



April 2009

Estimates of Produce Sales through Retail and Foodservice Channels

Kristen Park and Phil Kaufman

Applied Economics and Management, Cornell University, and
USDA-Economic Research Service, Washington, DC

Industry marketers often have questions about commodity sales and trends through various marketing channels. For decades, the US consumer has been eating out more often and foodservice expenditures have been catching up to food-at-home expenditures. Before the recent recession, marketers often viewed this foodservice channel as potentially lucrative. The increase is not only due to an increase in volume of consumption—more consumers eating out more often—but also in a slight increase in restaurant prices relative to retail (at-home) prices. But a closer look at produce sales through retail versus foodservice channels indicates that this might not always be the best decision. Therefore, sales estimates are extremely useful in responding to requests.

The researchers estimated 2007 sales of produce through retail and foodservice channels to look at changes in trends. This was secondary research using information from the Economic Census, industry trade associations, and other academics.

The retail produce sales estimate for 2007 was \$63.2 billion, an increase of 24.8% from our 2002 estimate of \$50.7 billion. This increase was greater than the CPI for fresh fruits and vegetables from 2002-2007. Most of this increase is simply due to a larger population. While all store formats as defined by the Census saw an increase in sales, only ‘Warehouse Clubs and Supercenters’ saw an increase in their *share* of total produce sales.

Foodservice sales attributed to produce for 2007 was estimated at \$47.2 billion, an increase of 42.5% from the 2002 estimate of \$33.1 billion. Foodservice sales of produce includes an estimate of produce used in preparation of all foods sold through foodservice establishments, hotels, recreation, hospitals, educational facilities, etc.. The large increase in the estimate is driven by an increase of total food sold through foodservice channels and not by an increase in the proportion of produce consumed when eating out.

Assuming 2007 retail sales of \$63.2 billion and foodservice sales of \$47.2 billion, 57% of consumers' total produce purchases were made at retail stores, and 43% of total purchases were made at foodservice. USDA-ERS reports Food Away from Home in 2007 as 48.8% of total food expenditures in the US (USDA-ERS, Table 1. Food and Alcoholic Beverages: Total Expenditures). Therefore, it appears that produce is a smaller share-of-plate when ordering out than when eating at home. Despite important inroads made by salad entrees and Happy Meals' sliced apples, produce still does not reign when dining out.

While it is important to understand where consumers are spending money for produce, it is also important to understand how much volume, or pounds, of produce is consumed via each channel.

Retail and foodservice sales were discounted by gross margin to derive an estimate of the proportion of produce volume moving through retail versus foodservice. We used a 77% gross margin for foodservice (National Restaurant Association) and 34% gross margin for retail (*Progressive Grocer*, Oct. 2008). An estimated 73% of produce by volume moved through retail stores in 2007, whereas only 27% moved through foodservice. Therefore, the volume of produce moved through foodservice channels is much lower than that through retail due to the much lower demand for produce from foodservice operations.

Table 1. Comparison of Retail and Foodservice Channels for Produce, Sales Versus Purchases

Channel	2007 Sales Estimates	% of Total Sales	2007 Purchase Estimates	% of Total Purchased
Retail	\$63,233,125	57%	\$41,287,979	73%
Foodservice	\$47,215,122	43%	\$15,580,990	27%
Total	\$110,448,247	100%	\$56,868,969	100%