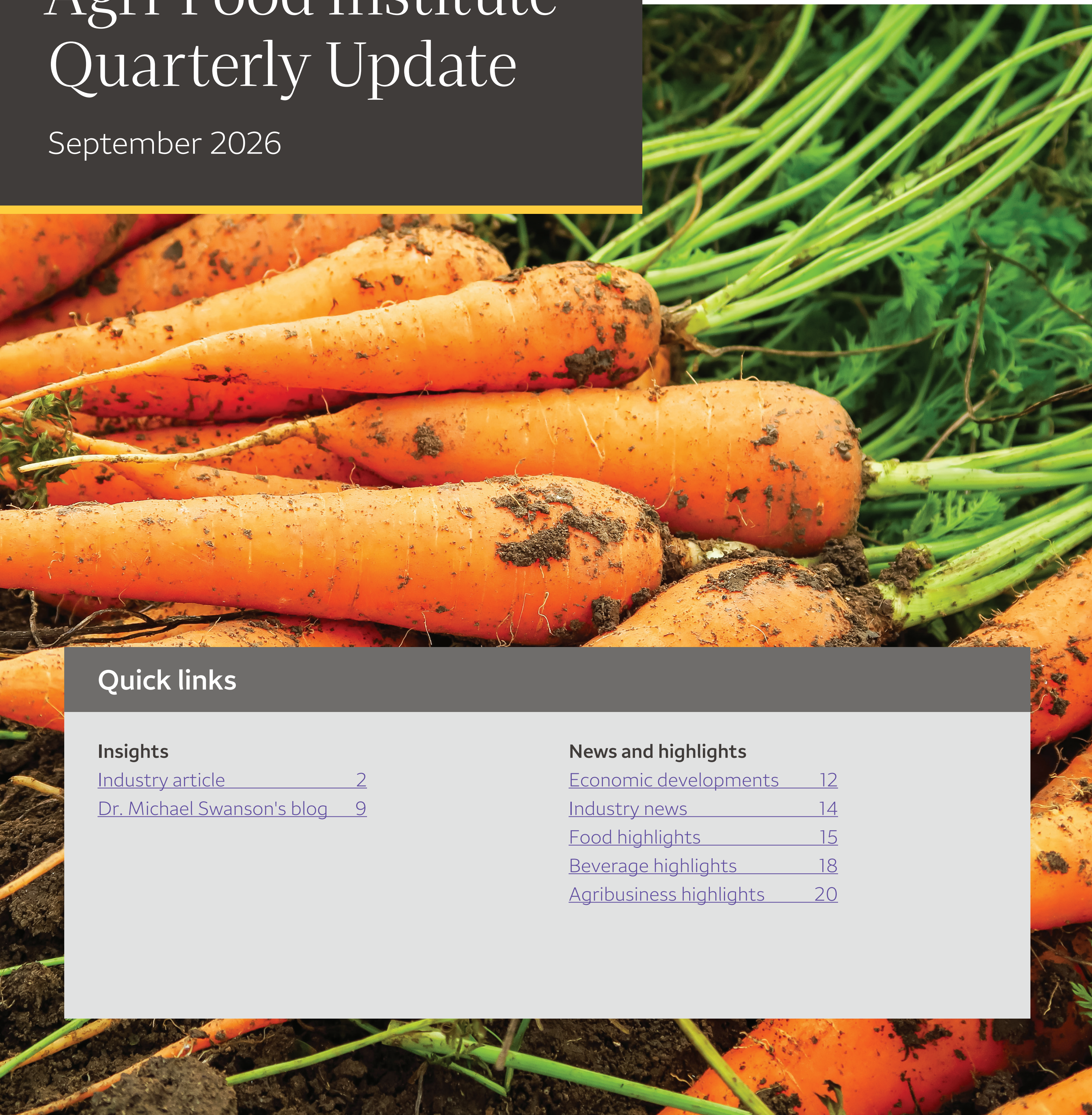
Commercial Banking

Agri-Food Institute Quarterly Update

September 2026



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Forget the Sticker Shock: Grocery Affordability Is Back Near Multi-Decade Lows

Lower inflation has helped, but groceries still feel expensive and shoppers are deciding, item by item, where it is worth paying more.

Presented by Dr. Michael Swanson, Chief Agricultural Economist;
Robin Wenzel, Head of Wells Fargo Industry Insights

Key takeaways

- **Food affordability has improved overall.** Wages have mostly kept up with food prices, and food's share of disposable income is near multi-decade lows, though shoppers still feel the effect of prices that remain well above 2019 levels.[1,2]
- **Buying habits are becoming more selective.** Consumers are looking for value in everyday staples while spending more intentionally on products tied to health, protein, convenience, freshness, taste, and premium quality — for example, saving on store-brand basics while trading up for fresh-prepared, high-protein, portion-controlled, or functional products.
- **Growth is coming from mix, not just volume.** Category growth is increasingly driven by price, product mix, premium choices, and specific consumer benefits rather than broad-based increases in consumption.
- **Clear value propositions matter.** Private label, value tiers, protein, fresh, premium, portion-controlled, and functional products are best positioned when they give shoppers a clear reason to save, spend, or trade up.

Food affordability has improved from the peak inflation period, but shoppers have not gone back to pre-pandemic habits. Grocery prices remain about one-third higher than in 2019, even though wages have mostly kept pace. That leaves consumers doing more math in the aisle: saving on everyday staples, watching promotions closely, and still making room for products that solve a specific need — convenience, health, protein, freshness, taste, or a better overall experience. GLP-1 weight-loss drugs add another layer, influencing how some consumers think about portion size, nutrition, and category choices.

> *"The market is not simply moving down or up — it is bifurcating by value proposition. For operators and investors, the key question is where pricing power is durable: which brands, channels, and categories can sustain mix, protect margin, and earn a premium from consumer segments that see a clear reason to pay more."*
>
> *— Brad Matsik,*
> *Division Executive, Food, Beverage & Agribusiness,*
> *Wells Fargo Commercial Banking*

Groceries are more affordable than they were — but prices still feel high

Since late 2019, grocery prices and paychecks have moved up by similar amounts, but the story depends on which wage measure is used. Food-at-home (grocery) prices are up about one-third. Average hourly earnings rose about 33%, and the Atlanta Fed Wage Growth Tracker shows a similar increase.

The Federal Reserve looks at the Personal Consumption Expenditure as a key gauge of inflation even more than CPI. The most recent spending data shows that PCE spending for food both at home and away combines to 12% reinforcing the impact of food spending decisions. At the beginning of 2024, the combined spending was 12.6%. This doesn't imply that food spending is cheaper or less important. It shows that the consumer might be facing higher costs elsewhere or finding better value for their spending. The timing matters. Grocery prices jumped about 11% in 2022, creating a real squeeze for households. That pressure eased only gradually as food-at-home inflation cooled to about 1% in 2024 and 2.3% in 2025.[3]

Food at home: % share of personal income

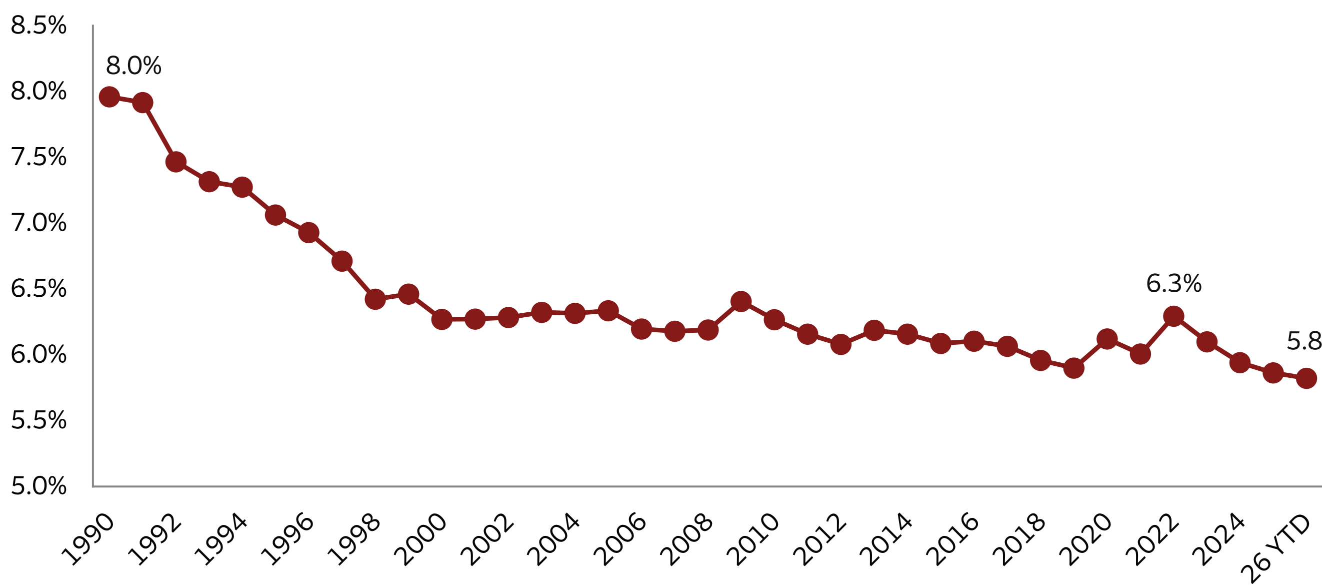
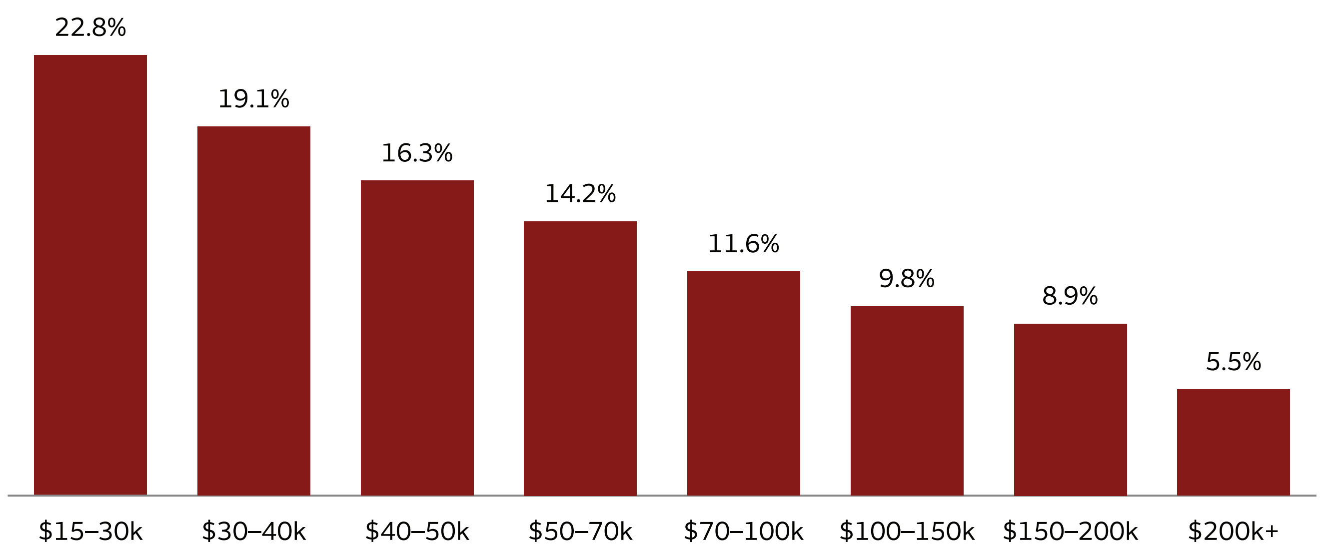


