Fresh Insights:

Consumer Trends and the Impact on Retail

Prepared for the Avocado Forum 2024

October 31, 2024

Today’s Topics

1. The State of U.S. Shoppers

2. Current Produce Trends

3. Ideas for Growth

Circana.

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The State of Shoppers

Americans are financially stressed

Perception is U.S. consumers' reality

Agree food costs too much; differ on what to do about it

96%

of all households are **concerned** about food cost inflation as of Sept 2024 – up 2% since May – across **all** incomes and ages

87%

Say prices are even higher this year despite rate of inflation easing and avg base price across grocery -0.4%

50% Dined in a restaurant in the last month – only 49% have gotten take out

79% Share of meals made or sourced from home

91%

Shoppers age 35 or younger who have made a **significant change** due to inflation vs only 61% of Seniors

Circana.

Source: Circana Monthly Primary Shopper Surveys, through Sept 2024

Stark generational differences in current F&B

More variance in primary shopper surveys than other demographics

On your most recent trip did you browse the aisles to look for different products to try?

Under age 34: 21%
Over age 59: 13%

How did you change your shopping choices recently?

Look for sales/deals more:
Under Age 34: 60%; **Over age 68:** 44%

Cut back on non-essentials:
Under Age 34: 63%; **Over age 68:** 31%

Switching to a lower cost brand:
Under Age 34: 40%; **Age 59-77:** 23%

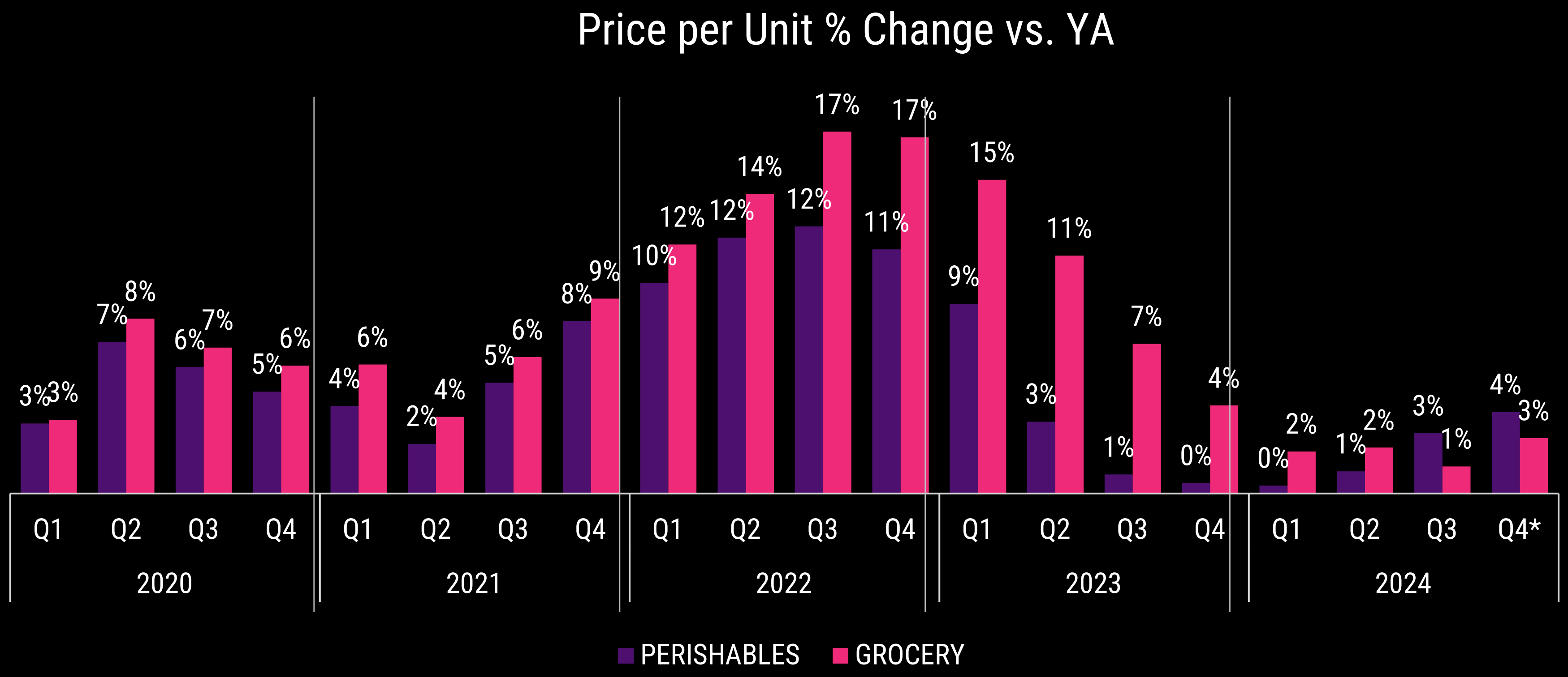
Would you always/sometimes pay slightly higher for a product online to have the most convenience?

Under Age 34: 58%
Over age 59: 29%

Source: Circana Shopper Survey, July 2024

Some of the most frequently bought groceries have cost consumers more than pre-pandemic

F&B Price Realization year over year and indexed to 2019

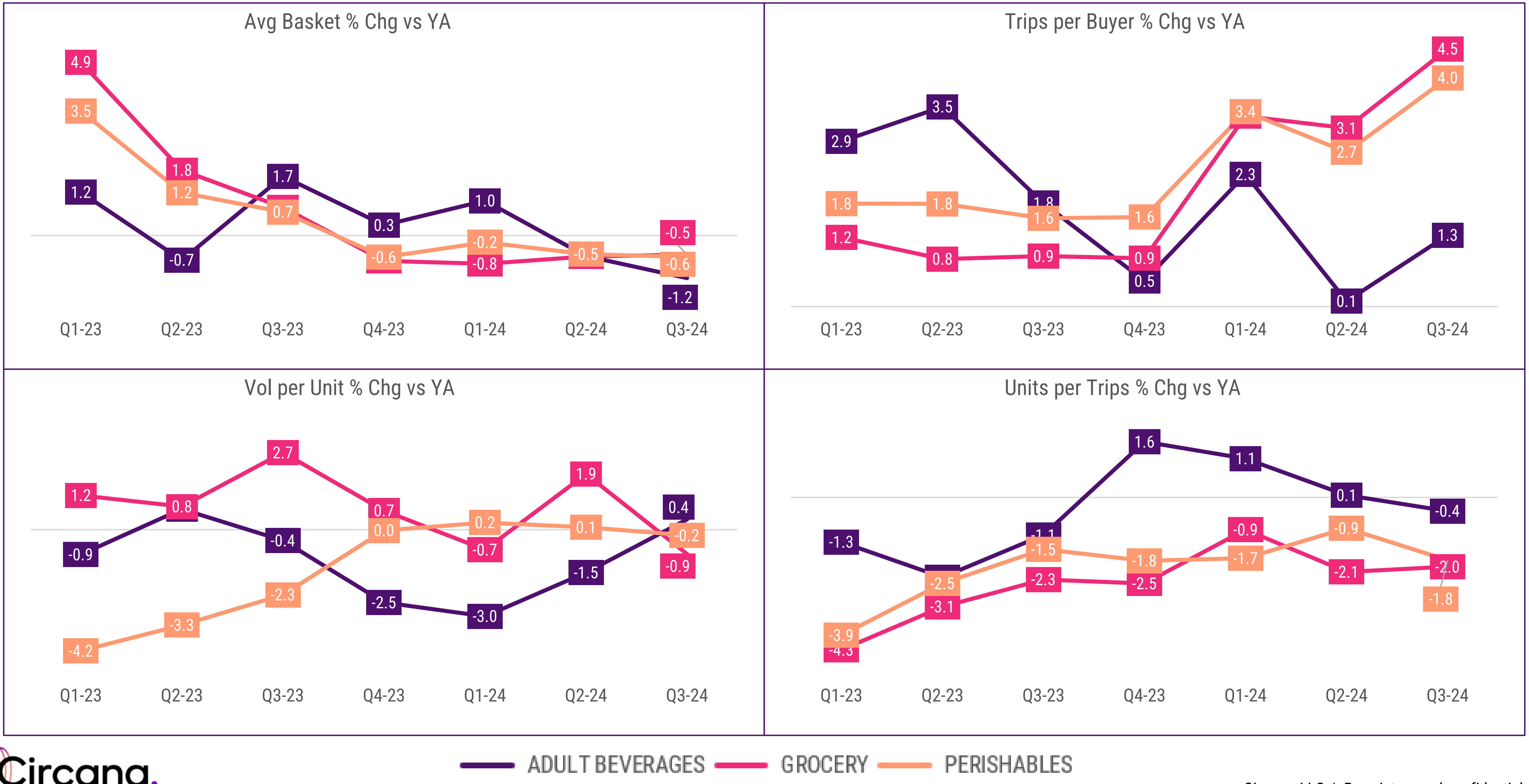


Categories with Highest ARP Change
(Sept '24 % Change vs. '19)

- Sports Drinks +95%
- Deli Prep Breakfast +75%
- SS Coffee Creamer +74%
- Perimeter Specialty Desserts +67%
- FZ Potatoes/Onion Rings +66%
- Fresh Eggs +65%
- Shortening & Oil +62%
- Dry Fruit Snacks 60%
- FZ Breakfast Sausage +57%
- SS Non-Fruit Drinks +56%
- Carbonated Beverages +55%
- Center Store Pies +52%

Source: Circana POS MULO+ and C-store data ending 10/6/24; categories in total edible/floral with higher than $100M sales annually

Shoppers are Making Smaller, More Frequent Trips Since Inflation Started



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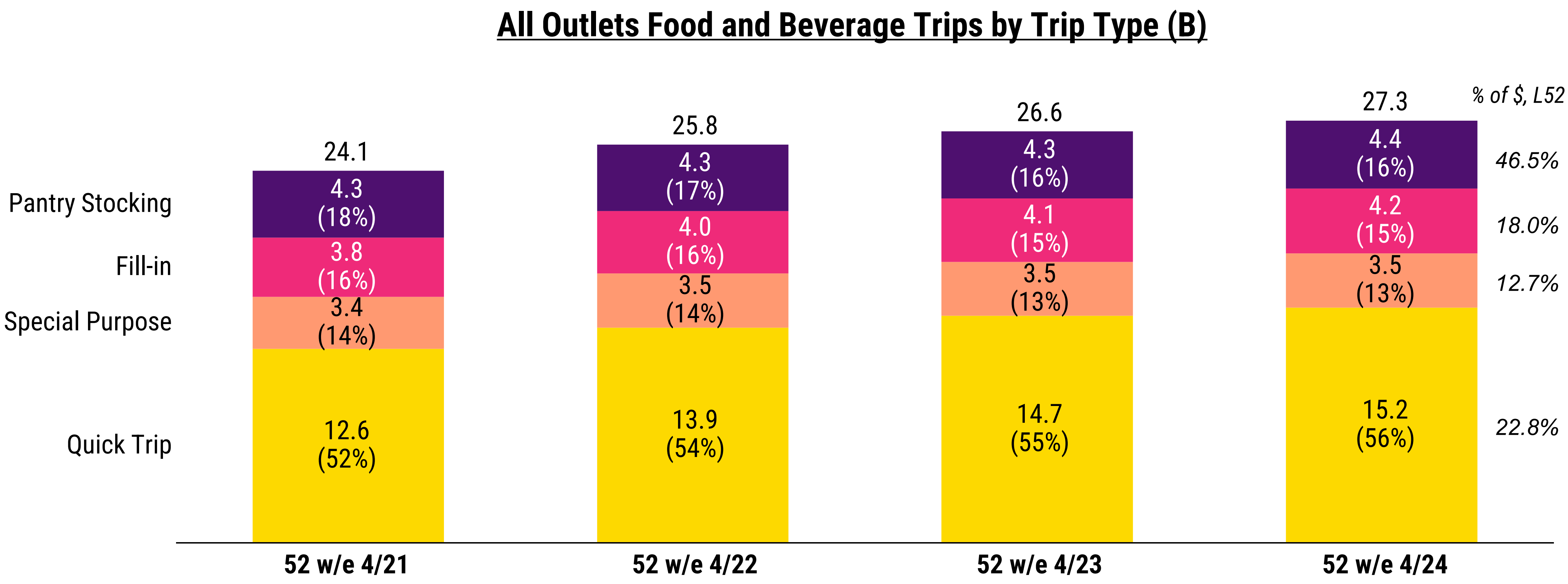
Source: Circana Integrated Fresh Panel, Rolling 13 Weeks Ending 10/06/2024

A greater portion of trips are quick trips; In pantry stocking-type trips, Grocery's advantage weakening



Note: Includes fresh foods. Source: Circana Integrated Fresh Scan Panel, rolling periods ending 4/24/24 Circana Executive SPG & Foodservice Advisory.

Foods and beverages on hand or usually on hand

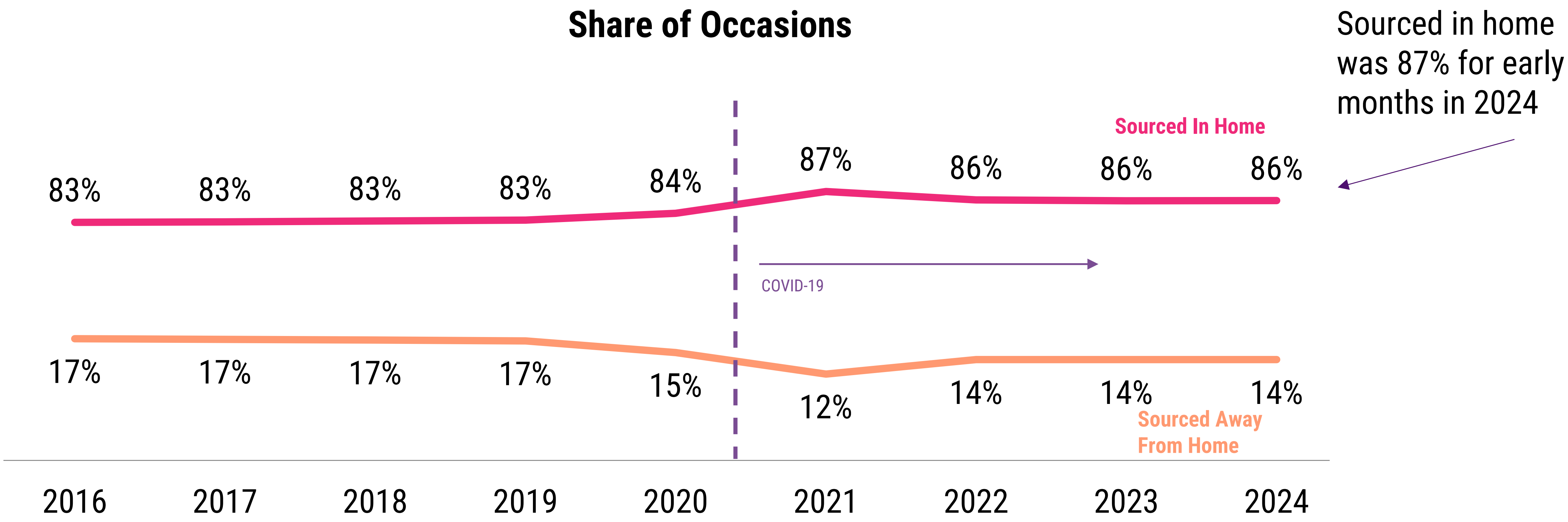
Consumers aren't stocking their pantries as deeply compared to at the start of the pandemic.

