

Could This be Our 'New Normal?'

Navigating through uncertainty

For many restaurant operators, the challenges of rapidly scaling business back up in recent months have eclipsed those they experienced when the pandemic began. Food suppliers, short on both supplies and the labor required to distribute them, have been scrambling to keep up with spikes in demand, often leaving operators with an ever-changing grab bag of ingredients to work with. Managing this stress on the food supply chain is a key focus of the USDA's Build Back Better initiative.



But on the bright side, this is likely also a time when restaurants will adopt smart inventory management and sourcing strategies that will be well worth retaining far after the current supply chain challenges have lessened. The industry is likely to emerge far stronger from this period, with better management strategies and more innovative tools at its disposal, simply because it has been forced to adapt. It's challenging in the meantime, to be sure, but it can help to assess your operation and identify ways to be more efficient. For example:

Streamline your supplies: Identify your core, highest-margin ingredients and develop a range of recipes around them, while cutting out more premium product that is more difficult to source or substitute.

Digitize your inventory management: Understanding in real time what supplies you have on hand, what's due to expire, what's available to you in the marketplace and what you will need to substitute on your menu has never been more important. Upgrade manual processes that are stifling your efficiency.

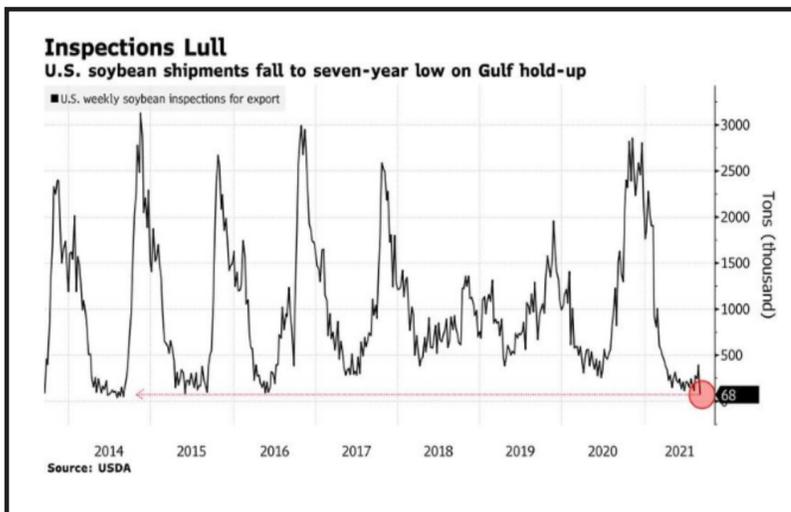
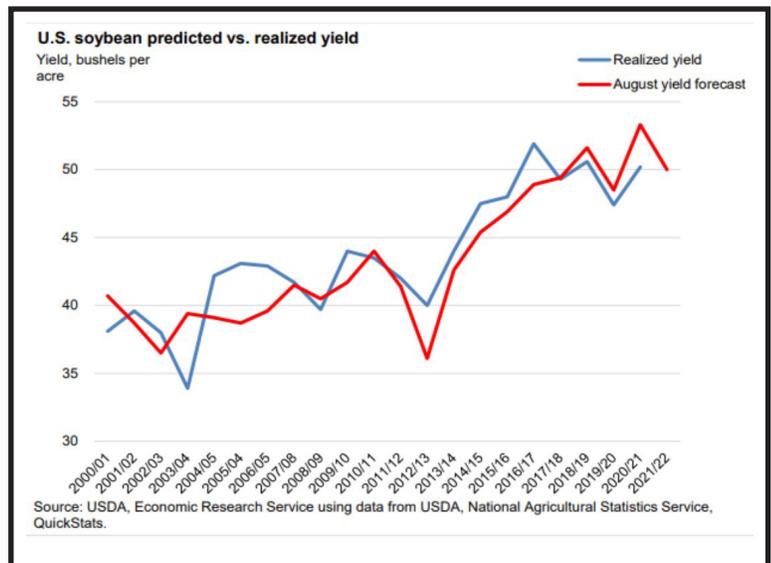
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Agriculture Outlook

