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RICHTER

North American Food Sector

2024 SECTOR STUDY



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Foreword

Richter is pleased to present our 2024 sector study on the North American food sector. Building on last year's efforts, our focus remains on manufacturers, processors, wholesalers, and distributors.

In contrast to past challenges, the current landscape now reflects several positive sector developments. Despite some lingering effects of previous disruptions, businesses have an optimistic outlook for the future.

This report, based on a quantitative survey of 125 owners and executives across a variety of privately-held companies in North America, specifically examines some of the key challenges and opportunities facing companies in the food industry. Some of these findings are shared across all markets, while others are unique or more acute in specific product categories, value chain segments and / or regions.

We are happy to share this report summarizing the key market trends and priorities alongside some of the motivators, challenges, and experiences that drive the industry. We hope you will find it informative and useful as you respond to the current market dynamics affecting all food sector companies throughout North America.

INTRODUCTION

Methodology

Richter commissioned a double-blind survey of executives throughout North America to gather insights on the macroeconomic conditions, strategic priorities, and challenges alongside how their organizations were addressing growth, M&A, and operating dynamics.

The owners and executives who participated in the survey represent a cross section of privately-held, often owner- / founder-operated, small and medium-sized enterprises (SMEs) in key segments of the food sector.

Demographic details can be found in the [Appendix](#).

Richter asked 125 executives from private companies in the food manufacturing, distribution and wholesaling sectors to collect insights on macroeconomic conditions, growth projections, strategic priorities, deal activities and operating environment expected in the next 1-3 years.

INTRODUCTION: KEY FINDINGS

MARKET CONDITIONS

Mixed Sentiment

on the **economic conditions** in the **last 12-18 months**

Prior volatility and unpredictability in economic conditions hindered long-term investments and large expansion plans

89%

anticipate growth in the **next 12-18 months**

A positive outlook on growth and inflation has reinforced confidence in economic stability and reignited a focus on profitable growth

OPERATING ENVIRONMENT

12% → 48%

significantly more **positively impacted** by the **labour market** this year than last year

Salary expectations and onboarding remain challenges despite broad improvement in employee hiring, training, and retention

Transportation Costs & Availability

are the **top concerns** in the **next 1-3 years**

Despite improvements across sourcing, potential transportation and increased operating costs have highlighted a need for greater supply chain resiliency

STRATEGIC PLANNING

Revenue & Profit Growth

are the **top priorities** for the **next 12-18 months**

Respondents are strongly focused on financial performance and maintaining a profit-driven mindset

Most respondents seek Organic Growth

to drive their growth ambition

Many respondents did not define how they will grow revenues / profits, indicating a need for intentional growth planning

MERGERS & ACQUISITION

2%

closed a deal in the **last 12-18 months**

M&A activity has been low, with few operators prioritizing M&A and even fewer successfully closing deals

59%

intend to **solicit buyers or raise capital** in the **next 12-18 months**

Capital requirements have emerged as a prominent strategic focus, suggesting more optimistic and active emphasis on growth

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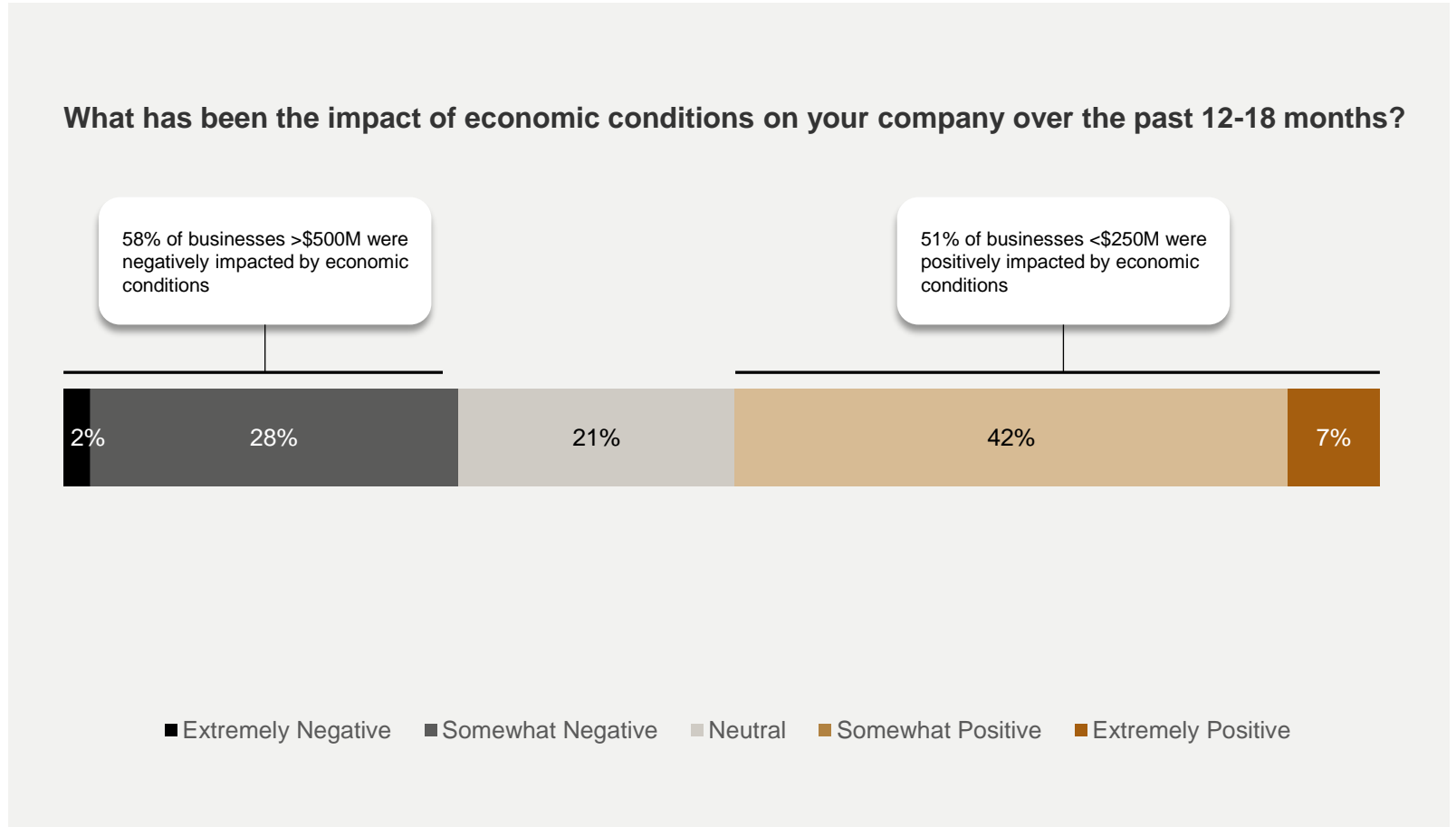
Market Conditions

