September 2022 Price Check

Tracking Retail Food and Beverage Inflation

October 12, 2022

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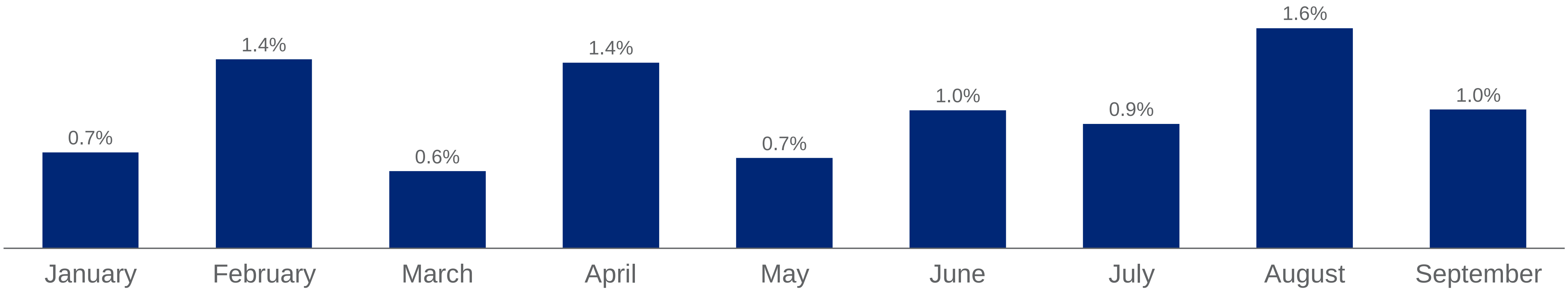
Summary

- **At-home food inflation continues in September:** +1.0% vs. August and +13.3% vs. year ago (YA).
- Within the store, **perimeter** – including produce and deli – **inflation moderates**, while **center store inflation** – including snacks and frozen meals and other frozen foods – **continues to rise.** Moderation of perimeter inflation is partly due to the lapping effect of inflation seen in second half of 2021, which was higher in perimeter departments than center-store departments.
- Inflation varies significantly across the store with the **alcohol segment only up 4.2% vs. YA**; while other categories, such as **dairy (up 19.6%) and frozen meals and other frozen foods (up 18.4%),** were up significantly.
- Consumers respond to rising prices in several ways:
  - **Reduced consumption**: Unit volumes are down more than 10% in categories such as deli service lunchmeat (-11.4%), fresh finfish (-11.1%), frozen dinners (-10.9%) and shelf-stable dinners (-10.8%) due to significant price increases.
  - **Shift to larger pack sizes:** Consumers seek better value in a per unit or volume basis.
  - **More quick trips:** Quick trips continue to grow the fastest of all trip types (up 5.7% vs. YA over last 12 weeks), likely an effect of “cherry picking” or deal seeking behavior.
- Food manufacturers use a variety of **price-pack levers to balance affordability to shoppers and rising costs,** such as downsizing packs to limit price increases.

