Market Insights Covid-19 Impact on Trade:

April 28th, 2020

BORD BIA
IRISH FOOD BOARD

Rialtas na hÉireann
Government of Ireland

Table of Contents

Bord Bia's Understanding Covid-19

Topline Takeouts:

Meat:

Beef markets have seen little change over the last week, retaining a focus on retail outlets and with sustained demand for forequarter and mincing product. There were reports of some recovery in the trade for steak cuts, particularly ribs across Europe, reflecting the start of the barbecuing season as well as fewer cattle being processed in Ireland and across Europe. Cattle supplies at Irish export meat plants totaled 25,225 head during the week ended April 18th 2020, which represented a decline of 6,355 animals on the equivalent week last year. Weekly live cattle exports continue to decline significantly, in comparison with the equivalent period in 2019. The fundamentals of supply and demand within the Irish sheep sector has generated significant upward movement in sheep prices over the month of April. According to DAFM figures, average sheep prices have increased by 11% whilst throughputs have fallen by almost a third. From a demand perspective, Easter and Ramadan brought a much- needed impetus to the sheep trade. Pig processing activity declined slightly last week in comparison with normal levels, while poultry supplies remain largely unaffected at meat export plant level.

Dairy:

The closure of the Food Service channel continues to challenge the global Dairy industry, particularly in the US where foodservice consumption accounts for an estimated 50-60% of total consumption. In the past week, the US government and the EU Commission both announced funding of $19 billion and €30 million respectively. Ireland's dairy processors are forecasting an approximate 5% increase in output in 2020 which would see us surpass the eight billion litre mark for the first time. The plummeting of oil prices continues to be watched with interest by dairy commentators as reporters note historical correlations between the price of dairy commodities and that of oil. The latest GDT event saw prices down by 4.2% overall while Dutch prices rose marginally.

Alcohol:

According to the IWSR, the near complete loss of the on-trade sector has had a significant impact in all markets, and these losses have not been compensated for, by the growth in the off trade and ecommerce channels. In most markets, the initial panic-buying behavior in the off-trade channel is beginning to subside. The drinks business as a whole, is largely driven by relationships and face-to-face networking. As a result, the cessation of all direct-contact activity, trade fairs, market visits, inward-buyer & inward-media visits has had a catastrophic impact. This impact has been felt to a greater degree by younger companies in the embryonic stages of commercial relationship development. Craft breweries and cideries continue to be the most severely impacted segment, with operations reduced to skeletal functions, or closed entirely with the loss of business estimated at the higher level of 75-80%.

Prepared Consumer Foods:

The Irish Prepared Consumer Foods sector is experiencing a mixed impact from the Covid-19 situation. Retail sales have settled into a stable pattern in the last number of weeks with the foodservice sector largely shut down. The loss of foodservice business remains the key issue facing client companies who have a high proportion of their sales in the foodservice channel.

The pressure on cash flow remains an area of concern for our client companies. Increasingly foodservice companies are managing their cash flow through late payments and partial payments. This is having a resulting impact on the cash flow of their suppliers. Many larger retailers have temporarily changing their payment terms to ensure that small suppliers get paid as quickly as possible. Client companies have noted the positive impact of this measure.

Seafood:

The domestic market for hake has improved. In addition, many whitefish processors traditionally focused on the foodservice channel are now offering 'click and 'collect' and home deliveries direct to Irish consumers, opening up new channels. Prices for live shellfish continue to be poor for those species heavily dependent on the European foodservice markets. The global shortage of reefer containers continues to be the dominant issue facing the pelagic sector.

Horticulture:

Demand for edible horticulture in the multiple 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. Amenity exports have now ceased completely as the UK garden centers are 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. The growth in demand for ornamental product by multiple retailers has accelerated, with suppliers struggling to meet the demand. This however, brings a number of challenges, as some growers had cancelled orders for seedlings/inputs (ingredients) to mitigate against further losses, meaning that there could be shortages down the line.

Macro Economic Context

Political

In Ireland, professional medical bodies have raised concerns that Delays in reaching the weekly target of 100,000 coronavirus tests until the third week in May raise doubts about the State's capacity to lift lockdown restriction when they expire next week.

