AEDE Winter Outlook
Local Food and Direct Marketing

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THE OHIO STATE UNIVERSITY
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Where are we now?

Still in COVID

- Slowly re-opening (lurching)
- Transitioning to a new normal
- New variants create uncertainty

Hoping for a great year ahead!

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Consumer Trends

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Key trends during COVID-19

Changes in ***how much*** people buy

Changes in ***what*** people buy

Changes in ***where*** people shop

Changes in ***how*** people shop

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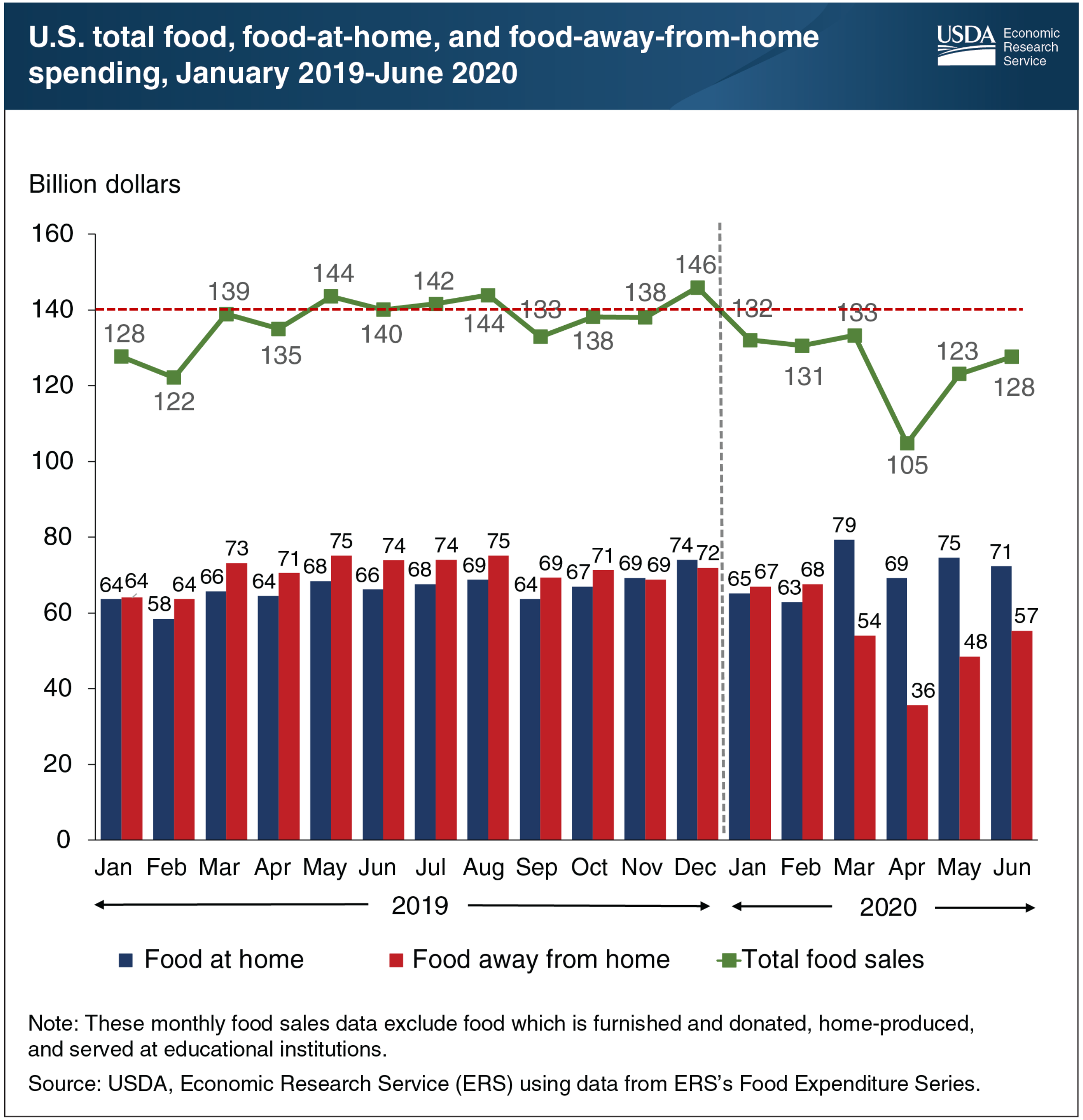
Total food spending down 8.6%



Source: USDA ERS 2020

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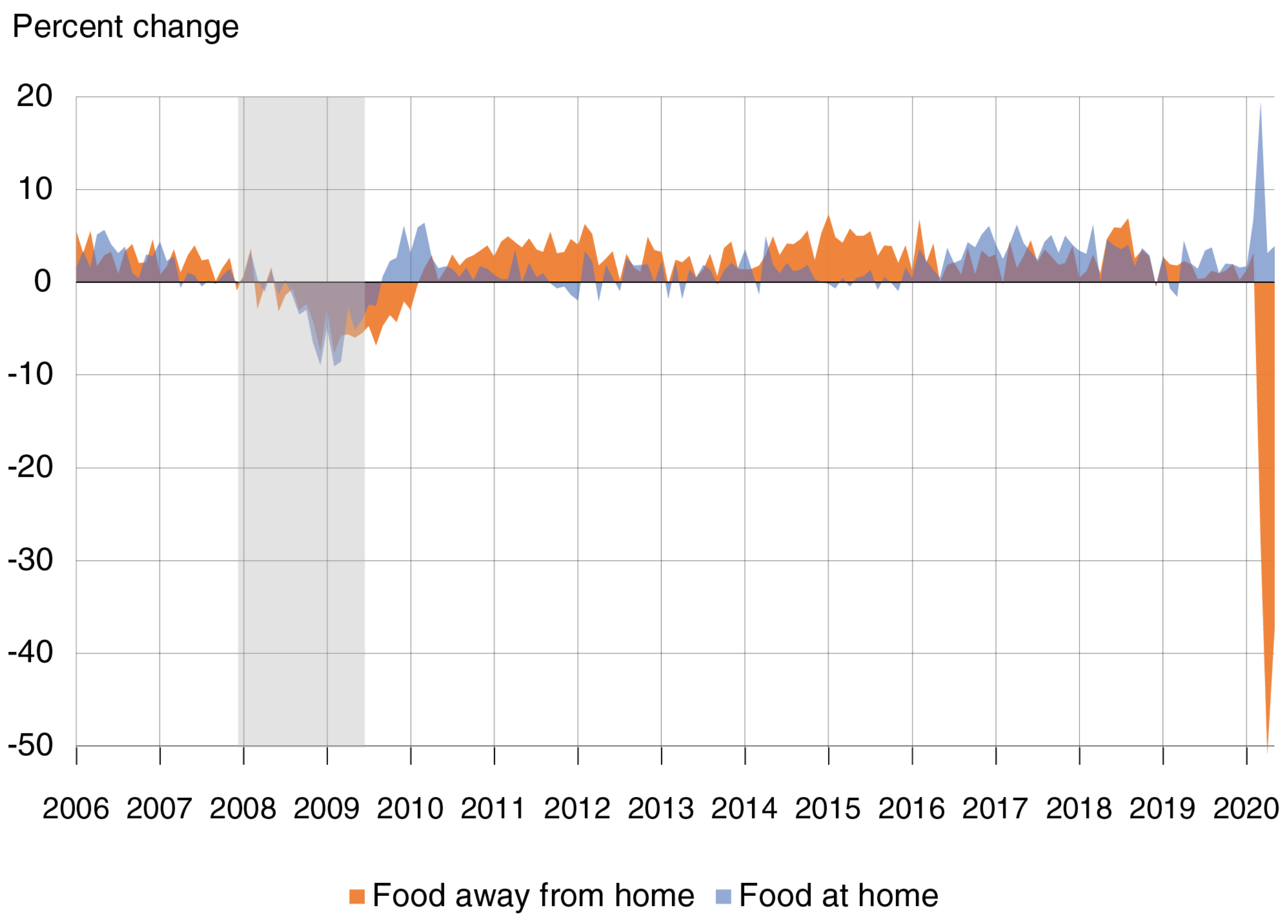
Year-to-year change in inflation-adjusted monthly U.S. food-at-home and food-away-from-home expenditures

USDA Economic Research Service



Notes: Expenditures include spending on foods and beverages by consumers, businesses, and government entities. Orange and blue areas show the percent change from the previous year for each month. Year-to-year changes are calculated on sales in 1988 dollars. Grey bar indicates the 2007-09 recession.

Source: USDA, Economic Research Service (ERS) using data from ERS's Food Expenditure Series.

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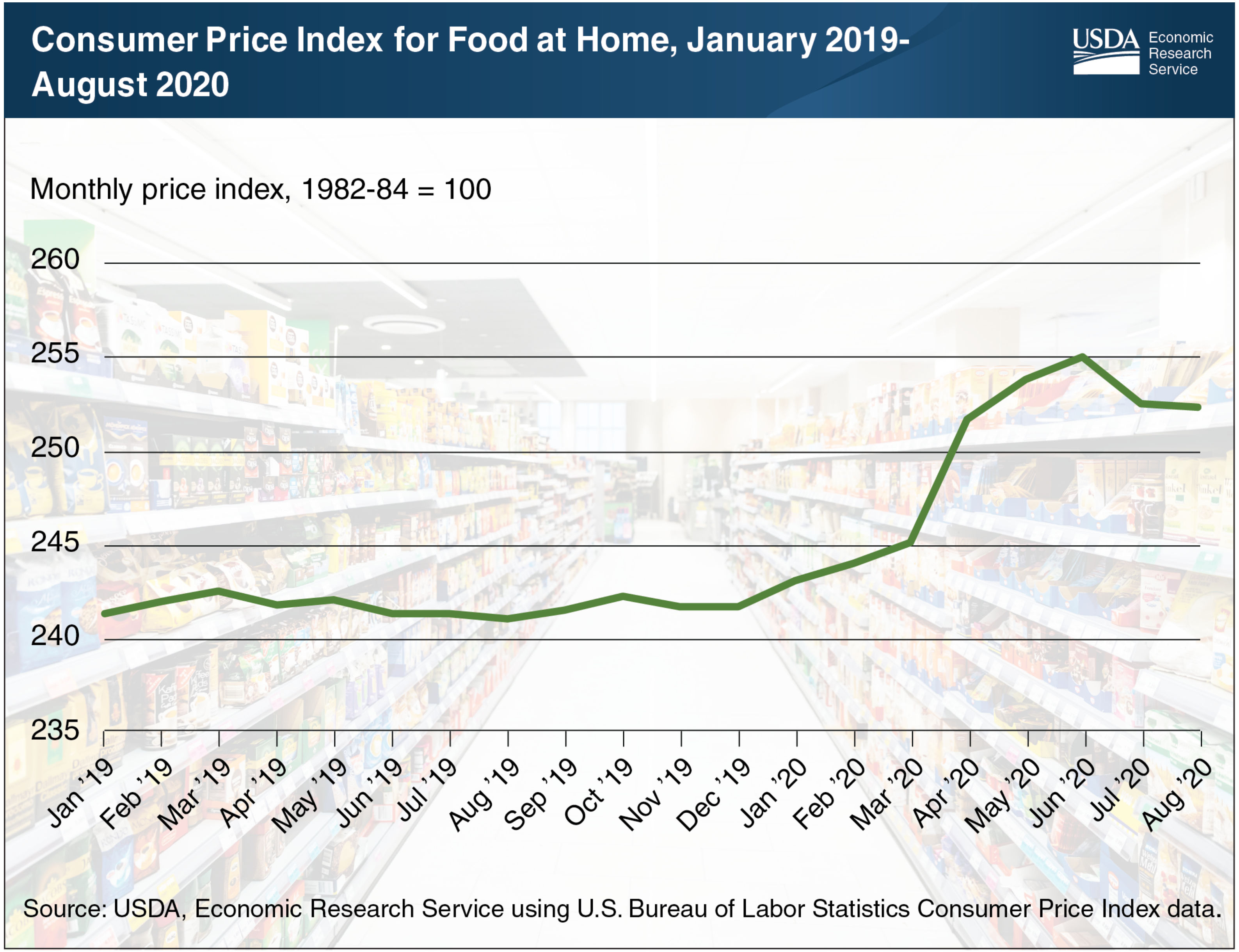
Source: USDA ERS 2020

