

Covid-19 Impact on the Food and Drink Industry

Rebeca Fernandez

Director Food Policy Science and R&D

ASKFOOD Webinar Series - Beyond COVID-19: Challenges and new opportunities for sustainable and innovative food systems



FoodDrinkEurope



27 National Federations

26 EU Sector Associations



23 Liaison Companies

ABInBev

ADM

Cargill

The Coca-Cola Company

DANONE

DSM

DU PONT

FERRERO

GB FOODS

GENERAL MILLS

Heinz

Kellogg's

MARS

McCain

Mondelez International

Nestlé

PEPSICO

ROQUETTE
Offering the best of nature

SÜDZUCKER

TATE & LYLE

ULKER

Unilever



The EU food and drink manufacturing industry

Turnover

€1,205 billion

Largest manufacturing sector in the EU

Value added

1.9%

of EU gross value added

Consumption

20.7%

of household expenditure on food and drinks

Employment

4.82 million people

Leading employer in the EU

Number of companies

291,000

R&D expenditure

€2.9 billion

Sales within the Single Market

91%

of food and drink turnover

Small and medium-sized companies

42.7%

of food and drink turnover

58.1%

of food and drink employment

External trade

€120 billion

Exports

€76 billion

Imports

€44 billion

Trade balance

18.8%

EU share of global exports

Some immediate Covid-19 challenges

- EU-wide recognition of food, drink and feed products as 'essential'
- Divergence in Member States' interpretation of 'essential', different reactions and measures
- Massive transport bottlenecks, particular problems for truck drivers
- Diverging approach to paperwork, certificates, permits for cross-border traffic
- Quarantine at borders



Some immediate Covid-19 challenges

- No EU-wide harmonised approach to workforce (health and safety equipment, childcare, cross-border workers, etc.)
- Seasonal workers a particular problem
- Lack of masks and protective clothing for workers, plus testing prioritisation
- Closure of Horeca / tourism / events sectors
- Severe disruption of international trade (exports and imports)



EU Commission actions



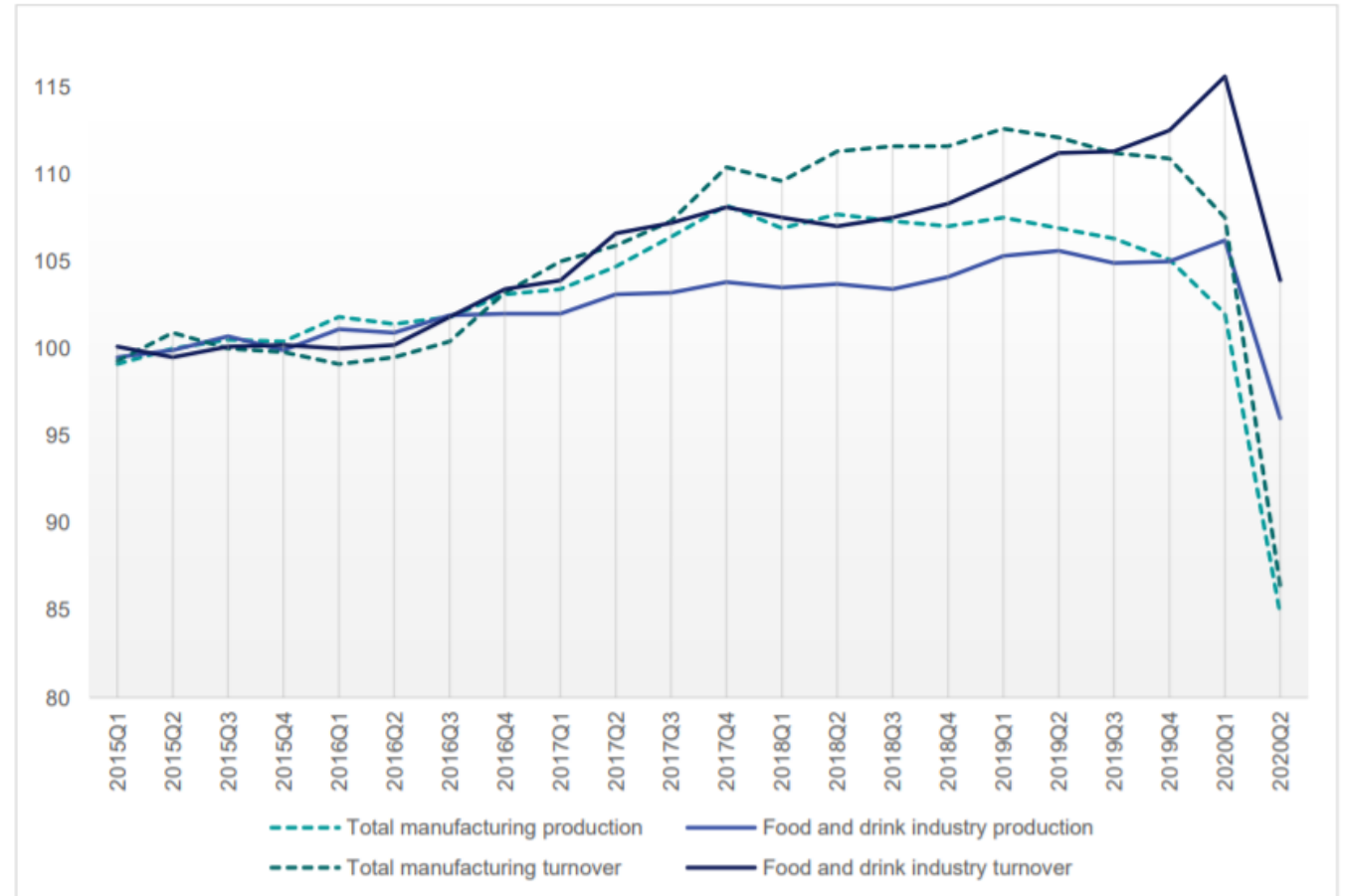
- EU guidance on Green Lanes
- EU guidance on Essential Workers travelling/crossing borders
- Temporary flexibility of labelling rules and controls
- EU special measures for agri-food sector
- Use of EFFAT/FoodDrinkEurope guidelines by EU Agency for Safety and Health at Work
- Statements from the Commission, WTO and FAO on the importance of preserving trade

