

greetwell
PURCHASING SOLUTIONS

Market Review

September 2020

Market Overview

The year so far has been extremely unpredictable. Many, if not all sectors of the food production industry has had to make major changes due to changeable supply and demand during the COVID-19 pandemic. Due to this there has been significant strain across several fresh product categories which will continue throughout the rest of the year.

A shortage of migrant workers threatens to disrupt production in several top European supply countries including Spain, the biggest exporter of fruit and vegetables in the EU.

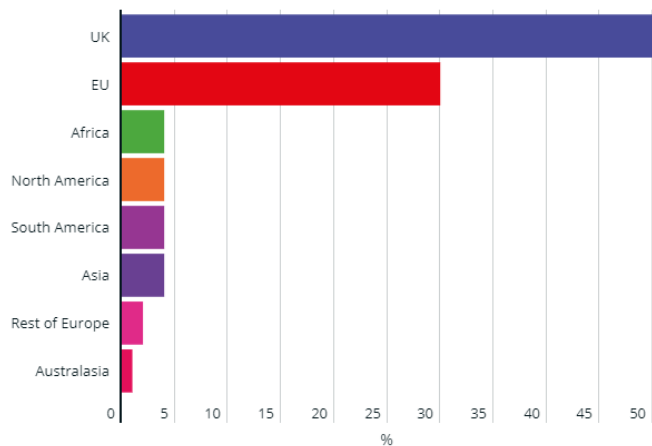
Some 16,000 Moroccan seasonal workers, mostly women, were expected to arrive in the Huelva region in Spain to pick strawberries and red fruits under an agreement between the two countries.

Alongside this consumer behaviour is unpredictable with many items being panic bought during lockdown which increased demand for certain fresh fruit and produce.

How much food do we import?

The UK is far from self-sufficient when it comes to food production: we import about 47% of the food we eat, with most coming from the EU (28%), followed by Africa, Asia, North America and South America (4% each).

Where our food comes from:



Source: Food Statistics in Your Pocket 2017, Defra

Fresh Produce

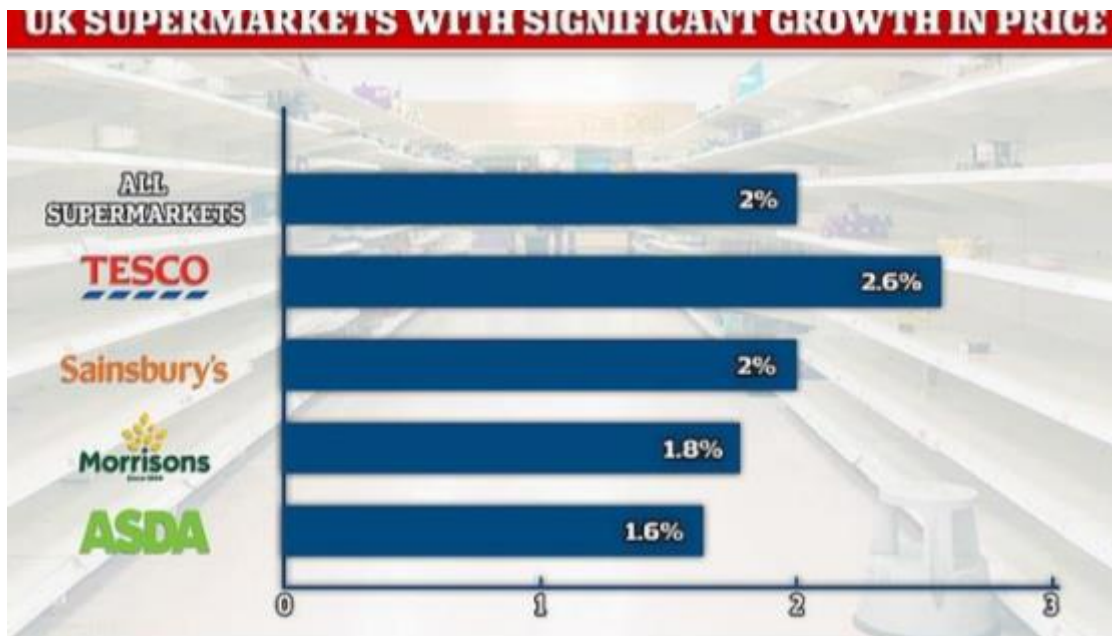
Because of the demand for ‘healthy’ foods and fresh fruits becoming increasingly more prominent through lockdown it has taken a toll on availability for a number of fruit products. Both home grown and imported strawberries have suffered, the wet weather followed by intense heat has impacted their usual growth. Due to this many Dutch producers have been exporting their goods to the UK to help with the demand.

