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# Coronavirus Concerns in the Global Fresh Produce Sector

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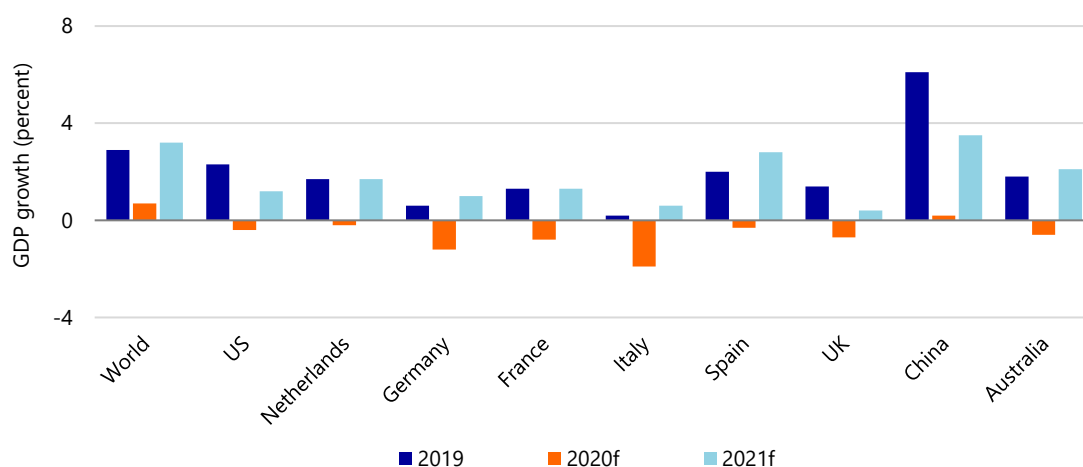
### Introduction

Covid-19 has been rapidly spreading across the globe. Measures to avoid further spread of the virus are affecting the global fresh produce industry via demand, labor availability, logistics, and the general state of the economy. But the potential effects will differ from day to day and from company to company.

## Longer-Term Economic Impact

The measures that have been enacted to slow the spread of coronavirus, like restaurant closures and event cancellations, have had a major impact on economies around the globe. [RaboResearch Economic Research](#) forecasts global GDP growth for 2020 at 0.7%, compared to 2.9% in a scenario without Covid-19 (see Figure 1). For fresh produce businesses, the effects will mainly trickle down through changes in consumer spending, labor availability, logistics, and trade.

Figure 1: GDP growth expected to fall in 2020 due to the spread of Covid-19



Source: Rabobank 2020

## Shoppers Are Reacting

### Stronger Retail Sales

Foodservice demand for fresh produce has virtually stopped in Europe, North America, and New Zealand and is rapidly slowing in Australia. But overall sales volumes of fresh produce are expected to remain at pre-coronavirus levels or even to increase, as at-home meals include a higher proportion of fruit and vegetables compared to out-of-home meals. During mid-March 2020, fresh produce retail sales increased over 30% YOY in the US, while sales of frozen fruits and vegetables increased over 100% YOY because hoarding and eating at home have become more prevalent. The 'healthfulness halo' around fresh produce could be a positive demand factor that ends up lasting longer than the Covid-19 outbreak. Also, online sales and grocery delivery

business have risen significantly, according to data from Nielsen. In China, fresh produce sales via online platforms MissFresh, Dada-JD Daojia, Dingdong, and Freshippo grew by 300%, 374%, 220%, and 330% YOY, respectively, during the virus lockdown period. Likely this will have an impact on shopping behavior beyond the coronavirus crisis.

## High Foodservice Losses for Specific Products and Companies

Businesses supplying foodservice have been impacted severely by lockdowns. Many of them cannot easily change to other clients as these have different requirements. The share of foodservice sales in total fresh produce sales varies widely among countries. In Europe it is estimated at roughly 20% and in Australia and New Zealand at about 25%. Not all of the missed foodservice sales are moving to food retail. Specific items that rely heavily on foodservice are lettuce, fresh herbs, asparagus, and red currants. One specific, young sector potentially being impacted by this is vertical farming, as many of these farms are highly exposed to local foodservice clients. Forced by these difficult market circumstances, growers are looking for alternative sales channels, like delivery of vegetable boxes or selling directly from the farm via a drive-through.

