

# Retail Beef in a COVID World

6/22/2020



HOUSTON LIVESTOCK SHOW AND RODEO™

# HCalf

*Beef Cattle Educational Program*





<b>Partners</b>	<b>116,000</b>
<b>Stores</b>	<b>402</b>
<b>Warehouses/Depots</b>	<b>13</b>
<b>Manufacturing Plants</b>	<b>15</b>
<b>Partner Ownership</b>	<b>2014</b>





## OUR STORES

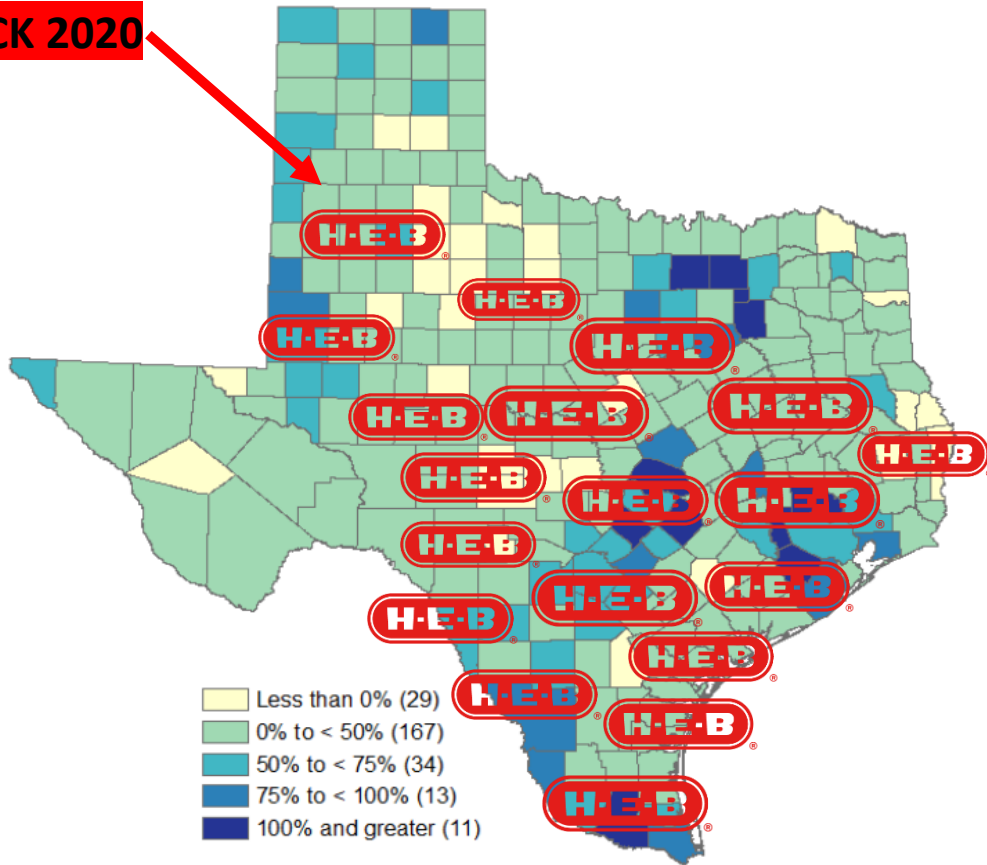
- HEB 285
- HEB Plus 31
- Mi Tienda 2
- Smart Shop 9
- Central Market 11
- HEB Mexico 70
- Favor & heb.com



# WHO WE SERVE

Projected Percent Population Change in Texas Counties, 2010 to 2050  
0.5 Migration Scenario

