CREED

THE FOODSERVICE COMPANY

COMMODITY REPORT
AUTUMN 2021

REPORT OVERVIEW

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Outlook

This report will give more context to the key challenges currently facing the industry and affecting every part of the supply chain that is dependent on product:

1. **PHYSICAL AVAILABILITY OF STOCK** – *Food shortages 'worst we have seen'*
2. **ISSUES WITH GOODS / RAW MATERIALS + ASSOCIATED SHIPPING COSTS** - *witnessing 'stratospheric' freight rates and shipping lines*
3. **SHORTAGE OF DRIVERS TO DISTRIBUTE FROM PORT TO THE UK NETWORK** - *600 drivers leaving the industry every week*
4. **UNCERTAINTY OF RECEIVING STOCK DUE TO ONGOING COVID-19 RESTRICTIONS** – *'Big chaos' – Demand significantly outstripping supply*
5. **COVID-19 RELATED ABSENCES + RISING WAGES + EMPLOYEE TURNOVER** - *UK job vacancies climb above 1 million for the first time ever*
6. **ENERGY PRICES HIT RECORD HIGHS** – *This year Gas and Electricity has risen 342% and 197% respectively*
7. **PETROL AND DIESEL HAVE REACHED AN EIGHT-YEAR HIGH** – *At Creed, we have seen a 20% increase a litre in fuel*
8. **INFLATION RATE AT 3.2%** - *Price rises have seen the biggest jump since records began in 1997*

All these issues are impacting the entirety of the global network and **IN ADDITION** to the general cost of commodities, of which, the vast majority are rising.

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AUTUMN 2021

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In the headlines...

From coffee to microchips – how the supply chain crisis is disrupting UK plc
The Guardian

McDonald's runs out of milkshakes in England, Scotland and Wales
BBC

Not enough turkeys for Christmas due to Brexit, poultry producers warn
The Guardian

Disruption from UK's truck driver shortage to deepen, warns logistics boss
FINANCIAL TIMES

Food shortages worst I have seen, says supermarket chief
THE TIMES

UK online shopping boom fuels cardboard shortage as households hoard boxes
The Guardian

UK recovery slows due to staff shortages and supply chain issues
FINANCIAL TIMES

UK inflation in record August jump as food and drink prices rise
The Guardian

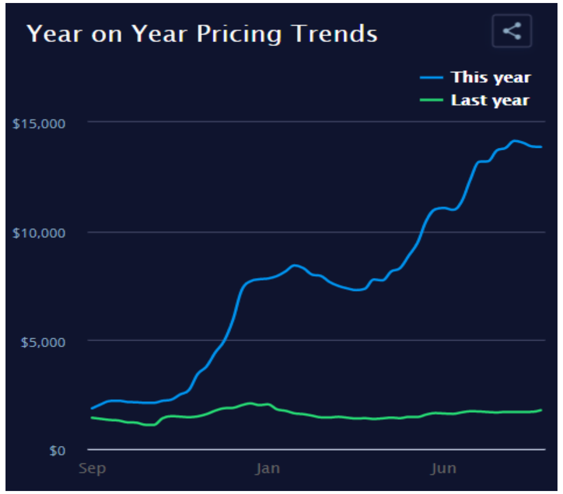
Shipping

There's a 'meltdown of the container shipping market' coming as cargo piles up before peak season hits. The "stratospheric" freight rates and shipping lines' huge Q2 profits have been criticised by cargo owners, and a new report claims the carrier alliances are "suppressing" cargo.

Operating costs per container have "barely changed" over the past 18 months, with carriers "earning more than twice per container than at the start of the pandemic. "What none of the industry metrics show are the huge numbers of shipments not being moved – boxes left on the quay, stacked in the terminal or stockpiled in export warehouses awaiting a slot."

With temporary lockdowns, ad hoc port closures, crew change issues, shipyard delays, etc, a number of carriers stated that they would have to deploy some 20% more tonnage to carry a similar amount of cargo as in 'normal' times. This is evidenced by many Asia to Europe services which would typically run on 11 or 12 ships, but currently need 13 or 14 vessels to ensue weekly departures.

The blame for the industry's problems is being directed at container ports, claiming the extra supply was being wasted by terminal congestion and poor port performance. "A supply equivalent to the global fleet of the world's biggest ships is being effectively squandered by vessels being forced to waste time in port congestion queues," it said. "Shipping Australia urges shippers to direct their lobbying efforts to where it is truly needed – at port congestion and poor performance."



Transport – Air Freight

Forwarders are predicting ‘big chaos’ and very high rates in the coming air peak season, as issues combine, leading to demand significantly outstripping supply.

Shippers are scrambling for air freight capacity amid tightening restrictions in China and severe port congestion all over the world – leading to a backlog ahead of the peak season.

One source told The Loadstar the market could “collapse” if the situation went unchanged, the next two weeks are pivotal as the major retailers find themselves “hoovering-up capacity” to get their Autumn/Winter ranges to market, leaving smaller firms floundering. Pricing has now moved to spot rates rather than fixed rates with some routes seeing increases of $13 per kg in the last 2 weeks. An indication on how big this is, is in 2019 the average on that route was $3.49 pr kg, this has pushed it up to $16.49 per kg, a 407% increase!

Transport – Brexit

The UK government appears to have conceded that the queues of lorries looking to cross the Channel are not Brexit “teething problems”, but are in fact here to stay. As a result, it has expanded emergency powers to handle the queues into a permanent protocol.

Despite the misery of residents in the area, ‘Operation Brock’, a system designed to cope with up to 13,000 lorries, is to be extended past its original end date of October. Under the contingency plan, part of the eastbound M20 – the main artery to Dover and the Channel Tunnel – is closed to normal traffic and available exclusively for lorries.

COMMODITY REPORT

AUTUMN 2021

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Driver Shortages

We are well aware now of the driver shortages around the UK. Issues including the lack of new drivers, the retirement of drivers, IR35 tax rule changes, EU nationals leaving the UK post Brexit or not returning after the pandemic, poor working conditions and low pay. The big issue is how it is going to be remedied.

Companies are now paying more, a lot more, 40% increases in some cases. The temporary extension to driver hours, which initially ran for four weeks until 8 August was then extended to 3 October. With summer holidays this has not really helped and things have actually worsened with 600 drivers leaving the industry every week. The UK Government is putting apprenticeship schemes in place.

Plans to streamline the process for new drivers to gain their HGV licence are being set out. Predictions are that it would still take 18 months to 2 years to fill the current gap.

Recruitment Issues

UK job vacancies climb above 1 million for the first time ever

Research conducted by the Institute of Directors has found that 44% of businesses are currently struggling to recruit the staff they need. When asked how employers with hard-to-fill vacancies will deal with these vacancies, 44% said they would upskill existing staff, 26% said they would hire more apprentices and 23% said they would raise wages which in turn means increasing prices for the products they sell.

Along with the severe driver shortages, the UK is seeing shortages in farming, hospitality, nursing, welders, butchers and bricklayers and all of these groups are lobbying the UK Government to get these jobs added to the Shortage Occupation List, so they can bring in non UK staff to ease the issues as they did pre-Brexit.

James Reed, chairman of Reed, one of the UK's biggest recruitment sites, told Radio 4's PM programme that the pay for jobs in hospitality and catering had gone up 18% on the jobs advertised on their sites, and 14% for all jobs paying £25,000 or less.

