

RIVERON

AGRICULTURE 2030

Key Emerging Industry Trends

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RIVERON AT-A-GLANCE

WHO WE ARE

Riveron is a business advisory firm specializing in accounting, finance, technology, and operations. We partner with our clients and their stakeholders to elevate performance and expand possibilities across the transaction and business lifecycle.

600+

*advisory
experts*

12

*offices across
the country*

70%

*of business from
repeat clients*

WHAT WE DO

Accounting Advisory • Accounting & Finance
Operations • Capital Markets & Divestitures •
Performance Improvement • Restructuring &
Turnaround • Tax • Technology • Transactions

WHO WE WORK WITH

CORPORATIONS

PRIVATE EQUITY

**LENDERS &
BORROWERS**

PARTNERS

WHY WE'RE DIFFERENT

We work alongside our clients to understand their business at every level and generate insightful solutions, with:

- ▶ Disciplined, best-in-class analysis of the business and financial fundamentals that underpin success and create opportunity
- ▶ Thoughtfully integrated teams with deep functional and industry expertise
- ▶ Experience-based creativity and perspective to address unique needs
- ▶ Commitment to treating our client's business as our own and working seamlessly as an extension of the organization

AGRICULTURE 2030 | EMERGING TRENDS AND CHALLENGES

SHORT TERM

- ▶ Inputs
- ▶ Supply Chain
- ▶ Labor
- ▶ Production Systems

LONG TERM

- ▶ Consolidation; Manufacturers and Producers
- ▶ Climate
- ▶ Supply Chain and Related Issues
- ▶ Electric Vehicles

Commodity Prices and Availability



AGRICULTURE 2030 | KEY EMERGING INDUSTRY TRENDS

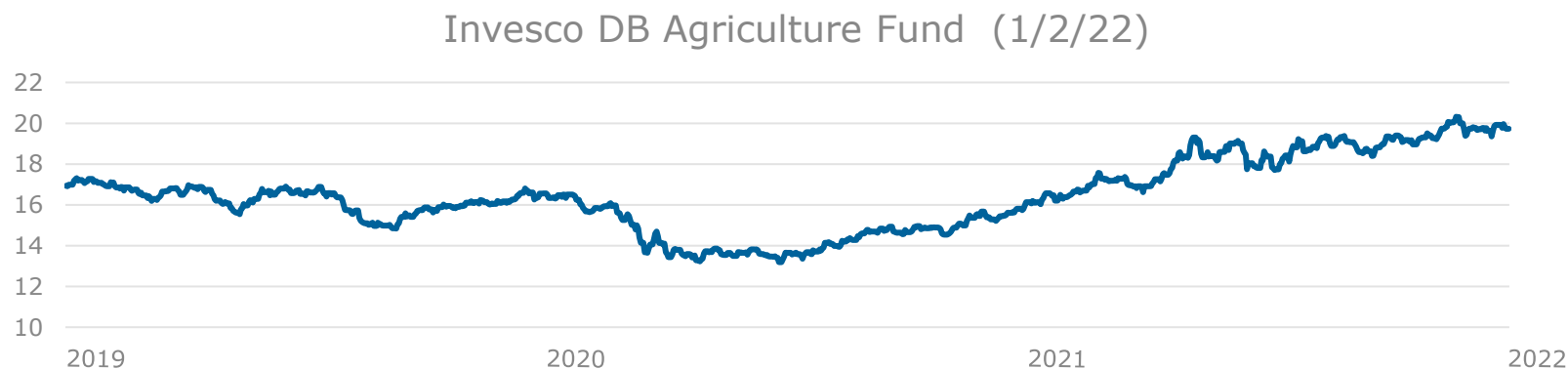
CROP PRODUCTION

- ▶ Apples and Cherries
- ▶ Corn and Soybeans
- ▶ Wheat, Dry Beans and Sugar Beets
- ▶ Potatoes

CHALLENGES

- ▶ Logistics
- ▶ Processors and Distribution
- ▶ Retail and Food Service; Schools, White Table Cloth and Fast Food
- ▶ Electric Vehicles

FOOD COMMODITY PRICES ARE EXPERIENCING BOTH SHORT-TERM AND LONG-TERM ISSUES



Invesco DB Agriculture Fund (DBA) invests in a wide range of agriculture futures contracts. It is a good indicator of future agriculture commodity prices.