Additionally, the Irish College of General Practitioners, warned that – beyond testing – without a ramping up of "critical" contact tracing to identify others infected by a new case, there would be "a further inevitable surge in infection rates" that would place "significant additional pressures" on GPs and the wider healthcare services.

Both of these limitations will restrict government ability to ease restrictions on movement. The current set of restrictions expire on May 5th and the government have advised that they will release a plan for phased reduction of restrictions before that date.

This is coming at the same time as a number of other European countries set out their plans for restriction removal. All of the release plans are contingent on continued social distancing, higher levels of testing and lower levels of new infection.

In Spain, the health ministry said lifting the country's lockdown would depend on strengthening the health system to deal with a possible resurgence of the virus, having sufficient data to monitor the transition to normal life as well as continued social distancing.

French Prime Minister Edouard Philippe confirmed on Sunday that he would present the government's exit strategy on Tuesday, with a focus on six themes: "health (including masks, testing and isolation), school, work, shops, transport and gatherings".

Economic

US Oil Prices

US oil prices have continued downward in a stark illustration of the extent of the demand collapse. West Texas Intermediate, the US oil price benchmark, tumbled 27.7 per cent to $12.25 a barrel during Monday trading.

In response, oil production has been reduced by producers. Drillers cut 60 operating oil rigs in the week to April 24, reducing the total count to 378, the lowest since July 2016, according to a regular report released by energy services company Baker Hughes

Analysts said that the cuts had not been enough to compensate for the massive hit to oil consumption from measures to prevent the spread of Covid-19. Commodity trading houses say demand could drop by as much as 30 per cent as many economies have in effect shut down.

Some US states move to reopen

The Center for Disease Control and Prevention in the US has advised that restrictions should be lifted only once the state and regional hospitalisation rate has recorded a decline for 14 days in a row. Notwithstanding this advice, a number of US states have begun to lift

restrictions on businesses and individuals. This is occurring as the new jobless claims in the last four weeks in the US cleared 26m people.
Re-openings are happening not just in Republican led states. Colorado, which has a Democratic governor, has committed to sending the workforce back early. Jared Polis, the Democratic governor of Colorado, said he respected the decision of his own state capital Denver to extend lockdown orders even as he gave the go-ahead for the rest of his state to go back to work with reduced staffing from May 3.

It is illustrative of the fractured politics of Covid-19 in the US and the increasing feeling that the levels of unemployment and absence of economic activity cannot be maintained, despite public health guidance.

Societal

New Zealand easing

Takeaway food outlets, some schools and some construction sites are reopening in New Zealand after that country recorded only one new case of Covid-19 in 24 hours.

New Zealand had taken extreme lockdown measures early and in combination closing borders, the nation of five million managed to limit cases thus far to 1,122 with 19 deaths - the lowest per head of population in the developed world.

The lockdown restrictions have been at maximum Level Four since March 25th. The easing back to Level Three has been hailed as a victory by PM Jacinda Ardhern, but she cautioned that return to normal life and social contact would not be swift:

“Everyone wants to bring back the social contact that we all miss", she said, "but to do it confidently we need to move slowly and we need to move cautiously".

"I will not risk the gains we've made in the health of New Zealanders. So if we need to remain at Level Three, we will."

Technological

The World Health Organization on Friday warned against relying on antibody tests for policy decisions as leaders consider how to reopen their economies and reintegrate society. While countries like Italy have even floated the idea of “immunity passports” for people who test positive, W.H.O. officials noted that it is not known to what extent people carrying antibodies are immune to the virus.

Contact tracing – Germany changes tack

Having backed a centralised standard called Pan-European Privacy-Preserving Proximity Tracing (PEPP-PT), the German authorities changed tack on its contact tracing app development, acknowledging the difficulties of data privacy maintenance in a centralised system and the refusal of Apple to participate.

It is now working on the development of an app that will integrate with Apple and Googles data sharing platform and that will meet data protection standards. It will be Bluetooth based.

