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

April 7th, 2020

BORD BIA
IRISH FOOD BOARD

Rialtas na hÉireann
Government of Ireland

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## Bord Bia's Understanding Covid-19

### Topline Takeouts

- **South East Asia**: Nielson research across 11 Asian markets indicates a strong long-term change in consumer habits as a result of Covid-19. The study found that only Japanese consumers say they are less likely to change their eating habits as a result of the global pandemic.

- **UK:** A new national initiative in the United Kingdom is enabling pubs to trade as food shops offering essential items such as bread, eggs and milk. The partnership with wholesaler Brakes will also open up the service to the 15,000-plus pubs the wholesaler supplies.

- **Sectors**: **Beef** demand from our main markets continues to be entirely focused on the retail channel. Orders are now best described as steady, after the initial surge in demand, especially for forequarter products for stewing and dicing which has now stabilized. This is particularly evident in the UK where record demand for minced beef peaked in the week ending March 28th.
  For Irish **seafood**, it has become more costly to service export markets with many lorries only partially filled, which is driving costs upwards. In the **PCF** category, while foodservice volumes have seen a significant drop, some operators are adapting new click and collect services for the general public and selling online.

- **Technology**: In the US, the Food and Drug Administration (FDA) approved a new test for Covid-19 antibodies to reflect whether a person has had the virus in the past, and will help clarify the extent to which people who previously had it are no immune to re-infection.

# Macro Economic Context

## Political

**Absence of European coordinated action**

At the start of the week there remains no agreement between European states on coordinated action on the subject of issuing new joint debt instruments, or any other activity which would pool the obligations and exposure of Germany and the Netherlands with Spain and Italy. The political disagreements are challenging the solidarity of the European members. Finance ministers had been given a deadline of April 9th to find some solution and a joint response with progress on this question expected this week.

**Hospitalisation of UK Prime Minister**

In the UK, Boris Johnson, the UK P was hospitalised on Sunday, April 5th for tests related to Covid-19 and moved to intensive care on Monday, April 6th. The Prime Minister announced he had the disease on March 26th and had been self-isolating. He had been chairing government meetings and cabinet discussions over video conference. On Monday, Dominic Raab, the foreign secretary, chaired the UK government's regular crisis meeting.

## Economic

**European Banking**

The European Central Bank is examining whether the measures it took in recent years to crisis-proof the banking system will be enough to prevent a credit crunch, bank failures and a financial meltdown with global ramifications.

While the stress test conducted on European banks imagined a worst case 4.3% decline in EU output by 2022, this scenario is looking mild in the context of the ongoing economic havoc being wrought by Covid-19.

More than the United States, the European economy depends on banks to function. European companies get more than two-thirds of their credit in the form of bank loans, while American firms get less than one third directly from banks. They raise the rest by selling corporate bonds or shares.

**American Fed Spending and Lending**

As US unemployment figures soared, with 10 million people making new claims in the last two weeks in March, the shape of a $454billion lending programme authorised by the Federal Reserve was beginning to emerge.

These include long and short term credit facilities for all sizes of business, with details so far focussed on programmes for larger businesses.

The programme can also assist local government by propping up the municipal bond market – a central source of funding for many localities in the US.

## Societal

Lockdowns are continuing across Covid-19 affected countries in Asia, with some governments set to take extra precautions in the coming weeks.

There is increasing speculation that Japan is poised to declare a state of emergency this week across Tokyo and six other prefectures.

Reflecting the length of time that disruptions to global flow of people and trade may persist, the authorities at Singapore's Changi Airport – one of the world's busiest airports– announced that is suspending operations at the airport's Terminal 2 for 18 months.

## Technology

On Thursday, April 2nd, the Food and Drug Administration (FDA) approved a new test for Covid-19 antibodies for testing in the US. Antibody testing will reflect whether a person has had the virus in the past, rather than indicate ongoing infection. This kind of testing will facilitate identifying what proportion of the population has already had the virus and was asymptomatic, and will help clarify the extent to which people who previously had it are no immune to re-infection.

It is hoped that once the extent of immunity is established, programmes through which people certified as being immune can return to work and ordinary economic activity can be put in place.

The test approved by the FDA returns results in 15 minutes.

## Sector Insights

**Cross sectoral issues**

There are a number of common themes evident across the sectors. Retail sales are strong and have settled into a steadier pattern over recent days. The foodservice sector is, for the most, part shut down with the exception of sales into institutions, delivery and takeaway. Production is generally holding up, despite the requirement to social distance.

Distribution within Ireland and to key European markets is functioning satisfactorily although there are still some issues shipping to France, Italy and Spain. There are also knock-on effects as a result of congestion and 'down-time' at Chinese ports which is delaying repatriation of vessels and reefers to Europe. Major challenges remain regarding the cost of freight to Asia, which is at least 50% more expensive, and the availability of containers to the region which is severely hampering exports for certain sectors.

There are concerns across all enterprises about immediate cash flow and bad debts as a result of the effects of the near closure of the foodservice channel in Ireland and in key international markets.

**<u>Meat Sector Summary</u>**

**Beef:**

Beef demand from our main markets continues to be entirely focused on the retail channel. Orders are now best described as steady, after the initial surge in demand, especially for forequarter products for stewing and dicing which has now stabilized. This is particularly evident in the UK where record demand for minced beef peaked in the week ending March 28th.

On continental EU markets, demand from retailers has slowed and is generally dipping below "normal" levels. In Italy, while butchers are experiencing very strong demand, the effects of restricted access for shoppers to multiple retail stores is negatively affecting sales volumes. In France and Germany there is a preference for local product and Irish beef is very much performing a top-up role for specific cuts. This is making the placing of loin cuts on the continental market especially difficult. Meanwhile on the home market general retail sales are steady, with retailers also getting behind the Bord Bia promotion of QA steaks and providing a number of attractive price offers.