Chart source: U.S. Bureau of Economic Analysis, June 2026

USDA's affordability measure shows the improvement clearly. In 2025, groceries (food at home) accounted for just 5.8% of personal income, down from a pandemic-era peak of 6.3% in 2022 and below the 8.0% share of 1990 — a multi-decade low. That said, this is a broad national measure, not the experience of every household. Even with those caveats, the 2025 level shows food at home has fallen to a historically low share of income. Zoom out and the long-run decline is even more striking: groceries claimed a far larger slice of the budget in earlier decades, part of a steady fall that has taken total food spending from about 17% of personal income in 1960 to under 10% today.[2]

Food spending as a share of before-tax income
By income bracket (2023)



Total food spending (groceries plus dining out) as a share of before-tax income, by income bracket, 2023.

Source: BLS Consumer Expenditure Survey; lowest-income bracket omitted from table because very low or negative reported income can distort spending-as-share calculations.

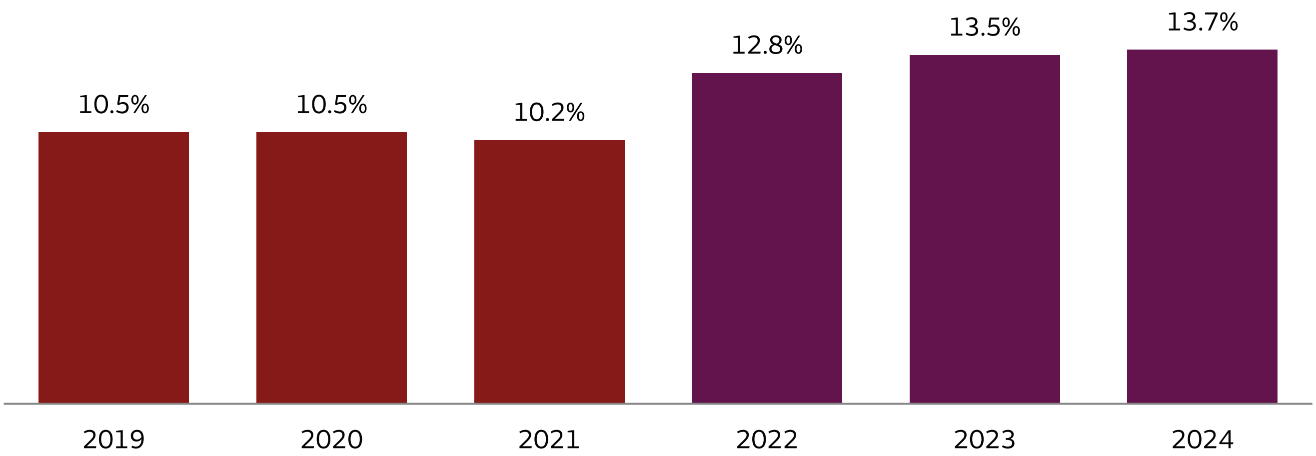
The same shopper can be frugal and willing to trade up

The national average is useful, but it does not capture how people actually shop. Food is bought one trip, one meal, and one shelf decision at a time. Many households are not choosing between "value" and "premium" as a single strategy. They are using both. A shopper may be disciplined on pantry staples and flexible on dinner tonight. They may switch to private label in one aisle and pay more in another if the benefit is obvious.

That behavior shows up in very practical ways: a store-brand pantry staple, a promoted national brand when the price gap narrows, a higher-protein yogurt, a fresh-prepared meal, a smaller pack that keeps the total ticket manageable, or a product that saves 20 minutes on a weeknight. The common thread is finding value, whether economic, personal preference, or convenience.

Consumer surveys also suggest shoppers remain focused on making food budgets go further. In 2024, 13.7% of U.S. households reported that they could not always afford the food they needed.[5] For retailers and manufacturers, the practical takeaway is that there is no single food consumer. The same household may want dependable value, quality, convenience, and a reason to justify a splurge — sometimes all in the same trip.

Share of U.S. households reporting difficulty affording needed food



Share of U.S. households reporting difficulty consistently affording needed food during the year.

Chart Source: USDA ERS, Household Food Security in the United States

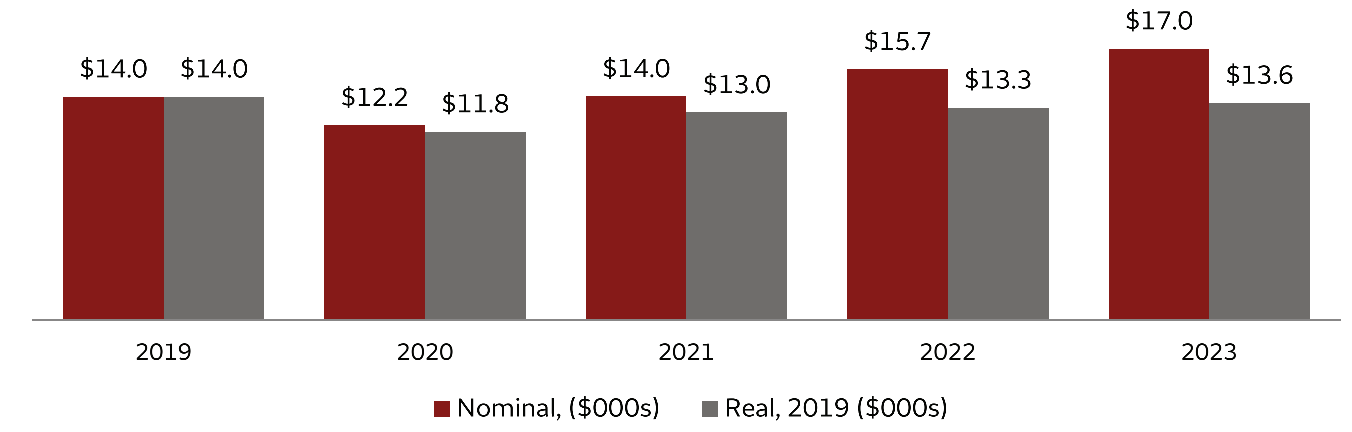
Private-label growth reinforces the importance of value, but it also shows how much the definition has changed. Store brands are no longer just a fallback when budgets are tight. According to PLMA industry data, private-label sales reached a record $282.8 billion in 2025, with a 21.3% dollar share, up from 19.1% in 2021. Store brands also grew about three times faster than national brands, showing that shoppers are willing to switch when quality, trust, and price align.[6]

Spending growth is increasingly about mix, not volume

Food spending continues to rise in dollar terms, but that does not necessarily mean consumers are buying more food. From 2019 to 2023, total food spending (groceries plus dining out) among the highest income quintile rose about 22% in dollar terms, to roughly $17,000. After adjusting for food inflation, real spending was about 3% lower. The broader point is that category growth is increasingly coming from price, product mix, and targeted trade-up rather than higher consumption. This premiumization — higher-income households up-tiering to pricier, benefit-driven categories, options, and convenience — helps explain why dollar spending can climb even when real consumption stays flat.[7]

Average annual food spending, highest income quintile

Nominal vs. inflation-adjusted



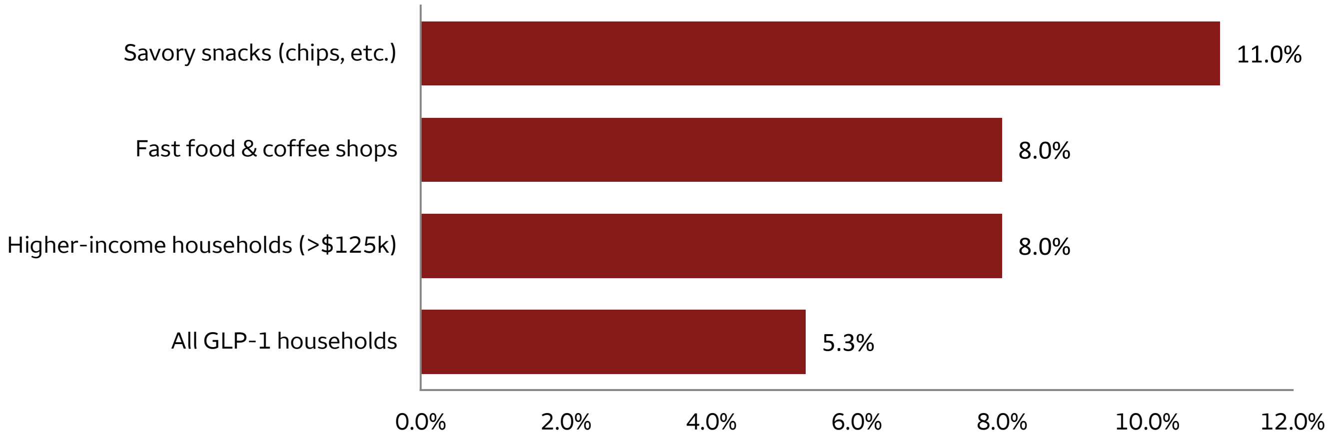
Highest-quintile total food spending (groceries plus dining out), nominal vs. inflation-adjusted.

