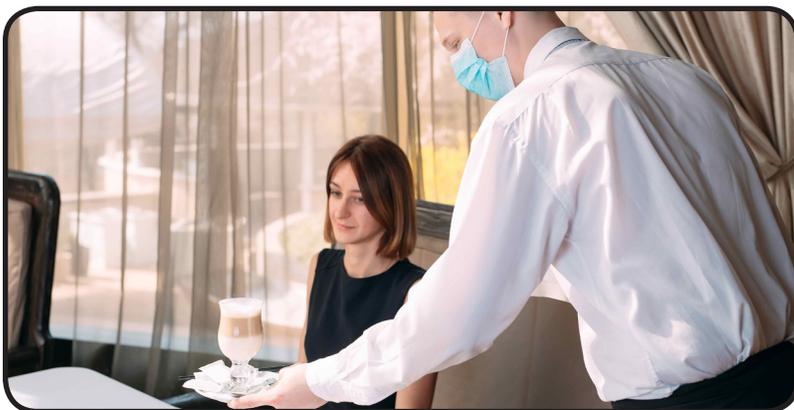
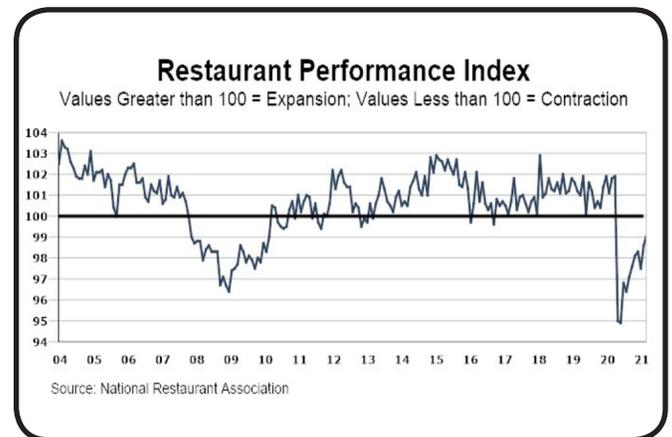


Recovery Within Reach – At Last

Climbing vaccination rates, lifted restrictions, prospect of economic stimulus spark optimism

Just as we hit the one-year anniversary of the start of COVID-19's worldwide spread, life suddenly started looking a whole lot brighter for restaurants. Vaccination rates were climbing steadily, more states were lifting pandemic restrictions, warmer weather was bringing people outside, and restaurant hiring – long an indicator of U.S. economic health – was increasing sharply. The U.S. Department of Labor reported recently that restaurants and bars added 285,900 jobs in February, compared to just 17,000 in January. Restaurant performance, according to recent data from the National Restaurant Association, is again climbing back up into neutral territory after its steep drop last year at this time (see chart the the right). The American Rescue Plan Act of 2021 could provide grants of up to \$10 million each for struggling independent restaurants, should further build momentum toward recovery.



Of course, rebuilding business back to pre-pandemic levels could take time. Recent survey data from Nielsen found that 24 percent of respondents said they would spend more money dining out once the vaccine is widely available, while 22 percent said they would spend less – suggesting the return to pre-pandemic life could be more gradual than many restaurant operators might like. The recovery is also likely to be uneven across restaurant categories, with some categories already feeling close to normal

(continued on page 4)

A Hand Up for Agriculture

The agriculture industry has faced its own laundry list of COVID-19 challenges this past year, ranging from managing the health risks of the virus to the dramatic fluctuations in demand from the foodservice organizations it supplies. The American Rescue Plan Act of 2021 has some agriculture-related provisions that could not only support the recovery of farms but also generate ripple effects for restaurants. The American Farm Bureau Federation reports that the plan includes an estimated \$10.4 billion for programs designed to strengthen the food supply chain – via COVID-19 mitigation efforts for agricultural workers; animal surveillance; added resources to purchase and distribute agricultural commodities to nonprofits and restaurants; increased access to healthcare in rural areas; and debt relief and other resources to socially disadvantaged farmers.

In the meantime, below is the latest available research from the USDA about key agricultural commodities, which have been impacted by the pandemic in varying degrees.

