

Market Insights Covid-19 Impact on Trade:

May 1st 2020



Table of Contents

1. <u>Topline Takeouts</u>	2
2. <u>Macro Economic Context</u>	3
3. <u>Market Insights</u>	5
- <u>Foodservice</u>	5
- <u>Retail</u>	6
- <u>Manufacturing</u>	7

Bord Bia's Understanding Covid-19

Topline Takeouts

Retail

Nielsen UK reports that while UK shoppers made fewer shopping trips in the last month, the average spend increased by 35% during each trip during this four week period, suggesting the return of the weekly 'big shop'

From an ecommerce perspective, Tesco has become the first retailer in the **UK** to fulfil one million online grocery orders in a week, with a target to reach a capacity of 1.2 million weekly delivery slots over the coming weeks - double the number of slots pre- Covid-19. In the **Netherlands** Albert Heijn has recruited an additional 600 staff to manage home deliveries.

In **Italy** an increasing number of Italian private food companies are using the hashtag #Mangialitaliano to promote their products and campaigns, including retail trade marketing campaigns with the slogans, "Buy Italian, eat Italian", and TV advertising campaigns focusing on "buy Italian" or "choose Italian" messaging.

Restrictions in the **UAE** and **North Africa** have eased to a certain extent due to the beginning of Ramadan, with shopping malls opening at 30% capacity in Dubai and Abu Dhabi. However in Algeria, trade sources are reporting that the significant daily fluctuations in consumer food prices, fuelled by strong demand for the Ramadan feasting is impacting consumer sentiment.

In **Singapore**, the latest Nielsen figures are reporting that 70 per cent of Singapore consumers now shop for groceries online, with 69 per cent of them indicating that their new habits are here to stay, citing convenience, health and accessibility as the main drivers behind their behavioural shift.

Foodservice

Most countries are taking a phased approach to the removal of lockdown restrictions, with Spain, Italy and Belgium lifting some restrictions as of May 4th. From a foodservice perspective, Spain is set to allow cafes, restaurants and hotels that have a terrace to reopen as of 11th May but only at 30% capacity.

In **Asia**, Vietnam and South Korea were the most recent countries to lift some of their lockdown measures, with Japan originally due to follow suit on 6th May, however this is now likely to be extended after a national state of emergency was declared there last week.

Manufacturing:

In the **UK**, retailer Marks & Spencer has announced it is launching a six-week campaign to support for its nearly 10,000 farmer-suppliers across the UK amid the current challenging market conditions.

In **Switzerland** due to the closure of the foodservice channel, the Federal Council is expected to decrease import quotas for meat within the next two weeks due to the high level of domestic meat stocks.

Food security has moved up the agenda in a number of markets this week with the **US** government's move to classify the US meat processing industry as an essential infrastructure and mandating that meat production plants remain open under the Defence Production Act.

Macro Economic Context

Political

European countries have this week begun to chart their routes out of lockdown. All of the plans are incremental and are contingent on rates of new infections staying below thresholds.

Italy, France, Spain and Germany have all now had plans set out by their politicians loosening the tight restrictions on movement and commerce that have been in place since March.

Italy's plans expect tourist attractions and cultural venues to open on May 18 and restaurants and bars to open on June 1.

France will allow gatherings of up to 10 people from May 11 and secondary schools will reopen on May 18. The government will decide at the end of May whether to reopen high schools, restaurants, bars and nightclubs.

Spain expects to allow restaurants and bars to open offering only table service and only at 30% capacity to facilitate social distancing at the end of May.

The UK has not yet set out a timeline for any loosening of restrictions. That country was later than other major European countries in imposing a lockdown. The government there has also admitted it is unlikely to meet its target of 100,000 tests a day by the end of April.

Ireland

After a cabinet meeting on Friday May 1, it is expected the government will announce the continuation of the current level of lockdown for a further two weeks with only minor easing. It is also expected that there will be a phased plan for reopening.