MARKET CONDITIONS

Market Conditions | Historical Impact

There is mixed sentiment on the impact of economic conditions

Notably, economic conditions appeared to more adversely affect larger businesses

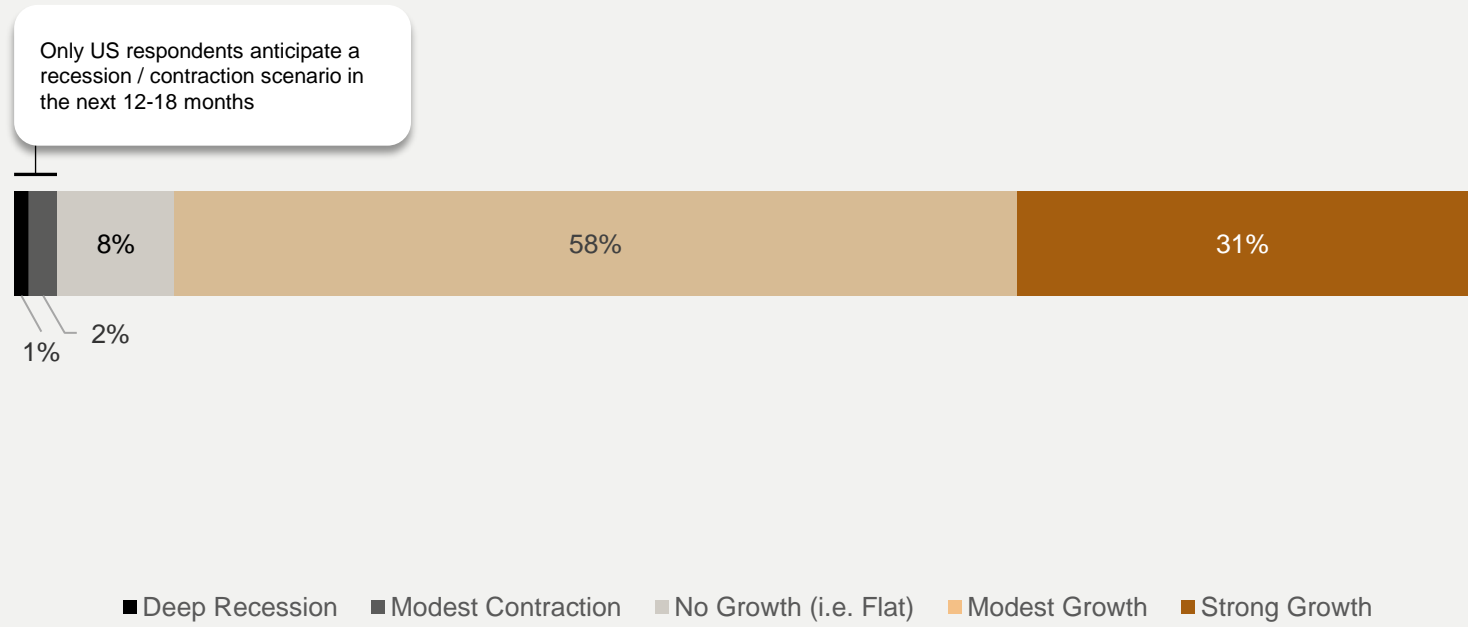


Market Conditions | Future Outlook

89% anticipate growth over the next 12-18 months

31% plan for **strong growth**, up from 9% the prior year

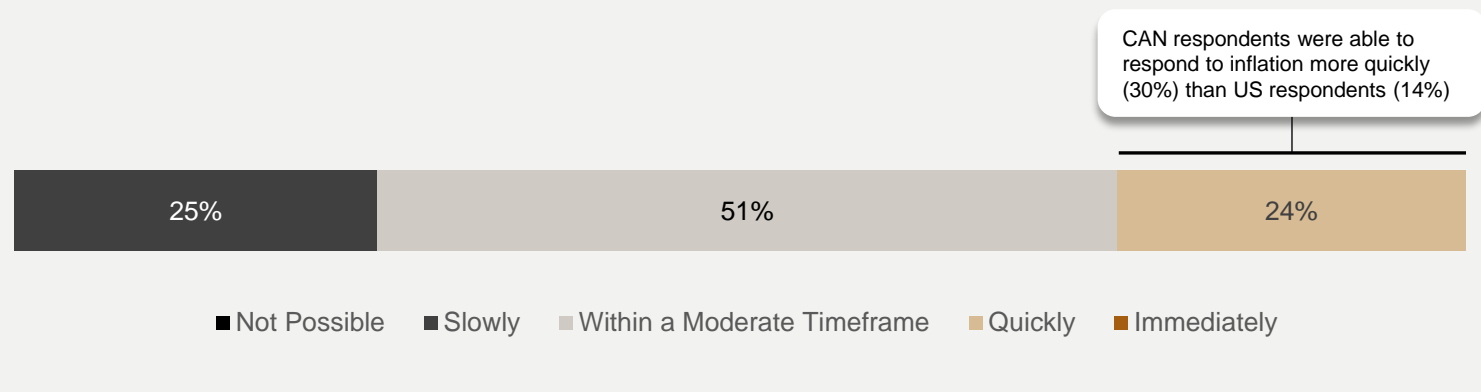
For which economic scenario are you planning over the next 12-18 months?



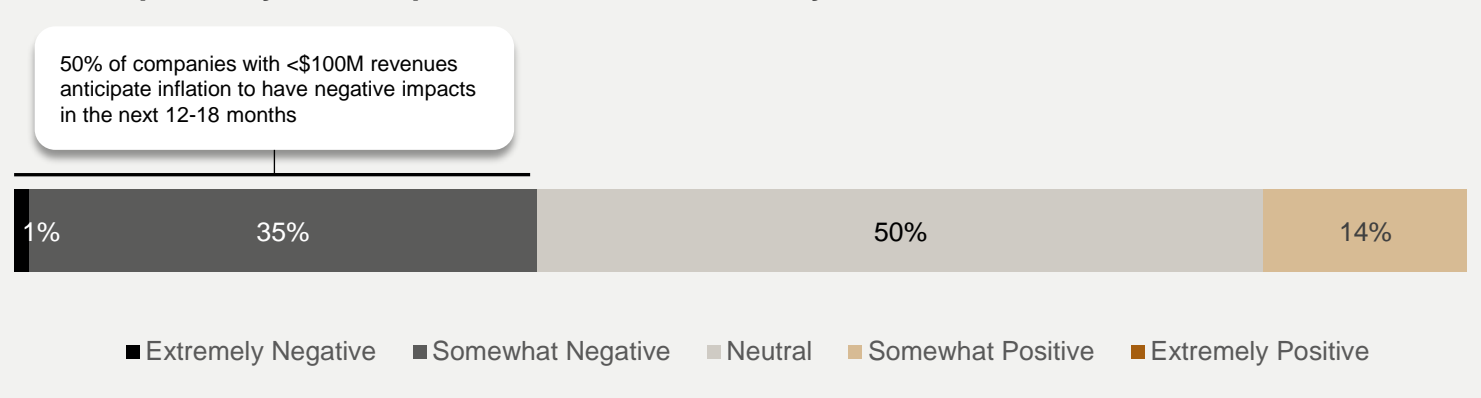
Market Conditions | Spotlight on Inflation

Most companies can adjust pricing in a timely manner; however, **36%** anticipate negative impacts from inflation on their business in the next 12-18 months

How promptly can you adjust pricing in response to inflationary pressures?



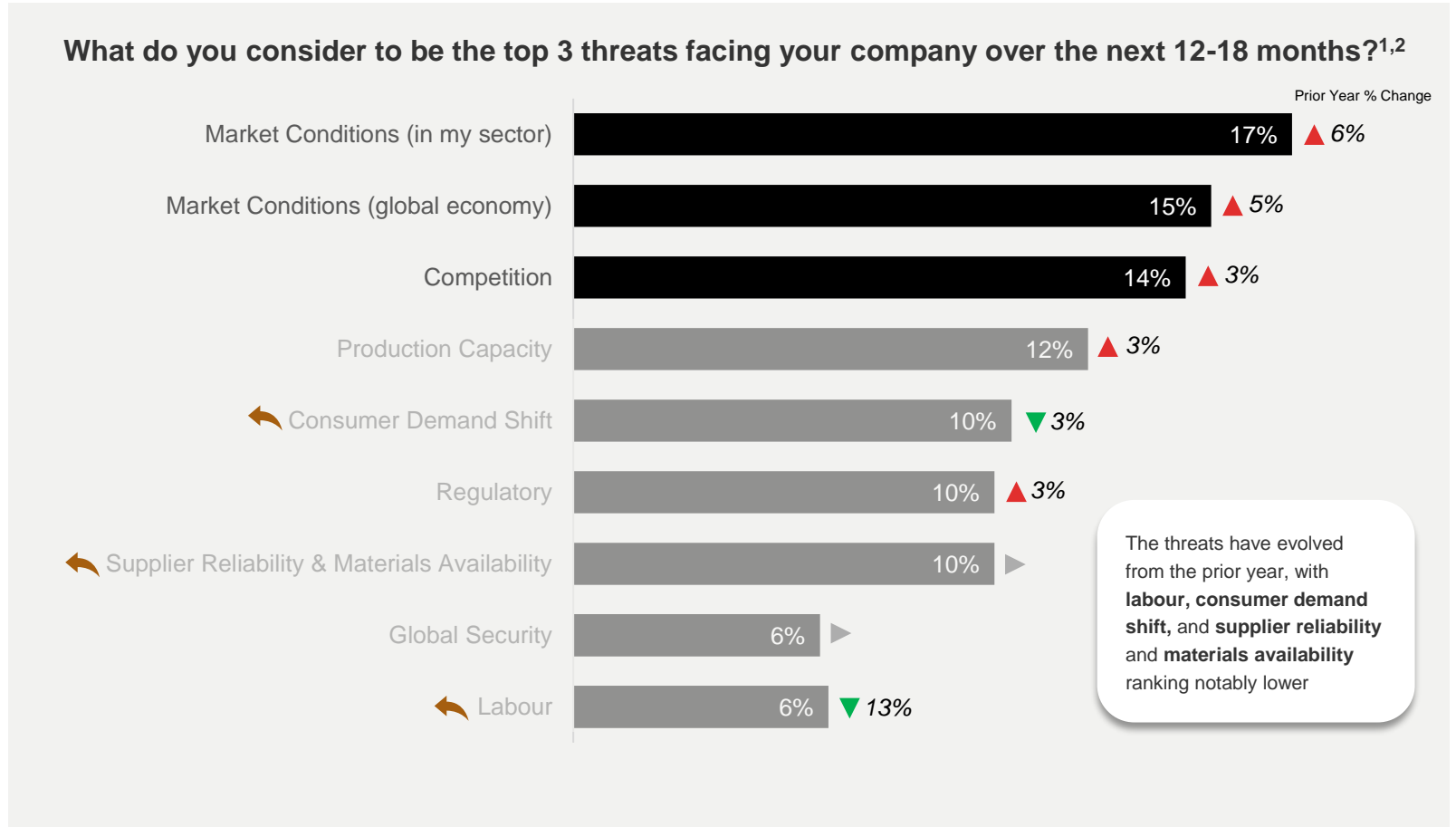
What impact do you anticipate inflation will have on your business in the next 12-18 months?



Market Conditions | Potential Threats

Market conditions and **competition** are the top threats concerning executives

Labour and **supply chain** concerns have receded compared to last year



Notes: [1] One respondent mentioned environmental concerns to be a top threat for their company. [2] Grey arrows denote percentage changes (prior year) of less than 2%.



