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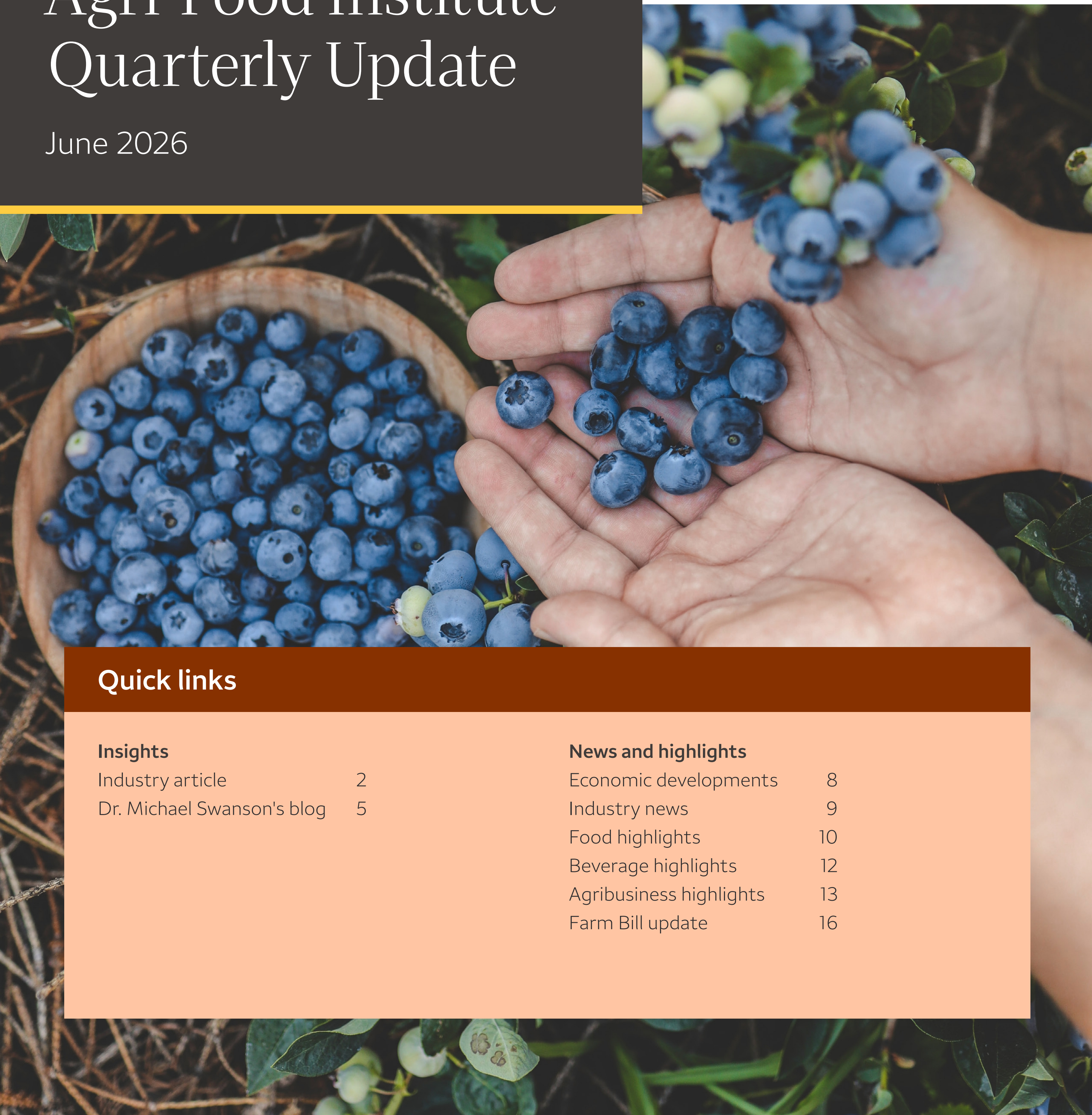
Commercial Banking

Agri-Food Institute Quarterly Update

June 2026



Quick links

Insights

News and highlights

The New Summer Getaway: Your Backyard Grill

Presented by Dr. Michael Swanson, Chief Agricultural Economist;
Robin Wenzel, Head of Wells Fargo Agri-Food Institute; and
Courtney Schmidt and David Branch, Sector Managers, Agri-Food Institute

As summer approaches, backyard barbecues are once again becoming a hallmark of warm weather weekends. This year, however, hosting comes with a modestly higher price tag. With more consumers potentially opting for staycations rather than long road trips or destination travel, gatherings may be larger, increasing demand for food and beverages at home. From firing up the grill to stocking the cooler, the cost of a summer barbecue is rising in new but manageable ways.

For summer 2026, the total cost of a well rounded barbecue menu is up 2.4% year over year, reaching approximately **$161 for food and beverages serving 10 people**[1]. While this translates to roughly $16 per person, it remains a competitive value relative to dining out or catering and still offers flexibility for hosts to manage costs through menu selection.

Proteins: Trade Offs Matter at the Grill

Proteins remain the centerpiece of the barbecue and a key driver of total cost. Beef continues to hold a central place in U.S. grilling traditions, but it also represents the greatest inflationary pressure. **Hamburger beef prices are up 14% year over year**[1], creating meaningful cost headwinds for beef heavy menus. Despite higher prices, consumer demand for beef remains resilient, reflecting its flavor profile and cultural importance.

That said, strategic adjustments to the protein mix can meaningfully lower total spend. **Chicken breast prices are up just 3%**[1], offering a cost effective alternative that scales well for larger groups. **Hot dogs and frankfurters are up closer to 5%**[1], reflecting their partial beef content and continued popularity for casual gatherings.

Pork presents one of the best value opportunities this season. **Pork butt is flat year over year**, while **pork ribs prices are up only 3%**[1], making slow cooked pork dishes an attractive option for feeding larger crowds at a lower cost per pound. The takeaway for hosts is not to reduce quantities, but to balance the grill thoughtfully.

Sides and Produce: Mixed Inflation Signals

Side dishes show a blend of cost pressures and areas of relief. **Prepared potato salad is up 3%**[1], reflecting higher labor and manufacturing costs, while **cornbread prices have increased 4%**[1]. In contrast, **egg prices are down 14%**[1], making egg based sides such as deviled eggs a notable area of savings.

