

Covid-19: Impact on Trade Report

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Macro-Economic Context

Political

The danger to the **Eurozone** economy has not yet passed according to ECB board member Fabio Panetta who was speaking to La Repubblica this week. He said despite the ECB's purchase of debt through the €1.35 trillion Pandemic Purchase Programme (PEPP), economic activity is still well below its pre-Covid levels and unlikely to return to those heights before the end of 2022. In **France**, Le Figaro reports that Minister for the Economy, Bruno Le Maire has set a target of 2022 to regain the pre-Covid level of economic activity saying that the "worst is still in front of us"; he was responding to questions from the European Affairs Committee in the National Assembly.

Meanwhile, **Central European** currencies rose while stock market reactions were mixed as sentiment continued to improve in the region after the European Union rescue package was agreed. The National Bank of Hungary has agreed to provide euro liquidity to Hungarian banks while Romanian and Serbian will also set to benefit from similar arrangements.

Economic

New analysis from EY forecasts that the **UK's** economy may not recover its pre-Covid levels until 2024, cancelling any hope of a V-shaped recovery. EY also forecast that UK unemployment rates will rise to 9 per cent while other forecasts are more pessimistic. In **Spain** the INE (National Statistics Office) Labor Force Survey has set the unemployment rate at 15.33 per cent. The rate for women is 16.72 per cent and for men 14.13 per cent but the most striking figure is the rate of those under 25 which stands at 61 per cent. The Independent Authority for Fiscal Responsibility (Airef), for its part, forecasts a drop in GDP of between 10.1 per cent and 12.4 per cent in 2020 due to a poorer second quarter figure than initially anticipated, according to La Sexta.

Societal

The fear of a second wave of Covid-19 is affecting all levels of social behaviour. The **UK** has imposed quarantine restrictions on those returning from Spain, while France is requiring testing on arrival from designated disease hotspots. All tourists, **UAE** residents and transit passengers flying to Dubai from listed countries will now require a negative Covid test certificate. Additionally, passengers from some destinations will be required to take a PCR (polymerase chain reaction) test on arrival at Dubai airport. Meanwhile the **Belgian** government is reversing a series of relaxation measures. Customers are again required to shop individually and those who do not have a pre-arranged appointment will be required to leave retail stores after 30 minutes. In the **UK** Sainsbury's is trialing a virtual queuing system which will allow shoppers to wait their turn to enter the store from the comfort of their car or from home. Customers will be able to join the line to shop using a smartphone app, eliminating the need to stand in line outside the shop. In another initiative Communications Agency SNAP is exploring the option of using open-top buses for transporting Londoners to and from work, as the city's tourist buses are largely out of commission due to the absence of tourists.

Technological

US bio company Moderna's Covid vaccine induced a robust immune response and prevented the virus from replicating in the noses and lungs of monkeys according to a study in the New England Journal of Medicine.

The **UK** has agreed to purchase 60 million doses of a Covid vaccine being developed by Sanofi and GlaxoSmithKline according to the FT, if the companies are able to prove its efficacy in clinical trials due to start in September. The **EU** yesterday announced it had agreed to buy a limited supply of the Remdesivir from US drug maker Gilead to address “immediate needs”.

Sectors Insights

Meat Sector Summary

Beef

The beef market has seen further improvement over the past week with base prices for R3 steers increasing to around €3.75/kg, with R3 heifers receiving quotes of €0.05/kg above that. For the first time this year, average prices paid have passed out the equivalent figure for last year. These prices exclude “in-spec” bonus payments. Quotes for O grade cows are now generally between €3.05/kg-€3.10/kg, with R grade cows achieving prices of €3.10-€3.20/kg. For week ending July 18th, average prices paid in Northern Ireland have increased for the past week, with R3 grade steer and heifer prices now averaging £3.72/kg. These prices were equivalent to €4.10/kg excluding VAT. Prices paid for R3 prime cattle in Britain saw slight declines during the same week, with steer prices decreasing to £3.68/kg and heifers declining slightly to £3.66/kg. In euro terms, these prices were equivalent to €4.06/kg and £4.04/kg excluding VAT. Across Europe, average R3 young bull prices are equivalent to €3.49/kg excluding VAT, which is €22/kg below the average Irish R3 steer price.

