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# OUTLOOK

A Team Four Foodservice publication

A photograph of three chefs in a professional kitchen. They are wearing white chef coats and dark blue and white striped aprons. The chef on the left is a woman with her hair in a bun, looking down at a pan on the stove. The chef in the middle is a man with glasses, looking towards the right. The chef on the right is a man smiling, looking down at a green cutting board. The background shows stainless steel kitchen equipment and a range hood.

**Finding New Ways to  
Capture Value on Farms**

**Agricultural Commodities:  
A Look at the Year Ahead**

**Reasons for Optimism  
in the Run-up  
to the Holidays**

**What's Hot for 2025?  
The National Restaurant  
Association's Forecast  
for the New Year**

# Finding New Ways to Capture Value on Farms



The U.S. agricultural trade deficit is expected to hit a record \$42.5 billion in 2025, roughly 40 percent over the 2024 fiscal year's shortfall, according to the U.S. Department of Agriculture. The agency predicts low commodity prices to continue to depress profits for farmers in the months ahead.

Farmers understand how to adapt to challenges – whether they be increasingly extreme weather conditions, fluctuating costs, labor strains, or new technology changing how business is run. But the downward pressure on farm incomes will make it more urgent for farmers to find ways to extract value from their crops. If there were ever a time for farms to work collectively to find solutions to address these issues – and for the agritech industry to develop new innovations – it's now. But times of challenge spark innovation – and we can expect to see that in agriculture in the months ahead.

## **An agricultural renaissance?**

A recent report from CroLife points to some promising approaches already in the works. One example is the Corn Value Chain Challenge. This initiative, a partnership between U.S. Corn Growers and Radicle Growth, is offering \$1.5 million in equity investment to innovators who can develop advanced technologies and business models that create new, sustainable demand for corn. The report says, for example, that there have been advancements in fermentation technologies that could create bio-based alternatives to petrochemicals, thermo-catalytic processes to develop drop-in replacements for industrial materials, and efforts to reduce the carbon intensity of corn production. This effort is reinventing the potential uses and handling of corn – and there are applications across other agricultural commodities as well.

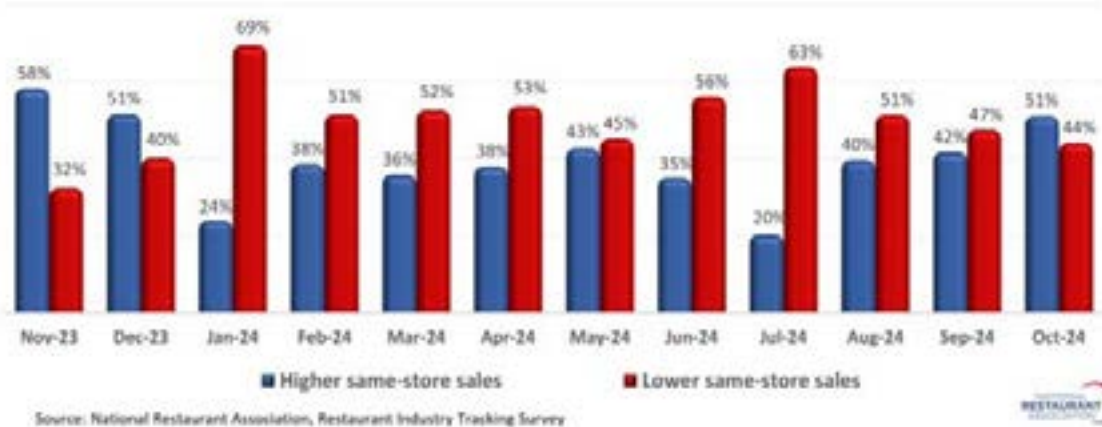
Technologies that help farms maximize efficiency in their operations will likely attract more focus too. Generative artificial intelligence will make it possible for farmers to make more informed, in-the-moment decisions about treating soil, selecting seed varieties and responding to various economic conditions. A report from Agritech Digest suggests that more farmers will be relying on digital replicas of their farms – digital twins that have the same soil conditions, crops, climate and other characteristics of their real-life farms – and will test new strategies in these spaces before devoting resources to them on their land.

Just as the restaurant industry turned a corner after navigating the challenges of the coronavirus pandemic, farms could also be due for a period of reinvention. Expect to see advances in how farms derive value from what they produce. It could mean that farms look and operate a lot differently in the coming decade.

# Reasons for Optimism in the Run-up to the Holidays

The latest market report from the National Restaurant Association offered glimmers of hope as restaurant operators prepare to start the New Year. The association found that 51 percent of operators said their same-store sales increased between October 2023 and October 2024 – up from 42 percent in September and the highest reading in 10 months. Operators also reported improved customer traffic, though October still represented the 19th consecutive month of net declines.

