GVH Distribution

Family of Companies

November 17, 2020
RE: GVH October 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.

PRICING
The last several months we have seen a significant amount of price increases. The increases announced vary in range by Vendor and product. Vendors are stating the price increases are due to escalation in freight, labor, energy, and corrugate costs. We anticipate seeing price increases by every Vendor due to these causes.

SUPPLY CHAIN
GVH has issued and received part of our 2020 holiday orders for Q4. Our holiday orders were issued based on past holiday lists, and the items and forecasts each of our branches received from their customer base this year. We are expecting a very, rocky supply chain for holiday 2020, but are holding more inventory as a result, and have more product pending with our suppliers now. Remember, it is more difficult than ever to accommodate short lead time special orders, so communicate any needs as far in advance as possible this year! We will always do everything within our power to fulfill special requests, even under the current circumstances of packaging supply chain.

MEAT TRAYS
Genpak is no longer making meat trays for West Coast customers, which effects multiple GVH branches. GVH got in front of this as quickly as possible, and we have moved our capacity to Pactiv. We expect this to delay being able to purchase a full assortment of colors and sizes even further, and it could lead to price increases with Genpak exiting the market.

GLOVES
Supply continues to tighten on gloves, and prices are increasing. There is a large shortage of material needed to produce nitrile gloves, so end users are switching more and more over to other glove types. GVH is continuing to procure from multiple sources for gloves, and hold as much inventory as we can, in anticipation of a very busy Q4. To ensure continued glove supply, it is very important to remain open minded on both glove type, and glove size. Nitrile and latex have the most inflated pricing right now, and due to efficiency of overseas factories; more and more glove producers are not making small or medium gloves. Lead times remain around 90 days for gloves to be in house, at market price. At this point, we can confidently expect the current glove market to carry on through the rest of the year, and into 2021. Both Amercare and Safety Zone have announced another round of increases that will be effective in November and December.

T-SACKS AND FRONT-END PAPER BAGS
The exact forecasts on front end bags are going to be some of the hardest to predict this year, and supplier fill rates should reflect that. We expect larger increases in volume on both front-end bag types than we have had in previous years, but how much they will increase is TBD. How much of the demand, our current suppliers can meet, is also still TBD. To help with this problem, we have identified multiple, key secondary suppliers and have them on standby for when our needs arise for t sacks that can supplement our current volume. On paper bags, it is very difficult right now to secure additional domestic suppliers that can keep up with our needed volume on short notice, so, as reported on the last market update, we have imported paper bags expected to land in the near future to supplement our paper bag volumes. On sizes of bags smaller than 1/7th and 1/6th, continue to expect sporadic issues, but with supply coming into our branches domestically as we can get it.

The WA state bag ban is currently set to go into effect 1-1-2021, but per our sources there is a high probability that date will get extended multiple months. In the event the worst happens, and the ban is effective January 1st, GVH has plans we can enact to ensure we have paper bags to help hold us over, and importers we can utilize for the additional demand.

TO-GO AND TAKE-OUT CONTAINERS

The take-out category continues to thrive. With some areas closing again this category will remain a struggle as restaurants continue to do more take-out business than ever before. GVH continues to monitor and source product with any manufacturer who may have capacity. There is a national shortage on cardboard and fiber drink carriers. Vendors are quoting us ETA's into next year. GVH is using alternate sources to fulfill when we can but the alternate sources are starting to become affected as well.

