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Creating Opportunities for American Farmers and Businesses

U.S. Food Consumption Trends and Their Relationship to Local Food Demand

Debra Tropp

Deputy Director

USDA/AMS Marketing Services Division

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What We Will Explore

- **Definitions and interpretations** of local food
- **Recent USDA statistics** on local food demand
- **Relationship between emerging consumer preferences and rise in demand** for local foods
- How **demand for attributes** associated with locally-grown food **are transforming the retail food industry**

What is “Local Food” Anyway?

- A food product that is raised, produced, aggregated, stored, processed, and distributed in the locality or region in which the final product is marketed.
- **USDA does not regulate the definition of local food, leaving it to localities and states to determine appropriate boundaries.**
- Several USDA grant programs (including those administered by my Agency) use a broad definition:
 - ✓ **Less than 400 miles from the origin of the product, or**
 - ✓ **Within the State in which the product is produced.**

What is “Local Food” Anyway?

Can includes both direct-to-consumer sales AND intermediated sales by third parties

- **Intermediated:**
 - ✓ Food sold to distributors/food hubs for aggregation
 - ✓ Delivered to wholesale customers (i.e., restaurants, grocery stores, schools/universities, hospitals)
 - ✓ Only includes those products that retain source-identification throughout supply chain to final buyer

Local is not just about geographical proximity but about closeness of relationship and transparency

State of Local Food Demand in the U.S.

- **\$8.7 billion in sales in 2015** (both direct to consumer and intermediated)
- **Nearly two-thirds (65.5 percent) wholesale, not D2C**

Largest revenue generator (\$3.4 billion, ~60K farms)

- **Farms selling food to institutions or intermediaries** (such as local food hubs or wholesalers that use local branding)

Other channels:

Direct to consumer (\$3 billion, 115K farms)

- Up from **\$1.2 billion in 2007** (but farm decline from 136K)

Direct to retail sales \$2.3 billion (only 23K+ farms)

What Do We Know About U.S. Consumer Demand for Local Food?





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Connection Between Consumer Food Preferences and Rise in Local Food Demand

Phil Lambert, “Supermarket Guru”, 2013:

People are choosing their foods more holistically based on **multiple “food factors”**:

- ✓ **Taste**
- ✓ **Ingredients**
- ✓ **Source**
- ✓ **Nutritional composition**
- ✓ **Asking who is making their foods**
- ✓ **Understanding impact on environment & animal welfare**



