WWF COVID-19 Listening Tour

Food Sector – Key Takeaways

September 2020

Executive summary: Initial shock

- **The pandemic impacted every global and local food company**. The impacts depend on where you sit in the food system
- **Food is an essential service**. Governments immediately classifying it as such was critical
- Initially, **the challenge was about employees and customers** and less about product
- The **food system knows how to address phytosanitary issues** and has effective protocols
- **The hardest hit were in the informal food sector**, food service, restaurants, their distributors as well as fresh produce and animal protein and seafood connected to those markets
- Most Mom and Pop restaurants and corner stores won't survive
- **Producers are the heart of the food system**. Supporting suppliers with resources and crisis management expertise became a priority for retailers and brands
- **Keep producers whole by buying their product** and keeping pipelines flowing

Executive summary: Immediate lessons

- The pandemic is **a dress rehearsal for the impacts of climate change on the global food system**
- **The food system itself is a key contributor to zoonotic diseases** due to habitat conversion and the replacement of wildlife with domesticated animals and human-linked species
- **Producer livelihoods are critical** for resilient food systems and **producers need incentives to do better** not just meet market requirements
- **Economic, social and environmental sustainability must be better integrated** and are pivotal in how we think about the post-pandemic global food system
- The role of mindset is paramount in business. **Trust, collaboration, and purpose-led models** drive responsiveness, flexibility and success
- Post pandemic, **we will have 1-2 years before the new norm solidifies** and change will be harder

Executive summary: The New Norm

- Local food production is important, but **international trade is essential** to address global food shortages
- We need to **keep producers whole and pipelines full and flowing** in order to address future food shortages
- **Ecommerce** boomed and many food retailers had to upgrade their service offering to meet demand. This consumer behavior shift is expected to continue
- Going forward we need **business models that leave no food or people behind**
- We must find ways to **collaborate and listen more**, learn faster, and respond more quickly
- Companies are willing to **talk and share and work pre-competitively**
- When it comes to food, **we are all in it together**

Overview

Objective: To understand how the global food sector was impacted by and reacted to the COVID-19 pandemic in order to distill insights and lessons learned and share them with participants, partners and the food sector more generally

Approach:

- In-depth interviews with representatives of selected companies across the global food supply chain
  - Included producers, traders, wholesalers, feed, input suppliers, retail, fast food and hospitality
  - Included companies in the US, EU, India, South Africa, Brazil, New Zealand, and Thailand
  - Included global fora focused on food issues (e.g. Consumer Goods Forum and others)
  - Included local producer and industry trade groups (e.g. Fair Life, UK Food & Drink Federation, etc.)
  - All interviews were kept anonymous to encourage candor
- Interviews conducted by Jason Clay, Andrew Murphy, and Cris Close
- WWF Private Sector Engagement teams facilitated part of the process
- Interviews were with both WWF Partners and non-Partners

Who we talked to:

Region	Sectors													
	Retail	Consumer Goods	Meat & Dairy	Fast Food	Food Brands	Traders	Input	Feed	Hospitality	Local Groups	Seafood	Forums	TOTAL	
South Africa	2	1											**3**	7%
SE Asia			1					1			1		**3**	7%
Brazil	1		1			1				1			**4**	9%
EU	3	1			1		1	1			2		**9**	20%
UK	1				1					1			**3**	7%
Global												6	**6**	13%
India			1		2	1							**4**	9%
US	3	1		3	2	1	1		1	2			**14**	30%
TOTAL	**10**	**3**	**3**	**3**	**6**	**3**	**2**	**2**	**1**	**4**	**3**	**6**	**46**	
	22%	7%	7%	7%	13%	7%	4%	4%	2%	9%	7%	13%		

Sectors:

Retail	22%
Global Forums	13%
Food Brands	13%
Fast Food/Hospitality	9%
Local/Producer Groups	9%

Regions:

US	30%
EU	20%
India /SE Asia/Eurasia	16%
Global Forums	13%
Brazil	9%

Notes:

- 9 of the US companies have global operations
- 5 of the EU/UK companies have global operations
- 1 S African retailer is pan-African

Focus of the interviews

1. Overall impacts, and impact over time
2. Impacts on employees, primary producers, suppliers, customers
3. Managing the response
4. Challenges to operations
5. Giving back in the crisis
6. Unique country/local scenarios
7. Key priorities
8. Sustainability in the age of COVID
9. The new normal and what happens next
10. Collaboration and role of NGOs

