Local and Regional Food Systems Response to COVID

A Regional Look at Regional Food Markets Post-COVID

Featuring Work by:

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Brought to you by:

USDA Agricultural Marketing Service

Colorado State University

ABOUT THE PROJECT

Enrich and expand existing efforts across LRFS responding to COVID

Document and disseminate innovations and adaptations

Cross-sector collaboration and learning

Strategize for long term resilience of LRFS

ABOUT THE TEAM

Multi-agency, multi-sector collaborative initiative

Cooperative Agreement with USDA AMS

2 University Partners

Community of Practice Coordinating Organizations

Phase 1: Our Work Together by the Numbers

1 USDA agency	2 Social Network Analyses	3 Land Grant Universities	4 Action Teams
7 Consumer Food Insights	8 National Webinars	16 Innovation Briefs	17 Communities of Practice
22 Listening Sessions	30 Impact Assessments	> 180 unique resources	>50,000 Resource hub visits

Key Themes

Even as food markets returned to a new normal post COVID, persistent changes have changed the dynamics of local and regional food markets.

As a follow up to 2020 and 2021 surveys, we present findings from a Fall 2023 consumer food survey of 5,000 households

- Focus on differences in food market choices across US regions and different community sizes and regions of the US

These findings are framed to support the new USDA Regional Food Business Centers as they lead outreach and technical assistance on market development as part of new USDA investments in resilient food systems.

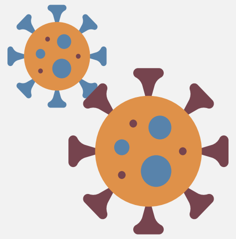
Survey Timeline

Survey 1.0
Oct. - Nov. 2020

September 2019

The Before Times

April 2020



Pandemic Begins

September 2020

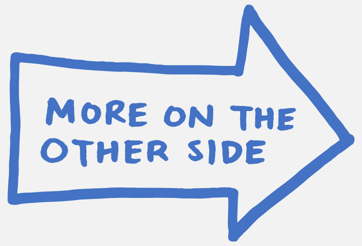
The New Normal

Survey 2.0
Nov. 2021 - Jan. 2022

October 2020

Mask On.
Mask Off.

October 2021



Another Day, Another Variant

Survey 3.0
Dec. 2023 - Jan. 2024

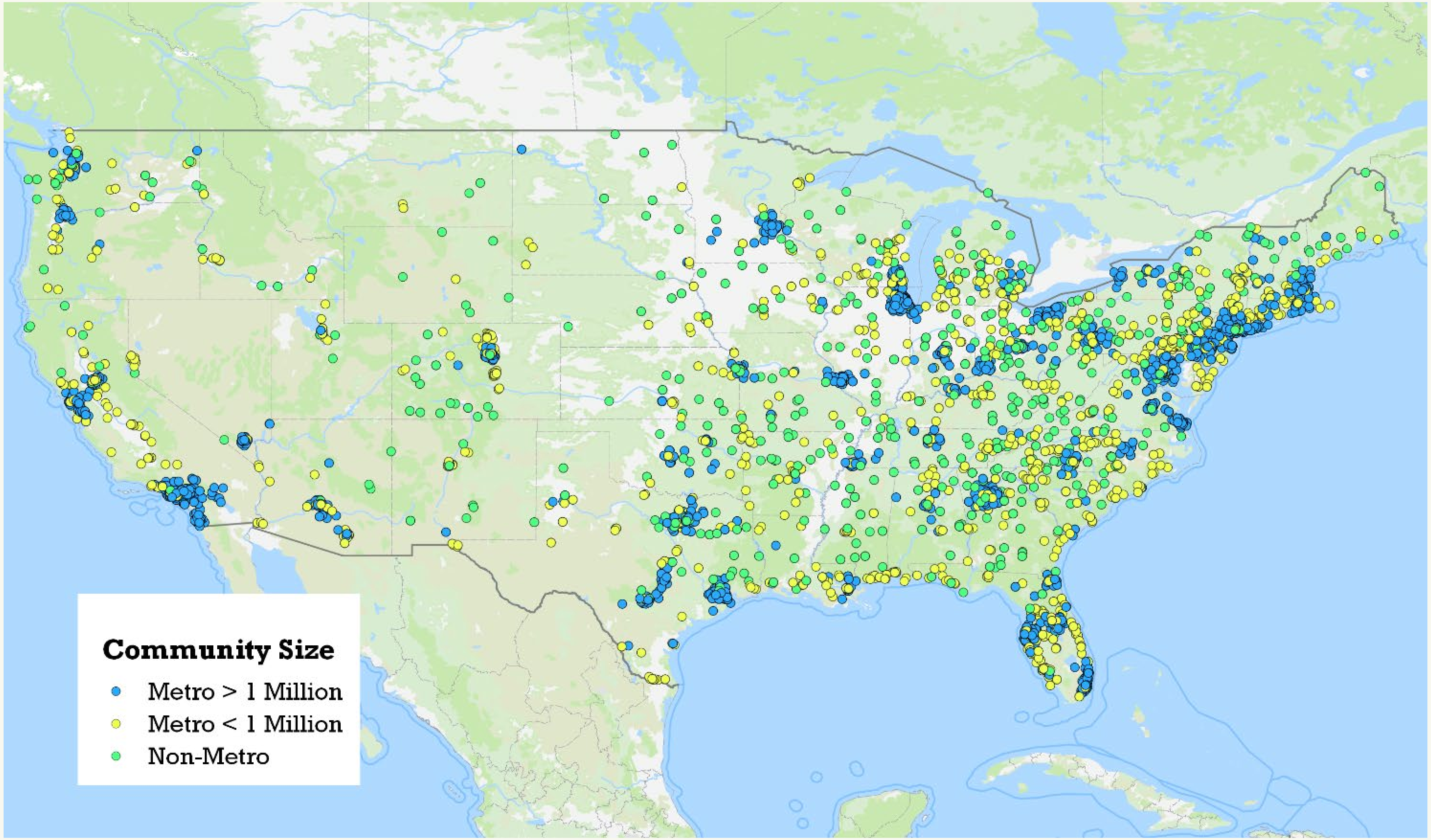
October 2022

Food Prices & Purchases on the Rise....

October 2023

And Era of New Shopping Habits?

Survey Participants by Location



Consumer Food Insights 3.0

51%

Women

49%

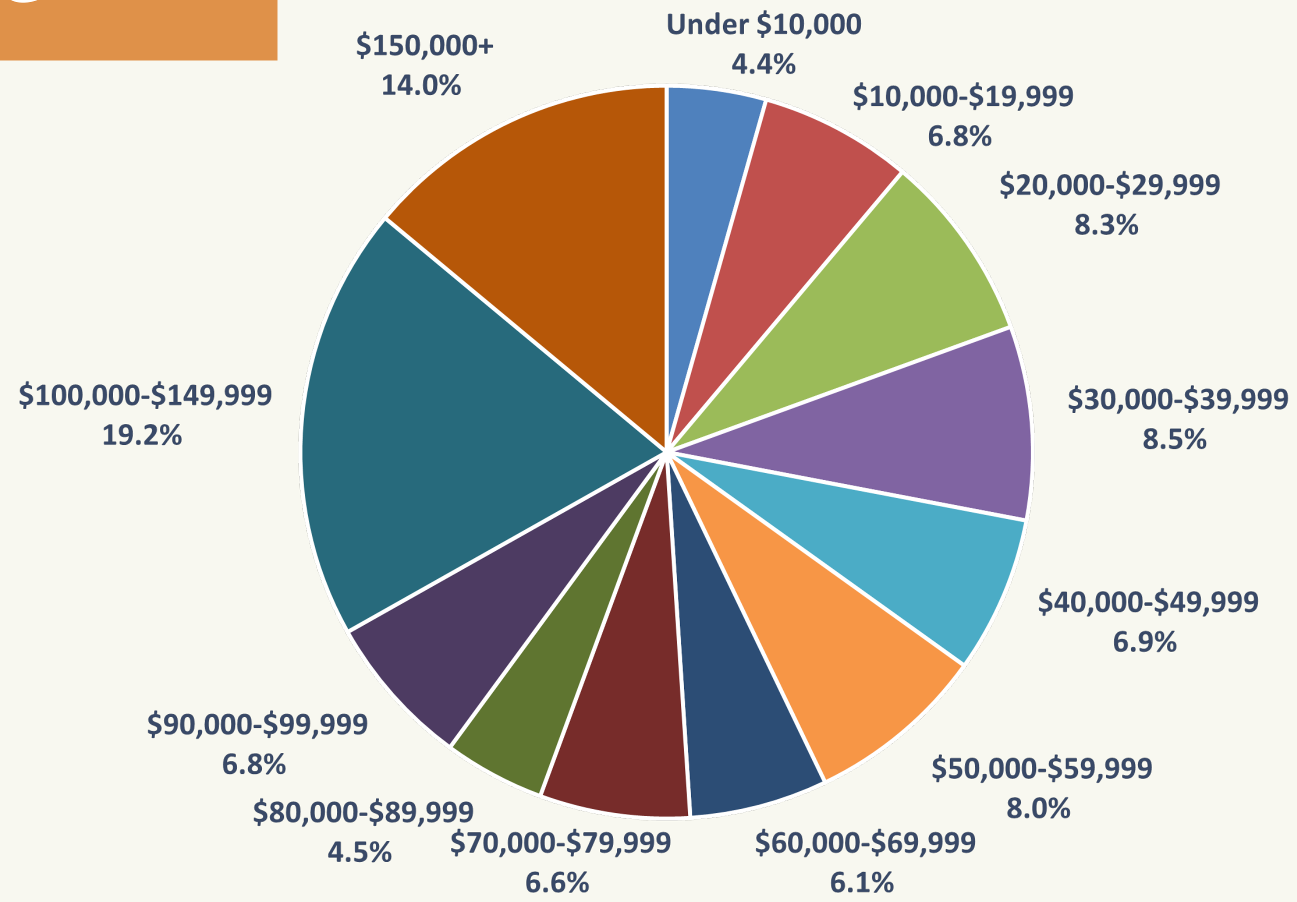
Men

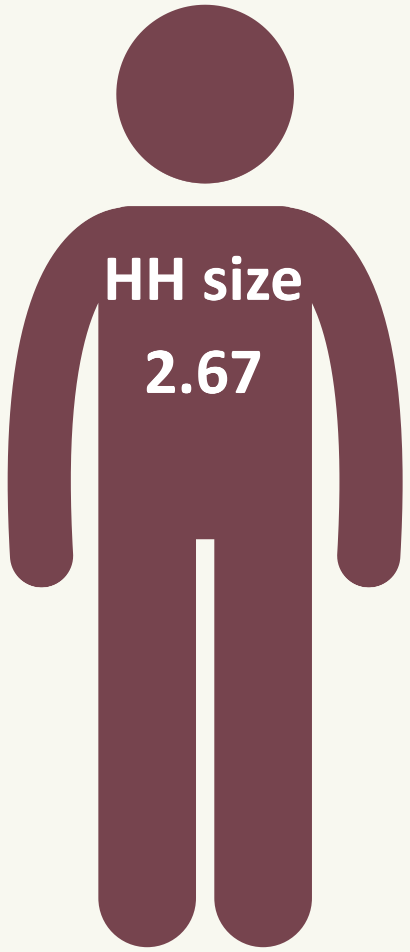
0.3%

Self Identified

National survey including 4,600 households

Income





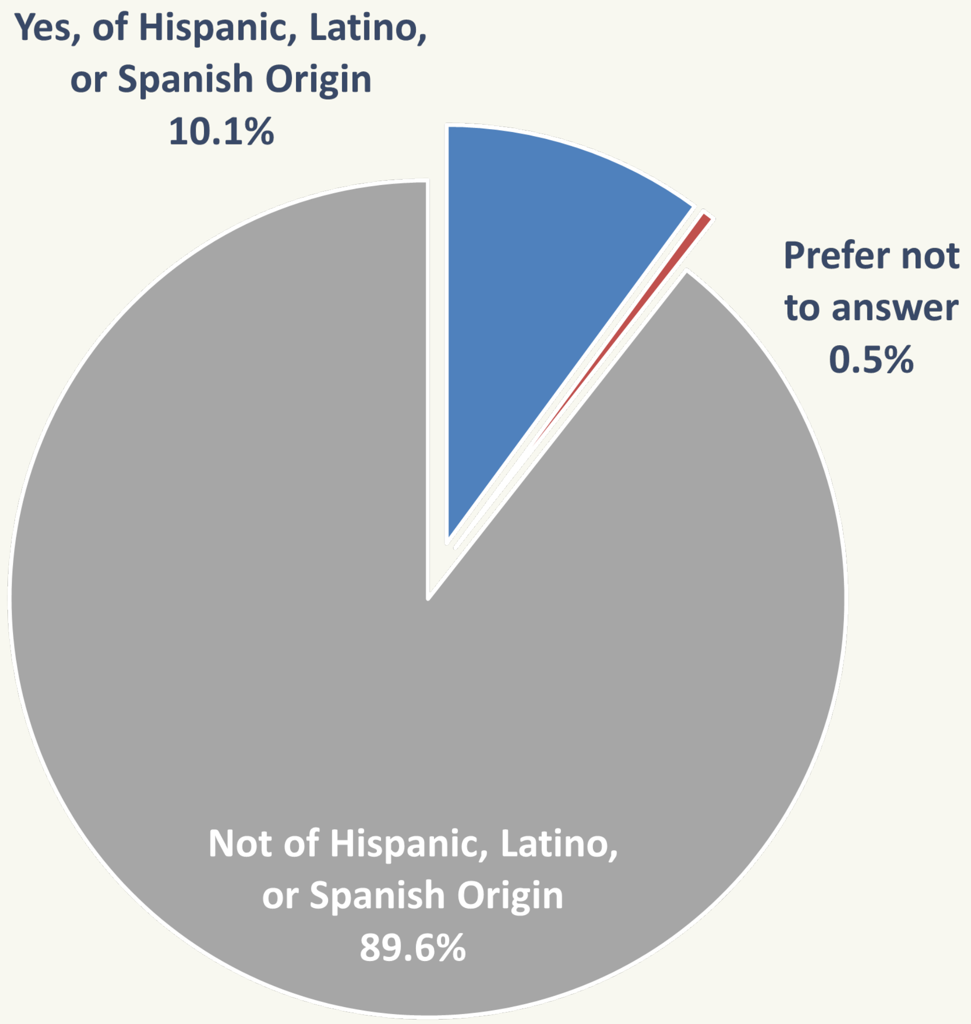
25%

HH have a child under 18 at home

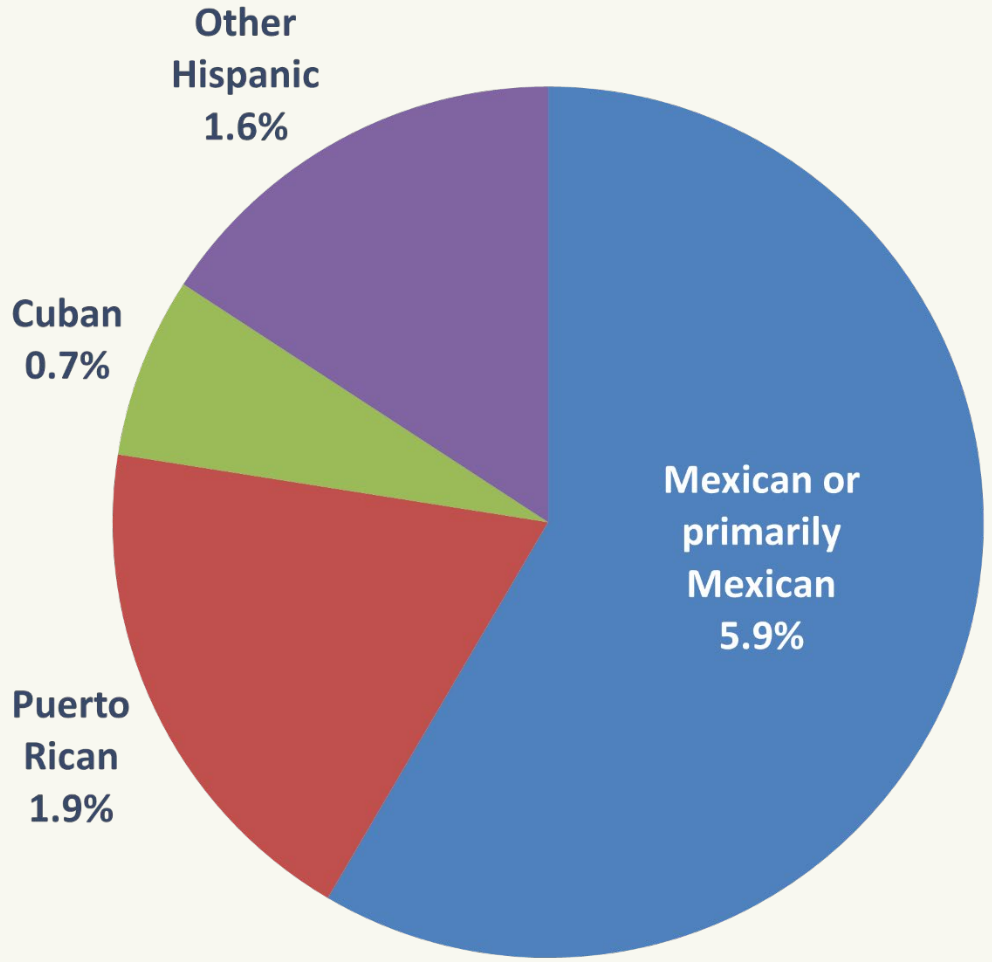
Households

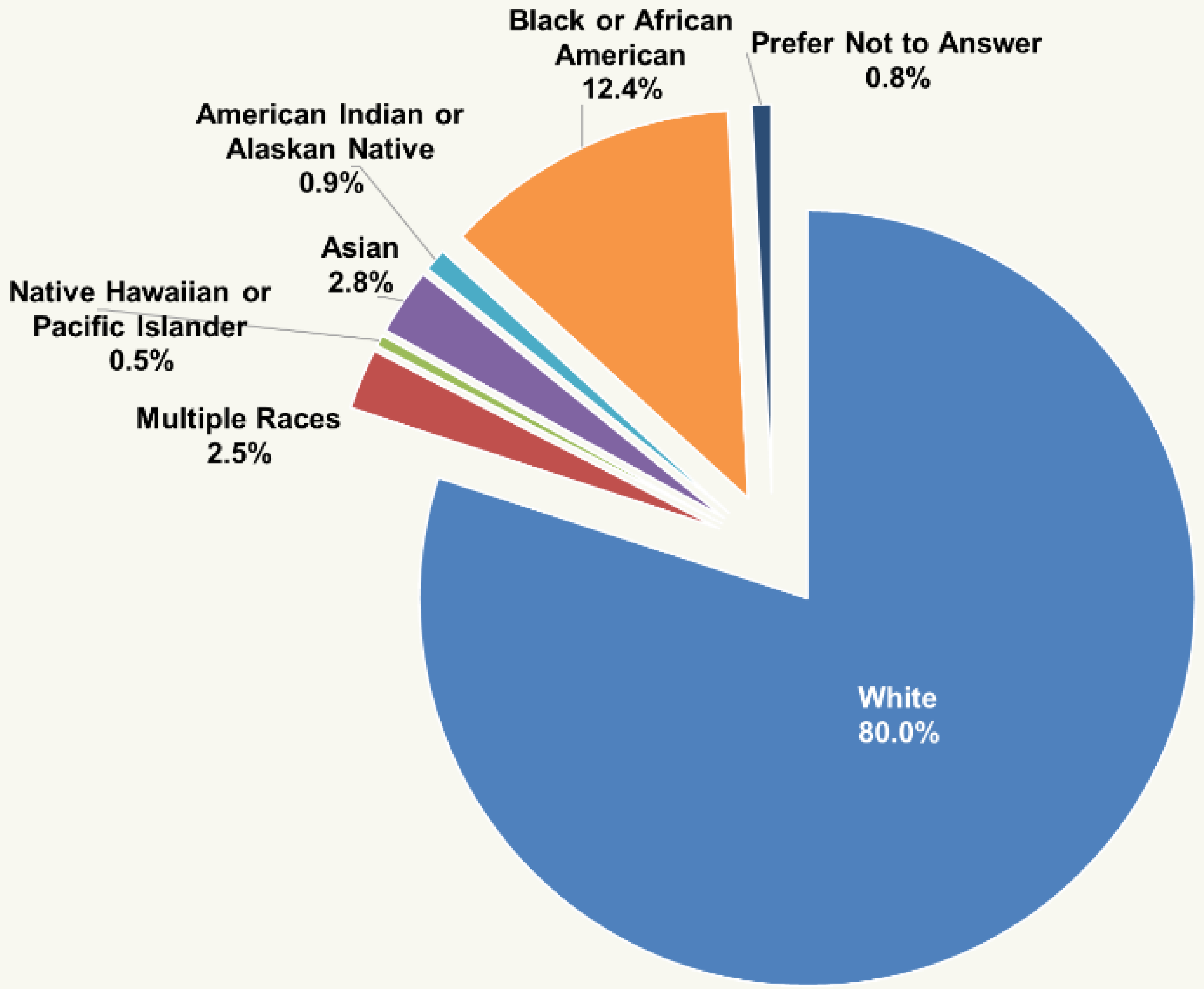
Consumer Food Insights

Are you of Hispanic, Latino, or Spanish origin?

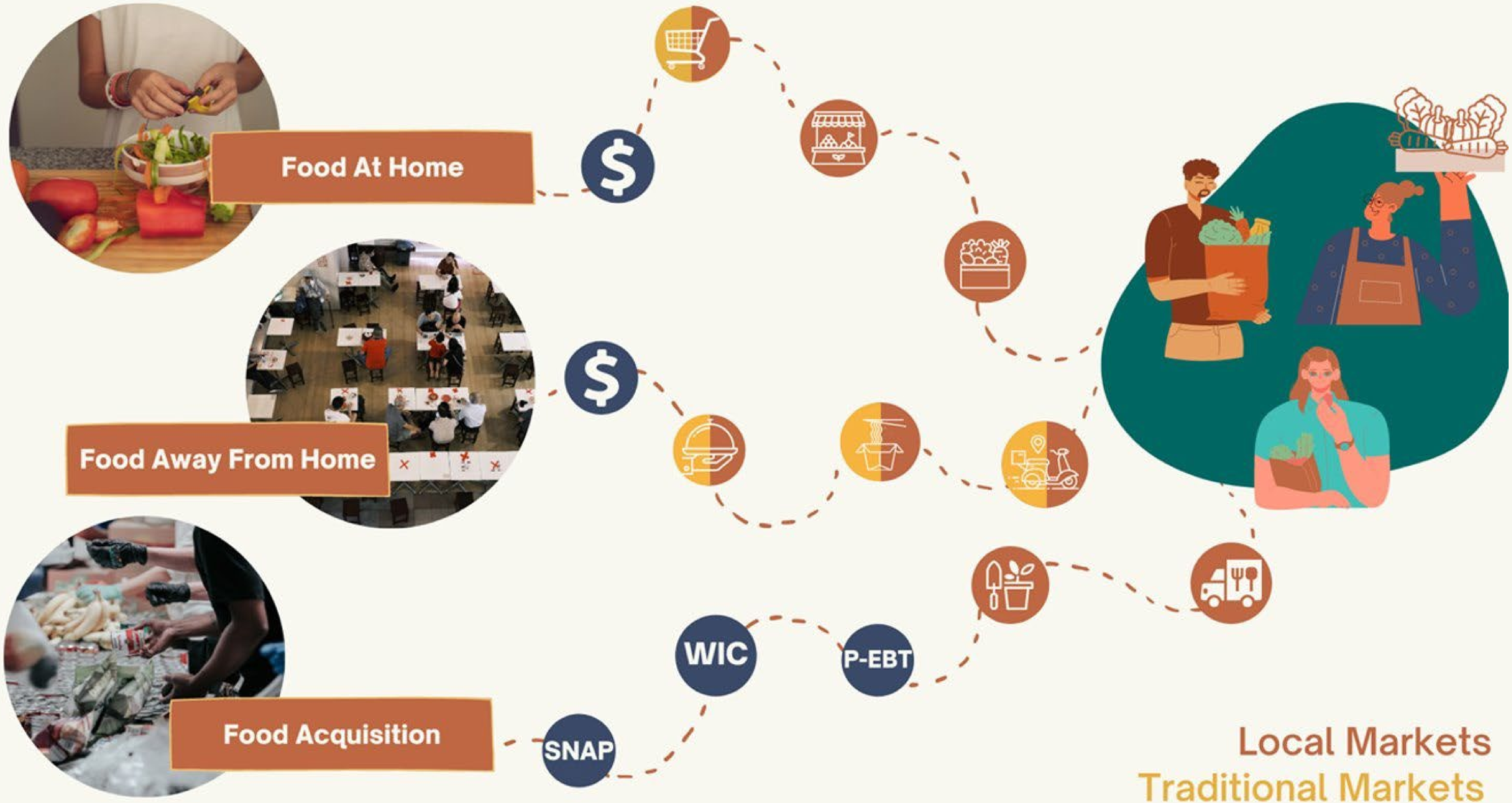


Breakdown of "Yes, of Hispanic, Latino, or Spanish origin"





Local Markets vs. Traditional Markets



Changes in the Retail Landscape

- Pandemic
- E-commerce
- Emphasis on fresh
- Prepared foods/meal solutions/grocerants

NATIONAL GROCERS ASSOCIATION

The pandemic drove record supermarket sales as consumers were forced to eat more meals at home.

That drove **accelerated acceptance of online grocery shopping**, bringing 5 years of anticipated growth in a span of just a few months.

Grocers that up until then had little or no web presence were forced to offer **online shopping, pickup or delivery to meet the demand from people hesitant to shop in person**, despite grocery being declared an essential business during the pandemic.

Grocers have **invested aggressively in the fresh perimeter** to enhance the shopping experience. Despite inroads by e-commerce, fresh areas remain a draw for in-person shoppers.

While the pandemic stalled in-store dining, grocers pivoted to offer **restaurant-quality meals in pre-packaged formats** (grab & go, heat & eat).

Consumer Spending Habits

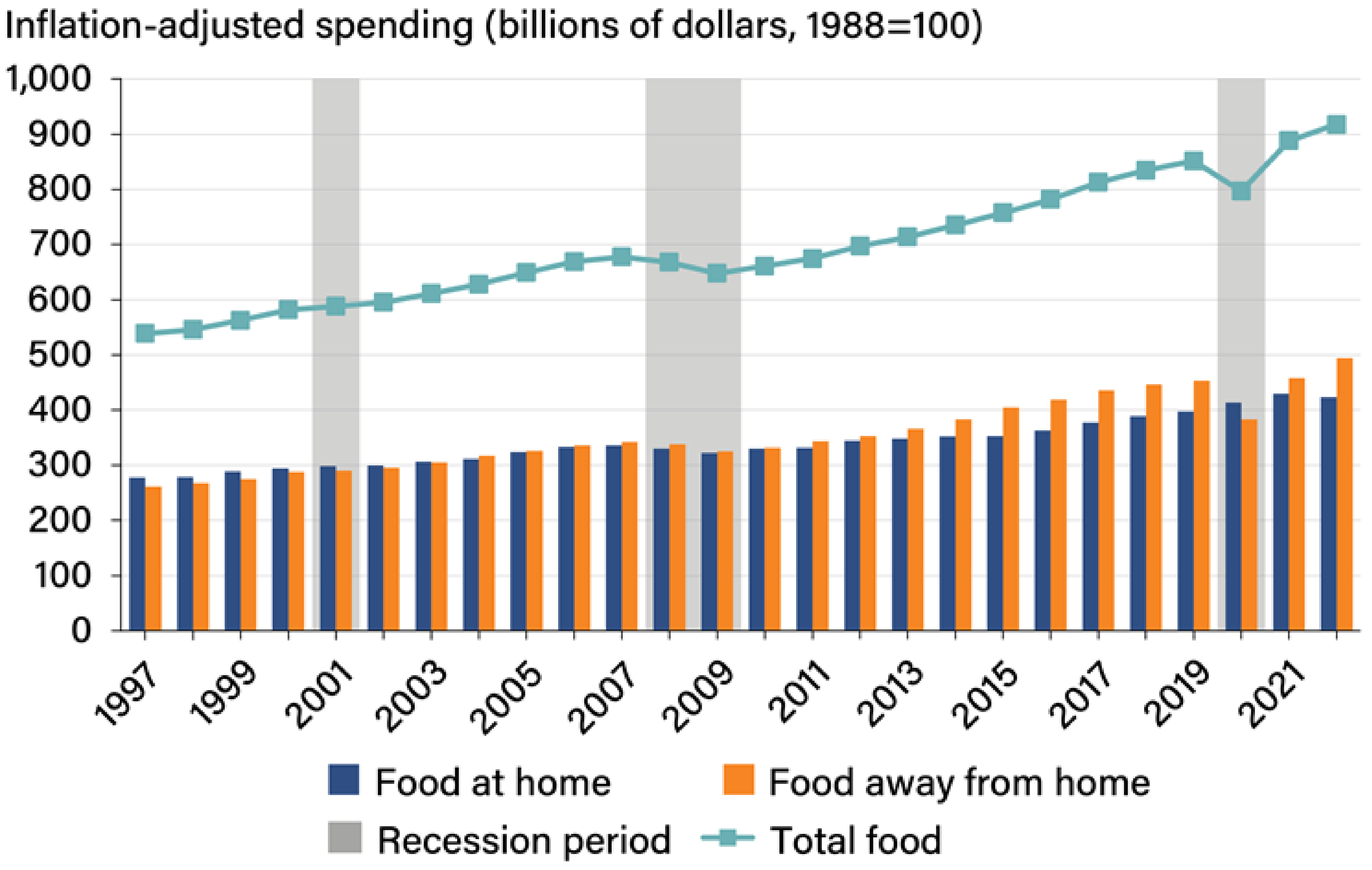
U.S. spent only $1.56 trillion on food in 2020; a 5.6% reduction from 2019

In 2022, with increased household income and relaxed safety measures:

- ***All food spending increased by over 15% compared to 2019***
- FAFH spending recovered & grew (almost 10% increase)
  - Primary driver of the overall food spending increase.
- FAH spending increased through 2021, BUT saw a 2% decline in 2022 (as FAFH recovered)
  - Still up over 6% compared to 2019

https://www.ers.usda.gov/data-products/chart-gallery/gallery/chart-detail/?chartId=104043

U.S. consumers' food spending continued to increase in 2022, following the prepandemic trend

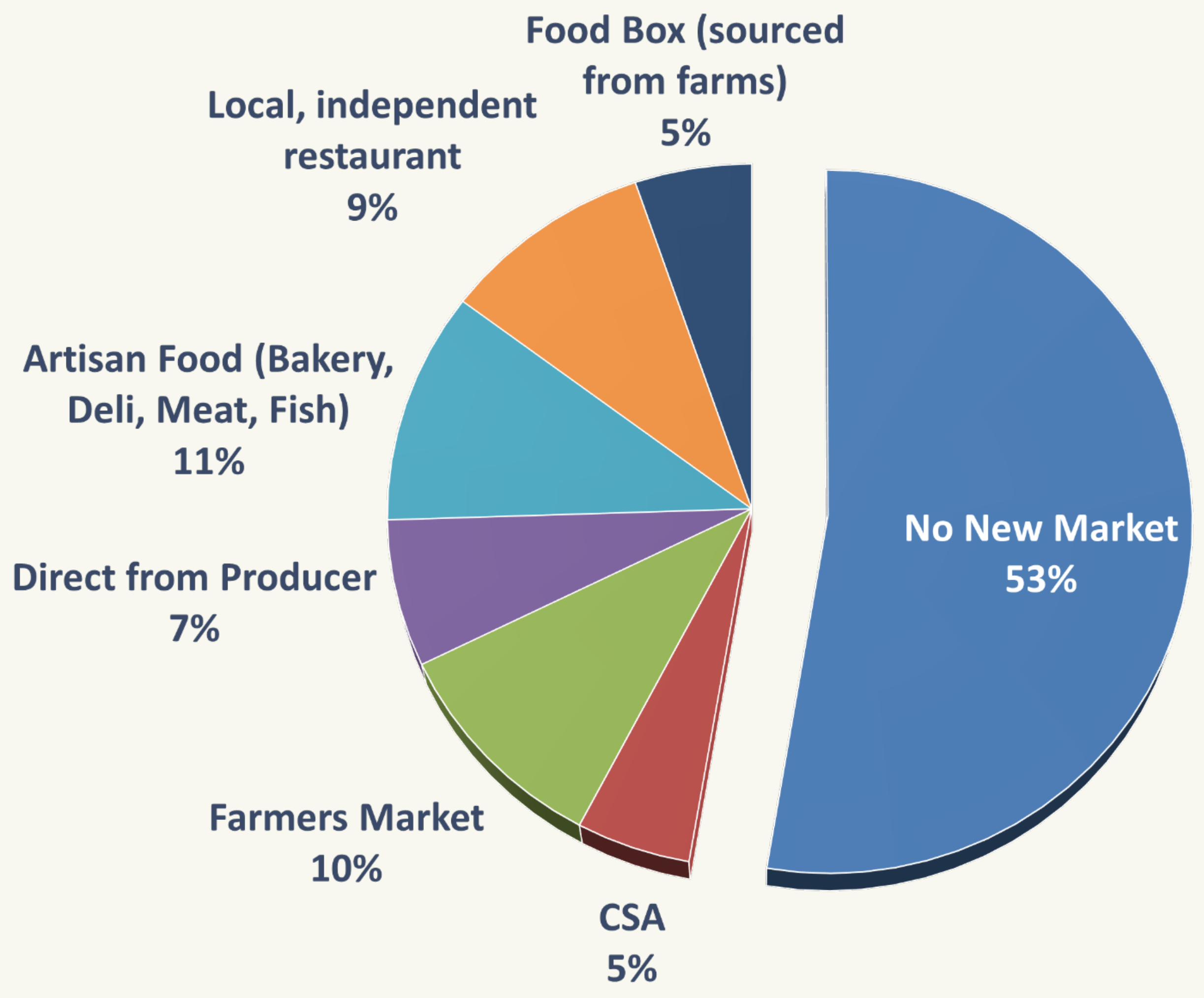


Note: **Inflation-adjusted**, or real, spending is corrected for changes in prices in relation to 1988 as the baseline. **Recession periods:** March–November 2001; December 2007–June 2009; February–April 2020.

Source: USDA, Economic Research Service's Food Expenditure Series.

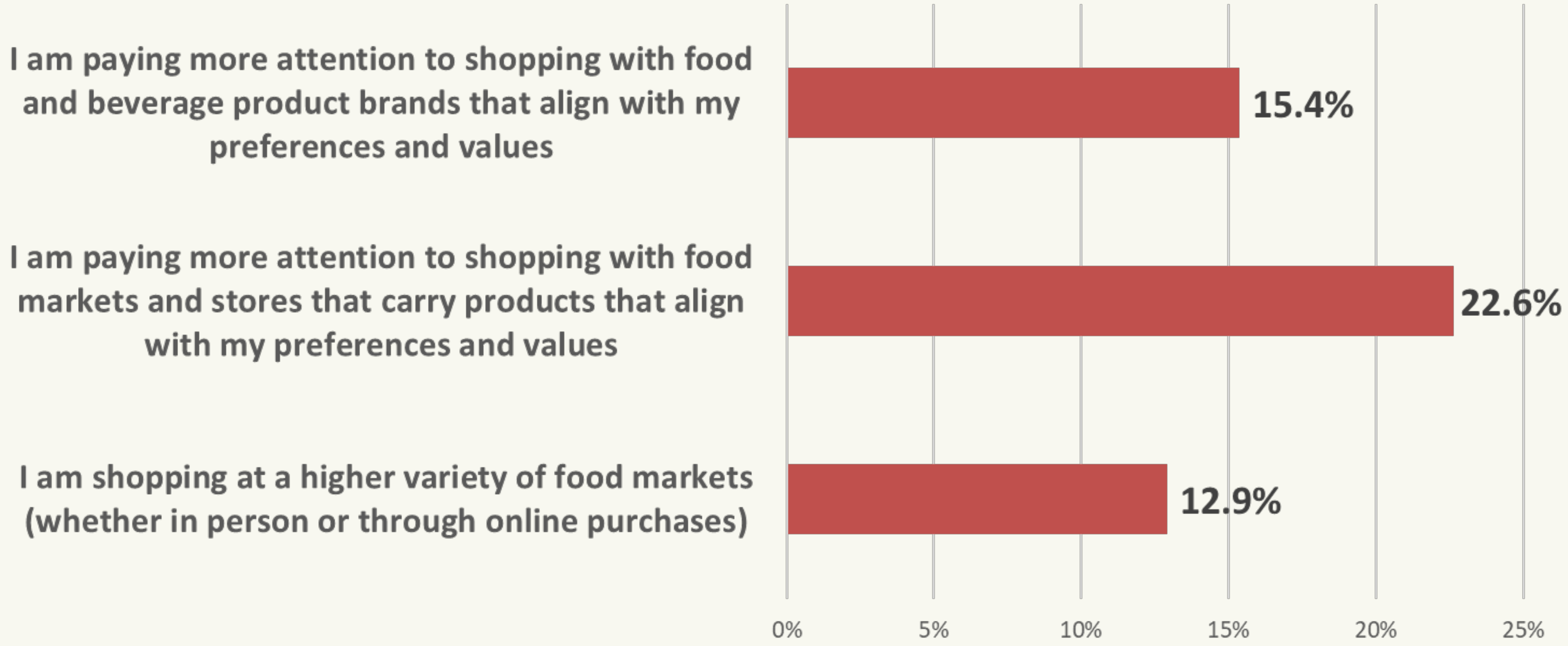
Food Purchasing

Did you purchase from a market for the first time, since October 1, 2020?



