OUTLOOK

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TEAM FOUR

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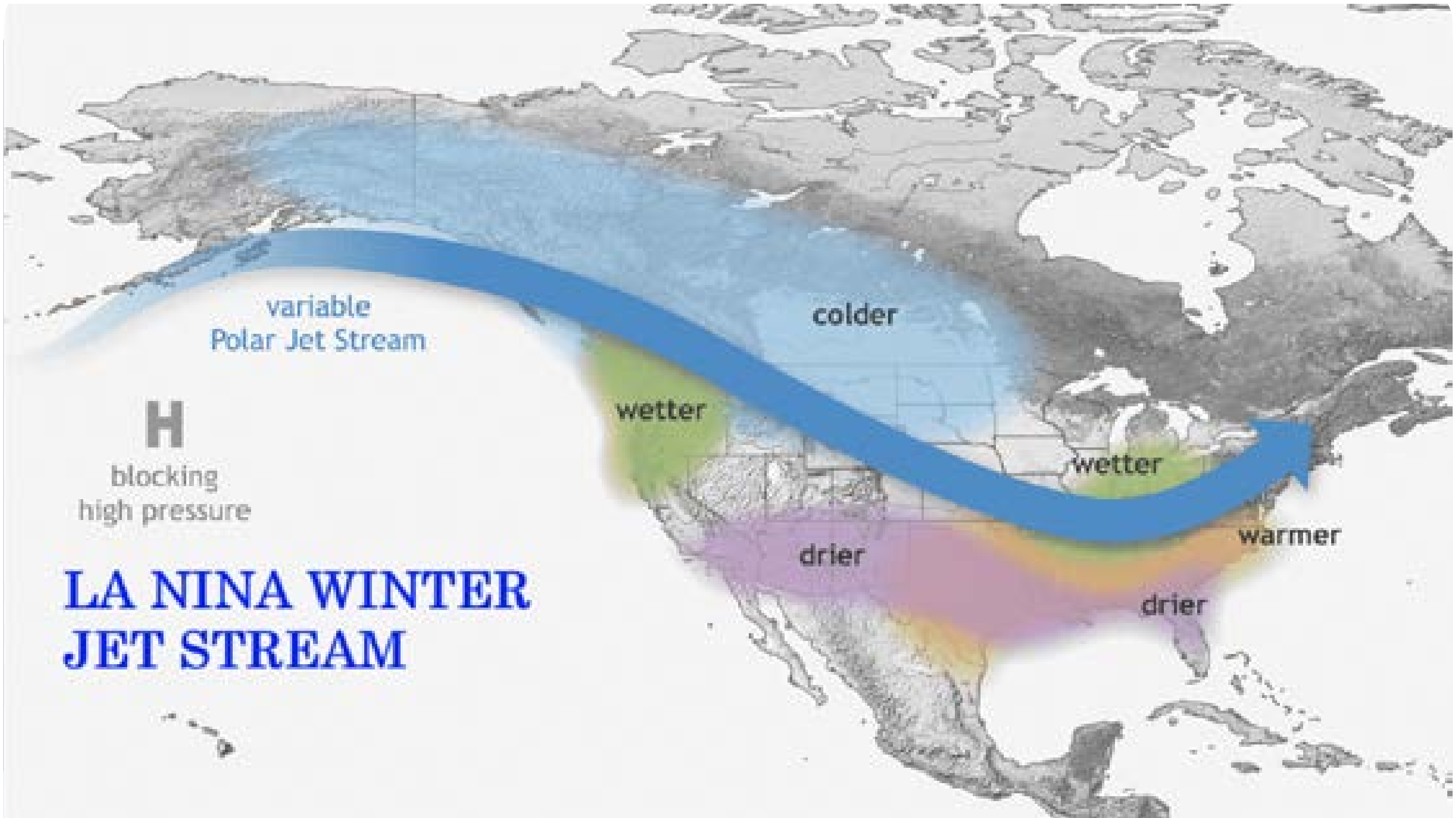

La Niña Watch: How a Climate Shift Could Impact U.S.

The U.S. restaurant industry is preparing for another round of climate-driven uncertainty in the final months of 2025 and into 2026. According to NOAA, there is a strong probability that La Niña conditions will dominate for a brief period through early 2026. This could shape U.S. weather patterns and create ripple effects across everything from beef and wheat to coffee, sugar and frying oils.

For operators already grappling with tight margins and persistent supply-chain challenges, understanding how La Niña influences crop yields, protein availability and import flows is key for cost management and menu planning.

