5 Factors Impacting Food Demand Forecasting

By Drew Ryder

Some of the most enduring images near the beginning of the Covid-19 pandemic were the bare grocery shelves as panicked consumers picked them clean. It took grocery stores months to adjust their supply chains and get back to reasonable stocking levels.

This is the two-edged sword of a finely tuned just-in-time supply chain. When buying behavior and seasonality is normal, the system works beautifully. Suppliers throughout the chain can plan purchases and sales on fixed schedules and goods arrive at destinations just in time to ensure adequate stocks.

But when you have disruptive black swan events like Covid-19, the system falls apart rapidly. Shortages of raw materials upstream have a cascading effect on the rest of the supply chain - once the dominos start to fall, it's hard to restore the delicate balance.

Moving forward, there will be continued uncertainty around food demand as consumers adjust to new economic realities, employment situations, and work location. This is increasing the need for wholesalers and retailers to have access to good demand forecasting tools.

Here are five key factors driving this need:

1. **The pandemic has changed how we buy and consume food**.

   We have seen an increase in in-home eating and home delivery. Consumers have learned to bake again or have discovered it for the first time. This trend is expected to carry over into 2021 and beyond. There has also been an increase in interest in backyard food production - growing vegetables and raising chickens. Consumers are putting more value on freshness and are more interested in eating locally produced food.

2. **Consumers' food tastes are changing.**

There is growing interest in natural, organic, sustainable products. This was a trend which had started before the pandemic. Consumers want food production to be more sustainable and environmentally friendly. This requires a significant change in how food is produced. Farmers lose the advantage of scale and lose the yields gained from years of artificial genetic improvement. This increases the cost of production and forces the consumer to pay more for the product. It also creates more inventory risk for a distributor or retailer if they get demand wrong.

3. **A growing driver shortage will put more pressure on transportation capacity.**

Truck fleets are already dealing with 80%+ driver turnover rates. This is going to get even worse as the pool of available drivers continues to shrink. Fleets will be faced with more empty trucks and loads they can’t fulfill. Distributors and retailers will also need to adjust inventories to accommodate less reliable delivery windows. But erring too far on the side of overstocking will be very costly.

4. Further uncertainty around the economy under the new administration.

The Biden government is expected to accelerate the launch of green energy and sustainability initiatives. This includes the electrification of delivery vehicles and the charging infrastructure required to support them. These changes are certain to increase the transport cost of food items and will require tighter management of inventories to avoid small loads and higher costs per mile.

5. Pushback against Big Tech on monopolistic practices.

The big push to e-commerce has given Big Tech enormous power to monitor and control retail sales. This is attracting government scrutiny and will likely lead to greater regulation of ecommerce. Smaller tech companies can step into the gap but won't have the same ability to drive efficiency through the food supply chain which a big company does. Distributors and retailers will have an opportunity to regain some of this efficiency using a well-built demand forecasting platform.