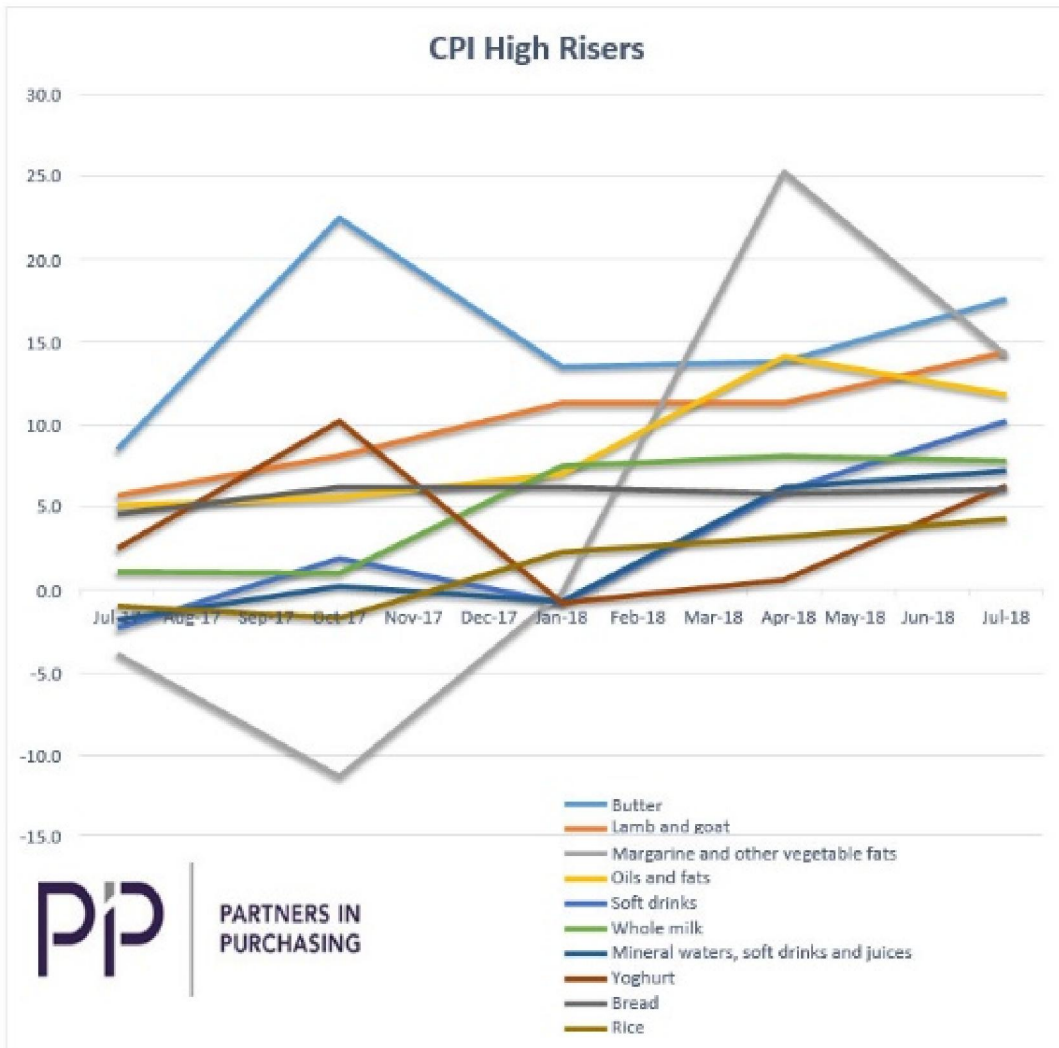


CATERING MARKET REPORT – AUGUST 2018

viewpoint



Empowering
smarter
buying decisions.



CPI Annual Percentage Variances	
CPI (overall index)	2.5%
Categories with the highest percentage rises	Jul-18
Butter	17.6
Lamb and goat	14.4
Margarine and other vegetable fats	14.2
Oils and fats	11.8
Soft drinks	10.2
Whole milk	7.8
Mineral waters, soft drinks and juices	7.2
Yoghurt	6.3
Bread	6.1
Other preserved or processed fish	5.4
Rice	4.3