Major Issues Facing Food Commodity Prices

- ▶ Labor shortages
- ▶ Logistics, especially from processors to distribution and retail
- ▶ Pandemic reactions impacting food demand.
- ▶ Western US experiencing the one of its worst draughts ever.
- ▶ Meat consumption around the world, especially pork is up.

Labor situation



AGRICULTURE 2030 | KEY EMERGING INDUSTRY TRENDS

LABOR

- ▶ This Isn't New
- ▶ People Leaving the Workforce
- ▶ Interest and Expertise
- ▶ Competition for Workers (CDLs)
- ▶ Quality of Life
- ▶ Wages

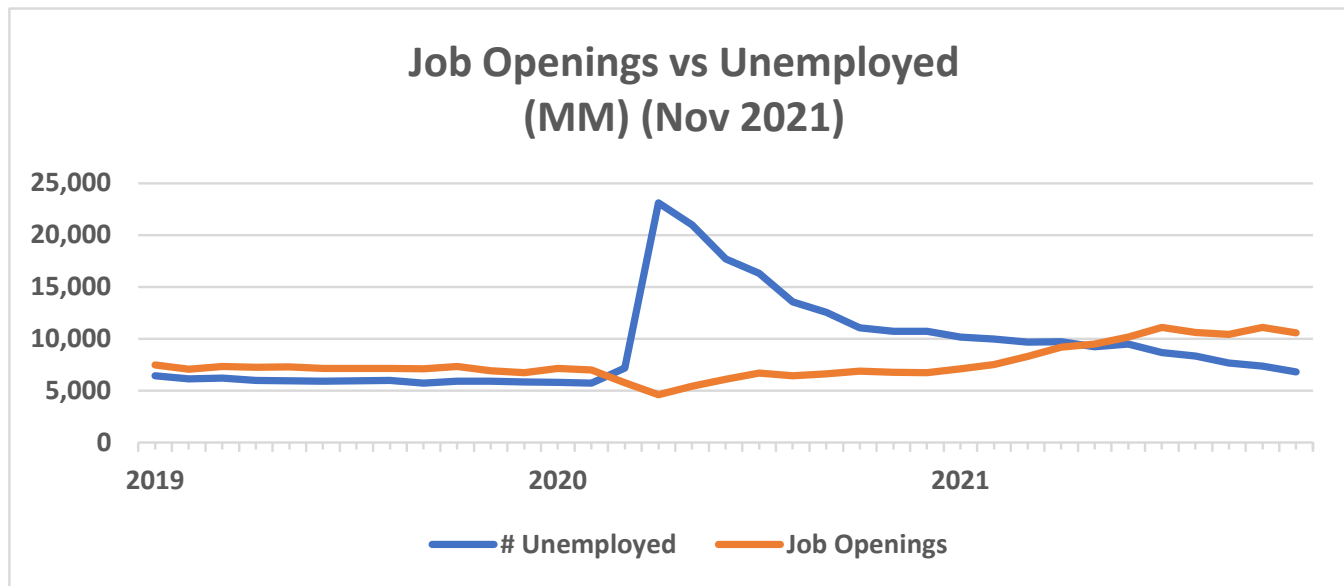
"Average hourly wage rose 4.7% in 2021, but wages actually fell 2.4% as a result of inflation..."

Washington Post

LABOR CONTINUES TO BE AN ISSUE IN THE FOOD INDUSTRY

Finding Dependable Workers Is An Ongoing Challenge

- ▶ May 2021 saw job openings surpass the number of people unemployed for the first time since March 2020, but at a much higher point than historic levels.
- ▶ On September 5, 2021 several pandemic-related federal unemployment benefit programs ended, but few returned to the workforce.



