



THE INDICATOR

QUARTERLY FORECAST REPORT



JULY, AUGUST, SEPTEMBER 2014



EXECUTIVE SUMMARY

JULY, AUGUST, SEPTEMBER 2014

GENERAL INFLATION

- We expect a continued trend of higher inflation throughout 2014's third quarter, but expects it to slow down compared to the second quarter.
- **Purchasing Price Index (PPI—Food) has increased at the same pace as entegra.**

BEVERAGES

- Coffee prices remain significantly higher than last year. Supplies dropped due to a weather-related shortfall in Brazil.
- August 2014 orange juice prices were at their lowest level for the year, but remained higher than 2013 levels.

DAIRY

- Milk prices are at record high levels due to reduced supply and are anticipated to trend lower towards the end of 2014.
- Cheese prices saw some relief in the second quarter, but are still significantly higher than last year's levels.
- **Contracted prices for processed eggs are 4% lower than last year, but are 2% higher than April 2014. They could trend higher in 2014.**

BEEF

- Beef prices should remain at record high levels through the spring of 2015 driven by continued tight supplies.
- **Ground beef and roast beef are significantly higher than last year and will likely remain firm into 2015.**

PORK

- The Russian embargo on U.S. and Canadian pork products is expected to increase domestic pork supplies. This could help drive prices lower.
- **Pork prices are expected to trend lower with the market and fall below 2013 levels.**

POULTRY

- Higher poultry production and possible benefit from the Russia embargo will be offset by lower inventory levels and higher demand.
- **Chicken breast prices are expected to remain firm, except for the prices of wings, which are increasing due to demand.**
- Driven by beneficial formula pricing, entegra's turkey prices should remain flat and below last year's levels despite a 20 year high in the turkey market.

SEAFOOD

- Shrimp prices saw some relief in the second quarter of 2014 compared to the January 2014, but are still significantly higher than the 2013 levels.
- **Tilapia prices began falling in early June. Further declines are expected in the next few months.**
- Tuna prices are trending higher after being depressed for over a year.

GRAINS / INGREDIENTS

- Corn and wheat prices are trending lower than the second quarter of 2014 because of better-than-expected harvest conditions.
- Rice prices remain flat to slightly higher in 2014. Lower global supply is anticipated with the current year crop, which should trend prices higher into 2015.
- Sugar prices are expected to trend higher driven by tightening supplies.

OILS

- Supply of domestic beans has a bright outlook due to favorable weather in the U.S. Midwest.
- Soybean prices will depend on the effects California drought has on production.
- Canola prices declined in second quarter of 2014 and additional declines are expected in the third quarter.

PAPER/PLASTIC

- Recovered paper demand, particularly in China and India, should grow while supply from North America and Europe is expected to be flat or diminish. This will drive prices higher into 2015.
- **Plastic prices are trending higher, driven by tight supplies.**

LINEN

- August 2014 cotton prices declined by nearly 20% compared to August 2013 prices.
- Changes in China's stockpiling policy, sharp decline in the import demand and rising end stocks in the U.S. have caused bearish sentiments in global cotton prices.
- Synthetic industries are producing artificial cotton fibers, which affect the current demand and the market share of the cotton industry.



GENERAL INFLATION

REPORT

	July-2014 vs. July-2013	July-2014 vs. Feb-2014	July-2014 vs. June-2014
General Inflation	(-) 12 months	(-) 6 months	Last Month
PPI – Food	↑	↑	↑
CPI – Food	↑	↑	↑

GENERAL INFLATION

Food inflation in the third quarter of 2014 is trending higher than last year's levels. Protein, seafood and dairy categories are the primary drivers of the higher inflation levels experienced during the past few months. Beef, milk and egg prices are at record high prices in large part due to the current drought affecting California. This drought is expected to impact the inflation percentages in the future months. Entegra's inflation forecast for 2015 stands at 2.6%.

Purchasing Price Index (PPI—Food) and Consumer Price Index (CPI—Food) have been increasing steadily since January 2014 and are trending over last year's levels. These indices are mirroring entegra's internal inflation and are expected to trend higher throughout 2014.

The Institute of Supply Management's Purchasing Manufacturing Index continues to increase over the second quarter of 2014, while the national unemployment level declined steadily indicating that the U.S. economy is still growing.