Bluetooth-based smartphone contact tracing operates by assessing the closeness and length of contact between people and, if a person tests positive for COVID-19, telling recent contacts to call a doctor, get tested or self-isolate.

Early results in countries such as Singapore are modest, however, and that country did have to return to lockdown despite high levels of compliance with contact tracing app download.

Sectors Insights

Meat Sector Summary

Beef:

Beef markets have seen little change over the last week, retaining a focus on retail outlets and with sustained demand for forequarter and mincing product. With the recent settled and sunny weather across Europe, there were reports of some recovery in the trade for steak cuts, particularly ribs. This also reflects the start of the barbecuing season as well as fewer cattle being processed in Ireland and across Europe. However, sales of fillets, which are typically highly dependent on foodservice, are still trading at prices which are 40% below normal levels. The EU last week announced exceptional meat market support measures, including private aid storage for beef. However, based on initial reactions these are expected to receive limited uptake from industry.

In a study focusing on the Covid-19 impact on the meat and dairy sectors, GIRA last week forecasted a decline of between 7% and 8% in EU consumption of beef. The difficulties in the foodservice sector were reported as the primary impact, with the consultancy also pointing toward issues of carcass balance with demand focusing on lower value beef products such as mince.

Cattle supplies at Irish export meat plants totaled 25,225 head during the week ended April 18th 2020, which represented a decline of 6,355 animals on the equivalent week last year. A total of 562,164 cattle have been processed up to the week ending April 18th 2020. This figure represents a decline of 11,325 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 €3.61/kg excl. VAT, which is 5c/kg below the same period in 2019.

The latest price paid for Irish R3 steers is €3.41/kg, which is 3c/kg below the average EU R3 young bull price of €3.44/kg.

In the UK the AHDB reported similar price drops for the week ending April 18th, Average R3 steer prices fell again by 6 pence Sterling to £3.29/kg (€3.74/kg) following a drop of 7 pence the previous week. R3 Heifers were down similarly by 3 pence to £3.29/kg also. R3 Young bulls remained steady at £3.19/kg (€3.62/kg).

Live Exports:

Weekly live cattle exports continue to decline significantly, in comparison 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 18th show that exports reached just over 7,000 head in total, with calves accounting for almost 6,000 of these. During the same week last year, there were almost 11,500 cattle exported, of which over 10,000 were calves.

Overall exports for the year to-date show a decline of 15%, or 21,700 head, at 126,300 head. At this stage in the spring, exports of young calves aged less than six weeks usually start to decline, in-line with seasonal availability. This year, the situation is being further impacted by reduced demand for calves across key European markets. However, there are indications that the likes of Spain and Italy will represent useful outlets for stronger reared calves over the summer months.

There were just 300 calves exported to the Netherlands for the week ending the April 18th. Reported prices for average quality Dutch Holstein bull calves remained at €45 to €55 per head. The average price of finished animals being sold aged seven months for white veal production declined by a further €0.10/kg last week, to just €4.10/kg deadweight.

The first large-scale shipment of approximately 1,100 finished cattle from Ireland to Algeria was completed earlier this week, with the arrival of the vessel in the port of Algiers. Further consignments are expected to take place over the coming months.

Sheepmeat:

The fundamentals of supply and demand within the Irish sheep sector has generated significant upward movement in sheep prices over the month of April. According to DAFM figures, average sheep prices have increased by 11% whilst throughputs have fallen by almost a third. From a demand perspective, Easter and Ramadan brought a much- needed impetus to the sheep trade.

In terms of supply, hoggets are becoming scarce in numbers. It is for this reason that sheep prices are holding steady for the present moment. However, it is a delicate balance, demand has eased and supplies will inevitably increase with new season spring lambs materialising in greater numbers over the coming weeks.

This week will be a shorter trading week on the continent, as most importers will be closed for the May Day (May 1st). Whilst next week will be a four-day week in Ireland, due to the bank holiday. It remains unclear how the supply and demand and prices will behave over the next week to ten days.

