Executive Summary

Inflation

• The September 2012 Consumer Price Index (CPI) and Producers Price Index (PPI) are showing the lowest year over-year inflation since 2011.

• CPI was 1.6% over the same period last year; PPI was2.7% over the same period last year.

Beef

• General beef prices are expected to continue rising through 2013 due to rising feed costs (from the drought that has decimated pastures) and a reduced herd.

• The USDA forecasts ground beef production to decline in2013 driven by rising feed costs.

• Despite a two month decline, ground beef October prices were 10% over the same period last year.

Beverages

• Coffee prices declined as a result of improved supplies in South and Central America as well as Vietnam.

• Global coffee production expected to decline nearly 4% in2013 compared to 2012.

 • October 2012 ground coffee Kraft prices were8% lower compared to the same time last year.

• Orange juice prices remain depressed as production outpaces demand while apple juice prices are expected to skyrocket due to lower supply.

 • prices through Gregory Packaging were 8% lower than the same time last year for orange juice and 5% higher for apple juice.

Dairy

• U.S. milk production is forecast to decline in the fourth quarter driven by the drought and rising feed costs that forced farmers to reduce their dairy herd. The drought is also impacting the supply and pricing of other dairy products.

 • October 2012 butter prices through Associated Milk Producers were 10% higher than same period last year but a whopping 30% higher than June 2012.

 • Cheese prices increased 6 to 10%, in November for both natural and processed cheese products; butter and egg prices are also increasing

Grains/Ingredients

• Global wheat supplies continue to decline driven by reduced output from Russia.

• Corn prices are firm supported by tight supplies.

 • Producer’s Rice Mill does expect a 7% reduction in prices in January 2013 driven by increased supply.

Oil

• Soybean prices are declining driven by better than expected supplies.

• The USDA expects a record canola crop for U.S. driven by an increased harvested acreage compared to last season.

 • Bulk margarine prices are expected to decline 4.5% while oil and shortening products will decline 3%, effective November 2012.

Pork

• U.S pork supplies increased over the first eight months of 2012 as farmers dealt with rising feed costs.

• Prices for pork bellies (used to make bacon) continue to rise driven by rising bacon demand.

• Effective November 2012, Farmland pork prices increased 4 to 9% depending on the products.

Poultry

• Broiler prices will trend upwards by the end of 2012 into 2013 as processors lower production in response to much higher grain feed prices.

• U.S. turkey meat production is forecast to decline in 2013 driven by rising feed costs.

• Koch Foods chicken wing prices were over 6% higher in October 2012 compared to same period in the prior year.

Seafood

 • canned tuna prices through Mitsui Foods averaged 17% higher in October 2012 compared to the same period last year.

 • Slade Gorton prices for pangasius products increased 2 to 12%, effective November 2012.

Paper & Plastics

• Prices for both bleached and unbleached paper products remain flat compared to last year.

• SCA Tissue North America prices declined 4% during October 2012 compared to the same period in 2011; Georgia Pacific paper products were 3% higher.

• Polystyrene prices remain firm on the global market supported by tight supplies and are expected to remain firm at least for the remainder of the year.

• Pactiv Corporation prices for plastic products were up 5% in October 2012 compared to the same period in the prior year; Berry Plastics can liners were 3.2% lower.

Metal

• Aluminum prices are firm on the global markets supported by strong demand.

• IMCO’s prices are expected to remain flat through the first quarter of 2013.

Labor

• The unemployment rate decreased to a three year low at 7.8% during September 2012; demand for temporary staffing is forecast to improve in 2013.

Linen

• Global cotton production is forecast to decline nearly 6% in 2012/13 as farmers opt for more lucrative crops.

• U.S. cotton prices are expected to remain suppressed supported by ample supplies.

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