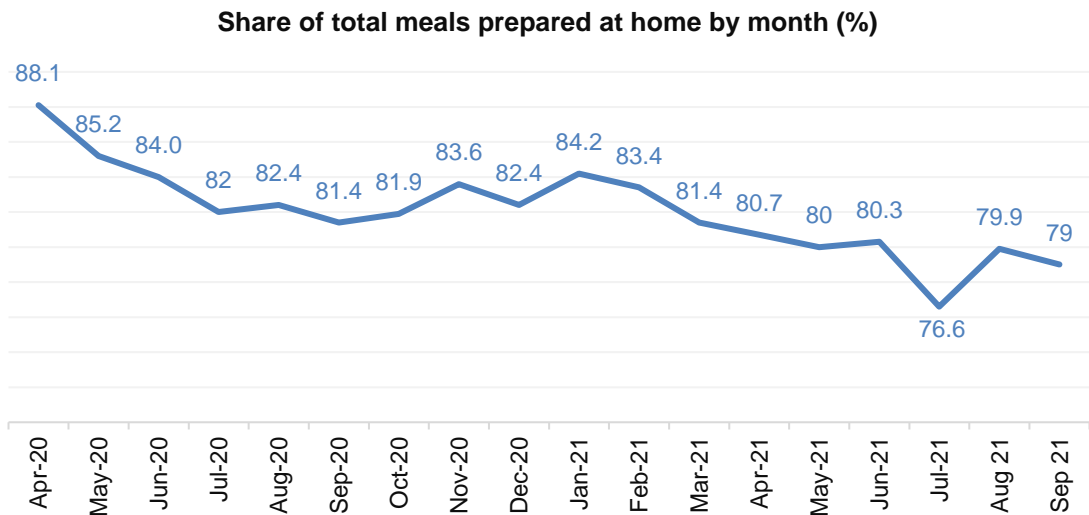




Fall Starts Off with High Demand for Frozen Food

By: Anne-Marie Roerink, President, 210 Analytics

The elevated COVID-19 case count this fall is reversing some of the normalization of consumption and shopping patterns seen over the summer. In September, the share of home-prepared meals as a percentage of total meals remained elevated versus the July low of 76.6%, according to IRI's latest primary shopper survey. At the same time, the longer-term trend line is signaling the return to a more split dollar between food retail and foodservice.



In addition to more at-home meal making, September saw a continued uptick in ecommerce orders. This is an important finding for frozen foods as they are more likely to be included in online baskets than fresh foods. After several months of trips moving back to in-person visits, e-commerce orders grew in share in September to 14% of trips, up from a low of 11% in July. During the height of the pandemic, 20% of trips were online. Shoppers also continued to spend less time in-store than they did pre-pandemic. Between the changes in consumer consumption and buying patterns, high inflation, and severe supply chain disruption and constraints, grocery retailing remains in flux. IRI, 210 Analytics and the American Frozen Food Institute (AFFI) have teamed up since March 2020 to document the ever-changing trends and its impact on frozen food sales.

Year-to-Date Sales

The first nine months of the year brought \$504 billion in food and beverage sales. September marks the return to year-over-year sales growth in dollars, up 0.1%. Dollar gains in most categories were boosted by robust inflation, but unit and pounds did start to trend close to 2020 levels also. Perishables, including seafood, meat, produce, bakery and deli, had the highest year-over-year gain during the first nine months of 2021, at +0.9%. Frozen foods had the highest increase versus the pre-pandemic normal of 2019, at +22.6%.

Year-to-date 2021 through 9/26/2021	Dollar size	Dollar sales vs. 2020	% sales change versus year ago	
			Dollar sales vs. 2019	Unit Sales vs. 2020
Total food and beverages	\$504B	+0.1%	+15.1%	-3.9%
Total perishables	\$230B	+0.9%	+14.2%	-2.5%
Total frozen	\$50B	-0.3%	+22.6%	-3.2%

Source: IRI, Integrated Fresh, Total US, MULO, % change vs. year ago.

