Market Insights Covid-19 Impact on Trade:

April 21st, 2020

BORD BIA
IRISH FOOD BOARD

Rialtas na hÉireann
Government of Ireland

Table of Contents

Bord Bia's Understanding Covid-19

Topline Takeouts:

Meat:
There has been little change in the beef market over the past week. Lower priced cuts are performing reasonably well while steak cuts continue to experience very difficult market conditions. The throughput of cattle at Irish export plants has dropped by 30% in the past month. Live exports for the year up to mid-April show a decline of 13%, or 17,500 head, at 119,000 head. However, with the drop in calf shipments as a result of depressed demand, export momentum looks set to fall further in the short-term. Importantly, Irish calf registrations for the year to-date are running at +3.3%, or 48,000 head above 2019 levels. The dairy herd has accounted for the majority of this increase. The convergence of Easter and Ramadan, which commences on April 23rd is providing a much-needed lifeline to the Irish sheep sector during the COVID 19 disruptions. These religious festivities are coinciding at a time when Irish sheep supplies are at a seasonal low. As a result, prices have rallied upwards in recent weeks, with quotes for hoggets and new season spring lambs up 30-40c/kg on last week.

Dairy:
There continues to be general volatility in demand and downward pressure on ingredient sales prices. This and the closure of the foodservice channel, has resulted in processors reducing their March milk prices. The closure of the foodservice channel continues to be the main challenge for global dairy demand. While the initial retail surge served somewhat as a counter to this, it is not enough to remedy the displacement of volume lost through foodservice closures.

Alcohol:
The loss of revenue in the sector is around 40% on average but in some cases it is up to 80%, especially in smaller breweries and cideries. E-commerce is performing very well and may, as a result become a key channel for alcohol sales in the post Covid-19 era. Off trade continues to outperform but it does not make up for the catastrophic loss of sales in the on trade and in travel retail.

Prepared Consumer Foods:
Companies are managing the changed retail and foodservice mix in their respective businesses. In retail, those companies seeing an increase in retail demand are working hard to ensure the continuity of their supply. Companies that have traditionally supplied the foodservice channel are focusing on managing the shelf life of their finished stock, as well as managing their overall stock of ingredients and packaging. Bord Bia and a number of retailers are providing these companies with marketing and mentoring support, as they pivot their respective businesses from foodservice orientated products to those suitable for retail.

Seafood:
The seafood sector remains volatile both on the domestic market and in key export markets. Seafood sales on the domestic retail market are still fairly stable with frozen and prepacked seafood sales outperforming the fresh fish counters across the trade. The Chinese market is showing good signs of recovery for the live shellfish sector but the European markets have

collapsed. Across all the sectors, access to reefer containers for international shipments is a huge barrier to trade right now.

Horticulture:
Demand for edible horticulture in the retail trade is holding up well. Labour issues are a key concern. The industry is approaching the key period for picking fresh fruit in particular. Ornamental products are performing well in the supermarket channel with individual growers working cooperatively together to meet the demand involving existing suppliers taking stock from other growers. Increased demand from the supermarket channel is welcome but will not replace sales lost at this critical time of the year, with garden centres remaining closed.

Macro Economic Context

Political

Trump encourages protesters to “liberate” themselves from social restrictions. One month after most Americans were asked to stay in their homes and reorder their lives in an effort to limit the spread of the virus, President Trump defended protesters who were rebelling against the restrictions, threatening to undermine the efforts of his own administration’s public health experts.

This encouragement came at the same time as criticism from governors across the US who have complained that there has been an insufficient amount of testing to justify reopening the economy any time soon.

There are currently about 150,000 diagnostic tests conducted each day in the US. Researchers at Harvard estimated last week that to ease restrictions, the nation needed to at least triple that pace of testing.

Economic

China

China’s economy contracted for the first time on record in the first quarter of 2020 as the coronavirus shut down factories and shopping malls and put millions out of work.

GDP fell 6.8% in January-March year-on-year, a slightly larger decline than the 6.5% forecast by analysts and reversing a 6% expansion in the fourth quarter of 2019.

It was the first contraction in the world’s second-largest economy since at least 1992, when official quarterly GDP records were first published.

US

On Monday the Trump administration and congressional Democrats were nearing agreement for an additional USD 450 billion in loans and aid to affected American small businesses – those under 500 employees. The deal would replenish the Paycheck Protection Program with another $300 billion. That loan program had an initial allocation of USD350 billion and was exhausted after three weeks. Within this deal is USD 25 billion in funding for Covid-19 testing.

