



GVH Distribution

Family of Companies

February 1, 2021

RE: GVH December/January Market Update

Dear Retail Partners,

As we continue to work through these unprecedented times, we want to thank you for all your efforts in continuing to feed America and providing essential supplies for your employees and consumers. Please see the market update below as it pertains to the supply chain and the status of procuring critical supply items.

SUPPLY CHAIN

2020 created some unprecedented strain on supply chains. The primary recurring factors we experienced at GVH were unexpected demand surges or very large volume, material and carrier shortages, competition for available inventory, and COVID closures. GVH's team worked extremely hard in 2020 to help our customer base navigate through the difficult year, and COVID pandemic. Our team never stopped working and will continue to work as hard as we can going forward. So far in 2021, GVH has continued to experience extended lead times on several key lines. Chinese New Year, shipping container shortages, port congestion, significant polypropylene shortages, and unprecedented price increases are among our primary concerns so far this year. To help alleviate these issues, we are holding more inventory than we have ever before, continuing to bring in substitute items and suppliers for imports and key lines, using our vast book of suppliers to supplement volume on polypropylene items wherever we can. All signs point to new challenges, and more tough battles ahead with supply chain in 2021.

FRONT-END PLASTIC BAGS

Throughout 2020, GVH called on new, and existing supplier relationships to keep our customers in stock with plastic front-end bags. Custom printed plastic bags were a battle all year, and GVH now has multiple sources we are comfortable will keep us in great stock status for 2021.

GVH's largest supplier of plastic bags, Hilex, continues to really struggle to meet our needed order timelines like they had in years prior to 2020. This leads us to believe that short term, the struggle in plastic bags will continue. To help with this, GVH has continued to purchase front-end plastic from multiple sources. Crown Poly, our 2nd largest plastic bag supplier, has a better outlook on plastic bags, but currently, GVH is still ordering extended lead times.

FRONT-END PAPER BAGS

Front-end paper was a wild category segment prior to 2020. The COVID Pandemic led to multiple plastic bag bans being lifted, to help ensure grocery stores had enough grocery bags to accommodate their demand. There were not enough paper bags to go around for the pandemic, and the changes in legislation over the past few years. Some of the bag bans are still lifted, but it is hard to say for how long.

Even as is, there are still not enough paper bags to go around. GVH has taken steps to import bags, as well as buy domestically when available. It is important to remain flexible on your selection of paper bags, and it will not be a surprise for printed front-end paper bags to remain sporadic for 2021.

MEAT TRAYS

Meat trays were product that saw some of the most drastic changes take place in 2020. Foam meat tray manufacturers went from producing a vast array of sizes and all colors you could want your meat trays to be, to only running the highest velocity size meat trays, and cutting colors down to white only, or black and white only.

Capacity for meat trays has improved from the start of the COVID pandemic, to present day. Most suppliers are still limiting meat trays sizes, and colors. We have had more success providing a larger assortment of colors and sizes from west coast facilities, then east coast facilities. In the East and Midwest, we have multiple colors and sizes as well, but it is more restricted, and still a struggle to onboard new volumes. Meat trays are items where GVH leverages our outstanding relationships with our existing supplier base, to help keep customers in stock, and we expect to see more sizes and colors slowly become available throughout 2021.

MEAT PADS

Meat Pads are yet another example of items where GVH had to get very creative on in 2020. Much like trays, we used alternate suppliers and colors to help stay in stock through supplier allocations taking place at the same time as surging customer demands.

Currently the outlook for meat pads is positive. We have run into very recent, extended lead times and close calls from our largest pad supplier, Novipax, due to a COVID outbreak in one of their facilities. To help with this, we are temporarily increasing lead times, and holding more inventories for our customer base. Novipax anticipates that the issue will be short term.

