THE TRENDS HOLD FOR DAIRY, DELI AND BAKERY DEPARTMENTS

The week ending May 17 fell in between Mother’s Day and Memorial Day and was a relatively good reflection of where everyday demand sits relative to the old baseline for the bakery, dairy and deli departments. Ever since the second week of March, dairy department sales have soared and the week of May 17 was no different. Results for bakery remained mixed with relative strength for packaged baked goods, but in-store bakery continued to struggle. The performance within the deli department continued to be mixed as well, with deli cheese tracking far ahead of last year, deli meat being up slightly but deli prepared severely off due to closure or limited offerings of self-service areas. 210 Analytics analyzed the IRI weekly sales findings, made possible by IDDBA.

Total store sales, including the fresh perimeter, saw its lowest gain since March 29, at +14.3%. Total edibles excluding fresh were up 21.5% over the week of May 17 versus year ago, which was mostly in line with the prior two weeks. Center store edibles pulled away quite a bit further from the overall fresh perimeter performance as meat, hindered by severe tightness in supply, did not boost fresh department sales as much as it had in recent weeks. Pulled down by sales declines in the deli and fresh bakery (random weight) departments, the total perimeter averaged to +11.6% versus the same week last year. Dairy had another strong week, with sales +23%.

“The numbers held fairly steady for the third week in a row,” said Jeremy Johnson, VP of Education for IDDBA. “Some gains eroded by a few percentage points, but it appears that we are starting to see patterns for most departments. Restaurants opening dine-in facilities back up may alter the demand curve yet again going forward, but for the foreseeable future, it appears that grocery retailing will

Source: IRI, Total US, MULO, 1 week % growth versus year ago
Dairy - A Sales Powerhouse

Dairy sales gains have been double-digits over the comparable week in 2019 for 10 weeks on end. Gains for the week ending May 17 were +23%. “Dairy has been a pandemic powerhouse,” said Abrielle Backhaus, Research Coordinator with IDDBA. “We continue to see very strong consumer demand for items such as milk, cheese, eggs, butter and creamers and this week we saw seven out of the 12 areas track more than 30% ahead of the same week last year.”

Natural cheese had the highest increase in absolute dollars, with year-over-year sales up $74 million, followed by milk that sold an additional $38 million and eggs, with an additional $37 million.

A look at dollar versus volume sales is highly insightful as well. “A big gap between volume gains and dollar gains is typically indicative of rising prices,” said Jonna Parker, Team Lead, Fresh for IRI. “Take eggs, for instance. For the week ending May 17 versus year ago, there is a 25.8% gap between dollars and volume. While in some cases out-of-stocks may have driven more premium egg purchases that command higher prices, the conventional egg market generates most dollars. So, this means inflation is driving up dollars much faster than volume.” Whether looking at the one week or four-week view, dollar/volume gaps were significant for milk, and natural and processed cheese, in addition to eggs.

IRI’s measure reflecting assortment variety indeed shows some declines across subcategories during the week of May 17 versus the same week last year. Given that consumer demand is up, the smaller assortment is likely directly due to supply chain issues and SKU rationalization decisions to optimize productivity. For total dairy, the average number of items per store selling was off just -1.4%, but some of the individual areas were much harder hit.

Some examples are:

- Cream cheese: -10.0%
- Margarine/spreads: -15.9%
- Butter: -7.1%
- Processed cheese: -6.6%
- Cottage cheese: -5.3%

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

Deli — Continued Mixed Results

Much like the results in the dairy department, deli numbers held very steady against the prior two weeks. Deli cheese continued...
to have double-digit increases versus the same week in 2019, whereas deli meat increases have mostly been trending in the single digits. While still down, deli-prepared (random weight, and some limited private label UPC) is surely recovering a point or two each week and now about 14% down from last year’s levels. In addition to changed traffic patterns, it is important to note deli-prepared offerings remained limited or closed down for many retailers.

**Deli Meat**

For week ending May 17, random weight deli meat gains were virtually unchanged from the week prior. Mild price inflation is driving higher dollar than volume gains. Patterns relative to grab-and-go versus slice-to-order counter sales remained the same as seen in prior weeks. While service counter sales made up 68% of deli meat sales this week, sales were off -10.8%. Sales for service counter deli meat that has been previously sliced for grab-and-go, but still sold non-UPC, was up 70.1%. Meanwhile, pre-packaged, UPC-ed refrigerated lunch meats continued to outperform random weight deli meat, with dollars up 10.9%, which was the lowest gain since the first panic buying week in mid March. Volume sales also flattened out somewhat, at +3.8%.

**Deli Cheese**

Random weight deli cheese dollar gains eroded a few points versus the prior week, but continued to track well ahead of deli meat. Cheese has had a better performance throughout the pandemic and dollar sales were up 14.4% during the week of May 17 versus the same week last year. Volume gains stayed in the high single-digits. Just like deli meat, retailers who prepared grab-and-go options for the deli cheese offering did well. Whereas service counter sales were up down -0.6%, cheese packaged for grab-and-go, but still non-UPC, was up 71.2%. Grab-and-go reflects about 32% of total random weight deli cheese. “We do continue to see customer comments on package size variety relative to deli cheese, deli meat and deli-prepared items,” said Angela Bozo, Education Director with IDDBA. “Consider some variety in the thickness of slices as well as package size variety. Shoppers cite budget, household size and variety as reasons for wanting to see more than just one pound packages.”

