Consumer's Corner

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An update from the Competitiveness and Market Analysis Section, Alberta Agriculture and Forestry (AF).

The articles in this series include information on what consumers are buying and why they are buying it.

Local Food

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Healthy lifestyles, consumers' interest in knowing where their food comes from and how it is produced have all served to increase the demand for locally produced food.

Other consumer values driving this trend are assessing quality, nutrition and food safety, as well as economic and environmental impacts. In this article, we look to understand the consumer trend for local food in the global and domestic market with a special emphasis on Alberta.

Individuals and organizations define local food based on their social, environmental and economic aims, as well as practical considerations such as availability.

"Food produced or processed within a particular geographic boundary. For this document, local food refers to food grown within a 600 km radius around Edmonton"

Edmonton's Food & Urban Agriculture Strategy, City of Edmonton

"Food Grown or Made in Alberta"

Local Food Demand Study, 2016, Alberta Agriculture and Forestry

"Food produced in the province or territory in which it is sold, or food sold across provincial borders within 50 km of the originating province or territory"

Origin Claims, Local, Canadian Food Inspection Agency

"Direct or intermediated marketing of food to consumers that is produced and distributed in a limited geographic area. There is no pre-determined distance to define what consumers consider "local," but a set number of miles from a center point or state/ local boundaries is often used"

Local Foods Definition, USDA

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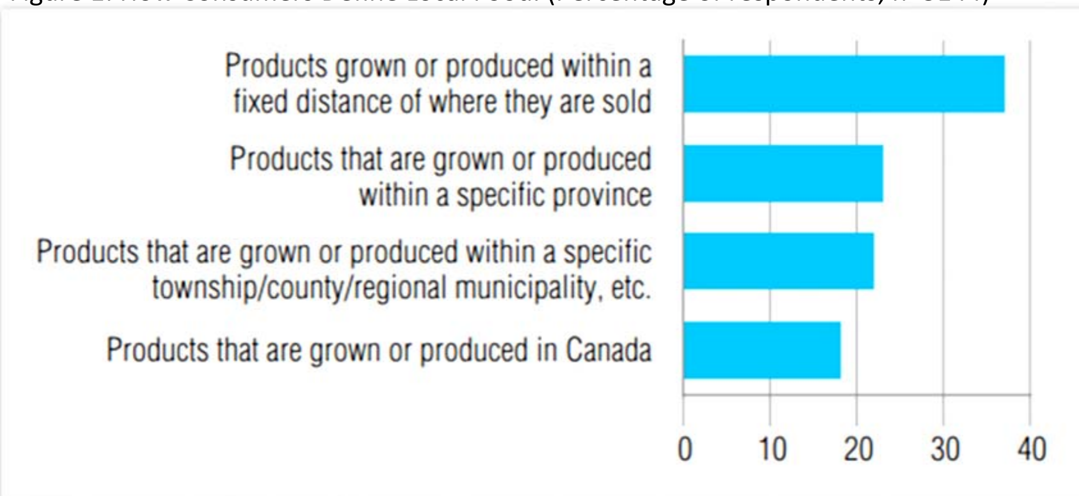
According to Agriculture and Agri-Food Canada (AAFC), consumers generally define local food as food coming from a region smaller than a province. However, the region they perceive as local may cross provincial or even national boundaries.

Figure 1: How Consumers Define Local Food. (Percentage of respondents; n=3144)



Source: Agriculture and Agri-Food Canada, The Canadian Consumer, 2010

A number of consumer studies found that the main reasons behind the local food trend included a demand for fresh and quality food and the desire to support local economies or farmers.

Local Foods - Global Trends

Consumers around the world care about the origin of food products. Recent Nielsen research found that when it comes to fresh foods, local brands are the clear favorite. This preference can be attributed to perishability and quality dimensions that form the main selection criteria, which increase the likelihood of preference for products that are produced or manufactured close to the source of purchase.

