



# MARKET UPDATE

---

Review and outlook of retail & foodservice

Anne-Marie Roerink | Pam Smith

# Discussion Points

- In the mind of the consumer
- Industry issues
  - Inflation in retail and foodservice
  - Labor
  - Freight
  - War in Ukraine
  - Costs and productivity
- Mushroom overview



# In the mind of the consumer

- Consumer confidence
- Consumer mobility
- Food/grocery decisions



# While dealing with the tremendous amount of change, ultimately, we're not the ones in charge



**But we do all have the same boss:**

... who decides to dine in or out

... who decides to shop in person or online

... who drives sales trends and fads

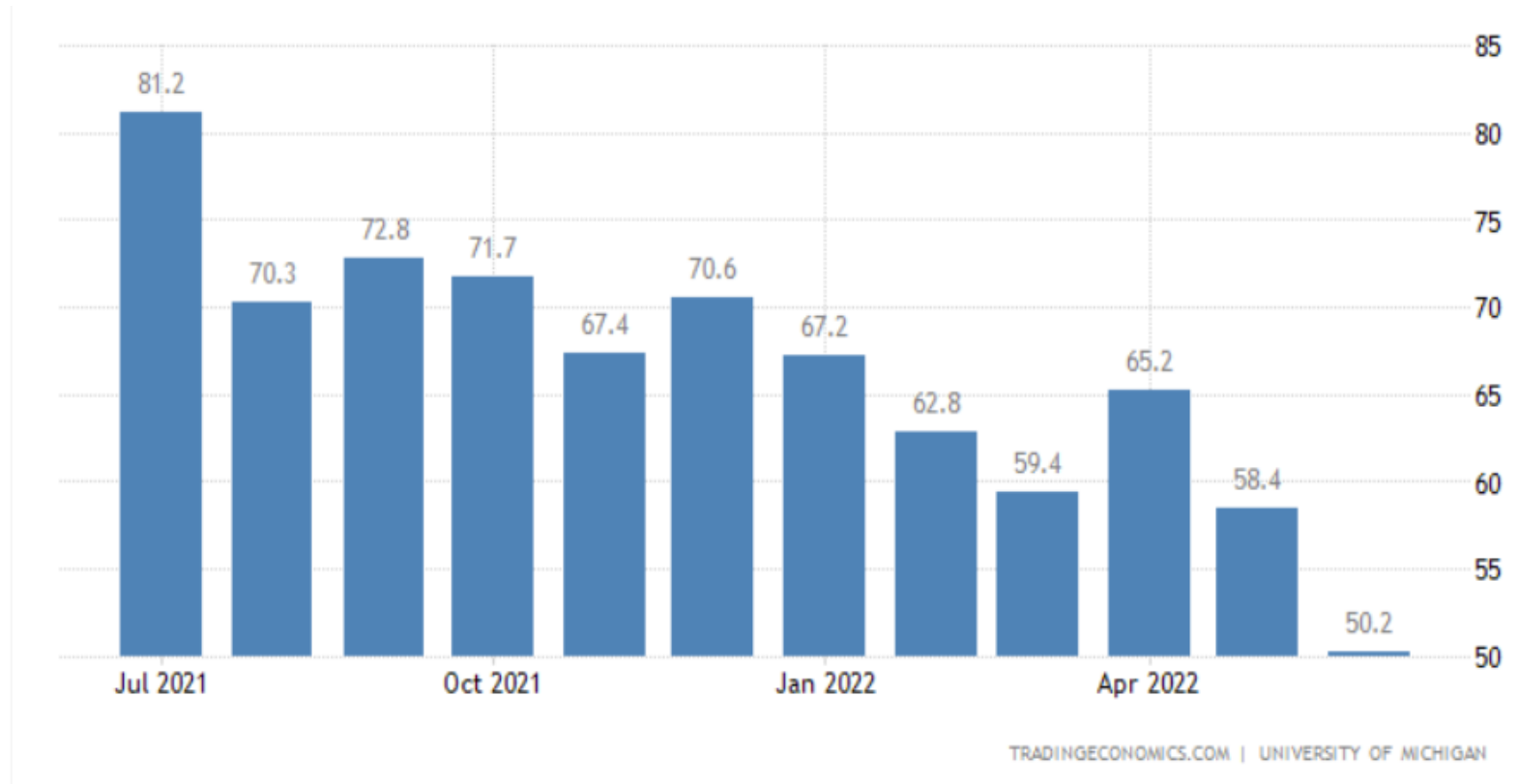
**... who determines our new normal**



# Consumer confidence plummeted in June

This typically results in a pull back on spending

University of Michigan consumer confidence index



- The current economic conditions index sank to an all-time low of 55.4 (63.3 in May)
- The expectations gauge plunged to 46.8, the lowest since May of 1980
- Consumers' assessments of their personal financial situation worsened about 20%
- 46% of consumers attributed their negative views to inflation
- Consumers expect gas prices to continue to rise a median of 25 cents over the next year, more than double the May reading

Source: University of Michigan confidence index

# Worry about finances is growing, including affording groceries

**33%**

of Americans expect their financial situation to be worse off a year from now

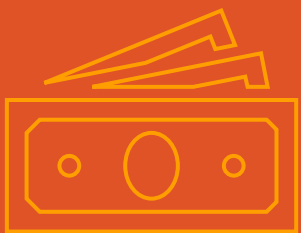
**38%**

of American households say their financial health is strained

**30%**

of American households are having difficulty affording needed groceries





**More  
consumers  
are now  
concerned  
about price  
increases  
than about  
COVID-19**



**93%** of consumers feel that grocery prices are some or a lot higher

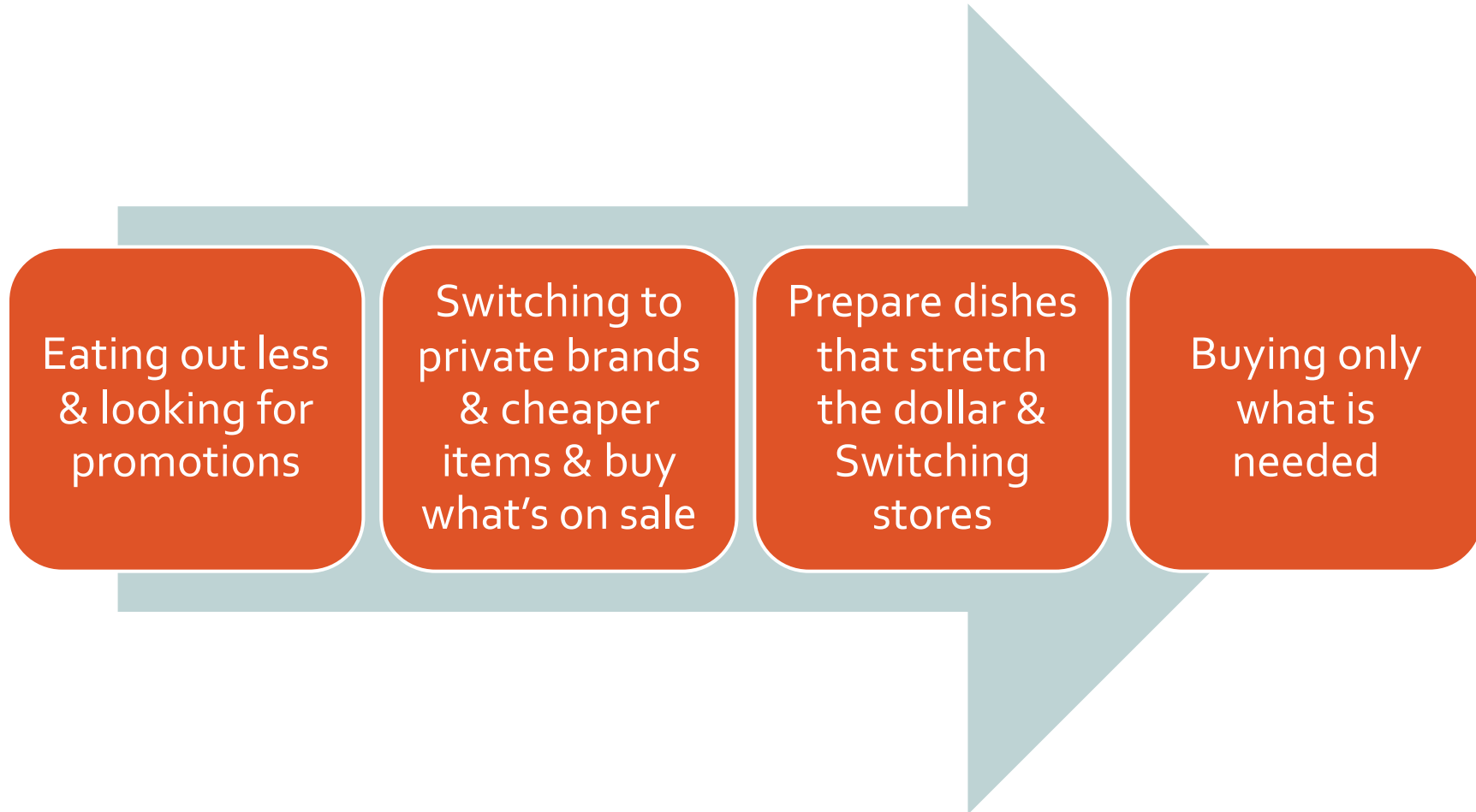
of whom...

**73%** Are making one or more shopping changes

**How do they address their concerns?**

# Money-saving measures are widespread

Applying lessons learned in the Great Recession






# Savings strategies follow new paths in 2022

Measures are all over the place, many shoppers jumping ahead to later steps

Consumers average 4-5 measures to save money on meat (see report for full list):

- 41%** Buy what's on sale
- 39%** Buy only what I need
- 38%** Stock up on meat/poultry when on sale
- 36%** Look for family packs/bulk
- 33%** Prepare dishes that stretch the meat dollar
- 32%** Look for coupons
- 32%** Look for cheaper cuts
- 31%** Eat more meals without meat
- 29%** Look for cheaper kinds
- 27%** Visit different stores
- 26%** Buy less (smaller packages)
- 22%** Switch to cheaper brands, including store brand



Remember when  
we wondered if  
lessons from the  
Great Recession  
would stick?

# Food spending changed along with mobility

And with it, on-the-go and even greater time pressure

- 85% of school-aged children are back in school
  - Gatherings, birthday celebrations and after-school activities are back
  - On-the-go snacks and lunches
  - More time pressure
- 43% of consumers work from home part/full time
  - Versus 54% in mid-2020
  - Big change for breakfast and lunch
- Ready-to-eat, ready-to-heat and ready-to-cook are all growth drivers





# Consumer mobility is the best predictor of food spending in 2022



**Flight Prices Saw the Highest Single-month Increase Since 1963 — Here's How to Save**

Alison Fox  
Thu, May 12, 2022, 10:33 AM · 2 min read

**Average US Gas Price Soars To \$5.10 Amid Highest Inflation In 40 Years**



#### MOST READ

- 1 / Huge Sell-off Rocks Treasury Markets, Yield Curve Inverts
- 2 / Coca-Cola Partners With Jack Daniels On Jack-And-Cokes In A Can

Kelly Evans @KellyCNBC · Jun 14, 2022  
No joke the mortgage rate just hit 6.28% today.  
Beyond words to express at this point!



Morgan Faricy @MorganFaricy

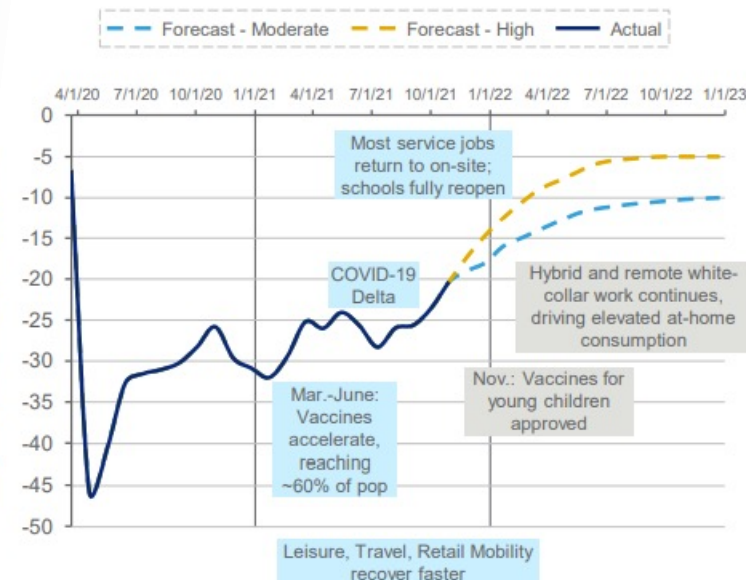
Mortgage broker here. These rates are insane and making a HUGE impact on people's ability to buy. Even well-qualified borrowers are getting priced out before eyes. \$800/month higher than avg on 1/1 based on \$450K loan amount.

