



INFLATION'S IMPACT

Consumers and Their Expectations: How to Meet Their Evolving Needs

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Two Years of the Global Pandemic and Many CPG Shifts Are Likely to Continue in 2022 and 2023



1. Increased At-Home Consumption
2. Demand for Self-Care, Preventative Nutrition and At-Home Convenience
3. Premiumization Due to Hybrid and Remote Work
4. Gen Z and Millennial Household Formation
5. Population Shifts to Suburbs, South and West
6. Shift to Digital Grocery, .com and Club Channels
7. Supply Constraints and Reduced Variety
8. High Inflation and Fewer Promotions



Source: IRI Client Engagement
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Shoppers Are Concerned About Prices and Are Changing Their Behavior



- 95%** The % of shoppers who rate their current financial situation **less than excellent**
- 94%** Will **eat more at home** as much or as often in next 6 months vs prior, now due to inflation, more so than COVID-19
- 85%** Noticed higher **Chicken** prices vs. January 2022
- 40%** Plan to **cut back on restaurant** purchases, including fast food, casual, fine dining and takeout

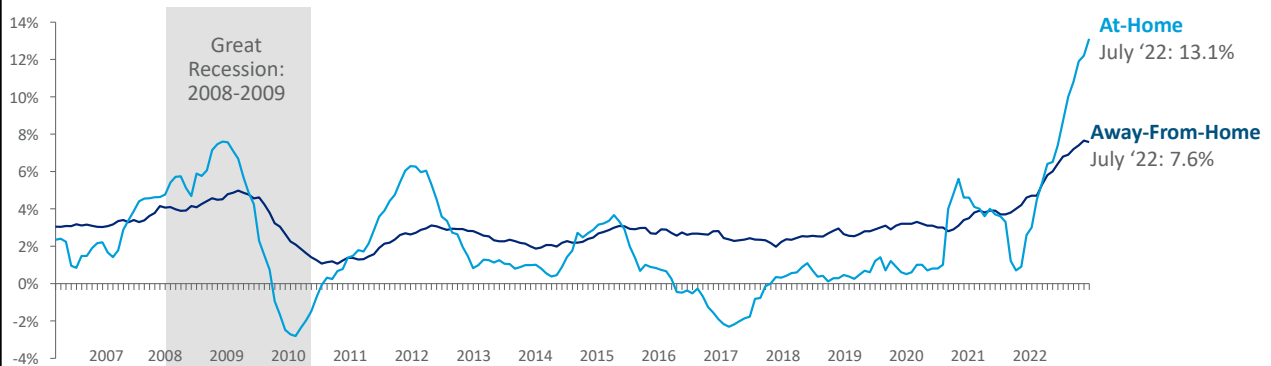


Sources: IRI Chicken Marketing Summit survey July 2022
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Food Inflation Exceeds Levels Reached During the Great Recession; Food At-Home Inflation Tops Food Away-From-Home