162	146	142
2020	2023	2024

Source: Circana, Kitchen Audit 2024, 2023, and 2020

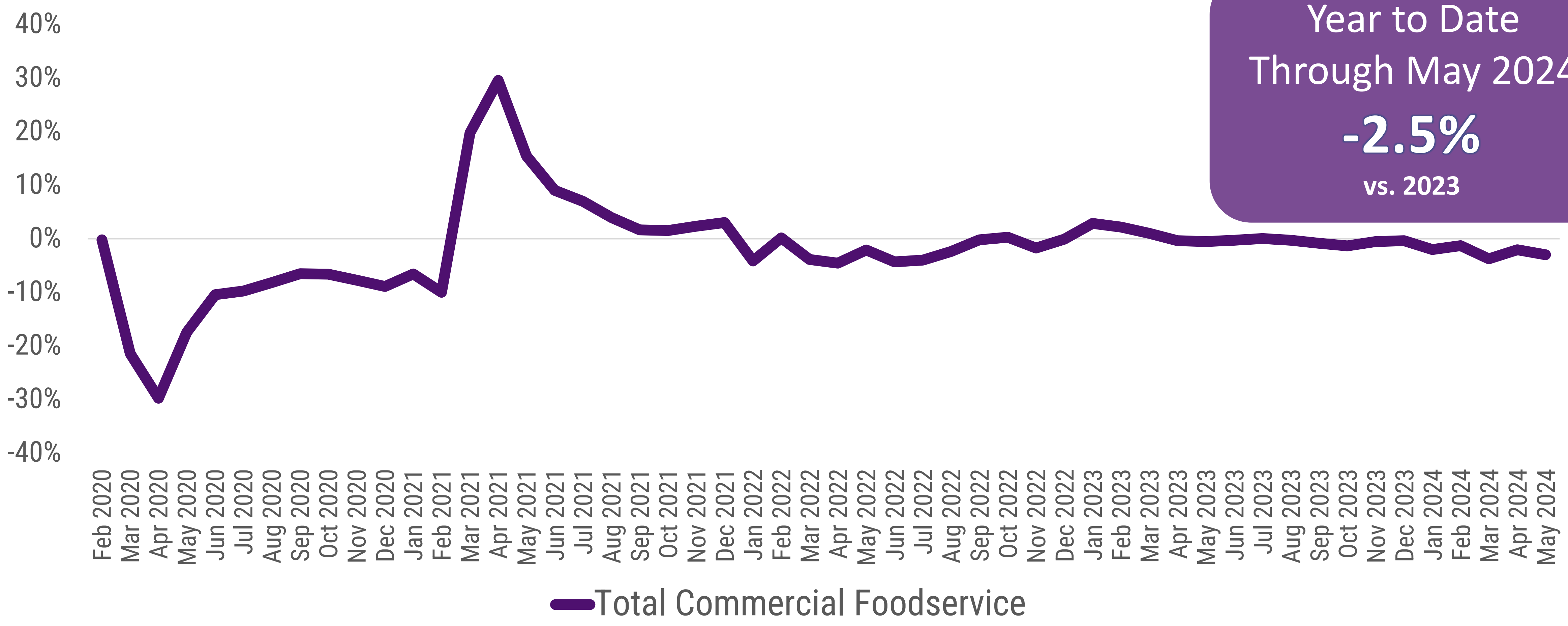
Home-sourced meals remain elevated

Early months in 2024 saw increased shift toward to the home



Note: Chart references the trend in meals tab in the annual Eating Patterns in America data tables, which is intended to create a comprehensive view of consumption by combining NET® and CREST® views.
Sources: Circana, National Eating Trends®, CREST®, YE March

Commercial foodservice traffic trend

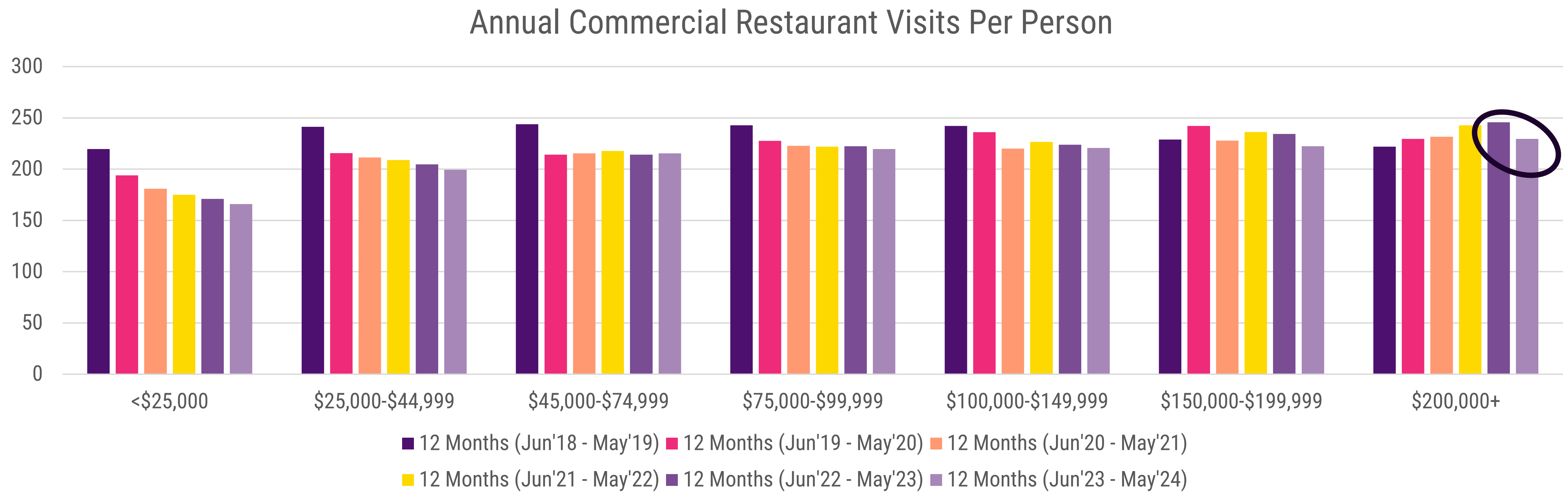


Year to Date
Through May 2024
-2.5%
vs. 2023

Source: Circana, CREST®

Higher income consumers are pulling back

The highest income earners were increasing their restaurant trips since the pandemic but have recently joined other consumers in reducing restaurant trips.

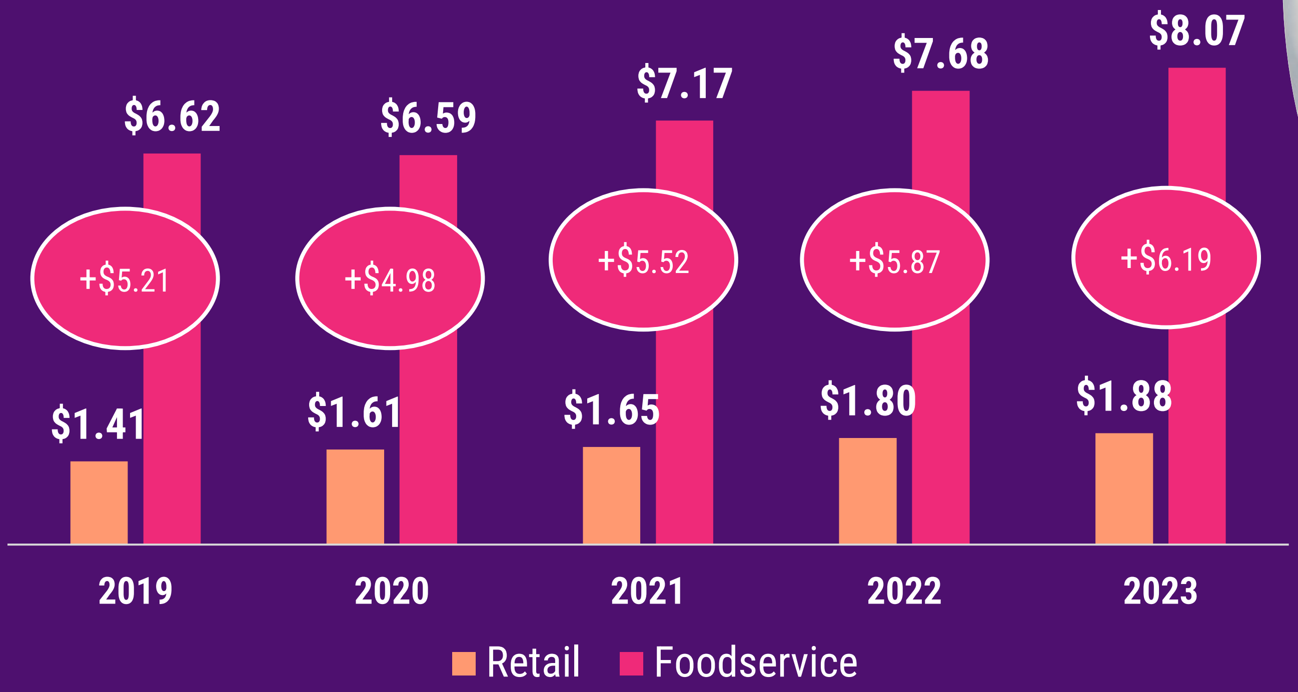


Source: Circana, CREST

Per meal…

Foodservice costs 4.3 times those of at-home occasions, with the absolute dollar gap widening

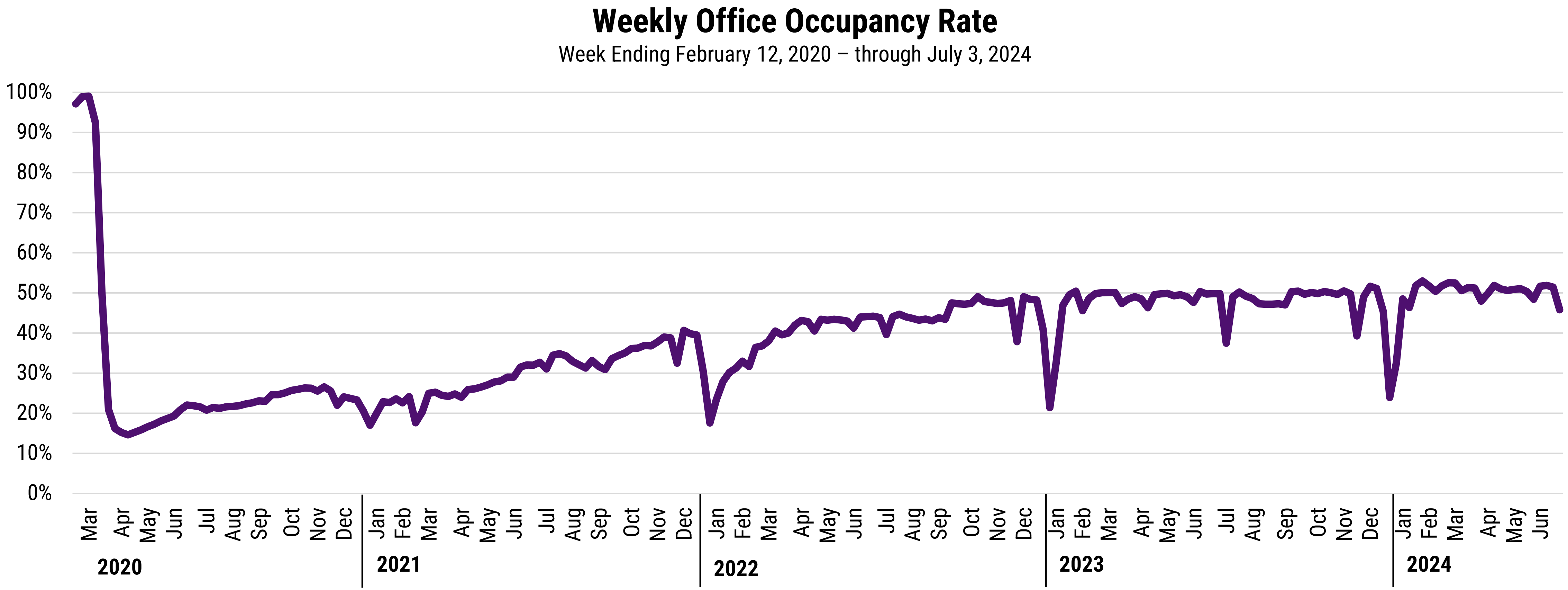
Cost per Eating Occasion



Note: Estimates based on sales and eating occasions. Averages for 12 months ending December.
Source: Circana® POS and consumer data.

Return to office

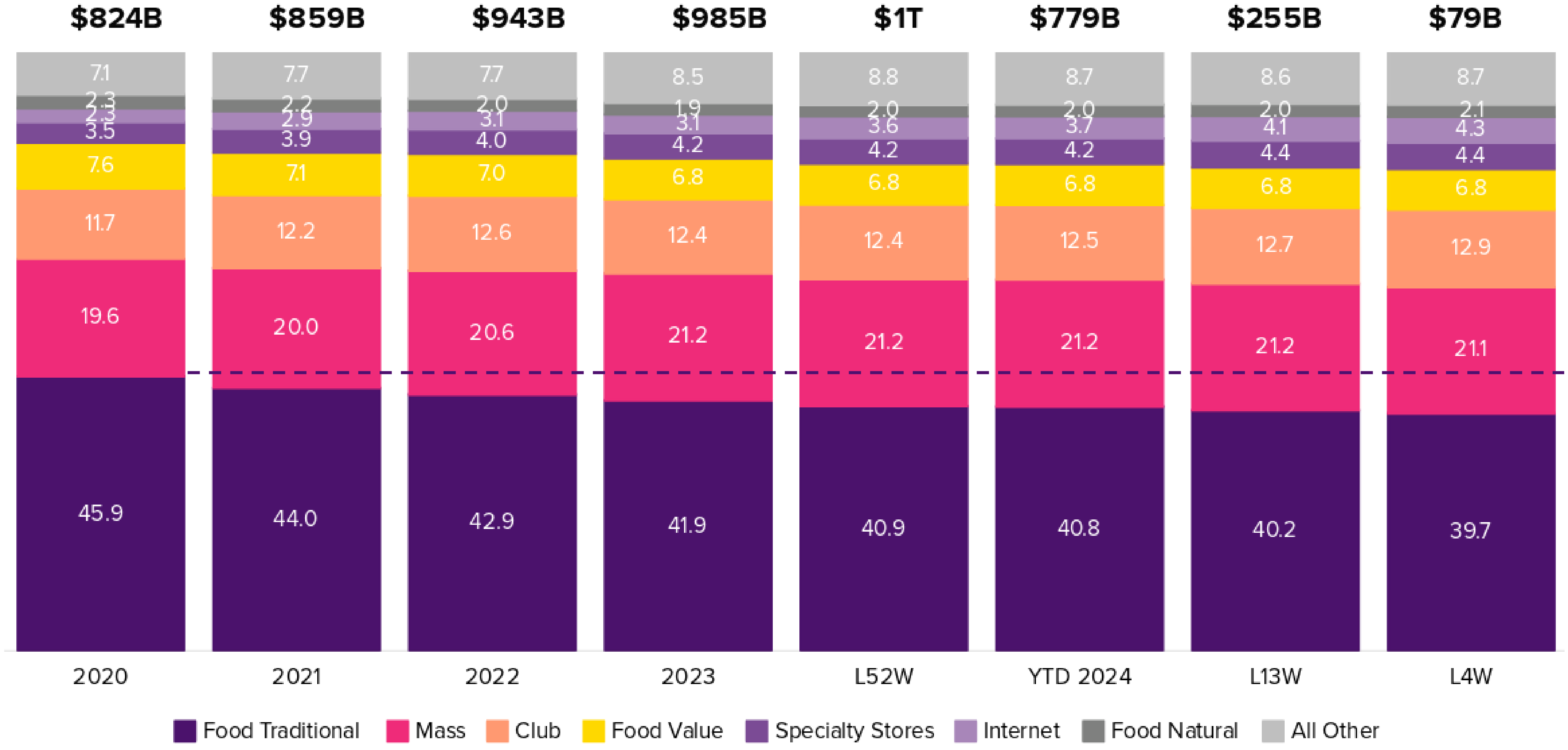
In 2023, the average weekly office occupancy rate was 48%. In the first half of 2024, the average weekly occupancy rate ticked up slightly, to 51%.



Source: Kastle Access Control Systems Weekly Occupancy Report
Kastle tracks access activity data from KastlePresence app, keycard, and fob usage in 2,600 buildings and 41,000 businesses across 47 states

Where We Shopped Has Changed- Traditional Food (Grocery) Stores Now Make up Less than 40% of total food & beverage retail dollars in September

Mass & Club have taken share- but Specialty Stores and buying groceries Online have also gained sales



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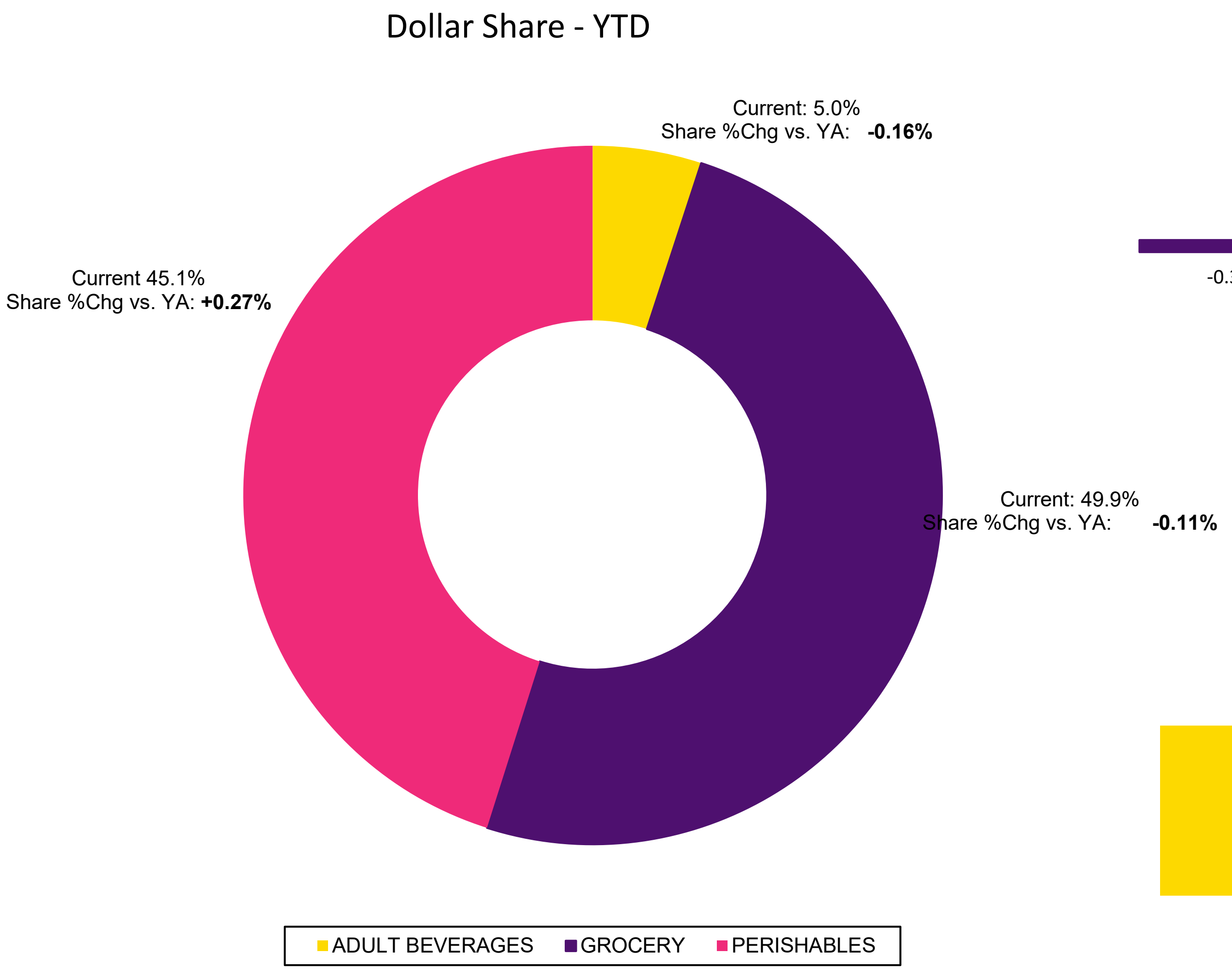
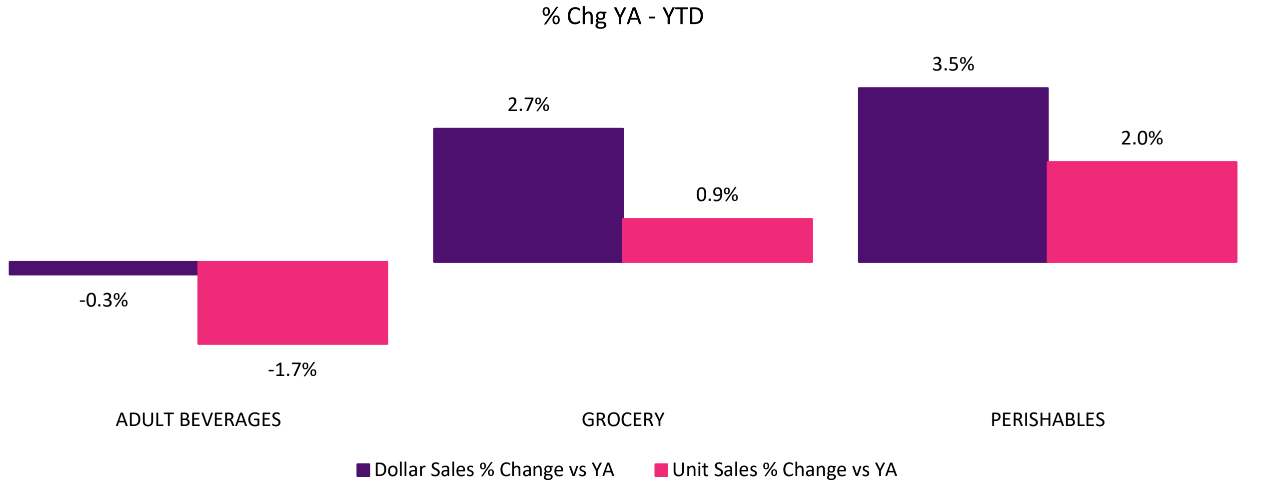
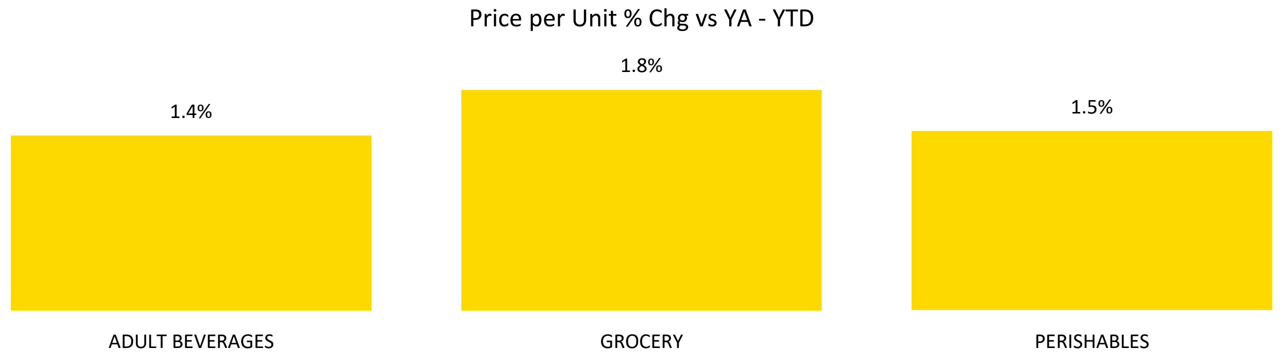
Source: OmniConsumer Integrated Fresh CY 2021-2023, L52W, YTD 2024, L13W, L4W data ending 10/06/24, All Outlets.

YTD Perishables has slightly increased its share of Total Food & Beverage (Edible) Adult Beverages still struggling with dollar and unit declines.





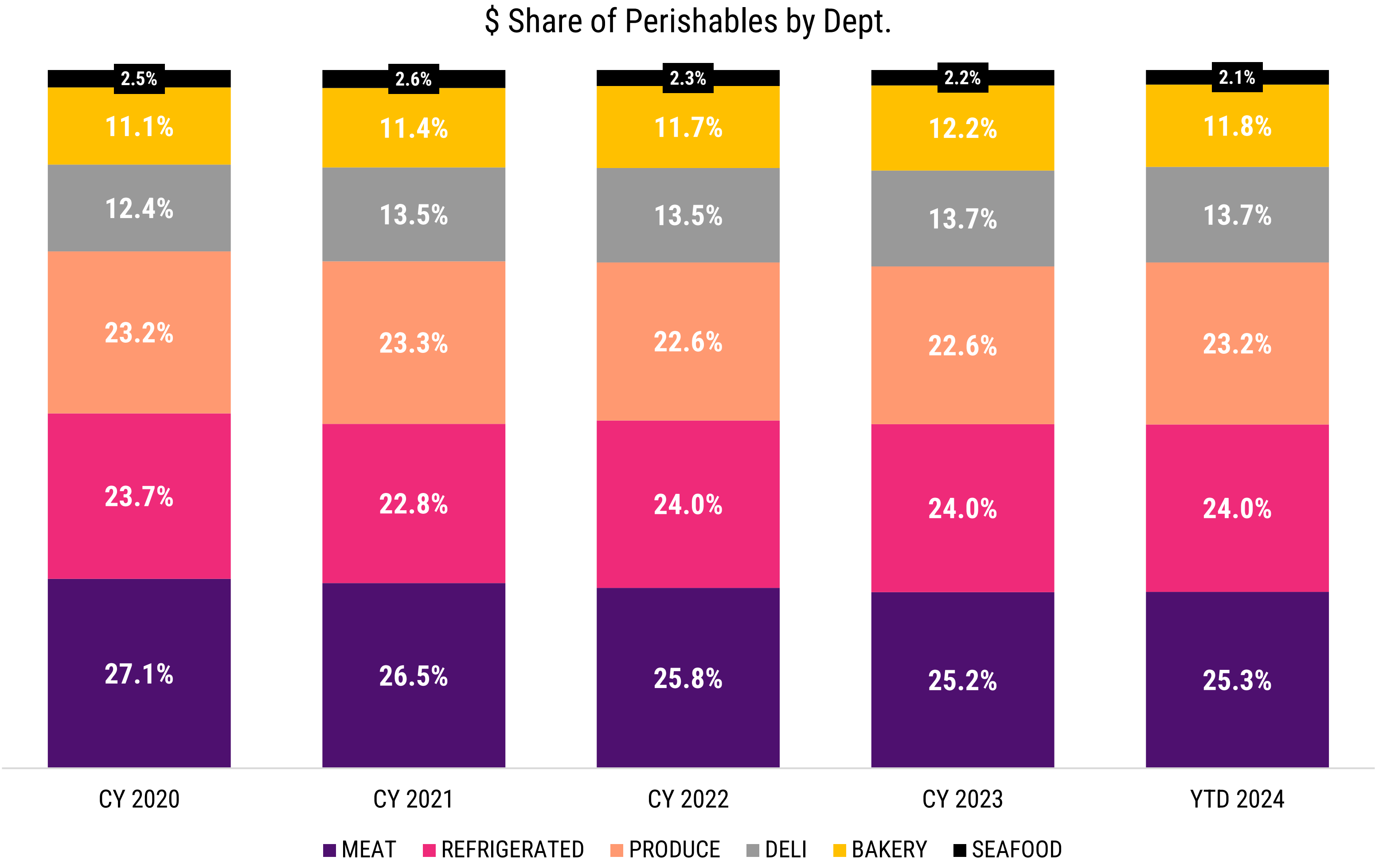


Source: Circana Integrated Fresh, US MULO+, YTD Data Ending 10/06/24.

Units are shown versus volume as not all departments have the same equivalization across the store.

Produce is the only fresh department to increase share in 2024 although it only returns the department to its 2020 sales contribution to perishables

	Share Chg vs YA	Share Chg vs 2YA
Meat	0.0pts	-0.6pts
Refrigerated	-0.1pts	0.0pts
Produce	+0.6pts	+0.6pts
Deli	0.0pts	+0.2pts
Bakery	-0.4pts	+0.1pts
Seafood	-0.1pts	-0.2pts



Source: Circana Integrated Fresh US MULO+, YTD Ending 10/06/2024 *Refrigerated Includes Dairy

Fresh Foods Top 15 Categories by Absolute Dollar Change

Deli Salads new to the ranking at #15 with 2.6% unit growth.

Bacon volume up +1.3% after months of struggling with volume decline.

Deli Prepared Meats and Fresh Mandarins still holding strong with double digit growth in vol/unit sales

- Abs $ Sales Change vs. YA
- Volume or Unit* Sales | % Change vs. YA

Beef
$2.6B | +3.8%

Fresh Grapes
$559.9M | +8.8%

Chicken
$535.1M | +3.3%

Fresh Berries
$514.6M | +7.7%

Deli Prepared Meats
$500.5M | +13.4%*

Fresh Avocados
$392.8M | +2.7%

Deli Entrees
$300.1M | +4.3%*

Fresh Onions
$278.8M | +4.0%

Bacon
$250.1M | +1.3%

Fresh Mandarins
$246.3M | +11.5%

Pork
$231.3M | +0.6%

Deli Specialty Cheese
$209.1M | +6.0%

RFG Tea/Coffee
$184.8M | +4.6%

Fresh Tomatoes
$154.9M | +4.6%

Deli Salads
$133.7M | +2.6%

Source: Circana Integrated Fresh, MULO+, 2024 ending 10/06/24, note Units used when volume is not equivalized at the dept level. Beverages, Meat, Produce and Seafood are in volume.*

Produce is a Retail Powerhouse

- **84** Trips per Buyer per Year – More Than Dairy or Meat
- **3%** More Spend per Buyer – Higher than F&B Average
- **12** Of the top 20 most frequently bought categories in fresh
- **40%** Share of Total Sales Driven by the Top 10% of Produce Buyers

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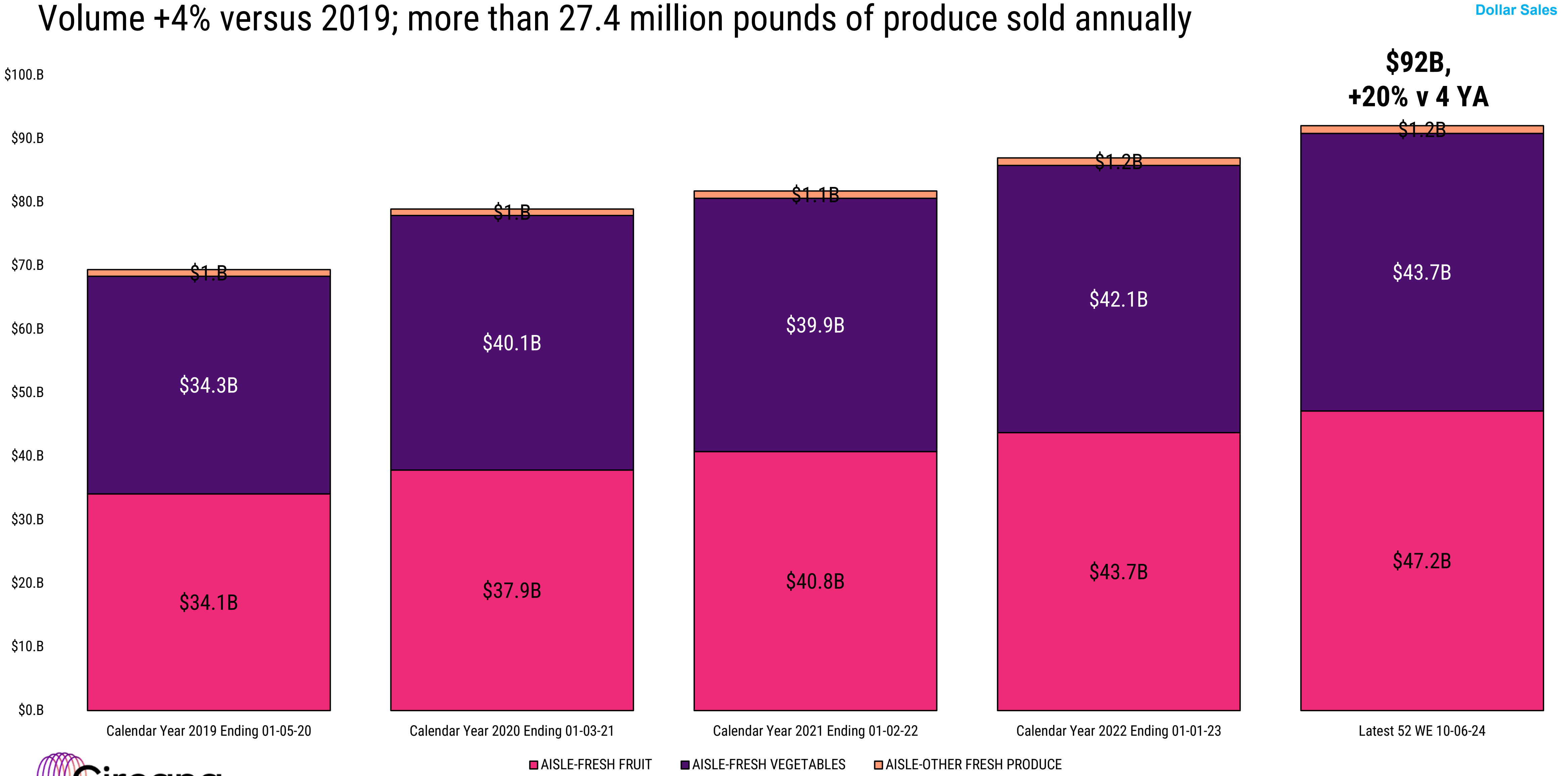
Produce Sales Hit All Time High, Trending +4% YA

Volume +4% versus 2019; more than 27.4 million pounds of produce sold annually



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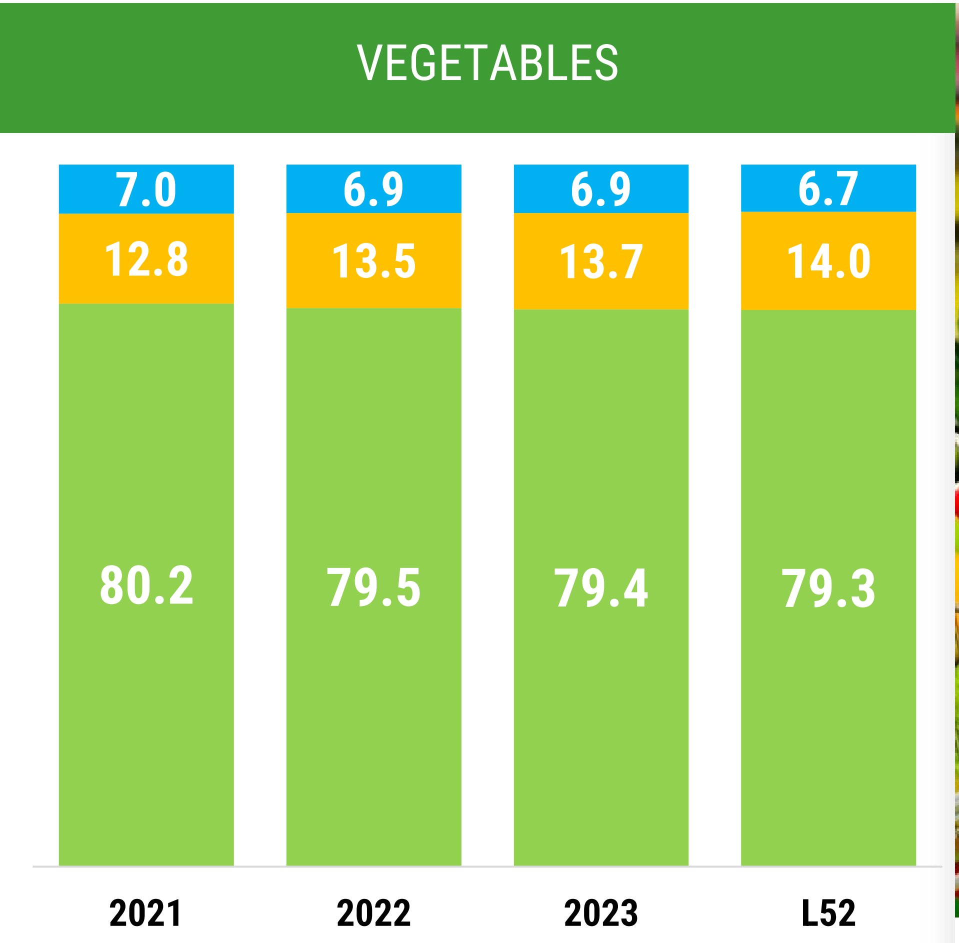
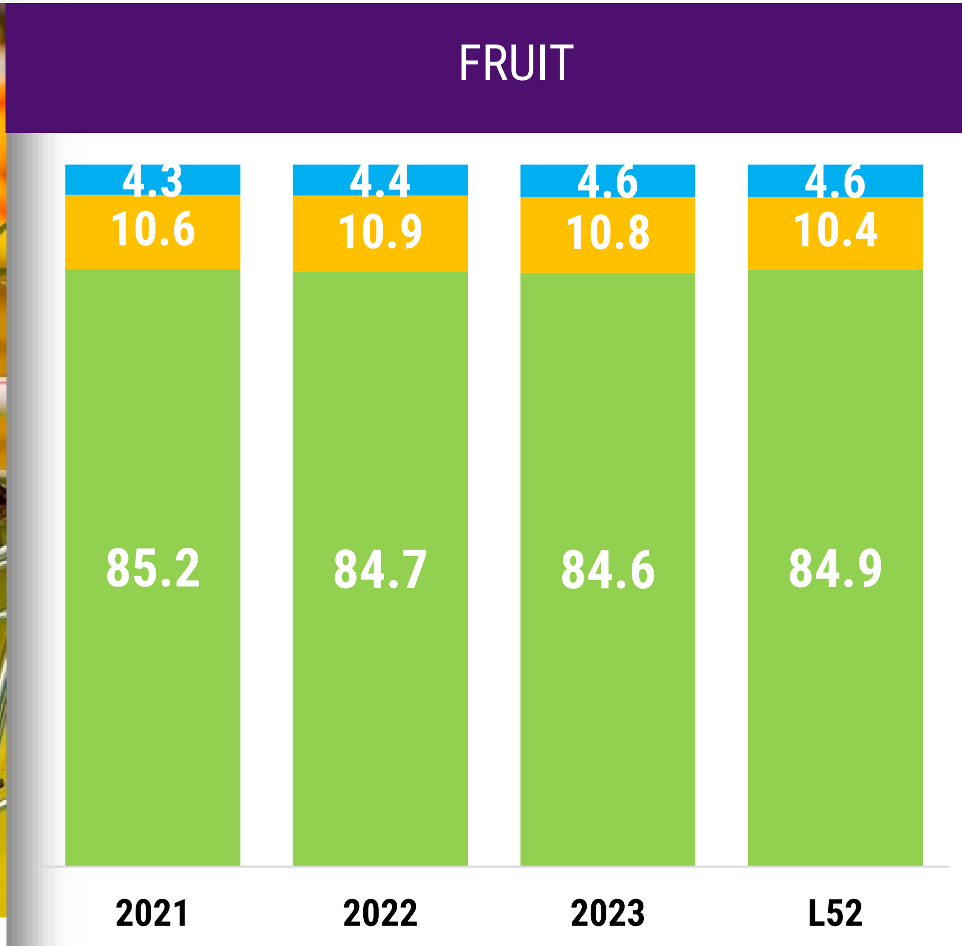
Source: Circana Integrated Fresh Market Advantage, MULO+, Latest 52 W/E 10/06/2024