Total Store Sales Month-by-Month

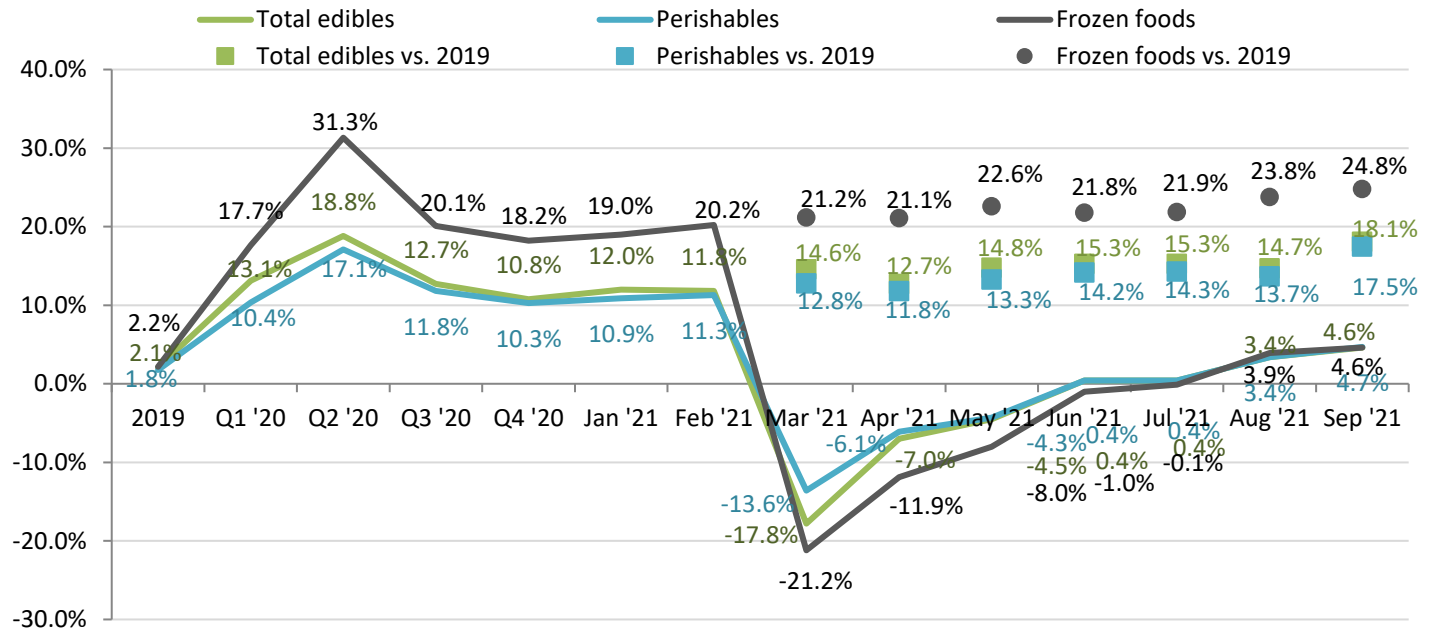
September, reflecting the four weeks endings between September 5 and 26, marks renewed year-over-year growth for many areas of the store, including frozen. Total food and beverage sales were up 4.6% versus 2020 and sales were far ahead of the pre-pandemic normal of 2019, at +18.1%.



While inflation plays a big role in these high dollar growth percentages, for many categories unit and volume sales remained elevated versus the pre-pandemic 2019 normal as well. Perishables, reflecting meat, produce, bakery, dairy, deli and seafood, also exceeded 2020 sales levels, at +17.5%.

Frozen foods outperformed perishables and the total store throughout 2020, creating a much tougher path for continued growth in 2021. However, in September, frozen food gains matched those of total food and beverage, at +4.6%. Frozen food also had, by far, the highest gain when compared with 2019, at +24.8%.

