



# Commodity Report – June 2018

# Key Commodity Information

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- Milk
- Cheese
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- Chicken
- Tuna
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- Scampi
- Potatoes
- Dried Fruit and Nuts
- Edible Oils
- Cocoa
- Coffee and Tea
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- Supplier Increase Letters

# Summary

- Butter



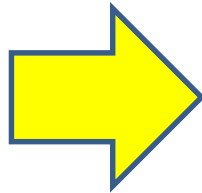
- Milk



- Cheese



- Pork



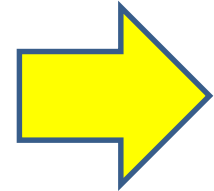
- Chicken



- Tuna



- Prawns



- Scampi

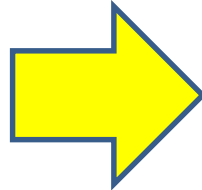


# Summary

- Potatoes



- Dried Fruit / Nut



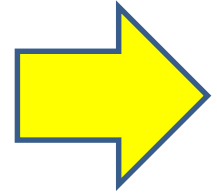
- Edible Oils



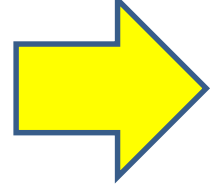
- Cocoa



- Coffee



- Tea



- Oil / Fuel



# Exchange Rates Overview

The Pound against the Euro remains steady at approx. £1.00 = €1.14. Despite a dip in August, the rate today is not dramatically different versus the rate 1 year ago, which at least provides some element of stability.

The Pound against the Dollar is less stable and has fluctuated much more than the Euro rate. Quarter 1 saw the Pound rise against the Dollar and gave increasing confidence to importers. However, this dropped in April and now seems to have settled at around the £1.00 = \$1.33 mark.

18 Jun 2017 00:00 UTC - 18 Jun 2018 08:25 UTC **GBP/EUR** close:1.14267 low:1.07964 high:1.15801



18 Jun 2017 00:00 UTC - 18 Jun 2018 08:27 UTC **GBP/USD** close:1.32358 low:1.26271 high:1.43409



# Butter

The market is in a state of nervousness. Sellers have the upper hand as prices are high, with not a lot of product to sell.

To add more weight to this 'nervousness', last September prices were over £6100 per tonne and by January had dropped to £3800 (a fall of 38%!).

The futures market suggest that prices will be €300 per tonne lower by year end, which offers almost no optimism to anybody.

The positives to look at are that grass growth is getting better, milk production should be increasing and as we saw previously manufacturers may be looking to substitute (again!).

However, the cream prices at around £2.50/kg suggests that there won't be much respite soon, especially as demand for cream remains strong through the summer months across Europe.



# Milk Prices

April production in the UK was down by 10.2m litres to 1287m litres, despite the wet weather this was down just 1% on last year, yet 2.8% higher than 2016.

Ireland have been hit much harder with April production at 815.5m litres, which is down 5.8% on last year. Cumulative milk volumes however are within 1% of last year.

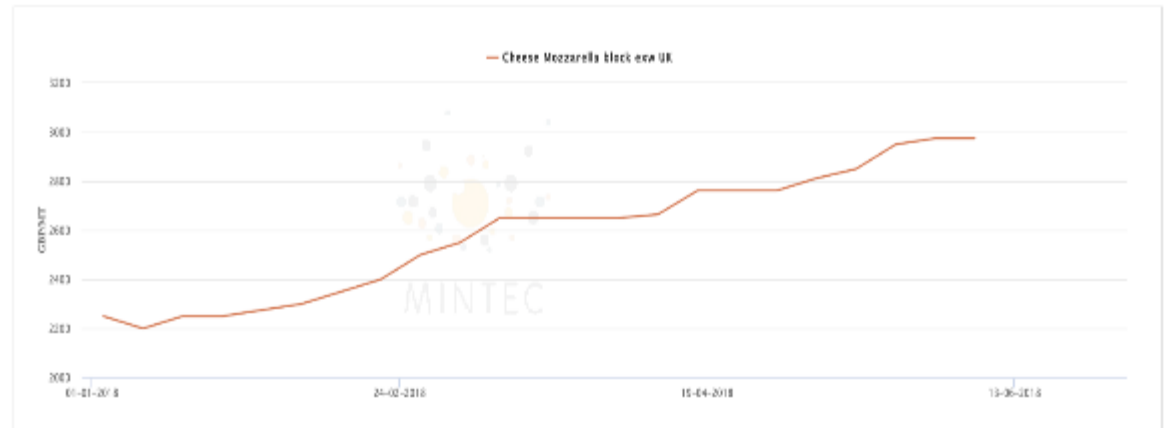
Prices are rising across major processors. Muller increased by 0.75ppl (pence per litre) in June with a further 1.25ppl for July. Arla increased by 1.15ppl for June. Meadow Foods have also increased by 1ppl for July to 28ppl.