TEMP STATE: Fresh remains the dominant selling form of fruit and vegetables; however, there has been slight gains in shelf stable for vegetables.





FRESH SHELF STABLE FROZEN

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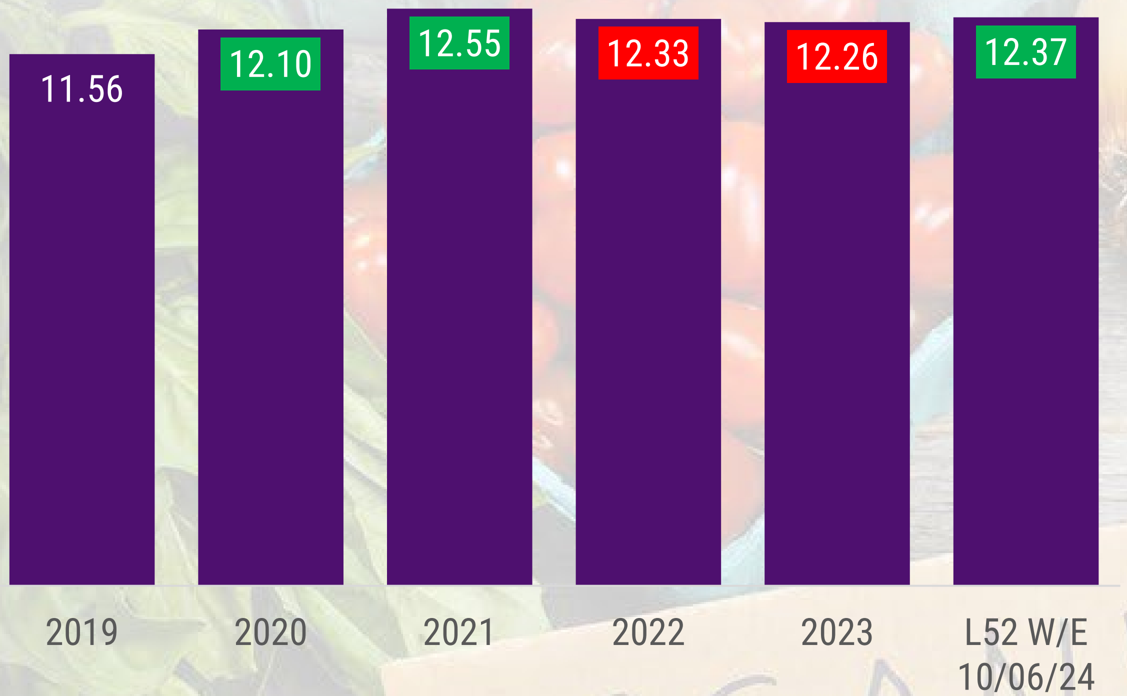
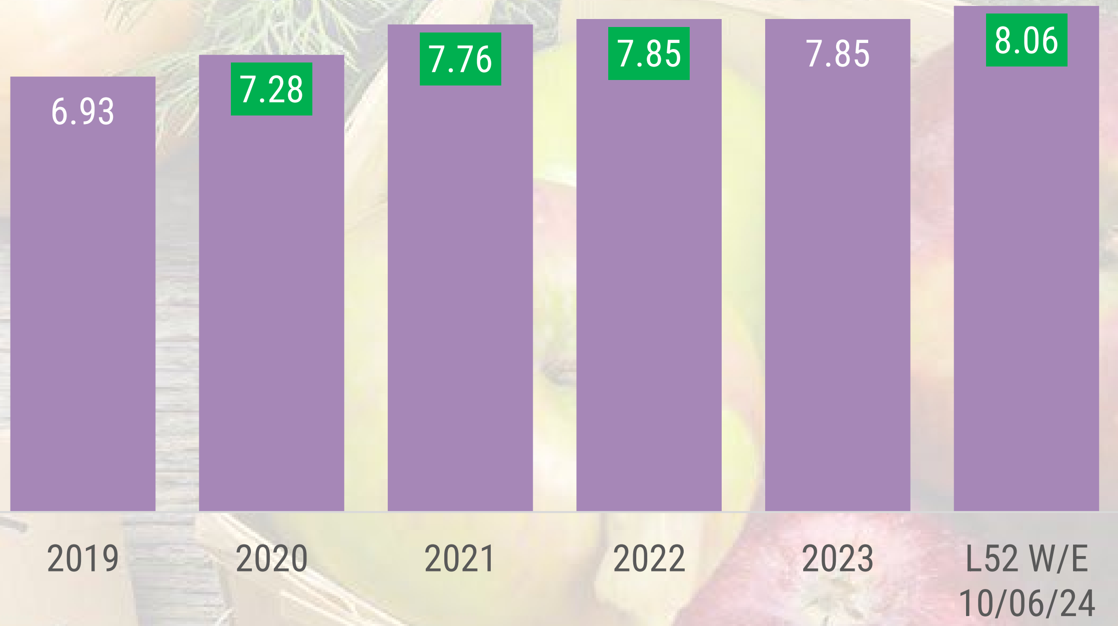
Source: Circana Integrated Fresh Market Advantage, MULO+, Latest 52 W/E 10/06/2024

Despite inflation and economic headwinds, **ORGANIC** produce volume share is growing slightly in the most recent 52 weeks

Organic Dollar Share of Total Produce



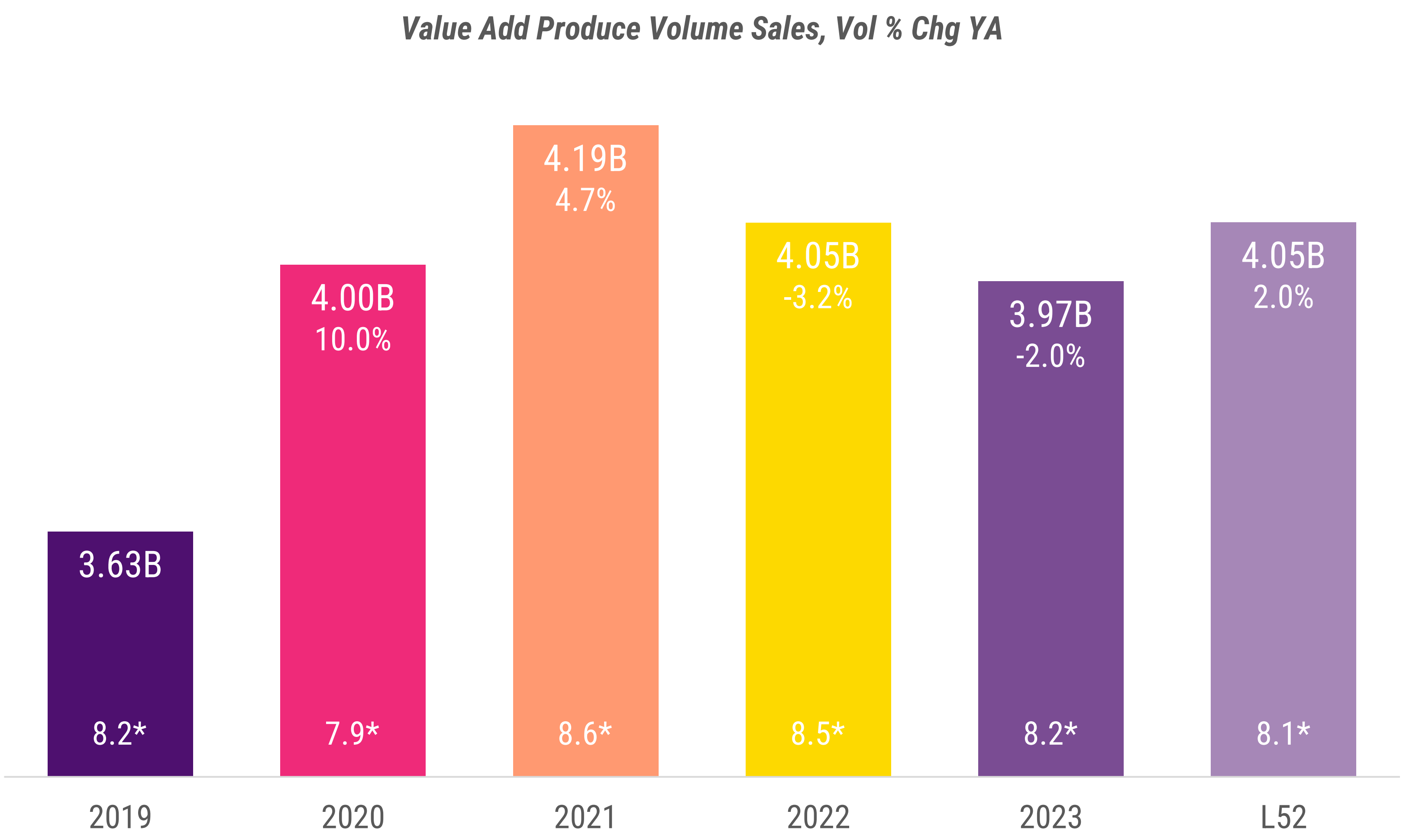
Organic Volume Share of Total Produce



Circana.

Source: Circana Integrated Fresh Market Advantage, MULO+, Latest 52 W/E 10/06/2024

VALUE-ADD Produce Volume growing in latest 52wks; While share is holding steady



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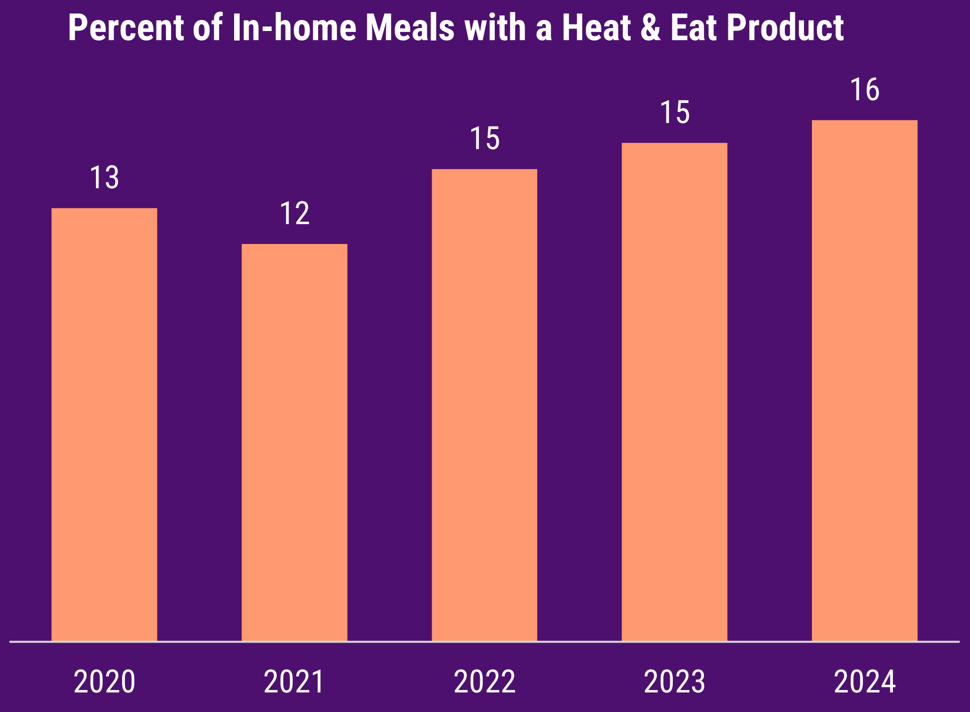
*Source: Circana Integrated Fresh Market Advantage, MULO+, Latest 52 W/E 10/06/2024. *Share of Total Produce*

Heat and eat solutions are increasingly helping consumers solve time constraints



18% Breakfast

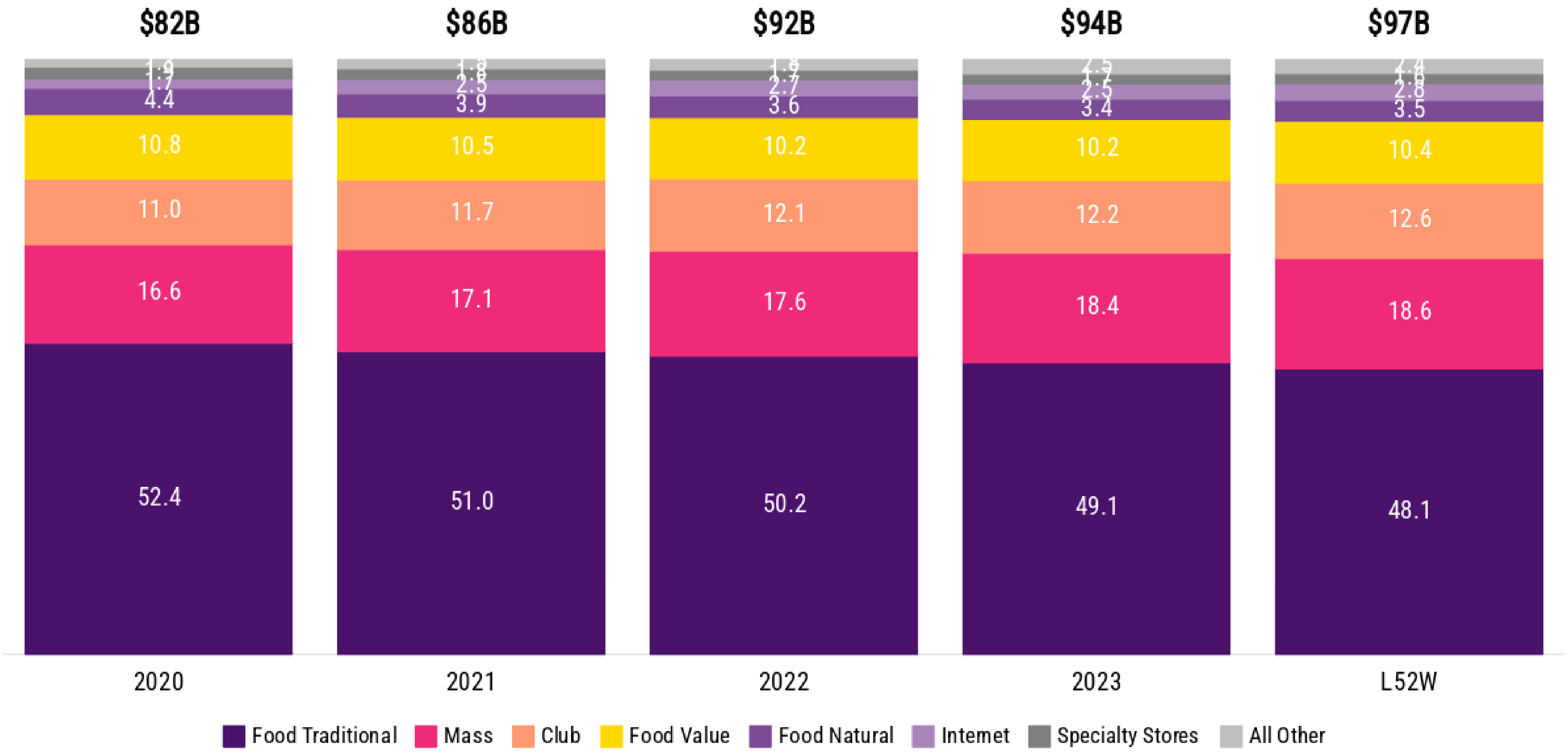
36% Dinner

32% Lunch

3% Snacking Occasions

Source: Circana, National Eating Trends (NET), Years Ending Mar.