Among those who rated Locally Grown among top 3 motivations when buying food.

How has your food purchasing behavior changed since early 2020 ? (before the COVID-19 pandemic, check all that apply)

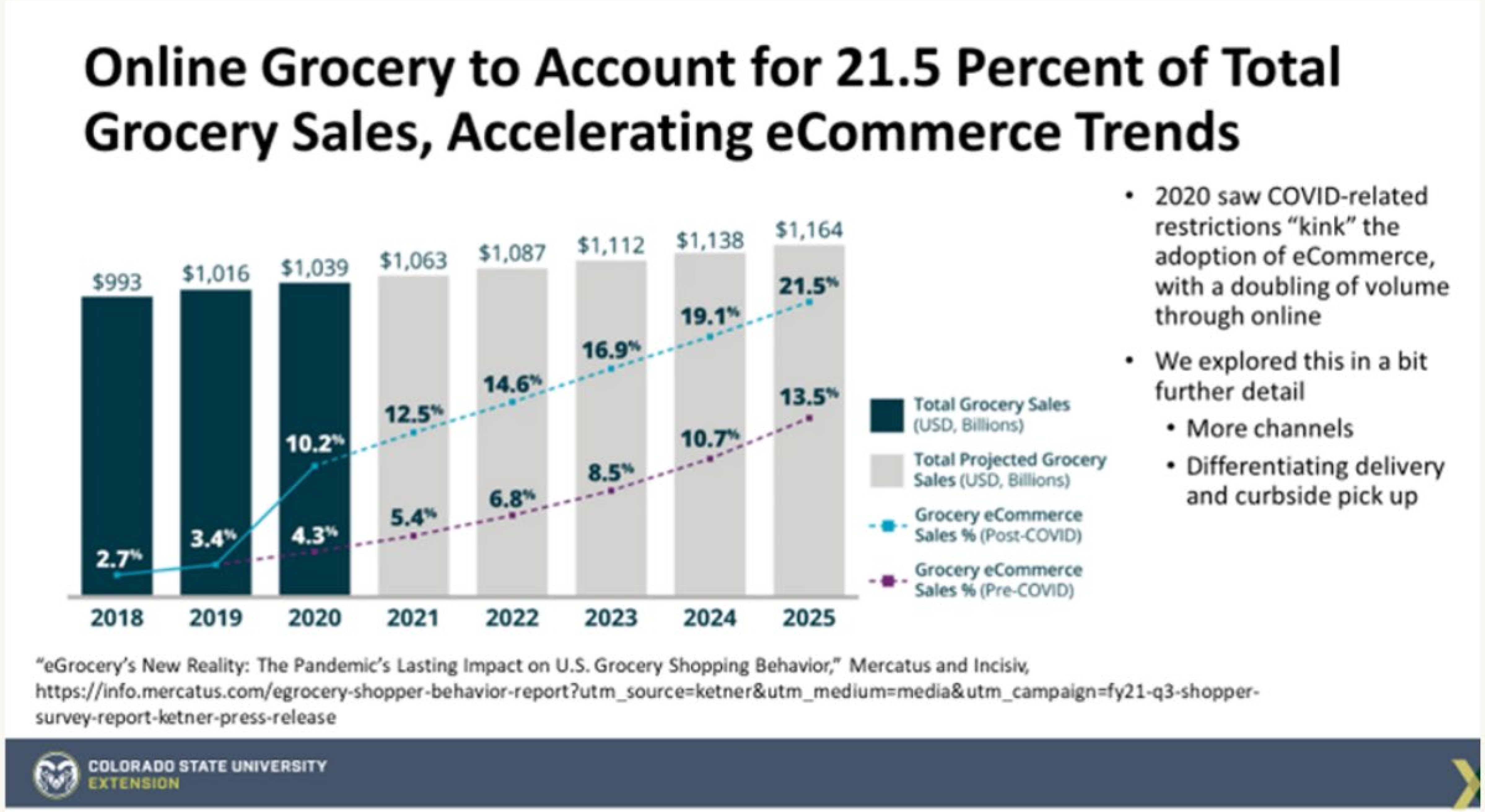


577 out of 1271 (45%) of those motivated to buy locally grown tried at least one new local or regional market outlet.

These values-driven customers tried more markets with over half trying more than one new market channel.

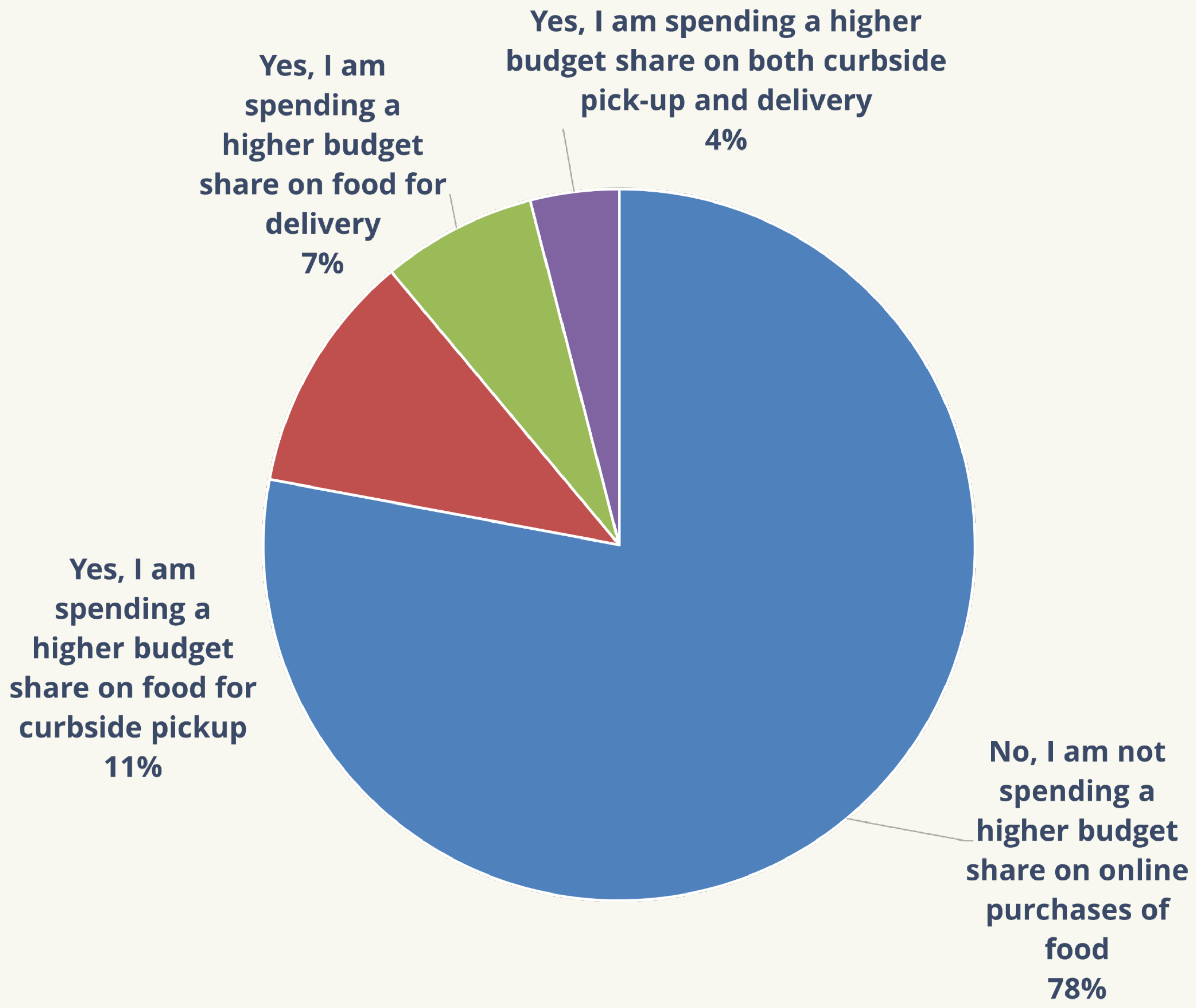
Looking Into The Future

Where does online fit into food market strategy?



SHIFTS IN SHOPPING PATTERNS – EXPENDITURES AND PLACE

Change in Online Food Shopping Since the Pandemic Began

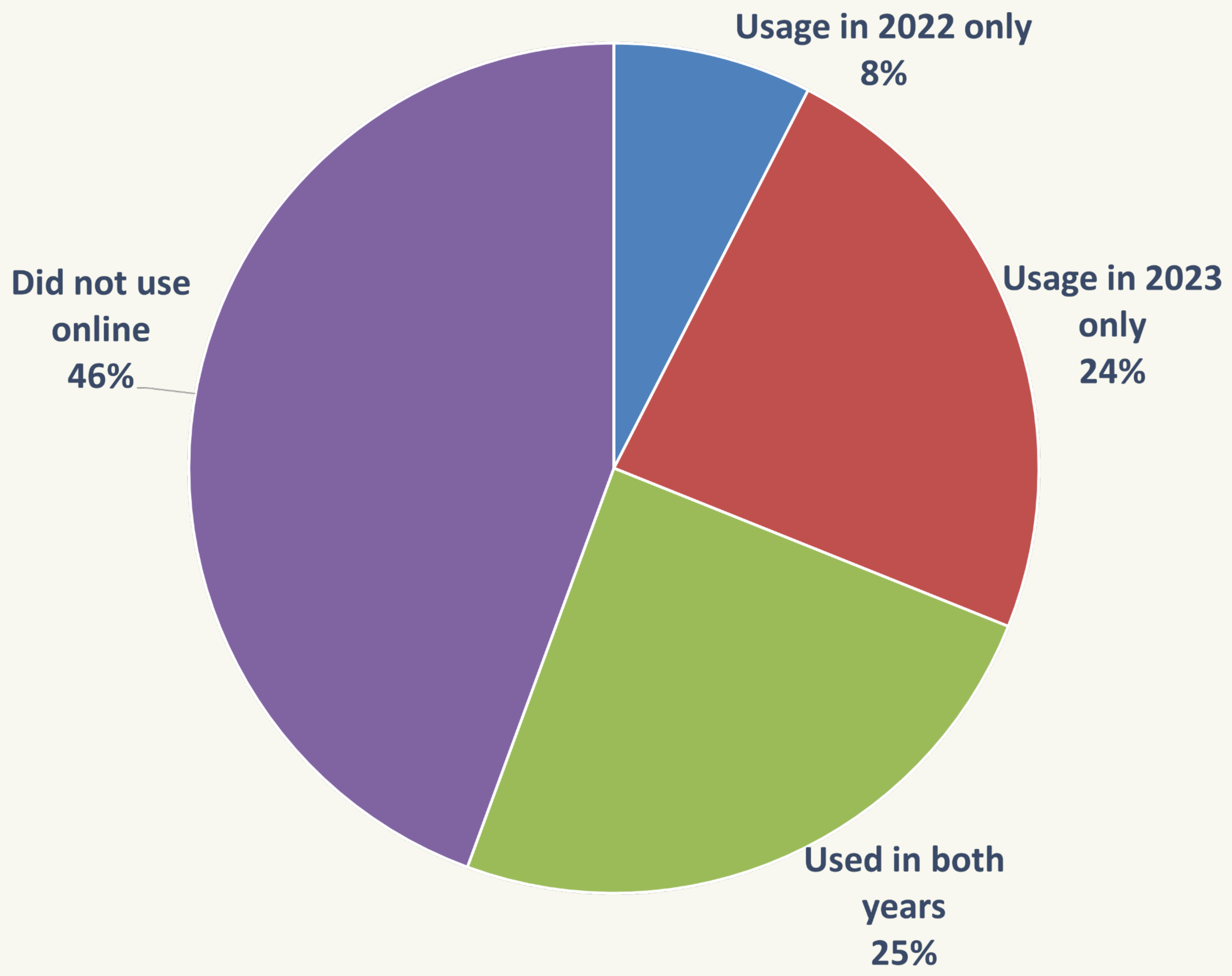


Are you spending a higher share of your budget on online ordering for food?

For the heaviest spenders (and users) of online food shopping…

- Delivery utilization at supercenters, supermarkets, health food stores, and small format grocers is higher.
- Still reflects a decrease in delivery from farmers markets and direct markets.

Online Shopping at Local and Regional Markets



54% of local and regional market shoppers used online options in one or both years surveyed

- 24% of respondents used online options at local markets in 2023 when they did not do so in 2022.
- For farmers markets and other direct markets, curbside pick-up is driving growth in online usage.
  - Likely being used to ensure availability of products rather than as a time-saving tool and consumers may still “shop the market”

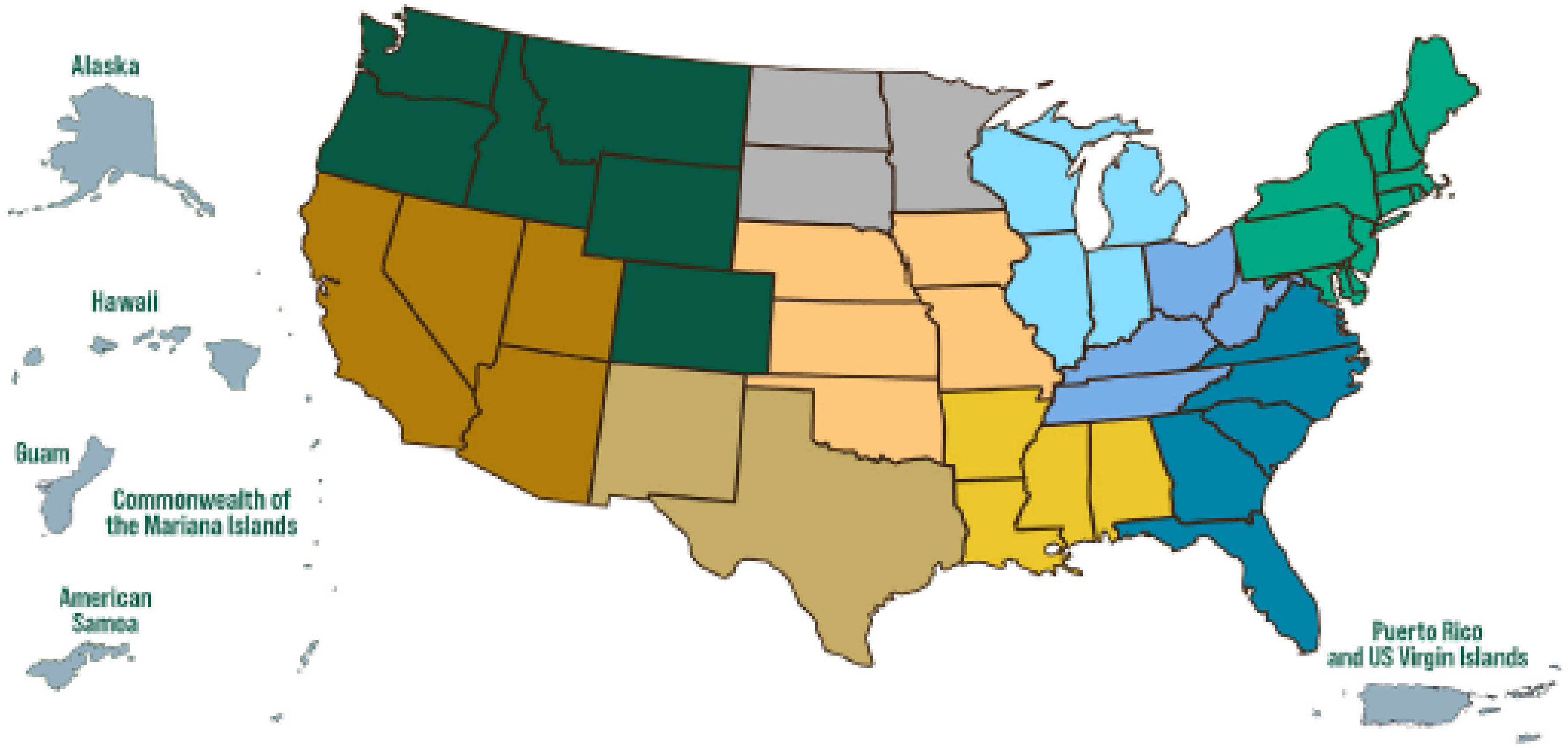
Consumers who shop online also purchase from more types of food retailers

Differing Usages of Online Shopping Tools:

- **Values-driven consumers** use online tools **to find niche products more easily**
- **Frugal consumers** use online tools **to find bargains and save time**