Key take-aways

1. **Being essential was key:** Most retailers, brands, producers, and processors did not shut down and maintained full operations during the crisis*
2. **The food industry is a leader:** With experience developing food safety protocols, the food industry is an example for other industries
3. **Safety comes first:** For all companies, safety of staff and customers was paramount
4. **Trust matters**: As the crisis deepened, consumers flocked to trusted brands (both companies and products)
5. **Collaboration matters:** Both with government and industry peers
6. **Fewer distractions = focus:** Without travel, commuting, or activities (sports, religion, dining out), people had time to focus on what matters to their company, their family and society
7. **Inequality exposed:** The pandemic exposed economic, social and environmental inequality
8. **Supply chains were efficient but brittle**: Food loss and waste increased and producers were the hardest hit affecting their desire/ability to continue to produce
9. **E-Commerce is critical:** People & companies became more dependent on e-commerce

*Producers and distributors of food and essential items did well. The informal markets did least well of all. The more one relied on in-person, in-door experience, the more challenging the COVID-19 pandemic was for a business. Those in food service and hospitality faired less well.

Impacts within the food value chain

Input	Producer	Food Processor	Retailer / Food Service	Consumer

Impacts on producers varied widely, as did the fortunes of the companies that supplied them

Traders, food processors, and supermarkets did fairly well

Sit-down restaurants, food service, and hospitality were most negatively impacted in the formal food sector

The informal food sector suffered the most, however

Fast food retail added pick up and online delivery capabilities

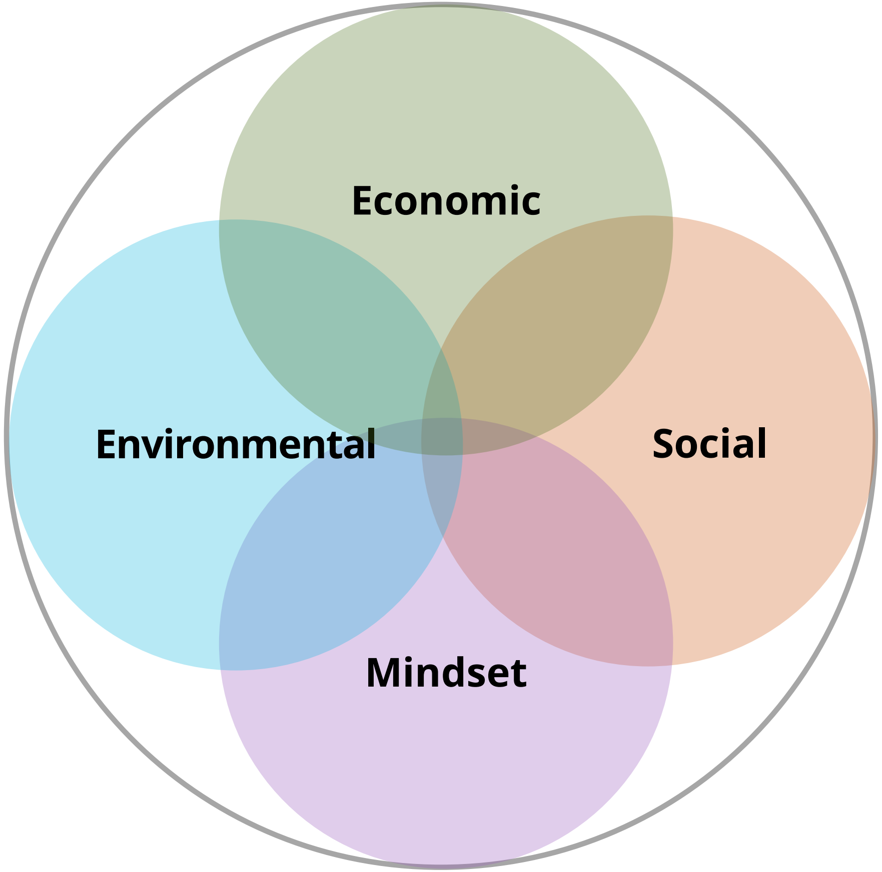
Consumers began to purchase more directly from producers

Consumers panicked about food shortages

Also, concerns about where food is from

- All players acknowledged the central role of the producer, logistics and trade of food
- COVID affected dynamics in the supply chain and created more awareness about the role of producers and workers

Framework to analyse impacts



We can assess the crisis through the different lenses: economic, social, environmental, the mindset.

