TEAM FOUR FOODSERVICE
VALUE4

OUTLOOK

Q3/2020

Hire Power

Could summer spark recovery?

Summer restaurant jobs are a rite of passage: The restaurant industry is typically the second-largest creator of seasonal jobs during the summer, behind the construction industry, and research from the National Restaurant Association found that half of adults say their first regular job was in a restaurant.

The coronavirus has obviously turned that trend on its head this year. Granted, eight national restaurant brands have made news headlines recently for their commitments to hire tens of thousands of new workers – Dunkin' announced plans to hire 25,000 employees nationwide and Taco Bell plans to hire 30,000.

Millions of other restaurant businesses may not be ready to take such bold action when it comes to hiring. Indeed, while research from the National Restaurant Association in April found that most restaurant operators believe overall economic conditions would improve over the course of the next six months, they are less confident about seeing their sales return to pre-coronavirus levels anytime soon.

In April, when many restaurants would normally be ramping up hiring for the summer months, the industry cut more than 5 million jobs, according to preliminary data from the Bureau of Labor Statistics. (Research from the National Restaurant Association indicates those numbers are even higher.) Between February and April, the restaurant businesses that experienced the steepest drops were cafeterias and buffets (-87 percent), followed by bars and taverns (-80 percent). It's unlikely that operators will return to their normal hiring capacity before the end of the year.

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Supply-chain woes and widespread uncertainty

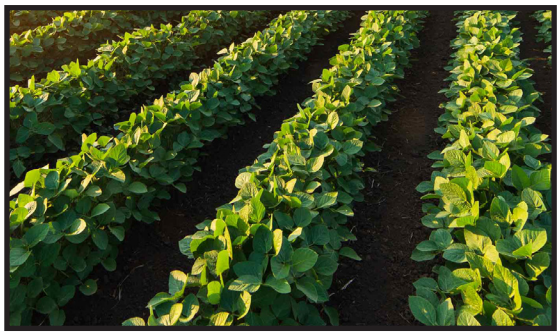
Shifting demand for agricultural commodities

The first half of 2020 was all about pivoting to accommodate rapid changes to everything from customer demand, to global transport, to evolving health and safety precautions. Overall, COVID-19 is expected to suppress growth and trade this fiscal year, with the USDA anticipating a 5.5 year-over-year decline in real per capita world GDP.

Wheat flour production surged in the first quarter, climbing 4 percent and almost 9 million bushels ahead of the same period last year, according to the USDA. Increased retail demand from consumers preparing more foods at home has driven the increase, despite weaker demand from restaurants and other foodservice businesses.

The USDA expects **corn** exports to decline based on record-high supplies, forecast production in the U.S. and less domestic use for fuel ethanol. Large supplies, along with the highest wheat-to-corn price ratio since 2014-2015, will likely lead to corn replacing wheat in livestock feed rations.

Soybean production is up as well, based on a sharp increase in planting, and exports are expected to recover – particularly for China, which will benefit from increased purchases of U.S. agriculture in a January 2020 trade agreement. Prices are expected to be controlled in light of larger South American soybean crops and larger accumulated stocks in China.

