



December 30, 2021

Dear Customers—

Welcome to inflation! Current conditions are really squeezing working people in our industry, while at the same time the pandemic-related labor disruptions have given them far more options for where, when and how they want to work. Since making bread by hand and delivering it around the Bay Area are very labor-intensive processes, we depend on maintaining a large staff of committed and well-trained workers. Most of them have been with us for years and love their jobs. But we cannot expect them to remain in positions that no longer afford them a living wage as prices rise for everything that they and their families use. As a result, for next year, we are increasing our minimum wage to \$20 per hour. This means moving our entire wage scale up by an average of about 10% in order to pay all positions fairly relative to one another.

Prices for everything else we use are rising as well. The price of health insurance for our staff has increased by more than 7% for next year and energy (gasoline/natural gas/electricity) is up more than 15%. Most everything else is up by 3-5%, which should not be a surprise.

The most significant price increases are for bread ingredients however. You may have seen recent news articles that mentioned a doubling of costs for wheat, due to poor harvest conditions. As a result, the price of our Organic Bread Flours increased by 30% on October first and the price of walnuts increased 55% right about the same time. Wheat and nuts are harvested once a year and these higher wheat prices will be in effect until the next harvest late next fall. We have been able and willing to absorb these increased costs out of our savings for the past three months but cannot continue to do so.

Therefore, in order to proceed with our goal for improving staff conditions while also meeting these tremendous cost burdens we will be eliminating all management raises for the year, cutting our 2022 profit projections below 2.5%, and increasing prices between 5% and 11% (for an overall average of 9.5%), beginning on 01/31/2022.

We understand that this is a large increase and that it may not be practical for some customers. It is the largest increase we have ever imposed. But more than half of it is driven by our commitment to staff conditions and compensation because the past year has convinced us that we are not willing to continue in operation unless we can feel confident that we are addressing them adequately. The other half of this increase is driven by the cost considerations described above, and there is every indication that this perfect storm of conditions (drought and pandemic, mainly) driving those other costs will coincide only rarely if ever again and that those other pressures will most likely abate as we head into 2023.

We wish you all the very best and hope to continue bringing you the very best bread we can bake during the New Year.

Best Wishes,

Steve Sullivan
President
The Acme Bread Company

2730 9th Street ♦ Berkeley, CA 94710