

2022

State of Food Manufacturing

in New York & New Jersey



A Survey Conducted By:



To help food and beverage manufacturers assess how the industry and their companies are faring and to prepare for what lies ahead, the New Jersey Food Processors Association (NJFPA) and Grassi's Manufacturing & Distribution practice partnered once again to field a comprehensive industry benchmarking survey.

This year's survey elicited candid feedback on industry trends and outlooks and we are pleased to share the results with you.

The survey of 148 decisionmakers in the New York and New Jersey food manufacturing industry, conducted January, 12-31, revealed that the industry saw growth in 2021 overall and expects an even better 2022.

Most indicators show an industry adapting effectively to the many COVID-related challenges it faces. Companies saw successes across multiple areas in 2021—including improving customer relationships, increasing workplace safety, and speeding up their digital transformation.

They will continue investing in these opportunity areas in the coming year. COVID-related challenges also will continue in 2022, though organizations will further mitigate the impact through improvements such as identifying new suppliers, allowing flexible work schedules, and purchasing inventory in bulk. Putting all of this together, the industry is very well-positioned for success.

In fact, companies were more than twice as likely to see revenues increase than decrease in 2021, and fully three quarters expect revenue to grow this year, while only 3% foresee a decline. Similar to 2021 revenues, profits were nearly three times more likely to increase than decrease last year.

To keep those trends going, most companies are increasing capital spending and opening or adding new lines and/or plants, and the majority expect production levels to be higher than in 2021. Most are targeting new distribution channels; just under half are improving customer service and increasing use of analytics. Cloud computing is common and will see continued growth as an industry technology driver.

Drilling down, 53% of respondents saw revenues increase, and revenues rose 27% on average at those companies in 2021. Even with increased costs, 51% also saw profits rise (up 25% on

average), suggesting an industry not only adapting, but in many cases thriving during the second year of COVID. But for one in five companies, the pandemic and other market conditions led to declines in both revenues (24% on average) and profits (25% on average).

For 2022, those with rising revenues in 2021—the industry “haves”—are twice as likely to say they anticipate a year of expanding production (63%) than are the “have-nots” (31%). A majority of companies with flat or decreasing revenues (51%) project production will remain about the same as 2021, compared with only about a third of the growing manufacturers. This suggests the best-off companies are investing in additional growth, while struggling ones are mostly holding the line.

The diverging trajectories become clearer when considering that 63% of growing companies are expanding production by adding lines and/or opening new plants, compared to 35% of companies with stable or declining revenues. Meanwhile 23% of companies with flat or falling revenues plan to merge and/or close lines or plants—nearly four times the 6% of companies with rising revenues that plan to do so.

Strikingly, however, a third of companies with flat or declining revenues plan to grow revenues this year with plant and/or line expansion. Also of note: More than half of companies with flat or declining revenues (51%), plan to target new distribution channels as a growth strategy, not far behind the 57% of companies with rising revenues that will do the same.

As the already-growing companies take steps to increase their revenue momentum, the fact that so many revenue-challenged companies are also expanding lines and targeting new distribution channels suggests 2022 may see more industry-wide successes than 2021.

OBJECTIVES & METHODOLOGIES

- 1 Assess the state of the food manufacturing industry in New York and New Jersey at the beginning of 2022
- 2 Look back at industry trends in 2021
- 3 Collect a view of key industry opportunities and challenges in the year ahead
- 4 Use these snapshots to help industry leaders understand where their organization stands in comparison to their peers and provide useful strategic insights to drive business growth
- 5 Begin creating a longitudinal benchmark of industry health in these two states

METHODOLOGY

- 9-minute online survey conducted January 12-31, 2022
- 148 survey respondents
- Survey conducted by Crain Communications - Research and Insights

Respondent Profile

The typical respondent is a C-level executive or higher at a food manufacturing or processing company

JOB LEVELS

55% Owners, Presidents/CEOs and C-Level executives



Q2: Which category best describes your food manufacturing business? n=148; Q3: Which best describes your current job level? n=148

Companies surveyed included respondents representing a cross section of industry sectors

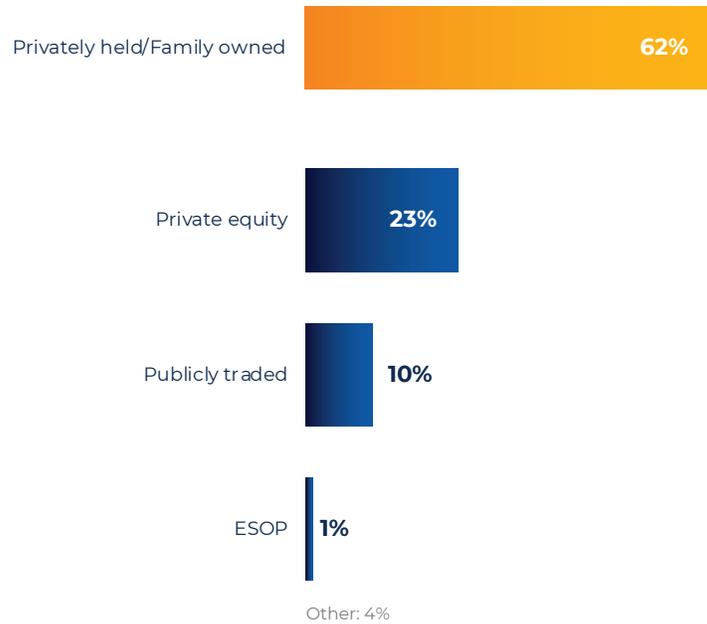
INDUSTRY SEGMENTS



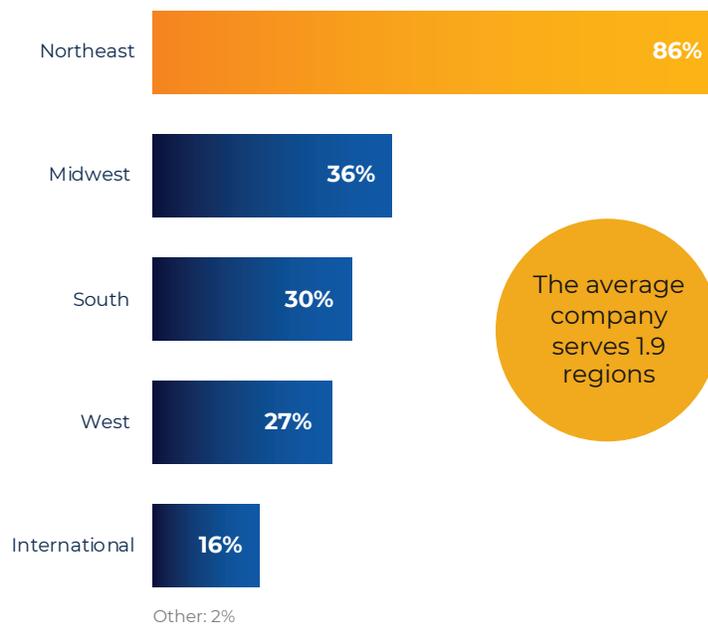
Q2: Which category best describes your food manufacturing business? n=148; Q3: Which best describes your current job level? n=148