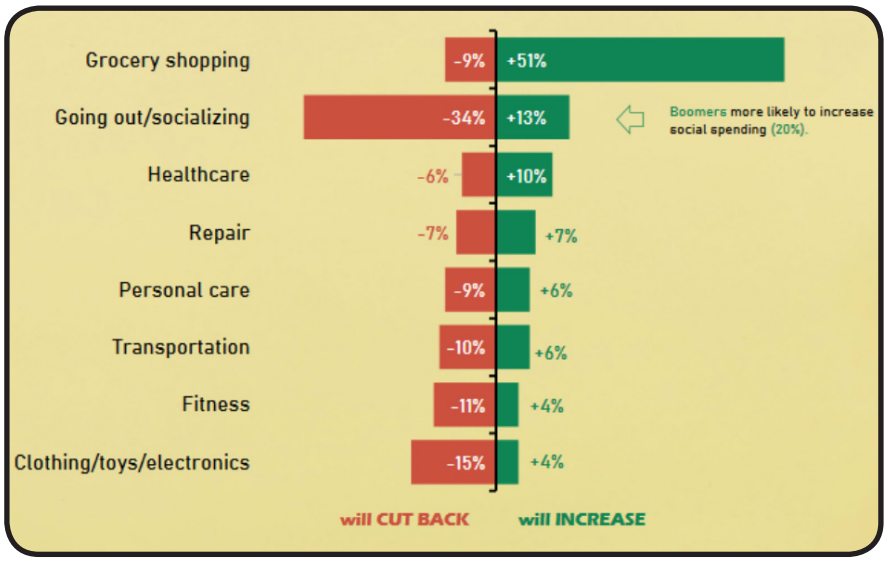


Animal proteins – and those who process and sell it – may have experienced the most COVID-19-related challenges among agricultural commodities. When workers at animal processing plants were infected with coronavirus this spring, the resulting plant closures disrupted domestic beef, pork and poultry production. Restaurant operators and consumers alike have felt the consequences of finding less (and significantly more expensive) animal protein available this quarter. In a recent article in Time, Tim Klein, head of U.S. beef producer National Beef Packing Co., said he does not expect the industry to return to “anywhere near full capacity” until July or August. That does not address the deeper problem with the food supply chain, either: In a full-page letter in the New York Times, Washington Post and other newspapers in late April, Tyson Foods Chairman John Tyson warned that the closure of pork, beef and chicken plants, even for short periods, was causing “millions of pounds of meat” to disappear from the supply chain – even as farmers had ample livestock to sell. This has created an opening for plant-based meat: Sales have spiked during the pandemic, with Nielsen data showing an increase of 265 percent during the eight weeks ending April 18.

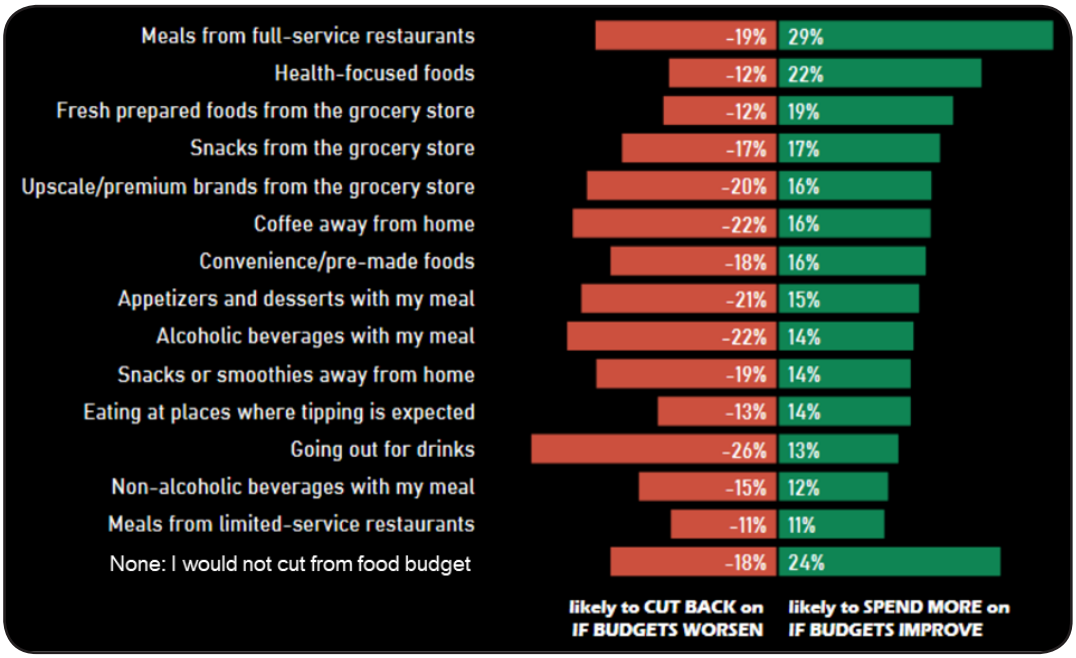
Food for Thought

How will consumers spend money?

