



Agricultural Marketing Service

Creating Opportunities for American Farmers and Businesses

The Staying Power of Local Food Demand *Views from the National Landscape*

*Debra Tropp,
Deputy Director
Marketing Services Division*



Agricultural
Marketing
Service

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

All of the above factors – **quality, promotion of personal health, transparency, trust, and social/environmental values** – contribute to steady growth in local food demand

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.
- **No official national designation**, though some individual USDA programs use a broad (maximum) definition:
 - ✓ Less than 400 miles from the origin of the product, or
 - ✓ Within the State in which the product is produced.
- **Includes both direct-to-consumer sales AND intermediated sales by distributors/food hubs**
 - ✓ To restaurants, grocery stores, schools/universities, hospitals, et. al.

Local Food Marketing Practices Survey (USDA/NASS, December 2016)

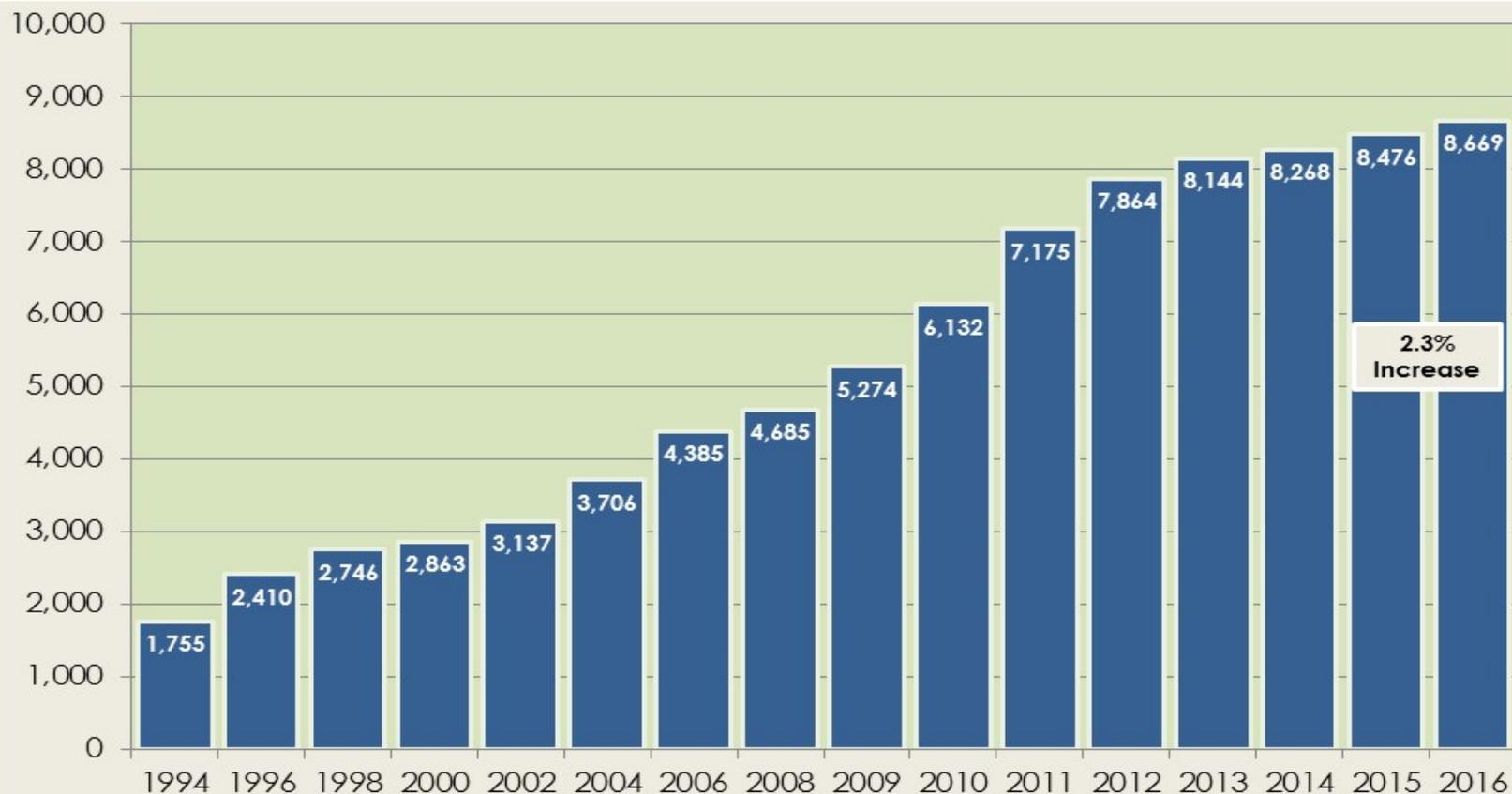
More than 167,000 U.S. farms sold locally produced food in 2015