Source: US Bureau of Labor and Statistics

**Transportation
challenges began
before the pandemic.**

**They will continue
well after it ends.**

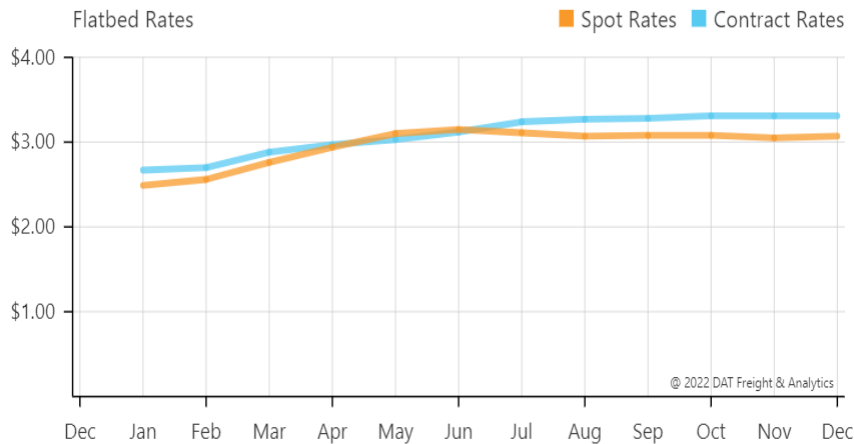


TRANSPORTATION ISSUES WILL CONTINUE

Demand Is Overwhelming Supply

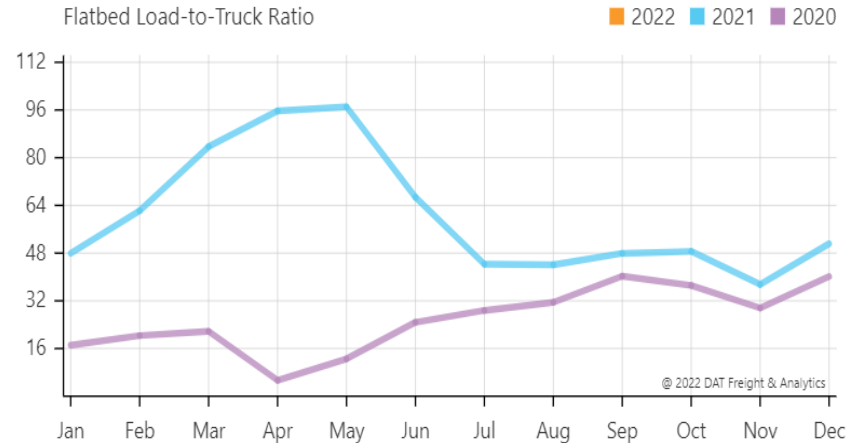
- ▶ According to industry sources, the US had a shortfall of 60,000 truck drivers **before** the pandemic began.
- ▶ The American Trucking Association CEO testified to Congress that **1,100,000 new drivers** will be needed over the next ten years just to meet demand.

