



Frozen Food Inflation Boosted Dollars but Pressured Units in May 2022

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The May Marketplace

The height, the widespread nature and the continued acceleration of inflation dominated the headlines in May. Whether in the grocery store, at the pump or at the movies, consumers were paying more. But the focus on inflation is not limited to the media headlines. According to the May edition of the IRI monthly survey of primary shoppers, consumers are ultra-aware and many are applying lessons learned during the Great Recession to tighten spending.

- Awareness of inflation has been extremely high since early fall of 2021. The difference between then and now is the level of consumer concern about inflation and the subsequent reactions when buying groceries, which are intensifying by the month. In May, 95% of consumers were concerned over rising prices, of whom 48% were very concerned. Additionally, 92% of consumers were concerned about higher gas prices, of whom 55% were extremely worried. In contrast, only 23% of consumers had extreme concern over COVID-19 in May 2022.
- The widespread nature and height of inflation are pressuring spending for many consumers, including 38% who described their financial health as strained. Thirty percent of American households stated that they struggle to afford needed groceries.
- Whereas in the fall of 2021 less than 50% made changes to their grocery shopping patterns and choices, 77% of consumers chose differently when buying groceries in May. This was up another six points from the April survey, when 71% of consumers bought differently. The measures to combat inflation's impact on the grocery bill are widespread, including stocking up out of fear that items may cost more on future shopping trips (20%) or may simply not be available (16%) — further pressuring in-stock conditions. Another tactic is making a list and sticking to it, according to 39% of shoppers, which tends to impact items with an impulse nature.
- While 45% of consumers looked for sales specials, 55% said that fewer of the items they want are on sale and 42% felt that items were not discounted as much, according to the May survey. This is compounding the inflationary pressure. Creative approaches such as shorter sales and cross-category “solution” promotions could be a much-needed answer. Other popular money-saving measures included cutting back on non-essentials (36%), looking for coupons (28%), buying more private brands (24%) and buying fewer items (23%).
- Despite the high gas prices, 16% of consumers visited more stores in May than they normally do, to capitalize on sales promotions or everyday low prices. An even higher 19% shopped value-focused retailers, including dollar stores, ALDI, Lidl and others. Switching stores is typically one of the very last measures consumers take, but this time around, it is already in the mix. This is a telltale sign of consumers’ level of concern and true pressure on income in the light of high gasoline prices.
- The share of home-prepared meals continued to average around 80%. Consumers would like to eat out more, but they recognize that home-cooked meals are cheaper. They have become more strategic in their restaurant choices and subsequent orders — opening the door for retailers to sell the sides, beverages and/or dessert. Restaurant takeout remained big in May, at 54% of consumers, which may also be a money-saving tactic versus eating on premise.

The impact of the consumer measures and the supply chain struggles resulted in nonstop changes in the world of frozen food. To document this ever-changing nature of the marketplace, IRI, 210 Analytics and AFFI continue to team up to bring the latest trends and analysis relative to the frozen food department.

Inflation Insights

The price per unit across all foods and beverages in the IRI-measured multi-outlet stores, including supermarkets, club, mass, supercenter, drug and military, accelerated further to an increase of +11.8% in the five weeks ending May 29, 2022 (“May”), versus the same five weeks in 2021. Inflation was in the double digits in the center of the store (+13.7%) as well as in perishables (+11.7%) and compared to May 2019, prices across all foods and beverages were up +22.8%.

Average price/unit vs. YA	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	Feb 22	Mar 22	Apr 22	May 22
Total food and beverages	+5.5%	+2.7%	+5.0%	+8.0%	+9.9%	+10.3%	+10.3%	+10.7%	+11.8%

Source: IRI, Integrated Fresh, Total US, MULO, average price per unit and % gain versus YA



Frozen food prices rose in 2020 and 2021, but less so than total food and beverages. In May 2022, the price per unit for frozen foods increased an average of +14.2% — higher than inflation for the total store. The biggest contributors to frozen food inflation were frozen meat, poultry and seafood, but also meals and as well as snacks. Only one area managed to average single-digit inflation: frozen beverages, which is a smaller seller.

