UNFI
BETTER FOOD. BETTER FUTURE.

May 16, 2025

To Our Valued Customers,

In this month's supply update, we will provide the latest service level insights and supplier guidance on future product availability, to ensure you are prepared for the season ahead.

Egg Category Insights:
Natural/Organic inbound egg category fulfillment improved 13.52% this month vs prior month, while Conventional white egg fulfillment improved 7.34% month over month. Natural/Organic egg suppliers are working diligently to expand their infrastructure and capacity to improve production throughput. Most egg suppliers are communicating strong recovery by mid-year and full recovery by end of year as the premium egg category continues to see extremely high demand year over year.

Dairy Category Insights:
The Organic Dairy category is seeing strong growth year over year, and in the last month we do see a slight dip in supplier fill rates of 1.18% vs the prior weeks. The limited Organic Milk supply is having heavy impacts on the overall dairy category including yogurt, cheese, cottage cheese, whiteners, and butter. Grassfed Milk is experiencing even greater constraints. Pasture conditions are improving with the spring flush but the current organic farms simply can't keep pace with the sustained elevated demand. Suppliers are working to increase their organic farm network, but this will take time to develop. Recovery will continue to improve into 2026.

We partnered with Chocolove this month to deliver a deep dive into the Chocolate Category.

Chocolate Insights 101:
Processing cocoa starts in tropical regions about 20 degrees north and south of the equator where Cocoa trees grow, in hot and humid regions of West Africa, Latin America and East Asia. Cocoa trees produce 20-30 pods a year, each containing about 20 to 50 almond sized cocoa seeds. Cocoa trees are intolerant to little rain, too much wind, or too much sun. They are suscpetible to pests and blight. These trees can live up to 100 years but are only productive about 25-30 years.

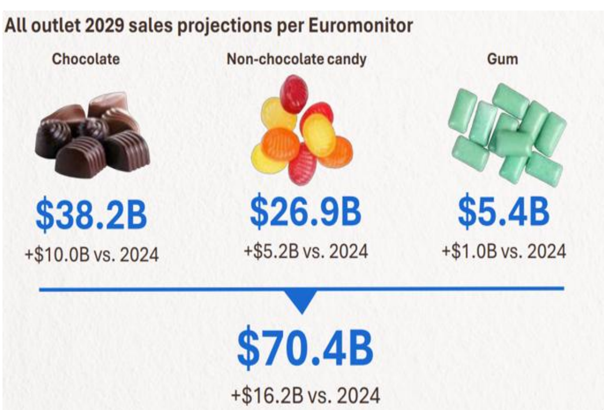
From Bean to Bar:
It takes about 400 to 600 beans to produce 2 pounds of chocolate. Harvesting takes almost 6 months to complete; from there the beans are fermented and dried which takes up to 2 weeks. As the beans dry, the process eliminates the bitterness and develops the aromatic compounds changing it from a seed to a bean. Then the bean is cleaned, sorted, weighed and packed to deliver to the chocolate makers around the world. Chocolatiers then roast the beans for up to 1 hour to develop the rich flavors and

aromas. Next, they will grind the beans into a paste called cocoa liquor or cocoa butter. The cocoa is then formed or added to recipes prior to production.

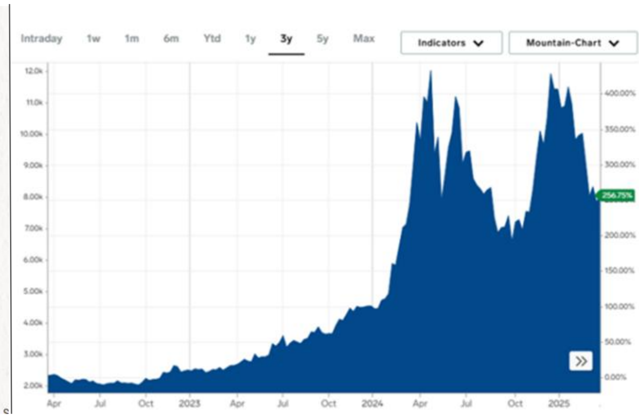
Supply Constraints:
Rising temperatures, weather challenges, disease, and labor shortages have resulted in crop failures having a destabilizing effect on the quantity and quality of the beans, limiting supply. Cocoa prices have been stable for the last decade but in Q3 2023 cocoa costs skyrocketed up nearly 300%.

