EIT Food Foresight: The Impact of COVID-19 on the Food Sector in Southern Europe

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eit Food

Co-funded by the European Union


COVID

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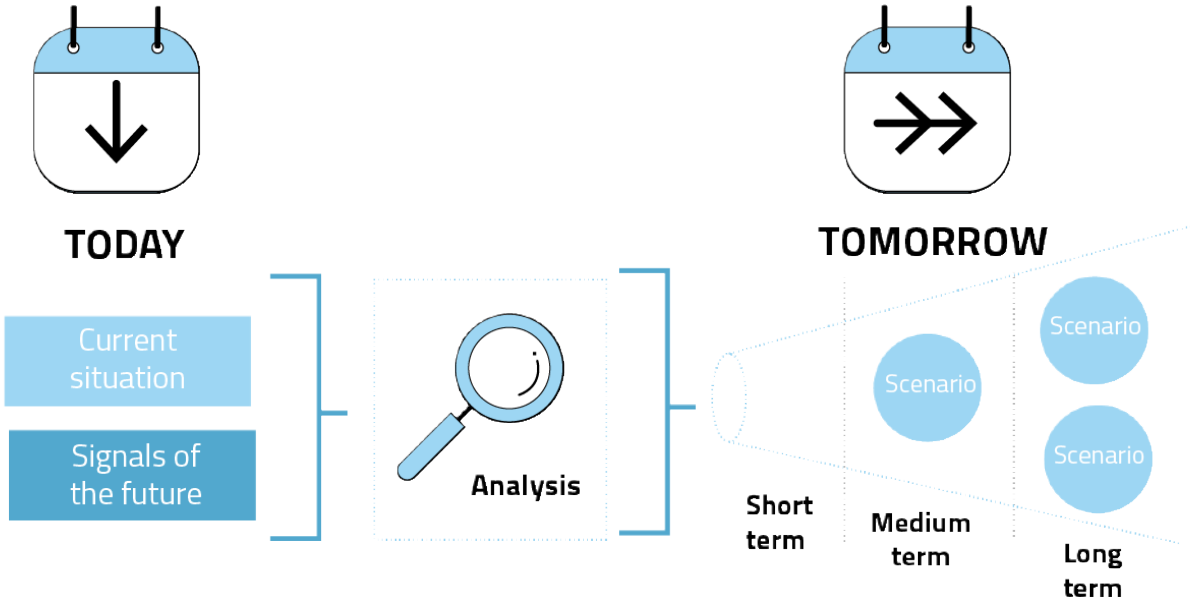
ABOUT THIS **STUDY**

The objective of this study is to provide some tools to help analyse and alleviate the current situation

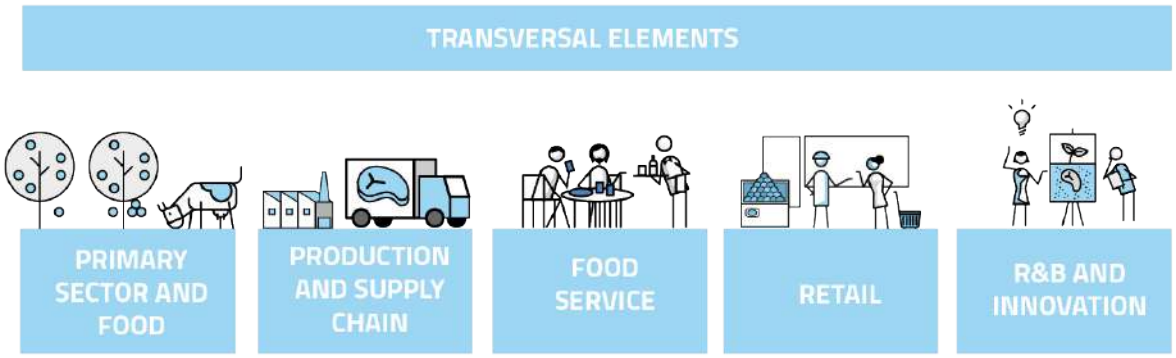
We are living in strange, changing, and turbulent times. The unexpeted has impacted us in many ways and certainty eludes us. The agrifood sector, one of the most essential to our survival, has suffered like no other from the confusion, stress, and pressure.

This document, funded by EIT Food, tries to give the sector a tool that can help its businesses navigate these turbulent waters.

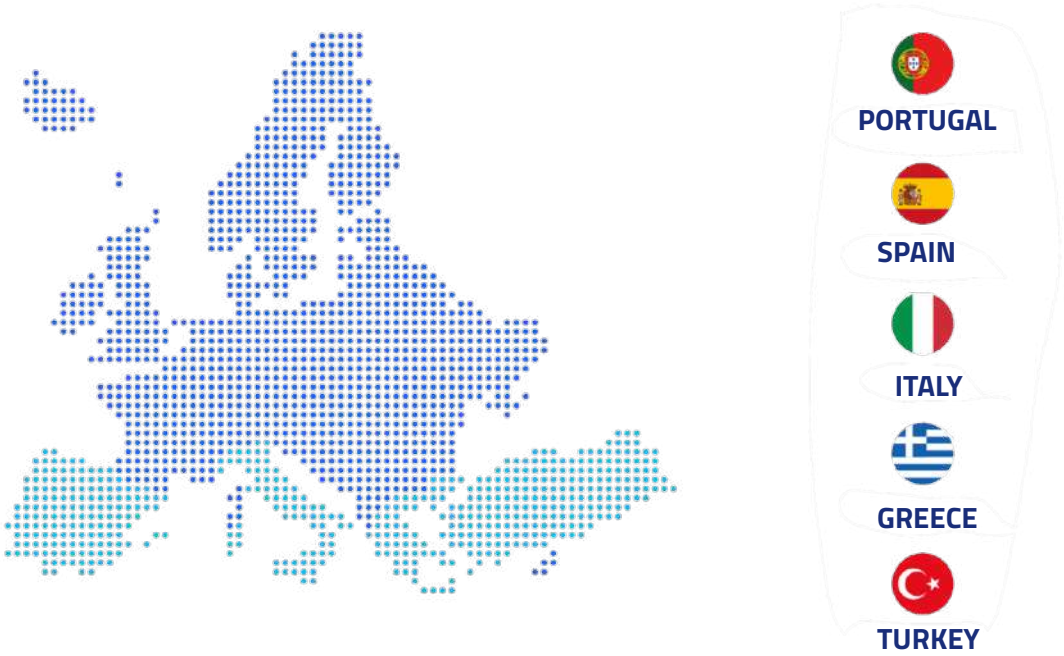
This work analyses COVID-19's past, present, and future impact on the sector. We have analysed the main current signals that can help us visualise the possible futures and scenarios. This has helped us to identify the possible strategies for success in the case of each scenario becoming a reality.



The analysis is divided into 6 areas



The scope of this study is southern Europe, with a special focus on 5 countries



To complete the study, we interviewed 19 experts in the agrifood sector.

PORTUGAL

João Leite
Director of Innovation
Pestana Hotel Group

Rui Catalão
Co-founder
Kitchen Dates

Nuno Bastos
Supply Chain Director
Intermachê

Olga Matias
SkunkWork Projects
Mendes Gonçalves

SPAIN

Gonzalo Campos
Fish Marketing Manager
Sealedair

José Manuel González
CDTI

Enrique Monzonis
Retail expert

ITALY

Daniele Rossi
Director of R&i
Confagricoltura

Alessio Cavicchi
Professor
University of Macerata

Cosimo Ranieri
General Manager
Villa Romanazz

Filomena Rinaldi
Senior Consultant
SYMRISE

GREECE

Sotiris Koutsomitros

Consultant
Greek Young Farmers
Association

Yiannis Georgakellos

Director of Corporate
Affairs Athenian Brewery

George Kapsis

Marketing &
Communication
Manager
OK Markets

Agapi Doulgeraki

Researcher
ITAP

TURKEY

Emrah İnce

CEO Tefken

Faruk Boyacı

Owner Sirkeci Hotel

Olcay Silahlı

Founder Whole Surplus

Ethem Kamanlı

Supply Chain
Director Migros

ADVISORY COMMITTEE

Femin Aldaz

Commercial and Marketing director at Florette

Juanjo de la Cerda

R&D director at Nueva Pescanova

Antonio López Esparza

Former COO at Bidfood Iberia

Fernando Gallardo

HORECA expert

Maria Naranjo

Division Head for Food, Wine and Gastronomy at ICEX

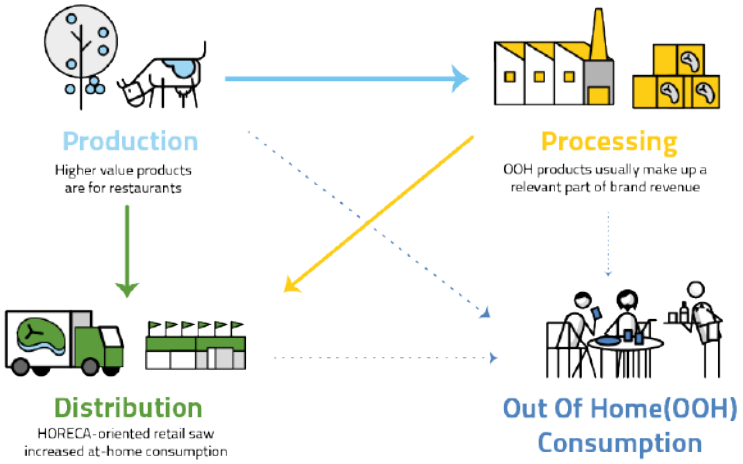
In addition, we consulted several public resources.

All the references are available at the end of the document.

