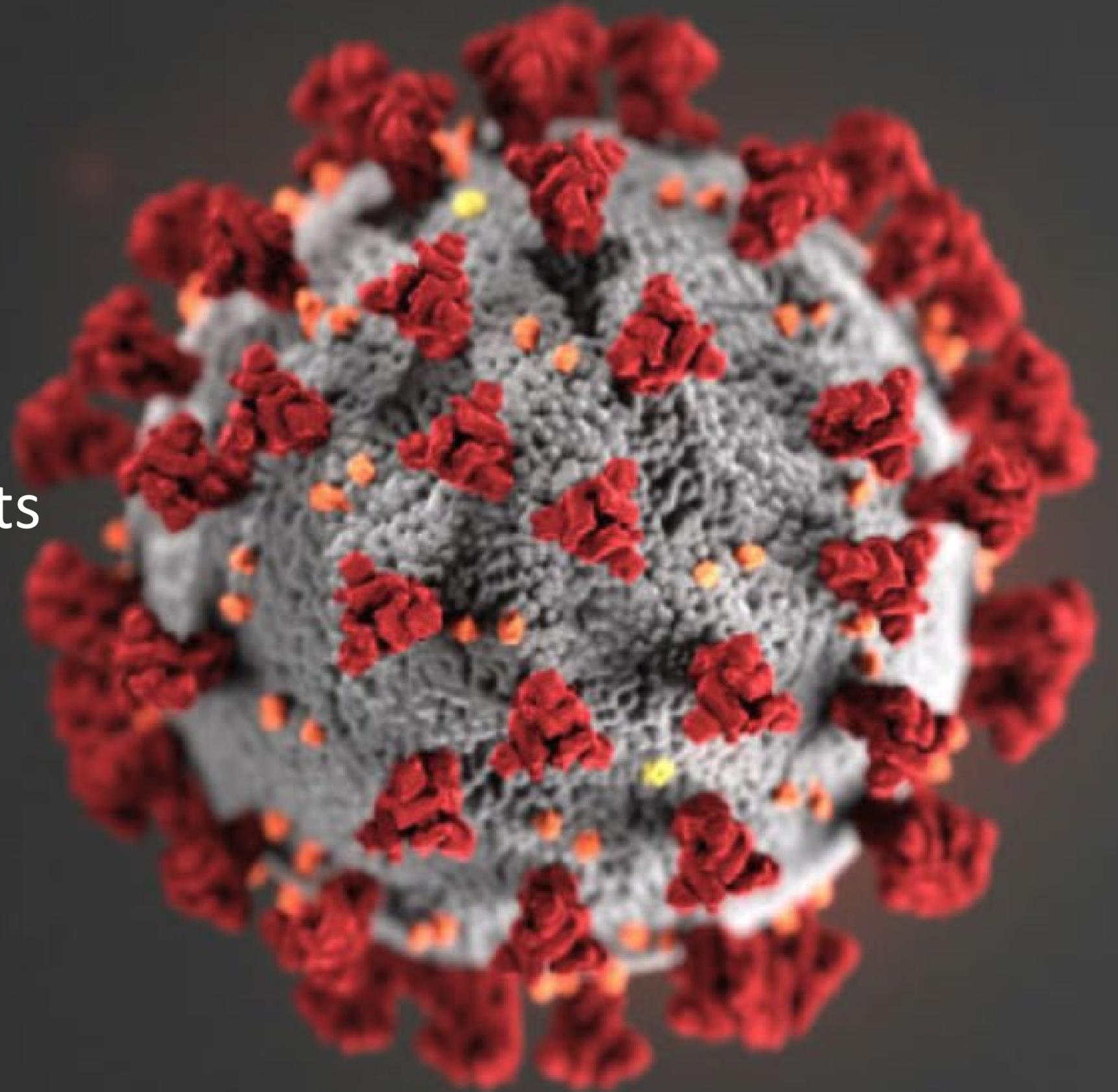




Covid-19 Virus – Impact on Food Ingredients

March 2020



Summary – Industry level impact – Food Ingredients

Key Highlights:

Lowering demand for agro commodities is expected to have a long-term impact on the price front