Source: BLS Consumer Expenditure Survey, 2019–2023.

Two trends are changing what consumers put in the cart. The first is selective trade-up. Shoppers may choose value in everyday categories while paying more for products that deliver a clear benefit, such as health, protein, freshness, convenience, taste, or premium quality. The pattern is easy to recognize: private-label pasta or canned goods, but better coffee; a basic staple at a sharp price, but a fresh-cut produce pack, prepared meal kit, higher-protein snack, or better-for-you beverage when the payoff is clear. Circana industry estimates project 2026 price and mix gains of 2–4% with flat-to-negative volumes, while NielsenIQ industry research finds premium growth is more organic than price-driven. Protein and wellness products are also gaining traction as consumers prioritize specific benefits.[8]

The second trend is GLP-1 weight-loss drugs. Their impact is still emerging, but early evidence suggests they could influence food demand and category mix. A Cornell/Numerator study based on about a year of panel data and showing association rather than proof of cause found that within six months of starting a GLP-1, households reduced grocery spending by about 5.3% and fast food spending by about 8%. Spending fell most in calorie-dense processed items such as savory snacks, sweets, baked goods, and cookies, while yogurt, fresh fruit, and nutrition bars rose. Longer-term data will be needed to confirm how durable this change is, but the early pattern points to more intentional purchasing and stronger interest in portion control, protein, and nutrient-dense options.[9]

Decline in spending within 6 months of starting a GLP-1
(all figures are reductions)



Change in spending within 6 months of starting a GLP-1.

Source: Cornell University / Numerator (2025); directional, associational panel estimate.

The result is a more discriminating food market. Consumers are not moving in one direction across the board. They are building meals, snacks, and weekly routines from a mix of savings and splurges. That puts a premium on positioning that is easy to understand: private label and value tiers can win when they deliver trust and affordability, while premium, fresh, protein-dense, portion-controlled, and functional foods can win when the benefit is obvious enough to justify the price.

Categories positioned to gain share vs. facing mix pressure (directional):

Positioned to gain share ▲	Facing mix pressure ▼
High-protein and functional foods	Salty / savory snacks
Fresh produce and fresh-prepared	Cookies, sweets and baked goods
Greek yogurt and high-protein dairy	Sugary & carbonated drinks
Premium and organic tiers	Large-portion, calorie-dense packaged goods
“GLP-1-friendly” / portion-controlled meals	Value fast food
Private label & store brands (value tier)	—

Food companies are already responding. Nestlé launched its Vital Pursuit brand and a Boost pre-meal drink. Conagra added “GLP-1 friendly” labels to Healthy Choice meals. Confectioners such as Hershey have so far described the impact as mild. Market estimates suggest about 15 million U.S. adults use GLP-1 drugs, and some industry forecasts put the obesity-drug market near $105 billion by 2030. That supports continued product development around higher protein, smaller portions, and lower sugar.[10]

What to watch in 2026

The improvement in affordability could still be tested. Grocery (food-at-home) inflation was up 2.7% year over year as of June 2026, and USDA forecasts all-food prices to rise about 3% in 2026, with food away from home rising faster than groceries. Tariffs could add pressure to imported staples such as coffee, fish, and produce. Consumer surveys also show households expect food prices to rise about 3.9% over the coming year. If wage growth slows while prices rise, shoppers may become even more selective. In that environment, value will matter but so will proof. Brands asking consumers to pay more will need to make the benefit plain, whether that benefit is quality, convenience, health, portion control, protein, or a better eating experience.[11]

Implications

1. **Producers and manufacturers:** focus innovation on products with clear reasons to buy, including value, protein, freshness, functionality, convenience, smaller portions, and lower sugar. Premium pricing should be tied to benefits consumers can easily understand.
2. **Grocers and retail:** build baskets that support selective spending: strong private-label and promotional value in staples, paired with premium, fresh, protein-rich, prepared, and better-for-you products where shoppers see a clear reason to trade up. Endcaps, loyalty offers, and meal-solution displays can help shoppers mix savings and splurges in the same trip.
3. **Restaurants and foodservice:** balance clear value offers with premium, experiential, protein-forward, and flexible-portion formats that give consumers a reason to choose food away from home.
4. **Risk watch:** monitor tariffs, wage growth, food-price expectations, private-label share, and GLP-1 adoption because those factors are most likely to influence buying habits, basket mix, and category growth in 2026.

Will higher fertilizer prices make U.S. corn farming unprofitable?

By Dr. Michael Swanson, Wells Fargo Agri-Food Institute Chief Agricultural Economist

Stay informed with the latest from our Agri-Food Institute

A plain-language look at how the Iran conflict is, and isn't, affecting the corn farmer's bottom line

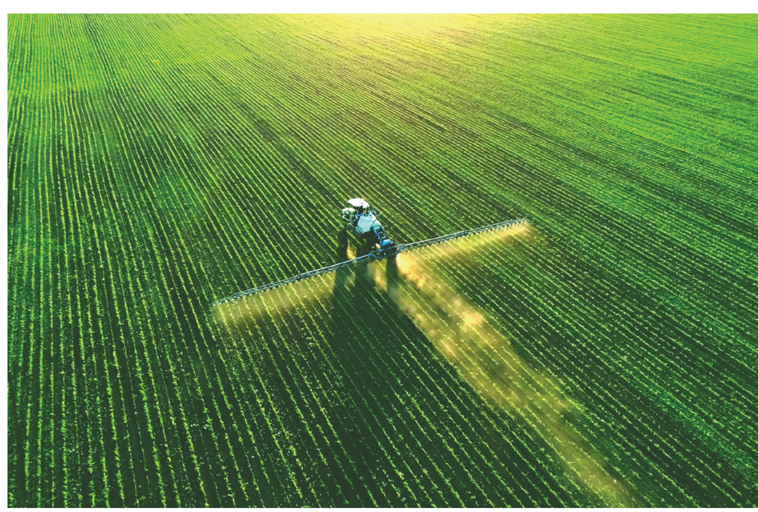
Renewed conflict involving Iran and the Strait of Hormuz has pushed some fertilizer prices sharply higher, raising an understandable question: will more expensive fertilizer make U.S. corn farming unprofitable in the season ahead? Based on the latest market data, the picture looks more encouraging than the headlines suggest. The fertilizer prices getting the headlines are not the ones a typical corn farmer uses for their most important decisions; the prices paid at the farm level have generally held steady or eased over the past year. At the end of the year, the outlook for the corn price matters far more to a farm's bottom line than the cost of fertilizer.

What the conflict changed in fertilizer markets

The conflict has been a genuine shock for a couple of specific products. Sulfur, which is largely a byproduct of oil refining and gas processing in the Gulf and the Middle East, has risen roughly three- to fourfold over the past year. However, sulfur is like the wasabi seasoning of crop inputs with only 15 to 20 lbs. needed per acre limiting the cost impact to $3 to $4 per acre.[12] Ammonia, whose production cost depends heavily on natural gas and whose international trade passes through the same shipping lanes, is up by roughly half to more than double at internationally traded and U.S. port locations. Because these increases are large and easy to see in global price reports, they understandably shape the headline concern.

