



Your partner for what's next

Food Assurance

Supply chain resilience in a new world



Food Assurance

Foreword

The COVID-19 pandemic has disrupted global food supply chains and threatened food security for millions of people. The full impact of pandemic on supply chains is still unknown and won't be until COVID-19 is controlled. We are facing a period of uncertainty and after the pandemic it will take time for consumer confidence to build. There is a strong possibility that consumption patterns and buying habits may change permanently and the food industry must rethink how it does business. As we return to our new normal, the industry will need to adapt and change.

In the face of this challenge food companies need to:

- **Respond:** In the first instance the industry needs to respond to immediate disruption. Labour availability, labour absences, outages due to infection, access to packaging and raw materials, safe processing and reaching consumers all need a quick response to safeguard business continuity and to meet the wider responsibility of ensuring food security for our societies.
- **Be prepared:** Companies need to be prepared to address further disruption. Workforce education, controls and checks and contingency planning can ensure continuity in times of crisis.
- **Future proof:** Food consumption trends will be significantly changed while the COVID-19 crisis continues and it will take time for confidence to be restored. Companies need to adapt to this change and find new ways to reach the consumer, in particular if there are other events of the scale of COVID-19.

Recent events are a catalyst for companies to revisit supply chain strategy and accelerate investment in security and capability to secure the short and long term future.

KPMG Food Assurance team is a dedicated cross-functional team of experts who help food organisations with supply chain governance. The team brings together a wide range of disciplines including technologists, sustainability practitioners, legal professionals, customs and taxation specialists and assurance professionals to help food organisations to enhance supply chain governance.

In a time where there is so much flux, we want to help you to manage your risk and support you through these uncertain times.

David Meagher
Head of Food Assurance

The immediate aftermath of the pandemic has seen the collapse of food service, a surge in retail and huge disruption to the food supply chain. The major trends in the immediate future are likely to be:

Food service: Food service will continue to be challenged. Even when restrictions are lifted, consumer confidence will be slow to rebuild.

Retail: Retail will continue to surge as consumers move their food experience into the home. Large, well resourced FMCGs will look to exploit this trend.

E-commerce: More wholesalers will go direct to consumer and invest in new delivery methods. Contactless payments will be important to facilitate this.

Labour: Labour movements between countries will continue to be challenged affecting seasonal food production. Also, absences due to infection will cause disruption.

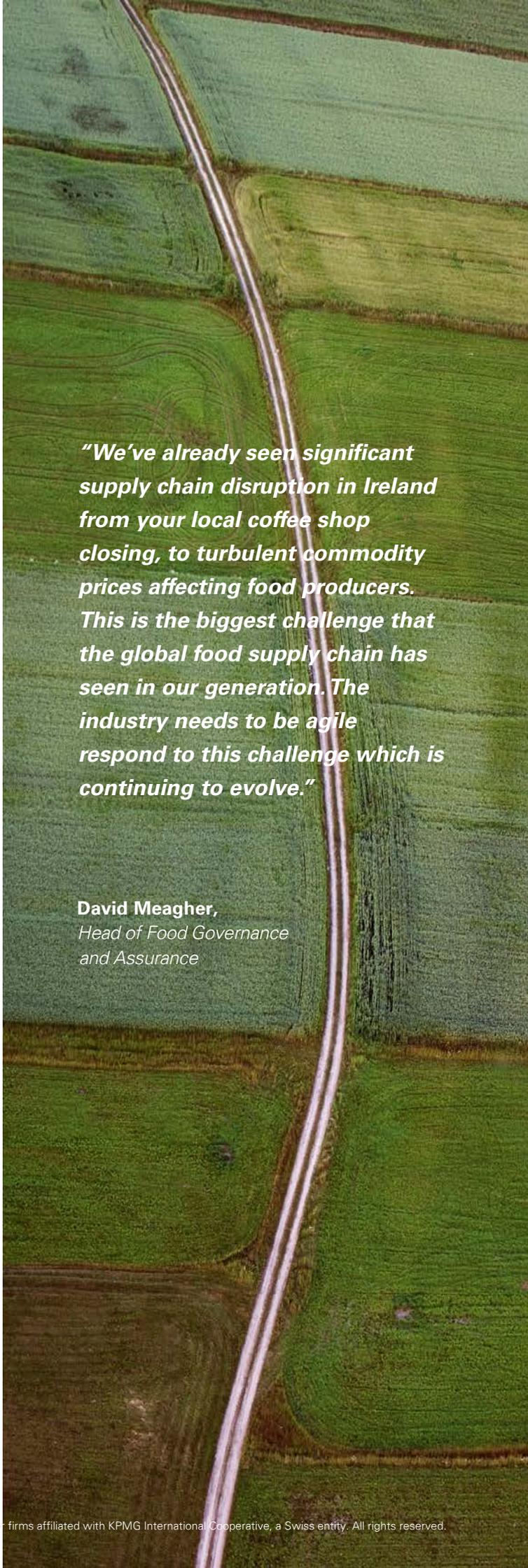
Food safety and hygiene: Globally, food companies will adopt safety and hygiene protocols across the supply chain to give the consumer confidence over **infection prevention**. The quality gap may close between the top tier food producers and those down the value chain.