1:24 PM · Jun 14, 2022

123 Reply Share

## Workplace Mobility

% Change from Pre-COVID-19 Baseline



# Different restaurant engagement throughout the pandemic

Consumers are not skipping restaurants as much as they are more strategic about it

Consumers having dined **on premise in** a restaurant in the past few weeks

Nov. '21: 50%  
Feb. '22: 40%  
May '22: 53%



Consumers who got **restaurant takeout** in the past few weeks

Nov. '21: 58%  
Feb. '22: 54%  
May '22: 54%

Consumers who have ordered **restaurant home delivery in the past few weeks**

Nov. '21: 22%  
Feb. '22: 21%  
May '22: 20%





# Restaurant recovery has ups and downs

And is very uneven in terms of the various channels

2022 restaurant trips vs. 2020

April 2022

## -11% trips vs. 2019

- 4% decline in restaurant visits YOY
- NPD points to inflation as reason for decline
- Trips by channel:
  - QSR was 6% behind April 2019 (down 4% YOY)
  - Full-service restaurants were down 3% YOY in April and remain 31% below April 2019 visits
- Biggest trip impact among lower-income households (-11% YOY) and households with young kids (-8%)

# Industry issues

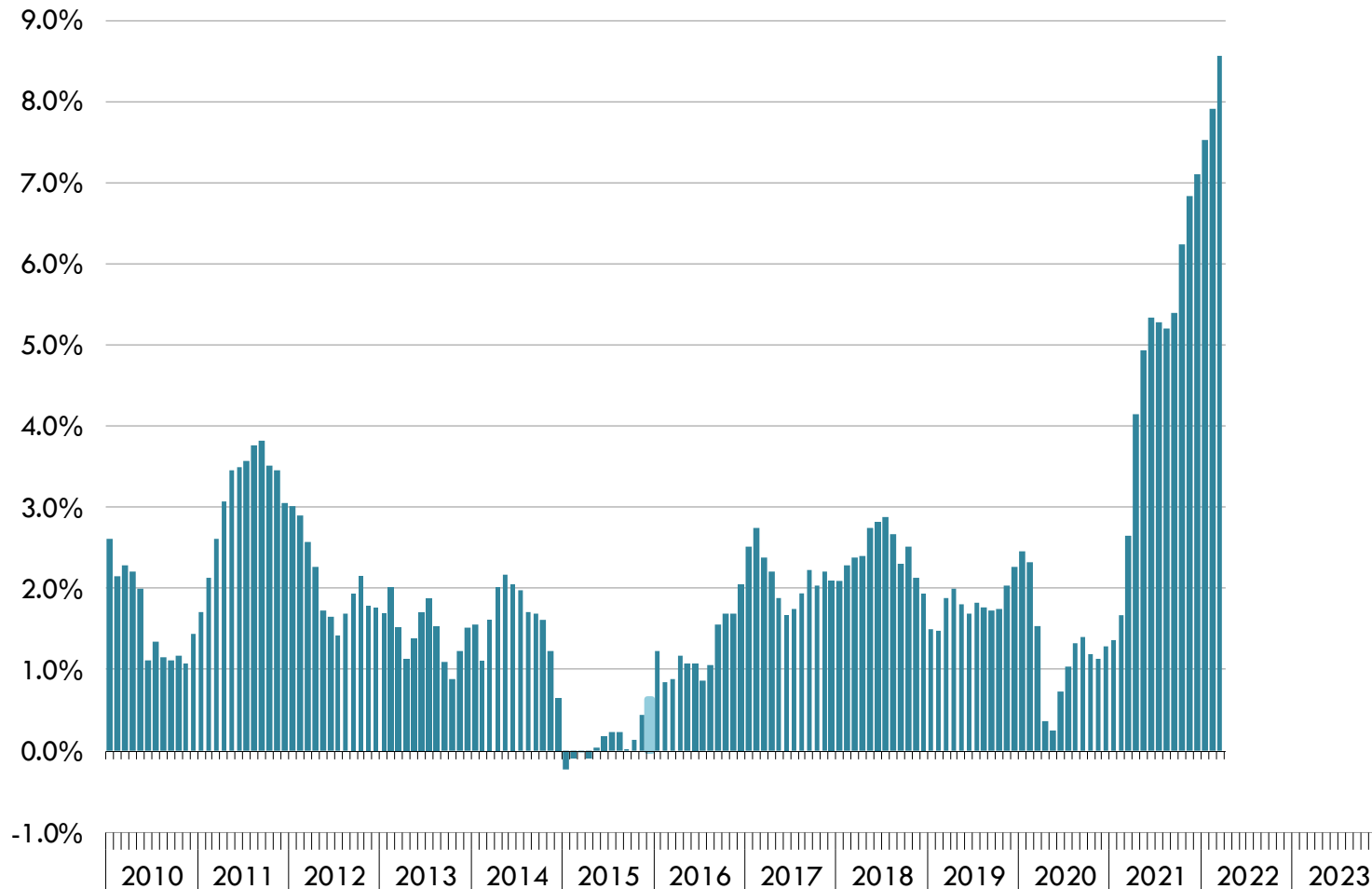
- Inflation in retail and foodservice
- Labor
- Freight
- War in Ukraine
- Input costs



# Current inflation: 11.8% food-at-home May 2022

## Consumer Price Inflation. All Items. % Ch. From a Year Ago.

Source: US Bureau of Labor Statistics



What could affect the forecast:

- Continued bottlenecks in production
- Productivity/labor issues, domestically and globally
- Global demand/exports
- More turns of the printing press
- Prime rate

