CHALLENGES FACING THE FOOD RETAIL INDUSTRY

The Food Retail Sector Continues To Cope With A Variety Of Challenges

Shifts in consumer shopping and consumption habits
Disruptions to the global supply chain
Inflationary pressures that have increased costs for production, distribution, and retail
Labor challenges, including high turnover and difficulty recruiting new talent
Impact of Russia’s Invasion of Ukraine on the global supply chain

Two-thirds of Americans say that they have felt the impacts of inflation. The biggest impacts have been felt at the grocery store and the fuel pump.
COMPOUNDING ISSUES: RUSSIA’S WAR ON UKRAINE

When the cost of raw materials go up, the price of the products they are used to make increases.

Russia’s invasion of Ukraine could have significant impacts on the food and agriculture sector.

Russia and Ukraine account for 29% of the global wheat export market and 75% of the global sunflower oil export market.

The price of fertilizer could also increase.

2022 should be a good year for U.S. wheat producers.
Initial demand for groceries jumped 50% at the start of the pandemic to unprecedented levels.

The shift in consumer demand has evolved from short-term stocking-up to broader lifestyle changes like shoppers cooking more meals at home.

Persistent demand has resulted in some out-of-stock items in the short-term, but this dynamic is largely related to transportation challenges – like shortages in trucking capacity and drivers – not a lack of food in the system.
Competition in the grocery sector is fierce, which keeps prices down. Inflation has also caused prices for producers to increase, causing food retail margins to shrink.
A variety of factors are contributing to elevated food prices in 2022, although the cost of most staples has fallen from their pandemic highs.

**FACTORS THAT IMPACT FOOD PRICES**

### Consumer Price Index For Food

<table>
<thead>
<tr>
<th>Month</th>
<th>Increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oct 2021</td>
<td>0.9%</td>
</tr>
<tr>
<td>Nov 2021</td>
<td>0.8%</td>
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<tr>
<td>Dec 2021</td>
<td>0.5%</td>
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<tr>
<td>Jan 2021</td>
<td>0.9%</td>
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<tr>
<td>Feb 2022</td>
<td>1.0%</td>
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</tbody>
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### Average Household Grocery Spending

- **2019**: $113.50
- **Spring 2020**: $161
- **2021**: $144

### USDA ERS Predicted Food Prices For 2022

- **Food-at-home**: Up 1.5% - 2.5%
- **Food-away-from-home**: Up 3.5% - 4.5%
Americans have access to a food supply that is abundant and affordable. Not only are we purchasing more food for less, but we are also spending less of our income on food.

**Spending on food proportional to income has declined for decades**

Average share of per capita income spent on food

- 1960: 17.5%
- 2000: 9.9%

Since 2000, share of income allocated to food = 10% - 12%

- 2019: 11.5%
- 2020: 8.62%
- 2022: 12%
THANK YOU