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2022 CHICKEN MARKETING SUMMIT®
July 25-27, 2022
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INFLATION'S IMPACT:

Chicken shows surprising strength despite rising prices

July 26,2022

Chris DuBois – EVP, Protein Practice, IRI

Joyce Neth – VP, Audience & Research, WATT Global Media

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Research Conducted By — IRi

Inflation's impact on chicken consumption: Chicken shows surprising strength despite rising prices

How we got here

Consumer's reactions

Price sensitivity

Managing going forward

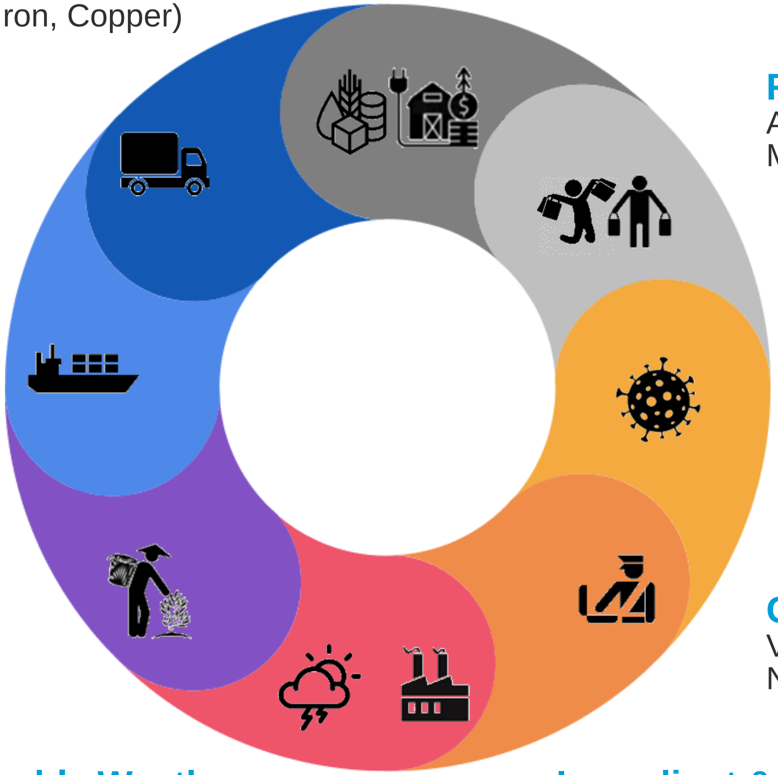
This is not the first nor last inflation, but this one is very different - there has never been such a convergence of inflation-driving factors since The Great Depression in the 1920s

Commodity Prices Rising
Energy: Crude Oil, Gas
Non Energy: Beverages, Food (Grains, Oils & Meals Fertiliser), Gold, Minerals (Iron, Copper)

Soaring Energy Prices
Volatile & Not Forecastable
Govt. not getting involved

Russia-Ukraine Crisis
Additional pressure on Oil, Wheat & Corn Prices, Stock Market concerns, Metal/Car Prices

Transportation Disruption
Skilled Driver Shortages
100,000 HGV drivers lost



Uneven Consumer Demand
Pent up demand or Fear
Disposable income inequality & Unemployment

Shipping Costs 7x
Capacity Gaps
9-12 months to fix

COVID Uncertainty
New lockdown measures drag mobility
Business Confidence

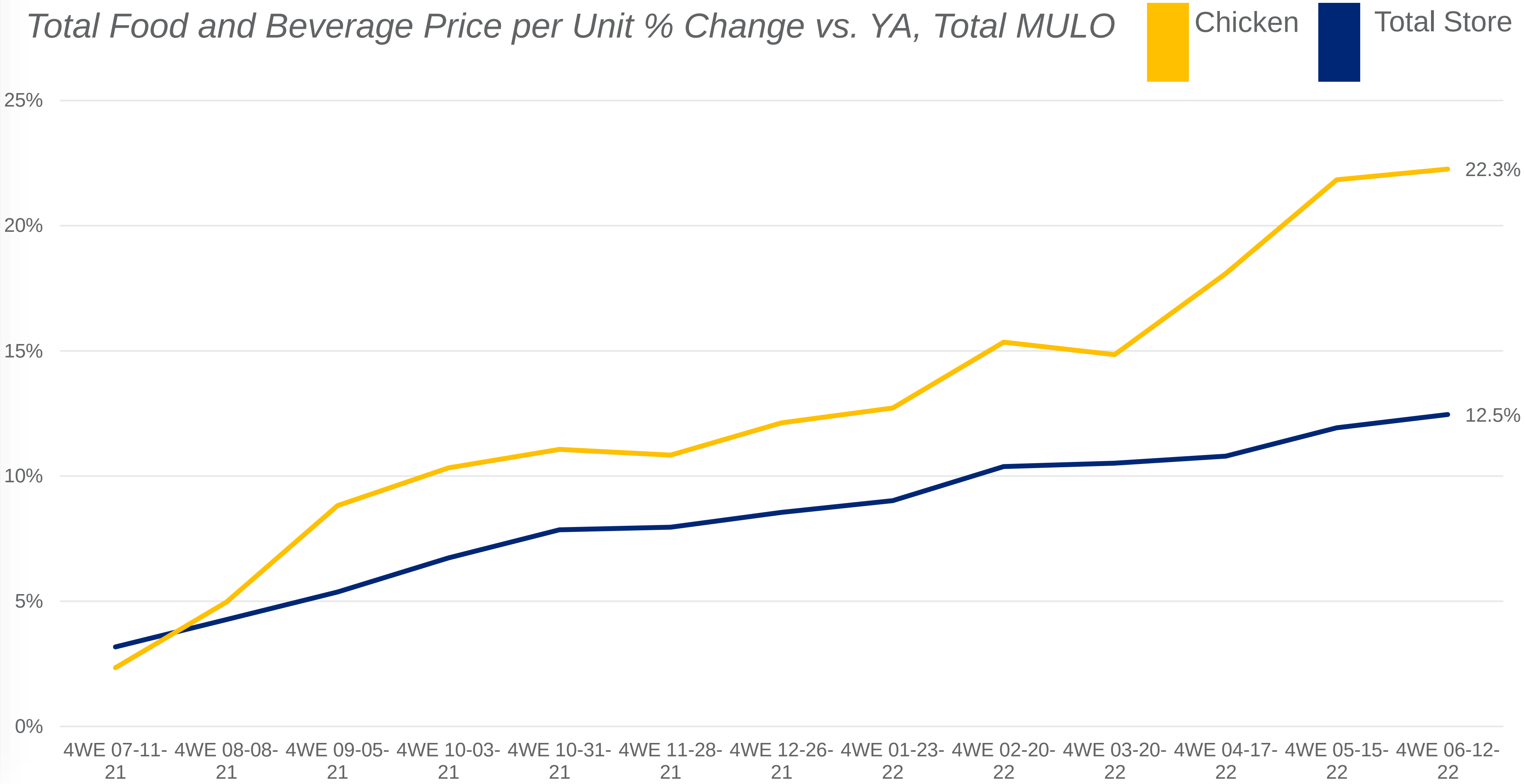
Seasonal Labor Gaps
Fruit & Veg Picker shortages
Anti-Immigration Sentiment

Govt Support Ends; Cross-Border + Begin
VAT holidays, farming subsidies & furlough end
New Brexit border hurdles & EU VAT Tariff Changes

Prolonged Unseasonable Weather
Spring & Autumn Harvest yields down
High spot prices for grains and oils

Ingredient & Component Shortages
Poor Quality, Higher than normal Waste
Equipment unserviceable, Process material gaps

All aisles experienced continued price increase in the last 52 weeks; Chicken price appreciation is steeper



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Source: IRI Market Advantage, MULO, Syndicated Total Edible.

Shopping in the Age of Inflation:
Consumers are switching and looking for deals at a higher rate than 2021

Shopping Changes Are Very Fragmented Due to Pricing:
There is Not a One-Size-Fits-All Solution

45% Looked for sales for deals more often

36% Cut back on non-essentials

24% Switched to Private Label more often

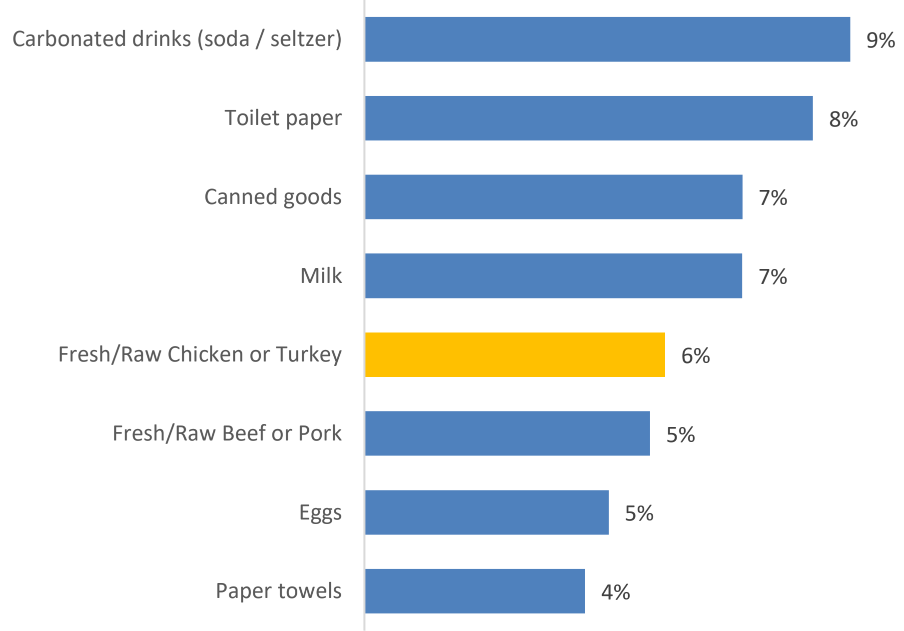
16% Bought in bulk (value sizes) more often

Source: IRI Monthly Shopper Survey, April 2022 / NOTE: "Switched to Lower Cost Brand/Option" Gained +4 points since March's survey

Out of stock issues are persistent, but not category consistent

Most Impacted Categories

Have you personally experienced issues with out-of-stocks or items being unavailable during the past week (ending 5/10/22) when you tried to buy any of the following types of products?