Source: Institute of Supply Management Report on Business, U.S. Department of Labor

BEVERAGE

REPORT

COFFEE

Production for 2014/15 is forecast to decline by 1% due primarily to a weather-related shortfall in Brazil. The reduction is expected to be partially offset by rebounding production in Colombia and Central America. Global bean exports and consumption are forecast at record levels, drawing inventories down. Coffee prices should remain firm to slightly higher through 2014. Markets could be driven higher if El Nino weather patterns strengthen. Higher coffee prices are a risk in 2015. **As anticipated we saw approximately a 6% cost increase in most coffee platforms in August 2014 compared to August 2013.**

FROZEN ORANGE JUICE

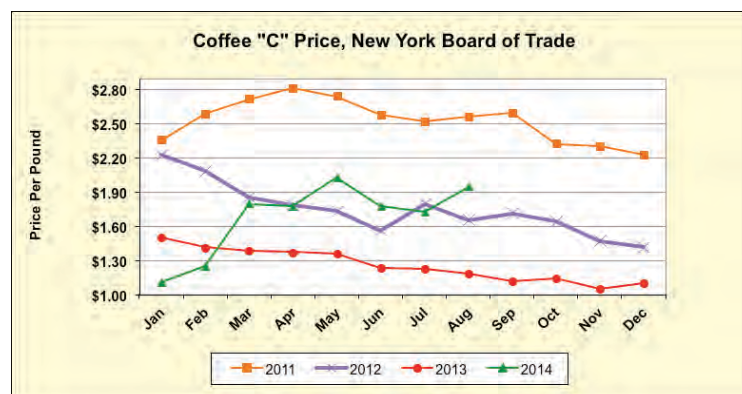
Domestic demand for orange juice fell as consumers opt for other beverage choices. Prices dropped to the lowest level for the year in August 2014, but still remain higher than 2013 levels. The U.S. Department of Agriculture's (USDA) final forecast on Florida's 2013/14 orange crop is down 22% from last season, which could boost prices in the next few months. This decline is driven by the greening crop disease that growers have been fighting all year. **Average prices for August 2014 increased by 5% compared to August 2013. Minute Made Frozen Orange Juice August 2014 Prices increased by nearly 10% compared to last year's prices.**

OTHER JUICES

Apple juice concentrate remains firm as growing conditions in Poland have been favorable over the past few months. Cranberry concentrate remains steady. Prune concentrate rose dramatically due to a shortage of product and could rise further in the next few months. White grape has been very volatile and remains historically high.

Beverage Commodity Markets	Market Prices Are Trending					
	Aug-2014 vs. Aug-2013 (-) 12 months	Aug-2014 vs. March-2014 (-) 6 months	Aug-2014 vs. July-2014 Last Month	Nov 2014 (+) 3 months	Feb 2015 (+) 6 months	May 2015 (+) 9 months
Coffee	↑	↑	↑	↑	↑	→
Frozen Orange Juice	↑	↑	↓	→	↑	↑

Sources: Kraft Monthly Commodity and packaging market update, Royal Cup, Green Coffee Commodity Reports, and Commodity Update JM Smucker's, USDA



*Bold indicates contract pricing

DAIRY REPORT

MILK

Even though milk prices were expected to trend lower in the third quarter of 2014, they are still at record high levels, mostly due to the drought conditions in California. August 2014 Class I milk prices remain at elevated levels. They are over 24% higher compared to last year and nearly 10% higher than January 2014. It is expected that milk prices will trend lower, but later than anticipated. This is driven by increased milk production and lower U.S. exports. **Milk prices from regionally-contracted dairy providers are expected to follow market prices.**