Strategic Priorities

STRATEGIC PRIORITIES

Strategic Priorities | Areas of Focus

Revenue growth and **operational efficiency** continue to be the top areas of strategic focus

Capital liquidity is emerging as a greater priority this year

Thinking about your strategic priorities, what are your top 3 areas of focus?¹



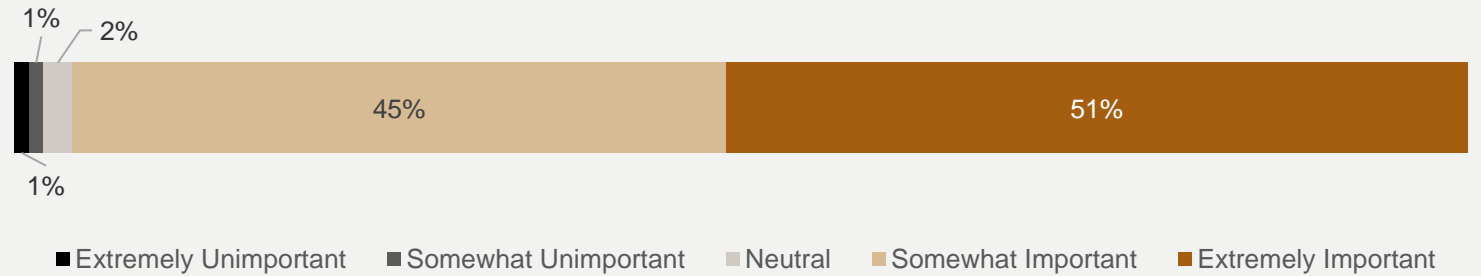
Note: [1] Grey arrows denote percentage changes (prior year) of less than 2%.

← Prior year "Top 3"

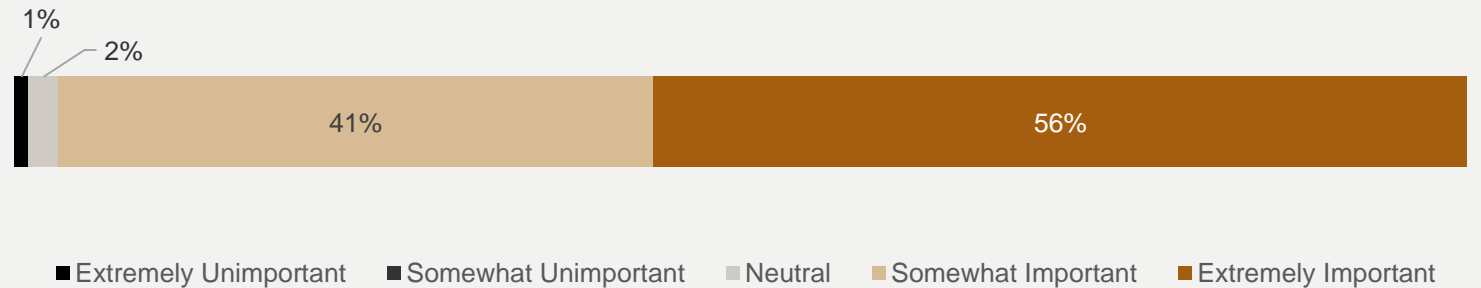
Strategic Priorities | Revenue & Profit Growth

Companies want **profitable growth**, focused on both top line and margin expansion

How important is revenue growth for your company over the next 1-3 years?



How important is profitability growth for your company over the next 1-3 years?

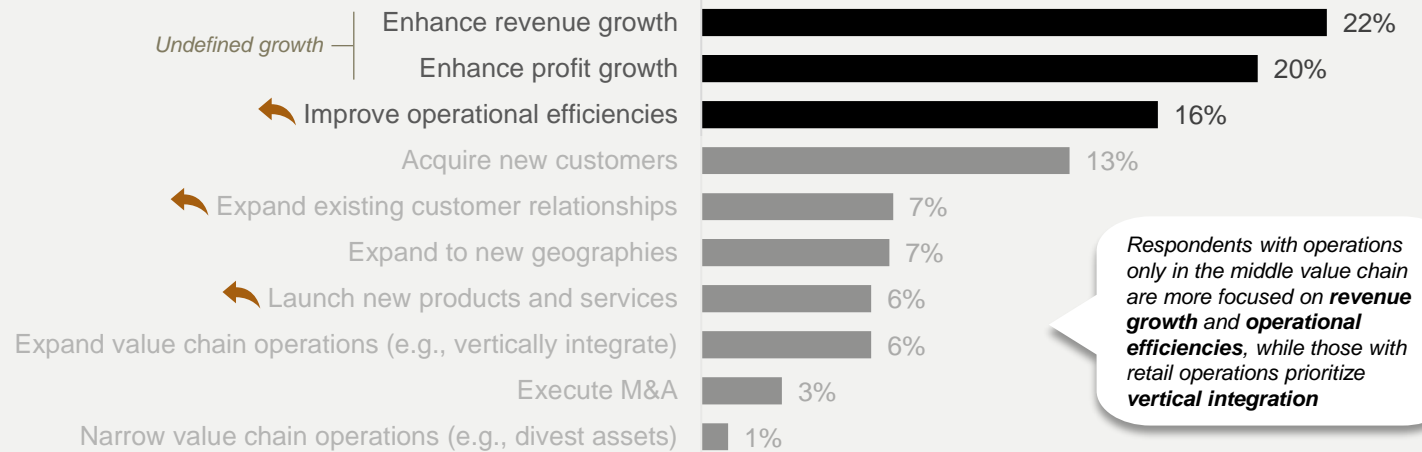


Strategic Priorities | Growth Opportunities

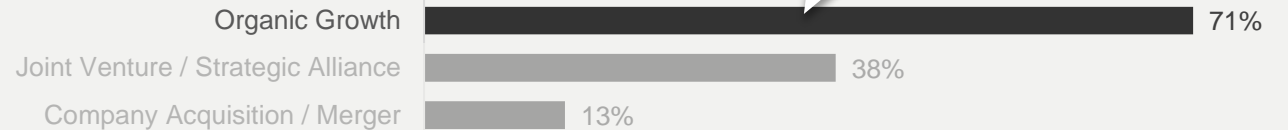
Most respondents (71%) aim to **grow their businesses organically**

However, not all have defined clear ways to drive growth

What are the top 3 growth opportunities for your company over the next 12-18 months?¹



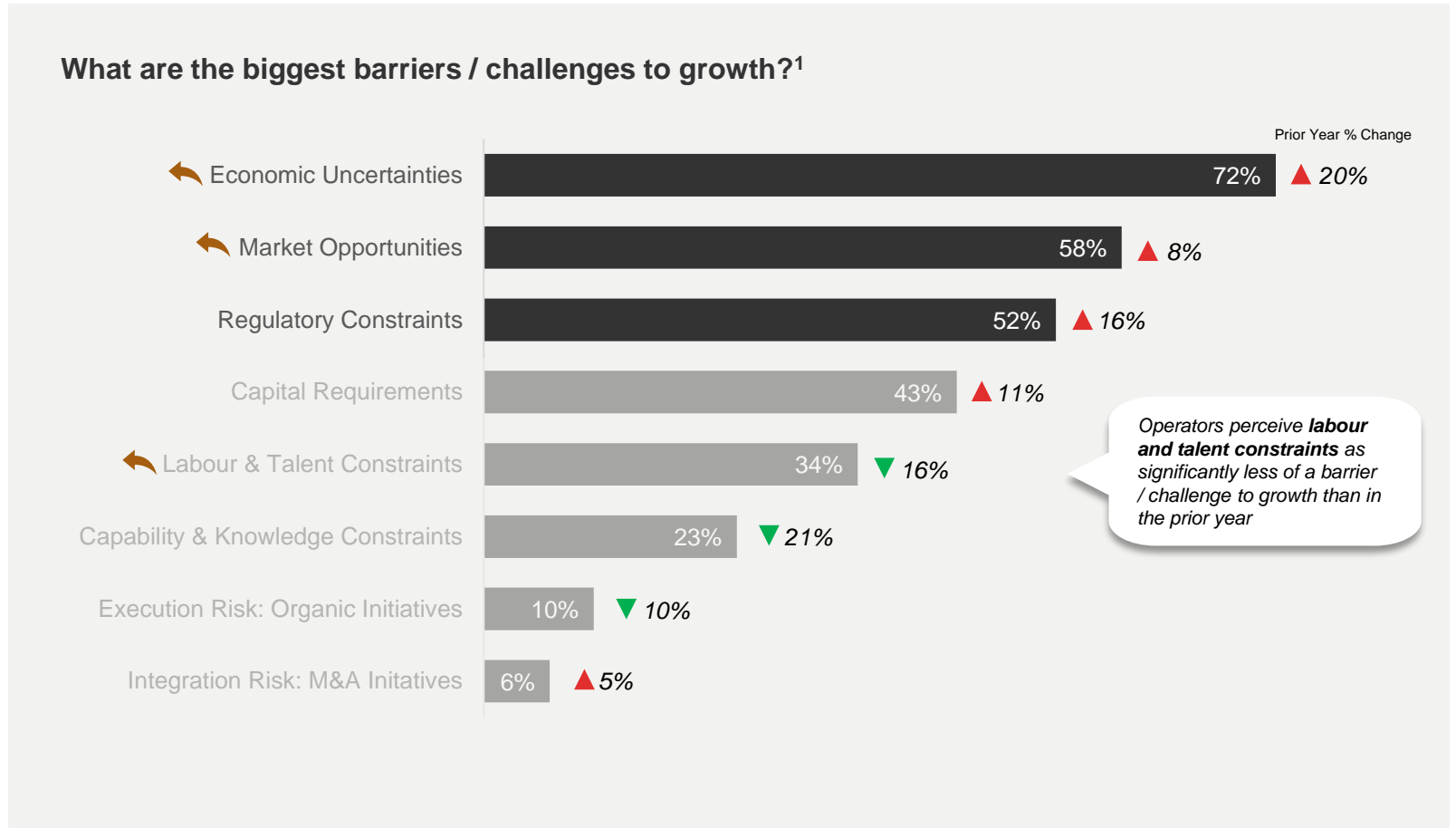
How will your company grow?