LUBBOCK 2020





# WHAT MATTERS TO US

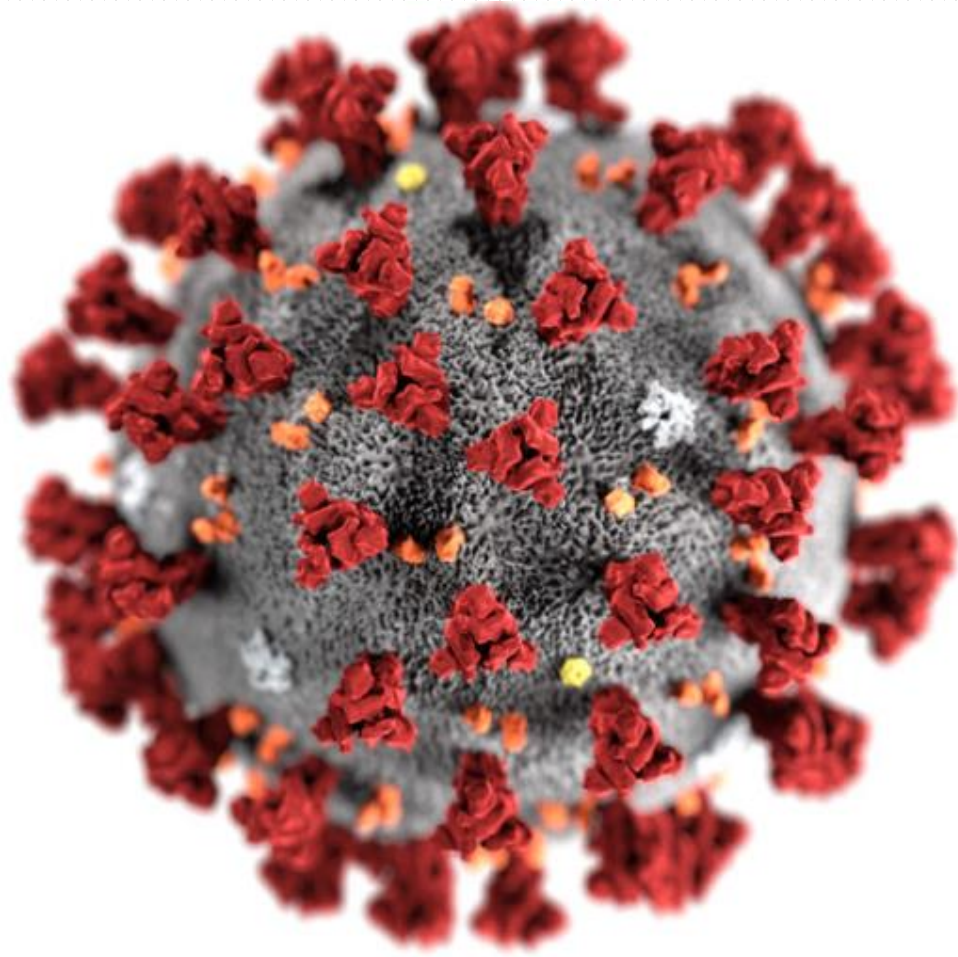


H-E-B TOURNAMENT  
OF CHAMPIONS

- Our Partners
- Our Customers
- Strategic Partnerships with Suppliers (11 unique lines of beef)
- Advocacy for Agriculture in Texas and the U.S.
- Food Safety and Animal Welfare
- Focus on Poverty Programs
- Focus on Community Health Programs
- Focus on Public Education
- Focus on Serving all Texans



March 13<sup>th</sup>, 2020  
“Friday the 13<sup>th</sup>”



President Trump Declares  
State of Emergency for  
COVID-19

March 13<sup>th</sup>, 2020



# Wave 1: Serve our Customers

FOOD & DRINK

## Inside the Story of How H-E-B Planned for the Pandemic

The grocer started communicating with Chinese counterparts in January and was running tabletop simulations a few weeks later. (But nothing prepared it for the rush on toilet paper.)



H-E-B employees work at the new super-regional warehouse in San Antonio on March 21, 2020.



March 21<sup>st</sup>, 2020



# Wave 2: U.S. Meat Shortages

Business

The meat industry is trying to get back to normal. But workers are still getting sick — and shortages may get worse.

