



Trends, Challenges, and Opportunities in the Food Industry

Food Industry Executive 2020



NAEGELE-INC.COM
708-866-0819

#1 Supplier of Automated Bakery Equipment

Solutions for bread, pizza, pastries, cookies and more. Complete turn-key lines or single unit machines to:

- * Increase capacity
- * Improve consistency
- * Reduce costs



EXCLUSIVE NORTH AMERICAN SUPPLIERS FOR:



Senius Food Equipment

Table of Contents

03	Letter from the Editor
04	Key Takeaways
05	Part 1: Trends
09	Part 2: Challenges
12	Part 3: Opportunities
16	What's Ahead
17	About Food Industry Executive

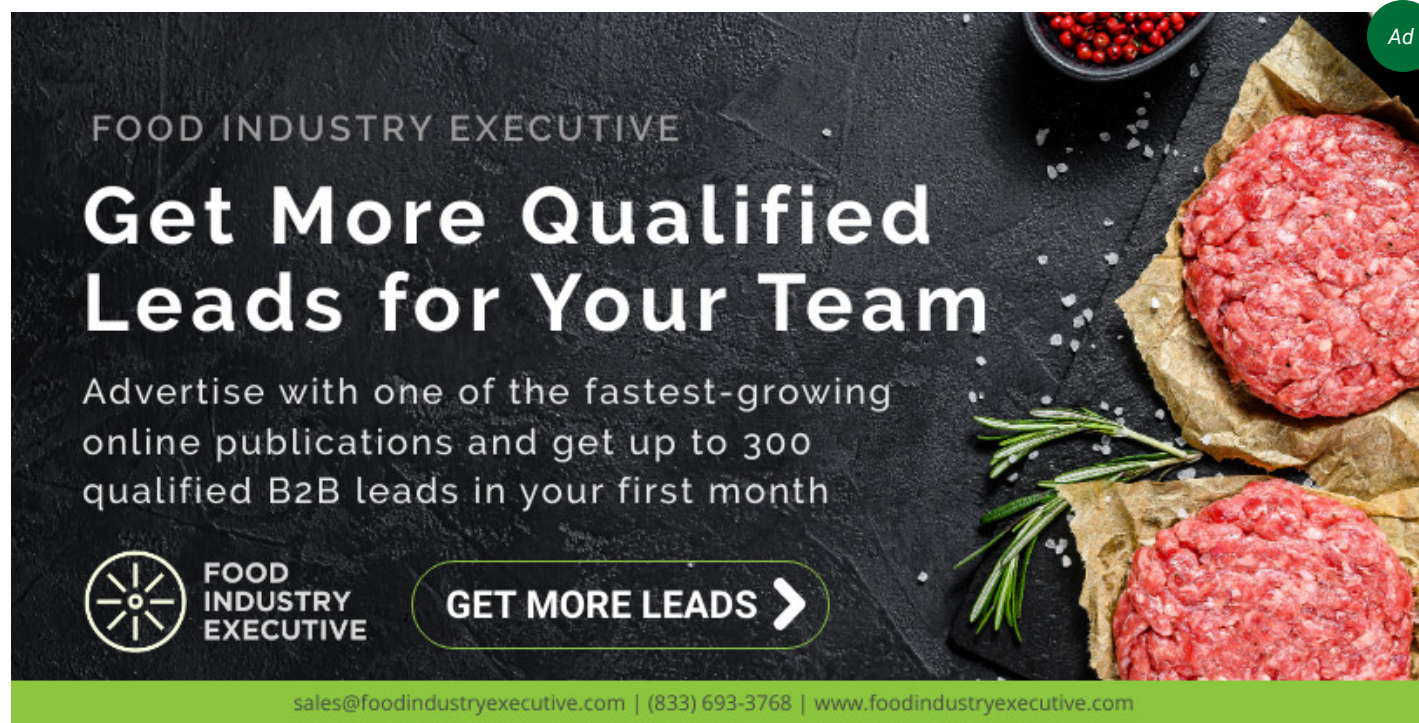
Letter from the Editor

The pace of change in the food industry is faster than ever, and it keeps accelerating. Much of the pressure comes from constantly changing consumer preferences—these days, if it takes you 18 months to launch a new product in response to a consumer trend, you’ve probably already missed the window.

The industry continues to face pressure from other areas as well. E-commerce is stealing market share from traditional retailers, with online food and beverage sales forecast to increase by **32% annually**. The labor shortage is driving an increase in automation, and consumers are becoming a lot more interested in sustainability and corporate social responsibility.

We asked 150 food processors and their suppliers about the trends and challenges they anticipated would take off. This report examines areas of overlap and disconnect between processors and their suppliers, assesses how their predicted trends have played out so far, and explores the top opportunities for growth.


