# Bord Bia's
## Readiness Radar

RISK ASSESSMENT OF THE IRISH FOOD, DRINK AND HORTICULTURE SECTOR 2020



Rialtas na hÉireann
Government of Ireland

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IRISH FOOD BOARD

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# 1

# Foreword

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# Foreword

A new decade has presented a new world to the food and drink industry, as Covid-19 causes old certainties around consumer behaviour, customer needs and routes to market to vanish overnight. To further complicate matters, this is a global, rather than an Irish or market-specific issue. Yet, amidst the tumult, it is clear that how Irish companies manage and respond to the fallout from Covid-19 is both linked to and will further enhance their response to the other major challenge on their radar, such as Brexit. It's also positive that Irish manufacturers have clearly not lost their ambition around market diversification efforts, nor have they lost sight of the sustainability agenda.

A result of Brexit is that a greater understanding of risk has emerged and a commitment to mitigating its downsides has become central to strategic thinking in the Irish food and drink industry over the last number of years. The challenges wrought by Covid-19 have escalated this to a whole new level in 2020. In extraordinary times, Bord Bia remains committed to equipping the Irish food and drink industry with the resources and insight that allow it to navigate changing and uncertain landscapes with foresight, cohesiveness and determination.

In March 2020, Bord Bia launched the Readiness Radar, an online risk diagnostic tool developed to assess industry thinking and performance around a number of priority challenges, notably Covid-19, Brexit and Market Diversification, but also Sustainability, Insight & Innovation, and Talent Management. The online tool was further supported by a comprehensive suite of virtual meetings that, in total, involved 128 Irish companies across a representative range of sectors and business sizes.

The Readiness Radar builds on the previous work of the Brexit Barometer, which has been assessing industry preparedness for the UK's departure from the EU since 2017, and progresses the goal of capturing understanding around risk management among companies and sectors. As with the Barometer, this allows for an informed response from Bord Bia at strategic and granular levels to industry needs. While the intention to expand to a broader assessment of risk was in place before the impact of Covid-19 was felt, the pandemic undoubtedly provided a new impetus for the work of the Readiness Radar. Indeed, it can be no surprise that Covid-19 dominates concerns among Irish companies and is assessed by some 91% of respondents as either a high or very high priority risk. Fears that it will prompt a recession are voiced as a key concern by 75% of respondents. The systemic and interconnected nature of the impact of Covid-19 is a notable feature of these concerns. Respondents weighed equally its impact in terms of employee health and welfare, supply chain challenges and major shifts in customer demand and consumer consumption. Some 52% of respondents rated issues around staffing as of high/very high importance, matched by concerns about disruption to the supply chain (52%), a decrease in foodservice demand (52%) and a potential decreased demand at retail level (50%).

The speed at which Covid-19 transformed the social and economic landscape may have given little hope of a response to match its critical status. In this context, average industry preparedness, reported at 46% by respondents, must be regarded as highly impressive. In all, 45% of respondents reported having formally embedded continuity plans, while 69% had undertaken vulnerability assessments of their most critical suppliers. Such actions can be linked to the intensified focus on strategic planning that has taken place over the last few years, notably as a result of Brexit. Risk assessments that would prove highly valuable during the pandemic, such as the potential loss of critical customers, suppliers or production facilities, had been undertaken by the majority of food and drink manufacturers. While it is frequently said there are no upsides to Brexit, the culture of planning for it that has emerged in the industry since 2017 may justify a modest caveat to that maxim. On the subject of Brexit, the Readiness Radar found that while it remains a key issue across industry, it is far from the all-consuming concern of just a year ago. Greater attention is given by companies of different sectors and sizes, to issues such as Market Diversification, Sustainability, and Insight and Innovation. This suggests, not that Brexit has diminished in importance, but that a broader, more holistic response to risk is taking shape in our industry, supplanting the more compartmentalised approach that would have been pervasive just a few years ago.

A much greater focus on Market Diversification forms part of this thinking. The Readiness Radar found 71% of respondents actively seeking to expand into new markets and 52% have marketing strategies for non-UK export markets. The challenges of diversification are also clear to these companies: 60% of respondents cited networks and contacts and 56% noted market knowledge as key impediments to progress. Both are areas in which Bord Bia is committed to resourcing client companies through an intensification of its market intelligence activities. Specific programmes such as Marketing Strategy Development, Key Customer Account Management, Logistics Optimisation and Customs Readiness, reflect our commitment to filling knowledge gaps and assisting companies build new business.

Against this backdrop, 70% of respondents also recognised Insight and Innovation as critical to their future success. However, 77% of companies invest less than 3% of turnover in Research & Development (R&D) and lack of resources were identified as an issue by 58% of companies. Bord Bia's Thinking House and the work of its Strategic Insight and Planning Team play direct roles in helping companies address this critical challenge.

Attracting talent is key to driving business growth and a welcome finding of Bord Bia's research is that 85% of business leaders in the sector believe that attracting, retaining and developing talent either somewhat or significantly impacts their growth prospects. The conversation around talent has been transformed by the economic rupture of Covid-19, with resources in the short term directed to the redesign of workplaces with the health and welfare of employees in mind. Longer term, more familiar risks remain prominent: attracting appropriate people was rated as having a high or very high impact by 41% of respondents, with similar findings around skills shortages (36%), and training investment (32%). Meanwhile, the functions most difficult to recruit for were identified as Sales and Marketing (44%), Skilled General Operatives (38%) and R&D (38%), reflecting the high level of competition for such roles across the Irish economy. Bord Bia's suite of capability development services, the Talent Academy and the Agri-food Diversity and Inclusion Forum have important roles to play in addressing this.

Risk management has come centre stage in strategic thinking over the last number of years. Through the Readiness Radar, our goal is to both measure awareness and to support sustained progress in mitigating the challenges we confront. While 2020 has seen considerable economic damage inflicted as a result of Covid-19, the Readiness Radar reflects an industry adroit and adept to managing this stark new reality. It is, of course, an industry that has a strong track record in both addressing and growing from deeply impacting crises. What is impressive in 2020 is that our industry has not simply enhanced its ability to confront the unexpected and unwelcome, but has recognised the importance of a whole-of-business approach to doing so.

The lesson of 2020 is that effective risk management is central to how we move forward as individuals, as organisations and as a country. Bord Bia looks forward to working closely with Irish food and drink companies as we compete more strongly than ever in this changing and always challenging global marketplace.



**Tara McCarthy**
**CEO,**
**Bord Bia**

# 2

# Objectives

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# Objectives and Participant Profiles

## Bord Bia's 2020 Readiness Radar will enable Irish food and drink manufacturers to assess and prioritise potential mitigating actions for the key risks that their company and the food industry as a whole are facing.

In March 2020, Bord Bia commissioned Aon to support the development of a Readiness Radar. A series of questions across six priority risk areas were developed, covering Covid-19, Brexit, Challenges to Market Diversification, Sustainability Pressures, Talent Management and Insights and Innovation.

An online risk diagnostic tool was developed, and a series of one-to-one client meetings were conducted virtually with a view to understanding the nature of companies' challenges and preparedness. 128 Irish companies took part in the Radar and eleven virtual meetings were held with a selection of Bord Bia clients, to gain deeper insight across a select sample of sectors and turnover levels.

The outputs from the Readiness Radar are designed to:

- Continue to raise awareness of key risks for Irish food and drink manufacturers.
- Capture the level of risk exposure and preparation facing the industry across a variety of key topics.
- Inform manufacturers of the key risks facing their business specifically, through the delivery of a bespoke Risk Assessment of the Irish Food & Drink and Horticulture Sector 2020 report.
- Direct Bord Bia on the promotion and development, where necessary, of appropriate supports to help clients to mitigate these risks.

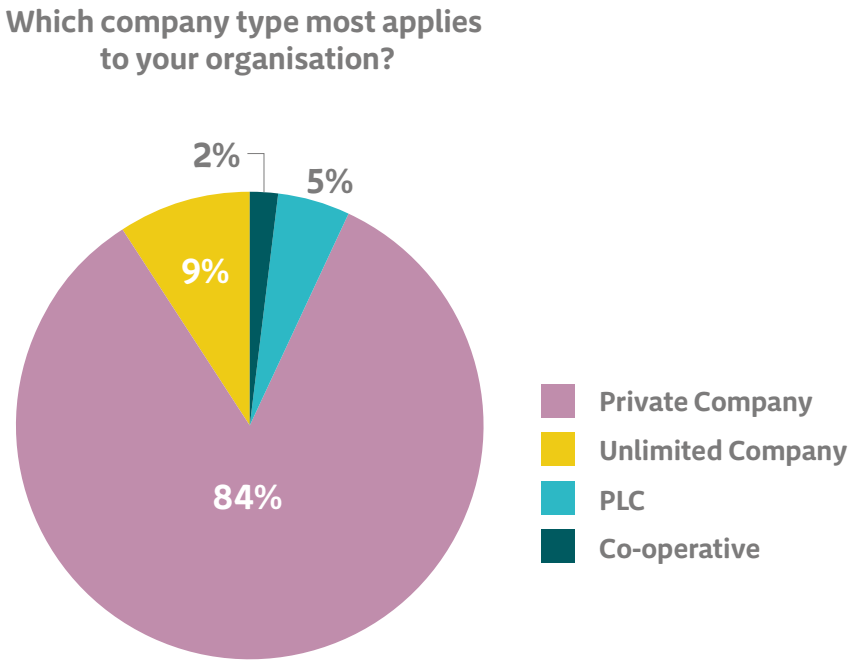
## Risk Areas Explored

1. Covid-19
2. Brexit
3. Challenges to Market Diversification
4. Sustainability Pressures
5. Talent Management
6. Insights and Innovation



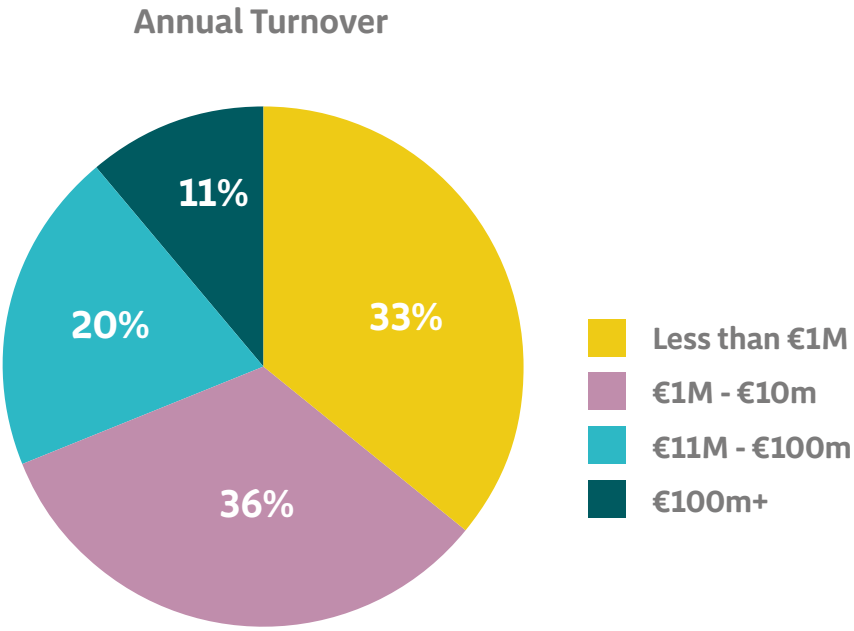
### Respondent Profile

Of the 128 respondents, 84% were private companies, 9% were unlimited companies, 5% PLCs and 2% co-operatives. Over 69% of these companies stated that they export to the UK.



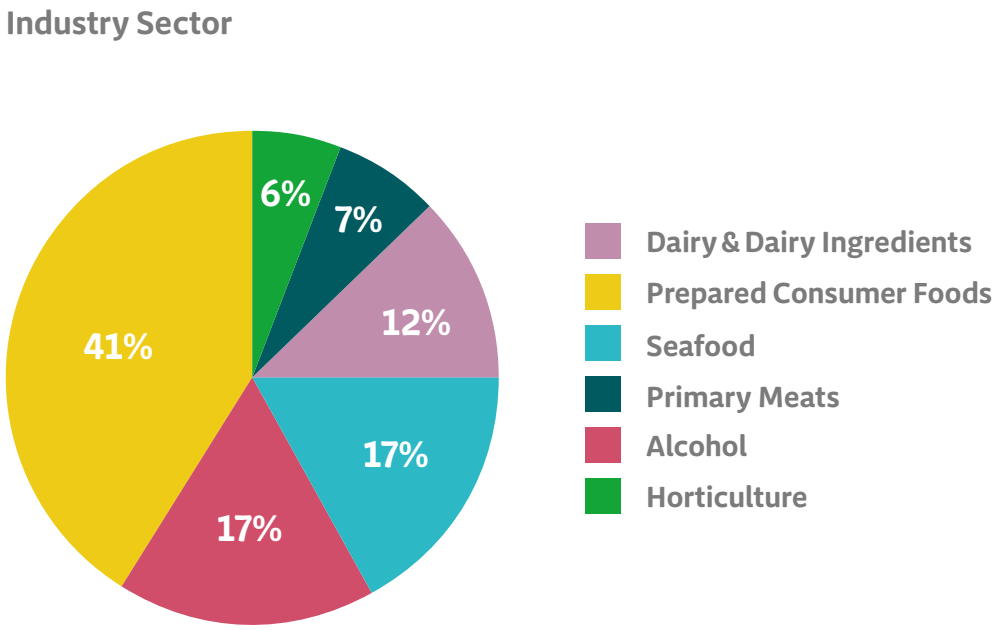

### Company Turnover

There is strong representation from businesses of all sizes, from companies with turnover of less than €1M to some of Ireland's largest global food and drink manufacturers.



### Sector & Export Coverage

Over 41% of respondents are from the Prepared Consumer Foods sector, reflecting the diverse range of companies that constitute this part of the Irish food and drink industry.




The remaining responses are split among Dairy and Dairy Ingredients 12%, Primary Meats 7%, Alcohol 17%, Seafood 17%, with Horticulture accounting for the final 6% of respondents.

The table below illustrates the number of respondents who currently export to the UK and the corresponding estimate of their exports, as a percentage of each sector's total exports to the UK.

| Sector | No of companies | % of total UK exports (estimate) |
|---|---|---|
| Dairy & Dairy Ingredients | 15 | 76% |
| Primary Meats | 9 | 48% |
| Prepared Consumer Foods | 53 | 41% |
| Alcohol | 22 | 10% |
| Seafood | 22 | 22% |
| Horticulture | 7 | 67% |

**This Readiness Radar Industry Findings Report was published on the 2nd July 2020. In addition to this Industry Findings Report, each participant received a bespoke report titled Responding to Your Risk Readiness Gaps, focusing specifically on their results, highlighting the relationship between preparedness and impact. These reports include specific guidance on how to become more mature at managing these key risks, and closing gaps where they exist. They also provide recommendations on how manufacturers and producers can make the most of Bord Bia's services in a more strategic way across functions and markets to advance their Risk Management strategy.**

# 3

# Risks & Readiness

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# Risks and Readiness – Introduction

Bord Bia has measured and tracked the Irish food and drink industry's preparedness for Brexit since 2017. After three years of analysis, there is a clear need to expand the risk assessment to understand the interrelated relationship between Brexit and other issues facing the industry.

It was always the intention that this year's Readiness Radar would explore Challenges to Market Diversification, Sustainability Pressures, Talent Management and Insights and Innovation.

However, as the diagnostic tool was being designed, it was increasingly apparent that the outbreak of Covid-19 would have an impact on exports, initially to key markets in Asia, and very quickly becoming a global export issue. The impact on foodservice channels and retail, and the extent to which it would impact on domestic manufacturing and public health, was unprecedented.

Differing attitudes, interpretations and approaches to risk management have made way for unparalleled and collective concern in light of the Covid-19 pandemic. There has never been a more important time for formal and tested risk management practices. There is a stark realisation that risk management will require a renewed focus, in terms of strategy, internal positioning and investment, in the weeks, months and years to come.



### Top Risks

The Readiness Radar asked respondents to rank six current and critically important risks to the food, drink and horticulture industry. These issues are outlined in the table below in the order in which Bord Bia clients have prioritised them:

| Rank | |
|---|---|
| 1 | Managing Covid-19 |
| 2 | Challenges to Market Diversification |
| 3 | Managing Brexit |
| 4 | Insights and Innovation to Power Growth |
| 5 | Talent Management |
| 6 | Managing Sustainability Pressures |

**Table 1: Top Risks**

It is unsurprising that Covid-19 is ranked highest, with 91% of respondents scoring it as either a high priority or a very high priority (as seen in Table 1). To understand the issues relating to Covid-19, it is important to consider the anatomy of the risk, from both a cause and effect perspective. Global research conducted in 2019[1] prioritised pandemic risk at a lowly 60 out of 69 risk options. While the world had experienced outbreaks such as SARS, Ebola and Zika, in hindsight perhaps what was underestimated is the severity of the impact of a global pandemic.

One of the key drivers of Covid-19's impact is the systemic and inter-connected nature of pandemic risk. The top ten risks, as identified by food, drink and horticulture companies in Aon's Global Risk Management Survey 2019 are as follows, in order of priority[1]:

1. Commodity price risk
2. Damage to brand and reputation
3. Business interruption
4. Distribution / supply chain failure
5. Accelerated rates of change in market factors
6. Exchange rate fluctuation
7. Increasing competition
8. Climate change
9. Product recall
10. Economic slowdown/slow recovery

**These risks are all impacted by Covid-19.**

[1] Aon. 2019. Aon Global Risk Management Survey 2019. Accessed June 23, 2020, from https://www.aon.com/getmedia/8d5ad510-1ae5-4d2b-a3d0-e241181da882/2019-Aon-Global-Risk-Management-Survey-Report.aspx

All of these risks are interconnected, and as well as the health issues caused by Covid-19, have the potential to cause brand, reputational, financial and economic damage.

Consumer demand has shifted during this pandemic, with a marked increase in cooking at home, and a desire for safe and nutritious food with clearly identifiable provenance. In a global marketplace, Ireland's reputation for producing high quality, safe food should prove to be a strong point of differentiation. As global supply and demand shifts, and supply chains are under pressure to meet retail demand, there is a level of concern that this may increase the risk of food fraud within supply chains[2]. Additionally, as Brexit negotiations progress, there is a nervousness that food safety standards may become a bargaining chip in the process[3].

Attracting, retaining and developing talent at all role levels continues to be front of mind from a risk perspective. Pre Covid-19, it was difficult to recruit the volume and calibre of drivers and operatives that the industry required. In the current environment, this concern remains, and has been amplified by the risk of Covid-19 clusters in factories. Supply chain shortages show that the talent risk has quickly evolved to become an employee health risk and a security of food supply risk, compounded by supply chains being challenged due to border and port closures.

External influences and risks are having more and more impact on business performance and strategy. Organisations are having to grapple with the implications of geo-political activity and regulatory change, whether that's US and EU trade tensions, Brexit, volatile financial markets, or indeed different government strategies in responding to Covid-19.

**Priority & Preparedness to Manage Key Risks**

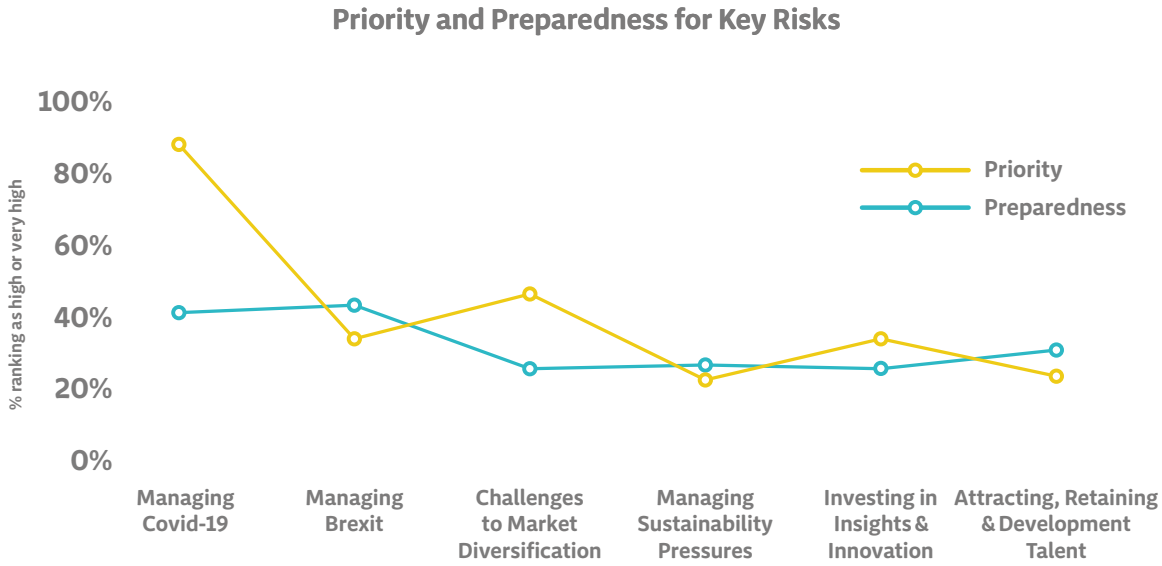
The chart below represents the percentage of respondents that scored priority and preparedness as either high or very high for the given risks. Managing Covid-19 and Challenges to Market Diversification appear to be the biggest challenges for the industry, as both of these risks are ranked as a high priority (by over 50% of respondents). The most significant gap between priority and preparedness is in relation to Managing Covid-19. This finding is not unexpected, as the risk of a global pandemic was not anticipated and took the world by surprise.

[2] Holmes, H. 2020. 'Will coronavirus open the door to global food fraud?', The Grocer. Accessed May 22, 2020, from https://www.thegrocer.co.uk/food-safety/will-coronavirus-open-the-door-to-globalfood-fraud/604899.article

[3] Laville, S. 2020. 'Farmers urge UK government to protect food standards in post-Brexit trade bill', The Guardian, 21 May. Available from https://www.theguardian.com/environment/2020/may/21/farmers-urge-government-protect-food-standards-trade-bill



**Consumer demand has shifted during this pandemic, with a marked increase in cooking at home, and a desire for safe and nutritious food with clearly identifiable provenance.**

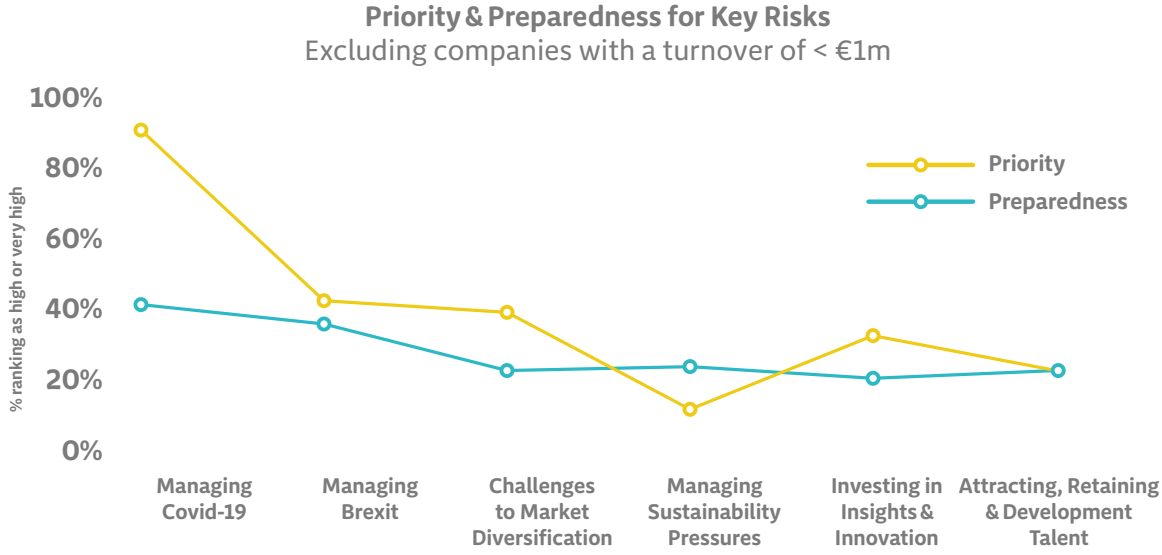



**Graph 1**

Since 2016, the Irish food, drink and horticulture industry has invested significant time and money in preparing for Brexit. Much of this preparation and planning represents best practice in risk management. Companies have worked hard to understand the impact of the risk, conduct financial and operational scenario planning, and have developed skills so that they are prepared to trade with the UK as a Third Country. This is very much evidenced by the close correlation between priority and preparedness as illustrated on the above graph.

It is clear from the data that while Market Diversification is a priority for companies, there is evidence of a preparedness gap. Manufacturers need to focus on improving their preparedness toward this risk, which would help close the gap and improve business resilience.

The graph below has been developed to exclude data from manufacturers with less than €1M turnover. This is to establish if their removal would create any significant changes to the results, but the spread of the data is very similar. However, Brexit is now a higher priority than the extent to which manufacturers are prepared for it. This could be due to smaller manufacturers having less exposure to the UK market, or less maturity in terms of their ability to develop and implement a Brexit management strategy.




**Graph 2**

### Risks and Readiness from a sector perspective

All sectors placed Covid-19 as their stand-out top priority risk. In addition, all sectors, apart from Horticulture, placed Challenges to Market Diversification within their top three, as illustrated by Table 2.

**Table 2 - Top Three Risks by Industry Sector**

| Rank | Dairy & Dairy Ingredients | Primary Meats | Prepared Consumer Foods | Alcohol | Seafood | Horticulture |
|---|---|---|---|---|---|---|
| 1 | Managing Covid-19 | Managing Covid-19 | Managing Covid-19 | Managing Covid-19 | Managing Covid-19 | Managing Covid-19 |
| 2 | Investing in Insight and Innovation | Managing Sustainability Pressures | Challenges to Market Diversification | Challenges to Market Diversification | Challenges to Market Diversification | Investing in Insight and Innovation |
| 3 | Challenges to Market Diversification | Challenges to Market Diversification | Investing in Insight and Innovation | Managing Brexit | Managing Brexit | Attracting, Retaining and Developing Talent |

In the case of Primary Meats, Managing Sustainability Pressures was a higher risk than Challenges to Market Diversification. This is perhaps unsurprising given the significance the sector places on managing issues associated with water scarcity and use, greenhouse gas emissions, and energy consumption. Over 50% of respondents from this sector ranked $CO_2$ emissions to be either of high or very high significance. Managing Sustainability Pressures is essential for this sector to maintain its competitiveness and protect its reputation against rising consumer expectations. Over 66% of respondents from the Primary Meats sector stated that their sustainability actions have a positive impact on their organisation's competitiveness. As a result, sustainability has been incorporated into many business strategies, supported by Origin Green.

Horticulture has a large challenge attracting talent, which is heavily reliant on migrant labour. Talent challenges have been dialled up since the Covid-19 crisis began, as it has made recruitment more difficult. Consequently, this issue has outweighed Sustainability Pressures for the sector.

In the case of Dairy & Dairy Ingredients it is both interesting and unsurprising that Insight and Innovation and Challenges to Market Diversification came in second and third respectively. It is a sector driven by highly-skilled research and development. There remains a constant challenge to improve and diversify the use of dairy derivatives in ever increasing product types, such as sports nutrition.

Managing Brexit only featured in the top three risks for the Alcohol and Seafood sectors, which is interesting given they both have high scores in terms of their levels of preparedness for the risk (as shown in Table 6 'Which risks by industry sector have the highest degree of preparedness'). Also, of considerable note was the omission of Managing Brexit from the top three ranking risks for Primary Meats, Prepared Consumer Foods, and Horticulture. However, as we move towards the end of 2020, manufacturers will need to ensure that their Brexit preparedness work carried out over the past three years is still fit for purpose.

Table 3's data only includes manufacturers that export to the UK. As expected when analysing this data, Managing Brexit becomes a higher priority risk among some sectors.

**Table 3 - Top Three Risks by Industry Sector (Manufacturers that export to the UK)**

| Rank | Dairy & Dairy Ingredients | Primary Meats | Prepared Consumer Foods | Alcohol | Seafood | Horticulture |
|---|---|---|---|---|---|---|
| 1 | Managing Covid-19 | Managing Covid-19 | Managing Covid-19 | Managing Covid-19 | Managing Covid-19 | Managing Covid-19 |
| 2 | Investing in Insight and Innovation | Managing Brexit | Challenges to Market Diversification | Challenges to Market Diversification | Challenges to Market Diversification | Managing Brexit |
| 3 | Attracting, Retaining and Developing Talent | Challenges to Market Diversification | Managing Brexit | Managing Brexit | Attracting, Retaining and Developing Talent | Investing in Insight and Innovation |

When companies with a turnover below €1M are excluded, as illustrated in Table 4, we see a reprioritisation of certain risks; notably Brexit for the Primary Meats, Prepared Consumer Foods and Alcohol sectors. This may reflect a greater dependency on the UK market for those larger manufacturers.

**Table 4 - Top Three Risks by Industry Sector (Excluding €1M)**

| Rank | Dairy & Dairy Ingredients | Primary Meats | Prepared Consumer Foods | Alcohol | Seafood | Horticulture |
|---|---|---|---|---|---|---|
| 1 | Managing Covid-19 | Managing Covid-19 | Managing Covid-19 | Managing Covid-19 | Managing Covid-19 | Managing Covid-19 |
| 2 | Investing in Insight and Innovation | Managing Brexit | Managing Brexit | Managing Brexit | Challenges to Market Diversification | Managing Sustainability Pressures |
| 3 | Challenges to Market Diversification | Challenges to Market Diversification | Challenges to Market Diversification | Attracting, Retaining and Developing Talent | Managing Brexit | **No other risks stand out* |

### Risks and Readiness from a turnover perspective

When the data is analysed by company turnover range (Table 5) Managing Covid-19, Challenges to Market Diversification and Managing Brexit feature predominately.

**Table 5 - Top Three Risks by Turnover**

| Rank | Less than €1M | €1M-€10M | €11M-€100M | €100M+ |
|---|---|---|---|---|
| 1 | Managing Covid-19 | Managing Covid-19 | Managing Covid-19 | Managing Covid-19 |
| 2 | Challenges to Market Diversification | Challenges to Market Diversification | Managing Brexit | Investing in Insight and Innovation |
| 3 | Managing Sustainability Pressures | Managing Brexit | Challenges to Market Diversification | Managing Brexit |

Export trends indicate a higher move towards international markets in recent years, and 71% of respondents are actively seeking to expand into new markets in response to Brexit. There are considerable rewards from getting market diversification right, including successful new product ranges, exploration of new and interesting markets and maximising revenue and new business opportunities. With these comes the potential for considerable value but also significant risk. Diversification can act to soften and stabilise businesses, like hedging in the financial markets.

It is interesting to note that Challenges to Market Diversification does not feature in the €100M+ range, but is prominent in each of the other groups. This is likely because these large companies are already experienced in trading globally, and have the scale, internal capability, and funding to progress with their market diversification strategies.

The three largest ranges (€1M-€10M, €11m-€100M and €100M+) each identify Managing Brexit as a primary risk. Larger manufacturers are more dependent and interconnected within global markets and macro-economies. Brexit negotiations are highly politically charged, which means there is still a level of uncertainty about the outcome. While companies rightly identify Brexit as a risk, the data shows a high level of preparedness for Brexit risk, which is the outcome of the work done by the industry since 2016. Manufacturers with a smaller turnover (less than €1M) are more likely to have less reliance on international supply and demand and are potentially more locally focused with limited or no exports.

**It is unsurprising that Covid-19 is ranked as the highest risk, with 91% of respondents scoring it as either a high or a very high priority. Market Diversification is ranked the second biggest challenge for the industry.**

### Preparedness for key risks

Valuable lessons in risk management have been learned by the Irish food, drink and horticulture industry as a result of Brexit, and there's evidence that the industry has been better able to manage the impact of Covid-19 because of the actions it has taken to manage Brexit over the past three years.

The following tables (Tables 6 & 7) show levels of preparedness by sector and by turnover. The results uncovered an interesting observation in relation to respondents' assessment of their preparedness for Covid-19, as seen in Table 6. Whilst it is unsurprising to see the priority of Covid-19 as high as it is, the average level of preparedness is surprising at 46%. A potential reason for this is that although manufacturers did not have specific plans in place for a global pandemic risk, they did have plans in place for the associated consequences, without the link being fully recognised. For example, manufacturers may have considered the loss of a critical customer, supplier or production plant, without there having been much consideration given to what caused the loss. In other words, no root cause analysis was undertaken, just planning for the outcome.

A global pandemic on the scale being witnessed in 2020 would certainly be considered a 'Black Swan Event', or a high impact, low probability event. In managing these events, the philosophy manufacturers should adopt is to only focus time and resources on what is within their sphere of influence; not paying attention to the possible causal factors, but rigidly planning for the impacts. Previous events such as Brexit, BSE and an increased awareness of global food safety events, have all contributed to helping the industry prepare for the pandemic.

**Table 6 - Which Risks by Industry have the Highest Degree of Preparedness**

| Rank | Dairy & Dairy Ingredients | Primary Meats | Prepared Consumer Foods | Alcohol | Seafood | Horticulture |
|---|---|---|---|---|---|---|
| 1 | Managing Covid-19 | Managing Covid-19 | Managing Covid-19 | Managing Brexit | Managing Covid-19 | Managing Brexit |
| 2 | Challenges to Market Diversification | Managing Sustainability Pressures | Managing Brexit | Managing Sustainability Pressures | Managing Sustainability Pressures | Managing Covid-19 |
| 3 | Investing in Insight and Innovation | Challenges to Market Diversification | Challenges to Market Diversification | Investing in Insight and Innovation | Managing Brexit | Managing Sustainability Pressures |

When considering preparedness by turnover (Table 7) it is notable the three higher ranges considered either Managing Covid-19 or Managing Brexit as the risks they were most prepared for. Given the time and resources that manufacturers in the higher ranges would have given to Brexit, Bord Bia would expect to see them demonstrating high maturity here.

**Table 7 - Top Three Risks by Preparedness and Turnover**

| Rank | Less than €1M | €1M-€10M | €11M-€100M | €100M+ |
|---|---|---|---|---|
| 1 | Managing Sustainability Pressures | Managing Covid-19 | Managing Brexit | Managing Covid-19 |
| 2 | Investing in Insight and Innovation | Managing Brexit | Managing Covid-19 | Managing Brexit |
| 3 | Attracting, Retaining and Developing Talent | Attracting, Retaining and Developing Talent | Attracting, Retaining and Developing Talent | Challenges to Market Diversification |

A number of facilitated interviews were undertaken by Bord Bia as part of the Readiness Radar, and through these it was noted that Covid-19 may have facilitated collaboration in the supply chain, as producers and customers worked together to navigate the myriad of complex issues that the pandemic has led to. In addition, it has shed light on weaker customer and supply chain relationships, thus enabling manufacturers to reflect on where these relationships add value or drive costs up.

**All sectors have focused their attention on supply chain, which may have been driven by Brexit.**

### Risk & Resilience Management

The research sought participants' views on how risk is managed within their organisations, including risk themes such as business continuity[4], IT disaster recovery, crisis response planning, enterprise risk management and supplier management (including identification of single source suppliers and vulnerability assessment). This information is captured in the following graph.



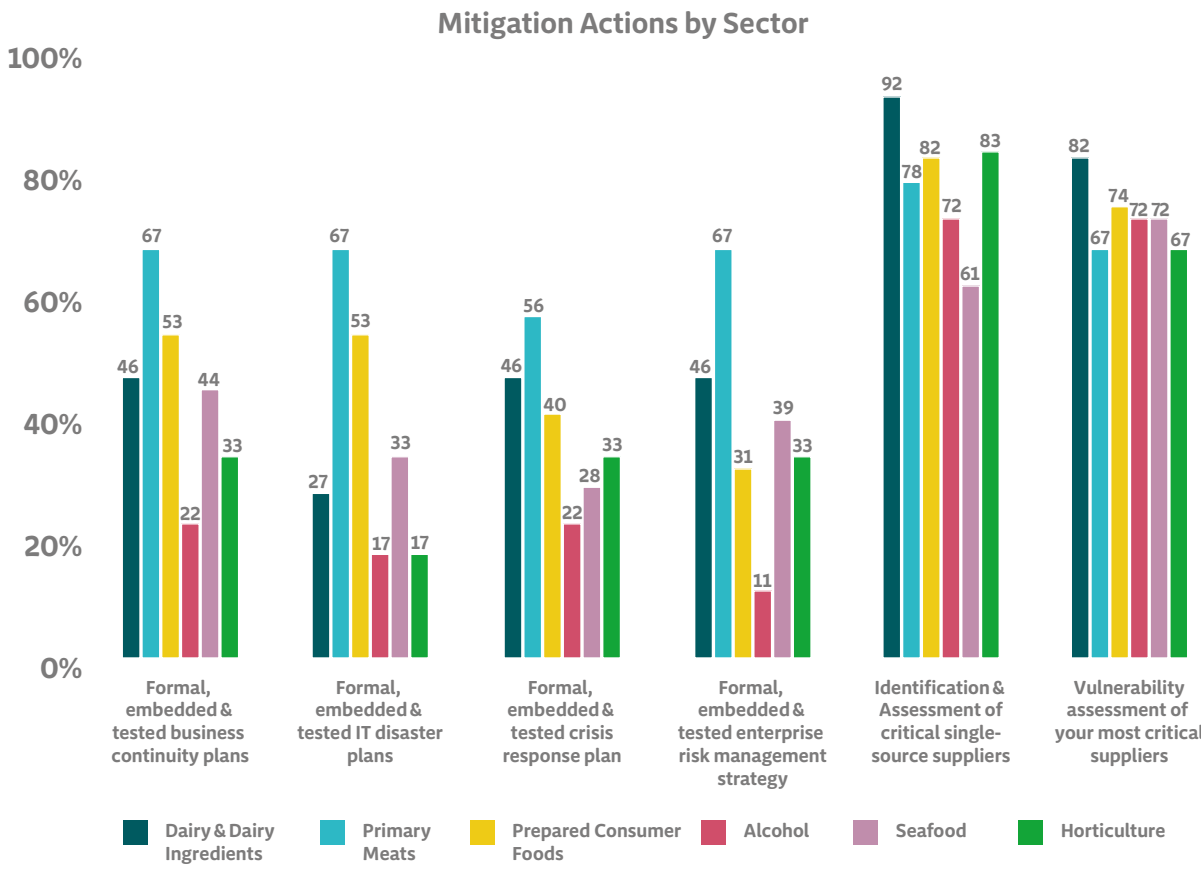

All sectors have focused their attention on supply chain, and while this focus may have been driven by Brexit, it is very encouraging that the data highlights a high level of investment by the industry in identifying and assessing critical single-source suppliers. This is supported by the fact that when these critical suppliers have been identified, all sectors have also conducted a vulnerability assessment for these suppliers. Anecdotally, companies have been focusing on security of supply within their supply chains and are willing to pay a little bit more to ensure their supply of key raw materials and packaging.

At the lower end of the scale, both crisis management and IT disaster recovery planning score relatively low across all sectors, the exception being Primary Meats. This is concerning, as cyber risk is an evolving and rapidly growing threat within the industry, often manifesting itself as a systems failure or a supply chain disruption. When organisations successfully manage a crisis, research illustrates their shareholder value can appreciate up to 20 percent in the year following the event. On the flip side, those that do not may see their shareholder value depreciate by as much as 30 percent in the year after the crisis[5].

[4] Business continuity management (BCM) increases resiliency by properly allocating resources, assists in managing brand and image, and hedges operations toward success and meeting long-term organizational objectives." (Aon. n.d. Business Continuity Management. Accessed June 24, 2020, from: https://www.aon.com/risk-services/business-continuitymanagement.jsp)

[5] Aon. n.d. When Crisis and Technology Collide: Protecting Reputation in the Digital Age. Accessed April, 2020, from https://www.aon.com/reputation-risk-cyber-social-media-pentland-analytics-aon/index.html

The graph below identifies mitigation actions by sector.

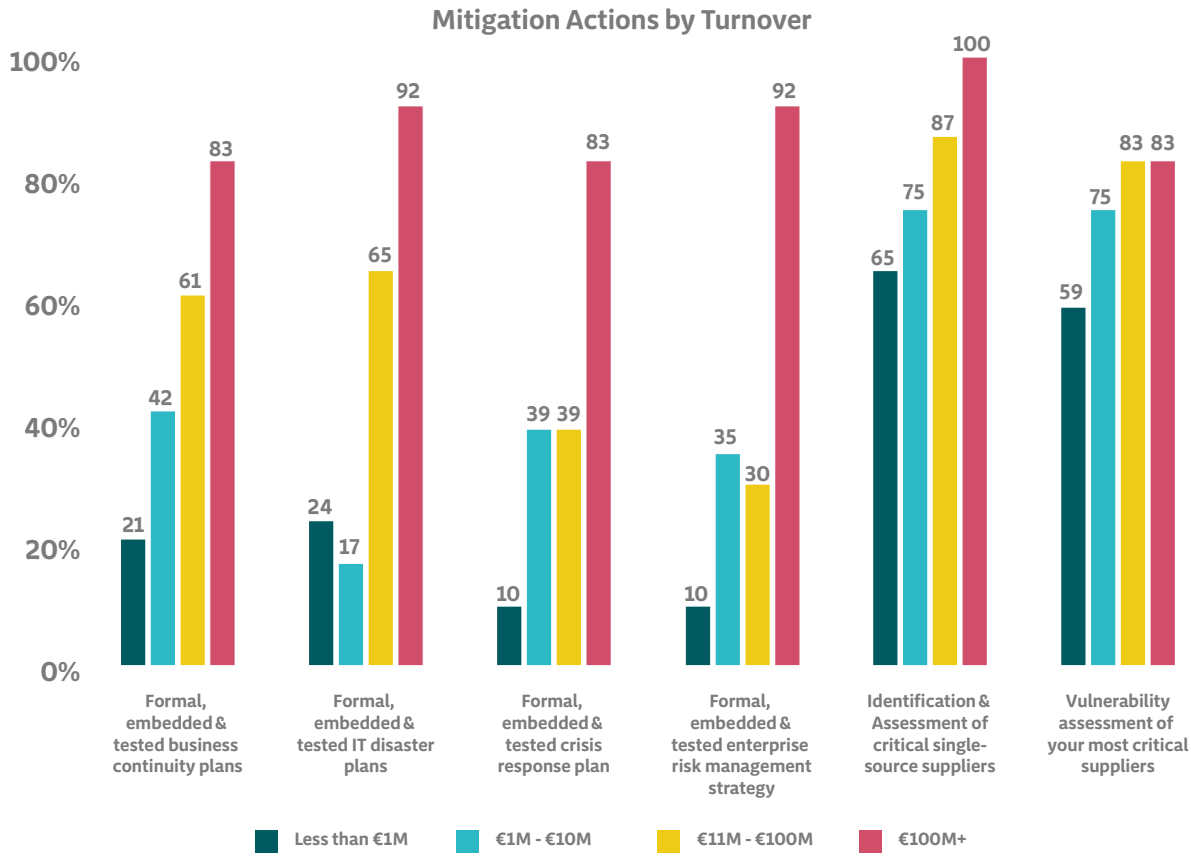



The Primary Meats sector has been challenged in the past with interruption events, such as the discovery of the presence of horsemeat in beef and dioxin in pork, and perhaps these experiences have encouraged a focus on business continuity planning (67%) and enterprise risk management (67%).

It is interesting to note that the Alcohol sector consistently scores lower across continuity plans, disaster recovery plans, crisis response plan and enterprise risk management strategies. This could be due to the relatively lower turnover of those respondents compared to the other sectors in the report. Over 66% of respondents from this sector have an annual turnover below €1M, and there is no representation within the highest turnover range.

The results remain consistent when viewed by company turnover, as the next graph demonstrates, with positive results for supplier risk management remaining consistently high across each of the four turnover ranges.

**There is a pronounced high degree of maturity seen in manufacturers with a turnover of €100M+, where there is no less than an 80% uptake across each of the risk management disciplines**




There is a high level of consistency seen in manufacturers with a turnover of €100M+, where there is no less than an 80% uptake across each of the risk management disciplines. This is due to a variety of factors, primarily requirement and expectation. For example, in Ireland, Public Limited Company's (PLCs) and those listed on the Irish Stock Exchange are required to comply with both the Irish Corporate Governance Annex and the UK Corporate Governance Code[6]. Risk oversight constitutes a critical component of what listed manufacturers are required to include within their annual report and accounts.

