BREXIT and beyond

UK grocery perspectives

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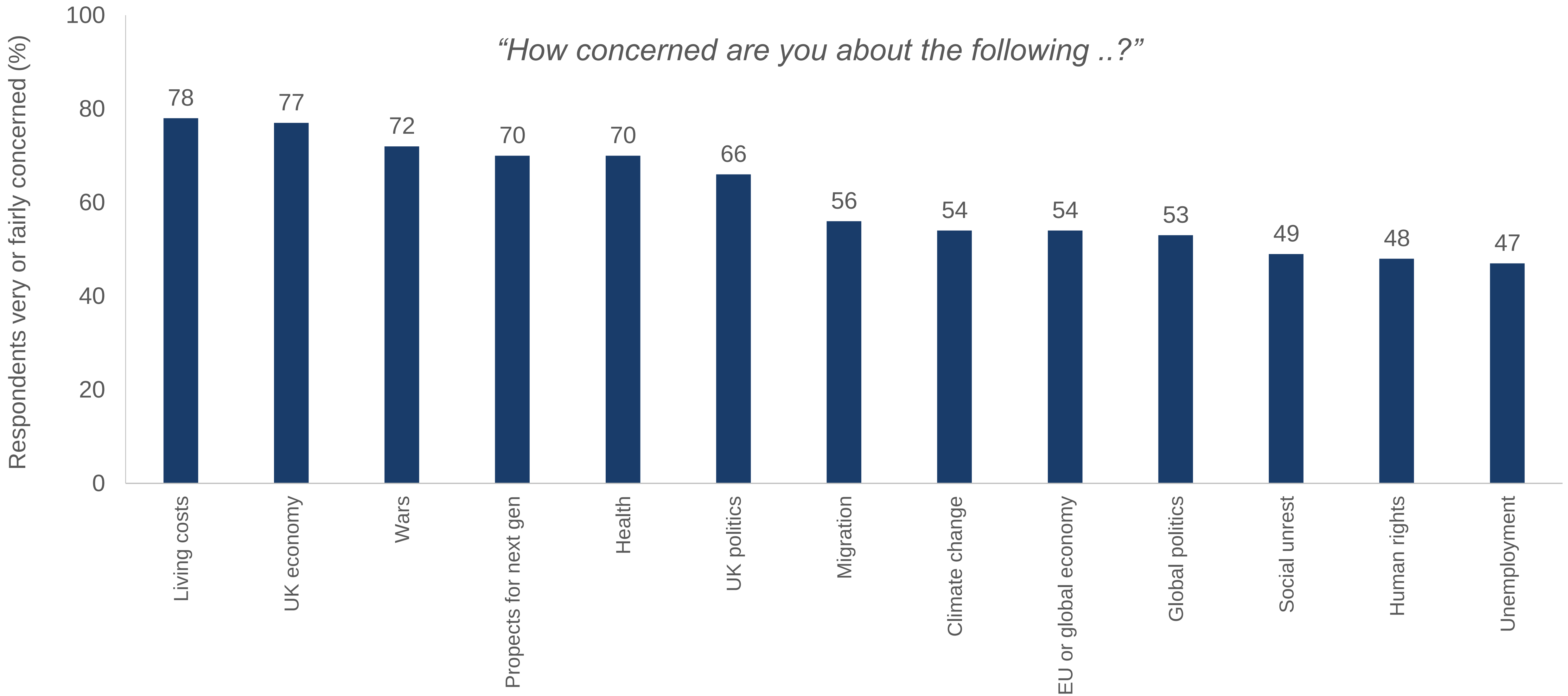
Thinking House, Dublin