Changes in Shopping Behavior

What did you do most often when something you wanted to buy was recently unavailable at your store/site?

34% Went to a different physical store

26% Did not make the purchase

24% Bought a different brand/variety from same store

19% Went to the same store when item was back in stock

7% Ordered the item online

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Sources: IRI Shopper Survey May 2022

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	$30,817	4.1%	9.6%	27.0%
Chicken	$14,503	9.9%	12.1%	24.7%
Pork	$7,315	5.8%	5.9%	21.1%
Turkey	$2,794	5.1%	4.8%	14.0%

Core Proteins	Volume Sales (in MM pounds)	% Change vs. YA	% Change vs. 2YA	% Change vs. 3YA
Beef	5,097	-6.8%	-5.6%	1.8%
Chicken	5,173	-2.3%	-4.5%	3.1%
Pork	2,283	-5.4%	-7.4%	0.5%
Turkey	1,179	-3.1%	-5.4%	-2.5%

- 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 7/10/22

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

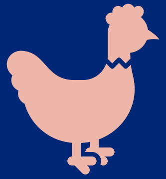
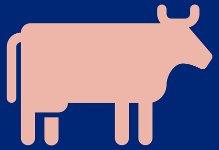
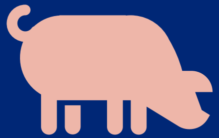
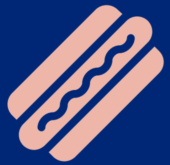
Total Chicken & Top Cuts	Dollar Sales (in $MM)	% Change vs. YA	% Change vs. 2YA	% Change vs. 3YA
Total Chicken	$14,503	9.9%	12.1%	24.7%
Chicken Breast	$8,353	7.3%	9.2%	19.5%
Chicken Thighs	$2,104	15.4%	21.3%	41.5%
Chicken Wings	$1,484	18.2%	33.8%	59.3%
Chicken Legs	$1,052	13.6%	2.0%	14.5%
Whole Bird	$756	4.7%	-1.8%	7.8%

Total Chicken & Top Cuts	Volume Sales (in MM pounds)	% Change vs. YA	% Change vs. 2YA	% Change vs. 3YA
Total Chicken	5,1731	-2.3%	-4.5%	3.1%
Chicken Breast	2,287	-4.9%	-5.3%	0.1%
Chicken Thighs	874	1.0%	4.1%	17.1%
Chicken Wings	405	-1.8%	3.2%	19.3%
Chicken Legs	833	1.5%	-9.9%	-1.8%
Whole Bird	500	-5.3%	-13.4%	-7.7%

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

IRI Integrated Fresh MA Database – Latest 52 Weeks Ending 7/10/22

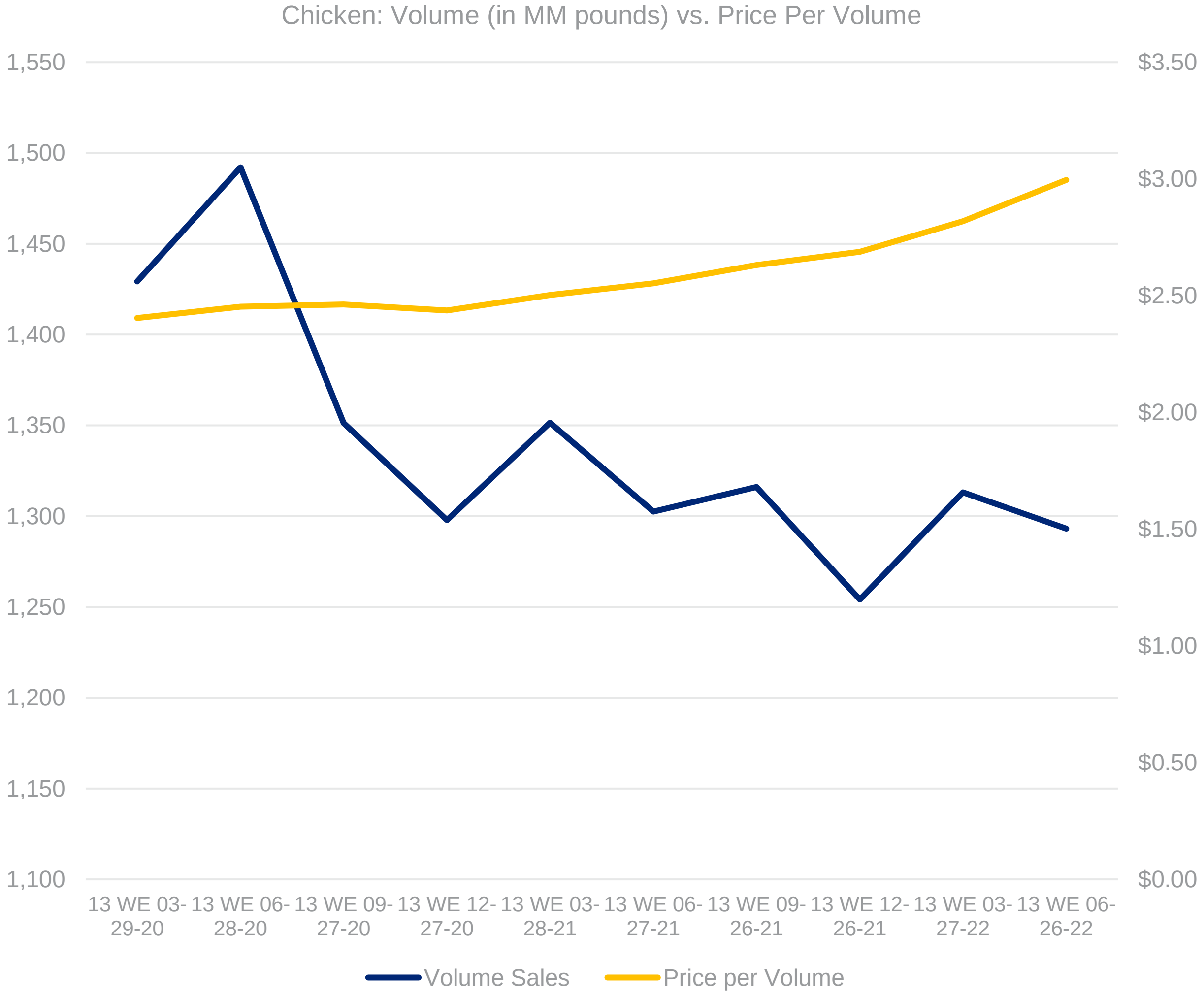
Price increases impacted all protein categories

Two Year Performance for Select Proteins					
Price per Volume % Change vs YA	11.2%	11.9%	12.7%	7.1%	14.6%
Price per Volume % Change vs 2 YA	16.5%	18.1%	15.2%	13.9%	17.2%
Dollar Sales % Change vs YA	8.5%	3.7%	5.4%	1.0%	5.6%
Dollar Sales % Change vs 2 YA	11.7%	12.1%	7.8%	2.0%	11.5%
Volume Sales % Change vs YA	-2.5%	-7.3%	-6.5%	-5.7%	-7.9%
Volume Sales % Change vs 2 YA	-4.2%	-5.0%	-6.5%	-10.5%	-4.9%

