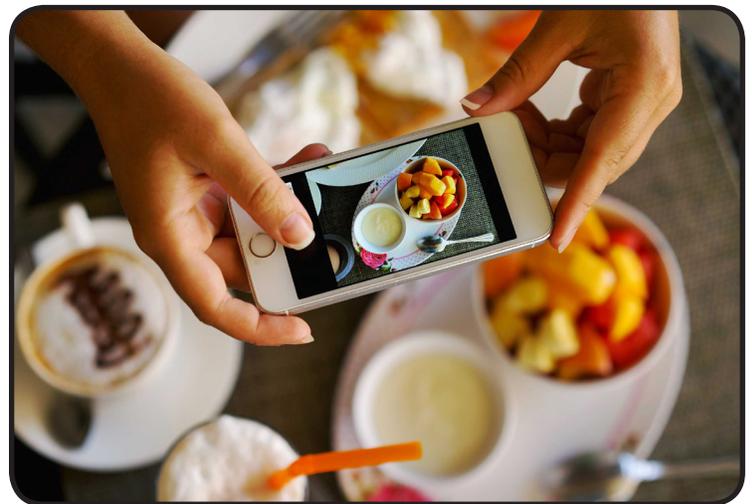


The Digitized Decade Ahead

As the 2020s begin, what's in store for restaurants?

Just 10 years ago, eating a dish from your favorite neighborhood restaurant likely required having to visit the business and wait in line. The thought of tasting “alternative meat,” ordering from a “ghost kitchen,” or taking an “Instagrammable” food photo might have been confusing if not downright disconcerting. But fast forward 10 years and technology is making it possible for consumers to discover and experience restaurant food with just a couple of clicks on a smartphone, and for new tastes to be developed that have the power to transform our diets and our impact on the environment.



As we begin a new decade, industry groups are eager to predict how dramatically the restaurant business will change in the coming years. A report from Modern Restaurant Management addressed technology's ever-expanding impact on both consumers and restaurant operators. On the consumer end, expect an increase in demand for frictionless dining experiences that streamline ordering, payment and interactions, as well as for lifestyle-driven technologies that will allow consumers to quickly access dining options customized to their dietary needs and preferences.

Technology continues to empower operators too, particularly when it comes to monitoring and measuring guest behavior and overall business operations. An operator who understands how a guest discovered their restaurant, what they like to order and when, how they prefer to pay and even what they order from other restaurants is equipped to deliver the kind of experience that builds guest loyalty. Behind the scenes, that same operator can use technology to minimize food waste, manage food safety, identify ingredient pricing spikes and automate payments.

(continued on page 4)

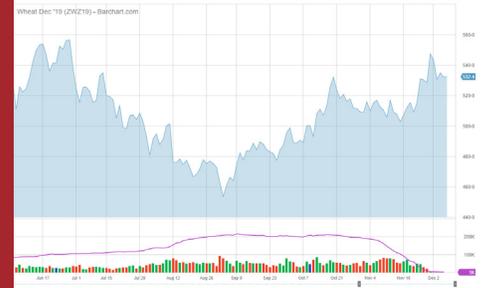
Commodities Update

Weather challenges impact crop planting and production; demand for pork and beef hold steady

From dangerous weather conditions to infectious diseases, the agriculture industry has no shortage of challenges to manage right now. As this newsletter was due to be published, the USDA announced its 96th Agricultural Outlook Forum, which is planned for February 20-21 in Arlington, Va. The event will address the impact of innovation and science on such topics as farming practices to manage extreme weather uncertainties. In the meantime, here is a summary of recent USDA research on key agricultural commodities:

Wheat: Early winter weather in the U.S., as well as dry conditions in Argentina and Australia, have driven wheat production in these regions down by more than two million metric tons in total for the year, though an improved outlook for wheat production in the European Union and Russia has more than offset those losses. While supplies of U.S. wheat are expected to fall to a five-year low, projected global exports for 2019/2020 were increased by one million metric tons due to harvests from competitors.

Wheat



Corn



Corn: Yield for the 2019/20 corn crop was lowered by 1.4 bushels per acre recently, resulting in a 118-million-bushel decrease in production. Corn demand is projected to be 100 million bushels lower for the same period. U.S. corn exports continue to lag, with export data the lowest since 1976. The reduced expected U.S. corn production means U.S. exports are projected to be 1.5 million tons lower for the year.

Soybeans: The 2019/20 growing season for soybeans has been challenging amid spring planting delays, a lack of summer warmth, and wet weather during the fall harvest, all of which have generated below-trend yield estimates for soybeans. In the USDA's latest crop production report, the U.S. average yield forecast was incrementally lower at 46.9 bushels per acre but significantly below last year's 50.6 bushels.