There is a pronounced high degree of maturity noted for supplier management amongst those manufacturers with a turnover of less than €1M, when viewed against their relatively low maturity in other risk management disciplines.

Mature risk management, whilst hugely valuable, takes time and resources to effectively implement. Smaller manufacturers may find the trade-off is not appropriate. Pragmatic steps can be taken to improve risk management. These include the development of a risk policy, a risk register, scenario testing of the macro strategic risks, and the development and testing of business continuity plans (e.g. for the loss of a critical production facility).

[6] ECGI. 2020. Corporate governance requirements for listed companies. Accessed May 15, 2020, from: https://ecgi.global/content/corporate-governance-ireland



# KEY TAKEAWAYS

Managing Covid-19 and Challenges to Market Diversification are the biggest challenges identified by the industry. All sectors placed Covid-19 as their standout top priority risk. In addition, all sectors, apart from Horticulture, placed Challenges to Market Diversification within their top three risk priorities.

Managing Brexit featured as the third risk to the industry. This positive indication suggests that, almost four years from the referendum result when the analysis was being carried out, manufacturers believe they are as prepared as they can be for the future trading relationship with the UK.

As we move towards the end of 2020, manufacturers will immediately need to ensure that their Brexit preparedness work carried out over the past three years is still fit for purpose. Over the course of the next three months they must begin to activate and implement their Brexit plans.

Brexit and Covid-19 have challenged manufacturers, especially larger ones, to become increasingly agile in strategy development and operational planning. Out of necessity, business leaders are having to consider what is important immediately. This creates a difficult challenge between supporting colleagues, customers and suppliers on both a business and a personal level, while needing to reduce expenses and stabilise revenues. Leaders are required to consider the balance more acutely under these circumstances (given their systemic nature). If growth is to be achieved following a return to more predictable times, it will be best served by a known and familiar infrastructure. Manufacturers that thrive adopt a hybrid Defensive/Offensive strategy, rather than a singular approach[7].

The Irish food, drink and horticulture industry has had to withstand many shocks over the years. While an interruption event is always an immense challenge for business, dealing with the challenges such an event brings inevitably helps businesses to build resilience and be better prepared for the next curve ball. Companies who embrace risk management, at a level that is sensible and appropriate to their structure and size, will invariably be able to respond faster to a crisis, and reshape and recover more quickly than those who are unprepared as the crises passes.

[7] Harvard Business Review. 2010. Roaring Out of Recession. Accessed May 15, 2020, from: https://hbr.org/2010/03/roaring-out-of-recession

# 4

# Managing Covid-19

BORD BIA
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## Challenges arising from Covid-19

Covid-19 is a global crisis, which evolved and spread at extraordinary scale and speed. When the crisis reached Europe, initially concentrated in Italy, manufacturers were able to adjust. However, as Covid-19 expanded across the world, manufacturers faced, and are still facing, significant challenges in the areas of human health, changing consumer behaviours, and supply chain disruption.

The Irish food, drink and horticulture industry has demonstrated an enormous ability to absorb and respond to the shocks and stresses presented by this new challenge. It is clear a common understanding has emerged that the 'new normal' is utterly different to life before Covid-19. Indeed, some are referring to the coming months as a 'never normal' phase, recognising that many work practices and ways of communicating will never revert to how they were prior to the crisis. Businesses need to consider measures to mitigate the risk of infection among their employees, assess the potential impact to their operations, and develop plans to protect revenue, employees, and consumers. Not just in the short term, but indefinitely.

Against this uncertain backdrop, the world is now looking ahead to try to understand what the future looks like. Responses should not be considered Covid-19 specific, but pandemic related.

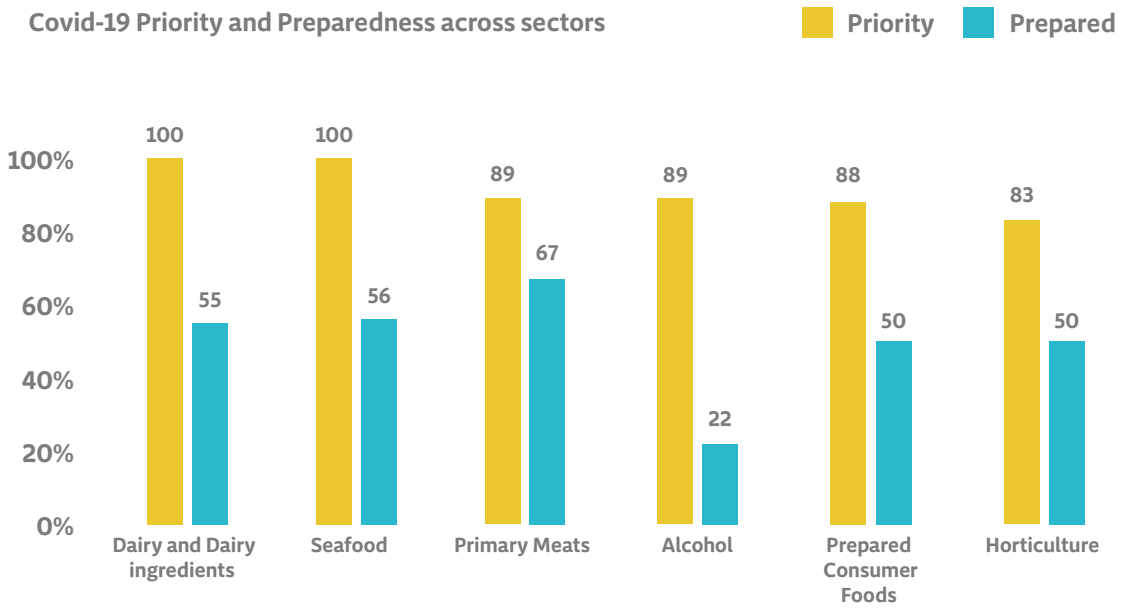
Attitudes and behaviours are changing as a result of Covid-19 and organisations need to adapt and reshape to remain competitive. Feedback from Bord Bia's clients suggests that the volatility in export markets and supply chain disruptions are encouraging manufacturers to innovate and plan towards the long-term market landscape.



### Risk priority and preparedness

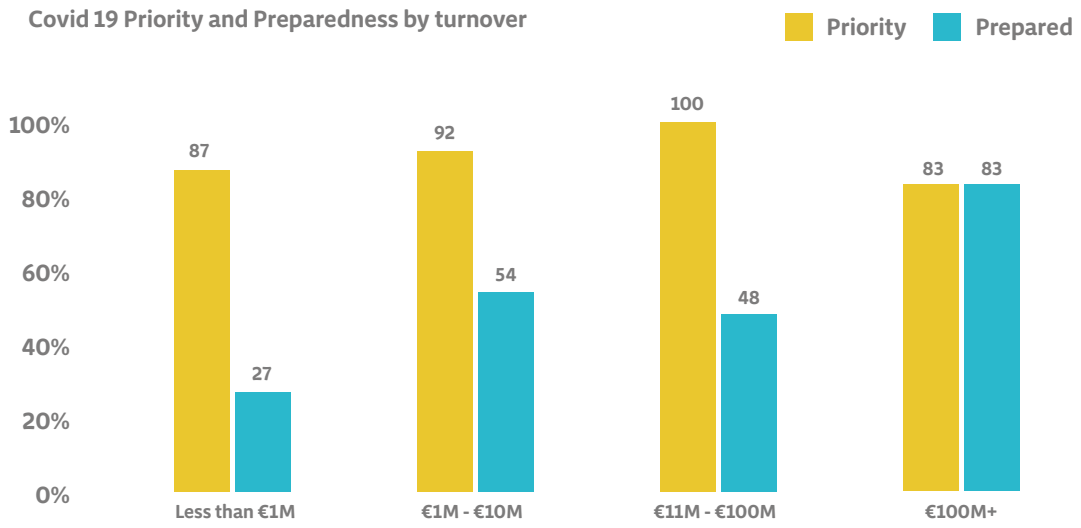
Bord Bia's Readiness Radar asked respondents to rank six of the most prevalent risks to the food, drinks and horticulture industry. Covid-19 has been ranked as a top priority risk across all sectors, with over 90% of respondents ranking it to be of high or very high significance. However, it is worth mentioning the existing differences in preparedness across the different sectors.

Whilst it is unsurprising to see the priority of Covid-19, there seems to be a relatively high level of preparedness among respondents. Over 46% of respondents ranked their preparedness as either high or very high. A potential reason is that although companies did not have specific plans in place for a global pandemic risk, they did have plans in place for the associated consequences; even if the correlation was not known or understood.




**Graph 1: Priority and Preparedness across sectors**

From a sector perspective, the Alcohol sector has ranked the lowest level of preparedness. This could be due to the size of the manufacturers in this sector, as over 66% of respondents from the Alcohol sector have an annual turnover of less than €1M. The Primary Meats sector has a higher representation of large companies, with over 66% of the respondents having a turnover of over €100M. This may explain why Primary Meats have the highest level of preparedness, with 67% of respondents scoring its preparedness to be either high or very high.




**Graph 2: Covid-19 Priority and Preparedness by turnover**

When the data is analysed by turnover, it is noteworthy to see how the gap between priority and preparedness is larger with companies with less than €1M turnover. Smaller companies are less prepared for a global pandemic crisis, while larger companies, with over €100M turnover, ranked priority and preparedness to be equal. This could be due to larger resources invested in mitigation plans and strategies in the manufacturers with higher turnover.



**52%**

**of respondents ranked decrease in foodservice demand to be of high/ very high significance.**

### Impact of Covid-19

Manufacturers are facing various challenges as a result of Covid-19. When asked to rank the top concerns for businesses as a result of Covid-19, recession was ranked to have the highest significance, with over 70% of respondents ranking it either significant or very significant. Global economy GDP is expected to fall by 5.2% as a result of Covid-19[1]. Some companies might find it hard to respond to this crisis which could lead to bankruptcies and defaults. According to Atradius, corporate insolvencies are expected to grow by 2.4% in 2020[2].

If unemployment levels rise, discretionary expenses will decrease which could affect sales in the food, drink and horticulture industry. However, this industry has weathered different storms through the years, all of which have taught companies resilience. Manufacturers with a turnover below €1M are more concerned about this risk (68% of respondents have ranked this risk to be of high or very high significance). Smaller companies can be financially more fragile during a crisis than larger companies.

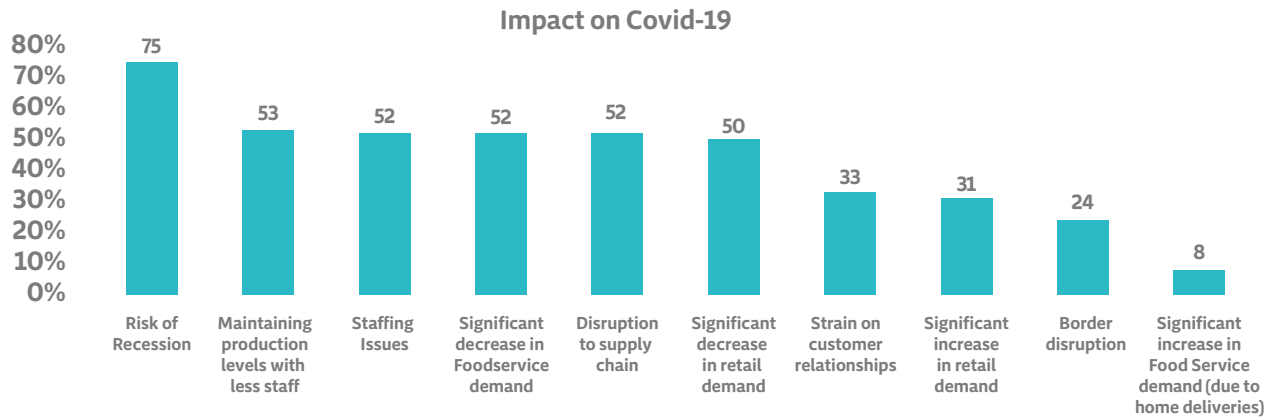
Other concerns such as staffing issues, significant decrease in foodservice demand and disruption to supply chains were also ranked as being of high significance, with over 50% of respondents ranking these risks as being of high or very high significance.

### Staffing Issues

Through Bord Bia's facilitated interviews with clients, it was highlighted that staffing issues were a top priority as a result of the Covid-19 outbreak. The results show that 52% of respondents ranked this risk as of high/ very high significance. This is driven by the Horticulture and Primary Meats sectors. Over 83% and 66% of respondents, respectively, ranked staffing issues to be of high/very high significance.

It is also interesting to see that larger firms, with over €11M turnover, are more concerned about staffing issues as a result of Covid-19. Over half of the respondents from this turnover range ranked this risk to be of high/ very high significance, likely due to the size of their workforces.

Managing business performance in the current environment is challenging. Manufacturers have taken all the necessary steps to conform with the HSE and Government guidelines through social distancing. Additionally, many manufacturers have reduced the number of employees on site and are encouraging home working where possible. Managing a situation like this with a reduced workforce is challenging and makes it very difficult to maintain pre-Covid-19 production levels.




**Graph 4: Impact on Covid-19**

[1] The World Bank. 2020. The Global Economic Outlook During the Covid-19 Pandemic: A Changed World. Accessed June 11, 2020, from: https://www.worldbank.org/en/news/feature/2020/06/08/the-global-economic-outlook-during-the-covid-19-pandemic-a-changed-world

[2] Atradius. 2020. Corporate insolvency growth to accelerate in 2020. Accessed June 11, 2020, from: https://group.atradius.com/economic-research/corporate-insolvency-growth-to-accelerate-in-2020.html

### Foodservice impacts

52% of respondents ranked a decrease in foodservice demand to be of high/very high significance.
The foodservice industry has been hugely impacted by Covid-19, and while some companies have switched to an online offering, others have been forced to temporarily close their doors. This will have a great impact on the overall long-term performance of this sector, with Gira predicting that European foodservice could be reduced by 33% by the end of the year.[3] Changes in consumer behaviour will also have an impact on foodservice performance.

Nielsen completed a study with 11 countries in Asia to understand the impact of this crisis on future consumer behaviour, where respondents stated they were likely to change their eating habits as a result of the global pandemic. Most respondents agreed they would prefer to eat home more often after the crisis[4].

More recently there has been movement into the second phase of the crisis, which has seen some companies starting to reopen across Europe, with limited capacity and offering. It is expected that other countries will follow this trend in the following weeks.

According to Bord Bia's Irish Food Service Whitepaper, there are three possible scenarios for the remainder of 2020 as the industry moves to a phased re-opening in a transformed operating environment. These are 'Best Case', 'Middle Case' and 'Worst Case' outlooks.[5]

The White Paper, available at www.bordbia.ie, was developed to equip the industry and Irish food and drink suppliers servicing this key market with data and insights as they plan for the second half of 2020. It outlines scenarios, key trends and recommendations and supports available for businesses across the sector.

### Retail impacts

50% of respondents ranked 'a decrease' in retail demand to be of high/very high significance and only 31% of respondents ranked increase in retail demand to be of high/very high significance.

Firstly, online sales have significantly increased as cities and countries went into lockdown type situations. According to Bord Bia's Future Proofing Validators, 54% of consumers are minimising their trips to the shop more now than before as a result of Covid-19.[6]

This is a behaviour consumers are embracing much more often since restrictions were enforced but don't plan to continue doing more of post pandemic.

From discussions with clients, it was suggested that as a result of increased retail demand, manufacturers are experiencing logistical challenges. Many retailers are simplifying product ranges and prioritising high-volume products. During the time this research was carried out (April 2020), the Covid-19 crisis has led to a reduction in the number of Stock Keeping Units (SKUs) that retailers had available.

This crisis has also seen a blurring of lines between retail and foodservice. Companies like Deliveroo have been involved in supplying goods such as eggs, milk, bread or pasta to those who are vulnerable and self-isolating during the Covid-19 crisis. Partnerships like this have enabled retailers to drive new revenues at a challenging time, and as a result of this crisis some countries might see retail and foodservice operating closer together in the future.

Bord Bia's Future Proofing Toolkits outlined how general shopper and consumption behaviours have evolved since the Covid-19 outbreak and how Bord Bia clients can respond to these. These are available at www.bordbia.ie.

[3] Gira. 2020. COVID-19 Special Report. Webinar for Bord Bia meat clients. 21st April 2020. Extracted from a Gira crisis - impact study on Meat and Dairy in selected key global markets: CN, EU and US.
[4] Nielsen. 2020. Asian Consumers are rethinking how they eat post Covid-19. Accessed June 3, 2020, from: https://www.nielsen.com/eu/en/insights/article/2020/asian-consumers-are-rethinking-how-they-eat-post-covid-19/
[5] Bord Bia. 2020. COVID-19 Impact on Irish Foodservice Industry. Accessed June 14, 2020, from https://www.bordbia.ie/globalassets/bordbia2020/news--events/irish-foodservice-whitepaper-2020/bord-bia-irish-foodservice-industry-whitepaper-2020.pdf
[6] Bord Bia. 2020. Future Proofing Toolkit: Ireland Edition. Accessed June 12, 2020, from: https://www.bordbia.ie/globalassets/bordbia2020/industry/covid/indicator-reports/future-proofing-toolkit-ireland.pdf




# KEY TAKEAWAYS

The Covid-19 crisis highlights how organisations need to update and expand their crisis management and business continuity plans, with an emphasis on employees, customers, supply-chain contacts, stakeholders, and business assets.

Going forward, it will be key to understand customers' needs and how Covid-19 has had an impact on consumer behaviour. Having this knowledge will allow manufacturers to position their brands and maintain competitiveness. As a means of unlocking growth beyond the crisis, manufacturers are seeking access to global insights and funding to invest in brand development in preparation for 2021. Some manufacturers have launched ecommerce friendly websites to ensure a strong marketing position is maintained.

The potential 'wave' nature of the pandemic will require companies to take continuous action across all areas of the business. Organisations are reacting and building new business models, operating models, communication channels and other processes, and adjusting as needed. This will help decision-making, communication strategies, as well as prioritisation and planning. Depending on the organisation's unique experience, stages and timeframes could be flexed.

## Bord Bia supports for your business Post Covid-19

The Covid-19 pandemic has brought significant challenges to the industry. Bord Bia has been proactive in responding to these challenges and developed a framework to help you futureproof your business. These tools and insights will support a more informed and value driven approach to risk management and help mitigate against the immediate risks posed by Covid-19.



### THINK

- **Risk Readiness Gap Analysis** to understand your risk exposure and level of preparedness
- **Readiness Radar Findings** to gather data and insights to help prepare for the risks facing manufacturers
- **Future Proofing Toolkit: Indicators** to understand the relevance of behaviours identified.
- **Future Proofing Toolkit: Validators** to road test the 'stickiness' of the behaviour to your category

### PLAN

- **COVID-19 Response Plan:** to help the food and drinks industry deal with the implications of Covid-19 on their businesses.
- **Business Continuity Webinars:** a variety of Covid-19 Business Continuity webinars to support the food and drink industry during this period
- **Future Proofing Toolkit: Indicator Mapping Planner** to identify the 'must dos' for your business
- **Future Proofing Toolkit: Pressure Test Planner** to clearly define your businesses' activity goals
- **Future Proofing Toolkit: Now & Next Planner** to articulate your business or brands' activation strategy

### DO

- **Future Proofing Toolkit: Activity Planner** to articulate your business or brands' activation strategy
- **Future Proofing Toolkit: Action Plan** to capture the steps your business needs to futureproof your business for the changed consumer environment

**Please visit https://www.bordbia.ie to access these services**

# 5

# Managing Brexit

BORD BIA
IRISH FOOD BOARD

## Managing Brexit

It has been more than four years since the UK voted to leave the European Union, on 23rd June 2016, yet there remains significant questions over exactly what the final outcome will be when the Transition Period ends on the 31st December 2020. Whilst UK and European businesses have highlighted the strain companies will be under to manage both a new Free Trade Agreement and a No Deal Brexit by the end of 2020, particularly in light of the pressure they're under following Covid-19 disruptions. The UK Government has confirmed it will not seek an extension to the end of year deadline for Brexit talks to progress.

At the same time, some clarity surrounding Brexit has been introduced, in part due to the Transition Period December deadline. Through a combination of risk diagnostic analysis and Bord Bia's facilitated company interviews, indications show that Irish food and drink manufacturers are proactively identifying, assessing, quantifying, and where possible, mitigating Brexit related risks. However, Brexit scenarios are driving high levels of uncertainty and volatility for Irish food and drink manufacturers, as shown in Graph 2: How optimistic or pessimistic are you about the impact of Brexit.

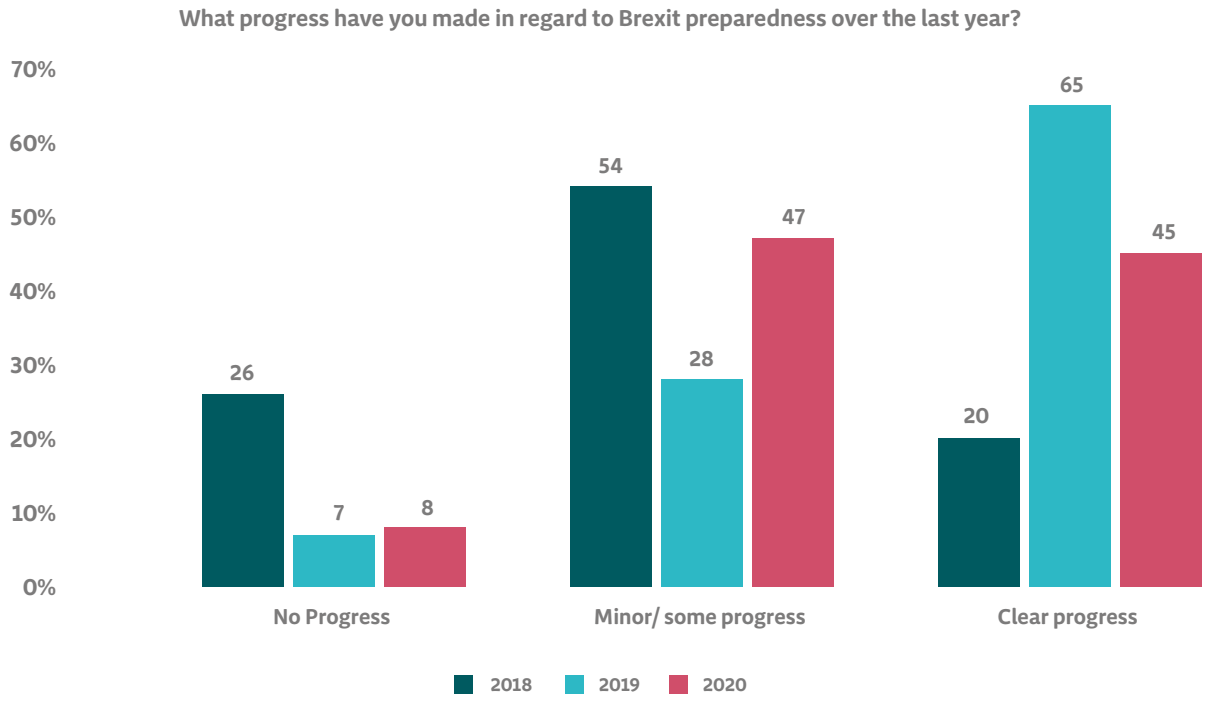
Irish food and drink manufacturers are actively navigating challenges and opportunities, internally within their organisation and externally with their key customers.



## Progress in Preparing for Brexit

Over 91% of respondents said they had made progress in relation to their Brexit preparedness over the past 12 months. The results from the Readiness Radar 2020 shows that there continues to be positive progress and that only a small number report having made no progress in the past year. The number of respondents who feel that no progress has been made over the last year is low, which can be considered a positive.

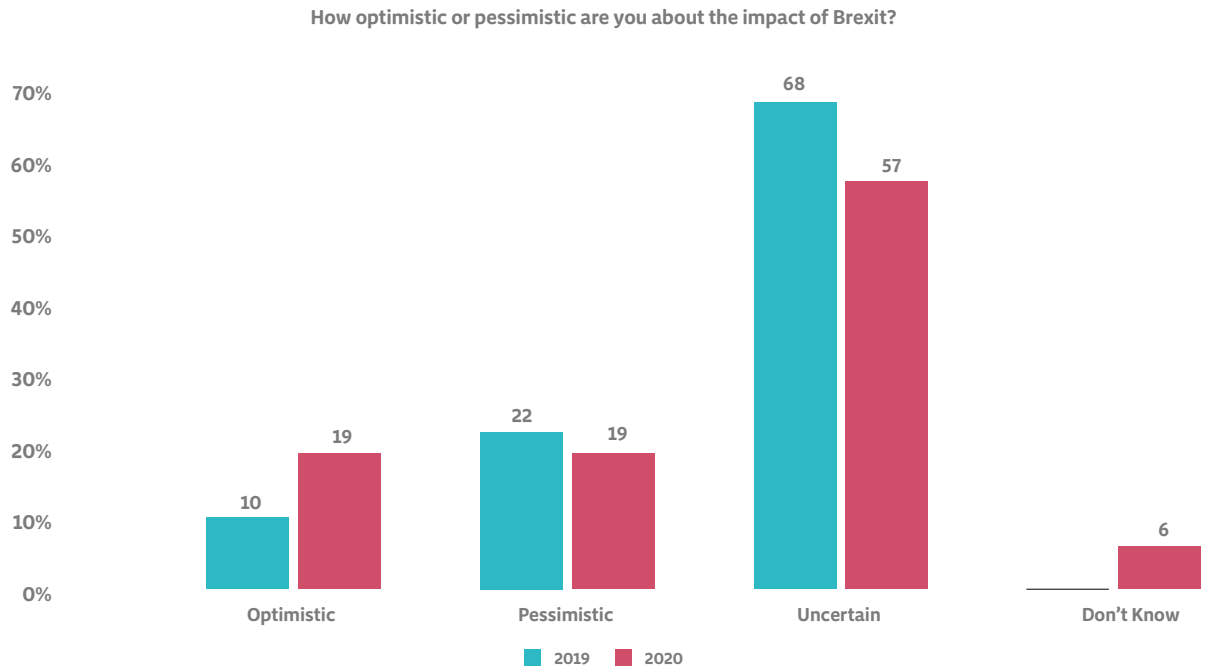
Larger companies have made more clear progress, and in particular 57% of Prepared Consumer Foods manufacturers have made progress. Graph 1 highlights that most clients made significant progress in 2019; now it's a matter of maintaining plans and rolling out when appropriate. The preparedness of the industry reported throughout this chapter is a testament to the skills manufacturers have developed over the past four years. Many cited during company interviews that their Hard Brexit impact scenarios have been tested by Covid-19, especially those supplying the foodservice channel.




### Impact of Brexit

There has been an increase in optimism towards the risk presented by Brexit seen in the 2020 Readiness Radar results. Almost 20% of respondents felt optimistic about the impact of Brexit, 9% more than was reported in 2019. This may be attributed to a reduced dependency on the UK, combined with a higher rate of active preparation. It is unsurprising to see a high level of participants uncertain as to how they perceive the impact of Brexit as many key questions remain unanswered by the UK Government regarding how customs processes and food standards may evolve and be managed.

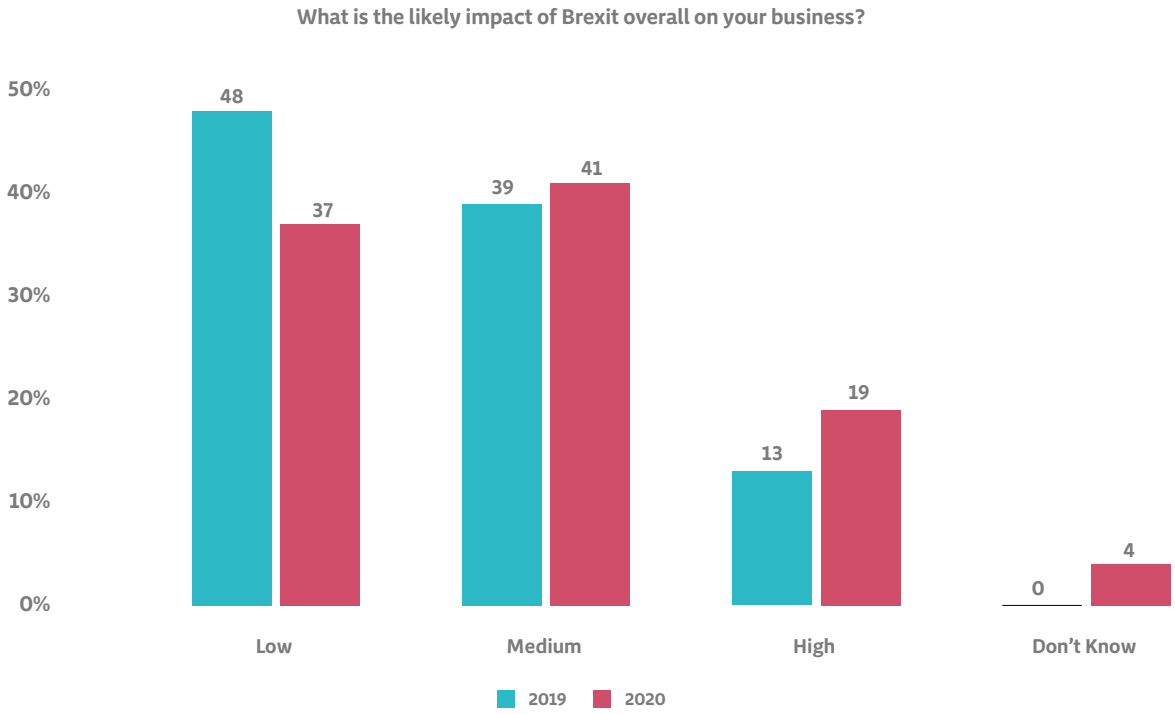
Many companies are focused on 'managing the manageable', and while this can be considered a positive, no one can be sure where the politicians will land in terms of the final Trade Agreement. Regardless, the nature of the deal will have a significant impact on Irish manufacturers.




When reviewed through a sector lens, the spread of optimism results is very similar to those year-on-year results seen in Graph 2, with one notable exception. Horticulture respondents are considerably more optimistic than other sectors when asked in 2020, with 50% of respondents from this sector indicating an optimistic outlook. This optimism could be directly related to the significant progress made in regard to Brexit preparedness over the last year. 75% of respondents in the Horticulture sector agreed to have made major progress, which is high compared to the other sectors.

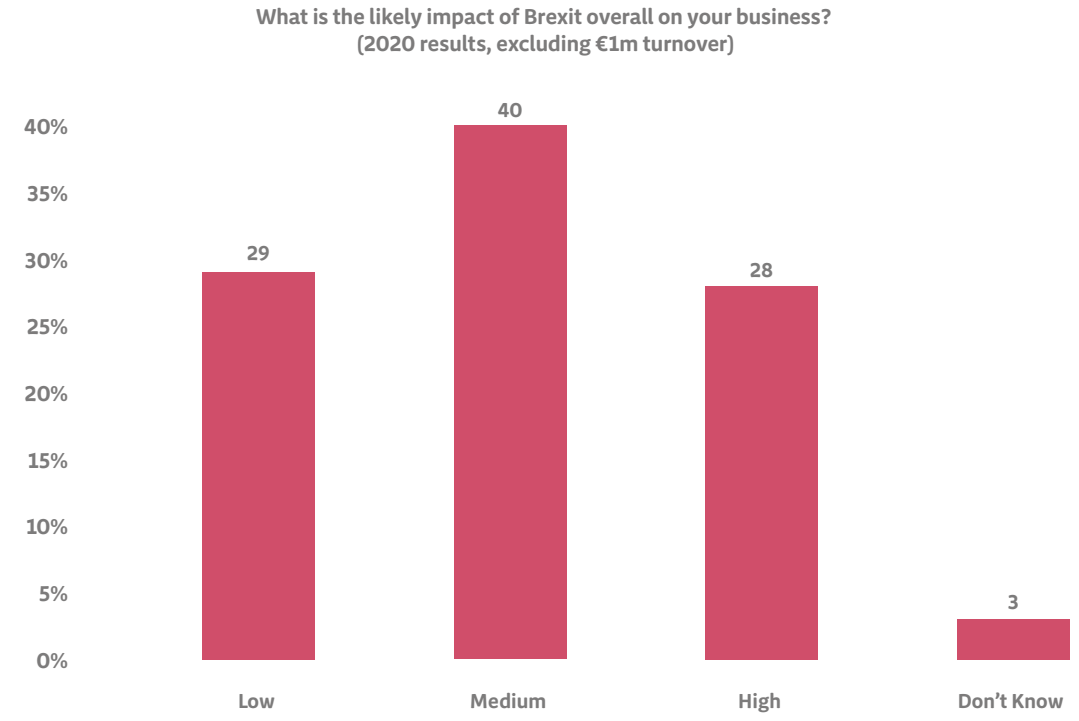
**75%**

**of respondents in the Horticulture sector have made major progress in regard to their Brexit Preparedness, which is high compared to the other sectors.**



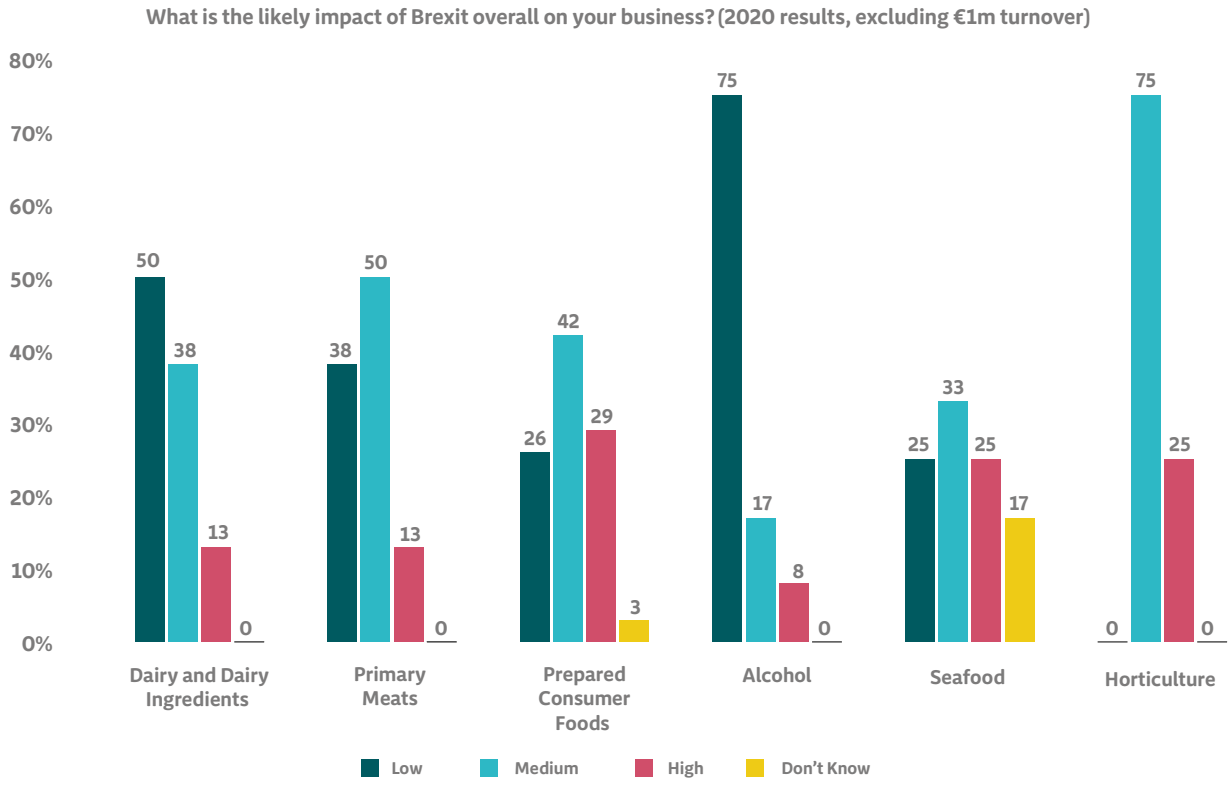

The 2020 Readiness Radar results show that there has been a 6% increase in the number of respondents who believe that the impact of Brexit will be high for their business. This is noteworthy when compared to the 2019 results, as 13% felt it would have a high impact - compared to 19% in 2020.

If the 2020 data is analysed excluding manufacturers with a turnover below €1M, the likely impact of Brexit changes. There is a reduction in the incidence of those reporting a "low" impact from 37% to 29% and an increase of almost 10% of respondents that stated there would likely be a high impact on their business as a result of Brexit. This could be due to the comparatively higher exposure and dependency of these manufacturers to the UK market.



Interestingly, in 2020, 75% of businesses in the Alcohol sector indicated that Brexit would have a low impact on their business, making it the sector that will be least impacted by Brexit in relative terms. This is most likely due to a lower dependency on the UK market, as over 66% of manufacturers from this sector reported that the UK sales account for 1% - 10% of their total annual turnover. This figure is relatively low compared to the other sectors analysed, which have a higher dependency on the UK market.

The Dairy & Dairy Ingredients and the Primary Meats sectors have both reported lower expected impact than the average industry (50% and 38% respectively). The UK accounts for less than 30% of Dairy & Dairy Ingredient's annual export value. This can explain the lower impact of Brexit to this sector, as the dependency on the UK market is lower than in other sectors like Prepared Consumer Foods and Horticulture (both exposed to over 51% of sales turnover). The Primary Meats sector has higher dependency on the UK market than Dairy & Dairy Ingredients (at the end of 2019, the UK accounted for 47% of the total of Irish beef exports). This explains why the Primary Meats sector has a higher concern regarding of likely impact of Brexit compared to the Dairy & Dairy Ingredients sector.



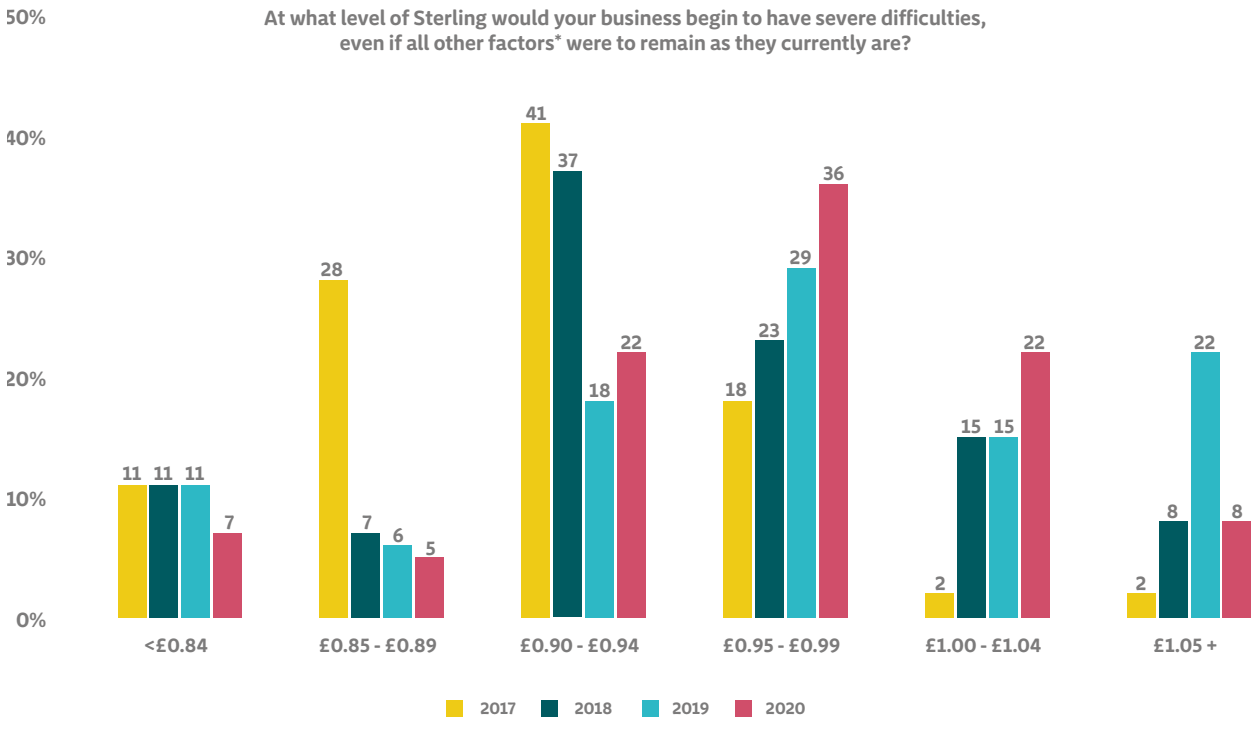

Overall, the 2020 results show that there is an increase in businesses who believe that Brexit will have a significant a high impact on their business. It is extremely likely, given the years of preparation, that businesses are mitigating high levels of costs and risk from operations with their extensive planning and preparation. From Bord Bia's facilitated interviews, it was clear that there was a reduced level of concern. Many cited Covid-19 as being the current issue providing the greatest degree of concern, as it was directly affecting cash flow.

### Financial resilience

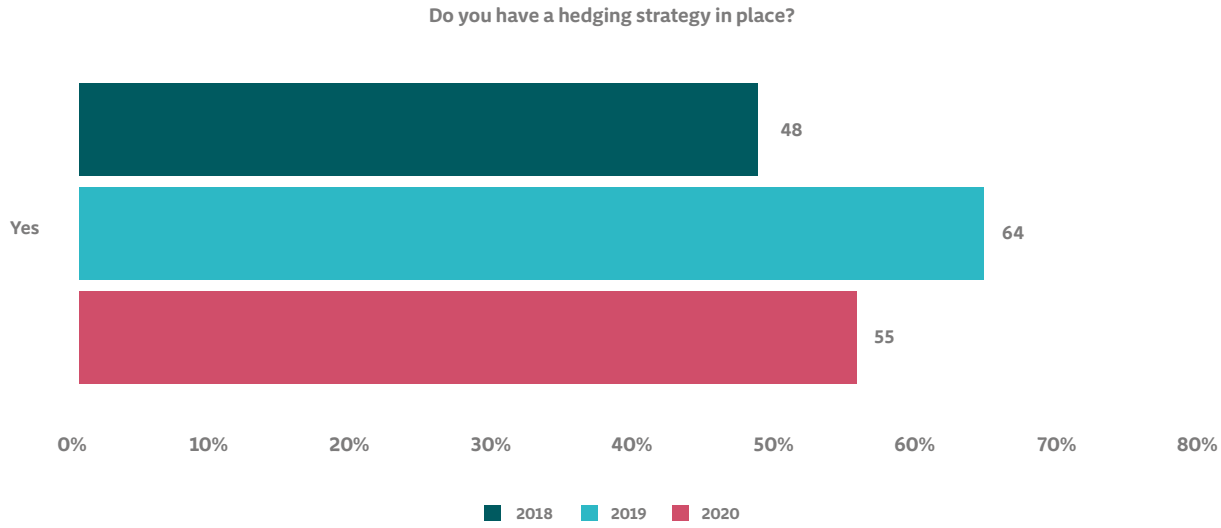
Irish food and drink manufacturers have sustained themselves through many currency storms over the years as a result of volatility, not least in the case of Sterling. Positively, many respondents have successfully identified their Brexit-related risk and currency exposures. When analysed by company size, the larger companies almost all understand their Brexit currency risk.

In contrast, some of the smaller manufacturers have very low sales volumes in the UK, and as a result have minimal levels of currency exposure. The percentage of those who identified risk and currency exposure is lower for these smaller companies (<€1m turnover) and this is likely due to lack of resources and/or capabilities.