Cattle throughput at meat and Irish beef export plants for the year-to-date to July 26th, has declined by 3 per cent, or 31,382 head, reaching a total of 1,012,207. Throughput for the most recent week ending July 26th totaled 34,908 head, a decrease of 128 head over the equivalent week in 2019.

Livestock

For the week ending July 19th, 3,300 live cattle were exported, according to the latest figures published by the Department of Agriculture, Food and the Marine. Out of this total, calves accounted for approximately 900 head. Adult cattle aged over 21 months made up almost 1,300 head and the remaining 1,100 animals were comprised of weanlings and store animals. As in previous weeks, Northern Ireland and Spain were by-far the largest destinations, accounting for approximately 1,500 and 1,100 head, respectively. Other markets for that week included Britain (291), Italy (271), the Czech Republic (181) and Romania (45). During the equivalent week in 2019, there were just 1,800 cattle exported. For the year-to-date, overall exports of live cattle from Ireland have declined by 18 per cent, or 41,000 head, to 191,600 head. The primary reason for this decline has been fewer calves being sent to other EU markets, which have collectively fallen by 28 per cent, or 52,000 head, to 137,000 head.

Recent analysis of the national cattle herd based on the Department of Agriculture’s AIM database shows a significant increase in the number of animals aged less than six months. Alongside the decline in calf exports, there has been an increase of 2.2 per cent or 44,000 head in the number of calves registered for the year-to-date.

Sheepmeat

Prices in sheepmeat export plants have dropped across the board in the past week, with many factories cutting up to 20c/kg off base prices in the past 7 days. The Muslim religious festival Eid al Adha commences on July 30th, with much of the sheepmeat demand having now been met due to recent increases in throughput in Irish export plants. As a result, some further downward pressure on farm gate prices could be experienced in the coming days and weeks. For the week commencing July 27th, many factories cut their quoted prices to €5.20-€5.25/kg, with QA lambs commanding a 10c/kg price premium across all export plants. Prices in 2020 continue to outperform their 2019 equivalents, with the average sheepmeat price for last week over €0.75/kg higher than the same week 12 months ago.

Sheep throughput for the week ending July 26th stood at 74,342 head, increasing by nearly 6,800 head on the previous week as factories actively sourced lambs for the upcoming Eid al Adha religious festival. Throughputs for the year now run 6 per cent above 2019 levels, with numbers of spring lamb being presented at factories increasing by over 74,500 head on 12 months ago. Recent spells of good weather has resulted in excellent grass growth, with many farmers able to finish lambs off grass.

Pigmeat

The average price paid for grade E pig prices in Ireland for the week ending July 26th remained at €1.63/kg. This is however a decrease of 8c/kg on the same week last year. Irish prices currently sit 14c/kg above the EU Grade E price, which has seen a further decline to €1.49/kg. Irish prices have fallen by 15 per cent since early February, with prices now remaining stable for the past 2 months. Grade E prices in many EU countries continues to fall as demand on the continent remains stagnant.

A total of 67,122 pigs were sent for processing during the week ending July 26th 2020. This was a similar number to the throughput figure for the same week 12 months ago. So far for 2020, pig throughput levels are currently running above 2019 levels, with 1,971,566 pigs sent for processing in the Republic so far this year. This is less than a 1 per cent increase in the throughput figure compared to the first 28 weeks of 2019. (+17,153)

According to the USDA latest projections taken in July, global pigmeat production is expected to increase by 2 per cent to 96 million tonnes during 2020 compared to a previous forecast in April. This reflects higher than expected output in China. Rebuilding of the pig herd continues as producers recover from ASF and take advantage of record-high prices, resulting in a 6-per cent increase in the forecast. However, pig supplies are well below historic levels and pigmeat production is forecast 15 per cent lower year-over-year. Global pigmeat exports are raised to 10.9 million tons, reflecting strong demand from China. China's imports are raised to 4.4 million tons, up from the previous forecast of 3.9 million tons.

