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The Optimal Cost Factor

Weekly Input Cost Monitor · July 2, 2026 · Optimal Advisory

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The Read

Costs are easing off highs but remain inflationary & not evenly. The energy and packaging complex is rolling over while softs and sweeteners remain deflationary but are jumping on weather. For staples and restaurants, the direction is friendly and the pace is slowing. For HPC, costs are a headwind, but easing. Grocers face a tough environment with deflationary perishables hurting their comps while core costs (labor, logistics, etc.) rise.

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Input Costs Fall 0.7% w/w, Up 3.4% y/y as Packaging and Energy Ease

The Optimal Advisory Cost Factor decelerated on a y/y basis for the fifth consecutive week, after accelerating for 15 weeks following the outbreak of the Iranian conflict. Costs are up slightly for the year, now roughly 15% off February lows, still a challenge to many outlooks. Softs and sweeteners bounced w/w even as the inflationary energy and packaging complex eased.

COST FACTOR W/W

-0.7%

vs flat prior week

COST FACTOR Y/Y

+3.4%

vs +4.0% prior week

OFF FEB LOWS

~15%

still pressures outlooks

Y/Y STREAK

5 wks

consecutive deceleration

Sources: Optimal Advisory proprietary analysis, Bloomberg, FRED, USDA, BEA

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Cost Tailwinds to Watch

MEATS / PROTEINS	SOFTS / SWEETENERS	HERSHEY (HSY)
-27.7%	-22.4%	-21.9%
y/y	y/y	y/y

LAMB WESTON (LW)	MONDELEZ (MDLZ)	ENERGY / FREIGHT
-18.4%	-6.9%	-2.5%
y/y	y/y	w/w

Sources: Optimal Advisory proprietary analysis, Bloomberg, FRED, USDA, BEA

Cost Headwinds to Watch

PACKAGING

+19.2%

y/y

EDGEWELL (EPC)

+16.6%

y/y

PROCTER & GAMBLE (PG)

+15.4%

y/y

ENERGY / FREIGHT

+12.1%

y/y

SOFTS / SWEETENERS

+5.1%

w/w

SOFTS / SWEETENERS

+7.1%

vs last month

Sources: Optimal Advisory proprietary analysis, Bloomberg, FRED, USDA, BEA

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Weekly Cost Factor Summary

W/W		Today / T4W Average		Today T4W / YAGO T4W	
COMPANIES					
Index	-0.7%	Index	-0.9%	Index	3.5%
Headwinds (Greatest)		Headwinds (Greatest)		Headwinds (Greatest)	
THS	1.9%	HSY	3.1%	EPC	16.6%
KDP	1.3%	THS	2.7%	PG	15.4%
KO	0.0%	MDLZ	0.3%	CLX	13.6%
Tailwinds (Least)		Tailwinds (Least)		Tailwinds (Least)	
LANC	-2.4%	LANC	-2.2%	HSY	-21.9%
FRPT	-1.8%	ABI	-2.2%	LW	-18.4%
CELH	-1.4%	KO	-2.2%	MDLZ	-6.9%
COMMODITIES					
Index	-0.7%	Index	-0.9%	Index	3.5%
Headwinds (Greatest)		Headwinds (Greatest)		Headwinds (Greatest)	
SOFTS/SWEETENERS	5.1%	SOFTS/SWEETENERS	7.1%	PACKAGING	19.2%
GRAINS	0.0%	ENERGY/FREIGHT	-1.1%	ENERGY/FREIGHT	12.1%
PACKAGING	-0.3%	OILS/OILSEEDS	-1.6%	OILS/OILSEEDS	9.6%
Tailwinds (Least)		Tailwinds (Least)		Tailwinds (Least)	
MEATS/PROTEINS	-2.5%	GRAINS	-2.4%	MEATS/PROTEINS	-27.7%
ENERGY/FREIGHT	-2.5%	PACKAGING	-2.3%	SOFTS/SWEETENERS	-22.4%
OILS/OILSEEDS	-2.2%	DAIRY	-2.0%	DAIRY	-14.1%
FOOD SERVICE					
Index	-0.7%	Index	-0.9%	Index	3.5%
Headwinds (Greatest)		Headwinds (Greatest)		Headwinds (Greatest)	
ALL WINGS	-0.9%	ALL WINGS	-0.4%	FAST CASUAL MEXICAN	-7.9%
FAST CASUAL UPSCALE	-1.5%	FAST CASUAL UPSCALE	-1.2%	FAST FOOD MEXICAN	-8.2%
Tailwinds (Least)		Tailwinds (Least)		Tailwinds (Least)	
FAST CASUAL MEXICAN	-2.6%	FAST FOOD BURGER	-1.8%	ALL WINGS	-17.1%
FAST FOOD MEXICAN	-2.5%	FAST CASUAL MEXICAN	-1.8%	FAST FOOD BURGER	-13.2%