Fresh vegetables reflect a normalization after last year's declines. **Broccoli, celery, and cauliflower prices are up approximately 6%**, while **snacking tomatoes (+2%) and baby carrots (+1%)** remain relatively affordable options[1]. Fruit continues to provide welcome relief, with **strawberry prices flat year over year and watermelon prices down 3%**[1]. These trends allow hosts to maintain variety and nutritional balance without materially increasing total costs.

Desserts: Inflation in Line with Broader Trends

Dessert prices closely mirror overall food inflation. **Store bought cookies are up 1%, ice cream is up 2%,** and **store bought apple pies are up about 4%**[1]. Combining these options allows hosts to manage costs while still offering familiar, crowd pleasing desserts.

Beverages: A Meaningful Cost Component

Beverages remain a significant contributor to overall barbecue budgets and are often underestimated. **Beer and wine prices are up just 1%**[1], well below broader food inflation trends, as consumers pull back on alcoholic spending[2]. **Ready to drink cocktails**, a category that has expanded rapidly in recent years due to consumer demand for convenience, are **flat year over year**, reflecting increased competition[1].

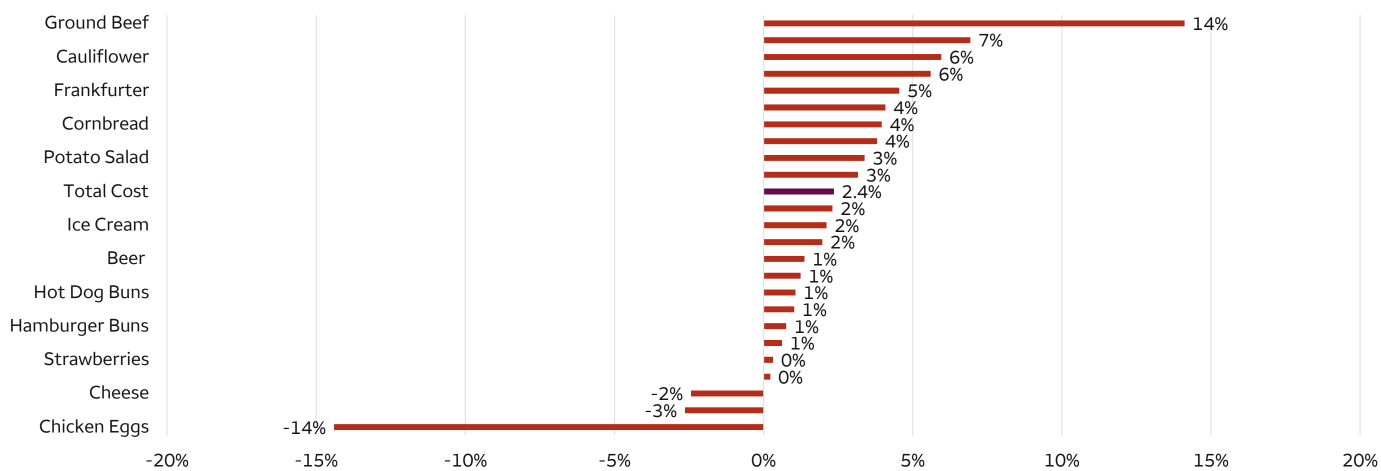
Non alcoholic beverages also continue to evolve, and swapping out the beer or wine with a non-alcoholic option is typically comparable in cost[1]. **Flavored sparkling water prices are up 4%**[1], driven by incremental increases across packaging, transportation, and ingredient costs, as demand for low calorie alternatives remains strong.

Outlook: Celebrations Continue, with Careful Planning

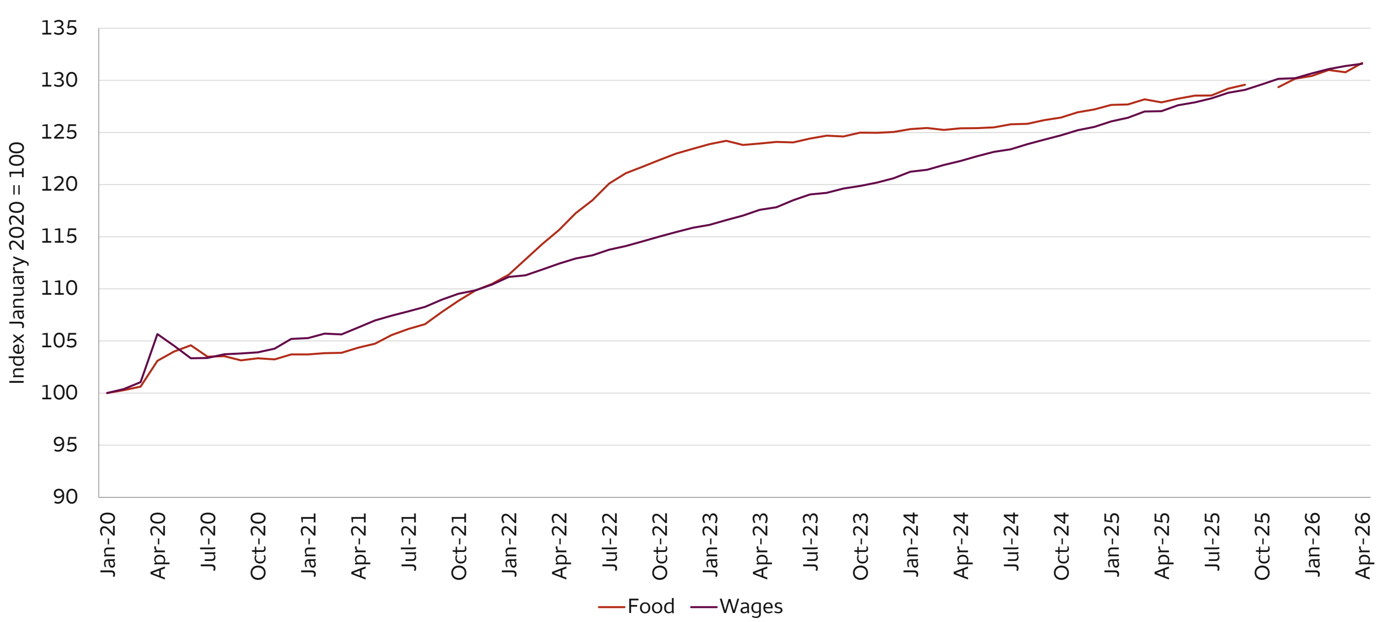
Although consumers may have been hoping for more price relief, rising wages and continued payroll growth are helping offset modest food inflation. As a result, backyard barbecues remain an affordable and attractive way to celebrate summer. Hosts looking to save time should weigh the cost of premade items against cooking from scratch. A precut vegetable platter eliminates prep work but typically adds about $7 to the grocery bill[1].

