Consumers, Shopping, and Local Food: What’s Next?

2021 Virtual Agricultural Policy and Outlook Conference

Dr. Zoë Plakias
Dept. of Agricultural, Environmental, and Development Economics
The Ohio State University
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Our agenda

- Take stock of consumer prices
- Explore what’s happening in our food supply chains
- Zoom in on local food
- Getting to the new normal
- Looking ahead at what’s next
Consumer Prices
Consumer prices for food at home are high

Source: FRED 2021


Source: FRED 2021
Why are consumer food prices so high?

- Economic recovery
- Supply chain disruptions
- Location of demand
- Unpredictability of demand
- Consumer anxiety
There are signs of economic recovery
Suppliers’ delivery times have slowed, particularly in US and Europe

Source: IHS Markit 2021
Beverages/food least affected but these industries need intermediate goods!

Source: IHS Markit 2021
Consumers eating out much less during the pandemic than before

Source: Zeballos and Sinclair 2021

Share of food-away-from-home spending plunged in 2020

Share of total food spending, percent

Source: USDA, Economic Research Service (ERS) using data from ERS's Food Expenditure Series, constant dollar food expenditures, with taxes and tips, for all purchasers.

Source: Zeballos and Sinclair 2021
This trend holds across all locations where people eat out

All negative numbers!

Food-away-from-home (FAFH) spending decreased for all types of establishment, 2019-20

Percent change in FAFH spending, 2019-20

-50 -45 -40 -35 -30 -25 -20 -15 -10 -5 0

Full-service restaurants
Limited-service restaurants
Schools and colleges
Food furnished and donated
Retail stores and vending
Hotels and motels
Recreational places
Other FAFH sales, NEC
Drinking places

Note: Percent changes reflect real, or inflation-adjusted, prices that are corrected for changes in prices in relation to 1988 as the baseline. NEC = Not elsewhere classified. Other FAFH sales, not elsewhere classified (NEC) includes food sold on trains, at hospital and nursing home cafeterias, at veterans canteens, and at office buildings.

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

Source: Zeballos and Sinclair 2021
Here’s where consumers are shopping

Food-at-home (FAH) spending increased for some outlets and decreased for others, 2019–20

Percent change in FAH spending, 2019–20

- Grocery stores
- Warehouse clubs and supercenters
- Other stores and foodservice
- Mail order and home delivery
- Convenience stores
- Other food stores
- Mass merchandisers
- Direct selling by farmers, manufacturers, and wholesalers
- Home production and donations

Notes: Percent changes reflect real, or inflation-adjusted, prices that are corrected for changes in prices in relation to 1988 as the baseline. Spending for Other food stores was essentially unchanged in 2020.

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

Source: Zeballos and Sinclair 2021
Consumers are less predictable as norms keep shifting

Source: SCM Globe 2018
Businesses are having a hard time planning

Consumers are concerned...

**WHY ARE YOU CONSIDERING CREATING A STOCKPILE IN LIGHT OF THE DELTA VARIANT?**

- I'm running low on the contents of my stockpile: 19.05%
- I'm concerned about going to the store in light of the Delta...: 27.94%
- I'm concerned that products won't be in stock when I need...: 30.79%
- I'm concerned about the prices of products going up...: 18.1%
- Other: 4.13%

Source: *Supermarket News 2021*
...and they are stockpiling food + other products

### WHICH PRODUCTS ARE ALREADY IN OR WILL BE IN YOUR STOCKPILE?

<table>
<thead>
<tr>
<th>Product</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Toilet Paper</td>
<td>72.08%</td>
</tr>
<tr>
<td>Paper Towels</td>
<td>61.97%</td>
</tr>
<tr>
<td>Disinfecting Wipes</td>
<td>49.72%</td>
</tr>
<tr>
<td>Hand Sanitizer</td>
<td>41.03%</td>
</tr>
<tr>
<td>Tissues</td>
<td>34.05%</td>
</tr>
<tr>
<td>Canned Goods</td>
<td>22.79%</td>
</tr>
<tr>
<td>Pasta</td>
<td>17.95%</td>
</tr>
<tr>
<td>Beer, Wine, Spirits</td>
<td>17.95%</td>
</tr>
<tr>
<td>Soap (Hand, Dish)</td>
<td>14.03%</td>
</tr>
<tr>
<td>Medical Supplies</td>
<td>14.03%</td>
</tr>
<tr>
<td>Pet Food/Supplies</td>
<td>8.55%</td>
</tr>
<tr>
<td>Baby Products</td>
<td>6.55%</td>
</tr>
<tr>
<td>I don't have any</td>
<td>3.42%</td>
</tr>
<tr>
<td>Other</td>
<td></td>
</tr>
</tbody>
</table>

*Percentages above represent total respondents

Source: Supermarket News 2021
Supply Chains
Every part of the supply chain with humans is impacted!

