

**Voluntary Report** – Voluntary - Public Distribution

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**Report Highlights:**

Over the last week, the UK foodservice sector and non-grocery retail chains continued to face a dire economic situation as the government lockdown measures remained in place. There is a glimmer of hope in the larger food service sector, as some chains have reopened a few of their stores near the National Health Service (NHS) hospital sites to service the healthcare workers and other essential workers for take-away. Consumers are changing to the online marketplace to look for items that they cannot buy in store, leading to massive surges in online sales. Supermarkets have continued to enjoy strong growth and are adapting quickly to provide consumers more options to shop online. Labor shortage on food production remains a concern, particularly in the horticulture sector, and the government and private sector are working together to bring in experienced farm workers from Eastern Europe. By law, the government needs to review and announce its policy for coping with the next phase of Covid-19 measures by May 7.

## **UK Foodservice and Retail Updates**

**Foodservice:** The situation on the food service side continues to be difficult with most small, independent pubs furloughing a majority of their employees and many businesses nearly decimated. Cabinet Minister Michael Gove in a public briefing said that pubs, restaurants, hotels and other hospitality businesses will be one of the last sectors to exit lockdown. As UK Hospitality Chief Executive Kate Nicholls said, hospitality faced a unique problem as the businesses are built around socializing. It is estimated that 50 million pints will be poured down the drains as pubs remain closed and beer goes bad.

Last week, pub chain Mitchells & Butlers furloughed 99 % of its workforce, and nearly 2,000 pubs, breweries and cider makers now offer delivery or a takeaway service. Small independent breweries report that sales are down 82 percent since the start of Covid-19. Just-Eat, a food delivery service, has delivered more than 1 million meals to NHS workers in the last two weeks. They also offer them a 25 percent discount. Costa Coffee reopened four of its shops for takeaway only. The coffee chain also reopened two drive-thrus and two other shops in Manchester and Bristol. These shops were reopened predominately to serve key workers on their essential journeys, while also offering a service through Uber-Eats. Nando's has reopened the kitchens of six of its restaurants, four in London and two in Manchester, close to the National Health Service (NHS) sites. The foodservice chain has pledged to provide 1,500 free meals a day to NHS workers across the six sites, which it will deliver between 6pm to 9pm each day.

There has been a notable expansion in the numbers of branded operations that are reopening their business to delivery and takeaway. Restaurant chains Burger and Lobster, Farmer J, Nando's, MeatLiquor, Pizza Pilgrims, Paul, and Tortilla, and QSR chains Chilango, Costa, I am Doner, Five Guys, Taco Bell, and Wingstop, joined those that announced re-openings in the previous week, which included Burger King, Homeslice, KFC, Pret a Manger and Wimpy. While this activity is encouraging, the optimism should be kept in check as the number of sites reopened amounts to about 110, representing only 2.6 percent of the sites operated by these brands. There are still very many brands that remain totally shut, while some of the reopened sites have restricted hours, and the sites are often set up to serve primarily, or exclusively, NHS and other frontline staff.

**Non-Grocery Retailers:** On the non-grocery retail side, the situation is not much better. Facing imminent financial burden, fashion retailers Oasis and Warehouse are to appoint (bankruptcy) administrators. On April 24, it was reported that UK retail sales fell at their fastest rate on record in March, when most stores closed their doors to protect against the Covid-19 pandemic. At the same time, e-commerce took its largest share of overall retail spending on record at 22 percent. Non-essential stores were ordered to shut by the government on March 23 and official figures covering March showed overall retail sales for the month fell by 5 percent. That is the largest fall since the monthly Office for National Statistics (ONS) Retail Sales Monitor began.

Non-food sales were hit hard, falling by 20 percent in value compared to the previous month, with clothing particularly badly affected. Food sales grew by 10 percent in value compared to the previous month, with online food sales up by almost 20 percent. Overall, online sales grew strongly. They were up by 12.5 percent compared to a year earlier, and by 8 percent compared to the previous month, reaching a record high of 22 percent of all retail during the month, as shoppers moved more of their purchases online. Since most shops were open as normal until March 23, the figures only showed the beginning of an effect that is likely to be massively more pronounced when figures for April are released in May.

DIY chain B&Q reopened 155 of its UK stores as lockdown measures remain in place. B&Q had closed its shops since the end of March after the government introduced lockdown measures to try to contain the spread of Covid-19. However, hardware shops were included on the government's list of essential retailers that were allowed to trade under the restrictions and B&Q customers could continue to shop online. Since reopening, stores have experienced very long queues with hundreds of people wanting to shop in store again.

**Grocery Retailers:** Retailers have continued to enjoy strong growth in the last week. Figures show supermarket alcohol sales were up 22 percent in March, thanks to the spillover business from pubs and restaurants closures.