Sources: Optimal Advisory proprietary analysis, Bloomberg, FRED, USDA, BEA

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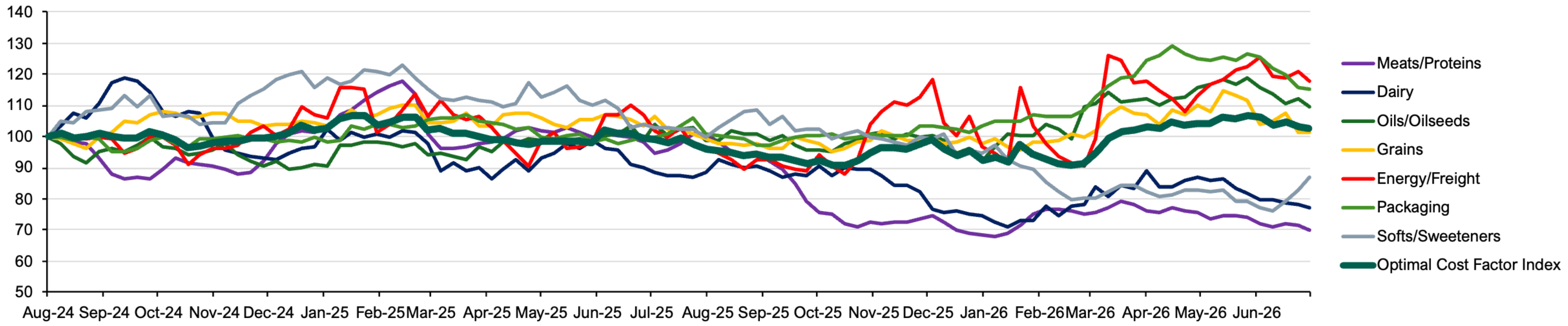
Weekly Cost Factor Margin Context

