

COVID 19: Impact on the food industry in Ireland

June 2020



Foreword

We are delighted to present to you the findings of our recent survey into the impact of COVID 19 on the food industry in Ireland. At Grant Thornton we have identified the importance of the food industry to our economy and the role that the industry plays in maintaining employment and prosperity throughout the country. The food industry is Ireland's largest indigenous industry, forming the backbone of many communities across Ireland, and employing 7.1% of the total workforce. The industry has grown steadily over the last decade, culminating in €13 billion of revenue from exports last year. The produce from the Irish food industry is enjoyed in over 180 countries worldwide.

Resilience in the industry

The industry is no stranger to crises. It has faced a number over the years, most notably, the BSE crisis of the nineties, foot and mouth in the early 2000s and most recently the horsemeat scandal in 2013. These crises threatened to damage the reputation of 'Brand Ireland' globally. Through initiatives of Irish government agencies, the industry has worked hard to regain trust and loyalty of customers and consumers across the globe.

This current pandemic has effected all sectors in the industry. As focus turns to the recovery from this pandemic, there is much change needed to create a new 'normal'. Throughout the years, the learnings from each crisis that the industry has faced have been reflected upon and adopted through the introduction of new regulations, agricultural practices and food safety measures. In this report we are able to share the industry's initial responses to the pandemic and look at the potential learnings to be gained to further increase the resilience of the industry.

Preparing for change

The food industry is well accustomed to adapting to change. Change is typically thrust upon the industry through volatility in the market place, driven by many factors such as weather conditions, commodity prices, consumer demands, biosecurity, and macro economic factors. As well as volatility in the market place, the industry has faced much uncertainty as a result of ongoing trade discussions, such as Mercosur and Brexit. As a result the industry was steadying itself for change, but not the swift and significant transformation that this pandemic has created. Brexit was a focal point at the beginning of 2020 and many food businesses were preparing for change. With the onset of this pandemic, the Brexit narrative has become secondary for many stakeholders.

The food industry has been pushed into a 'sink or swim' scenario. The pandemic has generated many challenges, from protecting human health, to adjusting and adapting to the shift in the market place from food service to retail. To survive the industry has had to look at their operations, incorporating lean practices and sweating their assets, in addition to looking at innovative ways of doing business, from pivoting their business model to raising finance. In this report, Grant Thornton examine the steps businesses have taken to adapt to this new environment.

Report contents

In May, Grant Thornton's agri-food team conducted a survey into the impact of COVID 19 on the food industry. The survey included participants from across the industry, including dairy, meat, seafood, horticulture, beverage, prepared consumer foods, wholesale/distribution, retail and food service. Consultations were held with a subset of respondents to verify the findings and to seek further context into the challenges facing the industry at this time. The findings from the survey have been analysed and are presented in this report.

The report begins by looking at the impact, both positive and negative, that COVID 19 has had on food businesses. The focus then shifts to analyse what steps industry stakeholders have taken to manage their businesses through COVID 19. The third section of the report examines what the long term impact of this global pandemic could be on Irish food businesses. The report closes by drawing conclusions on the impact and reaction of the industry to COVID 19 and what lessons can be learned from dealing with the crisis.

We would like to thank all who participated in the survey and subsequent consultations for their valuable input to this report.



A stylized, handwritten signature in blue ink, appearing to read 'Michael McAteer'.

Michael McAteer
Managing Partner

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Executive Summary



Executive Summary

"Nothing is constant but change".

Introduction

The food industry has been severely impacted by the COVID 19 pandemic. During this period there have been changing consumer behaviours and market shifts that have required the industry to react at a rapid pace.

Market changes

Restrictions introduced by the government in March acted as a catalyst for a period of panic buying. There was a rapid spike in demand for long shelf life staple foods, with retailers battling to keep shelves stocked. In contrast, the food services sector effectively shut down and the food-to-go demand collapsed. This trend was evident across many of Ireland's core export markets and had a detrimental effect on sectors of the food industry.

Customer and consumer needs

Almost instantaneously customer demands changed to meet these market changes. The initial focus was on maintaining a stable supply to meet demand. As a result, Stock Keeping Units (SKU's) were rationalised and consumers had less choice of some products. As the industry moved from react to recover, customer demands are now aligning with new consumer behaviours whereby people are reconnecting with their food. More home cooking and baking is taking place and is reflected in changing consumer trends.

Revenue and cost drivers

Unsurprisingly the industry has placed a real focus on curtailing costs and driving increased revenues, and where possible, increased margins. Logistics and supply chain costs have risen significantly during this period. The industry has sought to offset new additional expenses by reviewing financial and commercial arrangements and implementing cost cutting and lean measures within their businesses. These practices are coinciding with businesses capitalising on new consumer behaviours and market opportunities to grow revenue.

Digital Transformation

The industry has identified the adaptation of new technology during the crisis as a real positive. New ways of remote working have enabled agility in the delivery of core services.