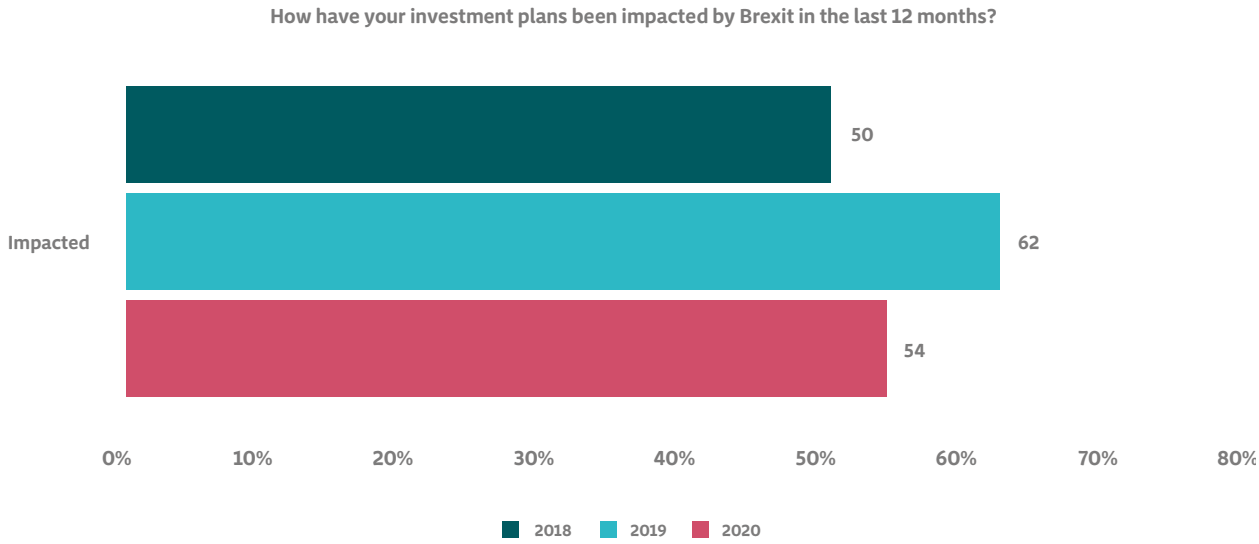
Manufacturers would begin to have severe difficulties at the Sterling levels above 90p, as indicated on the below graph, even if all other factors (such as UK sales and associated revenue) were to remain as they currently are. The high level of respondents choosing £0.95-£0.99 in 2020 was significantly influenced by companies with a turnover of €100M+. 66% of manufacturers with a turnover of €100M+ stated that an exchange rate of £0.95-£0.99 could cause severe difficulties to their business.



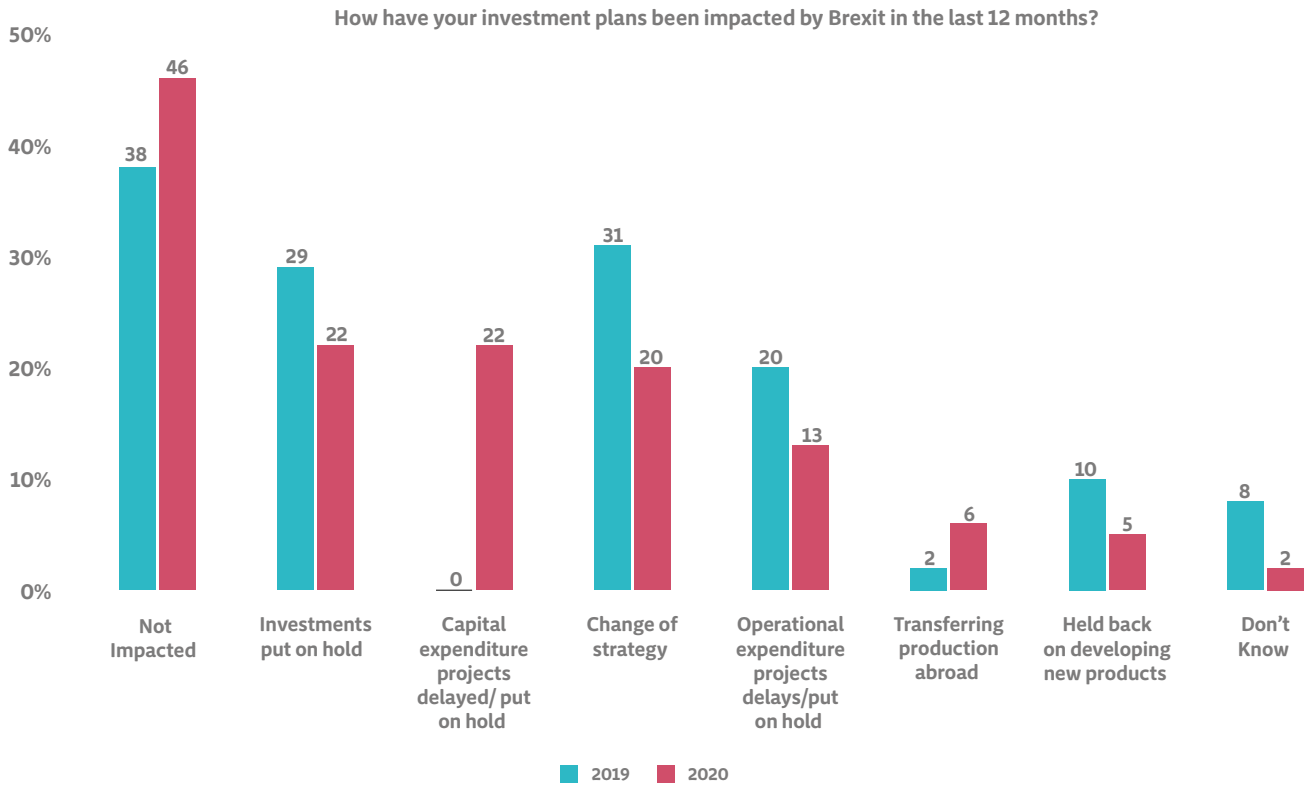
The 2020 Readiness Radar reveals a slight decrease in the number of businesses with a formal currency hedging strategy, down to 55% in 2020 from 64% in 2019. This is likely down to the high proportion of small businesses that engaged with the Readiness Radar. In the same way that those businesses with a turnover of <€1M had less of an exposure to currency fluctuation, it is also the case that this cohort were much more likely to not have a formal strategy; over 66% did not have one, and only 11% have a formal strategy with their bank.




Interestingly the negative impact of Brexit on investment has decreased by approximately 10% in the last 12 months. This may reflect the increased sample size of smaller businesses. In addition, as Brexit has already happened, companies have been distracted with managing the financial implications of Covid-19.



The graph below shows that across almost all of the major impact areas, Brexit has had less of an impact on investment plans compared to last year. (Capital expenditure projects delayed/put on hold was not an option in 2019, and therefore, Bord Bia cannot make an accurate comparison.) Respondents were given the choice to pick more than one of the options below.



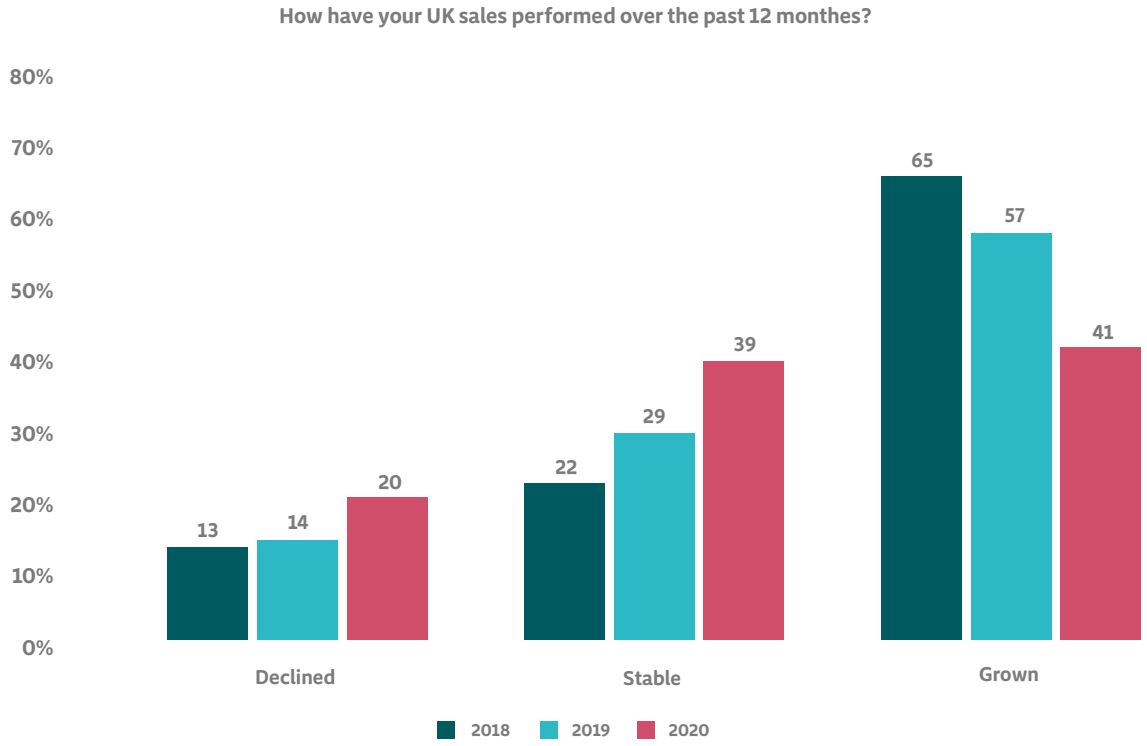

**Brexit has had a less negative impact on investment plans compared to last year (54% in 2020 versus 62% in 2019).**

## UK Market Dynamics

### UK Market Growth

Against a backdrop of ever-uncertain political negotiations between the UK and the EU, the UK remains a significant market for Irish food and drink manufacturers. Despite the uncertainty surrounding Brexit, 41% of respondents reported an increase in their sales to the UK over the past 12 months, with a further 39% reporting stable sales.

Over 52% of respondents from the Prepared Consumer Foods sector have reported an increase in UK sales over the past 12 months. The overall decline from 2019 is driven by the Primary Meats sector, with over 50% of respondents from this sector stating that UK sales have declined over the past 12 months.

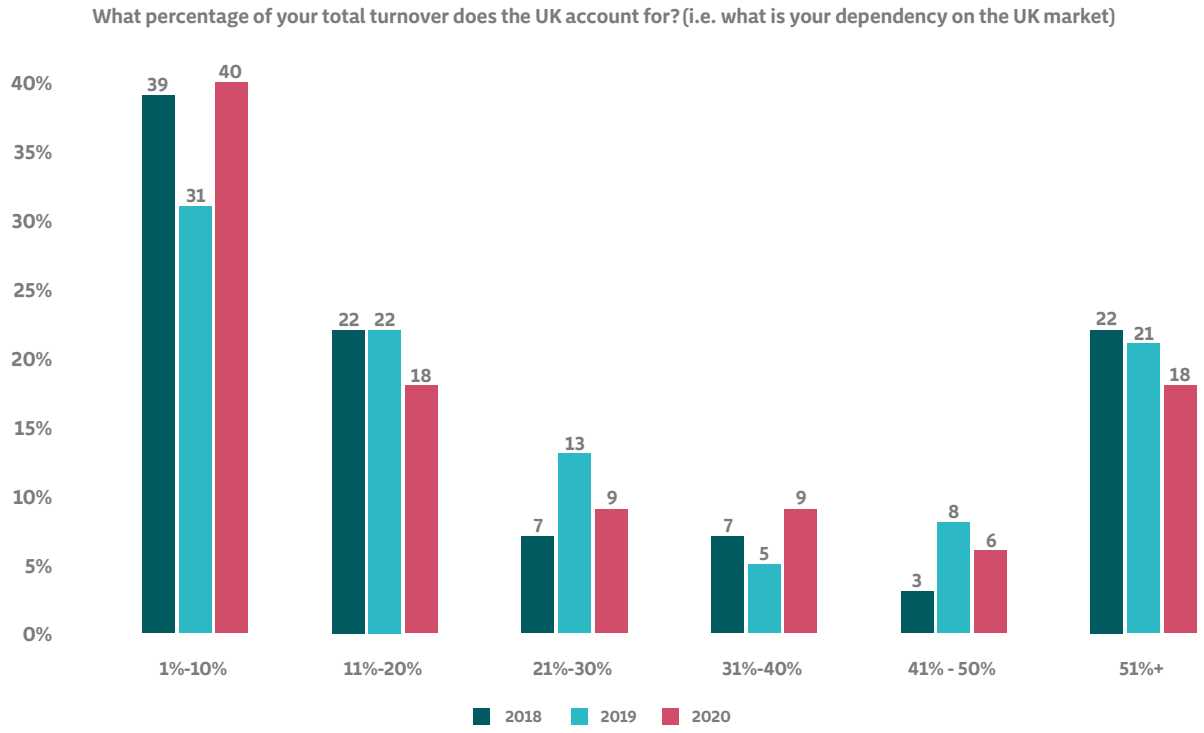



There is a small number of respondents who have seen a decline in UK sales in the last year, but at 20% it is not too alarming as this is only 6% higher than what was reported in 2019. If there is a Brexit angle to the decline, it is likely that Irish manufacturers have, as part of their Brexit planning, decided to invest in market diversification. The UK market continues to provide Irish food and drink manufacturers with a significant opportunity, and many decades-old business relationships remain strong.

**Despite the uncertainty surrounding Brexit, 41% of food and drink businesses reported an increase in their sales to the UK over the past 12 months.**

## UK Market Dependency

Over half (58%) of the respondents stated that the UK market accounts for less than 20% of their turnover. At the other end of the spectrum, 18% of respondents derive more than half of their sales income from the UK, down from 21% in 2019.

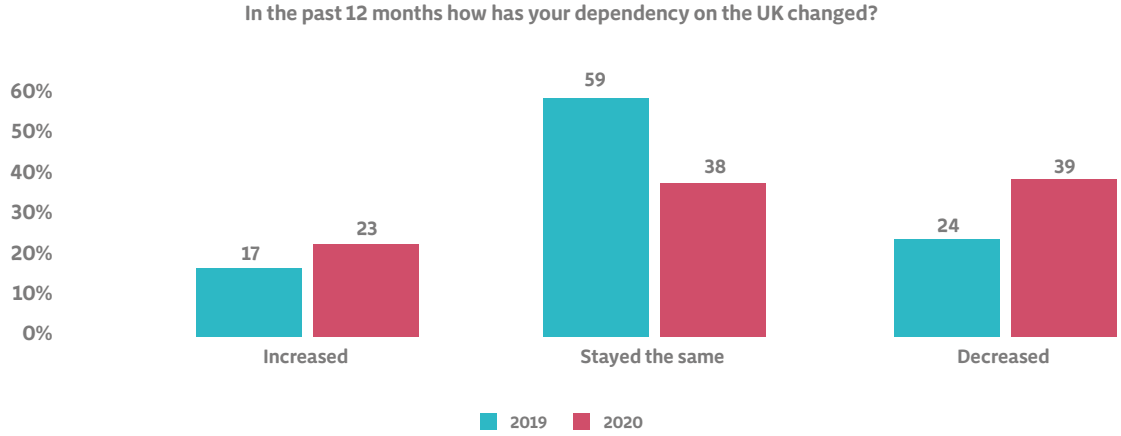



The most exposed sectors are Prepared Consumer Foods and Horticulture, with 38% (Prepared Consumer Foods) and 100% (Horticulture) of respondents stating that over 41% of their turnover is dependent on the UK market.

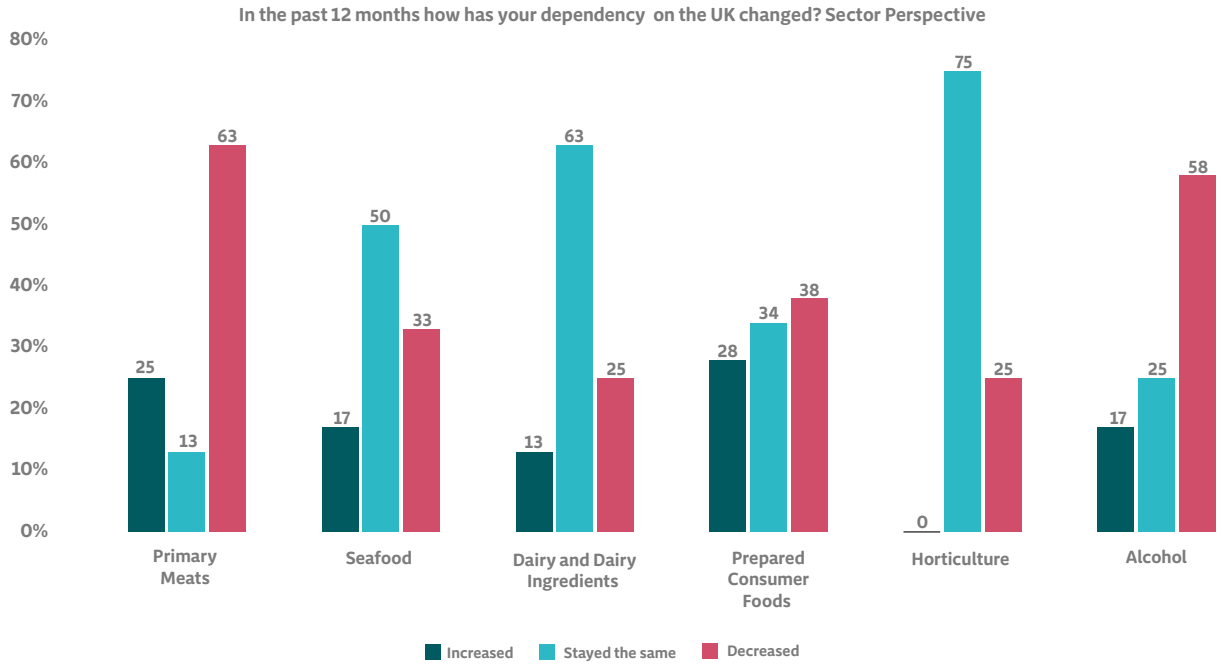
Encouragingly however, it appears that Irish manufacturers have taken steps to de-risk or stabilise their dependency on the UK.

Overall, almost 39% of respondents reported a decrease in dependency and in many cases attributed this trend directly to moving business away from the UK, due to Brexit uncertainty.

Meanwhile 38% reported that dependency had not changed. There was a very small increase of 6% in those who felt there had been an increase in dependency.

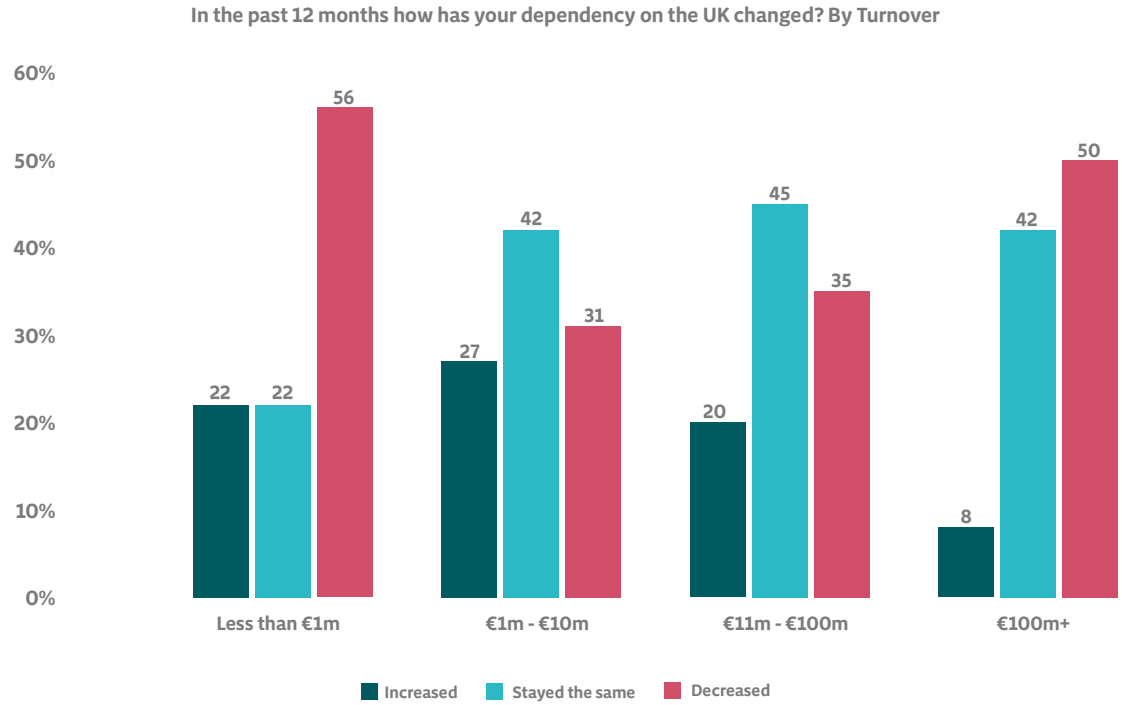



Respondents in the Primary Meats and Alcohol sectors saw a significant decrease in their UK dependency, 63% and 58% respectively, while Prepared Consumer Foods saw a smaller decrease.



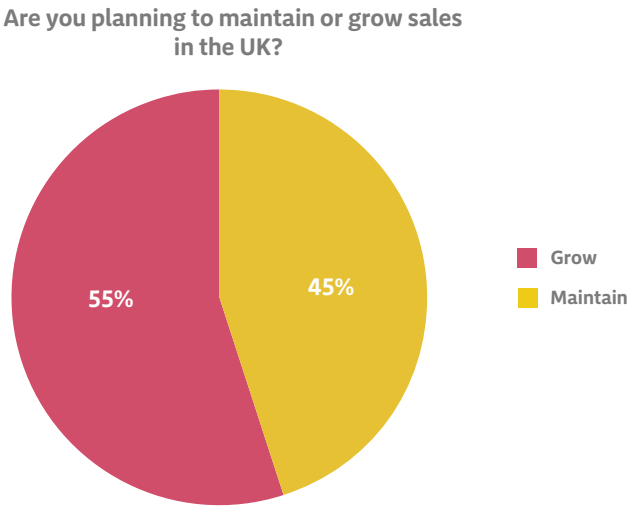

Respondents from the Horticulture sector have reported a stable dependency on the UK over the past 12 months, with over 75% of respondents stating that there have been no changes. The remaining 25% stated that they have experienced a decrease in the UK dependency.

There has been a larger increase in dependency for manufacturers below €11M turnover (22% for those in the less than €1M turnover range and 27% for those in the €1-€10M turnover range) with only 8% of respondents with turnover + €100M registering an increase. Manufacturers with turnover above €100M have had the largest decrease in UK dependency (50%).

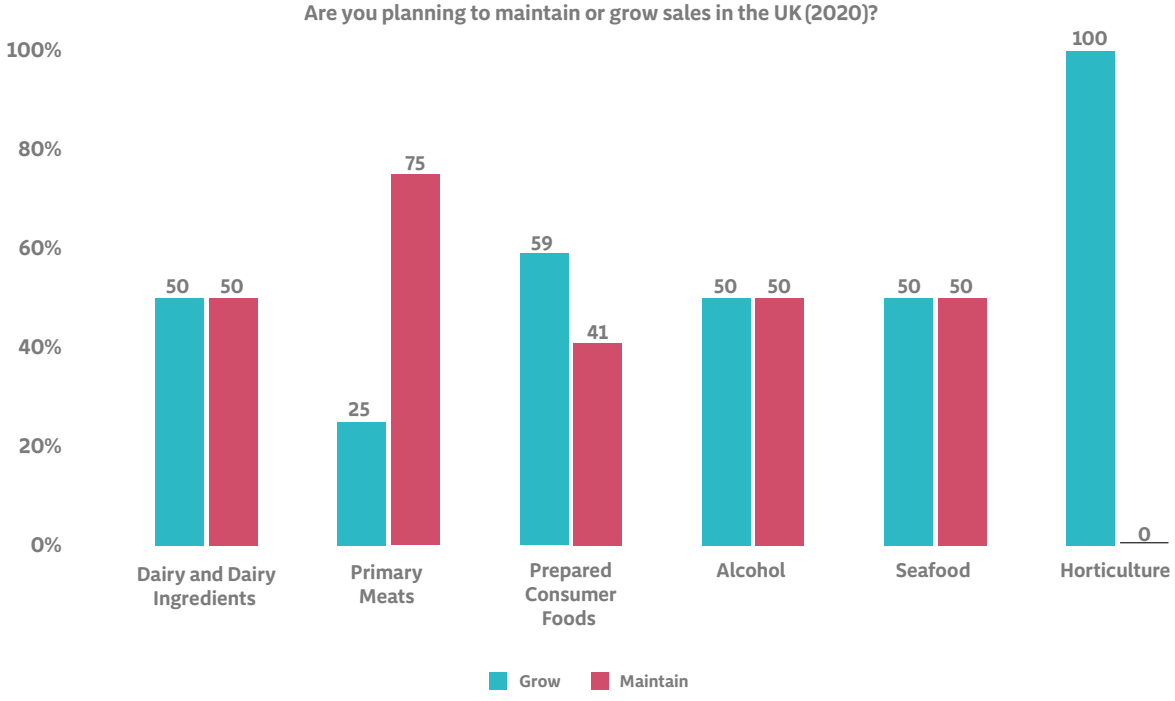


### Ambitions to grow

Just over half of respondents (55%) stated that they were planning to grow sales in the UK, and the remaining manufacturers (45%) stated their plan was to maintain sales in the UK.




Respondents gave the following as their key strategies for improving growth given the current Brexit challenges; enhanced key account management, new product development, enhanced commercial marketing strategy, and new channels.

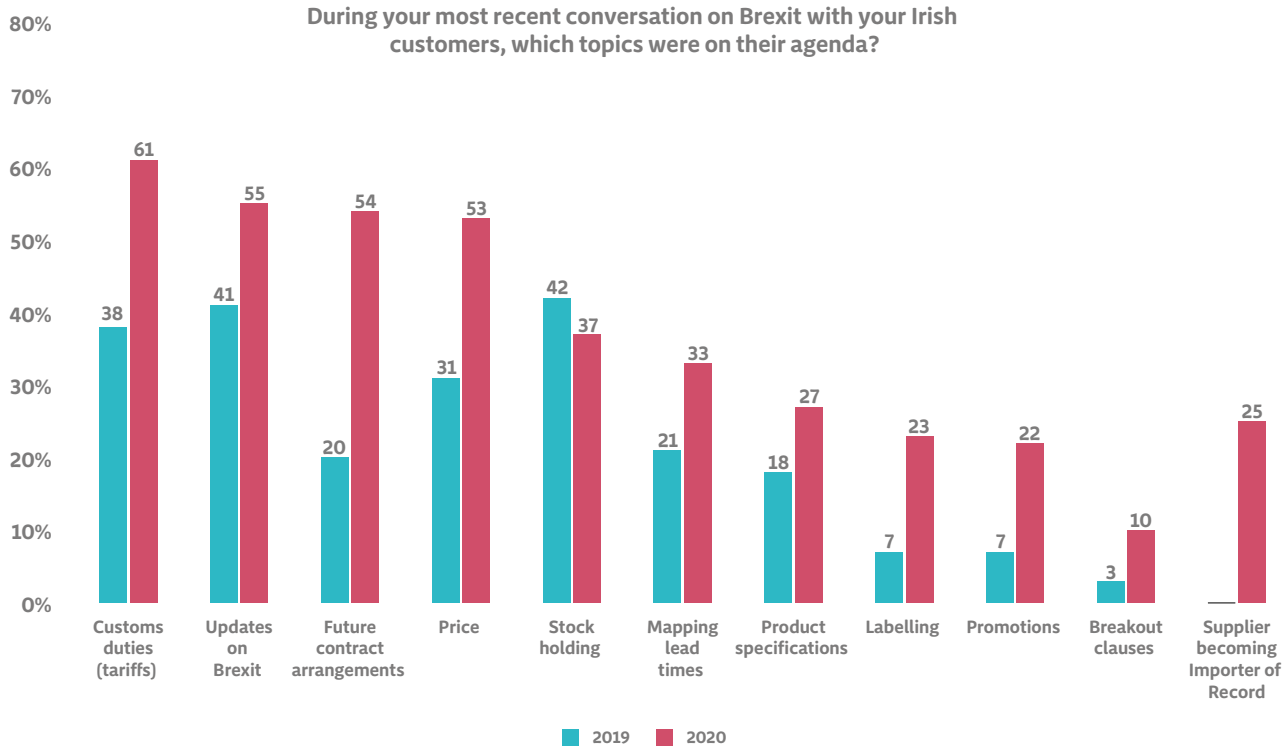


## UK Customer Relationships

While Brexit has been on the agenda for the last four years, the past 24 months have seen customer relationships brought into sharp focus. Over 51% of participants stated that they have spoken to their UK customers in the three months prior to completing the Radar. This is reduced from what we saw in 2019, when 96% of respondents had spoken to their customers in the last three months. In fact, Bord Bia facilitated client interviews revealed that some Irish manufacturers were speaking with their key customers every day during the fallout from Covid-19. The data indicates a variety of strategies have been progressed in terms of how customer relationships have been managed in the context of Brexit.

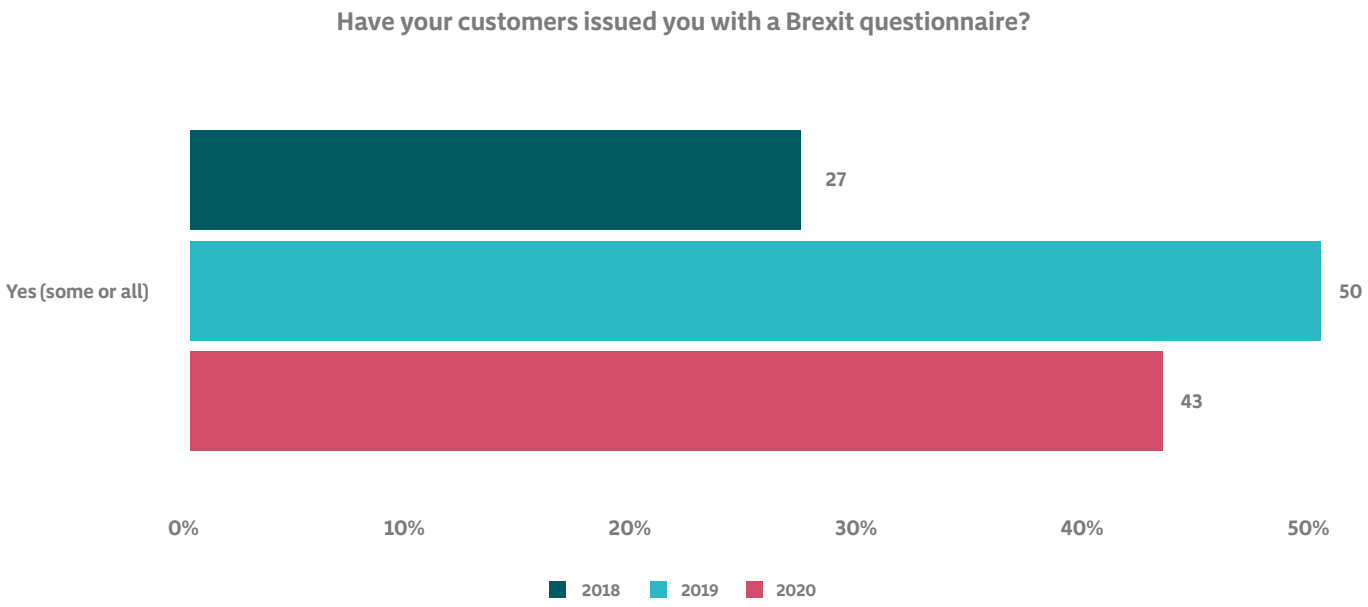
### UK Customer Discussions

When in discussions with UK customers, the issues of future contract agreements, payment duties (tariffs), updates on Brexit, and price lead the way, with over 50% of Irish food and drink manufacturers raising these as key topics.

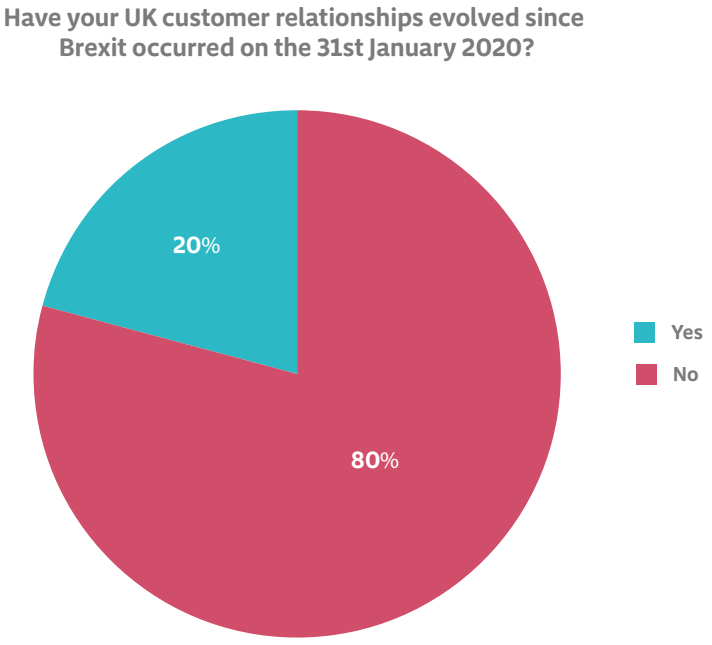



The number of UK customers requiring the completion of Brexit questionnaires remains below 50%, with a 43% uptake in 2020. Since 2018 the numbers of UK customers requiring their Irish partners to complete questionnaires has been surprisingly low, peaking in 2019 and dropping again this year.

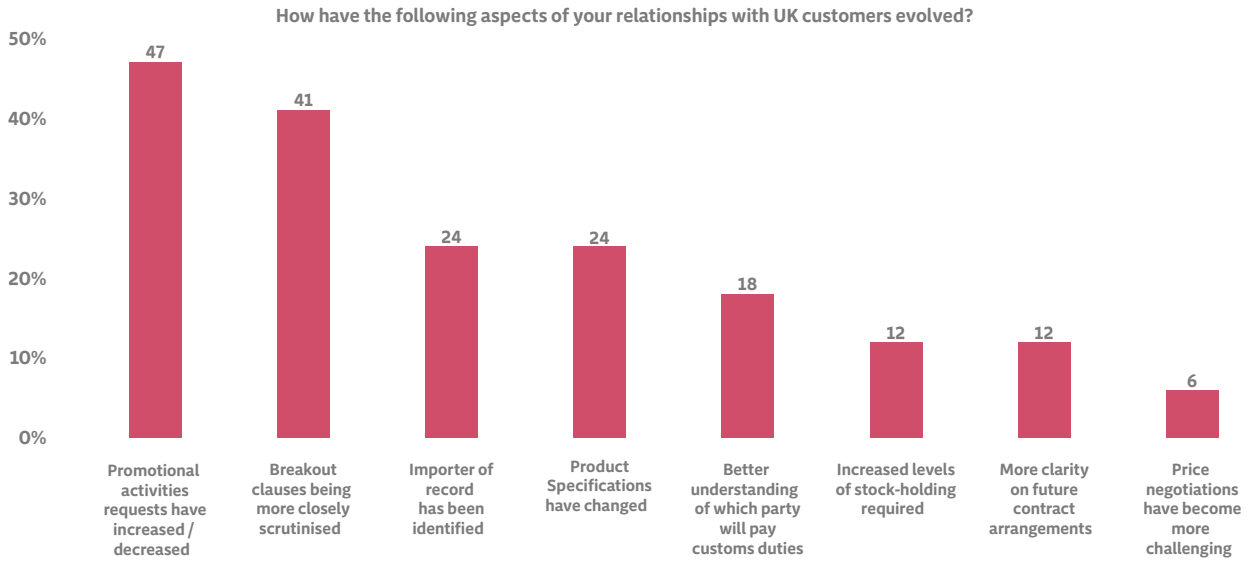
These surveys demonstrate that customers are analysing the impact of Brexit and it is hoped any analysis will be shared with suppliers to formulate joint solutions.




As shown in the graph below there is, by sector, a stark reality that very few respondents consider their relationships with their UK customers to have evolved since Brexit occurred on the 31st January 2020. This is also the case when viewed from a turnover perspective. Approximately three quarters of companies at each turnover range report that their relationship has not evolved. It may be that Covid-19 has become the more pressing matter, or that the occurrence is of little consequence given most of planning has taken place in the preceding years. However, it would be expected that Irish food and drink manufacturers will return to focus more closely on these relationships as the end of the Transition Period draws closer, and the impact of Covid-19 is more closely controlled.



There are some key aspects of the relationships with UK customers that have evolved among most of the respondents. Promotional activity requests are changing (47% of respondents) and breakout clauses are being more closely scrutinised (41% of respondents).

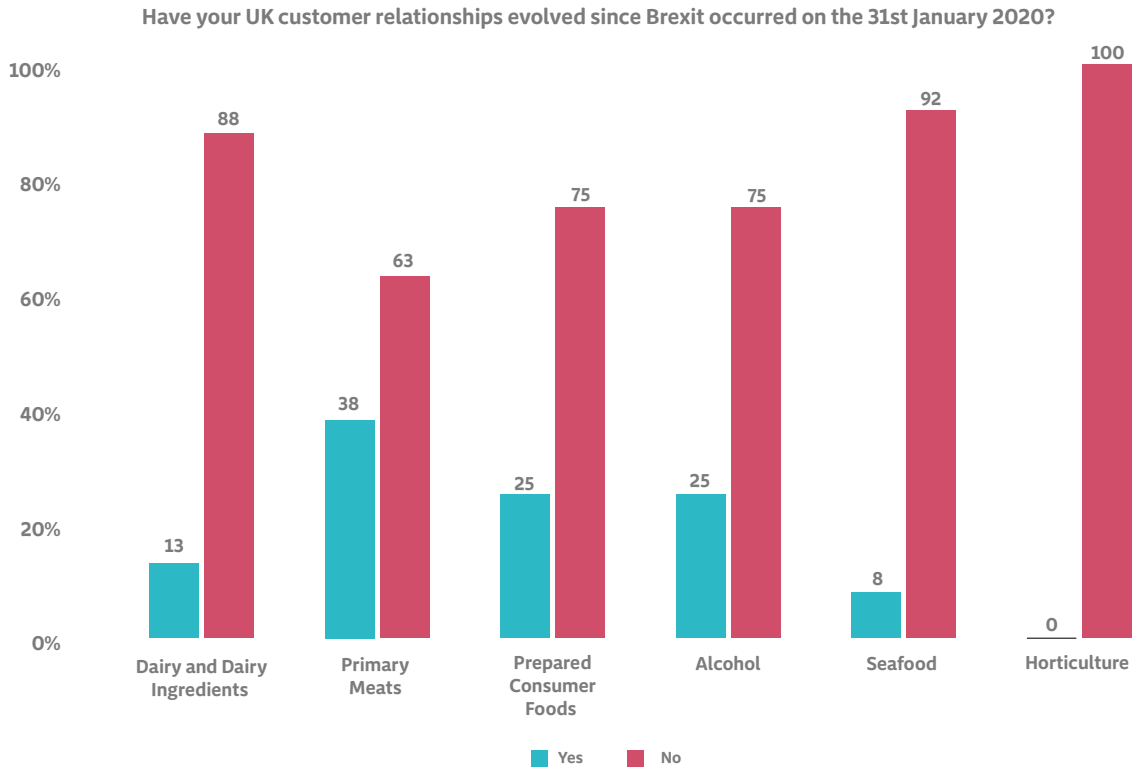



Despite significant planning and upskilling on the part of Irish manufacturers, a 'business as usual' mind-set has prevailed among UK customers. Some Irish manufacturers have not received protocols from the UK customers on how processes or expectations will evolve following the Transition Period, and outside of Covid-19 impacts, there have not been any major business disturbances arising as a result of Brexit. As we move towards the end of 2020, manufacturers will need to ensure that their Brexit preparedness work carried out over the past three years remain fit for purpose.



**According to 50% of respondents, future contract agreements, payment duties (tariffs), updates on Brexit, and price are discussion topics with customers.**

Over 38% of respondents from the Primary Meats sector stated that their UK customer relationships had evolved since Brexit occurred on the 31st January 2020. This is high compared to other sectors, at 13% for Dairy and Dairy Ingredients, 25% for Prepared Consumer Foods, 25% for Alcohol Beverages and 8% for Seafood. None of the manufacturers from the Horticulture sector responded "Yes"




Of respondents that stated customer relationships have evolved since Brexit (just over 20%), conversations have mostly focussed on the following areas:

- Increased levels of stockholding
- Better understanding of which party will pay customs duties
- More clarity on future contract arrangements in the post Transition Period
- The Importer of Record have been identified

There is a view that Irish food and drink manufacturers have conducted more in-depth planning and analysis and are therefore more prepared for the complexities of Brexit than their UK counterparts.

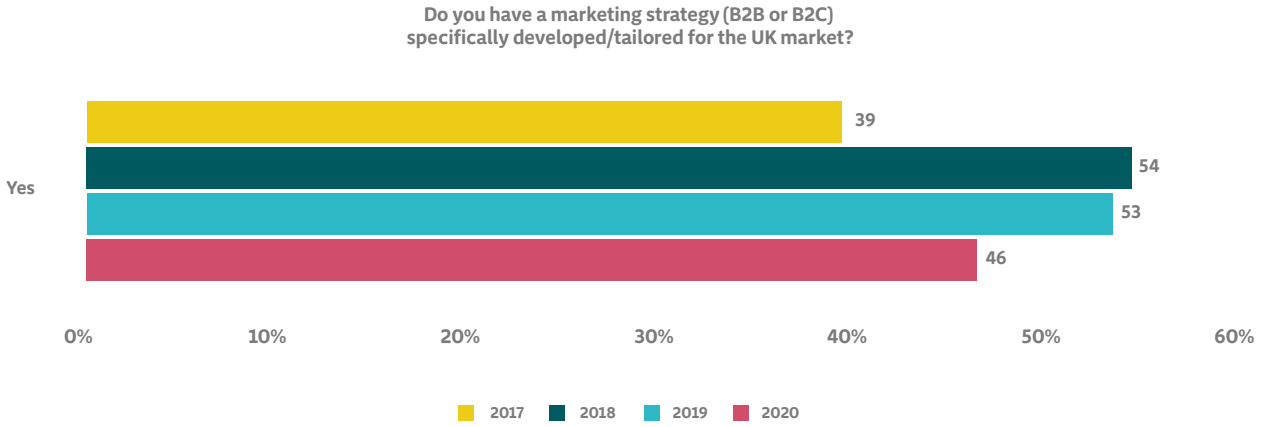


**38%**

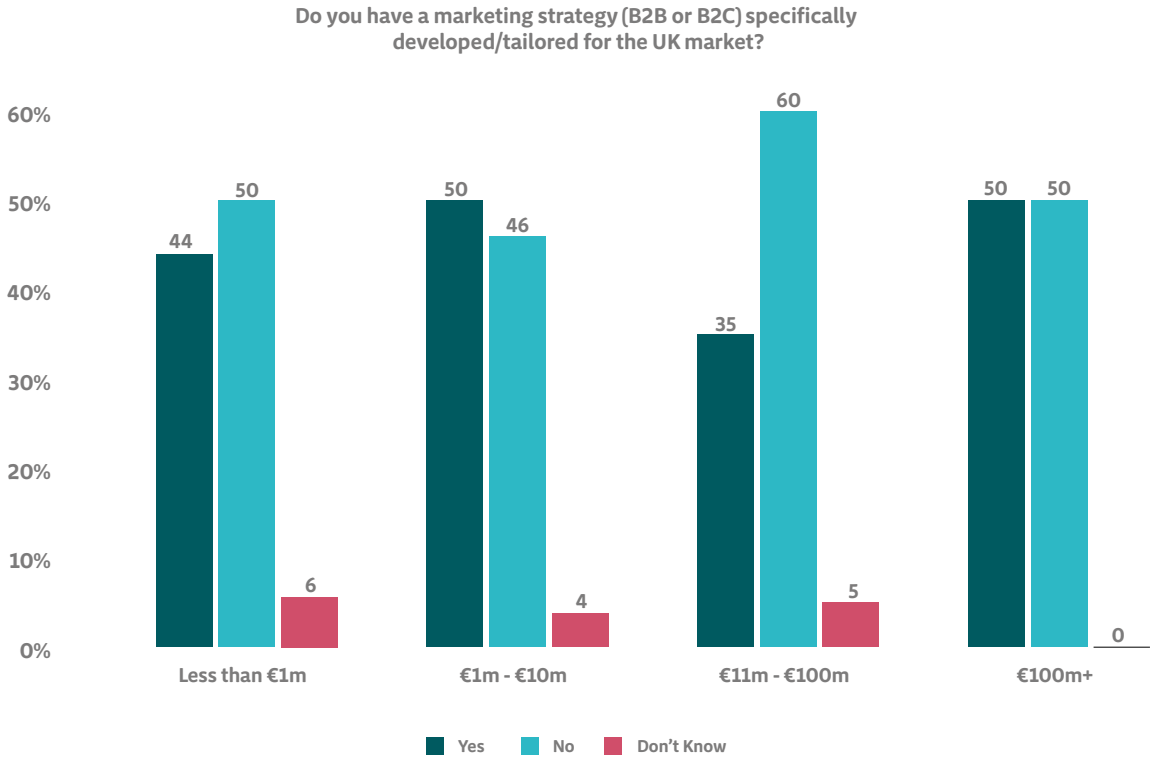
**of respondents from the Primary Meats sector stated that their UK customer relationships had evolved since Brexit occurred on the 31st January 2020.**

### Marketing strategy

In 2020, 46% of respondents had a formal marketing strategy that has been specifically tailored for the UK market, either business to business or business to customer. This figure is behind 2018 and 2019 figures, even when smaller businesses with less than €1 million turnover are removed. Although it should be noted that in the example of a Primary Meats business producing for private label within the retail sector, it is unlikely a marketing strategy would be necessary. This is in stark contrast to the Prepared Consumer Foods sector, where a clear and well received marketing plan is critical to the success of a new product.




