Food and Nutrition in Light of COVID-19

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100 COUNTRIES
in-depth analysis on consumer goods and service industries

210 COUNTRIES AND TERRITORIES
demographic, macro- and socio-economic data on consumers and economies
Economic Outlook and Industry Impact
Four Areas Impacting the World of Foods in Light of COVID-19

**Macro-environment + Legislation**
- Negative macro-economic impact (↑ unemployment, closure of sectors of the economy)
- Enforced lockdowns

**Supply Chain**
- Shifts of supply chain (↑ demand)
- Borders closed and controls in place

**Channel**
- Shutdown of foodservice and institutional channels
- Shifts to in-store retailing
- ↑ E-commerce

**Consumer + Consumption**
- Stockpiling
- Fewer trips and larger baskets
- Larger pack sizes
A Brief Look at Euromonitor International’s Global Macro-environment Outlook

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Global infection rate</th>
<th>Mortality rate</th>
<th>Pandemic duration</th>
<th>Probability</th>
<th>Global real GDP growth in 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Baseline</td>
<td>1-10%</td>
<td>0.3-1.3%</td>
<td>1-2 quarters</td>
<td>40-50%</td>
<td>[-1.5%, 0.5%]</td>
</tr>
<tr>
<td>COVID-19 Deep Recession</td>
<td>5-25%</td>
<td>0.5-1.5%</td>
<td>1-3 quarters</td>
<td>20-30%</td>
<td>[-3.5%, -1.5%]</td>
</tr>
<tr>
<td>COVID-19 Crisis</td>
<td>15-35%</td>
<td>1.0-3.0%</td>
<td>2-4 quarters</td>
<td>15-25%</td>
<td>[-5.5%, -3.5%]</td>
</tr>
<tr>
<td>COVID-19 Deep Crisis</td>
<td>20-50%</td>
<td>1.5-3.5%</td>
<td>2-6 quarters</td>
<td>2-10%</td>
<td>[-9.0%, -5.5%]</td>
</tr>
</tbody>
</table>

Source: Euromonitor International
The Two Faces of Supply Chain Disruption

ECONOMIC OUTLOOK AND INDUSTRY IMPACT

Value of Agricultural Imports by Region 2016-2018

Delayed cross-border deliveries

Range optimisation

Focus on main SKUs

NPDs on hold

Arla UK temporarily removes one-pint cartons and skimmed milk to increase production output

Source: Euromonitor International

© Euromonitor International
Shifting Food Occasions: In-store Retailing Benefits
“Nearly half of our Haagen-Dazs shops in Greater China had been temporarily closed. In total, we saw a 90% decline in traffic in shops and substantial declines in other foodservice outlets in China in February, resulting in a significant reduction in Haagen-Dazs sales in Asia for the month.”

Jeff Harmening, CEO, General Mills, Q3 2020 Results
The Food Industry Likely to See the Largest Lift in 2020 Sales

2019

Global Packaged Food Retail Value +1.6%

Global Fresh Food Total Volume +2.6%

Source: Euromonitor International

Euromonitor Baseline

Positive
Negative

Source: Euromonitor International
Fresh Food: APAC and the Americas Could Suffer the Biggest Hit

Foodservice + Institutional as % of total fresh food volumes

- 0-15%
- 15-30%
- 30-45%
- 45+%
Not All Food Categories Are Suffering in the Same Way with Foodservice Closures

Packaged Food: Retail and Foodservice Volume Sales Globally (2019)

Country / Subcategory

World

Data Type
Foodservice Volume (Tonnes)
Retail Volume (Tonnes)

Volume sales (000 tonnes)

200K
100K
0K

Volume sales (% total)

100%
50%
0%

Dairy
Baked Goods
Rice, Pasta and Noodles
Edible Oils
Sauces, Dressings and Condiments
Processed Meat and Poultry
Seafood
Processed Fruit and Vegetables
Savoury Snacks
Sweet Biscuits, Snack Bars and Fruit Snacks
Ice Cream and Frozen Desserts
Confectionery
Ready Meals
Breakfast Cereals
Baby Food
Sweet Spreads
Soup

Source: Euromonitor International
Could E-commerce in Food Finally Take Off?