COMMODITY REPORT

AUTUMN 2021

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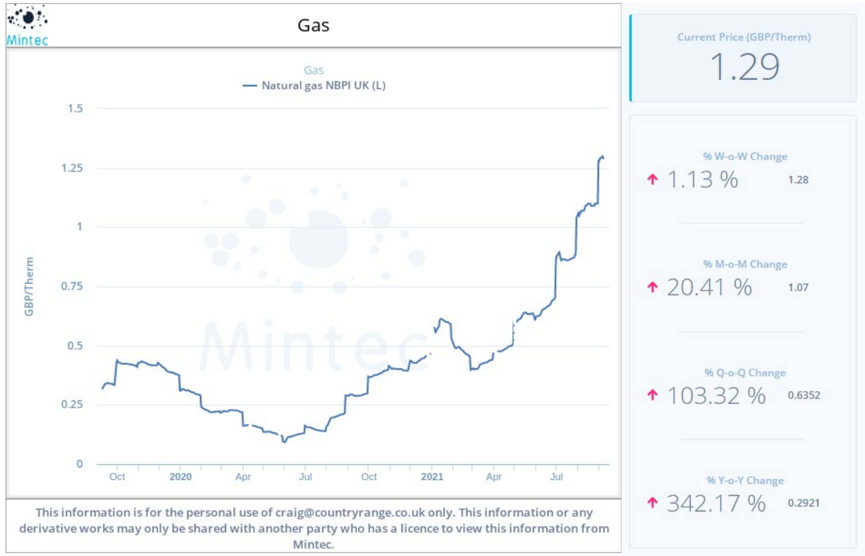
Energy Costs

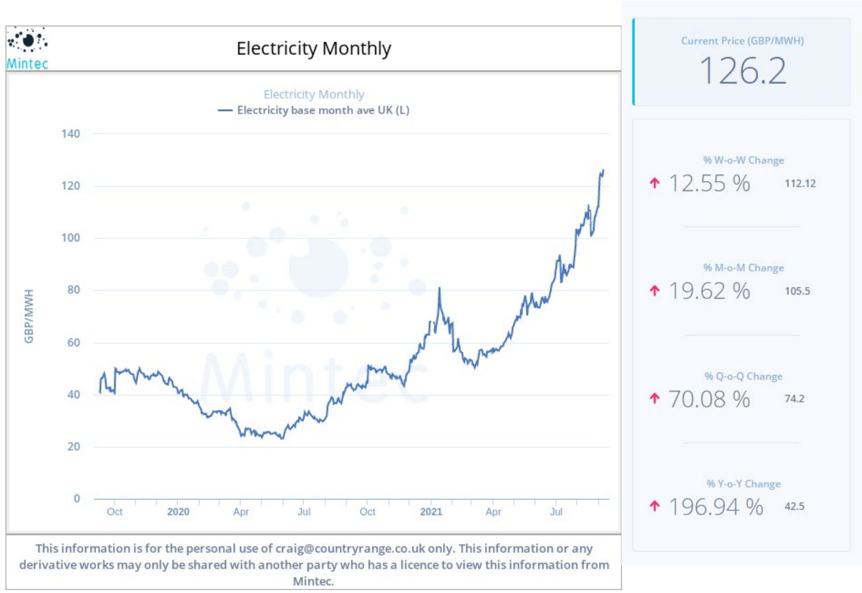
Energy prices across Northwest Europe have hit record highs, due to reduced supply from Europe's two largest gas pipeline suppliers Russia and Norway. With Gas prices rising 342% this year so far and Electricity rising 197% this year so far.

Norwegian production has been relatively lower in Q2/Q3 2021, due to major maintenance on assets and infrastructure. Maintenance that had previously been scheduled in 2020, was postponed as a result of COVID-19 and is now playing a crucial role in trade dynamics across Europe.

Furthermore, Russian flows via Ukraine have fallen in 2021 compared to levels in Q4 2020 and the decline was viewed as a political move to ensure the completion and operation of the Nordstream 2 pipeline. This seems to have worked as the last piece was completed this week (6th September 21), Gas supply to Germany is expected to begin in October which hopefully will ease some of the pricing later in the year once fully on line.

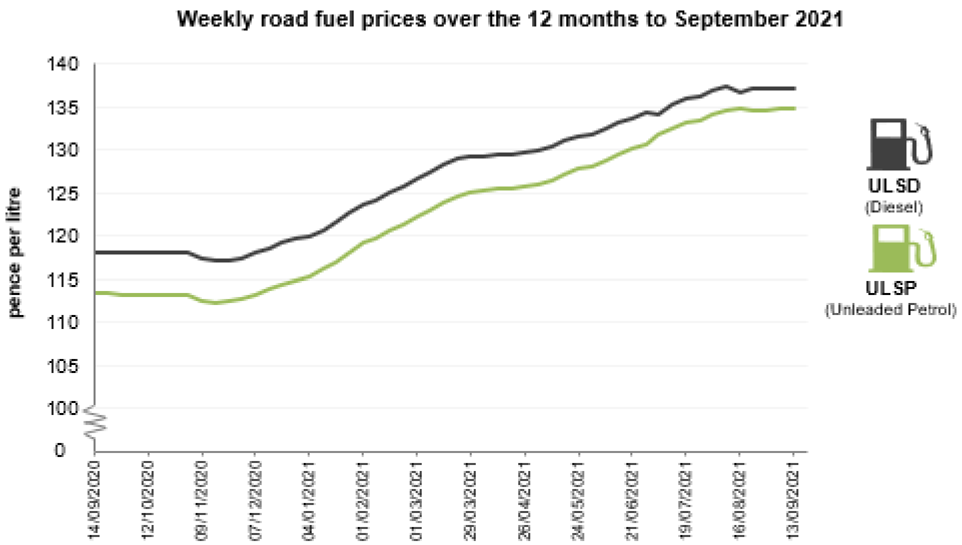
UK power plants have been struggling with unplanned outages and wind farms not getting enough wind to create enough power to maintain the grid. Combine this with the high cost of natural gas, which is used to power most of the UK electricity plants, and it has forced EDF to turn back on the coal powered site in West Burton for the first time since March, this site is due to be decommissioned in 2024.





COMMODITY REPORT

AUTUMN 2021



Fuel Costs

Petrol prices at eight-year high, says RAC

August 4, 2021

Petrol prices have reached an eight-year high after nine straight months of rises, according to the RAC. The group said the average price of a litre of petrol is now 135.13p, a level not seen since September 2013, as rising oil prices push up fuel costs.

Diesel now costs an average of 137.06p a litre, its highest price since 2014.

"Prices really are only going one way at the moment - and that's not the way drivers want to see them going," warned RAC fuel spokesman Simon Williams. The latest RAC Fuel Watch figures show that another 3.4p was added to a litre of petrol in July, the largest rise in the price of unleaded since January, while diesel climbed 2.7p a litre. That meant last month was the most expensive July to fill up with petrol since 2013, and for diesel since 2014.

A driver filling up a petrol car with a 55-litre tank now pays on average £3.08 more than at the start of June, and £11.47 more than a year ago. For diesel drivers filling a similarly-sized tank, it now costs £2.90 more than at the start of June, and £10.46 more than it did at the end of July 2020.

Source: BBC

At Creed, our Transport team are paying over 20% more for fuel Vs Autumn of 2019

Across 3 depots combined, we use 7,000 litres of fuel a day

COMMODITY REPORT

AUTUMN 2021

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Subsequent Costs Affecting Creed Foodservice

PEOPLE

9%	Driver Salaries
4.5%	Warehouse Salaries
5-15%	Agency Drivers

- **Agency drivers** – increase YoY. We have seen a huge increase in the use of agency due driver shortage in recruitment
- **Training costs** – 4 weeks to train drivers and 2 weeks to train pickers, plus initial reduced efficiency levels
- **Turnover cost –** Normal is 2/10 employee turnover. Now around 4/10. Includes cost for inductions and training
- **Ongoing training** – Ongoing to train HGV drivers and pay for them to upgrade their 'class'. Approx. £1.5k per driver
- **Driver type** – Recruited more vans and van drivers due to difficulty in sourcing HGV drivers. Results in lower vehicle fill and increase delivery cost

TRANSPORT

22%	Per litre of fuel
5%	Couriers
24%	Cages
3-20%	Vehicle Hire
8%	Lease Cost – new vehicles
2%	Lease Cost – current vehicles

- **Couriers** – Usage has increased due to lack of drivers and vehicles
- **Vehicle hire** – Dependent on supplier and availability

ESTABLISHMENT

9%	Electricity
4%	Gas
14%	Water
10%	Waste Collection

% Increase

COMMODITY REPORT

AUTUMN 2021

Read more about the UK CO_2 Shortage HERE:

UK CO2 Shortage

WHAT IS HAPPENING?

- CO2 is used in various ways within the food industry, such as carbonating beverages, packaging meats and keeping food fresh during transport.
- There is currently the threat of a UK supply shortage, much like we saw in 2018 but for different reasons.