When the data is analysed by turnover, the number of respondents that stated they have a marketing strategy for the UK is fairly stable across all turnover ranges: between 40% and 50%. There is an exception among manufacturers with a turnover between €11M and €100M though, as the data highlighted a lower number of these respondents with a marketing strategy specifically developed/tailored for the UK market.




For respondents where it is appropriate, a dedicated marketing strategy will help enable growth in the UK market by better understanding their Value Proposition and growth opportunities, through their How to Play and Where to Win strategies. Bord Bia has a range of services available to assist clients with commercial marketing strategy and customer account management development.

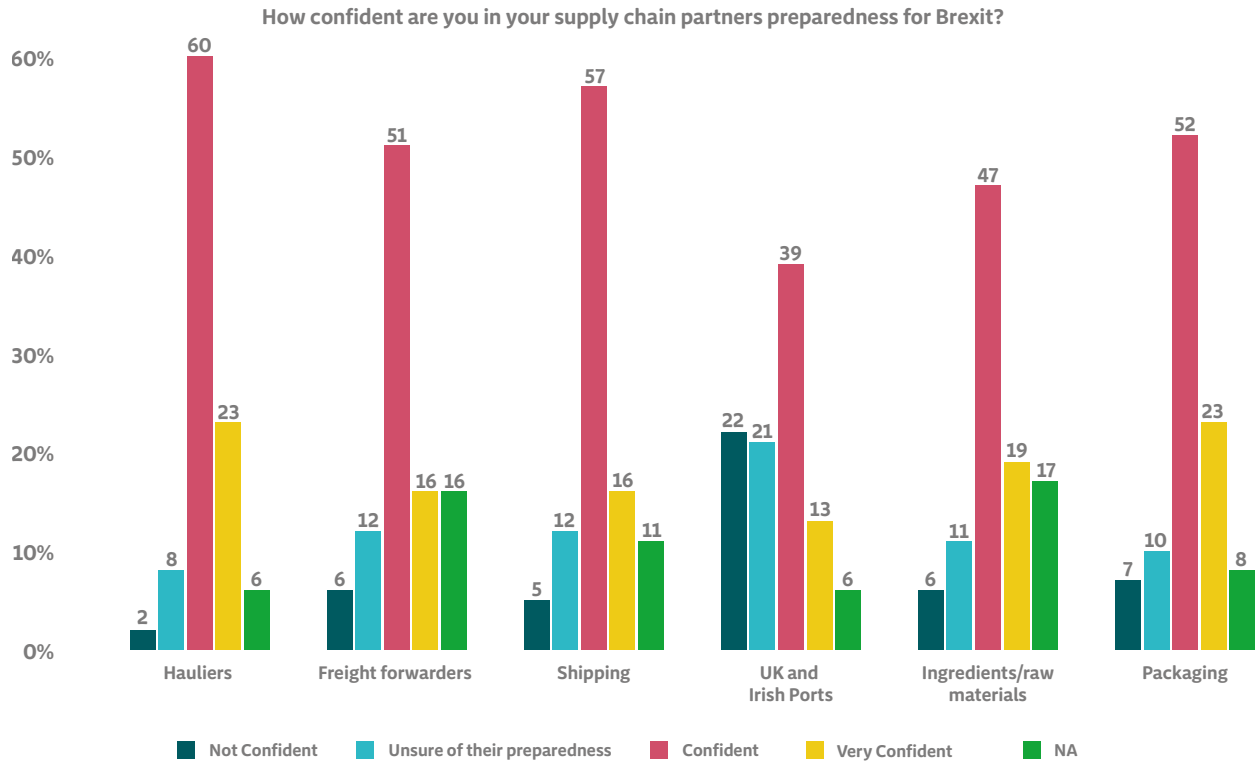
## Supply Chain

It has now been acknowledged by both the EU and UK Governments that frictionless trade will not remain between Ireland and the UK. Against this reality, the Readiness Radar has demonstrated an increase in the preparedness of manufacturers to manage supply chains. Additionally, their confidence in the preparedness of their supply chain partners has increased.

### Supply chain partners

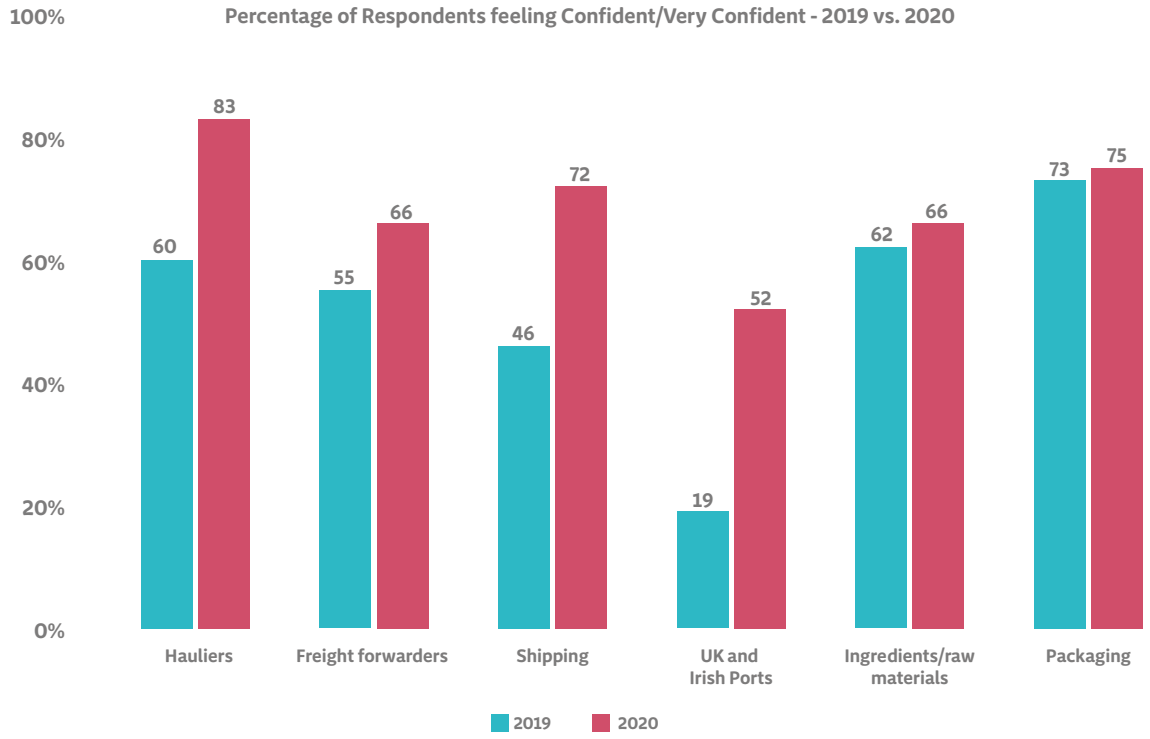
While confidence in the performance of the supply chain is up across the board, overall UK and Irish ports are the point in the supply chain where there is the least confidence. Whilst food and drink manufacturers don't directly engage with port operators as part of their business, it is recognised that ports pose a potential bottle neck for freight moving through, especially in relation to the time delays associated with checking cargo and reviewing documents. The freight sector needs to understand exactly what border requirements there will be from January 2021 in order to fully mitigate potential issues.

In general, concern remains around the readiness of the wider freight industry and the capacity of the multitude of UK Government agencies that operate at the border in Great Britain[1].

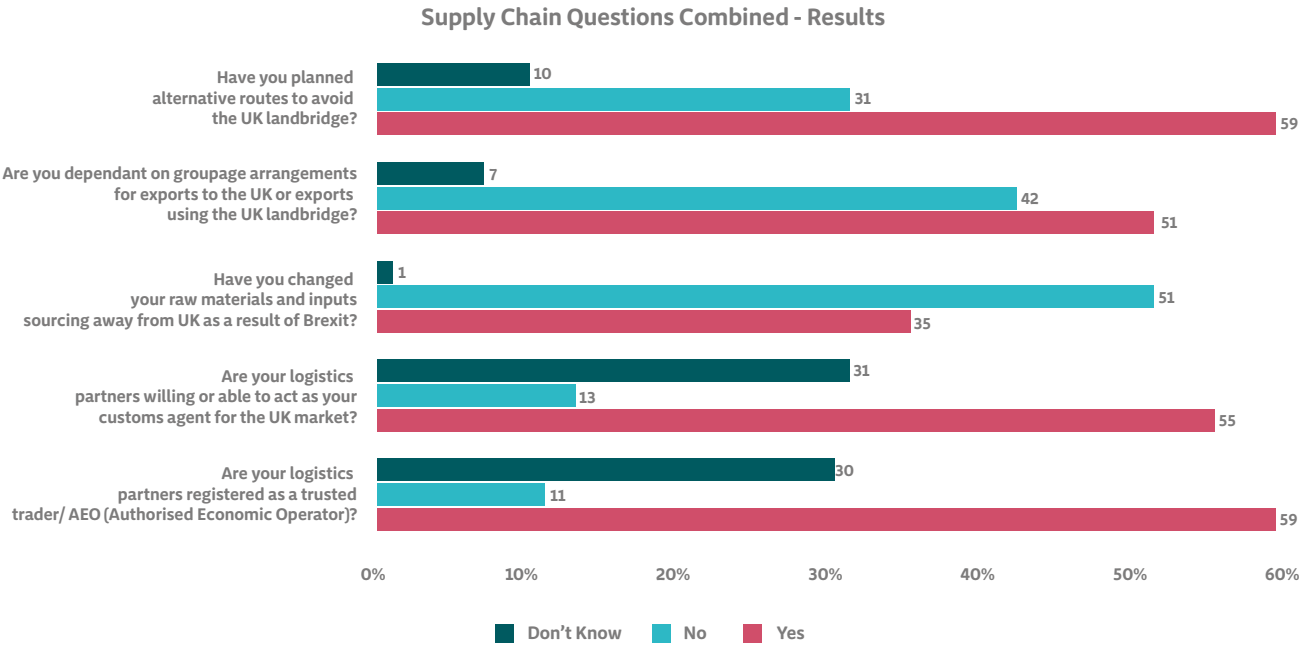



When compared with 2019, there is a clear trend towards a more confident attitude among manufacturers and their supply chain partners.

[1] The Maritime Executive. 2020. British Ports Association Concerned About Brexit Comments. Accessed May 27, 2020, from: https://www.maritime-executive.com/article/british-ports-association-concerned-about-brexit-comments

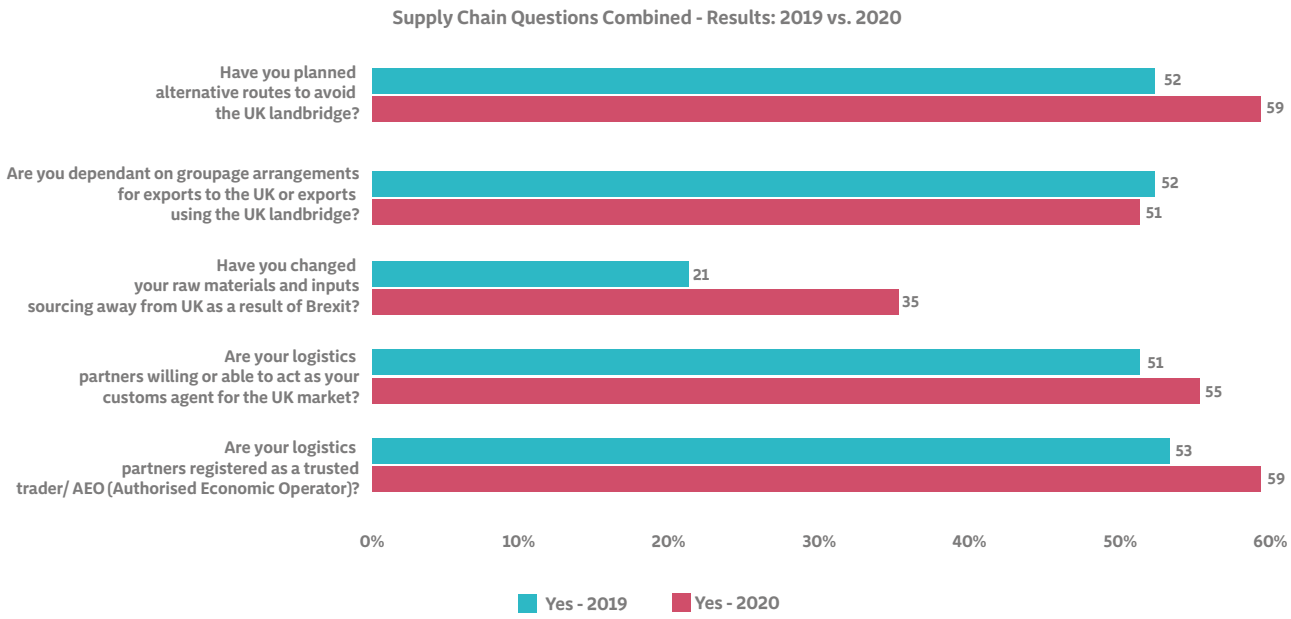



The following supply chain questions have been grouped into a single graph to show the positive orientation of the results, which demonstrate good planning and preparation among the industry.




**The Readiness Radar has shown an increase in the preparedness of manufacturers to manage supply chains. Additionally, their confidence in the preparedness of their supply chain partners has increased.**

The graph below compares the 2020 data with 2019 data, and it captures the percentage of respondents who have answered "Yes" to a series of Supply Chain questions. There is an overall increase in preparedness since 2019, as illustrated below.




### Authorised Economic Operators (AEO)

The majority of respondents (59%) stated that their logistic partners were AEO certified, up 6% from 2019, with 30% stating they were unsure. It is recommended that businesses check with their partners to determine their AEO status as soon as possible. Where a partner is not AEO certified, the business should consider the impact of this requirement on their exporting strategy.

### Landbridge

Ireland faces several unique risks posed by Brexit, not least its geographic island location at the edge of Europe. After decades of easy access to Europe via the UK, a number of businesses report concerns regarding how Brexit will impact this route.

Given the fact that many products with a short shelf life in the food and drink industry rely on the UK landbridge[2], it is vital that Irish businesses that transport product to the continent are able to continue to do so with minimal disruption. It is also important that Irish businesses have considered appropriate alternatives. Of the participants, 59% have identified alternatives that enable them to continue to export and avoid the UK landbridge. The UK landbridge is only relevant to roll-on-roll-off traffic, therefore businesses need to work closely with their hauliers to ensure that there will be continuity of service following the UK's departure from the EU.

[2] Irish Maritime Development Office. 2020. The Implication of Brexit on the Use of the Landbridge. Accessed May 27, 2020, from: https://www.imdo.ie/Home/sites/default/files/IMDOFiles/972918%20IMDO%20The%20Implications%20of%20Brexit%20on%20the%20Use%20of%20the%20Landbridge%20Report%20-%20Digital%20Final.pdf

### Logistics partners acting as customs agents

Positively, 55% of respondents have expressed that their partners would be willing or able to act as customs agents for the UK market. This arrangement is slightly more likely in those businesses with a larger turnover (€11M-€100M+). However, there is also a considerable willingness among the lower turnover ranges. Horticulture identifies the greatest degree of agreed partnerships, with 75% of respondents stating that their logistics partners would be willing or able to act as their customs agent for the UK.

31% of respondents stated they did not know the answer to this question at present. If this is the case, this will need to be addressed urgently so that supply chain arrangements can be clarified, and any additional delays and costs modelled into business planning.

### Groupage

Groupage is an arrangement where several companies transport their goods together, in a single container. Groupage arrangements are vital for 51% of respondents. This potential vulnerability in the supply chain is a key concern for the food and drink industry. Manufacturers relying on groupage arrangements are particularly concerned at how potential complexities will be managed by their partners. There is a slightly lower dependency for the larger companies and this reflects their greater ability to move full loads rather than rely on shared costs.

In the context of Brexit, the challenge with groupage is that customs inspectors and other control officials may wish to inspect a number of consignments in a load, resulting in accumulated delays. Manufacturers should ensure that they are working with hauliers and freight forwarders that can consolidate similar products and ensure as seamless a movement of goods as possible.

### Raw material sourcing

35% of businesses have changed their raw materials and input sourcing away from the UK because of Brexit, an increase of 10% more than in 2019. Just over half (51%) of respondents have no intention of sourcing raw materials from alternative providers to their UK suppliers yet. A number of reasons were cited for this, including an added logistics complexity of sourcing further from the UK, as well as a desire to continue supporting long term UK partners.



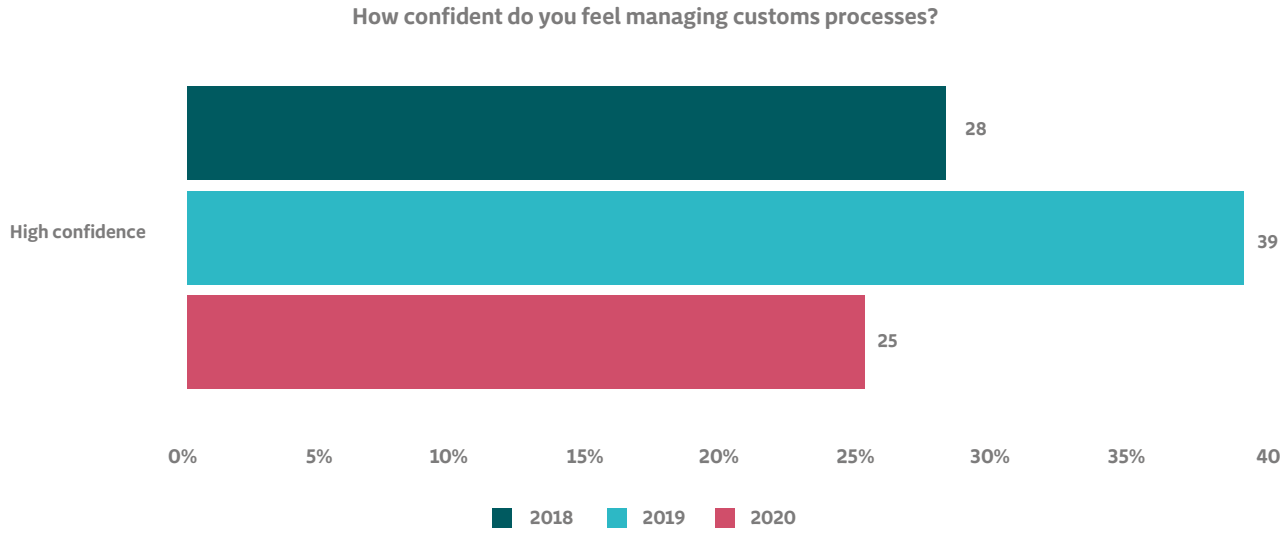
**55%**

**of respondents have reported that their logistics partners would be willing or able to act as customs agents for the UK market.**

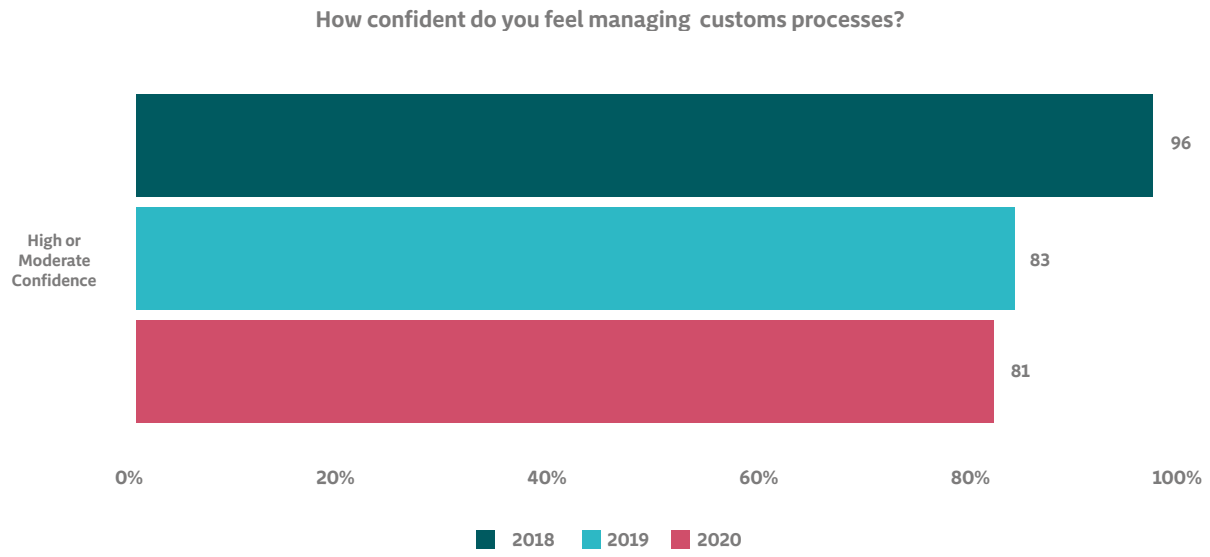
## Customs & Controls

Regardless of whether there is a trade agreement between the EU and UK at the end of 2020, it is certain that Irish exporters will face new customs processes and controls in their business dealings with UK customers, largely arising due to additional time and cost pressures. These challenges may arise in the form of customs compliance, payment of tariffs and Sanitary and Phytosanitary (SPS) controls. Manufacturers that currently only do business in the UK or other EU countries may be particularly impacted by these complexities.

While over 80% of respondents have recorded High or Moderate confidence in their ability to manage customs processes, 2020 has recorded the lowest confidence score when compared with the last two years. Just 25% of participants claimed to be highly confident in their ability to manage customs processes, down from 39% in 2019. Whilst a very large number of manufacturers have upskilled themselves on customs compliance, through Bord Bia's Customs Readiness Programme and other interventions, and have taken the necessary steps to prepare for this new trading reality.




**It is certain that Irish exporters will face issues with new customs processes and controls in their business dealings with UK customers at the end of the Transition Period in 2020.**

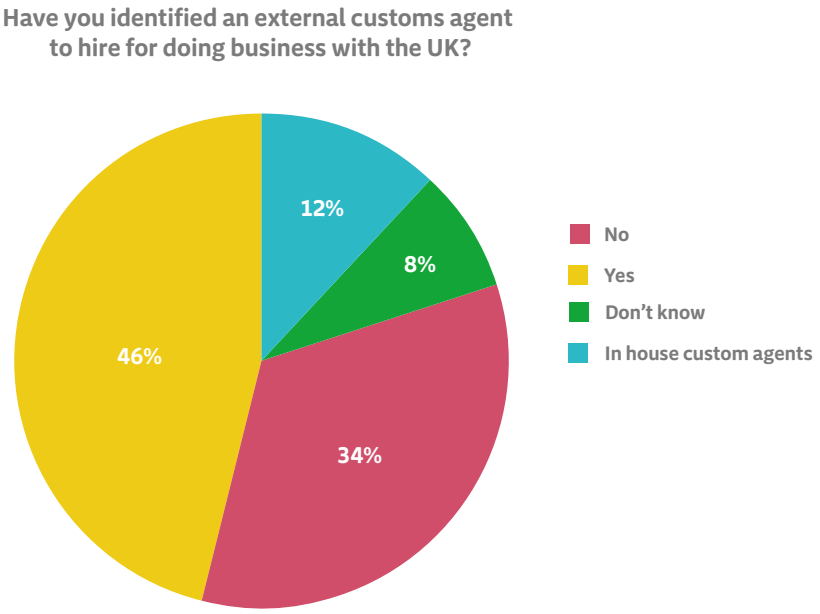



There is high confidence in the Primary Meats (50%) and Dairy & Dairy Ingredients (63%) sectors, in managing customs compliance, due to both the scale of respondents' companies and their experience in exporting.

### Customs Agents

46% of respondents have identified an external customs agent to hire for doing business with the UK, similar to the 45% reported in 2019. The 34% of manufacturers that have not yet identified an agent will need to move quickly in 2020. There are three options that manufacturers can consider in order to plan for customs processes: find an external agent, identify logistics partners that can offer an external agent as part of an overall package, or engage in the necessary training, IT systems and software to manage this in house. Bord Bia offers a suite of services to assist clients with these actions, including its Customs Readiness Programme. Contact info@bordbia.ie for further information.

**The 34% of manufacturers that have not yet identified a customs agent will need to move quickly in 2020.**




### EORI Number – Irish Revenue

Individuals and organisations that are based in the EU and trading goods with countries outside the EU on a commercial basis need an EORI (Economic Operators Registration and Identification) number. It is mandatory for exporting to non-EU countries and it is also mandatory to be EORI registered in order to import goods into the EU from non-EU countries. Providing a number to customs authorities will allow them to quickly identify you or your company, which will help to get your goods through customs without delays due to time-consuming checks. Without it, customs can and do take possession of a consignment until an EORI number is produced, which creates a further hold-up in transit.

It is clear from the Readiness Radar that Irish food and drinks manufacturers are proactively preparing for Brexit, with 84% of respondents stating that they have applied for an EORI number from Irish Revenue (compared to 85% in 2019). This is a positive finding and bucks an overall national trend of companies outside the food and drinks sector overlooking this requirement. It is essential that the remaining 16% of respondents complete an EORI registration form with Revenue as soon as possible. Bord Bia can advise on this process.

### EORI Number – HM Revenue and Customs

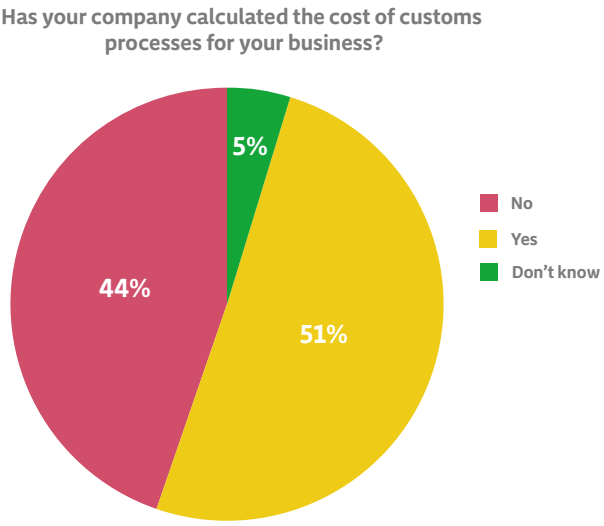
Some Irish manufacturers may be required by their UK customers to act as the importer of their goods into the UK. If this is the case, they will also need an EORI number from HMRC to allow them to trade goods into and out of the UK. Current guidance from HMRC suggests that Irish manufacturers will need a UK EORI number if they are listed as the Importer of Record in their commercial contracts with UK customers or if they have UK legal entities within their business. Some companies with many legal entities in their structure have found that each entity needs its own EORI number. In some cases, when dealing with a UK distributor or wholesaler, Irish manufacturers may be able to act as the Importer of Record and a UK EORI number is not required.

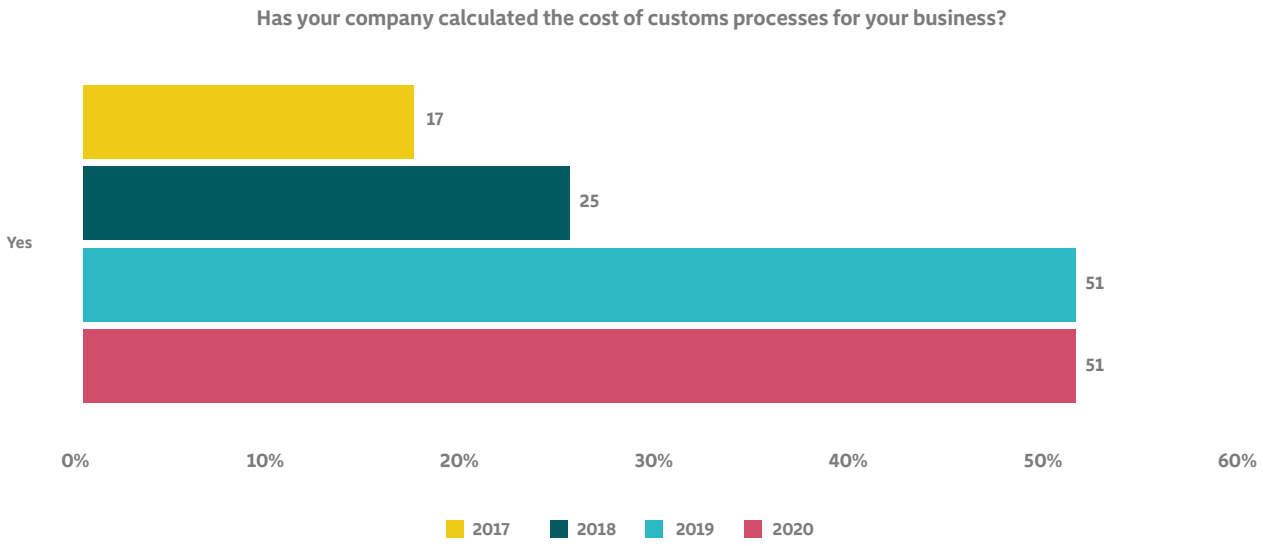
In cases where a UK EORI is required the results suggest that less than half (49%) of respondents have applied for an EORI number from UK HMRC. Companies, including those using the UK landbridge, should confirm with Bord Bia as a matter of urgency whether they need this number and apply as soon as possible if so. The application takes on average only five to ten minutes. However, some of the issues arising for Irish manufacturers is that in order to apply they need to register for UK VAT, which is a time-consuming process and can involve significant costs.

### Cost of customs compliance

Customs compliance requires administrative work which can be a time and cost burden for companies exporting to non-EU markets. Costs will be incurred through the recruitment and retaining customs agents, distributors or other partners that manage this as a paid service. Other costs that emerge include fees, customs duties, deferred payment accounts, changes to systems and reporting.

Over half (51%) of respondents have calculated or estimated the cost of customs compliance. This is similar to 2019, and a significant improvement on prior years (2018 = 25%, 2017 = 17%).




However, with 45% of respondents indicating they have not, it is clear that there is still room for improvement on forecasting and understanding the cost implications. This will impact companies' profitability, so it is vital that they have calculated this cost and factored it in to their financial projections.

83% of larger companies (€100M+ turnover) have calculated the cost of customs processes/compliance, whilst only 28% of smaller companies (less than €1M turnover) have.

Unsurprisingly, given their experience of trading beyond the EU, Primary Meats and Prepared Consumer Foods feature prominently with positive response rates, at 75% and 66% respectively. Dairy & Dairy Ingredients is slightly down on 2019, at 50% for 2020.

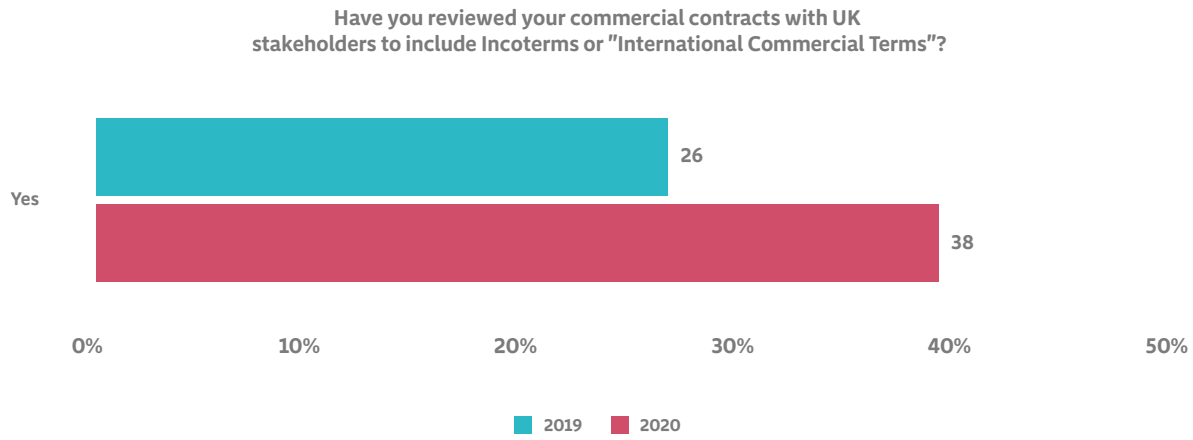
### International Commercial Terms (Incoterms)

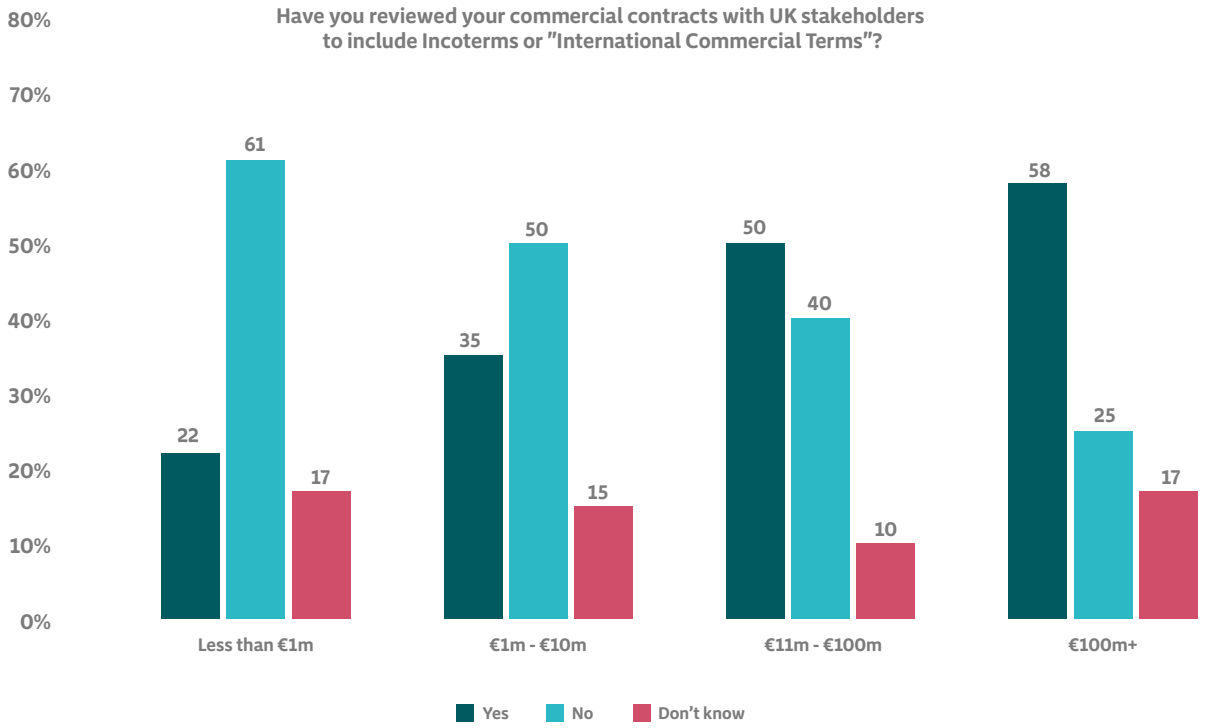
Incoterms are a set of rules that define the responsibilities of sellers and buyers for the delivery of goods under sales contracts. They are published by the International Chamber of Commerce (ICC) and are widely used in commercial transactions.

Incoterms define the basic responsibilities of the contracting parties for the goods at each point during the transit process, from the sellers' premises to the buyers' premises. They typically cover matters such as who handles customs procedures, who pays taxes and duties, who arranges transport, who has responsibility for insuring the goods and so forth. They can vary by agreement or by customer in particular circumstances.

Only 38% of respondents have reviewed their contracts with UK stakeholders in relation to Incoterms. This is 12% more than recorded in 2019 which highlights that more attention is being paid to the commercial implications of the specific Incoterms that are selected. There is a clear correlation between business size and percentage of respondents that have reviewed the commercial contracts with UK stakeholder to include Incoterms.

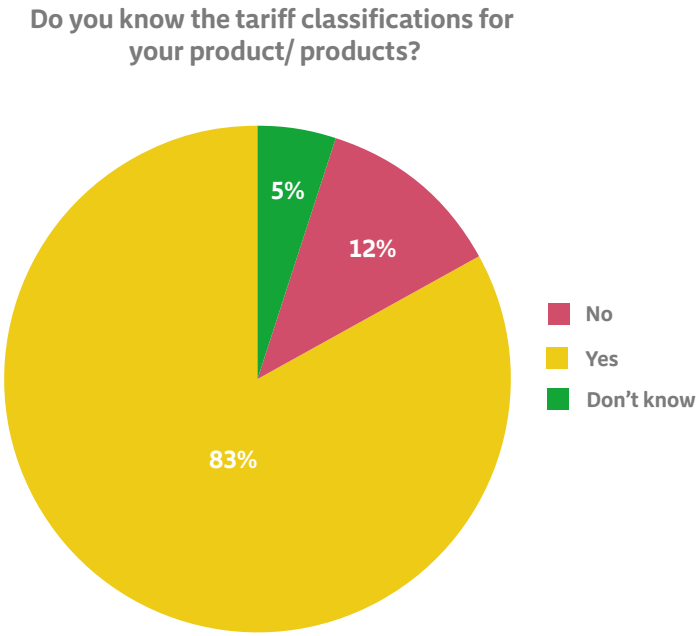
Ensuring clarity on obligations that are enshrined in commercial contracts is crucial in Brexit planning.



### Tariff Classifications

8 in 10 respondents (83%) feel comfortable identifying the tariff classifications for their products. This result indicates most respondents have completed their research to ensure that they can correctly classify their products. While tariffs for primary processors are relatively straightforward, some secondary processors highlighted that identifying tariff classifications can be difficult for multi-ingredient or composite products, often found in the Prepared Consumer Foods sector.




Bord Bia continues to assist in identifying the correct codes, for both primary products and for those more complicated products. In addition, Binding Tariff Information (BTI) decisions are classification decisions issued by the customs administrations in the various EU Member States. A BTI decision is a written tariff classification of your goods. While it is not a legal requirement, it provides assurance that a company's goods have the correct commodity code and is legally binding on all EU customs administrations.

On the 19th of May 2020, the UK Government published its Global Tariff (UKGT) which falls under the WTO Most Favoured Nation (MFN) duty rates that will be levied on goods entering the UK from Third Countries. This will come into effect when the Transition Period ends on the 31st of December 2020. It is important to note that these tariffs will be applied to all goods not covered by trade agreements after 1 January 2021.[3]

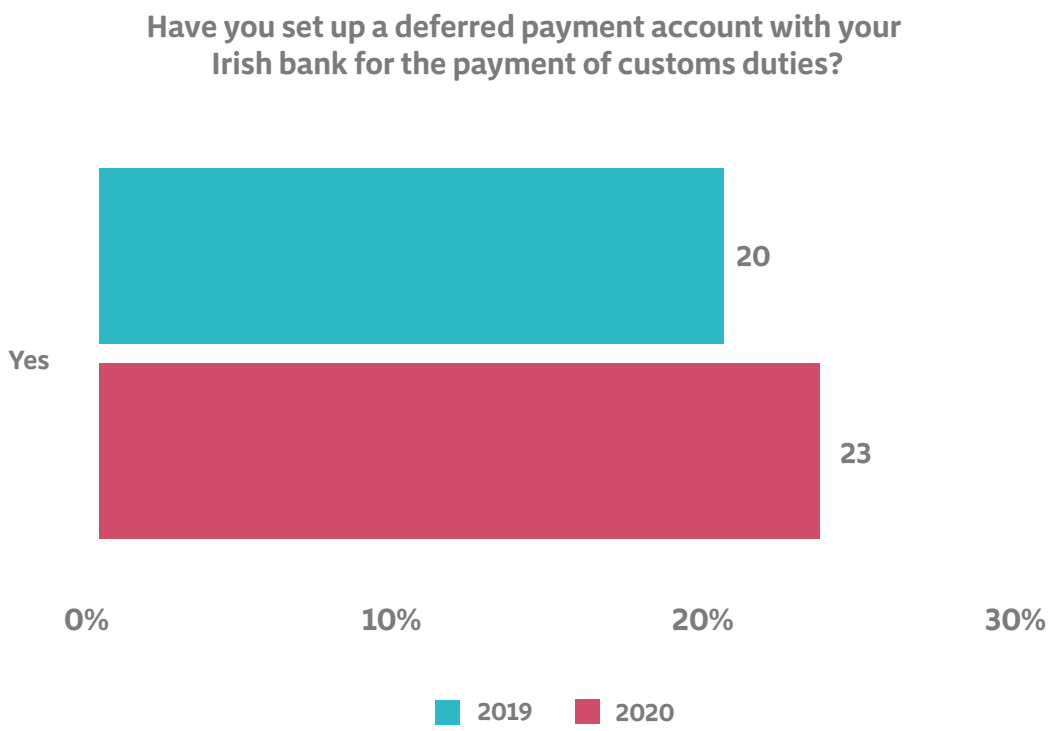
It is vitally important that food and drink manufacturers now become familiar with the published duties and model the impact that this will have on the cost of their products. They should also discuss the impact of tariffs with their customers and seek to protect their margins where possible.

### Deferred Payment Account

A deferred payment account is an account for a loan arrangement in which the borrower can start making payments at some specified time in the future.

Only 23% of businesses have set up a deferred payment account with their Irish bank for the payment of customs duties. This is just 3% higher than what was recorded in 2019 (20% of respondents).

[3] The UK Government. 2020. Check UK trade tariffs from 1 January 2021. Accessed June 4, 2020, from: https://www.gov.uk/check-tariffs-1-january-2021




By sector, 25% of companies from the Primary Meats, Prepared Consumer Food and Horticulture have set up a deferred payment account.

Of companies in the €100M+ turnover range, 42% have set up a deferred payment account compared to the 38% recorded in 2019.

