



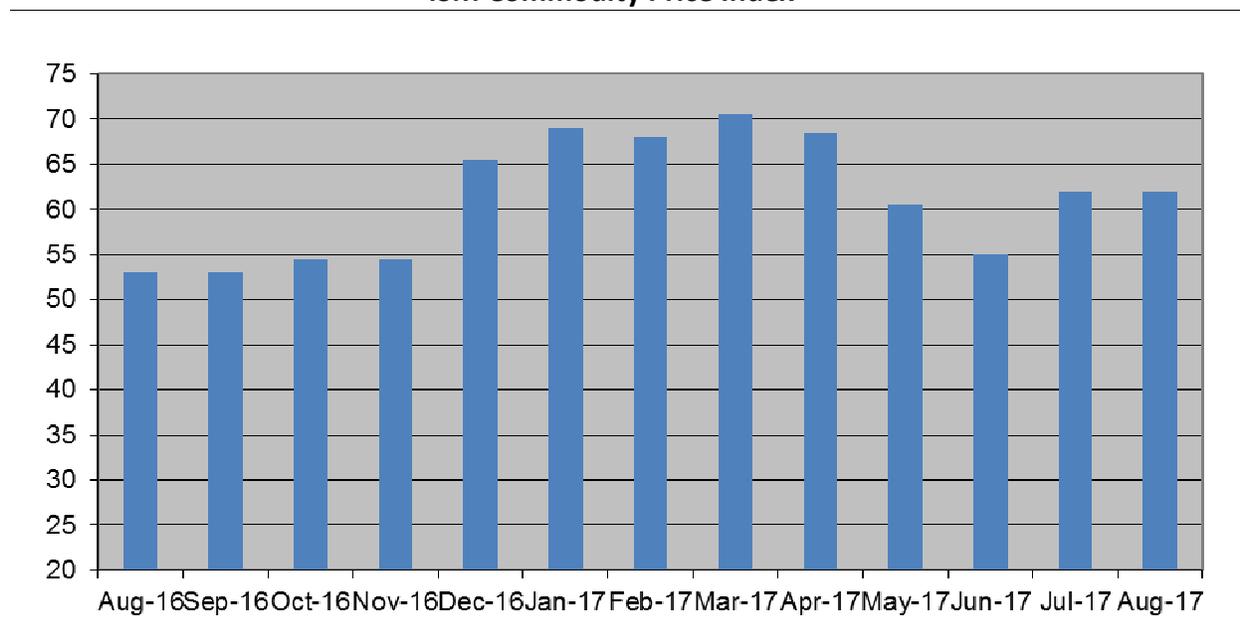
United Sourcing Alliance actively monitors market pricing as a service to our clients and to ensure our supplier partners remain competitive with market fluctuations. Below you'll find our latest update on key commodities and currencies. Please contact Gene Smith at gsmith@usa-llc.com or 828-485-5212 if we can assist you further.

Commodities Update September 15, 2017

ISM Report on Business – The manufacturing sector expanded in August for the 12th consecutive month as the Purchasing Managers Index (PMI) for August 2017 came in with a reading of 58.8%. A reading below 50% generally indicates the manufacturing economy is generally contracting. Of the individual indexes both New Orders and Employment were up with readings 60.3 and 59.9 respectively. Of the 18 industries that participate in the monthly survey 14 reported growth.

The ISM Price Index comes in at 62.0% in August, indicating an increase in raw materials for the 18th consecutive month. Of those participating in the ISM report: 30% **reported paying higher prices**, 64% reported paying the same, and only 6% reported paying lower prices. Reported to be up in price are: Corrugated Boxes, Food Ingredients, Hot Rolled Steel Products, Electric Components, Lumber, and Aluminum. Reported down in price for the month of August: Benzene.

