



March 28, 2022

To: Senator Gene Yaw, Senator John Yudichak, and members of the Senate Environmental Resources and Energy Committee and the Community, Recreational, and Economic Development Committee.

Herr Foods Inc. (Herr's) has proudly provided great service and the highest quality products to our customers and consumers for over seventy-five years. The primary business of Herr's is the manufacture and sale of salty snack foods, which are sold and distributed through our sales organization to supermarkets, convenience stores, discount stores, club stores, independent grocery stores, drug stores and other channels. Herr's sells products through its direct-store delivery network in the Mid-Atlantic states, and nationally via direct to warehouse shipments and third-party distributors. Herr's products are made primarily on the 1,000-plus acre Nottingham, Pennsylvania, campus which is also the location of our corporate headquarters. Herr's provides on average 1,200 Pennsylvania based jobs that support the ongoing operations of the business.

At Herr's, we have concerns with the negative effects RGGI will have on energy prices in Pennsylvania. We already face many rising cost pressures in our industry. These rising costs are cutting into already lean margins within a highly competitive industry.

Herr's, being part of the Food and Agriculture industry, was designated as critical to the infrastructure of the United States, and as a result continued operations throughout the COVID-19 pandemic. We played a critical role in providing our product to customers and consumers both locally and nationally during COVID-19 even during rising cost and supply change issues.

With the economy reopening following the COVID 19 pandemic restrictions we continue to experience labor shortages and have experienced higher labor expenses through temporary labor and higher wages. Raw material costs have increased significantly, including higher potato, edible oil, film, carboard and other raw materials used for manufacturing our products. We are also impacted by transportation costs both on the inbound and outbound side of the business. The supply chain issues have resulted in tremendous cost increases. For the 6 months period ended February 2022, transportation costs have increased over 50% as compared to last year.

In normal operations, we operate our manufacturing facility 24/7, with two or three shifts throughout the week and weekend. To keep operations going, Herr's must incur significant energy costs. Total energy costs were approximately \$1.4M, or \$120K per month for fiscal year 2021. This does not include the energy costs that are incurred along the supply chain which ultimately increase the price Herr's pays for raw materials and equipment used for operations. Increased energy prices that result from RGGI will have a negative impact on the costs of Herr's operations. Higher costs and inflationary pressures are expected to continue for the foreseeable future. Now is not the time to introduce programs that will drive even higher costs.

Regards,

Scott Bailey
Senior Vice President & Chief Financial Officer
Herr Foods Inc.