# Cheddar Cheese and Mozzarella

Mozzarella supply remains very tight, prices have been rising since the start of the year, with reports of shortages across the industry. The current price is around £3000 per tonne for bulk mozzarella.

Mild cheddar prices have also firmed slightly with mature cheddar more concerning, reports are that there simply isn't a lot available.





# Pork



Prices had increased in May and have since stabilised across Europe in June so far.

Mainly bacon prices saw increases, whilst leg prices (for cooked hams) were less volatile.

A combination of rising pork demand and pigs feeding less in Summer usually has an impact on pricing, but this will be better assessed in July and August, as the Summer months fast approach.

Interestingly, shipments to China could have a favourable impact going forward. EU pork exports to China are down by 11,000 tonnes year to date and down by 10,000 tonnes to Hong Kong. Rapid expansion of pork production in those countries is outweighing their own domestic demand (Pigworld).



# Chicken (fresh and frozen)

Prices have been rising since February. Issues in Brazil are impacting European supply, many Brazilian factories have been banned from exporting to Europe due to the falsifying of veterinary certificates.

Manufacturers especially having to look elsewhere and secure longer term supply to meet retail contracts, where it is more about having security of supply rather than price. This has put the price of frozen and fresh up to historically high levels.

The situation in Brazil could last for the rest of the year and therefore only increased supply from other origins or a fall in demand would help ease pricing.



# Tuna

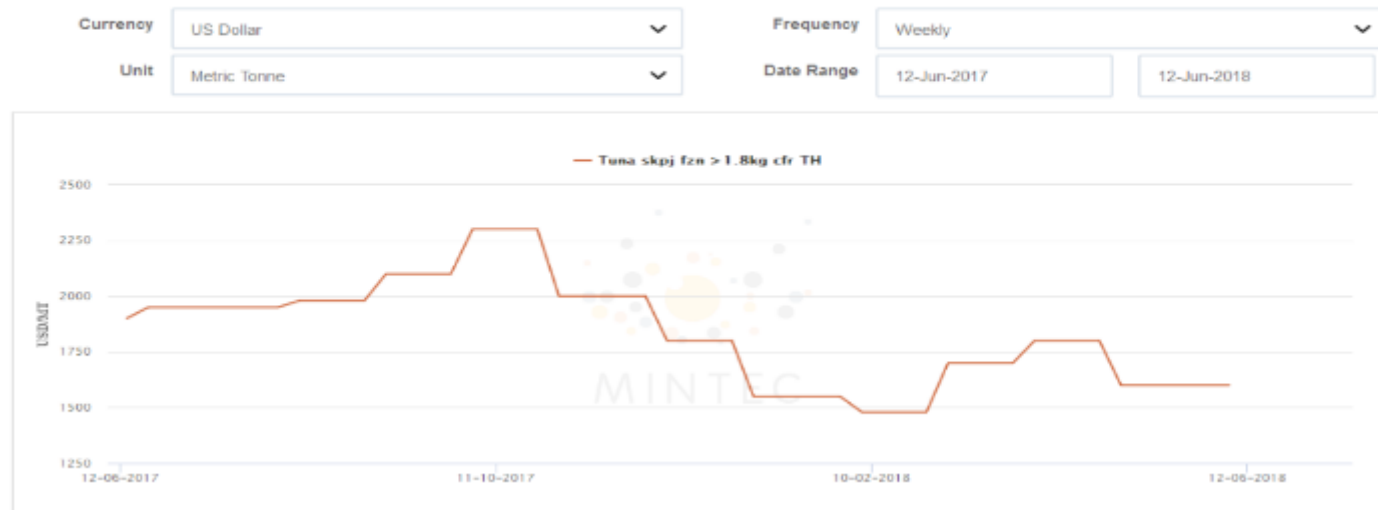
## Bangkok tuna market holds breath as skipjack prices set to fall for June deliveries

