

Covid-19: Impact on Trade Report

August 21st, 2020



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Macro-Economic Context

Political

Some states in the **US** are beginning to pay out an additional \$300 a week in federal unemployment assistance to those unemployed as a result of the Covid-19 crisis. This payment was facilitated by executive order from the President following a failure of senate and congressional leaders to agree to a longer term package of supports before recess. This is happening at the same time as the US Democratic Party holds its virtual convention, the topic of many speeches being the failures of the Trump administration in managing the crisis.

In **Canada**, Bill Morneau on Monday resigned as Finance Minister and stepped down from the country's parliament. Mr. Morneau and his Prime Minister, Justin Trudeau, have been at odds over Ottawa's fiscal response to the coronavirus crisis, according to Canadian media.

Economic

Singapore is set to add S\$8 billion (US\$5.8 billion) in fiscal stimulus to help support businesses as they face the challenge of a pandemic crisis that has brought the island nation to its first recession in more than a decade. The government plans to introduce measures to support jobs and create new ones, with a specific emphasis on more mature workers, Deputy Prime Minister Heng Swee Keat said on Monday.

Spain's public debt rose to €1.29 trillion in June, the Bank of Spain said on Tuesday, driven to a record high in absolute terms by the economic crisis caused by the coronavirus pandemic. The debt increased by €32 billion compared with May, lifting the debt-to-gross domestic product ratio to about 114 per cent.

Ryanair is to cut flight capacity by a fifth over the next two months as it warned that bookings had "noticeably weakened" following a rise in coronavirus cases across many parts of Europe. The low-cost airline will reduce the number of its flights by 20 per cent in September and October, focusing on countries that had seen worsening outbreaks.

In second quarter 2020 reporting, **JD.com**, **China's** largest online retailer by revenue, reported accelerating sales growth and increasing profitability. Net profits rose to RMB ¥16 billion (\$2.3 billion) from RMB ¥600 million a year earlier. Revenue jumped 34 per cent to RMB ¥201 billion as its self-run logistics network powered it through the Covid-19 lockdown. JD.com gained users as rivals struggled to deliver goods.

Societal

Greece has locked down two facilities for migrants where new infections have been traced, after another overcrowded reception centre was put under lockdown last week, the government said. The infections are part of a recent spike in the number of cases in Greece, which has weathered the pandemic relatively well so far, with just over 7,200 confirmed cases and 230 deaths. But the authorities this week introduced new restrictions to address local outbreaks and have warned of more measures if the upward trend continues.

South Korea is considering reinstating tougher virus response measures as health officials struggle to contain the country's worst coronavirus outbreak in five months. The Korea Centres for Disease Control reported 235 new local infections on Tuesday, marking the fifth-straight day of new cases in triple digits as transmission, which has mostly been centred on the sprawling capital Seoul, continued to spread at the highest pace seen since early March. The

government in Seoul, which on Saturday moved to tighten social distancing rules and restrict travel in and out of Seoul, also signalled tougher measures may soon be needed if the situation deteriorates.

China reported 22 new confirmed cases on Tuesday, all of which were imported, indicating the country has seized control of the outbreak in its restive western Xinjiang region.

The wearing of protective masks against coronavirus will be required in all enclosed and shared workplaces in **France** by the end of this month, the country's labour minister said.

In the **US**, hospital admissions for Covid-19 have been on the decline in Florida, California and other states that experienced a jump in cases this summer, one sign that outbreaks in the US Sunbelt have eased. Florida reported that 5,665 people with a primary diagnosis of Covid-19 were hospitalised on Monday morning, reflecting a decline of 41 in 24 hours and more than 1,000 in less than a week.

Sectors Insights

Meat Sector Summary

Beef

Market demand has been reported as quieter, as seasonally we are now in holiday period. A number of countries, including Ireland, have reported Covid incidences in meat plants over the past weeks that are currently being investigated.