Another effected crop is Spinach & Baby Spinach grown specifically in the UK, Italy, and Spain. Huge areas of crop have been lost due to the weather. Expect stock levels to be low for the next few weeks while the growth catches up with demand. Production of herbs such as Mint and Tarragon has all but halted across the EU with high temperatures across the continent destroying and damaging their growth.

With the end of summer approaching rapidly we also start to see a rotation in supply for certain products as we move supply to the Southern hemisphere. Many varieties of apples such as Braeburn are now becoming scarce as the European seasons closes.

Local produce has taken centre stage over the last few months with the effects of Brexit and the pandemic forcing the UK to use and produce more home grown fruit and vegetables.

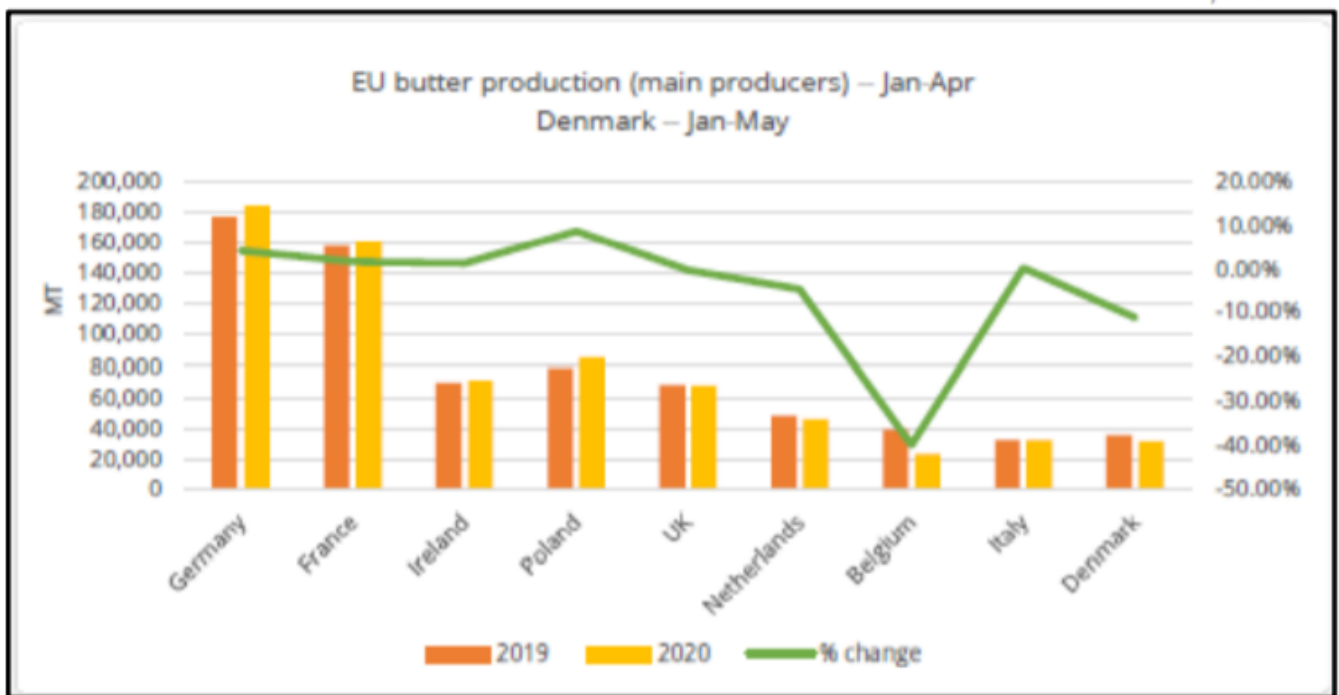
However with demand remaining high it is not out of the ordinary to see the overall price of products increasing across all supermarkets.