Packaged Food: Retail Value Sales by Channel and Historic Growth (2014-2019)

<table>
<thead>
<tr>
<th>Outlet Type</th>
<th>Retail Value Sales (USD bn)</th>
<th>Historic CAGR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Supermarkets</td>
<td>200K</td>
<td>15</td>
</tr>
<tr>
<td>Traditional Grocery Retailers</td>
<td>400K</td>
<td>10</td>
</tr>
<tr>
<td>Hypermarkets</td>
<td>600K</td>
<td>5</td>
</tr>
<tr>
<td>Discounters</td>
<td>800K</td>
<td>0</td>
</tr>
<tr>
<td>Convenience Stores</td>
<td>20K</td>
<td>20</td>
</tr>
<tr>
<td>E-Commerce</td>
<td>220K</td>
<td>20</td>
</tr>
<tr>
<td>Forecourt Retailers</td>
<td>0K</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Euromonitor International

Yili and Mengniu set up community WeChat groups and official accounts for order placing and providing direct-to-consumer delivery services, particularly for consumers in Wuhan (China)
Or Will Infrastructure Prevent Broader Adoption?

Packaged Food Retail Value Sales: Distribution by Channel (2014-2019)

Source: Euromonitor International
Or Will Infrastructure Prevent Broader Adoption?

Packaged Food Retail Value Sales: Distribution by Channel (2014-2019)

Source: Euromonitor International
Challenges ahead for speciality retail

Food Specialist Channel: Global Share by Category, 2019

- Baked Goods: 25%
- Confectionery: 2%
- Ice Cream and Frozen Desserts: 5%
- Savoury Snacks: 1%
- Edible Oils: 1%
- Sweet Biscuits, Snack Bars and Fruit Snacks: 1%
- Dairy: 1%

Global Food Specialist Channel Growth 2019
+5.0%

Source: Euromonitor International
Stockpiling Sees Sales of Shelf Stable Goods Soar

Dried pasta: % of SKUs flagged as out of stock on retailer websites in selected markets

- Snacks
- Dairy
- Shelf-stable and frozen food

Source: Euromonitor International
Long-term Implications
How COVID-19 Disruptors are Impacting
Strategic Themes in Food and Nutrition

**Consumer Segmentation in the Era of Eating Occasions**
- Anytime, Anywhere
- New Value Equation
- Lifestage Nutrition
- Sensory Experience
- Permissible Indulgence

**Food Provenance and the Country of Origin Effect**
- Back to Local
- Returning to Roots
- The Internationalisation of Food

**Food Tech and the Digital Economy**
- Digital Traceability
- Data-Driven Health
- Packaging Technology
- Food Delivery

**Functional Food and the Regulatory Environment**
- Food as Medicine
- Food with Functional Claims
- Functional Nutrients
- Labelling and Regulations

**Mindful Eating and the New Food Beliefs**
- Clean Label and the Era of Minimal Processing
- Healthy Eating in a Post Better-for-you World
- New and Ancient Ingredients

**Plant-Based Eating and Alternative Proteins**
- Animal Welfare
- Dairy Alternatives
- Edible Insects
- Lab-Cultured Meat
- Meat Analogues

**Sustainable Eating and the Environmental Cost of Food**
- Conscious Consumption
- Organic for me, Organic for the Plant
- Plastic-Free Future
- The Fight Against Food Waste
- The Role of Ethical Brands

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**COVID-19 Disruptors**
- Stockpiling
- Channel Shifts
- Home Seclusion
- Preventative Health
Asia Provides Signposts for Future

- Potentially retained habit changes
- Localism and increased use of smaller, local stores
- More online shopping
- Use of delivery for (previously unavailable) foodservice
- Greater purchase of immunity-boosting food
Back to Local: Consumers More Likely to Seek Locally Sourced Food

