

FRESH INTELLIGENCE

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MAY 2018

Foodservice Price Inflation (FPI) - March Overview

The Foodservice Price Index (FPI) gives the industry a key insight into how prices are changing by category compared to the same month the previous year. This metric is especially important given the current economic and political climate in the UK and the uncertainty around how it will affect food prices.

Overall FPI increased in March to +1.8%, up from 0.5% in February and remains below CPI and RPI inflation measures. The weak pound effect has mostly fed through to fruit, vegetable and dairy prices which gives us a reason for hope amid the uncertainty that surrounds the UK's economic future. Vegetable and dairy prices appear to have stabilised but fruit prices remain volatile driven by inclement weather experienced in key growing regions through early 2018.

Fruit

Fruit inflation has increased from 6.4% in February to 9.4% in March due mainly to the poor weather seen in February and March across much of Europe that ended up killing or spoiling many crops that would otherwise soon be appearing on shelves. The drought in South Africa has hit important fruit categories over the past year, especially apples where some growers have reported a 25% drop in harvest volumes.

Vegetables

Vegetable prices appear to have stabilised with inflation decreasing from 1.7% in February to 0.3% in March. UK growing conditions are becoming more favourable after the unpredictable cold snaps and heavy rains experienced throughout early 2018. However, the poor weather has given growers no choice but to plant some crops late which will thankfully not affect quality but yields will likely be lower than expected.

Dairy

Dairy deflation has weakened slightly from -1.5% in February to -0.4% in March. Milk production is at near record highs having increased by 349m compared to last year, despite the poor winter weather that left 19m litres of milk uncollected and discarded in February (AHDB Dairy). Milk prices appear to have stabilised over the past three months but we cannot become complacent as this category has shown itself to be volatile in the past.

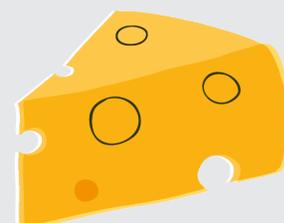
March's
Headline FPI figure **1.8%**

Inflation by category

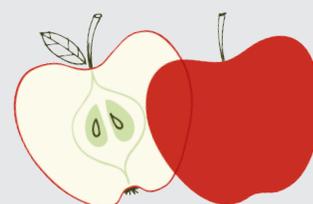
Vegetable
+0.3%



Dairy
-0.4%



Fruit
+9.4%



Category Overview

Fruits

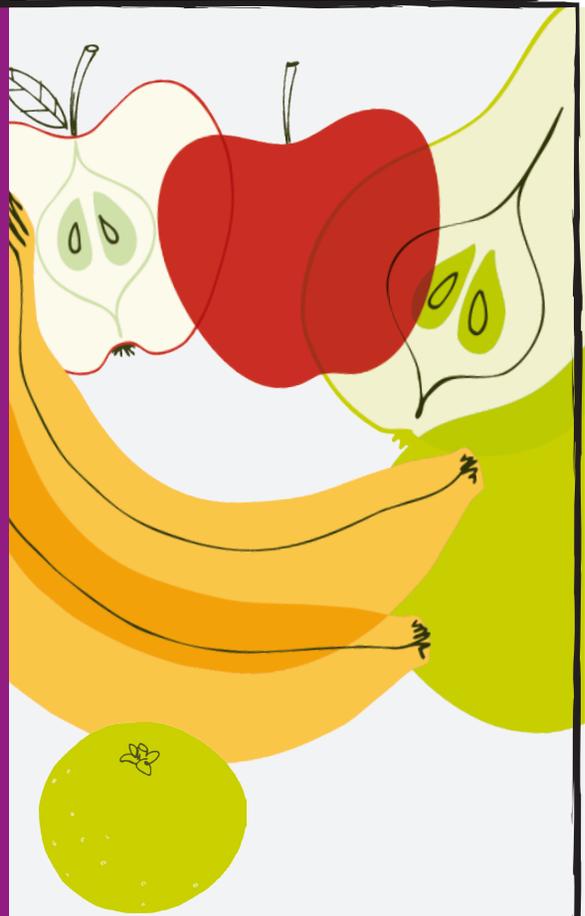
This month sees inflation at 9.4%, with inflation rising due to residual effects from 'the Beast from the East' and severe rains across much of Europe that hindered many crops that were due to come into season soon. Such weather problems were a worldwide issue throughout March, with Brazil reporting similar problems. This has impacted fruits such as oranges, where a 7.5% reduction in global supply has been forecast, and average European prices are above the 5-year maximum.