Impact on European food and drink industry

(March – May 2020) Issues driving the turndown include :

- Horeca and tourism lockdowns, out of home catering disruption
- Staffing problems
- Increase in production costs
- Liquidity problems
- Supply problems
- International trade

EU quarterly manufacturing production and turnover, 2015-2020 (2015=100)



Source: Eurostat

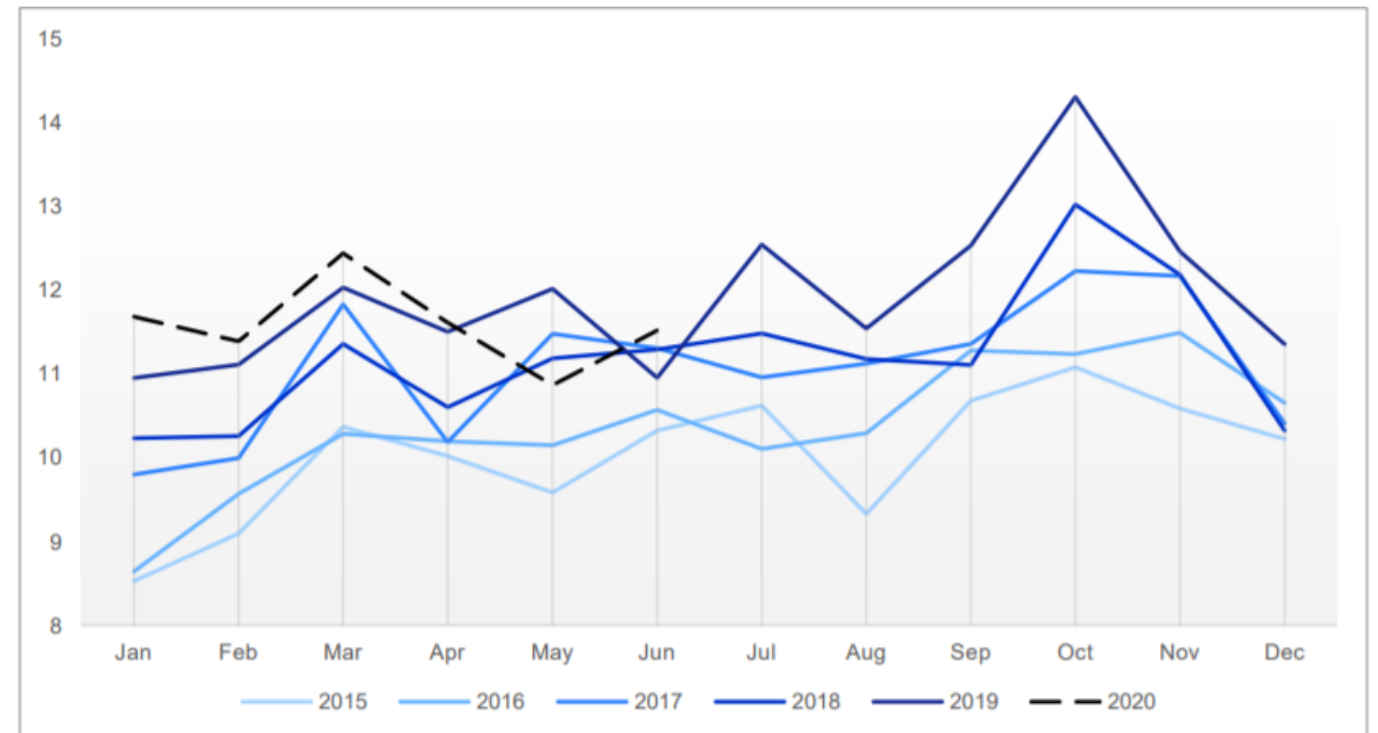
Recovery is slow, but steady

- EU food & drink production finally increased in June 2020 (5,4%), after 4 months of contraction
- Turnover in June grew by 4.5% when compared to May (total manufacturing increased by 11,6%)