There are now more than 11,000 coronavirus cases tied to Tyson Foods, Smithfield Foods and JBS

**CNN BUSINESS** LIVE TV

### Meat processing plants across the US are closing due to the pandemic. Will consumers feel the impact?

By Dianne Gallagher and Pamela Kirkland, CNN

## More than 40 employees at South Texas beef processing plant test positive for COVID-19, reports say

Report: 'Another big number' could be reported as results pending



The Washington Post  
Democracy Dies in Darkness

Business

## As they rushed to maintain U.S. meat supply, big processors saw plants become covid-19 hot spots, worker illnesses spike

Several big meat companies failed to provide masks to all workers, some of whom said they were told to keep working in crowded plants, Post investigation finds

EDITOR'S PICK TOPICAL URGENT

## WATCH NOW: Meat industry butchered by COVID-19 in the Midwest

Lee Enterprises Midwest Reporters May 16, 2020 8 min to read

## Coronavirus outbreaks at meat packing plants are worse than first thought

By Kyle Bagenstose, Sky Chadde and Matt Wynn, USA Today Apr 26, 2020

## Tyson expects to keep slowing meat production as coronavirus sickens workers and tanks income

The meat producer warned of continued "slowdowns and temporary idling" of plants during the coronavirus pandemic.

## CDC: Nearly 5,000 Meat Processing Workers Infected With COVID-19

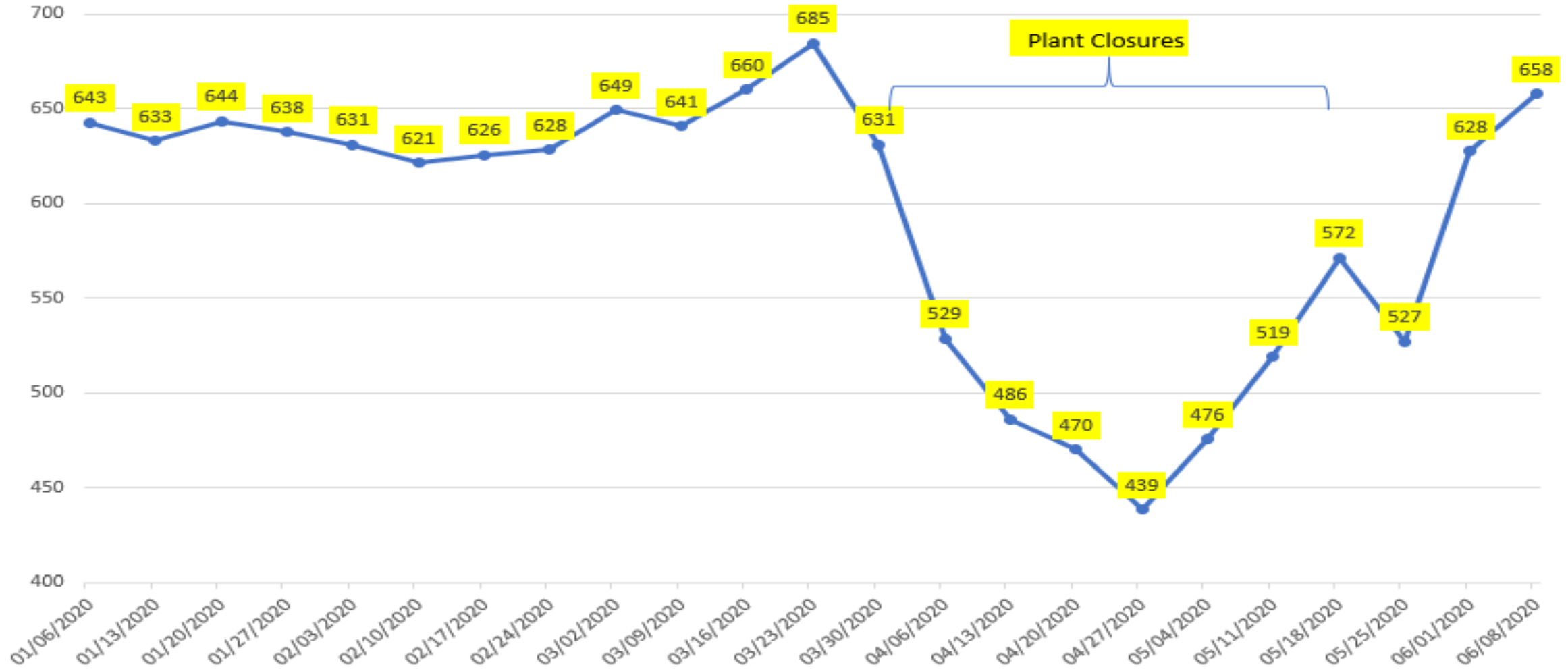
The data comes amid worries that the coronavirus pandemic could endanger workers and constrict the nation's food supply.

