



State of the Industry Report

2024 Edition



FOODSERVICE PACKAGING
INSTITUTE

PO Box 726
Falls Church, VA 22046
tel (703) 592-9889 fax (703) 592-9864
email fpi@fpi.org web www.fpi.org

INTRODUCTION

Every year, the Foodservice Packaging Institute (FPI) conducts a survey to glean information on the industry. FPI looks at issues, like changes to volume and profits; expansion and purchasing plans; opportunities and challenges facing the industry; and more. The survey is sent to FPI members and non-members, representing the entire value chain in North America, including:

- raw material suppliers;
- machinery suppliers;
- converters;
- foodservice distributors; and
- foodservice operators.

Participation in the survey is completely voluntary and respondents can opt out of any question asked.

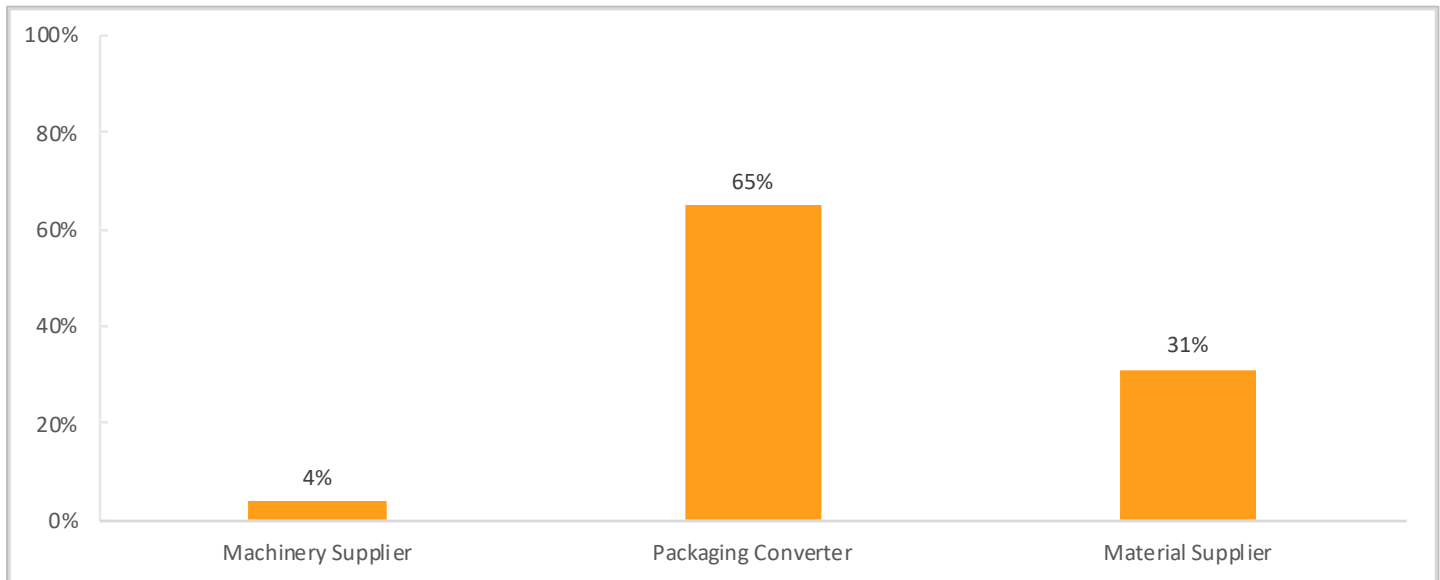
Using the data collected, FPI has produced its 24th annual “State of the Industry Report,” which contains questions and responses of the surveys conducted. Please note that responses included were taken verbatim, with very few exceptions. Results have been split into two sections:

- Pages 3-21: Converters, Raw Material Suppliers and Machinery Suppliers
- Pages 22-37: Foodservice Distributors and Foodservice Operators

All questions are welcome. Please contact Ashley Elzinga, Director of Sustainability & Outreach, at aelzinga@fpi.org.

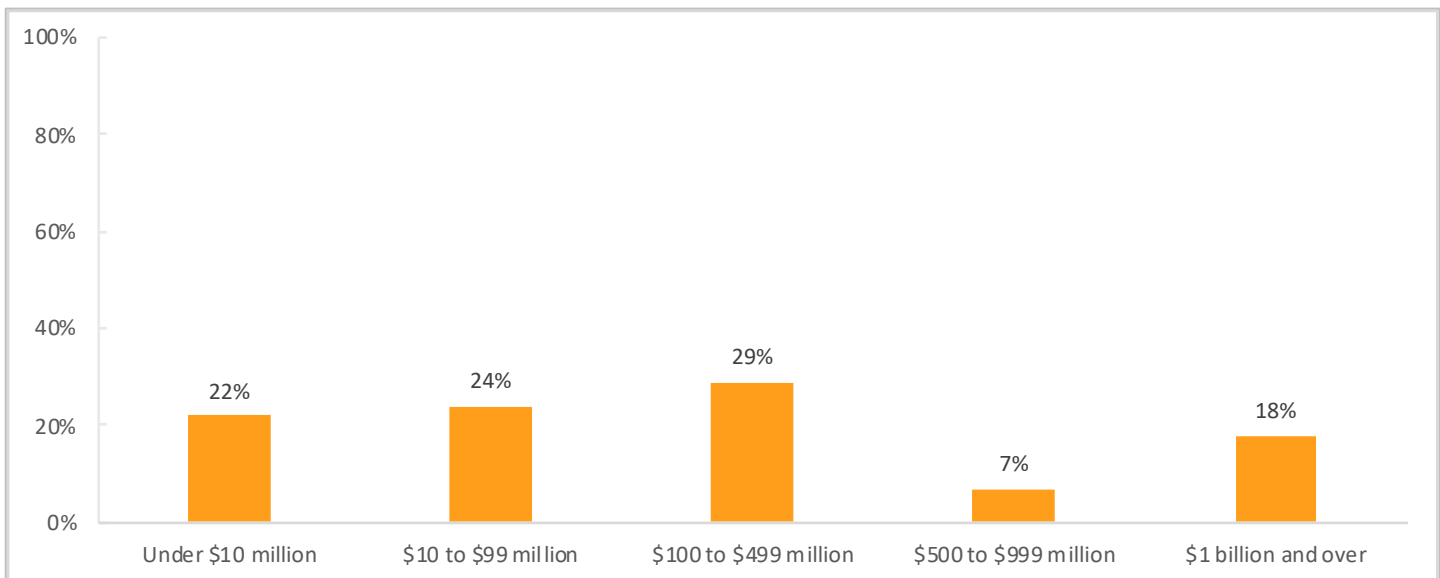
Converter, Raw Material Supplier and Machinery Supplier Results

Question 1. Are you a:



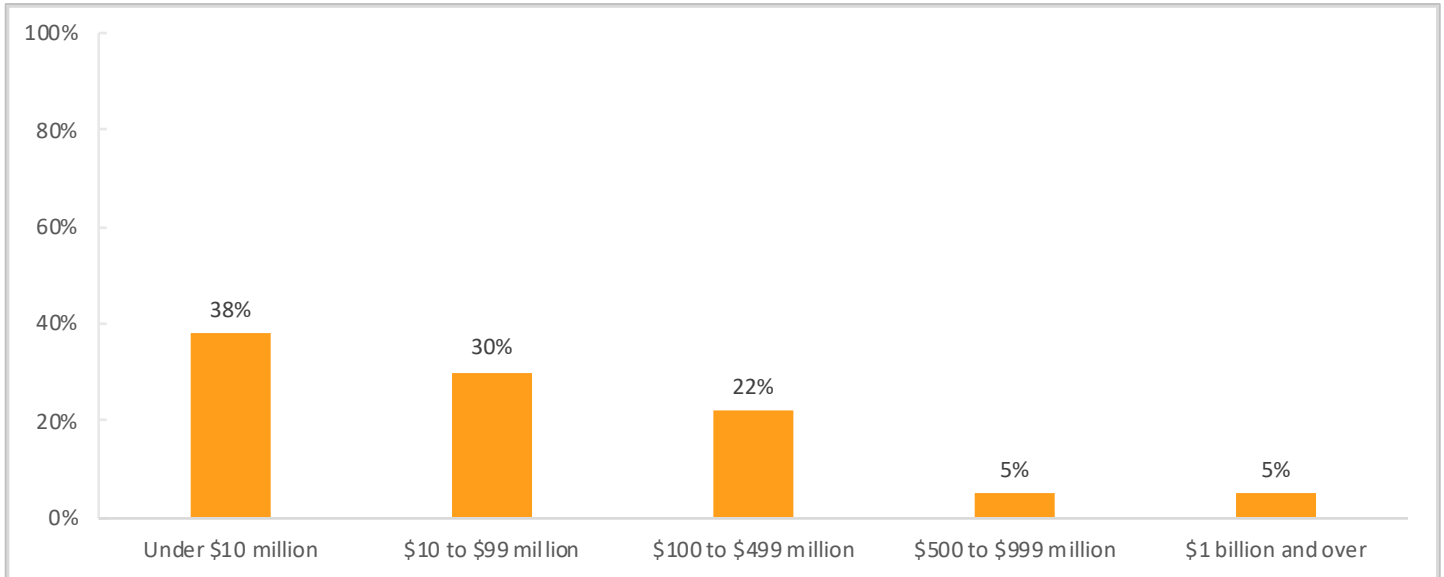
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Question 2A. What were your firm's net global sales of foodservice packaging (i.e., cups, plates, cutlery, clamshells, etc.) products or materials for the foodservice packaging industry in the year 2023?



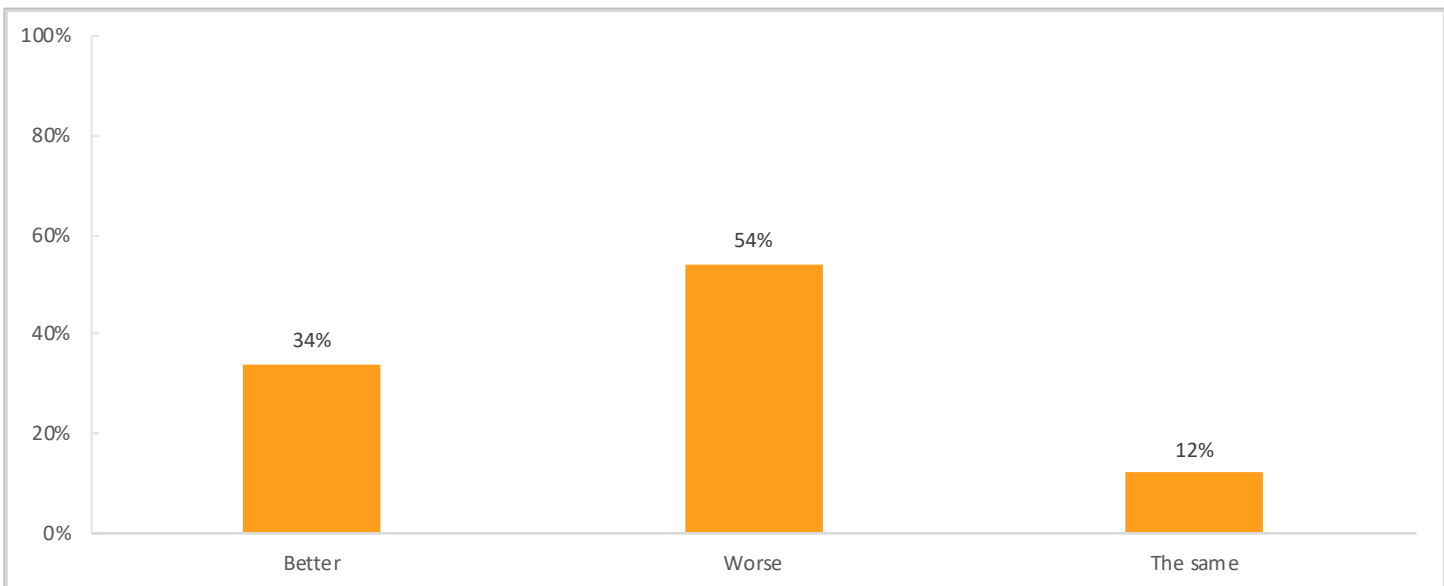
Total Count: 45

Question 2B. What were your firm's net global sales of food packaging (i.e., egg cartons, meat trays, dairy or produce containers, etc.) products or materials for the food packaging industry in the year 2023?