Meat producers singled out for pricing spikes

Droughts across wide swaths of key growing areas in the northern and western United States have led to uncertainty around the production of key commodities in recent months, while the aftermath of Hurricane Ida continues to challenge food exports out of New Orleans, the country's largest agricultural trading hub. In the meantime, White House National Economic Council Director Brian Deese said increases in beef, pork and poultry are responsible for half the jump in food prices we've experienced since late last year – and that plans are underway to remedy that. Here is a closer look at specific commodities based on USDA research:

At the time of this writing, the USDA had just boosted its forecast for the country's corn and soybean harvests – this after drought in important growing regions had led the USDA to adjust its outlook downward for commodities including corn, soybeans and wheat the previous month. At that point, Reuters reported that lower-than-expected production from the world's top corn producer and second-largest soy producer could have a ripple effect, spurring concerns about tight global crop availability and food inflation, potentially increasing the price of livestock feed, vegetable oils used for cooking and fuel, and bread and pasta.

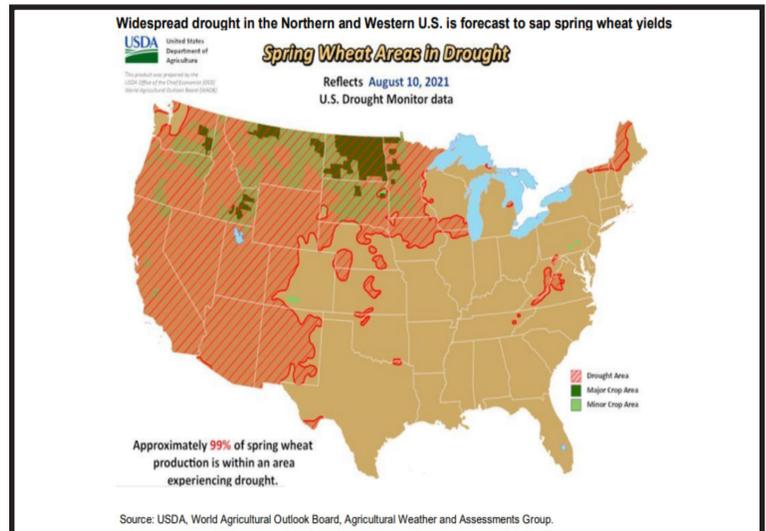


Based on the USDA's most recent research, however, the U.S. government increased its forecast for the country's corn harvest as farmers devoted more acres of the grain than had been reported previously. Overseas demand for corn continues to be high, though moving the crop out of the U.S. has been problematic in the wake of the hurricane. Similarly, the domestic soybean production outlook was raised at the time of this writing after some much-needed rains in August, a critical growing month for the crop, but it, too, faces impediments to export.

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Extreme weather impacts agriculture

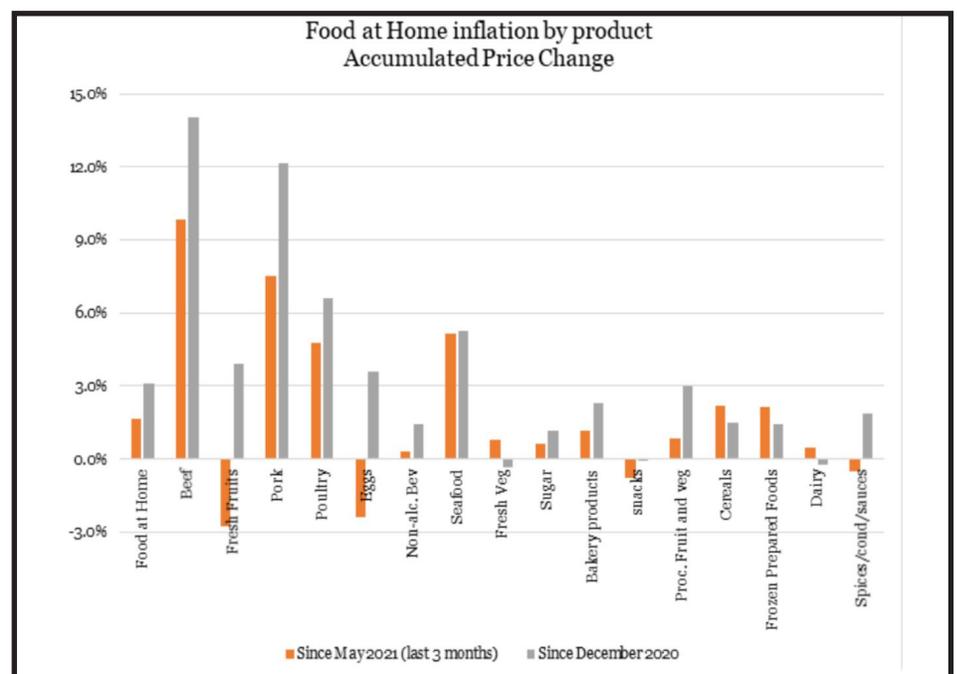
In its August Crop Production report, the USDA projected U.S. winter wheat production to decline 3 percent from the July forecast but climb 11 percent from 2020. Extensive drought conditions across the northern and western United States have impeded production and exports in the 2021-2022 marketing year for hard red spring, white and durum wheat. In the case of hard red spring wheat, the USDA expects production to fall 42 percent from the previous year to the lowest level in more than 30 years, while exports are projected to be the lowest in more than a decade. Canada's spring wheat production is also down significantly this year because of drought, amplifying the global shortage of high-protein wheat.