## Coronavirus cases force third JBS meat packing plant to close

The meat industry was warning of a shortage just last week

# Unprecedented Market Conditions

USDA Estimated Daily Livestock Slaughter - Cattle High - Head (Thousand)



# Protect our Customers and Keep the Shelves Full



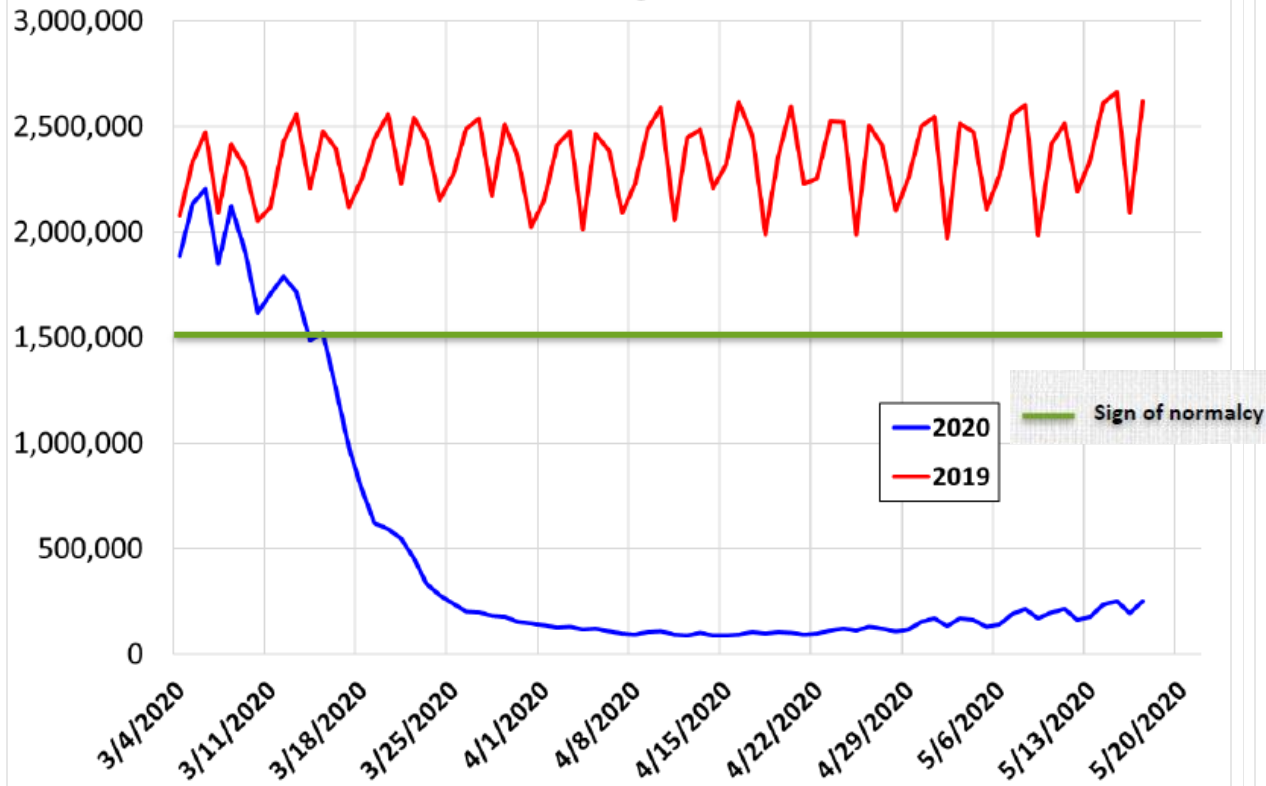
# Wave 3: More Beef Back for our Customers



