level 3 inputs as of April 4, 2009. This valuation model considered, among other items, the credit risk of the collateral underlying the ARS, the credit risk of the bond insurer, interest rates, and the amount and timing of expected future cash flows including the Company's assumption about the market expectation of the next successful auction. The Company classified this ARS as non-current and has included it in long term investments on the Consolidated Statements of Financial Position at April 4, 2009 because the Company believes that the current condition of the ARS market may take more

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than twelve months to improve. Available for sale securities which utilize Level 2 inputs consist primarily of municipal bonds, which are valued based on quoted market prices or alternative pricing sources with reasonable levels of price transparency.

### Note 6 - Derivative Instruments and Hedging Activities

In March 2008, the FASB issued statement 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133" (SFAS 161). This statement requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of derivative instruments and related gains and losses, and disclosures about credit-risk-related contingent features in derivative agreements. The Company adopted SFAS 161 during the first quarter of 2009, and the

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adoption did not impact its financial condition, results of operations or cash flow.

From time to time, the Company enters into futures contracts. Commodity futures are intended and effective as hedges of market price risks associated with the anticipated purchase of certain raw materials (primarily sugar). Foreign currency forward contracts are intended and effective as hedges of the Company's exposure to the variability of cash flows, primarily related to the foreign exchange rate changes of products manufactured in Canada and sold in the United States, and periodic equipment purchases from foreign suppliers denominated in a foreign currency. The Company does not engage in trading or other speculative use of derivative instruments.

The Company's futures contracts are being accounted for as cash flow hedges and are recorded on the balance sheet at fair value. Changes therein are recorded in accumulated other comprehensive loss, net of tax, and are reclassified to earnings in the periods in which earnings are affected by the hedged item. Substantially all amounts reported in accumulated other comprehensive loss are expected to be reclassified to cost of goods sold.

The Company utilizes foreign currency forward contracts to reduce the effects of fluctuations in exchange rates, primarily relating to the Canadian dollar. As of April 4, 2009, the Company had foreign currency forward contracts outstanding with a notional amount of \$26,195 that hedged its exposure to changes in foreign currency exchange rates for its costs of manufacturing certain products in Canada for the U.S. market. The fair value of foreign currency forward contracts, using Level 1 inputs, was an asset of \$734 as of April 4, 2009, and this asset is recorded in other receivables.

During the quarter ended April 4, 2009, the Company recorded \$425 of existing net derivative gains in accumulated other comprehensive loss which is a component of shareholders' equity in the statement of financial position. The Company also recognized a gain of \$54 for the change in the exchange rates from December 31, 2008 to the settlement dates of its foreign currency forward contracts that were settled during the quarter ended April 4, 2009. The Company expects to reclassify existing net gains of approximately \$312 from accumulated other comprehensive loss to net earnings during the next twelve months.

The Company utilizes commodities futures contracts to mitigate the effect of commodity cost fluctuations on certain ingredients, primarily sugar. As of April 4, 2009, the Company had no outstanding commodities futures contracts.

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### Note 7 - New Accounting Pronouncements

In April 2008, the FASB issued FASB Staff Position No. 142-3, "Determination of the Useful Life of Intangible Assets" (FSP 142-3). FSP 142-3 amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under SFAS No. 142, "Goodwill and Other Intangible Assets." The intent of FSP 142-3 is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure its fair value. FSP 142-3 was effective for first quarter 2009. The Company does not expect FSP 142-3 to have a material impact

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on the accounting for future acquisitions of intangible assets, but the potential impact is dependent upon the acquisitions of intangible assets in the future.

In April 2009, the FASB issued FASB Staff Position No. 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" (FSP 157-4). FSP 157-4 provides guidance on (1) estimating the fair value of an asset or liability when the volume and level of activity for the asset or liability have significantly decreased and (2) identifying transactions that are not orderly. FSP 157-4 is effective for interim and annual periods ending after June 15, 2009. The Company is in the process of evaluating the impact of FSP 157-4, but does not expect it to have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position No. 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments" (FSP 115-2). FSP 115-2 amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the presentation and disclosure of other-than-temporary impairments on debt and equity securities. FSP 115-2 is effective for interim and annual periods ending after June 15, 2009. The Company is in the process of evaluating the impact of FSP 115-2, but does not expect it to have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position No. 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" (FSP 107-1). FSP 107-1 requires disclosures about the fair value of financial instruments in interim reporting periods of publicly traded companies as well as in annual financial statements. FSP 107-1 is effective for interim periods ending after June 15, 2009. The Company is in the process of evaluating the impact of FSP 107-1, but does not expect it to have a material impact on the Company's consolidated financial statements.

