

**Written Submission from Bord Bia to the
JOINT COMMITTEE ON AGRICULTURE AND THE MARINE
on the
Impact of Brexit on the Food & Drinks Sector**

15th December 2020

Bord Bia welcomes the opportunity to contribute its views on the impact of Brexit on the Food and Drinks Sector as part of the latest consultation by the Joint Committee on Agriculture, Food and the Marine.

Irish food and drinks export performance

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. In adding to this picture, the 2019 figures also reverse one aspect of the previous year's performance, with the value of growth once again outpacing volume increases. The 2019 exports were 7% higher than the 2018 figure, while volume output grew by 5%.

2019 was a year where market diversification confirmed its role in both driving future growth and balancing risk. The UK remains the key destination for Irish food and drink exports. However, the total percentage of exports destined there was 34%, the lowest proportion since Bord Bia began tracking export destinations.

The Rest of EU accounted for 35% of the country's €13bn in food and drink exports. Difficulties encountered by exporters in the UK in 2019, which were largely the result of weakening economic sentiment, were in many instances mitigated by diversion of supply to the Rest of EU and International markets. The latter accounted for some 31%, of all Irish food and drink exports. 2019 was the first year that exports to markets outside of the UK and the EU accounted for more than 30% of the total.

For the first time since 2015, 2020 has seen the declines in the value of food and drink exports to the UK. Year to date (January to September) Irish Food and Drink exports to the UK are down by 5%, largely due to the initial collapse of the foodservice channel in Q2 of 2020 and its stuttering recovery since then as more people eat at home or avail of food delivery. Bord Bia estimates that 50% of Irish Food and Drink exports to the UK are destined for foodservice.

The major challenges and uncertainties facing Irish companies in the UK market are currently Brexit and what shape it will take; how consumers' attitudes to non-British foods are changing; the fallout from COVID-19 and the implications this has for consumer demand and supply chains; and the rising consumer importance of the sustainability of food production and consumption.

Bord Bia's Readiness Radar 2020

Bord Bia launched the Readiness Radar in March 2020 to help its client companies monitor their preparedness for key risks, including Brexit, Market Diversification, Covid and other issues that will or may affect their business. A total of 128 Irish food, drink and horticulture companies, representing 51% of total exports, took part in the diagnostic tool, which was conducted over a four week period in March and April this year. All respondents received a bespoke Gap Analysis Report to help them understand their risk exposure and level of

preparedness in the months ahead. It demonstrates that Brexit impacts vary depending on a number of factors, including both individual companies' preparedness and sector level issues, such as export dependency, supply chain complexity and access to inputs. Impacts may be felt by the industry around maintaining customer relationships, logistics challenges and cost increases arising from customs checks, SPS inspections and the UK land bridge, new export requirements such as documentation and further depreciation of the sterling.

The Readiness Radar results were published 2nd July and shared via a Hybrid Virtual Event, broadcast from the RDS Concert Hall. 500 food and drink stakeholders tuned in to view the findings and a panel discussion from industry leaders.

Readiness Radar 2020 Results

Over 91% of respondents said they had made progress in relation to their Brexit preparedness over the past 12 months. There has been an increase in optimism towards the impact of Brexit seen in the 2020 Readiness Radar results. Almost 20% of respondents felt optimistic about the impact of Brexit, 9% more than what was reported in 2019. This may be attributed to a reduced dependency on the UK, combined with a higher rate of preparedness.

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 previous 12 months, with a further 39% reporting stable revenues.

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.

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.

52% have developed contingency options for holding stock in response to Brexit and most of these have already activated their plans. 59% of those using the UK land bridge are either planning alternative routes to avoid it or have already implemented plans to avoid it.

60% are confident in their hauliers' preparedness on Brexit, 56% are confident in shipping preparedness, and 51% are confident on their freight forwarders preparedness. The sector has upskilled considerably around customs compliance. 84% have applied for EORI number from Irish Revenue.

Almost half (45%) report that their investment plans have not been impacted by Brexit in the past 12 months – demonstrating a steadfastness to do business with our closest market. The other half describe investments put on hold, and operational expenditure projects delayed.

While Brexit has been on the agenda for the last four years, the past 24 months have seen customer relationships brought into sharp focus. Those trade relationships have deepened with discussions moving away from ensuring sufficient product on shelf to harsh commercial realities – with over 50% of Irish food and drink manufacturers raising contract agreements, price and tariffs as key talking points.

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. The majority of meat and alcohol respondents are looking to expand, where horticultural companies are focussing on their existing markets, for the most part, which is understandable for fresh produce.

There are a number of perceived challenges to market diversification, with the two most significant seen as networks / contacts and knowledge of the market. Some 60% of respondents cited networks and contacts, while 56% noted market knowledge as key

impediments to progress in this area. 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.

Capability Development: Addressing the Skills Needs of Industry

Bord Bia has focussed on increasing the skills of industry in managing the key pressure points identified through the Readiness Radar, such as those around customs compliance and logistics.

