

Program & Commodity Pricing Updates
Effective March 1, 2014
Confidential Information

Frito Lay

- Snacks **Category Increase +3%**

This increase aligns pricing for these products with the Producer Price Index – an index for manufactured foods. All Frito foodservice customers are experiencing the same increase.

Commodity Driven Contracts

The contracts below are formula-based, reflect the markets and change monthly or quarterly. We will not always provide an explanation for pricing changes, as the pricing of these programs continually ebbs and flows with the markets. A yearlong snapshot of pricing gives the most appropriate view of the benefits associated with entegra's negotiated pricing, and the monthly pricing reflected does not portray the full year benefit. However, we do want to keep you informed so you can make menu and pricing adjustments as appropriate for your facilities.

Beef

- Ground Beef **Category Increase +12%**
- Whole Muscle Cuts **Category Increase +6%**

Supplies of market-ready cattle remain VERY tight and supplies will continue to be tight through May. USDA's monthly Cold Storage report, released on Friday (Feb. 21) indicated total beef supplies to be 1.4% lower than one year ago and 2.3% lower than at the end of December. There is roughly a 12 million pound reduction in boneless beef inventories as we approach spring and there is likely a collective effort to retain cows and grow the beef cow herd — not a good thing for boneless beef output and supply this year. Further, lower steer and heifer slaughter is keeping raw materials for ground beef supplies very tight.

Cheese Updates

- Schreiber Foods, Inc. (Processed Cheese) **Category Increase +14.5%**
- Great Lakes (Natural Cheese) **Category Increase +4.9%**

We saw the cheese market climb to record levels in January. Cheese exports are running 19% ahead of last year with a high demand for dairy from China (more specifically powders but producing to meet that demand is displacing production of cheese / butter). Until we see a growth in US milk supply, relief of drought conditions in California and exports relax purchases US prices will remain elevated.

Contessa

- Peeled, Deveined Shrimp **Category Decrease -16%**

For many months, shrimp prices have been increasing due to Early Mortality Syndrome, a disease that is characterized by mass mortalities during the first 20 to 30 days of culture in grow-out ponds and low supply. While shrimp prices across the industry are still elevated, the Supply Management Team has worked with Contessa on pricing to bring it down as much as the market will allow.

Darling International

- Kitchen Grease Pick Up Service **No Charge**

The Jacobson Index average for the last 30 days did not meet the threshold to trigger the monthly fee. This means that Darling and Darling Sub-Contractors will pick up waste oil at locations during this month at NO CHARGE.

To enroll in the Source1-Entegra Program with Darling International please contact your Source1 account support team at:

ClientServices@Source1Purchasing.com

Commodity Driven Contracts Continued...

Farmland Foods

- Raw & Cooked Bacon **Category Increase +6.8%**
- Breakfast Sausage & Whole Hog Sausage **Category Increase +5.1%**
- Ham & Deli Meats **Category Increase+4.6%**
- Fabricated Pork (i.e. Chops & Tenderloins) **Category Increase+3.3%**
- Hot Dogs, Sausage, & Pizza Toppings **Category Increase +6.3%**
- Fresh Pork (Ribs) **Category Increase+5.4%**

Winter weather conditions have prevented the industry from completing a full week of production in well over a month, and producers are preparing for the eventual effect of the PED virus. (PED is a digestive condition that causes piglet mortality therefore impacting the hog population and pork supply.) The incidences of PED virus have increased again since last month which has put the market on notice for a tight supply in the coming months. This will potentially keep pricing high as domestic demand for pork continues to be strong as a result of high beef pricing and increased foreign demand.

Koch Foods

- Bone in Breaded **No Change**
- Bone in Raw **Category Decrease -0.5%**
- Breaded Boneless Breast **No Change**
- Breaded Nuggets and Patties **No Change**
- Raw Boneless **Category Decrease -2.3%**
- Pulled, Diced and Cooked Strips **No Change**
- Breaded Strips **Category Decrease 0.5%**
- Cooked Unbreaded Breasts and Patties **No Change**
- Wings **Category Increase +0.2%**
- CVP **Category Decrease -0.4%**

Ventura Foods

- Bulk Margarine **Category Decrease -0.9%**
- Oil, Shortening **Category Decrease -1.8%**