



# Cost Outlook | 2024 Forecast

MARKET TRENDS | PRICING INFORMATION | UNIQUE PLANNING EXPERTISE

# AVENDRA'S 2024 COST OUTLOOK

Dear Valued Customers,

I am pleased to present Avendra's Cost Outlook with projections to help inform your budget for the remainder of the year and into 2024. As we navigate the ever-changing landscape of the supply chain, it is our priority to keep you updated on the economic factors that impact your business.

While inflationary pressures have eased from the peak levels seen throughout much of 2022, inflation is still above pre-pandemic historical averages, and we expect they will remain there well into 2024. There are several forces that are influencing inflation, these include, but are not limited to, measures implemented by the Federal Reserve, strong labor market conditions, food demand, and costs associated with raw materials.

At Avendra, we remain committed to working with our suppliers to meet your needs – both on supply assurance and on pushing back against inflation. Forecasting prices in such a dynamic environment is inherently challenging, but rest assured that Avendra is steadfast on keeping you informed and providing leading-edge insights to help you manage your business.

## QUESTIONS?

Please contact Customer Service at [customerservice@avendra.com](mailto:customerservice@avendra.com) or contact your account manager.

## TELL US WHAT YOU THINK

We value your feedback and want to hear what you think about this year's Cost Outlook. Please take a minute to complete [this brief survey](#).

Our teams of sourcing and customer care professionals have demonstrated exceptional expertise and dedication over the past three years, and we extend our heartfelt gratitude to them.

As you delve into this publication, we hope you find the information and insights valuable for your operations. We remain focused on supporting your success.

Thank you for choosing Avendra as your trusted supply chain partner.

Best regards,



*Charles E McIntyre*

**Chip McIntyre**  
Senior Vice President, Strategic Sourcing



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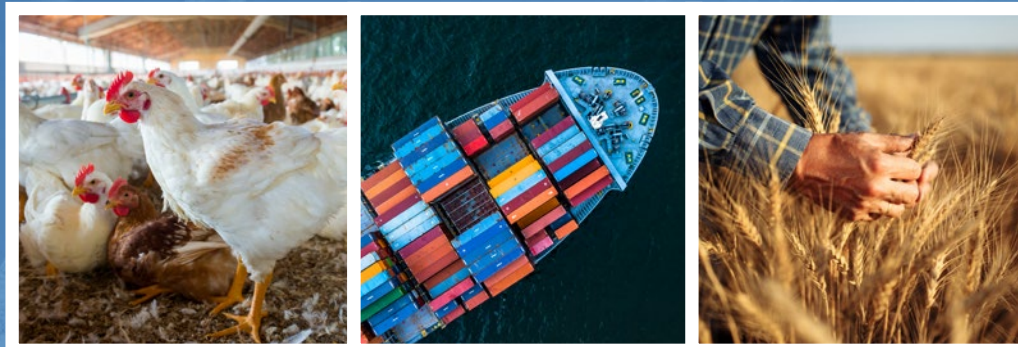
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# EXECUTIVE SUMMARY MACRO TRENDS

While inflationary pressures have eased from the peak levels seen through much of 2022, there remain risks that keep the inflation outlook elevated and above pre-pandemic historical averages.

Leading factors that have contributed to the build of the outlook for the year ahead:



**Aggressive measures implemented by the Federal Reserve** and central banks globally to cool inflation off historic highs are expected to continue until core indicators return closer to target levels near two percent.



Even with the central banks' actions meant to slow economic activity to curb price growth, **labor market conditions remain strong** with job growth continuing. The unemployment rate remains near historic lows, keeping consumer spending solid even in the current inflationary environment.



**Food demand**, after removing inflation effects (i.e., on a unit volume basis), has slowed or declined through early 2023. The sharpest falls have been in retail food sales. Foodservice sales are beginning to dip below year-ago levels in the past month or two based on USDA food expenditure data.



**Costs associated with key raw material inputs, fuel, freight, and ocean shipping** have dropped from peak levels as supply, labor, and trade-related stresses ease. We see this in the year-on-year producer price index changes with input cost inflation in some industrial sectors nearing or falling below 0% as of May 2023.



**Extreme weather and drought** remain significant factors for U.S. and global crop production this season. Years of unfavorable weather conditions will keep fruit and vegetable supply used in further processed produce limited into 2024. Weather has also impacted U.S. and world sugar output, driving sugar prices to an 11-year high.

# EXECUTIVE SUMMARY MACRO TRENDS

While underlying cost trends support a lower food inflation outlook relative to previous peak levels, risks have emerged that could limit further drops toward pre-pandemic annual average inflation rates between 2%-3%.

Five foods to watch:



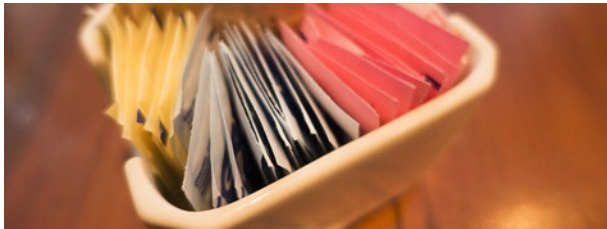
## MEATS

- Based on USDA forecasts through June, total red meat and poultry production in 2024 will decline for the first time in a decade, led by a 5% reduction in annual beef output this year.
- Cyclical declines in the beef cattle herd and elevated feed costs factor into reduced beef supply through 2024 with per capita beef availability expected to fall to historic low levels.
- Over time, pork and poultry prices are expected to follow beef prices as consumer demand shifts toward less expensive proteins.



## POTATOES

- Although U.S. potato plantings are expected to increase, five straight years of production declines and adverse weather conditions in the Pacific Northwest growing regions have strained processing potato supply.
- Demand for frozen potatoes at home and abroad remains strong even as potato costs surge to multi-year highs.



## SWEETENERS

- A widening global sugar deficit has driven sugar prices to an 11-year high.
- Declining output from key producers in Asia and a reduction in sugar beet production in Europe have fueled supply concerns.
- The USDA has projected year-on-year declines in domestic sugar beet acres and sugar imports, keeping inventories tight through the remainder of 2023 and into 2024.



## TOMATO PRODUCTS

- Declines in planting area, expansion of drought conditions, and worsening water shortages all factored into the lowest processing tomato production since 2017, driving market prices to multi-year highs.
- As demand remains solid and processing tomato inventories fall, USDA prices for key raw material used in production of sauces, ketchup, and juices have risen 50% from year-ago levels.
- Although the production outlook has improved with expanded plantings and drought relief in California growing areas, higher prices for tomato products are expected until the new crop is harvested later this year.



## FRUITS & FRUIT JUICES

- Orange juice futures have surged as Florida orange production this season is expected to be the smallest since 1937 based on current USDA projections. Historically, 95% of Florida's orange output is utilized in juice production.
- Apple production in top producing state Washington is expected to fall to a 16-year low this season due to unfavorable growing conditions.

# HIGH-LEVEL INFLATION OVERVIEW BY CATEGORY

For budgeting and planning purposes, the following is a high-level summary of expected inflation in key purchasing categories and suggestions to help mitigate price increases. While these estimates are intended to provide budgeting guidance on broad categories, some specific items will experience higher or lower price changes than indicated below.

