



Bank of Ireland Sectors Team Food and Beverage Insight & Outlook

September 2024



**Bank of
Ireland**

Classification: **Green**

Summary

H1 2024 saw a solid result for exports, matching 2023, yet producers endeavour to manage costs, whilst keeping sight of future opportunities, and staying relevant to consumers.

Development and Insights August 2024

- Value of food and live animal exports in H1 2024 was €8.1 billion, matching 2023 exports¹.
- Exports were mixed with meat €2.3bn flat vs 2023 whilst dairy was €1.75bn or -11% YoY. Other sub sectors matched or were slightly ahead of 2023, whilst beverages made strong gains at +18% YoY to €1.04 Bn and seafood sales were €310m or +7% YoY².
- Food inflation remained low in June/July at +2.2% in ROI vs LY in Ireland³, 1.5% in GB and 1.5% in the European Union. Forecasts suggest circa 2% for H2 2024⁴.
- Input costs remain high but varied across raw materials, energy and transport, with producers striving to gain efficiencies, reduce cost base and energy usage.
- In the ROI grocery market in 12 weeks to 6th August, Tesco took the lead with 23.3% share, Dunnes number 2 at 23.2%, SuperValu 20.2%, Lidl 13.8% and Aldi slipped to 12.0%⁵.



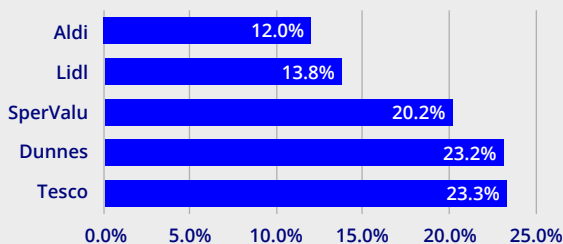
Food & Beverage producers - a balancing act

Food and drink operators continue to juggle the balance between company, consumer and retailer requirements, with the balance more acute in an inflationary market. Producers aim to satisfy consumers, with innovative products, retailers with varied product ranges at keen prices, whilst satisfying their own shareholders and growing sustainably. As consumers become more sophisticated, producers and retailers need to increase their focus on analysing consumer behaviour and find ways to retain consumer loyalty and stay relevant with products. Brands and product ranges need to remain 'front-of-mind' and be in tune with evolving consumer preferences.

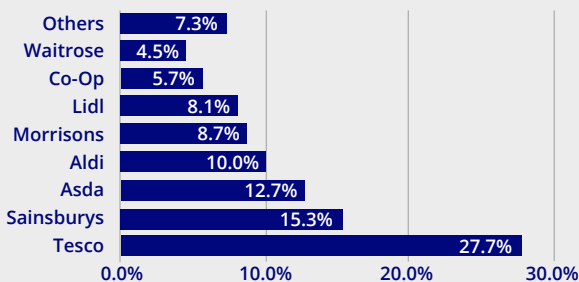
Private Label

Gradually, as food prices increased, consumers have turned to own-label products. The Private Label Manufacturers Association (PLMA), which runs a trade show in Amsterdam every year, claims that in 2023, sales of own-label product hit a high of €340 Billion or 38.5% of total grocery market value in Europe. That is +13% growth compared to +6% for branded goods⁷. Figure 1 shows the percentage of private label market share in a number of European countries. Own-label market share in ROI is similar to the UK at c.44%.

Kantar market share ROI 12 wks to 06/08/24



Kantar market share UK 12 wks to 07/07/24



- In the UK, Kantar shows in 12 weeks to 7th July '24 Tesco achieved its largest share gain since Nov 2021 taking 27.7% share, Sainsburys was +4.7% to 15.3%, Asda 12.7%, Aldi 10%, Morrisons 8.7% and Lidl grew to 8.1%; smaller retailers Co-Op has 5.7% and Waitrose 4.5%⁶.

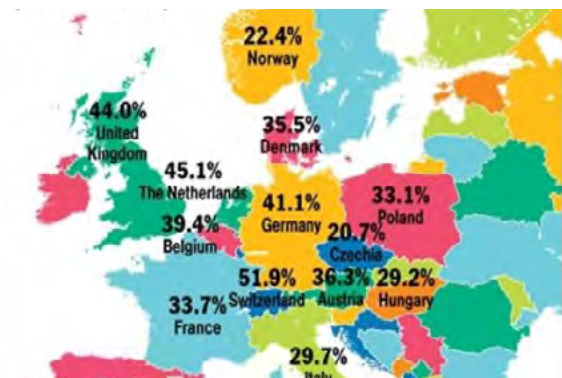


Fig 1 Source: PLMA (plmaininternational.com)

