



GVH Distribution

Family of Companies

July 13th, 2022

RE: GVH 2nd Quarter Market Update

Dear Retail Partners,

As 2022 hits its halfway mark, we have yet to see any relief in supply chain challenges that started 2 years ago. As we continue to navigate challenging times, we want to assure you that GVH continues to be proactive in ensuring our customers' supply needs are fulfilled.

SUPPLY CHAIN

There are still many struggles with supply chain, both domestically, and with imports. We are finding vendors are more consistently meeting quoted lead times, but the situation with carriers has deteriorated, and quoted lead times continue to increase unfortunately. The increase in quoted lead times, requires GVH to hold more inventory for our customer base, and more safety stock. On the import side, there have been some odd trends recently. The cost of containers has gone down slightly, but the lead time to get product imported from East Asia has increased. GVH is continuing to strengthen our ties domestically, overseas, and in Mexico and Canada to combat this.

ALUMINUM AND FOIL PRODUCTS

Aluminum continues to be in short supply and appears to be getting worse. The largest US smelter located in Kentucky announced it is temporarily halting production and laying off more than 600 workers, citing increased energy costs. The plant plans to shut down for 9-12 months starting in August. GVH is currently beginning our holiday order forecasting process, and this will be the first category we are addressing. The reality is, for aluminum and foil users there is not going to be enough product to go around. At IDDBA this year, there was a strong presence of bakeable paper vendors, as well as some other potential alternates to aluminum. Make sure to consider some other reasonable options for the aluminum products in your business. GVH is going to continue to purchase whatever we can, but backup plans for these item types are a great idea for the busy season coming up soon. Your GVH Account Manager will be reaching out to discuss these new options.

FOAM (POLYSTYRENE)

Meat tray availability and consistency varies by region. The West coast remains in a strong position on foam meat trays. Capacity is less tight for suppliers, and the West coast appears to have had more success keeping plants, and DCs staffed. The Midwest is touch and go, but better than the East and Southeast. In the Southeast, our suppliers have really struggled to keep us in stock consistently with meat trays. Each part of the supply chain presents challenges for them; labor, capacity, and then getting carriers to deliver on time. When needed, we have pulled backups from alternate suppliers, and even alternate plants with the same suppliers. GVH will continue to get creative to keep product in stock.

GLOVES

Since our last update when vinyl glove prices went up, they have remained steady. We are hearing that nitrile could go up in the near future, but thankfully we have not seen any increases yet. We did experience some shortages from our main glove supplier, but they were able to backfill with a higher quality item, at no increase in price to us. Similar to the last glove update, getting latex gloves is inconsistent.

SMALL PAPER PRODUCTS AND PAPERBOARD

Small paper products like bread bags, cookie bags, pan liners and deli sheets, along with anything made from paperboard including, but not limited to soup cups, hot cups, food trays, bakery and deli boxes continue to get worse as the year progresses. GVH has begun to pursue alternative suppliers outside of the US to supplement our supply on these product types, as well as securing capacity domestically wherever we can.

The outlook industry-wide on small paper and products made from paperboard are predicted to continue to decline for the rest of the year. Each of these types of products have also increased in lead times, especially for any type of custom printed product. Custom printed products continue to be constrained by suppliers in favor of providing a steady supply of stock product.

FILM

GVH continues to remain in a strong position with meat film, thanks to our strong supplier partnerships. We have experienced issues with lower cost, direct imported meat films coming in consistently, so we have been trying to steer away in favor of suppliers we trust most to keep us in stock all the time and have subs available if disaster strikes.

SCALE LABELS

Scale labels are still an area of concern. GVH continues to plan 12-week lead times to get product in. Even the 12 weeks can be a challenge as we are cutting PO's far in advance, and where we can, carrying much more inventory on scale labels.

T-SACKS AND PRODUCE BAGS

We have had mixed results since the last market update with t-sacks and produce bags. Overall, the situation has improved and two of our main suppliers have even reduced lead times a little bit, which is outstanding, however, we have one large supplier that have extended lead times on t-sacks and produce bags. As of right now, the outlook is improving for summer, however during hurricane season historically there have been supply disruptions. We think it is going to continue to be a fight for product in the short term, despite some of the decreased lead times.

CAN LINERS

Can liners are also facing extended lead times of 6 weeks or more. Our suppliers are helping us wherever they can, but it is difficult to get new product, or large forecast changes in place quicker than 6 weeks. If you are opening new stores, expecting an event or program that will require a significant increase in liner usage, or if you just need more can liners for your stores make sure you are in contact with your account manager so we can provide updated forecasts to our suppliers.

