

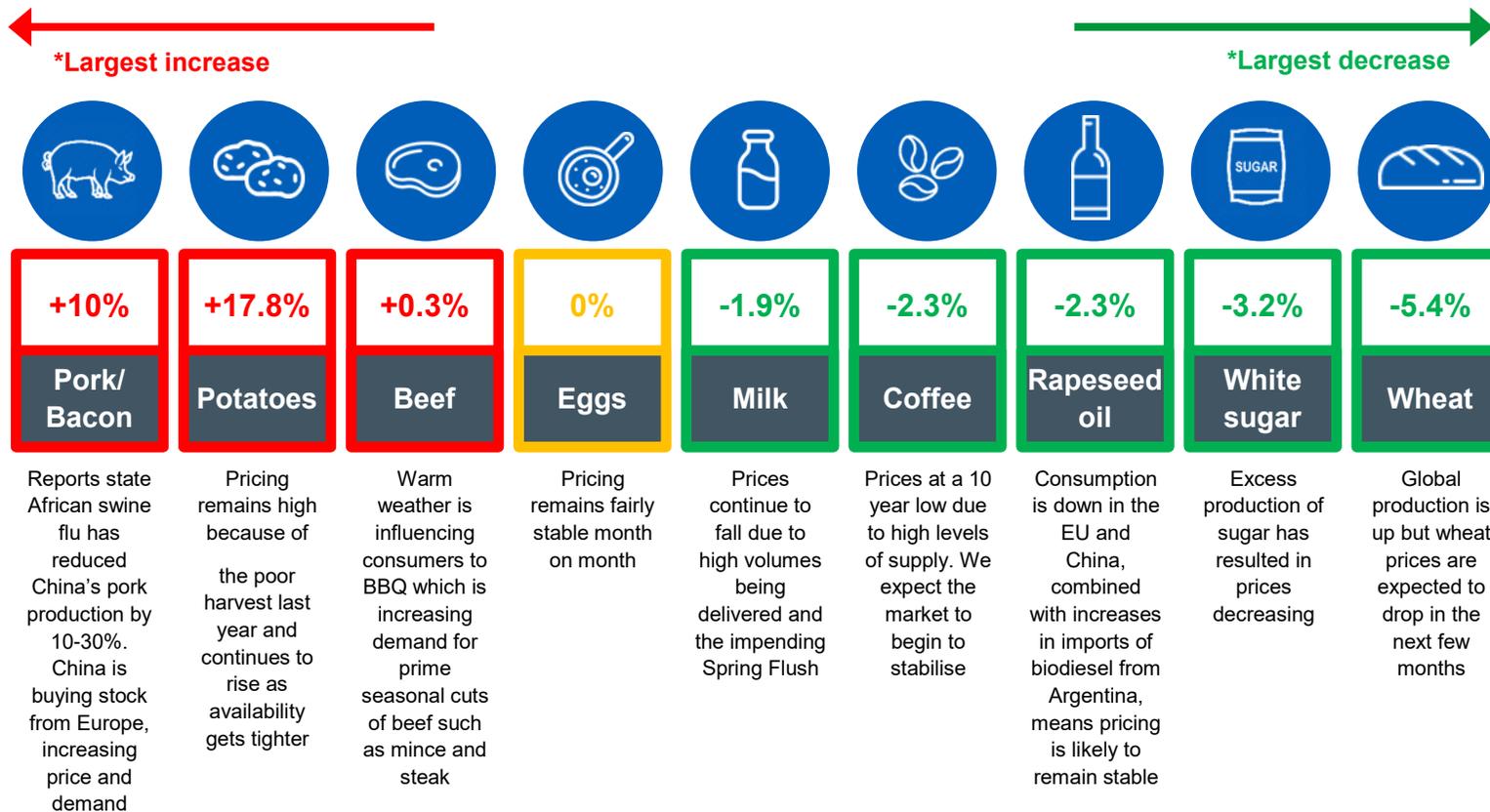
Price Watch - May 2019

NHS Supply Chain: Food



Market movers

The month on month movements below reflect raw commodity pricing movements and not actual NHS Supply Chain pricing. These products have been chosen based on spend and frequency of use within the average lunch menu. The movements below are inclusive of any potential component parts. For example, milk will impact everything from cream to a béchamel sauce within a ready meal..