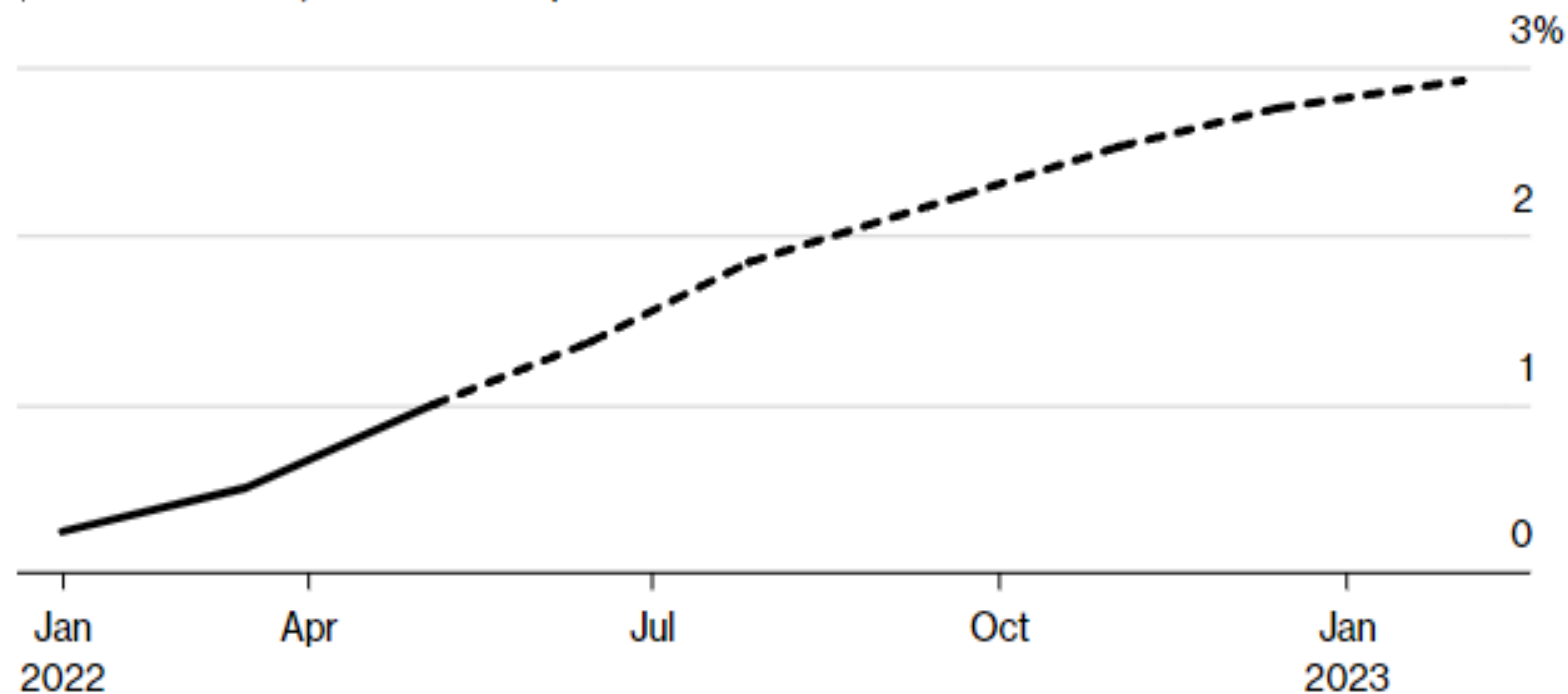


# Interest rates on the rise; will it be enough?

## The Fed Goes Marching

Markets see the Fed quickening rate increases this year

— Fed funds rate, current and implied



Source: Federal Reserve, Bloomberg data

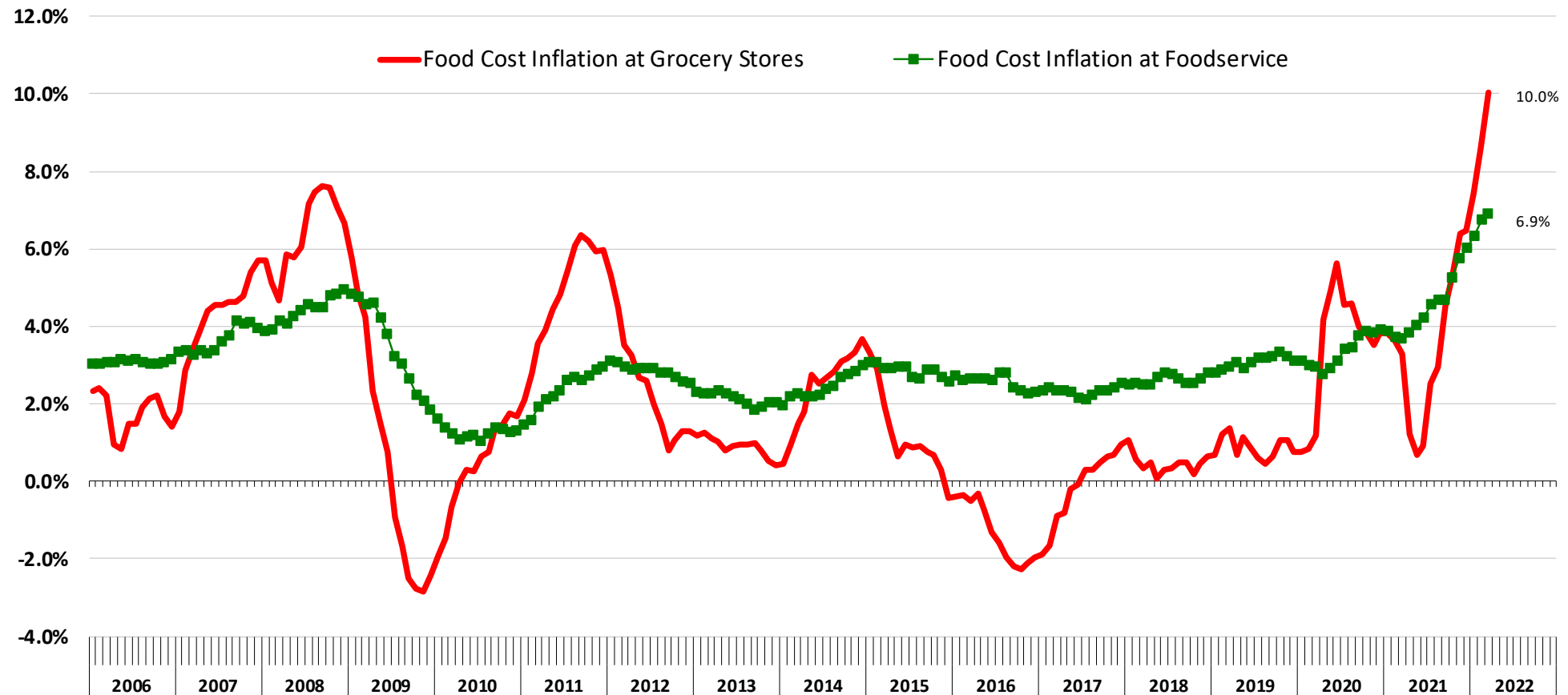




# Retail inflation is now outpacing foodservice

## Food Inflation at Grocery Stores and Foodservice. Y/Y Ch.

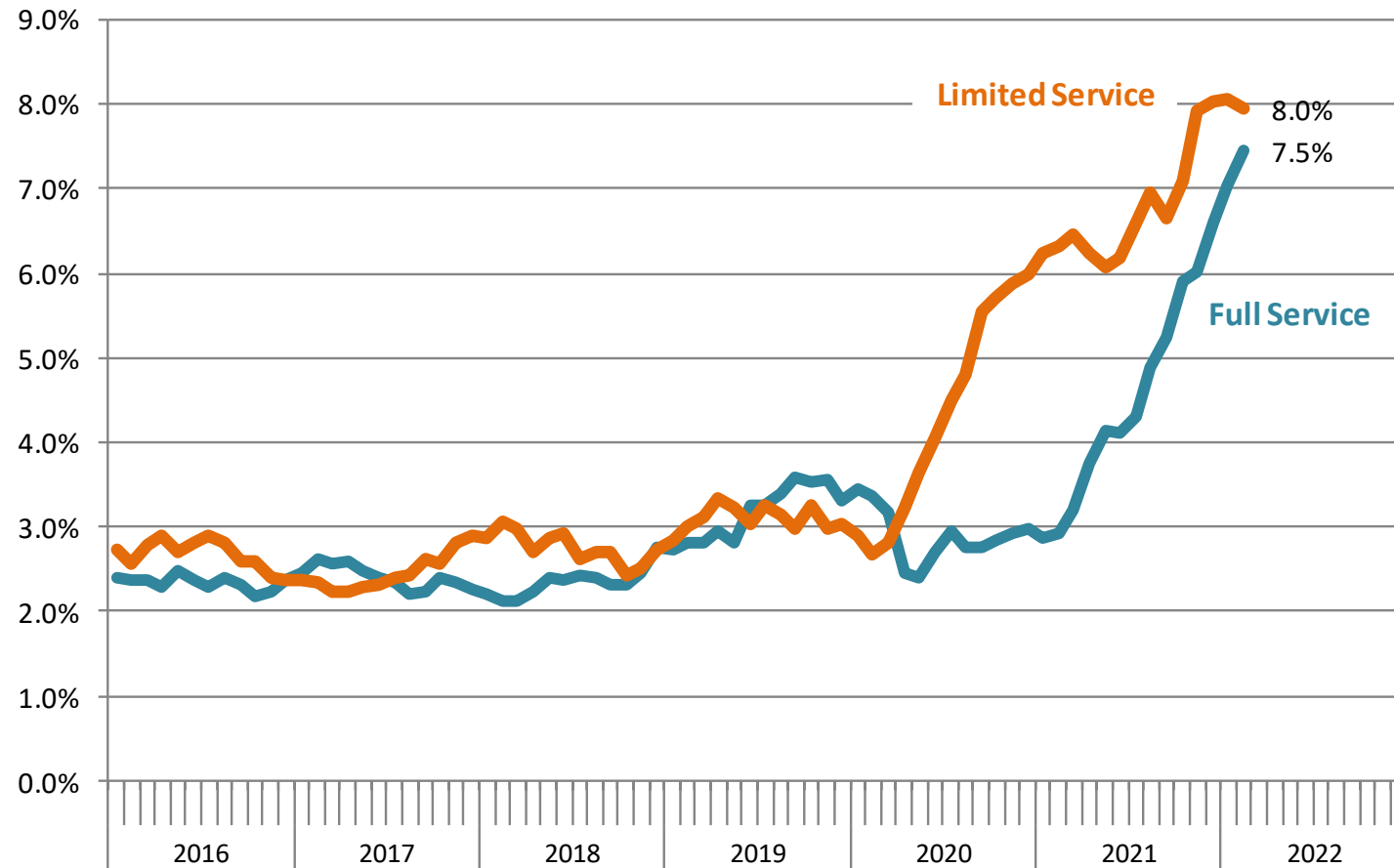
Source: BLS.



# Fast food inflation led, but others are catching up

## Food Price Inflation at Full Service and Limited Service Establishments

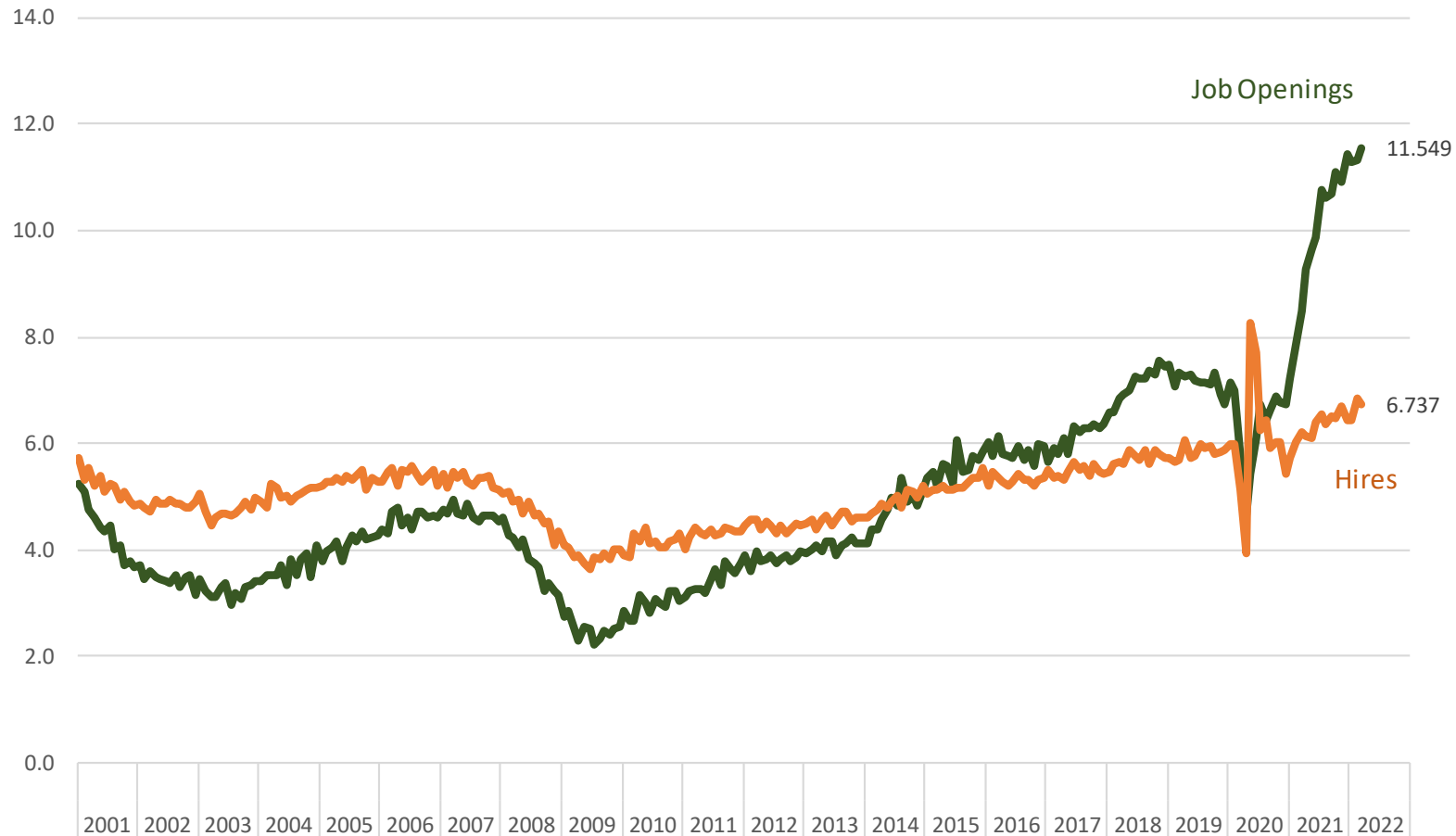
Y/Y % Change. Source: BLS.



# Labor gap has only become worse

## Job Openings and Labor Turnover Survey (JOLTS): Openings. Vs. Hires

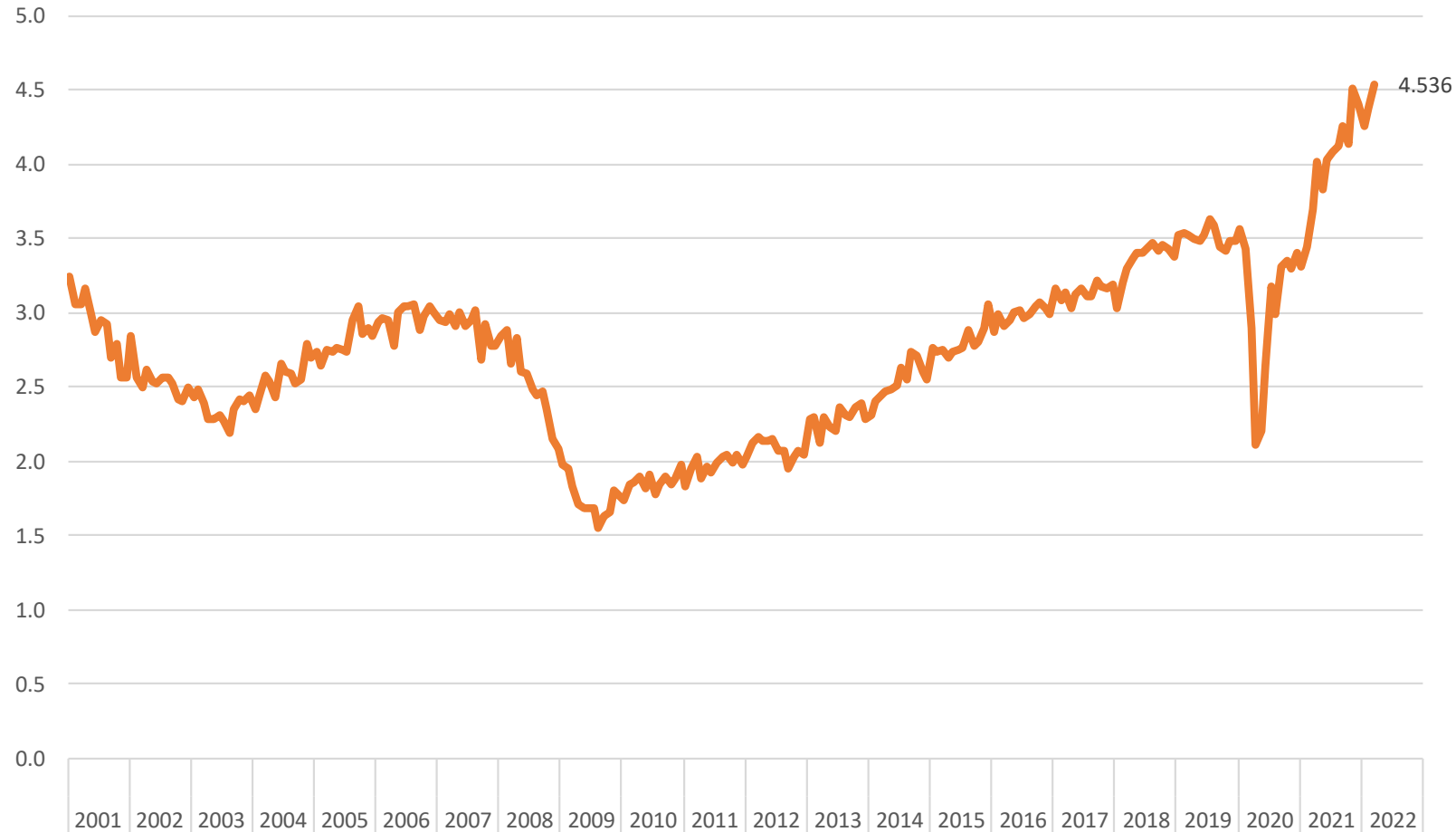
In Million. Source: BLS.