Note: [1] Undefined revenue and profit growth (broadly “enhance”) were added as options in the current year survey.

Strategic Priorities | Challenges for Growth

Despite the positive economic outlook, **economic uncertainties** and **market conditions** remain top concerns for growth



Note: [1] Respondents were able to select multiple barriers / challenges to growth.

← Prior year "Top 3"



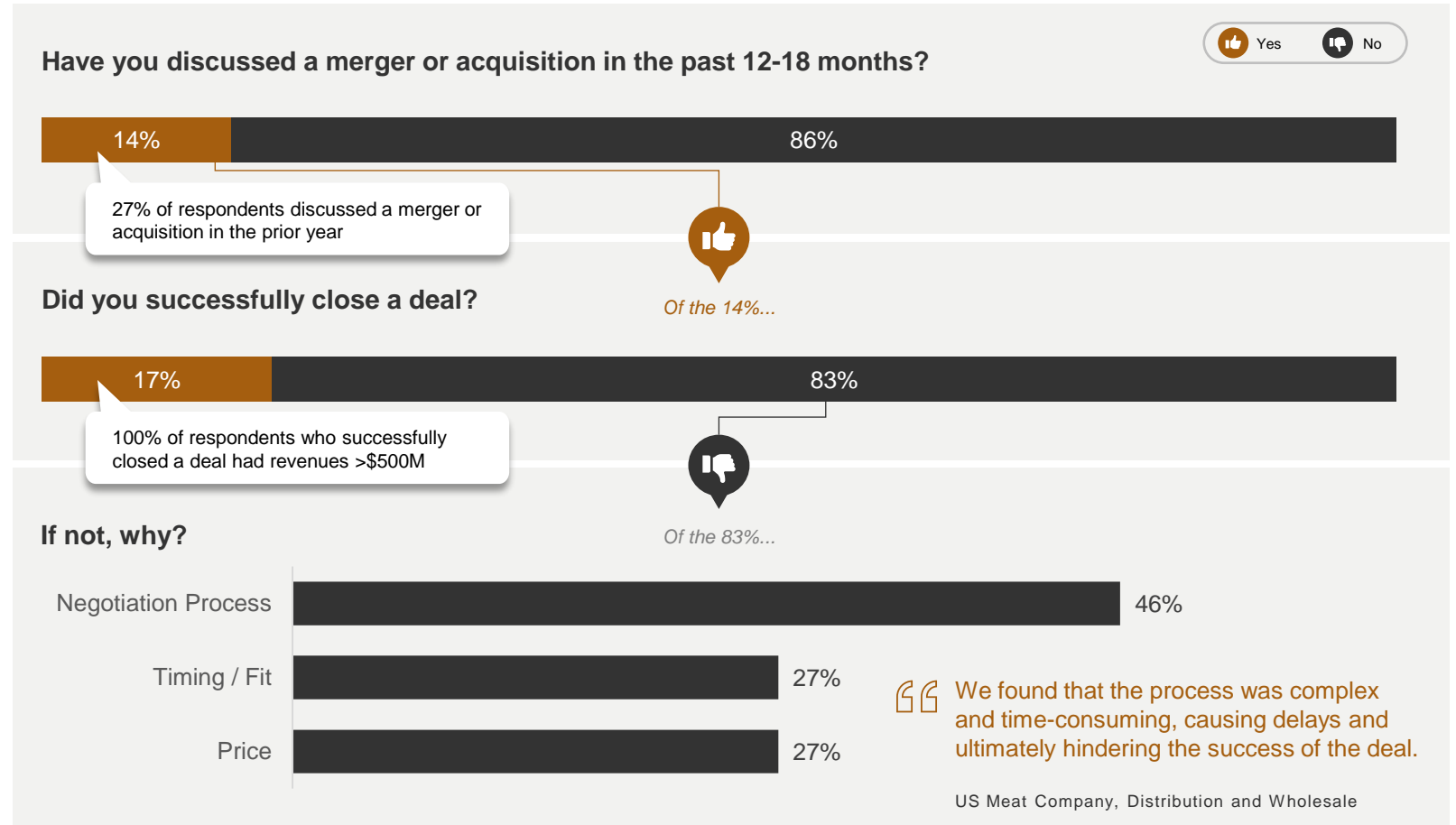
Deals Environment

Deals Environment | Mergers & Acquisitions

Only **14%** of respondents **discussed M&A**, down from **27%** the prior year

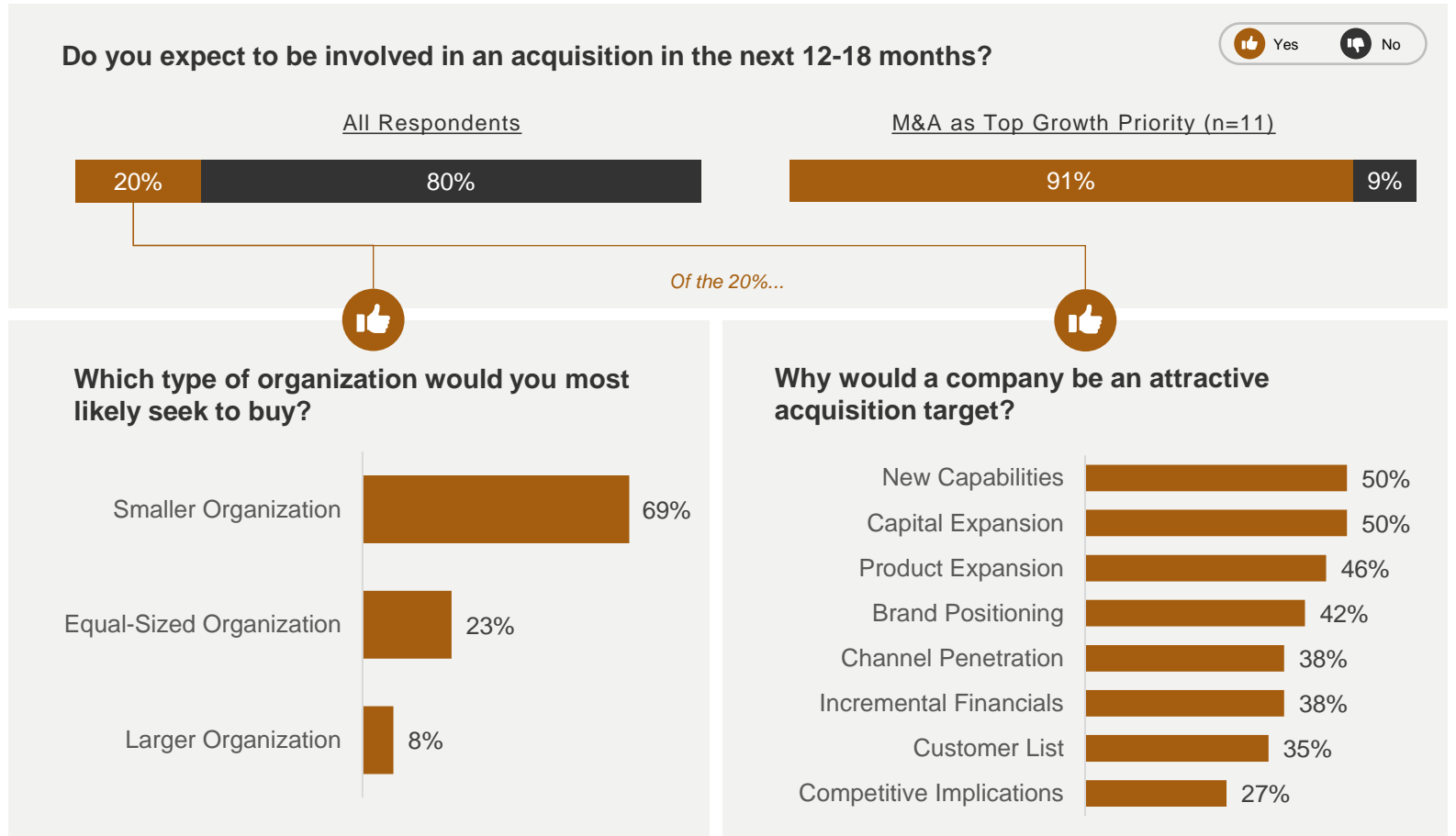
A similar proportion of respondents closed deals (this year and last)