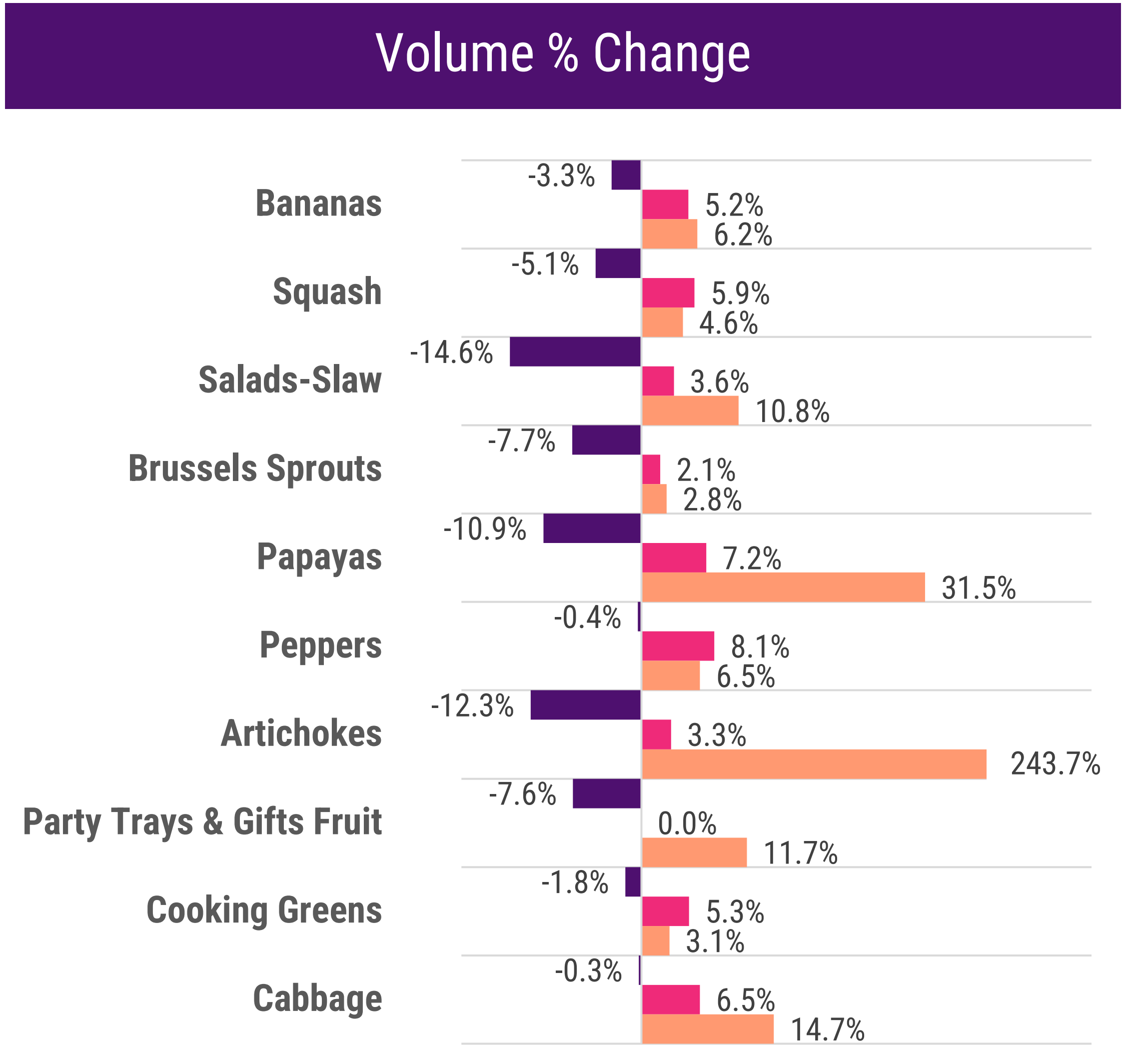
Only 48% of Fresh Produce Sales are in Traditional Grocery Stores – Mass & Club have Gained

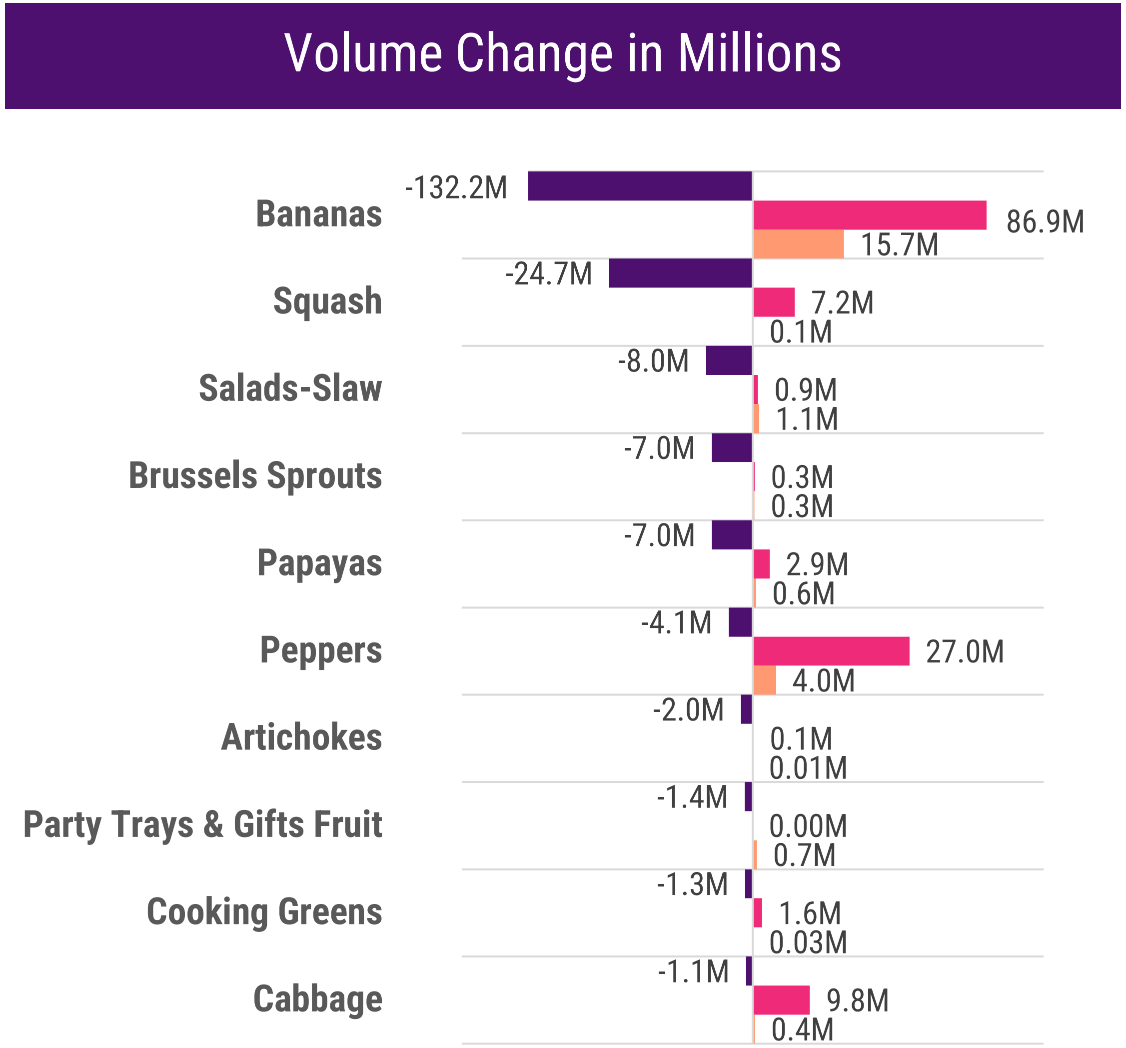


Circana.

Source: Circana Integrated Fresh Panel, Total Produce Dept, Total US MULO+, Latest 52 Weeks Ending 10/06/2024

Top Produce Volume Shifting from Food to Mass and Club





Food Mass Club

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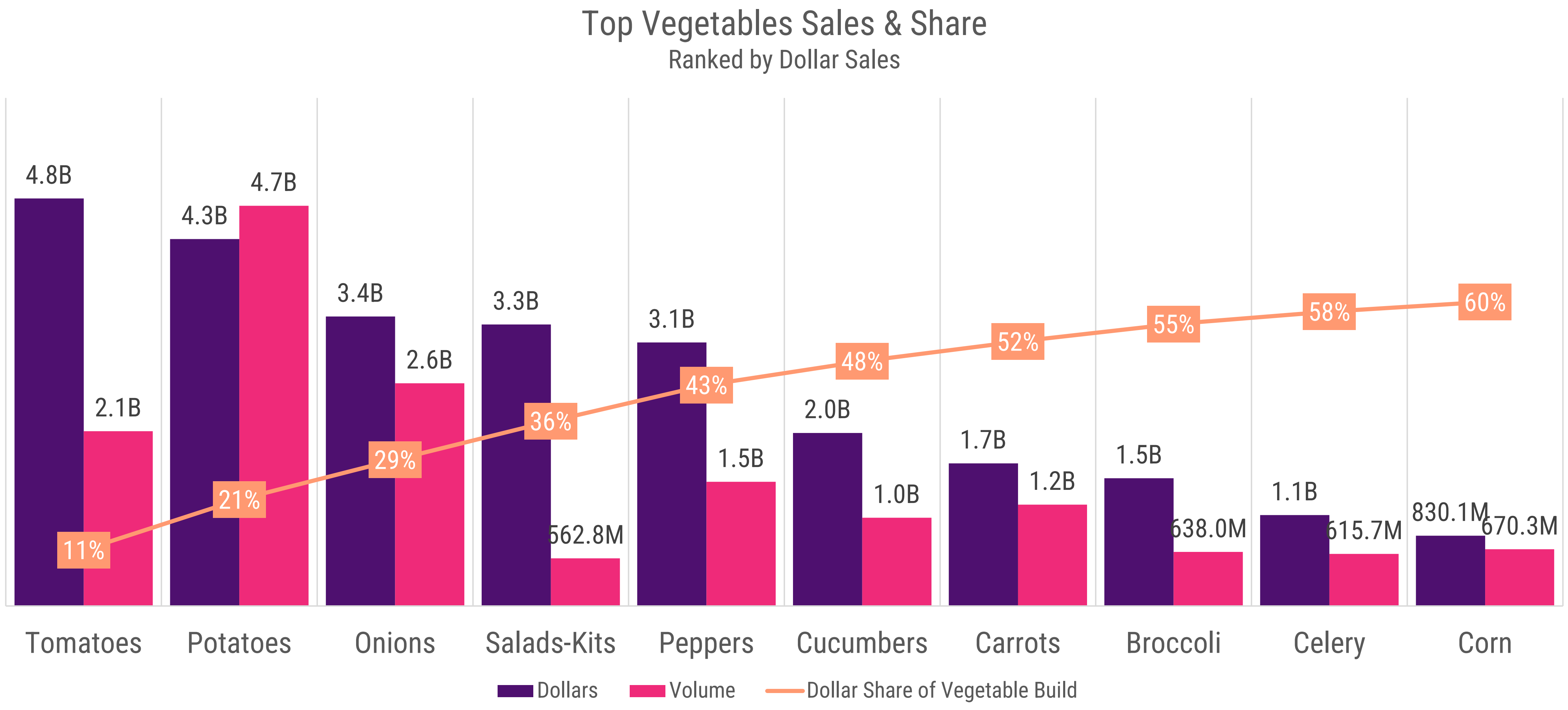
Source: Circana Integrated Fresh Market Advantage, Total US Food, Mass and Club, Latest 52 weeks Ending 10/06/2024

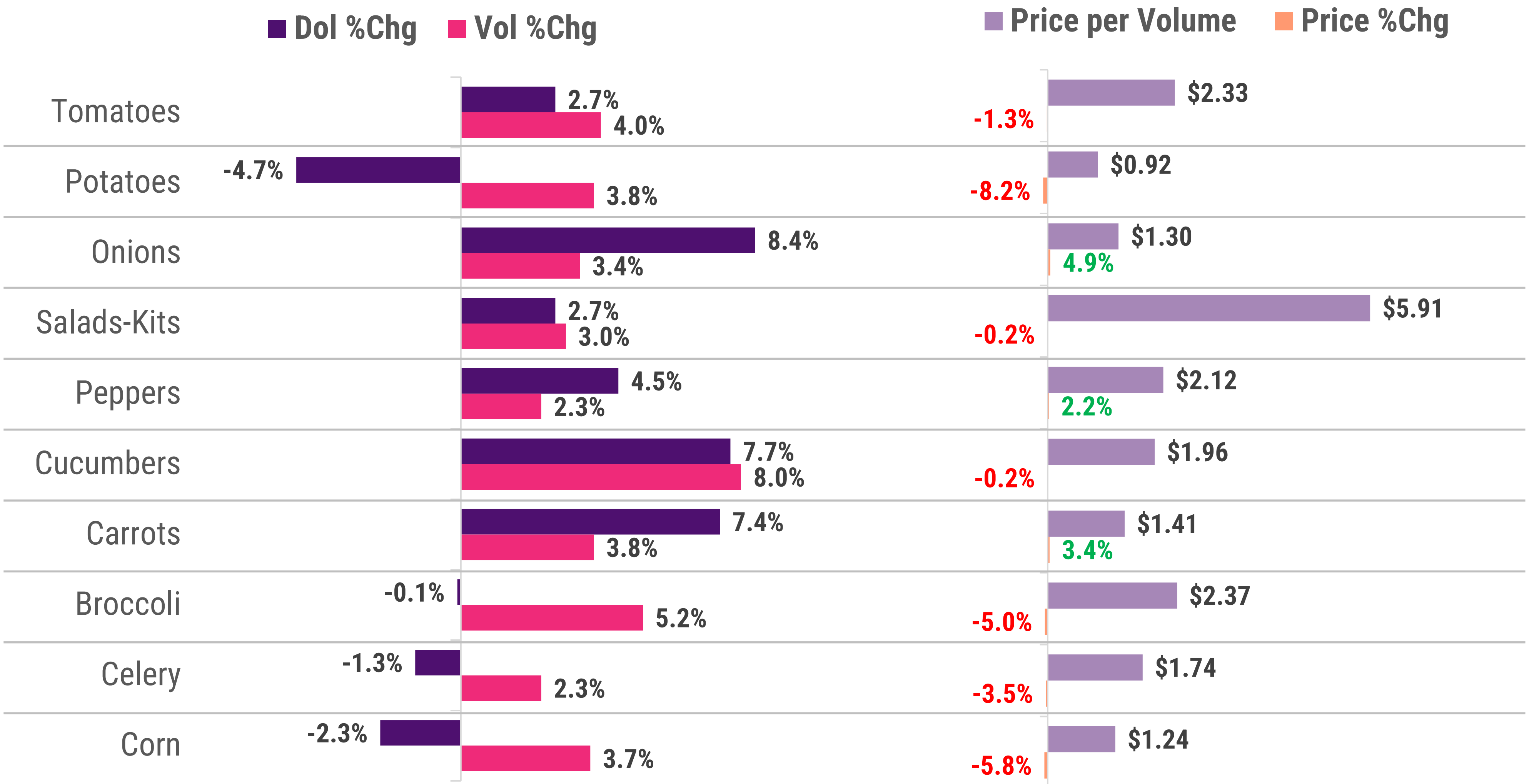
Top 3 Vegetable Categories Alone Count for 30% of Sales



Circana.