Highest   Lowest

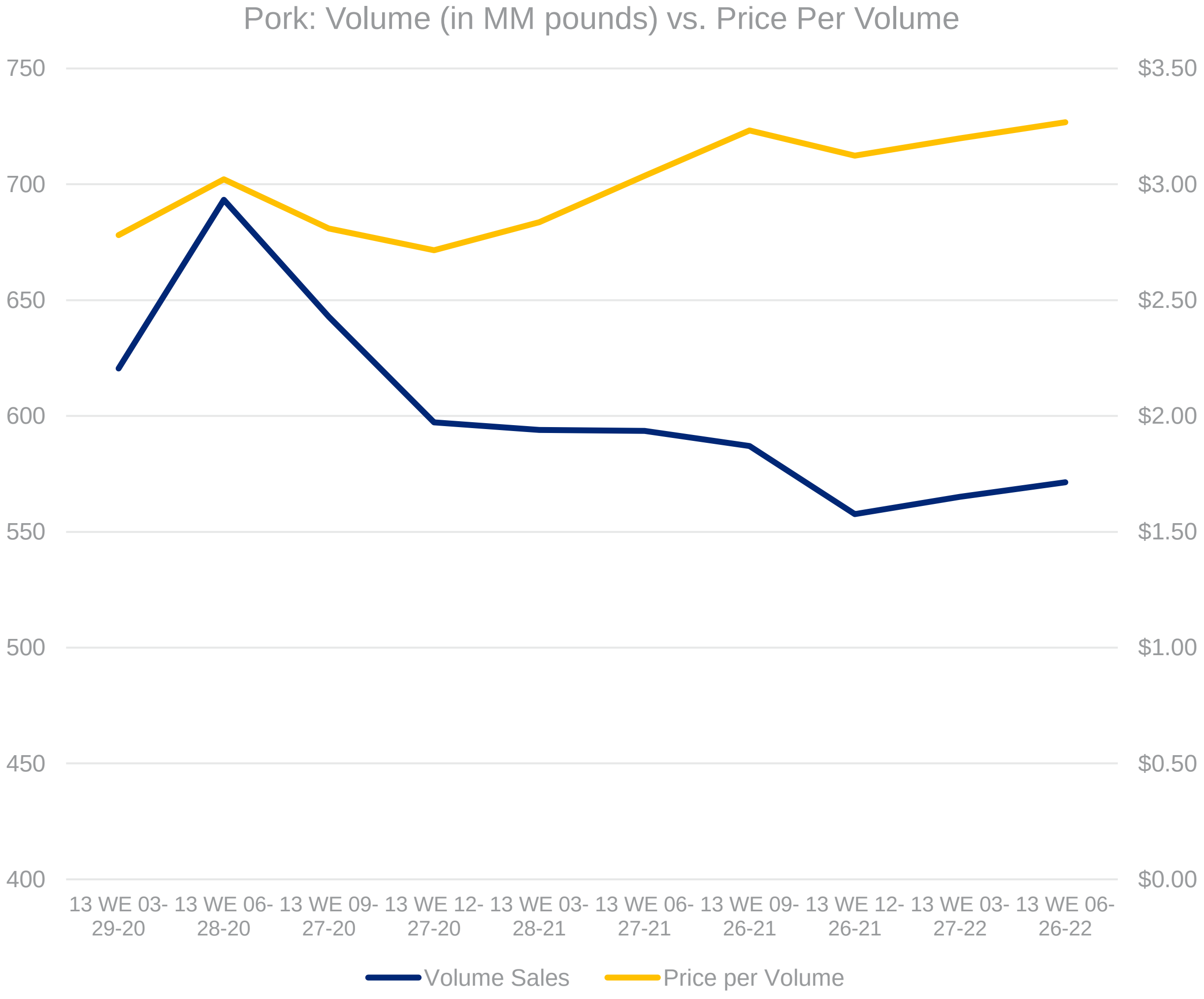
Source: IRI Market Advantage, MULO, Latest 52 WE 06-12-2022 /

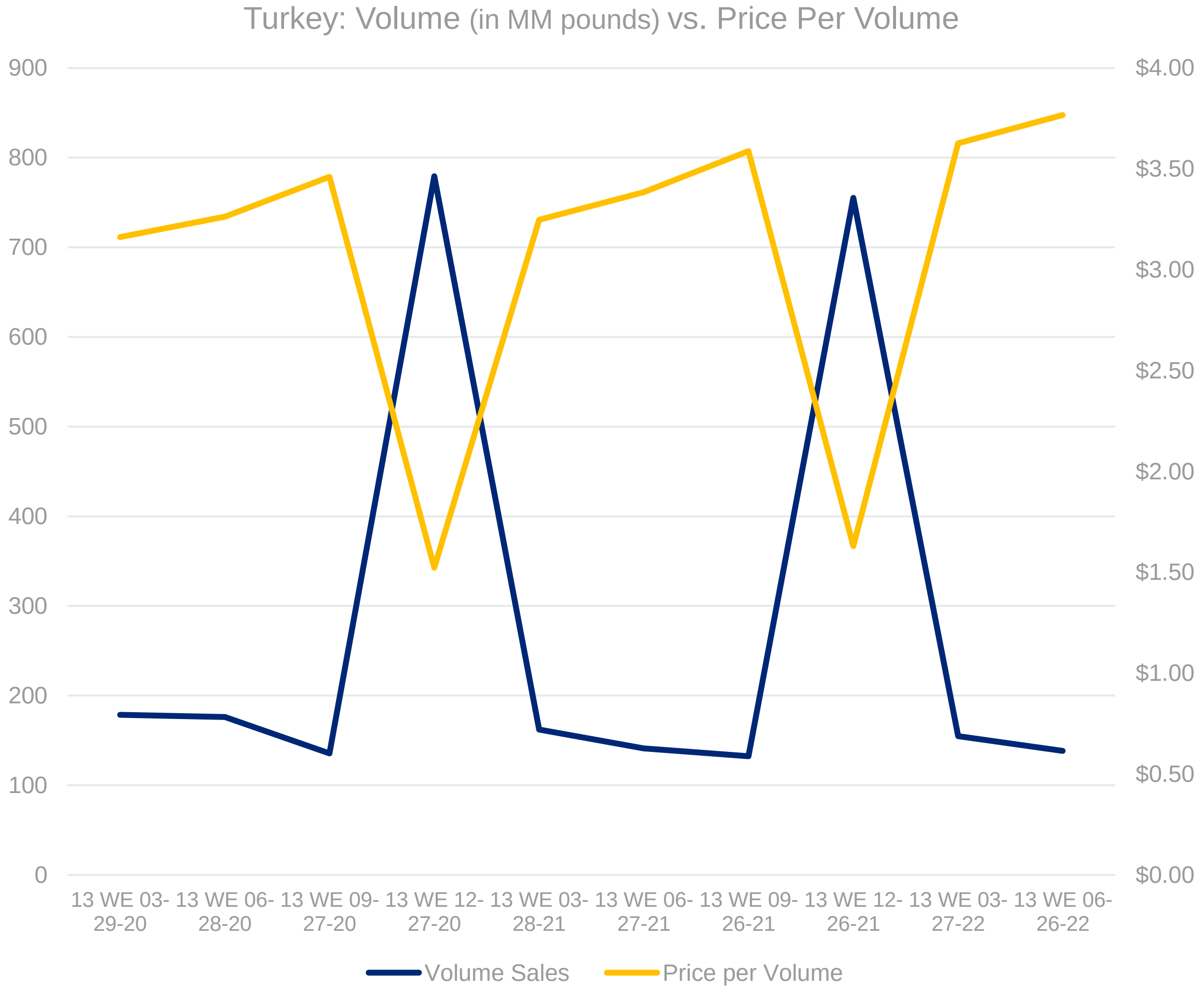
Increasing prices put pressure on volume sales for all proteins, the impact on Beef has been the most severe in the last 5 quarters



IRI Integrated Fresh MA Database – 1/1/2020 – 6/36/2020

Pork followed a similar pattern with Chicken and Beef; inflation's impact on Turkey is yet to be seen in Q4-2023





IRI Integrated Fresh MA Database – 1/1/2020 – 6/36/2020

Consumer Reaction to Price is Not a Mystery – it's Measurable… and Changing

Price Sensitivity is what happens when a change in price results in an impact to volume. It is a directional signpost to watch for "tipping point."*

MORE SENSITIVE to Price Changes

- More risk when prices increase
- More benefit when prices decline

Typical Characteristics

- Heavily promoted or fast turn items
- Many similar competitors, fragmented
- More commoditized, many substitutes
- Low involvement categories

LESS SENSITIVE to Price Changes

- Less risk when prices increase
- Less benefit when prices decline

Typical Characteristics

- High spend / low movement category
- Strong product equity and loyalty
- Limited similar choices
- Premium product, highly differentiated

Highly Sensitive | ***Sensitive*** | ***Moderately Sensitive*** | ***Insensitive*** | ***Highly Insensitive***

Price Sensitive –
Price Change Causes Greatest Volume Impact

Price Insensitive –
Price Change Causes Lower Volume Impact

**Sensitivity is an IRI Liquid Data metric derived at the Food/Grocery level. It is directional, unlike IRI's Price Elasticity studies which are run at the item/store/week level*

