

Consumer spending on food has increased dramatically since last spring and in May it hit a new all time record high.

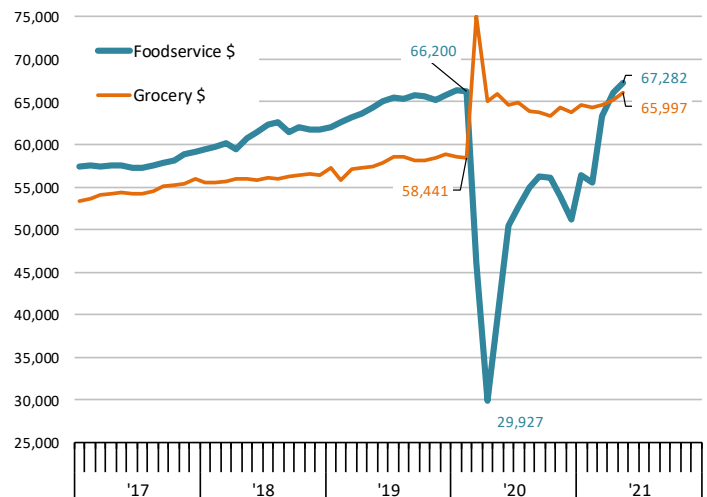
Much of the talk at the start of spring was whether lifting COVID restrictions on foodservice would mean lower spending at retail. In the last two months, however, it appears that both food distribution channels managed to eke out gains. Retail sales data was released today and it showed that **May dollar sales at foodservice** were \$67.282 billion, 1.8% higher than the previous month and **71% higher than the previous year**. This is a record high for foodservice dollar sales, surpassing the pre-COVID high of \$66.344 billion in February 2020. **Higher traffic counts and menu price inflation have contributed to the recovery in foodservice sales.** The recovery in foodservice demand was expected, but it has been quite surprising to capture pre-COVID sales levels so quickly. Many restaurants were closed due to the pandemic and they have not all come back. A recent report by Datassential, a market research company, said that the restaurant industry has experienced a net loss of 65,755 restaurants, or 8.6% (90,296 closed/12,596 opened). It appears that those restaurants that managed to hold on are seeing robust sales growth. In larger cities, restaurants are fighting to hold on to the extra outdoor space that was granted due to the COVID emergency, which effectively increased their tables without an impact on rent. Also, many restaurants became adept at online ordering and delivery, which has also supercharged sales.

Now that the consumer is spending at pre-Pandemic levels on foodservice prepared meals, **the expectation would be that fewer dollars would be spend on food retail.** **That has not really been the case,** which in our mind helps explain why so far we continue to see such strong meat demand. Both channels are trying to hold on to their sales targets and you can't do that if you are not moving product. It appears to us that, at least in the near term, the consumer is still filling up the cart while at the same time also going out more. Prior to the pandemic, grocery sales were under \$59 billion (\$58.441 to be exact). In April, sales at grocery stores were \$65.2 billion, not far from the level of sales in April and May of last year. May retail sales were higher still at \$65.997 billion, the second highest dollar grocery sales after the panic buying that took place in March 2020. Combined sales at grocery stores and foodservice in May were \$133.279 billion, almost \$2 billion higher than the previous month and \$8.4 billion higher than the previous record in January 2020. The latest sales data is also above the pre-pandemic trend.

Higher food inflation is in part contributing to the increase in dollar sales. We touched on this in our report yesterday, noting

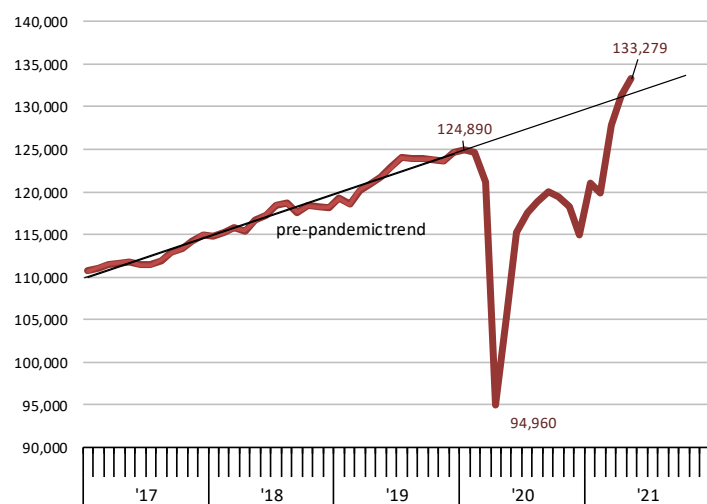
Dollar Sales at Retail and Foodservice. Million Dollars

Source: US Census Bureau. Analysis by Steiner Consulting. Updated through May 2021

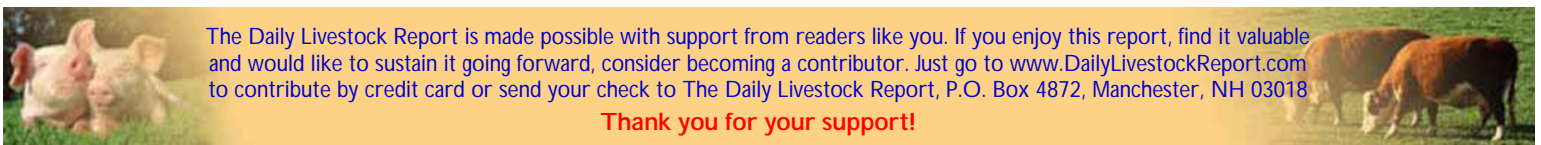


Total Dollar Sales at Retail and Foodservice. Million Dollars

Source: US Census Bureau. Analysis by Steiner Consulting. Updated through May 2021



that price inflation of food consumed away from home was up 4% in May, the highest y/y inflation for this channel since May 2009. Price inflation for food consumed at home was up 0.6% compared to the COVID inflated numbers last May and 4.5% higher than pre-COVID levels.



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