Monthly F&B Price Inflation / CPI, % Change vs. YA



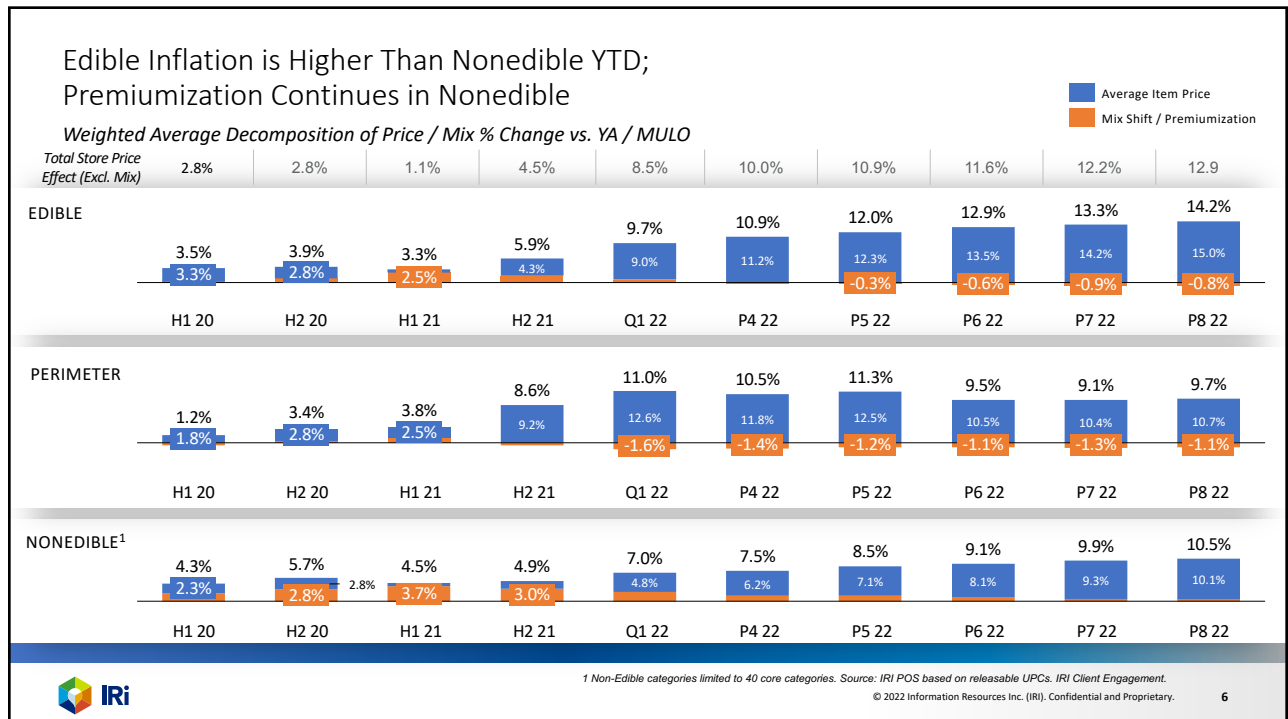
Source: BLS data ending July 2022.
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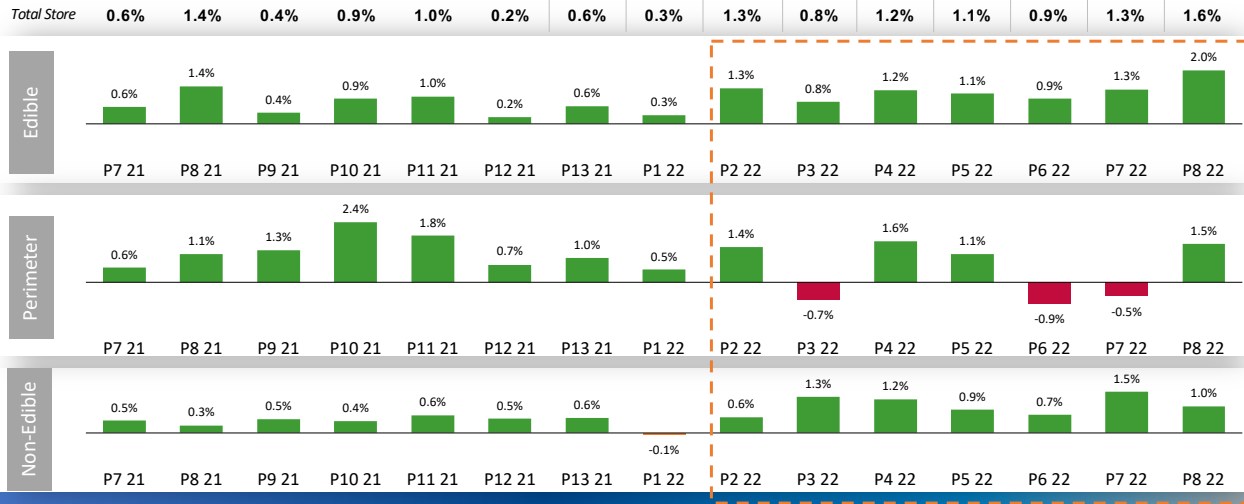
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Period over period edible and non-edible price inflation has been consistently high starting February 2022

Price per Volume Change vs. Prior Period / MULO (excludes Mix effect)



1 Non-Edible categories limited to 40 core categories. Source: IRI POS based on releasable UPCs. IRI Client Engagement. © 2022 Information Resources Inc. (IRI). Confidential and Proprietary.

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Low-Income Households, Which Drove a Greater Percentage of Retail F&B Growth in 2021, Are Pulling Back on Purchases as Inflation Increases

Income Cohort Contribution to Retail F&B (Including Fresh) Dollar Growth

Greater than Fair Share (Green) Less than Fair Share (Red)

	% of F&B Sales, L26W	2020			2021			L26W 2022		
		\$ % Cont. to Growth	Fair Share Index	\$ % Change vs. YA	\$ % Cont. to Growth	Fair Share Index	\$ % Change vs. YA	\$ % Cont. to Growth	Fair Share Index	\$ % Change vs. YA
LOW	24%	22	89	12%	55	232	8%	25	103	8%
MIDDLE	38%	35	95	12%	29	76	2%	44	114	9%
HIGH	38%	43	112	15%	16	42	1%	31	83	7%
TOTAL	100%	100	-	13%	100	-	3%	100	-	8%

Stores in low-income areas see greater deceleration than stores in higher income areas in fresh seafood, pricier meat and snacks, and strongest trends in fresh produce, dairy, shelf-stable ingredients and alcohol.

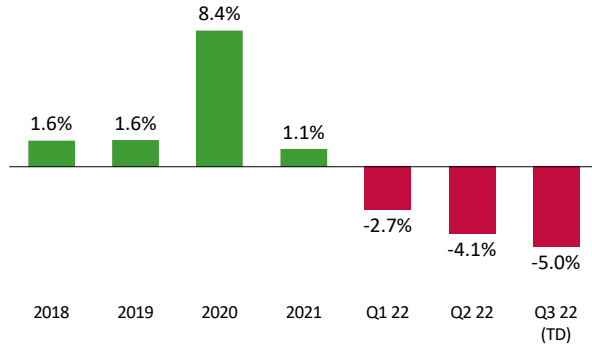
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In a shift from performance over past 4 years, low income stores feeling more of the effect most of shoppers being stretched and cutting back on CPG consumption

% Change in CPG Volume Sales vs YA for Low Income Stores

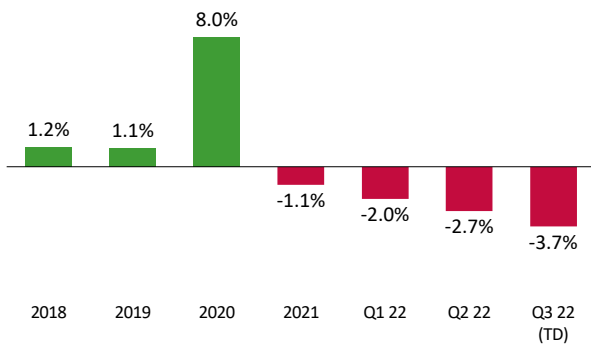
Low Income stores experienced CPG sales volume growth in last 4 years until Q1 this year