Falling cattle prices are a major concern at farm level. Base prices being quoted for steers and heifers have fallen by €0.20/kg in the past fortnight to €3.40 - €3.45/kg. With the foodservice and manufacturing channels greatly restricted, cull cow prices have experienced an even more severe decline. Quotes for O grade cows have fallen by up to €0.40/kg over the same period. For the year to-date, cattle throughput has been running some 2% or 9,000 head above the equivalent period in 2019. For the week ending March 28th, a total of 35,600 cattle were processed. Following strong supplies of finished cattle throughout the first quarter, some seasonal contraction in availability would be anticipated. In addition, the present difficult market environment is also likely to put pressure on the industry throughput while sales opportunities are restricted.

**Livestock:**

The live export sector continued to focus mainly on calves in recent weeks, in line with seasonal availability. The general improvement in weather conditions has been positive on two fronts: a resumption in the normal schedule of ferries to Cherbourg and a return to grazing outdoors for dairy herds, which eased the workload significantly on-farm. With normal operations disrupted in marts, and export markets experiencing some disruptions, surplus dairy calves are being kept longer than usual by many farmers.

Weekly exports had recently been approaching 15,000 calves. However, there was a significant slowdown in shipments for the week before last, ending March 28th. There were almost 11,000 calves exported that week, including approximately 5,500 to the Netherlands and 4,200 to Spain. Other markets included Poland, Belgium and Italy. All markets are reporting reduced demand for calves, as the trade for finished animals for beef and veal has also deteriorated.

In the Netherlands, calf prices have declined by €30 per head in the past fortnight as producers experienced delays in moving their cattle which are approaching eight months of age and ready for veal processing. Similarly, Spanish buyers are reacting to a further reduction in beef prices by €0.12/kg carcass weight last week. The Spanish National Beef market (MonVac) announced the reduction is associated with the devaluation of hides and offals, together with the closure of the foodservice sector.

Irish exporters also continue to focus on international markets, with a consignment of 2,900 young bulls recently shipped to Turkey, along with a consignment of finished cattle being assembled shortly for Algeria. There have also been 5,600 animals exported to Libya to-date this year.

**Sheepmeat**

For the week ended March 28th, a total of 45,665 sheep were processed, this was equivalent to an 18% drop compared to the previous week, or some 10,069 less sheep. This reduction reflects the slowdown in demand in our key export markets.

For the week commencing April 6th, hoggets are generally trading at between €5.20 and 5.30/kg, plus a 10c/kg QA bonus, whilst new season spring lambs remain unchanged at €5.90 to 6.00/kg plus the bonus.

Markets for Irish lamb remain volatile particularly on the continent where foodservice has ground to a complete halt. Easter is helping to underpin demand both on the domestic and in export markets. With smaller family gatherings, the focus is on half legs as against the traditional full leg roast. Bord Bia will be intensifying its lamb promotions in the lead up the Easter through its Chefs' network of social media campaigns across markets and featuring lamb recipes on online and in advertorial content.

There are concerns across the European sheep sector of a collapse in the market post the Easter trade, even though Ramadan will fall two weeks later. Under normal circumstance the sheep meat trade and live exports rally ahead of this Muslim festival (April 23rd – May 23rd). With lockdowns in place across the continent, all places of worship including mosques are closed. Hence, it remains uncertain if Ramadan will give that much need boost to the trade.

In France it is estimated that sheep slaughterings have declined by more than a third. French retailers and food manufacturers are working towards a policy of sourcing locally. Supplies of Lacune lamb remain strong.

**Pigmeat**
Volumes of pigmeat being processed remain as normal to date, with meat plants maintaining their throughput despite the challenging circumstances. Demand for pigmeat is mixed in Ireland, with activity in the foodservice channel at a standstill apart from some outlets focusing on either takeaway or delivery. As a result, secondary processors who have significant exposure to this channel both in Ireland and the UK are severely impacted. Retail demand is very firm, with the best trade reported for products such as ham fillets, pork, bacon backs and sausage meat.

Bord Bia is currently promoting the pigmeat category through a new advert, "Quality Comforts," that also features other Quality Assured meats and Irish produce. The next specific Bord Bia Quality Mark promotion around pork will commence at the end of April for approximately three weeks and this will be followed by more Q-Mark pigmeat advertising over the coming months.

The grade E Irish average pig price for the week ending March 28th was 181.5c/kg, which is 29% higher than during the corresponding period during 2019. Prices have fallen by around 10c/kg during March, with European prices also easing back somewhat. However, the latest German price reported shows no change, indicating that the European trade may be starting to stabilize on the back of exports to international markets resuming more normal activity. This is evident in China where transport difficulties have started to ease as the country shows positive signs of recovery from Covid-19.

Strong international demand throughout 2020 should help underpin European trade as regions in Asia in particular continue to struggle with African Swine Fever, with Covid-19 restrictions also disrupting some potential recovery in production.

The vast majority of Irish meat products being exported to distant international markets such as China are transported in frozen form in large shipping containers. At present, there is an acute shortage of containers available worldwide, because of significant disruption to logistics within China as a result of Covid-19 related restrictions.

**Poultry**
There is still no significant impact on production at the moment. The value-added lines continue to be temporarily suspended across most of the industry. Strong demand continues to be reported at retail level, with demand estimated to have increased by between 30-40% over the past two weeks for chicken.

Demand for duck and turkey, albeit off a lower base, has experienced even stronger growth at 58% and 41% respectively with certain retailers, as consumers seek alternative sources of protein for different meal-time occasions. Demand is expected to settle down over the next number of weeks, with industry expectations predicting that it will still be around 20% higher compared to 2019. Where possible the industry is encouraging the Irish retail channel to purchase more legs/thighs that would usually be exported.

The new Bord Bia campaign, 'Quality Comforts', that is currently being aired features whole chicken. This should help encourage consumers to re-engage with a category that has lost consumers due to busy work schedules and lifestyles.

The foodservice channel has been severely hampered, with sales plummeting in recent weeks due to the Covid-19 restrictions. There has been a continued slowdown in exports to the UK, as the majority of this product is destined for the foodservice channel. On the back of this, imports of chicken fillet into Ireland will weaken significantly as most of this product is destined for the Irish foodservice channel.