GLOVES

In 2020, the price swings that took place on gloves were borderline insanity, and the demand that continued to follow afterwards. Remember the days when nitrile gloves were less than \$100 a case? Or Vinyl was less than \$70 a case? Those were the good times....To keep our customer based in stock on gloves, GVH ordered max allocations from wherever we could get our hands on gloves, direct imported gloves, and primarily focused on vinyl. It costs much less than latex or nitrile, subs very well for both, and most of our customer base prefers vinyl to hybrid style gloves.

It is hard to say exactly what will happen with gloves going forward. GVH is very confident in our current inventory position on vinyl. Our supplier base is also in a better vinyl glove inventory position but is still really struggling with acquiring nitrile and latex. We have finally started to see some pricing resistance, which is long overdue but at this point, it is hard to say what exactly will happen with Chinese New Year right around the corner, COVID closures overseas, and the current situation at ports.

SANITIZER AND WIPES

Sanitizer and wipes were very hot products in 2020! We had allocations placed on us by most of our suppliers that were not sufficient to meet the needs of our customer base and again, had to seek our alternatives. Demand has gone down for GVH present day, versus the start of the pandemic, but remains high.

GVH currently is currently in a good position with multiple brands of wipes, and sanitizer. Whatever your need may be, make sure to reach out to your sales representative, and GVH will make sure you are taken care of. GVH expects our position on wipes and sanitizer to remain strong for 2021.

POLYPROPYLENE AND PET

GVH is continuing to receive communication from suppliers on PP and PET shortages. It has even got to the point where we haven't been quoted when offering new business to a supplier, to fill in for another suppliers' shortages, because most vendors are having a hard time getting their hands on enough raw material right now to meet demand.

PRICING

Price increases continue to inundate our inboxes. We have not seen price increases like this ever as some Vendors announcing up to 26% at once. Many factors are contributing to the increases with Raw Materials being one. There has been a shift in product mix as many Consumers are purchasing more "to go" and tamper evident containers at grocery stores and restaurants. Also, grocery sales have increased therefore the need for front-end bags and in-store packaging have increased. With this shift the demand has increased while supply has dwindled resulting in Raw Material shortages and skyrocketing prices. Labor shortages, wage increases, insurance, plant closures due to COVID-19 and other manufacturing costs have impacted pricing.

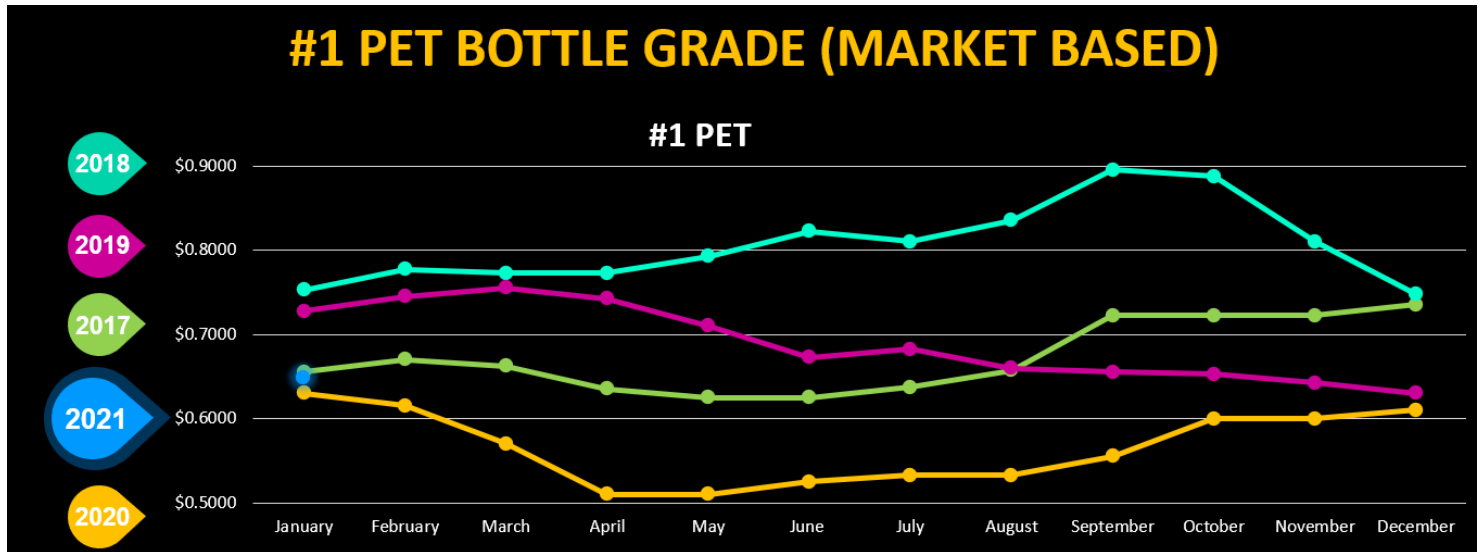
Additionally, Domestic, and International freight, shipping container constraints and port congestion have also been a cause of increased pricing. We expect to continue to receive price increase notifications until the circumstances above calm down.