Mindset of all players along the value chain becoming a critical aspect to be addressed, such as:

- Fear
- Safety
- Trust
- Collaboration
- Resilience
- Flexibility

Economic

STRENGTH	WEAKNESS
Essential Business / Food demand Resilience in sourcing / Distribution Trusted Brand / Reputation Leaning into Technology Ability to maintain continuity Business insight (China) Previous crisis experience Your team Diversified portfolio	Exposure to hospitality /closed businesses Reliance on in-person experience ↑ Protocols/spend = ↓ Margins Buyer driven markets Misinformation

Cash reserves

THREAT	OPPORTUNITY
Crisis of unknown length Supplier health / strength Govt. Regulation / interpretation Border closures Sick employees / sick customers	Ability to shift production/mix/distribution Collaboration (Government, Competitors, Supply Chains) E-Commerce Pre-competitive approaches

Social

STRENGTH

- Safety protocols
- Customer Loyalty
- Employee Resilience
- Role in the community
- Leaning into social issues pre-COVID

WEAKNESS

- Inequality and access to food
- Inequity and exposure of frontline workers
- Efficient but brittle supply chains, so food waste when prices are high
- Public transport / hygiene
- Closed borders = lack of migrant labor
- Misinformation

THREAT

- Employees getting sick
  - Their transport
  - Their home life
- Producers can’t find a way to sell product
- Even loyal customers can’t access products

OPPORTUNITY

- Giving back to the community
- Re-affirming values
- Lack of distractions to focus on key issues
- Shift adjustments for workers

Environmental

STRENGTH

Long-term visions/goals intact and more important than ever

More executives recognize the imperative

Increasing calls for collaboration

WEAKNESS

Economic exposure can impact negatively

Closed borders = inefficient production

Some implementation stalled

The food system is partly responsible for the pandemic

THREAT

Social Issues/safety is paramount

Hygiene shifts = ↑ demand for water

Cheap oil = less incentive for recycled material

Drastic demand shifts can impact food waste

Increased water use in water scarce areas

OPPORTUNITY

Pause in activity/reflection

Air & water cleaner for the moment

Execs see waste at home

Use the pandemic to understand and prepare for the impacts of climate change

Mindset

STRENGTH

People cling to safety and stability

Trust is paramount

Panic buying drives revenue, covers other deficiencies

People closer to food, therefore waste less, use less packaging, aware of inefficiencies, etc.

WEAKNESS

Anxiety when protocols and norms fail

Lack of comfort diverging from routine

Lack of public awareness about the importance of the food system

Panic buying distracts and spreads resources

THREAT

Negative reactions from customers to staff & protocols

Empty shelves = angry customers

Rioting / looting / damage to property

Producers that have lost markets don’t trust that they will be back fully so produce less

Uncertainty drives anxiety

OPPORTUNITY

Plan for and anticipate behavior shifts

Embrace change and pivot operations to take advantage

Don’t be afraid to explore new strategies and pre-competitive collaboration

Periods of massive change happen rarely – take advantage of them

Corporate priorities

Preserve	• Keep employees, customers, suppliers & producers safe • Conserve cash
Protect	• Maintain operations – Phases of reaction – Support suppliers and producers – Price stability • Address consumer, community and market needs
Adapt	• Look for/respond to opportunities – Enable faster decision making – Expand digitization and e-commerce – Reduce exposure – Work pre-competitively • Plan for the rest of the year and anticipate the duration

Additional observations

1. **Breakdown of the informal food sector:** Supply chain mostly staffed by immigrant workers & livelihoods shut down due to lockdowns in other areas
2. **The situation is fluid:** Many companies operate in environments where the virus is still advancing, this makes predictions about what happens next difficult
3. **Learning is key:** Many expressed a need to listen and learn: From partners, the situation, and within their value chains & competitors
4. **Watch plastics:** Plastics play a key food safety role in the pandemic; use will increase as will plastic waste. Combined with low oil prices plastics become a petroleum storage option
5. **Generational transfer:** The number of entrepreneurs exiting the market due to COVID, that may or may not get picked up by the next generation

Anecdotes & stories

1. **Challenges in the Western Cape:** One retailer has had to open and close multiple locations as the virus spreads and employees/customer get sick
2. **Alcohol in S Africa:** There was a challenge as to why the government waited to fix alcoholism, now, in the middle of a pandemic. Resulted in the first ever cross-industry collaboration to address the situation. (Note: after allowing them to re-open, Govt. again shut them down)
3. **Baking/Gardening rush:** Big increases in demand for seeds and garden equipment, as well as flour and yeast for baking
4. **Sustainable bandwagon:** Increased Google searches on “sustainable living” and more requests to join forums like OP2B
5. **Introducing “immunity products” in India:** There was a rush in India to introduce immunity products (milk, juices, noodles, etc.)
6. **Buying in a crisis:** Breaking supplier protocols with old & new suppliers
7. **Brexit vs. COVID:** Comment by a retailer that Brexit was more challenging to deal with than COVID

