COST OUTLOOK

2025 FORECAST

PRICING INTEL | ACTIONABLE MITIGATION SOLUTIONS

2025 ANNUAL COST OUTLOOK

Dear Valued Members,

Enclosed in this report are HPSI's latest projections and mitigation strategies to help inform your budget for the remainder of the year and into 2025. But information alone won't cut it.

As your trusted procurement partner, we've reimagined our approach to the Cost Outlook to provide more than just market intelligence —we're delivering actionable recommendations that drive results. Whether it's optimizing your budget or navigating economic shifts, we're here to guide you toward success.

Our team of sourcing and field support experts manage nearly 1,900 unique suppliers globally, bringing deep industry knowledge to the table. By collaborating with key supplier partners, industry analysts, and market reports, we curate insights and recommendations that matter to equip you with the edge to empower your business to thrive.

A few highlights noted in this report: Inflation has been returning to typical levels more slowly than expected post-pandemic. While it is anticipated to align with historical averages by 2025, the pace of this return remains uncertain due to recent reports of stable inflation rates

A slight cooling of the currently strong labor market combined with recovering commodity market trends, provide a cautiously optimistic outlook, with inflation stabilization expected by late 2025, dependent on Federal Reserve decision regarding interest rate cuts.

Your success is our mission and we are committed to helping you achieve it. If you have any questions, or would like to discuss this report, please reach out to your Purchasing Consultant.

Thank you for your continued trust in HPSI.

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TELL US WHAT YOU THINK

We value your feedback and want to hear what you think about this publication. Please take a minute to share your thoughts with your Purchasing Consultant.

LeadingAge members gain access to cost saving purchasing programs with the best-in-class suppliers through Value First and its partnership with HPSI.

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FIELD ADVICE
Look for this spotlight throughout where our experts share additional mitigation tips

MACROECONOMIC **TRENDS**

In 2025, real GDP is projected to grow by 2.4%, driven by a modest rebound in consumer spending and steady employment growth. This economic expansion is expected to maintain stable inflation rates, as demand increases align with supply capacities.

The unemployment rate is anticipated to fall slightly to 4.5% in 2025, reflecting a tight labor market that continues to add jobs above forecasts. Higher employment levels typically lead to increased consumer spending, which can exert upward pressure on inflation.

Consumer spending is expected to grow by 2% in 2025, despite a slowdown in economic activity in 2024, up from 4% in 2022. The rise in consumer spending supports economic growth but can also drive inflation if supply chains are unable to keep pace with increased demand.

LATAM economies are projected to stabilize, with Brazil and Mexico leading the way. However, political instability and currency fluctuations will play crucial roles in shaping inflation trends in Argentina continuing to drive inflation upwards.

ENERGY/TRANSPORT **MARKETS**

World oil demand growth slowed in recent months, while global supply edged up in June, buoyed by biofuels despite a Saudi decline. A potential Israel-Iran conflict could spike prices, but Gulf states' renewable energy investments aim to stabilize long-term prospects.

Global freight rates for 40-foot containers surged to record highs in June, driven by ongoing port closures, congestion, labor shortages, and capacity issues.

The Suez Canal is reporting a decline in transit due to security concerns resulting in longer trips and rising shipping rates for imported products.

WTI crude oil price stands at $78.28 per barrel. Year-to-date, WTI prices have risen by approximately 9.28%. These price movements have been influenced by various factors, including peak interest rates and escalating tensions in Israel.

The National Oceanic and Atmospheric Administration favors La Niña to develop between August and October 2024. The increased rainfall during the upcoming rainy season is expected to mitigate further delays on the Panama Canal due to droughts, easing restrictions on shipping through the canal.

COMMODITY MARKETS

Higher beef prices not realized in 2024 are predicted to persist into 2025/26 due to ongoing concerns about herd size. In 2025, the U.S. herd size is forecasted to further decrease by 5%, while beef production is expected to further decline by 6%.

Forecasted corn exports and acreage in Ukraine have increased, while the domestic corn acreage dedicated to ethanol remains unchanged from last year. Positive corn export forecasts, coupled with stable ethanol production demands, result in slightly lower input costs for several food categories.

Highly Pathogenic Avian Influenza (HPAI) remains a significant unknown variable in the dairy and poultry markets. While HPAI cases spread from birds to cattle in 2024, this is not expected to be an ongoing concern for beef prices in 2025.