Covid-19 restrictions are being eased in New Zealand, however, there continues to be a back log of sheep to be moved off farms. According to Farmers Weekly, NZ sheep are being moved from the North Island as a measure to release pressure on plant capacity on the South Island. Together with a slowdown in exports, this increase in supplies is putting downward pressure on prices. Spring lambs are now securing NZ$6.50, back from $6.70/kg on the previous week or some $0.80/kg less on 2019. It is anticipated that more NZ product will be diverted to Europe given expected slowdown in some of the new markets that that they recently gained a foothold in, such as the US.

For the week commencing April 27th, hoggets are generally trading at between €5.90-€6.10/kg, plus a 10c/kg QA bonus, whilst new season spring lambs have eased back by 10c/kg to €6.30 to €6.40/kg plus the bonus.

Pigmeat:

Pig processing activity declined slightly last week in comparison with normal levels. A small number of meat plant workers were following self-isolation protocols. For the latest week ending April 18th overall pig throughput reached 58,400 or 6,500 head lower compared to 2019 levels. Demand for pigmeat remains mixed in Ireland, with activity in the foodservice channel stagnant and retail demand returning to more normal pre Covid-19 levels, with the best trade reported for products such as ham fillets, pork, bacon backs and sausage meat.

According to Kantar, pork and bacon sales in volume terms were 26% and 28% higher in the 4 week period ending the March 22nd compared to prior year levels. While the improvement in weather conditions over the past few weeks has helped lift demand for sliced cooked meats.

The Bord Bia promotional campaign for Quality Assured pork continues this week. This advertisement will be followed by more Q-Mark pigmeat advertising through the new 'Quality Comforts' campaign over the coming months.

The latest grade E Irish pig price reported last week fell by 4/c to €1.77 per kilo, with the range of prices reported falling to between €1.74 - 1.82 / kg excluding VAT.

Despite some fall in EU and Irish prices over the past number of weeks. The EU Commission in their latest short-term outlook expect that EU pigmeat prices should remain less exposed compared to other meat proteins reflecting strong international demand. This view is supported by GIRA, given that pork is the staple dish for most Chinese consumers, with around three quarters of total pork purchased through the retail channel. The pigmeat category is better positioned to withstand the current global turbulence, given the ongoing challenges in Asia around securing enough meat protein reflecting the impact of ASF. Chinese pigmeat production is forecast by Gira to reach around 21.75 million tonnes this year or 58% lower compared to 2018 levels. A delay in the recovery of pigmeat production in China as a result of Covid-19 is expected to leave Chinese pigmeat imports 61% higher at 3.52 million tonnes for 2020 compared to prior year levels.

However, European suppliers will be challenged by more competitively priced US pork. This is due to limited meat packing capacity reflecting some plant closures from Covid-19, combined with surplus pigs, has led to significant price cuts for producers in recent weeks. In addition, Gira estimate that the foodservice channel in the US accounts for almost 40% of pigmeat consumption. The collapse in this channel has resulted in pork belly demand and prices declining significantly.

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, however purchasing behavior has returned to more normal pre Covid-19 levels. For the four-week period ending March 22nd, chicken sales in volume terms were 25% higher compared to prior year levels.

The foodservice channel has been severely hampered, with sales plummeting in recent weeks due to the Covid-19 restrictions. 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 as these products are used extensively. While in terms of exports, a mixed trade continues to be 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 from competitors across Europe. 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

The closure of the foodservice channel continues to challenge the global dairy industry, particularly in the US where foodservice consumption accounts for an estimated 50-60% of total consumption. In the past week, the US government and the EU Commission both announced funding of $19 billion and €30 million respectively.

GIRA consultancy and research company suggest that while there is a notable softness in dairy demand which will prevail for the best part of the year, there could be a demand lift in Q4 2020 particularly for butter and skim milk powder.

However, potential over supply of core dairy products will have a significant bearing on commodity prices for the rest of the year.

Ireland’s dairy processors are forecasting an approximate 5% increase in output in 2020 which would see us surpass the eight billion litre mark for the first time. The plummeting of oil prices continues to be watched with interest by dairy commentators as reporters note historical correlations between the price of dairy commodities and that of oil.