Total Count: 37

Question 3A. How do you rate 2023 compared to 2022, in terms of volume?



Total Count: 41

Key Influences:

Converters

Better...

- Slight market growth of 2-3% and gained some share on top of this.

- Better market place - Foodservice Industry rebounding.
- Stabilized paper cost. Employee retention after Covid 19.
- New business.
- Product mix shift back to more normal conditions, new business.
- Customer Mix returned to normal.

Worse...

- Economy, Consumers pulling back, and a couple of substrate changes (paper to plastics).
- New work habits from hybrid work schedules. The new level of demand seems to be stabilizing. In the first quarter of 2023, the import market took market share from domestic manufacturers.
- 2022 bubble of off-site meals (delivery, take-away). In 2023, we saw a normalized distribution from onsite dining to off-site dining. Foam bans.
- IMPORTS, IMPORTS and more IMPORTS!
- Imports, new competitors entering the market, PFAS performance.
- Lots of customers dealing with excessive inventories.
- Weaker market performance than anticipated; inventory rightsizing.
- Aggressive import competition, slowing restaurant traffic.
- Supply chain issues resolved.
- Regulatory Activity (Foam Bans, PFAS, etc.)

The same...

- Recovery from COVID and inflation had a stagnation impact. Small rise but imports are in market place.

Raw Material Suppliers

Better...

- Increased use of coatings on paperboard.

Worse...

- False claims that PET and PP are more recyclable.
- Regulation – Economy.
- Softer market due to inflation, primarily. Lack of certainty in near future legislative requirements secondarily favored status quo or change to manage cost, not further a long term strategy.
- Economic slow down.
- Inflation, high interest rate, high inventory, lack of demand.
- De-stocking and overall demand was down.
- Changes in technology.
- Reducing inventories.
- Paper industry has been soft in general.

The same...

- A lot of interest in new products, but reluctant to pay more.
- Slightly lower volume in 2023, attributed to destocking activity.

Machinery Suppliers

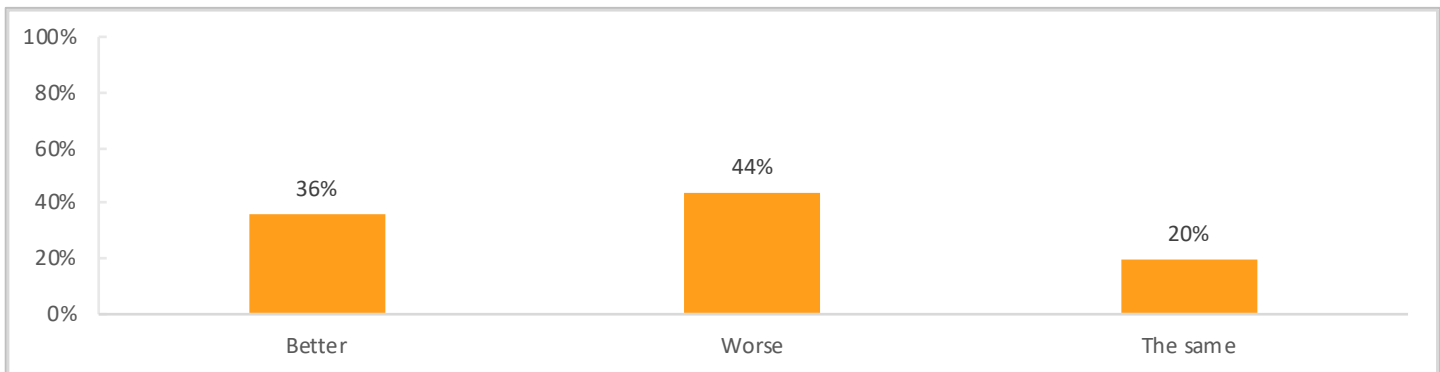
Better...

- Beginning of covid recovery.

Worse...

- Market was oversupplied due to covid surge.

Question 3B. How do you rate 2023 compared to 2022, in terms of profit?



Total Count: 39

Key Influences:

Converters

Better...

- Timing in the cycle - in 2021 costs increased, in 2022 pricing was then increase, now in 2023 we see the costs cooling off (especially energy and transportation) and we delayed hiring/cut costs.
- More experienced employee base. The economy has stabilized after a less than desired 2022.
- Cost containment actions.
- Improved product and customer business mix; market price increases.
- Softening raw material costs, manufacturing efficiencies through investments completed.
- Raw material supplier costs declined somewhat.

Worse...

- In 2022 demand was much stronger, especially in the first 6 months, than in 2023. Inflation of food costs and labor has hurt demand.
- Decrease in demand! Elevated stock levels. Significant increase from the competitive imports created additional price deflation.
- Volume and margin declines.
- Imports, new competitors entering the market, PFAS performance.
- Pricing pressure – prices moving downward.
- Less sales.

The same...

- Strategic internal levers from operations, procurement. We were forced to find ways to adjust and creatively look for savings to hit profitability numbers.
- Inflation is sticky.

Raw Material Suppliers

Better...

- As more recycled content enters paperboard products, there is greater demand for performance additives.

Worse...

- Demand, interpolymer sub, inventory correction.
- Supply demand dynamics.
- Inflation and uncertainty about near future legislative requirements softened market increasing competition for the available market.
- Connected to volume.
- Same as above, plus strong competition from Asian imports.
- Less volume means less revenue.
- Changes in customer needs due to technology.

The same...

- Able to pass along inflationary costs.
- Slightly lower profit in some categories, increased price pressure.

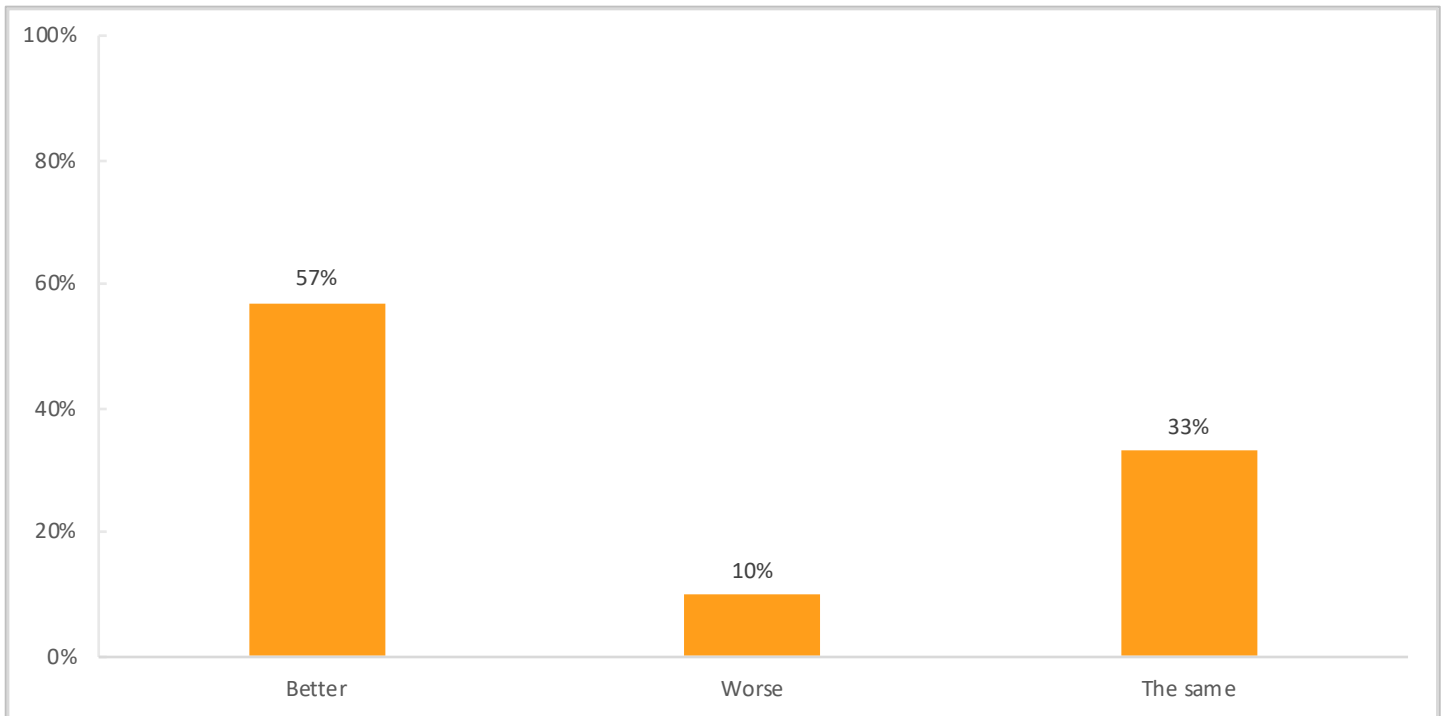
Machinery Suppliers

Better...

- Price increases due to inflation.

Worse...

- Less volume, less profit.

Question 4A. How do you expect 2024 to be compared to 2023, in terms of volume?

Total Count: 39

Key Influences:**Converters****Better...**

- Economy is levelling off, consumers are spending (despite the inflation/wage squeeze) and some of the substrate shifts are in our favor.
- Key competitor losing customers – qualified in 2023 – took 9 months.
- Marketplace continuing to rebound. Consumer confidence and disposable income improving.
- Increased traffic at restaurants, increased legislation on foam, styrene and single use packaging.
- Full year impact of new business captured; inventory levels stable; shifts from foam/plastic to fiber.
- Expected easing of inflation which may improve restaurant traffic in the second half, supermarket and c-store channel growth.
- New customers.

Worse...

- Less sales thus far, closure of some customer franchises.
- Some lost long term business to full item transition.

The same...

- Inflation still lingering going into 2024.
- Imports have significantly diminished our market share. To counter this challenge, we are strategically enhancing our operational efficiency, engaging in new product development, and exploring material innovations to regain a competitive edge.
- Imports and competitive landscape.
- Customer product losses and changes to other products.
- Inflation remains sticky, imports entering market post COVID.
- Further erosion on sales due to regulatory activity (bans, EPR, etc.) offset by investment in alternate substrates as well as movement to non-PFAS barrier solutions.

Raw Material Suppliers

Better...

- The laws and regulations being enacted by California, Oregon, Washington and Canada will require users to adopt new products.
- Economic trough late in 2023 or early in 2024?
- Destocking largely complete, growth forecasted.
- New products and offerings.
- Business market optimism.

The same...

- Economic conditions.
- Re-stocking, small improvement in consumer confidence.