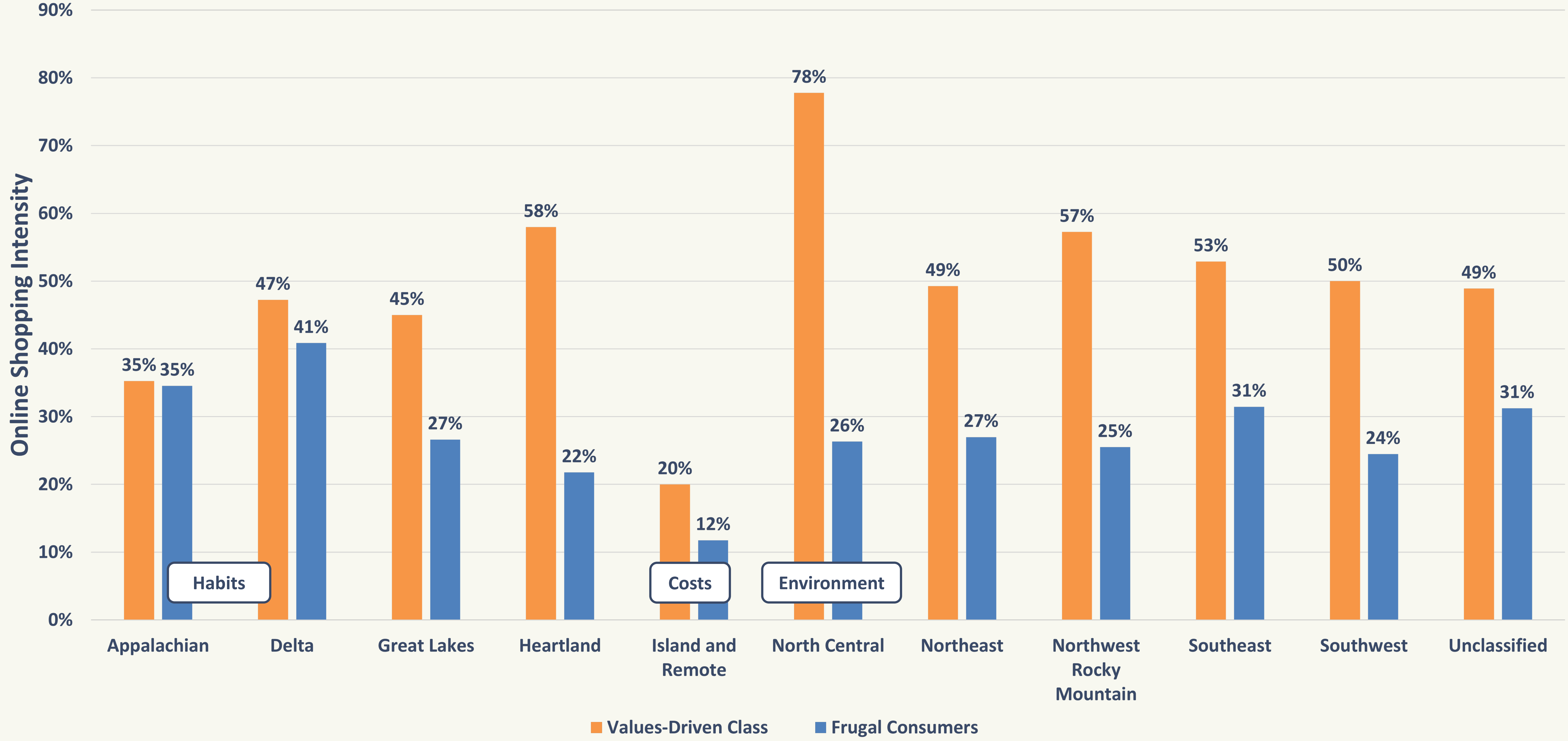
Regional Focus to Consumer Behavior

Figure 1: USDA Regional Food Business Center Regions[1]



- Northwest and Rocky Mountain Region includes Washington, Oregon, Idaho, Montana, Wyoming, and Colorado.
- Southwest Region includes California, Nevada, Utah, and Arizona.
- North Central Region includes North Dakota, South Dakota, and Minnesota.
- Heartland Region includes Nebraska, Kansas, Oklahoma, Iowa, and Missouri.
- Rio Grande Colonias Region includes New Mexico and Texas.
- Great Lakes Midwest Region includes Wisconsin, Michigan, Illinois, and Indiana.
- Delta Region includes: Arkansas, Louisiana, Mississippi, and Alabama.
- Appalachia Region includes Ohio, West Virginia, Kentucky and Tennessee.
- Northeast Region includes Maine, Vermont, New Hampshire, Massachusetts, Connecticutt, Rhode Island, New York, New Jersey, Delaware, Pennsylvania, and Maryland.
- Southeast Region includes Virginia, North Carolina, South Carolina, Georgia, and Florida.
- Islands and Remote Areas includes: Alaska, Hawaii, Guam, American Samoa, Puerto Rico, US Virgin Island, and the Commonwealth of the Mariana Islands.

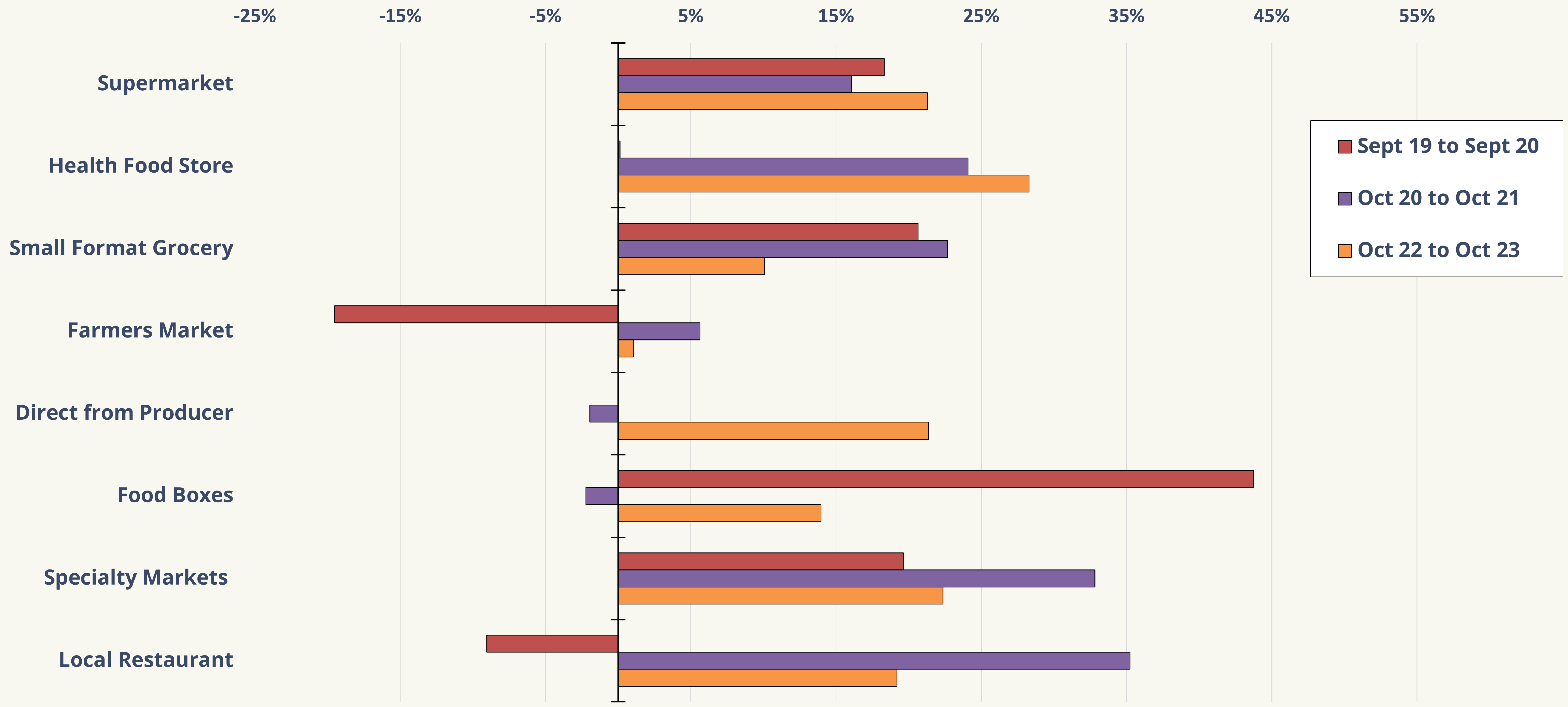
Online Shopping Intensity Across Food Business Center Regions



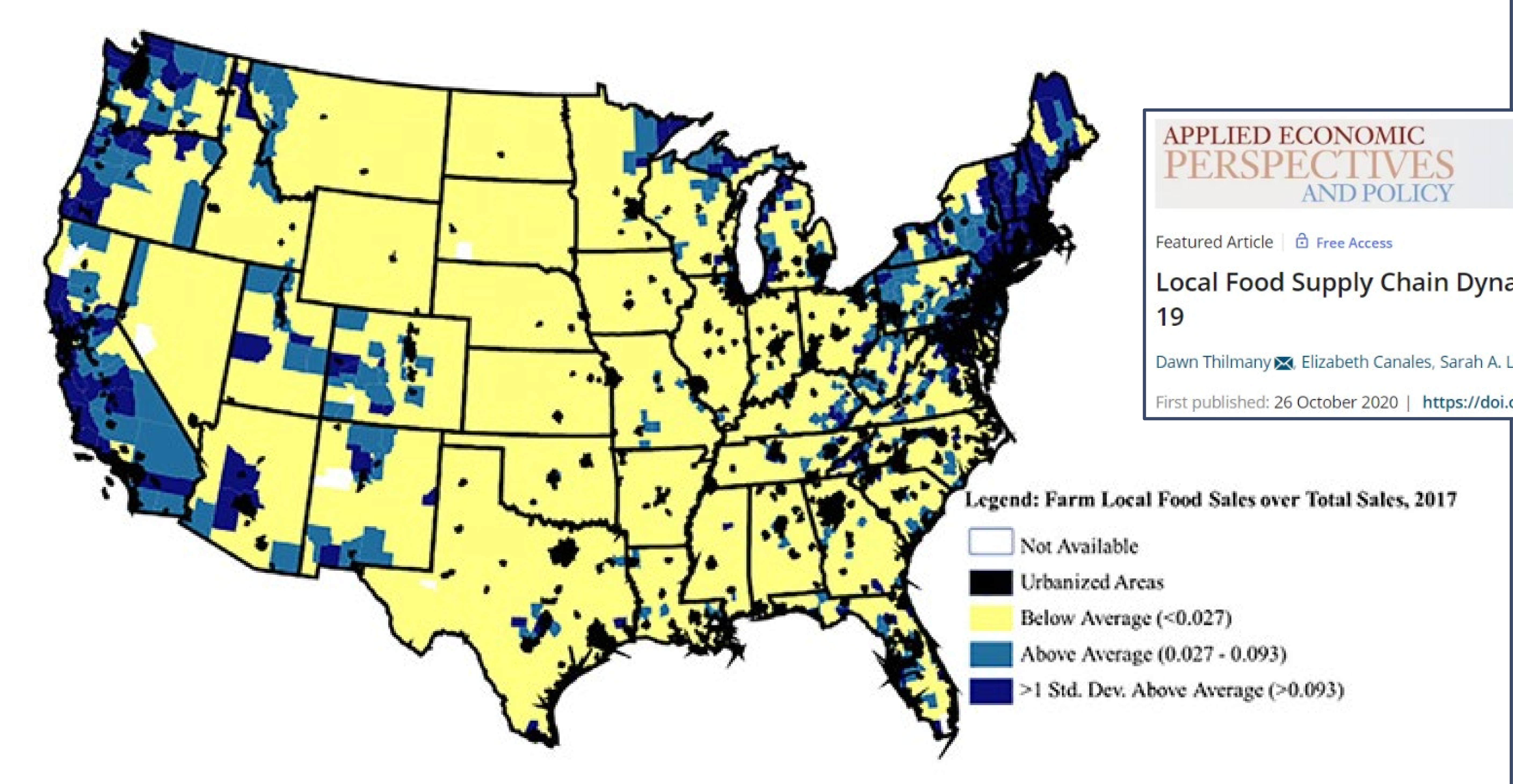
A REGIONAL LOOK

https://lfscovid.localfoodeconomics.com/consumer-food-insights/

Change in Weekly Expenditures
Across Pre-COVID, COVID and New Normal Phases



Your Local Market Conditions Matter:
Local Food Sales "Intensity" by County



APPLIED ECONOMIC PERSPECTIVES AND POLICY

AAEA

Featured Article | Free Access

Local Food Supply Chain Dynamics and Resilience during COVID-19

Dawn Thilmany, Elizabeth Canales, Sarah A. Low, Kathryn Boys

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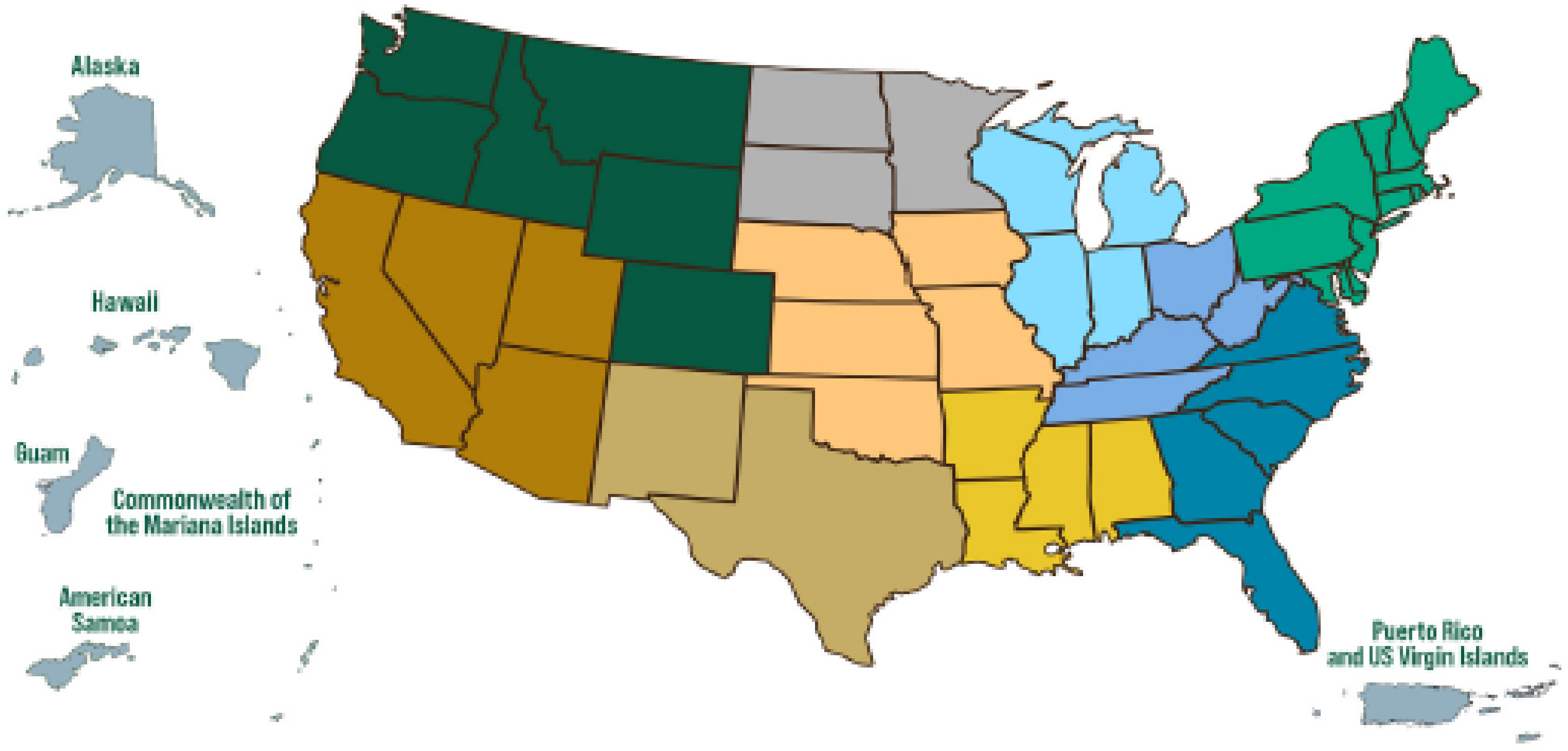