In The News

- **British Pork**
 - Taiwan has given approval for the importing of British pork in a deal that could be worth £50m over five years.
- **Chinese buyers explore opportunities to trade with the UK**
 - Chinese cereal buyers have made a special visit to the UK to explore new opportunities for importing wheat and barley into China.
- **Salmonella outbreak linked to ready-to-eat cucumber**
 - A recent outbreak of salmonella in the UK and Europe that has made 147 people ill has been linked to ready-to-eat meals containing cucumber, according to European health officials.
- **2018 The state of world fisheries and aquaculture – (An extract from the review)**
 - Between 1961 and 2016, the average annual increase in global food fish consumption² (3.2 percent) outpaced population growth (1.6 percent) and exceeded that of meat from all terrestrial animals combined (2.8 percent). In per capita terms, food fish consumption grew from 9.0 kg in 1961 to 20.2 kg in 2015, at an average rate of about 1.5 percent per year. Preliminary estimates for 2016 and 2017 point to further growth to about 20.3 and 20.5 kg, respectively.

Source: Food Manufacturer – AHDB – FAO

Commodity News

BUTTER: BUTTER PRICE HITS RECORD SEASONAL HIGH

CPI – Butter for July is 17.6%

Butter prices have hit a record seasonal high after milk production grew at a slower rate

than buyers anticipated.

In the 13 months since March 2017, UK wholesale butter prices have reached record seasonal highs every month, according to AHDB Dairy.

Although they remain well short of the overall peak of more than £6,000/t in August and September last year, the price for April hit £4,660/t. That is an increase of £935, or 25%, on year-earlier figures, when prices were at about £3,725/t in April 2017.

AHDB senior analyst Patty Clayton said there was concern in the market about supply levels, with stocks still tight and milk production growing at a slower rate than anticipated.

"Earlier in the year there was an expectation milk supply would increase," said Ms Clayton. "But this hasn't been the case – mainly because of the poor start to the growing season. "This is causing a nervousness among the buyers and pushing up prices as they compete for stocks."

Source: Farmers Weekly, AHDB

PIP – In recent years there have been many studies that have questioned the link between saturated fat and heart disease. Trend analysts have suggested that consumers had returned to using butter instead of margarines. Note that the NHS website state that the UK guidelines remain unchanged at no more than 30g per day for the average man and 20g per day for the average woman; they don't explain how you determine how average one is!

In addition, in 2015/16 there was an oversupply and the EU lifted the dairy quotas and imposed a ban on Russian food imports, plus China's market declined causing prices plummet which subsequently many UK and European dairy farmers went out of business. We now have to deal with the consequences of those policies.

LAMB: LAMB STORE PRICE DOWN YEAR-ON-YEAR

CPI - Lamb & Goat for July is 14.4%

Since the start of June average *store lamb* prices have trended below last year, and from the end of June have been below 2016 levels. In the week ended 28 July the England and Wales NSL store lamb price averaged at £56.10/head, with throughputs recorded at just under 15,000 head. The top price received was almost double this.

One potential reason for lower prices this year could be the finish level of the lambs being sold, with the weather making finishing trickier than usual at the current time. Reports have also suggested some buyers are being cautious due to concerns about the availability of keep during the autumn and into winter.

* Store Lamb definition: Lambs not sold during the summer for slaughter

Source: AHDB

PIP – One would think that the fact that "store" lamb prices are down it might have an effect of lowering prices in the coming months, but we doubt that this will happen.

Due to the EU quotas, New Zealand appears to be favouring Asia as their preferred market. According to AHDB N.Z. has shipped 28,600 tonnes, product weight, (-5% year-on-year) to the UK, its main European trading partner. On the other hand, China received 94,700 tonnes over the same period, a 9% increase over last year's volume.

OIL AND FATS: EUROPE-WIDE HEATWAVE DRIVES RAPESEED YIELDS DOWN, PRICES UP
CPI - Oils and Fats for July is 11.8%

The summer heatwave in Europe is threatening the region's rapeseed crops and is expected to lead to a significantly smaller harvest than previously forecast and higher rapeseed prices.

In France and Germany, and outside the EU in Ukraine, rapeseed crop yields and in some cases oil content were expected to be low.

Based on data from Agrarmarkt-Informationsgesellschaft (AMI), the yield decline could range from 10% to 40%, depending on the region, and market observers were expecting Germany to see the smallest rapeseed harvest in 10 years.

German post-farm rapeseed prices for the 2018 crop had already increased substantially since the beginning of July. Rapeseed prices had increased by 6% since hitting this year's lowest point at the end of April due to the expected disappointing harvests in Europe.

Source: Oils and Fats International

PIP – We previously reported in April that poor soybean output in Argentina and increased biofuel usage were factors for the 9% CPI. Now there is additional pressure on prices with the poor rapeseed yields.