Strawberries

We also saw problems with strawberries, which faced unusually high prices as Spanish crops suffered through the rains, although producers insist that the crops are lacking only in volume, not quality. The coming weeks should also see the arrival of fruits such as Spanish peaches, which were again delayed by several weeks compared to last year due to frost, but are expected to recover well as the spring weather becomes more reliable across southern Europe.

Passion Fruit

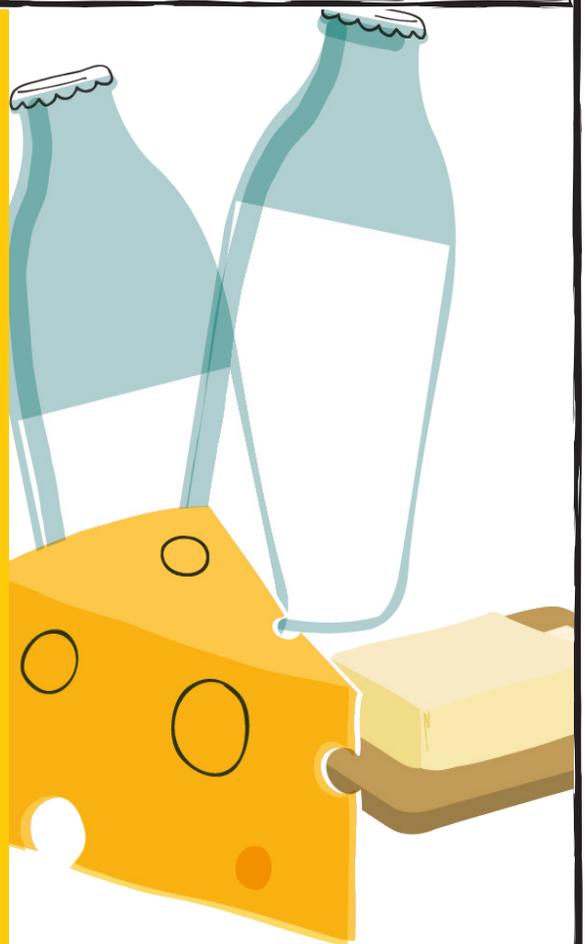
The skin finish on the passion fruit crops from Kenya has been affected by the hail storms and heavy rains. Due to this there are many cases of rot and limited shelf life. Again we are sourcing from other growers but until this new product arrives there may be shortages.



Dairy - Butter, Milk & Cheese

We recently noted that the index nearly hit a record low, and figures from AHDB confirm that milk volumes are up 349m litres from last year, though they are around 110m less than the record high of 2015-16; this is also despite the poor winter weather that caused some milk to go uncollected and be discarded.

This month saw the dairy index rebound to put year on year inflation at -0.4%, it is currently unclear whether this is part of an upwards trend as we saw over the past year, or simply another fluctuation in a volatile sector.



Category Overview

Vegetable & Salads

As we enter spring, growing conditions are slowly becoming more favourable compared to the unpredictable cold snaps and heavy rains experienced in March.

Asparagus

With the start of spring, we have started to see UK asparagus appear. The main asparagus crop, which is grown in open fields, has been delayed due to late cold snaps caused by the 'Beast from the East' and heavy rainfalls across the UK towards the end of March.

Similarly, several other crops such as **courgettes, leeks and potatoes** have had their planting delayed or their growth hindered by the adverse weather conditions. Early potato growers have reported that they are 1-2 months behind schedule in planting their crops and believe that, whilst the quality of the crop will be unaffected, it will result in a reduced yield.

Challenges in South Africa

Tenderstem Broccoli

The first 3 weeks of the growing season has proven to be difficult. The product is available but due to heavy water content, there are degrees of stem rot at the bottom end, which, even after heavy grading is not always evident until despatching. As a result there will be shorter shelf lives. As we try and get other supply in from other sources, we will see a shortage until this comes in.

Sugar Snap, all Beans, Bullet Chillies, Various Chillies & Mangetout

Across these main line products, there have been many difficulties with plantings, harvesting and transport due to the recent extreme weather conditions. Like tenderstem broccoli, these product lines are experiencing rot and shorter shelf lives. There may be shortages until we can find an alternative source of supply.

CGA-Prestige FPI Report - April 2018



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