

THE FUTURE OF OUR FOOD: A FUNDAMENTAL INDUSTRY IN FLUX

North American Food Manufacturing Industry Report

ISSUED JUNE 2020, VANCOUVER, CANADA

Commissioned Through a Partnership Between Goldbeck Recruiting Inc. and Canadian Alliance Terminals Inc.



TABLE OF CONTENTS

Synopsis & Contributors	3
Introduction	4
Broad Impacts of Covid-19 on Food Processing	4
Trend: New Safety Measures For Production	5
Trend: Capital Expenditures in Automation	6
Trend: Reconsidering Export Markets	7
Trend: a Boost for Plant-Based Protein	9
Trend: Consolidating SKU Offerings	10
Trend: a Return to Plastic Containers	11
Trend: a Shift in Leadership Values	12
Trend: SME's Nimble Nature	12
Trend: Emerging Supply Chain Opportunities	14
Polling Data Summary; Angus Reid Forum Results	14

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This paper was prepared as a summary of industry opinions and data to understand the current state of the food production industry in North America. It was commissioned through a partnership between Goldbeck Recruiting Inc. and Canadian Alliance Terminals Inc. in Vancouver, Canada. The specific views expressed are not necessarily those of Rose Agency, Goldbeck Recruiting or Canadian Alliance unless denoted. The data and statistical information contained herein were gathered from reliable source are believed to be correct, however accuracy is not guaranteed.



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SYNOPSIS & CONTRIBUTORS

As the North American economy struggles through the COVID-19 crisis, the food production industry is busy, but changed. We've interviewed a range of professionals from across Canada, the United States and Mexico to find out what they're talking about with their colleagues and clients, what they're optimistic about and what changes they're going through. The report also includes a range of valuable original data points gleaned from the Angus Reid Forum who polled 1500 US citizens and 1500 Canadian citizens about their future plans around food purchasing.

FIRST-PERSON INTERVIEWS

Individuals	Footnote Reference
Cimon, Matt – Portofino Wholesale Bakery (Victoria, British Columbia)	5
DePippo, Joe – Tournant Consulting (Brevard, North Carolina)	7
Girdner, Joe – Rogers Food Ltd. (Armstrong, British Columbia)	16
Hovendick, Russ – Client Staffing Solutions, Inc. (Sioux Falls, South Dakota)	18
Le Cannellier, Myriam – DSML Executive Search (Chicago, Illinois)	9
McKinnon, William – Canadian Alliance Terminals Inc. (Delta, British Columbia)	15
Quinn, Rachel – 3P Partners (Davis, California)	8
Segovia, Jorge – LYCANS Group (Mexico City, Mexico)	11
Zaboysky, Rick – Dovre Imports (Richmond, British Columbia)	12

INTRODUCTION

Following the outbreak of the novel coronavirus at the end of 2019 and the ensuing global pandemic of COVID-19, the food production pipeline in North America saw an upset comparable only to wartime. These interruptions included a surge in demand for consumer goods which led to stock-outs at the same time that food production facilities were shuttered for fear of spreading the disease amongst employees. The system is now recovering, but some aspects of the supply chain have had to make adjustments to this “new normal”. What will the food and agricultural processing and equipment industries look like in 12 months?

The intention of this report is to discuss emergent trends in the intersecting industries of agricultural and food processing and equipment, and logistics, that are expected to take shape over the next six to twelve months in North America. This data is derived from independent research, interviews with industry professionals from across North America, and a research partnership between Goldbeck Recruiting and Canadian Alliance through the Angus Reid Forum, and reflects upon industry sentiment as the supply chain attempts to find stasis in light of COVID-19.

BROAD IMPACTS OF COVID-19 ON FOOD PROCESSING

Overall, industry sentiment is positive and the outlook is optimistic. With COVID-19 largely under control in Canada, demand for food products at the retail and food service levels are normalizing into a predictable stasis, though facets of the market remain marred by months-long shutdowns and falling demand. In May, Maclean's reported that Canada's economy may never return to what it once was;¹ the United States' National Bureau of

Economic Research's Business Cycle Dating Committee reported in early June that the period of economic hardship in the nation since February is officially designated as a recession.² This difficult period has, however, illuminated a rare jewel for the food processing industry: the opportunity to audit, redesign and overhaul the agriculture and food processing industries and their accompanying supply chains.