Long term Industry Insight:
Farmers are turning to diverse, nature-friendly agricultural practices, such as planting taller trees between the cocoa plants to create shade, protect from wind and promote healthy fertile soils that retains moisture. While this isn't foolproof and will take time to implement it is hopefully a bridge to increase yield and control pricing.
Chocolate is projected to lead Confections Growth with a compounding annual growth rate (CAGR) of +6.4% over the next 5 years driven by a shift to premium with growth estimated to be +36% by year 5.

Chocolate projected to lead Confection



Chocolate pricing over the last 18 months



Price will become more important as inflation prevails, which will affect purchasing decisions.

Premium chocolate is resilient against higher prices (2.1% increase in unit sales vs year ago), attracting a less price-sensitive consumer, driven by quality over quantity.

Conventional chocolate is declining (unit sales down 3.9% vs year ago) partially driven by higher prices but also the ongoing multi-year shift to the premium chocolate category. Consumers are seeking better for you chocolate options.

Dark chocolate has a strong health halo, absent of artificial ingredients, organic, sugar free also resonates as better for you.

Tariff Update:

Over the last few days, the U.S. and China have agreed to de-escalate tariff measures. The U.S. lowered the import tax on China from 145% to 30% for the next 90-days (until mid- August) while negotiations continue. The reciprocal tariff rollout was paused last month until early July to allow room for dialog. There is a general baseline tariff of 10% on most foreign imported goods with some exemptions (Mexico and Canada being a few).

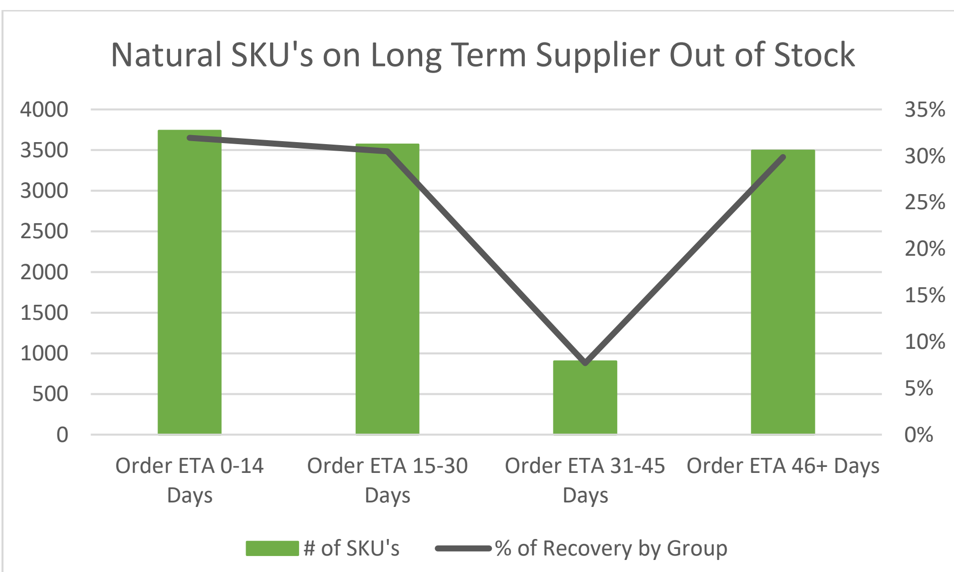
While we have seen an upturn of price increases submitted, as a precautionary measure, suppliers have been proactively working on contingency plans to mitigate tariff impacts. Many suppliers built up reserve inventory to hold costs stable as long as possible. Some suppliers are alternate sourcing their raw materials or moving their production capacity to an alternate country; many are expediting their products and preparing for nimble logistic moves should port conditions deteriorate. Suppliers have communicated that as the tariff policies change over the next few months so too will their response. Should negotiations yield a reduction or elimination of a tariff, suppliers may reverse prior cost increases.

A strong majority of the suppliers plan to maintain their promotional plans through the end of the year.

We will continue to survey their feedback to share with you as we move through this period of instability.

Long Term Out of Stock (LTOOS) Flagged Items:

- 62% of products assigned supplier LTOOS have order ETA dates within the next 30 days
- 38% of products assigned supplier LTOOS have order ETA dates greater than 30 days



Top 30 Categories Fill Rate Impacts:

0 - 74.9%	75 - 79.9%	80 - 84.9%	85 - 89.9%
DAIRY | EGGS	GROCERY | CONVENIENT BREAKFAST	GROCERY | PASTA SAUCE	GROCERY | DRY BAKING
DAIRY | COTTAGE CHEESE/SOUR CREAM	DAIRY | YOGURT	GROCERY | CONFECTIONS IN AISLE MULTISERVE	GROCERY | CONDIMENTS
DAIRY | CHEESE - on allocation	GROCERY | COFFEE	GROCERY | ALTERNATIVE SALTY SNACKS	GROCERY | SINGLE-SERVE BARS AND SNACKS
DAIRY | MILK- on allocation	PERSONAL CARE | OUTDOOR: SUN AND BUG	GROCERY | SUGAR AND SWEET BAKING	GROCERY | BOTTLED WATER
DAIRY | REFRIG. JUICE DRINKS - on allocation	SUPPLEMENTS | DIET AND PERFORMANCE	PERSONAL CARE | BATH AND SHOWER	GROCERY | PEANUT BUTTER AND PRESERVES
FROZEN | FROZEN BREAKFAST FOODS	SUPPLEMENTS | VITAMINS: MULTI	PERSONAL CARE | FIRST AID AND HEALING	PERSONAL CARE | AROMATHERAPY
PERSONAL CARE | COSMETICS AND NAIL		SUPPLEMENTS | ESSENTIAL FATTY ACIDS (EFAS)	PERSONAL CARE | FEMININE CARE
SUPPLEMENTS | CHILDRENS AND BABY HEALTH			PERSONAL CARE | SOAP: LIQUID AND BAR
SUPPLEMENTS | DIGESTIVE HEALTH & CLEANSING			

The Top Natural Supplier Fill Rate Impacts: (Dairy omitted)

Brand	Root Cause	Recovery
BRAD'S PLANT BASED	Acquisition delays. Some Keto items vendor disco'd, without proper notice, product was cut from open orders	Early June
BUILT BAR	Unprecedented demand exceeding supply	Early June
CHOMPS	New Jalapeno sku's on LTOOS until 6/1, Recall on 2 sku's, Intermittent delays on Original Beef and Original Turkey for the next 4-6 weeks	End of June
CUCINA ANTICA	Brands acquired by Silver Palate. New product in route for U.S.	Partial - end May, full - July
ENJOY LIFE	Pack changed items complete, in stock, large increase in demand on old code needs to move to new code	Mid May
EVOLVED	Unexpected delays in raw materials deliveries from suppliers due to cacao crisis/pricing increases. Ownership transition	End of July
FLORA	Challenges shipping extremely small orders driven by out of stocks, exploring alternate ship modes	Mid June
HARMLESS HARVEST	Drought in Thailand caused under produced coconut crops	Ongoing
HU	Short term production delays on bars, now recovered. Allocating Gems and Hunks until July due to increased consumer demand vs. availability	Gems/Hunks - Early to Mid July
KOS	Production delays due to raw ingredient delays	End of May
MARY RUTH'S	Production delays. Several items on LTOOS	Mid July
NATURE'S BAKERY	Production constraints, on allocation	Partial - now, Full -July
SIETE	Delay in their grain-free manufacturing expansion plan	Late April/Early May
SOURSE	Manufacturing partner halted production causing prolonged out of stocks. Mood bites - saffron extract ingredient issues	Mid May - Mid June
TOM'S OF MAINE	Supplier is facing temporary production issues on items.	Mid June - Mid August

- 60% of the top 25 impacted suppliers have fill rates below 85%.
- Supplier fill rates improved 1.9% in the last four weeks.
- The top 10 suppliers drove 56% of the total fill rate impacts.

Recovery Guidance for the most challenged categories to service level:

Natural

May 2025

- New Age Beverage
- Vitamins: Letter Vitamins/Minerals/Aminos
- Ice Cream
- Condiments
- Soup
- Cookies
- Coffee
- Peanut Butter and Preserves
- Bottled Water
- Refrigerated Juices Drinks

June 2025

- Functional Foods: Nutritional Enhancers
- Refrigerated Essential Fatty Acids and Probiotics
- Frozen Breakfast Foods
- Pasta Sauce
- Salty Snacks
- Nutritional Convenience: Single-Serve Bars and Snacks
- Crackers

July 2025

- Eggs
- Convenient Breakfast
- Protein and Meal replacement powders
- Confections in Aisle
- Alternative Salty Snacks
- Yogurt
- Dry Baking
- Milk

August 2025+

- Cottage Cheese/Sour Cream(August)
- Oral Care (August)
- Sugar and Sweet Baking (August)
- Salt and Spice's (TBD)

Please visit: myUNFI portal, Lists and Publications, Publications, Service Level Update to find Category Insights, Supplier Impacts, and Replacement brand options, where available, along with other helpful tools to support on shelf improvements.

Thank you for your business and trust in UNFI. We're committed to keeping you informed on industry and supply chain fluctuations that matter most to your consumers' needs, as market conditions evolve.

Sincerely,

John Raiche
EVP Supplier Services