Table 1: Preference of Local Brands to Global Brands

Fresh Food Type	Local
Fruits and Vegetables	66%
Meat, Seafood and Eggs	68%
Bakery products	48%
Rice, Grains and Pulses	43%
Chilled or frozen fruits and vegetables	27%
Chilled or frozen meat and seafood	23%

Source: The Nielsen Company (U.S). *Made in Matters or Does it?* 2017

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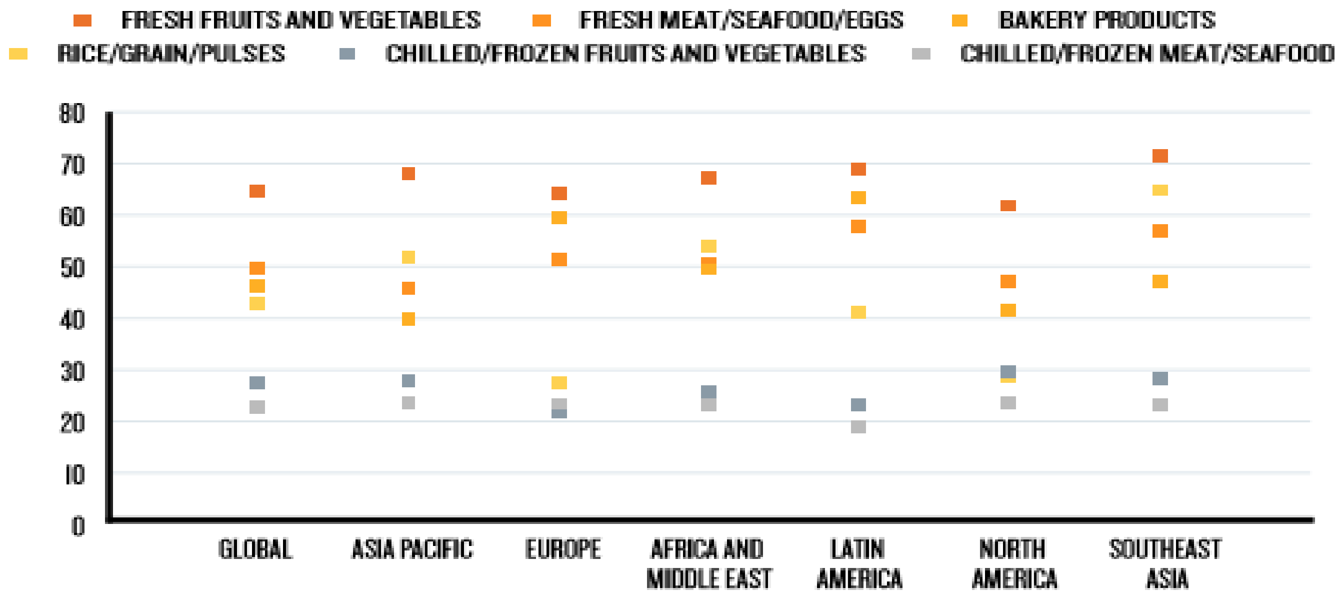
As illustrated in the figure below, one noteworthy observation from this survey is, the North American consumers' preference for local fresh categories are less than the global average.

Figure 2: Consumer Preference for Local Brands



Source: Nielsen Global Brands Origin Survey 2017

Local Foods - Domestic/ Canadian Trends

Available research at the provincial level[1] indicates that local food sales, through direct marketing channels, have increased over the years. Some retail market trends for local food in Canada are available from Nielsen Canada. Nielsen research indicates that in the fresh food and dairy categories, consumers show a strong preference for local brands. However, in most of the other categories, there is a growing shift towards a preference for global brands.

Fresh Food	Chilled/Frozen Foods	Packaged Foods
•The bulk of Canadians **(60%)** say they prefer to shop locally for produce such **as fresh fruit** and **vegetables**. However, preference for local outlets becomes less pronounced when it comes to fresh meat, seafood and eggs (50%); bakery products (49%); rice, grains and pulses (22%); chilled or frozen fruits and vegetables (24%); and chilled or frozen meat and seafood (24%).	•When it comes to dairy products such as milk, butter, cheese and yogurt, Canadian consumers prefer local brands (55%); however, the desire for local is decreasing in categories such as ice cream (32%), frozen meat and seafood (28%) and frozen meals (20%) compared to 2016 figures.	•Preference has moved slightly away from local brands across all categories. Less than one quarter (22%) prefer local biscuits, chips, snacks and cookie brands. Preference for local brands in other packaged good categories were also low: chocolates and confectionery (23%); sauces and condiments (19%); breakfast cereals (22%); instant noodles (11%); and canned/tinned food products (16%).