THE IMPACT OF ***COVID 19***

AGRIFOOD SECTOR

Decline in out-of-home consumption is the main influence on the sector



The agrifood sector saw major mindset changes and became much more resilient

Before COVID-19	During COVID-19 lockdown
Aversion to change	
Changes were slow and difficult to implement in a traditional sector.	The whole chain made fast and urgent changes with a strong positive impact. Agility and adaptive capability in an uncertain environment has been and will be key to survive.
New approach to bottom line	
Bottom line was focused around monetary earnings.	The sector united and focused its attention on the common benefit in the face of external danger. Companies prioritised the well-being of their employees and consumers above immediate economic benefits. Focus on very short term targets; medium term and long term strategies under revision.

Before COVID-19	During COVID-19 lockdown
Broader cooperation	
Limited collaboration outside immediate sector.	In general, there is a significant level of cooperation and collaboration between different entities and organisations. Producers and retailers reinforced their relationships through close collaboration during the early chaotic moments of the lockdown, where the main goal for both parties was to prevent shortages.

Employee safety was prioritised, as food safety is already implemented

Employee safety

We are seeing an evolution from food safety to a broader scope which includes employee health.

Most companies implemented new measures to keep factories open and workers safe at the same time.

Quality assurance programs begin to include this approach.

Customer safety

Businesses in direct contact with consumers implemented hygiene and safety measures such as masks, hand sanitiser, and glass panes.

On the other hand, these measures prevent consumers from feeling comfortable and discourage more regular visits.

This is particularly significant in food service as many government measures focus on these establishments and paint an unsafe picture of them.

There are some factors that will have a relevant impact in the future of eating habits

Remote working and unemployment will lead to more meals at home.

Home delivery is growing fast as an indulgent and convenient family treat. It is also convenient for remote working.

More home cooking as an alternative to restaurants and due to the impact of the crisis.

More health-related nutrition with new dimensions (vitamins, immunity...).

Remote work is here to stay

- The impact on consumption is still unclear as there is not a consistent level of adoption across industries, but it will be significant.
- There are still cultural barriers in some countries such as Greece or Turkey and not all jobs are able to be done remotely (e.g. cashiers, factory workers).
- Business travel will experience significant decline as remote meetings are normalised.
- Nonetheless, face-to-face interaction in the office between co-workers, as well as clients and providers, is seen as critical for collaboration.

PRIMARY SECTOR

The primary sector suffers due to lower demand and labour shortage

Impact	Implemented Solutions
Workforce	
Borderclosurescauseagriculturallabour force shortages.	Governments implement policies to incentivise the unemployed to apply for these jobs. Some countries, like Italy and Portugal, extended visas for immigrant workers. Interest increases in mechanisation of rural work.
Exports	
Exports fall due to lower demand and transport problems.	Government campaigns incentivise demand for local products. Safety and traceability become the main drivers in maintaining food exports.
Demand	
Decline in demand for food service creates a large surplus of high value product.	Many businesses develop direct-to-consumer channels in order to distribute higher value surpluses.

Italy and Portugal facilitated access to permits for migrant workers in order to regularise their rural workforce.

Portugal Grants Migrants and Asylum Seekers Full Citizenship Rights During *COVID-19* Outbreak

The Portuguese Council of Ministers has decided to temporarily grant all migrants andasylum seekers currently in the country full citizenship rights.

Italy to grant residenceto undocumented migrant workers during *coronavirus crisis*

The Italian government on Wednesday decided to temporarily regularize undocumented migrants working in the agricultural sector or as domestic helpers, tofill key jobs and allow workers health coverage amid the coronavirus pandemic.

Photo: Roberto D´Agostino/AFP

"Not all has been bad. It gave us an opportunity to see how much mechanisation could be developed".

Daniele Rossi, Research & Innovation Delegate at Confagricoltura.

The need for mechanisation and rural workforce reform is becoming more evident

- Agricultural labour experienced structural issues due to its physical intensity and dependence on migrant workers.
- Strict border controls and temporary closures had negative implications on the gathering of produce.
- There is still room to increase the mechanisation and modernisation of current machinery (especially to reduce their environmental impact) in areas such as mechanical gathering or animal feeding, but barriers exist:

Three main barriers to higher mechanisation in agriculture

Investment
Mechanisation requires heavy investment.

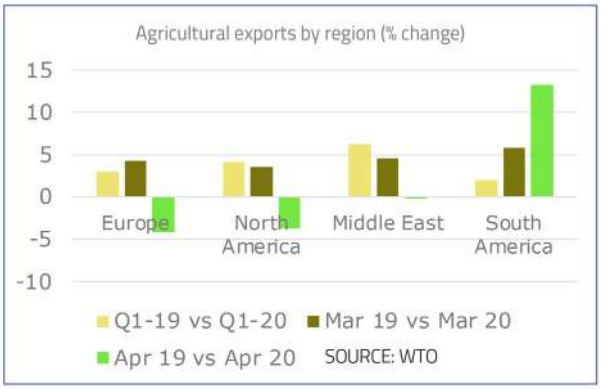
Size
Most rural business are small: either family-run or consisting of just one person.

Culture
This is a traditional environment primarily run by older adults.

Effects of lower demand on the primary sector

DECLINE IN EXPORTS

The global crisis caused a decrease in demand and difficulties transporting goods, leading to a notable fall in exports.



FALLING DEMAND FOR PREMIUM PRODUCTS

Government restrictions and consumer hesitancy around food service establishments creates a large surplus of high-value products.

Direct-to-consumer initiatives are implemented but their complexity makes them temporary

- Local initiatives to develop direct-to-consumer (DTC) channels in order to sell surpluses have been established, but the experts interviewed do not expect continued development of these channels, as local producers lack key skills which are not currently part of their business models.
- DTC shortens the food chain, but the logistics are complicated and difficult to manage by a sole producer.
- The channel is better suited to high value products, and not fresh produce or products with a short shelf life.
- Growth will depend on the progress of online platforms and last mile initiatives.

Spanish cooperative Baserria KM0 developed a DTC channel in order to sell higher value meat products originally intended

FOOD *PRODUCTION* AND SUPPLY CHAIN

Impact

Implemented Solutions

Demand has changed

Less out-of-home consumption occasions increase opportunities for at-home ones.

Home cooking increases.

Meal delivery increases.

Less impulse and more control over spending.

Food service closers affect a significant percentage of demand.

Brands emphasised at-home consumption.

More DTC initiatives from brands.

Agreements with delivery platforms.

And so has supply

Procurement was at risk, although in southern Europe the amount of out-of-stock events on supermarket shelves was generally very low.

Companies are rethinking key business elements to maintain profitability, such as payment terms and conditions, minimum orders, lead times, number of orders per day/week, and customer segmentation.

The number of providers per company increased.

HORECA providers had to search for B2C producers.

Security of supply is prioritised over rigid cost-saving flows such as JIT.

Factory worker safety is prioritised, partially due to the risk of closing in case of outbreak.

In Spain, consumption habits radically changed during pandemic

-32.4% Out-of-home meal consumption on weekdays.

At-home cooking. **+6.4%**

+31.5% Food delivery and takeaway.

Brands highlighted at-home consumption moments in order to offset some of the lost food service sales

Heineken – the wait is over

A Champions League game at home is the perfect occasion for an ice-cold Heineken.

Lay's – the good things remain

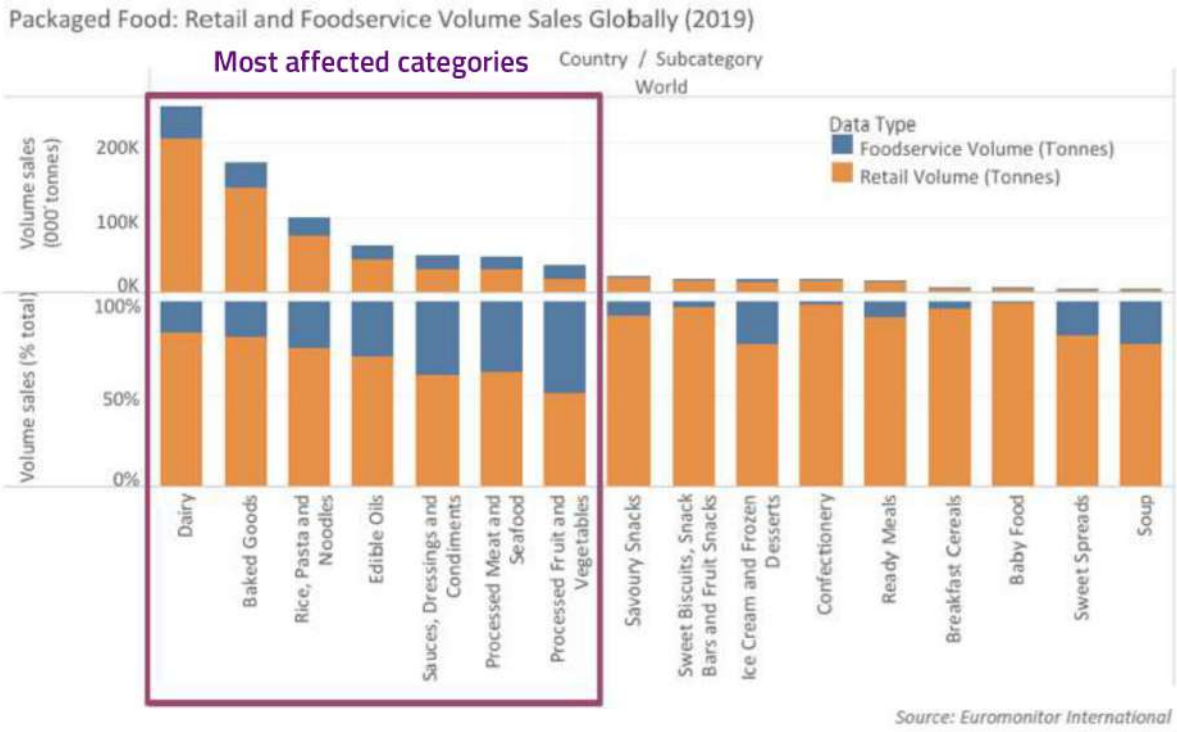
Aperitif doesn't have to be enjoyed on the terrace of a restaurant. Enjoy Lay's while social distancing.