Anecdotes & stories

8. **Challenges faced by female working parents while working from home:** “I see my male colleagues going for stretch goal projects, and I am just trying to keep my shirt clear for the next call”
9. **Panic buying variations:** From TP and meat in the US, to TP and canned goods in Europe, to pulses/wheat/rice in India, to fresh veg in S Africa
10. **Indian demand shifts:** First surge was on essentials, then shifted to home snacks, like biscuits and instant noodles
11. **Strategy:** One EU retailers low SKU/local focused supply chains helped them sail through COVID challenges in the EU
12. **Massive waste in the flower industry:** Both in Holland and in the inability to evacuate flowers from Ethiopia
13. **What is essential:** In India, food but not chocolate. In Europe, food is, but not ink. How do you package your goods?

Local variations

Challenges and opportunities varied across geographies, driven by varied government and consumer reactions

Country / Region	Local setting	Challenges	Anecdotes
South Africa	Harshest lockdown of any country Panic buying = fresh vegs Shift to items for cooking at home	Vast inequality and high dependance on informal food sector Lack of water Structure of townships Local rule interpretation Stigma attached to virus	Collaboration in the alcohol sector First staff died before first health worker Adding soup kitchens in townships
India	Overnight lockdown Government as collaborator Panic buying = pulses, wheat, rice Later shift to snack foods for home It is monsoon season!	Lots of red tape Local rule interpretation What is essential Transport was hard Can't fire bad apples	Chocolate not essential, but bakery is Convincing the head man the factory was safe Trucks stopped on the road – drivers went home
Brazil	Hit later by the pandemic, but one of the most severe High social inequity No lockdown Higher concerns about economic stability	Government discounting COVID Lack of information available to public	Advanced retailing system in place able to react fast to crisis and changes Fast learning and adapting in the food sector
United States	Panic buying = TP, meat, disinfectant supplies Later shift to outdoor / family time products Worst hit country in absolute numbers	Informal food sector Custody of product	Enough TP for every American! Incentive bonuses / hero pay Pop up testing centers
Europe	Panic buying = TP, canned goods Early virus surge and lockdowns	Lack of migrant labor Not enough trucks Increased food waste (Post Harvest)	Execs Googling "Sustainable Living" Massive waste in flower industry Essential = Could not get ink for packaging

Potential follow-ups

1. **Set-up a separate process for China**
2. **Look at the role of and impact on the informal food sector:** Most impacted
3. **Look at hospitality/restaurants/food service:** Most impacted formal food sectors
4. **"Charitable" food sectors:** One US actor talked of how this collapsed in the US. Is that true? What about in other countries?
5. **Deeper dive on food loss and waste:** Look more at where, how much, and why?
6. **Facilitating champions:** Individuals who had moved companies, former WWFers working in the corporate space, and folks from established companies moving into sustainability roles in private companies
7. **The next phase of COVID:** How did things change as the crisis continued? As schools re-opened? As it worsened/improved in certain countries?
8. **Comparison:** Overlay business size/performance/country/geography and position in the food system and supply chain

Related articles

1. **Zoonotic disease and Food sector:** https://cdn2.hubspot.net/hubfs/4783129/WWF%20COVID19%20URGENT%20CALL%20TO%20PROTECT%20PEOPLE%20AND%20NATURE.pdf
2. **Move towards e-commerce:** https://www.retaildive.com/news/walmart-cuts-corporate-jobs-as-it-focuses-on-omnichannel-push/582691/
3. **Exposure to in-person dining:** https://www.nydailynews.com/coronavirus/pizza-hut-closing-300-restaurants-franchise-bankruptcy-20200817-54447gtkmzdn7dc3iea7c6zhda-story.html
4. **Alcohol in S Africa:** https://www.beveragedaily.com/Article/2020/08/17/South-Africa-s-alcohol-industry-welcomes-end-of-alcohol-ban
5. **Panic buying:** https://www.theguardian.com/food/2020/aug/23/how-britains-covid-19-panic-buyers-triggered-a-tinned-food-renaissance
6. **Challenges for the meat industry:** https://www.insurancejournal.com/news/international/2020/08/19/579547.htm
7. **Flower industry challenges:** https://www.ksby.com/news/local-news/californias-flower-industry-gutted-from-coronavirus-as-local-farms-wilt-under-financial-losses
8. **Immunity boosting in India:** https://www.thenewsminute.com/article/covid-19-pushing-indians-rely-immunity-boosting-brands-and-home-remedies-130462


Thank you.
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