MARKET TRENDS

GVH continues to cover pricing and market trends for all the substrates that affect the products we provide so you can be aware of what causes market changes. Please review the following substrate market trends to see what is affecting costs of goods and supply.

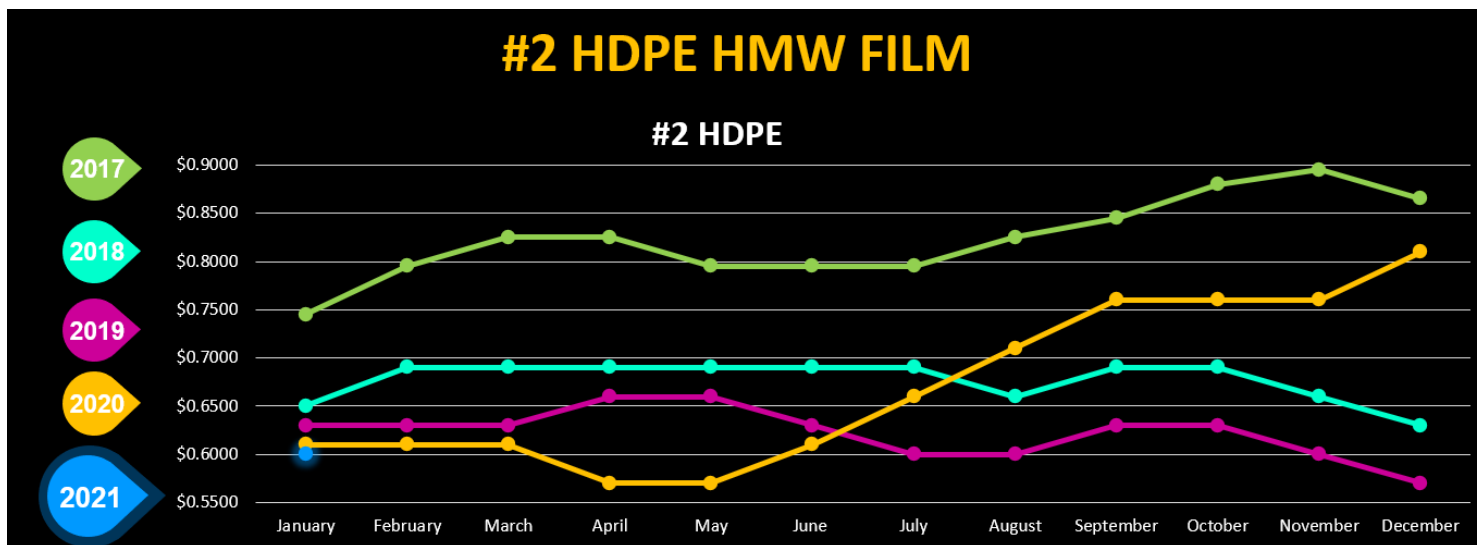
PET Market

- *Products:* clear take-home food containers & bottles.
- *Vendor examples:* Pactiv, Placon, Anchor Plastics, Inline, Fabrikal, Sabert, Dart, Fineline, D&W Finepak, Genpak, WNA, Berlin
- April 2020 to January 2021 PET raw material has increased 23%



