

OUTLOOK

Q2 2025

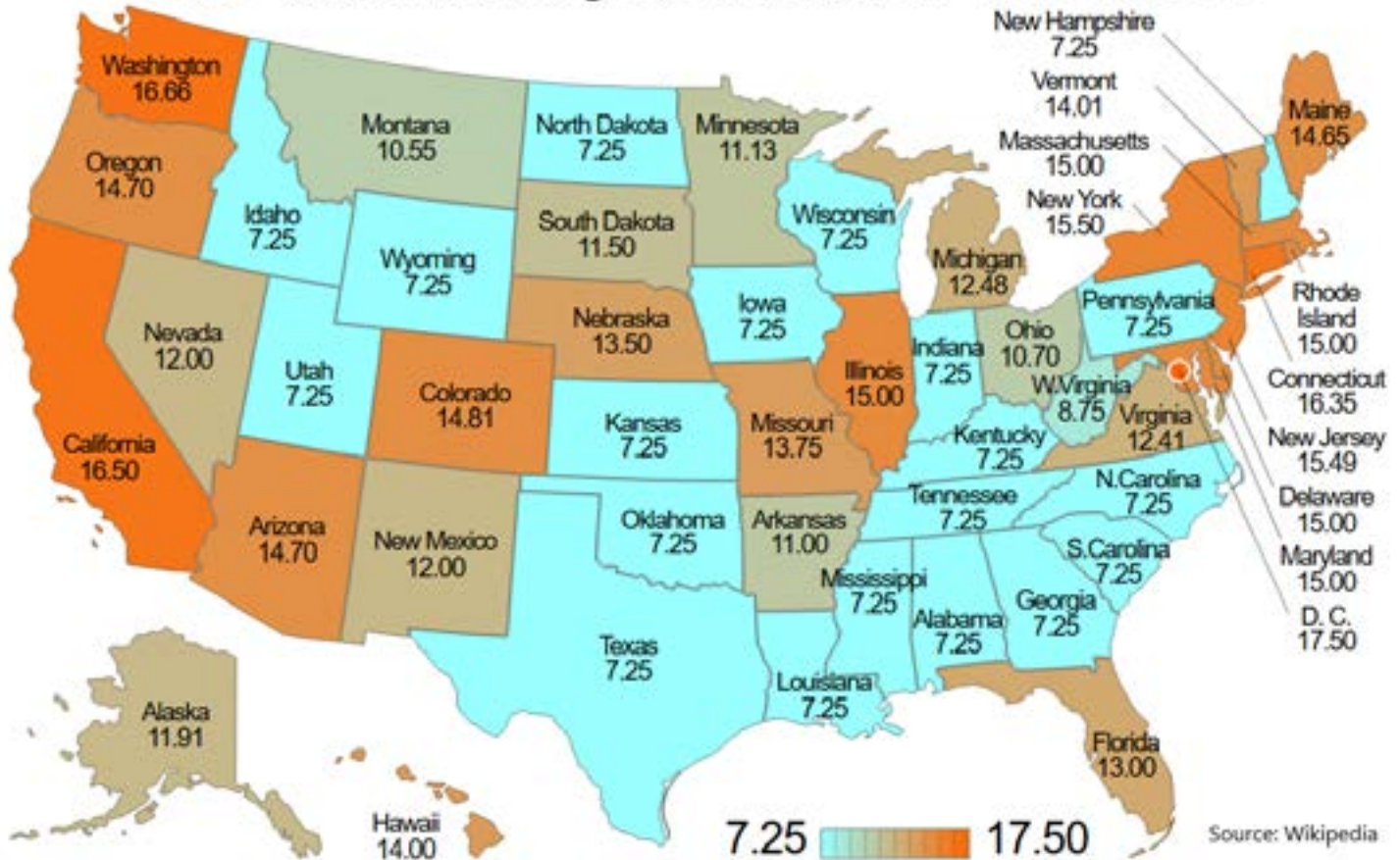
**Amid minimum wage
hikes, can onsite
business improve?**

**Agricultural
Commodities
Outlook**

**Unsustainable egg prices:
How restaurants are
managing**

**Restaurant
industry by the
numbers**

State minimum wages, in dollars. Feb. 21, 2025



Amid minimum wage hikes, can onsite business improve?

