

# Market Insights Covid-19 Impact on Trade:

April 24th, 2020



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## Topline Takeouts

### Retail

In the **US**, [Nielsen](#) reports that the grocery category grew by 41% in the 4 weeks to April 11<sup>th</sup> versus the same period in 2019. Categories demonstrating best growth included meat (+58% YOY), frozen (+54%), and dairy (+39%). Deli and bakery were categories to suffer in comparison, with growth well behind the average of 3.3% for bakery or, indeed decline of 4% for deli.

Aldi **UK** has started selling food parcels online, marking the first time Aldi has ever sold ambient food on its website. The hampers contain essentials like soup, UHT milk and toilet rolls and purchases will be limited to one per customer, aimed at the 'shielded' vulnerable citizens who are unable to shop in person. The move follows similar initiatives by Morrisons and M&S who have also launched food parcels.

Esselunga **Italy** is using the app UFirst, to combat the queues at its supermarkets in Milan. The app allows users to monitor the progress of queues and reserve a place in line for public offices, health facilities, shops, and now includes Esselunga. This is similar to Coop's new queue reservation service in Milan, [CoD@Casa](#), where consumers can book a place in the queue online.

In **Japan**, Bord Bia trade contacts are reporting that the balance of consumption for cheese has shifted to retail. Major dairy companies are reporting that sales through retail channels are up, apart from Hoko that mainly sells to foodservice. As school lunches have been suspended since March 2<sup>nd</sup>, dairy companies are absorbing excess milk supply and redirecting to the production of cheese and milk beverages.

### Foodservice

There is speculation in **France** that bars and restaurants may reopen by June 15<sup>th</sup>. The French government have not confirmed this date but it is understood that conditions for re-opening are under serious consideration. French Minister for Economy, Bruno Le Maire predicts that restaurants, bars and cafes "will not be able to reopen with the same number of customers".

The Khaleej Times reports from the **UAE** that authorities in Dubai are looking increasingly likely to re-open malls in the near future as guidelines have been shared by local government for when an official announcement for reopening is made. These guidelines explain that dine-in areas must ensure the use of disposable, individually-wrapped plastic utensils, dishes or packages only and that surfaces such as tables and chairs must also be disinfected with 75% alcohol after every customer's use.

### Manufacture:

**German** agri-food sectors, especially vegetable growers/packers, are in difficulties due to the lack of migrant workers – producers are hoping for exemptions on travel for incoming workers to secure staff and supply. Companies are also working on additional bonus payments to motivate Germany based workers.

**UK** Cold storage is predicted to reach capacity by June as businesses scramble to deal with excess stock. Storage facilities are quickly filling as foodservice suppliers opt to freeze goods which cannot be redirected. Meanwhile, food shipments continue to arrive at ports despite falling demand for some products. Warehouse availability is becoming increasingly tight as retail demand is unable to absorb all of the excess, according to the Grocer.

**Korean** meat importers are now sitting on an excessive stock of pork, according to Bord Bia in-market trade contacts. With a price surge due to ASF, Korean buyers filled containers where possible at the end of 2019/start of 2020. Then as ports in China became blocked and USA suppliers couldn't land there, they dumped a lot of product in Korea. Pork prices usually spike in summer as consumption increases with BBQ etc., but it is very unclear how the market will perform in 2020. In contrast, beef prices are stable, with minimal fluctuation.

## Macro-Economic Context

### Political

EU leaders met virtually at a European Council meeting on April 23<sup>rd</sup>. The council welcomed the Joint European Roadmap towards lifting of COVID-19 containment measures, while agreeing that the health and safety of citizens comes first. The Joint Roadmap for Recovery defines four key areas for action: a fully functioning Single Market, an unprecedented investment effort, acting globally, and a functioning system of governance.

Earlier this month finance ministers agreed to a €540 billion package of measures to extend loans where they are needed, but were unable to agree on the most contentious issue of the recovery fund and passed it up for discussion by national leaders.

At the last EU leaders conference on March 26th the ability for migrant seasonal agriculture workers to continue harvesting fruit and vegetables in other member states was specifically requested. This is likely to be further affirmed.

At a meeting of EU agriculture ministers, Minister Creed had asked the Commission to ensure that "border checks do not unnecessarily disrupt the free movement of goods or labour", especially when it came to agri-food supply chains.

