

Market and Sector Insights Covid-19 Impact on Trade:

June 19th, 2020



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Macro Economic Context

Political

In the UK, the Labour party has called for an emergency summer budget - with a stimulus package to prevent the surge in unemployment that is expected once the government's furlough scheme and other economic support measures end. While headline unemployment figures in the UK have stayed low - 3.9% in May - this is largely due to the government's furlough scheme and data has indicated there are 6m people not working who have not claimed unemployment benefit.

Hungary has ended its political state of emergency which had granted PM Victor Orban the right to rule by decree - setting off warning about the opportunity for authoritarianism in responses to Covid-19. In repealing the state of emergency, the parliament did grant Mr Orban some sustained new powers including making it easier to declare a health-related state of emergency on the suggestion of the surgeon general.

Economic

Suppressed oil demand is likely to last into 2021 according to the International Energy Agency. The agency is forecasting that in 2021 oil demand will grow from the 89m barrels a day low of 2020 but will remain 2.4m barrels per day below the demand level seen in 2019. The dire situation in the aviation industry was the largest source of the reduction in demand according to the IEA. Global oil producers have agreed to sustain their lower levels of production until the end of July to try and maintain prices.

In an interview with *Le Monde* Fabio Panetta, executive director of the ECB, set out the extent of the ECB's willingness to take action to shore up European economies and companies, and how much firepower they have remaining. The ECB increased the size of its emergency bond-buying programme by €600bn to €1.35tn earlier this month. Mr Panetta emphasised that the ECB has yet to deploy its total range of potential actions and is continuing to monitor the economic reality in the eurozone. He broached for the first time in public the idea of the ECB buying non-investment grade bonds of companies or governments that had recently lost investment grade status. This would mirror action being taken by the US federal reserve in the US.

In response to the appetite for corporate bonds and the need to build cash reserves for Covid-19 response, US companies have issued as much new debt in the first half of 2020 as they did in the entirety of 2019. Over USD1.15trn has been raised by investment grade companies in the US this year.

Societal

New Zealand has recorded two new cases of Covid-19, after 24 days of no new cases and the pacific island country declaring success over the virus. The two new cases come from people who flew from the UK - illustrating the difficulty and challenges of emerging from lockdown and reopening any country, even where no disease is present.

These challenges have been echoed in South Korea which won early praise for the thoroughness of its response to the Covid-19 pandemic. Following an easing of lockdown restrictions, officials in the capital city Seoul have re-closed bars and nightclubs. Access to museums, parks and sports facilities has been restricted again and the return of students to physical classrooms has been delayed. Currently, young children are attending school one day a week and while there they cannot interact with other students.

In Beijing, a flare up of infections after 56 days without a new case has led authorities to quickly impose controls. Flights have been cancelled and schools closed. Residential neighbourhoods where the disease was found have been entirely locked down, while tens of thousands of residents are tested.

Three states in the US that had moved aggressively to open up their economies — Arizona, Florida and Texas — all reported their largest one-day increases in cases on Tuesday 16th June.

EU states have begun to ease travel restrictions between themselves as new Covid-19 infection rates continue to decline across the continent. The EU has launched a public information website Re-Open EU (<https://reopen.europa.eu/en>) which informs European citizens of the possibilities of travel to other European states. For tourism dependent states, it is hoped that the end of the summer season can still be saved.

Sectors Insights

Meat Sector Summary

Beef:

The beef market has seen very little change over the last week. Base prices for R3 steers remained at €3.55 - 3.60/kg with R3 heifers receiving quotes of €0.05-€0.10/kg above that. These prices exclude “in-spec” bonus payments. Quotes for O grade cows are now generally between €2.80-€2.85/kg, with R grade cows achieving prices of €3.00-€3.10/kg.

Retail demand from our main markets remains good, while not as strong as in previous weeks. This has been compensated to some degree by the growing number of quick service restaurants that have opened for business and are reporting strong demand.

Cattle throughput at meat export plants for the year to-date, has declined by 4.6%, or 39,000 head, reaching a total of 795,000. Throughput for the most recent week ending June 12th totaled 36,208 head, an increase of 1,730 head (5%) over the equivalent week in 2019.