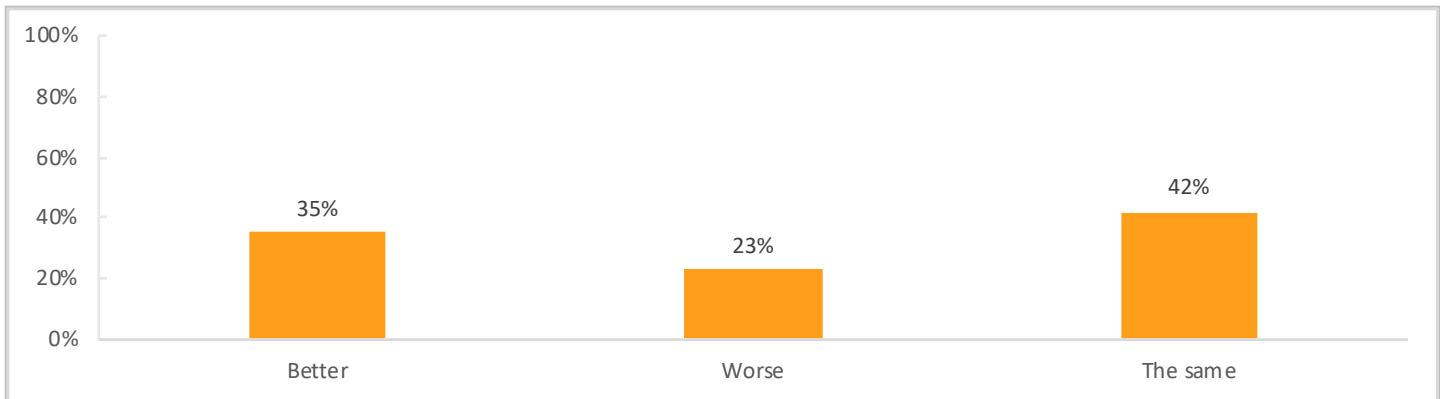
Machinery Suppliers

Better...

- Delay in capital equipment purchases usually results in a spring back.

The same...

- Market is slow to consume capacity, need to see some growth.

Question 4B. How do you expect 2024 to be compared to 2023, in terms of profit?

Total Count: 40

Key Influences:**Converters****Better...**

- Improved control over inventories. Cut back on capacity.
- Volume growth.
- Market stabilization.

Worse...

- Inflation.
- Price pressures from imports.
- With loss of sales there is a loss of profit.
- Capex increasing through investment into new product production capacity. Expanding operations through acquisitions and consolidations.

The same...

- There will be price pressure and labor inflation will be bigger than normal, but we will offset with cost reduction initiatives and some targeted growth opportunities.
- To counter this challenge, we are strategically enhancing our operational efficiency, engaging in new product development, and exploring material innovations to regain a competitive edge.
- Provided raw materials don't go higher.
- Margin/price compression; increased threat by imports.
- On target with efficiency improvements.
- Inflation remains. Consumers appear to be resistant to continued price increases so volume may be the trade.

Raw Material Suppliers

Better...

- Special focus on controlling costs will result in better profits.
- End of bottom of cycle and re-stocking activities will somehow boost additional demand.
- Better fit to new customer needs in the changing market.

Worse...

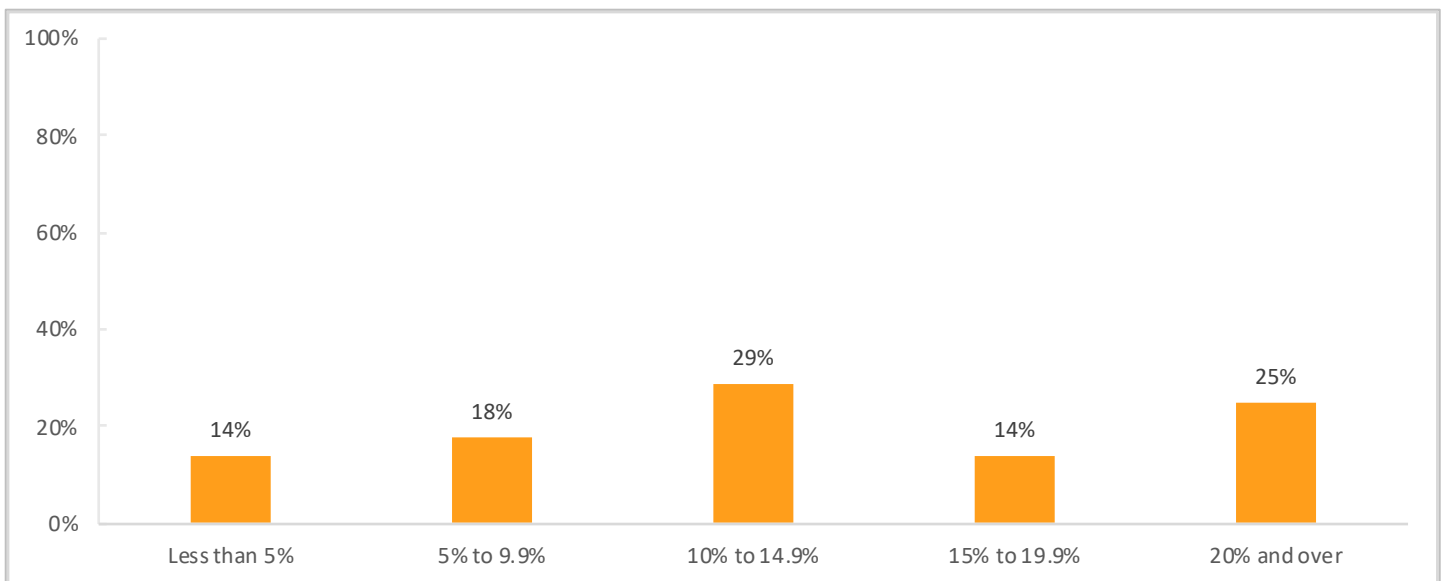
- Building year.
- Price pressure due to lower cost imports and competing polymers.

Machinery Suppliers

The same...

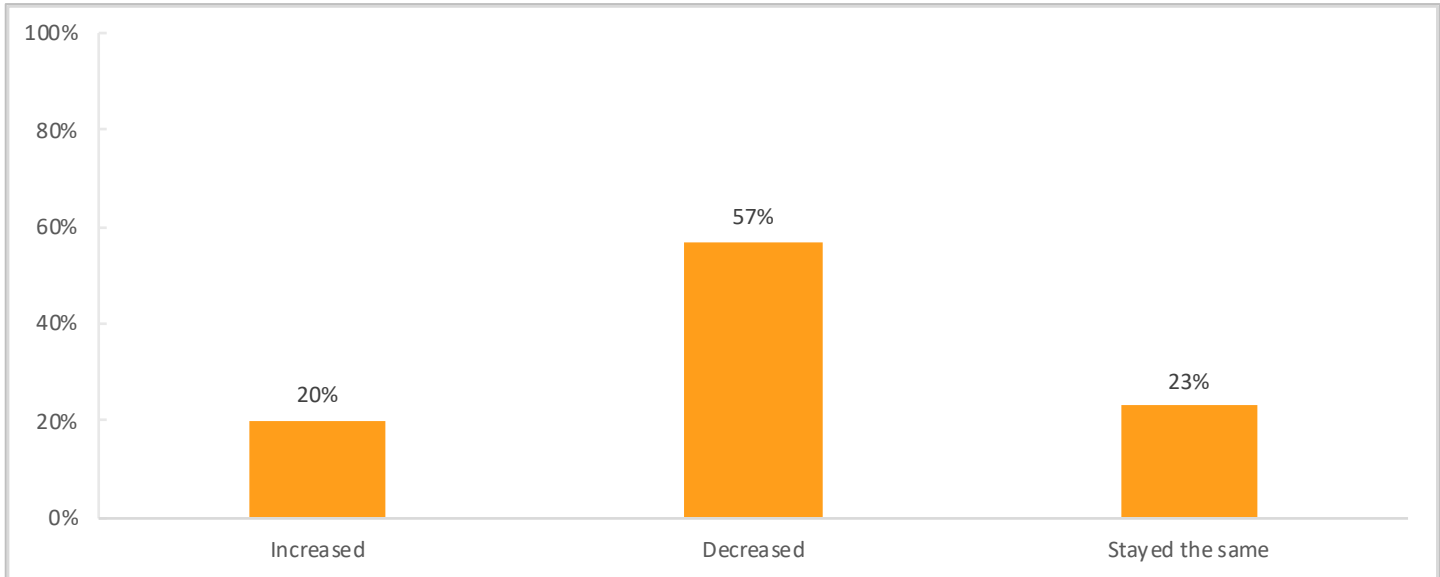
- Same volume, same profit.

Question 5. What was your firm's 2023 EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) as a percent of net sales?



Total Count: 28

Question 6A. In 2023, what happened to your production levels (pounds/kilograms, units, etc.) as compared to 2022? (Be sure to include any acquisitions made in 2023.)



Total Count: 35

Question 6B. By what percent?

Converters

Increased by...

- Perhaps 5%
- 5%
- 10% [x2]

Decreased by...

- 4%
- 10% [x2]
- 15%

Raw Material Suppliers

Increased by...

- 10%

Decreased by...

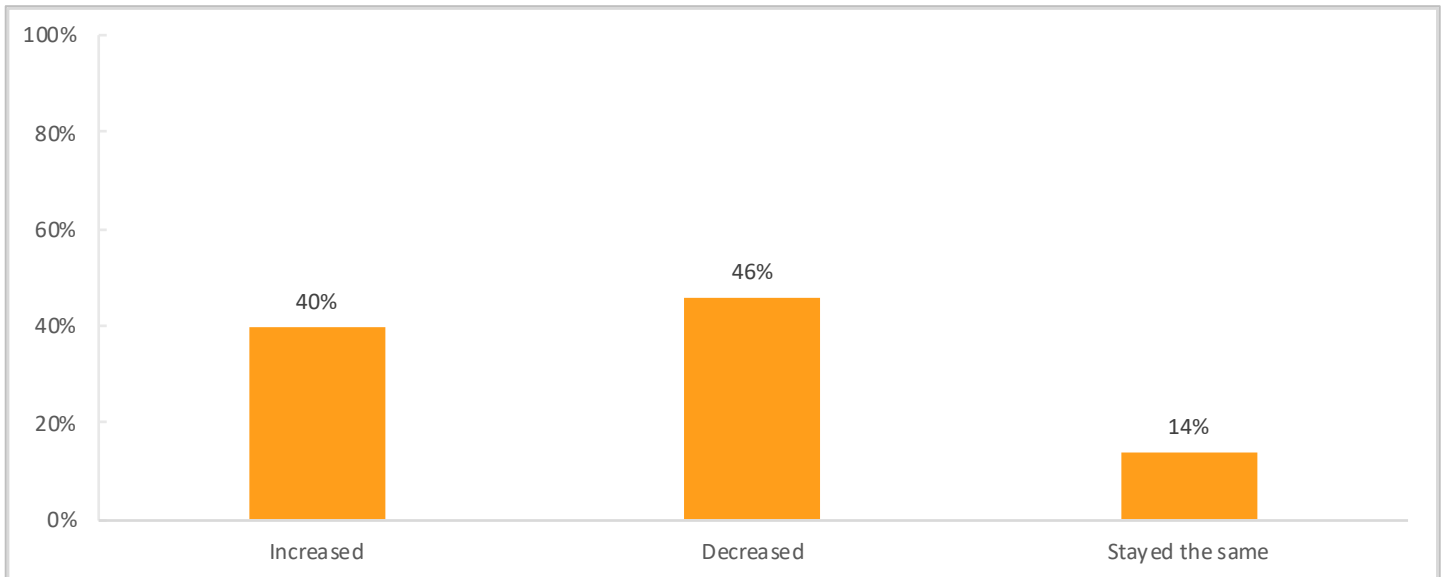
- 5%
- 5-10%
- <15%
- 15%

Machinery Suppliers

Decreased by...

- 50%

Question 7A. In 2023, what happened to your dollar value of shipments, as compared to 2022? (Be sure to include any acquisitions made in 2023.)



Total Count: 35

Question 7B. By what percent?

Converters

Increased by...

- 5%
- 6%
- 10% [x2]
- 15%
- >20%

Decreased by...

- 5%
- 6%
- 10% driven by resin prices
- 18% [x2]

Raw Material Suppliers

Increased by...