YoY CPG volume sales change vs YA for Low Income Stores



Low income stores outperformed all stores up until Q1 this year when inflation began to have an impact

YoY CPG volume sales change vs YA for All Stores



Note: Volume change done at a category level and then dollar weighted up top get to total CPG volume change; Source: IRI Store level POS data ending 8/7/22

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Other highly promoted categories are reverting to 2019 investment & lift levels; Our categories seeing less volume lift recovery

Promo Trends for P7 2022 vs P7 2019 / Top Promo Categories / Grocery Channel

Category	% Dollars on Merch		Promo Depth		% Volume Lift	
	P7 22	Index to 2019	P7 22	Index to 2019	P7 22	Index to 2019
Yogurt	23.5%	73	22.4%	116	51.8%	106
Fz Pizza	25.9%	61	20.9%	97	92.0%	103
Ice Cream	54.8%	97	25.9%	91	92.9%	93
Soup	9.0%	82	22.4%	89	77.9%	92
Cold Cereal	40.6%	99	30.6%	107	95.6%	92
Rfg. Meat	39.7%	97	22.9%	99	65.3%	79
Bkfst. meats	47.4%	100	25.3%	100	107.9%	77
Natural Cheese	33.9%	82	21.1%	87	76.3%	75
Bottled Water	45.5%	86	14.7%	77	41.8%	75
Coffee	38.7%	87	21.6%	87	100.3%	72
Crackers	49.8%	92	15.0%	74	51.7%	69
Salty Snacks	55.1%	92	15.0%	68	60.9%	68
Fz Dinners	14.2%	49	17.2%	91	43.2%	68
Snack Bars	22.6%	62	20.9%	82	59.8%	65
Cookies	40.9%	84	13.7%	77	38.4%	63
Rfg. Juices/Drinks	29.2%	73	19.3%	83	33.0%	59
CSD	62.5%	95	20.5%	80	65.0%	58
Chocolate Candy	35.9%	89	14.7%	78	49.7%	57
SS RTD Tea/Coffee	36.1%	68	16.0%	75	13.1%	40
Sports Drinks	52.4%	77	14.2%	63	17.4%	26

Note: Index vs. same time period in 2019. Lift calculated is % increase in volume on Any Merch. Frequency as % of dollar sales sold on Any Merch. Depth as % price reduction on Any Merchandising condition. Source: IRI POS data ending 7/10/22. IRI Executive Insights.

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Growth of Premium Products Ease as Consumers Shift to Mainstream and Value Products

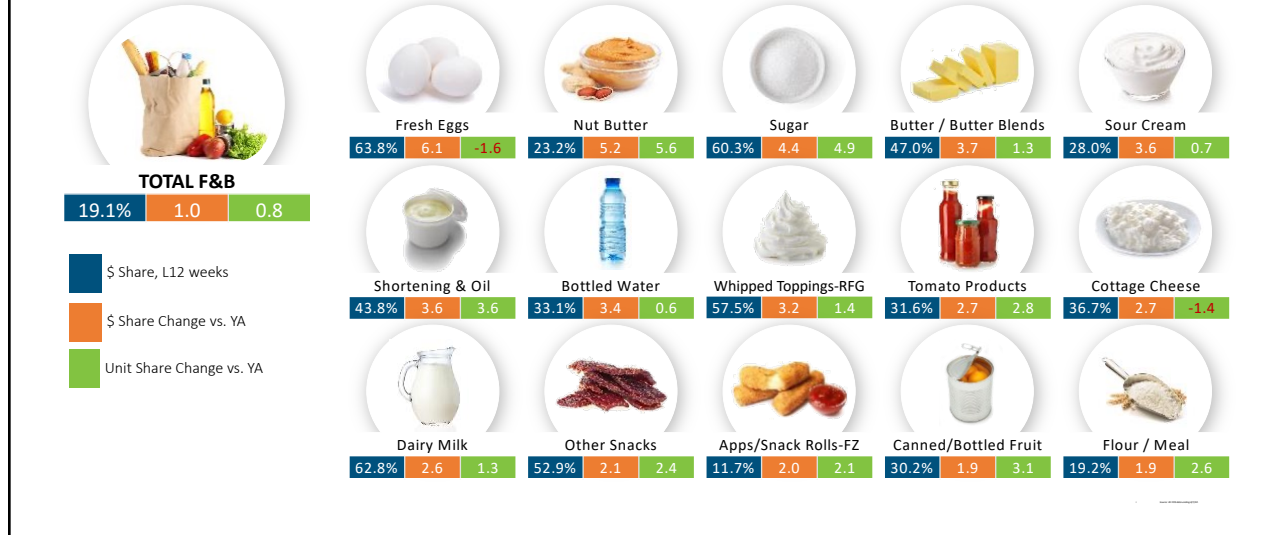
Coming into 2022, growth of premium brands accelerated as consumers sought **more premium experiences at home**.