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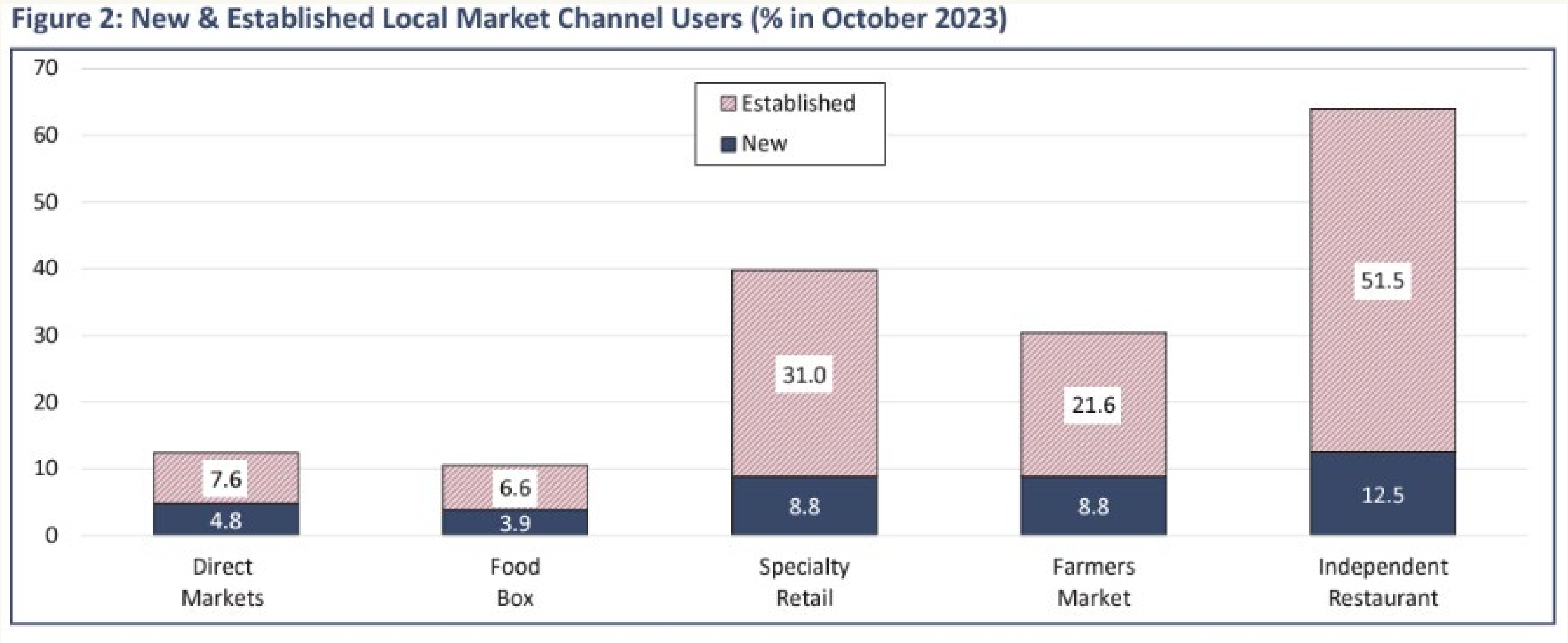
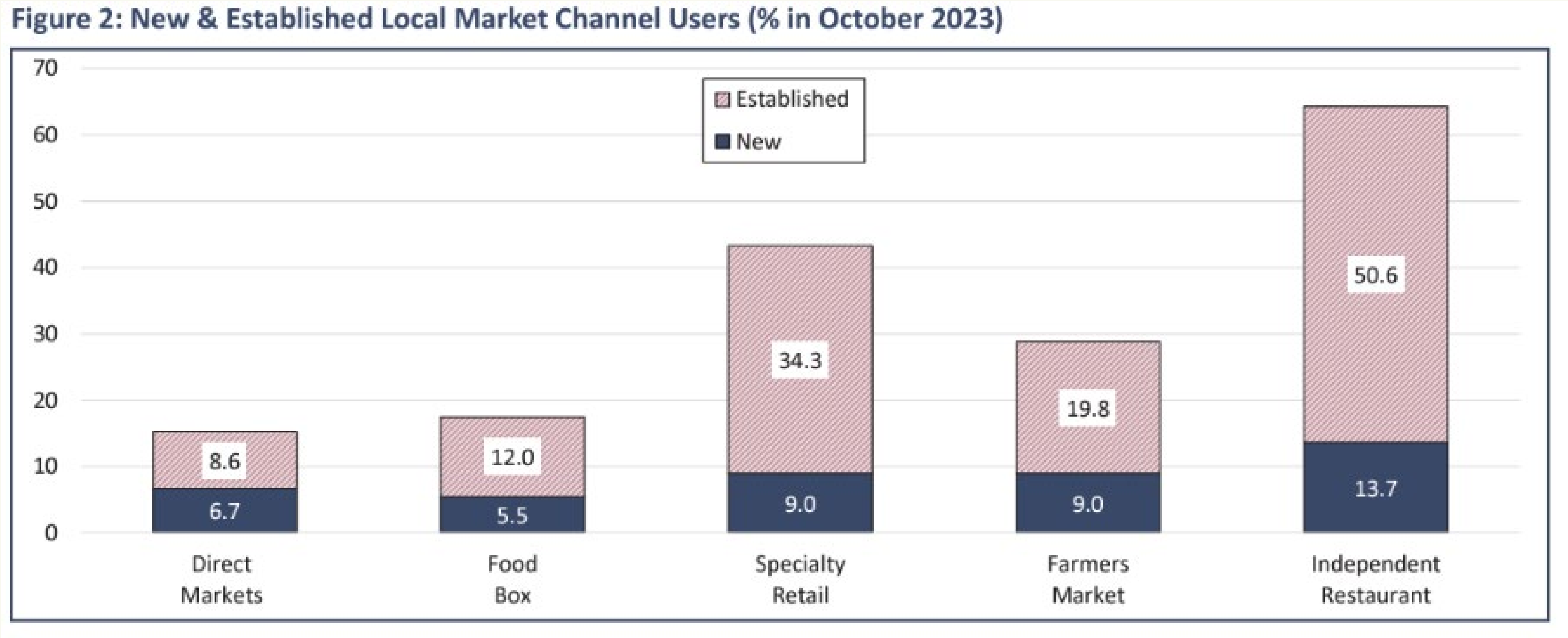
New and Established Local Shoppers

Southeast Region



Southwest Region

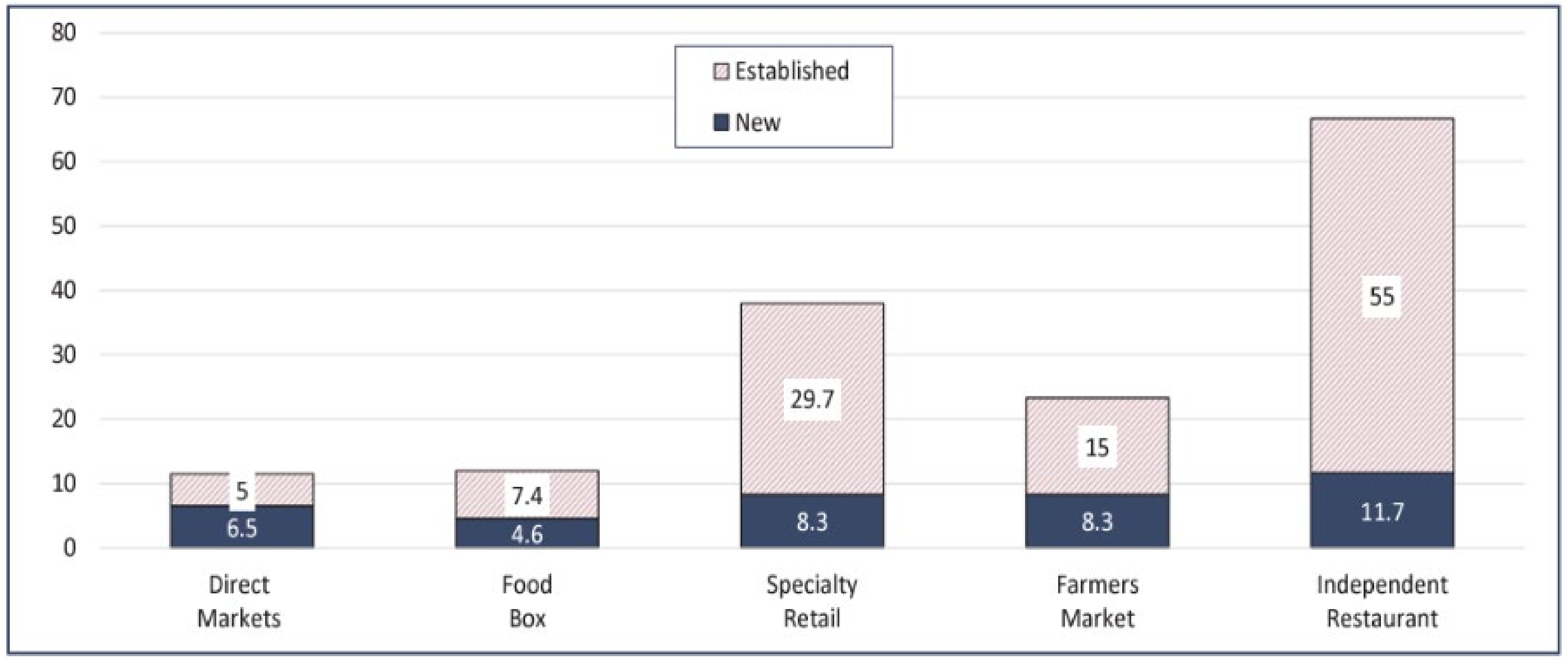


https://lfscovid.localfoodeconomics.com/consumer-food-insights/

New and Established Local Shoppers

Appalachia

Figure 2: New & Established Local Market Channel Users (% in October 2023)



Northwest and Rocky Mountain

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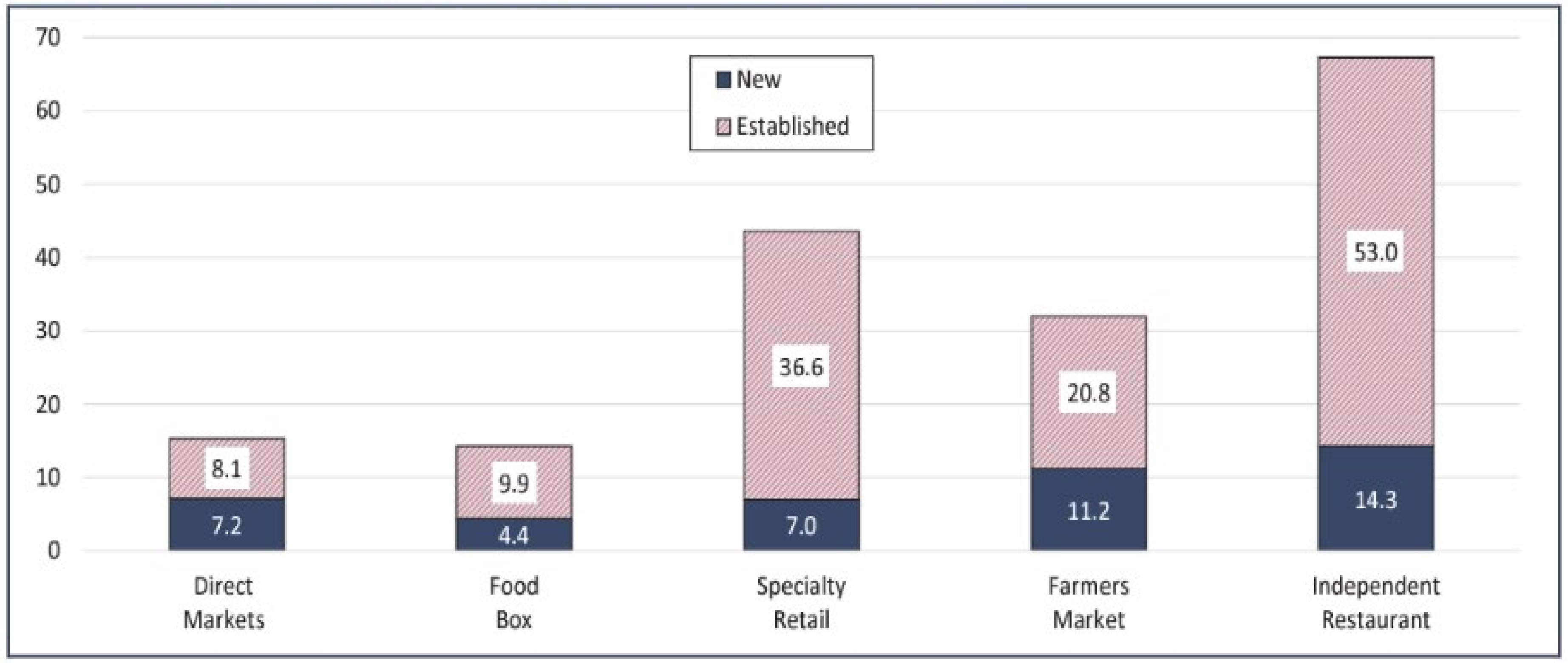

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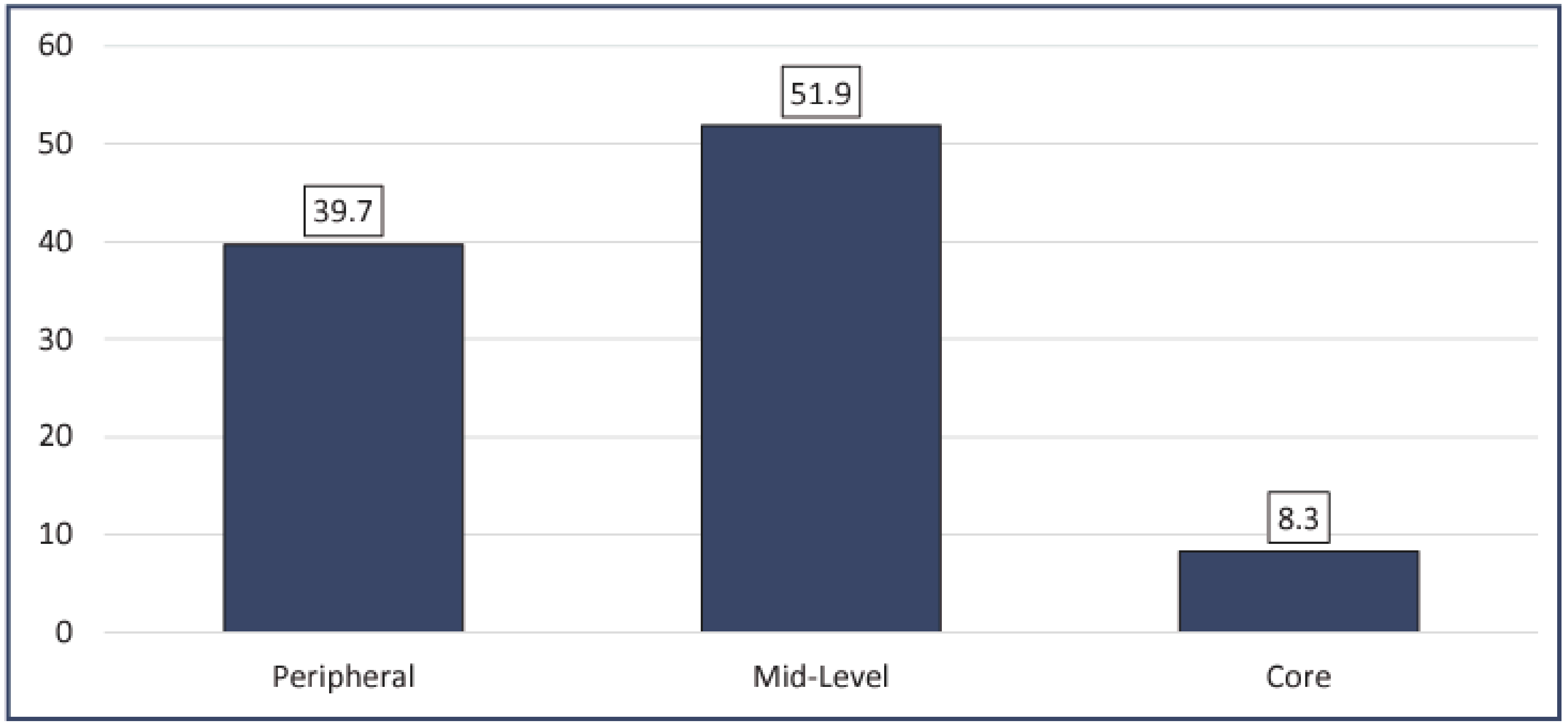
Channel Usage Intensity

Midwest

Figure 3: Diversity of Local Market Channel Usage (% in each category for 2023)



Northeast

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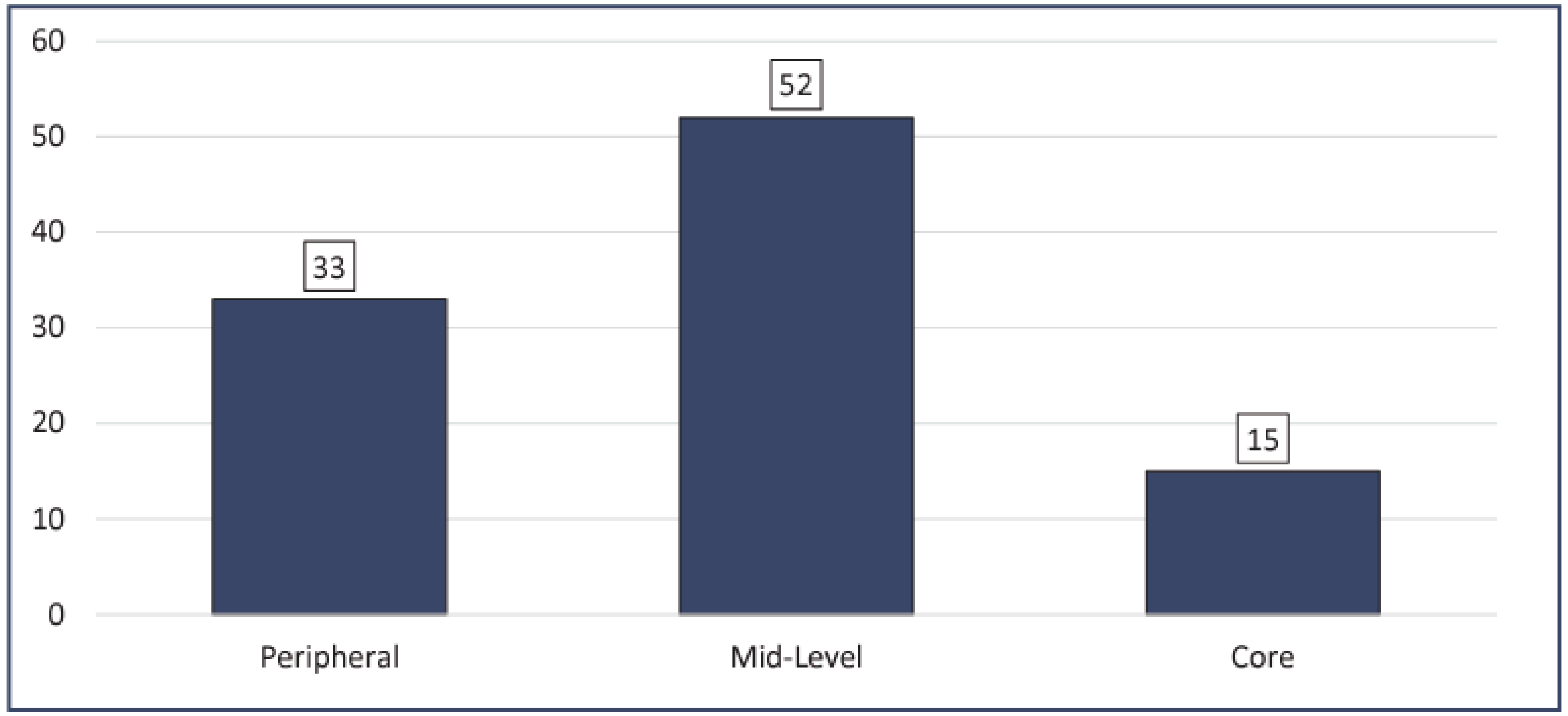

- Core Local Consumers: purchased from at least **four** different local market channels in **both** 2022 and 2023
- Mid-Level Local Consumers: purchased from **at least three** local market channels in 2022 **or** 2023
- Peripheral Local Consumers: purchased from **two or fewer** local market channel in 2022 **or** 2023