- Resulted in **\$8.7 billion** in revenue
- **Nearly two-thirds (65.5 percent)** marketed in wholesale (not direct to consumer) channels

Largest revenue generator (\$3.4 billion): Farms selling food directly to institutions and intermediaries, such as wholesalers who locally branded the product or food hubs

- **Direct-to-consumer sales amounted to \$3 billion** from approximately 115,000 operations
- **Up from approximately \$1.2 billion in 2007**, 136K farms
- **Sales directly to retailers were \$2.3 billion** from more than 23,000 operations

National Count of Farmers Market Directory Listings



Source: USDA-AMS-Local Food Research & Development Division

Farmers market information is voluntary and self-reported to USDA-AMS-Local Food Research & Development Division

Consumer Preferences Reflected in Top Ten Menu Trends for 2016

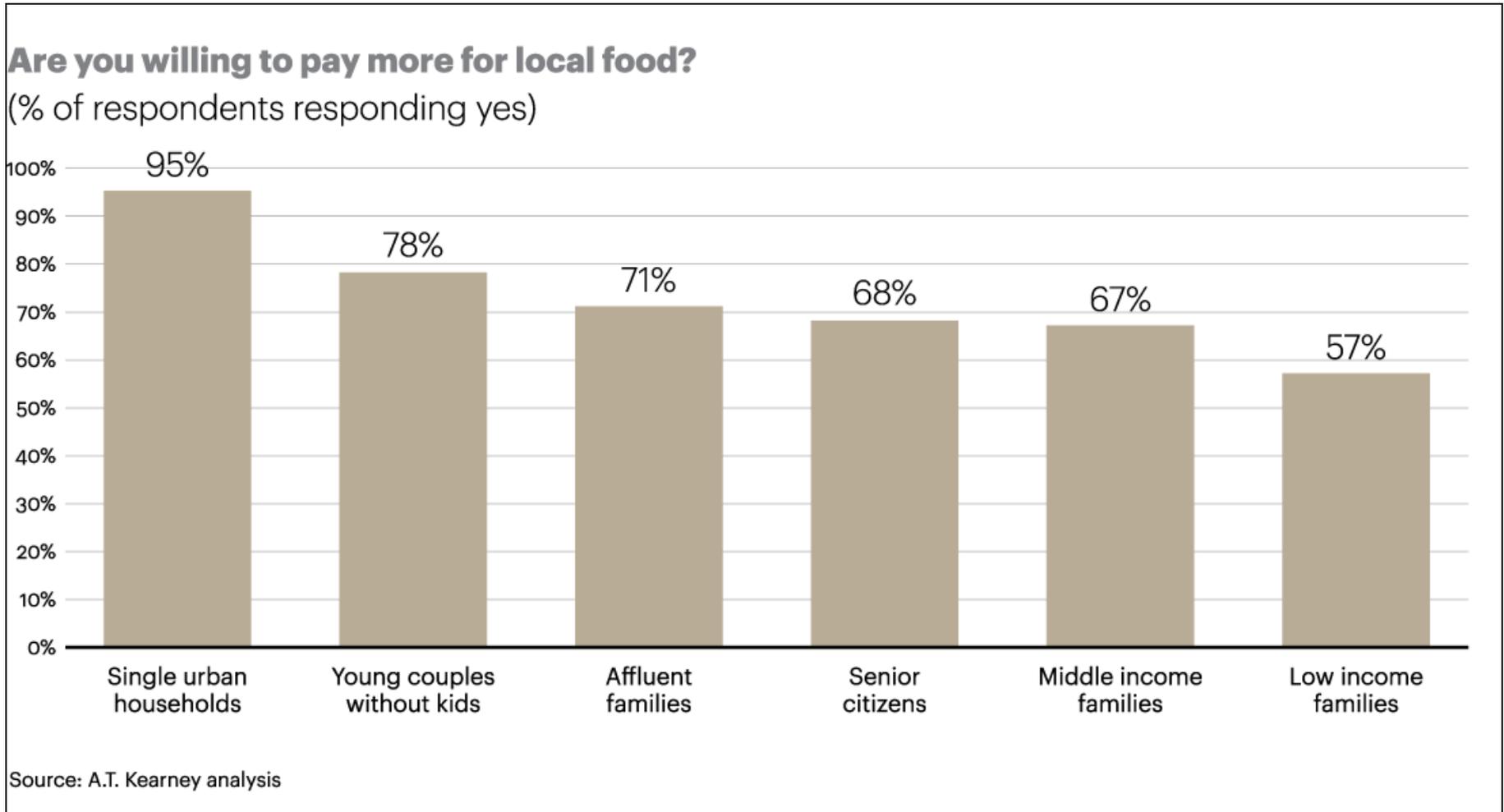
- 1. Locally sourced meats and seafood**
2. Chef-driven fast-casual concepts
- 3. Locally grown produce**
- 4. Hyper-local sourcing**
- 5. Natural ingredients/minimally processed food**
- 6. Environmental sustainability**
- 7. Healthful kids' meals**
8. New cuts of meat
- 9. Sustainable seafood**
10. House-made/artisan ice cream