For week ending August 9th, average prices paid in **Northern Ireland** have seen further increases for a week, with R3 grade steer and heifer prices rising to £3.75/kg. These prices were equivalent to €4.16/kg excluding VAT. Prices paid for R3 prime cattle in **Britain** also saw significant change during the same week, with steer and heifer prices increasing to £3.76/kg. In euro terms, these prices were equivalent to €4.17/kg excluding VAT. Across **Europe**, average R3 young bull prices are equivalent to €3.53/kg excluding VAT, which is 23/kg below the average Irish R3 steer price. According to projections from the USDA's foreign agricultural service, Chinese beef imports in 2020 will be record breaking and are set to grow again in 2021. **China** is set to import 2.6 million tons of beef this year, increasing by 19 per cent on 2019 as ASF and Covid-19 continue to drive demand for imported protein from Europe and the USA.

Cattle throughput at Irish beef export plants for the year to-date to August 15th, has declined by 1 per cent, or 11,794 head, reaching a total of 1,114,043 head. Throughput for the most recent week ending August 15th totaled 34,731 head. This is an increase of 2,893 head on the previous week as factories reported a full kill week after the August bank holiday.

Livestock

For the week ending August 9th, live cattle exports reached almost 2,974 head according to the Department of Agriculture, Food & the Marine. At just 335 head, the calf trade to other **EU** member states has slowed down significantly in-line with seasonal availability. Spain remains the predominant market for calves 288 head, and nearly 400 weanlings and stores were also sent there. The movement of cattle to **Northern Ireland** has performed strongly over recent weeks, with just over 1,600 head traveling north during the week ending August 9th, which included a combination of calves and store cattle for further feeding, along with finished cattle.

For the year so far ending August 9th, overall exports have declined by 15 per cent, or almost 35,474 head, to 202,820 head. The primary reason for this decline has been fewer calves being sent to other **EU** markets, which have collectively fallen by over 27 per cent, or 52,107 head, to 138,643 head. In particular, the calf trade to the **Netherlands** has fallen by 34,490 head (42 per cent decline). The Dutch veal sector is highly reliant on sales into the food service markets of Italy, France and Germany, which have been seriously affected by Covid-19. However with the foodservice sector open again around the continent, demand for veal is beginning to recover.

Exports to International markets in 2020 have increased by over 80 per cent, with over 14,200 head destined for third countries.

Sheepmeat

The average sheepmeat price for last week saw no change, remaining at €4.87/kg. In the past month, average sheepmeat prices have fallen by over 45c/kg, wiping up to €10 per sheep off the price compared to last month. Quotes for the week commencing August 17th are between €4.90-€5.00/kg, with Quality Assured lambs still commanding a 10c/kg price premium. Sheep throughput for the week ending August 15th stood at 52,586 head, increasing by over 8,300 head on the previous week as factories reported a full kill week (one outstanding factory's detail at time of print). Throughputs for the year now runs at 6 per cent above 2019 levels, with numbers of spring lamb being presented at factories increasing by over 79,800 head on 12 months ago. With high numbers of lambs now passed through export plants, smaller numbers of lambs being presented at factories for the coming weeks is expected.

Pigmeat

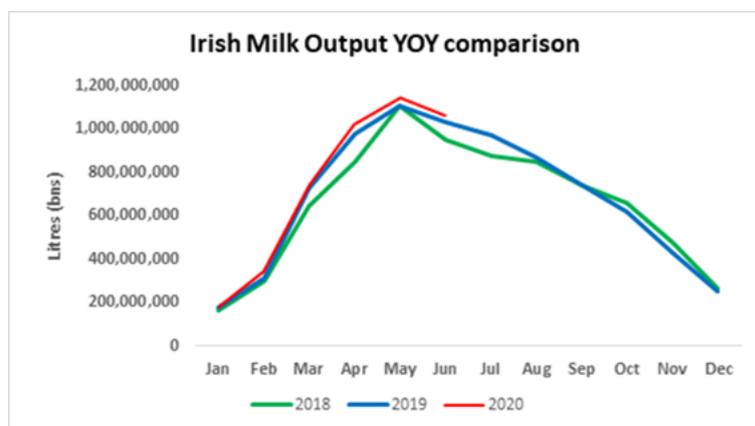
The average price paid for grade E pig prices in Ireland for the week ending August 9th remained at €1.63/kg. This is a however a decrease of 8c/kg on the same week last year. Irish prices currently sit 12c/kg above the EU Grade E price, which has stabilized to €1.51/kg. Irish prices have fallen by 15 per cent since early February, with prices now remaining stable for the past 2 months. With some further easing of lockdown measures over the past few weeks across the world, demand for pigmeat has improved slightly. A total of 66,565 pigs were sent for processing during the week ending August 15th 2020. This is an increase of over 12,000 pigs as factories recorded a full week of processing. So far for 2020, pig throughput levels are currently running above 2019 levels, with 2,162,499 pigs sent for processing in the Republic so far this year. This is a 1 per cent increase in the throughput figure compared to the first 31 weeks of 2019 (+20,472).

