

Supply Chain Market Summary

February 3, 2014

Supply Chain Market Summary - Q12014

To Our Royal Family,

We wish to thank all of our customers for their past and continued support and hope you find the following summary informative and beneficial. Please rest assured Royal will do everything possible to ensure we maintain a consistent supply of our entire line of disposable items at competitive prices. As your trusted supplier, it is Royal's responsibility to keep you abreast of the latest market conditions associated with the products we manufacture, import and distribute. In this spirit, we are offering this important update on a variety of factors impacting current market conditions and costs including currency valuation, international logistics, Chinese New Year, raw materials, and energy.

Chinese Yuan Currency Valuation

The Yuan has continued to appreciate against the US Dollar. In our May 2013 update, the Chinese Yuan had fallen to 6.13 RMB/USD. Since then, the Chinese Yuan has continued to appreciate to the current level of 6.036 RMB/USD, representing an approximate increase in cost of 1.5% over the last 7 months. Economic data and analysts suggest that the Chinese Yuan will continue to appreciate further against the US Dollar throughout 2014, resulting in increased burden and costs for Chinese manufactures and US importers.



International Logistics

The second half of 2013 was a volatile period for ocean freight rates. Although the ocean freight capacity issues affecting the Asia Pacific-U.S Trade are slowly being resolved, indicators suggest another volatile year in 2014, with slightly higher ocean freight rates. Chassis charges at US-based ports are also contributing to increased logistical overhead since these chassis are no longer being provided at the port by the steamship lines. Over the past 24 months, chassis charges have increased by 100%- resulting in a significant increase in domestic drayage transportation from the port to inland warehouse storage facilities.

Chinese New Year 2014 - Year of the Horse!



Furthermore, many factory workers return to their home towns and cities which present a separate set of challenges, including the lure of higher paying jobs. Generally speaking, the cost of retaining labor tends to increase each year after the Chinese New Year holiday. The Chinese New Year is a time for celebration with food, family and fun.

Manufacturing generally starts to slow down in the end of January, and while some businesses close for the week, there are others that shut down for two or three weeks at a time, resulting in longer production lead times.

Raw Materials & Energy

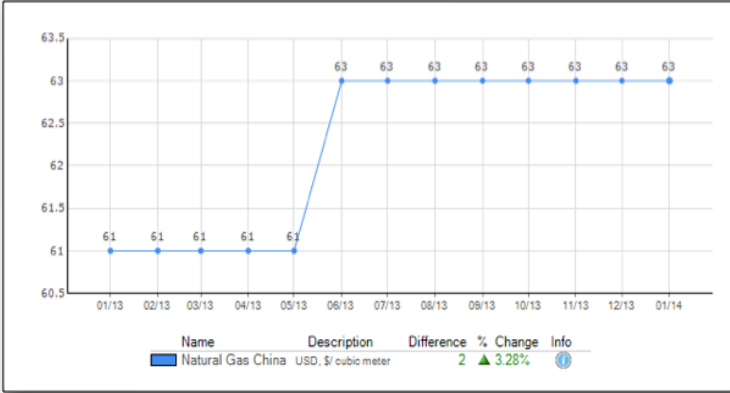
2013 was a volatile year for raw material and energy costs, with some of our core items being significantly affected. We hope you will find the following collection of graphs informative and helpful regarding some of the cost factors that are impacting Royal and other manufacturers around the world.

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January 2014

Raw Material & Energy Data

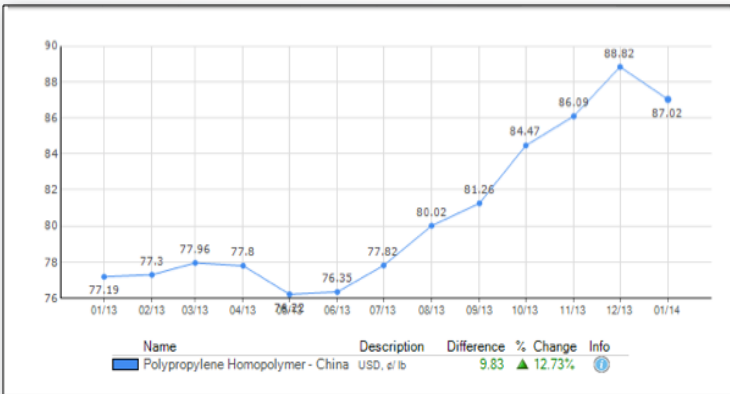
Natural Gas:



Coal:



Polypropylene:



LDPE:



PVC:

