

Food and AgriBusiness

Report 2020



6 out of 10

SMEs utilised one or more of the Covid-19 supports

only 48%

of SMEs believe they are prepared for Brexit

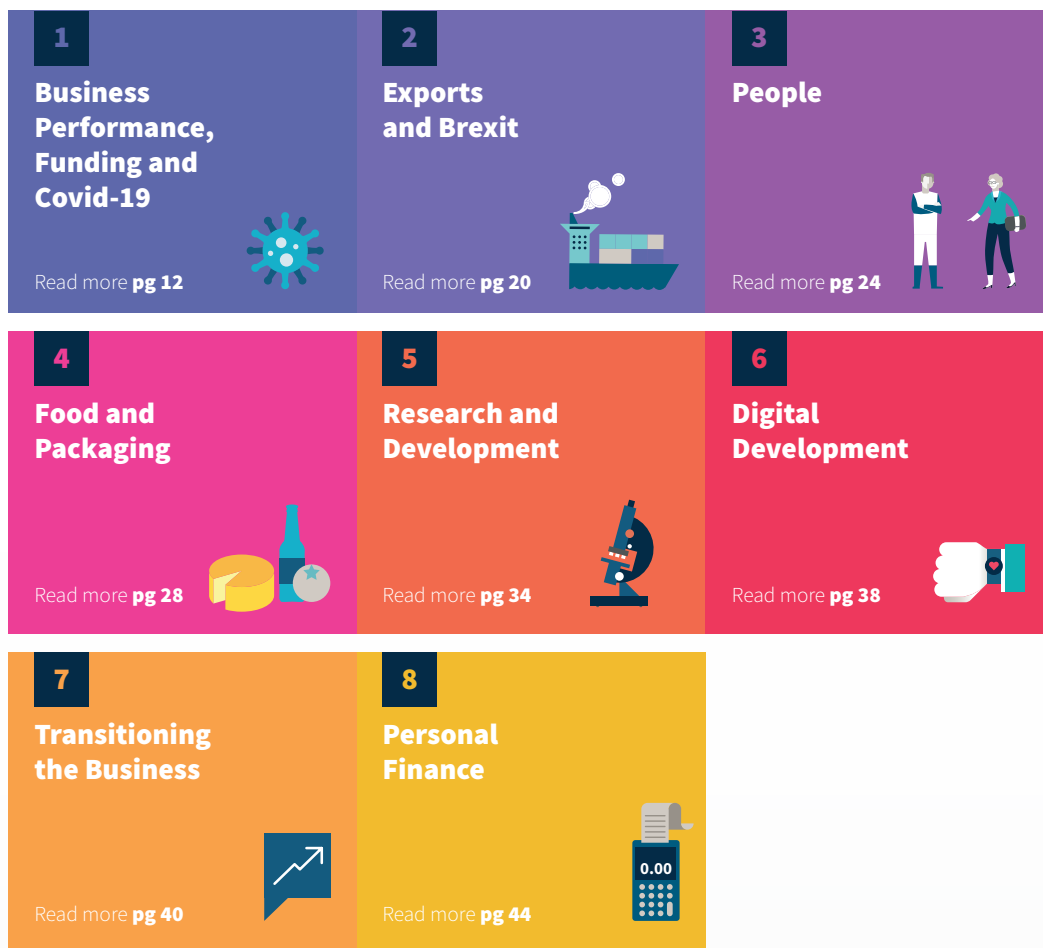
54%

increase in the number of SMEs who are trading online

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Building the future



Can you imagine creating a business that builds great products, provides for your family, brings wealth to your community, and contributes to society?

Many of the founders and business leaders our Food and AgriBusiness team work with are doing just that. They may not be bold enough to list their goals so clearly, but they are striving for those results.

Covid-19 has proven to be a “white heat” moment for many businesses. The goals for those businesses have now changed. In the short term, they live to pay wages and keep the lights on. Everything else can come later. Covid-19 is here to stay for at least the immediate future. It will be beaten, but not before it wreaks havoc in our communities, health system, and economy.

How has your business responded to Covid-19? Have you innovated, pivoted? Do you believe in innovation, and is it really on your agenda?

Innovation is one of those words that many people fear. It can sound like a Google or Apple pursuit, well beyond the scope of a small to medium enterprise. Sometimes we need to take the power out of a word by simplifying it and distilling its true meaning.

The great innovator Thomas Edison, defining innovation, said that for everything we do, “There’s a way to do it better, find it.” If you invest in the future, make the small changes that improve your business and compound over time to create something extraordinary. Think about the more significant problems you need to solve. You are an innovator.

To be a great innovator, you must allow yourself and your team to find your way to the future. Can you invest a few hours a week, a few hours a month, to learn about your customer, plot your next moves, and solve the big problems in your business? Always with the belief that “continued innovation is the way to beat the competition,” Edison again!

Has Covid-19 brought temporary change to the economy, or is the economy changed forever because of Covid-19? Where does your business sit in this new economy? How can you innovate to survive and thrive in the new normal, whatever that brings?

The business that isn’t innovating is already in decline.

“The opportunity to secure ourselves against defeat lies in our own hands,” Sun Tzu, Chinese military strategist. We have seen some extraordinary moves by our clients, many of whom were already deep in change mode because of the impending Brexit impact. For businesses in decent shape, now is the moment to shore up defenses, build working capital, and embrace change.

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We help our clients distil why they are in business and what they want to achieve. Then we focus intensely on the how. *ifac* itself is growing, developing, innovating, and plotting our way to the future, so we know and understand the challenges entrepreneurs, innovators, and leaders face.

Our Food & AgriBusiness Report is part of our investment in your future. Please use it to inform your thinking and leverage our contributors’ knowledge to guide your teams.

In 2020, we have invested heavily in new skills, great people, and technology, improving our client experience at pace.

Why? Because we want to create great products and services for our clients, provide for our families, bring wealth to our communities, and contribute to society. I hope you will join us and make *ifac* part of your journey. Most of all, I hope you will be brave, see opportunities where others see the danger and innovate like never before.

Many thanks to everyone who made contributions, large or small, to our 2020 Food & AgriBusiness Report. And to our Head of Food & AgriBusiness, David Leydon, and his team for their tireless efforts and commitment to delivering valuable insights when our clients need them most.

John Donoghue
CEO

Overview

Business Performance,
Funding and Covid-19

Exports and Brexit

People

Food and
Packaging

Research and
Development

Digital
Development

Transitioning the
Business

Personal Finance

A year of change and challenge



David Leydon

Head of Food & AgriBusiness

Welcome to the *ifac* 2020 Food and AgriBusiness Report. Covid-19 and Brexit create an exceptionally challenging environment for Irish food and agribusinesses to operate in. With this backdrop, we hope that our 3rd annual Food and AgriBusiness Report will prove useful as you plan the way forward for your business.

CLEAR TRENDS EMERGE

As expected, positive sentiment has declined this year with fewer businesses optimistic about the future than in previous years. The Optimism Index is at a three year low, down from a high of 74% optimistic about the future in 2018 to 55% in 2020.

Revenue has decreased for over half of businesses and more than 6 in 10 are availing of Covid-19 supports. The Temporary Wage Subsidy Scheme was accessed by 39% of businesses, showing its true value in helping maintain employment.

On a positive note, there is real resilience in the sector. We see this in the proactive steps businesses took to deal with the crisis and how 9 out of 10 businesses expect to be employing the same or more people in the coming year.

Covid-19 has accelerated existing digital trends. More businesses are moving online, as offline market restrictions continue and consumer expectations change. Those businesses who do not engage with digital change risk falling behind. We note a year-on-year increase of 54% in the number of food and agribusinesses who are trading online.

This is welcome news. While trading online is not a panacea it strengthens the digital capability of a business. We know that digitalisation is impacting on every part of businesses, not just front-end online trading, but also on all associated processes.

Environmental measures to tackle climate change continue at pace with managing waste and by-products, sustainable packaging, choosing environmentally conscious suppliers and engaging in energy saving initiatives all top priorities.

TRANSITIONING THE BUSINESS

Nearly one third of respondents would consider selling their business in the next 5 years. This is a 60% increase on the 2019 figure. The challenges of operating a smaller business should never be underestimated. Reasons for considering a sale include retirement, tight margins, and the challenge of recovering from the impact of Covid-19.

BREXIT

Brexit has been overshadowed by Covid-19 for the past 6 months. However, 1 January 2021 will see significant change to how we deal with our neighbours in the United Kingdom. Only 48% of businesses believe they are prepared for Brexit. Almost 1 in 5 are not prepared at all. Medium sized companies were more likely to feel prepared with 59% reflecting an ability to allocate resources to Brexit planning. Increased costs, tariffs, loss of UK sales and transport disruption are the main worries. Brexit, taking place in the middle of a pandemic, is shaping up to be a perfect storm for the sector.

REFLECTIONS

Our annual Food and AgriBusiness Report aims to give owners and leadership teams of food and agribusinesses pause for thought as you battle with the daily challenges of running a successful business during a pandemic. Here are our key points for reflection.

1. Planning is everything. We believe strongly that taking the time to plan how your business will evolve and grow is very worthwhile. Developing your own planning cycle will make a sustained difference to your business.
2. Analysing the trends we highlight throughout the report will help you and your team work out how to gain a competitive advantage over your competitors and meet your evolving customer needs.
3. Building your digital capability is a must-do at this stage. The businesses which will win are those who are adept at using digital technology in all parts of their business – obviously the front end elements like trading online or using social media effectively but just as importantly the business processes in production, finance, sales and all other departments.
4. Examine investing in automation. It can be used effectively to save costs, build resilience, increase consistency and redeploy your team to higher value work.
5. Packaging is an exciting space with changes around sustainability as well as how your product will look on a digital shelf or in a home delivery context. Getting it right is a challenge that must be embraced.
6. The jobs market has turned somewhat in favour of employers - hire the person or people who will make a positive difference for your business.

7. Manage your climate change actions – what works for the climate often also works for your bottom line. Initiatives in areas like waste management, sustainable packaging and renewable energy can all have positive impacts so take time to identify the most suitable wins for your business.
8. Ensure your tax advisors are effectively using R&D Tax Credits, Knowledge Development Box reliefs and when transitioning the business, Retirement and Business Reliefs. Maximise the use of State supports from your Local Enterprise Office, Intertrade Ireland, Enterprise Ireland and Bord Bia as you look to innovate and diversify.
9. Look after yourself and family – make sure that life assurance, pensions and your Living File (page 45) are all up to date.
10. Most importantly, plan for Brexit. Focus on your supply chain, VAT, tariffs, working capital and communication with all impacted stakeholders.




THANK YOU...

We are particularly grateful to John Moloney for his time and insights. John has made a significant positive impact on Irish agriculture and we wish him continued success. I would also like to thank my own team for the effort they put into this report and the wider *ifac* team for their support. To all our contributors a big thank you – Peter Creighton, Micheal Donoghue, Donal Ryan, David Bowles and Carol Faughnan.

Get in touch

We would be delighted to hear about your experiences of the trends that are impacting your business and how *ifac* can support you as you grow and prosper. Our team of sectoral specialists together with our tax, accounting, financial planning, business support and audit teams work with SME businesses as a trusted partner. We understand your sector and will engage with you in an ongoing and meaningful way.

So, keep in touch or email davidleydon@ifac.ie to be included on our mailing list.

 @ifac_Ireland  ifac-Ireland  @ifacIreland

Research Methodology

Amárach Research was commissioned by ifac to carry out independent research among SMEs in the Agricultural and Food Sector in the Republic of Ireland. This 2020 research is the third wave of this study, following initial benchmarking in 2018 and second wave in 2019.

The 2020 SME Sentiment Survey fieldwork took place during June and July 2020, a challenging period for many businesses given the unprecedented impact of the Covid-19 global pandemic.

Although the final sample structure closely reflects the profile of the 2019 survey in terms of company types and sizes, responses were provided during a global pandemic and on the back of a country-wide lockdown. This 'Covid-lens' must be borne in mind throughout this report, given the significance of the event on Ireland – its people and the wider economy. The impact is not all negative however, and within the food sector particularly, there is evidence of some positive impacts with SMEs showing their agility, speed of reaction and resilience.

Research Methodology

In line with previous waves, the survey was conducted via telephone through Amárach's in-house telephone research centre. The final sample size was 190, giving an estimated margin of error of +/- 6.85% with a 95% confidence interval. As this was a survey of Agricultural and Food sector SMEs the sample was divided into Micro, under 10 employees (44%), Small, 10-49 employees (38%) and Medium, 50-249 employees (18%) enterprises.

According to the CSO, across SMEs the number of active enterprises involved in Agricultural and Food exports in 2016 was broken down as follows; Micro (339), Small (155), and Medium (95)¹. Looking at the business demography of the food product industry (including beverages and tobacco) the breakdown of active enterprises is as follows: Micro (1,572), Small (306) and Medium (137)².

The survey design set out to over-sample small and medium enterprises, to ensure a broad range of contributions. Although 44% of the sample is drawn from micro businesses, influenced by availability and the nature of the sector, small and medium sized enterprises are included in proportions exceeding the sector profile.

A range of business size by turnover is included, with two thirds turning over up to €3m and a range of larger turnovers, up to €20m+ for 13%. There was a good spread of SMEs from across the country, within the four main regions. The majority were located outside of Dublin; Dublin (15%), Rest of Leinster (36%), Munster (32%) and Connaught/Ulster (17%). All respondents were either owners, managers or C-Suite level.

A sample size of 190 allows for a confident interpretation of the findings both at an overall level and for the most part looking at region, sector and size.



Amárach Research are Irish market research and data specialists, who carry out social, behavioural and policy related research. Established since 1989, Amárach specialises in providing high-quality full service and societal research, consulting and analysis.

Amárach was the first Irish research organisation to receive ISO accreditation, the international quality standard for market, opinion and social research ISO 20252. Our quality standards reflect those set out in the ISO 9001 and ISO 20252 protocols.

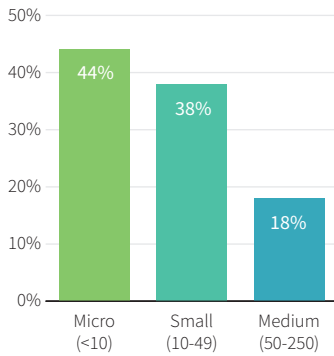
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¹ www.cso.ie/en/releasesandpublications/ep/p-tec/tec2016/afe/

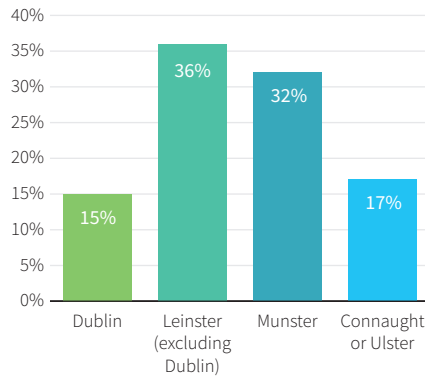
² www.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?maintable=BRA11&PLanguage=0

Demographic Breakdown

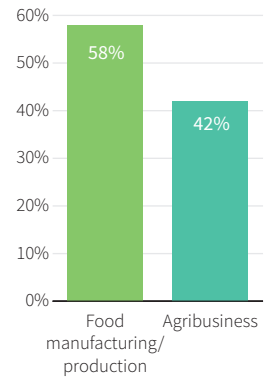
SCALE



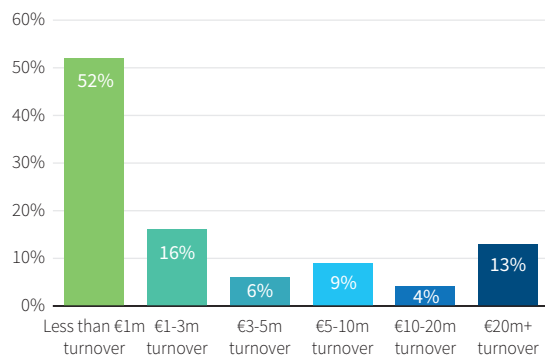
LOCATIONS



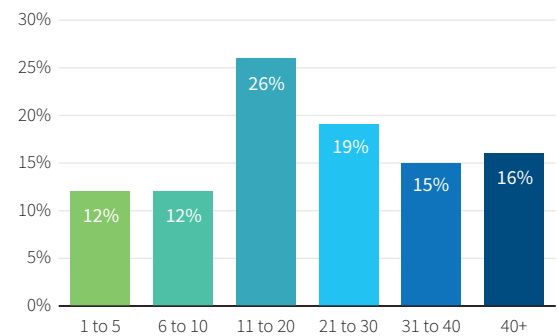
SECTOR



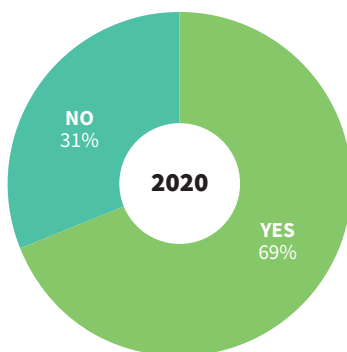
TURNOVER



YEARS ESTABLISHED

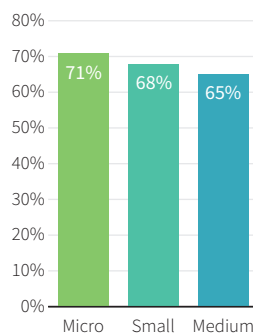


FAMILY RUN

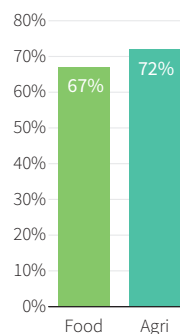


DEMOGRAPHICS FOR FAMILY RUN

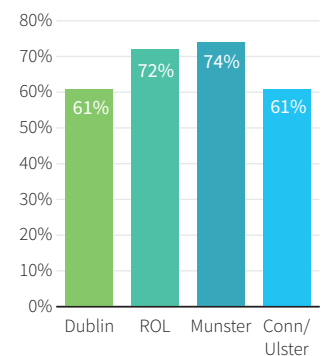
SCALE



SECTOR



LOCATION



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Key Takeaways

TRENDS



34%

of food businesses see sustainable packaging as the top trend impacting their food business

RECRUITMENT



9 out of 10

businesses intend to maintain or grow employee numbers over the next year

BREXIT

Only

48%



of SMEs believe they are prepared for Brexit with tariffs, a hard border and transport disruptions the main concerns

DIGITAL



54%

increase in the number of food and agribusinesses who are trading online



37%

of SMEs are now **trading online**

EXPORTS



Finding the right distributor is the biggest barrier to businesses selling outside the ROI

COVID-19 IMPACT

6 out of 10



SMEs utilised one or more of the Covid-19 supports with 39% accessing the Temporary Wage Subsidy Scheme

OPTIMISIM



Optimism levels have dropped to a 3-year low; down from 74% in 2018 to

55%

 in 2020



ENVIRONMENT

Managing waste and by-products, using sustainable packaging and working with environmentally conscious suppliers are the top priorities for businesses when dealing with climate change



FUNDING

1/3

of businesses have tried to access bank finance in the past 12 months with

87% succeeding



SUCCESSION

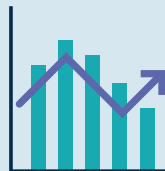
Only

22%

of business owners have a clear succession plan in place

72%

of businesses are funded by re-investing company profits



R&D

34%

of businesses do not invest in formal R&D



TURNOVER

51% ↓

of businesses reported a decline in turnover up from 19% in 2019



STRATEGIC PLAN

Only

36%

of businesses have a documented and used strategic plan

‘Plans are nothing, planning is everything’

John Moloney is well-known to most people in the Irish agri-food sector. He is widely credited with transforming Glanbia into a very successful international ingredients business as Group Managing Director. Currently, he acts as chairman of DCC plc and is a non-executive director on a number of boards. He also chaired the Irish Food Wise 2025 Agri-Food Strategy Committee. He recently spoke to *ifac*’s David Leydon.