ISM Commodity Price Index



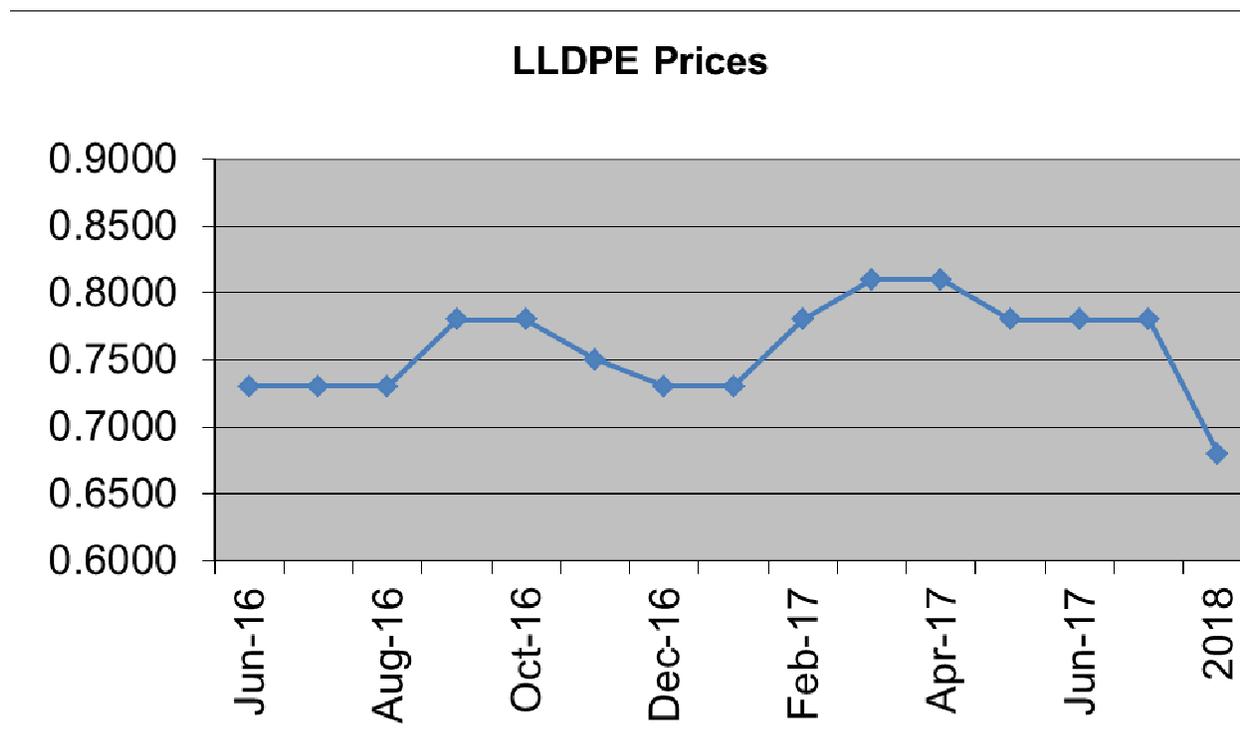
Reported on the first business day following the close of the month, the ISM reports are the first look at economic activity for the prior month and are closely watched by policy makers and economists. You'll find a link to each monthly report on our website at www.usa-llc.com.

MARKET UPDATES

Polyethylene – Ethylene markets have continued to be fairly balanced and a better than forecast demand has allowed manufacturers to hold pricing steady throughout the 3rd quarter despite a previous forecast of a slight reduction. There was an expectation of price reductions in the 4th quarter and then comes Harvey.

First, let me say that our thoughts are with the people impacted by Harvey and the damage it caused, much of which is still to be determined. Just last week we have received multiple letters from manufacturers announcing increases of 4% to 6%. It is being reported that some 50% of the US Polyethylene production has been disrupted and that 65% of the US Polypropylene production has been impacted. The petrochemical industry continues to gather information to more accurately determine the extent of the damage but suffice it to say it is significant. Logistical and supply chain bottlenecks are expected to be a longer term issue not to mention the restarting of major facilities. In addition, to price increases there is also concern around adequate source of supply so many manufacturers are keeping a close eye on customers ordering patterns in an attempt to keep folks from stocking up and creating a shortage situation.

Looking ahead into 2018, the news is much brighter as 6 new resin units come on line. Over the next 6 months an anticipated 770 million pounds of new LDPE resin and 3.45 billion pounds of new LLDPE resin capacity projects into the market place. With this new capacity the current tightness will go away and we should see reductions late in the 4th quarter and into much of 2018. Current forecasts have pricing down as much as 10 cents per pound as we move into the 2nd and 3rd quarters of 2018. Keep in mind that these projections are volatile and can be impacted quickly by a variety of factors.