Why farm-level prices have not risen the same way

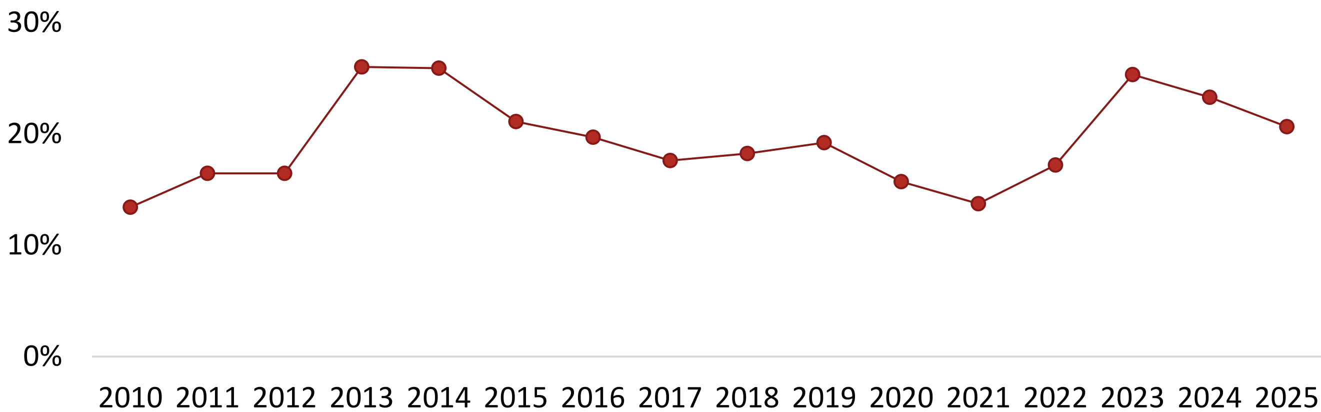
Fertilizer does not trade as a single price because location of bulky products is a big component of the price. There are international prices, prices at U.S port terminals along the Gulf Coast, and prices in the farm belt where growers actually buy their product. A price shock tends to appear first in international and port markets, and only part of it works its way inland. Over the past year, international and port prices have risen substantially, while prices in the U.S. interior have risen far less on average, and much of even that smaller increase reflects sulfur. Additionally, the interior price for the NPK did not drop as much as the international prices either prior to the conflict. Set sulfur aside and the basket a corn grower typically buys has been steady to lower.[13] In the Corn Belt, prices for the two main nitrogen products, urea and UAN solution, are actually down from a year ago, UAN by around a fifth. Phosphate prices are up only modestly, and potash prices are roughly flat. In short, the products most important to a corn farmer have not be subject to the international spike. This would be significantly different for different market's around the world with Brazil being more exposed to the global pricing shock. Recent nitrogen imports to Brazil are down significantly which implies less acreage and lower cropping intensity for the upcoming corn crop.



What it means for a corn farmer's costs

To put numbers on it, we can use a widely followed benchmark of actual Corn Belt farm results, the University of Minnesota's FINBIN corn data through 2025, and apply today's farm-belt fertilizer prices to a standard fertilizer program for a strong corn crop. On that basis, the current fertilizer bill comes to roughly $171 per acre. That is slightly below the roughly $178 per acre these farms actually spent in 2025, and below the roughly $187 per acre implied by year-ago prices. At the farm level, in other words, the fertilizer bill is a little lower than last year, not higher, mainly because nitrogen has come down. A note of caution: this is an estimate. The benchmark's fertilizer figure also includes items such as lime and application, and the assumed program is a representative one rather than any single farm's plan. Even so, the direction is clear: fertilizer is a small help to margins this year rather than a growing burden.

Fertilizer for Corn: Percent of Corn Revenue



Source: Center For Farm Financial Mgmt, CME

Why the corn price matters more than fertilizer

The larger driver of farm profitability is the price of corn itself. In 2025, the benchmark farms sold corn for about $4.08 a bushel on a very good harvest and still recorded a small loss per acre before government support. The futures price for the 2027 corn crop is currently near $4.90 a bushel, roughly 80 cents higher.[14] Holding the 2025 yield and other costs steady and applying this year's fertilizer prices, the same representative farm would move from a modest loss to a profit of roughly $147 per acre before government payments. Almost all of that improvement comes from the higher expected corn price; the fertilizer saving is a small part of it. It helps to be precise about the comparison: the 2027 futures price applies to a crop that will be planted in 2027, and buying fertilizer this autumn to grow that crop is a normal way for a farmer to set both sides of the equation ahead of time.

What could still change the picture

None of this guarantees a profitable year, and there are real risks to watch. If the conflict escalates and the international increases in ammonia and urea eventually push through to farm-belt prices, input costs could rise. Farmers also receive a local cash price that usually runs somewhat below the futures price, and a wider-than-normal gap would reduce revenue. A return to more typical yields, well below 2025's unusually strong harvest, or a decline in corn prices would each squeeze margins. Even with those cautions, the current numbers suggest the representative farm would stay profitable across a reasonable range of corn prices and local price gaps.

The takeaway

The concern behind the headline is understandable, because some fertilizer prices have indeed jumped because of the conflict. But the products that rose the most are not the ones that dominate a corn farmer's bill; farm-level fertilizer prices have been steady to lower over the past year; and the outlook for corn prices is the bigger factor in whether the coming crop is profitable. On today's data, the more likely story is a workable margin for the 2027 corn crop, with the price of corn, rather than the price of fertilizer, as the main thing to watch.

Economic developments

Balancing Risk and Opportunity in a Rapidly Evolving Food & Beverage Sector

Late Q2 and Q3 2026 presented food, beverage, and agriculture companies with a complex operating environment. Industry participants navigated a new round of tariffs, volatile commodity and energy markets, ongoing geopolitical tensions, uncertainty surrounding interest and currency rates, and disease-related developments, including Cyclospora outbreaks and the resurgence of New World Screwworm.

Artificial intelligence continues to rapidly reshape the competitive landscape, driving productivity gains, significant capital investment, and new growth opportunities. At the same time, organizations remain focused on addressing challenges related to data quality, cost management, and cybersecurity.

From a consumer perspective, food affordability remains a primary concern for many U.S. households. Shoppers continue to prioritize value and convenience while increasingly seeking healthier products, as health and wellness considerations play a growing role in purchasing decisions.

Economic Developments

Wells Fargo Economics' July 2026 U.S. Economic Outlook leaves its growth, inflation and policy forecasts largely unchanged: a resilient but non-accelerating economy carried by the AI buildout, a labor market in balance, and core inflation at a two-and-a-half-year high that keeps the Fed on hold.

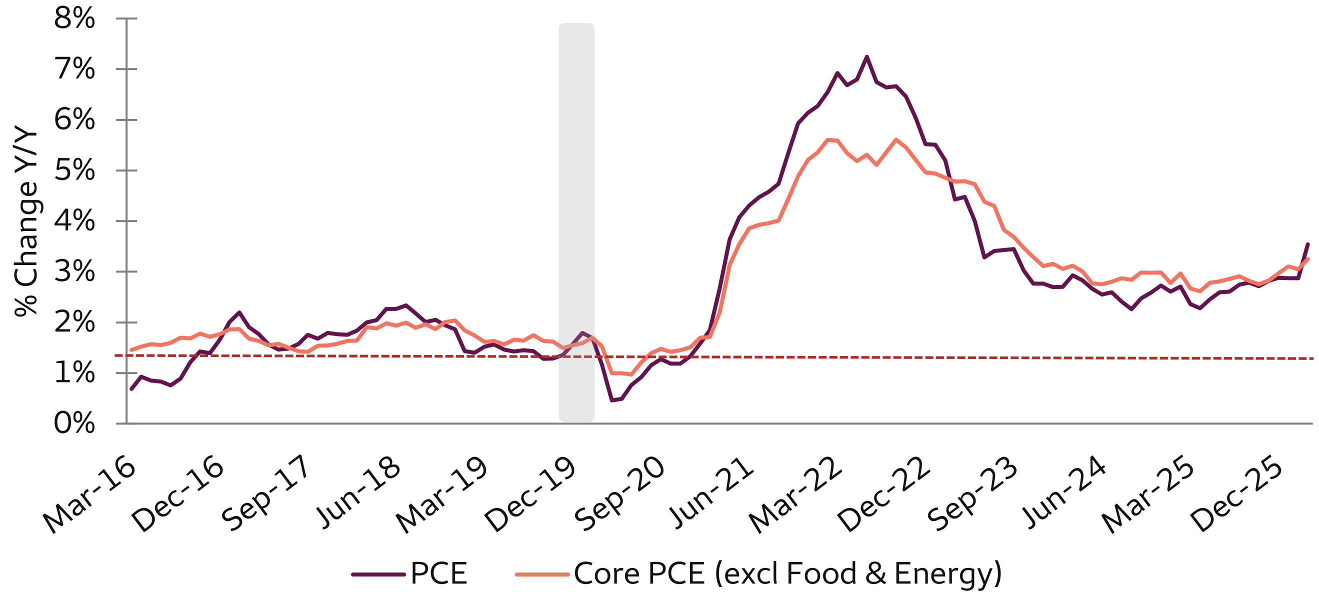
Key Implications

- Real GDP is forecast to advance at a 2.1% annualized pace in 2H 2026, broadly in line with the estimated 2.2% year-over-year rate through Q2; full-year growth is 2.1% in 2026 and 2.2% in 2027[15]. AI-related capex remains the dominant growth engine, but its direct GDP boost is largely offset by a surge in tech imports.
- The consumer is still spending but with a thin cushion: the saving rate sits near the low end of its 20-year range, real disposable income has declined at a 0.4% annualized rate over the past three months, and real PCE growth is capped near 2.0%–2.5%, though core retail sales tracked a ~5.5% annualized pace in Q2[15].

+2%
GDP Growth Supported by AI Investment

- Inflation is the sticking point: core PCE at 3.4% year-over-year is a two-and-a-half-year high, driven by tariffs, higher oil prices and AI-driven demand for tech goods; core PCE is expected to end 2026 at 3.2% (Q4/Q4) before easing to 2.5% in 2027[15].
- The labor market is stable rather than heating up — three-month average payroll growth slowed to 111,000 from 188,000, and the dip in unemployment reflected labor force exits, so the forecast holds unemployment at 4.2% through year-end[15].
- Housing and non-residential structures stay weak — residential investment contracts 4.2% in 2026 and structures fall 4.1%, as elevated materials costs, high capital costs and fewer groundbreakings suppress new construction; data centers and power are the exception[15].
- Fiscal deficits remain wide at $1.98 trillion (6.1% of GDP) in FY 2026 and $2.0 trillion (5.9% of GDP) in FY 2027, and another stimulative reconciliation bill is viewed as unlikely[15].