### Economic

#### **PMI surveys reveal depth of European downturn**

The eurozone composite purchasing manager's index - which monitors manufacturing and services activity - fell to 13.5 in April, from 29.7 in the previous month, a record low in more than 22 years of the history of the survey. Specific reads of French and German business activity also fell to record lows, in readings that suggest the region faces a major economic downturn.

#### **Oil Price**

The price of oil on global markets has continued to decline significantly despite an OPEC agreement to limit production in an attempt to shore up prices last week. For a time early this week, prices on West Texas Intermediate were negative as producers were paying traders to take stock into storage. WTI crude was trading at \$15.30 on Thursday April 23<sup>rd</sup>. The dramatic price declines are driven by a collapse in demand as economic activity and travel remain at low levels.

The price decline has not immediately been reflected in transportation cost reduction for exporters of food and drink – the logistical disruptions in reefer locations and the proportion of empty containers returning from Asia have ensured transport prices remain elevated by about 50% from the norm for most exporters.

## **Irish Department of Finance Scenario**

On April 22<sup>nd</sup>, the Department of Finance in Ireland published an assessment of the impact of the Covid-19 crisis on the public finances. Stressing that this was a scenario based on a number of presumptions that may change, the Department said that it expected the economy to shrink by more than 10 percent this year, but if Covid-19 restrictions remained in place later in the summer, the contraction could be as high as 14-15 percent in a worst case scenario.

As a result of the downturn in economic activity and therefore tax receipts as a result of the number of people now dependent on state supports, the Department expects to run a deficit of 7.5 percent or €23 billion this year, instead of a surplus of €2.2 billion, which had been forecast at the start of the year.

## **Societal**

### **Large gathering ban**

The government of Ireland has announced that no large gatherings of over 5000 people will take place before the end of August. This comes shortly after the government of France acknowledged that no large gatherings will take place before mid-July at the earliest.

Teams in the German Bundesliga soccer league are planning to restart games next month and to complete their league by the end of June. The plan, which is the first from a major European soccer league and will be closely watched, involves games being played without spectators but should preserve the clubs income from broadcasting and sponsorship deals.

## **Technological**

In **France**, the state authorities have advised that testing needs to be at least three times what they currently are in order for limitations to be reduced.

Jean-François Delfraissy, who chairs the scientific committee advising the government on lockdown exit plans, has assessed that the country needed to perform 500,000 tests per week by May 11th — Mr Macron's tentative date for loosening the restrictions — to measure the spread of Covid-19 and keep it under control. Currently, the country can test only about 150,000 people a week.

These challenges come at the same time as the HSE was criticised for the lack of information and clarity about the contact tracing app it is developing from Digital Rights Ireland. This complaint mirrors similar complaints across Europe where privacy advocates are calling for caution and restraint on compromise of individual privacy for technological contact tracing solutions.

## **Market Insights**

### **Week in Focus - Overview**

Retailers and research agencies are beginning to report on sales during the peak Covid stock-piling period and impact of sales on traditional Easter products is emerging. Investment in online and delivery continues as consumers embrace e-commerce more than ever.

Elsewhere, from a foodservice perspective the migration to online continues, as there is evidence of a cautious return to increased outlet openings in certain European markets. The news isn't so good for other operators who are reporting major losses or even liquidations.

Access to labour and cold storage are becoming key issues facing production worldwide.

## Retail

### **Retail Performance**

In Spain AECOC [reports that](#) Mercadona has revealed that its sales in the month of March amounted to €2,331 million, 14% more than in the month of March last year. It is an increase well above 5% that the chain increased last year as a whole.

However, March has been a bad month for the profitability of the chain who had extraordinary expenditure of €100m spent on security in its centres and in the bonuses that the company has given to its employees, who increased expenses by 25%.

Shoppers in the **UK** spent £160m less in supermarkets this Easter compared to 2019, despite sales going up by 8.9% over the week compared to the same period last year, reveals latest data from [Nielsen via KamCity](#).

According to Nielsen, supermarket sales in **Belgium** during Easter week were 23.5% higher than last year. Compared to Easter week last year, there is a 10% increase in the revenues of the country's supermarkets.