LEGISLATION

Pactiv provided a Government Relations Round-Up for June 2022. On June 30th, California became the fourth state to pass an extended producer responsibility (EPR) law for packaging. Please see the announcement at the end of this update for the in-depth article.

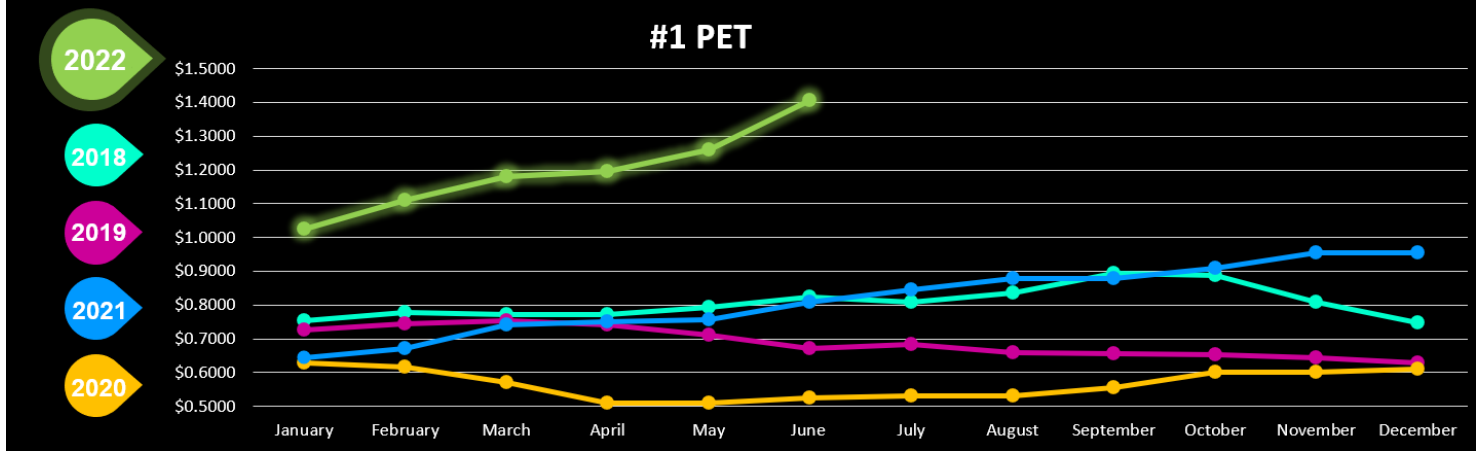
MARKET TRENDS

GVH continues to cover pricing and market trends for all the substrates that impact the products we provide so you can be aware of what causes market changes. The below resin pricing graphs is just one component of how a vendor calculates the cost of goods. Other factors include, but not limited to are supply and demand, availability of resin, freight, manufacturing and operating costs, labor, and surcharges. Please review the following substrate market trends to see what is affecting the costs of goods and supply.

PET MARKET

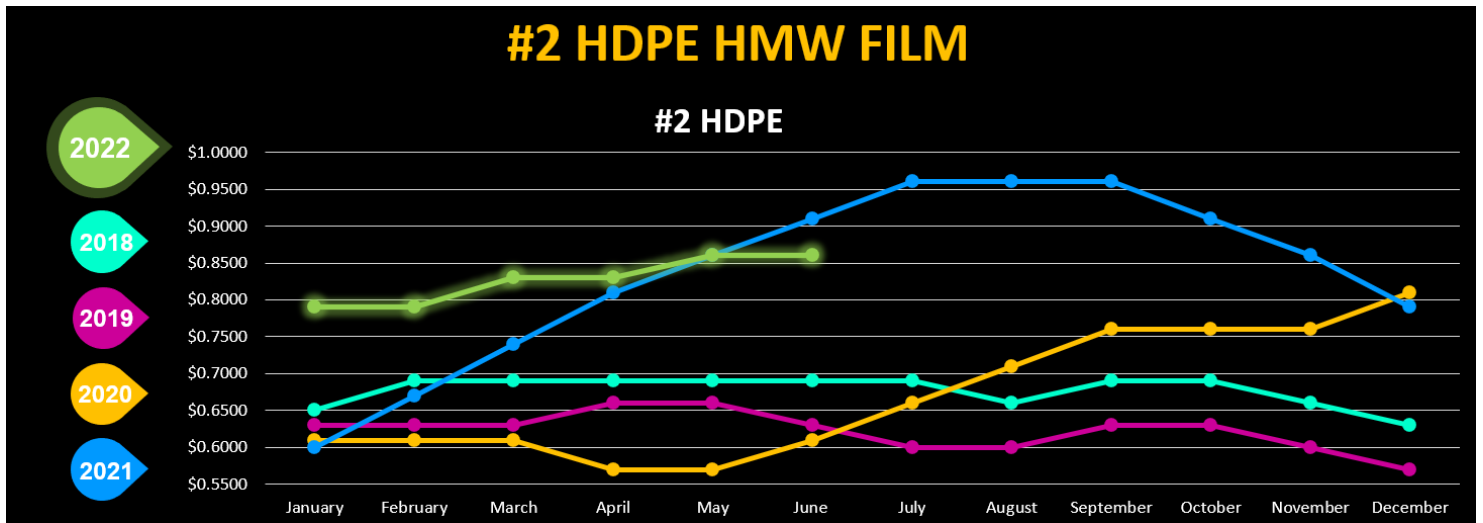
- Products: Clear Take-Home Food Containers & Bottles, Cups, Cater Trays
- Vendor examples: Pactiv, Placon, Anchor Plastics, Inline, Fabrikal, Sabert, Dart, Fineline, D&W Finepak, Genpak, WNA, Berlin, Karat Packaging
- June 2021 to June 2022 PET raw material has increased 74%