Changes in Price Tiers Share of F&B Categories / MULO \$ Ppt. Change vs. YA											
Brand Price Tier	% of Branded Sales	\$ Share of Branded Sales, Ppt. Change vs. YA									
		2019	2020	2021	12WE 3/20/22	4 WE 4/17/22	4 WE 5/15/22	4 WE 6/12/22	4 WE 7/10/22	4 WE 8/7/22	
Excluding Private Label											
Premium	24.1%	0.9	0.9	1.0	0.2	-0.2	-0.2	-0.4	-0.5	-0.5	▼
Mainstream	64.1%	-0.4	-0.2	0.1	0.4	0.5	0.4	0.5	0.5	0.5	▲
Value	11.8%	-0.5	-0.7	-1.1	-0.5	-0.2%	-0.1	-0.1	0.0	0.0	▲
Private Label (All Price Tiers) – Percentage Dollar Share of Total Sales											
	19.2%	0.2	-0.1	-0.4	0.1	0.8	0.8	1.1	1.1	1.0	▲

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Private Label Gains Ground, Especially in Categories Where It Has Traditionally Done Well

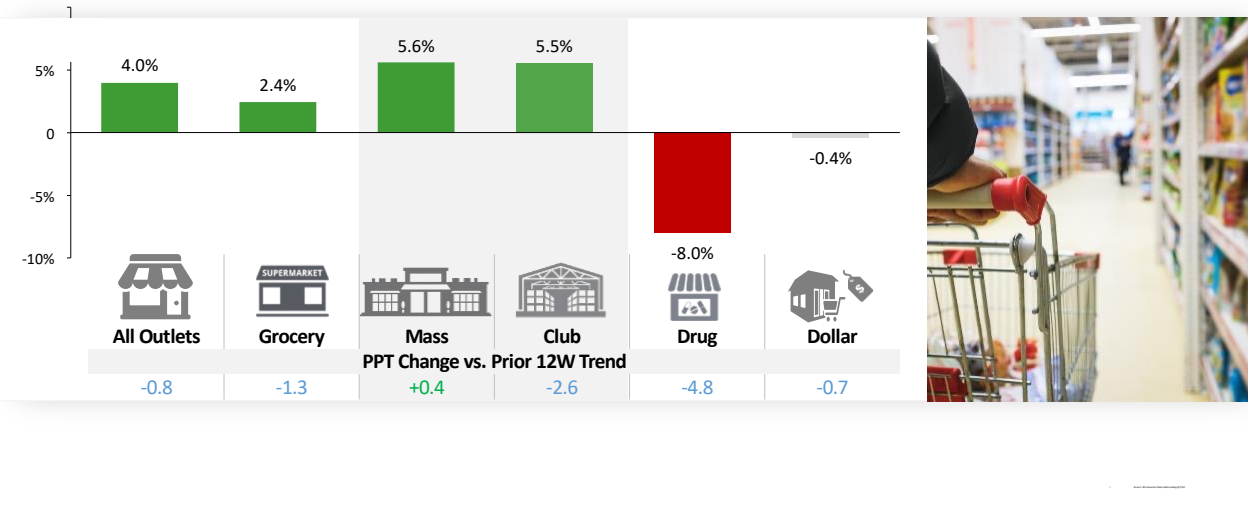
Retail F&B Categories with Greatest Private Label Share Change, Among Top 100 Largest Packaged F&B Categories



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Consumers Shift to Mass Formats for Value in Retail F&B

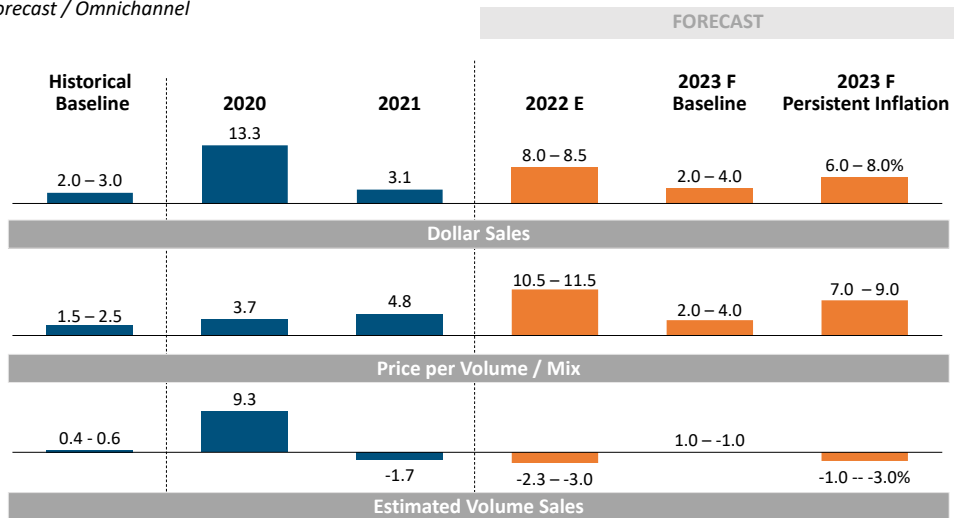
Retail F&B (Including Fresh) Trips by Channel / L12W % Change vs. YA



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Retail F&B Likely to Grow More Due to Cost Advantages Over Foodservice Creating Greater Volume Resiliency

Retail F&B Forecast / Omnichannel



* Note: Forecasts based on IRI data and perspectives as of Aug '22. Economic scenarios as forecast by Moody's. Omnichannel includes all retail channels, including e-commerce. Historical baseline based on 2010-2019; Source: IRI.