UK citizens have many worries right now



The economic cycle may be turning

Overall economic growth slowing

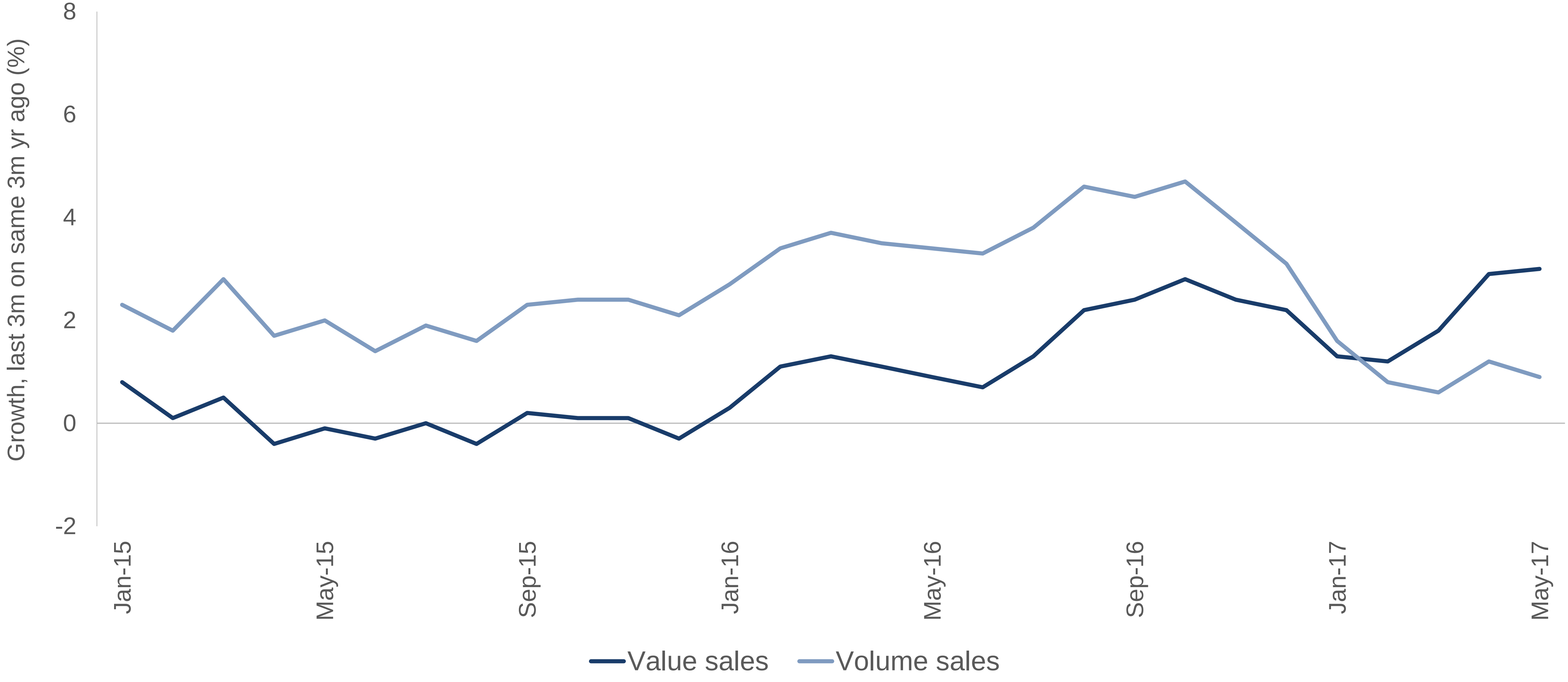
House prices falling in some areas

Real pay growth slowing, esp in pub sector

Retail volume demand slowing, incl online

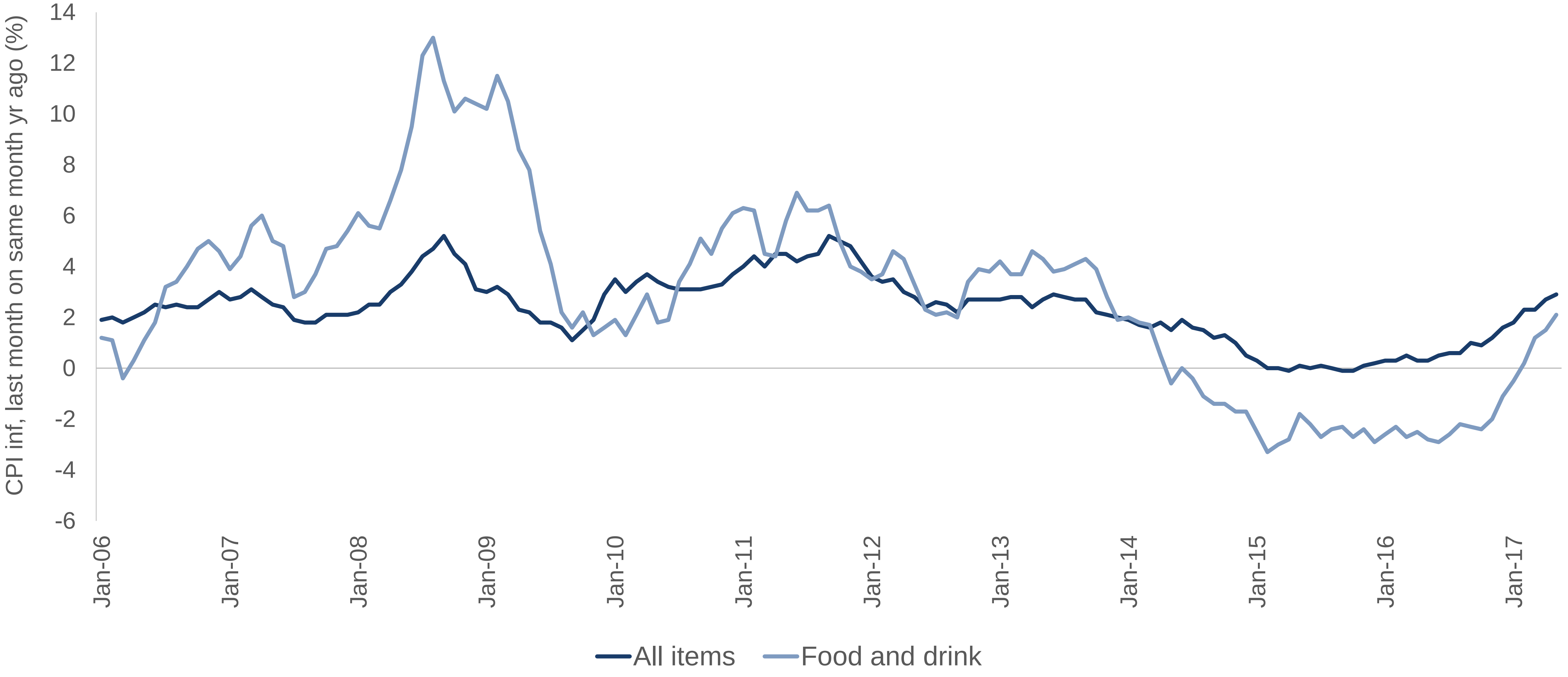
Source: Nationwide / ONS / IGD Research, June 2017
Images: Thinkstockphotos

Volume growth in UK grocery stores is slowing



Source: ONS, June 2017

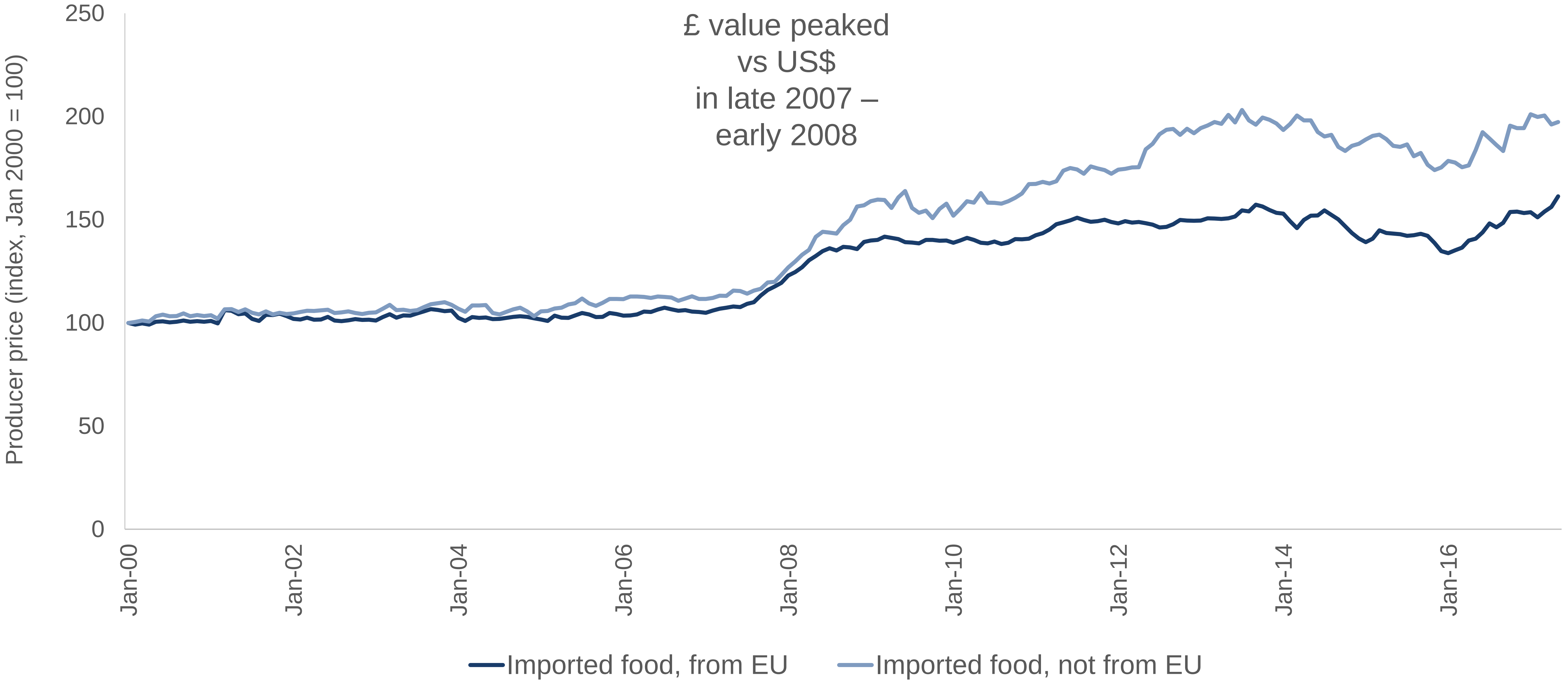
The UK is moving into an inflationary phase