Weather shifts build commodity pressure

La Niña typically brings drier conditions to the Southern Plains and Southwest, areas critical for U.S. beef production and winter wheat farming. As pastures dry out, cattle require more feed, driving up protein costs at a time when beef prices are already elevated after years of herd contraction. Wheat yields in states like Texas, Oklahoma and Kansas also come under pressure, potentially increasing the costs of flour-based food staples.

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For U.S. foodservice operators, La Niña is another reminder of how weather volatility directly shapes food costs.

La Niña

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In contrast, the Upper Midwest and Northern Plains often experience improved rainfall during La Niña cycles. This can support stronger corn and soybean yields, providing some relief on feed and vegetable oil prices. In the Pacific Northwest, La Niña can increase flood risks.

Global dynamics play a role too. If Brazil or Argentina see drought-driven shortfalls in their own corn and soy crops, international buyers will compete aggressively for U.S. exports, driving domestic prices higher. Brazil's coffee belt, already struggling with alternating drought and frost, remains vulnerable to production losses that could squeeze U.S. café menus. In West Africa, where much of the world's cocoa is grown, erratic rainfall and disease outbreaks have already driven record-high prices in 2025. Southeast Asian palm oil yields may improve with wetter weather, but rising biodiesel demand keeps the market tight, meaning frying oil costs remain exposed.

Hurricane risks and import dependencies

La Niña also heightens the risk of a more active Atlantic hurricane season, which poses significant challenges for Gulf Coast ports. These ports handle critical imports like coffee, sugar, seafood, and cocoa. Even temporary disruptions can delay deliveries and create short-term price spikes, particularly for beverage programs and dessert-heavy menus. To best anticipate and manage price swings, operators can build flexibility into their menus, diversify supplier relationships, and track NOAA and USDA reports for long-term trend forecasts.

Volatility Calls for Flexibility: U.S. Agricultural Commodities Outlook

U.S. agricultural markets face a convergence of economic, weather, and disease-driven pressures right now that are impacting costs across the foodservice supply chain. Later this year, a potential La Niña shift threatens to bring drier conditions to key wheat and cattle regions while intensifying hurricane risks that could disrupt port-based imports. Globally, strong export demand continues to compete with domestic needs, adding pricing pressure across grains and oilseeds. Meanwhile, tight beef supplies are amplified by long-term herd contraction, and pork producers battle herd health challenges like PRRSV, which constrain output despite rising demand. As these forces create an environment of heightened volatility, operators are having to stay nimble with procurement and menu planning.

Here is an overview of key agricultural commodities based on the latest research from the USDA:

Wheat: The USDA projects U.S. wheat production for 2025/26 at nearly 2 billion bushels, slightly lower than last year due to reduced spring wheat yields. While overall supply is tightening, exports are rising, driving stronger global demand and potential upward pressure on domestic prices. Ending stocks are forecast to dip to 869 million bushels, signaling a more competitive market. However, the season-average farm price is expected to ease slightly to $5.30 per bushel. It’s a good time to monitor flour and bread costs ahead of potential volatility through early 2026.