CHEESE

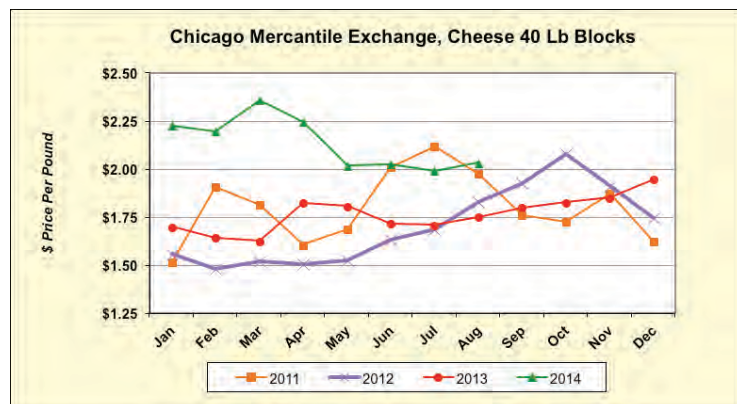
Cheese prices saw some relief in the second half of 2014 even though August 2014 prices are 16% higher than last year. Prices declined by nearly 9% compared to January 2014. International demand is still strong. There are new concerns over the supply due to the drought impacting California. This might create a huge dent in the domestic dairy supply. **Contracted processed cheese prices for August 2014 with Schreiber are 13% higher than August 2013, but are expected to trend lower in 2014 into 2015.**

OTHER DAIRY / EGGS

August 2014 butter prices remain at record high levels due to low supplies and higher U.S. exports **August 2014 contracted prices for processed eggs will still benefit from lower feed costs. Prices are 4% lower than last year, but are nearly 2% higher than in April 2014. Prices are expected to trend slightly higher, driven by increasing feed costs through 2014.**

Source: USDA, AMPI, Inc. Great Lakes cheese Market Report

Dairy Commodity Markets	Market Prices Are Trending					
	Aug-2014 vs. Aug-2013 (-) 12 months	Aug-2014 vs. March-2014 (-) 6 months	Aug-2014 vs. July-2014 Last Month	Nov 2014 (+) 3 months	Feb 2015 (+) 6 months	May 2015 (+) 9 months
Butter 93 Score	↑	↑	↓	→	↓	↓
Class 1 Milk	↑	↑	↑	→	↓	↓
Cheese 40lb Blocks	↑	↑	↑	→	↓	↓





BEEF

REPORT

GROUND BEEF

Demand remains strong while supply continues to tighten, sending prices sharply higher. As prices reset at these higher levels, demand is expected decline. This will likely reduce the price volatility, but prices are expected to stay at elevated levels for the foreseeable future. Current cattle supply is very tight and herds are at historically low numbers. **August 2014 ground beef prices through Cargill increased by nearly 23% over last year and are expected to remain high into 2015.**

ROAST BEEF

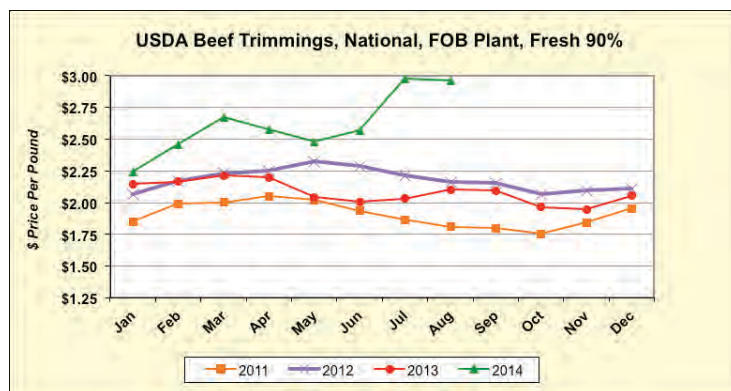
End cuts (used for roast beef) have had plenty of support from lean beef demand which helped negate the seasonal dip in the market expected during this time of the year. Reprieve in pricing and availability of end cuts are expected due to carryover of market ready cattle over the next several weeks. This downward swing is not expected to be long lived, especially during the fall months. **August 2014 roast beef prices, through Cargill, increased by 14.25% over last year and are expected to remain high into 2015.**

GENERAL BEEF PRODUCTS (INCLUDING SPECIALTY CUTS)

June and July 2014 saw limited offerings of market ready cattle and record high prices prompting a spike in the market. In response to the cost of cattle, the industry cut back production hours. As a result, demand for boxed beef started to retract. A dip in the market is expected in the first half of September before the seasonal uptick for the fall months. Beef prices are expected to remain at record highs.