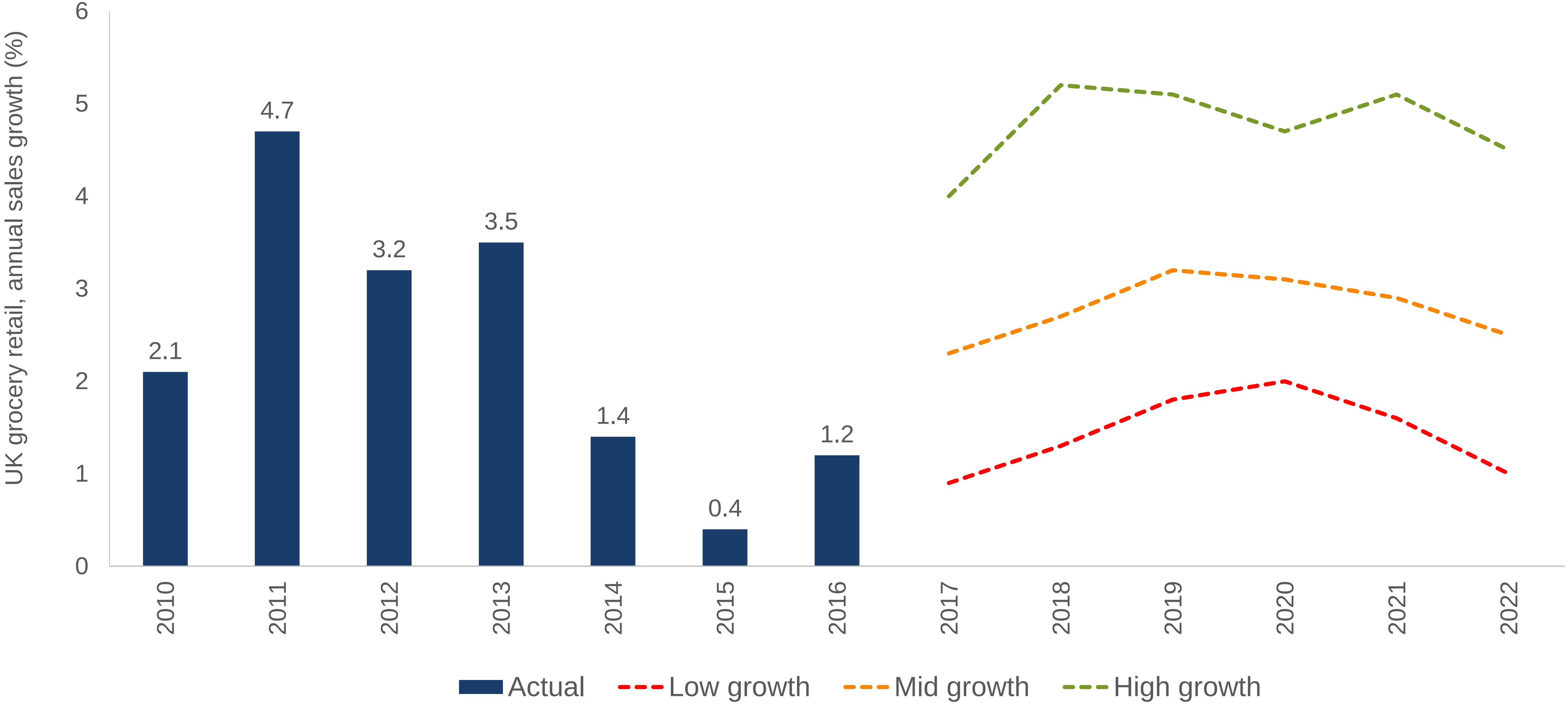
Source: ONS, June 2017

Sterling seems to have stabilised, for now

Non-EU imports may be most affected by currency change

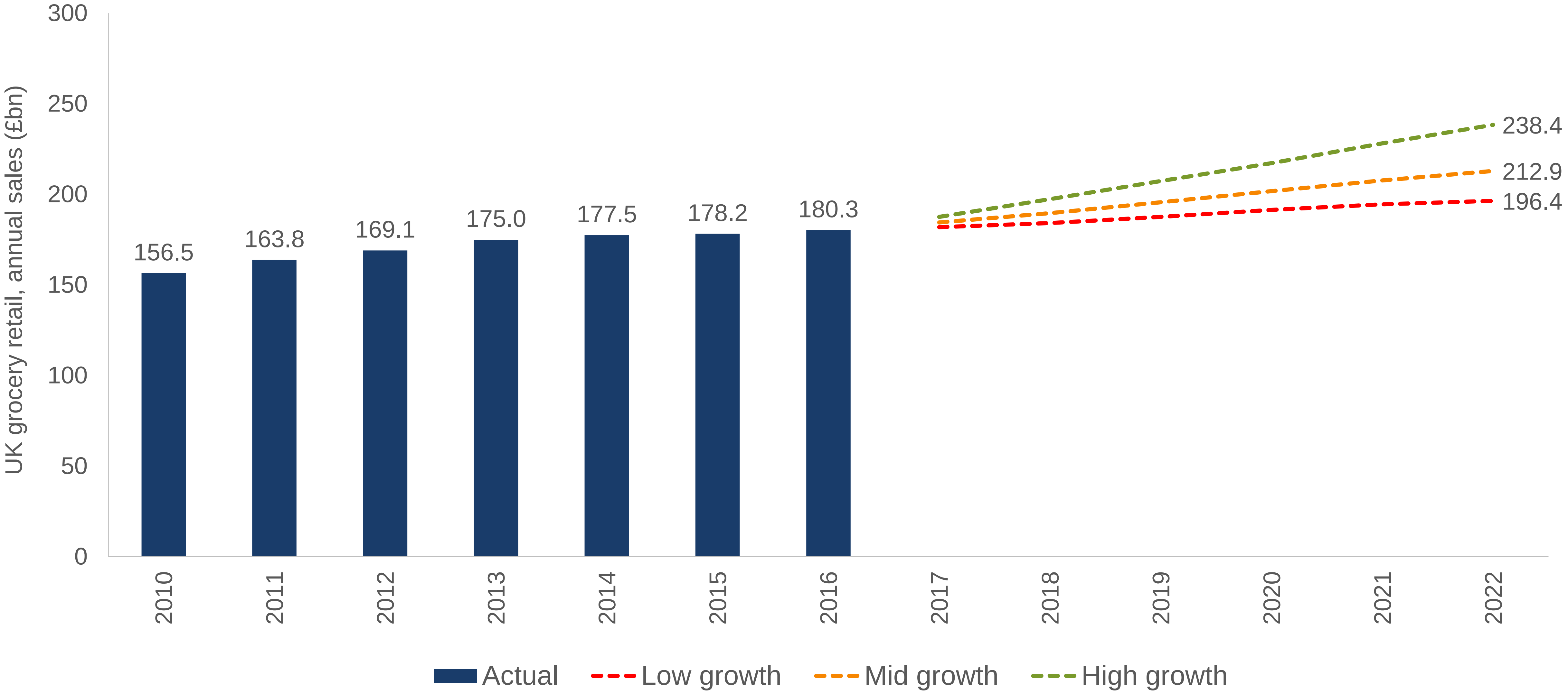


UK grocery retail, possible growth paths



Source: IGD Research, June 2017

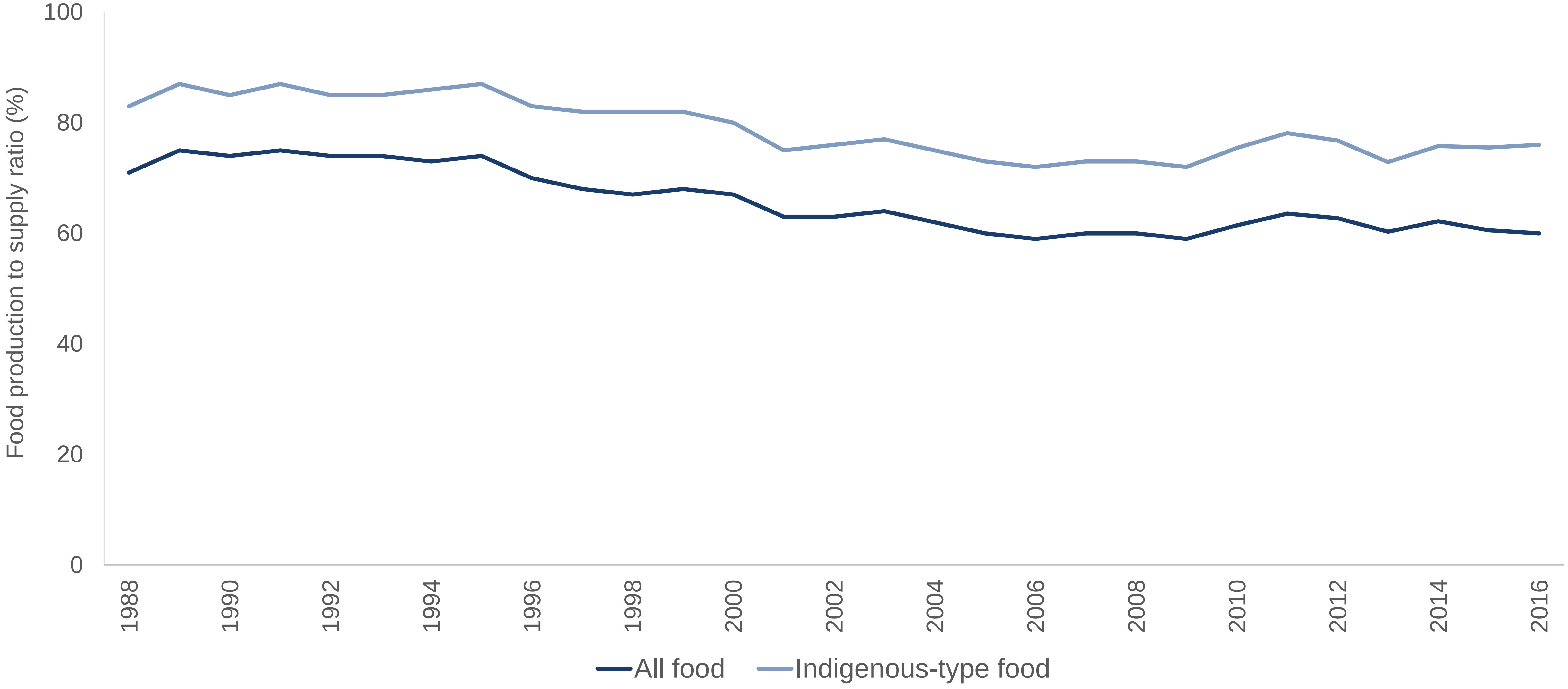
UK grocery retail, possible growth outcomes