No dates have been set for the implementation of the phases as of yet. The next phase – “early phase stage one” – would allow small retailers reopen by allowing only a limited number of staff and customers on the premises. Restrictions on travel away from the home could increase to 20km. Open marts could also recommence. “Early stage phase two” would see cafes and restaurants reopen, as long as social distancing and strict cleaning rules apply.

Germany reopening experience

Caution on all of the reopening activity has been warned by the German experience following some initial reopening in the last week. The reproduction rate of the virus must stay below 1 for the restrictions to continue to be lifted. Germany's reproduction rate for R0 increased up to 1.0 on Monday, from 0.9 the previous day, according to the situation report from the country's public health authority. It fell back to 0.75 on Wednesday, but the increase following the reopening of some shops and other spaces is a cause of concern for all observing the reopening activity in Europe.

Economic

European state support

Over 35m workers are now dependent on the State for wage support in Europe's largest economies as a result of the Covid-19 crisis.

Furlough programmes in place in Germany, France, Italy, the UK and Spain are now supporting over 20% of the total workforces in those countries.

The new data serves to illustrate the extent of the disruption caused by the crisis, and the extent to which the furlough schemes are protecting European workers from having to file for joblessness. In the five weeks since the lockdown began, 26m people in the US have filed for unemployment benefits.

There are emerging concerns about what will happen when these schemes expire if they are not extended. The UK's scheme is due to end in June, and the Spanish scheme on May 9.

The end of these schemes could result in a very large number of Europeans being laid off quickly.

Ireland

Some new data from the Irish government illustrates the extent to which Covid-19 schemes are being utilised. Just under 50,000 employers are now availing of the wage support scheme for almost 350,000 workers.

In addition, 591,000 people are in receipt of the €350-a-week special Covid-19 welfare payment.

China recovery data

China's services activity expanded at a faster pace than expected in April. The official non-manufacturing Purchasing Managers' Index (PMI) rose to 53.2, from 52.3 in March, the National Bureau of Statistics reported.

Analysts cautioned that Chinese recovery will remain constrained by weak consumption and massively reduced global demand for Chinese manufactured products.

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.

Societal

In the US President Trump signed an order declaring meat plants part of critical infrastructure and compelling them to remain open. The move came as a number of large meat processing facilities in the US closed because of outbreaks of Covid-19 among staff.

The order moves the US government into responsibility for employee health at the plants, and the federal government will be providing protective equipment and testing at the facilities. It also means that employees could be compelled to come to work and not eligible for unemployment benefit if

they refuse as they will be deemed to ‘voluntarily quit’. This came after Tyson Foods, the largest meat processor in the US, warned earlier this week that the US food supply chain ‘is breaking’.

Technological

Vaccine

Oxford University’s Jenner Institute has been cleared to progress to human testing with 6,000 people on a coronavirus vaccine. If successful, the scientists at the institute say that millions of doses of the vaccine could be available by September.

The human testing follows successful testing on rhesus macaque monkeys last month.

The Jenner Institute vaccine is one of many efforts at vaccine development ongoing. It is likely that more than one vaccine will be needed – there may be variance in effectiveness between populations. Having distributed manufacturing for different vaccines is seen as necessary for the scale of production that will be needed also.

Treatment

Remdesivir, an antiviral drug that targets replication mechanisms in viruses to stop them reproducing, has had initial positive results in trials at treating Covid-19.

Preliminary results on Wednesday from a trial by the National Institutes for Allergy and Infectious Diseases showed patients who received the drug recovered 31 per cent more quickly, in 11 days, compared with 15 for those who did not take it. The death rate was also lower, 8 per cent, compared with 11 per cent, but that was not statistically significant.

Gilead, the California based biotechnology company which owns Remdesivir, said it will not focus on profiting from the drug.