- 6%
- 10%

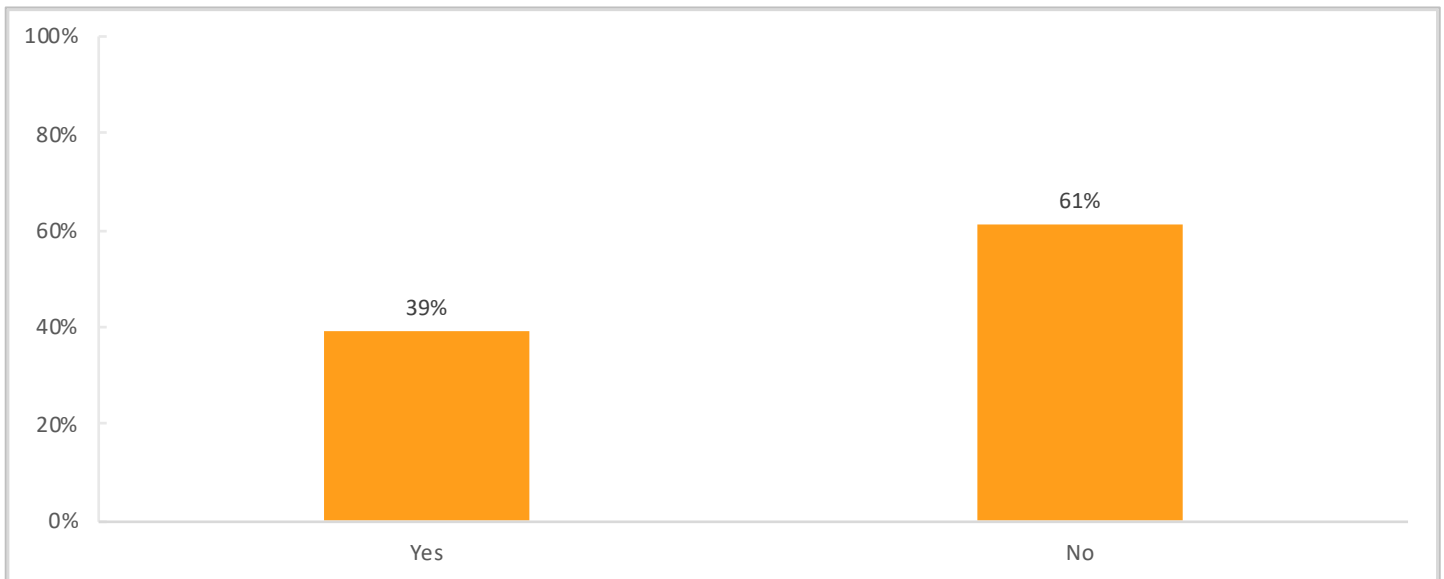
Decreased by...

- <15%
- 30%

Machinery Suppliers

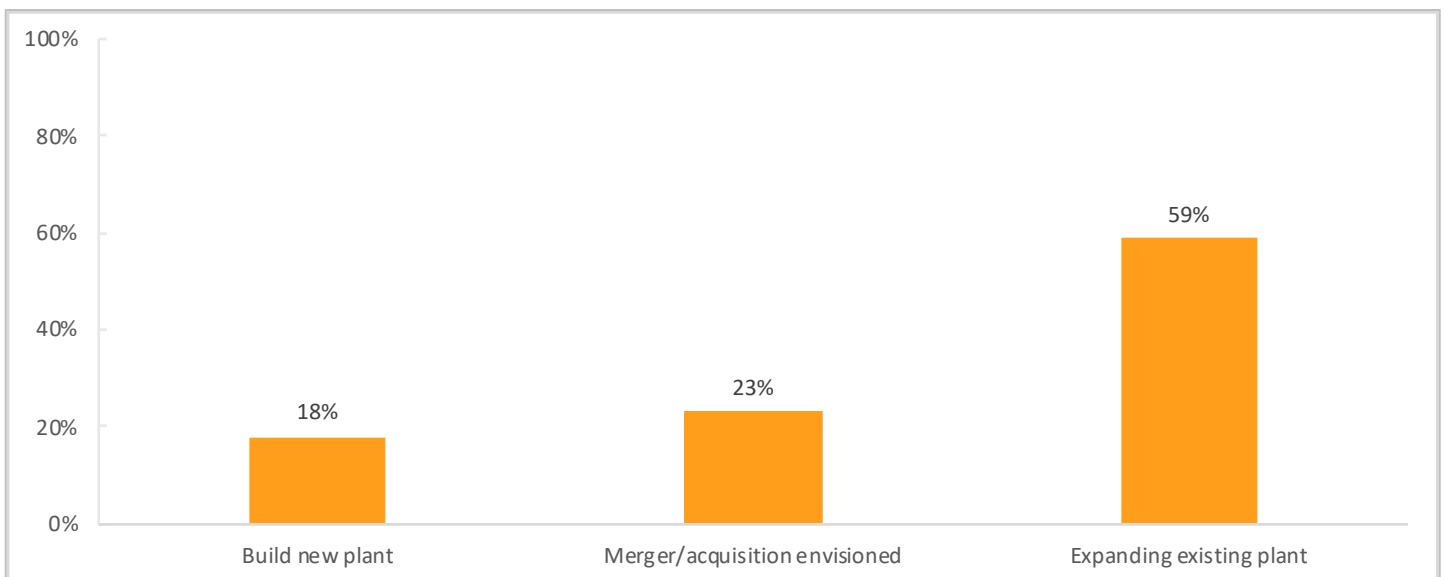
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Question 8A. Is your company planning to expand in 2024?

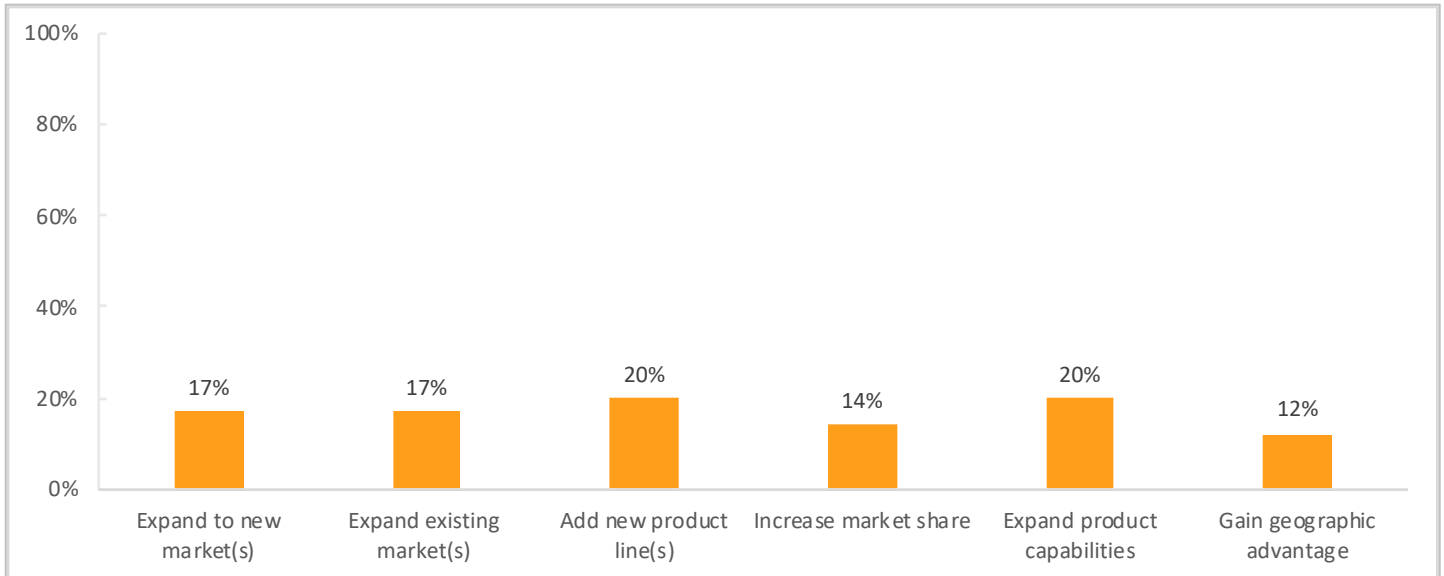


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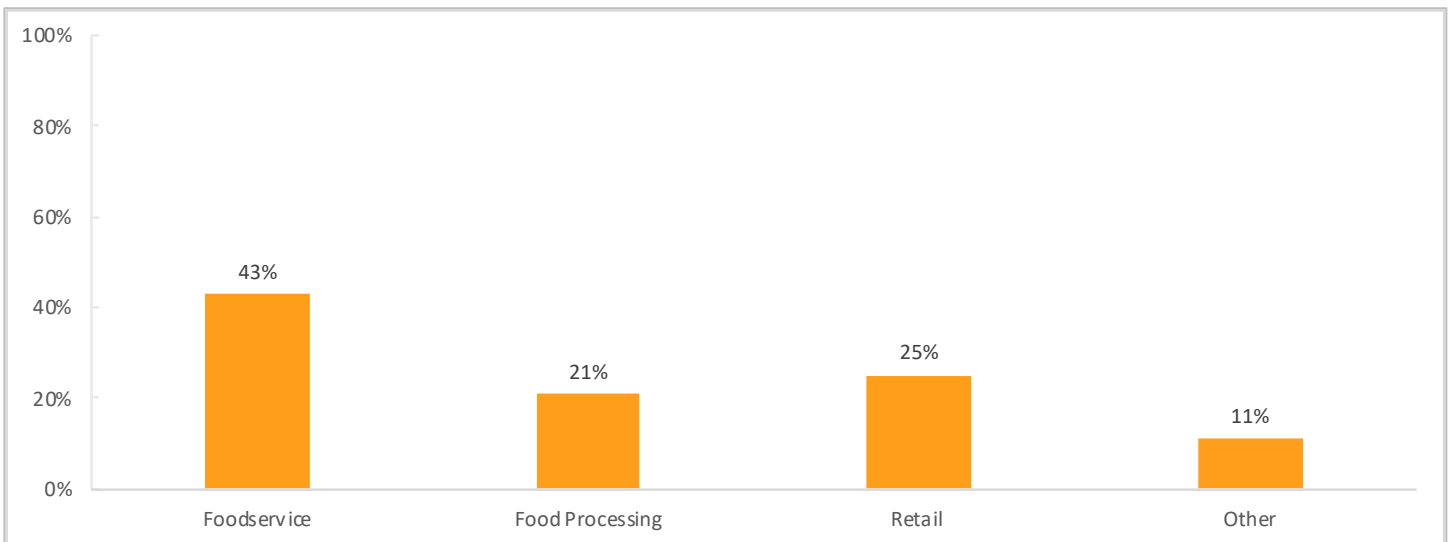
How/where does your company plan to expand (select all that apply)?



Total Count: 17

Question 8B. What is the main purpose of this expansion to your operations (select all that apply)?

Total Count: 51

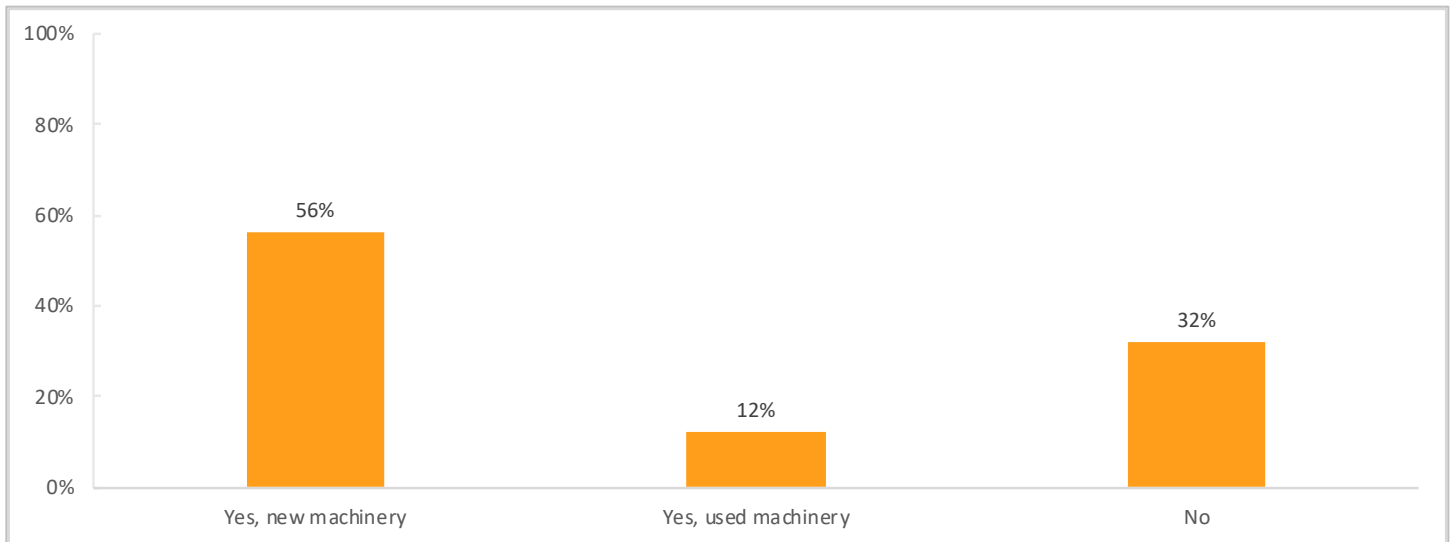
Question 8C. In what market segment do you plan to expand (select all that apply)?