Data savvy businesses have been able to assess the impact and make informed decisions. In addition to food businesses adapting to new technologies there is also a new cohort of consumers who are embracing technology.

Planning for and managing risk

The pace of change across the industry has occurred at an unprecedented rate. Some businesses were ill prepared for any disruption to their business, let alone one the scale of COVID 19. Many in the industry adopt a reactionary approach to managing risk. Despite the perceived lack of preparedness for this disruption businesses have demonstrated an ability to act in a fast and agile manner to address emerging challenges.

Business models

The food industry was thrust into chaos. Every aspect of a business from supply chain to operations, back office functions and route to market has been drastically changed. Businesses needed to quickly adapt and pivot their business and operating models to continue to trade during this period. For example, a number of restaurants are now offering new take away services and using technology to facilitate contactless transactions. Business model agility should form part of the new normal within the industry.

Market outlook

The majority of respondents have indicated that they forecast a decline in revenue as a result of COVID 19. In addition to declining revenues, supply chain and people management issues have challenged businesses in the industry. As we transition to a new normal there will be structural changes that the industry will have to adapt to, including but not limited to, new regulatory and customer requirements and lingering market access and supply chain challenges. While the industry's outlook is somewhat pessimistic, only a minority within the industry feel a high degree of pessimism. There is also a cohort within the industry who see opportunities arising as a result of COVID 19.

The impact of COVID 19 on the food industry



The impact of COVID 19 on the food industry

COVID 19 has significantly disrupted the performance of Irish food businesses. While some challenges will be short lived others pose long term threats to the industry.

Positive and negative impacts of COVID 19

The COVID 19 pandemic has effected every sector in the food industry in different ways. A period of panic buying, and some changing consumer behaviour, has led to spikes in demand for some products. In other sectors there has been significant reductions in demand, and also in the capacity to produce in line with the government's social distancing requirements.

Challenges

The primary challenges for food companies in the short term, unsurprisingly, include human resources, the inbound and outbound supply chain and operational efficiency. Sourcing raw materials, particularly those coming from abroad and operating a production facility at reduced capacity have impacted the industry. Access to storage and global restrictions on moving products have hindered performance in the short term. The industry has signalled that, in addition to business performance being impacted by COVID 19, relationships with buyers and suppliers have also been negatively impacted. Over 50% of respondents stated that COVID 19 had a negative impact on their relationships with buyers, with a similar number citing a negative impact on their relationships with suppliers. The lifting of restrictions and return to business as usual should enable companies across industry to normalise their supply chain processes and achieve efficiencies within their operations. However, rebuilding trust in relationships with buyers and suppliers is fundamental to a quick recovery.

Respondents identified that the overall financial performance of their businesses was likely to be negatively impacted in the medium term (1-3 years). Given that a proportion of the industry operates on single digit profit margins, steps must be taken to offset this impact through cost savings or innovative product offerings to create more value add for the industry. Over one in three respondents have stated COVID 19 has negatively impacted their medium term plans for investment in new product development. Should investment in new product development stagnate or decline, and consumer trends continue to change at the same pace, the industry could struggle to meet demands. There is a risk of a loss of market share if global competitors maintain investment in new product development to meet emerging consumer trends.

The long term (>3 years) outlook for the industry was less negative, however factors such as lingering supply chain challenges and the need to divert resources from Brexit planning to COVID 19 mitigation were cited as issues that would have long term impacts on business performance. Some industry bodies have already made calls for an extension to the Brexit transition period in light of COVID 19. Such a decision would allow the industry more time to prepare for new ways of working with the UK. While the UK market is of significant importance, respondents indicated that wider market access restrictions would be impacted in the long term as a result of COVID 19.

Industry supplier and buyer relationships are being impacted

Overall financial performance impact likely to be a medium term challenge

Industry planning to reduce investment in New Product Development (NPD)

Restricted market access considered a long term implication of COVID 19

The impact of COVID 19 on the food industry

To date, attention has been focused on the challenges facing the industry, however, COVID 19 has brought about opportunities for enhanced performance and new ways of working for some sectors.

Opportunities

The overarching positive impact of COVID 19 on the food industry has related to the adoption of technology across all stakeholders. 36% of respondents identified the increased use of technology as a positive impact from the COVID 19 pandemic. While the short term benefits of this are already being realised, it is also felt that businesses will continue to benefit in the medium and long term. This indicates that the increased use of technology within the food industry is here to stay and new ways of working may be maintained when restrictions are lifted.

Some companies have identified an uplift in financial performance as a result of COVID 19 and forecast that this uplift will be sustained in the medium and long term, resulting in higher profit margins and overall improved financial performance.

There are many factors that may be influencing this outlook, including:

Changing consumer habits

Increased consumer spending on food retail may have a long term impact on consumer buying habits and create increased demand for certain products and services.

SKU rationalisation in the short term, to meet immediate consumer demand, may have created efficiencies of scale in production and reduced the cost of production. Changing consumer habits may enable certain businesses to maintain these efficiencies by increasing batch sizes.

