ACCELERATING your digital connection with consumers

2022 CHICKEN MARKETING SUMMIT®

July 25-27, 2022
Chateau Elan, Braselton, Georgia

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Chicken shows surprising strength despite rising prices

July 26, 2022

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Research Conducted By
Inflation’s impact on chicken consumption: Chickens show 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

**Transportation Disruption**
- Skilled Driver Shortages
  - 100,000 HGV drivers lost

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

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

**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

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

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

**COVID Uncertainty**
- New lockdown measures drag mobility
- Business Confidence

**Govt Support Ends; Cross-Border + Begin**
- VAT holidays, farming subsidies & furlough end
- New Brexit border hurdles & EU VAT Tariff Changes
All aisles experienced continued price increase in the last 52 weeks; Chicken price appreciation is steeper

Total Food and Beverage Price per Unit % Change vs. YA, Total MULO

<table>
<thead>
<tr>
<th>Week</th>
<th>Chicken</th>
<th>Total Store</th>
</tr>
</thead>
<tbody>
<tr>
<td>4WE 07-11-21</td>
<td>12.5%</td>
<td>22.3%</td>
</tr>
<tr>
<td>4WE 08-08-21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4WE 09-05-21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4WE 10-03-21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4WE 11-28-21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4WE 12-26-21</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4WE 01-23-22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4WE 02-20-22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4WE 03-20-22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4WE 04-17-22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4WE 05-15-22</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4WE 06-12-22</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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?

<table>
<thead>
<tr>
<th>Category</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Carbonated drinks (soda / seltzer)</td>
<td>9%</td>
</tr>
<tr>
<td>Toilet paper</td>
<td>8%</td>
</tr>
<tr>
<td>Canned goods</td>
<td>7%</td>
</tr>
<tr>
<td>Milk</td>
<td>7%</td>
</tr>
<tr>
<td>Fresh/Raw Chicken or Turkey</td>
<td>6%</td>
</tr>
<tr>
<td>Fresh/Raw Beef or Pork</td>
<td>5%</td>
</tr>
<tr>
<td>Eggs</td>
<td>5%</td>
</tr>
<tr>
<td>Paper towels</td>
<td>4%</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Core Proteins</th>
<th>Dollar Sales (in $MM)</th>
<th>% Change vs. YA</th>
<th>% Change vs. 2YA</th>
<th>% Change vs. 3YA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>$30,817</td>
<td>4.1%</td>
<td>9.6%</td>
<td>27.0%</td>
</tr>
<tr>
<td>Chicken</td>
<td>$14,503</td>
<td>9.9%</td>
<td>12.1%</td>
<td>24.7%</td>
</tr>
<tr>
<td>Pork</td>
<td>$7,315</td>
<td>5.8%</td>
<td>5.9%</td>
<td>21.1%</td>
</tr>
<tr>
<td>Turkey</td>
<td>$2,794</td>
<td>5.1%</td>
<td>4.8%</td>
<td>14.0%</td>
</tr>
</tbody>
</table>

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

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

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

### Total Chicken & Top Cuts

<table>
<thead>
<tr>
<th></th>
<th>Volume Sales (in MM pounds)</th>
<th>% Change vs. YA</th>
<th>% Change vs. 2YA</th>
<th>% Change vs. 3YA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Chicken</td>
<td>5,1731</td>
<td>-2.3%</td>
<td>-4.5%</td>
<td>3.1%</td>
</tr>
<tr>
<td>Chicken Breast</td>
<td>2,287</td>
<td>-4.9%</td>
<td>-5.3%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Chicken Thighs</td>
<td>874</td>
<td>1.0%</td>
<td>4.1%</td>
<td>17.1%</td>
</tr>
<tr>
<td>Chicken Wings</td>
<td>405</td>
<td>-1.8%</td>
<td>3.2%</td>
<td>19.3%</td>
</tr>
<tr>
<td>Chicken Legs</td>
<td>833</td>
<td>1.5%</td>
<td>-9.9%</td>
<td>-1.8%</td>
</tr>
<tr>
<td>Whole Bird</td>
<td>500</td>
<td>-5.3%</td>
<td>-13.4%</td>
<td>-7.7%</td>
</tr>
</tbody>
</table>

- Wings and Thighs continue their superstar results
- Whole Bird has consistently been the weakest performer
### Two Year Performance for Select Proteins

