

RETAIL FOOD PRICE OUTLOOK: AN EXPLORATION OF TRENDS IN US CONSUMER FOOD-AT-HOME PURCHASES



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As the **food industry association**, FMI works with and on behalf of the entire industry to advance a **safer, healthier** and **more efficient** consumer food supply.

FMI brings together a wide range of members across the value chain — from **retailers** who sell to **consumers**, to **producers** who supply the food, as well as the wide-variety of companies providing critical services — to **amplify** the collective work of the industry.

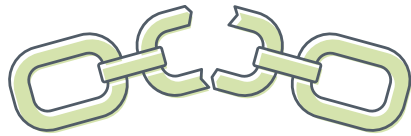


FOOD RETAILERS CONFRONT SUPPLY CHAIN & INFLATIONARY CHALLENGES

Americans continue to face higher prices for nearly all consumer goods, including food at the grocery store and restaurants. This is due to:



Shifting consumer shopping and food consumption habits



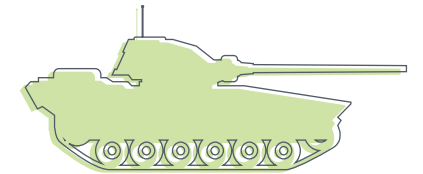
Disruptions to the global supply chain



Inflationary economic pressures on food production



Unprecedented labor challenges



Impact of Russia's Invasion of Ukraine on the global supply chain

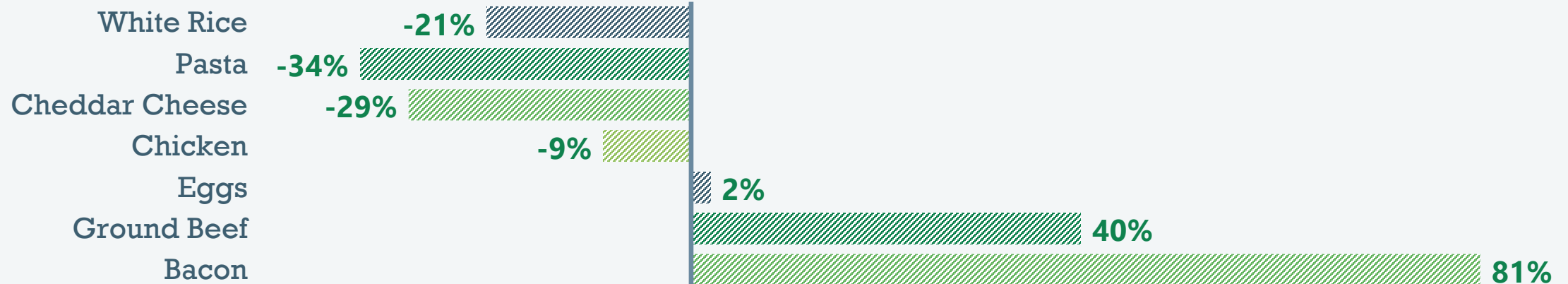
CONSUMER FOOD DOLLAR GOES FURTHER TODAY THAN EVER BEFORE

Despite the multiple events impacting food costs, innovations and efficiencies driven by American food producers have helped to keep the cost of food relatively flat over the past 20 years



- Food costs in America are lower than in many other Western nations
- Price of many food staples, adjusted for inflation, are much cheaper today than in 1992, including white rice, pasta, and cheddar cheese, and chicken

PRICE CHANGE FOR FOOD STAPLES 1992 – 2022



CONSUMERS HAVE A DIFFERENT VIEW OF THE INFLATIONARY ENVIRONMENT

PERCEIVED LEVEL OF
INFLATION:

24.3%

Source: dunnhumby, "Consumer Trend Tracker: U.S. Grocery Profit Perception & Consumer Sentiment," February 2023.

ACTUAL LEVEL OF
INFLATION (when the
survey was fielded):