Sources: Mintec and AHDB

Meat and poultry

African swine fever and the pork market

African swine fever is a contagious viral disease found in pigs, with an extremely high mortality rate of nearly 100%. It has been infecting China's domestic pigs since August 2018 and has since spread to all Chinese provinces as well as Mongolia, Cambodia and Vietnam.

China's agricultural ministers have recently announced the disease is under control, after culling two million pigs. Rabobank, a global leader in food and agriculture financing, has forecasted the disease will affect 200 million pigs in China, approximately 30% of China's total output. China is the largest consumer and producer of pork, producing 54 million tonnes each year. If China were to see a 30% reduction, it would leave a shortfall of 16.2 million tonnes, equivalent to the total European production. It's unprecedented times for the pork industry and it could take years to control the outbreak of the disease and for farmers to restock to the levels prior to August 2018.



Impact on the UK pork market

In the UK, pork prices have increased by up to 20% over the past weeks with UK exports to China up 28% year on year. With a volatile market and uncertainties in China, further price increases are expected.

With demand likely to outweigh supply, China is expected to diversify into other proteins such as beef, poultry and seafood. With China being such a key player in the global market, increased demand in any of these areas is likely to have a big impact on the global protein market for years to come.

Key takeaways:

- In the UK, pork prices have increased by up to 20% over the past weeks
- With a volatile market and uncertainties in China, further price increases are expected .

Fish and seafood

Market update

Salmon – pricing remains highly volatile and with four Norwegian bank holidays in May, and many farms closed for a global Seafood Expo which takes place in Belgium, prices are expected to increase due to reduced availability.

Haddock and cod – we are currently in spawning season for both haddock and cod which sees reduced catches as fishing areas are closed off to allow the fish time to spawn. As a result, we expect to see price increases this month. During spawning season, flesh also becomes softer and the quality of fish is deemed poorer. The quality of fish should improve towards the end of May. Frozen prices have remained firm and provide a good alternative to fresh fish.

Flat fish – are now in season, so we expect quality to improve and sizes to increase. We've not yet seen prices reduce, however we'd expect to see this in the coming months.

Trout – we've seen an increase in prices this month being driven by an increase in the price of feed. Trout is a great alternative to salmon and offers better stability in pricing over the long term. Chalk stream trout in particular remains a great alternative to salmon and is more competitively priced.

Marine Conservation Society ratings

The Marine Conservation Society (MCS) released its new ratings in March. The ratings show which fish are the most sustainable (green/best choice), and which are the least sustainable (red/fish to avoid). The good news is that all UK green rated fisheries remain on the 'Best Choice' list and there is no change to the UK fisheries on the 'Fish to Avoid' list. The key takeaway is that if you are already buying 'best choice' lines then you don't need to change anything.

A species of fish can have multiple different MCS ratings based on a number of factors like how and where it has been caught or farmed. For example, North East Atlantic (FAO 27) longline caught cod in Iceland is rated 1, however, North East Atlantic (FAO 27) handline caught cod in Cornwall is rated 5. Be careful to check each species by its correct criteria as the ratings may differ.

The latest ratings can be found on the [Marine Conservation Society Good Fish Guide](#).

The MCS sustainability rating scale:



Most sustainable

Least sustainable



Dairy

Milk – A number of milk buyers forecasted their volumes in advance and built up their stock holdings in preparation for EU Exit. This, combined with the spring flush and increased production, has led to relatively high milk volumes. Year on year production is up by 4.3%, the equivalent to an additional 1.5 million litres a day. This is not far off the most milk produced in 32 years!

Muller, one of the largest milk processors, dropped its milk price by 4.4% earlier this year and has since announced it will hold this price into May. With the addition of the spring flush, where cows are outside feeding on grass, resulting in a reduction in the cost of feed and an increase to milk yields, the farmgate price continues to remain low. This means we will continue to benefit from lower milk prices.

Butter and cream – Both butter and cream prices have remained stable, decreasing by just 1% month on month due to slightly lower demand and the decrease in milk pricing.

As we head into spring, milk production enters what is known to dairy farmers as the ‘spring flush’



UK Wholesale Dairy Prices

£/tonne	Mar-19	Apr-19	MOM (%)	Apr-18	YOY (%)
Bulk cream	1,510	1,500	-1%	2,080	-28%
Butter	3,510	3,460	-1%	4,660	-26%
Skimmed Milk Powder	1,670	1,650	-1%	1,155	43%
Mild cheddar	2,840	2,830	0%	2,920	-3%

Source: AHDB Dairy

Fruit and vegetables

The UK has now switched to our summer supply of produce for the majority of leaf and root vegetables. This means we are now purchasing a large amount of our produce from the UK and the Netherlands. Where it's not yet possible to source from the UK, for example with apples, we use southern hemisphere supply to ensure quality and availability.

