PRIMA Note

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Opinion on the impact of COVID-19 and the next future for the agrifood sector in the euro-mediterranean region.

The COVID-19 pandemic has had a high impact on the agrifood industry, and the Euro-Mediterranean region has been no exception. The widespread confinement and the closure of the hospitality industry for months has forced changes in many dynamics in the sector. There was a first moment of compulsive shopping, for fear of shortages. Brand loyalty has been diluted since in some cases you could not choose what to buy and you could only buy what was available. Electronic commerce has emerged, although in certain cases it has collapsed in the face of this new situation without the possibility of a more logical and staggered transition.

Now numerous questions arise: what will happen with the sudden change that the sector has given? Will the changes be consolidated? Has this new situation come to stay? Or will there be a gradual return to the "old normal"?

We must bear in mind that the health crisis is being followed by an economic crisis, which is going to affect, above all, the countries of southern Europe. We do not yet know the real impact, nor its duration. But we must be prepared. A survey carried out in 11 European countries warns that half of companies may reduce their staff due to the pandemic. GDP is estimated to be as low as 9% in Europe. This has a negative effect on household consumption and savings, and therefore directly affects the agrifood sector.

There is no doubt that we must keep promoting healthier diets but affordability too, because we have to be aware that the loss of purchasing power of families can lead them to prioritize aspects such as food price over healthier foods in the food basket.

There are trends that were already detected before the COVID-19 crisis and have been accentuated. Consumers are increasingly concerned about food waste, looking for seasonal products and in nearby markets. And they value products that do not need an excessive use of packaging.

A variable that must be considered is the reaction that consumers may have after observing the attitude of the different brands during the pandemic: their social responsibility, their transparency, their solidarity gestures ... The future response of the consumer may also be conditioned to those issues. In this sense, social networks play a relevant role.

One of the issues that we have all experienced and will probably be observed even after the pandemic has passed, are that hygiene and food safety have become of the utmost importance now. The transition to contactless payments, via mobile or card, will also be accelerated. In addition, the planning of purchases by families has increased in these months, with fewer acquisitions on impulse. We will see if it is maintained over time.

As in any crisis, there will be winners and losers. Products whose demand increases and, on the contrary, others that are more expendable. The ability of the different agents to adapt, to guarantee the supply and to have an effective commercialization will also be key there.

In previous crises we have seen the demand for private label products grow, due to their competitiveness in terms of price. We will see if the same thing happens, and if, on the contrary, the 'premium' products experience a drop.

On this occasion, and due to forced closure, the agrifood sector has been seen as essential by society, as it is a basic necessity.

In any case, the companies in the agrifood sector in southern Europe must be alert to changes and adapt as quickly as possible to the new situation. In these crisis situations, those that have always improved their position are the companies that are committed to innovation and to increase their competitiveness. For this reason, EIT Food will reinforce even more its support to entrepreneurship and innovation in the sector focused at healthier diets and circular food systems.