



IMPACT OF
COVID-19
ON THE
**FOOD AND
NUTRITION**
SECTOR



FutureBridge

F&B, one of the most positively impacted segment, majorly influenced by panic buying

US Spending Scenario in Covid-19 Situation

INFLUENCERS

- Panic buying
- Limiting hopping trips
- Economic/financial uncertainty
- At-home consumption by children & adults

US Census Bureau report indicate

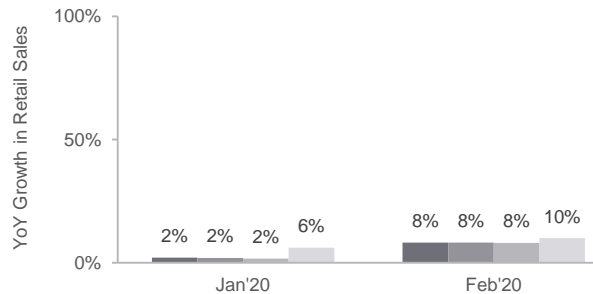
30% increase

in unadjusted retail sales at food and beverage stores from Feb to Mar of 2020

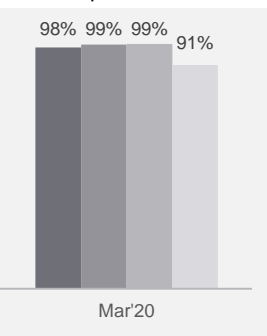
26% increase

in unadjusted retail sales at food and beverage stores over sales in Mar 2019

Monthly Retail and Food Services (US)



US consumers have spent almost **double** in Mar'20 compare to Mar'19



*% calculated using the worldwide cases recorded on 22 Apr, 2020

Key Trends recorded on Food & Nutrition sector due to COVID-19

- COVID impacts 210 worldwide countries resulting in partial or complete lockdown in countries
- Social distancing, Work from home, and proper nutrition are essentially "the new normal"
- Consumers stockpile retail foods in pantries, freezers, and refrigerators ahead of stay-at-home orders
- Increase in oversized/family retail/packaged food offerings for at-home consumption substituting the single-serve packs
- Spike in e-commerce food sales
- Use of online channels for chefs awareness campaigns, new product launches, nutrition information, tradeshow substitution
- Increased collaboration between digital platform provider and F&B value chain

Impact of pandemic on consumer eating pattern and F&B industry

Consumer Consumption Pattern



Go-vegan/Vegetarian

Some people will reconsider their diets, as a way to reduce their risk of future infections

Healthy Food

A good nutrition intake enables optimal immune system and this may prevent infections



Home Cooking & Pre-Cooked Meals

With work from home situation and social distancing, consumers are preferring pre-cooked/minimal cooking products

Online Groceries

Owing to safety concerns, millions have downloaded the online grocery apps and ordering the packaged foods and groceries



Food Delivery

Worst impacted food service industry got some relief from food delivery option, as consumers are avoiding crowd, commuting, and opting for social distancing

F&N Industry



Digitalization of Supply Chain

Owing to current situation, F&B majors are adopting blockchain to keep track of supply chain

Stringent Food Safety Regulations

Food industry must comply to Food Safety Management (FMS) based on the HACCP principles in place to prevent food contamination



Big Brands Getting Big Pie in Comfort Food

Fear forced people to pile-up/stock comfort foods like pasta sauce, biscuits, snacks, etc. coming from even big brands

Upsurge in FoodTech Investments

Upsurge in investments is anticipated for Food Security & digitalization of supply chain including convenience stores.



Contactless Payments & Cashierless Stores

Social distancing and instructions to avoid the cash payments are the major drivers for this up trend

Digitalization is one of the solution in Covid-19 pandemic across F&N industry

Blockchain



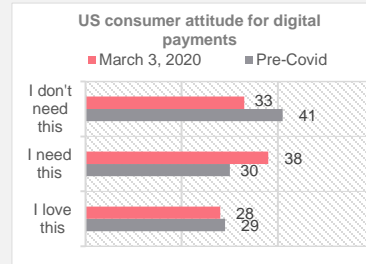
Using blockchain platform developed by Singapore based company dltledgers, Cargill and Agrocorp in partnership with Robobank established cross-continent commodity trade transaction of wheat from North America to Southeast Asia

Digitalization of Brick & Mortar



For the first time small F&B businesses are partnering with online ingredient suppliers and digitizing their inventory systems, implementing cashless payments and digital POS, and even automating manual tasks as they're forced to downsize during the crisis