Most companies surveyed are privately held and nearly all serve the Northeast

OWNERSHIP STRUCTURE

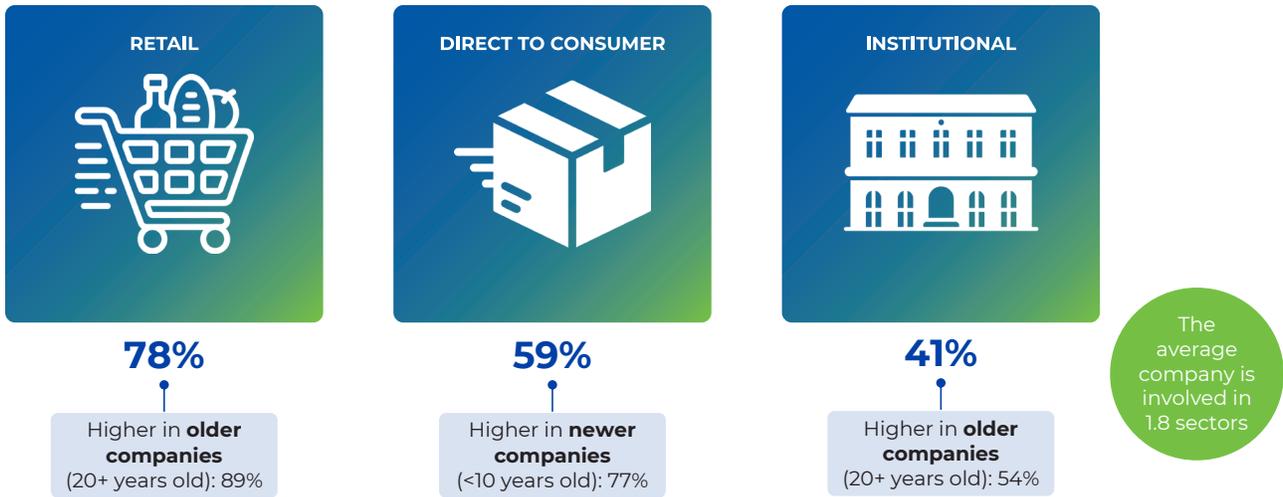


REGIONS SERVED



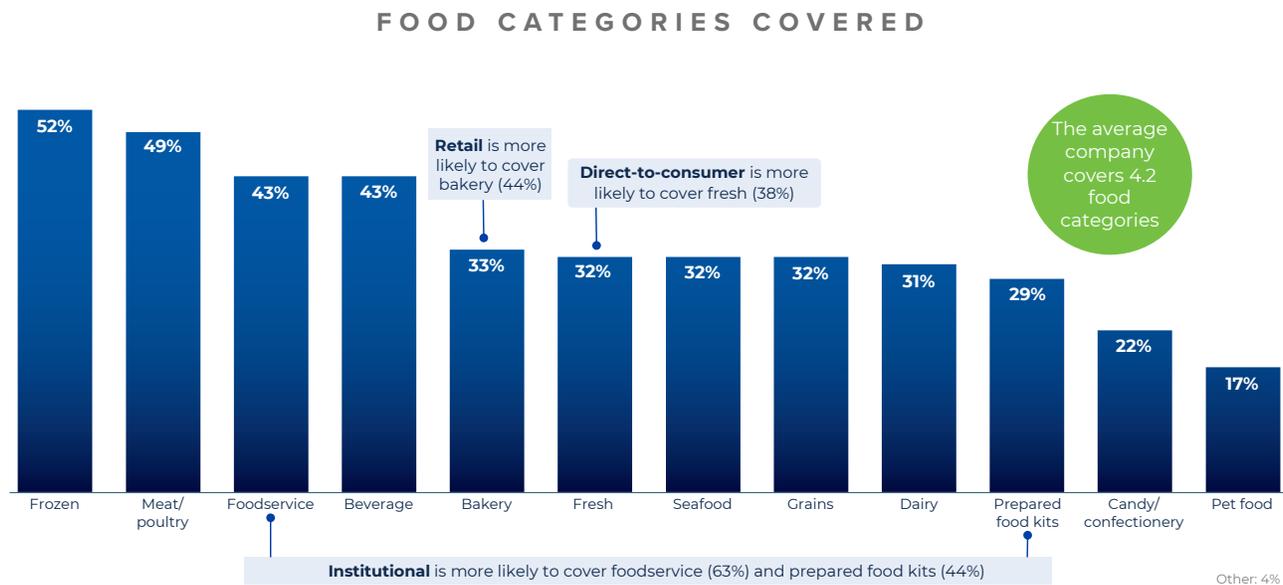
Q31: What is your ownership structure? n=135; Q32: Which regions does your business serve? n=135

Most companies operate in multiple sectors, most commonly, retail and direct-to-consumer



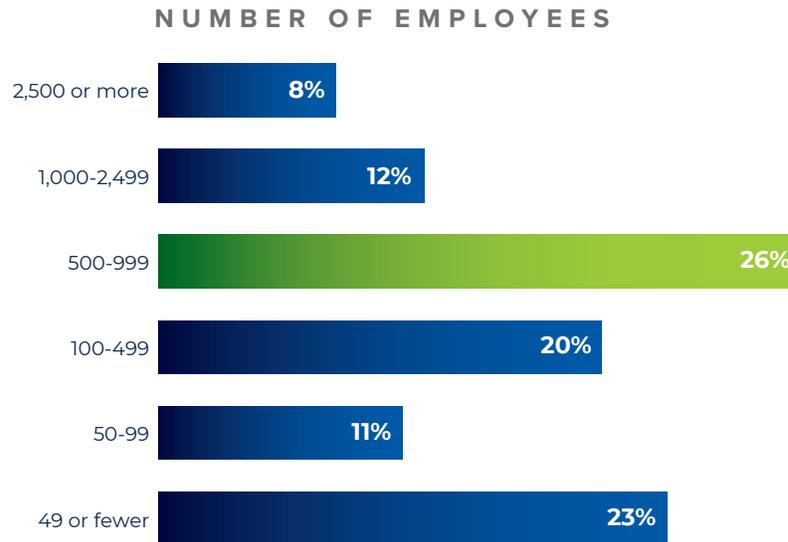
Q35: Which sectors of food manufacturing are you active in? n=79. Asked if food processor/manufacture, co-packer/contract manufacturer, or wholesale/broker

