



INFINITE POSSIBILITIES. ONE FAMILY.

November 5, 2021

Dear Valued Distributor Partners:

Global supply chain volatility continues, creating a challenging environment for customers, suppliers, and everyone in between. Transportation and shipping issues, an unprecedented labor shortage, rising inflationary pressures, ingredient shortages, demand surges, the global pandemic, weather's impact on new crops, and more are driving the reality we face today. And while Rich's global supply chain - built efficiently and purposefully over the past several decades - remains strong, we must continue to implement changes to combat today's market realities and dynamics.

What's Driving Change

Virtually all businesses have been significantly impacted across categories. Industry-wide key factors include:

- **Transportation & shipping** are putting the most cost pressure on businesses, due to a shortage of new trucks and truck drivers, fuel costs, as well as consumer and freight demand. The unsteady freight environment, caused by supply chain disruption, is driving record increases in rates as the market attempts to balance supply and demand. According to the Cleveland Research Center's "September 2021 Input Cost Supplier Benchmark Survey," transportation and shipping are *the* top inputs driving cost increases, which is expected to continue in 2022.
- **Commodity costs** continue to rise as increased demand exceeds scarce resources caused by labor, weather, and freight challenges, as well as a host of supply-chain snags. Key commodities, such as vegetable oils (PKO, Palm, Soybean), flour and sweeteners are all seeing spikes in cost due to a multitude of external variables.
- **Labor scarcity** driving increased labor cost is a major factor that extends beyond the food industry, hampering every aspect of the supply chain, including harvesting crops, production and transportation.
- **Warehousing** plays another key role in cost spikes, due to a surge in demand for consumer goods that require refrigerated storage. Rising utilities, labor shortages and increased rent are all acting as underlying cost drivers straining temperature-controlled warehousing.
- **Packaging costs** have risen among corrugated and paperboard, driven largely by heavy retail and e-commerce demand as we head into a busy holiday season. Plastic has also been impacted, as oil costs accelerate, and hurricane season interrupted resin production.

Amid these headwinds, we continue to actively manage our supply chain and operations to offset this dynamic inflationary environment to the best of our ability.

NEW: Price Increase

While Rich's continually strives to provide exceptional value for our products, these rising costs across virtually every facet of our supply chain mean we are unable to absorb the sharp cost increases we continue to face. Therefore, we'll be implementing a price increase adjustment, **effective January 31, 2022.**

We understand pricing challenges are difficult. The reality is that we continue to pay premiums on virtually everything throughout our supply chain, as related costs have continued to sharply increase.



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Looking Ahead

Supply chains remain unsettled, and as the market continues to experience both fluctuation and increased costs, volatility is likely to remain for the foreseeable future.

We'll continue to look for ways to mitigate additional pricing increases wherever possible, recognizing the challenges you face as your own costs escalate. Please know, we remain committed to delivering the best value to you and will continue focusing on enhanced efficiency, productivity, quality and innovation. As always, and especially during these unprecedented times, we will continue to provide proactive communication on any future shifts or changes.

Your sales and/or broker representatives will share specific details with you and will be able to answer any questions you may have. Please note that this change will be applied to all orders with a requested delivery date on or after **January 31, 2022**.

Thank you for your understanding and continued partnership as we navigate through these market-wide impacts together.

Sincerely,

Kevin Spratt
President, USC

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- [Soaring Cost of Food is Forcing Families to Scrimp at the Dinner Table](#), *Bloomberg Businessweek*, 08.18.21
- [FTR's Trucking Conditions Index continues to point to strong rate environment](#), *Logistics Management*, 10.18.21
- [Inflation Alert: Container Ship Owners See Boom Through 2022](#), *Freight Waves*, 10.13.21
- [The Permanently Temporary 2021 Economy, in Charts](#), *The Washington Post*, 10.16.21
- [One More Worry for Stressed Consumers: Global Food Prices Hit a Decade High](#), *MarketWatch*, 10.09.21
- [Global Supply-Chain Problems Escalate, Threatening Economic Recovery](#), *The Wall Street Journal*, 10.8.21
- [Here's Why Your Food Prices Keep Going Up](#), *The Washington Post*, 09.15.21