Source: Ruddell et al. 2019
COVID-19 has impacted workers...
This does not include workers without COVID-19 who have caregiving responsibilities

...and continues to impact workers

Source: CFDAS 2021
Along with direct health impacts of COVID, it’s a perfect storm in supply chains

- Consumer demand
- Container shortage
- Warehouse demand
- Trucker shortage
- Port labor disputes
- Keeping consumers happy
Besides higher prices, this leads to...

- Missing inputs + parts
- Work stoppages
- Delivery delays
Local Food
Review of key trends in local and regional food systems (LRFS) in 2020

- Surge in local demand
- More eating at home
- Concerns about shortages
- Online shopping
- Pick-up + delivery
- Varying local ordinances

Some expected strong local demand going into 2021...
So... what *actually* happened in 2021?
Local demand moderated

Consumers forgot
  • Off-season is a *long time* during a pandemic!

Consumers desired a return to normalcy
  • While some folks *tried* things in 2021, desire for normalcy is *strong*

Restaurant + institutional demand grew slowly
  • Not yet back to where folks thought it might be when forecasting in late 2020
Costs were still high

Labor challenges continued

- COVID-19 continued to take people away from work

Input costs rose

- Increasing demand overall raised prices for inputs

COVID-19 mitigation still in place

- Businesses continue to face increased costs to mitigate COVID-19 exposure
Bright spot: Policy

New administration very interested in supporting small + medium enterprises

- $400 million dedicated to purchasing food from local, regional, and socially disadvantaged farmers for distribution through food banks
- $4 billion to strengthen domestic food systems, including processing, market developing, aggregation/distribution
- New Micro Farm insurance product introduced for producers involved in local/direct marketing
Bright spot: Local in the spotlight

Lots of conversations happening about resiliency

• What can we do to make our food system more resilient?

Many people see local + regional food systems playing a role

• Lose economies of scale
  • Gain distributed, redundant networks of businesses
The New Normal
The BIG challenge right now is...

pandemic adaption

sustainable new normal
Capturing consumers

Many businesses saw new consumers in 2020-2021

- People were trying new things and see what sticks
- But not everything will stick!

How can businesses *retain* these new consumers moving forward?

- Key factors: communication, empathizing, changing with evolving needs
Recapturing consumers

Other businesses saw fewer consumers in 2020-2021

• Examples: restaurants + other in-person venues

How can businesses *reattract* these consumers moving forward?

• Key factors: communication, empathizing, changing with evolving needs

• May be “back to what you love” or may be “trying something new”
Investing in infrastructure

Short-term adaptions required short-term investments

• Examples: online sales vendors

How should businesses be thinking about this for long-term?

• Take stock – is this the right infrastructure moving forward?
• Consider investing in more/different infrastructure as able
Avoiding + mitigating burnout

People (managers, employees, customers) are exhausted

- Things are *not* back to normal for and wishing doesn’t make it so!

How can businesses support workers?

- Key factors: Communicating, empathizing, regularly assessing needs
- Be willing to trying new things + challenge widely/long-held beliefs
What’s next?
COVID-19 continues

• Continued supply chain issues in US and around the world
• Continued unpredictability

But there is hope on the horizon

• Continued vaccination uptake + introduction of therapeutics provide hope
• Efforts to make vaccines + therapeutics available globally will help
Winter 2021/Spring 2022

Consumer prices will moderate

• Winter holidays will pass, easing concerns about shortages

Supply chain back-ups will ease

• Ports + local/state/federal governments will work to address port back-ups
Summer 2022 + beyond

Continued economic recovery due to global vaccine + therapeutics rollout

Stabilizing inventories as consumers + businesses settle into new normal

Exploration of new ideas – some will fail!

Continued strong worker power due to optimism + economic growth
Thank you!

Contact
Dr. Zoë Plakias
plakias.2@osu.edu