



## Foodservice Supply Chain

“Information is key to align and share with our teams – both on trends with the current pandemic, and how it is changing our past to a new future of opportunities.”



# Members Helping Members™

## *Foodservice Insights During Uncertain Times*

With the foodservice industry preparing to ramp back up—still faced with the challenges of a post-COVID world—PMA asked our industry leaders across the supply chain to share their candid insights on some critical topics. Now more than ever, the foodservice supply chain must present a united, transparent front to successfully emerge on the other side of this crisis. Many thanks to our contributors for their honesty and candor as we continue to navigate these uncertain times together.

## Grower/Shipper/Processor

### **What is your outlook for next 3-4 months (what do you believe/perceive will happen)?**

- As foodservice continues to find ways to service the public in more creative ways like take out, expanding outdoor space, acrylic dividers around bars and tables, and other new formatted restaurant opening, we would expect to see a gradual increase in their business. Within the next 3 – 4 months (which will encompass all of summer into early fall), we expect to see overall FS business reach up to 75% of normal, assuming no COVID-19 resurgence and consequent SIP revivals.
- We expect consumption/demand for mushrooms to remain at elevated levels for business sold through club, retail and limited assortment stores. For the 3rd consecutive week, mushrooms have reported \$ sales increases of 22%, 46% and 38% respectively. This strong demand is expected to continue through the summer as restaurants come back into partial operation. Foodservice planning is another story. We have a hypothetical forecast:
  - May down 40% from normal
  - June down 35% from normal
  - July down 30% from normal
  - August down 25% from normal

- What makes this difficult are differences in our customer, our customer's customer, and the region.
- Our sense is that the foodservice business will continue to struggle from the demand side as the economy opens up slowly. That, coupled with some establishments that will never reopen, we could be looking at 60-70% of normal through the balance of the year.
- Business will continue to improve, although I believe the needs will be different than what was needed pre-COVID.
- My hope is that the restaurants will begin to open back up very soon. Some of my current foodservice business is starting to come back, some stronger than others. My fear is that some of the smaller restaurants will never open back up.
- We feel segments will return at different paces. In general, we expect the foodservice channel to be 75% of "normal" by September and this is what we are shaping our crop marketing plans to. The additional volume will need to be picked up in greater foodservice penetration, retail, exports and other outlets like the Farm to Families programs.

### What is the general direction on plantings for foodservice channels?

- Changes have been made to crops scheduled for harvest in late June, July, and into August. There will be lighter overall supplies in iceberg, romaine, and other leafy greens that are heavily favored at foodservice establishments. Expect a closer return to normal volumes by late September and normal volume once the seasonal move to Yuma/Imperial Valley takes place.
- Due to the strong retail demand, all reduced plantings have returned to normal levels. The market for fresh mushrooms will continue to be a 'sellers market.'
- We are changing to align more with retailer's mix (browns/white ratio & organics).
- Plantings have already been cut back for the month of June and into July. Going forward, we will watch the demand side very closely and adjust plantings accordingly. We expect that planting for upside risk is off the table (for example, sales growth and/or opportunity plays).
- My prediction is the same amount of product, but in smaller amounts. This could force folks (suppliers) to downsize offerings.
- Our plans have not changed for what we are planting. We are staying with the same acreage as we planted last year.

### What is the most valuable thing you are getting right now from your supply chain partners?

- Some foodservice customers are very aware of their customer's situation and challenges and have openly shared them with us (their supplier partner). That is important as we need to plan for either a permanent loss of business, a slow growth to eventual normalcy, or a different level of permanent business altogether.
- Although less than perfect, the most valuable currency in today's marketplace is "information". Those supplier partners that are sharing POS sales / movement data are realizing good fill rates and order accuracy. There is a sense of how confused they are as to future consumer trends.
- Transparency and true partnership. As we all try and navigate the uncertainty, having both sides work closer and more honestly brings extreme value.
- Communication on what is happening in their local area. News media is not enough to speculate.
- I would say the most valuable thing that I am getting right now is "information". What they are hearing in the Marketplace that I might not hear. I also have supply chain partners that changed their specs for our orders, they helped us put the larger "foodservice" specs in their retail pack sizes.

### What are you not getting that is making your job harder?

- It seems that certain areas within the foodservice industry are not able to forecast their business as they have in the past. There have been huge swings in their business, as they are bidding and seeking new opportunities that are short term in order to stay afloat. It also appears that commitments with their customers are under pressure as well – lots of insecurity still exists in the near future.
- Last minute order adjustments (mushrooms are harvested daily and little to no carryover between harvests) and longer dwell times at retail and foodservice customer warehouses are adding stress to the supply chain. Foodservice communication is poor when it comes to what they think their needs will be and when. I suspect that is because of reduced staffing at customer level, and the fact that they just don't know.
- Volume – orders are currently still small. Some foodservice companies are consolidating their pick-ups and consequently not using me as a supplier and are opting to use a competitor instead.
- My regular foodservice orders. It is very hard to turn your packing facility into something different than it is set up to do. We have had to pack many different things that our production floor is not accustomed to doing.
- We are not getting much from our supply chain partners at this time. It seems like people are still very fuzzy as to what is around the corner and there are still a lot of people on furlough.

## Foodservice Distributors

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### What is your outlook for next 3-4 months (what do you believe/perceive will happen)?