However:

- Compared with Jan-Jun 2019, EU food and drink manufacturing contracted by 4.8% (total manufacturing down 12%)
- Exports (- 6%) and imports (- 4%) still suffering month on month
- SMEs continue to struggle desperately

EU food and drink exports, 2015-2020 (€ billion)



Source: Eurostat

Where to from here?

- Go-to-market versatility : Horeca is not expected to fully reopen for 12 to 18 months; companies need to explore omnichannel capabilities and to focus on online/digital solutions
- From a 'just in time' to a 'just in case' approach
- End-to-end supply chain management: to avoid sourcing problems, companies need to work with a wider pool of suppliers, including local and regional ones and keep larger stocks, simplify recipes, remove 'problem products' from portfolios..... Collaboration across the food chain is vital
- Need to invest more in innovative new products that combine a healthy lifestyle with minimal environmental impact, and integrate sustainability goals
- Supplier and customer loyalty are key to ensure business continuity



Where to from here?

- EU Institutions process for recovery: ‘Next Generation EU’ strategy’ – €750 billion ‘Recovery and Resilience Facility’ (RRF); financial support for Member States to mitigate the economic and social impact of the crisis
- Member States plans must be submitted by 30 April 2021, but can be delivered sooner (as from 15/10/20)
- Plans must be assessed by the Commission and approved by Council; deadline for payment: end 2026
- The RRF must help MS economies by supporting competitiveness, productivity, environmental sustainability, education and skills, health, employment and economic, social and territorial cohesion



SKILLS AND SOCIAL DISTANCING RISK

Cedefop analysis based on online job advertisement data

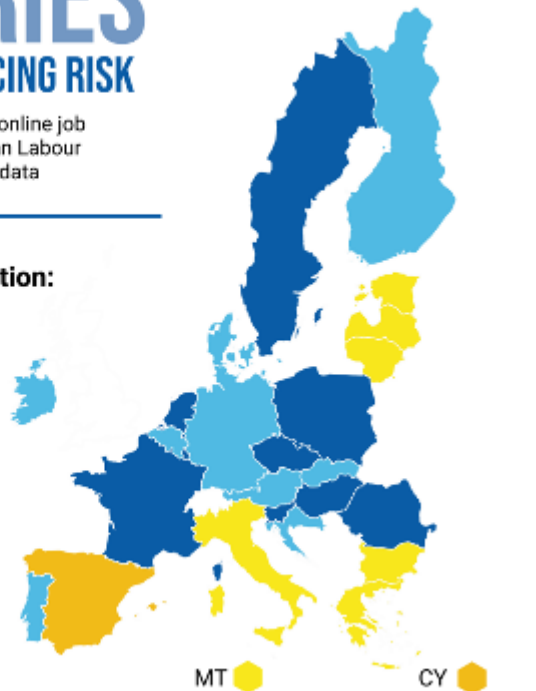
What are the skills needed?

COUNTRIES AND SOCIAL DISTANCING RISK

Cedefop analysis based on online job advertisement and European Labour Force Survey (EU LFS) data

Employment share (in%) in sectors in **high risk of disruption**:

- Accommodation & food services
- Wholesale & retail trade
- Arts & recreation
- Transport & storage
- Construction



"Covid-19 risk skills"

60

Arts and media

Personal services

Assisting and caring

Communication and collaboration

"Covid-19 resilient skills"

44

Working with ICT

Health and welfare

Specialised technology

Safety and protection

What are the skills needed?

- The Agri-food sector is highly impacted, mainly in the consumer-faced businesses such as Horeca and tourism related – mainly SMEs.
- The digitalisation of the sector has become imperative.
- The social distancing has disrupted the ‘ways of working’, bringing new concerns on hygiene, management of human resources and seasonal work.
- The ‘adult learning’ and Vocational Education and Training (V.E.T.) has become even more relevant to adapt an already lagging sector.
- The harmonisation of the current V.E.T. recognition among Europe requires further looking.
- The food industry is highly sector-specific for skills. The learning by doing and the in-place trainings remain some of the main formulas.
- SMEs are struggling. They are lagging on business-oriented skills, communication skills, marketing skills, and financial skills, important for recovery.