Poultry

According to the latest projection for H2 by Rabobank, demand for poultry will improve as the Covid-19 containment measures in the hospitality and foodservice sectors are eased. Global trade will remain unstable in the 2nd half of the year and although demand will recover, supply-demand imbalances, and access issues could distort trade. Overall EU consumption is expected to decline by 1.9 per cent in 2020 to 24kg per capita as a consequence of the fall of the foodservice sector. In Ireland, cumulative poultry throughput for 2020 stands at 65.03 million head after 31 weeks, this is a 3.3 per cent increase compared to the same period 12 months ago.

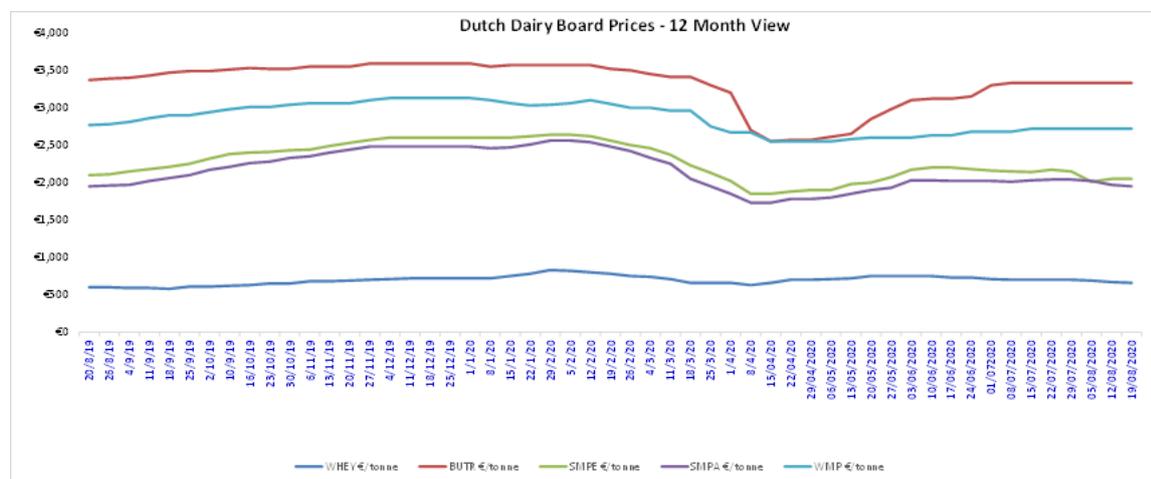
Dairy Sector Summary

Irish **milk** output to for the first six months is up 3.4 per cent.



Global milk production from January to June is up approximately 1.5 per cent with the big five milk producing regions all showing output expansion save for New Zealand, back about 1 per cent for the period. That said, June 2020 is reportedly the strongest June on record for New Zealand milk output – estimated to be up 1.8 per cent year-on-year.

Downward price pressure on **dairy ingredients** continues with a concerted view forming that the supply-demand fundamentals will not contrast each other enough to stabilise prices for some dairy profiles for the latter half of 2020. The outlook for the remainder of the year remains bearish. GDT event 266 dropped 1.7 per cent overall on previous event and for the third consecutive auction with a total volume sold of 31,331mt. Declines anticipated as Oceania prices come more in line with trends in Europe and USA. SMP is the only product with a positive event on event correlation, up 1.1 per cent. Week 34 official Dutch Dairy Board quotation was broadly stable. Butter, SMPA and WMP were all stable with whey and SMPE falling by €10 and €20/mt respectively – the fourth consecutive negative week on week for these categories. Macro-influencers of Covid-19, relationship between supply and demand etc. as well as the holiday season are all impacting buyer activity.