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Ongoing Inflation Will Drive Increasing Reactivity to Price, Increasing Promotions and More Granular Revenue Management


Impact of Prolonged High Inflation on CPG Market

- **Promotion will begin to normalize** as supply challenges stabilize in to 2023; manufacturers and retailers should **prioritize frequency over depth**
- **Elasticity will pick up further** as promotions return and consumers adapt buying habits
- **Value channels** will accelerate, increasing **retailer pricing competition**
- Smart manufacturers will continue to **prioritize revenue management**
- Even greater need for **granular data assets and real-time monitoring** to maximize price / mix and volume opportunity
- Focus and competition on valuable **omni shoppers**

Source: IRI Client Engagement.
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Inflation's Impact on Poultry



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Dollar sales continue to be strong as consumer demand at retail has a strong floor. Volume shifts are very different across proteins.

Core Proteins	Dollar Sales (in \$MM)	% Change vs. YA	% Change vs. 2YA	% Change vs. 3YA
Beef	\$30,748	3.4%	6.3%	26.3%
Chicken	\$14,886	12.0%	13.3%	27.7%
Pork	\$7,303	5.1%	4.1%	20.9%
Turkey	\$2,822	6.0%	4.9%	15.4%

Core Proteins	Volume Sales (in MM pounds)	% Change vs. YA	% Change vs. 2YA	% Change vs. 3YA
Beef	5,090	-5.9%	-7.1%	1.3%
Chicken	5,166	-2.2%	-5.2%	2.8%
Pork	2,281	-3.8%	-8.4%	0.3%
Turkey	1,174	-3.4%	-6.2%	-2.7%

- Work from home and an increased focus on cooking are driving demand
- Most proteins are still higher than pre-pandemic



IRI Integrated Fresh MA Database – Latest 52 Weeks Ending 09/04/22
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Chicken cuts sales are strong across the board. Wings and thighs continue to power chicken sales overall and are powering increases over the last 3 years

Total Chicken & Top Cuts	Dollar Sales (in \$MM)	% Change vs. YA	% Change vs. 2YA	% Change vs. 3YA
Total Chicken	\$14,886	12.0%	13.3%	27.7%
Chicken Breast	\$8,565	9.7%	10.2%	22.5%
Chicken Thighs	\$2,185	18.4%	23.7%	44.6%
Chicken Wings	\$1,512	17.1%	33.0%	60.2%
Chicken Legs	\$1,085	17.2%	4.7%	17.9%
Whole Bird	\$766	6.3%	-1.4%	10.2%






Total Chicken & Top Cuts	Volume Sales (in MM pounds)	% Change vs. YA	% Change vs. 2YA	% Change vs. 3YA
Total Chicken	5,166	-2.2%	-5.2%	2.8%
Chicken Breast	2,265	-5.4%	-6.9%	-0.9%
Chicken Thighs	881	1.8%	3.8%	16.6%
Chicken Wings	408	-1.2%	2.6%	18.9%
Chicken Legs	836	3.0%	-9.5%	-1.3%
Whole Bird	498	-5.1%	-13.9%	-7.5%

- Wings and Thighs continue their superstar results
- Whole Bird has consistently been the weakest performer



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Price increases impacted all protein categories

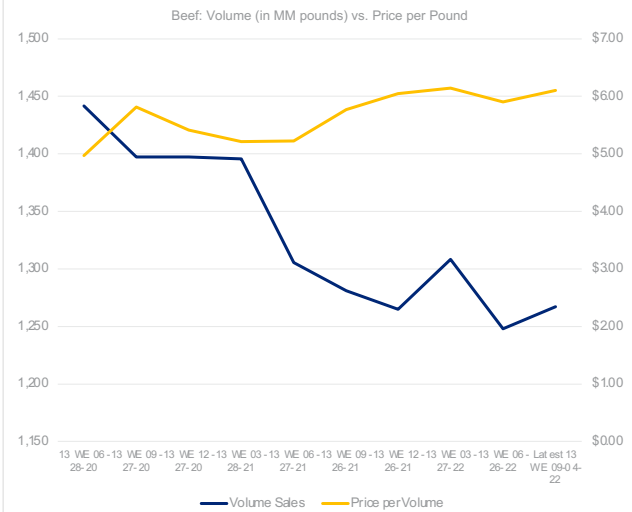
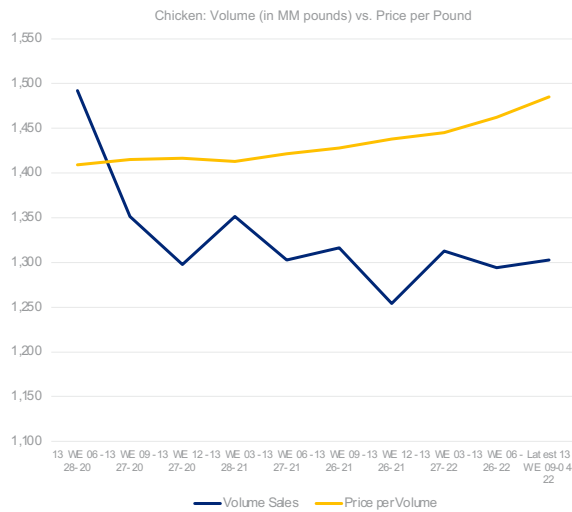
Two Year Performance for Select Proteins					
Price per Volume % Change vs YA	14.5%	9.9%	9.3%	11.2%	14.2%
Price per Volume % Change vs 2 YA	19.6%	14.4%	13.7%	12.9%	18.6%
Dollar Sales % Change vs YA	12.0%	3.4%	5.1%	7.7%	7.4%
Dollar Sales % Change vs 2 YA	13.3%	6.3%	4.1%	2.5%	6.3%
Volume Sales % Change vs YA	-2.2%	-5.9%	-3.8%	-3.1%	-5.9%
Volume Sales % Change vs 2 YA	-5.2%	-7.1%	-8.4%	-9.2%	-10.3%

