

Local Food Systems Response to COVID

Consumer Food Insights 3.0



Changes in Expenditures at Local Food Market Channels

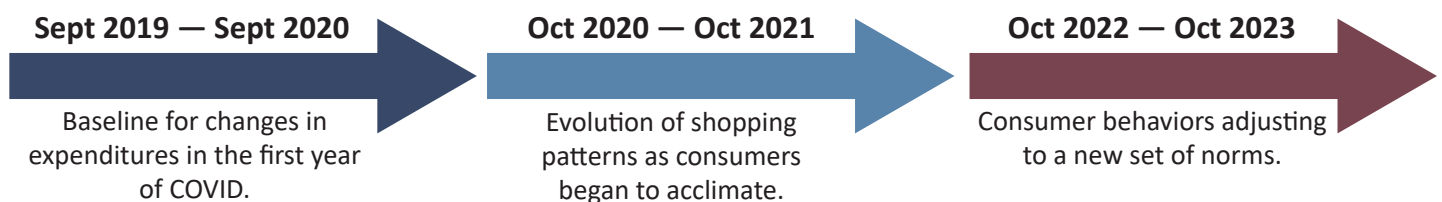
Highlights from nationwide survey of food behavior

- **Sample size** = Over 4,500 respondents
- **Timeline** = Conducted Winter 2023 and captures behavior in 2 time periods (October 2022 & October 2023) with questions about broader changes since the pandemic began
- **Objective** = Understand changes in U.S. consumer food behavior during and after COVID-19
- **Focus** = Implications for local and regional food systems

Introductions and Definitions

COVID-19 had a profound impact on where consumers acquired foods. In previous Consumer Food Insights (CFIs), we illustrated that consumers began experimenting with new market channels, many of which were focused on providing locally- or regionally-produced items.

In this CFI, we evaluate changes in local food expenditure in eight distinct market channels. We compare these changes at three distinct time intervals:



Notes: Sept 2019-Sept 2020 data come from the first consumer survey. See lfscovid.localfoodeconomics.com/wp-content/uploads/2021/04/LFS-CFI-01-Updated.pdf for survey details and lfscovid.localfoodeconomics.com/wp-content/uploads/2022/01/LFS-CFI-10.pdf for the original analysis on expenditures. Oct 2020-Oct 2021 data come from the second consumer survey. See lfscovid.localfoodeconomics.com/wp-content/uploads/2022/04/LFS-CFI-2-01.pdf for survey details and <https://lfscovid.localfoodeconomics.com/wp-content/uploads/2022/05/LFS-CFI-2-03.pdf> for the original analysis on expenditures.

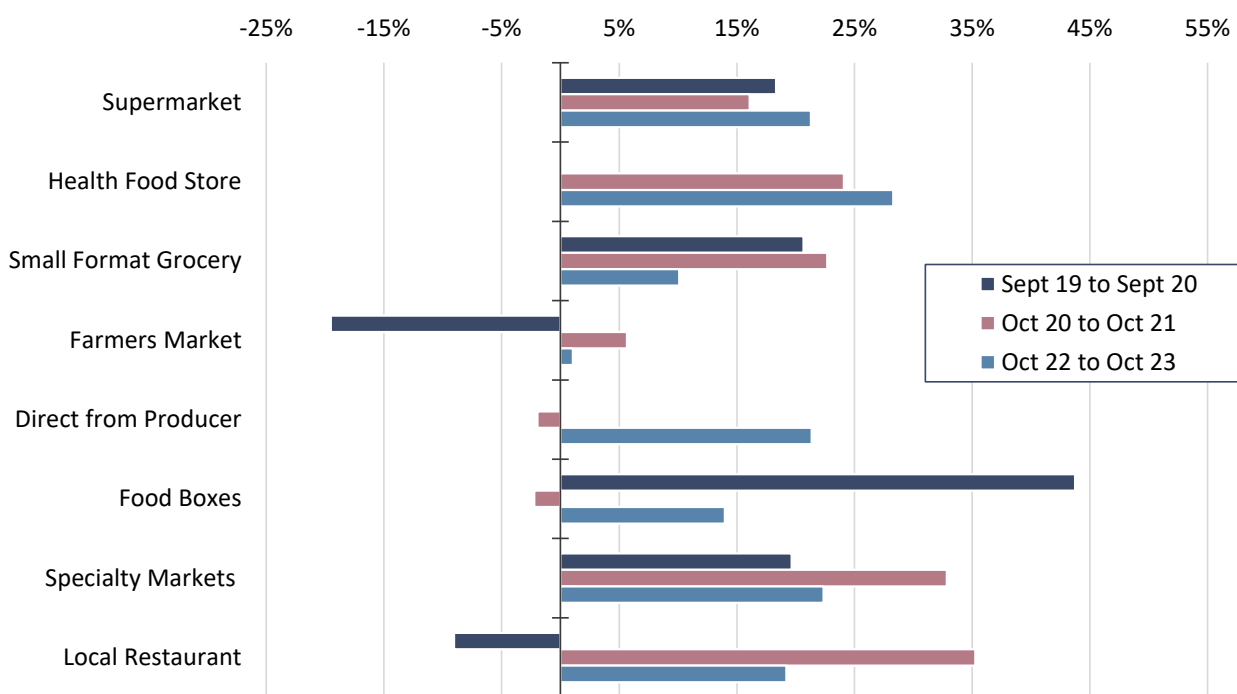
We present data related to expenditure changes at market channels where consumers are likely to find locally produced or raised foods. While data for each time interval were collected in a separate survey, the structure of the question related to expenditures was similar and the sample size was large. Consequently, we can make comparisons between intervals with representative samples. Each respondent was asked to estimate their weekly expenditures in eight distinct local market channels at two distinct time periods – the previous month of that year and the same month in the previous year.