How U.S. Food Shoppers Are Responding

They intentionally seek out local foods...even at higher price points

- **One-third of consumers** claim they consciously purchase locally grown or locally produced foods **at least once a week.**
- **Nearly half of the respondents** agreed they were willing to pay up to 10 percent more for locally grown or produced foods
- **Almost one in three** said they would pay up to 25 percent more.

Willingness to Pay More for Local Food Spans Income Spectrum



Why Are Shoppers Demanding Local Food?

They are seeking fresher, more natural, nutrition-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 for most

FMI U.S. Grocery Shopper Trends 2016:

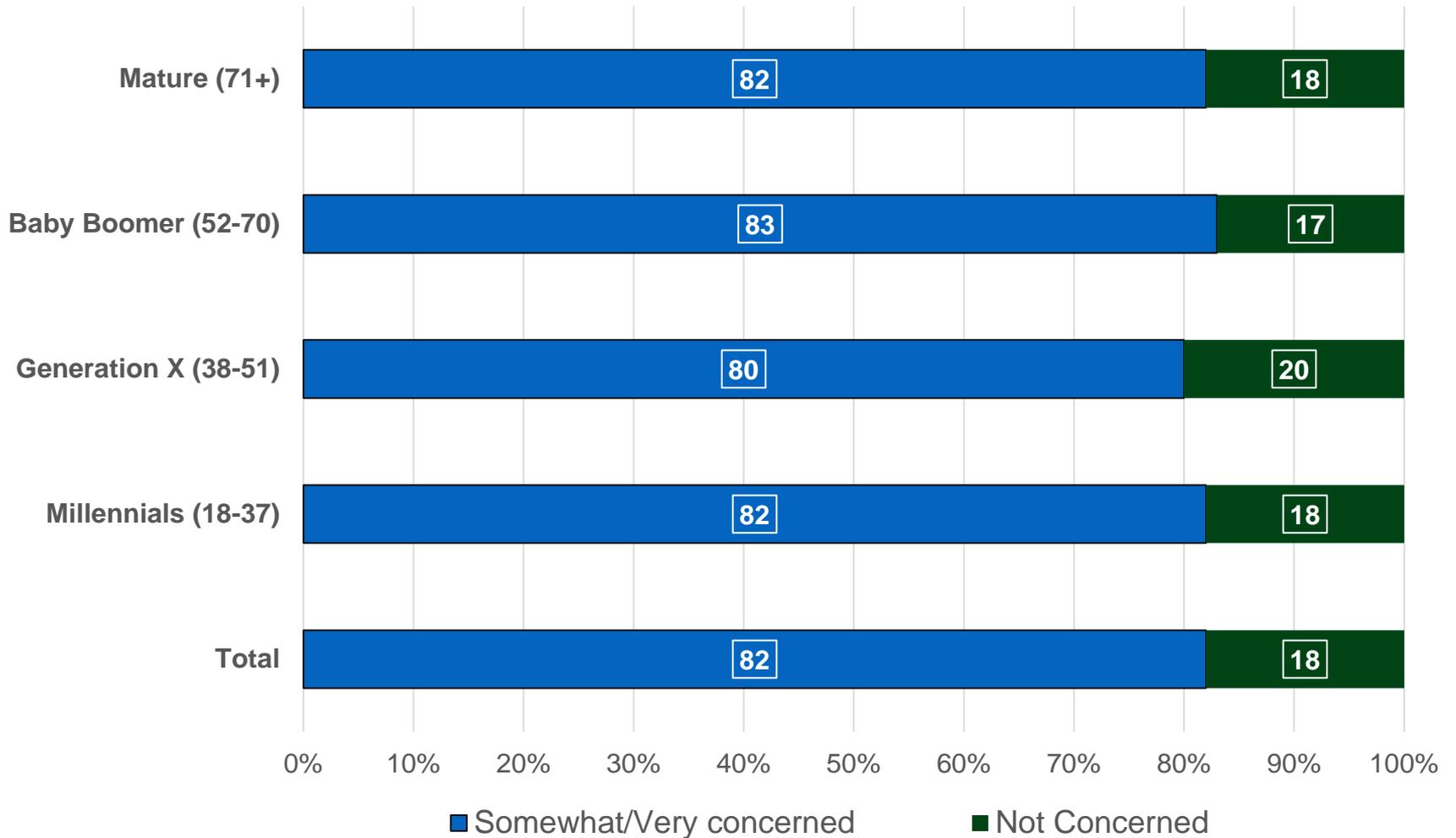
- **22 percent** worry the food they eat isn't nutritious enough
- **26 percent seek products specifically ENHANCED for nutrition** (e.g. vitamins, antioxidants, calcium)