The egg market is forecasted to grow by 3.6% in 2025 with nearly half of the market cage-free eggs. As of 2024, California, Massachusetts, Nevada, Oregon, and Washington have mandated 100% cage-free egg sales, covering approximately 18% of the U.S. population. Michigan and Utah will join this mandate in 2025, followed by Rhode Island in 2026. By the end of 2026, around 22% of the U.S. population will live in states where all eggs sold must come from cage-free hens.

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.

FOOD & BEVERAGE

Inflation Projection: Food and Beverage pricing remains elevated compared to last year. While we continue to see slowing inflation, many of the category decreases are somewhat offset by stubbornly high categories like beef and orange juice. We expect ongoing long-term issues with beef that will keep pricing inflated until 2026 or 2027, with some seasonal ups and downs. Chicken prices will decrease through the end of 2024 and into 2025. This trend, compounded with more stable pork prices and more abundant seafood will help create lower-cost menu options. A dramatic reduction of orange fruit yield continues to drive up beverage inflation and is expected to continue for the foreseeable future. Additionally, the Bakery category will remain slightly elevated due to industry capacity, acreage/harvesting concerns, and ongoing labor constraints.

Supply chains continue to improve and stabilize, and 2024 market uncertainties are likely to be with us in 2025 (Ukraine war, Israeli conflict, higher interest rates). There is always the possibility of potential economic and policy ramifications after the U.S. election in November.

All things considered, inflation in the range of ~5%–6% is still expected in the F&B category through Q3 2024.

Mitigation: Monitor center of the plate choices and adjust menu items as needed. Downsize portion sizes, be flexible with protein and produce choices (look at seafood and seasonal fruits and vegetables as alternatives) and/or adjust menu prices as needed.

Continue working with your master food distributor and regional distributors to optimize deliveries, enhance drop size and reduce costs. Keep an open line of communication with your food distributors to reduce supply issues.

VALUE 1st

FIELD ADVICE

Consider HPSI's cut protein programs, especially for banquets or large events. Not only will this cut down on prep time but ensure consistency across meals served.

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DISPOSABLES

Inflation Projection: Expect sporadic disruptions across the industry and inflation of 2%–5% for the remainder of 2024. Demand remains robust in the F&B to-go packaging categories. We expect a continued focus on utilizing more sustainable materials, in conjunction with increased shipping costs due to disruptions in shipping lanes amid the ongoing Red Sea crisis. These factors will continue to put price pressure on all raw materials in the category including resins, paper, fiber products and pulp across the board.

Mitigation: Communicate with distribution for available alternatives. Consider contracted F&B To-Go Containers and Disposables and find the right manufacturer for your needs.

SMALLWARES & EQUIPMENT

Inflation Projection: Sustained labor costs, steady demand, higher steel, plastics and electronic component pricing, and high transportation rates all add up to increasingly high costs for equipment.

Expect 3%–7% inflation for the remainder of 2024 and throughout 2025.

Mitigation: Operators and users of equipment should keep up with routine maintenance to prolong equipment life. Replace aging equipment and smallwares with contracted, recommended supplier brands, and utilize Sourcing and Supplier support for equipment and smallwares selection for optimal cost solutions. This is a practice all customers and clients should incorporate into their SOP.

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ADMINISTRATIVE

Inflation Projection: Expect 3%–5% inflation for the remainder of 2024 and into 2025.

Mitigation: Consider all shipping modes for most cost-effective method based on each package's characteristics. Alternatives such as Priority Overnight vs. Standard Overnight or Second Day Air vs. Ground should deliver savings. Utilize core list items for office supply orders and group purchases to meet minimum order requirements.

Forecast early for fleet replacements to allow for sufficient lead times. Utilize EVs as an option where appropriate to capture increased incentives for EV purchases as well as government rebate programs.

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TEXTILES (LINENS & TOWELS)

Inflation Projection: The August cotton harvest will set the pricing for the remainder of 2024 and into 2025. At the factories, we are seeing an increase in interest rates on container and shipping fees, as well as on synthetic fibers, which are causing a price increase on finished goods. As we watch the increase in container costs, we are preparing our members for a textile price increase over the next 12 months.

In the U.S., the potential increases are in the range of 3%–5%.

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FIELD ADVICE

Explore new textile fabrics that have cotton facing and core alternative in the weave, strengthening the product and extending the washing cycle life.