We sat down in Waterford in August and I began by sharing some context for our conversation. Our experience in *ifac* is that many business owners and CEOs spend much of their time working in the business, not on the business. The Food & AgriBusiness survey highlights this with just 36% of SMEs in the sector having a documented strategic plan which is used to guide the business. As many as 32% have the plan in their head while 17% have no strategic plan. While this is understandable given the pressures on business owners in the SME sector, it is none-the-less concerning.

As an experienced executive and board member, John has a very clear view on management. He is practical and sensible with lessons which all business owners and managers can take on board.

THE PLANNING PROCESS

I began by asking John about the value of the planning process. “Strategic planning is a grand sounding term but the world is very dynamic today. There is a lot of change and complexity so needing to think about the business all the time is pretty important. Particularly as the business gets bigger, finding time and space to stand back and think about what the future looks like, what’s happening that will affect us and how do we need to respond to that over time is very important.”

John quotes Eisenhower, the World War II general, “plans are nothing, planning is everything”. He believes that thinking deeply about the scenarios that can impact your business is crucial.

The sceptics of strategic planning might say that Covid-19 was not part of anyone’s strategic plan. John counters that while you may not have anticipated Covid-19, those companies who have spent time thinking about how they will respond to change in their environment, how they can adapt and

particularly those companies who have thought deeply about their routes to market and their customers, are the companies that can make changes effectively to mitigate the worst effects of Covid-19.

John is not a fan of hockey stick projections, you know the ones, year 1 to 3 suggests realistic growth but year 4 and especially year 5 has a hockey stick shape in terms of revenue growth. He prefers the analogy of any plan being like a stairway, you get a different perspective as you climb each step of the stairs. John suggests that “the building blocks of this are the projects you plan and deliver each year”.

In practical terms, the business plan for next year should be the first year of your three to five-year strategic plan. Within that you have agreement on what projects will be delivered to get you onto the next step on the stairway to growth.

John’s view is that this all begins with the business owner having a clear view on what they want the business to be, how they would like it to operate and how they want people to think about it.

A good financial plan is a must-have as is a good understanding of where your business is going to play, “in what channels, in what segments and with which customers are you going to focus on? Have you an understanding of where profit is in the value chain... you want to fish where the fish are. Ultimately, planning is a series of choices. Alternatives have to be chosen all the time. While it’s good to have choices, making the right choices is clearly important.”

A CULTURE OF PROGRESS

Once this is relatively clear, John’s view on execution is applicable to any business or indeed any department within a business. For him it is all about instilling the right routines and right review processes to develop a culture of progress.



David Leydon and John Moloney

“Who’s going to buy from you, why will they buy, why from you, why choose you over competitors, why will they see you as better?”

Assessing weekly, monthly, quarterly and annual progress allows the organisation to review successes and understand the learning where projects didn’t meet expectations.

THE CUSTOMER

Clarity on the customer and route to market is very important. John notes that intellectual property or manufacturing assets will not be enough to sustain a business. Having “deep customer knowledge and insight is a really important pillar for any business and if you’re supplying to a reseller, understanding your customers’ customer is important as well.”

The customer focus is a consistent theme throughout the conversation and for those embarking on the planning process, you need to ask yourself “Who’s going to buy from you, why will they buy, why from you, how will they see you as better than the other guy, why choose you over competitors, why will they see you as better?”

PEOPLE

As you would expect from any experienced executive, having the right people is high up on John’s list of priorities. In terms of delegation, his advice is, “allow people to get on with it. Owners have to let go a bit, otherwise the business won’t be flexible and won’t grow. Hire better people, the founder cannot do it all themselves”.

To allow this to happen though, people, have to be operating within a framework, “basic frameworks need to be set out in terms of how you want things done, our ethics, the way we deal with customers, complaints and each other.

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Manage this through a review process. Check in with people and understand how they are getting on. Come with an issue but have a solution. As the business expands and grows, having the right people is even more important”.

FAMILY BUSINESS

We touched on the specific circumstances that family businesses have to deal with. Often with small management teams, the use of trusted outside facilitators who can share expertise is valuable. John also advocated that business owners should look at setting up “small board structures. Find local people who have worked in bigger businesses who would be in a position to help the business for modest sums. As the business grows, formalising the board structure will be important and not just for governance. The board should drive strategic leadership and support and challenge the owner/manager”.

In terms of external investment for family businesses, John urges owners to have a clear vision on what they want for their business. “Is the vision to retain ownership within the family and grow over time? Growing very quickly means a trade-off with risk and if you are thinking about private equity, which is based on third party funding, then this capital will need a return which might just need a trade sale. Be careful with this option.”

DIGITALISATION

Digitalisation rates exceptionally highly on John’s list of priorities for any business. For John, digitalisation is a disrupter which has multiple facets, including “business process, ecommerce, blockchain, automation, sensors, EDI (electronic data interchange) and cyber security. Businesses need to think about systems from their customers’ perspective. How are our customer processes going to adapt in digital world? How do we avoid competitors with more nimble or better approaches from taking our customers? This is probably the biggest issue facing most businesses and has been accelerated by Covid-19.”

BUSINESS TRANSFORMATION

John has quite a bit of experience of business transformation. I asked about the thought process involved. “You have to be clear on the goal and purpose of transformation. Is it to accelerate the pace of growth, are you becoming uncompetitive, do you need to change your operating model or get to lower cost? What is the objective and how are you going to achieve it? Are you going to merge or acquire another business? Is the finance model robust?”

Making it happen can be challenging. John was clear though, “in my view there is only one way to make it happen and that’s through talking. You have to talk to people, articulate the reason and approach. Once people hear about the business changing their thinking quickly turns to understanding how these changes are going to affect them. Will it lead to redundancies, relocation, closing down plants? People then move from shock to mourning to acceptance and finally get back up the curve to a good place in the business. It is not a simple process and needs to be very well thought through.”

“Get the best digital capability you can into your business... be very clear on how your customers are going to evolve and how they will think about you and your product or service”

WORDS OF ADVICE

We closed off the conversation by getting a view of what John’s advice would be for SME business owners today. He kicked off with “get the best digital capability you can into your business”. Secondly, “have a sense of where you’re going to be in 3 to 5 years’ time and how you are going to fund it”, thirdly, “be very clear on how your customers are going to evolve and how they will think about you and your product or service”. Finally, “be sure to get the best people you can get.”

There are lessons here for all business owners. Putting in the time to plan the future of your business is something we strongly believe in and we spend time with many food and agribusinesses going through the process of business planning and strategy development. Through this conversation, John has highlighted some of the key questions that business owners need to ask themselves. The importance of investing in this planning process cannot be underestimated. It will help you unlock your businesses potential.

“ John Moloney on... ”



Banking...

“The unfortunate thing in Ireland is that bank funding does not appear to grow with businesses to the same scale over time as we have seen, for example, in Germany where large family-based businesses have developed with debt financing. This has enabled family businesses to become very large. We haven’t seen that here. When we bring in external financing it becomes about the sale and consequently businesses don’t reach their full potential within Ireland”.



Brexit...

“Trade is driven by proximity. We share a common language, dispute resolution framework, etc. with the UK. That still counts post-Brexit. The challenge for SMEs is compounded by Covid-19 and makes it hard to diversify markets at the necessary speed given our dependence on UK markets. Ultimately you need to stand back, think about your key customers, the current supply chain and how you can deal with the issues along that chain efficiently. Finally, suck in every bit of help you can and push state agencies to deliver up support”.



Purpose...

“Purpose is now more important in a wider society context. Business needs to be responsive to wider society in terms of sustainability, dignity and diversity”.



Company culture...

“Culture stems from the tone at the top. What way do you want to see things done in your business?”



Intellectual Property (IP) and patents...

“IP rarely sustains a business over time. While patents are valuable if you are prepared to invest in them and defend them over time. It’s more important to get the product out, to get it in use and to get and keep your customers”.



Legacy of Covid-19...

“The standout legacy will be the increased levels of digitalisation across all elements of business”. Commenting on business relationships, “there will be critical points in relationships when you have to meet key customers and decision makers. It cannot all be on Zoom. There is a brutal efficiency to Zoom where it is hard to read body language and to understand how a customer actually feels about an issue at a sharp point in a conversation”.



Food trends...

“Distribution driven by digitalisation is a massive trend. The trend towards flexitarianism¹ is here to stay. Consumers also want to understand food provenance more clearly”.



Ireland as a food island...

“As a food island we need to continue to articulate the natural base of dairy and beef production in Ireland. Even at scale our dairy produce still derives from a grass-based system and articulating the sustainability credentials of this is a very good proxy for the provenance that people want”.



Capital allocation...

“Have clarity on return criteria and be disciplined. Make sure strategic capital investments return more than the cost of capital, otherwise you will destroy value”.



Embracing failure...

“I’m probably against the concept of ongoing heroic failure! However, a team has to feel it’s safe to try things. There must be some analysis and rigour beforehand, and some mitigation of the downside risk. If it didn’t go great, sit down afterwards and understand what was learned and how to improve”.



Work life balance...

“If you put all your time into the business that is time you won’t get back. And you will miss things – you may miss things about the business, and you will definitely miss time with your family and friends. Business owners need to stand back – it helps keep perspective”.

¹Flexitarian describes a person who has a primarily vegetarian diet but occasionally eats meat or fish

1 Business Performance, Funding and Covid-19

This year's research shows optimism is at a three year low, while just over half (51%) of our respondents have seen turnover fall in the last 12 months.

However, there is considerable resilience across the food and agribusiness sector, with businesses adopting a positive approach to dealing with the impact of the Covid-19 pandemic.

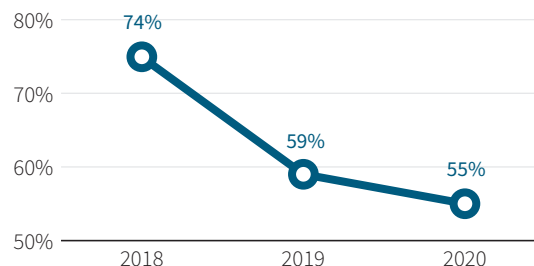
Actions taken include reducing costs, cash flow forecasting and reducing debtors. Additionally, the Temporary Wage Subsidy Scheme was the critical State support accessed by businesses to help retain employees and sustain the company particularly during the initial lockdown period.

Despite the pressures many businesses are under, positive climate change actions are on the rise.



OPTIMISM

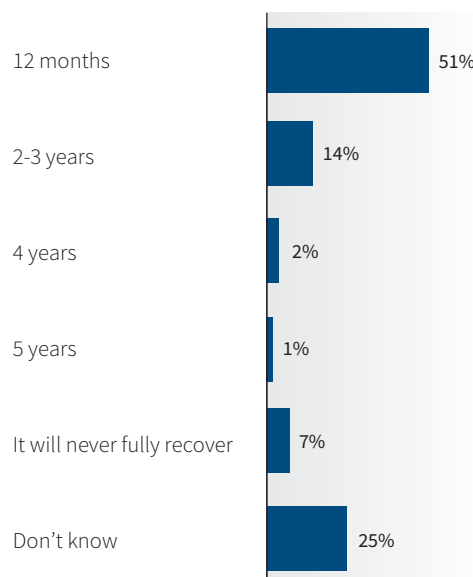
Not surprisingly, sector optimism has reduced year-on-year. Whilst 55% of businesses are optimistic for the coming 12 months, the majority are neutral and 1 in 5 are not optimistic. There is a marked difference between the levels of optimism between micro (43%) and small (63%) or medium (68%) SMEs.



51%

of respondents suggested their business will be fully recovered in 12 months

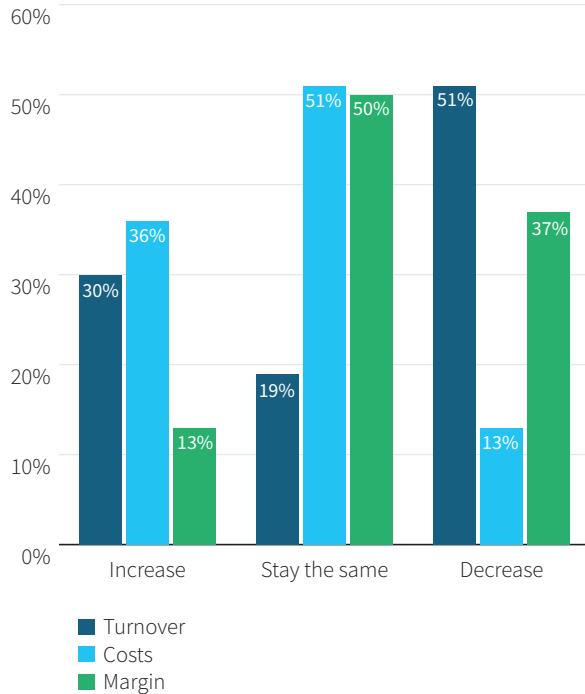
EXPECTED RECOVERY TIMEFRAME



In relation to the impacts of Covid-19, half of the respondents (51%) suggested that their business will be fully recovered in 12 months, the remaining companies were less optimistic. There is still significant uncertainty with 25% of owners unsure of when their business will fully recover.

FINANCIAL PERFORMANCE

Financial performance in the past 12 months:



Key points:



Turnover

- There was a significant jump in those reporting a decrease in turnover at 51%. The corresponding figure was 19% in 2019 and 12% in 2018.
- 54% of those companies who experienced a decrease in turnover report a 20% plus sales decline. On the other hand, 29% of the companies who saw an increase experienced a 20% plus increase in turnover, signalling some big winners and losers. For example, those supplying staple products to multiples were winners while those dependent on food service were severely affected by Covid-19 restrictions.



Costs

- More businesses say costs have stayed the same, compared with previous years. The rate of cost increases has declined significantly. In 2019, 62% had experienced cost increases, in 2020 this had reduced to 36% with 51% of companies having costs remain more or less stable.
- Those reporting an increase in costs were most likely to be medium sized and agri SMEs, with their costs increasing by up to 10%.

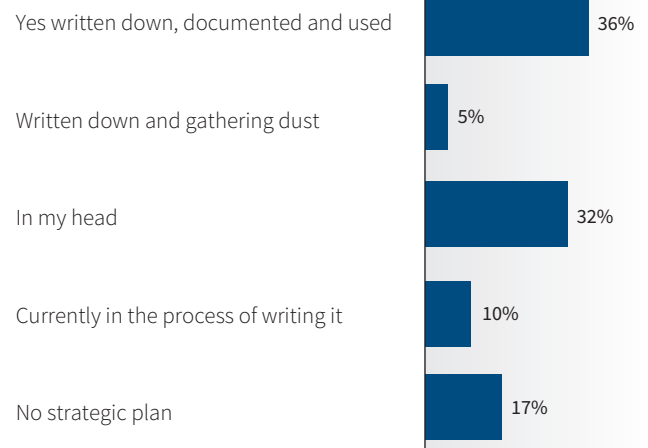


Margin

- Margin is a critical measure of business performance. Our research suggests that net margins continue to decrease rather than increase, with over one third of SMEs suffering a margin decrease in the past 12 months.

STRATEGIC PLANNING

Strategic planning plays an important role as a business grows and develops. We delve deeply into the value of strategic planning in our interview with John Moloney, see page 8. For many SMEs, developing your first strategic plan can be a daunting prospect. Leverage relevant supports and engage external expertise to get maximum benefit from the process.



Overview

Business Performance,
Funding and Covid-19

Exports and Brexit

People

Food and
Packaging

Research and
Development

Digital
Development

Transitioning the
Business

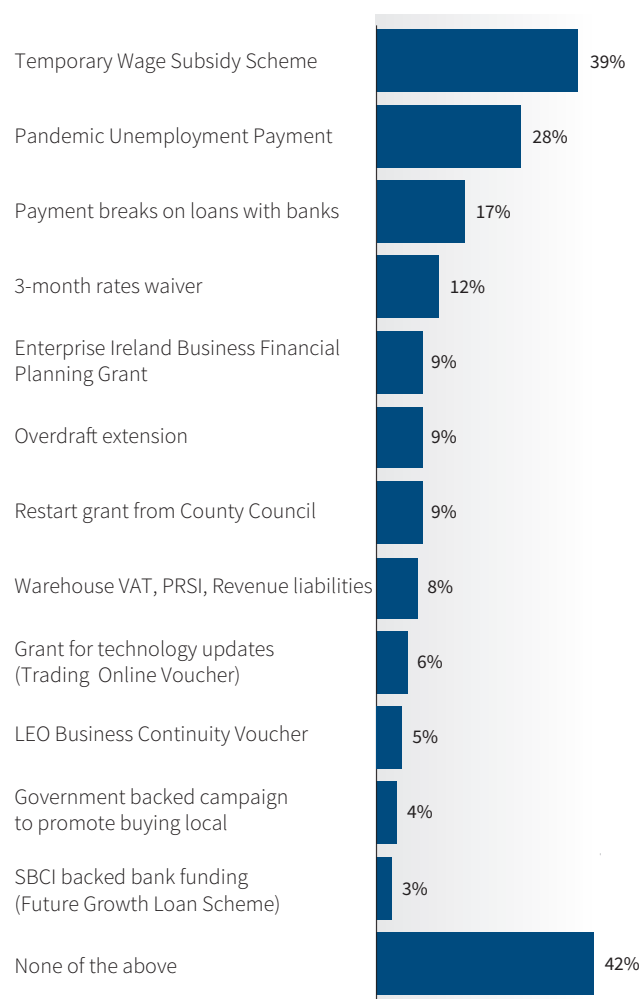
Personal Finance

Covid-19

As this survey was completed in July 2020, the impacts of Covid-19 feature prominently throughout this report. Here are some of the key insights into how food and agribusinesses are managing through this crisis.

