

# Market and Sector Insights Covid-19 Impact on Trade:

June 12th, 2020



# Table of Contents

1. <u>Macro Economic Context</u> .....	2
2. <u>Sector Insights</u> .....	3
3. <u>Markets Insights</u> .....	4
<u>Retail Sector</u> .....	9
<u>Foodservice Sector</u> .....	11
<u>Local Manufacture &amp; Logistics</u> .....	14

## Macro Economic Context

### Political

Ireland has mirrored other countries in Europe by bringing forward a number of lockdown easing measures. Restaurants and pubs with restaurant licences are now stated to reopen on June 29th. On that same date, people will be able to travel within the country and there is a hope that domestic tourism can begin to make up for lost revenue in the hospitality sector.

Globally, the number of confirmed infections with Covid-19 has cleared 7m. Brazil remains the country with the highest daily deaths and cases - 525 people died in that country of Covid-19 on Monday, June 8th. That is still a significant decline from its peak of 1,473 on June 4th.

### Economic

The eurozone economic contraction in the first quarter was the worst drop on record due to the collapse in household consumption. The bloc's gross domestic output fell 3.6 per cent in the first quarter compared with the previous three months, according to data from Eurostat. This was slimmer than the 3.8 per cent initially reported. The latest GDP reading provides details for individual sectors, which shows household consumption was the largest contributor to the fall in output.

In order to boost the economy and consumption, the German Government has decided on an economic stimulus package of €130 bn for 2020/2021. As part of this activity, restaurant VAT is being reduced from 19% to 7%. This is intended to support the catering industry during the reopening period and to alleviate the economic effects of the corona restrictions.

### UK

Fewer businesses in the UK expected their workforce to decrease in May compared to April, as trading recommences and less of them report sourcing problems, pointing to some improvement in the UK economy from the lockdown low. This comes at the same time as the OECD has published a report that forecasts that the UK is likely to suffer the most economic damage from the Covid-19 crisis, among developed countries. The report predicts that the UK's GDP will experience a decrease of 11.5% in 2020, which is a greater fall than those predicted for Germany, Spain, Italy or France.

### Societal

The international shipping industry has warned of a threat to global trade from a mounting crisis on board merchant vessels, with up to 400,000 crew stranded either at sea or at home by travel restrictions because of the Covid-19 pandemic. On June 16 emergency extensions to the labour agreements governing seafarers' contracts expire. Many crew have worked several months beyond their contracts, exceeding regulatory limits

Smooth operation of the freight trade is being hindered by travel restrictions. These bar crew from disembarking to return to their home country, or from travelling to a port where their ship is waiting for a crew change. Many seafarers are also struggling to obtain entry or exit

visas, while the suspension of commercial flights increases the difficulties in moving crew around.

## Technological

In the UK, the government's test and trace strategy is "not fit for purpose" and has caused a loss of "moral authority", an independent group of scientists said. The existing system has been riddled with problems, including poor quality testing, a failure to involve local authorities and NHS bodies, poor training of contact tracers and a lack of clear leadership, according to a new report by Independent Sage. The advisory group was formed by 12 scientists as an alternative to the government's top scientific advisory group, the Scientific Advisory Group for Emergencies (Sage).

## Sectors Insights

### Meat Sector Summary

#### **Beef:**

With the welcome reopening of many foodservice outlets across Europe, cattle throughput in Ireland for the week ending June 6<sup>th</sup> increased by another 1,200 animals compared to the previous week, to 32,325 head. Throughput for week ending 5<sup>th</sup> June was 515 head higher than the same week in 2019. For the year to-date, supplies have fallen by 5% (40,500 head). Recent analysis of the Department's AIM database suggest that availability of prime cattle will remain somewhat lower during the second half of this year, although there are likely to be some additional cull cows. The average price received in Ireland for R3 steers for week ending June 7<sup>th</sup> 2020, as recorded by the Department of Agriculture, Food and the Marine, was €3.63/kg (excluding VAT). This represents an improvement of €0.20/kg over the previous month. However, a critical concern for the sector is that producer prices are running over 25c/kg behind last year's levels. This compares with the latest prices of €3.91/kg for R3 steers in the UK and with the average EU R3 young bull price of €3.49/kg. The recent improvement in demand has been driven by a significant increase in beef retail sales, promotional activity in a number of key markets and the phased reopening of quick-service (burger) chains. Sales data (Kantar) for both the Irish and UK retail markets show increases of over 15% in the volume of beef sold during the four-weeks to May 17<sup>th</sup>. In the UK, retail demand was strongest for mince, which recorded an increase of 36% over the same period in 2019, while sales of steaks increased by 24% and roasts by 5.5%.