## Dairy Sector Summary

### Farm and Processing Plants

Dairy farm milk collections and milk processers across Ireland continue to operate as normal, albeit under the guidelines of social and physical distancing. Covid-19 combined with the challenges of near peak production sees higher levels of co-operation and contingency planning at processing level nationally. Milk Valorisation will be high on the agenda as market returns are challenged.

EU 27 milk collection is reportedly up 1.4%. Irish processors have forecast year on year growth of approximately 5% which would see Ireland surpass eight billion litres for the first time. Most dairy farms throughout the country have 90% of cows calved. The majority of livestock is out on grass full time, having had both good growing and favorable grazing conditions in March, all contributing to a strong finish for Q1 as the industry prepares itself for peak production. Livestock marts closed on March 24th, however, under new measures marts are to be allowed to open from 6th April to facilitate the sale of animals under protocols agreed by the Department of Agriculture. While at the time of writing there were no reported issues at milk collection, there is a nervousness amongst farmers regarding the impact of Covid-19 on market demand and milk price.

### Logistics and Supply Chain

As widely reported, accessibility to freight and the rising cost of same have been a challenge since early February, as the knock-on effect of congestion and down-time at Chinese ports delayed repatriation of vessels and reefers to Europe. As the Chinese economy comes back to life, the situation albeit still challenging, shows some signs of improvement. However, the African continent as well as Europe and America are now experiencing the full effects of Covid-19 on the supply chain with reported delays in customs clearance and accessibility to ports.
At the time of writing, the Nigerian Port Authority announces a temporary waiver of demurrage fees for 21 days. Significant routes to market for Dairy Ingredients, for example Karachi - the gateway to Pakistan, Iraq, Iran and Afghanistan - are all heavily burdened with large volumes of cargo. It has been reported that Karachi alone handled over 78,000mt of cargo, 44,000mt of which was imported in a 24-hour period on April 2nd, 2020.

### Impact on Global Demand

The global dairy industry is still coming to grips with changing consumption patterns and its likely net negative impact on dairy demand. The dumping of milk in the US has been well documented as it attempts to balance out supply in a foodservice dominated market. Likewise, the demise of the foodservice market to UK dairy has come to the fore with spot milk prices as low as 15p/litre The full impact of demand shifts such as the decline of milk for school lunches (up to 16% of US drinking milk market & diversion to Butter and SMP in Japan) has yet to be understood. Despite this, the Irish Dairy Ingredients Industry report demand still remains reasonably strong but in a buyers' market with prices continuing to slide across the board for the main categories. All of this is happening against the backdrop of peak production, with Irish milk volumes expected to exceed eight billion litres in 2020.

China, after close to a three-month economic pause, is getting back to work. However, Rabobank has estimated that total dairy import volume in China will fall by 19% in 2020. This is based on lower demand in foodservice channels, a build-up in milk powder stocks, on top of larger carryover stocks, as well as further expansion in local milk production throughout 2020. Some commentators fear that a second wave of the virus cannot be ruled out. Were this to manifest, the mooted global economic recovery forecast for latter part of 2020 would be hampered. Cost of shipping has increased significantly and European producers are struggling to offer prices as they cannot assess future sea freight costs.

The effect of Covid-19 on currency volatility has been evident with the USD remaining the top performer in March. In Korea, feedback from importers in the market is that prices for dairy ingredients from USA are plummeting, thus challenging the competitiveness of European dairy, as US cheese is offered at a significantly lower price. Aside from the multiple challenges associated with Covid-19, the "Oil War" also poses a challenge for Dairy Ingredient exporters as markets dependent on oil revenues watch their prices plummet dramatically.

Algeria has taken a regional approach for containing the virus. Some 11 regions now have curfew from 15.00 to 7.00 including Algiers and Blida, resulting in the closure of manufacturing plants including dairy plants. Ingredient purchases for Ramadan manufacturing have already been made, the main impact is the drop of sales during Ramadan (23/04-23/05) that will result in a carryover of dairy products into May-June.

**Pricing**

Physical prices for dairy ingredients have fallen significantly owing to nervousness and uncertainty in the markets, while costs to some markets have been affected by inflated freight / equipment charges documented already. Ingredient pricing is following a downward trend and sentiment remains bearish. Week 14 Dutch Dairy prices fell for the ninth consecutive week with US cheese prices following a similar trend.

At time of writing, EU butter is reported to be trading in or around €3030/MT with Gouda cheese at €2550/mo. The Global Dairy Trade (GDT) Event 257 takes places on April 7th, while the preceding event saw notable declines for Whole Milk and Skim Milk Powder with in-excess of 24,000mt sold across the nine products traded. Casein prices have managed to remain strong owing to tighter availability but one that will be watched with interest in the days ahead.

With seismic shifts in consumption, increased costs of transport and regulatory challenges, it is clear Covid-19 is affecting dairy markets now, however the longer-term impact has yet to be quantified. Looking to the post Covid-19 era, the medium and long-term prospects remain positive as economies recover. The dairy industry is used to volatility and has proved resilient when faced with other challenges in the past. The Irish industry has diversified significantly in the run up to and post quota abolition in 2015 and as markets return to some level of normality, agility will be key to get the right products back into the right markets.

**Alcohol Sector Summary**

**Spirits**

**Production impact**

Because of the nature of the production process, it is easier for distilleries to maintain social distancing in line with government policy, therefore production has not been greatly affected to date. There was also some stock building in the UK and the US, in advance of Brexit and anticipated imposition of tariffs in the US on Irish cream liqueurs and potentially on Irish whiskey. This resulted in ample stock being available in both markets before Covid-19 took hold. A surge in demand for spirits in the off trade is occurring at least in the US and the UK markets. To date, adequate supply appears to be available in market to service this demand, but it presents difficulties for distributors in determining their ongoing requirements. There had been some worry around the supply of glass bottles and packaging, but the re-opening of Chinese manufacturing should begin to alleviate these issues.

Cream liqueur manufacturing is very negatively impacted, due to a reliance on private label production.