Source: Canadian Grocer, February 2018

[1] Alberta Agriculture and Forestry. 2016. Study of Local Food Demand in Alberta. https://www1.agric.gov.ab.ca/$department/deptdocs.nsf/all/explore16484; Ontario Ministry of Agriculture, Food and Rural Affairs, 2015/2016 Ontario Local Food Report. http://www.omafra.gov.on.ca/english/about/local_food_rpt16.pdf;

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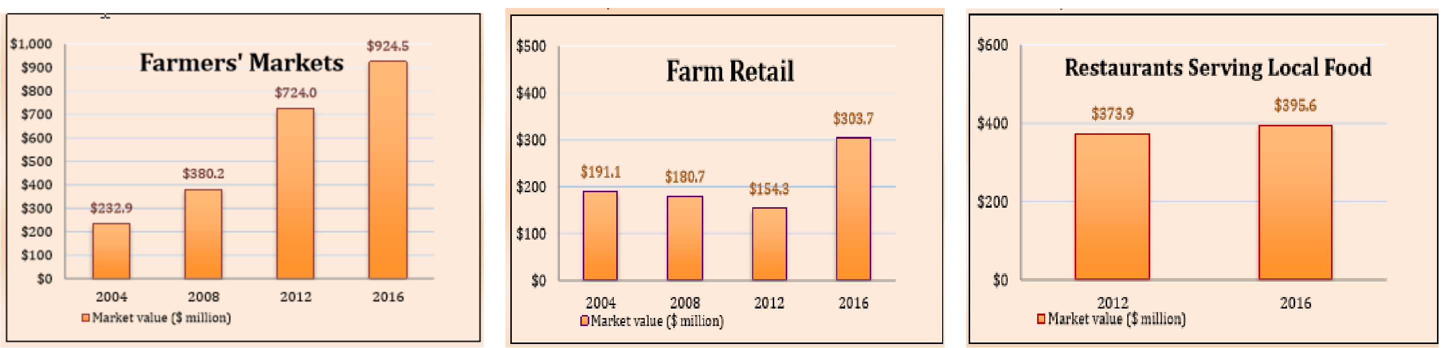
Local Food—Alberta Trends

The local food market in Alberta can be divided into three major marketing categories: Direct marketing, Retail marketing and Food Service marketing.

Direct Marketing: The Explore Local Section of Alberta Agriculture and Forestry (AF) has been delving into local food trends by conducting a consumer demand study, every four years. This study estimates that food purchased at farmers' markets reached $924.5 million in 2016. This is a 27.7 per cent increase over the purchases made in 2012. Similarly, in 2016, food purchased from farm retail and restaurants serving local food were estimated at $303.7 million and 395.6 million respectively. According to this study, Alberta consumers are purchasing local food at farmers' markets, farm retail and restaurants serving local food. In 2016, these market channels exceeded $1.5 billion in food sales, of which, the average household food expenditure was $2,341 — almost one-quarter of the overall household food expenditure.

Figure 4: Estimated Value of Food Purchased at Direct Marketing Channels in Alberta, 2004 to 2016



Source: Alberta Agriculture, Study of Local Food Demand in Alberta, 2016

Retail Marketing: Nielsen Canada recently undertook a study to identify "Alberta Made" food sold through major retail grocery stores in Alberta. This data set included only those products with a Universal Product Code (UPC), which also known as a barcode. Therefore, fresh meat and produce without a UPC barcode are not included in this data.

In this study, Nielsen identified a group of products called the 'Closed Group' and this group included Food and Beverage categories that have at least one item with an Alberta claim[2]. The sales value of the total Closed Group was $5.57 billion, in the year ending February 2018. Food products worth $518.7 million carried some sort of an Alberta claim.

Analysis of the data set revealed that the value of the total sales of "Alberta Made" food products with a UPC barcode is close to $328 million dollars for the same year (Figure 5). Although "Alberta Made" is about 3.3 per cent of the total retail food sales in Alberta ($9.94 billion), year-over-year (YOY) growth is about 11 percent.