# Quit rate points to upward price pressures

## Number of People that Quit Their Job During the Month

In Million. Source: BLS.





# Freight costs have continued to escalate

PPI industry data for General freight trucking, long-distance TL. [Y/Y Change](#)

Source: BLS.

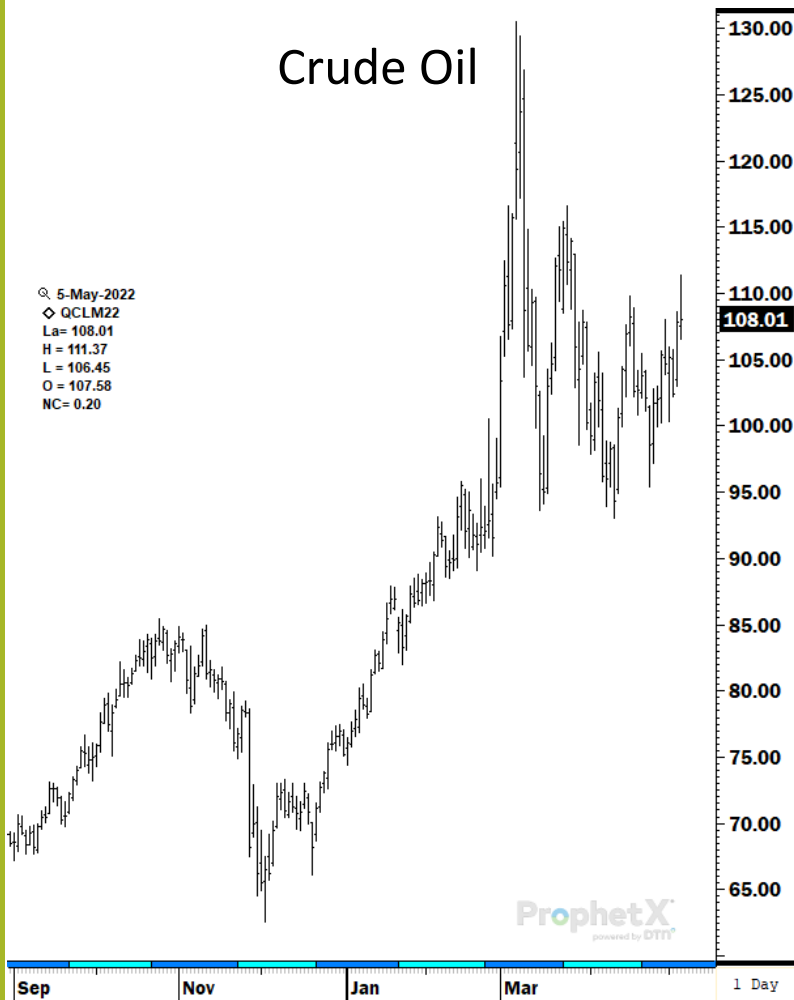


# Diesel market squeeze making things difficult

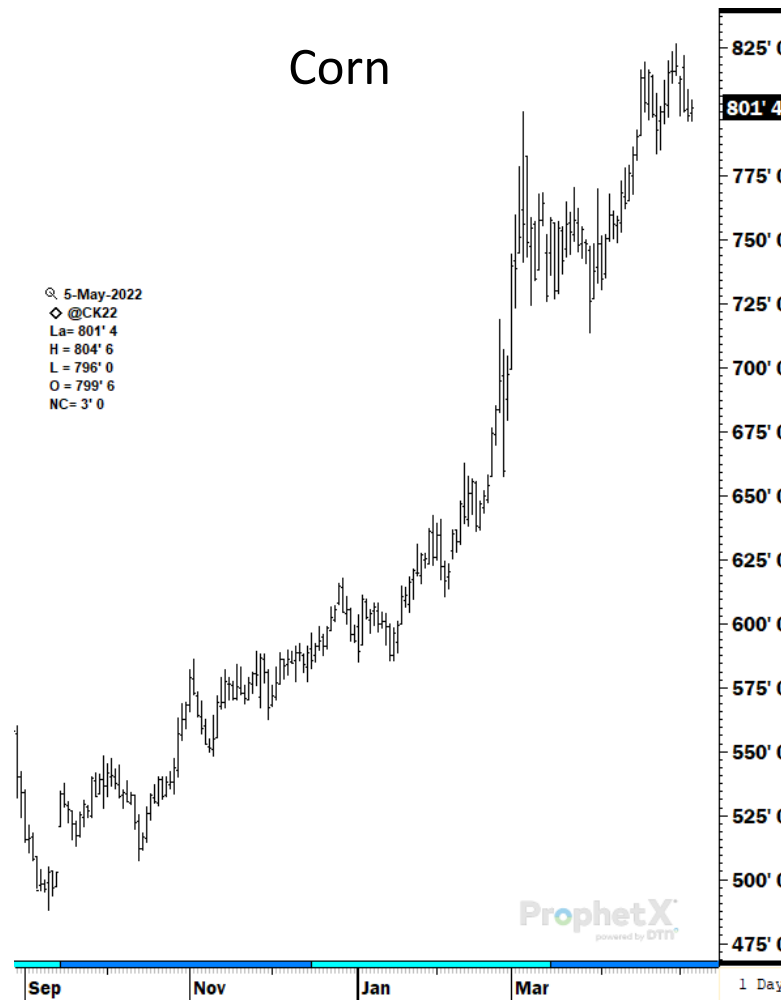