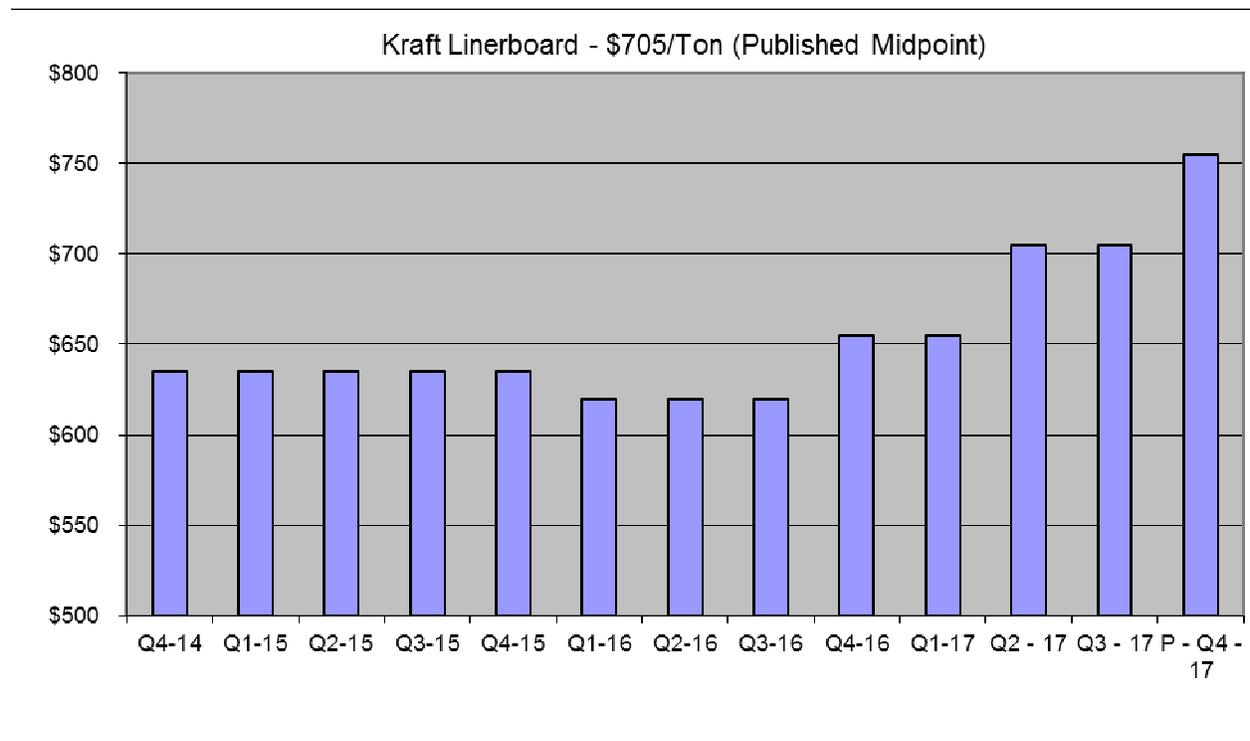
Charts are also available for LDPE and HDPE. Contact Gene Smith if you would like those.

Corrugated Containers – Unfortunately the two price increases we have experienced over the past nine months may not be over. There is some discussion that the two increases in a 6 month window from Q4 – 2016 thru Q2 – 2017 may be followed by a Q4 – 2017 increase. Just this week (wk of 9/11/17) manufacturers’ Georgia Pacific and Kapstone have both announced increases of \$50 / ton for linerboard effective early to mid-October. As of this writing no others have jumped on board but this is something we will be keeping a very close eye on.

Box plant capacity levels are approaching 98% and we are hearing that some converting facilities are actually turning away business and refusing to quote on new opportunities. Containerboard production for July increased 5.2% compared to prior year and operating rates increased to 97.9%. With increased demand linerboard inventory levels have remained tight with most converters running at 3 to 4 weeks of inventory.

In addition to linerboard increases Georgia Pacific announced a \$60 / ton increase for corrugate medium effective October the 10th. OCC prices in July were up 53% year over year at \$180 / ton. That represents an increase of 18-1/2% compared to Q2 – 2017 and 122% higher than Q2 – 2016.

As we mentioned above these increase announcements are hot off the presses and until an International Paper or Westrock jumps on board with a similar announcement we will withhold judgement on just how these announcements will be implemented. Georgia Pacific is 3rd or 4th in terms of market share and Kapstone is likely 5th or 6th, so until #1 International Paper or #2 Westrock speaks out we will simply stand by. As we gather more information we will issue a separate report as needed.



