



AGRICULTURE

Value-Added Enterprises: State of the Food Industry

Rodney B. Holcomb

Professor, Dept. of Agricultural Economics

McLaughlin Chair & Assistant Director,

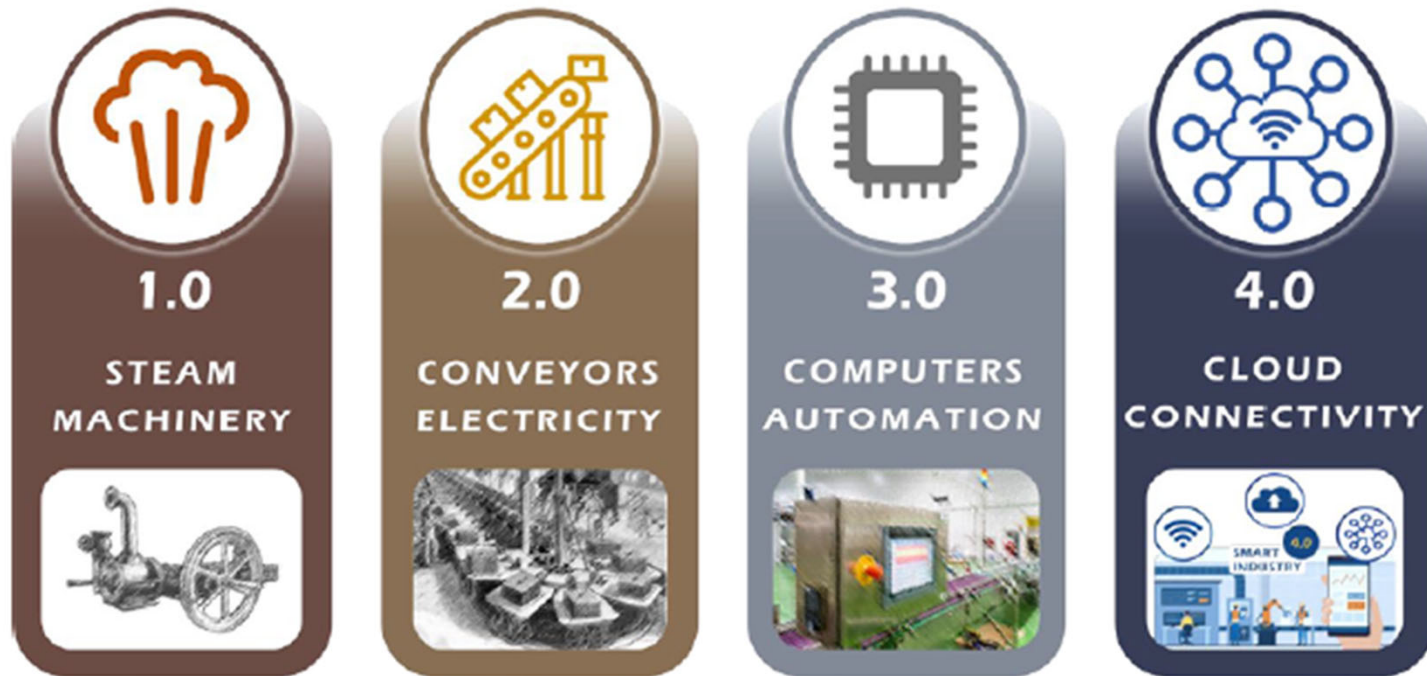
Robert M. Kerr Food and Agricultural Products Center

Food Industry News

- Kroger-Albertsons \$24.6B merger...and multiple lawsuits
 - Roughly 5,000 stores; plan to sell 579 to C&S Wholesale Grocers
 - What does FTC consider to be a “grocer”?
 - Not Sam’s Club, Costco, Whole Foods, Aldi, or dollar stores
- October 1: How the port strike will impact the food industry.
- October 3: Never mind.
- Next Farm Bill?



Food Industry 4.0



Technology in Food for Various Reasons...