All closed deals were completed by large companies



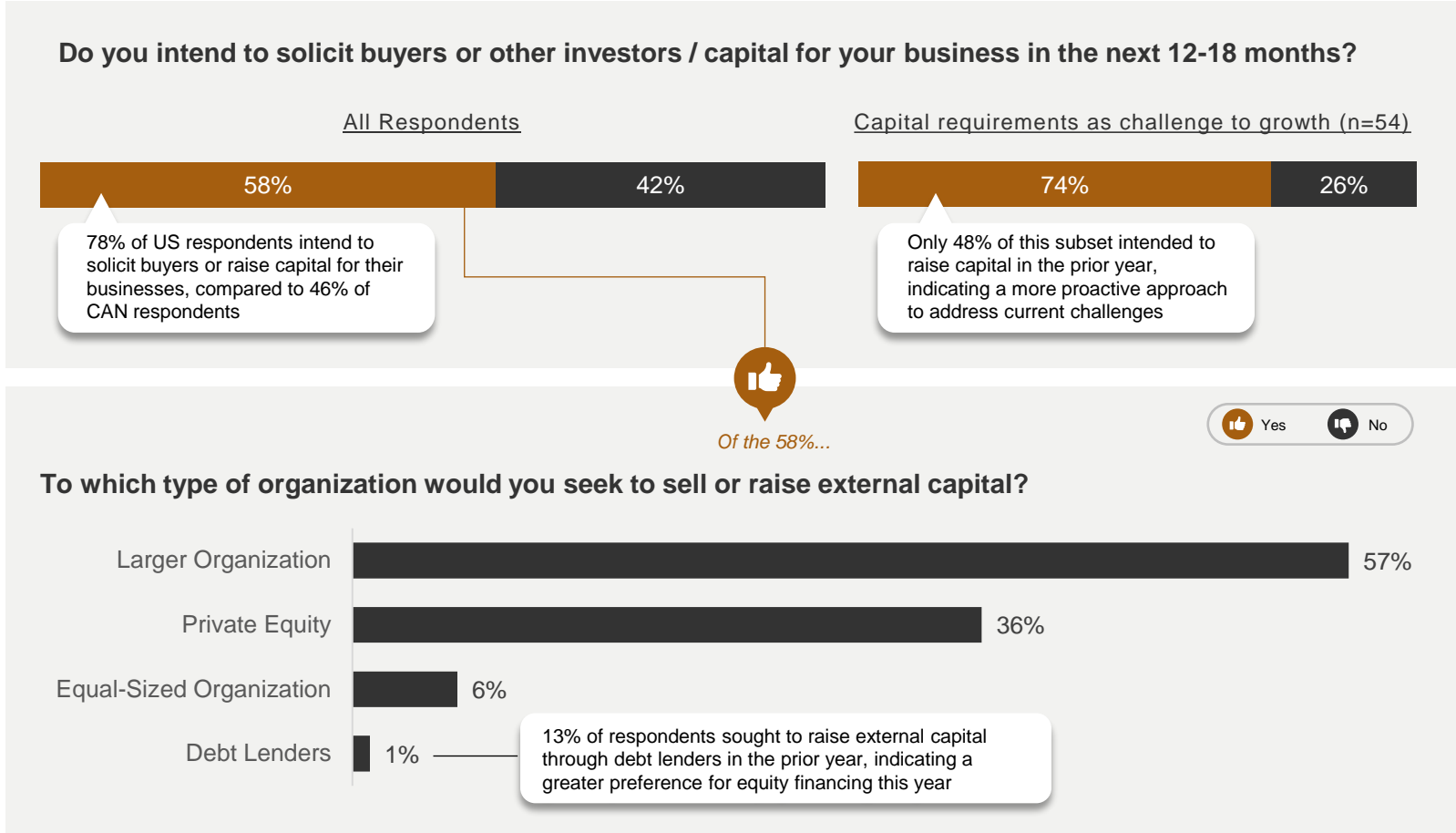
Deals Environment | Potential Targets

Projected deal activity is low; only **20%** expect to be involved in an acquisition in the next 12-18 months



Deals Environment | Capital Raise

58% intend to **solicit buyers** or other **investors** in the next 12-18 months, **up from 28%** in the prior year





Operating Environment

Labour Market | Historical Impact

The labour market has **significantly improved**

48% indicate a **positive labour impact**, up from 12% in the prior year

How has the labour market impacted your ability to run a profitable business?

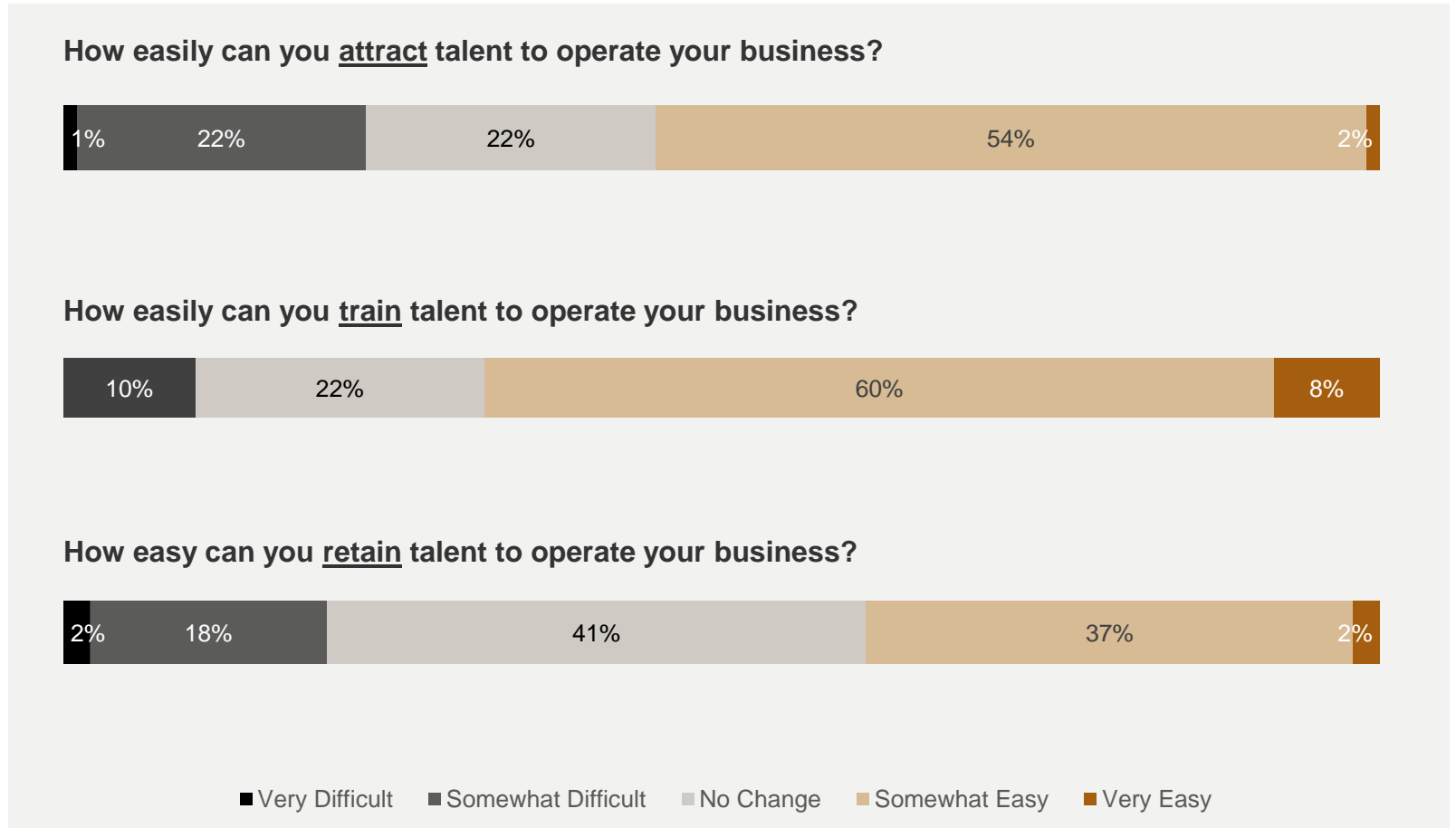
Only businesses with 501+ employees found the labour market impacted their ability to run a profitable business extremely negatively



■ Extremely Negative ■ Somewhat Negative ■ Neutral ■ Somewhat Positive ■ Extremely Positive