Farm and Processing Plants

On farm activities continue at pace now as peak season is but a matter of weeks away. Milk collections and processing remain the same as last week.

On foot of the impact of Covid-19 on commodity pricing and demand, dairy processors announced reductions to their milk price with Aurivo last week announcing a 1.5c/l reduction in its March milk price to 31.48c/l.

Logistics and Supply Chain

The severe backlog in container availability has somewhat been alleviated although shipping lines continue to adjust their schedules in line with demand and port accessibility. Demand for retail transport and shipments reportedly remains buoyant.

Support Measures Announced

US - Government announces $19 billion Food Assistance Programme

The elimination of foodservice demand continues to have a devastating effect on US dairy, particularly cheese. Last week, the US government announced a $19 billion Food Assistance Programme including $16billion in direct payments, and $3billion in government food purchases. It's reported $100 million per month will go towards purchases for distribution to food banks and nutrition programmes.

EU - Commission announces €30 million in Support Measures:
Last week, the European Commissioner for Agriculture, Janusz Wojciechowski announced support measures for the EU Agri-Food sector including €30 million in aid for the private storage of up to 330,000mt of dairy products. The measure allows for €10 million in funding towards eligible storage of 100,000mt of Cheese, €14 million for storage of 40,000mt of Butter, and €6 million for 90,000mt of Skim Milk Powder.

On this occasion and different to previous measures, member states have each been given a quota for eligible tonnages which can be held in private storage. At time of writing the official Trader Notice has still to be published in respect of the scheme which will detail the specific allowances per member state, and the level of aid for each product category. For Ireland, the reported quota for cheese is 2180mt down from an initial 5000mt representing 2.18% of the total eligible aid on offer.

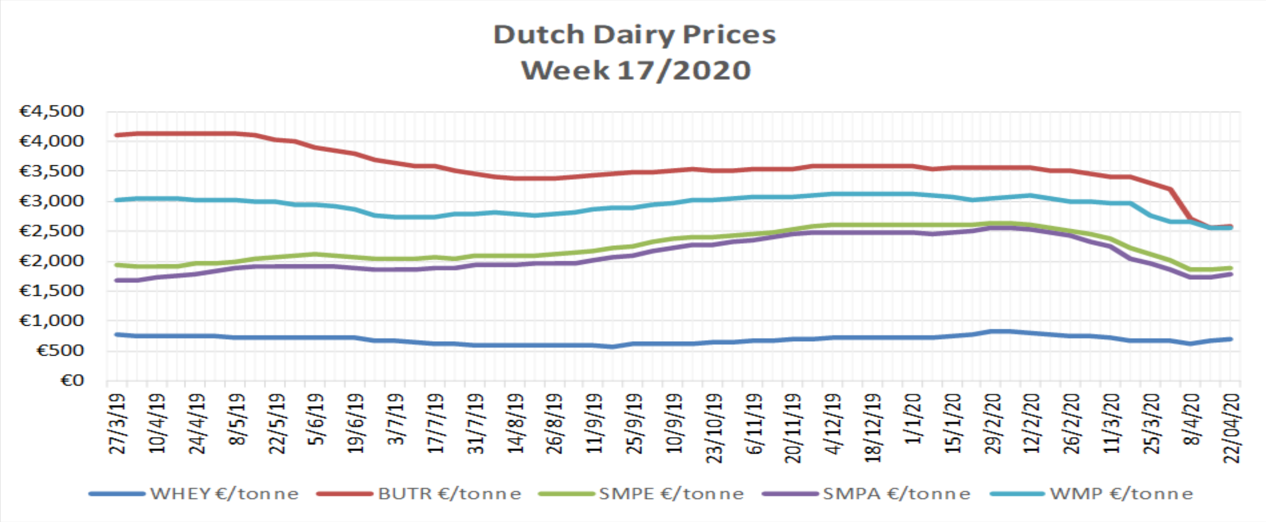
Pricing

New Zealand

GDT Event 258 was down 4.2% overall with Butter, Rennet Casein, Skim and Whole Milk Powder all back on the previous event while Cheddar gained 1.9%. Based on the most recent comparable indices, New Zealand origin WMP is arguably the most competitively priced as week 17 came to a close.

