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Food and beverage executives have a positive outlook heading into 2023

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By Sam Danley

NEW YORK — More than two-thirds of food and beverage industry executives surveyed by Marcum LLP have a positive outlook for the year ahead.

The accounting and advisory services firm asked executives at food manufacturers, restaurants, distributors, retailers and agriculture producers about a variety of issues integral to the health of the industry. It found 69% of respondents have a positive outlook on the industry over the next year, compared with 20% who have a neutral outlook and 16% who have a negative outlook.

Nearly 70% of respondents said revenues were up in 2022 compared with 2021, including 48% who said revenues were up 10% or more.

Revenues aren't the only thing on the upswing, according to the survey. Forty-five percent of food and beverage executives said they grew their workforce by 5% or more in the past 12 months, and 20% said they grew their workforce by 10% or more. Nearly half of respondents said they expect to grow their workforce in 2023.

Approximately 70% of executives expect revenues to grow in the next 12 months. Twenty-one percent of respondents said they expect to see revenues stay the same in 2023 and 10% said they expect to see revenues decline.

"There is much optimism regarding the future of food and beverage companies," said Louis Biscotti, national leader of Marcum's food and beverage group. "Honestly, this was a bit surprising to me considering the many challenges facing the industry."

Nearly 70% of food and beverage executives cited inflation, rising commodities and other costs as a top challenge for 2022 and 2023. The annual inflation rate for the United States was 7.7% for the 12 months ended October 2022, according to the US Department of

Labor. As of October, the cost of food was up 11.2%, with grocery prices up 12.4% and restaurant prices up 8.6% year-over-year.

When asked how their companies plan to address inflation in the year ahead, 62% of food and beverage executives said they plan to reduce costs and 57% said they plan to raise prices. Thirty-five percent said they are renegotiating with suppliers to address inflation. Roughly the same amount said they are changing their approach to inventory, avoiding the purchase of excess products or raw materials.

Labor also scored high on the list of challenges. While close to half of respondents said they grew their workforce in 2022, roughly the same amount said securing skilled talent is a top concern for 2023.

When asked what they're doing to attract and retain skilled labor, 58% of respondents said they're increasing wages and 54% said they're improving work-life balances. Thirty-eight percent said they're offering bonuses, 35% said they're improving benefits and 18% said they're offering onsite or paid training for employees.

Managing supply chain relationships also is top of mind for food and beverage executives. Forty percent of respondents cited it as a top challenge for 2022 and 2023. They singled out a range of ways that supply chain issues are impacting their businesses, including shipping delays (66%), cost control (56%), production delays (49%), finding new suppliers (47%) and raw material sourcing (40%). More than a quarter of respondents said supply chain diversification, including onshoring, is a top business strategy for the year ahead.

Expanding and innovating products or services was top on the list of business strategies for 2023, with 72% of respondents placing it among their top three areas of focus. Cutting costs was among the top three strategies for 45% of respondents, followed by geographic expansion (35%), raising prices (31%), seeking M&A opportunities (37%), increasing wages and benefits (26%), competing on price (25%) and investing in technology (20%).

"With the peak of the pandemic behind us, food and beverage executives are eyeing the future," Mr. Biscotti said. "It's a watershed moment for the industry with companies and customer habits changing, sourcing becoming more flexible, data becoming a driver of efficiency, M&A going strong and efforts to innovate and boost margins as competition sharpens."