Societal

Denmark has started to ease its Covid-19 lockdown, by re-opening schools and day-care centres, on April 14th. But there has been a movement among some parents to resist the reopening. A Facebook group called ‘My kid is not going to be a Guinea Pig’ was set up and has more than 40,000 followers.

All schools in Denmark have been left to figure out how they can best implement the controls necessary to sustain the 2 metre social distancing policy. Some have split classes and rented space in community centres to increase the space between students.

Despite the fears, in early days after reopening there were reports of 90% attendance for primary school children. Other European states will be looking at the effect on infection rates and hospitalisations closely.

Technological

Apple and Google are developing software for smartphones that would tell people if they were recently in contact with someone who was infected with Covid-19.

The technology giants said they were teaming up to release the tool within several months, building it into the operating systems of the billions of iPhones and Android devices around the world. That would enable the smartphones to constantly log other devices they come near, enabling what is known as "contact tracing" of the disease.

People would opt in to use the tool and voluntarily report if they became infected.

Highlighting some of the likely challenges, particularly with opt-in services and in data-privacy conscious Europe, in France a state developed contact tracing app has met some criticism from politicians.

Sacha Houlié, a deputy, said the app would amount to "voluntary servitude" motivated by fear. "The collection of data for tracking must be condemned, even if it is consented to," Houlié said.

A study by the University of Oxford, published in Science magazine, concluded that for a tracing app to be effective, it must be used by at least 60 per cent of the population. In a poll commissioned by the Oxford team at the end of March, 48 per cent of French people surveyed said they were certain to download the app, and 31 per cent said they probably would.

Sectors Insights

Meat Sector

Beef

Beef markets have seen little change over the last week, being strongly retail focused and with a relatively high demand for forequarter and especially mincing product. This is especially evident for Irish exporters who across several markets are having to act as a top-up supplier to domestic beef. As we move towards summer and with better weather conditions there is some optimism that home barbecuing will drive some recovery in the flagging steak trade, in the absence of the foodservice consumption. Kantar figures in the UK have shown some of the impact on retail sales tracked at the beginning of the Covid-19 situation in their figures for the 12 weeks up to March 22nd. This showed an increase of 11.2% in total beef volumes, within which figures are especially strong for mince, burgers and roasts.

Cattle supplies at export meat plants totalled 27,124 head during the week ended April 12th 2020, which represented a decline of 3,607 animals on the previous week and a decrease of 8,523 on the equivalent week last year. The throughput figure at Irish export plants has dropped by 30% in the past month. A total of 536,939 cattle have been processed up to the week ending April 12th 2020. This figure now represents a decline of 5,000 head on the corresponding period in 2019. The base prices being offered for prime cattle in Ireland last week have steadied, with steers and heifers receiving quotes of €3.40/kg. These prices exclude "in-spec" bonus payments. The average price paid for R3 steers for the year to-date in 2020 was €3.62/kg excl. VAT, which is 4c/kg below the same period in 2019. The average R3 steer price in Ireland for week ending April 12th as reported by the Department of Agriculture was €3.45/kg (excl VAT).

In the UK, similar price drops were recorded for the week ending April 12th. On average, R3 steer prices were equivalent to just €3.79/kg (excl VAT), while R3 heifers averaged €3.77/kg (excl VAT). Across Europe, cattle prices have also fallen over the past two weeks, with the EU-average R3 Young Bull price dropping back to €3.44/kg. Across the main EU export markets, R3 Young Bull prices were as follows for the week ending April 12th: France - €3.66/kg, Italy- €3.54/kg, Germany- €3.52/kg, Spain- €3.58/kg (all excluding VAT).

Live Exports

As reported in recent weeks, live cattle exports have fallen back sharply, compared with the equivalent period in 2019. The latest figures published by the Department of Agriculture, Food and the Marine for the week ending the April 12th show that exports reached just under 7,000 head in total, with calves accounting for almost 6,000 of these. During the same week last year, there were over 14,500 cattle exported, of which 12,750 were calves.

Overall exports for the year up to mid-April show a decline of 13%, or 17,500 head, at 119,000 head. However, with the drop in calf shipments as a result of depressed demand, export momentum looks set to fall further in the short-term. Importantly, Irish calf registrations for the year to-date are running at +3.3%, or 48,000 head above 2019 levels. The dairy herd has accounted for the majority of this increase.