What supports did food and agribusiness SMEs access?

6 out of 10 SMEs utilised one or more of the Covid-19 supports. The Temporary Wage Subsidy Scheme (TWSS), the Pandemic Unemployment Payment (PUP) and loan payment breaks being the most common supports accessed.



Key Points

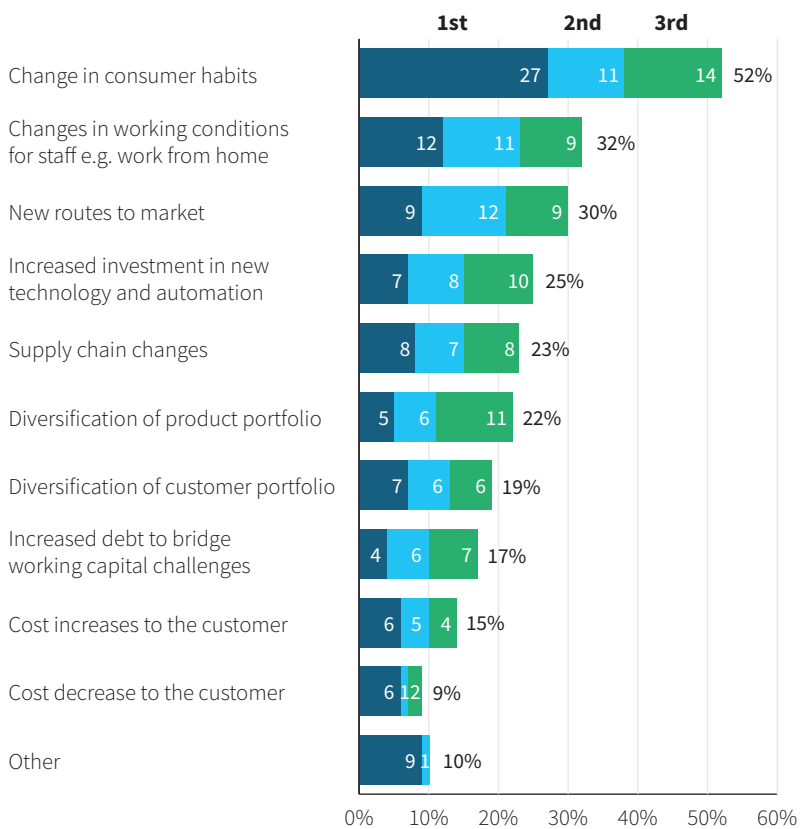
- Food businesses at 48% were more likely to access the TWSS with only 28% of agribusinesses accessing this support.
- Micro businesses were most likely to access the PUP and also the payment breaks on loans with their banks.
- 52% of agribusinesses didn't access any support.

What other steps did food and agribusinesses take to manage their business?

SMEs were proactive and focussed as they worked to manage their business through Covid-19. Reducing costs and cash flow management were prioritised, with one third (36%) upgrading technology software and several sales and marketing initiatives were also widely referenced, including more online activity.



What will be the long term impacts on your business from Covid-19?



Businesses acknowledged a number of lasting effects, with the most widely mentioned relating to changing consumer habits. We note however that many businesses struggled to answer this question and are still working through the medium and long term impacts of Covid-19 on their business.

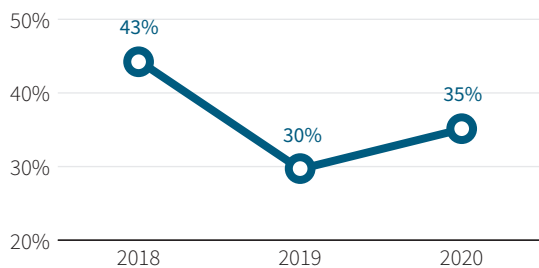
For more on Covid-19, see the recruitment section on page 24 and business supports on page 46.



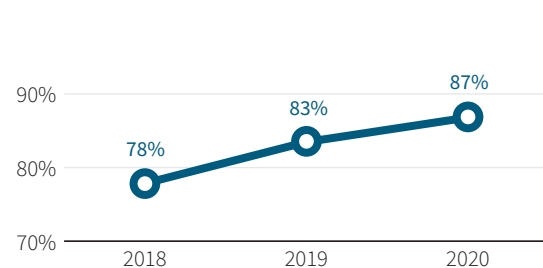
FUNDING

One third of businesses have tried to access bank finance in the past 12 months. The rate of success for those who did apply has continued to rise year-on-year.

TRIED TO ACCESS BANK FINANCE IN PAST 12 MONTHS



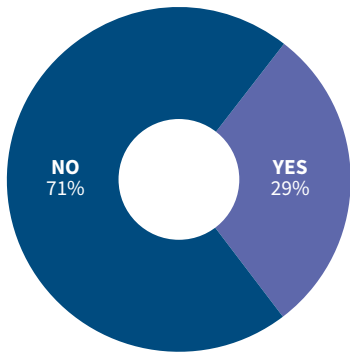
SUCCESSFUL IN ACCESSING FINANCE



STATE SUPPORTS

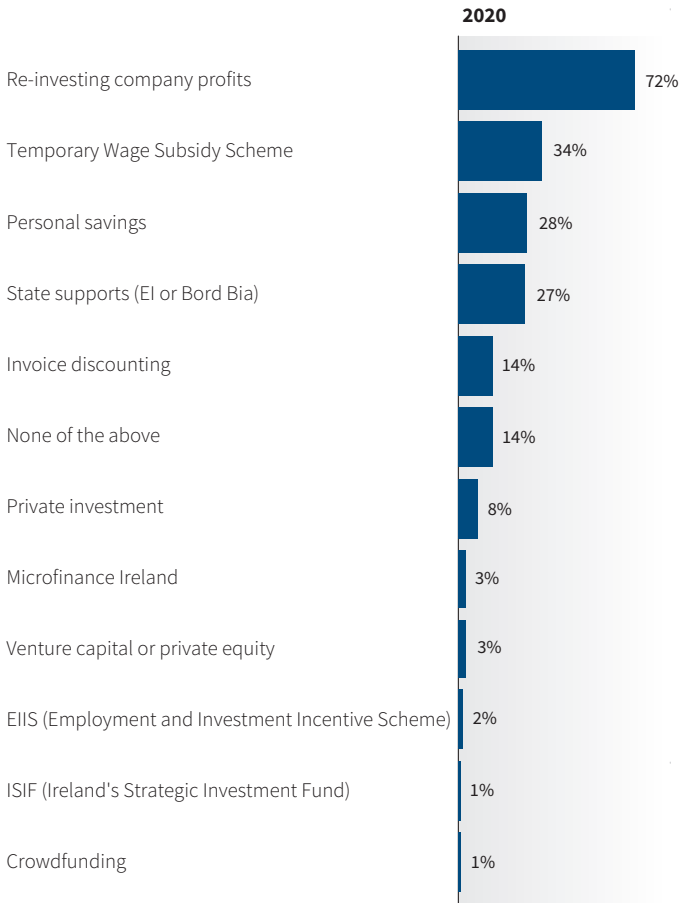
Micro enterprises, agri and Dublin based businesses were the least likely to have received State support in the previous 24 months. As seen in 2019, the majority of businesses had received under €50,000 (71%).

IN RECEIPT OF STATE SUPPORT



SOURCES OF FINANCE

Re-investing company profits continues to be the most prevalent source of finance for businesses. State supports (excluding Covid-19 grants) have remained at the same level.



VENTURE CAPITAL FUNDING

Ireland's agtech and food tech scene continues to develop. Recently MagGrow (Series A €6m investment round completed in August) and Buymie (Series A €5.8m investment round completed in June) have both completed significant investment rounds. A new representative organisation for agtech companies in Ireland has also been established – AgTech Ireland. Recently, we had a conversation with Yield Lab and Finistere Ventures to find out more about venture capital's role with Irish tech companies.



DAVID BOWLES
Partner at The Yield Lab

The Yield Lab

The Yield Lab is a venture capital (VC) fund investing in early stage Irish and European companies that are driving agriculture and food production system improvements. The fund provides tailored accelerator and support services with €100,000 initial commitment and invests up to €2m in their portfolio companies. Lorcan Bannon caught up with David Bowles, Partner at The Yield Lab to understand more about what investors are looking for from early stage Irish companies.

Tell me about Yield Lab and your latest accelerator?

The Yield Lab Europe is a VC fund supported by Enterprise Ireland and AIB to invest in companies that revolutionise agriculture and food production systems from farm to fork. We also provide a tailored accelerator programme where we work closely with our individual investee companies. We use our extensive global network to introduce them to customers and partners, and advise them on IP, sales and fundraising strategies.

What are your core areas of investment focus in food companies or agribusinesses?

The fund invests in companies that improve the financial and environmental sustainability of how we produce food, helping to reduce the contribution of the sector to climate change and environmental pollution, whilst simultaneously improving the incomes of farmers and food processors.

We are backing the best technologies to drive Ireland's agricultural system towards carbon neutral status over the next 10 years.

What are the main things that the Yield Lab look for in an early stage agtech business?

We tend to look for three main things:

- 1) *A strong team is top of the list.*
- 2) *A large market is key. VC investors are interested in companies that can scale to a significant size.*

- 3) *A compelling product that is bringing something unique to the market. A solution that will be a 'must have' for its users.*

What advice would you give to a founder looking to secure funding through VC?

Make contact with a VC firm early. VCs are always looking to meet start-ups and are happy to discuss your business even 6 or 12 months before you might need the funding.



DONAL RYAN

Investment Director at Finistere Ventures

Finistere Ventures

Finistere Ventures is global venture capital firm focused on agrifood technologies. David Leydon spoke with *Donal Ryan, Investment Director at Finistere Ventures* to understand more about what potential investors are looking for from early stage agtech companies.

Tell me about Finistere Ventures and your investment background?

Finistere Ventures has been investing in the ag sector since 2005, with a presence in all the major global agrifood tech hubs – USA, Canada, Ireland, Israel and New Zealand. We also manage the Irish AgTech Fund in partnership with the Ireland Strategic Investment Fund (ISIF) helping to establish Ireland as the leading European hub for this rapidly growing sector.

What are your core areas of investment focus in food companies or agribusinesses?

We look for truly disruptive, proprietary technologies that are solving the key challenges facing the industry – how to feed more people with fewer resources in a more sustainable manner, while meeting changing consumer trends too. It is a very broad sector and we've invested in companies from seed biotechnologies, digital agriculture and crop protection through to cellular meat, vertical farming, supply chain tech and e-Commerce.

What are the three main things you look for in an early stage agtech business?

- 1) *Team is hugely important – industry knowledge, complementary skillsets with passion and resilience*
- 2) *Technology – how truly differentiated is the technology and can it be protected (patents or secret know-how)*

- 3) *Market size – how big a problem is this solving and specifically how much value do you create and capture?*

What advice would you give to a founder looking to secure funding through Venture Capital (VC)?

Firstly, ensure your business is suitable for venture capital – we're looking for high gross margins, ability to rapidly scale into a large market (€1 billion+) with strong exit opportunities. Secondly, do your research on the investor and validate that they could provide more than just capital to your business – network (both customers and other investors), advisors and experience are all critical. Finally, have a clearly communicated value proposition that delivers compelling returns to the customer and the business overall.

What emerging agtech trends are you most excited by and why?

From an Irish perspective, I'm very excited by the opportunity to leverage the capabilities we have already built in data science, synthetic biology and bioprocessing with the globally-connected indigenous agrifood industry in the development of novel ingredients and alternative protein solutions. Covid-19 has also rapidly accelerated the adoption rates for digital ag and food marketplaces, which as well as providing improved financial returns to farmers also enable consumer (and regulator) demands for greater sustainability, transparency and quality.

EU Farm to Fork Strategy

The EU Farm to Fork Strategy (F2F) strategy is a critical component of the EU Green Deal which aims to make Europe climate neutral by 2050. The F2F Strategy acknowledges the importance of robust and resilient food systems.

Agribusiness

For **agribusinesses** there is a need to be conscious of the broad themes and how those themes will impact on your business and particularly how they will impact on your customer base of farmers. These include:

- reducing dependency on pesticides and antimicrobials
- reducing excess fertiliser use
- increasing organic farming
- improving animal welfare
- reversing biodiversity loss.

43%

unaware of F2F Strategy



Food Business

For **food businesses** it is worth being conscious of the broad direction of travel of the F2F Strategy which will lead to more steps being taken on health and sustainability including:

- reformulating food products in line with guidelines for healthy, sustainable diets
- reducing their environmental footprint and energy consumption by becoming more energy efficient
- adapting marketing and advertising strategies
- reducing packaging in line with the new Circular Economy Action Plan (CEAP).

Focusing on food packaging in particular there is an emphasis on:

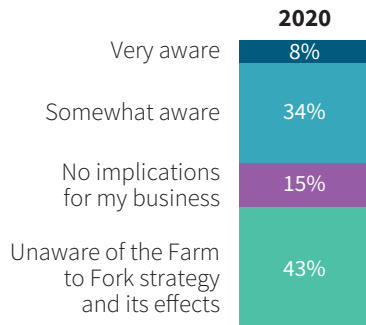
- a revision of food contact materials legislation to improve food safety and public health
- support of the use of innovative and sustainable packaging solutions using environmentally-friendly, re-usable and recyclable materials
- contribution to food waste reduction (further commentary on food packaging on page 32).



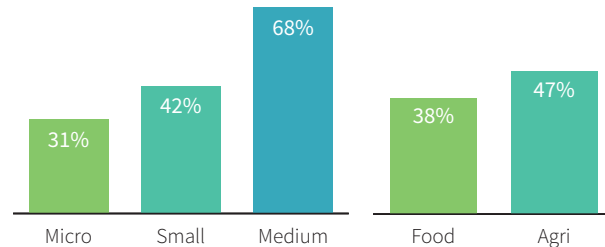
Read the F2F Strategy here: www.ec.europa.eu/food/sites/food/files/safety/docs/f2f_action-plan_2020_strategy-info_en.pdf

EU FARM TO FORK STRATEGY (F2F)

Awareness of EU Farm to Fork Strategy



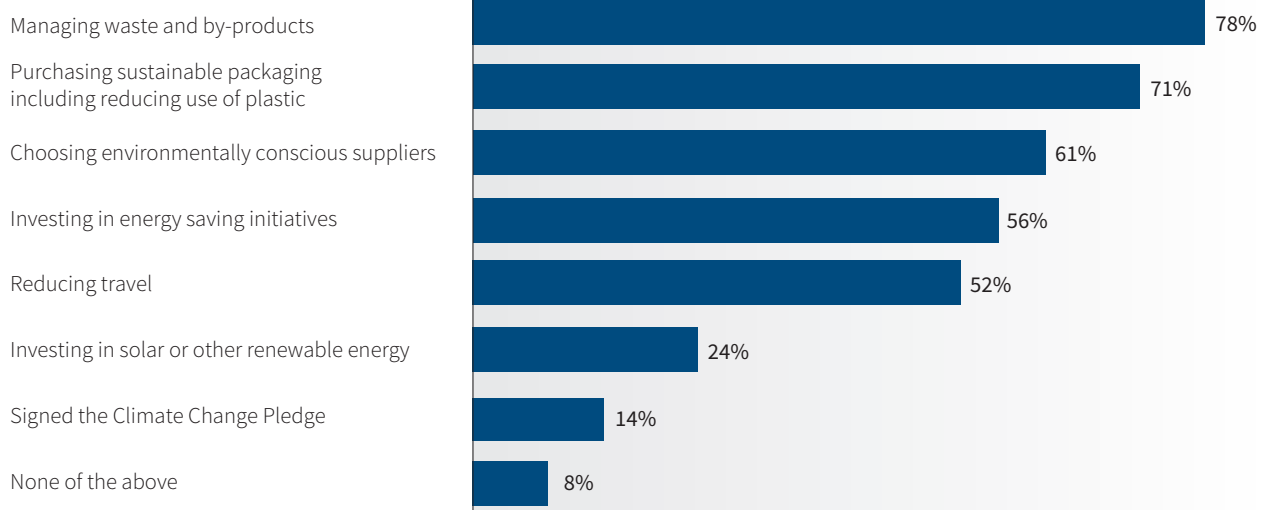
DEMOGRAPHICS FOR AWARE



Climate change measures

There is significant action taking place in the food and agribusiness sector in respect of initiatives and investment associated with climate change. This crosses all sizes of businesses, in both sectors and in all parts of the country.

CLIMATE CHANGE MEASURES TAKEN BY FOOD AND AGRIBUSINESSES



5 considerations for your business

- **Take the time to plan** – Business owners need to take time to work on their business and not just in it. Allocate time for strategic planning to help develop your growth plans.
- **Covid-19 supports** – Covid-19 continues to impact Irish food and agribusinesses. Understand and avail of relevant Covid-19 related supports for your business.
- **EU Farm to Fork Strategy** – The approaches and policies outlined in the F2F strategy will provide a guide for the sector. Take the time to review and understand its implications for your business.
- **Climate change** – This continues to grow in importance and relevance for food and agribusinesses. Have you taken time to reflect on initiatives which will help the environment and also your business?
- **Agtech funding** – Ireland has an emerging agtech scene with increased opportunities for funding. Review the insights shared by the Yield Lab and Finistere Ventures to see if venture capital is a viable option for your business.

2

Exports and Brexit

The domestic Irish market remains the primary destination for Irish food and agribusiness SMEs. While Covid-19 may have stolen the spotlight in 2020, Brexit is a significant threat with fewer than one in two respondents confident that they are prepared for Brexit.

Currency risk and volatility remain a concern for businesses looking to export but identifying the right distributor is the primary challenge to growing sales outside of the Republic of Ireland (ROI). From a European angle, there is room for improvement with a year-on-year reduction in the numbers of businesses planning to increase trade with the EU.

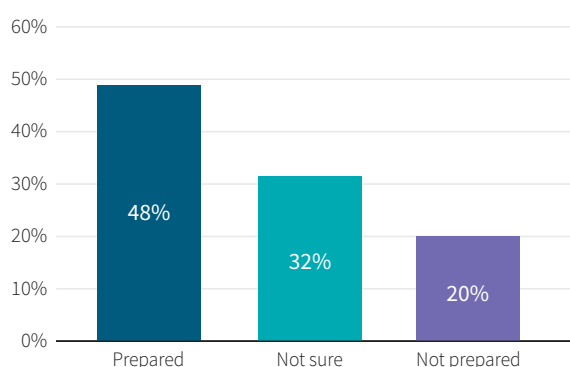


BREXIT

Only 48% of businesses believe they are prepared for Brexit.