- Adoption of various sustainability technologies
- High efficiency and performance standards
- Existing/emerging challenges
 - Food safety
 - Competitiveness
 - Plant-based foods
 - Quality control
 - Food security



Example: High Pressure Processing (HPP)

- HPP is a non-thermal food preservation technique
 - Uses intense pressure to kill microorganisms
 - It's like pasteurization, but without the heat
 - Extends shelf life
- At lower pressure levels (e.g., 300 MPa) it can change the color of dark cutting beef (DCB)
 - Previous work performed by OSU meat scientists



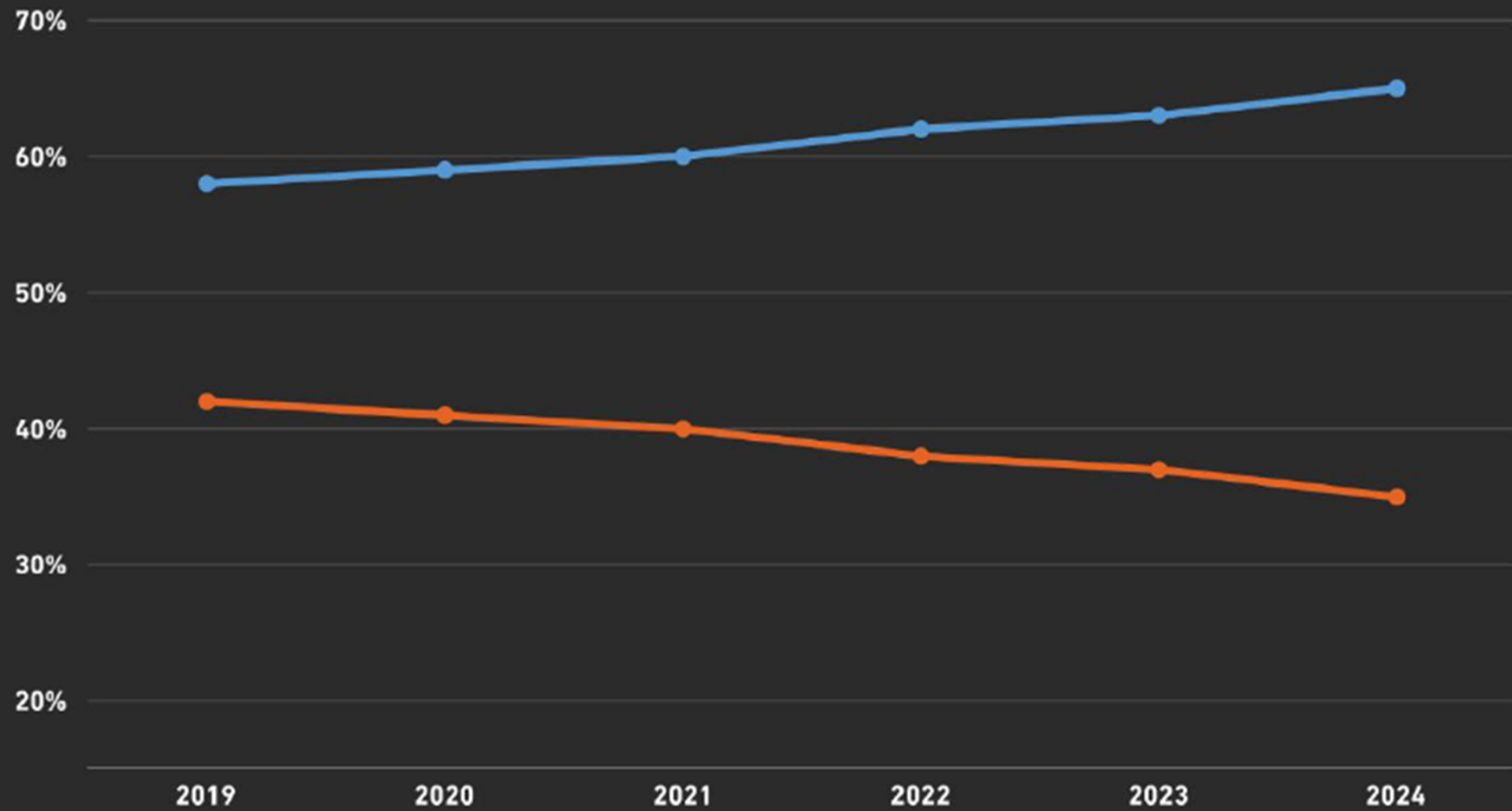
...But Not as Much Technology for Product R&D/Innovation

- Used to expect 15,000–20,000 new food product introductions per year
 - Now closer to 12,000–15,000
- Total Consumer Packaged Goods (CPG) innovation declined from 45% of launches in 2019 to 35% in 2023. (source: Mintel)
- Trace back to 2008 Great Recession, when just over 50% of global CPG launches were new products.



