



Make Informed Decisions

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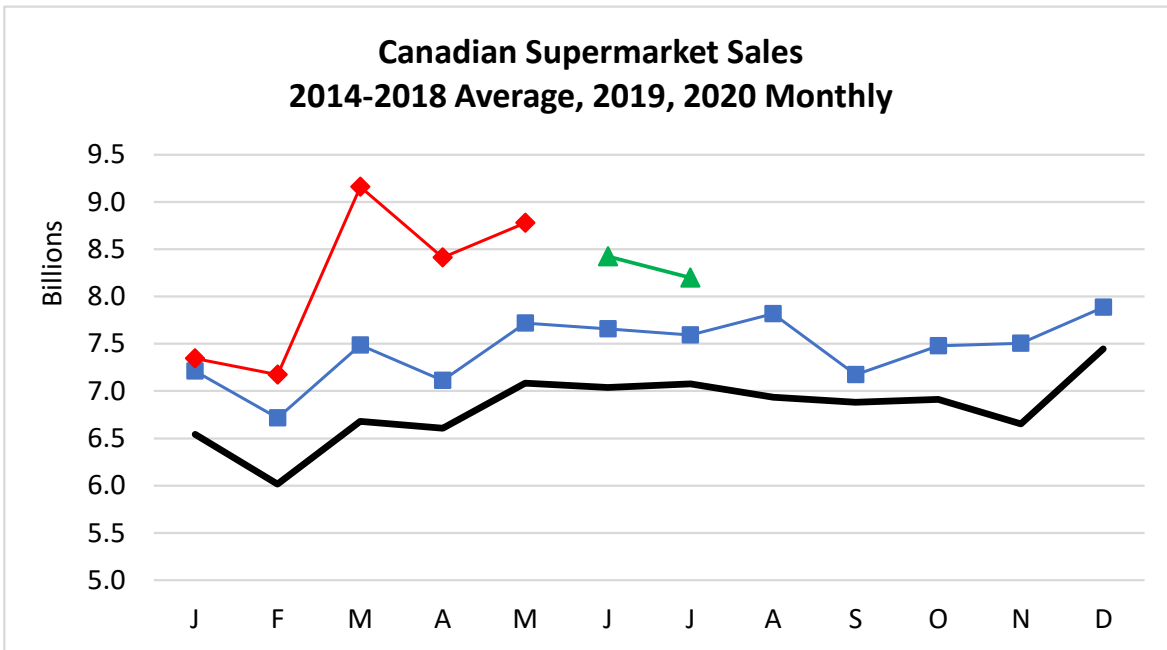
Market Analysis and Consulting Inc.

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## Food Lockdown Sales Trends

Supermarket sales increased by 13.7% in May (latest), according to StatsCan. That compares to gains of 22% and 18% in March and April, respectively. The pandemic hoarding and pillaging of store shelves that occurred in March and April ceased in May. In addition to the early virus-driven panic buying, supermarket sales would also have greatly benefited from the dramatic reductions in foodservice sales, due to the government mandated lockdowns.

While sales data are not yet available for June and July, it can be expected that year over year sales will be in low double digits for June and then slip to 6-8% in July. Consumer panic buying is largely over, and pantries and freezers were being drawn down. In addition, the reopening of foodservice, particularly in July will result in lower supermarket gains.