Beef producers are facing related challenges – and the Biden administration is holding several large meat-packing companies to account for food-price sticker shock for beef, pork and poultry, specifically. It said in a recent blog post that a lack of competition at meat processing facilities was causing a bottleneck in the meat supply chain – and that it would be funneling \$1.4 billion in Covid-19 stimulus funding to small meat producers and workers in an effort to spur competition.

In the meantime, drought continues to test cattle producers in parts of the western and northern U.S. While the 2021 beef production forecast has been stable as higher expected cow slaughter has been offset by lighter expected aggregate carcass weights, the forecast for 2022 production was lowered 10 million lbs.

Lower pork production is projected for the remainder of this year and into next year. Hog prices were lowered for 2021, but lower pork production will support prices in 2022. Pork exports in 2022 are expected to be unchanged from 2021.



OUTLOOK

Q4/2021

Normal
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Eliminate the waste: That means ensuring that the ideal number of staff (or at least not any additional staff) are on hand for each shift, you're using ingredients tip to tail, and analyzing dishes that come back to the kitchen uneaten and replacing them with ones that tend to generate less waste.

Cook with chameleons: Fill your inventory with workhorses that can feature in (and even disappear into) a wide range of dishes. What staples can be elevated as main ingredients in one dish, add texture or color to a second, and carry global spices with ease in a third?

Embrace (and promote) the surprises: If you don't know what produce you will have on hand week to week, take it as a creative challenge. Have your chef develop a recipe around it and offer it as a limited-time special to guests. Share your process and any tips you have that help you adapt to the ingredients you have on hand. Guests will be interested to see how inventive you're being in the kitchen.

Build your inventory for the long term: Wherever you can, stock yourself with shelf-stable ingredients, as well as items that can be frozen, canned or otherwise prepared to fill gaps in your inventory whenever supplies are short.

Finally, put this in perspective – and keep the faith that better times are ahead: As Chris Barrett, an agricultural economist and professor at Cornell University, told NPR recently: "The food system's actually remarkably resilient. I mean, the fact that you couldn't get the variety of pasta you wanted in the midst of the worst pandemic any of us have seen in our lifetimes is not exactly a great problem to face. So we need to be careful about overreacting to the temporary and, frankly, relatively modest problems we saw in the food system due to the pandemic disruptions in this country."

What does 2022 have in store?

Many of the food industry experts who have weighed in on the coming year are focusing on food and its utility when it comes to both individual health and global sustainability. Here are some common threads:

Waste not: Use packaging that is compostable, recyclable and/or reusable.



Be people- and planet-friendly: Offer menu options that are both health-conscious and consider the health of the planet. Think sustainable or even upcycled ingredients.

Elevate your plant-forward dishes: The trend isn't going away, so find ways to get creative with plants at the center of the plate.