INFLATION CATEGORY	INFLATION PROJECTION	MITIGATION
Food & Beverage	<p>Inflation has eased, but we're still far from normal inflation levels. Expect mid-single digit inflation in the Food &amp; Beverage category for Q4 2023 and into 2024. Protein markets, while improving, are still strained (especially beef). Seafood is a good option. Grain markets have eased but remain volatile. The threat of a potential recession still looms and may put downward pressure on prices, but with each passing month, this becomes less likely.</p> <p>In Mexico, expect F&amp;B price increases of ~5%-12% depending on the product category for the remainder of 2023 due to high single digit inflation rate and higher currency exchange rate (MXN to USD) towards the end of the year.</p>	<p>Adjust menu items, downsize items/portions, be flexible with protein and produce choices, and/or adjust menu prices as needed. Continue working with your master food distributor to optimize deliveries and enhance drop size. Keep an open line of communication with fresh food distributors to reduce supply issues, especially for large events.</p>
Disposables (paper, resins, towels, tissue)	<p>Expect sporadic disruptions across the industry and inflation of 3%-5% into 2024 as supply chain disruptions have stabilized. Demand remains robust in the F&amp;B to-go packaging categories, along with a continued, heightened interest in more sustainable options. These challenges will continue to put price pressure on all raw materials in the category including resins, paper, fiber products and pulp.</p>	<p>Communicate with distribution for available alternatives. Visit <a href="#">Avendra's new F&amp;B Disposables landing page</a> for a comprehensive list of contracted F&amp;B to-go containers and disposables to find the right manufacturer for your needs.</p>
Smallwares & Equipment	<p>We do not expect to see any significant price increases for the remainder of 2023. We expect annual price increases for 2024 in the range of 5%-7% instead of the unpredictable fluctuations we have had in the past few years. Although manufacturer fill rates have improved, they are still less consistent than pre-Covid. However, this is expected to change in the next 6-12 months, resulting in better fill rates across the industry.</p>	<p>So far in 2023, we have noticed an increase in capital equipment demand. To prevent any service disruption, it's advisable to plan for extended lead times.</p>
Administrative / Office Supplies	<p>Expect moderate increases in the range of 0%-3% for the remainder of 2023 (based on contractual safeguards).</p> <p>Plan for 4%-5% increases in 2024. In Mexico, the expectation is tied to inflation, in the high single digits range.</p>	<p>Adjust shipping modes (overnight to 2-day saver), institute controls on office supply orders and utilize the highly leveraged core items.</p>



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INFLATION CATEGORY	INFLATION PROJECTION	MITIGATION
Rooms (amenities)	<p>Amenities category cost drivers have stabilized after 2022 and early-2023 volatility. The return to steady demand has allowed manufacturers to plan more effectively, optimize production and realize more consistent raw material pricing and availability. These trends indicate short-term pricing stability on branded programs. As products shift to more sustainable ingredients, cost inputs may be slightly elevated. Pricing in late-2023 and into 2024 could be impacted by negative geopolitical and global economic conditions, but we expect normal inflationary pressure. Expect increases of 0%-5% for the remainder of 2023 and 2%-12% for 2024.</p>	<p>Branded amenity supply is very strong within distribution. Maintain consistent par levels to support business conditions at your hotel. If you are part of a branded amenity program in the large format, but have not yet transitioned, please work with sales representatives to check stock, place orders and convert to the brand standard program.</p>
Textiles (linens, towels)	<p>The textiles category has seen stability over the past six months, including some targeted reductions in cost. Cotton remains below \$1/lb and we expect it to remain stable. The fall harvest will be a large factor in the quantity and quality of material available for 2024, but a strong crop is expected. Cotton demand remains high across all business segments and hospitality is seeing increased activity in textile transitions and new program adoptions. In the U.S. and Canada, the expected 2024 increase is 0%-3%. The expected increase for textiles in Mexico and the Caribbean is 3%-5% for labor and freight.</p>	<p>Systemwide textile supply health is strong. Customers are encouraged to increase par on terry and sheeting, when possible, to assure product availability and drive customer satisfaction. Please plan larger purchases through your distributor sales representative.</p>
Golf Agronomy	<p>For the next 12 months, anticipate more pricing stability across agronomy supplies compared to the past 12 months.  <b>Turf Chemicals:</b> General turf chemical prices will remain flat through the fall, with an anticipated increase of 3%-6% for 2024.  <b>Seed:</b> Supply and availability is good across the U.S. and varieties (rye, zoysia, Bermuda, etc.) are available. Pricing is expected to remain stable through the fall, with no price changes anticipated going into 2024.  <b>Fertilizer:</b> Expect flat to slight decreases in pricing through the fall, with slight increases of 2%-5% anticipated in 2024. Freight rates have stabilized, and we are cautiously optimistic this will continue.</p>	<p>Customers are advised to participate in the Early Order Program to lock in pricing and inventory for 2024. For golf mowers and utility vehicles, customers should place their orders as early as possible with dealers and allow 3-12 months for delivery.</p>

For more detail, please see the category-level forecasts by geography.

**Freight/fuel surcharges:** Avendra contracts are designed to protect our customers and mitigate against significant increases. However, due to the current environment, surcharges may be unavoidable as some Avendra contracts permit such surcharges. If customers receive an unexpected fuel surcharge from an Avendra-contracted supplier, please contact Customer Service at 866-AVENDRA (866-283-6372) or [customerservice@avendra.com](mailto:customerservice@avendra.com) so that we can address it with the supplier.

# USA ECONOMY

- Job growth has been strong, but slowed in June. Nonfarm payrolls increased by 209,000 for the month, the slowest growth in 30-months. The unemployment rate remains low at 3.6%.
- Business activity growth decelerated in June as manufacturing output dropped sharply and demand for services cooled. S&P Global's Flash US Composite PMI™ decreased to a reading of 53.0 from 54.3 in May. Manufacturers reported the sharpest fall in new order activity in six months, pointing to weak demand impacting the sector looking ahead.
- Consumer sentiment rebounded in June as survey participants became more confident on the inflation outlook. Based on preliminary survey data, the University of Michigan reported its consumer sentiment index rose to a reading of 63.9 from 59.2 in May. Optimism markedly improved on both short-term and long-term economic prospects. Year-ahead inflation expectations dropped to the lowest level in more than two years.
- Retail sales rose for a second consecutive month in May as consumers pressed forward with spending on goods despite persistent high inflation. May retail sales increased 0.3% for the month, led by a 2.2% rise in building material and equipment sales and a 1.4% rise in automobile sector sales. Sales in food services were up 0.4% for the month.
- Energy prices were generally higher through June as additional OPEC+ production cuts and declining U.S. inventories worked against a weakened global demand environment. Gasoline and diesel prices were up slightly for the month. Stronger gains were seen in natural gas prices, but the market remains sharply below price averages reported this time last year.
- On top of previous output reduction commitments, Saudi Arabia announced an additional oil production cut of 1 million barrels per day (bpd) starting in July. Officials stated the latest cut was necessary to restore balance in global oil markets and indicated the decrease would continue for at least a month. OPEC+ also agreed to an extension of the announced production cuts from April 2023 through the end of 2024.
- National average freight rates decreased in June as truck demand remained weak. Spot market volumes for van and reefer freight have dropped to the lowest levels in seven years entering June, according to DATIQ Analytics.



# KEY CONSIDERATIONS FOR 2023-2024 BUDGETING / Market Conditions in USA



**Short term** refers to the expectation for the remainder of 2023 relative to current prices. **Long term** refers to the expectation for calendar year 2024 (through June) relative to current prices.