For each time period, respondents gave an expenditure value for each market channel. Our goal was to examine the magnitude of expenditures changes in local food market channels. First, we calculated the percentage expenditure change in each market channel for all individuals¹ at three distinct time intervals. Second, we present the total weekly expenditures by market channel.

Weekly Expenditure Changes by Local Market Channel – All Respondents

Figure 1 shows expenditure changes for all survey respondents in each time interval surveyed. These results give us a sense of general consumer trends regarding local food purchases as individuals modified shopping behaviors. Supermarket expenditures provide a baseline for comparison since this is the most common venue for consumer food acquisition, but only infrequently includes items from local farmers.

Figure 1. Overall Change in Weekly Expenditures by Market Channel for Each Time Interval



The biggest takeaway here is that consumers are spending more at most local market channels since the beginning of COVID, particularly in retail settings. Specialty retail operations – small format grocery and specialty markets – maintained consistent increases in each interval. Health food stores also saw large increases in the two most recent surveys. Consumers generally spent more at supermarkets regardless of time period.

¹ In previous CFIs, we only considered changes in market channel expenditures for individuals who provided an expenditure amount for a particular market channel. In this CFI, we assume that a non-response for an expenditure in a market channel means that they did not shop at that type of market. The previous CFIs, then, provide insights into changes for individuals actively using a particular market channel. This CFI considers more general consumer behaviors.

Direct farm purchases only started increasing in the past year. This may indicate that many consumers were primarily acquiring local foods through various types of retail channels even though consumers indicated that they started buying directly from farmers more often. The sharp increase in direct purchases from 2022 to 2023 is compelling and may indicate new developments in accessibility to farm products, potentially through online farm stores or e-commerce platforms.

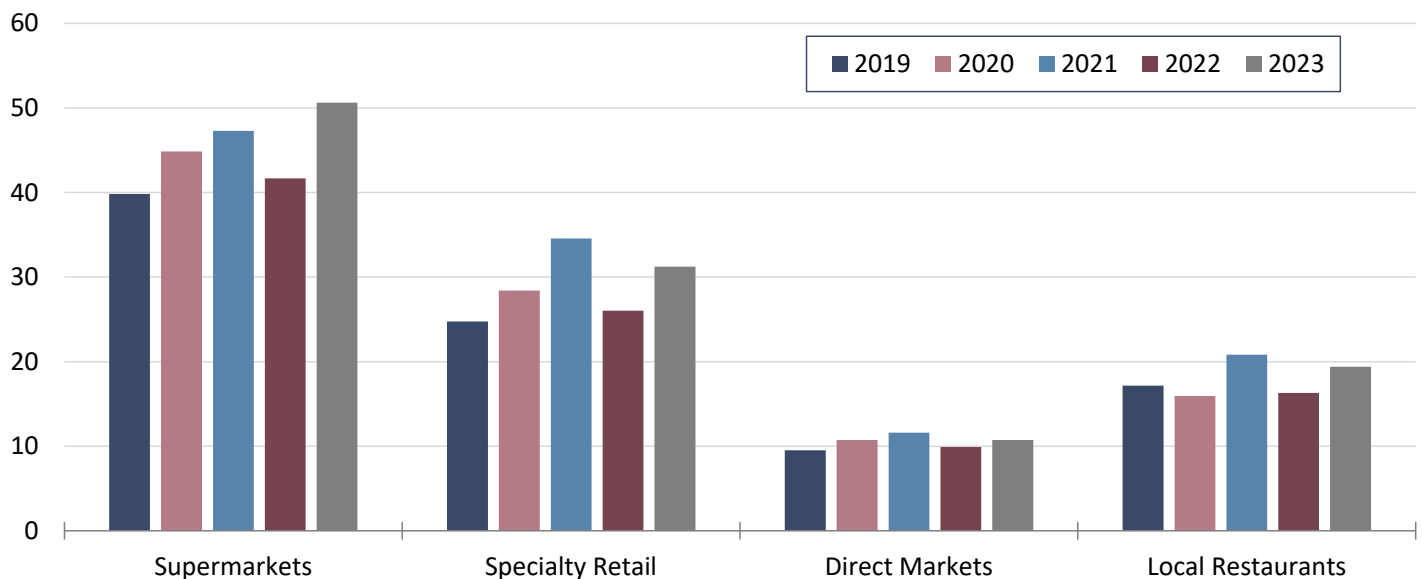
Food boxes – excluding single-farm community supported agriculture (CSAs) - played a key role right after COVID, and in the most recent survey. In the first year of the pandemic, food boxes often served as a form of food relief and were supported by multiple funders as well as institutional food service providers, restaurants, and community organizations. The boxes were a short-term adaptation to food insecurity during the initial wave of COVID, so a shift away from that channel was not surprising. However, the more recent surge in food box expenditures may also signal the development of regional supply chain infrastructure.