#### **Live Exports:**

Live cattle exports continue to run well below the equivalent period in 2019. For the week ending May 30<sup>th</sup>, live cattle exports reached nearly 4,000 head according to the Department of Agriculture, Food & the Marine. Intra community trade of calves accounted for 63% of all exports. For the year up to the week ending May 30<sup>th</sup>, overall exports have declined by 24%, or 51,000 head, to 158,000 head. The primary reason for this decline has been fewer calves being sent to other EU markets, which have collectively fallen by 29%, or 51,000 head, to 123,000 head. The calf trade to the Netherlands has fallen by 33,000 head (-40%). The Dutch

veal sector is highly reliant on sales into the food service markets of Italy, France and Germany, which have been seriously affected by Covid-19. There has been some recovery in 2020 in exports of live cattle to international markets. For the year to-date, shipments to non-EU markets have increased by 52%, to almost 12,000 head. This trade has focused mainly on the Libyan market, followed by Turkey and Algeria.

### **Sheepmeat:**

The sheep trade for the week commencing June 8<sup>th</sup> can be described as steady, with factory quotes for sheep stabilising after falls in recent weeks. Sheep throughput for the week ending June 5<sup>th</sup> was once more dominated by large numbers of spring lambs becoming available for processing, as remaining hogget supplies continue to dry up. Quotes for spring lambs generally range from €5.70-€5.80, plus a 10c/kg bonus for Quality Assurance. With some plants starting to pay up to a 21kg carcass weight, this should prompt more producers into retaining lambs towards optimum finish and the upper level of the weight range. The QA lamb TV campaign is now in its second week of Campaign no three, to promote new season Irish lamb. The campaign coincides with peak spring lamb supply. This will be followed by two weeks of an EU co-funded lamb promotion called 'Lamb – Try it, Love it' in July. This promotional wave will include social media activities and an outdoor advertising campaign (13-20 July) across Dublin, Cork, Limerick and Galway. Sheep throughput for the week ending June 6<sup>th</sup> was 52,021 animals, which was a 10% decline compared to the previous week. Throughputs for the year to date are running 5% above 2019 levels, with spring lamb throughputs increasing by 30,000 head compared to 12 months ago.

### **Pigmeat:**

Across Europe, the pigmeat market has become more challenging, following the significant upward movement in producer prices throughout last year and early 2020. The latest EU average reference price declined to €1.63/kg. The latest Irish pig price for week ending June 6<sup>th</sup> was €1.62/kg, which is now 9c/kg below the grade E pig price of 12 months ago.

Pig throughput at export meat plants for the week ending June 6<sup>th</sup> was 57,187 animals. This reporting period coincided with the June Bank Holiday and left throughput 10,000 head lower compared to the previous week. Overall pig throughput for 2020 remains on a par with previous year levels, with 1.49 million head processed year to date. Capacity has recovered to normal over recent weeks, following some disruption as some Covid-19 cases were detected in a small number of plants. Strong demand for pigmeat remains evident across the domestic retail channel. In particular, the sausage and bacon subcategories both recorded growth in the region of 27% in volume terms during the latest four week period ending the 17<sup>th</sup> May, compared to the previous year levels according to Kantar Worldpanel. Demand within the foodservice channel is showing some tentative signs of recovery where outlets have adjusted their business model to serve the food-to-go category.

### **Poultry:**

Poultry supplies remain largely unaffected by Covid-19 at meat plant level. Demand remains firm, as consumers shop the category more frequently and purchase more per trip in response to lower prices. For the latest 4 week period ending the 17<sup>th</sup> May, poultry sales were 21%

higher in volume terms compared to the corresponding period during 2019 according to Kantar.

## Dairy Sector Summary

### Overview:

#### EU Internal Measures

At time of writing, tonnage offered in respect of aid for private storage total:

- **SMP:** 9114mt offered by six member states.
- **Butter:** 43,458mt offered by 16 member states (incl. UK). Largest volumes of product offered is in The Netherlands, Ireland and Germany which combined total 34,946mt (>80% of total in PSA).
- **Cheese:** 42,167mt with Ireland, Spain, Italy, Sweden, Lithuania and the UK offering their respective total permissible quantities.

#### Stocks Overview

US Stocks are high with stocks of core commodities significantly up, year on year. Dry and harsh weather conditions in Europe are likely to have an impact on milk yields as will curtailment measures deployed by some EU states. Year to date export figures for Irish Dairy have shown strong performance – with a strong finish to Q4 (2019) and sustained demand for butter keeping figures buoyant.