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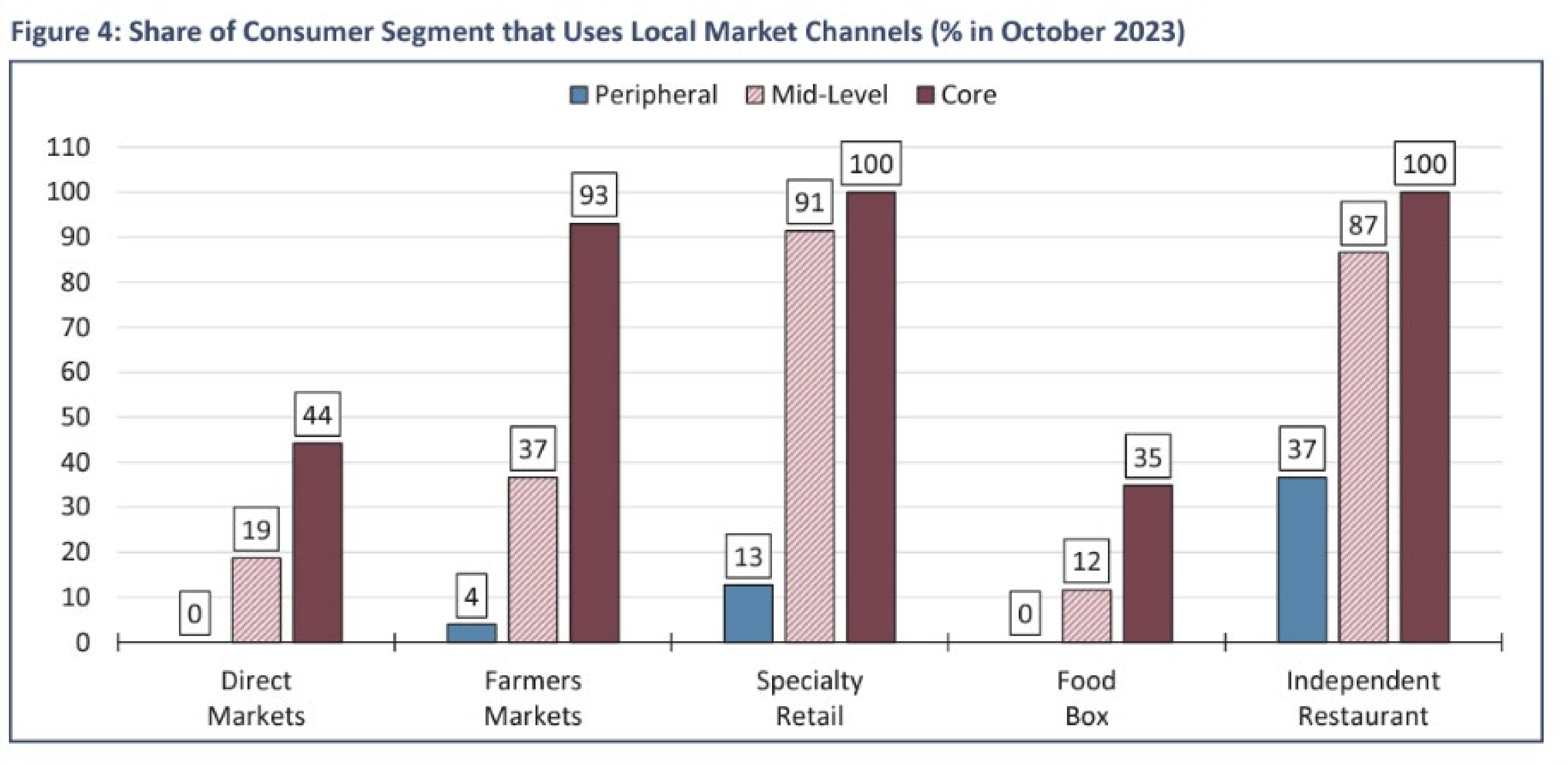
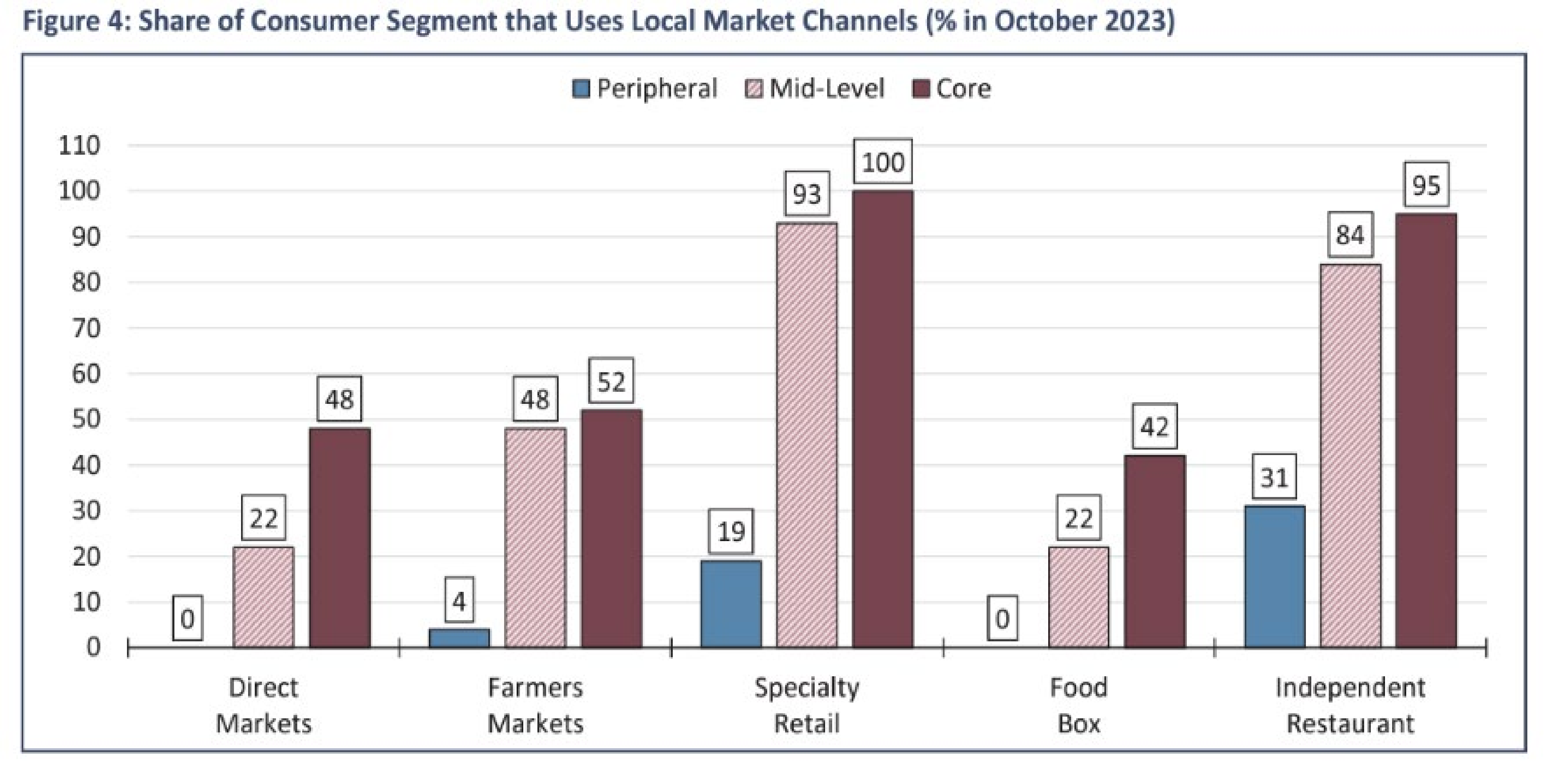
Consumer Type by Channel Usage

Midwest

Northeast





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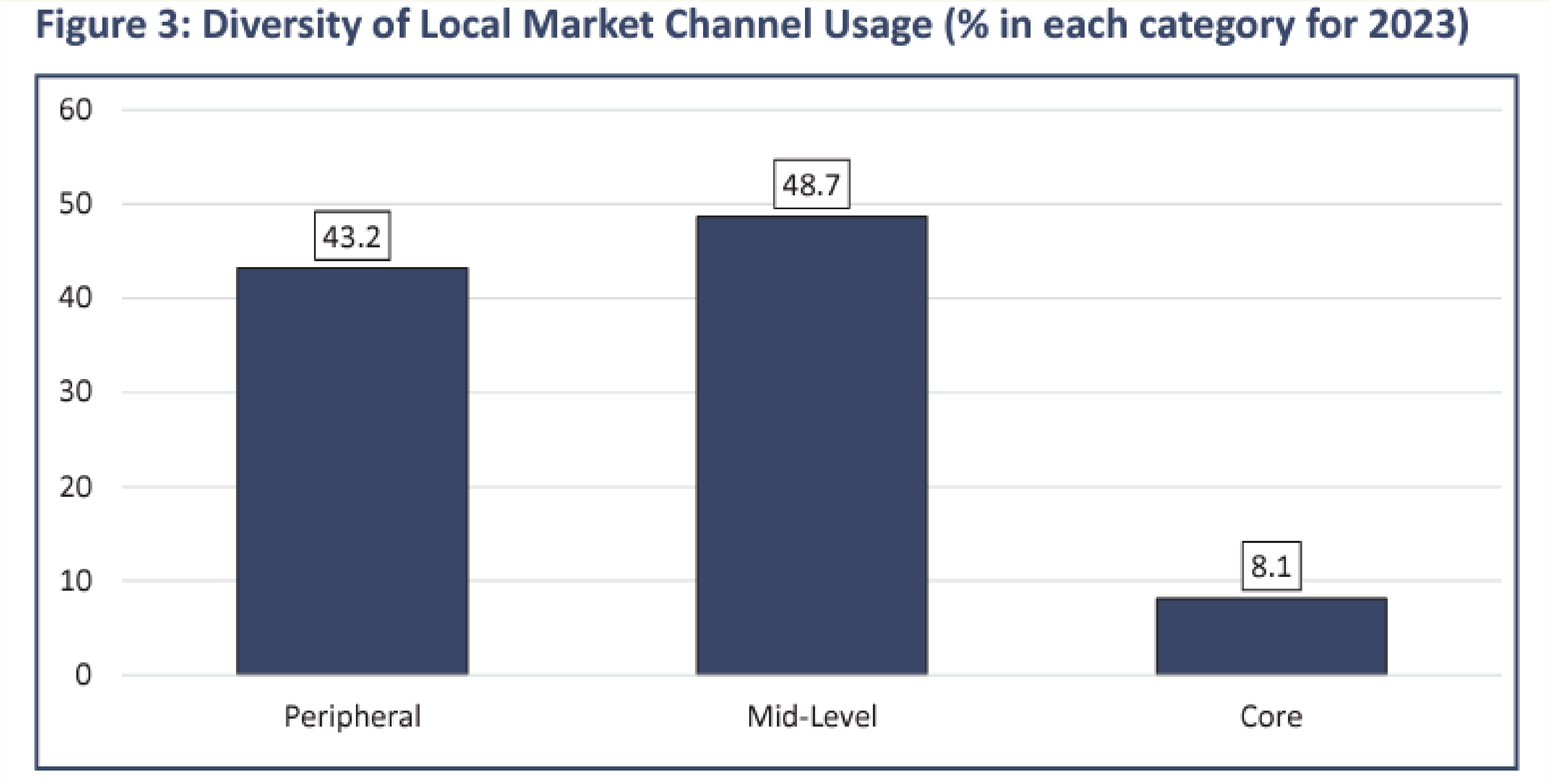
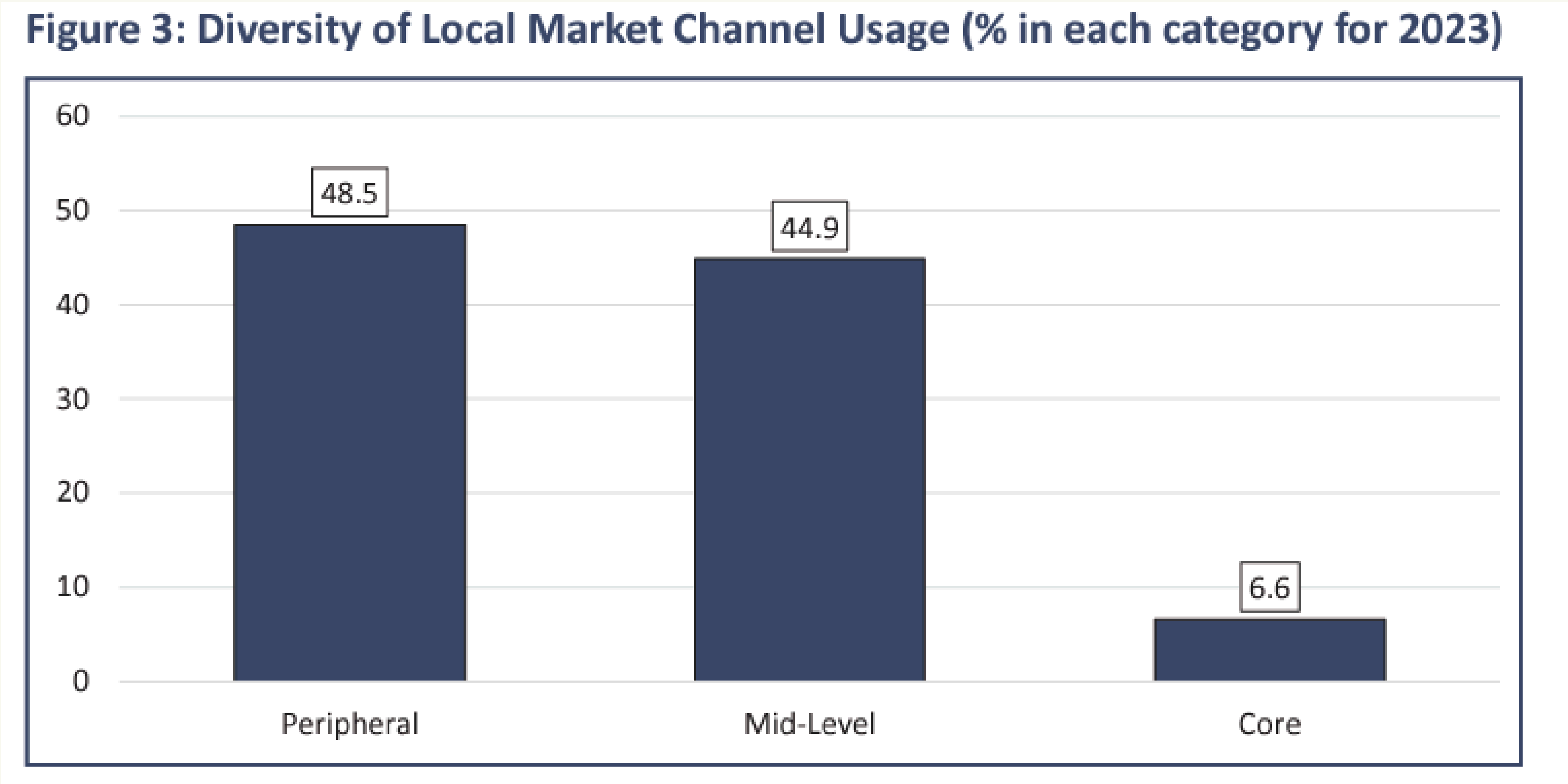
Channel Usage Intensity

Rio Grande Colonias



Delta



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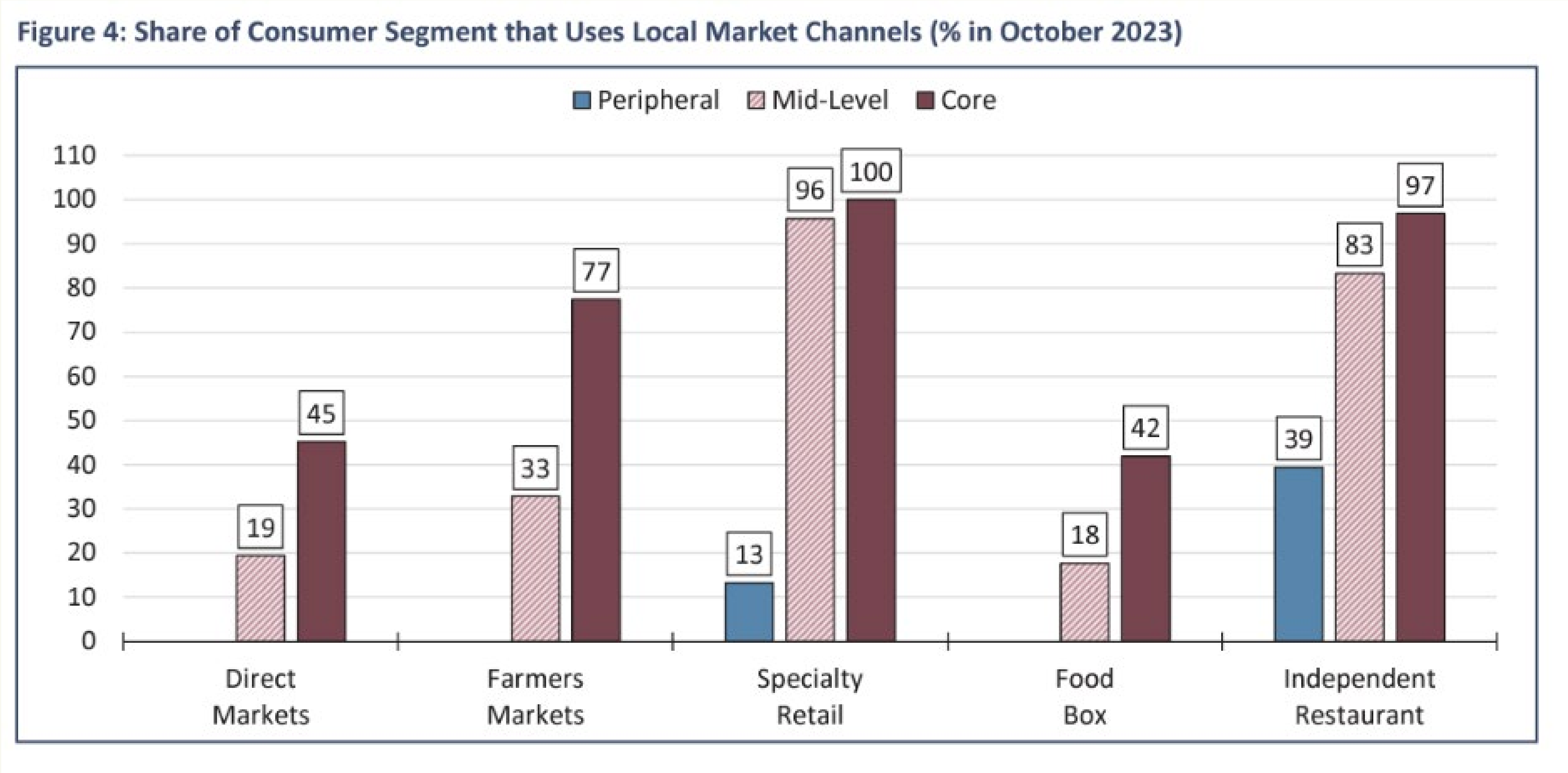
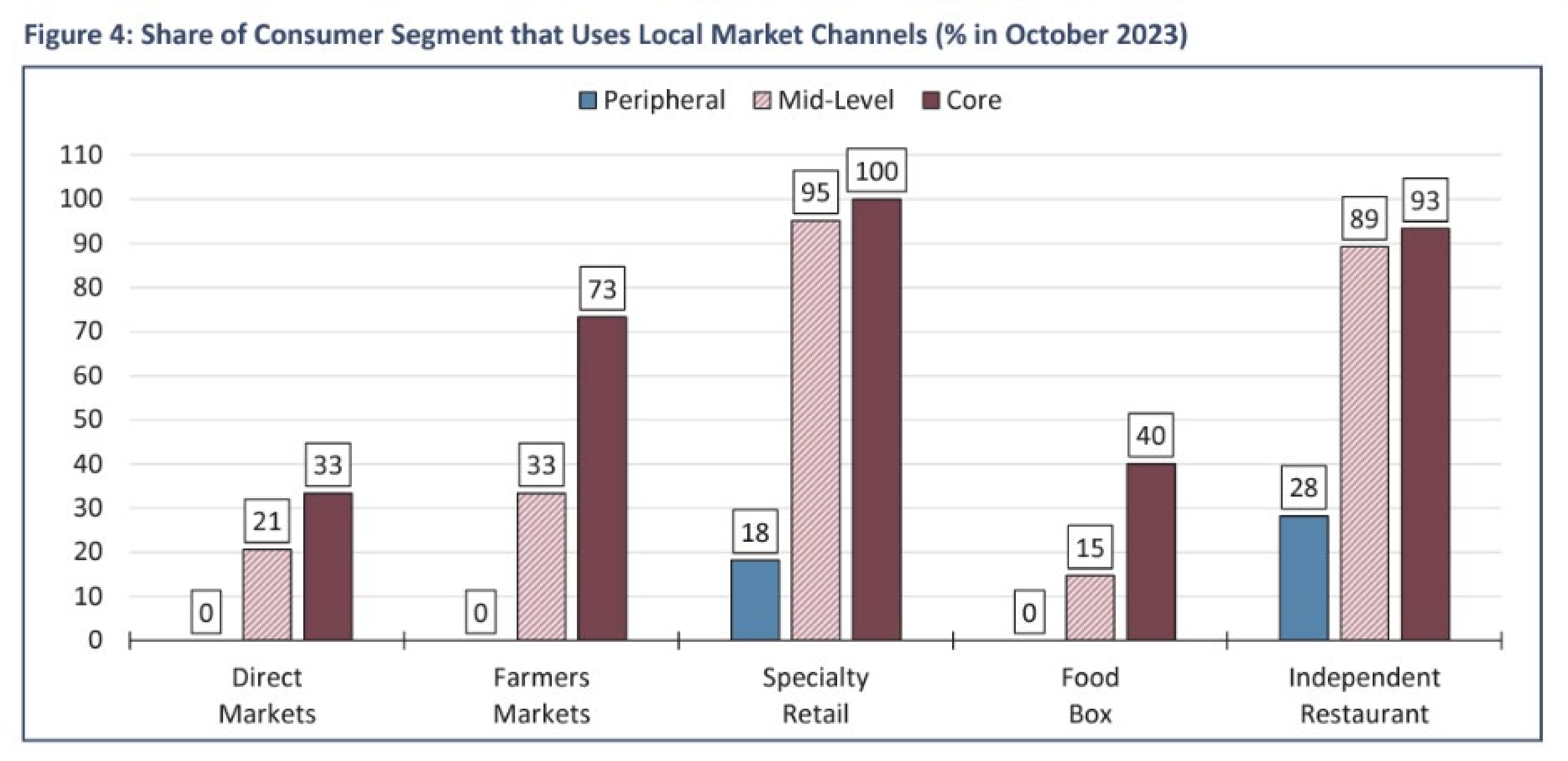