Cashless Payments



WHO advised against handling cash and promoted usage of digital payments through QR/NFC wallets. Similarly, food delivery apps also discouraging COD. This is going to provide a great branding opportunity for F&B players in post Covid-19 situation

Cashierless Stores



Cashierless stores - an idea, that didn't receive success in the past can become the successful in the current situation considering factors like social distancing. The system involves use of sensors, cameras, and deep learning to allow customers to shop and leave without waiting in line

Steps taken by F&B majors amidst the COVID-19 pandemic

Impact on food sector

Manufacturing

- CEO of **McCormick & Company, USA** indicated severe impact of COVID-19 on its **in-China sales**.
- **Federalimentare**, Italy issued a warning regarding risks on region's manufacturing sector (including **food industry**) due to **closure of northern Italy** which represented **52% of the Italian food sector's** production in 2018.
- **Danone** addresses the risk of its first quarter earnings to take a **€100 million** hit majorly from its **Mizone water business** (Wuhan, China).
- **Packaged food and meat companies** including General Mills, Tyson Foods, Mondelez, Kraft Heinz and Campbell witnessed a sales growth of **10-20%** due to consumers stocking up on shelf-stable food.
- The **UN Food and Agriculture Organization** announced the sharp decline in world food prices due to the Covid-19 pandemic. **Sugar prices** declined by **19.1%**.

Customer/ Consumer Centric Strategy

- **Campbell's Soup** announced its **increase of canned soup production** based on rising consumers demand for **shelf-stable foods**.
- The **UK government** asked supermarkets to **increase home delivery services**.
- The **European Commission and EU transport ministers** established "**green corridors**" for essential commodities (including food) to move between Member States.
- **Holland and Barrett** initiated a **one-hour shopping window** dedicated to its most vulnerable customers and imposed limits on their products to prevent panic buying.
- **Bakeronline in collaboration with Puratos** launched a free service to help bakers set up an online webshop, allowing customers to **place orders and pay online**.

Supply Chain




- **Mondelez International** shuts the two of its four manufacturing **plants in China**. The **sales revenue** gets affected.
- The **Coca-Cola Company** highlights the delay experienced by their **suppliers** in the **production and export** of non-nutritive sweeteners from China.
- The **Coca-Cola Company** initiated its contingency supply plans.

Other initiatives

- **Danone** lowered its sales growth target for 2020 to **2-4% from 4-5%** due to the risk of impact of COVID-19 on its first quarter earnings.
- **Fonterra** CEO contracted a high percentage of the financial **year's milk supply**, helping it to manage the impact of COVID-19.
- The **Food Industry Association, USA** released a "**Coronavirus Preparedness Checklist**" for the food industry.
- The **Food and Drink Federation, UK** announced a 16-week partnership with **Syft** (recruitment app) to help the food and beverage industry meet demand.

Source: Secondary sources, Newsletters

Key areas facing the implications of the pandemic

	Food Processers		Food Retailers		QSRs	
	Current Situation	Post-crisis Impact (Short Term Actions)	Current Situation	Post-crisis Impact (Short Term Actions)	Current Situation	Post-crisis Impact (Short Term Actions)
Demand Scenario	 <ul style="list-style-type: none"> Increased stocking up on RTE food products, beverages, and staple food - rice and flour Preference for healthier food to increase immunity Declined consumption of junk food and alcohol 	<ul style="list-style-type: none"> Focus on providing new pieces of information about products and about individual making the delivery 	<ul style="list-style-type: none"> Purchase of essential items through local online businesses Increased online ordering and delivery of food products 	<ul style="list-style-type: none"> Focus on promotion for take-out deliveries Retailers hesitate to take fresh stock till festive season 	<ul style="list-style-type: none"> Dine-in traffic has come to standstill Heightened demand in takeout and delivery 	<ul style="list-style-type: none"> Increased demand for more choices in both fresh and prepared foods over frozen products
Value Chain Scenario	 <ul style="list-style-type: none"> Trade restrictions and disrupted supply chain 	<ul style="list-style-type: none"> Sourcing to be moved closer to the customer base Companies localise or regionalise their supply chains 	<ul style="list-style-type: none"> International trade is reduced for high value essentials including fruits, poultry, meat, eggs and fish Closure of food retail stores and decline in e-commerce trade Grocery retailers in particular have significant out-of-stock situation due to consumer panic buying 	<ul style="list-style-type: none"> Shifting from an offline to online based channel for broad category of products Demand for greater visibility of food into processing, handling and distribution Store model to focus on replacing cashier-based model to a no-checkout model 	<ul style="list-style-type: none"> Cannibalizing delivery orders resulting in thin profit margins 	<ul style="list-style-type: none"> Double down on the online-ordering mechanism and partnering with delivery aggregators Accelerated investment in supply-chain automation
Supply Scenario	 <ul style="list-style-type: none"> Challenges in moving food from harvest areas to ports for shipping Sourcing and Restriction Packaging Paused production facilities 	<ul style="list-style-type: none"> Push for greater supply chain transparency, including early testing and block chain solutions 	<ul style="list-style-type: none"> Increased safety standards and implementation of social distance measures 	<ul style="list-style-type: none"> Increase in local and domestic sourcing and a move to less dependency on foreign sources 	<ul style="list-style-type: none"> Limited supply of raw materials from vendors, distributors and suppliers Piled up- inventory resulting in impact on shelf life of the stock 	<ul style="list-style-type: none"> Potentially higher wages for employee retention and unemployment recovery Switching to a delivery-only model and increase in drive-through capacity