#### Pricing Overview

EU and US pricing is somewhat aligned but US Cheese prices continue to race ahead. Butter continues to perform well with positivity peppered throughout the main core cheese and powder commodities. Oceania pricing is more bearish.

There are potential stocks overhang as we enter H2 as well as inter country governmental supports likely to have a bearing on market sentiment.

#### EU Pricing

Week 24's Dutch Dairy prices are below. Prices continue to show signs of stabilisation . Butter, SMP and WMP all saw gains, which were modest in comparison with recent weeks.

Week 24/2020	WHEY €/tonne	BUTR €/tonne	SMPE €/tonne	SMPA €/tonne	WMP €/tonne	WOW % Diff
	€ 750	€ 3,120	€ 2,200	€ 2,030	€ 2,630	
WOW +/- EUR/PMT	⇒ €0	↑ €20	↑ €30	⇒ €0	↑ €30	0.75%
2020 Avg. Price YTD	€ 729	€ 3,187	€ 2,266	€ 2,145	€ 2,825	
2019 Avg. Price. YTD	€ 777	€ 4,145	€ 1,961	€ 1,754	€ 2,949	
YOY Avg. Price Diff YTD	-€ 48	-€ 959	€ 305	€ 390	-€ 125	

Kempton cheese prices (03.06.20) were up over 8% on previous month and previous three months and up over 9% versus same period, year on year. Edam and Gouda traded down across the board.

### **USA Pricing**

Block cheese continues to rally outstripping year on year prices by €45%  
CME closed on Friday June 5<sup>th</sup> at +87% on previous week to €5.00/kg equivalent.

### **Oceania Pricing – (GDT Event 261, +0.1%)**

Negligible increase on previous event, with close to 22,000mt sold. BMP saw the most significant gain at over 9%, but worth noting that reports suggest less than 600mt was offered.

WMP gained 2% on the previous event and represented the lion's share of product offered at 12,220mt.

## **Alcohol Sector Summary**

There has been no change from last week except the Irish trade is gearing up for reopening on June 29<sup>th</sup>.

## **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. Many of our client companies, who had a high dependence on the foodservice sector, have responded to the Covid-19 situation by adapting their route to market. They have put an increased focus on the use of technology to develop direct to consumer models. As the date for the re-opening of the Irish foodservice sector approaches, these companies are planning to run their new routes to market in parallel to those which had previously existed. With social distancing measures likely to remain in place for the foreseeable future, restaurants will have reduced eat-in capacity. It is expected that a large number of restaurants will continue to offer takeout food, meal kits and delivery services as they gauge consumers' willingness to dine out. This will have a positive impact on demand for our client companies servicing the restaurant sector. There have been a number of UK media reports of UK pub and restaurant chains announcing plans to re-structure their businesses in light of Covid. It is likely to lead to the closure of sites which are no longer viable to trade. There have also been announcements of job losses and closures in those UK manufacturers producing products for the UK food to go market. These market changes have the ability to decrease demand for Irish companies servicing manufacturers in this segment of the UK market.

We are seeing continuing growth in the numbers of foodservice outlets re-opening in the UK and on the continent. As more stores re-open, a number of our clients are reporting a significant increase in the value of orders of frozen goods for export. This is in part due to foodservice distributors rebuilding stock which had been depleted. Client companies are generally positive on the outlook for demand for the month.

## Seafood Sector Summary

The latest Kantar data confirms that for the four-week period up to the 17<sup>th</sup> of May, sales of seafood in Irish retail increased by 9.2% compared to the same period in 2019. The up lift was due to an increase in the volume of seafood purchased by consumers in the 4 weeks as well as consumers paying a higher average price per kg compared to the previous year. The key sectors performing well are prepacked sales showing a 12.5% growth and frozen fish growing by 23.7% in the four week period. The Spanish seafood market continues to recover which is positive. Reports last week from the Department of Agriculture, Food & the Marine confirm that fish consumption has recovered 4.3% in the third week of May in Spain. This compares to the second week of May, coinciding with the start of the de-escalation in several provinces when a 9.2% drop was registered.