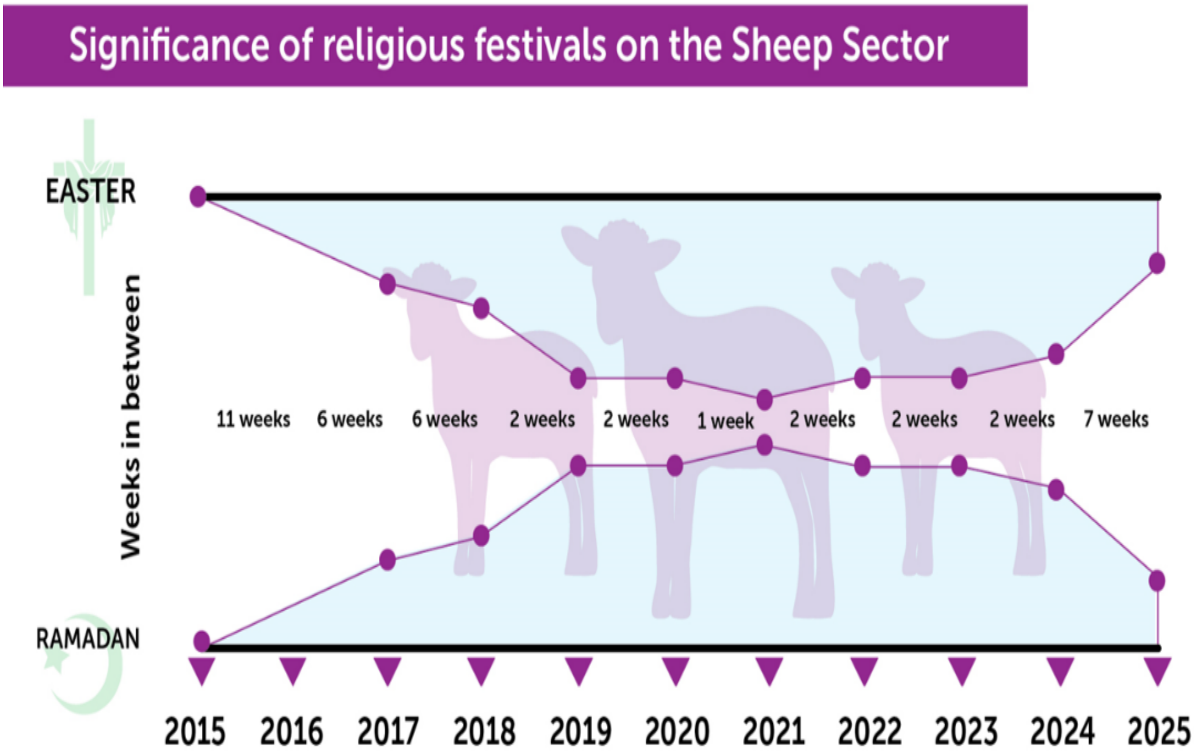
In the Dutch market, lower imports of calves have been recorded from all of the major supplying countries. Imports for week 14 (ending April 12th) totaled 14,000 head, down from 18,000 head for the same week in 2019. Veal producers are reported to be focusing on local Dutch calves, whose prices have also fallen significantly. The reference price of good quality Holstein-Friesian bull calves is quoted as €45 to €55 per head. Finished animals at around seven months being sold for white veal production are currently being quoted prices of €4.20/kg deadweight. This reflects a decline of €0.30/kg compared with the previous week, and €0.80/kg on the price at the beginning of 2020.

While there is slightly stronger demand reported in Spain for the better-quality Irish calves, the beef sector there continues to suffer from reduced processing activity and lower prices for finished cattle. Although Covid-19 related movement restrictions have been relaxed somewhat in Spain, the foodservice sector remains largely suspended.

Sheepmeat

The convergence of Easter and Ramadan, which commences on Thursday 23rd April is providing a much needed lifeline to the Irish sheep sector during the COVID 19 disruptions. These religious festivities are coinciding at a time when Irish sheep supplies are at a seasonal low. As a result prices have rallied upwards in recent weeks, with quotes for hoggets and new season spring lambs up 30-40c/kg on last week.

A reduced supply and carryover of UK hoggets together with a robust demand from the retail trade has helped to mitigate a collapse in producer prices. Notwithstanding this, the global sheep meat trade is coming under greater pressure where the impact of lockdowns and closure of foodservice has weakened the demand for particularly for the higher value cuts such as French racks.



