



2021 Food Manufacturers Survey

At the Inflection Point: Managing in the New Normal

Introduction: 2021 Food Manufacturers Survey



The pandemic is a fundamental inflection point for the industry. The primary effect is an acceleration of trends.

- Ten years happened in 12 months.
- The world as we knew it before the pandemic is gone.
- Consumer behavior may not revert to pre-COVID norms.
- Technology has radically altered how we live and work and shop.

Research Objectives

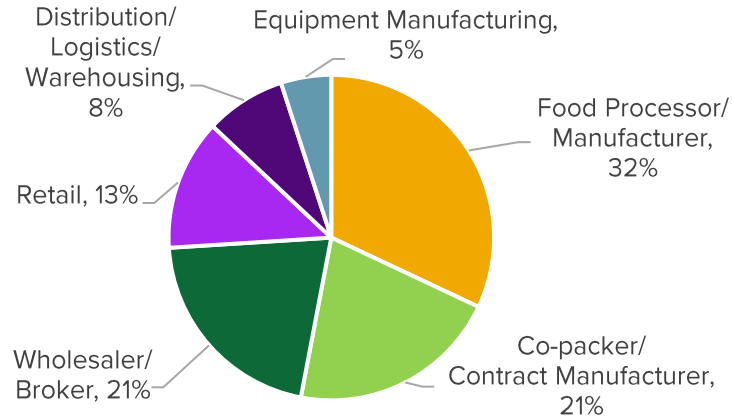


- Examine the challenges experienced by the industry at this key inflection point
- Identify emerging trends
- Help the industry benchmark progress
- Celebrate successes

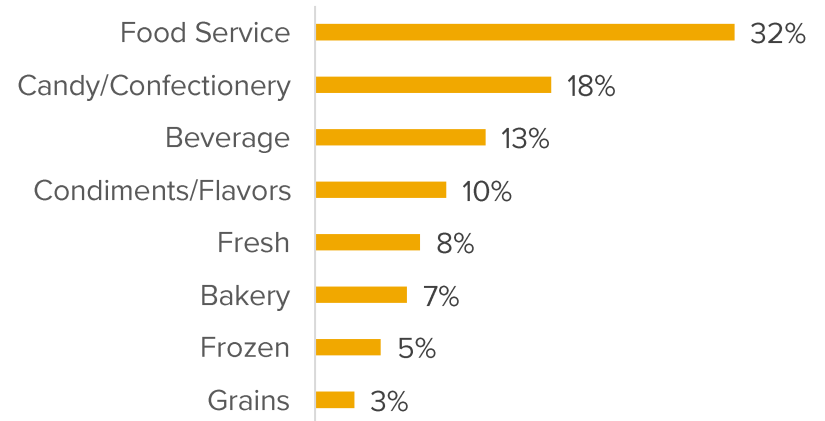
Food Manufacturers Survey

- Survey developed and fielded in March 2021 in collaboration with the New Jersey Food Processors Association
- 53 New Jersey food manufacturers participated
- Representing all categories of food manufacturing, all food categories, and all primary selling channels

Food Manufacturing Categories



Food Categories

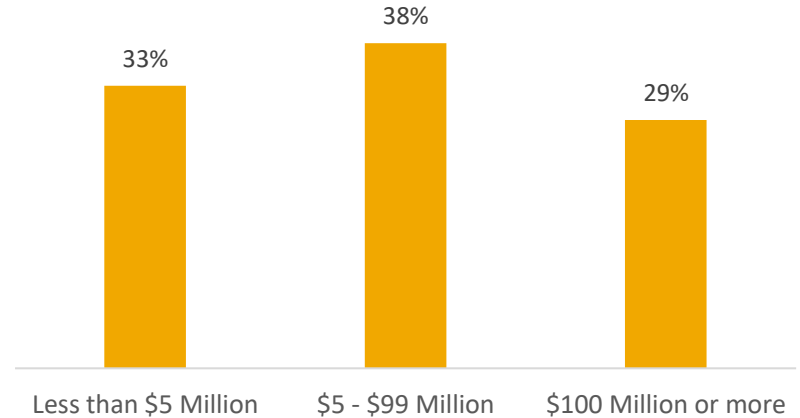
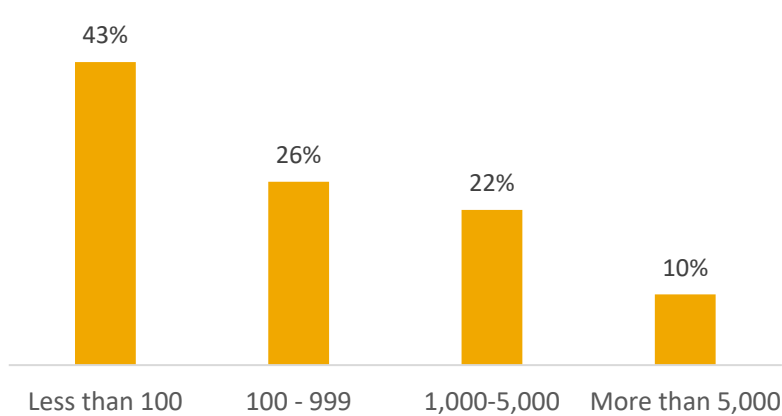