**Retail & On Trade Sales impact**
Bars and restaurants are closed in most key markets. Early in the Covid-19 crisis, it was anticipated that there would be a dramatic reduction in forecasted spirits sales for 2020 as a result. This remains a reasonable assumption, given that the Irish market came to an immediate halt, travel retail stopped and on-trade in key markets closed. The near total collapse of on trade in the domestic and key export markets has been negated to some extent by strong growth in the off trade.

Cream liqueurs are experiencing a mixed impact, related to whether they are branded or private label. The branded offering enjoyed a spike in sales because consumers are buying branded products instead of the private label cream liqueur options. Some smaller, premium branded offerings are performing well; indeed, opportunities are presenting themselves for more conversations with key buyers who now have more time to give to suppliers. Travel retail and third-party liquid supply have almost entirely disappeared.

**Exports**
Nielsen's latest weekly data reveals that in the **US**, off-trade alcohol beverage sales increased during the week ending March 21, 2020 at a faster pace than the previous week-with double digit increases vs. one year ago (+55%), but also very significant increases vs. the prior week ending 3/14/20 (+28%). The magnitude of the year-over-year increase was largest for spirits (+75%), followed by wine (+66%) and beer/FMB/cider (+42%). Sales of beer (excluding FMB/ciders) were up 34%. Within spirits, tequila is +90%, gin is +89% and ready-to-drink cocktails are +106%. Most significant beneficiaries of this growth are super-premium and value segments.

In the **UK**, *The Grocer* found that off-trade alcohol sales hit £356.5m over the week to 21 March, up from £252m the previous week, with an extra £160m spent on alcohol in supermarkets for the first three weeks of March. Spirits sales were up 68.1% (£41m) to £101.3m in that week.

In **Canada**, LCBO are unable to take advantage of the spike in online ordering of alcohol beverage because of Canada Post's current policy suspending home delivery of packages requirement age verification. In Alberta, online alcohol sales have recorded an increase of 243% year-on-year.

The **South African** government has banned the sale of all alcoholic beverages during the 21-dy lockdown. This has forced the closure of retail outlets and online retailers selling alcoholic beverages as well as the factories of the manufacturers.

**Craft beer**
In some craft breweries production has ceased as demand has fallen off. It is also more difficult to maintain social distancing in a craft brewery, so some have taken the decision to close. Where production continues volumes are lower due to social distancing policies. Most of Ireland's craft breweries are very heavily reliant on sales in the RoI, and many have historically focused on the on trade. Following the closure of the on-trade, online business has grown somewhat, but there are licensing issues with online sales and additional costs related to packaging, which lowers the supplier's margin.

Cash flow has been hit hard. Large volumes of product dispatched for St. Patrick's Day both in the domestic market and for export, will be returned unpaid for. There is also concern about bad debts due to the closure of the on trade.
The category welcomed the exclusion of off-trade premises from the Covid-19 business closure list, but the on-trade represents between 70% and 85% of craft beer sales depending on the individual brewer. Suppliers noted that in advance of Covid-19, one major multiple was

already rationalising its craft beer offering, limiting retail options available. For all the above reasons, breweries are now making difficult decisions around human resourcing, or laying off staff either temporarily or permanently.

**Exports**
The majority of exports of Irish craft beer is exported to France, with the UK and Italy in second and third place. All three markets have collapsed resulting in a loss of approximately 80% of exports. Many express concern that the sentiment in these markets will turn towards domestic suppliers when the crisis is over, destroying the work that has been done to develop exports. Anecdotally, the Russian market appears to be operating as normally for the moment.

**Prepared Consumer Foods Summary**

The Covid-19 crisis is continuing to have a varying impact on the Irish consumer foods sector. In broad terms, clients who have a high proportion of their sales in foodservice are the hardest impacted, while the impact on client companies supplying into retail has not been as pronounced. In production areas physical distancing restrictions have been put in place. Where this has not been possible, protective screens have been installed to protect staff. Support staff in general are working from home with some coming to the office on a rotating basis to allow for physical distancing.

Clients supplying multiple retailers are reporting a stabilisation in demand in the last week, coming on the back of a period of increased demand. In some of our categories, volumes are starting to return to normal weekly levels. The steadying of demand is allowing manufacturers to build back up their stock levels on lines which had become severely depleted. Retailers are reporting an increase in the size of trolley shops and a reduction in top-up trips, as the population adapts to the physical distancing restrictions. There are still some slight ordering surges, as daily ordering patterns settle, but they are not as pronounced as in previous weeks. In the last week there is evidence showing an increased demand for sauces and condiments as scratch cooking increases. This has had a knock on impact on the demand for ready meals. Non-core products which have been temporarily delisted by retailers are likely to remain off shelf until movement restrictions are relaxed. This is having a disproportionate impact on smaller suppliers.

While foodservice volumes have seen a significant drop, some operators are adapting to the new market conditions, opening click and collect services for the general public and selling online. Volumes in the takeaway sector have remained strong in the last week.

In the main, supply chains are coping well. There are some challenges where hauliers are experiencing delays at national borders. Clients are starting to see warnings coming through on ingredients from countries where lockdowns are in place. Lead times for orders are starting to lengthen across certain ingredients and packaging. Manufacturers who are carrying stock are unlikely to be impacted in the short term. It will be a concern to some who have seen retail volume increases.

Cost and availability of transport is also becoming an issue. There are examples of manufacturers sourcing their own vans for domestic deliveries. The cost of shipping overseas to the Continent and the Middle East has increased significantly. The curtailment of flights has led to increases in air freight charges to the Middle East.

**Seafood Sector Summary**

Logistics remain one of the key challenges facing the sector. It has become more costly to service export markets with many lorries only partially filled, which is driving costs upwards. Service frequency has also been impacted by the drop in demand. Export credit insurance is also proving to be both very difficult and expensive to obtain, and there is a lot of nervousness about a glut of bad debts emerging after the current crisis passes, as many of the current buyers in France, Spain and Italy may not survive and/or may not pay for fish already received.

Looking at the various sub sectors, the situation for the last number of days can be summarised as follows:

**Pelagics** remains stable with no major changes from previously reported. Major challenges remain regarding the cost of freight to Asia and the availability of containers to ship to the region which is severely hampering exports.