Remote working

For some organisations there may be the opportunity to transition many back office functions to remote working long term. This may reduce the need for physical space in facilities and reduce the associated overhead costs. Changing eating habits associated with working from home could also sustain increased demand for certain products.

Improved terms of business

Many organisations will have engaged with stakeholders along the value chain to renegotiate terms of business in light of COVID 19. For some of these organisations more attractive terms of business may result in increased long term profitability.

The above list is not exhaustive and each of the respondents who indicated a forecasted improvement in business performance will have identified unique ways in which their businesses will achieve this.

For a small cohort of respondents an improved relationship with buyers was identified as a medium and long term outcome of this period. During a crisis early engagement to support customers and address their needs can often result in enhanced long term relationships.

Companies have embraced new technologies and are reaping the benefits.

Renegotiated terms of business may be contributing to a more positive viewpoint

Enhanced customer engagement was identified as a positive outcome of COVID 19

The impact of COVID 19 on the food industry

For the vast majority of companies COVID 19 has caused a significant decrease in revenue forecasts for 2020

Impact on revenue

In the short period that food businesses have been dealing with COVID 19 it has had significant impacts on revenue. Restrictions put in place in March contributed to a period of panic buying in retail supermarkets, however the benefits of this increased demand for some products were firmly offset by a diminishing demand for food services, which ultimately led to the closure of a number of high profile restaurant chains. Given that the food industry relies heavily on exports, restrictions, at varying levels, in key markets have also contributed to declining revenues.

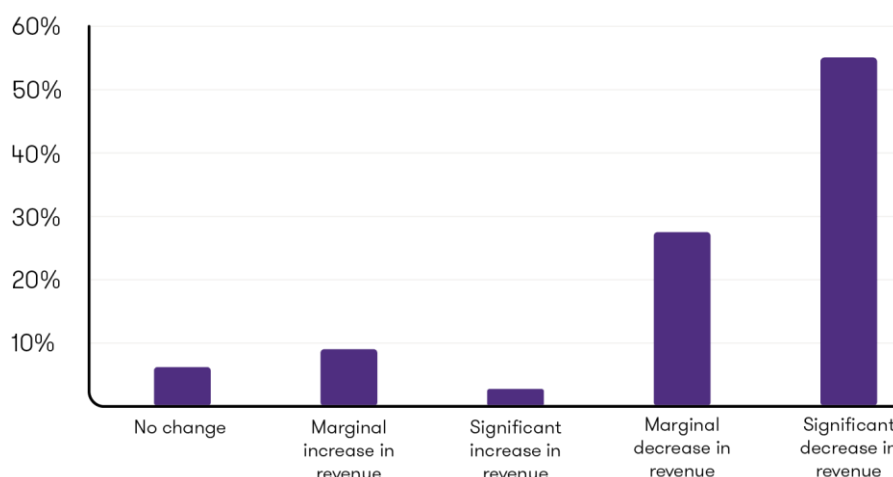
Revenue

Over 80% of respondents cited that they expect a decline in revenue as a result of COVID 19. Two thirds of those expecting a decline in revenue stated that this decline was "significant".

Over one in ten (11%) food businesses predict a growth in revenues as a result of COVID 19, with 2% stating that this increase was significant.

For the majority of food companies, their operations are capital intensive. Significant investment goes into plant and machinery to produce high quality food and to meet stringent customer and regulatory requirements. Many food businesses are operating on single digit profit margins. To ensure a satisfactory return on their capital investment it is necessary to operate close to capacity. Declining revenue and output inevitably erodes profit margins within the industry.

What impact has COVID 19 already had on your revenue forecasts for 2020?



55% of firms expect a significant revenue decrease

27% anticipate marginal decreases in revenue in 2020

11% of respondents predict revenue increases

Less than 7% of businesses stated that their revenue will not be impacted by COVID 19

The impact of COVID 19 on the food industry

Uncertainty surrounds business strategies as the long term impact remains unknown.

