

Food and Agribusiness Market Update

Industry Consulting Team | Q3 2023

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Highlights

- The increasing demand for ethnic cuisine in restaurants and grocery channels is a trend here to stay
- Protein and commodity prices continue to show volatility as certain macroeconomic factors determine their future

The Rise of Racial Diversity in the United States is Influencing American Food Culture as Ethnic Cuisines Increase in Popularity

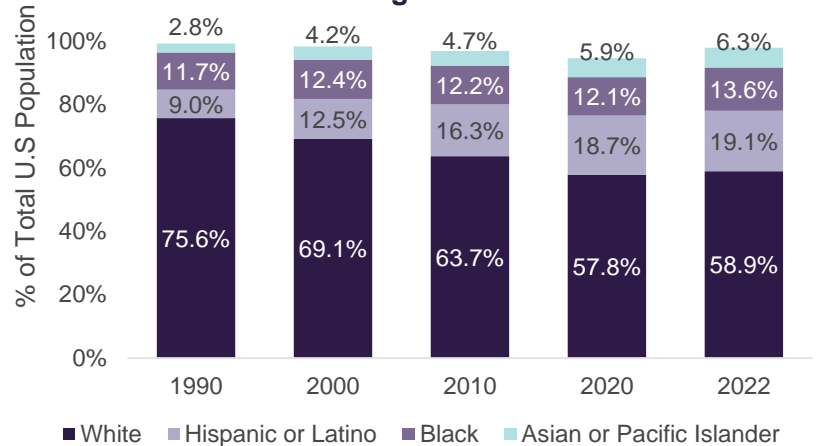
Over the past few decades, the United States has witnessed a significant increase of Latino and Asian populations, which has had a profound impact on the popularity of their ethnic cuisines nationally. The growing populations in these communities have stimulated a demand for their foods in both retail and food service channels.

Multicultural consumers make up the majority population in over 20 of the 25 most populated counties in the U.S. This rapid growth has influenced food preference as Google Statistics revealed that the most searched cuisines are Chinese and Mexican by an overwhelming margin. To keep up with present demand, grocery stores stock an array of ethnic ingredients and culturally-inspired restaurants and fast-food establishments are becoming more prevalent.

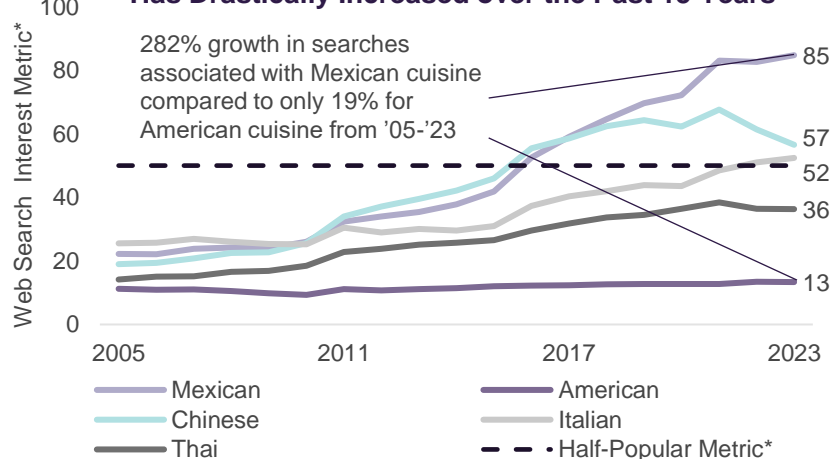
The Hispanic and Asian cuisines market, along with other ethnic foods, will continue to grow as the population influence expands. Over the last ten years, the Mexican restaurant market alone has nearly doubled, and the overall ethnic food market has a bright future with an expected CAGR of 7.08% from now until 2030.

Food manufacturers can create opportunities to grow in the ethnic food market and meet widespread consumer demand by innovating flavors and becoming more versatile with ingredients. For example, a commercial bakery can enter the Hispanic food market by producing tortillas and tortilla chips. By diversifying product lines with ethnic foods, companies can become more competitive in the marketplace as American food culture broadens.

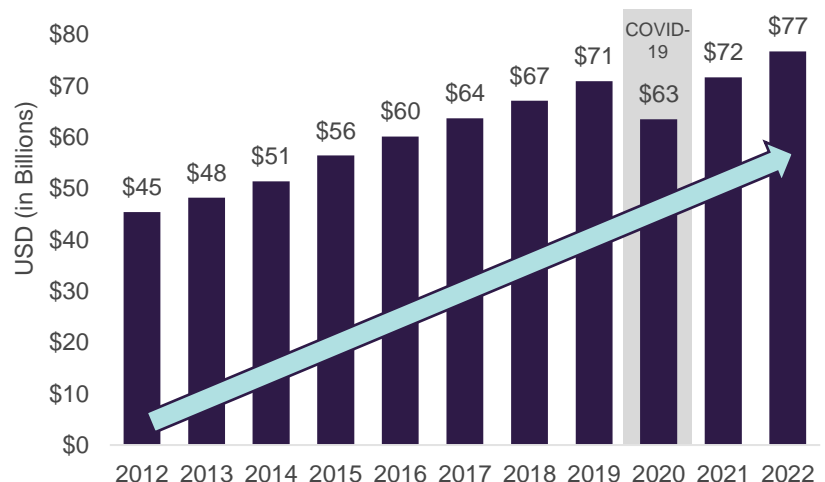
U.S. Census Shows Racial Diversity is Increasing Each Decade