In **France**, the chocolate industry experienced a 27% drop in sales value for the six weeks leading into Easter 2020 versus the equivalent period in 2019. In total, 47% of seasonal goods remain in stock after Easter Monday (compared with 18.8% in 2019).

Easter retail turnover remained strong across **German** supermarkets. Especially fish, meat and vegetable categories which saw strong growth coming up to Easter. German retailers had successfully incentivised early Easter shopping to minimise overcrowding and supply shortages while meat benefitted from a move to BBQ at home during the good weather.

Keeping with the religious theme, the traditional stock-up before Ramadan has seen trade return to the traditional markets in **Algeria** before the month-long holy festival commences this weekend. Carrefour are also seeing the benefit and reporting record home delivery applications. The Algerian government has lifted the constraint of the curfew on delivery personnel to avoid people moving from their homes.

Sales in the grocery trade in **Sweden** increased by 12.8 percent in March 2020 compared to the same month in 2019. Some of the product categories that increased most during the month were rice, pasta, canned food, toilet paper and soap, all of which noted increases of 70-90 percent. Sales growth in physical stores was 11.7 percent, while e-commerce increased by as much as 49.7 percent. Home delivery increased by 34.1 percent and store pickup by 82.2 percent.

Leading Swedish retailer Axfood reports a strong first quarter with net sales growth of 9.5%, profit growth of 12% and increased market share.

According to Confcommercio (**Italian** Food Retailers Federation) sales in independent retailers in Rome, and Lazio overall, have increased by +32% in the last month, and +40% in the south of Italy specifically. These increases are due in large part to the travel restrictions in place that inhibit travel to larger, remote hypermarkets, but are also related to a psychological factor, as they increase human interaction, and connections within communities. Small retailers offering home delivery have increased by 300%, and in some areas are performing essential services by delivering to the sick or elderly.

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**Russia** reported its best retail sales growth for five years in February. Retail sales were up 4.7% year-on-year in February, well up on the strong 2.7% year-on-year in January.

According to [Oliver Wyman](#), smaller **Chinese** e-commerce players like MissFresh and Hema have benefitted with increased penetration due to Covid-19 as 56% of survey respondents reported that they have gone beyond their go-to online platforms to try new ones. [Kantar](#) reported that treats and snacks were negatively impacted by less gifting, with chocolate & fruit-flavoured candy leading the decline in **China**.

ABN Amro predicts that **Netherlands'** consumer spend in 2020 will be 5% lower than that of last year, assuming that the so-called 'intelligent lockdown' will last for two months before a staged return to business as usual. (For comparison, consumption shrank by 2% at the deepest point of the financial crisis in 2009).

### ***Covid-the Catalyst for Channel Changes***

The Grocer reports that Iceland **UK** is increasing its home delivery capacity by 250% by bringing more of its 120 Food Warehouse stores online. The retailer began adding Food Warehouse branches to its online service last year and is now fast-tracking national rollout to meet demand in the coronavirus lockdown. It comes as some Food Warehouse branches have seen their online operations grow by as much as 500% in days.

**Spain** is seeing the online bounce too as a survey has revealed that e-commerce is one of the great beneficiaries of this situation, especially for products whose stores cannot remain open. Specifically, one in five Spaniards has made purchases in an online supermarket during the pandemic. 47% of them do it frequently (more than twice in the last month). Only 4% buy exclusively via the internet and they are the consumers who declare themselves to be in this type of business and will maintain it when the confinement ends.

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Five thousand **Italian** stores have registered on the new [iorestocasa.delivery](#) platform, a website that collates different types of shops and businesses that offer delivery. These shops and businesses can all be reached by phone with a listed phone number, and some also offer a WhatsApp messaging order service. This is similar to another new online platform [RistoriamociACasa](#) which connects consumers with restaurants/food retailers that offer delivery in their area.

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The large **Swedish** grocery chains have responded to the calls of local suppliers for help during the Covid-19 crisis. Both Lidl and Axfood have introduced fast tracks and so has Ica, which has now connected almost 250 suppliers in three weeks. A number of these suppliers have already started selling products in stores.

FairPrice, the largest supermarket chain in **Singapore**, is launching several last-mile innovations to help consumers cope with enhanced lockdown restrictions. A new service allows orders of groceries to be placed via WhatsApp and collected at petrol stations, while another initiative will send trucks loaded with commonly-purchased items to various residential neighbourhoods.

