

Appetite for disruption: Food sector goes greener

The majority of Irish SME food companies expect revenue growth in 2020 and the majority say they have environment sustainability plans in place.

The new [PwC](#) and [Love Irish Food](#) research found that 96pc of Irish SME food companies have capital investment plans for 2020 – of these 10pc plan to invest more than €3m.

However, just 6pc of respondents are expecting a price increase to drive revenue in the year ahead.

They say retailers' opportunities to grow margins must now lie in the use of innovative technologies and doing things differently.

Around 84pc of Irish food SME companies said that they have an environmental sustainability plan in place to make improvements in 2020.

Close to one-third (31pc) delayed investment in their businesses in the last three years due to Brexit.

Food for thought

“The survey highlights optimism about the future growth potential for Irish food companies,” said Grace McCullen, senior manager for PwC Ireland’s Retail & Consumer Practice.

“They are also keen to seek operational efficiencies through innovation and technologies to improve margins, cost competitiveness and satisfied consumers.

“With the domestic market being the priority for growth prospects, expanding into new markets and new products should not be ignored. The UK will exit the EU at some point and that will give rise to new opportunities for manufacturing food products in Ireland that may have been supplied from the UK.”

Showing they are confident about the factors within their control, over eight out of ten (88pc) Irish food companies expect revenue growth in the year ahead, of which a third (34pc) expect this revenue growth to be in excess of 10pc.

Most of this growth is expected to be organic (rather than from external factors such as a merger or

acquisition), with the key drivers being new product development and growth of exports in addition to operational efficiencies.

This optimism is reflected when it comes to projected capital expenditure. Almost all respondents (96pc) confirmed that they are planning some form of capital investment in 2020 in order to develop their business. One in ten (10pc) said that this would be in excess of €3m.

However, just 16pc are of the view that economic growth in Ireland will improve in the year ahead, 50pc say it will remain unchanged and 34pc say it will decline. As a small open economy, this is not surprising given external uncertainties.

Just 6pc of respondents are expecting a price increase to drive revenue in the year ahead – an ongoing challenge for many Irish companies who are grappling with tight margins and cost competitiveness.

The growth of volume at the expense of value has placed huge pressure on the food manufacturing sector. With a price sensitive consumer, retailers' opportunities to grow margins must now lie in the innovative use of emerging technologies to better understand shopping habits and to create brand loyalty.

Highlighting the need for development into new markets, the survey confirms that Irish SMEs value the domestic market (the Republic of Ireland) as the greatest source of growth (78pc) in the year ahead. 24pc said that the US was their most important growth market in the year ahead; 12pc said this was the EU and just 11pc said it was the UK.

“The survey highlights evidence of optimism amongst Irish SMEs around growth into 2020, notwithstanding a difficult trading environment,” said Kieran Rumley, executive director, Love Irish Food. “There are considerable challenges in areas such as availability of skills across the board from operational, to technical to management – which in turn highlights the need for a greater take-up of available apprenticeships in the industry.

“The survey also suggests that Irish food companies are taking the sustainability challenge seriously with many planning to invest in initiatives to improve the environment. This together with the strong regional dispersion of the food industry base contributes greatly to overall sustainability.

“It's also encouraging to see that the majority of survey respondents are now looking to invest in their companies in the coming year. For certain food sectors, this represents a significant growth opportunity, specifically for those import substitution sectors. However, behind these positive signals there remains the worrying inability of Irish food producers to recover adequate costs, forcing them to continue to operate on even tighter margins.”

Pictured: Kieran Rumley, executive director, Love Irish Food, and Grace McCullen, senior

manager, PwC Ireland Retail & Consumer Practice. Photo: Maxwell Photography

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