Fully cooked ribs can also save time, though they cost roughly $4 more per pound and can become expensive for larger groups[1]. For dessert, bakery cookies and premade cookie dough cost about the same per cookie[1], so the decision comes down to convenience versus the appeal of freshly baked treats. Overall, careful menu planning—especially for proteins and beverages—can help control costs without sacrificing quality.

Summer Grilling Menu 2026: Percent Change from Previous Year



Inflation: Food at Home vs U.S. Wage Inflation



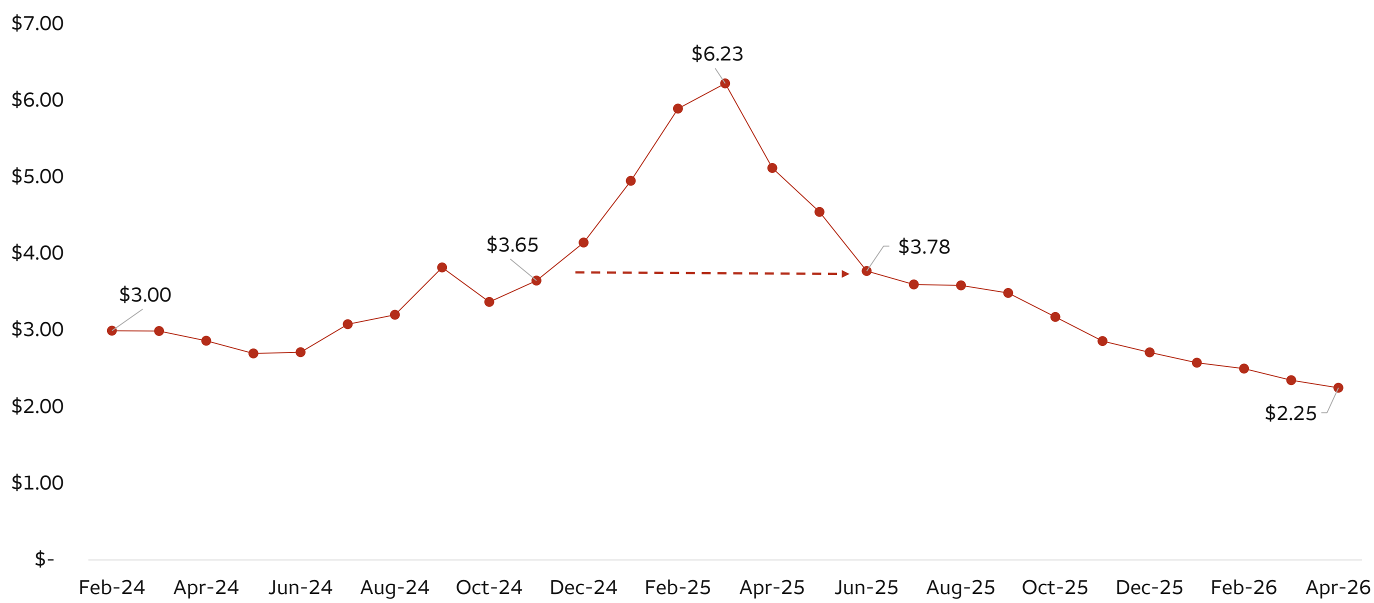
Looks like eggs are back on the menu

By Dr. Michael Swanson | June 15, 2026

[Stay informed with the latest from our Agri-Food Institute]

Eggs are officially the poster child for price and income inelasticity. Take a quick look at the price chart to see how fast they can shoot up and crash back down. It took just seven months to complete the price cycle. At the moment, retail egg prices are setting new lows for the recent history. And it is not because there is a massive oversupply of eggs. In March 2025 when retail prices hit $6.23 per dozen the U.S. produced 25.7 eggs per person that month. In April 2026, retail egg prices were $2.25 per dozen with the U.S. producing 26.9 eggs per person that month. All it took was one more egg per person to send the market to the moon and back.

Average Price: Eggs, Grade A, Large
(Cost per Dozen) in U.S. City Average



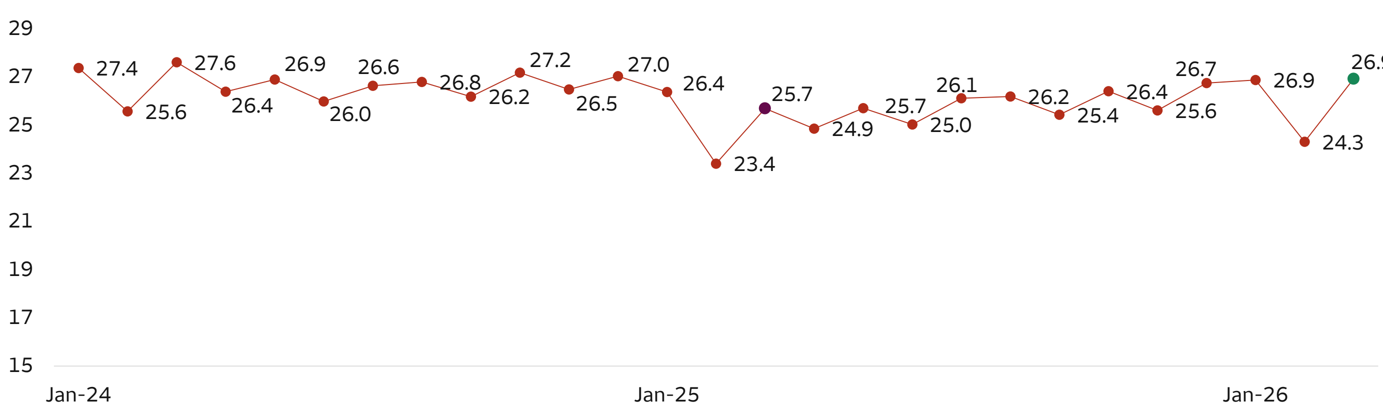
Source: BLS May 2026

So how much of the price movement was panic and how much opportunistic trading? The only realistic answer could be that it is impossible to separate the two sides of that coin. The outbreak of the Highly Pathogenic Avian Influenza (HPAI) wiped out 24 million layers in just four months (December 2024 to March 2025). The most recent number shows flock still down by 8 million layers. That is a clear and undisputable fact, but how was it communicated to the public? How much value is there in a number without context?