Labour Market | Current State

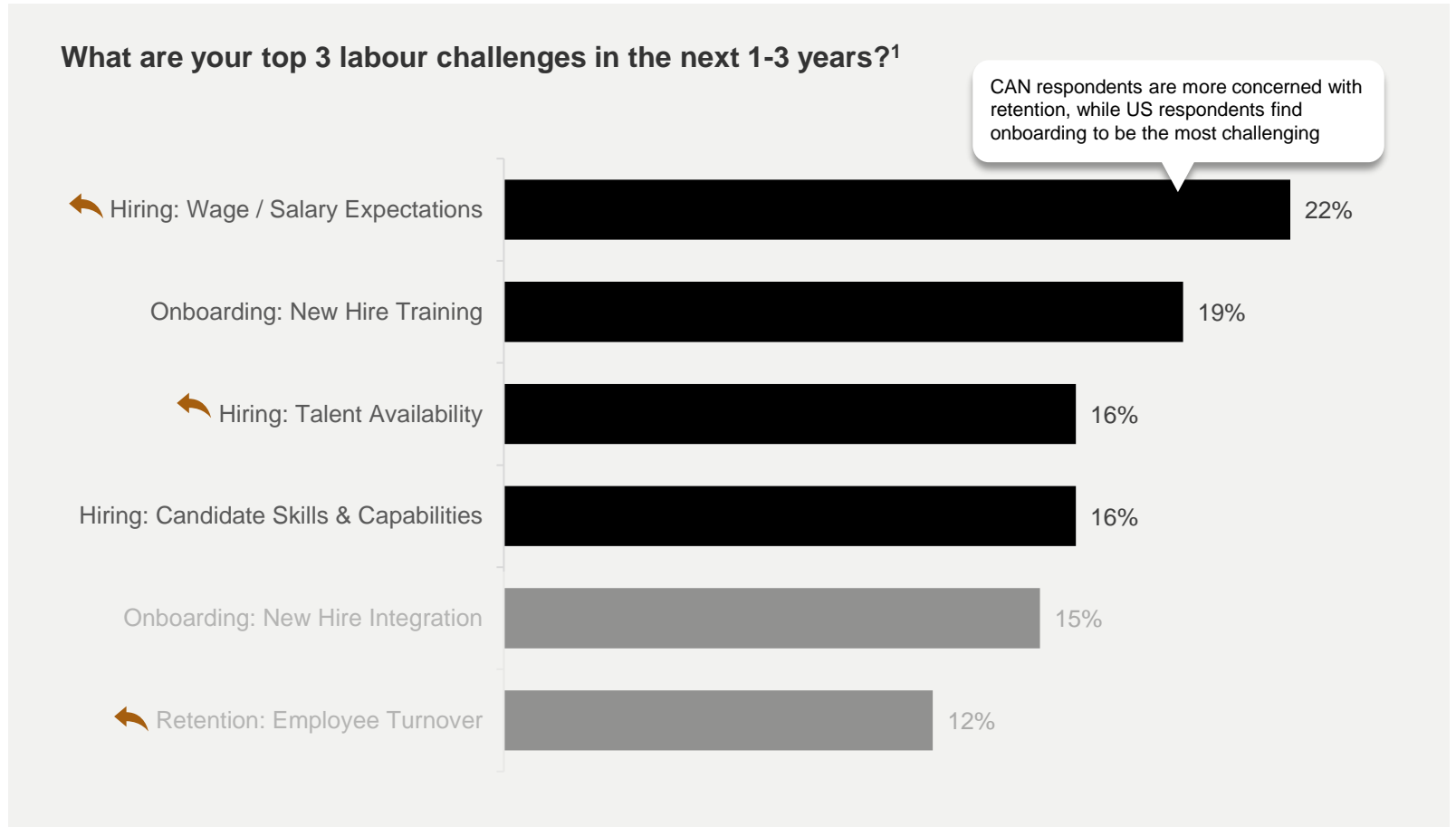
Most executives have found it **easier** than in the prior year to **attract**, **train**, and **retain** talent



Labour Market | Future Outlook

Despite labour market improvement, **salary expectations** and **new hire training** are the top labour challenges

Retention is much less of a concern than in the prior year



Note: [1] Respondents were required to select a single challenge in the prior year survey.

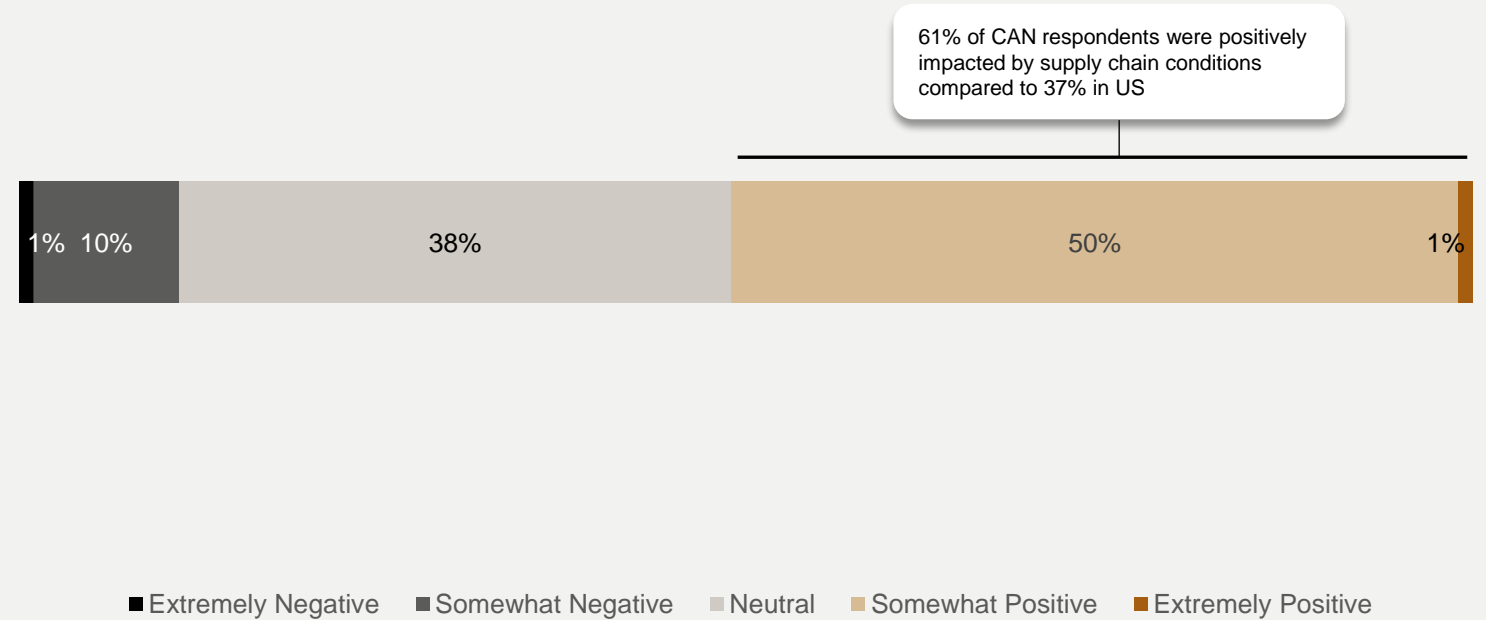
← Prior year "Top 3"

Supply Chain | Historical Impact

Supply chain conditions have improved significantly

51% reported positive impacts, up from 10% in the prior year

How have supply chain conditions impacted your business over the past 12-18 months?

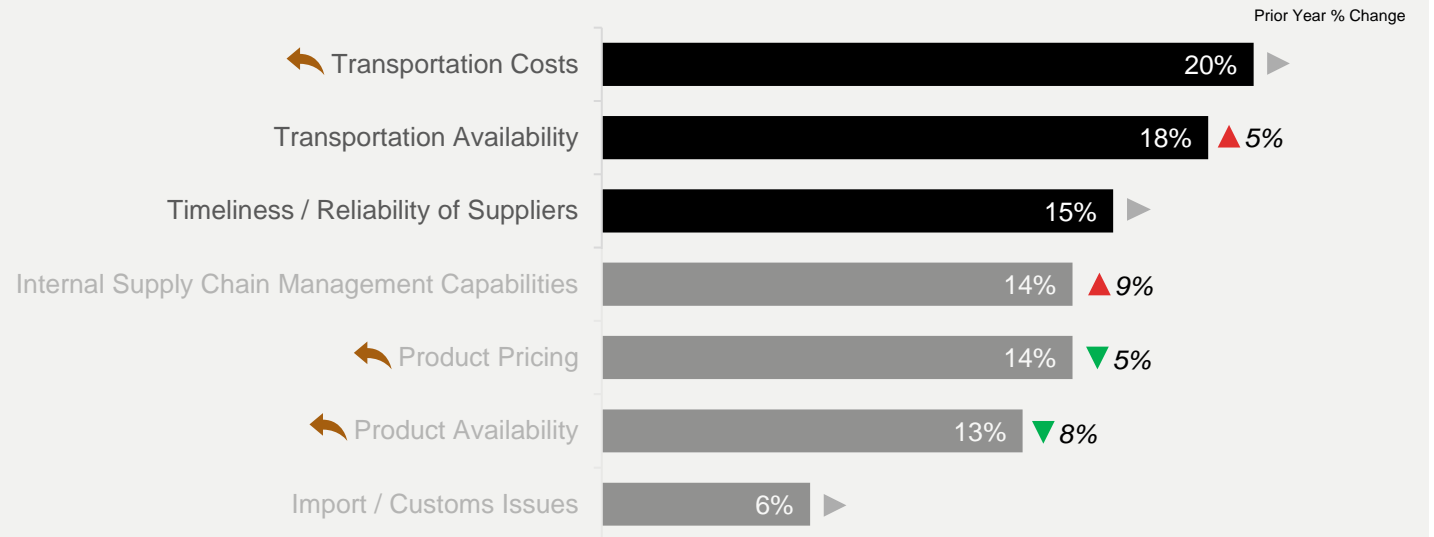


Supply Chain | Future Outlook

Transportation issues remain the top forward-looking concern

Product **sourcing** challenges have significantly **improved** from the prior year

What are your top 3 supply chain challenges over the next 1-3 years?¹



[Due to the Red Sea shipping crisis] several aggregate measures of container shipping costs are now two-and-a-half to three times of their early December [2023] levels. Prices along routes that typically go through the Suez Canal – particularly from Asia to Europe – have surged nearly five-fold. Costs from China to US have also more than doubled.