Krista Garver
Editor in Chief
Food Industry Executive



FOOD INDUSTRY EXECUTIVE

Get More Qualified Leads for Your Team

Advertise with one of the fastest-growing online publications and get up to 300 qualified B2B leads in your first month

 **FOOD INDUSTRY EXECUTIVE**

GET MORE LEADS ➔

sales@foodindustryexecutive.com | (833) 693-3768 | www.foodindustryexecutive.com

Thank You to a Few of Our Advertisers



Key Takeaways

01

Processors see health as the top consumer-driven trend impacting the food industry. This is seen in demands for “natural / organic / non-GMO / clean label,” “healthy / functional foods,” and “plant-based products.”

02

Processors and their suppliers agree that convenience packaging and sustainability are the two biggest trends influencing how food is sourced, manufactured, and marketed.

03

The primary challenges across the entire industry are attracting and retaining employees and sales and marketing effectiveness.

04

Trade shows continue to be the most significant driver of new business for both processors and their suppliers. Both groups also believe the greatest opportunity lies in developing strategic partnerships.



Let Nilfisk help mitigate the risks of combustible dust.

Keep your people and facility safe. Discover how our full range of solutions can address your facility challenges.

nilfisk.us/combustible-dust

 **Nilfisk**

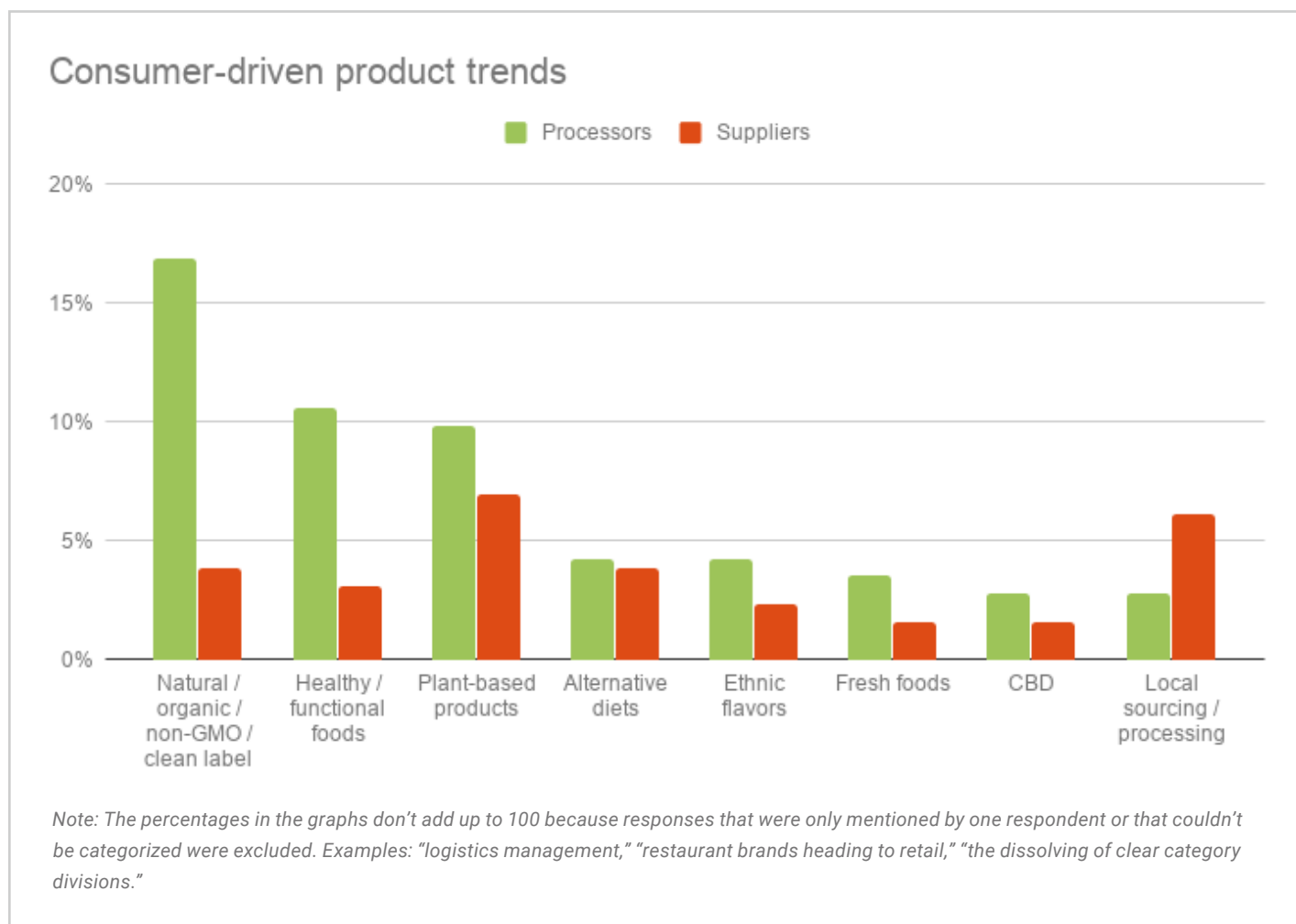
Ad

Part 1: Trends

What are the top trends you predict will impact the food industry?