Source: Urner Barry, USDA, Comtell, Cargill

Beef Commodity Markets	Aug-2014 vs. Aug-2013 (-) 12 months	Aug-2014 vs. March-2014 (-) 6 months	Aug-2014 vs. July-2014 Last Month	Market Prices Are Trending		
				Nov 2014 (+) 3 months	Feb 2015 (+) 6 months	May 2015 (+) 9 months
Ground Beef (90/50 combined)	↑	↑	↑	↑	↑	→
Roast Beef (168)	↑	↑	↑	↑	→	→
Composite Beef Cutout	↑	↑	↑	↑	→	→



PORK REPORT

GENERAL PORK PRODUCTS

Porcine Epidemic Diarrhea (PEDv) on Pork farms has led to unexpectedly low slaughter rates this quarter and has hampered pork production. Higher animal weight at time of slaughter is helping offset the production shortfall. The Russian embargo on U.S. and Canadian pork products are expected to increase the pork supplies this fall, which would help relieve prices. Pork is priced very competitively versus beef, which could lead to increased pork feature activity in the retail sector. Pork prices are expected to trend lower in the upcoming months as production gets back on track and additional supply is realized because of the Russian embargo.

BACON

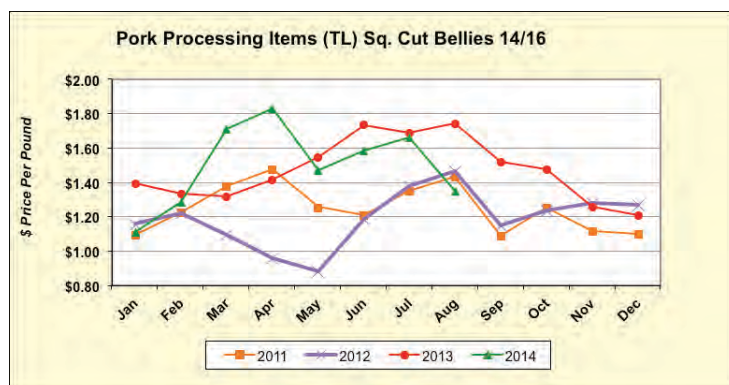
Due to increased supply, bacon prices declined in recent months and are currently at the lowest level since February 2014. Bacon prices are expected to trend lower through the remainder of the year and be below 2013 levels. **August 2014 bacon prices are 3.28% higher than last year, but are expected to decline by nearly 16% in September.**

HAM

Prices took a sharp hit over the past 2 weeks and are down by 20% due to Russian Sanctions. Prices are poised to stay at historically high levels for the time being. Driven by back-to-school season and the holiday season, demand is expected to pick up in the next few months **August 2014 ham prices are, on average, 35.71% higher than last year, but are forecast to decline close to 6% in September.**

Pork Commodity Markets	Aug-2014 vs. Aug-2013 (-) 12 months	Aug-2014 vs. March-2014 (-) 6 months	Aug-2014 vs. July-2014 Last Month	Market Prices Are Trending		
				Nov 2014 (+) 3 months	Feb 2015 (+) 6 months	May 2015 (+) 9 months
Bacon	↓	↓	↓	↓	↓	↓
Ham	↑	↑	↑	↑	↓	↓
General Pork	↑	↑	↓	↓	↓	↓

Source: USDA, Farmland, Urner Barry





POULTRY REPORT

OVERALL CHICKEN MARKET

Breast meat market continues to demonstrate strength and has yet to decrease to its seasonal low. Poultry production for the first half of 2014 has increased by 1.6% over last year. Driven by strong demand and consumers looking for cheaper protein alternatives, ending inventory levels are nearly 20% below last year levels. Anticipation of record corn and soybean production put pressure on commodity input prices. If corn and soybean prices continue to decrease, it might lead to higher broiler weights and improved profits in poultry. This might cause poultry production to increase. Market supply and demand drivers are offsetting each other and it is expected that poultry prices will remain firm through 2014 into next year.

The wing market is beginning to show signs of strengthening. After a decrease in demand in the beginning of 2014, wing demand is expected to increase as the traditional wing season kicks off at the beginning of September.

Russia's ban on U.S. chicken imports could cause the chicken leg quarter and dark meat markets to make a summer peak early this year.

August 2014 chicken prices for breast meat (through Koch Foods) are mirroring market conditions and are 6.6% and higher than the August 2013. Wing prices are nearly 12% lower than in 2013. September prices are expected to remain flat with the exception of fresh CVP products, which could decline nearly 6%.