Top food categories include frozen, meat/poultry, foodservice and beverage

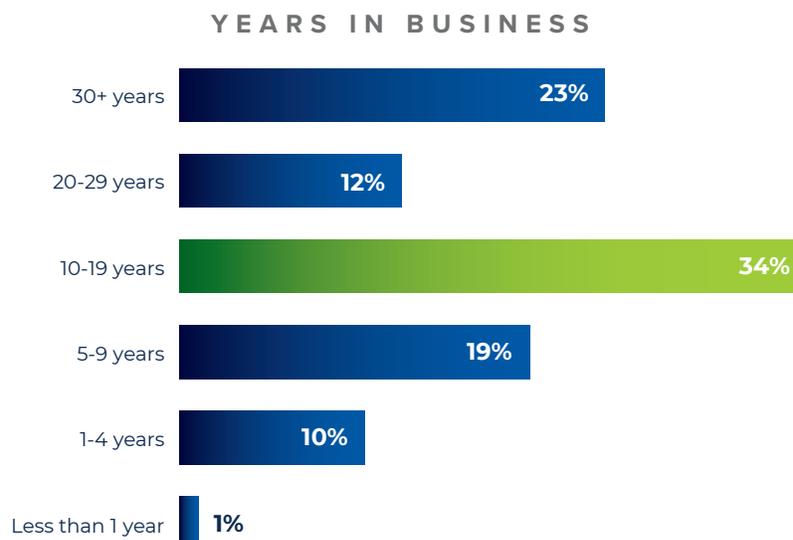


Q34: Which food categories does your business cover? n=134

Companies surveyed are typically mid-sized and have operated for a decade or more



Organizations surveyed employ **720.4** people on average (median of 300)...



...and have been in business **17.5** years on average, with more than two-thirds operating for 10 years or more

Q30: How many people are employed by your company? N=135; Q33: How long has your company been in business? n=135

CHALLENGES IN 2021

Despite the overall successes of 2021, **COVID** and related issues provided **significant challenges**

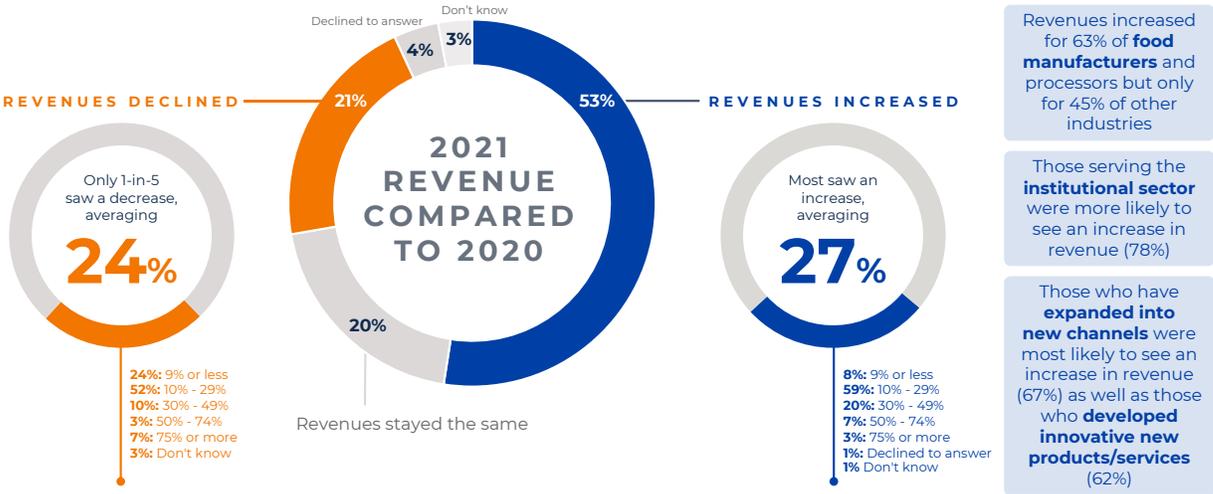
- The majority dealt with **COVID outbreaks among the workforce**
- Most experienced **disruptions in the supply chain/delivery and logistics/transportation**
- Many also cited **staffing challenges**
- **Costs increased** for many, including costs associated with **workplace health/safety, labor, and volatility in ingredient pricing**

OPPORTUNITIES IN 2021

Overall, **2021 was a good year** for the industry compared with 2020, as companies adjusted to pandemic realities and focused on growth strategies

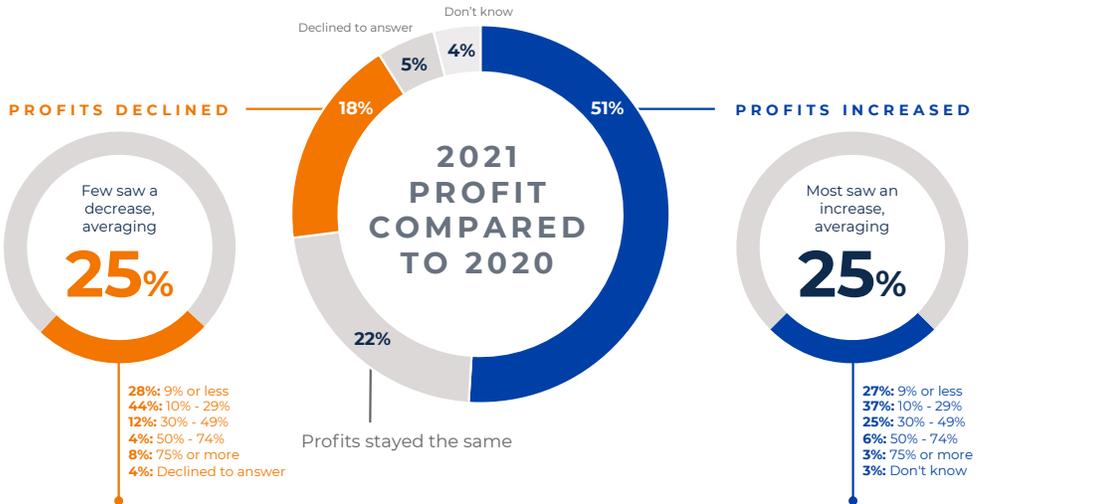
- **Revenues increased** for the majority
- **Profits also increased** for the majority
- **Practically all organizations experienced successes** and opportunities, especially:
 - Improved **customer relationships**
 - **Safer workplaces**
 - An increase in **digital transformation**