We asked this intentionally open-ended question to discover what trends are top-of-mind for processors and suppliers. We then divided the answers into two major categories:

- Consumer-driven product trends
- Processing, packaging, and other trends



Both processors and their suppliers identified similar consumer-driven product trends. The greatest discrepancies were seen in the "natural / organic / non-GMO / clean label" and "healthy / functional food" categories. Processors were much more likely than suppliers to say these trends would take off. Suppliers predicted a larger emphasis on local sourcing / processing.

Looking back on the year, the two trends that arguably had the biggest impact were



“plant-based products” and “healthy / functional foods.”

In July 2019, the **Plant Based Foods Association and the Good Food Institute released data** showing that U.S. retail sales of plant-based foods were up 11% year over year, compared to overall sales, which were up only 2%. The largest gains were seen in the dairy case. In particular, sales of plant-based yogurt were up 39%, sales of plant-based ice cream and novelty items were up 27%, and sales of plant-based cheese were up 19%.

Plant-based meat also experienced a massive jump in popularity. Most major quick service restaurants

now offer plant-based versions of their signature meat items, and many traditional meat companies—including Hormel, Tyson, and Smithfield Foods—**have launched or at least announced** their own line of plant-based protein products.

Barclays predicts that the alternative meat category will comprise 10% of the total meat market by 2029.

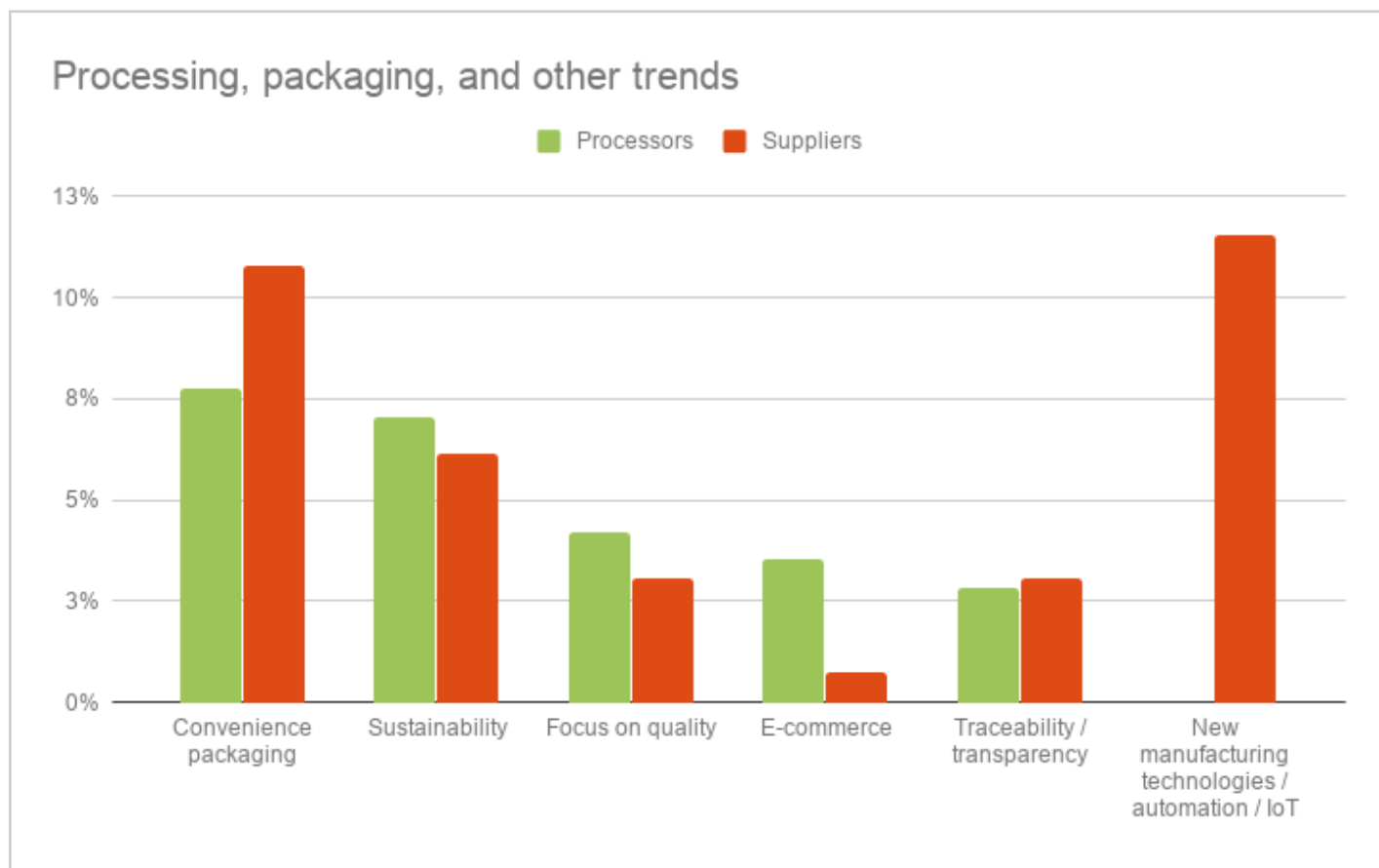
Meanwhile, organic sales continue to soar, **but at a slower pace**. And clean labels, the biggest trend of the past few years, have become table stakes. According to data from Kerry, today’s **consumers expect food to be healthy** and are now **turning their focus to functional benefits**, such as helping them manage their weight, mood, energy, and sleep.