Consumer prices for Food at Home up about 5%



Source: USDA ERS 2020

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Trend 1
Online Shopping Increasing

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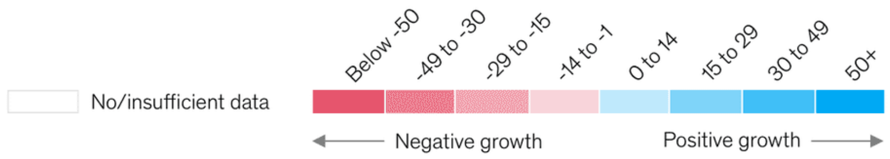
Customers purchasing category online[1,2,3]

% growth[4]



[1]Q: *"Before the coronavirus (COVID-19) situation started, what proportion of your purchases in this category were online vs from a physical store/in person?"*
[2]Q: *"Once the coronavirus (COVID-19) situation has subsided, tell us what proportion of your purchases in this category you think will be online vs from a physical store/in person?"*
[3]Includes respondents who chose "some online," "most online," and "all online." Respondents who indicated that they have not bought the category online and do not intend to do so in the next two weeks are classified as not purchasing online.
[4]Percent growth is calculated by subtracting the pre-COVID-19 percentages from post-COVID-19 percentages and dividing by pre-COVID-19 percentages of respondents selecting "some online"; "most online"; "all online".
Source: McKinsey & Company COVID-19 Consumer Pulse surveys, conducted globally September 18–30, 2020

McKinsey & Company

Source: McKinsey & Company 2020

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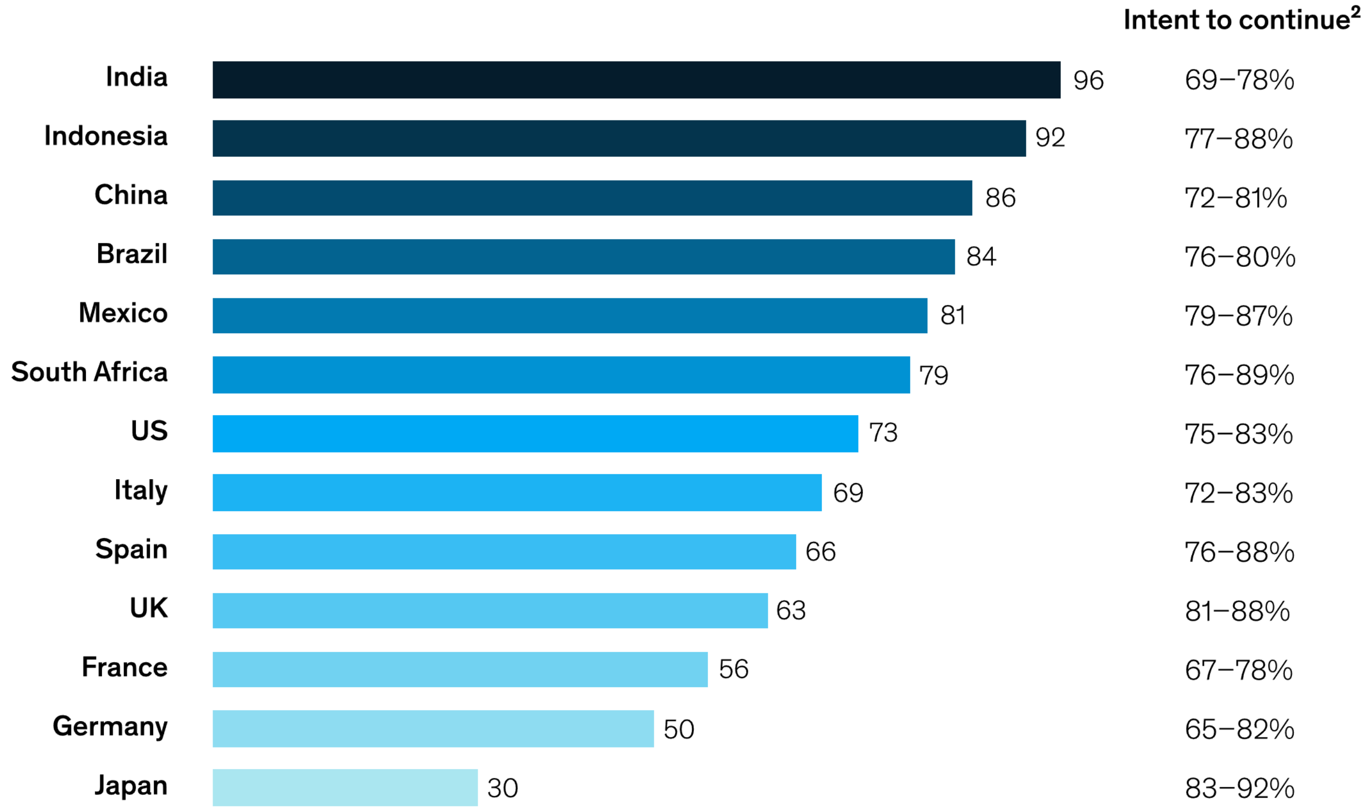
Customers who have tried new shopping behaviors since COVID-19[1]

% of respondents



[1]Q: *"Since the coronavirus (COVID-19) situation started (i.e., in the past ~3 months), which of the following have you done?"* The chart excludes % of consumers selected "none of these."

[2]Q: *"Which best describes whether or not you plan to continue with these shopping changes once the coronavirus (COVID-19) situation has subsided?"* Possible answers: "will go back to what I did before coronavirus"; "will keep doing both this and what I did before coronavirus"; "will keep doing this and NOT go back to what I did before coronavirus." Intent to continue includes respondents who selected "will keep doing both this and that I did before coronavirus" and "will keep doing this and NOT go back to what I did before coronavirus."

Source: McKinsey & Company COVID-19 Consumer Pulse Surveys, conducted globally September 18–30, 2020

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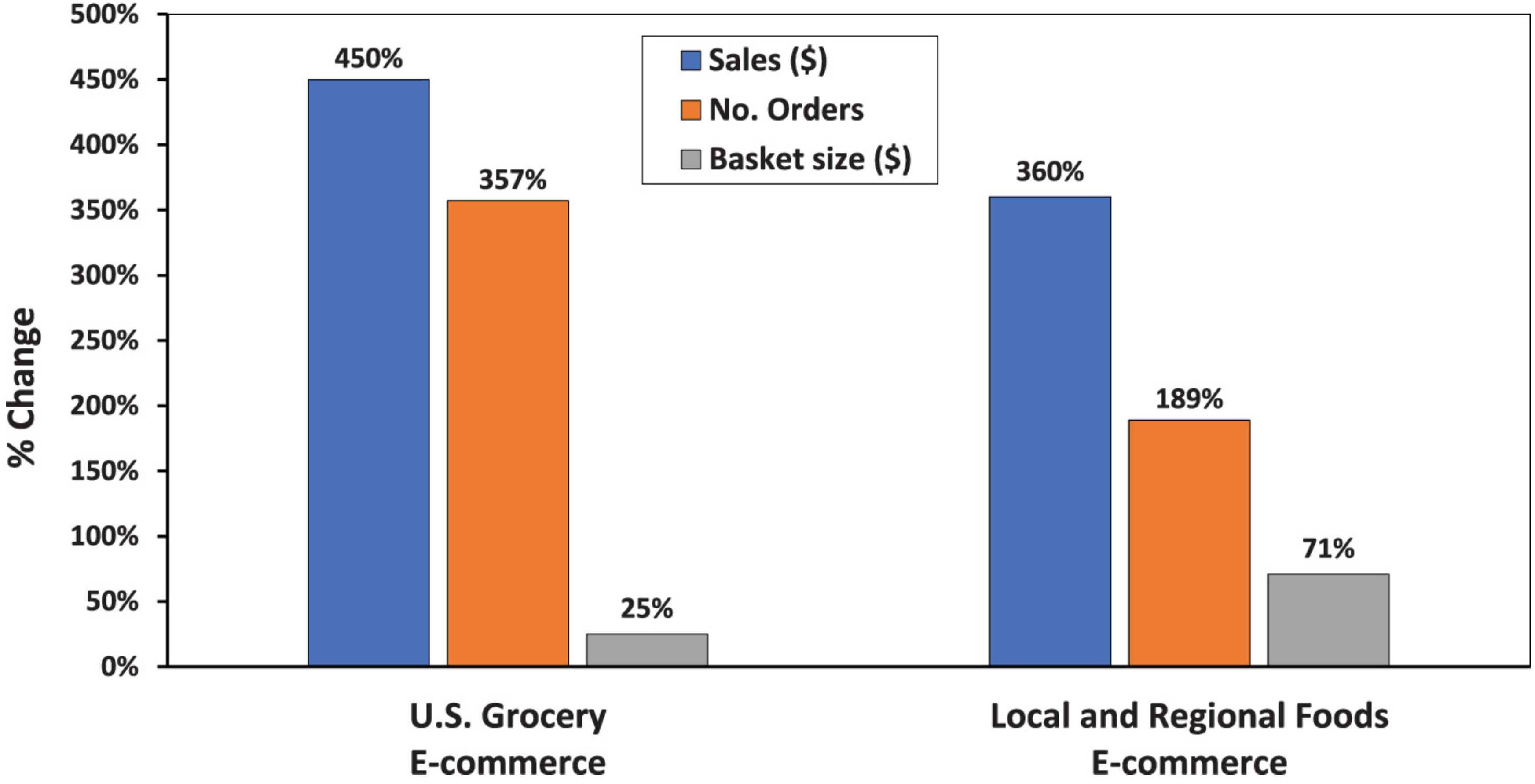
McKinsey & Company