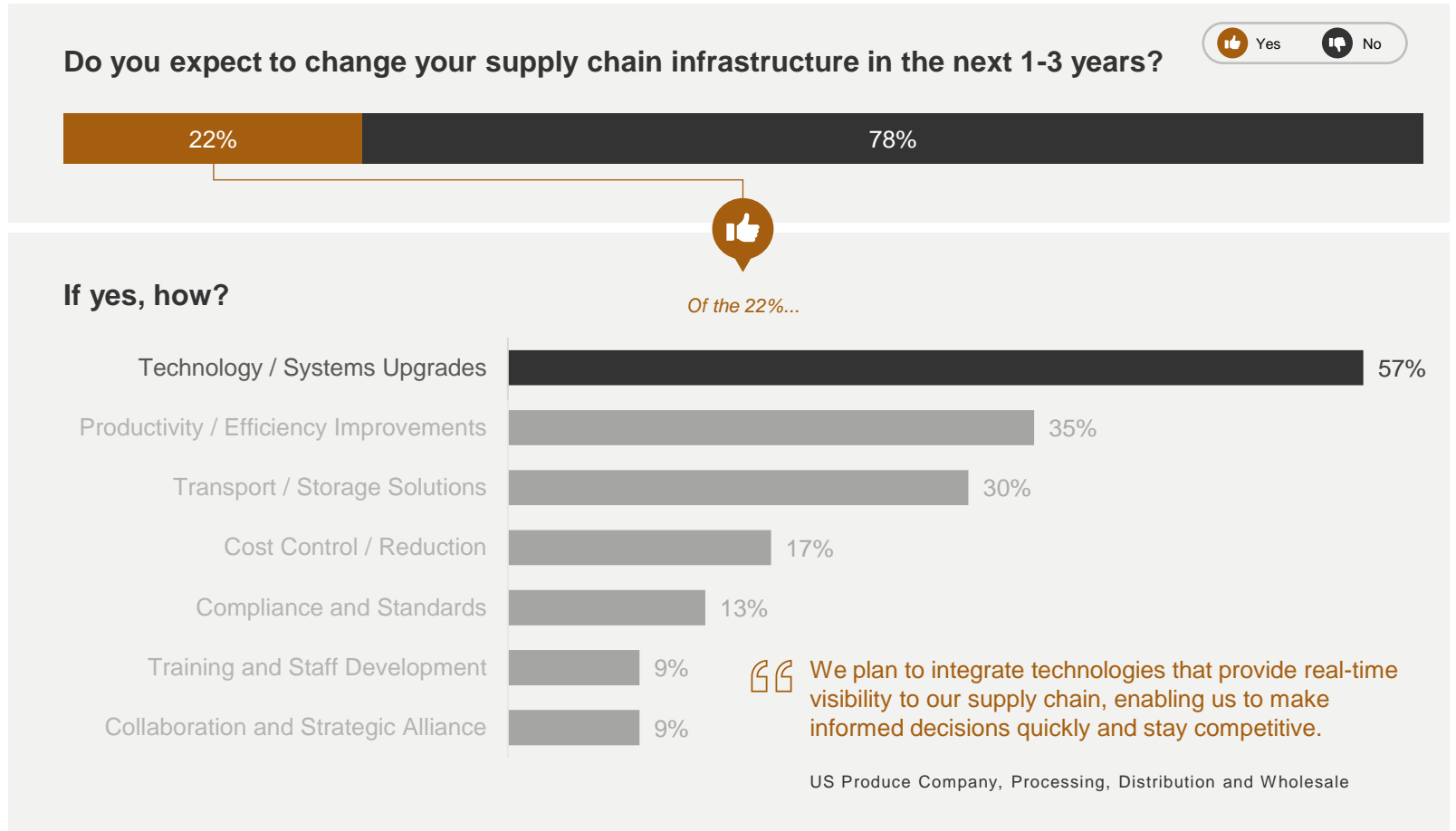
Senior Economist, J.P. Morgan

Note: [1] Grey arrows denote percentage changes (prior year) of less than 2%.

Supply Chain | Future Outlook

A minority of respondents intend to change supply chain infrastructure in the next 1-3 years

Of those that do, **57%** are focused on technology solutions



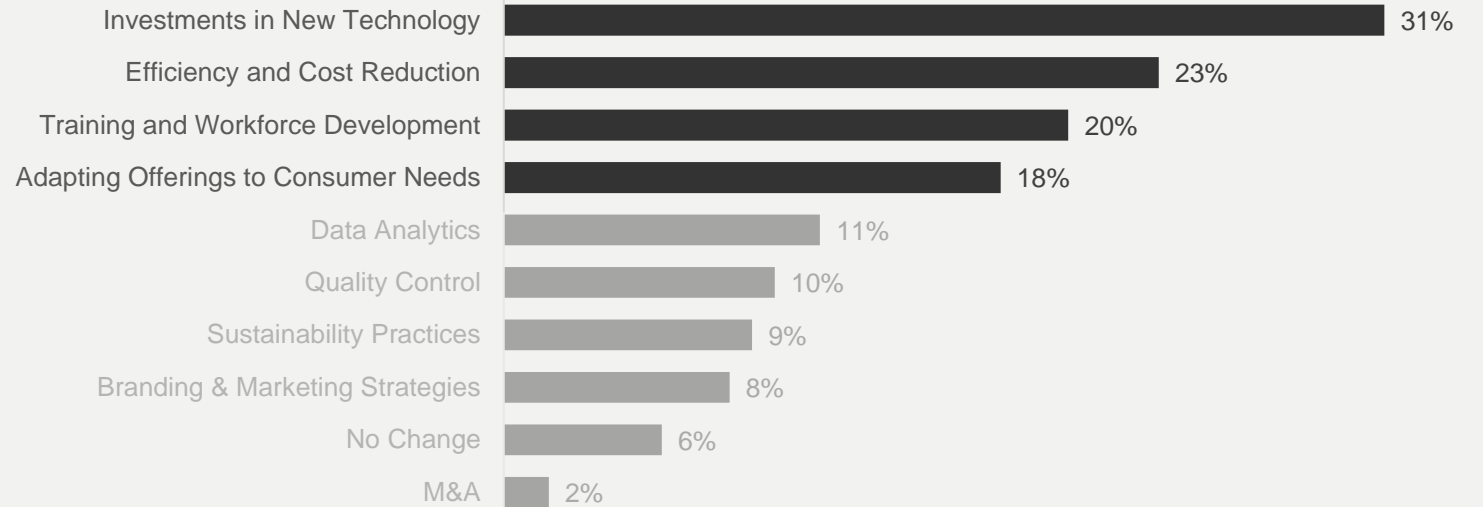
OPERATING ENVIRONMENT

Operating Model

Operators prioritize **technology investments** as well as broader **efficiencies** and **cost reduction**

They also emphasize continuous **workforce development** and **customer centricity**

How are you changing your operating model (people / process / technology) in response to current sector challenges and to run a profitable business?



Investing in high-quality machinery and equipment for our operating processes, which will boost our processing and reduce malfunctions and downtime.

CAN Meat Company, Processing & Distribution

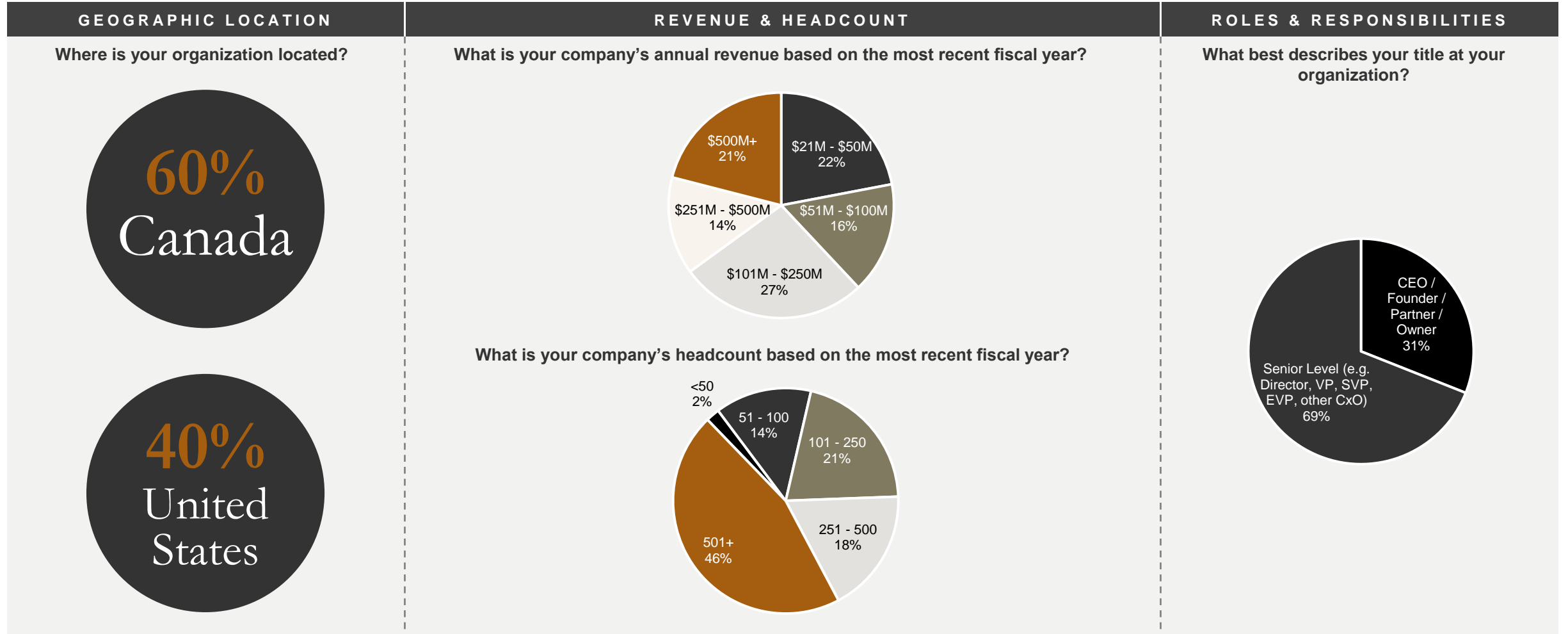
By automating sorting, packing, and loading functions, warehouse operations can be simplified, labour costs can be reduced, and overall efficiency can be enhanced.