## Floral Sector Demand Has Collapsed

For floral products, demand has collapsed in many countries, as these sales are highly occasion- and event-driven, and (more so than food) dependent on sales through specialized stores, like florists and garden centers. For more information, read our companion article [“Floriculture Demand Collapses Dramatically Under Coronavirus Pressure.”](#)

## (Logistical) Uncertainties Remain High

Fresh produce businesses selling abroad have to deal with challenges caused by border closures, port lockdowns, flight cancellations, and other hiccups. Increasingly, countries around the world have closed borders, though not for transportation of essential products, including fresh produce. At some borders, formalities will delay transportation times, leading to additional costs. The sudden high retail demand in some countries has also resulted in higher transportation costs.

The uncertainty about the situation and potential new challenges popping up are affecting the market. For example, just after the Covid-19 outbreak in China, a shortage of sea containers was reported, but this situation has been improving over the course of March. Still troublesome are the flight disruptions that have resulted in problems for some specific items that are flown on passenger jets, like premium exotic fresh fruits and cut flowers. Prices of globally traded products, like tropical fruits, are reported to be extremely volatile since the Covid-19 outbreak.

Changes in exchange rates will also potentially affect trade flows. As a global recession is now more imminent, money is flocking to safe-haven currencies, like the US dollar. This will negatively impact export demand for the US, but positively impact export demand for countries that are net food exporters, like New Zealand.

## Labor Issues Are a Major Risk Factor

A key concern in global fresh produce is the safety and availability of employees, both on farms and in packing and distribution. Growers and packers have to deal with extra costs for recruitment and also for measures related to the required social distancing, like additional work shifts, cleaning, etc. In the US, there is uncertainty about seasonal labor from Mexico. Australia and New Zealand rely quite heavily on people from the Pacific region and backpackers for harvesting and packing fresh produce. In Europe, growers almost completely rely on immigrant workers from countries inside and outside of the EU. A possible solution to labor shortages is recruiting students or people from other sectors, such as tourism and hospitality, who are unemployed due

to the Covid-19 crisis. In Europe, growers are trying to collectively organize charter flights for Romanian workers circumventing border checks.

## Lessons Learned so Far

In such a rapidly changing situation, it is difficult to foresee how things will evolve in the medium and long term. How much the Covid-19 crisis will impact a business will be determined by the type of product, customers, destination countries, and channels supplied (see Figure 2). Companies that rely on foreign labor and export markets are generally more at risk compared to companies that supply basic fresh produce items to markets nearby. Businesses have to react quickly to the current situation by cutting down variable costs, deciding what activities to continue (or discontinue), searching for new market opportunities, and so on.

In the long term, we still expect to see effects of this crisis. Sales of luxury items, like some exotic fruits, cut flowers, high-value prepared products, and certain berries, could be impacted even after the pandemic alert is over. However, taste, convenience, and healthfulness will still be strong, positive demand drivers for many of these products. A healthy eating style may become even more top-of-mind because of this, benefiting the overall fresh fruit and vegetables industry.

**Figure 2: Business characteristics that lower or increase the risk of negative impacts from the coronavirus crisis**



Source: Rabobank 2020

# Imprint

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Roland Fumasi	Senior Analyst – North America	roland.fumasi@rabobank.com
Hayden Higgins	Senior Analyst – New Zealand	hayden.higgins@rabobank.com
Lambert van Horen	Senior Analyst – Europe	lambert.van.horen@rabobank.com
David Magana	Senior Analyst – North America	david.magana@rabobank.com
Cindy van Rijswijk	Senior Analyst – Europe	cindy.rijswijk@rabobank.com

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