Consumer Insights

537 US adults, 18+

Data collected June 30 – July 5, 2022

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

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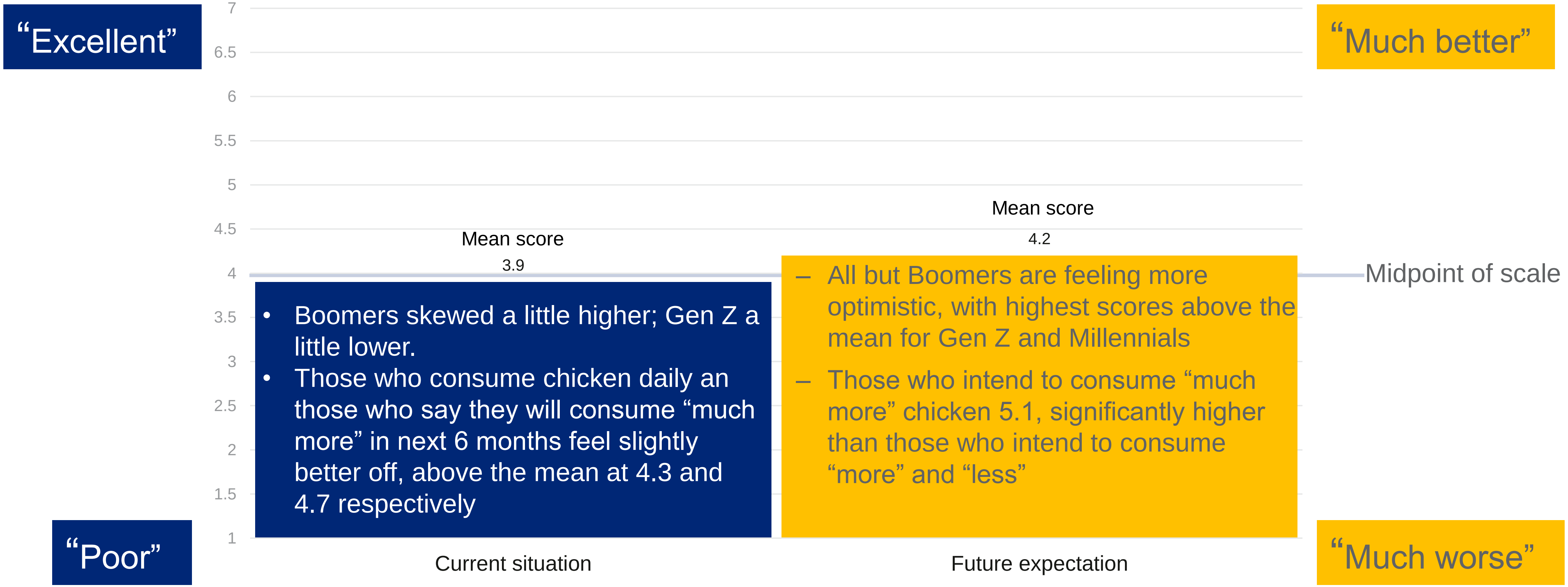
Sources: IRI Chicken Marketing Summit survey July 2022

Future expectations: Consumers expect some improvement

We asked consumers to rate their current financial situation and expectations for a year from now, on a 7-point scale

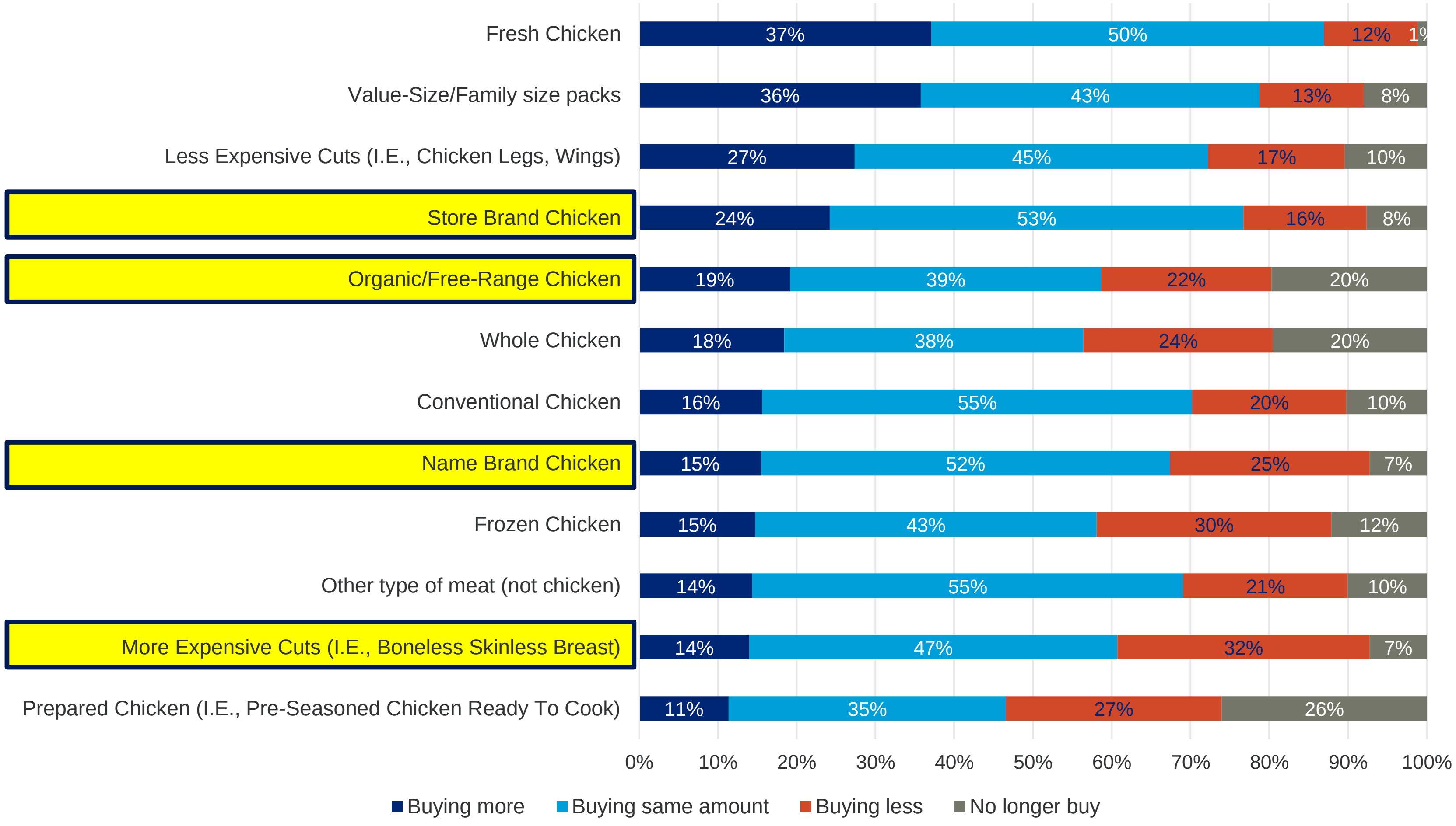


Q12 How would you best describe your current financial situation? Scale: 1=poor, 7=excellent
Q13 Thinking about your expectations for your financial situation 1 year from now, do you expect it to be better, worse or about the same? (7 point scale)

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 month[1] vs 96% in 2021
- 88% more than once a week[1]
- Healthy choice, versatile, value for price are top drivers[2]
- 87% buying more or the same amount of fresh chicken now compared to 6 months ago[3]

Buying more, less or the same amount of fresh chicken as 6 months ago



1 Q4 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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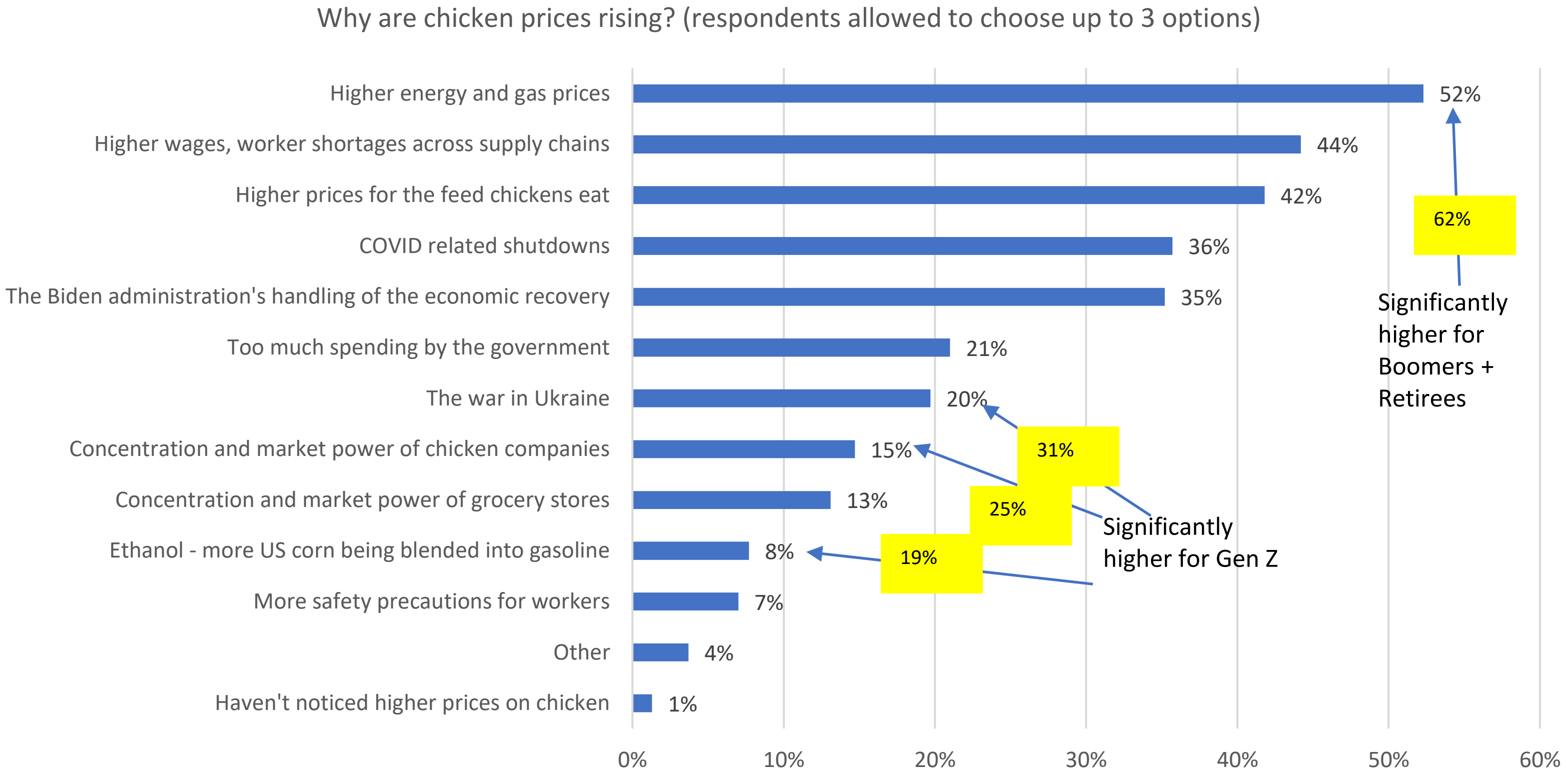
Consumers are aware of rising prices