Why Are Shoppers Demanding Local Food?

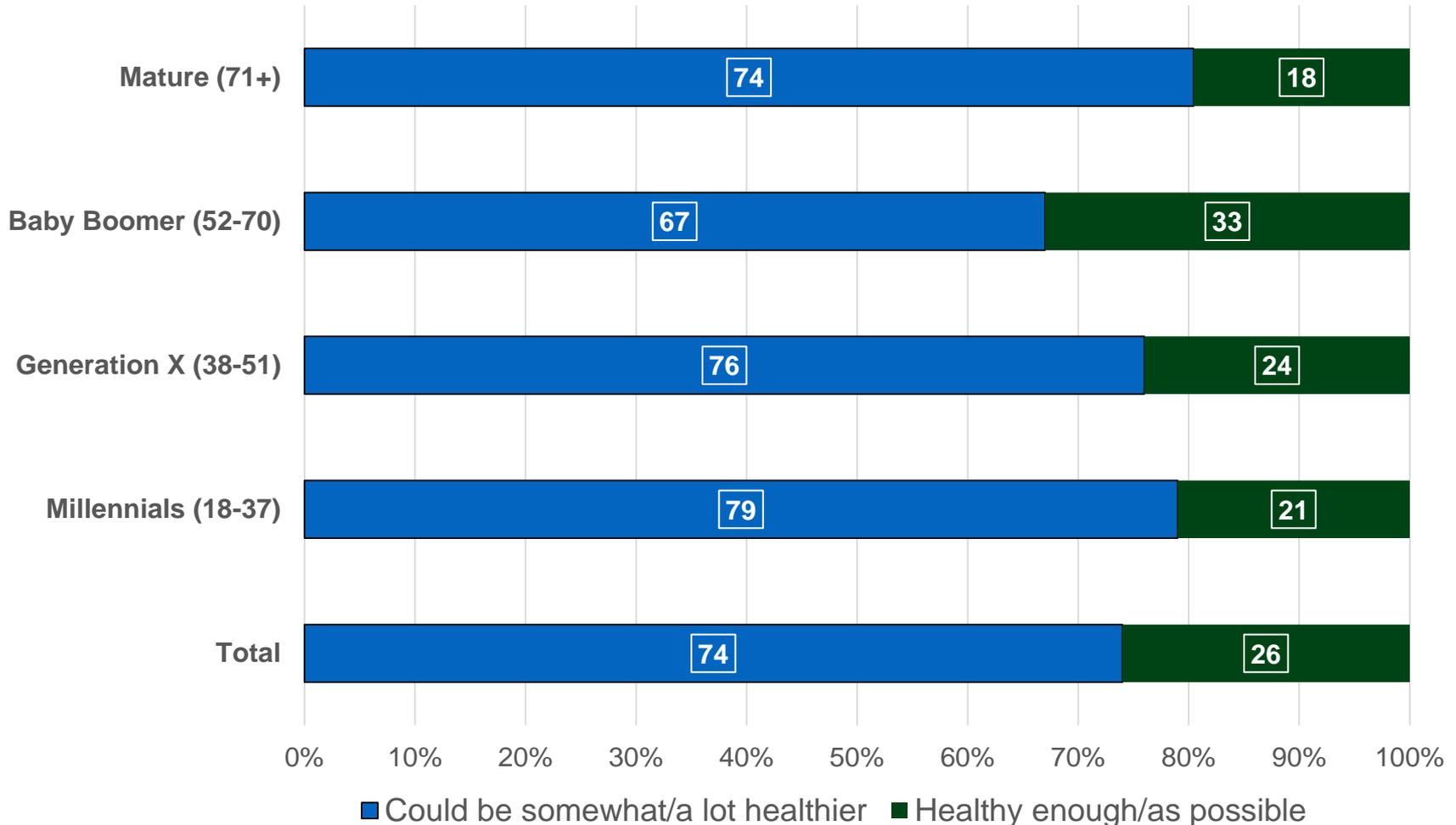
They perceive local food as possessing superior quality or nutritional attributes, and they want to improve the quality of their diets