# War in Ukraine hits commodity markets

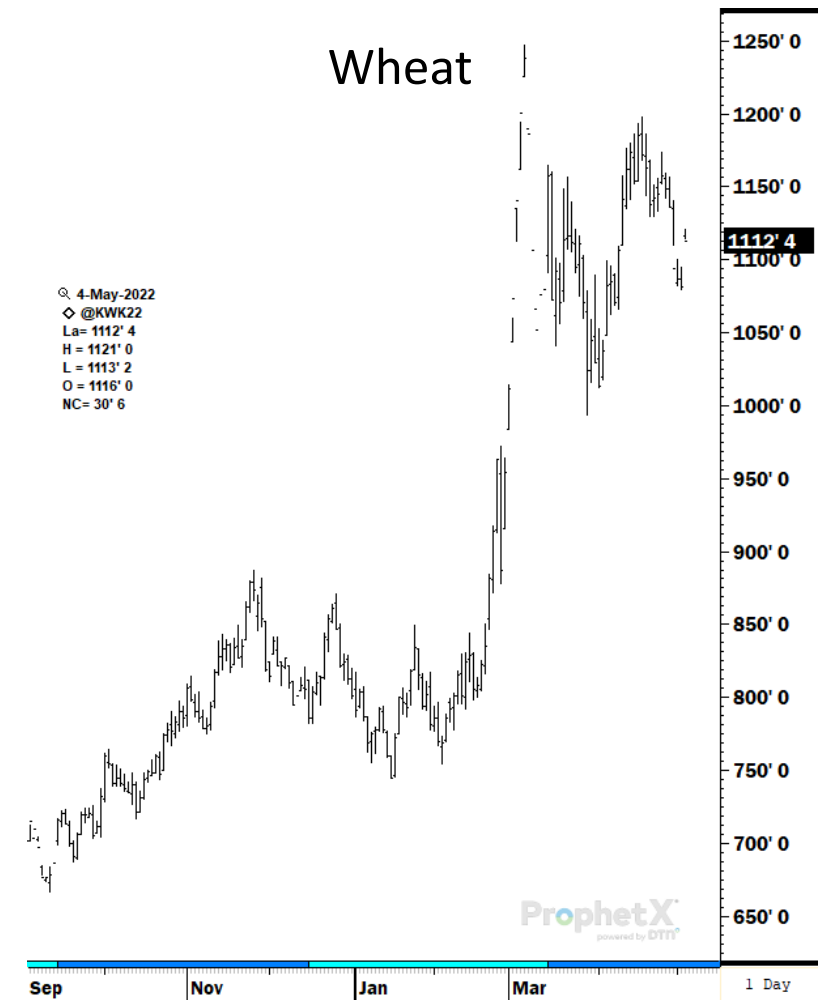
Crude Oil



Corn

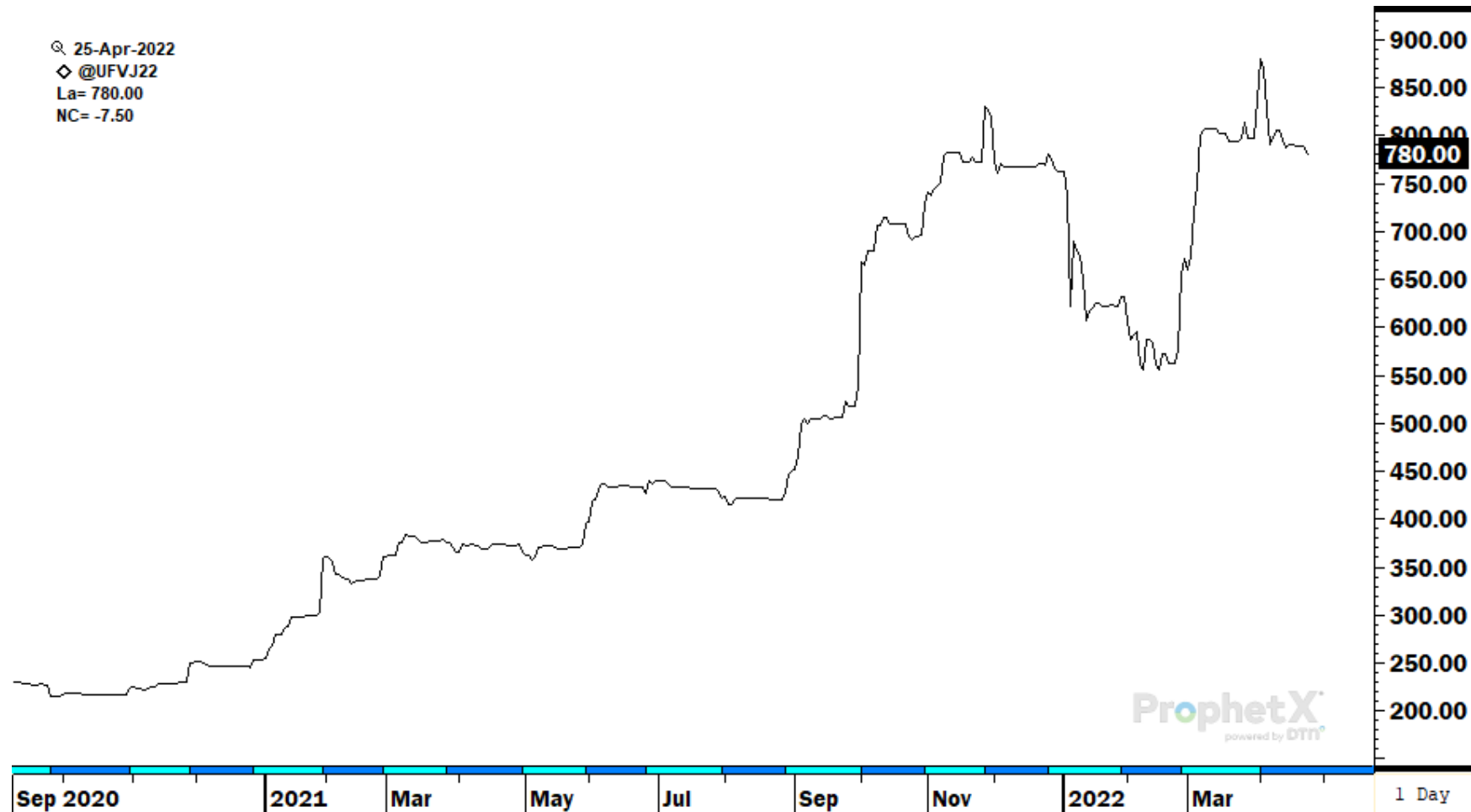


Wheat



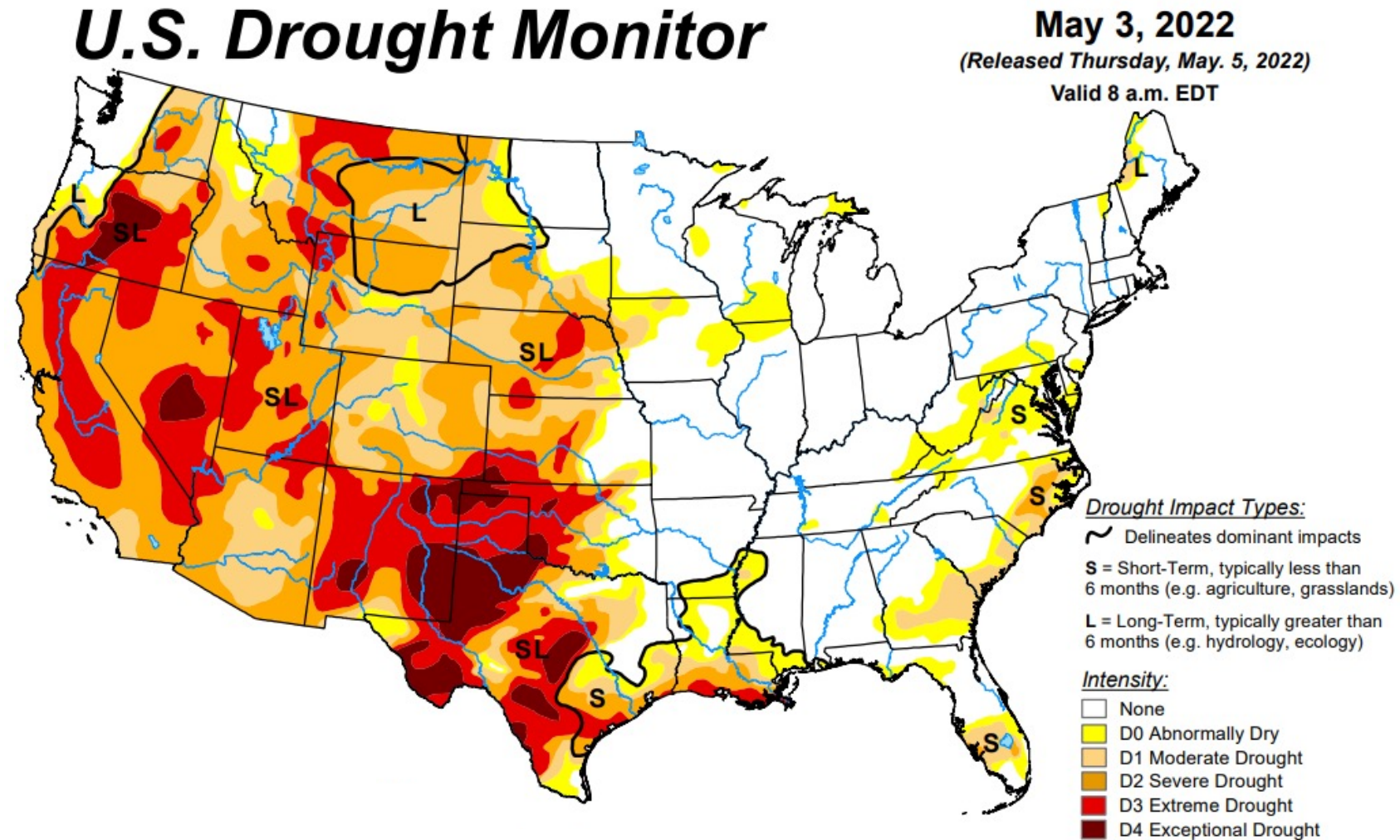
# Fertilizer prices rose near vertically

CBOT, Urea Nearby Futures





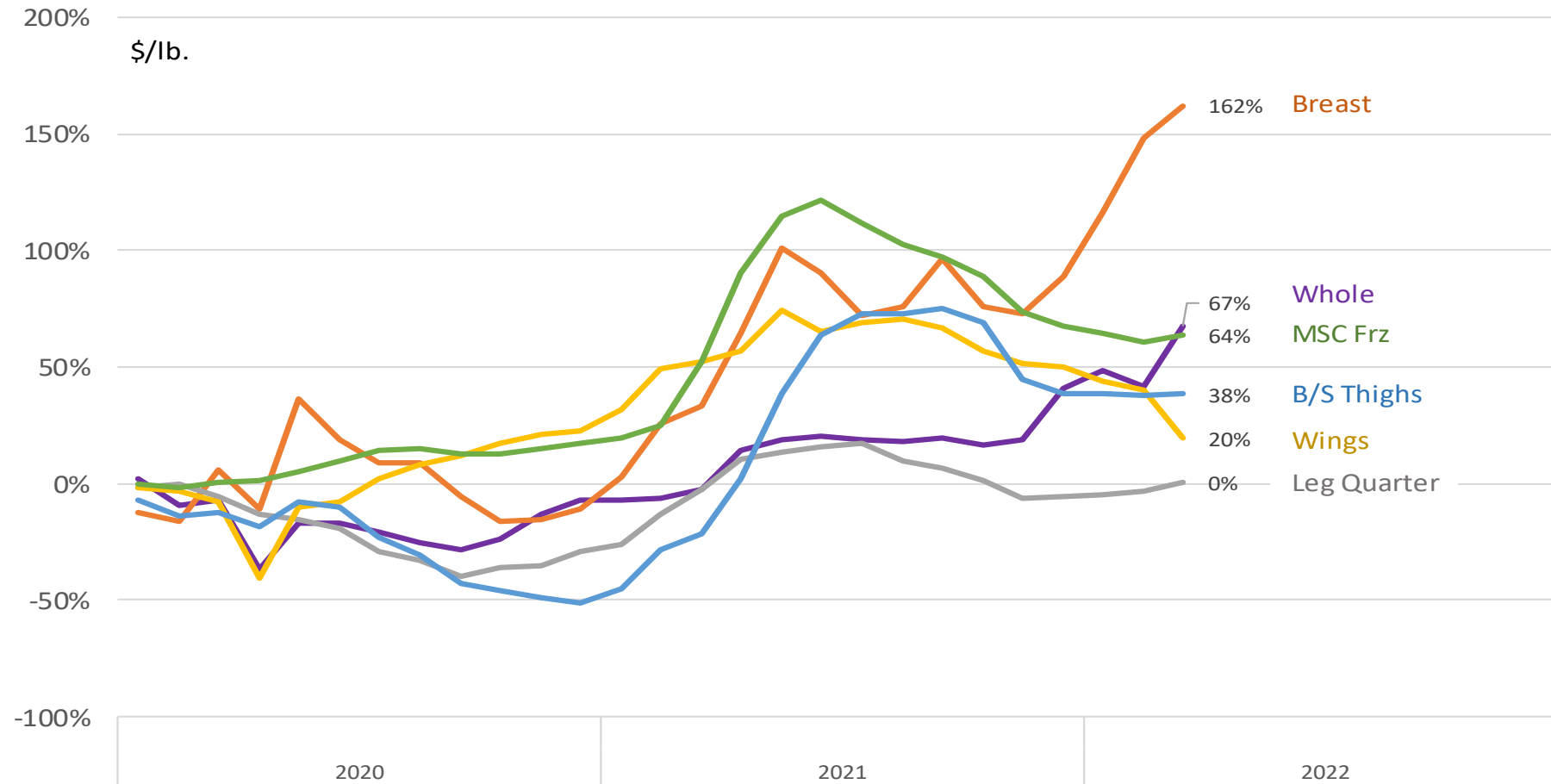
# Drought conditions are worse this year