Total Count: 28

Other:

- Auto.
- Construction.
- Consumer goods.
- Industrial Food Packaging.
- Leisure.

Question 9A. Does your company plan to purchase converting machinery in 2024 (select all that apply)?**



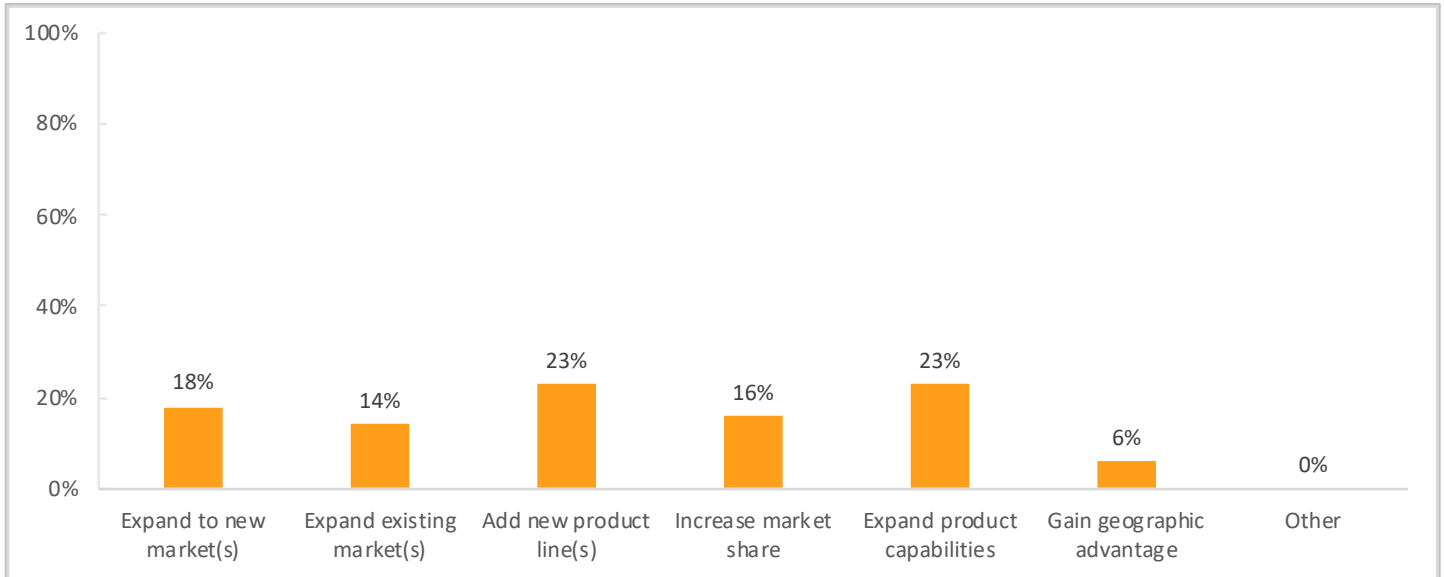
Total Count: 25

**Question asked solely of converters

Question 9B. If your company does plan to purchase, what type of machinery and/or for what application?

- Multiple machines across fiber, paper, plastics.
- Presses.
- Coating equipment.
- Automation.
- Thermoforming.
- PET Thermoform, molded fiber production.

Question 9C. For what purpose does your company plan to purchase new converting machinery (select all that apply)?**



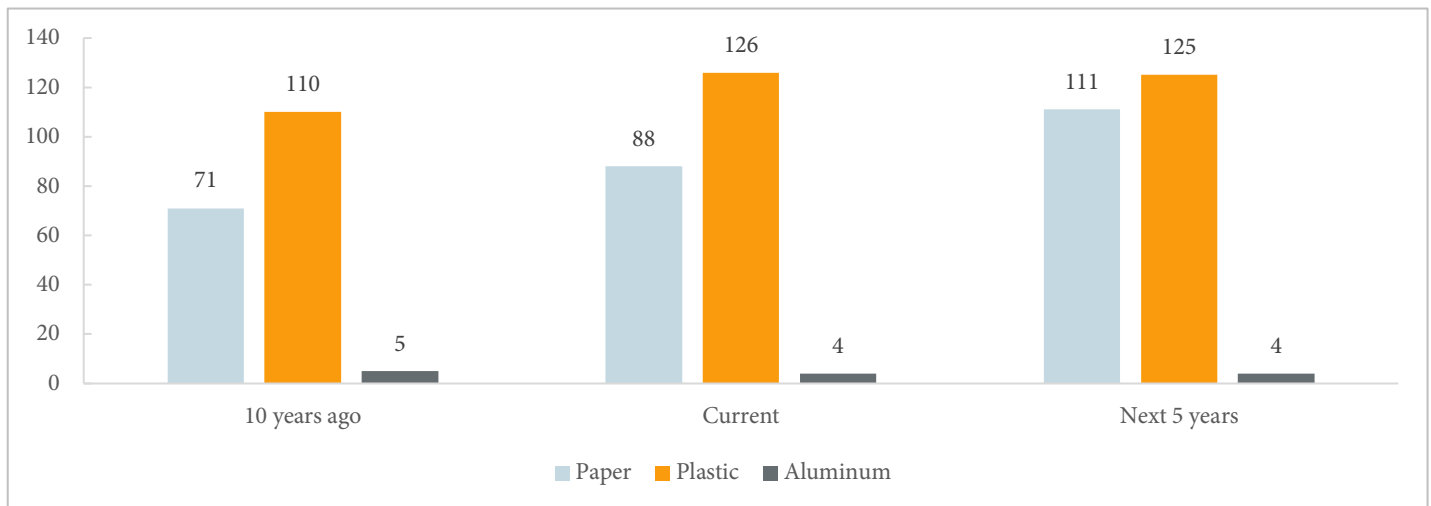
Total Count: 44

**Question asked solely of converters

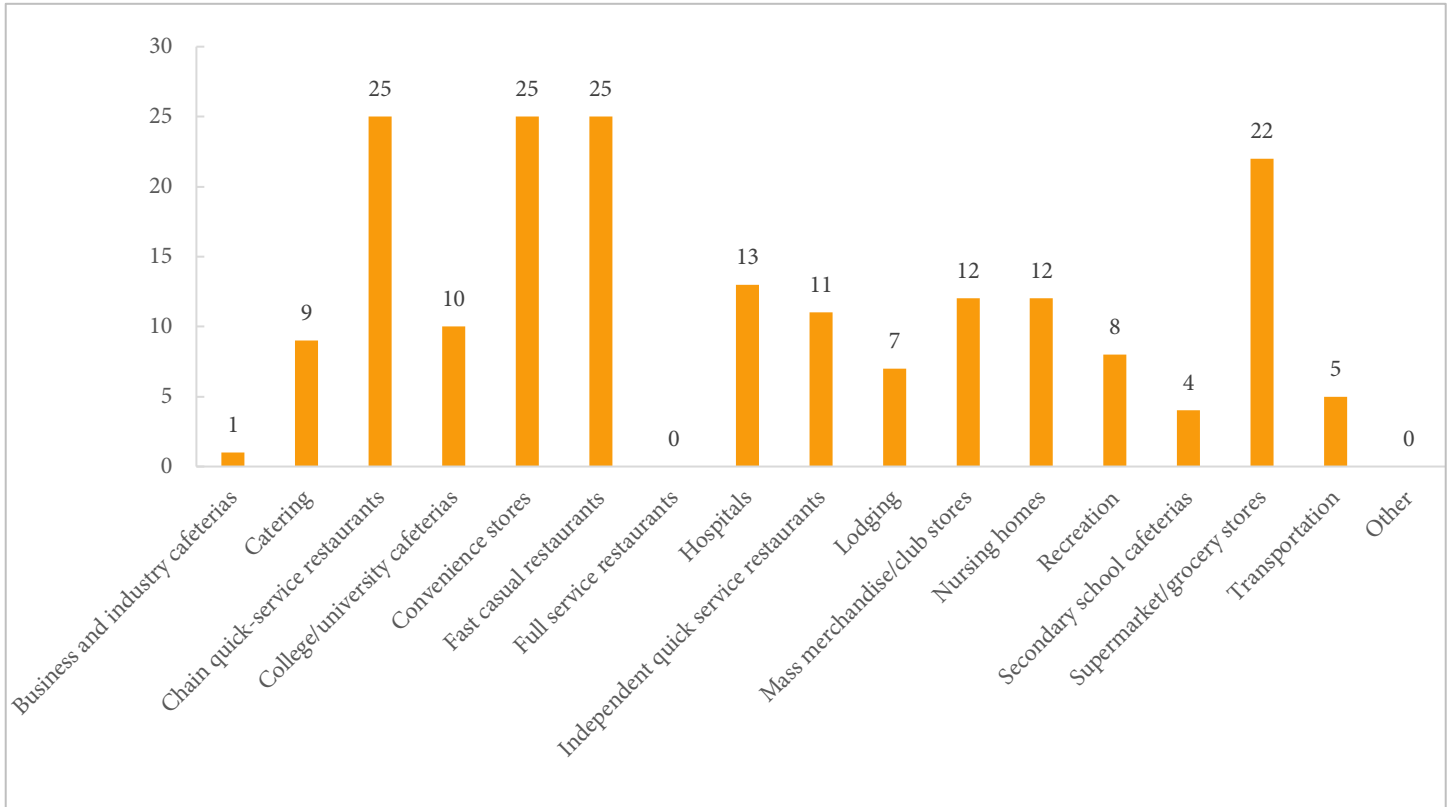
Question 10. Please check the appropriate box according to your company’s production or use of the following substrates for the time frames listed:

	<i>10 Years Ago</i>	<i>Currently</i>	<i>Next 5 Years</i>
Paper	16	15	18
Coated Paperboard w. Traditional Coatings	14	15	15
Coated Paperboard w. Bio-based Coatings	6	12	17
Uncoated Paperboard	11	12	14
Pulp/Molded Fiber (from trees)	5	7	13
Pulp/Molded Fiber (from other sources)	5	12	16
Paper w. Recycled Content	14	15	18
PET	14	17	17
PE	10	10	10
HDPE	8	7	5
LDPE	10	10	10
LLDPE	4	5	5
PP	13	17	17
PS	15	14	10
EPS	8	7	7
OPS	6	5	5
HIPS	11	10	8
Bio-based plastic	3	12	16
Plastic w/ recycled content	8	12	13
Aluminum Foil	5	4	4
Other	0	0	0

Based on the information above:



Question 11A. Which of the following market segments do you believe will see strong growth in the next five years (select as many as you wish)?