Livestock:

Live cattle exports continue to run well below the equivalent period in 2019. For the week ending June 6th, live cattle exports reached over 4,500 head according to the Department of Agriculture, Food & the Marine. Intra community trade of calves accounted for 50% of all exports.

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.

The Turkish ministry has recently announced that the live imports of weanling cattle is set to resume in the coming weeks, which will be welcomed by Irish live export companies.

Sheepmeat:

Renewed price pressure is being placed on farm gate prices, as factory quotes for spring lamb have fallen back on the previous week by a further 10-15c/kg. For the week commencing June 15th, many factories are now quoting between €5.50-5.60/kg, with Quality Assured lambs demanding an extra 10c/kg price premium. Across the water in the UK, spring lamb prices are

becoming increasingly competitive, with quotes ranging from €5.40-5.50/kg. Irish lamb has performed well in difficult market conditions so far in 2020, with preference for Irish lamb evident in our key export markets. French imports of Irish lamb during April were up 5% year on year, whilst French imports of lamb from other markets all saw declines of over 20%.

In terms of the global market, note that besides lower demand from advanced economies (especially in food service), lower oil prices along with Covid-19 have reduced demand in the Middle East/North Africa. But supply is also restricted currently with lower lamb availability in both Australia and New Zealand both seasonally and year on year which would help put floor on global market.

Sheep throughput for the week ending June 13th was 61,733 head, which was the largest throughput figure so far in 2020. Throughputs for the year to date are running 5% above the 2019 levels, with spring lamb throughputs increasing by over 38,000 head compared to 12 months ago.

The QA lamb TV campaign to promote new season Irish lamb is now in its third and final week. The campaign coincides with peak spring lamb supply.

Pigmeat

Across Europe, the pigmeat market remains challenging, as global markets continue to rebalance from the impact of Covid-19. The latest reported Irish pig price is making between €1.64-1.68 inclusive of VAT. Irish prices have fallen by around 25c/kg in the past 3 months, with European prices showing an even greater decline during this period.

According to the latest figures from Eurostat, the number of pigs processed in the EU-27 during March was 3% higher compared to prior year levels at 20.9 million head. However, it is worth noting that there was an extra working day in March compared with last year. On the back of the introduction of measures to limit the spread of the coronavirus. This may have influenced an increase in pigs marketed by producers across Europe due to the uncertainty around Covid-19. Given this development, **the underlying trend for pig supplies is expected to tighten**, continuing the pattern from earlier in the year. Provisional figures for some key EU member states indicate that supplies were below year earlier levels in April.

Poultry

Poultry supplies remain largely unaffected by Covid-19 at meat plant level. For the first four months of the year, poultry throughput is around 7% higher at 37 million head compared to the corresponding period last year. Demand remains firm, as consumers shop the category more frequently and purchase more per trip in response to lower prices.

Dairy Sector Summary

Overview:

EU Internal Measures

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

- **SMP:** 11,194mt offered by seven member states.

- **Butter:** 50,213mt offered by 17 member states (incl. UK). Largest volumes of product offered is in The Netherlands, Ireland and Germany which combined to total 39,912mt (~80% of total in PSA).
- **Cheese:** 43,085mt 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. The recent rainfall is welcomed after weeks of sustained dry weather. The dry and harsh weather conditions in Europe is likely to have an impact on milk yields as will curtailment measures deployed by some EU states. The 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. Irish export figures are up approx. €126 million year on year – with value growth driven mainly from protein powders, cream and spreads.

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 is a potential for a stock overhang as we enter H2 as well as inter country governmental supports likely to have a bearing on market sentiment.

EU Pricing

Week 25 Dutch Dairy prices hereunder:

Butter, SMP and WMP as you were week on week with whey and SMPA coming off €20 and €10 respectively.

