

Program and Pricing Updates

Food and Related Supplies Pricing Changes: June 1, 2015

Tropicana

- 100% orange juice, 128-oz size: **Increase +3%**

Mercer

- Cutlery: **Increase +5%**

This is the first increase in three years from this vendor and is supported by commodity and materials price increases.

Cambro

- Food service containers and food pans: **Decrease -3%**

Through our product rationalization process we were able to increase our commitment to Cambro, which led to a reduction in cost.

Commodity Driven Contracts

The contracts below are formula-based reflection of the markets and change monthly or quarterly. We will not always provide an explanation for pricing changes, as the pricing of these programs continually ebbs and flows with the markets. A yearlong snapshot of pricing gives the most appropriate view of the benefits associated with our negotiated pricing, and the monthly pricing does not necessarily reflect the full year benefit. However, we do want to keep you informed on a monthly basis so you can make menu and pricing adjustments as appropriate for your facility.

Cheese & Dairy

- Great Lakes: **Category No Change**
- Kraft (Cream Cheese): **Slight Increase**
- Schreiber Foods, Inc. (processed cheese): **Increase +3%**

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Milk production has been declining for several months in California due to continued drought conditions. Typically this is the time of year when cheese storage is being built; however, the past two months have held steady. American-type cheese storage/inventories are declining. These issues have been balanced by recent increases in cheese exports. With a decrease in China's domestic production, they might begin to rely more on imports to fill their demand.

Eggs

- **Michael's Foods and National Pasteurized Egg**
Avian Influenza has affected laying flocks in the mid-west United States. While the general market anticipates distribution cutoffs from 50% to 100% of orders, our clients will benefit from standing contractual agreements which will allow for less severe shortages. As of June 1, no price changes have occurred, but expect to see supply shortages and price increases on liquid egg products as well as pasteurized shell eggs beginning in July. Michael's Foods suspended all liquid egg-white products in late May. Recovery may take as long as 18 months.

- **Eggs America, Inc.: Increase +47%**
 - Cage-Free unpasteurized shell eggs from Eggs America have not been impacted by the Avian Influenza.
 - However, as the demand for this product has unpredictably spiked due to the industry-wide disease, supply available to fill the gap is limited. Eggs America has made an major price change effective June 1.
 - Price changes will be determined on a month-to-month basis moving forward.
 - This increase impacts all of our contracted cage-free unpasteurized shell cage free eggs with Eggs America in all of our contracted distribution houses.

Beef

Cargill

- Ground Beef: **Category No Change**
- Whole Muscle Cuts (Pot Roasts, Beef Strips, Roast Beef and Stew Meat): **Category No Change**

Pricing has been holding steady for many months and should continue into the summer. Although the recent ground beef market has seen historical highs and fluctuations, we are able to hold pricing steady for longer periods of time and in many instances without having to raise prices because of our long-term pricing strategies and procurement expertise. We collaborate with our suppliers to develop plans to mitigate cost increases thus allowing you to continue to provide high-quality, affordable choices.

Pork

Farmland Foods

- Raw & Cooked Bacon: **Increase +4%**
- Breakfast Sausage: **Increase +9%**
- Whole Hog Sausage: **Decrease -8%**
- Ham & Deli Meats: **Increase +7%**
- Fabricated Pork (i.e. Chops & Tenderloins): **Increase +4%**
- Hot Dogs, Sausage, & Pizza Toppings: **Increase +10% to +12%**
- Fresh Pork(Ribs): **Increase +9%**

Grilling season is upon us starting with Memorial Day. All pork products which are good for grilling become demand-driven this time of year. Breakfast Sausage is mostly “pork trim,” which is used heavily in Hot Dogs and smoked sausage. Whole Hog sausage is dropping, a result of the sow meat market having more availability. Ham supply dropped due to increased exports to Mexico, which is now experiencing the PED virus. There is a seasonality upward trend for this sub-category. In general, hog slaughter volume is trending downward, affecting supply across all Pork categories.

Poultry

Jennie-O: Turkey

Avian Influenza has affected Turkey flocks across the United States. Impact will be minimized due to our long-standing contract with Jennie-O. Prices so far have remained stable, but expect some increases beginning in July.

Utilizing the expertise of our procurement team, we have developed strategies that allow us greater transparency into the true cost of goods. While market forces and commodity input costs change daily, our collaborative vendor partnerships allow us to provide quality, valuable goods that meet nutritional standards tailored to our clients' needs. Our formula-based pricing includes measures, such as grain based commodity costing, and/or competitive pricing floors and ceilings, which ensure that you are protected from volatile market swings. As we are under long-term contracts with our primary poultry suppliers, we are able to enhance competitiveness and program value, and to ride out an extreme market circumstance with minimal impact to our operations.

The current Avian Influenza situation is an example of this approach. While the current market has risen over 21% in the past four weeks and nearing the all-time record high levels, your contracted turkey pricing has remained unchanged.

Koch Foods: Chicken

Please note: To date Koch Foods, has not experienced any instances of Avian Influenza virus at any of their hatcheries or farms.

- Bone in Breaded: **Slight Decrease**
- Bone in Raw: **Slight Decrease**
- Breaded Boneless Breast: **Increase +2%**
- Breaded Nuggets and Patties: **No Change**
- Raw Boneless: **Increase +2%**

- Pulled, Diced and Cooked Strips: **No Change**
- Breaded Strips: **Slight Increase**
- Cooked Unbreaded Breasts and Patties: **Increase +2%**
- Wings: **No Change**
- CVP: **Increase +3%**

Oils

Ventura Foods

- Bulk Margarine: **Slight Increase**
- Oil, Shortening: **Slight Increase**

Our pricing on bulk oil has remained stable. We were able to buy 'futures' of bulk oil at its lowest rate, which was historically low, and will allow us to mitigate the commodity market fluctuations.

Darling International (Kitchen Grease Pick Up Service): **Category Free of Charge for This Month**

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.

Regional Commodities

Bakery

POSH Bakery (SF Bay Area): **Increase +3%**

A variety of state and federal laws were passed in 2014, causing labor and insurance costs to rise for some bakeries.

CONTRACT UPDATES: June 1, 2015

Type	Contract	Products Covered/ Changed	Notes
New	That's It Nutrition	• Fruit; Grab and Go Snacks	

