Sysco | Speciality Group

Market Review

Summer 2022

freshdirect · M&J · FRESH FAYRE Est. 1983 · wild harvest · kff · MEDINA FOODSERVICE

Contents

Introduction

Our latest edition of the Market Review has collected insights, industry knowledge and forecasts from across the Sysco Speciality Group, together with key macro-economic data from industry experts and the Office for National Statistics.

Our customers' continued success through these challenging and uncertain trading times is our key priority. We are and always have been totally committed to supporting customers as they navigate through this extremely demanding trading environment. You can rest assured that we are focused on maintaining our industry leading service levels and product choice, quality and availability.

As a successful and highly experienced operator serving thousands of customers, many for several years, we continue to face several challenges, the majority of which are out of our direct control. We have continued to invest heavily in our business and our people to ensure we remain competitive in the marketplace and so that we are able to attract and retain the best people to serve you.

There are six major macro-economic factors currently affecting our business. Firstly, inflationary pressure has just hit a 30-year high of 6.2 % as we publish this Market Report. Skilled labour shortages continue with job vacancies reaching a record high of over 1.2 million. Transport costs are continuing to increase with record diesel and petrol prices. Packaging costs rise further, despite our best efforts to mitigate them. Seasonal challenges caused by severe weather conditions have also caused major disruption to supply, shipping routes and even the closure of key ports. Finally, the appalling suffering caused by the conflict in Europe is affecting global supply chains. This Market Report will reflect on these factors in more detail, and our response as a company to them.

We have been successfully managing our way through a plethora of macro-economic factors since the start of the pandemic in 2020, keeping our customers and their needs front and central to every decision we make. The collective scale of the Sysco business and our breadth across multiple categories makes us the largest short shelf-life fresh supplier in UK foodservice. We leverage our scale on our customers' behalf to supply consistent product quality, value for money and to ensure product availability.

We continue to work relentlessly on your behalf to deliver the full fresh range at the best possible value.

Industry challenges

Macro-economic factors affecting our industry and business

Inflationary pressures

The Office of National Statistics (ONS) Consumer Price Index (CPI) is one of the most frequently used statistics for measuring periods of inflation or deflation. It marked inflation at 6.2% in February, the fastest rise in 30 years, and the new highest point since 1992, with the Bank of England forecasting inflation to reach 8% in 2022. The situation is similar across the globe, with rising inflation affecting the price of goods and services.

Labour shortages

UK job vacancies have reached a record high of over 1.2 million with over 178,000 vacancies in the accommodation and foodservice sector. Rising national living wage combined with increasing seasonal worker wages in April will cause further challenges for British growers and producers impacting produce prices.

Conflict in Europe

The situation in Eastern Europe is developing rapidly, the conflict is affecting global supply chains, creating dramatic fluctuations in energy prices and causing some commodity prices to rise. It is difficult to predict the full extent and ramifications of the conflict on the costs of goods and services going forward. We will continue to monitor the situation closely, taking appropriate action where possible to mitigate any impact to our customers.

Increased energy, fuel & transportation costs

Despite a 5 pence per litre fuel duty reduction from the Chancellor in the Spring Statement, fuel prices remain at an all-time high and are significantly impacting the cost of transportation.

Global displacement of shipping containers continues to artificially inflate the cost of goods with a large proportion of containers stuck in Chinese ports. As a result, the cost of a 40ft shipping container has risen over 800% in the past two years. Fuel pricing is also significantly higher due to multiple factors.

Increased packaging costs

Despite raw materials being available, packaging costs continue to rise. Price rises can be attributed to lower than normal global supply levels, as manufacturers struggle to return stock to pre pandemic levels of 2019. We will continue to explore sustainable packaging alternatives to help mitigate cost increases and minimise our impact on the environment.

Seasonal challenges

Recent severe winds across Western Europe caused major disruption to shipping routes and the temporary closure to key ports. Fresh goods entering the UK were impacted as was our supply chain. The British spring and summer season provides a favourable alternative to imported product, and our Best of British range is increasing with over 30 new products.

Conflict in Europe

By Shaun Allen

Shaun Allen is Chief Executive of Prestige Purchasing, the largest independent provider of procurement expertise and insight to the foodservice sector.

The effects of the Ukrainian war on UK food prices

Over the past 60 years food pricing has become global. As a result, when supply is cut or lessened from one key producing country, it means that even if your own domestic supply is strong, prices will rise in all markets due to the strength of global demand to fill the gap.

The economic impact from the war in Ukraine is now in full flow, both Russia and Ukraine are a major producer and global source of supply for many food products. Most of the coverage has so far been on the sharp rise in wheat pricing which will impact bakery products as well as meat and poultry, however they are also a major exporter of edible oils and fish to the world markets and are also likely to be affected. Additionally other indirect materials critical to the global food supply chain such as fertilisers may also be impacted and could have a negative effect on crop production and pricing down the line. Below is an update on the major areas which are being impacted by the Russian invasion of Ukraine:

Wheat

Ukraine and Russia combined accounts for 27% of the global wheat market and are a major exporter to the rest of the world. While the UK produces 90% of the wheat we consume, a fall in global supply of this scale will certainly impact UK pricing. Wheat commodity pricing in the UK has moved upwards dramatically in the last few weeks, moving from £230 on 25th February to £297 on 7th March, a rise of just over 29% in 10 days. Many products will be affected by the sudden and sharp rise in prices, the most obvious of which will be breads and the bakery category. However, meats and poultry are also likely to be largely affected by the rise in feed pricing, and poultry will be particularly affected in the short term.

Gas, Oil & Energy

It has been widely reported over recent months, that gas and energy prices have been on the rise. The war in Ukraine and the sanctions that have followed, will now add to those increases. Crude oil UK commodity pricing has increased in one month from $90 to $127 per barrel, and will add to the logistical costs for products, particularly those imported from abroad.

Alongside logistical cost increases, we also expect to see increases in fresh produce due to increases in energy costs. Products such as tomatoes, which require grow lights over the cold months will see temporary increases until the warmer weather returns.

Edible Oils

The increase in crude oil is also likely to put pressure on the price of edible oils as some producers may look to substitute to biofuels. Ukraine and Russia are also the largest producers and exporters of sunflower oil and reduced supply of these products will put pressure on other edible oils.

Fish

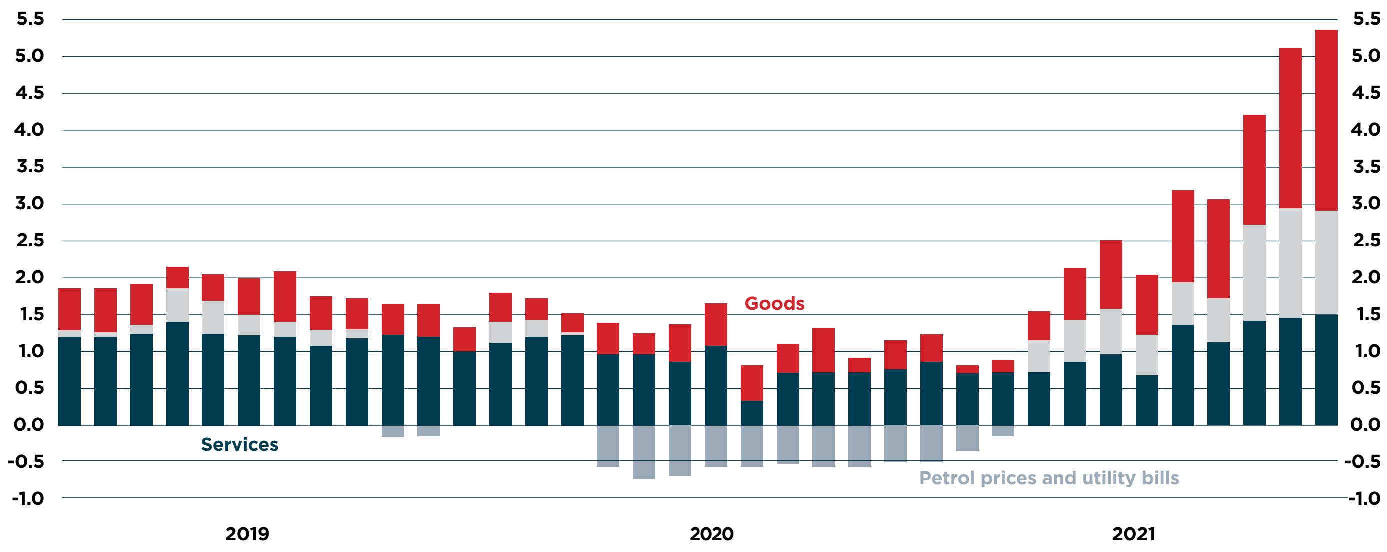
Russia has for some time, been a major supplier of white fish. Large proportions of cod and pollock are either exported to the EU or to China. While the UK is not reliant on Russia for fresh fish, it is an important source for large volumes of frozen fish, and any restrictions or shortfalls in supply will add pressure to availability and price. Subsequently UK sourced fresh fish is also anticipated to be impacted as a knock-on effect as both local and continental demand rises from a shortage of frozen fish from Russia.

