

In an uncertain economy, does fresh produce spoil revenue growth?

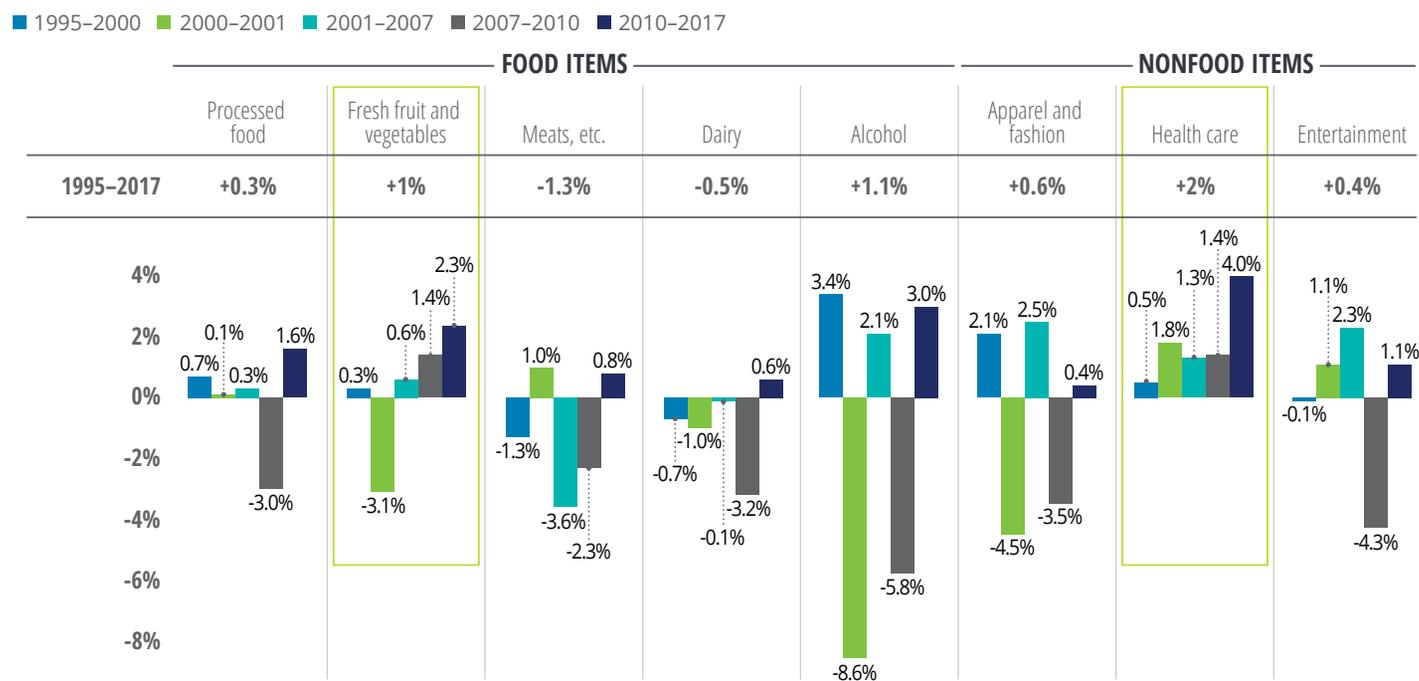
Barb Renner, Brian Baker, Curt Fedder, and Jagadish Upadhyaya

RESEARCH FROM THE DELOITTE CENTER FOR INDUSTRY INSIGHTS

CURRENTLY, CONSUMERS ARE showing strong interest in fresh fruits and vegetables, thereby helping provide ample growth opportunities for companies in the fresh food ecosystem.¹ But, with mixed economic signals heading into 2020, a question arises: *Does fresh produce spoil revenue growth?* In periods of economic expansion (as experienced in recent years), consumers tend to allocate more dollars to premium products. However, spending can wane due to economic uncertainty.

Methodology: To address this question, we analyzed the US Consumer Expenditure Surveys data² for produce. We compared it to processed food, alcohol, and nonfood categories (apparel and fashion, health care, and entertainment). We examined CAGR from 1995 to 2017, comparing growth during periods of economic expansion vs. recession.

Percent change in dollar spend for select food and beverage items and nonfood items 1995–2017 (inflation-adjusted; CAGR)



Source: Deloitte analysis of Consumer Expenditure Surveys data, sourced from US Bureau of Labor Statistics.

Our analysis reveals a nuanced picture. Overall, from 1995 to 2017, consumer expenditures on produce grew 1 percent CAGR. Growth also occurred in alcohol, apparel and fashion, entertainment, and processed food. Of note, only health care (at 2 percent) exceeded these categories (see figure).³

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During the Great Recession of 2007–2010, *only* fresh fruits and vegetables and health care grew (1.4 percent each). Beginning in 2011, most categories rebounded to pre-Recession levels. However, produce and health care not only came back, but far exceeded pre-Recession levels (at 2.3 percent and 4 percent, respectively).