Food inflation moderated to 1.0% in September vs. August

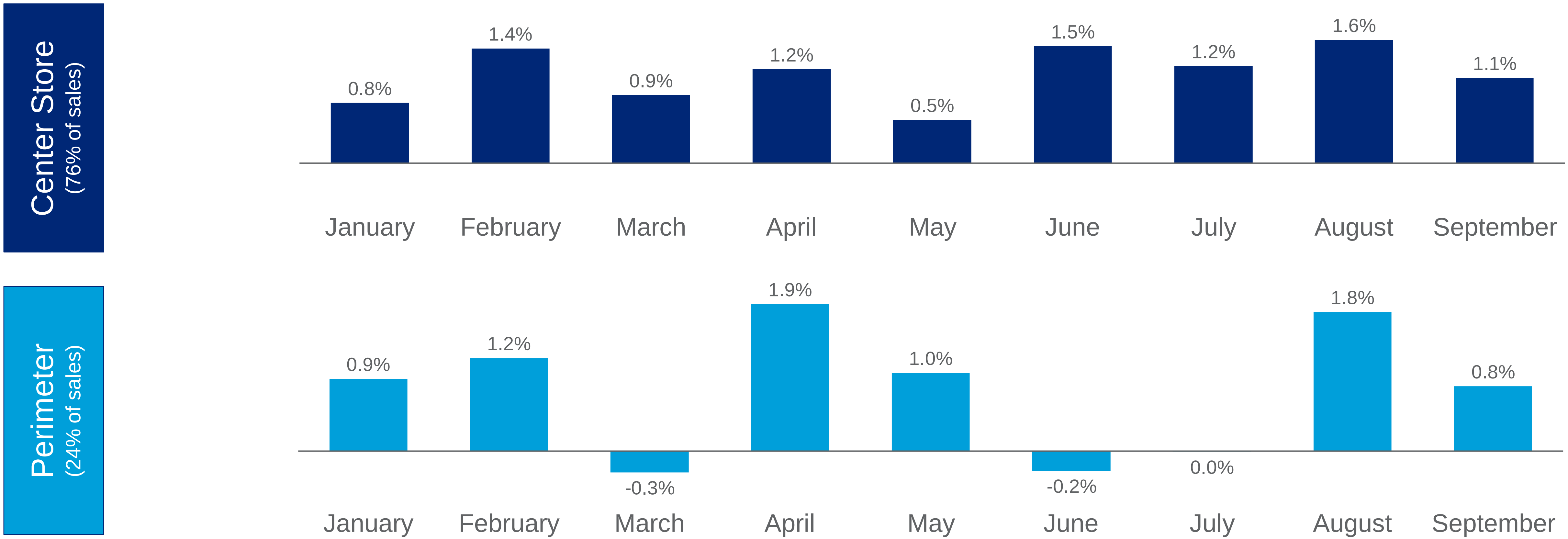
2022 F&B (Including Fresh) Price Inflation by Month, % Change vs. Prior Month / MULOC



Note: Dollar-weighted price change across categories (excludes any mix effects and based on releasable UPCs. Source: IRI MULOC POS data ending 10/02/22. IRI Client Engagement

Perimeter inflation moderated much more than center-store inflation in September

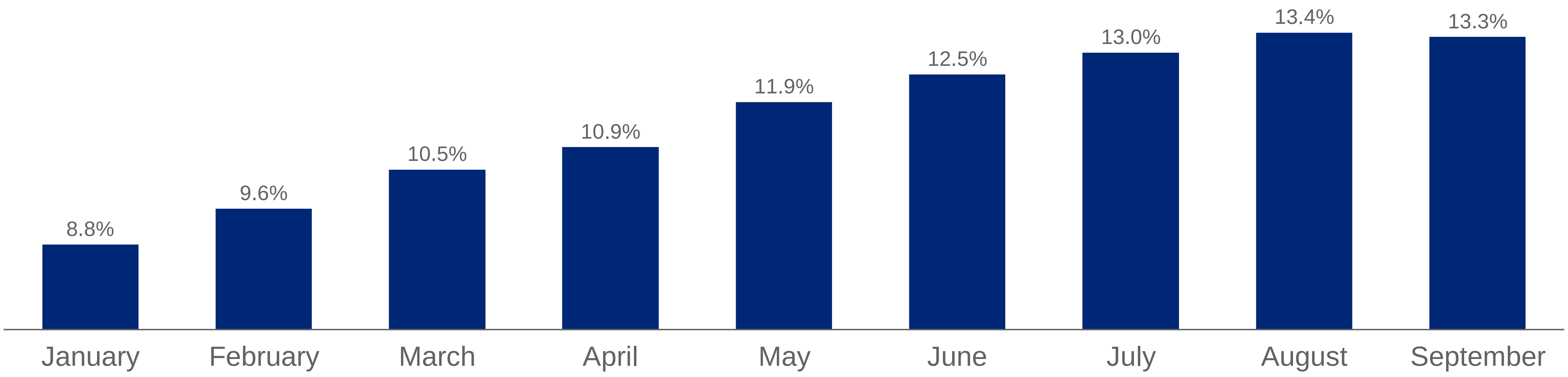
*2022 F&B (Including Fresh) Price Inflation by Month, **% Change vs. Prior Month** / MULOC*



Note: Perimeter includes Produce, Fresh Meat & Seafood, Deli and Perimeter Bakery. Dollar-weighted price change across categories (excludes any mix effects and based on releasable UPCs. Source: IRI MULOC POS data ending 10-/02/22. IRI Client Engagement