RICE:

CPI - Rice for July is 4.3%

Stocks in the five major rice exporters are at their lowest level to world rice trade in the last six decades, and world rice trade is trending higher.

Two major rice exporters have disastrously low levels of water resources per capita: India and Pakistan. Their water metrics are dropping by 1 percent to 2 percent per year. That is a dire trend over the next two decades.

China has 65 percent of the world's rice stocks now, and apparently has been piling up rice for the last 11 years. Apparently because technically grain stocks are a military secret there.

Rice: Monthly Price



Source: Delta Farm Press, Index Mundi (Graph)

PIP – According to the FAO rice price update Index, international prices in the first seven months of 2018 were 14.5 % above their corresponding levels in 2017, although they also state that it registered its first tangible decrease since October 2016.

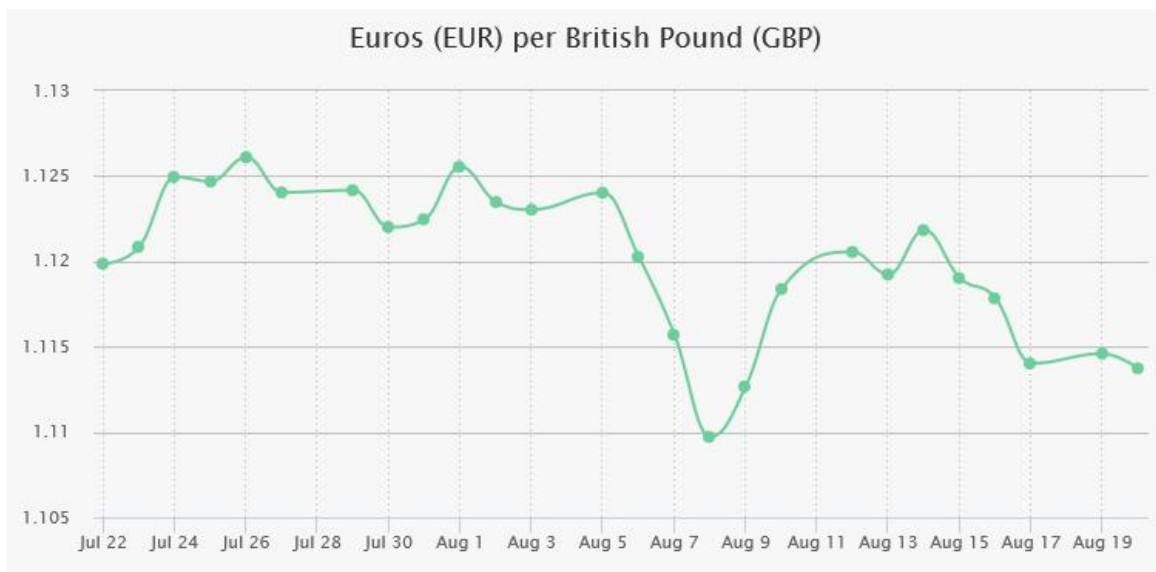
GREEN GROCERY: HEATWAVE PUSHES UP UK FRUIT AND VEGETABLE PRICES AS YIELDS FALL **CPI – Fresh or Chilled Fruit for July is 4.0%, Vegetables – 1.2%**

Weeks of warm dry weather have taken their toll on fruit and vegetable growers. Parts of England have had no rain for more than 50 days, and the Agricultural and Horticultural Development Board has said it is the driest run-up to harvest in 80 years. Many plants stop growing once temperatures top 25c and crops without irrigation are especially struggling.

- **Lettuces** Average wholesale prices for lettuce are up nearly 22% year on year
- **Carrots** Yields are expected to be at least 30% down as low rainfall and heat affect crops. Average wholesale prices are up nearly 55% as a result, according to reports in the Grocer magazine.
- **Onions** Wholesale prices are up nearly 55% year on year, and the UK's crop is expected to be 25% smaller this year.
- **Broccoli and cauliflower** Severe shortages are expected as both crops have stopped growing in the heat. Prices of British caulis have surged 81% and broccoli is up by 37%
- **Arable crops** Barley planted in the spring, much of which goes to the brewing industry, has been severely affected. It was planted late because of bad weather earlier in the year and has "barely known rain" since, according to the NFU's Guy Smith.

Source: The Guardian, The Grocer, NFU, AHDB

PIP – With the home grown green grocery products suffering due to the excessive heat and the poor Euro Sterling exchange rate prices will surely be higher in the coming months.



Graph: exchange-rates.org