Poultry

According to the USDA outlook, the forecast for global chicken meat production is revised marginally lower to 100 million tons as declines in the United States and China are more than offset by growth in Brazil and the EU. Despite a dampening in the outlook, world production in 2020 remains higher (nearly 1 per cent) versus last year. Demand will be relatively resilient as consumers pursue lower-priced animal protein in the face of an economic downturn. Global chicken meat exports are revised 1 per cent higher to 11.8 million tons as robust Chinese

demand propels Brazil, Thailand, and U.S. shipments. In Ireland, cumulative poultry throughput for 2020 stands at 58,676,000 after 28 weeks; this is 3.1 per cent higher compared to the same period 12 months ago.

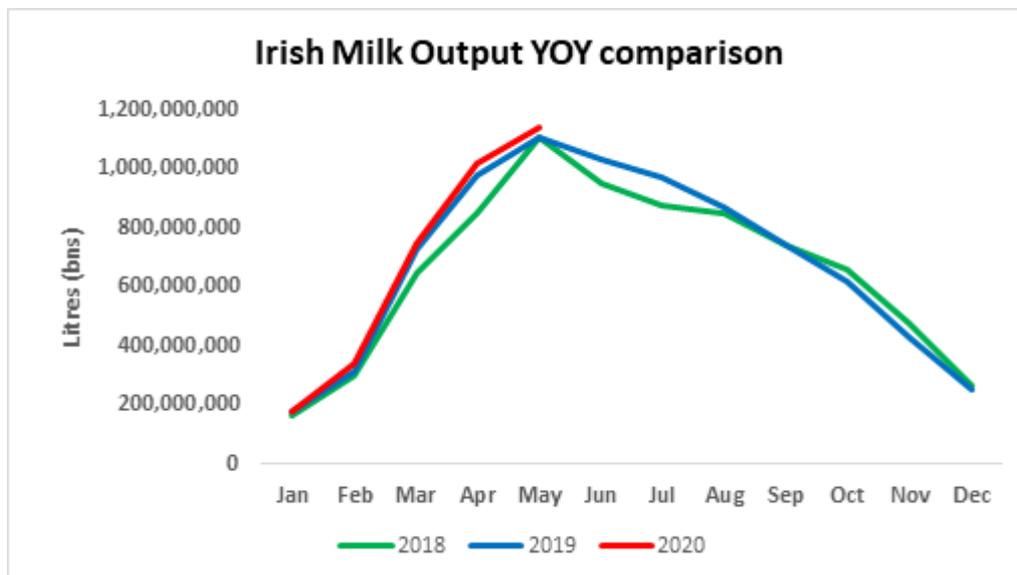
Dairy Sector Summary

Dairy Ingredient markets are reasonably quiet as we enter peak holiday season, particularly in the Northern Hemisphere. This is reflected in this week's main indices and quotations with Dutch Dairy Board prices stabilising further; and last week's GDT down marginally (0.7 per cent) after the previous event was up a significant 8.3 per cent on the back of strong buyer interest from Asia, particularly for WMP.

Irish milk production figures to May show a year-on-year increase of around 3.6 per cent with the expectation that June and July will plateau and we may see a sharper than normal tapering off for June on the back of some very wet weather experienced across the country. Irish Dairy exports for the first five months of 2020 are, in value terms, up over 7 per cent to €2.4 billion and up 2 per cent in volume to 615,000mt, which is impressive when due consideration is given to the macro-environmental factors outlined in previous updates, including Covid / Brexit and WTO tariff stock building.

Milk Output

Irish Milk Collections are reportedly up approximately 3.6 per cent for the first five months of the year.



Pricing

Stabilisation across Dutch Dairy prices this week, with SMP the only mover, down €20/mt. Lean trading reported in recent weeks, a facet of the Summer holiday season.

Week 31/2020	WHEY €/tonne	BUTR €/tonne	SMPE €/tonne	SMPA €/tonne	WMP €/tonne
	€ 700	€ 3,330	€ 2,150	€ 2,040	€ 2,720
WOW +/- EUR/PMT	⇒ €0	⇒ €0	↓ -€20	⇒ €0	⇒ €0

CME Cheddar prices fell again, 4.51 per cent week-on-week to \$5600/mt. Next GDT event is scheduled for Tuesday, August 4th.