Companies were more than 2X more likely to see revenues increase than decrease in 2021



Q13: Compared to 2020, how were revenues in 2021? n=140; Q14: How much did revenues decline in 2021? n=29; Q15: How much did revenues increase in 2021? n=74

Similar to 2021 revenue, profits were nearly 3X more likely to increase than decrease



Q16: Compared to 2020, how were profits in 2021? n=140; Q17: How much did profits decline in 2021? n=25; Q18: How much did profits increase in 2021? n=71

Nearly every company experienced a success or opportunity in 2021, most frequently by improving customer relationships



None-experienced no successes or opportunities: 2%; Other: 1%

Q5: Which of these successes and opportunities did your business experience in the past 12 months? n=148;

NOTES:

1. Higher among institutional (84%)

2. Higher among those with higher revenues (74%), retail (69%) and institutional (69%)

3. Higher among retail (71%)

4. Higher among those with higher revenue (67%), direct-to-consumer (68%), and institutional (69%)

5. Higher among food processors/manufacturers (64%)

6. Higher among those with higher revenues (61%)

Nearly all experienced challenges in 2021, with COVID and COVID-related issues the most common. Older companies and those serving the institutional sector experienced more challenges

BIGGEST BUSINESS CHALLENGES OF 2021



None-experienced no challenges: 3%; Other: 2%

Q6: Which of these challenges did your business experience in the past 12 months? n=148

NOTES:

1. Higher among those with **lower revenues** (69%)

2. Higher among **food processors/manufacturers** (70%), **older companies** (72%), **retail** (65%) and **institutional** (69%)

3. Higher among **older companies** (64%)

4. Higher among **older companies** (68%)

5. Higher among **direct-to-consumer** (57%) and **institutional** (56%)

6. Higher among **older companies** (60%)

7. Higher among **food processors/manufacturers** (49%), **retail** (45%) and **institutional** (53%)

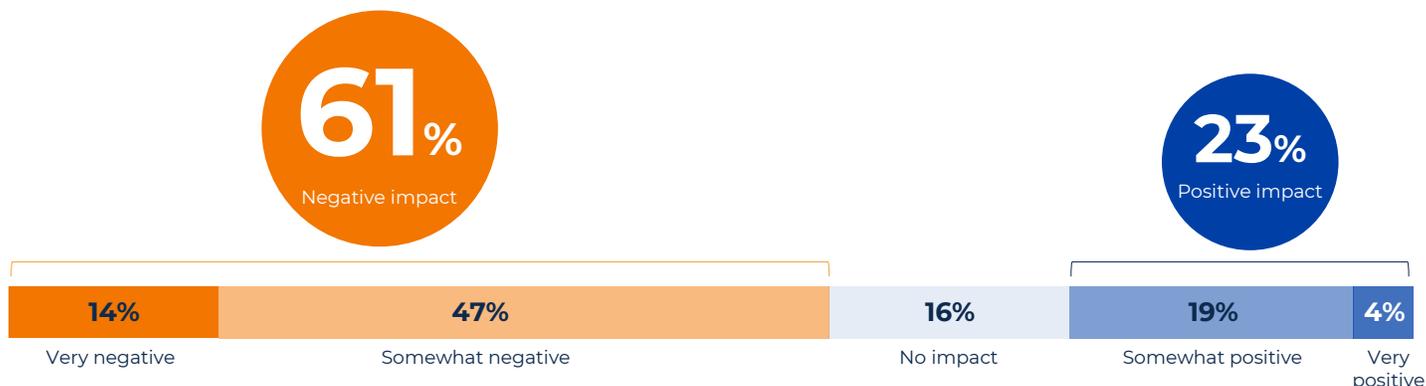
8. Higher among **institutional** (56%)

9. Higher among **institutional** (34%)

Companies saw bright spots in finding new customers, digital transformation

That 39% of respondents reported a positive or no effect from COVID underscores that the pandemic presented significant opportunities for many businesses.

OVERALL IMPACT OF COVID ON BUSINESS



Those with **higher revenue** are more likely to cite a positive/neutral COVID impact (49%) as are those who experienced **increased revenues** (48%)

“Since there were many suppliers out of commission, I was able to slice off a whole new section of the market. I now work with clients that I would have never dreamed of.”

-Owner, Wholesaler/Broker

“Our opportunities in 2021 were meeting customer demand when it was hard to get certain products.”

-Director, Food Processor/Manufacturer

“To be able to make our online aspects a base priority and futurize ourselves.”

Vice President, Food Processor/Manufacturer

“The biggest challenges were the supply chain issues.”

President/CEO, Food Processor/Manufacturer

“The rising costs of all our ingredients, and the challenge of finding technicians to make repairs and updates to our equipment and systems when needed.”

-Owner, Food Processor/Manufacturer

“Battling through COVID and keeping workers happy and safe.”

Director, Retail

CHALLENGES IN 2022

COVID pain points remain but the industry continues to adapt

- Practically all organizations are experiencing an **increase in raw materials pricing**
 - Companies are softening the blow by **finding new suppliers, renegotiating with vendors,** and **passing along some increases** to customers
- **Staffing remains a stubborn challenge**
 - Companies are **allowing flexible work schedules** and **increasing salaries,** among other tactics
- **Logistics and inventory scarcity** issues persist
 - Companies are increasing **customer communication,** increasing the **number of suppliers,** and **purchasing inventory in bulk**