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### ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (in thousands except per share amounts)

The following is management's discussion of the Company's operating results and

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analysis of factors that have affected the accompanying Condensed Consolidated Statement of Earnings.

### NET PRODUCT SALES:

First Quarter		Net change in First Quarter, 2009 vs. First Quarter, 2008
2009	2008	
\$94,054	\$90,341	4.1 %

First quarter 2009 net product sales were \$94,054 compared to \$90,341 in first quarter 2008, an increase of \$3,713 or 4.1%. First quarter sales benefited from successful marketing programs and selective price increases. The first quarter 2009 sales increase also reflects the timing of the comparative quarter end reporting periods which resulted in three additional shipping days in first quarter 2009 compared to first quarter 2008. The Company operates in thirteen week quarterly periods which must be adjusted from time to time in order to coincide with the Company's calendar year end reporting. Although consolidated net sales increased in first quarter 2009, such sales reflect declines in sales outside of the United States, including the adverse effects of certain foreign sales, primarily in Mexico, that are translated into a stronger U.S. dollar currency.

First quarter 2009 net product sales were \$94,054 compared to \$115,432 in fourth quarter 2008. Other than the factors affecting first quarter 2009 net product sales discussed above, this decrease in net product sales is not considered unusual, as the first quarter of the year is historically the Company's lowest sales quarter.

### PRODUCT COST OF GOODS SOLD:

First Quarter		Percentage of Net Product Sales	
2009	2008	1st Qtr. 2009	1st Qtr. 2008
\$60,719	\$60,629	64.6%	67.1%

Product cost of goods sold as a percentage of net product sales decreased from 67.1% in first quarter 2008 to 64.6% in first quarter 2009. This favorable decrease in product cost of goods sold as a percentage of net product sales is primarily the result of selective price increases, lower product costs for products manufactured in Canada due to more favorable foreign exchange rates, and the overall benefits of additional sales and production volumes, including improved plant efficiencies. The Company's ingredient unit costs, in the aggregate during first quarter 2009, were generally comparable to first quarter 2008. As a result of the above discussed factors, product gross margin increased from 32.9% in first quarter 2008 to 35.4% in first quarter 2009, an increase of 2.5% as a percentage of net product sales.

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### SELLING, MARKETING AND ADMINISTRATIVE EXPENSES:

First Quarter	Percentage of Net Product Sales
---------------	---------------------------------

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2009	2008	1st Qtr. 2009	1st Qtr. 2008
\$22,133	\$20,050	23.5%	22.2%

Selling, marketing and administrative expenses increased from \$20,050 in first quarter 2008 to \$22,133 in first quarter 2009, an increase of \$2,083 or 10.4%. This increase primarily reflects the increase in certain variable operating expenses relating to higher net product sales, changes in deferred compensation expense as discussed below, increases in certain accrued compensation and incentive awards that are generally adjusted for changes in net earnings, and an increase in bad debt expense in the comparative quarterly periods. However, selling, marketing and administrative expenses did favorably benefit from lower energy and fuel costs relating to freight and delivery. As a percentage of net product sales, selling, marketing and administrative operating expenses increased from 22.2% in 2008 to 23.5% in 2009, principally reflecting the above discussed factors.

First quarter earnings from operations were \$11,963 and \$10,472 in 2009 and 2008, respectively, an increase of \$1,491 or 14.2%. As a percentage of net product sales, income from operations was 12.7% and 11.6% in first quarter 2009 and 2008, respectively, an increase of 1.1% as a percent of net product sales. Results for first quarter 2009 were favorably impacted by improved gross profit margins as well as other factors which are discussed above.

### NET EARNINGS:

First Quarter		Percentage of Net Product Sales	
2009	2008	1st Qtr. 2009	1st Qtr. 2008
\$8,320	\$6,453	8.8%	7.1%

Other expense, net was \$(380) in first quarter 2009 compared to \$(1,240) in first quarter 2008, a net decrease of \$860. Other expense, net in 2009 and 2008 includes \$327 and \$1,970, respectively, of investment losses on trading securities relating to deferred compensation plans; the aforementioned losses resulted in a corresponding decrease in deferred compensation expense included in aggregate cost of products sold and selling, marketing and administrative expenses in the corresponding first quarter periods.