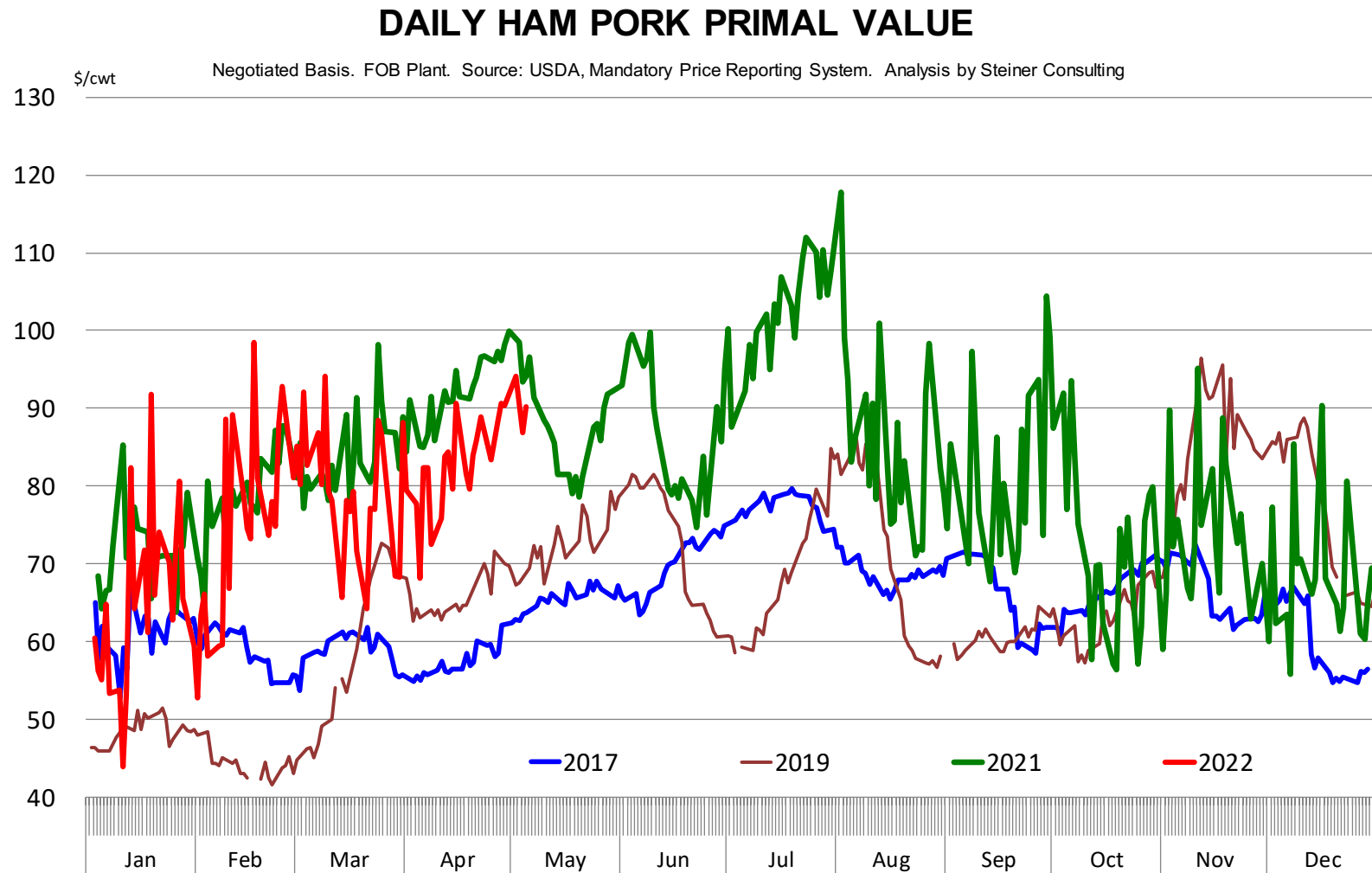
# Example of impact on chicken prices

## Monthly Prices for Key Broiler Items vs. 2019 Average (% change)

Source: USDA-AMS Prices. Analysis by Steiner Consulting

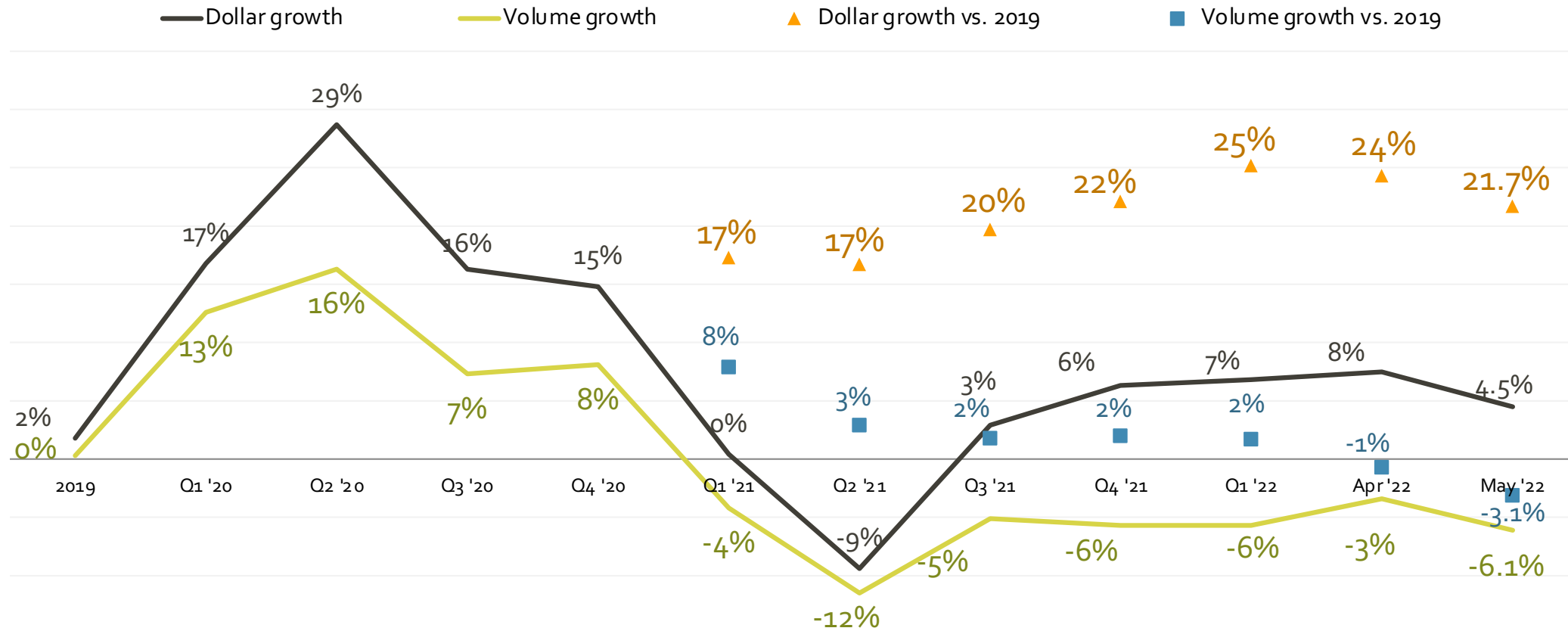


# Example of impact on ham values: volatility is the new normal



# Example of resulting consumer demand

\$ and lbs growth meat department vs. comparable time period year ago



Source: IRI, Integrated Fresh, MULO, 2019-w.e. 5/15/2022



# Mushrooms at Retail

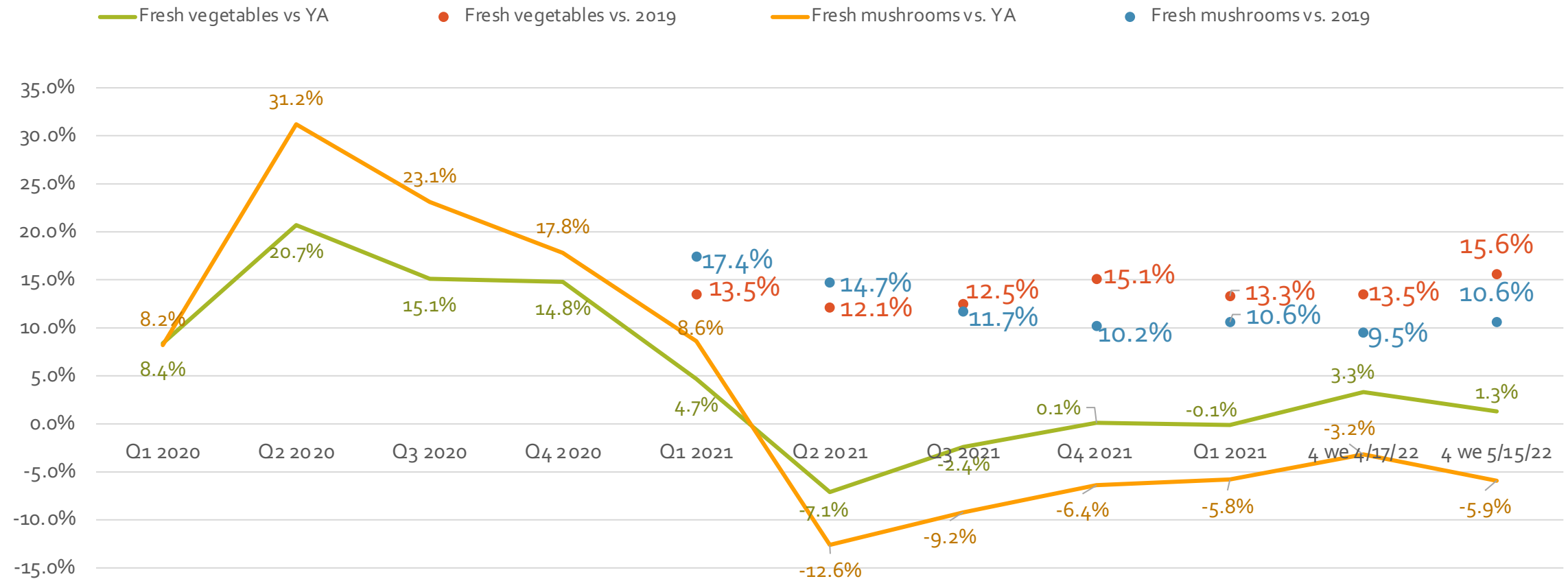
- Sales
- Inflation
- Comparative growth
- Forecasts



# Vegetables and mushroom dollar sales vs. YA and 2019

Both mushrooms and vegetables continued to trend above pre-pandemic levels

Dollar sales versus year ago and two years ago

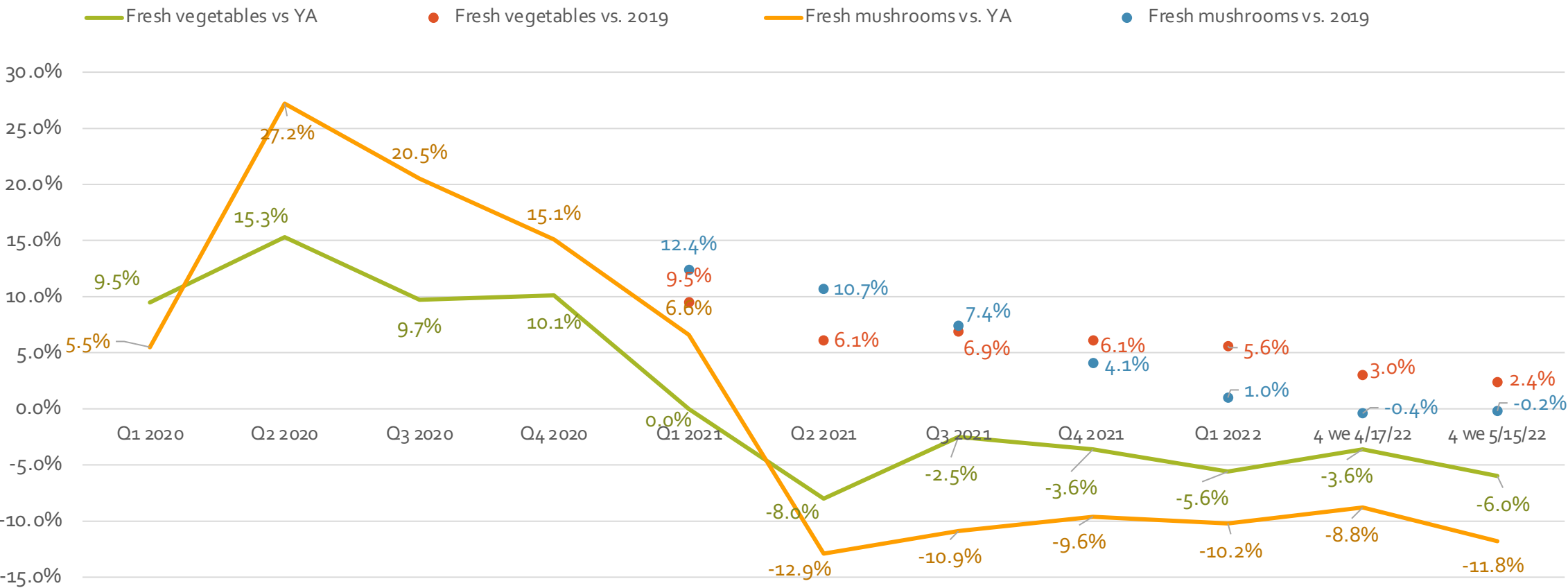


Source: IRI, Integrated Fresh, MULO, 2019-w.e. 5/15/2022

# Vegetables and mushroom pound sales vs. YA and 2019

Vegetables experienced lowest pound gain versus 2019 since the start of the pandemic

Volume (pound) sales versus year ago and two years ago



Source: IRI, Integrated Fresh, MULO, 2019-w.e. 5/15/2022

# Mushroom contribution to the department and category

The mushroom share of dollars versus total produce and total vegetables was similar to the levels seen in 2019

4 w.e. 5/15/2022 Mushroom \$ share	Share of total produce	Share of total vegetables
2019	1.7%	3.5%
2020	1.8%	3.7%
2021	2.1%	4.0%
2022	1.8%	3.6%

YTD through w.e. 5/15/2022 Mushroom \$ share	Share of total produce	Share of total vegetables
2019	1.8%	3.7%
2020	2.0%	3.9%
2021	2.0%	3.9%
2022	1.9%	3.8%



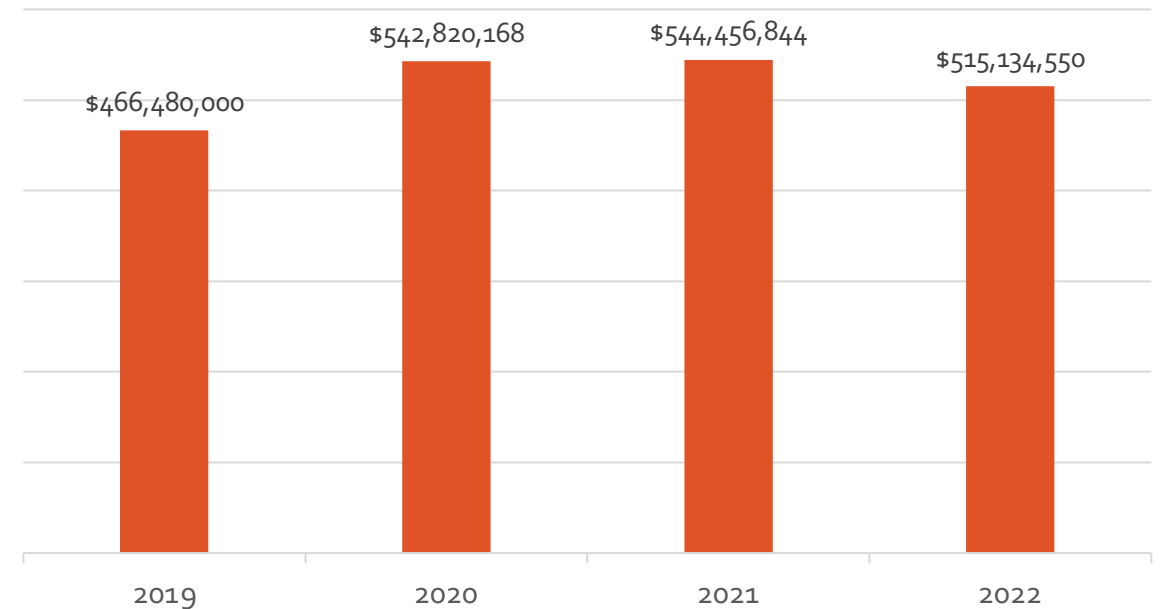
# Four-year dollar sales trend

Dollar sales fell below YA and 2YA levels as the quad-week period now laps the start of the pandemic, but remained well above 2019