Schweppes – imperfect serve campaign

Schweppes reminds us of other occasions for a gin & tonic, even when bars are closed.

Not all food categories are suffering in the same way from food service closures

Certain categories have a significantly higher share in food service than in retail, such as dairy and processed fruit and vegetables. They are much more vulnerable to surplus issues and unforeseen changes in demand.



Digitalisation, traceability, and Blockchain implementation need a push

- Traceability is now a must in the supply chain, especially for exports.
- Blockchain will gain relevance in the short term due to its implications in traceability, and related initiatives will be accelerated.
- Real time information will be essential for making better decisions as demand forecasting becomes increasingly difficult.
- Manufactures and retailers should move towards more integrated information systems.

- Digitalisation of the supply chain will be accelerated, and those that are not integrated will find it difficult to participate and compete.
- Cybersecurity becomes a more relevant concern as most business activity moves online.

DTC channels are developed and some mental barriers are broken

- Many medium and large brands reactivated online platform projects to respond to rising demand and supply chain problems.
- The fear of angering retailers was left behind and there were no negative reactions from the sector.
- DTC channels provide relevant information and stronger communication tools.
- The greatest challenge will be keeping this channel open while maintaining relevance and profitability.
- There are still problems in internationale-commerce, where regulations and logistics make it difficult for small businesses to operate.

In the Portuguese market, Danone, Unilever and JMDB, partnered to make their brands available on Glovo and Uber Eats delivery platforms. Consumers will have access to brands like Hellmann's, Knorr or Ben & Jerry's in less than 30 minutes.

FOOD SERVICE

Impact	Implemented Solutions
On-premise demand collapsed due to lockdowns and safety measures. Many business are not able to stay open, with many jobs at risk.	Many restaurants developed new revenue streams. Communication with customers is increased to strengthen current relationships. HORECA associations increased training in new revenue models. Outdoor dining becomes a must. Neighbourhood restaurants manage the impact better thanks to proximity to consumers.
Food delivery received a major boost. Increased delivery means lower spending at restaurants.	Many restaurants have started delivery service. Using existing platforms. By developing their own platforms. Some restaurants have developed dedicated offerings for this channel.

Lockdowns and COVID-related limitations have placed the food service industry in a difficult situation

- A lot of small businesses will struggle to keep their doors open.
- Unequal impact on chain and independent restaurants: chains have greater financial and professional resources, allowing them to adapt more quickly and effectively. Independent restaurants will have to collaborate with peers to achieve similar capacity.
- Treasury management: most restaurants were able to delay tax and supplier payments, but as deadlines expire we will see more closings due to inability to pay.

- Leases will need to be reviewed as a large part of the fixed cost of the business.
- Businesses that depend on tourism will suffer more.
- Fairs and events become less common, penalizing hotels and catering businesses.
- Colder weather as the summer ends will reduce opportunities for outdoor dining. The new peaks in COVID cases in autumn/winter 20/21 will severely affect these businesses.

Southern Europe's food service industry is reliant on

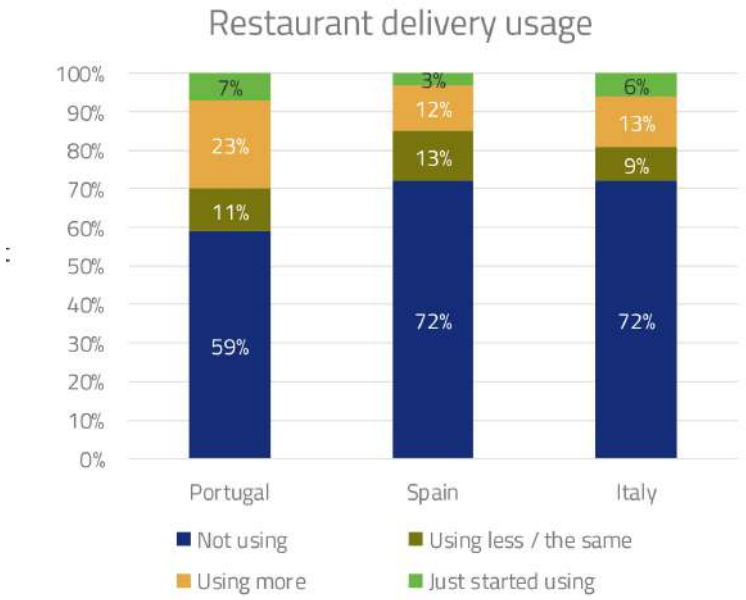
The five largest countries in southern Europe are among the 15 most visited countries in the world, meaning that the survival of HORECA businesses is dependant on the recovery of tourism.

"If we lose small businesses, we will lose a lot of our food and beverage cultural richness".

Ömer Faruk Boyaci, owner of Sirkeci Mansion Hotel.

Delivery is an important opportunity, but the current business model needs to be changed

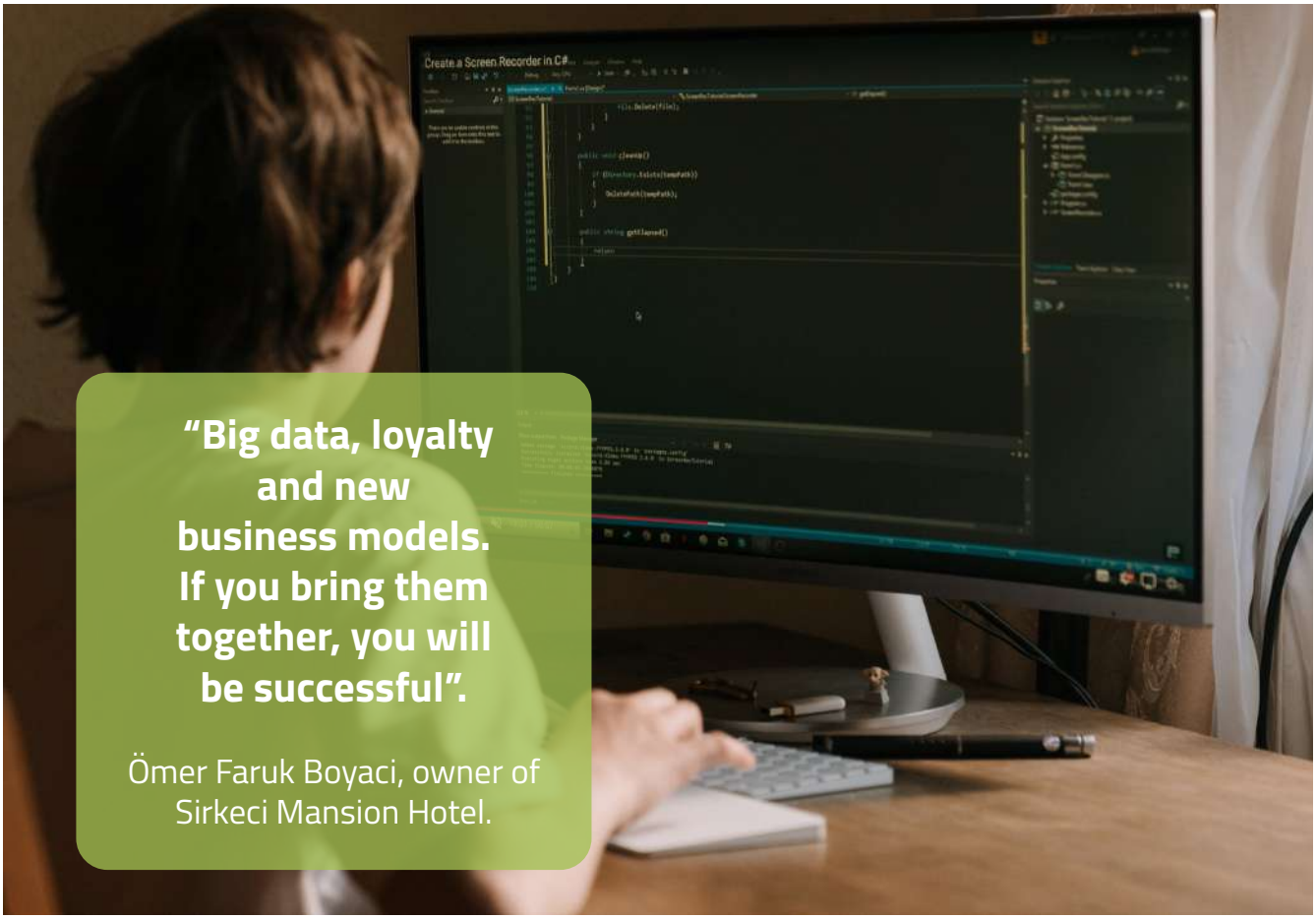
- Delivery platforms became the main, and sometimes only, sales channel for many restaurants...
- ...but their fees are extremely high in a low margin business making it unlikely to be a long-term solution for restaurants.
- Platforms also control all consumer data, and don't share it with restaurants.
- Some restaurants developed their own delivery services, but the sustainability is in question.
- Takeaway is usually easier and more suitable, but an improvement in customer experience is needed.
- That is why takeaway and delivery menus need to be created with at-home consumption in mind.
- Dark kitchens are a better and rising business but not a suitable option for the whole market.
- Euromonitor predicts the market cap for dark kitchens will grow to $1 trillion by 2030.



