The Pandemic Pitfalls How food and beverage companies adapted to COVID

When COVID-19 first hit, while the world turned to the health crisis, ensuring the food supply remained available and in-stock became a critical component to public safety. This was easier said than done. With hoarding at grocery stores and restaurants shuttered, it sent a shockwave through the food production supply chain. Farmers, producers, distributors, grocery stores and restaurants also had to respond to the real-world impact and fear caused by the pandemic, both to employees and partners.

But with adaptation came innovation that will lead the food industry through the next unexpected event. Walk through the supply chain process to see how innovation took hold.



Farming

Skilled farm labor often comes from neighboring countries. With borders closed, it left skilled labor in short supply. Meanwhile, uncertainty surrounding the amount of food needed and a lack of buyers resulted in overproduction and confusion.

Number of foreign farm workers used, on average, by country:





FRANCE



ITALY



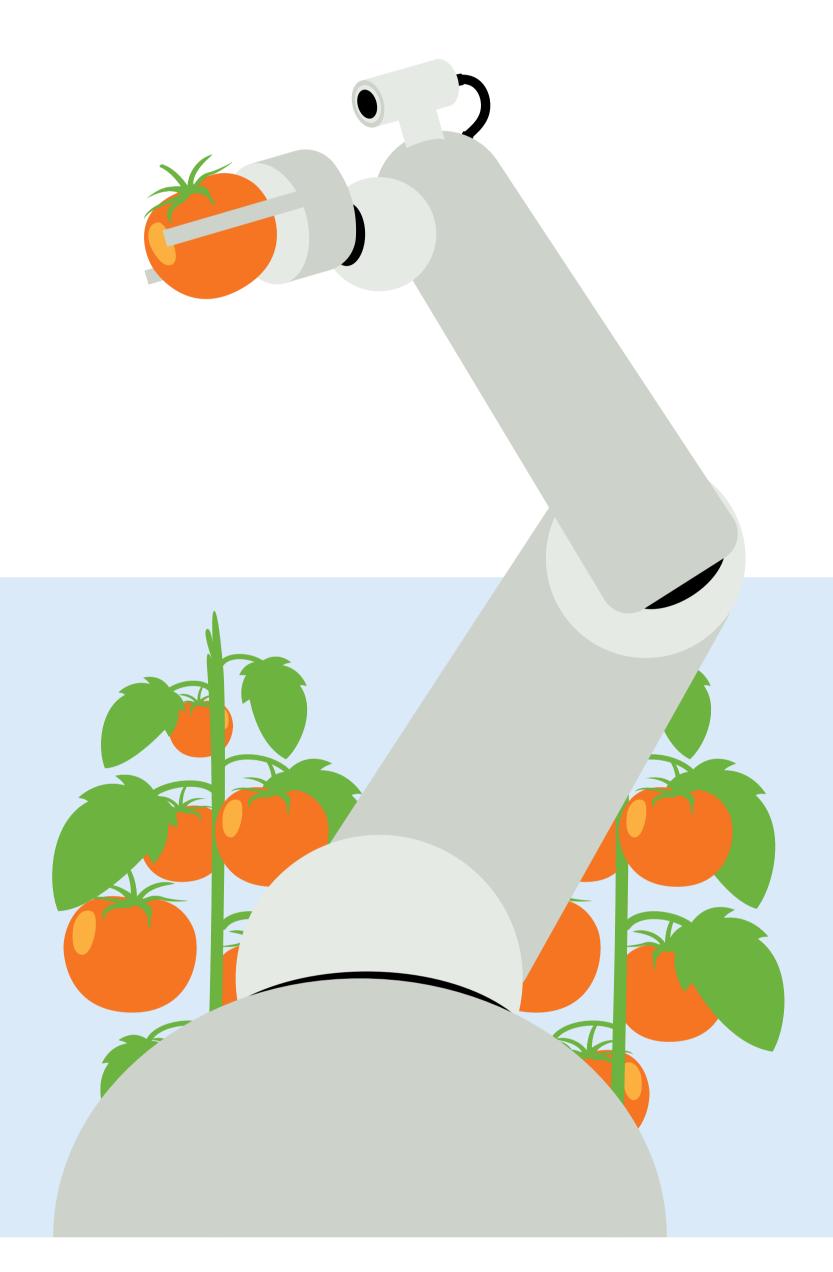
UNITED KINGDOM



UNITED STATES



of agriculture workers are immigrants, many of which come to the US via farming visas²



Borders closed as a protective measure, tightening the ability to find labor. This left a shortfall in labor at farms. The solution? Robotics.³

That couldn't stop the jolt to the food industry as many farms had to destroy crops due to a lack of buyers.

Due to the pandemic, millions more pounds of food than normal were destroyed in the US alone.⁴⁵

\$161,000,000,000

Global cost of crops destroyed each year

Food Production



The abrupt closure of restaurants, along with a surge in demand for certain products at grocery stores led to confusion among producers. While demand for dairy surged, factories had to dump milk as restaurant, hotel, and school closures left many farmers with an unused supply. Meanwhile, pork producers had to cull livestock due to a lack of employees or demand from traditional customers, such as restaurants.



Dairy producers cut the curd

3.7 million gallons: The amount the Dairy Farmers of America estimated that dairy producers dumped every day during the height of the pandemic.⁶



Spending on meat bifurcated

Restaurant and hotel purchases of meat **dropped 60%.**

Grocery demand increased by 50%.7



For producers of products that go to grocery stores, it resulted in drawing down safety stocks to meet demand.

Meanwhile, food plants became sources of COVID outbreaks

The solutions to provide COVID protections and to fight uncertain demand for larger producers included automation. Chicken producer Tyson Foods, for example, invested \$500 million on automating its production over the past three years, which aided it during the pandemic.⁸

54,000

The number of meatpacking employees that tested positive for COVID as of Feb. 2021 across 569 meatpacking plants in the US⁹

Food Distributors



During times of regular production, distributors receive supplies from farmers and producers just as they distribute packaged products to restaurants, grocery stores or individuals. But COVID disrupted this well-oiled machine.



Food distributors responded by:



New Markets: Offered consumers new opportunities. Some large-scale restaurant distributors sold wares



Cancellations: Nixed orders to producers and farmers



Shifting Initiatives: Cut new product launches and funneled resources to supply demand



E-commerce: Increased direct-to-consumer e-commerce opportunities

Grocery Stores & Restaurants

While grocery store demand shot upwards during the early days of the pandemic,

restaurant demand plummeted. That has leveled off, creating a new normal for both operators. That new normal involves a heavy dose of e-commerce.



Restaurant revenues fell sharply in 2020 to \$659 billion, down from \$864 billion, pre-pandemic. 2021 shows growth though, climbing to a projected \$789 billion this year¹⁰



Both restaurants and grocery stores are hiring again but finding it difficult: 75% of restaurants say recruiting and retaining workers is their top business challenge¹³



In the first months after COVID hit, buy-online, pick-up in store activity increased by 208%.¹¹ Online grocery shopping increased by 110%. Now, one-in-four US shoppers prefer to grocery shop online¹²



Food prices are rising, as they have jumped 5.3% since August 2020¹⁴



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