Compared to a year ago, food inflation is flat in September vs. August

2022 F&B (Including Fresh) Price Inflation by Month, % Change vs. Year Ago / MULOC

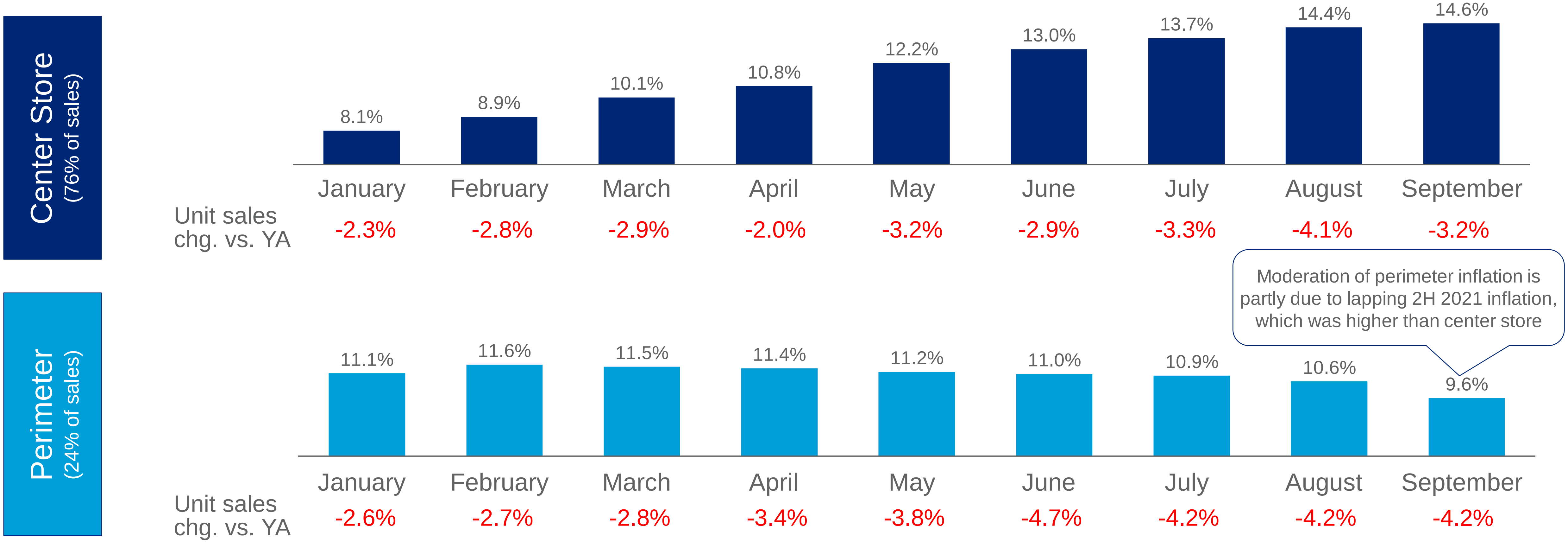


Unit sales chg. vs YA	-2.4%	-2.7%	-2.8%	-2.3%	-3.4%	-3.3%	-3.5%	-4.2%	-3.5%

Note: Dollar-weighted price change across categories (excludes any mix effects and based on releasable UPCs. Source: IRI MULOC POS data ending 10/02/22. IRI Client Engagement

