Price Watch - July 2019

NHS Supply Chain: Food

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Meat and poultry

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Pork – African swine flu is continuing to impact pork pricing globally. Vietnam is struggling to contain the disease and has now killed more than 1.5 million pigs. Both pork belly and leg cuts are in high demand, so pricing is also particularly high. However, there is a lower demand for cuts such as loins so pricing has eased slightly for those cuts.

African swine fever vaccine

Researchers have made progress with the development of a vaccine for African swine flu. This is promising news, however, it could still take a long time to finalise. The Chinese Academy of Agricultural Sciences have set up a team focusing on achieving this. The team has created two vaccine strains in which clinical trials have been fast tracked to find results.

Beef – Herd sizes decreased by 2% year on year in April 2019 due to high culling rates over a prolonged period. This was due to stock building at the start of the year in preparation for Brexit, as well as farmers reducing their liabilities. Beef prices are usually high during the summer months due to high demand for cuts suitable for barbecuing, however, prices have unexpectedly decreased due to lower than anticipated levels of demand.

Key takeaways:

- There is a lower demand for pork loin cuts so pricing has eased slightly.
- Beef prices have unexpectedly decreased due to low demand.

Lamb – The price of lamb has been stable recently. This is because the weather has been warm which is good for growing grass, meaning farmers haven't had to buy feed. Warm weather is great, but too much of it limits grass growth and can also affect the appetites of lambs, resulting in a reduction in weight gains. If this happens, lambs will take longer to grow to full size before being culled. Lambs could also be sold leaner, as farmers weigh up the cost of buying feed versus selling below the average size. UK exports were up by 17% in March which means exporting is still the favourable option for UK traders due to the current exchange rates.

Dairy

We have now seen the peak of spring flush, so although there is lots of milk in the market, this should begin to reduce and pricing will begin to stabilise. Milk processors have responded differently to cope with the extra spring flush supply. Muller drastically reduced their prices to clear stocks, however other big players such as Arla, have kept their pricing static since February. This means there is a large gap in farmgate pricing between processors, something we haven't seen previously, which has caused challenges in understanding what the market is doing.

Skimmed milk powder – Skimmed milk powder (SMP) is produced by drying excess milk. This has been done to help control large quantities of milk over the last few months. SMP is exported widely to Asia and the Middle East where liquid milk is not commonly produced. In May, demand for SMP increased, causing prices to increase. The UK kept its prices competitive which helped to increase demand for UK SMP.

Butter – The increase in the price of SMP has had an adverse effect on butter pricing, which has reduced slightly to help shift stock. This is because processors were getting good prices for their SMP, which encouraged them to produce more, and as a result, increased the fat supplies needed for butter, resulting in increased stocks of butter. Poland has reportedly been selling its butter stock at a large discount, putting pressure on the rest of the continent to reduce their pricing.

Cream – As usual, cream has been the most volatile of the dairy commodities, with many ups and downs. However, month on month, cream pricing increased by just 1%, which is mainly due to increased European demand.

Mild cheddar – Usually, at this time of year, where milk supply is high in the UK, we would expect to see a decrease in the price of mild cheddar. However mild cheddar prices have remained stable due to restricted supply in Europe, keeping prices fixed in the UK.

UK Wholesale Dairy Prices

£/tonne	Apr-19	May-19	MOM (%)	May-18	YOY (%)
Bulk cream	1,500	1,510	1%	2,350	-36%
Butter	3,460	3,440	-1%	5,180	-34%
Skimmed Milk Powder	1,650	1,730	5%	1,320	31%
Mild cheddar	2,830	2,830	0%	2,970	-5%

Source: AHDB Dairy

Fish and seafood

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Salmon – A recent outbreak of algae within Norwegian farms has killed an estimated 7.5 million tonnes of salmon. This equates to an estimated $72 million of salmon and the full impact of the outbreak is still to be seen. However, the warm weather means fish grow at a faster rate, which has in the short term meant prices have decreased.

Trout – Following price increases last month, trout prices have now eased and our suppliers are expecting to see few fluctuations in pricing until the end of 2019. Sea reared trout continues to be a good alternative to salmon, offering better pricing stability when planning menus.