![Sales growth vs. year ago deli department](image-url)

<table>
<thead>
<tr>
<th>Random weight deli meat</th>
<th>Dollar sales increase over comparable week in 2019 for week ending...</th>
<th>Sales w/e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollars</td>
<td>-1%</td>
<td>+1%</td>
</tr>
<tr>
<td>Volume</td>
<td>-4%</td>
<td>+1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>UPC/Pre-packaged lunch meat</th>
<th>Dollar sales increase over comparable week in 2019 for week ending...</th>
<th>Sales w/e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollars</td>
<td>-3%</td>
<td>+9%</td>
</tr>
<tr>
<td>Volume</td>
<td>-7%</td>
<td>+1%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Fixed weight deli cheese</th>
<th>Dollar sales increase over comparable week in 2019 for week ending...</th>
<th>Sales w/e</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dollar sales</td>
<td>-1%</td>
<td>+5%</td>
</tr>
<tr>
<td>Volume sales</td>
<td>-4%</td>
<td>+1%</td>
</tr>
</tbody>
</table>

| Dollar sales | +4% | +8% | +73% | +80% | +33% | +41% | +42% | +22% | +48% | +37% | +34% | +30.2% | $371MM |
| Volume sales | -2% | -4% | 64% | 74% | +26% | +28% | +35% | 11% | +37% | +26% | +25% | +22.2% | 73.8MM |

Source: IRI, Total US, MULO, 1 week % growth versus year ago. Deli meat and cheese are non-UPC.Random weight only. Deli prepared foods are non-UPC/random-weight plus limited private label UPC. No third party UPC/uced weight is included in these categories.
Packaged (UPC) cheese saw much higher gains yet again, at +30.2% for dollars and +22.2% for volume. These gains are especially meaningful given that packaged cheese sales are about seven times larger than deli cheese sales.

**Deli-Prepared**

Since the onset of coronavirus, sales for deli-prepared have been down as retailers across the country closed or limited operations and shoppers started to cut back on store trips following the two panic buying weeks. Deli-prepared food sales were down 31.6% — much in line with the patterns seen since late April. Sales were off for all offerings and meal occasions, whether breakfast items, combo meals, trays or deli pizza. Additionally, more and more states are allowing restaurants to re-open seating areas. “We know pre-pandemic, restaurants were a tough competitor for the dinner dollar when consumers decided to forego cooking the meal themselves,” said Eric Richard, Industry Relations Coordinator with IDDBA. “When people were not in the mood to cook or out of time to cook, restaurants win two out of three occasions as deli prepared was often simply not on the radar. As restaurants are opening back up, it is important for deli-prepared to ramp up its presence and visibility too, albeit within the new realities of social distancing.”

**Bakery**

Bakery results are similar to the deli department as they are very mixed. In-store bakery, with a much greater reliance on holidays and celebrations, continued to see down results, but packaged baked goods, cookies and crackers came in well above prior year levels.

**Prepackaged Baked Goods Aisle**

Much like UPC luncheon meat and packaged cheese easily outperforming bulk, packaged baked goods have seen above-average performance as well. All areas within the packaged baked good aisle saw sales gains during the week of May 17. The strongest gains were achieved by bagels and English muffins, but both are smaller segments. In terms of absolute dollars, bread and rolls had a strong week and added $37 million over last year.

**Cookies and Crackers**

Results for aisle cookies and crackers in UPC/fixed weight packages were very similar to the past few weeks. Cookies slightly outperformed crackers but both had solid leads over the same week last year. Keeping in mind that America’s baking craze is keeping the baking aisle at very elevated sales levels, up 50.1% over the week of May 17, packaged cookies...
are holding their own, at +10.3%. Cracker sales gains remained in single digits over the same week year ago.

**In-Store Bakery**

Much like deli meat, cheese and prepared offerings, in-store bakery sales continued to be affected by closed or reduced operations. Sales for the in-store bakery (non-UPC, random-weight items, no UPC items) were off by more than 17% versus the same week last year. The only two items tracking in positive territory are bread and croissants.

**What's Next?**

Sales for the deli, dairy and bakery departments have been mixed since the onset of coronavirus in early March. Next week’s report, covering week 11 of vastly changed shopping and spending patterns, is the week of Memorial Day weekend. As the unofficial start of grilling season, this is often a big week for grocery retailing and one that typically provides a nice boost for bakery items. IRI found that one-third of Americans had different plans than in 2019 with 19% saying they would not be hosting or attending get-togethers and 13% foregoing trips that they undertook in prior years. It is likely that just as seen with Easter and Mother’s Day, people celebrated the holiday, but celebrated in different ways. Meanwhile, the relaxation of the stay-at-home executive orders looks different from state to state and encompasses everything from the partial re-opening of dine-in restaurants to the opening of hair salons and gyms to merely shifting from stay-at-home to safer-at-home. As states are rolling out their various re-opening phases, it is likely that shopping patterns will change yet again. One particular area of concern is deli prepared. The coming months will be telling to what extent consumers are ready re-engage with restaurant and retail foodservice.

210 Analytics, IRI and IDDBA will provide sales updates every week. Meanwhile, please thank the grocery industry, from farm to store, for all they do to ensure supply during these unprecedented times.