

3 CPGs That Bucked Widespread Volume Declines

Executives and industry observers posited several theories as to why volume is falling.

By Shefali Kapadia | September 18, 2023



Photo: Getty

Grocery baskets are looking a little emptier these days.

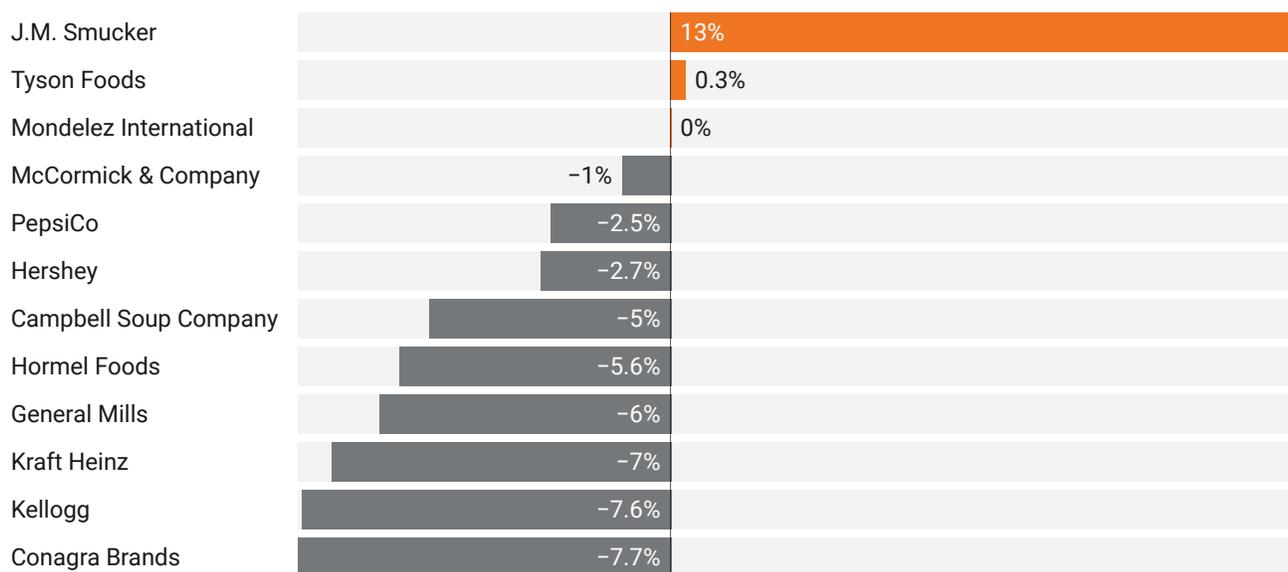
The majority of large food and beverage CPGs reported volume declines as they shared their latest quarterly financial results. Volume sales were down 2% YOY in mid-July across food and beverage, and average basket units were down 4.3% YOY, according to a [Circana report](#).

Large packaged food manufacturers, in particular, are feeling the effects of slumping volumes.

"We've heard so far from a bunch of food companies that have reported earnings of ... generally greater sluggishness in category volumes as pricing has lapped," Barclays analyst **Andrew Lazar** said during [Mondelēz International's July earnings call](#).

Large Food Manufacturers See Falling Volumes

Volume declines in Q2 or equivalent



Some CPGs report organic volume, others report volume/mix. All are classified as "volume" in this chart.

Source: Company earnings reports • [Get the data](#) • Created with [Datwrpper](#)

Executives and industry observers posited several theories as to why volume is falling. A big reason is the shift in consumer behavior, caused by macroeconomic factors as well as actions CPGs have taken, such as higher prices.

"Consumers are really maximizing their pantries," Kellogg CEO Steven Cahillane said during an August earnings call. "They're closely managing their household inventories ... zealously guarding against waste."