Mitigation: Due to global ocean freight bottlenecks, members are strongly encouraged, where possible, to increase par on terry and sheeting. Increasing par will assure product availability through distribution and outsourced laundries to support customer satisfaction and operational excellence. We strongly encourage planning larger purchases through your distributor sales representative in advance of your need-by date.

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.

MAINTENANCE, REPAIR & OPERATIONS

Inflation Projection: Look for varying increases of 0%–5% for most MRO categories and larger increases of 10–15% for HVAC equipment utilizing A2L refrigerants through 2024 and moderate increases throughout 2025. Most of this change is due to the specialty sensors required for units with more than 4 lbs of the new A2L refrigerant.

Mitigation: For MRO, members are advised to review standards and leverage suppliers for project work for improved pricing. New A2L equipment is estimated to come with a 10%–15% price increase.

VALUE 1st

FIELD ADVICE

Sensor technology can signal the real need for replacing air filters, saving costs, easing supply chains, and promoting health.

For more details, please see the category-level forecasts by geography or contact your Purchasing Consultant.

Not sure who that is?
Contact HPSI Customer Service at (800) 223-HPSI (4774)

Freight/fuel surcharges: Contracts are designed to protect our members and mitigate against significant increases. However, due to the current environment, surcharges may be unavoidable as some contracts permit such surcharges. If members receive an unexpected fuel surcharge from an HPSI-contracted supplier, please contact your Purchasing Consultant so that we can address it with the supplier.

UNITED STATES ECONOMY

- The U.S. labor market continues to show tightness. It added 206,000 jobs in June, revised down by 111,000. Unemployment rose to 4.1%, reflecting a cooler labor market than previously estimated.

- CPI decreased slightly in May, from 3.4% to 3.3% YoY. Disinflation of services and lower gas prices were the primary factors behind the decrease. Food inflation ticked down slightly from 4.1% to 4.0% YoY.

- Wage growth slowed as average hourly earnings rose 3.9% in June, matching the smallest annual advance in three years.

- At its most recent meeting in June, the Federal Reserve left interest rates unchanged. At the beginning of the year, economists were expecting rate cuts. Continued resilience in the labor market coupled with slower-than-expected inflation deceleration has continued to push rate cuts back.

- The University of Michigan's consumer sentiment fell 0.9% below May's reporting. While consumers exhibited confidence that inflation will continue to moderate, many expressed concerns about the effect of high prices and weakening incomes on their personal finances.

- The U.S. presidential election in November will be a pivotal event for the global economy and geopolitics. A win by Republican nominee, Donald Trump, would initiate sweeping policy changes in areas ranging from trade policy to national security. Specifically on trade policy: the U.S. goods trade deficit is a primary economic concern for Mr. Trump, and he has indicated plans to address it if he wins the presidency, including use of corrective tariffs used regularly during his previous term in office.

KEY CONSIDERATIONS FOR 2024-2025 BUDGETING / Market Conditions in USA

Short term refers to the expectation for the remainder of 2024 relative to current prices. **Long term** refers to the expectation for calendar year 2025 (through July) relative to current prices.

COMMODITY		OUR EXPECTATION IS...
FOOD & BEVERAGE – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES		
BEEF Ground Beef Burgers	6%-10%	**SHORT TERM:** Demand and raw material availability are currently driving pricing up. Lean trim is tight on availability, causing record high costs, and fat trim costs are lower than the five-year average based on demand and heavier cattle weights. It is becoming challenging to predict pricing as markets are increasingly volatile.
	6%-10%	**LONG TERM:** Expect that lean trim pricing will remain steady to higher based on tight supply, and fat trim will follow seasonal trends. Volatility is expected to continue, and high prices are expected for the next two years.
BEEF Ribeye Tenderloin Strip Loin	3%-5%	**SHORT TERM:** Prices are expected to increase 3%–5% with beef production down 3%.
	4%-8%	**LONG TERM:** Prices are expected to increase. Beef production is down due to ranchers keeping cattle on feed longer and holding back cattle to replenish future supply. These factors will delay supply replenishment. Relief and replenishment are not expected until 2026 or 2027.
POULTRY	10%-15%	**SHORT TERM:** Summer pricing will remain on the high side. With peak grilling season coming to a close, price decreases are expected. The following decreases are expected from current pricing for Q4: raw breast meat down 20%–22%, raw tenders down 10%–15%, raw wings down 5%–8% and raw dark meat down 10%–15%.
	10%-15%	**LONG TERM:** Analysts expect to see continued declines from current pricing well into next year, with raw breast meat expected to be 15%–20% less than present pricing, raw tenders down 10%–13%, raw wings down 10%–12% and raw dark meat down 8%–13%.
PORK	3%	**SHORT TERM:** Pork pricing across all cuts is set to increase through August then decline in the fall, as is typical in summer months. USDA estimates total production to be up 2.4% YoY, and strong productivity will more than make up for some sow liquidation in the market. Factors for the remainder of 2024 will be limited loin availability, volatile ham prices and limited frozen belly inventory. Pork will continue to be a better value option versus beef, with beef pricing remaining high.
	1%-3%	**LONG TERM:** Prices are currently on track to follow seasonal trends in the coming year. USDA estimates pork exports will be up 3.4% and production ahead 1.1% in 2025 YoY. The long-range cutout increases will come as a result of increased pricing pressure on ribs (spare and loin backs) and boneless loins. With estimates showing beef production to be down 4.6% in 2025 YoY, inventory decline will continue there, driving prices upward. This could encourage continued consumer moves to pork as the better value play.

