

MODULE 1

Unit 2: FOOD AND BEVERAGE INDUSTRY

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1.0 INTRODUCTION: The concept of food and beverage industry is discussed in this unit. It describes the types, composition, trends and history of Food and Beverage Industry. Food has been processed for nearly as long as it has been used. In early times, humans used to dry or smoke meat or other foodstuff in order to preserve it for longer periods of time. Salt preservation was also very common in the diet of sailors and soldiers during those times. Food processing essentially remained unchanged until the 19th century with the invention of canning.

2.0 OBJECTIVES: is expected that at the end of this unit you should be able to:

- i. Define the term food and beverage industry ii. Describe the history of food and beverage industry iii. Describe the trends and composition of food and beverage industry

3.0. MAIN CONTENT

3.1 Food and beverage industry

The food and beverages industry is all companies involved in processing raw food materials, packaging, and distributing them. This includes fresh, prepared foods as well

as packaged foods, and alcoholic and non-alcoholic beverages. Any product meant for human consumption, aside from pharmaceuticals, passes through this industry.

The food industry is a complex, global collective of diverse businesses that together supply much of the food energy consumed by the world population. Only subsistence farmers, those who survive on what they grow, can be considered outside of the scope of the modern food industry.

The food industry includes:

- Regulation: local, regional, national and international rules and regulations for food production and sale, including food quality and food safety, and industry lobbying activities

- Education: academic, vocational, consultancy

- Research and development: food technology

- Financial services insurance, credit

- Manufacturing: agrichemicals, seed, farm machinery and supplies, agricultural construction, etc.

- Agriculture: raising of crops and livestock, seafood

- Food processing: preparation of fresh products for market, manufacture of prepared food products

- Marketing: promotion of generic products (e.g. milk board), new products, public opinion, through advertising, packaging, public relations, etc.

- Wholesale and distribution: warehousing, transportation, logistics

3.2 Composition Of Food And Beverage Industry:

Deriving from the agriculture industry in our definition, the food and beverage industry is divided into two major segments. Those two segments are production and distribution of edible goods. Production includes the processing of meats and cheeses and the creating of soft drinks, alcoholic beverages, packaged foods, and other modified foods. The production segment of this industry excludes foods that were directly produced via farming and other forms of agriculture, as those are encompassed by our definition of the agriculture industry. Distribution involves transporting the finished food product into the hands of customers. The industry is much more focused on technology and mechanical manipulation of raw foods to create more value-added food products than the agricultural industry. Under our definition of these industries, grocery stores are excluded as they are considered a retail store by our definition. Distribution includes companies that ship food to retail outlets, restaurants, or directly to consumers.

3.3 History of food and beverage industry:

Food has been processed for nearly as long as it has been used. In early times, humans used to dry or smoke meat or other foodstuff in order to preserve it for longer periods of time. Salt preservation was also very common in the diet of sailors and soldiers during those times. Food processing essentially remained unchanged until the 19th century with the invention of canning by Nicholas Appert and pasteurization by Louis Pasteur.

Both of these innovations changed the way that food was processed into a longer lasting food product that was canned or bottled. During wartime, the food and beverage industry shifted, as food is often a precious commodity. Prices were determined by availability and regulation. Most countries involved in World War II rationed food and regulated prices in order to stabilize the economy. This increased innovation in the food processing segment with the inventions of food coloring, juice concentrates, artificial sweeteners, and more advanced preservatives, such as sodium benzoate. These innovations led to the current food processing market in place today with convenience foods, such as frozen TV dinners and instant meals, prepared snacks, and other instantly available foods.

The food distribution segment of this industry is fairly new. Prior to the industrial revolution, consumers typically ate what foods were available to them in their regional market. Foods were processed from these markets and used for journeys out of them. With the increased transportation of the industrial revolution, such as railroads and barges, as well as the concurrent rise in technology such as canning, it became feasible to transport food from one regional market for sale in another. Today, the industry segment has evolved even further due to increased transportation technology such as airplanes

Self – Assessment Exercise: Discuss the Composition of Food and Beverage and Its History

3.3 Trends of food and beverage industry:

Due to the recent economic meltdown, consumers are looking to save as much money as possible. One major way that consumers are doing so is by purchasing more generic foods and making their own meals, not going out to eat. This is causing food processing companies to become more innovative to decrease the cost of goods sold, attract more customers, and increase profit margins. The large amount of obesity in the world has a major effect on the food and beverage industry. There has been an increase in demand for health foods and more informative nutritional labeling. Both of these trends have caused companies to release lower calorie foods and to better control how their brand is viewed. Companies want to be viewed as a healthy brand and are promoting activities, such as youth sports, that show this healthy image. There also is mention of a tax on foods known to lead to obesity in order to curb customers' usage of them. Rising costs of factors of production are a major factor to this industry as well. Since commodity prices went up in the past year, food companies have had to increase prices of the final product as well. With the economic collapse, this affected them two-fold, as consumers were less

likely to want or even have the money to pay the higher prices. Fortunately, commodity costs have been decreasing in the last few months, which forecasts a lower final price for the products in this industry is to come. The industry also has to deal with their reputation, as there have been incidents of unsafe food being released in the past. These outbreaks have to major potential consequences: loss of consumer confidence and increased regulation. Already, research has shown that consumers do not trust their food suppliers as much as they used to and nearly half of them have switched brands in the past year, either to save money or because they believe the new food will be safer. Government control of the food process has increased with the passage of new laws as well.

3.4 Future outlook of food and beverage industry :

The food and beverage industry has seen their profit margins decrease recently. However, due to the falling cost of commodities, these margins should increase in the coming years. Food is a necessary part of life and will always be needed. Those are some reasons why this industry has an above average future outlook.

In addition, corporate and brand reputations are expected to become increasingly important, as consumers are trying to stretch their dollar further and competition is increasing. With the increase in competition, the only way companies can separate themselves from others is by brand recognition. Consumers are now very concerned with the reputation of a company, or their brand image, with respect to the safety and quality of product. Increased innovation in the industry will lead to newer, healthier products and lower production costs, both of which should increase profit margins.

4.0 CONCLUSION: This unit has explained the basic meaning of food and beverage industry. It has also touched the history, composition, trends and future outlook of the industry. The food distribution segment of the industries. Prior to the industrial revolution, consumers typically ate what foods were available to them in their regional market. Foods were processed from these markets and used for journeys out of them.

5.0 SUMMARY: The food and beverage industry is all companies involved in processing raw food materials, packaging, and distributing them. This includes fresh, prepared foods as well as packaged foods, and alcoholic and nonalcoholic beverages. Any product meant for human consumption, aside from pharmaceuticals, passes through this industry. The food and beverage industry is divided into two major segments: production and distribution of edible goods.

6.0 TUTOR – MARKED ASSIGNMENT

- i. Describe in details the areas that have to do with food and beverage industry?
- ii. Discuss the composition, history, trends and future outlook of food and beverage industry.

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