Broad Range of Manufacturers Participated

- Majority of participating manufacturers have fewer than 1,000 employees, but 10% have over 5,000.
- One in three manufacturers had revenues of less than \$5 million in 2020, 38% had revenues of \$5 - \$99 million, and 29% had revenues over \$100 million.

Size of Manufacturer: Number of Employees

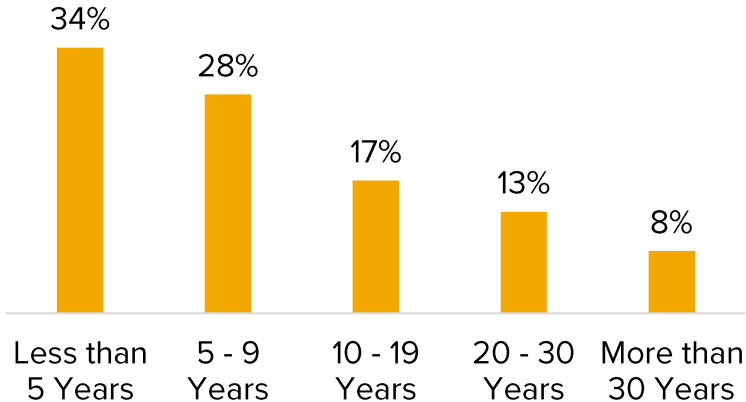
Size of Manufacturer: 2020 Revenues



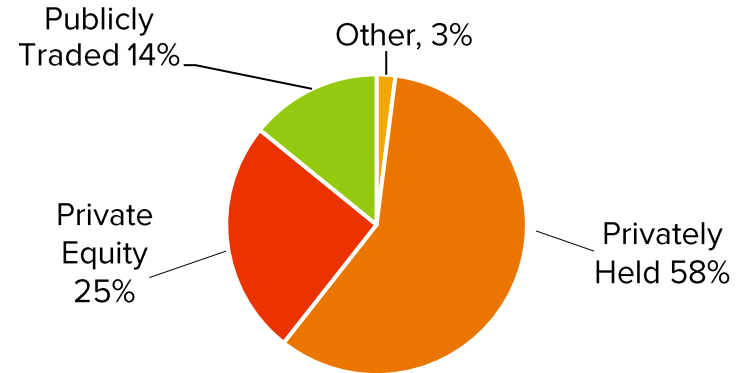
2021 Food Manufacturers Survey

- The majority of participating food manufacturers have been in business less than 10 years, but many have been in business for decades.
- Over 50% are privately held and one in four are private equity businesses.