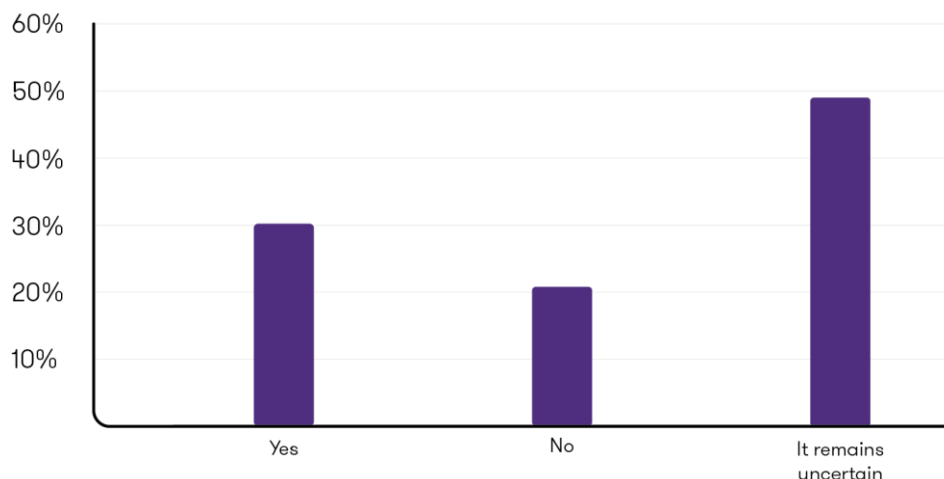
Impact on corporate strategy

The uncertainty about what a post COVID 19 environment will look like is impacting the food industry's long term plans. It was noted that there are already plans to reduce investment in new product development, which could have long term impacts for the industry. In addressing what the future of their businesses will look like food companies now need to consider how best to safeguard from future disruptions.

Strategy

For 30% of respondents, COVID 19 has already impacted their long term strategic plans, while almost half of respondents (48%) stated that the impact of COVID 19 on their long term strategic plans still remains unknown. The food industry is particularly exposed to volatility. This volatility is driven by many factors including weather conditions, commodity prices, consumer demands and biosecurity, as well as macro economic factors. The potential for over 80% of respondents to need to review their strategy in light of COVID 19 reiterates the need for industry stakeholders to develop emergent strategies and routinely undertake strategic reviews in light of changing market conditions. The outputs of these reviews may see growth forecasts redrawn, which could impact Ireland's national food strategy to 2030. Firms revised strategies may also bring about a renewed focus on business model agility in what is considered a very traditional industry.

Has COVID 19 had an impact on your organisation's long term strategic plans?



Almost half of respondents uncertain what impact COVID 19 will have on long term strategies

Three in every ten food businesses acknowledge that COVID 19 has impacted their long term plans

One in every five food businesses feel that COVID 19 has had no impact on their business strategy

The impact of COVID 19 on the food industry

Managing the financial performance of the business during COVID 19 has been the greatest challenge for food industry.

Other challenges

The management of business finance, in light of declining revenue and cash flow, was identified as the single greatest challenge that the industry has faced since the emergence of COVID 19. The issue of financial management was also the most popular category of “other” challenges that respondents volunteered.

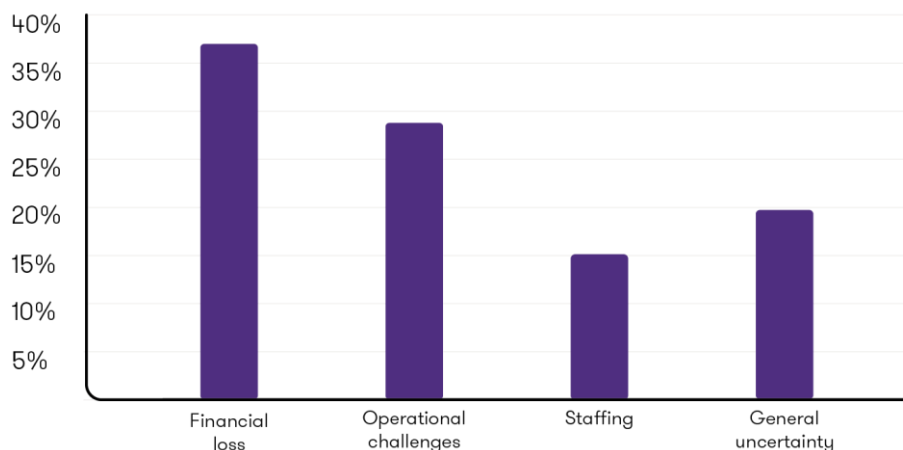
Other challenges

The industry focused on two key areas when asked about “other” challenges: financial management; and human resources/staffing. The extra costs of doing business and reduced cash flow were the main concerns under financial management. The dichotomy of reducing staffing levels to ensure social distancing while trying to maintain or increase production outputs was cited as a major challenge for the industry, and is one that businesses are likely to face for the foreseeable future.

Greatest challenge

The single greatest challenge related to financial losses incurred during this period. Almost three in ten businesses identified maintaining operational efficiency as their greatest challenge. Within this category respondents referenced challenges with stock management, particularly short shelf life products and production restricting measures to prevent COVID 19 as barriers to achieving operational efficiencies. Almost one fifth of respondents expressed a level of frustration around the general uncertainty that COVID 19 has brought. In particular, sectors planning for seasonal peaks in the coming months were unsure as to what impact COVID 19 would have on these peaks.

What is the greatest challenge your business has faced since the outbreak of COVID 19?



Financial management the key focus of the industry at this time

Achieving operational efficiencies the greatest challenge for almost one in three businesses

Maintaining production output while practicing social distancing a significant challenge

Reacting to COVID 19



Reacting to COVID 19

Many stakeholders within the industry were poorly prepared to deal with any disruption to their business, let alone one the scale of COVID 19.