Google Search Activity for Ethnic Food & Drink Has Drastically Increased over the Past 15 Years



U.S. Mexican Restaurant Market Size



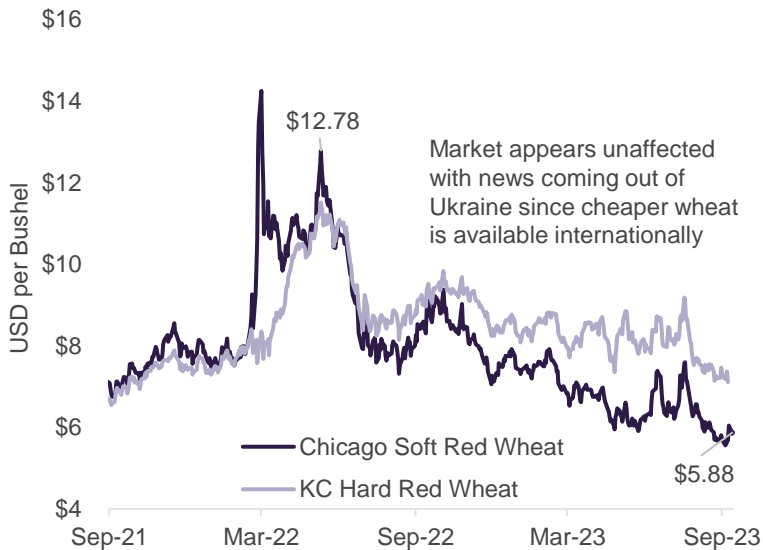
*Per Google: A value of 100 is the peak popularity for the term, 50 means the term is half as popular, and 0 means there was not enough data. These numbers were pulled via Google Trends report filtering for the United States Food & Drink web searches as the words (ex: Mexican) are associated with searches (ex: Mexican food near me, Mexican street corn, etc.). These numbers represented a yearly average based on monthly data points.

Source: U.S. Census, World Population Review, Google Statistics, Fortune Business Insight, Statista

Food and Agribusiness Market Update

Commodity Price Updates:

U.S. Winter Wheat Prices



Wheat Outlook:

- All three classes of wheat (Hard, Soft, & Spring) are pricing at annual lows, creating a need for increased export demand
- European Union is subsidizing shipments out of Ukraine, which pulls the cloud of uncertainty off the region

Corn Futures Dec23



Corn Outlook:

- As drought concerns have abated, corn ratings and outlooks are more positive than the early season forecasts
- Export demand to China remains weak due to cheaper Brazilian corn and low Mississippi River levels that are increasing barge costs

Soybean Prices



Soybean Outlook:

- Recent heat/dry spells in growing regions have negatively impacted yields, however low Mississippi River levels will decrease export demand due to rising freight costs
- Ending stocks-to-use ratio will remain well below its 10-year average if U.S. has lighter yields than expected

Cotton Prices



Cotton Outlook:

- Impaired U.S. exports have continued due to devastating earthquakes in Turkey (that destroyed mills) and low US dollar reserves in Pakistan and Indonesia-Maylasia
- Crop conditions in West Texas hint at a short crop, but unlikely to significantly lift prices due to economic headwinds in China



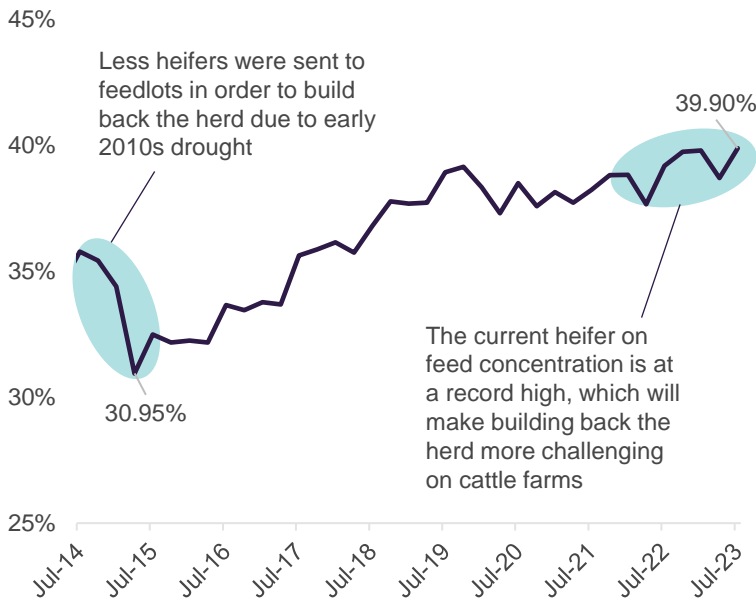
Source: USDA, Bloomberg, Standard Grain, Cotton Grower Magazine, Associated Press