Goldbeck Recruiting President Henry Goldbeck said: “Food producers have been through a lot over the past few months because of COVID-19 and they're taking a closer look at export markets in the Americas. Through our network, we're seeing food manufacturers pivot from globalized supply chains to what we've been calling around our office ‘post-pandemic continentalization’.”³

“Farmers were already struggling with a farm income crisis, and their livelihoods are now further in jeopardy. And low-paid, often precarious food system workers are on the frontlines of the crisis, facing increased health risks as they work to ensure a steady supply of food.”⁴

A reimagining of the industry is, in fact, necessary given that we are working irrevocably with a “new normal” in North America. It is not only impossible, but irresponsible, to return to the way things were before the COVID-19 pandemic. “Our long distance, overly import/export oriented, fossil fuel dependent food chains are exposing wide-ranging vulnerabilities to market, labour and border disruptions,” shares Food Secure Canada. “Farmers were already struggling with a farm income crisis, and their livelihoods are now further in jeopardy. And low-paid, often precarious food system workers are on the frontlines of the crisis, facing increased

¹ “Canada's Economy May Never Return to What It Once Was - Macleans.ca.” Accessed June 14, 2020. <https://www.macleans.ca/economy/the-economy-may-never-return-to-what-it-once-was-coronavirus-canada/>.

² “Economy Peaked, Entered Recession, in February 2020.” Accessed June 14, 2020. <https://www.nber.org/>.

³ Personal communication between Henry Goldbeck of Goldbeck Recruiting and Rose Agency, June 2020.

health risks as they work to ensure a steady supply of food.”⁴ As recovery continues, industry professionals are pivoting resources to address this new challenge and to make the most of this opportunity to innovate.

TREND: NEW SAFETY MEASURES FOR PRODUCTION

The new normal of the food processing industry and its logistical supply chain partners is defined by safety measures necessitated by COVID-19’s spread. Following outbreaks at several meat processing plants in North America, including Cargill’s processing plant in Alberta, Canada, leadership teams have necessarily begun devoting resources toward a safe and healthy work environment which is both productive and stops the spread of the virus.

These new measures, such as ensuring proper social distancing, as well as more frequent and thorough personal protective equipment and sanitation, are

“The present moment reflects the inextricability of employee health, environmental health, and social justice.” ⁷

here to stay. “We see the benefit of keeping many of these increased measures in place well into the future,” said Matt Cimon of Portofino Wholesale Bakery in Victoria, British Columbia.⁵ It’s also possible that in the coming months regulatory bodies will intervene, setting new guidelines and requirements up to which food processors will need to raise safety standards.⁶ New guidelines may necessitate substantial investments; this is especially the case for companies working in animal products given COVID-19’s dangerous status as a zoonotic disease. Joe DePippo, Partner at Tournant Consulting in North Carolina, foresees that these demands for capital injections may result in a cost increase for the consumer downstream. “This hasn’t happened yet, but at some point, incremental costs post COVID-19 will become the new cost of doing



⁴ Food Secure Canada. “Growing resilience and equity: A food policy action plan in the context of Covid-19.” May 2020. Access June 14, 2020. https://foodsecurecanada.org/sites/foodsecurecanada.org/files/2020-05_-_gre_en_12_49.pdf

⁵ Personal communication between Matt Cimon of Portofino Wholesale Bakery and Rose Agency, June 2020.

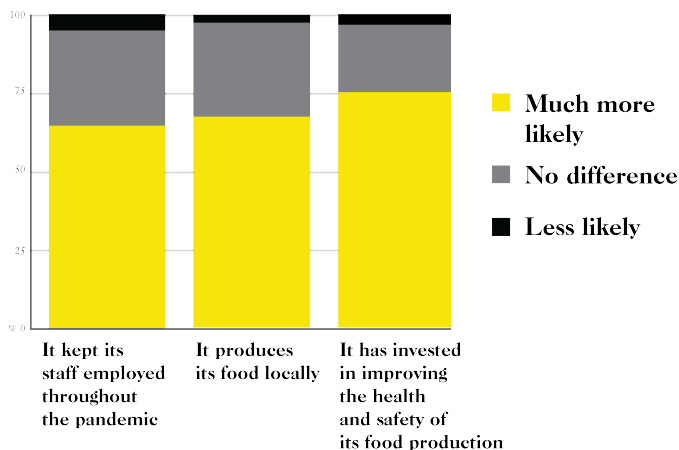
⁶ Government of Canada, Canadian Food Inspection Agency. “Coronavirus Disease (COVID-19): CFIA Information for Industry.” Reference material, March 17, 2020. <https://www.inspection.gc.ca/covid-19/cfia-information-for-industry/eng/1584462704366/1584462704709>.

business, and these costs will eventually be passed onto consumers,” said DePippo.⁷

However, the implementation of heightened safety measures works in service of company fortitude. These measures represent a balance to be struck: a smaller workforce may be less productive than a fully stacked roster, but the risk of an outbreak—and hence, a shutdown—could mitigate the cost to maintain social distance protocols.