Avg line haul rates and fuel surcharges for flatbeds in the past 13 months



Source: DAT Trendlines powered by DAT iQ

Flatbed Load-to-Truck Ratio



Source: DAT Trendlines powered by DAT iQ

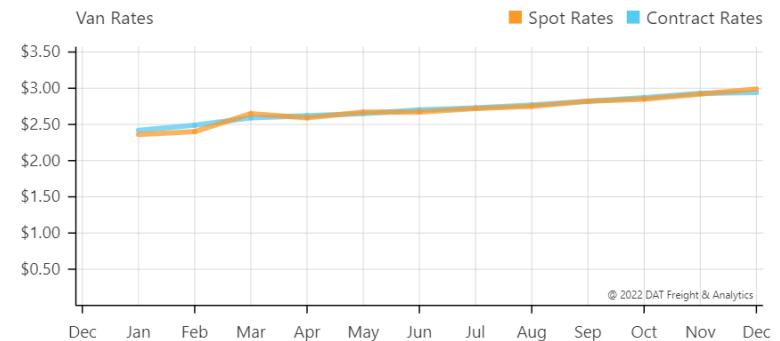
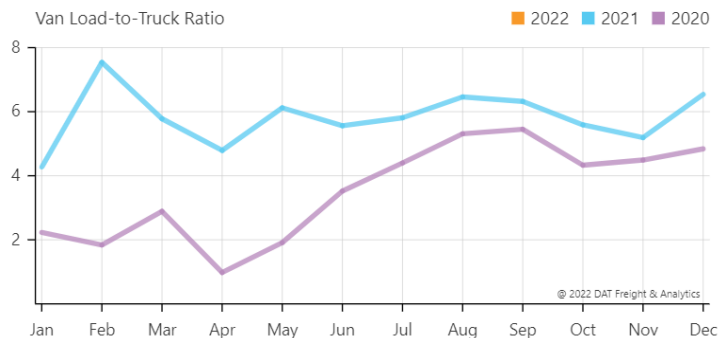
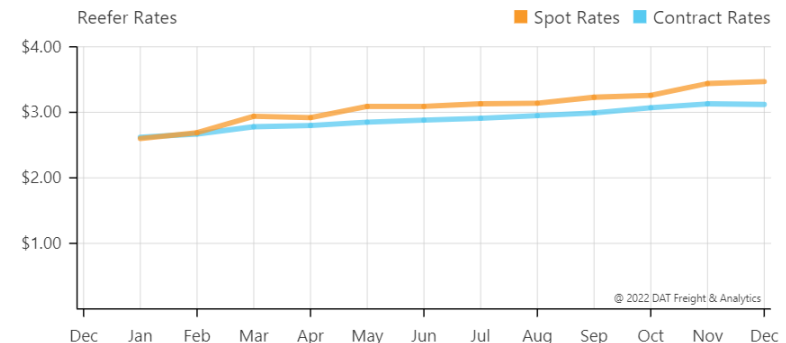
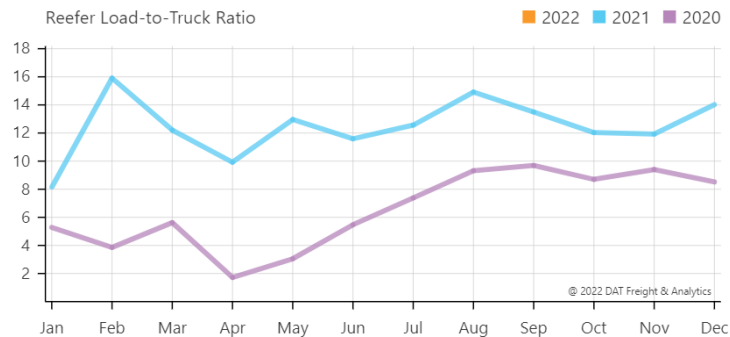
Stating The Obvious: Rates Are UP!

- ▶ Spot market rates which include fuel surcharges, have **increased 23%** over the last thirteen months
- ▶ As expected, contract renewal rates have moved higher than spot rates. This trend is expected to continue.

TRANSPORTATION (CONT.)

Reefers and Vans

- ▶ The Flatbed patterns are also evident in the Reefer and Van markets
- ▶ Contract renewals will likely face similar increases to those in the Flatbed market

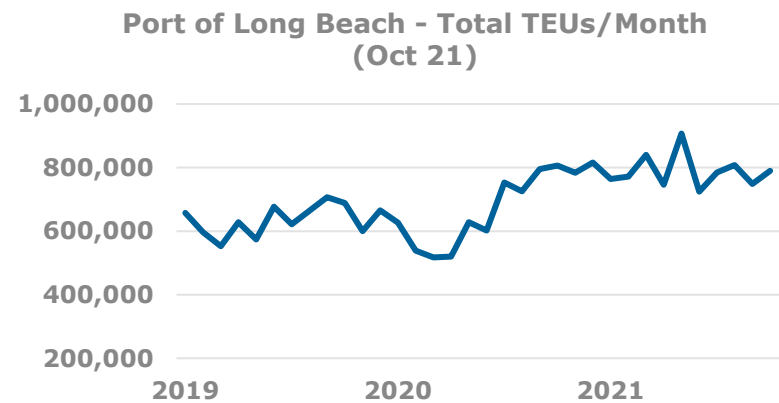
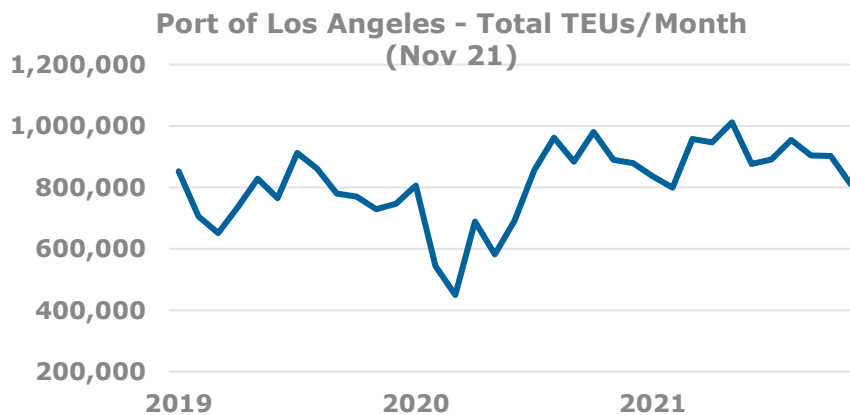


Source: DAT Trendlines powered by DAT iQ

OCEAN TRANSPORTATION

The West Coast port issues continue

- ▶ Both Los Angeles and Long Beach are operating near capacity. Long Beach experienced record container volume in May.
- ▶ Labor issues and high volumes are causing significant delays in container processing.
- ▶ US exports are suffering as four of every five containers leave the ports empty.