In the **whitefish** sector, there have been reports of a slight pick-up in the French market and to a lesser extent on the Spanish market, but it is still too early to quantify this. To assist the whitefish sector, Bord Bia has invested in a major above the line marketing and social media campaign to drive sales of Irish whitefish on the domestic market. There remains concerns however about the likely volume of whitefish that will be landed in the coming days and whether the market will have the capacity to absorb it. Matching supply to demand will be critical in the days ahead to ensure there is not a price collapse.

Irish retailers are reporting good fish sales currently albeit slightly behind other proteins. Counter sales are also reported as stable while the demand in prepacked is increasing. Irish processors are also working with the retail trade to drive demand for species such as Irish hake and haddock over the coming weeks.

Several suppliers to the independent retail trade have this week reported that some independent shops have closed for now, particularly those servicing an older demographic, and those with very small premises being the most vulnerable.

Sales of **Irish brown crab** to Asia are starting to pick up with some shipments going via Holland where there is a greater choice of routes to Asia. Supply is tight as this is the low season and water temperatures are colder, but producers are hopeful that markets will pick up when supply is likely to improve. Exports of cooked brown crab to Europe have plummeted due to the market situation in the main export markets of France and Spain. Exports of live lobster to France and Spain have also declined, resulting in a major decrease in the return to the fishermen. There is some demand in Asia but access to this region is challenging due to the lack of flight options now available from Ireland due to limited air freight capacity and increasing rates. There continues to be large stocks of prawns now in cold storage and this will be a challenge when markets open up again due to lower demand in the main export markets in Europe, and increased available volumes which will have a major impact on prices.

Some **razor** boats are now fishing but increased transport costs are reportedly making the trade marginal and it may not be economically sustainable.

The market for fresh **Irish organic salmo**n is strong in Ireland and in the main export markets in Europe. The key to this strong demand is that the vast majority of the product is being sold through the Retail channel. Additional Irish raw material will be coming onto the market over the coming weeks which will add to supply.

## Horticulture Summary

On March 28th the government issued revised restrictions due to Covid-19 including a revised Essential Services Listing. Horticulture is included under the category of “Agriculture & Fishing” which means that horticulture staff employed in the industry as essential staff can travel to and from work to carry out their duties.

### Edible Horticulture

For edible horticulture demand continues to be strong from the retail sector. With the fall in sales into foodservice, some crops originally assigned to that market are being destroyed by being rotovated back into the soil. Labour concerns continue to be an issue, as the need for workers being able to travel into the country to work in the sector is a necessary requirement in order to facilitate both the growing and harvesting seasons. This is an EU wide issue. On March 30th, the EU Commission issued new practical advice to ensure that mobile workers within the EU can reach their workplace.

Mushroom export demand has been good to date from a retail perspective. The foodservice element of the UK market while less important as a premium market segment is still an important outlet for mushrooms; and this has been impacted negatively with the foodservice shut down in the UK. Certain supplies destined for this segment of the market were de-listed.

### Amenity/Ornamental Horticulture

The industry is facing tough times as a result of measures put in place to control the Covid-19 pandemic. 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.

Product is perishable (normally a fixed life) and requires ongoing husbandry and maintenance (including watering, feeding, crop protection and environmental controls). Seasonal plants such as bedding and gift planters are grown for fixed sales windows often linked with celebration days (e.g. Easter) or key gardening weekends. Sales lost on these days are not recovered.

Essential retailers still open are focused on food products and some have stopped sales of ornamental horticulture products. Some online and delivery sales are continuing but this represents small market share for these typically impulse purchase products. Growers of seasonal plants have to decide whether to risk planting/sowing the next batch. Unsold stock reduces space for subsequent planned crops. Even if closed, some staff are required on site to maintain crops.

### Urgent cash flow crisis

Revenue has dropped to almost nothing during a period when most revenue is usually earned (March to June) and when return on investment is expected. This is proving to be an issues as it leaves no money to pay staff and re-invest in crop maintenance and new crops.

### Stock wastage

Considerable volumes of stock are rapidly becoming unsaleable due to perishability or missing sales windows. With the recent closures of the DIY channel, which accounted for some 70% of some ornamental growers’ sales, more ornamental crops are being destroyed by dumping (composting) on top of that already destroyed in the previous few weeks. Even with some garden centre retail outlets offering order and delivery service, this will not alleviate the losses the growers are experiencing, having invested and paid already for the crops they are destroying. With no end in sight those working in horticulture are unsure as to whether to invest further in the next production cycle.

## Markets Insights

**China** is predicted to reach another recovery milestone this week as Bloomberg reports that Hubei province will allow transportation to resume for the city of Wuhan on April 8th. This would effectively lift a mass quarantine over the city where the coronavirus first emerged last December and allow people to leave the city and the province for the first time in weeks. However, elsewhere in Asia, recent days have brought fresh blows to food service and manufacturing sectors as measures to slow escalating Covid-19 cases are strengthened and prolonged.

There is increasing speculation that **Japan** is poised to declare a state of emergency this week across Tokyo and six other prefectures, while in **South Korea** an intensive social distancing campaign due to end on Monday April 6th has been extended for a further two weeks.

In **Singapore**, heightened month-long restrictions came into force on April 7th seeing restaurants limited to take-out and delivery only, while schools and many non-essential businesses are due to close. The foodservice sector across **Vietnam, Malaysia** and the **Philippines** remains severely curtailed as widespread lockdown continues, with the Philippine government already talking about extending its lockdown (due to end April 12th) by a further two weeks. **Thailand** has increased its sweeping emergency response measures to include a nationwide curfew. The **Indonesian** government has resisted calls for an outright lockdown, despite a recent surge in cases making it second only to China for Covid-19 deaths in Asia - and with only 2.6 tests per 100,000 population there is speculation mounting that actual numbers are likely to be far higher. On a positive note, the feared shutdown of Manila ports due to congestion appears to have been averted over the weekend following government intervention.

In the Middle East restrictions have increased in the **United Arab Emirates** where government has banned Emiratis from travel and implemented a mandatory 14-day self-quarantine for all travellers returning to the country. No new work permits are currently being issued either. However, existing work permits, and residence visas will be renewed automatically for labourers employed by companies and support staff such as domestic workers.