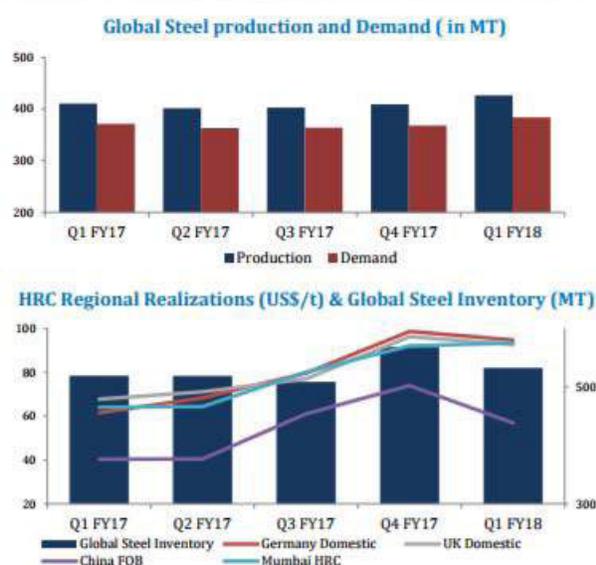
If you haven't taken a look at your box specifications in a while give us a call: we can likely help. Our visibility into the market place and working across multiple industries gives us additional insight.

Steel – US Steel mill shipments rose in June compared to May by 1.0% and overall YTD 2017 shipments are up 3.0%. US Service Center shipments through July are up 3.3% compared to the same period 2016. Steel imports into the US are up 22% compared to prior year and exports are up 13% vs prior year. US raw steel production 2017 YTD through August is 60.9 million tons at a utilization rate of 74.6%.

Major producers Nucor and ArcelorMittal USA announced increases to flat rolled prices of at least \$30/ton in August and other domestic producers quickly jumped in as well. This on the heels of a \$25 increase in late July which means prices are up by \$55/ton in less than a month. Overall world steel prices have been driven up over the past 2 months due to increasing ore and scrap prices.

TATA STEEL

Global Steel | Market update



- During the quarter, global steel production grew at the rate of ~4% YoY and QoQ aided by significant growth in China
- However, demand was subdued and coupled with volatile raw material prices, led to marginal decline in global steel prices sequentially
- Global economic confidence indicators continue to suggest steel demand growth aided by supportive government measures
- Political and policy uncertainty is a risk to global economic recovery

Un-Coated Free Sheet Paper – Major producers Domtar, PCA, and International Paper **have announced price increases of \$40 / short ton for uncoated free sheet paper effective early October**. Domtar is the largest producer of uncoated freesheet sheet in North America followed by International Paper and PCA at #2 and #3 respectively. At the time of this writing producers which have announced increases account for approximately 70% of North American capacity.

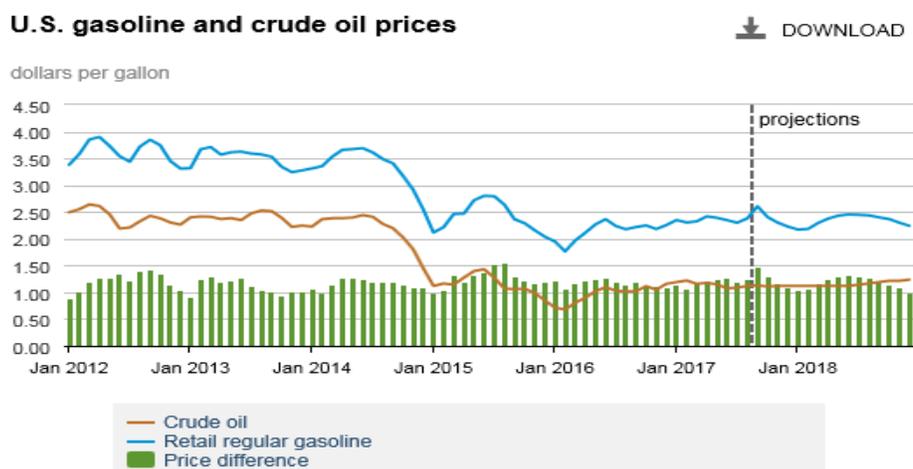
Uncoated free sheet paper is a grade of paper that contains little to no mechanical wood pulp. Uncoated paper is typically used for letterhead, printing papers, and copy paper. Uses also include lower quality leaflets, brochures, and stationary.