Fresh mushrooms dollar sales  
four w.e. 5/15/2022



Fresh mushrooms dollar sales  
YTD through 5/15/2022

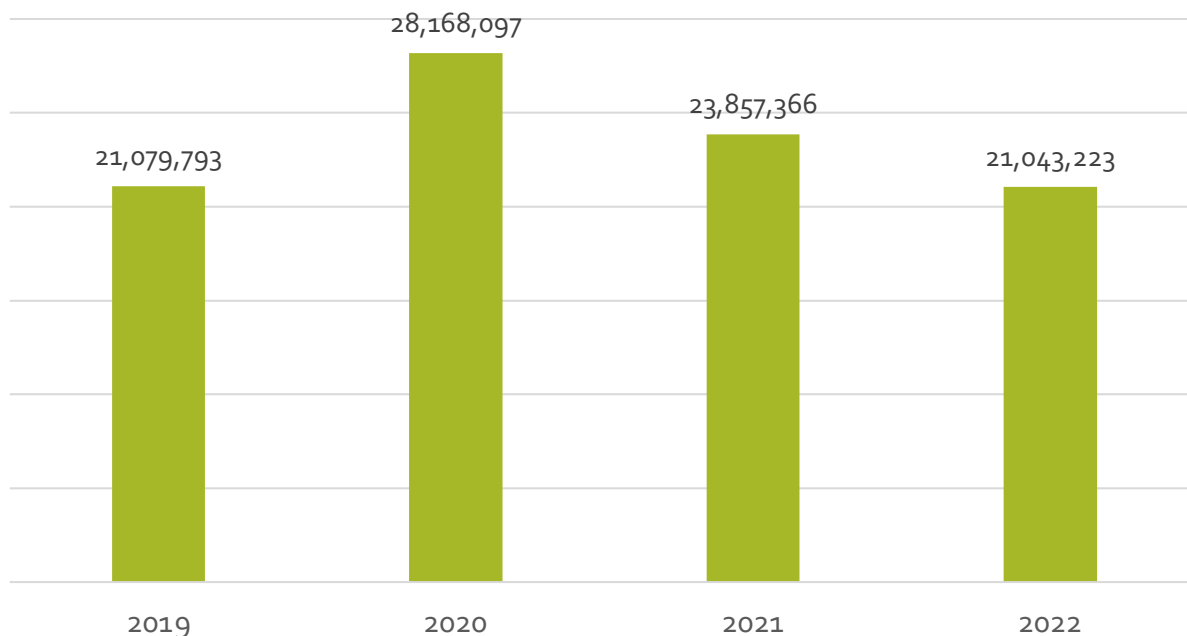


Source: IRI, Integrated Fresh, MULO, 4 weeks and year-to-date ending 5/15/22 versus same periods the past four years

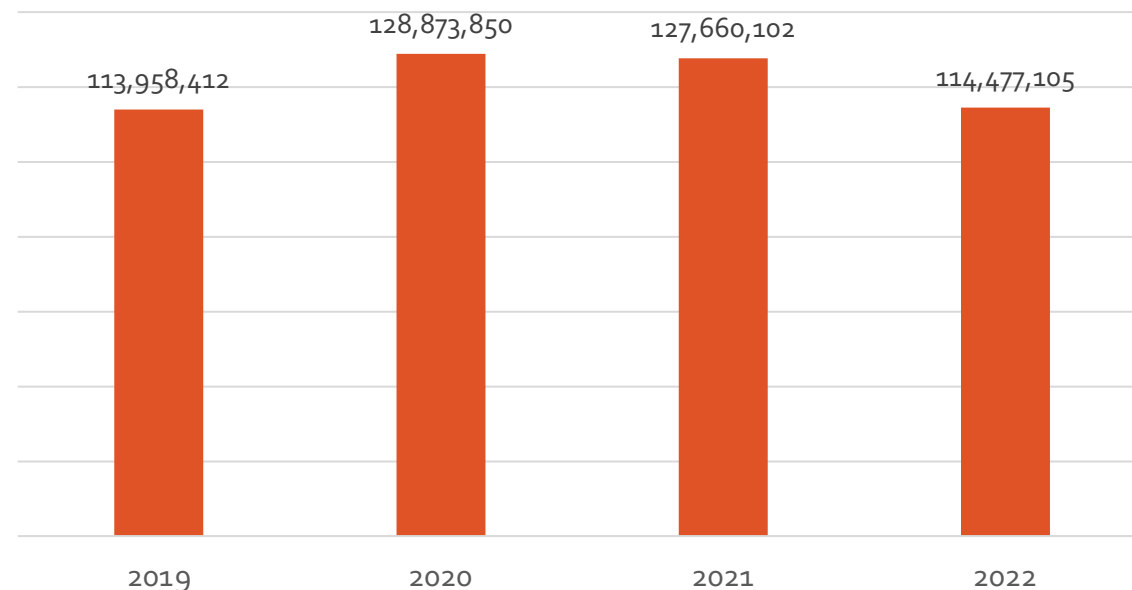
# Four-year volume (pound) sales trend

YTD, pounds were up slightly against 2019 levels. Volume being steady, but units down points to buying larger pack sizes

Fresh mushrooms volume sales  
four w.e. 5/15/2022



Fresh mushrooms volume sales  
YTD w.e. 5/15/2022



Source: IRI, Integrated Fresh, MULO, 4 weeks and year-to-date ending 5/15/22 versus same periods the past four years

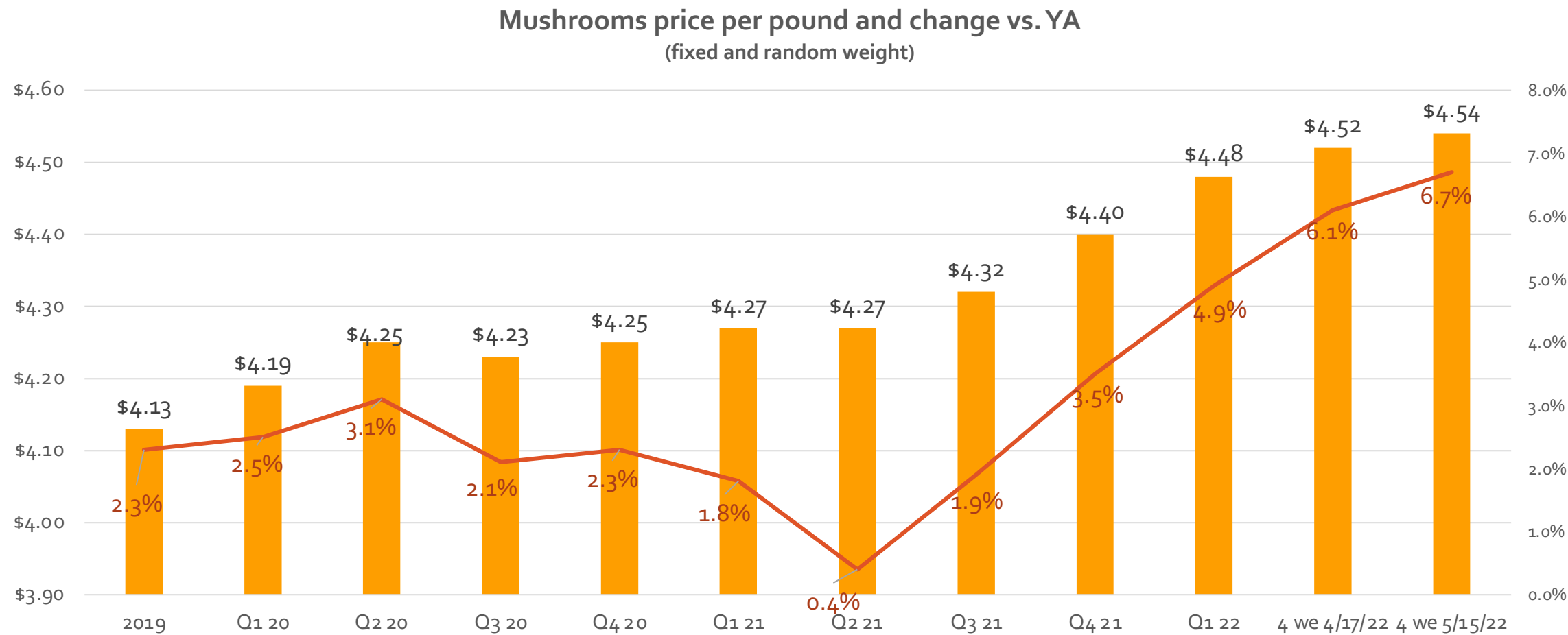
# Mushroom price per volume (pound)

On a pound basis, mushroom inflation was also below average. However, the price per volume is much higher than many other vegetables

YTD w.e. 5/15/2022 Average price/pound	Total produce	Total vegetables	Mushrooms
2019	\$1.66	\$1.79	\$4.09
2020	\$1.62	\$1.74	\$4.21
2021	\$1.72	\$1.83	\$4.26
2022	\$1.89   +10.1%	\$1.95   +6.4%	\$4.50   +5.5%

# Price per volume by quarter/month

The rate of inflation has increased since Q2 of 2021



Source: IRI, Integrated Fresh, MULO, 2019-5/15/2022



# Share of dollars and pounds sold on merchandising

In addition to higher prices, less was sold while on promotion. In contrast, the share of total vegetable dollars/pounds sold on promotion were up 6.0%

Share of sold on merchandising*	YTD through w.e. 5/15/2022	Change vs. 2021
Share of total fresh mushroom dollars	14.9%	-4.1%
Share of total fresh mushroom pounds	17.5%	-3.3%

\* Any merchandising, including feature, display, feature & display and temporary price reductions

# Over indexing versus under indexing regions

Under indexing regions are catching up

Use as comparison to understand importance/size of mushrooms



YTD w.e. 5/15/2022	Share of veg. \$	Share of mushrooms \$	\$ sales growth vs. YA
<b>Total US</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-5.4%</b>
California	11.5%	▲ 12.3%	-7.8%
Great Lakes	13.3%	▲ 15.1%	-6.9%
Mid-South	13.1%	11.8%	▲ -2.9%
Northeast	18.2%	18.2%	-5.9%
Plains	6.6%	6.4%	▲ -5.1%
South Central	9.0%	7.4%	▲ -4.9%
Southeast	15.5%	13.6%	▲ -3.2%
West	12.8%	▲ 15.2%	-5.5%

▲ = Above-average share

▲ = Above-average performance

Source: IRI, Integrated Fresh, MULO, YTD through 5/15/22 | Total fresh vegetables and total fresh mushrooms

# Packaged (fixed weight) versus random weight

While both down, fixed weight did better than random weight

**4 W.E. 5/15/2022 | Share of total mushroom sales and sales growth %**



	Fixed weight	Random weight
Dollar growth	-6.6%	-14.6%
Share of mushroom \$ sales	95.1%	4.9%
Volume growth	-12.4%	-29.7%
Share of mushroom lbs sales	95.9%	4.1%

# Package size analysis

8 and 16 ounces drive the bulk of sales; 8 ounce had a strong quad weeks

Package size (per UPC)	Dollars	\$ vs. YA	\$ vs. 2YA	Volume	lbs vs. YA	lbs vs. 2YA
Less than 8 oz	\$8.2M	-10.1%	-13.2%	0.8M	-15.7%	-19.5%
8 oz	\$50.8M	-3.1%	-22.4%	11.5M	-7.6%	-26.4%
More than 8oz; less than 16 oz	\$5.3M	-12.3%	-24.7%	1.4M	-19.8%	-29.5%
16 oz	\$17.6M	-6.8%	-22.4%	5.5M	-11.1%	-25.7%
More than 16 oz	\$5.4M	-23.3%	-29.3%	2.6M	-35.6%	-41.4%
Random weight	\$4.2M	-13.4%	-20.2%	1.0M	-20.8%	-30.1%

Source: IRI, Integrated Fresh, MULO, 4 weeks ending 5/15/22

# Performance summary whites, browns and exotics

Dollar sales for browns up 20.6% versus pre-pandemic levels

4 weeks ending 5/15/2022	Dollars	Dollar share	\$ sales vs. 2021	\$ sales vs. 2019	Volume (lbs)	Lbs share	Lbs vs. 2021	Lbs vs. 2019
<b>Total fresh mushrooms</b>	<b>\$95.5M</b>	<b>100.0%</b>	<b>-5.9%</b>	<b>+10.6%</b>	<b>21M</b>	<b>100.0%</b>	<b>-11.8%</b>	<b>-0.2%</b>
White mushrooms	\$50.9M	53.3%	-5.8%	+2.7%	12.8M	61.0%	-11.3%	-6.0%
Brown mushrooms	\$39.3M	41.2%	-4.4%	+20.6%	7.8M	37.2%	-11.9%	10.8%
Specialty mushrooms	\$5.3M	5.5%	-15.8%	+25.6%	0.4M	1.9%	-23.7%	5.2%