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New Zealand is now in peak sheep meat production. The impact of social distancing has resulted in meat plants working at 50% capacity, which has resulted in a growing backlog of sheep to be moved off farms. Together with a slowdown in exports, this increase in supplies is putting downward pressure on prices. Spring lambs are now securing NZ$6.70, back from $6.85/kg on the previous week or some $0.55/kg on 2019.

For the week ended April 17th a total of 39,651 sheep were processed, this represented the lowest weekly kill for the year to date and is an indication that hoggets are tightening Overall, last week's throughput was showed a 25% drop compared to the previous week, or some 13,897 less sheep. New season spring lambs are beginning to materialise however it will be late May or early June before supplies will peak in numbers. Some 10,983 new season spring lambs have been processed to date, some 80% of these, or 8,500 were processed in the last two weeks.

For the week commencing April 20th, hoggets are generally trading at between €6.00- 6.10 , plus a 10c/kg QA bonus, whilst new season spring lambs have increased by 40c/kg to €6.40 to 6.50/kg plus the bonus. UK hoggets are very competitively priced, and have not seen the same level of prices increases over the last week, when compared to Irish prices which are up 30-40c/kg.

Pigmeat:

Despite the ongoing challenging circumstances, pigmeat supplies at meat export plants increased by around 1,000 head to 70,300 head for the latest week ending April 12th. Demand for pigmeat remains mixed in Ireland, with activity in the foodservice channel at a standstill apart from some outlets focusing on either takeaway or delivery. As a result, secondary processors who have significant exposure to this channel both in Ireland and the UK remain severely impacted. Retail demand has returned to more normal pre Covid-19 levels, with the best trade reported for products such as ham fillets, bacon backs and sausage meat. The ongoing improvement in weather conditions is said to have helped demand for sliced cooked meats.

The Bord Bia Quality Mark pork promotion will commence this week for approximately three weeks and this will be followed by more Q-Mark pigmeat advertising through the new 'Quality Comforts' advert over the coming months.

The grade E Irish average pig price for the week ending April 12th was 179.6c/kg, which is 21% higher than during the corresponding week in 2019.

Irish prices have fallen by over 10c/kg since late February, with European pig prices showing a similar decline. However, the latest average European price continues to show signs of settling down following challenging trading conditions during March. This indicates that the European trade may be starting to stabilise on the back of exports to international markets resuming more normal activity. This is evident in China where transport difficulties have started to ease as the country shows positive signs of recovery from Covid-19.

Strong international demand throughout 2020 should help underpin European trade as regions in Asia in particular, continue to struggle with African Swine Fever, with Covid-19 restrictions also disrupting some potential recovery in production. During the first two months of the year, China doubled their pork and offal imports to 691,000 tonnes compared to previous year levels.

Elsewhere, according to the American National Pork Producing Council, the temporary closure of pigmeat packing plants and rising employee absenteeism due to Covid-19 has exacerbated an existing US processing capacity challenge due to labour shortages in rural America. This limited capacity combined with a surplus of pigs is causing pig values to fall significantly with American industry experts forecasting a loss of $37 per finisher compared to a profit of $10 pre-Covid 19. This unfolding situation in the US will have significant knock on implications for global supplies as US producers are anticipated to cut production towards Q4 of 2020. Brazil, the other key global exporter continues to benefit from securing additional market access across international markets. For the 1st quarter of 2020, Brazilian pigmeat exports rose by 27% to 225,000 tonnes compared to 2019 levels. These levels for Quarter 1 are the highest on record and reflect surging demand levels from China in particular.

Poultry

Poultry supplies remain largely unaffected at meat export plant level. The value added lines continue to be temporarily suspended across most of the industry as processors concentrate on the essential lines. Demand remains firm, although purchasing behaviour has returned to more normal pre Covid-19 levels. The new Bord Bia campaign, 'Quality Comforts', that is currently being aired features whole chicken. This should help encourage consumers to re-engage with a category that has lost consumers due to busy work schedules and lifestyles.

The foodservice channel has been severely hampered, with sales plummeting in recent weeks due to the Covid-19 restrictions. It is estimated that sales within this channel are now approximately 70 and 80% lower. It is expected that chicken fillet imports will weaken considerably this year as a result of subdued foodservice demand. In the food to go sector, there has been an adverse impact on the chicken category where it is normally used extensively. In terms of exports, a mixed trade has been reported. In particular, there has been a collapse in leg prices in key export markets such as South Africa due to increased availability of legs across Europe due to subdued demand. However, demand is building across international markets such as Hong Kong for products such as mid-wing on the back of protein deficits.