[2] To understand the 'Local Food" claim, Nielsen in their auditing process has collected information about three main claims: Made in Alberta, Packaged in Alberta and Distributed in Alberta

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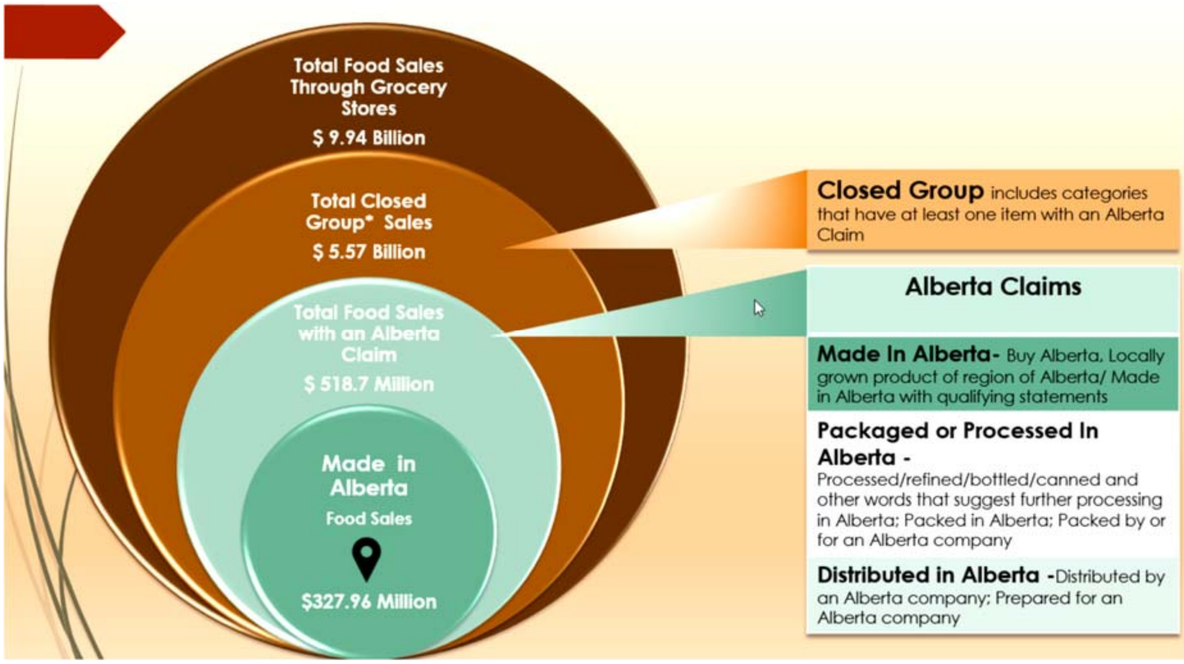
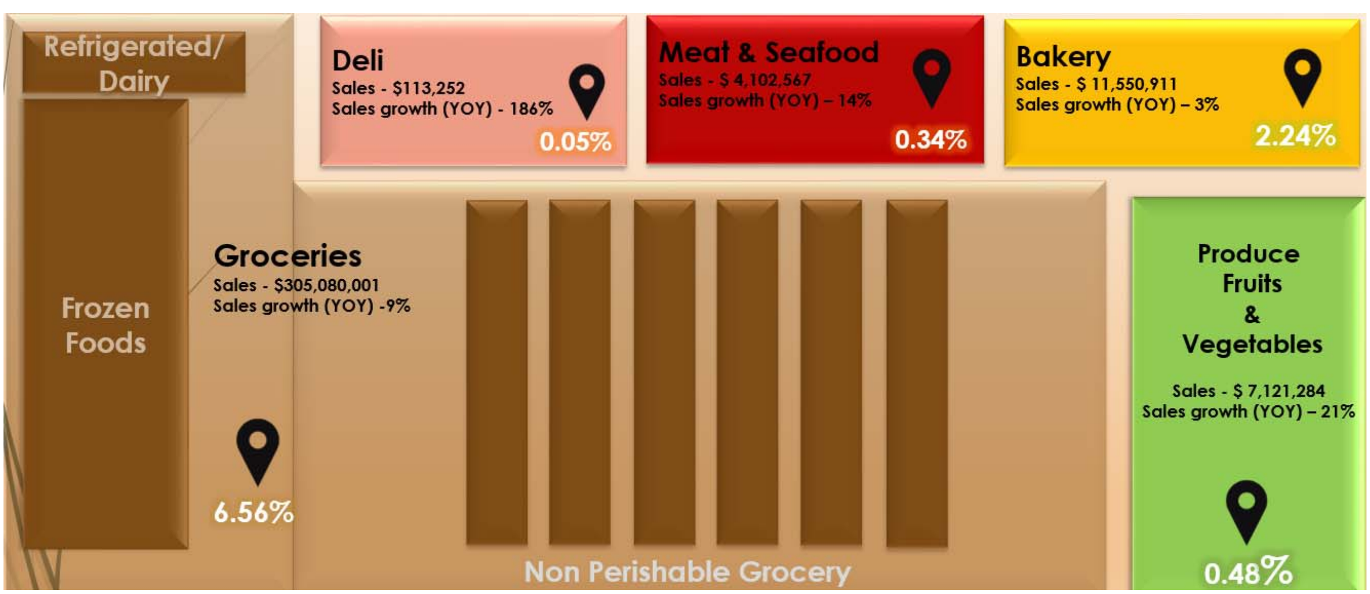
Figure 5: Alberta Made Food as Compared to Total Grocery Sales, Year Ending February 2018.