Ticker	Value at 7/1	LTM Avg	Today T4W / YAGO T4W	Inputs % of COGS	Gross EBIT % Impact	TTM Avg Gross Margin	Gross Pricing Nee
HSY	74.6	74.7	-21.9%	65%	14.2%	40.1%	-8.5%
LW	68.7	74.0	-18.4%	70%	12.9%	21.7%	-10.1%
MDLZ	76.5	75.1	-6.9%	65%	4.5%	32.5%	-3.0%
BRBR	62.3	59.8	-3.7%	60%	2.2%	35.4%	-1.5%
SMPL	59.3	56.6	-3.6%	60%	2.2%	37.4%	-1.3%
FRPT	61.4	57.8	-2.9%	60%	1.7%	40.8%	-1.0%
MKC	83.6	80.4	-0.7%	65%	0.4%	38.5%	-0.3%
GIS	84.3	80.9	-0.2%	65%	0.2%	34.3%	-0.1%
CAG	99.7	95.9	-0.2%	60%	0.1%	25.9%	-0.1%
POST	72.2	69.8	-0.2%	65%	0.1%	29.2%	-0.1%
THS	84.1	80.0	1.0%	70%	-0.7%	16.9%	0.6%
KHC	81.8	78.5	3.6%	65%	-2.3%	34.3%	1.5%
PEP	90.9	89.0	4.8%	60%	-2.9%	54.4%	1.3%
ABI	85.9	84.7	5.0%	60%	-3.0%	55.7%	1.3%
SAM	83.4	82.2	5.5%	60%	-3.3%	46.5%	1.8%
TAP	83.4	82.2	5.5%	60%	-3.3%	38.8%	2.0%
HRL	77.7	72.6	6.1%	70%	-4.3%	16.3%	3.6%
MNST	61.9	58.9	7.3%	70%	-5.1%	55.2%	2.3%
KDP	70.8	68.4	9.3%	55%	-5.1%	54.9%	2.3%
FLO	84.6	78.5	9.5%	65%	-6.2%	49.4%	3.1%
SJM	66.0	62.1	10.5%	65%	-6.8%	35.1%	4.4%
LANC	89.4	83.3	10.8%	60%	-6.5%	23.9%	4.9%
CELH	55.1	52.0	11.3%	70%	-7.9%	50.5%	3.9%
CHD	62.4	53.8	11.8%	55%	-6.5%	44.5%	3.6%
KO	75.2	72.1	11.8%	60%	-7.1%	61.4%	2.7%
JJSF	88.3	81.0	11.9%	65%	-7.7%	29.7%	5.4%
CPB	84.8	74.5	12.6%	60%	-7.6%	30.4%	5.3%
CLX	66.0	58.2	13.6%	60%	-8.2%	45.2%	4.5%
PG	73.0	65.1	15.4%	65%	-10.0%	51.2%	4.9%
EPC	70.1	61.8	16.6%	60%	-9.9%	42.2%	5.8%

Sources: Optimal Advisory proprietary analysis, Bloomberg, FRED, USDA, BEA

Weekly Input Commodity Performance by Group



Category	Value at 7/1	Value at 6/25	W/W %	Most Recent T4W	YAGO T4W	T4W / YAGO T4W %	12 Mo Low	Increase Since 12-Mo Low
Meats/Proteins	69.8	71.6	-2.5%	71.0	98.3	-27.7%	67.9	2.8%
Softs/Sweeteners	87.2	82.9	5.1%	81.3	104.8	-22.4%	76.3	14.3%
Dairy	76.9	78.4	-1.9%	78.5	91.3	-14.1%	71.2	8.0%
Grains	101.3	101.3	0.0%	103.7	105.4	-1.6%	94.9	6.7%
Optimal Cost Factor Index	102.6	103.3	-0.7%	103.5	100.1	3.5%	90.6	13.3%
Oils/Oilseeds	109.7	112.1	-2.2%	111.5	101.7	9.6%	91.9	19.3%
Energy/Freight	118.0	121.0	-2.5%	119.3	106.5	12.1%	88.0	34.1%
Packaging	115.4	115.7	-0.3%	118.1	99.1	19.2%	97.3	18.5%