- **60 percent of consumers** say they purchase local food because the products are fresher
- **44 percent** say they taste better
- **Roughly one-third** believe that local products are healthier

Shopper Concerns About Food Nutritional Content



Self-Assessment of Food Purchases for At Home Eating



Fruits and Vegetables Take Center Stage

U.S. Supermarket Sales and Market Share

2010 total sales (\$ millions)	2014 total sales (\$ millions)	Change in sales, 2010-14 (\$ millions)	Change in sales, 2010-14 (percent)
443,996.11	485,475.40	+41,479.29	+9.34

2010 produce sales (\$ millions)	2014 produce sales (\$ millions)	Change in produce sales, 2010-14 (\$ millions)	Change in produce sales, 2010-14 (percent)
46,099.67	56,098.61	+6,998.94	+21.69

2010 produce market share (percent)	2014 produce market share (percent)
10.38	11.56

Fruit and Vegetables Take Center Stage

On average:

- Millennials eat **5.12 servings** of fruits and vegetables a day
- Generation X members eat **4.71 servings** of fruits and vegetables a day
- Baby Boomers eat **4.43 servings** of fruits and vegetables a day.

Melissa Abbott, Hartman Group, 2016:

- Baby Boomers ***view food as a key to living a higher quality of life for longer***
- Boomers have driven a lot of what has been going on in terms of the fresh, less processed food movement. They also led and shaped the organic food movement
- **This is the first time in history we've seen an aging generation approach food in this way.**

Why Are Shoppers Demanding Local Food?

They want to have trust in the source and integrity of the food they purchase

They seek authentic food products

They seek clarity and transparency in food labeling

(Phenomenon is strongest among younger consumers)

- In a survey of more than 400 Millennials conducted in 2016 by Watershed Communications about food and beverage preferences, **every single respondent indicated that he or she frequently purchased food and beverage brands based on the brand's reputation for authenticity.**

Why Are Shoppers Demanding Local Food?

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

Authentic food and beverages must still be quality products. Top-shelf ingredient and great flavor are non-negotiable!

3. TRUE TO MISSION

Know your brand's true north and stick to it. Having a mission is half the battle. Brands must stay true to their claims and their own slogans.

Why Are Shoppers Demanding Local Food?

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

4. CULTURALLY ACCURATE

Millennials have been exposed to global flavors since birth. They appreciate brands that genuinely honor cultural heritage

5. TRANSPARENCY

No fine print, please. Be upfront in BIG bold letters. Food and beverage packaging should expressly state what is in the product and why

Generation Z consumers – under 18 – are also said to place a high value on authenticity and transparency when purchasing food products and developing brand loyalty