Cod and haddock – Supply forecasts for fresh cod are favourable. We've seen a decrease in the price of fresh cod, however the price of frozen cod has increased due to reduced availability. The end of the spawning season means the quality of haddock will improve as the flesh becomes softer, improving the quality. Catches have also improved which has meant the price of fresh haddock has decreased. Coley is always a great alternative to cod and haddock. It is more competitively priced and has a Marine Conservation Society (MCS) rating of 2 which makes it a good, sustainable option.

Key takeaways:

- Consider using coley as an alternative to cod and haddock. It is more competitively priced and has a MCS rating of 2 which makes it a good, sustainable option.
- Sea reared trout is a good alternative to salmon, offering better pricing stability when planning menus.

Fruit and vegetables

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Strawberries – The UK is now into its supply of strawberries which is currently good in terms of quality and availability. This makes strawberries a great option for summer menus.

Spinach and spring onions – The UK season for spinach and spring onions has now started, and quality and availability are good, so try to incorporate into your menus where possible.

Galia melons – This month, supply of Galia melons will switch from Honduras to Spain. As we approach the end of the Honduras season, we've seen quality becoming an issue and melons are smaller in size so we are carrying out additional quality checks as they arrive at our depots.

Peppers – The gap in the seasons between Spanish and Dutch supply is proving challenging due to a delay in the new season of Dutch produce. Supply is limited and this is likely to last another couple of weeks. Green peppers tend to be better quality over red and yellow so try and use green where possible.

Broccoli – The Spanish season has now come to an end, and while supply is not impacted, expect to see reduced shelf life due to some yellowing/browning. The new season UK crop is expected this month, so quality should improve.

Carrots – Yields are lower than typically expected due to the hot and dry weather last year however, the early season crop, due this month, is being uncovered and irrigated, with early signs looking good.

Onions – Due to the hot weather last year, the yield of the onion crop was particularly poor across Europe. In the UK this has left us with extremely tight volumes and we are having to source from Spain and Egypt in order to meet demand, meaning prices are high.

Key takeaways:

- The UK is now into its supply of strawberries—a great option for summer menus.
- Incorporate spinach and spring onions into menus where possible, as quality and availability are good.
- Green peppers tend to be better quality over red and yellow so try and use green where possible.

Bakery

Veganism in retail bakery

Veganism is one of the biggest trends in the food industry. In fact, the number of vegans in Britain has increased by 360% over the past 10 years, with 3.5 million people now identifying as vegan. Retail bakery is no exception to the vegan trend and we've recently seen Costa increase their vegan options for their spring menu. We are also starting to see more vegan choices from manufacturers, including vegan croissants and pastries.

Healthy trends and premiumisation

Healthy indulgence continues to be a huge trend, with small bite-size options becoming more popular, allowing consumers to indulge whilst maintaining a balanced diet. Also, in a climate of uncertainty and financial strains, and when consumer confidence is low, the popularity of sweet indulgences increases. This provides an opportunity to premiumise the sweet bakery offer, as consumers are more likely to treat themselves, given they will be cutting back on bigger ticket items.

Other trends

The use of vegetables in sweet bakery, such as sweet potato, courgette and beetroot, is also very popular, most likely driven by both the vegan and healthy trend. 'Health' foods such as chai and matcha flavoured cake, although quite niche, are also growing in popularity. There has also been an increase in 'world flavours' with the growing popularity of the Portuguese custard tart (Pastéis de Nata), Scandinavian soft doughs and Middle Eastern flavours featuring in sweet and savoury bakery. Doughnuts are the 'big thing' for 2019 and insight suggests they will continue to be popular in 2020, so make sure you're incorporating doughnuts on your menus where possible.

Key takeaways:

- Veganism is one of the biggest trends in the food industry so make sure you have plenty of vegan options on your menus.
- Doughnuts are the 'big thing' for 2019, so make sure you're incorporating doughnuts on your menus where possible.

Sourcing calendar

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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.