May 2022	Average price per unit	Change vs. YA	Change vs. 2019
Frozen food department	\$4.65	+14.2%	+24.9%
Baked goods	\$3.85	+12.5%	+14.4%
Beverages	\$2.60	+3.7%	+21.5%
Desserts	\$4.23	+10.2%	+18.2%
Fruits and vegetables	\$2.91	+12.1%	+19.0%
Meals	\$4.17	+16.6%	+26.4%
Meat/poultry/seafood	\$9.27	+18.0%	+28.3%
Snacks	\$5.78	+16.3%	+24.7%

Source: IRI, Integrated Fresh Total US, MULO, average price per unit vs. YA and 2YA

May 2022 Sales

The five May 2022 weeks brought \$70.6 billion in total food and beverage sales, which was up +6.5% versus a year ago and compared with pre-pandemic, May sales were up +23.1%. Inflation played a significant role with year-on-year unit sales down -4.8%, which was a sharp downward turn from the -2.4% unit decline measured in April 2022. Much as seen in the surveys, consumers are compensating for the inflationary levels by buying fewer items. Perishables, including produce, seafood, meat, bakery and deli, had average dollar and unit performance, but center-store items grew above average in both dollars and units. Frozen foods had the highest increase versus pre-pandemic, at +30.7%.

May 2022	% sales change versus a year ago						
	Dollar size	Dollars vs. 2021	Dollars vs. 2020	Dollars vs. 2019	Units vs. 2021	Units vs. 2020	Units vs. 2019
Total food and beverages	\$70.6B	+6.5%	+2.7%	+23.1%	-4.8%	-10.1%	+0.2%
Total perishables	\$31.7B	+6.3%	+2.5%	+21.3%	-4.9%	-10.0%	-0.3%
Total grocery (center store)	\$33.5B	+8.6%	+5.1%	+26.6%	-4.5%	-9.9%	+0.8%
Total frozen	\$6.7B	+6.1%	-2.0%	+30.7%	-4.9%	-10.0%	-0.3%

Source: IRI, Integrated Fresh, Total US, MULO

Assortment

The frozen food department unit and volume sales were also affected by supply chain woes in May 2022. Disruption continued to affect the number of items per store. Lapping the declines in assortment seen throughout 2020 and 2021, the number of items per store in the frozen food aisle averaged 1,457 in May 2022. Year on year this was down 6.2%, but compared with 2019, assortment was down 9.3%. That means that many fewer items need to work harder to accomplish the same sales.

Avg. frozen items/store/week	2019	2020	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	May 22
Avg. items per store/week	1,523	1,518	1,536	1,544	1,498	1,467	1,454	1,457
Change vs. YA	-3.8%	-0.3%	-2.7%	+1.6%	+1.5%	-2.3%	-5.3%	-6.2%

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



A Deep Dive into Frozen Food Sales

All May 2022 weeks came in around \$1.3-\$1.4 billion in sales — maintaining the weekly levels seen year-to-date. The final May week was the biggest, perhaps influenced by the Memorial Day holiday sales. However, growth was inflation boosted, with units down about 5% to 7% each of the weeks.

The May sales growth over 2021 levels was supported by all areas within frozen. The biggest sales boosts came from frozen snacks and meals. Within frozen meals, pizza is coming on strong. In frozen animal protein, seafood had the highest sales, but processed poultry was the best growth performer.

Frozen food	Dollar sales	Dollar gains vs. 2021	Unit gains vs. 2021
May 2022	\$6.730B	+6.1%	-7.1%
w.e. 5/1/2022	\$1.292B	+4.7%	-8.3%
w.e. 5/8/2022	\$1.364B	+5.8%	-7.3%
w.e. 5/15/2022	\$1.349B	+6.9%	-6.5%
w.e. 5/22/2022	\$1.360B	+7.3%	-6.1%
w.e. 5/29/2022	\$1.365B	+5.7%	-7.2%

