Price Watch - March 2020

NHS Supply Chain: Food

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Market movers

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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.

*Largest increase

*Largest decrease

Potatoes	White Sugar	Coffee	Milk	Wheat	Pork/bacon	Beef	Rapeseed Oil
+11.8%	+3.8%	+2.6%	+1.0%	+0.4%	+0.0%	-0.4%	-1.7%
Poor weather conditions have caused a difficult harvest. This has led to supply shortages	White sugar is the highest it's been in over two years amid concern over lack of availability	Both markets reached rock bottom which triggered a rally of short cover buying, resulting in increasing price	Prices are up as the cold weather means there are less daylight hours for cows to graze outside	International grain prices have fallen since the signing of the Phase one US-China trade deal	Pricing has eased due to China New Year as China has started consum-ing the stockpile of frozen pork	Prices remain firm due to growing demand in exports which have increased 25% YOY	Ample supply in Canada and cutbacks in Chinese demand resulted in a slight dip in the market

Sources: AHDB and Informa

Meat and poultry

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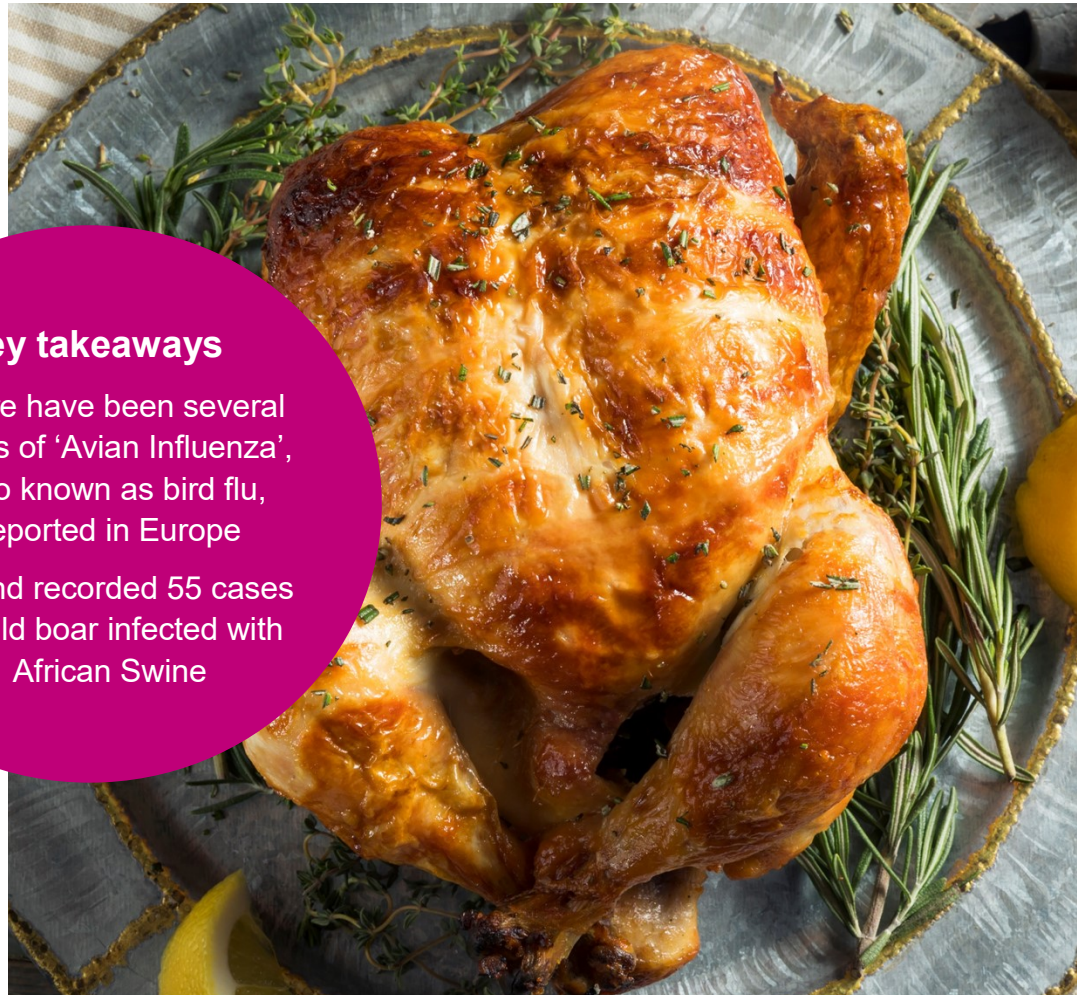
Chicken – Over the past month, there have been several cases of 'Avian Influenza', also known as bird flu, reported in Europe. Avian influenza occurs naturally in aquatic birds but it's highly contagious and can spread to domestic poultry. Recently, a case on a turkey farm in Poland led to the entire flock of 25,000 birds being slaughtered. Other cases have been reported in Hungary, Romania, Czech Republic, Slovakia and Germany. The EU has now banned all poultry imports from Ukraine, one of the largest poultry providers to the EU, as a precaution until the disease is under control. As the cases have been sporadic, it is not a market concern yet, however if the disease continues to spread, there could be a large impact to the availability and price of chicken.