Although we have not heard anything out of Office Depot related to copy paper increases I am certain that should these announced increases continue to firm up and get implemented into the market we will. Our suggestion to you is to go ahead and take advantage of the current Q3 paper specials offered through the USA agreement immediately.

Energy Outlook – Brent crude oil averaged \$52 per barrel in August which was \$2 per barrel higher than our Q2 report. Current forecasts have Brent averaging \$51/b in 2017 and moving up very slightly to \$52/b for 2018. West Texas Intermediate crude oil prices are forecast to average \$2/b less than Brent.

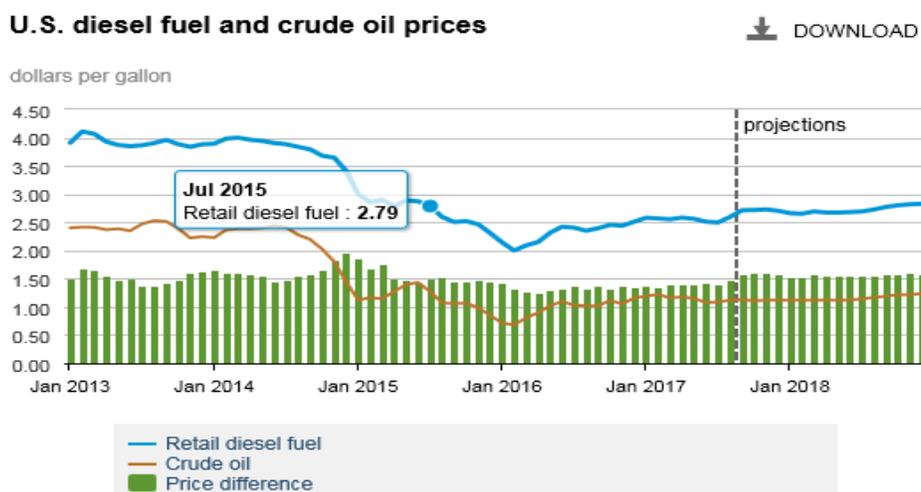
Significant disruptions have occurred in these markets in recent weeks due to Hurricane Harvey. Continued uncertainty related to production, refining, pipeline, and distribution will continue to make the forecast of energy prices a challenge for the weeks and months ahead.

U.S. regular grade gasoline reached \$2.69 per gallon on September 11th, up 29 cents from the end of August and the highest weekly average since August 2015. Today's forecast is for a September average of \$2.61 per gallon, an October average of \$2.40, and another drop in December to \$2.23 per gallon. Keep in mind that these markets are extremely volatile and the monthly averages in some regions can exceed the national averages by \$0.30 per gallon. Also important to note that these latest forecasts do not include an impact from Irma.



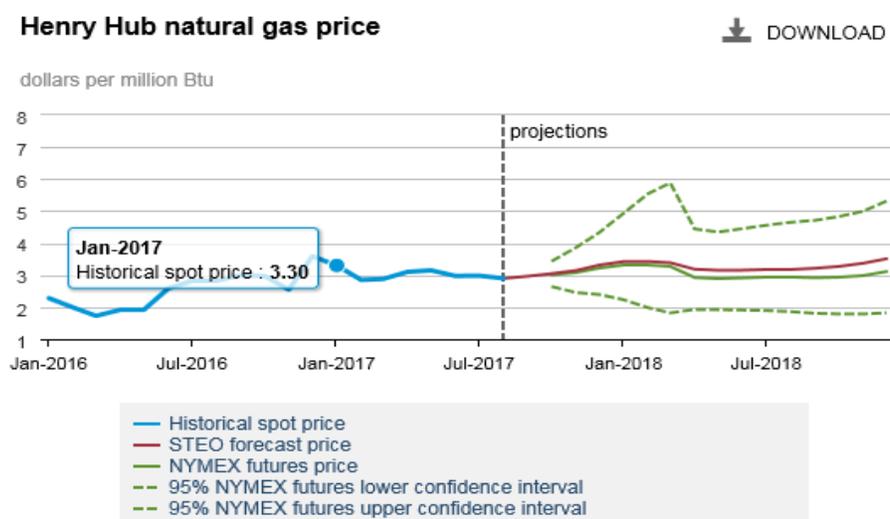
Source: Short-Term Energy Outlook, September 2017

U. S. average retail diesel fuel prices, which averaged \$2.50 per gallon in July, are now expected to average \$2.71 per gallon in September and remain relatively flat through the 4th quarter.