US **cheese** prices continue to slide from the unsustainable buoyancy witnessed since April. Block Cheddar is down significantly from a month ago, albeit those prices were widely considered unsustainable. Year-on-year, US block cheddar is down approximately 8 per cent with last week's CME closing around €3390/mt equivalent.

Seafood Sector Summary

Based on recent Eurostat 6-monthly figures for January to June 2020, Irish seafood exports came to €278 million, while exports for the same time period last year came in at €327 million. Key export species for the period saw frozen mackerel down 3.67 per cent, salmon down 27 per cent and frozen langoustines were down almost 37 per cent. However, frozen Jack and Horse Mackerel was up over 23 per cent, while frozen crab saw an increase of over 17 per cent.

The tough trading conditions as presented by Covid-19, is clearly evident in the 6-monthly trading figures, as markets remain challenging, particularly in relation to the likes of frozen langoustines, given that exports of this species to the key market of Italy is down almost 50 per cent in value versus the same time period last year.

Domestically it would seem that Irish retail sales are holding up to some degree but foodservice demand is still down significantly on last year, despite more people holidaying at home, with those outlets open reporting that they are still only handling a portion of their usual volumes for this time of year.

Alcohol Sector Summary

Recent weeks have seen a renewed interest in domestic tourism, which can clearly have a positive impact on the **Irish** alcohol category. While those on-trade facilities not serving food remain closed, those that do serve food are returning to some semblance of normality.

In the **UK**, the off-trade continues to perform strongly, as does ecommerce, although growth rates are slowing. On-trade has partially reopened, driven by restaurants and beer gardens; however, not all pubs have reopened, and some big chains are reopening in a phased approach, with theatres, stadia, casinos and night clubs still closed. Overall, on-trade is expected to be operating around 50 per cent below capacity, and potentially lower, depending on the location.

In the **US**, off-trade and ecommerce continue to carry the industry's revenue at large, while 44 per cent of bars and 60 per cent of restaurants are completely closed, and there is low to no tourism activity in the country. On-trade growth in key states was picking up during phased reopening, but overall volumes are still hampered by capacity restrictions. Spirits sales continue to outpace wine and beer slightly. Continued at-home occasions, outdoor gatherings and summer cocktail trends are influencing purchase.

In **France**, while open once again, on-trade sales remain restricted. Some 10 per cent of Parisian restaurants reportedly remain closed, and those that have opened are significantly below capacity. Ecommerce continues to evolve but off a low base. Off-trade growth slowdown following the initial post-deconfinement flurry of activity is partly counteracted by a modest pick-up in the hospitality sector, boosted by the beginnings of inbound tourism.

In **Germany**, the most recent off-trade sales are up a modest amount, with spirits growth consistently around 10 per cent since lockdown. Ecommerce is slowing off a high base as consumers acclimatise to hygiene measures in the off-trade and as the on-trade slowly comes back. The on-trade 'new normal' is still significantly down on pre-crisis levels.

In **Spain**, despite efforts to kick-start the on-trade, it remains depressed. Nationwide, some 20 per cent of establishments are yet to reopen. This varies by region, (Madrid over 30 per cent) and those that are significantly below capacity due to hygiene and social distancing measures. Off-trade sales growth is tapering off and now declining in key tourist areas while ecommerce continues to develop rapidly but off a low base.

Prepared Consumer Foods Sector Summary

Retail grocery demand has slowed in recent weeks. Sales in chilled meals, in-store bakery and deli remain suppressed. Ambient grocery products linked to scratch cooking are still showing value growth year-on-year but the rate of growth has declined in the last 12-week and 4-week data. Consumers now have more options to consume food outside the home. With increased numbers of families on holiday, we are seeing a shift in spending from retail into foodservice.