The functional food trend will very likely continue to grow in 2020 beyond. A **2019 analysis by Tastewise**, which uses artificial intelligence to predict future food trends, showed that more than one-third of consumers are looking for functional benefits from food and beverages.

In particular, the next big area of opportunity could be wellness—the Tastewise data shows a 23% increase in consumers looking for food and beverages with wellness benefits.



For non-product factors, both processors and suppliers agreed that convenience packaging, and sustainability would be the biggest trends—and they were right.



For the past few years, consumers have been eating fewer meals and more snacks. In 2019, **Mondelēz International released its first-ever State of Snacking report**, which showed that almost 6 in 10 consumers (59%) worldwide prefer eating small snacks throughout the day as opposed to a couple of large meals. This trend was even stronger (70%) among younger consumers, suggesting that the snacking trend—which drives demand for convenient packaging options—is here to stay.

One challenge for convenience packaging is that consumers are also demanding that companies improve their sustainability efforts. **Evergreen Packaging's 2019 Food and Beverage Packaging Trends** report found that more than half (51%) of grocery shoppers have changed what they buy because of the type or amount of packaging. The trend toward healthier foods also interacts with the desire for more sustainable packaging—71% of shoppers expect healthier foods and beverages to also use healthier packaging materials.

Of course, sustainability means more than just packaging. Today, it's become an umbrella term for everything related to a product or company's environmental footprint, from farming practices and fair trade ingredient sourcing to **water security** and waste reduction.

Finally, suppliers identified new manufacturing technologies as well as automation / IoT as the combined biggest trend of the year. To help processors keep lines running and meet the challenges facing the industry (more on that in Part 2), OEMs have been focusing on bringing new, innovative technologies to market.

To see what's new, explore these highlights from some 2019 industry trade shows:

- **PROCESS EXPO's Innovations Showcase**
- **PACK EXPO's inaugural Technology Excellence Awards**
- **IBIE's Innovation Showcase**

Ad

Maximize Your Line Efficiency, Minimize Your Downtime

Whatever your product, we can handle it.

Whether you're in food, beverage, or pharma, our patented accumulation systems can increase your throughput by up to 30%.

Schedule a test today.