Soybean Oil



Soybeans



Commodities Update

Continued

Beef: Beef production in 2019 was raised on higher expected slaughter, but 2020 was reduced on lower expected carcass weights and slightly lower marketing. Beef exports are likely to end this year down nearly 2 percent, but shipments are expected to rebound in 2020 by about 7 percent. Drought in Australia is reducing the country's exportable supply as demand for beef continues to climb in Asia.

Feeder Cattle



Live Cattle



Pork: Fourth-quarter pork production was revised upward to reflect a faster-than-anticipated pace of hog slaughter and slightly higher average weights. Production for the fourth quarter is expected to be 7.5 billion pounds, about 6 percent higher than a year ago. Strong pork exports are expected for 2020, due largely to likely increased import demand from Asian countries impacted by African Swine Disease. Exports to China/Hong Kong have more than tripled compared with the same period last year.

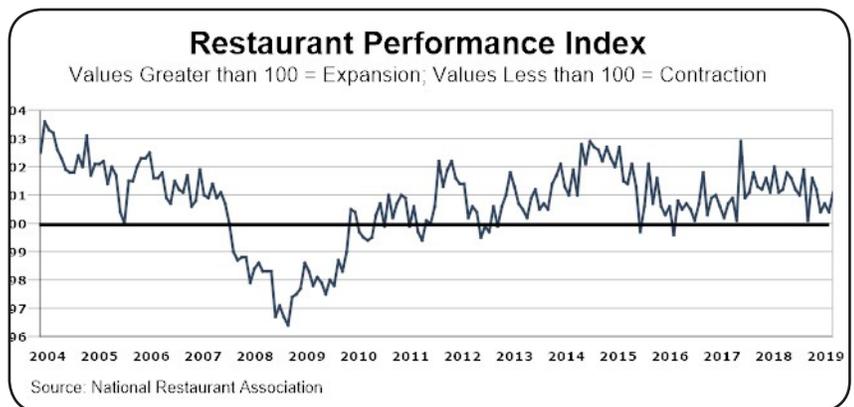
Lean Hogs



The charts on this page and page 2 from Barchart.com track futures price quotes (area in blue) in recent months for the commodities listed, as well as volume (red and green bars) and open interest (purple trend line).

Restaurants: What's Your Outlook?

The National Restaurant Association's Restaurant Performance Index tracks the health of U.S. restaurants and operators' outlook on the industry. While levels above 100 indicate an industry in growth mode, recent results indicate uncertainty in business conditions in the near future.



OUTLOOK

Q1/2020

A roadmap to 2030

(from page 1)

To help operators manage the speed of change and increased competition that these developments bring, the National Restaurant Association launched its Restaurant2030 report, which forecasts how the American economy will be different in 2030 and how that will impact restaurants and other foodservice businesses. The association collaborated with a team of futurists from Foresight Alliance to anticipate coming changes. Here are some of their key takeaways about the likely state of the restaurant and foodservice industry in 2030:

- Information technology will permeate restaurants, driving transparency and data management.
- The demand for off-premise dining will lead to more virtual restaurants.
- Consumers may grow more loyal to third-party delivery apps than to restaurants themselves.
- Autonomous vehicles will change how people on the road get their food, as well as what they eat and drink in their cars.
- Non-food businesses may offer prepared meals as an additional service.
- Automation and robotics will play a bigger role in food preparation.
- The decline of brick-and-mortar retail will enhance the importance of restaurants as spaces for social engagement and community outings.
- The volatility of weather could disrupt agriculture and food distribution, driving up food costs.
- Artificial intelligence, acting much like human chefs, will create unexpected recipes and culinary experiences.
- An aging population will drive demand for meals that provide specific health benefits to consumers.



Many of the developments here may already be well underway in your restaurant. If not, preparing for them will be critical to competing in the years ahead. As you look to 2030, how can your restaurant adjust to accommodate the changing environment?

2020 Vision

Top-Five Restaurant Trends for the Coming Year

Cooler colors: Think blue-green kale and purple broccoli

Fad fever: Restaurants will offer more eye-catching, offbeat menu items available for short periods

Plants abound: Plants – and lesser-used parts of them – will be prepared creatively across menu categories



Dine-in deals: Look for more limited-time offers and loyalty rewards that require dine-in business

Sustainability reigns supreme: Expect more compostable packaging, reusable containers and waste control measures

Source: Technomic