FOIL PRODUCTS

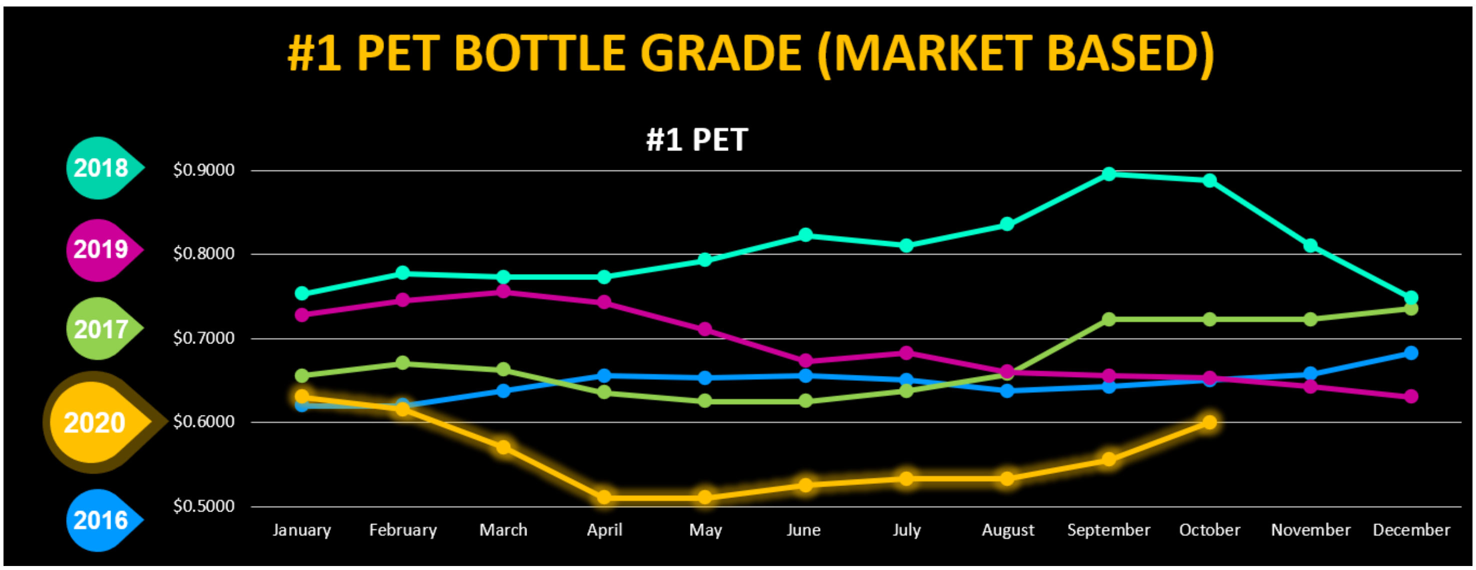
Foil shortages continue as we head into the holidays. GVH continues to monitor the shortage and purchase to seasonal forecasts that were communicated. The largest supplier of foil announced a price increase effective 12/1, so we anticipate the other manufacturers to follow suit.

MARKET TRENDS

GVH continues to cover market trends for the substrates that had the most change the previous month. Please review the following highlighted substrates.