The consolidated effective income tax rate decreased from 30.1% in first quarter 2008 to 28.2% in first quarter 2009, a favorable decline of 1.9%. The aforementioned decrease principally reflects a decrease in state income tax expense due to the effective conclusion of an income tax audit in first quarter 2009 and resulting favorable adjustment.

First quarter 2009 net earnings were \$8,320 compared to first quarter 2008 net earnings of \$6,453. First quarter 2009 earnings per share were \$0.15 compared to \$0.11 in first quarter 2008, an increase of \$0.04 per share or 36%. In addition to the factors discussed above, earnings per share benefited from fewer shares outstanding as a result of the Company's share repurchases during the trailing twelve months, including first quarter 2009.

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Goodwill and intangibles are assessed annually as of December 31 or whenever events or circumstances indicate that the carrying values may not be recoverable from future cash flows. The Company has not ascertained any triggering events, as defined, or other adverse information that would indicate a material impairment of its goodwill or intangibles in first quarter 2009.

### LIQUIDITY AND CAPITAL RESOURCES:

The Company's current ratio (current assets divided by current liabilities) was 3.4 to 1 as of the end of first quarter 2009 as compared to 2.8 to 1 as of the end of first quarter 2008 and 3.2 to 1 as of the end of fourth quarter 2008. Net working capital was \$124,384 as of the end of first quarter 2009 as compared to \$109,580 and \$128,727 as of the end of first quarter 2008 and fourth quarter 2008, respectively. The aforementioned net working capital amounts are principally reflected in aggregate cash and cash equivalents and short-term investments which totaled \$70,031 as of the end of first quarter 2009 compared to \$59,212 and \$86,871, as of the end of first quarter 2008 and fourth quarter 2008, respectively. In addition, long term investments, principally debt securities comprising municipal bonds, were \$50,280 (including \$8,410 of Jefferson County auction rate securities (ARS) discussed below) as of the end of first quarter 2009, as compared to \$75,011 and \$49,809 as of the end of first quarter 2008 and fourth quarter 2008, respectively. Aggregate cash and cash equivalents and short and long-term investments were \$120,311, \$134,223, \$136,680, for first quarter ended 2009 and 2008, and fourth quarter 2008, respectively. Investments in municipal bonds and other debt securities that matured during first quarters 2009 and 2008 were generally used to purchase the Company's common stock or were replaced with debt securities of similar maturities.

During fourth quarter 2008, the Company determined that the fair value of the Jefferson County ARS resulted in an other than temporary impairment, as defined, and recorded an after-tax charge of \$3,328 (\$5,140 pre-tax charge). The adverse events in 2008 relating to Jefferson County and its insurer, Financial Guaranty Insurance Company (FIGIC), continue in 2009, and the auction for this ARS has continued to fail in 2009. Therefore, as of April 4, 2009, the Company has continued to estimate the fair value of this ARS utilizing a valuation model with Level 3 inputs as defined by SFAS 157, "Fair Value Measurements". The Company has classified this ARS as non-current and has included it in long term investments as of April 4, 2009 because the Company believes that the financial conditions of the ARS market and FIGIC may take more than twelve months to resolve. Future decreases in the fair value of this ARS could also be classified as other than temporary and result in additional charges to earnings. Notwithstanding, the Company continues to receive all contractual interest payments on this ARS on a timely basis, there has been no default, it is insured by FIGIC and the Company has the intent and ability to hold this ARS until recovery assuming that it occurs in a reasonable number of years. See also Note 5 for further discussion and disclosure regarding the determination of fair value and related accounting.

Net cash provided by operating activities was \$3,481 for first quarter 2009, as compared to \$3,828 for first quarter 2008. The aforementioned change in net cash provided by operating activities principally reflects the \$1,867 increase in net earnings for the comparative periods, and the timing of payments and cash flows relating to inventories, income taxes payable and deferred, and accounts payable and accrued liabilities, including the timing of the quarterly dividend

payment in the comparative quarterly periods. Capital expenditures for first quarter 2009 and 2008 were \$7,287 and \$5,394, respectively. Capital expenditures for the 2009 year are anticipated to be generally in line with historical annualized spending, and are to be funded from the Company's cash flow from operations and internal sources.