Monthly dollar sales gains versus same period year ago



Inflation

Food prices in both the retail and restaurant settings are seeing significant inflation. IRI-measured price inflation shows that prices continued to rise over and above their elevated 2020 levels for total food and beverages. In September, both total food and beverages and frozen food had inflation averaging 5% over 2020. The August numbers from the Bureau of Labor Statistics (BLS) showed even higher increases for restaurant prices. With rising consumer concern over food inflation, frozen foods' favorable price perception among shoppers is likely to result in continued strength for frozen food sales in months to come.

Average price	6/6	6/13	6/20	6/27	7/4	7/11	7/18	7/25	8/1	8/8	8/15	8/22	8/29	9/5	9/12	9/19	9/26
Total food and beverages	103	102	102	103	103	104	104	104	104	105	105	106	106	105	106	105	105
Frozen food	101	100	101	102	101	103	103	103	103	103	103	104	105	105	105	105	105

Source: IRI, Integrated Fresh Total US, MULO, inflation index vs. YAGO

Frozen Food Engagement Remains High

The dominance for frozen food in 2020 was supported by high household penetration, strong trips and an elevated basket size. Over the first nine months of 2021, all three remain high.

- 98.3% of American households purchased frozen foods at least once in the first three quarters of 2021. That is virtually unchanged, off a mere 0.4% from the same period in 2020.



- During January through September, frozen food buyers averaged 33.5 product trips, which was down 0.8% but still highly elevated versus 2019.
- Shoppers spent an average of \$12.37 per trip, that was up 4.5% over the same period in 2020.
- For the first nine months, shoppers spent a total of \$414.82 per buyer, which was up 4.5% over 2020.

Source: IRI, household panel, all outlets, total frozen foods YTD through 9/26/2021

Year-to-Date Sales by Region

Year-to-date, sales were highest in the Southeast and Northeast, the only two regions in which sales exceeded \$7.0 billion. Sales growth was highest in the South Central (+1.7%), followed by the Mid-South (+1.3%).

Region	Size	Share of total	% increase over YA
Southeast	\$7.5B	16.2%	+0.0%
Northeast	\$7.4B	16.1%	-3.0%
Great Lakes	\$6.9B	15.0%	-0.2%
Mid-South	\$6.7B	14.6%	+1.3%
South Central	\$5.5B	12.0%	+1.7%
West	\$4.9B	10.7%	+0.9%
California	\$3.7B	8.1%	-5.5%
Plains	\$3.4B	7.3%	-2.9%

Source: IRI, MULO, total frozen, YTD through w.e. 9/5/2021

Assortment

Lapping the declines in assortment seen throughout 2020, the number of average items per store in the frozen food aisle were up 0.3% in September of 2021. However, in September 2019, the typical store carried 1,571 frozen food items, which means assortment remains down 66 items versus 2019 with severe disruption throughout the supply chain.

Avg. items/store/week	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Sep '21
Avg. items per store/week	1,579	1,519	1,498	1,504	1,536	1,544	1,498	1,499
Change vs. YA	-2.1%	-5.4%	-5.7%	-2.4%	-2.7%	+1.6%	+1.5%	+0.3%

Source: IRI, Integrated Fresh Total US, MULO, average weekly items per store selling

A Deep-Dive into Frozen Food Sales

All September 2021 weeks came in close to \$1.3 billion in sales — maintaining August sales levels. For each this meant double-digit increases versus the pre-pandemic 2019 baseline. Additionally, all four weeks grew between 4% and 5% compared with the highly elevated 2020 levels. Growth rates accelerated each week, which bodes well for weeks and months to come.

