

MENU

[Home](#) / [Articles](#) / **2022** / 2022 Food and Beverage Industry Outlook

[Industry Outlook](#) / [Logistics](#) / [Transportation](#) / [Coronavirus](#) / [Automation](#)

## 2022 Food and Beverage Industry Outlook

As the pandemic persists, inflation spikes and supply chain problems mount, the food and beverage industry is trying to find its footing.

By Pan Demetrakakes, Senior Editor  
Jan 10, 2022



How long will this go on?

That's been the cry of the food industry, if not the nation and world as a whole, during the pandemic. Now, as Covid stubbornly lingers, that cry has shifted to a new set of problems with the supply chain, labor and inflation.

On top of which, the industry has to stay ahead of consumer preferences, which also were disrupted by the pandemic. Processors must try to predict how inflation and supply disruption will affect consumer behavior for meat and other items that have suddenly shot up in price.

We use cookies to understand how you use our site and to improve your experience. This includes personalizing content and advertising. To learn more, click [here](#). By continuing to use our site, you accept our use of cookies, revised Privacy Policy, and Terms of Use.

[Reject Cookies](#) [Cookie Center](#)

**ACCEPT COOKIES**

×



Discover our  
packaging  
solutions!

Booth #9224

The immediate problem facing everyone – processors, grocers, restaurateurs and consumers – is inflation. It’s severe, and it doesn’t appear to be going away anytime soon.

“They expect this [inflation] to continue throughout a chunk of 2022,” says Hank Cardello, a consultant and former food company executive. “They don’t see things slowing down or being ameliorated immediately.”

There’s no question as to the scope of the problem. The price of food at home rose 4.5% in September over last year, according to S&P Capital IQ Market Intelligence. Some of the increases are dizzying: sirloin steak prices are up 25% year-over-year, bacon up nearly 29% and egg prices higher by nearly 36%, according to U.S. Bureau of Labor statistics quoted by Debarshi Sengupta, chief financial officer at Farmer Focus.

×

We use cookies to understand how you use our site and to improve your experience. This includes personalizing content and advertising. To learn more, click here. By continuing to use our site, you accept our use of cookies, revised Privacy Policy, and Terms of Use.

[Reject Cookies](#)

[Cookie Center](#)

**ACCEPT COOKIES**

---

The impact can be seen with practically every quarterly report. General Mills notified its suppliers in late November that it would be raising prices as much as 20% for some products by mid-January; Tyson Foods, Kraft Heinz, Mondelez International and others have announced similar increases.

### Supply chain woes

The supply chain is stressed all through its length, from the container ships waiting offshore because they can't be unloaded, to the processed food that can't be stored or shipped. General Mills has experienced 500 to 600 supply chain disruptions a month, compared with 50 in a normal month.

"I've been doing this for a long time, almost 30 years, and I can tell you, it's definitely the most challenged and dynamic supply chain environment I've seen in my career," Jon Nudi, General Mills' president of North America retail, told CNN in October.



## 2021 Capital Expenditure Report

[Download your copy of Food Processing's 2021 Capital Expendi](#)

Food Processing



Long-haul truckers are in short supply across the U.S., contributing to supply-chain problems.

The situation has gotten so bad that in late November, the Federal Trade Commission ordered a bunch of leading supply chain players, including Tyson Foods and Kraft Heinz, to provide detailed information on what is causing the kinks and what they're doing about the situation.

We use cookies to understand how you use our site and to improve your experience. This includes personalizing content and advertising. To learn more, [click here](#). By continuing to use our site, you accept our use of cookies, revised Privacy Policy, and Terms of Use.

[Reject Cookies](#)

[Cookie Center](#)

**ACCEPT COOKIES**



Supply chain anxiety led to panic buying early in the pandemic, of items like toilet paper as well as foods like baking supplies. Some observers raise renewed hoarding as a possibility if supply chain disruptions become – or are perceived as having become – especially bad.



After decades of barely existing, inflation came roaring back in 2021, forcing many food processors to raise prices.

But for the immediate future, consumer behavior is more likely to be shaped by inflation, especially for items like meat, which has gone up among the fastest of any major food category. “I really think people are going to be more concerned with saving money than ever before,” Lempert says.

Many meat purchasers will likely be trading down to less expensive cuts, but Frey doesn’t expect any sort of mass meat rejection: “Meat is a large part of many diets and when prices increase, we tend to see consumers choosing less expensive cuts options, reducing quantities and eating less often but not completely abandoning the meat case.”