Source: McKinsey & Company 2020

Changes in online food shopping amid the COVID-19 pandemic, 2019–2020



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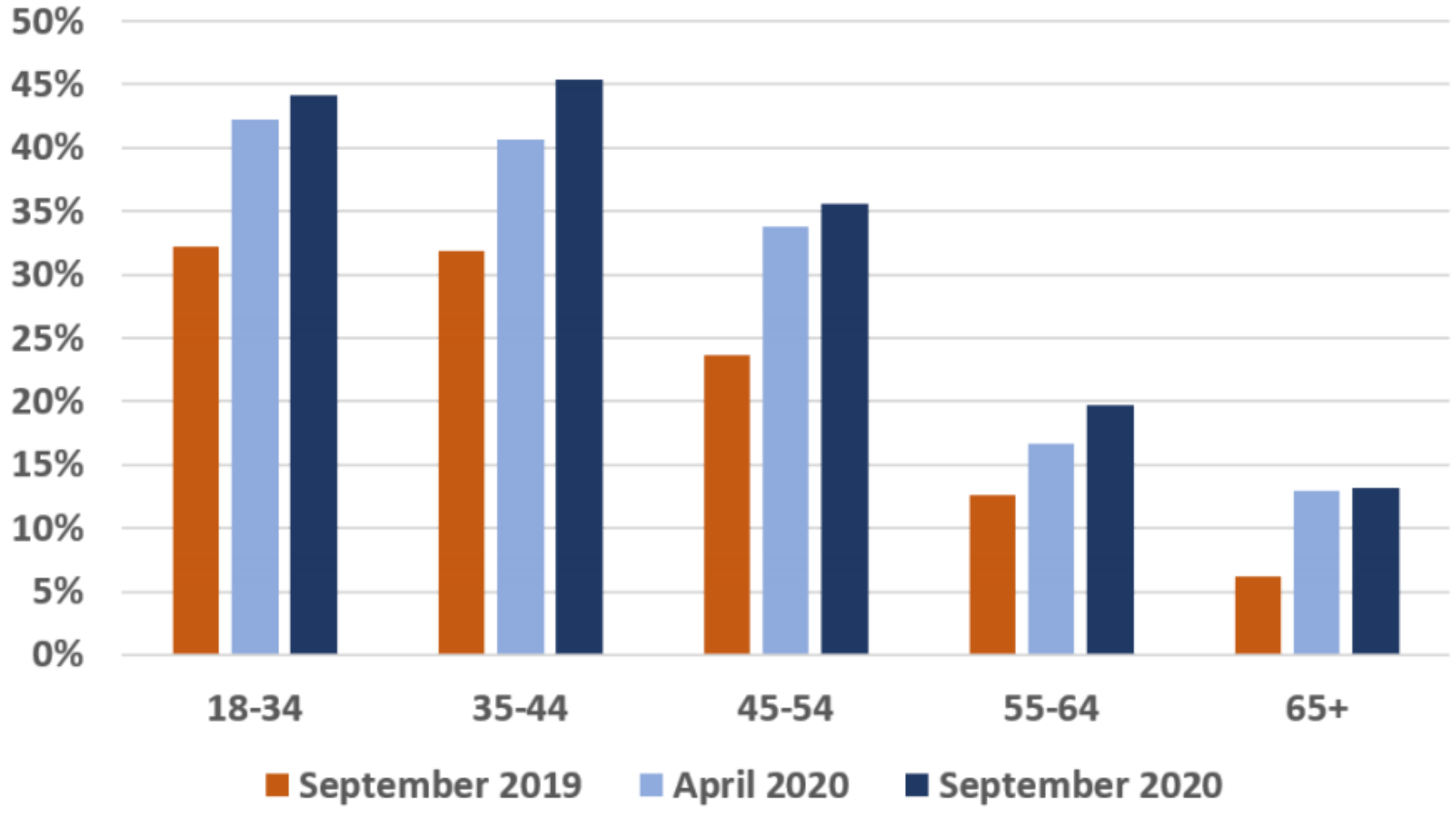
Source: Thilmany et al. 2020

Online shopping frequency by age group in the US



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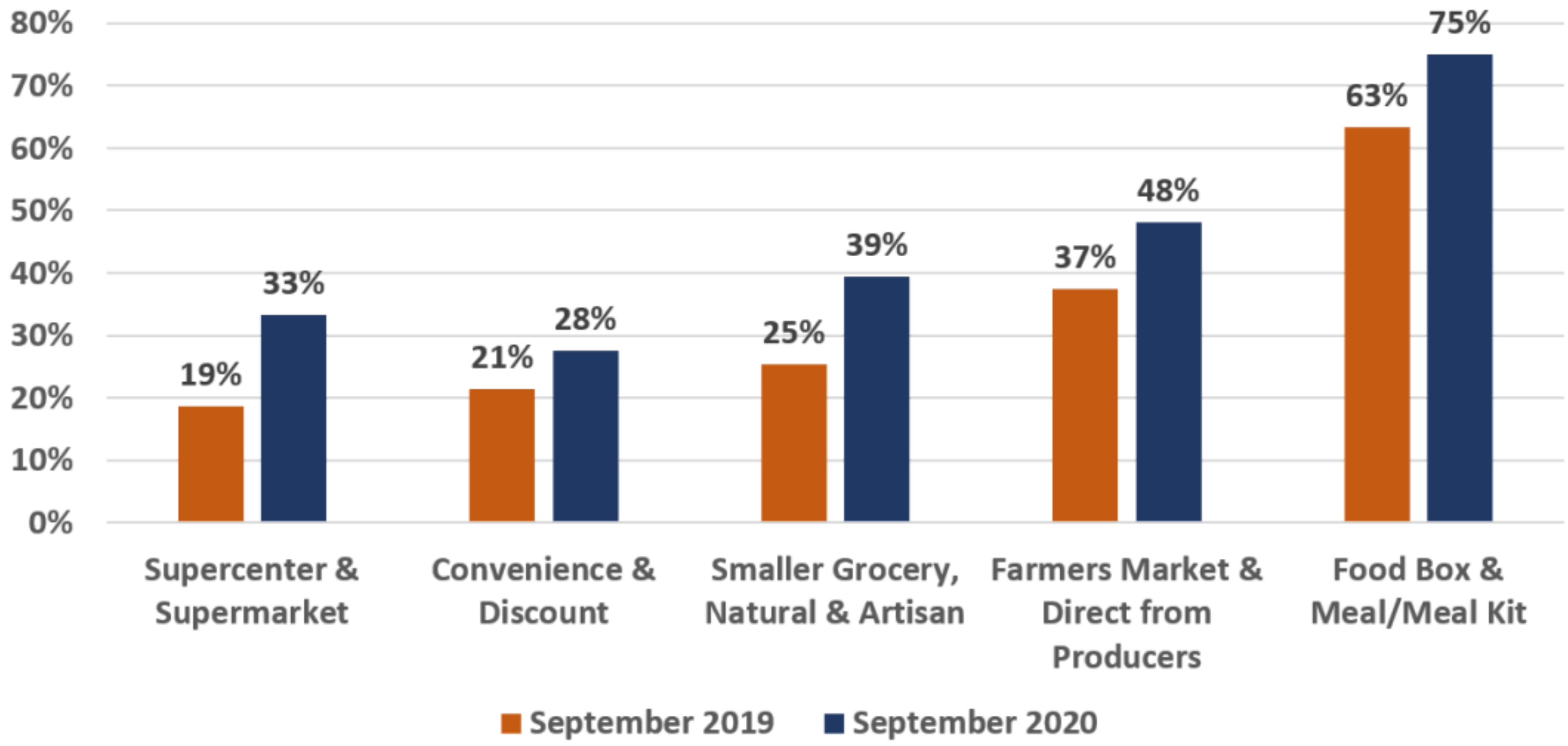
Source: [Edmondson (2021)]

Online shopping frequency by market channel in the US



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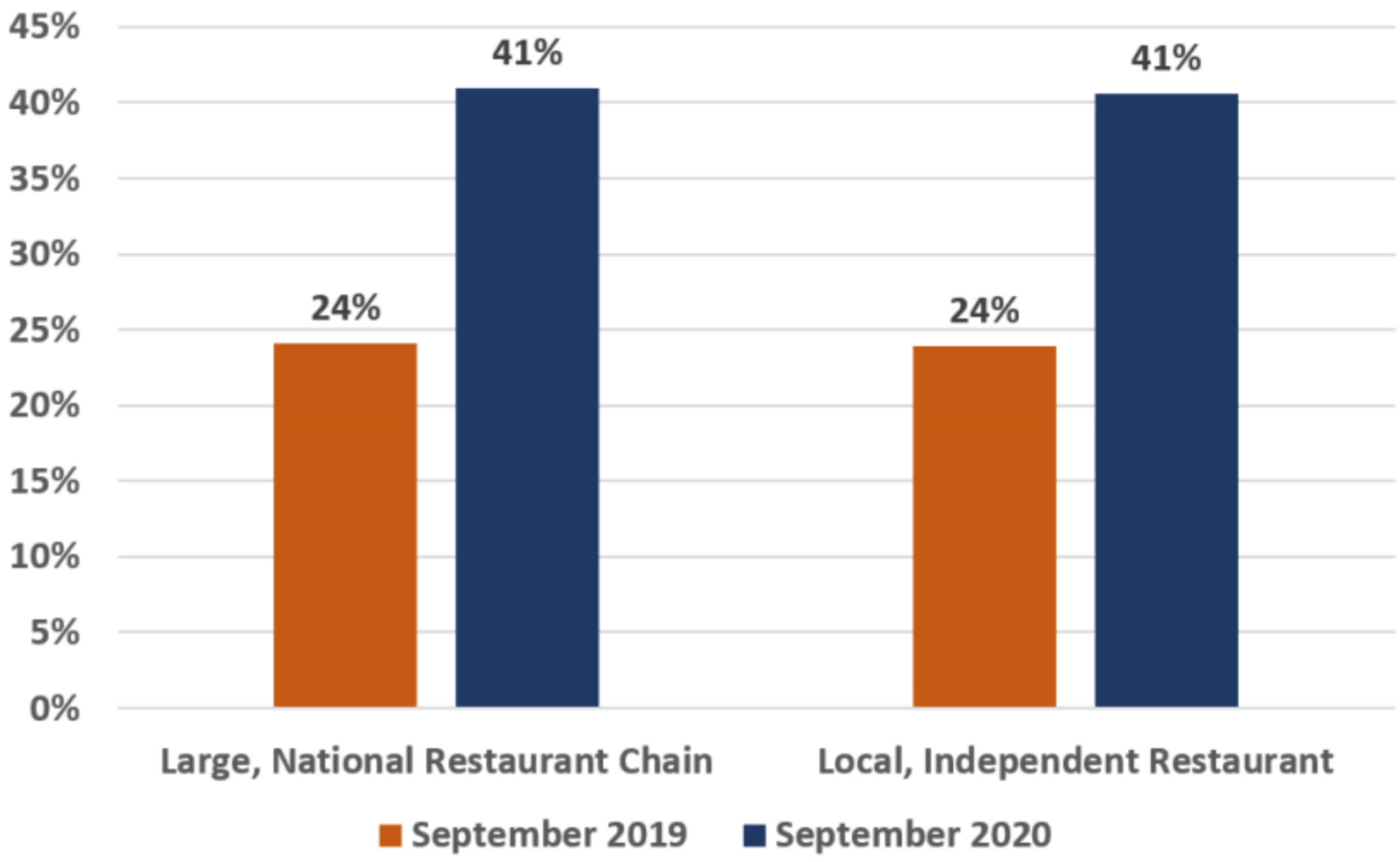
Source: [Edmondson (2021)]