Wheat: Increased competition for export business and a strengthening U.S. dollar could soften wheat futures, according to most recent reports. Global wheat supplies for 2020-2021 are up 0.8 million tons to 1,073.5 million this month on an equivalent increase in production. Global production is forecast to reach a new record high.



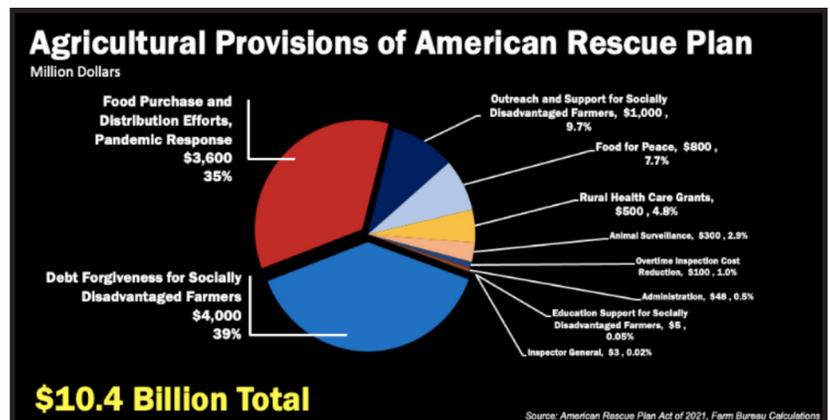
Corn: Strong foreign demand is projecting U.S. corn exports to a potential record of 2,600 million bushels in 2020-2021. As a result, corn stocks could hit seven-year lows, pushing importers and domestic processors to buy these crops in advance of those shortfalls.

Soybeans: The USDA raised its forecast of 2020/2021 soybean exports by 20 million bushels to a record 2.25 billion. As with corn, soybean stockpiles could be at their smallest in seven years before the next U.S. crop is harvested. Traders are keeping tabs on demand from China and also watching

weather in South America, where soybean (along with corn) harvests could fill the gap in U.S. stocks.

Beef: The first-half 2021 beef production forecast was raised based on an increased pace of slaughter and higher average carcass weights. Cattle price forecasts were lowered for the second half of 2021 based on greater expected marketings. December beef imports dropped 8.3 percent year over year on tighter exportable supplies in major exporting countries, and the latest forecast for 2021 first-quarter beef imports was lowered by 80 million lbs. to 700 million lbs. The beef export forecast was raised 25 million pounds to 750 million pounds, although Dan Halstrom, president and CEO of the U.S. Meat Export Federation, said recently that U.S. red meat exports still face obstacles related to COVID-19, as well as significant transportation and labor challenges.

Pork: Strong domestic demand will likely continue to drive hog prices higher in the first quarter of 2021. Potential production constraints, including higher feed costs and continued strong slaughter, indicate higher hog prices in 2021. This year, U.S. pork exports are expected to be about 1.5 percent lower than last year on anticipated lower year-over-year shipments to China.