<table>
<thead>
<tr>
<th></th>
<th>PORK</th>
<th>CATTLE</th>
<th>PIG</th>
<th>HOT DOG</th>
<th>PIZZA</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Price per Volume</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Change vs YA</td>
<td>11.2%</td>
<td>11.9%</td>
<td>12.7%</td>
<td>7.1%</td>
<td>14.6%</td>
</tr>
<tr>
<td>% Change vs 2 YA</td>
<td>16.5%</td>
<td>18.1%</td>
<td>15.2%</td>
<td>13.9%</td>
<td>17.2%</td>
</tr>
<tr>
<td><strong>Dollar Sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Change vs YA</td>
<td>8.5%</td>
<td>3.7%</td>
<td>5.4%</td>
<td>1.0%</td>
<td>5.6%</td>
</tr>
<tr>
<td>% Change vs 2 YA</td>
<td>11.7%</td>
<td>12.1%</td>
<td>7.8%</td>
<td>2.0%</td>
<td>11.5%</td>
</tr>
<tr>
<td><strong>Volume Sales</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>% Change vs YA</td>
<td>-2.5%</td>
<td>-7.3%</td>
<td>-6.5%</td>
<td>-5.7%</td>
<td>-7.9%</td>
</tr>
<tr>
<td>% Change vs 2 YA</td>
<td>-4.2%</td>
<td>-5.0%</td>
<td>-6.5%</td>
<td>-10.5%</td>
<td>-4.9%</td>
</tr>
</tbody>
</table>

Increasing prices put pressure on volume sales for all proteins, the impact on Beef has been the most severe in the last 5 quarters
Pork followed a similar pattern with Chicken and Beef; inflation’s impact on Turkey is yet to be seen in Q4-2023
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

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

The % of shoppers who rate their current financial situation less than excellent

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

noticed higher Chicken prices vs. January 2022

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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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

- **Current situation**
  - Mean score: 3.9

- **Future expectation**
  - Mean score: 4.2

- **Midpoint of scale**

- **Boomers skewed a little higher; Gen Z a little lower.**
- **Those who consume chicken daily and those who say they will consume “much more” in next 6 months feel slightly better off, above the mean at 4.3 and 4.7 respectively**

- **All but Boomers are feeling more optimistic, with highest scores above the mean for Gen Z and Millennials**
- **Those who intend to consume “much more” chicken 5.1, significantly higher than those who intend to consume “more” and “less”**

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\(^3\)

---

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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![Graph showing eating habits and factors influencing purchase of fresh chicken](image-url)
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\(^2\)

Why are chicken prices rising? (respondents allowed to choose up to 3 options)

- Higher energy and gas prices: 44%
- Higher wages, worker shortages across supply chains: 42%
- Higher prices for the feed chickens eat: 36%
- COVID related shutdowns: 35%
- The Biden administration’s handling of the economic recovery: 21%
- Too much spending by the government: 20%
- The war in Ukraine: 15%
- Concentration and market power of chicken companies: 13%
- Concentration and market power of grocery stores: 8%
- Ethanol - more US corn being blended into gasoline: 7%
- More safety precautions for workers: 4%
- Other: 1%

Significantly higher for Gen Z: 31%
Significantly higher for Boomers + Retirees: 25%
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)

Less important now vs last year:
- Frozen
- Brand name
- Organic/Free range
- Individual portions (except 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

Consumption of fresh protein in next 6 months

- **Chicken**: 37% Consume more, 50% No change, 12% Consume less, 1% Do not consume
- **Fish**: 32% Consume more, 42% No change, 12% Consume less, 14% Do not consume
- **Eggs**: 30% Consume more, 54% No change, 12% Consume less, 4% Do not consume
- **Turkey**: 19% Consume more, 58% No change, 14% Consume less, 9% Do not consume
- **Plant-based meat alternatives & blends**: 16% Consume more, 22% No change, 7% Consume less, 55% Do not consume
- **Beef**: 15% Consume more, 46% No change, 34% Consume less, 5% Do not consume
- **Pork**: 14% Consume more, 51% No change, 22% Consume less, 13% Do not consume

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)

- Company reputation
- Animal welfare
- Minimal packaging
- Locally sourced
- Biodegradable or recyclable packaging
- Minimizing carbon footprint
- Organic

- Total sample
- Plan to consume much more

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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.

### Anticipated activities next 6 months compared to past 6 months

<table>
<thead>
<tr>
<th>Activity</th>
<th>More than before</th>
<th>About the same</th>
<th>Less than before</th>
<th>No longer do</th>
</tr>
</thead>
<tbody>
<tr>
<td>Eating meals at home</td>
<td>57%</td>
<td>37%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Eating at home of family member/friend</td>
<td>24%</td>
<td>51%</td>
<td>15%</td>
<td>10%</td>
</tr>
<tr>
<td>Ordering takeout/delivery from a restaurant</td>
<td>11%</td>
<td>39%</td>
<td>42%</td>
<td>8%</td>
</tr>
<tr>
<td>Hosting dinner parties at my home</td>
<td>10%</td>
<td>34%</td>
<td>30%</td>
<td>26%</td>
</tr>
<tr>
<td>Dining out at fast food restaurants</td>
<td>9%</td>
<td>38%</td>
<td>40%</td>
<td>12%</td>
</tr>
<tr>
<td>Dining out at casual restaurants</td>
<td>9%</td>
<td>39%</td>
<td>41%</td>
<td>11%</td>
</tr>
<tr>
<td>Dining out at fine dining restaurants</td>
<td>5%</td>
<td>29%</td>
<td>40%</td>
<td>25%</td>
</tr>
</tbody>
</table>

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

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

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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
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.