¹ Goods Exports and Imports June 2024 - Central Statistics Office
² Goods Exports and Imports June 2024 - Central Statistics Office
³ Food Inflation Forecast 2024/2025 (tradingeconomics.com)
⁴ Food Inflation Forecast 2024/2025 (tradingeconomics.com)

⁵ Grocery price inflation picks up again - Kantar (rte.ie)
⁶ Falling inflation, football and fake tan: summer events shape shopping habits (kantar.com)
⁷ No surprise, private label sales set new record | PLMA (plmaininternational.com)



Food Inflation

Food Inflation in Ireland was reported at 2.2% in July '24 for food and non-alcoholic beverages, down from 2.3% in June, the lowest level in three years⁸. Whilst this was welcomed by consumers, who have managed high grocery prices by reducing basket size, switching brands or buying private label, cost challenges remain for producers. Kantar showed inflation of food and non-alcoholic beverages grew 2.8% in ROI in 12 weeks to 4th August '24 vs 2023⁹. In the European Union food and non-alcoholic beverage inflation was +1.5% in June '24 (1.8% in Euro area) vs. June '23¹⁰.

In the United Kingdom, food inflation was recorded as +1.5% in June '24¹¹. However in recent weeks, food inflation has edged higher in the UK with Kantar reporting +1.8% in the 4 weeks to 13th August¹².

Producers of premium brands and high-end products will be hopeful that food inflation stays low, and demand for their products picks up, but food inflation levels are not easy to predict.

Food Index

The Food and Agriculture Association of the United Nations (FAO) food price index that measures the change in the international basket of commodities (meat, dairy, vegetable oils, sugar and cereals) was 120.8 in July '24¹³, marginally below figure for June. A decrease in cereal prices outweighed increases in sugar, oils and meat products.

Cocoa prices continue to stay high since spiking in April of 2024 with cocoa futures trading at circa \$9,000 per tonne¹⁴ an increase of 130% since the start of 2024. Stocks remain tight after a poor season in '23/24. Prices for the rest of 2024 are estimated to stay high and volatile, due to the extent of the poor crops in Ghana and Cote d'Ivoire, demand uncertainties, and early predictions from farmers in West Africa, biggest producers of cocoa, that the '24/25 harvest may look better¹⁵. Chocolate producers have needed to raise their prices to manage their cost base which adds to food inflation.

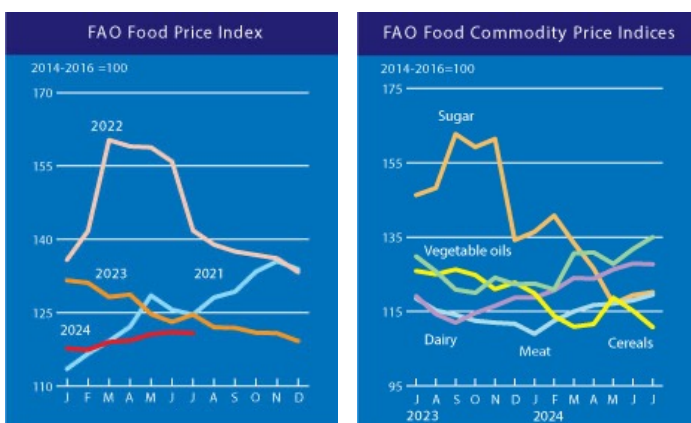


Fig 2: FAO Food Price Index | Food and Agriculture Organization of the United Nations

Deposit Return Scheme

The DRS scheme for plastic bottles & drinks cans reports 400m plastic bottles were returned since 1st February¹⁶, peaking at 90m in June. This is good progress in a short time. The incentive to collect and return containers (due to high deposit rate) is evident from cleaner streets and it's encouraging to see schemes being set up for charities to benefit. There are challenges with machines at capacity or out of order in some stores.

Looking to other European countries, some operating return schemes for decades, the DRS evolution can continue to improve. In France, bottles are shredded in the machine, requiring less frequent emptying, and in Denmark & Sweden bottles can be dumped into the newer machines, making the return much faster. The scheme here has the opportunity to further develop to help ROI reach its single use plastic reduction target. The inclusion of the Return logo seems unnecessary once the system has settled as it creates extra complexity /cost for producers and requires separate production runs for a small market like Ireland.