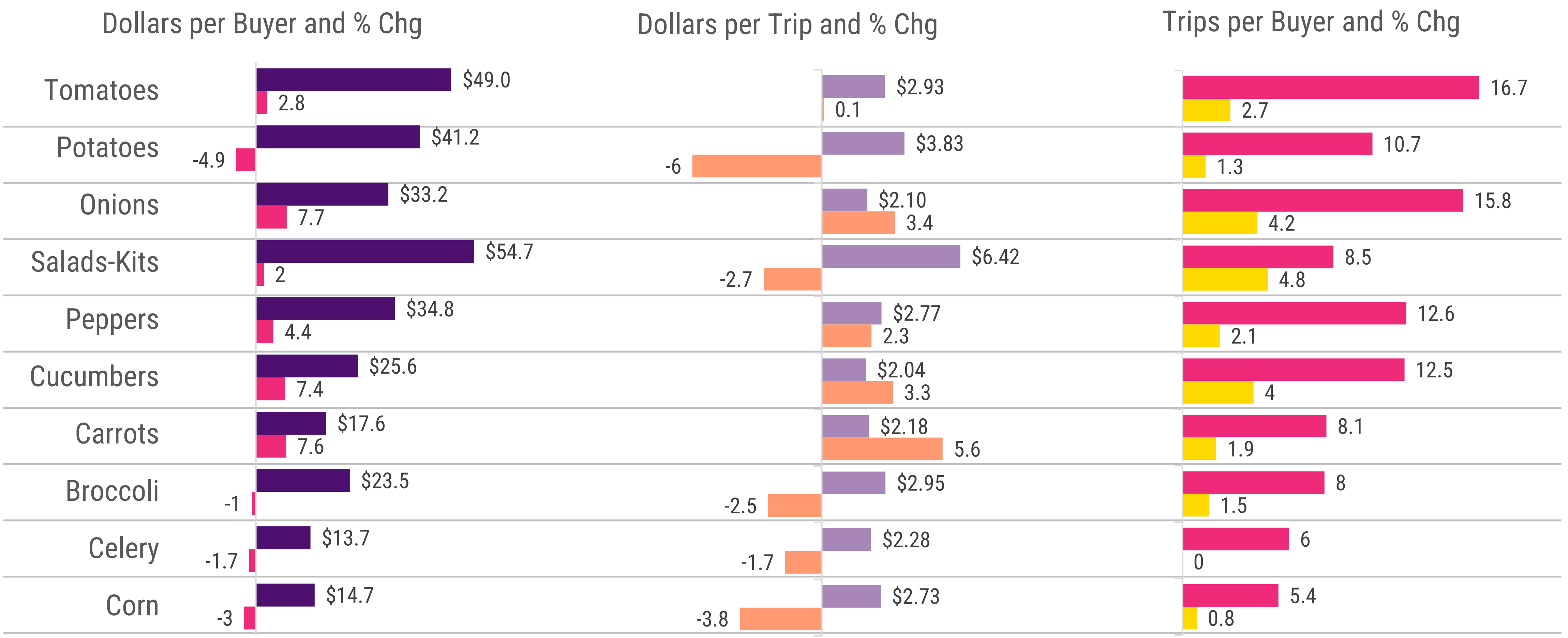
Source: Circana Integrated Fresh, Total US MULO+, Latest 52 Weeks Ending 10/06/2024.

At-Home Cooking Drove Onion Growth Despite a Price Increase; Cucumbers also Driving Many More Pounds



Source: Circana Integrated Fresh, Total US MULO+, Latest 52 Weeks Ending 10/06/2024

Cucumbers and Onions also increasing in spend and frequency

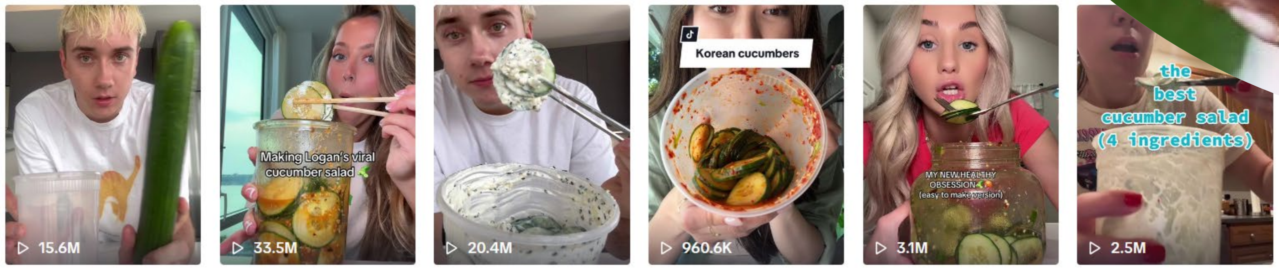


Source: Circana Integrated Fresh Scan Panel, Total US All Outlets, Latest 52 Weeks Ending 10/06/2024

Cucumber Breakthrough

Cucumber Salad Recipes have gone Viral on TikTok

- First posted on TikTok in July 2024
  - "Sometimes you just need to eat an entire cucumber."
  - Some videos have reached over 40 million views
  - Recipes for sliced cucumbers include an Asian salad, salmon bagel and feta dill mix.

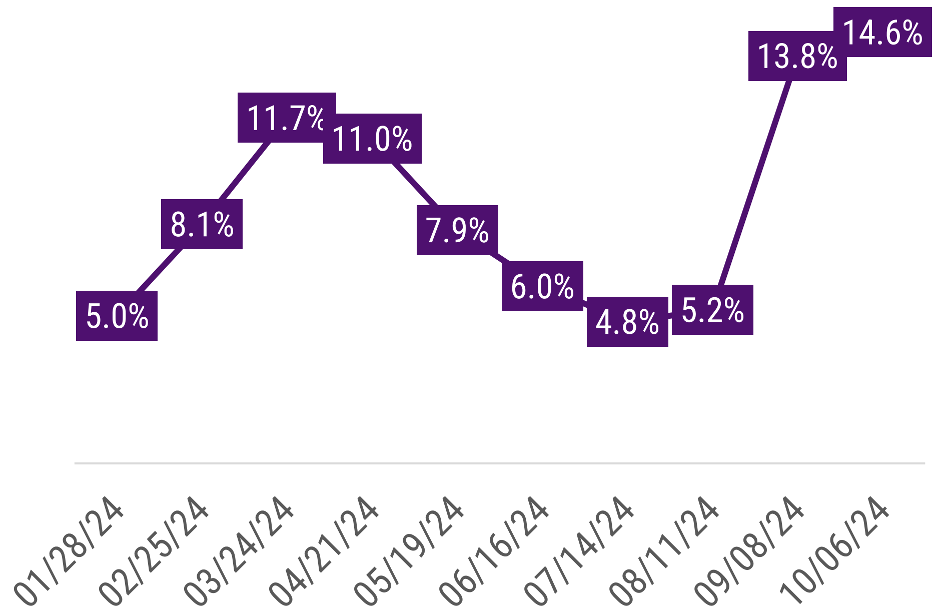


Circana.

Source: https://www.tiktok.com/@logagm

Gen Z, small but mighty. Although buyer share is small, this generation is growing in penetration for Fresh Cucumbers

Fresh Cucumber Dollars % Change

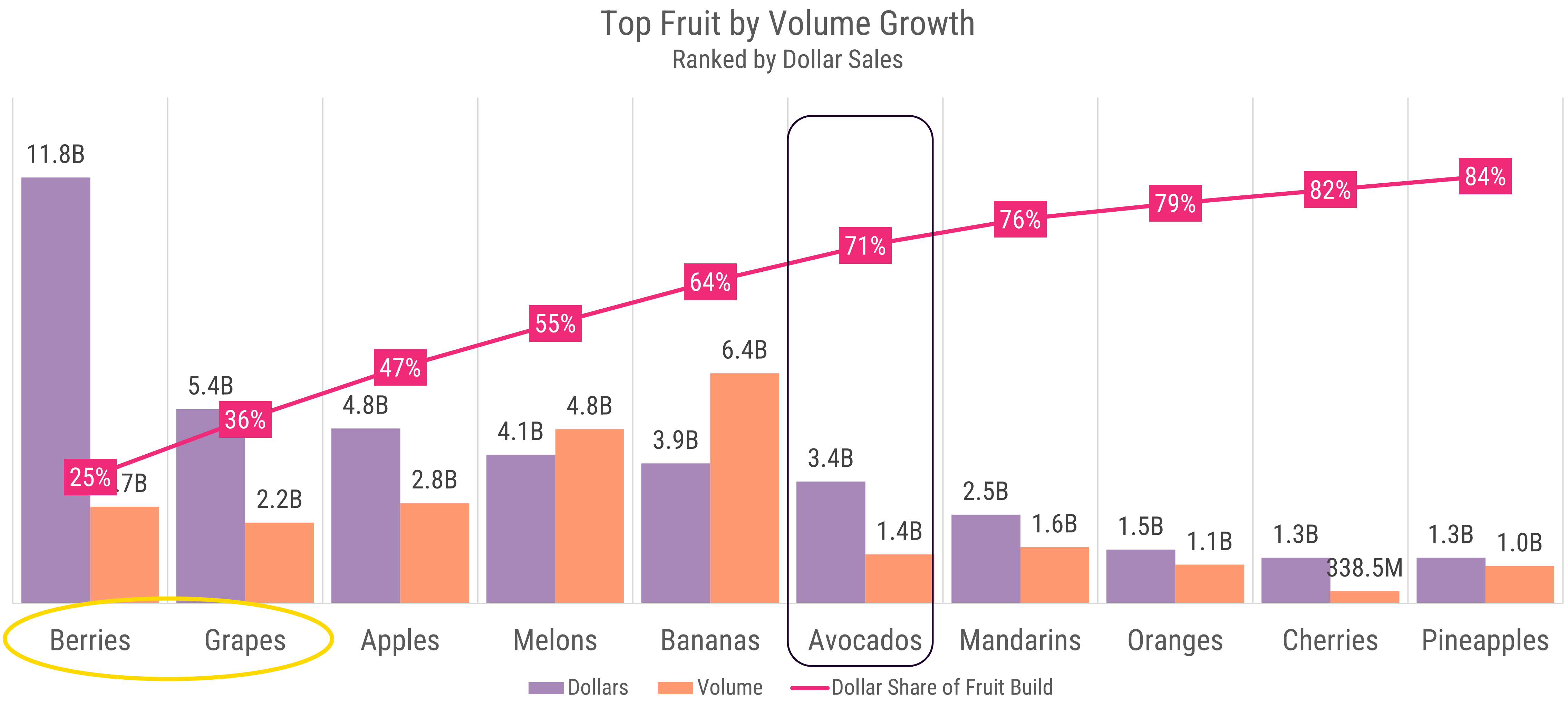


Fresh Cucumber Generation Changes

	HHP	HHP Chg	Buyer Share	Share Chg	Buyer Index	Index Chg
ALL	62.5	0.2	100	0	100	0
Gen Z	54	**8.6**	2	1	79	**20**
Millennials	61.3	0.7	30	1	97	1
Gen X	63.6	0.4	30	0	103	0
Boomers	63.6	**-0.8**	33	-1	103	**-2**
Seniors	61.1	0.1	5	0	96	0

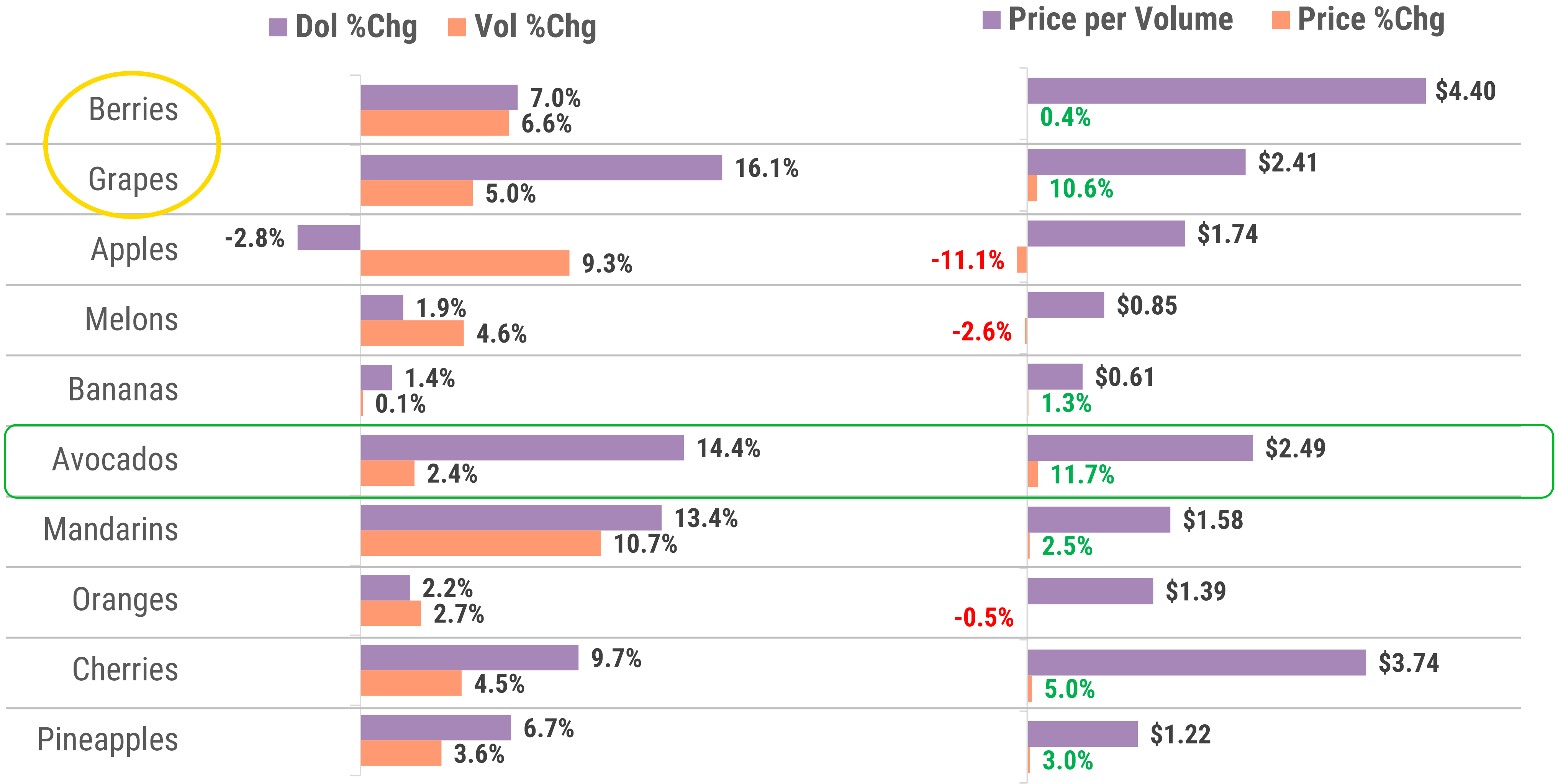
Source: Circana Integrated Fresh Scan Panel, Total US All Outlets, Latest 52 Weeks Ending 10/06/2024

Top 3 Fruits Account for Almost Half of All Fruit Sales



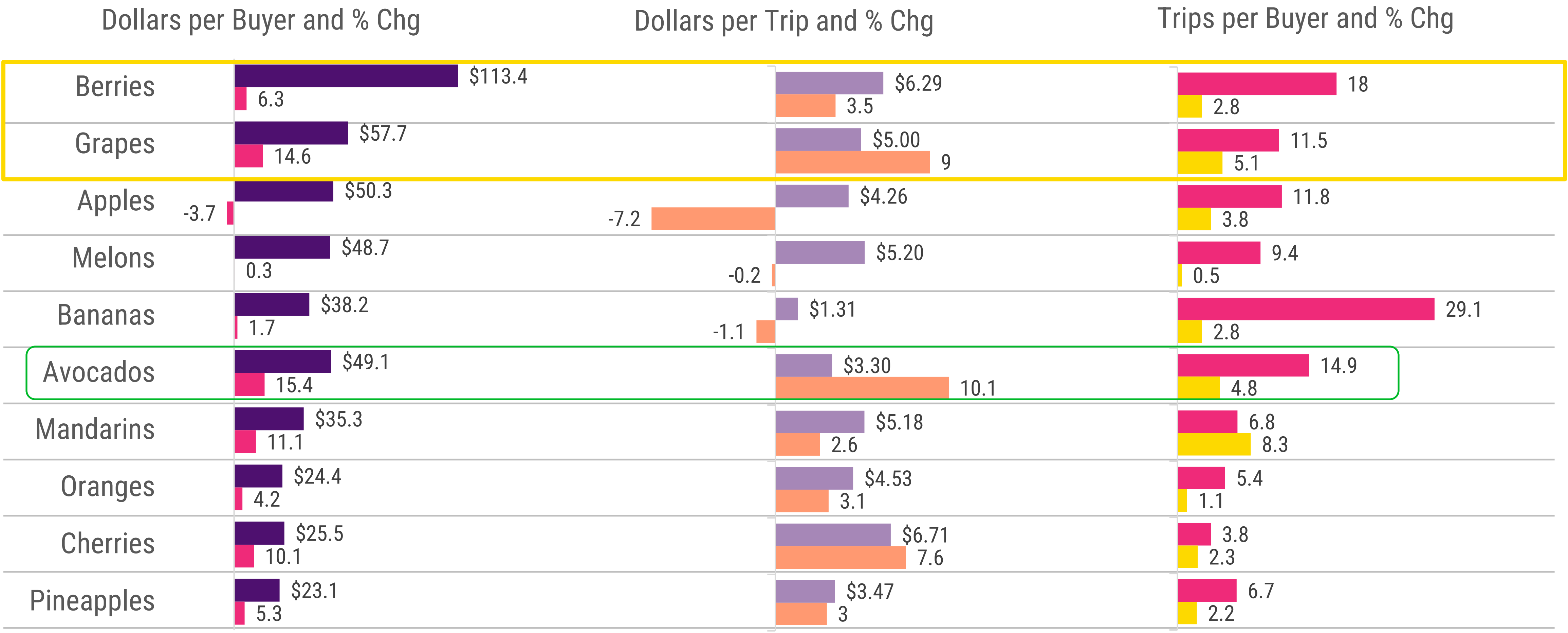
Source: Circana Integrated Fresh, Total US MULO+, Latest 52 Weeks Ending 10/06/2024

Berries and Grapes still growing sales despite an increase in Price



Source: Circana Integrated Fresh, Total US MULO+, Latest 52 Weeks Ending 10/06/2024

Most fruit categories growing in spend and frequency



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Source: Circana Integrated Fresh Scan Panel, Total US All Outlets, Latest 52 Weeks Ending 10/06/2024

Food for thought: *Berry* good growth

Fresh Foods' stand out success demonstrates dimensions of value well beyond price.

