



Inflation in Packaged Foods: Causes and Implications of Price Growth

March 2024

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INTRODUCTION

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THE STATE OF FOOD INFLATION

Despite declining inflation in 2024, high grocery costs remains a burden

Supply chains and farmgate prices remain under pressure in 2024

The many layers of global inflation

Cooling inflation is being met with supply challenges, protests, and demand for better quality

Fluctuating commodity production puts further pressure on prices

PERFORMANCE OF GROCERY CATEGORIES

Packaged grocery demand adjusts with inevitable price increases landing across categories

Staple foods inflation surges through war and disease...

...with climate change impacts meaning higher prices are here to stay

High prices lead consumers to look for alternatives: The case of rice, pasta and noodles

Prices surge in cooking ingredients and meals driven by olive oil and premiumisation trends

Unit price rises have significantly impacted retail volume sales of edible oils

Snacks prices rise as stricter policies seek to modify demand for the category

Dairy value sales soar due to price rises in 2023, but prices are forecast to stabilise

Both low and high inflation markets present opportunities and risks for food companies

CONSUMER TRADE-OFFS

Savings shrink across most of the world as price of essentials grow

The cost-of-living crisis leads to trade-offs in health and sustainability

Consumers' limited ability to afford healthier diets is likely to exacerbate obesity rates

Desire for healthier and sustainable foods is simmering but saving remains priority

Consumer response depends on income, brand loyalty and perceived value

NAVIGATING PACKAGED FOOD INFLATION

The inflationary context favours private label value share growth in packaged food

Just Egg achieves price parity and points out "Plants don't get the flu"

Tackling inflation in the dairy industry through targeted strategies

Lindt partners with cocoa-free brand ChoViva to launch vegan tablet

Kraft's 2024 volume growth forecasts signal expectations for major cooking aids players

NEXT FOR PACKAGED FOOD INFLATION

The severity of grocery inflation is expected to moderate, but pricing will remain dynamic

Prices forecast to grow across categories, with staple foods benefiting as a grocery priority

With some exceptions, most packaged groceries are set to become price movers

Essentialism, and underlying novel demands, are shaping category performances

While retailers are becoming more active in monitoring and tackling price rises

Opportunities for food players include new recipes and/or new pricing strategies

Volume demand, economic factors and consumer behaviour to determine growth potential

Key findings

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