Cash dividends declared in first quarter 2009 and 2008 were \$4,391 and \$4,296, respectively. However, dividends paid in cash were \$8,792 and \$4,339, in first quarter 2009 and 2008, respectively. The difference between dividends declared and dividends paid is due to the timing of the payment of the first quarter dividends in the quarterly periods.

During first quarter 2009, the Company purchased and retired 213 of its shares of common stock for \$4,205. The Company purchased and retired 839 of its shares of common stock for \$19,934 during first quarter 2008.

#### NEW ACCOUNTING PRONOUNCEMENTS

In March 2008, the FASB issued statement 161, "Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133" (SFAS 161). This statement requires qualitative disclosures about objectives and strategies for using derivatives, quantitative disclosures about fair value amounts of derivative instruments and related gains and losses, and disclosures about credit-risk-related contingent features in derivative agreements. The Company adopted SFAS 161 during the first quarter of 2009 and the adoption did not impact its financial condition, results of operations or cash flow.

The Company utilizes commodities futures contracts to mitigate the effect of commodity cost fluctuations on certain ingredients, primarily sugar. The Company enters into futures contracts that are intended and effective as hedges of market price risks associated with the anticipated purchase of such ingredients. The Company also periodically enters into foreign currency forward contracts that are intended and effective as hedges of the Company's exposure to the variability of cash flows, including the foreign exchange rate changes of products manufactured in Canada and sold in the United States, and periodic equipment purchases from foreign suppliers denominated in a foreign currency. The Company does not engage in trading or other speculative use of derivative instruments.

As of April 4, 2009, the Company had Canadian dollar foreign currency forward contracts outstanding with a notional amount of \$26,195 that hedged its exposure to changes in foreign currency exchange rates for products to be manufactured in Canada for the U.S. market. Such contracts hedge a portion of Canadian dollar cash flows for the years 2009 through 2011. The fair value of these foreign currency forward contracts, using level 1 inputs, reflects an asset of \$734 as of April 4, 2009 which is included in other receivables in the Company's condensed statements of financial position.

The Company's futures contracts are being accounted for as cash flow hedges and are recorded on the balance sheet at fair value. Changes therein are recorded in accumulated other comprehensive loss, net of tax, and are reclassified to earnings in the periods in which earnings are affected by the hedged item. Substantially all amounts reported in accumulated other comprehensive loss are expected to be reclassified to cost of goods sold. Gains and losses on derivatives not designated for hedge accounting are recognized in earnings currently.

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During the quarter ended April 4, 2009, the Company recorded \$425 of existing net derivative gains in accumulated other comprehensive loss which is a component of shareholders' equity in the statement of financial position. The Company also recognized a gain of \$54 for the change in the exchange rates from December 31, 2008 to the settlement dates of its foreign currency forward contracts that were settled during the quarter ended April 4, 2009. The Company expects to reclassify existing net gains of approximately \$312 from accumulated other comprehensive loss to net earnings during the next twelve months.

As of April 4, 2009, the Company had no outstanding commodities futures contracts. The fair value of any existing commodities futures contracts, using Level 1 inputs, would be recorded in other receivables. Any existing gain or loss on the hedged items attributable to this hedged risk would be included in cost of goods sold.

In February 2008, the FASB issued FSP FAS 157-2, "Effective Date of FASB Statement No 157" (FAP FAS 157-2). FSP FAS 157-2 delayed the effective date for SFAS 157 for certain non-financial assets and non-financial liabilities, including goodwill and other intangible assets. The Company's adoption of FSP FAS 157-2 in first quarter 2009 did not have a material effect on its financial statements.

In December 2007, the FASB issued SFAS 141(R), "Business Combinations", and SFAS 160, "Non-controlling Interests in Consolidated Financial Statements", which affect the accounting for business combinations and the reporting of non-controlling interests in consolidated financial statements. These statements became effective for fiscal years beginning after December 15, 2008, and will principally affect the Company's accounting relating to future acquisitions. The Company's adoption of these statements in first quarter 2009 did not have any effect on its financial statements.