As **Americans** begin to adapt to social distancing measures as a new normal amidst the Covid-19 crisis, the majority are still visiting physical retailers to pick up their essentials. In fact, consumers report grocery and big box stores as some of their top in-store shopping destinations today (72 percent and 69 percent of respondents, respectively), according to a new survey by shopping rewards app, [Shopkick](#).

New data suggests the cost of a basket of everyday groceries in the **UK** has risen in recent weeks after the supermarkets removed promotions to curb panic-buying at the start of the coronavirus outbreak. The weekly comparison published by trade magazine The Grocer shows the price of 33 chosen goods was £3.02 higher (+4.3%) at Asda on April 17th compared to a month ago. Shoppers at Morrison's were now paying £7.03 (+9.6%) more, while the cost at Waitrose increased by £4.14 (+4.8%).

Waitrose sales have [soared 8%](#) on the back of shopper demands amid the coronavirus panic. A strategic review of the group, announced in March is to be accelerated to take account of changes in consumer behaviour to come out of the pandemic. However, the partnership added operating costs had increased, especially as a result of unprecedented demand for e-commerce, with Waitrose increasing capacity by 50% during the outbreak, according to the Grocer

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## Foodservice

### **Future Foodservice**

The IFMA (International Foodservice Manufacturers Association) and international consultancy Kinetic12 Consulting together have compiled 11 consequences for foodservice in the post-Corona 'low touch' economy:

- Consolidation will occur across the entire chain
- Rebuilding and optimization will be favoured above expansion
- Recovery will be very uneven, particularly where (international) tourism is a feature. It will be challenging to instill confidence in wary consumers again.
- Food hygiene and food safety will suddenly become a prominent feature of foodservice; expect new standards and protocols, also in communication with diners. Extreme hygiene will become a selling point.

- Radical transparency will become a feature and block chain will take off. Communication around origin and food safety will become prominent.
- More local products: the shorter the supply chain, the lower the risk, will be the mentality. Food sovereignty will become a recognised term among consumers.
- Financial robustness will become more important than simple profitability; financial institutions will tighten their requirements.
- Entrepreneurs and chefs will do more with less: fewer ingredients will lower exposure to risk and reduce the cost of stocking product.
- Takeaway and home-delivery options, which until now have been focused on simple growth will look at becoming more efficient. Contactless payments are an example of this.
- New businesses will incorporate takeaways and deliveries into both their business models and designs. Diversification of income streams will be central.
- We will see an entirely new concept emerge where you can only order online and can collect without any human contact whatsoever.

### ***Light at the end of the Foodservice tunnel?***

There is speculation in **France** that bars and restaurants may reopen by June 15<sup>th</sup>. The French government have not confirmed this date but it is understood that conditions for re-open are under serious consideration. French Minister for Economy, Bruno Le Maire predicts that restaurants, bars and cafes "will not be able to reopen with the same number of customers. "

The opening of shopping malls has been permitted in 12 **German** states, meaning some gastro units are permitted to open with caution and only offering a take-away service.

The Khaleej Times reports from the **UAE** that authorities in Dubai are looking increasingly likely to re-open malls in the near future as guidelines have been shared by local government for when an official announcement for reopening is made. These guidelines explain that dine-in areas must ensure the use of disposable, individually-wrapped plastic utensils, dishes or packages only and that surfaces such as tables and chairs must also be disinfected with 75% alcohol after every customer's use.

Around 70 selected McDrive and McDelivery locations in **Austria** are open again from 11 a.m. to 8 p.m. According to McDonald's, this first phase of the gradual reopening, which will take place in close coordination with the authorities, will be accompanied by comprehensive additional protective measures.

Five Guys, the **US** better burger brand, has reopened a number of sites across **London** and the UK, offering a full menu available either for delivery and click-and-collect services. The company said click-and-collect orders will all be pre-paid, with the restaurants operating strict social distancing policies for those using the collection option. Burger King is also starting to reopen with four of its restaurants operating for delivery with a pared-down menu from April 17<sup>th</sup>. Staff are returning on a voluntary basis and will wear masks, gloves and be given social distancing training. A strict cleaning regiment will also be introduced. The fast food chain is currently opening drive-thru sites only.