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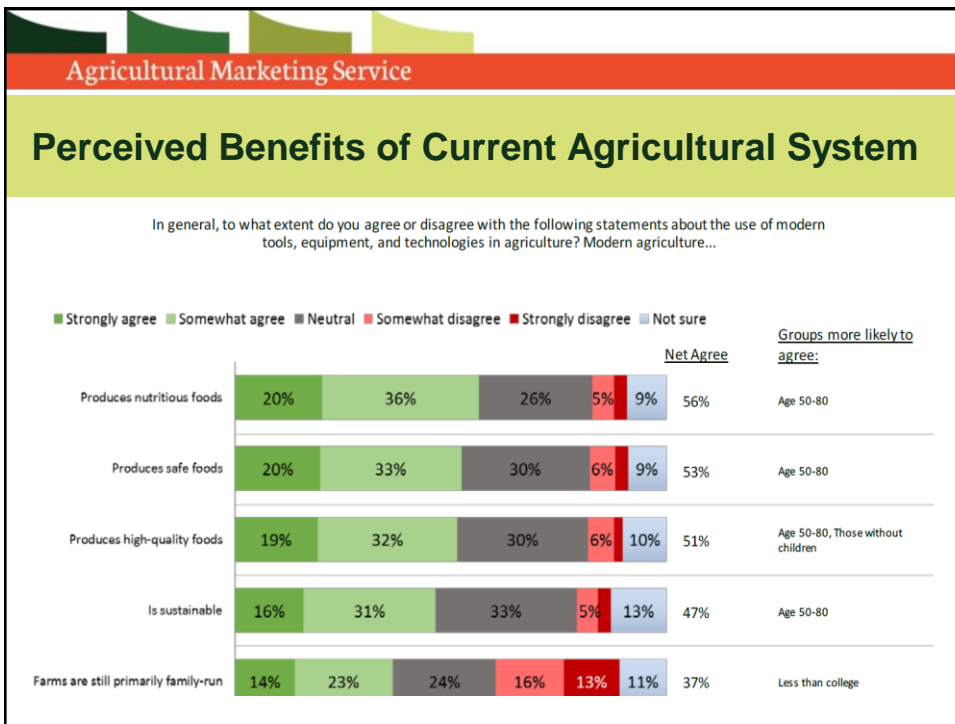
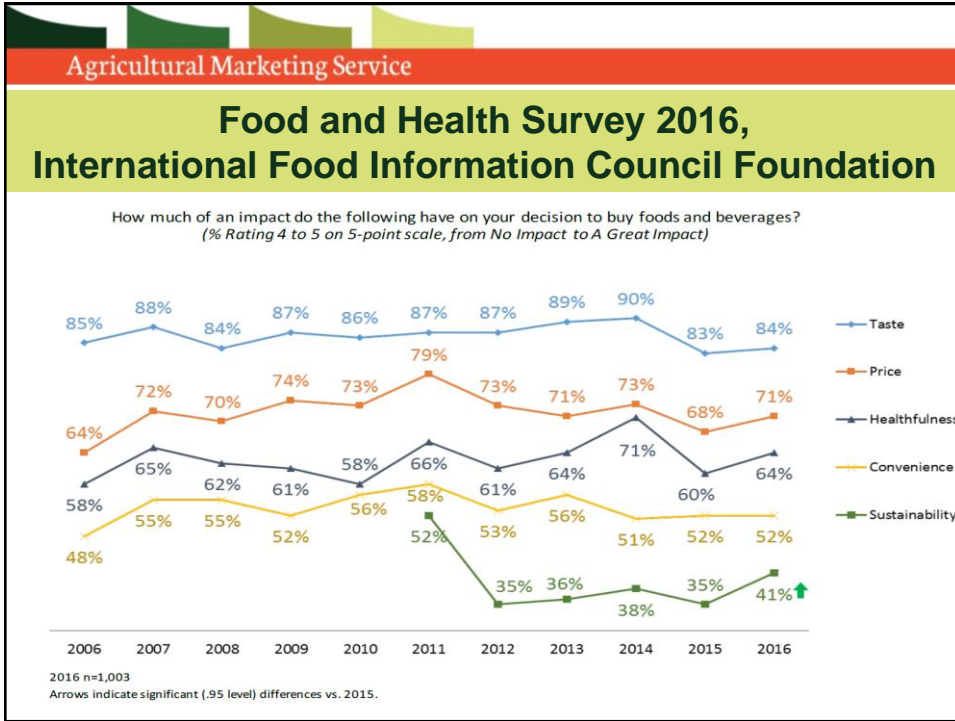
News Headlines Are Changing Public Perception

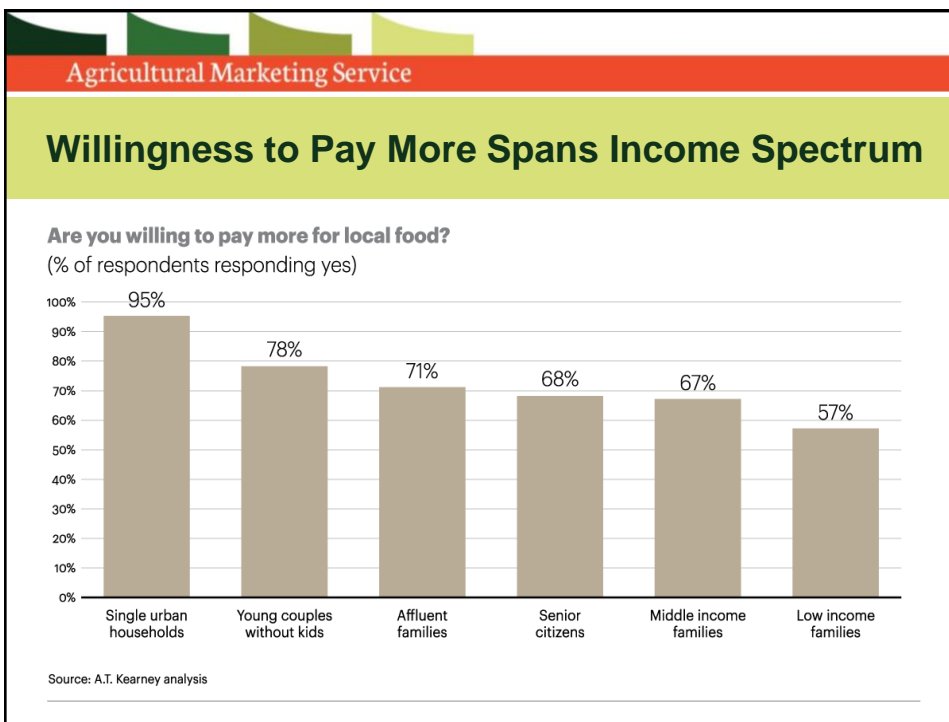
**International Food Information Council Foundation,
2016 Food and Health Survey:**