UK grocery retail, growth bridge, mid growth scenario

Source: IGD Research, June 2017

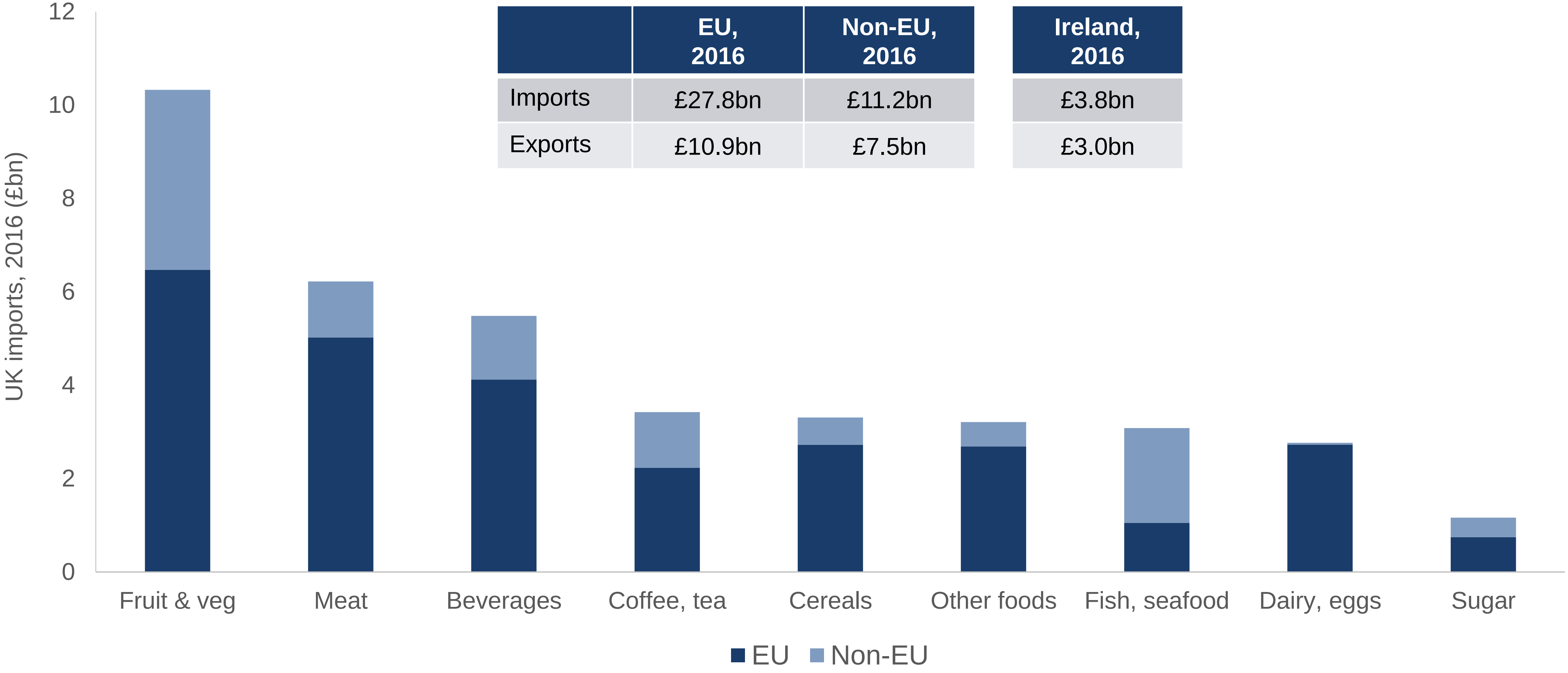
UK self-reliance is falling over time



Source: *Agriculture In The United Kingdom 2016*, DEFRA, May 2017

The majority of UK food imports come from the EU

	EU, 2016	Non-EU, 2016	Ireland, 2016
Imports	£27.8bn	£11.2bn	£3.8bn
Exports	£10.9bn	£7.5bn	£3.0bn