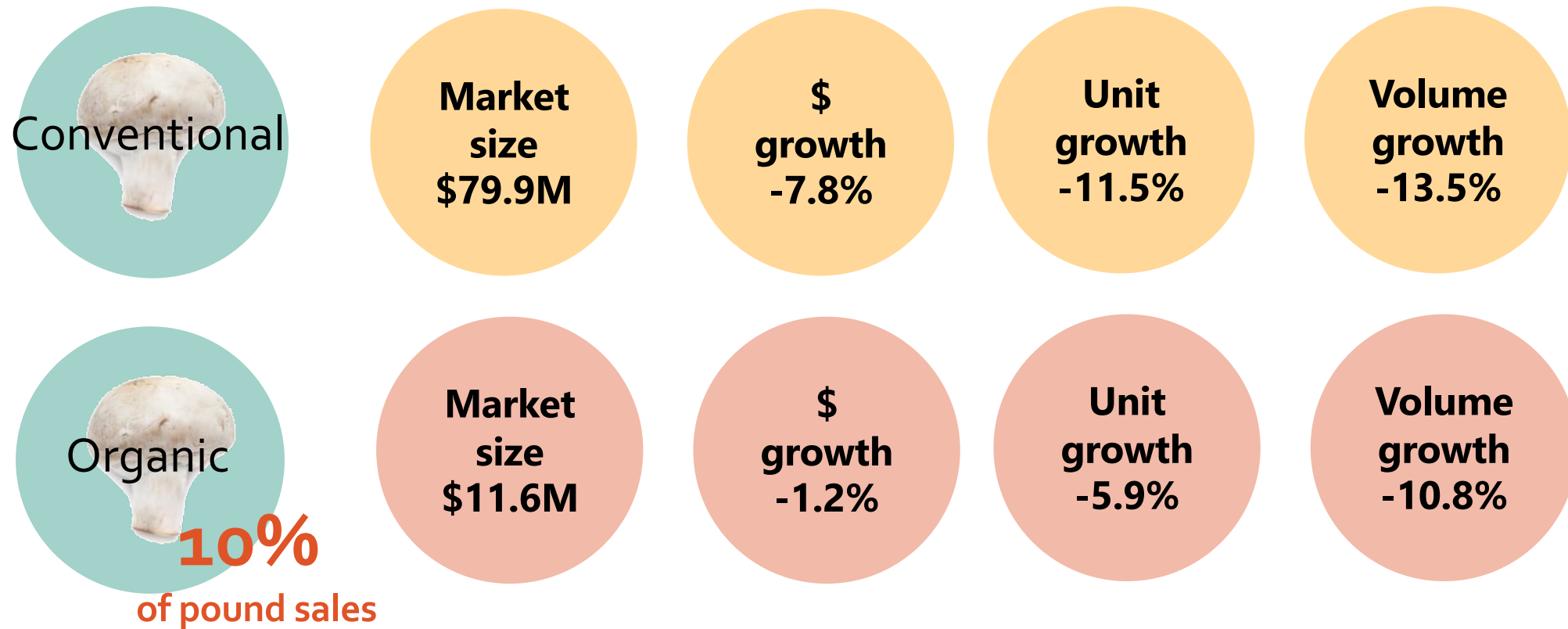
Source: IRI, Integrated Fresh, MULO, 4 weeks ending 5/15/22



# Organic versus conventional mushrooms sales

The organic share of mushroom dollar sales reached 12.7%

4 WE 5/15/2022 | Share of total mushroom sales and sales growth %

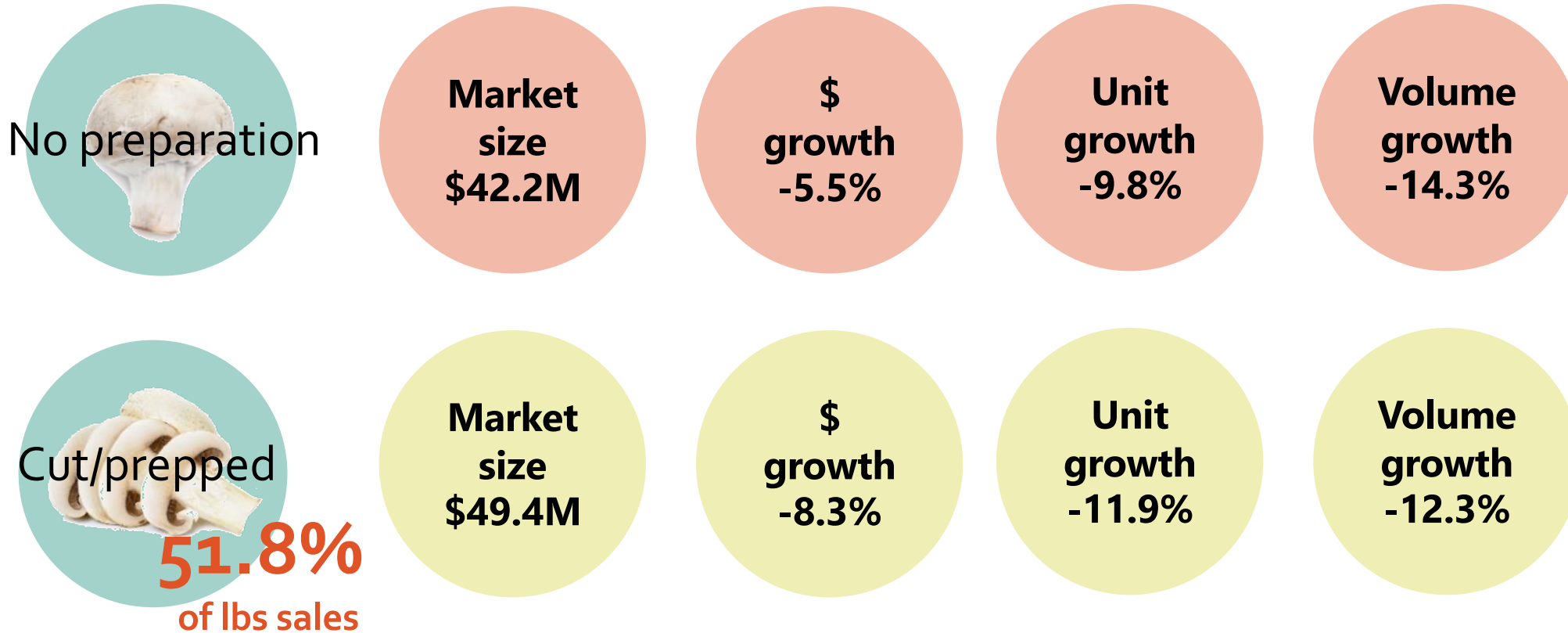


Source: IRI, Integrated Fresh, MULO, 4 weeks ending 5/15/22 compared with year ago

# Cut/prepared versus whole mushrooms

No preparation (whole) had the better performance

4 w.e. 5/15/2022 | Share of total mushroom sales and sales growth %



Source: IRI, Integrated Fresh, MULO, 4 weeks ending 5/15/22 compared with year ago

# Are the declines worrisome? Share of quad weeks to total – we are entering a natural dip

Pounds	4 Weeks Ending 01-29-17	4 Weeks Ending 02-26- 17	4 Weeks Ending 03-26-17	4 Weeks Ending 04-23-17	4 Weeks Ending 05-21-17	4 Weeks Ending 06-18- 17	4 Weeks Ending 07-16- 17	4 Weeks Ending 08-13- 17	4 Weeks Ending 09-10- 17	4 Weeks Ending 10-08- 17	4 Weeks Ending 11-05- 17	4 Weeks Ending 12-03- 17	4 Weeks Ending 12-31- 17
2017	23,727,333	23,193,654	22,821,988	22,292,009	21,446,459	20,916,492	20,419,902	20,114,192	20,424,172	20,685,025	20,953,423	22,778,288	23,411,392
2018	24,451,640	23,318,614	23,131,625	22,802,013	21,777,394	21,562,633	20,435,948	20,091,026	20,503,556	20,632,876	21,049,948	22,975,639	23,013,521
<b>2019</b>	<b>24,763,569</b>	<b>23,046,221</b>	<b>22,621,557</b>	<b>22,447,272</b>	<b>21,079,793</b>	<b>20,830,128</b>	<b>20,094,670</b>	<b>19,751,190</b>	<b>20,137,539</b>	<b>20,296,668</b>	<b>20,482,459</b>	<b>22,960,693</b>	<b>22,578,163</b>
2020	24,447,390	23,309,542	26,042,873	26,905,948	28,168,097	26,198,973	24,889,099	24,258,648	23,928,186	24,055,597	24,177,773	25,768,062	25,963,334
2021	27,527,504	26,592,984	25,177,893	24,504,354	23,857,366	22,760,123	22,009,780	21,243,333	21,572,699	21,656,702	21,785,235	23,514,727	23,455,111
2022	24,504,126	23,660,472	22,886,424	22,382,860	21,043,223								

2017-2019 average	24,314,181	23,186,163	22,858,390	22,513,765	21,434,548	21,103,084	20,316,840	19,985,469	20,355,089	20,538,190	20,828,610	22,904,873	23,001,025
2017-2019 quad													
share of year	8.6%	8.2%	8.1%	7.9%	7.6%	7.4%	7.2%	7.1%	7.2%	7.2%	7.4%	8.1%	8.1%
2019 quad week													
share of year	8.8%	8.2%	8.0%	8.0%	7.5%	7.4%	7.1%	7.0%	7.2%	7.2%	7.3%	8.2%	8.0%

# A look forward: versus prior period

Pound growth rates versus prior period	4 Weeks Ending 01-29-17	4 Weeks Ending 02-26-17	4 Weeks Ending 03-26-17	4 Weeks Ending 04-23-17	4 Weeks Ending 05-21-17	4 Weeks Ending 06-18-17	4 Weeks Ending 07-16-17	4 Weeks Ending 08-13-17	4 Weeks Ending 09-10-17	4 Weeks Ending 10-08-17	4 Weeks Ending 11-05-17	4 Weeks Ending 12-03-17	4 Weeks Ending 12-31-17
2017		-2.2%	-1.6%	-2.3%	-3.8%	-2.5%	-2.4%	-1.5%	1.5%	1.3%	1.3%	8.7%	2.8%
2018	4.4%	-4.6%	-0.8%	-1.4%	-4.5%	-1.0%	-5.2%	-1.7%	2.1%	0.6%	2.0%	9.1%	0.2%
<b>2019</b>	<b>7.6%</b>	<b>-6.9%</b>	<b>-1.8%</b>	<b>-0.8%</b>	<b>-6.1%</b>	<b>-1.2%</b>	<b>-3.5%</b>	<b>-1.7%</b>	<b>2.0%</b>	<b>0.8%</b>	<b>0.9%</b>	<b>12.1%</b>	<b>-1.7%</b>
2020	8.3%	-4.7%	11.7%	3.3%	4.7%	-7.0%	-5.0%	-2.5%	-1.4%	0.5%	0.5%	6.6%	0.8%
2021	6.0%	-3.4%	-5.3%	-2.7%	-2.6%	-4.6%	-3.3%	-3.5%	1.6%	0.4%	0.6%	7.9%	-0.3%
2022	4.5%	-3.4%	-3.3%	-2.2%	-6.0%								

# A look forward: if 2019 is our new/old normal; where may pounds end up?

Pounds	If 2019 share of year	2022 YE pounds would be:	YTD Average
24,504,126	8.8%	278,144,995	282,398,706
23,660,472	8.2%	288,581,821	
22,886,424	8.0%	284,381,106	
22,382,860	8.0%	280,283,334	
21,043,223	7.5%	280,602,273	
20,927,115	7.4%		
20,188,233	7.1%		
19,843,154	7.0%		
20,231,301	7.2%		
20,391,171	7.2%		
20,577,827	7.3%		
23,067,600	8.2%		
22,683,290	8.0%		

## Methodology

- Assume that the quad week shares will be the same as the 2019 build
- Average the year-ends to arrive at a potential year end total pounds
- Calculate what the year-end pounds would be if the quad week shares were the same as 2019
- Forecast the remaining months



# Questions?

## Deck available for download

- Next quad-week data: third week of June
- Call, ping any time with additional questions
- Send pics
- Stay in touch!
  - aroerink@210analytics.com
  - 210.485.4552
  - Find me on LinkedIn

Thank you!