Further, increased safety standards translate to a healthier, happier workforce: the unintended consequence of reacting thoughtfully to new food safety requirements is the possibility of creating a more just and equitable work environment for employees. Indeed, DePippo says, the present moment reflects the inextricability of employee health, environmental health, and social justice.⁷

Are you more or less likely to purchase products or goods from a company if...



While such investments may initially be off-putting, consumers are pivoting to prioritize companies that are transparently seeking to improve the material working and living conditions of their employees. Orienting new safety measures required to operate in a post-COVID world into public-facing messaging could represent a fruitful opportunity. Respondents to the aforementioned Angus Reid Forum agree: 64% of respondents were more likely to purchase from companies that kept workers employed; 74% supported enhanced safety measures.

“Automation for the sake of employee safety has galvanized a trend that already existed, and this trend will only continue because of the current climate.”⁹

Further, 81% of respondents that spent more time cooking at home during the pandemic said they were more likely to care about health and safety in food production.

Embracing the new realities of food safety may yield access to as yet untapped markets, especially amongst Gen Y and Gen Z.

TREND: CAPITAL EXPENDITURES IN AUTOMATION

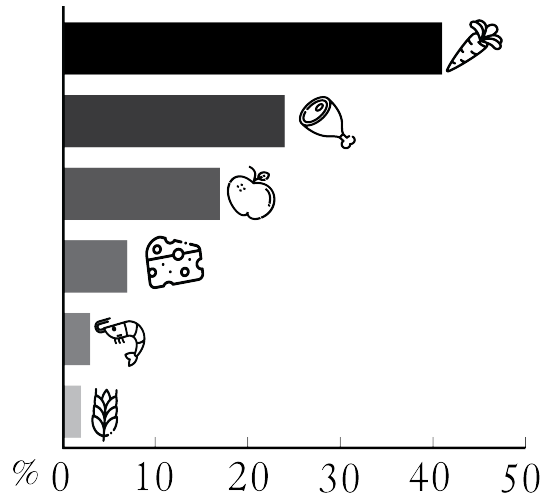
Increased safety measures have catalyzed the implementation of capital projects in food processing equipment which can automate all or part of the process. The key to preventing the spread of COVID-19 is social distance; investing in automation can ensure that the number of employees in a given space does not rise above a safe threshold. “Automation is playing a larger role than ever,” says Rachel Quinn of 3P Partners in Northern California. “The customers we work with in the food manufacturing industry are heavily investing in that space; not only to reduce employee headcount and to lower costs, but to reduce the risk of an outbreak.”⁸

The drive to automate isn’t new, but it feels freshly urgent; as many consumers found in the early days of pandemic lockdowns, scores of canned goods vanished from shelves as the population stocked up on ambient processed foods. “Automation for the sake of employee safety has galvanized a trend that already existed, and this trend will only continue because of the current climate,” said Myriam Le Cannellier of DSML Executive Search in Chicago. “Many companies are not in a position to

⁷ Personal communication between Joe DePippo of Tournant Consulting and Rose Agency, June 2020.

⁸ Personal communication between Rachel Quinn of 3P Partners and Rose Agency, June 2020.

dramatically increase those investments at this time, but I think that companies who have embraced automation to date will continue to do so, and companies slower on the uptake will begin considering how to implement automated processes in the coming months.”⁹



From a labour management perspective, Henry Goldbeck posited: “As food manufacturers invest in safety and automation, we’re seeing increased demand for operations and production managers to oversee these transformations. In the sales sector for equipment manufacturers, there is a lot of value being placed on communications as reps find themselves acting as crucial conduits to food processors and their evolving requirements.”³

As such, leadership is likely going to be investing in candidates at the C-levels or top levels of management to spearhead these processes. Implementing automated processes efficiently and effectively while minimizing cost is a nuanced task, and the ability for a candidate to create new value without increasing manpower is invaluable.

TREND: RECONSIDERING EXPORT MARKETS

Though trade has continued across the Canada-US border, North America, like many countries, has tightened border security and limited travel in and

out of their territories in an effort to stop the spread of COVID-19. These policies, together with increased stringency regarding safety protocols, have complicated the processes of shipping food exports to overseas markets like Asia and Europe. But there is another option which is much closer to home and consumer sentiment strongly favours food products with a lower carbon footprint.