CAN Produce Company, Processing & Distribution

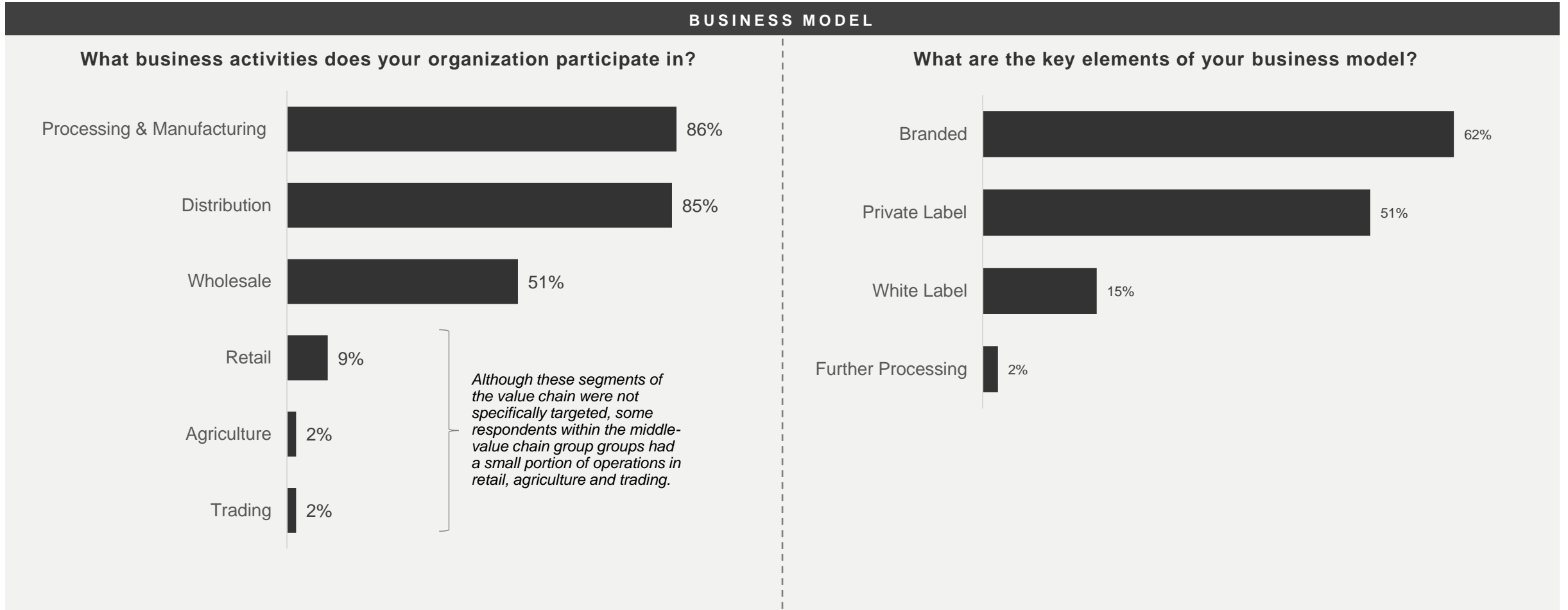


Appendix

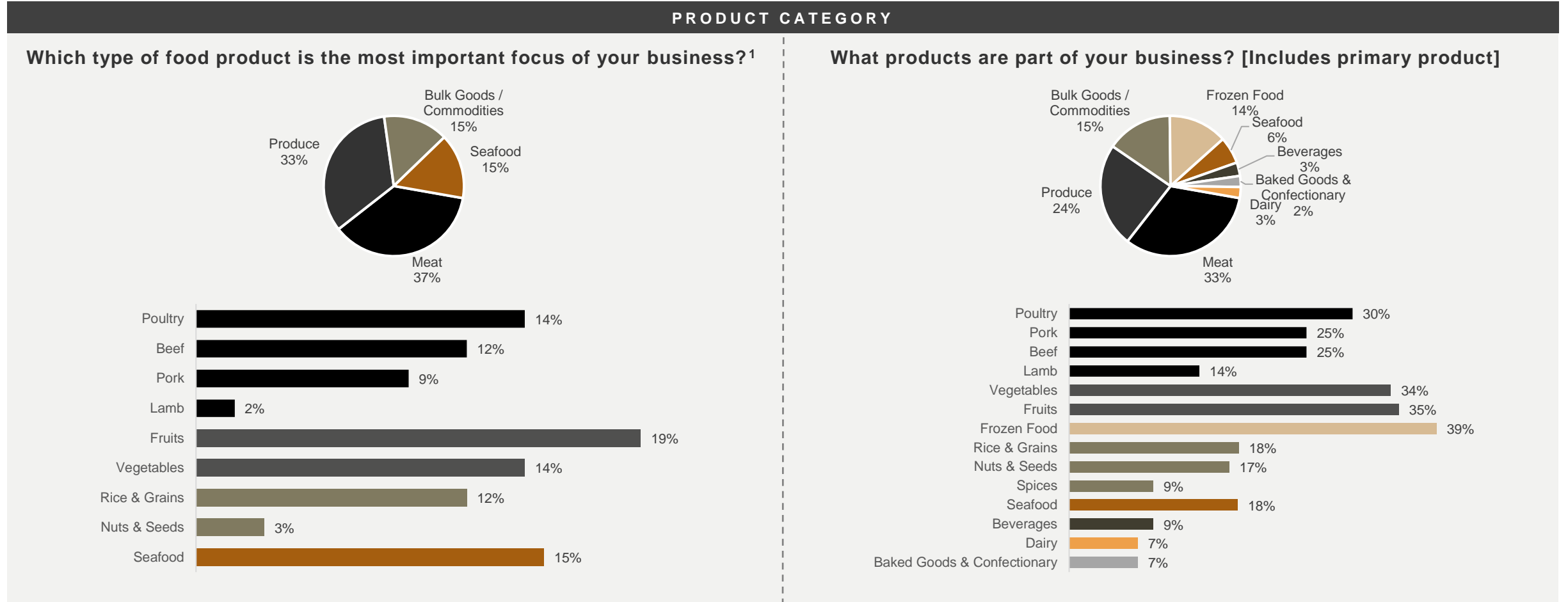
Respondent Demographics | General Overview



Respondent Demographics | Business Overview



Respondent Demographics | Product Overview



Note: [1] 120 respondents answered this question.



About Richter

Whether business, personal, or both,
we always have the owners' best interests in mind

Richter Consulting

Business
Interests

Owners

Family
Interests

Richter Family Office

CREATE LONG-TERM VALUE

BUSINESS STRATEGY

- Owner Objectives
- Business Planning
- Growth Strategy and Acquisitions
- Business and Leadership Succession
- Governance

PERFORMANCE IMPROVEMENT

- Capital Structure Optimization
- Organizational Design
- Management Incentive Plans
- Operational Efficiencies
- Restructuring of Underperforming Segments

BUSINESS FOUNDATION

- Financial Reporting - Audit/Assurance
- Internal Controls
- Risk Assessment
- Tax Optimization
- Human Capital Management

OUR METHODOLOGY

The Richter Approach

Strategic meetings to ensure family and business
priorities are aligned and moving forward.

Entrepreneurial Journey

YOUR BESPOKE FAMILY OFFICE SOLUTION

DESIGN

- Situational Assessment
- Goals and Objectives
- Tailored Solutions

IMPLEMENT

- Governance Framework

SUPPORT

- CIO
- CFO
- COO
- CAO
- Private Investment
and Real Estate
- Tax Optimization
- Estate Planning
- Philanthropy
- Risk Management
and Cybersecurity
- Financial Literacy
- Insurance Advisory

ENTREPRENEURIAL STAGE

DIVERSIFICATION STAGE

WEALTH CREATION STAGE

WEALTH TRANSITION STAGE

Richter is a **Business | Family Office** providing strategic advice on business matters and on families' financial objectives across generations.

Driven to help business owners build long-lasting legacies, we bridge the gap between family and business interests. Each demands a particular way of thinking, and the way we integrate these two areas ensures entrepreneurial success.

Richter is uniquely positioned to advise some of the most successful entrepreneurs, private clients, business owners and business families, helping them shape their legacy for the future.

RICHTER
BUSINESS | FAMILY OFFICE

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