SOURCE: McKinsey, June 2020

The sector's current digitalisation level needs a bigger push

- Digitalisation and automation of most processes is going to be key to survive (most relationships with providers are still done over the phone).
- Digitalisation will mean cost reduction as it can help to forecast sales, allowing restaurants to match supply with demand more effectively.
- The increase in digital payments is also an opportunity for more data analysis, even though it is complicated to implement for many businesses.
- Loyalty programs and brand engagement actions will be key to maintain current customers once the pandemic is over.
- The main barrier is that this a very traditional sector where the implementation of new technologies is slow.



"Big data, loyalty and new business models. If you bring them together, you will be successful".

Ömer Faruk Boyaci, owner of Sirkeci Mansion Hotel.

Restaurants develop new revenue streams

These are low margin businesses with several COVID-19 limitations, leaving them with little room to adapt. However, some restaurants have managed to develop new revenue streams. Here are some of them:

Madrid based K154 launched an online shop with ingredients and pre-prepared meals for an elevated at- home experience.

Luxury resort Il Pellicano, in Tuscany, with homonymous Michelin-awarded restaurant on the premises launched lifestyle and e-commerce website Issimo.

Maria and Rui from Kitchen Dates in Lisbon, started quarantine cooking classes. "A lot of people come to us searching for knowledge even more than the food itself," says Rui.

RETAIL


CONVERSE
Chuck Taylor
ALL STAR

Impact	Implemented Solutions
Shopping behaviour	
Shoppers reduce their store visits due to fear of infection. Shoppers increase basket size. Less impulse buys. Local convenience stores have increased their market share.	Masks, hand sanitiser, glass panes, and lines to enter the store have made the shopping experience unpleasant but safer. More shelved items are purchased instead of over-the- counter as people try to minimize interactions. Offerings are adapted to new shopping behaviours (smaller assortment, focus on high turnover products and recognisable brands). Private label has increased its market share.
Stock availability	
During the first weeks of the pandemic the supply chain experienced stress and some products had availability problems.	Collaboration between producers and distributors strengthened these relationships. Initially there was a decrease in selection in order to focus on the most relevant products.
E-commerce	
Online grocery shopping doubled with many new users having their first purchasing experience. Large retailers' e-commerce platforms struggled to adequately provide service.	Retailers partnered with delivery platforms to provide e-commerce services. Small and local shops launched online platforms, generally combining their efforts.

Grocery e-commerce takes off, but there is a long way to go before it becomes mainstream

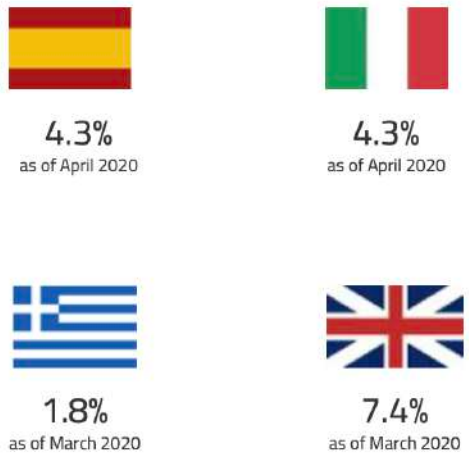
- Online grocery sales more than doubled in many countries, but still represent less than 5% of the total in the south of Europe.
- This trend remains stable and has not gone back to pre-lockdown figures.
- Most of the increase comes from new users and new age segments that were underrepresented, such as the over-65 segment of shoppers.
- Retailers have had difficulties providing this service as their platforms were not ready for this level of demand.

The channel is not yet profitable as most of the process is still very manual.

More volume will be need before implementing automation in the process.

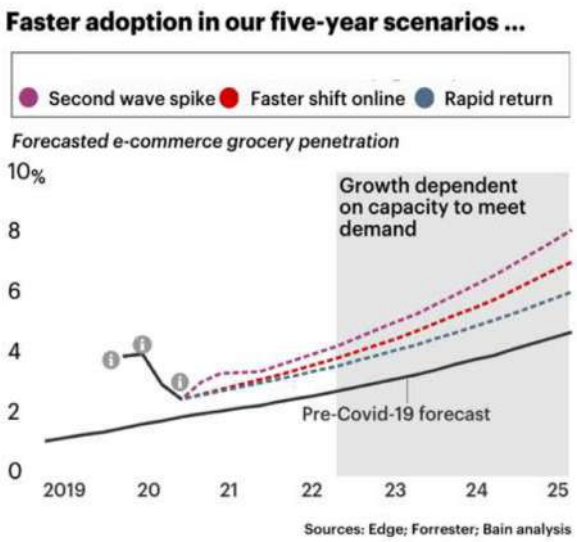
- Omnichannel options increase, with click-and-collect as a relevant solution.
- Overall consumer experience is worse than expected but shoppers understand that this is an exceptional situation.
- Consumers return to previous behaviours, meaning less online and more physical shopping.

% of e-commerce over total grocery sales by country



Source: Bain & Company, Kantar

Grocery e-commerce will remain strong post-COVID but still experience growing pains



In Italy, the adoption of e-commerce has accelerated by two years.

"Online grocery continues to have a tremendous difficulty in the profitability and efficiency of the process itself".
Enrique Monzonis, retail expert.

Stock-outs and the disruption of products in e-comerce impact the overall experience

R&D *AND* INNO—VATION


NOT
TODAY
#COVID19

Is this an ideal time for innovation?

- The need for fast solutions and the lack of resources is an opportunity for innovation as the fear of failure is reduced.
- Innovation is more relevant than ever for the food industry as it is critical to provide added value to consumers.
- There will be less, but more relevant, innovation.
- HORECA is the sector with the greatest need for innovation as restaurants are seeing the largest changes and severest impact.
- Talent is more available now due to remote work.
- In southern Europe, the high level of market share achieved by private labels will make it harder for innovation from brands to succeed.

In Spain, 91% of FMCG producers are looking for new innovation areas during COVID-19.

"This is the best time for innovation because there is a sense of urgence and a lack of resources. We are out of our comfort zone".
Olga Matias,
Innovation director at
Mendes Gonçalves.

Private capital did not lose its interest in food start- ups, but public investment is likely to change

Private

- Investors are looking towards relatively stable medium-term investments as well as business models that have been accelerated during this time and will have post-COVID-19 development.
- Mostly business related to digitalisation.
- The seed capital for new projects will likely be more difficult to find.
- The environment is hard to navigate due to less liquidity, lack of personal interaction, and uncertainty.

Public

- New public budgets will likely see a cut in R&D funding due to new needs.
- There are concerns about how small businesses can access these funds, as they have fewer resources to delay projects and seek funding.

R&D and innovation areas will remain the same, but several will see an acceleration.

Health & Nutrition
Health food trend will be boosted by higher consumer demand.

Demand for immunity- boosting products will rise.

The trend towards natural ingredients will continue.

Digitalisation & traceability
More digitalisation and automation will be sought in order to reduce costs.

Traceability and blockchain gain relevance.

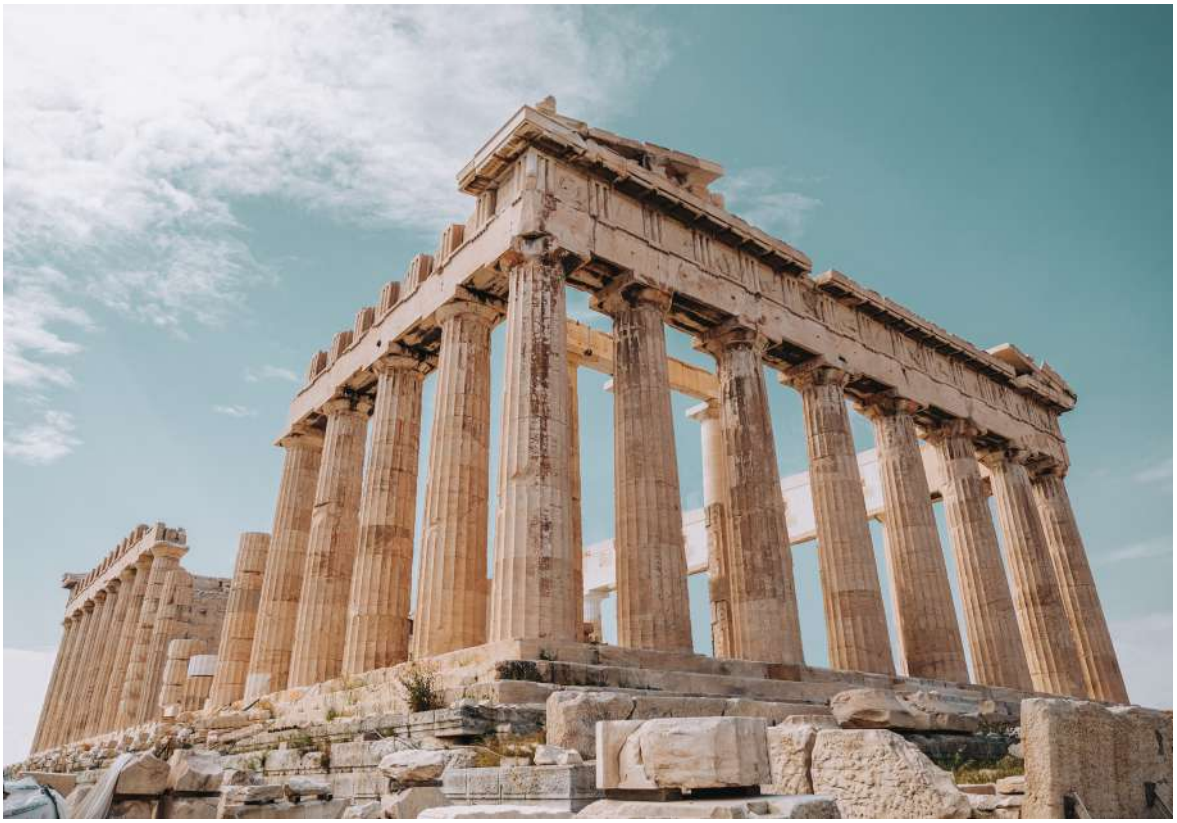
Sustainability
Agrifood companies did not stop initiatives in this area even though the virus has taken it out of the spotlight.