Seafood Sector Summary

No further update from previous report.

Alcohol Sector Summary

Week 20 since the initial Covid 19 closures saw 37 per cent of respondents to a Behaviour & Attitudes survey indicating that they had returned, or planned to return, to the pub within the next month. The figure for restaurants was higher, at 45 per cent. As anticipated, consumer confidence will take time to rebuild, as we become accustomed to the new ways of socialising and establishments become fluent in a new form of hospitality delivery. The results of the survey fed into a report called 'Shaping Ireland's Future', and it looks at ways in which the hospitality sector is changing, both from the perspective of the service provider and the customer. A topline analysis of the report carried out by Drinks Industry Ireland can be found at [Shaping Ireland's Future](#).

Prepared Consumer Foods Sector Summary

Client companies supplying the Irish foodservice sector are seeing sales volumes grow as we approach the peak holiday season. In order to comply with guidelines, the out of home dining sector has implemented changes to restaurant layouts and eating capacity. These changes are leading to increased consumer confidence in visiting restaurants. This growth in customer numbers eating out is having a positive impact on the demand for foodservice related products.

With social distancing measures likely to remain in place for the foreseeable future, restaurants will have ongoing reduced eat-in capacity. It is expected that restaurants who had offered takeout food, meal kits and delivery services during the lockdown will continue to see a demand for these products. In general client companies are reporting that foodservice demand from the UK and the continent remains stable.

Retail sales continue to show year on year growth. The trend of doing a big weekly shop remains strong as consumers limit their supermarket trips. While consumers are visiting stores less often, data shows that they are spending more when in-store. Consumers remain focused on limiting their time in supermarkets and evidence shows that many are still sticking to shopping lists. This is resulting in a reduction in browsing time in store and a drop in demand for impulse products.

Horticulture Summary

No further update from previous report.

Market Insights

Topline Takeouts:

- Retailers adapt to meet Covid challenges
- Fear of second wave impacting Foodservice Channel
- Online food retail peaking in Belgium?

Retail

Price and Retail Sales

In **Germany**, a consumer index survey from the GfK (Gesellschaft for Konsumforschung), shows an increase in retail turnover of 10 per cent in June compared to 2019, with growth for the year to date up 13.7 per cent, or €9 billion. Discounter activity grew less strongly at 9 per cent in June when compared to 13 per cent for supermarkets, suggesting that during Covid lockdown shoppers sought out branded product with health claims. The strength of discounters is not diminishing however, with Russian chain Mere opening its first discount store in **Poland** this week in Częstochowa.

China retail continues to recover according to research from Rakuten Advertising which reveals that 87 per cent of consumers intend to make purchases for Christmas, Lunar New Year or other major holidays this year. More than 20 per cent of those surveyed said they would increase their spending for family members, while 35 per cent will spend more than 40 per cent of their monthly household income during this shopping season, compared to just 7 per cent internationally. Another indication of a return of confidence is the opening of an 'Ikea City' store in Shanghai, its first such concept outlet in China.

Price inflation continues to be well ahead of last year with figures from **Poland** showing retail prices in June up 3.3 per cent on the same period last year, with food prices ahead by 6.1 per cent.

Consumer Habits

Global sales of "clean label" food products are expected to reach \$180 billion in 2020, according to Euromonitor International. While there is no empirical evidence behind the increase, it could be put down to consumers' search for healthier food during the lockdown. Earlier this year Dr. Shelly Balanko of the Hartman Group told Food Navigator USA that while there isn't one single definition of clean label it loosely covers foods in their natural state adding that fresh, real and less processed are words consumers use interchangeably when they are seeking the clean ideal.

Last week we reported on the importance of frozen foods to consumers in the **UK**, based on Kantar's 12-week data. Now **Japan's** four largest retailers, Seven & i Holdings, Aeon, FamilyMart and Lawson are boosting frozen foods according to IGD Retail. However, in **France** this week the refrigeration logistics specialist Stef recorded a 19.2 per cent decline in sales in the second quarter of the year. The Stef France division, which accounts for around 60 per cent of total turnover, fell 12.3 per cent. The two activities that suffered most were out-of-home catering (-42 per cent) and seafood (-26 per cent) according to Les Marchés.