WHY IS THERE A SHORTAGE?

- There are five major suppliers of CO2 in the UK who produce CO2 as a by-product while manufacturing fertilisers.
- Two of these five suppliers have closed their factories and stopped fertiliser production due to the large increase in natural gas prices – something that is required for them to function.
- There are now calls for the UK Government to intervene, to put in place limits of the cost of wholesale gas supply.

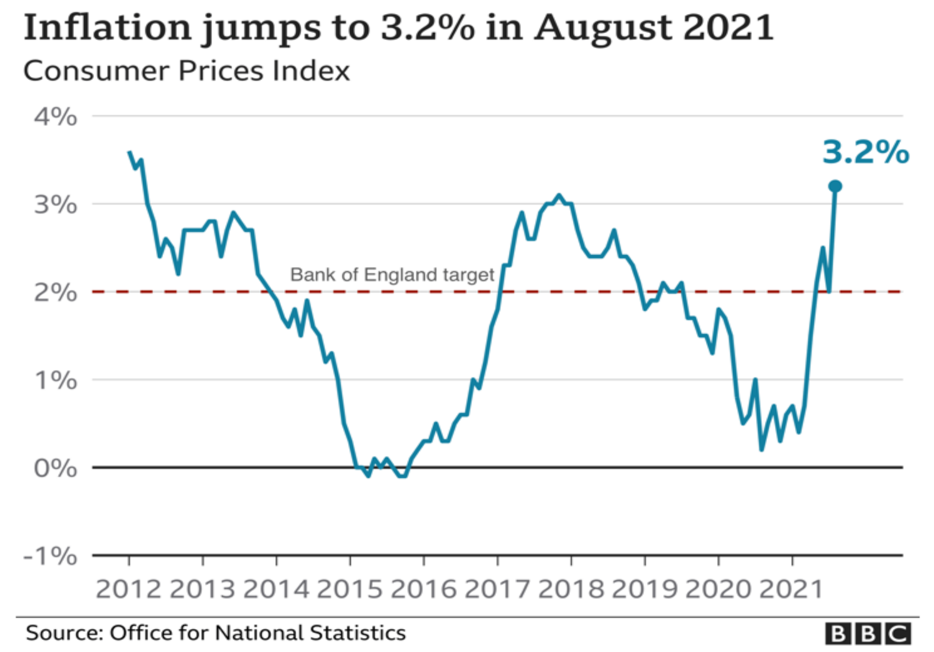
WHAT HAPPENS NEXT?

- We do not use CO2 for packaging Creed Family Butchers products, however, CO2 is used in the slaughter of Pigs and Chickens, so there could potentially be an impact down the line. Currently, things are ok.
- Initial conversations with soft drinks suppliers are very top line:
  - Many smaller suppliers are already experiencing supply issues due to production restrictions and haulage challenges, so realistically any impact of a CO2 shortage will likely not be noticed.
  - Larger soft drinks suppliers are currently reviewing stocks, production schedules and CO2 reserves. Many did learn from the issues they faced in 2018 (Britvic subsequently purchased their own CO2 facility), however, we will likely see similar changes, such as the temporary reduction in range so they can focus production on faster moving SKUs.
  - This will only effect carbonated products. Your customers can always switch out of these into still products to ensure they have an offering for their end users (E.G, Moving Tango Orange to Robinsons Peach And Mango Still)
- The UK Government are due to issue a statement regarding their support later this week.

COMMODITY REPORT

AUTUMN 2021

> “Price rises have seen the biggest jump since records began in 1997 as the economy continued to reopen.”



Inflation Rates

Inflation: Price rises see record jump as food costs soar in August

September 16, 2021

Price rises have seen the biggest jump since records began in 1997 as the economy continued to reopen.

Official figures show that the increase in the cost of living, as measured by the Consumer Prices Index, hit 3.2% in the year to August.

Higher prices in restaurants and for recreation and food were behind the spike, up from 2% the previous month.

The cost of living rose less rapidly in July because of lower clothing and footwear prices.

However, the Office for National Statistics (ONS) urged caution in reading too much into August's price increases, which it described as "temporary".

Eating and drinking out cost more last month in comparison with August last year, when the Eat Out to Help Out Scheme was running and diners got a state-backed 50% discount on meals up to £10 each on Mondays, Tuesdays and Wednesdays.

At the same time, business owners in the hospitality and tourism sectors received a VAT discount, designed to help some of the industries worst hit by the pandemic.

Source: BBC

KEY COMMODITY PRICING

FISH & SEAFOOD	Tuna	Stable
FISH & SEAFOOD	Salmon	Stable
MEAT & POULTRY	Chicken	Increasing
MEAT & POULTRY	Turkey	Increasing
MEAT & POULTRY	Beef	Increasing
MEAT & POULTRY	Pork	Decreasing
DAIRY	Butter	Stable
DAIRY	Milk Powder	Increasing
DAIRY	Cheese	Stable
DAIRY	Cream	Increasing
DAIRY	Milk	Stable
DRY STORE	Durum Wheat	Increasing
DRY STORE	Wheat	Increasing
DRY STORE	Edible Oils	Increasing
DRY STORE	Pulses	Increasing
DRY STORE	Coffee	Increasing
DRY STORE	Canned Fruit	Increasing
DRY STORE	Other Canned Goods	Increasing
FRUIT & VEG	Potatoes	Increasing
NON-FOOD	General	Increasing
NON-FOOD	Christmas Crackers	Increasing

Increasing

Stable

Decreasing

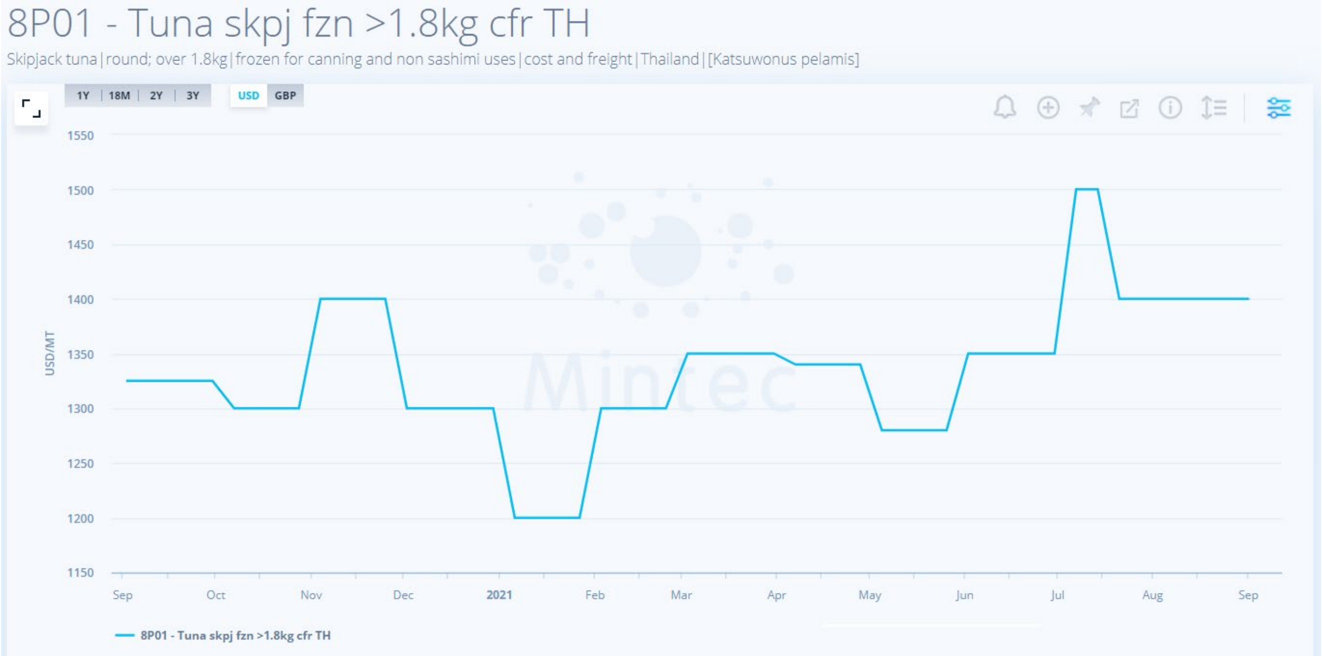
FISH & SEAFOOD

Salmon (Canned)

The Pink Salmon harvest will be up versus last year and up versus forecast this year, although the fish are smaller this year. These harvest numbers are normal as pink salmon harvests go through a high year followed by a low year in terms of quantity available. Red Salmon numbers looks pretty average this year. Actual quotes/prices are still to be determined.