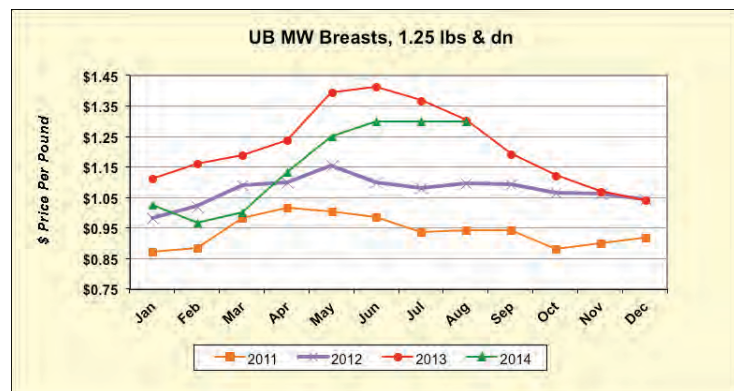
TURKEY

Current breast meat is trading at the highest level seen in 20 years. This is the cumulative effect of the industry managing supply for two consecutive years to guard against past feed cost challenges. The industry is now placing more poults and the market is expected to soften in 2015.

Even though the turkey market prices are at a 20 year high, We saw only a 1% price increase in turkey prices from Jennie-O in the third quarter of 2014 compared to last year. Fourth quarter prices should remain flat. 2015 prices are expected to be relatively flat as well against 2014. These price trends are driven by formula pricing that is in place with Jennie-O.

Source: USDA, Urner Barry, National Turkey Federation, Koch Foods, Jennie-O

Poultry Commodity Market	Market Prices Are Trending					
	Aug-2014 vs. Aug-2013 (-) 12 months	Aug-2014 vs. March-2014 (-) 6 months	Aug-2014 vs. July-2014 Last Month	Nov 2014 (+) 3 months	Feb 2015 (+) 6 months	May 2015 (+) 9 months
Midwest Breasts, 1.25 lb	↓	↑	↑	↓	↓	↑
Wings	↓	↑	↑	↑	↑	→



SEAFOOD

REPORT

SHRIMP

The second quarter of 2014 saw relief for shrimp prices when compared to January 2014, but they are still significantly higher than 2013 levels. The world shrimp production outlook is uncertain as Thailand (the main global supplier) struggles to recover from Early Mortality Syndrome (EMS). Prices are not anticipated to show a big drop because the demand is expected to be greater than the supply. Sysco and Slade Gorton are entegra's contracted non-breaded shrimp providers and their August 2014 prices are nearly 26% higher than last year.

TILAPIA

There has been little increase in tilapia prices since they started to fall in early June. The outlook is pessimistic about the price rebounding in the second half of 2014. A large amount of tilapia will probably flood into the market in the end of 2014 because most farmers delayed the peak of the 2014 harvest until August. **August 2014 tilapia prices are running 6.5% higher than last year and are expected to decline into 2015.**

TUNA

Tuna prices have started to rise. Excess inventories which have hampered prices have worked their way through the supply chain. This ended a downward market correction. Prices are expected to further increase in the months ahead. **August 2014 Mitsui tuna prices are 4.3% lower than last year, but could be facing increases driven by market conditions.**

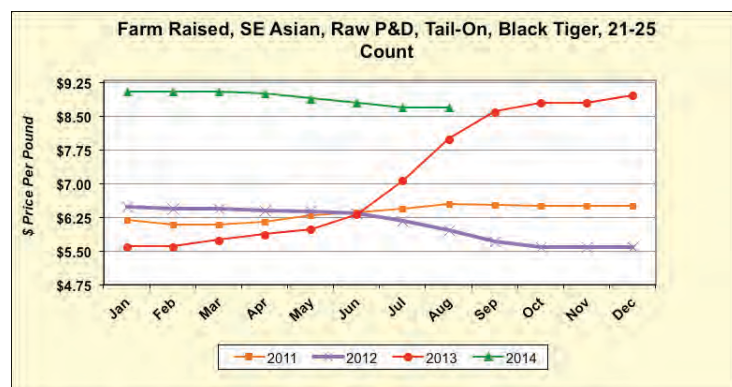
ATLANTIC AND KETA SALMON

Following a mild winter, production normalized in the second quarter of 2014 and production growth has slowed down. The increase in global salmon supply is expected to be 7%, which is less than the long-term increase in global demand. It is expected that supply growth will decline in the second half of 2014, with a marginal increase in global supply in 2015. **August 2014 Salmon prices through Slade Gorton are nearly 13% higher than last year.**

COD / POLLOCK

Atlantic cod has seen the bottom of the market and no significant changes are expected in prices.