Average Price Sensitivity Within Fresh Foods

Price Sensitive – Price Change Causes Greatest Volume Impact

Highly Sensitive -2.0
Sensitive -1.7
Moderately Sensitive -1.0
Insensitive -0.5
Highly Insensitive

Price Insensitive – Price Change Causes Lower Volume Impact

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

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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**

<table>
<thead>
<tr>
<th>Quarter</th>
<th>Price/Mix Growth</th>
<th>Increase</th>
<th>Mix Shift</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2 '20</td>
<td>4.8%</td>
<td>4.4%</td>
<td>0.3%</td>
</tr>
<tr>
<td>Q3 '20</td>
<td>4.3%</td>
<td>3.1%</td>
<td>1.2%</td>
</tr>
<tr>
<td>Q4 '20</td>
<td>3.4%</td>
<td>2.4%</td>
<td>1.0%</td>
</tr>
<tr>
<td>Q1 '21</td>
<td>3.8%</td>
<td>1.6%</td>
<td>2.2%</td>
</tr>
<tr>
<td>Q2 '21</td>
<td>2.8%</td>
<td>2.2%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Q3 '21</td>
<td>4.6%</td>
<td>2.9%</td>
<td>1.7%</td>
</tr>
<tr>
<td>Q4 '21</td>
<td>7.2%</td>
<td>5.7%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Q1 '22</td>
<td>9.2%</td>
<td>9.6%</td>
<td>0.4%</td>
</tr>
</tbody>
</table>

Price/Mix growth in 2020 driven by increased price through reduced promo frequency and depth as regular shelf prices were flat. Some mix shift effect likely due to supply issues and out of stock.

In H1 '21 mix effect becomes more pronounced as consumer trade up, price effect from promo declines in Q2 as we lap increase seen in Q2 '20.

In H2 '21 shelf prices accelerate to drive significant growth in price/mix. Mix effect begins to subside as we lap 2020 and as consumer begin to trade down.

**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.

### Decomposition of Price per Volume % Chg – Ttl US Food

<table>
<thead>
<tr>
<th>Category</th>
<th>26wk 7/11/21 vs YA</th>
<th>26wk 6/12/22 vs YA</th>
<th>Mix Shift/Premiumization</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fz Poultry</td>
<td>1% 2% 1%</td>
<td>4%</td>
<td></td>
</tr>
<tr>
<td>Bacon</td>
<td>1% 5% 2%</td>
<td>7%</td>
<td></td>
</tr>
<tr>
<td>Fresh Chicken</td>
<td>-1% 5% 6%</td>
<td>4% 1% 11% 6%</td>
<td></td>
</tr>
<tr>
<td>Pkgd Lunchmeat</td>
<td>2% 0% 2%</td>
<td>5%</td>
<td></td>
</tr>
<tr>
<td>Fz Dnr/Entrée</td>
<td>2% 1% 0%</td>
<td>3% 1% 9% 6%</td>
<td></td>
</tr>
<tr>
<td>Dinner Sausage</td>
<td>1% 1% 1%</td>
<td>3% 1% 9% 6%</td>
<td></td>
</tr>
<tr>
<td>Fz Snk/Apps</td>
<td>2% 0% 1%</td>
<td>3% 1% 8% 5%</td>
<td></td>
</tr>
<tr>
<td>Hot Dogs</td>
<td>4% 4%</td>
<td>-1% 8% 6%</td>
<td></td>
</tr>
<tr>
<td>Fz Pizza</td>
<td>-2% 3%</td>
<td>1% 2% 6% 4%</td>
<td></td>
</tr>
<tr>
<td>Fresh Pork</td>
<td>0% 1% 0%</td>
<td>1% -2% 6%</td>
<td></td>
</tr>
<tr>
<td>Fresh Beef</td>
<td>0% 1% 0%</td>
<td>2% 1% 7% 5%</td>
<td></td>
</tr>
<tr>
<td>Fz Seafood</td>
<td>1% 1% 0%</td>
<td>2%</td>
<td></td>
</tr>
</tbody>
</table>

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).

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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

- **Price Forecasting**: Watch for demand to decrease and adjust with categories.

- **Promo Investment**: Plan for promo intensity as shoppers increasingly look for deals.

- **Targeting & Comms**: Trade promotion and value-focused communication will accelerate as supply eases.

- **Innovation / Renovation**: Focus on margin accretive innovation & consider tiered approaches to Store Brand innovation.

Inflation is hitting a critical time as consumer behavior is finally becoming more concerned.
Thank You!

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