

# Price Watch – February 2019

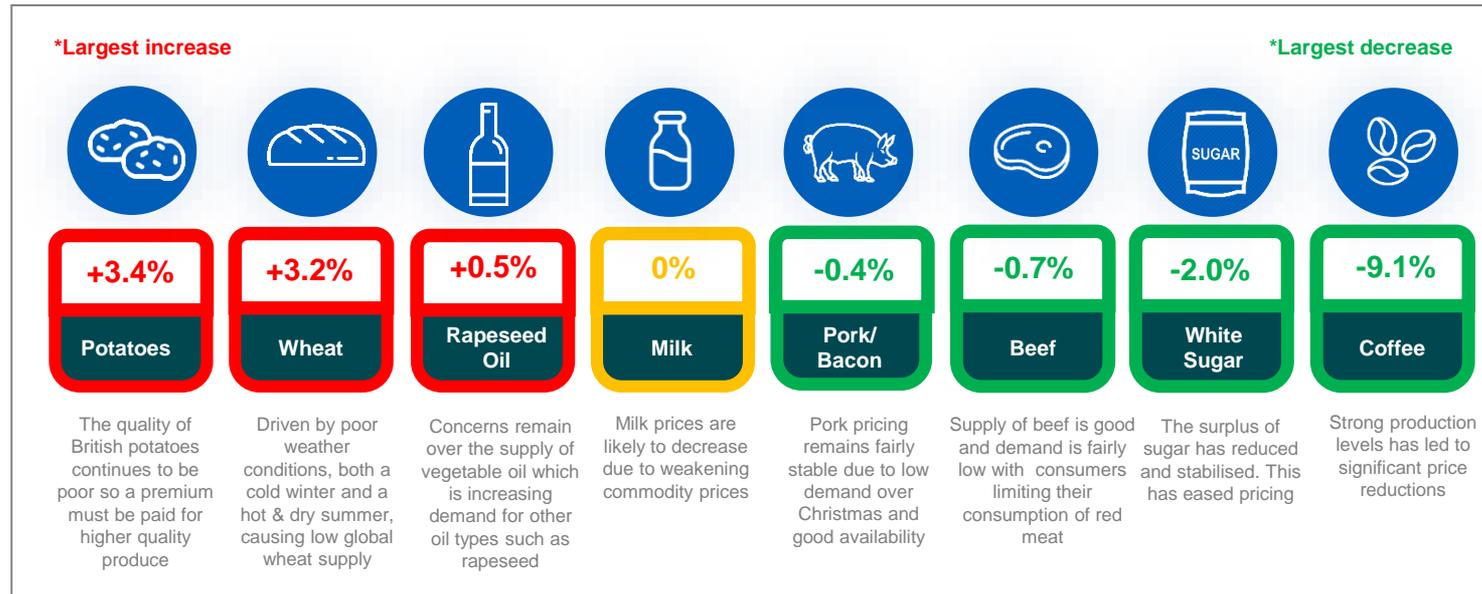
## NHS Supply Chain: Food



# Market movers

The month on month movements below reflect raw commodity pricing and not NHS Supply Chain: Food actual pricing movements.

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

### Pork

Pork pricing remains stable due to low demand and good availability. Estimated slaughtering numbers in the first week of January were 175,000, up 3.6% year on year. Average pig carcass weights were at 87.41kg, up 320g compared with the previous week. Reports suggest this was due to the Christmas backlog at the abattoirs due to closures. China is the world's largest producer of pork, producing 50 million tonnes in 2018 compared with just 931,000 tonnes in the UK. African swine flu continues to be a problem for Chinese production and it is now a criminal offence in China if farmers cover up cases of swine flu. Gira, a strategic consultancy, is predicting a 4.6% decline in pork production in China for 2019 due to swine flu. If production does decline considerably, we'd expect prices to increase as demand will outweigh supply.

