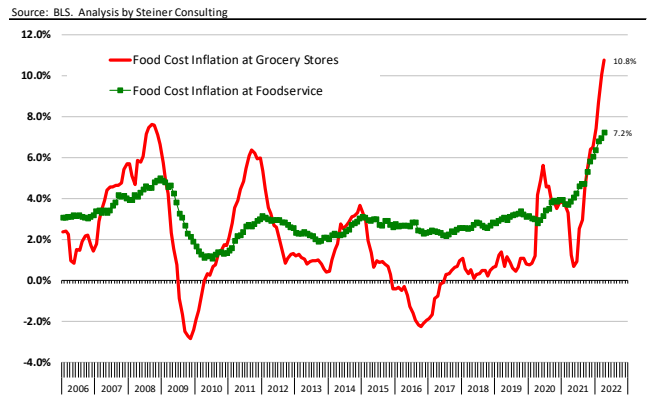


**Following the release of the April inflation data, the top headline in the Wall Street Journal noted that US inflation edged lower in April.** While true, it is important to look past the headline. Inflation in April was higher than most economists expected and core inflation accelerated from the previous two months, rising 0.6% m/m. The slowdown in the pace of inflation in April was largely due to lower energy prices, which declined 2.7% from the previous month but price inflation for services and food was up 0.7% and 0.9%, respectively.

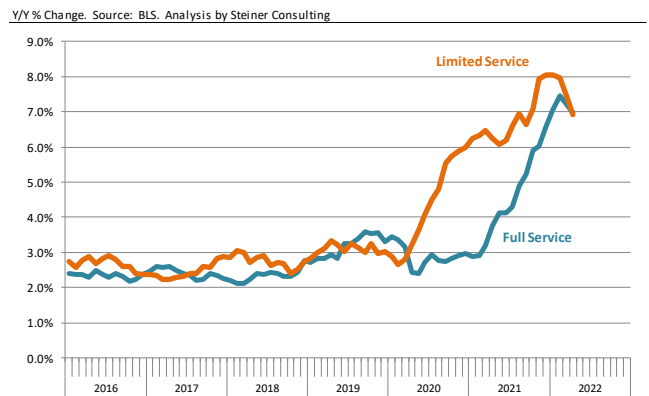
**Food inflation has accelerated in the last few months as operators pass on higher costs to their customers.** Grocery store inflation has far outpaced inflation at foodservice not because grocery stores are seeing more inflation but because they have the ability to respond more quickly to rising costs. Restaurants know that raising prices too quickly is a surefire way to lose customers. At the grocery store demand is a bit more inelastic and there is also a wider range of products, allowing customers change the mix of foods they buy. One of the big points of debate currently is how a change in the consumer purchasing mix (more pasta, less meat) is contributing to the palpable slowdown in red meat demand. Add to this a cool spring and good luck pinpointing demand.

As the chart to the right shows, in the past grocery store inflation has changed much more quickly. That is the case again currently. **In April inflation for food consumed at home was up 10.8% compared to the previous year.** This was the biggest y/y increase for food consumed at home since November 1980. April food cost inflation at venues outside the home was 7.2% higher than the previous year. This was the fastest inflation pace since December 1981. Retailers and foodservice operators are in the process of evaluating their own internal inflation figures with the numbers reported by the Bureau of Labor Statistics. Whenever such comparisons are made, it is important to recognize that the BLS data is an aggregate that is weighted based on broad national numbers. If a restaurant sells more steaks, or more fried chicken sandwiches or a grocery store incurs higher transportation costs, the inflation figures will obviously be different. One interesting trend is that inflation at fast food has slowed down vs. inflation at full service restaurants. As the attached chart illustrates, that's in part because inflation at fast food increased at a faster pace in 2020 and 2021. With the pandemic effect waning, it is more difficult for fast food operators to pass on the higher costs. Beef price inflation has also slowed down following the price spikes experienced last year. This probably has helped with foodservice inflation rising at a slower pace while grocery store inflation is more exposed to rising costs of grains, veg oils, packaging, transportation, energy, etc. Still, we are looking at double digit price inflation for all meat proteins at this time. Chicken was lagging beef and pork last year, which may have driven promotions plans this year. Chicken price inflation saw the biggest jump in April, up 3% from the previous month and now 15.3% higher than a year ago. Beef consumer price inflation was 14.3% higher than a year ago and pork price inflation was up 13.7%.

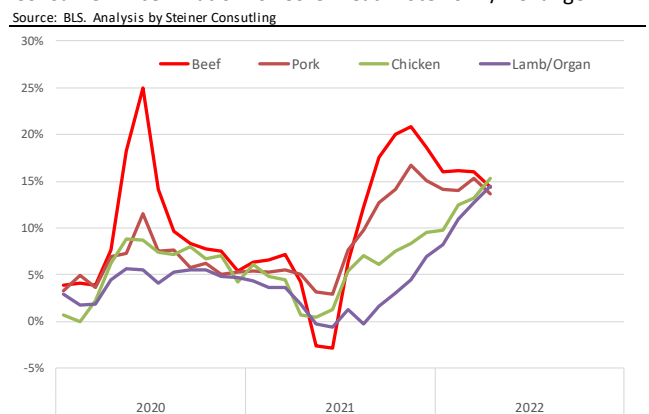
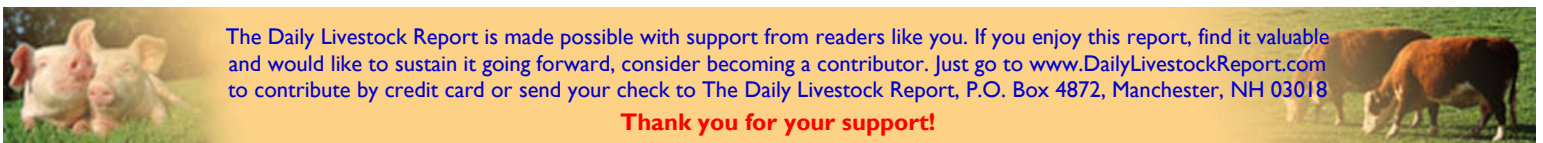
### Food Inflation at Grocery Stores and Foodservice. Y/Y Ch.



### Food Price Inflation at Full Service and Limited Service Establishments



### Consumer Price Inflation for Core Meat Proteins. Y/Y Change

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