Sources: Optimal Advisory proprietary analysis, Bloomberg, FRED, USDA, BEA

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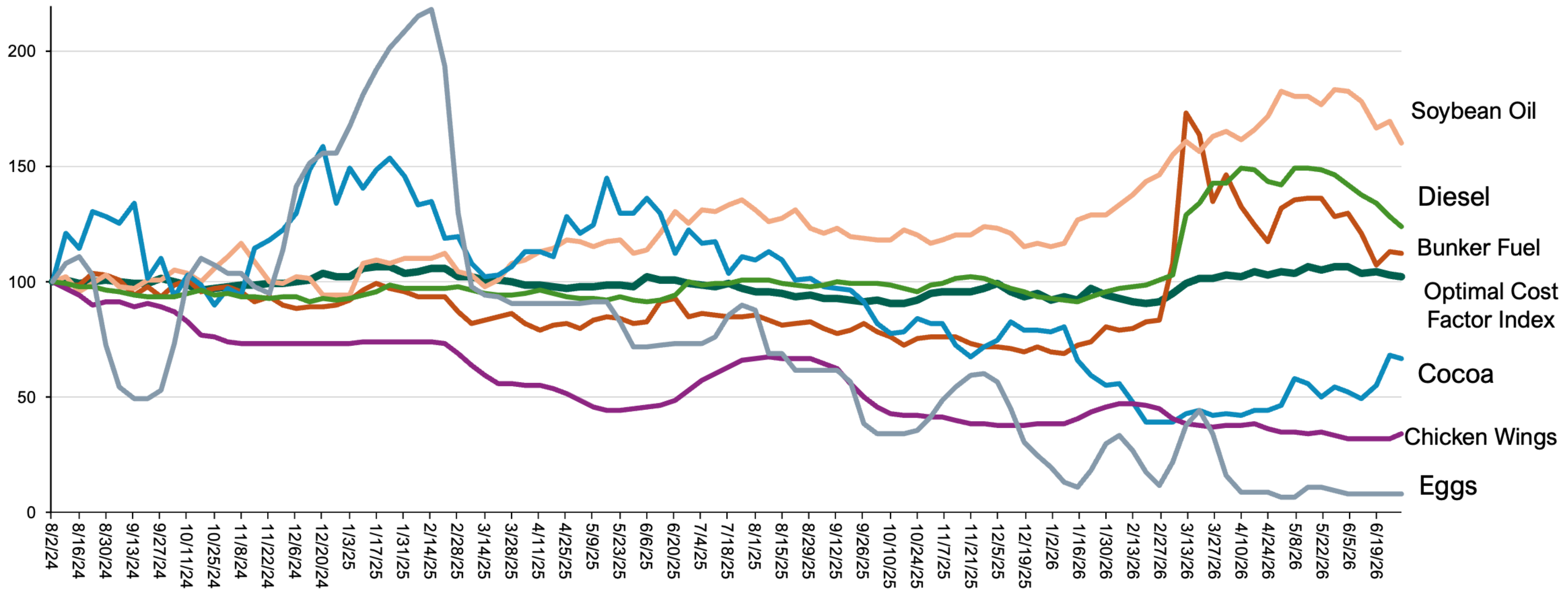
Biggest Input Cost Movers y/y



Coffee and Sugar Spike on Weather, Even as the Complex Eases

Notable commodity moves this week ran against the easing trend. Coffee climbed 12.3% w/w and 31% over the month, while sugar rose 10.6% w/w though it remains down 9% y/y. Both moves reflect weather-related supply concerns rather than any turn in the broader cost picture.

COFFEE

+12.3% w/w

and +31% over the month

SUGAR

+10.6% w/w

though down 9% y/y

Food Sector Cost Factor

Ticker	Value at 7/1	Value at 6/25	W/W %	Most Recent T4W	YAGO T4W	T4W / YAGO T4W %	12 Mo Low	Increase Since 12-Mo Low
CAG	99.7	100.9	-1.2%	100.9	101.1	-0.2%	88.3	13.0%
CPB	84.8	85.4	-0.7%	84.6	75.1	12.6%	67.4	25.8%
KHC	81.8	82.3	-0.6%	82.7	79.8	3.6%	72.5	12.8%
FLO	84.6	84.8	-0.2%	85.6	78.1	9.5%	70.9	19.3%
MDLZ	76.5	76.7	-0.3%	76.2	81.9	-6.9%	67.5	13.4%
HSY	74.6	74.7	-0.2%	72.4	92.7	-21.9%	59.8	24.7%
MKC	83.6	84.0	-0.5%	83.7	84.3	-0.7%	75.0	11.4%
SJM	66.0	66.4	-0.6%	67.4	61.1	10.5%	56.3	17.2%
THS	84.1	82.5	1.9%	81.9	81.1	1.0%	72.7	15.7%
JJSF	88.3	89.4	-1.2%	89.5	80.0	11.9%	73.5	20.1%
HRL	77.7	78.6	-1.1%	78.3	73.8	6.1%	67.3	15.5%
LW	68.7	69.1	-0.7%	68.7	84.1	-18.4%	63.9	7.4%
GIS	84.3	85.1	-0.9%	85.2	85.4	-0.2%	74.8	12.6%
POST	72.2	72.7	-0.7%	72.7	72.8	-0.2%	64.6	11.6%
LANC	89.4	91.6	-2.4%	91.5	82.5	10.8%	74.9	19.4%
Food Producers Average	75.9	77.2	-0.6%	76.1	74.6	1.2%	63.5	22.2%
Optimal Cost Factor Index	102.6	103.3	-0.7%	103.5	100.1	3.5%	90.6	13.3%

