

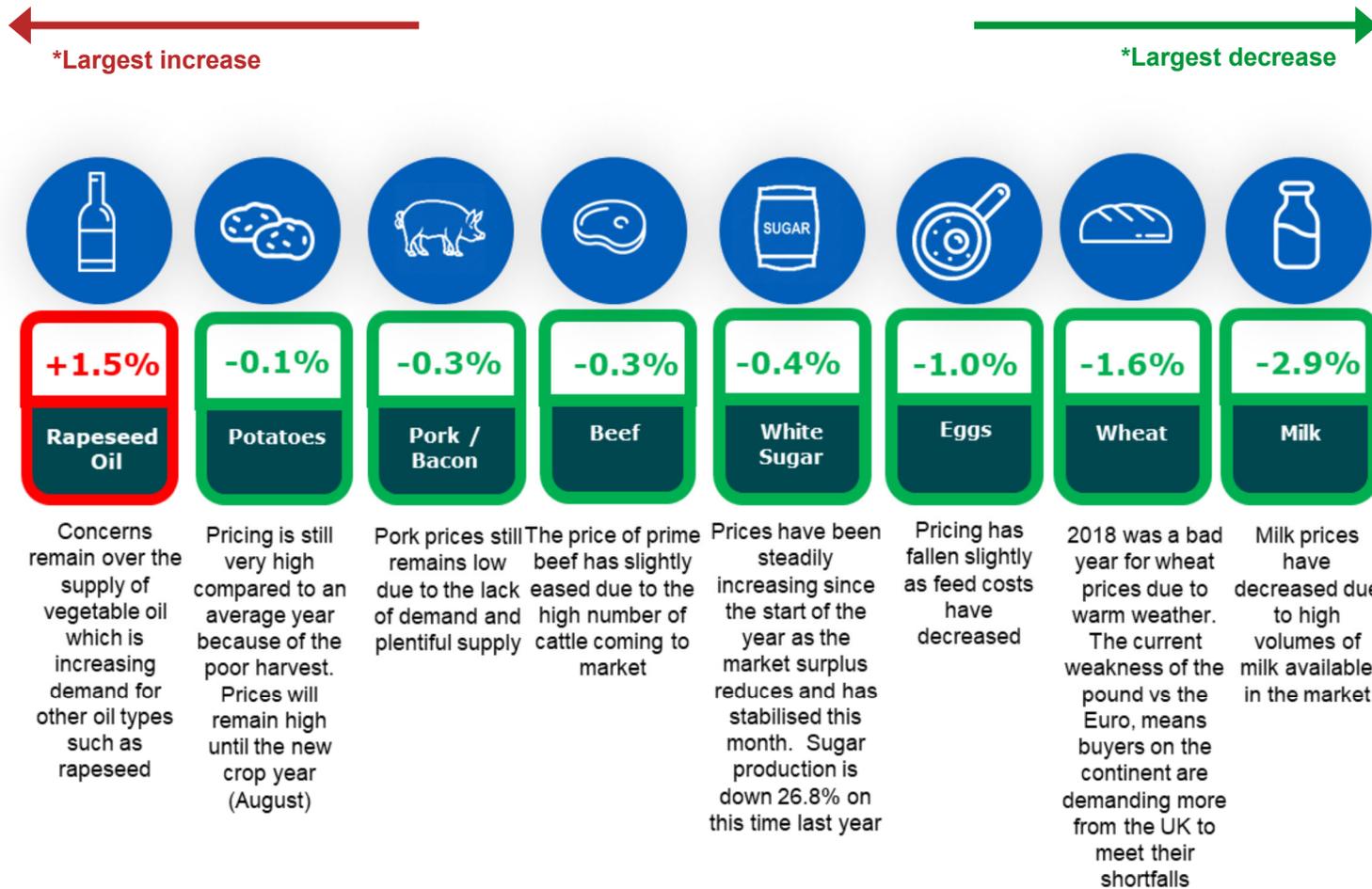
Price Watch - March 2019

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..



Meat and poultry

Pork – Pork pricing remains stable as supply is meeting demand. EU pork production has increased 2% year on year (YOY) however, supply is expected to reduce due to sow (female pig) fertility issues caused by last summer’s draught. Last year a dead boar in Belgium was found to have African swine flu, causing widespread concern as African swine flu effects both boars and pigs. Further cases have now been reported, so European countries are putting in place precautionary measures to control the spread of the disease. Denmark is a large producer of pork, producing 28 million pigs every year. To protect its industry, the Danish government has announced plans to build a wall on the border with Germany to prevent infected wild boars entering the country. France is even utilising its army to support in helping hunters cull wild boars on their border with Belgium.