Online shopping frequency by restaurant channel



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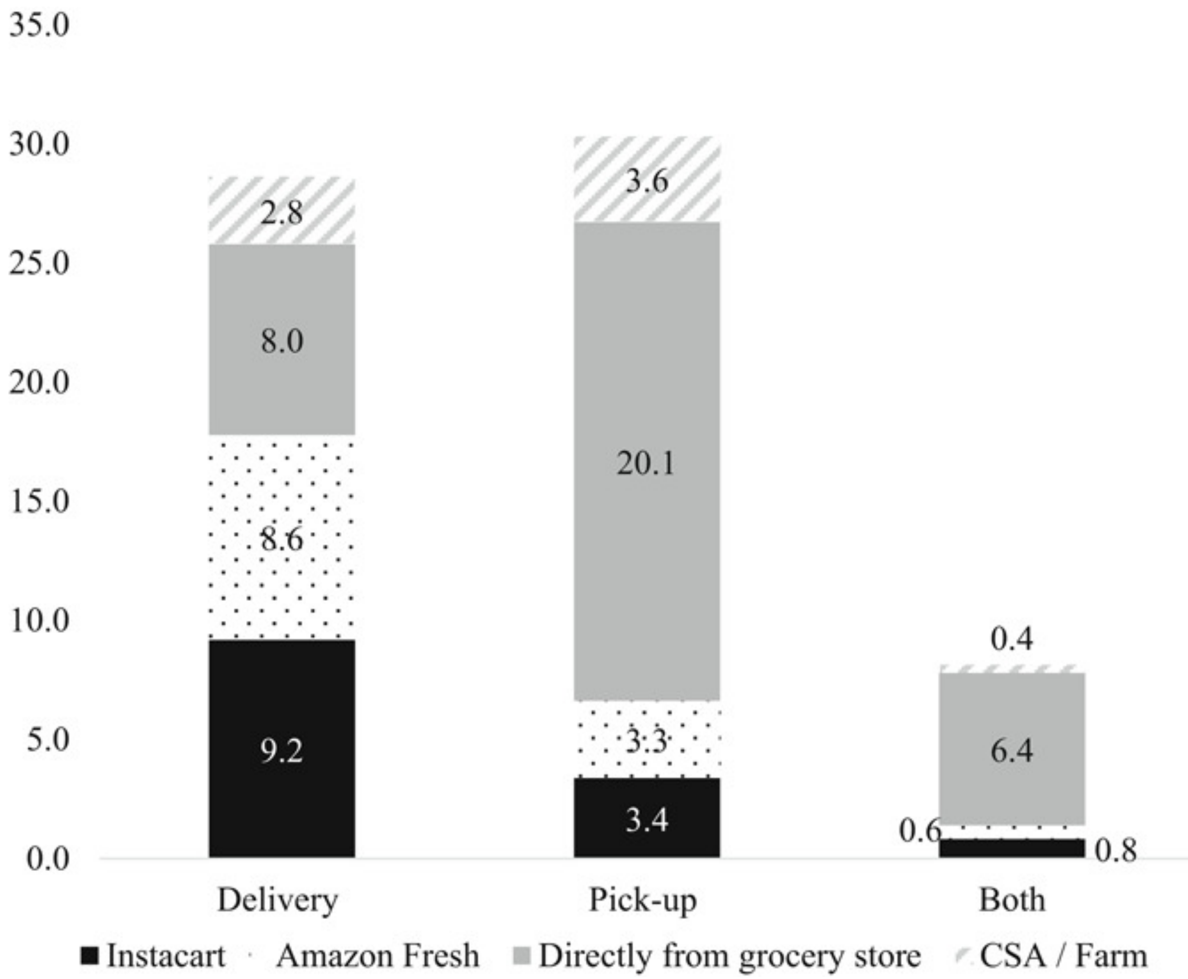
Source: Edmondson (2021)

Online grocery purchases in Phoenix and Detroit, March-May 2020



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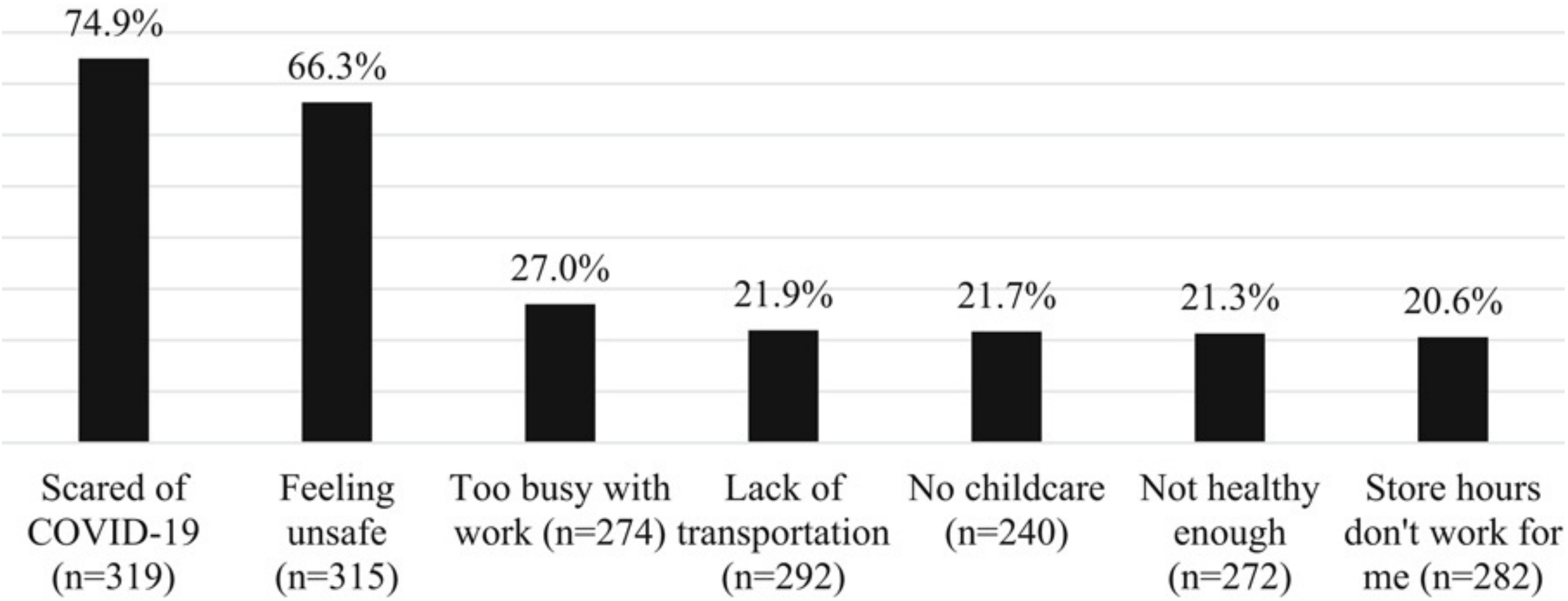
Source: [Chenarides et al. (2020)]

Reasons for online ordering and pick-up or delivery use in Phoenix and Detroit, March-May 2020



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Source: [Chenarides et al. (2020)]

Trend 2
Increased interest in local

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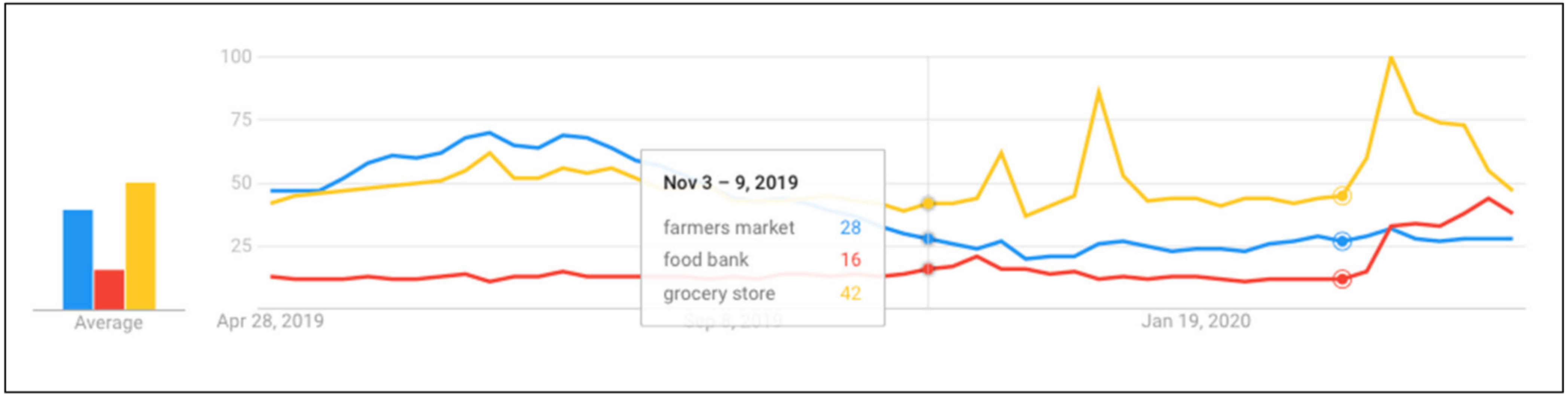
Pandemic increased interest in farmers markets, food banks



Source: Google Trends, April 27, 2020; the geography of search is the U.S.; circles to the right show week of March 1–7, 2020.

