



COVID-19 RESPONSE

ESTIMATING THE IMPACT OF COVID-19 ON OKLAHOMA'S FOOD INDUSTRY

Learn about the impacts of COVID-19 on the food industry.

Some Oklahoma food manufacturers are facing personnel shortages due to shelter-in-place orders and concerns regarding COVID-19-positive tests among workers. Retailers are facing both runs on certain items, while also limiting in-store shopper numbers and adjusting for rising online/pickup orders. Food service outlets in Oklahoma have closed their dining rooms and limited their staff to support a fully take-out or delivery system, or in some cases closed their doors completely. A recent analysis by Rabobank¹ illustrated the impacts of these shifts in consumer food shopping. According to their analysis, with each 10% decrease in food purchases from food service outlets has come a 3% increase in consumer purchases at retail outlets.

Although the pandemic has caused short-term changes in food industry activities, some changes in food industry activity — especially as it relates to consumer shopping practice changes — may have long-term impacts. This document will overview impacts the pandemic potentially could have on employment and income in Oklahoma in the short term. More details on direct, indirect and induced impacts are available online in a longer report.²

Food and beverage manufacturing contributed \$2.1 billion to Oklahoma's Gross State Product in 2017 (National Association of Manufacturers, 2019 Oklahoma Manufacturing Facts). In 2019, Oklahoma food manufacturers provided 17,800 jobs (Bureau of Labor Statistics, Current Employment Statistics) and an estimated total payroll of

¹ "Rabobank overviews impact of coronavirus-induced 'dislocation in food demand,'" Meat+Poultry, April 13, 2020.

² Available online at: <http://fapc.biz/expertise/resources/COVIDImpactReportMay2020.pdf>

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\$710.6 million (National Association of Manufacturers, 2019 Oklahoma Manufacturing Facts).

Employment in the food service sector for 2019 is reported by the Oklahoma Restaurant Association (ORA) to be 184,700 jobs; total payroll is estimated at \$4.2 billion (BLS). The Oklahoma Employment Security Commission (OESC) reported 2019 data for Oklahoma food retailers to be 21,500 jobs and a total payroll of \$484.3 million (Table 1).

Table 1. Oklahoma Food Industry Employment and Payroll, 2019.

<i>Sector</i>	<i>Employment</i>	<i>Payroll</i>
Food manufacturing	17,870	\$710,611,600
Food service establishment	184,700	\$4,217,504,215
Food & beverage stores	21,500	\$484,302,857

RESTAURANTS

In a recent email communication by the Oklahoma Restaurant Association to its members, it was estimated 8 million U.S. restaurant employees already have been laid off or furloughed representing two out of every three restaurant jobs. Nationally, the U.S. food service industry lost \$30 billion in revenue in March and is on track to lose an additional \$50 billion by the end of April; sustained losses of \$240 billion are forecast for restaurants by the end of the year.³

The ORA also surveyed its members as to how they had been affected by the pandemic. As of April 13, 95 members had responded. Fifty members reported closing one or more of their restaurants, estimating 115 locations temporarily closed and eight locations permanently closed. Additionally, these members reported they had laid off 19,253 employees; furloughed 21,260; terminated 18,257 and have 3,649 remaining employees.

FOOD RETAILERS

Food retailers also have had to make adjustments. Many have cut back their store's open hours partly as cost saving measures but also as a means to better manage supply shortages. Increased demand for packaged foods and other consumer goods has left shelves bare in several categories, resulting in shopper purchasing limits when restocked items become available. In an effort to emphasize and comply with social distancing recommendations, retailers also have limited the number of shoppers in the

store and provided special hours for senior citizens and those who are immune compromised.

Trade publications have reported some grocers are adding jobs due to record sales; not just a surge experienced as consumers stock up, but also higher sales compared to a year ago after sales have leveled following the initial surge. Additionally, some retailers are providing a \$2 per hour increase in pay temporarily (Progressive Grocer). According to Jay Roberts, executive vice president of the Oklahoma Grocers Association, the OGA is receiving similar reports from its members.

Initially, it seems employment and payroll in Oklahoma's food retail sector may have experienced a slight increase at least temporarily. This sector may be the least negatively affected, but there are still a lot of unknowns as COVID-19 cases continue to increase and shelter-in-place restrictions transition. The OGA communicated to its members via email on April 9 that at least nine Oklahoma communities have implemented a curfew in an effort to reduce exposure to the virus. It is possible grocers in these communities could experience decreased sales as a result of restricted public access.

FOOD MANUFACTURING

Regarding impacts on food manufacturing, the news has been mixed. Many processors are working to meet consumers' increased demand for food products in the food retail sector and through online sales/home delivery as well as to maintain orders for the food service establishments still in operation. However, by implementing social distancing strategies, they have had to slow the speed of production but yet extend or add production shifts, thus many now operate 24 hours per day.

MADE IN OKLAHOMA

An informal survey of the 70 Made In Oklahoma (MIO) Coalition companies was conducted by the Oklahoma Department of Agriculture Food & Forestry (ODAFF) to assess impacts of COVID-19. According to ODAFF, by the end of the first week in April, many of the larger, established companies have reported operating at maximum capacity. At the same time, the smaller companies that primarily market to specialty stores and companies that normally service restaurants and institutions are struggling. A few have reported up to an 80% drop in sales since mid-March. Additionally, most of the members have e-commerce capabilities and are running special promotions to boost online sales.

HOPEFUL OUTCOME

While the potential negative impacts that COVID-19 might have on Oklahoma's food industry and the state's economy as a whole have been outlined briefly here,

³ National Restaurant Association survey of more than 6,500 operators nationwide.

the assumptions are speculative at best. It is difficult to estimate how telecommuting in many industry sectors will offset potential employment and income losses. Additionally, recent stimulus packages should offset income losses to some degree for many American workers and provide opportunities for small businesses in all sectors of the economy, not just small food industry companies, to re-enter the economy. To better understand the economic impacts COVID-19 will have on Oklahoma's food industry, an impact study will need to be conducted once data are available after the pandemic has ended and some sort of normalcy has returned.

Additional details available online at: <http://fapc.biz/expertise/resources/COVIDImpactReportMay2020.pdf>

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