

TUCO



IN

INTELLIGENCE

TUCO FOOD & DRINKS TRENDS REPORT

Q3 2021



I hope that you have managed to take a break and meet up with family and friends over the summer. It was great to see many of you at TUCO virtual Summer Conference on 28th July. The theme was 'Road to Recovery: Build Back Better' We had some very informative speakers. For those unable to attend, presentations and videos are available on the TUCO website.

With the new academic year comes additional challenges to face, notably driver shortages and shipping costs. This report seeks to provide information to assist you in your planning. These are extraordinary times and the obstacles the entire food supply chain is trying to overcome are exceptional. All TUCO distributors are monitoring the situation closely and will update you as and when information is available.

Mike Haslin,
Chief Executive Officer, TUCO



AVAILABILITY CHALLENGES

Bidfood have provided a useful summary of how you can navigate any availability issues you may be facing:

- Be agile with your menu planning
- Use generic rather than specific menu descriptions where possible
- Work with your Account Manager to understand which products are subject to known availability issues and to discuss proposed solutions
- For any significant known changes in demand profile, work with your Account Manager to provide as much advance forecast information and wherever possible place a forward order
- Consider having alternative dishes or ingredients in mind as a 'Plan B' for example:
 - o Alternative protein sources like beef instead of chicken
 - o Frozen equivalents of fresh products
 - o Own brand products in place of branded products
- Review known out of stock products and develop plans to switch to alternatives on day-to-day basis
- Wherever possible keep to standard, consistent menus built on products with strong availability and limit level of menu changes
- Understand which alternatives products meet your allergen and nutritional requirements –your sales contacts can provide you with up-to-date allergen and nutritional information on all of our products
- Make sure you are on top of allergen and nutritional information for the products that you buy, given the imminent launch of Natasha's Law
- Consult your Account Manager or Telesales Executive to check availability of the lines you plan to purchase, or to ask about suitable product alternatives.

Bidfood August 2021

SHIPPING COSTS

The issues with global supply chain have had a significant impact on shipping costs – sending them skyrocketing. According to the Global Trade Review, rates on popular routes are up six-fold in the last year. Coupled with a shortage of raw materials that has pushed up prices, importers are raising the cost of goods to deal with these shocks, stoking fears of an inflationary spiral.

For example, Shanghai to Rotterdam freight rates have increased by 596% year-on-year, according to the latest figures from Drewry World Container Index, which tracks the cost of a 40-foot shipping container. Similarly, routes from Los Angeles to Shanghai are up by 154%, with a trip from the Chinese city to southern California increasing by 229%.

This spike in rates is due to supply chain bottlenecks that have weighed on global trade and pent-up demand as the world economy attempts to shake off the damage of the pandemic. Additionally, quarantine measures and labour shortages are hampering port workers' ability to carry out operations.

Global Trade Review



RAW MATERIALS

Forbes Solicitors note various situations which have resulted in a decrease in the availability of raw material across Europe and Globally. Events such as high force majeure notifications in place affecting the industry; strong local demand in China has reduced the availability of raw material from Asia; recent closure of the Suez Canal added to the difficulties in importing; record bad weather in the USA has caused the closure of multiple refineries and chemical processing plants; and additional nontariff costs related to the new customs arrangements with the EU are also adding to the cost of imported raw material into the UK.

Material prices have increased, and demand remains high. This, as well as the combination of the pandemic and Brexit has resulted in severe disruption. According to Forbes Solicitors, the purchase of raw materials and components is the primary concern for most product

manufacturers, reflecting global supply issues for items including steel, timber, PVC, and chemicals.

With continued growth expected, it is likely that almost all manufacturers will expect this inflationary pressure to persist over the next 12 months.

Forbes Solicitors



TRANSPORT COSTS

Growing pressures in the industry such as driver shortages, investments in new technologies, and rising costs, mean that transportation rates are set to rise this year, according to Logistics UK. The group warns that the cost of moving goods and services is likely to increase in the short to medium term, as the economy feels the impact of the COVID-19 pandemic.