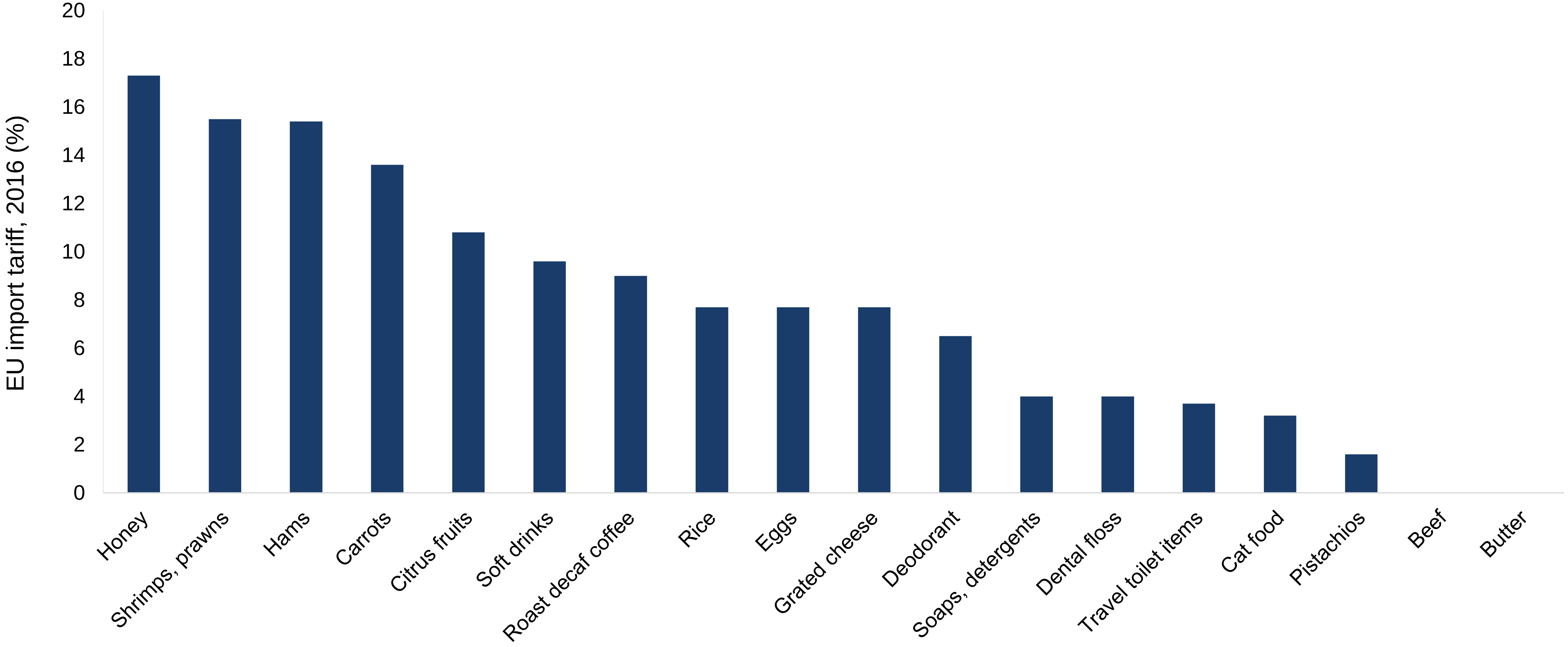


Possible models for a Post-BREXIT trade deal with the EU

Brexit will mean hard choices – on both sides

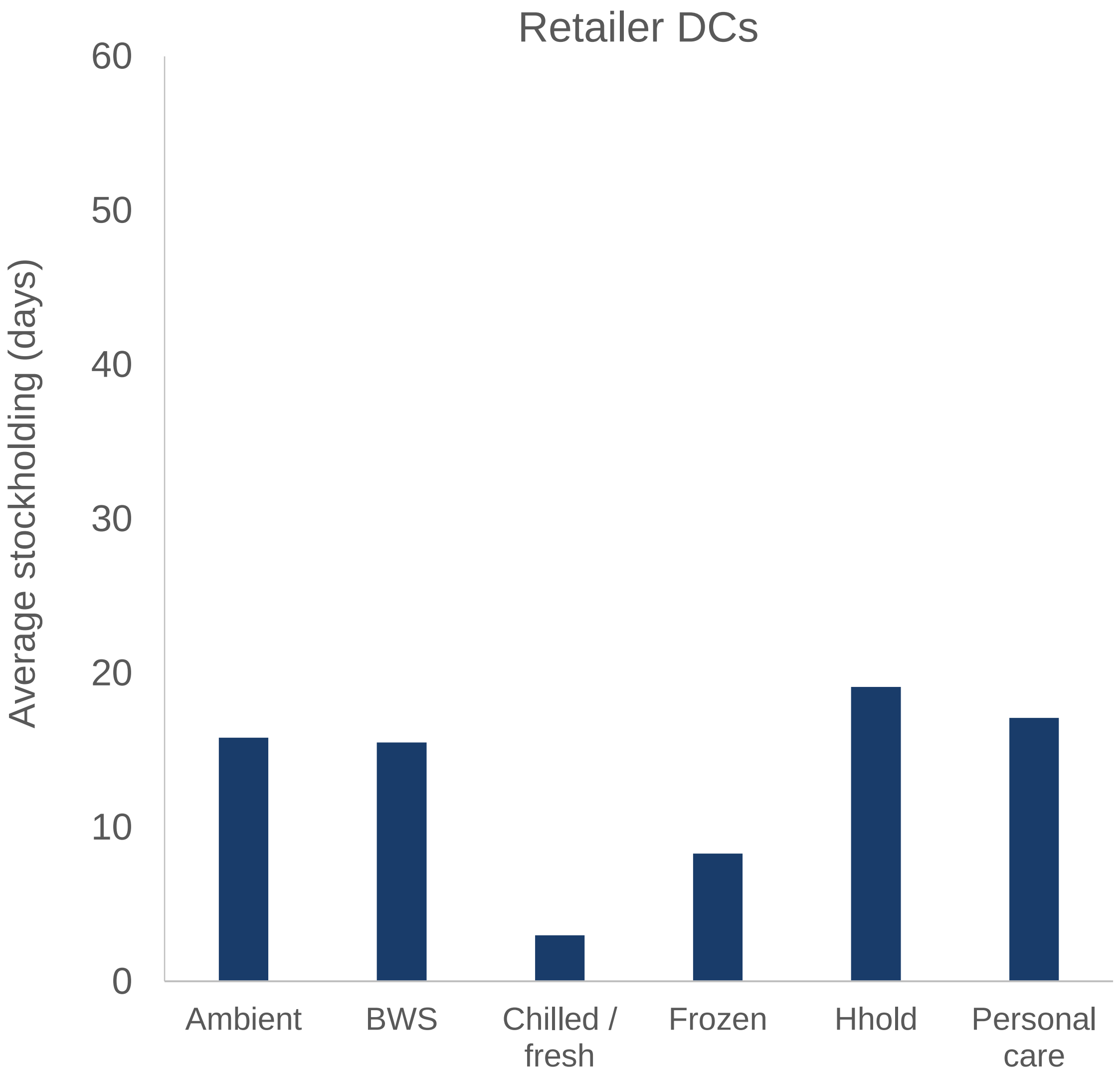
Image: Thinkstockphotos