Delta



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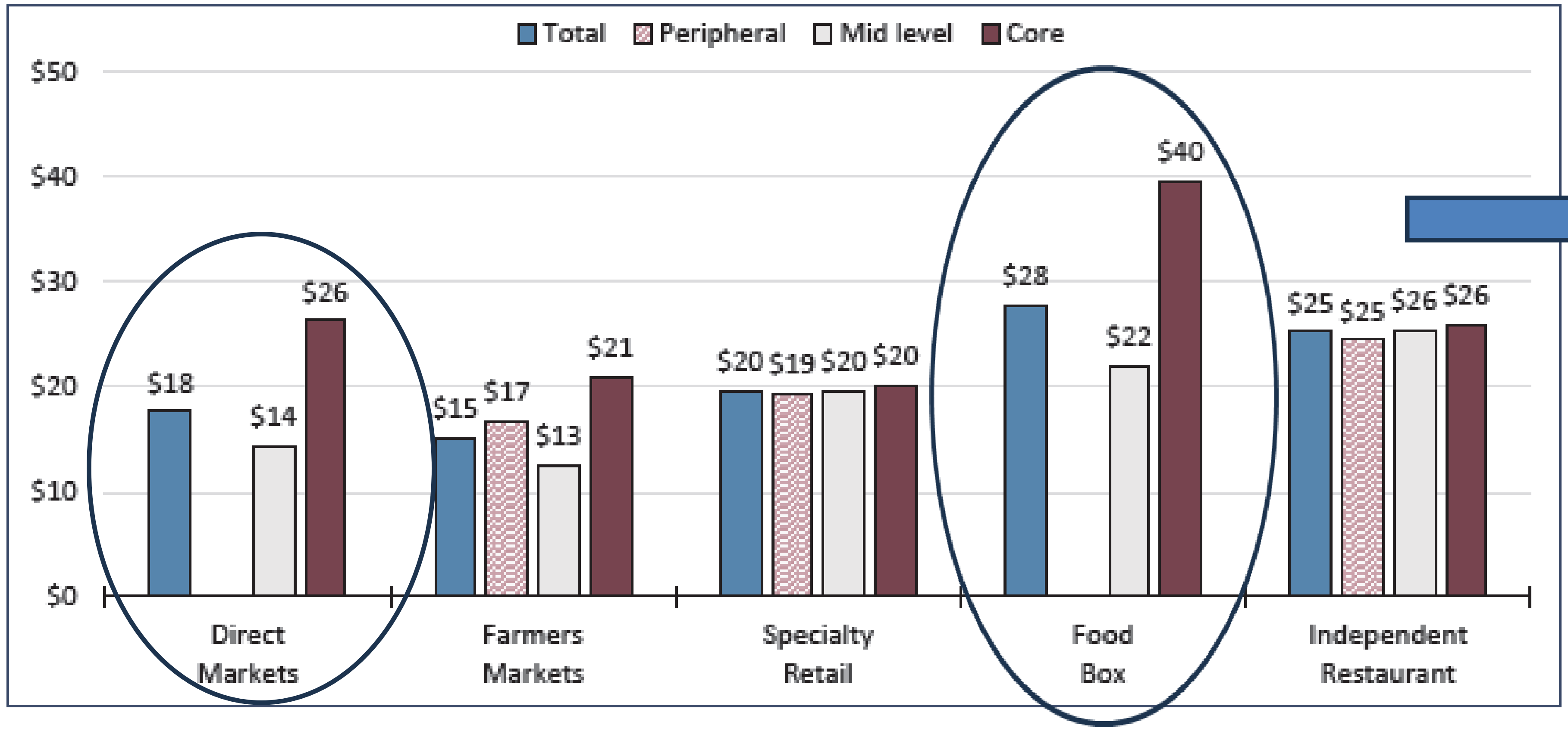
Expenditures Across Time

Delta 2022

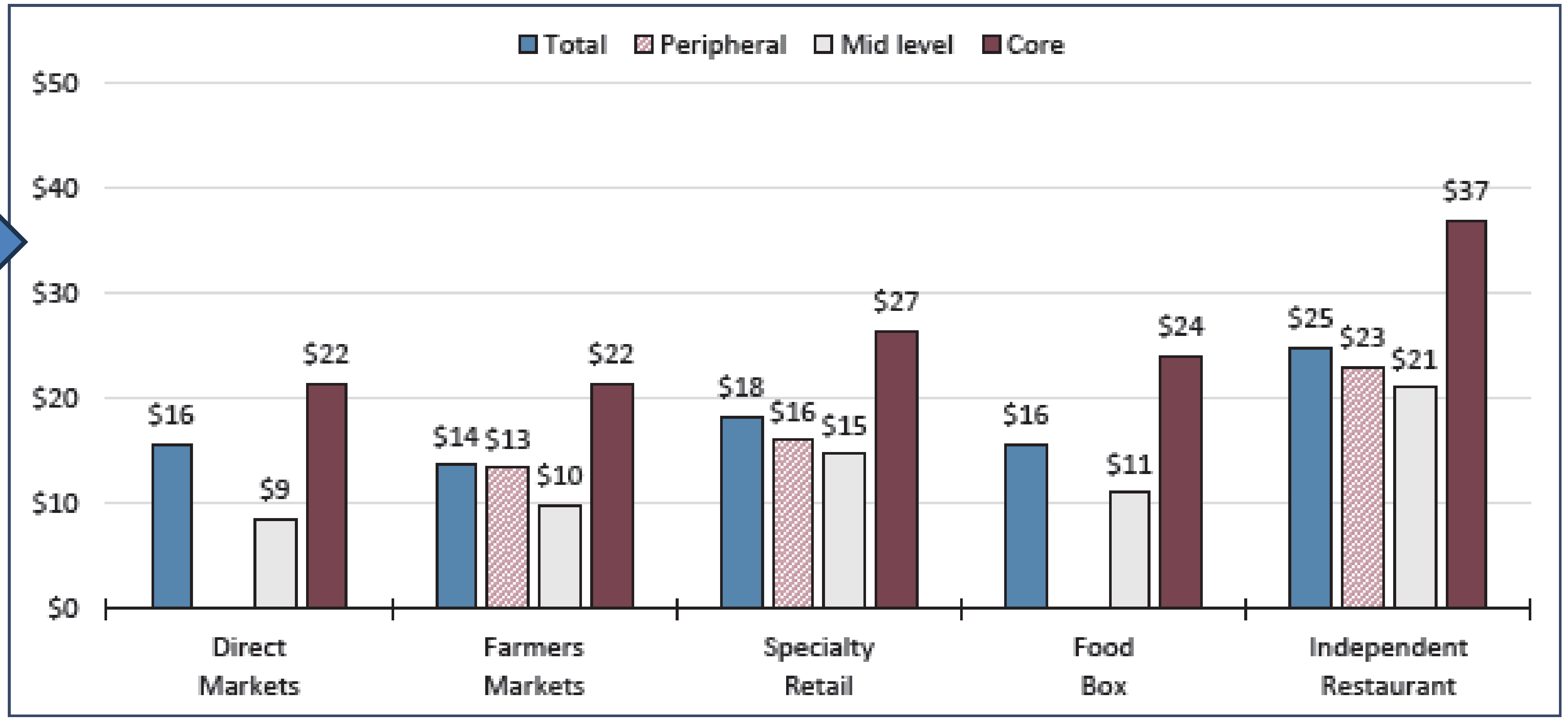
Figure 5: October 2023 Expenditures by Market Channel Users, by Consumer Segment ($ per week by household)



Note: In this analysis, we exclude survey participants who indicated that they did not shop at these market channels so these dollars are only representative of the share of respondents reported using those channels.

Delta 2023

Figure 6. October 2022 Expenditures by Market Channel Users, by Consumer Segment ($ per week by household)



In 2022, expenditures across each market channel and segment were lower.

- The core group spend more at specialty retail locations than at direct markets, a pattern that was reversed in 2023.
- Peripheral users that did engage with some markets generally spent slightly more per week than the mid-level group in those markets, just shopped at fewer types of markets.
- Note the peripheral group had no individuals who used food boxes or direct markets.

- Core Local Consumers: purchased from at least **four** different local market channels in **both** 2022 and 2023
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Comparing Expenditures

Delta

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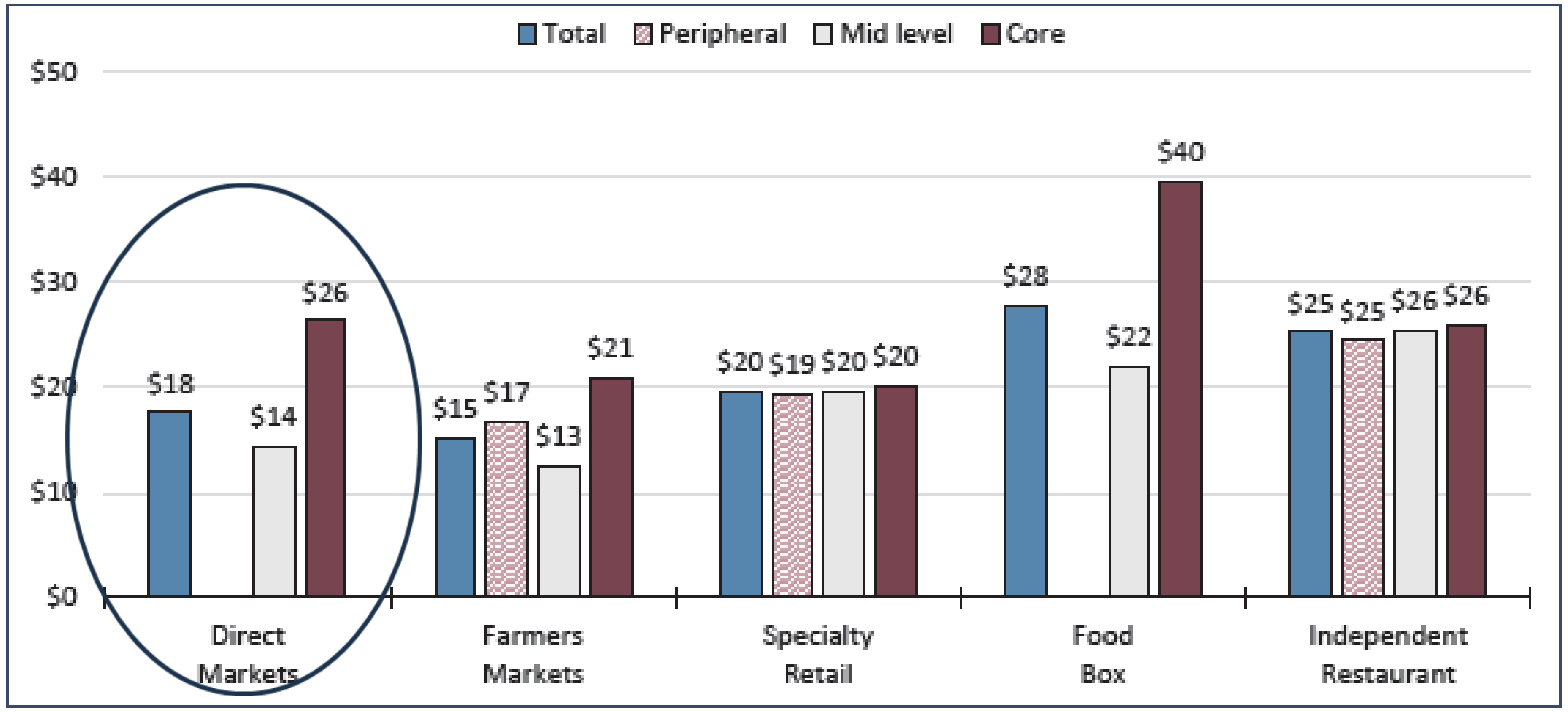

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Northeast

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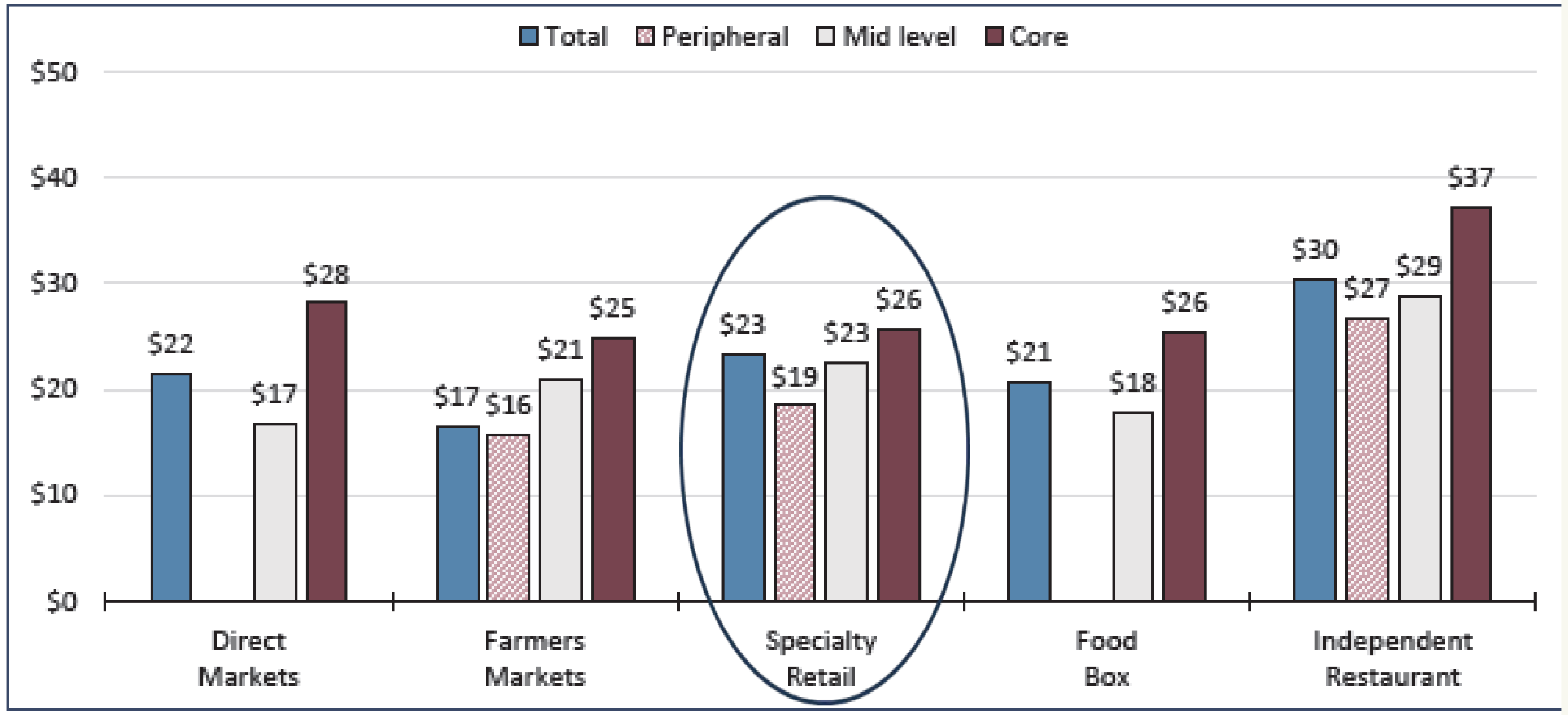

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- **Relationships with Specialty Retailers may be more important in regions like the Northeast where more dollars are spent through them**
  - **and similarly, independent restaurants**
- **Similar to what we found comparing years, Delta may have the best opportunities to grow direct market channels**

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How Might We Use These Numbers to Understand Market Size and Dynamics?