Seafood Commodity Markets	Aug-2014 vs. Aug-2013 (-) 12 months	Aug-2014 vs. March-2014 (-) 6 months	Aug-2014 vs. July-2014 Last Month	Market Prices Are Trending		
				Nov 2014 (+) 3 months	Feb 2015 (+) 6 months	May 2015 (+) 9 months
Shrimp	↑	↑	→	→	↑	↑
Cod	→	→	→	→	→	→
Atlantic Salmon	↓	↓	→	→	→	↑
Tilapia	↑	→	→	↓	↓	→



GRAINS & INGREDIENTS

REPORT

WHEAT

Wheat prices declined this year, with the benchmark price in Chicago touching a four-year low on July 29 amid prospects of ample world grain supplies. A bearish USDA World Agriculture Supply and Demand Estimate report showed higher than expected global wheat stocks. Renewed concerns of political tensions in Russia and Ukraine, which could interrupt exports from the region, are expected to lend support to markets in the next few months.

CORN

Moisture across the U.S. plains and prairies is accelerating corn growth and is driving the markets lower as of August 2014. Late 2013 and early 2014 record planting, production and yields led to a weak start in 2014 for corn prices.

RICE

U.S. 2014/2015 total rice supplies are projected to be down nearly 2% from last year's record. Global 2014/2015 supply is also forecast to decline, driven by reductions in Bangladesh, Brazil, Indonesia, and India. **Producers Rice prices remained flat in August 2014 when compared to last year, but are expected to trend higher into 2015.**

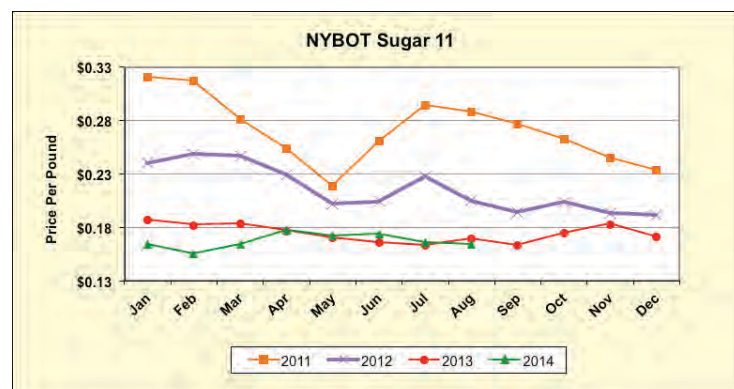
SUGAR

U.S. sugar inventories are forecast to sharply tighten in FY15 due to a collapse in imports from Mexico. This is primarily due to a negotiated reduction and, possibly, because of a period of anti-dumping duties. Significantly reduced inflows from Mexico in FY15 should be offset by increased re-export and quota imports. Subsequently FY15 is projected to end with tight/bullish inventories. **August 2014 Domino Sugar prices remained flat compared to last year's prices, but are expected to increase in the latter part of 2014 into 2015.**

COCOA

Since the end of June 2014, cocoa futures followed a gradual downward slope. Better-than-expected cocoa arrivals and purchases from West Africa contributed to this fall in cocoa prices. However, the prices are still at a three-year high amid speculation of a production deficit for the upcoming 2014/2015 season.

Ingredient Commodity Markets	Aug-2014 vs. Aug-2013 (-) 12 months	Aug-2014 vs. March-2014 (-) 6 months	Aug-2014 vs. July-2014 Last Month	Market Prices Are Trending		
				Nov 2014 (+) 3 months	Feb 2015 (+) 6 months	May 2015 (+) 9 months
St. Louis Soft Red Winter Wheat	↓	↓	↓	→	↑	↑
Omaha Corn, U.S. 2 Yellow	↓	↓	↓	→	→	→
Rice	→	→	→	↑	→	→
NYBOT Sugar 11	→	↑	↓	↑	↑	↑
Cocoa (NYMEX)	↑	↑	↓	↑	→	→



EDIBLE OIL

REPORT

SOY OILS

Larger soybean crop yields in U.S. Midwest and rains in early August are expected to boost the harvest. Soybeans prices settled at the lowest prices since 2010 on speculation that rain in the autumn months will boost yields.