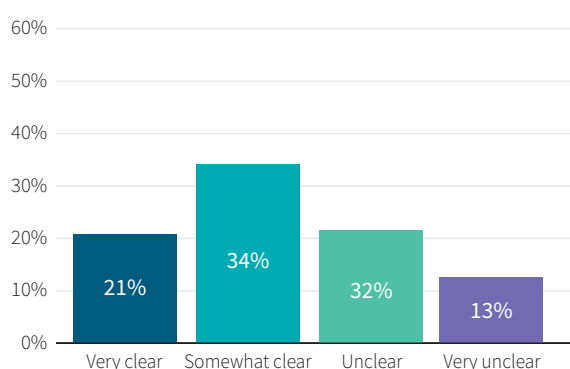
Britain decided to leave the EU in 2016, so while it is understandable that many businesses are experiencing Brexit fatigue after 4 years of turmoil, it is concerning that 1 in 5 are not prepared at all. Medium sized companies were more likely to feel prepared at 59% reflecting an ability to allocate resources to Brexit planning.

PREPAREDNESS FOR BREXIT



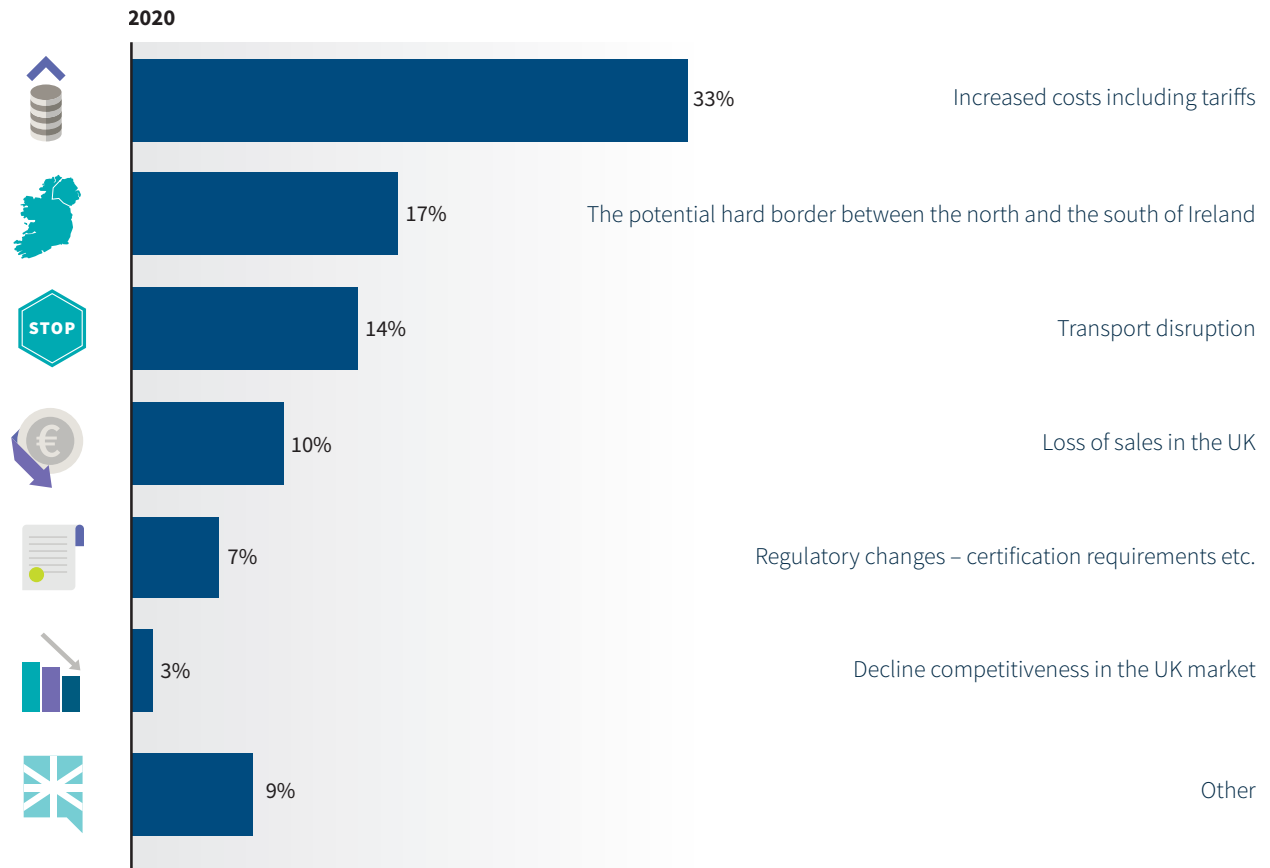
Independent of preparations, 45% of food and agribusinesses are still unclear about the impact that Brexit will have. This is not surprising as politicians continue to work through the political details and the impacts on trade remain frustratingly unclear.

CLARITY ON IMPACT OF BREXIT



Key expected challenges arising from Brexit include increased costs and tariffs and concerns about a hard border on the island of Ireland. For those businesses who feel that they are unprepared for Brexit, there are several supports available including the Brexit Planning Voucher provided by InterTrade Ireland that can help prepare your business. Now is the time to take action.

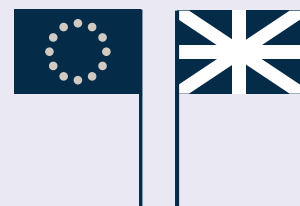
KEY BREXIT CONCERNS



Some questions to consider as you prepare for Brexit:

- Have you looked at a range of Brexit scenarios for your business?
- Have you assessed your end-to-end supply chain from supplier through to customer?
- Have you adequate working capital in place to deal with a potential period of disruption from 1 January 2021?
- Have you a currency strategy in place to manage fluctuations in Euro/Sterling rates?
- Do you need a company structure in both ROI and UK?
- Have you got your EORI number, the basic requirement to trade with the UK post Brexit?
- Have you completed a VAT assessment in GB and the ROI?
- Have you set up delayed payment account with Customs for products you import?
- Have you the correct tariff and taric codes in place for all your products?
- Do you understand how new tariff regulations could impact on your products and competitiveness?
- Have you reviewed your UK contracts?
- Have you looked at diversification and new opportunities?
- Are you communicating frequently with all stakeholders?
- Have you maximised state supports to help you prepare for Brexit?

Find out more: www.ifac.ie/BrexitSupports





EXPORTS

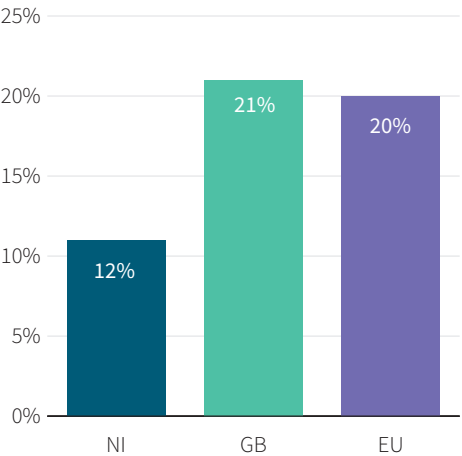
Sales

The Republic of Ireland continues to be the predominant market for Irish food and agribusinesses. While 56% of businesses surveyed are engaged with some level of export sales, the value of export revenue is generally low. 81% of turnover continues to derive from the ROI market.

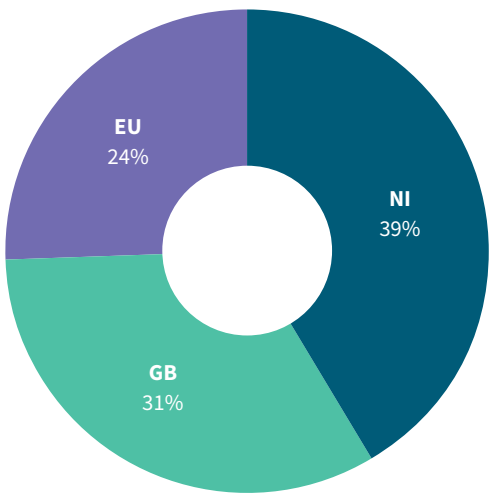
Northern Ireland (NI) has seen a significant percentage point increase in export sales from companies based in the ROI, jumping by 10 percentage points from 29% to 39%. Despite the threat of Brexit, 28% of the companies currently exporting to NI expect to increase their sales in the next 12 months.

The EU has decreased in relative importance for businesses surveyed as 76% of businesses do not export to the EU. Further, the percentage of total sales from those selling to the EU decreased from 28% to 20% year-on-year.

VALUE OF SALES TO NI, GB AND EU FROM ROI FOOD AND AGRIBUSINESSES



ROI FOOD AND AGRIBUSINESSES TRADING WITH NI, GB AND EU



39%
export to Northern Ireland



31%
export to Great Britain



24%
export to the EU

Export plans and concerns

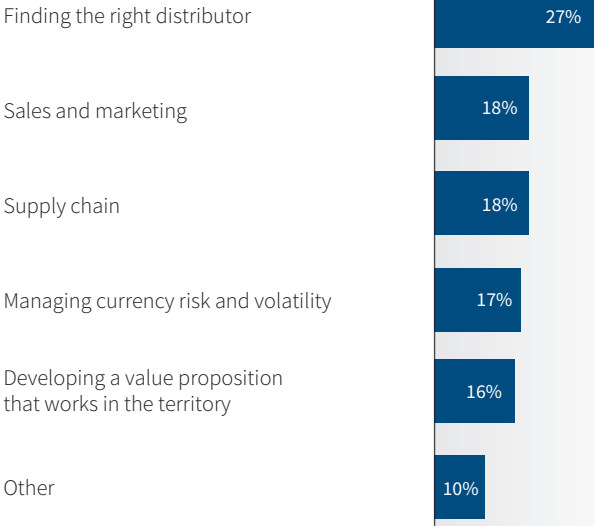
In 2020 there is a definite message of a reduction in trade with Great Britain (GB):

- 28% of businesses anticipate less sales in GB in 2020 when compared to 2019
- Year-on-year, there is a reduction in the number of businesses who expect to see an increase in their sales into GB, dropping from 34% in 2019 to 26% in 2020.

Of businesses not currently exporting, 18% plan to export to NI, 11% to GB with 13% planning to export to the EU in the coming 12 months.

Finding the right distributor has become the biggest challenge for those selling outside the ROI, replacing currency which was the top concern in 2019.

2020



Respondents were asked to state all relevant challenges

EXPORTS

China – An opportunity for food businesses?

For Irish food businesses, China represents an increasingly important market. According to Bord Bia, sales exceeded €900 million in 2019 representing a 16% year-on-year increase¹. China now accounts for 7% of total Irish food and drink exports and it is expected that exports to China will continue to grow.



What should Irish food businesses be aware of before looking to export to China?

- **Do your market research** – The headline figures can be attractive, but you need to understand your target consumer and how you can differentiate your offering in an extremely competitive market. A good starting point is spending time on JD.com where you can learn more about your competitor set.
- **Cracking China takes time** – Businesses should not expect to achieve sales or market traction after an initial visit to the market. It takes time, repeat visits and patience to grow a business in China.
- **Find the right distribution partners** – As highlighted in our research, finding the right distributor is the biggest challenge for Irish food businesses looking to export. In a Chinese context, identifying the right partner will be the difference between success and failure. Initially, check the import label of international goods to identify their Chinese distributor and use this research to compile a list of potential partners.
- **The Irish Card** – According to the latest Bord Bia research, Ireland has 1% spontaneous awareness in China so while Irish origin can play a part in your strategy, it will not be enough to drive recurring sales in China. You will need to identify other factors that will drive relevance with Chinese consumers.
- **Food Safety** – Ireland has a strong reputation for high food safety standards so this will help to get initial traction with Chinese buyers. Leverage these credentials where possible.

For more insight and learnings about growing your food business in China, read the full article by Lorcan Bannon, our Food and Drinks Business Specialist at www.ifac.ie/China.

5 considerations for exporting and Brexit

- **Brexit planning** – Businesses who are not fully prepared for Brexit are encouraged to work with their professional services team and look at government supports to offset some potential preparation costs (see page 46).
- **Market research** – Knowing your target export market takes time. It is important to conduct due diligence and understand your opportunity before overinvesting. Leverage resources like The Thinking House, Bord Bia's insight centre, as part of this process.
- **Margin analysis** – Before a business looks at exporting, you should have a detailed understanding of your cost structure. Understanding costs associated with export logistics, destination taxes, tariffs and distribution costs will help you to prepare for commercial negotiations with your international customers.
- **Distribution partners** – Identifying the right distribution partner for your export markets remains a key barrier to exporting. Research your target market in detail and talk to a number of distributors or agents before taking the decision.
- **Payment terms** – Different markets have different cultures and ways of doing business. Do not assume payment terms will be the same as with Irish customers. Discuss the terms with your export customers and ensure these won't have a negative impact on cash flow.

¹ www.bordbiaperformanceandprospects.com/index.cfm

3

People

Despite an extremely difficult past 6 months for many SMEs and a decrease in overall optimism year-on-year, only 6% of food and agribusinesses expect to employ less people over the coming 12 months. Positively, 24% of businesses intend to employ more people over the next year while 68% intend to retain the same staff numbers.

Business owners anticipate that it will be easier to recruit in the coming year in comparison to last year. Considering Ireland was nearing full employment in 2019¹ it is not surprising that sentiment has changed significantly.

A range of measures were taken to address Covid-19 challenges with 48% of companies taking some action which impacted on their people.



¹ www.cso.ie/en/releasesandpublications/er/lfs/labourforcesurvey/lfsquarter42019/

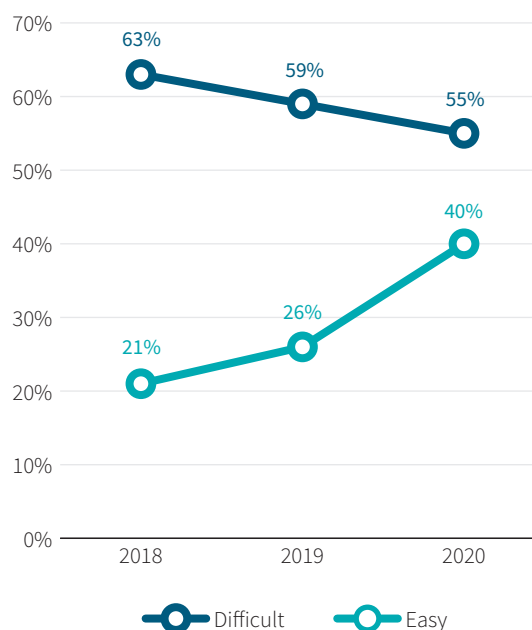
RECRUITMENT

When considering hiring new staff, business owners expect to find it easier to recruit over the next 12 months. Those citing the challenge being difficult reduced from 59% to 55%, with those anticipating it to be somewhat easy increasing from 26% to 40%.

24%

of businesses intend to employ more people over the next year

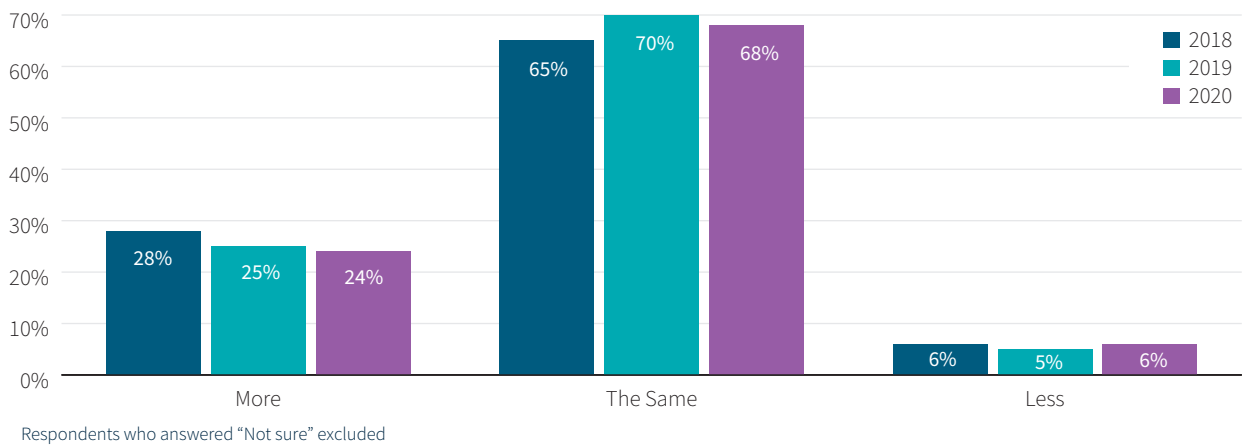
HOW EASY OR DIFFICULT IS IT TO RECRUIT THE PEOPLE NEEDED TO RUN THE BUSINESS?



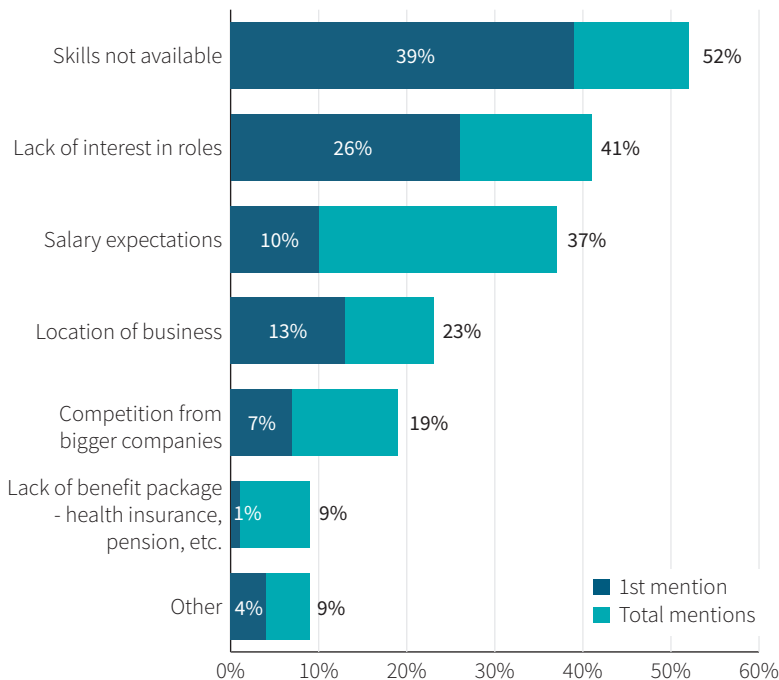
EMPLOYMENT PLANS FOR NEXT 6 MONTHS

The resilience of the food and agribusiness sector is highlighted as 92% of businesses intend to maintain or grow employment numbers in the coming year. Our SME respondents identify a skills gap in the agri-food sector as one of the biggest challenges to growth, with 52% of business owners highlighting a lack of available skills as a challenge to recruiting the right people. Foodwise 2025² has advised that there must be significant investment in education, knowledge transfer and training programmes if the required levels of expertise and skills are to be in place to support the development of the sector.