Fertiliser

Russia is the largest fertiliser exporter in the world, producing around 13 percent of the world's total, which amounts to around 50 million tons of fertilisers every year. The country is a major exporter of potash, phosphate, and nitrogen-containing fertilizers all of which are major crop and soil nutrients. Fertiliser, is likely to see increases in pricing over the coming weeks, supported by the fact Belarus who are a Russian ally and have joined the fight in the Ukraine are also the 6th largest fertiliser exporter in the world. Futures prices for urea fertilizer have jumped 32% since the invasion began on Feb. 24, while diammonium phosphate, or DAP, futures are up 13%. Should sanctions remain in place, and this source of fertiliser is removed, we could not only see fertiliser price increases, but also shortages resulting in significant reduction in crop yields which could have an even bigger impact on the future supply balance.

The Economy

Inflation Rate and the Contribution of Goods, Services and Energy



Source: The Bank of England, Monetary Policy Report, February 2022

Inflation at a 30-year High

Both domestic and global inflation rates are high and continue to rise. UK Inflation is at its highest in 30 years, with Office of National Statistics (ONS) February Consumer Price Index (CPI) inflation hitting 6.2%.

The Bank of England forecast UK inflation to reach 8% this year and remain above the targeted 2% until late 2024 or early 2025. To put this into context, amid the global financial crisis in 2008 inflation levels remained below 5%.

The global inflation picture is similar, with US inflation reaching a 39-year high. Inflation in Eurozone is at its worst since the inception of the currency bloc and the Euro.

Inflation Rate Forecast

Inflation rate (% change)

Source: Bank of England

Currency

Foreign Exchange Rates as of 23rd February 2022 against GBP

EUR	USD
1.19	1.35

Inflationary Pressures

The Rising Cost of Energy and Fuel

Despite a 5 pence per litre fuel duty reduction from the Chancellor in the Spring Statement, fuel prices remain at an all-time high and are significantly impacting the cost of transportation.

The UK average price of fuel reached record highs in March, with a litre of petrol costing 167.3p and diesel 179.7p (Experian Catalist).

Energy prices are the biggest driver of UK inflation. Increasing household bills are hard to avoid with the average consumer paying 22% more in February 2022 than the previous year. Similarly, gas prices have increased 28% year on year and electricity has increased 19% (December 2021 figures).

In April, a 54% increase in the energy price cap will further increase the cost of energy having a significant knock-on impact on consumer confidence and disposable income.

Producer Price Index

The Producer Price Index (PPI) tracks inflation directly related to the costs incurred by the producer. Tracking the cost of production is a more effective measure of the costs our suppliers are paying and includes the direct costs including packaging, chemicals, fuel and utilities. Therefore, PPI is a more true comparison of direct inflationary changes our UK suppliers are experiencing, and the direct cost increases we are seeing in foodservice.

Input levels have increased 13.6% between January 2021 and January 2022. Output prices have increased 9.9% over the same period. This shows manufacturer's costs aren't yet being fully passed through and are being partially absorbed by the manufacturer.

Declining Consumer Confidence

The consumer's confidence index is an effective measure of consumers attitudes towards current and future conditions of the economy. Between December 2021 and January 2022, consumer confidence dropped 4 percentage points to -19 (GFK Consumer Confidence Barometer, January 2022). Negative consumer confidence suggests a decline in economic growth an unwillingness to borrow and a reluctance to spend money. Conflict in Ukraine and the rising cost of energy are likely to further reduce consumer confidence.

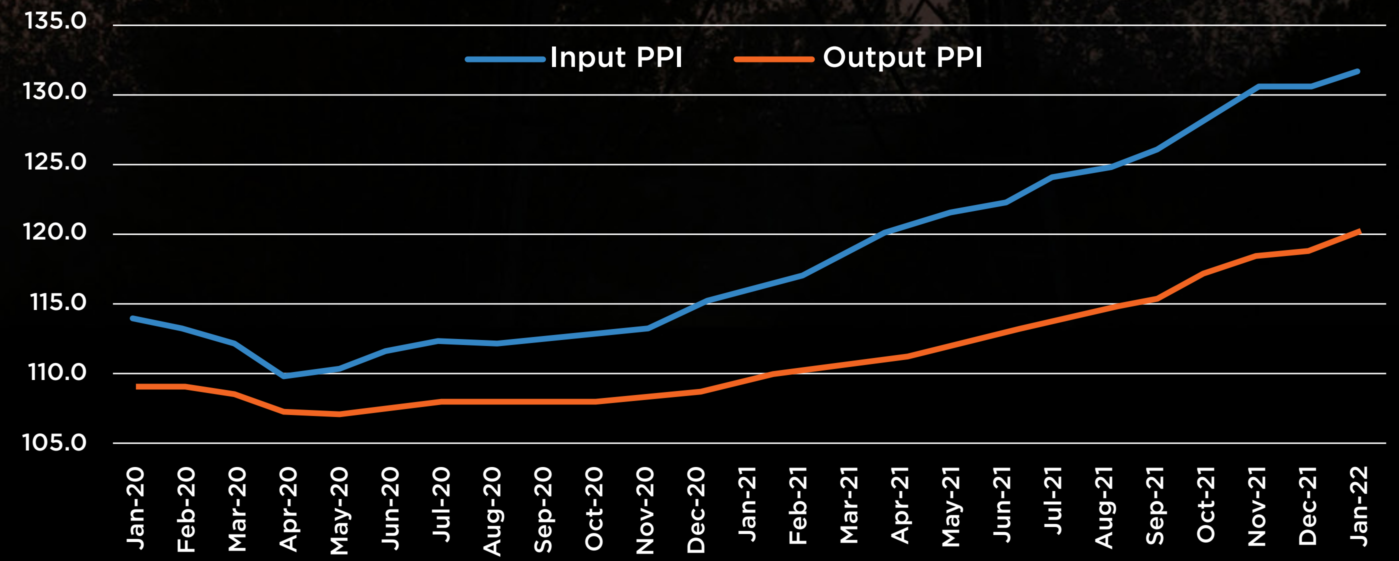
Drivers and Inhibitors of Growth in 2022

Significant market factors in 2022 will potentially mean another difficult year for our industry to predict. The prospect of a full year of trading alongside a return to 'normality' and increased inbound tourism is both welcome and positive. However, rising costs, reduced consumer confidence and a decline in disposable income present challenges to overcome.