The circular economy will gain relevance as it becomes the new model for sustainability.

Plant-Based Food
Farm to Fork strategy from the EU's Green Deal will propel this area.

Start-ups in southern Europe are working on it, but they have fewer opportunities in these countries because of their strong culinary identity and ingrained Mediterranean food culture.

COVID-19 IMPACT **BY COUNTRY**



The lack of tourism severely impacted Greece

- The drastic fall in tourism seriously impacted the Greek economy and the food sector right when it was beginning to recover from the previous crisis.
- The transition to electronic payments was already made due to previous EU-imposed measures in the 2008 financial crisis, so no major transition occurred during the pandemic.
- Online retail markedly increased its previously low penetration.
- Sklavenitis supermarkets launched their platform during the lockdown.
- Farmers did not develop organised DTC channels, but instead used alternative ones like personal contacts and WhatsApp.
- Work from home is not a strong trend in the country due to their local business culture.

Italy was the epicentre of the pandemic in Europe

- Being the epicentre of the pandemic in Europe, the country suffered from one of the longest lockdowns.
- Strikes by migrant workers in the south, and Deliveroo and other delivery drivers countrywide due to safety problems and lack of rights created visibility for these groups.
- Farmers attempted to diversify with direct selling, online platforms, consumer associations and direct contact with retail but the complexity of these strategies hinders their long-term sustainability.
- There was an increase in social solidarity with several initiatives to help the most impacted people, such as "café sopeso" where customers can pre-pay a coffee for someone in need.

Portugal wasn't initially affected disproportionately, but the British travel ban hit them hard

- An early locked down helped Portugal avoid an initial peak in cases.
- During the worst weeks, the local government extended migrants visas in order to maintain their status in the social welfare system.
- The travel ban from the British government severely impacted the tourism industry, which was countered somewhat by increased travel by locals and residents of neighbour countries.
- Working from home was already a growing trend and was accelerated by this situation.
- Unilever, with Danone and JMDB (an international brand distributor in Portugal), developed a platform to deliver their products through delivery apps Uber Eats and Glovo.

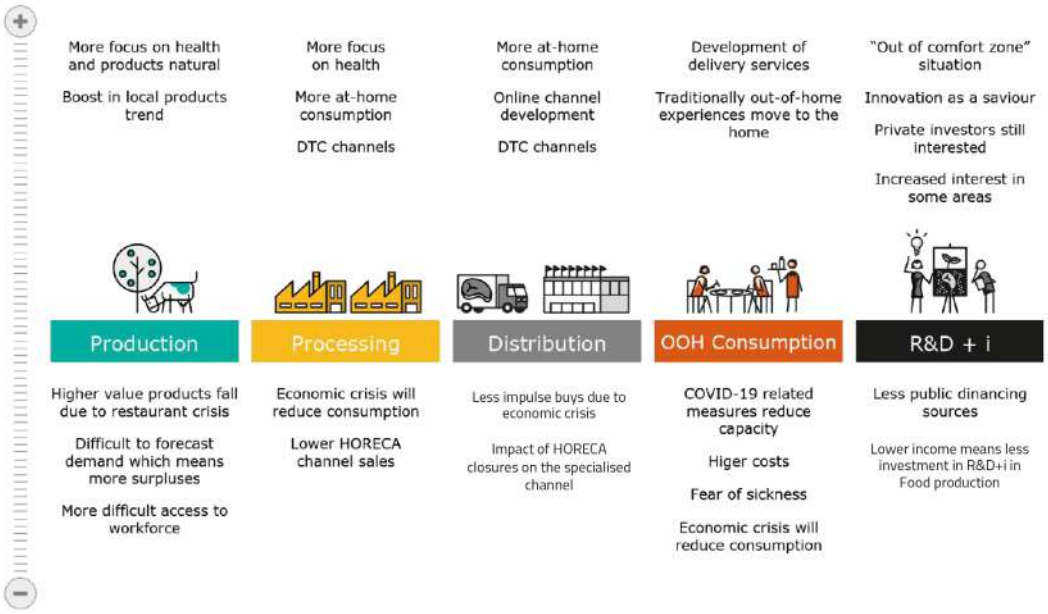
In Spain, the failure to control outbreaks afflicted food service and tourism

- Spain is one of the countries most impacted by the coronavirus, which has had a significant impact on food service and tourism, two areas making up a significant share of the national economy.
- Many restaurants in Spain, up to 40% in some regions, did not reopen after the lockdown and 65,000 businesses are expected to close.
- The DTC channel doubled during the lockdown and continues growing steadily with some major brands and small businesses opening their own platforms.
- Electronic payments, via credit card or mobile NFC, have also increased notably in recent months compared with previous years.

Turkey has suffered from the decline in tourism and issues with foreign and domestic markets

- Negative economic outlook due to debt in foreign currency and lack of influx due to drop in tourism which will complicate attracting foreign investment.
- Economy not likely to recover until Q3 of 2022.
- Food sovereignty is gaining importance at national government level.
- Some of the barriers to remote work are being eased, but its normalisation is unlikely in the medium term.
- The large percentage of small businesses in the food service sector puts them in real danger of disappearing from the fall in tourism and local consumption, and the difficulty of adapting to new formulas and finding new revenue streams.

In summary, there are positives and negatives in each of the analysed areas



FUTURE AGRIFOOD SCENARIOS

INTRO—DUCTION

“The future cannot be predicted, as it does not yet exist”.

What is speculative futures?

Speculative futures is a social and business discipline that helps organisations prepare for the coming future.

We collect signals of the future in today's world, and picture how those signals might accelerate as trends, painting a realistic image of the future.

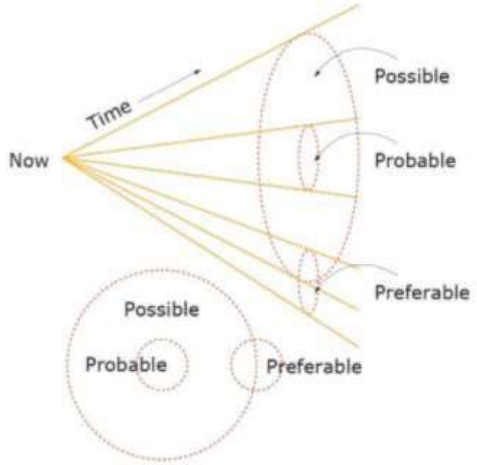
The objective is to have several potential scenarios with anestimation of pro-babilityf or each one

The future cannot be predicted, but with relevant signals, trends and ideas, we can estimate the probability for a scenario to become real. This scenarios can be:

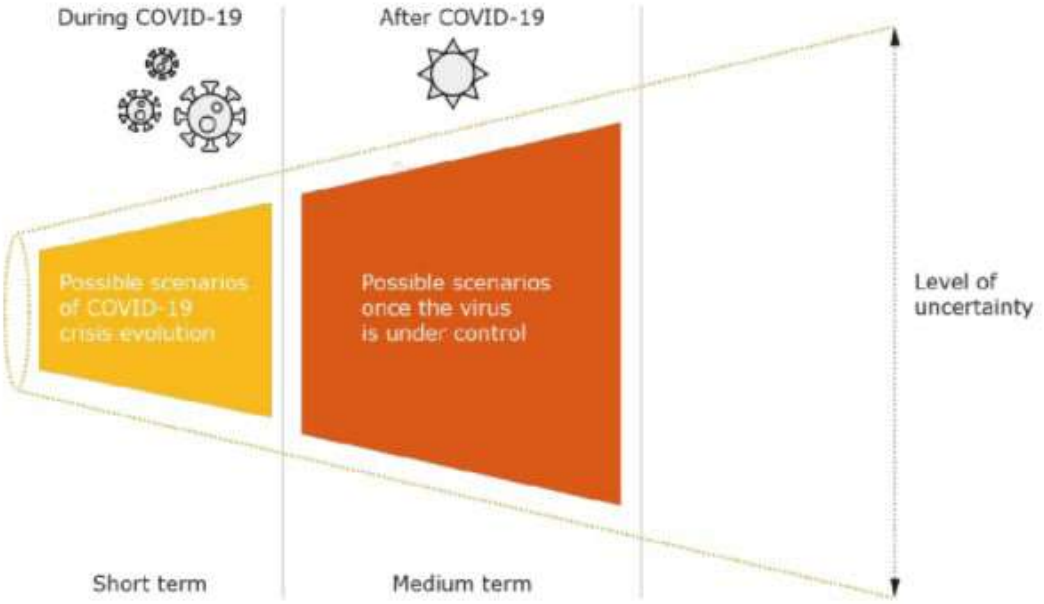
- Probable/projected(centreofthecone): "businessasusual". Gradual change, very similar to the current reality.
- Preferable: desirable, by a small group, a company, or on a major social scale.

What is the purpose of speculative future studies?

- Use as tools for reflection.
- Fostering strategic thinking.
- Laying the foundation for decision making.
- Development of short, medium- and long-term strategies.
- Possible: Includes all imaginable scenarios. A new discovery, know ledge, or unexpected event can rapidly make unlikely scenarios possible.



We have developed two sets of scenarios: during and after the COVID-19 pandemic



Each scenario will cover 4 elements

1 Description

What would life be like in this scenario?.

2 Current Signals

What are the current signals that make us think that this scenario might occur?.

3 Impact

What is the impact of the scenario in the agrifood sector?.

4 Opportunities

What are the opportunities and the strategies to follow in this scenario?.