EMPLOYMENT PLANS FOR THE NEXT 12 MONTHS



DIFFICULTY IN RECRUITING



Salary has become a more significant consideration in comparison to last year with 37% seeing this as a hurdle to recruit versus 29% in 2019. There has been a nine percentage point drop in the number of businesses concerned about the threat of larger companies when competing for the attention of the best candidates in the talent pool.

52%
of businesses say the
required skills are
not available

² www.agriculture.gov.ie/media/migration/foodindustrydevelopmenttrademarkets/agri-foodandtheeconomy/foodwise2025/report/FoodWise2025.pdf

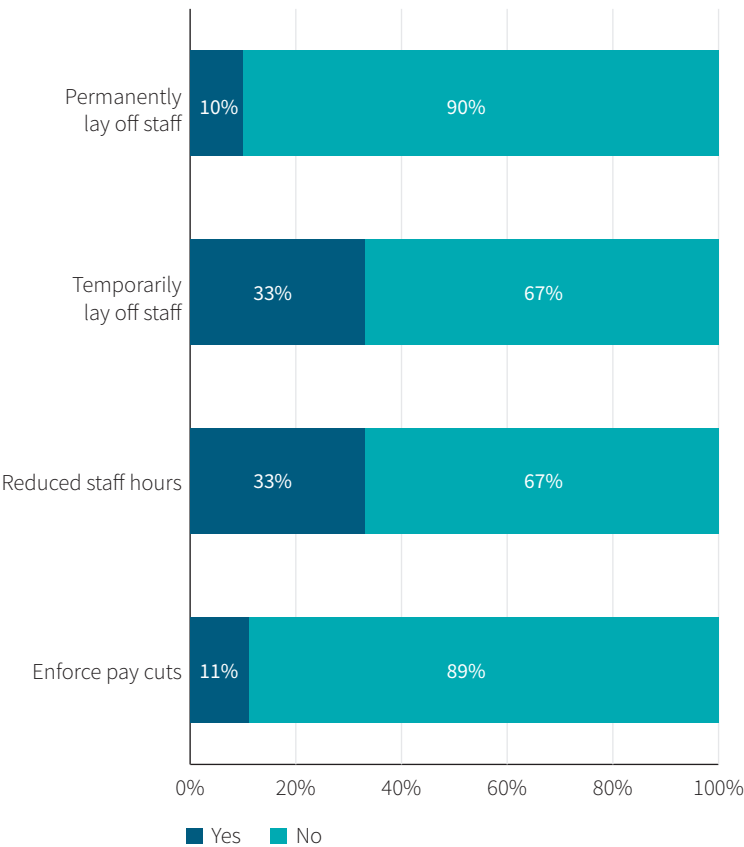
Covid-19

CHANGES TO WORKFORCE DURING COVID-19

Temporary lay-offs and reduced staff hours were the most common actions taken by SME management to deal with the impact of Covid-19.

Where measures were taken by a business, over half of those applying pay cuts as a result of Covid-19 instigated this across the majority, or all, of their workforce. One third have reduced hours for up to half their workforce while 45% reduced hours for up to 100% of their employees.

DID YOU MAKE ANY OF THE FOLLOWING CHANGES?



48%

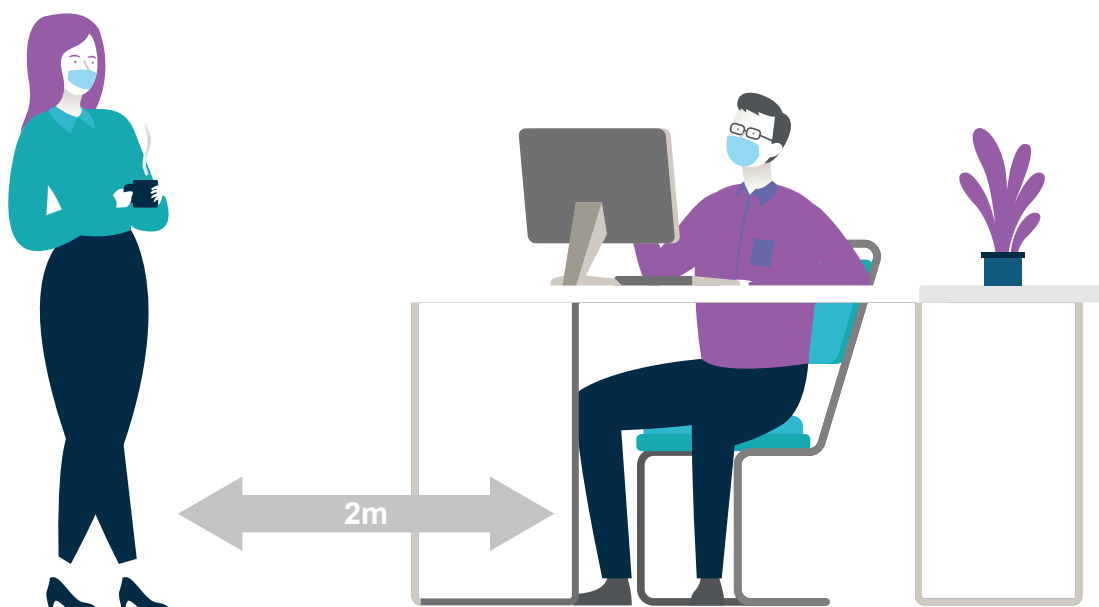
made changes to employment conditions

39% of companies availed of the Temporary Wage Subsidy Scheme (TWSS) while 28% availed of the Pandemic Unemployment Payment (PUP). Agribusinesses were less likely than food businesses to avail of the TWSS as many did not qualify based on the reduced turnover requirement.

		SIZE			SECTOR	
	Total	Micro	Small	Medium	Food	Agri
Temporary Wage Subsidy Scheme	39%	29%	57%	29%	48%	28%
Pandemic Unemployment Payment	28%	39%	24%	9%	29%	27%

5 people management considerations for your business

1. Utilise State supports to sustain current staff numbers, particularly the Employment Wage Support Scheme which began on 1 September 2020.
2. If you are in a position to hire, make sure to access available supports. Depending on your business and the role involved, these may include the Apprenticeship Incentivisation Scheme and Jobs Plus Scheme.
3. Working from home is not as prevalent in food and agribusinesses as in some other sectors. However, for some roles which allow for home working, software such as Microsoft Teams is extremely useful to enable communication between team members.
4. It is vital to have the right team in place in this difficult climate. Take time to review your organisational structure and ensure it is optimised for your current way of working.
5. The jobs market may become more welcoming for employers as a result of Covid-19. Take this opportunity to recruit the right people to help grow your business.



4

Food and Packaging

Growing a food business has never been easy. Identifying your market opportunity, producing a product, building a team, establishing routes to market, creating experiences that differentiate your brand and ensuring that you can do all this while delivering a sensible margin is an ongoing challenge.

Add into the mix a global pandemic and Brexit, and Irish food producers are building businesses in unprecedented times. While routes to market for food producers continue to be dominated by multiples and independent retailers, online sales are showing a significant growth.



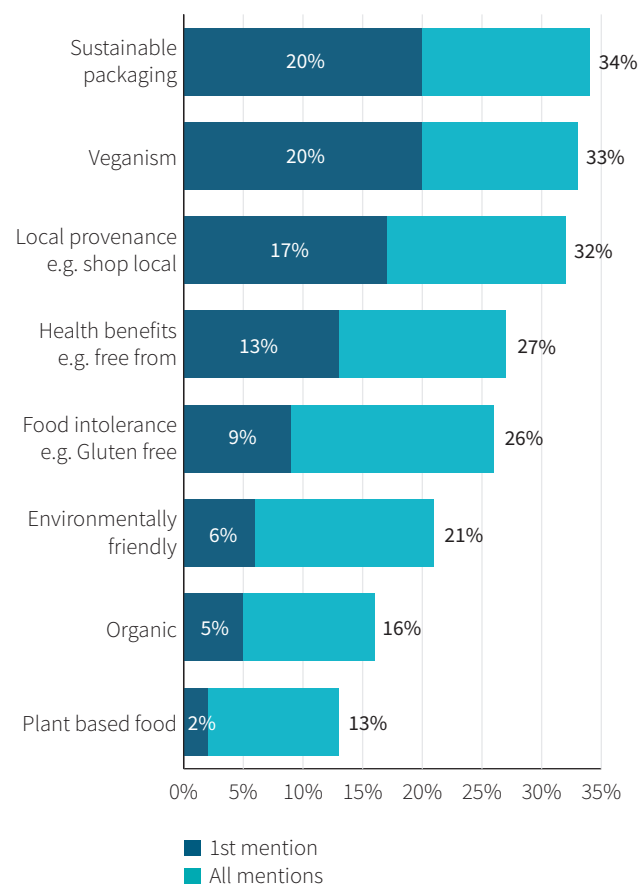
FOOD TRENDS

While it's hardly business as usual, the trends which are having the most impact on food businesses remain constant. Year-on-year the top three trends continue to be – sustainable packaging, local provenance and veganism. What is noteworthy is that sustainable packaging is no longer the standout trend, although its mentions have increased since 2019, local provenance and veganism have grown in relative importance.

34%

of food businesses see sustainable packaging as the top trend impacting their food business

FOOD TRENDS WITH THE BIGGEST IMPACT



Respondents who answered "None" excluded

Trends on the rise year-on-year

LOCAL PROVENANCE

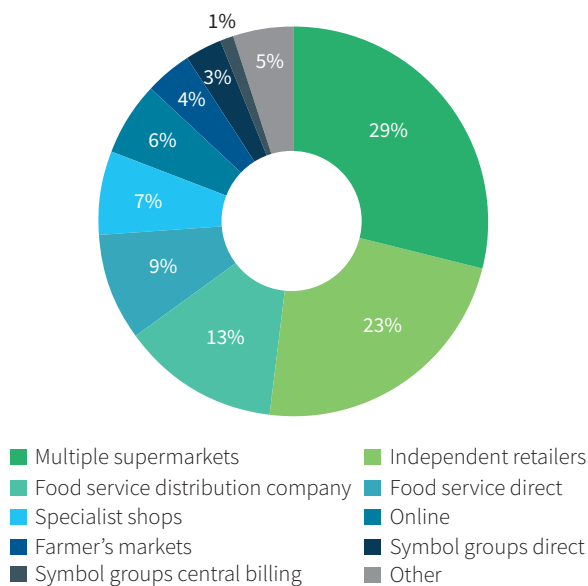
One trend that has been positively impacted by Covid-19 is local provenance. Irish consumers recognised the importance of supporting products that were produced locally. Technology has played its part in supporting this trend with the emergence of platforms like Neighbourfood.ie enabling more producers to sell online direct to consumers. While local provenance is vital for smaller producers, for Ireland as a food producing island to succeed, we must continue to develop export markets aggressively.

ENVIRONMENTALLY FRIENDLY

This trend continues to grow year-on-year and shows a doubling of mentions from 2019. For food brands, having credentials from supply chain to packaging that are environmentally friendly will be increasingly important. Our packaging article on page 32 highlights how brands can integrate this practically into their business.

ROUTES TO MARKET

Which of these is your main route to market?



Before the arrival of Covid-19, food businesses tended to have well established route to market strategies. Some focussed exclusively on food service while others focussed exclusively on one of the multiples.

With Covid-19, in the immediate term at least, many established routes to market were disrupted. Irish food businesses have been forced to react and adopt new ways of doing business. While multiple supermarkets and independent retailers continue to be the primary routes to market for the majority of SME food businesses at 52% of respondents, alternative routes to market including specialist shops (7%) and online sales (6%) have a role to play in a more diversified route to market strategy.

Many food business owners know that changing your route to market strategy is not easy but as part of any review, you should consider the following:

Do you have channel diversification?

- Having a focus on one route to market can help deliver efficiencies for your business. However, some food producers, who were overly reliant on one channel pre Covid-19, have found themselves exposed. This is particularly the case for food service suppliers. Covid-19 has highlighted the need for some level of route to market diversification.

Do you have an understanding of your margins?

- Covid-19 has re-enforced the importance of understanding the numbers behind your businesses. Businesses have been forced to analyse their cost structure to see where potential overheads can be reduced, what SKUs were profitable and what margin was available when entering into negotiations for new distribution channels. Carrying out regular margin analysis on your different SKUs is a critical exercise.

Have you identified your channel roles?

- A multi-channel approach allows businesses to have greater flexibility in their marketing and sales strategies. A food business may use certain channels as volume drivers, for example private label, to increase cash flow or deliver production efficiencies while other channels may be used for brand building or value maximisation, for example food service in high end hotels.

Reducing reliance on just one route to market will help to de-risk your business. To do this with limited resources is challenging but the reward is a stronger business in the long term.



MICHEAL DONOGHUE

Senior Buying Manager, Tesco

FUTURE OF RETAIL (INTERVIEW)

Micheal Donoghue is a Senior Buying Manager in Tesco and is well known to many food business owners in Ireland. David Leydon, had a chat with Micheal and began by asking how Tesco have been affected by Covid-19 and how have their buying behaviours changed?

Micheal: Like the rest of the world we experienced huge change in a short space of time. We operate in a fast moving environment at the best of times, but this was something on a scale that we'd never experienced before. Our primary focus was on the safety of our colleagues and our customers. Once we had quickly put these health and safety procedures in place, it was incumbent on Tesco to ensure the integrity of the food supply chain.

Our buying behaviours remained constant throughout the crisis. Our fresh foods business is largely made up of long-term strategic partnerships with Irish suppliers so it was very much a joint effort to keep the supply chain moving on the largest volume lines.

Open and clear sharing of information helped Tesco react and in a lot of cases, we had the best availability in the market when it mattered most. This was further complicated as consumer consumption behaviours changed dramatically as people had more time on their hands. For example, we saw a shift away from convenience products towards 'scratch-cooking'. As consumers were moving around less, we saw demand for goods from our 'Food on-the-go' business reduce.

What does an ideal buyer – food producer meeting look like? What things do you like to see?

Initially, buyers will need to know that suppliers have the ability to consistently meet the required standards. We're very lucky in Ireland that we have some of the best food producers in the world on our doorstep. It's interesting that sometimes small suppliers can offer insight as they are closer to the market and react quicker to customer requirements.

I love to see suppliers coming in for meetings with solutions, knowing their market and how their product fits within it. That level of preparation doesn't cost a lot but it goes a long way to starting the conversations with us.

As buyers, we're less interested in 'me-too' products and want suppliers to take a holistic view of the category in which they operate as opposed to just focusing on their own brand.

We also like to see innovation in some form – packaging, format or the intrinsic product credentials. If a supplier can deliver differentiation in the range and a consistent quality, that's the sweet spot.

How often do you like to meet with food suppliers?

Ideally, we would like to meet with our suppliers as often as we can to ensure that we are receiving great quality and innovative products on our shelves every day for our customers. In fresh foods, we have a number of very strong long-term strategic relationships with Irish producers that require daily interactions at some level. We plan volumes together, collaborate on new product development and share insights to deliver what the customer wants.

We also have relationships with smaller suppliers that would require quite a few meetings when we begin our relationship, but they would become less frequent once we establish a pattern of working together. Right now, it's all being managed virtually, which is not quite the same as in person, but we're adapting to the situation at hand.

What food retail trends are you most excited about and why?

Generally, the trends before the pandemic are continuing to be a focus, but with one eye on the continuing change in customer behaviour. If anything, they are now elevated in importance to consumers. Customers are becoming more attuned all the time to healthier food choices. This is interesting as it is evolving, depending on what 'health' means to different consumers. There are individual requirements from low fat/low calorie to immune boosting or even entire diet and lifestyle choices such as paleo and vegan/vegetarian. It's a hugely exciting space.

At Tesco we're continuing to lead the way on food waste. We partnered with twelve of our large Irish fresh suppliers in a bid to tackle the issue of food waste at their manufacturing sites and to work collaboratively to adopt the UN's SDG goal 12.3.¹ Led by Tesco Ireland, these Irish food suppliers including Aryzta, Country Crest, Keelings, Total Produce, and Manor Farm have committed to publicly target, measure and act on food waste. Key to this will be to measure and publicly publish details of their food waste for the first time this year. Transparency and measurement are essential for identifying hotspots, and in tackling the causes of food waste. It helps everyone understand how much, where, and why food is being wasted.

Equally, in line with customer sentiment, we are working hard to ensure we never use more packaging than is needed. Where we need packaging, because it serves a clear purpose like reducing food waste or to protect a product in transit, we do our best to ensure that what we do use is from sustainable sources and where possible, goes on to be reused or recycled. We have set challenging targets that will deliver a step change in how much packaging waste we generate: by reducing all unnecessary packaging, ending the use of hard to recycle materials (for example PVC and Polystyrene) from our own brand packaging by the end of 2019, working to ensure that all our packaging will be fully recyclable by 2025 and all our paper and board will be 100% sustainable also by 2025. Removing hard to recycle materials such as PVC and Polystyrene simplifies the recycling process, including reducing contamination of materials that can be recycled into new packaging. Early this year, we became the first retailer in Ireland to remove plastic-wrapped multipacks, sold across our 151 stores and online, replacing them with plastic-free multibuy.

This move has seen 1.5 million multipacks of Tesco own-label and branded tinned beans, tuna, soup, and tomatoes sold without plastic wrap each year, eliminating this plastic film which cannot currently be accepted in Irish household recycling collections. We continue to work hard to meet the challenges of reducing plastic where we can.

With a focus on Dairy, Chilled Convenience & Frozen products, what innovations in these categories are you most excited by?

In terms of product innovation, we have some fantastic new products in our yogurts category coming from suppliers like Glenisk in Co. Offaly who produce Tesco Organic yogurts and our Finest yogurts from Killowen in Co. Wexford. Ballymaguire Foods in North Dublin are constantly coming up with great new ideas for prepared family meals that use Irish ingredients where possible.

We recently launched a range of our Finest soups with Ballymaguire that are getting great feedback from customers. We are very proud to carry the largest range of Irish Farmhouse cheeses in the Irish retail market. Freshways in Dublin are our partner supplier for sandwiches and have just launched a beautiful range of fresh pasta salads and vegan sandwiches in our food-to-go range. We are currently working on some exciting new ice-cream and dessert products from Irish suppliers for next summer. As customers demand innovation, it's in our DNA to always be looking at 'what's next?'

FUTURE GROWTH CHANNEL

It is clear from this research that food business owners in Ireland are optimistic about the potential for growth in both online sales and private label retail over the next 3 years.