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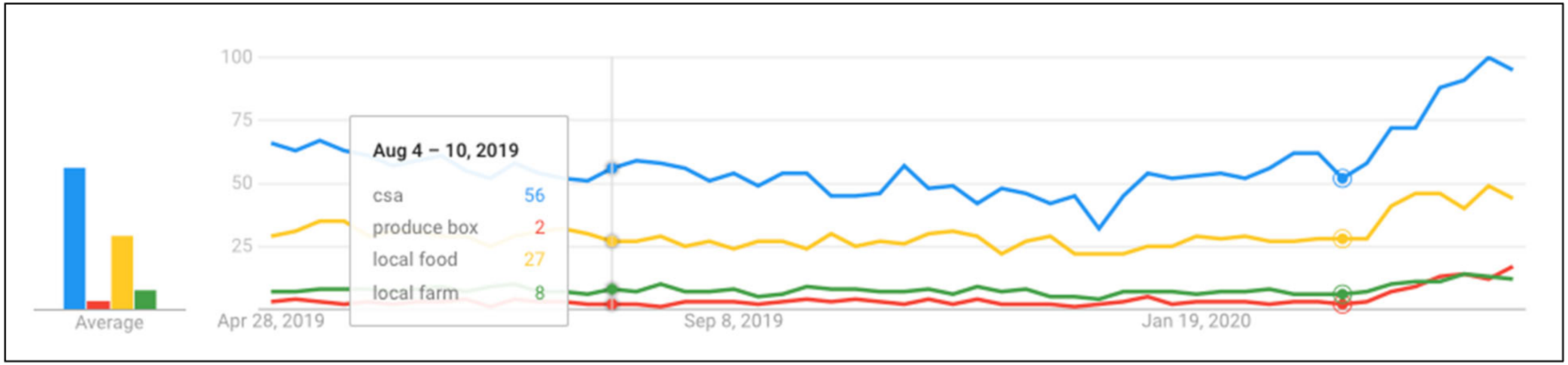
Source: [Schmidt et al. (2020)]

Increased interest in CSAs, local foods



Source: Google Trends, April 27, 2020; circles to the right show week of March 1–7, 2020.

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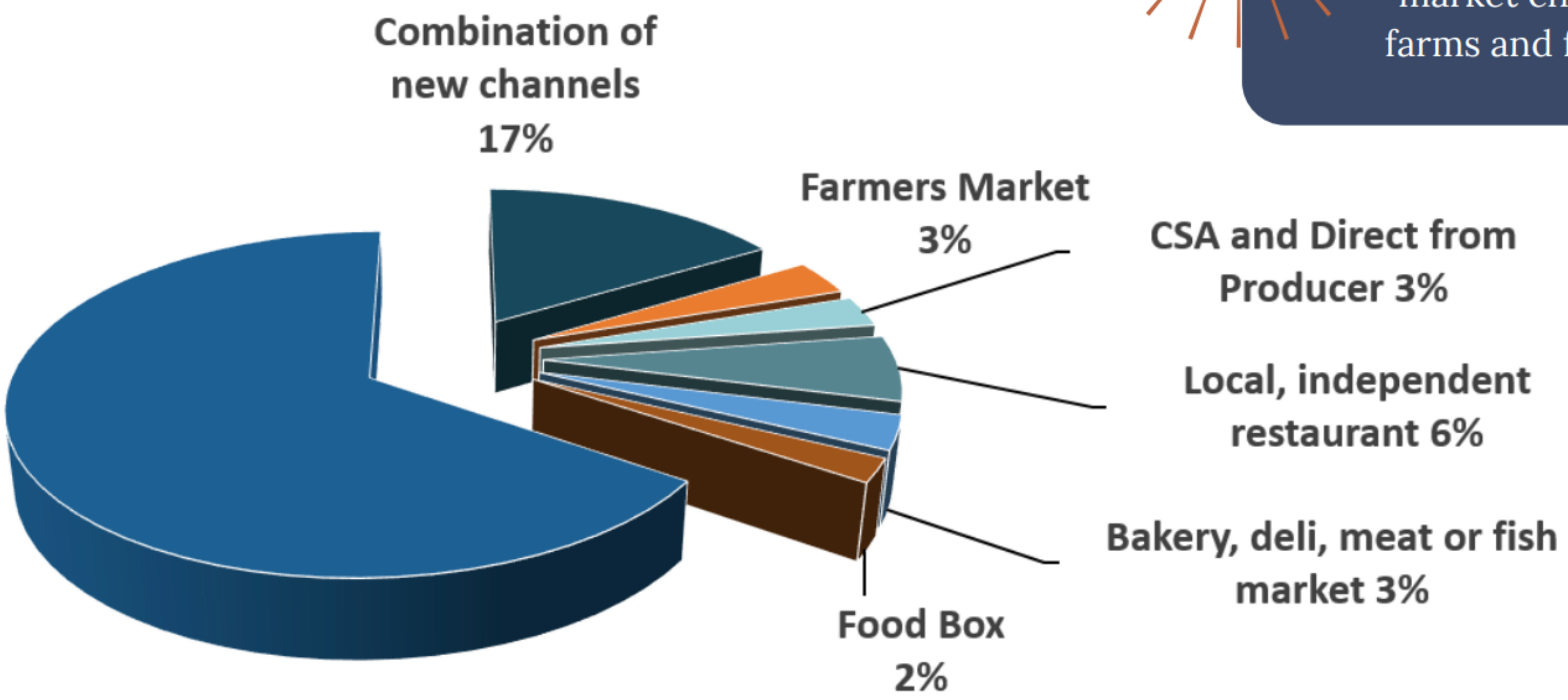
Source: [Schmidt et al. (2020)]

Did you buy food from a new farm or food enterprise?

35%

1684 out of 5000 (35%) tried at least one new outlet in the below market channels. These are target market channels for local farms and food businesses.



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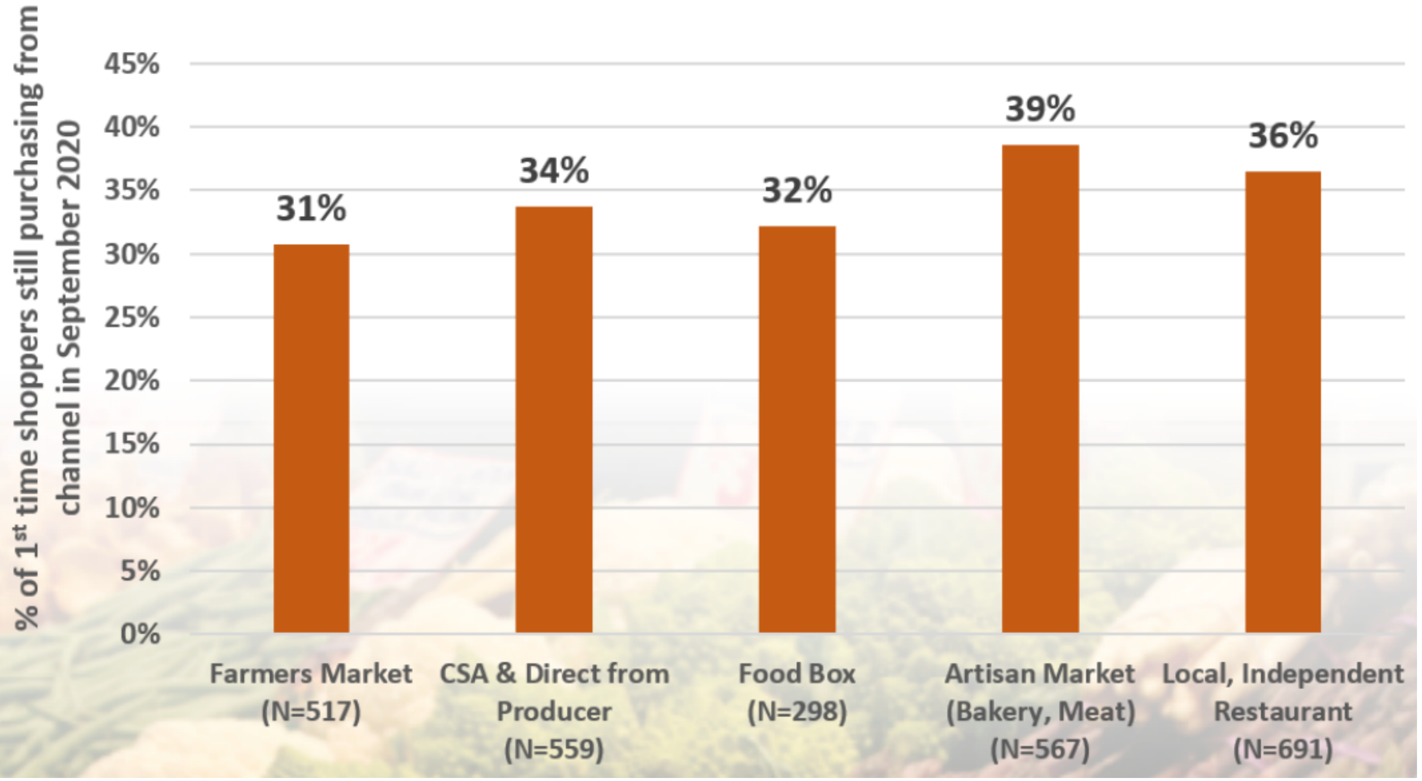
Source: [Thilmany and Edmondson (2021)]