Week 25/2020	WHEY €/tonne	BUTR €/tonne	SMPE €/tonne	SMPA €/tonne	WMP €/tonne
	€ 730	€ 3,120	€ 2,200	€ 2,020	€ 2,630
WOW +/- EUR/PMT	↓ -€20	→ €0	→ €0	↓ -€10	→ €0

USA Pricing

Block cheese continues to rally outstripping year on year prices by over 40% (Curd and Mild grades)

Oceania Pricing – (GDT Event 262, +1.9%)

Just under 22,000mt offered with WMP and SMP representing the lions share between them accounting for over 16,000mt and both were up on previous event by 2.2% and 3.1% respectively. Lactose and Cheddar also got a bounce of 0.4% and 1.4% respectively.

Alcohol Sector Summary

The situation in the domestic on-trade remains the same as previously reported.

Overseas, different markets are responding differently to the current *re-opening*. In Australia, the consumer is embracing the open pubs and restaurants according to IWSR, while consumers in Germany, France, Spain and China are less inclined to rush back into the hospitality sector.

In the **on-trade**, social distancing will change the pub culture here in Ireland. In a market renowned for making visitors feel 'at home', Irish pubs will now be required to keep punters as much as 2m from each other, limiting the interaction between guests almost entirely. Irish pubs will reopen from the 29th June, subject to providing each customer with a 'substantial' meal, and customers will only be allowed to be on the premises for 90 minutes.

The growth of online sales of alcohol during the pandemic has been very evident. Most markets will need to adapt laws or even introduce new legislation to facilitate this channel, but the growth in popularity of ecommerce platforms throughout the Covid experience dictates that this is a one-way street, and is likely to grow significantly into the future. Some markets like India and the US are already writing legislation to enable the online purchase by consumers, of spirits and beer.

Prepared Consumer Foods Sector Summary

Following the announcement of the acceleration of Ireland's Roadmap to easing Covid-19, more businesses and retail outlets have started to re-open. This has led to an increase in the numbers of people returning to work. Our client companies have noted an increase in demand for convenience and food-to-go products. While the increase in demand is a welcome development, overall volumes still remain low. Client companies who have products that are used in-home baking and scratch cooking continue to report strong demand for their products. Demand for deli products still remains low. While in-store bakery volumes have stabilised in recent weeks, they have not returned to pre Covid levels as shoppers still have concerns relating to unpacked bakery items.

From the June 29th, all domestic travel restrictions will be lifted and parts of the hospitality industry will also be permitted to open. Many businesses have already begun to adapt their services and facilities in anticipation of reopening under Covid-19 guidelines. In order to comply with guidelines, many restaurants will have to reopen with smaller staff numbers, a limited menu and lower eat-in capacity. Companies supplying the domestic foodservice sector are seeing a small increase in orders. They expect orders to grow in the coming week as businesses prepare to start trading.

Seafood Sector Summary

Bord Bia conducted research on 'early indicator' changes regarding how consumers eating and shopping behaviours were changing during the Covid-19 crisis in both the French and Spanish markets. In France, for example, the Covid-19 crisis has caused an increase in consumers cooking fish/ seafood/ shellfish, with 14% of adults cooking them more often. Positively, 60% of this group are expecting to continue this behaviour in the future. Buying

locally sourced seafood is more prevalent, often by 10% to 13% of French adults, with approximately 54% of these saying that they expect to continue doing so in the future. This trend if it sticks is likely to pose a challenge to Irish exported seafood into this market in the future. French consumers are also purchasing better quality fish/ seafood more so than buying cheaper (13% are buying better quality more often compared to 6% buying cheaper options). Looking towards some of the key findings emerging from the Spanish markets, the crisis there has resulted in an increase in cooking seafood amongst Spanish adults with 16% cooking seafood more often and 68% expecting to cook more seafood into the future. In Spain, buying better quality seafood appears much more prevalent among Spanish adults than buying cheaper forms (15% are buying better quality more often compared to 8% buying cheaper options). The full set of findings from both reports will be presented to Bord Bia's seafood clients during the first week of July.