Industry preparedness

Historically, the food industry has been subject to a number of significant market disruptions. These include the outbreaks of disease such as BSE and Foot and Mouth, crop failures and peaks and troughs in consumer demand. The industry has shown great resilience to recover from these shocks. COVID 19 is unique as it is a single issue which has impacted multiple sectors across the industry. Our research illustrates that some stakeholders in the industry have operated in a reactionary manner to this crisis.

A lack of business continuity planning

In their simplest form, business continuity plans identify and document processes for recovery from unexpected disruptions to business as usual. 57% of the responding companies indicated that their business had no documented business continuity plan. The absence of any shape of documented plan for addressing disruptions indicates that many of the stakeholders in the industry were wholly unprepared for a disruption to their business. Given that the industry is exposed to many forms of volatility it would have been expected that business continuity planning would be high on the agenda of food businesses. While the majority of the businesses who entered into this pandemic without a business continuity plan quickly set about developing a plan to support their business in addressing this challenge, over 40% of them failed to develop any plan to manage COVID 19 within their businesses. Instead these businesses indicated that they chose to react to situations as they arose.

Implementing plans

The responding companies who had a documented business continuity plan had varying experiences in executing it. Over half of the companies who had a plan stated that they partially implemented it in response to COVID 19. A good business continuity plan will, in its nature, cover a wide range of scenarios. Given that COVID 19 has had differing effects on the sectors within the industry, partially implementing the plan was the preferred course of action where a plan existed.

A small number of those who had a plan, less than 20%, deemed it necessary and appropriate to fully implement their plan. All of the businesses who fully implemented their business continuity plans were established for over 25 years. This level of business maturity may indicate better preparedness, or experience, in dealing with crises.

A quarter of organisations found that the plan that they had in place was not fit for purpose for COVID 19 and were unable to implement their plan. The presence of a business continuity plan on its own will not suffice in a time of crisis. Organisations must ensure that the plan is up to date and has undergone regular review and stress testing. Simulation exercises should be carried out to identify blind spots or challenges to the organisation in the event of a crisis. These simulation exercises also serve to ensure key stakeholders know their roles and responsibilities when executing the plan.

Only four in every ten businesses had a business continuity plan in place before COVID

Fewer than 10% of businesses fully implemented their business continuity plan

One fifth of businesses partially implemented business continuity plans

25% of those who did have a business continuity plan found it wasn't fit for purpose

Reacting to COVID 19

Food businesses have demonstrated a strong desire to reduce costs and improve their cash flow at this time.

Reacting to COVID 19

Many food companies entered into this pandemic without any formal business continuity plans. Yet, in spite of a perceived lack of preparedness by industry stakeholders, they have taken swift and admirable actions to address the challenges posed by COVID 19 and to continue to operate. Food companies have undertaken a multitude of steps to stem the negative impacts of COVID 19 in the industry.

The government have provided a suite of supports to businesses during this time. However, less than 50% of respondents had availed of any government supports. Of those who had availed of supports the temporary wage subsidy scheme is by far the most popular, with 47% utilising the scheme.

Other initiatives have proven more popular amongst the industry. There is a wide range of activities taking place to address the challenges posed by COVID 19, these activities can be categorised under three headings:

Reducing costs

In the previous section it was evident that the majority of businesses in the food industry had experienced a decline in revenue directly as a result of COVID 19. To mitigate the impact of this fledgling revenue the industry has sought to cut costs. Over 50% of respondents indicated that they had delayed or postponed internal improvement projects as a result of COVID 19, while a similar number had been forced to reduce staffing levels in order to lower their cost base at this time.

Cash flow optimisation

In addition to reducing costs the industry has aggressively sought to improve previously negotiated financial agreements. Just under half of respondents had engaged with their financial institutions to renegotiate their credit terms. A large proportion of the turnover of the food industry is generated from a small number of large players. However, there are hundreds of small and medium sized enterprises operating in this sector. For these businesses actively managing credit terms can impact their viability at this time. Food businesses have also looked to renegotiate more favourable terms of business with buyers and suppliers. Credit extensions can significantly improve a businesses financial performance. Over half of the responding businesses had reviewed their working capital management to improve cash flow within their business. This process is good practice and it is somewhat concerning that over 40% of respondents have yet to review their working capital management.