According to tuna sector sources at [Thaifex](#) and the [Infofish Tuna 2018](#) conference, Bangkok skipjack prices are set to come down for June deliveries. Big packers and traders have not yet agreed on a final level for June, but several sources said the price will come down.

- Prices have fallen to around \$1600 per tonne in June from \$1700 in May.
- There is some expectation that it may drop another \$50-100 per tonne.
- FAD (fish aggregating device) bans are approaching in the WCPO starting 1 July.

### 8P01 - Tuna skipj fzn >1.8kg cfr TH

Skipjack tuna(ground, over 1.8kg)(frozen for canning and non sashimi uses)(cost and freight)(Thailand)(Katsuwonus pelamis)



# Coldwater Prawns

- Most of the issues relating to coldwater prawns surround the larger sized prawns, after a cut in the Canadian quota for 2017/2018. Prices have therefore risen on larger prawns.
- With large prawns being in shorter supply, some downsizing of product has taken place.
- In turn, this has meant smaller sizes have stayed firm yet stable in terms of prices, where demand for those sizes has increased.
- One small positive looking forward is that the Canadian quota for 2018/2019 has increased slightly to 50,000 tonnes (48,000 tonnes in 2017/2018).
- Due to cuts in Atlantic Cod and Haddock quotas, Norwegian vessels are expected to fish more coldwater prawns for the next fishing year (2018/2019).





# Scampi

## Scampi fishing decline starting to hit supplies

### Kevin White

A long-term decline in scampi tail landings around UK waters is starting to hit breaded scampi supplies and could ultimately push up retail prices, Whitby Seafoods has warned.

UK retail volumes of frozen scampi rose by 8.7% in 2017 [Kantar Worldpanel 52 w/e 28 January], but landings in key fisheries such as the Clyde and Irish Sea were down 18% last year, said Whitby Seafoods MD Daniel Whittle.

The situation had become even worse since the start of 2018, he added, as landings in the two fisheries had slumped 40% compared with the start of 2017.

With ageing fishing



Ageing fishing crews have been abandoning the sector

crews leaving what had become an under-invested sector, only 70% of the scampi quota was caught last year.

The shortages equated to about 1,000 tonnes a year, or 15% of Whitby's total annual supply of scampi tails, Whittle said. This had prompted the business – which

buys three-quarters of all scampi tails landed in the UK – to increase the average price it paid crews for their catch by 11% earlier this month.

Half of Whitby's supply came from the waters off Northern Ireland. But with margins being squeezed crews were now abandoning the

sector, he added. Whitby Seafoods had been forced to discuss ways of rationing supply, he said.

But the processor hoped the 11% increase in price would help secure supplies in the longer term, despite the increase in raw material costs inevitably leading to a hike in retail prices of scampi.

"Increasing the cost to the consumer is something we don't do lightly," he said. "But it is in our interest to have a sustainable fishing fleet that is an attractive industry for people to work in."

"Much change is needed to achieve this and a higher price for tails is an important piece of this puzzle."

Scampi prices are rising again, due to the availability of raw material being scarce. The Grocer article to the left explains in detail about this issue..