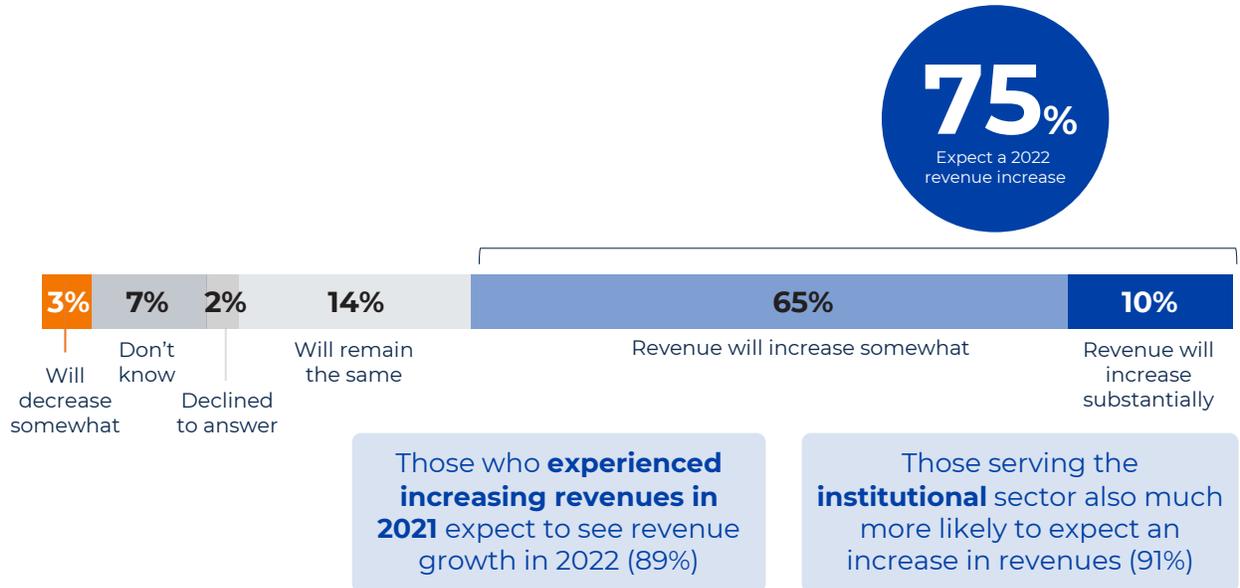
OPPORTUNITIES IN 2022

Most are **highly optimistic about business in 2022** and expect an **even better year than 2021**

- **Three-quarters expect revenue to grow**
- Most are **increasing capital spending** and opening or adding **new lines and/or plants**
- The majority expect **production levels to be higher** than in 2021
- Most are targeting **new distribution channels;** just under half are **improving customer service** and **increasing use of analytics**
- **Cloud computing** is common and will see continued growth, an industry technology driver

Companies are highly optimistic revenue will grow in 2022, with three-quarters expecting a revenue increase compared with 2021

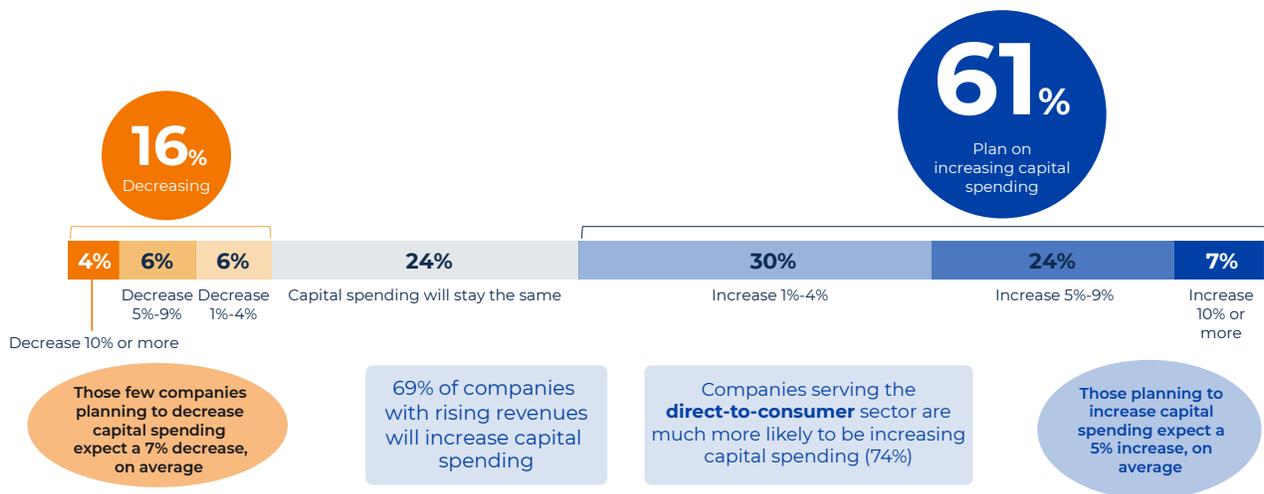
REVENUE EXPECTATIONS FOR 2022 COMPARED TO 2021



Q27: What are your revenue expectations for 2022 compared to 2021? n=136

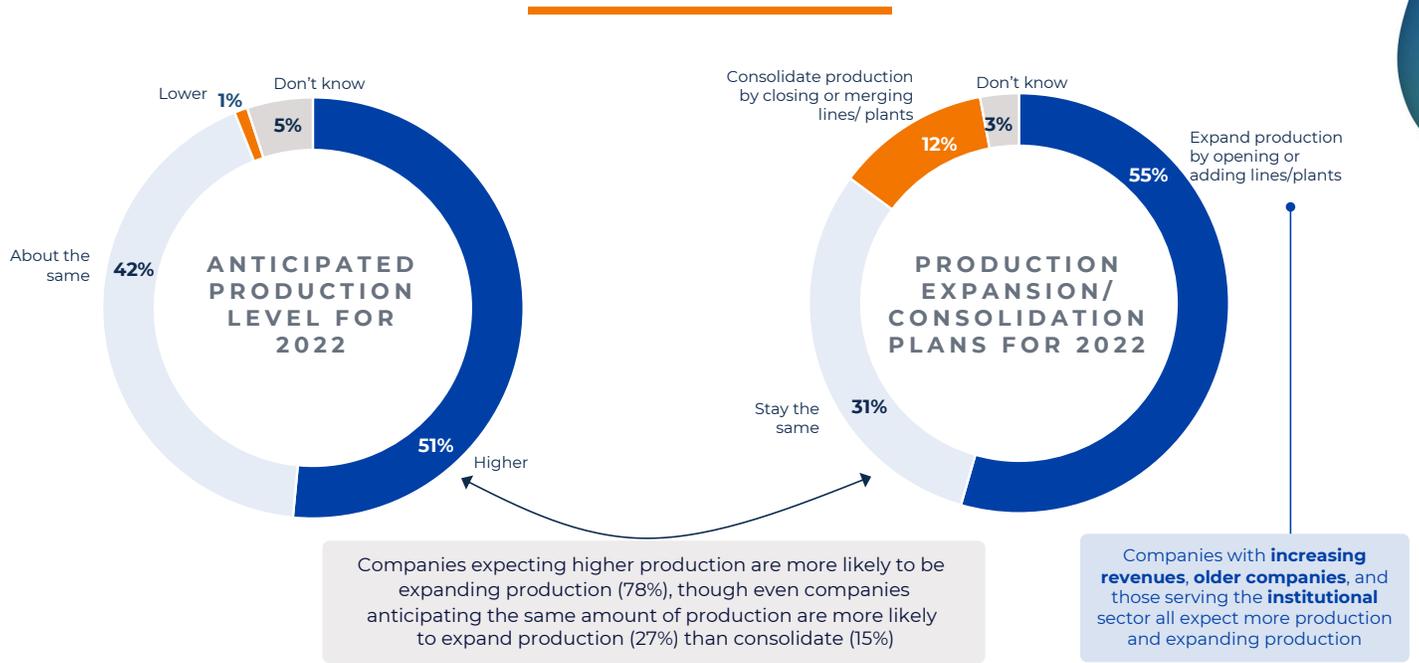
Along with expecting 2022 revenue growth, most will increase capital spending