Less than 50% of companies have availed of government supports

Half of all companies delaying or postponing internal improvement projects

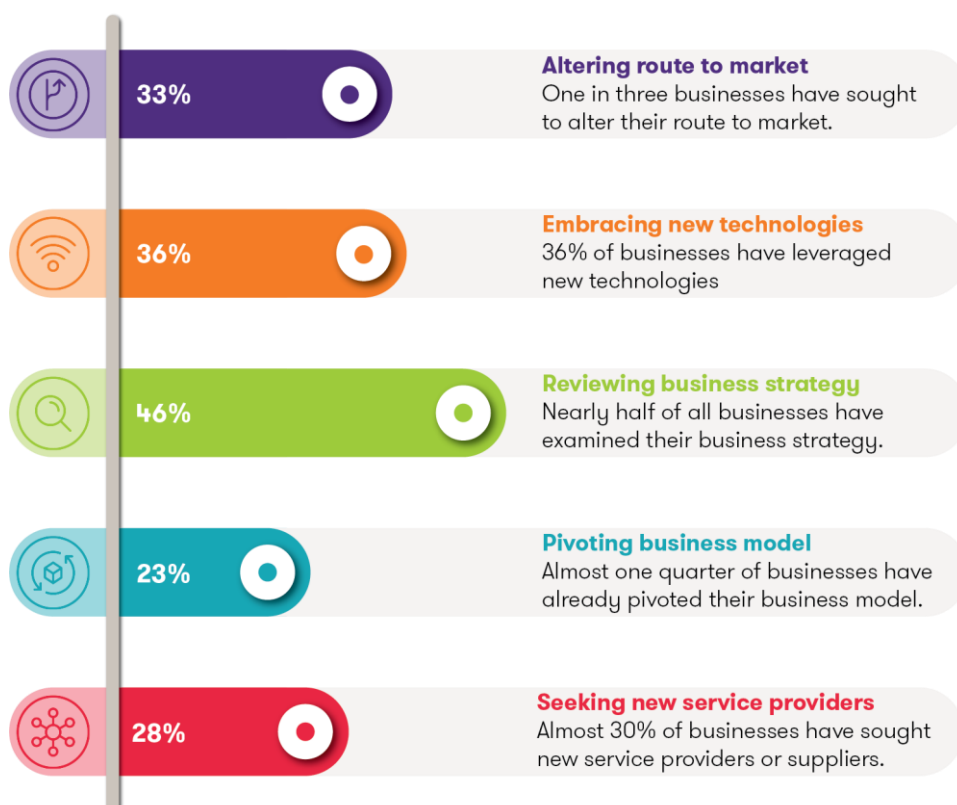
60% of companies have reviewed their working capital management since the outbreak of COVID 19

Reacting to COVID 19

COVID 19 has thrust the food industry into action with companies exploring multiple options to adapt to COVID 19 and manage their businesses through this pandemic.

Innovating and Adapting

The third, and final, cluster of responses has focused on how businesses have been able to innovate and adapt to change within their environments. The industry has focused on five key actions:



The above actions have already been taken by some respondents. This demonstrates the industry's speed in adapting to COVID 19 and the efforts of the industry to mitigate the negative impact, and capitalise on emerging opportunities.

Nearly half of businesses have reviewed their business strategy

One in four businesses have already pivoted their business model

Almost 30% are seeking new suppliers and customers

One third of businesses have altered their route to market in response to COVID 19

The long term impact of COVID 19



The long term impact of COVID 19

As the response from the food industry is normalising, considerations must now be given to the recovery phase and the long term impacts of COVID 19.

Long term impact

Since the emergence and rapid outbreak of COVID 19 the industry has undertaken many measures to try to stabilise and future proof their businesses. The response strategies have been examined in the previous section. As the response phase starts to normalise and the initial shock wanes, industry stakeholders need to consider what a post COVID 19 environment will look like. The recovery phase will require ongoing management to return to the pre-COVID 19 levels of business, however the manner in which this is achieved may be drastically different to before. Fundamental changes such as changing consumer habits, the use of technology by food businesses, SKU rationalisation and diminished levels of investment in new product development could all impact the structure of the industry in the future.

Challenging times ahead

Respondents indicated that COVID 19 would lead to a more strenuous regulatory environment, with new standards inevitable. In addition to regulatory requirements, the industry also expect additional customer requirements.

Companies who are able to meet new regulatory standards will still face costs and challenges in reaching certain markets. The industry needs to consider how to operate facilities efficiently and offset increased costs while also minimising the risk of a resurgence of COVID 19, with social distancing requirements likely to be maintained in the long term. Additionally, reduced demand for some products will leave factories operating at partial capacity. 43% of companies expect COVID 19 to have a long term negative impact on operational efficiency.

Over 50% of respondents indicated staffing challenges as a result of COVID 19. Many sectors experienced staffing challenges pre-COVID 19, it is likely that these challenges have now been compounded.

Almost two thirds (65%) of companies stated that COVID 19 would hamper their long term capital expenditure plans. Although this may be necessary to continue trading, there may be long term impacts from curbing capital expenditure. These impacts include a loss of efficiency and increased down time from deteriorating plant, and a failure to innovate to meet emerging consumer demands. In the long term this reduced investment could hinder business performance and future growth potential.

The above challenges all point to a decline in margin, with 62% of respondents stating that they anticipate that a decline in margins will be a long term impact.

Almost two-thirds anticipate a negative impact on capital expenditure

The industry has signaled a long term negative impact on margins

Staffing arrangements will pose a challenge for the foreseeable future

Restricted or more costly market access will impact business performance negatively

The long term impact of COVID 19

Although the majority of companies have expressed a pessimistic outlook for the industry as a result of COVID 19, only a minority of respondents feel that impact will be significant.