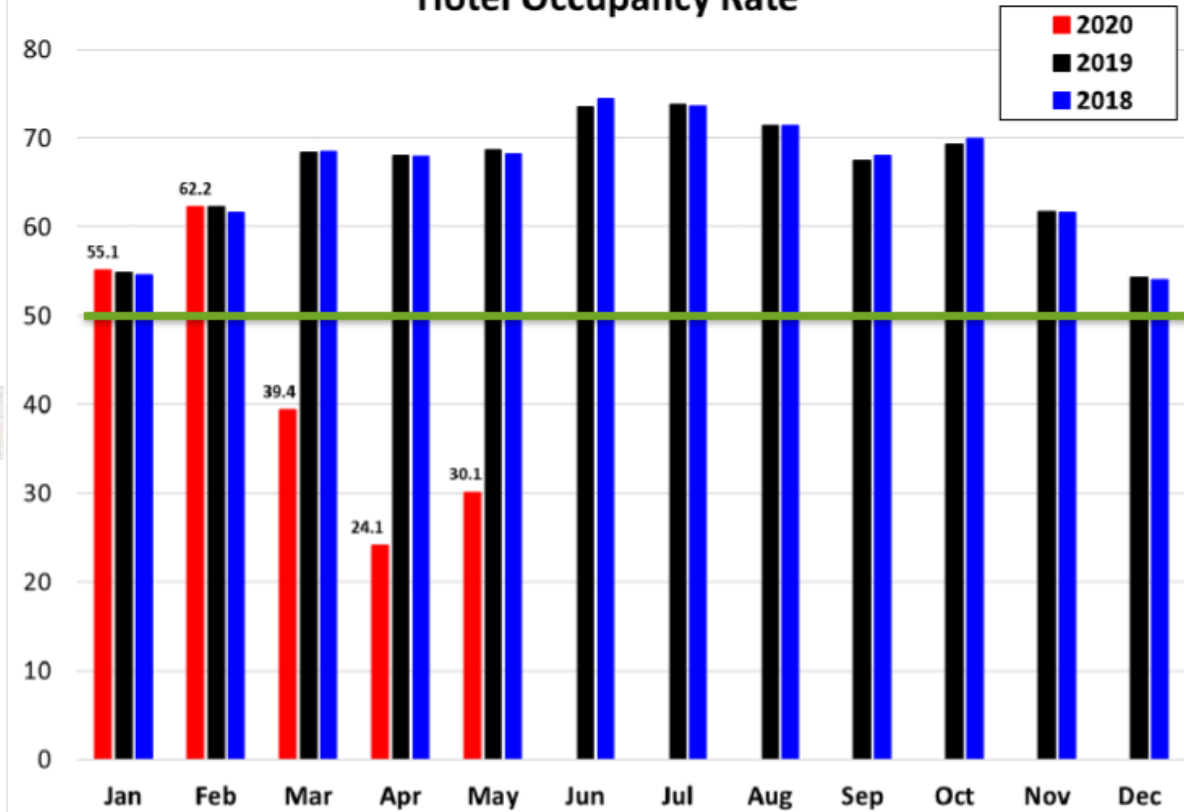
Austin 31 6/10/20

# Customer Behavior from here?

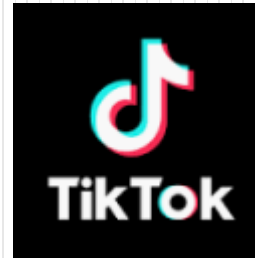
### TSA Passenger Traffic



### Hotel Occupancy Rate

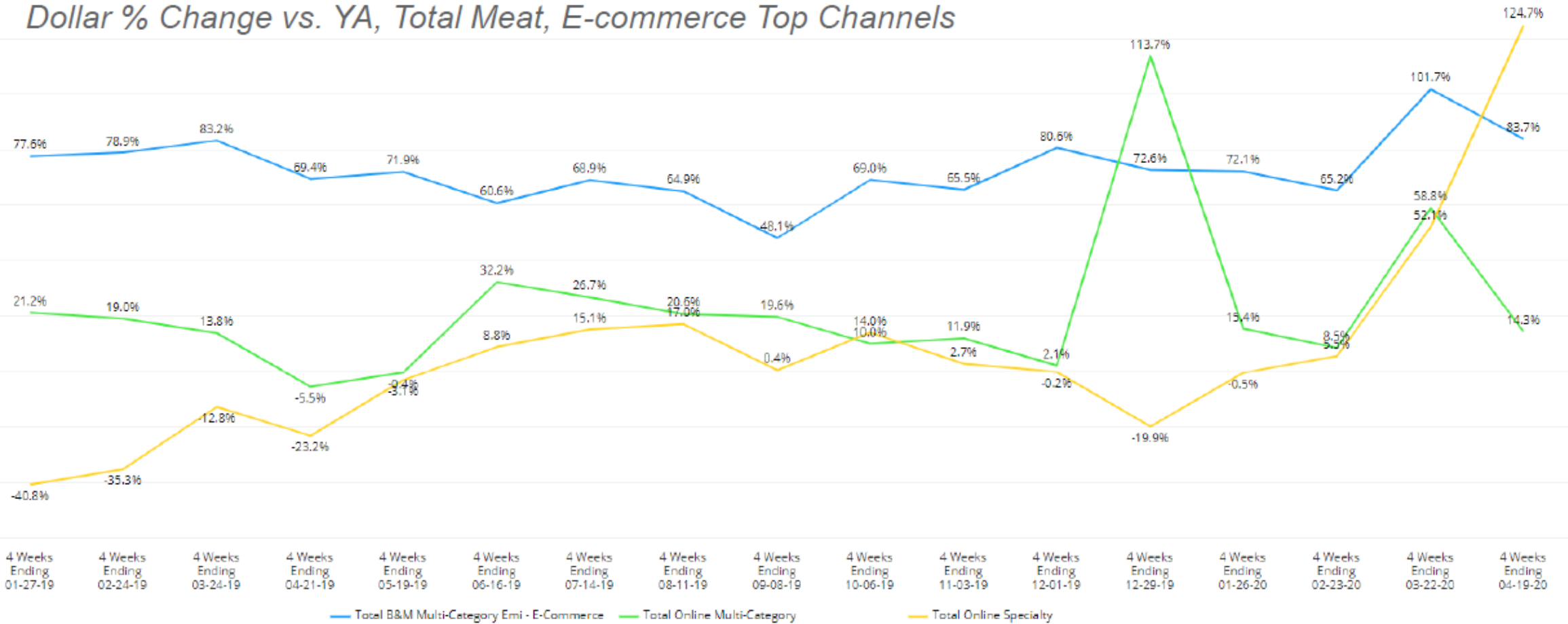


# How are customers spending their time since COVID-19?



# For Meat, E-Commerce Growth has Been Considerable for Brick-and-Mortar Grocers' Sites While