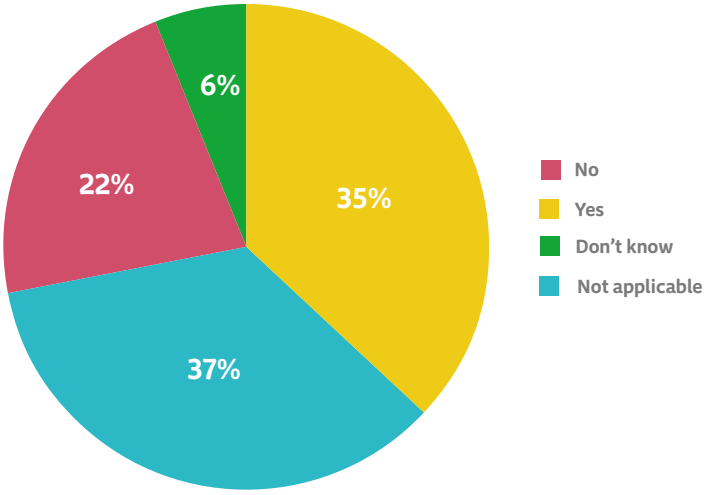
**8 in 10 respondents (83%) feel comfortable identifying the tariff classifications for their products.**

## Controls on Products of Animal and Plant Origin

### Delivery delays on products of animal and plant origin

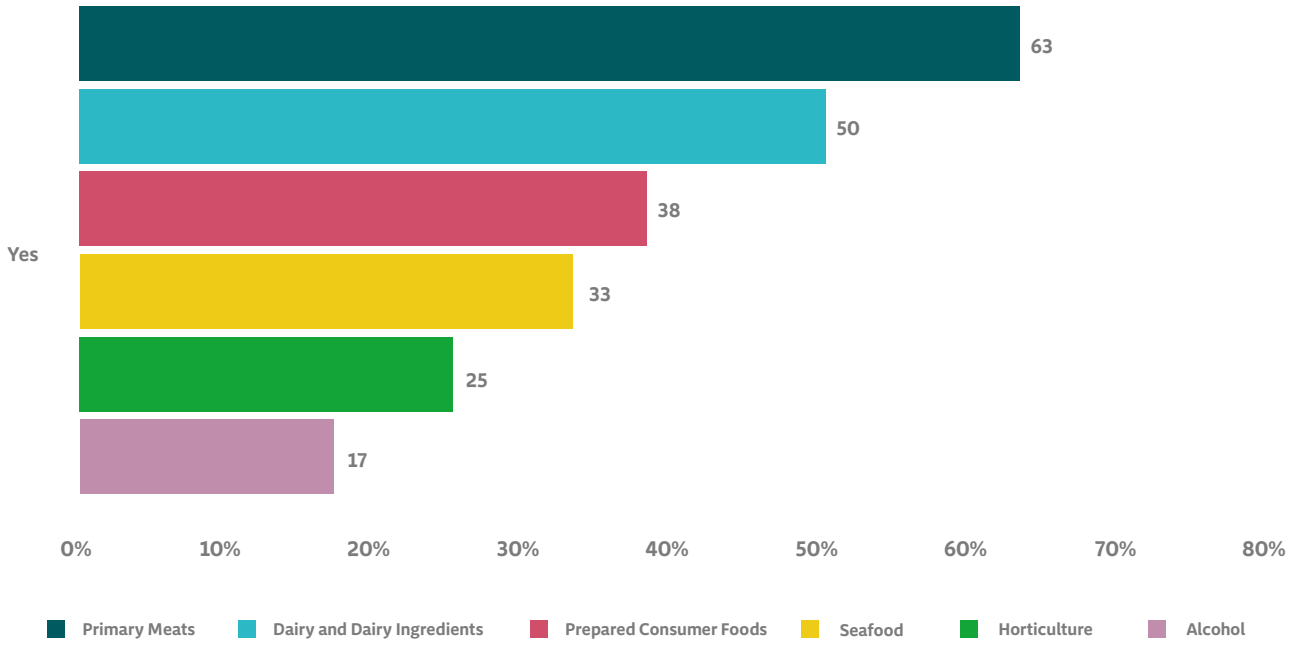
35% of respondents have forecast delivery delays because of potential inspections on products of animal and plant origin.

Have you forecast delivery delays as a result of potential inspections on products of animal and plant origin?




Of the companies that have completed delay forecasting, some are changing lead times accordingly. There is still uncertainty around how the UK will manage these inspections, including where they will take place, thus making scenario planning difficult. The UK Government have stated, after the close of the Radar, that border controls for EU goods imported into Great Britain will be introduced at the end of Transition Period in phased stages, to give businesses affected by Covid-19 more time to prepare.

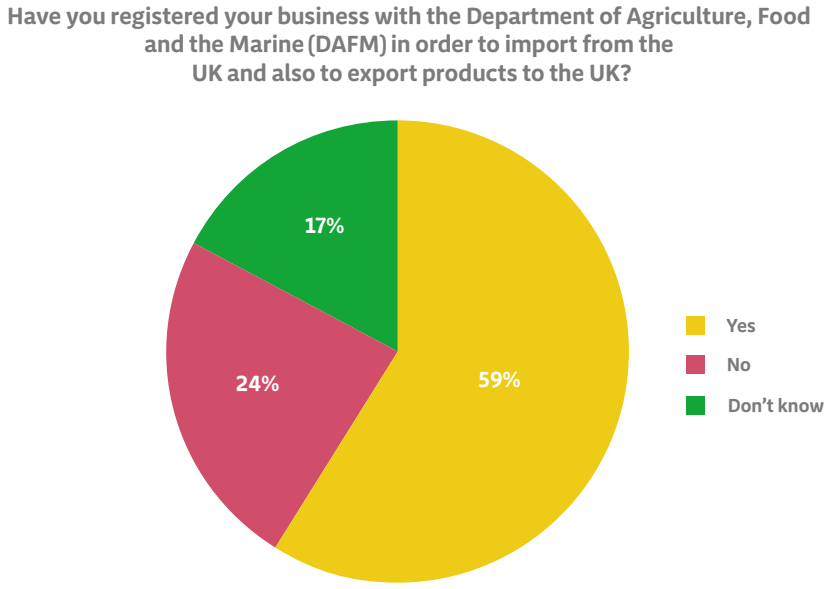
Have you forecast delivery delays as a result of potential inspections on products of animal and plant origin?



When analysing the data by sector, it is unsurprising that a larger percentage of respondents in the Primary Meats and Dairy & Dairy Ingredients sectors are more likely to have forecast delivery delays as a result of potential inspections on products of animal and plant origin.

### Department of Agriculture, Food and the Marine (DAFM)

Over half (59%) of respondents have registered with the Irish Department of Agriculture, Food and the Marine (DAFM) in order to import from and export to the UK, 10% more than what was reported in 2019 (49%).




**Over half (59%) of respondents have registered with the Irish Department of Agriculture, Food and the Marine (DAFM) in order to import from and export to the UK (10% more than what was reported in 2019).**

## EU TRACES NT

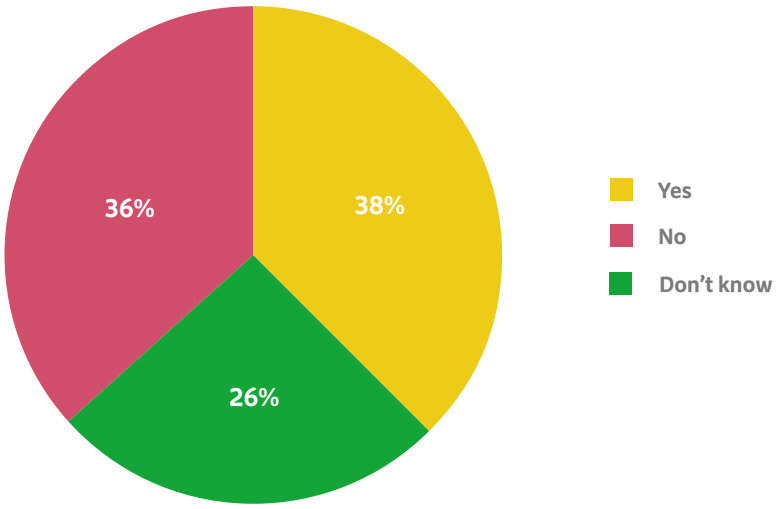
TRACES NT is the European Commission's online management tool for all sanitary requirements on intra-EU trade and importation of animals, semen and embryo, food, feed and plants. It is used to ensure:

- Traceability (monitoring movements, both within the EU and from non-EU countries)
- Information exchange (enabling trade partners and competent authorities to easily obtain information on the movements of their consignments, and speeding up administrative procedures)
- Risk management (reacting rapidly to health threats by tracing the movements of consignments and facilitating the risk management of rejected consignments).

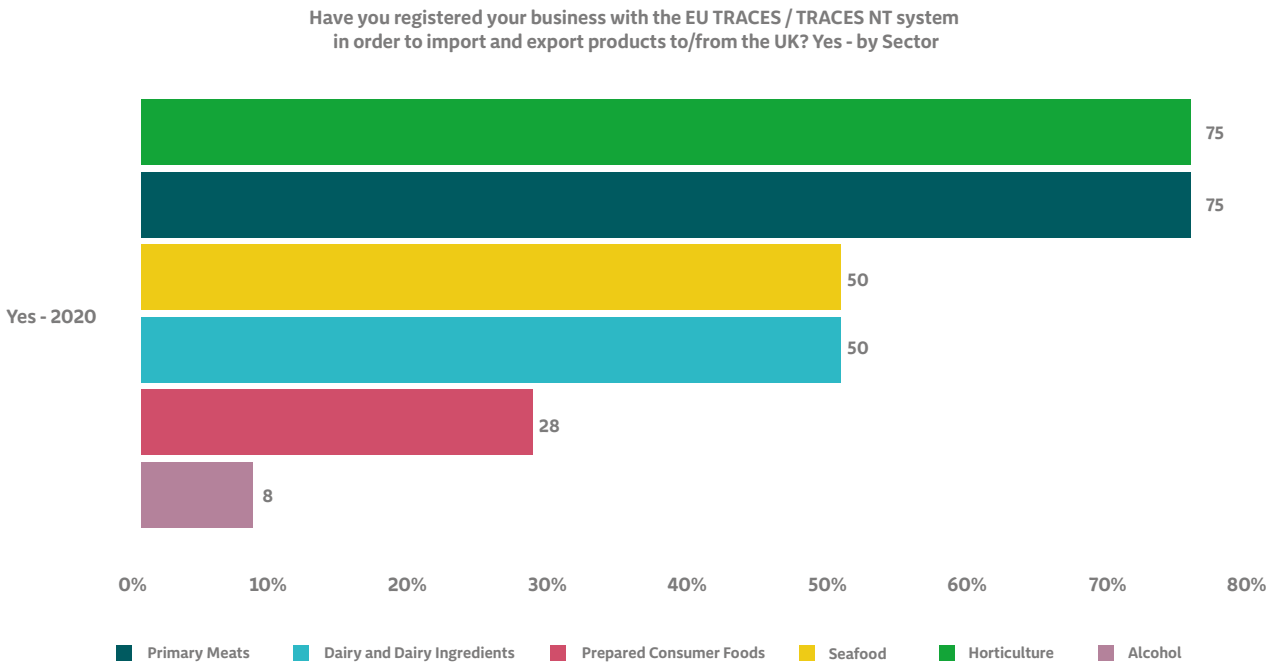
In addition, registration on TRACES NT may be required to use the UK landbridge to import from or export to other EU markets for animals and products of animal origin. A TRACES NT message is created when an import is coming from a Third Country into Europe. If an import is coming through the UK, it would have had to be examined and cleared at a Border Control Post in Europe first. Therefore, TRACES NT is required for use of the landbridge as it is needed to monitor intra-EU trade for animal and products of plant origin. Plant products transiting through the UK to get to another Member State or vice versa will not be required to register on TRACES NT.

However, Plant products being exported to the UK will require a Plant passport or SPS certificate.

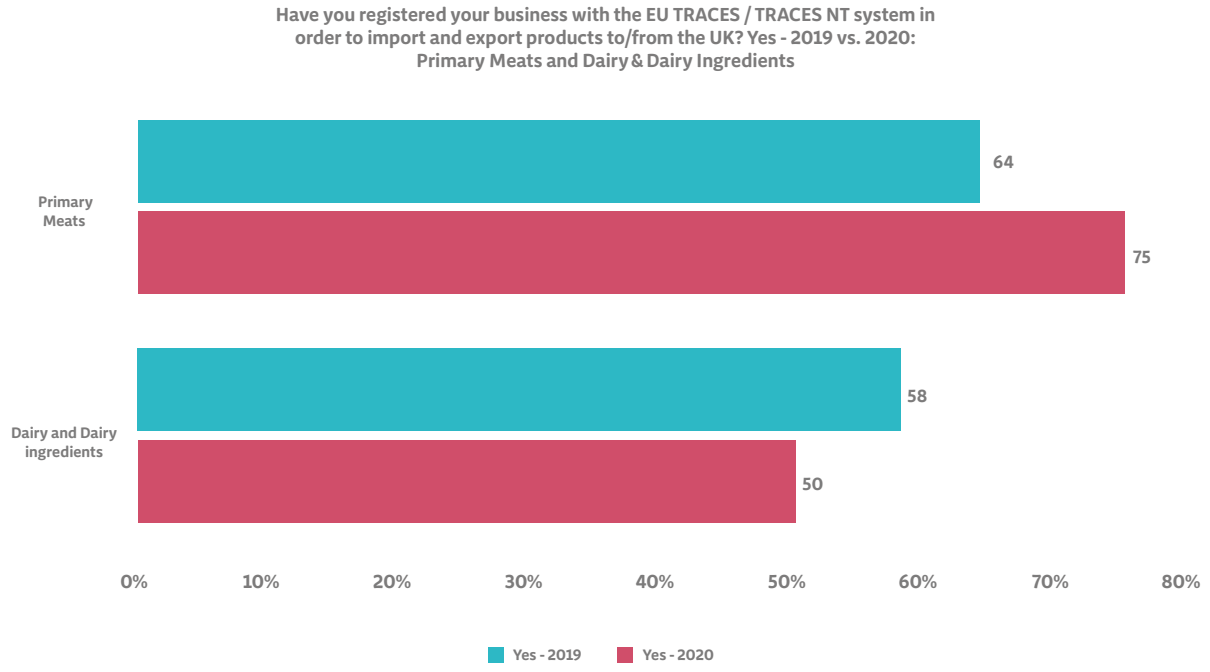
**Have you registered your business with the EU TRACES / TRACES NT system in order to import and export products to/from the UK?**



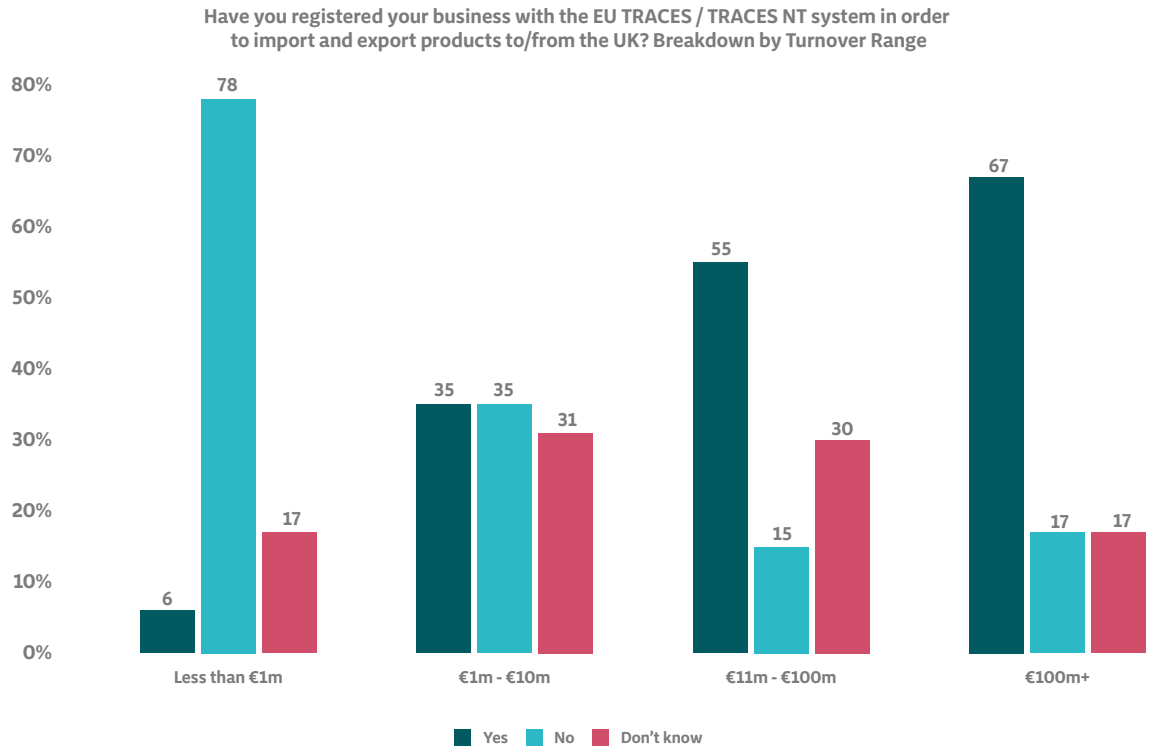

38% of respondents have registered their business with the EU TRACES/TRACES NT system to import and export products to/from the UK, up 13% from 2019. Again, this will not be necessary for all manufacturers, but clarity is required within each individual business on their requirements.




The Horticulture, Primary Meats, Dairy & Dairy Ingredients and Seafood sectors have the highest inclination to have registered to EU TRACES / TRACES NT. There has been a significant increase in the Primary Meats sector since 2019. However, the Dairy & Dairy Ingredients sector has seen a reduction, due to the mix of dairy manufacturers that have completed this readiness tool.




Over 66% of large companies (turnover over €100M) have registered their business with the EU TRACES/TRACES NT system in order to import and export products to/from the UK. This can be explained due to the highest dependency on the UK market. Just 6% of smaller companies (turnover less than €1M) have registered with the EU TRACES/TRACES NT system.




It is worth noting that in 2019 Horticulture respondents reported zero registrations, compared to the 75% in 2020. Horticulture businesses have traditionally exported most of their produce to the UK, so dealing with the EU TRACES NT system is likely to be a new experience for the sector.

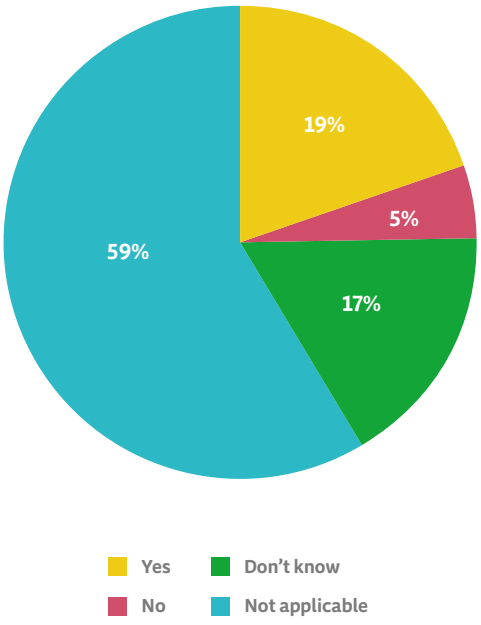
## Sourcing animal and plant products from the UK post Brexit

19% of respondents are aware that if they import animal and plant products from the UK from the 1st January 2021, the UK establishments from where the products are dispatched must be listed as an EU approved establishment. This is below the 40% recorded in 2019.

22% of respondents either didn't need the requirement, due to their business, or did not know whether they needed it. Meanwhile, 59% report that this requirement does not apply to their business.

There is a concern that UK entities may leave this to the last minute, and as a result cause delays to Irish manufacturers' supply chains. Some companies are mitigating this risk by engaging with their suppliers and in the short term by building a higher than required stock level.

**If you import animal and plant products from the UK, are the UK establishments from where the products are dispatched listed as an EU approved establishment?**





# KEY TAKEAWAYS

Irish food and drink manufacturers are investing significant effort into understanding what Brexit means to their businesses, both operationally and financially. They are proactively preparing for Brexit and working towards mitigating this risk, reducing the potential impact to their businesses. The data shows that there has been an increase in optimism in the industry. When compared to 2019 figures, there is a 9% increase in the level of optimism towards the impact of Brexit, among respondents. Overall, the data shows higher levels of confidence and preparedness, as Irish food and drink manufacturers seek to reduce their UK market dependency. While 55% of respondents stated that they were planning to grow sales in the UK, over 71% of respondents stated they are actively seeking to expand into new markets in response to Brexit. This would help manufacturers diversify their risk and reduce the potential impact of Brexit to their business.

Just as the fallout from Covid-19 will impact on Brexit preparedness, how companies respond to UK market challenges will be directly influenced by their talent agenda, their use of insight and how they can best derive value from the market. As such, sustainability will continue to play a key role here.

## Bord Bia supports for your business Post Covid-19

The future trading relationship with the UK is driving high levels of uncertainty and volatility for Irish food and drink manufacturers. Over the course of the next three to six months manufacturers must activate and implement their Brexit plans in readiness for the end of the Transition Period. Bord Bia supports will provide guidance on each step of the decision-making journey to help mitigate against any risks posed by Brexit.

### THINK

- **Risk Readiness Gap Analysis** to understand your risk exposure and level of preparedness
- **Readiness Radar Findings** to gather data and insights to help prepare for the risks facing manufacturers
- **Brexit Consumer Pulse** to gather useful insights on UK consumer attitudes towards Irish food and drink
- **Food and Drinks Supply Chain and Logistics Report** to assist manufacturers on identifying operations partners, efficient distribution channels and possible strategies for reducing supply chain costs
- **Future Planning Toolkit** to understand how consumer behaviour is changing

### PLAN

- **Brexit Action Plan** to help activate plans to mitigate against the challenges Brexit poses
- **Customs Readiness Programme** to help manufacturers prepare for Brexit, market diversification and will also support current and new business development
- **Supply Chain Workshops & Supply Chain Mentoring** to help manufacturers identify and address the key challenges currently facing their supply chain and create efficient supply chain management.
- **Financial Risk Mentoring** to help manufacturers prepare for buyer meetings, tendering and negotiations and support current and new business development.
- **Commercial Marketing Strategy Development** to identify what market to go to and how to win business in that market
- **Key Customer Management Service** to build and maintain strong relationships with customers in order to win in today's rapidly changing marketplace
- **Logistic Partner Database** to enable manufacturers to easily identify Logistics Service Providers (LSPs) that match their needs

### DO

- Apply for an EORI number (EU & UK as applicable)
- Check Incoterms in your contract with your UK customer
- Enquire whether logistic partners have AEO status
- Decide on a customs agent or in-house customs management software
- Identify the correct tariff codes for goods
- Set up a VAT deferment account (Revenue and HMRC)
- Forecast delivery delays
- Calculate the cost of customs procedures

**Please visit https://www.bordbia.ie/ for more information.**

# 6

# Challenges to Market Diversification

BORD BIA
IRISH FOOD BOARD

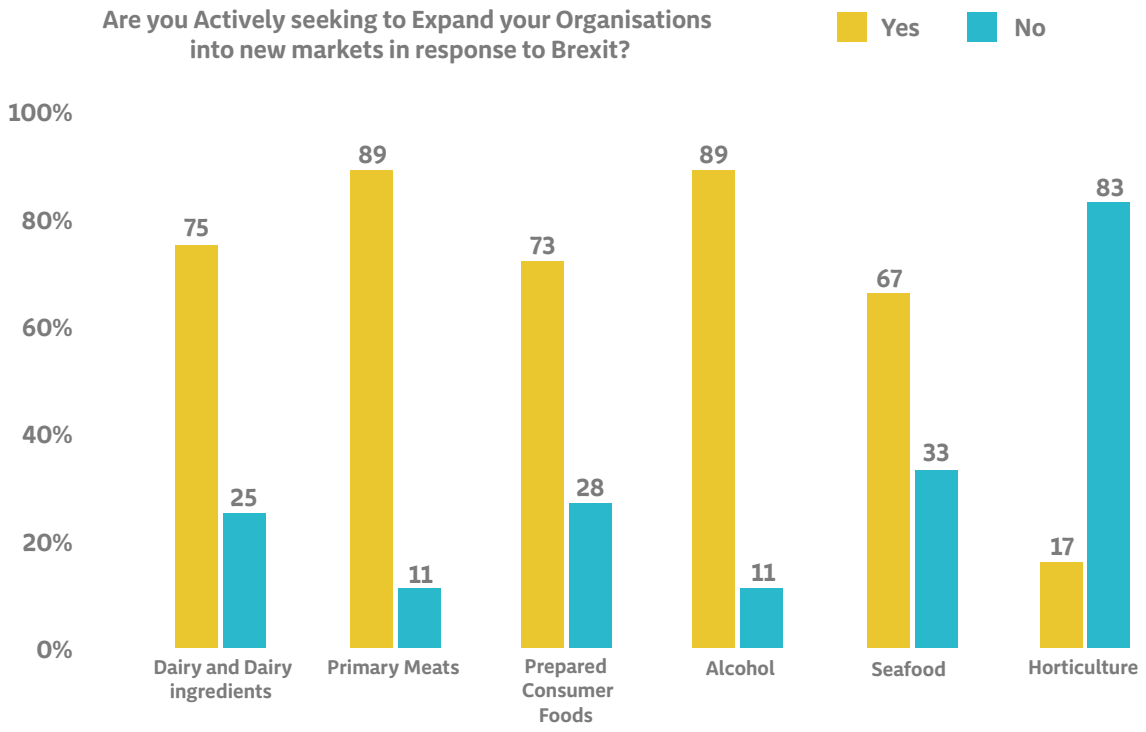
The Irish food and drink industry has sustained its position as by far the most global of Ireland's indigenous industries, with its products finding markets in over 180 countries. However, there are challenges facing manufacturers as they aim to unlock the value that market diversification can deliver.

These challenges have intensified due to the global supply chain challenges arising from Covid-19. Efforts to diversify growth into new markets as a response to Brexit have also brought these risks into sharp focus.



### Expansion plans

71% of respondents are actively seeking to expand into new markets in response to Brexit. The majority of Primary Meats and Alcohol Beverages respondents are looking to expand, where Horticultural companies, often limited by shelflife, are focussing on their existing markets, for the most part. Outside of purely Brexit considerations, a higher proportion of respondents are seeking to expand into new markets.




**Graph 1: % of companies by sector actively seeking to expand into new markets**

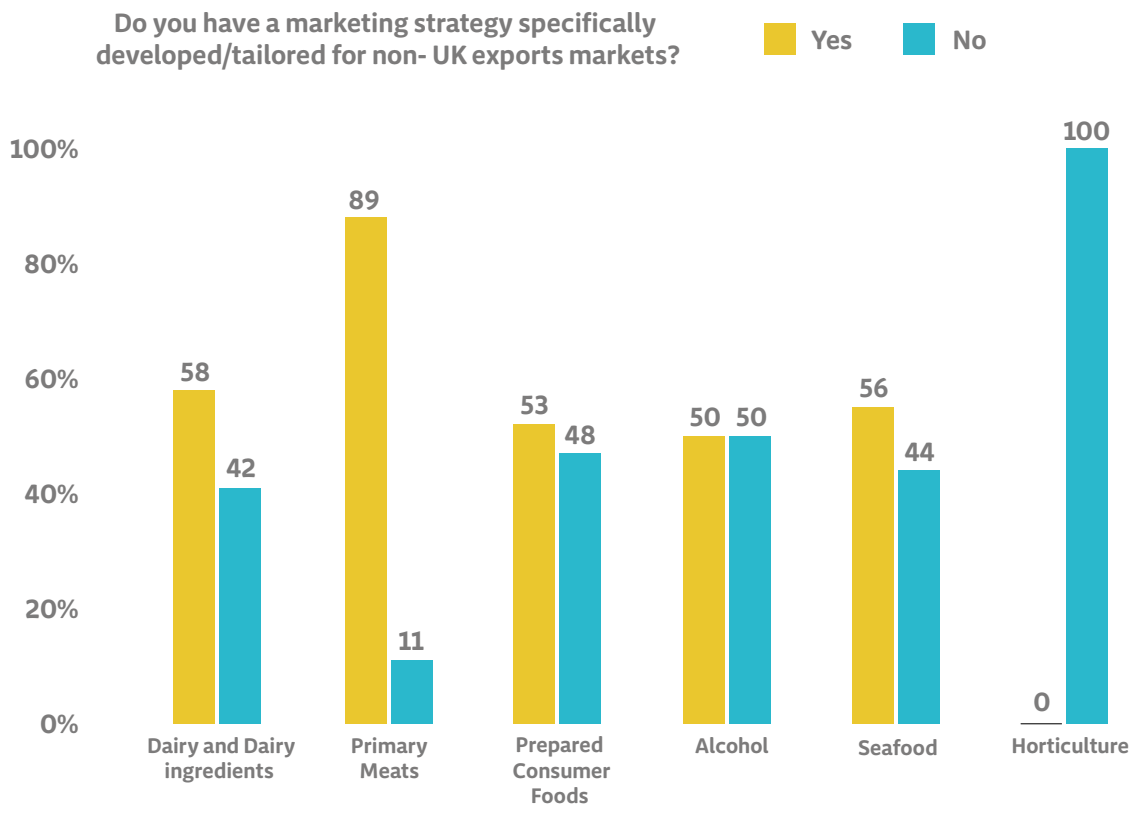
Non-Irish and non-UK growth slowed due to the changing market dynamics arising from Covid-19. Over 70% of respondents reporting growth rates of under 10%, with no sector nuances. Growth has obviously been significantly impacted by the more recent pandemic impacts, with uncertainty about future growth opportunities.

**71%**

**of respondents are actively seeking to expand into new markets in response to Brexit.**

## Marketing strategies

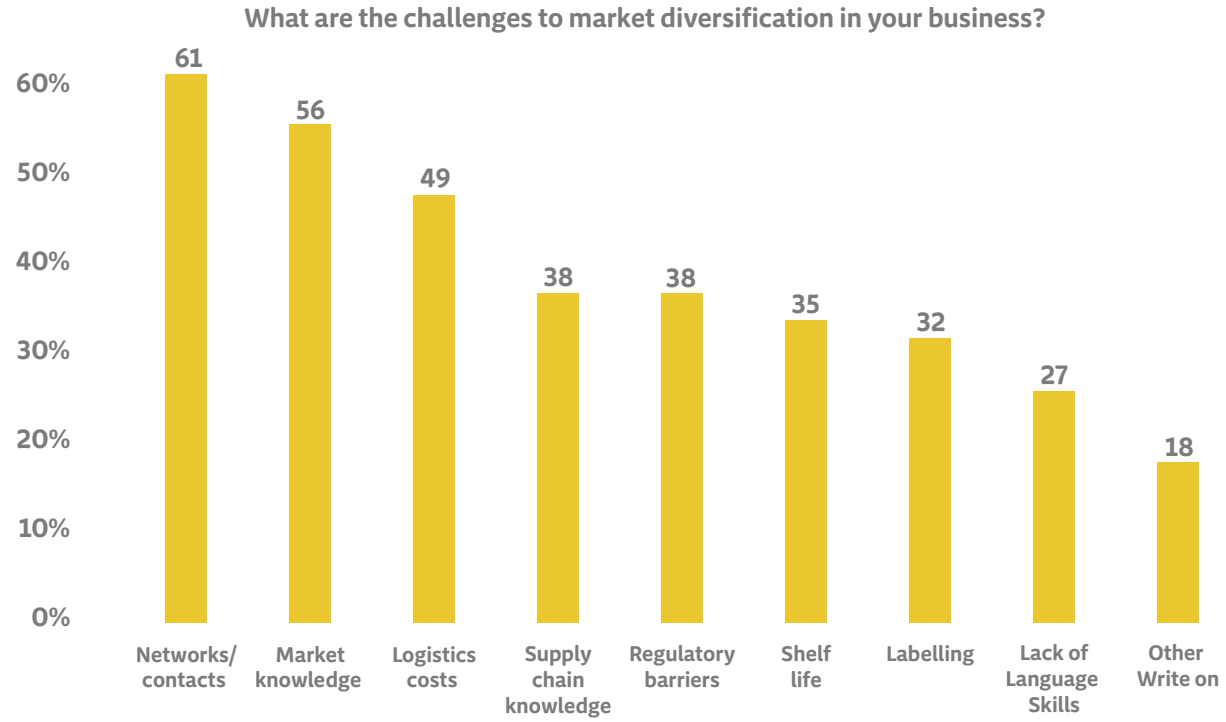
52% of respondents have a marketing strategy specifically developed for non-UK export markets. If manufacturers with turnover below €1M are excluded from the sample, the number of respondents that have a non-UK marketing strategy increases to 60%. While the need for such a plan will be determined primarily by its chosen distribution strategy, manufacturers of Primary Meats clearly see the value in diversifying to alternative markets to the UK.




**Graph 2: % of companies by sector with a marketing strategy focused on non-UK markets**

## Challenges to market diversification

There are a number of perceived challenges to market diversification, with the two most significant seen as networks / contacts and knowledge of the market. Localised knowledge of the market size, manufacturing capabilities and product specification is what has the ability to slow down new market entrants. The results of the Readiness Radar would suggest that a higher level of turnover provides very little advantage when it comes to having effective networks and contacts in the markets. This is a challenge faced by all companies, big and small alike.



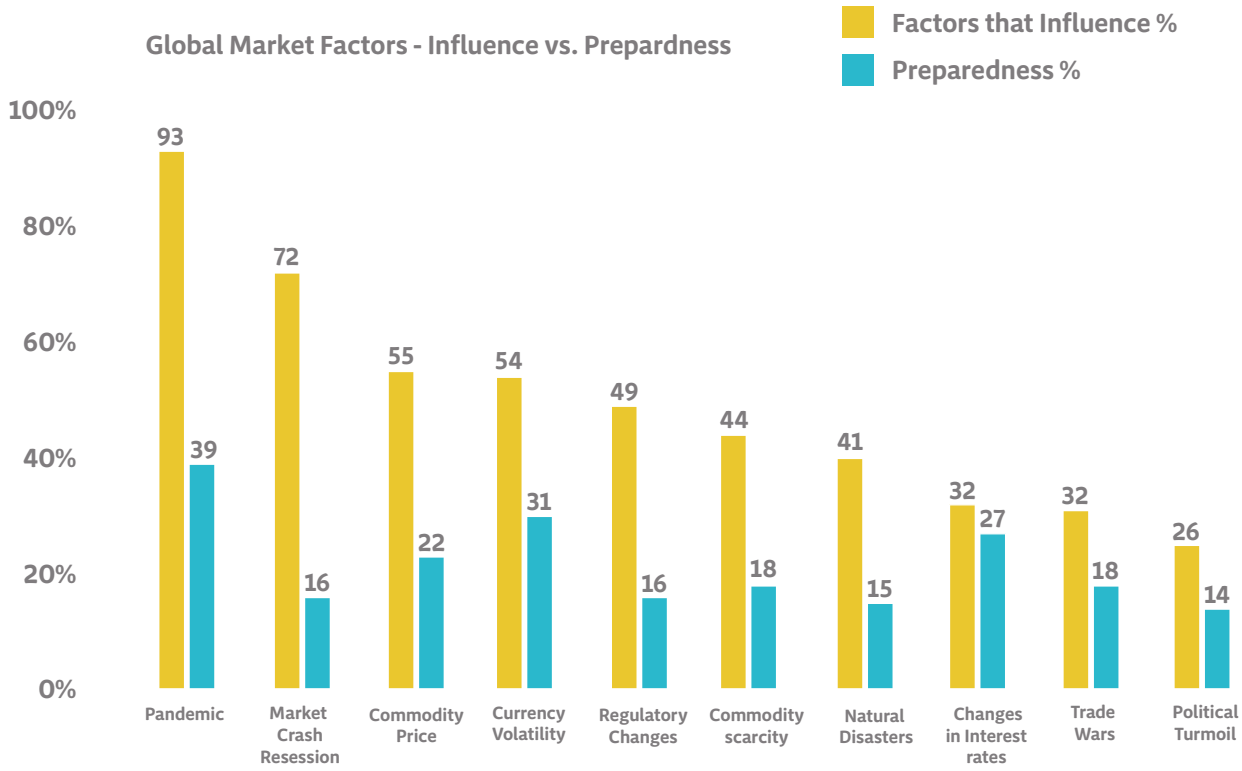

**Graph 3: Challenges to market diversification (all respondents)**

Of less concern to respondents are barriers such as a lack of language skills, as these can ultimately be bought in if seen as a major potential impediment to growth in new markets.

Bord Bia has a range of support services available to the industry to address these challenges. It's network of 15 overseas offices can directly assist in building networks and contacts on behalf of clients. Likewise the Bord Bia Thinking House and overseas offices can generate and share market knowledge while Bord Bia's Supply Chain Database can assist clients in seeking the most value for logistics costs..

### Global Market Factors

As well as grappling with day-to-day operational risks, Irish food and drinks manufacturers are exposed to a range of global market factors. These factors can be harder to manage as they are external, and their movements are sometimes unexpected. Bord Bia's Readiness Radar diagnostic covers a range of these factors, examining how influential they are on the industry and how well respondents feel that they are managing them. A summary of the issues and the percentage of respondents rating them a high/very high influence, or a well prepared/very well prepared is below.



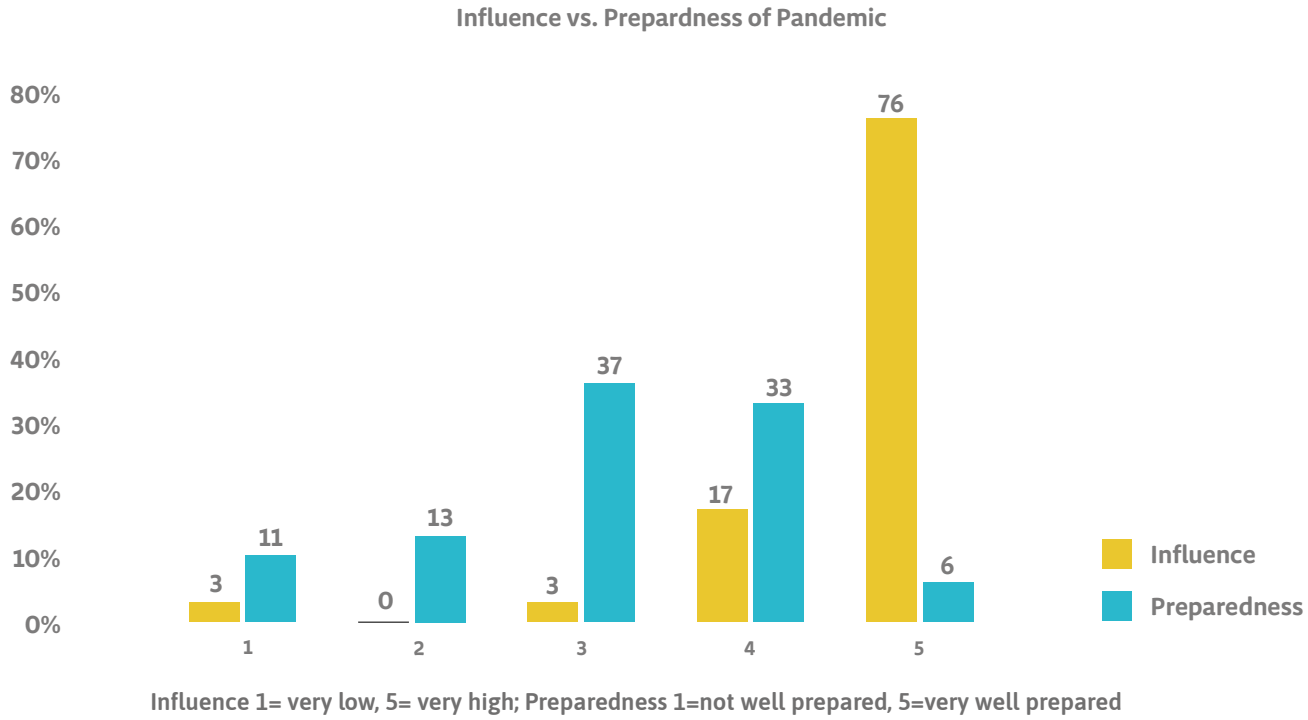

Graph 4: Global Market Factors, their influence and the level of preparedness from across the respondent sample.

# Covid-19

**has polarised the Irish food and drink industry, with demand for product either reducing dramatically or spiking highly.**

### The impact of Covid-19 on global trade

Unsurprisingly, this year's results were dominated by the impact of Covid-19, which was seen as the most significant influencing global market factor by respondents. To date, Covid-19 has polarised the Irish food and drink industry, with demand for product either reducing dramatically or spiking highly. This nuance did not seem to affect how significant the issue was viewed by respondents, with over 90% considering it to be a high influence or very high influence.




**Graph 5: Covid-19 dominates the influence of global market factors, with Irish food and drinks companies considerably less confident in their controls.**

Confidence around preparedness for the pandemic is generally higher than with other global factors, reflecting the considerable time and resources that have been invested by companies, although almost a quarter of respondents still consider themselves to be not well prepared. The level of preparedness very much depends on the size of the respondent company, with only 22% of small companies (under €1M) feeling prepared or very prepared, but 83% of companies turning over €100M+ were of the same mindset. This increased confidence in preparedness is likely a combination of the larger companies' more robust balance sheets that can better withstand market volatility, together with more formalised risk management controls.

From a sector perspective, Primary Meats show the most confidence in their preparedness for pandemic, possibly due to the high level of formal risk management processes in place. The Alcohol sector expressed the least confidence. This is an interesting finding, given the impact on the sector during the lockdown, where total alcohol sales in Ireland have declined by 30%.[1] Although the off trade has grown by up to 40%, as reported by Nielsen, this does not compensate for the loss of the on trade business, driven by the closure of pubs, restaurants and hotels.

Bord Bia introduced a range of services to assist its clients in managing these issues in March 2020, including its €3 million in Marketing Support Grant.

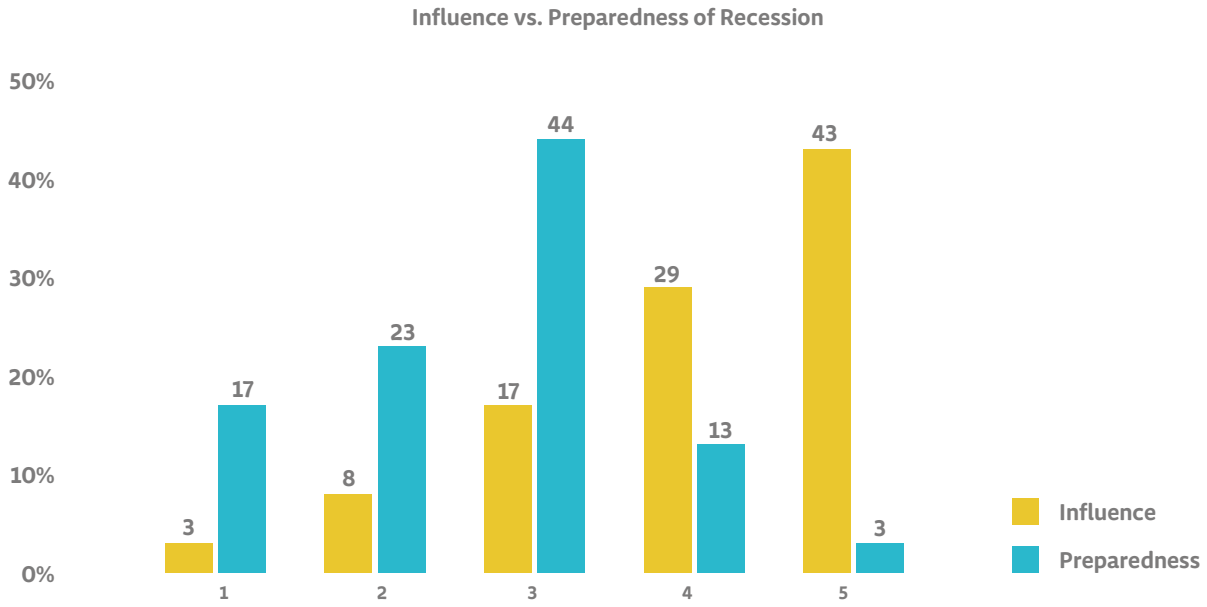
[1] The Irish Times. 2020. Coronavirus: Take-home alcohol sales almost 40% higher than last year. [Online]. [Accessed 5 June 2020]. Available from: https://www.irishtimes.com/news/consumer/coronavirus-take-home-alcohol-sales-almost-40-higher-than-last-year-1.4233494

### The increasing risk of market recession

Despite the dominance of the pandemic in this study, it is evident that Covid-19 has also caused a series of other macroeconomic risks to accelerate, or to become more volatile. One such risk is market crash recession, seen as the second most significant influencing factor by respondents. The May estimates by the European Commission expect Ireland's economy to contract by 8% in 2020, against a general 7.75% contraction in the EU.[2]

Recession is a concern across all sectors, but is particularly pronounced in Primary Meats, Alcohol and Dairy and Dairy Ingredients, and less so in Prepared Consumer Foods and Horticulture. There is little differentiating the views of the smallest and largest respondent companies.

The gap between influence and preparedness in recession is higher than of any other market factor, illustrating the limited control of the developing economic situation from respondents.