SHORT TERM *SCENARIOS:* **DURING COVID-19**

In order to create these COVID-19 scenarios, we use a two-axis grid

Economic recovery

This axis reflects the speed of economic recovery after lockdown, indicating the various control measures that each government has and will implement. There are several elements that are taken in account:

- COVID-19 control measures.
- Local government aid and policies.
- EU budget agreements and funds.
- Companies' reactions.
- Return to consumption.

Progression of pandemic

On this axis, we measure the control of the virus and rate of new infections—not necessarily a complete eradication, but instead mild differences in health systems and the attitudes and behaviours of citizens. The elements considered are:

- Number of infections.
- Date of the vaccine.
- Effectivity and availability of vaccine.
- Virus treatments.

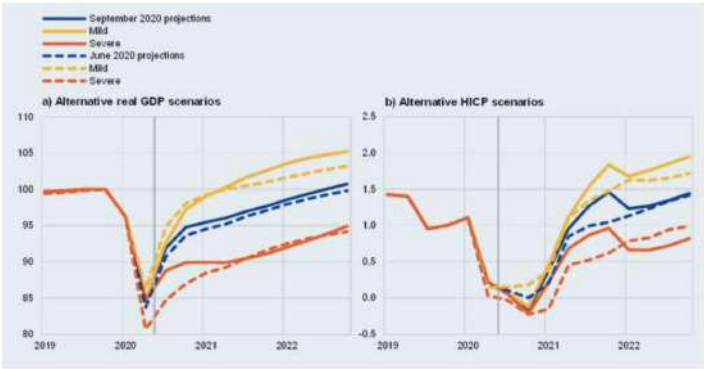
Duration of these two external forces

The proposed scenarios are based on how much these two forces extend in time.

Speed of economic recovery is uncertain and depends on

- The economic impact of COVID-19 is enormous and still difficult to predict.
- Most experts agree that next summer should be a good thermostat for recovery.
- The main consensus is that the agrifood sector isn't expected to reach pre-COVID levels before 2022.

Alternative scenarios for real GDP and HICP inflation in the euro area

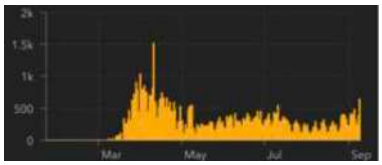


SOURCE: ECB September 2020
(index: Q4 2019 = 100 (chart on left); year-over-year rate (chart on right)

Infection rate is still unpredictable

Portugal

Portugal reports a much lower death rate due to COVID-19 than many European countries. However, at the beginning of September it reported its biggest daily increase in cases since its lockdown was lifted in May.

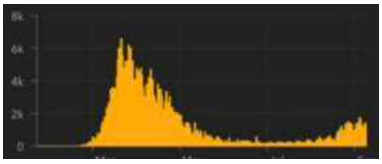


Spain

Spain is one of the hardest-hit countries in Europe and became the first country in Western Europe to pass 500,000 cases in September. Protests against the government's handling of the pandemic were widespread.

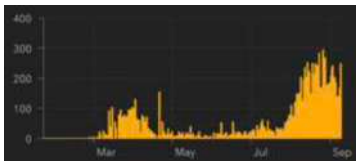
Italy

Italy was one of the first European countries to be hard hit by COVID-19. After seeing a light increase in August, testing on arrival for those returning from holiday was made mandatory and many restrictions were put back in place.



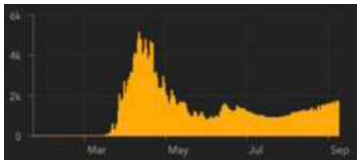
Greece

Despite Greece's initial success in managing the pandemic, countries like England imposed quarantine on those returning from holiday after some cases were traced back to Greece. Nonetheless, rates remained relatively low after.

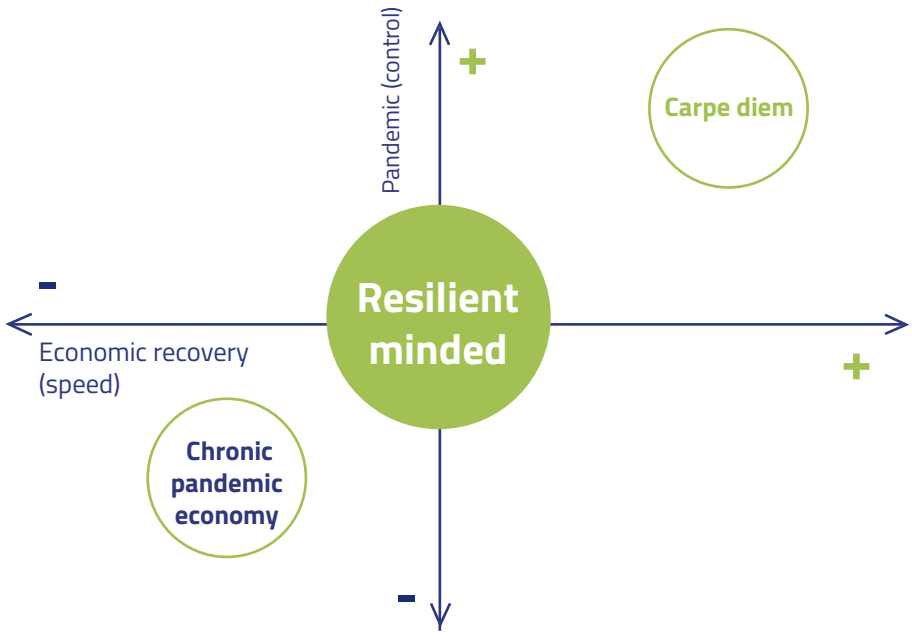


Turkey

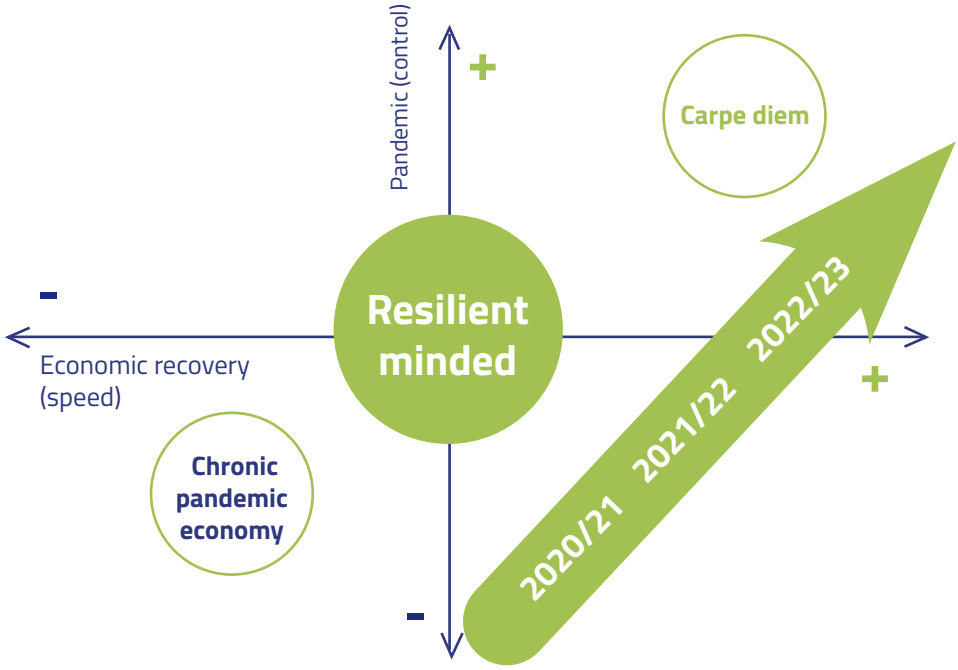
Following the first peak, Turkey saw daily cases fluctuating above 1,000. The country struggles economically, with significant inflation placing the lira at an all-time low.



During the pandemic, we see three possible short- term scenarios



These scenarios could happen consecutively and are not necessarily exclusive of each other



CHRONIC PANDEMIC **ECONOMY SCENARIO**

Description

The virus takes a long time to be brought under control and it is not until the beginning of 2022 that the vaccine makes a noticeable impact.
Hospitals remain in a permanent or semi-permanent crisis mode which has a negative impact on public health overall.

During this time, continuous outbreaks create a state of prolonged fear among the population. This collective mentality leads to low consumption and an economic crisis uncontrollable by institutional policy. The economic crisis worsens, and poverty and inequality rise.

During this period countries reinforce their borders to control the virus and transit between countries is severely limited.

European countries focus their efforts on their own situations. EU economic aid is delayed.

There is a long-lasting impact in consumers' minds due to the duration of the situation. Health and price become the main drivers of consumption as a survival attitude becomes.

Current Signals

- Many uncontrolled outbreaks still remain.
- Cancellation of holiday trips due to the pandemic.
- Some vaccines in trial phases experience complications.
- The new wave of the virus worsened the economy and the situation of businesses focusing on.

How to adapt to a restricting situation

Impact	Opportunities
Primary sector	
Surpluses rise due to lack of workforce for harvesting and fall in demand.	DTC channels.
	Alternative use of surpluses.
Less consumption of fresh produce due to fears of contamination and higher prices.	Cooperation to help gain muscle in difficult times.
Food production and supply chain	
Supply problems are common as well as regular closures due to employee infections.	Optimisation & reorganisation of internal logistic flows .
Lower demand due to economic crisis.	Focus on core and smart choice type of products.
SME closures, merge and acquisitions in large organisations.	Investment in branding and “safe product” labels.
Processed food increases its market share.	
Food service	
On-and-off lockdowns make it almost impossible for these businesses to survive, a third of restaurants close between 2020/21.	Takeaway and delivery only businesses, using dark kitchens to offer affordable delivery food.
Takeaway and delivery are necessary.	Alternative uses of premises (coworking, storage, shop...).
	Patio seating expands as indoor dining is limited.