Foodservice demand in the Irish market remains stable. Orders for the remainder of the month are a little lower than in recent weeks and client companies are anticipating a decrease in volumes for September, with a cautious outlook for the remainder of the year. In general, client companies are reporting steady foodservice demand from the UK and the continent. While the growth in volumes from these markets have improved, they have not yet returned to previous levels.

At the start of the Covid-19 situation many larger **retailers** temporarily changed their payment terms to ensure that small suppliers got paid as quickly as possible. A number of retailers have announced that the measure has now been extended to the year end. Client companies have noted the positive impact of this measure on their cash flow. It will be of particular benefit to companies who see large volume increases in the run in to the Christmas period.

Market Insights

Retail

Retail

The July retail figures from the **U.S.** Census Bureau reveal a 1.2 per cent increase on the previous month, the continuation of a positive trend but still well below Wall Street estimates of 2.3 per cent according to [retailleader.com](#). In the **UK** the latest data from Kantar shows the grocery market grew by 14.4 per cent during the past twelve weeks although the introduction of mandatory face coverings appears to have had a negative effect on visits to supermarkets while the share of the online channel is hitting another record high. Total grocery spend was £9.7 billion over the past four weeks, the lowest since March which has been attributed to fall-off in panic buying and an improvement in out-of-home dining.

Q2 results continue to emerge with Asda announcing that like-for-like sales rose 3.8 per cent, boosted by the strong demand for grocery products during the lockdown, particularly online according to The Grocer. The **Dutch** Central Statistics Office reports that turnover in the food sector was 7.5 per cent higher in the second quarter than in the same period last year. The enforced closure of restaurants and hotels resulted in supermarket turnover increasing by even more, at 7.9 per cent year-on-year. [Foodholland.nl](#) reports that specialist stores such as butchers, greengrocers, cheese shops and off-licences saw their turnover grow by 4.7 per cent compared to last year.

The strong performance of convenience stores in **Asia** appears to differ from their difficulties in other countries where they have lost ground to one-stop shopping in supermarkets during the lockdown. Hong Kong listed Convenience Retail Asia (Circle K) reported a reduction in profit of just 0.5 per cent for the first half of the year despite footfall being negatively affected, reports [Inside Retail Asia](#). The strong result is credited to good CRM principles such as staying in touch with customers and being attentive to their needs during the pandemic. Meanwhile in **China** online operator JD.com has invested in offline Fujian-based convenience store chain Fook, according to [China Beverage News](#). It has also acquired home appliance chain 5Star, claiming it could be a key driver of the industry after being badly hit during the pandemic, according to [Retail News Asia](#). In China large retailers are adopting an omnichannel strategy to diversify risk and stay competitive. In addition, convenience stores in China are growing at a faster pace than hypermarkets and supermarkets.

Price

In **Belgium** a study by Test-Achat shows in-store prices are higher than before the lockdown. At Colruyt - the low cost retail store - the price of the 267 products sampled is on average 5 per cent higher than before the lockdown, with the figure for leading "A brands" standing at 10 per cent according to [Gondola](#). Following the recent VAT rate cut in **Germany**, inflation fell for the first time in four years, however, the Wiesbaden Authority confirmed that food prices have increased, with preliminary data showing meat and fruit price increases of 1.2 per cent in the past year according to [Lebensmittel Praxis](#).

Consumer Habits

In the **US**, the pandemic has accelerated emerging consumer trends such as preference for organic and sustainable food. However, new considerations such as tightening household budgets and increased concerns about food safety, are also influencing the functional category according to [feed.specialityfood.com](#).

In **Germany**, a consumer survey by market research company, POSpulse, on consumer changes in the retail space, has found that despite negative media attention, 80 per cent of respondents continue to see meat and sausages as an important staple in their diet. Quality (77 per cent), freshness (57 per cent) and price (48 per cent) continue to lead in importance when purchasing meat, with 40 per cent focusing on purchasing fewer products that are “factory farmed”.

The proportion of organic purchases - much of it home grown - in **Sweden's** municipalities has increased by 1.9 per cent during the first half of 2020, or 1 per cent in volume terms according to Livsmedel I Fokus.