12%

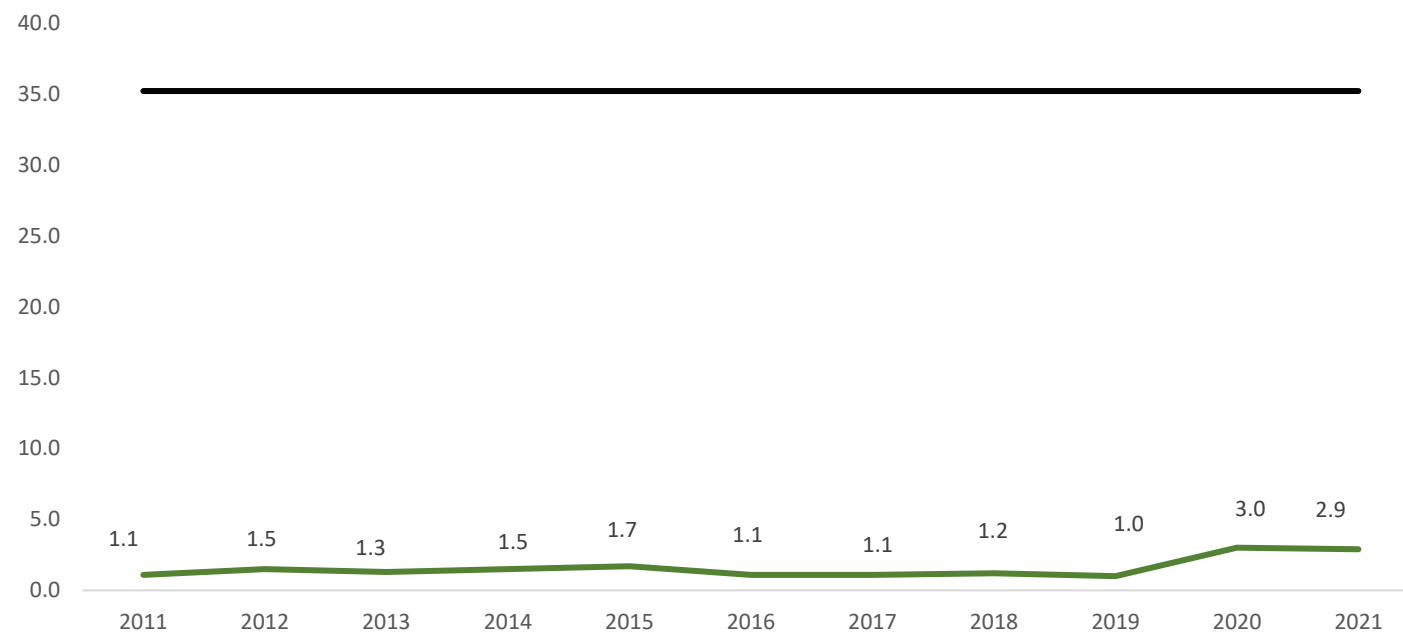
Source: Bureau of Labor Statistics, CPI Release for November 2022.

CONSUMERS ALSO HAVE A MISTAKEN VIEW OF FOOD RETAIL'S BUSINESS MODEL

PERCEIVED GROCERY
STORE PROFIT
MARGINS:

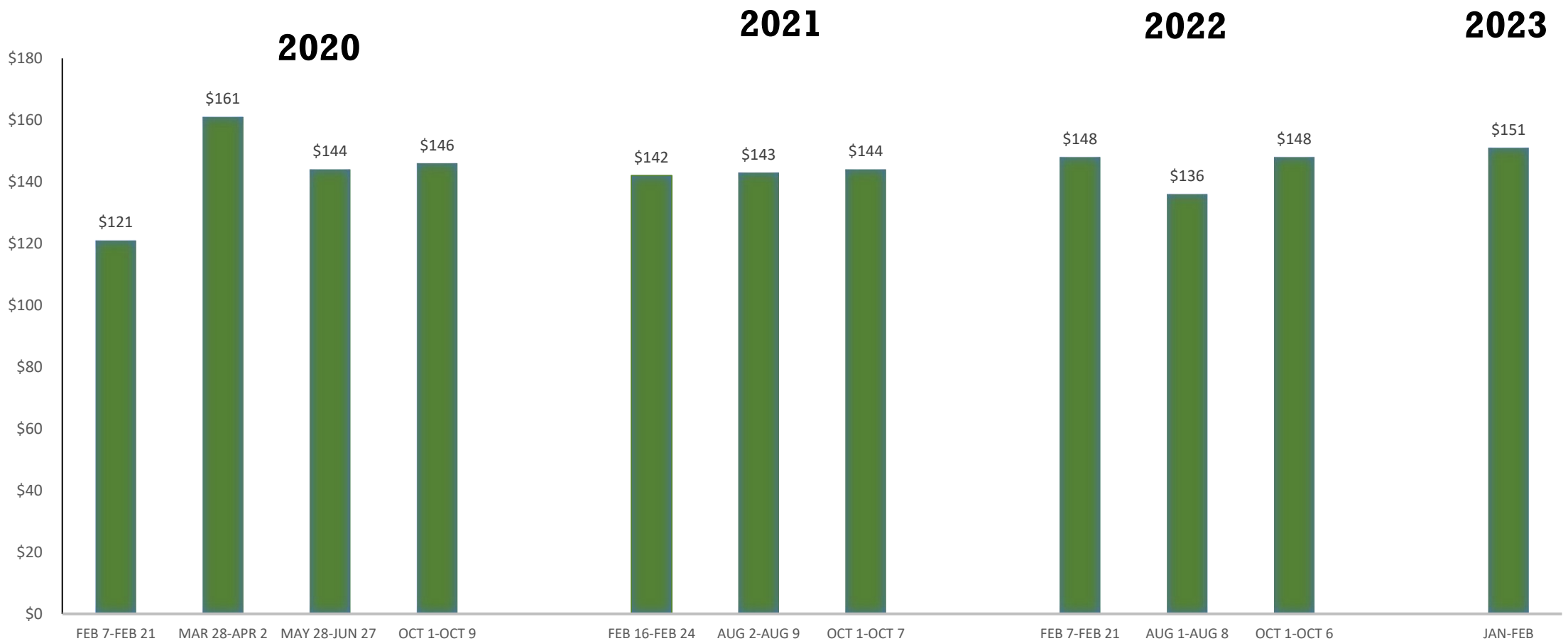
35.2%

ACTUAL PROFIT MARGINS:

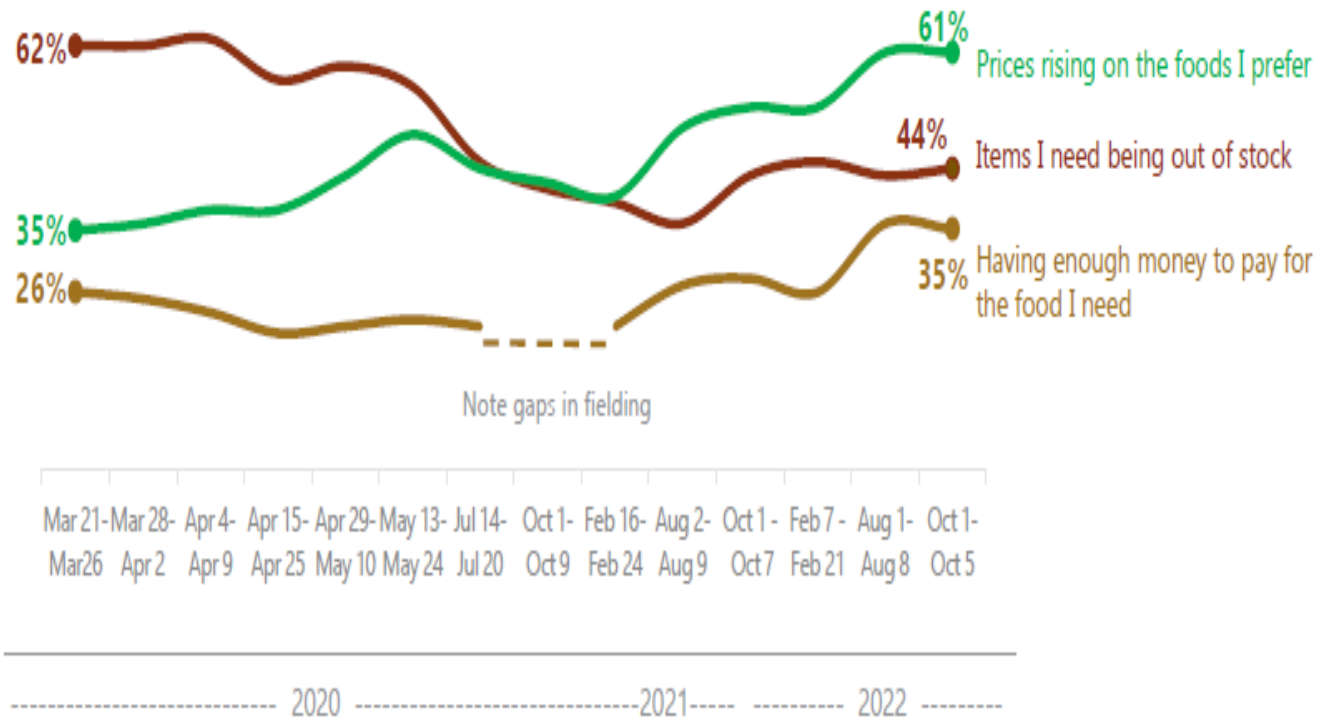


Source: dunnhumby, "Consumer Trend Tracker: U.S. Grocery Profit Perception & Consumer Sentiment," February 2023.

AVERAGE WEEKLY GROCERY SPEND



CONSUMER WORRIES ARE RISING



CURRENT

- **Prices Rising: 76%**
- **Out-of-Stocks: 44%**
- **Having Enough Money: 43%**

These results are based on a poll fielded online to a nationally representative sample of 1,305 U.S. adults February 7-13, 2023, FMI - The Food Industry Association

FOOD PRICE CONCERNS ARE FRONT OF MIND FOR CONSUMERS

- **48%** are extremely concerned about food from grocery stores prices rising (up from 40% in October)
- **43%** are extremely concerned about gas prices rising (45% in October)
- **40%** are extremely concerned about home utility prices rising