Online Multicategory and Online Specialty Saw Holiday-Related Spikes

*Dollar % Change vs. YA, Total Meat, E-commerce Top Channels*





Meat Sales  
in All Outlets

**+1.4%**

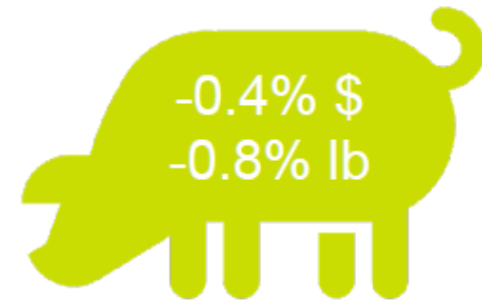
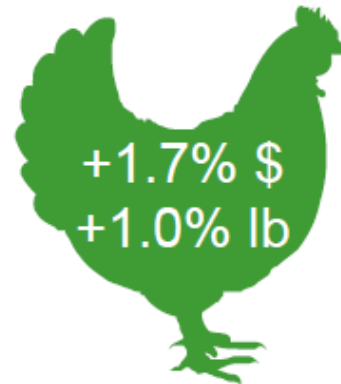
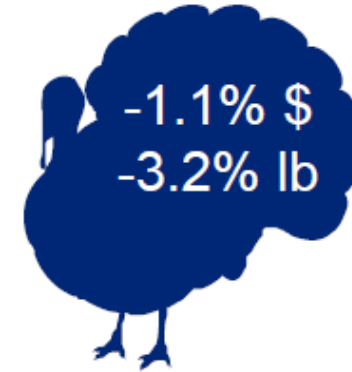
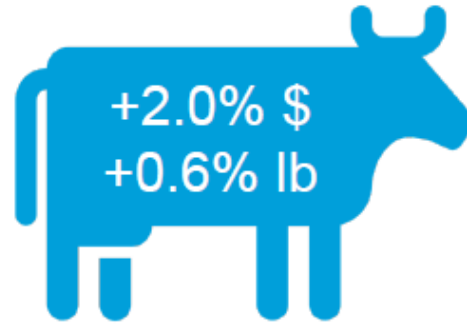
\$ Growth 52 w/e 2-23-20  
Pre-Pandemic