⁸ Ireland Inflation Rate (tradingeconomics.com)

⁹ Grocery price inflation picks up again - Kantar (rte.ie)

¹⁰ European Union Food Inflation (tradingeconomics.com)

¹¹ European Union Food Inflation (tradingeconomics.com)

¹² UK grocery inflation edges higher after 17 months of decline | Reuters

¹³ FAO Food Price Index | Food and Agriculture Organization of the United Nations

¹⁴ Cocoa - Price - Chart - Historical Data - News (tradingeconomics.com)

¹⁵ International Cocoa Organization (icco.org)

¹⁶ Checkout | Latest Irish Retail News, Insights & Analysis

ESG

- Energy efficiency initiatives continue to be the number one sustainability action for most businesses with solar panels, heat pumps, heat recovery systems and production efficiencies also featuring.

“ One operator cited that due to energy usage measurement, it established that the production method on one of their sites was five times more efficient than another site which led to the installation of a heat recovery system. ”

- Whilst climate change is impacting crops and food security, one positive change in Ireland is grapes can now be grown and harvested as wine production moves northwards. One producer growing vines and making wine commercially is Old Roots vineyard in Co Wexford. A variety of grapes including Cabernet, Chardonnay, Pinot Noir and Pinot Blanc have grown there since 2015 and Old Roots now supplies some hotels with wines¹⁷.

Sustainable Food and Beverage Production – Ireland and the EU

As we look to develop a more sustainable food system in Ireland, it is important to consider this as an integrated part of a sustainable food production system within the EU. The scale of food and drink production across the EU is vast, one of the largest manufacturing sectors in Europe¹⁸.

- There are 4.6 million employed in food and drink production with a turnover of €1.1 Trillion¹⁹.
- Approx 300,000 businesses in this space, with 90% of them employing fewer than 20 people²⁰.

As sustainable food production evolves, and food circularity increases, it is important for Ireland's food sector to tap into EU developments and supports, and be an integral part of the change.

Price Competition – Mondelez fined for contravention

The EU allows free movement of goods, and holds great commercial opportunity, with its 450m population. To keep tabs on single market activity, the European Commission acts as the EU watchdog. In May this year, it imposed a significant fine of €337.5m on Mondelez International for breaching EU law²¹. Mondelez, one of the world's largest producers of chocolate and biscuit products, distributes its products using traders, brokers and exclusive distributors, typical for fast moving consumer goods (FMCG).



Fig 2. Source : Commission fines Mondelez (europa.eu)

¹⁷ Irish wine being produced in a warming climate (rte.ie)

¹⁸ Sustainable food systems - FoodDrinkEurope : FoodDrinkEurope

¹⁹ Data & Trends of the European food and drink industry 2023 - FoodDrinkEurope : FoodDrinkEurope

²⁰ Data & Trends of the European food and drink industry 2023 - FoodDrinkEurope : FoodDrinkEurope

²¹ Commission fines Mondelez (europa.eu)



Between 2015 and 2019 it was found to have hindered cross-border trading of products and 'artificially partitioned the internal (EU) market'. The Commission found it engaged in various anti-competitive practices, abusing its dominant position, and restricted or ceased supply to maintain higher pricing in other markets²². This ruling sets a precedent regarding cross-border trade. The substantial fine sends a strong signal to those operating in the EU regarding distribution agreements and how they operate.

Brexit and Border Target Operating Model

The Border Target Operating Model (BTOM), introduced post-Brexit, means products brought into Great Britain are subject to new UK controls. The National Audit Office estimates €4.7Bn has been spent to date implementing the BTOM as changes were introduced with the UK's departure from the EU²³.

Since 30th April 2024, imports into GB are subject to non-routine checks; some shipments need documentary checks and identity seal checks on entry and exit. October 2024 will bring more documentary, identity and physical checks for live animals, an extra cost for those trading with GB.

Northern Ireland

Northern Ireland's food and beverage sector is evolving and growing with an increased focus on locally- produced products. The industry straddles a diverse range from fishing and agri-food production to brewing and distilling. It is worth €5.4 Bn, and is the largest producer of the region's manufactured sales (37%)²⁴. It is the only market in the world that offers tariff-free market access to both Great Britain (GB) and the European Union (EU) putting NI in an enviable position²⁵.

In July a new Agri-Food Investment Initiative of €46 million was launched to support the agri-food sector, including food and beverage processors²⁶. This was developed by Invest NI to improve the sector's competitiveness. It is anticipated funds will be used for innovation and to help operators adopt greener technologies.