Market Insights

Foodservice

As we approach the end of week seven of lockdown in most Continental **European** countries, more clarity is emerging around post lockdown plans. Most countries are taking a phased approach to the removal of lockdown restrictions, with Spain, Italy and Belgium lifting some restrictions as of May 4th. Austria has already lifted some of their measures since Easter and will implement phase two as of May 4th. From a foodservice perspective, Spain is set to allow cafes, restaurants and hotels that have a terrace to reopen as of 11th May but only at 30% capacity. There are mixed views as to whether this is too soon, while also the trade is saying that it doesn’t make economic sense for them to open at 30%. Belgium is likely to reopen restaurants gradually as of the 8th June as part of phase three of their post lockdown plan. France will start to gradually lift lockdown measures in certain regions as of 11th May. While there is still no agreement on a June date for restaurant re-opening, Burger King and Quick have announced that they will progressively reopen for take-away and DriveThru. Schools in Spain, Italy and New York have announced they won’t reopen before September.

In **Asia**, Vietnam and South Korea were the most recent countries to lift some of their lockdown measures, with Japan originally due to follow suit on 6th May, however this is now likely to be extended after a national state of emergency was declared there last week. On May 12th and

15th respectively Malaysia and the Philippines are due to lift restrictions, followed by Indonesia on the 22nd May and Thailand on May 31st. In Singapore restrictions are currently in place until June 1st after a resurgence in the number of cases. Despite this divergence, countries across the region remain very much exposed to the same set of headwinds. Concerns remain over a second wave of outbreaks, which would undo existing public health gains and push fragile economies deeper into recession, particularly export-reliant economies such as Vietnam. Passenger flights, once the hallmark of an ascendant Asian middle class, have been virtually wiped out, pushing airfreight costs skywards and forcing food-insecure countries such as Singapore to rethink their supply chains.

Retail

Elsewhere, **New Zealand** and **Australia** have both progressively started to lift restrictions with shopping centres and national parks reopening in several Australian states.

Restrictions in the **UAE** and **North Africa** have also eased to a certain extent due to the beginning of Ramadan, with shopping malls opening at 30% capacity in Dubai and Abu Dhabi and traditional pastry stores among the 12 designated sectors allowed to reopen in Algeria. However in Algeria, trade sources are reporting that the significant daily fluctuations in consumer food prices, fuelled by strong demand for the Ramadan feasting and particularly visible on products such as onions, dried fruits and red meat, is impacting consumer sentiment.

This week Nielsen has published figures for **post Easter retail sales** across a number of **European** markets. In the **UK** they have reported on trade for the four week period to the 18th April. During this period, online food sales have continued to gain market share, now accounting for 10% of all UK retail food sales, while convenience stores have seen their market share reach a new high of 30%, after 9% growth during this period. While UK shoppers made fewer shopping trips, average spend increased by 35% during each trip during this four week period, suggesting the return of the weekly 'big shop'. Nielsen **Poland** is reporting significant declines in post-Easter retail trade with analysis showing a 32% decrease in basket value the week after Easter (week commencing 13th April), while online sales grew by 12% that week compared to the previous week. The main categories driving growth online were popcorn (+48%), frozen pizza (+43%) and apples (+27%). Similarly in **France**, Nielsen reported a decline in food sales the week after Easter, although less stark than Poland this still resulted in a 7% decline in value and a 4.6% decline in volume terms. Figures for Benelux were juxtaposed, with Nielsen reporting a 2.4% increase in **Belgian** retail grocery sales the week after Easter compared to a 9.8% decline the same week over the border in the Netherlands. While a new report by the **German** trade magazine Lebensmittelzeitung, signals increased demand for regional and organic produce in Germany, price, quality and brand still remain the key consumer choice drivers. Elsewhere, in **Singapore**, the latest Nielsen figures are reporting that 70 per cent of Singapore consumers now shop for groceries online, with 69 per cent of them indicating that their new habits are here to stay, citing convenience, health and accessibility as the main drivers behind their behavioural shift.

