

FOOD PRODUCT SUPPLY CHAINS LEARN TO STAY HUNGRY

Since COVID-19 was first confirmed in the U.S. in early 2020, the food suppliers and service industry have been hit especially hard. As the pandemic took hold, lockdowns kept customers away from restaurants, leading to massive numbers of closings and layoffs. Similar impacts were felt worldwide as consumer spending on food shifted in favor of takeout, drive-thru, delivery and grocery stores.

With commercial needs plummeting and people eating at home more than ever, vulnerabilities in supply chains and distribution channels were exposed. Specifically, restaurant suppliers were overwhelmed with canceled orders and grocery stores struggled to keep pace with newfound demand.

“During the pandemic, when demand surged in many product categories, manufacturers struggled to shift from supplying one market segment to supplying another, or from making one kind of product to making another,” according to a story last fall in *Harvard Business Review*. The report cites the U.S. grocery market, “where companies



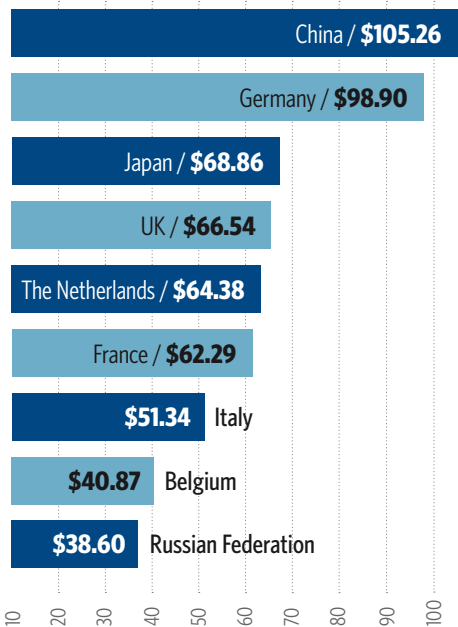
Even in the face of sudden, sweeping changes and profound uncertainty, businesses that adapt quickly can not only survive, but thrive.

\$3.4 TRILLION

Approximate value (as of 2018) of the world's food service industry—from school cafeterias to fast-food outlets to Michelin-starred restaurants. In 2020, enormous numbers of them ceased operations for long stretches due to the pandemic, hugely impacting the global food supply chain.

FOOD FROM AFAR

No nation relies more on the global food and food products supply chain each year than the **U.S., which spends \$133 billion** on such items. Here are the rest of the **top 10 food and food products importers** (all figures in billions of U.S. dollars).



had difficulty adjusting to the plunge in demand from restaurants and cafeterias and the rise in consumer demand.”

However, in the face of sudden changes and uncertainty, businesses that adapt quickly can survive—and even thrive. “Shortly after the pandemic was declared, we helped our restaurant customers understand the government loan process, convert to delivery and takeout services and establish 16,000+ mini grocery markets,” says President and CEO Kevin Hourican of Sysco, the world’s largest food-products distributor. Sysco customers who engaged in these best practices “substantially outperformed those who did not,” Mr. Hourican says. Sysco also introduced new concepts to its customers, such as extending the patio dining season, to help them drive traffic and revenues.

Sodexo, a French food services and facilities management company with a presence in 80 countries, has introduced a program called “rise with Sodexo” designed to help clients

“resume, adapt and thrive.” Offerings include expert risk assessments and guidance for optimizing space and energy management. “Our systematic and comprehensive approach helps our clients not only reopen and recover with confidence, but also to seize opportunities to do business in new ways,” said CEO Denis Machuel.

To help account for how the pandemic forced changes upon food businesses, Mr. Hourican says, Sysco optimized their labor, inventory management and truck routing and delivery processes to “align with the changing customer demand. We shifted our focus to support the fast-growing retail grocery segment and carefully managed perishable inventory to reduce product waste.”

Uncertainty lingers throughout the global supply chain. Companies must decide whether to wait out the crisis—and hope for a return to pre-pandemic norms—or plan for a permanent change in longer-term consumer spending. **IQ** By Brian Cook

MARKET TURMOIL AND PIVOTS

30K+ Workers at food-processing facilities in Europe and the U.S. who have contracted COVID-19, causing meat processing plants to close or slow production.

41% U.S. restaurant operators who have switched to new to-go packaging due to COVID-19.

\$899B U.S. restaurant industry’s projected sales in 2020.

30M+ Number of meals that food-service giant Sysco has donated to communities hit especially hard by the pandemic’s economic effects.

270M Number of people who may now be “acutely food-insecure,” according to the World Food Programme’s most recent estimates. The figure represents an 82% increase from before the pandemic.

ISTOCK; COURTESY STEPHEN DUBNER

EXECUTIVE MINDSETS

“Shorter supply chains offer greater resilience. I wouldn’t be surprised if there was greater thought given to that. [By] accepting that you won’t be able to get everything you want all year round, you have to respect seasonality of production.”

—David Nabarro, the World Health Organization’s special envoy for COVID-19, to the *Financial Times*

“Where you’ve seen lockdowns you have had to cope with shortages, and some of this got magnified by the lack of transportation capacity—everyone in this crisis is trying to book capacity so there is quite a bit of competition out there. There is no magic bullet. ... In some very limited cases we can think about adjusting recipes if there is a critical ingredient missing.”

—Mark Schneider, CEO, Nestlé, to the *Financial Times*

LISTEN, READ, LEARN

To help understand the pandemic’s effects on the food industry supply chain, consider these:

LISTEN



“What Happens When Everyone Stays Home to Eat?”

Award-winning author and journalist Stephen Dubner makes an unsexy topic—socioeconomics—entertaining as the host of the public radio program *Freakonomics Radio*. In this podcast, Mr. Dubner discusses the pandemic that “shocked our food-supply system like nothing in modern history.” More importantly, he examines “just how much toilet paper one household really needs.” April 2020

READ

“Let’s Ask Marion: What You Need to Know About the Politics of Food, Nutrition, and Health”

For some 20 years, New York University professor Marion Nestle has been writing on a tasty topic: the intersection of food, science, public health and politics. In her newest book, she boils down some of the most profound food issues in a simple Q&A format. One of her contentions: Food is political—and the coronavirus pandemic is a prime example. September 2020