²² Data & Trends of the European food and drink industry 2023 - FoodDrinkEurope : FoodDrinkEurope

²³ BTOM updates (export.org.uk)

²⁴ Food and drink | Invest Northern Ireland (investni.com)

²⁵ Food and drink | Invest Northern Ireland (investni.com)

²⁶ New €46 million scheme launched to support agri-food and drink processors in Northern Ireland to improve efficiency and productivity | Manufacturing & Supply Chain (manufacturing-supply-chain.com)

Looking Ahead

- The dairy sector in ROI, and indeed the wider EU, holds concerns that an anti-subsidy probe into EU dairy imports, recently opened in China, may affect Ireland's dairy exports (c€45m)²⁷. This was a day after the EU published higher tariffs for Chinese electric vehicles²⁸.
- High costs and further planned increases to wages and employee benefits, will further challenge producers' cost base yet retention of good staff remains a key focus.
- Food inflation estimates from Trading Economics are low single digit of 2.5-3.2% in Q3/Q4 '24, 1.8-2.4% in the EU and 1.9-2.5% in the UK²⁹.
- Supply Chain issues have largely settled yet transport costs remain high. The latest World Container Index (WCI) shows the average price of a 40ft container is \$5,428, 48% below the pandemic peak of \$10.3k (Sep 2021), but 282% higher than the pre-pandemic cost in 2019³⁰. Road transport costs also remain elevated with personnel & fuel costs high and new CO2 emissions-based tolls coming into effect³¹.
- Despite the various challenges outlined and geopolitical uncertainties, overall the sector remains positive in outlook for 2024, looking to future innovative opportunities for sustainable food and beverages.

Bank of Ireland

Bank of Ireland is committed to its role as a key partner and supporter of Ireland's largest indigenous Industry. Our continuing support of the Blas Na hEireann food quality awards and our breadth of sectoral knowledge highlight this.

We understand the requirement for food and beverage companies to have an in-market, long-term, stable, finance partner that can offer support, dedicated relationship managers and an understanding of the various sub-sectors.



Lucy Ryan

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Lucy joined Bank of Ireland in Jan 2023 as Head of the Food & Beverage Sector, to support the Bank's lending in this important, indigenous industry.

She brings an in-depth understanding of the Food & Drink sector to the role having worked for 25 years in food and drink operators in Ireland, Italy and UK across a number of companies and product categories.

She has held various senior commercial positions, many of them customer-facing, in consumer goods' companies including Diageo, C&C Group (Bulmers Ltd), Mark Anthony Brands International, Valeo Foods and BFree Foods.

Lucy holds a French & Italian languages degree from UCC and a Post Graduate qualification from UCD Smurfit Business school.

²⁷ [China opens anti-subsidy probe into EU dairy imports \(rte.ie\)](#)

²⁸ [China opens anti-subsidy probe into EU dairy imports in pushback against EV tariffs | Reuters](#)

²⁹ [Food Inflation Forecast 2024/2025 \(tradingeconomics.com\)](#)

³⁰ [Drewry - Service Expertise - World Container Index - 15 Aug](#)

³¹ [Road freight transport: The freight rates in Europe fell during Q1 \(upply.com\)](#)

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Starting your Sustainability Journey



Energy Management

Understand your energy consumption patterns with an energy audit and assess ways to reduce energy usage. Consider alternative energy e.g. heat pumps, biomass boilers, heat/gas recovery systems, solar panel installation, electric vehicles or EV charging points.



Sustainability Leadership

"Tone from the top" will drive change. Nominating an ESG lead will add momentum to your plans. Sustainability awareness and education for employees is essential to drive ESG initiatives.



Biodiversity

Find ways to enhance biodiversity like native tree planting, 'greening' your space and supporting local clean-up initiatives. Access to enhanced outdoor space benefits employee wellbeing as well as improving local biodiversity.



Circularity and Waste Reduction

Food waste reduction is critical to a lower carbon footprint. Consider re-purposing waste foods to advance a circular food system. Reduced packaging and compostable packaging play a big part in food and drink preservation and in decarbonisation.



Employee Health, Safety and Wellbeing

Look after employees by offering training, career development opportunities and mental health awareness. This includes your supply chain - leverage the "power of the PO (Purchase Order)" and ask suppliers for additional information on labour standards.



Community Connections

Look to invest in local initiatives to improve the wider community's wellbeing and access to education or activities, whilst allowing the business play its part in developing the community. This will integrate your business into the community supporting the area's social fabric.

Online Resources:

-  [SEAI Energy Academy | SEAI](#)
-  [Green for Business - Local Enterprise Office \(https://www.localenterprise.ie/green\)](https://www.localenterprise.ie/green)
-  [Carbon Calculator | Carbon Toolkit 4 Business \(climate-toolkit4business.gov.ie\)](https://www.climate-toolkit4business.gov.ie)
-  [Enterprise Ireland \(enterprise-ireland.com\)](https://www.enterprise-ireland.com)

We're here to support business customers to transition to net zero.

For more details check out our [Business Green Hub](#)