**Graph 6: The level of influence that recession is likely to have on respondents, far outweighs their level of preparedness.**

Recession has implications for consumer behaviour. There are early signs from the European retail channel that consumers are starting to trade down. In France, for example, volume has outgrown value for the first time in recent years; April 2020 value grew by +5.5% compared to +8.1% volume, according to Nielsen.[3] In the Readiness Radar, the sectors with a higher relative degree of preparedness to manage recession are Dairy & Dairy Ingredients and Prepared Consumer Foods, reflecting the continued demand for these products during recessions and the propensity for retailers to focus on value and price, above premium. Conversely Seafood and Alcohol manufacturers displayed less confidence, potentially reflecting the more discretionary spend nature of their products. One interviewee explained that a recession could challenge their brand, as they identify as being premium.

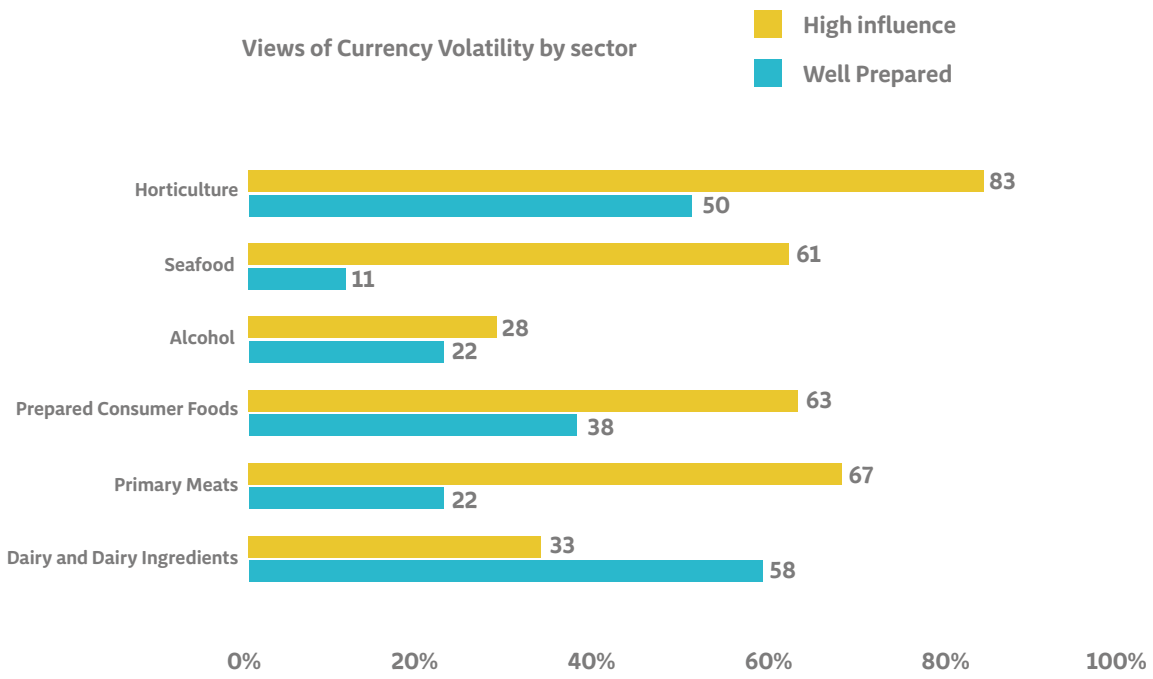
[2] European Commission. 2020. Irish economy to contract by 7.9 per cent in 2020: Spring Economic Forecast. [Online]. [Accessed 5 June 2020]. Available from: https://ec.europa.eu/ireland/news/irish-economy-to-contract-by-7.9-per-cent-in-2020_en

[3] Bord Bia. 2020. Market and Sector Insights Covid-19 Impact on Trade [Online]. [Accessed 5 June 2020]. Available from: https://www.bordbia.ie/globalassets/bordbia2020/industry/covid/market-insight-reports/markets-and-sectors-insights-report-may-21st-2020.pdf

### Currency volatility exacerbated by Covid-19

Another key global market factor is currency volatility, where Sterling has been volatile during the first half of 2020. Collectively, 54% of all respondents rated currency volatility as a high or very high influence on their businesses, with only 31% rating their preparedness as well prepared or very well prepared.

While the results suggest that there is some evidence that respondents in larger turnover bands feel both more exposed to and prepared for currency fluctuation, it is in the sector analysis that we see the more pronounced trends.




**Graph 6: Influence and preparedness of sectors for currency volatility**

In particular, the gap between influence and preparedness in the Seafood, Primary Meats and Horticulture sectors, suggests a significant exposure to currency exchange for much of the industry in the coming months.

Respondents that feel more prepared for this risk are likely hedging their foreign exchange risk through instruments such as forward contracts or options.

**54%**

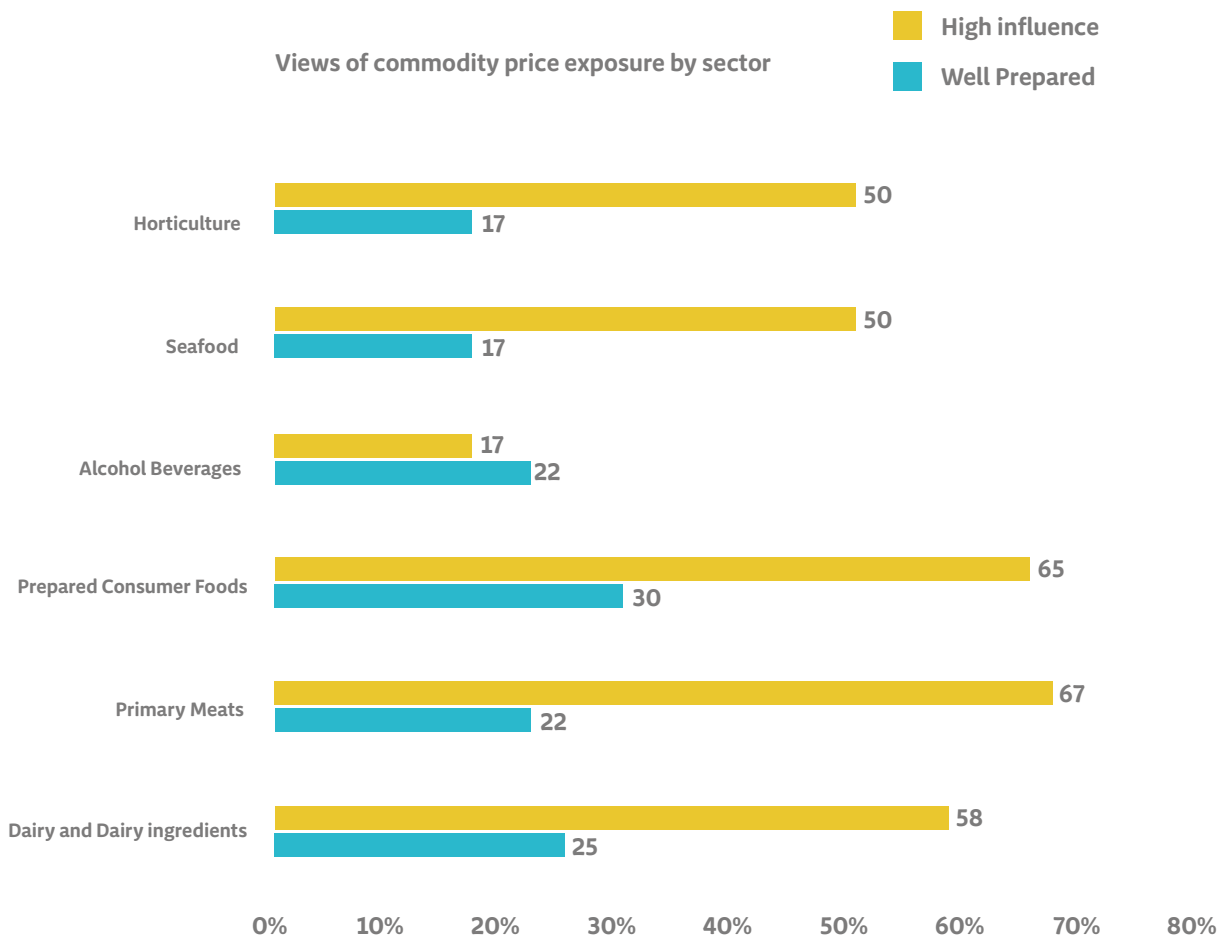
**of all respondents rated currency volatility as a high or very high influence on their businesses**

### Concerns prevail over commodities

Covid-19 has led to uncharacteristic spikes in demand and supply across the food chain, which makes it challenging for companies to stay on top of commodity availability. Moreover, for many of the companies in the diagnostic sample, even seemingly marginal changes to commodity prices can have a high financial impact, unless they are able to pass the increases on to their customers.

Not surprisingly, therefore, concerns around commodities prevail. Commodity scarcity is of most concern to Primary Meats and Prepared Consumer Foods (55%), possibly due to shortages arising from supply chain disruption, manufacturing reduction and calls for protectionist policies. It is of least concern to Horticulture and Alcohol (at 17% and 11% respectively). Levels of preparedness differ by sector – but are correlated to the level of influence the issue has on the sector.

Commodity pricing appears to offer up the greater challenge for respondents, with over half of all sector respondents (other than Alcohol) rating this issue as either high or very high. General confidence in preparedness is low, especially among Horticulture, Seafood and Primary Meats, relative to the level of influence.

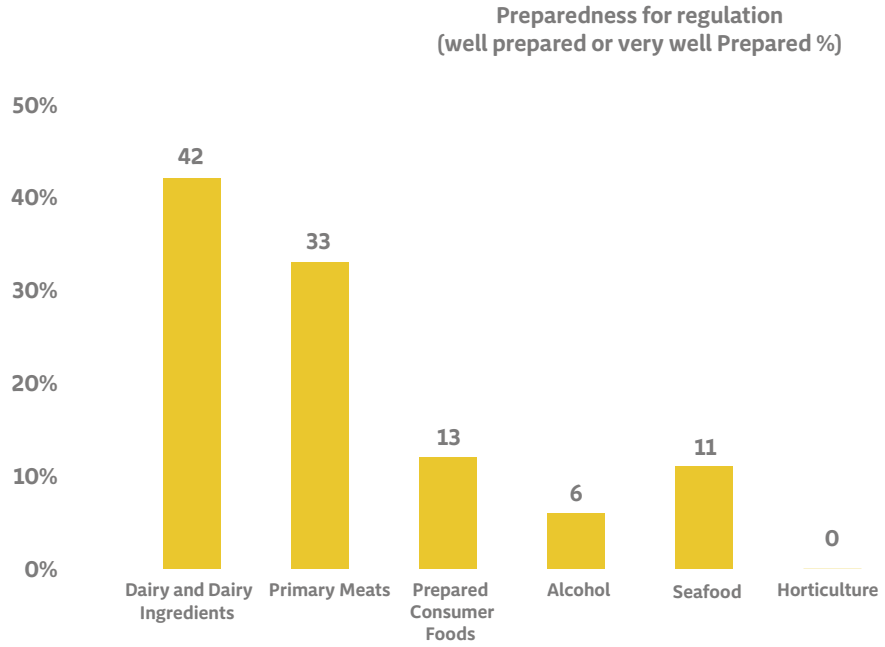



**Graph 7: Preparedness for commodity price fluctuation is low, despite it being an influential market factor in many sectors**

### The risk of regulatory change

With the advent of Brexit and other political and economic uncertainties, the risk of regulatory change that might impact food, drink and horticulture manufacturers' competitive advantage, operations or cost base, appears to also be top of mind for many respondents. Almost half of all respondents rated this market factor to be either a high influence or very high influence, but preparedness for this risk was considerably lower, with only 16% considering themselves to be well prepared or very well prepared.

This concern is felt across all turnover levels. From a sector perspective, the Horticulture and Seafood sectors both consider themselves less prepared for changing regulation, with none of the former group believing itself to be either well prepared or very well prepared. The Alcohol sector also has lower levels of confidence around preparedness, potentially driven by legislation on alcohol consumption, labelling and changing tax regimes associated with the alcoholic content of drinks.




**Graph 8: Preparedness for regulatory risk is generally low among Irish food and drink companies**

**What is clear from this Readiness Radar is that companies across the food and drink industry in Ireland feel exposed to significantly changing global market factors, and in most cases feel limited in their ability to genuinely control the risk.**



# KEY TAKEAWAYS

Given our island location on the edge of Europe, Irish manufacturers with a growth focus are export dependent. The estimated value of food, drink and horticulture exports from Ireland for 2019 is €13BN - capping a decade of extraordinary growth where the value of Irish food and drink exports increased 67%. This has been achieved through sustained, incremental increases in value and volume across Ireland's food and drink categories, and across its key markets.

There is a myriad of challenges to market diversification, including developing networks and contacts, market knowledge and logistics challenges. Covid-19 has brought these into even greater focus, and the challenges posed by Brexit have created a greater sense of urgency for overcoming global market obstacles. Bord Bia assists clients in overcoming these challenges through its provision of insights, via the Bord Bia Thinking House, its network of overseas offices, customer engagement, trade fair schedule and Ministerial led Trade Missions.

## Bord Bia supports for your business Post Covid-19

Brexit and Covid-19 have clearly illustrated the importance of Market Diversification. The Brexit Transition Period is ending on the 31st of December 2020, which means that the trading relationship with the UK will become more complex. Bord Bia is supporting the industry to prioritise what it can control in the uncertainty ahead and is looking at alternative markets that provide opportunity to grow your business. Below are list of supports from Bord Bia that will provide you with guidance on each step of the decision-making journey to help you plan your market diversification activities.



### THINK

- **Risk Readiness Gap Analysis** to understand your risk exposure and level of preparedness
- **Readiness Radar Findings** to gather data and insights to help prepare for the risks facing manufacturers
- **Food and Drinks Supply Chain and Logistics Report** to assist manufacturers on identifying operations partners, efficient distribution channels and possible strategies for reducing supply chain costs
- **Future Planning Toolkit** to understand how consumer behaviour is changing

### PLAN

- **Brexit Action Plan** to help you activate plans on mitigating the risks Brexit poses to your business
- **Commercial Marketing Strategy Development** to identify what market to go to and how to win business in that market
- **Key Customer Management Service** to build and maintain strong relationships with customers in today's rapidly changing marketplace
- **Logistic Partner Database** to enable manufacturers to easily identify Logistics Service Providers (LSPs) that match their needs
- Engage with **Bord Bia overseas offices** in prospective markets for bespoke insights & intelligence

### DO

- Attend a **trade fair** which covers a wide range of sectors, with the goal of driving business opportunities and raising the awareness of Brand Ireland
- Attend a **trade mission** which focuses on market access, raising awareness of Brand Ireland and leveraging further opportunities for Irish manufacturers to meet rising import demand
- **Bord Bia's Market Prioritisation Reports** to identify new markets likely to present growth opportunities over the next 5 – 10 years
- **Consumer & Trade promotions (EU & Bord Bia promotional campaigns)** to promote products in export markets

**Please visit https://www.bordbia.ie to access these services**

7

# Managing Sustainability Pressures

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## Managing Sustainability Pressures

Globally, the food and drink industry faces many sustainability concerns relating to increased demand for finite raw materials, while at the same time a changing climate disrupts global supply chains. The manufacturers that will succeed into the future are those that set out plans to tackle climate issues, futureproof their business and leverage proven sustainability credentials as a source of competitive advantage. With Origin Green, these challenges become an opportunity for Ireland to become a global example of how the sustainable performance of an entire industry can be improved.

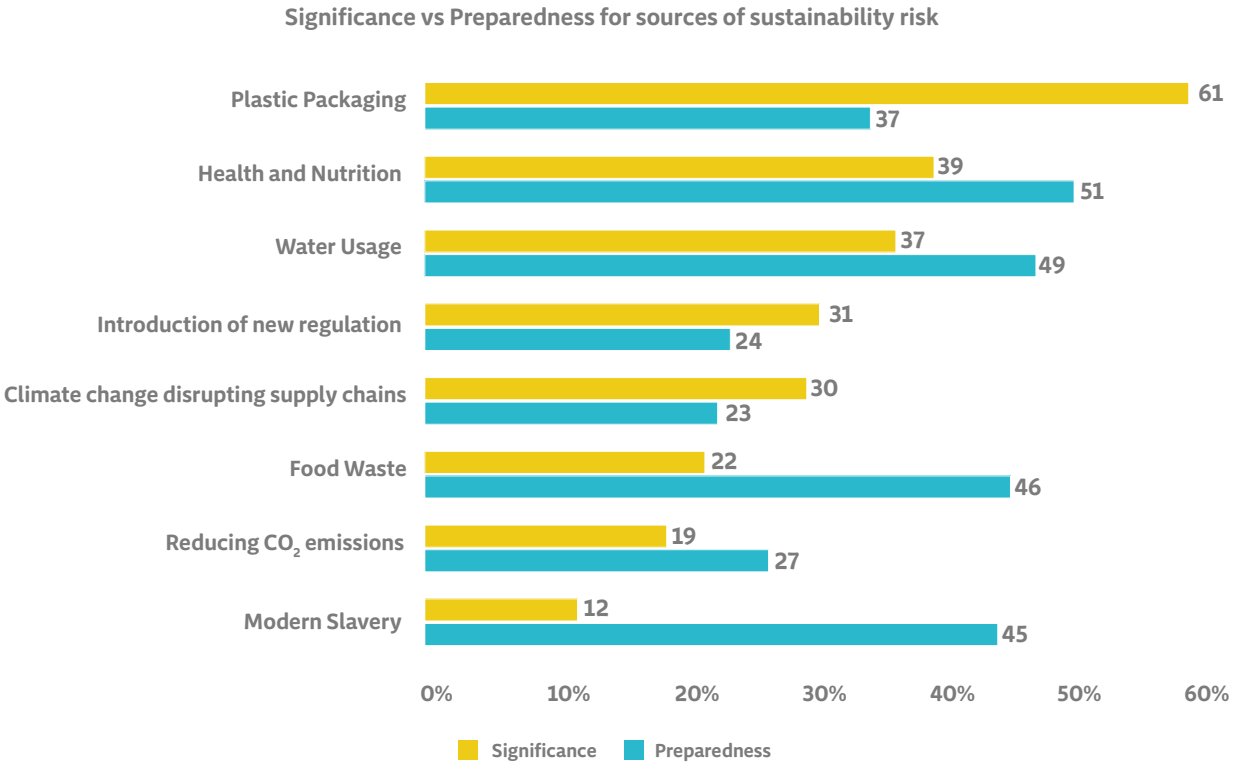
In this year's Readiness Radar report, the issue of sustainability was addressed in three ways:

- An assessment of the sources of sustainability risk, their significance for respondents and the levels of preparedness for the risks, along with further analysis of the activities being undertaken to manage these risks.
- A review of risks to reputation, an important ancillary risk to sustainability.
- A deeper dive into sustainability from respondents coming from the Dairy & Dairy Ingredients and Primary Meats sectors.



## Sustainability pressures

In the Readiness Radar, respondents were asked to rate the significance and level of preparedness for a range of sources of sustainability risk. A summary of these results is contained in Graph 1. It is clear that sustainability issues are both a priority and a challenge for Irish food and drinks manufacturers.




**Graph 1: Sources of sustainability risk, their significance and the level of preparedness from across the respondent sample.**

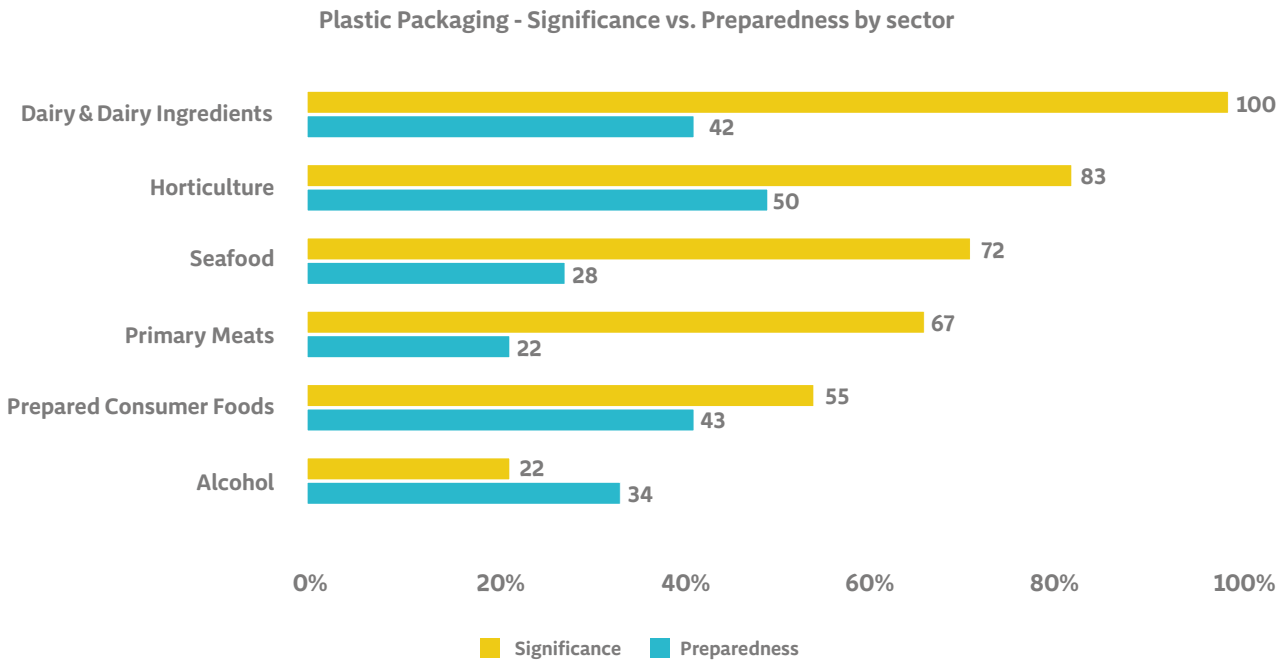
## Plastic Packaging tops the list of concerns

The most significant source of sustainability risk to respondents today is plastic packaging. Food packaging plays an important role in ensuring food quality and safety when food products are being prepared, transported and displayed. However, due to the growing accumulation of packaging within the natural environment and most notably the world oceans, governments and consumers are demanding that manufacturers eliminate certain types of packaging, particularly single-use plastic and 'difficult-to-recycle' plastics. This is a high priority for all sizes of manufacturer, with each turnover range reporting similar levels of preparedness. From an aggregated perspective, the gap between significance and preparedness (24%) is the largest negative correlation across all sustainability issues.

From January 2019, packaging became a mandatory target under the Origin Green Charter Raw Material Sourcing section. Bord Bia has partnered with Repak to support clients on packaging sustainability efforts. Origin Green members are setting targets focusing on improving the sustainability of their packaging, including introducing packaging that is recyclable, reducing or sourcing renewable or certified sustainable packaging material. However, clearly there is still some work to do for many respondents.

This sustainability risk area presents challenges in terms of economic sustainable alternatives available, as well as broader infrastructural challenges. As such there is clearly still some work to do for many respondents.

An analysis by sector demonstrates the different ways in which respondents view the issue of plastic packaging – see Graph 2.




**Graph 2: Contrasting the significance of plastic packaging as a source of sustainability risk against the level of reported preparedness, across multiple sectors**

Concerns around plastic packaging are highest among the Dairy & Dairy Ingredients sector, with every respondent rating it of high or very high significance. Horticulture manufacturers attach a great deal of emphasis to the issue (83%), as do manufacturers from the Seafood sector (72%). The only sector that attributes less concern is Alcohol, possibly a reflection of its more limited use of plastic.

Preparedness for plastic packaging is generally lower than the level of emphasis it receives from respondents. The gaps are biggest within the Dairy & Dairy Ingredients and Primary Meats sectors, and it is only in Alcohol that average preparedness outperforms average significance. This has emerged as an issue for the Horticulture sector in the context of Covid-19, as retailers have required fresh products to be protected in packaging. As outlined in Bord Bia's Future Proofing Toolkit, one of the tensions emerging in wake of Covid-19 is that shoppers are avoiding unpackaged produce to avoid the risk of contamination. We are seeing the retail channel react to this, with fresh produce and fresh bakery offerings packaged and over-the-counter produce sealed and protected[1].

Health authorities, such as the HSE, are recommending that shoppers wash fresh fruit and vegetables, and many are opting for packaged options instead[2]. Consumer response to this balance of issues – health and safety versus environmental impacts, will need to be monitored carefully.

The Seafood sector has also had to embrace increased expectations on plastic packaging, as retail customers have introduced new standards on the types of material and dyes that are permissible for recycling purposes.

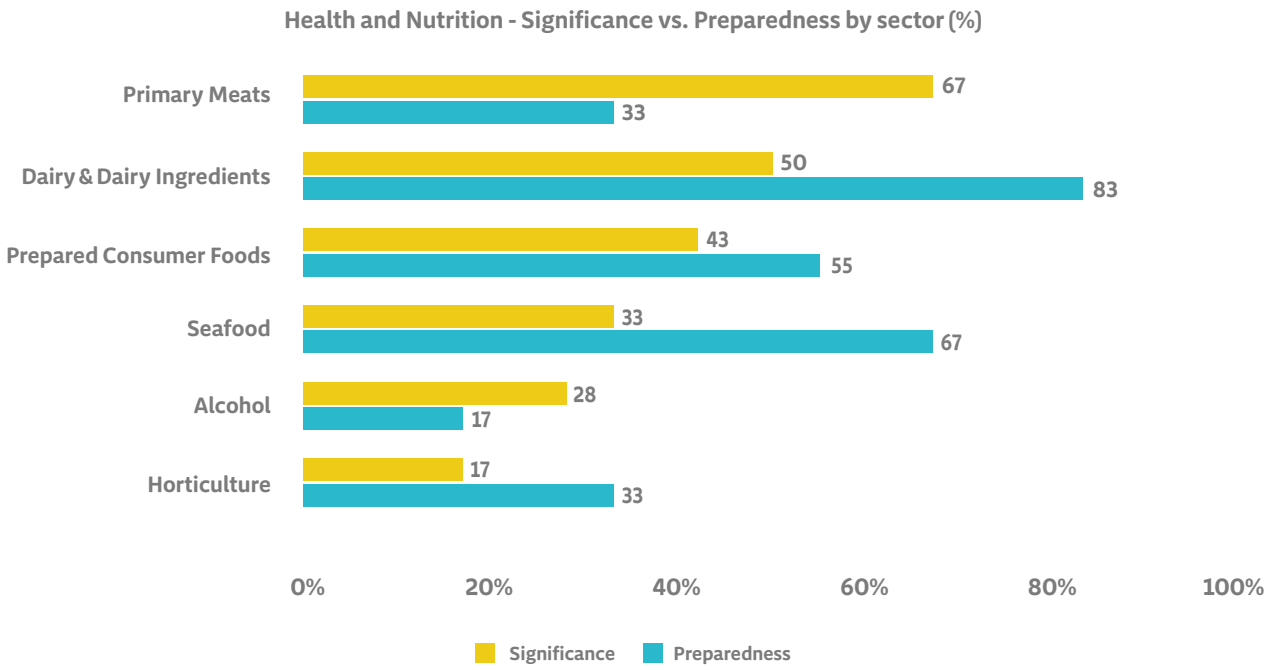


**The gap between significance and preparedness on plastic packaging (25%) is the largest negative correlation across all sustainability issues.**

### Health and Nutrition – continued focus, but in control

The health and nutrition of products is also seen as a significant source of sustainability risk, as consumers' lifestyle and dietary preferences change. While Health and Wellness has become an engrained part of life, the intensity with how we view our health post Covid-19 is likely to change over the months and years ahead. Recent years have seen a conversation around proactive health management with a goal of eating and drinking foods that enable us to optimise our health.

The significance and preparedness outlined in the Readiness Radar does not seem to be affected by the size of the respondent's company; this is seen as a true industry-wide issue and opportunity. From a sector perspective, some differences can be observed, as set out in Graph 3.




**Graph 3: Health and Nutrition risks – significance vs. preparedness across sectors**

[1] Bord Bia. 2020. Future Proofing Toolkit: Ireland Edition – Indicator #7: Risky Business. Accessed June 11, 2020, from https://www.bordbia.ie/globalassets/bordbia2020/industry/covid/indicator-reports/future-proofing-toolkit-ireland.pdf

[2] Health Service Executive (HSE). 2020. Food Safety and COVID-19. Accessed June 11, 2020, from https://www.hse.ie/eng/services/news/media/pressrel/food-safety-and-covid-19.html

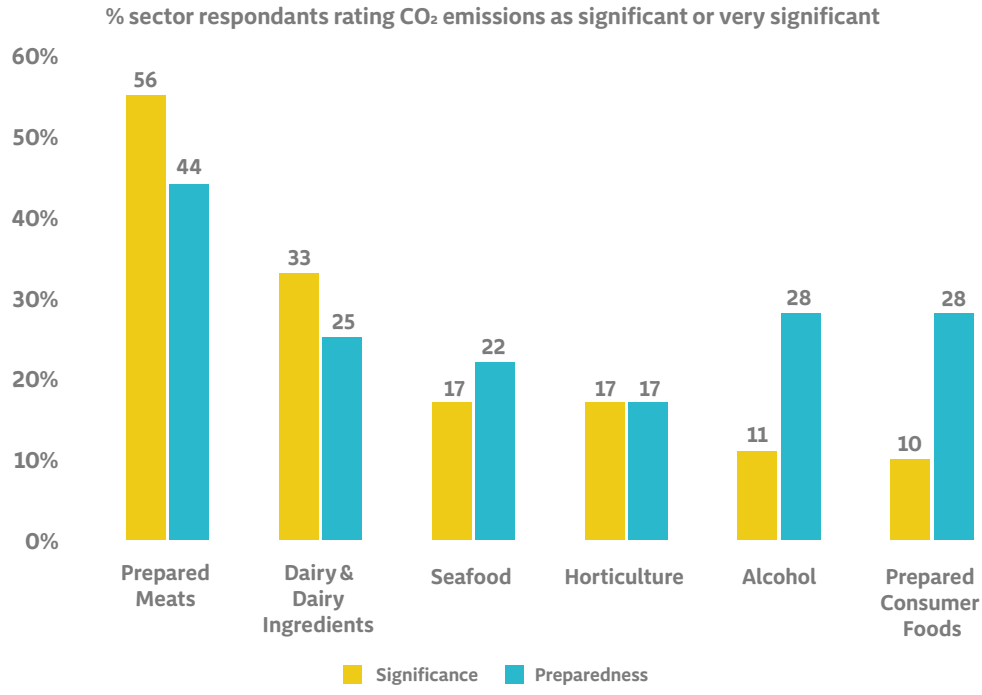
For Primary Meats manufacturers this is a significant issue, with 67% of respondents from that sector considering it to be either of high or very high significance. Only in Primary Meats and Alcohol do the rates of preparedness fall under the level of significance. Preparedness scores are high in the Dairy & Dairy Ingredients sector, Seafood and Prepared Consumer Foods. This underlines the attention that health and nutrition receive across these sectors.

In an effort to meet growing customer and societal demand, Origin Green introduced health and nutrition as a mandatory social sustainability target in 2016. The importance of health and nutrition is rising globally, and this is particularly apparent in consumer behaviour during the disruption arising from Covid-19, according to Bord Bia's Future Proofing Toolkit[3].

As of 2019, Origin Green members have set 196 health and nutrition targets comprising of 285 initiatives. To achieve these targets manufacturers have set a number of initiatives focused on improving the nutritional profile of their products. These targets include investing in new healthy product ranges and reducing salt, sugar and allergens from existing products.
Manufacturers' commitment to health and nutrition expands beyond their products as many companies have hosted public nutrition presentations and developed new nutrition labelling on packaging. It is in the interest for the Primary Meat and Alcohol sectors, in particular, to focus on managing the gap on Health & Nutrition risks and preparedness through their Origin Green and sustainability targets.

### Reducing $CO_2$ emissions needs to be prioritised for manufacturers under €100m turnover

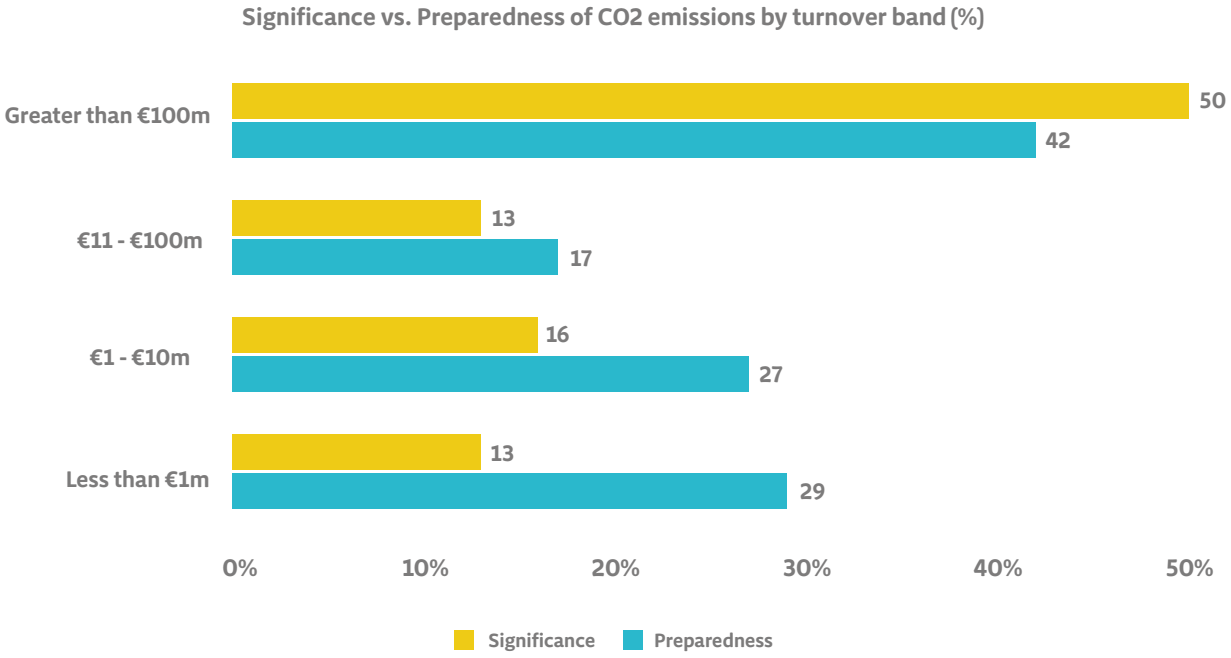
Origin Green members have selected 88 emissions targets comprising of 270 initiatives. However, as an aggregated group, respondents did not consider reducing Greenhouse Gas (GHG) emissions to be as of high a significance as other issues. However, Dairy & Dairy Ingredients and especially Primary Meats are more concerned relatively, given that these sectors account for a high proportion of the emissions arising from the sector due to farm level emissions. (See Graph 4).




**Graph 4: Sector views on the significance of $CO_2$ emissions as a source of sustainability risk.**

[3] Bord Bia. 2020. Future Proofing Toolkit: Ireland Edition. Accessed June 11, 2020, from https://www.bordbia.ie/globalassets/bordbia2020/industry/covid/indicator-reports/future-proofing-toolkit-ireland.pdf

The most acute discrepancy in preparedness comes when examining the significance and preparedness for $CO_2$ emissions according to respondent turnover range. Larger manufacturers, who are required to report their Greenhouse gas (GHG) output as part of the EU Emissions Trading Scheme, have had the biggest uptake in setting Greenhouse gas (GHG) reduction targets. This is reflected in the results of the Readiness Radar also. For manufacturers turning over more than €100m, it is much more of a strategic priority – see Graph 5.




**Graph 5: Significance vs. preparedness of CO2 emissions, for manufacturers segmented by revenue band**

This can also be explained by larger manufacturers operating bigger facilities, which will benefit more from investments in efficiencies. These manufacturers will also have more resources. While all Origin Green members must report on sustainability on an annual basis, in some cases, larger or listed manufacturers will also report on sustainability within their annual report and accounts, and may have active shareholders who make demands on the manufacturer to reduce the overall carbon footprint of the company. Meanwhile, smaller to medium sized manufacturers tend to focus on reducing energy use, which has the added benefit of reducing the Greenhouse gas (GHG) emissions as a result of reduced electricity generation.

For the rest of the respondents, the results would suggest that manufacturers feel that they are doing enough to address the level of exposure presented.

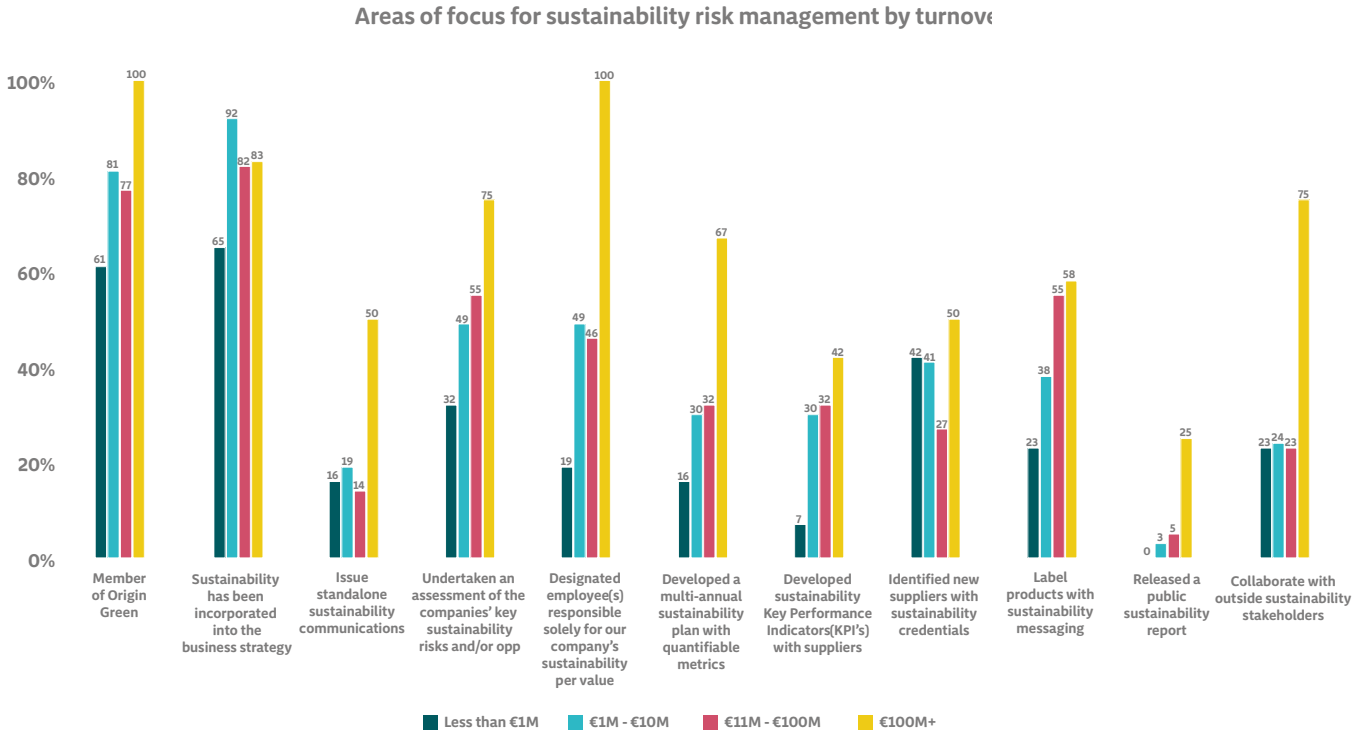
While all of the risks outlined are interconnected, this is particularly the case for 'introduction of new regulation' and 'reducing $CO_2$ emissions'. The Irish Government's Climate Action Plan, as well as the European Commission's European Green Deal and Farm to Fork Strategy have all set out roadmaps for reduced emissions from the industry and manufacturers will need to monitor these developments closely. Bord Bia's Origin Green team is on hand to advise members on these issues as they arise in conjunction with the Origin Green partner network.

## Managing sources of sustainability risk

There are a range of tactics deployed by respondents to combat sustainability risk. The most commonly cited is to incorporate it into business strategy, underpinned by risk assessment and supported by Origin Green membership – see Graph 6. Of the 128 manufacturers that responded to this section, 64 are verified members of Origin Green.




**Graph 6: Areas of focus for sustainability risk management**




**Graph 7: Areas of focus for sustainability risk management by turnover**

Of note is that 77% of respondents reported that they are members of Origin Green (83% of respondents turning over €1m a year). 84% of Origin Green members have incorporated sustainability into their business plan versus 74% of non-Origin Green members. While this is a positive trend, 100% of Origin Green members should have this incorporated. Ten Origin Green verified manufacturers stated that sustainability was not incorporated into their business strategy, across each of the sectors. The Origin Green programme requires members to set five-year sustainability targets and report on their progress annually. This requires developing a multiannual sustainability plan, undertaking an assessment of key sustainability risks, designating an employee as a sustainability lead and incorporating sustainability into business strategy. The gap that exists between these actions and Origin Green membership can possibly be attributed to lack of communication between business functions or the Chief Executive, who signs off on the Origin Green Charter, and senior management.

As part of the Origin Green Sustainability Plan, every member is required to examine the sustainability credentials of their key suppliers, identify the sustainability areas in which they should improve and create targets around these highlighted areas. The 45% designating an employee as a sustainability lead should match the 77% that identify as Origin Green members. This indicates that some respondents were simply not aware that this process is involved in becoming Origin Green verified.

Nonetheless, it is still important to recognise that verified members seem to outperform non-verified manufacturers in this space.

The low prevalence of manufacturers that communicate their sustainability credentials and achievements is of concern and Bord Bia has identified this as a priority area that needs to be improved. Manufacturers communicating their commitment to sustainability is a necessary step in enhancing the reputation and performance of the Irish food and drink industry, in both national and international markets, therefore attention needs to be given to this.

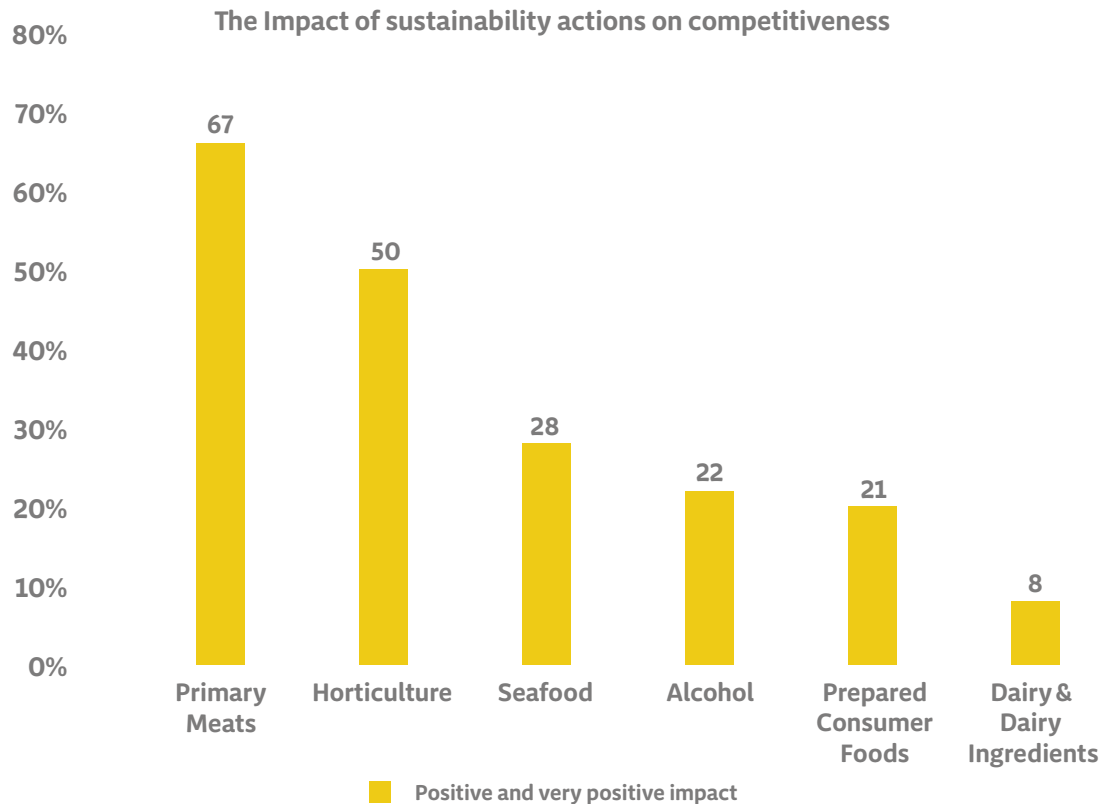
Whilst manufacturers are benefiting from a competitiveness perspective, they are not benefiting from this key differentiation point when they do not communicate their positive actions.