Rising National Insurance

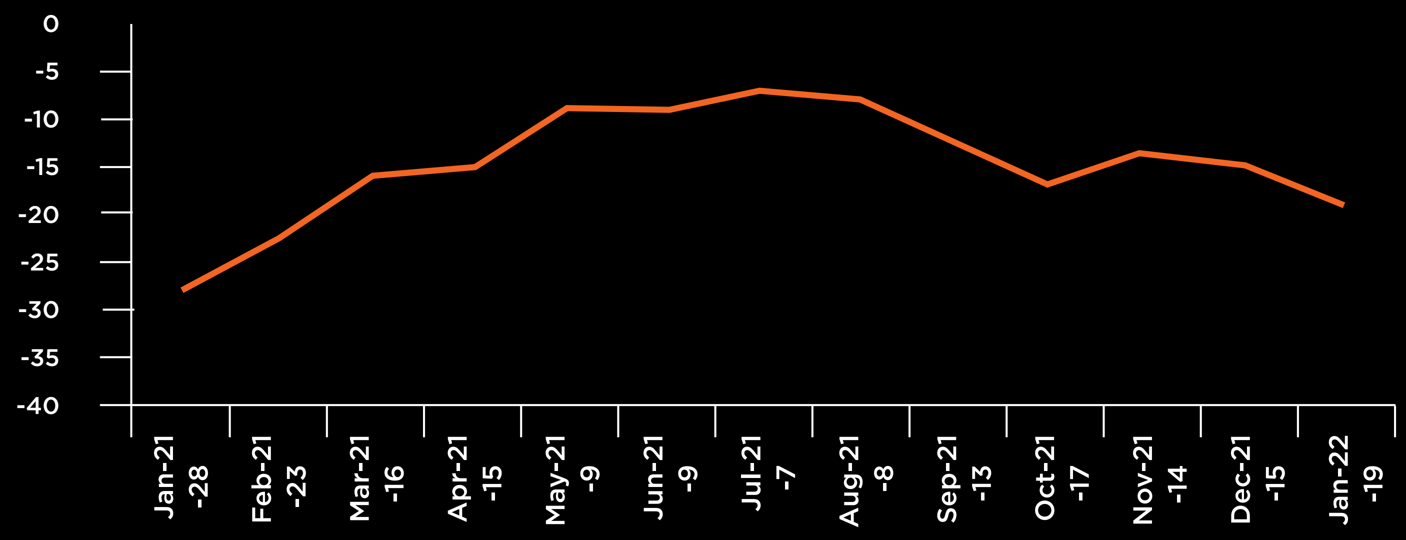
April sees a planned 1.25 percentage point rise in national insurance from 12% to 13.25%, expected to equate to £14 billion per year. This rise affects both employees and their employers and is likely to further squeeze disposable income and consumer confidence.

Inflationary Pressures



Source: Office of National Statistics

Index Score january 2021 - 2022

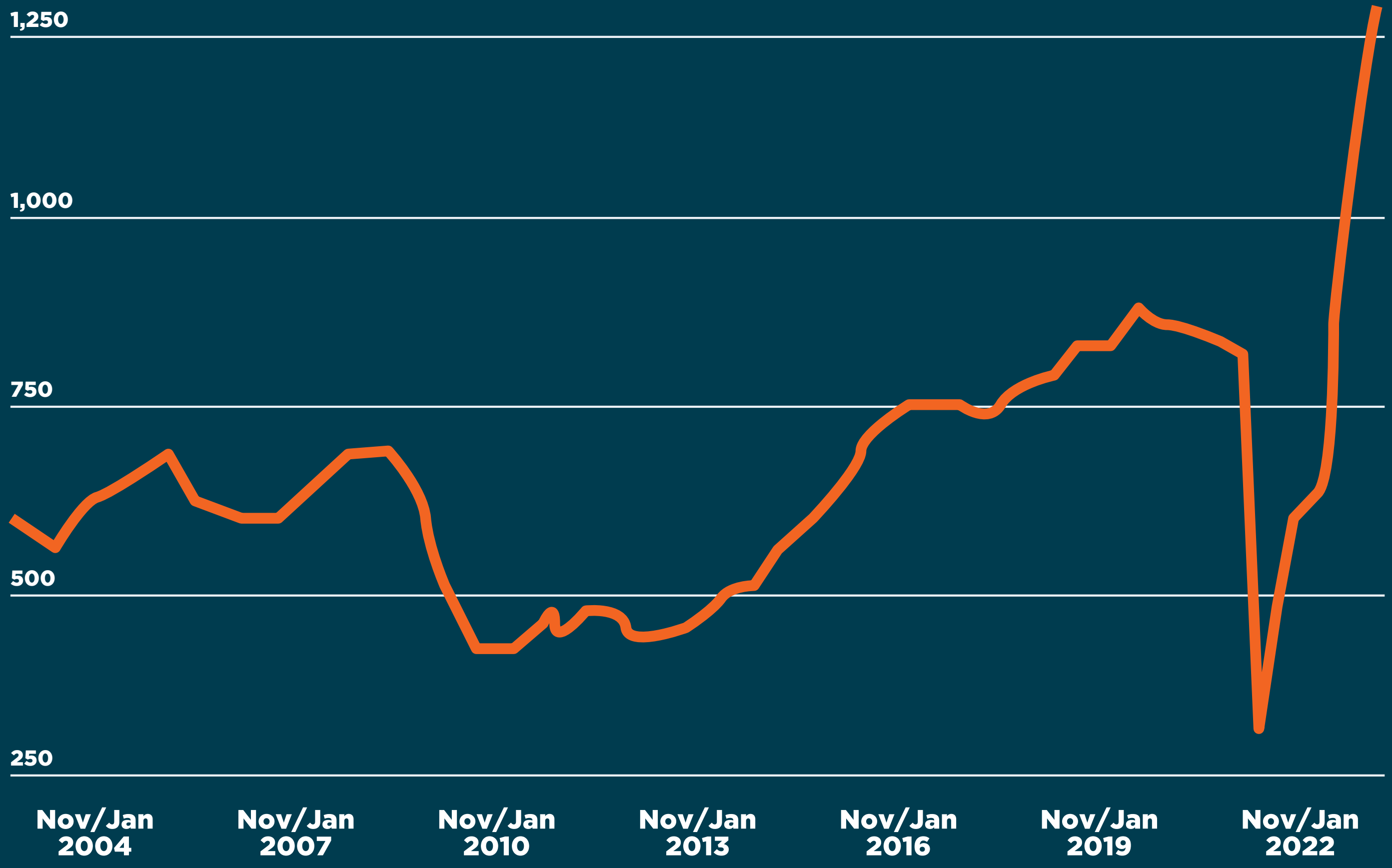


Source: Growth from Knowledge, 2022

Labour Challenges

The Office of National Statistics February figures show between November 2021 to January 2022, UK job vacancies continued to rise, reaching a new record high of over 1.2 million. The quarter also saw the largest increase in the accommodation and foodservice sector reaching a new record of 178,300 vacancies. The ratio of vacancies to employment hit 4.3 in every 100, also a record high.

Number of vacancies in the UK, seasonally adjusted, November 2002 to January 2003 and November 2021 to January 2022



Source: Office for National Statistics

Supplier Labour Challenges

Like us, many of our suppliers are experiencing challenges attracting, recruiting and retaining experienced workers, resulting in increased costs.

Crop planting on UK farms was reduced this autumn due in part to a 90% shortfall of foreign worker applications, which will impact this summer's yield, particularly for manually harvested product.

Alongside us, our suppliers and many of our customers are exploring technological solutions to combat the labour challenge. Robotic harvesting may provide answers to some of the problems our suppliers face, however these are long-term solutions involving high upfront investment.

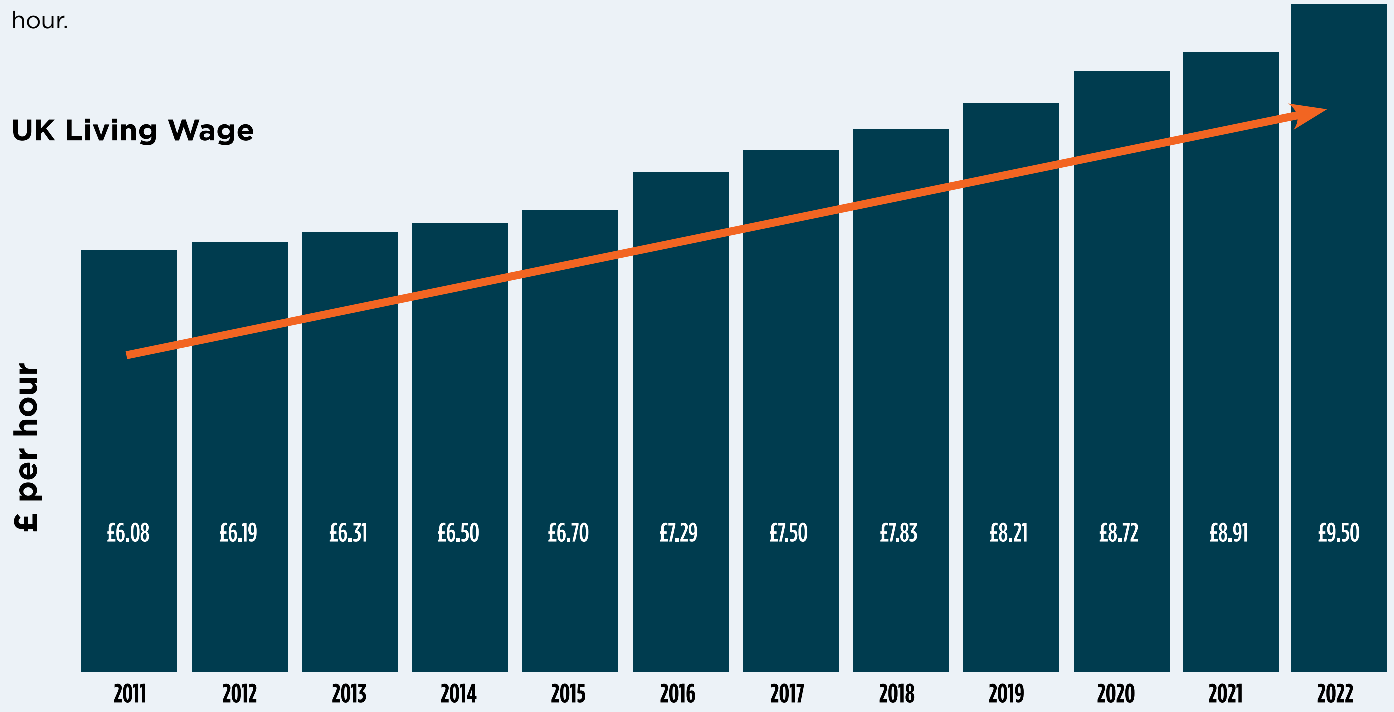
Despite labour shortages, we work closely with our partnership suppliers to explore alternative supply routes and ensure consistent product availability into our supply chain. As part of the Sysco family, we are able to leverage our economies of scale and global buying power to overcome some of the challenges we are jointly facing, providing benefits for our customers.