Also in the **US**, residents of Georgia are now allowed to return to gyms and hair dressers, with restaurants reopening Monday 4<sup>th</sup> May for dine in business, along with movie theatres. Georgia becomes the first state to loosen its restaurant restrictions, though they will not return

to business as usual and be required to follow strict hygiene and social distancing guidelines.

### ***Foodservice goes online***

Just Eat has said [almost 3,000 restaurants](#) have signed up to its website since the Covid-19 lock-down. In an interview with The Telegraph, Just Eat UK managing director Andrew Kenny said more than 35,000 firms were now operating on the platform. However, he warned the firm has been hit by the closure of big-name brands such as McDonald's and Greggs.

METRO Italia has teamed up with Groupon to offer their customers and partners 0% commission and free Groupon promotional activity when they sign their business up to Groupon. Offer active until end of May. The group is also offering a new home delivery service to its customers in some Italian provinces. Orders can be made directly through their online website, and there is a minimum purchase amount of €100 to qualify for delivery.

In the **Netherlands**, collaborative temporary food platform initiative etenover.nl (food leftover) went live on 18<sup>th</sup> March, a mere 3 days after lockdown was announced in the Netherlands. Six weeks later, 123,000 people have visited the website, 96 suppliers have signed up of which 76 can deliver product directly to the consumer's home and 11,000 kg of food have been saved. The top 5 sales come from a bakery, a BBQ restaurant, a cheesemaker, a ready meal and soup manufacturer and a specialist in fish, meat, dairy and fresh produce.

Blakemore Foodservice (**UK**) has [launched a new click & collect](#) service at its Darlaston distribution centre to lure customers away from supermarkets in the West Midlands during the coronavirus pandemic. The service, which has a minimum spend of £50 per order, allows members of the public to buy food in bulk. Customers can choose from about 200 product lines, including store cupboard essentials, chilled and frozen food, fresh meat and produce boxes, and order online on a dedicated website. Orders placed before 3pm from Monday to Saturday will be ready for next-day collection.

### ***Cancellations, performance reports and shut-downs***

The FSIN (Foodservice Instituut Nederland) has produced a [second report](#) in which it claims that the loss in turnover in the sector is running at €7.1bn, of which €4.6bn will come from Horeca.

The City of **Stockholm** announced today that it has decided to lower rents for tenants in vulnerable industries, including restaurants. The decision means that the City of Stockholm gives companies a reduced rent of up to 50 percent, during April, May and June. Sales in the business have decreased by as much as 70-90 percent.

The **UK** arm of the Belgian-owned 26 site bakery chain Le Pain Quotidien is at risk of falling into administration within days, putting 500 jobs under threat unless a buyer is found this week. Le Pain Quotidien is the latest in a string of struggling UK high street restaurant businesses to have been brought close to collapse by the coronavirus crisis. Brands including Chiquito and Food & Fuel, both owned by The Restaurant Group, and the 29-year-old Italian chain Carluccio's have already gone into administration. Byron, the burger chain, has appointed KPMG to consider its options.

**UK** Analysts have warned that Wetherspoons may be forced to tap shareholders for extra funds amid a crisis for the pub industry. The chain may need to raise as much as £250m to survive the pandemic, according to analysts at Canaccord Genuity, after being forced to close all of its 850 pubs due to the government imposed lockdown. Canaccord said Mr. Martin is unlikely to want to issue new stock as it would knock millions of pounds the value of his stake in Wetherspoon. Mr. Martin currently owns 32% of the business.

**US:** Volumes in the 18 NABCA\* control markets rose 17% last month, compared to low single-digits gains during the first two months of 2020 and all of 2019. Four of the five largest control states posted double-digit gains, in most cases tripling previous growth rates.

Eight million **US** restaurant workers have been laid off or furloughed due to the coronavirus pandemic, with roughly two out of three employees out of a job, according to the National Restaurant Association. By the end of 2020, restaurants are expected to see \$240 billion in losses. The National Restaurant Association is seeking the creation of a \$240 billion recovery fund, focused solely on the restaurant industry.