Despite uneven inflation, unit sales are down across the store

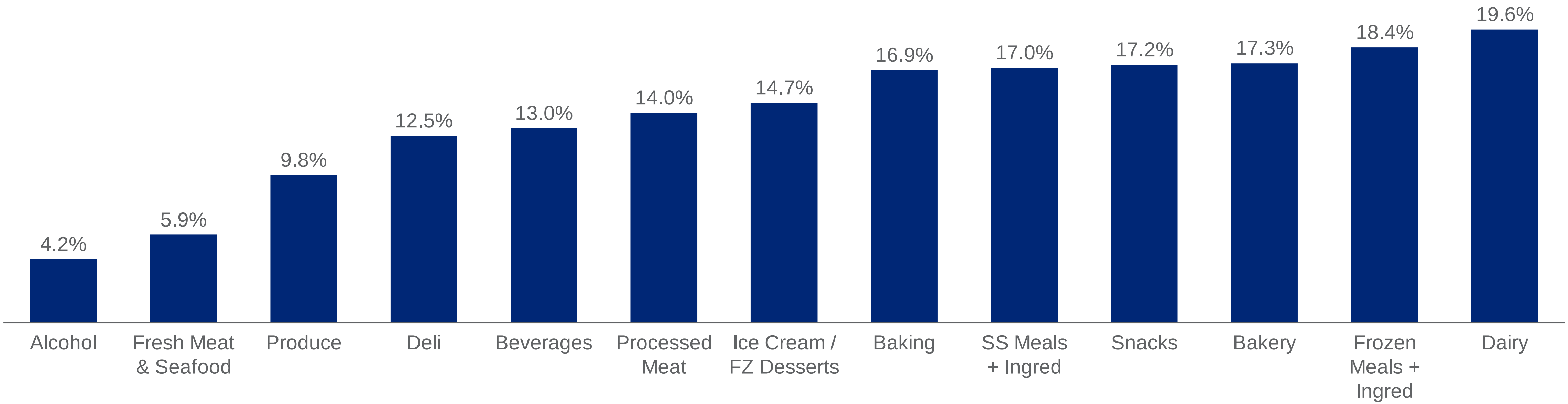
*2022 F&B (Including Fresh) Price Inflation by Month, **% Change vs. Year Ago** / MULOC*



Note: Perimeter includes Produce, Fresh Meat & Seafood, Deli and Perimeter Bakery. Dollar-weighted price change across categories (excludes any mix effects and based on releasable UPCs. Source: IRI MULOC POS data ending 10-/02/22. IRI Client Engagement

Price inflation across product segments varies widely – alcohol is only up 4.2% vs. YA, while dairy is up 19.6% vs. YA

Price Inflation by F&B Segment for September 2022 vs. YA / MULOC



	Alcohol	Fresh Meat & Seafood	Produce	Deli	Beverages	Processed Meat	Ice Cream / FZ Desserts	Baking	SS Meals + Ingred	Snacks	Bakery	Frozen Meals + Ingred	Dairy
Change vs Prior Month[1]	0.3%	-0.3%	1.7%	0.5%	1.6%	0.8%	1.8%	0.8%	1.1%	1.1%	1.4%	1.3%	0.5%
Unit. sales chg. vs YA	-0.7%	-3.7%	-4.4%	-3.8%	-3.4%	-3.1%	-3.2%	-3.2%	-3.7%	-3.0%	-2.1%	-6.6%	-2.8%

[1] Price Inflation % change for September 2022 vs. august 2022; *Note: Dollar-weighted price change across categories (excludes any mix effects and based on releasable UPCs. Source: IRI MULOC POS data ending 10/02/22. IRI Client Engagement*

Majority of categories continue to be more expensive, while some categories decline vs. prior month

Large Retail F&B Categories Where Prices Are Up or Down the Most in September 2022 vs. August 2022

14 of top 75 categories see price declines vs. only five in August

September price up the most vs. August

	Category	September price chg. vs Aug.	September Price chg. vs YA
Center Store	Energy Drinks	3.6%	7.8%
	Fz Plain Vegetables	3.4%	17.6%
	Canned/Bottled Fruit	2.8%	20.1%
	Sports Drinks	2.5%	7.0%
	Packaged Lunchmeat	2.1%	24.5%
Perimeter	Fresh Stone Fruit	12.4%	24.2%
	Fresh Common Fruit	2.2%	7.1%
	Fresh Salad & Greens	2.0%	11.2%
	Perimeter Cakes	1.7%	13.0%
	Deli Specialty Cheese	1.6%	10.8%

September price down most vs. August

	Category	September price chg. vs Aug.	September Price chg. vs YA
Center Store	Dinner Sausage	-1.7%	12.5%
	Frankfurters	-1.5%	13.6%
	SS Soup	-1.1%	20.2%
	Rfg Eggs	-0.8%	39.9%
	Spirits/Liquor	-0.1%	2.1%
Perimeter	Fresh Tropical Fruit	-3.2%	4.7%
	Fresh Citrus Fruit	-2.3%	8.9%
	Pork	-0.8%	2.7%
	Deli Entrées	-0.4%	9.0%
	Beef	-0.4%	-0.5%

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Note: Excludes any mix effects; Based on releasable UPCs. Source: IRI MULOC POS data ending 10/02/22. IRI Client Engagement

Volume declines in most categories is due to food inflation

Large Retail F&B Categories Where Volume Is Up or Down the Most in September 2022 vs. Year Ago