- As restrictions ease, foodservice operators will start to open very slowly. Customers will not come back for dine-in as there is still no vaccine and we continue to learn new things about the virus every day. The supply chain will continue to be impacted but things will get worse because of the receivables from March that will never be recovered.
- I believe business will be very erratic. There will be a strong push initially as people want to “get out,” followed by tempered activity driven by virus path and individual comfort around health and financial concerns. I believe there will significant reductions in operators and distributors. The food service industry as a whole will only be 65-75% of what it was pre-COVID and it will take years for it to recover.
- We are predicting that the remainder of the country will open and our food service business will return to roughly 85% of what it was pre-COVID. Food service operators will continue to invest in scaling To-Go/ Delivery/ Ghost Kitchen Initiatives in preparation for the future and QSR will continue to thrive. B&I, Hospitality, Hotels will announce new culinary/ menu strategies learning more toward prepared foods or self-distribution through central kitchens.

### Share your observations on customers reopening and staging.

- Hotels are opening, but not with a full foodservice staff so they are looking for solutions from their supply chain partners. Business and Institution customers are letting employees know they don't have to return to the office so we aren't expecting orders from them. Venue dining (stadiums, convention centers, sporting events) are not returning this year, nor are colleges and universities.
- Some will not re-open until they can reach at least 50% capacity to be profitable. Some will re-open regardless and could become the next wave of permanent closings because they couldn't be profitable. Many will continue to focus more on take away business and new revenue streams they can create in this area (groceries, alcohol, meal kits). Staging/phasing will be all over the board driven by local/regional government and outcomes which will add additional confusion and concern for potential patrons.

### What is your point of view of SKU rationalization (packs, skus, assortment)?

- After a major reduction on repacks, breakers, and SKUs in general, we are continuing to limit bringing those items back and asking for customers to be flexible in accepting substitutions.
- Operators will want to go back to their ways with specialized items and packs and will also want to go back to being “over-delivered” by distributors. Growers/Distributors/Operators need to collaborate and develop solutions together versus apart.

### What is the most valuable thing you are getting right now from your supply chain partners?

- Understanding of our situation and communication to create solutions together.
- Flexibility, openness to change / create something different, and ideation around new channels that product could be moved to whether it be a sale or a donation
- Open communication, strategic dialogue, flexibility, new Product/ packaging offerings, and a willingness to embrace new technology.

### What are you not getting that is making your job harder?

- Paid! We need our customers to pay their bills from March. Information! We need to know when restrictions will be eased in all of the markets we serve. We need to know that PPP payments will allow restaurants to their vendors like us. We need to know when there will be a vaccine. Help! We need relief from the payments we are making for employees that are not working, trucks that are not being used, buildings that are empty of product while we wait for things to open up.
- Consistent factual information about mostly everything related to the virus – government, media it’s all “spun” to some POV. Government intervention in things they know nothing about – it’s nearly impossible to plan a strategic course and execute on that plan. The only plan you can truly execute on is being ready to dive into the next wave of whatever crazy comes at you from left field. That next crazy wave comes from multiple places, sometimes with differing goals, including customers, suppliers, logistics, corporate, and government.
- Communication of opening orders to each distributor at least 7-10 days before delivery will greatly help reduce any supply issues. Accepting substitute products in the first month as distributors work to improve inventories will also be helpful – but our collective teams will be working on our clients’ behalf to reduce those issues.
- Consistent volumes, consistent lead times, and consistent messaging.

## Foodservice Operators

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### What is your outlook for next 3-4 months (what do you believe/perceive will happen)?

- To have 100% of our restaurants open to dine-in and hopefully able to expand beyond 25% of the total overall use of the restaurant. We believe we will be between 25% to 50% available to dine-in capability.
- As states gradually re-open, we foresee restaurants focusing solely on outdoor dining and takeout/delivery for the duration of the summer. Restaurateurs will likely be working alongside their city’s representatives to update sidewalk and street zoning laws to accommodate larger sections of outdoor dining and recreation. Local alcohol laws will likely be amended to allow for takeaway and sidewalk drinking, so that restaurants can continue to increase their revenue. Customer loyalty will be a major focus, restaurants will likely try to implement incentives, and perks to encourage repeat monthly visits/orders.
- Gradual increase of business as more states are opened and people get back into the routine of eating out.

### **What would happen if there is another shut down or contraction? What is your plan?**

- We will close restaurants to dine-in and focus completely on OBD until there is a vaccine in place to protect guest and team members. It would be too expensive to open up and then shut down, and we are worried we will lose faith in our brand from guests.
- The reality is that many small, independently owned restaurants will not survive another shut down. Those that do will have to revisit their business model that was implemented in March, and find ways to increase revenue with sales of pantry items, supplies, produce, merchandise, etc. and widen their technology net with the number of apps and databases that their services are available on.
- We would keep as many restaurants open as possible, especially take out & delivery. The length of time would be a key factor.

### **What were the non-negotiables in the past that can be more relaxed?**

- Specifications, delivery days and delivery time windows.
- One particular non-negotiable that has been relaxed for a lot of restaurateurs has been the quintessential menu staples. Operators are looking more into the profitability of dishes now, and if a dish is not profitable, it's being removed from the menu, even if it's considered a staple by that restaurant's standards.

### **What is the most valuable thing you are getting right now from your supply chain partners?**

- Flexibility when we pivot from different state guidelines and changing government policies within short periods of time.
- The most valuable thing at the moment is flexibility and loyalty with our supply chain partners.
- They are doing the best that they can and like us, are eager to get the economy going again for everyone's benefit.

### **What are you not getting that is making your job harder?**

- Clear communication and directions from the federal, state and local government.
- The meat industry has taken a hit, and has made it more difficult to receive a range of products from some meat suppliers, which has likely changed the menus of many restaurants. Overall the difficulty of receiving certain types, and specific quality of products has made things slightly more difficult.
- We really need clear & concise direction from state gov't agencies. Several states (California, Illinois, Michigan, New York) have been vague & "keep moving the cheese!" Our franchisees & suppliers in those states are extremely frustrated!