85% recognize that chicken prices are higher than at the start of the year[1], citing higher prices of fuel, higher wages for workers, higher prices for chicken feed[2]



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)

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 year[2]:

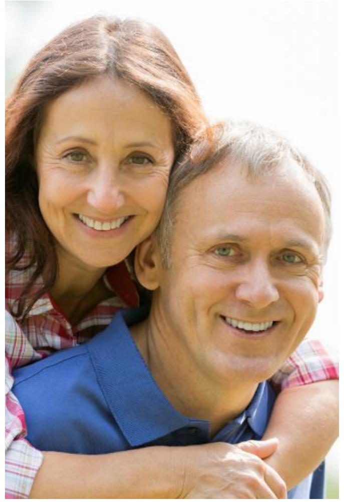
These even more so for Gen X →

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

Less important now vs last year:

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

← These even more so for Boomers



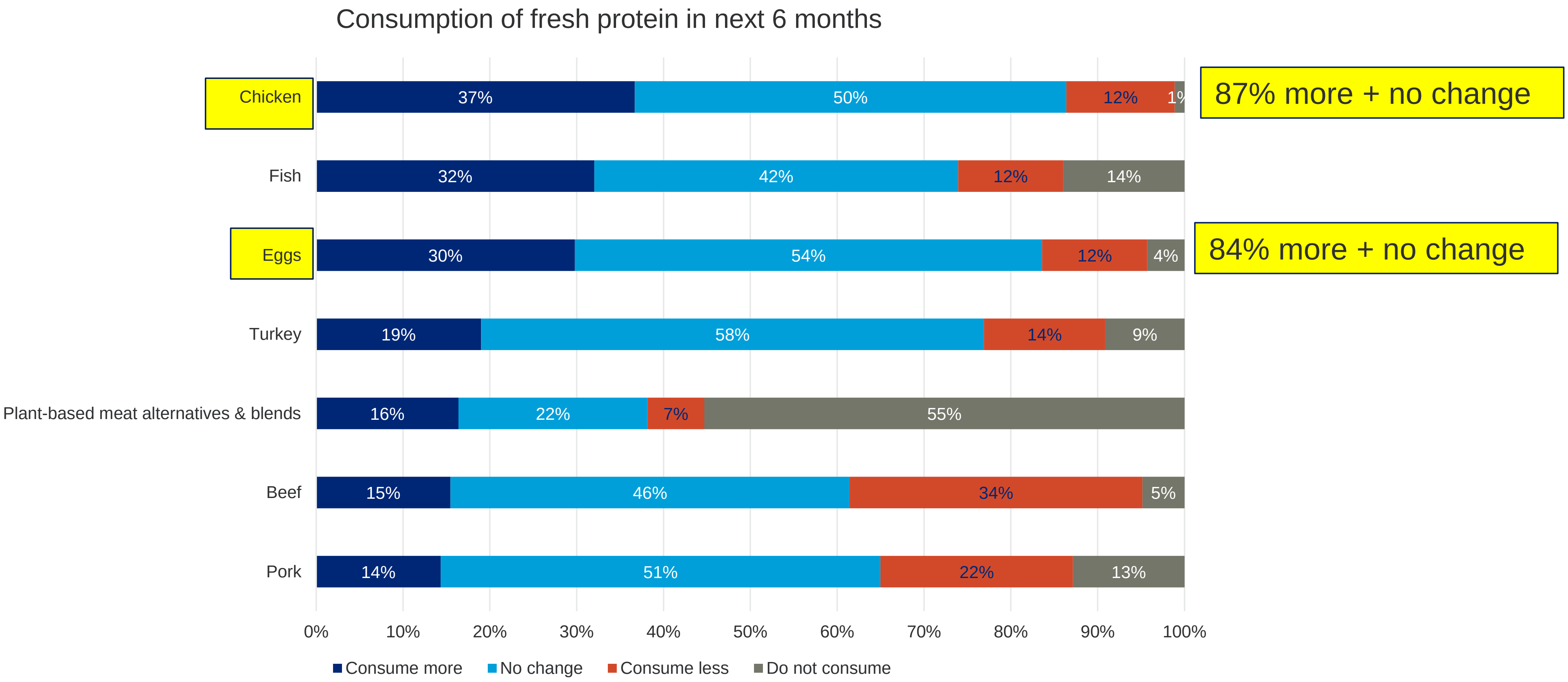
1 Q6 Thinking about preparing and serving chicken dishes, which of the following, if any, have you been doing more in the past 6 months? (Select all that apply)
2 Q2 Still thinking about purchasing fresh chicken, which of the following have become more important to you now vs last year?

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?

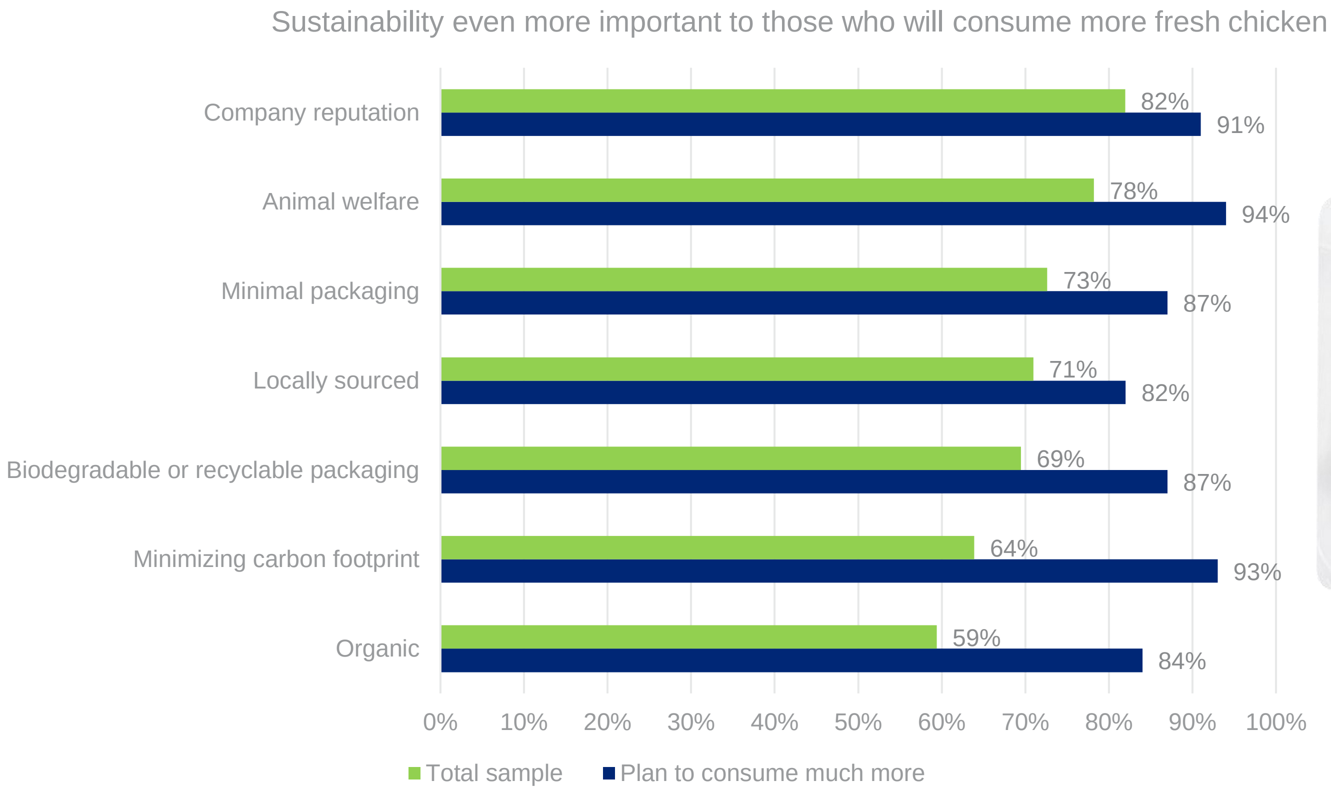
Chicken, eggs are top protein choices for next 6 months