CAPITAL SPENDING PLANS FOR 2022 COMPARED TO 2021



Q28: What are your company's capital spending plans for 2022 compared to 2021? n=135; May not equal 100% due to rounding.

With that increasing revenue and capital spending, most plan to expand production as well



Q21: Compared to 2021, what do you anticipate your plant's production will be in 2022? n=73; Q22: In terms of production for 2022, is your company planning to: n=78. Asked if food processor/manufacturer or co-packer/contract manufacturer

"Expanding my business and increasing revenue while also providing a higher salary for all my employees to assure that we are all a team working together."
-Owner, Retail

"Contracting with new suppliers, adding new items to our lists, online business expansion and increasing employee salaries."
-Vice President, Co-Packer/Contract Manufacturer

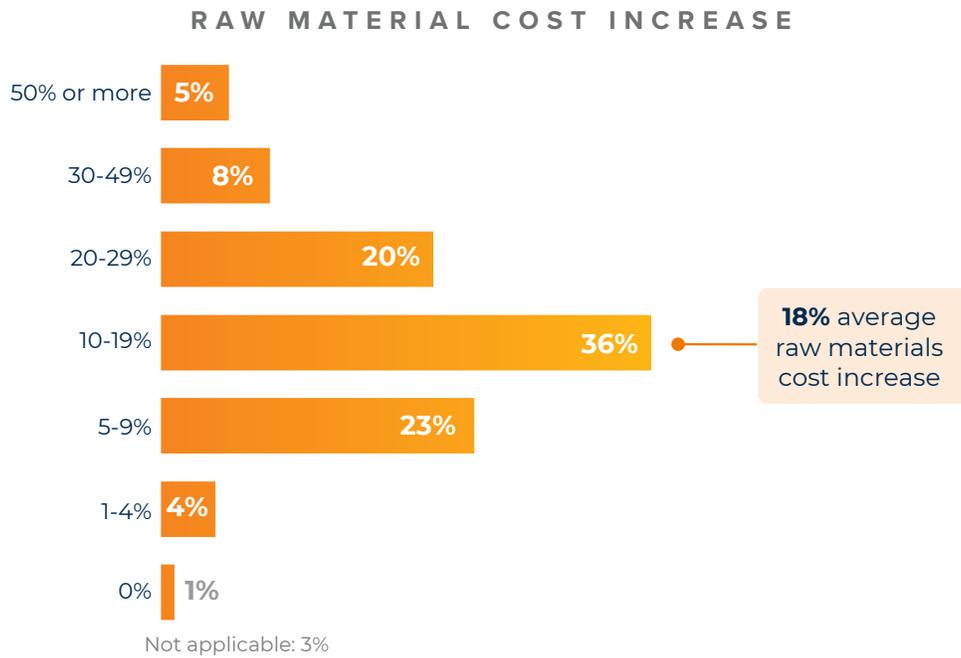
"The acquisition of innovative technologies that allow improving operational processes."
-Director, Food Processor/Manufacturer

"Deal with the high rise of prices and try to figure out how to keep the same quality of the product."
-Owner, Distribution/Logistics/Warehousing

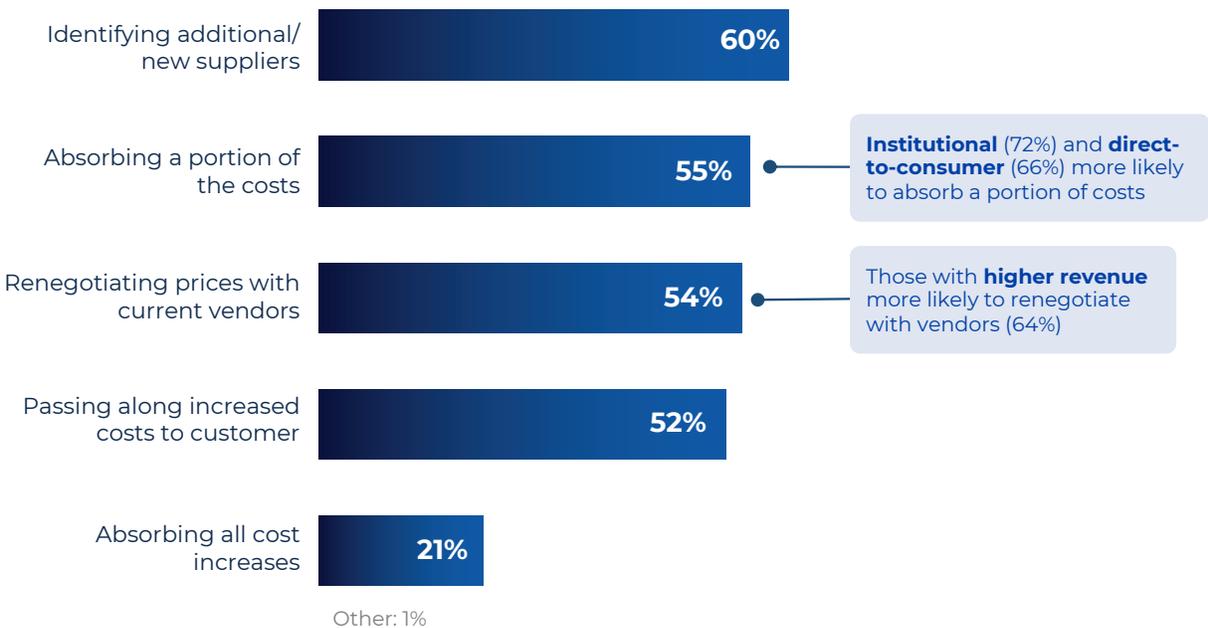
"Continuing labor and cost issues related to COVID, as well as increasing government regulations due to COVID."
-President/CEO, Food Processor/Manufacturer