COMMODITY	OUR EXPECTATION IS...	
<b>FOOD &amp; BEVERAGE – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES</b>		
<b>BEEF</b>	Ground/burgers: 4%-7% ▲ Ribeye: 5%-8% ▲ Tenderloin: 5%-8% ▲ Striploin: 5%-8% ▲	<b>SHORT TERM:</b> Ground beef and burger prices are expected to increase due to lower cattle supply and continued high price of feed. Ribeye, tenderloin and strip loin prices are expected to increase due to lower cattle supply as cattle are being held back to replenish future stock. Demand has been seasonally steady, but the lack of supply is being met with bullish retail and bearish foodservice sales.
	Ground/burgers: 6%-9% ▲ Ribeye: 7%-12% ▲ Tenderloin: 7%-12% ▲ Striploin: 7%-12% ▲	<b>LONG TERM:</b> Ground beef and burger prices are expected to increase in 2024 as reduced cattle supply across the industry is not forecast to increase enough to meet the demand. Ribeye, tenderloin and strip loin prices are due to increase as stock will remain low going into 2024. The price of feed continues to escalate along with consumer demand, with no relief in sight.
<b>POULTRY</b>	Chicken: 2%-4% ▲ Turkey: 2%-4% ▼	<b>SHORT TERM:</b> Chicken prices are expected to increase slightly as demand continues to grow faster than industry supply. Turkey prices will likely decline as supply is forecasted to continue to recover from the avian flu outbreaks over the past two years.
	Chicken: 3%-6% ▲ Turkey: 4%-7% ▼	<b>LONG TERM:</b> Chicken prices are expected to continue to increase in 2024 due to increased demand as consumers trade away from high beef prices. Turkey prices are likely to decline as supply is forecasted to continue to recover from the previous avian flu outbreaks in 2022 and 2021.
<b>PORK</b>	4%-7% ▲	<b>SHORT TERM:</b> Market prices are currently low, which will lead to less production as a way to increase prices.
	3%-8% ▲	<b>LONG TERM:</b> Pork prices are forecasted to increase as demand for Prop 12 and Question 3 products grows in 2024. The industry supply will not expand to meet those needs until 2025.
<b>PASTEURIZED CRABMEAT</b>	12%-14% ▲	<b>SHORT TERM:</b> Worldwide demand from importers procuring crabmeat in Southeast Asia is leaving less raw material available. Overall, 2023 production has dropped 28% compared to prior year. Prices are expected to remain high over the next several months.
	4%-6% ▼	<b>LONG TERM:</b> For the remainder of 2023 and heading into mid-2024 prices are expected to remain higher than the same period for the prior year.

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<b>FOOD &amp; BEVERAGE – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES</b>		
<b>SHRIMP</b>	2%-4% ▼	<b>SHORT TERM:</b> The market continues to soften due to U.S. sales lacking for larger shrimp, resulting in higher inventories. China has bought smaller-sized shrimp in larger volumes this year. Pricing for smaller-count shrimp is expected to remain flat as a result of normalized inventories.
	2%-4% ▼	<b>LONG TERM:</b> Sufficient or even higher inventories will lend to favorable pricing for the long term.
<b>FARMED SALMON</b>	2%-4% ▼	<b>SHORT TERM:</b> As retailers move to promote fresh wild salmon, supplies for farmed salmon are strong and pricing is expected to be favorable.
	2%-4% ▼	<b>LONG TERM:</b> Farmed salmon inventories are expected to be favorable, with the normal fluctuations in market prices throughout the year. For the remainder of this year and heading into 2024, expect more favorable pricing than what was recognized during the same period in 2023.
<b>LIQUID EGGS</b>	2%-3% ▲	<b>SHORT TERM:</b> Barring any further avian flu outbreaks, we expect grain prices to moderate through the end of 2023 after a volatile 2022. Grain prices will be dependent on future rainfall (currently there have been drought-like conditions) and geopolitical events. Recently, the soybean market continued to add weather-risk premiums based on concerns about declining crop conditions and below-normal rain forecast for the U.S. corn belt. A factor that may mitigate egg costs is reduced demand due to a potentially slowing economy.
	3%-5% ▲	<b>LONG TERM:</b> If we do not carry enough grain crop into next year, we will see elevated prices until October 2024 (assuming a normal growing season next year). The next major <a href="#">WASDE report</a> in August will provide a clearer picture on this year's crop, which will affect the rest of this year and into 2024 (carryover). This outlook is based on no further major avian flu outbreaks.

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<b>FOOD &amp; BEVERAGE – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES</b>	
<b>DAIRY</b>	<p><b>SHORT TERM:</b> <b>Cheese:</b> As markets come off of the April lows of ~\$1.50 a pound, we're facing a slingshot effect as milk production tails off and producers begin to build in anticipation of the holiday season. Projections over the next 4-6 months indicate we'll be under \$2.00 a pound for block cheese again.</p> <p><b>Butter:</b> Forecasters anticipate no reduction in butter demand; and as raw milk prices creep higher into the fall, butter prices will follow. Production will struggle to keep pace, with demand driving market prices back toward \$3.00 a pound for bulk butter. As portion control production continues to be an issue, the market as a whole will rise through the end of 2023.</p> <p><b>Fluid Milk:</b> As the favorable conditions that supported an abundant spring flush for U.S. dairy farmers abate and both retail and food service demand recover into the fall, dairy prices will steadily climb. A warmer than average summer and a further push for people to return to school and work will further drive demand and apply pressure on producers to manage costs.</p>
	<p><b>LONG TERM:</b> <b>Cheese:</b> With the anticipated El Niño weather pattern and the geopolitical uncertainty as the 2024 election approaches, conditions for favorability are slim. Higher protein costs will also likely apply pressure to domestic dairy herd sizes, which sets us up for an elevated cheese market.</p> <p><b>Butter:</b> The four factors to watch for, relative to butter pricing will be: weather, feed costs, production continuity and demand. Capacity continues to be an issue with our supplier partners, therefore we are anticipating the market to remain higher as we move into fall and beyond.</p> <p><b>Fluid Milk:</b> Rising animal protein costs, specifically beef, is an "X factor" for raw milk production, along with expected unfavorable domestic weather patterns will result in increased prices for fluid milk. The demand for plant-based alternatives to dairy has flattened, and the American consumer is once again buying real dairy milk and milk byproducts. The longer outlook for fluid dairy is slightly unfavorable.</p>
<b>COFFEE</b>	<p><b>SHORT TERM:</b> While overall supply and demand appear to be relatively in balance, Brazil's unwillingness to supply the market has put a strong floor on pricing. Therefore, the Arabica coffee market has supported high prices from tighter supplies. We are in-between seasons with the Brazil crop, so the new crop is not yet available.</p>
	<p><b>LONG TERM:</b> We expect that the market will begin to normalize and appear bearish. Coffee global production for the 2023/24 coffee crop year is expected to be higher than the previous year. Barring any frost at the end of the Brazil winter season, the June 2023/24 Brazil arabica crop should be 5%-8% larger than 2022/23 and the supply and demand outlook will shift to an over-supplied market. Vietnam's production should slightly increase from last year, and favorable weather could improve yields, leading to an even larger crop. Expectations of strong droughts in Colombia later this year have led to lower production estimates. The El Niño weather phenomena is producing high temperatures across the country. <b>Global coffee demand for the June 2022/23 coffee crop year is expected to be down 1.5% from 2021/22 coffee crop year, which was generally flat from 2020/21.</b> If inflation weakens and interest rates fall, a recovery in consumption is likely.</p>