Tuna (Canned)

Skipjack tuna prices have been pretty steady over the last 12 months and have moved by around 5% year on year. The market is pretty flat although recent reports are suggesting that prices in Ecuador have moved up by around €250 per tonne in recent weeks, although there has been a much smaller increase in Bangkok, which is the main price benchmark for skipjack tuna.



MEAT & POULTRY

Chicken

There are prevalent issues affecting the delivery of chicken (primarily frozen) coming in to the UK, at the moment. The situation is being heavily affected by a number of factors, please see below:

Various lockdowns and significant Covid cases in places like Thailand who are significant exporters of product

Issues with Global container logistics mean that when product does reach the loading port, it's hit and miss whether it makes it on to a vessel. Further issues unloading in the UK and finding a HGV driver to collect the stock.

Needless to say with issues such as the ones stated above, supply is incredibly tight and many contracts are not being fulfilled or replacement stock is having to be bought on the open market, at much higher cost. Unfortunately this is the reality in many areas. High street shops and restaurants have been affected too, such as Greggs and Nando's.

"Now Greggs faces shortage of chicken products amid supply chain crisis because of Brexit and Covid as Tesco becomes latest supermarket to warn of empty shelves at Christmas"

MEAT & POULTRY

“Nando’s forced to shut outlets through Covid-related shortages”

Chicken restaurant chain says it expects closures to be temporary as it seconds staff to suppliers

*Source: **The Guardian***

Richard Griffiths, chief executive of the British Poultry Council, said members had reported a 5 to 10% drop in weekly chicken production because of workforce issues. He told Politics Home: ‘They are currently producing a reduced range of products for UK customers, and are seriously concerned that the supply of staple chicken products will be impacted. When you don’t have people, you have a problem – and this is something we are seeing across the whole supply chain.’

*Source: **The Metro***

MEAT & POULTRY

Turkey

There is a real concern over staff at the moment, particularly in seasonal areas. Many of these roles have traditionally been filled by EU workers. The lack of labour has been caused initially by the Brexit vote and EU workers wishing to work elsewhere and then amplified by Covid-19 and many of these jobs being put on hold.

Labour crisis set to hit festive turkey market

Kevin White

Uncertainty over the labour crisis means poultry processors are expecting a one-fifth reduction in the volume of British turkeys they'll be able to produce this Christmas.

A final decision on the number of birds laid down for this festive period would not be made for another two to three weeks, said British Poultry Council CEO Richard Griffiths.

But based on current staff numbers, the sector was working on the assumption that volumes would be about 20% lower than when supermarket orders were placed at the start of the year, he warned.

"Processors are looking to delay their decisions for as long as possible, but some larger birds are already on the ground," he said. And if nothing changed on the labour front "they won't be able to guarantee the manpower required to slaughter, process, pack and dispatch" the numbers expected at the start of the year, he added.

Volumes could be down 20% on supermarket order levels

The BPC's concerns follow growing uncertainty – across the meat, poultry and wider food sectors – that chronic labour shortages on farms and in factories, coupled with the shortage of hauliers, could escalate mounting food shortages.

It echoes warnings by 2 Sisters Food Group president Ranjit Singh last week that the so-called pingdemic's contribution to labour shortages masked other fundamental issues plaguing the poultry sector.

"This situation reinforces the need for government to look again at the Seasonal Agriculture Workers Scheme and expand it to cover poultry and meat plants in the run-up to Christmas," Griffiths said.

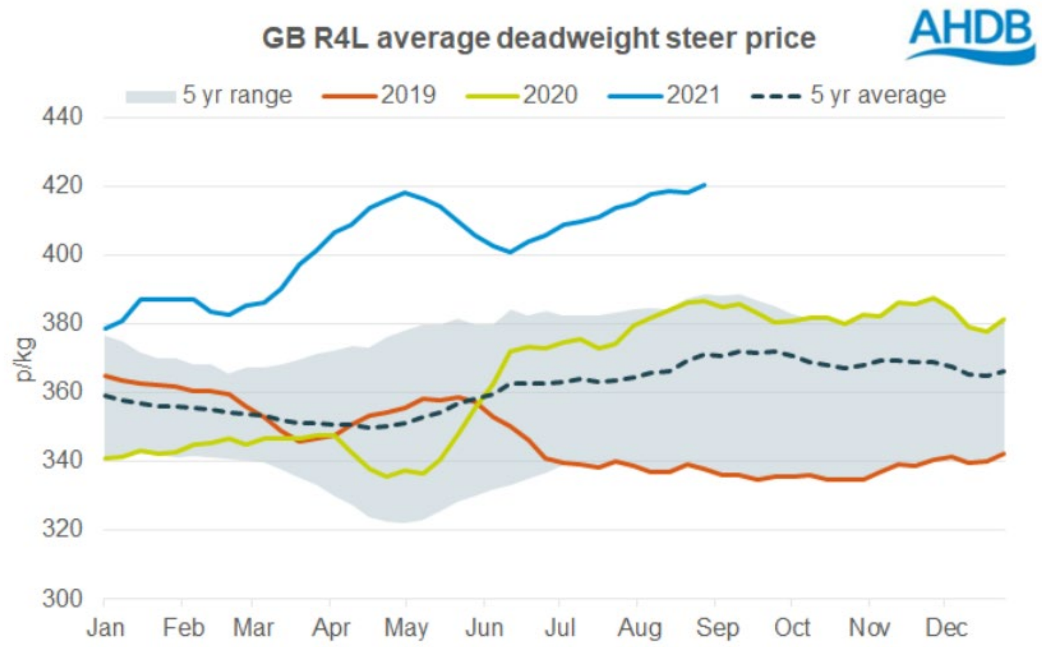
"If nothing is done, the outcome will be fewer British turkeys on shelves," he warned, adding shortages would affect everyone from the big processors to the small turkey farms who supply direct to consumers.

MEAT & POULTRY

Beef

On the contrary, beef prices continue to go in one direction, which is upwards. This is mainly affecting more premium cuts. The main contributing factors are that both retail demand remains strong and wholesale demand has come back with a vengeance, creating additional pressure. In addition supplies are tight.

Data recorded by market analysts Urner Barry showed rising prices over the past couple of months for beef cuts that are "most attractive to restaurants", for example striploins, fillets and rib roasts. Lower valued cuts suitable for mincing and dicing have seen little movement in wholesale price over the past quarter, with retail prices showing similar patterns.



Source: AHDB

MEAT & POULTRY

Pork

One commodity that has held pretty flat if not slightly down, is pork prices. Demand from China was down in August, which is bringing additional supply into the EU market. Naturally, this impacts the UK price too and overall prices are slightly down.

Processing plants are also under pressure, again from a shortage of staff. This is starting to cause a backlog and will affect slaughter numbers. Whilst in the short term, this may mean lower prices, longer term it could mean more volatility due to the increasing number of factors weighing on prices.

EU pig prices continue to fall, putting pressure on the UK market

September 1, 2021

Pig prices have continues to fall across most of the EU over the past month, reflecting insufficient demand, both on domestic and export markets, in the face of higher pig meat production so far this year.

Over the four weeks ending August 22, the EU average reference price decreased by over €6 to just under €145/100kg. This is the lowest level recorded since March. EU pig prices are typically quite stable over the summer months, so the recent falls mean the latest average is now 11% lower than the 5-year average for the time of year, AHDB analyst Bethan Wilkins said.

Prices have fallen in most key producers (except in Poland), but the biggest falls have been in Germany and Spain. The average price in both these nations has dropped by over 10% over the past 4 weeks.

Source: Pig World

DAIRY

Milk Prices

As with many of the product areas in this report, the price is almost secondary at the moment, whilst supplies remain uncertain. There is an article below from The Grocer highlighting the situation on milk in more detail. In terms of pricing, most processors are 'standing on' and keeping prices the same. There are one or two changes, notably Arla with a price reduction from the 1st September. The table to the right shows key updates.