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

Adding Value

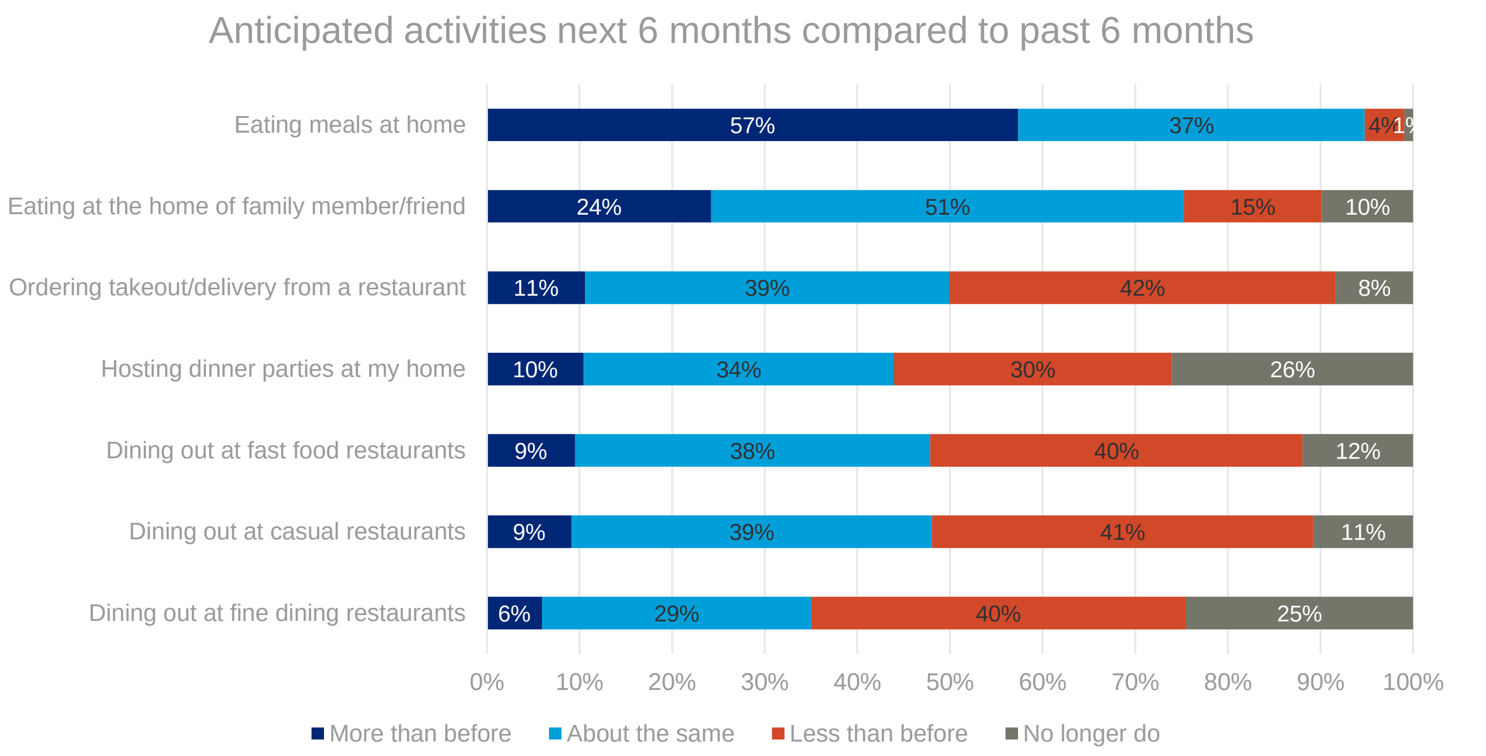
Communicate sustainability benefits/features in simple language that consumers can grasp quickly, easily.



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

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-meat/

In summary

Financial situation & expectations – lingering impacts, not much change one year from now

Eating more & trading down – Chicken remains a staple, center of plate tradeoffs with less expensive cuts, store brands, value packs

Purchase drivers remain the same – Healthy choice of protein, versatility, value for price

Adding value with sustainability benefits – important for millennials & Gen Z, give clear information to make it easy to feel good about the chicken they buy

Chicken is positioned for future demand -- Eating at home will continue; Millennials coming into buying power

Consumer Insights – in summary

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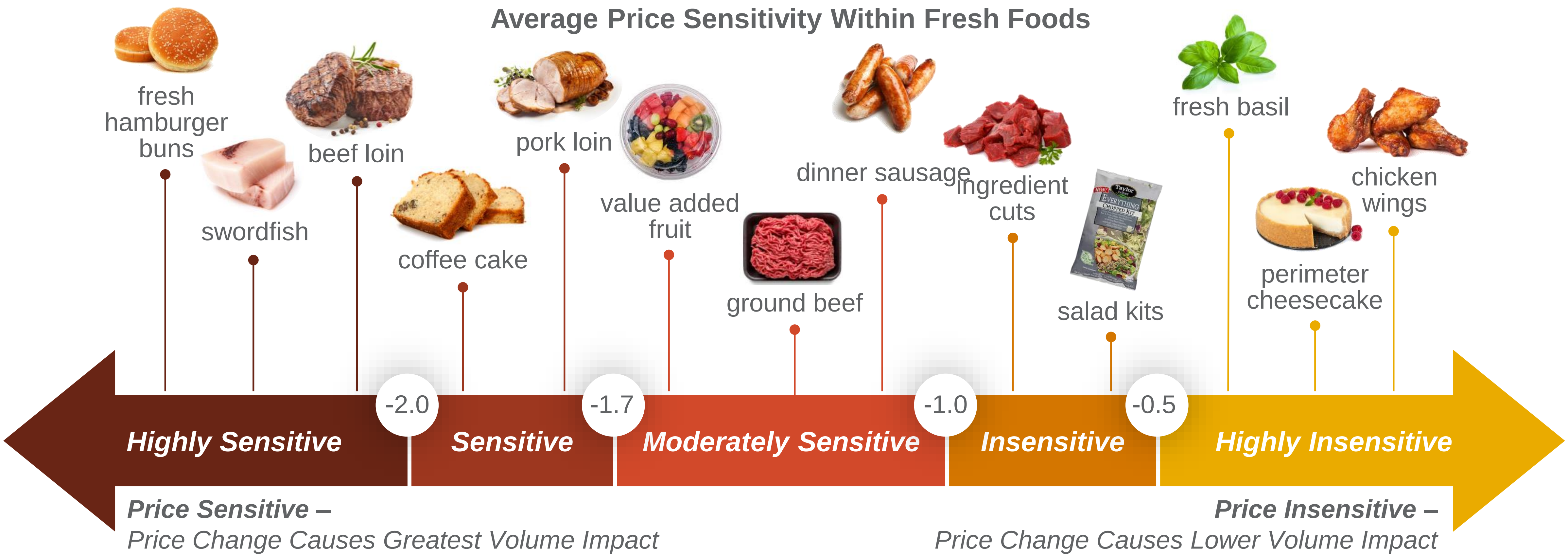
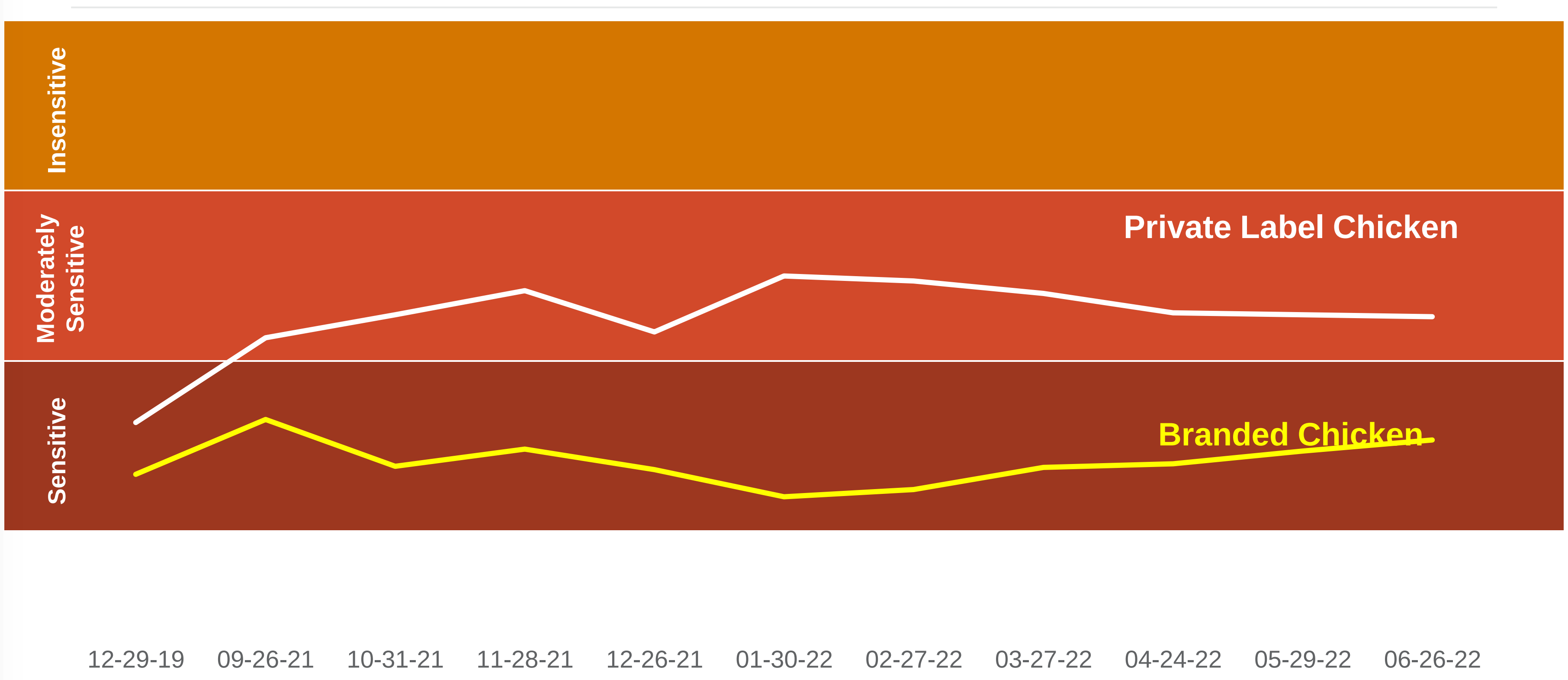
Price sensitivity is varied within fresh foods – this complexity is critical to understand to strategically leverage all products to drive efficient growth

