

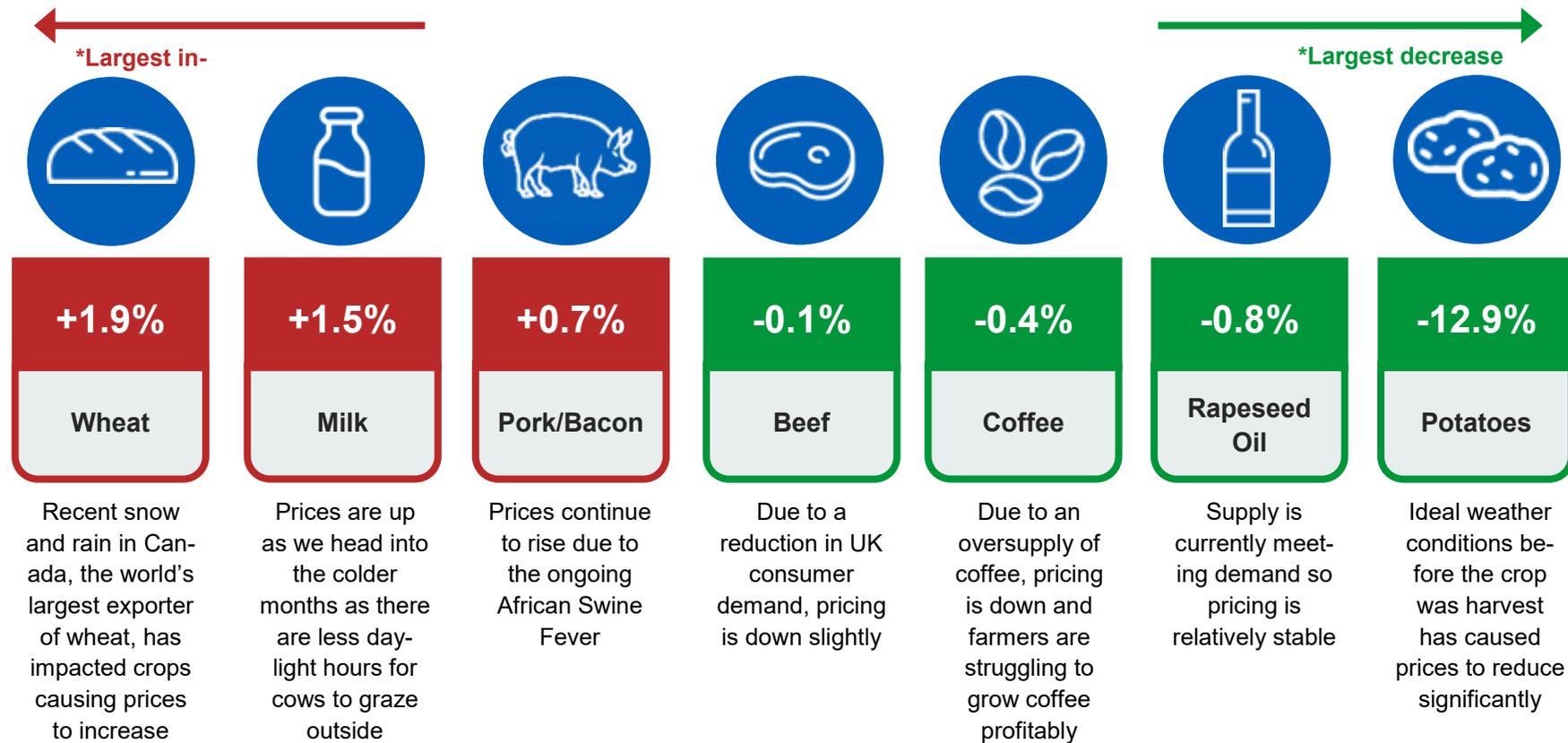
Price Watch - November 2019

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: AHDB, Markets Insider and Informa

Meat and poultry

Turkey – The price of turkey has been increasing by up to 24% year on year. Here’s why. As part of the heatwave we experienced in summer, France saw temperatures reach 40 degrees Celsius in some provinces. This had a severe impact on turkey hatcheries, and the number of turkey eggs produced was down 20% year on year. As French hatcheries supply the UK with more than a quarter of its turkey eggs, the total number of UK birds has also reduced. Due to the seasonal demand for turkey, farmers are also switching to rearing chickens which are more profitable as there is more consistent demand for chicken all year around. There are only a small number of turkey suppliers remaining in the UK and each has a large share of the market. The above factors are contributing to the price of turkey increasing by up to 24% year on year.