Dairy Sector Summary

Farm and Processing Plants

Six weeks on from the implementation of unprecedented measures to combat Covid-19, the Irish dairy industry's producers and processors continue to operate in the 'new normal' pandemic environment.

Weather conditions for the previous seven days saw increases in mean temperatures in most parts of the country with Met Eireann reporting that the recent dry spell has leant itself to good ground conditions save for some Southern areas of Munster, where heavy rain-falls have given rise to localised soft-spots.

General volatility, ambiguity and tangible downward pressure on ingredient sales returns and the erosion of the foodservice channel has culminated in processors reducing their March milk prices. Since the last sector update, both Dairygold and Carbery announced reductions to their March milk prices by 2c/l (33.8c/l equivalent) and 1.5c/l (32.4c/l equivalent) respectively. At an EU wide level, average milk prices remain above 30c/l.

February milk production across the EU with most member states now accounted for, showed the largest increase since 2018 (+3.63% or 436million kgs).

Valorisation of product mix remains a key decision for processors.

Logistics and Supply Chain

While retail demand for dairy remains buoyant, the slackening demand for dairy Ingredients coupled with the sullenness of commodity prices continues to be the major stressor for Dairy Ingredient exporters. Shipping lines continue to monitor sea lane demand and where is deemed necessary are implementing blank sailings (cancelling / re-routed shipments).

As industry gears up for peak production season, the stress on warehouse storage space is likely to become evident, exacerbated this year by the multifaceted knock on effects of Covid-19 including delayed off-take of product and higher than anticipated foodservice stocks.

Impact on Global Demand

The elimination of the foodservice channel continues to be the main challenge on global dairy demand. While the initial retail surge served somewhat as a counter to this, it is not enough to remedy the displacement of volume lost through foodservice (hotels, eateries, tourism, deli-counters etc.) closures.

Aside from Covid-19, countries dependent on oil revenues have seen the value of their oil exports fall to levels not seen since the late 1990s. In turn, their ability to import goods including dairy ingredients will be challenged by this, and further compromised by domestic fiscal measures undertaken to deal with the virus in their own countries.

At an EU level for the moment despite calls for their activation, Private Storage Aid (PSA) remains closed and Intervention dormant.

The oversupply in some geographies is more pronounced and causing significant challenges with reports of milk being dumped in the USA, where foodservice demand alone is estimated to account for over 50% of cheese consumption. Last week, the USDA announced a $19 billion Covid-19 fund to support farmers.

Alcohol Sector Summary

The drinks business is largely driven by relationships and face-to-face networking. As a result, the cessation of all face to face contact activity, such as trade fairs, market visits, inward-buyer and inward-media visits has had a catastrophic impact. This impact has been felt to a greater degree, by younger companies who are in the embryonic stages of commercial relationship development.

Spirits

Production impact

Covid-19 restrictions continue to impact production at all levels of the alcohol sector. Common to all sub-categories, the loss of St Patrick’s Day business has had a major impact on annual revenues, given that the Feb-Mar period represents between 20% and 35% of annual sales depending on markets served. Craft breweries and cideries continue to be the most severely impacted segment, with operations reduced to skeletal functions, or closed entirely. Some of these facilities closed as early as the first week of March and the cessation of production is now preventing re-stocking, with regard to the valuable off-trade opportunity that has arisen.

Retail & On Trade Sales impact

Revenue losses as a result of the closure of on-trade business, is averaging in the region of 40%, while breweries, especially smaller players, and cideries report up to 80% loss in revenues. The category remains severely impacted by the closures of bars and restaurants in most key markets. Suppliers, as part of their response, have turned to developing (or in some cases, initiating) the e-commerce channel. Online sales worldwide have seen a near-vertical growth in performance. In the US alone, the growth in recent weeks has been more than 200% over the same period in 2019. This may propel the e-commerce channel as a key channel in alcohol sales in the longer term, even when the Covid-19 crisis is over.

Cream liqueurs are still battling for survival following the application of crippling tariffs in their largest market, the US. The creams category dependence is skewed toward off-trade, which is a small advantage in the current situation. Producers are still experiencing a mixed impact, related to brand vs. private label. The branded offering enjoyed a spike in sales likely related to panic buying, but this has now slowed slightly. The feedback from the market is that consumers are likely buying brands they know and therefore are less likely to buy private label options.