Milk processors 'struggling' to maintain deliveries amid driver shortage

August 5th 2021

North Yorkshire-based milk processor Paynes Dairies has warned it is "struggling" to keep supplies moving as the HGV driver crisis continues to disrupt dairy supply chains.

The supplier's MD Charles Payne told The Grocer the driver shortages that had gripped the food sector in recent months were now "affecting us quite considerably", with the business only making 90% to 95% of its planned deliveries in recent weeks.

Source: The Grocer

Recent Milk Price Updates

Processor	Change	Implementation Period
Crediton Dairy	Unchanged at 30.5ppl	September and October
Saputo	Unchanged at 30.04ppl	Until 31st October 2021
Belton Farm	Unchanged at 29.3ppl	Until 31st October 2021
Barbers	Unchanged at 29.78ppl	Until 31st October 2021
Meadow Foods	Unchanged at 29ppl	Until 31st October 2021
Friesland Campina	Increased to 31.036ppl	Until 30th September 2021
Arla	Reduced to 31.08ppl	Until 30th September 2021
First Milk	Unchanged at 30ppl	Until at least 1st October 2021

DAIRY

Milk Powder

Milk Powder prices have risen over the last few weeks. The demand from China has started to increase dramatically again with their imports up 35% versus last year. The market price for Skimmed Milk Powder sits at around £2100 per tonne compared to the vast majority of last year where prices rarely went above £2000.

Bulk Cream

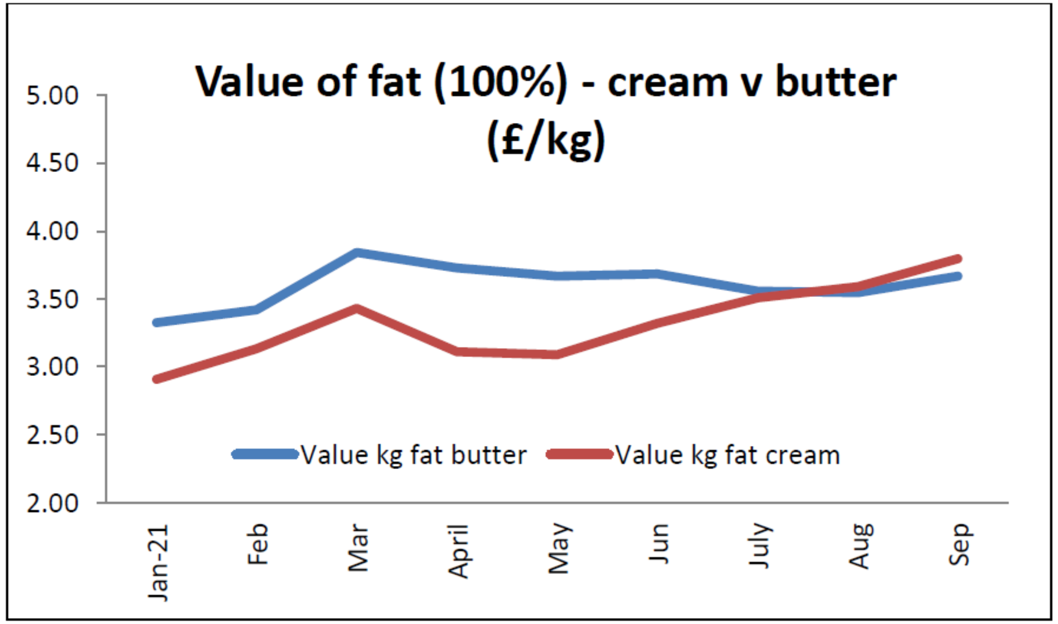
Cream prices are now reaching levels of around £1.65/kg. Prices are much stronger on the continent. We are probably looking at early 2019 since cream prices were at these types of levels. The demand is back for bulk cream and milk output/volumes are a little on the low side, hence the premium being commanded.

DAIRY

Butter

Butter prices are reasonably high, yet stable.

All of the indicators suggest butter prices are probably £250-£350 per tonne lower than they should be. The European prices are reported as anything up to €4350 per tonne, which at the current GBP to Euro rates, suggest UK and Ireland prices should be around the £3750 per tonne mark. But as yet, they are still hovering around £3400 per tonne, so the feeling is there is more upside than downside to pricing, especially with deals to be done and milk volumes down.



DAIRY

Cheese *(Cheddar and Mozzarella)*

Cheddar prices are starting to rise, after a significant period of stability. Mild prices have moved up slightly on the back of less milk volumes and demand continuing to rise as the out of home demand picks up across Europe. Prices have rallied on many other young cheeses such as Gouda and Mild Cheddar is following the same path. Sellers are starting to become more bullish and requesting higher prices. Coloured cheddar remains in short supply.

Mozzarella prices are also rising as expected, with some of the recent months higher milk prices now starting to take effect. With a lot of grated mozzarella imported from the continent also, it remains to be seen how the 1st October Brexit requirement for all meat, eggs, dairy and fish products to have a full mandatory veterinary certificate, potentially impacts supply. This additional requirement may also mean added cost for imported raw material or finished product.

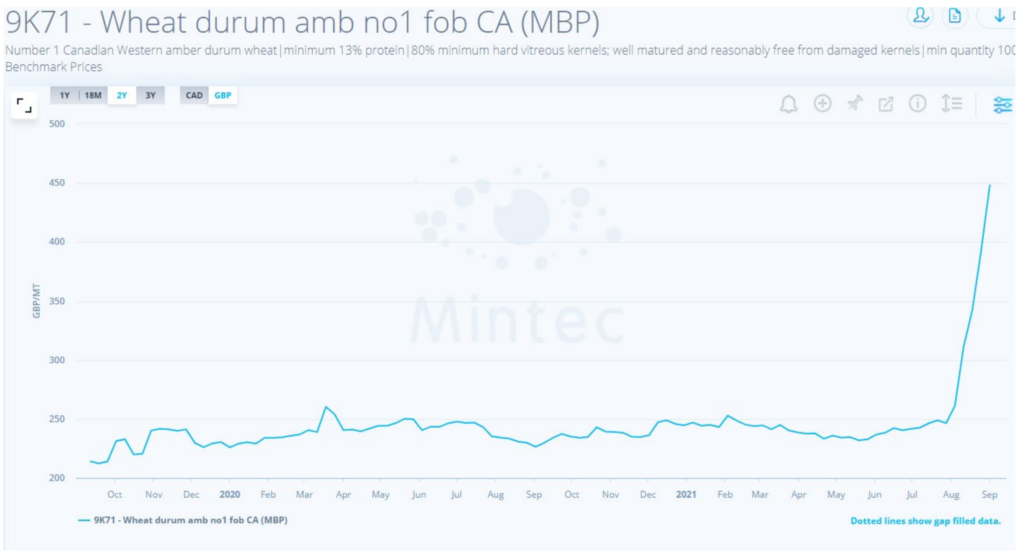
DRY STORE

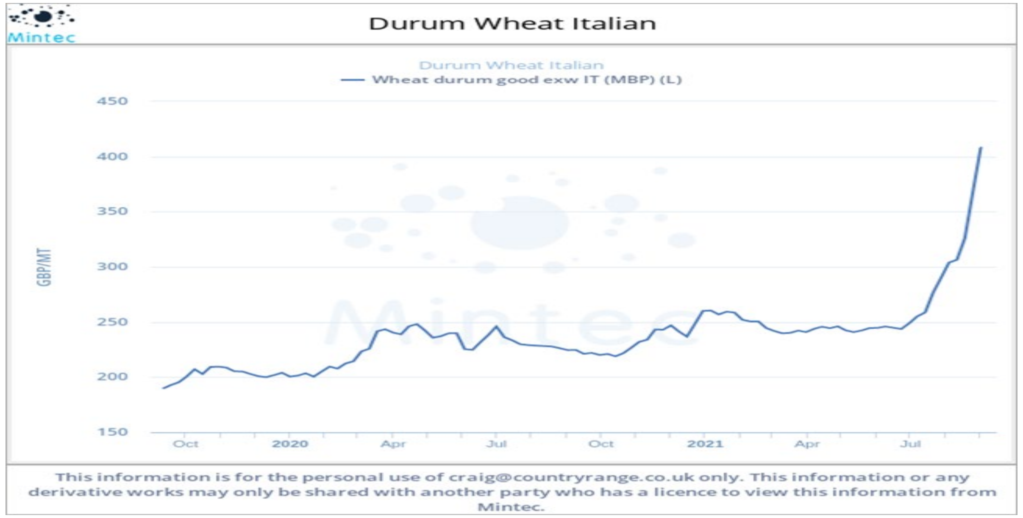
Durum Wheat

These are the highest Durum Wheat prices and the biggest premiums over spring wheat that we have ever witnessed.

