

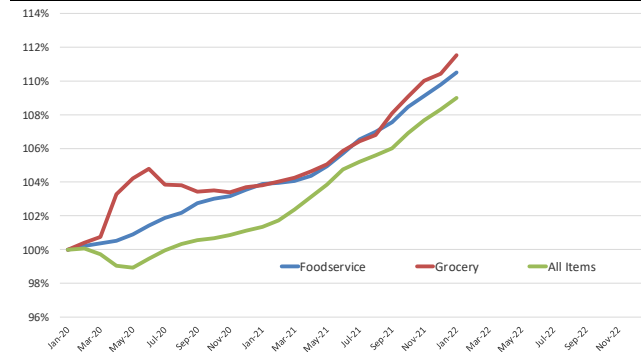
The inflation data that the government released today told us what we already knew, **it's getting really rough out there and those wage gains that workers have been getting are going out just as quickly**. The inflation number in all the headlines today was +7.5%, the fastest y/y increase since 1982. Sharp gains in food prices (in addition to energy) are a big reason for the overall increase in inflation. Below are some key takeaways that may not get as much coverage in the press:

- **Grocery inflation continues to outpace inflation at foodservice.** It was thought that the demand shift to retail food purchases was temporary. But just as COVID was not the promised "two weeks to flatten the curve" event, so the grocery demand shift has lasted far longer than most expected. Since January 2020, price inflation of food consumed at home has been 11.5% compared to 10.5% for food consumed at home and 9% for all products tracked. Grocery price inflation has accelerated in the last six months. Since last August grocery prices are up 4.4% compared to a 3.3% increase at foodservice. Maybe USDA will finally decide to update its forecasts for 2022, which in January put grocery inflation for 2022 at a range of 1.5% to 2.5%.

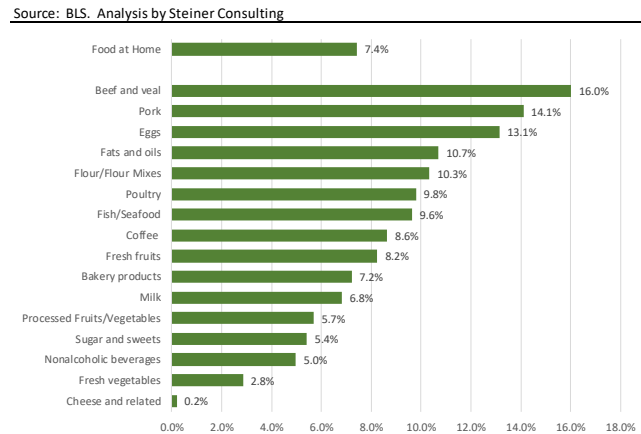
- **Food inflation at the grocery level is above headline inflation** (i.e. overall inflation) **for most categories.** While prices for food consumed at home are up 7.4% y/y, prices for many staples are up anywhere between 8% and 16%. The attached chart offers a summary of some core items although there are a number of items that we left off the list. Beef tops the list registering a 16% increase compared to a year ago. Ground beef prices in January at retail were up 13% compared to a year ago vs. a 19% increase in the price of beef roasts. Not surprisingly in the last 3-4 week we have seen a steep price increase in wholesale ground beef prices, likely reflecting consumer shift to purchasing less expensive beef options. The price of steaks and other beef products was up 17-18% in January vs. last year. Pork retail price inflation was up 14.1% in January according to the latest Consumer Price Index while poultry price inflation was up 9.8%. But it's not just meat protein that is seeing significant price increases. Eggs, oils and fats and flour are also up by double digits compared to a year ago. At this point the more affordable option at the grocery store is a celery stalk, some broccoli and a chunk of cheese it looks like (see chart).

- **Price inflation for food consumed away from home (foodservice) was up 6.4% in January compared to the previous year.** Inflation at fast food restaurants has far outpaced sit down restaurants for the last year or so but the gap is narrowing. In January fast food price inflation was up 8% compared to a year ago compared to a 7.1% increase for full service restaurants. Rising food costs, tight labor market and higher operational expenses all continue to drive inflation for foodservice operators. In a recent survey conducted by Datassential, 62% of restaurant operators noted rising food costs as a major challenge that they face in their day to day business. This was followed by ingredient shortages (43% of respondents), recruiting and hiring hourly staff (42%) and rising labor costs (28%).

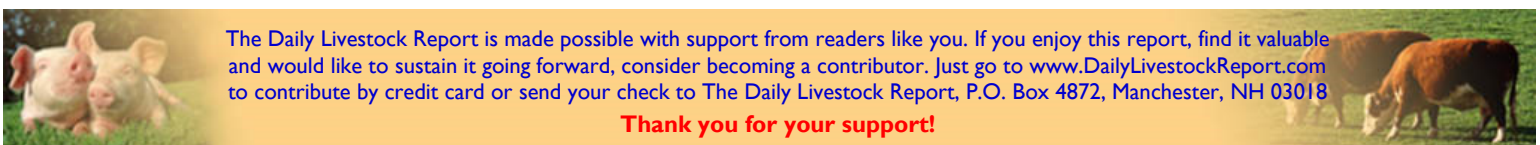
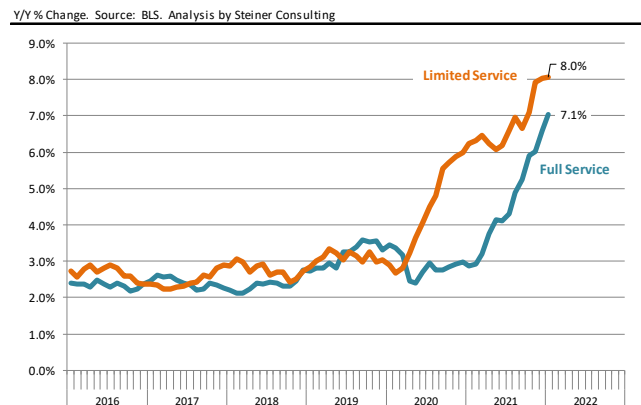
Food Inflation at Foodservice and Retail Grocery Stores vs. Overall Inflation. January 2020 = 100%
Source: BLS. Analysis by Steiner Consulting



Grocery Store Inflation in January and Category Performance
Source: BLS. Analysis by Steiner Consulting



Food Price Inflation at Full Service and Limited Service Establishments
Y/Y % Change. Source: BLS. Analysis by Steiner Consulting



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