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COMMODITY		OUR EXPECTATION IS...
FOOD & BEVERAGE – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES		
PASTEURIZED CRABMEAT	White Meat: 1%-3% Dark Meat: 10%-25%	**SHORT TERM:** Based on the Urner Barry low, higher grade meat prices (Colossal-Jumbo Lump) are expected to increase 1%–3%, mid-grade meat (Super Lump) pricing will remain unchanged, and lower grades (Lump & Special) are expected to decrease 1%–3%. Dark Meat Claw meat pricing is expected to decrease by 10%–25%.
	White Meat High-Grade: 4%-7% Mid-Grade: 1%-3% Low-Grade: 2%-4%	**LONG TERM:** Higher grade white meats (Colossal-Jumbo Lump) are expected to increase 4%–7%, mid-grade white meat (Super Lump) is expected to increase 1%–3% and lower grade white meats (Lump & Special) are expected to decrease 2%–4%.
SHRIMP	1%-5%	**SHORT TERM:** There is a growing concern for a potential East Coast port strike. With this looming strike, combined with unpredictable weather patterns that might disrupt farming and harvesting and economic and geopolitical factors, we expect notable fluctuations in costs and supply. The rising feeding costs, driven by inflation, are expected to increase shrimp pricing.
	1%-5%	**LONG TERM:** The same issues with short-term pricing are expected to drive increased pricing over the long-term outlook. Climatic unpredictability and economic and geopolitical factors will cause fluctuations in costs and supply. This leads to expected increases for shrimp.
FARMED SALMON	2%-4%	**SHORT TERM:** Prices are expected to remain stable for the remainder of the year. Inventories are strong, and prices are expected to be in line with what we experienced for the same period in 2023. Wild Season is expected to end in October. As consumer consumption trends shift from Wild to Farmed, prices may begin to tick upward in December heading into the new year.
	2%-4%	**LONG TERM:** Historical trends are anticipated; worldwide demand will increase over Lent and Easter, pushing markets upward. No outages are anticipated, provided there are no disruptions due to algae blooms or other events.
LIQUID EGGS	1%-3%	**SHORT TERM:** Barring any further impact from Avian Influenza (AI) outbreaks, we expect egg costs to decrease slightly toward the end of the year. Supply of soybean meal (a key component of grain feed) is increasing due to more South American suppliers entering the market, as well as record export shipments from China.
	2%-4%	**LONG TERM:** While overall markets appear to be moving in the right direction for 2024, we need to keep a close eye on the WASDE (World Agricultural Supply Demand Estimates) reports that come out later this summer. These reports provide better insight into new crop yields, barring any natural disasters. Key risks to soybean meal values increasing include U.S. weather and changes in biofuel policy. If there are downside surprises in South American production, demand for U.S. soybeans and soybean meal would likely result in higher prices for eggs.