The EUMOFA report, just released, also provided some interesting insights into the markets for seafood in Europe. Demand in France is reported to be low with first sale volumes fluctuating with the consequent impact on prices. Very positive reports are emerging on the demand for pre-packed fish in the French market with demand very strong and many of the main processors operating to full capacity. There is some recovery evident in the wholesale market in France although it is slow and prices are still low due to weak demand from the foodservice channels. Prepack and frozen formats are driving retail sales, and foodservice while growing is very slow, and with the market oversupplied, prices are volatile and generally low. On a positive note, prices paid for species such as haddock and whiting are picking up as the UK foodservice sector improves with demand slowly climbing. This is important for the Irish whitefish fleet heavily dependent on these two species.

With regard to the pelagic sector, processors are reporting lower than usual demand in Europe with orders down on the same time last year. The Japanese market is also sluggish for mackerel fillets which is impacting on the orders being placed for raw material in Ireland. As a result large stocks still remain in cold stores in Killybegs, with processors closing out on committed orders and seeking new customers for current stocks.

There are reports that some volumes of Irish brown crab are reaching the Chinese market via Holland but prices are low as the market is being flooded with product from all over Europe. Many exporters are now overloading the Chinese market with volumes to replace the European foodservice market which has been slow to reopen. There are additional concerns emerging now from the Chinese market due to the outbreak of Covid in Beijing. This is leading to some consumer concern now around the safety of imported seafood and it seems that there is already a knock on impact on demand from fresh imported seafood such as oysters. It is also leading to 100% port inspections on imported seafood which will be another major challenge for Irish exporters to the region.

Horticulture Summary

There has been no change in the horticulture sector as sales across all sectors remain strong.

Market Insights

Retail

The easing of lockdown continues to impact markets to varying degrees, depending on the government exit strategies in individual countries. Food price, retailer adaptation to changing consumer spending patterns and shopper behaviour continue to be the main indicators for measuring the changing situation.

Food Inflation

In the U.K., month-to-month inflation for groceries in the first 30 days of the coronavirus lockdown was 2.4%, over 10 times higher than in preceding months. The data from the Institute for Fiscal Studies (IFS) indicate that while prices have fallen slightly since, they still remain over 2% higher than pre-lockdown. A 15% fall in the frequency of promotions accounted for over half of the inflationary spike.

Research by insights firm Edge by Ascential has shown the recent surge in online shopping is expected to add an extra £5.3bn to UK e-commerce sales this year. Prior to the pandemic the market was forecasted to grow by 11% to £73.6bn but the shift to online sales now suggests sales will grow 19% to £78.9bn. Tesco is set to benefit most with sales growth set to rise an extra £1.7bn to a total of £61.1bn, followed by Sainsbury's who are on course to add £0.6bn in sales according to Kam City.

Retail Prices

In **Belgium** the consumer organization, Test-Achats shows that supermarkets remain more expensive than before the crisis. A drop in prices was recorded in Carrefour hypermarkets since the beginning of June but all other supermarkets, with the exception of Delhaize, are more expensive than before.

According to analysis by Coldiretti (Italian Farming Association) food prices in **Italy** increased on average by 2.5% in May. This breaks down to increases for cold cuts (+3.7%), fruit (+7.9%), milk (+3.5%) and meat (+2.7%). According to Coldiretti, this is due to the accumulation of stocks with long shelf lives, and the increased choice and competition in foodservice, following the reopening of restaurants.

In the **United States** retail beef prices jumped 13.2% from April to May, 19.3% higher than May of last year according to the USDA's Economic Research Service (ERS). May's all-fresh retail beef price was \$7.04 per pound, compared to April's \$6.22 per pound.

China retail sales for May show a year-on-year decline of 2.8 percent, though an improvement over the 7.5% drop in April, according to Retail News Asia. (Next week's [Bord Bia Bulletin](#) podcast features Bord Bia China Manager Conor O'Sullivan, on June 25th, who will discuss the reopening of the Chinese market).

In **the Netherlands**, Nielsen reports that the pace of retail growth is levelling off somewhat there. Despite registering a substantial 8.4% y-o-y growth last week, this is markedly lower than that of previous weeks and coincides with the re-opening of restaurants and cafes.