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FOOD & BEVERAGE – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES		
FCOJ (FROZEN CONCENTRATED ORANGE JUICE)	0%-4% ▲	<b>SHORT TERM:</b> After reaching an all-time high of \$2.959 per pound solid on May 24, 2023, FCOJ futures continue to remain high due to extremely poor crop yields in Florida. The state saw 15.75 million boxes (the lowest number since 1937) compared to peak production of 242 million boxes in 2003/04 (yields have been steadily declining since then), which have created a backwardation in the FCOJ futures market. Demand is expected to continue to decline in response to higher costs.
	4%-8% ▼	<b>LONG TERM:</b> FCOJ futures have the lowest open interest of the five soft commodities that trade on the ICE (e.g., coffee had 173,930 contracts compared to 8,472 contracts for FCOJ as of June 23, 2023), which means low liquidity that tends to lead to more volatility and price gaps. The low open interest could cause a significant downside gap during a selloff if USDA's 2023/24 season production forecast is closer to normal levels.
COOKING OIL	2%-3% ▼	<b>SHORT TERM:</b> The recent renewable volume obligations (RVO) announcement by the Biden administration was bearish news for soybean-oil pricing. While there was a slightly higher allocation for the advanced biofuel bucket (soybean oil falls in this category), it was much lower than expected due to volume switching over from ethanol. Other factors that weigh on the short-term price of soybean oil are macroeconomic concerns related to slowing future demand.
	2%-4% ▼	<b>LONG TERM:</b> The main factors that will influence the pricing of soybean oil (the main edible oil used in most frying and cooking oils) in 2024 include the RVO obligations set by the EPA, weather and crop conditions, production in other major soybean producing regions and the competition against other edible oils. With the recent RVO announcement, concerns with macroeconomic conditions slowing demand and stable weather conditions expect a moderate decrease in pricing as the bearish factors are slightly stronger than the bullish factors at this time.
PRODUCE	3%-5% ▲	<b>SHORT TERM:</b> The outlook for large annual crops like apples and potatoes are mixed. Washington apple yields are currently projected to be nearly 20% larger than last year, with the largest increases on Granny Smith and Honeycrisp. No word yet on the size profile of the fruit. The Idaho potato crop is also projected to be larger than the last few years' crops, but that increase will be limited due to a shortage of seed. We expect markets to stay higher than the five-year average, but lower than the past few years.
	3%-5% ▲	<b>LONG TERM:</b> As with other categories, we expect the inflation in produce will continue to moderate. As always, crops are heavily dependent on the impact of weather, and any disruptions will be communicated through the normal channels.

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<b>WHEAT/BAKERY</b>	3%-7% ▲	<b>SHORT TERM:</b> Wheat and bakery prices are expected to remain volatile through the end of 2023. Tensions continue to be heightened in Russia and Ukraine, which is a large region for wheat, soybean and corn production. Concerns also remain high due to drought conditions for domestic crops.
	3%-9% ▲	<b>LONG TERM:</b> The Russia-Ukraine War and weather conditions continue to be the biggest threats to the category. Stabilization of the category is heavily dependent on the future of Russia and Ukraine and improvement of weather conditions, both domestically and internationally.
<b>DISPOSABLES (PAPER, RESINS, TOWELS, TISSUE)</b>	1%-3% ▲	<b>SHORT TERM:</b> Prices are expected to remain flat for paper products and disposable gloves. However, the resin market is more likely to fluctuate between 1%-3% due to increased raw material costs.
	3%-5% ▲	<b>LONG TERM:</b> Pricing for disposable gloves has returned to pre-pandemic levels and we anticipate relative stability in price points at this level for the next year. Resin will continue to vary due to market conditions throughout the year. Paper is expected to remain stable.
<b>CAPITAL EQUIPMENT &amp; SMALLWARES</b>	No changes	<b>SHORT TERM:</b> Pricing is expected to be stable for the remainder of 2023.
	5%-7% ▲	<b>LONG TERM:</b> Annual price increases are expected to level out during the first half of 2024, with projected increases ranging from 5%-7%.

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ROOMS OPERATIONS – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES		
OS&E	2%-4% ▲	<b>SHORT TERM:</b> Favorable raw material and logistics cost inputs should provide pricing stability through the remainder of 2023, with some slight drawbacks on specific product categories. We have no expectations to receive or accept price increases in the current environment.
	2%-4% ▲	<b>LONG TERM:</b> Assuming current inflation rates, we should see relative pricing stability across OS&E categories as the cost inputs have settled into normal ranges, albeit have not returned to pre-2020 levels. Global freight, logistics and other raw material cost inputs have stabilized but have the potential for wide swings based on geopolitical and economic events.
BATH AMENITIES	0%-5% ▲	<b>SHORT TERM:</b> Major cost drivers for personal care products have stabilized. We do not expect to see any price increases on large-format product through 2023. Price increases may occur on small-format product as manufacturers move volume to large-format production.
	2%-12% ▲	<b>LONG TERM:</b> Pricing expectations look favorable as production and yields are up and demand is stable. While major cost drivers have stabilized, customers moving toward more sustainable packaging and formulations may experience an increase in costs in 2024 due to short supply of special variants of those same commodities.
TEXTILES & UNIFORMS	0%-3% ▲	<b>SHORT TERM:</b> We expect to see stability with cotton pricing taking us through the fall aligning with the next cotton harvest. Currently cotton is averaging \$0.92/lb. Global logistics costs and other raw material cost inputs have stabilized, creating a more secure environment in a large volume import category.
	0%-3% ▲	<b>LONG TERM:</b> We do not expect to see large shifts in cotton pricing or availability over the next 12 months that would shift unit pricing beyond a 3% increase. The upcoming late summer and fall cotton harvest will determine the quality and quantity of supply. With favorable weather conditions over the next few months, we will then get a better pulse on the stability of next year's cotton market. All other global cost inputs in textiles have stabilized and will continue to be monitored monthly or as needed to make necessary adjustments to support pricing stability.



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COMMODITY	OUR EXPECTATION IS...	
<b>CLUBS – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES</b>		
<b>GOLF CARS, PARTS</b>	3%-7% ▲	<b>SHORT TERM:</b> Any potential price increases would begin in November. Estimated delivery for utility vehicles and shuttle vehicles is Q1/Q2, depending on model selection. Estimated delivery for RXV-Elite battery models is March 2024, while RXV-Gas estimated delivery is October 2024. Lead-acid batteries require a 90- to 120-day lead time. Note: All orders must be placed through EZGO HQ to receive Avendra pricing. Orders are built on first come, first served basis.
	3%-7% ▲	<b>LONG TERM:</b> Same as above at this time, any potential price increases would begin in November.
<b>GOLF MOWERS</b>	5%-10% ▲	<b>SHORT TERM:</b> Prices have not been set, but any increase will be implemented in November. Much of 2023's production has been sold. We expect moderate increases due to continuing increases in raw materials and computer chips, so expect a 5%-10% increase. Build times vary for many products. Expect longer lead times due to factories catching up on orders placed from early-2022 through early-2023. Build times vary by vehicle type. Mower build times are about 4-12 months, utility vehicle build times are 3-12 months. Customers should place orders as early as possible with dealers to get into the build cycle.
	5%-10% ▲	<b>LONG TERM:</b> Any potential price increases will begin in November 2023 and continue into 2024. It is expected that long lead times will continue throughout 2024 as orders outpace supply. Build cycle times are still trying to catch up.
<b>GOLF AGRONOMY</b>	Fertilizers: 0%-5% ▼ Seed: No changes Turf Chemicals: No changes	<b>SHORT TERM:</b> <b>Fertilizer:</b> Expect flat to slight decreases in pricing through the fall. Freight rates have stabilized, and we are cautiously optimistic this will continue. <b>Seed:</b> Availability is good across the U.S. and varieties (rye, zoysia, Bermuda, etc.) are available. Pricing is expected to remain stable through the fall. No changes in pricing are anticipated going into 2024. <b>Turf Chemicals:</b> Availability remains strong with only occasional shortages by a limited number of manufacturers. Overall, the supply chain from China has been more consistent and dependable. Costs are expected to remain relatively flat.
	Fertilizers: 2%-5% ▲ Seed: 0%-2% ▲ Turf Chemicals: 3%-6% ▲	<b>LONG TERM:</b> There are many variables to consider for any long-term estimations such as manufacturer production availability, future crop production yields for seed and the instability in Ukraine. Most customers will buy a large percentage of their product requirements for the next season during the Early Order Program which begins in October 2023.