Pork – In December 2019, Poland recorded 55 cases of wild boar infected with African Swine Flu (ASF). One of the cases was just 12km away from the German border, causing concern for China as they strictly ban imports of pork from countries which have seen cases of ASF. German and Polish Agriculture Ministers are looking at ways to stop the spread across the border. This could lead to the countries with cases of ASF being banned from exporting to China; this could cause a European supply surplus meaning prices may reduce. In other news, the US recorded its largest ever frozen pork supply surplus, up 15% on 2018. This is good news as they should be able to meet demand from China, despite high export tariffs.



Key takeaways

- There have been several cases of 'Avian Influenza', also known as bird flu, reported in Europe
- Poland recorded 55 cases of wild boar infected with African Swine

Fruit and vegetables

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'Storm 'Gloria' hit parts of Spain throughout January to devastating effect, leaving extensive damage to crops and glasshouses. Early signs are showing that tomatoes and cucumber are likely to be impacted most.

Brassicas – The rain in the UK towards the end of 2019 has led to limited supply of brassicas, in particular broccoli. This has also impacted availability of frozen broccoli. Small volumes are slowly coming through, but this remains a challenge. Where possible, we recommend switching to frozen alternatives to ensure consistency of supply and product.

Potatoes – Similar to brassicas, potatoes are in short supply with poor quality. There still remains a proportion of crops in the ground, meaning farmers will either (A) throw them away or (B) 'overwinter' by attempting to harvest next spring. However, there is a risk that these overwintered potatoes will break down and be of poorer quality.

Lettuce – Lettuce quality and supply has been steadily improving, despite challenging weather conditions.

Carrots and turnips – Carrots are currently plentiful and of good quality. The same can be said for turnips, with both products in the midst of their harvesting seasons. We recommend adding carrots and turnips to your menus for a great seasonal product.

Potato Production

Three factors that will make, or break, UK potato production in 2020:

1. The success of the planting season
2. The success of the growth phase
3. The prosperity of the harvesting season

Fish and seafood

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Cod – New fishing quotas have been agreed in order to preserve stocks, meaning the number of cod which can be legally caught by UK fisherman in the North Sea has halved year on year. This, coupled with high demand for white fish, is likely to drive price increases.

Haddock – 2020 quotas have increased by 25% year on year, with pricing and demand remaining strong. Haddock is currently in short supply due to the quotas closing at the end of 2019, however, this is expected to improve soon, making haddock a good alternative to cod.

Pollock – Throughout 2019, prices of pollock increased by 21%, however, it is expected that pricing will now stabilise. We will continue to track pricing, and if prices reduce as predicted, pollock will make a great alternative to cod.

Wild fish – There was a shortage of wild fish throughout January as boats slowly return to normal fishing levels after the holiday period. We saw large increases in the prices of wild fish such as monkfish and hake in December, much higher than expected, which will take some time to return to normal. Where possible, we recommend switching to frozen and farmed seafood as a cheaper alternative.

Salmon – Since November 2019, salmon prices have increased by 20% due to an increased seasonal demand and reduced supply in December. As demand begins to ease, we expect prices to reduce.

Flat fish – We're expecting to see the price of turbot, brill, dover and lemon sole reduce to more affordable levels – we saw record highs in December 2019. Plaice should not feature on menus until April as it is now in spawning season, however other flat fish can be used as an alternative to plaice.

Key takeaways

- Where possible, we recommend being flexible with your choice of white fish
- For instance, why not try pollock, haddock or coley instead of cod? These species can be battered, breaded or cooked on their own, just like cod

Dairy

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Since the turn of the year, supply and pricing in the diary market has been relatively stable.

Cream – Following a price increase over the Christmas period due to increased demand, cream prices have decreased 2% month on month due to good availability of milk as well as the strengthening of the British Pound against the Euro.

Butter – Market pricing has remained stable with limited trading at the beginning of the year - traders tend to stock up before the Christmas period.

Skimmed Milk Powder – Demand continues to be high for skimmed milk powder (SMP), however due to the strengthening of the British Pound, prices movements have been minimal.

Cheddar – Prices remain stable with no significant movements at the beginning of 2020.

UK Wholesale Dairy Prices

£/tonne	Dec-19	Jan-20	MOM (%)	Jan-19	YOY (%)
Bulk cream	1,320	1,300	-2%	1,710	-24%
Butter	3,070	3,060	-0.3%	3,900	--22%
Skimmed Milk Powder	2,190	2,220	1%	1,670	33%
Mild cheddar	2,830	2,830	0%	2,880	-2%

Source: AHDB Dairy

Hot beverages

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Arabica vs Robusta

There are two key green coffee bean types; Arabica and Robusta. Robusta is generally introduced into blends to balance the price and to improve the crema - the tan coloured foam on top of your espresso.