www.garvey.com 609-561-2450

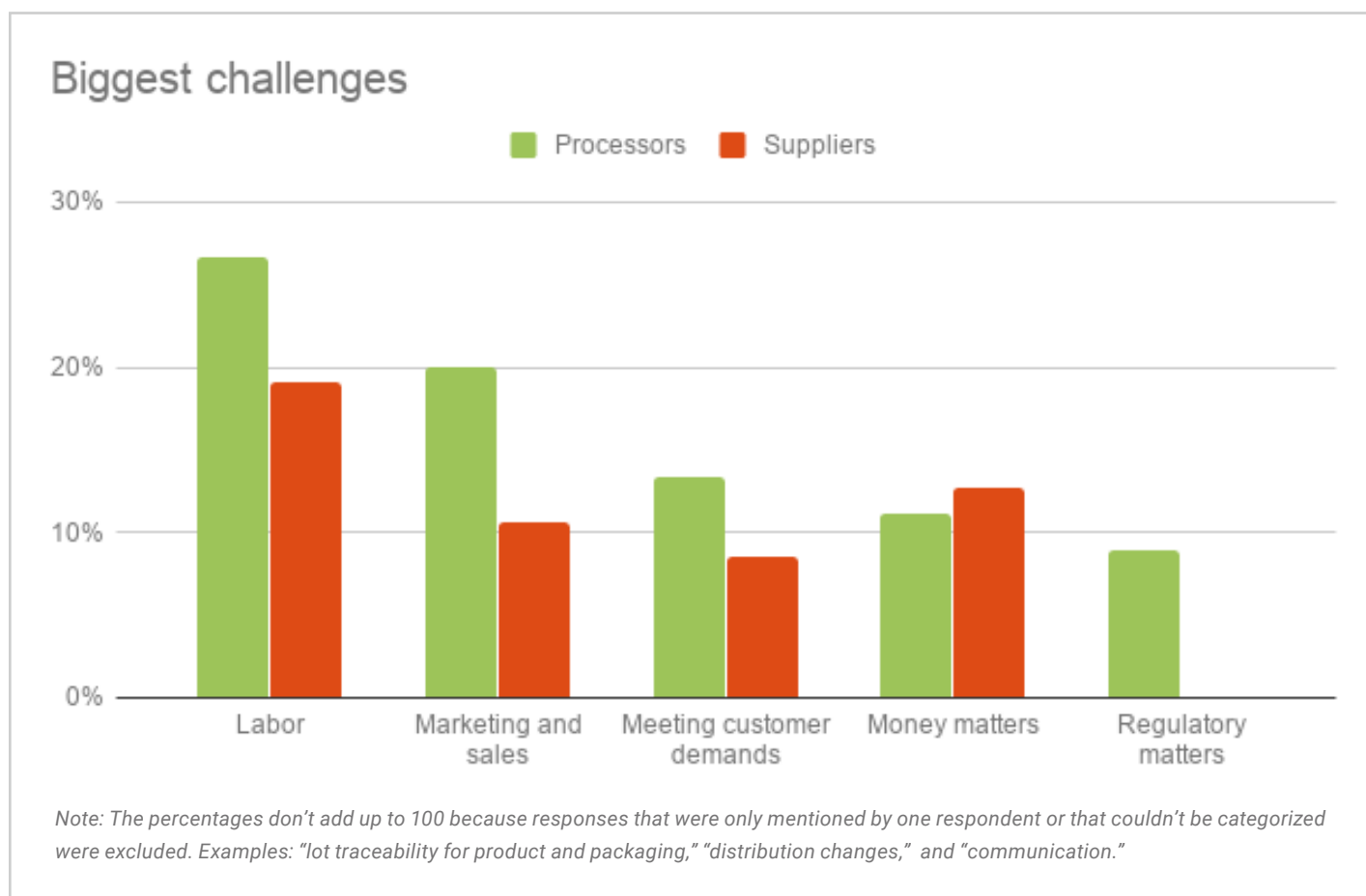


Part 2: Challenges

We asked respondents both about their personal challenges at work and about the greatest challenge facing their organization.

What's the biggest challenge in your day-to-day work?

It will probably come as no surprise that the most significant challenge facing both processors and their suppliers is labor. The food industry is struggling to deal with a shortage of employees across the board, from skilled and unskilled labor in manufacturing plants to **truck drivers**.



As we mentioned earlier, to help processors cope with this shortage, OEMs are busy developing new automation technologies, **such as cobots**, so that plants don't require as many people to run. According to **Sage's 2019 manufacturing report**, these are the top skills that will be most critical for companies looking to become market leaders:

- Proficiency in data science and computer science
- Advanced critical and creative skills
- Proficiency in engineering
- Ability to augment human capability with machines



Representative answers for other major challenges respondents identified:

Processors

Marketing and Sales

"Differentiation of key features and benefits within the ever-changing competitive landscape"
 "Market penetration"
 "Achieving my goals per month"

Customer Demands

"Shifting consumer trends"
 "Offering natural and nutritional food"
 "Creating a great-tasting, affordable new product"

Money Matters

"Cost of ingredients / packaging"
 "Shipping cost effectively"

Regulatory Matters

"Changing regulations"

Suppliers

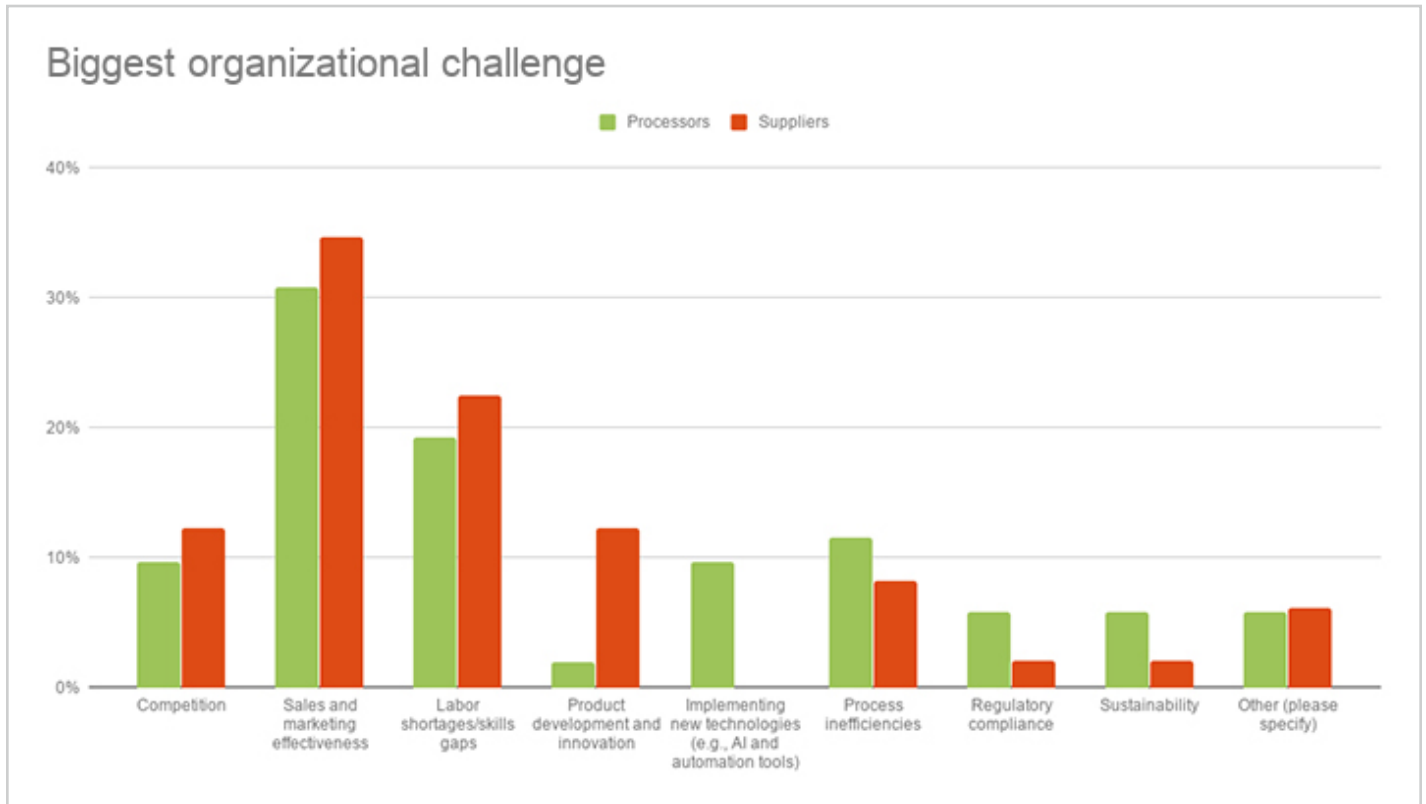
"Generating new business opportunities"
 "Obtaining leads"
 "Getting the word out"

