



Rabobank

December Talking Points: The Great Covid Accelerator

We're All Our Own Baristas Now

RaboResearch

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Summary

At Rabobank's recent virtual Food & Agribusiness Summit we ran a session looking into the impact of the pandemic on the global supply chain. Here are three topics discussed:

1. **From Fragile to Flexible Supply Chains** – Transparency and technology will play a major role in making future supply chains even more resilient.
2. **We Are All Our Own Baristas Now** – Greater consumption at home is the structural change that the industry needs to prepare for.
3. **Empathy and Business Opportunities** – Greater openness this year has led to conversations about business opportunities around mental health issues such as anxiety reduction.

Going Virtual

At Rabobank's recent virtual Food & Agribusiness Summit in North America, my colleagues and I ran a session looking at the profound impact of the ongoing pandemic across the entire global food system.

During our summit, beverage expert Jim Watson discussed those trends, such as drinking coffee on-the-go, that have gone completely into reverse. But equally important were those that have speeded up and succumbed to what we'll call the 'Great Covid Accelerator.' In the consumer-facing world, the poster child for this acceleration has been the move to online shopping, where increasingly everything we buy begins with a click. Just like the Pfizer vaccine, we have advanced in the last ten months what would normally have taken us ten years to achieve. Perhaps 2020 is the new 2030? (But then I wouldn't wish a repeat of this year on anyone.) During the summit, we also discussed the 'stickiness' of all those newly adopted consumer purchasing habits that my colleague Roland Fumasi observed, "were not only impacting consumer-facing companies, but ultimately influencing the decisions made by the entire supply chain." We'll come back to the latter point in January when we share the results of the end-of-year survey, but for now, let me draw out three themes that were raised.

1. From Fragile to Flexible Supply Chains

From the vantage point of December, the initial 'fragility' of the supply chain or the verdict that "the food system is broken" – triggered by potent images at the start of the pandemic of empty supermarket shelves and dairy farmers dumping milk that was destined to schools and restaurants – sounds slightly overblown. Rather, let's recognize how well, despite a few wobbles, the supply chain bent and adapted to this new world.

Nevertheless, as my teammate Steve Nicholson observed during our session, "the pandemic also showed us that we were also a bit complacent; we seemed to have forgotten that change is the norm, not the exception," and practices and procedures that were once considered efficient may

now be weaknesses. Similarly, our Sydney-based analyst Charlie Clack, gazing through his pandemic lens, pointed out that the trading systems of many agricultural commodities, such as corn and soybeans, that relied on only a small number of trade routes and just a handful of suppliers and customers start to look like a food system “that is a little more vulnerable than we first thought.”

This in part has led for calls among my co-workers for future supply chains to be more innovative, flexible, digital, diversified, resilient, nimble, efficient, and transparent. All these adjectives come with a price tag, suggesting that, if implemented, future supply chains are going to be more complex and costly. Regardless of their length in the future, we are asking supply chains to do a lot more, including greater business continuity and risk mitigation, such as just-in-case procurement. Let’s look at two of these: transparency and technology.

1. Greater transparency, and not just for consumers. My colleagues and I have talked for some time about the demand from consumers for greater transparency, but what emerged during the session was, as Roland noted, how increased transparency (which often equates to better communication) “is critical for value chain participants, regardless of the transparency that the consumer demands.” Certainly, animal protein analyst Dustin Aherin is sold on the idea, recognizing “successful animal protein companies of the future will embrace supply chain transparency, as it not only helps build consumer trust, but it ensures product integrity, and a better-informed company can make better decisions both in the good times and the bad.” Bottom line, as Wes Lefroy observed, “during the pandemic those companies with transparent supply chains have been able to react quickly and efficiently.”

2. Technology, technology, technology. The technology theme pervaded all the discussions. Let me give the floor to our senior animal protein analyst, Christine McCracken, to comment:

Now it isn’t like the food and agri sector was operating in the dark ages. The industry has done a great job improving efficiencies and limiting resource use with the use of technology, but what became apparent during the pandemic is that there are vulnerabilities in the supply chain that need to be addressed and that we may need to refocus our attention and expand our innovation efforts to the entire supply chain. Whether that is in our packing plants or the fields, what was once deemed efficient is now seen as a weakness. We need to consider integrating the available planning tools that anticipate disruption and provide alternate sourcing and distribution options, while at the same time delivering on the growing calls [for] transparency from the general public. As our colleagues in Australia suggested, the technological options available to producers today may add cost, but they also ensure continuity of business, and they help mitigate risk.

Labor challenges, whether its availability or the safety of our workers, are an ongoing issue for the industry and became a focal point during the pandemic – but it is one area where automation should have the greatest impact on the global industry. Now the choice to automate is a relatively easy one in theory – machines don’t call in sick and always work nights and weekends – but in practice, it isn’t always that straightforward. The technologies aren’t always competitive, or the trade-offs are too high. But it is clear automation of the most challenging positions on our farms and in our plants must be a priority – and investments need to be made. So, what stands in the way of automation? A number of factors come to mind. It is the age and size of our plants, the technological capabilities, and if we are going to be honest here, it is the fixed mind-set in the industry that is slow to change. I feel the industry isn’t working hard enough to attract the talent and outside-the-box thinkers we need to take the supply chain to the next level. Ultimately, technology will help us build a more efficient and resilient supply chain that will yield big dividends not only in building trust with our consumers today, but also in providing a safe and sustainable food supply for the world of tomorrow.

2. We Are All Our Own Baristas Now

Building upon the greater eating-at-home theme, our Singapore-based analyst, Umesh Madhavan, phrased it well: "Greater consumption at home is the structural change that the industry needs to prepare for. Before the pandemic, purchase decisions were made by consumers at various locations. The surrounding environment and experiences impacted their decisions and choices. In a post-Covid environment, purchase decisions will be concentrated more at home." And figuring out where your product fits into that landscape is going to be critical. According to US dairy analyst Ben Laine, "It is also going to be important to recognize that people are making those shopping decisions in their devices in a lot of cases, either for delivery or for going to the store to pick up, but they are not making the decision standing in front of a shelf or a cooler full of product."

Take our love of coffee, to borrow an example used by Jim Watson. We still love our coffee, but what has changed is we make it ourselves now with our newly acquired gadgets, grinders, and subscription. Becoming at-home coffee-makers marks a sharp reversal of a decade's long trend toward out-of-home coffee that was driven by convenience and an on-the-go lifestyle, and in Jim's words, "We're all our own baristas now."

3. Empathy and Business Opportunities

One final area of discussion on the panel was how we are experiencing more empathy, more humanity if you like. We've all been sharing a lot more on our Zoom calls, literally being more transparent as we open up our homes, our families, and of course our pets to the outside world. It is a lot more permissible to talk about the stresses and strains during this the mother-of-all anxiety-inducing years. This openness has led to conversations about business opportunities around mental health issues, such as anxiety reduction. For example, as we have seen many times on Rabobank's FoodBytes! platform, functional foods, such as those containing adaptogens, could help reduce stress and lift our moods. Companies also learned the importance of empathy in business through the #BlackLivesMatter movement that became headlines over the summer. Many food companies were blindsided by the repercussions of these protests on their own portfolios that resulted in the long overdue reimagining of brands that perpetuated racial stereotypes. In the words of Mars Inc., "We've listened, we've learned, and we're changing."

Imprint

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