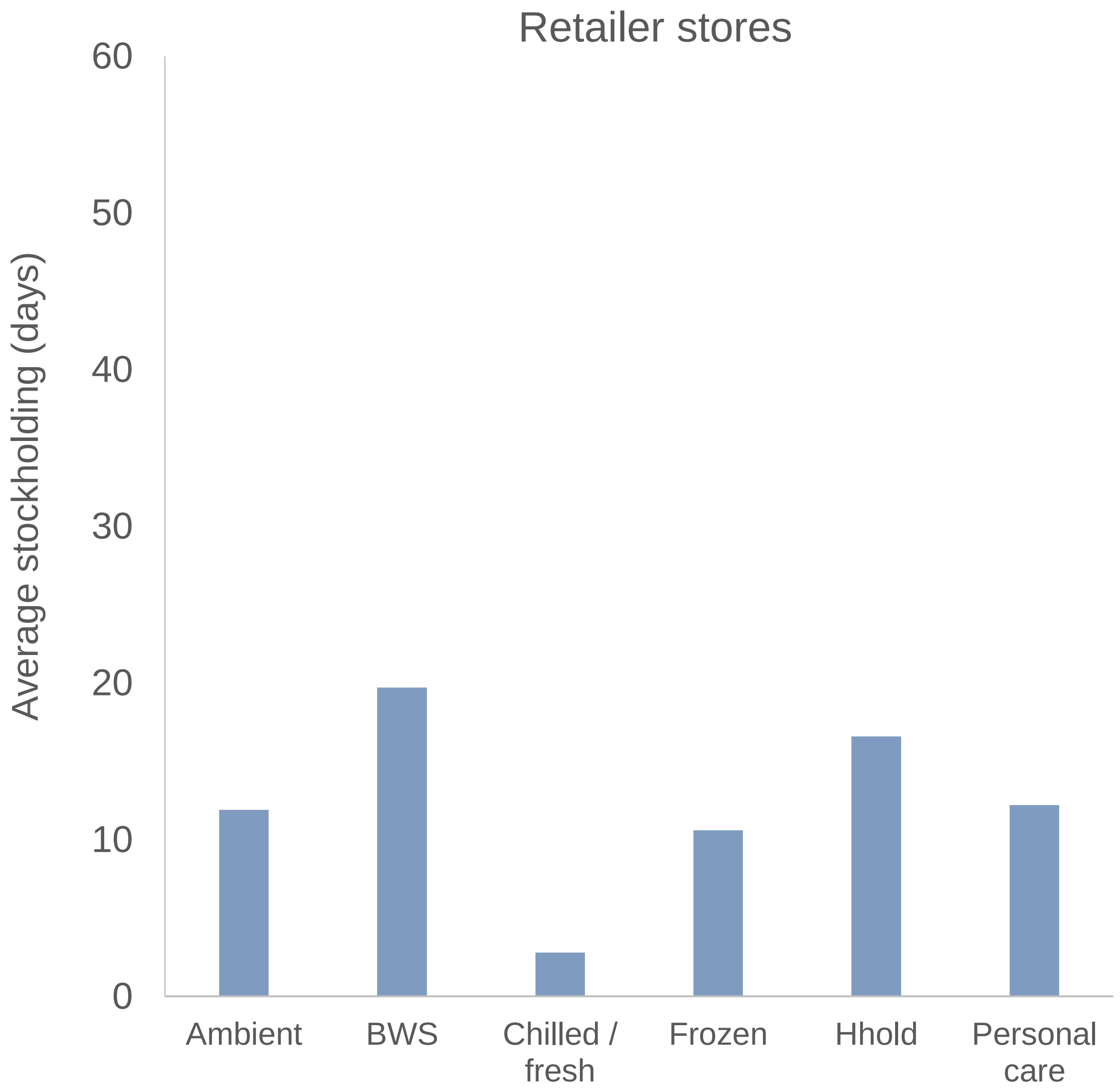
Some current EU grocery import tariffs



Source: *Tariff Download Facility*, WTO, June 2017

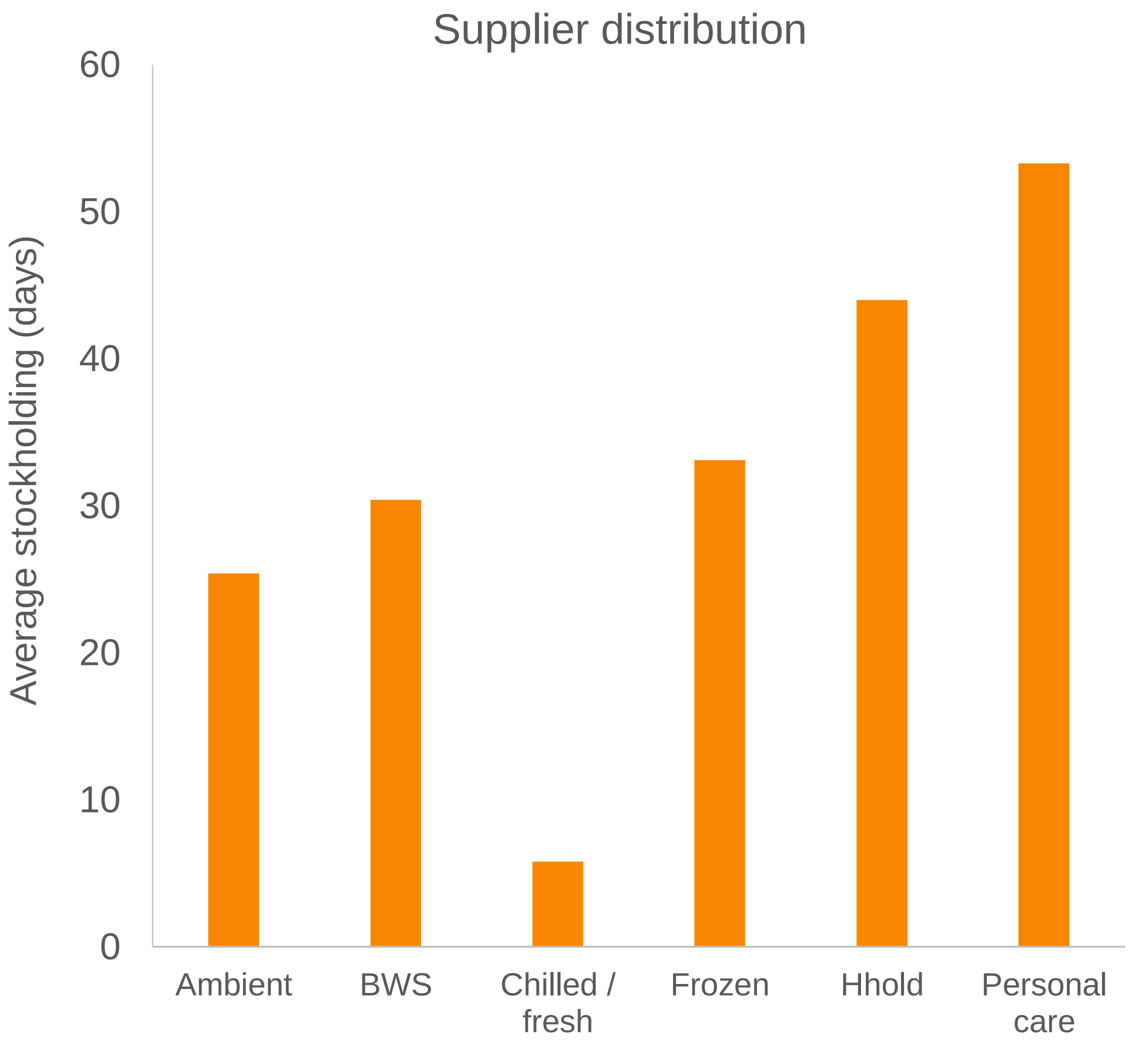
There are limited stocks of chilled and fresh at retail level





