

INDUSTRY UPDATE

Top Commodities Purchased in 2022

- Chopped Romaine
- Blueberries
- Strawberries
- Shredded Lettuce
- Sliced Mushrooms
- Jumbo Yellow Onions
- Bananas
- 5x6 Tomatoes
- Celery Sticks
- Basil



Top Non-Produce Items Purchased in 2022

- Milk Chocolate
- Beef
- Milk
- Queso Fresco
- Tortilla Chips
- Coal
- Buttermilk
- Brioche Buns
- Lemonade Mix
- Eggs

2022 in Review: Produce Alliance

PA's Partnership with COPIA



Copia is an easy-to-use app that reduces waste and ensures every donation is matched with a nonprofit in need. Surplus food happens. They allows businesses to safely donate their excess food, access enhanced tax deductions, and receive powerful data to inform food purchasing decisions.

2022 Dairy Program

In 2022, Produce Alliance streamlined our dairy program



- Produce Alliance distributors work with multiple local and regional dairy providers with the highest level of food safety standards and quality
- Suppliers include Dannon, DFA, Deans, Organic Valley, Prairie Farms, Borden Hood and Fairlife (to name a few)
- PA distributors carry a comprehensive list of dairy products made to fit business needs
 - Milk, cream, cultured products, sour cream, cottage cheese
- Program managed monthly to ensure competitive pricing
- Dairy delivered on the same truck as produce

Grab & Go Options

- Offering national coverage of Grab & Go
- Private label options
- Custom distribution for optimal shelf life
- Excellent option for staff meals



INDUSTRY UPDATE

2022 in Review: Our Grower & Distribution Network

Taylor Farms New Production Facility



In April 2022, Taylor Farm's Abbott Street production facility in Salinas caught fire. Taylor Farms is in the process of rebuilding. They will be ready to open their new state-of-the-art production facility, with a focus on automation, in Spring of 2023.

Duda Farms Helping Starving Manatees



In 2022 and continued into 2023, Duda Farms will be growing iceberg lettuce in Florida to feed the starving manatee population until their feeding environment is restored.

California Water Supply



The water supply in California is one of the biggest challenges our grower partners face. California has seen unprecedented drought conditions in 2022. Because of this, our grower partners are hit with water restrictions, which can impact supply. The Central Valley of California, where corn, carrots, tomatoes, fruit, and melons are grown, is most affected by the drought.

Distributor Challenges

- **Equipment:** shortage of equipment and access of trucks and forklifts
- **Market Conditions:** Distributors had to manage inventory levels through shortages, low yields and prorates from growers in 2022
- **Labor shortages** still an ongoing challenge
 - Plus, growers are having to pay more for labor – up 7% from 2021

INDUSTRY UPDATE

2022 in Review: Our Industry Industry & Restaurant Challenges

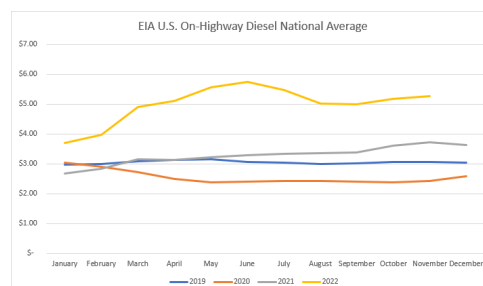
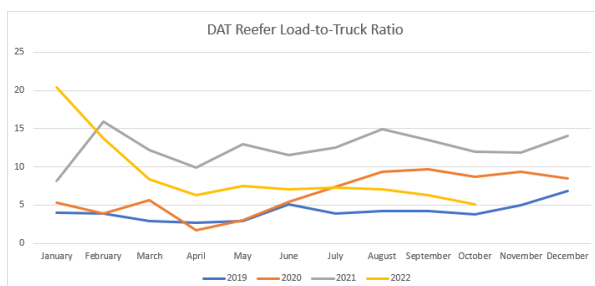
- **Employment**
 - In September 2022, there were 153M jobs with an unemployment rate of 3.5%
- **Rising Costs**
 - Interest rates trended higher
 - Inflation squeezed budgets
 - Higher energy prices
 - Higher food costs
 - CPI increased 7.7% from October 2021 to October 2022
- **Sales / Spending**
 - Restaurant sales recovered at \$86.2 billion in August of 2022
 - Consumer spending went up 17.1% from pre-Covid levels
 - Largely driven by inflation
 - Household net worth was down 6% in Q2

