Trends, Challenges, and Opportunities in the Food Industry

Food Industry Executive 2020
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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.

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

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.”

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

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.
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 foods" 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
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.

Note: The percentages don’t add up to 100 because responses that were only mentioned by one respondent or that couldn’t be categorized were excluded. Examples: “lot traceability for product and packaging,” “distribution changes,” and “communication.”
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**

- “Differentiation of key features and benefits within the ever-changing competitive landscape”
- “Market penetration”
- “Achieving my goals per month”
- “Shifting consumer trends”
- “Offering natural and nutritional food”
- “Creating a great-tasting, affordable new product”
- “Cost of ingredients / packaging”
- “Shipping cost effectively”
- “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:

### Processors: Most important trade shows (Scale of 0-10)

![Bar chart showing the most important trade shows for processors](chart1)

### Suppliers: Most important trade shows (Scale of 0-10)

![Bar chart showing the most important trade shows for suppliers](chart2)

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.

Note: Percentages add up to more than 100 because multiple answers were allowed.
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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.

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