Source: *Supply Chain Benchmarks 2015* and *2016*, IGD Research, May 2017 Base: 39 respondents, grocery retailers in Europe

Supplier stockholding is similar

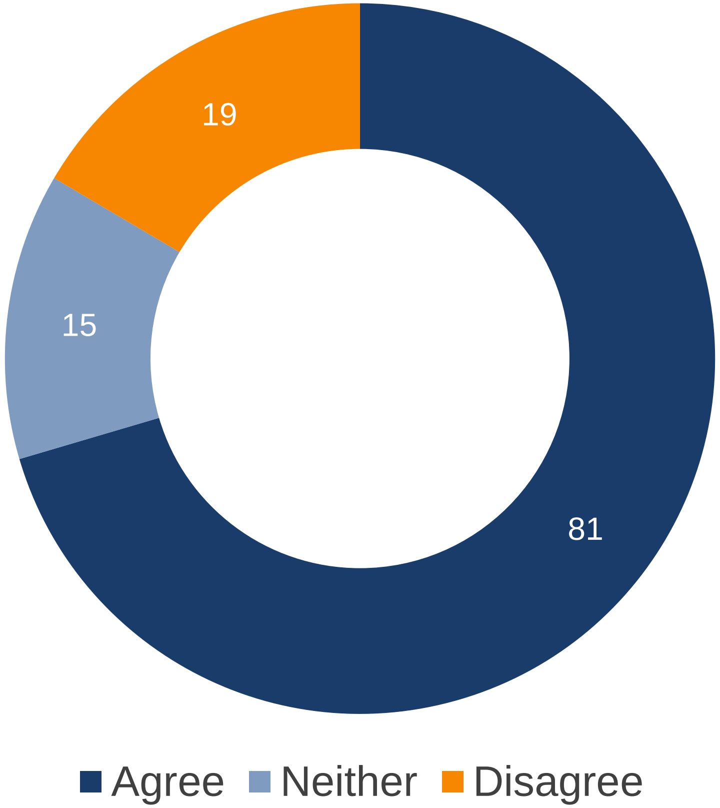


Grocery supply chains may need to be re-engineered

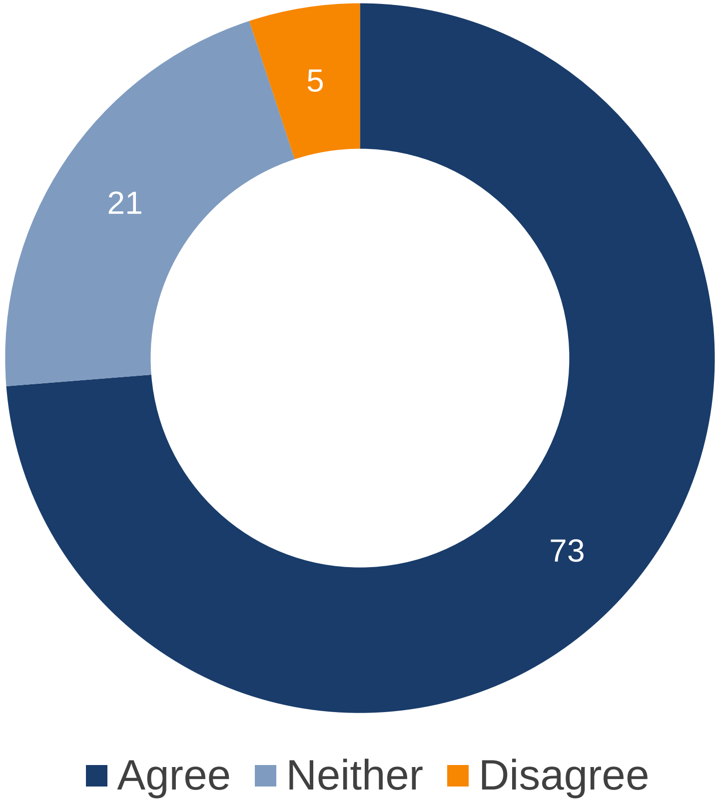
Image: Thinkstockphotos

UK shoppers see a strategic need for domestic production

"Britain needs to be more self-sufficient in food and not rely so much on imports"



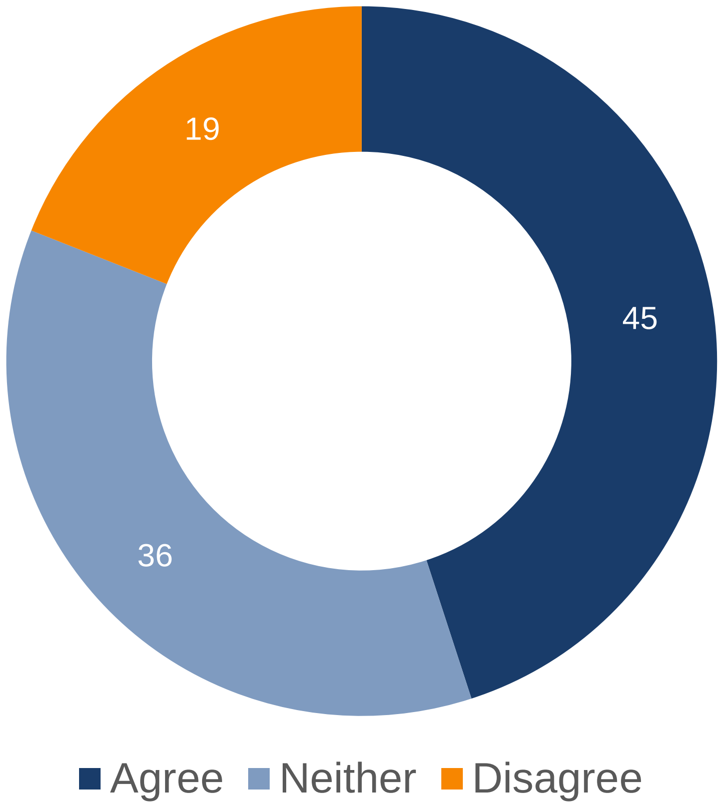
"Supermarkets should focus more on selling food produced by British farmers"