The aforementioned Angus Reid poll found that in Canada, 82% of respondents preferred locally sourced or produced food and beverage products; in the USA, 65% of respondents felt this way (for an average of 73%). This is especially true of vegetables, with 41% of respondents noting their desire for local or domestic products. Following was meat and poultry product, with 24% of respondents prioritizing local product and 17% of respondents preferring local fruit.

Respondents may prioritize local goods based on proximity to specific goods; for example, 54% of Albertan respondents preferred local meat products compared to an average of 24% total respondents; in the United States, 6% of North Eastern respondents preferred local seafood to a 3% respondent average. This suggests a growing desire to support domestic food production over cross-Atlantic shipments and a desire for trusted, local sources.

Indeed, shipping food products across the Atlantic to reach international export markets, a practice that has been historically vital to domestic industry growth, is facing new and dynamic obstacles. However, industry professionals need not look far for an alternative. “Mexico sources nearly 50% of its

With over 600 million people living in Latin America, cultivating relationships within these export markets could facilitate strategic growth wherein logistics can be strategically managed by truck rather than by ship or, at the very least, in scalable shipments on a much shorter journey.

⁹ Personal communication between Myriam Le Cannellier of DSML Executive Search and Rose Agency, June 2020.

imports from the U.S. and Canada,” said Jorge Segovia of LYCANS Group in Mexico City. “What’s more: agri food trade between Mexico, the U.S., and Canada grew by 6% in 2019,” and reached +\$50bn USD.^{10,11} Further, with over 600 million people living in Latin America, cultivating relationships within these export markets could facilitate strategic growth wherein logistics can be strategically managed by truck rather than by ship or, at the very least, in scalable shipments on a much shorter journey. This is especially true in Latin America and Mexico where food production plants remain shuttered as they struggle with COVID-19. Imported goods such as poultry, beef, pork, wheat, yellow corn and soybeans produced in Canada and the United States could bolster the food supply chain to ensure stockouts of staple food products are avoided.

MANAGING EXPORT MARKET CURRENCY FLUCTUATIONS

Despite intermittent work stoppages globally due to the impact of COVID-19, the luxury import industry has remained comparatively stable. Shortages in fine goods are expected as product popularity rises and falls; in the context of North America’s economic downturn, a fall in demand was the true danger. But this hasn’t occurred—demand outweighs supply in North American favourites. As such, importers must deal with fluctuating supply and demand curves alongside the tenuous new realities of international sourcing and shipping in a post-COVID-19 world.

“Hedging on currency is a necessary part of our [import] planning.”¹¹

Within import and export markets, cash is king: managing and forecasting currency fluctuations between nations is integral to preserving healthy revenue streams. “Especially in the United States, currency fluctuations placed stress on our forecasting,” said Rick Zaboysky of Dovre Imports in Richmond, British Columbia.¹² In the context of the recession, economic successes are not certain, requiring importers of food and agricultural products to embrace dynamic forecasting tools and expertise to protect the bottom line.

“Hedging on currency is a necessary part of our planning,”¹² said Zaboysky. Accounting for perceived or forecasted currency fluctuations contributes to broader stability of company assets, and protects consumers. “Beyond attempting to balance our inventory levels with anticipated demand, we also try to balance our forward contracts in such a way that allows us to avoid passing price increases down to our customers.”¹² Zaboysky manages contracts with distributors and with producers in keeping with global practices regarding price stability—grocery stores, for example, often require 30 to 90 day notice periods before increasing the price of a product to shield their own customers from steep and rapid fluctuations. This creates a period of stagnancy wherein importers are unable to recoup costs if a currency performs poorly; plans to recoup must be charted out over months. “We are purchasing in demand items at 25% over our normal order volume,” said Zaboysky, “but only in the context of understanding what the fulfillment cycle will look like.”¹²

Given the impact of COVID-19 on transportation and logistics companies, this balance has become even harder to strike. As such, firms may find extreme value in professionals that can manage long term forward contracts with the ebbs and flows of supply, demand and transportation.

¹⁰ World Integrated Trade Solutions World Bank. Mexico, 2018. Access June 14, 2020. https://wits.worldbank.org/CountryProfile/en/Country/MEX/Year/2018/TradeFlow/Import/Partner/all/Product/16-24_FoodProd

¹¹ Personal communication between Jorge Segovia of LYCANS Group and Rose Agency, June 2020.

¹² Personal communication between Rick Zaboysky of Dovre Imports and Rose Agency, June 2020.