#1 PET BOTTLE GRADE (MARKET BASED)



HDPE FILM

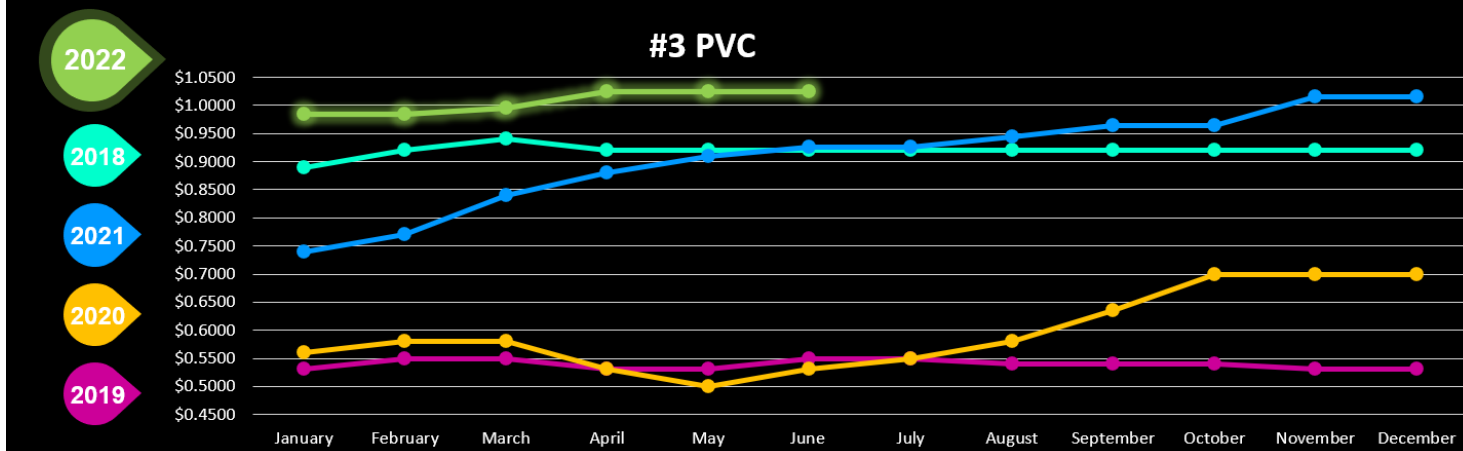
- Products: T-Sacks, Poly Bags, Can Liners, Produce Bags
- Vendor examples: Hilex, Crown Poly, Elkay, Berry, Heritage
- June 2021 to June 2022 HDPE raw material has decreased 5%. Note: other factors contribute to pricing.