"Getting clients to clearly identify goals"
 "Adapting to all different markets and needs"
 "Delivering when customers need products"

"Working capital / payment terms"
 "Economic variances"
 "Customer available capital"

What's the biggest challenge facing your organization?

When asked about the greatest challenges facing their organization, respondents again identified labor and sales and marketing as the top two, but this time the order was reversed.



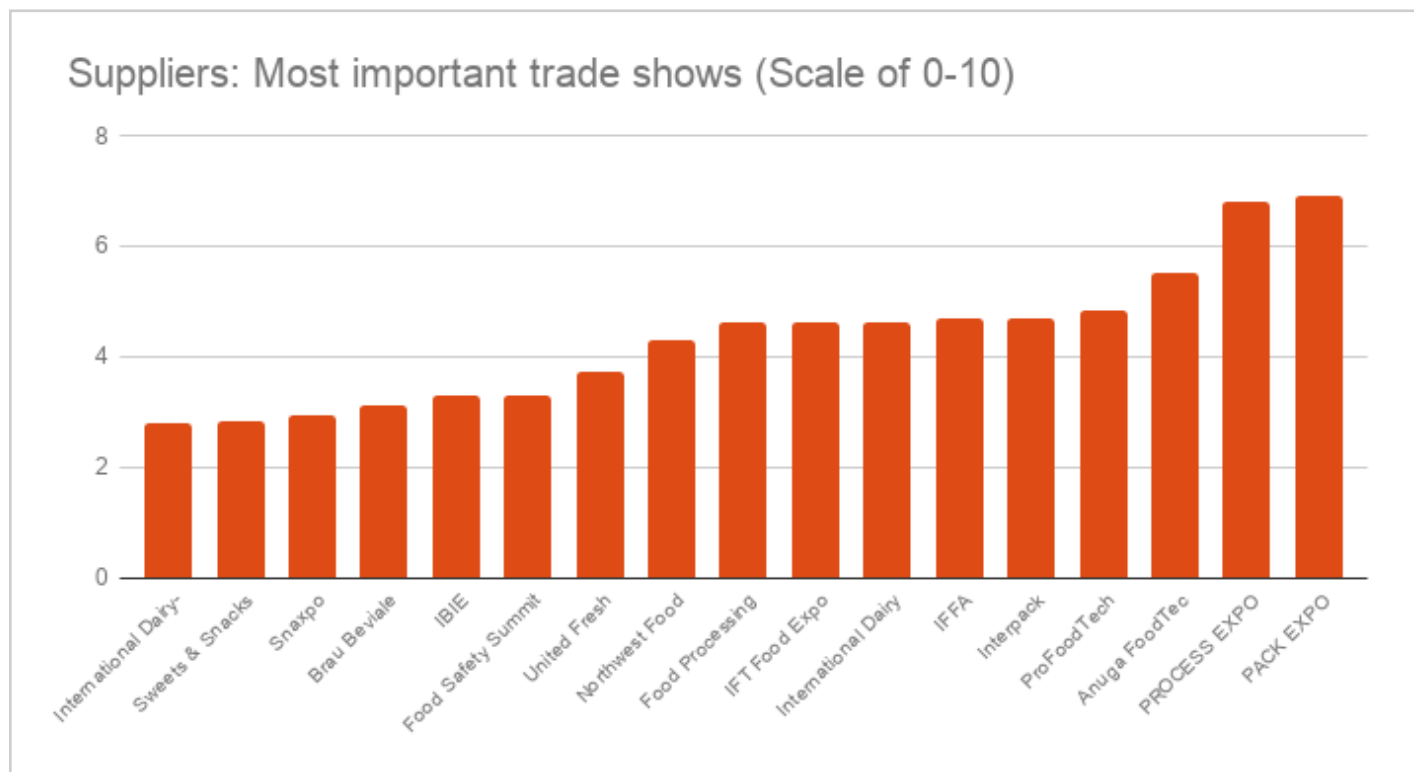
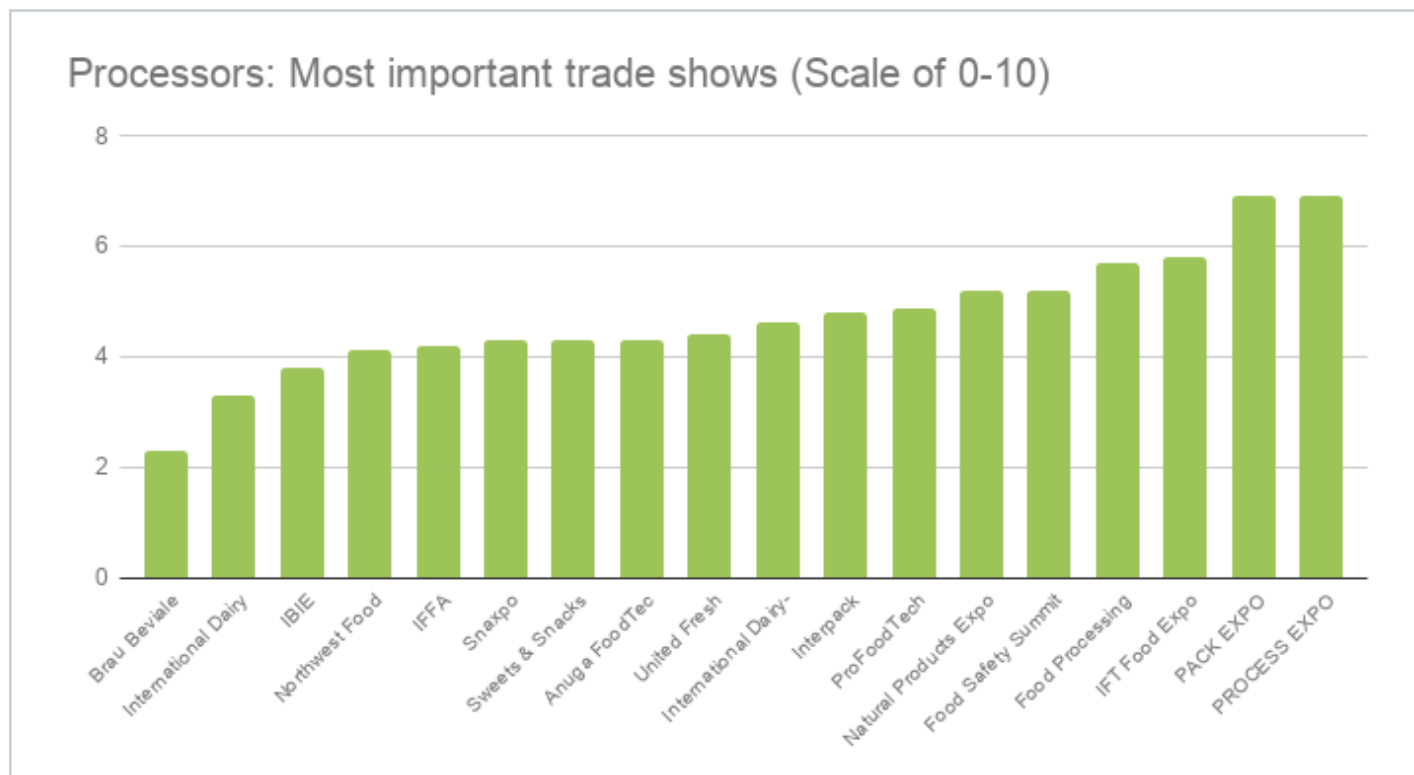
Part 3: Opportunities

What process, trade show, tool, or tactic delivers the top ROI to your company?

Trade shows continue to drive the most growth for companies in the food industry.