Increasing Seasonal Worker and National Living Wage

Under new government guidance, seasonal Worker wages looks likely to rise by 38% in early April from £8.91 per hour to £12.31 per hour. This would put seasonal worker wages significantly above the National Living Wage which will also rise in April from £8.91 to £9.50 per hour.

According to the Grocer (March, 2022) under the new guidance, farmers are required to pay employees regardless of whether workers are able to harvest due to poor weather. These additional costs put further pressure on UK growers which will inevitably lead to increased produce prices.

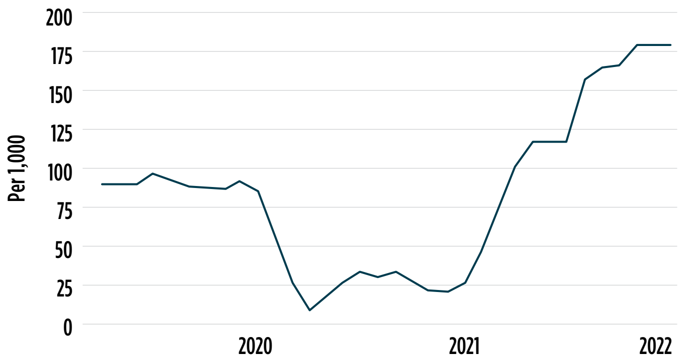
UK Living Wage



Hospitality sector labour shortages

Hospitality sector staff shortages continue with 1 in 10 roles remaining vacant. Among the leading causes are foreign workers leaving the UK in 2020 and not returning. A disproportionate number of skilled kitchen staff are still required, causing increased competition for the pool of available workers and pushing up labour costs for employers to attract the best candidates.

UK Vacancies - Hotels & Restaurants



Source: Mintec

Packaging

Increased Costs

Despite raw materials being available, packaging price rises can be attributed to lower than normal global supply levels as manufacturers struggle to return stock to pre pandemic levels of 2019. Buffer stocks ran out due to a higher demand for packaging driven by a significant increase in home delivery during the peak of the pandemic. This shortage in supply is driving up prices and is expected to remain until backlogs are cleared and stock levels are in line with the global demand. Further price rises are caused by rising energy prices and similar delays following high demand for labels.

Plastic Tax Explained

We welcome the UK Government's aims to encourage the use of recycled content in plastic packaging. The plastic packaging tax, introduced from 1 April 2022, will tax packaging with less than 30% recycled content that has been produced in the UK or imported into the country at the rate of £200 per tonne.

We are prepared for the plastic packaging tax, and are working with our importers, international and domestic suppliers and our consultants, Valpak, to ensure compliance. Where possible, we are increasing the recycled content in our packaging, such as our Priory Falls water bottles which now contain over 50% recycled PET. We do not foresee any price changes in products as a result of the tax.

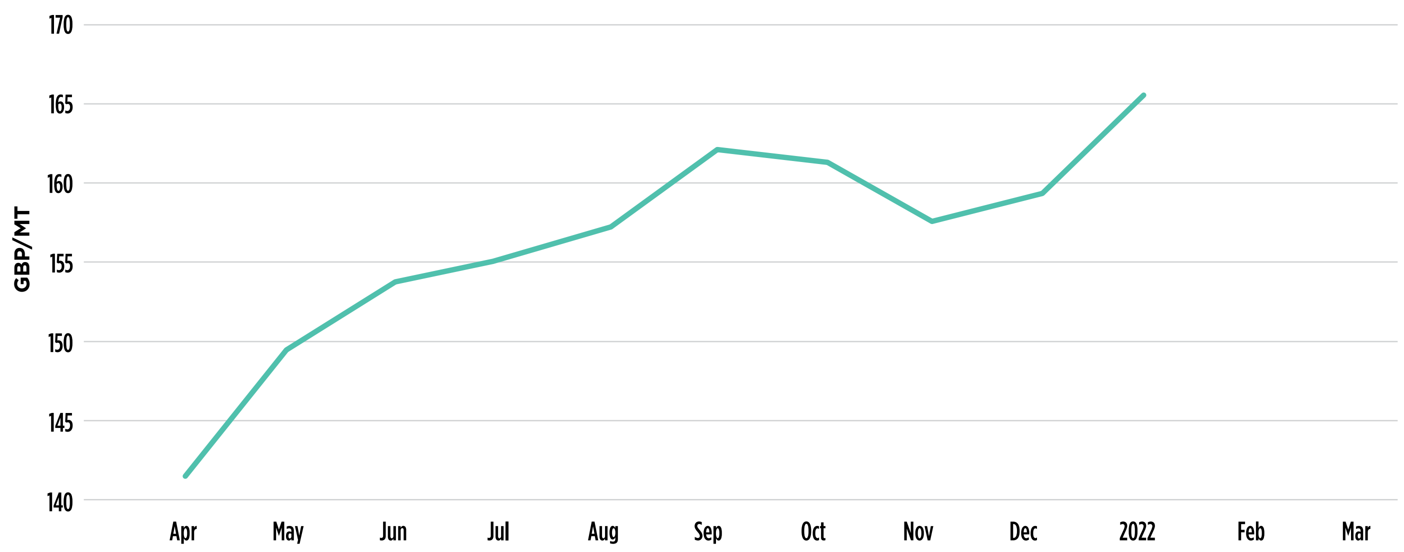
Alternative Sustainable Solutions

To shield our business and our customers from packaging price volatility we are increasing our trials of alternative sustainable packaging solutions including supplier to depot use of International Food Container Organization (IFCO) trays. An IFCO tray has an average lifecycle of 120 uses. Our analysis shows the use of IFCO trays are a delivery method in our supply chain prevents 60% less CO2 emissions, uses 64% less energy and 80% less water than single use packaging.

The brassica category has been particularly impacted by rising packaging costs, IFCO trials with our brassica suppliers aim to move 50% of UK brassica supply away from cardboard packaging, with further trials between selected customers on selected products proving successful in their initial stages. IFCO supply chain solutions further support the sustainability and packaging reduction goals of Sysco Speciality Group.

