

Executive Summary

Inflation

- March 2012 was the first month since October 2010 that the U.S. has experienced a PPI Food Index below a 5% year-over-year increase.
- Entegra's Supply Management Team expects internal inflation to be as high as 4% in FY13.

Beef

- Strong consumer demand, tight cattle supplies and weak packer margins are supporting high beef prices.
- U.S. imports from Australia, Brazil and Mexico are expected to strengthen as the year progresses and their herds and production improve.
- Entegra's ground beef prices are to remain firm with no signs of a significant decline for the rest of the year.

Beverages

- Brazil's large estimates for coffee beans pushed prices to 18 month lows in April 2012.
- Entegra's coffee prices for all products, including specialty coffees and on-demand coffees, are expected to continue declining through the end of 2012.
- Entegra's Gregory Packaging juice pricing is expected to remain firm at least through the remainder of the second quarter of 2012.

Dairy

- U.S. milk production is up 8% from a year earlier supported by more cows and improved cow production.
- Entegra's regional milk contracts are experiencing a reduction in milk prices driven by the national milk prices.

Grains/Ingredients

- Global wheat supplies continue to grow pushing prices down.
- Corn feed use continues to decline as a result of the cheaper wheat alternative.
- In April 2012, entegra's General Mills dry mix prices were 8% higher than a year earlier.

Oil

- Soybean prices are elevated, driven by supply concerns as adverse weather threatens production in South America and Europe.
- Canada's canola production is expected to reach historical highs in the 2011/12 (August 1 to July 31) season.
- Entegra's Producer's Mill rice prices were nearly 15% higher in April 2012 compared to the same period last year. Prices are expected to remain firm through the remainder of 2012.

Pork

- Growing supplies and declining demand is driving pork prices downward.
- U.S. exports to China slowed down in Q1 2012 falling 35% in February compared to the previous month.
- Entegra's Farmland prices are expected to fall 6% in May 2012.

The Indicator Forecast Report is a quarterly publication that takes a look at market trends and the "whys" behind market activity for the most recent quarter. The report provides an overall perspective of commodity markets.

Poultry

- The industry has been controlling production to maintain pressure on chicken breast price.
- U.S. turkey meat production is expected to grow 2% in 2012.
- Although relatively flat to December 2011's prices, entegra's Koch Foods chicken wings prices were 10% higher in April 2012 compared to same period in the prior year.

Produce

- Tomato prices reached historic lows in April 2012 driven by a market oversupply.
- Potato prices are expected to remain firm for the remainder of 2012.
- Entegra is experiencing increased cost savings driven by FreshPoint contracting more stable prices along with national logistic rates for many of entegra's top product SKUs.

Seafood

- Current shrimp supplies are insufficient to meet demand hampered by natural disasters and epidemics.
- Entegra's tuna prices are expected to remain firm for the remainder of the year.

Metals

- April 2012 aluminum prices are 19% lower compared to the same period last year but have increased nearly 7% since the beginning of 2012.
- Despite rising demand, stainless steel prices are expected to hold steady due to ample supplies on the market.
- Entegra Packaging Dynamics aluminum foil prices in April 2012 were flat compared to the same period in the previous year.

Linen

- The 2012 global cotton consumption is expected to decline 6% compared to the previous season, for the second consecutive year.
- The 2012 cotton trade has increased 14% from the previous season mainly driven by higher Chinese imports.

Paper & Plastics

- Entegra's Solo Cup Company and Pactiv prices are trending higher than the same time last year.
- Entegra's SCA prices are expected to decline through the third quarter of 2012.

Labor

- The unemployment rate remains unchanged at 8.2%.