HDPE Film –

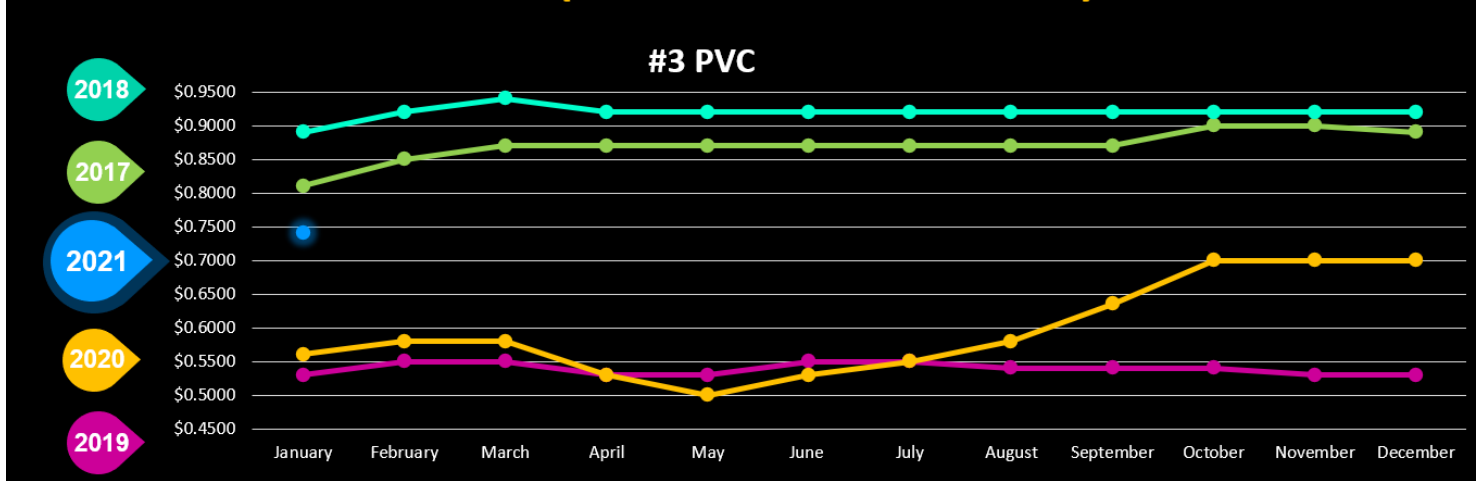
- *Products:* T-Sacks, Poly Bags, Can Liners, Produce bags
- *Vendor examples:* Hilex, Crown Poly, Elkay, Berry, Heritage
- April 2020 to January 2021 HDPE raw material has increased 51%
- CDI announced a Non-Market Adjustment (NMA) of \$.26 – According to www.chemicaldata.com - This is implemented when it is determined that the level of a price assessment has become insufficiently representative.
 - The NMA resets the benchmark, however, does not change the price



PVC –

- *Products:* Meat Film & Pallet Film
- *Vendor examples:* Berry Global, Anchor, Cavert
- April 2020 to January 2021 PVC raw material has increased 30%