Categories Seeing Large Volume Declines in September

	Category	Sept Vol. chg. vs YA	Sep Price chg. vs YA
Center Store	Fz Dinners/Entrées	-10.9%	20.7%
	SS Dinners	-10.8%	22.8%
	Rfg Juices/Drinks	-8.7%	9.6%
	Packaged Lunchmeat	-7.8%	24.5%
	Canned/Bottled Fruit	-6.9%	20.1%
Perimeter	Fresh Stone Fruit	-14.6%	24.2%
	Deli Service Lunchmeat	-11.4%	17.5%
	Fresh Finfish	-11.1%	11.8%
	Perimeter Cakes	-6.1%	13.0%
	Fresh Salads & Leafy Greens	-6.0%	11.2%

Categories Seeing Vol. Gains or Least Declines in Sept.

	Category	Sep Vol. chg. vs YA	Sep Price chg. vs YA
Center Store	Frankfurters	5.1%	13.6%
	SS Rice	4.2%	15.1%
	Energy Drinks	4.0%	7.8%
	Bottled Water	1.6%	14.0%
	Fz Breakfast Food	0.9%	12.1%
Perimeter	Pork	-1.2%	2.7%
	Chicken	-1.4%	19.1%
	Beef	-2.0%	-0.5%
	Deli Specialty Cheese	-2.9%	10.8%
	Fresh Root Vegetables	-3.0%	22.9%

Note: Excludes any mix effects; Based on releasable UPCs. Source: IRI MULOC POS data ending 10/02/22. IRI Client Engagement