Years in Business



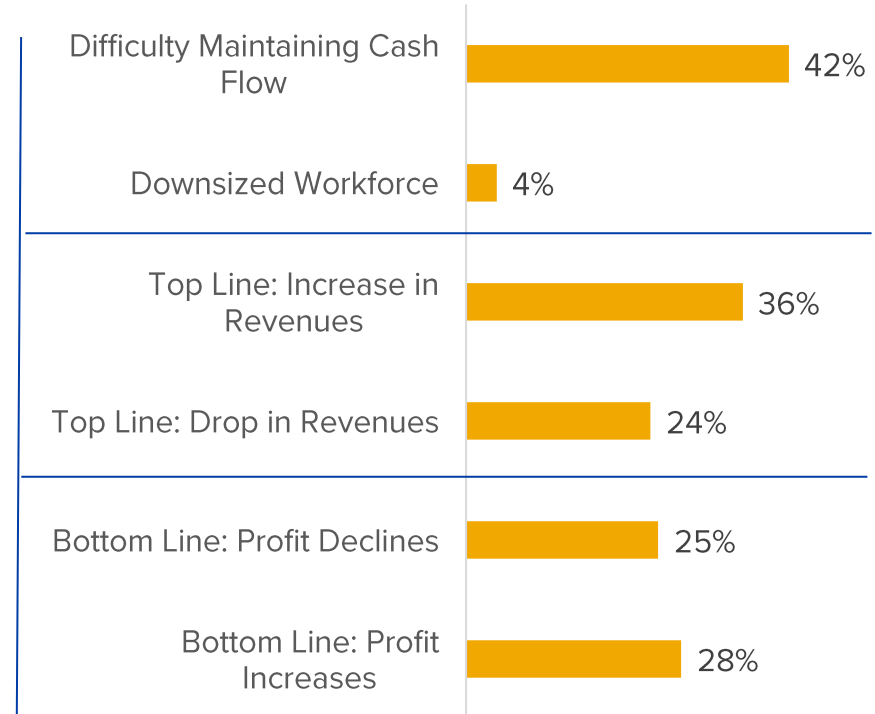
Ownership Structure



Food Manufacturers: Captains in the Storm

In the Past 12 Months

- One in six experienced a significant reduction in demand from customers.
- Even though 42% had difficulty maintaining adequate cash flow to stay open, only 4% downsized their workforce.
- Top line: although almost one in five (24%) experienced a drop in revenues, a greater number (36%) saw revenues rise.
- Bottom line: one in five (25%) saw profits decline, but a nearly equal number (28%) experienced increased profits.



Seismic Changes in Market Demand

2020: The Time When Everything Changed

- The streets and many stores were empty.
- At-home food consumption soared.
- Out-of-home food consumption came to a standstill as restaurants, hotels, and schools closed.
- Retailers experienced stockouts, cut SKUs, reduced shopper density, and eliminated sampling.
- The “Grab and Go” shopping experience was not conducive to new product launches.
- Direct-to-consumer, e-commerce, and delivery options boomed.



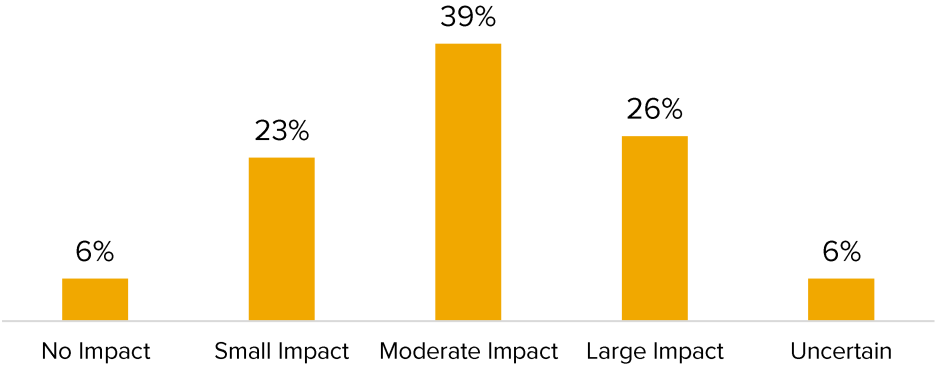
Online Grocery Sales to Total \$24 Billion in 2020*

*Business Insider

Will the Trend to Online Shopping Continue?

- 87% of manufacturers surveyed say yes
- But the expected impact on their business varies

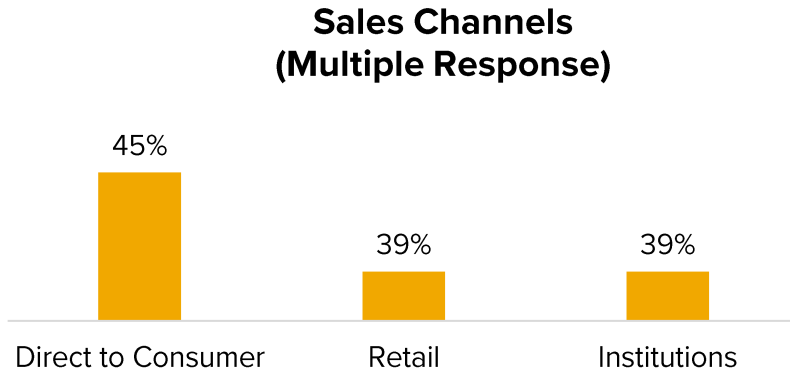
Estimated Impact on Business



45% of Manufacturers Selling Directly to Consumers

In August 2019, 13 million U.S. households were active online grocery customers, meaning they had purchased groceries online over the preceding 30 days. By May 2020, that number rose to 43 million.*

*BMC Consulting



Supply Chains Crashed

“Delivery of products is very challenging during this time and very costly.”