Beef – Beef pricing remains stable due to the large quantity of frozen beef in cold stores and the amount of cattle coming to market. Slaughtering numbers in the first two weeks of February were down 400 heads YOY and pricing was down 1.5% YOY.

Lamb – The UK currently exports around 90% of its lamb to European countries. Therefore, if the UK leaves the EU with a ‘no-deal Brexit’, there’s lots of uncertainty around what this would mean for UK sheep farmers and how they would be affected. On top of this, the main UK lambing season runs from February to April, so the number of lambs is rapidly increasing. If a ‘no-deal Brexit’ does happen, there could be more than 4 million lambs in the UK with no market to export to. However, this does mean pricing may reduce. In case of a ‘no-deal Brexit’, the National Farmers’ Union of England and Wales (NFU) have proposed the government provide funding to farmers to prevent a mass slaughtering of animals. Otherwise farmers would have to choose between killing stock or continuing to feed until a market is found for export.

Beef post Brexit – Post Brexit, the UK will no longer be required to adhere to EU standards on the use of antibiotics, modified crops, herbicides and pesticides. To agree a trade deal with the US and grow the demand for UK beef, US agricultural lobby groups are challenging the UK to align to US standards and allow the sale of hormone fed beef. This is when a growth hormone is inserted into a calf to aid in growth rates and feed efficiency, resulting in 10-20% higher daily growth gains. This is currently banned in the EU and the decision to permit it post Brexit is causing a concern for UK farmers as produce will be poorer quality and will reduce pricing. This will put farmers who choose not to use the growth hormone at a disadvantage.



Dairy

Milk – Milk prices continue to decrease this month after production levels reached a 25-year high in December 2018. Supply and production were impacted less than originally expected during the droughts last summer, leaving milk processors with the largest output in several years. This has meant prices have reduced in order to shift produce. Muller, one of the largest milk processors in the UK, reduced their milk price by 4.4% in their March farmgate pricing, their lowest price in March for many years. It is expected that other milk processors will follow suit, fuelling further price decreases as of the 1 of April.

Spring Flush

As we head into spring, milk production enters what is known to dairy farmers as the ‘spring flush’. This is the time of year when the weather has improved, grass is growing, and farmers are able to put herds back on the fields. Feeding on grass and longer daylight hours means a reduction in the cost of feed, and an increase to milk yields, resulting in further price decreases into the summer months. Prices then tend to increase come October, when cows are taken back inside and winter feed is used. With high levels of milk supply, it is expected the spring flush will add to this and continue to drive prices even further. If supply continues to exceed demand, we could see some of the lowest milk prices this summer.



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UK Wholesale Dairy Prices

£/tonne	Jan-19	Feb-19	MOM (%)	Feb-18	YOY (%)
Bulk cream	1,710	1,610	-6%	1,850	-13%
Butter	3,900	3,680	-6%	4,300	-14%
Skimmed Milk Powder	1,670	1,690	1%	1,130	50%
Mild cheddar	2,880	2,880	0%	2,925	-2%

Source: AHDB Dairy

Fruit and vegetables

The fruit and vegetable market is extremely volatile all year round, but especially during colder months. During winter, a significant amount of our fruit and vegetable supply comes from warmer European countries like Spain, however, the weather is still unpredictable and the supply and quality can be impacted. In the event supply is impacted, we will provide alternatives via Price Watch so you can adapt menus and avoid paying higher prices.

Cauliflower – Cauliflower is available in really good quality. Mashed, cheesy, buttered, or plain, cauliflower is a favourite vegetable for many. Try and incorporate it into your menus.

Pears – The new season of ‘Conference’ and ‘Williams’ pears from Holland and South Africa are looking to be of good quality and size.

Swedes – Swedes are one of the few root vegetables not impacted by last summer’s droughts. Supply of swedes from the UK is good, so wherever possible, try to use swede in your menus.

Parsnips – Parsnips are a great substitute for potatoes and they’re in good supply and excellent quality due to the recent sunny weather in the UK.

Tomatoes – There is a slight improvement in the availability and quality of tomatoes, particularly from the Canary Islands. However, there are some issues with beef tomatoes. Supply is limited and produce is smaller than usual and poorer in quality. We will continue to monitor this situation as volumes are likely to remain low for the next couple of weeks.

Strawberries – Yields from Spanish strawberry crops are down due to poor weather conditions. Huelva in Spain is the best and largest European strawberry producer, however they had heavy rains during the planting stage

which may lead to reduced availability and poorer quality produce. As the weather improves, so should availability.