Retailer Reaction

As mentioned previously, in the **UK** Sainsbury's is trialing a virtual queuing system which will allow shoppers to wait their turn to enter the store from the comfort of their car or from home. Customers will be able to join the line to shop using a smartphone app, eliminating the need to stand in line the shop. The initiative is also part of Sainsbury's digitally-led response to the pandemic and changing shopping habits that will also see the supermarket offer its SmartShop Mobile Pay app to more local stores, according to The Grocer.

In the **UAE** Majid Al Futtaim has unveiled Carrefour Central Kitchen which will prepare and supply Carrefour stores across the UAE with ready-to-eat meals alongside "grab-and-go" items and chopped vegetables, replacing Carrefour's current food-to-go meals from external suppliers, according to Hotel News and Catering ME.

Digital

Distrifood in the **Netherlands** has highlighted research showing a significant shift towards online shopping among pensioners (47 per cent) and those aged 50-plus (36 per cent) since March.

In the same country Albert Heijn ceased its Sunday delivery service last weekend, having started it at the beginning of May. The company cites the holiday lull as a reason for the change.

Following months of growth in the online shopping channel there may be signs that it has reached saturation point in **Belgium** according to feedback from the app Shopmium, which offers discounts on products. Click and collect and online channels which were very popular during the confinement have returned to their normal levels. The data shows 23 per cent of shoppers did their shopping online in the last 7 days, compared to 76 per cent since the start of the lockdown.

The annual **Singapore** Food Festival will be a virtual experience this year and its offerings extend beyond just online cooking classes. The event will have 17 free-to-view live masterclasses, featuring award-winning chefs and bartenders. Selected masterclasses will also be available in person at restaurants, while participants can opt to purchase ingredient boxes and have them delivered to their doorstep according to Channel News Asia.

E-commerce continues to grow in **Italy** with 1.3 million new online consumers according to Netcomm, with increases in online sales of fresh and packaged food in March and April up 130 per cent.

Foodservice

The foodservice channel continues to be challenged but innovative solutions continue to emerge. A **Middle East** digital marketplace called noon.com, has announced its plans to launch a new platform dedicated to supporting local food and beverage businesses and ensure a fair price to suppliers according to Hotel News ME.

China's foodservice industry received a boost this week with the opening of cinemas after almost six months. In the **UK**, Propel reports on an analysis of sales from operators who were open last week, revealing like-for-like sales up 13.4 per cent on the previous week, with sales of food up 22.2 per cent and drink growing 7.3 per cent. Data from S4labour, the online labour-scheduling management system from Catton Hospitality, showed a continued growth of sales,

building on the 21.3 per cent week-on-week boost. While weekly like-for-like sales continue to grow, they are still down 24.1 per cent compared with the last year.

The foodservice channel continues to suffer in most countries but in **Spain**, the imposition of quarantine restrictions on tourists returning from there to the UK has severely dented an already fragile recovery. In the **US** Yelp reports that nearly 16,000 restaurants have closed permanently due to the pandemic with the review site's latest Local Economic Impact Report showing that 60 per cent of the restaurants that temporarily closed due to the pandemic have since shuttered for good. **Italian** trade association Fiepet Confesercenti has estimated that working from home is reducing consumption in the foodservice sector by about €250 million per month. This reduction, along with the lack of tourist spending, is leading to a loss of about 35 per cent of total turnover reports Horeca News.

On a positive note, all the restaurants, bars and museums in St. Petersburg, **Russia** are reopening for the first time since March 30th.

In the **Netherlands** the hospitality body declared its support for face covering in restaurants, particularly if this measure leads to an increased number of guests per table.

Meanwhile party and event caterers in the Netherlands are suffering from the ban on all major events, congresses and office/corporate parties which will continue beyond September, leaving only small-scale, often last-minute incidental jobs. It is estimated that the industry will suffer a loss of income in the order of 70 per cent.

Local Manufacture and Logistics

The Ministry of Agriculture is launching a digital magazine (Taste France Magazine) to boost the image of **French** cuisine among young people in France and abroad according to La France Agricole.