2022 Food Industry Trends

clarkston CONSULTING

Over the past two years, the food manufacturing industry has faced significant challenges in meeting global demand. COVID-19 has shaken the global supply chains, exposed vulnerabilities with retailers, and impacted consumer behaviors. Despite these challenges, the food manufacturing industry has managed to keep food on the shelves while accommodating shifting customer demands.

This discussion of trends is broken down into two separate categories: consumer and industry trends. The consumer trends focus on the choices of current American consumers and how their preferences are changing. Immune-boosting foods, global cuisine, and omnivore diets are examples of how American consumers are shifting their preferences to be more informed, healthier, adventurous, and environmentally friendly. The second area of focus is from the lens of food manufacturing, as traceability, R&D and price changes are continuing to change food manufacturers' roles in the supply chain.

TREND #1

Immune-boosting foods: a fragile health-food trend

Consumers making decisions around perceived health benefits is not a new trend, but we're seeing an increasing percentage of consumers seeking foods that are probiotic, anti-inflammatory, and vitamin supplementary. During COVID-19, many shoppers sought food options that had a perceived benefit to boosting their immunity against sickness. Interests in immune-boosting foods such as turmeric, honey, and ginger have seen double-digit growth year-to-year compared to the pre-pandemic world, and product launches touting immune health rose by 18% compared to the year before.

Only 20% of consumers state that they will continue to seek out immune-boosting supplements and foods after the end of the coronavirus.
SOURCE

Although there's been a large uptick in the number of immune-boosting foods, the trend is very fragile, as only 20% of consumers state they will continue to seek out immunity-boosting supplements and food after the end of the COVID-19 pandemic. Furthermore, studies around immuno-health foods, especially those touting antioxidant properties, have found that most of the claims around health benefits are not supported by substantial scientific proof.

American consumers are becoming more informed on what they are eating and how food products affect their health. As such, it's highly likely that they will demand scientific evidence to support claims around immunity. This, coupled with the FTC and FDA issuing warning letters to companies advertising false COVID-19 immunity claims, will create a high likelihood of rippling effects through the immune-boosting food sector.

TREND #2

Consumers prefer healthy and diverse food options

The American palate has seen a significant diversification in the last three decades. For example, the average grocery store has seen average SKUs increase from 7,000 in the late 1990s to a current average of 40,000. As our access to different food types expands, our perception of food has also changed. Foods once considered "ethnic" are becoming a commonplace in our everyday diets – hummus, now available in probably any grocery store, was once considered a global cuisine.

The global food market is predicted to have a CAGR of 11.8% for the next five years.
SOURCE

Consumers are choosing a more diverse grouping of food, and this is spilling over into what consumers are choosing to eat at restaurants. In the past year, cuisines such as Italian, Mexican, and Japanese had an average increase of 172%, 154% and 143% respectively. The global food market is predicted to have a CAGR of 11.8% for the next five years.

As consumers demand a more global taste, they are also demanding ingredients that are locally sourced. The preference for healthy, local, and fresh ingredients has also contributed to the growth in global cuisines. A global palate enabled through locally sourced ingredients is a seemingly contradictory trend, but the emphasis on health and sourcing foods that are responsibly grown, good for you, and taste delicious is here to stay – no matter the cuisine.

TREND #3

Omnivorous eating habits

As consumers continue to choose a more diverse diet, plant-based alternatives have been predicted to significantly impact meat sales. However, despite many plant-based options available, most consumers have not entirely adopted these foods as a substitute for all types of meat.

The plant-based meat market is projected at a CAGR of 14% to $10 billion by 2026.
SOURCE

The plant-based meat market is projected at a CAGR of 14% to $10 billion by 2026, but many consumers find these plant-based and lab-grown alternatives to not be complete and total substitutes for meat. Thus, many consumers are turning to chicken. Poultry sales in the past 12 months have skyrocketed, as many consumers perceive poultry as eco-friendlier than other meats, such as beef or pork.

As consumers become more aware of the ecological impact of what they eat, many are experimenting with new types of foods. From mushroom coffee to kelp, consumers are choosing options that taste like traditional products but are considered more sustainable alternatives. Despite this trend, these plant-based substitutes are not satisfying everyone's tastes, resulting in a shift toward more omnivorous eating habits.

TREND #4

Seafood traceability and FDA requirements

The Food Safety and Modernization Act (FSMA) proposal by the FDA laid out the potential to support legislation for food traceability standards across the food industry. For many sectors, the stringency of traceability would far exceed current practices and require many organizations to fundamentally change the way they track individual products within their supply chain. Although widespread legislation will not be passed immediately, a recent study in the seafood industry showed the importance of data standards and feasibility of blockchain.