Sources: Optimal Advisory proprietary analysis, Bloomberg, FRED, USDA, BEA

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Beverage Sector Cost Factor

Ticker	Value at 7/1	Value at 6/25	W/W %	Most Recent T4W	YAGO T4W	T4W / YAGO T4W %	12 Mo Low	Increase Since 12-Mo Low
ABI	85.9	86.4	-0.6%	87.9	83.7	5.0%	79.7	7.8%
SAM	83.4	83.8	-0.5%	85.0	80.6	5.5%	77.1	8.1%
TAP	83.4	83.8	-0.5%	85.0	80.6	5.5%	77.1	8.1%
CELH	55.1	55.9	-1.4%	56.3	50.5	11.3%	47.0	17.2%
MNST	61.9	62.2	-0.5%	62.4	58.2	7.3%	54.6	13.3%
KDP	70.8	69.9	1.3%	71.5	65.5	9.3%	61.7	14.8%
KO	75.2	75.2	0.0%	76.9	68.8	11.8%	66.9	12.5%
PEP	90.9	90.9	0.1%	92.4	88.2	4.8%	82.9	9.7%
Beverages Average	72.9	73.0	-0.3%	74.1	68.6	7.6%	65.0	12.6%
Optimal Cost Factor Index	102.6	103.3	-0.7%	103.5	100.1	3.5%	90.6	13.3%

Sources: Optimal Advisory proprietary analysis, Bloomberg, FRED, USDA, BEA

HPC Sector Cost Factor

Ticker	Value at 7/1	Value at 6/25	W/W %	Most Recent T4W	YAGO T4W	T4W / YAGO T4W %	12 Mo Low	Increase Since 12-Mo Low
CHD	62.4	63.1	-1.2%	62.8	56.2	11.8%	45.7	36.6%
CLX	66.0	66.9	-1.4%	67.2	59.2	13.6%	49.3	33.7%
EPC	70.1	70.8	-1.0%	71.0	60.9	16.6%	52.8	32.7%
PG	73.0	73.9	-1.2%	74.4	64.5	15.4%	55.3	32.0%
HPC Average	67.9	68.7	-1.2%	68.9	60.2	14.4%	50.8	33.8%
Optimal Cost Factor Index	102.6	103.3	-0.7%	103.5	100.1	3.5%	90.6	13.3%