Bord Bia has published a number of editions of its *Brexit Action Plan*. Since September 2020, this has been viewed over 400 times. This compliments the Government of Ireland's Action Plan but serves as a deep dive into the actions required specifically for F&D manufacturers. It addresses actions required under Customs and SPS controls, as well as business continuity, market diversification and finance measures. In December 2020, a new 6th edition was published, reflecting latest UK Governance guidance. This will continue to be updated as developments come into play.

Since November 2017, Bord Bia has been running a *Customs Training Programme* made up of four 2 hour sessions for clients. Each client has also receives a two hour confidential one-on-one mentoring session to work through sensitive commercial information and ensure tailored solutions by company.

Bord Bia's Supply Chain Logistics Guide helps business optimise supply chain operations by reducing costs and identifying solutions to potential disruptions and identifying the right partners. The Guide is aimed at current and potential exporters who wish to review their logistical operations for servicing both existing and new markets in Europe. Diversifying into new markets will challenge companies to review their existing supply chain and their logistics channels.

Bord Bia's Logistics Partner Database enables Irish companies to identify logistics service providers operating both in-market (national) and internationally. As markets continue to evolve, exporters will need to look beyond their incumbent provider and become more educated in the options available. Users can select a supplier type from the drop-down menu and searches can be customized by company name, country or product category such as ambient, chill or frozen and also by service type such as transport or warehousing. The Database focuses on the UK, Germany, France, Netherlands, Spain and Poland.

There have also been a series of Brexit, Customs and Logistics Webinars held since March, addressing issues such as tariffs, the landbridge and the GB Border Operating Model, reaching over 200 clients.

Consumer Insight: Understanding UK Market Behaviour

Bord Bia launched its Consumer Pulse in early 2019 to gain an in-depth understanding and develop insights on how the Brexit process is impacting both perceptions and attitudes towards the Republic of Ireland and its main food and drinks categories. This research reaches a nationally representative sample of 1,000 UK grocery shoppers every 3 months. It has found that 7 in 10 UK shoppers expressed concerns on the UK economic outlook and worry about the cost of living and their own personal finances.

2 in every 3 UK shoppers (67%) are concerned that the current Brexit situation will have a negative effect on the cost of the food and drink they buy for their households, and half are concerned about the future quality and availability of the food and drink they buy.

Over 8 in 10 (85%) UK shoppers are open to choosing food and drink from Ireland; higher than any other country of origin outside of the UK.

UK Market Engagement

Bord Bia has been supporting clients in the UK market by having regular conversations with UK customers. 126 UK customer meetings were held in 2020 including 5 top to top meetings with retail and food service customers such as Sainsbury's, Tesco, Asda, Brakes, and McDonald's.

Bord Bia and the Department of Agriculture, Food and the Marine (DAFM) undertook an intensive two day Great Britain Virtual Trade Mission in November 2020 aimed at safeguarding Ireland's food, drink and horticulture exports to the UK at a time of distinct challenge. These meetings offer an ideal opportunity to re-assure key customers of our commitment to excellence with regard every aspect of our Irish food offering. This is of vital importance for Irish producers and help ensure confidence in supply of Irish food and drink exports to UK retail and foodservice channels.

Market diversification

The Irish food and drinks 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 many challenges facing manufacturers as they aim to unlock the growth that market diversification can deliver. Bord Bia assists clients in overcoming market diversification challenges through its provision of insights, via the Thinking House, its network of overseas offices, customer engagement, trade fair schedule and Ministerial led Trade Missions.

Insights to Drive Diversification

In 2017, Bord Bia undertook an in depth *Market Prioritisation Exercise*. This identified relatively newer markets likely to present growth opportunities over the next 5 – 10 years and assess these against the capability of Ireland to supply the market. The output from the tool was a list of the top 30 markets for each category. Through ongoing consultation with industry, Bord Bia has identified 15 priority markets for meat, dairy, prepared consumer foods, beverages and seafood. 75 summary reports have been published for each market and sector, outlining the scale of the opportunity, level of competition and any barriers likely to face Irish exporters. This work laid the ground for an intensive Market Diversification agenda over the subsequent 3 years.

Bord Bia also launched European-specific research in October 2020 that looks at the *UK's Exports to European Markets*, to obtain an understanding of the profile and destinations of the different food and drink exports from the UK, should it become a Third Country from Jan 1st 2021. There are various categories of interest, including Meat, Prepared Consumer Foods, Seafood and Dairy.

For each category in each country, clarity on the channel split for UK exports is being measured and an understanding is being pursued of the distribution channels for UK exports with a focus on end customers. Finally, an analysis of the competitiveness of UK exports around issues such as price, speed to market and NPD is being assessed.

The *Feeling the Pinch* report was launched on 3rd November and is designed to understand global consumer sentiment and behaviour that has emerged during Covid-19 and the impending recession. Among other indicators, this report illustrates that, despite the recessionary environment, consumers still see sustainable and high welfare options as increasingly important. Buying environmentally friendly grocery products has increased in importance by 30% from an already high base. This global report will also see a local market

series launched in November including a detailed consumer segmentation and a toolkit. Markets covered in the report include UK, US, France, Germany and China.