## Manufacture & Logistics

### Local Manufacture & Logistics

The **European beef** sector is also currently badly affected by Covid19, the COPA / COGECA (union of the two biggest agricultural umbrella organisations and the strongest interest group for European farmers) report. With the loss of important sales markets due to the foodservice shutdown, the market for high-quality cuts, including veal, saw a sharp drop in demand.

Jean-Pierre Fleury, Chairman of the Working Group on Beef, urged the Commission to examine the activation of market measures in addition to **further restrictions against the import of prime cuts**, especially from the Mercosur countries. Financial supports through EU funding as well as supporting private storage aid for prime cuts is being requested by the COPA / COGECA.

**German** agri-food sectors especially vegetable growers/picking are in difficulties due to the lack of migrant workers – producers are hoping for exemptions on travel for incoming workers to secure staff and supply. Companies are also working on additional bonus payments to motivate Germany based workers.

The Grocer reports that seasonal migrant labourers have also [been flown into the UK from Romania](#) to help pick fruit & vegetable crops. A charter flight of 180 workers flew into Stansted airport as part of a push by the farming industry to ease the shortage of seasonal labour. Two of the flights are understood to have been chartered by G's, whose lettuce harvest is due to start being picked in the coming weeks. The workers are said to have been checked for symptoms of coronavirus in Romania and were to be screened again upon arrival before being bussed to farms in East Anglia.

The fall in prices in **Italy** is decreasing fishing time in Emilia Romagna and Marche. Home delivery has improved business in Sardinia, Liguria and Campania. In Sicily 90% of fishing boats have stopped and a state of natural disaster has been requested

According to Spain's [El Economista](#), the virus endangers 30,000 million agri-food exports adding to the pre-existing challenges created by 'Brexit' and US tariffs. Exports to China have

not stopped growing since 2015, but France and Italy, Spain's most important customers, are being severely hit by Covid-19.

Significantly fewer calves are currently being raised for veal in **Netherlands** due to the Covid-19 crisis. Normally many of these animals would be imported, however Wim Thus, Chairman of calf husbandry within the LTO (IFA equivalent) reassures Dutch dairy farmers that their calves will be guaranteed sales. "Together with the dairy farms, we have made an agreement that Dutch calves will be the first to be taken up by the sector, provided they meet the required conditions... Three-quarters of imported calves in Dutch companies come from Germany. The calf import from Germany is now limited."

**Thailand**, one of the world's largest seafood suppliers, has seen a sharp decline in demand. "People see it as a discretionary product," says Mongkol Sukcharoenkana, chair of the National Fisheries Association. One exception is canned seafood; Thai Union Group, the world's largest tinned tuna manufacturer, experienced a major surge in demand in the initial phases of the outbreak.

**Korean** meat importers are now sitting on an excessive stock of pork, according to Bord Bia in-market trade contacts. With a price surge due to ASF, Korean buyers filled containers where possible at the end of 2019/start of 2020. Then, as ports in China became blocked and USA suppliers couldn't land there, they dumped a lot of product in Korea. Pork prices usually spike in summer as consumption increases with BBQ etc., but it is very unclear how the market will perform in 2020. In contrast, beef prices are stable, with minimal fluctuation.

Utilisation rates at the **Philippines'** Manila International Container Terminal have ticked back up to 85 percent, raising concerns of another logjam, with international shipments, including those from China, arriving regularly. The Philippine Bureau of Customs has already relaxed container processing requirements and urges importers to continue withdrawing shipments in a timely manner or risk forfeiture of their goods.

A quarter of UK dairy farms have become financially unviable because of falls in milk demand and prices, the National Farmers' Union has warned. Farmers facing an escalating crisis are calling for tailored government support after the coronavirus pandemic led restaurants, cafés, hotels and canteens to close. The Department for Environment, Food and Rural Affairs on Friday announced a relaxation of competition rules to help the sector. Farmers and producers could now co-operate to cut production temporarily or to identify capacity for processing extra milk into cheese or butter, it said.

**UK** Cold storage is predicted to reach capacity by June as businesses scramble to deal with excess stock. Storage facilities are quickly filling as foodservice suppliers opt to freeze goods which cannot be redirected. Meanwhile, food shipments continue to arrive at ports despite falling demand for some products. Warehouse availability is becoming increasingly tight as retail demand is unable to absorb all of the excess, according to the Grocer.