As of 2021, Origin Green members will receive automatically generated sustainability reports when they submit their Plan for approval. Bord Bia will encourage members to publish these reports and use them when interacting with customers. However, this is an area for respondents to monitor, as a key principle of formal risk management is to advise key stakeholders on the company's governance and plans. Bord Bia's Origin Green team is available to advise clients on the most effective way to communicate requirements within organisations. They can be contacted at OriginGreen@bordbia.ie or via Sector Managers.

**The low prevalence of manufacturers that communicate their sustainability credentials and achievements is of concern and Bord Bia has identified this as a priority area that needs to be improved**

### Driving competitiveness through sustainability

Sustainability can deliver a competitive advantage to Irish food and drinks manufacturers, through greater efficiencies, reduced costs, enhanced reputation and elevated brand value. Graph 8 suggests that it is more important and valued in some sectors over others.




**Graph 8: The impact of sustainability actions on competitiveness, by sector**

Primary Meat manufacturers clearly see sustainability measures as a source of competitive advantage. One respondent from this sector commented that, "sustainability initiatives pay for themselves. Customers are very engaged in sustainability and are driving it positively".

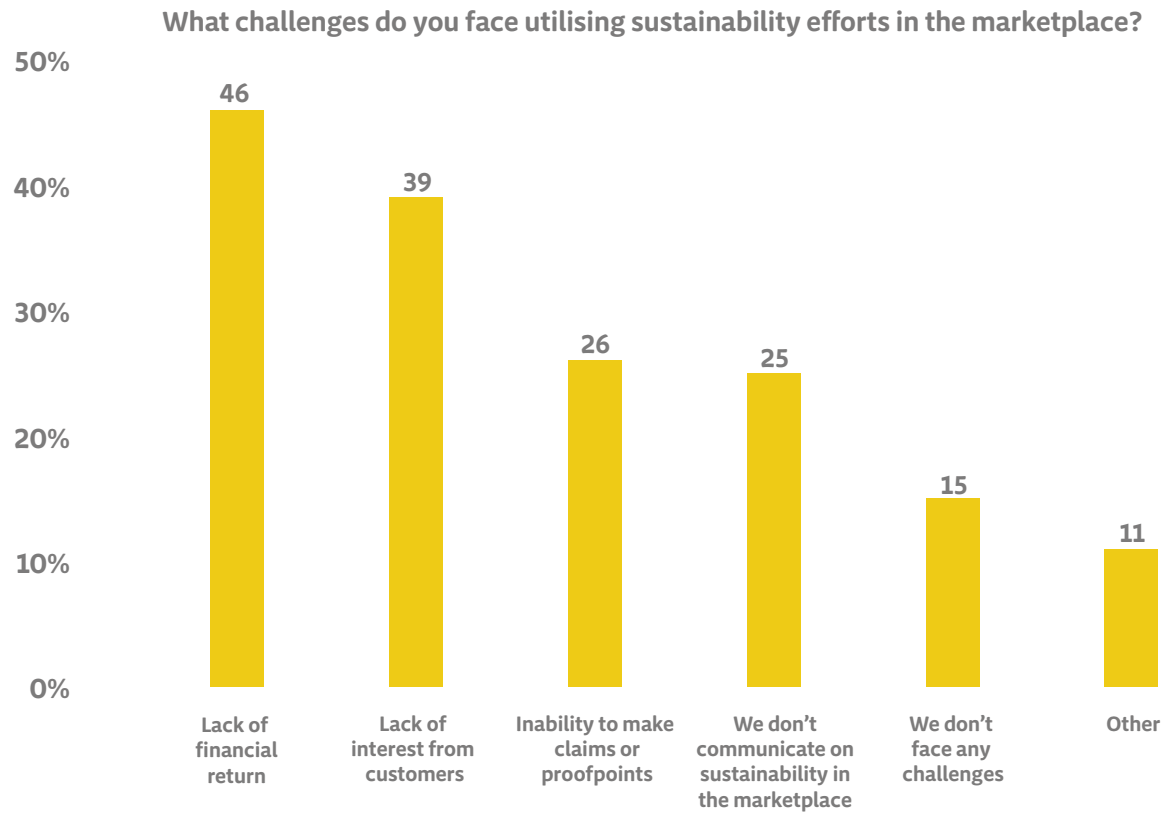
Dairy & Dairy Ingredients manufacturers perceive strong sustainability credentials as a basic cost to entering the market, as it comes up frequently in conversations with customers and targets have been set in collaboration with customers accordingly. However, as all large dairy processors are required to engage in these programmes, the level of ambition needs to be increased constantly to keep a competitive edge in the marketplace.

Many Origin Green members feel that customers appreciate when suppliers demonstrate a strong sustainability performance, however the customers are unwilling to pay a premium price in return. While this might be the case, the financial return associated with sustainability is not only seen in the marketplace, it is importantly observed in operational costs. Resource efficiency is a fundamental aspect of the Origin Green programme and encourages members to monitor and reduce energy, waste and water usage on an ongoing basis.

Cutting back on the use of such resources during the production process will lessen the cost of manufacturing products in the medium-long term. Additionally, strong sustainability performance and reporting can be the deciding factor for customers to choose one supplier over another. For many retailers and foodservice operators, supplier commitment to sustainability is likely already or will become a minimum requirement in the future.

### Making Sustainability Claims in the Marketplace

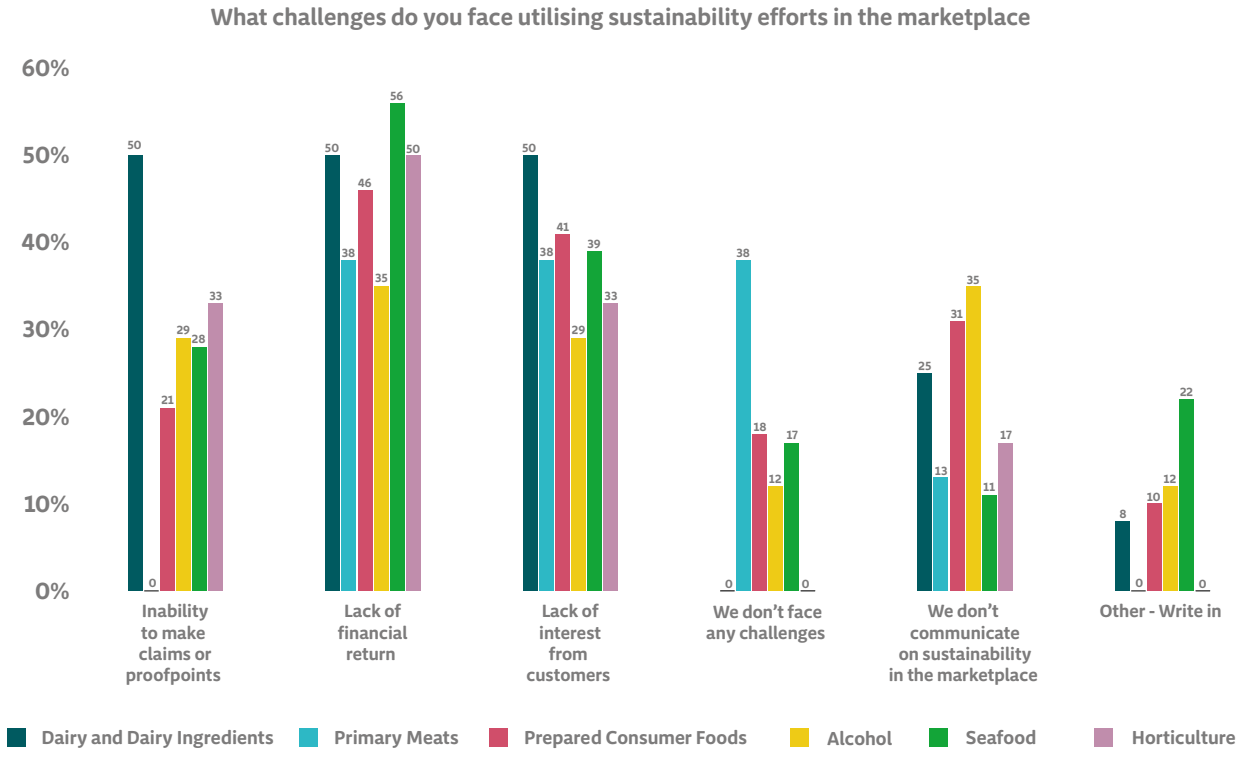
Graph 9 offers some insight as to why sustainability is less valued in some sectors, with the suggestion that there were more limited commercial returns being seen from investing in sustainability by respondents. The most challenging barriers to sustainability reported are lack of financial return and a disinterested customer group.




Graph 9: Barriers to sustainability investment

**98%**

**of Origin Green verified respondents believe that the programme is helping them mitigate sustainability risk .**




**Graph 10: What challenges do you face utilising sustainability efforts in the marketplace**

From a Dairy perspective, it emerged from Bord Bia's interviews that many Dairy respondents to the Radar are in the farmhouse cheese category and emphasise other brand attributes around artisanal production and family farms over environmental claims.

While many manufacturers appreciate the commercial value of Origin Green, they find it to be a complex programme to communicate. In many cases, Origin Green and other sustainability plans are developed by technical leads, rather than sales or marketing teams. This highlights again a disconnect between the efforts of various functions. It is essential that Origin Green members' sales and marketing teams understand and can articulate the benefits of sustainability when making claims in the marketplace. A joined up approach can lead to genuine commercial benefits.

The Origin Green team has developed a suite of tools and materials to help members communicate their sustainability commitments. Contact origingreen@bordbia.ie for further information.

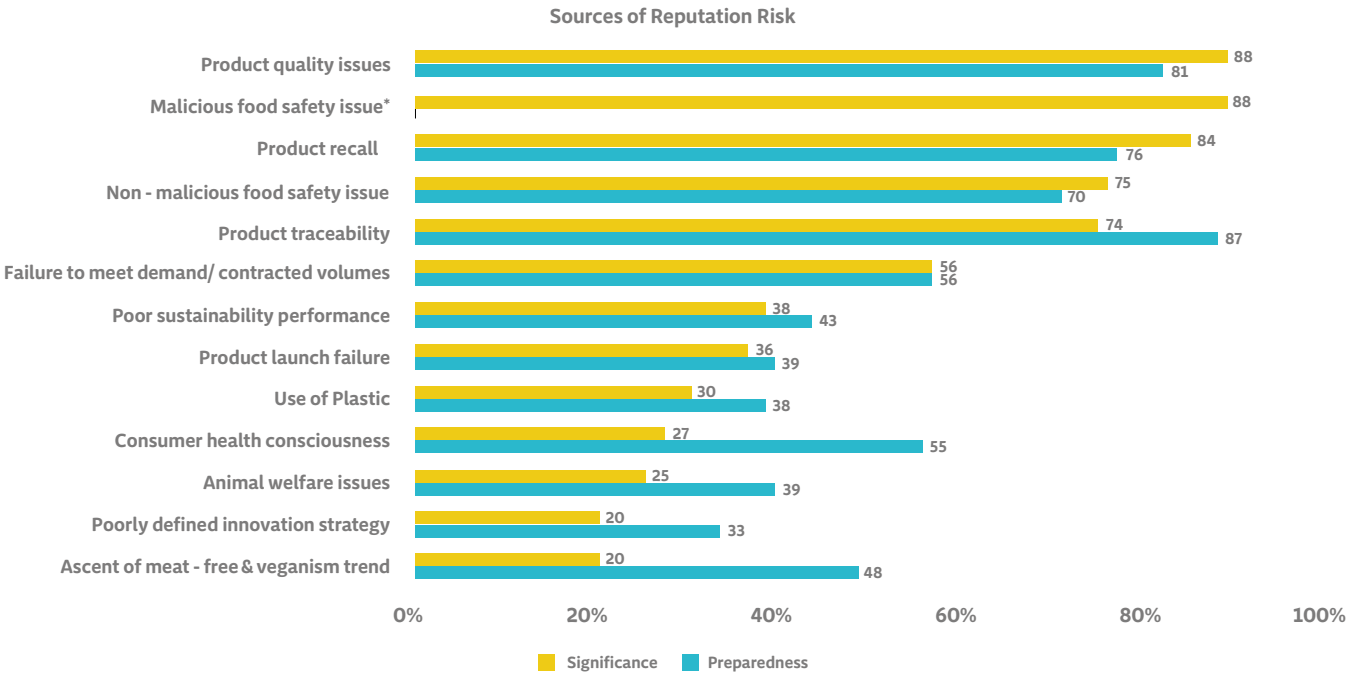
In addition, many respondents cited that, rather than a B2B scheme, customers like to see a standard or certification scheme, which is easily understood by end consumers. This may also suggest that sustainability for now seems to be driven more by efficiencies, cost reductions and/or an ethical compliance agenda, rather than an expectation on market return.

**It is essential that Origin Green members' sales and marketing teams understand and can articulate the benefits of sustainability when making claims in the marketplace. A joined up approach can lead to genuine commercial benefits.**

### Risks to Reputation

The reputation of a business is one of its most valuable trading assets. If managed well, it can generate trust and loyalty, which can lead to long-term customer gain. If mismanaged, it can have devastating consequences.

As part of this year's Readiness Radar, the sources of reputational risk were analysed, looking at how significant an issue they posed to respondents and how well prepared they were to manage the event – see Graph 11.




**Graph 11: Sources of reputation risk, their significance and the level of preparedness from across the respondent sample.**
***Respondents were not asked about the preparedness for Malicious food safety issue**

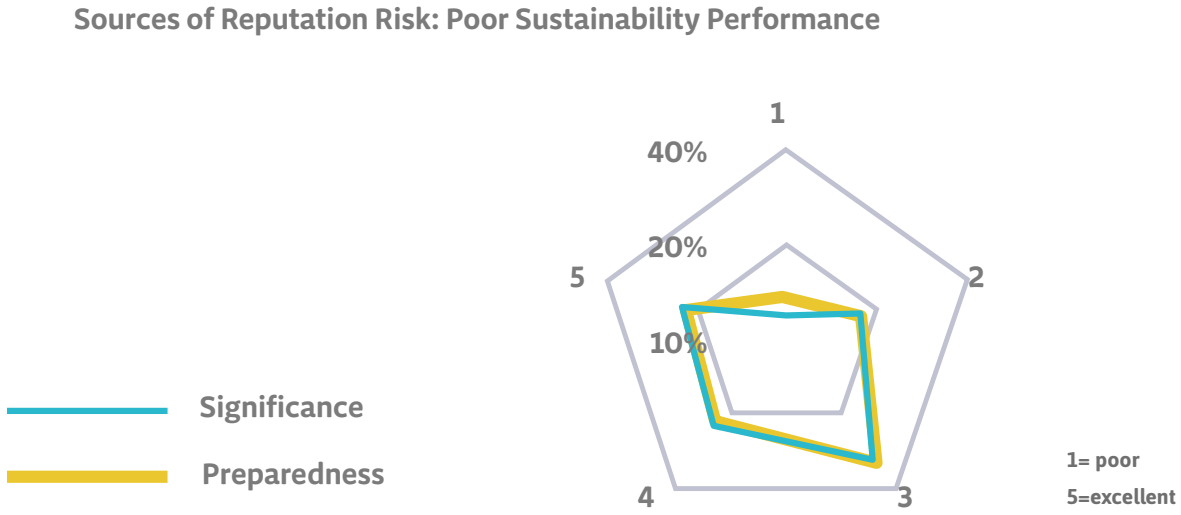
The results generated some of the highest scores in the risk diagnostic and there was little difference seen in sectors or manufacturer size. On closer review, the results identified three broad categories of reputation risk, with differing views around each.

Firstly, safety-related issues dominate the most significant sources of reputation risk for respondents, with the top four being product quality, food safety, recall and traceability. This is not surprising, given the importance placed on safe and dependable sourcing and quality in the brand attributes of the Irish food industry. Confidence around preparedness for these issues is also high, reflecting the attention that has been placed on risk and safety management by respondents. Typically, 70-80% of respondents rated their preparedness as well prepared or very well prepared in these categories, with smaller manufacturers as likely to be confident in their controls as larger ones.

Market-related reputational risk issues, such as veganism, animal welfare and use of plastics, were considered lower in significance, with only 20-30% of respondents rating them highly. These issues are likely considered less damaging when they affect the industry as a whole and are a known entity, as opposed to impacting one manufacturer and often unexpectedly. Level of preparedness for these issues typically outscores significance, indicating that a lot of attention has already been paid to these issues, which may have also played a role in reducing their perceived significance.

Strategic risks, such as a failure to meet demand or a poorly defined innovation strategy, are positioned between the safety risks and market risks. There appears to be a general feeling of control around these risks, which will have been tested to the full in recent months, given the uncharacteristic spikes in demand seen from consumers during Covid-19.

Over 37% of respondents have ranked poor sustainability performance as of high or very high significance. This is below the preparedness score, with over 42% of respondents stating they are either well prepared or very well prepared. Overall, as per Graph 12, there is a positive correlation between both rankings, with the weighted average of both variables being near three.




**Graph 12: Source of reputation risk: Poor Sustainability Performance**

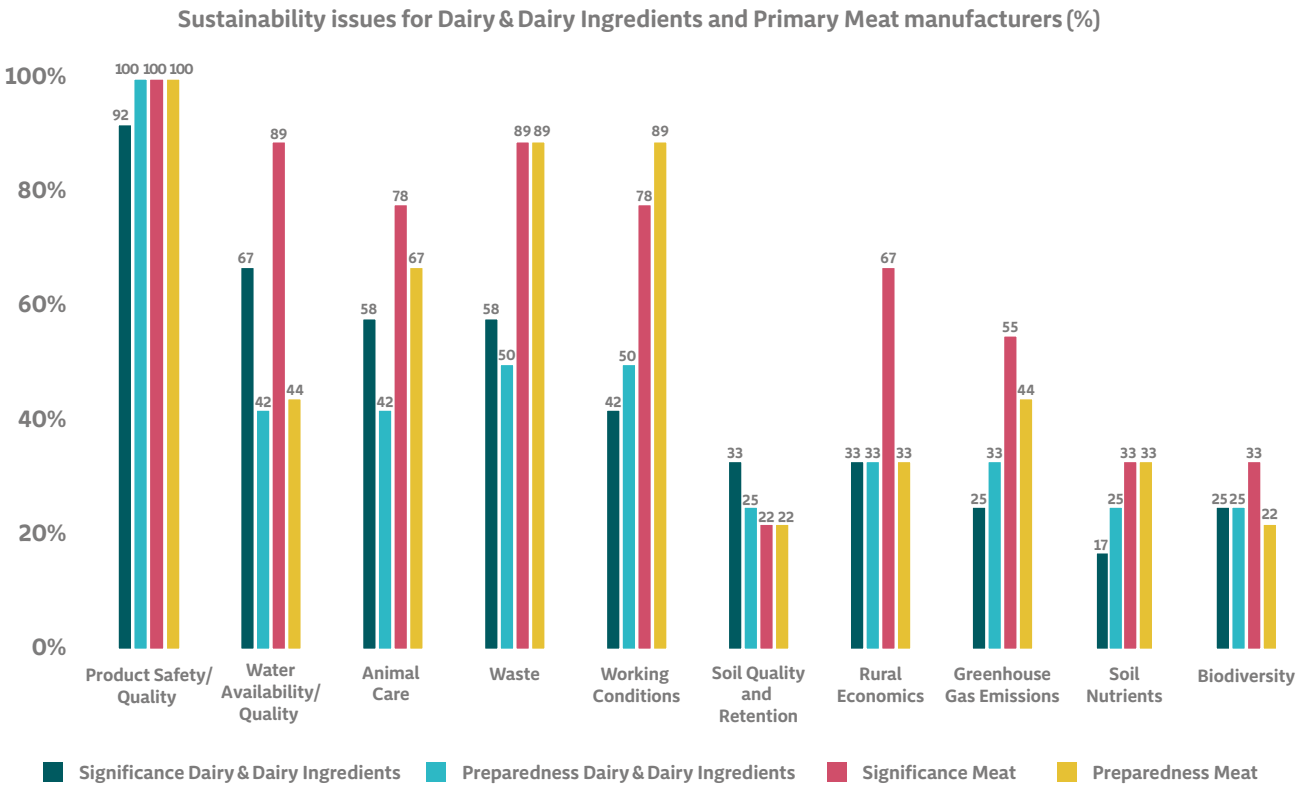
### Deep dive – sustainability in Dairy & Dairy Ingredients and Primary Meats manufacturers

There is an increasing demand from customers that beef and dairy is produced on farms that are certified members of an accredited quality assurance scheme, which is based on sustainability principles, incorporating environmental, social and economic aspects. In Ireland this evidence is provided through the Sustainable Beef and Lamb Assurance Scheme (SBLAS) and the Sustainable Dairy Assurance Scheme (SDAS). To date approximately 53,000 beef producers are certified to SBLAS, representing 92% of Irish beef production, and over 16,000 dairy producers are certified to SDAS, representing 95% of Irish dairy production.

These schemes set out the necessary criteria to produce quality beef and dairy. In addition, these schemes have also been designed to assess and record data to demonstrate the sustainability of Irish farming in a systematic way at an individual farm level. During the independent farm audits, undertaken on an 18 month cycle, members compliance in areas relating to legal, quality and customer requirements including farm health and safety, food safety, traceability and animal welfare is assessed.

Reflecting these higher expectations and requirements on meat and dairy products, Bord Bia's Readiness Radar assessed the views of manufacturers in the Dairy & Dairy Ingredients and Primary Meats sectors on a range of additional sustainability risks and measures. On an aggregated basis, the Readiness Radar demonstrated that there are many different issues that are all top of mind for Irish food and drink manufacturers as sources of potential sustainability risk. All but three of the issues in the diagnostic had 50% or more of respondents rating them as being of high significance. Clearly, Dairy & Dairy Ingredients and Primary Meat manufacturers are juggling a variety of sustainability demands.

On a sector-to-sector comparison, some differences can be seen in the importance attached to certain sustainability issues and the level of preparedness (see Graph13).




**Graph 13: Comparing significance of, and preparedness for, sustainability issues in Dairy & Dairy Ingredients and Primary Meat sectors.**

Of top concern is product safety and quality, unsurprising given these sectors' dependency on these brand values. However, this risk is seen to be in strong control, with every respondent rating their preparedness as 5, or "very high".

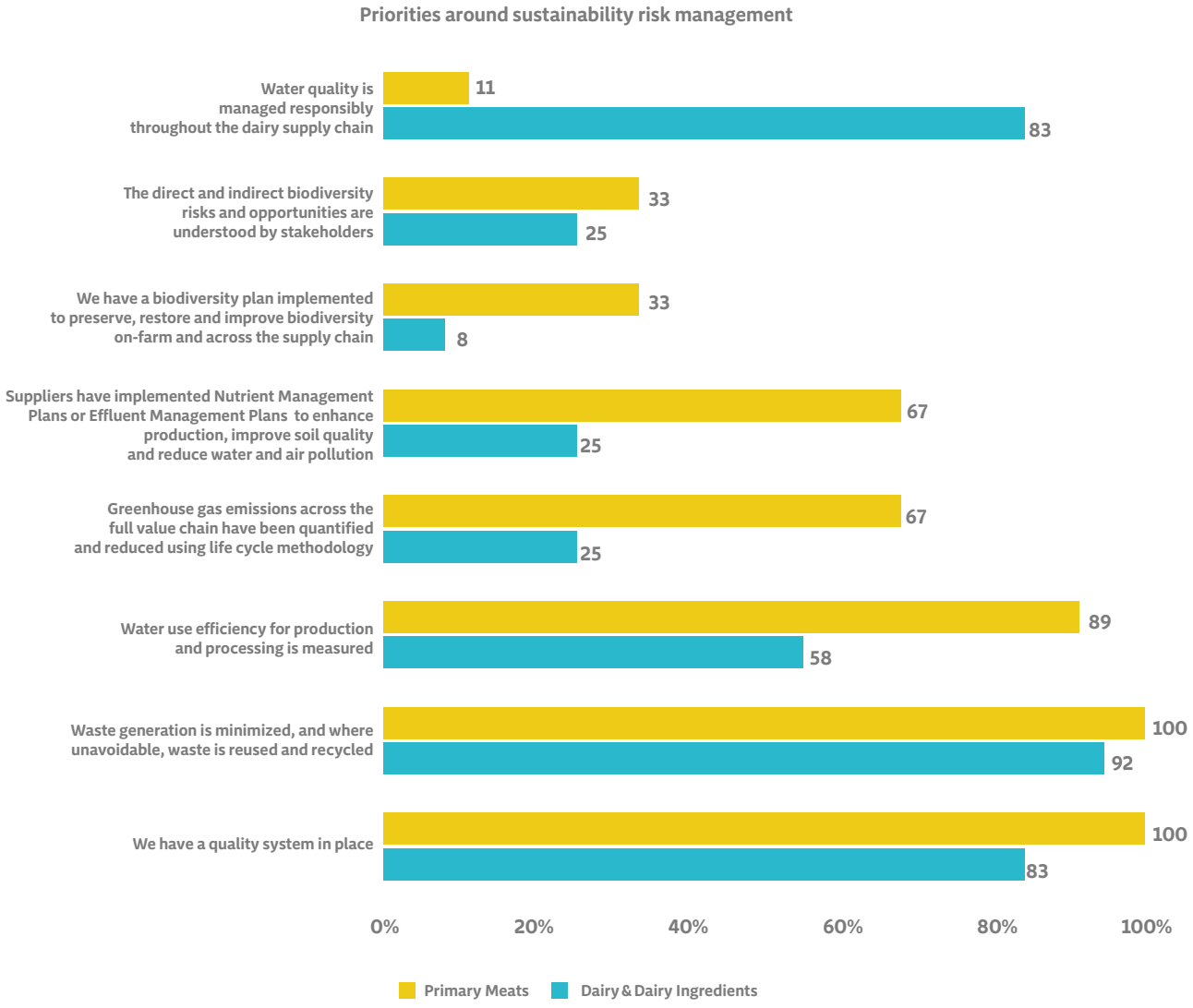
Waste is also seen as a prominent source of sustainability risk, particularly in the Primary Meat sector. This is unsurprising, given that one third to one half of all food produced globally is wasted, lost or uneaten. Confidence around preparedness closely tracks significance of the exposure, suggesting a considerable focus around controls. Manufacturers in Dairy & Dairy Ingredients and Primary Meats have in the past deployed initiatives such as innovative packaging, innovations to extend shelf life and optimising the supply chain, to address these risks.

Water availability and quality is seen as another significant source of sustainability risk, especially to Primary Meat manufacturers. Demand for livestock products utilises more resources and has a resulting impact on the environment. Of all the issues outlined in this section, preparedness for water availability / quality is more negatively correlated with significance, across both sectors. Over 20% of respondents across both sectors rate their own preparedness for this issue as low.

These manufacturers should contact the Origin Green team for advisory services on how best to address this issue.

### Sustainability risk management in Dairy & Dairy Ingredients and Primary Meat manufacturers

With 78% of Primary Meat and 83% of Dairy & Dairy Ingredients respondents being members of Origin Green, it is unsurprising that confidence around preparedness is relatively high. This is reflected in the activities respondents have undertaken to manage sources of sustainability risk – see Graph 14. Across both sectors, almost all respondents have a quality plan and minimise waste through reuse or recycling. Nearly three quarters measure water use efficiency for production and processing. Far fewer are engaged on proactive biodiversity measures aimed at tackling climate change issues, which is reflected in the relatively lower scores for this risk issue elsewhere in the results.




**Graph 14: Comparing Dairy & Dairy Ingredients and Primary Meat manufacturers priorities around sustainability risk management**

Finally, Graph 13 shows where there are major sectoral differences in focus for managing sources of sustainability risks. Most of these are characterised by the sectors' priorities and risks – e.g. exposure to greenhouse gas from Primary Meat manufacturers and water quality in the Dairy supply chains.



# KEY TAKEAWAYS

Over the past eight years, Origin Green has been a leader in sustainability, helping to bring competitive advantage to the food and drink Industry and forging a reputation for innovative leadership internationally. The continued success of Origin Green depends on its ability to evolve its mandate and expand its reach.

It is apparent that Origin Green verified members are more aware & prepared for future sustainability risks. It is also very clear from the Readiness Radar data that Origin Green verified members are deriving value from the programme, with 98% stating that Origin Green is helping them mitigate sustainability risk. Indeed, many non-verified members have also indicated their perceived benefits from incorporating sustainability into their business strategy. Nonetheless, gaps remain on key issues such as packaging, supply chains and on anticipating new regulatory developments and standards, as the bar for sustainability continues to increase.

Responding to new EU and national policies, emerging consumer behaviours and industry expectations emerging from Covid-19, Brexit, Diversity & Inclusion and other challenges will ensure that Origin Green continues to position Ireland's food and drink as a global leader in sustainable food production, acknowledged by trade and consumers alike.

## Bord Bia supports for your business Post Covid-19

Sustainable business practices will be fundamental in future proofing your business post Covid-19. Below are a list of supports from Bord Bia, that will provide you with guidance on each step of the decision-making journey to help you mitigate against sustainability risks and plan for the future.

### THINK

- **Risk Readiness Gap** Analysis to understand your risk exposure and level of preparedness
- **Readiness Radar Findings** to gather data and insights to help prepare for the risks facing manufacturers
- **Global Consumer Survey on Sustainability (2018)** to view the key progress targets members have achieved since joining the programme
- **Future Planning Toolkit** to understand how consumer behaviour is changing

### PLAN

- Register to become an Origin Green member through developing **a multiannual Origin Green Sustainability Plan**
- Request a **Origin Green Mentor** to assist in drafting sustainability plans and completing annual reviews
- Attend themed **Origin Green Workshops and Webinars** hosted by Bord Bia on key sustainability issues
- **Participate in Repak Prevent & Save Clinics** on preventing and effectively managing packaging waste.
- **Host Virtual Staff Engagement Sessions:** The Origin Green team can visit your business to engage staff by explaining what Origin Green is, why it's important to our industry and how your business can increase its competitiveness through sustainability

### DO

- Draft a 3-5 Year **Origin Green Sustainability Plan**
- Report annually on progress towards Origin Green targets
- Where possible form a cross-functional sustainability team
- Invest in communicating sustainability credentials to customers. Receive a copy of the **'How To Get The Most From Your Companies Origin Green Membership'** document
- Receive a copy of the **Origin Green Member Activation Guidelines**
- Know how to talk about sustainability to global customers. Check out the **online sustainability insights tool** to equip yourself with global sustainability insights

**Please visit https://www.bordbia.ie/ for more information.**

8

# Talent Management

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## Talent management continues to be an important source of competitive advantage. Significantly, respondents to the Readiness Radar ranked talent to be as critical to the industry as sustainability risk. However, overall preparedness for talent attraction, retention and development was rated higher, demonstrating an advanced level of talent management across the industry.

The competition for talent has been impacted due to the Covid-19 pandemic. However, in the coming months, as businesses return to a level of operation, the competition for talent is expected to continue at pace. Feedback from Readiness Radar respondents suggest that retention and acquisition of talent will be challenging. With increased competition, changing workforce demographics, talent shortages and the prevalence of urbanisation and globalisation; many organisations are now developing comprehensive workforce plans and talent management strategies.

Organisations are focusing on anticipating future workforce needs to achieve optimal staffing and ensure sustainability of the workforce. There is strong desire to improve efficiency, productivity, and workforce commitment by securing, retaining, and maximising top talent. This requires a thoughtfully designed talent strategy to build internal capabilities and optimise talent management programmes.

These strategies are currently being challenged due to difficulties arising from Covid-19. In Bord Bia's facilitated client sessions, some of the key impacts highlighted as a result of Covid-19 were the redesign of workplaces and processes leading to a reduced rate of production, due to social distancing.



### Key risks

Attracting talent is key to driving business growth. In fact, 85% of business leaders in the Irish food and drinks sector believe that attracting, retaining and developing talent either somewhat or significantly impacts their growth prospects.[1]

The Readiness Radar asked respondents to rank talent management risks based on their impact on the organisation's ability to grow (from 1 = very low impact, to 5 = very high impact).




The three highest ranking risks that have been identified as having either a high or a very high impact on businesses are attracting appropriate people (41%), skills shortage (36%), and training investment (32%).

[1] Department of Agriculture, Food and the Marine, 2019. Annual Review and Outlook for Agriculture, Food and the Marine. [Online]. [Accessed 29 May 2020] Available from: https://www.agriculture.gov.ie/media/migration/foodindustrydevelopmenttrademarkets/agri-foodandtheeconomy/publications/DepartmentAgricultureAnnualReviewOutlook2019200919.pdf

### Attracting appropriate people

Talent attraction in a competitive marketplace continues to be a high priority risk for the industry, with some sectors such as Seafood highlighting that potential recruits do not see a future for themselves in the sector given its slow growth. The need to promote the Irish food and drinks industry as an attractive place to work emerged strongly. Businesses are advised to highlight the advantages of working in the sector, such as the positive brand image of this essential and growing industry, the opportunity to develop a career in a rural location, and the work / life benefits that come with this. As an export-led industry employing almost 173,000 people and exporting to over 180 markets worldwide, Ireland's food, drink and horticulture industry provides an essential service to the rest of society, while helping to sustain rural economies.

Offering and clearly communicating initiatives around health and wellbeing, flexibility and the organisations talent plans and growth ambitions will help companies to actively promote their employer value proposition. People make the difference and that the success of the industry rests on the inherent skills, motivation and engagement of talented people. The Bord Bia Talent Academy offers a range of world-class graduate and post-graduate opportunities to support them in being the very best professionals that they can be.

### Skills shortages

The data clearly identifies skills shortages as a key issue for businesses, and this is discussed in more detail in the next section of this chapter. Some companies do not have a formal Human Resources function, which further hinders their ability to effectively recruit.

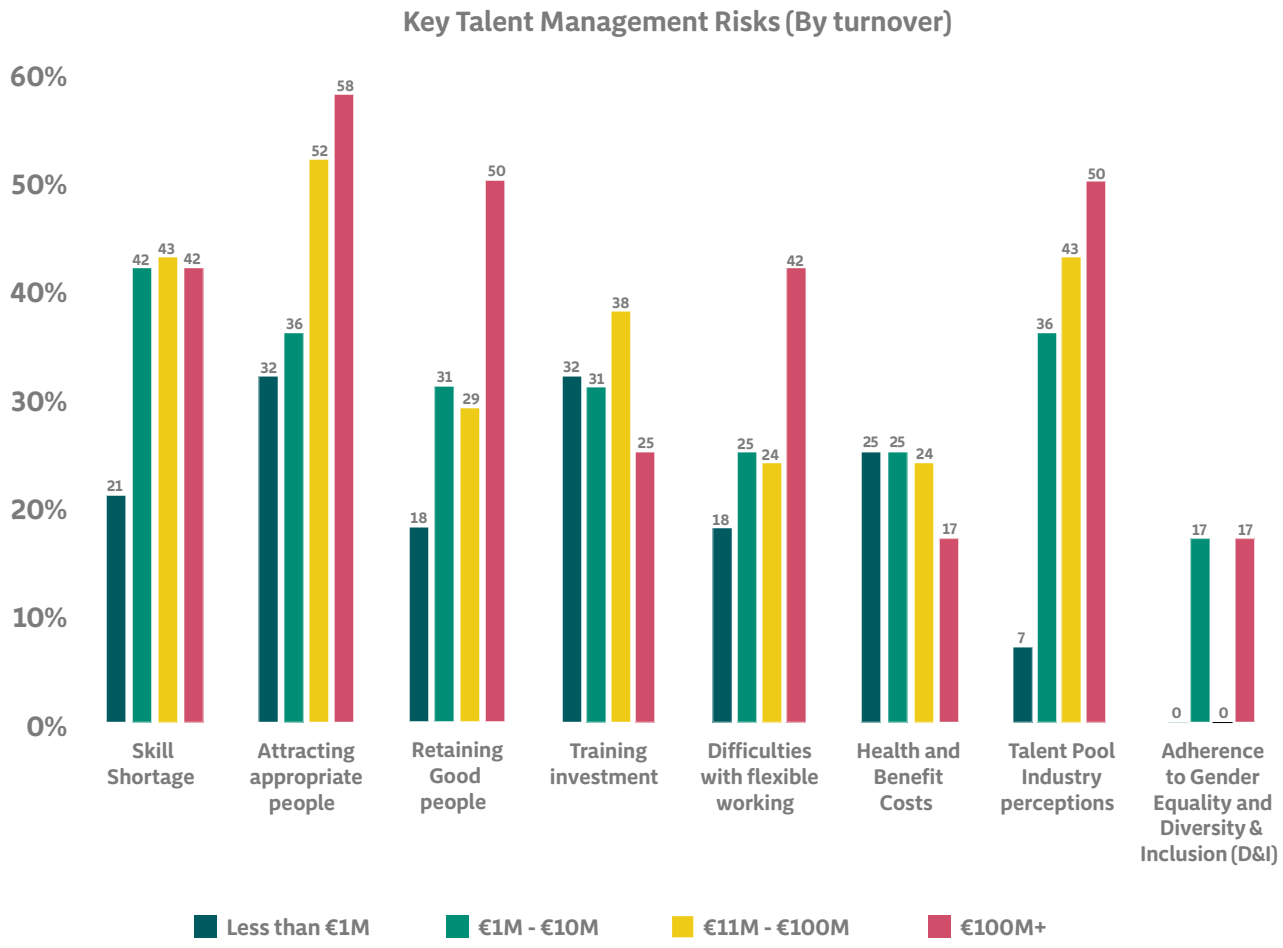


**People make the difference and the success of the industry rests on the inherent skills, motivation and engagement of talented people.**

### Training investment

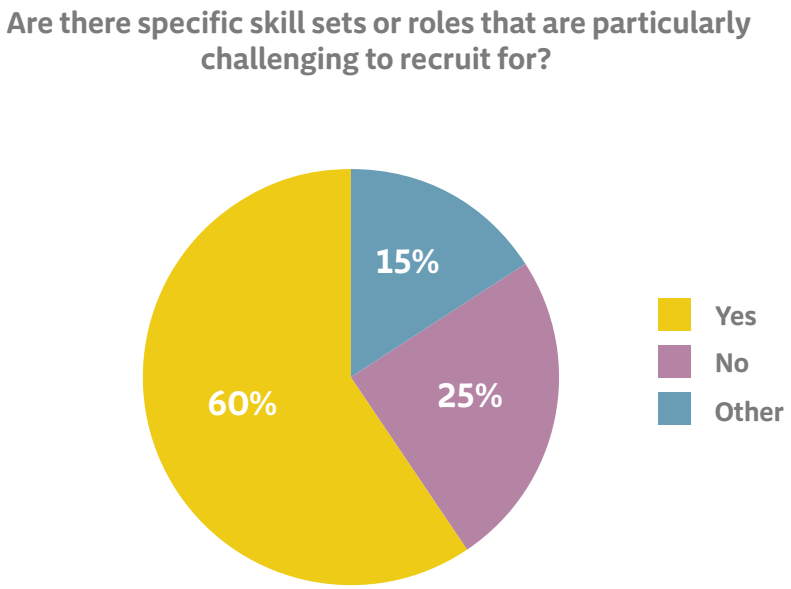
At a time when businesses are trying to balance the books and absorb the financial implications of Covid-19, as well as the currency volatility that is a fact of life for those trading with non-Euro economies, competing for internal budget to invest in training may be a difficult conversation. Bord Bia supports manufacturers with capability development services such as Marketing Strategy Development, Key Customer Account Management, Logistics Optimisation and Customs Readiness Programmes. Further information on the available supports can be found on Bord Bia's website. https://www.bordbia.ie/industry/business-assistance/

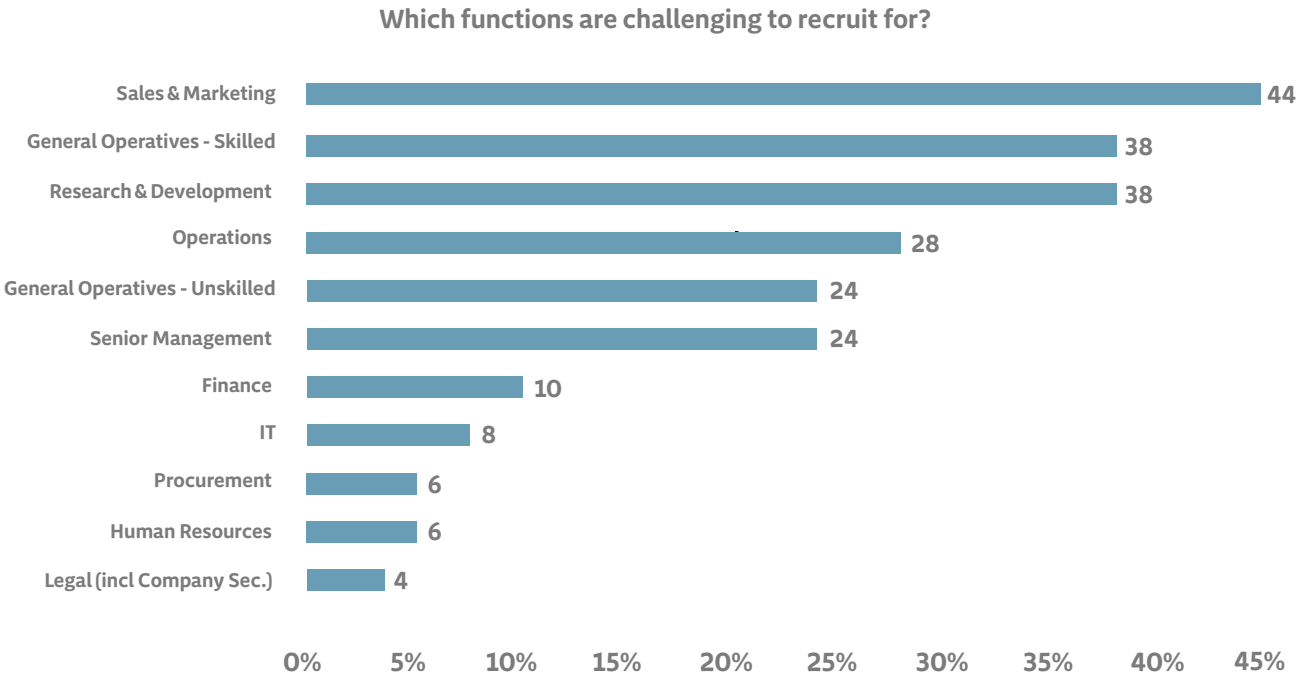
When the data is analysed by turnover, it is worth noting that companies with higher turnover levels identify skills shortage, attracting appropriate people, talent pool industry perceptions and talent retention to have the highest impact. However, smaller companies with turnover below €1M see attracting appropriate people and training as a higher priority. This could be due to the limited budget to invest in training employees. From a smaller business perspective and based on client feedback there is a challenge to attract the appropriate people. Smaller businesses compete with larger businesses when recruiting for specific skill sets and these larger businesses are often perceived as a more attractive option.



### Challenging skillsets to recruit for

Six in ten of respondents agreed that there are specific skill sets or roles that are particularly challenging to recruit for. Of those who answered 'Yes,' the most challenging roles to recruit for have been identified and are ranked in order of priority in the table below.



Sales & Marketing is rated the most challenging role to recruit for by both the Prepared Consumer Foods and Alcohol sectors. Both sectors engage directly with the end consumer, so the prioritisation of this skill set is likely aligned with the marketing strategies of these companies.

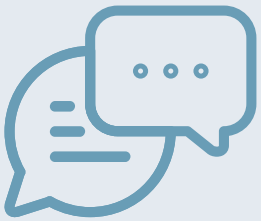
In Bord Bia's client interviews, several companies called out the need for stronger digital marketing talent as businesses are engaging with consumers and transacting more and more in the online world. Meanwhile, a strong need emerged for assertive and skilled salespeople. It's clear that in recent years, the gap between these commonly grouped skillsets has grown greater. Whilst marketing can be both consumer and customer centric, there's a requirement in the industry for talented, customer-centric sales professionals. As such, recruiting for and developing these talents should be managed differently.