Droughts and soaring temperatures have hit US and Canadian crops this year, while in Europe crops have been damaged by heavy rain.

The prices of national durum wheat have thus exceeded, on some markets, 500 Euro/t, compared to an average of 250 Euro/t over the last five years, while those of imported wheat are now close to 550 Euro/t. The cost of the raw material represents on average more than 80 percent of the total production costs of a mill. It is clear that changes in market conditions of this magnitude, together with the increase of energy and logistics costs, is going to drive prices to the highest they have possibly ever been.



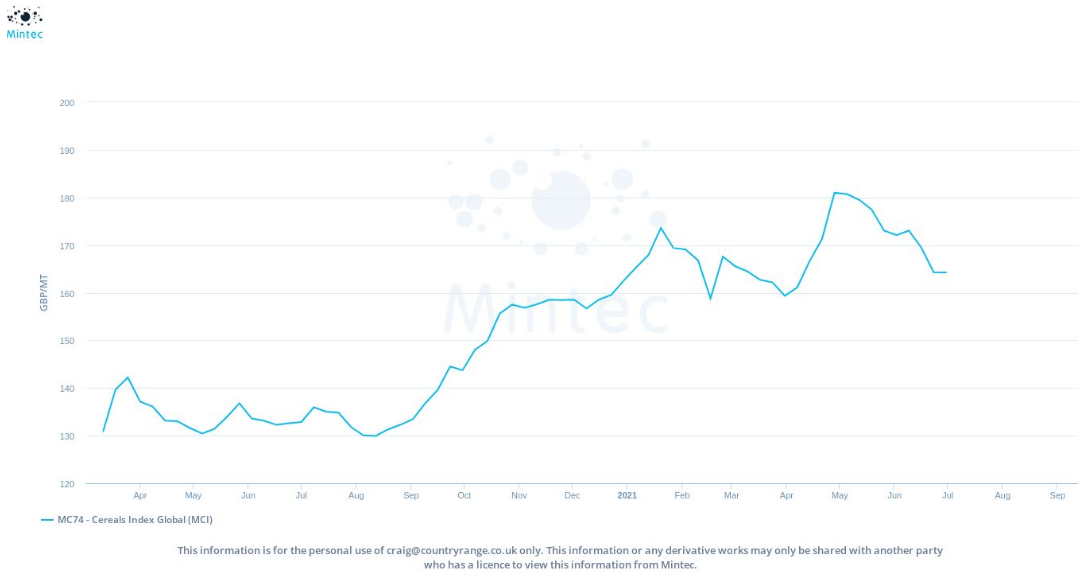


DRY STORE

Wheat

The volume for this years crop remains slightly behind the average production rates of 2015-2019. The prevailing dry and hot weather conditions across top producing countries continue to raise market concerns over potentially limited production and tighter global supplies.

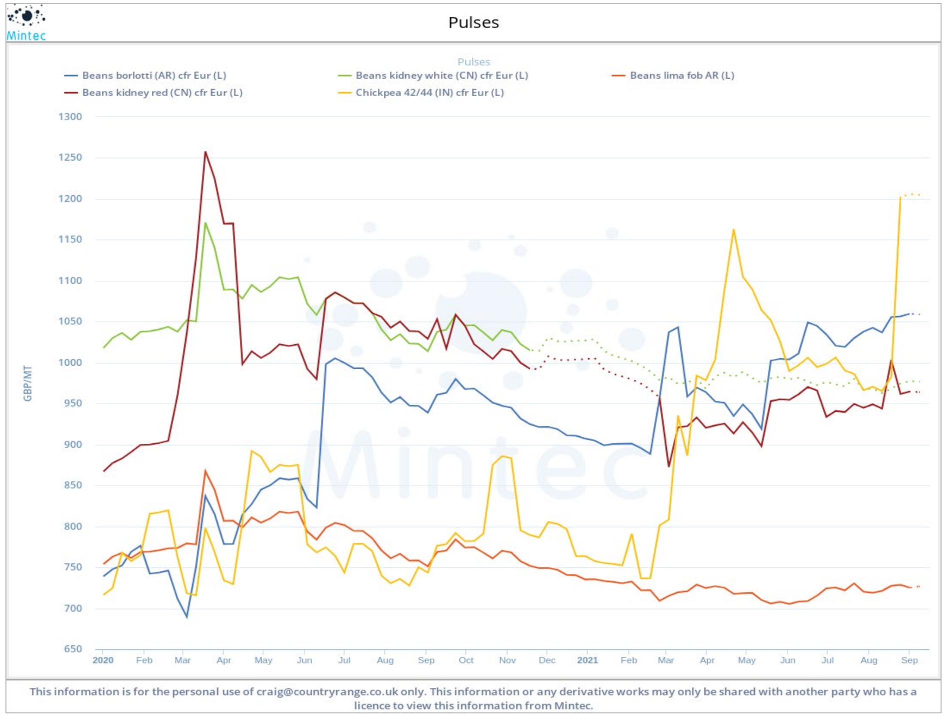
Canada, the US and Russia (the world's leading wheat producers and exporters) have all been experiencing severe arid conditions leading to expectations of lower global production estimates on top of robust demand, supporting the expectation that wheat prices are going to be high again in the coming year.



DRY STORE

Pulses

Heatwaves and droughts across Canada's Prairies during the summer have caused prices to rise in grain and pulse markets as there is concern about the volume of high-grade crops available. Though speculations have been driving prices upwards, farmers remain reluctant to commit their crops until the market situation becomes more clear. At the same time, the move toward more plant-based proteins is starting to move the needle on pea prices and demand upwards. Chickpeas have spiked to nearly double 2020 prices. Like many other crops across Western Canada, chickpeas weren't immune to hot and dry growing conditions over the summer. This year's domestic chickpea crop is only expected to weigh in at 63,000 tonnes, according to Statistics Canada — less than one-third of the five-year average of 189,600 tonnes. Borlotti beans are almost 50% higher than 2020, Kidney beans looked like they were going to fall but have creeped upwards with a 15% increase on the back of revised crop expectations.



DRY STORE

Canned Fruits

Canned Fruits are following a very similar trend with some really significant increases for a variety of reasons. One factor influencing a lot of the European prices, is the fact that prices from China are uneconomical due to shipping costs. This is ensuring that European/Turkish suppliers can command a premium versus last year on top of the inflationary costs being suffered. Please see further details below:

Canned Peaches

Prices are up over 60% year on year. China is no longer viable and Greece has suffered significant frost damage earlier in the year followed by extreme heatwaves, the crop is down significantly.

Canned Fruit Cocktail and Pear Halves

Price increases of around 40% on the basis of a reduced crop on pears, peaches and pineapple. The pear crop is down by around 35% year on year.

Canned Pineapple

As expected, the freight costs from places such as Thailand and The Philippines continue to keep prices at record levels, even though the raw material itself isn't particularly high. Of course the nature of these products mean they can only come from places such as South East Asia and Latin America, meaning there is no escaping the higher prices.

DRY STORE

Other Canned Fruits (Beans, Tomatoes…)

One major factor that is adding further pressure onto canned goods pricing, is the fact that tinplate costs have risen by over 30% year on year. In addition to these, tomato raw material prices are up year on year with no carryover of stock from previous years. The key staple in baked beans (haricot/navy beans) are also showing prices increases which is factoring into the finished goods costs.