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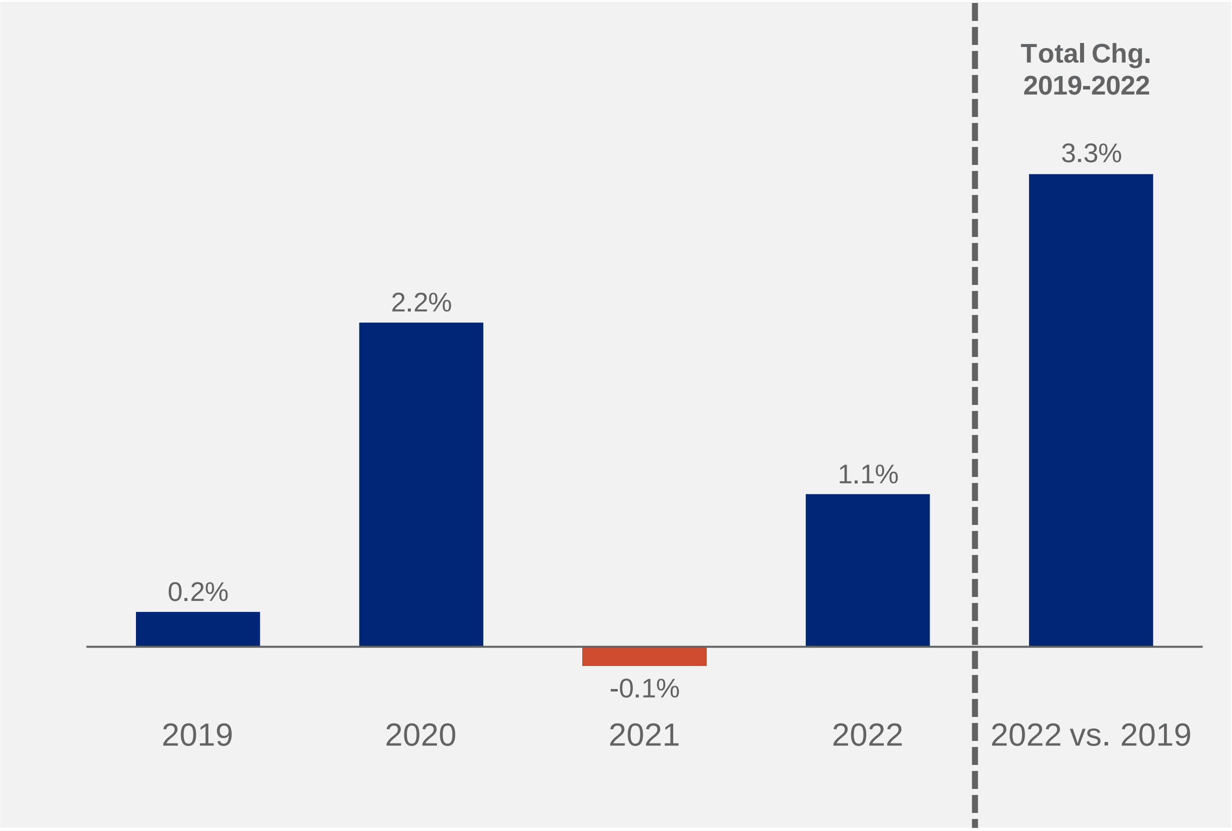
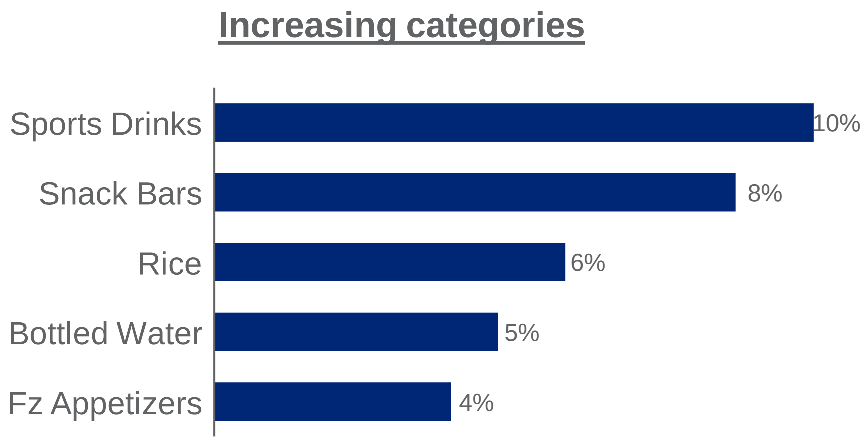
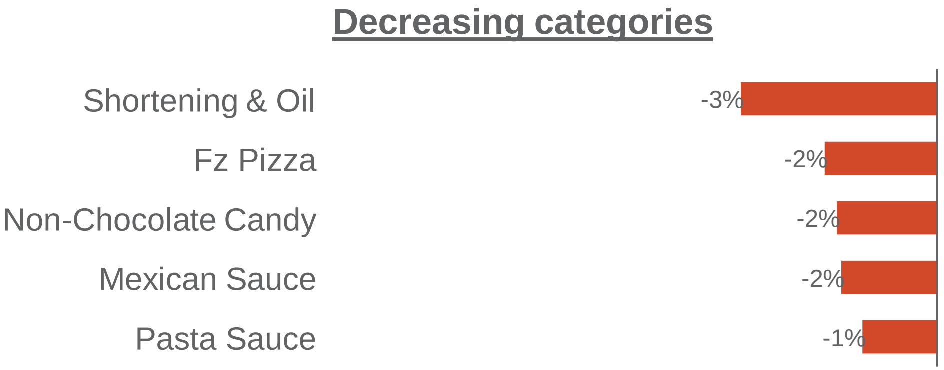
Sales of larger packs increase in many categories as consumers seek value

% chg. in Avg. Pack Size (Volume/Unit) in Food & Beverage Categories
% Change, 26 w/e 9/4/22 vs. same period YA, MULO