Source: Compiled by Economics and Competitiveness Branch, AF with Nielsen Data 2018

As illustrated below, among “Alberta Made” food products, grocery stores have the highest number of products with an “Alberta Made” claim. The deli category reported the lowest percentages of “Alberta Made” products. Within the grocery category, the top three “Alberta Made” food sales reported are for snack foods, milk and eggs.

Figure 6: Percentage of Alberta Made Food in Five Major Categories, Year Ending February 2018



Source: Compiled by Economics and Competitiveness Branch, AF with Nielsen Data 2018

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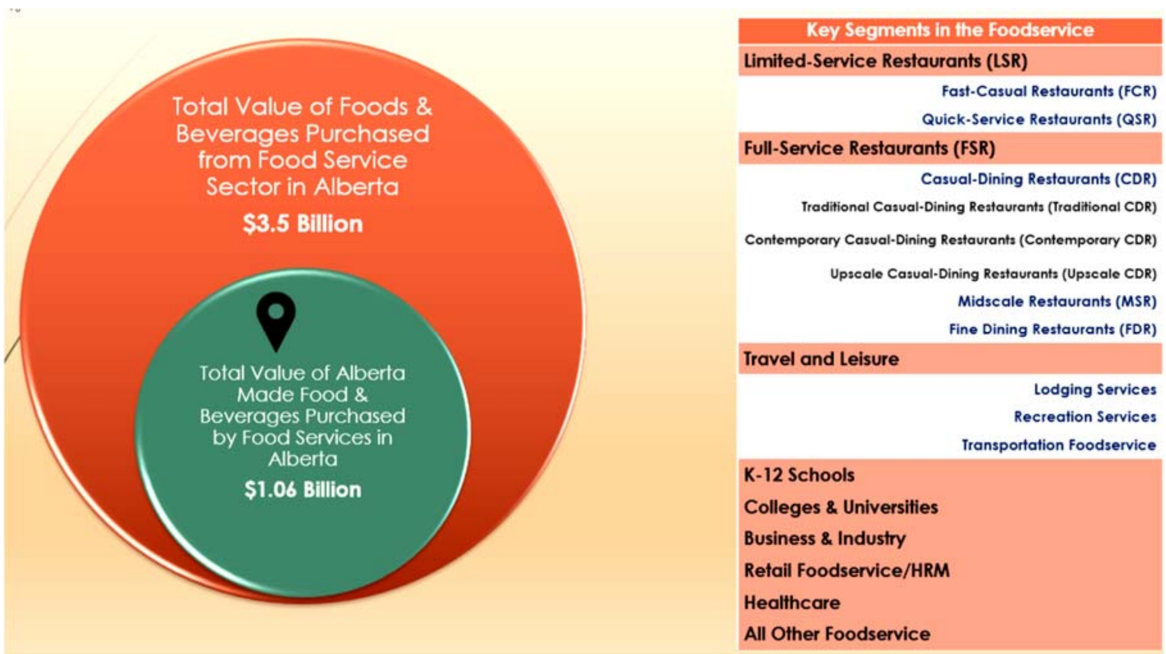
Food Service Marketing: Agriculture and Forestry's Consumer Demand For Local Food study estimated consumer spending at $395.6 million in 2016 on restaurants serving local food in Alberta. Another study done by Technomic Canada used a different approach to estimate the value of local food used by the food service sector. Technomic conducted a survey of 100 food service operators in Alberta to estimate the total value of local food or Alberta made food sourced by various types of establishments. According to this study, the total value of Alberta made food and beverages purchased by food service establishments in Alberta is estimated at $1.06 billion in 2017.