One of the main issues **Saudi Arabia** is facing is how to offset the slowdown due to oil revenues where prices have dropped dramatically. A year ago, in April, 2019 a barrel of oil cost approximately USD$68 a barrel in April 2019. This week, the price dropped to USD$32 a barrel. Increased global production initiated this price decline and has been significantly exacerbated by the impact of Covid-19 as prices dropped by approximately 60% in the month of March. With global airlines grounding planes, ships' traffic shrinking and commuters working from home, the global demand for oil is contracting to levels never seen before. Unless oil production is reduced, prices will fall even further delivering a hammer blow to an economy that, notwithstanding recent diversification initiatives, still relies on oil to deliver half of its GDP. **Russia** has a similar dependency of 40% of GDP on oil and will likely suffer similar economic implications. Restrictions have increased in Russia over the weekend with citizens now asked to remain at home and only leave when permission has been granted via application.

In **France,** Prime Minister Édouard Philippe has confirmed that de-confinement is under consideration but that the current containment timeline is still in place until at least April 15th. In **Poland**, the President and the Minister of Agriculture have jointly appealed to the nation to support Polish agriculture and Polish producers with mindful buying of Polish food, introducing a campaign promoting Polish food. This follows the trend of nationalisation being seen elsewhere, including the #mangiitaliano campaign in **Italy**. In the **UK,** an interim update to Growth from Knowledge's (GfK) long-running Consumer Confidence Index showed it had decreased drastically by 25 points between the first two and last two weeks of March – falling to –34. This is the biggest fall since records began in January 1974.

In the **United States** national unemployment figures by the US Department of Labor, report that there were 6.648m claims for unemployment insurance in the week ending March 28th, an increase of 3.341m from the previous week and 'the highest level of seasonally adjusted initial claims in the history of the … series.'

**Foodservice**

Nielsen has concluded research on changing consumer habits across 11 Asian markets as a result of Covid-19. The study found that only Japanese consumers say they are less likely to change their eating habits as a result of the global pandemic. In mainland China, 86% said they would eat at home more often than before the outbreak. In other markets, a similar trend was observed with 77% of consumers in Hong Kong planning to eat at home more often than before the event, and 62% in South Korea, Malaysia and Vietnam. According to Nielsen, "Consumer thinking and actions have been reoriented, and this will have long-term consequences. For many, old habits like eating out may forever be replaced by new habits, more apt to new, altered environments. Not only will consumers reassess where they're eating, but they will also be far more cognizant of what they're eating."

Bloomberg reports that some of the larger international foodservice operators in **China** are well on the way to having all their outlets re-opened. However, the Chinese consumer is returning cautiously to this channel. Indeed, with reports of online searches for 'lunchboxes,' apparently increased by 1200% it could indicate, for the short terms at least, that cooking at home and bringing food to work could be a post Covid-19 trend to watch.

In **Korea**, Bord Bia industry contacts are of the opinion that government is holding back on further restrictions as many restaurants survive month to month, and a further shutdown would devastate this sector, as well as the domestic agriculture sector which provides much of the agricultural staples.

Bord Bia Milan industry contacts in **Italy** report that many businesses in the foodservice channel have adapted to the changes and have begun providing delivery services for consumers. There have been some initial signs of improvement in orders for Irish beef from Italian importers and distributors.

McDonald's **France** have shut all but 15 of their some 1500 outlets. Those remaining open are testing good practices across three pilot establishments in the Paris region and twelve in the West through delivery and drive-thru options only. Those testing the operation in-store are asked to decide every 48 hours if it should continue. Once this has been deemed a success, it may be expanded to thirty more restaurants, with a re-evaluation taking place three times a week. No large-scale communication is planned but a poster will be visible on the restaurants concerned specifying the details. Other establishments outside of these trials are open to prepare and deliver breakfast to around fifty hospitals. Keeping with the theme of supporting those most in need, Groupe Bertrand have donated 3000 hygiene kits including gloves masks and gels, previously in stock for kitchen visits, to help support tackling the virus in retirement homes.

In **Sweden,** beer enthusiasts are being encouraged to buy a virtual beer on the internet to support crisis micro-breweries in Gothenburg during the Covid 19 pandemic, a group badly impacted by the cancellation of the annual GBG Beer Week.

In Amsterdam, cafes are generally trying to stay open for takeaway coffees, sandwiches, and baked goods. Staying in **The Netherlands,** KFC is now partnering with Uber Eats to extend its delivery service, in a move that would otherwise have been realized further into the future. KFC already works with rival home delivery platform Thuisbezorgd.

A new national initiative in the **United Kingdom** will enable pubs to trade as food shops offering essential items such as bread, eggs and milk. Powered by e-commerce trading platform StarStock, mypubshop.com will allow pubs to process orders online to provide a valuable income stream. The service is a partnership with Brakes, Coca-Cola European Partners and Use Your Local and is open to pubs across the UK. The initiative has already won the support of Admiral Taverns (1,000 pubs), Greene King Pub Partners, (approx 1,000 pubs) and Cornwall-based St Austell Brewery, which operates 170 pubs. The partnership with Brakes will also open up the service to the 15,000-plus pubs the wholesaler supplies. It will offer participating venues a food shop “starter kit”, while each transaction made via mypubshop will accrue a 2% fee to cover operational costs. However, the venture is being run as non-profit, with surplus revenue donated to the NHS.

Reeling from the impacts of Covid -19, a coalition of **United States** foodservice distributors wrote a joint letter to the Trump Administration and Congress on March 30th asking for financial assistance to secure the country’s food supply during the outbreak. The letter explains that with increased demand from consumers who are now making dinners at home and shopping for food at the grocery store instead of dining in a restaurant, the foodservice distribution industry—which does not typically source food to grocers—has experienced severe financial loss. The National Restaurant Association estimates the industry could lose up to $225 billion and cut five-sevenmillion jobs over the next three months. The second largest US retailer, Kroger is partnering with the nation’s largest foodservice distributor, Sysco providing temporary jobs to employees who’ve been furloughed as a result of the coronavirus. Under the agreement, Sysco associates who have been furloughed because of the impact of Covid-19 will be able to work at Kroger locations for 30 days, or more, as agreed upon by both companies. These workers will remain Sysco employees, with Sysco paying their salaries and supplying any benefits typically provided.