According to micro-advisory.com, retail spending of **Russian** consumers continues to recover. The real-time data from Sberbank and Tinkoff show that consumer spending is

returning to normal, with spending in the first week of June just 10% below the same week the previous year.

Consumer Reaction/Habits

In **Sweden**, the number of e-commerce customers over 65 years of age using retailer Axfood-owned Hemköp has increased by up to 700% during the past three months. In addition to increasing the number of customers, the average order value also increased. Axfood also has the largest share of online sales. According to their e-commerce manager in an interview with Friköpenskap, there is no indication that demand will decrease even if it has now stabilized somewhat.

In the **US**, Acosta suggests that the work-from-home culture could have a long-lasting impact on consumer behaviour. New research shows 34% of shoppers working from home expect to do so indefinitely or are unsure of return date. Local brands are gaining popularity and there is a decrease in product variety.

In **Japan**, government data shows that average monthly household consumption of meat (beef, pork, chicken) has grown significantly this year, from 3.9kg in January to 5kg in April.

With the reopening of businesses in **France**, Les Marches report that people have changed their consumption habits visits to supermarkets falling 4% and e-commerce markets down 8.6% but still 2 points ahead of last year.

In **Germany** retail has seen a considerable rise in the purchase of convenient chilled and frozen products. LebensmittelPraxis reports that sales saw an increase of up to 70% with continued strength accompanying the easing of restrictions, showing high potential in this category.

In the **Middle East** - UAE distributor, Truebell reports a 300% increase in demand for long shelf-life products particularly under the frozen and grocery category during the initial Covid period.

Month-on-month statistics from Statistics **New Zealand** for the month of May show consumer spending in grocery and liquor stores rising 12% to NZD 2.1 billion (EUR 1.2 billion), while spending in the foodservice channel is down 35%.

Retailer reaction

The **German** discounter Kaufland is strengthening its position in Eastern and Central Europe, leading trade newspaper Lebensmittelzeitung reports. Owned by the same group as Lidl, the soft discounter is looking to capitalise on consumers' growing need for affordability due to the economic effects of COVID-19.

In the **Netherlands** Spar opened its first 'mini' store this week in a container. In order to adhere to the 1.5m-society rules, only one customer may be admitted to the converted sea container at any one time. Customers pay using a self-scanner while the single staff member stands outside the door to regulate admissions and monitor stock levels. The store can be relocated to serve a seasonal or event-related customer base.

South African alcohol producers have launched online ordering systems as part of the safety measures around Coronavirus. Heineken SA, Diageo and Pernod Ricard in

partnership with Touchsides have launched the Hola Club Click & Collect platform that will facilitate online transactions between pub owners and consumers.

In **Poland** Rossmann drugstore this week opened its flagship store in Lodz, to be called the store of the future. It will include Refill station - machines where customers can fill reusable bottles, e.g. with shampoo, shower gel, washing up liquid.

Carrefour Poland is opening this week its second BIO (organic food) shop in Warsaw just 6 months after its first one in the Polish Market. The new expanded facility offers clients approximately 2600 products.

Foodservice

South Africa is seeing the emergence of “dark kitchens” as restaurants struggle to remain viable during lockdown, where only food delivery is allowed.

Data from Statistics Singapore show April restaurant revenues falling 53% year-on-year to SGD 397 million (EUR 252 million). Analysts foresee an industry-wide pivot away from reliance on foot traffic and toward online and food-delivery platforms, which now account for 39% of foodservice sales.

As travel recommences in **China** its largest international hotel franchise, Wyndham, prepares to meet increasing domestic demand with two new Ramada hotels to open by the end of the quarter. According to China Bev-News, Starbucks reported a drop in sales of 21% in May compared to 2019, an improvement from a decline of 32% in April.