“Which of the following factors do you look for on food or drink labels?” (selected responses)

- No GMO ingredients
- Is organic
- Country of origin
- Contains added vitamins or fiber
- Does not contain MSG
- Contains protein
- Only uses ingredients I recognize
- Only uses natural sweeteners
- Short ingredient list
- No high-fructose corn syrup
- Does not contain gluten
- Does not contain lactose
- No animal products (vegan)

Source: Euromonitor International Global Health & Nutrition Survey; 2019 n:20,156
LONG-TERM IMPLICATIONS

Home-occasions Remain to Some Degree

Negative economic impact sustains home-cooking

Medium-term: avoidance of crowds and concerns about safety

Eating occasions shift back to foodservice and institutional channels to some degree

Foodservice consolidates direct-to-consumer infrastructure: increase in take-out/delivery
Forced Acceleration of E-commerce May Result in Sustained Channel Shifts

Consumers’ Online Shopping Motivations Relating to Convenience: 2016-2020

- Expedited shipping
- Immediate purchase
- Ease and availability of delivery

Source: Euromonitor International’s Lifestyle survey, 2016 n=27,427; 2017 n=27,751; 2019 n=39,657; 2020 n=40,440

Short-term acceleration in e-commerce may result in consumers sticking to it in some markets

- Poor experience
- Demand > Supply
- Delivery slots booked up
- New registrations on pause
Premiumisation at Risk of Slowing Down

Retail Value Sales, Real US$ mn, 2019 - 2024 CAGR %
2019 Constant Prices, 2019 Fixed Year Exchange Rate

Driver effects:
- Product Price

Retail Value Sales, Real Growth:
- Quarterly Update

Geography, Category

<table>
<thead>
<tr>
<th>Geography</th>
<th>Category</th>
<th>Drivers Effects</th>
<th>Retail Value Sales, Real, CAGR %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>Chocolate Confectionery</td>
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<td></td>
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<tr>
<td>Brazil</td>
<td>Chocolate Confectionery</td>
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<tr>
<td>China</td>
<td>Chocolate Confectionery</td>
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<td>Spain</td>
<td>Chocolate Confectionery</td>
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<td>Finland</td>
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<td>United Kingdom</td>
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<td>Italy</td>
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<td>Japan</td>
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<td>Mexico</td>
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<td>Russia</td>
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<td>Turkey</td>
<td>Chocolate Confectionery</td>
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<tr>
<td>USA</td>
<td>Chocolate Confectionery</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: Euromonitor International

Source: Euromonitor International

LONG-TERM IMPLICATIONS

Grocery Retailing in Developed Markets

Discounters
C-Stores + Forecourt
Supermarkets
Hypermarts
Traditional Grocery

2013-2018 % CAGR

0.0% 1.0% 2.0% 3.0% 4.0% 5.0%
Interest for Functional Food May Last


<table>
<thead>
<tr>
<th>Subcategory</th>
<th>Historic CAGR (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Vision Health</td>
<td></td>
</tr>
<tr>
<td>Immune Support</td>
<td></td>
</tr>
<tr>
<td>Brain Health and Memory</td>
<td></td>
</tr>
<tr>
<td>Energy Boosting</td>
<td></td>
</tr>
<tr>
<td>Digestive Health</td>
<td></td>
</tr>
</tbody>
</table>

Meiji R-1 probiotic yoghurt has seen sales soaring in Japan since early 2020

Source: Euromonitor International

Source: www.meiji.co.jp
Food and Nutrition in Light of COVID-19: Key Takeaways

**Long-term Implications**

**Short-term effects**
- Stockpiling
- Supply chain disruption

**Medium/long-term effect in line of recession**
- ↑ Home-cooking
- ↓ Demand in foodservice/institutional (i.e. hotels)

**Consumer habits may remain**
- ↑ E-commerce
- Food safety and Localism
- Greater purchase of health & wellness food

- ↑ Value-for-money offerings
Thank You

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Related Analysis:
http://blog.euromonitor.com/tag/coronavirus

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