Overall market sentiment

The overall market sentiment is swaying towards pessimism, however, there is a significant cohort who see opportunities arising from COVID 19. In addition, those who foresee a challenging market do not believe that the challenges will be significant.

Pessimistic outlook

For almost half of respondents the long term outlook is somewhat pessimistic, with less than 20% indicating that their outlook was “a lot more pessimistic”. 85% of those who indicated a significantly more pessimistic outlook forecast significant decreases in revenue. These businesses have already been hit hard by COVID 19, and it appears that they do not see the market turning in their favour in the future. All of the businesses that held this view were long established entities and had been in existence for over 10 years.

Optimistic outlook

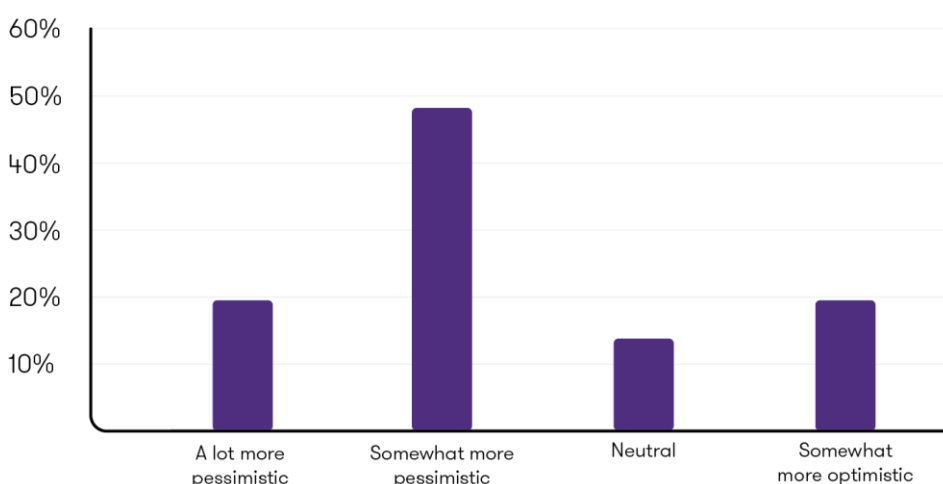
For almost 20% of respondents the market outlook has improved as a result of COVID 19. Interestingly, of the 20% who indicated more market optimism, 70% expected a decline in revenue for 2020. For these businesses, although revenue is declining they still feel that COVID 19 will have a positive impact. There may be many factors contributing to this view point. Renegotiated terms of business may provide a greater long term opportunity or alternatively efficiencies realised within their operations may be sustained post COVID 19 and result in increased margins.

Market outlook has improved for almost 20% of businesses

Two-thirds of companies have a more pessimistic outlook as a result of COVID 19

Less than one fifth of respondents indicated that their outlook was a lot more pessimistic

How has COVID 19 impacted your outlook for the sector over the next 5 years?



The long term impact of COVID 19

The industry has identified key lessons that are being learned. Maintaining a sense of focus during a crisis is a critical success factor.

Lessons are being learned

No business was fully prepared for the scale of the disruption caused by COVID 19. Managing an organisation through this turbulent time has required unprecedented actions to be taken. Lessons can be learned from how this crisis was managed and should inform the design of a new way of working in a post COVID 19 environment.

1. Business model and operating model agility

Crises bring about changes in market conditions. Businesses who can adapt to these changes can survive and prosper. The ability of a business to quickly pivot its business model can be determined by how well the business understands its operating model and the impact that changes will have. Understanding the capacity for, and impact of, change within an operating model enables senior management to make informed decisions quickly.

2. Maintain focus on what matters

The Irish food industry is highly globalised. When a ripple occurs in one market, it can have knock on effects in many others. When significant disruption occurs, it can create chaos across an entire business. During a time of crisis there can be a multitude of issues being escalated to a management team. Processes need to be put in place to prioritise these issues and create a sense of focus on the business critical issues.

3. Cash flow management

The flow of cash through a business will determine its ability to continue trading. Many businesses acknowledged complacency in their cash flow management processes. Monitoring of cash flow, debtors and creditors, documenting parameters within terms of business and consultations with customers and suppliers should all be undertaken on an on-going basis.

4. Embrace technology

Technology is permeating throughout the entire industry from on-farm ag tech, to processing innovations and consumer buying patterns. Many businesses didn't fully understand the functionality of their technology or the importance of investing in technology within their business. Reviewing technological capabilities and establishing a digital transformation strategy will help businesses to realise efficiencies and enable greater agility in a time of crisis.

5. Communicate

Businesses should know who their key stakeholders are and engage with them early. Early engagement with suppliers can ensure security of supply or enable contingency planning. Discussions with buyers can create a cohesive relationship. Communication with staff is key to achieving engagement and creates a cohesive vision for change.