Sources: Optimal Advisory proprietary analysis, Bloomberg, FRED, USDA, BEA

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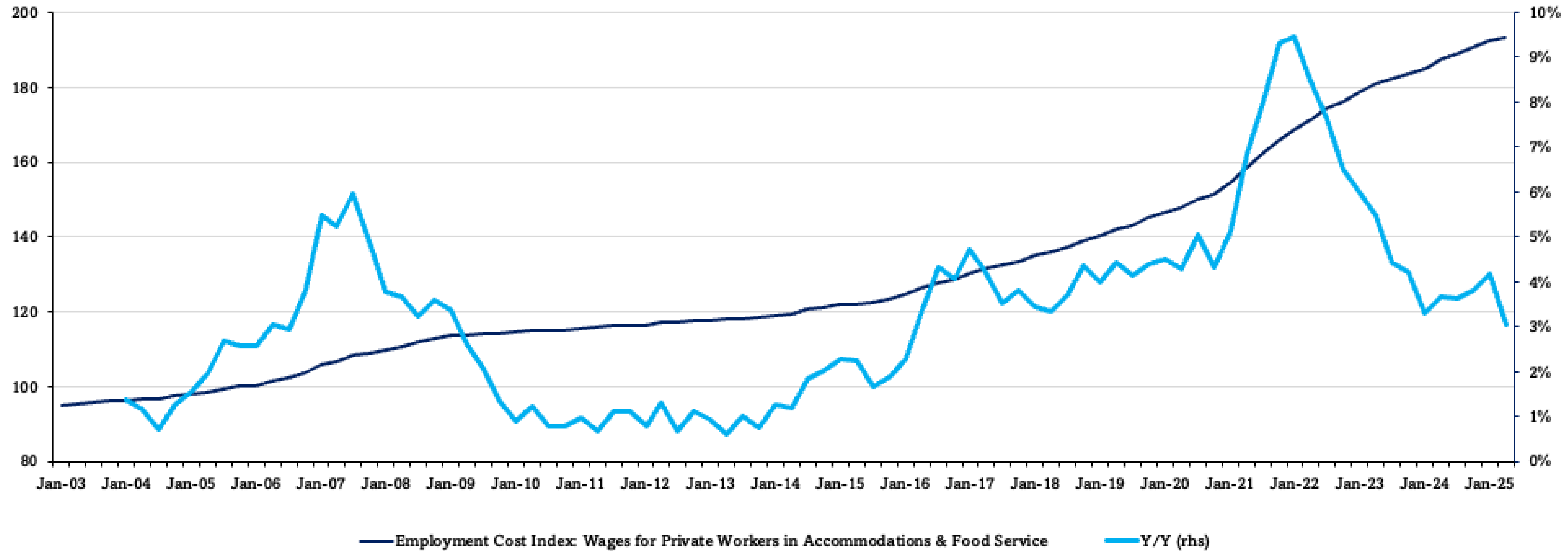
Restaurant Level Cost Factor

Ticker	Value at 7/1	Value at 6/25	W/W %	Most Recent T4W	YAGO T4W	T4W / YAGO T4W %	12 Mo Low	Increase Since 12-Mo Low
FAST CASUAL MEXICAN	79.5	81.6	-2.6%	81.0	87.9	-7.9%	73.5	8.1%
FAST CASUAL UPSCALE	74.3	75.5	-1.5%	75.2	85.0	-11.5%	69.9	6.3%
FAST FOOD BURGER	89.0	91.3	-2.5%	90.7	104.4	-13.2%	84.0	5.9%
FAST FOOD MEXICAN	82.6	84.7	-2.5%	84.1	91.6	-8.2%	76.4	8.1%
FULL SERVICE UPSCALE	79.4	80.9	-1.9%	80.5	90.9	-11.4%	74.8	6.2%
WINGS	64.5	65.1	-0.9%	64.7	78.1	-17.1%	64.1	0.6%
Food Service Average	78.2	79.8	-2.0%	79.4	89.6	-11.5%	73.8	5.9%
Optimal Cost Factor Index	102.6	103.3	-0.7%	103.5	100.1	3.5%	90.6	13.3%

Sources: Optimal Advisory proprietary analysis, Bloomberg, FRED, USDA, BEA

Restaurant Employment Cost Index



Higher Energy and Shipping Costs Are a Tax on Everything

1) **COGS.** Energy drives packaging, especially aluminum, inbound and outbound freight, and farm-level costs such as diesel and fertilizer that shape plantings, supply and future food inputs.

2) **SG&A.** Higher fuel raises delivery costs across the distribution network.

3) **Revenue.** Pricier energy squeezes consumer budgets, most acutely in convenience and single-serve formats.

Sources: Optimal Advisory proprietary analysis, Bloomberg, FRED, USDA, BEA

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Crude Works Lower, Now Roughly Flat y/y

WTI slipped to near $68 a barrel, still about 15% above the 12-month lows seen in the winter of 2025. Shipping traffic keeps returning to pre-conflict levels, a tailwind for HPC and staples names broadly as supply normalizes.