Exports

In terms of the US, Nielsen states that for the month of March 2020, the magnitude of the year-over-year increase in off-premises retail channels was largest for spirits (+75%), followed by wine (+66%) and beer/flavored malt beverages/cider (+42%). Sales of beer are up 34%. Online alcohol sales have also soared, while many states are temporarily allowing restaurants, and bars for the first time, to make home deliveries or sell wine and cocktails for takeout. Brandy Rand, America's chief operations officer for industry tracker IWSR, believes that working from home is prompting people to drink more because they can sleep in later and don't have to drive, while store-bought alcohol is cheaper. "All signs would point to Americans drinking more. It's not just stockpiling, it's consumption," she said.

In the UK, while The Grocer reported off-trade alcohol sales had hit £356.5m over the week to March 21st, up from £252m the previous week, with an extra £160m spent on alcohol in supermarkets for the first three weeks of March, IWSR now reports that sales of alcohol in the UK have now 'normalised'.

In Canada, BC Liquor Distribution reports an increase of 40% in sales of alcohol in British Columbia during Covid-19 restrictions, compared to the same time period last year. LCBO is unable to take advantage of the spike in online ordering of alcohol beverages because of Canada Post's current policy with regard to the need to provide proof of age verification. In Alberta, online alcohol sales have recorded an increase of 243% year-on-year.

In Australia, legislators were forced to legally limit the volume of alcohol that could be purchased in a single sale, during the March 'panic buying' period. Spend on alcohol exceeded that of March 2019 by 85% and the government published health warnings against over-consumption.

Many distribution operations in international markets, operate in both the on-trade and off-trade channels. Those distributors operating in both channels are in a strong position to re-route product to the off-trade channel at this time.

Craft beer

The craft beer & cider category remains the most vulnerable of the alcohol categories, In the UK, their equivalents are reporting losses in the region of 82% because of the dependence on on-trade customers, and 65% of brewers have ceased production. The statistics are similar in this country as a result of a combination of social distancing measures and cash flow limitations.

Large volumes of product dispatched for St. Patrick's Day both in the domestic market and for export, will be returned unpaid for. There is also concern about bad debts due to the closure of the on trade. The category welcomed the exclusion of off-trade premises from the Covid-

19 business closure list, but the on-trade represents between 70% and 85% of craft beer sales depending on the individual brewer. Breweries are continuing to have to make difficult decisions around laying off staff either temporarily or permanently.

Exports

The following data is unchanged from last week. The majority of exports of Irish craft beer is exported to France, with the UK and Italy in second and third place. All three markets have collapsed resulting in a loss of approximately 80% of exports. Many express concern that the sentiment in these markets will turn towards domestic suppliers when the crisis is over, destroying the work that has been done to develop exports. Anecdotally, the Russian market appears to be operating as normal for the moment, although a recent surge in positive cases will likely lead to tougher restrictions in that market also.

Trends on social media

Given the importance of the US market, it is important to note that emotive marketing appears to have generated positive coverage on social media. ListenFirst finds that alcohol brands did well to acknowledge the virus in their online marketing. The firm notes, "Overall during the month of March 2020, 8 of the 10 top performing posts by Alcohol brands all address the coronavirus in one way or another." Guinness generated the most successful reaction of the month with 82,918 responses by posting a touching video on Facebook about donating $500,000 to the community in honor of health care workers and orders to avoid crowds over St. Patrick's Day. Budweiser ranked second and third for what ListenFirst calls "a Facebook pun showing the beautiful buds of spring outside a quarantined window" and a Facebook post asking for names of people "who are going above and beyond in doing the right thing."

According to ListenFirst, brands like Guinness, Tito's Handmade Vodka and Fireball are even further ingratiating themselves to the audience by posting about how they're donating their money or resources. At a time when there's so much depressing news going on in the world, people are even more receptive than usual to hearing about brands doing the right thing."

Prepared Consumer Foods Sector Summary

The Covid-19 situation continues to have a varying impact on the Irish Prepared Consumer Foods sector. Clients who have a high proportion of their sales in foodservice are the hardest impacted. The impact on companies with a retail focus has not been as pronounced with some companies reporting sales growth.

Companies are managing the changed retail and foodservice mix in their respective businesses. In retail, those companies seeing an increase in retail demand are working hard to ensure the continuity of their supply. Foodservice oriented companies are focusing on managing the shelf life of their finished stock, as well as managing their overall stock of ingredients and packaging.

The need for physical distancing in production areas is leading to reduced production capacity as lines now cannot run as previously. Shift changeovers in some cases now require the temporary shutdown of production lines to ensure staff working on different shifts do not meet.