Arabica:

- Plantations = altitudes over 1,000 metres, making it a 'highland coffee'
- Average length of bean = 9 mm
- Colour = green to bluey/green
- Flavour = strong, full flavour
- Caffeine content = approx. 1.2%

Robusta:

- Plantations = altitudes below 1,000 metres, making it a lowland coffee
- Beans are small and round
- Colour = brown to yellowy/green
- Flavour = less powerful
- Caffeine content = approx. 2.3%
- Higher water content than Arabica

Market Insight

- 2020 is expected to bring a record coffee crop in Brazil with prices expected to remain balanced
- Arabica crops in Central America and Ethiopia are expected to drop by 10% in 2020
- The US-China trade deal has weakened the Brazilian Real against the US Dollar. This coupled with a surplus of crop signals flat or even slight decreases in coffee pricing for 2020
- 2019 signalled the lowest coffee prices in 10 years
- Currency rates are currently dictating coffee prices rather than commodity price

Sourcing calendar

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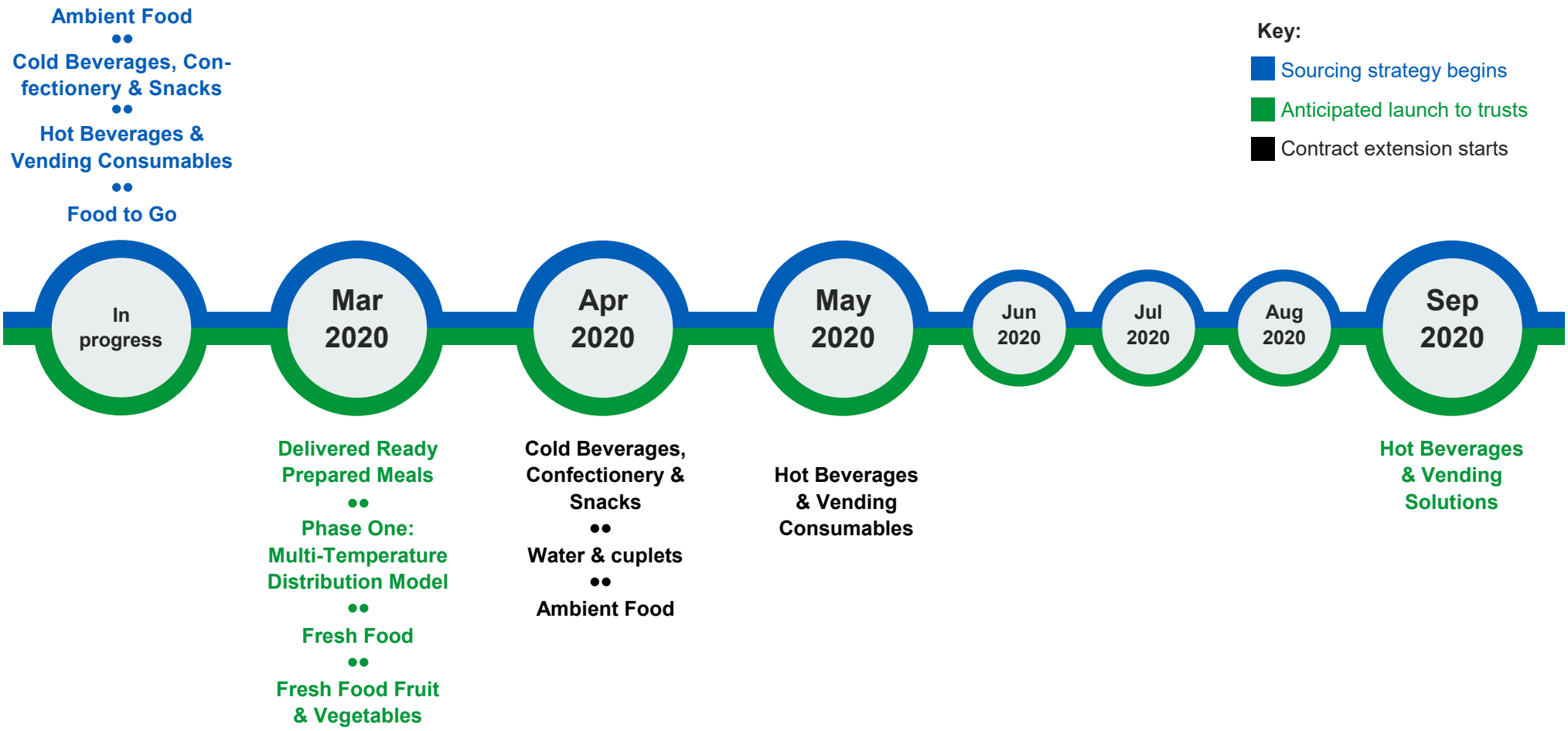
Our sourcing calendar provides you with an overview of all our food procurement activity. Above the line, in blue, shows when our procurement team will begin our sourcing strategy. Below the line, in green, is our anticipated launch date to trusts.



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NHS Supply Chain: Food is provided by Foodbuy