**The Grocer** | 14 April 2018

# Potatoes

- Initial suggestions are that conditions are good for growing potatoes in Europe. There has been some rainfall and no suggestions of any 'drought like' conditions at the moment.
- Spot potato prices are very low. Of course this is still the old crop and is coming to the end of it's useable life. Some farmers are faced with decisions about keeping or disposing of potatoes.
- Major low cost chip manufacturers will contract around 70% of their requirements at an agreed price with farmers, to guarantee supply/quality/variety.
- Currency is pretty similar to last year which means the key determining factor is the crop itself.
- We are in reality around 1 month away from knowing better what the crop will turn out like and therefore the next commodity report should provide more clarity on this...





# Dried Fruit and Nuts

## wholesale prices: bad weather affects dried fruit crops and hikes prices

The price of Californian raisins has rocketed year on year in the EU, following crop shortages caused by heavy rain during the last harvest.

Meanwhile, prices for Turkish sultanas have risen in line with Californian raisins' higher prices, with the situation exacerbated by a short crop in Iran because of bad weather.

Pepper prices have plunged over the past 12 months as major global producers have expanded their production

areas, increasing global supplies.

And prices of cashews have retreated from record highs seen last year, with good production volumes expected from major producers in Africa and Asia.

Despite the extreme cold temperatures California experienced in late February, its new almond crop is shaping up well. First estimates for the 2018/19 season put production at 2.3 billion pounds, up 1.3% year on year.

| PRICES<br>Ingredients   | PRICE   | CHANGE  | CHANGE  |
|---|---------|---------|---------|
|   | £/tonne | m-o-m % | y-o-y % |
|  Raisins (UK) | 1,408   | 3.2     | 35.0    |
| Sultanas (EU)   | 1,293   | -2.6    | 23.5    |
| Dried apricots (UK)   | 2,698   | -2.1    | 11.3    |
| Desiccated coconut (PH)   | 4,901   | -6.3    | 3.9     |
| Honey (Spain)   | 2,546   | 0.8     | 0.9     |
| Peanuts (EU)  | 1,068   | 6.3     | -10.1   |
| Almonds (EU)  | 1,758.1 | -0.8    | -11.7   |
| Cashews (Vietnam)   | 7,221   | 4.0     | -16.8   |
| Hazelnuts (UK)  | 4,387   | -0.2    | -18.4   |
| Black pepper (Vietnam)  | 1,948   | 6.6     | -34.9   |

Source: Mintec

Info: All prices are indicative only and are representative within the country quoted



2 June 2018 | The Grocer | 15

# The Grocer

# Oils

## Rapeseed and Soybean Oil;

Rapeseed and soya prices are subdued at the moment. Prices have been higher in recent years and good crops have contributed to a favourable supply situation. Biodiesel demand for rapeseed remains low, preferring the higher returns from soya.

## Extra Virgin and Pomace Olive Oil;

The 2017/2018 Spanish crop came in higher than expected at 1.24 MT vs 1.15 MT expected and there should be some carryover into next year. Some winter rainfall means reservoirs well stocked at around 70%. Prices are expected to be lower for the next season, providing weather conditions remain suitable throughout summer and that there are no crop failures through 'olive fly' and other insecticides as in recent years.