Frozen food	Dollar sales	Dollar gains vs. 2020	Dollar gains vs. 2019
w.e. 9/5/2021	\$1.301B	+4.2%	+23.2%
w.e. 9/12/2021	\$1.292B	+4.4%	+23.9%
w.e. 9/19/2021	\$1.264B	+4.4%	+26.1%
w.e. 9/26/2021	\$1.226B	+5.4%	+26.0%

Source: IRI, Integrated Fresh, Total US, MULO

The growth over 2020 levels was boosted by two biggest areas: meals and meat/poultry/seafood. Frozen meals are back in positive growth territory for in breakfast items, dinners and pizza. Likewise, all areas within meat, poultry and seafood were up versus year ago. Much like seen in 2020, it appears that at least some consumers are shifting to frozen protein as the fresh meat department is dealing with significant inflation. Frozen poultry sales could be affected by the shortages in chicken wings, prompting many stores to have purchase limits and heavy out-of-stocks once more.

Another area of strength are frozen snacks. While smaller than frozen entrees and protein, it is still a significant category and gains were substantial in September, at +10.6%. Growth versus the 2019 pre-pandemic normal was 41.2%.



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Sales and % growth vs. YA	% Dollar sales change vs. 2020									
	Q1 '20	Q2 '20	Q3 '20	Q4 '20	Q1 '21	Q2 '21	Q3 '21	Sep '21	Sep vs '20	Sep vs '19
Frozen food department	+17.7%	+31.3%	+20.1%	+18.2%	+3.5%	-7.1%	+2.9%	\$5.1B	+4.6%	+24.8%
Meals	+14.9%	+20.5%	+14.1%	+13.4%	+0.3%	-1.6%	+7.4%	\$1.8B	+8.3%	+21.8%
Breakfast food	+15.4%	+23.3%	+18.0%	+17.7%	+6.6%	+6.5%	+11.0%	\$360M	+8.7%	+21.8%
Dinners/entrees	+11.9%	+13.8%	+11.1%	+11.0%	+0.9%	+3.3%	+10.5%	\$881M	+13.6%	+31.0%
Pizza	+22.0%	+32.2%	+17.8%	+16.0%	-3.4%	-12.9%	+0.3%	\$446M	+0.5%	+22.4%
Meat/poultry/seafood	+24.0%	+50.2%	+31.1%	+27.2%	+7.4%	-11.0%	+4.0%	\$1.3B	+7.0%	+38.4%
Seafood	+19.8%	+55.8%	+42.2%	+32.7%	+17.7%	-10.4%	+0.6%	\$533M	+4.1%	+44.0%
Processed poultry	+27.7%	+49.5%	+32.5%	+31.6%	+7.4%	-0.5%	+14.8%	\$316M	+17.0%	+52.7%
Poultry	+25.7%	+52.1%	+18.8%	+18.8%	-7.2%	-23.9%	-1.2%	\$178M	+3.4%	+17.9%
Meat	+28.1%	+39.5%	+18.7%	+18.4%	-2.4%	-13.0%	+6.0%	\$170M	+6.4%	+32.3%
Desserts	+12.5%	+25.0%	+16.5%	+17.7%	+6.3%	-7.1%	-2.3%	\$1.1B	-0.9%	+17.4%
Ice cream/sherbet	+10.4%	+24.9%	+14.5%	+13.6%	+0.2%	-14.7%	-7.0%	\$537M	-6.2%	+9.3%
Novelties	+15.9%	+25.0%	+18.0%	+25.2%	+13.9%	+1.1%	+2.6%	\$487M	+5.6%	+26.2%
Desserts/toppings	+11.5%	+26.4%	+25.6%	+12.9%	+15.5%	-14.7%	+1.9%	\$56M	-0.3%	+31.5%
Fruits & vegetables	+21.9%	+35.8%	+22.1%	+17.4%	-1.8%	-13.7%	-4.4%	\$504M	-2.8%	+16.2%
Fruit	+23.6%	+45.5%	+34.9%	+26.5%	+8.6%	-5.6%	-1.2%	\$109M	-2.8%	+16.2%
Potatoes/onions	+22.0%	+43.9%	+26.2%	+24.0%	+6.1%	-14.2%	-1.4%	\$166M	+0.0%	+25.7%
Plain vegetables	+22.9%	+28.2%	+15.3%	+10.7%	-10.9%	-17.3%	-8.2%	\$203M	-6.3%	+4.4%
Prepared vegetables	-0.6%	+5.8%	+6.1%	+10.5%	-9.1%	-13.7%	-0.1%	\$16M	+1.0%	+9.8%
Snacks	+20.7%	+45.2%	+27.7%	+25.3%	+11.7%	-3.2%	+12.3%	\$236M	+10.6%	+41.2%
Baked goods	+13.1%	+29.6%	+17.3%	+8.1%	+4.1%	-12.3%	0.0%	\$134M	-0.2%	+19.3%
Beverages	+21.8%	+43.6%	+30.0%	+28.0%	+5.5%	-13.4%	-3.0%	\$20M	+2.1%	+35.8%