Source: Short-Term Energy Outlook, September 2017

The Henry Hub natural gas spot price averaged \$2.90 per MMBtu in August down 8 cents compared to the July average. Expected growth in export and higher domestic demand contributes to the latest forecast of a \$3.05 average for 2017 before an increase to \$3.29 in 2018. While this is a noticeable jump for 2018 you should note that the current forecast for 2018 is 4% lower than previous reports.



 Source: Short-Term Energy Outlook, September 2017

Currencies – The US dollar continues to slide against rival currencies and most strategists look for further declines. The US Dollar Index hit the lowest level since January of 2015 on September the 7th coming in at 91.011. The dollar has been unable to get any traction in recent days as US yields continue to fall. The yield on the benchmark 10 year Treasury note hit a new 2017 low last week and the lowest since November 2016. The dollar has lost approximately 11% YTD.

The US dollar is the reserve currency of the world and the currency for most world commodities. Domestic events affect currencies more than any other, and decisions by the Federal Reserve and the US economy make the greatest impact. A stronger dollar reduces the cost of imports while increasing the cost of our exported products to foreign countries.

	<u>9/13/17 Rate/US\$</u>	<u>3 Month chg</u>
Brazil real	3.1384	-4.57%
Canada dollar	1.2201	-7.76%
México peso	17.7914	-0.8%
Euro area euro	0.8409	-5.88%
UK pound	0.7568	-3.17%
China yuan	6.537	-4.0%
India rupee	64.1582	unchanged
Japan yen	110.6019	unchanged

Know the numbers and use them to your advantage.

ECONOMIC NEWS

At A Glance – September - 2017

- GDP increased 3.0% in Q2 - 2017
- Personal Income increased 0.4% in July
- US trade deficit grew 0.3% in July
- US Corporate Profits increased 1.3% in Q2 - 2017

Real gross domestic product, adjusted for price changes, increased at an annual rate of 3.0 percent in Q2 – 2017. This increase is primarily the result of positive contributions in personal consumption expenditures, federal government spending, nonresidential fixed investment, and exports. These increases were partially offset by losses in local government spending and residential fixed investment.

Employment – Hiring slowed in August and the unemployment rate moved up slightly by 0.1% to 4.4%. Despite this slight increase unemployment continues to remain historically low. US industrial factories have hired an additional 66,000 workers over the past 12 months. A shortage of construction laborers continues to impact the housing market resulting in delays for new home construction. Current estimates show open construction jobs at 225,000.

For manufacturing, the August ISM Employment Index registered 59.9% which was up from July's reading of 55.2% and represented the eleventh consecutive month of employment growth. Of the 18 industries participating in the monthly survey 13 reported growth in employment. Employment levels have expanded since October 2016 with August being the highest level of expansion since June 2011.

Housing – The S&P Case-Shiller Home Price Index, which covers the nation, rose 5.8% in the 12 months ending in June 2017. The 20 city index gained 5.7% and the 10 city index gained 4.9%.

Existing homes sales fell 1.3% in July but continued to outpace the same month in 2016 by 2.1%. The July fall brings the annual rate down to 5.44 million units which is on the same pace as 2016. New home sales were down 9.4% in July but YTD numbers continue to show improvement in the market over prior year. As previously mentioned, the shortage of laborers in construction is becoming a critical issue for new housing starts causing a supply issue resulting in higher prices.

New housing starts were down in July 4.8% compared to prior month driven primarily by multi-family units which were off a whopping 17.1%. Single family housing starts were off slightly by 0.5% when compared to June. The July numbers compute to an annual rate of 1.155 million units which is down as compared to 2016 where new housing starts totaled 1.17 million units.

U.S. Auto Sales – US light vehicle sales decreased 1.9% in August compared to the same time frame in 2016. The annual selling rate of 16.14 million units was down 6.3% compared to 2016. Double digit decreases were reported by Nissan, Hyundai, and Chrysler Fiat. On the flip side nice gains were reported by General Motors (7-1/2%), Volkswagen (9%), and Toyota (7%). Both Ford and Honda reported slight decreases.

It will be important to keep an eye on the trends over the next few months to see how both Harvey and Irma impact these markets.

UNITED SOURCING ALLIANCE family of Companies



Transportation Insight Named 2017 Top 100 3PL by Inbound Logistics Magazine

Transportation Insight, a multi-modal global Enterprise Logistics Provider, has been selected as an *Inbound Logistics* Top 100 Third-Party Logistics Provider for the sixth consecutive year. Transportation Insight was selected for its end-to-end supply chain solutions that help more than 1,300 manufacturers, retailers, e-tailers and distributors across North America achieve optimal supply chain efficiency.