Impact	Opportunities
Retail	
Stockouts and price fluctuations become commonplace.	MImprove in-store safety experience to solidify the relationship with shoppers.
Restrictions and reduced opening hours, with simultaneous increases in price	Push omnichannel solutions like click-and-collect to improve the experience.
	Proximity solutions as a key factor to get closer to customers.
R&D and innovation	
Almost no resources for R&D and innovation.	Cost reduction, food security, and focus on health.
Investment exclusively for start-ups presenting digital solutions.	Digitalisation oriented start-ups will have a clear opportunity.

RESILIENT SCENARIO MINDED

Description

People become used to living with the virus and adapt their behaviours to it. Occasional outbreaks still occur but are kept under control. Consumers start to act as "normal" as the situation allows. Large events and related business are still limited.

Companies operate with a high level of uncertainty, and forecasting is difficult. That also impacts consumption levels as the duration of the pandemic is unclear.

As outbreaks continue, although they are quickly brought under control, remote work is the main option for those jobs that are suitable for it.

The COVID-19 vaccine has promising potential, but production and implementation are slower than predicted.

Doctors have discovered treatments to limit deaths and long-term health effects while the at-risk population maintains stricter safety measures.

Current Signals

- Mask wearing is mandatory and normalised by the population.
- Public policies and funds are working to support the economy and maintain employment.
- People returning to stores and restaurants with caution.
- Sales in food retail are stabilising.

How to maintain loyalty and trust during uncertain times

Impact	Opportunities
Primary sector	
Automation and local labour are incentivised in local areas due to lack of immigrant workers.	Steps towards automation.
	Focus on healthy products.
Consumers increase consumption of healthy and local products.	Prioritisation of local markets over exports.
Food production and supply chain	
Factories suffer occasional closures.	Distributed production.
Home cooking increases as well as consumption of comforting traditional products.	Comfort and indulgent foods more suitable for increased home consumption.
Food service	
People still avoid crowded places and being inside.	Technologies to reduce contact and improve safe experience for food service consumers.
Delivery continues double digit growth.	Reinforce loyalty programs to solidify relationships with consumers.
	Moving the on-premise experience home.
	New outdoor dining concepts.

Impact	Opportunities
Retail	
Online grocery shopping continues to grow significantly.	Potential volume makes automation of online operation more feasible.
Increased demand of ready-to-eat food as visits to restaurants are reduced.	Aggregators can help small business and producers become more digital.
	Ready-to-eat counters and aisles.
R&D and innovation	
Public resources will be less available.	Collaboration with start-ups.
Investors act early to bet on recovery.	Intersection between health and technology in food.
More focus on digitalisation and health-related projects.	

CARPE DIEM **SCENARIO**

Description

The virus is almost completely eradicated in a short period of time, the vaccine has been a success, and the economy is back on track within a year. The overall mindset is positive and optimistic about how society has dealt with this unprecedented situation. City streets are full of people again, along with restaurants, bars, and shops.

The consumer rapidly forgets social distancing and looks to recover lost time. Revenge spending explodes.

There are still some losers in this scenario. There are greater differences between those that have suffered the economic consequences and those who haven't.

In terms of public health, vaccines have been developed rapidly and successfully, with positive results. Most of the population has been vaccinated and there is a plan for the remainder. The level of infected people drops sharply.

Current Signals

- China saw a fast rebound in sales.
- EU agreement set to give funding to most fragile economies.
- Multiple pharma companies see significant progress towards vaccine development.
- Mortality rate and hospitalisations have diminished notably.

How to leverage reawakened positive attitudes

Impact	Opportunities
Primary sector	
Increased demand for high-value products.	More craft and premium production.
Food production and supply chain	
Increased demand for innovation and experience.	Food consumption experience as key in new product development.
Convenience regains momentum.	Ready-to-eat and kitchen helpers.
Food service	
Restrictions end and consumers start recovering their previous out-of-home consumption habits with enthusiasm.	Fulfilling experiences to help consumers recover the lost time.
Not all businesses remain open.	More professionalisation of businesses.
The sector starts to rethink its business model.	Consolidation of new business models.
Retail	
Online grocery shopping continues growing but a much lower rate.	New retail experiences.
Shopping habits stabilise.	
R&D and innovation	
More interest in new and exiting products.	More investment in innovation.

MEDIUM TERM *SCENARIOS:* **DURING COVID-19**

Heraclitus said,

"You cannot step into the same river twice".

Major changes will probably occur that will impact the agrifood sector

Digitalisation

Digitalisation and mechanisation is a trend that accelerated during this pandemic and proved its relevance and need.

From processes to channels and the supply chain, the whole food system has opportunities to improve in digitalisation.

Sustainability

The EU's Farm to Fork strategy and the Green New Deal will make a relevant impact on the overall sustainability trend and many business will accelerate their policies and projects.

Consumers will also be more aware of their impact on the planet and will act accordingly.

Working from home

The pros and cons of remote work became evident, but the general consensus is that it is here to stay and took a huge leap in a short period of time.

The level of impact on the food system is still unknown, but it will be relevant:

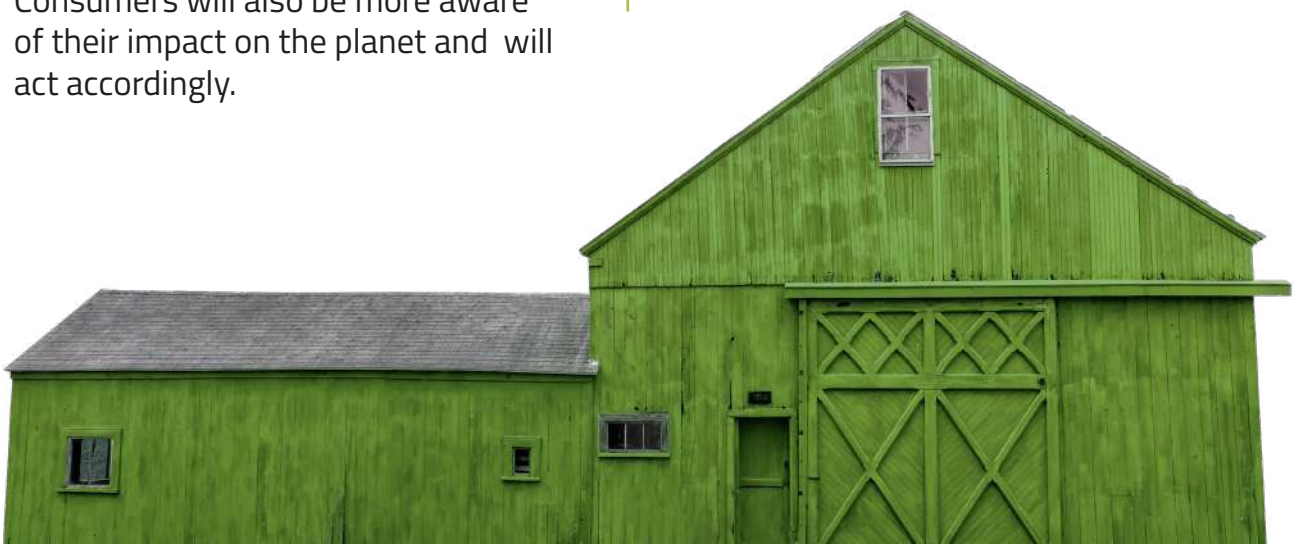
Less visits to the office means less OOH occasions in canteens and restaurants in office areas.

More at home lunches means more home cooking and more delivery during lunch hours.

Office meals as an employee benefit needs to be revisited.

Healthier living

The pandemic has made the healthy food trend more relevant than it was before, and that will definitively impact on what and how we eat.



The EU Farm to Fork strategy is necessary and will drive sustainability in the medium term

- All of the experts agreed that sustainability is the ultimate objective, and all efforts must be directed towards that goal.
- The discrepancies arise with the speed of the change, as some of the proposed deadlines seem difficult to achieve, especially considering the current situation.
- These initiatives imply significant investments, and currently consumers are not willing to pay for those measures through increased prices.
- During the crisis, companies did not stop ongoing initiatives, but will not accelerate them either.
- However, some actions can lead to economic improvements (e.g. leaner transport costs as a result of better processes).
- The impact of these policies will be more relevant in the post-COVID-19 era and in the industry's strategies to lessen the negative impact of the crisis.

In order to create these post-COVID-19 scenarios, we use a two-axis grid

Change in the industry

How much will the industry change after the pandemic and how profound will those changes be? Businesses are developing many initiatives, but are they going to continue after COVID-19? Several factors are taken into account:

DTC and e-commerce initiatives.

Digitalisation and mechanisation.

Sustainability and circular economy measures.

Changes in the supply chain.

New business models.

Etc.

Change in society.

We have all been impacted by the pandemic, but how much will that to change our consumption habits, needs, and aspirations? There are certain elements to focus on:

Relevance of healthy choices.

Conscious consumerism.