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HOW CONSUMERS ARE RESPONDING TO RISING FOOD PRICES

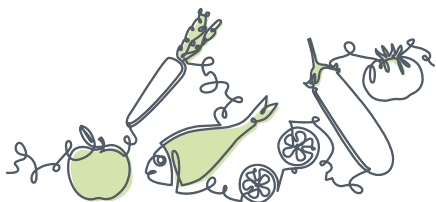
- Looking for more deals (59%)
- Buying more store brands (45%)
- Buying fewer items (41%)
- Buying only when on sale/deal (32%)



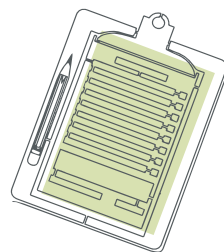
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HOW CONSUMERS CAN MITIGATE INFLATION

Grocery stores are encouraging shoppers to:



Cook meals from
fresh ingredients



Plan ahead



Use a grocers' app for rewards
and coupons, shop deals



Stock up on
staple foods



Buy more
store brands



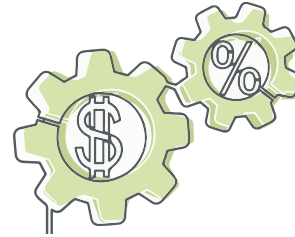
Consult with their grocer's
registered retail dietitian



Hold holiday potlucks

THE FUTURE: WHAT TO EXPECT IN 2023

“Food prices shoot up like rockets but come down less rapidly, like feathers”



Food prices likely to remain higher in short term, even as inflation starts to ease



Climate events hard to predict



Trucker shortage will take time to resolve



Food industry working hard to advance technology

INFLATION, SUPPLY CHAIN, AND LABOR ISSUES PERSIST



85% of retailers and 86% of suppliers expect inflation to pressure margins



To manage inflationary pressures:

- **72%** of grocers are utilizing private brands programs
- **62%** of grocers are utilizing price differentiation strategies



87% of retailers and 86% of suppliers said challenges attracting and retaining talent are negatively impacting their businesses



70% of retailers said supply chain disruptions are negatively impacting their business, up **42% from last year**



82% of suppliers anticipate negative impacts to their business from supply chain disruptions

Top strategies for attracting and retaining employees include:

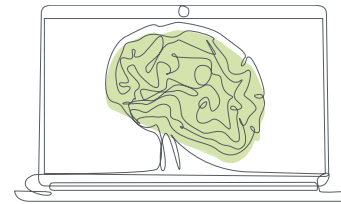
- ✓ Better wages and salaries
- ✓ Improved benefits
- ✓ Flex time
- ✓ Training and skills development
- ✓ Bonuses
- ✓ Education programs/benefits

FOOD INDUSTRY IS INNOVATING AND EVOLVING TO FUTURE-PROOF SUPPLY CHAIN

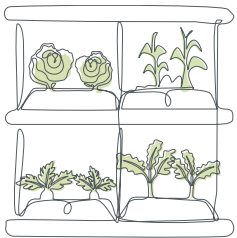
The entire food industry is exploring innovative ways to future-proof the supply chain, including:



Using robotics for food material handling in packaging and transportation

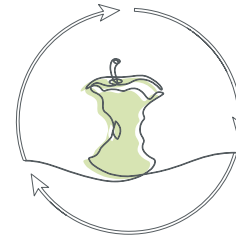


Artificial intelligence and blockchain are improving food safety, traceability, and quality while reducing supply chain inefficiencies and costs



Vertical farming provides many advantages:

- Performs year-round and in controlled environments
- Efficient use of space
- Increases focus on food safety and quality
- Provides broader access to fresh produce
- Boosts sustainability by reducing transportation costs and natural resource use



Elimination of food waste

TECHNOLOGY KEY TO FOOD RETAIL TRANSFORMATION



73% of food retailers are continuing to invest in and experiment with technologies to improve the customer experience



Suppliers spent twice as much as retailers – **3.3% of total sales** – on technology in 2021



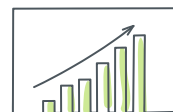
Food retailers invested **\$1.5 billion – 1.3% of their total sales** – in technology in 2021



73% of suppliers said their tech investments positively impacted business



39% of food retailers said their tech investments have positively impacted business



Suppliers have embraced data analytics and AI more than retailers thus far

KEY TECH INVESTMENTS BY FOOD RETAILERS

88% using technology to personalize the shopper's experience

92% of stores Wi-Fi enabled for customers

46% focused on increasing "frictionless" checkout

- **52%** provide scan-and-go technology
- **94%** accept mobile payments
- **58%** use or plan to use mobile checkout systems

51% using or plan to use tech solutions for fresh inventory planning

52% using or plan to use dynamic pricing software

44% using or plan to use electronic shelf labels

15% using robotics or artificial intelligence as an in-store service differentiation strategy

THANK YOU



THE FOOD
INDUSTRY
ASSOCIATION