TREND: A BOOST FOR PLANT-BASED PROTEIN

In the same way that the pandemic bolstered work-from-home technologies, plant-based protein alternatives have been the site of immense innovation in recent years. Especially following closures of meat processing plants in Canada and the United States, the meat supply chain has seen relative instability since the beginning of the pandemic. Meat-free protein was already a trend on the rise, but products like the Impossible Burger have been gaining traction across the country since the pandemic set in. “There is a very strong trend that we’re seeing,” said Myriam Le Cannellier of DSML, “We’re seeing high growth and a high demand for plant-based protein to replace meat. This trend started before COVID-19, but is being reinforced by what has happened in the meat plant business. My contacts are estimating up to a 400% increase in demand for such products.”⁹

Further, as Research and Markets found in their Global Plant-Based Protein Industry Report 2019-2025, “The presence of leading plant-based

“We’re seeing high growth and a high demand for plant based protein to replace meat... My contacts are estimating up to a 400% increase.”⁹

protein companies in North America, along with the availability of a variety of plant-based protein products [...] is a key factor driving the North America plant-based protein market. [...] [The] number of new US food and beverage products that mentioned plant-based grew by 268% between 2012 and 2018, which drove the demand for plant-based protein products in the region. Furthermore, consumers in the region are incorporating plant-based protein products in their daily routine diets, owing to the health concerns related to the consumption of animal protein products.”¹³ In addition, Business Wire noted that “the growing consumer concerns associated with the consumption of meat products in the wake of the COVID-19 outbreak and the adoption of vegan diets owing to



rising health awareness are expected to drive the growth of the plant-based meat industry.”¹³

Pairing an increased consciousness of animal welfare with rising health awareness and empty or scant meat shelves at the retail level, consumers are increasingly looking for ways to incorporate more plant-based protein into their diets, if not eliminating meat altogether. Investing capital in the equipment and expertise necessary to embrace the plant-based industry, which is due to be valued at over \$40 billion by 2025, could be a very wise step for agricultural and food processors currently seeking to buy into a safer market share following the pandemic’s razing of the meat supply chain.¹⁴

TREND: CONSOLIDATING SKU OFFERINGS

When, at the beginning of the pandemic, huge increases in demand forced food producers to scale back SKU offerings in order to ship more of the most in-demand items, an opportunity arose: the occasion to pare back varieties and trendy or novelty items in favour of a tried-and-true core collection of products. “In the food sector, we’re seeing our customers working toward building up their inventory levels. However, they’re only building back where they have the highest level of turnover,” says William McKinnon, President of Canadian Alliance Terminals in Delta, British Columbia.

On SKU reductions: “This really positions grocers to optimize their business. Now, it’s less about choice and more about function, and that is a very powerful distinction.”¹⁵

“They’re being very cautious of how they are managing their inventories. If they had slow moving products that they would normally maintain as part of their portfolio of products, the quantities of those items are often either being reduced in size, or not being replenished.”¹⁵

This pivot represents a shift in priorities at both the manufacturer and consumer levels. “This really positions grocers to optimize their business,” says McKinnon. “Now, it’s less about choice and more about function, and that is a very powerful distinction.”

The beginning of the pandemic saw a sharp increase in demand at the consumer level for many processed food and agricultural items across the continent; that demand has now stabilized but industries are still seeing a slowdown in the continued closure of the food service industry. “At the beginning, the increase in demand at the retail level was not enough to balance the losses in our food service business, but now we are starting to see food service slowly starting to bounce back,” says Matt Cimon of Portofino Bakery.⁵ In order to level out demand curves and capitalize on demand for certain SKUs, the paring back of SKU offerings has also placed a relative moratorium on innovation. “Innovation hasn’t completely stopped,” says Rachel Quinn of 3P Partners,⁸ “It’s taken a new form that is more concentrated on specific consumer demands – health, wellness and cleanliness.” Joe Girdner of Rogers Foods Ltd in British Columbia comments on new demand curves. “What we’ve noticed from the start of the pandemic is that a lot of the general populace seem to want to find comfort in new ways – and one of the main things I’ve seen is baking. We saw a significant increase in the retail portion of our business — demand was so strong that we almost had a challenge in keeping up.”¹⁶

¹³ “COVID-19’s Impact on the Plant-Based Meat Market 2020-2021 - Major Trends & Developments, Supply Chain Assessment, Pandemic-Related Strategies of Key Players - ResearchAndMarkets.Com,” May 14, 2020. <https://www.businesswire.com/news/home/20200514005468/en/COVID-19s-Impact-Plant-Based-Meat-Market-2020-2021->.