Businesses need to act fast and be agile throughout a crisis

Processes for prioritising issues need to be established early

Cash flow management should be an on-going task

Technology is an enabler for business agility and yields efficiencies

Early communication is key to stakeholder engagement

Conclusion



Conclusion

As society returns to normal, the industry must consider how to transition to a new normal and in doing so, seek opportunities to capitalise on the learnings from COVID 19.

The impact of COVID 19 has differed greatly across sectors of the food industry. For most there has been a decline in revenue, coupled with increased costs. For an industry that operates on tight margins this has effectively eroded profits for some organisations. For other sectors there has been a surge in demand for their products. Panic buying was a catalyst for this initial surge, however, consumers working remotely are changing their buying patterns which is elongating demand for certain products.

The industry is now moving from a reaction phase to a planning phase. As this transition occurs, considerations must be given to the long term impacts of COVID 19 on the industry, the ability of organisations to adapt to crises and how to safeguard against future volatile events.

The short to medium term outlook for the industry poses many challenges but from these challenges the industry can seize opportunities. The pace at which food businesses acted in light of COVID 19 demonstrates the intuition that is present in management teams across the industry. These management teams now need to adopt a tri-focal approach to this transition.

Firstly, the focus must be on sustaining the business. It is essential that the measures that have been put in place are maintained and that as the markets recover complacency isn't allowed to set in. The industry has sought efficiencies in all aspects of how it operates. Financial and commercial agreements have been renegotiated, working capital has been reviewed and lean processes have been implemented to eliminate waste. Organisations across the industry have focused on their own operations and taken steps within their control to drive efficiencies and improve financial performance.

Secondly, businesses need to take steps to safeguard themselves against future volatility. The industry has suffered greatly as a result of COVID 19, there have been casualties and there may well be more. However, the agility, innovation and resilience of the industry has shone through. It is apparent from the findings that the industry has recognised that there are lessons to be learned from the challenges posed by COVID 19. While credit must go to the reaction of key stakeholders to this crisis in identifying and undertaking

the required actions in a timely manner, the industry could have been better prepared for disruption. The highly volatile environment that many businesses have to operate in means that future disruptions are inevitable. Taking stock of the actions taken, successes, failures and blind-spots in managing COVID 19 will help these businesses to better prepare for future disruptions.

Finally, the industry needs to consider how to leverage the current agile mind-set to capitalise on opportunities and create a more flexible business model for the long term. In addition to a focus on improving the status quo, the industry has demonstrated great agility in pivoting business and operating models to align to rapidly changing market conditions. Businesses have tailored their product offerings to enable them to utilise alternative routes to market. They have been creative and innovative in connecting with their customers and consumers. They have embraced new technologies and adopted new ways of working to sustain their businesses.

Implementing such changes under normal circumstances would take months or years of design, stakeholder engagement, planning and implementation. However, under these unprecedented circumstances food businesses have delivered large scale change to their businesses in a matter of weeks. The motivator for this change has been survival. Going forward, food businesses need to assess their strategic options to determine what changes should be retained and how elements of the organisation may need to pivot back as society returns to normal.

Managing the transition back to business as usual will bring a new set of challenges but encouragement can be taken from the resilience the industry has shown. The ingenuity of some businesses during this period indicate that from these challenges new opportunities will be seized. The industry has a long standing history of rebounding from crises and applying the learnings to strengthen its offering. The findings indicate that while, for many, there are challenging times ahead, the industry is well equipped to navigate these challenges.

About Grant Thornton Ireland



Grant Thornton Ireland

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The firm comprises over 1,450 people operating from offices in Dublin, Belfast, Cork, Galway, Kildare, Limerick and Longford.



€150m
turnover in 2019



54
Partners in Ireland



Office locations
Dublin, Belfast, Cork,
Galway, Kildare,
Limerick and Longford



"At Grant Thornton we have recognised the importance of the agri-food industry to our economy and the role that the industry plays in maintaining employment and prosperity throughout the country. We have a dedicated cross functional agri-food team, focused on supporting the industry to achieve it's full potential."

**Michael McAteer, Managing Partner
Grant Thornton Ireland**

Agri-food team

Grant Thornton's dedicated agri-food team has a wealth of national and international experience in the agri-food sector. Our team have worked for some of the world's largest food producing organisations and we are able to complement their industry experience with a best in class suite of professional services. Additionally, Grant Thornton has a network of over 50,000 employees across 143 countries. This network allows us to deliver projects locally, while tapping into real time global insights. This approach has resulted in a deep understanding of the intricate interdependencies that exist within the food industry. Our dedicated team are on hand to design tailor made solutions to add value and enhance efficiencies right across the food industry.

Our agri-food team

Our dedicated agri-food team work with businesses of all sizes, along the entire food chain, to create sustainable solutions to the challenges that they face.



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Food for Thought

Our agri-food team publish a quarterly newsletter, “**Food for Thought**” on the latest trends in the food industry. To read previous copies or subscribe to the newsletter please click [here](#)