Tinned tomatoes to be rationed to retailers

June 18, 2021

Tinned tomato suppliers have reintroduced supermarket rationing as stocks run low following three years of poor harvests. Limits on how much each supermarket receives have become necessary to avoid stocks running out before the next harvest begins in August. An acute can shortage has exacerbated the situation, a consequence of China buying up global steel supplies as part of its economic recovery from the pandemic. Tomato suppliers first began rationing retailers in April last year when panic-buying by shoppers placed an unprecedented strain on supplies. Diego Pariotti, export commercial & marketing director at Conserve Italia, confirmed the same policy has now returned. "We are basically out of stock on every single line because for the last three years we didn't have enough to satisfy demand." Conserve Italia, owner of brands such as Cirio, has advised retailers to remove promotions to try and reduce shopper demand. Wholesale prices for Italian tomatoes are already up 20% since last year and could increase by as much as 50% in the coming month, according to Jason Bull, director at Eurostar Commodities. The shortage of Italian tomatoes has contributed to a rise in food fraud in recent months. One alleged case came to light in April this year, when Italian police claimed they had found over 4,400 tonnes of Petti Passata tomato products to be incorrectly labelled as "100% Italian". Petti Passata has since assured its customers in the UK such as Ocado that it could "guarantee" the goods sold to them were genuine. Pariotti argued the risk of fraud in tomatoes is a consequences of supermarkets devaluing the product and using it as a draw to attract customers. "On any market when you push the supplier to go down, down and down on costs, there is always a risk of fraud just around the corner," he said.

*Source: **The Grocer***

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Edible Oils

Most edible oil prices show very little signs of easing at the moment. Please see below for some key considerations around these various markets:

Rapeseed, Soya and Palm

The market remains tight as demand continues to be present despite record price levels. UK rapeseed prices are very closely aligned with the Paris futures market, as this is a globally traded commodity. Prices are expected to be supported moving forward not least because of the Canadian crop being at the lowest levels for 14 years, some slight increases in Ukrainian and Australian exports will barely account for 15% of what is lost in Canada. Soya and Palm prices both also follow a similar trend at the moment as demand continues to outstrip supply. In addition, freight costs are having a significant impact on what are pretty low-cost commodities. In some cases the cost of shipping the container can be more than the physical costs of goods inside the container.

Olive Oil

Prices remain high in this market however it has been noted in the past week or two that some lower prices have been offered in the market in order to try and entice buyers into contracting. This may be a sign that prices are starting to ease but it is perhaps too early to tell. It would be difficult to see prices rising further given the 3 year highs in the market

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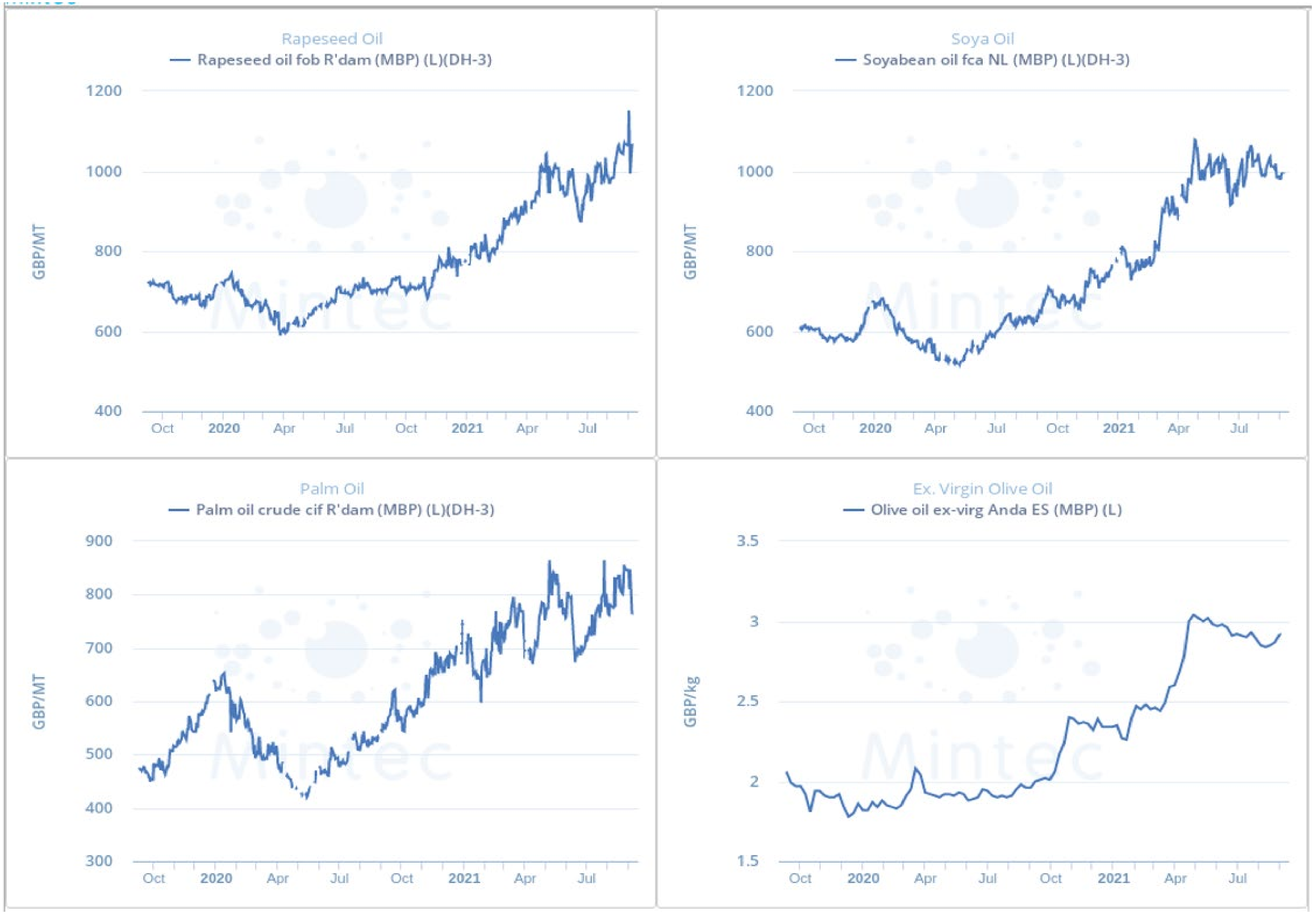
Edible Oils



DRY STORE

Coffee

Coffee prices are increasing month on month, as bad weather in Brazil contributes to what will be a big reduction in availability. Combined with issues such as transportation problems in South America and Covid-related capacity reductions in Vietnam, means that prices are starting to reach high levels. These are already starting to filter through into finished goods costs.

High-end coffee shortage pushes up prices for cheaper varieties

August 31, 2021

Coffee buyers are coming to terms with a global shortfall of arabica coffee, the high-end kind favoured by cafes like Starbucks Corp., and turning to cheaper beans, driving up prices.

Robusta coffee capped the biggest monthly increase in more than seven years as demand soars amid multiple supply headwinds. Such beans are considered lower quality, and are often used in instant coffee products and blends.

Severe drought and frost slashed the production outlook for arabica beans in top supplier Brazil. Roasters in the South American nation are expected to use more of the less expensive type to meet demand and cover the shortfall.

“The fact is there’s going to be a shortage, and Brazil’s robusta crop will go more toward meeting domestic needs,” said Judy Ganes, the president of J. Ganes Consulting.

Source: Bloomberg

FRUIT & VEGETABLES

Potatoes

Frozen Chip pricing has increased year on year. The market is very often determined by the contracted price that manufacturers pay to their farmers versus the free-market potato price. The free market potato price almost certainly looks to be higher this year meaning that chip producers can be relatively bullish price wise and this has led to increases.

In addition to this, things such as packaging (bags and boxes) are both up in price which has a larger impact on relatively low value items such as chips. The graph below (blue line) shows the free market potato price which has risen significantly versus last year. This means that producers can no longer supplement contract prices with cheaper free market prices.

NON-FOOD

Introduction of Plastic Packaging Tax from April 2022

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We will see packaging changes start to come to fruition over the next quarter as the introduction of the plastic packaging tax gets closer. This is a new tax that will apply to plastic packaging manufactured in, or imported into the UK, that does not contain at least 30% recycled plastic.