Peppers, cucumbers, potatoes and onions – The cold weather in Spain has slowed down the maturity process of peppers and as a result, they’re not colouring evenly so you may notice hints of green on red and yellow peppers. Availability of cucumbers is reducing, and quality remains challenging, which is impacting shelf life. There are ongoing quality issues with potatoes due to the season’s poor harvest, and the new season doesn’t begin until August. As we get closer to the end of the season, availability and quality will continue to suffer. The hot summer last year is also still impacting the availability and quality of onions and we are currently monitoring sizing issues.



Confectionery at Easter

Easter offers a fantastic opportunity to drive incremental sales on retail confectionery and this year Easter Sunday falls on the 21 of April. The January and New Year health drives have now faded, and the majority of consumers are wanting to see sweet and indulgent treats. Consumers often prefer purchasing products that aren't available to buy all year round, and the good news is that they're willing to pay a premium. So make sure you are selling Easter confectionery to drive incremental sales.

Overall, growth of the confectionery category is flat, however Easter bucks the trend and year on year (YOY) we are seeing volumes increase. In 2018, sales of Easter confectionery increased 14% YOY. The majority of this was driven by sales of the Cadbury Crème egg, the number one Easter product, and mini eggs.

Plan ahead

Remember to plan ahead – products will fly off the shelf in the run up to Easter, but once Easter has passed, it will be difficult to sell any remaining stock, so make sure you plan carefully.

Try placing Easter confectionery at till points to inspire impulse decisions



Fish and seafood



Cod – Although February saw fishermen and boats returning to the seas, 2019 quota reductions are impacting pricing. Usually we would expect price decreases at this time of year based on increased supply, but in the short-term experts predict cod prices will remain high.

Some **farmed fish species** such as sea bass and salmon, as well as some wild caught species such as mackerel and monkfish, have reduced in price by up to 10% month on month (MOM).

Haddock – We are beginning to move out of the haddock season, and although prices currently remain stable, we suggest switching to some of the great defrosted lines to mitigate any risk around availability and price increases.

Salmon and trout – Salmon typically becomes more popular in the run up to Easter. This time last year, salmon reached a 12-year price high, with increases of up to 40% year on year (YOY). The market hasn't fully recovered since, so be cautious with menu planning going into April. Trout is a great alternative to salmon. The price of sea-reared trout has reduced around 8% MOM, however the pricing pattern of sea-reared trout tends to follow that of salmon so may increase in the coming month. The price of Chalk Stream trout has increased by around 5% MOM due to feed production moving from the UK to the continent. However, Chalk Stream is still priced more competitively than salmon and sea-reared trout.



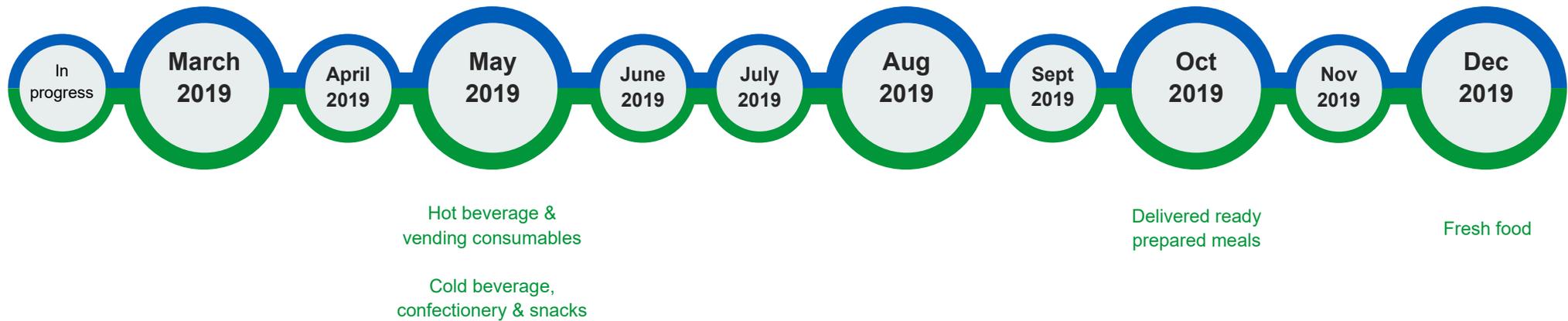
Update on Marine Conservation Society (MCS) ratings

We'd like to highlight it's that time of the year again when the MCS ratings are in the process of being reviewed. These are scheduled to be released in March and we'll have an update for you in the next edition of Price Watch.

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 & vending solutions
- Delivered ready prepared meals
- Multi-temperature distribution
- Multi-temperature products
- Fresh food



Key:

- █ Sourcing commences
- █ Anticipated implementation

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