Soybean supplies for 2014/2015 are projected to be slightly above July 2014 levels based on the higher production forecast. Soybean exports are unchanged, leaving ending stocks projected at a higher level. The impact of the California drought on soybean prices depends on the effect it has on production and the planting decisions of California farmers. Due to higher production costs, insufficient water, or both, producers may opt to reduce total acreage, driving up prices in the future.

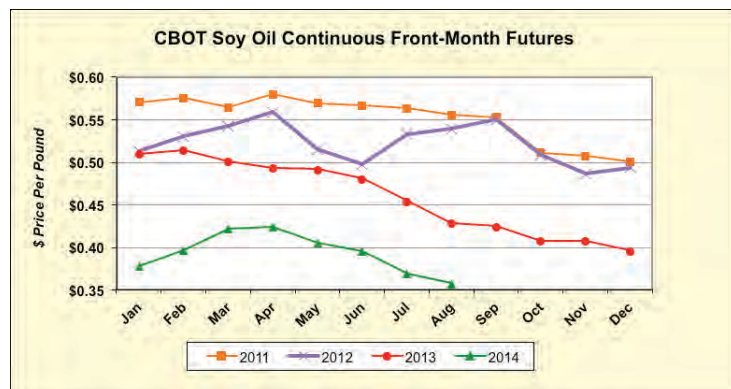
CANOLA OIL

Despite summer flooding on the eastern edge of the prairies and a late seeding sessions, the 2014/2015 (Aug/July) crop production across much of Western Canada looks reasonably robust. The good crop prospects, together with large old crop supplies, still overhang the market and price declines are expected in future months.

August 2014 Ventura oil prices declined by 9% compared to August 2013, and are expected to decline by an additional 2.5% in September 2014.

Sources: Ventura, USDA, Reuters, CME and CQG

Oil Commodity Markets	Aug-2014 vs. Aug-2013 (-) 12 months	Aug-2014 vs. March-2014 (-) 6 months	Aug-2014 vs. July-2014 Last Month	Market Prices Are Trending		
				Nov 2014 (+) 3 months	Feb 2015 (+) 6 months	May 2015 (+) 9 months
Soy Oil	↑	↓	↓	↓	→	↑
Canola Oil	↑	↓	↓	↓	→	↑



METALS REPORT

ALUMINUM

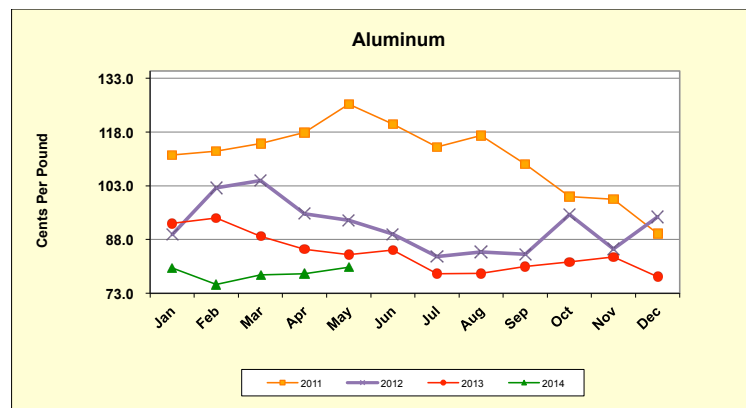
Pricing on imported aluminum finished products will continue to remain flat or trend lower for the next six months due to unchanged worldwide manufacturing demand. Chinese aluminum prices are mirroring the domestic market keeping pricing stable. Domestic aluminum goods are still higher than imported goods but the price disparity compared to imported finished aluminum goods will continue to narrow as foreign factory and transportation costs increase.

STAINLESS

Domestically produced high end Stainless Steel, Sheet Stainless as well as Nickel based products are expected to start seeing a price hike late this year into 2015.