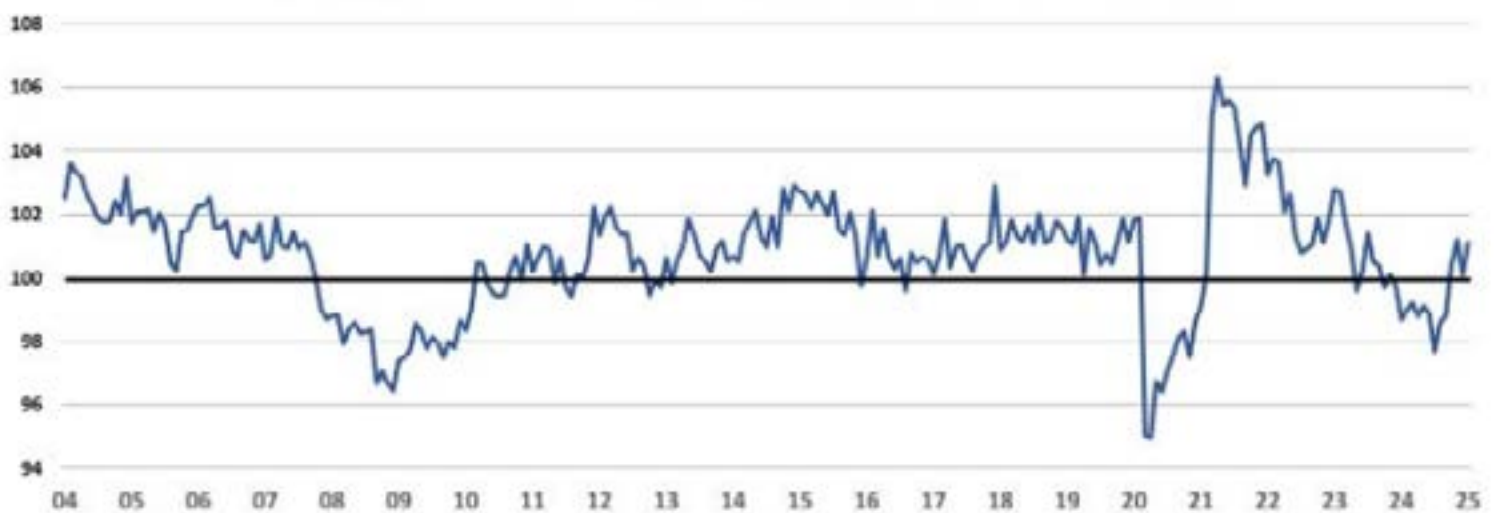
This year, 23 U.S. states are due to increase their minimum wage. Michigan will see the most substantial hikes, with the minimum wage rising by \$2.15 to \$12.48 per hour – a nearly 21 percent increase. Montana and Ohio will implement smaller increases of \$0.25. The planned increases could significantly impact the restaurant industry, particularly in areas like hiring practices and menu pricing. That’s especially true for operators looking to build their on-premises business over their off-premises business – the vast majority of operators, according to recent research from the National Restaurant Association.

Historically, increases in the minimum wage have led to higher operational expenses, prompting restaurant owners to adjust by raising menu prices or reducing employee hours. But the good news is the industry appears to have some room to maneuver here. Over the past year, the Consumer Price Index (CPI) for dining

(Continued on page 3)

Restaurant Performance Index

Values greater than 100 = Expansion; Values less than 100 = Contraction



Source: National Restaurant Association



out – also known as Food Away from Home – climbed 3.4 percent, down from 3.6 percent in December. This amounted to the smallest annual increase since July 2020. Further, the National Restaurant Association’s latest Restaurant Performance Index found that operators are feeling more positive about staffing in recent months. This is indicative of a period of expansion rather than contraction.

Some research suggests that significant wage hikes accelerate automation in the industry. While this can help operators drive efficiencies, it also places the onus on operators to ensure they still provide an on-premises experience that guests find high-value and worthwhile. When they have capacity to hire the staff they need, however, their ability to provide solid service is more manageable.

Still, as wage increases take effect, restaurant operators will need to carefully anticipate potential challenges in staffing and pricing strategies to maintain profitability and service quality. They can stay a step ahead through staff cross-training, smart scheduling, and identifying opportunities to streamline service. When it comes to the menu, it helps to offer high-margin items and reduce waste to maintain profitability. Then they can focus on creating a unique atmosphere, enhancing loyalty programs, and prioritizing exceptional service in ways that make on-premises dining a stronger draw for guests.



