

Program & Commodity Pricing Updates
Effective September 1, 2016
Confidential Information

Handgards

- Disposable Gloves: **Decrease -8%**

After a global sourcing review of the disposable glove category, the formula-based contract for these products was renegotiated to deliver lower pricing. The average cost reduction was 8%, with higher reductions in the PVC vinyl glove category. Short term forecasts are projecting costs to adjust upward due to expected higher raw material costs over the next few months.

Kraft

- General Foods International Coffees: **Increase +9%**

In the past two years, the price of cocoa has risen by 41% and sugar has risen by 22%, mostly due to adverse weather conditions in producing areas for each raw material. The long-term effect of these higher commodity prices has caused the manufacturing costs of these products to rise significantly.

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.

Cheese & Dairy
Schreiber Cheeses

- Processed Cheese: **Increase +9%**

Great Lakes Cheeses

- Natural Cheese: **Increase +7.75%**

The extreme heat and drought conditions across much of the United States this summer has taken its toll on milk production. Demand for the various categories of cheese is greater than available milk supplies allow. There is also upward pressure on the Barrel Market due to production issues in several manufacturing plants. International milk prices have impacted cheese production globally as well, reducing imports. The markets are expected to peak in October, followed by a downward trend toward more stable pricing.

Michael Foods, Inc. (Papetti's)

- Egg Products: **Slight Decrease**

Price changes are due to decreases in the corn and soybean market, allowing for less expense to feed hens.

Beef- Cargill

- Ground Beef: **Decrease -3%**
- Whole Muscle Cuts (Pot Roasts, Roast Beef and Stew Meat): **Slight Decrease**

As we move into the fall months, we typically see a larger harvest for ground beef than demand requires, creating a seasonal price decline. All other beef and solid muscle cuts will show a slight decline as well. The Beef market has steadied with prices topping out at historical highs in the past few months. Some analysts are predicting that demand may finally react and decrease as the alternative proteins (Chicken Turkey & Pork) will lower their pricing and take market share from Beef. Seasonality in upcoming Holiday demand is affecting some of the whole muscle cuts.

Pork-Farmland Foods

- Raw Bacon: **Decrease -11.7%**
- Cooked Bacon: **Decrease -6.5%**

Pork Bellies (used for bacon) are being released from freezer inventories and flooding the market with supply while demand remains the same. This trend is expected to continue through the fall as production and hog weights tend to rise with cooler weather.

- Pure Pork Breakfast Sausage: **Increase +6%**
- Whole Hog Breakfast Sausage: **Increase +2%**
- Hot Dogs, Sausage: **Increase +2%**

Seasonal demand for sausage and hot dogs is rising as we head into fall and school openings.

Commodity Driven Contracts Continued...

<ul style="list-style-type: none"> Ham: Decrease -6.5% <p>Demand slows for Ham in the summer months and domestic supply is currently heavy. Prices will likely increase over the coming months. Demand is expected to rise with onset of the holiday season.</p>
<ul style="list-style-type: none"> Deli Meats: No Change Fabricated Pork (i.e. Chops & Tenderloins): No Change Pizza Toppings: Slight Increase Fresh Pork (Ribs): No Change
Poultry - Koch Foods <ul style="list-style-type: none"> Cooked Unbreaded Breasts and Patties: Increase +3.5% Breaded Boneless Breast: Increase +3.5% <p>The summer heat prevents birds from gaining sufficient weight resulting in tighter supplies of breast meat.</p>
Seafood - Slade Gorton & Co. <ul style="list-style-type: none"> Clams: Increase +5% to +22% <p>Demand for clams this summer has been higher than anticipated, resulting in tighter supply clam products.</p> <ul style="list-style-type: none"> Atlantic Lobster Tails: Average Decrease -5% to -15% <p>The recent high demand of claw and knuckle meat has resulted in an overabundance of Lobster Tails.</p> <ul style="list-style-type: none"> Norwegian Salmon: Decrease -5% <p>Salmon pricing rose over the past months due to low supply. The late summer catch has been abundant and is reflected in lower market prices.</p> <ul style="list-style-type: none"> Breaded Shrimp: Decrease -3% to -8% <p>Overseas markets have produced a raw materials pricing correction, resulting in a lower price on imports.</p> <ul style="list-style-type: none"> Squid: Increase +6% to +17% <p>Catch volumes are down this season and producers are not taking on any new business. This has resulted in a very tight supply. As new containers arrive with higher costs, prices for cleaned products are increasing.</p>
Oils
Ventura Foods <ul style="list-style-type: none"> Bulk Margarine Slight Decrease Oil Slight Decrease
Dar Pro (formerly Darling International Kitchen Grease Pick Up Service): <ul style="list-style-type: none"> Kitchen Grease Pick Up Service No Charge <p>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.</p> <p>To enroll in the Source1-Entegra Program with Darling International please contact your Source1 account support team at: ClientServices@Source1Purchasing.com</p>