Clearly the media went with the "shock and awe" numbers of millions of layers culled. An extensive review of the post-media coverage shows that no one used the "eggs per person per month" metric. Only academic and the Congressional Research Service even used eggs produced per person per year. That number of approximately 270 per year is difficult to gauge day to day for the consumer. Especially if there is not a previous number to gauge the current number against for a person.

Eggs Produced

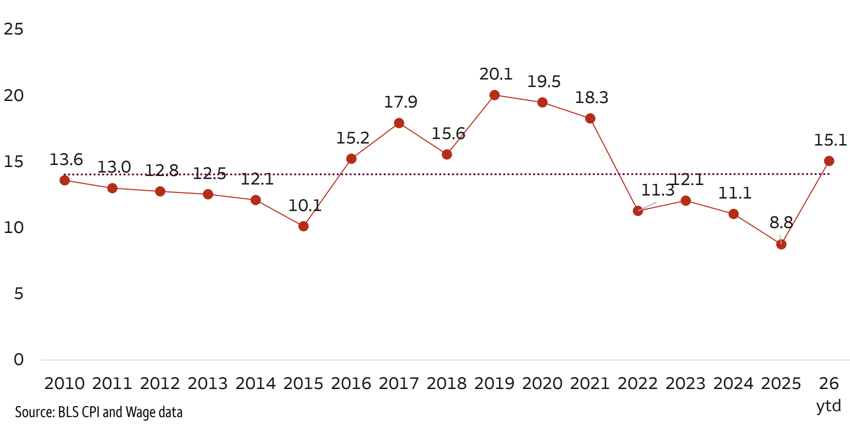
per person, per month



Source: USDA NASS May 2026

It would seem that producers and commercial buyers would have a better handle on the real impact of an egg per person per month. Maybe they do or maybe they don't. Overwhelmingly, they buy eggs day by day or week by week. When their supermarket chain, restaurant or bakery needs the eggs, they simply pay the price that the market is offering up at the moment. They compare it to their last purchase and either lament or shrug their shoulders. Large commercial egg producers sell most of their eggs on a reference price or a cost-plus contracting basis.[2] The flip side of this arrangement is that the buyers are buying against a reference price or on a cost-plus contract. The reference price is a major factor in the market, and it can be hard to pin it down with its almost self-referential nature. The spot market and the reference price move very closely together making it the quintessential "chicken and the egg" reference.

Dozens of Eggs per Hour of Wage



Source: BLS CPI and Wage data

Ultimately the consumer dictates egg demand. At the moment, using retail prices and average wages, the U.S. worker can purchase 15 dozen eggs per hour of wages. The average U.S. consumer uses 23 dozen of eggs per year between their home use, ingredients in products and at restaurants. That equates to roughly working an hour and a half to pay for a person's annual egg consumption. Last year, they had to work for almost 3 hours to pay for their annual egg consumption. In 2019, eggs were extremely inexpensive with slightly more than an hour's wage getting it done for the year. Anyway you look at it, the U.S. consumer finds eggs affordable. Their entire reference for whether eggs are expensive or cheap is based on what they paid last time. The consumer will buy all the eggs the producers have whether it is 30 eggs or 25 eggs per person per month without fail. The retail price will have to work extra hard to get consumers to start eating fewer eggs or just a couple more.

U.S. HPAI Outbreaks - Layers culled (USDA - based)

Outbreak (U.S.)	Year (s)	Layers culled (million head)
2014 - 2015 H5N2/H5N8 outbreak	2015	=43.0 million layers
Early 2022 wave (initial resurgence)	2022	=43.4 million layers
Continued outbreak (low activity year)	2023	=12.9 million layers
Renewed wave (migration + dairy-linked strain)	2024	=17.2 million layers (through mid year)

Source: USDA APHIS

What does the future hold for the producer and consumer? That depends on the next outbreak of HPAI. Most of the industry would accept that there will be ongoing outbreaks until an effective vaccine is widely available. Even so, the industry has not waited for the vaccine to be the only answer. The above table shows the major outbreaks and the number of hens culled. The producers have managed to constrain the total size of the recent outbreaks compared to the 2015 and 2022 waves. They are taking more aggressive approaches to HPAI to manage the losses. This is great news for everybody. It would limit the pain to the consumer that we saw in 2025. When the next HPAI hits, the market will race up to limit demand, and six months later it will start to crash. Either way, the consumer's almost absolute inelastic demand for eggs will play its role.

Economic developments

Steady Demand, Volatile Inputs, Shifting Mix

Q2 2026 underlying food and beverage demand is holding up, but conditions are getting choppier as input costs swing and supply risks resurface.

From what we're seeing in the data, consumers are still spending, but they're getting more intentional—seeking value, leaning into convenience, and increasingly prioritizing healthier options as health-and-wellness considerations shape preferences. At the same time, they're balancing at-home and away-from-home choices rather than pulling back outright, which is keeping overall demand steady even as price sensitivity rises.

Economic Developments

Wells Fargo Economics recently revised its U.S. economic growth outlook in response to higher oil prices tied to ongoing geopolitical disruption in the Middle East.

