

INDUSTRY UPDATE

What's Happening?

GROWERS

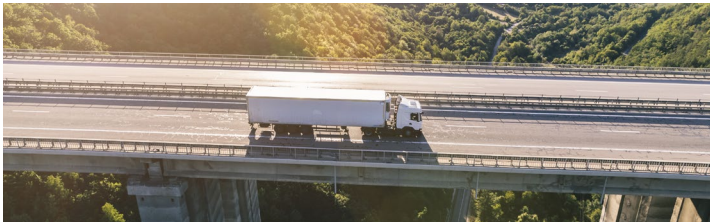


- In January, the Salinas Valley saw excessive rainfall
 - Since the rain hit early enough, most shippers were able to plant additional acreage in Yuma to fill any gaps and extend the Yuma season, however some crops and growers will be affected
 - Many items that have a much shorter growth cycle, like tender leaf items, had not yet been planted
- The extended Yuma season means the Salinas season is starting later this year
- As of mid-March, there was Moderate to Major flooding in Central California, which includes the Salinas Valley. This could significantly affect the Spring crops that had already been planted and will also affect fields that were ready to be planted

Transition to Salinas (Spring 2023)

Major growers / shippers will be moving from Yuma to Salinas towards the middle of April. Supply gaps, quality issues and escalated pricing are typical of Transition.

DISTRIBUTION



- **Equipment**
 - Still seeing challenges in getting new trucks, forklifts, and pallet jacks
 - Equipment now starting to arrive at distributors, but slowly
- **Market Conditions**
 - Supplies and pricing in April – May on broccoli, cauliflower, celery and all lettuces will be affected due to the excessive rains and flooding in Salinas
- **Fuel**
 - Fuel pricing continues to fluctuate due to seasonal changes and demand
- **Labor**
 - More applicant flow but overall quality of applicants has changed
 - More workers are needed to get the job done

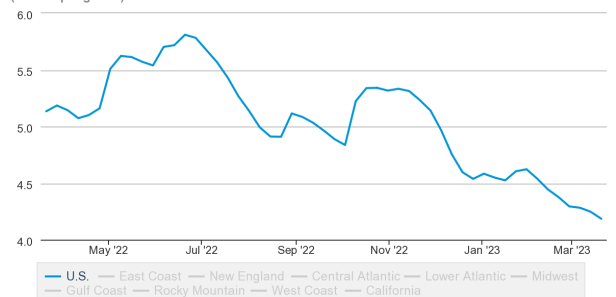
TRUCKING



- National freight rates forecasted to stabilize through Q1 and Q2
- Concerns of recession are reducing demand in the national freight market
- Oil prices are stabilizing and slowly dropped through January 2023, reducing fuel surcharge
- California and Texas, 2 major produce shipping points, had very tight truck capacity over the past 30 days. These 2 regions continue to see tighter markets and elevated rates compared to the national average

On-Highway Diesel Fuel Prices

(dollars per gallon)



Data source: U.S. Energy Information Administration



TRENDS

In The Restaurants

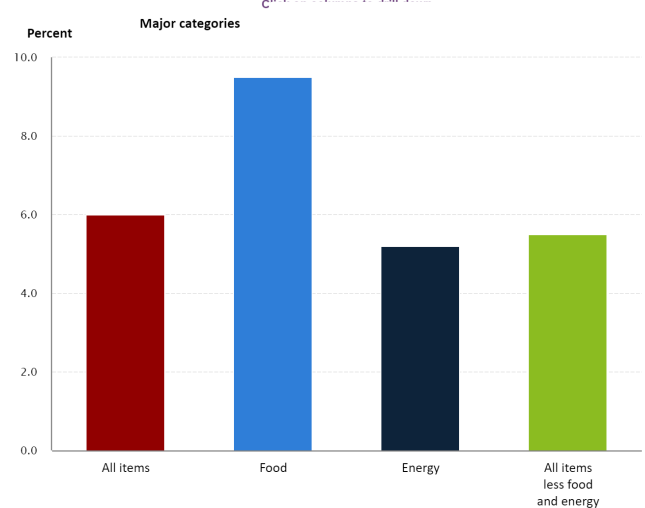
- **Employment**
 - Restaurants added 98,600 jobs in January, marking the 25th consecutive month of employment gains
 - Restaurants are closer to reaching pre-pandemic employment levels
- **Consumer Spending**
 - Restaurants registered total sales of \$95.5 billion in January, up from \$89 billion in November and December of 2022
 - The annual inflation rate was 6.4% in January, from 6.5% in December 2022
- **Menu Prices & Food Costs**
 - Wholesale food prices were up 11.5% in the last 12 months
 - Menu prices increased 8.2% in the last 12 months



RISING COSTS

- 92% of operators say food cost continues to be a significant issue
- In January, the Consumer Price Index (CPI) increased 0.5%
 - Food CPI increased 0.5%
 - Energy CPI increased 2%
- In February, the CPI increased 0.4%
 - Food CPI increased 0.4%
 - Energy CPI decreased 0.6%
 - Fuel oil index decreased

12-month percentage change, Consumer Price Index, selected categories, February 2023, not seasonally adjusted



PROJECTIONS

- The Foodservice industry is forecasted to reach \$997B in sales in 2023
- The Foodservice industry is projected to grow by 500,000 jobs by the end of 2023
- Expect high costs, high menu prices, and intense competition
- The industry will continue to adopt a “new normal” which includes:
 - Expanded delivery services
 - Outdoor dining
 - To-go alcohol options
 - Investments in technology
 - More drive-thru lanes
 - Off premise only locations
 - Streamlined menus