WTI CRUDE

~$68 / bbl

~15% above winter 2025 lows

CRUDE Y/Y

~Flat

off the conflict-driven peak

SHIPPING

Normalizing

toward pre-conflict levels

Sources: Optimal Advisory proprietary analysis, Bloomberg, FRED, USDA, BEA

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Staples Theme Box: Underdiscussed and Overdiscussed

	Getting Worse	Getting Better
Underdiscussed	• Lower end consumers are extremely stressed relative to the broader economy. Many can't afford the items they want and are more sensitive to price shocks. • GLP-1 is a tide pulling disproportionately high LCV customers (i.e. high income, urban, female) consumers out of select food & beverage categories. • Recent strategic explorations (e.g. KHC, CAG) show little strategic interest in food names.	• Protein is the best trend in the U.S. food sector, with consumer demand continuing to grow. A GLP-1 driven tailwind for new & innovative offerings. • Recent M&A activity in the spirits/alcohol space suggests market pessimism has overshot reality. • A squeezed consumer is a net "win" for CPG as rotation to meals at home should exceed price sensitivity impact. • Resilience in higher-end segments (coffee, energy drinks, health-focused SKUs).
Overdiscussed	• GLP-1 is a volume headwind for food & beverage sectors. • Consumers report they are choosing to drink less alcohol… this is largely excess supply, comps & affordability. • Energy prices squeeze discretionary consumer budgets – most important for convenience & single serve.	• "Something has to give" strategically driving M&A in CPG. No, it doesn't. The math doesn't work on prospective deals for targets with high fixed costs and declining volume. Sellers have been willing for years now, a path to volume growth has to be clear before more deals can happen.

Source: Optimal Advisory proprietary analysis

Market Sector Performance

	w/w	m/m	ytd	y/y
S&P 500	1.7%	-1.5%	9.1%	20.2%
Russell 1000	1.8%	-1.1%	9.1%	19.8%
Russell 2000	0.2%	3.7%	20.1%	35.3%
NASDAQ Composite	2.7%	-3.9%	12.1%	27.7%
Dow Jones Industrial Average	0.7%	2.4%	8.1%	17.6%
Communications	3.9%	-5.1%	-6.1%	2.1%
Consumer Discretionary	4.2%	-0.1%	-0.2%	7.3%
Consumer Staples	-0.8%	1.5%	7.2%	1.3%
Energy	-2.3%	-7.8%	15.7%	21.5%
Financials	2.5%	6.5%	-0.3%	4.1%
Health Care	2.5%	7.9%	2.6%	17.9%
Industrial	-0.4%	6.4%	16.1%	23.8%
Real Estate	-0.9%	2.1%	9.4%	5.7%
Technology	0.6%	-5.2%	28.6%	46.4%
Utilities	-2.4%	3.9%	3.7%	10.2%
Oil	-5.5%	-26.2%	18.6%	0.8%
BTC	0.8%	-16.1%	-33.5%	-45.2%
US 10 Yr Yields (bps)	8.9	2.8	29.0	20.4

Sources: Optimal Advisory proprietary analysis, Bloomberg

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Methodology

This weekly note identifies the putative impact of spot input costs on the U.S. fast moving consumer goods (FMCG) value chain, most measurably on staples, staples retailers, restaurants and food service. Optimal's proprietary Cost Factor weights ticker and sector-specific cost trends using a formula built on 32 trackable spot cost inputs.

TRACKED INPUTS

32

spot cost inputs

REFRESHED

23 / 32

updated nightly; rest latest available

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The Read

Costs are easing off highs but remain inflationary & not evenly. The energy and packaging complex is rolling over while softs and sweeteners remain deflationary but are jumping on weather. For staples and restaurants, the direction is friendly and the pace is slowing. For HPC, costs are a headwind but easing. Grocers face a tough environment with deflationary perishables hurting their comps while core costs (labor, logistics, etc.) rise.