Year-on-year, the expectation that private label retail will be a driver of future growth has grown by 67% while the role of online as a potential sales channel for Irish food businesses has blossomed since Covid-19. As of the 6th of August, 8,388 Trading Online Vouchers have been applied for this year with 5,607 receiving funding reflecting a significant appetite among Irish SMEs to get trading online.

¹ The UN Sustainable Development Goal 12.3 aims to halve per capita global food waste at retail and consumer levels and reduce food losses along production and supply chains by 2030.

Food packaging and its potential



Product packaging is a significant element in the cost base of all food businesses yet it remains one of the more challenging elements for Irish food businesses to get right. Lorcan Bannon, Food and Drinks Business Specialist with ifac explores food packaging's potential.

For a long time, packaging for food was primarily a functional necessity. Product packaging was needed to preserve the quality of the food from the elements, to make transport from factory to fork more manageable, to extend the life of the food or to communicate relevant brand information about the food item to consumers.

In more recent times, the role of food packaging has come under separate and opposite forces for change.

For some, food packaging is an unnecessary evil. As we look to manage our environmental impact more actively, packaging can be viewed under a lens of unnecessary waste – instead of transporting in bulk and using reusable containers at the point of purchase, individually wrapped food items are the norm. Any potential reversal of this trend as reflected by the emergence of zero waste grocery stores, has been severely impacted by the arrival of Covid-19 and the need to wrap all open food items in packaging for health and safety reasons.

A SUSTAINABLE DIFFERENTIATOR

However, food packaging when managed correctly can use sustainably sourced materials that have reduced impacts on our environment and support a product positioning that can help a food business stand out.

Packaging will continue to play an important role for most Irish food businesses so let us look at some of the emerging packaging trends that can be used to support the growth of food businesses in Ireland.

Sustainability

The concept of the Circular Economy is not necessarily that new. What is changing though, is consumer-led demand for food businesses to have greater transparency of where their packaging materials are sourced and how they are processed. A focus on sustainable packaging is both a challenge and an opportunity for Irish food businesses. Sustainable packaging and consistent environmental messaging can be used to differentiate in a competitive marketplace.

Longer Life Packaging

With a focus on the reduction of food waste, using packaging techniques that can help improve the shelf life of food products is on the rise. Brands have used techniques like High Pressure Processing (HPP) to help deliver on these expectations.

Transparency & Traceability

Increasingly technologies can be embedded into packaging, enabling food businesses to provide greater insight to their business or provide greater clarity on the origins of their food. Unique tracing codes or blockchain technologies can also be used to provide additional reassurance for consumers about the source of a product and help combat food fraud.

Packaging & Online Sales

As online sales continue to grow, so too does the importance of packaging in the overall consumer brand experience. With increased competition on the digital shelf, brands will need to understand how SKU design can impact their online sales. It also presents a real opportunity to build connection with your consumer through tactile packaging and an opportunity to drive further engagement in the consumer's home through brand messaging in the packaging.



Alternative Materials

To reduce the use of traditional plastics, new raw materials are providing high-performing cost-effective alternatives. One example is the use of mycelium-made packaging. This material can be used for custom made packaging and is also compostable.

Getting the packaging right for your food business is not easy. It takes time, budget, and energy. Mistakes will be made. However, if you are willing to understand the emerging food packaging trends, explore new materials or test new packaging processes you will be well on your way to unlocking the powerful potential of packaging for your food business.



Practical Packaging Advice

1. PACKAGING AND PROCUREMENT

Your procurement and finance teams need to work closely and have constant communication to maximise your packaging orders and limit the cash tied up in packaging stock.

2. PACKAGING RESEARCH

Identify a food product that you admire and purchase it directly online. See how the product is delivered, who is their courier partner, are they using branding techniques on their packaging to enhance the consumer experience? Are there learnings to take for your own business from this experience?

3. PACKAGING AND DESIGN

For new packaging designs, ensure your pack copy is checked prior to print and meets legal and regulatory requirements. Start with short run digital prints to minimise your print run risk where possible. Most food businesses can share stories where printed items have needed to be changed!

4. PACKAGING AND PROCESSES

If new packaging materials are introduced into a food business, the impact on existing production lines will need to be evaluated in advance.

5. PACKAGING AND POLICY

The EU is starting to take the issue of wasteful packaging more seriously as reflected in the Single Use Plastics Directive 2019 and the European Strategy for plastics in a Circular Economy where the aim is to have all plastic packaging recyclable by 2030. If your business is looking for the carrot to change your packaging behaviour, this may be the stick!

5 considerations for your food business

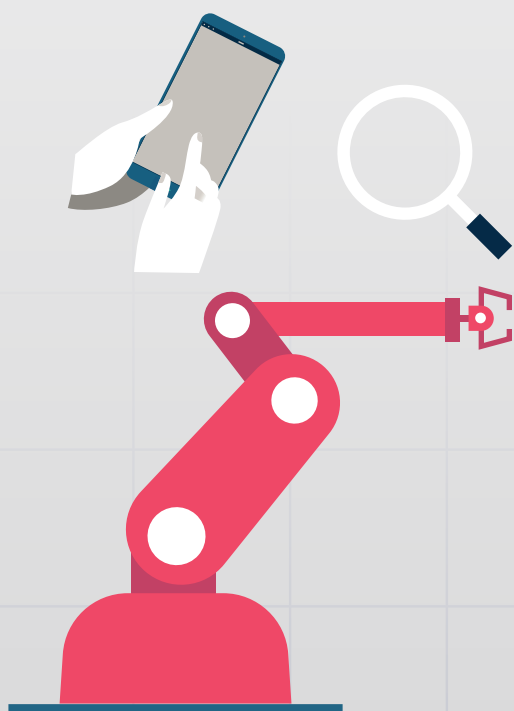
1. Review key food trends and understand how your business can benefit from evolving consumer demands.
2. Understand the benefits in diversifying your route to market strategy. It will help de-risk your business. Don't have all your eggs in one basket.
3. Carry out regular margin analysis – stay on top of the numbers driving your business.
4. Innovation in the food category is a must. Have you got the right structures in place for product innovations?
5. Packaging remains one of the largest costs for Irish food businesses. Look at ways to leverage emerging technologies for efficiencies and make sustainability part of your messaging strategy.

5 Research and Development

Research and Development (R&D) is an important part of building competitiveness within the food and agribusiness sector. As we see in this year's report a third of companies are still not engaged in R&D.

We also note that investment in automation, IoT, robotics, sensors and AI is still very low among SMEs. This reflects research from the OECD observation that "For Irish-owned SMEs that are oriented towards international markets and value chains, specific skills shortages, notably digital and industrial automation skills' which are critical for a shift to Industry 4.0, remain the key challenge."¹

Supporting food and agribusinesses to continue to innovate and invest in R&D must be a priority for State agencies.



¹ Organisation for Economic Cooperation and Development (OECD) www.oecd-ilibrary.org/sites/4d49187c-en/index.html?itemId=/content/component/4d49187c-en

R&D INVESTMENTS

Levels of R&D investment remain limited, with one third of companies in the sector not investing. Our experience with SMEs however is that almost every business is innovating and adapting to new challenges at some level. SMEs would not survive otherwise. However, much of the innovation does not fit into a classic R&D framework and is more incremental in nature.

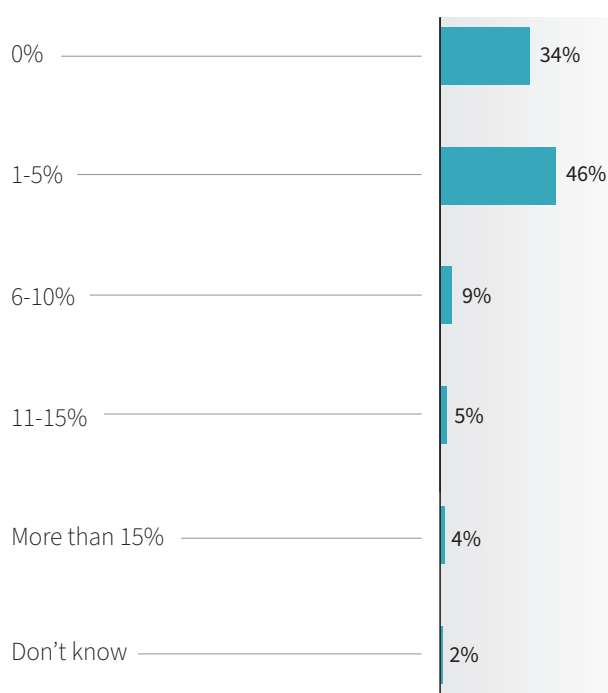
Medium sized businesses are more likely to invest in R&D at 83%, with only 17% not investing. This is due to their ability to invest time, people and financial resources in systemic R&D. Having a management team with the required skillset and depth is also more common in medium sized enterprises.

TAX RELIEFS

- When investing in R&D, ensure you maximise R&D Tax Credits. The R&D Tax Credit allows you to claim up to 25% of your R&D expenditure in a tax credit or in cash.
- Reduce your tax liability on qualifying Intellectual Property (IP) income to 6.25% through the use of the Knowledge Development Box.

→ ifac can work with you to avail of these reliefs.

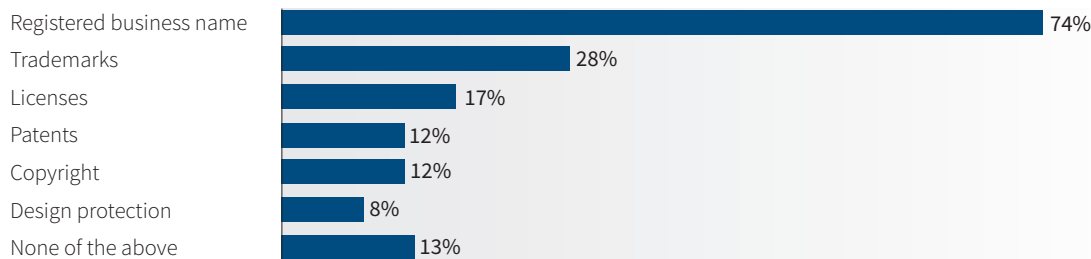
AS A PERCENTAGE OF TURNOVER, HOW MUCH ARE YOU INVESTING IN RESEARCH & DEVELOPMENT?



INTELLECTUAL PROPERTY (IP)**A registered business name and trademarks are the most common types of IP protection used by companies in the food and agribusiness sector.**

Examining patents more closely, we see that 12% of SMEs surveyed have a patent. Patents, especially in the agtech scene, are highly valued. They are important when negotiating with potential investors and are part of the agtech story. However, having the financial firepower to commercialise and defend your patent is challenging for many SMEs.

We agree with John Moloney when he points out on page 11, “IP rarely sustains a business over time. While patents are valuable if you are prepared to invest in them and defend them over time, it’s more important to get the product out, to get it in use and to get and keep your customers”. Building a commercial business which generates revenue, returning customers and long term profitability should be the number one item on the agenda.

WHICH OF THE FOLLOWING DO YOU HAVE IN THE BUSINESS?

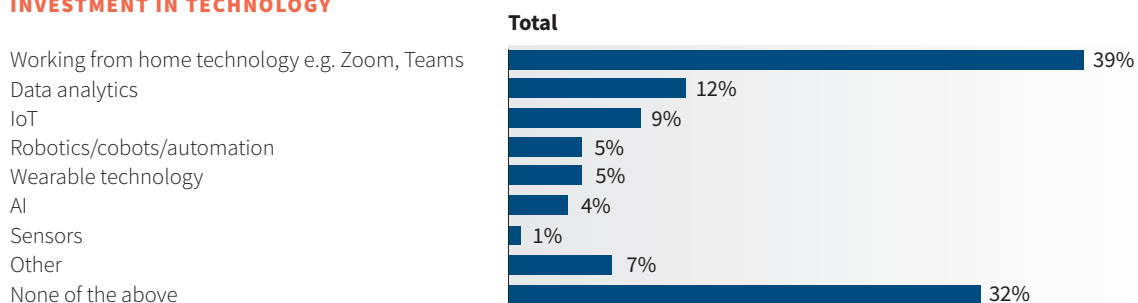
Respondents were asked to state all relevant IP

INVESTMENT IN TECHNOLOGY**2020 sees a significant investment in working from home technology necessitated by Covid-19. However, investment in other types of technology is still comparatively low, particularly, the use of data analytics, sensors, robotics and automation.**

We focus particularly on automation in this year’s report. Low margins in the Irish food and agribusiness sector are a constant challenge. For many, automation using robots has been spoken about for a long time but has never quite made the big breakthrough. We believe that this is changing and that now is a very good time to explore how automation can apply to your business, especially as we look to deal with the ongoing challenges of Covid-19.

Automation is ideal for the most monotonous, repeatable tasks occurring in your business. Redeploying your team to higher value work is positive for all concerned. It is more cost effective for you and will offer more interesting work to your employees.

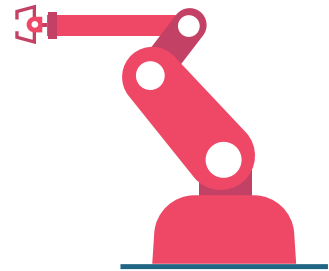
In ifac we work with many businesses on funding their automation projects. In particular we work with the State agencies, including Enterprise Ireland and the Local Enterprise Office, to maximise supports for our clients. This is vital as you grow. If this is something of interest to you, please get in touch and see our ifac Supports Guide section on page 46.

INVESTMENT IN TECHNOLOGY

Respondents were asked to state all relevant investments



PETER CREIGHTON
MD, Reliance Automation



Cobots and automation for food and agribusinesses

Peter Creighton, MD of Reliance Automation, spoke with ifac's David Leydon, on the role of automation, particularly cobots, for Irish food and agribusinesses.

Can you tell us a little bit about Reliance Automation?

Reliance Automation is a leading provider of robotic and automation solutions in Ireland. We provide a wide range of technology automation solution to increase efficiency, improve reliability and reduce cost.

Tell us about collaborative robots?

Collaborative Robots or cobots are designed to share their workspace with people unlike industrial robots. Cobots achieve this by having many built in safety systems which will prevent the cobot from harming a worker that's sharing its workspace. Cobots are easy to program and very versatile.

Can you share some examples of where automation using cobots applies to food businesses?

The main applications in the food industry tend to be in palletising, materials handling and quality inspection. Collaborative palletising stations, for example, tend to take up no more floor space than the pallets it's loading which is beneficial for businesses that may have space constraints.

Many industries need goods transported around their factories. It is now possible to redeploy workers by integrating Mobile Industrial Robots. These are robotic, manoeuvrable, safe vehicles that will transport goods automatically. Materials handling can also include robotic pick-and-place applications within a production line utilising food safe collaborative grippers.

Finally, for quality inspection, the role of cobots can include picking a product and presenting it to a scanner or camera for quality check. The product can then be placed in different locations depending on the output from the scanner or camera.

Business owners will be anxious to know the return on investment (ROI) on the installation of a Cobot?

The general rule of thumb is that the more the robot/cobot is being utilised, the faster the ROI will be. Typically, a 24-hour process will return a quicker ROI. Most collaborative applications that Reliance has been involved in have had an ROI of between 18 and 24 months.

The main factors to consider include how many workers you are re-deploying and their total cost to the company in their current role. Sometimes the benefits of reducing the risks of injury and RSI are over-looked, these are an important part of the benefits of cobotic projects.

Place a value on the other benefits to a robotic project such as improvement in product quality, increases in efficiencies and total throughput increases.

If we sat down again in 5 years Peter, how do you think automation will be impacting the food and agribusiness sector?

Ireland is now moving faster towards automating than ever before with Covid-19 accelerating the trend. Globally we see the integration of cobots into whole production processes with many pick-and-place as well as inspection operations being assisted by cobots.

There is no doubt the norm will be for more goods to be transported around factories robotically as companies embrace the other advantages automation will bring such as alleviation of labour shortages and better health and safety management.

Automation and Robotics is not about taking jobs away from people. It is about creating a safer more interesting work environment for workers to grow in. Irish industry has only begun its journey to further embrace automation, this trend is destined to grow at pace over the next 5 years.



CAROL FAUGHNAN

Business Development Executive, TSSG

Working with universities to maximise your R&D potential

TSSG is the ICT research wing of Waterford Institute of Technology. Ifac's Lorcan Bannon sat down with Carol Faughnan, Business Development Executive, to discuss how agribusinesses can use supports, especially Innovation Vouchers to best effect.

What supports are available to work with Universities on R&D projects?

The TSSG Gateway provides an entry point for a range of government supports, including Innovation Vouchers and Innovation Partnerships, for businesses looking to scope out innovative technologies for Precision Agriculture. We also provide funding through Horizon Europe and the Science Foundation of Ireland for targeted projects as well as contract R&D services for companies that want to access the expertise of our TSSG researchers.

What types of companies are best suited for Innovation Voucher projects?

To qualify for an Enterprise Ireland (EI) Innovation Voucher the company must have Limited Company status although some co-ops can also apply. To be successful, companies will ideally:

- 1) Want to sell a product or service to the agricultural community and the project will involve a new product development, innovation, etc.
- 2) Consider sourcing a raw material from the agricultural community and adding value to produce a new innovative product e.g. a new food product.

How does an Innovation Voucher process typically work?

The company applies directly to EI for the Innovation Voucher and can receive up to three vouchers. We can help support relevant applicants and we recommend maximising all three vouchers to achieve a full project roadmap and demo prototype. An outline can include:

- Voucher 1: Create an outline technology roadmap with an expert software developer at TSSG.
- Voucher 2: Explore the UX/UI strategy which, coupled with the tech-roadmap brings you to the stage where you can create a prototype.
- Voucher 3: Deliver a click-through prototype or demo of the solution. This is a very useful tool to be able to showcase to investors.

What does the Innovation Voucher process cost participating companies?

The first two vouchers are worth €5,000 each of R&D support and do not need to be match funded by the company. The third voucher is match funded, so the company pays €5,000 and EI pay €5,000. In total, the company is getting €20,000 worth of R&D for a €5,000 investment.

Interested companies can contact Carol directly at cfaughnan@tssg.org or visit www.ifac.ie/TSSG for further information.

5 R&D and automation considerations for your business

1. Review automation opportunities, especially for those repeatable tasks happening in your business.
2. Keep a close eye on how you can integrate technology into your business to enhance competitiveness from sensors to the digitalisation of business processes.
3. Maximise tax efficiencies especially R&D tax credits and the Knowledge Development Box for qualifying IP income.
4. Use State supports where possible including Innovation Vouchers, Enterprise Ireland's Research, Development & Innovation Fund (RD & I) and the various supports offered through the Irish Research Council. See our supports section on page 46 for more.
5. Conduct an audit of your IP focussing on brands, technologies, designs, copyright and online presence. Review your IP management practices ensuring that your processes to protect your IP are robust.