Major Risk Factors

Industry Risk Drivers	Comments	Risk Probability		
		Almost Certain	Likely	Possible
Drop in import and export	As the import-export trade is seriously affected, commodities such as corn, soybean and wheat are expected to witness diminishing trade volumes			
Lower demand domestically	Owing to lowering demand for meat in China, feed ingredients such as corn, wheat and soybean are expected to witness decrease in consumption			
Drop in prices	Prices of major commodities including edible oils are trading lower as the demand from major markets has dried up. Ample stocks in the market is expected to weigh on the prices in the near-term.			
Increasing ending stocks for the current crop season	Owing to lowering consumption in the current year, carry-over stocks of all major agro commodities including palm oil is expected to increase which will keep the prices subdued in the long-term			

Key facts:

- Lowering demand for all key consumed food commodities to have a long-term impact on prices
- On the other hand, vitamin C and D prices are expected to witness an increase in China owing to sudden increase in demand in the country



Summary – Industry level impact – Food Ingredients

Category impact

Key Categories	Comments	Impact Level - Supply		
Cereals & Grains	Supply disruptions hasn't impacted Wheat, Corn and Rice much, as sufficient stocks are available in most of the COVID-19 affected markets. Prices are trading volatile as the market is yet to get in terms with the uncertainty. Even though demand may pick up in the near-future, recessionary tendencies in the market is expected to keep the prices subdued.	EU	APAC	N.AMERICA
		MEDIUM	LOW	LOW
Oils & Fats	Demand for oils – Palm oil, Soybean oil and Canola oil is down as more countries are under lockdown orders to curb the spread of the COVID-19 pandemic. But prices may get support from supply disruptions, as Malaysia has ordered closure of some operations at its biggest palm producing state, Sabah, until mid-April.	EU	APAC	N.AMERICA
		MEDIUM	LOW	LOW
Meat products	Poultry, Pork and Beef prices are trading lower as the demand tends to be low owing to restaurant closures in the wake of lockdowns in EU and USA. But retail sales of meat products are still strong in these countries which may lend support to the prices. Situation in China is also improving which may gradually augment the demand.	EU	APAC	N.AMERICA
		MEDIUM	LOW	MEDIUM
Cotton	Cotton prices are trading at 11-year lows as the demand is weak in the market owing to stunted demand from the upstream industries – garment and fabric manufacturers. Sufficient stocks are also available in the market which is again putting pressure on the prices.	EU	APAC	N.AMERICA
		LOW	LOW	LOW
Food Ingredients	Supply disruptions are pronounced in food ingredients like Vitamins and Citric acid markets as China is the largest producer of both. Most of the COVID-19 affected markets have stopped imports from China which will result in supply-tightness in the market. High demand is expected to result in elevated prices in the near-term.	EU	APAC	N.AMERICA
		MEDIUM	LOW	MEDIUM