Legend: ■ Highest ■ Lowest

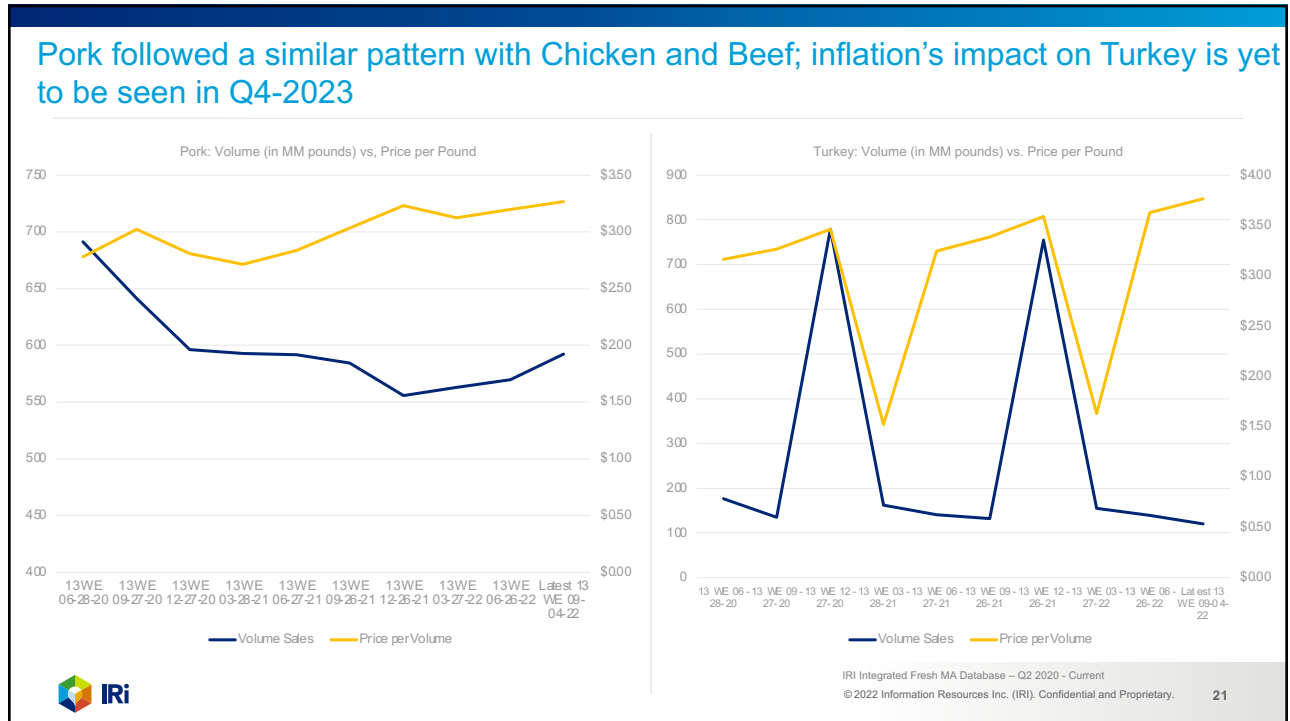


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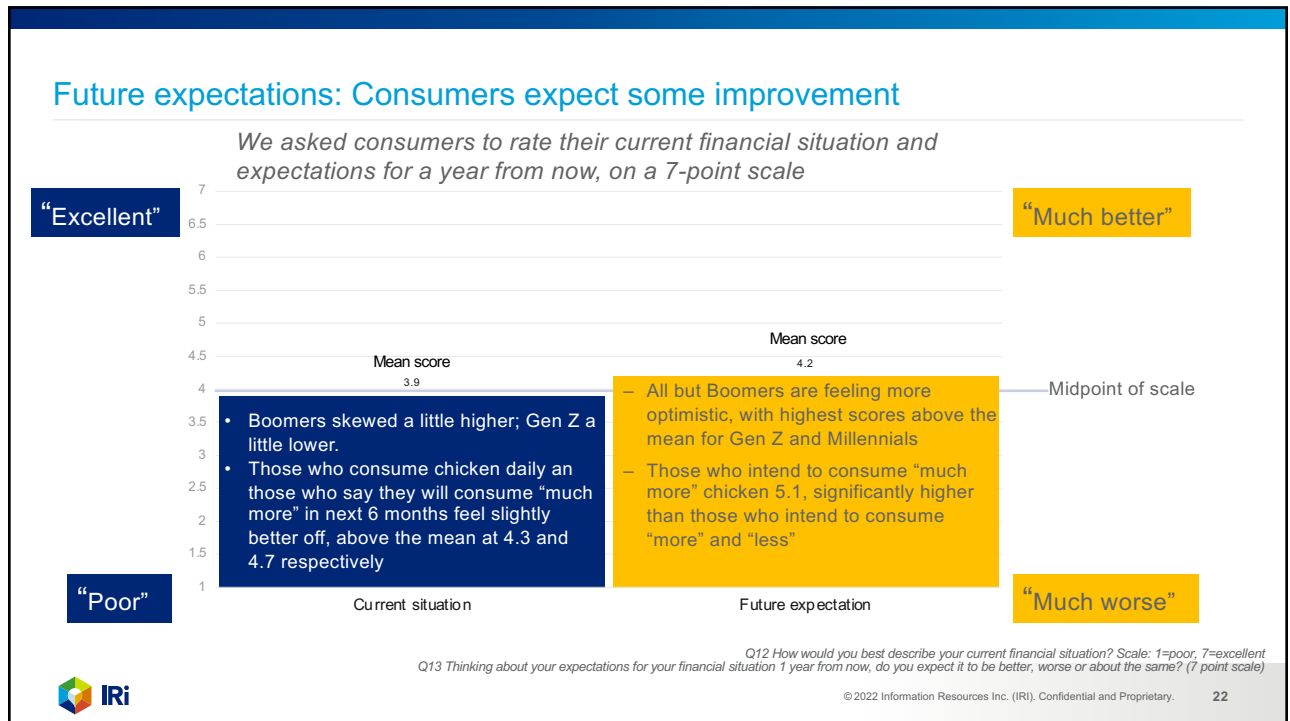
Increasing prices put pressure on volume sales for all proteins, the impact on Beef has been the most severe in the last 5 quarters