Persistence of New Shoppers Using Local Market Channels

N = Number of New Shoppers in April 2020 in Each Channel



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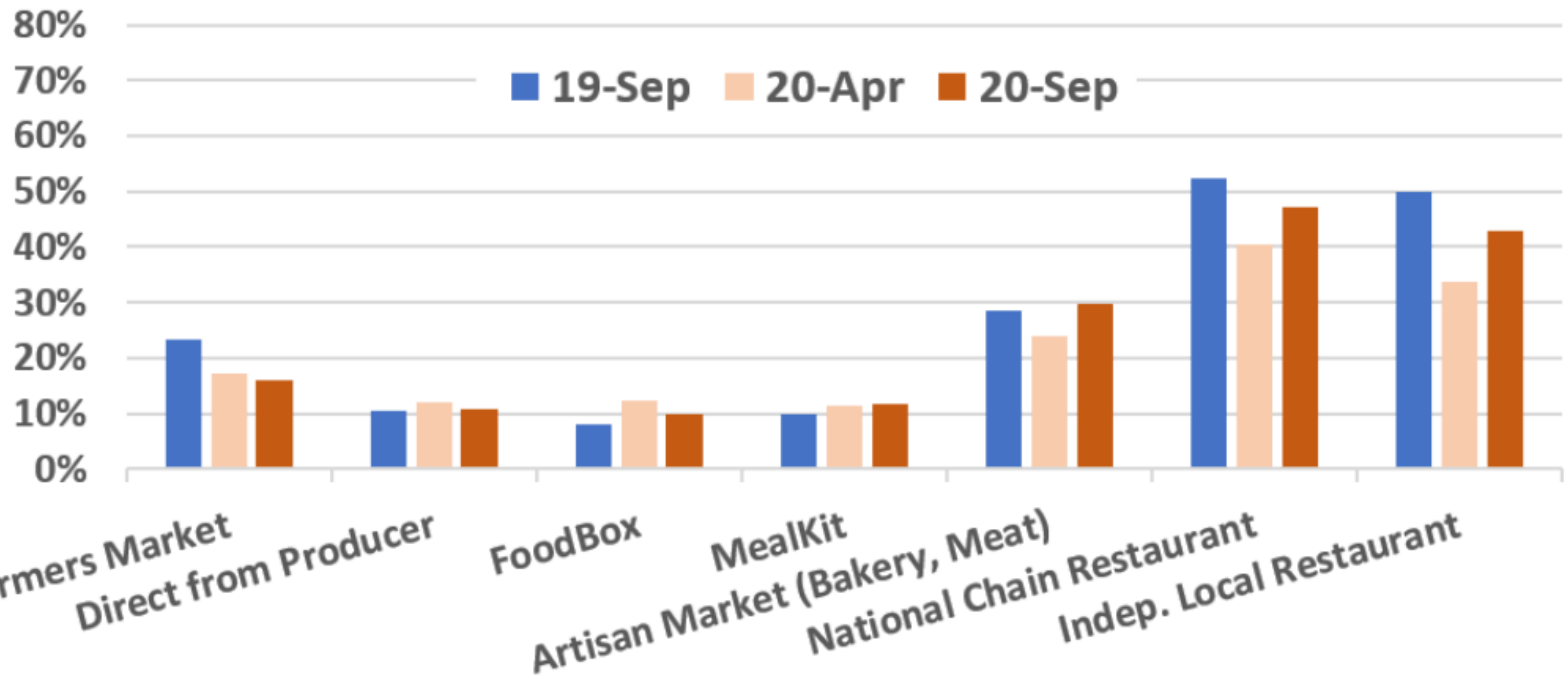
Source: [Thilmany and Edmondson (2021)]

Percentage of consumers purchasing food from each source



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Source: [Thilmany and Edmondson (2021)]

Trend 3

Interest in both fresh + preserved foods

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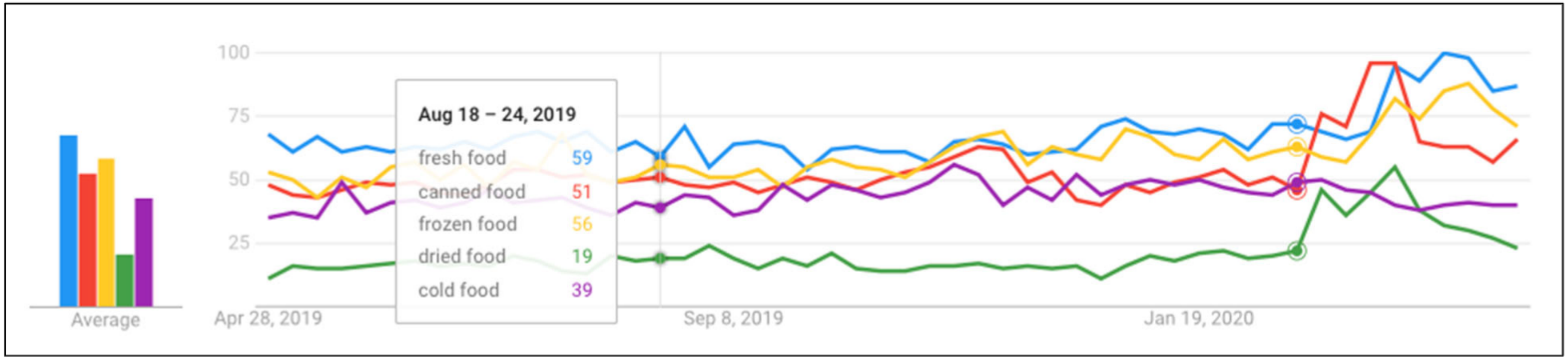
Interest in fresh, frozen, canned foods



Source: Google Trends, April 27, 2020; the geography of search is the U.S.; circles to the right show week of Feb. 16–22, 2020.

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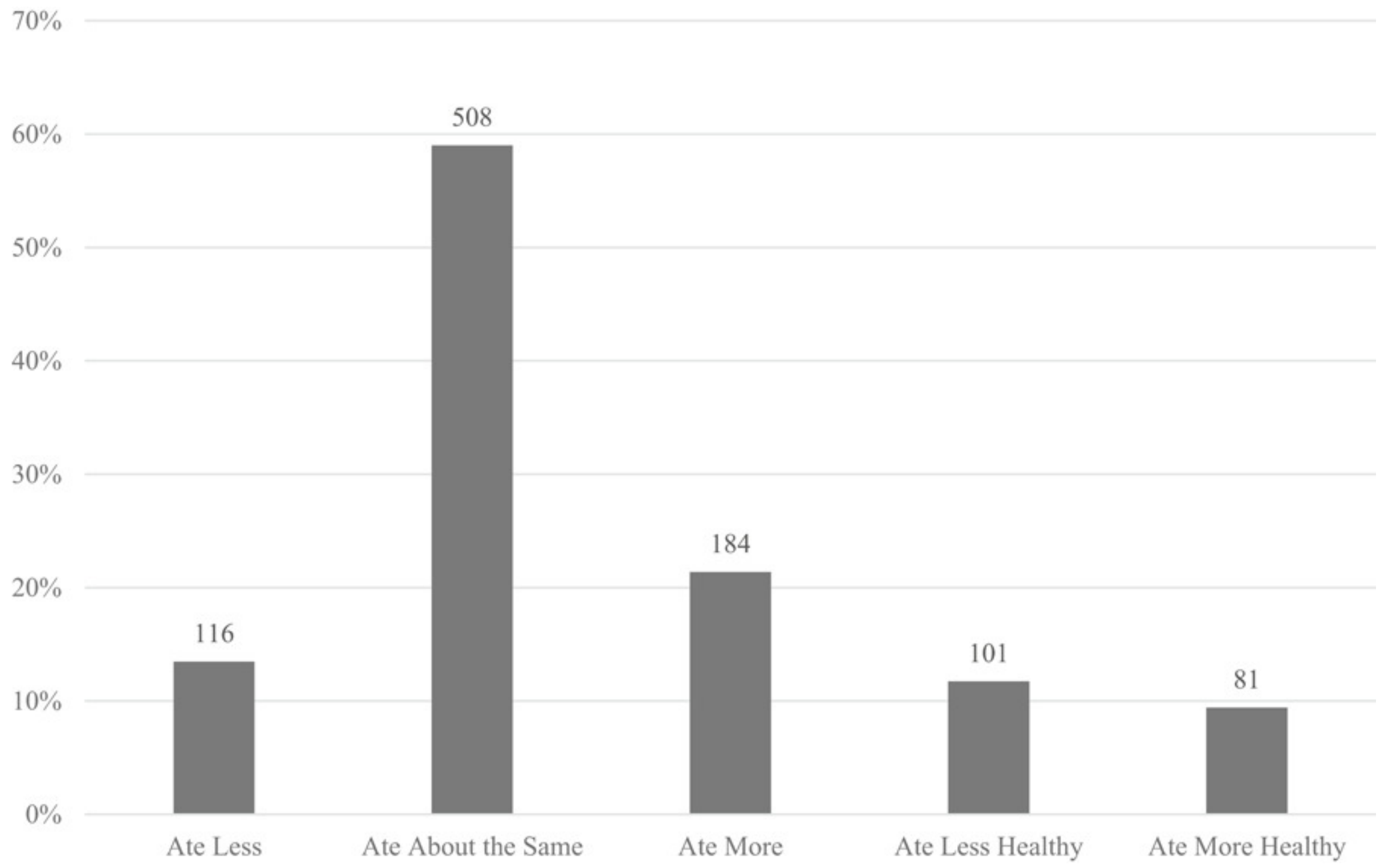
Source: [Schmidt et al. (2020)]

Dietary changes in Phoenix and Detroit, March-May 2020



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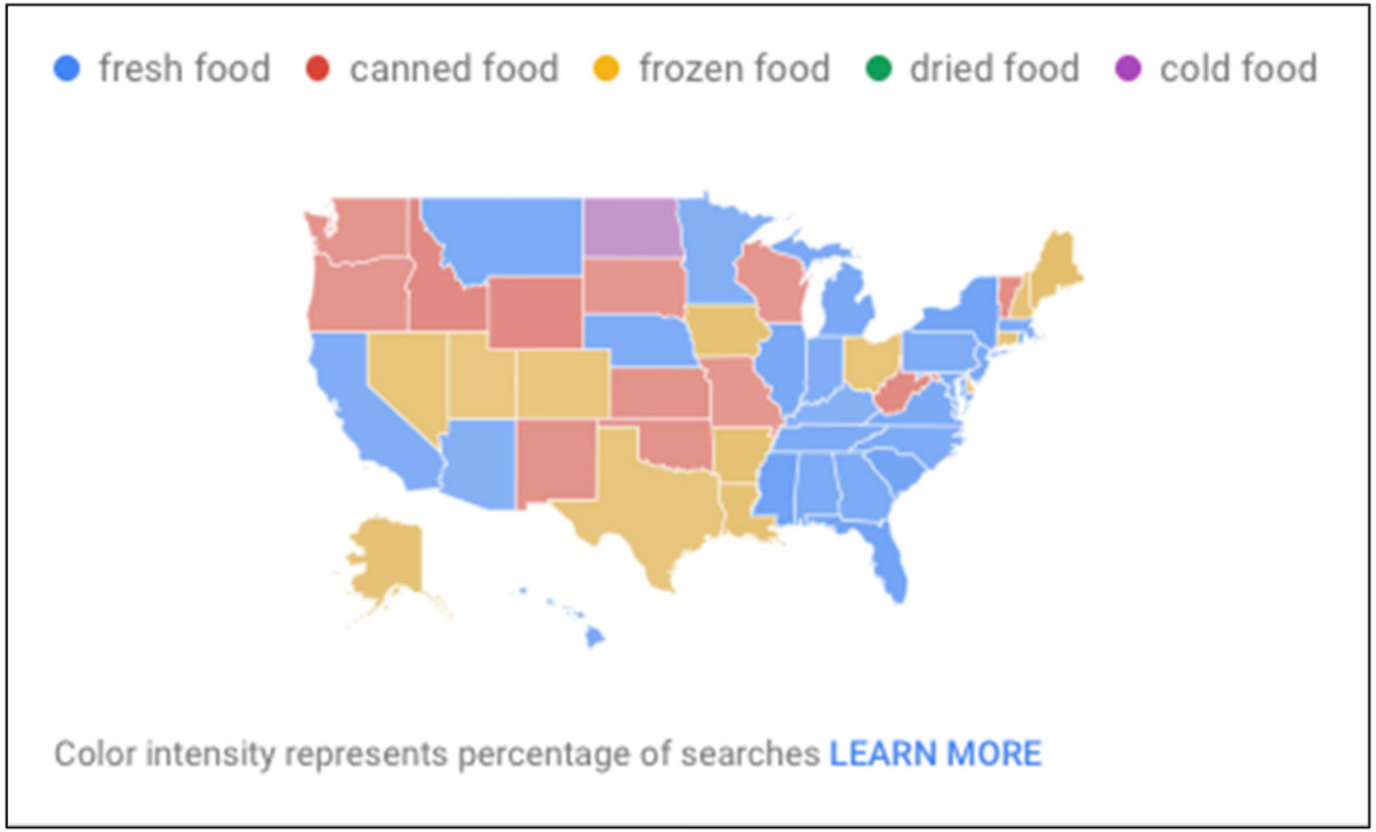
Source: Chenarides et al. (2020)

Strength of interest varies by state



Source: Google Trends, April 27, 2020.