Summary – Industry level impact – Food Ingredients

Impact on EU : Special focus to Italy

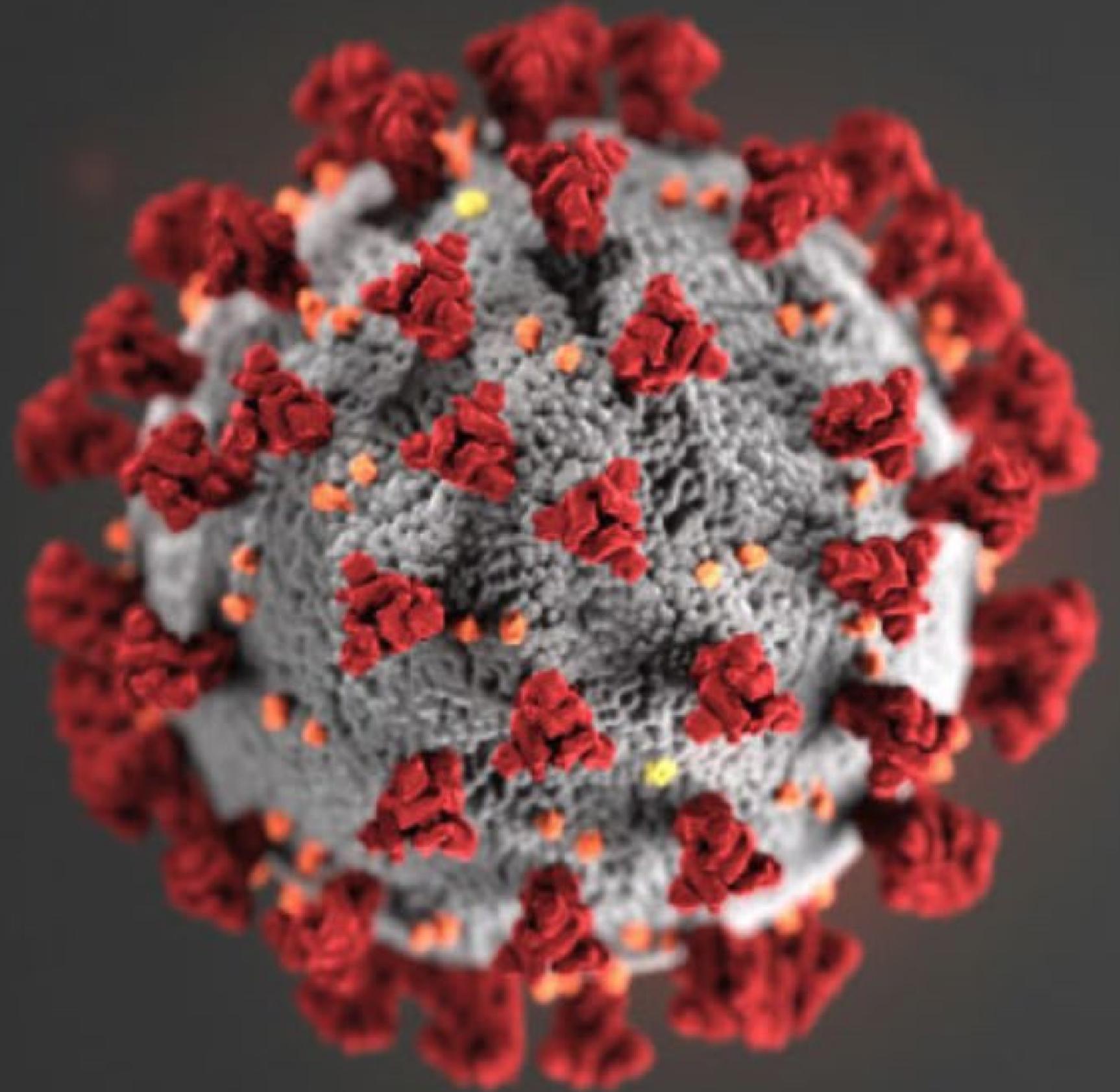
Current scenario in Italy : Almost 60% of all the production facilities are closed. Government is trying to improve the supply situation of essential commodities on a war footing. As the import-export trade is seriously affected, the supply of commodities like Meat, Fish, Vegetables (Dried/Cut/Whole), Dried nuts, Cotton yarn and Woven fabrics is disrupted. Overall situation in Italy is grim and it may take at least 6 months for conditions to get restored.

Key Categories	Impact Level – Near-term	Impact Level- Medium-term	Comments
Cereals & Grains	Medium	High	Even though, Italy have sufficient Wheat stocks as of now, there is an uptick in demand owing to panic-buying. Sales through online channels and supermarkets are more as most of the in-dining options are closed. Government is trying to improve the supply situation now itself as supply can tighten in the future owing to the augmenting demand.
Meat & Seafood	Medium	High	Restaurant closures in the wake of lockdown has reduced the demand for Pork and Beef. But retail sales of meat products are still strong which may lend support to the prices. Even though, supply may not get affected in the near-term, the increasing demand may tighten the supplies in the next 3-6 months.
Woven fabric (Cotton)	Medium	Medium	The fashion industry in Italy is expected to take a big hit in the wake of COVID-19 pandemic. Most of the production units are closed and this situation is expected to continue further.





Knowledge First



T: +971 50 7383984

Email: info@kcorp.net

Website: www.kcorp.net