“Supply chain issues caused lead times to increase.”

“Out-of-stock raw materials and transportation delays were the biggest challenges.”

“Shortages of ingredients caused us to over purchase to get the things we needed. Items ordered from China seemed to have the biggest delays or became unavailable.”



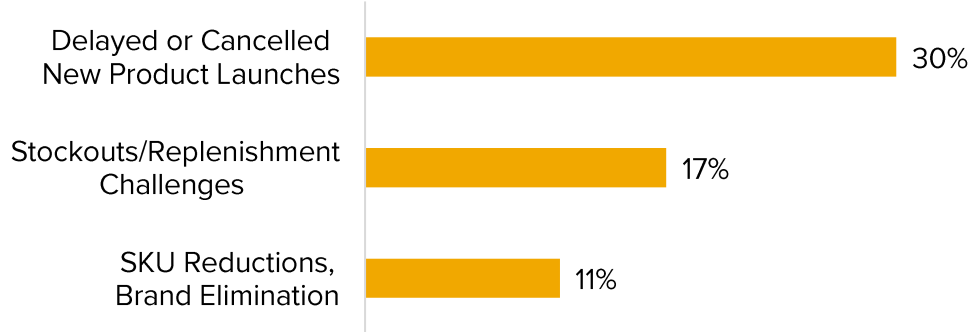
Challenges in the Past 12 Months



Simplification was the Innovation

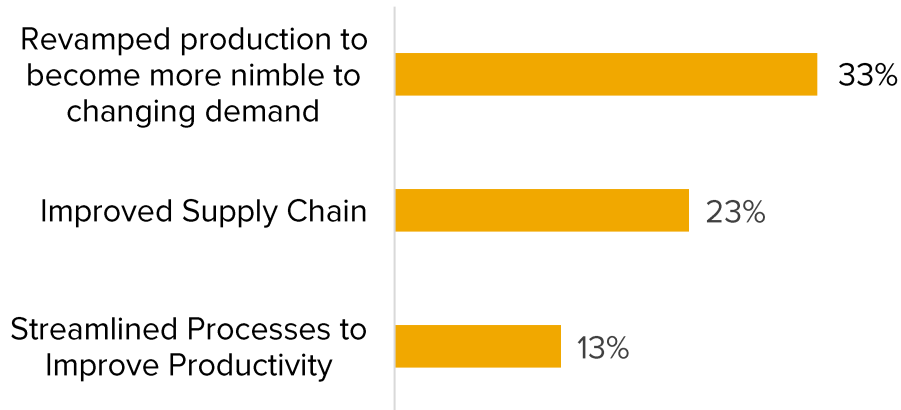
Core brands and SKUs Were Prioritized

Challenges in the Past 12 Months

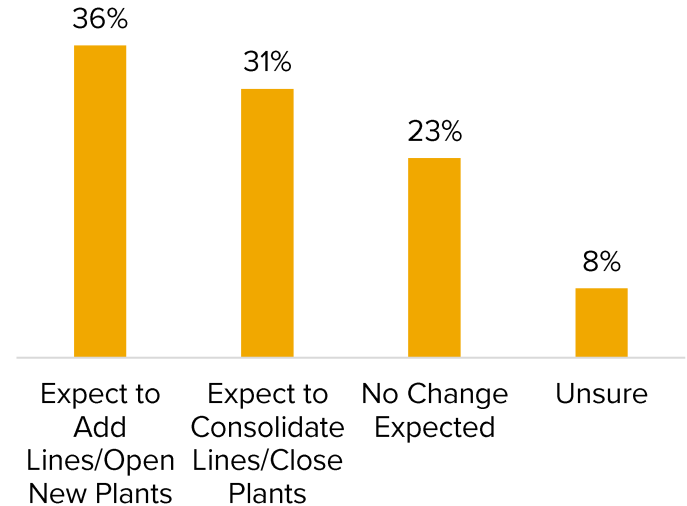


Fixing the Supply Chain

In the Past 12 Months



In the Next 12 Months



COVID's Radical Impact on the Workplace

“The biggest challenge was COVID infections of employees and/or family members in March/April that resulted in temporary plant closings. Restrictions on travel and face-to-face sales continue to be a challenge.”