# KEY CONSIDERATIONS FOR 2023-2024 BUDGETING / Market Conditions in USA



**Short term** refers to the expectation for the remainder of 2023 relative to current prices. **Long term** refers to the expectation for calendar year 2024 (through June) relative to current prices.

COMMODITY		OUR EXPECTATION IS...
OTHER – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES		
ENERGY	5% ▲	<b>SHORT TERM:</b> Production has slowed since March and North American natural gas and electricity prices are forecasted to increase 5% for the remainder of 2023.
	Natural Gas: 8% ▲ Electricity: 2%-6% ▲	<b>LONG TERM:</b> Modest economic-growth forecasts and stabilizing production will likely lead North American natural gas prices to increase by 8% and electricity prices to increase by 2%-6%.
CHEMICALS (INCLUDING SANITIZER)	No changes	<b>SHORT TERM:</b> No change in pricing.
	4%-7% ▲	<b>LONG TERM:</b> Avendra Ecolab customers should budget for a 4%-7% increase.



# CANADA ECONOMY

Français 

- After an unexpected rise in the inflation rate, the Bank of Canada ended the brief pause to its rate-hiking cycle by raising its benchmark interest rate in June. The central bank raised the overnight rate 25bps to 4.75%, its highest level since 2001. With inflation proving to be stubborn, experts are forecasting further rate hikes this year to cool off demand while avoiding a recession.
- The manufacturing sector fell back into contraction territory in May on weak demand. S&P Global reported its seasonally adjusted Canada Manufacturing Purchasing Managers' Index (PMI®) dropped to 49.0 from a reading of 50.2 in April 2023. Manufacturers noted that clients have increasingly cited budget constraints due to high inflation.
- Consumer spending remained strong despite elevated inflation levels. Statistics Canada reported a 1.1% monthly rise in retail sales for April 2023, more than twice as high as market consensus forecasts. In terms of volume, sales rose 0.3% for the month. Nearly every retail category posted sales growth for the month.



# KEY CONSIDERATIONS FOR 2023-2024 BUDGETING / Market Conditions in Canada



**Short term** refers to the expectation for the remainder of 2023 relative to current prices. **Long term** refers to the expectation for calendar year 2024 (through June) relative to current prices.

COMMODITY		OUR EXPECTATION IS...
FOOD & BEVERAGE – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES		
BEEF	2%-3% ▲	<b>SHORT TERM:</b> A limited supply of cattle and continuous exports are causing beef market pricing to remain strong. Cattle prices are soaring and demand for all cuts remains high. The demand period for beef is rising as the summer season arrives. Relief from soaring prices is not anticipated.
	3%-5% ▲	<b>LONG TERM:</b> The cattle supply is expected to continue to decline. This will put more pressure on beef market prices and display volatility in the prices of all beef cuts. Alternative proteins are expected to become a more affordable option during this time.
POULTRY	0%-1% ▲	<b>SHORT TERM:</b> A balance of supply and demand within the poultry market has created stable market pricing. Production continues to increase throughout the year, resulting in an ample supply of wings and breasts. Some production issues have been identified and could create possible supply issues in the fall.
	1%-3% ▲	<b>LONG TERM:</b> The chicken market price could rise if production issues persist and the quality of chicks declines. Chicken is expected to remain competitively priced compared to beef and the supply is expected to remain reliable.
PORK	3%-5% ▲	<b>SHORT TERM:</b> The pork belly market price remains volatile; this pattern is expected to remain in place throughout the summer months. Supply has remained stable, however, due to significant rise in demand of fresh product and some production interruptions, volatility is unavoidable.
	3%-5% ▲	<b>LONG TERM:</b> Quebec has launched the first step of the Temporary Withdrawal mechanism; this involves withdrawal of producers on a voluntary basis for five years. As demand strengthens, the reduction in market hogs could cause limited supply and an increase in pork belly pricing on a domestic basis.
SEAFOOD	5% ▼	<b>SHORT TERM:</b> Seafood prices have started to come down, particularly shrimp, due to a softening global market and ocean freight costs normalizing.
	3% ▲	<b>LONG TERM:</b> Relatively high demand with extremely constrained supply (due to the fish quota reductions, the Russian invasion of Ukraine and sanctions placed on Russia) is expected to sustain high seafood prices. Not all species will be impacted equally; be open to different seafood options for your menu and consider opting for less expensive species.

# KEY CONSIDERATIONS FOR 2023-2024 BUDGETING / Market Conditions in Canada



**Short term** refers to the expectation for the remainder of 2023 relative to current prices. **Long term** refers to the expectation for calendar year 2024 (through June) relative to current prices.

COMMODITY	OUR EXPECTATION IS...
<b>FOOD &amp; BEVERAGE – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES</b>	
<b>EGGS</b>	8% ▲ <b>SHORT TERM:</b> Processed egg products are expected to see a price increase, as they are formula based. Market prices have started to come down because there have been no major commercial HPAI cases, and the industry is steadily rebuilding from the losses of 2022. Formula-based prices often have a lag from current market and clients that have had the benefit of lower-than-market prices now see a “catch-up” in prices occur.
	3% ▲ <b>LONG TERM:</b> The price of eggs is set to normalize and decrease from post-pandemic and HPAI outbreaks highs. The per capita consumption growth is expected to keep pace with production, further moderating egg prices. It’s important to call out that the price of eggs has been very volatile over the past decade. Consider reviewing prices of shell eggs compared to processed egg products when working on your menu.
<b>DAIRY</b>	No changes <b>SHORT TERM:</b> A slight decrease in demand due to inflation and better-than-expected butter stock levels have provided some relief for the dairy market. Additional increases in dairy from the CDC are not expected this year.
	4% ▲ <b>LONG TERM:</b> Although some input costs have remained stable, some other factors like feed costs, interest rates and the Consumer Price Index (CPI) can be monitored and may drive prices up for February 2024, when the CDC typically implements a price increase.
<b>COFFEE</b>	4%-8% ▲ <b>SHORT TERM:</b> Manufacturer overhead costs account for some of the increases, as well as raw material costs on the next buy.
	4%-8% ▲ <b>LONG TERM:</b> Prices are expected to remain steady through mid-2024.
<b>COOKING OIL</b>	No changes <b>SHORT TERM:</b> The market mix is changing; more canola is being processed than soy, which is keeping the market stable.
	3%-5% ▲ <b>LONG TERM:</b> Increased biofuel demand is now being felt in the market. Biodiesel and renewable diesel consumption is expected to increase by 34% from April through December 2024, putting unprecedented pressure on both canola and soy and driving prices up. Dry weather in North America is a concern in canola-growing regions and could result in lower yields.

# KEY CONSIDERATIONS FOR 2023-2024 BUDGETING / Market Conditions in Canada



**Short term** refers to the expectation for the remainder of 2023 relative to current prices. **Long term** refers to the expectation for calendar year 2024 (through June) relative to current prices.