### Other causes

Supply chain issues have some causes that are not related entirely to the pandemic. These include unpredictable but increasing demand from overseas, especially China, and weather issues affecting agriculture. As climate disruptions become more extreme, they affect the production of everything from coffee in Brazil to animal feed in the wildfire-choked Northwest.

“The U.S. has been pummeled with weather extremes from drought in parts of the country to too much rainfall in others, the wildfires in the west, and even deep frost in Texas,” says Anna Nagurney, a professor at the Isenberg School of Management at the University of Massachusetts. “The impacts of climate change are putting additional, serious stressors on food supply chains, nationally and worldwide.”



Three major companies, including the Frito-Lay unit of

We use cookies to understand how you use our site and to improve your experience. This includes personalizing content and advertising. To learn more, click here. By continuing to use our site, you accept our use of cookies, revised Privacy Policy, and Terms of Use.

Reject Cookies

Cookie Center

**ACCEPT COOKIES**

x

“Of course, underlying food supply chains is the critical resource of labor, and that is why I have written multiple papers in the pandemic emphasizing the need to include labor in supply chain models and analytics,” Nagurney says. “Without labor, nothing gets produced; nothing gets processed, packaged and transported.”

Labor will be one of the food industry’s biggest wild cards in 2022. Labor-related challenges have dominated the news, culminating in strikes called against three of the biggest food companies in America: PepsiCo/Frito Lay, Mondelēz International and Kellogg Co. Other companies have experienced chronic problems in maintaining workforce levels, and these are expected to continue.

“There will continue to be labor shortages, driver shortages and fluctuating needs across all distributors and grocers,” says Tyler Higgins, retail practice lead and managing director at consulting firm AArete.

The motivations here aren’t hard to figure out. Workers have strong incentives to assert themselves or at least be choosy, because demand for labor is higher than it has been in decades, and inflation is nipping at their heels.

“From the need for safety support to the critical role the food industry played throughout the pandemic, labor is gaining a renewed appreciation for its value,” Higgins says. “As inflation has kicked in and options have broadened particularly for those getting lower wages, labor is being massively disrupted. Wages have not caught up with inflation.”

The situation is intensified because of a perception that food companies, some of which have done quite well during the pandemic, are not sharing their gains with their employees. “With the caveat that company current profits and revenues might not be sustainable, major food companies still are making huge profits and revenues and not necessarily sharing those with their workers,” Higgins says.

## **Which trends have legs?**

Keeping up with consumer trends, always a priority, becomes especially vital as the food industry tries to figure out which of the trends inspired by the pandemic are going to last.

Perhaps the biggest overall such trend was cooking at home. Many consumers forced to do so during lockdowns in the early stages of the pandemic are finding themselves motivated to continue, at least to some extent.

Jonathan Deutsch, a professor at Drexel University and director of its Food Core Lab, notes that things like business meals and conventions are still being suppressed by the pandemic, and that many more people are working from home now.

“I don’t think the scratch-cooking, comfort-food trend will stick around – there are lots of dead sourdough starters in the trash,” Deutsch says. “However, I think that we’ll still see more people eating breakfast and lunch at home through the week and being comfortable with restaurant takeout or prepared foods as a regular alternative to dining for the foreseeable future.”

Scratch cooking and comfort food were strongly linked during the pandemic, since consumers turn to comfort food in times of anxiety. However, much so-called “comfort food” tends to be heavy on meat and carbs, meaning it goes against the drive for healthy eating. Sherry Frey, vice president of total wellness for NielsenIQ, believes that the contradictions will balance themselves out.

“Our research shows that consumers are interested in ‘better’ but not always ‘best’ food options and, during COVID, I believe we learned that often comfort food can be a form of self-care,” Frey says. “As the vaccines rolled out earlier in the year, we started to see the wellness conversation move toward weight loss, likely from the extra weight many gained during the lockdown.”

However, although sales of plant-based analogue proteins are still growing, the growth is slowing down, according to recent figures from IRI. The problem isn't getting first-time purchasers into the fold, observers say: it's capturing them for the second time and beyond.

"I think we are seeing a pendulum shift as more first-time buyers have tried these products," Deutsch says. "The challenge with these products is not the first sale, it's getting a share of the weekly shopping cart. One thing we've seen is that these proteins did not necessarily take a bite out of meat sales, where prices and demand are still high."

Deutsch identifies two inherent problems with many forms of alternative proteins: the flavor, which many still find unappealing; and the highly processed nature of the products, which are far from the "clean label" look favored by many vegetarians and others seeking to eliminate or reduce meat from their diets.