They state:

“A reduction in supply of international shipping containers, and ships to carry them, led to significant rises to the cost of moving goods and services internationally; by the end of 2020, shipping container rates had increased by 185% year-on-year and air freight costs rose significantly when cargo space was constrained due to the grounding of passenger flights.

Logistics businesses face a myriad of challenges on the road ahead, with the cost of

vehicle repair and maintenance also increasing in 2020, and cash flow restrictions remaining a barrier to recovery for 40% of logistics businesses.”

Logistics UK



MEAT & POULTRY PRICES

Birtwistles note significant issues which are creating serious disruption to the supply chain across both EU/UK:

- Slaughter houses are only operating to 60% capacity due to staffing issues
- Suppliers are reducing the units they sell, again down to labour shortages
- Poultry prices have increased again due to massive demand across Europe now we have holiday destinations opening
- Beef prices increases of 8% are expected
- Lamb prices are expensive, and demand for cuts exceeding supply due to lower throughputs.
- Shortage of steak meat due to retail focus from the large producers and export demand from France, Italy and Spain. Particularly Rib Eyes which are at record levels in terms of price and demand for trims for the summer season on burgers.

- Turkey at present is stable considering the pressure on chicken but is expected to reach record highs for December as most producers have switched to producing chicken at this time to capitalise on record wholesale prices.
- South American steak meat market at record highs as South America/China demand is outstripping supply.

Birtwistles Market Report August 2021



FOOD PACKAGING

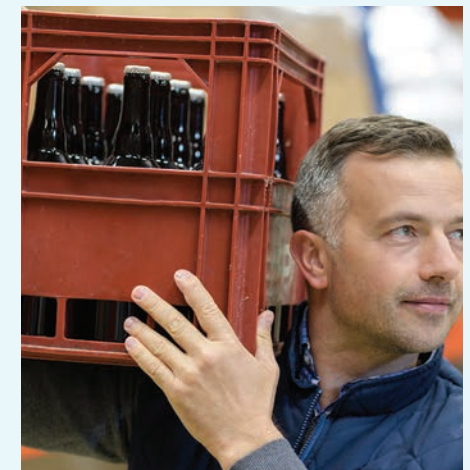
Food packaging is proving difficult to come by. According to Brakes, container pricing continues to grow with no expectation of things easing. Prices for containers has increased for some products by nearly 800%. Staff absences, raw material availability as mentioned earlier in the report, and an increased demand are three reasons for the increase in pricing.

Brakes Quick Bite Round Up



BEER DELIVERY DRIVER STRIKE SUSPENDED

Planned strike action by 1,000 draymen has been suspended following an improved pay offer from GXO Logistics Drinks. The strike action has been suspended after GXO presented the draymen with an improved offer of a 4% pay increase. Unite said its members had voted by an 80% majority on a 94% turnout to accept the offer. They have since resumed normal working patterns. The draymen are responsible for 40% of beer deliveries across the UK.



BROCCOLI

A cold dry spring in the UK has resulted in delayed and stressed growth, which means there has been challenges on quality and availability for broccoli. The warm conditions, heavy rain and long days the country experienced over the summer has triggered rapid growth of the crop, resulting in flowering and therefore reducing available volume.



CITRUS

Supply of limes have been affected by multiple factors such as a container incident in Brazil, causing congestion at the Port of Santos, plus continuous rain across production areas in Mexico. High Covid cases have had an impact on the production of lemons, oranges and easy peelers, as well as shipping delays at ports due to civil unrest in Eastern Cape.

Reynolds Crop Update



COFFEE

Availability of Arabica coffee is reduced due to droughts and frost damage affecting crops in South America, as well as a worldwide increase in demand. Together this has caused the price of raw green coffee beans to rise and this summer the market hit a seven year high; in the past twelve months alone the price has increased by 52%. Suppliers are currently negotiating new contract prices and as a result we are likely to see large increases in coffee prices.

Financial Times



INFLATION RATE

The Consumer Prices Index (CPI) 12-month inflation rate was 2.1% in July 2021, down from 2.4% in the 12 months to June 2021.



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The University Caterers Organisation