COMMODITY	OUR EXPECTATION IS...	
<b>FOOD &amp; BEVERAGE – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES</b>		
<b>PRODUCE</b>	0%-5% ▼	<b>SHORT TERM:</b> Barring major weather impacts, the short-term outlook is normal for the supply at this time of year.
	0%-5% ▼	<b>LONG TERM:</b> In anticipation of no weather-related impacts or major U.S. dollar fluctuations, there are no long-term concerns identified at this time.
<b>WHEAT/BAKERY</b>	No changes	<b>SHORT TERM:</b> Pricing is expected to remain stable for the remainder of the year.
	3%-5% ▲	<b>LONG TERM:</b> Weather conditions continue to impact the bakery category as the crop yields are forecasted to be impacted this year. The Russia-Ukraine War continues to put pressure on the cost of raw materials and drive prices up as these two countries make up 30% of the supply of wheat.
<b>DISPOSABLES (PAPER, RESINS)</b>	1%-3% ▲	<b>SHORT TERM:</b> Prices are expected to remain stable. The prices of pulp, resin and freight continue to remain stable, and we have seen a decrease in freight cost from China to Canada. The Single-Use Plastic (SUP) legislation will be fully implemented on December 20, 2023. Customers are advised to switch to more eco-friendly packaging as soon as possible. View <a href="#">this linked document</a> for more details on prohibited items.
	3%-5% ▲	<b>LONG TERM:</b> Pricing is expected to remain stable, however due to the SUP ban, demand for paper and pulp products are expected to go up, which may result in a price increase. Our supplier partners have been working to ramp up their inventory to support our clients.

# KEY CONSIDERATIONS FOR 2023-2024 BUDGETING / Market Conditions in Canada



**Short term** refers to the expectation for the remainder of 2023 relative to current prices. **Long term** refers to the expectation for calendar year 2024 (through June) relative to current prices.

COMMODITY	OUR EXPECTATION IS...	
<b>ROOMS OPERATIONS – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES</b>		
<b>OS&amp;E</b>	2%-4% ▲	<b>SHORT TERM:</b> Favorable raw material and logistics cost inputs should provide pricing stability through the remainder of 2023, with some slight drawbacks on specific product categories. We have no expectations to receive or accept price increases in the current environment. The only unknown is the value of the CAD against the USD that could potentially impact pricing later in the year.
	2%-4% ▲	<b>LONG TERM:</b> Assuming current inflationary percentages, we should see relative pricing stability across OS&E categories as the cost inputs have settled into normal ranges, albeit have not returned to pre-2020 levels. Global freight and logistics cost inputs have stabilized, but have the potential for wide swings based on geopolitical and economic events.
<b>BATH AMENITIES</b>	0%-5% ▲	<b>SHORT TERM:</b> Major cost drivers for personal care products have stabilized. In the short term, we do not expect to see any price increases on large-format product through 2023. Price increases may occur on small-format product as manufacturers move volume to large-format production.
	2%-12% ▲	<b>LONG TERM:</b> Pricing expectations look favorable as production and yields are up and demand is stable. While major cost drivers have stabilized, customers moving toward more sustainable packaging and formulations may experience an increase in costs in 2024 due to short supply of special variants of those same commodities.
<b>TEXTILES &amp; UNIFORMS</b>	0%-3% ▲	<b>SHORT TERM:</b> We expect to see stability with cotton pricing taking us through the fall aligning with the next cotton harvest. Currently, cotton is averaging \$0.92 per pound. Global logistics costs have stabilized, creating a more secure environment in a large volume import category. The only unknown is the value of the CAD against the USD that could potentially impact pricing later in the year.
	0%-3% ▲	<b>LONG TERM:</b> We do not expect to see large shifts in cotton pricing or availability over the next 12 months that would shift unit pricing beyond a 3% increase. The upcoming late summer and fall cotton harvest will determine the quality and quantity of supply. With favorable weather conditions over the next few months, we will then get a better pulse on the stability of next year's cotton market. All other global cost inputs in textiles have stabilized and will continue to be monitored monthly or as needed to make necessary adjustments to support pricing stability. The only unknown is the value of the CAD against the USD that could potentially impact pricing later in the year.

# KEY CONSIDERATIONS FOR 2023-2024 BUDGETING / Market Conditions in Canada



**Short term** refers to the expectation for the remainder of 2023 relative to current prices. **Long term** refers to the expectation for calendar year 2024 (through June) relative to current prices.

COMMODITY	OUR EXPECTATION IS...	
<b>CLUBS – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES</b>		
<b>GOLF CARS, PARTS</b>	3%-7% ▲	<b>SHORT TERM:</b> Any potential price increases would begin in November. Estimated delivery for utility vehicles and shuttle vehicles is Q1/Q2, depending on model selection. Estimated delivery for RXV-Elite battery models is March 2024, while RXV-Gas estimated delivery is October 2024. Lead-acid batteries require a 90- to 120-day lead time. Note: All orders must be placed through EZGO HQ to receive Avendra pricing. Orders are built on first come, first served basis.
	3%-7% ▲	<b>LONG TERM:</b> Same as above at this time, any potential price increases would begin in November.
<b>GOLF MOWERS</b>	5%-10% ▲	<b>SHORT TERM:</b> Prices have not been set, but any increase will be implemented in November. Much of 2023's production has been sold. We expect moderate increases due to continuing increases in raw materials and computer chips, so expect a 5%-10% increase. Build times vary for many products. Expect longer lead times due to factories catching up on orders placed from early-2022 through early-2023. Build times vary by vehicle type. Mower build times are about 4-12 months, utility vehicle build times are 3-12 months. Customers should place orders as early as possible with dealers to get into the build cycle.
	5%-10% ▲	<b>LONG TERM:</b> Any potential price increases will begin in November 2023 and continue into 2024. It is expected that long lead times will continue throughout 2024 as orders outpace supply. Build cycle times are still trying to catch up.
<b>GOLF AGRONOMY</b>	Fertilizers: 0%-5% ▼ Seed: No changes Turf Chemicals: No changes	<b>SHORT TERM:</b> <b>Fertilizer:</b> Expect flat to slight decreases in pricing through the fall. Freight rates have stabilized, and we are cautiously optimistic this will continue. <b>Seed:</b> Availability is good across the U.S. and varieties (rye, zoysia, Bermuda, etc.) are available. Pricing is expected to remain stable through the fall. No changes in pricing are anticipated going into 2024. <b>Turf Chemicals:</b> Availability remains strong with only occasional shortages by a limited number of manufacturers. Overall, the supply chain from China has been more consistent and dependable. Costs are expected to remain relatively flat.
	Fertilizers: 2%-5% ▲ Seed: 0%-2% ▲ Turf Chemicals: 3%-6% ▲	<b>LONG TERM:</b> There are many variables to consider for any long-term estimations such as manufacturer production availability, future crop production yields for seed and the instability in Ukraine. Most customers will buy a large percentage of their product requirements for the next season during the Early Order Program which begins in October 2023.



# KEY CONSIDERATIONS FOR 2023-2024 BUDGETING / Market Conditions in Canada



**Short term** refers to the expectation for the remainder of 2023 relative to current prices. **Long term** refers to the expectation for calendar year 2024 (through June) relative to current prices.

COMMODITY	OUR EXPECTATION IS...	
OTHER – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES		
ENERGY	5% ▲	<b>SHORT TERM:</b> Production has slowed since March 2023 and North American natural gas and electricity prices are forecasted to increase 5% for the remainder of 2023.
	Natural Gas: 8% ▲ Electricity: 2%-6% ▲	<b>LONG TERM:</b> Modest economic-growth forecasts and stabilizing production will likely lead North American natural gas prices to increase by 8% and electricity prices to increase by 2%-6%.
CHEMICALS (INCLUDING SANITIZER)	No changes	<b>SHORT TERM:</b> No change in pricing is anticipated.
	4%-7% ▲	<b>LONG TERM:</b> Avendra Ecolab customers should budget for no more than a 4%-7% increase tied to contractual caps.