**-0.1%**

lbs Growth 52 w/e 2-23-20  
Pre-Pandemic

Fresh Meat is **\$45.2B**

Processed Rfg Meat is **\$14.3B**



Processed Rfg Meat +1.5% \$ / -0.8% lbs

Meat Sales  
in All Outlets

**+45%**

\$ Growth Latest  
10 w/e 5/10/20

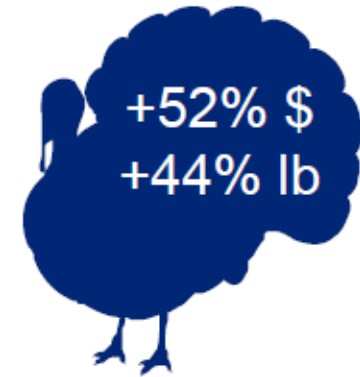
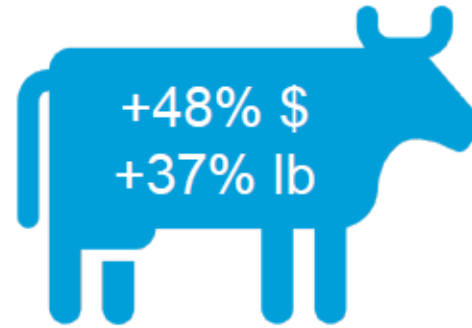
**+35%**

lbs Growth Latest  
10 w/e 5/10/20

Since Pandemic Declared:

Fresh Meat is **\$12.1B**

Processed Rfg Meat is **\$4.0B**



Processed Rfg Meat    +49% \$ / +38% lbs

# We have new customers for Beef!

## Millennial Households Saw the Biggest Increase in Meat-Department Buying

*Highest Meat Dept. Dollars Per Buyer  
Growth and Their Top Growth Proteins / Cuts*

<b>Demographics with +50% Spending</b>	<b>Highest Growth Proteins / Cuts</b>
Under 35, Single, No Kids, City	Beef Steak, Chicken Thighs, Fresh Pork
Under 35, w/ Kids, Mid to Low Income, City	Chicken Wings, Beef Roast, Sausage,
Under 35, w/ Kids, Upper Income, City	Beef Steak, Chicken Legs, Ham
Ages 45-64 with Kids, Mid to Low Income	Chicken Wings, Cubed Beef, Pork Ribs

## Moving Forward – Address the Varying Needs of the Millennial Generation

### **Build Confidence**

Use technology and positive reinforcement to create more personalized connections to help Millennials through what they don't know or what they may want to try, be it budget stretching or meal prep.

### **Boost Safety and Health**

Communicate commitments to safety, whether in-store or on-pack. Showcase strategies that support wellness goals.

### **Support the You-Only-Live-Once Connection**

Demonstrate how your products or shopping experiences move life 'beyond the ordinary' and into something special. Use social media and/or contests to celebrate.

### **Create Value Through Ease**

From intuitive online grocery shopping and apps, to quick meal planning ideas, the Millennial value equation is more than low prices.

### **Reframe Price**

Help these shoppers understand cost per meal, or ways to extend/expand product uses.

### **Bring the Out-of-Home Experience In-Home**

Millennials are not in a hurry to resume out-of-home activities; help them DIY varying aspects of their lives, including meal, cocktail and hair color kits.

# High Quality at Home

<  Joseph Zamora ▶ Texas Barbecue  
1 hr · 📍

Going to be some good steak for the the wife and me 😊




 Joe V's Smart Shop  
June 10 at 11:50 AM · 🌐

Now at ALL Joe V's Smart Shops: \$3.97/lb. beef including boneless shoulder steak, boneless chuck steak, eye of round steak and TX style beef ribs!



👍❤️ 79 9 Comments 9 Shares

👍 Like 💬 Comment ➦ Share

 Jeremy Runyon ▶ Texas Barbecue  
Yesterday at 10:23 PM · 📍

That American Wagyu by HEB

All night long son!



# Wagyu Briskets- Who was our Store for Easter?

- Pleasanton, TX!!
- Customers want to trade up and experiment more!
- Demand is large and supply is the only limit currently.