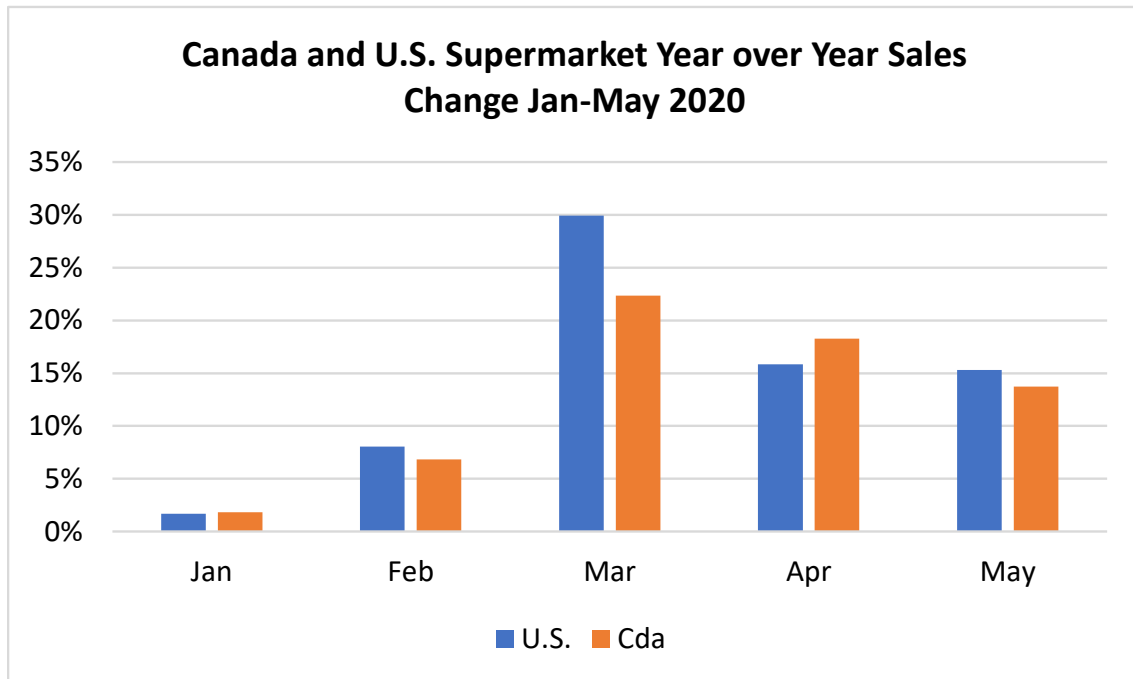


### U.S. Increases Greater than Canada

For 2020 January through May, supermarket sales in Canada were up by nearly 13%. For reference, U.S. sales for the first five months of the year were modestly stronger, up just over 14%. March was the biggest year over year increase in the United States at 30% compared to

the Canadian increase of 22% the same month. As a further point of reference, U.S. supermarket sales increased by 2.7% in 2019 compared to 2018. Canadian supermarket sales increased by 3.9% in 2019.

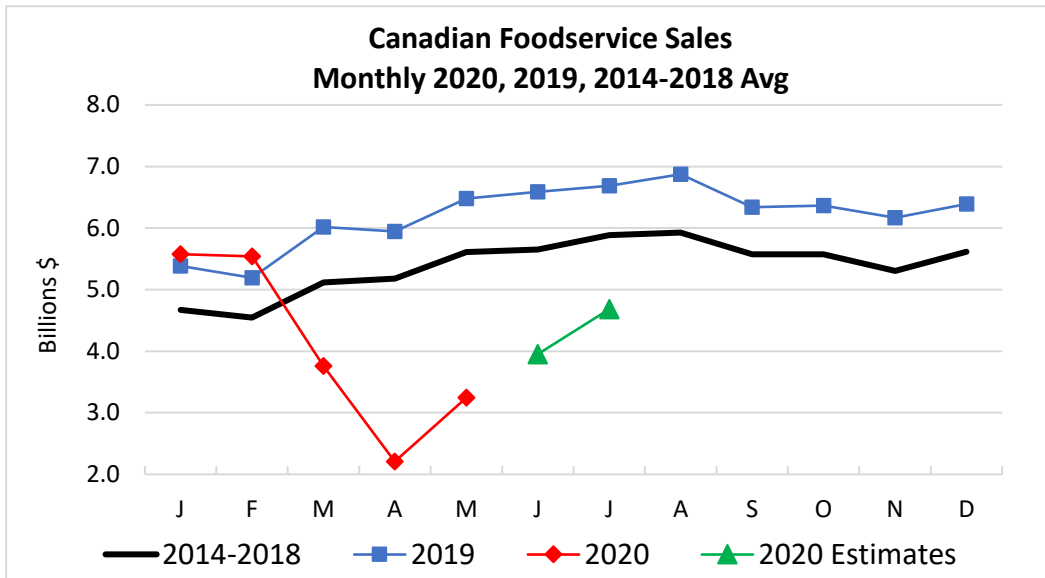
As such, by any comparison, the pandemic-driven sales increases in both Canada and the United States have been both impressive and unsustainable. For the rest of the year, assuming there is no major second or third wave, it can be guessed that foodservice sales will continue to increase. By the end of the year sales could reach 80% or more of 2019 levels. Supermarket sales will continue to be greater than normal, but the rate of year over year increase is projected to gradually wane to 3-5% in August through the end of the year.