The demand from multiple retailers has remained stable. There has however been a slowdown in demand for frozen food. This suggests that consumers are using up some of the products they had stockpiled in recent weeks. The demand for long life bakery remains strong. There has been a drop in demand for chilled ready meals as people have more time to cook for themselves. Changes in consumer shopping behaviour are leading to an increase in the size of trolley shops as social distancing measures are observed. Online shopping is growing as people look to avoid going into supermarkets and look to have their shopping delivered direct to their homes. This is presenting a challenge to retailers to provide more online delivery slots.

Client companies are working on developing and growing their online sales. Companies who had a high dependency on the foodservice sector are looking to online as an option to grow revenue. Those who feel their products have an online appeal are developing more consumer-friendly packaging options, setting up payment systems and a route to market to facilitate getting their product direct to consumers. They are also exploring methods to setup and grow their social media presence, and drive search engine optimisation for their products.

Retail focused companies are also looking to online, as a means of delivering growth. Where such companies are listed on retailer online platforms, they are continuing to drive consumer awareness of their product range. Some are also setting up their own online shops and arranging home delivery in their local area. This has been driven by an increased consumer awareness of the need to support local suppliers. Given that payment for online sales happens at the point of purchase, it has an immediate positive impact on cash flow.

We have noted an increase in the number of foodservice distributors seeking to extend existing payment terms as they look to manage their cash flow. Client companies are working with their distributors to facilitate these payment extensions. This is putting further pressure on the cash flow of client companies.

Bord Bia is continuing its engagement with retailers in the Irish market to share supplier challenges and identify new opportunities for companies. There has been a particular focus on those who previously had a high dependency on foodservice. Bord Bia and a number of retailers are providing these companies with marketing and mentoring support, as they pivot their respective businesses from foodservice orientated products to those suitable for retail.

Seafood Sector Summary

The Seafood Sector remains volatile both on the domestic market and in key export markets. Seafood sales on the domestic retail market are still fairly stable with frozen and prepacked seafood sales outperforming the fresh fish counters across the trade. The usual uplift at Easter time materialised, which was positively welcomed by both the multiple and independent sectors.

Across all the sectors, access to reefer containers for international shipments is a huge barrier to trade right now. Processors can't secure enough containers to ship their stocks and when they do manage to access a container, the costs have more than doubled making the business unsustainable. This issue has been raised repeatedly by companies over the last number of weeks.

Whitefish

The main processors to the domestic retail market continue to offer promotions on species such as hake, co-inciding with Bord Bia's current campaign aimed at encouraging Irish consumers to purchase more Irish landed whitefish during this time. The vessels are largely fishing to order to service the domestic processing sector and also the Spanish markets. Two of the main French auctions have also started to trade again although prices are reported to be low, and the French are taking their own fish first with prices determined largely by local fish and specials in supermarkets. The Spanish market is showing good demand currently for species such as megrims and witches, but both the hake and monk markets remain challenging. The market in Belgium for whitefish has collapsed and exports to Scottish processors have declined also.

Shellfish

The Chinese market is showing good signs of recovery for the live shellfish sector but the European markets have collapsed. Given that so much of Irish live product goes into the foodservice channel, and the fact that these type of species are not staple products, this will remain a huge problem for the remainder of the year. The sector will need to continue to match fishing efforts to the demands in the market place, and consequently the pricing levels that may be achieved. Prospects for the lobster and Scallop segments of the inshore fleet and for Ireland's Oyster and Mussel farmers remain quite poor. Until such time as the food service sectors of France, Italy and Spain begin to reopen there is no obvious route to market for the bulk of their product offering.

Sales of fresh mussels to our largest export market, France, have collapsed. Farmers around the country are concerned about stocks on farms that are ready to sell, but will deteriorate if not harvested in the relatively near future. Concerns for the sector also revolve around the shelf life on stocks already processed, rising cold storage costs due to current shortages and the disappearance of the traditional high sales peak of April to end June, when fresh mussel stocks in Europe are at their lowest. Cash flow and debt collection from foodservice customers are additional challenges facing the sector.

As regards oysters, the situation remains challenging. Exports to the EU are at a standstill and getting product to Asia reliably, remains both challenging and costly. Cash flow concerns are at an all-time high for companies in this sector.

Horticulture Summary

Edible Horticulture - Demand and Labour

Demand in the retail channel continues to be high, but labour issues have become critical, in particular with the soft fruit harvest approaching, when the need for pickers is at its highest.