6 Digital Development

Covid-19 has accelerated existing digital trends. More businesses are moving online as offline market restrictions continue and consumer expectations change.

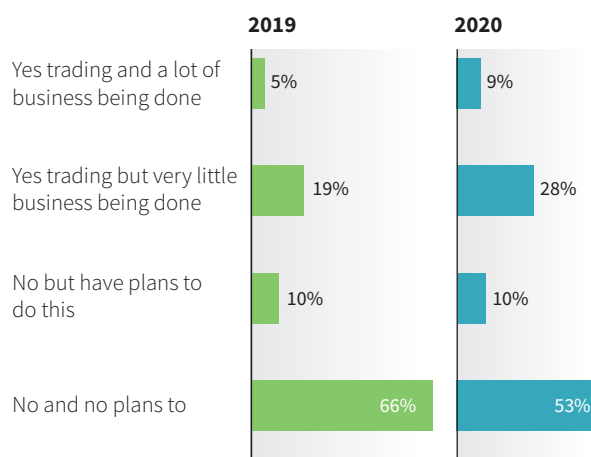
Those businesses who don't engage online risk falling behind. We note a year-on-year increase of 54% in the number of food and agribusinesses who are trading online. This is welcome news. While trading online is not a panacea, it is part of the jigsaw of building the digital capability of a business.

Social media plays a significant role in how food and agribusinesses are connecting with consumers. Facebook and Instagram continue to dominate despite the emergence of challenger platforms like TikTok.



TRADING ONLINE

- The number of businesses trading online increased from 24% in 2019 to 37% in 2020.
- There was a 20% drop in those with no plans to trade online, now standing at 53% down from 66% in 2019. This was most prevalent among agribusinesses.
- There is a significant increase in online trading from micro (30% in 2019 to 42% in 2020) and small (20% in 2019 to 40% in 2020) businesses with medium sized business broadly stable.
- Food companies are more likely to have increased online trading over the past year, up from 29% to 46%. Agribusinesses also increased moving from 17% to 25% trading online.



COVID-19 - A DIGITAL ACCELERATOR

As part of the additional steps companies took to sustain business through Covid-19:

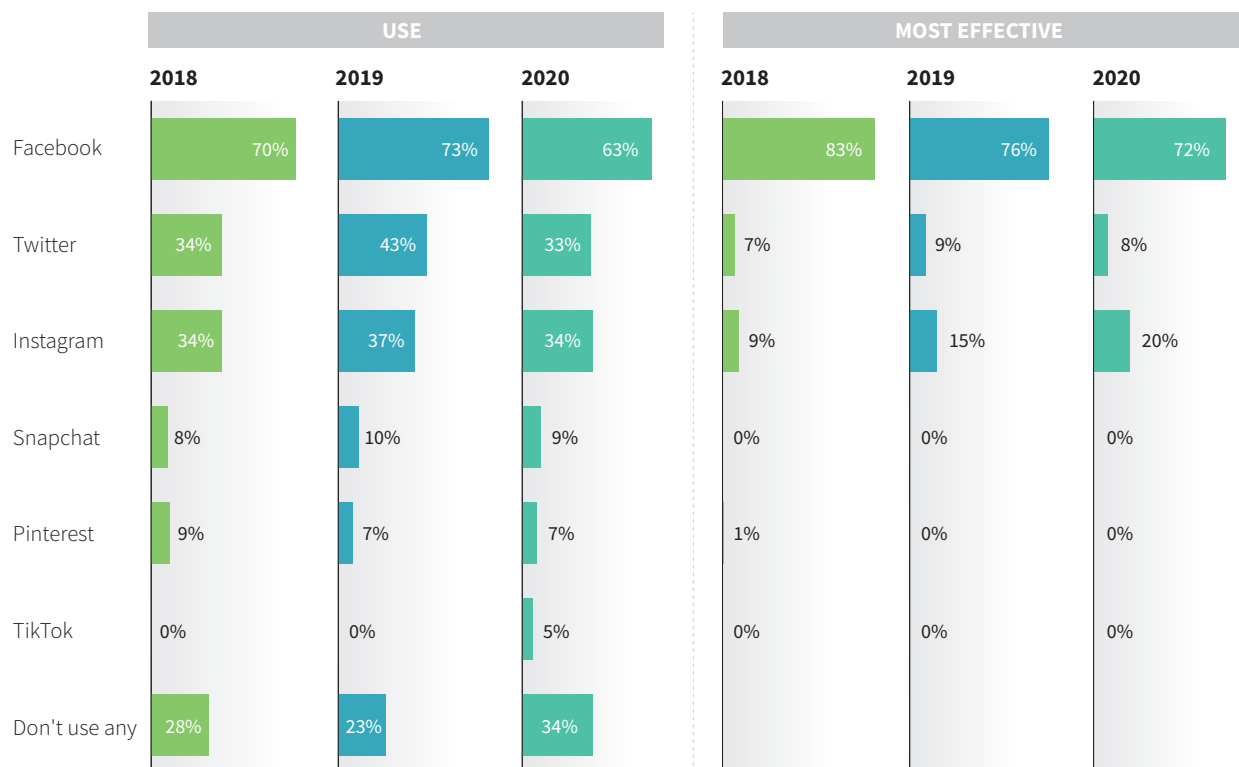
- There was a 54% increase in those trading online.
- The Local Enterprise Office backed Trading Online Voucher saw a 6% uptake. The grant is worth €2,500 and is 90% funded. If you need to upgrade your website and make it ecommerce enabled, then you should apply immediately through your Local Enterprise Office.
- 36% upgraded technology solutions, for example Zoom, with medium sized businesses much more likely to invest (53%) and micros least likely to invest (31%) in technology upgrades.

SOCIAL MEDIA

Social media remains a key part in marketing efforts, especially among food businesses.

The Facebook/Instagram platform, which is increasingly integrated especially in a paid environment, continues to dominate with TikTok making an appearance for the first time. Those who believe social media is 'very important' has increased but those who believe it is 'not important at all' has also increased, some evidence of polarisation.

The ability of the Facebook/Instagram algorithms to find your potential customers is significant with remarketing and accessing lookalike audiences powerful tools. It is not cheap though and "pay-to-play" is now truly embedded in how businesses have to engage with social media platforms.



5 digital considerations for your business

1. Continuously build your company's digital capability and capacity. You cannot flick the digital switch on overnight.
2. Be commercially minded. Revenue has to follow your digital investment through brand building, direct sales or customer loyalty.
3. Invest in the infrastructure and processes to manage your business as you develop a stronger digital orientation.
4. Digital marketing can be a minefield from 'last click attribution' to understanding the statistics from different platforms. Test and find out what works for you.
5. Do the basics well, for example, make sure your Google My Business Listing is up-to-date and that your content creation strategy is consistent and credible.

7 Transitioning the Business

The DCU Centre for Family Business estimate that 75% of all Irish firms are family owned businesses¹. It is important in this context to consider the impact on all family members when planning for the transition of a food or agribusiness from one generation to the next, or for the sale of the business.

It is concerning, if understandable, that succession planning is not on the agenda of 49% of food and agribusiness SME owners at present. Instead, urgent matters such as dealing with customers, staff, Brexit and Covid-19 are taking precedence. Nevertheless, planning for transition is important.

This year we note that there has been a significant increase in the number of business owners who would consider selling their business, up from 20% in 2019 to 32% in 2020. Retirement planning (45%) and business challenges, particularly the effects of Covid-19, are the key drivers.



¹ www.dcu.ie/sites/default/files/centre_for_family_business/Family%20Businesses%20-%20bedrock%20of%20the%20economy.pdf

SUCCESSION PLANNING

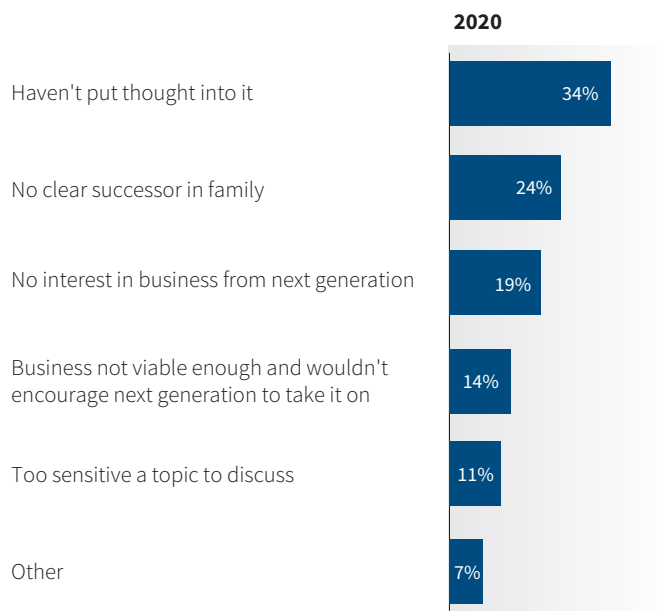
Similar to 2018 and 2019, succession planning has not been given significant consideration by nearly half (49%) of the food and agribusiness SME owners surveyed. However, there is a slight increase in the number of businesses with a clear succession plan in place, up to 22% from 19% in 2019. The larger and more mature the business, the higher the likelihood of having a succession plan being in place. Of those with a clear succession plan, 29% are medium sized businesses.



22%

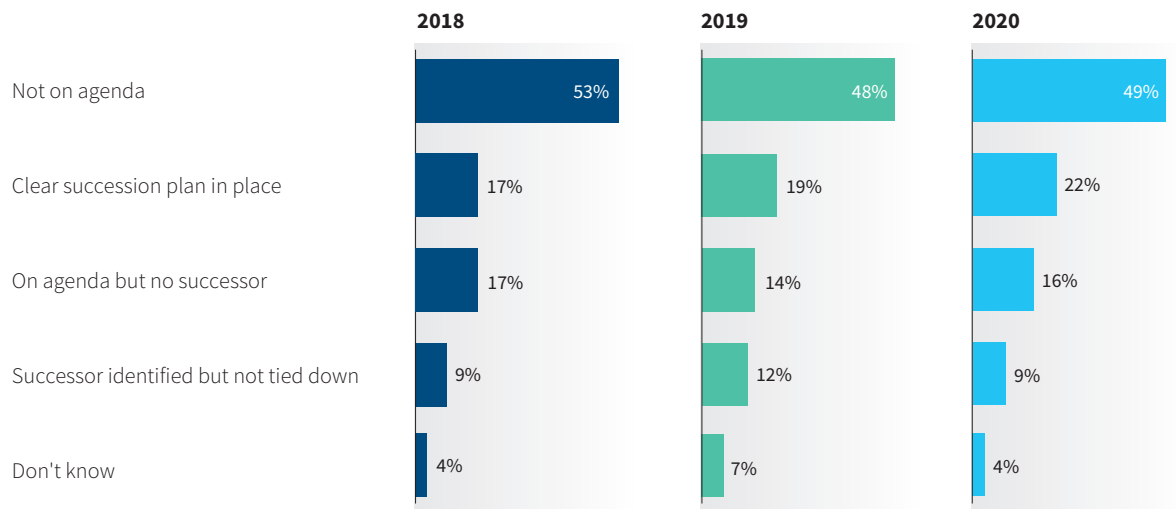
of business owners have a clear succession plan in place

MAIN SUCCESSION CHALLENGES



Respondents were asked to state all applicable challenges

READY FOR BUSINESS TRANSITION?

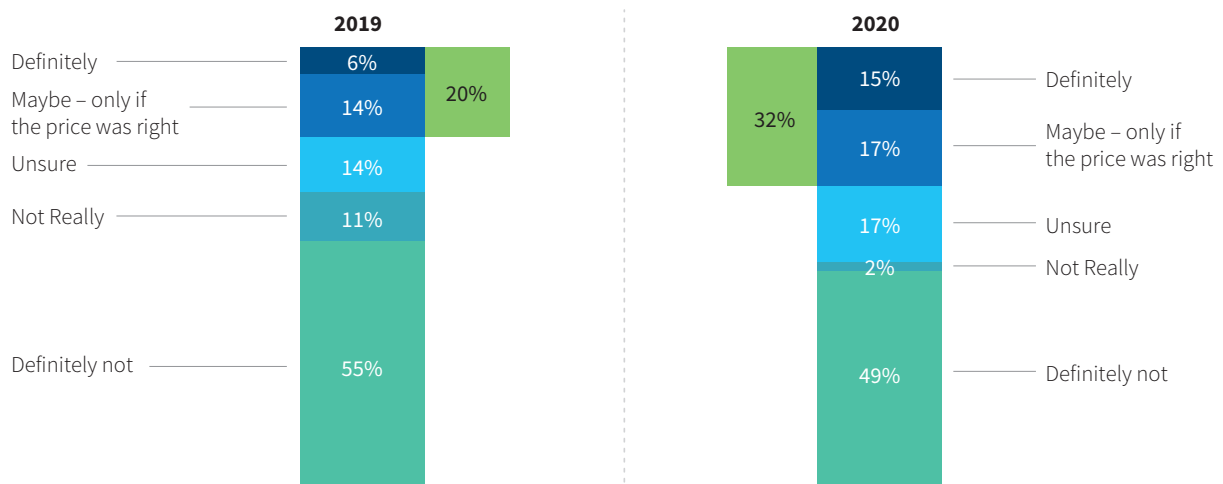


FOR SALE OR NOT FOR SALE?

Nearly one third (32%) of business owners would consider selling their business in the next 5 years. This is a 60% increase on 2019 figures.

Micro and food businesses are more likely to consider selling than others within the sector. Correspondingly, the number of those who would definitely not sell has dropped below half to 49% compared to 55% in 2019.

SELL THE BUSINESS?



WHY WOULD BUSINESS OWNERS LIKE TO SELL?

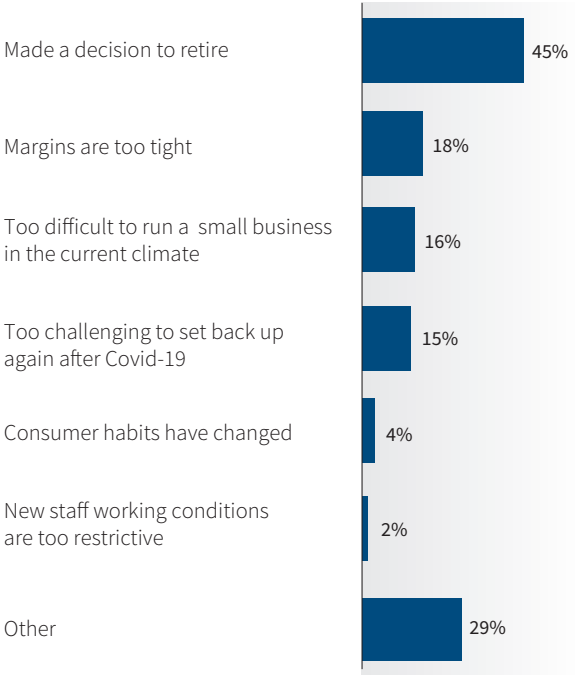
This year we delved deeper with business owners into the reasons behind the potential sale of their business. 45% cite retirement as the biggest factor influencing their decision to find a buyer for their business. This tallies with the lack of successors as previously highlighted.

18% view tight margins as a reason for sale. Given the low margin, high volume nature of many food and agribusinesses this reasoning will resonate with many other business owners across the sector.

The impact of Covid-19 and the challenge of rebuilding post the pandemic is viewed as too much of a hurdle for 15% of business owners.

1 in 5
business owners see tight margins as a driver for selling their business

REASONS FOR SELLING THE BUSINESS



5 considerations for transitioning your business

1. It is vital to put a plan in place. Discuss the future of your business with the relevant family members and shareholders. Use an experienced facilitator where required and have open conversations between all parties to avoid conflict.
2. Tax planning is an important part of your business succession plan. A formal valuation will be required to assess the relevant liabilities. Our team of Chartered Tax Advisors work through this process with business owners to develop the most effective approach.
3. Identifying a successor can be easier for some business owners than others. The sooner this issue is addressed the better. If there is a viable successor available make this part of your strategic plan and phase that person in over time with a formal development plan if possible.
4. Where a suitable successor is not identified, consideration should be given to the sale of the business. A Management Buy-Out (MBO) can often be an attractive option.
5. Finally, timing is everything. A 7-10 year window will allow you to take advantage of the various reliefs, including Entrepreneurial and Retirement Reliefs for effective tax planning.



DECLAN McEVoy
Head of Tax, ifac

Tax Reliefs for Transitioning the Business and Extracting Value

It is vital for your business to have the correct structure in place so that they can avail of the relevant tax relief on the sale/partial sale or transfer of business assets. If you are over 45 years of age you should seek advice as tax planning for certain reliefs that kick in when one reaches 55 cannot be done retrospectively. Two reliefs which are particularly advantageous for business owners are:

- Entrepreneurial Relief
- Retirement Relief

Entrepreneurial Relief

The Entrepreneurial Relief is available to individual owners/founders of private unquoted companies, sole traders and farmers on the disposal of all or part of a qualifying trade or business which they have owned for at least 3 years. The tax rate applying to gains arising on the disposal of qualifying assets after 1 January 2017 has been reduced to 10% on gains up to €1 million. Gains greater than €1 million will still be chargeable at 33%.

For a business to qualify for Entrepreneurial relief it can be defined as *“any business other than the holding of securities, investments, or development land, and the development and letting of land.”* In relation to a private company, individuals seeking to qualify for relief *must own not less than 5% of the shares in the company or at least 5% of the shares in the holding company of a qualifying group.*

The qualifying individual must be a director and/or employee of the company who spends at least 50% of their working time in a managerial or technical capacity, such position being held in a qualifying business for a continuous period of three years out of the last five years prior to the disposal.

Retirement Relief

There are two types of “retirement” relief that apply if you are aged 55 or more and you dispose of a business (qualifying assets):

- If you dispose of your business to your child, the gain can be relieved. There is no limit on the value of business assets that may be passed to your child in this way if you are under 66. “Child” includes an adopted child, a favourite nephew or niece, and a foster child. In respect of disposals by persons aged 66 or over, the maximum value that can be passed tax-free to children is €3,000,000.
- If you dispose of your business to any person other than a child the gain can be relieved if the proceeds do not exceed €750,000. If the disposal proceeds exceed €750,000, marginal relief ensures the Capital Gains Tax (CGT) may not exceed half the difference between the proceeds and €750,000. This is a lifetime limit per individual.
- In respect of disposals by persons aged 66 or over, the €750,000 limit is reduced to €500,000.