Asparagus, cauliflower and rhubarb – sourced from the UK, asparagus, cauliflower and rhubarb are this month's top picks. They are good in terms of both quality and availability so try and incorporate them into your menus.

Blueberries – we're currently sourcing our new season blueberries from Spain and Morocco. The quality is excellent and the volume is gradually increasing, so now is a good time to consider adding them to your menus.

Aubergines – we have switched to Dutch supply and there is currently great quality and good availability across all sizes.

Broccoli and cauliflower – we will shortly switch to UK produce which is currently good in terms of both quality and availability. Pricing has also reduced slightly as a result.

Grapes and limes – heavy rainfall in South Africa and Brazil is impacting the quality of grapes and limes respectively. We are monitoring this closely however, if poor quality continues, we suggest switching to other fruit alternatives such as berries and lemons.

Mushrooms – straw represents a third of the cost for mushroom producers because it is used during the growing process. Due to a large increase in straw pricing this year, and an overreliance on European crops, mushroom prices have increased.

Savoy cabbage – we've recently seen quality issues with savoy cabbages, however the winter season is coming to an end and soon we will switch to UK and Spanish produce for the new summer season crop, meaning availability is expected to be good.



Key takeaways:

- From the beginning of May, we switched to our summer supply of produce for the majority of leaf and root vegetables
- Asparagus, cauliflower and rhubarb sourced from the UK are this month's top picks. Try and incorporate them into your menus.

Eggs

Chicken feed accounts for more than 50% of the production cost for egg producers. This is largely wheat but also soya and other minerals. As a result of increased wheat prices, the price of eggs has also increased. At the same time, egg consumption increased by 3.8% in 2018 with free range eggs sales up a huge 9.1%.

The UK is 86% self-sufficient in eggs. Post EU exit, demand for UK eggs is expected to increase because of the threat of EU import taxes. World Trade Organisation tariffs are estimated to result in cost increases of 20 pence per dozen, so if the UK leaves without a trade deal, the price of non-UK eggs is likely to increase. This will impact the overall cost of eggs in the UK.



Key takeaways:

- Egg consumption increased by 3.8% in 2018 with free range eggs sales up a huge 9.1%
- Post EU exit, demand for UK eggs is expected to increase.

Cold beverages

As we get closer to summer, sales of soft drinks increases. In fact, for every one-degree increase in the temperature, the UK makes approximately one million additional trips to buy soft drinks per week. This is because consumers prefer to drink refreshing, cold drinks when it's warm outside, instead of hot drinks like tea and coffee, which, as expected, are more popular in the winter. In summer 2018, both iced tea and cold coffee were particularly popular, with sales growing by 35% year on year. In the same period, hot coffee sales declined by 6%.

Water

Water sales were up around 17% over the summer months last year, helped by the heatwave, however, consumers are increasingly using refillable water bottles and filling up at water taps, rather than buying bottled water. Consumers are also increasingly focused on brand transparency and ethical practice, so where possible, consider highlighting the recyclability of the bottled water you are selling.

Soft drinks levy

In April 2018, the UK government introduced the soft drinks levy, commonly referred to as the 'Sugar Tax'. Since then, the market has been strong and sales of soft drinks have grown by 4% and low sugar variants by 9%. To help increase sales, ensure your chillers reflect this low sugar growth.

*figures based on national stats not NHS specific



Key takeaways:

- Sales of soft drinks, including iced tea and cold coffee, increase during warmer months so make sure your chillers are stocked accordingly
- Where possible, highlight the recyclability of the bottled water you are selling
- To help increase sales, make sure your chillers are stocked with low sugar soft drinks.

Grocery and savoury

Cocoa

The UK has a sweet tooth and per capita, we are the fourth highest consumers of cocoa in the world. Earlier this year cocoa prices spiked by more than 50% because of high demand. The bad news is that prices are expected to continue to increase. This is down to high levels of demand, particularly around cocoa butter which is extracted from cocoa pods. Weather conditions in cocoa producing countries like the Ivory Coast, Ghana and Indonesia are good so we expect supply levels to remain consistent.