Restaurants **Canada** estimates that 800,000 foodservice jobs have already been lost nationwide due to Covid-19 — more than 300,000 just in Ontario alone — and they might not return if current conditions continue. The Canadian Government has deferred tax collection and other payments to allow restaurants and retailers to preserve cash flow during Covid-19 crisis as part of the Canada Emergency Response Benefit.

In the **United Arab Emirates** Bidfood and other foodservice dedicated distributors have begun selling to sell through B2C channels and are taking home delivery orders through Whatsapp. Foodservice outlets are also showing initiative by finding ways to adapt themselves and overcome the situation and are looking for alliances with restaurants to organize home deliveries, fighting with the large companies such Deliveroo, Zomato UberEats or Talabat. The Foodservice and food media industry are coming together to push a campaign “Deliver DXB” for people at home to order directly from restaurants by website or phone, so that restaurants will keep the commission that the food delivery corporations were charging to the end consumer.

**Retail – Traditional and Online**

In **China**, retailers are embracing livestreaming to connect with consumers. Alibaba are reporting an increase of 20% week-on-week for orders generated through Taobao Live and Tencent also adding a livestream feature to WeChat. Shixing Fresh set up smart lockers with temperature settings for different fresh groceries, while Sinopec set up a drive-through system at their petrol stations for selling fresh vegetables under the Easy Joy banner. Alibaba's Freshippo and Walmart China both launched employment programmes to hire new employees from the various hospitality industries that were adversely affected. Walmart also worked with 30 famous restaurants across China to launch a range of premium ready-to-eat signature dishes online. (IGD)

In the **UK,** Uber Eats has linked up with Coca-Cola, Nestlé, Walkers and Pepsi to offer free delivery on orders from convenience stores operating on its platform. There are currently more than 600 convenience stores listed of the Uber Eats app, including Costcutter, Londis, Select & Save, and Bargain Booze stores. With convenience stores playing a key role in feeding local communities during the Covid-19 outbreak, the delivery company is also waiving the activation fee for all new retailers signing up to its app. It will be offering contactless delivery to protect customers and couriers. Dave Lewis's final full-year results announcement for Tesco is expected to show the retailer has seen a jump in annual profits and surging sales in recent weeks. Analysts are forecasting that Tesco will post a surge in pre-tax profits, from £1.56bn to £1.85bn over the year to February.

Aldi and Lidl have lifted restrictions on purchases as supplies in stores improve. Aldi had placed a limit of four per shopper on all lines but as of April 1st this now only applies to 13 product categories, including hand sanitiser and toilet roll. Aldi said product availability was now good and that easing restrictions would make it easier for people to shop for the vulnerable and those who are self-isolating. Lidl said restrictions were being lifted on ambient products with the exception of toilet roll, as footfall stabilised and customers followed guidance on shopping for essentials. Both discounters are encouraging customers to continue only buying what they need.

M&S has introduced more branded lines to its food ranges to boost availability during the coronavirus crisis. The retailer's usual preference for own-label has been relaxed with the temporary addition of branded lines such as Rummo pasta and Tilda rice. The move is intended to "help ensure strong availability on core cupboard staples."

WH Smith has teamed up with Sainsbury's to bolster the grocery offering in its hospital stores to support under-pressure NHS staff during the coronavirus crisis. 80 of WH Smith's hospital stores are now stocking a range of Sainsbury's products such as food and essential household items. The 90 additional lines include toilet roll, pasta, long-life milk and ambient foods. WH Smith said the extended offer would "enhance the convenience" of its hospital stores for NHS staff and help them access essential grocery products more easily at this critical time."

According to the British Meat Processors Association, the surge in demand for minced beef by British shoppers could potentially lead to a supply crisis at the farmgate as processors are struggling to sell on more expensive cuts. Although red meat has seen increased demand, consumers are generally avoiding buying cuts such as steak and hind quarter, said the British Meat Processors Association this week. It also pointed out that retailers have simplified their ranges, leading to significant carcase balancing issues exacerbated by a build-up of meat destined for the foodservice sector which isn't in a format retailers are willing to buy. BMPA CEO Nick Allen said if farmgate prices were reduced, beef farmers would struggle to sell their animals at a price that covered their costs.

Carrefour **Italy** launched a new online service called 'Gli Essenziali' on Monday, April 6th. Consumers can choose from a series of pre-packaged boxes containing basic food necessities (with vegetables, fish or meat) for €69, and themed kits dedicated to home cleaning products, personal care products and baby or child products for €79. The boxes have a delivery time of four days. Coop Italia is currently trialling a queue reservation service 'CoD@Casa' in some of their Milanese stores. Consumers book a shopping slot online, present a printed booking confirmation, or the confirmation on their mobile at the supermarket entrance, and can enter the supermarket without having to queue.

Intermarche **France** announced that they are freezing the price of 10 000 products until May 15th in order to protect the purchasing power of consumers. This excludes fresh traditional products such as meat, seafood, fresh dairy. Using Ocado technology, the new Casino warehouse in Fleury-Mérogis is operational since March 18th, however the orders processed at this time were only tests. The CEO of Casino believes that it presents a profitable business model as e-commerce with home delivery has continued to soar. The robots from Ocado can draw from an assortment of 50,000 references and prepare an order of 50 products in 5 minutes. The areas covered are Ile-de-France first, then all of northern France in the long term. Carrefour have announced that they will unite with Uber Eats to help French consumers with their daily shopping by enabling home delivery in respect of contactless hygiene measures.

Aldi Süd wants to ensure the supply of pasta in **Germany** with an unusual campaign. The discounter has now brought more than 200 tons of pasta with special trains from Italy to Germany. In a first delivery, more than 300 pallets with more than 400,000 packages of fusilli, penne and spaghetti had already arrived in Nuremberg, the dealer said. Over 250 other pallets are already on the way. CEO Unilever-Germany, Peter Dekkers, has predicted that the big bulk purchasing for low-margin products such as pasta, ambient ready meals and canned tomatoes will soon come to an end and will be followed by a consumer demand for luxury food items, as consumers are missing going out to restaurants.