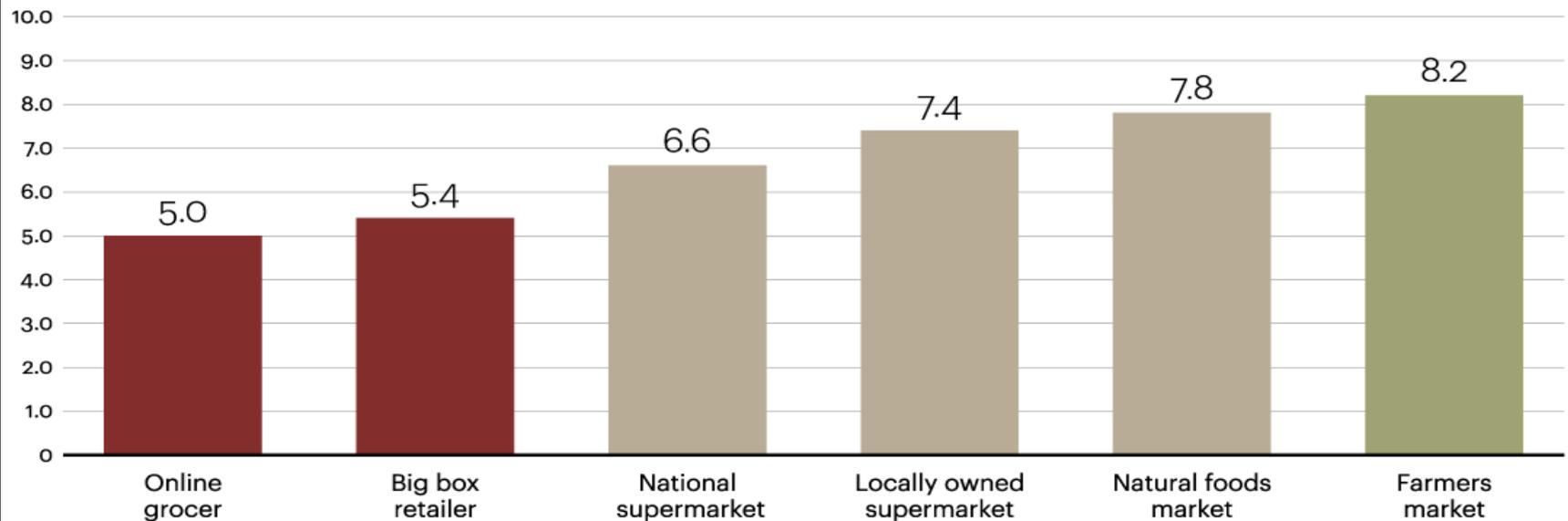
Trust in Food Stores' Ability to Deliver Local Food

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

Why Are Shoppers Demanding Local Food?

They seek to direct their food expenditures in a way that advances 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

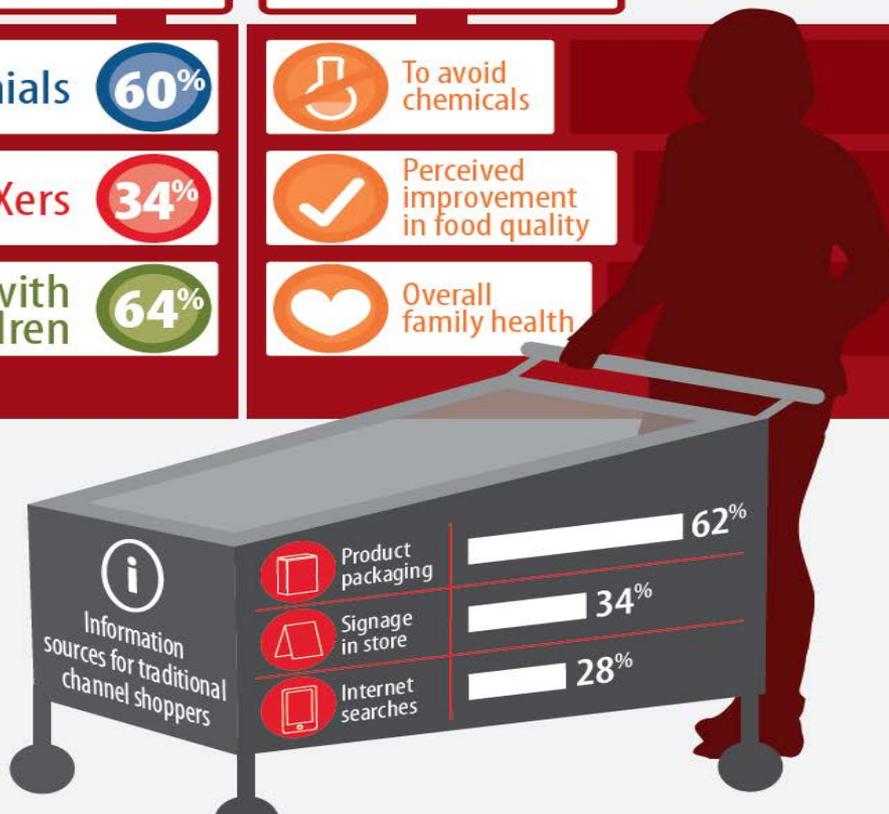
Dr. Vasi's study discovered that local food markets were more likely to develop in areas **where residents had a strong commitment to civic participation, health, and the environment**

