



Bloomington, IL
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Foodservice Broker Bulletin No. 7

Peanut Butter Updates

In the interest of keeping our broker partners and distributor/operator customers in the loop, it is important you are aware of the current status of the Peanut Butter category as it relates to Carriage House ("CHC") and the industry in general. There has been an issue with contamination of the 2010 peanut crop (which was harvested back in September/October), and this contamination has created an international shortage. At this time, we believe that this is a short term issue, which should hopefully be resolved when a new crop is harvested later this Fall. In the short term, the spot market has increased to \$1.00 +/-lb and demand by our customers for peanut butter from CHC has increased by 40 percent recently. This trend was set into motion by the overall supply issues, and it has forced us to purchase peanuts on a spot basis.

As a result, CHC is trying to manage its ownership positions and is taking the following steps:

- A. Effective immediately, CHC will suspend production on the following retail items:
 - Reduced Fat Peanut Butter
 - Reduced Sugar Peanut Butter
 - Fun Stripes/Jelly Combo Peanut Butter
 - No Stir/Natural Peanut Butter
- B. Effective immediately, CHC is suspending shipments to certain food banks, other high volume retail size customers, and will be supplying no new bid pricing to any customers outside of our core.
- C. CHC is committed to servicing our core peanut butter customers in Foodservice and we will take every step to ensure that our supply line and service levels continue uninterrupted.

D. As you are aware, CHC announced price increases that have gone into effect over the last 2 weeks, and there will likely be additional increases on particular items and sizes coming shortly. We will do our best to minimize these increases, but are compelled to cover the rising costs of this key raw material.

The above actions will allow CHC to continue to supply core items and sizes to maintain our business in Foodservice. As a result of this force majeure event, which is clearly out of CHC's control, CHC reserves the right to limit order quantities to historical purchase levels.

As stated above, these international shortages are outside of the reasonable control of CHC. We apologize for any inconvenience this may cause in the short term, and once peanuts return to their historical pricing and availability, we will do everything possible to return to normalized levels of service.

Thank you for your cooperation during this difficult time. Should you have any questions, don't hesitate to contact your CHC Sales Representative.

Respectfully,

Kevin T. Dress

Kevin T. Dress
National Sales Director
Carriage House Food Service/
Beverage Business Units