- ▶ Challenges are also increasing in Asia. Major Chinese ports are currently operating at 30% of capacity due to new COVID-19 outbreaks.

AGRICULTURE 2030 | KEY EMERGING INDUSTRY TRENDS

INPUT SUPPLY AND PRICING

- ▶ Fertilizer
 - ▶ High Demand
 - ▶ Allocated Supply
 - ▶ Variable Pricing
 - ▶ Production Curtailed
 - ▶ Imports Restricted
 - ▶ Consolidated Market

INPUT SUPPLY AND PRICING

- ▶ Pesticides
 - ▶ High Demand
 - ▶ Allocated Supply or Shortages
 - ▶ “Tech” From China
 - ▶ Low Inventories
 - ▶ Product Challenges
 - ▶ Glyphosate
 - ▶ Paraquat

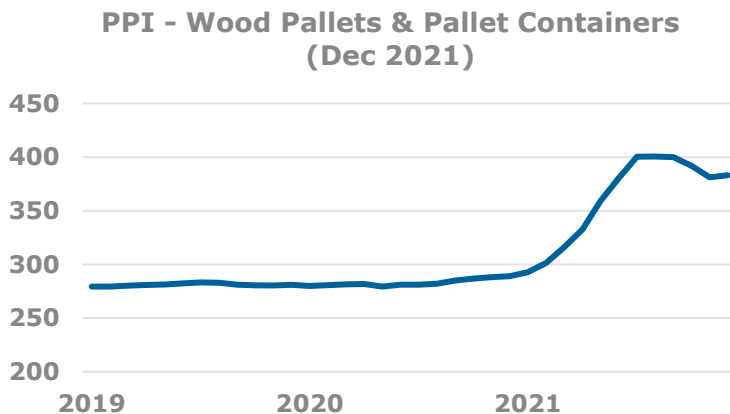
**Packaging and
transport materials
are facing significant
bottlenecks.**



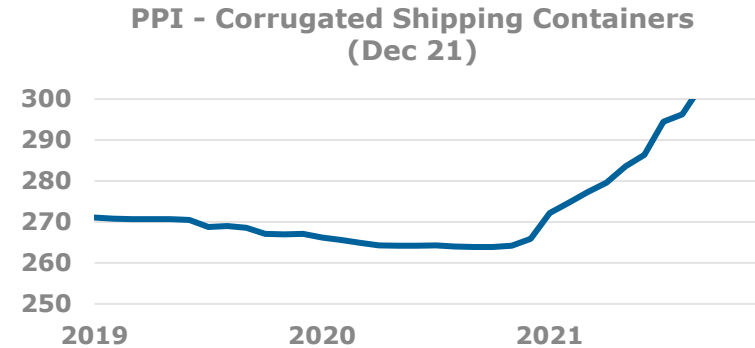
PACKAGING PRICES ARE UP DUE TO CHANGES IN CONSUMER BEHAVIOR.

Cardboard

- ▶ Increased demand due to e-commerce
- ▶ Papermill capacity constraints
- ▶ Adhesives are subject to increasing corn prices



Source: US Bureau of Labor and Statistics



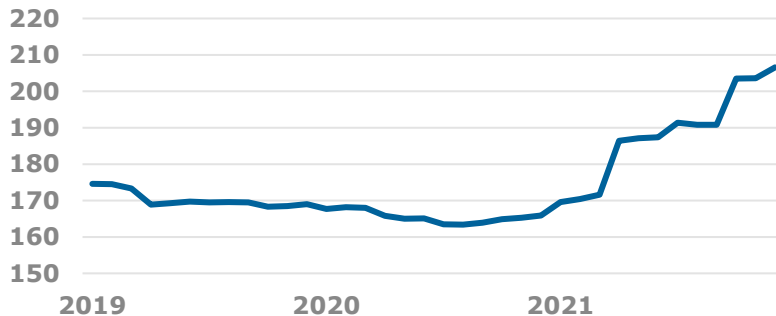
Source: US Bureau of Labor and Statistics