Agriculture's shifting landscape

USDA looks at path ahead for commodities

The outlook for agricultural commodities reflects a mix of stability, shifting market dynamics, and changing geopolitical relationships. Looking ahead, recent adjustments to federal spending, including a freeze on certain USDA grants and loans, have also added some uncertainty to farmers' plans for the coming months. Here is a look at the prospects for key agricultural commodities based on the most recent forecasts from the USDA:

Wheat: The USDA's most recent wheat outlook shows steady domestic demand, with food use rising slightly and exports holding at 850 million bushels – up 20 percent from last year's low. Farm prices remain stable at \$5.55 per bushel. Globally, wheat imports are expected to decline as major buyers like China cut purchases due to strong domestic harvests. Economic challenges and increased local grain production are also reducing demand in countries like Indonesia and Egypt. Meanwhile, global exports are forecast to drop, with lower shipments from Turkey and Kazakhstan. Overall, the U.S. market is stable, but international trends could impact future growth.

Corn: U.S. corn production remains steady, with no changes from previous estimates. Domestic use and exports are robust, leading to higher cash prices, now projected at \$4.35 per bushel. Internationally, global corn supplies are tightening, reaching a 29-year low when excluding China's significant reserves. This tightening is due to reduced production in key regions, including the European Union and Ukraine. Despite

(Continued on page 5)

Commodities continued

Commodities

From page 4

these challenges, U.S. corn exports have increased by 29.4 percent compared to the previous year, driven by competitive pricing and strong demand from areas including Mexico and the European Union.

Soybeans: U.S. soybean supply and demand projections remained unchanged in the latest (February) market report, with ending stocks at 380 million bushels. However, the average price farmers receive has decreased to \$10.10 per bushel, reflecting market conditions. Domestically, soybean processing reached a record high in December, driven by strong export demand for soybean meal. Internationally, global soybean stocks are expected to decline by 4 million metric tons to 124 million, primarily due to reduced production in Argentina and Paraguay because of unfavorable weather. Brazil's production remains robust, with increased processing to meet domestic biodiesel demand.

Pork: U.S. pork production is forecast to reach approximately 28.5 billion pounds in 2025, a 2.6 percent increase from 2024. This rise is attributed to higher-than-expected dressed weights and strong consumer demand. Consequently, hog prices are anticipated to climb 2.7 percent from the previous year. On the international front, pork exports are forecast at about 7.3 billion pounds, marking a 2.5 percent increase over 2024, indicating robust global demand for U.S. pork products.

Beef: There are historically low U.S. cattle supplies entering 2025. However, a larger-than-expected 2024 calf crop and the resumption of Mexican feeder cattle imports in February are expected to boost beef production to over 26 billion pounds, an increase of 775 million pounds from previous estimates. Despite this, cattle available for placement in feedlots remain below last year's levels, leading to higher slaughter cattle prices due to firm demand. Beef import forecasts are holding steady at 4.8 billion pounds, while export projections have climbed to 2.8 billion pounds, reflecting increased domestic production available for export.



Unsustainable egg prices: How restaurants are managing

Just as breakfast-focused restaurants have been booming in the U.S., an unprecedented outbreak of avian influenza has made eggs a rare and expensive commodity. The outbreak has resulted in the culling of millions of egg-laying hens to prevent the virus's spread. The reduced supply, coupled with increased demand, has caused egg prices to skyrocket. In January, the average price for a dozen large eggs reached a record \$4.95, with areas such as San Francisco seeing prices as high as \$10.99. The U.S. Department of Agriculture projects a 41 percent increase in egg prices this year. Prices aren't expected to drop until the outbreak is contained. These soaring costs have led some retailers to limit egg purchases to prevent shortages – and restaurants are struggling too. The rising demand from breakfast establishments and a constrained egg supply have created a challenging landscape for all businesses that rely on eggs.

What can a breakfast business do? A recent Forbes report shared that restaurant brands are taking a series of actions to manage the problem. They include negotiating with suppliers, contacting multiple sources to find the best deals, and being scrupulous about waste and inventory management. Restaurants are also modifying menus wherever possible – reducing egg content in menu items, swapping in alternative proteins, and substituting plant-based scrambles. Strategically passing prices on to consumers through tiered pricing and small surcharges is another option that may help businesses recover costs.



Restaurant industry by the numbers

200,000: Number of jobs forecast to be added to the industry this year

47: Percent of operators planning to add discounts, deals or value promotions to their offerings this year

47, 64: Percent of limited-service and full-service guests who say their dining experience is more important than the price of their meal

90, 87: Percent of fine-dining and casual-dining operators who say building their on-premises business is more important for their success than building their off-premises business

Source: National Restaurant Association



To find out how Team Four can help your business save money, contact us at:

1-888-891-3103 or visit our web site at www.teamfourfoods.com

©2025 Team Four Foodservice, all rights reserved