KEY CONSIDERATIONS FOR 2024-2025 BUDGETING / Market Conditions in USA

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COMMODITY		OUR EXPECTATION IS...
FOOD & BEVERAGE – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES		
FLUID MILK	2%-3%	**SHORT TERM:** Due to the lower demand of fluid milk over the summer break, projections for July and August show a slight increase. However, forecasts show that going into the fall and winter, prices are expected to be flat.
	1%-3%	**LONG TERM:** The USDA's WASDE report has milk production forecasts for 2025 unchanged, with minor adjustments in cow inventories and milk output per cow. There is an upward revision in the price forecasts for key dairy products. Early forecasts are calling for a slight milk price increase for 2025.
DAIRY	5%-10%	**SHORT TERM:** Following historic low pricing for cheese and butter in the first half of 2024, we will see markets rise back to normal levels in the next 6 months. Export deals have caused volatility and are starting to tighten the market.
	5%-10%	**LONG TERM:** USDA notes strong demand for dairy products is expected to carry into 2025, and prices are projected to rise for cheese, butter and whey. Butter prices are expected to increase about 5%, while cheese prices are expected to rise closer to 10%.
COFFEE	3%	**SHORT TERM:** Deficits and affiliated issues will continue to impact the Arabica coffee market by maintaining an elevated pricing floor for Arabica to trade on, in addition to large speculative positions (funds traders). Frost season looms over the market and any rumor of rain issues or cold temperatures causes volatility. Without any weather-related summer events, the market should correct itself. Crops in Central America and Mexico look great and supply is strong through December. Expect a high market until the threat of frost has passed in early September.
	2%-5%	**LONG TERM:** Supply and demand projections are mixed, with estimates ranging from a slight surplus to a slight deficit. Conservative coffee estimates have a surplus of 1.9–2.4 million bags of coffee if the frost season ends without an issue. The market always moves in anticipation of the actual event and is driven by computer spec positions (funds traders). Issues with Robusta supply will likely improve, but perhaps not much more than to normalize things a bit. U.S. interest rates remain firm, which is strong for USD currency and negative for commodities, should mean a strong incentive for Brazil to continue selling rather than moving product to storage. In addition, recent changes to the Rainforest Alliance certification program may result in supplier-specific increases for those utilizing products with 30% Rainforest Alliance coffee (~2%–4%), read more here.

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FOOD & BEVERAGE – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES		
FCOJ Frozen Concentrated Orange Juice	20%-25%	**SHORT TERM:** FCOJ market futures continue to trade at an all-time high, currently at $4.87 per pound (as of May 2024), which is nearly double what it was trading a year ago, and triple what it was 2 years ago. Factors including lowered crops yields and juice output coming from Brazil, Mexico and Florida are continuing to keep inventories low, driving prices higher than expected. While we incurred pricing changes in orange juice earlier this year, there is an upside risk given the market pressures of further adjustments in the latter part of 2024.
	10%-20%	**LONG TERM:** It's likely that the longer-term outlook may see further pricing adjustments, as FJOC market futures will continue to remain above $4.00 per pound. Continued concerns over low inventory levels and a less than favorable growing season will continue to put pressure on the market. Members should expect further pricing adjustments if the market does not improve.
COOKING OIL	3%-5%	**SHORT TERM:** We expect a bearish outlook on cooking oil through end of 2024 due to a variety of factors including sufficient global soybean supply with expanding crush capacity and acreage switching to soybeans in the U.S., higher use of competing feedstock beyond soybean oil for renewable fuels and subdued global demand for U.S. goods in a high-interest-rate environment.
	2%-5%	**LONG TERM:** At this point, we expect a neutral to supportive long-term outlook for the soybean oil market due to expanding renewable fuel production and improving run rates. In addition, we expect elevated competing oil feedstock for palm oil pricing as China's demand outlook improves. Continued tensions in the Middle East and OPEC manufacturing production cuts could keep a premium on mineral oil, which generally follows the soybean oil market. Other factors that could affect soybean oil prices include: the U.S. election and resulting discussion on biofuel policies/relationship with China, plus the development of La Niña and its impact on the 2024/2025 South American soybean crop.
FROZEN POTATOES	No change	**SHORT TERM:** Pricing is expected to remain steady for the balance of 2024.
	No change	**LONG TERM:** Freight pricing is expected to increase due to tight capacity, especially on refrigerator trucks. However, pricing on potatoes is expected to remain the same as HPSI's Lamb Weston pricing is locked in until next May. We await new crop yields for visibility into future productions/capacity.

