



September 29th, 2023

Dear Valued Customer,

We would like to thank you for your continued business and support. Please be advised that beginning January 1, 2024 new pricing will be in effect for all products sold by Redpath Sugar Ltd. There are many factors playing a role in the final price of sugar:

1. **Market Effects of #11 Sugar:** Redpath purchases raw sugar on the global market, traded off the #11 NY Sugar Value in US dollars. The global sugar market continues to see historically high prices fueled by supply meeting increasing demand. The higher Canadian Foreign Exchange rate also drives up the cost to import raw sugar.
2. **Ocean Freight:** While container rates have decreased from recent highs, HS3 ocean vessels for hire continue to see sustained high rates, while there has been increased usage of the Laker vessels required to bring into Toronto.
3. **Packaging:** Packaging materials were stable in many areas with some small increases across the board.
4. **Refining costs:** Labour costs continue to be a source of increase, rising higher the CPI to maintain the necessary workforce. Enhanced preventative maintenance has been increased to ensure high levels of attainment during peak periods.
5. **Non-GMO:** Brazil is the largest supplier of our raw sugar requirements. As of 2022, plantations in Brazil are moving to Genetically Modified Cane as they are looking at increasing yields and making crops more tolerant. To ensure Canadian consumers get what they want, the cane breeding program and growing system, and the factory extraction process does not involve any process of genetic engineering or genetic modification through modern biotechnology; and all sugar produced at Redpath is obtained from cane varieties developed by the traditional plant breeding method of hybridization and selection.
6. **Carbon tax:** There is also the continued impact of the carbon tax. Redpath pays a fixed rate per tonne of carbon emitted above our target. Our target is reduced every year while the carbon cost increases every year. Going from \$40/tonne of carbon emitted for 2022, and then increasing by \$15/year after that (\$170/tonne by 2030). It is a significant cost, which is set to increase every year.
7. **Domestic Freight:** Domestic freight continues to see inflationary pressures. Driver supply remains a concern and we are seeing lane rate increases coming in slightly higher than the CPI average. This is combined with fuel cost volatility factored into domestic freight contract to again show significant increases the further the product must travel.

We appreciate your understanding and look forward to continuing to serve you with the quality product you have come to expect. Please contact your Account Manager to further discuss these cost drivers and the price implications.

Sincerely,

Alex Brooks
Account Manager