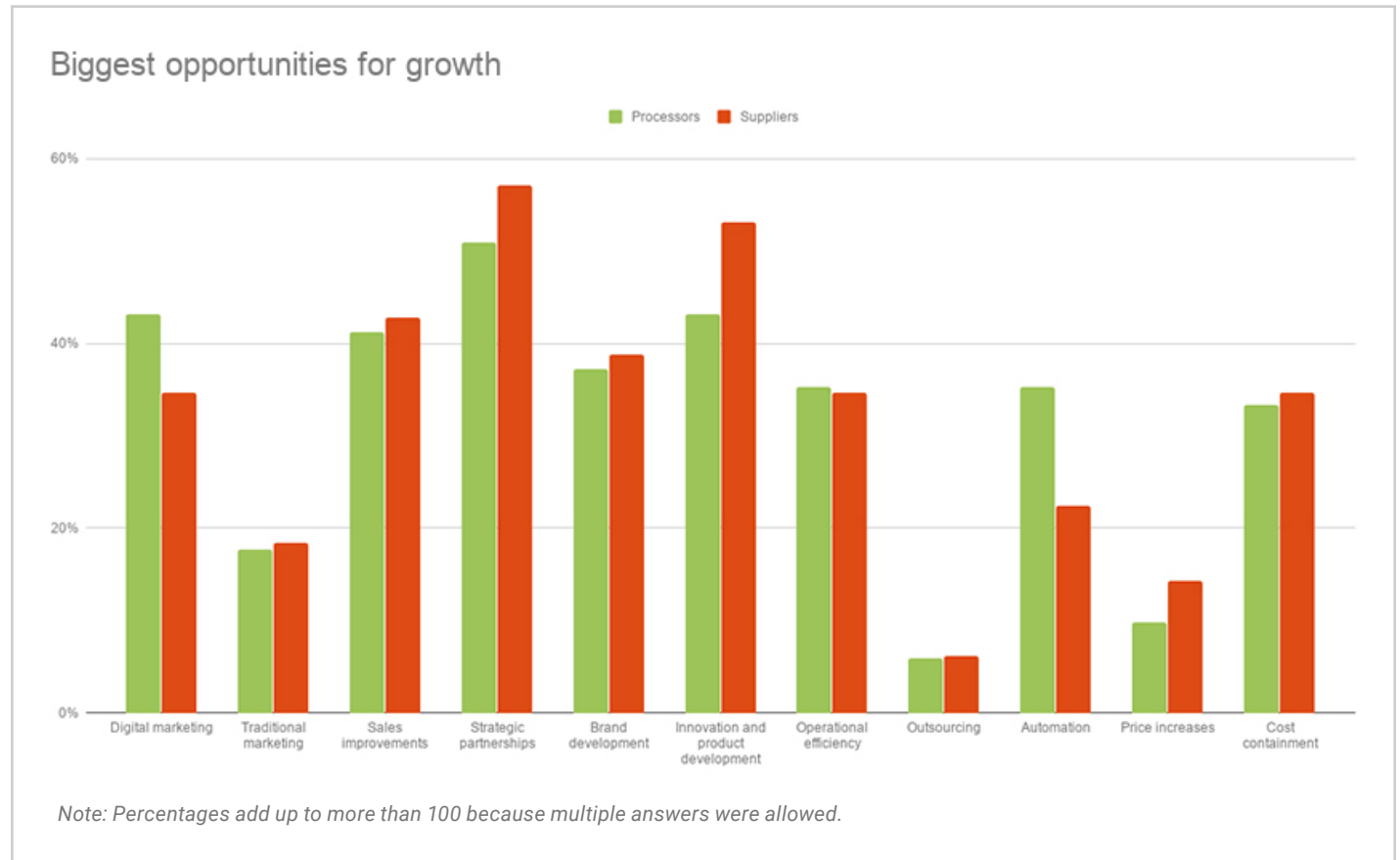
Here are the shows respondents said deliver the most value:



Visit Food Industry Executive for **upcoming trade shows**.

What do you believe are the biggest opportunities for growth?

Finally, both processors and their suppliers see “strategic partnerships” and “innovation and product development” as the two greatest opportunities for growth. These results suggest stakeholders across the food industry will be looking to one another for new solutions to tackle the challenges ahead.





Ad

Food Trends Are Constantly Evolving. Stay Ahead with Insights and Strategy.

Grow Smarter and Faster with Spectacle.

We are a creative strategy consultancy that combines analytical rigor with bold creativity to deliver strategically sound solutions with inspired impact.

Contact us to learn more about how we can help you grow your business.

Our Capabilities:



Insights



Strategy



Brand Vision



Innovation



Customer Experience



Design

SPECTACLE
www.spectaclestrategy.com

What's Ahead



The trends that define the next few years will likely be extensions of those that shaped the past few, namely functional foods, convenience packaging, plant-based products, and sustainability.

Consumers will look for foods with more functional benefits, especially for wellness, and also continue to demand a wider variety of snackable portions. The plant-based trend will challenge food manufacturers to keep things interesting by incorporating unique ingredients and flavors, and we will see more exploration into plant-based recipes that better mimic the taste and texture of meat and dairy products.

Regarding sustainability, consumers will be looking at all aspects of food, from the way it's grown and harvested to the environmental impact of its packaging. Predictions point to an increase in environmentally-friendly agricultural practices, waste reduction efforts, and innovations in food packaging.

Food Industry Executive is a comprehensive resource hub for food industry suppliers, processors, and packagers looking to grow their business.

Whether it's getting caught up on the latest headlines, finding the next trade show to attend, or searching for a piece of production facility equipment, it's our team's mission to point you in the right direction.

At Food Industry Executive, you have free access to **original reporting**, a **trade show and industry events list**, **trade associations directory**, and **supplier catalog**.

The editorial team at Food Industry Executive delivers the latest in food news, trends, sustainability, technology, and more. Since launching in 2016, we've become the fastest-growing source for food industry insights. For more information about our publication and industry resources, contact us at press@foodindustryexecutive.com.



**About Food
Industry Executive**



**FOOD
INDUSTRY
EXECUTIVE**