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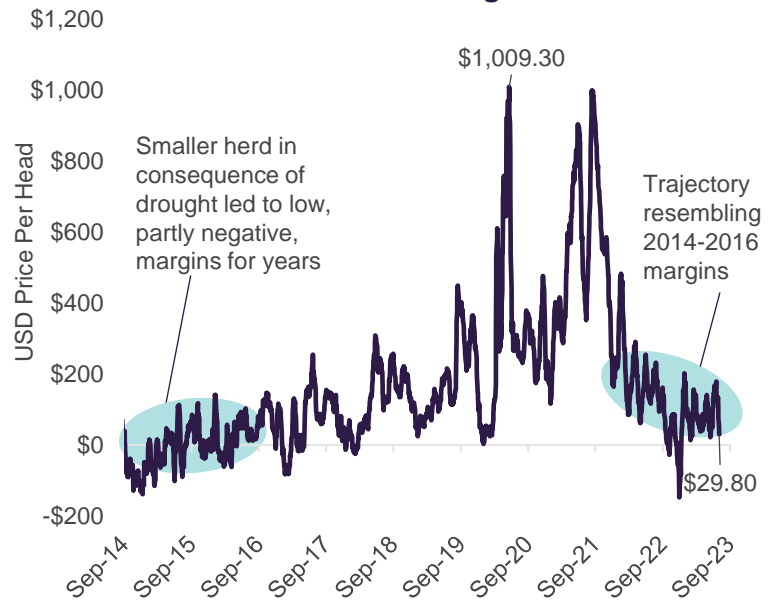
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Protein Processing and Pricing:

Heifers % of Total Cattle on Feedlots



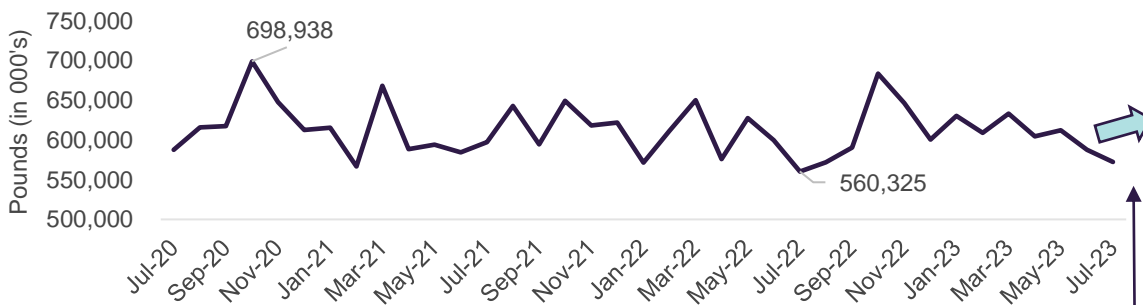
Beef Packer Margin



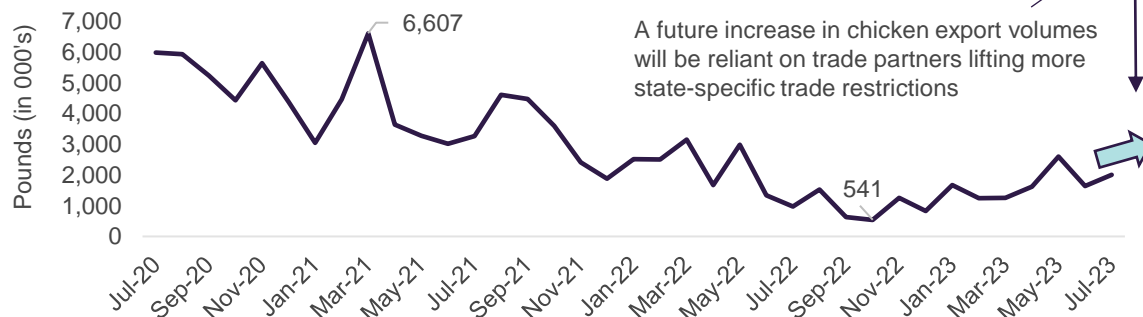
U.S. Beef Industry Outlook:

- We continue to cull on cattle record percentages of heifers as prices remain attractive — with record low cattle numbers and less heifers on farms to breed, rebuilding the herd can potentially be more challenging than it was ~10 years ago
- Packer margins still suffer as high cattle prices compress margins, similar to what the industry experienced in 2014

USDA U.S. Monthly Broiler Chicken Exports



USDA U.S. Monthly Other Chicken Exports



U.S. Poultry Industry Outlook:

- U.S. producers hope export markets, especially China, lift more state-specific import restrictions as domestic HPAI (Avian Flu) cases decrease domestically
- Poultry integrators will continue to struggle with higher mortality rates, house shortages, and HPAI — the industry has made significant strides in early detection and prevention, however HPAI will be a challenge to the industry each year going forward
- Feed prices (primarily corn) could be reaching a post-pandemic floor, which will help poultry companies lower input costs if feed contract prices are locked in appropriately



Source: Bloomberg, USDA, Reuters