IRI Integrated Fresh MA Database – Q2 2020 - Current
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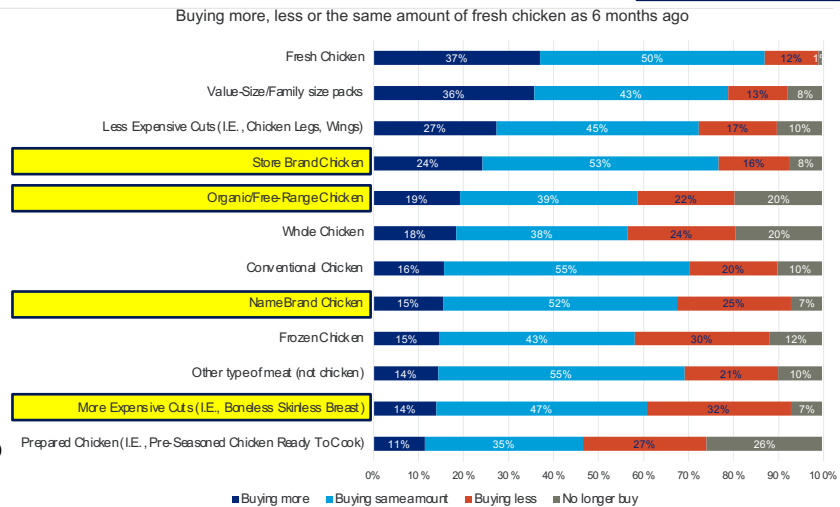
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Consumers are eating more chicken, more often in past 6 months, but trading-down

- 99% said they eat meals made with fresh chicken more than once a month¹ vs 96% in 2021
- 88% more than once a week¹
- Healthy choice, versatile, value for price are top drivers²
- 87% buying more or the same amount of fresh chicken now compared to 6 months ago³



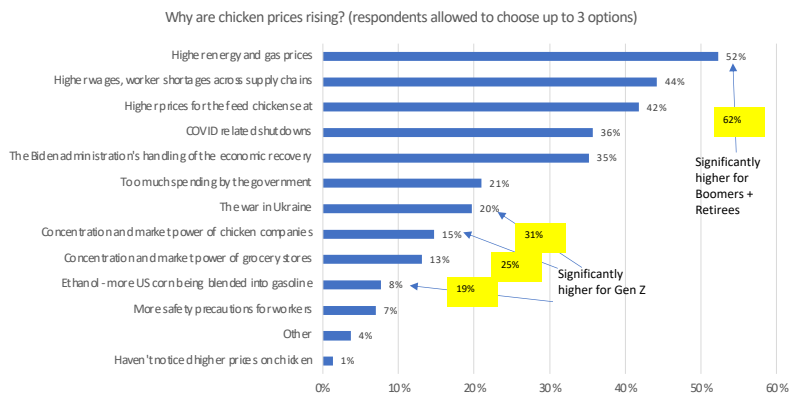
¹ Q1 How often do you/your household consume dishes/meals made from fresh chicken?
² Q1 What has motivated you to buy fresh chicken over the past 6 months?
³ Q3 Which of the following are you buying more, the same or less than you did 6 months ago?



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Consumers are aware of rising prices

85% recognize that chicken prices are higher than at the start of the year¹, citing higher prices of fuel, higher wages for workers, higher prices for chicken feed²



¹ CP1 Thinking about the prices you have paid for fresh chicken in the past 6 months, do they generally seem higher, lower or about the same as at the start of this year?
² CP2 Why in your opinion are chicken prices rising? (Select top 3 reasons)



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Yet, chicken is still a mealtime staple

Chicken remains “center of the plate” for 53%¹

- 59% are preparing recipes with chicken and other ingredients (trading down from purchasing prepared chicken)
- 32% are using chicken to make soup
- 29% are roasting whole chicken – 43% for Gen Z
- While 24% say they are eating less meat in general, that number is significantly lower for Gen Z (15%) and Millennials (20%)



More important now vs last year²:

- Overall price
- Price per pound
- Fresh
- Value-size/family pack
- ABF (more so for Millennials)

These even more so for Gen X

Less important now vs last year:

- Frozen
- Brand name
- Organic/Free range
- Individual portions (except for Boomers)

These even more so for Boomers



¹ Q6 Thinking about preparing and serving chicken dishes, which of the following, if any, have you been doing more in the past 6 months? (Select all that apply)
² Q2 Still thinking about purchasing fresh chicken, which of the following have become more important to you now vs last year?