During the 2000–2001 recession, all categories experienced similar fluctuations. And while fresh fruits and vegetables declined 3.1 percent, it was likely due to the nascency of health and wellness trends which became more prevalent starting in 2010.⁴

Regardless of the economic cycle, people need to eat. Our analysis reveals that, people are not going to give up their fruits and vegetables during a downturn economy. Indeed, produce is more resilient than both the food and nonfood categories examined. In addition, the segment has kept pace with the health care sector.

The solid growth of produce is likely supported by two factors. First, by evolving efficiencies in supply chain processes that have led to produce being offered at a lower cost to the consumer.⁵ Second, by consumers' growing interest in health and wellness.

Fresh foods are the primary driver of growth in retail stores, accounting for 49 percent of all dollar sales growth in the fast-moving consumer goods sector.⁶ Strong upside potential exists for fresh produce due to not only consumer demand, but also increased distribution in convenience stores,⁷ quick serve restaurants,⁸ retail pharmacies,⁹ and several hospital systems experimenting with “food pharmacies” that link the importance of diet with health. With projected growth of 2.4 percent through 2023,¹⁰ produce may represent an attractive proposition for everyone in the fresh food ecosystem as a hedge during periods of economic uncertainty.

To learn more, please see our recent study, [The future of fresh: Strategies to realize value in the fresh food category](#).

Endnotes

1. Barb Renner et al., *The future of fresh: Strategies to realize value in the fresh food category*, Deloitte Insights, November 12, 2019.
2. US Bureau of Labor Statistics, “Consumer Expenditure Surveys,” accessed January 29, 2020.
3. Healthcare in the Consumer Expenditure Surveys includes expenses on health insurance, medical services, drugs, and medical supplies. See: US Bureau of Labor Statistics, “Healthcare,” accessed January 29, 2020.
4. Statista, “Per capita consumption of fresh fruit in the United States from 2000 to 2018 (in pounds),” accessed January 29, 2020.
5. The Network Effect, “Fixing the 5 big problems in the food supply chain,” September 4, 2018.
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7. Nima Rajan, “Convenience stores that offer healthy food and drink options see strong sales growth,” *Xtalks*, July 18, 2018.
8. Carol M. Bareuther, “Five QSR menu trends: More fresh produce,” *Produce Business*, August 27, 2019.
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About the authors

BARB RENNER is vice chairman and the US Consumer Products leader, Deloitte LLP. She has more than 25 years of professional experience serving large multinational clients through a variety of leadership roles. Renner works directly with consumer and industrial product clients focusing on their regulatory environment, supply chain, technology and processes, and other issues and opportunities. She has also served in key leadership roles with Deloitte's Women's Initiatives and Junior Achievement.

BRIAN BAKER is a managing director in Deloitte's Retail and Consumer Goods practice, Deloitte Consulting LLP. His experience includes process design and evaluation, program assessments, systems implementation, managed services, and value delivery programs. Over the course of his career, Baker has worked in multiple retail areas including inventory management, procurement of both perishable and nonperishable goods, replenishment/allocation, promotional planning, pricing, third-party logistics, and import procurement. In addition, Baker has more than 15 years of store management experience, focusing on perishable departments. Baker has worked with leading national and regional grocery retailers in the areas of process redesign, supply chain solution implementation, SAP, and JDA software packages. He has additional experience with direct store delivery, scan-based trading, open-to-buy management, hard lines, importing, and store operations.

CURT FEDDER is a senior manager at Deloitte Services LP's Center for Industry Insights and leads market research for consumer products. With expertise in consumer research, and a focus on brand equity, customer satisfaction, and advertising, Fedder has led consumer research groups in consumer products and retail organizations. He has published articles in the *Journal of Advertising Research* and *Quirks Marketing Research*, and presented at market research industry conferences.

JAGADISH UPADHYAYA is an assistant manager at Deloitte Support Services' Center for Industry Insights, and supports research for consumer products. He has more than 15 years of experience in conceptualizing and designing research projects, project management, and advanced statistical analysis. He has rich experience in writing high-impact thoughtware backed by detailed research and analytics. Upadhyaya has led client-specific multidisciplinary market research teams focusing on analysis of real-time market data and identifying trends in the consumer products and retail space. He is based in Hyderabad.

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Contacts

Barbara L. Renner

Partner
Deloitte Tax LLP
+1 612 397 4705
brenner@deloitte.com

Brian Baker

Managing director
Deloitte Consulting LLP
+1 785 580 8812
brianbaker@deloitte.com

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Contributors

Editorial: Kavita Saini, Nairita Gangopadhyay, Preetha Devan, and Rupesh Bhat

Creative: Emily Moreano

Promotion: Ankana Chakraborty

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