Restaurant operators' reporting of same-store sales versus same month in previous year



Still, at a time when restaurant meals have felt like a harder sell across many segments – or one that consumers insist on paying less for – a boost in sales offers some reinforcement that guests are willing to pay for restaurant experiences that feel worthwhile.

There are other promising indicators too. According to the U.S. Census Bureau's monthly retail sales report, sales of foodservice and drinking establishments reached \$97.3 billion in October, a 4.2 percent increase over the same month a year ago. While higher menu prices are partly responsible for that increase, the Bureau of Labor Statistics reported that the Consumer Price Index for "food away from home" increased 3.8 percent year-over-year in October – so the boost in sales wasn't only due to higher prices. In fact, according to Statista research, sales growth in foodservice businesses has been outpacing price increases for several years. Since February 2020, these businesses have seen seasonally adjusted monthly sales increase 41 percent, while consumer prices for food away from home have risen by 29 percent.

Restaurant operators' reporting of customer traffic versus same month in previous year



# Agricultural Commodities: A Look at the Year Ahead

As farmers have had to navigate inflation, market volatility and climate uncertainty throughout 2024, global supply chain issues, geopolitical tensions and climate concerns have added complexity to the business. Access to resources and markets has shifted this year and will continue to affect the marketing of key agricultural commodities. Here is a look at how some of the USDA's final agricultural outlook reports of 2024 see the landscape we can expect in the New Year.

**Wheat:** Dry weather and other adverse conditions have already created concerns around winter wheat planting. U.S. wheat acres are projected at 46 million, similar to last year's acreage, amid dry planting conditions in the Southern Plains and persistently low producer prices. These factors discourage acreage expansion. Overall, the USDA expects farmers to plant 223 million acres of wheat, corn, and soybeans, down 900,000 acres from last year and 600,000 acres below the five-year average.

**Corn and soybeans:** U.S. farmers are rapidly harvesting two of the largest corn and soybean crops on record, pushing the limits of their physical capacity and grain storage, Reuters reported in late October. The strain has been especially intense considering that low prices left farms with grain surpluses at the end of 2023. This year's surge came as growers contended with near four-year-low grain prices, intense global export competition, and farm incomes that have dropped 23 percent from record highs just two years ago. The rapid harvesting and storage squeezes put farm-



# Commodities

(from page 4)

ers in the difficult position of having to consider selling some crops for less than it cost to produce them – though many are trying to hold out for a few more months.

**Pork:** As of early September, U.S. farms housed 76.5 million hogs and pigs, a slight increase from September 2023 and 2 percent higher than June 1. This total included over 70 million market hogs and 6 million breeding hogs, according to the USDA's National Agricultural Statistics Service. This large number of hogs means a significant supply of pork must reach consumers both in the U.S. and abroad – and any supply chain disruption could severely impact the industry. Farm Progress reports that one such threat was averted when the International Longshoremen's Association and the U.S. Maritime Alliance Ltd. reached a tentative wage agreement and extended the master contract until mid-January.

**Beef:** The latest livestock outlook from the USDA called for increased production for both 2024 and 2025. Production for the end of 2024 is forecast slightly higher at 27 billion pounds, driven by slower fed cattle marketings and offset by higher cow slaughter and heavier carcass weights. The 2025 outlook is up to 26 billion pounds due to increased fed cattle marketings and heavier weights. Quarterly cattle price forecasts for 2025 are also raised, reflecting a faster marketing pace. U.S. beef imports are expected to grow in late 2024 and the second half of 2025, while beef exports are projected higher in 2025 due to increased production.





## What's Hot for 2025?

### The National Restaurant Association's Forecast for the New Year

1. Sustainability & local sourcing: Expect consumer support of local sourcing, reduced-waste cooking and sustainable ingredients to grow stronger
2. Cold brew: Ready-to-drink cold brew teas and coffees are joining the likes of kombucha and gut-friendly sparkling waters on menus and store shelves
3. Korean cuisine: Interest in Korean culture has increased curiosity in the country's food traditions and innovations
4. Hot honey: A sweetener with functional benefits, a drizzle of honey complements savory and sweet dishes across the menu
5. Vietnamese cuisine: Southeast Asian foods in general scored highly with consumers, with Vietnamese, Filipino and Korean cuisine getting extra attention
6. Hyper-local beer & wine: It connects people to the community and helps them support eco-friendly processing
7. Fermented/pickled foods: Consumers favor these foods for their intensified flavors, sustainability, and potential functional benefits like gut health
8. Wellness drinks: Consumers crave beverages that not only taste good, but which also promise increased energy, lower stress, enhanced digestive health and sharper cognition
9. Creative spritzes: Offering no- and low-alcohol options for cocktails can enhance your menu variety and interest while boosting check totals
10. Value deals: Restaurants will lean on value to set themselves apart – think pop-up restaurants, limited-time offers, and food and beverage flights

Source: National Restaurant Association