Dollar sales	% sales change vs. YA									
	2019	2020	Q1 21	Q2 21	Q3 21	Q4 21	Q1 22	May 22	\$ vs. 21	Units vs. 21
Frozen food department	+2.2%	+22%	+4%	-7%	3%	+5%	+5%	\$6.7B	+6.1%	-7.1%
Meals	+1.4%	+16%	+0%	-2%	7%	+8%	+8%	\$2.3B	+7.0%	-7.6%
Breakfast food	+2.9%	+19%	+7%	7%	11%	+12%	+11%	\$471M	+9.3%	-5.3%
Dinners/entrees	+0.6%	+12%	+1%	3%	11%	+12%	+7%	\$1.1B	+4.9%	-11.2%
Pizza	+3.1%	+22%	-3%	-13%	0%	-0.4%	+7%	\$585M	+10.5%	-2.6%
Meat/poultry/seafood	+3.3%	+33%	+7%	-11%	4%	+7%	+6%	\$1.7B	+6.0%	-10.2%
Seafood	+5.1%	+37%	+18%	-10%	1%	+4%	-3%	\$643M	-5.6%	-14.9%
Processed poultry	+3.7%	+35%	+7%	-1%	15%	+15%	+18%	\$415M	+21.9%	-3.3%
Poultry	-1.1%	+30%	-7%	-24%	-1%	+3%	+9%	\$233M	+14.4%	-14.3%
Meat	+2.2%	+25%	-2%	-13%	6%	+10%	+10%	\$310M	+7.6%	-9.2%
Desserts	+2.1%	+18%	+6%	-7%	-2%	0%	+3%	\$1.5B	+4.0%	-5.6%
Ice cream/sherbet	-1.3%	+16%	+0%	-15%	-7%	-6%	-2%	\$711M	+2.1%	-4.3%
Novelties	+7.0%	+21%	+14%	1%	3%	+7%	+8%	\$750M	+5.9%	-6.8%
Desserts/toppings	+1.2%	+19%	+16%	-15%	2%	+8%	+7%	\$86M	+5.4%	-5.4%
Fruits & vegetables	+2.7%	+24%	-2%	-14%	-4%	-3%	-1%	\$698M	+6.1%	-5.3%
Fruit	+1.4%	+33%	+9%	-6%	-1%	+2%	-0.4%	\$162M	+4.0%	-5.9%
Potatoes/onions	+4.0%	+29%	+6%	-14%	-1%	+2%	-0.4%	\$237M	+12.0%	-5.6%
Plain vegetables	+3.8%	+19%	-11%	-17%	-8%	-6%	-2.5%	\$2660M	+2.8%	-5.2%
Prepared vegetables	-12.6%	+5%	-9%	-14%	0%	+2%	+5.6%	\$19M	+7.7%	-2.2%
Snacks	+4.3%	+30%	12%	-3%	12%	+10%	+8%	\$308M	+12.2%	-3.5%
Baked goods	+2.2%	+16%	4%	-12%	0%	+1%	+5%	\$169M	+4.2%	-7.4%
Beverages	-9.9%	+31%	6%	-13%	-3%	-3%	-0.2%	\$28M	+0.9%	-2.7%

Source: IRI, Integrated Fresh, Total US, MULO

What's Next?

The war in Ukraine, the renewed COVID-19 lockdowns in China, record inflation, labor shortages and supply chain challenges will have a continued effect on food and food sales in the months to come. Opportunities for retail remain the home-cooked meal, with 90% of consumers expecting they will cook from scratch as much (74%) or more often (16%) as last year. Another opportunity is renewed in-person socializing with friends and family, with 13% expecting to entertain more.

As grilling season has officially started, finding ways to tie into outdoor cooking and entertaining can be a growth opportunity.

- 69% plan to host at least one cookout or barbecue to entertain friends and family this summer, typically averaging some six to nine guests, according to the May IRI shopper survey.
- Additionally, 71% of consumers plan to grill or cook meals outdoors as much (51%) or more (20%) this summer.
- Consumers like experimenting with new items on the grill (37%) and many prefer preparing meat/seafood from scratch (74%), while 17% buy grill-ready items. Consumers are a bit more likely to buy ready-to-eat sides, at 23%.



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AFFI members now have access to more in-depth information through the IRI portal on the AFFI website. The next performance report in the IRI, 210 Analytics and AFFI series will be released in mid-July to cover the June sales trends. Please recognize and thank the entire frozen food chain for all they do.

Date ranges:

2019: 52 weeks ending 12/28/2019

2020: 52 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

Q4 2021: 13 weeks ending 12/26/2021

Q1 2022: 13 weeks ending 3/27/2022

January 2022: 5 weeks ending 1/30/2022

February 2022: 4 weeks ending 2/27/2022

March 2022: 4 weeks ending 3/27/2022

April: 4 weeks ending 4/24/2022

May: 5 weeks ending 5/29/2022



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