Europe

The Dutch Dairy prices for week 17 saw a marginal week on week increase of 1.5% and was the first positive Dutch Index since week six, possibly aided by the EU Commission's announcement on support measures for Butter, Cheese and Skim (PSA). European Butter is marginally more expensive than that of US origin. See Dutch Dairy price trend for 2020 below.



USA

Although Cheddar prices have fallen significantly in recent months, week 17 CME prices saw block cheese close +5.68% on the previous week ($2363/€2176 pmt). At time of writing USA origin cheddar and SMP are the most competitive versus that of EU and NZ origin.

Alcohol Sector Summary

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

Spirits

Production impact

As quarantining continues, so does the impact on production facilities across the sector. The absence of the on-trade customer has resulted in an estimated 60% loss of business, when calculated across all sub-sectors. Craft breweries and cideries continue to be the most severely impacted segment, with operations reduced to skeletal functions, or closed entirely with the loss of business estimated at the higher level of 75-80%. When the on-trade opens up again consumers may be more inclined to drink locally produced products. This will help producers and brand owners in the domestic market but may make reopening and growth in key export markets that bit more challenging. It is also anticipated that trade will be slow to return to previous levels, as consumer confidence will require time to build. And so, the customer base will require generous payment terms as they rebuild.

Exports

Global data and intelligence organisation IWSR, asserts that the near complete loss of the on-trade sector has had a significant impact in all markets, and these losses have not been compensated for, by the growth in other channels. In most markets, the initial panic-buying behavior in the off-trade channel is beginning to subside.

Where markets have a strong e-commerce structure, this channel has helped to negate the loss of on trade sales, with capacity issues in both fulfillment and delivery slots being the newer challenge. For those markets without a strong e-commerce structure, clients have been struggling to put a ordering and smooth delivery system in place. IWSR warns that, particularly in countries where public assistance is limited, the cumulative decrease in disposable incomes within a large strata of society will result in alcohol being viewed as a luxury, causing long-term damage to industry value.

At the time of publication of this report, in the **US,** 42 states and 90% of the population or just under 300m people, were under stay-at-home orders. Most non-essential business are closed. While the on-trade remains closed, retail sales of alcohol continue to grow in double digits, albeit slower than in recent weeks. Peak panic-buying occurred in mid to late March, with e-commerce sales being very significant. There has been a trend emerging towards larger packaged formats with a reduced purchase frequency, according to IWSR's report. In the US value brands have been growing sales but so too have premium brands in the retail trade.

In the **UK,** the off-trade also enjoyed strong growth during March, with growth of more than 20%, this has slowed to some degree since then. Ecommerce sales came from a low base, but achieved growth of more than 50%. The challenges of fulfillment and delivery slots common to most markets feature here also. Unlike the US value and standard offerings are gaining to the detriment of premium and prestige.

In **France,** restrictions are more severe than in many other markets, and the strategy of locating hypermarkets outside of populated areas has driven consumers to the smaller metro markets. The on-trade is closed, and the off-trade figures are declining because the metro markets are dedicating alcohol space to products of greater necessity to their consumers. Ecommerce is thriving to a greater degree than other markets as a result, with growth of more than 60%. In terms of positioning, there has been a switch from standard to value offerings, with premium and prestige most severely impacted.

Another strong market for Irish spirits, **Germany** is somewhat behind the curve in terms of ecommerce and this is reflected now in alcohol sales. Sales online have not compensated for the losses elsewhere to as great a degree as in other markets. A price sensitive market traditionally, the importance of the value offering continues during Covid-19. All other positionings are suffering, particularly premium and prestige.

Lockdown in **China** began regionally on January 23rd and restrictions eased from late March with non-essential shops and some on-trade facilities reopening, with social distancing rules applying. Since then, modest growth is reflected in alcohol sales, between 5-10%. There are reports of consumer caution, but there are also indications of the recovery of so-called 'status' spirits (premium and prestige offerings). The on-trade is receiving some Government help, the lockdown has had a severe impact on the channel which means that credit terms may need to be very long and there will be a rise in bad debts. In the off trade, supermarkets, convenience stores and ecommerce are all indicating positive growth since reopening.