Pallets

- ▶ Lumber processing bottlenecks
- ▶ Border Restrictions
- ▶ US lumber shortages due to tariffs, wildfires, Canadian pine beetle infestation
- ▶ Logistics, getting pallets to the right place

RAW MATERIAL SUPPLY ISSUES CONTINUE

**PPI - Purchased Plastic Resin
(Dec 21)**



Source: US Bureau of Labor and Statistics

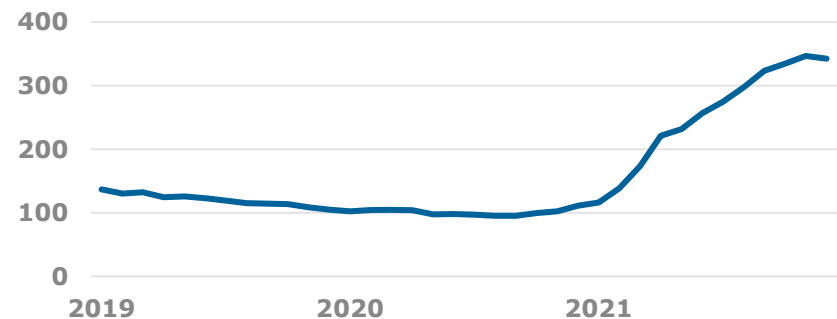
#10 Cans

- ▶ High demand
- ▶ Chinese supply from the Heibei province where 20% of global production originates
- ▶ Pricing up dramatically.

Plastic Resin

- ▶ Winter 2021 storms in southern US hit supplies very hard.
- ▶ Planned and unplanned production outages continue to hamper supply.
- ▶ Foreign resin is available at a higher cost.
- ▶ Demand

**PPI - Hot Rolled Steel Sheet & Strip
including Tin Mill Products**



Source: US Bureau of Labor and Statistics

AGRICULTURE 2030 | KEY EMERGING INDUSTRY TRENDS

LONG TERM TRENDS

CLIMATE

- ▶ Heat
- ▶ Drought
- ▶ Excess rain
- ▶ Wind Events

SUPPLY CHAIN

- ▶ Long Term Issue
- ▶ Drivers!
- ▶ Rail is Rail
- ▶ Ports; Imports and Exports

ELECTRIC VEHICLES

- ▶ Every major manufacturer headed that direction
- ▶ The number of electric vehicles on the road around the world will hit 125 million by 2030
- ▶ Fewer parts, less labor and ultimately reduced cost
- ▶ Reduced liquid motor fuel demand

CONSOLIDATION AND ISSUES

- ▶ Farms are getting bigger and bigger
- ▶ Suppliers are looking at direct business
- ▶ Number of retail outlets in question
- ▶ More efficiencies are needed
- ▶ Disruptions and challenges to the grain markets



**PUTTING IT ALL
TOGETHER**

FOOD COMMODITY PRICES ARE EXPERIENCING BOTH SHORT-TERM AND LONG-TERM ISSUES

Major Issues

- ▶ Labor issues critical, from the farm to the processor to distribution, retail and restaurants.
- ▶ Truck transportation challenges are a long term issue.
- ▶ The western drought continues. Will there be an exodus of California production?
- ▶ Plastic and steel issues are lasting longer than expected.
- ▶ Pallet challenges are easing
- ▶ Corrugated issues will continue, driven by e-commerce.
- ▶ Plastic related product issues will continue for a bit, probably until the fourth quarter of 2022

The Bottom Line

- ▶ Higher prices with significant volatility will remain for at least the next twenty-four months. All industry participants will be affected. Companies should be right-sized to a profitable product portfolio and costs adjusted accordingly.

SUMMARY

- ▶ Supply Chain
- ▶ Labor
- ▶ Reliability of international – China – markets
- ▶ Challenges of specialty crops/processors
- ▶ Electric vehicles will be a game changer
- ▶ Challenges to consolidation



OUR CHALLENGE IS TO.....



**“BE WHERE THE
PUCK IS GOING
TO BE”**

Wayne Gretzky

FOR MORE INFORMATION



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