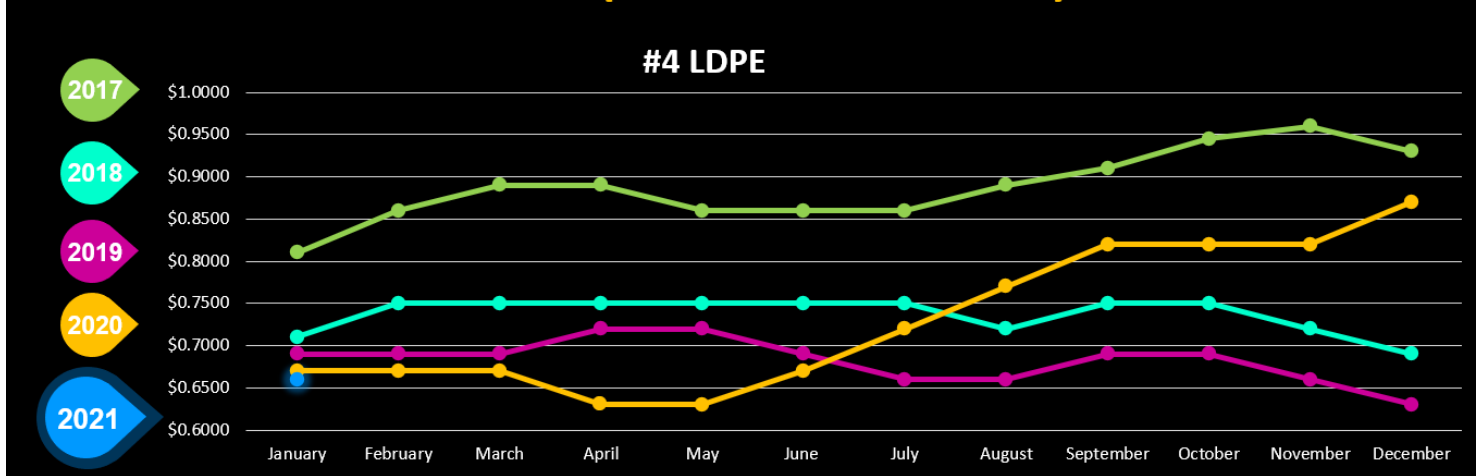
#3 PVC (SUBSPENSION GRADE)



LDPE –

- *Products:* T-Sacks, Poly Bags, Can Liners, Produce bags
- *Vendor examples:* Hilex, Crown Poly, Elkay, Berry, Heritage
- April 2020 to January 2021 LDPE raw material has increased 46%
- CDI announced a Non-Market Adjustment (NMA) of \$.26 – According to www.chemicaldata.com - This is implemented when it is determined that the level of a price assessment has become insufficiently representative.
 - The NMA resets the benchmark, however, does not change the price

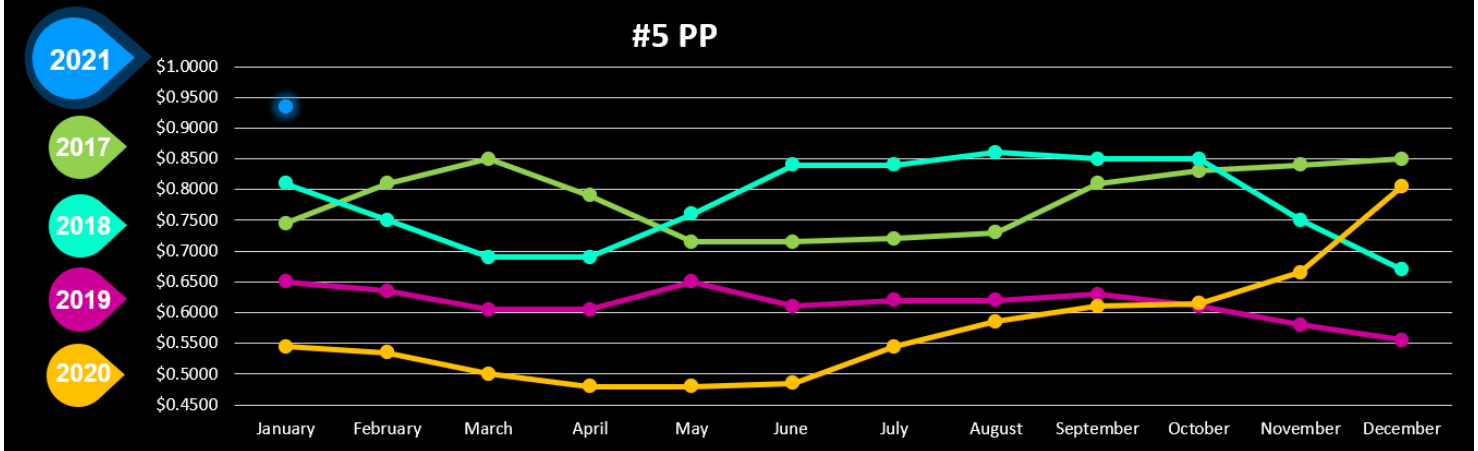
#4 LDPE (FILM LINER GRADE)



