



The Pilgrim's Family of Foodservice Brands

From: Pilgrim's® Prepared Foods Business Unit  
Date: October 2021  
Subject: School Year 2021-22 Pricing Adjustments

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Dear Valued Customer,

Please note the following with regard to Gold Kist® Child Nutrition product portfolio. All adjustments, **as declared in supplementary pricing contracts, will be effective with orders shipping on or after November 8<sup>th</sup>, 2021.**

Additionally, be advised that all minimum order quantities provided on our national list price references will continue to apply (10,000 Lbs for customer pick up & delivery).

**Input Cost & Supply Implications**

- These adjustments are necessary to ensure quality supply given general raw material market escalation, overall input supply implications and the various cost factors explained below:
  - o Rising Grain Costs
    - Grain costs have risen on average almost 39% vs. 2019 through late Aug 2021.
    - Grains are responsible for a large share of our procurement costs.
  - o Labor Supply Reduction
    - Employment costs have increased steadily as indicated by the Employment Cost Index.
    - General short falls in labor availability to meet demand continue to impact production costs.
  - o Packaging & Ingredient Escalation
    - Described factors impact all aspects of inbound ingredient availability and cost.
    - Additionally, labor implications outlined impact portion raw material availability and supply.
  - o Freight Capacity
    - Continued reduction in driver availability and increased freight demand have impacted costs. Driver pay increases and bonuses have been announced consistently in 2021, but have not offset turnover trend.
  - o Fuel Costs
    - Diesel is up 37% since November 2020, \$2.44/gal to \$3.34/gal with advances in surcharged. Active US rig count up is down by 312 compared to January '20.
    - Earlier projections from the DOE that showed price stabilizing or falling have been incorrect thus far as prices have continued to steadily increase through the summer.

We appreciate your continued support of our mutual business. Please reach out to your primary Pilgrim's Gold Kist® Sales Account Manager, Designated Broker or Customer Service Representative with any outstanding questions or concerns.

Thank you,

**Paul Rossi**  
**Head of Foodservice Sales**  
[Paul.Rossi@Pilgrims.com](mailto:Paul.Rossi@Pilgrims.com)

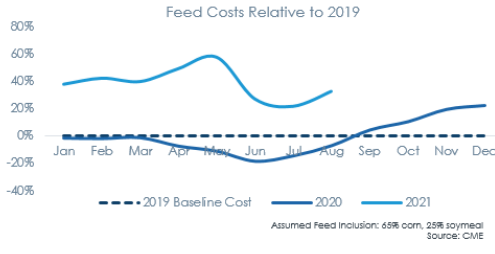
**Exhibit A – General Cost & Market Implications**

**October 2021**

# Costs of production are rising rapidly

**Rapidly Rising Grain Costs**

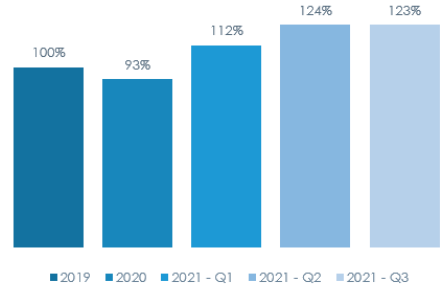
- Grain costs have risen on average almost 39% vs. 2019 through late Aug 2021.
- Grains are responsible for a large share of our procurement costs.



**Costs of Transportation Increasing**

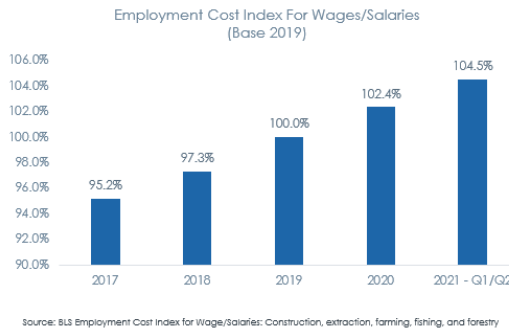
- Transportation costs have increased dramatically in 2021.
- 2019: 100%
- 2020: 93%
- 2021 Jan-Jul Average: 127%

**Cost Indexes Base 2019 Average**



**Cost of Employment Steadily Rising**

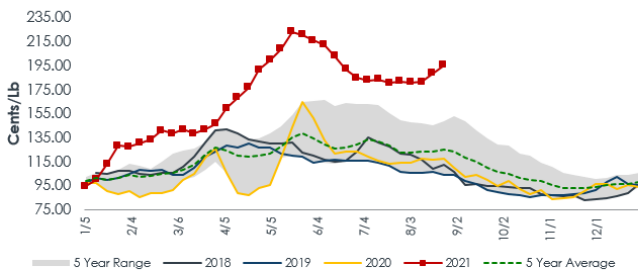
- Employment costs have increased steadily as indicated by the Employment Cost Index.
- 2017 Average: 95.2%
- 2018 Average: 97.3%
- 2019 Average: 100.0%
- 2020 Average: 102.4%
- 2021 H1: 104.5%



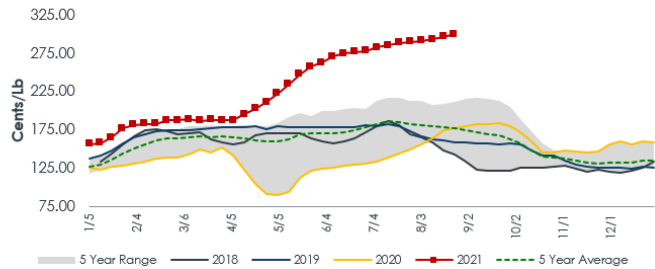
## Market Pricing

Source: USDA

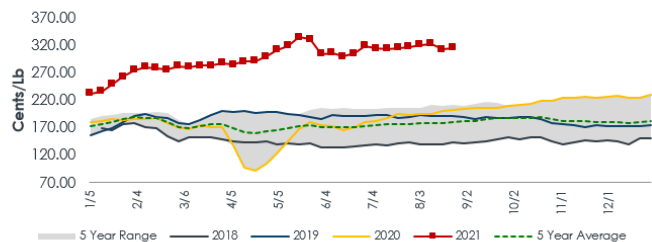
**USDA Boneless/Skinless Breast NE**



**USDA Tenders NE**



**USDA Whole Wings NE**



Chicken	Current	Year Ago	Change
USDA NE (\$/cwt)			
Chicken Breast B/S	\$ 195.36	\$ 110.12	77.4%
Tenders	\$ 299.54	\$ 179.48	66.9%
Whole Wings	\$ 316.09	\$ 205.44	53.9%

Note: reported pricing as of current complete week vs. same week year prior