It will not apply to any plastic packaging which contains at least 30% recycled plastic, or any packaging which is not predominantly plastic by weight. Imported plastic packaging will be liable to the tax, whether the packaging is unfilled or filled.

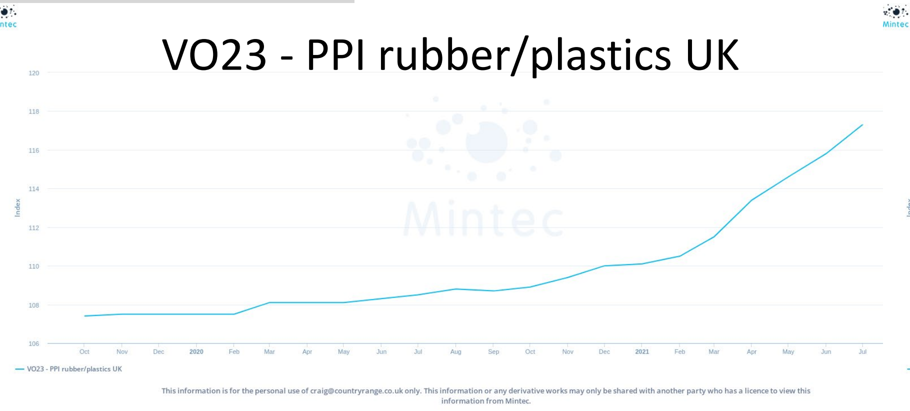
Currently the pricing of the recycled plastic is higher than that of the virgin plastic. This will push prices of packaging upwards for the immediate future and in some cases where products have been changed already, this has already started to feed through.

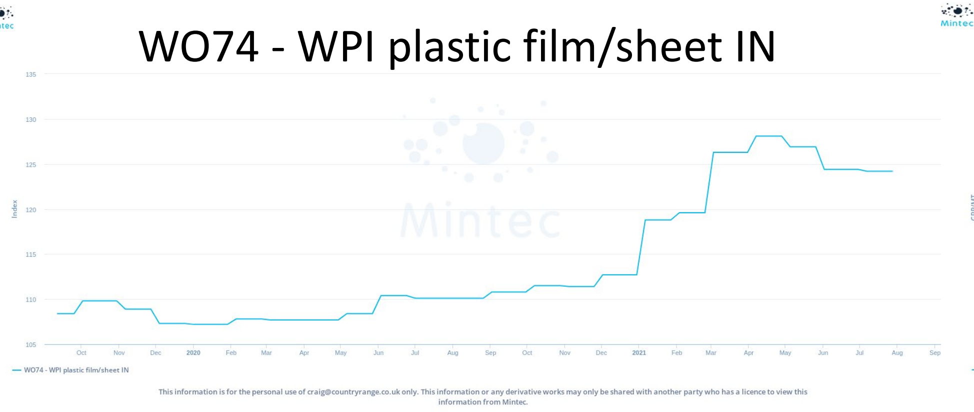
NON-FOOD

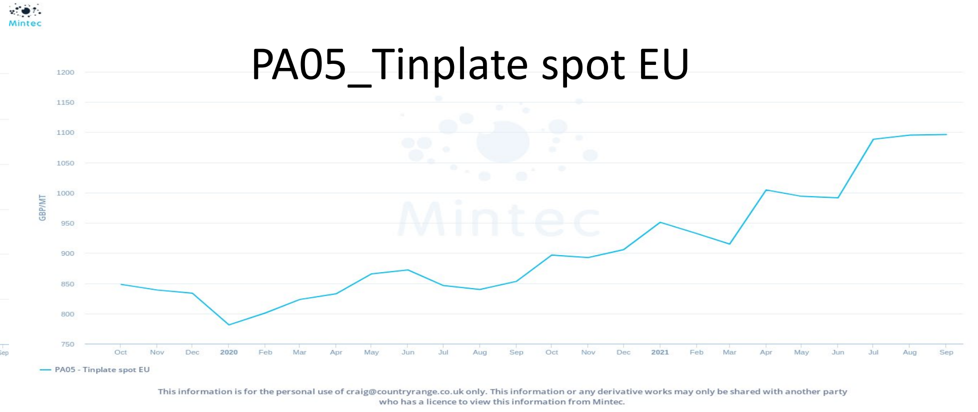
Tin Plate

Tin plate prices are up 28% year on year and hit a 10 year high in August.

Inventory is very low, Reuters reports, there are just 1,235 tons of tin in LME warehouses, most of it earmarked for physical load-out, the remaining 360 tons represent around eight hours' worth — yes, you read that correctly — of global consumption, based on 2019 refined tin demand of 359,000 tons. This makes it pretty easy to see why Global prices have risen so high.







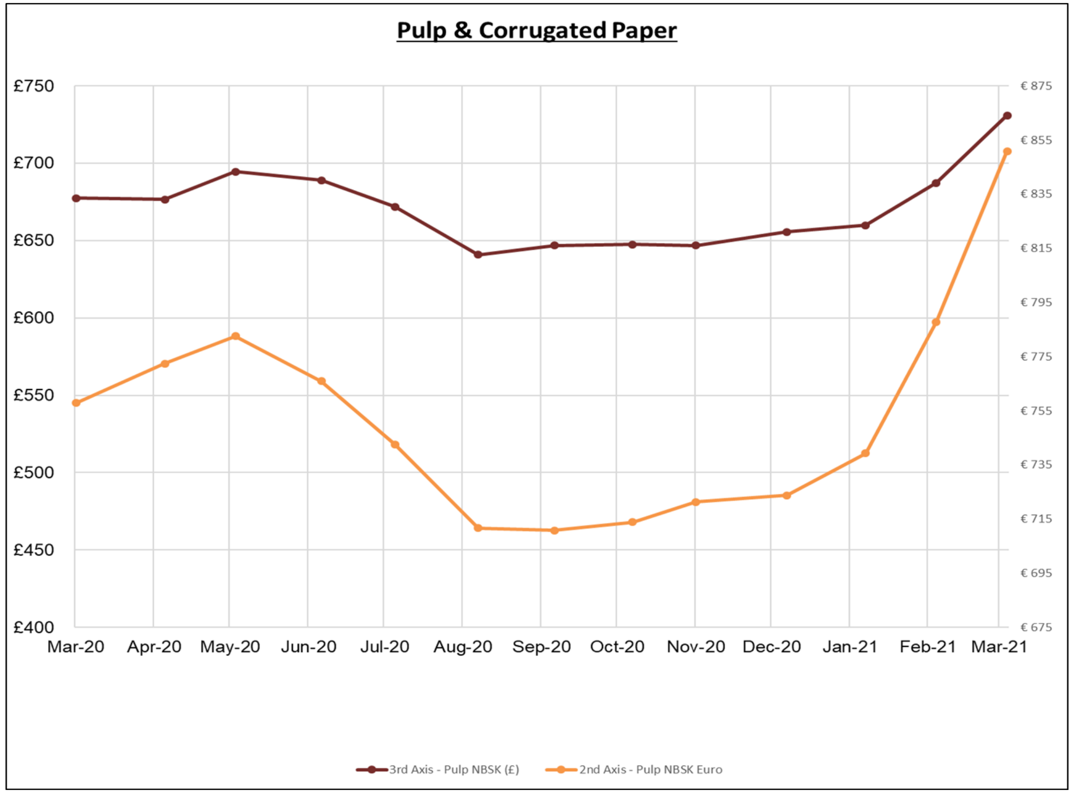
NON-FOOD

Christmas Crackers – Pulp Pricing

During the lock-downs we saw almost everyone take to the internet to shop for almost everything and this trend has continued after lockdowns have been lifted.

The effect is cardboard and thin brown inner packaging, which is heavily used for protection such as in Amazon boxes and other similar such organisations has pushed the demand up exceptionally high for Pulp.

The knock-on effect is that pulp prices have increased dramatically and impacted all packaging from boxes to baking papers, Napkins and even Christmas Crackers, add to that shipping costs, wage increases, transport costs and Energy increases we are seeing price increases in the double figures compared to 2019/2020 prices with no sign of pricing coming back down for the foreseeable future.



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