EXECUTIVE SUMMARY

GENERAL INFLATION

- March 2014 experienced the first true spike in internal inflation in two years.
- We are expecting a continued higher trend of inflation throughout the second half of 2014. This is driven by the dairy, protein and seafood categories.

LABOR

- In March 2014 the unemployment rate held at 6.7%.
- Demand for temporary workers in the United States is expected to increase 8.5% on a seasonally adjusted basis for the 2014 second quarter.

FOOD

BEVERAGES

- Since January 2014, coffee prices have increased significantly driven by lower supplies. The industry will see approximately 10% to 15% cost increases in most coffee brands starting in June 2014.
- Orange Juice Concentrate commodities remain very strong. Average prices remained flat in April 2014 compared to April 2013.

DAIRY

- Milk prices increased significantly in April 2014 due to reduced supply. Prices are expected to trend lower in 2014 driven by increased supply.
- Cheese prices have risen significantly due to increased international demand and reduced supply. Our April 2014 contracted prices for cheese are 26% higher than April 2013, but should trend lower the remainder of the year.
- April 2014 contracted prices for processed eggs are 7.1% lower than last year—driven by lower feed costs but could trend higher in 2014. Egg whites substantially higher.

BEEF

- Beef prices are expected to continue to set record high prices through the spring of 2015.
- April 2014 ground beef prices have increased by nearly 14% over last year.
- April 2014 roast beef prices remained flat compared to last year but are expected to trend higher into the summer months of 2014.

PORK

- Pork consumer demand has been relatively strong despite pork prices trading at record high levels. Supply continues to be a concern driven by U.S. exports and Porcine Epidemic Diarrhea Virus (PEDV) that has reduced pig herds.
- April 2014 bacon and ham prices are 19.3% and 30% higher than last year respectively and are expected to remain firm for the foreseeable future.

POULTRY

- Fresh and frozen chicken prices are trending higher driven by tight supply and from consumer demand. June 2014 chicken prices are mirroring market conditions and are 8.6% higher than the last month.
- Turkey breasts are sharply higher for the near-term.

SEAFOOD

- Shrimp markets are expected to remain inflated into the summer recovering from overseas supply issues.
- Slowed hatchery production has kept Tilapia prices high. April 2014 tilapia prices are running 21% higher than last year.
- Tuna price have bottomed due to poor global supply. April 2014 tuna prices are 11.2% lower than last year.

GRAINS / INGREDIENTS

- Concerns over supply have driven corn and wheat prices higher since the start of the year.
- Tight supplies have kept rice prices flat to slightly higher in 2014. Higher supply is anticipated with the current year crop which should lower prices into 2015.
- Sugar prices are expected to trend higher driven by tightening supplies.

OILS

- Supply of domestic beans is at all-time lows which will require demand rationing to prevent stocks from declining even further.
- Soybean oil supplies are expected to tighten moving into the summer months. Oil prices are expected to slowly move higher over the next months.

SERVICE, EQUIPMENT AND SUPPLIES

METALS

- Pricing on aluminum finished products will continue to remain flat or trend lower the rest of 2014.
- Stainless Steel products are expected to experience minimal price increases in 2014.

PAPER/PLASTIC

- Paper supply continues to be abundant which is helping keep prices low. Entegra's food service paper April 2014 prices are 13% lower than last year.
- Plastic prices have trended higher driven by tight supplies. Overall April 2014 plastic container prices have increased by 2.3% over last year while can liner prices have increased 5.6% for the same time period.

LINEN

- Consumer demand is continuing to be strong. However, recent adverse weather conditions could lower production of cotton during 2014 driving prices higher.