Impacts of COVID-19 on the food manufacturing industry

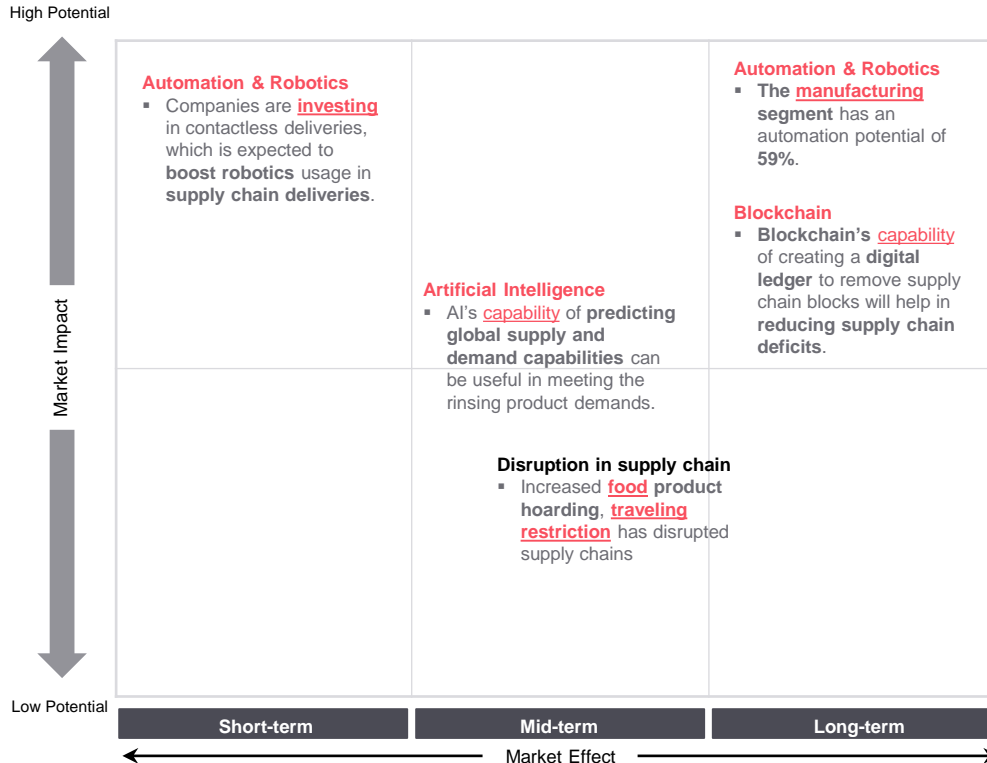
#COVID-19 #FoodManufacturing

The **COVID-19** pandemic is going on at the **Global level**. Its effects would change with the curve of pandemic changes.



*This (Coronavirus pandemic) is also an **opportunity** to embrace **digitalization** as members of the business sector so as we can **reduce the cost of doing business**. **E-commerce** should be highly considered during this time.*

— Amelia Kyambadde
(Uganda's Minister for Trade, Industries and Cooperatives)



Note: PINK COLOR TEXT indicates positive impact and black indicates negative impact on food manufacturing

- The **frontrunners** of the food manufacturing industry – **automation, robotics, blockchain, and artificial intelligence** have indicated rise uptake across segments.
- The **coronavirus pandemic** is **expected** to accelerate uptake of **digitalization technology** across segments. Developing countries are **expected** to build their digitalization capabilities.
- **Countries traditionally importing final consumables** may use this pandemic as an opportunity to **build in-house capabilities**.
- The **cash incentives** are announced by **governments** of countries such as **Indonesia, Singapore, and Malaysia** to counter the impact of COVID-19. The incentives is expected to **promote economic growth** and **relieve financial stress** in some segments.

Thank you

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