Pork – African swine fever continues to spread, with reported cases now extending to the Philippines and South Korea. Chinese farmers, who were first impacted by the virus, are still reluctant to repopulate pig herds due to the increasing number of cases being reported. We’re seeing a growing trend amongst pig farmers to increase the

average weight of their herds. This means they can charge more for their product when selling to prospective buyers on the market. In fact, we’re seeing increases of up to 60% in weight compared to the previous average.

Beef – Over the past few months, beef pricing has seen record lows, down as much as 15% year on year due to a reduction in UK consumer demand. The low prices are unsustainable for farmers as they are making less than it costs to farm. The National Farmers Union has called for government action to ensure farmers receive a fair return on their cattle, otherwise there could be a mass exodus of beef farmers. On a positive note, China and the UK have agreed a five-year beef trade deal worth £230 million. The deal will see China import UK beef for the first time in over 20 years; since China banned imports of British beef after the mad cow disease epidemic in 1996. The first exports are expected by the end of the year.



Key takeaways

- Turkey pricing has increased by up to 24% year on year. The largest increases are on turkey breast, so where possible, we recommend switching to more cost-effective cuts such as dark meat, i.e. leg and thigh
- Beef pricing is seeing record lows, so now is a good time to incorporate beef in your menus

Fruit and vegetables

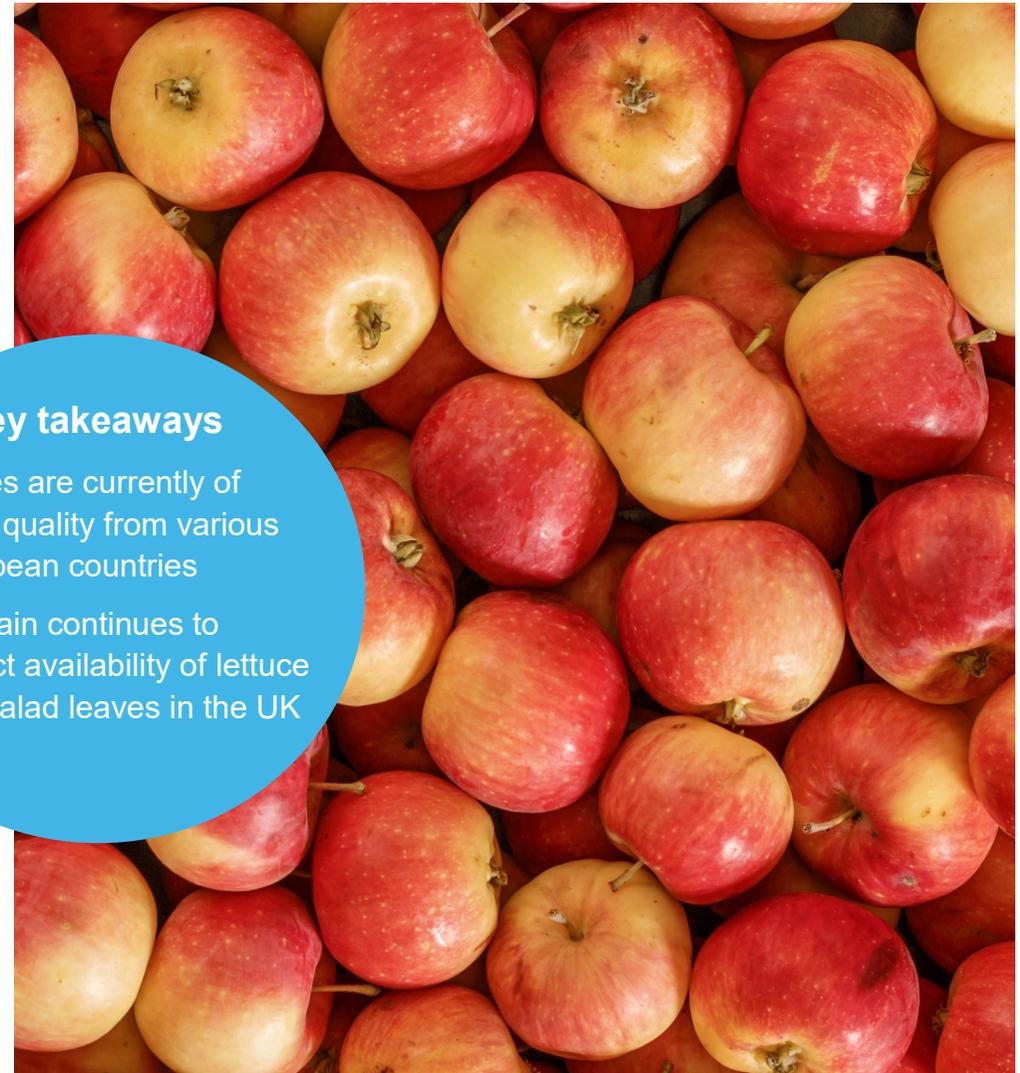
Apples – Warm days and cool nights in various European countries, coupled with good rainfall throughout August and September, has led to great quality, ripe and vibrant apples being grown.