In April 2008, the FASB issued FASB Staff Position No. 142-3, "Determination of the Useful Life of Intangible Assets" (FSP 142-3). FSP 142-3 amends the factors to be considered in developing renewal or extension assumptions used to determine the useful life of intangible assets under SFAS No. 142, "Goodwill and Other Intangible Assets." The intent of FSP 142-3 is to improve the consistency between the useful life of an intangible asset and the period of expected cash flows used to measure its fair value. FSP 142-3 was effective for first quarter 2009. The Company does not expect FSP 142-3 to have a material impact on the accounting for future acquisitions or renewals of intangible assets, but the potential impact is dependent upon the acquisitions of intangible assets in the future.

In April 2009, the FASB issued FASB Staff Position No. 157-4, "Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly" (FSP 157-4). FSP 157-4 provides guidance on (1) estimating the fair value of an asset or liability when the volume and level of activity for the asset or liability have significantly decreased and (2) identifying transactions that are not orderly. FSP 157-4 is effective for interim and annual periods ending after June 15, 2009. The Company is in the process of evaluating the impact of FSP 157-4, but does not expect it to have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position No. 115-2 and FAS 124-2, "Recognition and Presentation of Other-Than-Temporary Impairments"



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(FSP 115-2). FSP 115-2 amends the other-than-temporary impairment guidance for debt securities to make the guidance more operational and to improve the

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presentation and disclosure of other-than-temporary impairments on debt and equity securities. FSP 115-2 is effective for interim and annual periods ending after June 15, 2009. The Company is in the process of evaluating the impact of FSP 115-2, but does not expect it to have a material impact on the Company's consolidated financial statements.

In April 2009, the FASB issued FASB Staff Position No. 107-1 and APB 28-1, "Interim Disclosures about Fair Value of Financial Instruments" (FSP 107-1). FSP 107-1 requires disclosures about the fair value of financial instruments in interim reporting periods of publicly traded companies as well as in annual financial statements. FSP 107-1 is effective for interim periods ending after June 15, 2009. The Company is in the process of evaluating the impact of FSP 107-1, but does not expect it to have a material impact on the Company's consolidated financial statements.

### INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This discussion and certain other sections contain forward-looking statements that are based largely on the Company's current expectations and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of words such as "anticipated," "believe," "expect," "intend," "estimate," "project," and other words of similar meaning in connection with a discussion of future operating or financial performance and are subject to certain factors, risks, trends and uncertainties that could cause actual results and achievements to differ materially from those expressed in the forward-looking statements.

Such factors, risks, trends and uncertainties, which in some instances are beyond the Company's control, including without limitation, the following: (i) significant competitive activity, including advertising, promotional and price competition, and changes in consumer demand for the Company's products; (ii) fluctuations in the cost and availability of various ingredients and packaging materials; (iii) inherent risks in the marketplace, including uncertainties about trade and consumer acceptance and seasonal events such as Halloween; (iv) the effect of acquisitions on the Company's results of operations and financial condition; (v) the effect of changes in foreign currencies on the Company's foreign subsidiaries operating results, and the effect of the Canadian dollar on products manufactured in Canada and marketed and sold in the United States in U.S. dollars; (vi) the Company's reliance on third-party vendors for various goods and services; (vii) the Company's ability to successfully implement new production processes and lines; (viii) the effect of changes in assumptions, including discount rates, sales growth and profit margins, and the capability to pass along higher ingredient and other input costs through price increases, relating to the Company's impairment testing and analysis of its goodwill and trademarks; (ix) changes in the confectionery marketplace including actions taken by major retailers and customers; (x) customer, consumer and competitor response to marketing programs and price and product weight adjustments, and new products; (xi) dependence on significant customers, including volume and timing of their purchases, and availability of shelf space; (xii) increases in energy costs, including freight and delivery, that cannot be passed along to customers through increased prices due to competitive reasons; (xiii) any significant labor stoppages, strikes or production interruptions; (xiv) changes in

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governmental laws and regulations including taxes and tariffs; (xv) the risk that the market value of Company's investments could decline including being classified as "other than temporary" as defined, and (xvi) the potential effects of the current and future recessionary economic conditions. In addition, the Company's results may be affected by general factors, such as overall economic conditions, financial and securities' market factors, political developments,

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currency exchange rates, interest and inflation rates, accounting standards, taxes, and laws and regulations affecting the Company in markets where it competes and those factors described in Part 1, Item 1A "Risk Factors" and elsewhere in the Company's Annual Report on Form 10-K and in other Company filings, including quarterly reports on Form 10-Q, with the Securities and Exchange Commission.