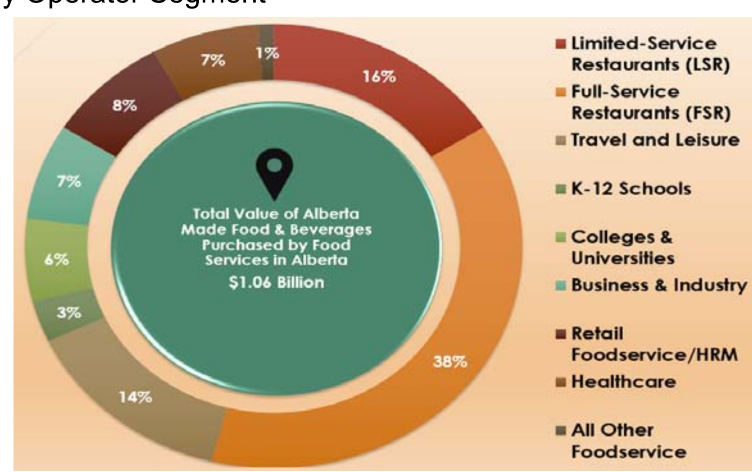
Figure 7: Alberta Made Foods & Beverages Sourcing As Compared to Total Food & Beverages Sourcing by Alberta Operators



Source: Compiled by Economics and Competitiveness Branch, AF with Nielsen Data 2018

Technomic's operator survey also estimated the Alberta made food and beverage sourcing, by operator segment and by product category. It was discovered that local food is largely sourced by full service restaurants (Figure 8). When it comes to product category, close to 72 per cent include Alberta made beef, dairy and chicken (Figure 9).

Figure 8: AB Made Foods & Beverage Sourcing By Foodservices - By Operator Segment



Source: Compiled by Economics and Competitiveness Branch, AF with Nielsen Data 2018

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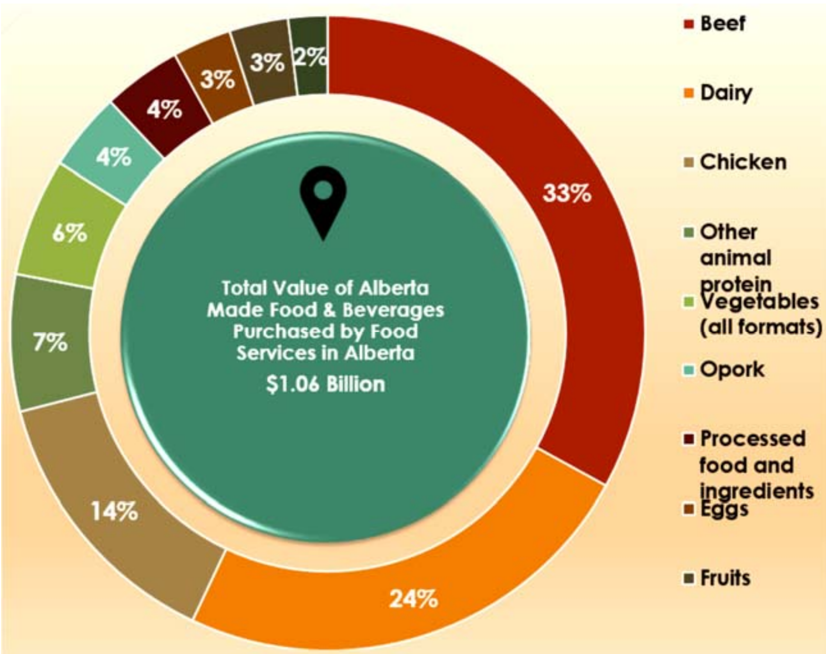
Figure 9: AB Made Foods & Beverage Sourcing By Foodservices - By Product Categories



Source: Compiled by Economics and Competitiveness Branch, AF with Nielsen Data 2018

What does it mean?

- Backed by consumer demand for freshness, transparency and desire to support local economies have transformed local food from a foodie movement into an established and more mainstream market.
- Consumer purchase data, along with retail sales data and food service operator survey data all provide evidence that the local food market is growing in Alberta.
- Research findings that include retail sale values for local food categories, their Y-O-Y growth, as well as food service sector operator local food sourcing values, will help Alberta food producers and processors to better understand market opportunities and develop or align their business strategies.

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www.agriculture.alberta.ca/data-analysis

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