Total count: 189

Question 11B. Please indicate which ONE market you believe will see the greatest growth and explain why:**Chain quick-service restaurants *[mentioned 6 times]***

- Chain quick serve continue to lead volumes by growth.
- Chain quick serve restaurants will pivot towards increased take-out and reduced dine-in.
- Food delivery and takeout is already strong, as well as ready-to-eat such as Pret a Manger due to convenience based lifestyle.
- QSRs-convenience and cost/value.
- We are seeing continued growth at Fast Food Restaurants. With continued inflation pressures, customers have traded down from fast-casual restaurants.
- Away from home, convenience, improved menus, increased way from home activities will all help support.

Fast casual *[mentioned 3 times]*

- Increase of restaurants in the fast casual style, as an alternative to full service restaurants to offer foods suitable for small gatherings (guests included) that travel well to homes. I don't think full service restaurants will return to the market share they had in 2019, as patrons will have more of those dinners offsite including at home.
- Fast casual restaurants due to the higher perceived food quality and the ability to take home or elsewhere; the healthy halo of these concepts.
- Fast casual with increased locations from QSR concepts.

Supermarket/grocery store *[mentioned 2 times]*

- They are beneficiaries of slowing restaurant traffic and have begun to offer creative, meal, snack and beverage solutions.

Convenience stores *[mentioned 2 times]*

- Convenience stores due to increased and diversified food offerings.
- Convenience stores; large expansion into the quick-service food category.

College/university cafeterias

- With the enacting of CA laws, we see State run College / Universities, Hospitals initially as the greatest growth opportunities.

Transportation

- Transport due to e-commerce growth.

Catering

- On a percentage basis - catering. Consumers are totally interested in convenience. Businesses are returning to office environment. Catering (breakfast/lunch) will be an incentive owners will offer employees to soften the disappointment of return to office trends.

Nursing homes

- Due to the aging population.

Other comments

- Bio-based coated foodservice due to the SUPD.
- There is not just one - all convenience-oriented markets will grow (including on-premise venues like schools).

- Increased demand for convenient and portable packaging solutions catering to the on-the-go lifestyle, such as compact and easy-to-handle designs.
- Growing interest in customized and branded packaging options, especially in the premium and specialty food sectors, to enhance the overall customer experience.

Question 12. Please review the list below and select what you believe are the FIVE most important challenges facing the food/foodservice packaging industry over the next couple of years. Please rank (1-5) the following in order of importance, with 1 being the most important:

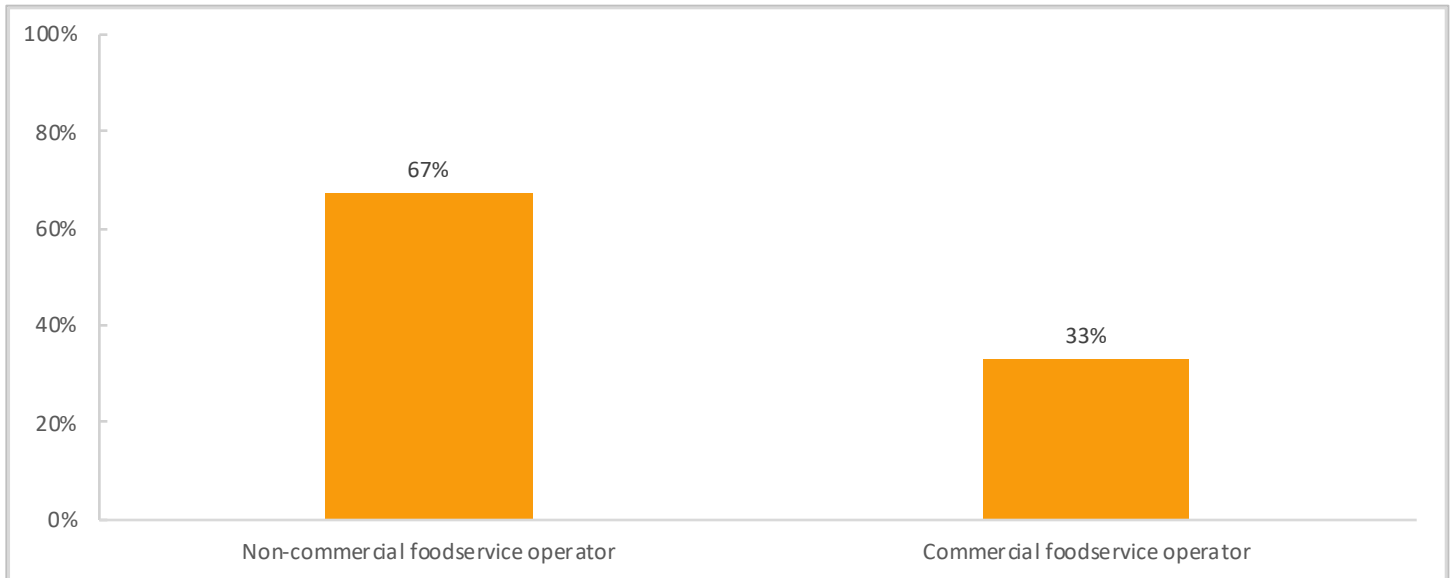
[Listed in descending order, in terms of cumulative number of mentions and weighting.]

Comparison of Top 5 Challenges Facing the Food/Foodservice Packaging Industry

	CONVERTERS	RAW MATERIAL SUPPLIERS	MACHINERY SUPPLIERS
1	Government legislation/regulation	Public perception of packaging or foodservice packaging as “waste”	Lack of qualified labor
		Recovery/end-of-life options for foodservice packaging	Public perception of packaging or foodservice packaging as “waste”
2	Lack of qualified labor	Government legislation/regulation	State of the global economy
3	Margin compression	Increase of raw material costs	Recovery/end-of-life options for foodservice packaging
4	Globalization and the increased competition from outside national borders	Margin compression	Increasing materials costs
	Recovery/end-of-life options for foodservice packaging		Margin compression
5	Public perception of packaging or foodservice packaging as “waste”	Environmental activism	Increasing overhead expenses
		Calls for changes to extended producer responsibility (EPR)/product stewardship programs	Government legislation/regulation

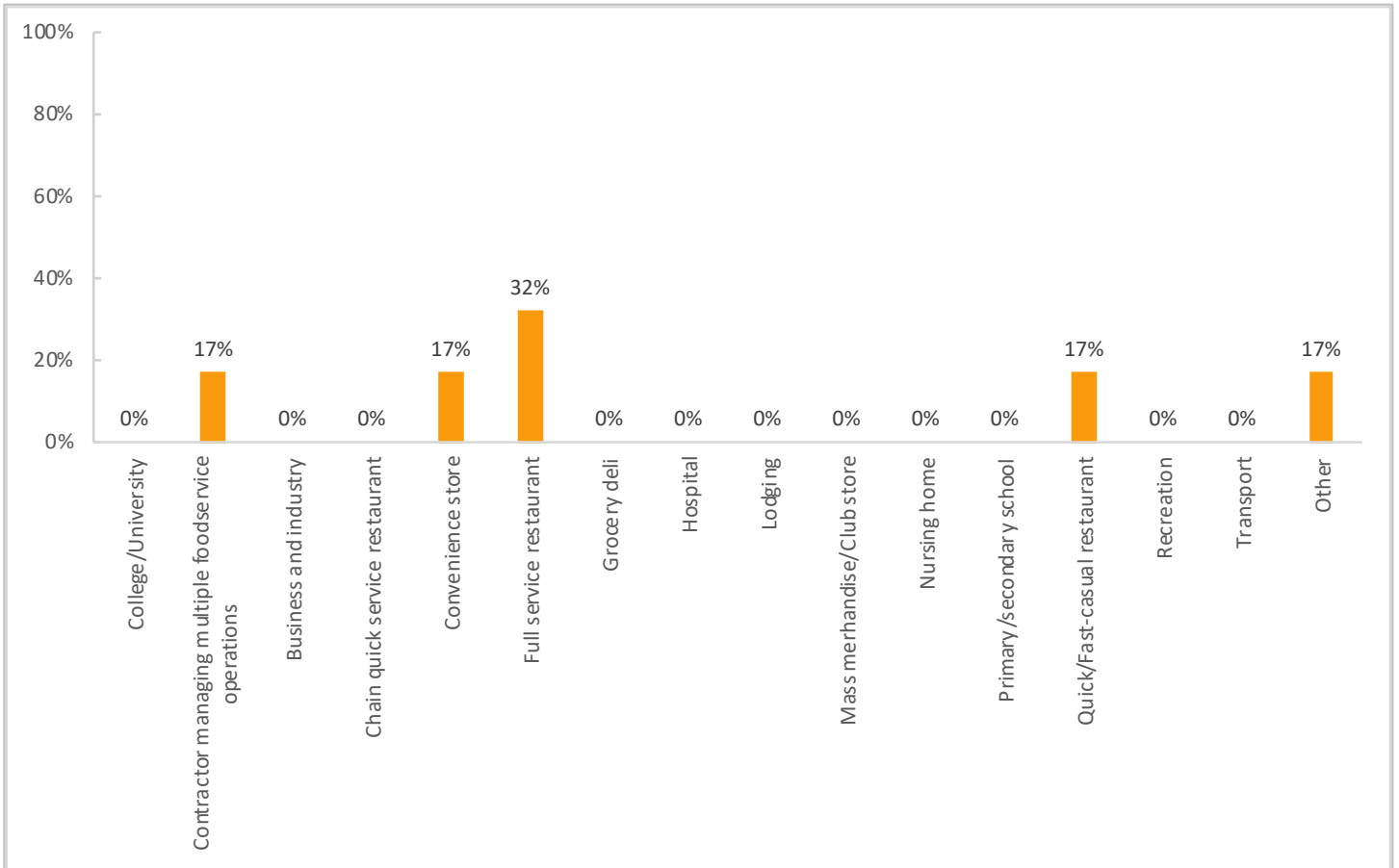
Foodservice Distributor and Foodservice Operator Results

Question 1 (Operator). Do you work for a (select only one):

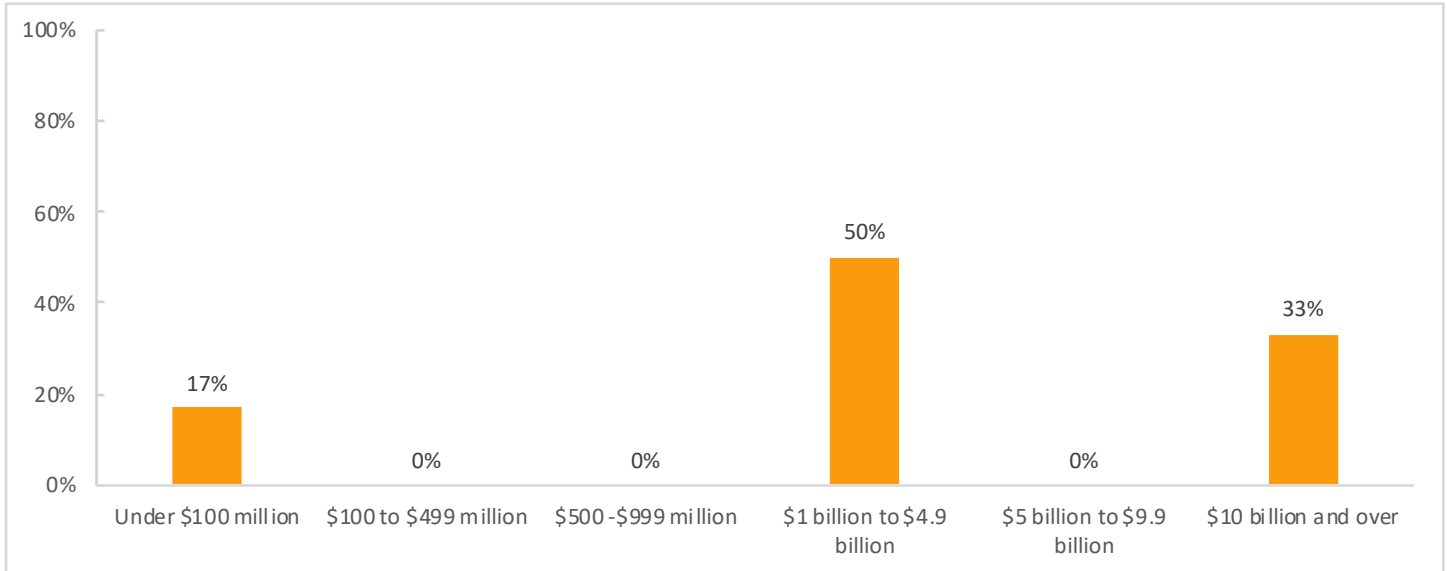


Total Count: 6

Question 1A (Operator). Which category best describes your foodservice operation (choose only one):