Demand is remaining strong from the retail sector, and there continues to be a brisk trade in the purchase of larger packs of potatoes. Sales into the foodservice sector have been impacted very negatively. The loss of foodservice markets may result in some specialist growers/operators going out of business as well as the ceasing of demand for off grade produce. It is now evident that field crops destined for the foodservice market are being destroyed, through rotovation back into the soil, due to the drop in demand. Labour concerns continue to be a big issue - on farms pickers are going home to their own countries and are not coming back due to reduced freedom of movement within the EU. The strawberry/soft fruit sector looks most vulnerable at present. Labour permits for horticulture have been used up from the 2019 allocation of 500, and more are being requested and lobbied for, by the industry. As the year progresses and the growing and harvesting seasons build, there is concern about the ability of EU workers being able to travel.

With regard to edible horticulture, mushroom production is an all year-round activity and pickers are generally in situ, while protected salad crops with 80% working capacity are covered to date. Field vegetables are mixed as labour requirements vary from business to business, which is a similar situation to the soft fruit sector. However, with the new strawberry season now approaching, this would be the area of most immediate concern.

Labour and accommodation space limitations continues to be a challenge with regard to workers, especially as there now needs to be a refit required with regard to accommodation, so as to allow for social distancing to be maintained; there are similar issues arising with regard to the transportation of workers. Teagasc is now developing a protocol to assist, guide and advise growers in staff management practises in the context of the challenges and controls generated by Covid-19.

Exports

There is economic uncertainty driven by Covid-19 impacting on currency and horticulture exports, where the UK market is the key outlet (growing weakness of sterling). Mushroom demand has been good to date because of a strong performance from the UK retail trade, but the industry expects that there will be an eventual slow down. The foodservice sector in the UK market, while less important than the retail segment, is nonetheless an important outlet; this however, continues to be impacted negatively as a result of the foodservice shutdown. Certain supplies destined for this segment of the market have been dumped.

Amenity exports have now ceased completely as the UK garden centres are now all closed, with cut foliage exports also affected due to cancelled orders from the UK. Flower exporters have had their end of season cut by three weeks due to disruptions to business caused by Covid-19

Imports of Fresh Produce

Regarding imports of fresh produce (including when Irish produce is not available due to the season in question) key areas of note include: Spanish pack-houses' employees are reported as not showing up for work as a result of virus concerns which may lead to reduced produce available for import at this time of year; there are reduced numbers of truck drivers internationally and with potentially less exports of other products to the continent, there is less opportunity for back loading on return journeys.

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Ornamental Horticulture

A number of ornamental growers are reporting a huge lift in demand from multiple retailers.

The industry is facing severe challenges as a result of measures put in place to control the Covid-19 pandemic. The nature of this sector, with a highly seasonal and perishable product, means that businesses are being damaged, possibly to a much higher degree than other industries. Working capital is significantly tied up in perishable stock, that must be maintained, but for which distribution has largely closed.

Product is perishable and requires ongoing husbandry and maintenance. Seasonal plants such as bedding and gift planters are grown for fixed sales windows often linked with celebration days (e.g. Easter) or key gardening weekends. Sales lost on these days are not recovered.

Some online and delivery sales are continuing but this represents a small market share for these typically impulse purchase products.

Growers of seasonal plants now have to decide whether to risk planting/sowing the next batch, as unsold stock reduces space for subsequent planned crops. Even if closed, some staff are required on site to maintain crops.

Demand for plants

Demand for the week up to Easter weekend was reported as brisk. Growers are reporting that operating now with reduced staff numbers sees them working twice as hard for less than half their normal sales. This is usually a time of year when extra seasonal staff are recruited, but most are reluctant to bring in new staff into the nursery preferring to continue to work with those staff already known to them.

There are reports of strong demand from the supermarket channel with individual growers working cooperatively together to meet the demand involving existing suppliers taking stock from other growers. Increased demand from the supermarket channel is welcome but will not replace the sales lost at this critical time of the year.

The last four weeks has seen some plants dumped due to lack of demand, as well as freeing up space for the next crop of plants. In this regard the bedding plant sector has been most severely impacted with significant losses to date. This is a difficult decision for some nurseries as they have to decide to invest in new crops without knowing if they will have a market for them in a few weeks. A prolonged period of the current crisis could result in some exits from the sector. Many ornamental growers have had to let staff go and there is the obvious concern when a more normal situation evolves that the same trained staff may have moved on. All landscaping projects have now ceased, drying up another important channel for growers.