Key Implications

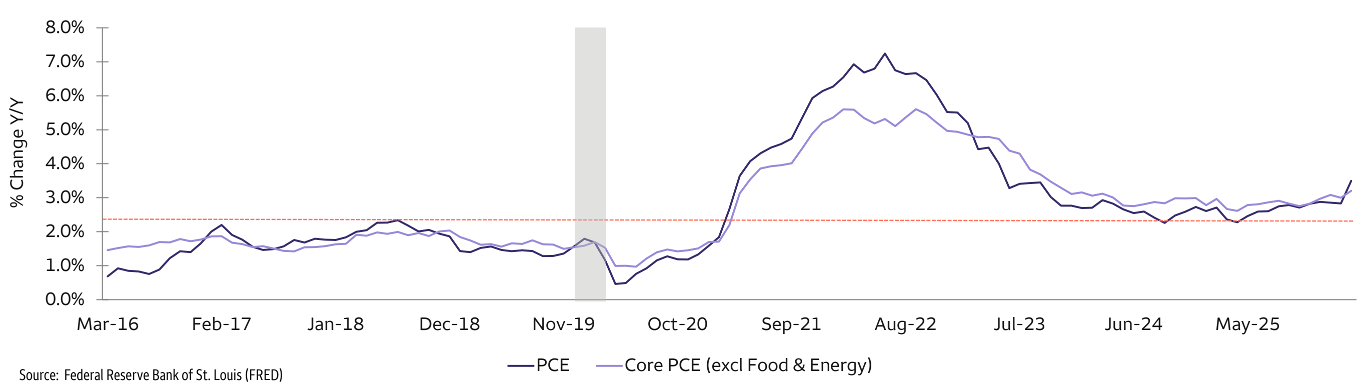
- GDP for Q1 2026 of 2.0% showed resiliency in consumer spending and strong AI-related investment. Preliminary data suggests growth for Q2 has not materially changed and should come in at a similar pace.[3]
- With oil prices elevated and no clear resolution in sight, inflation remains above the Fed's 2% target.[3]
- Personal Consumption Expenditures (PCE) inflation is forecast to peak at 3.5% in Q2 2026.[3]
- Core PCE (which excludes food and energy) is expected to remain sticky in the 2.7%–3.1% range through year-end.[3]
- Labor market indicators are mixed, reinforcing expectations for a further slowdown in hiring through the months ahead.

Core PCE

remains in the range of 2.7% - 3.1%

Personal Consumption Expenditures

Monthly, Seasonally Adjusted



Source: Federal Reserve Bank of St. Louis (FRED)

Industry news

Outlook Nonfarm payroll growth is projected to average ~55,000 per month in 2026.[3]

Monetary policy implications

- With inflation re-accelerating, the Fed faces competing pressures from its dual mandate.
- Wells Fargo Economists now expect two additional **25 bps** rate cuts in **October** and **December** of this year.[3]

Food, Beverage & Ag – M&A trends

Food, beverage and agriculture M&A opened 2026 with headline growth, but the underlying mix shows large deals driving volumes while smaller transactions cooled.

Year-to-date 2026 activity snapshot

- Megadeals are driving larger transaction sizes across **Food & Beverage**, led by marquee transactions such as Sysco/Jetro and McCormick/Unilever, which together approach $50 billion in combined deal value.[4]
- In response to secular declines, major **beverage** players are reshaping their portfolios through strategic acquisitions of functional beverages and non-functional alcoholic and ready-to-drink spirits.
- **Agriculture and AgTech** are undergoing a portfolio reset in 2026, characterized by smaller deal sizes and increased investor focus on early-stage startups in AI, robotics, and biological solutions.[4]
- Total identified U.S. food, beverage, and agricultural transaction value YTD stands at **~$35.8 billion**, excluding the global McCormick/Unilever combination.[4]

~$35.8B

U.S. Food, Bev, and Agricultural transaction value (YTD)

Implications

- **Large-cap-led market, selective mid-cap momentum.** Mid-cap acquirers with balance sheet flexibility are using volatility to buy scale and cushion macro pressure.[5]
- **Strategics and private equity are still in the game.** Activity remains supported by strategic rationale and significant private equity dry powder.[5]
- **Financing conditions could create opportunities.** Softer private credit may open the door to opportunistic M&A, especially for fundamentally strong assets constrained by an unfavorable capital structure.[5]

Food highlights

Restaurants Navigate Inflation: Value Messaging Meets Wellness Demand

- Restaurants are managing higher input costs while meeting consumers' growing expectations for both value and health-and-wellness options.

Cost pressures[6]

- Distributors are increasingly applying fuel surcharges as energy costs rise, pushing up delivery expenses for operators.
- Restaurants are expected to offset part of the increase through higher menu prices.

Energy costs are rising

Restaurants are offsetting by raising menu prices

Consumer value and wellness shifts

- Operators are moving away from broad-based discounting toward tiered pricing and lighter-portion menus to protect margins.
- Consumers are seeking value through health-focused innovation, including protein-forward menu offerings.

Food retail prices are up 2%, and spending remains resilient.

Demand backdrop[6]

Even though food-away-from-home CPI continues to run above food-at-home (April 2026 YoY: **3.6% vs. 3.0%**), demand remains resilient as consumers prioritize convenience and reserve premium dining for special occasions.

Food Retail Holds Up: Price Gains Track CPI as Volumes Edge Higher

Resilient Consumer Spending Supports Food Retail

The most recent 12 weeks of Nielsen retail data shows food retail spending remains resilient: prices are up **2.0%** and volumes near unchanged.

Pricing and volume snapshot

Department-level results show inflation concentrated in proteins and select center-store categories, alongside pockets of deflation tied to easing supply constraints.