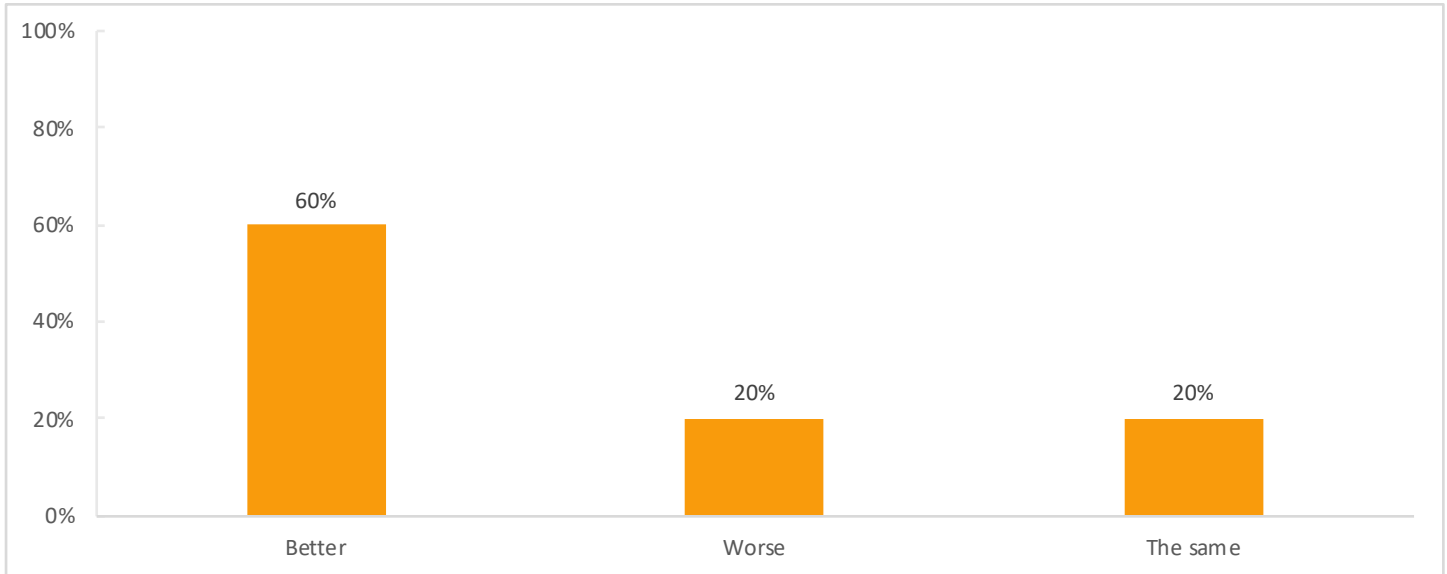


Question 2 (Distributor and Operator). What were your company's North American systemwide foodservice sales in 2023 (in U.S. dollars)?



Total Count: 6

Question 3 (Distributor and Operator). How would you rate 2023 compared to 2022, in terms of total foodservice sales?



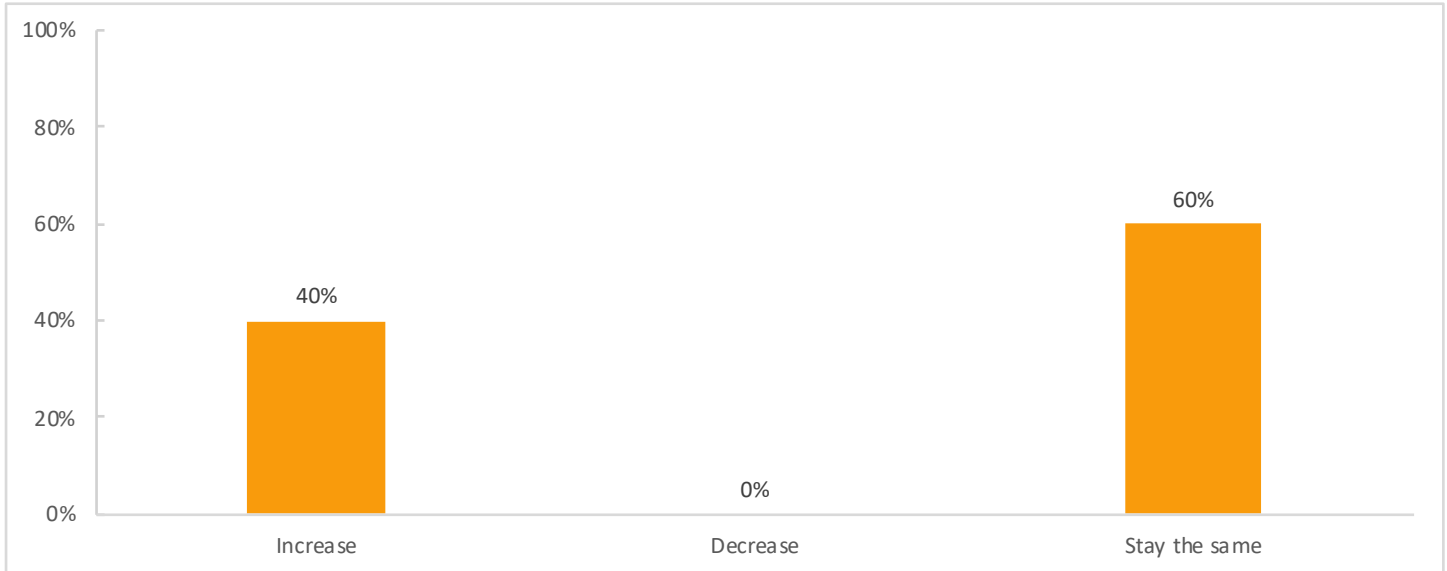
Total Count: 5

Key Influences:

Better...

- Availability and cost.
- Expansion, increased same restaurant sales; obviously, no COVID shut downs now.

Question 4A (Distributor and Operator). Specifically looking at foodservice packaging products, do you expect that your sales will increase, decrease or stay the same in 2024, as compared to 2023?



Total Count: 5

Question 4B. By what percent?

No response

Question 4C. For what reasons?

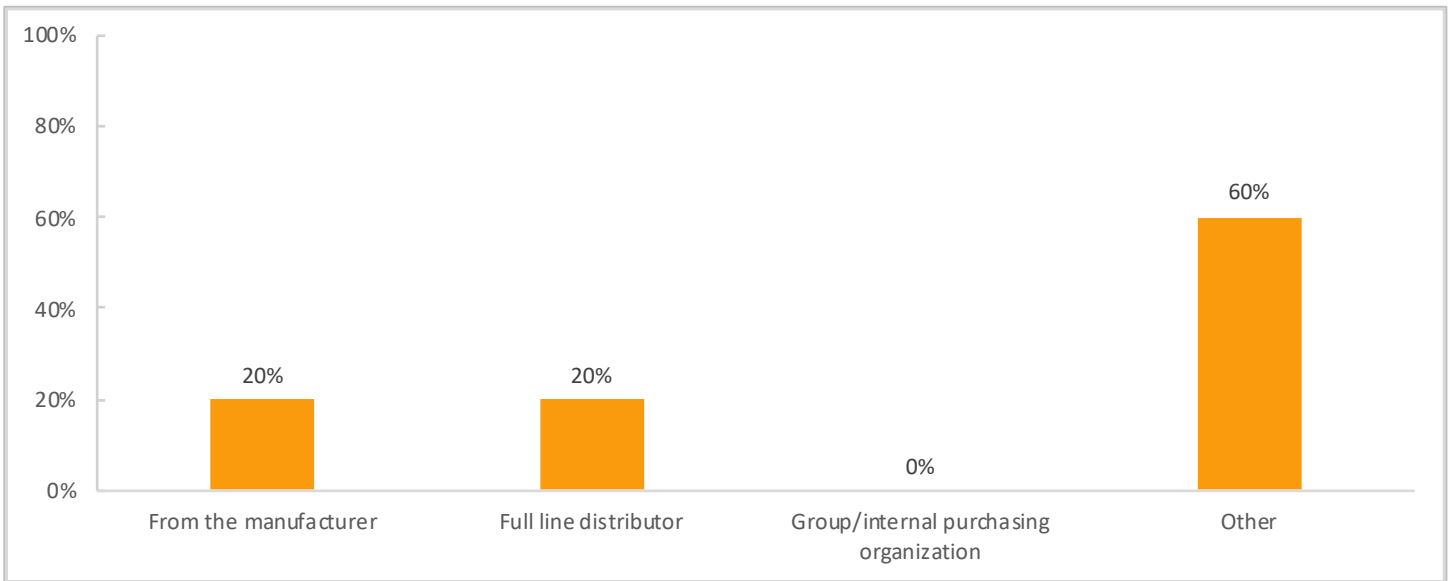
Stay the same...

- Introduction of more items, but continued consolidation in purchasers.
- We do not participate in web based delivery.

Question 5 (Distributor). From how many manufacturers does your company purchase foodservice packaging?

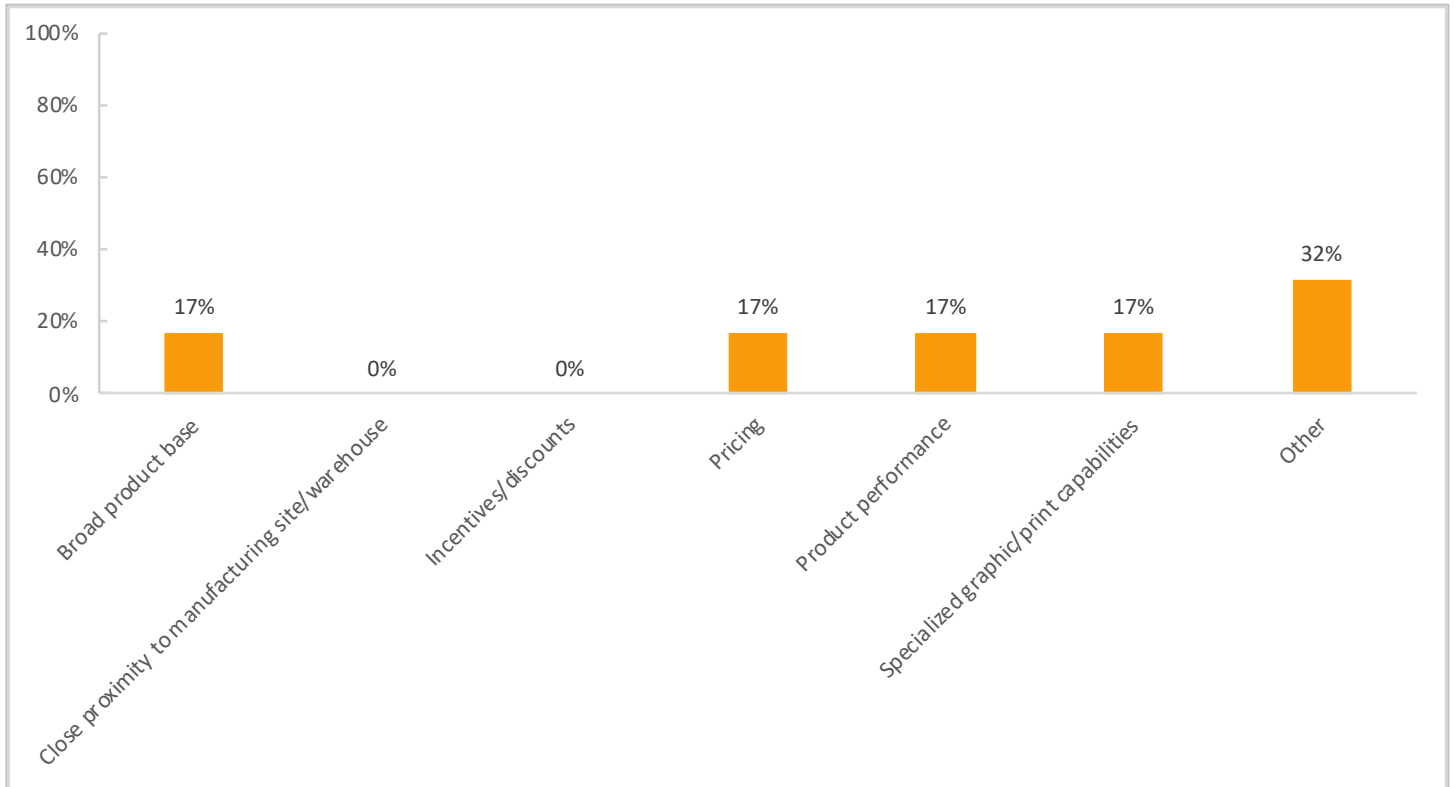
- 20

Question 5 (Operator). From where do you purchase your foodservice packaging (select all that apply)?