Market research agency GastroData has presented research, showing the effect of COVID19 on DACH foodservice supplier turnover. **Germany** saw an increase of 0.3% and 6.6% respectively for January and February of 2020 compared to 2019, while March and April saw a decline of -19.3% and -54.6% respectively. **Austrian** figures indicate increases of 7.1% and 6.4% for January and February, and drops of 39.1% and 71.3% for March and April 2020 compared to 2019. **Swiss** Foodservice suppliers saw a 10.5% and 8.9% increase in January and February, with losses of 19.7% and 47% across March and April

In a recent survey conducted by the **Austrian Gallup institute**, which took place on May 28th and 29th, results show that 53% of Austrians have returned to a Food Service outlet. Others refuse to return however because of restrictions and the feeling of uncertainty and “lack of fun”.

In the **UK** The Grocer reports that hundreds of jobs are at risk at Brakes as the foodservice giant launches a major coronavirus recovery plan.

Meanwhile in the UK sales of DIY meal kits shot up 114% in April compared with last year, while takeaways grew 39%. In-restaurant spend dropped by 96%, according to data from purchase intelligence platform Cardlytics adding that beyond lock-down, the popularity of delivery services, which has been on an upward trajectory, shows no sign of slowing. Consumer spend on delivery services rose 15% in the year to April, driven by a higher number of transactions per customer.

In the **US**, food costs for restaurants rose 38% from February to May, with standard beef cuts rising over 80% according to Buyers Edge Platform. Combined with lower occupancy requirements and costs of additional safety measures, these pressures on restaurants may

translate into higher prices or reduced menus, an example of which was Wendy's recent temporary removal of burgers from menus in select locations. According to Business Insider.

Russia is gradually reopening with restaurants in Moscow are quickly building their summer verandas to be ready for their opening date of 23rd of June. The capital is trying to return to normal quickly despite the bad forecast of expert cafes are pretty optimistic about re-opening.

In **Spain** the impact of online shopping is having a detrimental effect on shopping centres with calls for rent reviews by foodservice businesses; McDonald's turnover dropped by 30% in April and May.

Despite the loosening of restrictions a fortnight ago, **Dutch** restaurants and cafes continue to struggle, calling the reopening of their terraces 'an expensive hobby'. Experts calculate that 85% of establishments aren't viable under the 1.5m regulation, with only 3 guests allowed per 10m². Establishments struggled to maintain the 1.5m distance in Dutch cafes over the weekend, with some reported as having been forced to close as a result. The regional authorities responsible for safety have raised their shared concern for areas of concentrated nightlife.

New **Italian** food delivery platform '[Ultimo Tocco](#)', created by two food designers and a chef. Meals are prepared but separated into component parts for consumers to finish by combining at home.

Local Manufacture & Logistics

While a European Commission spokesman said "there is no formal ban or import restriction in place", traders have confirmed **China** has stopped imports of all fresh salmon after the most recent outbreak of coronavirus in Beijing.

There are mixed reactions among supermarket owners to news of the **Dutch** cabinet considering a reduction in VAT on food. 59% are not convinced, while primarily those in border regions would welcome the Netherlands replicating the recent move in Germany.

In **South Africa** food manufacturers are reporting additional expenditure required to meet government regulations around operating under COVID-19 conditions and keeping staff safe.

Perla Polska, a European leader in the production of antipasti and hummus, has started a huge investment - the construction of a new plant in Słupsk, **Poland**. The new investment will measure 28,000 sq meters and will employ 1000 people.

[Food Industry Asia](#) reports that **Vietnam** will resume international flights with regions free from new infections in the previous 30 days.

According to TTN, China Eastern Airlines has announced plans to launch a new carrier despite a severe global downturn in passengers caused by the Covid-19 pandemic.

In **Germany** decreasing demand for beef is affecting EU Beef exports as well as imports.

The **Spanish** Federation of Food and Beverage Industries (FIAB) -the main representative body of agrifood companies in Spain- has asked Alimentaria's Trade Show organisers to suspend this year's edition, scheduled for September 14 -17, mainly due to safety reasons.

In Italy the Terra Madre Salone del Gusto 2020 fair is confirmed to take place with anti-Covid measures and precautions. It will start on October 8th and run for six months with both physical and digital events, culminating with the International Slow Food Congress in April 2021 .