PVC

- Products: Meat Film & Pallet Film
- Vendor examples: Berry Global, Anchor, Xtraplast, Red Rock
- June 2021 to June 2022 PVC raw material has increased 11%

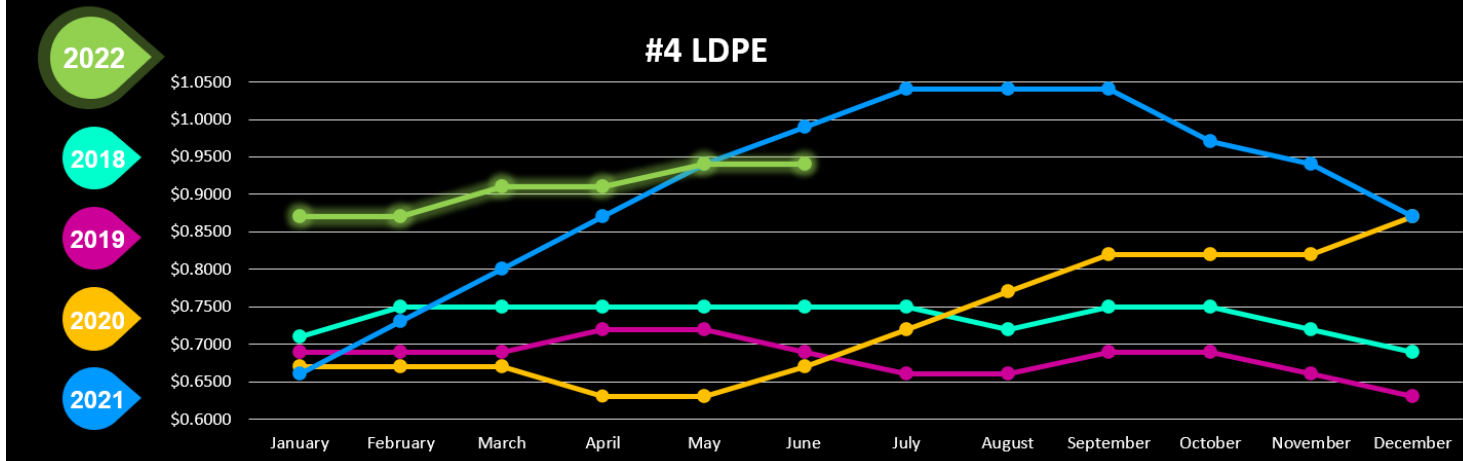
#3 PVC (SUBSPENSION GRADE)



LDPE

- Products: T-Sacks, Poly Bags, Can Liners, Produce Bags
- Vendor examples: Hilex, Crown Poly, Elkay, Berry, Heritage
- June 2021 to June 2022 LDPE raw material has decreased 5%. Note: other factors contribute to pricing.

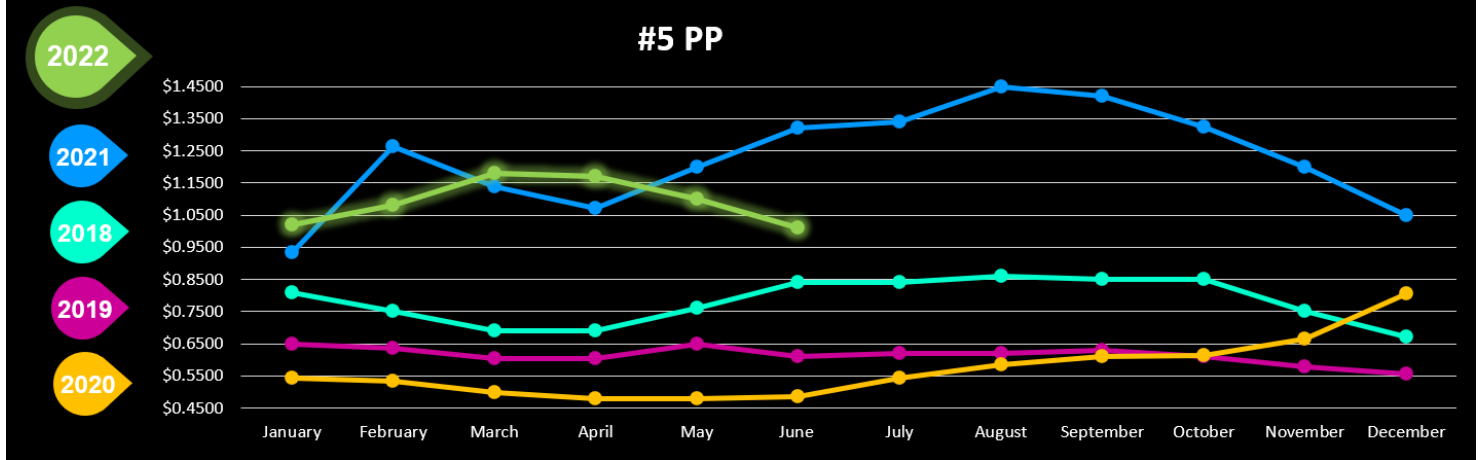
#4 LDPE (FILM LINER GRADE)