- After more than a decade as one of the fastest selling fresh foods, **berries are now promoted nearly every week at grocery.**

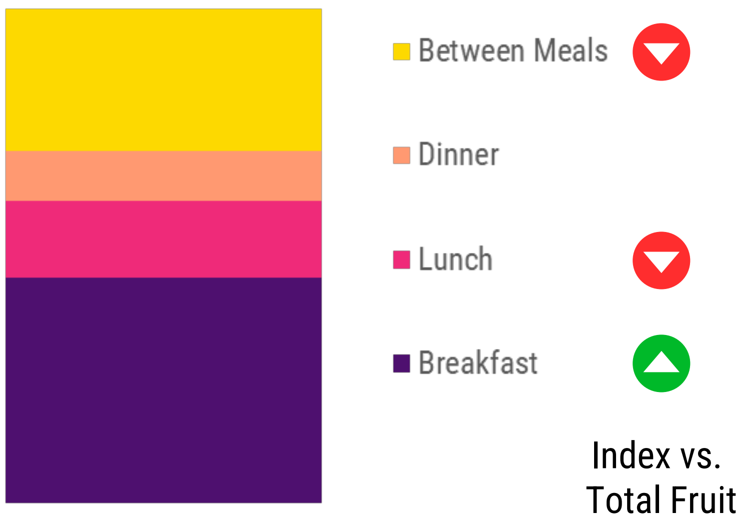
- Their continued share, volume, frequency, buyer and sales **gains are consumer-driven.**

Looking into consumption shows the "complete" growth story…

Source: Circana Integrated Fresh POS and Scan Panel & Consumption Data, 2023

Berries for Breakfast Drives Expanded Growth

When Berries are Consumed
% of Eatings



Well-Developed Consumers of Berries
Index >120 vs. Total Fruit

- Kids <6
- Females 25-34
- HH Income $75K+

Under-Developed Consumers of Berries
Index <80 vs. Total Fruit

- Kids 13-17
- Adults 55-64
- HH Income <$75K

Indicates index Berries vs. Total Fruit >120
Indicates index Berries vs. Total Fruit <80

Source: Circana, National Eating Trends®, YE December 2023

Grapes seeing the effects of social media

Grapes and Sour Grapes viral trends on TikTok

- **+17%** in Dollars 2024 YTD; more than double last year's growth
- Last 5 years compound annual dollar growth **+6.7%**

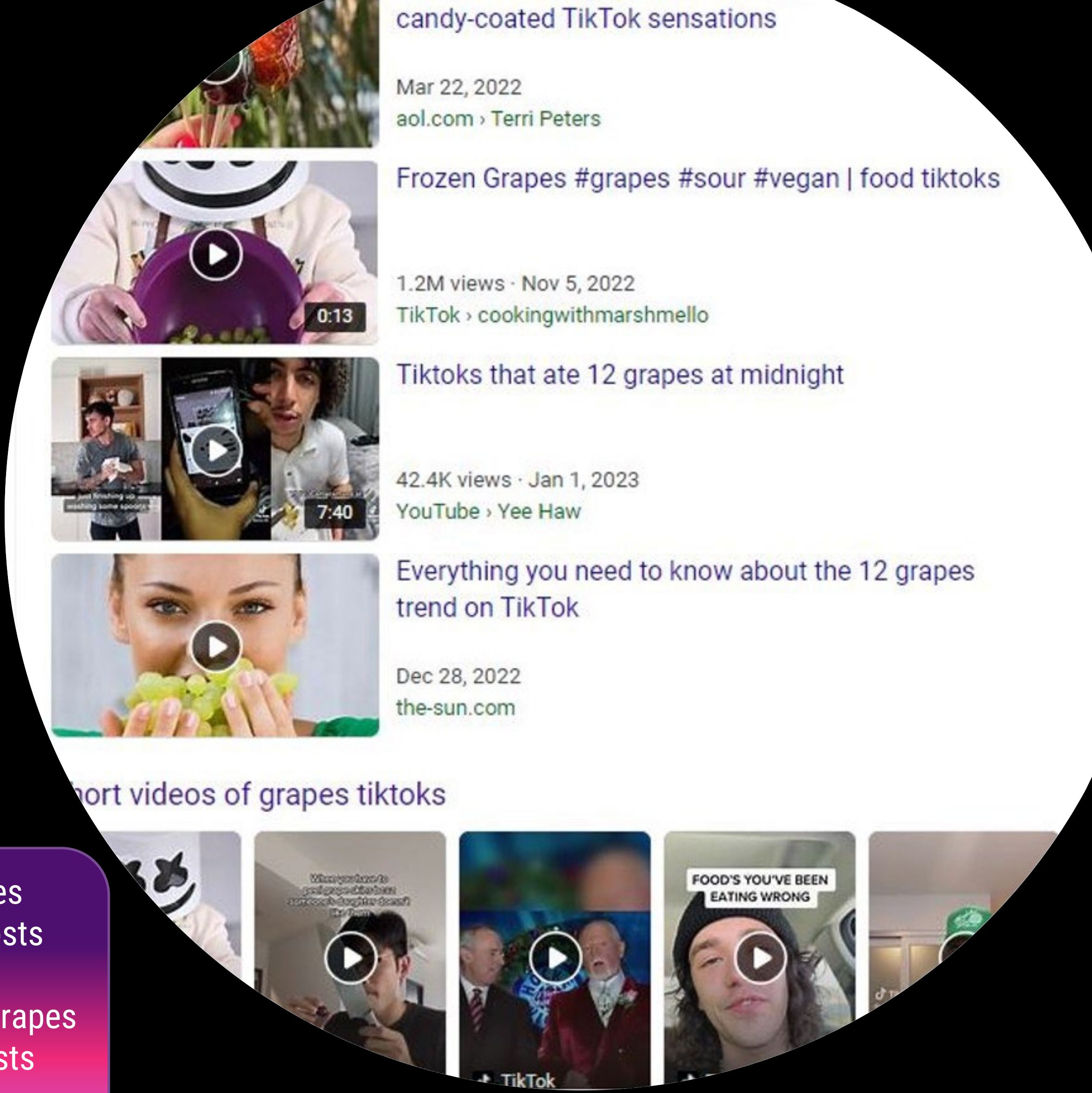
- Dollars per Buyer +15%
- Dollars per Trip +9%
- Trips per Buyer +6%

- Gen Z dollars per buyer up +46%, primarily driven by an increase in trips up +35%

#grapes
147K posts

#candiedgrapes
64K posts

#candygrapes
60K posts



https://www.tiktok.com/tag/grapes, candiedgrapes, *candygrapes*

Circana.

Source: Circana Integrated Fresh, Total US MULO+, Year to Date 2024 Ending 7/14/2024

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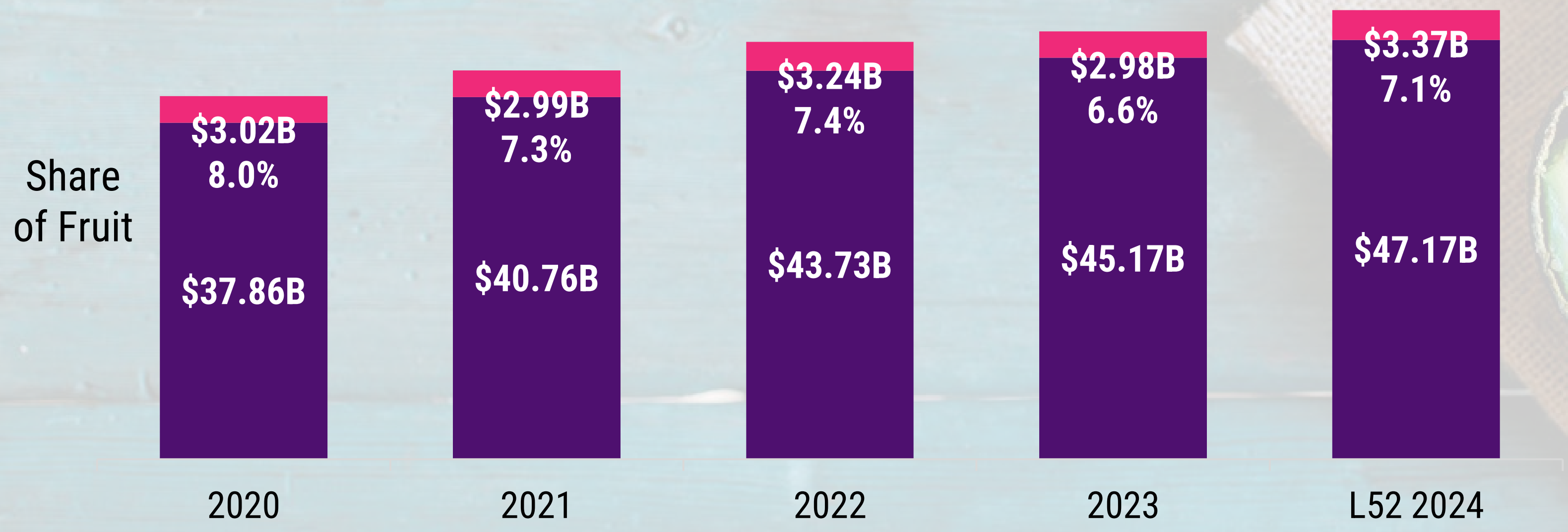
Deep Dive on Avocado

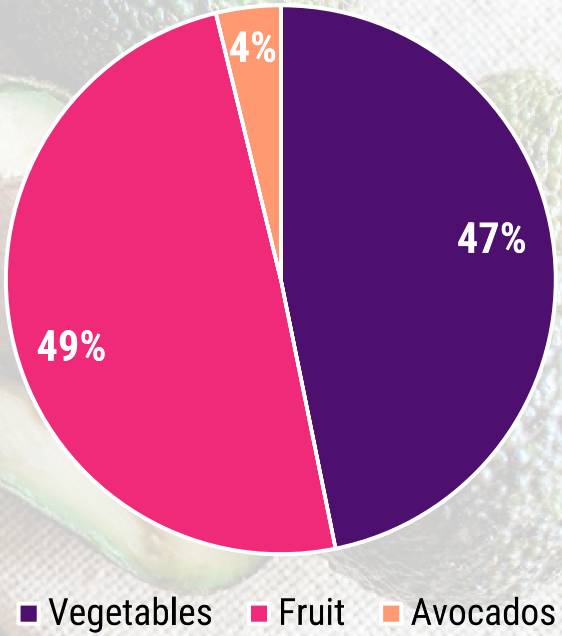
Fresh and as an ingredient in other aisles

Avocados have increased their share of total Fruit by 0.5pts in the latest 52 weeks

Dollar Sales and Share



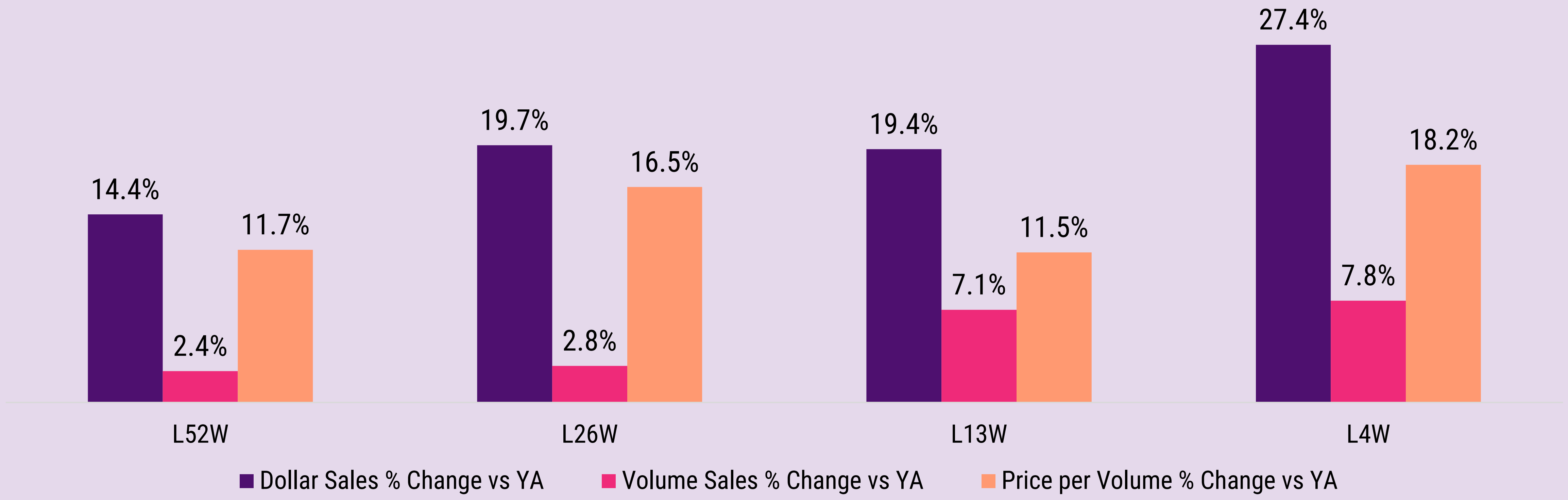
Dollar Share of Produce in 2024



Circana.

Source: Circana Integrated Fresh Panel, Total Produce Dept, Total US MULO+, Latest 52 Weeks Ending 10/06/2024

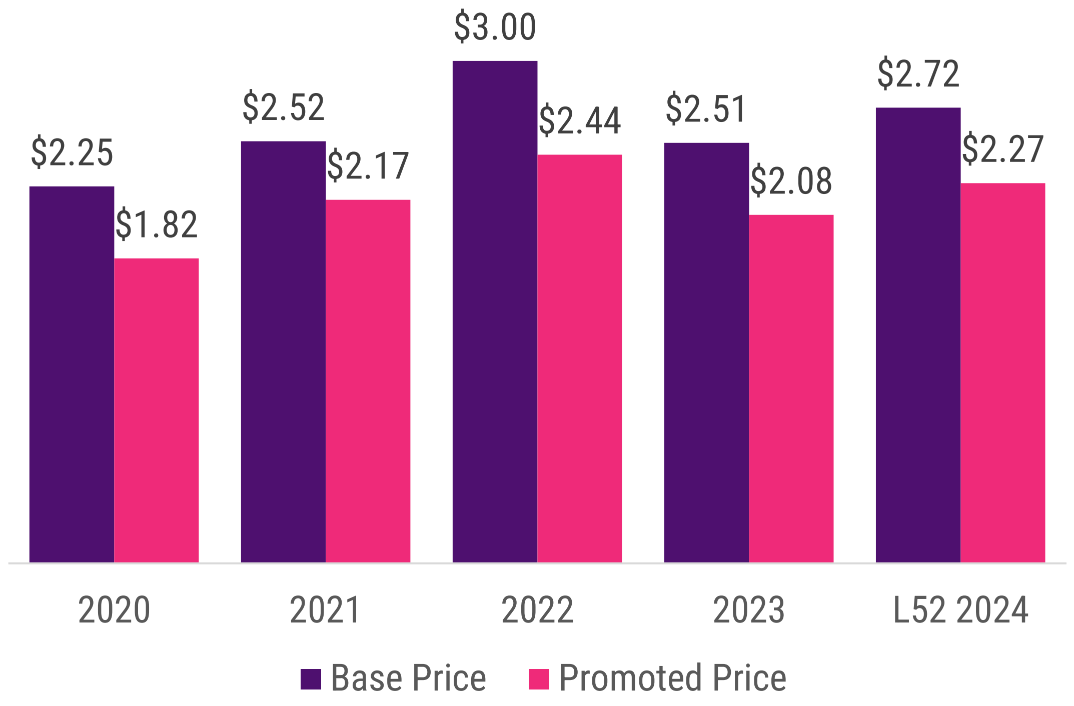
Avocados volume continues to grow despite price increasing



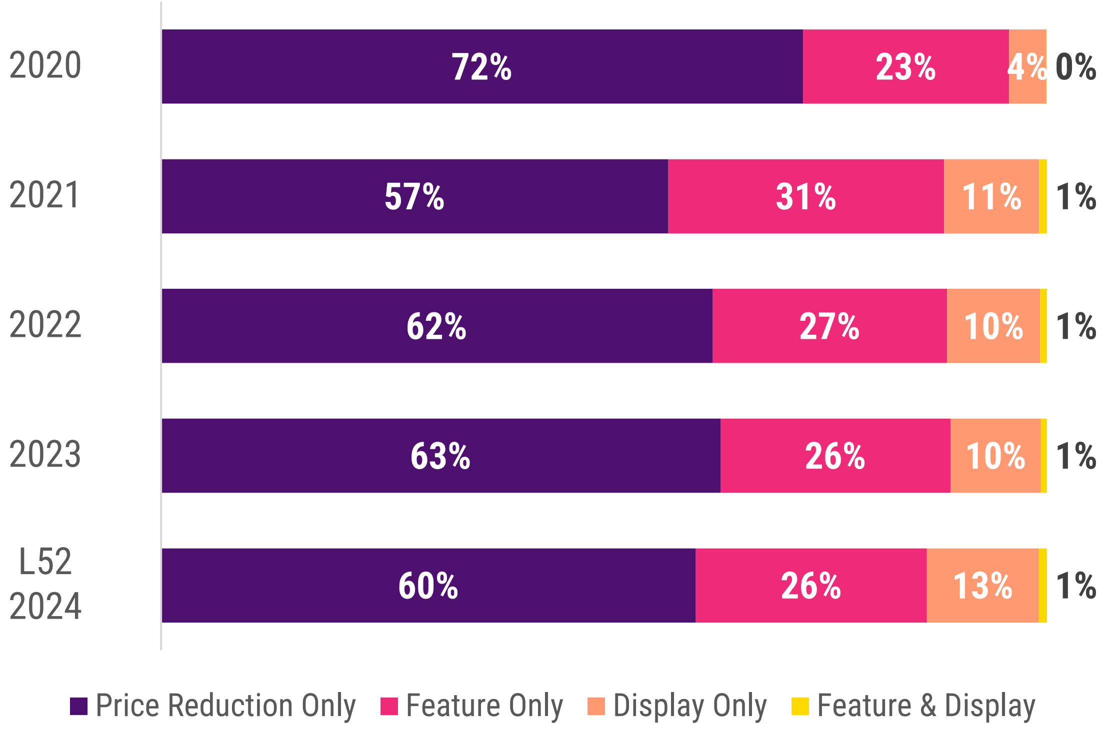
Source: Circana Integrated Fresh Market Advantage, Total US MULO+, Latest 52 Weeks Ending 10/06/2024

Avocado's price increased in 2024, while also focusing more on secondary in-store displays

Avocados Price over the years



Avocados % Incremental Volume by Merch



Circana.