More insensitive items may not be the most efficient to promote, either purchased by many or only a select few or situationally, where price changes will not drive a ton more (or less) of volume.



Source: IRI Price Sensitivity Analytics applied to IRI Integrated Fresh Market Advantage, 13 WE 4-17-22

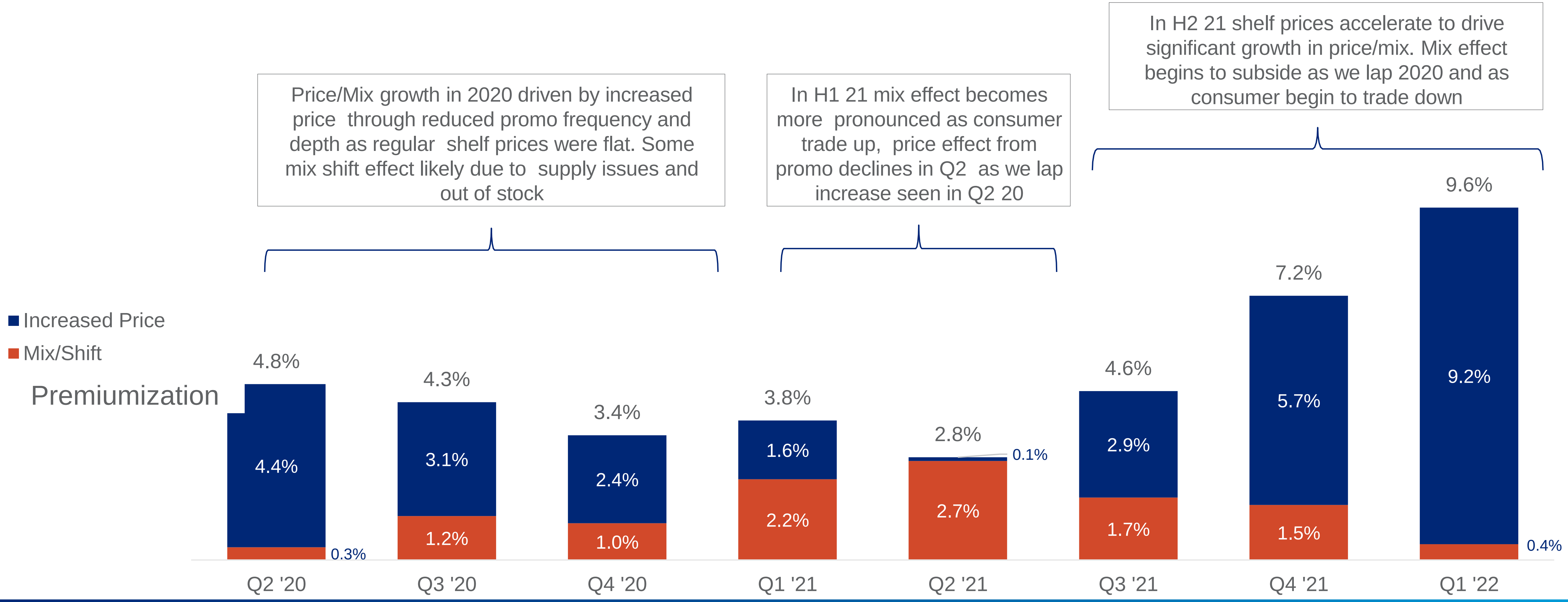
Post pandemic response to pricing has dampened more for Private Label than for Branded in Fresh Chicken



Source: IRI Executive Insights, Fresh (excluding Deli Prep and Perimeter Bakery) aggregate

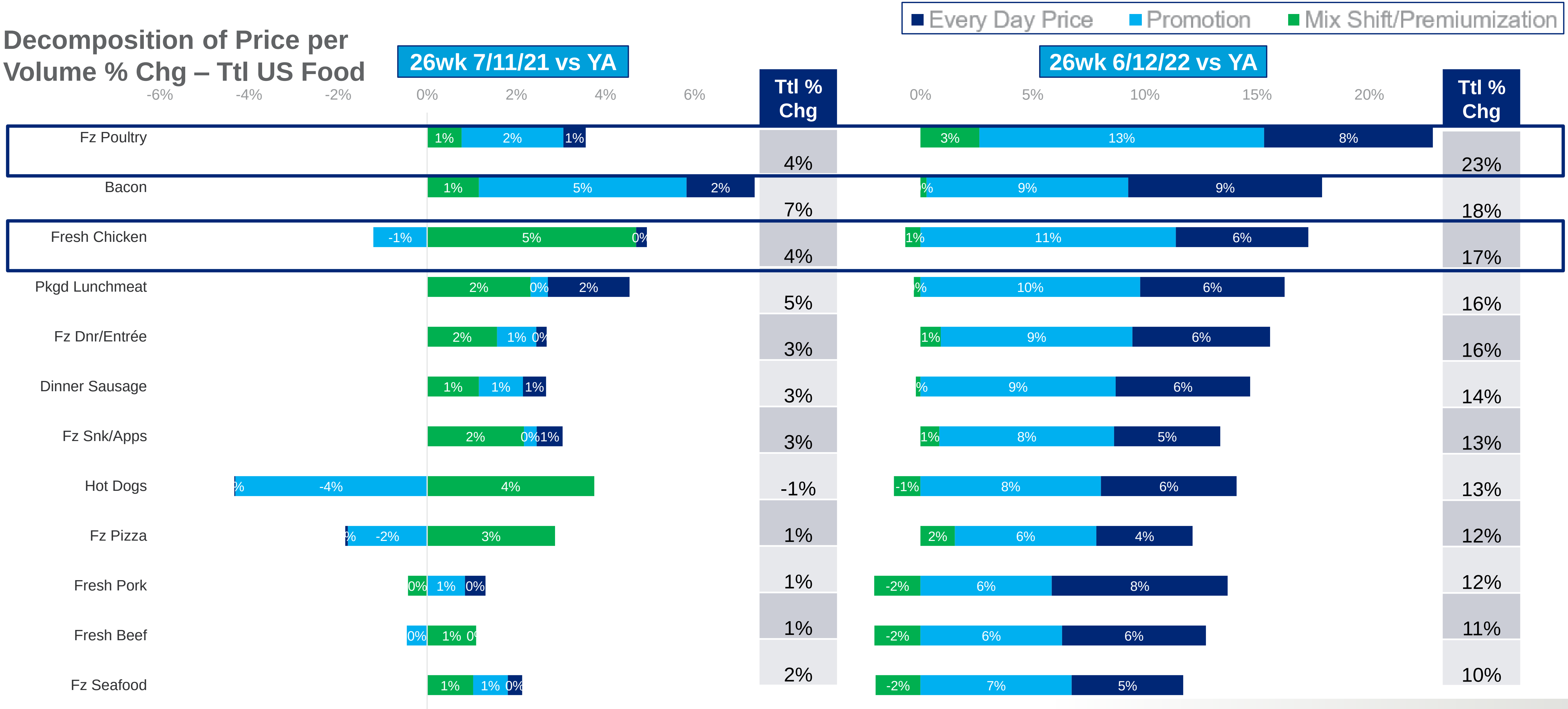
Reduced promotion depth and frequency drove higher early pandemic prices, shifting to premiumization and trading up H1 '21 until inflation lead to elevated everyday shelf prices

Decomposition of Price per Volume % change vs. YA for Avg F&B Categories - MULO



Note: Shelf Price refers to changes in everyday price at item level. Promotions includes promotion frequency and depth. Mix shift refers to difference in product mix vs. YA, driven by shifts to more premium brands, smaller sizes (positive effect) countering shift to value brands, larger pack sizes (negative effect).