Personal Consumption Expenditures
Monthly, Seasonally Adjusted



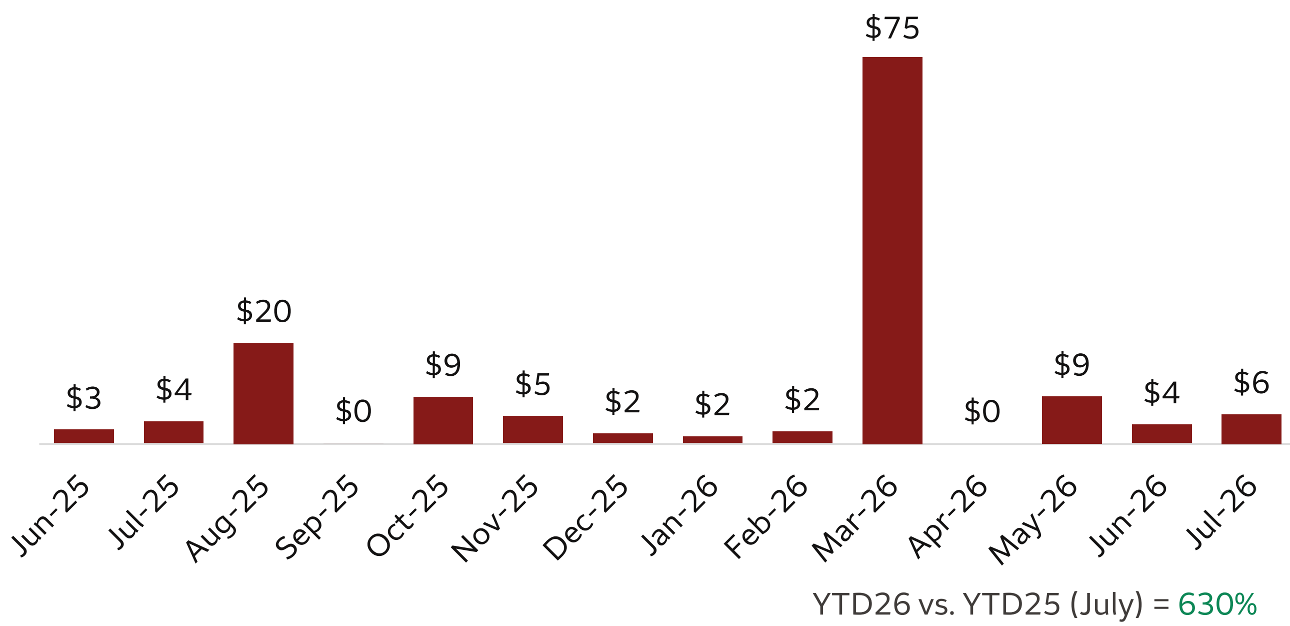
Source: Federal Reserve Bank of St. Louis (FRED)

Industry news

Food, Beverage & Ag – M&A Volumes through July 2026

Announced U.S. food, beverage and agriculture M&A is up roughly 630% year over year through July, powered by an exceptionally active March — two megadeals, McCormick/Unilever Foods ($44.8 billion) and Sysco/JRD Unico ($29.1 billion), drove the bulk of the month's $75.3 billion across 46 deals, with egg and protein assets also drawing capital via Warburg Pincus/Global Eggs and Cal-Maine/Creighton Brothers[16].

U.S. M&A Announced Volume - Food, Beverage and Agriculture
($ in Billions)



Source: LSEG. Note: Data based on rank date as of July 31, 2026. Mid Industry based on target.

Food & Beverage remains the overwhelming driver of sector M&A dollars — roughly $141.7 billion of disclosed value across 138 deals since January 2025, versus just $4.2 billion across 26 deals in Agriculture and Livestock — with deal count fairly steady month to month while dollar volume is highly episodic, spiking on individual megadeals (August 2025's $19.7 billion JDE Peets deal, March 2026's $74.2 billion McCormick/Sysco combination)[16].

Food highlights

Restaurant Industry Trends: Supply Chains Tighten as Diners Trade Up Selectively

Restaurants face divergent, agriculture-driven input costs and tighter pricing headroom, while a more selective consumer rewards clear value and protein-forward, better-for-you offerings..

Supply chain dynamics

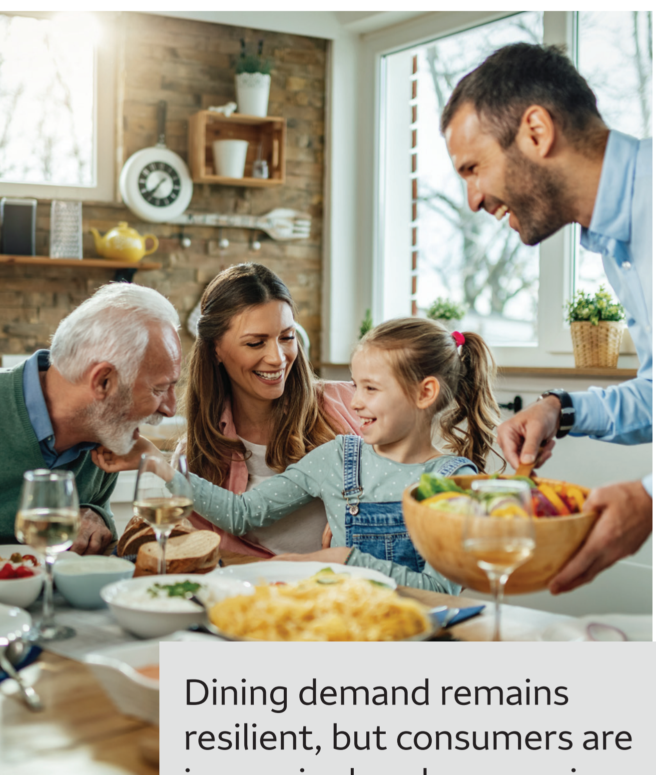
- Input costs are diverging by commodity rather than moving as one. Producer prices in June 2026 rose sharply for fresh vegetables (+98.5%), finfish (+30.8%), fats and oils (+24.3%), beef and veal (+12.7%) and coffee (+7.8%), while eggs (-83.3%), butter (-33.3%), pork (-14.1%) and cheese (-5.1%) fell — so pricing relief now depends heavily on each operator's menu mix.[17]
- Rising energy costs continue to feed distributor fuel surcharges (energy CPI +15.7% YoY in June 2026), lifting delivery expenses for operators even as headline food prices are roughly flat year over year.[18]

Rising Costs

Vegetables +99%
Finfish +31%
Oils +24%
Beef +13%

Falling Costs

Eggs -83%
Butter -33%
Pork -14%
Cheese -5%



Dining demand remains resilient, but consumers are increasingly value conscious.

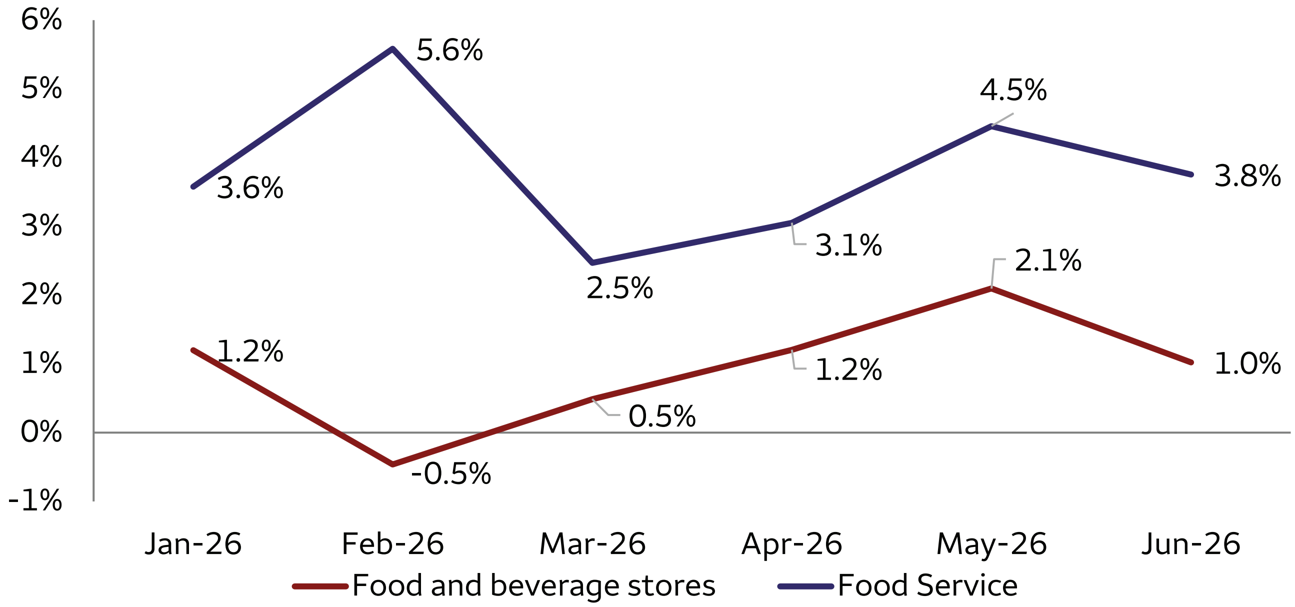
Pricing trends

- Menu pricing power is thinner than in prior years: food-away-from-home CPI rose 3.4% YoY in June 2026, and rising food cost is now the single biggest inventory challenge for 54% of operators (up from 39%).[19]
- Nominal sales are being carried by price, not volume — same-store sales accelerated to +1.8% in May while traffic fell -2.0%, and real eating-and-drinking-place sales were up only 0.4% YoY in June.[19]
- Operators are shifting from broad discounting to tiered pricing, smaller pack/portion formats, and meal-solution value that protects check size while keeping the total ticket manageable.[20]

Demand backdrop

Even though food-away-from-home CPI continues to run above food-at-home (June 2026 YoY: 3.4% vs. 2.7%), demand remains resilient but increasingly selective: consumers protect check size over frequency and reserve premium dining for occasions where the value proposition is clear.[21]

Advanced Retail Sales
YoY % change



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

Food Retail Holds Up: Modest Price Gains as Volumes Soften

The latest 12 weeks of Nielsen retail data (week ending July 11, 2026) show food retail spending remains resilient. Total food dollar sales rose **+2.0%** year over year[22]. Growth remains price-led: real (volume) demand is essentially flat as shoppers absorb selective inflation and trade toward value.