Frozen seafood recorded the highest rise +6.6% whilst fresh fish consumption grew by +6.4%. Canned fish fell by -0.5% probably related to the stockpiling evidenced in the earlier weeks of the crisis. Whilst this increase in consumption is positive, there are various campaigns running in Spain encouraging consumers to buy locally sourced seafood which will remain a challenge to our exporters. It has also been reported that the gradual opening of the HORECA channel, prompted by the entry into Phases 1 and 2 of the de-escalation, is not meeting the expectations of the fishing sector, which was confident of a recovery in prices and sales. This is according to the Crisis Committee of the fishing sector. In fact, it is calculated that the latter has dropped by around 10%, without the demand for shellfish and typical species sold within the restaurant sector. As for prices, the collapse that started four weeks ago in the first sale of hake, megrim and monkfish remains. While waiting for the recovery of the hotel and restaurant industry to take place, the Crisis Committee is encouraging Spanish consumers and distribution companies to support the sector, whose priority continues to be "guaranteeing the supply of the market", and encourages consumers to buy "Fish caught by Spanish vessels".

The situation in France is more difficult to interpret. Agrimer has reported that average French auction prices for the week commencing 22<sup>nd</sup> May 2020 in Boulogne Sur Mer for Haddock remained unchanged from the previous week. Hake, Megrim and Whiting prices decreased by 10%, 10% and 32% respectively, whilst average auction prices for Monkfish increased by 2% when compared to the previous week. There were increases in the volumes of Haddock and Whiting sold at auction in Boulogne Sur Mer compared to the previous week. In Lorient, for the week commencing 22<sup>nd</sup> May 2020, average auction prices for Hake, Megrim, Monkfish & Whiting decreased by 32%, 10%, 29% and 11% respectively whilst average auction prices for Haddock increased by 6% when compared to the previous week. There were increases in the volumes of Megrim and Monkfish sold at auction in Lorient compared to the previous week. It is clear that the French auction marketplace is very sensitive to volume changes and sharp price drops quickly follow any increase in volume.

France has started to lift measures since w/c 2<sup>nd</sup> of June. Restaurants, bars and cafés are now open in most of the national territory, the only difference being that the Paris region is classified as Orange and restaurants are only allowed serve food outside on the terrace. Sales of seafood are therefore expected to recover a little over the next few weeks. The next phase of deconfinement is due on the 22<sup>nd</sup> of June when it is hoped that restaurants all over France can function although social distancing will probably remain for some time. Restaurant federation representatives have agreed a protocol for reopening with the government which will see the reduction in social distancing requirements to 1m compared to the 2m initially

proposed by the government, as the channel tries to minimise revenue losses which are still expected to run at -40% to -50% when they reopen.

The pelagic sector continues to improve as the backlog in transportation logistics starts to ease and processors focus on clearing the cold storage stocks in preparation for the new season. Concerns around Brexit negotiations prevail in this sector.

Irish salmon continues to buck the negative trend across the industry. This sector continues to see growth in its core markets with good prices being secured. Imports into the EU for the first quarter of 2020 have shown a 4% increase compared to 2019 and prices have, by and large, held steady.

There are some small signs of recovery across markets for Irish shellfish as the markets slowly open up across Europe and indeed Asia. Some of the main exporters are reporting small increases in demand which is positive although challenges still remain around payment difficulties and bad debts with existing customers.

The whitefish sector remains problematic due to oversupply and low prices available in the European markets. Until the Foodservice channels fully recover, this pattern is likely to prevail with a large deficit in demand. Fishing effort remains strong and fish supplies are plentiful resulting in a buyers' market. Until foodservice gets back to a relatively 'normal' pattern, the situation in Europe will remain volatile. Bord Bia's efforts to drive sales of Irish landed whitefish on the domestic market during the last 3 months is reported to be having a positive impact on sales of species such as Irish hake and haddock; and will be further supported by a 3 week Irish haddock campaign which will run from 22<sup>nd</sup> June.

## Horticulture Summary

### **Edible Horticulture**

Demand in the multiple retail channel is continuing to be strong, while the strawberry season is now underway, with growers reporting solid sales. There is a small upsurge in sales of fresh produce and microgreens into foodservice, with more take-out and full service restaurants operating in the take-home channel. The biggest issue now for growers is the lack of rain, given that we are officially now in drought.

### **Exports**

Mushroom demand has been good to date because of a strong performance from the UK retail trade. 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. Amenity exports continue to be impacted, however, some exports to the UK and Holland have resumed.

### **Amenity / Ornamental Horticulture**

Nurseries continue to report brisk orders from all sales channels with consumer demand for plants being strong. Some retailers are reporting 100% sell through in a 24 hour period. This, however, brings a number of challenges with a large number of growers having cancelled orders for seedlings/inputs (ingredients) to mitigate against further losses, or their suppliers had ceased production due to uncertainty of sales. This has led to stock shortages in some categories. Growers are operating now with reduced staff numbers. This is the 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 the grower.