Nearly a third of Americans have changed their mind about nutrition issues in the past year.

News articles are a top driver of this change.

Nearly half of Americans have read an article or book, or watched a documentary about the food system in the past year...and **about half of them** have changed their food purchases as a result.





Chefs Respond to Consumer Demand for Local2

2018 “Top Concept Trends”

1. **Hyper-local** (e.g., restaurant gardens, onsite beer brewing, house-made items)
2. Chef-driven fast casual concepts
3. **Natural ingredients/clean menus**
4. Food waste reduction
5. Veggie-centric/vegetable-forward cuisine
6. **Environmental sustainability**
7. **Locally sourced meat & seafood**
8. **Locally sourced produce**
9. Simplicity/back to basics
10. **Farm/estate-branded items**

Hudson Riehle, Senior Vice President of Research at the National Restaurant Association:

Local, vegetable-forward, and ethnic-inspired menu items will reign supreme

[Consumers] are implementing these trends in their own lifestyles and want to see them reflected on restaurant menus.

Source: National Restaurant Association

Shoppers Are Looking for More Natural, Nutritionally-Rich Foods

2015 Supermarket Guru/NGA Consumer Survey:

- 28 percent want **minimal processing**
- 25 percent want a **shorter list of ingredients**

Int’l Food Information Council 2016 Food & Health Survey:

- 36 percent worry about **chemicals in their foods**
- **Foods labeled with a health attribute** experienced a sales increase of 13 percent in the past year vs. flat sales

FMI U.S. Grocery Shopper Trends 2016:

- **22 percent** worry the food they eat isn’t nutritious enough
- **26 percent seek products ENHANCED for nutritional reasons** (e.g., vitamins, antioxidants, calcium)



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Fruit and Vegetables Take Center Stage

Between 2010-2014:

- U.S. supermarket produce sales **rose 21.7 %**
- Supermarket sales overall **rose only 9.3 %**
- Produce share of supermarket sales **rose from 10.4% to 11.6%**

Average fruit and vegetable consumption:

Baby Boomers eat an average of **4.43 servings** per day.

Generation X members eat an average of **4.71 servings** per day

Millennials eat an average of **5.12 servings per day**



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Desire for Transparent Labeling and Marketing

FMI, 2017:

In a world of shopping options and fast moving information, consumers see transparency as a shortcut to confidence in a complex food system...against a postmodern backdrop of skepticism

Watershed Communications, 2016 food & beverage survey

- Interviewed ~400 Millennials
- **Every single respondent** indicated that he or she frequently purchased foods and beverages based on the brand's reputation for authenticity.

