

# A year of change and challenge

by David Leydon

**Recently ifac, Ireland's leading farming, food and agribusiness professional services firm, published its third annual Food and AgriBusiness Report. David Leydon, Head of Food and Agribusiness with ifac shares some of the key insights.**

We know that growing a food or agribusiness has never been easy. Identifying the right market opportunity, producing a product, building a team, establishing routes to market, creating experiences that differentiate a brand and ensuring that all this can be done while delivering a sensible margin is an ongoing challenge.

Add into the mix a global pandemic and Brexit, and Irish food producers and agribusinesses are building businesses in unprecedented times.

## Clear trends emerge

As expected, positive sentiment has declined with fewer businesses optimistic about the future than in previous years. The Optimism Index is at a three-year low, declining from a high of 74% in 2018 to 55% of businesses being optimistic about the future in 2020.

Revenue has decreased for over half of businesses and led to over 6 in 10 businesses availing of Covid-19 supports. The Temporary Wage Subsidy Scheme was accessed by 39% of businesses, showing its true value in helping maintain employment. Employment subsidy schemes will continue to play a major role for many firms through much of 2021, especially, those food producers focussed on foodservice channels.

On a positive note, there is real resilience in the sector. We see this in the proactive steps businesses took to deal with the crisis and how only 1 out of 10 businesses expect to be employing fewer people in the coming year.

Covid-19 has accelerated existing digital trends. More businesses are moving online, as offline market

restrictions continue and consumer expectations change. Those businesses who do not engage with digital change risk falling behind. We note a year-on-year increase of 54% in the number of food and agribusinesses who are trading online. This is welcome news. While trading online is not a panacea it is part of the jigsaw of building the digital muscle of a business. We know that digitalisation is impacting on every part of businesses, not just front-end online trading, but throughout the business and all associated processes.

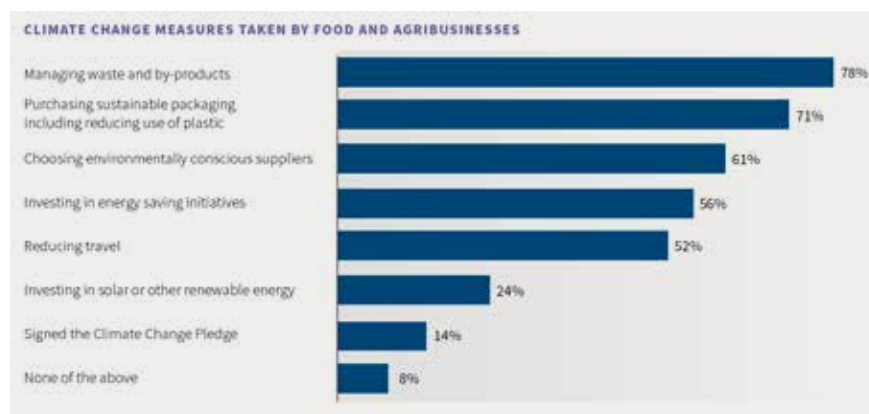
Additionally, environmental measures to tackle climate change continue at pace with managing waste and by-products, sustainable packaging, choosing environmentally conscious suppliers and engaging in energy-saving initiatives all top priorities.

of recovering from the impact of Covid-19.

## Brexit

Brexit has been overshadowed by Covid-19 for most of the past eight months. However, January 1st 2021 will see a significant change in how we deal with our neighbours in the United Kingdom. Only 48% of businesses believe they are prepared for Brexit. Almost 1 in 5 are not prepared at all. Medium-sized companies were more likely to feel prepared with 59% reflecting an ability to allocate resources to Brexit planning.

This makes smaller businesses more vulnerable. Increased costs, tariffs, loss of UK sales and transport disruption are the main worries. Brexit, taking place in the middle of



## Transitioning the business

Nearly one-third of respondents would consider selling their business in the next five years. This is a significant 60% increase in the 2019 figure. The challenges of operating a smaller business should never be underestimated. Reasons for considering a sale include retirement, tight margins, and the challenge

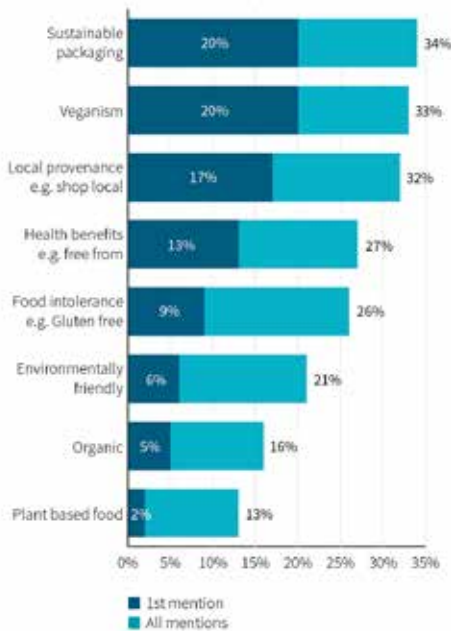
a pandemic, is shaping up to be a perfect storm for the sector.

## Food trends

While it's hardly business as usual, the trends which are having the most impact on food businesses remain constant. Year-on-year the top three trends continue to be – sustainable packaging, local provenance and veganism.

What is noteworthy is that sustainable packaging is no longer the standout trend, although its mentions have increased since 2019, local provenance and veganism have grown in relative importance.

#### FOOD TRENDS WITH THE BIGGEST IMPACT



### Trends on the rise year-on-year

#### Local provenance

One trend that has been positively impacted by Covid-19 is local provenance. Irish consumers recognised the importance of supporting products that were produced locally. Technology has played its part in supporting this trend with the emergence of platforms like Neighbourfood.ie enabling more producers to sell online direct to consumers. While local provenance is vital for smaller producers, for Ireland as a food-producing island to succeed, we must continue to develop export markets aggressively.