Polypropylene –

- *Products:* Take out, Reusable Containers, Deli Cups, Roasters & Rib Containers
- *Vendor examples:* Pactiv, Placon, Anchor Plastics, Genpak, Fabrikal, Sabert, Dart, Fineline, D&W Finepak, WNA, Berry Containers, Kari-Out, Innopak
- April 2020 to January 2021 PP raw material has increased 95%

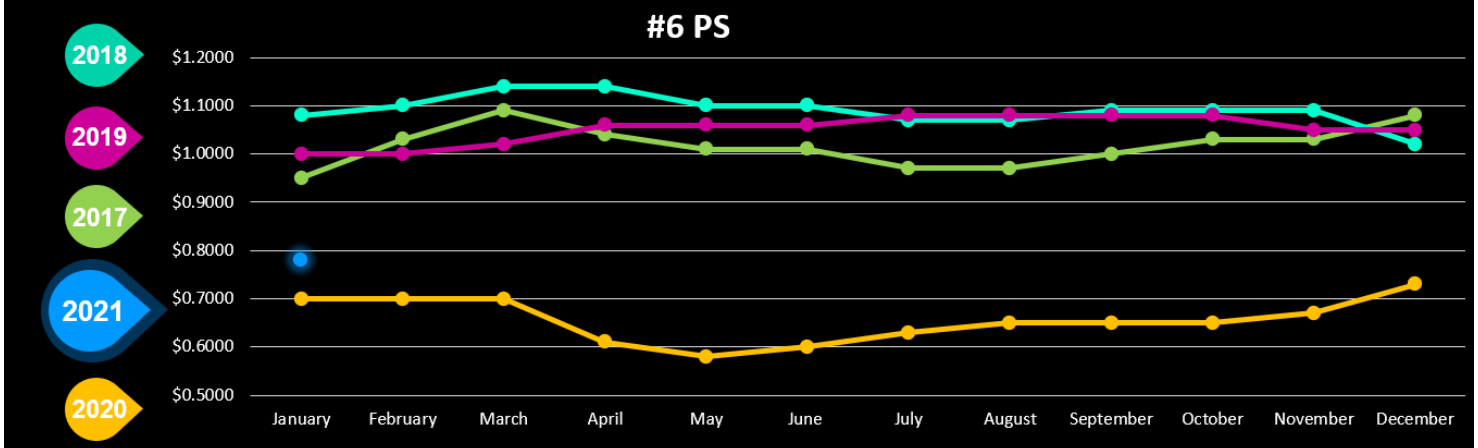
#5 POLYPROPYLENE (PP)



Polystyrene –

- *Products:* Foam Trays & Foam To-go Containers
- *Vendor examples:* CKF, Cryovac, Pactiv, Genpak, Dart, Fabrikal, Easypak, D&W Fine Pack, Wincup
- April 2020 to January 2021 PS raw material has increased 28%

#6 POLYSTYRENE (GPPS)



We hope you find this information useful for your business. As always, GVH is committed to working with our retailers and vendor partners so we may provide solutions during these challenging times. We appreciate your support and value our relationship, and please reach out to us with any questions!

Sincerely,

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