Market Challenges

- We saw less acreage planted in some regions due to inflationary pressure on farming inputs
 - Rising fuel
 - Labor costs
 - Packaging, water and fertilizer cost increases
- In Q1, avocado imports resumed after a week-long suspension
- In Q2, record temperatures in the East caused Florida to wrap up its tomato season early
- In Q3, excessive heat in California impacted commodities and the potato market was Extreme
- In Q4, we saw the effects of the INSV virus in leafy greens, tight supply of leafy green varieties and escalated pricing
- In Q4, we transitioned from Salinas to Yuma
 - Frost delays and freezing temperatures are impacting commodities
- We continue to see the entire tomato and mixed vegetable category crossing through Otay remain short due to weather impacts and virus

Freight / Fuel Impact

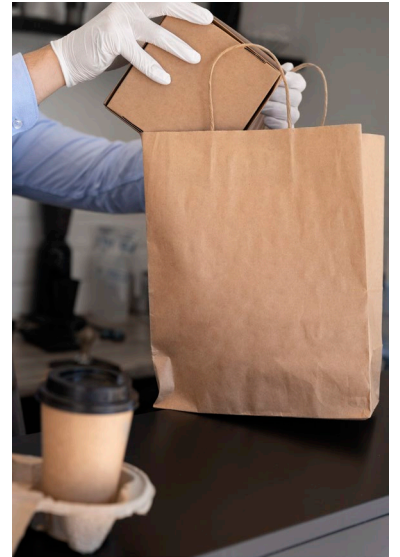
- DAT reefer load to truck ratio has steadily declined this year almost to pre-COVID levels
 - The decline in demand has driven the national reefer average base cost per mile from \$3.01/mile in November 2021 to \$2.06/mile in November 2022
 - However, the increase in fuel cost has offset almost 30% of those savings
- Diesel cost increased 41% from November 2021 to November 2022
- In December, the President signed a bill to end the possible railroad strike that loomed throughout 2022



INDUSTRY UPDATE

Industry Trends & Projections for 2023

- Consumer behavior will be affected by inflation and entering a recession
 - Consumers will pay more for what matters to them
 - Consumers will reduce restaurant visits to save money
 - Order less appetizers or desserts when out
 - Off premise restaurant use will dominate
- Operators will continue to struggle with labor
 - Prepared or partially prepared products will gain importance
 - More versatile ingredients will be used
- Operators will source closer to home
- Sustainability efforts will continue to be important
 - Impacting ingredients, production, packaging, shipping
- Interest / demand for global cuisines will continue to grow
- National chains will continue to utilize ghost kitchens
- High impact sensory experiences in food and beverage will be important
 - Offering an experience with ingredients, plating, presentation
- Due to rising costs, we will see higher contract pricing in 2023



Culinary Forecast for 2023

- **Innovating with produce**
 - Produce in Pasta: spaghetti squash, chickpea pasta, cauliflower gnocchi and zoodles all growing in popularity
- **Nostalgic treats**
 - Consumers continue to enjoy things that remind them of their past
 - Retro products will be reinvented
- **Buying and Dining Local**
- **Commodities on the rise in 2023:**
 - Plantains (made into chips or fries)
 - Jicama (used in salads, tacos, or made into fries)
 - Starfruit (used in smoothies and juices or as a cocktail garnish)
- **Plant forward take on chicken**
 - Buffalo cauliflower has grown 477% across menus over the last 4 years
 - Look for fried mushroom sandwiches, zucchini and carrot patties in the next year



Thank you for your partnership

in 2022! We look forward to working with you in 2023!