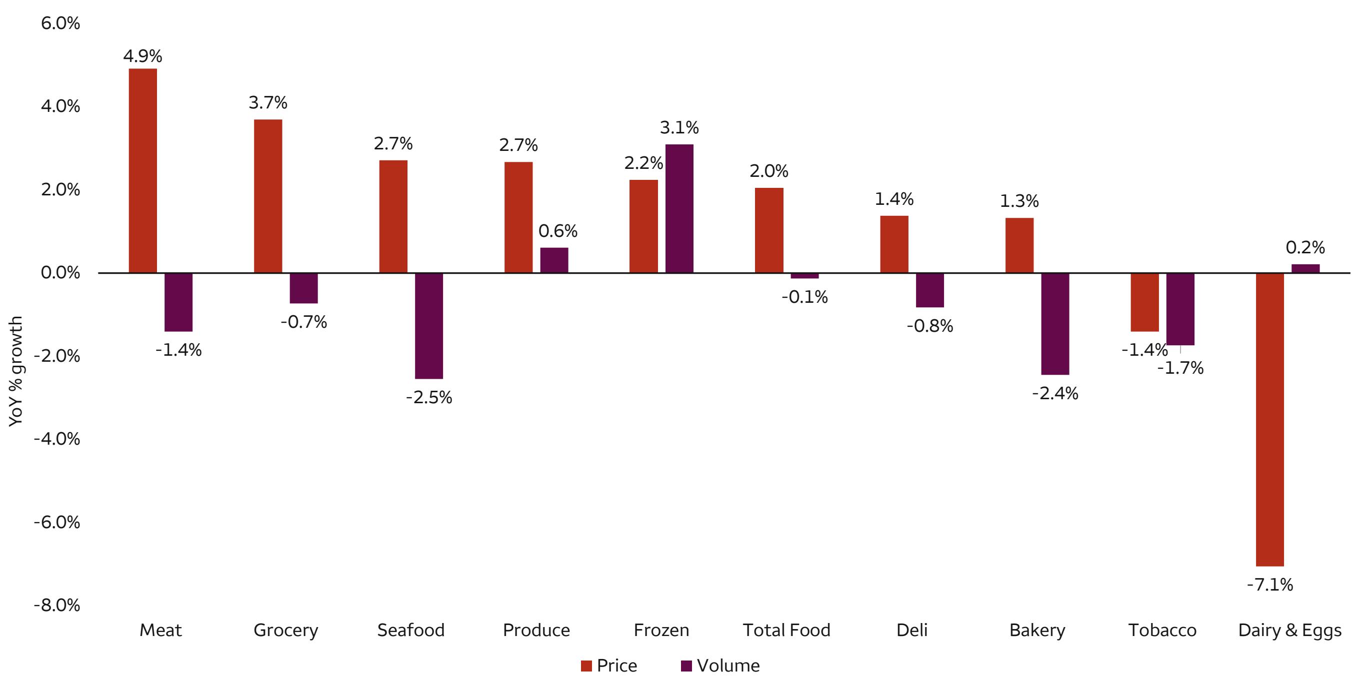
Food highlights

Department highlights[7]

- **Dairy (incl. eggs):** Department sales are down sharply, driven by lower egg prices as supplies recover from last year's historically elevated levels tied to the HPAI outbreak in table egg-layer flocks.
- **Meat:** The largest price increase among departments, led by **beef (+8.5%)** and **lamb (+8.7%)**; most fresh meat categories are inflationary, with modest volume erosion.
- **Grocery:** Strong growth in **diet and nutrition (+11.7%)** and **performance nutrition (+8.8%)** reflects sustained health-and-wellness demand; **beverages (+5.6%)** (energy-drink driven) and **salty snacks (+2.9%)** also performed well.
- **Pressure points: bread (-0.3%)** declined in both sales and volume, while **packaged coffee (+16%)** saw price-driven volume losses amid supply tightness.
- **Seafood:** Shrimp weighed on results as lower pricing **(-9%)** and declining volumes **(-11%)** pressured sales, likely reflecting a nationwide food safety recall in early 2026.

Latest 12 Weeks - Retail Trends - Food Departments

as of week ending May 2, 2026



Source: Data reported by Nielsen ("NIQ") through its Discover for w/e 5/2/2026, for the United States. Total Food includes Dept level categories of Dairy, Meat, Seafood, Produce, Grocery, Frozen, Deli, and Bakery.

Beverage highlights[7]

Beverage Retail Momentum: Functional & Premium Choices Outpace Alcohol

Nielsen retail data for the past 12 weeks shows beverage demand holding up, led by non-alcoholic growth while alcoholic categories remain under pressure.

Category snapshot

- Non-alcoholic beverages: **+5%** year over year.
- Alcohol: beer -**1%**, spirits **-2%**, wine **-3%**.

What's growing

- **Health and wellness:** Non-alcoholic beer **(+11%)**, non-alcoholic wine **(+23%)**, and Better-for-You sodas **(+19%)** are benefiting from demand for probiotics, protein, and lower-sugar options.
- **Energy drinks:** Up **+13%**, supported by innovation, broad distribution, and premium pricing; Nielsen ranks the category as the **second-largest** by beverage sales.
- **RTD cocktails:** Up **+28%**, with Gen Z demand driven by premiumization, convenience, and a value alternative to on-premise bar purchases.

Where it's softening

- **RTD coffee:** Down **-2%** as shoppers question value and nutritional benefits and shift toward alternatives—most notably energy drinks.

What companies are doing Major players are rebalancing portfolios—divesting mainstream brands and investing in functional and non-alcoholic offerings. Despite some layoffs in 2026, these shifts are positioned to support longer-term growth.

World Cup Creates a Summer Surge in Beverage Occasions

With matches hosted across 11 U.S. cities this summer, the World Cup is poised to create incremental beverage occasions and lift domestic consumption.

Audience and Reach

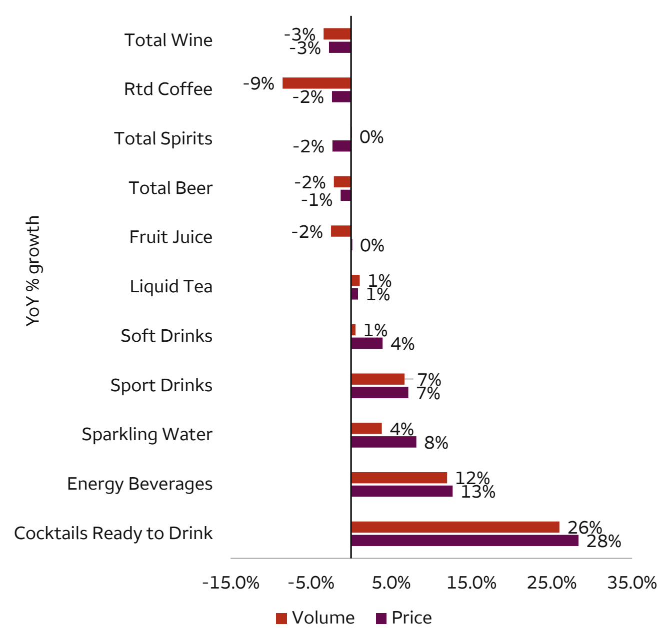
- Most consumers will watch rather than attend in person; roughly 30% of the U.S. population (~100–105 million people) is expected to tune in.[8]
- Viewing is likely to drive repeat social gatherings—watch parties, cookouts, and celebrations—where beverage choices are central.
- Priority consumer targets include Hispanics, Millennials, and Gen Z.