“Transportation Insight is ready, willing and able to leverage our carrier management experience, logistics optimization and execution technology, supply chain engineering capabilities and business insight tools to help companies solve complex supply chain challenges resulting from today’s rapidly evolving economic environment,” says Transportation Insight President and CEO Chris Baltz. “The depth and breadth of our combined supply chain management skillset, along with our keen ability to prescribe effective solutions after thorough diagnosis, our robust technology platform and our spirit of driving continuous improvement for clients and ourselves sets us apart from other logistics providers in the North American marketplace.”

An Inc. 5000 Hall of Fame member, Transportation Insight provides robust Enterprise Logistics solutions that address the growing demand for vast multi-modal (Parcel, LTL and Truckload), end-to-end supply chain expertise and technology under one umbrella. From redesigning a supply chain to withstand the impacts of e-commerce demands to managing risk and giving visibility across the entire supply chain, Transportation Insight empowers clients with customized solutions leveraging more than 500 years of executive logistics experience.

To read the entire article please use the link shown here:

<https://www.transportationinsight.com/news/press/2017/08/transportation-insight-named-2017-top-100-3pl-inbound-logistics-magazine/>



SOURCING OPERATIONS UPDATES

The Power of Calendars – A calendar delivers 365 days of advertising for just one purchase. A calendar reminds your customers every day of who you are, where you’re located, and what you have to offer them. Your customers use your calendar to plan their lives. Every calendar you buy brings a return on

your investment. It's time to consider calendars and other promotional items you may use in 2018 to build your brand name. We have a solid supplier partner in our group that can help. Please let us know and we can arrange for a quick call or in person visit.

Utility & Telecom Audits – Since we began to offer our clients the service of auditing utility and telecom bills we have been successful in finding hundreds of thousands of lost dollars for our clients. Our supplier partner has 20 years of experience and has conducted more than 3,000 audits with a success rate of over 80%. **USA clients have collected in excess of \$2,000,000 as a result of errors and overcharges found.** These are indeed lost dollars and there is no cost to you to have a very thorough audit performed by experts in the field. If you or someone in your financial group has not had a conversation with us concerning this opportunity we would highly recommend that you do. Keep in mind, statute of limitations allows you to go back 36 months to collect errors and overcharges. The process is simple and our partner is one of the best in the space. Contact us to set up a brief initial call to learn more.

Industrial Vending – In a recent survey of supply chain managers 53% reported that their organization is utilizing industrial vending solutions. Non-users stated that lack of knowledge, perceived costs, and lack of application was the primary reasons for not using vending. Successful users cited information flow, quality of usage data, inventory costs, and service level improvements as some of the key benefits of industrial vending. **Another major cost benefit to industrial vending comes in the consumption of supplies with some companies reporting as much as 40% savings in use alone.** A significant reduction in popular consumables like batteries and cleaners, often by as much as 50%, has been achieved.

We have a partner who is a recognized leader in industrial vending solutions and the options are practically limitless in what can be offered. Please contact Eric Pritchard at (828) 485-5218 or Gene Smith at (828) 485-5212 to learn more.

Logistics – If you are looking for help with logistics and are interested in a hosted web based technology solution, talk to us about our sister company, Transportation Insight or check them out at www.transportationinsight.com. Transportation Insight is a global, non-asset based Third Party Logistics (3PL) provider and is one of North America's leading providers of custom logistics solutions. Service and technology offerings span domestic transportation, international logistics, and warehousing—creating end-to-end supply chain solutions. The services provided include:

- **Strategic Carrier Sourcing:** We **match shippers with best-in-class carriers** based on service requirements, cost and client preference.
- **Transportation Management System:** We make shipping easy by providing cutting-edge technology with our hosted, web-based **Insight TMS®**.
- **Reporting & Analysis:** We provide customized **reporting and analysis** based on the shipper's wants, goals and unique business requirements.
- **Billing Accuracy:** We **audit parcel and freight bills** to within a nickel's variance to ensure total accuracy to the shipper.

Whether it's your indirect materials, logistics, or Lean practices, we're here to help make your company more cost efficient. Let us know what else we can do for you.

Respectfully....*United Sourcing Alliance*