Food purchases motivated by social/environmental mission

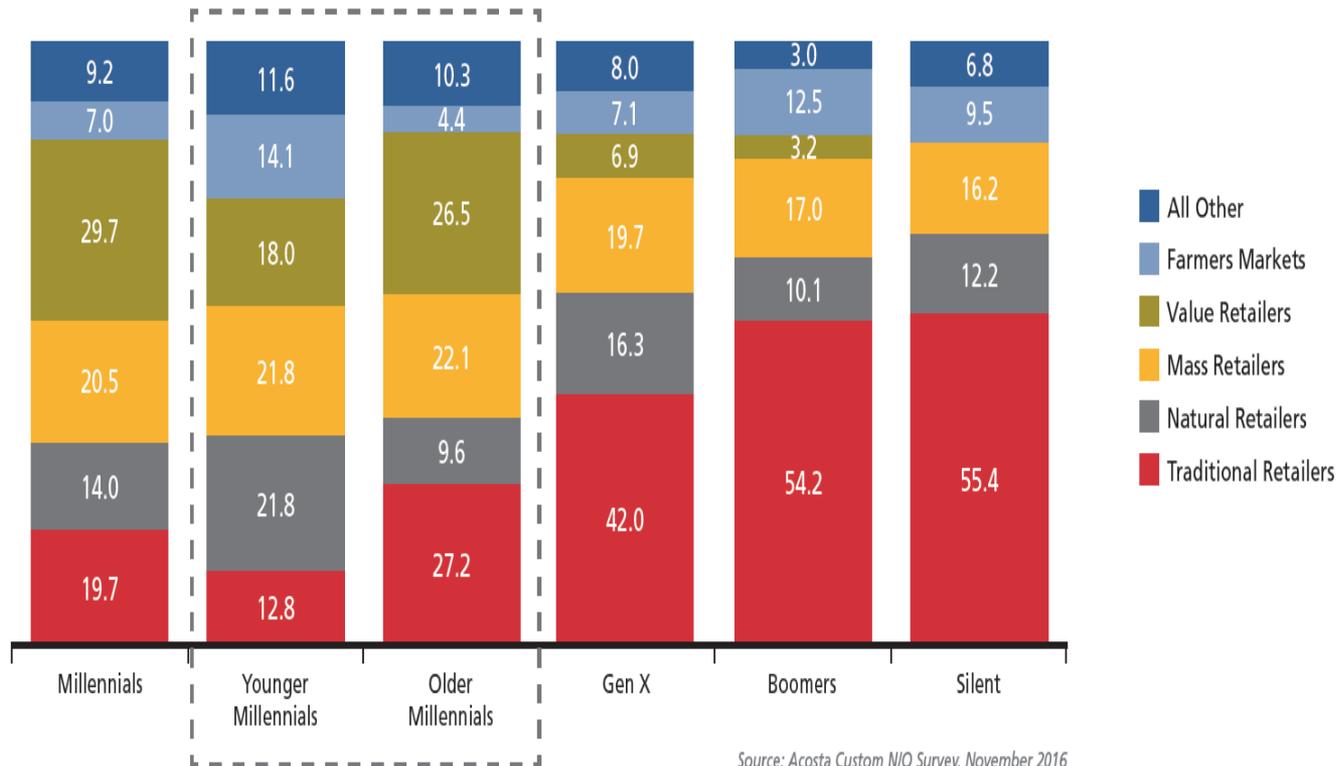
FMI U.S. Grocery Shopper Trends, 2016

- **29 percent** of all surveyed shoppers prefer shopping in food stores that they believe **support the local economy**
- **21 percent** prefer shopping in grocery stores that **procure meat from sources that treat animals humanely**
- **14 percent** look for organic certification