Commercial implications

- Beverage brands are expected to increase marketing to Hispanic audiences, with particular emphasis on Mexican imported beer offerings.
- Historically, on-premise channels see some of the largest lifts during major sporting events as consumers gather at bars and restaurants for watch parties.

Latest 12 Weeks - Retail Trends - Beverage Categories

as of weekend May 2, 2026



Source: Nielsen ("NIQ") Discover, U.S., w/e 5/2/2026

Agribusiness highlights[9]

Produce: Weather and Energy Costs Push Prices Higher

Fruit and vegetable prices accelerated in April 2026, with the CPI for the category up **6.1% year over year**—the fastest pace since early 2023.

Key drivers

- Weather disruptions constrained supply across several growing regions, tightening availability and lifting spot pricing.
- A sharp rise in energy costs increased refrigerated transportation expenses; fuel surcharges were largely passed through to consumers given the category's perishability.

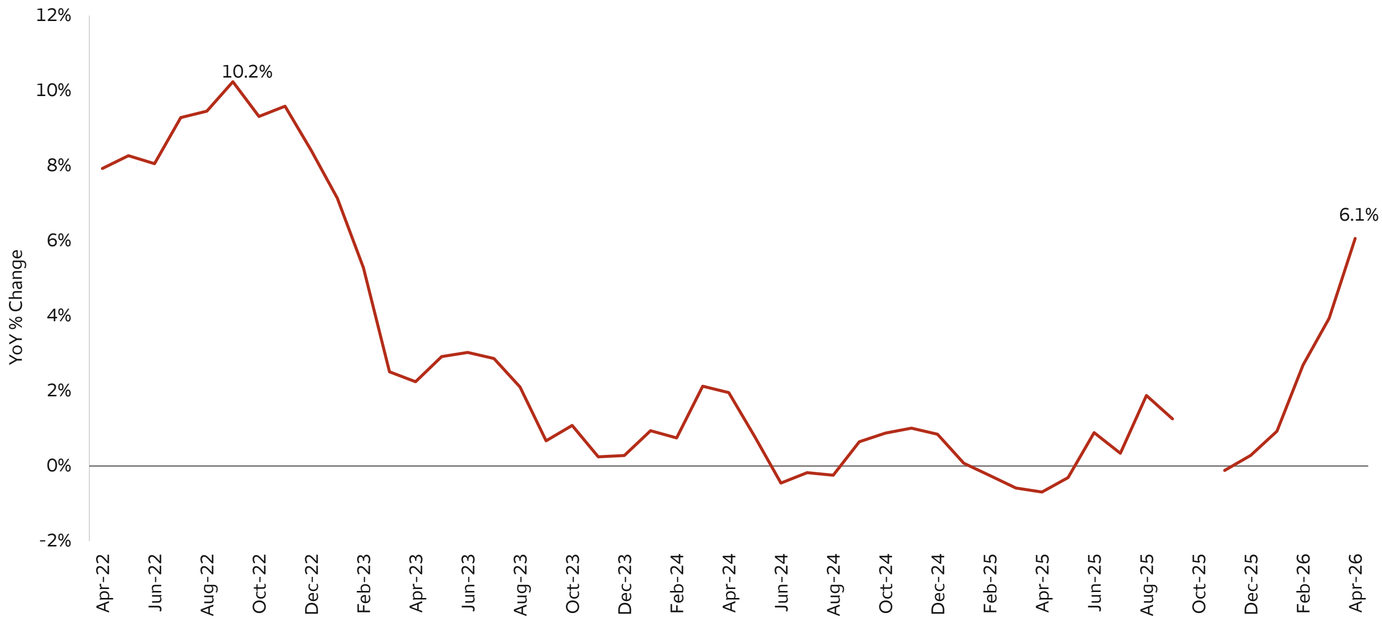
Notable subcategory impacts

- Citrus **(+7.2%)**: A February freeze in Florida reduced yields and tightened supply.
- Lettuce and greens **(+6.8%)**: Extreme heat in Yuma (Feb–Mar) followed by poor conditions in California's Salinas Valley (April) further constrained output.
- Tomatoes **(+5.9%)**: Spring supply tightness contributed to continued price pressure.

Outlook

Looking ahead, as the initial energy shock is incorporated into freight pricing and weather patterns normalize, produce inflation could ease in upcoming CPI reports.

CPI: Fruit and Vegetables



Source: U.S. Bureau of Labor Statistics, May 2026 report

Agribusiness highlights[9]

Grain Prices Gain Momentum

Corn, soybean, and wheat prices have trended higher since the start of the year, even with strong supply from the fall 2025 harvest.

