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**Inflationary pressures create opportunities, challenges for food**

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By

Tim Linden

November 2, 2022

Some food products are surviving the challenges caused by inflationary pressure relatively unscathed while others are feeling the bite of higher prices, according to Matthew Barry, insights manager with Euromonitor International Ltd., a worldwide market research company headquartered in London.

Speaking during an [International Fresh Produce Association](#) Virtual Townhall meeting on Wednesday, Nov. 2, Barry said how a food item reacts to rising price largely depends on its perception in the marketplace. Consumers are continuing to purchase what they believe are “essential” foods and also those items that fall into the category of a reasonably priced “permissible indulgence.” Non-essential foods that don’t trip that indulgence trigger are not faring as well, he said.

Barry discussed several factors impacting the food industry as he attempted to explain how food inflation is affecting consumption. In laying out the groundwork for the topic, he noted some overarching truisms that appear to be influencing U.S. consumers as they fill their shopping carts and stomachs. Of course, people do have to eat so they are going to purchase food.

Barry noted that U.S. consumers have not been confronted with similar inflation numbers in almost four decades. That means that many consumers, in fact most U.S. shoppers, have never seen prices rise so high so quickly. Only consumers 60 years of age or older were shoppers in the early 1980s when inflation topped today’s rates. He added that in the United States, on average food prices only represent 7 percent of a household’s budget, which is relatively insignificant compared to most other countries in the world. So even the current much higher prices are not significantly impacting most budgets.

But Barry said there is a psychological impact that is greater than the sum of the actual price increases. He said consumers tend to focus on the items they buy and the price increases that stand out. Small increases don’t impact but a major jump in an item that a consumer buys does create an outsized impression of the impact of inflation.

He noted that companies are addressing the rising prices with different strategies. Some are holding their prices and making it a central theme in the marketing campaigns. Arizona Tea has made the price of its 99 cent beverage central to its campaign for decades and continues to keep the price at that level. Barry said the strategy has generated tremendous good will among its customers.

Likewise, Costco continues to emphasize that the cost of a soda and hot dog at its in-store café has remained at \$1.50 for 40 years. Again, consumers have reacted well and continue to shop at the club store buying the many products for which the price has gone up.

Another strategy companies are employing is reducing packaging size and keeping the price

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constant. Barry said this tends to work with items that do not have a recognizable size such as a tub of ice cream or a tube of toothpaste. He dubbed this practice “shrinkflation.”

He said inflation is also leading to a rise in the sale of private labeled products, which have a built-in value proposition perception. Barry noted that private label products now make up about 25 percent of the offerings in Walmart.

Previously trendy products, such as plant-based meats, are feeling the inflation pinch in a significant way. Barry said these products tend to be higher priced than their meat counterparts, but consumers were willing to indulge in less inflationary times. Now they apparently view these items as “non-essential” and sales are trending downward.

It is this essential/non-essential space where produce tends to live. Barry said no one needs a pint of blueberries to survive. But consumers who put those blueberries in the category of permissible indulgence will continue to purchase. He said items that are relatively low-priced but give consumers a chance to treat themselves tend to fall into this category. He reported that Starbucks has revealed that it has seen “no measurable reduction in customer spending.” Though buying a \$5 cup of coffee at the corner Starbucks might seem non-essential, Barry theorized that consumers see it as a relatively low priced item in which they can continue to indulge.

He believes much produce falls in this space and will be able to weather this inflationary storm.

On an upbeat note, Barry said economists generally see inflation falling over the next several years until it gets close to the 2 percent that it has operated at for most of the past 40 years.

[Tim Linden](#)

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## About Tim Linden |

Tim Linden grew up in a produce family as both his father and grandfather spent their business careers on the wholesale terminal markets in San Francisco and Los Angeles.

Tim graduated from San Diego State University in 1974 with a degree in journalism. Shortly thereafter he began his career at The Packer where he stayed for eight years, leaving in 1983 to join Western Growers as editor of its monthly magazine. In 1986, Tim launched Champ Publishing as an agricultural publishing specialty company.

Today he is a contract publisher for several trade associations and writes extensively on all aspects of the produce business. He began writing for The Produce News in 1997, and currently wears the title of Editor at Large.

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