## Market Insights

### Retail

In order to stimulate the economy, the **German** Federal Government has decided to lower the VAT rate in retail from 19% to 16%. The reduced VAT rate of 7%, which applies to essential goods, will drop to 5%. According to Lebensmittelzeitung, this regulation will be in place from July 1<sup>st</sup> to December 31<sup>st</sup>, 2020.

Sustainability & regional production is rising in importance for **German** consumers according to Lebensmittelpraxis. Research by Mediaplus states, that now, 89% of people prefer to buy everyday groceries locally. 57% believe that brands should create regional offers, supporting local production.

Production prices of agri food increased 1.9% in **France** year on a year to end of April according to Les Marchés. This has led to an annual increase in consumer prices of food products and non-alcoholic beverages of + 4.1% in April after + 2% in March.

In an attempt to increase the purchasing power of **French** consumers, Intermarché have launched a price freeze on 1,000 private label SKUs. This is accompanied by price reductions.

FMCG sales in **Belgium** were up 21% for the last week in May. Alcohol sales were up 48% for the same week due to good weather and potentially due to restocking of businesses.

In the **Netherlands**, Albert Heijn has confirmed that they have raised the prices of a significant number of A-brand products in the past 5 weeks, having kept prices relatively stable through March and April. Whereas price increases and decreases usually balance each other out, a survey by the Dutch price tracker IPV revealed that 81% of the price changes tracked were increases. This is quite remarkable, and, unusually, has not been mirrored by other retailers to date.

The latest MCA Channel Pulse survey showed that, as restrictions are eased, more **UK** shoppers will return to shopping in store for main and top-up missions. It also reported that the importance of price has increased as coronavirus impacts household incomes. Retailers are working to develop a value proposition in response.

At a recent industry Covid 19 meeting **UK** supermarkets pledged to work closer with suppliers to manage uncertainty around issues such as Brexit, Christmas planning and moving out of lockdown asking suppliers to provide more ongoing information on stock levels, production capacity and transport capabilities.

Promotional levels are normalizing at Morrisons with levels now just 16% below those seen in January and the highest since lockdown. Meanwhile, Sainsbury's, one of the first retailers to increase its promotional levels last month, reduced their number of promotions across multiple categories by 33% last week, reaching levels last seen at the start of April.

According to a new survey commissioned by **Swedish** Trade nearly every second customer or 47 percent, shop less in physical stores than they did before the corona eruption. To support the traders, Swedish Trade launches a campaign called "Welcome in - your action makes a difference". Nearly six out of ten customers believe that retailers have taken sufficient steps to enable customers to keep their distance when shopping in stores.

Coop **Norway** was the first to introduce EasyShop to its customers and has used the mobile app in 32 stores since the beginning of the year. Now the self-scanning solution is being rolled out to more of the chain's total of 1,200 stores. Several grocery chains in Norway, Finland, Russia, Germany, the Netherlands, England, Ireland, Italy, Denmark and the Baltic countries have also turned to the Swedish IT company and have shown interest in the self-scanning solution, which can help curb the spread of infection.

In April, according to Nielsen data, **Polish** hypermarkets recorded a 20.4 percent decrease in sales, supermarkets a decrease by 2.1 percent (but in March they increased by 24.3%), and discount stores grew by 13.6% both in April and 17 % in May. Consumers choose local stores, close to home. The frequency of purchases has changed. In June 2019, everyday shopping was declared by 55 % respondents, currently 33 %. It increased to 45 % from 38 % the number of people shopping 2-3 times a week and from 6 to 20 % those who shop once a week.

Reports from leading Italian retailers indicate significant future investment in e-commerce platforms, as a result of a 100% increase in demand for online shopping during the Covid-19 situation. Italian retailer group Végé, has launched a new mobile proximity marketing campaign named 'geofencing', which identifies and promotes products to loyal consumers near one of their points of sale.

Spanish retailers are looking to open on Sundays to compensate for the losses year to date while Interovic, the Spanish lamb promotional body has reached an agreement with Amazon to sell lamb, suckling lamb and goat meat, via AMAZON.

**US** Retail sales may fall by more than 6.5% over the course of 2020, this in contrast to retail sales declining by just 2.2% in 2009, the year the Great Recession finally came to a halt, according to Euromonitor. However, factors that could alter its 2020 forecast include the duration of the Covid-19 crisis, the government's response to the pandemic, the rate at which consumers are comfortable returning to malls and stores, and how retailers are able to react to the dramatic shifts in consumer demand.