¹⁴ Markets, Research and. “Global Plant-Based Protein Industry Report 2019-2025 - Industry Was Valued at \$18.5 Billion in 2019, and Is Projected to Reach \$40.6 Billion by 2025.” GlobeNewswire News Room, December 17, 2019. <http://www.globenewswire.com/news-release/2019/12/17/1961432/0/en/Global-Plant-based-Protein-Industry-Report-2019-2025-Industry-was-Valued-at-18-5-Billion-in-2019-and-is-Projected-to-Reach-40-6-Billion-by-2025.html>

¹⁵ Personal communication between William McKinnon of Canadian Alliance Terminals and Rose Agency, June 2020.

¹⁶ Personal communication between Joe Girdner of Rogers Food LTD and Rose Agency, June 2020.

As such, innovation has found a new home, and it's largely outside of product line development. Companies are, instead, taking the time to reflect on cumbersome processes and to figure out how to best run plants in a post-COVID-19 world. "We intentionally avoided layoffs and, as such, have been able to refocus our teams to improve our internal operations and to elaborate on our food safety protocols," says Cimon. "While this has added costs in the short-term, combined with our continued facility renovations and capital projects, we will come out on the other side with record facility capacity and ready to serve our customers."⁵

Are you concerned about the long-term availability of different product options at the grocery store?

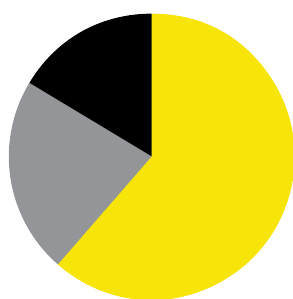


TREND: A RETURN TO PLASTIC CONTAINERS

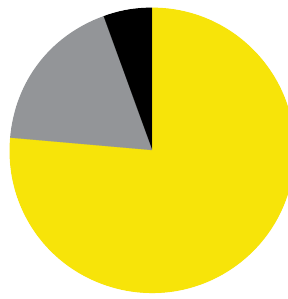
After decades of petitioning, lobbying and drumming up public sentiment, an old foe returns: plastic, single use containers. "It's not lost on me, the irony of returning to these plastic containers in the name of human health," says Myriam Le Cannellier of DSML. "Especially given all of the progress we had made eliminating such products from the supply chain in an effort to protect the environment."⁹

However, the case for bringing back plastic at various stages of food production, transportation, and serving is a strong one: disposable containers lessen the chances of transmitting the virus between consumers and workers alike. The cultural taboo surrounding the use of plastic disposable containers and cutlery remains, however, and public sentiment continues to rally around sustainable substitutions wherever possible.¹⁷

This presents another opportunity: transparent corporate social responsibility. Investing in sustainable packaging and equipment can contribute a vital boost to public messaging, signalling alignment with consumers who value sustainability and environmental responsibility. Investing now in creating biodegradable goods instead of plastic is a practice which consumers will support long after the pandemic is contained.



USA



Canada

■ Not at all concerned or slightly concerned ■ Moderately concerned ■ Very concerned

Consumers don't seem phased by this SKU consolidation: only 23% of Canadian respondents and 38% of American respondents to the above the Angus Reid poll noted concern over limited product options in the long term.

This suggests a period wherein companies can look inward to innovate upon and optimize processes in the name of better efficiency, safety, and logistical strategy.

"It's not lost on me, the irony of returning to these plastic containers in the name of human health"⁹

¹⁷ "Canada to Release List of Proposed Banned Plastic Products in Months, Minister Says." Accessed June 16, 2020. <https://www.theglobeandmail.com/canada/article-canada-to-release-list-of-proposed-banned-plastic-products-in-months/>.

TREND: A SHIFT IN LEADERSHIP VALUES

In the face of such uncertainty, companies throughout the food and agricultural processing and equipment industries have looked inward to find stability. Under such pressure, the bench strength of leadership and their protégés has come into focus. Some companies will have reaffirmed their present structure and supported the same leadership throughout pandemic response and multi-year forecasting. Others will have realized a need for support. And others still have frozen in their tracks. “Amid all of the uncertainty in Mexico, following the shutdown of many plants and factories, some companies have pressed pause on their recruitment,” says Jorge Segovia of LYCANS.¹¹

Under such pressure, the bench strength of leadership and their protégés has come into focus.

For companies moving forward with recruiting new leadership during this period of instability, cross-departmental expertise has emerged as one of the most valuable assets in candidates. For Quinn, who has observed companies undergoing generational changes, data-driven and demonstrable expertise in forging a new path has proven critical for successful candidates in top level management roles. “We’ve seen an emphasis on demand planners, financial analysts, sales analysts, and controllers,” says Quinn.⁸ Russ Hovendick of Client Staffing Solutions, Inc. in South Dakota has seen industry players respond to this uncertainty with shorter contract positions rather than the permanent hire of managerial roles.¹⁸ This allows for an effective test period to ensure a given recruit can meet the demands of the job. This is especially true of cross-industry hires.