UK Packaging Index

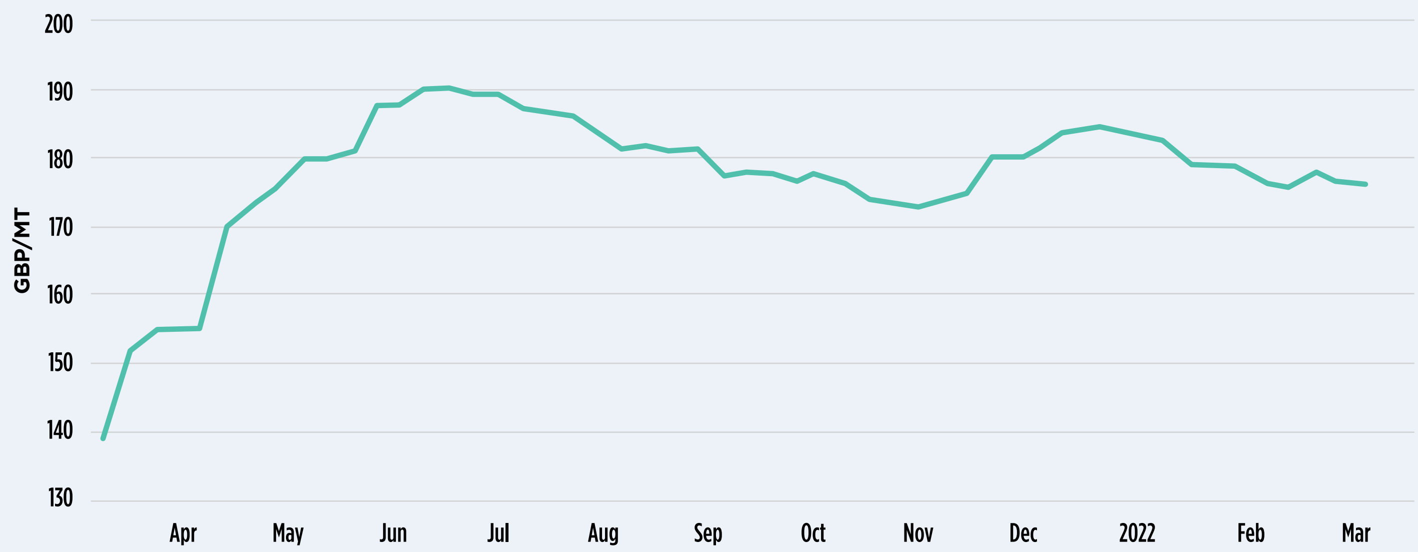
Indexed: 100 = March 2020



Source: Mintec

UK Low Density Polyethylene (LDPE) Index

Indexed: 100 = March 2020



Source: Mintec

Transportation

Increased Costs

Global shipping container displacement

Shipping companies are responsible for transporting 90% of world trade each year. Last year demonstrated the global reliance and economic fallout caused from one part of the chain becoming blocked. The Suez Canal disruption significantly impacted global shipping and further exacerbated the displacement of shipping containers, which remains a key cost driver for global trade.

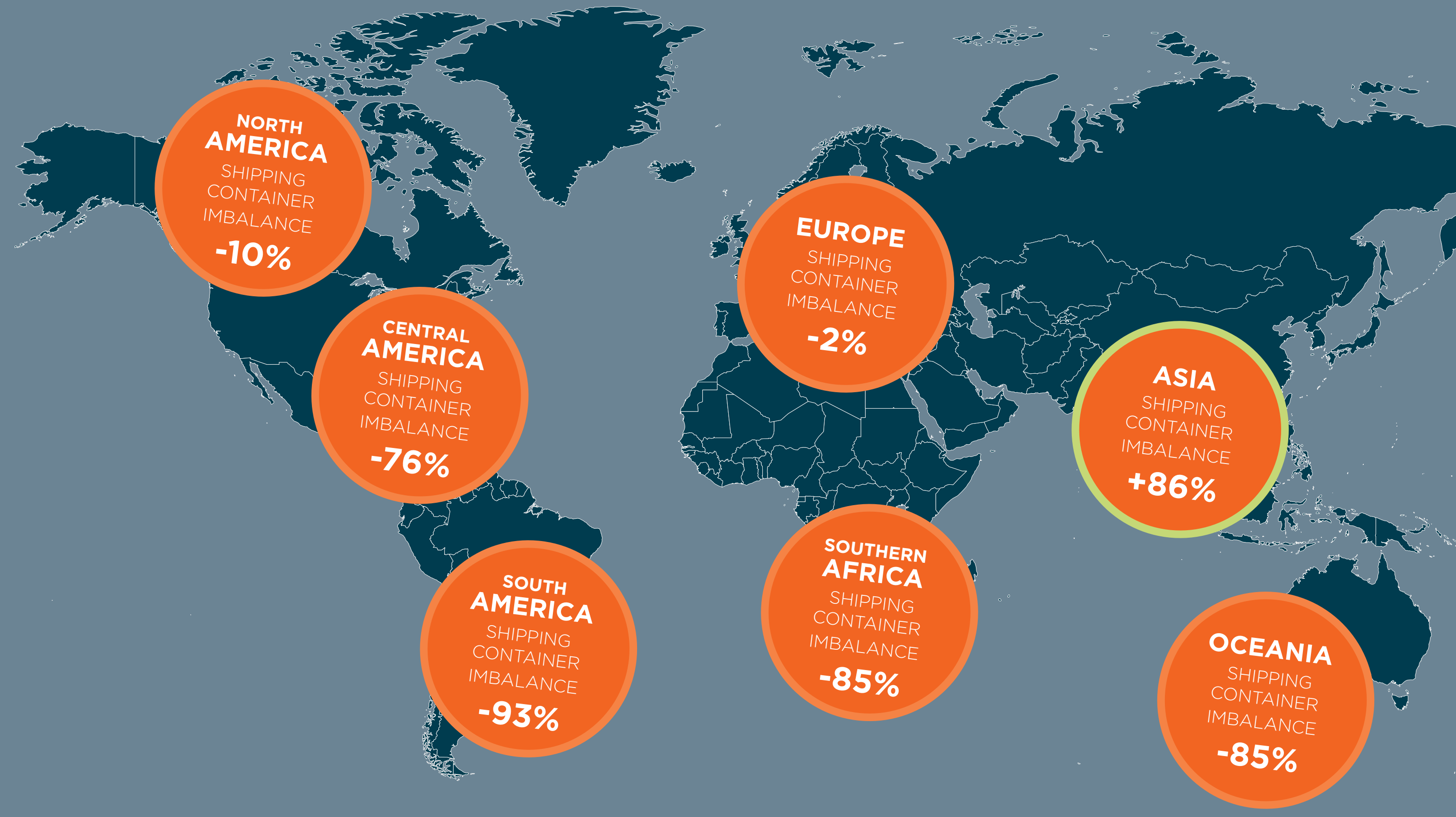
Between March 2020 and March 2022, the average cost of a 40ft shipping container from China to the UK has increased 800% and remains at this inflated high. The current cost per container for this shipping route is between $12,500 and $15,000 (Mintec). To put this into context the average cost of a 40ft shipping container was $1,800 in August 2019 (Drewry Maritime Research).

This has cost impacts across all globally traded products, such as garlic that is sourced from China. There are little signs of prices falling in the immediate future and the global imbalance of shipping containers continues to worsen. The World Container Index remains 81% higher this March than the previous year (Drewry Maritime Research).

Bunker Adjustment Factor

Bunker Adjustment Factor (BAF) is a non-negotiable pass-through surcharge to compensate for fluctuating fuel pricing for global sea freight and was introduced by the International Maritime Organisation (IMO) in 2019. In March the BAF price reached an all-time high of €740, up 34% in the last 6 months (Freightos Baltic).

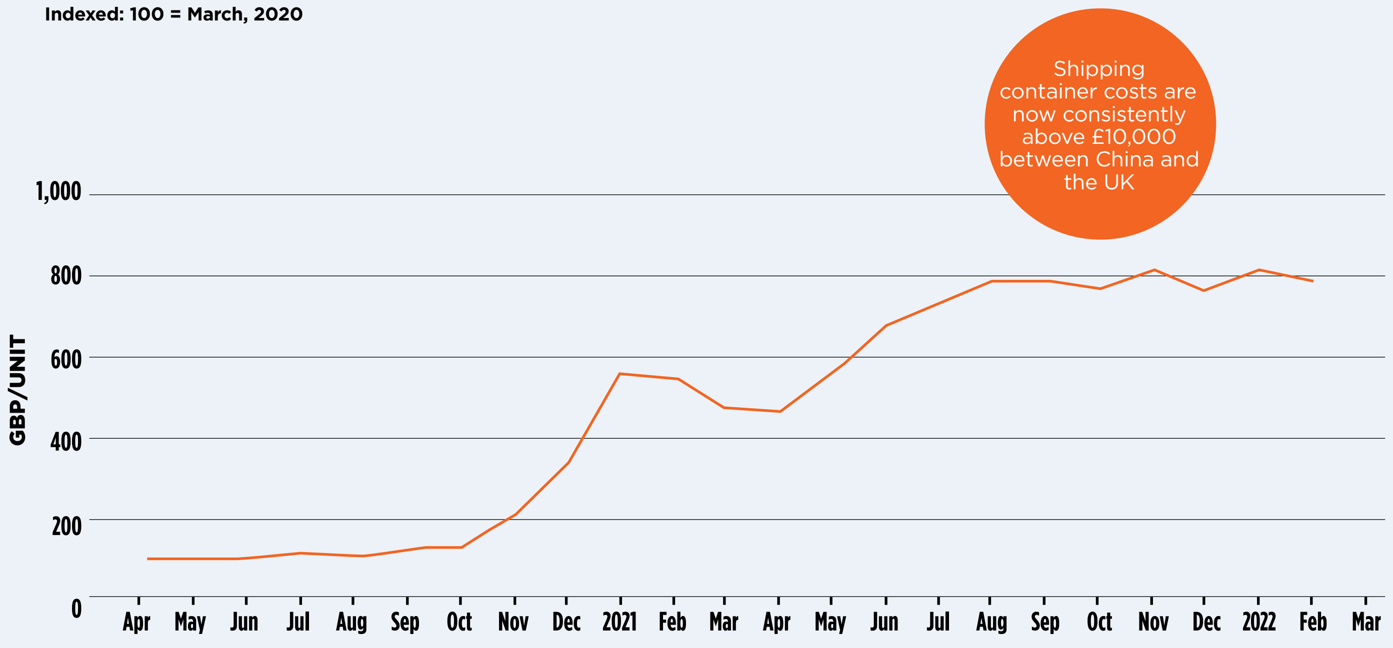
Global Displacement of Shipping Containers