Almost one in ten (9%) manufacturers experienced an outbreak of COVID among their workforce in the past 12 months.

Managing costs associated with the pandemic was challenging, according to 15% of manufacturers surveyed.

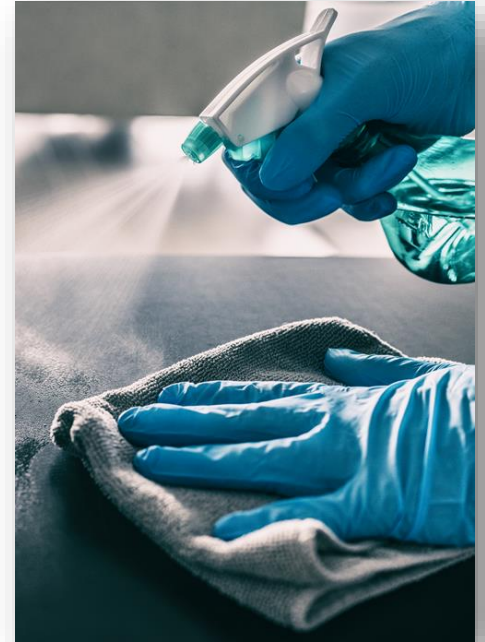
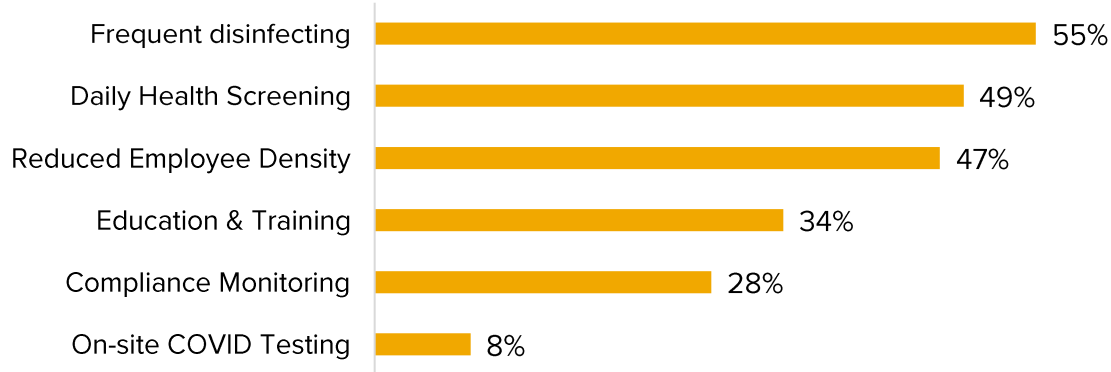
“Increased labor costs are very hard to recover through productivity improvements.”

Food Manufacturers Adapted Quickly

Keep Them Safe

“Increased demand for our products required us to add additional shifts and employees in order to keep everyone distanced.”

Health & Sanitation Protocols (Multiple Response)

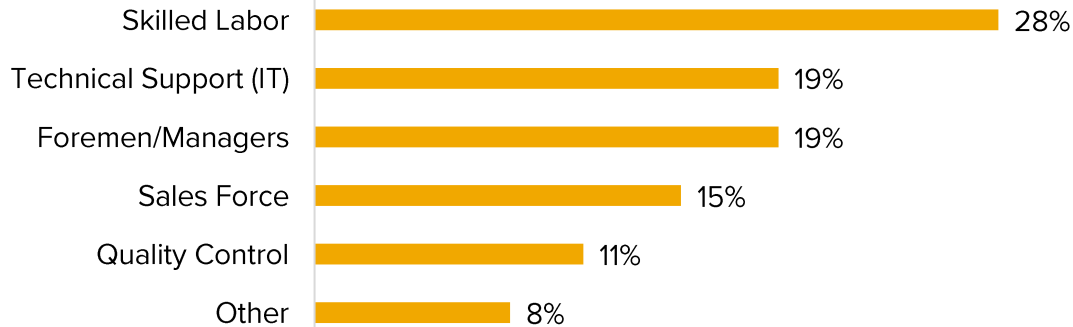


Food Manufacturers Adapted Quickly

Struggling to Find Staff

“Unemployment checks that were larger than the employee’s normal pay caused a workforce shortage. Many preferred to stay at home and receive more money than come to work.”