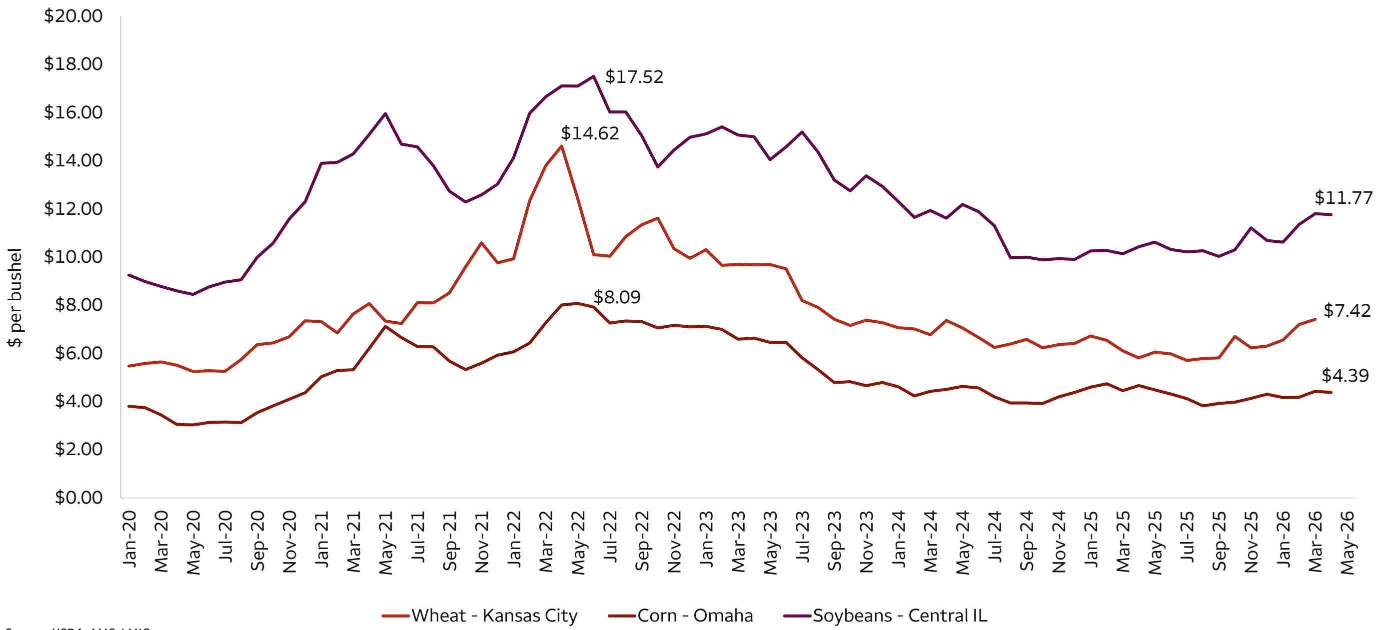
What's driving the move

- Higher energy prices following recent geopolitical developments, including the closure of the Strait of Hormuz, have added upward pressure.
- Strong corn export demand has provided additional support.
- Renewable demand for soybeans continues to underpin the rally.
- Weather-related risks are emerging for U.S. wheat production and parts of South America's crop outlook.

Why it matters

Even with the recent gains, grain prices remain below the extreme peaks seen in 2022, though they are well above the lows recorded in 2025.

U.S. monthly cash grain prices



Source: USDA-AMS; LMIC

Agribusiness highlights[9]

Diesel prices soar[10]

U.S. diesel prices have climbed sharply in 2026, rising from roughly **$3.5/gal** at the start of the year to more than **$5.6/gal** recently—about a **50–60%** year-over-year increase.

What's driving the increase

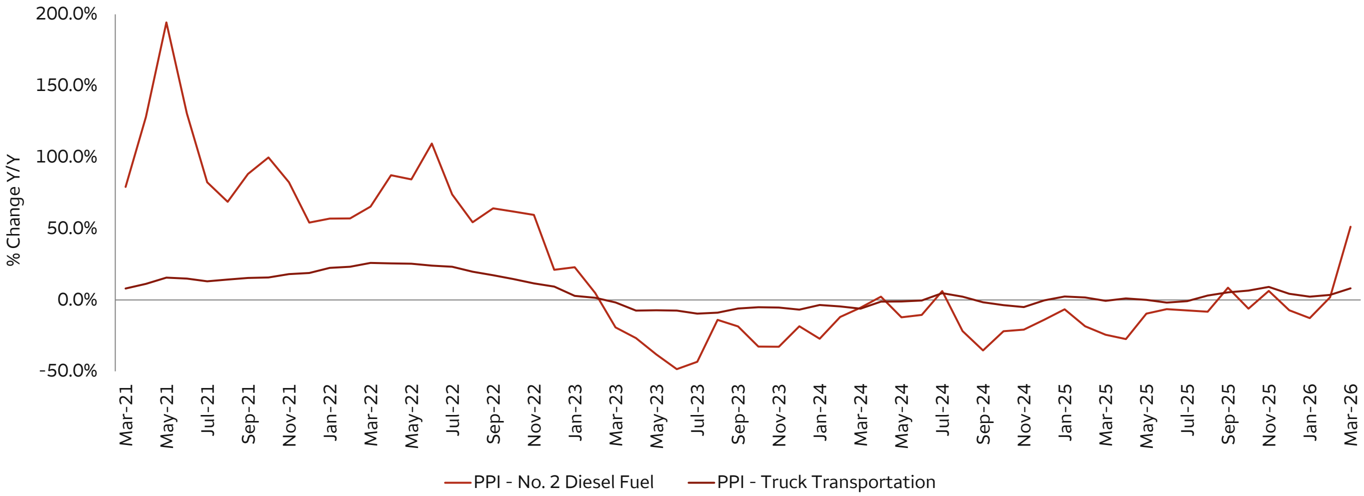
- Global oil supply disruptions and heightened shipping risks in the Middle East
- Tight diesel inventories
- Refinery capacity constraints, which can make diesel more volatile than gasoline
- Global pricing dynamics: even with adequate U.S. supply, domestic carriers face higher costs because oil trades in a global market

Why it matters

Higher diesel prices raise freight and supply-chain costs, which are often passed through to final goods. Because diesel underpins transportation, agriculture, and industrial activity, these increases typically appear first in producer prices (PPI) and then feed into consumer inflation (CPI) over time.

Producer Price Index

Truck Transportation vs Diesel



Source: Federal Reserve Bank of St. Louis (FRED)

Farm Bill update[11]

Overview

The House-passed Farm, Food, and National Security Act of 2026 largely preserves the structure of the 2018 Farm Bill, while adding targeted updates to reflect higher costs, evolving risks, and shifting political priorities.

Overall, the bill emphasizes stronger farm economics and risk management, paired with tighter nutrition spending and a more moderate pace of conservation growth, setting up several issues for Senate negotiations.

Key changes include:

- **SNAP (nutrition assistance) adjustments:** Proposes spending reductions and tighter eligibility/work requirements, making nutrition policy the main focal point of political debate.[12]
- **Federal preemption in livestock regulation:** Adds provisions that could override certain state-level animal welfare standards, with the goal of creating more uniform national rules.[13]
- **Seafood and aquaculture expansion:** Codifies a new USDA Office of Seafood to coordinate policy, funding, and market development for seafood producers.[14]

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"On the line of scrimmage"

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Sources

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