Source: IRI, Integrated Fresh, Total US, MULO, % change vs. year ago.

Year-Over-Year Dollar, Unit and Volume Changes

In most cases, September year-over-year dollar gains fared better than unit and volume gains. The gap is highest for frozen beverages, with an eight-point difference between the percentage change in volume versus dollars — which is indicative of inflation.

September 2021	% sales change versus year ago			Volume/dollar gap (percentage points)
	Dollar sales	Unit sales	Volume sales	
Frozen food department	+4.6%	-1.2%	--	---

Need more information?
www.IRIworldwide.com
Headquarters: +1.312.726.1221

210 Analytics
aroerink@210analytics.com

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Frozen baked goods	-0.2%	-1.1%	-5.1%	-4.9
Frozen beverages	+2.1%	-5.9%	-5.9%	-8.0
Frozen desserts	-0.9%	-3.2%	--	---
Frozen fruits & vegetables	-2.8%	-5.9%	-6.6%	-3.8
Frozen meals	+8.3%	+0.8%	+1.8%	-6.5
Frozen meat/poultry/seafood	+7.0%	+0.6%	--	---
Frozen snacks	+10.6%	+5.3%	+5.7%	-4.9

Source: IRI, Total US, Integrated Fresh, MULO, dollar and volume sales vs. year ago

What's Next?

A few months ago, nine in 10 Americans expected to celebrate the winter holidays like normal, according to a June survey by 210 Analytics. However, the upswing in COVID-19 case counts in the fall is once more disrupting the Halloween through New Year's Day holiday celebrations.

A second wave of the study in September found that 51% of grocery shoppers now expect COVID-19 to have some level of impact on their plans rather than celebrating like normal. In 2020, the winter holiday gatherings were smaller and home-centric and it is likely that 2021 will see some of the same. The altered shopping patterns, that include more online shopping and fewer, but larger trips, favor frozen foods.

Learn more about the why and who behind the frozen food sales surge in AFFI's *2021 Power of Frozen*, the second-annual in-depth look at frozen food through the shoppers' eyes, conducted by 210 Analytics. The next performance report in the IRI, 210 Analytics and AFFI series will be released mid-November to cover the October sales trends. Please recognize and thank the entire frozen food chain for all they do.

Date ranges:

2019: 52 weeks ending 12/28/2019

Q1 2020: 13 weeks ending 3/29/2020

Q2 2020: 13 weeks ending 6/28/2020

Q3 2020: 13 weeks ending 9/27/2020

Q4 2020: 13 weeks ending 12/27/2020

Q1 2021: 13 weeks ending 3/28/2021

Q2 2021: 13 weeks ending 6/27/2021

Q3 2021: 13 weeks ending 9/26/2021

September 2021: 4 weeks ending 9/26/2021

Need more information?

www.IRIworldwide.com

Headquarters: +1.312.726.1221

210 Analytics

aroerink@210analytics.com

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