Onions – After a disappointing crop in 2018, onion supply is increasing. This is expected to continue for the remainder of 2019 and into 2020. Both the size and quantity are looking good and, if mild weather for the time of year and effective rainfall continues, above average yields are expected meaning prices will reduce.

Lettuce and salad leaves – Heavy rainfall throughout October combined with low overnight temperatures has resulted in availability issues of lettuce and salad leaves in the UK. To support the end of the UK season, suppliers are having to import lettuce from Spain, which has led to prices increasing.

Celery and radish – Both are currently of good quality, however there are concerns of blackspot, a common fungus disease, as well as crop deterioration due to poor weather conditions in Norfolk. This may lead to availability issues for the rest of the UK season.

Avocados – Avocado trees often produce a heavy fruit set one year ('on' year), and then a much lighter set of fruit the following year ('off' year). This is called biennial fruiting. This current season is expected to be an 'off' year, resulting in lower volumes. Also impacting the availability of avocados are the droughts and low rainfall during winter months in Chile, with volume expected to be down by 25% year on year.



Key takeaways

- Apples are currently of great quality from various European countries
- The rain continues to impact availability of lettuce and salad leaves in the UK

Hot beverages

Because of oversupply, coffee farmers are struggling to grow coffee profitably and are therefore seeking to diversify into farming alternative commodities. Tea farming is also becoming challenging with black tea prices reducing due to strong harvests and supply outweighing demand.

A recent campaign has been launched to help protect tea farmers with campaigners seeking to reintroduce guaranteed minimum prices (GMP). Under GMP, farmers receive subsidies when market prices fall below a set threshold, as a way of motivating them to retain loss-prone farming ventures. This is similar to the Fairtrade floor price (FTO) introduced by Fairtrade. More than half of Britain's tea is produced in Kenya where these discussions are currently taking place.

Tea is an opportunity

According to the 2018 Tetley Tea Report, there are more than 51 million tea drinkers in the UK consuming 165 million cups of tea every day. Tea sales represent nearly half of all hot beverage sales in the UK, so there is a great deal of potential for operators to expand their premium tea offer. Here's why:

- Sales of super premium tea is in growth by 5% year on year
- 65% of consumers are willing to pay more for a premium tea
- Tea accounts for half of 'out of home' hot drink sales
- 'Out of home' tea sales are growing by 13% and are forecasted to continue to grow



Tips to drive tea sales

- **Health and wellness:** Matcha tea sales are up 7% year on year. 45% of tea drinkers are drinking more Matcha than this time last year. Herbal and green teas are also seeing 10% growth
- **Sustainable and eco-friendly:** Consumers are 67% more likely to boycott brands without ethical conscience so ensure you have a plastic-free range and be sure to communicate this clearly to your customers
- **Experience:** Preparation and presentation is key. There's been a large increase in afternoon tea sales. Ensure you include limited edition products and seasonal ranges

Fish and seafood

The Marine Conservation Society (MCS) has released its sustainability ratings which can be found on the [Marine Conservation Society Good Fish Guide](#).

A species of fish can have multiple different MCS ratings based on a number of factors like how it was caught, or where it was farmed. Even the most popular fish such as cod and salmon can hold different MCS ratings, so be careful to check each species by its correct criteria as the ratings may differ.

Tuna – Recent research has found tuna to be an unsustainable fish, due to a 1,000% increase in popularity since 1960. Whilst the critically endangered bluefin tuna has seen declines in catch, yellowfin and skipjack have seen growth in popularity. And with industrial fishing now covering up to 90% of the world’s oceans, there’s little space for new tuna fisheries. Therefore, tuna is now rated five on the MCS rating scale, previously 1, 2 or 3 depending on how and where it was caught. This means the protection of tuna needs to be drastically improved and chefs, especially in Japanese cuisine such as sushi, should begin researching and promoting alternatives such as mackerel and salmon.

Seasonality – Dover sole and monkfish, both rated two on the MCS rating scale, are considered to be of the best quality throughout November, and availability is also good.



Other news – Last month’s animal rebellions led to more than 20 arrests at Billingsgate Fish Market as the site was shut down due to protestors chaining themselves to the entrance. This event is linked to the 1,000 arrests in connection with Extinction Rebellion protests across London. The market was up and running again the day after the protest and it appears to have caused minimal impact to major suppliers in the industry.