There are further reports in **Spain** that the influx of buyers to grocery stores is beginning to moderate in the face of fear of contagion, while home delivery and online sales services have slowed in some chains due to delays in delivery. The growth of the online channel, an average of 38% in recent weeks, has exceeded the capacity of some chains. Between March 9th and 15th Nielsen detected an increase in internet sales of 59.1% in value. Total mass consumption sales reached absolute record levels, with an average growth of 71%. According to a study by El CoCo, 19% of Spaniards confess that they are eating more than before and 9% declare that they are eating less healthily. 27% of those respondents declare that they are consuming, above all, fresh products, such as salads or vegetables and, on the other hand, 12% affirm that they try to consume healthier foods so as not to gain weight while the crisis lasts. Regarding visits to supermarkets, 70% of those interviewed affirm that they buy perishable food once a week, and 19% every other day. Altogether, half of the users (48%) have bought 'something more than what they usually buy', especially online.

The Swedish Trade Federation, which represents **Sweden's** retail industry, has reacted to the government's proposal to allow it to take drastic measures to combat the spread of Covid-19. The Federation says with any new powers the government takes on there must be compensation for companies that may be hit hard by such measures. The government wants new emergency powers such as being able to order the closure of shops and restaurants and other businesses where people congregate, and the proposal is currently being fast-tracked through the process of consultation with relevant bodies. The retail industry is already struggling with a dramatic fall in demand, some shopping malls in central city areas having lost some 70 per cent of their customers.

**Dutch** retailers close to the Belgian border, which is closed to the public, are experiencing a 50% reduction in their turnover. They are appealing to the government for compensation. On the other hand they are still able to deliver to their Belgian customers who order online, a side of the business which has grown considerably. The story at the German border is the opposite, with supermarkets there at Christmas-level turnover. Only Dutch supermarkets with a very specific German clientele have seen their business decimated. The IRI reports that online turnover in week 13 (March 23rd – 29th) increased by 10% on the previous week (and 41% compared with the same week in 2019). Stockpiling appears to be normalizing again, as the overall increased supermarket turnover compared with week 13 of last year is 'only' 10.3%, equivalent of €79m growth in turnover. Turnover in the retail sector in week 13 (€838m) was 10.2% lower than the previous week, according to Nielsen. Nonetheless this marked an increase of 8.6% on the same week last year. Behaviour is seen to be settling into a new rhythm. Research reports divergent consumer intent in the lead up to Easter, a key moment in the retail and manufacturing calendar. Four out of every ten Dutch consumers interviewed are looking forward to Easter, but almost half are looking forward to it less than in previous years.

With the ban on promotions having been lifted in **Belgium**, Albert Heijn immediately re-introduced its Bonus promotions online on Tuesday. Colruyt reintroduced its Red Prices and dozens of price promotions on April 1st. Instead of product specific promotion, Delhaize introduced a solidarity reduction of 5% across their entire range from April. 3rd This is to prevent runs on certain lines which could result in excess pressure on staff in both DCs and stores, who are already playing catch up from the recent surge of panic buying. The solidarity reduction will remain 'for as long as is necessary.'

In **Poland**, retailers are united in showing their support for health care workers and staff. Lidl, Biedronka, Aldi, Makro and Kaufland announced additional bonuses for all staff working during the Covid-19 crisis. Lidl Poland in conjunction with Great Orchestra of Christmas Charity and Caritas are donating more than 100 thousand euro to those charities to buy Personal Protective Equipment and Covid 19 tests for the Childrens Institute.

Carrefour Poland donated 500 000 Euro towards buying PPE for 41 hospitals. Carrefour also along with e-delivery site Szopi.pl joined forces for free deliveries for all people aged 60+

In the **United States,** the shift to the off-trade for alcohol continued in high gear in the week through March 21, as consumers appeared to stock up on alcohol ahead of stay-at-home orders in many states. According to Nielson data, total beverage alcohol sales leapt 55% compared with the same week last year, and 28% compared with the previous week. Spirits sales jumped by 75% year-on-year, while wine was up 66%, and beer (including FMBs and cider) rose by 42%. Gin sales increased by 89%, positive news for Irish producers with over 80% of Irish gin currently sold to the United States. The question is to what degree off-premise increases will moderate in the coming weeks now that consumers have stocked up on supplies.

Staying in the US, New Seasons Market and New Leaf Community Markets, which recently began limiting the number of shoppers in its stores to support social distancing during the Covid-19 pandemic, rolled out new technology last week that allows shoppers to await their turn to shop in-store in the safety of their cars or outside and away from lines. The Portland, Oregon based grocer tested the digital queue technology from partner Waitwhile at a few stores on March 27th which was favourably received by consumers.

In the **United Arab Emirates** all supermarket and hypermarkets remain open including those in shopping malls. Many have introduced additional measures of disinfecting all surfaces, have a manned sanitization station at the trolley bays and are encouraging contactless payments. The UAE imports 90 per cent of its food. As a result, the UAE has rolled out food security laws seeking to regulate the stock of food commodities in the country in the event of crises, emergencies and disasters. The new law offers incentives and facilities to registered providers and merchants while also bringing in penalties that include imprisonment and fines of up to Dh5 million (circa. €1.3million) for violators.

The Dubai government has launched a price monitor to track staple food costs. The prices of staple foods will be tracked daily so to ensure that consumers continue to get their basic needs at fair prices and protect against rising prices/price manipulation during the Covid-19 pandemic threat. There are 41 basic needs identified including rice, bread, flour, cooking oil, meat, poultry, fish, milk, eggs, water, salt, sugar fruits and vegetables and hygiene essentials such as sanitisers and face masks.

Bord Bia contacts in **Philippines** report that foodservice business in Manila is at a standstill due to the capital's lockdown, but retail sales have risen rapidly as delivery service providers tap their partnerships with the online grocery channel.