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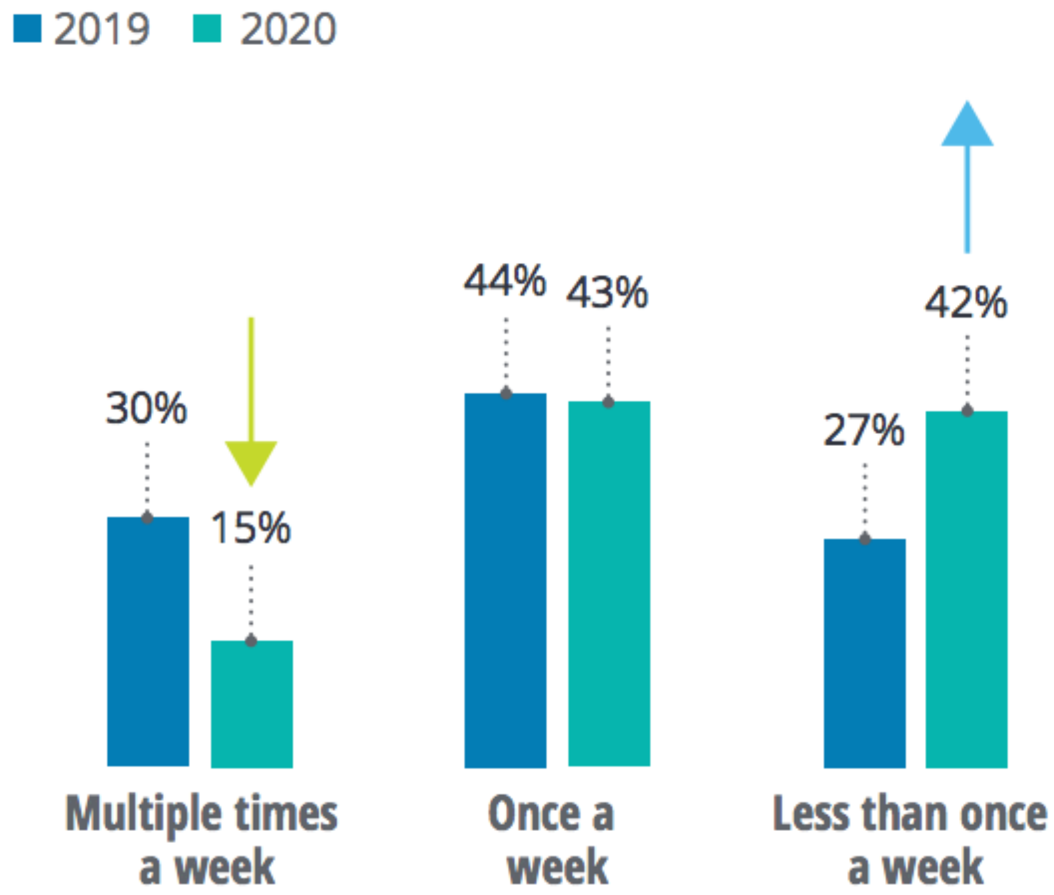
Source: Schmidt et al. (2020)

Frequency of fresh food shopping in the last four months



Source: Deloitte Fresh Food Consumer surveys 2019 (n=2006) and 2020 (n=2000).

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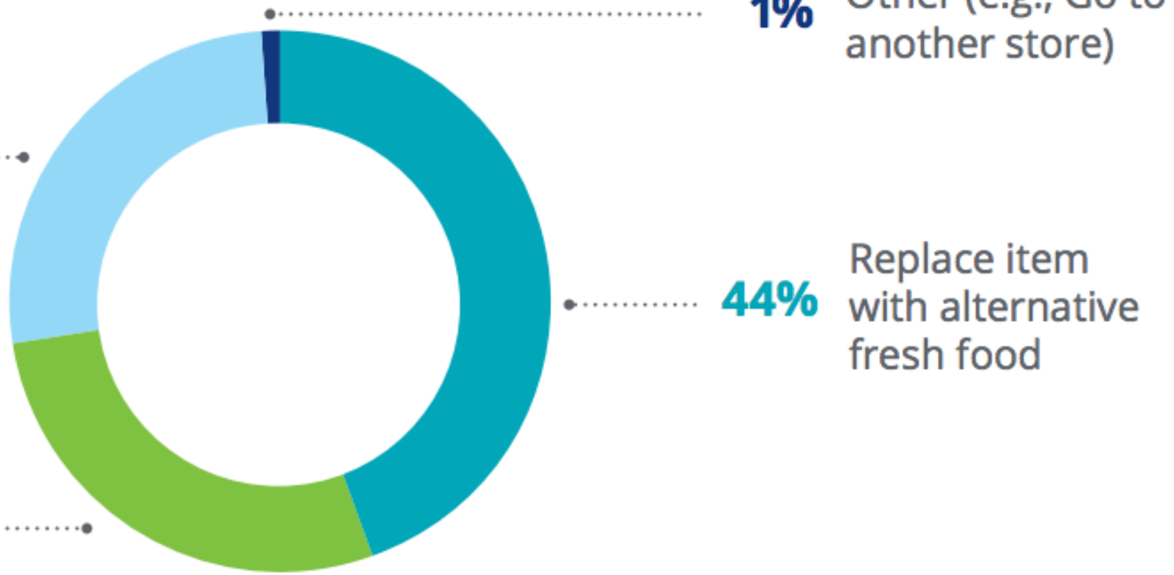
Source: Deloitte Insights 2020

What happens when consumers experience a stockout?



Source: Deloitte Fresh Food Consumer survey 2020 (n=2000).

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Source: [Deloitte Insights 2020]

Trend 4
Consumer focus on value

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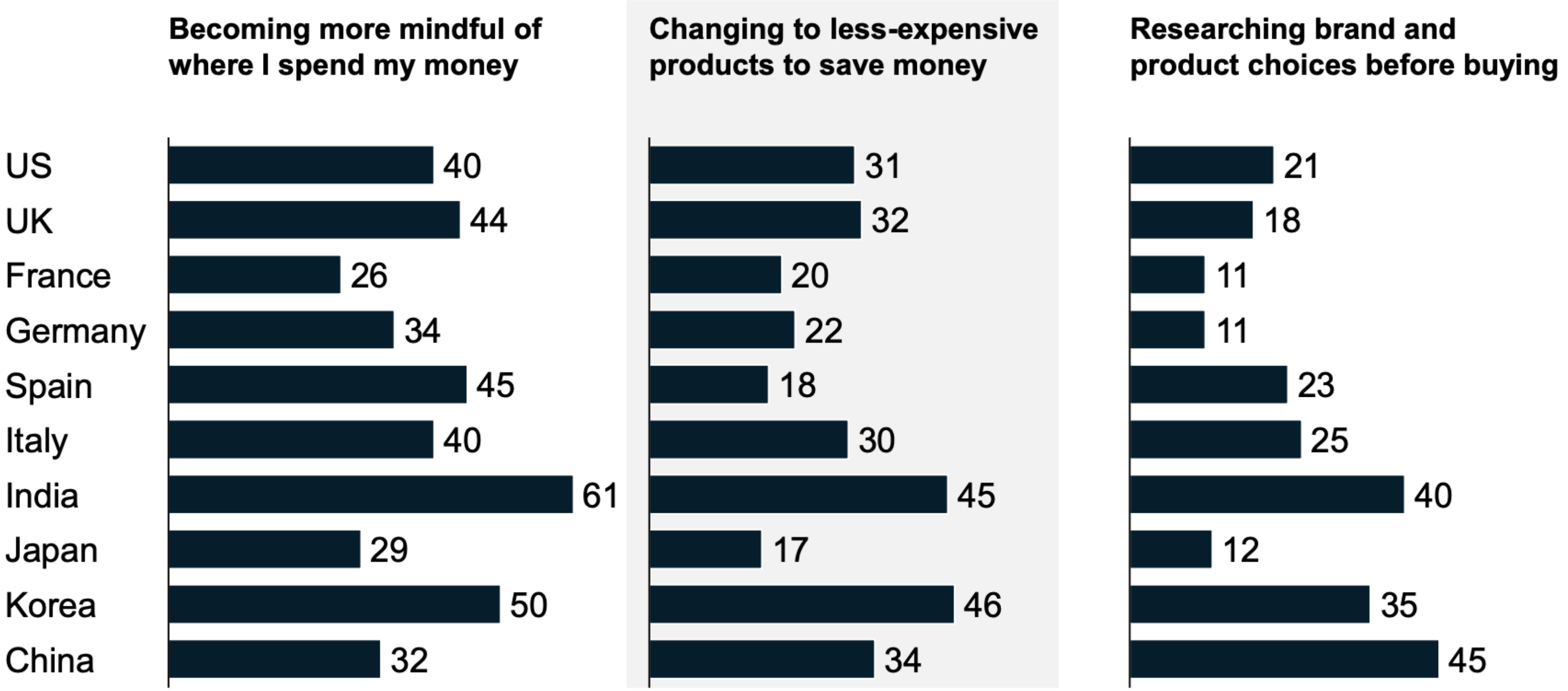
Consumers focusing more on price during COVID!



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Source: McKinsey & Company (2020b)

Top 3 reasons for choosing a new place to shop[1]

	US	UK	France	Germany	Spain	Italy	India	Japan	Korea	China
Value	●	●	●	●	●	●	●	●	●	●
Convenience	●	●	●	●	●	●	●	●	●	●
Availability	●	●		●	●	●		●		
Purpose-driven			●						●	
Quality/organic							●			●
Health/hygiene										

Top 3 reasons for choosing a new brand[2]

	US	UK	France	Germany	Spain	Italy	India	Japan	Korea	China
Value	●	●	●	●	●	●	●	●	●	●
Availability	●	●	●	●		●	●	●		
Quality/organic			●	●	●	●	●		●	●
Convenience	●	●						●		
Health/hygiene									●	●
Purpose-driven					●					

[1] Q: *You mentioned you shopped from a new retailer/store/website since the coronavirus (COVID-19) situation started. What was the main reason you decided to try this new retailer/store/website? Select up to 3.*

[2] Q: *You mentioned you tried a new/different brand than what you normally buy. What was the main reason that drove this decision? Select up to 3.* "Brand" includes different brand, new private label/ store brand.

