

Commodity Driven Contracts

Date 3-31-14

Beef

Ground Beef - **Category Increase +2%**

Whole Muscle Cuts - **Category Increase +2.5%**

Supplies of market-ready cattle remain VERY tight and supplies will continue to be tight through May. USDA's Cold Storage Reports indicate total beef supplies at 1.4% lower than one year ago and 2.3% lower than at the end of December. The reduction in boneless beef inventories as we approach spring weather is a collective effort to retain cows and grow the beef cow herd—not a good thing for boneless beef output and supply this year. Further, lower steer and heifer slaughter is keeping raw materials for ground beef supplies very tight. For April, expect similar increases in Ground Beef, and more significant increases for Whole Muscle cuts.

Chicken

Prices are jumping in April due to a shortage in bird processing. Market prices for whole birds are up 10%, breast meat is up 15% and tenders up 12%. The industry took several severe weather hits this winter and lost millions of birds. Even with this volatile situation, entegra's pricing agreement protects this category from more severe peaks in pricing.

- Bone In Breaded—**No change**
- Bone In Raw—**Category Increase less than 1%**
- Breaded Boneless Breast—**Category Increase +6.5%**
- Nuggets and Patties—**Category Increase less than 1%**
- Raw Boneless:
 - o Bulk random breasts and tenders—**Category Increase +10%**
 - o Sized breasts—**Category Increase less than 1%**
- Pulled and Diced—**Category Increase less than 1%**
- Cooked breasts and breast strips—**Category Increase +5%**
- Breaded Tenders, Popcorn and Boneless Wings—**Category Increase +7%**
- Wings—**Category Increase less than 1%**

Cheese Updates

Great Lakes—**Category Increase +0.7%**

The pricing for Great Lakes Cheese uses factors based on the Chicago Mercantile Exchange (CME). Schreiber pricing follows the CME barrel market. At the same time there was high demand for blocks (exports).

Darling International (Kitchen Grease Pick Up Service)

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.

Pork & Processed

- **Raw and Cooked Bacon – Category Increase +18.4%**
- **Breakfast Sausage and Whole Hog Sausage - Category Increase +15.4%**
- **Ham and Deli Meats - Category Increase +12.8%**
- **Fabricated Pork (i.e. Chops and Tenderloins) - Category Increase +13.7%**
- **Hot Dogs, Sausage, and Pizza Toppings - Category Increase +15.2%**
- **Fresh Pork (Ribs) - Category Increase +10.9%**

A new report by Rabobank, which lends money to the food, beverage and agricultural businesses, predicts the PED virus will reduce the number of hogs slaughtered in the United States by 7% this year or nearly 19 million animals. That drop would be the largest in 30 years, the report says.

The sharp run-up in pork and beef prices has caused the market to be unstable based on futures speculation, and end users looking to stock pile supplies ahead of increased pricing. There is ongoing uncertainty about pork supplies and until we get a better idea of what supplies will look like through the summer, it is best to be conservative and budget for record high prices May through July.