Most Difficult-to-fill Job Categories



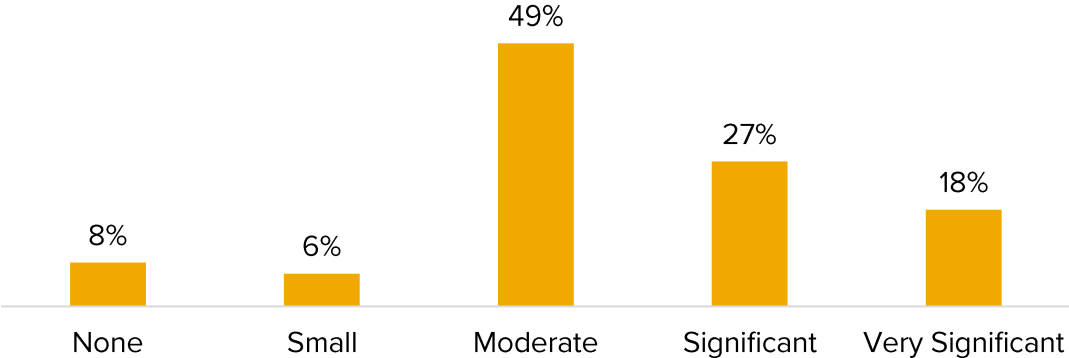
More than one in five (21%) manufacturers said they had trouble recruiting and retaining employees during the past 12 months.

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Insurance Costs Create Pricing Challenges

Close to half of manufacturers (45%) say that the rising cost of insurance has a significant negative impact on their ability to price products.