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COMMODITY		OUR EXPECTATION IS...
FOOD & BEVERAGE – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES		
PRODUCE	1%-3%	**SHORT TERM:** There is a mixed outlook for upcoming annual crops. The apple crop is expected to be 15% smaller than last year, but due to the cold spring, the sizing profile is looking to be more favorable for foodservice. Washington's pear crop is projected to be down 60% due to extreme cold back in February. Potatoes are projected to be comparable to last year with no indications on sizing at this time. Finally, while the onion crop should be around 5% larger, there was a shortage on red seed so expect elevated pricing on that variety.
	1%-3%	**LONG TERM:** Projections for the full year on produce are to expect minimal inflationary pressure. This can change quickly with extreme weather events and labor pressures. HPSI will provide communications on any disruptions. For more timely updates, make sure you've subscribed to HPSI's monthly Food Flash or access it on HPSI's Member Portal.
BAKED GOODS	2%-4%	**SHORT TERM:** Wheat pricing should continue to be flat due to higher-than-expected stock yields through the beginning of June 2024. Geopolitical and harsh climate conditions could impact the market as they have over the past two years. Sugar prices have been stabilizing, but market conditions are calling for increases to minimum prices by certain governments. Cocoa concerns are on the rise due conditions in West Africa, but the short-term impact is expected to be minimal.
	3%-6%	**LONG TERM:** Geopolitical conditions in Europe and the Middle East will continue to drive uncertainty in the wheat markets. Although wheat has stabilized YoY, the threat of continued war and unpredictable weather conditions will need to be monitored. Wheat stockpiles are up 11% over last year, which should contribute to mitigating overseas threats. After a year of crop uncertainty, the sugar yields were better than originally predicted, which helped mitigate pricing across the market. However, as we move into 2025, sugar needs to be monitored closely, as governments seek to increase sugar stock minimum sales prices due to market conditions. Market conditions, as well as the threat of droughts in sugar growing regions, could contribute to fluctuating prices in the year to come. The cocoa market remains uncertain over the next 12–18 months due to global supply shortages coming out of West Africa. Structural issues such as bad weather and poor crop yield have led hedge fund speculators to get out all at once. Ecuador is planting additional crops, which should help mitigate the situation in Africa, but not until the tail end of 2025.
DISPOSABLES Paper, Resins, Towl/Tissue	Paper: 1%-3% Resins: 3%-5%	**SHORT TERM:** **Paper:** Higher demand and lower recovery of fiber will increase material costs. **Resins:** Balanced supply and demand are expected for the remainder of the year.
	Paper: 1%-3% Resins: 3%-5%	**LONG TERM:** **Paper:** A potential increase in freight could drive up the cost of materials. **Resins:** Multiple factors affect plastic pricing; however, stable market conditions are predicted for first half of 2025.

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COMMODITY		OUR EXPECTATION IS...
FOOD & BEVERAGE – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES		
CAPITAL EQUIPMENT & SMALLWARES	Capital Equip: 3%-5% Smallwares: 1%-3%	**SHORT TERM:** **Capital Equipment:** Sustained labor costs; steady demand; higher steel, plastics and electronic component pricing and high transportation rates all add up to increasingly higher costs for equipment **Smallwares:** Transportation and material costs are main drivers of elevated Smallware prices globally.
	Capital Equip: 4%-7% Smallwares: 1%-4%	**LONG TERM:** **Capital Equipment:** Geopolitical pressure on raw material costs, plus increased labor, transportation and manufacturing costs, have driven equipment pricing higher for six straight years; and this is expected to continue through 2029. **Smallwares:** Steady demand and material costs will continue to apply pressure to the overall cost profile for Smallwares into 2025.

KEY CONSIDERATIONS FOR 2024-2025 BUDGETING / Market Conditions in USA

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COMMODITY		OUR EXPECTATION IS...
ROOMS OPERATIONS – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES		
OPERATING SUPPLIES & EQUIPMENT	0%-2.5%	**SHORT TERM:** Cost drivers in 2024 for the OS&E category have flattened. Expect 0%–2.5% increase due to freight rising, which is being influenced by continuing wars in Gaza and Ukraine. Increases could be higher if material changes occur. U.S. Presidential and Congressional elections could impact this outlook.
	Flat for the post-2024, early-2025 period.	**LONG TERM:** The OS&E category should remain flat through the end of 2024 and well into 2025. Potential changes within the OS&E category such as moving away from single-use plastics could influence the outcome during this period.
TEXTILES & UNIFORMS	3%-5%	**SHORT TERM:** CotlookA is at $82.70 per 100 lbs and has been stable over the last quarter. The August cotton harvest will set the pricing for the remainder of 2024 and into 2025. We are seeing increases in interest rates at the factories, on container and shipping fees and on synthetic fibers. These factors are causing a price increase on finished goods.
	1%-8%	**LONG TERM:** As we watch the increase in container costs, we are preparing our members for a textile price increase over the next 12 months.