Total Count: 10

Question 6 (Distributor). What criteria do you use to select your foodservice packaging suppliers (select all that apply)?



Total Count: 6

Question 7 (Distributor). What changes would you like to see made to the foodservice packaging you currently sell?

- Less foam and more fiber.

Question 8 (Operator). Please rank your top three most important characteristics for your foodservice packaging, in order of preference (“1” being the most important).

[Listed in descending order, in terms of cumulative number of mentions and weighting.]

	<u>1</u>	<u>2</u>	<u>3</u>
Cost	2		1
Performance		2	
Recyclable	1		
Product availability			
Made with renewable materials			
Appearance/Presentation			1
Compostable			
Made with recycled content		1	
Reusable by consumer			
Ease of use for staff			

Ease of use for consumer			
Insulation			1
Microwavable/Ovenable			
Other			

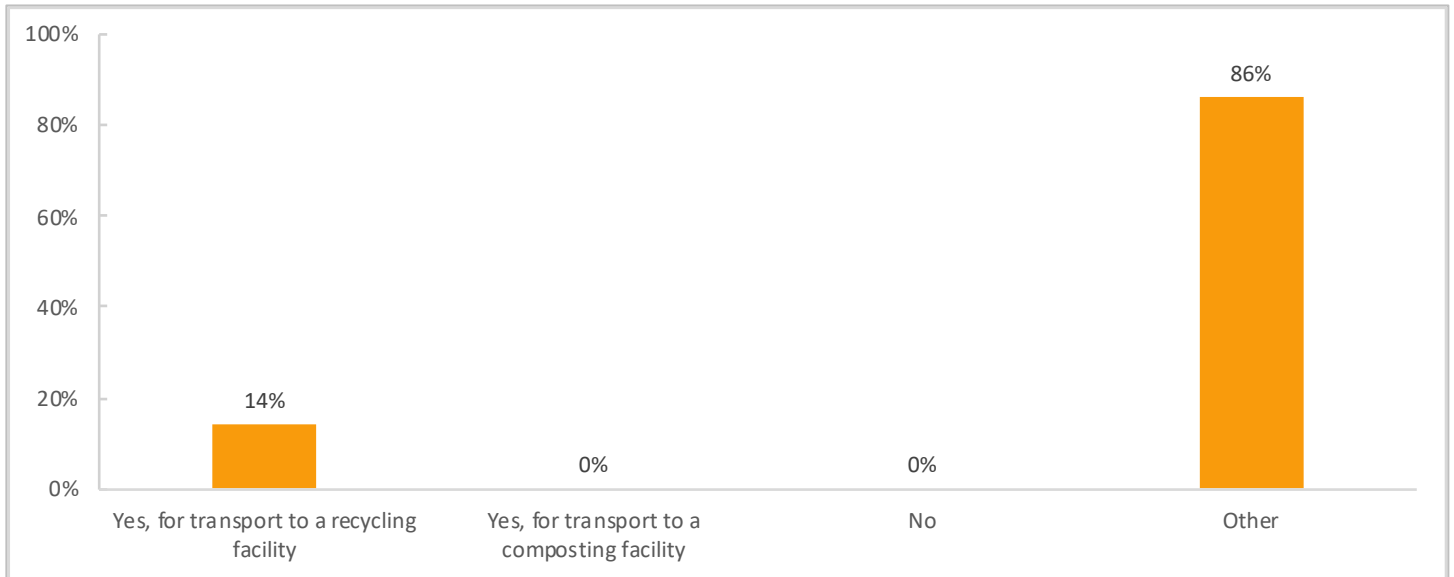
Other:

- *Sustainability branding/marketing*

Question 9 (Operator). Please check the appropriate box according to your company's use of the following packaging materials for the time frames listed (i.e., 10 years ago, did you use paper? Do you currently use it? Do you foresee using it in the next 5 years?):

		<i>10 Years Ago</i>	<i>Currently</i>	<i>Next 5 Years</i>
Paper		2	2	2
Coated Paperboard traditional coatings		2	2	1
Coated Paperboard bio-based coatings		1	1	1
Uncoated Paperboard		1	1	1
Pulp/Molded Fiber		1	2	2
Non-tree cellulose (like bagasse)		1	1	1
Paper w. Recycled Content		2	2	3
Rigid Plastic		3	3	1
Foam		2	1	
Bio-based Plastic		1	1	1
Plastic w. Recycled Content		2	2	3
Aluminum Foil		2	2	2

Question 10A (Operator). In the “front-of-house” area, do you provide bins for customers to separate their waste, i.e., source separate items for recycling or composting (select all that apply)?

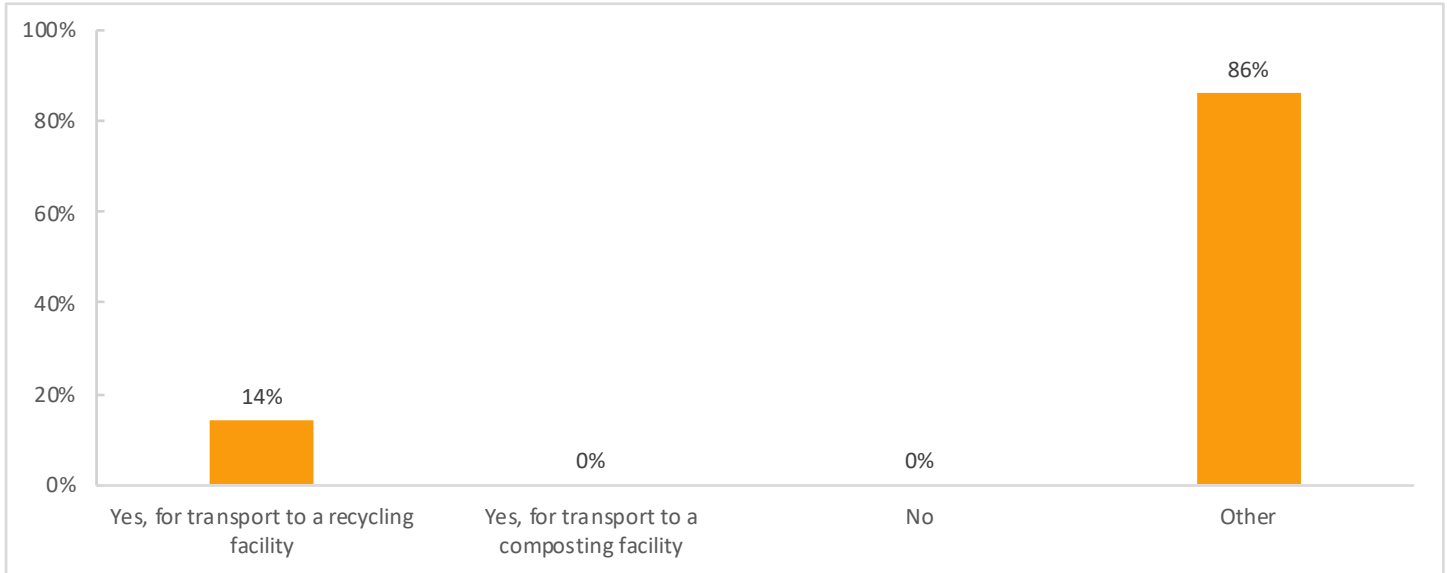


Total Count: 7

Other:

- In some of our operations where the infrastructure exists with the waste hauler.

Question 10B (Operator). In the “back-of-house” area, do you separate your waste, i.e., source separate items for recycling or composting (select all that apply)?

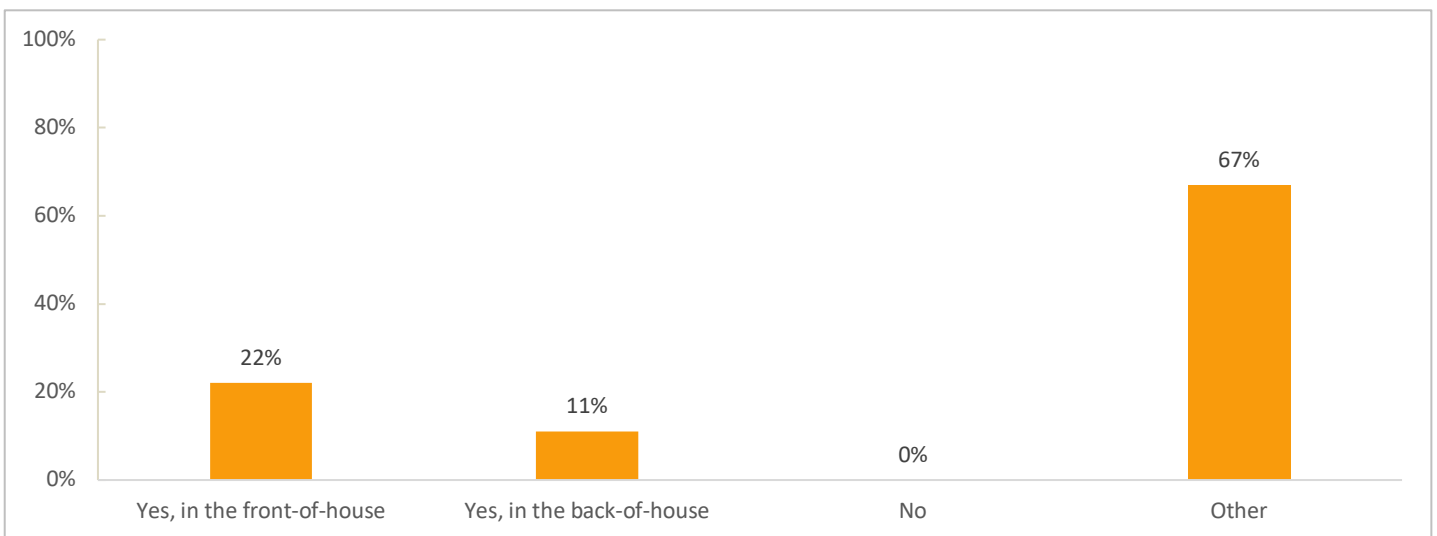


Total Count: 7

Other:

- In some of our operations where the infrastructure exists with the waste hauler.

Question 10C. Do you expect to offer these options in the next five years (select all that apply)?



Total Count: 9

Other:

No response

Question 11 (Operator). What changes would you like to see made to the foodservice packaging you currently use?

- In general send fewer packages – put food all together in one container versus every component of the meal being separated – this creates too much waste in packaging. Also having larger containers intended for catering versus sending multiple small containers to make up the same volume/quantity etc.
- I would like to see innovation around substrates and design. How can we improve on that basic 9x9 hinged container?