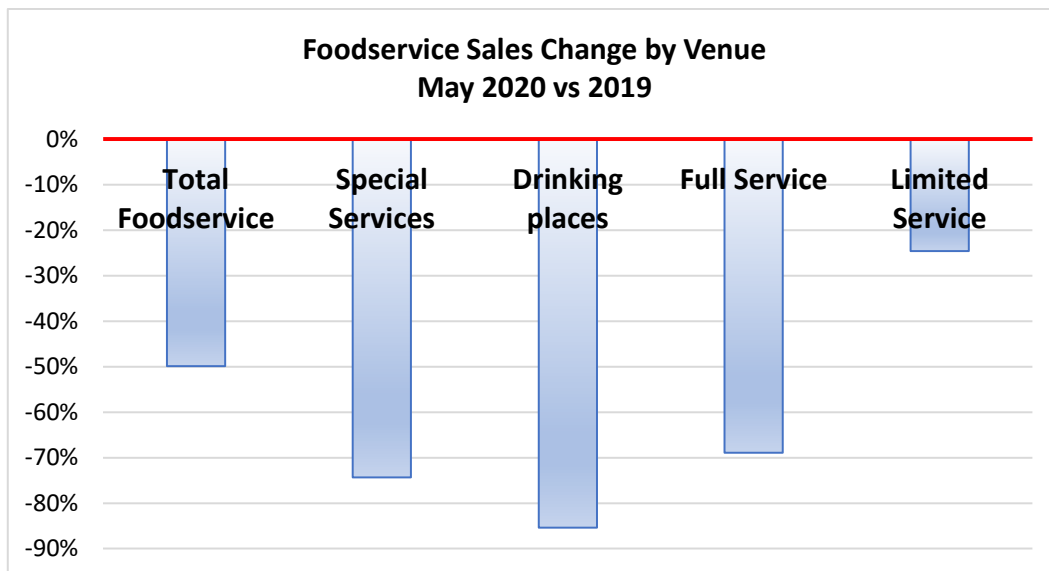
The Canadian CPG manufacturing industry has done a great deal of work adjusting supply chains to accommodate increased retail demand and reduced foodservice. With that acknowledged, the loss of foodservice means a loss of market leverage with retail. The gradual increase in foodservice will provide a needed balance in negotiating with retailers.

### Foodservice Sales

Regarding restaurants, StatsCan released foodservice sales for May (latest). May was the second full month of the government mandated shutdown. Sales declined by 50% in May and by 61% in April year over year. The modest recovery in May would have been more reflective of greater take out sales as re-openings did not start in earnest until June and July in Canada. The graph below shows the actual sales for 2020 as well as the previous year and average on a monthly basis. The graph also shows estimates for June and July which are not yet available from StatsCan but are derived based on informal surveys. It is possible by July that sales may have returned to 70% of year ago levels in Canadian foodservice.



While total sales declined 50% in May, the full-service category declined by 69% and the limited service category dropped 25%. Drinking places declined by 85%.



Prior to the shutdown, limited service, and full service each had a similar share of total sales. In 2019 each had 44% of total foodservice sales. In May 2020, full-service share dropped to 27% and limited service was at nearly 70%. Those shares were little changed from April

Foodservice is such an important venue for the food manufacturing industry. Consumers typically spend 40% of their food dollar at foodservice. The slow recovery of foodservice is welcomed by food manufacturers across the country.

*A version of this note appeared in the July 2020 edition of the Grocery Trade Report. Ask for a two-month free trial from Kevin@kevingrier.com*