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Source: McKinsey & Company (2020b)

Trend 5
Grocery is still king

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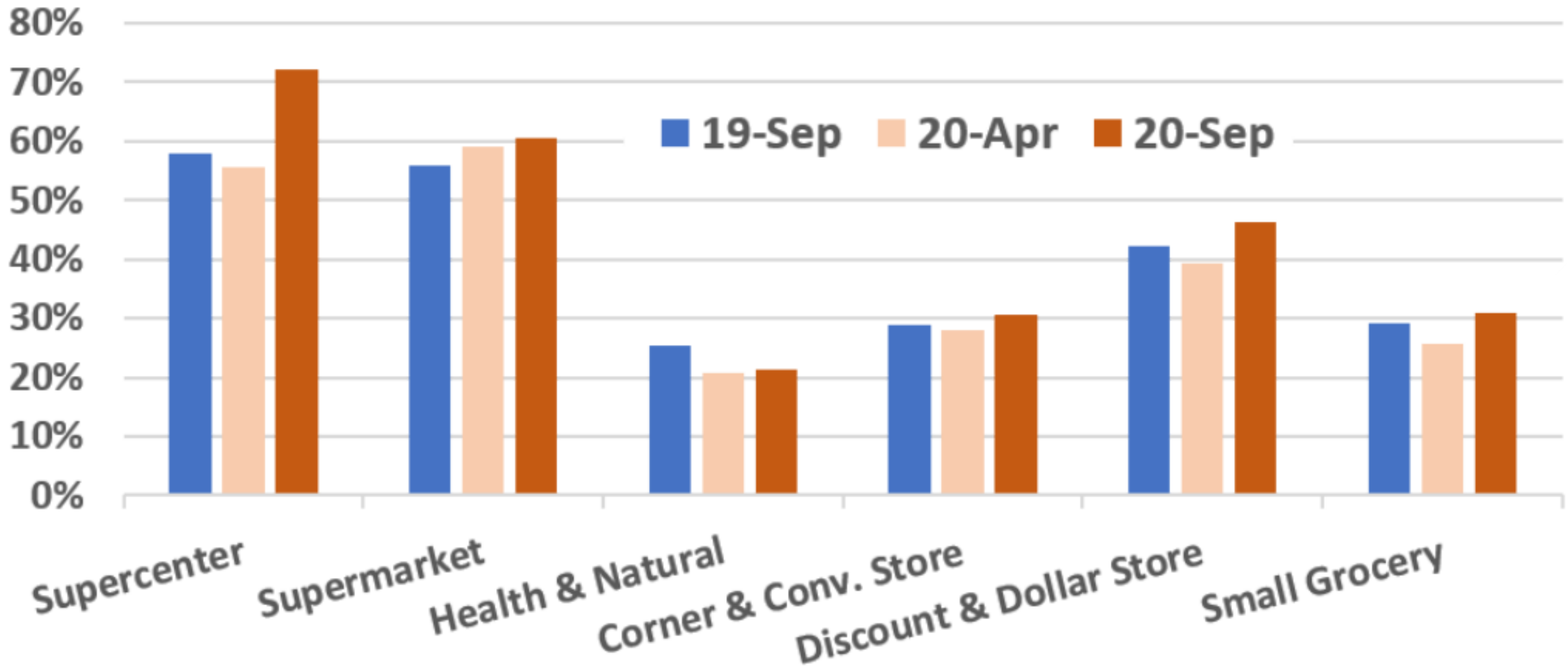
Percentage of consumers shopping at each store type



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Source: [Thilmany and Edmondson (2021)]

Grocery

Many people still prefer shopping in person

Time window is an area where sellers can differentiate themselves

- **Sooner is better (Grashuis et al. 2020)**

SNAP still not accepted online by many retailers

- **Ohio: Aldi, Amazon, Wal-Mart (FNS Pilot Info)**

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Innovations and Trends in Local and Direct Marketing

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Farmers Markets

Consumers

- New consumers attracted to these markets!

Markets

- Increases in costs + declines in income for most
- Highly variable policy/regulatory environment presented challenges
- Shifted to online marketplaces where possible

Farmers

- Forced to shift other channel sales (retail/institution) to FMs

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CSAs

Consumers

- Changing needs (communication, online ordering)

Farms

- Increases in costs
- Demand for business left less ability to engage in food security work
- Small/medium farms unable to pivot easily online

Innovation: Virtual CSA fairs using Facebook Live, Zoom w/ breakout rooms

- Low cost for farmers w/ high reward
- Exposure to new customers

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Food hubs

Changing role

- Some moved to CSA models
- Some leveraged their strengths as aggregator in new ways

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Market entry

Entry of new farms due to COVID-19

- **Can cause problems for existing farmers**
- **Highlight importance of brand and customer experience**

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Shift to online

Very common for direct marketers to shift online this year

- Need to consider who gets left out

Virtual farmers markets one option

- Great option if community is on board (Raison and Jones 2020)
- Challenges with public health regulations (e.g., shared storage)
- New models creates new regulatory challenges

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Urban ag appeared to decline in some regions during the pandemic

	Detroit		Phoenix	
	2017	2020	2017	2020
Grow at community garden	35%	23%***	23%	21%
Grow at home	67%	63%	57%	51%**

Note: *, **, *** indicate that the difference in means between years within each location is statistically different from zero at the 90%, 95%, and 99% confidence levels, respectively.

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Source: [Chenarides et al. (2020b)]

Outlook

What's next – Spring/Summer 2021

Staggered re-opening

- Return to higher Food Away from Home purchasing
- Some restaurant sales increases

Continued high unemployment and consumer policy uncertainty

- Sustained consumer focus on value, convenience
- Global increase in extreme poverty affecting world markets

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What’s next – 2021 and beyond

Slow economic recovery from increased COVID-19 response

- Slow recovery of Food Away from Home spending
- Slow recovery of institutional food demand – expect to see better recovery in Fall 2021

Some return to pre-COVID patterns

- Move back toward non-price food values for consumers
- Return of interest in outdoor markets + agritourism venues --> but need to maintain caution

Some new patterns that will be sustained

- Continued consumer interest in online sales

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Opportunity: Outdoor + on-farm activities

With vaccination increasing…

- **Outdoor + on-farm activities will be able to move forward**

Caveat! COVID-19 isn't over – heightened precautions still needed

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Opportunity: Online sales

Consumers are more comfortable with it – will continue!

Consider broadband availability

Consider comfort of consumers you serve with shopping online

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Importance of brand, price

Time constrained people don't have time to think through their decisions as thoughtfully—use heuristics

- Make purchasing experience easy for customers! (Martin-Neuninger and Ruby 2020)

People before profit as key strategy (Pantano et al. 2020)

Ensure all necessary info is provided online! (Olzenak et al. 2020)

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Put customers first!

Focusing on customer experience is a winning strategy in recession.

Total returns to shareholders of customer experience leaders and laggards,[1] % by quarter

[1] Comparison of total returns to shareholders for publicly traded companies ranking in the top 10 or bottom 10 of Forrester's Customer Experience Performance Index in 2007–09.

Source: Forrester Customer Experience Performance Index (2007–09); press search

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Source: [McKinsey & Company 2020]

Opportunity: Contribute to food security

Unemployment and income impacts have led to decreased food security

- **Rapid shifts have caused challenges to taking SNAP dollars**
- **Culturally appropriate foods and market locations can be challenges for some consumers**
- **Lots of waivers for SNAP, Child Nutrition, etc. (Link)**

Innovation needed in this space!

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Challenge: Uncertain demand

Ways to mitigate risk

- Diversify marketing channels
- Formalize contracts
- Engage with your consumers – be flexible to their needs

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Challenge: Uncertainty about COVID

COVID-19 is not over

Most people in Ohio are not yet vaccinated

New variants could lead to new outbreaks

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Challenge: Changing requirements

State and Federal requirements and recommendations will evolve

- **Know who regulates your industry and keep in contact with them**

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Challenge: Worker safety

An ounce of prevention…

- Take precautions
- At a *minimum,* follow state and Federal recommendations

Be compassionate

- Recognize employees' caregiving expectations, financial situation, etc.

What will you do if you or one of your employees gets sick?

- Make a plan ahead of time

Consider hiring remote workers for some roles

- Bookkeeping
- Website development/maintenance

Policies + Programs

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Coronavirus Food Assistance Program (CFAP)

Biden administration is reviewing

- February 26 deadline for CFAP2 sign-ups has been eliminated
- Producers will have 30 days to sign up after decision announced

Eligibility includes…

- Specialty crops + livestock
- Nursery crops + floriculture

Payment calculation depends on crop

Link to USDA CFAP information

Link to NSAC CFAP 101

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Paycheck Protection Program (PPP)

Agricultural producers *are* eligible for PPP loans

Current round:

- **Only businesses with <20 employees or sole proprietorships eligible**
- **Open window: February 24 – March 9**

Additional changes coming this month to serve smallest businesses

[Link to SBA PPP information]

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Farm Loans

Operating and Ownership Loans

Operating and Ownership Microloans

- **Each max out at $50,000 – total of $100,000**

Farm Storage Facility Loan Program (Link)

Minority and Women Farmers and Ranchers Loans (Link)

- **Includes special down payment loan program**

Beginning Farmers and Ranchers Loans (Link)

Link to USDA farm loan discovery tool

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Grant funding

Value-added Producer Grants (Link)

- Applications due online April 29

Farmers Market Promotion Program (Link)

- Expect RFA to come out soon

Local Food Promotion Program (Link)

- Expect RFA to come out soon

Regional Food System Partnership Grants (Link)

- Expect RFA to come out soon

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Other risk management

Whole-Farm Revenue Protection (Link)

- Option for diversified farms
- Insure all crops together

Changes or new programs likely coming!

- Listening sessions held by RMA in 2020 to understand needs of farmers producing for local/direct markets

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Resources

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National Resources

[Local Food Systems Response to COVID-19 Resource Hub]

[Sustainable Agriculture Research & Education Farm to Table website]

[USDA Agricultural Marketing Service Local and Regional Food Product News]

[USDA Agricultural Marketing Service Local Food Research and Development]

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Ohio-Specific Resources

Ohio Market Maker

OSU South Centers Direct Marketing

OSU South Centers Meat Processing Business Toolkit

OEFFA Good Earth Guide

Ohio Farmers Market Network

Ohio Local Food Directories

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Thank you!

Contact

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