POLYPROPYLENE

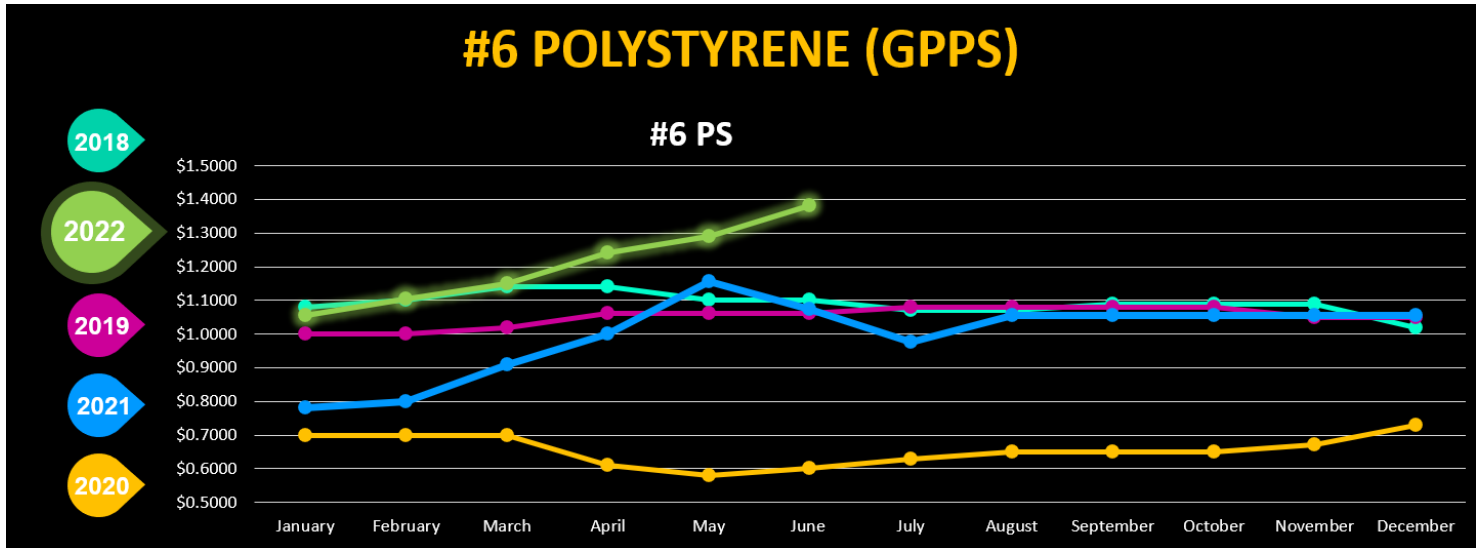
- Products: Take Out, Reusable Containers, Deli Cups, Roasters & Rib Containers, Cater Trays, Cutlery
- Vendor examples: Pactiv, Placon, Anchor Plastics, Genpak, Fabrikal, Sabert, Dart, Finline, D&W Finepak, WNA, Berry Containers, Kari-Out, Innopak, Amercare, Karat Packaging
- June 2021 to June 2022 PP raw material has decreased 23%. Note: other factors contribute to pricing.

#5 POLYPROPYLENE (PP)



POLYSTYRENE

- Products: Foam Trays & Foam To-go Containers, Cutlery
- Vendor examples: CKF, NPX One, Pactiv, Genpak, Dart, Fabrikal, Easypak, D&W Finepak, Wincup, Amercare
- June 2021 to June PS raw material has increased 28%



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. We appreciate your support and value our relationship, and please reach out to us with any questions!

Sincerely,

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Government Relations Round-Up: June 2022

Hello,

Below you'll find the updates from June. The links will bring you to the ordinances, regulations, and laws (when available) or websites with additional information. Details may be on the "[Product Restrictions](#)" page of the EarthChoice website. Attached is a product alternative matrix you can use when faced with a restriction in your territory. While this was developed for internal purposes, feel free to share the information with customers.

On June 30, California became the fourth state to pass an extended producer responsibility ("EPR") law for packaging. While the new law will mean fees on all packaging to help support the recycling and composting infrastructure in the state, it also mandates a 25% reduction by weight of single-use plastic packaging and foodservice products by 2032. Note that polycoated paper is considered a "plastic," so it, too, is subject to this mandatory reduction. A foam polystyrene ban is not included; however, PS foam recycling rate mandates are set at 65% by 2032 (with interim steps of 25% by 2025, 30% by 2028, and 50% by 2030), which could mean a defacto ban given the challenge with meeting those rates. More details to come as they become known.