General Mills North America President Jon Nudi pointed out that consumers have shifted to buying smaller pack sizes and shopping more in value channels. Campbell Soup Company CEO Mark Clouse said consumers are prioritizing seasonal products. That means lower soup volumes during the summer, for example. J. Bennett, chief customer officer at tech company Signify, observed that consumers are shopping more frequently but in smaller quantities "to cushion the blow of higher prices."

Retailers are responding to shifts in consumer behavior by altering how they purchase from CPGs. Kroger CEO Rodney McMullen said on a recent earnings call that CPGs are partnering with the grocer "in more aggressive ways" to help move tonnage.

"Retailers are ordering consistently to balance inventory costs but may not be ordering as much product," said Glenn Koepke, VP and GM of network collaboration at FourKites, a software company that works with Kraft Heinz, Coca-Cola, Nestle and more. That's the result of "weak overall consumer demand, resulting in less buying in stores and online," he added.

Many chief executives noted tough year-ago comparisons, with the latest quarter being compared to summer 2022, a time which had lingering effects of pandemic-induced volume spikes.

"This was the first summer that consumers are back to full mobility since the beginning of the pandemic," Nudi said during a Barclays event this month. "So, obviously, if you're traveling, you're not eating at home."

The Volume Growers

The YOY comparison was actually a boon for **J.M. Smucker**, a clear outlier among food CPGs when it comes to volume. The company's volume/mix jumped 13%, in part because it recovered from a Jif peanut butter recall, which hampered volumes last year.

Even without the Jif comparison, Smucker said on an earnings call that it expects three points of volume growth for its fiscal year, to which Lazar inquired why Smucker is "not necessarily seeing the same sort of volume weakness the industry seems to be dealing with currently and as other sort of peer companies have discussed?"

CEO **Mark Smucker** said it's because the CPG is "in the right categories, which are resilient ones" and has "gotten way more focused" within those segments. In addition to peanut butter and jams, Smucker operates in coffee and pet food, and it is set to play in the baked snacks category with its acquisition of Hostess Brands. Smucker also recently divested a handful of pet brands to Post Holdings to focus on its biggest brands.

The other volume grower, **Tyson Foods**, saw a 0.3% increase thanks to 2.8% growth in its chicken segment, due to "improved domestic production and the sell-through of inventory," according to its quarterly filing. The company is aiming to improve capacity utilization in its chicken business. It will shutter six plants, resulting in thousands of layoffs.

Tyson's most famous brands, including namesake **Tyson**, **Jimmy Dean** and **Ball Park**, "continue to outpace total food and beverage, and our peers in volume growth up 5% versus a year ago," CEO Donnie King told analysts.

Mondelēz's volumes were flat, and the CPG said volume rose in three of its four segments: North America, AMEA (Asia, Middle East, Africa) and Latin America. Only Europe saw a drop, because of disruptions related to price negotiations with retailers.



Courtesy of J.M. Smucker

"I think the big difference between us and the competition will be that we have a very strong top-line combined with some good volume growth and promo levels," CEO **Dirk Van de Put** said. "I think [there are] three levels of good news: volume, share and margins."

Recouping Volume

Going forward, CPGs are tasked with either maintaining or recouping volume. Koepke said most companies will work to protect their market share: "We still see new products being launched, revised packaging and a fight for shelf space."

While some CPGs are banking on more moderate pricing and cooling inflation to naturally rebalance volume, others are taking proactive steps.

Kraft Heinz is undertaking "volume-driving activities," future CEO Carlos Abrams-Rivera said on an August earnings call. In the prior call, current CEO Miguel Patricio outlined four actions to increase share, including joint business plans with retailers, increased investments in marketing, a fix to remaining supply constraints and more innovation.

McCormick & Company has planned investments in similar areas, including brand marketing, category management and innovation, according to new CEO Brendan Foley.

"That allows us to kind of focus on those volumes and that sustainable growth, and also get that compounding effect of those investments," Foley said on a June earnings call when he was COO.

Bennett said offering promotions and discounts could help CPGs win back consumers, but he cautioned: "They'll want to take care, so they don't find themselves in a race to the bottom on price."

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