#### Environmentally friendly

This trend continues to grow year-on-year and shows a doubling of mentions from 2019. For food brands, having credentials from supply chain to environmentally friendly packaging will be increasingly important. Our packaging article within the report highlights how brands can integrate

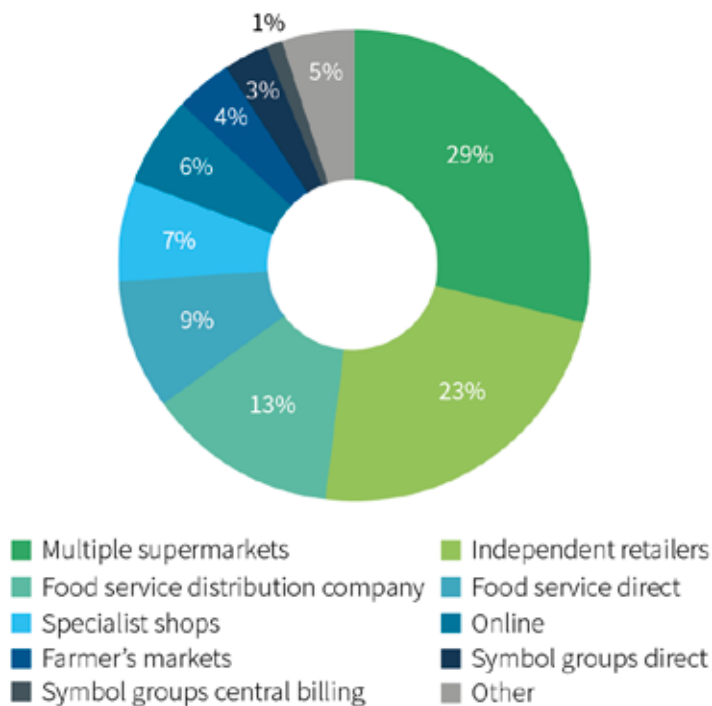
this practice into their business –this can be viewed by downloading the report here: [www.ifac.ie/ifacreport](http://www.ifac.ie/ifacreport).

### Routes to Market

Before the arrival of Covid-19, food businesses tended to have well-established route to market strategies. Some focussed exclusively on foodservice while others focussed exclusively on one of the multiples.

#### ROUTES TO MARKET

### Which of these is your main route to market?



With Covid-19, in the immediate term at least, many established routes to market were disrupted. Irish food businesses have been forced to react and adopt new ways of doing business.

While multiple supermarkets and independent retailers continue to be the primary routes to market for the majority of SME food businesses at 52% of respondents, alternative routes to market including specialist shops (7%) and online sales (6%) have a role to play in a more diversified route to market strategy.

Reducing reliance on just one route to market will help to de-risk your business. To do this with limited resources is challenging but the reward is a stronger business in the long term.

### Five considerations for a food business

1. Review key food trends and understand how your business can benefit from evolving consumer demands.
2. Understand the benefits of diversifying your route to market strategy. It will help de-risk your business. Don't have all your eggs in one basket.
3. Carry out regular margin analysis – stay on top of the numbers driving your business.

4. Innovation in the food category is a must. Have you got the right structures in place for product innovation?
5. Packaging remains one of the largest costs for Irish food businesses. Look at ways to leverage emerging technologies for efficiencies and make sustainability part of your messaging strategy.

### Overall reflections

Our annual Food and Agribusiness Report aims to give owners and leadership teams of food and agribusinesses pause for thought as you battle with the daily challenges of running a successful business during a pandemic. Here are our key points for reflection.

1. Planning is everything. We believe strongly that taking the time to plan how your business will evolve and grow is worthwhile. Developing your planning cycle will make a sustained difference to your business.
2. Analysing the trends we highlight throughout the report will help you and your team to work out how to gain a competitive advantage over your competitors and meet your evolving customer needs.
3. Building your digital capability is a must-do at this stage. The businesses which will win are those who are adept at using digital technology in all parts of their business – the front-end elements like trading online or using social media effectively but just as importantly the business processes in production, finance, sales and all other departments.
4. Examine investing in automation. It can be used effectively to save costs, build resilience, increase consistency and redeploy your team to higher-value work.
5. Packaging is an exciting space with changes around sustainability as well as how your product will look on a digital shelf or in a home delivery context. Getting it right is a challenge that must be embraced.
6. The jobs market has turned somewhat in favour of employers – hire the person or people who will make a positive difference for your business.
7. Manage your climate change actions – what works for the climate often also works for your bottom line. Initiatives in areas like waste management, sustainable packaging and renewable energy can all have positive impacts so take time to identify the most suitable wins for your business.
8. Ensure your tax advisors are effectively using R&D Tax Credits, Knowledge Development Box reliefs and when transitioning the business, Retirement and Business Reliefs. Maximise the use of State supports from your Local Enterprise Office, Intertrade Ireland, Enterprise Ireland and Bord Bia as you look to innovate and diversify.
9. Look after yourself and family – make sure that life assurance, pensions and your Living File are all up to date.
10. Most importantly, plan for Brexit. Focus on your supply chain, VAT, tariffs, working capital and communication with all impacted stakeholders.

The full report can be accessed here: [www.ifac.ie/ifacreport](http://www.ifac.ie/ifacreport).

It includes interviews with John Moloney, ex MD of Glanbia on strategy and key people in the supermarket buying space, automation and venture capital.



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Minister Charlie McConalogue TD, Minister for Agriculture, Food and the Marine launching ifac's Food and AgriBusiness Report 2020 with David Leydon, Head of Food and Agribusiness at ifac.