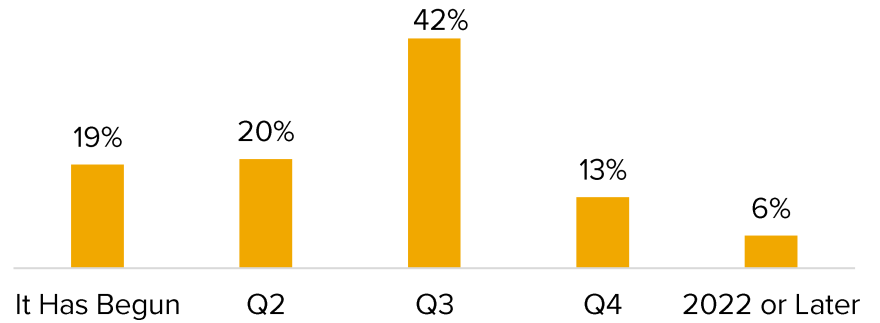
Estimated Impact on Business



Manufacturers Optimistic About Recovery

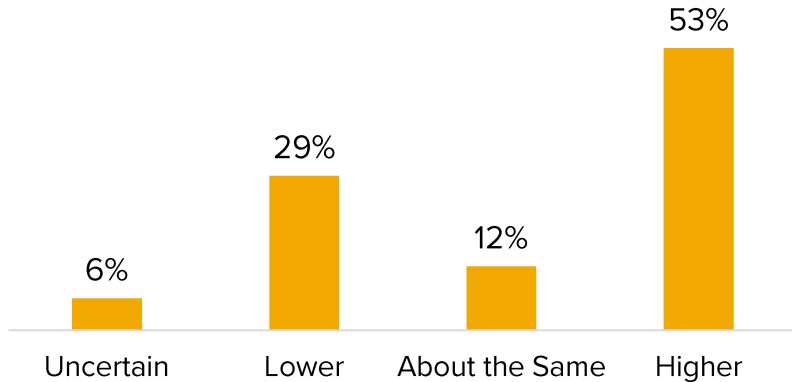


Expected Timing of Recovery in the Food Manufacturing Sector

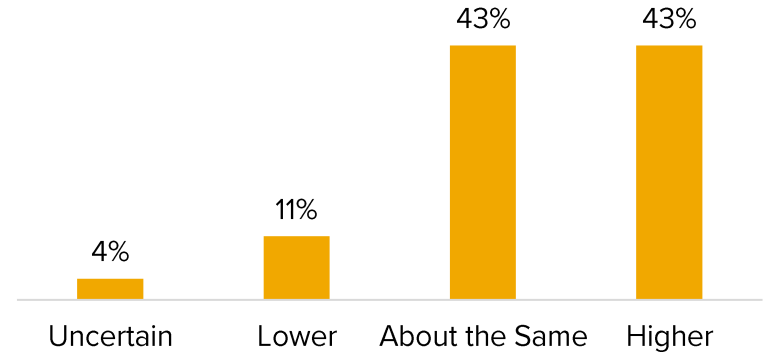


Manufacturers Optimistic About Production & Revenues

Expected Change in Production Levels
Next 12 Months

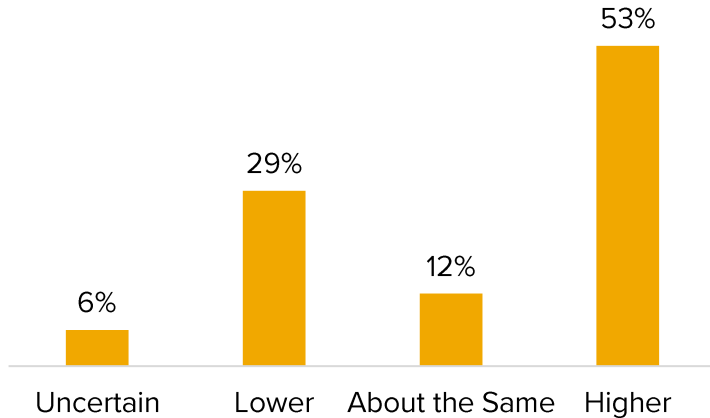


Expected Change in Revenue
Next 12 Months



Over 50% Expect Growth in Capex

Expected 2021 Change in Capital Spending
Next 12 Months

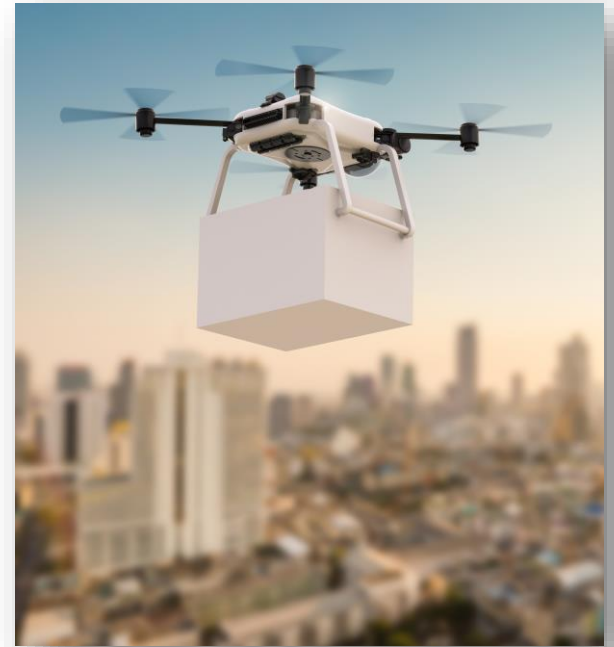
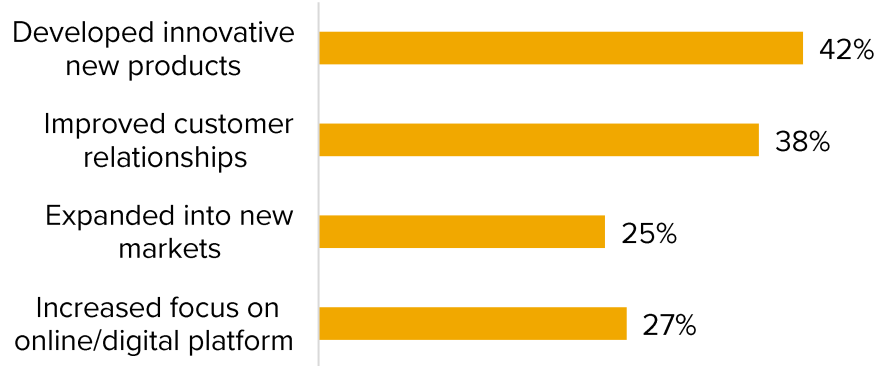