# MEXICO ECONOMY

Español



- The economy is projected to expand by 2.1% in 2024. Private consumption will be a key driver of growth, supported by low unemployment.
- Inflation is projected to slow to 5.0% during the second half of 2023 and to 4.0% in 2024. The current YTD inflation as of May 2023 is 7.4%.
- The labor market has been recovering since the pandemic. Mexico's unemployment rate is expected to reach 3.7% in 2023 and remain stable in 2024.
- Investments will benefit from easing bottlenecks in global value chains and the relocation of manufacturing activity to Mexico fueled by "nearshoring," the trend of moving production to North America and away from Asia.
- Mexico is highly dependent on the U.S., its largest trading partner and destination of 80% of its exports. Growth will be held back by the U.S. economic slowdown.
- The Mexican peso has appreciated 9.5% against the U.S. dollar since the start of this year, but it is expected to depreciate in Q4. Projecting the value of the Mexican peso in 2024 is complicated. Bloomberg estimates that the peso will trade at 18.88 MXN for 1 USD toward the end of 2023. There is a lot of uncertainty in Mexico due to the upcoming legislative and presidential elections that will take place in 2024, which could contribute to the gradual depreciation.
- The country's debt-to-GDP ratio is expected to remain stable at 58.7% in 2023 and 59% in 2024.

# KEY CONSIDERATIONS FOR 2023-2024 BUDGETING / Market Conditions in Mexico



**Short term** refers to the expectation for the remainder of 2023 relative to current prices. **Long term** refers to the expectation for calendar year 2024 (through June) relative to current prices.

COMMODITY	OUR EXPECTATION IS...	
<b>FOOD &amp; BEVERAGE – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES</b>		
<b>BEEF</b>	3%-5% ▲	<b>SHORT TERM:</b> Mexico has recently approved the import of beef, pork and poultry from Argentina and Brazil to fight food inflation. Expect relatively stable prices for all imported and domestic products. If any increases occur, they will come from inventory reevaluations.
	7%-9% ▲	<b>LONG TERM:</b> Mexico continues to be the leading destination for U.S. beef varieties due to the strong peso and robust foodservice demand. The price of feed continues to increase; and while the country hopes to reduce yellow corn imports 30%-40% by 2024, they will remain highly dependent on this key ingredient used as livestock feed which comes almost entirely from the U.S.
<b>POULTRY</b>	5%-10% ▲	<b>SHORT TERM:</b> Chicken consumption in 2023 is projected to rise 2.4% compared to the previous year. The avian flu in Chile is pushing up prices for turkey and chicken. The domestic market will follow the international trend to increase prices from September through December 2023.
	Imported: 7%-9% ▲ Domestic: 6%-8% ▲	<b>LONG TERM:</b> Chicken has been outpacing both pork and beef on availability. A similar trend to that of 2022 is expected if no major avian flu outbreaks happen in Mexico and in South America, where most of the imports come from.
<b>PORK</b>	4%-5% ▲	<b>SHORT TERM:</b> Prices will remain stable through Q4 2023 with slight increases at the end of the year, mostly in December and pushed by the holiday season.
	Imported: 5%-7% ▲ Domestic: 5%-7% ▲	<b>LONG TERM:</b> Prices will increase as the favorable currency exchange rate has boosted exports to the U.S., Europe and Asia. The USDA projected that pork imported from Mexico will rise by 36% in 2024. Domestic consumption is secured, and prices will reflect food inflation.
<b>SEAFOOD</b>	No changes	<b>SHORT TERM:</b> No drastic changes are expected during the second semester. Prices are maintained because the price of the dollar is contained.
	3%-5% ▲	<b>LONG TERM:</b> A normal price adjustment is expected at the beginning of the year, as long as there are no major variations in the USD exchange and no major hydrometeorological phenomena that impacts the seafood industry in Asia.
<b>EGGS</b>	Domestic: 6%-9% ▲	<b>SHORT TERM:</b> In February of 2023, the price of eggs climbed above MX\$50/kg (USD\$2.67/kg). Outbreaks of avian flu in 2022, seasonal factors and inflation were listed as the main reasons for the soaring prices. The price of eggs has always risen seasonally in winter because chickens lay fewer eggs during this season. Prices will begin to rise in November and fall in March.

# KEY CONSIDERATIONS FOR 2023-2024 BUDGETING / Market Conditions in Mexico



**Short term** refers to the expectation for the remainder of 2023 relative to current prices. **Long term** refers to the expectation for calendar year 2024 (through June) relative to current prices.

COMMODITY	OUR EXPECTATION IS...
<b>FOOD &amp; BEVERAGE – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES</b>	
<b>EGGS</b>	Domestic: 7%-9% ▲ <b>LONG TERM:</b> Mexico is the world's largest egg consumer, with 23kg/year per capita. Likewise, it is the fourth largest egg producer with 3.1 million tonnes/year and is self-sufficient enough to cover its domestic needs, importing only small volumes for some border cities in the north. Q1 2024 will see the annual seasonal peak and Q2 2024 will see a lower trend from 2023 prices.
	Domestic: 4%-5% ▲ <b>SHORT TERM:</b> Milk production is forecasted to increase due to favorable weather conditions and a growing herd. As a result of higher domestic milk production, cheese, butter and milk powder exports are forecasted to increase. Dry skim and whole milk powder imports, particularly from the U.S., remain strong and are forecast to increase in 2023. A small adjustment may occur at the end of the year on cheese, cream and butter. Fluid milk and yogurt will remain stable.
<b>DAIRY</b>	Imported: 12%-14% ▲ Domestic: 12%-14% ▲ <b>LONG TERM:</b> Every year in January, the government increases the minimum price per liter of fluid milk to be paid to all farmers. This increase is usually 9%-10%. This increase, in addition to the budgeted growth from all suppliers, will impact prices in Q1 2024. Butter will likely have the highest impact of all dairy products as global production downsized and less inventory is available.
	0%-5% ▲ <b>SHORT TERM:</b> Avendra prices with Lavazza and Illy are locked in for the rest of 2023. Cafe Britt may increase prices in Q4 2023, but no higher than 5%.
<b>COFFEE</b>	5%-8% ▲ <b>LONG TERM:</b> Production in Mexico for 2023 is expected to yield similar rates to those in 2022. Global production and inventories have reached a surplus compared to 2022 but at higher costs. Expect inflation adjustments.
	3%-4% ▲ <b>SHORT TERM:</b> Increases would come from adjustments to input costs.
<b>COOKING OIL</b>	Domestic: 5%-8% ▲ <b>LONG TERM:</b> The oilseed market for 2023 has a lower soybean production globally than expected; this is offset by the rest of oilseed yields. Prices will adjust with the expected higher costs.
	12%-15% ▲ <b>SHORT TERM:</b> The drought is clearly impacting prices. Since June 2022, the basket for the most-used products has increased 22% on average.
<b>PRODUCE</b>	15%-18% ▲ <b>LONG TERM:</b> Expect prices to keep increasing, fluctuating based on seasonality and much more if the 2024 rain season is lower than expected.
	5%-8% ▲ <b>SHORT TERM:</b> The lengthy Ukraine/Russia war and lower yield in the U.S. will continue to impact costs.
<b>WHEAT/BAKERY (FROZEN BREAD)</b>	7%-9% ▲ <b>LONG TERM:</b> Expect prices to adjust upward due to inflation and continued limited availability.