While economic conditions may seem bleak this year, there is good reason to take heart: Industry research indicates strong ongoing consumer interest in food, dining out of the house, socializing with friends (even at a distance), and willingness to spend money on food as the pandemic improves and lockdown measures ease. Baby Boomers, in particular, are looking to increase their spending on going out and socializing more than other demographics, according to recent research from Datassential. Overall, the research found that as conditions get better, consumers will be looking to cut back and increase their spending in these ways:



Further, when consumers' finances improve, full-service restaurants are apt to get the biggest boost. Even across food types, consumer spending is expected to rebound. Note that nearly one-quarter of respondents reported they would expand their food budget as their financial situation improves.



Charts Source: Datassential

OUTLOOK

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Rethink and reinvent

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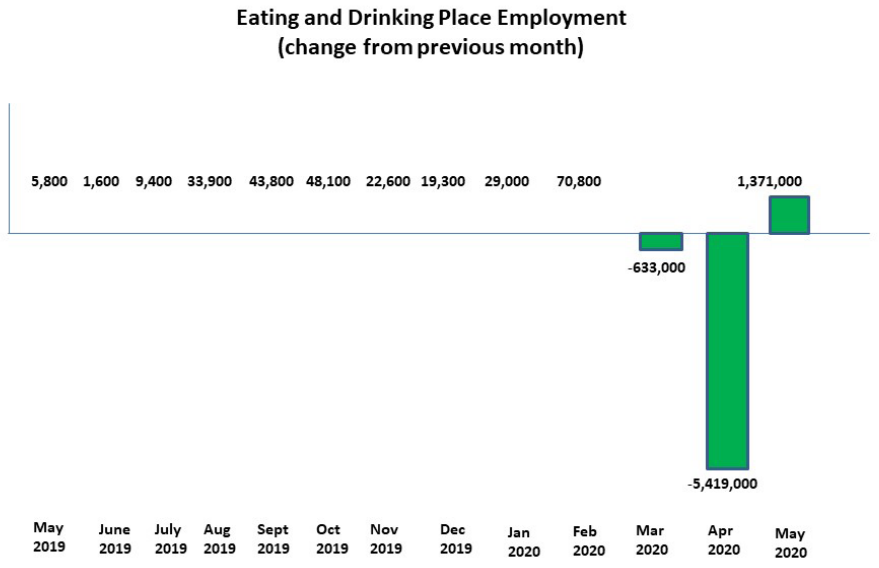
Still, at a time when so many consumers are tiring of lockdowns, the weather is beckoning more people outdoors, and state governments are eager to jumpstart their economies, restaurants are stepping up and slowly rebuilding their teams and businesses. Their actions provide glimmers of hope in an uncertain time. A National Restaurant Association survey of operators in mid-May found that 62 percent of operators who had either furloughed or laid off workers said they had recently rehired some of them, and that on average they were rehiring close to half of those employees. Well over half of the operators surveyed – 61 percent – said they plan to hire more employees in the next month.

When you are ready to hire, take a look at your restaurant first to make sure you're hiring the kinds of employees who suit your current environment. You may have had to reinvent your business in recent months. You are likely trying new things that a few months ago might have seemed risky or off-brand. As you rebuild business, can your team think on its feet? Be creative and flexible with changes but structured when it comes to cleanliness? While it can be difficult to see the positive side of running a restaurant in the past few months, make the best of it by using this transition period to help your business become what you envision it to be.



Sources: Bureau of Labor Statistics, National Restaurant Association

Reopen Right

As your restaurant welcomes customers back, get off to a smart start:

- *Encourage pre-ordering*
- *Sell multi-serving meals and drinks to go*
- *Offer meal (and cocktail) kits*
- *Adapt your waiting list tech to manage outdoor guest lines and parking*
- *Consider clear, creative ways to add space between tables*
- *Moonlight as a seller of specialty or high-demand products*
- *Engage multiple suppliers to ensure you have the products you need*
- *Identify more speed-scratch ingredients to manage labor and supply chain challenges*
- *Post live Instagram video to promote your new menu or safety protocols*

Source: National Restaurant Association