"Biggest challenge is supply chain."
-Vice President, Food Processor/Manufacturer

Practically all are seeing raw materials costs rise, averaging 18%. Most take a multi-pronged approach to address raw materials price increases without absorbing all costs



STRATEGY TO ADDRESS RAW MATERIAL PRICE INCREASES

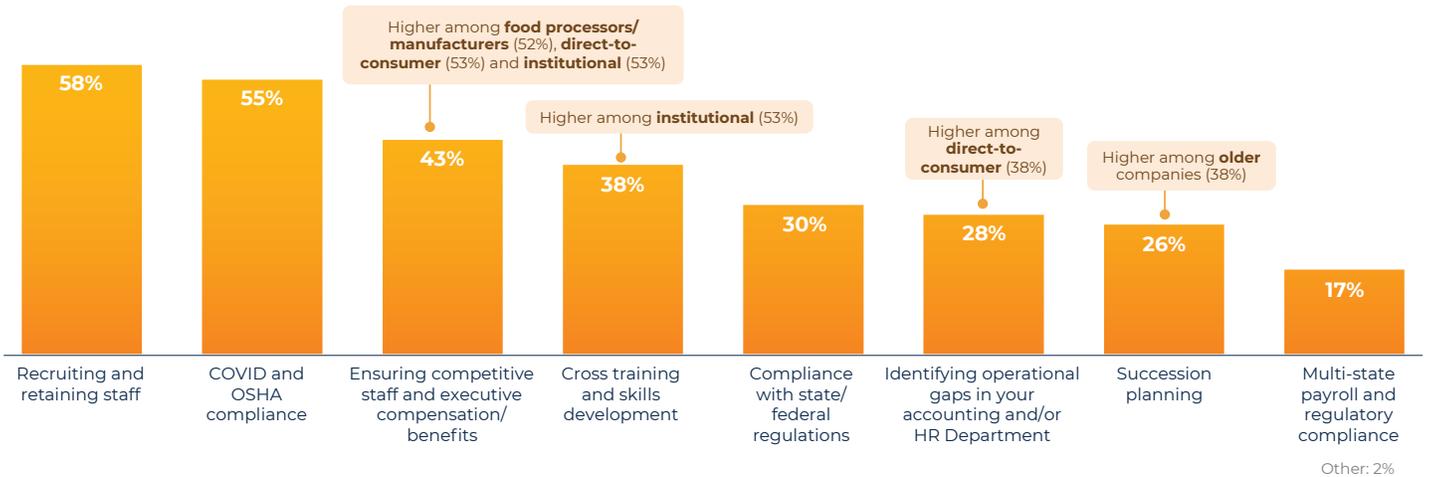


Q10: What percentage increase in cost are you experiencing on raw materials? n=138
 Q11: What is your strategy to address raw material price increases? n=137

The pandemic continues to heighten staffing and compliance issues

47% cited recruiting and retention as a challenge in 2021, while 58% cite it as a current pressing challenge, suggesting staffing problems may be worsening

MOST PRESSING HR AND ORGANIZATIONAL CHALLENGES

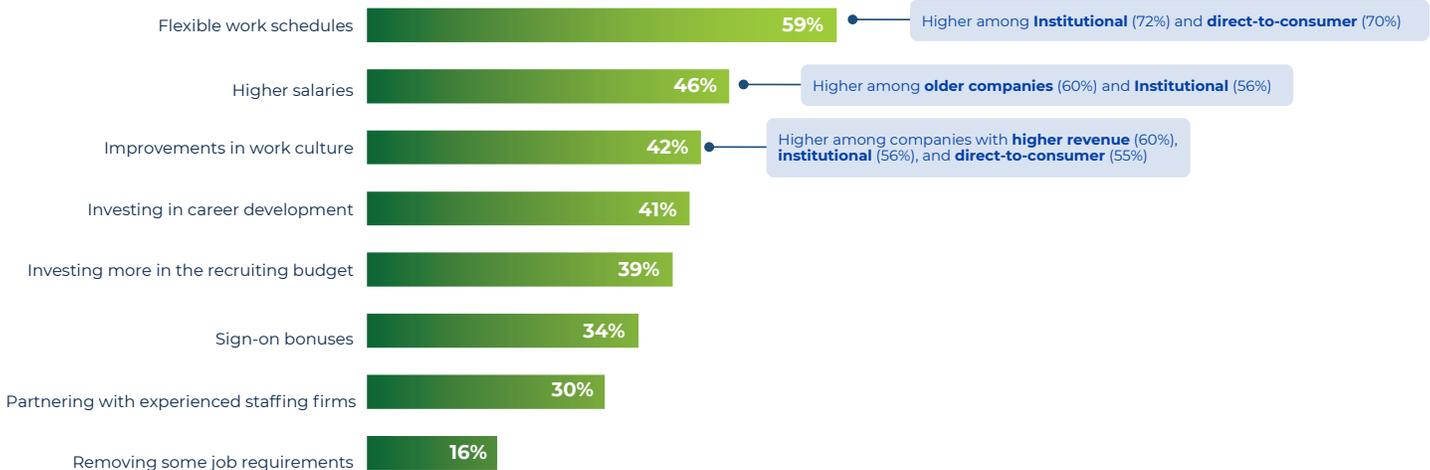


Q6: Which of these challenges did your business experience in the past 12 months? n=148

Q12: What are your most pressing Human Resources and organizational challenges? n=141

The pandemic continues to heighten staffing and compliance issues

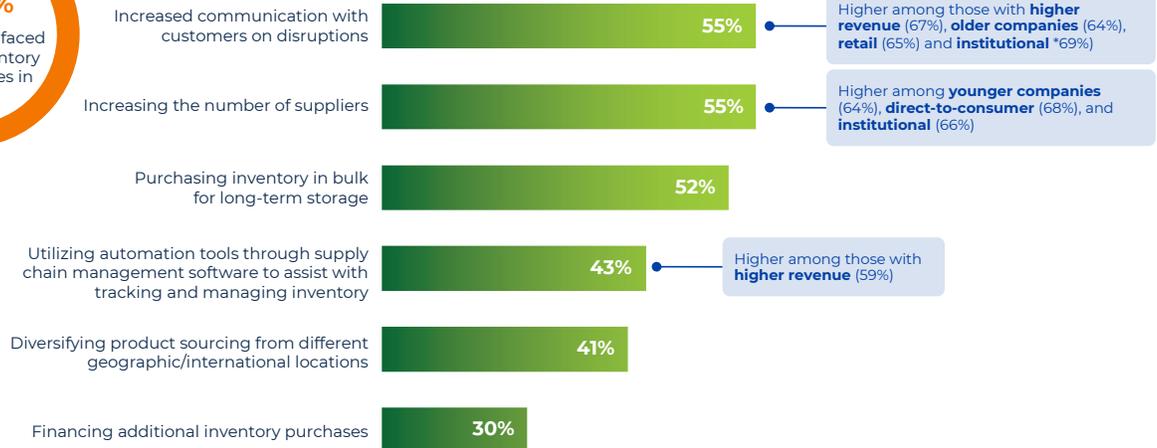
HOW COMPANIES ARE HANDLING LABOR CHALLENGES