Desire for Transparent Labeling and Marketing

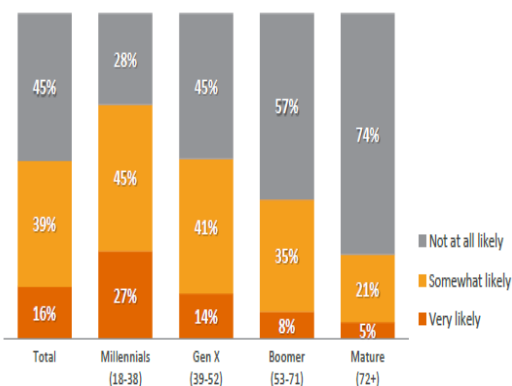
Factors that were most frequently attributed to **creating an authentic brand** included:

1. **“CLEAN” INGREDIENTS.** Real. All Natural. Fresh. Organic. What was once niche is the new normal. It's expected and demanded.
2. **QUALITY PRODUCT/ GREAT TASTING.** Top-shelf ingredients and great flavor are non-negotiable!
3. **TRUE TO MISSION.** Brands must stay true to their claims and their own slogans
4. **CULTURALLY ACCURATE.** Millennials have been exposed to global flavors since birth. They appreciate brands that genuinely honor cultural heritage
5. **TRANSPARENCY.** Food and beverage packaging should expressly state what is in the product and why

Desire for Transparent Labeling and Marketing

72 percent of millennials indicated they are somewhat or very likely to scan a QR code/label, 17 percent higher than Gen X.

CHART 2.6: SHOPPER LIKELIHOOD TO SCAN A QR CODE/LABEL



Source: FMI U.S. Shopper Trends, 2017. Q: "If a product you are considering purchasing at the grocery store had a QR code or other type of label to find out more about the product through your smartphone or other device, how likely would you be to scan the label to find out more specific product details?" Shoppers n=2,145. (See Appendix: Tables A.60 & 61)

Advancing Social and Environmental Goals

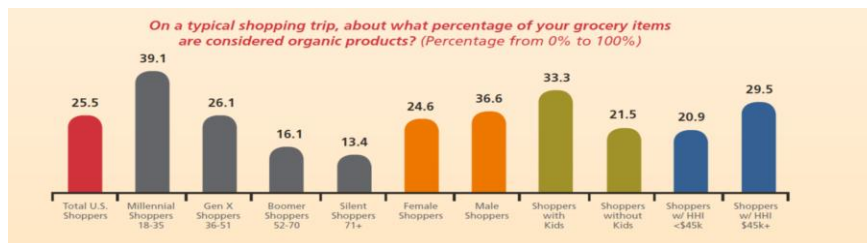
Dr. Ion Vasi, Department of Sociology and Tippie College of Business at the University of Iowa:

- **The local food market is a *moralized market*** where people **combine economic activities with their social value**
- **It's a relational and ideological exchange** in addition to an economic one

Vasi discovered that local food markets were more likely to develop in areas **where residents had a strong commitment to civic participation, health, and the environment.**

Advancing Social and Environmental Goals

- **29 percent** prefer shopping in food stores that **support the local economy**
- **21 percent** prefer to **procure meat from sources that treat animals humanely**
- **14 percent** look for organic certification



How Have Consumer Preferences Influenced Choice of Food Store?



Market Segmentation is the New Name of the Game

Traditionally, food retailers have aimed to serve a diverse, mass American public

- Stores have historically been positioned as “neutral environments” where shoppers could choose from a broad-ranging selection of products

In today’s marketplace, neutrality confers no advantage on the retailer

- Shoppers gravitate toward food stores that they see as allies and “partners in their goals and aspirations”
- Highest rated food stores are seen as more proactive in their efforts to inform and educate shoppers, and create closer connections between shoppers and the food system
- Leaders in Transparency (by store format): Natural & Organic, Online-only, Club, Fresh-focused, Midmarket traditional grocery stores
- Trailing behind: Discount, Convenience, Supercenter, Limited Assortment, Dollar, Drug, Value-focused traditional grocery stores

Frequent Food Store Patronage Trends, 2016-2017

<i>Fairly Often/Almost Always visit</i>	2016	2017
Regular full-service supermarket	85%	83%
Supercenter	54%	53%
Conventional discount store	38%	36%
Warehouse club store	29%	31%
Limited assortment	21%	25%
Dollar store	20%	22%
Drug store	18%	18%
Natural + Organic store	13%	17%
Convenience store	8%	11%
Ethnic food store	7%	11%
Online-only food store	5%	11%

Source: US grocery shopping habits, from GMOs to QR codes: Are you up to speed? June 19, 2017, Elaine Watson, <https://www.foodnavigator-usa.com/Article/2017/06/19/2017-US-Grocery-Shopper-Trends-report-FMI-Hartman-Group>