Restaurants and farmers markets saw significant decreases in spending at the start of COVID. This is likely due to closures, delays in opening, capacity reduction and/or heightened safety requirements for operation. Since that initial disruption, farmers markets have only seen small increases in spending. Restaurants, on the other hand, seem to be making a marked recovery. Given the continuous increase in menu prices since 2020 – due to increases in ingredient and labor costs, it is possible that individuals are frequenting restaurants less but spending more at each visit. Nevertheless, this channel represents a significant source of meals for many consumers.

Average Weekly Expenditures at Local Market Channels

Figure 2 uses responses from the three consumer surveys to see the average expenditures all respondents reported at different local market channels. These expenditures are all adjusted for inflation and represent the equivalent of dollars in October of 2023. As with Figure 1, supermarkets are a baseline for comparison. For this figure a few channels have been merged by type. “Specialty retail” includes small format grocery, health food stores, and specialty markets (e.g., delis, bakeries). “Direct markets” include CSA, farmers markets, and direct purchases from farmers.

Figure 2. Average Expenditures in Fall of Each Year by Market Type



The most obvious trend is that expenditures at specialty or local retailers have increased since the start of the pandemic. Consumers spent ~\$25 per week in 2019 at these combined retail channels. They now average over \$31 per week. For comparison, consumer spending at supermarkets has increased from \$40 to \$51 dollars per week over the same interval.

Expenditures at direct markets have increased much less dramatically – from \$9.50 to \$10.70 per person since the start of the pandemic. However, the timing of each survey (September/October) may be dampening the overall magnitude of spending since items from these channels are more seasonal. Additionally, fewer people in the survey use direct markets – compared to supermarkets and specialty retail – so spending increases by local-oriented consumers may be masked by those who reported \$0 in spending at these channels.

Restaurant spending has increased over time though the COVID-19 disruptions are reflected in the drop in average spending from 2019 to 2020. As noted above, the local/independent restaurant sector does seem to be making a recovery in terms of consumer demand. However, increases in the cost of labor and ingredients may explain a portion of the spending increases.

It is interesting to see a drop across all market channels in spending during 2022. For direct markets, this follows a trend seen in CSA² – where demand jumped in the first two years of the pandemic before dropping a bit in 2022. For most of these market types, then, we may be seeing some flattening of the demand increases at local channels from a high-water mark in 2021. Nevertheless, in all channels, spending on food products has increased since the start of COVID.

Finally, to contextualize these results, Table 1 shows the percentage of respondents who indicated that they used a particular local market channel. Most respondents frequent supermarkets and local restaurants. Fewer than half of respondent use specialty markets and small format grocery. Approximately a third of respondents buy food from farmers markets and health food stores. Finally, very few respondents are using food boxes or buying directly from a farmer outside of a farmers market. Given these results, the lower expenditures at direct markets noted in Figure 2 are not surprising. Those who do frequent these market types are spending a significant amount of money on local food items.

Table 1. Percentage of Respondents Purchasing from Local Market Channels in 2023

Market Channel	% Using
Conventional Retail: Supermarket	76%
Specialty Retail: Health Food Store	34%
Specialty Retail: Small Format Grocery	43%
Specialty Retail: Speciality Markets	42%
Direct Markets: Farmers Market	30%
Direct Markets: Direct from Producer	14%
Direct Markets: Food Boxes	13%
Food Away From Home: Local Restaurant	66%

2 Personal communication with the CSA Innovation Network members - <https://www.csainnovationnetwork.org/>.

Take Away Messages for Food Businesses and Stakeholders

Overall, consumers are spending more at local market channels – and on food in general - than before the beginning of the pandemic, even with numbers adjusted for inflation. While spending is highest on average at retail market channels, there does appear to be growth in direct markets and the restaurant industry appears to be recovering to some extent. Recent increases in direct from producer purchases and food boxes may indicate that developments in food businesses and local/regional food infrastructure are making local products more available. In short, consumers are still diversifying their food acquisition patterns and spending more on local products than before the pandemic. Consequently, farms and food businesses operating at different scales should find multiple opportunities to reach consumers, though the specific opportunities are likely to vary by geography.

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