February 2017: Acosta “Back to Our Roots” report on natural /organic food shoppers

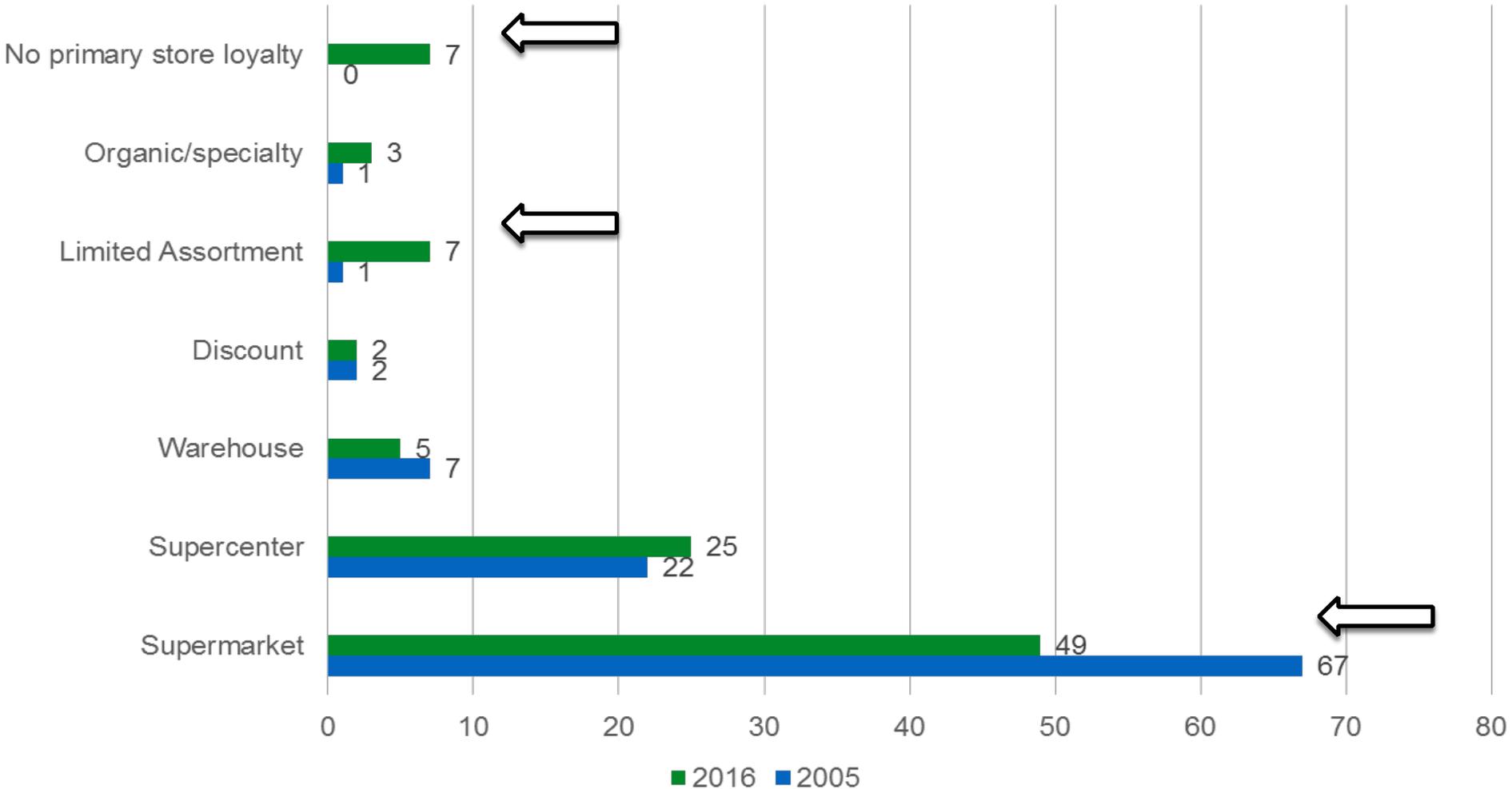


Retail preferences for natural/organic foods, by age cohort



Source: Acosta Custom NIO Survey, November 2016

Store Loyalty Has Become More Fickle; Supermarkets No Longer Dominant



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”

Contact Information

Debra Tropp

Deputy Director

Marketing Services Division

Phone: (202) 720-8326

Email: Debra.Tropp@ams.usda.gov

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