Plant-based proteins are not confined to meat alternatives, of course. Danone North America has continued to innovate with dairy alternatives throughout the pandemic, with the latest development being Silk Greek, a non-dairy Greek yogurt that uses coconut milk and pea protein.

Danone believes that imitating animal-based proteins is not the best long-term strategy, says Kristina Cole, chief customer officer and president of sales: "We see the future of plant-based food and beverages as less of an alternative to meat and dairy, and more of a category that truly stands on its own."

### **What's next?**

As the world continues to struggle with the pandemic, especially as the omicron Covid variant spreads, the industry will have to decide on both short- and long-term strategies to deal with the disruptions it has caused.

Some experts think that the supply chain problems will dissipate when demand stabilizes. Higgins of AArete believes that the biggest issues are bottlenecks at ports and labor scarcity. The latter can be mitigated through short-term strategies like cutting back on SKUs – which many companies did at the start of the pandemic – and long-term ones like labor-saving automation.

"Based on these moves, I expect food manufacturers to be able to play catch-up and solve some of the supply chain disruption into 2022 now that demand is becoming more predictable," Higgins says. "But the challenge will continue to exist on the all labor aspects of the industry."

The pandemic, however, revealed the problems inherent in the "just in time" model for supply chains, where both inventory and deliveries are kept to a minimum.

The biggest problem with JIT is that it encourages players to use as few suppliers as possible – ideally, just one per category. That needs to be abandoned in favor of what the University of Massachusetts' Nagurney calls a "just in case" approach.

"One can no longer rely on a single supplier of a crucial input into a production process, and one has to establish good relationships with multiple suppliers as well as freight service providers, etc.," she says. "Being more adaptive and agile will be essential. The opportunity costs of relying on JIT now are just too high."

Lempert speculates that over the long term, the industry may move away from its high degree of concentration in processing, especially with meat. Doing so would remove dependence on long-haul trucking, as well as making supplies less vulnerable to interruptions if one or two plants get taken down.

“Certainly the retailer and the CPG company can’t absorb all those costs, and some of them will have to be put on the consumer.”

**Like this article? Sign up for Food Processing eNews and get articles like this delivered right to your inbox.**

<b>Email</b>	*	<input type="text"/>
<b>First Name</b>	*	<input type="text"/>
<b>Last Name</b>	*	<input type="text"/>
<b>Company</b>	*	<input type="text"/>
<b>Country</b>	*	<input type="text" value="Select Country"/>

**Sign me up!**



## Related Content

### **2022 Manufacturing Outlook: Optimism Prevails**

Our Manufacturing Survey shows the industry is feeling pretty good heading into 2022 – but...

### **What Can We Expect From The Food & Beverage Industry In 2022?**

As we kick-off our third season of the Food For Thought Podcast, the Food Processing team...

### **Editor's Plate: New Year, New Challenges, New Look**

Pandemic be damned, we're looking forward to a prosperous 2022; so should you.

### **A Look Back at Food Safety in 2021**

Labor, supply chain and Covid issues impacted safety in the past year, but there were no...

### **2021 Food and Beverage Industry Outlook**

The food industry is struggling through the coronavirus pandemic, but the end is in sight.

ABOUT

We use cookies to understand how you use our site and to improve your experience. This includes personalizing content and advertising. To learn more, click here. By continuing to use our site, you accept our use of cookies, revised Privacy Policy, and Terms of Use.

Reject Cookies

Cookie Center

**ACCEPT COOKIES**

x

MAGAZINE

STAY CONNECTED

[Contact Us](#) | [Advertise](#) | [Privacy Policy](#) | [Do Not Sell My Personal Information](#) | [Legal Disclaimers, Terms & Conditions](#)

Copyright © 2004 - 2022 Food Processing. All rights reserved.

P: 630-467-1300 | 1501 E. Woodfield Road, Suite 400N, Schaumburg, IL 60173



[Chemical Processing](#) | [Control](#) | [Control Design](#) | [Food Processing](#) | [Pharma Manufacturing](#) | [Plant Services](#) | [Smart Industry](#)

We use cookies to understand how you use our site and to improve your experience. This includes personalizing content and advertising. To learn more, [click here](#). By continuing to use our site, you accept our use of cookies, revised Privacy Policy, and Terms of Use.

[Reject Cookies](#)

[Cookie Center](#)

**ACCEPT COOKIES**

×