“Following the COVID-19 shakeup, candidates seem more open to a wider variety of roles,” says Hovendick. “This is a period of redefinition and innovation at the business and industry level; we’re seeing a lot of cross-industry hires.”¹⁸ An open-minded approach to hiring will also help staff the factory floor, making space for new grads or people new to the industry. This can help address the growing labour shortage in food production in Canada, which has only worsened in the wake of COVID-19.¹⁹

“We’re seeing that companies are finding it quite difficult to staff line employees,” says Myriam Le Cannellier of DSML.⁸ A recruitment process which forgives industry specialization in favour of transferable skill and expertise, however, could fill this gap and contribute to innovative internal operations. “There is immense value in individuals that can work across departments, facilitating collaboration to increase efficiencies,” says Hovendick. “Companies are looking for new solutions.”¹⁸

TREND: SME’S NIMBLE NATURE

Not all food and agricultural processing companies have been hurt by the virus. “Smaller companies have found the virus something of a lifeline,” says Joe DePippo of Tournant Consulting. “The key was in the smaller companies ability to pivot to adapt from food service to the retail market which was congruent with the restrictions placed by COVID-19.”⁷ Direct-to-consumer food delivery services were able to pivot and channel their services to meet consumers that were newly confined to their homes—all the while limiting the number of steps

“Smaller companies have found the virus something of a lifeline.” ⁷

¹⁸ Personal communication between Russ Hovendick of Client Staffing Solutions and Rose Agency, June 2020.

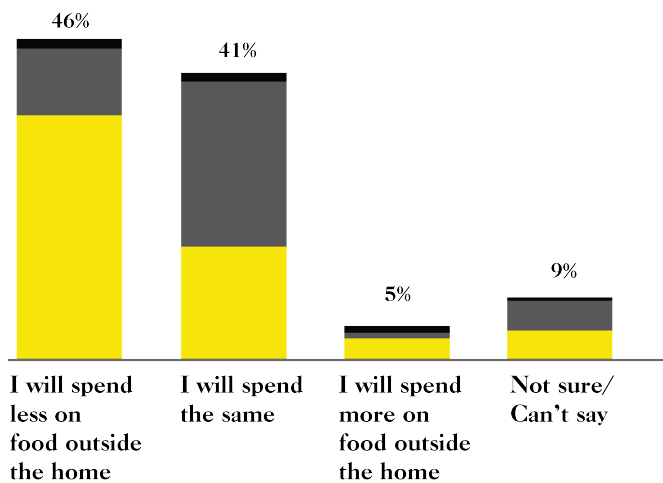
¹⁹ The Western Producer. “Horticulture Council of Canada Continues to Warn of Labour Shortages,” May 22, 2020. <https://www.producer.com/2020/05/horticulture-council-of-canada-continues-to-warn-of-labour-shortages/>.

in the supply chain by skipping the distribution centre. Capturing this part of the retail market was vital as food service demand dwindled.

For example, e-commerce based retailer Blue Apron capitalized on retail demand while meat processing facilities were stemmed by COVID-19, demonstrating how smaller companies were able to pivot towards the retail sector in order to capture a larger share of the market.²⁰ “The bigger a company is, the more difficult it is to pivot towards retail,” DePippo says.⁷ “However, small companies can’t compete based on price alone. You’ve got to have other value added attributes and services, something that a big company cannot pivot quickly to provide. It’s crucial to pivot quickly and be able to resonate with the retail customer and consumer.”⁷

This trend is representative of a larger generational shift to embrace e-commerce platforms. “Older generations are very influenced by their kids and grandkids,” DePippo says. In the coming years, especially until a vaccination is found, there is ample room for growth in the e-commerce realm, even for larger companies. “Consumers are wanting a shorter supply chain; they want a direct link with their producers, and have a higher interest in safe food and knowing where their food comes from,” DePippo said.⁷

In the next six months, do you plan on returning to the pre-pandemic amount of money spent on food outside the home (restaurants, events, takeaway)?



Further, this trend may be set to continue, as 60% of the Angus Reid Forum respondents that spent more time cooking at home during the pandemic reported a desire to spend less on food prepared outside the home going forward.

This could indicate a more long-term decline in food service revenue, and a corresponding increase in retail demand.



Are you preparing more or less food at home now than before the pandemic?