Pizza

Despite the move towards healthier eating, the pizza market has grown by 5% in the last five years with eight out of 10 people eating pizza as either a meal or snack. This is because consumers are choosing food that is convenient and affordable and pizza ticks both boxes. However, consumer demand has shifted towards wanting more natural or gourmet ingredients and toppings on their pizzas, with one third of consumers interested in pizzas that contain at least one of their five a day.

Pizza pricing

As a result of increased flour prices over the past few months, which is due to a poor harvest, and increased labour costs, the cost of producing a pizza has gone up by approximately 10% depending on the type of pizza and the toppings used.

Key takeaways:

- One third of consumers are interested in pizzas that contain at least one of their five a day, so make sure you add extra vegetables to the topping or even to the base.



Sourcing calendar

Our sourcing calendar provides an overview of all our food procurement activity. Above the line, in blue, shows when our procurement team are expected to begin our sourcing strategy. Below the line, in green, is our anticipated launch date to trusts.

Hot beverage and vending solutions

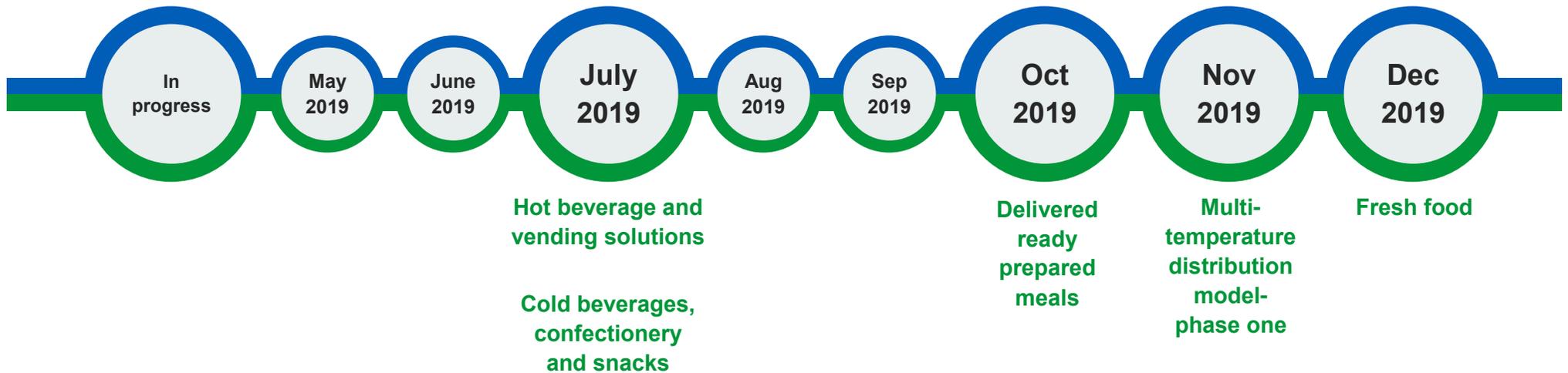
Delivered ready prepared meals

Multi-temperature distribution model

Fresh food

Key:

- Sourcing strategy begins
- Anticipated launch to trusts



Contact your Account Manager

North ●

Richard Gray

Email: richard.gray3@supplychain.nhs.uk
 Phone: 07795 047 464

Andrew Wilson

Email: andrew.wilson7@supplychain.nhs.uk
 Phone: 07920 365 337

Laura Jurczak

Email: laura.jurczak@supplychain.nhs.uk
 Phone: 07787 273 907

South ●

Diane McKie

Email: diane.mckie@supplychain.nhs.uk
 Phone: 07795 686 008
 (maternity leave - contact Tendai Dhlwayo:
tendai.dhlwayo@supplychain.nhs.uk)

Natasha Hansell

Email: natasha.hansell@supplychain.nhs.uk
 Phone: 07976 390 892

Tendai Dhlwayo

Email: tendai.dhlwayo@supplychain.nhs.uk
 Phone: 07970 911 994

Midlands ●

Mel McColgan

Email: melanie.mccolgan@supplychain.nhs.uk
 Phone: 07484 342 585

Toby Cheetham

Email: toby.cheetham@supplychain.nhs.uk
 Phone: 07443 810 868

Jenna Hill

Email: jenna.hill@supplychain.nhs.uk
 Phone: 07487 761 630
 (maternity leave - contact Toby Hartley:
toby.hartley@supplychain.nhs.uk)