Recruiting for skilled General Operatives remains a challenge, particularly in the Prepared Consumer Foods and Primary Meats sectors. As the construction sector in Ireland continues to grow, competition for this finite resource is on the rise.

One of the key routes to unlocking margin growth in the sector is Research & Development (R&D), which can move companies up the value chain from a commodity product to a more margin-accretive value-added product. The global growth of the Irish food and drink industry has been fuelled by insights and innovation, so it is logical that both the data and client insights identify R&D as a skill set that is vital, albeit difficult to recruit for. From Bord Bia's client discussions it became clear that it was particularly challenging to recruit for roles that required both technical and market experience. This came out strongly in relation to the Dairy and Dairy Ingredients sector and similar logic applies to the Seafood sector, which also calls out R&D as high priority.

The table below identifies the most challenging roles to recruit for by sector.

| Rank | Dairy and Dairy Ingredients | Primary Meats | Prepared Consumer Foods | Alcohol | Seafood | Horticulture |
|---|---|---|---|---|---|---|
| 1 | Research & Development | Operations | Sales & Marketing | Sales & Marketing | Research & Development | Senior Management |



**Over half (60%) of respondents agreed that there are specific skill sets or roles that are particularly challenging to recruit for, with Sales & Marketing topping the list.**

### Diversity & Inclusion as a driver of growth

Diversity & Inclusion (D&I) has not been ranked as a high priority risk by respondents. However, it is important to highlight its benefits to the industry. Many studies suggest that diverse companies are more likely to outperform non-diverse companies on profitability.

The Agri-Food Diversity & Inclusion Forum (AgDIf) is a collaborative initiative with industry, led by Bord Bia and Aon, and in partnership with The 30% Club to drive gender diversity. In line with the Origin Green Charter, AgDIf drives awareness and support for the Irish food and drink industry on its D&I journey, so it is best positioned to compete to attract the best talent at all levels and across disciplines.

The Forum has created a free online D&I Toolkit for the industry and is also supporting businesses to understand best practice in D&I through the Masterclass series. More information is available at: www.bordbia.ie/agdif .

The Toolkit provides guidance on building the business case for your D&I strategy and helps in defining your measures of success. It offers advice on how to implement D&I considerations into recruitment processes covering topics such as:

- Achieving a balanced slate of candidates
- Writing a gender-neutral role profile
- Interview techniques
- Ensuring a balanced interviewing panel

[3] McKinsey & Company, 2020. Diversity wins: How inclusion matters - May 2020. Accessed May 29, 2020, from: https://www.mckinsey.com/~/media/mckinsey/featured%20insights/diversity%20and%20inclusion/diversity%20wins%20how%20inclusion%20matters/diversity-wins-how-inclusion-matters-vf.ashx



**Many studies suggest that diverse companies are more likely to outperform non-diverse companies on profitability.**

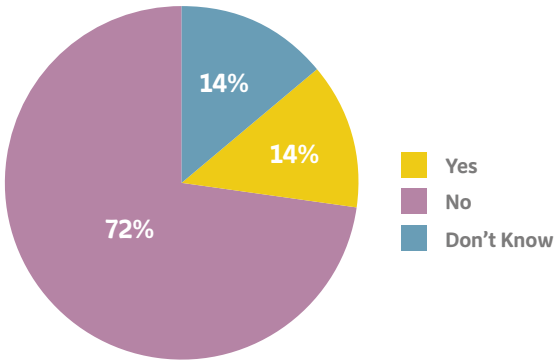
However, 72% of respondents stated that they have not used the free online Toolkit.

Large companies with turnover of greater than €100M are leading the way, with 33% stating they have used it.

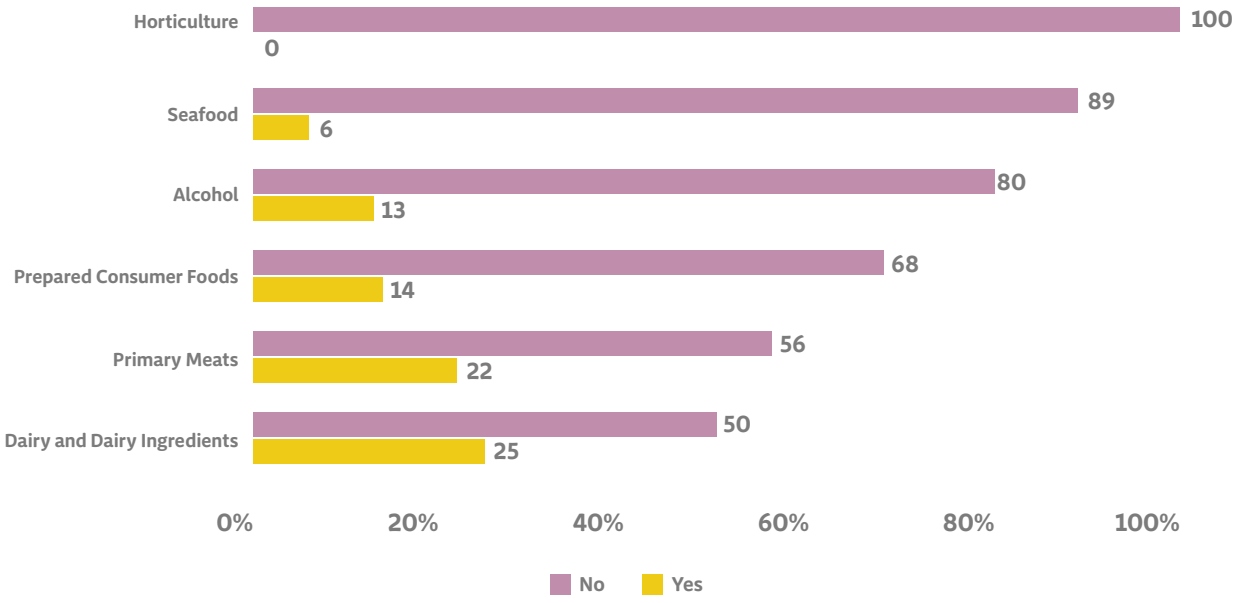
The Dairy and Dairy Ingredients and Primary Meats sectors have the highest rates of utilisation (25% and 22% respectively). At the other end of the scale it is disappointing that no Horticulture respondents have availed of this free resource.

The Toolkit serves as a handbook to guide thinking on talent development in all its forms; mentoring, coaching, training and creating the right conditions in the work environment to foster and nurture D&I. As such, it is a significant growth tool for the sector.

**Have you used the free online toolkit from the Agrifood Diversity & Inclusion Forum/ Origin Green**




**Have you used the free online toolkit from the Agrifood Diversity & Inclusion Forum/ Origin Green**





# KEY TAKEAWAYS

Irish food and drink manufacturers should assess their current skills base and identify ways that improved approaches to talent attraction, retention and development will help them to meet their business growth needs. Diverse input and new ways of thinking are essential in helping the industry to progress: proactive D&I strategies will help firms to achieve this diversity of thought and approach. With the difficult economic challenges Covid-19 poses, business leaders will need to balance their short term needs with a longer term vision of how talent can contribute to strengthening the resilience of their business.

Bord Bia's suite of capability development services, the Talent Academy, and the Agri-food D&I Forum are all available to support the industry in managing this crucial risk agenda.

## Bord Bia supports for your business Post Covid-19

Below are list of supports from Bord Bia that provide guidance towards an improved approach to talent attraction, retention and development to meet business growth needs.

### THINK

- **Risk Readiness Gap Analysis** to understand your risk exposure and level of preparedness
- **Readiness Radar Findings** to gather data and insights to help prepare for the risks facing manufacturers
- **Aon Diversity and Inclusion (D&I) AgDIf Survey** to assess industry progress in D&I initiatives.
- **Future Planning Toolkit** to understand how consumer behaviour is changing

### PLAN

- Attend a **D&I AgDIf Masterclasses** to learn the value of D&I initiatives in the workplace
- Review **Bord Bia Talent Academy programmes schedules** & identify suitable resource alignment

### DO

- Engage with **Bord Bia's Talent Academy** on their Sustainability Programme, Insights & Innovation Programme and their Alumni network for a talent pipeline.
- Use the **D&I AgDIf Toolkit** to enhance your talent management

**Please visit https://www.bordbia.ie to access these services**

9

# Insights & Innovation to Power Growth

BORD BIA
IRISH FOOD BOARD

The food, drink and horticulture industry is constantly evolving, and there are a number of forces at play. From social changes to technological advancements, as well as economic shifts, environmental and political changes – all these factors play out at a consumer level and therefore need to be considered when thinking about innovation. This has never been more the case than in the wake of the disruption caused by Covid-19.

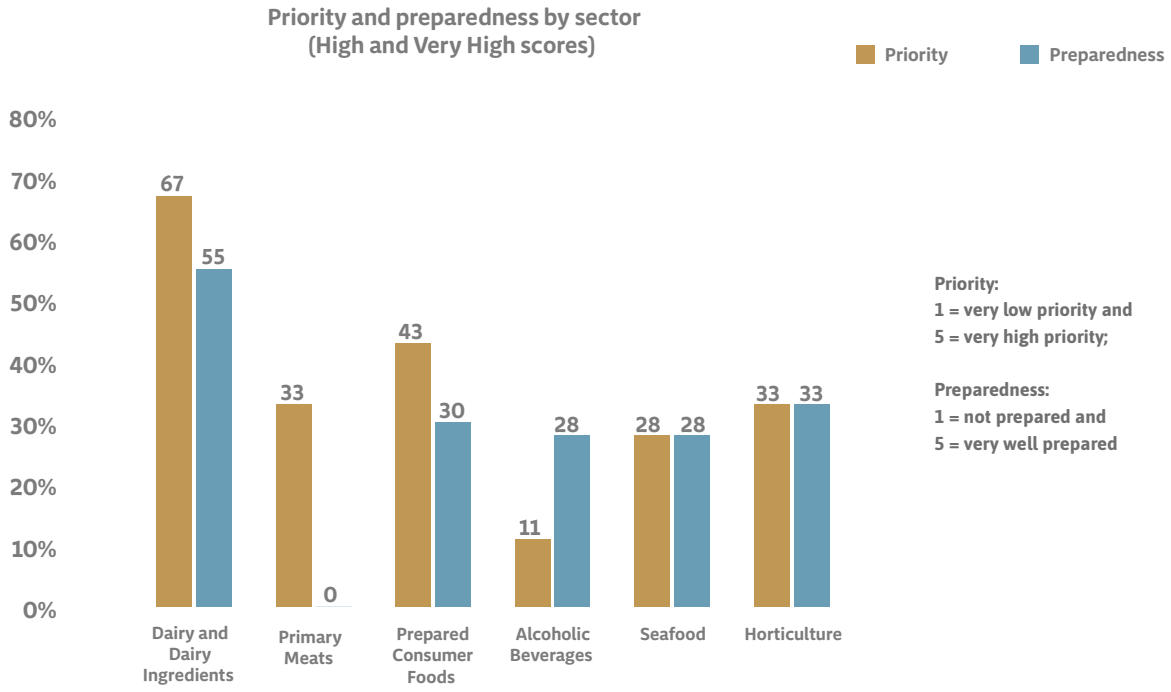
The Bord Bia Thinking House has been a centre of insight excellence since its launch in 2016. The vision and purpose of this is to elevate Ireland as a 21st century contemporary food-producing nation that commercialises food production in line with genuine consumer needs. Bord Bia's Thinking House aims to ensure that the branding and innovation chains across the food, drink and horticulture industry in Ireland start and end with the consumer.

Keeping both consumer trends and insights in mind enables companies to develop consumer driven innovation processes, which are based on experience, rather than perceived or expected consumer demands. Innovation for innovation's sake can be risky, but innovation based on need can reduce risks significantly, and provide significant opportunity. By leveraging consumer and market insights that make sense of the landscape and guide today's decisions, the Bord Bia Thinking House works to inspire clients to make decisions that will shape tomorrow's world.

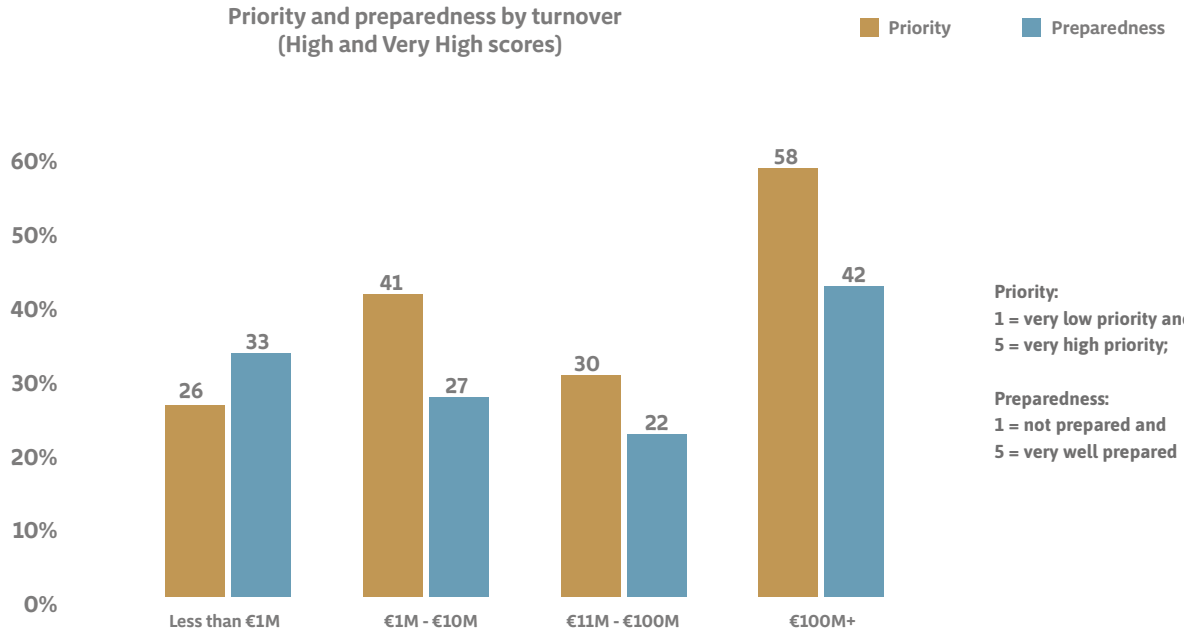
Over 38% of respondents to the Readiness Radar ranked investing in insights and innovation to be either a high priority or very high priority risk. Similarly, 31% of respondents ranked their preparedness to be either well prepared or very well prepared. When the data is analysed by sector, it is noteworthy that the Dairy and Dairy Ingredients sector ranked investing in insights and innovation as the highest priority (67%). This is unsurprising, as the sector has built its success on an innovation agenda, developing new and varied products for a range of diverse export markets.



The Primary Meats sector ranked investing in insights and innovation to be high. However, there is a medium level of preparedness, with 56% of respondents rating themselves as prepared, but no respondents ranking their preparedness to be high or very high. This suggests there may be a skills gap within Primary Meats to drive insights and innovation. With consumer trends indicating future growth, there is a need for meat manufacturers to consider ways in which they can increase preparedness in response to the risk.



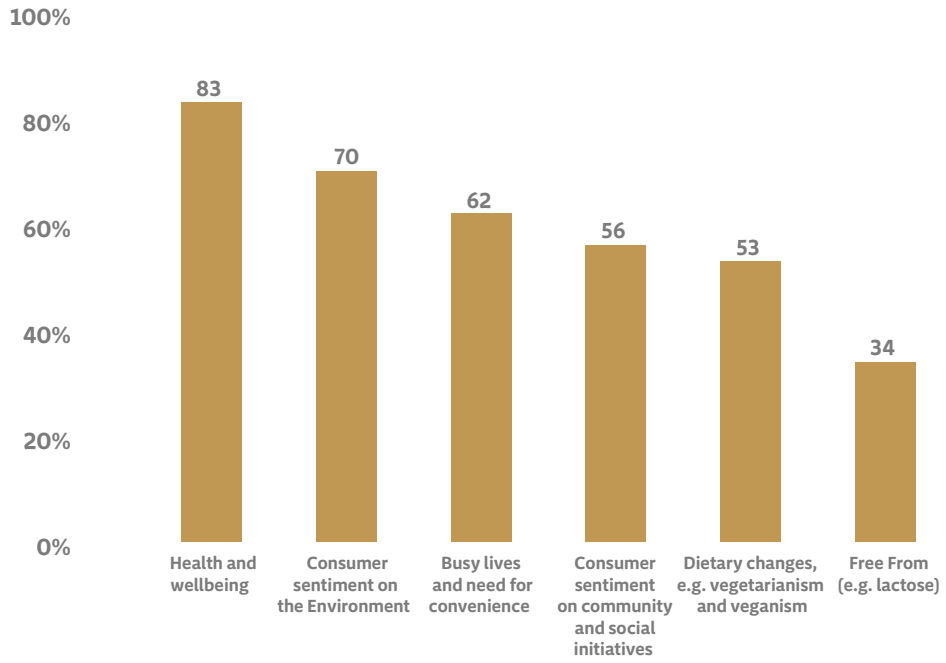

Respondents with turnover below €1M have the highest level of preparedness in relation to the risk perception. There seems to be a higher degree of priority amongst larger companies, with over 58% of manufacturers with over €100M turnover ranked investing in insights and innovation to be high or very high priority.



Consumer and Market insights have proven to be an important strategy in understanding consumer expectations. Manufacturers are continuously working toward adapting to changes in consumption habits, including lifestyle, tastes and demand. The new consumer value drivers are creating opportunities and challenges to the industry as a whole. Applying appropriate consumer input throughout the product development and marketing lifecycle will support a successful long-term strategy.

### Consumer Trends and Future Growth

Manufacturers' future growth is highly dependent on consumer trends and demand. Should manufacturers fail to meet these new consumer value drivers, they stand to lose consumer sales and market share. The 2020 Readiness Radar asked respondents to consider six consumer trends, aligned with Bord Bia's Consumer Lifestyle Trends, and rank their significance in relation to future growth (from 1 being very low significance, to 5 being very high significance).




## Health and wellbeing

It is unsurprising that health and wellbeing is ranked highest, with 83% of respondents scoring it as either of high significance or very high significance (as shown on Graph 3). Globally, there is a growing trend for health and wellness among consumers who are seeking out ways to improve their diets and general wellbeing. This is aligned with Bord Bia's Consumer Lifestyle Trends, through which Health and Wellbeing was defined as one of the key trends that will influence the food, drink and horticulture industry for the next three to five years.[1]

However, now more than ever, consumers are placing more importance on physical wellbeing, while at the same time also becoming more aware of emotional and mental wellbeing. According to Bord Bia's Future Proofing Toolkit, post Covid-19, foods that can protect our defence systems are likely to grow in popularity post Covid-19.

This will see a shift in the role functional foods plays for consumers. Recent years have seen Science and Nature blend in the minds of consumers with an ever-greater focus on the role of natural nutrition. As we move into the post Covid-19 world consumers may well pay more attention to the science of food functionality.

Another area of importance for consumers is transparency and traceability, which allows them to know more about the products they are purchasing and consuming, as well as the producers and the associated supply chains. A strong traceability process can help increase consumer trust and faith in food safety.[2]

## Consumer sentiment on the environment

There is an increased consumer focus on the environment in recent times, which is illustrated by the Responsible Living Consumer Lifestyle Trend. 70% of respondents ranked consumer sentiment on the environment as being of high/very high significance. Consumers are now more consciously aware of their environmental footprint and are more likely to choose brands and manufacturers who are committed to having a positive impact on the environment.[3] Consumer behaviour around food waste, in particular, has evolved in the wake of Covid-19, and this will also have implications on the industry. It would appear that one of the biggest shifts in behaviour around food waste centres on intention. According to the Future Proofing Toolkit, 75% of Irish consumers are reducing their trips to the supermarket, meaning food needs to go further.[4]

Some 54% of Irish shoppers claim this behaviour of 'minimising' trips to the supermarket is happening more often now. And of those 40% think it is likely to continue into the future.[4] With the need to reduce trips to the supermarkets, it is even more pertinent that consumers make their food go further. There were numerous resources dedicated to helping consumers reduce food waste during the Covid-19 lock down, with guidance ranging from the use of broccoli stems in cooking and making chips from vegetable peel, through to making stock, reviving stale bread and freezing leftovers. Indeed, banana bread has been making something of a renaissance since the onset of the Covid-19 restrictions as a tasty way to use bananas that are past their best.

## Busy lives and need for convenience

Consumers also consider convenience when buying products. Busy lives and need for convenience has been ranked as number three, with over 60% of respondents scoring it as being of high/very high significance. Consumers are pressured for time and in an increasingly busy world, there is a constant balancing act between accommodating health and wellness considerations. Companies need to have a proactive approach to meet consumers' demand for these new levels of convenience.[5]

How this evolves post Covid-19 will also be top of minds for the Irish food and drinks industry. Prior to the Covid-19 crisis, the traditional 9-5 work day as we knew it had started to change over the last number of years. The gig economy, more flexible work and remote working all have had an impact on the traditional ways of working. Likewise, the traditional office itself has had a complete makeover with spacious workplaces created and designed to be somewhat more recreational in nature. The blurring of work and leisure time was a very real phenomenon putting more and more pressure on time-strapped consumers.

Now that blurred line between work and play has been pushed into our homes, behind closed doors. The world of work is completely disrupted for us all. Some of us have seen our work disappear, while others struggle with the challenge of working at home and managing home-life. For others work was our social-network and now that has disappeared either completely or behind a virtual interface. All of us have been forced to adapt to a new environment – the true extent of change may still be hidden.

[1] Bord Bia. 2018. Consumer Lifestyle Trends: Health and Wellbeing. Accessed May 29, 2020, from: https://www.bordbiaconsumerlifestyletrends.ie/trends/health-wellbeing/
[2] Bord Bia. 2018. Consumer Lifestyle Trends. Accessed May 29, 2020, from: https://www.bordbiaconsumerlifestyletrends.ie/
[3] Bord Bia. 2018. Consumer Lifestyle Trends: Responsible Living. Accessed May 29, 2020, from: https://www.bordbiaconsumerlifestyletrends.ie/trends/responsible-living/
[4] Bord Bia. 2020. Future Proofing Toolkit: Ireland Edition. Accessed June 12, 2020, from: https://www.bordbia.ie/globalassets/bordbia2020/industry/covid/indicator-reports/future-proofing-toolkit-ireland.pdf
[5] Bord Bia. 2018. Consumer Lifestyle Trends: Fuller Lives. Accessed May 29, 2020, from: https://www.bordbiaconsumerlifestyletrends.ie/trends/fuller-lives/

## Dietary changes

There is also a strong tendency towards dietary changes, as flexitarianism, veganism and vegetarianism continue to increase among the population. Over 53% of respondents ranked dietary changes to be either highly or very highly significant. The Primary Meats and Seafood sectors are those most affected by this consumer trend. 67% of respondents from both, the Primary Meats and Seafood sectors, scored dietary changes to be of either high/very high significance. There is a significant rise in the number of product launches and availability of Meat Alternative products across global markets, and it's clear that certain sectors are responding to this trend and keeping it top of mind when it comes to Insights and Innovation.

Allowing for the fact that 'we all live on a spectrum',, there are huge opportunities for food and drink companies to create more sustainable propositions and present food in new and interesting ways to a healthier and conscientious consumer. There are also opportunities around a consumer who is looking for new experiences around flavour, presentation and ways to 'showcase' food as part of their identity.

When the data is analysed by sector, health and wellbeing, consumer sentiment on the environment, busy lives and need for convenience feature predominately.

**Table 2: Top three Future Growth Trends by industry sector**

| Rank | Dairy & Dairy Ingredients | Primary Meats | Prepared Consumer Foods | Alcohol | Seafood | Horticulture |
|---|---|---|---|---|---|---|
| 1 | Health and wellbeing | Health and wellbeing | Health and wellbeing | Consumer sentiment on the environment | Health and wellbeing | Busy lives and need for convenience |
| 2 | Consumer sentiment on the environment | Busy lives and need for convenience | Busy lives and need for convenience | Health and wellbeing | Consumer sentiment on the environment | Health and wellbeing |
| 3 | Busy lives and need for convenience | Consumer sentiment on the environment | Consumer sentiment on the environment | Consumer sentiment on community and social initiatives | Dietary changes, e.g. vegetarianism and veganism | Consumer sentiment on the environment |



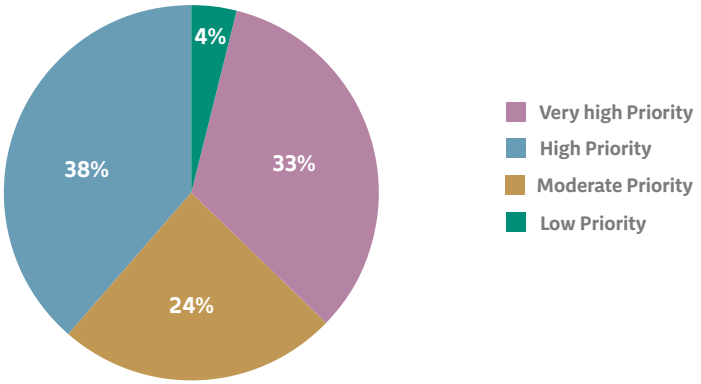
**53%**

**of respondents ranked dietary changes to be either highly or very highly significant**

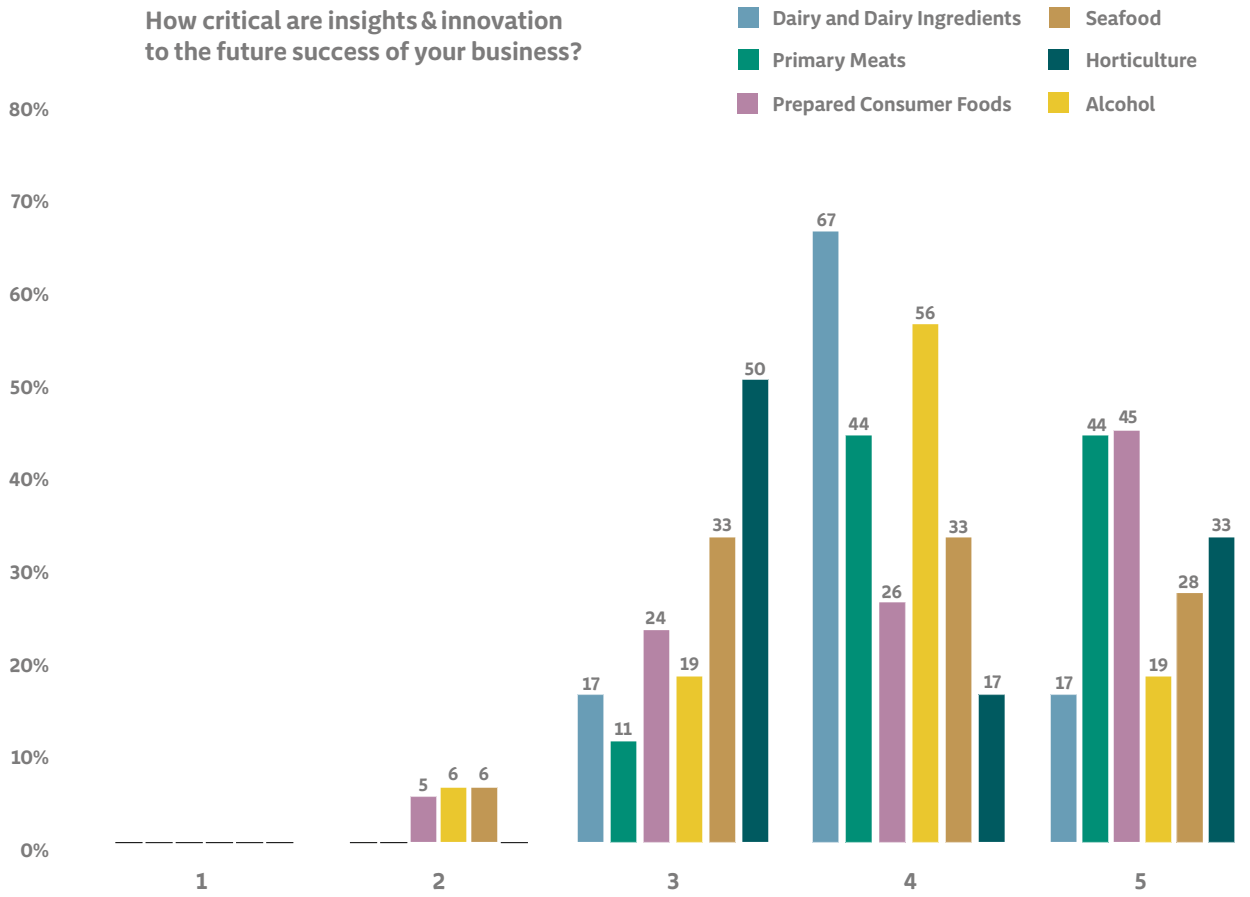
### Insights & Innovation drives differentiation and growth

Over 70% of respondents have identified insights and innovation to be very high/high priority, critical to the future success of their business. Both changes in consumer demand and industry trends are requiring businesses to support and invest in innovation. During Bord Bia's interviews it was highlighted how important it is to use the most relevant and up to date insight available in order to stay ahead of competitors.

How critical are insights & innovation to the future success of your business?




Primary Meats, Prepared Consumer Food and Dairy & Dairy Ingredients are the sectors with higher perception of insights and innovation criticality (Graph 4). Within these sectors there is a high degree of consumer demand for new product development and pressure for manufacturers to continue to innovate to meet this demand. They process a greater variety of product types and require research and development investment around processes and automation.

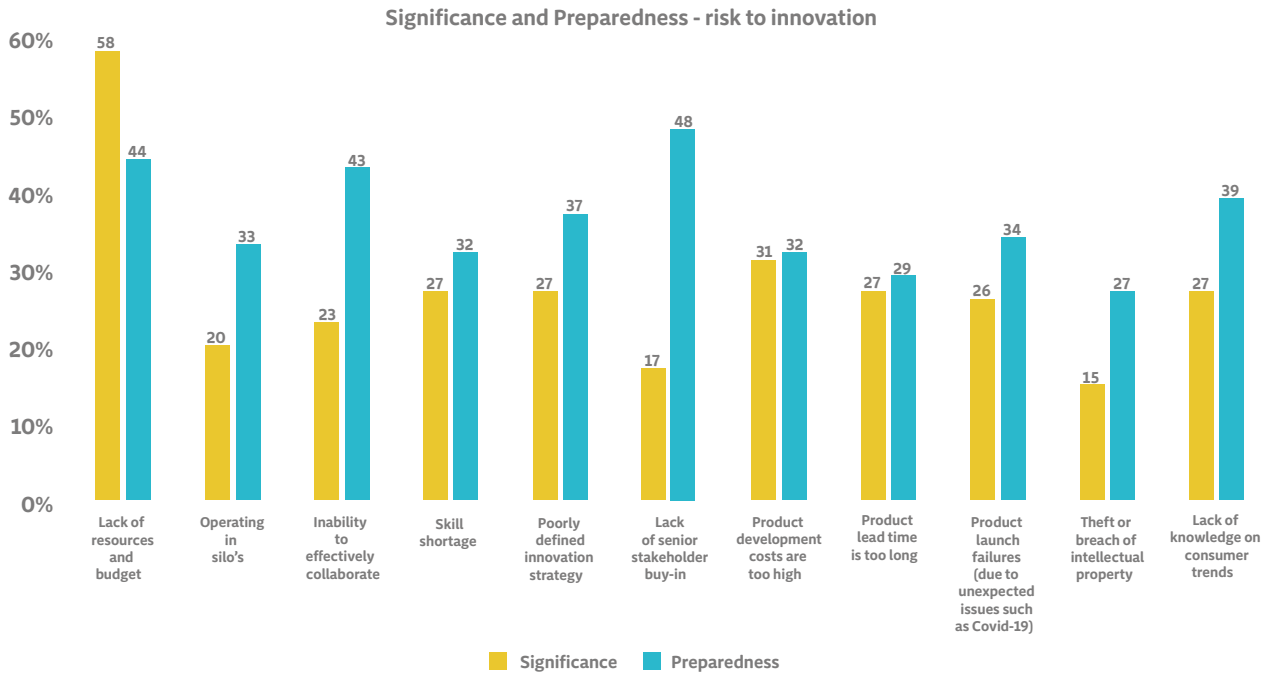



1 = very low priority and 5 = very high priority

### Key risks to innovation

Respondents ranked the key risks that could affect their ability to innovate. It is clear that the lack of resources and budget is the most significant risk for innovation. A lack of either of these could significantly restrict a manufacturer's ability to invest in innovation and could lead to all of the other risks identified materialising. This could be due to the lower margins seen within the food, drink and horticulture industry compared to other industries. Lower margins leave limited budget and resources for innovation.

Respondents also ranked their preparedness for each of the identified risks. There seems to be an overall high preparedness for the identified insights and innovation risks. However, innovation is restrained by the lack of resources and budget, which are required in order to be able to innovate.




**Graph 5: Risks to innovation – Significance and Preparedness? Where significance: 1 = very low significance and 5 = very high significance; preparedness: 1 = not prepared and 5 = very prepared**

When the data is analysed by turnover, the key risks to innovation are shown in Table 3.

### Table 3: Top three consumer trends by industry turnover

| Rank | Less than €1M | €1M-€10M | €11M-€100M | €100M+ |
|---|---|---|---|---|
| 1 | Lack of resources and budget | Lack of resources and budget | Lack of resources and budget | Product lead time is too long |
| 2 | Product launch failures (due to unexpected issues such as COVID-19) | Product development cost are too high | Skill shortage | Operating in silo's |
| 3 | Inability to effectively collaborate | Product lead time is too long | Poorly defined innovation strategy | Lack of knowledge on consumer trends |

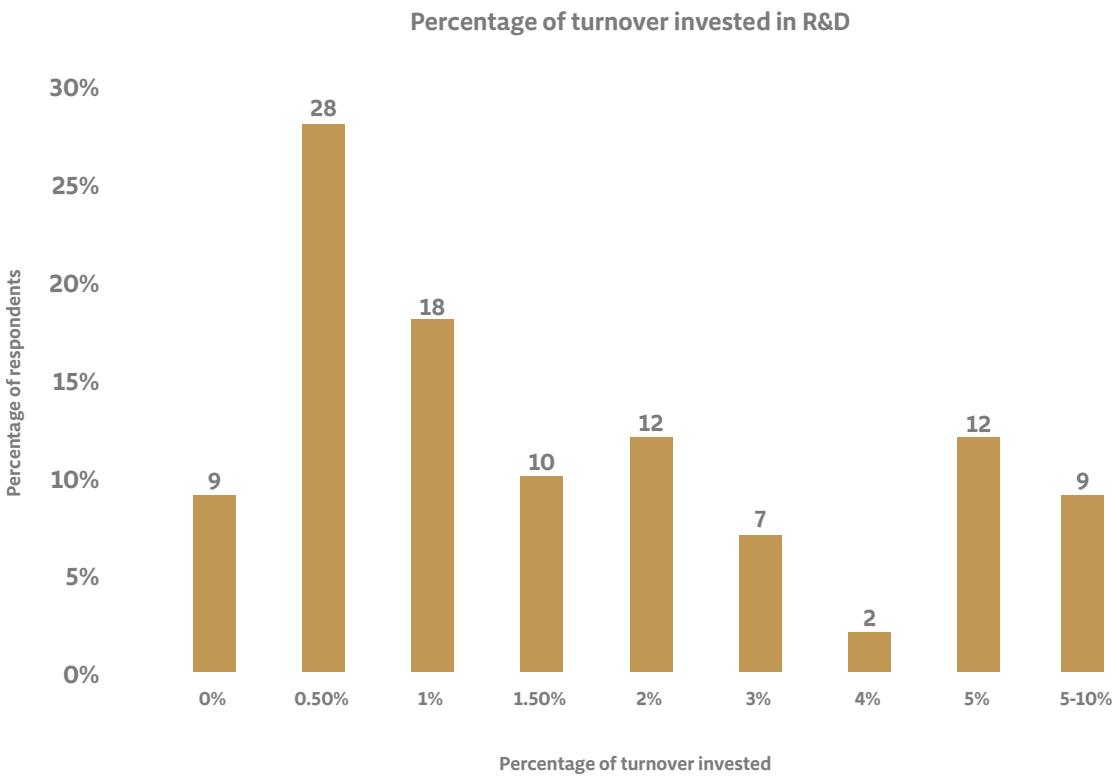
It is interesting to see how a lack of resources and budget is the number one risk for manufacturers with a turnover below €100M. However, manufacturers with turnover over €100M+ are concerned by product lead times.

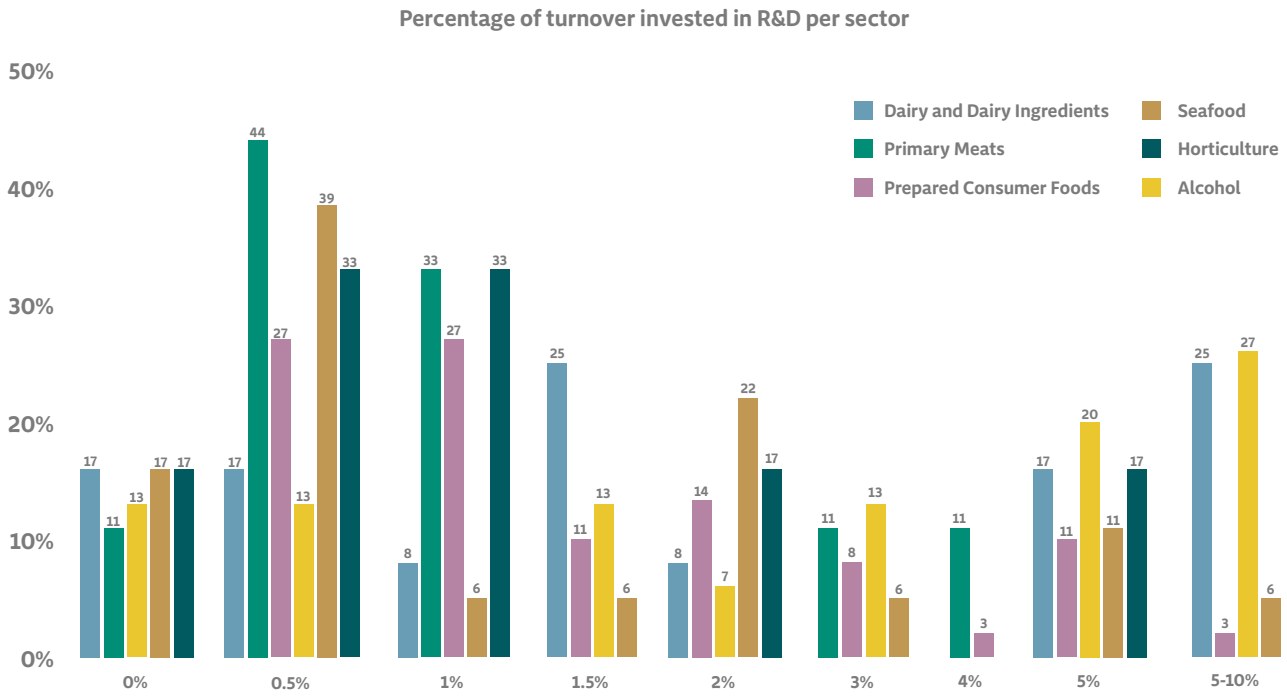
On a human level, product launch failure can lead to a lack of confidence. Product launches require an initial investment and the failure to launch effectively could result in low return on these investments and less cash available for innovation in the medium and longer term. From the client sessions Bord Bia performed as part of this study, it was identified that as a result of Covid-19, product launch failures are potentially going to be high due to a range of factors such as lack of promotional activity, range rationalisation and a change in shopper behaviour in store. Product lead time has been identified to be a top risk issue for companies with turnover over €100M. To address and manage lead time issues, manufacturers are advised to maintain positive customer relationship management processes, including regular and transparent dialogue with key customers to try and address the long product lead time and incorporate it into NPD planning processes, where it becomes more of a positive than a negative in their ability to innovate.

### Investment in Research and Development

In this section, the risk diagnostic tool captured the investment on research and development for each of the respondents. Whilst some participants defined research and development solely as new product development, this encompasses a much broader area (e.g. packaging, operational efficiency, distribution mechanisms, etc.). From the feedback gathered during the client sessions, a number of manufacturers suggested it is difficult to quantify the appropriate level of non-product specific research and development investment.

Many manufacturers invest a percentage of their turnover in research and development. Investment in sectors like Dairy and Meat has allowed Irish manufacturers to establish strong market share in export markets. As per the survey, 77% of respondents invest less than 3% of turnover on research and development, with almost 50% of respondents investing between 0.5% and 1%.






**Graph 7: Percentage of turnover invested in R&D by sector**

The sectors with the highest investment in research and development are the Dairy & Dairy Ingredients sector and the Alcohol sectors, with over 20% of respondents spending over 5% of turnover (Graph 7). Alcohol manufacturers have larger margins that allow for a higher percentage of investment. Primary Meats and Horticulture are the sectors spending the least on innovation with over 83% of respondents stating an investment of less than 1% of turnover.

It is interesting to note that 20% of Alcohol respondents spent over 5% of their turnover on R&D, yet, only 11% of Alcohol manufacturers rated Insights and Innovation as a priority.



**77%**

**of respondents invest less than 3% of turnover on research and development**



# KEY TAKEAWAYS

The Irish food, drink and horticulture industry is evolving, and innovation is playing a crucial role. Bord Bia provides guidance to clients on evolving and changing consumer behaviours to enable them to seize these vital opportunities and develop more effective strategies.

Consumer and market insight and new product development are the lifeblood of industry growth and Bord Bia commits considerable resources to facilitating the development of innovation that opens fresh revenue streams in established and emerging markets. Through the work of the Strategic Insight and Planning Team in particular, client companies can move from the initial scoping of a market opportunity right through to product and branding development with supports that mitigate risk and reduce cost. The Bord Bia Thinking House is on hand to support the industry as it faces changes in consumer behaviour in light of Covid-19, navigates a new trading dynamic caused by Brexit and other challenges the sector will face into the future.

## Bord Bia supports for your business post Covid-19

Below are list of supports from Bord Bia which will provide you with guidance on each step of the decision-making journey to help you think strategically on insights for your business and innovate for the future.

### THINK

- **Risk Readiness Gap Analysis** to understand your risk exposure and level of preparedness
- **Readiness Radar Findings** to gather data and insights to help prepare for the risks facing manufacturers
- **Future Proofing Toolkit** to understand how consumer behaviour is changing
- **Foresight & Trends** to identify future shifts in the dynamics of your sector

### PLAN

- **Library Searches & Groundwork** to ensure your thinking is grounded in real market and consumer insight
- **Bespoke Market Research** to ensure you fully understand your target consumer, their needs and how your innovations and brands will resonate
- **Bespoke Brand Building** to ensure your strategic brand planning is insight-led

### DO

- **Consumer Taste 'n' Tell** to ensure your product delivers against your competitive set
- **BI: TES** to sense check communications, packaging or new ideas for your brand in new markets
- **Brand Activation** to support your product or brand post-launch
- **Brand Health Check** to measure insight-led KPIs for your brand

**Please visit https://www.bordbia.ie to access these services**

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# Methodology

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# Methodology

This report is based on 128 client responses to Bord Bia's Readiness Radar 2020. A workshop was conducted to design the questions and agree the overall structure and themes, with colleagues from Bord Bia and Aon in attendance. The questions addressed both qualitative and quantitative risk issues including Covid-19, Brexit, Sustainability, Market Diversification, Insights & Innovation and Talent Management.

Bord Bia conducted eleven virtual meetings with client companies in Ireland, across a three-week period, to gather insights into company activities as they review and analyse for the mentioned risks. These interviews addressed topics including customer relationships, supply chain, customs and controls, market diversification, financial resilience and emerging risk. During these sessions, Bord Bia gained more in-depth explanations and insight behind the answers that the survey data alone could not generate.

The risk diagnostic tool was distributed to the selected Bord Bia clients, via email, and the results were collected and tabulated. Bord Bia & Aon risk and industry specialists provided supporting analysis and helped with the interpretation of findings.

All responses for individual companies are held confidentially, with only the consolidated and anonymised data being incorporated into this report. Percentages for some of the responses may not add up to 100 percent, due to rounding or respondents being able to select more than one answer. All financial amounts shown are in euro (€), unless otherwise specified.

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