Several large seafood harvesters and processors joined to pilot the usage of blockchain and data sharing in tracing seafood to where and how the fish was caught. Among many results, one of the key conclusions was the importance of data standards and collaboration between different parties throughout the supply chain. Collaboration in data sharing and data standards between organizations involved in the same supply chain has been shown to be essential for some time; however, an industry-wide effort is needed to implement traceability on all levels.

As an industry, food traceability is forecasted to grow with a CAGR of 9.3% in the next five years. This is driven both by industry efforts and consumers, as three out of five customers wish to know where their food comes from.

TREND #5

R&D Incubation and niche brand importance

Today's consumers want a food experience that feels more authentic and less mass produced. Consumers are increasingly interested in having a tangible relationship with their food, and small niche brands are seizing this opportunity. The share of small cap food companies grew by 18% in 2020, whereas large cap only grew 10.3%, the fifth consecutive year that large market cap manufacturers have lost market share. The response of large food manufacturing companies has been to either revamp their R&D departments to diversify products brought to market or acquire smaller labels.

The share of small cap CPG companies grew by 18% in 2020, where large cap only grew 10.3%, resulting in the fifth consecutive year that large market cap manufacturers have lost market share.
SOURCE

The largest food producer in the world, Nestlé, has focused heavily on their R&D department. The company recently tested their revamped food and beverage internal incubator, which has helped decrease time to market for new products by 25%. This incubator focuses on new foods and beverages that center around

Corporate Social Responsibility (CSR) and sustainable ingredients. Nestlé's revamping their R&D incubator was in direct response to niche brands taking market share from established players with their agile and quick development of products. The growth of many niche labels and products can be attributed to consumers having a more unobstructed view toward trying products that are not necessarily name-brand.

Mergers and acquisitions have also been center stage, with $4.6 billion in deals in the first quarter of this year alone. Notable niche brand acquisitions include Barilla acquiring Pasta Evangelists, a niche pasta delivery company, for $45 million, as well as Sunopta's acquisition of Dream & Westsoy for $33 million.

TREND #6

A challenging time for margins

The COVID-19 pandemic has had unpredictable impacts on most supply chains, and the food industry was among the hardest hit. Unfortunately, the challenges continue. The perfect storm of harsh weather, robust global demand, and inflation hedging have caused a temporary (but significant) rise in prices.

Increases in feedstock prices have resulted in consumer prices of meat growing 6.0-7.0%, with wholesale prices increasing as much as 20%. Many food producers have announced that they will pass higher prices onto the consumer in an effort to maintain margins. For example, The Coca-Cola Company said in an April announcement that they will increase the price of Coke in 2022 due to commodity hedging pressures.

Despite these increases in commodity prices, some companies have been able to retain a portion of their margins by changing product mix and promotions. In late 2021, the number of products sold on promotions went down by 5%.

The challenges in the food manufacturing supply chain have illuminated the potential fragility within the industry. Continued climate pressures and rising costs will likely lead to a steady stream of obstacles in the coming years and present an ongoing challenge for the food industry's stable nature.

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Conclusion

Consumers are demanding a more holistic approach to their health, including what products are consumed and how products are presented. Immune-boosting foods, global cuisines, and omnivorous diets are all trends that fall under the broader trend of healthier and more informed eating.

While immune-boosting foods have increased in popularity, this is considered a fragile trend, as much of the industry is not backed by real science, especially as it relates to those promoting antioxidant benefits. Global cuisine is on the rise, too, as consumers seek out diverse food options that are also offer a greater variety of healthy alternatives than the traditional American cuisine. Additionally, we're seeing customers pursue a more diverse diet, choosing to supplement red meat, such as pork and beef, with chicken. While plant-based meats are growing in popularity, many consumers do not see them as a complete replacement for meat, pushing them to follow omnivorous eating habits that include both vegetables and poultry.

Increases in traceability, the rise of niche brands, and marginal issues pose significant challenges and opportunities as the world begins to climb out of the global pandemic. Traceability efforts have highlighted the importance of data standards and collaboration to support industry-wide traceability efforts. As collaboration and standardization is needed for traceability efforts, the industry has become more fragmented.

Larger companies have lost market share for five consecutive years, driven by consumer interest in brands that feel more authentic. The response of large food manufactures has been revamping R&D programs and strategically buying smaller brands on the come up. Finally, the industry has experienced challenges with increasing prices. The compound effect of unpredictable weather, demand, and commodity hedging has led to higher prices for consumers and producers, forcing companies to consider price increases or a change to their product mix.

Companies should be mindful of these trends – both from the consumer and industry perspectives – in the coming year.