**UAE** retailer, Spinneys, have launched a local business incubator programme that is open to products manufactured or produced in the UAE. Successful applicants have their product at Spinneys for a year, with no start-up fees and generous payment terms. The programme is in keeping with UAE government's ambitions for greater domestic food security and production.

Dailymaverick reports that alcoholic beverage sales in **South Africa** have re-opened after 2 months. While retailers were unwilling to go into specifics on volume or turnover it is estimated that in excess of R250-million (€ 14 million) was spent buying alcohol on the first day of opening.

Supermarkets in Japan are adopting new technologies such as smartphone barcode scanning, smartphone payments and online shopping to mitigate the risks posed by coronavirus.

According to **China Daily** - Chengdu municipal government are permitting locals impacted by coronavirus to raise income by setting up stalls in the street tax-free. Other cities in West China have followed suit with this 'stall economy', while it has been discouraged in Tier 1 cities along the East coast.

Staying in **China**, the launch of the largest annual shopping promotion since the pandemic indicates recovery in luxury spending. The 6.18 promotion has seen the number of participating brands almost double from last year to 10,000 on Alibaba's Tmall, while JD reports 400% increase in luxury fashion goods year-on-year.

According to [www.kommersant.ru](http://www.kommersant.ru) sales of whiskey in Russia increased by 52% during Covid 19 lockdown.

Online-sales for the **Russian** X5 Retail Group grew by 40% in May compared to April. Total revenue of [erekrestok.ru](http://erekrestok.ru) and delivery services amounted to 2.37 billion roubles. The rate of online sales in Moscow accelerated more than 7 fold year to year in comparison with the growth of 370% in April.

Conversely, as [www.retail.ru](http://www.retail.ru) pointed, turnover of non-chain stores and mini markets in May shrank by 29 compared to last year, and at the same time the average bill grew by 15% up to 314 roubles.

## Foodservice

Industry body KHN (Royal Horeca **Netherlands**) estimates that while ca. 70-75% of foodservice establishments reopened last week on June 1<sup>st</sup>, they are receiving reports of an unquantified number having to close their doors again. Bad weather has compounded what the KHN sees as the Covid measures holding customers at bay: obligatory reservations and checking in at the door. Some cafes and restaurants are finding that they actually lost less money when they weren't open, sending them back to square one.

Based on data from INSEE and Food Service Vision, a report claims that **French** restaurants should have lost 45% of turnover in March, 75% in April and 60% in May. The professionals in commercial catering expect a loss of turnover of 40 to 50% compared to 2019 for the coming weeks. Mass catering has not been spared, with a fall in turnover of 30%, 55% and 45% respectively.

A report by foodservice analyst Simon Stenning has predicted that the **UK** hospitality and foodservice sector will lose £23bn in the second half of 2020, achieving only 53% of 2019 income levels. It also predicts that for the whole of 2021 the industry will see a £10bn fall in revenues and that 22% of outlets will not be open by the end of 2020 as a result of the coronavirus. Meanwhile, research from Yumpingo has found consumers are eager to return to the eating out market with almost three-quarters (73%) of UK consumers claiming they will dine out within days or weeks of the sector reopening and 60% expecting to pay slightly more for their meal.

VAT for food service in **Belgium** has been temporarily lowered to 6% from the 8<sup>th</sup> June- 31<sup>st</sup> December 2020. This excludes alcoholic beverages.

A survey by the [DEHOGA](http://DEHOGA), **Germany**, has found that after the reopening of foodservice, 83.5% of 8000 operations surveyed reported that their sales expectations had not been met. 31.9% report sales of between 25%- 50% compared to 2019 figures. 17.3% report less than 10% percent of normal sales. Average sales losses of 80% since reopening are reported with sales expected to decline by at least 55% over the course of 2020.

According to the Italian Federation of Public Enterprises (FIPE), almost 90% of bars and restaurants have reopened, while 60% of hotels are still closed. FIPE have estimated a 50% drop in revenue. Home delivery and take-away remain significant revenue generators for all restaurant sectors. To date, maintaining 1-meter distance in restaurants has not posed major problems due to lack of customers.