Technology	Planning to Invest Next 18 Months	Using Now
Enterprise Resource Planning (ERP) to Manage Production and Supply Chain	51%	57%
Product Lifecycle Management	28%	36%
Sensors, Remote Controls, Wireless Plant Networking	23%	13%
Artificial Intelligence/Predictive Supply Chain Management	22%	17%
RFID Technology	21%	17%
Cloud Computing	17%	38%
Robotics/Automation	13%	8%
GPS Tracking Systems	13%	23%

Problems are Market Opportunities

Innovate, Improve, Expand, Focus

Successes in the Past 12 Months

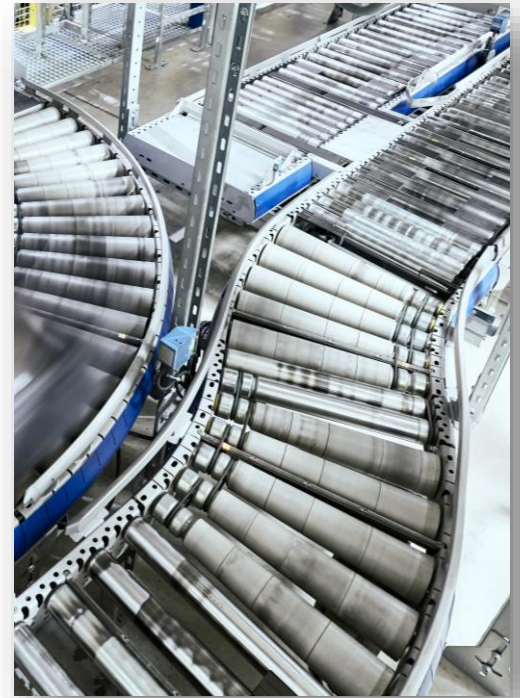
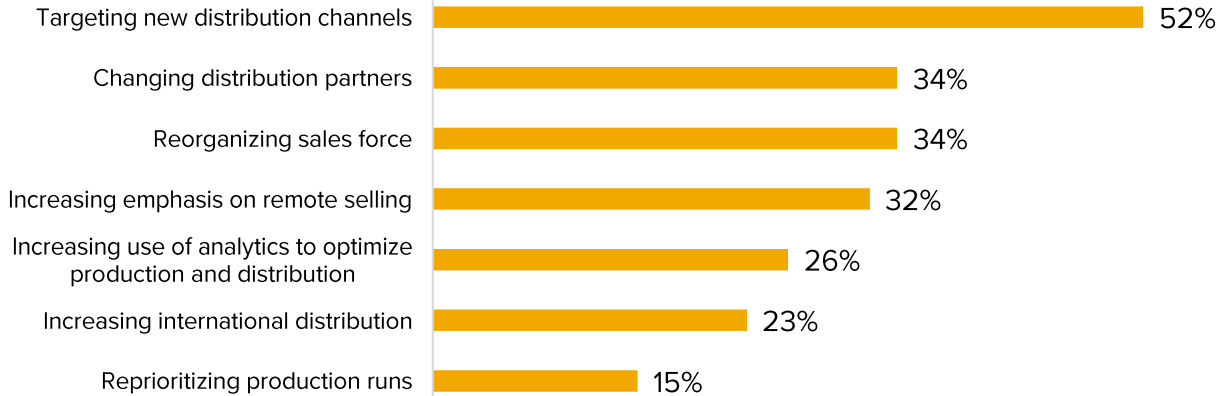


Manufacturers Consider Next Steps

“Improving efficiency is a big opportunity for us.”

“Reemergence of hospitality industry should create sales growth opportunities.”

Distribution Strategies Being Considered



Summary


Innovations and New Ways of Doing Business

- While COVID brought challenges, the past 12 months also offered opportunities for many manufacturers to innovate and find new ways of doing business.
- In the past 12 months, New Jersey food manufacturers have developed innovative new products, improved customer relations, and expanded into online markets.
- The world we knew before the pandemic is gone. Consumer behavior is unlikely to revert to pre-COVID norms.
- Technology has radically altered how we live and work and shop. Future success depends on adapting to trends ushered in by the pandemic.
- The velocity of change will remain high. Ten years happened in 12 months. This is a defining moment in food manufacturing. Creative disruption is everywhere. Industry leaders must be ahead of the curve to take advantage of opportunities.



Acknowledgements

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rithafellerman@rfresearchservices.com