Last week, high-end grocery chain Waitrose has announced that the number of delivery slots available each week, through its Waitrose & Partners Rapid service, is set to more than triple, giving over 2.5 million households the option to use the service to get the food and essentials they need. The supermarket chain also confirmed that at least 40 percent of these new slots will be reserved exclusively for the elderly and vulnerable. It will contact customers on the government's list of vulnerable people to inform them that they have priority access to Rapid slots. The service, which enables shoppers to have up to 25 grocery items delivered within two hours on the same day, has been trialed from eight London shops, as well as in East Sussex. It is now available in the areas surrounding an additional 20 shops across London. This will increase the number of available slots from 2,000 to 7,000 each week, meaning the service is now available to more than 2.5 million households.

Discounter chains such as Asda and Aldi have now rolled out new 'no touch' policy in supermarkets. UK consumers are now used to queuing outside and staying two meters apart. Last week, Asda and Aldi introduced 'no touch' policy in stores in an attempt to that stop customers from touching items they may not purchase to prevent the spread of the virus even further. UK's largest supermarket chain Tesco clarified to say customers need to still be able to pick up products to check for allergens and ingredients. Sainsbury's said it does not have a 'no touch' policy in place, but it will continue to follow government guidance, and Morrison's commented that government guidance states it is very unlikely for the virus to be passed on through food.

This week, Morrison's reopened its fresh meat and fish counters as barbecue seafood and steak bars selling food originally destined for the restaurant trade. The retailer closed most of its meat and fish

counters at the start of the coronavirus crisis, however, starting April 30 it will sell a variety of British seafood including plaice and hake, mackerel and sardines, herring and king scallop. The steak counters will offer cut-to-order steaks, joints, and summer barbecue products. Some meat cuts and fish species normally destined for the foodservice and hospitality sector are now finding their way in retail stores to help farmers combat the loss of the foodservice sector sales.

Leading UK trade publication The Grocer asked the question whether supermarkets are doing enough to keep the prices of groceries down. Grocery sales have soared during the UK's coronavirus lockdown. The Grocer Price Index for March, calculated from prices across almost 63,000 items, found little overall increase. There have been some price increases, but this is as a result of fewer promotional activities. Data compiled for The Grocer shows the total number of supermarket promotions across Tesco, Sainsbury's, Asda, Morrisons, Waitrose and Ocado, plunged by almost half - from 35,197 in the week beginning 16 March to just 18,838 in the week starting 6 April. Ocado cut promotions by almost 95 percent over this period, while Asda's were down 40 percent, Tesco's down 34 percent, Sainsbury's 29 percent and Morrisons' 13 percent, respectively. The lifting of restrictions on most items meant that supplies have stabilized and suppliers are now able to supply retailers with guaranteed product which enables the retailers to again focus on promotions.

**Production:** On production, labor shortages continue to be a concern, particularly for the horticultural sector. Several farms across the UK are having to secure chartered flights to help bring in hundreds of workers from Romania to assist in picking fruit and vegetables during the coronavirus pandemic. The first series of workers arrived at London Stansted Airport on April 16, with social distancing measures put in place for those flying in from Bucharest. Some 80,000 seasonal workers are needed during the season to harvest crops, but many Britons who initially showed interest in the jobs reportedly have opted not to follow through. According to a report in The Guardian, less than 20 percent of applicants were fit to work or wanted to partake in the harvest. "Where it is possible and safe to do so in the current circumstances, bringing in workers from overseas to help meet the shortfall is the right thing to do if we want to keep the supermarkets stocked," says Mark Bridgeman, President of the Country Land and Business Association.

**Miscellaneous:** Foreign Secretary Dominic Raab said in two interviews last week that the UK needs to get used to the "new normal". The government rolled out a coronavirus testing program last week for all key workers, including those in the food and drink industry. The test will enable workers who are self-isolating, are symptomatic, or have family members self-isolating back to work should they test negative for the virus. Government hopes to carry out 17,000 a day by the end of April. Of these, 12,000 a day will take place at up to 48 drive-through testing center and the remaining 5,000 daily tests will be carried out at home. The necessary kits will be delivered and collected by an Amazon courier service, with results provided within 48 hours. Employers will be able to book colleagues in for a test using an online portal. The tests will also be made available for the families of key workers. Prime Minister Boris Johnson returned to Downing Street on April 27, and addressed the nation for the first time since beating

coronavirus. He said that the UK was at a moment of “maximum risk” and urged people not to lose patience with the lockdown.

### **Ireland Food and Agricultural Updates**

On foodservice and retail supplies, there has been little change since the last week. However, the Irish egg production has dropped due to Avian influenza in commercial poultry flocks, which required the culling of thousands of laying hens. The outbreak is concentrated on farms in county Monaghan, just south of the border with Northern Ireland, the main source of Ireland’s egg supplies. Officials said Ireland’s egg production has dropped by 15 percent, although the number could grow as the situation is evolving. The low pathogenic strain of flu, known as H6N1, is highly infectious but does not kill birds in high numbers or pose a risk to human health. To protect other flocks, movement restrictions and additional biosecurity protocols have been imposed. Ireland’s retail egg supply market is being temporarily supplemented with increased imports from the UK.

### **Attachments:**

No Attachments.