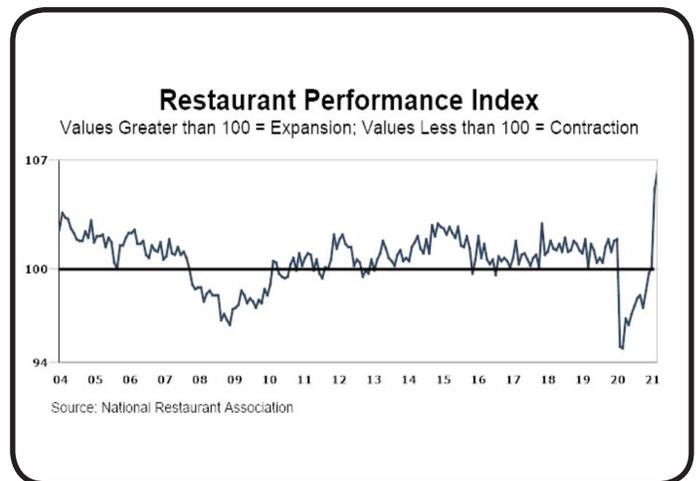


## Post-Pandemic Profitability

### *Applying lessons learned*

When Mark Twain uttered the famous phrase, “The reports of my death are greatly exaggerated,” he may not have been talking about the foodservice industry – but the words still apply. In early 2020, restaurant industry analysts predicted we could lose one-third of the restaurants in the U.S., while other industry insiders like Chef Tom Colicchio said the pandemic could claim up to three-quarters of them, Bloomberg reported.

Fast-forward more than a year later and while many challenges remain, the industry is looking increasingly resilient each month. According to National Restaurant Association research released in May, the number of eating and drinking places that were closed either temporarily or permanently was 90,000, which represents less than 14 percent of U.S. restaurants. While that’s still well above the 50,000 closures the industry sees in a typical year, it’s also a generous drop from December figures that cited 110,000 closures – and far from the apocalypse predicted. Add low Covid rates and warm weather to the mix and there are good reasons for operators to be optimistic.



*(continued on page 4)*

So now that life is starting to feel – dare we say it – somewhat normal again, is your business ready to make the most of the upswing? The challenges of the past year have no doubt cast a spotlight on what was working in your operation, what wasn’t,

# Agriculture Outlook

## *Resilience through the pandemic*

Agriculture producers are managing a lot of push and pull right now: A long-awaited pandemic recovery is driving demand of key commodities, while challenges ranging from disease to drought are keeping supplies in check. Demand from overseas is especially strong: U.S. agriculture exports are expected to hit a record-high \$164 billion in fiscal year 2021, a 21 percent increase over the previous year and a \$7 billion increase over the USDA's February forecast, with livestock, poultry and dairy exports leading the charge.

Per USDA research, here is an overview of current conditions as well as a longer-term outlook for commodities:

**Wheat:** The most recent World Agricultural Supply and Demand Estimates for 2021-22 forecast U.S. wheat to see smaller supplies, higher domestic use, lower exports, and reduced stocks. Supplies are projected to fall 3 percent from last year due to lower carry-in stocks offsetting higher production and imports. All wheat production is projected to climb 3 percent over last year on higher harvested acreage and yields. Globally, the outlook looks a bit different for 2021-2022, with expected larger supplies, higher consumption, more trade and somewhat higher stocks.



**Corn:** In the coming weeks, anticipated hot and dry conditions in the northwestern half of the Corn Belt could strain crops as they pass through key stages of development, according to a recent Nasdaq report. Global supply estimates are already declining amid ongoing dry weather conditions in Brazil and strong purchases by China.

**Soybeans:** The USDA's latest outlook for soybeans was below average market expectations as the dry, hot weather in the U.S. that allowed planting to progress quickly has persisted and is now generating below-average crop ratings. Exports of U.S. soybeans are expected to decline 9 percent in 2021-22 from exports anticipated for this marketing year. Prices are expected to climb to \$13.85 per bushel, the highest price received since the 2012-2013 marketing year.

**Beef:** Rising demand from retail, recovering foodservice operations and strong Chinese exports have lifted beef prices lately. However, beef production into next year is expected to drop around 2 percent as droughts expedite cattle slaughters to the limits of operator capacity, reducing supplies into next year.