- What is the size of potential sales in your market area?
  - What is the "market share" for local foods in your area?
  - Are you considering expanding your market size?
  - What could that mean for market growth?

- How do we think about and plan for the various types of buyers using local markets?

- What are the tradeoffs of expanding your local market size?
  - Geography?
  - Type of market?

Direct Market Case Study

What is your potential market size?

Note: We believe weekly expenditures may align more with monthly market size given visit frequency

Piedmont Region, NC

Approximately 75 direct markets (including CSAs and farm stands)

- Region A: each farm with a direct market channel earns an average income of **$16,768 per week**
- Region B: each farm with a direct market channel earns an average income of **$45,033 per week**

For instance, a farm located in Guilford county could increase their income by **2.5 times** by expanding their market to include residents of the entire Piedmont region (through advertising, CSA deliveries, online)

Tradeoffs

Direct Markets Total Market Share: Direct Markets Sales / Total Food Expenditures = 1% → 1% of all money spent on food in the Piedmont region is spent on direct markets

Market size:
80,895 people
$1.2 million weekly

Market size:
217,255 people
$3.3 million weekly

Farmers Market Case Study
How Do You Choose Where to Sell?

Delta and Boulder Counties, CO

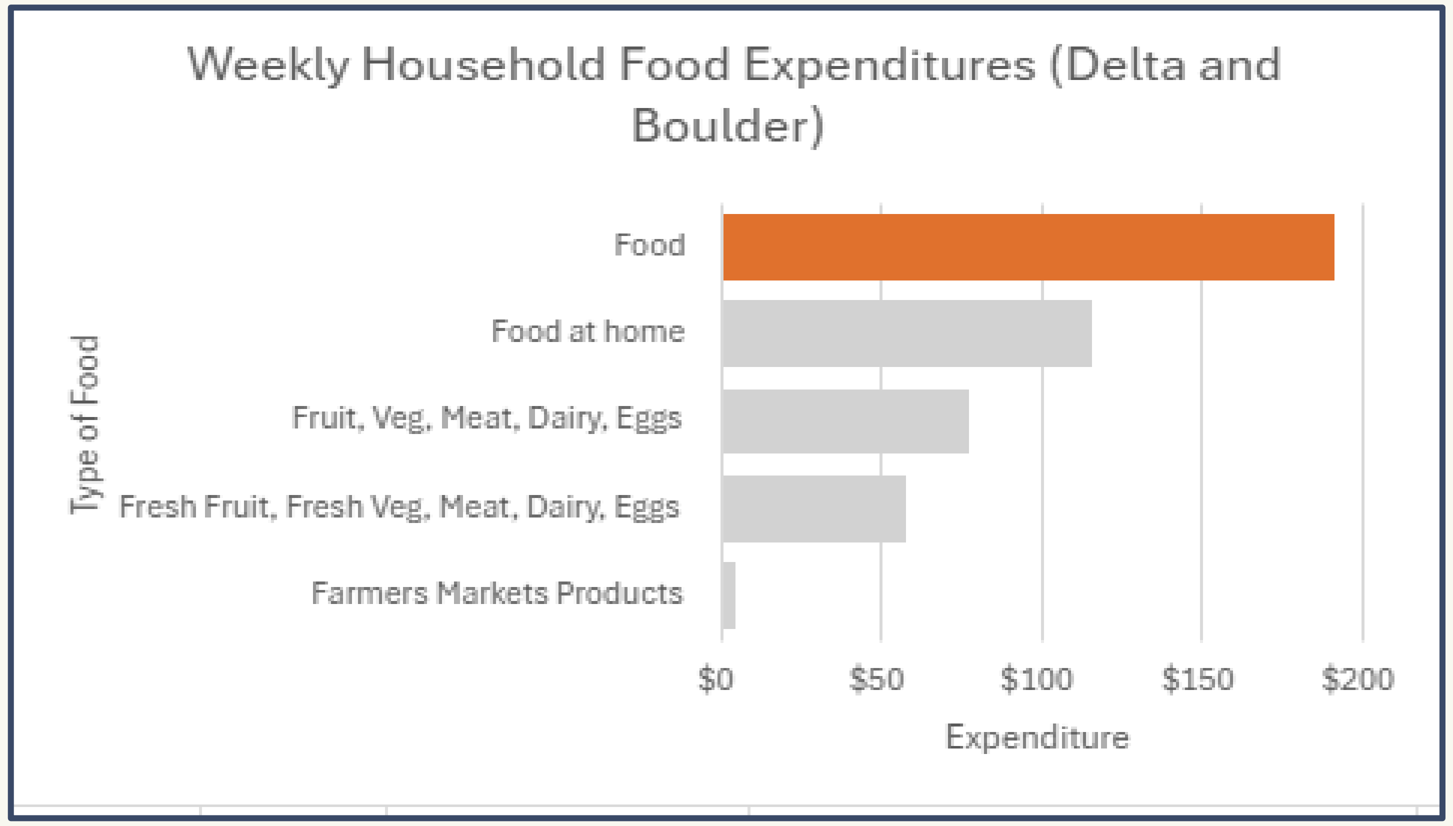
For a farm located in Delta County, CO

- Delta County farmers market: Could expect to sell $2,222 and have the potential to see 3,955 customers weekly/monthly
- If they travel to the Boulder County farmers market….
  - Average $12,085 in sales and see 43,017 customers weekly/monthly
    - Potential **five-fold increase** in sales and ten-fold increase in customers
- Both Delta and Boulder County markets: $14,307 and 46,972 weekly
    - Potential **six-fold increase** in sales and twelve-fold increase in customers

Tradeoffs: extra costs for transportation, staffing, equipment

Farmers Markets Total Market Share:

Farmers Market Sales / Total Food Sales = 2.83% → 2.83% of all money spent on food in Boulder and Delta county is spent at farmers markets



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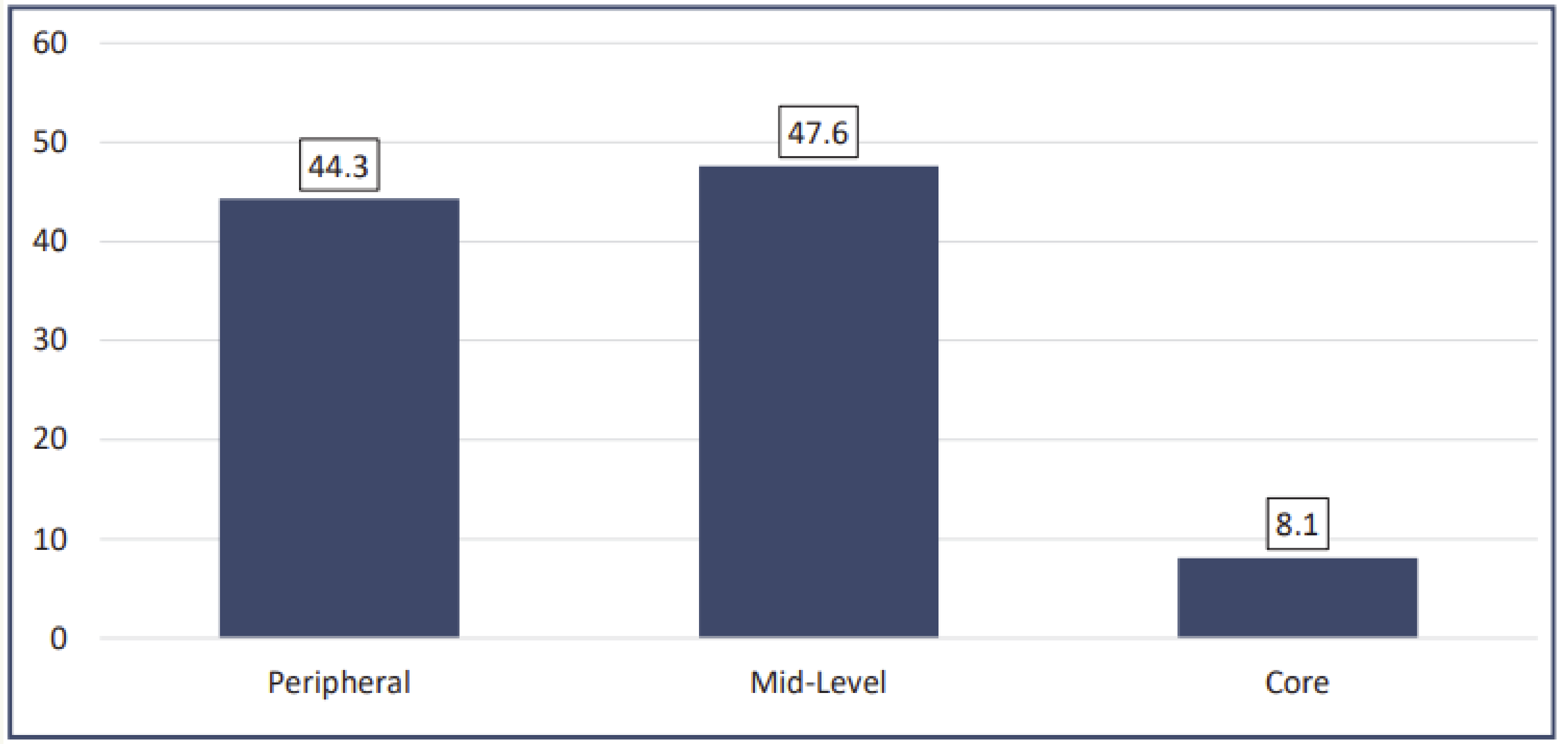
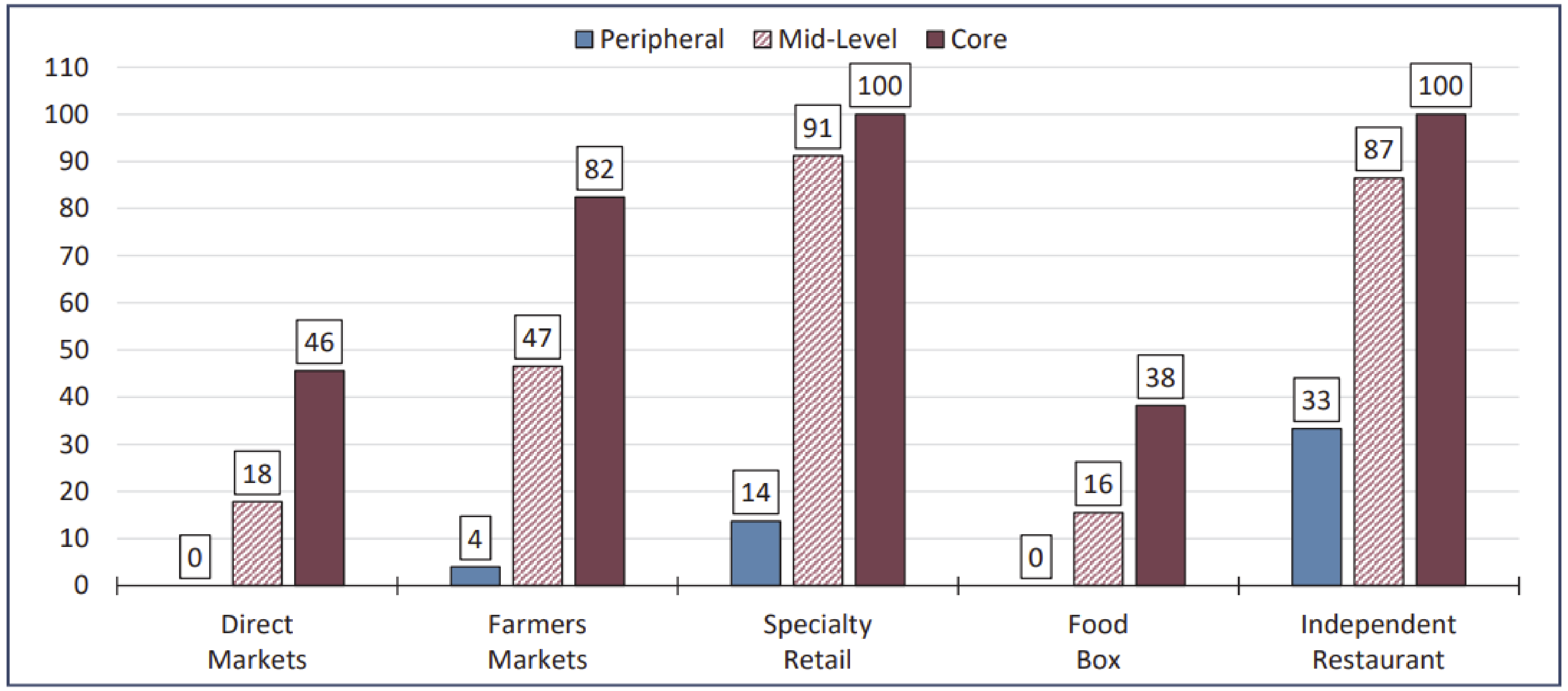
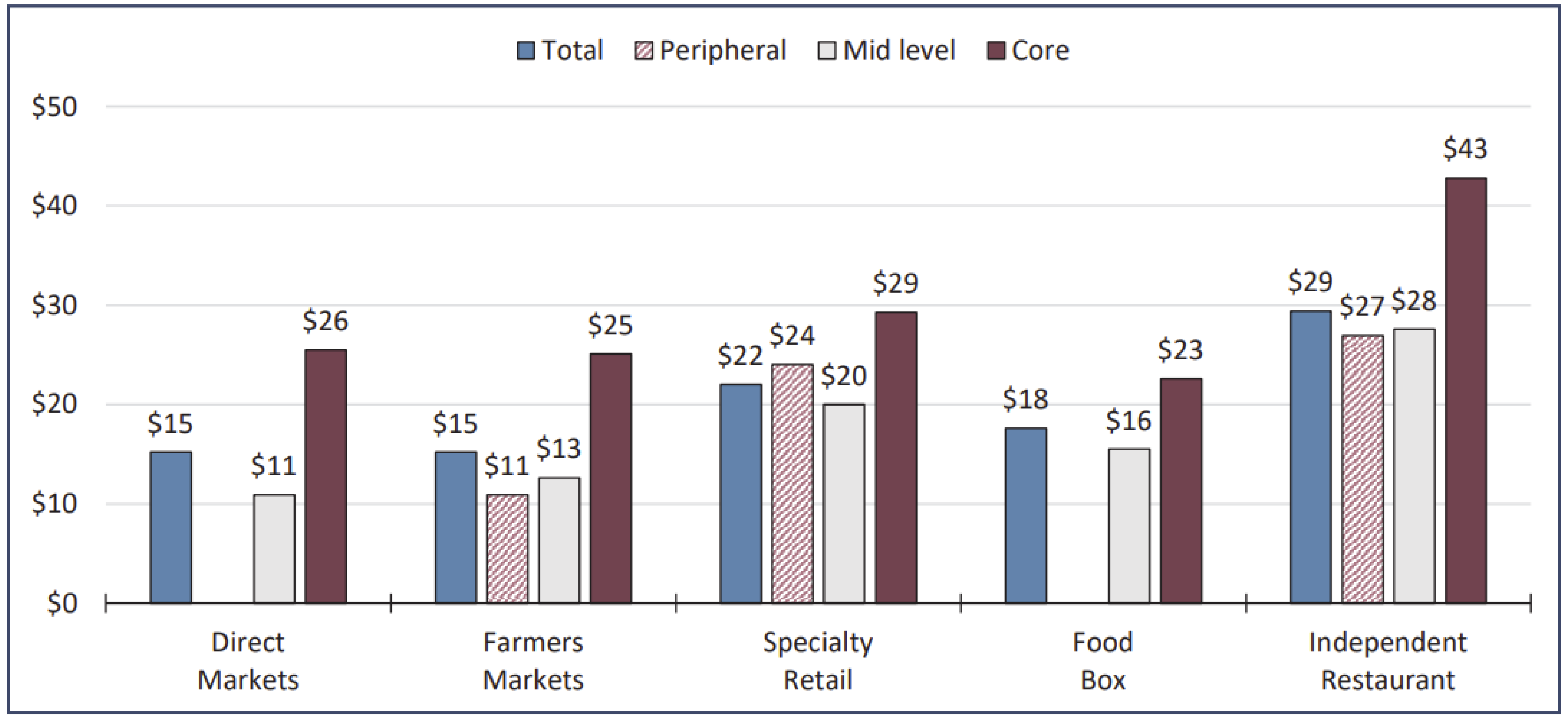


Figure 4: Share of Consumer Segment that Uses Local Market Channels (% in October 2023)



- **Core consumers are the greatest potential to target local and regional sales growth?**
  - **Should we consider the market benefit of converting peripheral to mid-level local buyers?**
  - **Mid-level to Core?**
- **Having local buyers frequent more types of markets is a win for the set of markets since core shoppers spend more**
- **How can these data be used to build your "value case" with specialty retailers considering merchandising more local and regional lines of produce, meat and value-added products?**

Figure 5: October 2023 Expenditures by Market Channel Users, by Consumer Segment ($ per week by household)



Next Steps

- Use your regional Consumer Food Insights to understand the broader findings of our survey in the context of your region and markets
- Do the numbers align with what you see or know about your marketing channels?
- Would more market analysis and research webinars to explore using these numbers be useful to your business or organization?
  - Reach out or tell us if more webinars would be helpful.....

Visit our website for more details about the projects, resources for LRFS, and upcoming webinar information.

https://lfscovid.localfoodeconomics.com/

Questions?

Next Webinar

The Promise of Urban Agriculture: Courses for Grower and Planners

When: Thursday, January 16, 2024, 1:00 PM ET

Register: https://www.zoomgov.com/meeting/register/vJItc-GtrzgvE7y1iTTnq6c-xzkdqypctf4#/registration

To learn more about the courses and enroll, visit https://www.ams.usda.gov/services/local-regional/research-publications/promise-urban-agriculture-online-courses-growers-and-planners.