Pricing and Volume Snapshot by Department

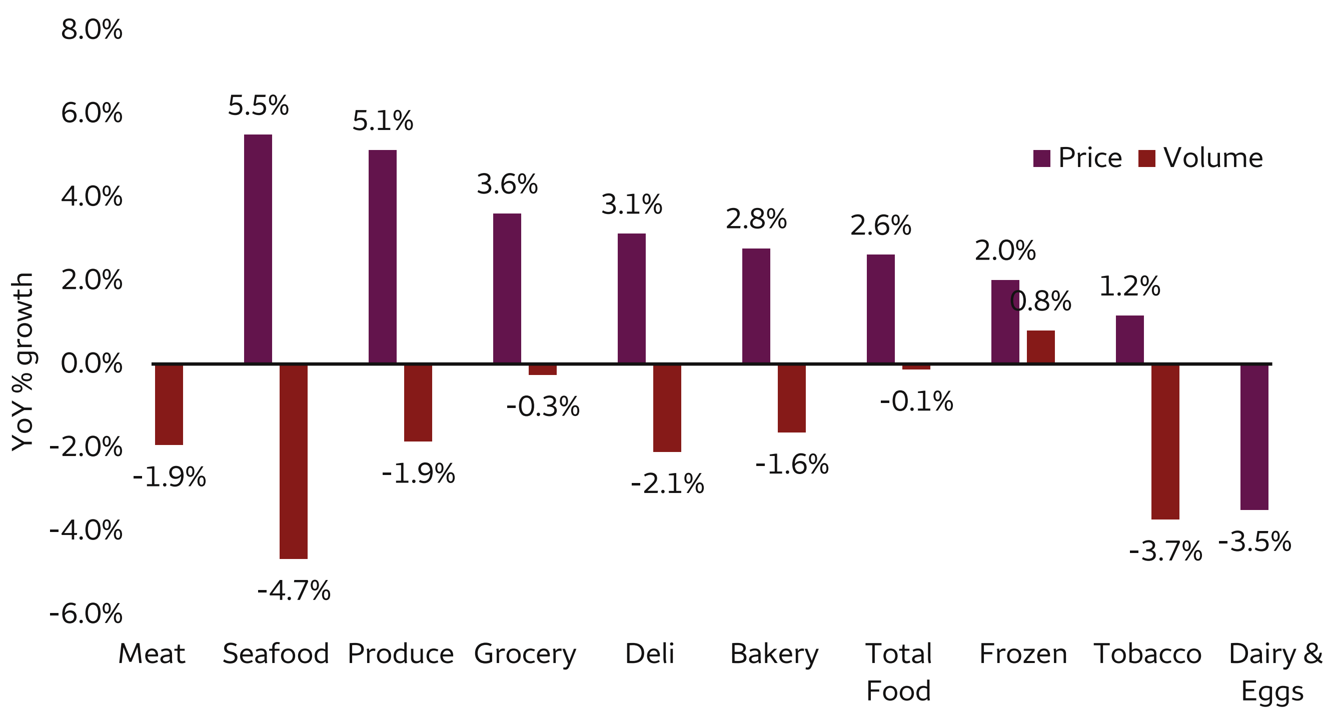
Inflation is concentrated in proteins, seafood, produce and select center-store categories, alongside outright deflation in dairy tied to recovering egg supply.

Department highlights

- **Dairy (incl. eggs):** Only protein/perishable department in decline (sales -2.7%) due to egg price deflation (-36.4%) as layer flocks recover from HPAI. Yogurt (+10.6%) and milk products (+6.2%) were bright spots[22].
- **Meat:** Strongest major department (sales +3.9%) despite the highest inflation (+5.9%) and lower volume (-1.9%)[22]. Beef drove growth (sales +7.7%, price +11.4%) amid historically tight cattle supplies, while chicken gained share as a value alternative (volume +2.0%)[23]. Bacon (-4.3%) and packaged lunchmeat (-3.4%) lagged[22].
- **Grocery:** Sales rose 3.3% as health-and-wellness categories led growth, including diet & nutrition (+11.5%) and performance nutrition (+8.5%)[22]. Coffee sales jumped 13.4%, driven almost entirely by higher prices, while beverages and salty snacks benefited from summer holiday demand.
- **Produce:** Reflecting peak summer harvests, melons and cherries posted strong sales compared with the prior 12 weeks[22]. Tomatoes (+17.9%), blueberries (+16.3%), and lettuce (+13.5%) led category sales growth, primarily driven by higher prices[22]. Avocados highlighted price elasticity, with an 18.0% price decline driving 15.2% volume growth[22].
- **Frozen, Deli and Bakery:** Frozen posted the only positive volume growth (+0.8%) and the lowest inflation (+2.0%), reinforcing its value appeal[22]. Deli and bakery delivered modest sales gains, offset by volume declines[22].
- **Pressure Points – Seafood and Tobacco:** Seafood sales increased 0.6% despite a 4.7% volume decline as prices rose 5.5%.[22] Tobacco sales fell 2.6%, reflecting continued category contraction[22].

Latest 12 Weeks - Retail Trends - Food Departments

as of week ending July 11, 2026



Source: Data reported by Nielsen ("NIQ") through its Discover for w/e 7/11/2026, for the United States. Total Food includes Dept level categories of Dairy, Meat, Seafood, Produce, Grocery, Frozen, Deli, and Bakery.

Beverage highlights

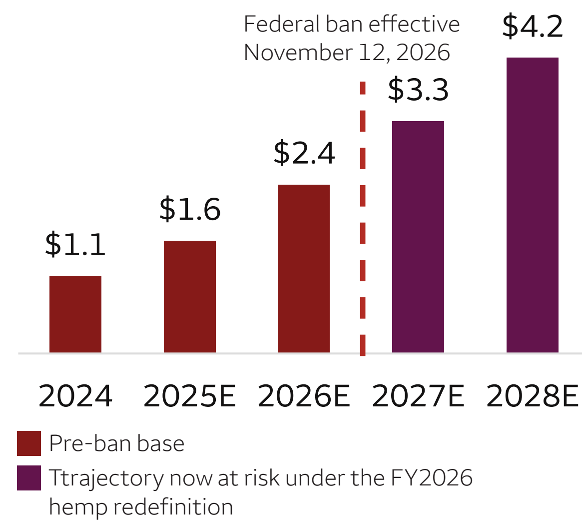
THC Beverages: A $4 Billion Wave Meets a Federal Wall

Situation snapshot

Hemp-derived THC beverages — low-dose seltzers and "social tonics" sold in liquor stores, c-stores, and mainstream retail — became one of the fastest-growing corners of the beverage aisle. Legal U.S. sales reached roughly $1.1 billion by 2024, against a conservatively estimated $10–15 billion addressable market.[24] Their rise has coincided with —but is not the primary cause of — a broad alcohol slowdown. Total U.S. beverage-alcohol volume fell about 5% in 2025, with beer down 6%, wine down 6%, and spirits down 4%.[25] The Beer Institute reported beer shipments down 5.9% for the year, with declines in all 50 states.[25] Notably, IWSR finds the number of Americans who drink is roughly stable — the decline is driven by moderation and affordability, not people quitting alcohol.

U.S. legal THC-beverage sales

($ in billions)



Source: Reuters, "Big Alcohol prepares to fight back as buzzy cannabis drinks steal sales," July 2025 — >$4 billion trajectory by 2028; IWSR, U.S. Navigator 2025 data

The Outlook

The runway just changed. The category had been on a path past $4 billion by 2028 before the ban. The FY2026 appropriations law (P.L. 119-37, §781) redefines hemp on a "total-THC" basis and caps finished products at 0.4 mg of THC per container — versus the 2.5–10 mg in products on the market today — with the rule taking effect November 12, 2026[26]. That would render the vast majority of hemp-derived THC beverages federally unlawful, in a hemp sector valued at roughly $28.4 billion supporting an estimated 300,000 jobs[26].

Why it matters

Expect demand to migrate — not disappear — into state-licensed dispensary channels and states building their own hemp-beverage frameworks. Watch three implications: (1) a modest tailwind for beer, wine, and spirits as a competing occasion is removed, though the secular "drink-less" trend persists; (2) distressed-asset consolidation among hemp brands over the next several quarters; and (3) alcohol majors circling the category via minority stakes and JVs, waiting for a regulated framework rather than an outright ban.

