



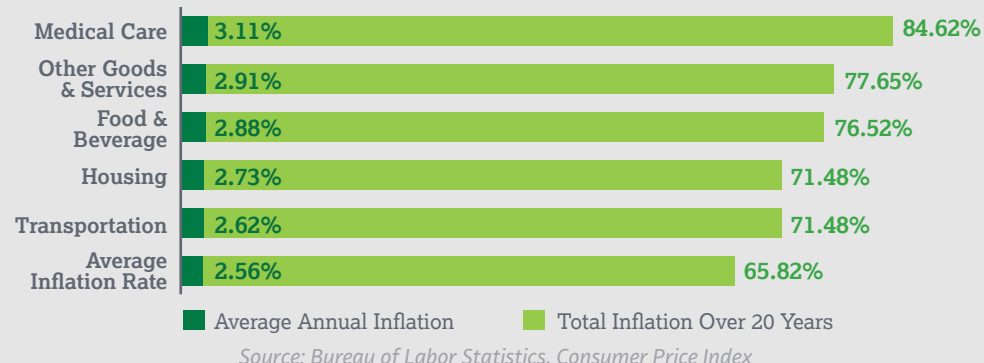
FOOD PRICES THE VALUE OF AMERICANS' GROCERY DOLLAR SINCE 2001



Despite inflationary increases and short-term price fluctuations, the real cost of groceries in America as a share of household income has remained remarkably consistent, and relatively flat, over the last two decades.

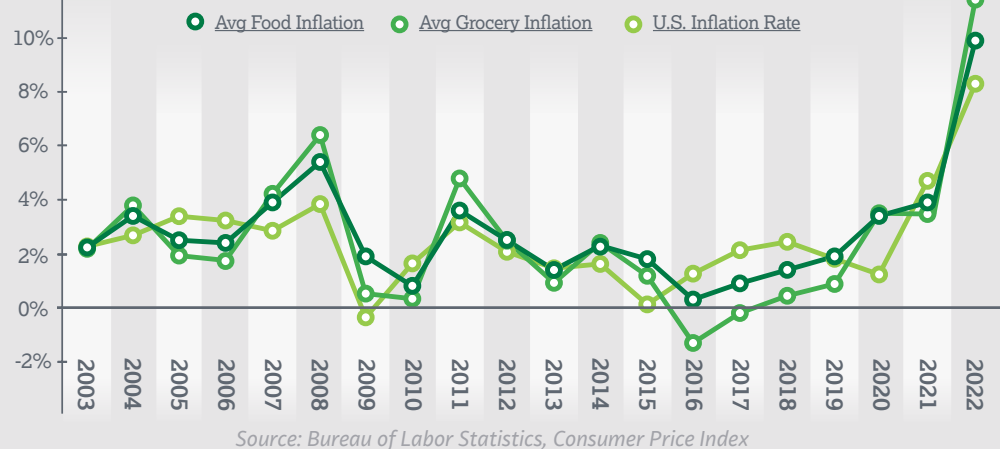
Overall, food inflation over the last 20 years has remained on par with other spending categories:

Inflation by Sector, 2003 – 2023



With the exception of notable outliers, such as the energy price spikes in 2007-2008 or the 2021-2022 post-COVID inflationary period, average grocery prices have largely held steady **between 1% and 4% per year** over the last 20 years.

Avg Food Inflation 2003-2023



It is also worth noting that while grocery prices tend to outpace overall inflation when prices are spiking, the price of food at the grocery store also tends to fall below overall inflation and broader food inflation when prices normalize.

From a macro standpoint, the food retail industry historically operates on slim percent profit margins and avoids passing inflationary production costs onto shoppers as much as possible.

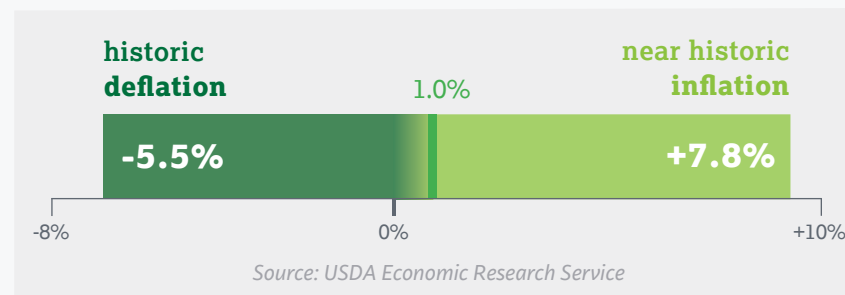
Food Prices Have Already Started to Recalibrate

Inflation has already started to cool dramatically in 2023, with grocery store prices – known as food at home – **up 2.4% YOY through September of this year, down from an average increase of 11.42% for all of 2022.**

The USDA's Economic Research Service (ERS) Food Price Outlook for 2023 has also revised its food at home inflation forecast down to an anticipated **average of 4.9%**, and there are indicators that the year could end even lower.

Economic indicators suggest that food prices aren't coming down immediately, but they are done skyrocketing and point to current pressures subsiding in 2024.

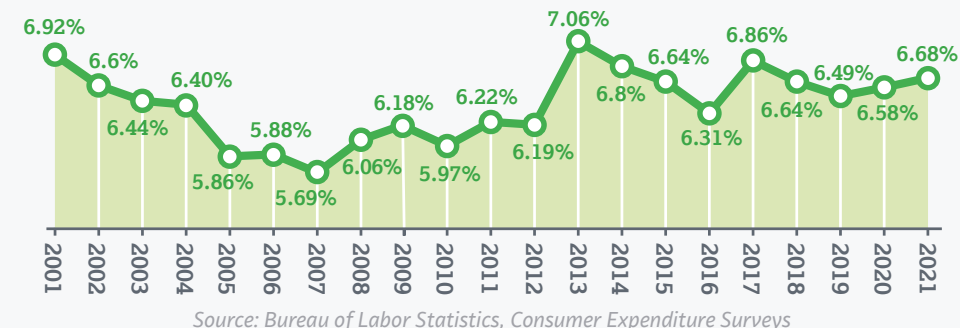
ERS 2024 Food at Home Inflation Forecast



The wide range in forecasted inflation reflects sheer volume and volatility of the many inputs that determine the price of food at the grocery store and highlights the difficulty in predicting how those factors will influence supply chain logistics, and ultimately the price to consumers.

Percentage of Income Spent on Groceries Has Decreased for Low-Income Shoppers

Overall, consumers spend slightly less of their income on groceries now (6.68% in 2021*) than they did in 2001 (6.92%).



The recent slight upward increase is actually driven entirely by higher income shoppers who tend to spend more on more expensive products.

In reality, the lowest income shoppers actually spend less of their household income on groceries now than they did two decades ago.

Low-Income Shoppers: Percentage of Household Income Spent on Groceries



In 2001, low-income shoppers – classified as households with income before taxes of less than \$13,900 a year – spent nearly 27% of their income on groceries.

In 2020, even amidst the COVID-19 pandemic, the lowest-income households were spending 20.5% of their annual income on groceries. Despite high inflation in 2021, that same group was only spending just over 22% of their annual income on food at home, a five percentage point decrease from 20 years ago.