Online Retail

From an ecommerce perspective, Tesco has become the first retailer in the **UK** to fulfil one million online grocery orders in a week, according to The Grocer, with a target to reach a capacity of 1.2 million weekly delivery slots over the coming weeks - double the number of slots pre- Covid-19. In the **Netherlands** Albert Heijn has recruited an additional 600 staff to manage home deliveries and has decided to extend deliveries to Sundays and bank holidays

to add additional delivery slots on a temporary basis to manage the current increased demand. Further afield in **Nigeria**, retailers are now also introducing digital platforms to manage remote orders and deliveries. Stores which do not have their own websites have introduced special phone numbers where orders are placed via WhatsApp and then delivered to the shopper or the shopper can select a time for pickup their order in-store.

Manufacturing

This week we have noted a resurgence of support for local food suppliers by various **EU** member states at both government and private sector level. In advance of the postal Presidential elections on the 11th May in **Poland**, the Polish Department of Agriculture published last Friday, 24th April, a list of importers of foreign dairy products to Poland in a “name and shame” exercise criticising these companies for not supporting Polish dairy farmers. Trade sources are warning that this may also be replicated for the meat sector. **Hungary** has retaliated and has published a similar list of Hungarian importers of Polish dairy products.

French retailers continue to support local producers and farmers, prioritizing fruits and vegetables produced in **France**. This has resulted in higher consumer prices, due to higher production costs in France.

In the **UK**, the NFU has accused some of the UK’s largest retailers of failing to honour their commitment to source British beef. Marks & Spencer has announced it is launching a six-week campaign to support its nearly 10,000 farmer-suppliers across the UK amid the current challenging market conditions. Similarly, Morrisons has also announced that they are to extend local meat & fish ranges in store during the Coronavirus crisis, in order to help struggling British farmers & fishermen sell their product that might have been destined for the restaurant trade.

In **Switzerland** due to the closure of the foodservice channel, the Federal Council is expected to decrease import quotas for meat within the next two weeks due to the high level of domestic meat stocks.

In **Italy** an increasing number of Italian private food companies are using the hashtag #Mangialitaliano to promote their products and campaigns, including Martelli, an Italian pork processor, who has launched a retail trade marketing campaign with the slogan “Buy Italian, eat Italian”, and Italian dairy producer Inalpi who have launched a TV campaign that focuses on the “buy Italian” message.

In **Germany**, the CEO of Rewe Retail group announced this week that the Rewe Group will increase their focus on regional German products where possible.

As of this week, the **Swedish** meat brand, Scan are launching a new sustainability campaign rolling out on television and social media, with the core message around a responsible food choice means choosing Swedish origin.

Food security has moved up the agenda in a number of markets this week with the **US** government’s move to classify the US meat processing industry as an essential infrastructure and mandating that meat production plants remain open under the Defense Production Act. US meat production had fallen by 25% due to labour issues and Covid cases at plants, and there were growing concerns about future shortages of beef, chicken and pork. This has unfortunately become a reality in Canada, where 85% of Canada’s beef supply is affected by Covid-19 outbreaks in the two largest processing plants owned by Cargill and JBS. Major Canadian customers are now forced to look for alternative import supply and the livelihoods

of thousands of Canadian farmers are in jeopardy due to the lack of alternative slaughterhouse options in a very concentrated market.

In **South Africa**, three food production plants (Tiger Brands (Albany Bakery), Fry Group Foods in KwaZulu Natal and Coca-Cola in Gauteng) have temporarily shut down this week due to COVID-19 outbreaks, raising concerns around food security for important staples like bread. In **Kenya** and **Vietnam**, governments have put programmes in place to distribute rice to low income families, however this coupled with panic consumer buying have in turn depleted stocks of rice in Kenya. East Africa alone could face a shortfall of at least 50,000-60,000 tonnes of rice by the end of April with delays of 3-4 weeks currently on rice imports into the region.

In **Belgium** the potato producers' federation are warning that up to 750,000 tonnes of chips may need to be dumped due to the closure of the foodservice channel, including the famous Belgian chippers, and they have appealed to the solidarity of Belgian consumers asking them to consume twice as many chips at home as they normally would.