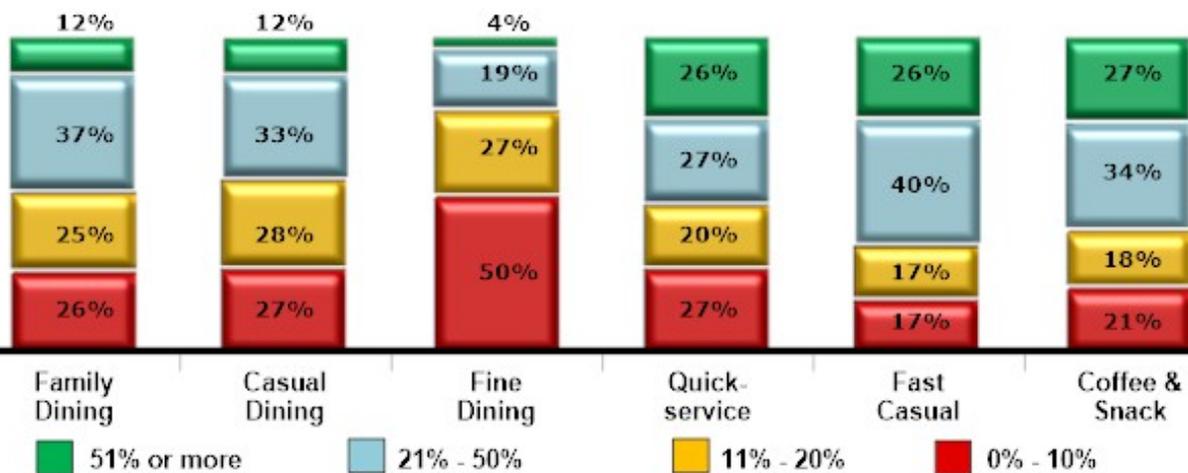


How Restaurants are Getting Back

The National Restaurant Association surveyed 6,000 restaurant operators and 1,000 consumers about the trends likely to continue to boost the industry as it emerges from the pandemic. Below are some of the top responses. How many have you tried?

- Streamlined menus: Select an array of options that maximize your flexibility and profitability.
- Overwhelming shift to off-premise dining: Even as on-premise dining returns, expect your off-premise options to remain in-demand.
- Blended meals: Consumers may want to build a meal around items they make at home, combined with items your restaurant supplies.
- Restaurant-branded meal kits: Through meal kits, you can combine the satisfaction of home cooking with the ease and brand appeal of takeout.
- Alcohol to-go: Off-premise meal sales have not offset on-premise sales for many operators in recent months (see chart) but packaging alcohol to go – if allowed in your state – can help narrow the gap.

Proportion of lost on-premises sales that were made up by additional off-premises sales in recent months



Source: National Restaurant Association, survey of 3,000 restaurant operators conducted 2/2 - 2/10, 2021

OUTLOOK

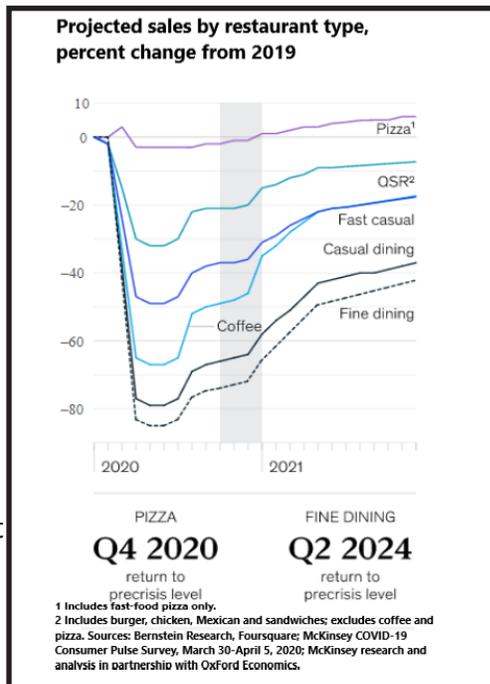
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Recovery (from page 1)

and others facing a much slower road in the coming months (see chart to the right).

Lessons for the long haul

However, the past year has served as a bootcamp of sorts for the industry, teaching the kinds of hard-fought survival skills that will only help it recover that much more strongly this year. Going forward, stay focused on making continued improvements in these areas:



Smoothing the customer journey: Use tech to streamline order management, shorten wait times and prompt guests with options they are likely to want.

Fine-tuning your off-premise plan: Dining offsite is here for the long haul, so identify ways to provide it and improve upon it.

Optimizing your labor: Understand exactly how many staff are required to carry out tasks and interact with guests.

Prioritizing health and safety: It will take time for many guests to feel comfortable dining indoors but the actions you take can make them feel safer with you.

Minimizing waste: Slim down your menu, understand your inventory in real time, take steps to avoid having leftover food, and optimize your menu for peak profitability.

What's on the Menu in 2021?

For clues, look to where you left off as the pandemic got started last year, according to Suzy Badaracco, president of the food industry think tank Culinary Tides. The foods that went into hibernation could be ready to emerge. Consider options such as ceviche, hummus, toast, ramen, poke, all-day breakfast and regional desserts, she says.

Or, tap into the mindset of the consumer. Consider offering immune-boosting foods with a health halo, newer plant-based items like meatless seafood or plant-based milks, and nostalgic treats that incorporate local ingredients.

Finally, get adventurous. That means adding dishes with global flavor, which offer comfort and scratch guests' itch to travel. As for beverages, think boozy, fizzy drinks that entice guests to step out of their comfort zone.