The majority of shipping containers remain stuck in Asia.

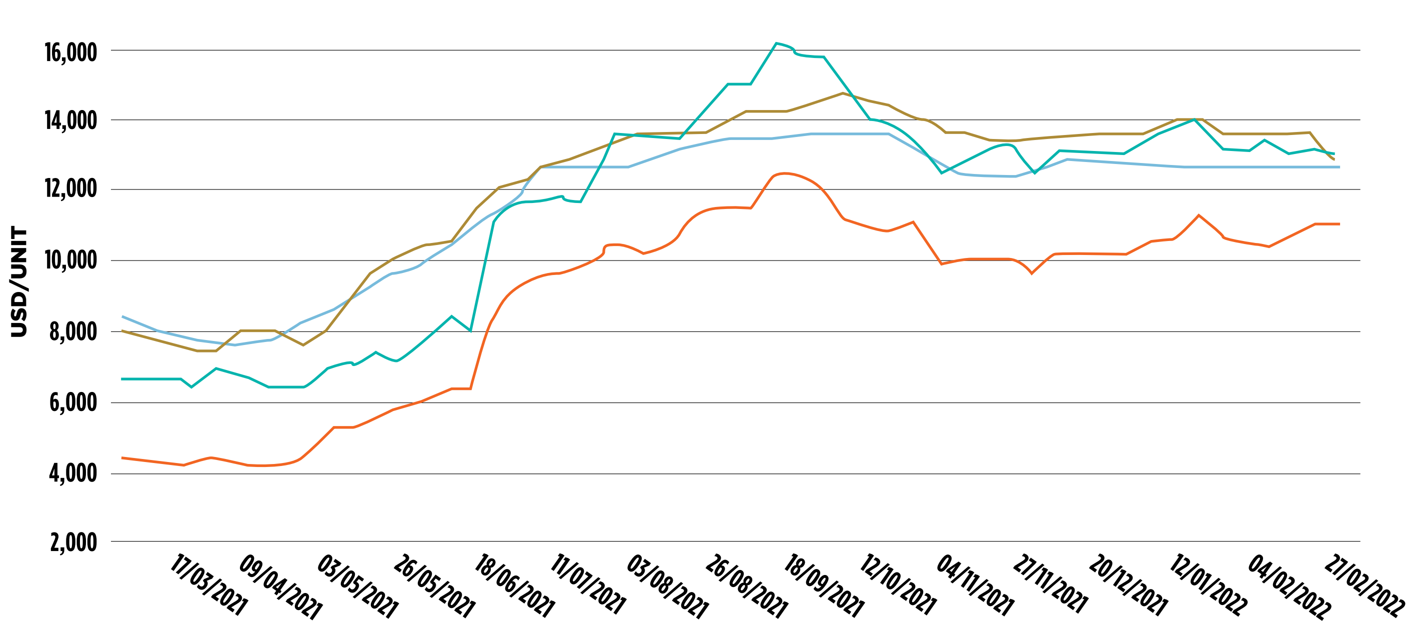
China to UK 40ft Shipping Container Price

Indexed: 100 = March, 2020



Source: Mintec

Trade Routes from Shanghai per 40ft Shipping Container



Source: Drewry Maritime Research

Foodservice Outlook for 2022

By Simon Stenning

Simon Stenning is Founder of FutureFoodservice.com, a forecasting and strategic advisory service for the foodservice/hospitality industry.

Entering the second half of 2022 the foodservice industry works towards a steady return to normality.

Our annual forecast of £95.6bn total industry value with 27% growth over 2021 might appear under threat from geo-political instability and racing inflation, however, we identified that Q1 2022 would be challenging, despite the removal of restrictions, as consumers remain cautious.

Office workers were not going to be racing back to the office from the start of January, and it would take time for that momentum to build, so we factored elements like that into our forecasts.

We outlined that Q2 would be difficult, as VAT returned to 20%, although we were not able to identify inflation rising as rapidly and severely as it has.

Positive factors driving growth

2022 growth drivers are led by the major factor that the industry is able to trade fully, without any restrictions and that rising inflation would be passed onto consumers in some ways, driving up revenues. Prior to covid, when inflation was very low, growth in the foodservice market was running at c.1.5% as there were no major drivers of further growth. The industry relies on a growing economy, thriving business and positive consumer confidence, and in 2022, we have the economy growing and business starting to thrive again; we just lack positive consumer confidence.

Other growth drivers include returning tourism, the forecasted c.24m inbound tourist visits is still far lower than the c.40m visits in 2019, but we expect tourism to play a large part in helping hospitality to grow.

Industry challenges

Growth suppressors include inflation, discretionary spending gets squeezed and eating out becomes an unaffordable activity, and operators passing cost increases onto consumers reduces their frequency of eating out.

The average household spends c.£2,673 on hospitality annually (ONS household expenditure survey 2019), but as inflation drives up costs of energy, fuel, rent and food, this will reduce. Consumers will move to cheaper offers, such as fast food, and reducing the number of meals eaten out, or cutting back on takeaways and delivered food.

Growth is not keeping pace with inflation, so a large part of the population is going to be affected cutting back on discretionary spending or starting to build up higher levels of debt. This could impact on holidays, where domestic tourism, or staycations have fuelled the UK leisure market in the past two years; an ability to holiday abroad, and the increased cost of holidaying in the UK may well have a negative impact on hospitality here in 2022.

As operator's margins reduce and costs increase; the National Insurance rise from April and the increase in the National Minimum Wage both add to costs, which as hospitality employs a large number of staff, has significant impact. One double edged sword for operators is that property costs have levelled off, however the property moratorium finishes at the end of March, so we may see some outlets taken back by landlords who are still owed rent.

Drivers of growth

- Trading freedom
- Inflationary menu pricing
- Inbound tourism returning
- Return to normality

Inhibitors of growth

- Squeezed disposable income
- Rising tax burden on operators
- Reduced domestic tourism
- Property moratorium ending

We expect a growth in the number of foodservice outlets, with Fast Food opening many new stores. Some closed Casual Dining sites will re-open, under different formats, either Fast Food brands, or by emerging smaller concepts.

Growth in 2022

The winners in 2022 are going to be brands that see opportunities, and have investment to fuel growth, or those that have weathered the storm of the past 2 years. We expect that brands and concepts aimed at younger consumers will be able to withstand the rising inflationary pressures, as they tend to be simpler, better value operations – such as Market Halls, Street Food, or Fast Food.

Pub & bar brands that deliver a 'big night out' experience are likely to do well, they tend to suit younger consumers who are not so bogged down with rising costs and want to catch up on missed opportunities and events.

Where costs are lower, we will see operators manage to retain customers through value-led offers. Operations that can provide virtual brands out of one, multi-purpose kitchen are able to offset increased costs and meet differing consumer needs, so we see that virtual brands will be strong winners in 2022.

Domino's are trialling a delivery charge, which they haven't imposed previously, the thinking behind this is that their consumers are happy to pay a delivery charge from other providers, and that this cost can be passed on.