CA – Carlsbad: Starting July 1, 2023, single-use plastic foodware is banned from use, and only reusable or compostable alternatives are allowed. Meat trays and egg cartons, along with retail sales, are not included in the ban.

CA – Rohnert Park: Beginning by no later than July 14, 2022, a ban on foodservice ware that contains foam polystyrene or PFAS. Meat trays and egg cartons are not included, but retail sales are. The ordinance also requires the use of recyclable or compostable foodservice ware. Note that PLA or PLA coated paper is not allowed, as it is not accepted by the composter.

CO (statewide): Starting January 1, 2024, a ban on food packaging products that contain PFAS will begin.

IL (statewide): Starting January 1, 2023, the state is restricted from purchasing any single-use plastic foodware for use at any state parks or natural areas and requires only compostable or recyclable foodware to be used. Starting January 1, 2023, preference can be given to bids for state agency and institution contracts if compostable or recyclable foodware products will be provided. Single-use plastic straws are not included. Starting January 1, 2024, or upon any new contract date thereafter, vendors are prohibited from providing single-use plastic foodware for consumer use at state parks and natural areas. Only compostable or recyclable foodware may be provided and used (however this restriction does not apply at the annual State Fair).

MA – Northampton: The city's ban on most plastic foodservice packaging has been delayed again until October 31, 2022. The ban impacts retail sales but does not impact meat trays or egg cartons. Alternatives include recyclable, BPI-certified compostable or reusable foodservice ware.

PA – Solebury: Ban on the use of rigid and foam polystyrene food and beverage containers (lids are not included) for use with prepared foods (i.e., meat trays, egg cartons and retail sales are not included in the ban) and plastic straws by no later than December 22, 2022.

WA – Bellingham: Starting July 31, 2022, ban on single-use plastic foodservice packaging. Note that plastic includes paper with a plastic coating or window. Meat trays and egg cartons, as well as retail sales, are included in the ban. Requires reusables for on-site dining. A few products are exempt until January 1, 2023, including catering trays; clear food wrap; containers for uniquely shaped foods, i.e., cupcakes; container or trays for hot meat items like ribs or chicken; and absorbent pads.

United States: The U.S. Secretary of the Interior issued an Order which will ban (in a phased manner) the sale of single-use plastic and polystyrene foam products (including food and beverage containers, bottles, straws, cups, and

cutlery) in national parks and public lands by 2032. It appears that bioplastic alternatives may be allowed. Changes to federal procurement processes (contracts, etc.) for these products will start in 2023.

Canada: As we reported last week, the Canadian Federal Government released final regulations banning certain single-use plastics. Regulations prohibit the manufacture, import and sale of single-use plastic checkout bags, cutlery, certain foodservice ware, ring carriers, stir sticks, and some straws. Below is a breakdown of the relevant regulations.

Foodservice ware

- Includes only clamshell containers, lidded containers, boxes, cups, plates, or bowls, i.e., cup lids are not believed to be included.
- Based on definitions, meat trays and PVC film are not included in the ban.
- Includes only specific materials: polystyrene foam, PVC, oxo-degradable plastics, or that contain the additive “carbon black”
- Any black plastic (such as OPS, HIPS, PP, Dual Color PP, PET, MFPP) will need to transition to a clear or white/light color to comply.
- Retail sales are included in the ban.

Straws and cutlery

Ban focus has been narrowed to PS or PE straws and cutlery, so other resins may be allowed BUT only if they can be washed 100 times in a residential dishwasher without changing physical properties. (We do not believe that our non-PS versions would withstand that many washes but will be reviewing internally.)

The bans will be implemented in a phased approach:

December 20, 2022: The ban on manufacturing in Canada and import into the country will come into effect.

December 20, 2023: The ban on sales in Canada will come into effect.

By December 20, 2025: The ban on exports from Canada will come into effect.

BC – Port Moody: Effective April 22, 2022, ban on single-use plastic straws, polystyrene foam service ware (does not include meat trays, egg cartons or retail sales), and stir sticks. Note that the ban on plastic straws and stir sticks includes compostable plastics.

BC – Revelstoke: Effective July 1, 2022, ban on single-use plastic (including compostable plastic) straws and polystyrene foam service ware. Does not ban foam PS meat trays, egg cartons or retail sales.