Life sciences and food: Consumers will look to foods with immune enhancing potential and functional foods will see increased demand.

Supports: As sectors that support food service struggle, state supports and intervention will be required to maintain liquidity while prices are depressed.

Repurposing: Companies that supply Food Service will either re-purpose their product for other channels, or cease processing.

Continuity planning: Companies will invest in their supply chains so that they can withstand shocks from further COVID-19 impacts.



"We've already seen significant supply chain disruption in Ireland from your local coffee shop closing, to turbulent commodity prices affecting food producers. This is the biggest challenge that the global food supply chain has seen in our generation. The industry needs to be agile respond to this challenge which is continuing to evolve."

David Meagher,
*Head of Food Governance
and Assurance*

Our supply chain solutions

01

Business continuity

Our business continuity advisory can help you future proof.

What we do

- **End to end supply chain:** KPMG can help you map every aspect of your supply chain and help you to understand where the potential vulnerabilities are. For example, do your suppliers or distributors have contingency plans for significant events and do you need to consider your relationship with them or consider sourcing back up vendors?
- **Scenario planning:** KPMG can help you form a crisis management team and to document plans for potential disruption events in terms of your systems, people and procedures during a crisis. This should also filter upstream to your suppliers to prevent business interruption.
- **Testing your plans:** KPMG can help you test your business continuity planning and assess your level of preparedness for business interruption. You'll receive recommendations on your plans to help you improve your crisis response.
- Understanding what is critical for your business to continue in operation ensures your product remains on the consumer's plate in the most challenging of times.

The benefit to you

03

Legal, People and Processing risk

Our legal and risk advisory team can help you manage COVID-19 risk.

What we do

- **Commercial contracts:** KPMG can help you where you have difficulty fulfilling supply obligations. We can help you interpret how force majeure applies to your arrangements and, where you cannot avoid liability, help you find practical solutions to mitigate your exposures.
- **Your employee obligations:** KPMG can help you understand your Common Law Duty and Statutory Duty obligations to employees in a COVID-19 environment.
- **Supply chain risk assessment and control:** KPMG can help you enhance governance around return to work protocols. This may involve helping you develop policies and procedures or to put controls and checks in place on the factory floor. It can also help on how those risk are reported to your management functions and governance committees.
- **Wage subsidy schemes:** KPMG can help you to avail of the subsidy schemes in place to pay employee wages during periods of closure and disruption.
- Our services help you manage your workforce, protecting them from risk and keeping your production processes operating thereby maintaining job security.

The benefit to you

Our working capital team can help you manage your cashflows in a crisis.

What we do

- **Working capital review:** KPMG can review the effectiveness of your working capital management. This may involve looking at your supplier and your customer terms, your cash conversion cycle and your inventory investment trends. We will recommend ways that you can better manage cashflow and to preserve and manage cash when you need it.
- **Financial stress testing and forecasting:** We can help you with forecasting cashflows, stress testing your cashflow models, workshops to identify cash preservation opportunities and prepare applications to new and existing funders and lenders.
- **Financial crisis response:** KPMG can help you respond to crisis situations including the implementation of hibernation strategies for parts of your business or other contingency scenarios.
- We can help you to preserve cash during a crisis or while you build and stockpile inventory.

The benefit to you

Our strategy and technology advisory can help you simplify a direct route to market

What we do

- **Supply chain model change:** KPMG can help you to assess whether your supply chain is fit for purpose and will withstand the increased consumer scrutiny in a post COVID-19 marketplace.
 - **Blockchain:** KPMG Origins is our bespoke blockchain traceability solution. It helps global trading partners codify trust while enabling more streamlined interactions across organisations and borders. It is easy-to-use and reshapes industries by enabling exceptional visibility and control of the supply chain.
 - **Digital strategy:** Implementing a digital strategy by-passing traditional supply chain junctions and getting product to the consumer quicker and cheaper.
- **Customer experience:** KPMG can measure customer satisfaction with your supply chain performance and make recommendations for improvement.

The benefit to you

- In order to change and be agile in a time when the consumer is fundamentally changing how he/she behaves, we can help you leverage technology to stay relevant. We can also guide you if your supply chain.



Our Team

Food & Agribusiness Specialists



David Meagher

**Partner
Audit and Assurance**

+353 1 410 1847

david.meagher@kpmg.ie



Tom McEvoy

**Partner
CIM Audit**

+353 1 410 1924

tom.mcevoy@kpmg.ie



Brian MacSweeney

**Director
Assurance**

+353 21 425 4549

brian.macsweeney@kpmg.ie



Jackie Hennessy

**Director
Risk Consulting**

+353 1 700 4171

jackie.hennessy@kpmg.ie



Andrew Stokes

**Director
Risk Consulting**

+353 1 700 4022

andrew.stokes@kpmg.ie

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