As more than 68% of **US** restaurants are now permitted to resume on-premises services according to NPD Group, major restaurant chain customer transactions have continued to

improve as more dining rooms reopen. Transactions were down 18% year-over-year in the week ended May 31, up 3% from the previous week, according to data from NPD. Transactions at major full-service chains were down 37% year over year, a 15% improvement from the prior week. Quick-service restaurant chain transactions declined 16%, compared to an 18% decline in the week ended May 24. Recovery has been slower in states and regions where restaurants remain closed for in-store dining. New York and California saw a 34% and 27% decline in restaurant transactions during the last week of May, respectively.

Hard Rock Cafe closes its doors in Madrid, **Spain**, on July 31 after 26 years in the capital

Facua-”Consumers in Action Association” in **Spain** denounces that it is illegal to charge a Covid supplement to customers. An increasing number of establishments in different sectors of activity are applying what they call the surcharge, rate or covid supplement to users for the measures they have to carry out to prevent the spread of the coronavirus.

A rent rebate has been announced as part of the economic packages to support restaurants and tourist venues in **Abu Dhabi**. The scheme by Abu Dhabi Department of Economic Development offers a 20-per cent refund on rents.

Fitch Solutions have updated their 2020 forecasts for consumer spending in **China**. They are now expecting spending on hotels and restaurants to decline 14.48%, alcohol by 6.3%, but food and non-alcohol beverages to increase by 14.24% overall y-o-y.

Popular hotpot chain Haidilao have opened their Shibacuan noodle restaurant in **Beijing** business district in response to Covid dining trends. The restaurant offers self-service and self-checkout so social contact can be reduced. It also helps keep labour costs and consumer prices low.

Restaurants in **South Africa** have started to operate both delivery and collect services. According to market sources, demand from suppliers is starting to pick up however it is going to take a while for demand levels to get back to pre-COVID levels.

**Algerian** authorities will ease up lockdown restrictions in 2 phases. On the first phase that has started last 7<sup>th</sup> of June, restaurants have been authorized to offer take-away service to their customers. Restaurants should be allowed to receive their customers during phase 2, starting from June 14<sup>th</sup>.

**Japanese** alcohol distributor Kakuyasu reports that May sales are down 41.6% YOY. A 75.9% reduction in business channel sales is somewhat mitigated by a 45.9% increase in home channel sales.

Many restaurants in Tokyo are reopening since the government lifted closure requests. However, there are no strict guidelines regarding social distancing, so practices of reduced seating, staff wearing masks etc vary widely between the style and type of restaurants. The Shokuhin Sangyo Shinbun notes that customer are returning to restaurants, but slowly.

The ‘Corona curfew’ for restaurants and cafés in **Berlin** will be lifted on Wednesday, June 10<sup>th</sup>. Businesses serving prepared meals had been ordered to close by 11pm nightly, much to the dismay of business owners. Some are now seeking compensation from the state for revenue losses.

In **London**, Soho restaurant and bar operators are supporting an initiative to temporarily pedestrianize streets in the area and relax licensing measures allowing venues to expand onto the street. The initiative intends to enable hospitality businesses trade whilst following social distancing guidelines and reduce the loss of trade over the normally busy summer months.

The latest MCA Channel Pulse Survey for w/c 8th June showed UK consumers say they expect to be using food delivery/takeaway services more in the coming week (+36%). This is a 3ppt increase compared to last week. It comes amid another week of reopenings with chains such as Nandos, McDonalds, Loungers, Costa and Greggs ramping up reopenings for takeaway and delivery in the last week. McDonalds hit its target of 1,000 reopened sites meanwhile Greggs is set to reopen its entire 2,000 strong estate by 1<sup>st</sup> July.

The Irish government announced at a press briefing on Friday, 5th June, that **Ireland** has been able to fast-track the lockdown due to widespread public co-operation with the restrictions. Hotels, restaurants and bars that serve food and provide table service will now all be in a position to reopen at Phase 3 of the relaxation, scheduled for 29th June. The final Phase (4) is set for 20th July.

Fáilte **Ireland** published guidelines for the tourism and hospitality industry to ensure businesses can reopen safely on June 29th. The guidelines were developed in collaboration with industry groups, with the Government also being consulted.

McDonalds has announced a phased reopening for a walk-in takeaway food in **Ireland** and the **UK**. From 17 June some 11 restaurants will open in the UK for motorway customers. From 24 June restaurants will reopen in Ireland.

Rebel Tang is a new food-tech company in **Poland**, which creates virtual restaurants operating only in the form of deliveries to the customer. The business concept is based on a dedicated technology platform that every restaurateur can easily implement in their own kitchen.