Bord Bia's recent *survey of global customers* has indicated that 89% know of Ireland as a source of sustainably produced food and drink and 82% believe that Irish suppliers produce food and drink in a sustainable way. This further illustrates the importance of the Origin Green, Quality Assurance and Grass Fed programmes to drive differentiation on the market.

Capability Development for Diversification

Bord Bia's Client Capability Team supported a broad mix of client companies in their Market Diversification preparations in 2020. Successful diversification is built on a foundation of a good strategic thinking and during the year, Bord Bia has worked on a 1:1 and at group level with clients on their commercial marketing strategy development. Three workshops and webinars on this theme were delivered to 140 participants and 20 projects were supported on a 1:1 basis.

In addition, themed workshops on channel diversification capability development (e.g. Private Label, Brand, Online, Foodservice) reached over 300 client companies. In addition, there were sector specific webinars (for example, Bakery – 50 clients) that focused on managing exports to new markets. Finally, to support all clients in their diversification conversations with customers, a four-part Key Customer Management series including preparing for virtual customer pitches was delivered to over 200 clients in June/July.

Building Winning Partnerships through Market Growth Supports

Bord Bia and DAFM led, for the first time, five Virtual Trade Missions in 2020 in an effort to overcome travel barriers arising from Covid-19. These missions focused on Malaysia, Indonesia, Philippines, Thailand, Vietnam. A total of 416 Buyers attended these engagements and 418 1:1 meetings were delivered. Bord Bia's next steps are to assess buyer survey and client feedback to categorise and prioritise lead generation process.

An updated website, IrishFoodandDrink.com went live in November 2020 – showcasing the best of Irish food, drink and horticulture. This has been developed and designed for international trade customers and serves as a go-to source of information about Ireland as a producer of green, high quality food, drink and horticulture products. It also functions as a catalogue of Ireland's world class suppliers, with hundreds of client profiles sourced directly from our CRM through an integration. The website is currently available in English and next week the core site pages will be rolled out in French, German, Italian and Japanese. The client company profiles have not been translated as part of phase 1 of this project, however we will monitor usage and feedback to ensure we're capturing any translation requirements.

Bord Bia also maintained a positive diversification momentum during the Covid-19 disruption by launching a number of digital growth initiatives. These include a Bespoke Lead Generation Programme that delivered 31 customer meetings, generated 88 leads and 4 listings to date, with more in the pipeline. A Virtual Pitches Programme was launched encompassing training, webinars, 1:1 clinics and recording which reached 70 clients in total.

A number of consumer focussed and business focussed campaigns have been rolled out this year, including a Steak Promotion, currently live in Germany and Italy and an international PR and business campaign to launch Bord Bia's Grass Fed Standard. This promotes the value of the new verified Grass Fed Standard for Ireland's Dairy and Beef sectors, positioning Ireland as the only source of verified grass fed beef and dairy in the world.

Following an extensive consultation process with farm organisations and processors represented in the Beef Taskforce the Department of Agriculture, Food and Marine has recently submitted a PGI application for Irish Grass Fed Beef to the European Commission on behalf of Bord Bia. If successful, A PGI for Irish Grass Fed beef would provide a significant opportunity to build a premium position for Irish beef in the European and international marketplace.

Supporting live exports continues to be a focus for Bord Bia. In the past 3 years alone, Ministerial trade missions have been undertaken for livestock to Turkey, Algeria, Egypt and the Netherlands, and hosted numerous inward buyer delegations including from Turkey, Libya, Algeria, Egypt, Russia and Kazakhstan. There is an important ongoing dialogue taking place between the Irish export stakeholders and the Dutch veal sector representatives, which is coordinated by Bord Bia.

In addition, Bord Bia has appointed a dedicated Africa manager and retained a local market expert to drive buyer engagement with the livestock trade on the ground. This ongoing engagement has led to a series of inward buyer visits and a rise of almost 20% in live exports to international markets in 2020.

Stakeholder engagement

Bord Bia continues to play a leading and influential role in various Irish Government and industry fora in order to: i) provide market and customer insight to the policymaking and Brexit negotiation process and ii) prioritise support services and opportunities for Irish food and drink manufacturers.

Bord Bia continues to engage with farmers on an ongoing basis to support the sector's Brexit preparedness and differentiation on European and international markets. This includes providing up to date market insights and guidance in relation to farm audits as part of the Sustainable Assurance Schemes. In 2020, Bord Bia circulated quarterly newsletters to over 53,000 producers and circulates monthly SMS messages while an enhanced market information section on bordbia.ie helps farmers stay up to date with market developments. The Bord Bia Helpdesk established to help farmers prepare for their farm audits continues to go from strength to strength; with approximately 10,000 calls logged in October 2020 as farmers complete their remote farm audits throughout the COVID pandemic.

A series of meetings have also been held with logistics operators to better understand the challenges that may arise from the supply chain as a result of Brexit and to feed back the expectations of food and drinks manufacturers on the sector.

Conclusion

This paper aims to provide a comprehensive overview of the challenges faced by the food and drinks sector a result of Brexit, as well as a useful understanding of the actions being taken by Bord Bia. Bord Bia would welcome any feedback or questions from the Members of the Committee.