The risk factors identified and referred to above are believed to be significant factors, but not necessarily all of the significant factors that could cause actual results to differ from those expressed in any forward-looking statement. Readers are cautioned not to place undue reliance on such forward-looking statements, which are made only as of the date of this report. The Company undertakes no obligation to update such forward-looking statements.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK:

The Company is exposed to various market risks, including fluctuations in sugar, corn syrup, edible oils, including soybean oil, cocoa, dextrose, milk and whey, and gum-base input ingredients and packaging and fuel costs. The Company is exposed to exchange rate fluctuations in the Canadian dollar which is the currency used for a portion of the raw material and packaging material costs and operating expenses at its Canadian plants. The Company invests in securities with maturities or auction dates of up to three years, the majority of which are held to maturity, which limits the Company's exposure to interest rate fluctuations. There has been no material change in the Company's market risks that would significantly affect the disclosures made in the Form 10-K for the year ended December 31, 2008.

### Item 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of management, the Chief Executive Officer and Chief Financial Officer of the Company have evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures as of April 4, 2009 and, based on their evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that these controls and procedures are effective. Disclosure controls and procedures are designed to ensure that information required to be disclosed by the Company in the reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures are also designed to ensure that information is accumulated and communicated to management, including the Chief Executive Officer and chief financial officer, as appropriate to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting that occurred during the Company's fiscal quarter ended April 4, 2009 that has materially affected, or is reasonably likely to materially affect, the

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Company's internal control over financial reporting.

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## PART II - OTHER INFORMATION

### TOOTSIE ROLL INDUSTRIES, INC. AND SUBSIDIARIES

#### Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	Shares Purchased as Part of Publicly Announced Plans Or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs_____
JAN 1 TO JAN 31	-	\$ -	NOT APPLICABLE	NOT APPLICABLE
FEB 1 TO FEB 28	-	-	NOT APPLICABLE	NOT APPLICABLE
MAR 1 TO APR 4	212,600	19.74	NOT APPLICABLE	NOT APPLICABLE
TOTAL	212,600	\$ 19.74		

While the Company does not have a formal or publicly announced stock repurchase program, the Company's board of directors periodically authorizes a dollar amount for share repurchases. The treasurer executes share repurchase transactions according to these guidelines.

#### Item 6. EXHIBITS

Exhibits 31.1 and 31.2 - Certifications Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

Exhibit 32 - Certification Pursuant to 18 U.S.C. Section 1350, As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

#### SIGNATURES

Pursuant to the requirements of the Securities Exchange Act

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of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TOOTSIE ROLL INDUSTRIES, INC.

Date: May 13, 2009

BY:/S/MELVIN J. GORDON  
Melvin J. Gordon  
Chairman and Chief  
Executive Officer

Date: May 13, 2009

BY:/S/G. HOWARD EMBER, JR.  
G. Howard Ember, Jr.  
V.P./Finance and  
Chief Financial Officer

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Exhibit 31.1

CERTIFICATION

I, Melvin J. Gordon, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tootsie Roll Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness

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of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2009

By: /S/MELVIN J. GORDON  
Melvin J. Gordon  
Chairman and Chief Executive Officer

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Exhibit 31.2

### CERTIFICATION

I, G. Howard Ember, Jr. certify that:

1. I have reviewed this quarterly report on Form 10-Q of Tootsie Roll Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure

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that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 13, 2009

By: /S/G. HOWARD EMBER, JR.  
G. Howard Ember, Jr.  
Vice President/Finance and  
Chief Financial Officer

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Exhibit 32

Certificate Pursuant to Section 1350 of Chapter 63  
Of Title 18 of the United States Code

Each of the undersigned officers of Tootsie Roll Industries, Inc.  
Certifies that (i) the Quarterly Report on Form 10-Q of Tootsie Roll  
Industries, Inc. for the quarterly period ended April 4, 2009 (the

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Form 10-Q) fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 and (ii) the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Tootsie Roll Industries, Inc. and its subsidiaries.

Dated: May 13, 2009

/S/MELVIN J. GORDON  
Melvin J. Gordon  
Chairman and Chief  
Executive Officer

Dated: May 13, 2009

/S/G. HOWARD EMBER, JR.  
G. Howard Ember, Jr.  
V.P./Finance and  
Chief Financial Officer