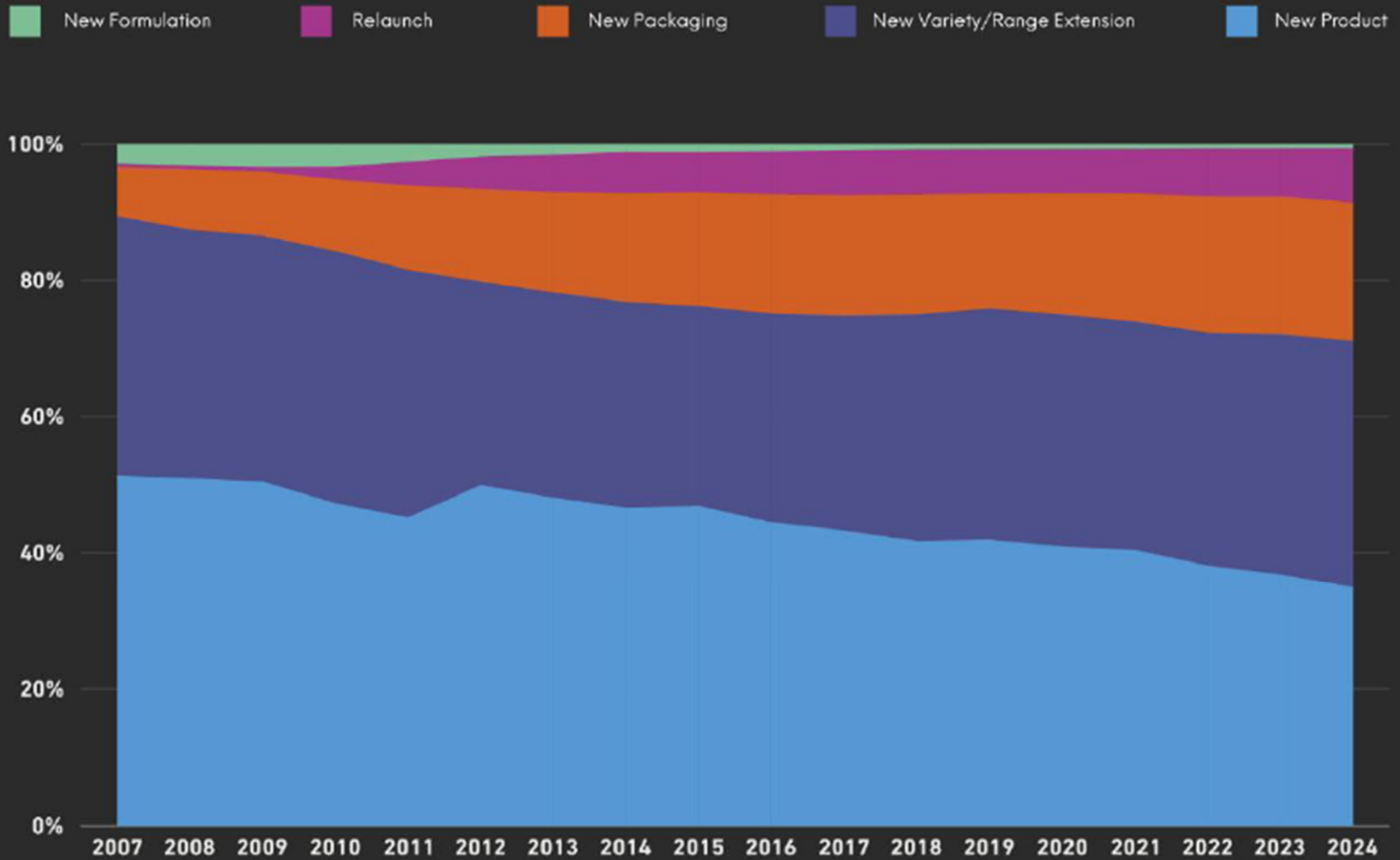
Global: proportion of consumer packaged goods launches, by launch type, January 2019 - May 2024

