



American International Foods, Inc.



AIFI Spring Newsletter

Where we strive to provide you with top-notch industry news and updates from around the Globe with a focus on how they affect you and your company.

Inflation & Rising Food Prices

Inflation in the United States is expected to grow in 2021, driven by enormous economic stimulus, pent-up demand due to coronavirus, and rising petroleum prices. As a result of this inflation, prices for food and food inputs are expected to rise as well. According to the Bureau of Labor Statistics, the price of food rose 3.6% in February 2021. It was the highest increase of all major categories on the Consumer Price Index (CPI). Pricing and availability of ingredients will continue to create challenges for food and beverage manufacturers throughout an ongoing pandemic. Much of the price volatility in the food & beverage industry can be attributed to 3 main factors.

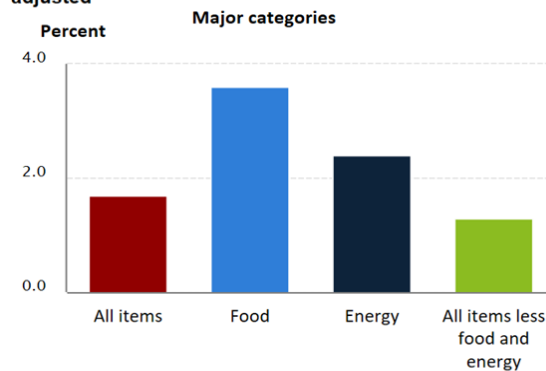
1. **Availability & Demand for Ingredients**
2. **Imports & Exports**
3. **Fuel & Transportation.**

Compounding these industry-wide factors with each ingredient's unique market factors will continue to create sourcing issues for many manufacturers.

Fuel & Logistics

It is known that there is a correlation between the cost of oil and inflation. As crude oil prices rise, so does inflation. Imported fuel prices rose 11.1% in February after a 9% increase in January. After crude oil prices plummeted in spring of 2020, the Organization of the Petroleum Exporting Countries (OPEC) made unprecedented cuts to its production.

12-month percentage change, Consumer Price Index, selected categories, February 2021, not seasonally adjusted



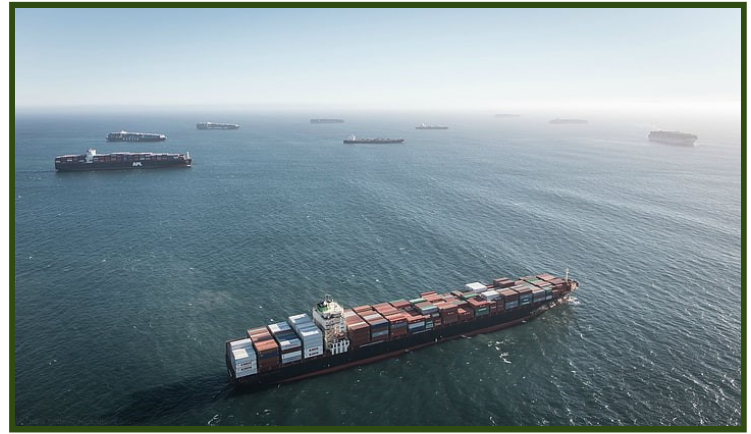
Source: U.S. Bureau of Labor Statistics.

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We are now feeling the effects of those production cuts as oil and fuel prices continue to climb. The rise in the price of fuel directly impacts the cost of transportation and freight as fuel is one of the main costs associated with such services. The impact of the increased cost of freight, however, is not limited to only food & beverage. This directly impacts costs and profitability for all manufacturer's that ship physical product. In addition to continually rising fuel prices that have directly increased trucking costs, a labor shortage of drivers continues to burden the industry, leading to rising freight costs across the board. Ocean freight has also seen large increases in price. Not only has the cost of fuel increased for ocean freight but other factors, such as the availability of containers, have had an impact on costs.