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Commodities continued

Commodities
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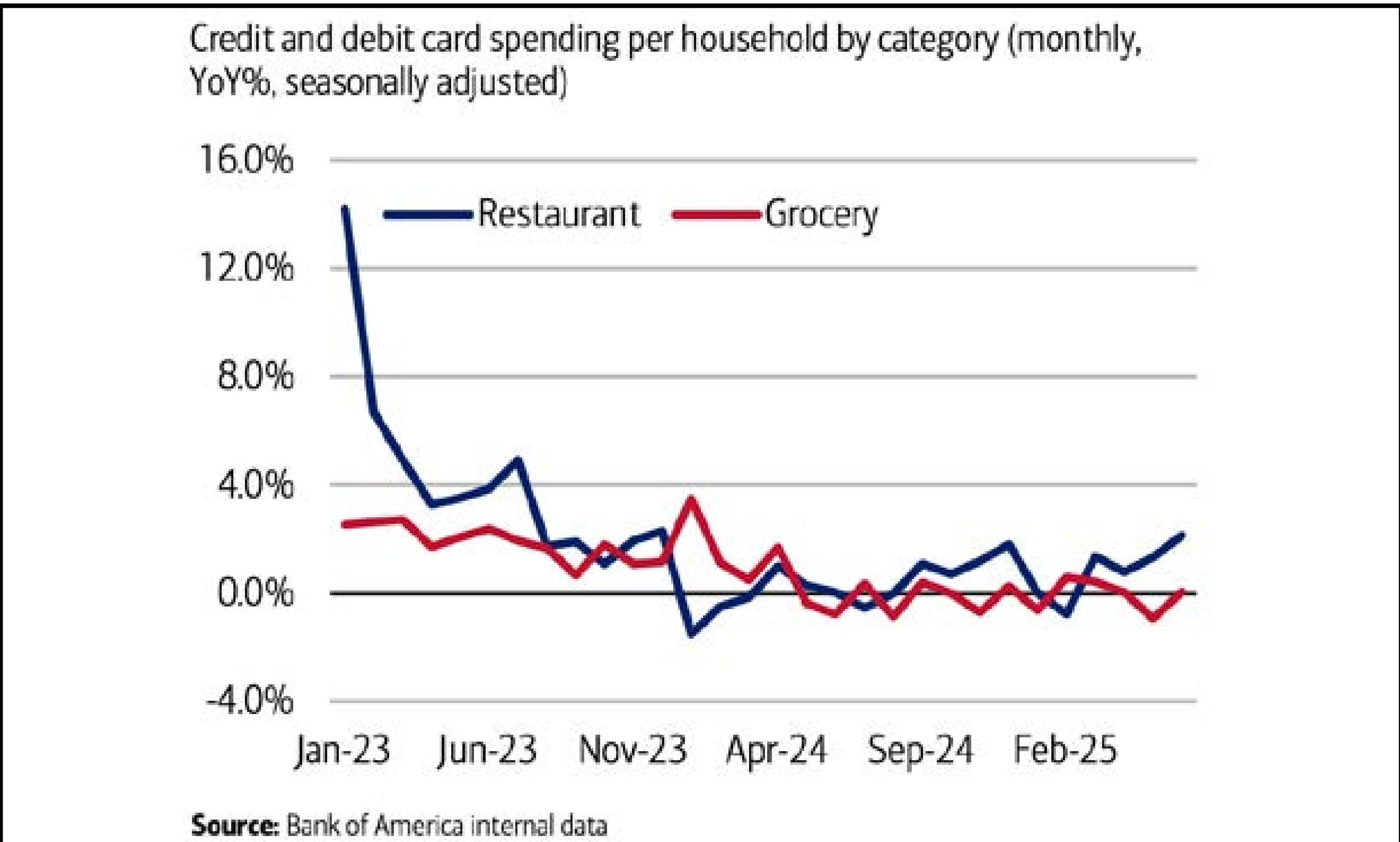
Corn: The U.S. is on track for a record-breaking 2025/2026 corn crop – 16.7 billion bushels – due to expanded acreage and a yield boost. Total corn supplies now exceed 18 billion bushels, enabling increased use across feed, ethanol and exports, while leaving ample carryover stocks. With supply outpacing demand, ending stocks climb, putting downward pressure on prices. The season-average farm price is lowered to $3.90 per bushel, offering a favorable cost environment.

Soybeans: U.S. soybean production for 2025/26 is forecast at 4.3 billion bushels – down by 43 million due to reduced acreage, despite a record-high yield of 54 bushels per acre. Ending stocks are projected at 290 million bushels, while exports are trimmed to 1.7 billion. The season-average soybean price remains steady at $10.10 per bushel. On the processed side, soybean meal crush is expected to reach a record 2.5 billion bushels, with global soybean meal trade also hitting a record 82 million metric tons. Foodservice operators should anticipate stable soybean-based ingredient pricing, even as tight supply may limit flexibility in procurement.

Beef: The USDA projects 2025 beef production at 25.9 billion lbs., a decrease of about 4 percent compared to the previous year, reflecting slower slaughter rates and lighter carcass weights. In 2026, production is expected to further decline to 25 billion lbs., driven by a smaller 2025 calf crop and continued herd contraction. Meanwhile, cattle prices are soaring: slaughter steers averaged a record $243.17 per cwt in August, and forecasts anticipate average annual prices of $227 per cwt in 2025 and $243.50 per cwt in 2026. Foodservice operators should see some upward pressure on beef costs as a result.

Consumer Spending: Numbers Don't Lie (But Surveys Might)

How consumers spend their money – and how consumers believe they are spending their money – may be two different things. A recent report from the Bank of America Institute found that in the past several months, spending growth at restaurants has surpassed that at supermarkets. However, when consumers were asked what they have recently done to reduce their expenses, they said they had cut their spending on restaurants. When Bank of America aggregated credit and debit card data in June, they found that households had increased not only their spending at full service restaurants, but also how often they dined out.



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