Consumers paid higher prices at the start of the pandemic as promotions were cut and they traded up to more premium items. Inflation has forced consumers to pay more from higher everyday and promo prices



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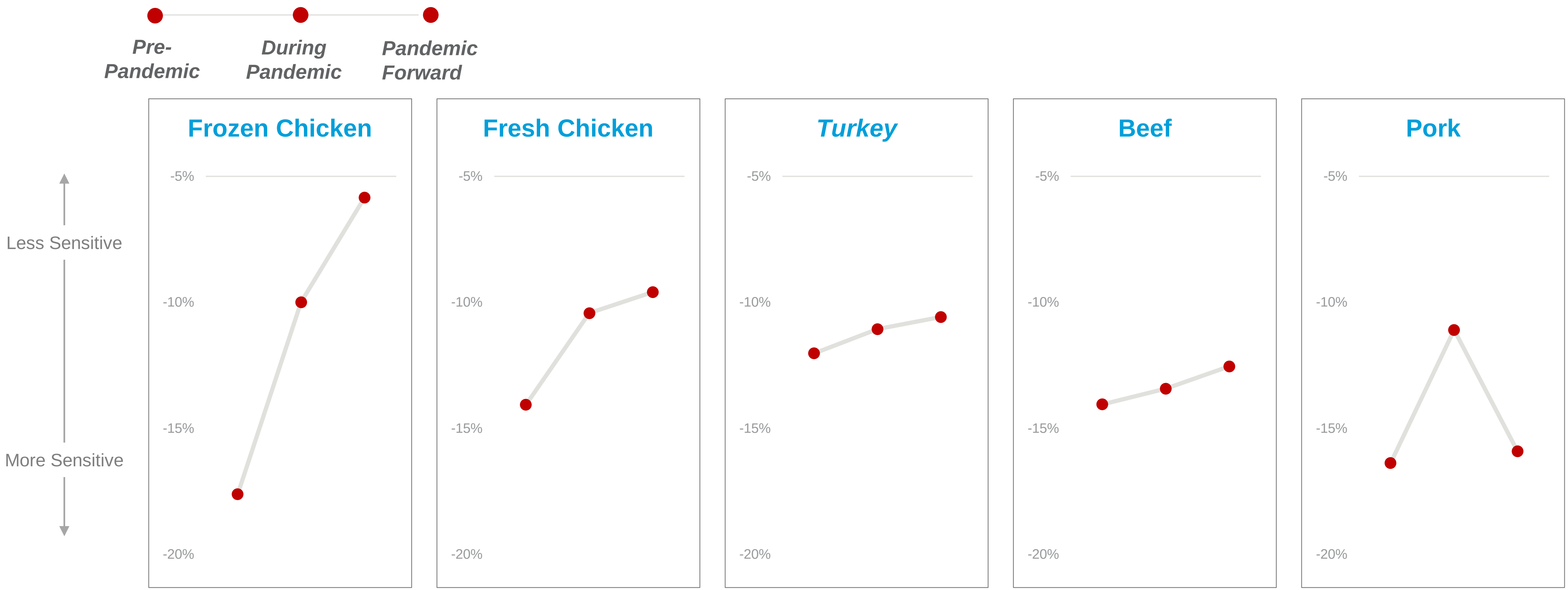
Consumer response to category level pricing is changing. As inflation persists expect pricing impacts to shift back towards pre-pandemic levels

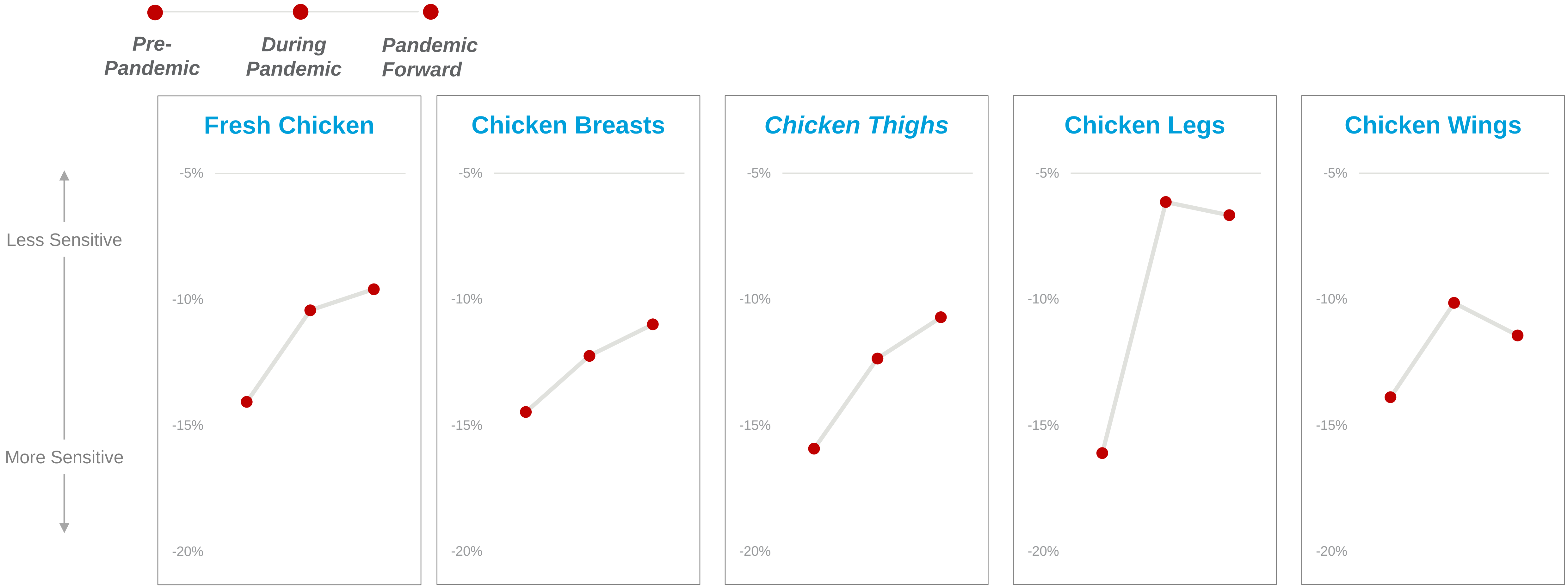
Category % Pound Change from 10% Avg Price Increase – Total US Food



Source: IRI Price Sensitivity – Pre = 2019, During = 52wk Sept 2021, Forward = 52wk Jun 2022

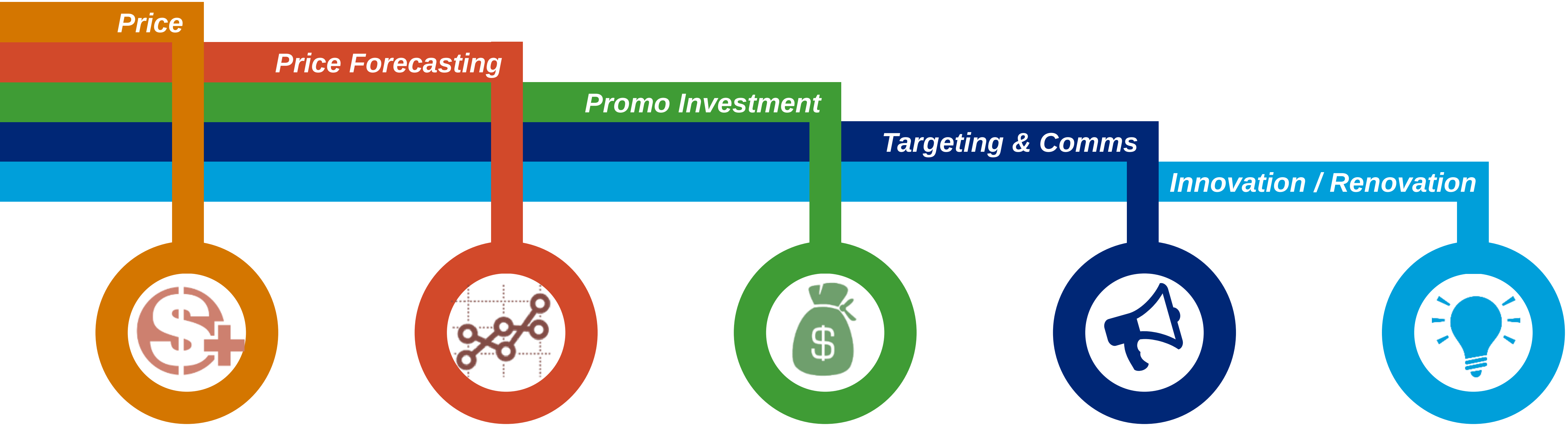
For chicken cuts, consumer response to price has dropped across all segments with sensitivity to legs dropping significantly

Category % Pound Change from 10% Avg Price Increase – Total US Food



Source: IRI Price Sensitivity – Pre = 2019, During = 52wk Sept 2021, Forward = 52wk Jun 2022

As the pendulum continues to swing before normalizing, Manufacturers should focus in these areas to drive profitable growth in 2022



Inflation is hitting a critical time as consumer behavior is finally becoming more concerned

Watch for demand to decrease and adjust with categories

Plan for promo intensity as shoppers increasingly look for deals

Trade promotion and value-focused communication will accelerate as supply eases

Focus on margin accretive innovation & consider tiered approaches to Store Brand innovation

Thank You!

Contact Us For More Information

Chris DuBois
EVP, Protein Practice
Chris.Dubois@IRIworldwide.com

Joyce Neth
VP, Audience & Research
JNeth@WattGlobal.com

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