Dairy

In comparison to previous months, October was relatively stable, with exchange rates being the main driver of price movements.

Cream – Cream pricing fluctuated throughout October, but overall pricing is down 6% month on month. This is mainly due to the strengthening of the British Pound.

Butter – Butter followed a similar pattern to cream because butter is made from churning cream, so when the price of cream decreases, butter prices do too. The price of butter declined 2% in response to currency changes.

Cheddar – There have been indications that cheddar prices are increasing, and our cheddar partners have increased their prices in recent weeks.

Did you know? The price of cheddar is dictated by the price of cream and whey, as well as currency. This is because cream and whey are by-products of cheese. When the price of cream

and whey fall, the cheddar price has to compensate to stabilise the market. Recently, the price of whey has fallen due to poor demand. This is mainly because whey is used predominantly for pig feed, and with the influx of swine flu across Asia, the demand for pig feed has dramatically reduced, leaving processors with a surplus. With little use for its by-products, the price to the processor has to come from the cheddar itself, driving up prices.

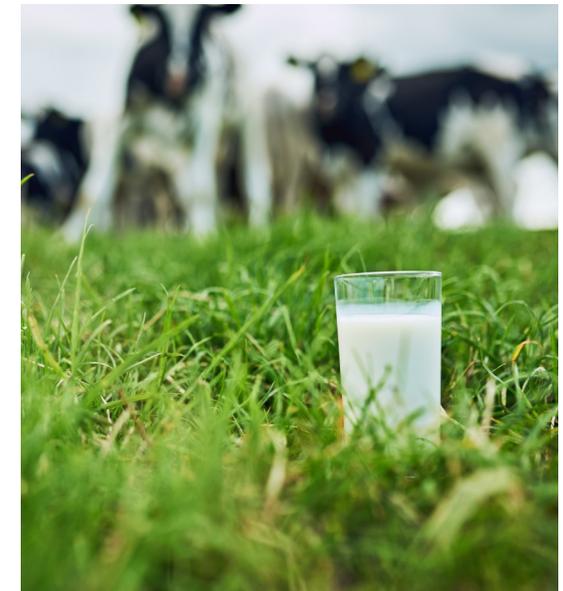
Milk – Milk prices have begun to stabilise as we head into the colder months due to a number of reasons. Firstly, cows produce more milk during the calving season which has now finished but also, there are less daylight hours for cows to graze outside, meaning volumes reduce. Rain at the start of the month has also impacted pastures and outdoor grazing with cows spending more time inside. There's been reports of dairy farmers struggling with the recent drops in farmgate pricing over the summer. These heavy reductions have impacted the profit of many dairies, where they are now pushing up the sell price of milk into their suppliers. This in turn, means suppliers are passing the increases onto buyers, meaning milk pricing will begin to increase over the coming months.

Skimmed milk powder (SMP) – The price of SMP continues to increase as demand is high. October was the first month on record where prices have gone above £2,000 per tonne, up 4% month on month.

UK Wholesale Dairy Prices

£/tonne	Sep-19	Oct-19	MOM (%)	Oct-18	YOY (%)
Bulk cream	1,590	1,490	-6%	1,840	-19%
Butter	3,230	3,170	-2%	4,100	-23%
Skimmed Milk Powder	1,960	2,040	4%	1,380	48%
Mild cheddar	2,830	2,830	0%	3,000	-6%

Source: AHDB Dairy



Grocery

Tinned sweetcorn – Thailand is the world’s largest producer of sweetcorn and where currently, prices are high, and are expected to increase further in the coming months. This is partly due to unfavourable exchange rates for the UK, as well as anti-dumping tariffs. An anti-dumping tariff is a protectionist tariff put in place by the government on import prices it believes are below a fair market value. The tariff alone has caused the price of tinned sweetcorn to increase by around 14% year on year.

China is also a large producer of sweetcorn and because China is not impacted by the anti-dumping tariffs, their prices are lower—albeit the quality is not at strong.

Tinned tuna – Tinned tuna, currently sourced from Ecuador, is a different species to that of fresh tuna hence the difference in market volumes, pricing, and sustainability. The price of tinned tuna continues to reduce by nearly 40% year on year. This is due to a surplus of tuna and not enough storage.

Tinned pineapple – The recent poor weather conditions in Thailand, the largest producer of pineapples, has had a big impact on the volume of pineapple crops. Supply is currently down 40% year on year meaning prices are likely to increase.



Sourcing calendar

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.



- Key:**
- Sourcing strategy begins
 - Anticipated launch to trusts
 - Contract extension starts

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