Craft beer and Cider

The viability of the craft beer and cider category is becoming a big concern as the weeks pass. It remains the most vulnerable of the alcohol categories, with the cessation of brewery tours and taprooms severely impacting cashflow, future growth and development. The impact in the Ireland market remains critical as previously reported.

Exports

While the craft beer and cider category is heavily dependent on the Ireland market, there is also impact in terms of exports. The strongest markets for the category pre-Covid were the UK, France and Italy.

All on-trade in the **UK** remains closed, with no end in sight. While indicators are positive for off-trade and ecommerce, this reflects improved performance for spirits and wine, not for beer and cider.

As mentioned above, alcohol sales in **France** are negative in the main, with the exception of the ecommerce channel. Premium offerings are most severely impacted which directly affects Irish exports. This means that craft beer and cider exports to France have effectively collapsed.

Italy is a fast-growing market for Irish craft beer, and the market most severely impacted by Covid-19. On-premise sales dropped to zero during the crisis; the increase in off-trade sales did little to compensate for this as re-stocking proved too challenging for distributors. Ecommerce has grown significantly but from a very low base. According to IWSR, 'a climate of uncertainty, combined with falling incomes for those unable to work or made redundant, means that alcohol sales are moving towards known and trusted brands at the lower end of the market. The recovery process for more premium price brands is expected to be long.'

Prepared Consumer Foods Sector Summary

The Irish Prepared Consumer Foods sector is experiencing a mixed impact from the Covid-19 situation. Retail sales have settled into a stable pattern in the last number of weeks with the foodservice sector largely shut down.

The loss of foodservice business remains the key issue facing client companies who have a high proportion of their sales in the foodservice channel. In the Irish market there have been announcements that foodservice operators are beginning to re-open some outlets. In locations where the government guidelines on physical distancing can be fully implemented, outlets are offering click and collect, and delivery and drive through services. Foodservice units are also starting to slowly re-open in Europe as governments start to relax some elements of the lockdown. Client companies are reporting that this is leading to a small increase in orders received last week.

As stated, the demand from multiple retailers has remained stable. Consumers are becoming accustomed to the lockdown and are starting to settle into this new 'normal'. New mealtime habits are emerging in the home as families are eating together more often. This is having an impact on the food we buy. There is less browsing in-store as consumers are reducing their time in-store. Demand is still high for long life foods. The increase in scratch cooking has seen a slowdown in demand for frozen, chilled and convenience prepared meals. The increase in home baking is having a knock-on effect on the sales of traditional bread and cakes. While the need for a sweet treat is having a positive impact on the demand for chocolate, snacks and cakes.

The penetration of online food shopping is low in Ireland. The current situation has seen more consumers try the service for the first time. The lack of delivery slots persists and is the main barrier to growth. Demand for delivery slots is resulting in wait times of up to two weeks for consumers. In line with this increased demand a number of smaller independent retail outlets have launched online delivery services. Those who had an existing online presence are increasing their product ranges. Orders are also being taken over the phone and by email. Next day delivery is available locally with couriers being used for longer journeys. Chilled and frozen foods are delivered in cooler boxes.

The closure of farmers markets has removed a key route to market for many small food producers. In response to this we have seen producers collaborate to create a combined consumer offering. We are seeing examples of producers working together to create meal kits, recipe boxes and market boxes. Producers are pooling resources and expertise to market their products through social media. They have developed online sales and payment platforms. Products are available for collection once combined or can be delivered locally. This is having a positive impact on their sales volumes and cash flow.

The pressure on cash flow remains an area of concern for our client companies. Increasingly foodservice companies are managing their cash flow through late payments and partial payments. This is having a resulting impact on the cash flow of their suppliers. Many larger retailers have temporarily changing their payment terms to ensure that small suppliers get paid as quickly as possible. Client companies have noted the positive impact of this measure.