Federal THC Limits Could Disrupt the Industry's Growth Trajectory

Beverage Retail Trends

Category snapshot - Latest 12 weeks of Nielsen retail data (week ending July 25, 2026)

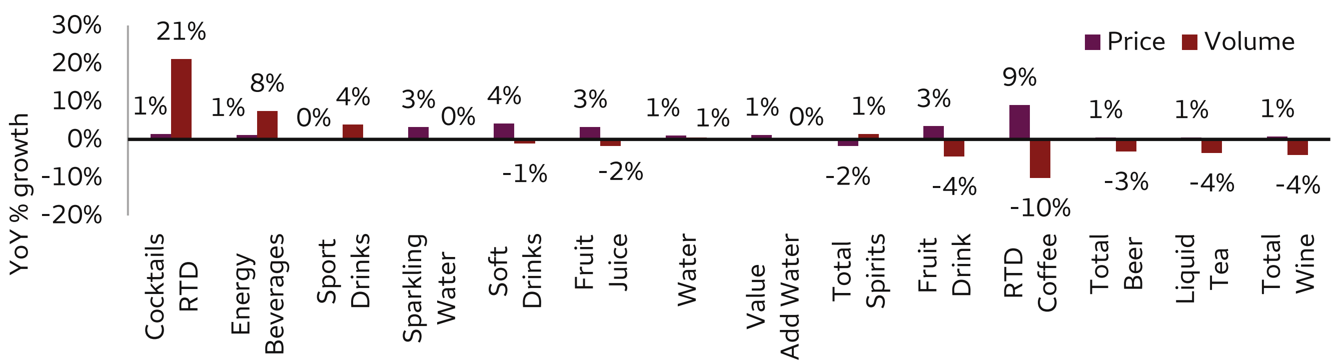
- **Non-alcoholic beverages:** Sales increased 3.1%, while volume declined 1.0%, reflecting price-driven growth.[27]
- **Alcoholic beverages:** Beer sales fell 2.6%, wine declined 3.3%, and spirits slipped 0.4%. All major alcohol categories experienced volume pressure, though spirits volume rose 1.4%, offset by 1.8% price declines.[27]

What’s growing / softening

- **Energy drinks** remained a standout performer, with sales up 8.7% and volume up 7.5%.[27]
- **RTD cocktails** posted strong sales growth of 23.0% and volume growth of 21.2%.[27]
- **Non-alcoholic wine and spirits** continued gaining traction, with sales increasing 21.7% to 30.0% and non-alcoholic spirits prices rising 12.2%[27], indicating consumers remain willing to pay a premium for moderation-focused alternatives.
- **RTD coffee** showed signs of consumer push back with volume down 10.0% on a 9.1% increase in pricing.[27]
- **Craft beer** volume fell 6.4%, with only a limited number of leading craft brands generating positive year-to-date growth.[28, 29]
- **Still wine** volume declined 4.4% as seasonal demand shifted toward sparkling and rosé varietals.[27]
- **Spirits suppliers** continued discounting to support demand, resulting in a 1.8% decline in category pricing.[27]

Latest 12 Weeks - Retail Trends - Beverage Categories

as of week ending July 25, 2026



Source: NielsenIQ, Total U.S. xAOC (alcohol) and Total U.S. Full View (Modeled)+Conv+Pet Retail+Costco (Model)+Rem Accounts (non-alcohol), Latest 12 Wks / YTD 30 Wks ended 7/25/26

Beer: Seasonality and the World Cup Effect

The FIFA World Cup boosted beer consumption in bars, restaurants, stadiums, and other on-premise venues, but the benefit did not meaningfully translate to retail channels. Beer sales increased 14% in U.S. host cities during the tournament's first four weeks, while nationwide on-premise beer sales rose roughly 5.5%[30]. Despite these gains, measured off-premise retail sales remained negative throughout the quarter, suggesting the event shifted consumption occasions rather than expanded overall demand.[28]

Consumer preferences favored imports, premium offerings, and easy-drinking styles. Lager and wheat beers gained share in on-premise channels, while craft beer and IPAs lost share. This aligns with retail trends, where imports and domestic super-premium brands outperformed craft offerings.[29] Against a backdrop of a 17% decline in U.S. beer consumption over the past decade, the World Cup appears to have provided a temporary demand lift rather than signaling a sustained category recovery.[29]

Agribusiness highlights

U.S. Beef – Reopening of the Southern Border to Mexican Feeder Cattle

USDA's phased reopening of the U.S.–Mexico livestock border restores a small piece of feeder-cattle supply. While directionally supportive of easing record beef prices, cattle imports will likely be too small and too gradual to move markets in 2026.

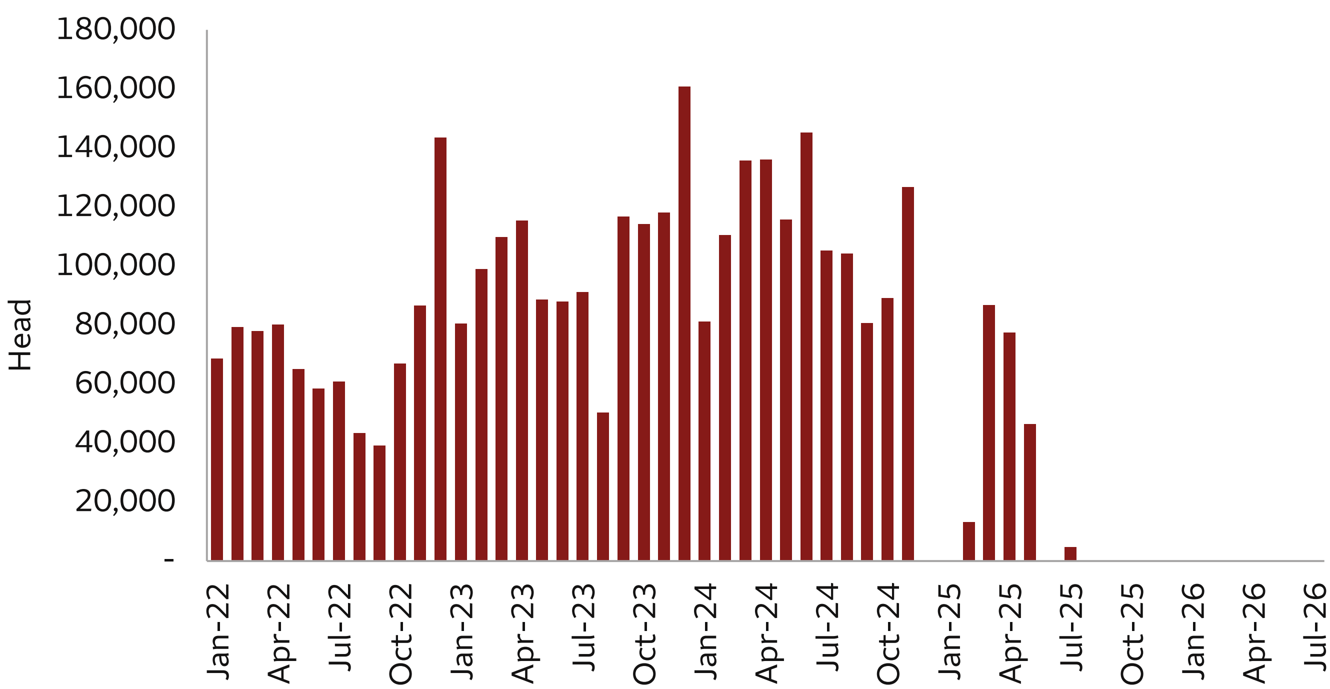
Situation snapshot

- **Phased reopening begins Aug. 24, 2026 at Douglas, Arizona**, with New Mexico ports to follow at a later date. The roughly 15-month closure had cut off a channel that typically supplies 1 million Mexican feeder calves per year or roughly 5% of U.S.-processed cattle.[31]

Implications

- **Feedyards and packers get marginal, not immediate, relief.** Expected cattle flows will be small for many weeks, so Southwest feedyard placements and packer throughput stay constrained through 2026.
- **Supply dynamics improve only at the margin.** Cattle-on-feed inventory is up 2.2% year over year on slow feedlot turnover and record carcass weights, and Mexican imports add only incrementally against a still-shrinking domestic herd.[32]
- **Price and cattle-market impact should be limited near term.** Economists expect a minimal market impact beyond a possible initial futures reaction. A return to historic import levels—if it happens—would likely take many months, keeping downward pressure on feeder/fed-cattle prices gradual and back-half-weighted rather than immediate.[32]

U.S. feeder cattle imports from Mexico, monthly



Source: USDA- AMS, July 2026

U.S. Fertilizer Market – Current Trends

The 2026 market is diverging: geopolitical shock has spiked ammonia and sulfur, but urea and UAN—the products a corn grower buys most—are cheaper than a year ago, leaving farm-level input bills modestly lower despite the headlines.