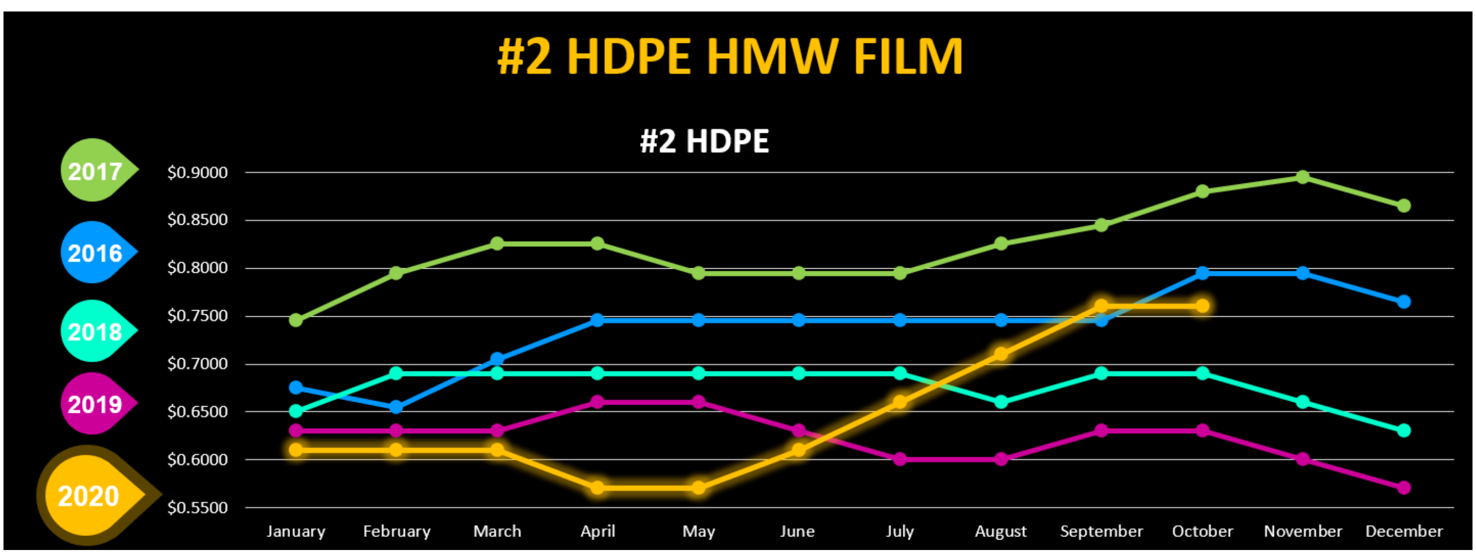
PET Market -

- *Products:* clear take-home food containers & bottles.
- *Vendor examples:* Anchor Plastics, Inline, Pactiv, & Placon.
- As expected, PET took an increase in September and October. We anticipate price increase announcements to start trickling in due to the resin increase.



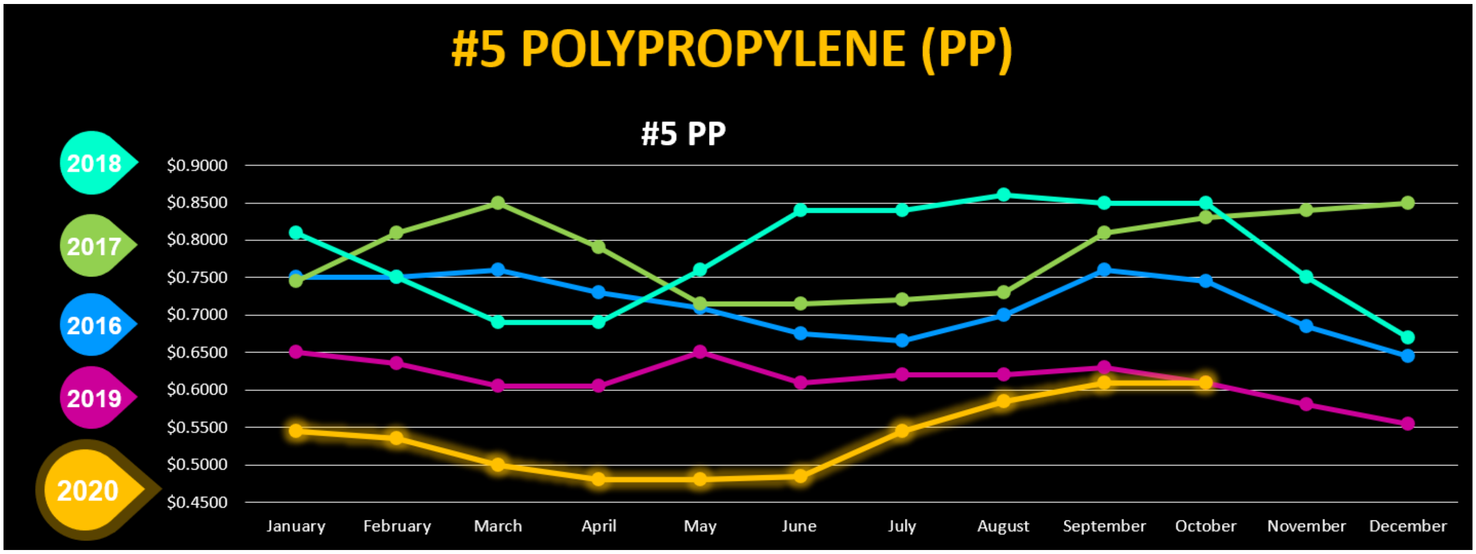
HDPE & LDPE Film –

- *Products:* T-Sacks, Poly Bags, Can Liners, Produce bags
- *Vendor examples:* Hilex, Crown Poly, Elkay, Berry & Heritage
- After months of significant increases, HDPE and LDPE price remained constant for October.



Polypropylene –

- *Products:* Take out, Reusable Containers, Deli Cups, Roasters & Rib Containers
- *Vendor examples:* Pactiv, Placon, Anchor Plastics
- Recent hurricane and tropical storm activity have caused serious disruptions in the supply chain for polypropylene resin. We expect to see continued price increases due to this disruption as well as capacity shortages until resin producers catch up on producing PP.



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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