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85% will consume more or same amount of fresh chicken at home in next 6-12 months

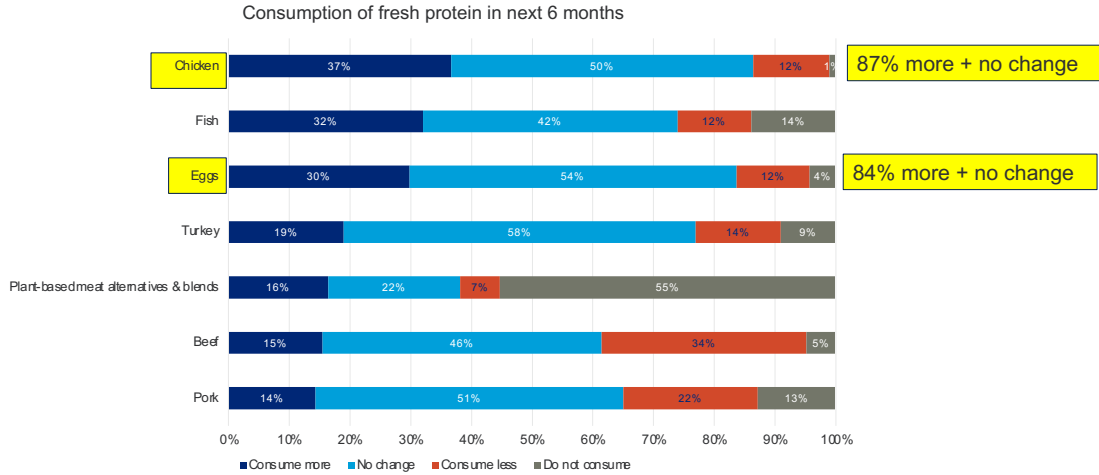
- 33% anticipate they will eat more fresh chicken
 - “healthier than other protein”
 - “better value for the money than other protein types”
 - “plan to eat at home more to save money.”
- Those planning to eat less fresh chicken say they are planning to eat less meat in general

Q9 Thinking about the next 6 to 12 months, how, if at all, do you anticipate your fresh chicken consumption at home will change? Q9A Why?



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Chicken, eggs are top protein choices for next 6 months



Q10 Which of the following fresh protein types do you plan to consume in the next 6 months?

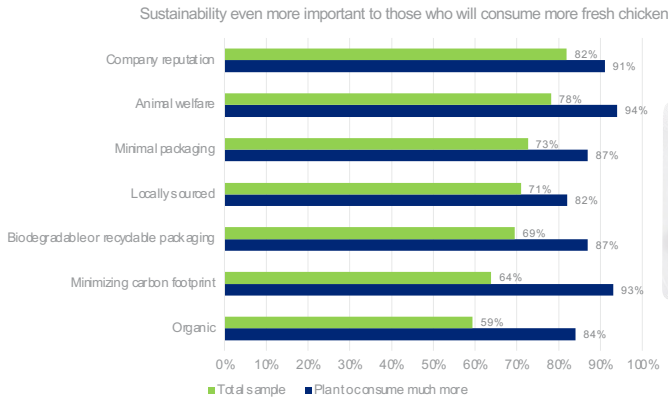


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Adding Value

Communicate sustainability benefits/features in simple language that consumers can grasp quickly, easily.



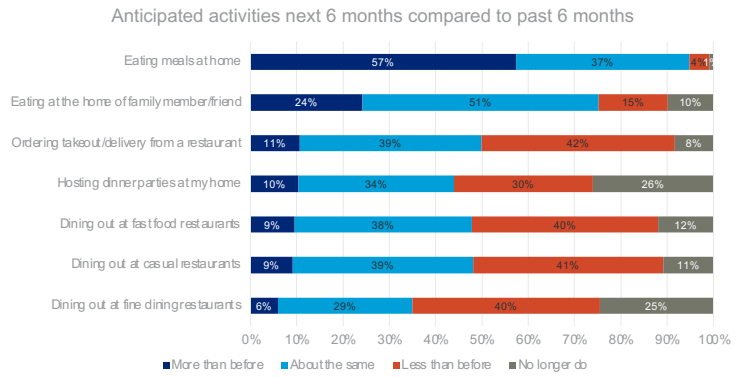
ST1. Apart from value for price, how important are the following sustainability benefits when buying fresh chicken? (Very important, somewhat important responses combined)

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Where we'll be eating

- More anticipate eating at home than during past 6 months.
- While restaurant menu prices are not rising at same rate as retail food prices, 8 in 10 consumers say they are eating out less often due to inflation
- Trading down: fine dining restaurants hit the hardest, fast & casual seeing a comeback
- “About the same” reflects convenience with takeout & delivery with online ordering, apps – along with healthy choices, smaller portions



Q11 Thinking about the next 6 months, do you anticipate participating in these activities more or less than in the past 6 months?
<https://morningconsult.com/2022/06/21/inflation-has-consumers-cutting-back-on-dining-and-meal/>



Thank You!

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