

# Q3 2012 Inflation Forecast Report for S. Sherman Assoc., Inc.



The purpose of this report is to assist S. Sherman Assoc., Inc. Program Participants in the budgeting process as it relates to effectively managing the cost of food and related supplies. The report is a semi-annual supplement to the entegra Quarterly Indicator Report and provides the entegra Procurement Services Inflation Forecast.

## KEY CATEGORY DRIVERS

### Bakery/Grains

Global wheat supplies are declining and pushing prices upwards. Corn feed use continues to decline as prices surge driven by tight supplies. (Source: Indicator by entegra Procurement Services, Q3 2012)

### Dairy

The USDA raised the August 2012 price for milk by nearly 6% from July's \$17.5 per cwt. The 2013 milk prices are also expected to be over 4% higher than 2012. The cheese market is volatile as traders try to anticipate the supply shortages and price surges driven by the drought and declining production. (Source: Indicator by entegra Procurement Services, Q3 2012)

### Disposables

Market prices are expected to increase during the third quarter of 2012 driven by increasing crude oil prices. Prices through the end of 2012 will be firm to slightly higher. Any weather disturbance in the Gulf of Mexico will have an immediate effect on prices as production will be impacted. (Source: Indicator by entegra Procurement Services, Q3 2012)

### Meat

Rising feed costs, tight supplies and weak packer margins are supporting high beef prices. The USDA forecasts a 4% decline in ground beef production in 2012. Pork prices remain high driven by demand, hot weather and the rising feed costs. (Source: Indicator by entegra Procurement Services, Q3 2012)

### Poultry

Broiler meat production is declining in 2012 driven by the current hot and dry weather, rising feed costs and an overall sluggish economy. Prices are expected to remain firm as the industry will implement cutbacks to compensate for the higher input costs. The biggest driver for turkey prices is feed costs (corn). With the historical drought much of the U.S. is experiencing, turkey prices will be at risk into 2013. (Source: Indicator by entegra Procurement Services, Q3 2012)

### Seafood

Farmed salmon prices remain firm supported by strong demand as the Food and Agriculture Organization reported 7% and 10% demand increases in Europe and the U.S. respectively for 2012. The U.S. shrimp market remains steady. High prices continue to slow demand for canned tuna in the U.S. market. Fresh tuna prices are expected to remain firm supported by declining catches and rising fuel costs. (Source: Indicator by entegra Procurement Services, Q3 2012)

## Entegra Procurement Services Inflation Summary and Forecast

Category	S. Sherman & Assoc. Spend (Sep '11 - Jul '12)*	% of Total	entegra Procurement Services Inflation Forecast (Sep '12 - Aug '13)
Groceries	\$ 23,591,500.75	25.9%	4.3%
Meat	\$ 14,083,007.64	15.4%	5.3%
Dairy	\$ 11,867,644.34	13.0%	4.1%
Seafood	\$ 8,191,781.57	9.0%	5.3%
Beverage	\$ 6,950,015.01	7.6%	5.1%
Not Specified	\$ 5,796,058.94	6.4%	0.0%
Poultry	\$ 5,530,322.19	6.1%	3.0%
Bakery	\$ 5,312,316.50	5.8%	3.3%
Disposables	\$ 4,700,604.82	5.2%	2.6%
Produce	\$ 3,873,526.72	4.2%	2.0%
Supplies	\$ 1,350,523.03	1.5%	3.2%
<b>Overall</b>	<b>\$ 91,247,301.51</b>	<b>100%</b>	<b>4.0%</b>

\*The volume noted is reflective of volume that is being reported through the approved entegra Prime Distribution Partners. This does not include volume from any Regional Programs or Distribution Companies outside of entegra's network.

This report contains "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. Forward-looking statements represent management's view as of the date they are made, and we assume no obligation to update any forward-looking statements for actual events occurring after that date. For questions, comments and more information regarding this Inflation Forecast Report, please contact your entegra National Account Executive.