These two reliefs operate independently of each other. Therefore, if you had two separate businesses, you could claim relief under (a) on the disposal of the first business to your family and under (b) on the disposal of the second business.

Qualifying assets means you must own the assets for a period of more than 10 years on the disposal date. For shares in a family company you must hold at least 25% of the voting rights. If you do not, you must have at least 10% of the voting rights, and, together with your family, have at least 75% of the voting rights.

Conclusion

Entrepreneurial Relief and Retirement Relief open up opportunities for tax efficient:

- Transfer to the family
- Transfer outside the family
- Management Buy-Out
- Sale of part of the business

We strongly suggest that you review your structure with these reliefs in mind.



8

Personal Finance

Covid-19 has delivered a shock to businesses, for both owners and staff. It has made many people question their own mortality and that of their families. Many people have been forced to spend time away from the business. For some, this has given a sense of what retirement could look like on a day-to-day basis.

Business owners need to plan for the future both in terms of pensions and life assurance but also in terms of having their personal and business affairs in order via a Living File.



PERSONAL FINANCE PLANNING

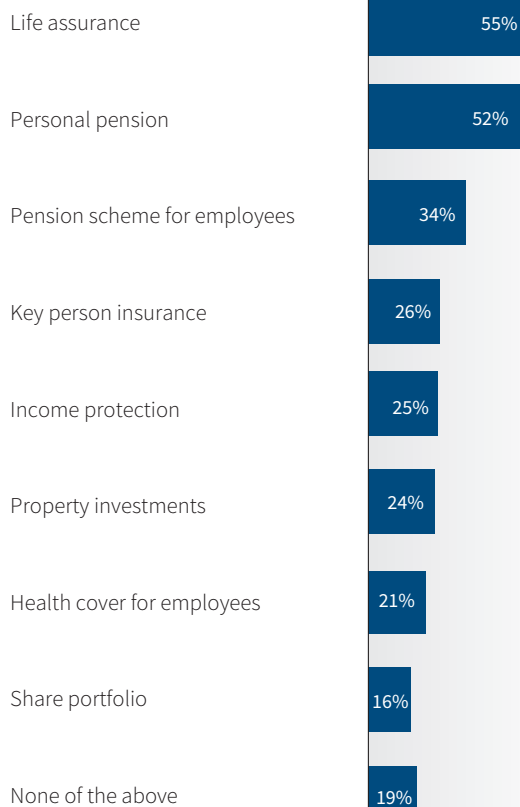
More SME owners now have life cover, at 55% versus 43% in 2019, a 28% increase. Pensions have also increased by 6%, moving from 49% having a pension in 2019 to 52% having a pension in 2020.

Martin Glennon, Head of Financial Planning with *ifac* commented, “Post-Covid-19 we expect to see an increase in personal life cover in an effort to protect our loved ones. Many businesses will be forced to seek new or additional lending, which will increase the numbers seeking key person cover. Above all though, Covid-19 will cause owners to put succession plans in place in the event of their death or retirement”.

Auto-enrolment

With 66% of businesses not having a pension scheme in place for employees it is advisable to get ahead of auto-enrolment. The credit from providing a pension scheme for your employees will be non-existent if you are forced to do so by upcoming legislation. Additionally, examine the feasibility of providing your staff with a Death in Service benefit. This will provide your employees’ families with a tax-free lump sum should an employee die whilst in your service.

PERSONAL FINANCE



GUIDE TO THE LIVING FILE

Despite the importance, most people do not have their personal and business affairs in order at the time of their death, writes Noreen Lacey, Head of Business Development with ifac and an experienced banker.

The lack of a solid plan can create a great deal of stress for the remaining family. This is stress that can be prevented with some timely thought and actions. Compiling a Living File is a proven way of addressing this.

A Living File should be regularly reviewed to keep it up to date. The file needs to be accessible, but in a safe place that is also known by other trusted persons and, in particular, personal representatives.

Suggested 'Living File' inclusions:

- ✓ Wills
- ✓ Up to date Statement of Personal Assets/Possessions/ Debts/Liabilities
- ✓ Enduring Powers of Attorney
- ✓ Memorandum of Wishes
- ✓ Life assurance schedule and policies
- ✓ Funeral requirements
 - Director details
 - Prepaid funeral details
 - Preference – burial/cremation
 - Order of service
 - Burial plot
- ✓ Succession contracts including instructions regarding debts still owing
- ✓ Details of valuable possessions. Many take photographs of jewellery and antiques, etc.
- ✓ Family tree – parents to great grandchildren
- ✓ Passwords (if considered appropriate) for computer, security system, telephone
- ✓ Contact details of lawyer, accountant, doctor, investment advisor etc.
- ✓ Location and description of investments with contact details
- ✓ Bank account details, signatories and how to operate electronic bank accounts (hopefully a joint account exists)
- ✓ If you own multiple properties – property titles/certificates
- ✓ Vehicle ownership details
- ✓ List of people to notify on death – family, friends, relatives living overseas
- ✓ List of positions held – trusteeships, directorship, guardianship etc.
- ✓ Birth, death and marriage certificates if appropriate
- ✓ Separation or divorce papers
- ✓ Mortgage and other debit details including guarantees
- ✓ Partnership and shareholder agreements with contact details
- ✓ Photocopy of passport front page

5 personal finance considerations

1. Compile your Living File.
2. Review your life cover arrangements. Ask yourself how will your family and business cope if you die? Check your existing policies. Who gets the benefit? Your family, the business, or the bank?
3. Spend time on succession planning, see page 40 for commentary on transitioning the business.
4. Check how your pension funds are invested. Covid-19 has brought a shock to worldwide economies and the full impact on pension funds may still lie ahead.
5. Examine how you can put in place a pension scheme for your employees before auto-enrolment forces you to do so.

ifac Supports Guide*

State agencies such as Enterprise Ireland, the Local Enterprise Office, Bord Bia, and others provide support from start-up phase right up to expansion. Initial efforts can be supported through Feasibility Study Grants and Innovation Vouchers, and as you grow further assistance can be provided through the Agile Innovation Fund, Lean programmes and the Business Expansion Grant for example. It can be difficult to identify which supports best suit your business needs and the best way to access them. We work with companies to help them navigate the various agencies and ultimately identify the supports that are most applicable to their business. We have also noted the key Covid-19 supports from Government to assist businesses in maintaining operations through the pandemic. We are urging business owners to utilise these supports to sustain enterprise your at this difficult time.

David Leydon

Head of Food & AgriBusiness, ifac

Which supports will work for you?

1. _____
2. _____
3. _____
4. _____
5. _____

LEO	Local Enterprise Office
EI	Enterprise Ireland
ITI	InterTradeIreland
BB	Bord Bia
TG	Teagasc
ACC	Accelerators
MI	Microfinance Ireland
SBCI	Strategic Banking Corporation of Ireland
DBEI	Department of Business Enterprise and Innovation
ISIF	Ireland Strategic Investment Fund
IRC	Irish Research Council
RL	Rural LEADER
S	Start-Up
G	Growth
Es	Established
Ex	Expansion

TAX

Start Up Relief For Entrepreneurs (SURE)
Key Employee Engagement Programme (KEEP)
Knowledge Development Box (KDB)
R&D Tax Credits
Company Relief (CGT Exemption)
Specified Intangible Asset Allowance (SIA)
Entrepreneur Relief/Retirement Relief

FUNDING

Microfinance Ireland
Credit Unions
Business Angels e.g. HBAN
Bank Debt
Venture Capital
Overdraft
Strategic Banking Corporation of Ireland (SBCI)
Non – Bank Lenders e.g. Linked Finance
EIIS
Private Equity
Business Profit

COVID - 19

Employment Supports

Covid-19 Employment Wage Support Scheme
Pandemic Unemployment Payment
Short Time Work Support
Apprenticeship Incentivisation Scheme
Jobs Plus Scheme

State Funding Supports

DBEI	Covid-19 Credit Guarantee Scheme
DBEI	Restart Grant Plus
DBEI	Enterprise Support Grant
EI	Sustaining Enterprise Fund
EI	Sustaining Enterprise Fund for Small Enterprise
EI	Covid-19 Business Financial Planning Grant
EI	Lean Business Continuity Voucher
EI	Covid-19 Online Retail Scheme
LEO	LEAN for Micro
LEO	Mentoring
ISIF	Pandemic Stabilisation and Recovery Fund
ITI	E-Merge
ITI	Emergency Business Solutions
MI	Covid-19 Business Loans
SBCI	Covid-19 Working Capital Scheme
SBCI	Future Growth Loan Scheme

Tax

Warehousing of deferred tax debts
VAT rate reduction
Income tax relief for the self-employed

*Indicative map of some of the most frequently used supports by Irish food and agribusinesses.

STATE FUNDING SUPPORTS

LEO	Food Starter Programme	S				
LEO	Trading Online Voucher	S	G	Es	Ex	
LEO	Feasibility Study Grant	S	G	Es	Ex	
LEO	Priming Grant	S	G	Es	Ex	
LEO	Business Expansion Grant	G	Es			
LEO BB	Food Academy	S	G			
EI	New Frontiers Programme	S				
EI	Competitive Start-Up Fund (CSF)	S	G			
EI	Innovation Vouchers e.g. TSSG	S	G	Es	Ex	
EI	Brexit Scorecard	S	G	Es	Ex	
EI	Strategic Marketing Review Grant	S	G	Es	Ex	
EI	HPSU Feasibility Grant	S	G	Es		
EI	Tailored Company Expansion Packages	S	G	Es	Ex	
EI	Grad Start	G	Es	Ex		
EI	Horizon 2020	G	Es			
EI	High Potential Start – Up (HPSU)	G	Es	Ex		
EI	Online Customs Insights Course	G	Es	Ex		
EI	The Operational Excellence Offer	G	Es	Ex		
EI	Brexit: Act On Initiative	G	Es	Ex		
EI	Be Prepared Grant	G	Es	Ex		
EI	Excel at Export Selling	G	Es	Ex		
EI	Market Discovery Fund	G	Es	Ex		
EI	Building Information Modelling (BIM)	G	Es	Ex		
EI	Agile Innovation Fund	G	Es	Ex		
EI	Capital Investment Incentive (CII)	G	Es	Ex		
EI	Innovation 4 Growth Programme	G	Es	Ex		
EI	Green Start	G	Es	Ex		
EI	Key Manager Grant	G	Es	Ex		
EI	Job Expansion Fund	G	Es	Ex		
EI	Lean Start	G	Es	Ex		
EI	The Research and Development (R&D) Fund	G	Es	Ex		
EI	Exploring Innovation Grant	G	Es	Ex		
EI	Leadership 4 Growth Programme	Es	Ex			
EI	Innovation Partnership Programme	Es	Ex			
EI	Intellectual Property Strategy Offer	Es	Ex			
EI	Lean Plus	Es	Ex			
EI	Lean Transform	Es	Ex			
EI BB TG	Food Works	S	G			
ITI	Brexit Planning Voucher	G	Es	Ex		
ITI	Elevate Programme	G	Es	Ex		
ITI	Fusion Programme	G	Es	Ex		
ITI	Acumen Programme	G	Es	Ex		
BB	Origin Green	S	G	Es	Ex	
BB	FoodService Academy	G	Es	Ex		
BB	Step Change Programme	G	Es	Ex		
BB	Marketing Assistance Programme	G	Es	Ex		
ACC	Accelerators e.g. NDRC, The Yield Lab	S	G			
IRC	Enterprise Partnership Scheme	S	G	Es	Ex	
IRC	Employment-Based Postgraduate Programme	S	G	Es	Ex	
RL	LEADER	S	G	Es	Ex	
TG	Options Programme	S				

ACCESSING STATE FUNDING SUPPORTS

1. Assess your business needs and where you require support e.g financial consultancy, capital investment, etc.
2. Review our supports list and identify the relevant supports for your business
3. Check the criteria and ensure your business meets the various requirements
4. Contact ifac or the relevant agency to discuss accessing the support
5. Begin the application process

LOCAL ENTERPRISE OFFICE (LEO)

Start-ups and established businesses (depending on size) can both avail of LEO supports to promote business growth.

For businesses under 18 months the **Priming Grant** can assist with costs such as salary, consultancy, and capital expenditure. For businesses trading over 18 months the **Business Expansion Grant** is a great alternative.

The **Trading Online Voucher** has been enhanced to support 90% of costs involved in getting your business trading online.

ENTERPRISE IRELAND (EI)

For businesses with an export focus or start-ups displaying a high potential for job creation and export EI have a range of supports designed to assist with growth and export capability.

The **Competitive Start Fund** (CSF) can act a solid foundation to display your product/services potential to EI with a €50,000 equity investment opportunity on the table for the right business.

Businesses who have proven market viability can secure larger equity investment through the **High Potential Start-Up** (HPSU) fund.

EI also offer a number of non-equity related supports such as **Innovation Vouchers**, the **Strategic Marketing Review Grant** and the **Agile Innovation Fund** to assist with consultancy costs.

If you are an EI client talk to your Development Advisor (DA) about the supports available to you to help your business take the next step.

INTERTRADE IRELAND (ITI)

For businesses engaged in cross-border trading, ITI offers various supports. Fusion, for example, is an excellent programme.

As advisors on ITI's **Brexit Planning Voucher** panel ifac can provide businesses with bespoke plans to help deal with the implications of Brexit. This is fully funded by ITI.

Sound advice, independent solutions

We specialise in a number of key areas which provide you with expert advice and services to help your business grow.



Strategic Management



Funding, State Supports and Corporate Finance



Tax Structuring, Succession and Advisory



Research and Development



Commercial Sales and Marketing Strategy



Digital Transformation



Financial Accounting and Tax Compliance



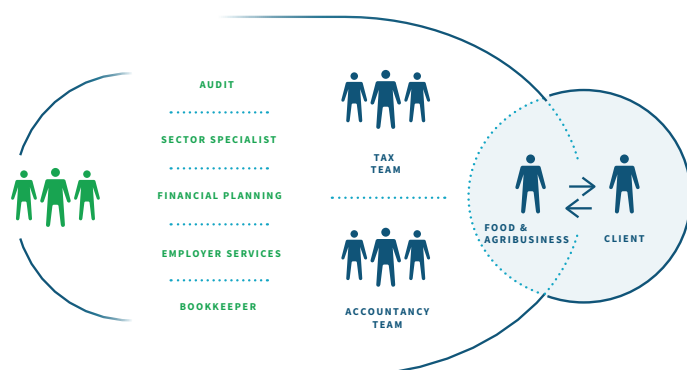
Audit and Assurance



Financial Planning



Employer Services including Payroll



OUR APPROACH

ifac's Food & AgriBusiness team will be the first point of contact between you, the local team and our national team of experts. This approach ensures you have access to the right knowledge and specialist advice that best suit the needs of your business.

THE IFAC ADVISORY TEAM FOR FOOD AND AGRIBUSINESSES



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Dermot Carey
Head of Audit Services



Declan McEvoy
Head of Tax



Noreen Lacey
Head of Business Development/Banking



Martin Glennon
Head of Financial Planning



Mary McDonagh
Head of Payroll Services

SOME RECENT PROJECTS

A sample of some recent projects we've completed:

- ✓ **Securing grant support and investment for clients including:**
 - High Potential Start-Up (HPSU) investment for an agtech client from Enterprise Ireland.
 - Competitive Start Fund (CSF) investment for an agtech start-up from Enterprise Ireland.
 - Expansion funding for a food business from LEADER.
 - Feasibility study funding for an agri-engineering company from Local Enterprise Office (LEO).
- ✓ Worked with one of Ireland's most prominent agribusinesses to develop a **5 year strategic vision**.
- ✓ **Business transformation project** developing growth strategy and embedding a new senior management team.
- ✓ Creation and implementation of a **digital strategy** for a leading agribusiness.
- ✓ **National marketing** campaigns for agri focused clients.
- ✓ Company **valuation** for an agtech company raising growth funds.
- ✓ Advisory solutions for food companies on the implications of **VAT** changes post Brexit.
- ✓ Facilitated **market research** delivering actionable insights for one of Ireland's leading agtech businesses.
- ✓ Secured **R&D Tax Credits** for an innovative agtech business.
- ✓ Delivery of multiple **Business Continuity Plans** for food and agribusinesses affected by Covid-19.



CLIENT PERSPECTIVES

"We have been long term clients of *ifac*. Over the last number of years, they have really transformed their service offering for food businesses. They have brought together a team that suits my needs perfectly.

Financial accountancy is at the core for what they do but they are not limited to this. *ifac* is now working with me on management accounting, advisory, audit, tax and financial best practice to get the best results for my business.

As a growing food business, *ifac* have been an excellent partner and I would say to any food business they are the best business advisory partner for you if you're on a growth journey."

Nicolas Dunne
Owner & CEO, Killowen Farm,
award winning yogurt



"*ifac* served an instrumental role in arranging our High Potential Start-Up (HPSU) round that is allowing us to grow our business.

During the course of our relationship and our HPSU transaction, the *ifac* team represented us with the highest level of integrity and professionalism, provided thoughtful insights and exceeded our expectations in every way.

ifac's team did a great job articulating our unique value proposition and the benefits arising from our game changing technology."

Shane Kiernan
Founder & CEO, IAMUS Technologies



A national team of dedicated experts.

With over 30 offices across Ireland, our clients have access to a national network of expertise across a broad range of sectors - from agribusiness and farming to wind energy and food production. Our roots within each of our communities means we have deep local understanding and knowledge.

Speak with one of our Food and AgriBusiness team and see how we can help your business grow on **01 4551036** or visit **www.ifac.ie**



OUR OFFICES

Leinster

Bluebell, Dublin 12
 Carlow, Co. Carlow
 Drogheda, Co. Louth
 Enniscorthy, Co. Wexford
 Agri Practice, Danville, Co. Kilkenny
 SME/Audit, Danville, Co. Kilkenny
 Payroll Services, Danville, Co. Kilkenny
 Mullingar, Co. Westmeath
 Portlaoise, Co. Laois
 Trim, Co. Meath
 Tullamore, Co. Offaly
 Wicklow, Co. Wicklow

Munster

Bandon, Co. Cork
 Blarney, Co. Cork
 Cahir, Co. Tipperary
 Farm Support, Cahir, Co. Tipperary
 Dungarvan, Co. Waterford
 Ennis, Co. Clare
 Limerick City
 Mallow, Co. Cork
 Mogeely, Co. Cork
 Nenagh, Co. Tipperary
 Skibbereen, Co. Cork
 Templemore, Co. Tipperary
 Tralee, Co. Kerry

Connacht

Athenry, Co. Galway
 Balla, Co. Mayo
 Collooney, Co. Sligo
 Roscommon, Co. Roscommon

Ulster

Cavan, Co. Cavan
 Monaghan, Co. Monaghan
 Raphoe, Co. Donegal

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