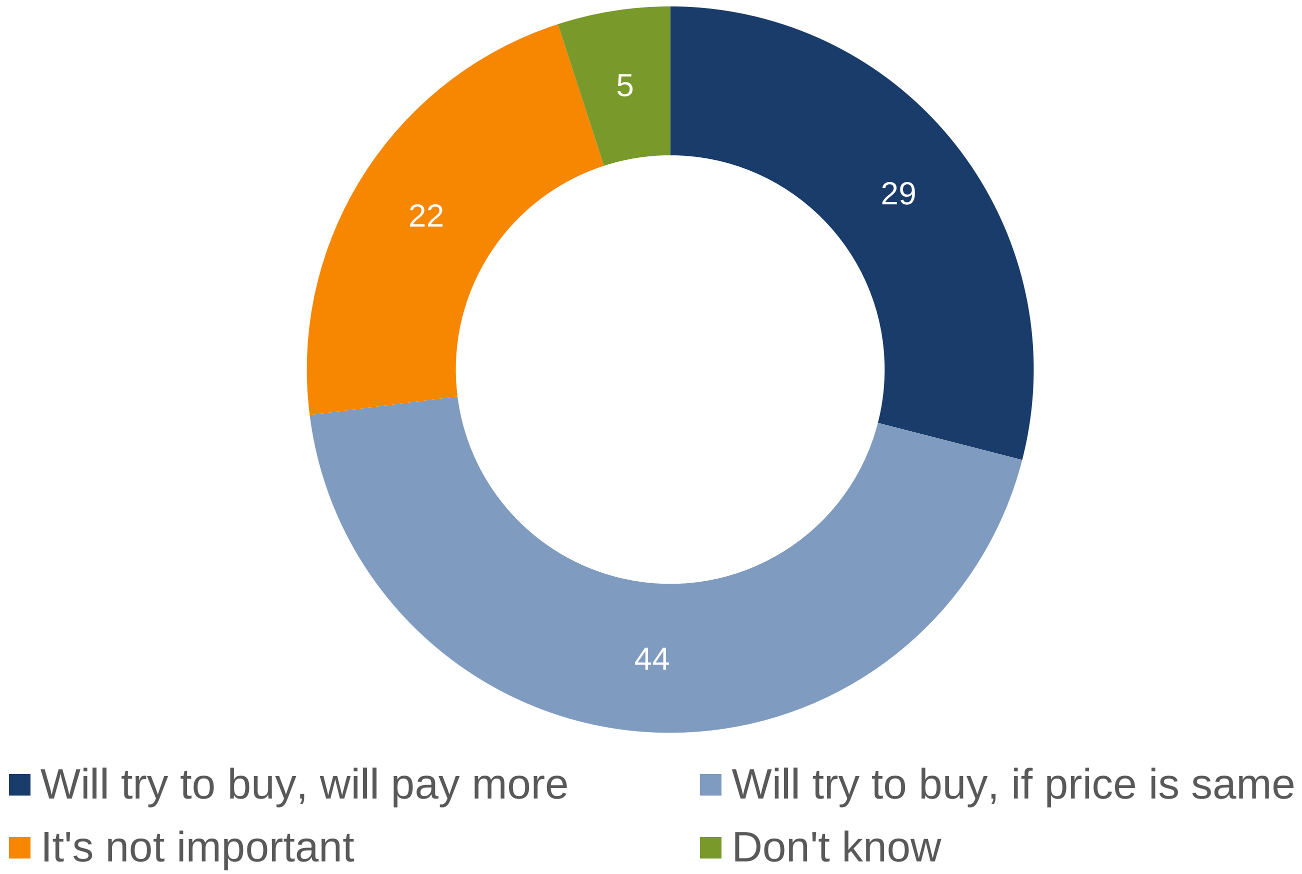
Source: *ShopperVista*, IGD Research, June 2017   Fieldwork: December 2016   Base: 1,700 grocery shoppers

Some UK shoppers seem ready to change their behaviour

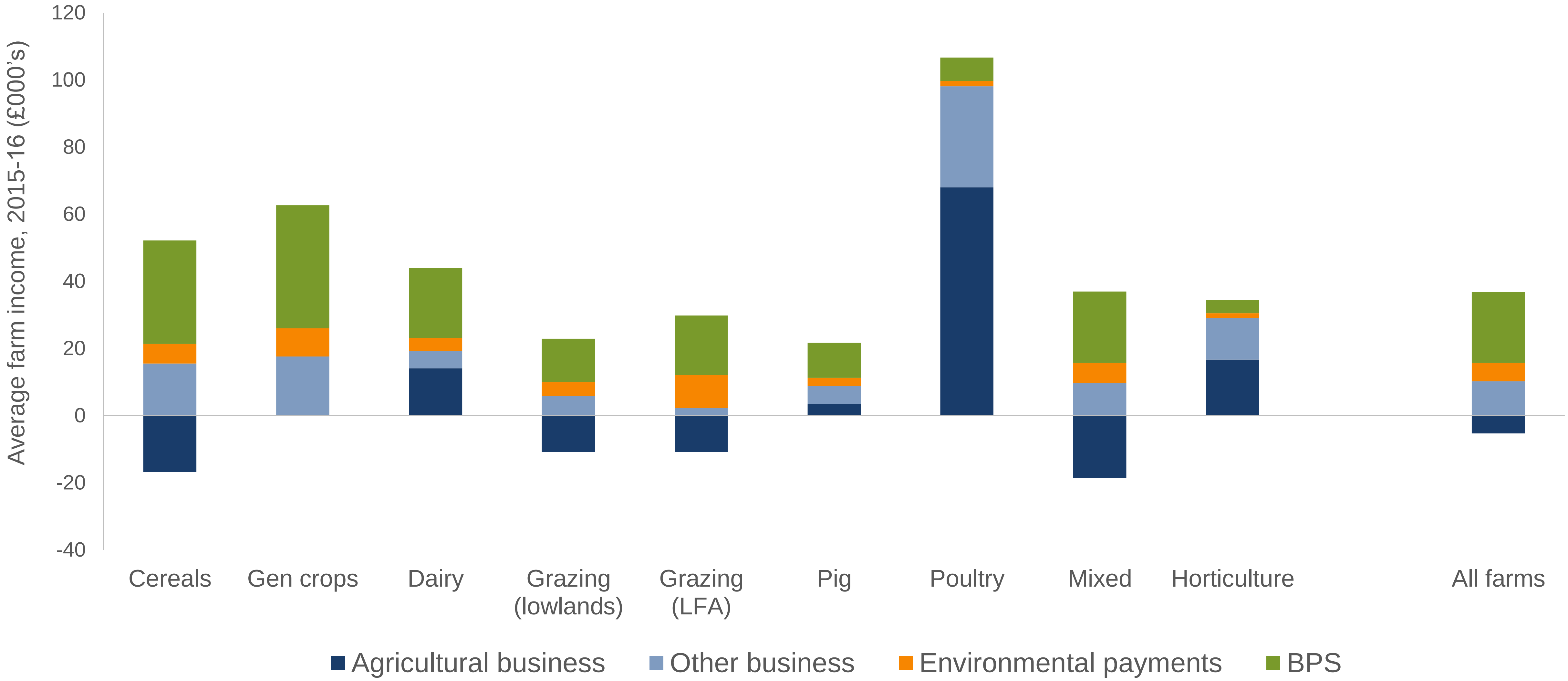
"It is important to buy British food, now that the UK is leaving the UK"



Attitudes to buying British foods



What might BREXIT do to UK farm profitability



Source: *Farm Accounts In England 2015-16*, DEFRA, December 2016
"LFA" = Least-favoured area, "BPS" = Basic payment scheme

Talking points – implications for Irish grocery businesses

- Are your expectations / targets for the UK market realistic, given recent changes?
- If the UK does not deliver expected performance, what other markets could compensate?
- Do you know what tariffs may apply to Irish exports to the UK, post-BREXIT? *
- What might happen to the price / availability of UK exports to Ireland, post-BREXIT? *
- Is your supply chain to UK markets currently BREXIT-proof?
- If not, can current arrangements be modified to be more effective?
- Who should lead supply chain transformation – if not your company, then who?
- Why should UK shoppers buy Irish products, post-BREXIT?

* Assuming that the current EU tariff regime applies