We expect that the middle ground will struggle to fight off inflation, resulting in higher prices for a middling offer, and consumers will switch to cheaper alternatives. This may well see a drop-off in occasions such as mid-week pub suppers, or less premium lunchtime meals, with switching back to supermarket's meal deals.

So, whilst there are pressures on the market from rising inflation, and squeezed consumers, ultimately, we will still see significant growth this year for the whole industry, it will be different, and differing sectors of the market will have varied performances.

The FutureFoodservice forecasts and report for 2022 took the theme 'The Next Era', and this reflects on the challenges and opportunities that the industry faces this year, and beyond, and the way in which consumer engagement with the industry will continue evolving towards the new normality.

Corporate, Social Responsibility

Sustainability is at the heart of our business, we are committed to caring for people, sourcing products responsibly, and respecting the planet.

By working closely with our valued customers and supply chain we will continue to be a force for positive industry change. We measure and monitor our progress in three key areas, People, Product and Planet.

People

We will care for people by giving back, doing good and changing lives in our communities, creating a diverse, equitable and inclusive work environment. We will empower our colleagues, customers and the next generation to make healthy choices about lifestyles and diet.

Product

We will supply products responsibly by improving animal welfare in the fresh food business industry; minimizing negative environmental, social or ethical impacts when sourcing products; and ensuring that human rights are respected in our operations, as well as the global supply chain.

Planet

We will protect the planet by advancing sustainable agriculture practices, reducing our carbon footprint and diverting waste from landfill, to protect and preserve the environment for future generations.

People

We commit to

Sharing food, volunteering in our communities, and investing in the future of our industry

Improving the health and wellbeing of our colleagues, developing their skills and attracting new talent

Creating a fair, equal, and inclusive workplace for a diverse business community

Charitable Giving and Community

We are proud to be part of Sysco's commitment to supporting communities; our recent food donations are part of an overall achievement of delivering 50 million meals to those in need during the Covid pandemic.

Our goal is to donate in excess of 3 million meals by 2025. We are proud to report that we are now over halfway to this target having donated approximately 1.6 million meals since our partnership with Fareshare UK began back in 2019.

Our action during the pandemic has re-affirmed the importance of our contribution to global and local causes particularly with one close to our business purpose of sharing food and caring for one another. We have maintained momentum with food donations through 2021 donating 325 tonnes of food to Fareshare UK and additional tonnage to local charities.

325.57 tonnes
775,187 meals
3,701 charities

FareShare
fighting hunger,
tackling food waste

Equal, Inclusive and Healthy Workplaces

We run an annual colleague engagement survey, "Sysco Speaks", the results help us drive actions to deliver 'a better place to work' for our colleagues. The outputs of this survey will form part of our CSR measurements, ensuring we fully embrace an inclusive culture. As we continue through 2022, we will add to our existing colleague offering, providing additional resources and support.

We also recognise the pivotal role we can play in supporting our customers to achieve fair, equitable workplaces. Our partnership with Fair Kitchens continues and so does our commitment to promoting the importance of wellbeing in the hospitality and foodservice industries.

Product

We commit to

Promoting local & regional seasonal British products and communicating the provenance of food

Encouraging sustainable, low carbon, food production and diets

Ensuring respect for human and animal rights is embedded in our operations and supply chain

Ethical Standards

We work closely with the Marine Stewardship Council (MSC), the Marine Conservation Society UK, Global Aquaculture Alliance, and Global GAP. Our large, growing range of MSC and ASC (Aquaculture Stewardship Council) accredited fish and seafood, which will never include MCS rated 5 'fish to avoid' and we will never under any circumstances sell fish on the IUCN's 'Red' list.

- Winner of MSC Foodservice Wholesaler of the Year award for the 4th year running.
- The largest range of sustainable fish & seafood available in foodservice

Responsible Sourcing

Working closely with our suppliers we ensure the supply chain is operated in a safe, responsible and respectful way. For appropriate products we request our suppliers to be LEAF Marque (or equivalent) and a member of SEDEX. Our sourcing aim is to provide the best products at the best standards, this means working with suppliers who are able to achieve the highest standards and accreditations.

In February 2022 we started a research project with a UK university to support our understanding of our supply position of palm oil and soy. We recognise the impacts certain commodities have on the planet if grown unsustainably. We look forward to reviewing the project outputs in the summer.

Planet

We commit to

Addressing the impacts of our operations, targeting waste reduction and sustainable packaging

Reducing our emissions and replacing energy consumption with cleaner alternatives

Improving the environmental standards of our operations

Reducing Transport Emissions

We are continuously reviewing the efficiency and emissions of our fleet, ensuring that new vehicles meet the latest European emission standards, and exploring suitable electric vehicle alternatives. In August 2022 we will be replacing a large percentage of our fleet with the latest vehicle models, improving fuel efficiency and emissions. Coupled with this we are launching new CSR goals to monitor fuel consumption and fossil fuel mileage across the business.

Amongst a variety of achievements in this area we have

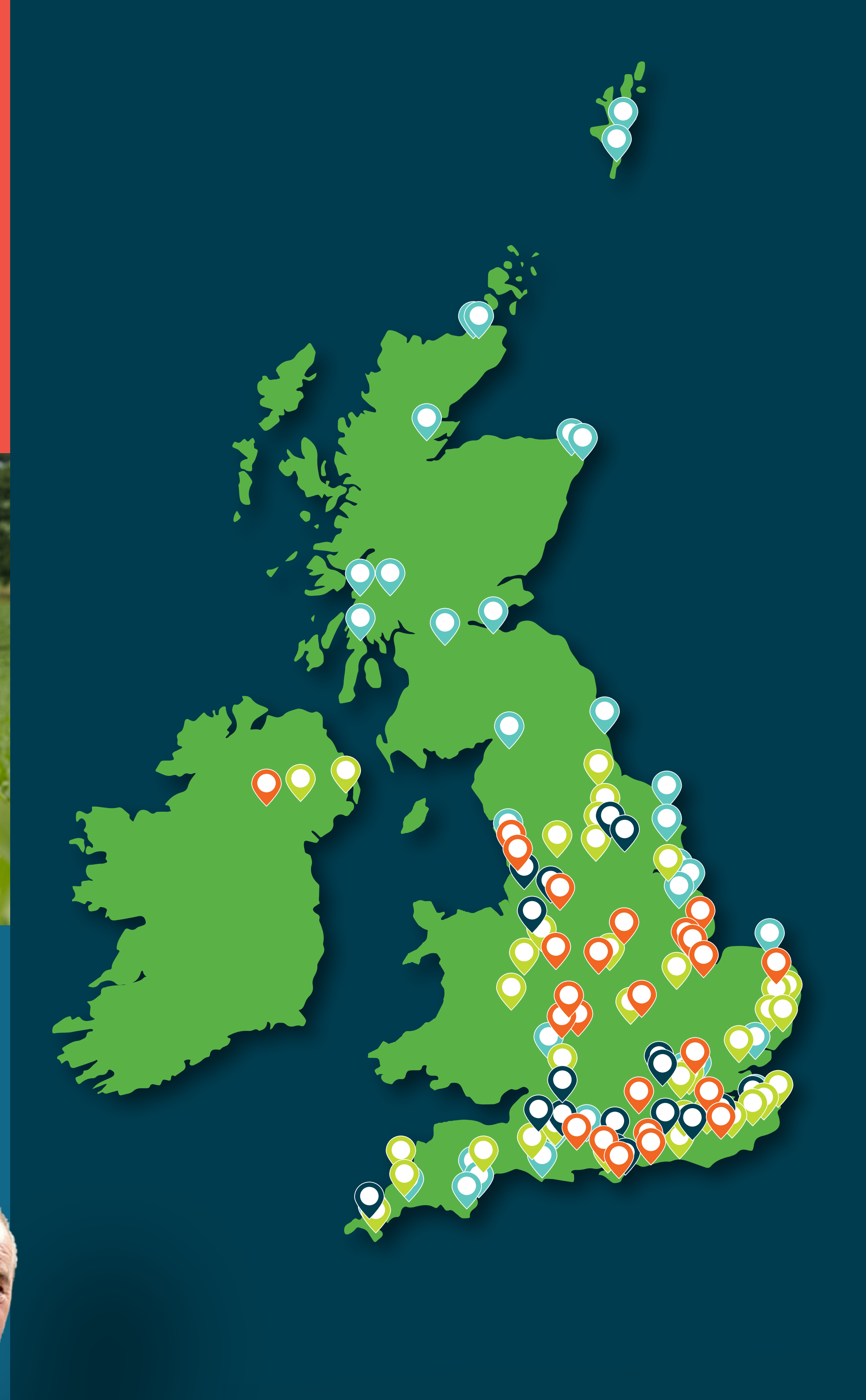
- Launched our "Freshliner" service targeting a 1,000,000-mile reduction by 2023
- Helped customers to consolidate their deliveries across the ranges we supply
- Focused more on British sourced products, including moving to British free range and liquid eggs leading to an estimated reduction of 100,000 miles per year equivalent to removing 130 tonnes of CO2e
- Sourcing direct from the farmer or fishermen, for example, sourcing direct from our scallop supplier saved and estimated 230,000 miles per year, the equivalent to 300 tonnes of CO2e

Innovative, Sustainable Packaging

M&J Seafood are always challenging the norm when it comes to sustainability. This includes the packaging for transporting and storing fish. M&J are committed to delivering their customers the best sustainable packing solution, maximising shelf life, maintaining quality, reducing food waste, and a solution formed of materials that can be used in a circular economy.