Dairy

There has been a huge drop in demand domestically and in export markets over the last 6 months, there was also a seasonal high of production in butter. Lockdown made many usual buyers of the product unable to use it and so to help reduce stock levels the price was lowered, preventing further financial damage to the manufacturers. The European Commission ran a new scheme called the Private Storage Aid (PSA) which allowed 50000 metric tonnes to be procured at a pre-set price, this was welcomed with over 50000 applicants applying by mid-June. With the easing of lockdown butter pricing has recovered slowly back to semi-normal levels however they remain historically low in comparison to years previous.

Eggs have seen a price increase during the first 3-months of the year. This represents a 9.2% increase YoY. The average price of eggs in Q1 of 2020 were at its highest level in four years. The Coronavirus crisis only added to this with demand increasing by almost 20% according to the British Free-Range Egg Producers Association (BFREPA).

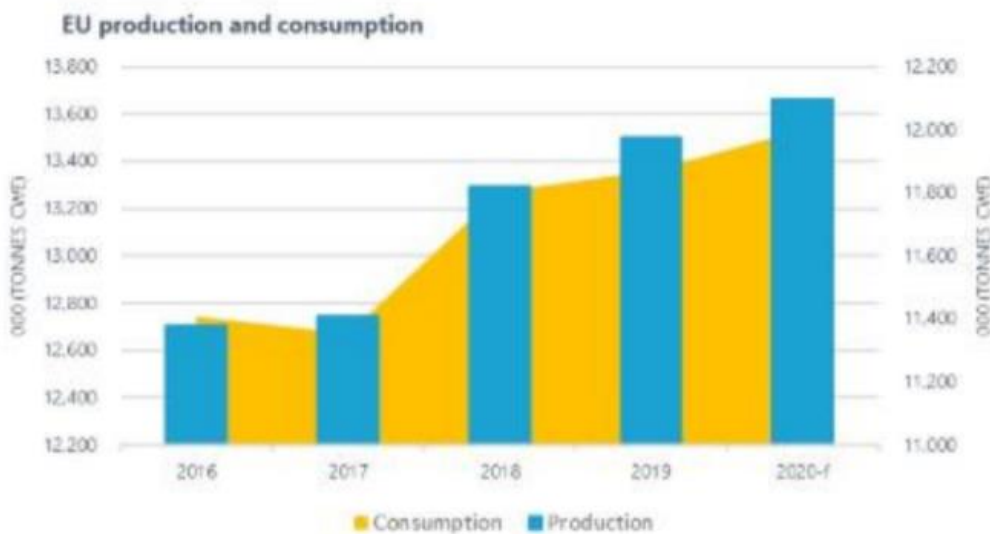


Chicken

Since March commodity prices for chicken have fallen. Eastern European countries such as Poland, Hungary and the Czech Republic have faced many bird-flu outbreaks since late last year. As a result of this many importing countries banned chicken from these European producers. The EU Market was oversupplied and had an impact on price. Further disruption from the pandemic combined with a decrease in demand for Chicken has caused the price decrease.

As lockdown measures loosened in May the demand on Chicken began to pick back up. Restaurants and Pubs could be attended so the foodservice sector received a huge influx in demand all at once. This increase is extremely likely to continue due to the competitiveness of the product against other protein rich foods.

However, with many recent news reports of transmissions of COVID-19 within food production factories, this may reduce the overall demand within the processing plants. If there are any significant outbreaks this will also impact future price changes. One major factor for chicken is that the price from EU is significantly more expensive than the production from Brazil and Thailand which currently have their Covid related crisis measures in place.



All figures taken from Brakes August Market Update and the BFREPA respectively...