Source: Propurchaser.com, IMCO, NYMEX, Supplier import managers

Metals Commodity Markets	April-2014 vs. April-2013	April-2014 vs. Nov-2013	April-2014 vs. March-2014	Market Prices Are Trending		
	(-) 12 months	(-) 6 months	Last Month	July 2014 (+) 3 months	Oct 2014 (+) 6 months	Jan 2015 (+) 9 months
Aluminum	↓	↓	↑	↓	↓	↓
Stainless	↓	↑	→	↓	↓	↓



PAPER & PLASTICS

REPORT

RECOVERED FIBER PAPER

Through year-end and into 2015, recovered paper demand, particularly in fiber-poor regions such as China and India, is expected to grow. In addition, the supply coming from North America and Europe is expected to be flat or diminish, creating a global shortage that will trend prices higher. **After a 2.6% price increase in July 2014, entegra's SCA paper August 2014 prices are 11% lower than last year.** Further price increases are expected in January 2015.

POLYPROPYLENE (CONTAINERS)

The second quarter of 2014 followed similar trends as the first quarter with high prices based on tight propylene supply impacted by low refinery operation. The remainder of 2014 is looking to follow a similar pattern with less volatility.

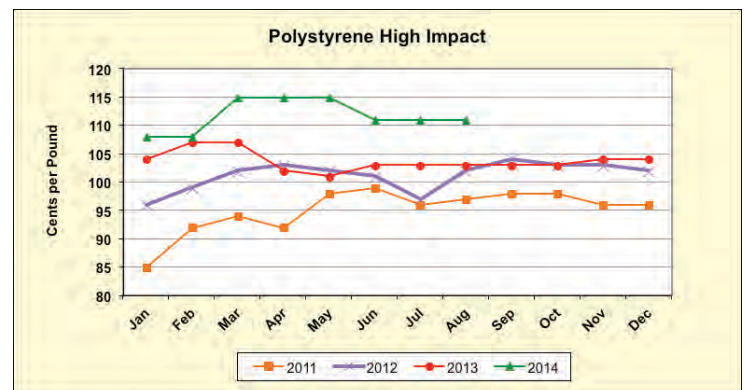
POLYSTYRENE (PLASTIC WARE & CAN LINERS)

2014 prices continue to be higher than 2013 levels as producers continue to push for increased margins. Elevated prices are also driven by global demand and tight supply. The current forecast is for average prices to be higher in 2014 as compared to the average in 2013.

Pactiv August 2014 prices increased by 3.8% over last year while Berry's can liner prices increased by 5.5% for the same time period. Prices for these manufacturers are expected to follow the market trends and trend even higher in 2014.

Resin and Paper Commodity Markets	Market Prices Are Trending					
	Aug-2014 vs. Aug-2013 (-) 12 months	Aug-2014 vs. March-2014 (-) 6 months	Aug-2014 vs. July-2014 Last Month	Nov 2014 (+) 3 months	Feb 2015 (+) 6 months	May 2015 (+) 9 months
Recovered Fiber Paper (Napkins, Paper Towels, etc.)	➡	➡	➡	⬆	⬆	⬆
PET (cups)	⬇	⬇	⬆	⬆	⬆	⬆
Polypropylene (cups and containers)	⬆	⬇	⬇	➡	⬆	⬆
Polystyrene (plastic ware)	⬆	⬆	⬇	⬆	⬇	⬇
PVC (film)	⬆	⬆	➡	⬆	⬇	⬆

Source: SCA, Georgia Pacific, Pactiv, Berry Plastic, CMAI, CD, ISIS, RISI, Pulp & Paper



LINEN REPORT

Global cotton prices declined significantly over the last few months, which may lead to emergence of value buying at lower levels. August 2014 cotton prices declined by nearly 20% compared to August 2013. Major reasons attributing to the decline include changes in China's stockpiling policy and a sharp decline in import demand. This, along with rising end stocks in the U.S. caused bearish sentiments in the global cotton prices.

The USDA pegged the U.S. 2014/2015 end stocks at 5.2 million bales, the highest in six years. China's cotton imports in the first half of 2014 have also declined sharply. An increase in U.S. cotton acreage along with favorable climate conditions is also expected to result in higher production.

Using intelligent advertising and engineering methods, synthetic industries are producing artificial cotton fibers which are affecting demand and the market share of the cotton industry. Newer options with advanced qualities in place of cotton fibers are gaining importance. The cotton industry needs to find new methods to catch up with the growing synthetic fiber industries if it is to recover from the current bearish market.

Source: Bloomberg News, Reuters, Apparel News, Cotton Incorporated, USDA