In the **Nordics**, demand for ready-to-eat food fell sharply at the beginning of the corona pandemic. Picadeli with its salads was one of the food companies that hit hard - but now this development has turned. In the past three weeks, salad sales have increased by 60 percent per week and 100 stores per week have been reopened. A total of 800 stores have reopened out of a total 1250.

With the plunge in travel, Emirates Flight Catering become the latest player to launch a B2C channel. Their new platform – Foodcraft, offers next day delivery in the **UAE** of a wide range of products including meal kits, freshly chopped vegetables, meat cuts, ice-cream.

According to an **Italian** Porsche Consulting study, e-commerce volumes have tripled due to Covid-19. Digital interaction between consumers and retailers/producers has increased tenfold, and restaurants will need to provide delivery to keep a competitive edge. The study predicts an emerging trend of an “experiential ecosystem”, made up of products and services such as meal kits, or the delivery of food with certain dishes, with the aim of remotely managing a successful customer experience.

According to The Fork, the possibility of booking tables outdoors is becoming increasingly important for app users (+59%), and more customers are looking for communications by restaurants regarding safety measures, information on digital menus, reviews dedicated to anti-Covid standards, and the possibility of paying contactless.

## Local Manufacture & Logistics

### Trade Insights:

According to Bord Bia trade contacts in **Algeria** UHT milk sales have increased by over 40% during the last number of months despite the challenges encountered and especially with distribution due to COVID19 restrictions. However, procurement has been challenging during the last weeks, delays in logistics, custom clearance and currency fluctuations were the main issues faced.

**Algerian** livestock marts have reopened this week. Farmers will be able to sell their stock at a good price and will then look for replacement in order to start a new fattening season. This will bring more demand for fattening bulls and help stabilize the meat market.

The **Indonesian** food and beverage manufacturing sector expects revived demand for processed foods from June onwards as the nationwide lockdown is eased. Foodservice demand from office canteens, as well as a resumption of domestic travel, will be a substantial tailwind going forward.

Following the **UAE** Federal Government's announcement to lift restrictions on transit passenger services, from 15th June Emirates will increase the number of flights on the Dublin-Dubai route services, which allows greater transport options for Irish suppliers.

The pandemic has spurred the **UAE** to explore new ways of becoming less reliant on imports. Currently relying on 90% food imports the UAE have launched a pilot project with South Korea's Rural Development Administration and have begun harvesting rice in the emirate of Sharjah. This activity is part of a wider initiative that supports the national food security system.

The World Beef Report outlines low activity in the **Middle East** for Brazil meat exports, reporting that the Gulf has been very scarce of activity, with a demand for hindquarters practically non-existent; only a few trimming businesses are done. One factor complicating the short-term outlook was the return of the lockdown in Jeddah (the second largest city in Saudi Arabia) due to new cases of covid-19, and there is a chance that Riyadh (the capital) would also join in that move. (Source: World Beef Report, Issue 1376)

Foreign airlines that were previously unable to send international flights into **China** are now allowed to fly to one city each week again. The measures would apply to any foreign airlines not included in a plan unveiled in March that rationed international flights.

In **Germany** dairy demand remain strong as reported by the Milch-Marketing Magazine. The Federal Statistics Office calculated that there has been a 12% increase in the entire retail sector in March. April and May showed further increase.

The large **Italian** agri-food park Fico Eataly World reopened on June 2<sup>nd</sup>, with 95% of the park's restaurants ready for business. Visitor's temperatures are taken at the entrance, and it is compulsory to wear a mask inside.

### Global Brands

Confectionerynews.com reports that Nestlé UK has announced that it is joining forces with Deliveroo's essential delivery platform in a deal that will allow the company's confectionery and other products to be delivered direct to consumers. The move comes after Nestlé reported a quarterly sales growth in March, its best in almost five years driven by increased customer stockpiling of its coffee, frozen food and pet food brands during the corona virus restrictions.

Some of the world's biggest food brands are realising long held ambitions to sell directly to consumers in the pandemic, food manufacturers like Pepsi-CO, Nestlé and Kraft Heinz are selling direct to consumers. However, the sites are not expected to make money instead they are using the initiatives to learn what works and what does not in ecommerce and to gather data about customers. Jean Philippe Nier UK Head of Ecommerce at Kraft Heinz said that while this is a new venture for the company he is amazed by the kind of data that you can get. Coronavirus has made direct initiatives more viable.

Groccermania has announced a partnership with Unilever to deliver ice-cream products such as Ben & Jerry's, Magnum and Twister via the Groccermania app or website. The company offers same day delivery service across the UK.