Source: Circana Integrated Fresh Market Advantage, Total US MULO+, Latest 52 Weeks Ending 10/06/2024

Avocados Play A Role in Other Categories Across the Store

Fresh

Dollars $3.4B +14.4%
Units 1.5B +0.6%

Dollars per Buyer $49.12 +15.4%
Dollars per Trip $3.30 +10.1%
Trips per Buyer 14.9 +4.8%

Guacamole

Dollars $736.4M +2.3%
Units 144.7M +4.2%

Dollars per Buyer $22.34 -1.4%
Dollars per Trip $5.67 -2.1%
Trips per Buyer 3.9 +0.8%

Oil

Dollars $502.2M +42.8%
Units 38.7M +48.0%

Dollars per Buyer $35.41 +6.1%
Dollars per Trip $13.79 -1.6%
Trips per Buyer 2.6 +7.8%

Salad Dressing

Dollars $39.2M +25.7%
Units 8.9M +23.6%

Dollars per Buyer $8.92 +11.7%
Dollars per Trip $4.66 +1.7%
Trips per Buyer 1.9 +9.8%

Circana.

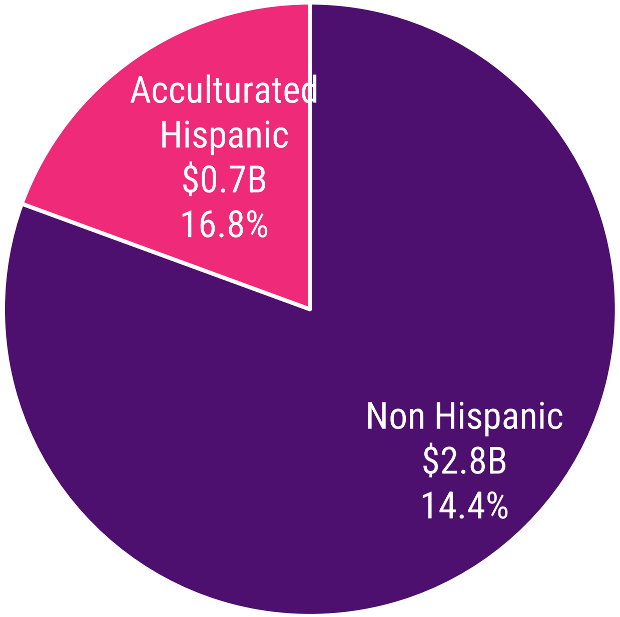
Source: Circana Integrated Market Advantage & Fresh Panel, Total US MULO+, Latest 52 Weeks Ending 10/06/2024

4 Ideas for Future Growth

Focus on cultivating emerging shoppers

Non-Hispanic shoppers account for 81% of Avocado sales

Dollar Sales and % Change



Demographic Changes

	Non-Hispanic	Hispanic
%HHP	54.1	69.9
%HHP Change	-1	+0.6
Buyer Share	81	17
Share Change	-1	+1
Buyer Index	94	138
Index Change	-1	+5

Source: Circana Integrated Fresh Panel, Total US MULO+, Latest 52 Weeks Ending 10/06/2024

FMI finds food attitudes differ by generation

The Silent Generation

Grocery shopping was and is all about cost, taste and convenience.

Baby Boomer

Midlife quality of life concerns meant that health and well-being issues and sustainability concerns began working their way into the shopping equation.

Gen X

The food as medicine movement, climate concerns and a dot.com boom all introduced a new tech slant to shopping experiences and the quest for convenience.

Millennials

Ethnic diversity and exploring new flavors brought a new richness; the pace of life picked up, bringing new pressures to grocery shopping experiences.

Gen Z

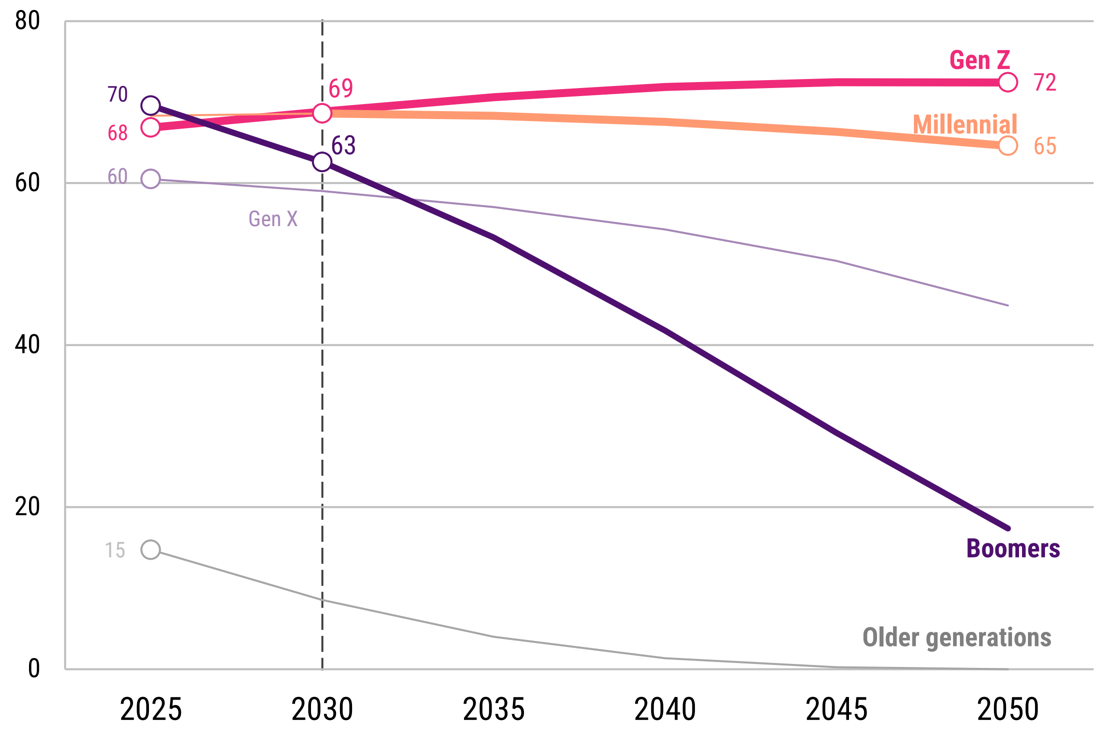
Seeks to work and play with equal intensity, both being meaningful and engaging—they bring the same spirit to their quest for food.

Source: FMI Fresh Forward Conference, August 2024

Defining generations in an evolving population

Regardless of definition, the U.S. prime shopping population will be inherently different shortly

Projected population by generation (M)



Defining generations

Gen-Z
Born: 1997-2012
Age today: 12-27

Millennials
Born: 1981-1996
Age today: 28-43

Gen–X
Born: 1965-1980
Age today: 44-59

Boomers
Born: 1946-1964
Age today: 61-79

Older Generations
Born: before 1946
Age today: 79+

Source: The U.S. Census Department: Projected Population by Five-Year Age Group and Sex, 2022–2100. Retrieved from:https://www.census.gov/data/tables/2023/demo/popproj/2023-summary-tables.html. Note: Generational age breaks slightly adjusted (+/- 1 yr) to fit the 5-year framework. Today's ages = 2024.

They shop Fresh on their own terms, choosing what fits best into their lifestyle

Grocery has the highest share of wallet in Fresh of any F&B department, but **NOT** with younger generations

157 Index

Convenience

132 Index

Mass/Supercenter

167 Index

Internet

Source: Circana OmniConsumer™ Scan Panel, Shoppers under age 35 vs other generations by channel, All Outlets, 52 weeks ending 07/14/24,

33%

of Gen Z and Millennials
FREQUENTLY try new foods
(vs. less than 15% of Boomers)

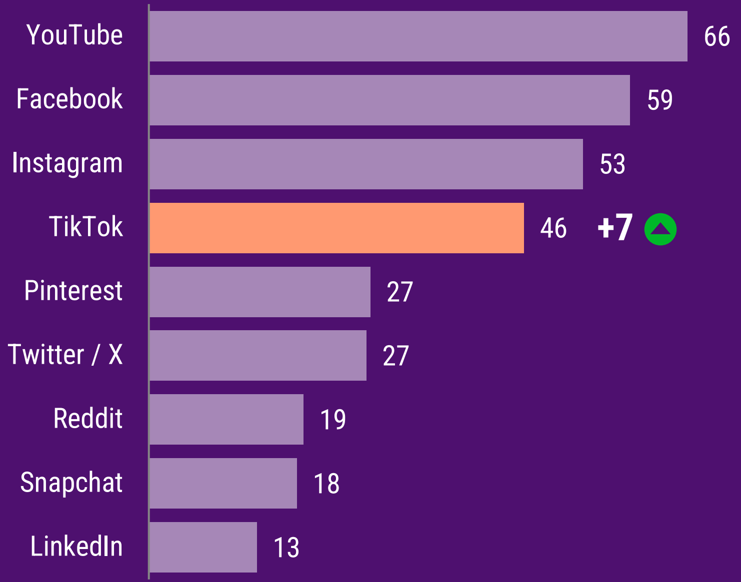
Source: 210 Analytics Survey for IDDBA, June 2024

Social platform key for younger consumers

Nearly half of consumers look to TikTok for pre-purchase research with viral videos from this platform fueling sales throughout the year. But what engages on TikTok is often dissimilar to traditional advertising methods

Platforms Plan to Use

% Among Those Planning to Use Social Media for Pre-purchase Research



64%

Of consumers **made a purchase** of something because of seeing it on **social media** – higher among younger consumers **(76% of 18–34 year-olds)**

Instagram and **TikTok** ranked as the top platforms resulting in a purchase among those 18-34

Source: Circana Primary Shopper Survey, Q4 2023

Exploration is reflected in cuisine interest – Avocados Fit in Several of These

Top Cuisine Types Gen Z Wants Grocery Deli Prepared Foods to Carry More

52%

Pizza / Italian

44%

"Street" Food / Food Truck Type Items

35%

Japanese / Sushi

29%

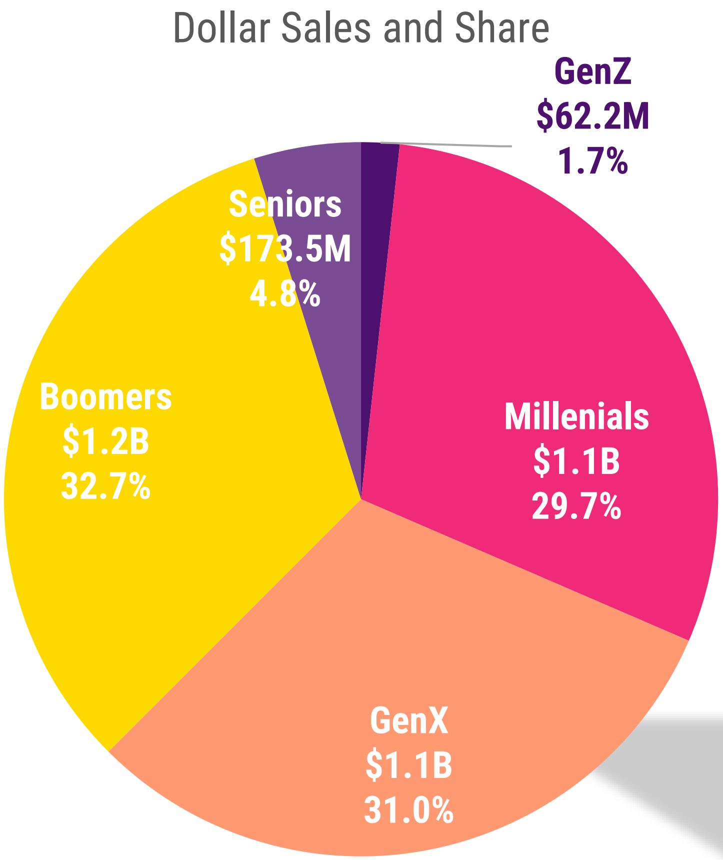
Korean

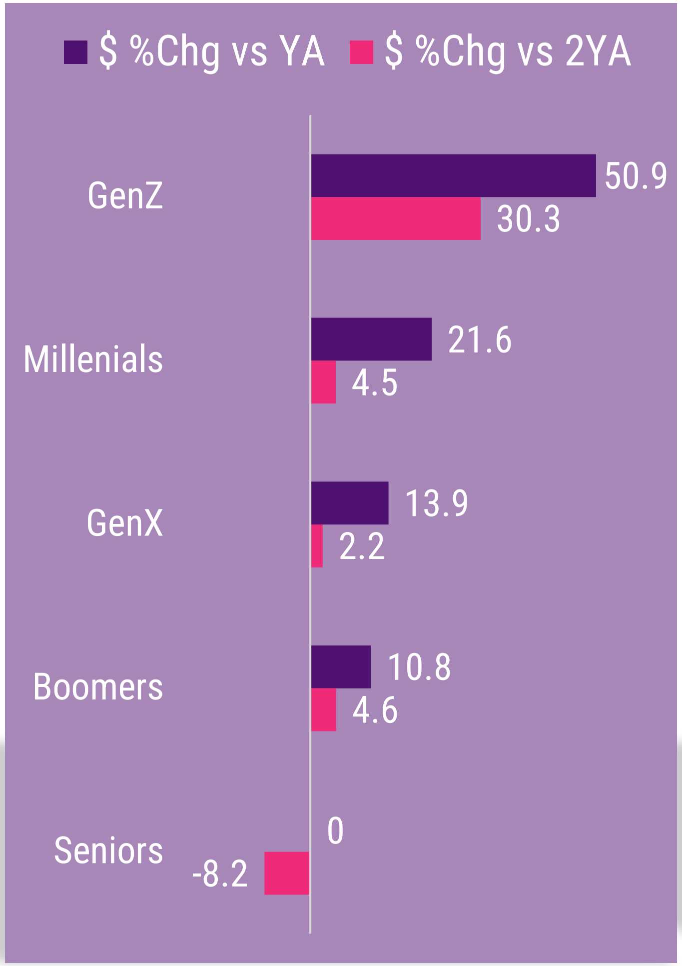
22%

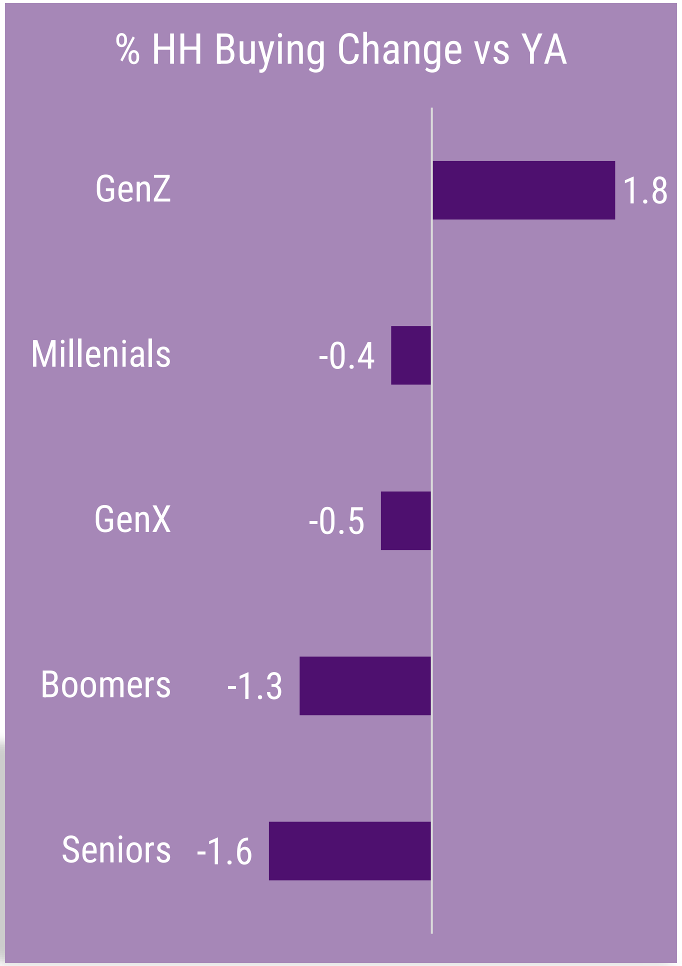
Cuban

Source: 210 Analytics Survey for IDDBA, June 2024

For Avocados, Gen Z Adding Buying Households – Younger Shoppers Driving Sales Growth







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Source: Circana Integrated Fresh Panel, Total US MULO+, Latest 52 Weeks Ending 10/06/2024

If we do what we've always done…

We will get to where we've always been…

And not far with the different needs of younger shoppers.

Circana.

Questions?

Contact us for a copy of this presentation and more fresh insights:

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