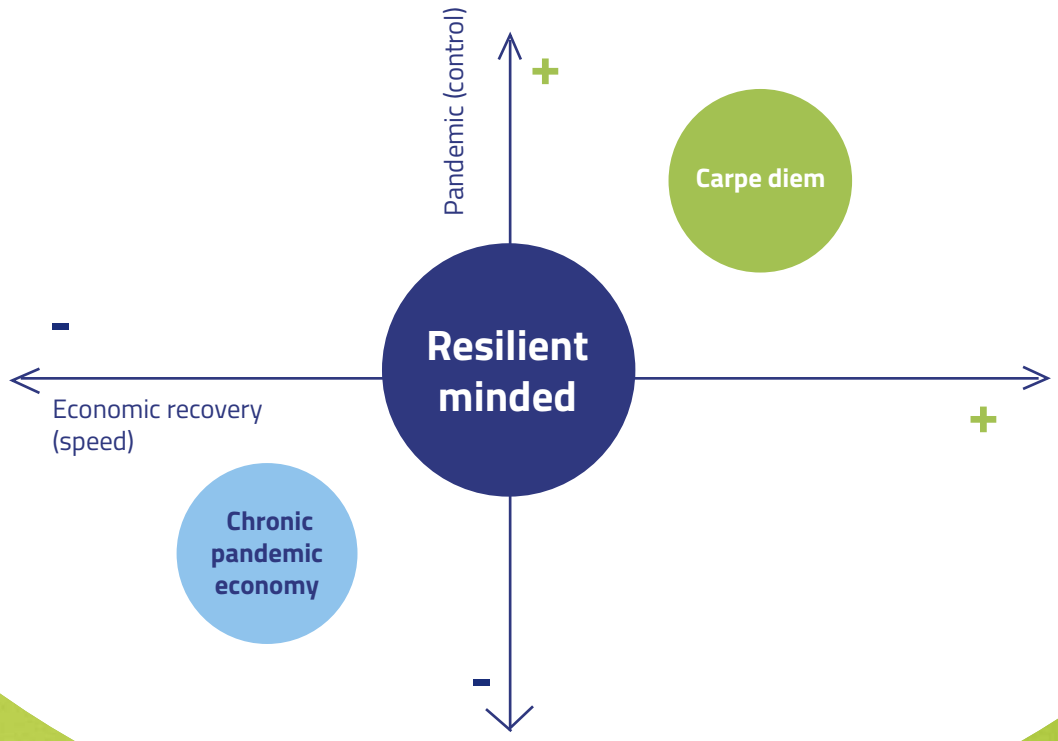
Social or sustainable impact as a purchase driver.

Remote working.

Movements of people to rural areas.

Etc.

We can imagine three possible scenarios post COVID-19



MAR-GINAL CHAN-GE

Description

The world is back to school, and a new semester begins. The pandemic has been a long, unpleasant summer holiday—a plight that is now over. It is now September and it is time to return to the status quo from a few months ago.

When we were in school, the beginning of the semester was always the same. We tried to remember what we had learnt in the previous year, but new ideas came along.

Most of what we were doing before the appearance of the virus has returned to our lives. We have not changed much in our behaviour, and neither has the agrifood industry.

However, there are some things that we all have learnt during these strange times, and they have stuck in our minds and in those of the companies. Still, we are not truly conscious of them.

We care more about our health. We know more about hygiene, but we continue going to crowded places. Remote working is part of our working routines and we shop even more online; we now prioritise convenience far more than ever before.

Current Signals

- Previous crises have brought change to some businesses more than others.
- Social changes are not as fast as we would like to think, humans are creatures of habit.
- This is an exogenous crisis so some think there is no need for structural changes at all.
- Some things did accelerate during the lockdown, but slowed down after.

How to only address structural problems

Impact	Opportunities
Primary sector	
Governments are giving aid to modernise and increase mechanisation in the primary sector due to increased concern over dependence on immigrant workforce.	Modernisation of rural businesses through more digitalisation and mechanisation.
Food production and supply chain	
Online channels continue developing.	More online platforms from brands.
Supply chains focus is still on strength and reliability.	Companies will continue having more providers than before COVID-19.
Zombie SMEs.	Mergers and acquisitions.
Food service	
Many businesses did not survive and are closed or sold.	Mergers and acquisitions, especially in larger food service chain operators.
Search for reduction of operating costs.	Adaptation of business models to delivery.
Delivery continues growing and concentrating.	

Impact	Opportunities
Retail	
On-premise shopping behaviour returns to the same as pre- COVID-19.	Continued improvements to e-commerce capabilities.
Online grocery continues growing at a slower pace.	
R&D and innovation	
Start-up investment looks for unicorns again.	Start-up funding.
R&D recovers its funding and normal activity.	R&D focus on health and food safety.

HUB4AGRI is a multi-sector cooperation network that seeks to digitalise Portuguese agriculture

The HUB4AGRI initiative aims to create a multi-sector cooperation network that promotes the connection between technology providers and the needs of the agricultural sector.

HUB4AGRI
Digital Innovation Hub for Agriculture

Innovation is promoted and supported through digital decision support tools and R&D activities, serving as a one-stop shop for providers through a European cooperation network.

*LES*SONS LEARNT

Description

The pandemic has been a wake-up call for everyone. We have learnt an important lesson about the relevance of our health and how we are all globally connected.

There is higher concern about our individual impact on society and the planet. We are more concerned about our peers and that leads to more conscious consumption. Local consumption becomes a stronger driver.

Companies are made up of individuals and, that said, they are also permeable to these concerns. Step by step, they are taking actions to become better citizens and to make peoples' lives better.

Food organisations are more concerned about what and where they are buying, and what the impact of that is.

But that is not all we have learnt. We also know that direct to consumer channels are now something to care about.

We have learnt also that cooking at home is not as complicated as it looked, and we can do it in a healthier way while looking for convenience at the same time.

Current Signals

- Society has responded in a more humane way to this health crisis.
- Sustainability is even more relevant now.
- Health food trend is already established.
- Increased interest in local products.
- Fast growing grocery and restaurant delivery.

How to rethink our impact on health and on the planet

Impact	Opportunities
Primary sector	
Government aid to modernise the sector.	New policies to contribute to a structural shift in the labour market.
Focus on local demand as a way to reduce carbon footprint.	AgTech start-ups.
Health food trend will advance products perceived as healthy.	New crops perceived as healthier, like ancient grains and superfoods.
Food production and supply chain	
Consumers increase their online grocery purchases directly from the brands they trust.	Brand-owned DTC channels.
Food service	
Food delivery continues growing but consumers are more demanding on working conditions and sustainability.	Large food chains redesign their delivery service and develop their own to control the experience.
	Healthier food delivery options.

Impact	Opportunities
Retail	
Online grocery shopping reaches 10-20% share.	Implementation of more automation during the process (mainly order preparation) as volume increases. Dark supermarkets to improve the last mile.
R&D and innovation	
Boosting innovation to diversify business.	Increased innovation activity in new business areas.
Funding for start-ups moves from looking for "unicorns" to "camels", more focused on steadfast product differentiation than on increasing their valuation.	Start-ups oriented towards relevant products, not hype.

Cortilia: a sustainable Italian delivery service

Based in northern Italy, Cortilia allows customers to order 2,000 items from local farmers, producers, and artisans. The service has a dual impact on the Italian population: it brings seasonal Italian food to the online generation and brings modern grocery delivery to offline generations who value fresh, regional products.

PLANET HUMANITY SCENARIO

Description

All that time fearing the virus, taking care of those around us and being aware of how vulnerable we are, has changed us. We are now more aware of our ability to impact the community and the environment around us.

Society has evolved to become more humane and conscious in the way we consume and interact with our planet. A parallel economy has been developed and is founded on sustainability and a more conscious way of living.

Public measures drive more collaboration, cooperation, and integration. At the same time, they discourage certain attitudes with taxes on carbon emissions, plastics, etc.

The green economy is growing and has now become the main factor driving the recovery, while the circular economy creates new business models and jobs that did not exist before.

Sustainability becomes one of the main drivers of consumption, while brands with clear sense of purpose increase their market share.

Current Signals

- Many companies already took the UN's Sustainable Development Goals as part of their corporate strategy.
- We realised that we can live with significantly less consumerism.
- EU's Green Deal and Farm to Fork strategy Increasing number of B Corp organisations.

How to create a lasting impact on our planet

Impact	Opportunities
Primary sector	
Organic production increases.	Organic vegetables and meat.
Fresh product demand increases as consumers prefer "real food".	Urban farms as vertical farms, hydroponic, etc.
Food production and supply chain	
As the circular economy becomes mandatory, many factories change the way they produce, and the supply chain starts to include reversal logistics to recover the packaging and put it back in the system.	Products related to the circular economy.
	Products based on sustainable ingredients.
	Real development of eco-friendly supply chain tools and utilities.
Sustainable origins gain relevance as a driver when choosing a provider.	
Food service	
New sustainability-based business models.	Organic restaurants and zero-impact restaurants (locally sourced and zero waste).
Increase demand for a more responsible delivery service.	More inclusive and responsible delivery service.

Impact	Opportunities
Retail	
Local shops and specialists regain their market share. Food waste concern is more relevant.	Local origin and organic as main offering. Bulk corners in shops and bulk-based business models. Dynamic prices dependent on expiration dates. Leftovers usage campaigns.
R&D and innovation	
Sustainability is now an important criterion for investment in a start-up. R&D gains importance in organisations.	More focus on circular economy solutions and product improvements that then lead to more sustainable solutions.

Turkish Oreka app helps reduce food waste

Turkish start-up Oreka, launched in September 2020, is a company that brings together food vendors and customers by offering large discounts on surplus food, preventing food loss and aiming to turn a profit at the same time. Turkey's food loss and waste adds up to 214 billion lira (€23 billion) per year. Oreka bridges the gap as an intermediary between premium food producers and sellers.

SUM-
MARY

Key takeaways

How to prepare your business for any of these scenarios

What should I keep doing?

Focus on the core business.

Reinforce bonds with current customers.

Create safe and positive experiences.

Reinforce your value proposition.

Offer healthy and convenient products and experiences.

What should I get rid of?

Everything that is not key to the business.

Anything that creates an unsafe feeling for stakeholders.

Unhealthy and unsustainable products.

Office-only work environments.

What new things should I do?

Be agile and act fast.

Invest in digital capabilities and DTC solutions.

Invest more in R&D for health and food security.

Create new consumer experiences.

Think about how your business impacts the environment (people and planet).

Integrate purpose at the core of strategy and execution.

ANNEX

Consulted public resources

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