### Beef

Beef pricing in January has been stable with a slight decrease in prime cattle R4L specification. R4L is a specification of beef where the R refers to a "Good" carcass with an "Average" to "High" covering of fat. Estimated slaughtering numbers for the first week of January were 14,700, up 17% year on year. Market

reports suggest there is ample supply of beef compared to low demand which has led to slight price reductions. Japan has now lifted the UK import ban of beef and lamb after 23 years. The ban was originally put in place due to the mad cow disease crisis back in 1996. The deal is estimated to be worth £75 million for beef and £52 million for lamb annually. This is really good news for UK producers of beef and lamb as it provides new export opportunities.

### Lamb

Lamb pricing fluctuated considerably in 2018. In fact, prices were up 35% year on year in April 2018. Prices have now settled but remain above the 5-year price average. However, in the opening weeks of January, pricing was the highest since 2012. Estimated slaughtering numbers for the first week of January were 178,000, down 18% year on year. Demand is surpassing supply and it's likely to worsen in the run up to Easter, so prices are expected to increase. Prime cuts, such as the rack and cannon, are always charged at a premium so limit your use of them where possible or price accordingly.



### Key takeaways

- There is ample supply of beef which has led to slight price reductions
- Lamb pricing is expected to increase in the run up to Easter, so we recommend buying New Zealand lamb where possible

# Fish and seafood

With fishermen and boats returning to the seas after the Christmas and New Year break, recent shortages of European fish and seafood are beginning to fade away.



- **Cod and haddock** prices remain stable as a result of the new quota season for Norwegian boats
- **Mackerel** is now in season and we have seen a reduction in month on month (MOM) pricing of nearly 12%
- **Plaice** is now out of season and as a result we have seen MOM price increases of up to 20%.

## Increased quotas for 2019

The proposed fishing quotas for 2019 have been released with some positive news around increased stocks including northern hake, western and southern horse mackerel, cod, sole and plaice from the Irish Sea. Although an increase in the quota of these species does not guarantee

improved catches, it does have the potential to have a positive impact on future pricing. Keep an eye out for pricing of these species going forward and think about how these products could be incorporated into your menus.

## Shellfish Week

Shellfish week (a promotion by the Sea Fish Organisation) runs from 1-8 March 2019 and is a great opportunity to try some sustainably sourced shellfish.

### Key takeaways

- Plan your menus in line with seasonality
- Think about how northern hake, western and southern horse mackerel, cod, sole and plaice from the Irish Sea could be incorporated into your menus

# Fruit and vegetables

Weather and growing conditions have a huge impact on fruit and vegetable supply. In order to try and maintain product quality and availability during the winter months, a significant amount of our winter fruit and vegetable supply comes from Spain. Unfortunately, the weather in Spain has not been great and we are seeing some quality issues due to poor conditions.

- **Tomatoes** – The humidity and cold weather in Spain and Morocco has led to mould developing on tomatoes. Supply levels are not impacted.
- **Strawberries** – We're seeing substantial bruising on strawberries from Holland, Egypt and Morocco due to heavy rain and cold temperatures. Note that although this effects quality, it will not impact supply.
- **Peppers** – Also impacted by poor weather conditions which have slowed down the growing process. Volumes of red, yellow and orange peppers are particularly low. As all peppers are green to begin with (and only turn red when they mature), supply of green peppers is impacted less. Overall quality is good however shelf life may be impacted due to produce having thinner edges than usual.
- **Potatoes** – The quality of British peeled and prepared potatoes continues to be poor. High levels of internal defects, like bruising and scabbing, are being seen in addition to sizes being smaller than normal.

- **Courgettes** – Spanish and Moroccan courgette quality is starting to improve following a challenging few months. We are now starting to see production increase week on week.
- This month's picks – **Kale and cauliflower**, both grown in the UK, are readily available at this time of year and are both great value so take advantage by including in your menus.



