



Six
Generations
of American *Family*
Farming



COVID-19 and Produce: How the Pandemic Reshaped Production, Distribution and Consumer Demand.

Duda Farm Fresh Foods, Inc.

- Background:

- A Grower/Packer/Shipper

- Operations in 5 states:

- California, Arizona, Florida, Georgia, Michigan

- Primary Crops:

- Value Added/RTE Celery, Celery, Sweet Corn, Iceberg Lettuce, Romaine, Leaf Lettuce, Radishes, Broccoli, Cauliflower, Misc vegetables.

- Top 10 Customers:

- Wal Mart, Kroger, Costco, Publix, Produce Alliance (BWW), Safeway, Ahold, Markon, Wegmans, HEB.

March 18, 2020

- California's Gavin Newsom is the first Governor to issue a state wide "Stay at Home Order".
- Many states issue similar orders in the following days and weeks.
- Non essential stores and businesses are closed, including "dine in" restaurants.
- People's food buying patterns shifted dramatically from eating out to eating at home.
- Distribution and the type of produce packs shifted dramatically in a matter of days.

•Background:

Pre Covid produce consumption patterns of American consumers.

50% retail (Grocery, C-Stores, Club)

50% Restaurant/Foodservice

Post March 18th:

Foodservice business fell (for Duda) 70 to 80% (depending on the customer).

Retail business increased 20 to 25%.

Retail versus Foodservice Packs

FS Romaine Hearts



Retail Hearts



Field Packed Romaine



5#, 4" BWW Celery Sticks



Retail 8" Celery Sticks



Field Packed Celery



Impact of a Consumption Shift

Foodservice Business Virtually Dried Up.

Acreage planted for Foodservice is intermingled with acreage planted for Retail.

Suppliers/Shippers mix of retail and foodservice business varies widely.

Foodservice oriented suppliers tried to shift their volume into retail/wholesale creating a glut of product.

Retail Business Soared.

Caused chaos in the system as many retailers dramatically increased their orders.

Speculative orders were entered overwhelming logistics and delivery channels.

Wild swings in pricing and inventories in the short term causing over ordering and then order cancellations.

Impact on Operations

Worker safety and protocols changed dramatically:

Daily temperature screening and health questionnaires.

Altered work schedules to minimize human to human contact.

Social distancing protocols during breaks and activities.

Mandatory mask mandates and Plexiglas screen installations.



Impact on Operations

The produce industry was instantly in excess supplies of approximately 15%:

The increase in retail did not fully offset the decrease in foodservice.

Instant acreage cuts to varying degrees, but a glut existed from mid March until the cuts took effect in June.

Remote work arrangements for a large segment of our staff.

A shift in harvesting and packing operations to more retail and less foodservice.

Continuous evaluation of consumption trends to adjust planting schedules and volumes.

In excess of \$1 million in Covid related expenses (2020).

Crop losses of approximately \$3 million (March – July).

Impact on Operations

We underestimated the length and severity of the Pandemic.

We underestimated the decline in demand for leafy greens.

The shift to packaged items from “naked” created shortfalls in our ability to fulfill the demand shift to packaged especially in corn.

We were surprised the success of our ability to operate remotely.

The decrease in our travel and entertainment budget was about equal to our Covid related expenses.

Impact of a Consumption Shift

Consumer retail purchase patterns shifted.

Fewer people entered the stores

Click and Collect/Curbside Pickup

Grocery delivery:



Meal kit delivery re-emerged



Hello Fresh experienced 63% year over year growth in 2020.

Impact of a Consumption Shift

Consumer retail purchase patterns changed.

Buying patterns shifted from “naked” product to packaged product.



Impact of a Consumption Shift

Restaurant and Foodservice purchase patterns shifted:

Curbside pickup

Drive through window volume increased dramatically

Delivery of all kinds of take-out food:

Uber **Eats**

Dramatic decrease in the hospitality sector.

Estimated that 20% of U.S. restaurants were struggling financially before the Pandemic and needed to close to right size the industry.

Covid solved this issue.

Where do we go from here?

Major retailers ramping up their “dark store” capacity.

Kroger announced plans to build 3 Ocado fulfillment centers.

How fast will the foodservice business recover as cases decline and vaccinations increase?

Foodservice customers telling us to “ramp up” for mid to late summer demand.

Will retail business decline as foodservice recovers?

Will Covid work protocols and the costs of those protocols diminish?

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Duda's Current Action Plan

Cautious optimism, but a conservative posture with regard to volume and plantings. Seeing will be believing.

Ramping up our Value Added capabilities.

250% increase in packing capacity for tray pack corn.



Doubling our fresh cut celery capabilities.



Less than “normal” plantings and volumes of non value added or packaged commodities. (Iceberg, romaine, broccoli, “crate” corn).

Re-evaluating our workplace requirements. Do we need everyone in the office?

Re-evaluating our customer interactions going forward. Will in person meetings continue to be rare post Covid?

Anticipating different pack and packaging configurations for ease of integration for “dark stores”, Hello Fresh type meal kits, click and collect and meal delivery.

Research Topics

Last Mile Logistics – How do we improve the quality and efficiencies of the last mile of delivery?

What are the pack and packaging trends that position the industry to capitalize on the new meal delivery systems?

How can we protect the workforce when social distancing is not attainable?

Develop better information tools to provide grower/packer/shippers with more timely, accurate consumption trends.

Questions?

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