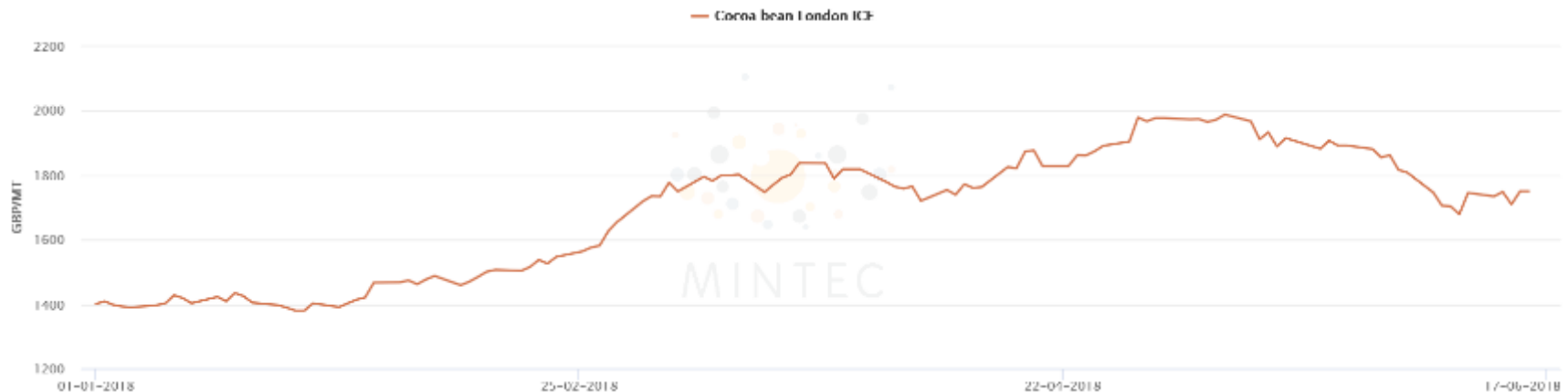


# Cocoa

Cocoa prices hit a 19 month high in April. Adverse weather conditions in the Ivory Coast (the worlds largest producer) had pushed prices much higher.

Since then prices have eased a bit. However as can be seen below, prices are still significantly higher than the start of the year by 20-25%.

Prices had fallen towards the end of 2017 due to a large production surplus. Since then, the ICCO (International Cocoa Organisation) have revised down their surplus figure and many experts in the industry believe supply will balance with demand in the second half of the year.



# Coffee and Tea

## Coffee

Global coffee prices have been falling since August 2017. Both Arabica and Robusta coffee bean prices have fallen on the World markets.

Whilst prices have been falling, they still haven't been able to reach the lows of early 2016 and now the market has turned again with prices starting to rise.



Experts suggest that the current price is much closer to the lower end of where it should be and this follows an abundant of supplies from Brazil and Colombia. As future crops are unlikely to be as large as this and combined with political unrest in Brazil (including national lorry strikes), experts suggest this is part of the reason for prices to start rising again.

## Tea

Despite rising auction prices in recent weeks, overall tea prices are very stable. Chinese black tea prices along with more premium varieties aren't too different to last year.

## Rising fuel prices spur inflation in May

- Fuel prices are rising as crude oil is around \$80 per barrel.
- Oil prices have been as low as \$40 per barrel in recent years.
- Rising oil prices are likely to hit all areas of pricing, not least transport costs and packaging going forward.
- Oil prices have been as high as \$110 per barrel back in 2014, with experts questioning that the current price could continue to rise.

## Plastic waste: What are the alternatives?

- The Global demand for more recyclable and environmentally friendly packaging continues to gather pace.
- Many of the packaging formats in place at present are a balance between cost, availability and of course food safety.
- What will become clearer in the next 12 months, is just what impact some of the revised packaging formats mean to the finished cost price of products. If demand continues to grow at the current pace for certain types of packaging, we may see the price of those packaging types rise. This is one to watch..

# Outlook

The Foodservice Price Index figures for 2018 are below;  
-January 2.5%, February 0.5%, March 1.8%, April 3.6%

This suggests that whilst inflation is still there, it is more category specific and reflective of more normal market conditions, considering last year saw levels of 8-9% in some months.

We are not much clearer on Brexit and it's inevitable impact. The two headlines to the right were produced at similar times, yet suggest Brexit will either cause rising prices or reduced prices, with higher risk due to cheaper imports. Please see the below statement that we are seeing on more and more quotes, which sums up the situation that importers are faced with and are forced to cover themselves;

**Hard Brexit will cause soaring food prices, warn Lords**

**VS**

**UK food at risk from Brexit trade deals**



All prices is based on currency as of today All prices quoted reflect duties and levies currently in force.

For goods imported after March 2019 should duties change we reserve the right to amend the price to reflect the removal or addition of duty.