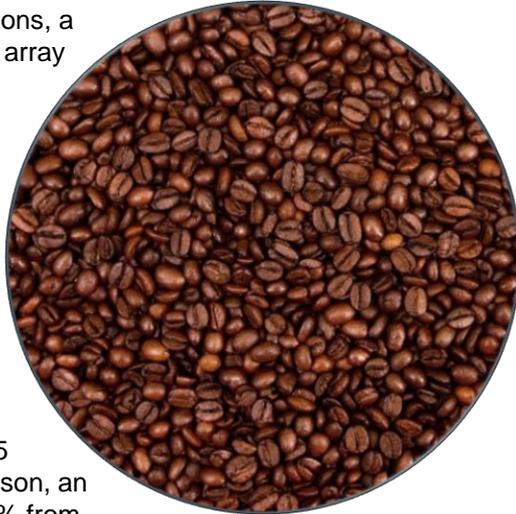
## Key takeaways

- Kale and cauliflower are this month's picks. Make sure they are incorporated into your menus.
- Be flexible and adjust your menus wherever possible. There are always great alternatives if something isn't available
- Volumes of red, yellow and orange peppers are low but supply of green peppers is good

# Hot beverages

2018 was a turbulent year in the coffee industry with price reductions, a weakening pound and an array of natural disasters.

- **Vietnam** received favourable weather and strong rains in quarter four, so the harvest was two weeks ahead of schedule and the volume was high. Vietnam's crop is expected to reach 1.75 million tonnes this season, an increase of around 17% from 2016-17. As Vietnam is one of the largest producers of robusta coffee, record production could mean further price reductions, already down 22% over the past year.
- The United States Department of Agriculture increased their estimate for the **Brazil** 2018-19 crop by 5% based on increased productivity levels. This predicted monster crop, seemingly grew larger as the weeks went by. This is great news as the coffee we source from this area will be plentiful moving in to 2019.



- The 2018-19 crop in **Honduras** was delayed by around six weeks which bumped many December shipments into January. This was due to a lack of rain which slowed the maturing process. The crop looks promising and the coffee flow, albeit slow, is predicted to outweigh last year once underway.
- In one of **Costa Rica's** most famous regions Naranjo, output continues to grow and there has been major investment at farm level and an introduction of new bean varieties (known as varietals) and new areas converting to coffee production.

In summary, it's a positive outlook for the coffee growing industry with strong production at origin. Prices continue to fluctuate, as expected, but our hot beverage range available through the NHS Supply Chain catalogue offers stable pricing for trusts.

## Key takeaway

- **New year = new tariff.** A great time to take a look at local cafes in your area and start benchmarking your selling prices. There's also a [summary guide from the Speciality Coffee Association](#) which provides an overview of recommended selling prices, the UK's most popular coffee shop drinks and emerging trends such as alternative milks.

## Rice

The price of basmati rice has been relatively stable through 2018, especially in Pakistan – the world's second largest producing region. India, where around 60% of the world's basmati rice is grown, is working to curb its growers use of pesticides which has led to the majority of the Indian crop failing to comply with EU standards. It's expected to take at least three harvests for the crops to become compliant. This leaves Pakistan as the only viable source for the time being.

Long grain rice is available from many different origins and is produced in larger quantities which is helping keep prices more stable and there has been minimal movement over the past 12 months. Therefore, long grain rice will be cheaper than basmati.

## Noodles

The key ingredient in the majority of noodles is wheat, and due to the extreme weather conditions over the summer, wheat prices increased 30% between June and August 2018. This means noodle pricing is expected to be higher year on year. Pricing has now stabilised but it remains high. Sourcing from outside of Europe is likely to bring savings, however the weakened British Pound will impact what's achievable.

## Pasta and couscous

The key ingredient for pasta and couscous is durum wheat, and the supply has remained stable year on year, unlike other forms of wheat that have been impacted by poor weather conditions. Pricing has remained stable as a result of low demand which may result in reduced planting in 2019. This could mean an increase in price as supply is reduced, so now is a good time to buy pasta and couscous.



### Key takeaways

- Long grain rice is currently cheaper than basmati due to good availability
- Noodle prices are expected to be higher year on year because of higher wheat prices
- Now is a good time to buy pasta and couscous as supply and the price of its key ingredient – durum wheat – is stable

Wholesale dairy prices increased in January, particularly in the first half of the month. However, this was short lived due to lower demand and the steady strengthening of the pound.