Bord Bia is continuing its engagement with retailers in the Irish market. We are sharing supplier challenges and working to identify new opportunities for companies. Retailers are working with Irish suppliers as they adapt their business. There is also a focus on businesses who are aiming to pivot from foodservice products to retail products.

Seafood Sector Summary

The domestic retail market remains fairly steady with vessels continuing to 'fish to order'. Retail sales have stabilised and Bord Bia continues to assist the sector by ATL and BTL promotions focused on driving sales of Irish whitefish. A social media campaign designed to support the Irish brown crab and Irish mussel sector will run in May and it is hoped this will have some impact on driving sales on the domestic market over the months ahead.

Whitefish

The domestic market for hake has improved. In addition, many whitefish processors traditionally focused on the foodservice channel are now offering ‘click and ‘collect’ and home deliveries direct to Irish consumers, opening up new channels. Fishmongers around the country are also developing this new model to continue to supply the market,

Export markets for Irish whitefish continue to be volatile. Prices on the French spot market have dropped. Demand from Spain for key species such as megrims is steady however and prices are holding up. European whitefish markets continue to be challenging as many of the French and Belgian fleets are now fishing and supplying their domestic markets, making exports to these markets all the more challenging.

Shellfish

Whilst it is widely acknowledged that many retailers across Ireland and Europe are focused on delivering more ‘basic’ product ranges for their customers in light of the financial difficulties facing many clients, some Irish retailers are reporting evidence of consumers trading up to some luxury products as ‘a treat’, particularly as eating out is not an option in the short to medium term. There is evidence in some outlets of increased sales in some shellfish lines and hopefully this may open up some opportunities for new listings for Irish products during this period.

Generally, across the sector, the issue of bad debts and challenges in securing export insurance are all issues severely impacting on the Irish seafood sector. Pressures on access to cold storage also continue apace. Large stocks of shellfish are reported across the main European markets and this overhang of stored product building up will pose a major challenge to the resumption of normal trading conditions when the foodservice channels open up at some point in the future. Prices for live shellfish continue to be poor for those species heavily dependent on the European foodservice markets.

Bord Bia is currently working with Avalon on the inclusion of live Irish shellfish on their regular return flights to China. These humanitarian flights that collect PPE from China and drop off in Dublin are returning empty, and Avalon have offered this cargo space to Bord Bia for its client companies.

Pelagic

The pelagic season has now come to end. Exporters to Africa are expressing concern that, as oil prices remain low, the important Nigerian market which accounts for almost 5% of total Irish seafood exports, is now difficult to access as the economy is starved of cash to pay for imported products. The global shortage of reefer containers continues to be the dominant issue facing this sector and the rising costs of shipments is eating into its profitability, making it difficult for Irish companies to compete. Demand in Asia continues to be strong for Irish pelagic fish but transportation to these markets is an on-going concern for this sector; customers are increasingly concerned at the slow pace of deliveries from the Irish sector due to these transportation difficulties

Horticulture Summary

Edible Horticulture -Demand & Labour

Demand in the multiple 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. Field crops destined for the foodservice market are being destroyed, through rotovation back into the soil. Regarding 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 production is reported as mixed as labour requirements vary from business to business. 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.

Exports

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 centers are 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 seasonality) 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.

Amenity / Ornamental Horticulture:

The growth in demand for ornamental product by multiple retailers has accelerated, with suppliers struggling to meet the demand. Retailers are struggling to keep product on shelf with many products selling out within 24 hours. Under the current restrictions, garden centres cannot open for business and are having to sell remotely to include delivery/collection. The multiples are reported as selling the product at a lower price than that of the garden centres. This could affect relationships in the long term.

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.

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

Growers of seasonal plants now must 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 continues to be brisk. This however, brings a number of challenges, as some growers had cancelled orders for seedlings/inputs (ingredients) to mitigate against further losses. This ultimately may lead to stock shortages down the line, as growers are operating now with reduced staff numbers, who are 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 the grower.

In the last five weeks some plants have been dumped due to lack of demand, as well as the need to free 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 must 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 will 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.