- I prepare more food at home now
- Same as before
- I am preparing less food at home now

²⁰ Cheng, Andria. “Blue Apron Shares Shoot Up 600% In 3 Days, But How Long Can The Meal-Kit Company Keep Rising?” Forbes. Accessed June 16, 2020. <https://www.forbes.com/sites/andriacheng/2020/03/18/blue-apron-shares-up-600-this-week-but-how-long-can-the-meal-kit-company-soar/>.

TREND: EMERGING SUPPLY CHAIN OPPORTUNITIES

The food and agricultural processing and equipment industries should also consider their supply chain partners in logistics, transportation, and warehousing. At the beginning of the pandemic, William McKinnon of Canadian Alliance began working more closely with his customers to forecast the warehousing and transportation capacities they'd need months into the future; this trend has only grown in the 3PL sector. It's become crucial to target flexibility and agility in transport and storage contracts. "We have continued to strategize with our customers carefully," says McKinnon. "The bottom line is we don't want our customers to be caught with inventory they can't move."¹⁵

"We've had to adopt a very proactive and strategic approach to our partnerships to ensure our customers still see speed to market while the economy is so much slower."¹⁵

McKinnon reports that demand for transportation remains comparatively low, however, even as economies begin to reopen. This means that there are opportunities for dynamic, flexible transport companies. With such capacity available, it's also possible to trial expansion into new markets—perhaps tapping export markets in Latin America while shipping to and from Asia is still tenuous.

"We used to work very much on the fly with our customers," says McKinnon. "But in recent months, like many professionals working in the food and agricultural processing and equipment planning, we've had to adopt a very proactive and strategic approach to our partnerships to ensure our customers still see speed to market while the economy is so much slower."¹⁵

"I don't see this approach changing. We're able to collaborate to find new opportunities and protocols

that maximize benefit and profit for both parties by taking a more forward-looking approach to forecasting and, for our customers, that has made a big difference," McKinnon continued. "It would be wise for manufacturers and producers to seek out flexible and strategic partnerships with 3PLs to maximize this effect."¹⁵

POLLING DATA SUMMARY; ANGUS REID FORUM RESULTS

Within our Angus Reid polling data, three interesting trends emerged amongst consumers which informed the discussions of this report and which require the attention of industry professionals. Although this data is included elsewhere in this report, it is represented here for ease of reference.

Across Canada, 82% of respondents reported they were much more likely to purchase locally produced or sourced goods; across the United States, 65% of respondents reported the same. Segmented, 41% of respondents valued locally produced vegetables, while 24% of respondents preferred locally produced poultry and meat, and 17% of respondents favour locally grown fruit. The viability of locally produced foods is bolstered by respondents' disinterest in the lack of product options in the long term, with only 23% of Canadians and 38% of Americans reporting concern in that regard. This represents incentive for producers to embrace an e-commerce approach to service domestic and even hyper-local markets.

Additionally, 64% of respondents noted they are more likely to support companies that avoided layoffs, and 74% responded favourably to companies that have prioritized the safety of their employees and their food production. This represents a bright spot in transparency marketing; companies responsibly managing safety protocols can maximize positive impacts on public sentiment, perhaps swaying purchasing decisions. Emphasizing how the industry has adapted to our new circumstances can lead to greater consumer

trust which could have rippling implications for market shares at the retail level.

Lastly, the retail market (either via traditional distribution centres or via e-commerce) represents a fertile market percentage, as both Americans and Canadians are now cooking more at home than they did before the pandemic, and intend to continue to cook more at home well into the future. 59% of respondents noted that they prepared more food at home; with 66% of American respondents and 53% of Canadian respondents favouring home-cooked meals (though this was not true of Alberta or Quebec). Further, most respondents plan to spend the same (41%) or less (46%) on food prepared outside the home going forward. This means consumers will continue purchasing more groceries and, perhaps, investing more in locally sourced groceries rather than spending at food service sites. Investigating the viability of a direct-to-consumer facet of business may become increasingly valuable as we move forward as a community into our new normal, knowing full well that we may see further lockdowns.

CONCLUSION

As the world awaits a vaccine for COVID-19, the food and agricultural processing and equipment industries are reorienting to best meet consumers' changing demands. Above all, companies are prizing flexibility and agility in their product lines while paring back to a core SKU offering; emphasizing the smart implementation of cost saving automation; and seeking out the right professionals to guide them through COVID-19 and beyond. Despite the downturn North America's economy has seen, industry professionals are finding opportunities to revamp and revitalize the bloated, inefficient aspects of the food and agricultural processing and equipment industries.