- Cream** – Cream prices had a volatile month, fluctuating 10% over the first few weeks. Increases were driven by demand from the continent and some stock-building activity. However, supply outweighed demand which eventually saw prices reduce. Between these highs and lows, the overall month on month impact is marginal.
- Butter** – January’s butter prices increased by around 6% month on month from the lows seen throughout the Christmas period. This was due to higher cream prices as well as demand from the continent.
- Cheese** – Cheddar markets were quiet in January and pricing stable due to low demand. However, mozzarella prices increased due to the higher demand for butter. The two products tend to be linked because



all manufacturers of mozzarella also produce butter. This means that when manufacturers focus their attention on producing butter, mozzarella production reduces and the prices increase.

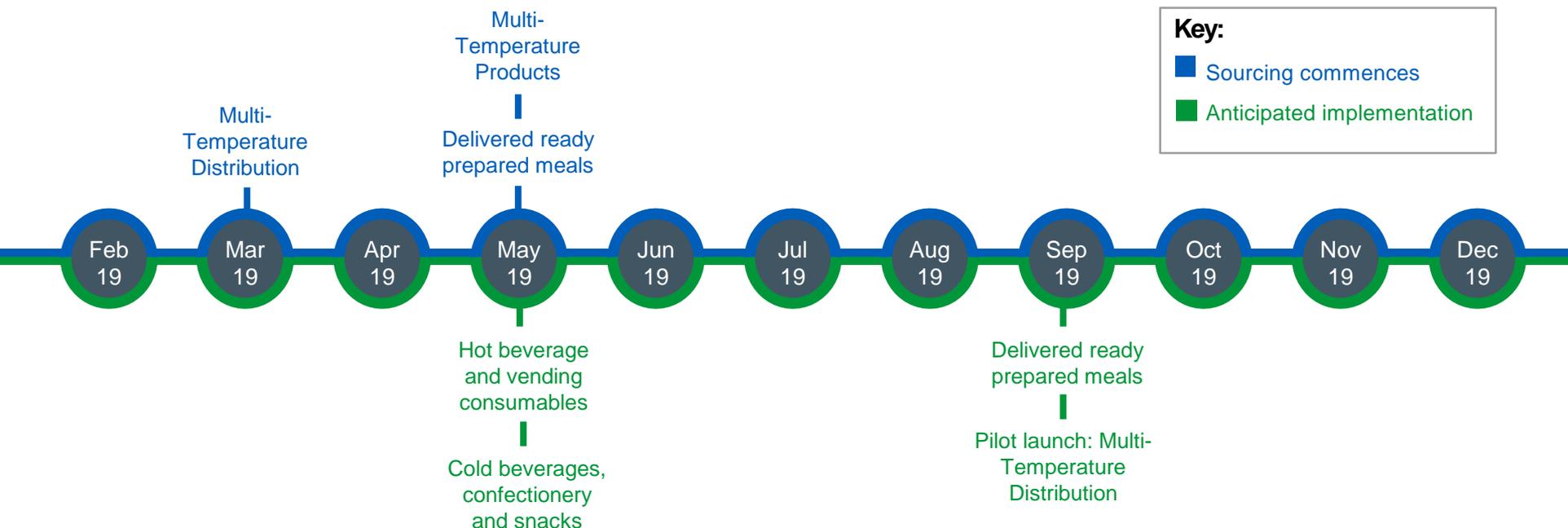
- Milk** – UK milk supply in December reached its highest level for 20 years. Volume forecasts for quarter one 2019 are similar to the 2018 levels driven primarily by reduced yields. Average UK milk pricing in December was above the 2018 average, however we are expecting to see average reductions equivalent to 1.8 pence per litre in quarter one 2019, with the key dairies reporting reductions in January and February.

**UK Wholesale Prices** *Source: AHDB Dairy*

£/tonne	Dec-18	Jan-19	MOM (%)	Jan-18	YOY (%)
Bulk cream	1,700	1,710	1%	1,550	10%
Butter	3,680	3,900	6%	3,660	7%
Skimmed Milk Powder	1,500	1,670	11%	1,160	44%
Mild cheddar	2,850	2,880	1%	2,850	1%

# NHS Supply Chain: Food – 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 commence our sourcing activity. Below the line, in green, is our anticipated implementation date.



**Key:**

- Sourcing commences
- Anticipated implementation

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