Q12B: With the current labor challenges facing our industry, what practices or initiatives have you or will you be implementing to mitigate these challenges? n=140

Companies are trying to keep communication with customers flowing, increasing their number of suppliers and purchasing bulk inventory

HOW COMPANIES ARE HANDLING LABOR CHALLENGES



Not applicable-not facing logistics and inventory scarcity issues: 3%; Other: 4%

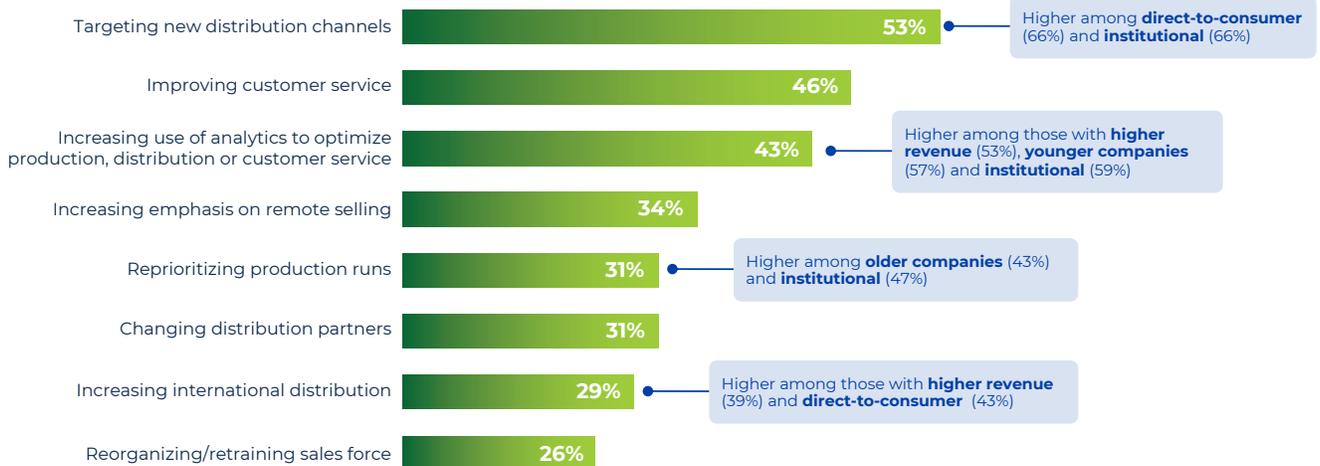
Q6: Which of these challenges did your business experience in the past 12 months? n=148;

Q9: How is your company handling the logistics and inventory scarcity issues? n=143

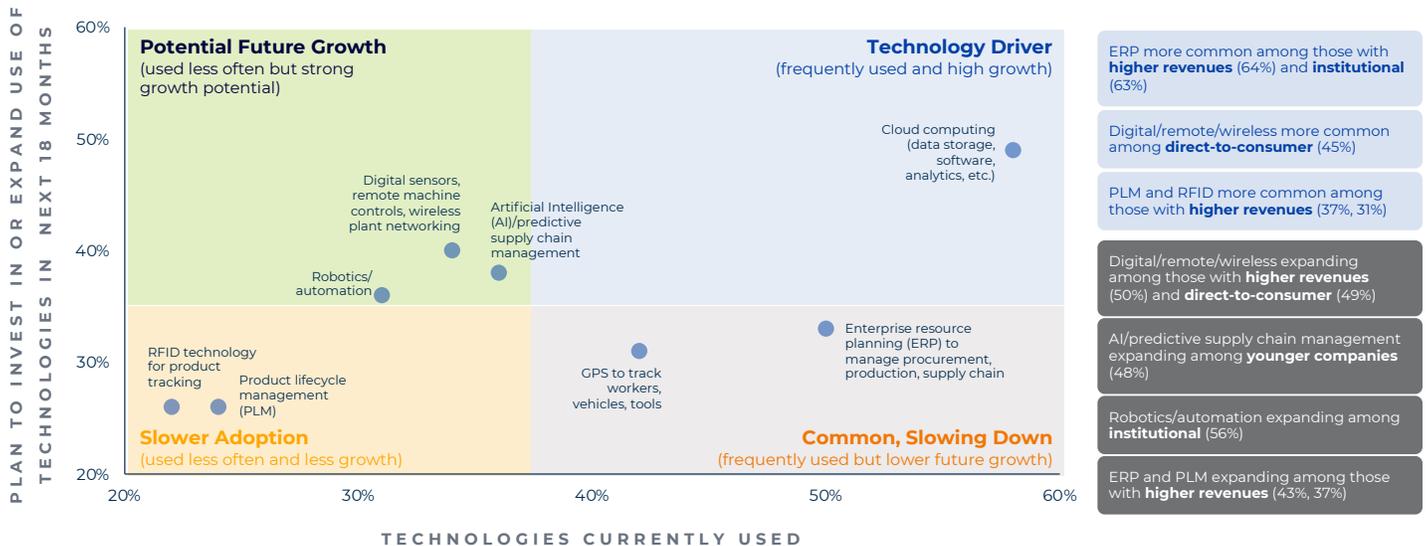
*Includes supply chain/logistics/transportation disruptions and stockouts/replenishment challenges

Most companies will target new distribution channels in 2022

HOW COMPANIES ARE HANDLING LABOR CHALLENGES



Cloud computing is an industry technology driver, but companies are expanding tech in many areas



Q24: Which technologies are used by your firm? n=137

Q25: In the next 18 months, does your company plan to invest in or expand the use of any of the following technologies? n=136

For more information:



njfoodprocessors.org/

Michele Von Deak

Executive Director

NJ Food Processors Association

info@njfoodprocessors.org

888.859.8832



grassicpas.com/industries/manufacturing-distribution/

Robert E. Grote, CPA

Partner, Manufacturing & Distribution Practice Leader

Grassi Advisors & Accountants

rgrote@grassicpas.com

516.336.2468