**Pork:** Demand for pork continues to be high amid China's stalled recovery from African swine fever, challenges with disease in other markets, and signs of economic recovery as we emerge from the pandemic. This has led to some of the highest wholesale prices for pork in seven years. Pork production is expected to climb about 1 percent in 2022 as compared to this year in response to those factors.



# Building a Better Food System

The pandemic has exposed a number of weaknesses in the food system. Now, the USDA plans to invest \$4 billion to strengthen it in case similar events occur in the future, according to an announcement this month. “Now is the time to really focus on a system that is not only productive and efficient but also resilient,” U.S. Secretary of Agriculture Tom Vilsack told Fortune.

The USDA plans to use the investment to address current weaknesses in food production, processing and distribution – all while aiming to address climate-related strains and inequity in the food system. Pandemic-related challenges are a key focus: When Covid-19 closed slaughterhouses, small farmers were hurt the most because of a consolidated meat processing system, so some of this investment will go towards helping smaller processing facilities avoid similar business interruptions going forward, for example. It will also help protect against supply chain disruptions and strengthen regional food systems to reduce the need to transport food across long distances.

Beyond weaknesses exposed during the pandemic, the funding will support farmers making the transition to organic farming and assist new farmers looking to establish business. It will also aim to strengthen the connection between food service and food assistance, giving producers greater incentive to connect their products with people who need them. Remember when dairy farmers were dumping an excess supply of milk early in the pandemic, all while there were more people in need of it?

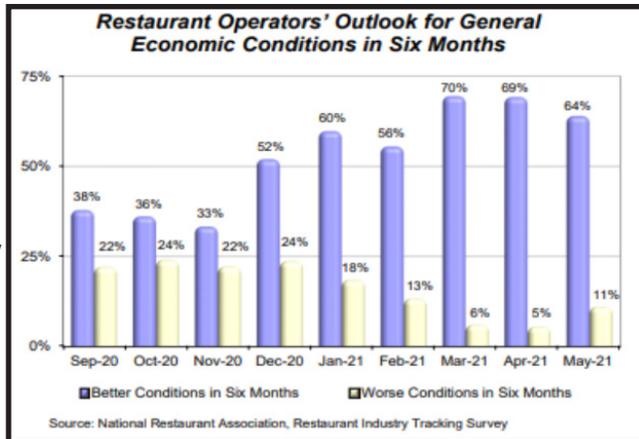


# OUTLOOK

Q3/2021

## Lessons (from page 1)

and what tools and resources you need at a minimum to keep business going. According to the McKinsey & Co. report “How Restaurants Can Thrive in the Next Normal,” operators can capitalize on the foodservice industry’s recovery by fine-tuning several specific parts of their business. How well are you performing in these areas?



**Rethinking design:** How well can you flex your layout, indoors and out, to better manage traffic and sales? How smoothly do you accommodate off-premise business from different channels? Study the various interactions in your business – among staff and guests, staff and third-party personnel, and front- and back-of-house staff, for example – and assess the risks and solutions inherent in each.

**Reinventing menus:** On an ongoing basis, study evolving trends and introduce new items that capitalize on them, like plant-based proteins that can be added to a range of dishes.

**Optimizing real estate:** How well does your facility and location serve your evolving needs? Perhaps it makes sense to exit a market, enter a new one, or convert an existing dining room into a takeout and delivery hub.

**Digitizing customer interactions:** Your customer data can help you make key decisions about what to sell, how to price it and how to promote it. The insights you collect from your guests can help you deliver the kind of personalized experience that will inspire loyalty for the long term.

## What's On Trend?

The restaurant industry – and consumer tastes – are looking different as we emerge from the pandemic. Technomic’s 2021 Global Trends Outlook has identified these developments to watch:

**Plant-based 2.0:** Think local, healthy, indulgent and sustainable options; pork, fish and lamb alternatives; and even alt-meat and dairy made in-house.

**Value reimaged:** It’s more about convenience, health and comfort than about discounts, so offer options like large-format foods, prepared and bottled beverages, multi-daypart meal bundles and subscriptions.

**Stand-out experiences:** Showcase menu innovation in creative ways and use entertaining and instructional videos to connect people and create quirky off-premise experiences.

**New and improved ingredients:** Look for more high-quality ingredients on menus, with an emphasis on local, clean-label options.

**Road-ready:** Off-premise is here to stay, so prepare and package foods and beverages that are easily enjoyed outdoors or on the go.