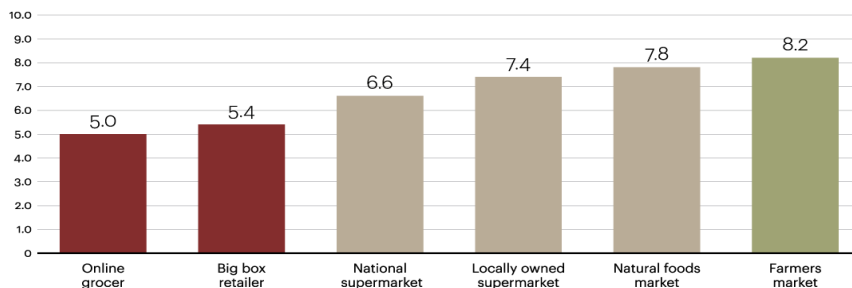
Trust in Food Stores' Ability to Deliver Local Food

Figure 1

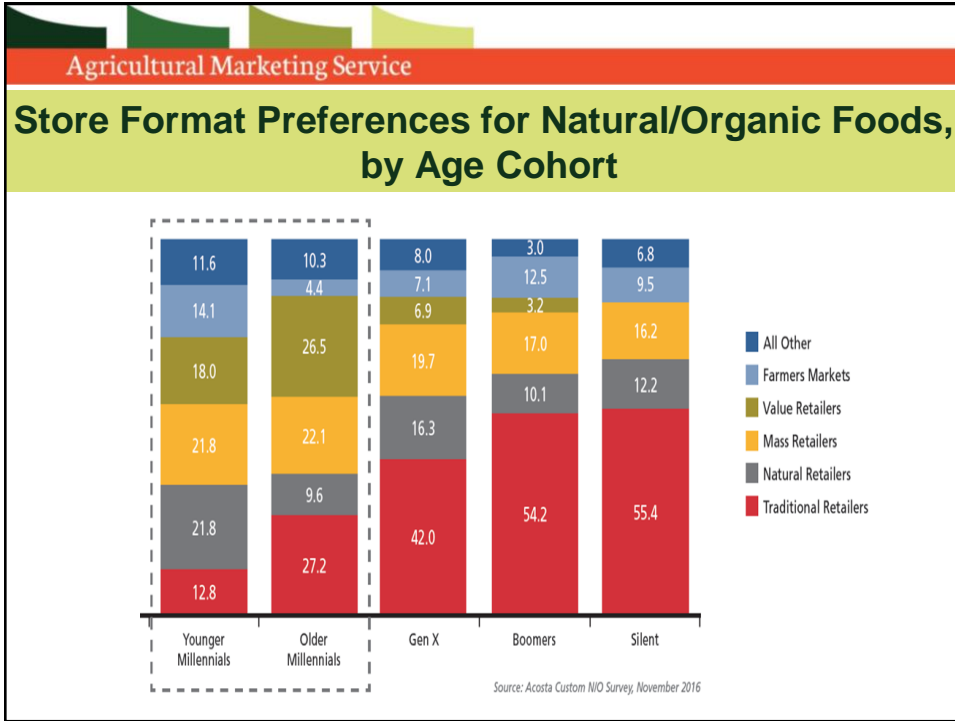
Online, big-box, and national chains rank lowest in food trustworthiness

How much do you trust each format to deliver local food?

(1 to 10, with 10 as most trustworthy)



Source: A.T. Kearney analysis





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Everything Old...Is New Again?

**Food shoppers aspire to a more natural
[and sometimes romanticized] past –**

*“My husband comes from an Italian family who cooked and ate together. My mom was young with lots of kids. **She did what was easy and cheap. We ate out of boxes and cans. Food was not good growing up.***

I don't want that for my kids.”

FMI: US Grocery Shopper Trends 2016



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Contact for AMS Market Research and Technical Assistance

Marketing Services Division

Website: www.ams.usda.gov/services/local-regional

Debra Tropp

Deputy Director

(202) 720-83

Debra.Tropp@ams.usda.gov