# KEY CONSIDERATIONS FOR 2023-2024 BUDGETING / Market Conditions in Mexico



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COMMODITY		OUR EXPECTATION IS...
<b>FOOD &amp; BEVERAGE – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES</b>		
<b>DISPOSABLES (PAPER, RESINS)</b>	0%-1% ▲	<b>SHORT TERM:</b> Expect stability in the cost of raw materials through the end of the year.
	3%-5% ▲	<b>LONG TERM:</b> Macroeconomic variables like inflation, the exchange rate and the presidential elections in 2024 may contribute to price increases.
<b>ROOMS OPERATIONS – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES</b>		
<b>OS&amp;E</b>	0%-3% ▲	<b>SHORT TERM:</b> The cost of raw materials is relatively stable, although there could be abrupt changes in the price of gas in Europe due to the war between Russia and Ukraine.
	2%-4% ▲	<b>LONG TERM:</b> Freight and raw material costs seem to be under control, but the cost of labor in Europe and the U.S. is impacting this category. The hope is that there are no additional wars that could disrupt the supply chain.
<b>BATH AMENITIES</b>	No changes	<b>SHORT TERM:</b> The costs that influence this category are raw materials (base paste, fragrances and other components), petroleum (plastics and gasoline) and energy. The projection for the rest of 2023 is that the market will stay the same.
	3%-5% ▲	<b>LONG TERM:</b> Domestic and international socioeconomic and political situations may be a factor in 2024, but in general, the market should remain stable throughout 2024. Prices will increase according to inflation and new certifications being required by major clients.
<b>TEXTILES &amp; UNIFORMS</b>	No changes	<b>SHORT TERM:</b> At this time, there are no drastic changes in this sector. The dollar quotation is maintained, and the price of cotton has fallen, therefore prices in China and Pakistan have been established without any variation.
	0%-3% ▲	<b>LONG TERM:</b> We do not expect to see large shifts in cotton pricing or availability over the next 12 months that would shift unit pricing beyond a 3% increase. The upcoming late summer and fall cotton harvest will determine the quality and quantity of supply. With favorable weather conditions over the next few months, we will then get a better pulse on the stability of next year's cotton market. All other global cost inputs in textiles have stabilized and will continue to be monitored monthly or as needed to make necessary adjustments to support pricing stability.



# KEY CONSIDERATIONS FOR 2023-2024 BUDGETING / Market Conditions in Mexico



**Short term** refers to the expectation for the remainder of 2023 relative to current prices. **Long term** refers to the expectation for calendar year 2024 (through June) relative to current prices.

COMMODITY		OUR EXPECTATION IS...
CLUBS – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES		
GOLF CARS, PARTS	3%-7% ▲	<b>SHORT TERM:</b> Any potential price increases would begin in November. Estimated delivery for utility vehicles and shuttle vehicles is Q1/Q2, depending on model selection. Estimated delivery for RXV-Elite battery models is March 2024, while RXV-Gas estimated delivery is October 2024. Lead-acid batteries require a 90- to 120-day lead time. Note: All orders must be placed through EZGO HQ to receive Avendra pricing. Orders are built on first come, first served basis.
	3%-7% ▲	<b>LONG TERM:</b> Same as above at this time, any potential price increases would begin in November.
GOLF MOWERS	5%-10% ▲	<b>SHORT TERM:</b> Prices have not been set, but any increase will be implemented in November. Much of 2023's production has been sold. We expect moderate increases due to continuing increases in raw materials and computer chips, so expect a 5%-10% increase. Build times vary for many products. Expect longer lead times due to factories catching up on orders placed from early-2022 through early-2023. Build times vary by vehicle type. Mower build times are about 4-12 months, utility vehicle build times are 3-12 months. Customers should place orders as early as possible with dealers to get into the build cycle.
	5%-10% ▲	<b>LONG TERM:</b> Any potential price increases to begin in November 2023 and continue into 2024. It is expected that long lead times will continue throughout 2024 as orders outpace supply. Build cycle times are still trying to catch up.
GOLF AGRONOMY	Fertilizers: 0%-5% ▼ Seed: No changes Turf Chemicals: No changes	<b>SHORT TERM:</b> <b>Fertilizer:</b> Expect flat to slight decreases in pricing through the fall. Freight rates have stabilized, and we are cautiously optimistic this will continue. <b>Seed:</b> Availability is good across the U.S. and varieties (rye, zoysia, Bermuda, etc.) are available. Pricing is expected to remain stable through the fall. No changes in pricing are anticipated going into 2024. <b>Turf Chemicals:</b> Availability remains strong with only occasional shortages by a limited number of manufacturers. Overall, the supply chain from China has been more consistent and dependable. Costs are expected to remain relatively flat.
	Fertilizers: 2%-5% ▲ Seed: 0%-2% ▲ Turf Chemicals: 3%-6% ▲	<b>LONG TERM:</b> There are many variables to consider for any long-term estimations such as manufacturer production availability, future crop production yields for seed and the instability in Ukraine. Most customers will buy a large percentage of their product requirements for the next season during the Early Order Program which begins in October 2023.

# KEY CONSIDERATIONS FOR 2023-2024 BUDGETING / Market Conditions in Mexico



**Short term** refers to the expectation for the remainder of 2023 relative to current prices. **Long term** refers to the expectation for calendar year 2024 (through June) relative to current prices.

COMMODITY		OUR EXPECTATION IS...
OTHER – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES		
ENERGY	5% ▲	<b>SHORT TERM:</b> Production has slowed since March and North American natural gas and electricity prices are forecasted to increase 5% for the remainder of 2023.
	Natural Gas: 8% ▲ Electricity: 2%-6% ▲	<b>LONG TERM:</b> Modest economic-growth forecasts and stabilizing production will likely lead North American natural gas prices to increase by 8% and electricity prices to increase by 2%-6%.
CHEMICALS	No changes	<b>SHORT TERM:</b> No change in pricing is expected.
	5%-9% ▲	<b>LONG TERM:</b> Avendra Ecolab customers should budget for no more than a 5%-9% increase tied to contractual caps.



# ADDITIONAL RESOURCES

## [SUPPLY CHAIN UPDATES PAGE »](#)

Resources and guidance including best practices, cost inflation outlook, and other information to help improve operations.

## [SUPPLY CHAIN SPOTLIGHT COMMUNICATION »](#)

An overview of affected categories along with actions and implications to help you prepare and adjust operations accordingly.

## [MYAVENDRA »](#)

Log in to access your purchasing data, program and supplier information, opportunities for savings and much more. To ensure you receive timely cost outlook publications like this one, and other key communications, make sure to subscribe in myAvendra.

**QUESTIONS?** Please contact Customer Service at [customerservice@avendra.com](mailto:customerservice@avendra.com) or contact your account manager.

## EXPERTISE CORNER



### [Unlocking Sweet Success: Why Signature Desserts Trump Nutrition in Your Menu »](#)

How important is nutrition in your dessert menu? Not nearly as important as having a signature dessert and excellent flavor. Read this article to learn how you can distinguish yourself in the marketplace and drive revenue.



### [Robots in the Kitchen: How Innovation Can Make Your Kitchen More Efficient and Sustainable »](#)

Who doesn't love a good french fry? The simplicity of the humble french fry is what has made it a staple everywhere from fast food to fine dining. French fries all have one important element in common: labor. Learn about the game-changing technologies that will make efficiency, sustainability, and profitability the hallmarks of your commercial kitchen.



### [2023 Plant-Forward Opportunity Report »](#)

The 2023 Datassential Plant-Forward Opportunity Report, in partnership with The Culinary Institute of America, Food for Climate League, and the Menu of Change University Research Collaborative, is focused on understanding consumer expectations around plant-forward offerings so that chefs and other foodservice operators can meet consumers where they are and optimize their menus. Read on for insights to feed menu innovation and product development, as we dive deeper into plant-forward opportunities.

# Building a legacy of industry leadership



Avendra is North America's leading hospitality procurement services provider. Our supply chain management solutions are tailored to our clients' business strategies and deliver benefits beyond great savings. We combine years of hospitality expertise, purchasing power, services and software to help customers impact the bottom line, improve operational performance, and better serve guests. More than 16,500 customers rely on Avendra as a trusted partner. Avendra is headquartered in Rockville, Maryland and has regional offices throughout North America.

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## SOURCES

Sources for Economies include, but are not limited to:

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