



ZENITH SPECIALTY BAG IS NOW PART OF



May 14, 2021

Dear Valued Customer,

Zenith Specialty Bag (A Novolex Company), effective with Purchase Orders received on or after **June 28, 2021**, will implement a **9% price increase** on all products. A detailed price list reflecting this increase will be sent to you within 5-7 business days.

All orders placed prior to the price increase must be in line with historical 4-week usage and must be for standard lead-time shipments as of the day the order is placed. Otherwise, we reserve the right to not accept the order at the pre-increase price.

We continue to face dramatic cost increases in every facet of our business. **Pulp** (a key input for paper) has seen upwards of 35% increases in cost from January to April. In May we will see another spike in pulp prices that will be reflected in the NBSK (Northern Bleached Softwood Kraft index). Pulp prices are at an all-time high. Lumber supply is highly constrained and driving up the cost not only of paper but also corrugate and wood pallets.

Aluminum, another key material used in some packaging formats (foil/paper laminations) is at its highest cost in 10 years. Since the beginning of 2020, Aluminum has risen greater than 40% and in the last 3 months alone it has risen over 15%. This is driven by a high demand for this metal in beverage cans, window frames, vehicles etc. The price of aluminum is further compounded by recent tariffs implemented by the US Government on five additional countries and by the imminent tariffs on foil produced in China by the European Union. The alternative uses of aluminum in markets that have lucrative margins for aluminum producers, and a shrinking pool of exporters who are not tariffed, has driven up prices of rolled foil used in packaging.

The **mid-February freeze** that shut down the Texas & Louisiana gulf coast created significant supply shortages in raw materials needed for **adhesives and inks** resulting in double digit increases in the cost of these materials. Global shortages and discontinuations of certain pigments has also contributed to cost increases of 15-20% on solvent based inks and 8-13% on water-based inks.

One the largest challenge companies like us are facing today is in the **labor** market – we have implemented significant wage increases and continue to adjust wages to attract & retain talent.

The **freight markets** are so supply constrained (equipment and drivers) that spot market and contract rates are up 40% and 25% year-over-year, and about 10% above just a few months ago.

We value your business, and as always, appreciate your support. Your local sales representative will contact you to answer any questions you may have with this announcement.

Best Regards,

Sachin Shah
SVP, Pricing and Commercial Strategy

cc: Chuck Hathaway, VP, Sales