Retailer Reaction

Swedish grocery stores are increasingly investing in in-store produced and locally produced goods under their own Private Label with own brand seen as portraying good reputation, increasing customer loyalty and strengthening the business model, according to Livsmedel I Fokus. Also in Sweden a new plant-based product is arriving on Tex Mex shelves according to Fri-Kopenskap.se. Orkla Foods is launching new herbal taco products under the name Frankful, comprising taco mince made from pea protein and the market's first vegan "cheese" dip delivered in “climate-friendly” packaging.

Innovation

In Anklam, **Germany**, plans are in place for the production of vegan breakfast products by the Norwegian Rønneberg Group. It plans to initially produce yoghurts to be followed by desserts, puddings and drinks according to Lebensmittelpraxis.

Foodservice

US restaurants face a tough future with 36 per cent of consumers saying they plan to eat lunch and dinner out-of-home less frequently. Furthermore, 22 per cent of consumers confirmed they will stop eating dinner out-of-home altogether, and 20 per cent of consumers expressed the same sentiment for breakfast. Full recovery for the restaurant sector is not expected until after 2023, however the impact of the pandemic will still leave the market 15 per cent down on pre-Covid forecasts. Fast food outlets are faring slightly better than most with consumers generally feeling more confident and operators having better penetration. Lewis Towell, Consumer Analyst at GlobalData, commented: Affordable ‘insperiences’ provided through curb-side pickup and home food and beverage deliveries should be a crucial consideration for operators who are increasingly finding that they are unable to re-open on the same basis that they operated on prior to the pandemic according to Perishable News. Meanwhile **Britain's** managed pub, restaurant and bar groups saw total July sales down 50.4 per cent compared to last year as the sector re-emerged from lockdown. All parts of the market recorded trading well below July 2019 levels but restaurants and bars in the London market struggled most as reported by Propel.

According to China Beverage News, Starbucks is committed to increasing its investment in **China**, having just reopened their refurbished flagship store in Beijing. Company executives claim they are on track to open 500 new stores in this fiscal year, despite setbacks from the pandemic. This positive outlook contrasts with Sweden where preliminary figures from Caspeco, show that the restaurant market lost an average of about 30 per cent in July and 50 per cent in Stockholm.

The **UK** foodservice sector saw a slight drop-off in sales during the second week of the government's Eat Out To Help Out scheme, with sales down 13 per cent collectively between Monday and Wednesday when compared with the opening week according to Propel. Delivery

services in the UK have been the main beneficiaries of changes in consumer behavior due to lockdown, with a 44.4 per cent increase in share of total dining spend. Direct-to-consumer food and drink brands (meal kits and alcohol subscriptions) also benefited from the shift, seeing a 5 per cent increase in share.

Innovation

In **Singapore** Foodpanda is collaborating with ST Engineering on drone food delivery trials. The company's DrN-15L drone, is capable of lifting up to 2kg, and fly at speeds of up to 15 meters per second, with a delivery radius of up to 5km. While it is unlikely that drones will do deliveries directly to homes, the collaboration, dubbed PandaFly, aims to eventually see drones picking up and delivering orders to and from designated collection points island-wide according to Channel News Asia, with one of Foodpanda's 12,000 delivery riders completing the last mile of the delivery.

Local Manufacture and Logistics

The success of the "Made in **Italy**" continues to grow, with a turnover of over €7.4 billion in Italian supermarkets and hypermarkets according to ansa.it. Nielsen GS1 Italy Observatory notes that more than 20,000 food products (a quarter of the basket analyzed) display a reference to their Italian origin on their packaging. The Italian flag appears on 8 per cent of the products, followed by the claims "100% Italian" and "Made in Italy". However, the best sales results are achieved by the PDO and DOPG labelled products which have seen increases in sales of 7.1 per cent and 4.8 per cent respectively, year-on-year.

The Made in Italy push from government also dominates the foodservice channel according to alimentado.info, with Minister Teresa Bellanova (Mipaaf) announcing a €600 million bonus available to restaurants for the purchase of Made in Italy products.

The Philippines is reported by Reuters as having imposed a temporary ban on poultry meat imports from Brazil after two cities in China found traces of the new coronavirus in cargos of imported frozen food, including chicken wings from the South American country.