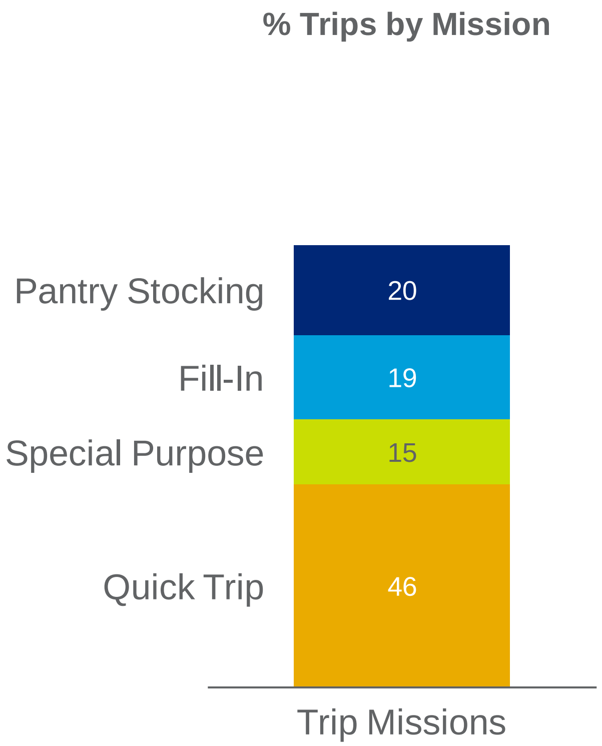


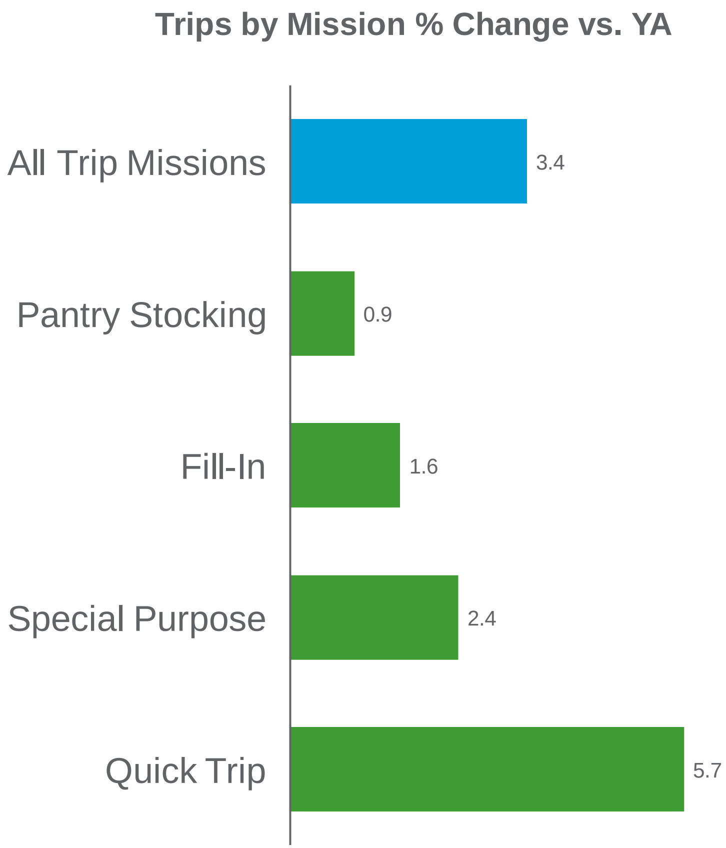


Source: IRI POS data ending 9/4/22. IRI Client Engagement

Quick trips continue to be on the upswing, suggesting "cherry picking" deal seeking shopper behavior

F&B Trip Mission – % Trips by Mission Latest 12 weeks & % Change vs. Year Ago





Pantry Stocking (15+ items, $50+, Wide Product Variety), Fill-In (5-15 items, $30-$80, Less Product Variety), Special Purpose (2-10 items, $20-$50, Narrow Mix of Product Varieties Directed to Specific Occasion), Quick Trip (1-5 items, < $20)

Source: Source: IRI OmniConsumer[TM] Scan Panel data ending 10/2/22 Total US MULO. IRI Client Engagement

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Food manufacturers use a variety of price-pack levers to balance affordability for shoppers and rising costs

2022 Downsizing Example – Salty Snacks Brand

Pack

- **Primary pack** (65% of unit sales)
- 11 oz → 10.1 oz (8% volume reduction)
- Executed along with **changes across** brand's packs

Price

	11 oz	10.1 oz
Shelf Price / unit	$4.00	$4.20
Realized Price $/lb	$5.82 / lb	$6.47 / lb

- Pack price increases **+5%** vs. average **+12%** for category
- Realized price per lb. increases **+11%** vs. **+13%** for category
- **Increased promotion** in short-term before reverting

Performance

- Minimal share impact:
  - **Unit share** increases +0.06pts.
  - Initial promotion reduces **dollar share** -0.09

Brands across categories leveraging shrinkflation to manage costs, e.g.,

- Shampoo 12.6 oz standard bottle → 12.0 oz
- Ice Cream standard tub 48 oz / 1.5 qt. → 46 oz / 1.44 qt.
- Dog Food bag 26 lb. → 24 lb.
- Peanut butter regular size 12.5 oz → 11.4 oz

Source: IRI POS data ending 10/4/22. IRI Client Engagement.