KEY CONSIDERATIONS FOR 2024-2025 BUDGETING / Market Conditions in USA

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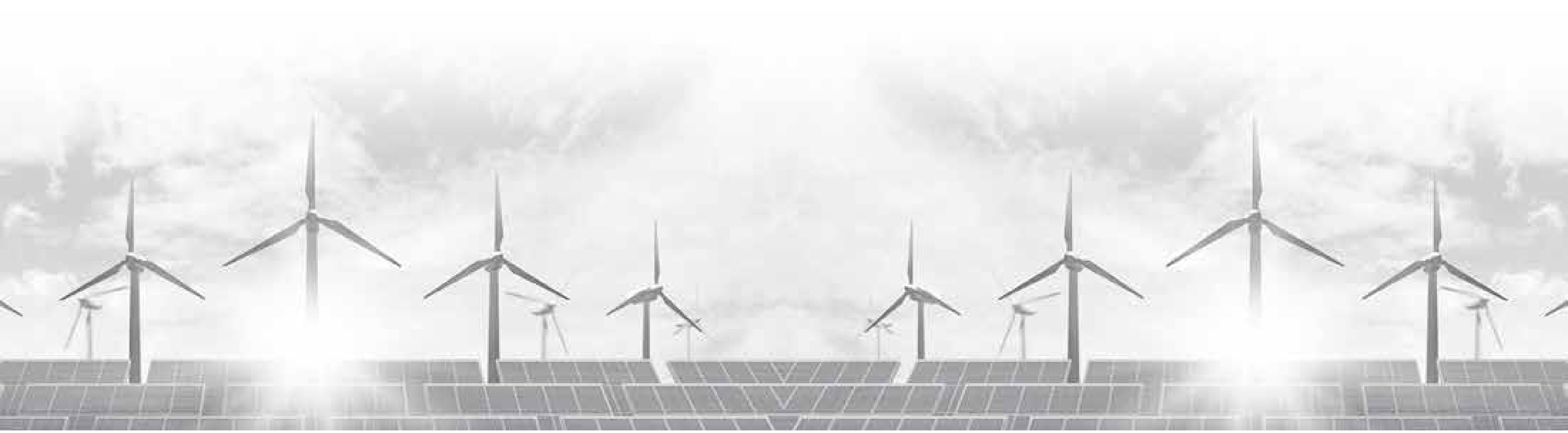
COMMODITY		OUR EXPECTATION IS...
OTHER – SHORT AND LONG TERM CHANGES ARE RELATIVE TO CURRENT PRICES		
ENERGY	4%	**SHORT TERM:** Increasing demand for energy due to expected and early extreme heat. Hot weather is forecasted to increase natural gas and electricity prices by 4%.
	3%-6%	**LONG TERM:** Increased energy demand in North America, due somewhat to an increase in data center (AI) demand, is forecasted to increase natural gas and electricity prices by 3%–6%
CHEMICALS (INCLUDING SANITIZER)	No change	**SHORT TERM:** Ecolab members should not expect any further pricing changes for the remainder of 2024 as pricing is locked for the remainder of the year.
	4%-6.5%	**LONG TERM:** For budgetary purposes, members should budget for a maximum increase of 6.5% beginning January 2025. Given certain indexes such as CPI, ECI and PPI have remained lower compared to the prior year, we expect any pricing adjustment to come in lower than 6.5%.



WORKING TOWARD MORE SUSTAINABLE COFFEE:
CERTIFICATION PROGRAMS AND THEIR IMPACT ON PRICING

Rainforest Alliance (RFA) to require 90% Rainforest Alliance certified coffee per blend to maintain the RFA logo for 2025

Learn more about the recent changes to the RFA certification program, which may result in supplier-specific increases for those utilizing coffee blends with 30% Rainforest Alliance coffee by ~2%–4% in the U.S.

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More on the Rainforest Alliance

Read more about the RFA and other certification programs and learn how we support requirements for sustainably sourced coffee.

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