Key:

Sourcing strategy begins

Anticipated launch to trusts

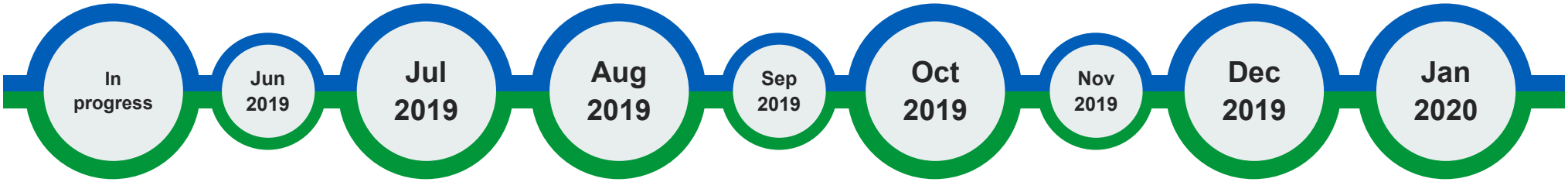
SFVS – Distribution

Delivered ready prepared meals

Multi-temperature distribution model

Fresh food

SFVS – Supply



Hot beverage and vending solutions

Cold beverages, confectionery and snacks

Delivered ready prepared meals

Fresh food

Hot beverages and vending solutions

Phase one: Multi-temperature distribution model

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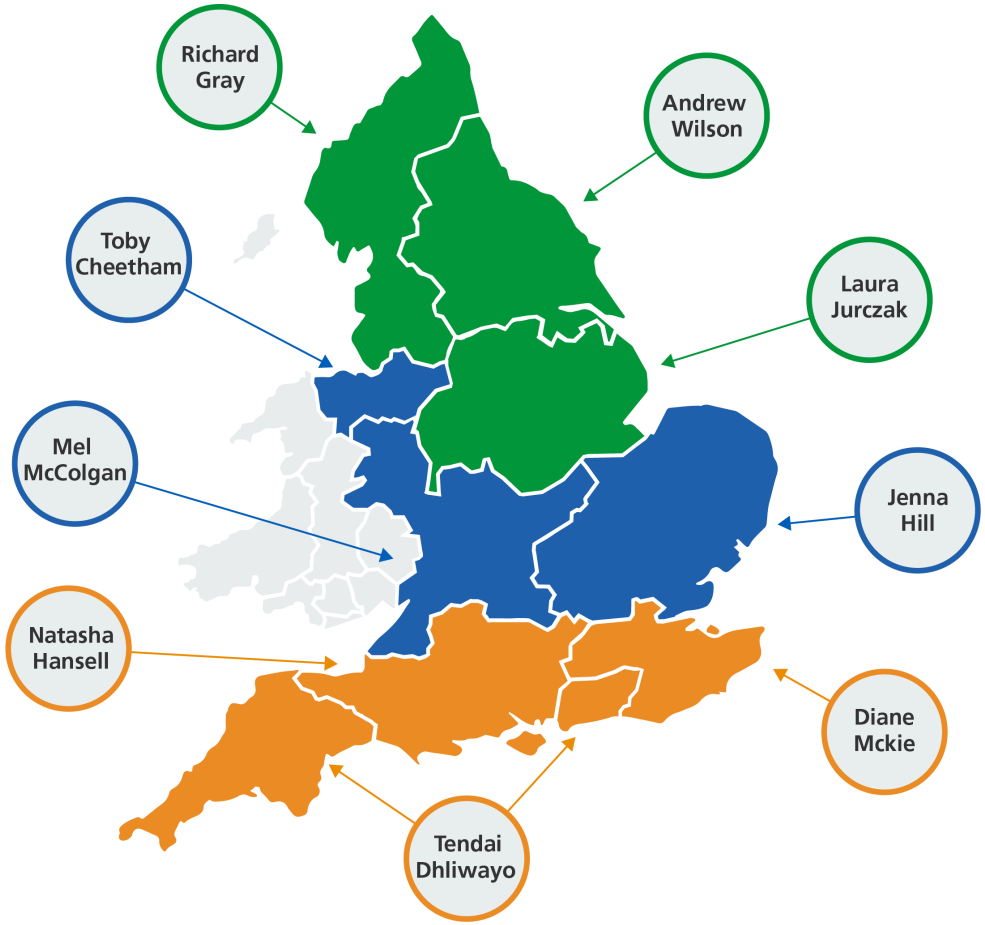

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