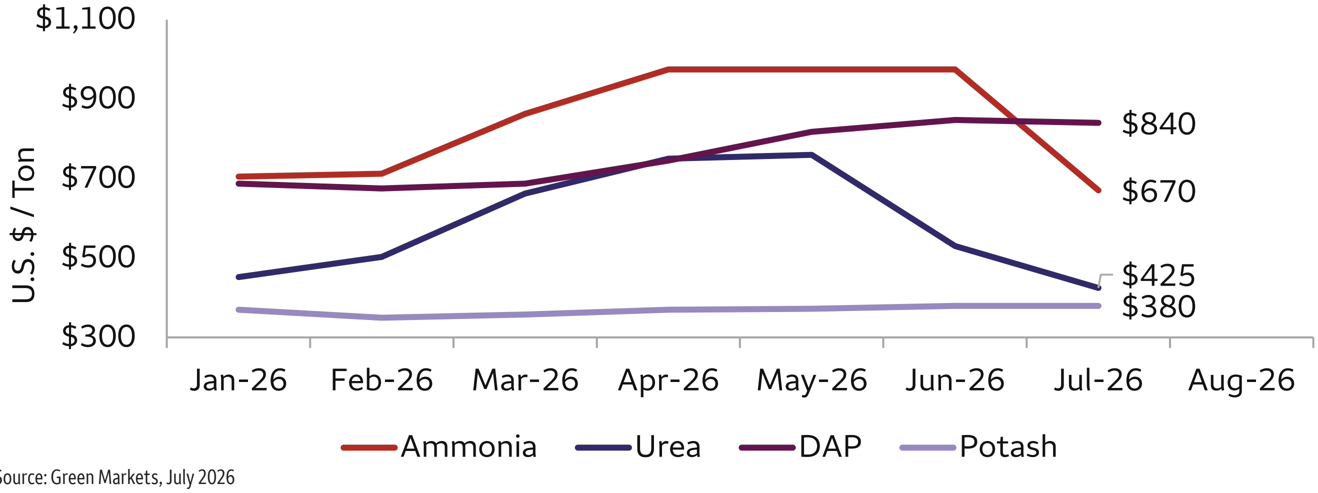
Key drivers

- **Supply chain:** the Iran–Hormuz conflict has cut shipping through the strait, disrupting Gulf ammonia, urea, and sulfur flows; U.S. urea imports fell 54.7% in May as Russia and India realign trade, and a Jones Act shipping waiver for fertilizer lapses next month.[33]
- **Pricing:** ammonia is up about 60% and sulfur roughly 3–4x year over year, while urea and UAN are down about 7–15%; phosphate is up modestly and potash is flat.[33]
- **Regulatory:** 2025 IEEPA tariffs lifted DAP/MAP by more than $50/mt before November exemptions eased them[33]; Canadian potash is largely tariff-exempt, and a March 2026 review could lift Morocco/Russia phosphate duties.[35]
- **Demand:** buyers are delaying rather than cutting purchases[33], and precision application, enhanced-efficiency fertilizers, and biologicals are trimming per-acre synthetic use even as corn futures support 2027 acreage.

Implications

- **Farm margins look workable, not squeezed.** The representative Corn Belt fertilizer bill is roughly $171/acre, below 2025 levels—corn price, not fertilizer cost, is the bigger swing factor for 2027 profitability.[36]
- **Watch nitrogen and trade policy.** A Hormuz escalation, a Russia supply shock, or a lapsed shipping waiver are the main reversal risks—relevant to input-supplier working capital and ag-borrower financing.

Green Markets Fertilizer: Weekly Price Trends - Cornbelt
(Ohio, Indiana, Illinois, Iowa, Missouri, Nebraska)



Source: Green Markets, July 2026

Foodborne illness outbreak strikes the produce industry

The situation

A nationwide Cyclospora outbreak linked to fresh produce garnered significant media attention this summer. After lettuce was identified as a potential source in July, weekly retail lettuce sales declined by as much as 18% year over year[22].

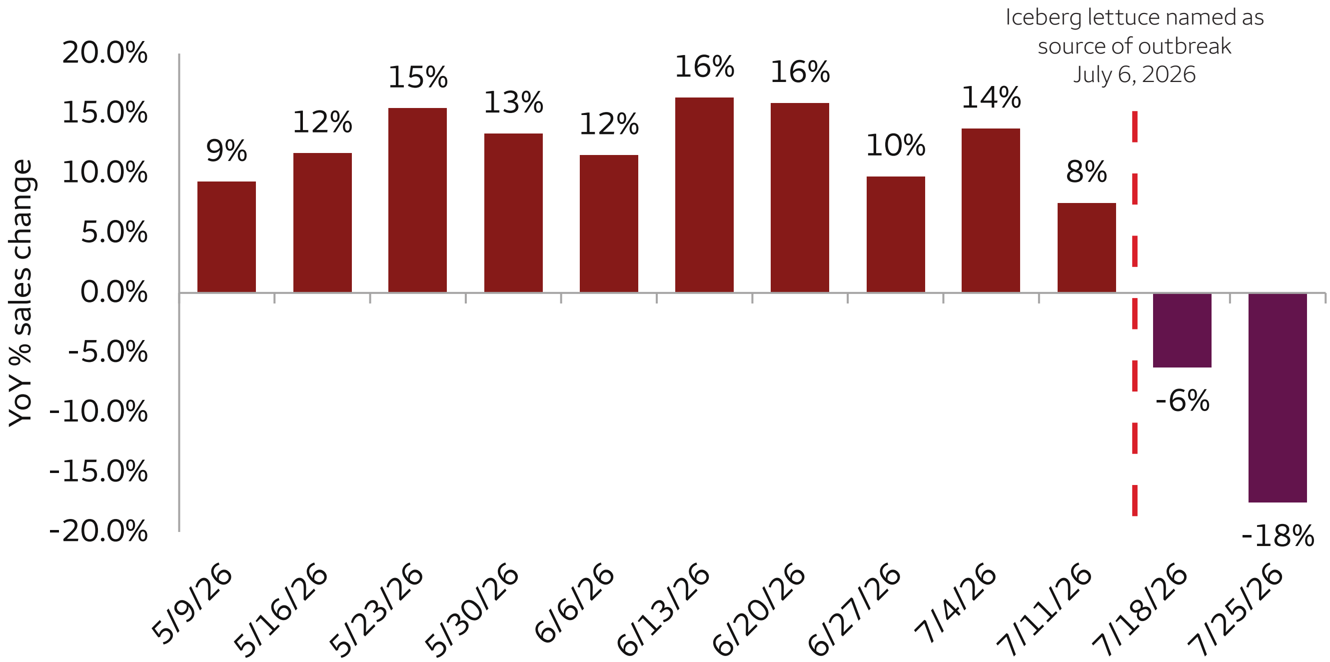
What's next?

While foodborne illness outbreaks can create short-term headwinds for an industry, consumer concerns tend to fade relatively quickly, particularly for staple products such as lettuce.

Lettuce and salad products continue to benefit from strong consumer interest in health and wellness, as they are widely perceived as nutritious food choices. This underlying demand should support a faster recovery for the category following the outbreak. In the near term, however, lettuce sales may remain pressured as some consumers temporarily shift purchases toward alternative leafy greens such as spinach and kale. Over the long term, the impact on overall category demand is expected to be limited.

Because produce remains the leading source of foodborne illness outbreaks in the United States, regulatory scrutiny of the sector is likely to remain elevated. Continued focus on food safety, traceability, prevention, and detection measures is expected across the produce supply chain.

Weekly Nielsen Retail Sales - Lettuce
as of week ending July 25, 2026



Source: Data reported by Nielsen ("NIQ") through its Discover for w/e 7/25/2026, for the United States.

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Sources

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3. USDA Economic Research Service, Food Price Outlook and Ag and Food Statistics (2026): all-food CPI +9.9% (2022, largest annual increase in the series) and +5.8% (2023); food-price growth averaged +2.6% per year across 2024–25. Food at home specifically rose +11.4% (2022), +1.2% (2024), and +2.3% (2025), and was +2.7% year over year in June 2026 (BLS CPI).
4. BLS Consumer Expenditure Survey, 2023 (published Dec. 2024): average annual food spending and income before taxes by income class. On an after-tax (disposable) basis the gap narrows but remains roughly four-to-one. The under-$15,000 class is omitted from the table because very low or negative reported income distorts the spending-as-share calculation.
5. USDA ERS, Household Food Security in the United States (ERR-358, Dec. 2025; key statistics updated Mar. 2026): share of households reporting difficulty consistently affording needed food was 10.5% (2019), 10.2% (2021), 12.8% (2022), 13.5% (2023, 18.0 million households), and 13.7% (2024, 18.3 million households / 47.9 million people). Federal nutrition assistance, including SNAP, can help support household food budgets and is not fully reflected in out-of-pocket food-spending shares.
6. Private Label Manufacturers Association / Circana (Jan. 2026): U.S. store-brand sales reached a record $282.8 billion in 2025; dollar share rose to a record 21.3% (from 19.1% in 2021) and store-brand dollar sales grew roughly three times faster than national brands.
7. BLS Consumer Expenditure Survey, 2019–2023 (highest income quintile): nominal average food spending $13,987 (2019) to $16,996 (2023), +22%; deflated by the all-food CPI, real spending was about 3% lower in 2023 than 2019. USDA ERS reports food away from home reached a record 58.9% of total food expenditures in 2024.
8. Circana 2026 Food & Beverage Outlook (industry price/mix gains of 2–4%, unit volumes flat to slightly negative) and NielsenIQ (premium growth "more organic than price-driven"). Industry-panel estimates point to growth from product mix, selective trade-up, and clearly differentiated benefits such as quality, convenience, health, protein, freshness, or premium attributes.
9. Cornell University / Numerator, Journal of Marketing Research (2025): associational panel study, ~150,000 households, ~one year of data (about one-third of users discontinued). Within ~6 months of starting a GLP-1: grocery spending −5.3%, fast food −8%, and selected calorie-dense categories such as savory snacks, sweets, baked goods, and cookies declined; yogurt, fresh fruit, and nutrition bars rose. Directional estimate; results point to possible category-mix shifts and more intentional purchasing, not a definitive long-term demand forecast.
10. Food Dive / Cornell-Numerator coverage (2025): ~15 million U.S. adults use GLP-1 drugs. Nestlé launched Vital Pursuit and a Boost pre-meal drink; Conagra added "GLP-1 friendly" Healthy Choice labels; Hershey cited a "mild" impact. Morgan Stanley projects a ~$105 billion obesity-drug market by 2030 (a forecast). Company references are illustrative of industry trends, not recommendations.
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26. Continuing Appropriations / Extensions Act, 2026 (P.L. 119-37), §781; legal analysis via Frier Levitt — total-THC standard, 0.4 mg/container cap, effective Nov 12, 2026; $28.4B sector, ~300,000 jobs
27. NielsenIQ, Total U.S. xAOC (alcohol) and Total U.S. Full View (Modeled)+Conv+Pet Retail+Costco (Model)+Rem Accounts (non-alcohol), Latest 12 Wks / YTD 30 Wks ended 7/25/26
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