Renovation (Line extensions, reformulations, new packaging or relaunches) Innovation (New products)



Source: Mintel GNPD

Global: proportion of consumer packaged goods launches, by launch type, January 2007 - May 2024



Source: Mintel GNPD

Recessions Push Startups...Usually

- Our post-COVID-19 experience has been...interesting.
- How long have we been on the verge of a recession?
- High food inflation rates with low interest rates
 - Until we got high food inflation rates with high interest rates
- Expectation for participants in the “Great Resignation” to become the new challenger brands in the CPG industry
 - Twists on traditional products



Oklahoma Examples of Twists on Traditional

Amelia Creamery (Nowata)



KiZE Concepts (Oklahoma City)



"Food Is Medicine" but Be Reasonable!

- Expect the packages overloaded with health claims to be streamlined.
- Promoting well-known essential nutrients to differentiate products
- Simplified claims
 - Protein, fiber, vitamin/mineral content
 - Portion-controlled
- Focus on consumers who define their own diets based on needs
 - And how food makes me feel



Oklahoma-based and National Examples



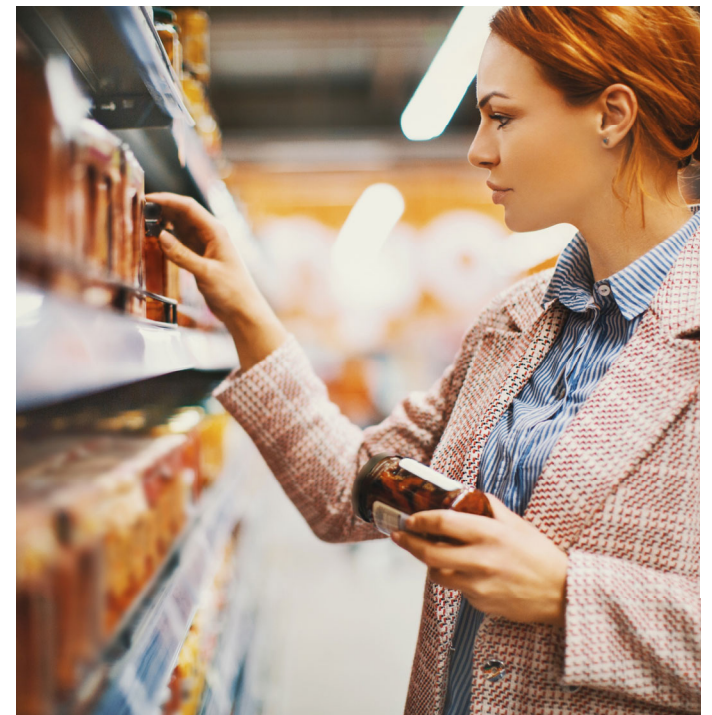
Which Brings Us Back to Technology

- Expect technology to help balance all macronutrient claims
 - Protein, fat, carbs
 - Especially significant for weight-loss drug users
- Personalized health guidance
 - Collecting data, calculating individual health archetypes
- Hormone claims and data to support claims
 - Blood sugar and hormone health impact GLP-1 drug effectiveness
- AI use in formulations
 - Impact speed of competition



In Summary...

- Technology investment is driving Food Industry 4.0
 - But not as much investment in new product R&D - yet
- Consumers still want what they want
 - But expect industry to meet those wants with products that are healthier, more convenient, more sustainable, easier to understand...
- Expect more entrepreneurial efforts as interest rates drop
 - Unless...[enter disclaimer(s) here.]
- Expect AI to speed up the creation of private label and/or other product



Questions?



Rodney B. Holcomb

Department of Agricultural Economics

○ | 405.744.6272

E | rodney.holcomb@okstate.edu

143 Food & Agricultural Products Center

food.okstate.edu