Imports & Exports

Imports and exports shipped on containers have experienced increased prices and lead times. The cost of shipping containers on the water has gone up, containers are taking longer to clear customs, and there is a global shortage of shipping containers. Covid restrictions have created many issues for the transportation industry. One of these issues has been an increased amount of time shipping containers spend at customs. Limited availability of labor due to the coronavirus has caused delays in loading and unloading cargo shipments and in turn, shipping ports are becoming congested. Adding to this congestion is the reopening of the world economies which are eager to return to pre-pandemic levels of trade. Some west coast ports are so congested that ships are waiting on the water for up to two weeks before entering port. The availability of shipping containers is also impacting global logistics. At the beginning of the pandemic, quarantine restrictions sparked a demand for goods from China. These containers were shipped to countries like the USA, Europe, and South America. However due to different restrictions being enforced by each country many of the containers that were imported were not sent back to China after they were unloaded, leading to empty containers being stuck at port after unloading.



This bottleneck in the normal flow of shipping containers has created a global shortage. The unexpected shortage has disrupted the global transportation supply chain and is causing increases in price and lead times across the board. The constraint on containers and elevated freight prices are expected to remain through the first half of 2021.

Price Volatility in Ingredient Markets

Varying market factors are responsible for the price increases associated with individual ingredients. Each ingredient has unique trading dynamics. On the manufacturing side, the price of staple commodities has been affected by increasing prices. Corn, soybeans, wheat prices have all risen. Recently, large exports of these commodities to China are responsible for fluctuations in the market. Most notably in corn and soybeans. Since the December 2020, corn futures on the Chicago Mercantile Exchange (CME) have risen 29% and soybeans 19%. Higher than expected export volumes of these staple commodities are driving prices up.

Vitamin C: Due to the pandemic, many consumers demanded products that increase immunity. This caused a tight market for ascorbic acid and we saw a rise in the price of vitamin C due to demand constraints. Supply issues also caused prices of Vitamin C to jump.

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Chinese manufacturers, which control around 70%-90% of the global Vitamin C market, were unable to complete shipments in their normal time window due to plant shutdowns and the container shortage currently facing the freight industry. Both of these factors created a multi-faceted issue in the ascorbic acid market. The price of Ascorbic acid has since come back down but the market is far from stable. Price volatility caused by production shutdowns, logistics, and varying quarantine restrictions is still a threat.

Oils: Vegetable oil prices have also been on the rise. One of the reasons for this rise is new technologies in green energy. Green energy, or renewable energy, is rising in popularity and gaining much attention from the U.S Government. Recent developments have allowed for vegetable oils to be used as inputs in the production of biodiesels. This has led to new players in the market with higher budgets than previous years. The increase in the number of users and how much those users are willing to spend has increased the price of vegetable oils significantly. February palm oil prices on the CME have seen a nearly 40% rise when compared to the previous year (February 2020-February 2021). This has also led to the rising price of palm oil alternatives such as soybean canola, and sunflower oils. According to the Producer Price Index (PPI) fats and oils were up 17.4% in February 2021 over the same period in the previous year.

Many factors in the marketplace are causing price increases. Managing price volatility in changing markets should be one of manufacturers' top priorities in protecting their bottom line. Manufacturers looking for reliable sourcing solutions can count on American International Foods, Inc. to be a trusted supply chain partner. American International foods, inc. prides itself on creating value-driven customized buying programs that help our customers ensure continuity of supply and mitigate the risk of price volatility. We are able to create unique buying strategies on food ingredients that help protect our customers from price volatility thereby protecting our customers profits. Sourcing through AIFI

also ensures superior document control, competitive pricing, and just-in-time delivery of your orders .



American International Foods, Inc.

How AIFI Can Help You:

Superior Document Control

American International Foods exercises rigorous document control over all of their ingredients to ensure superior quality and purity. Our regular facility inspections and vetting of every process minimizes any chance of contamination. AIFI goes the extra mile to guarantee we are the most reliable link in your supply chain.

Experienced Supply Chain Management

American International Food's staff of dedicated professionals saves their customers both time and money by maximizing their supply chain efficiencies. We offer over 2,500 ingredients, and also have the ability to bundle multiple ingredients on the same order. That means fewer phone calls to make, fewer PO's to write, fewer shipments to track, and more time to tackle your other objectives.

Powerful Solutions

American International Foods takes pride in making the process of finding and ordering ingredients less stressful for our customers. With consistent communication, a motivated team, and reliable delivery operations, AIFI creates an easy solution for all of your ingredient needs. Give us a call today to see how we can show you the same benefits we are currently showing our customers. 866.944.2434

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