The recently introduced thermoformed packaging solution allows for prepared fish from our central processing unit to be sealed in an airtight mono material packaging. Additionally, the packaging can be perforated to control portion use of the fish; typically perforated to separate 2 or 3 fillets per sheet. The thermoformed solution takes up less space and enables our customers to have better portion control.

Over 100 British Suppliers



British farming is at the forefront of technological advancements, providing cutting-edge solutions, from innovative hydroponics to a vertical farming future.

We are proud to partner and support local British producers who supply high quality ingredients and champion environmental responsibility.

This year we are delighted to bring you even more choice when it comes to fresh, in season British produce. A key part of our sustainability commitment is to increase and develop our British and local product offer. Buying British, benefits the environment significantly, lowering food miles and our shared carbon footprint, reducing the journey from 'field to fork' and 'sea to plate'.

Supplied by over 100 British farms, fisheries, dairy processors, bakeries, foragers and local suppliers, we have access to the best heritage, innovation, seasonal produce and provenance stories for your menus.

Our Skipper's Catch is an excellent way to discover seasonal, freshly landed, wild fish caught the length and breadth of Britain from high up in the Scottish Shetland Islands, all the way down to the Brixham Harbour on the Devonshire coast.

At Sysco Speciality Group, we are committed to bring you the Best of British through close partnerships with our expert suppliers. We invite you to visit some of our suppliers and growers and see for yourself.

Food trends & innovation

By Ian Nottage

Ian Nottage is Head of Food Development at Sysco Speciality Group

The summer season is an exciting time for chefs. We've gone through the 'hunger gap' of winter where UK produce is limited to hardy brassicas, stored top fruit, and root crops and we start to look forward to the abundance of British grown fruit and vegetables from our amazing British farmers and growers up and down the country.

Whether it's the eagerly anticipated first cutting of UK asparagus, a sure sign that summer is on its way, freshly dug Jersey Royals or the first pickings of British grown berries, each month through the summer and early autumn there is an abundance of seasonal highlights and ingredients.

New British Range

This year we are delighted to bring our customers even more choice when it comes to in season British produce. Throughout the winter months we have carefully selected an exciting range from fantastic British growers and producers to partner with. From a wonderful top fruit grower in Kent who is leading the way on regenerative farming methods, to a 4th generation run farm in Herefordshire growing asparagus, rhubarb, sugar snaps and fine beans (2 crops usually associated with East Africa), to a forward-thinking grower in Evesham investing in sustainable hydroponically grown salad crops.

Of course, it's not only fresh British produce we get to enjoy throughout the summer months, fish and seafood will also be featuring heavily on our customer's menus. Native species such as Megrim, a great, sustainable alternative to Lemon Sole, Mackerel and Hake are fantastic sustainable options worthy of a starring role on any specials board. Our 'Skippers Catch' initiative from M&J Seafood is a great way to discover freshly landed, wild caught fish from around our coastline, and our expert fishmongers are always on hand to prepare it any way you want.

Key food trends continue

We continue to see a move towards premiumisation on our customer's menus, highlighting hero ingredients, provenance and sustainable credentials.

Another ongoing challenge in our industry is the reduced availability of skilled staff, both front and back of house with a continued shortage of skilled chefs. As a result we are seeing increased demand for prepped products and meal solutions. At Sysco Speciality Group, we have a vast array of prepared produce and expertly prepared fresh fish for chefs to choose from.

Our own Fresh Kitchen facility can work with you to develop time and labour-saving solutions from soup, sauces, stews, marinades, pickles, salads and dressings to authentic gelato and fruit compotes. Some of the recipes have even been recognised by The Great Taste Awards and towards the end of last year we were awarded 5 gold stars in total for our Spiced Pickled Pear, Rainbow Slaw and Sour Cherry Compote.

Investing in menu and product development

Recent investment to develop a brand new, state of the art development kitchen in our Dagenham site is well underway. This extra resource means we can support even more of our customers in menu and recipe development as well as training. An area which is more relevant than ever in the current climate, particularly for younger chefs joining the industry.

If you'd like to take us up on the opportunity to visit our new kitchen, our new suppliers and to showcase some of our fantastic seasonal ingredients, or to find out more about how we can help you and your business, get in touch via your account manager.

Category Overview

Alliums

Garlic - China

China continues to suffer from the consequences of Covid, keeping some key ports closed or operating at a reduced level and exports remain lower than we would typically expect. This continues to impact garlic with increased shipping costs affecting price.

Shipping container displacement is continuing to cause challenges for this category and there are little signs of this resolving in 2022. Higher shipping container costs disproportionally impact the cost of garlic.

Leeks – UK, The Netherlands

The British leek season ends in April and moves to mainland European supply before returning to domestic in July. Leek supply requires both manual harvest and packing and are therefore susceptible to rising national living wage and seasonal worker wage rises. .

Onions – UK, Egypt

As is typical for the transition from winter to summer crop, the onion category faces cost increases. The volume of brown onions grown in the UK is lower than previous years due to farmers moving away from onions and towards more economically favourable crops such as maize.

Increased land rent, labour, packaging and road haulage challenges are among the contributing factors for this decision. Those farmers choosing to stick with onion production have planted less than previous years, which will inevitably impact supply and cause prices to rise further.

To mitigate a lower forecast of British supply we will continue to source from Egypt. These negotiations are ongoing, and Egypt have experienced similar challenges of less planting, due to the uncertainty of market demand following Covid.

Many farmers have either unfortunately gone out of business during the past year, or have taken the decision to forego a full year of planting due to the global volatility of demand and like UK farmers, chosen safer alternatives such as maize.

Spring Onions – UK, Egypt

Egyptian supply is replaced by British in early-April and continues throughout the summer with the season ending in October. Extreme weather conditions in Northern Africa and Western Europe have caused major shipping disruption over the previous months. To mitigate port closures, alternative supply routes via Italy were used, improving availability and reliability of supply. These supply chain issues will ease as the British spring onion season starts.

Shallots – France

Following a poor crop in 2021, new season yields from France are favourable and availability is expected to remain good this summer. Despite this, rising energy and fuel costs as well as logistics issues are impacting our growers in France, as they have in the UK. These additional production and transportation costs are reflected in the price moves of this category.

Apples & Pears

Apple – France, Italy, Poland, Serbia, South Africa

Over the winter we introduced British apples, including Braeburn and Russet varieties grown in Kent, as part of our growing Best of British range. Supply of UK varieties will end in April and our mainland European sourcing moves to the southern hemisphere in May.

The global apple forecast was down in 2021, from 12 million tonnes to 11.4 million tonnes. Data from the 2022 harvest will be available from July. Despite this we expect apples to be in plentiful supply over the summer and we continue to source from multiple countries to maintain consistent supply of excellent quality fruit.

Pear

Following challenging growing conditions, pears have suffered from a poor yield in this year's harvest resulting in a reduction in larger sized fruit. Despite this we expect good availability.

Avocado

Chile, Columbia, Dominican Republic, Guatemala, Israel, Mexico, Peru, Portugal, South Africa, Spain

The northern hemisphere season runs from late November, and we transition into southern hemisphere supply from late April to early May. From the summer we will source the majority of our supply from Peru and South Africa.

Sea freight is essential for importing avocados as some of the best growing climates being South & Central America. Sea freight costs remain volatile impacting price on this category. The availability of shipping equipment is also cause for concern.

Southern hemisphere sourcing comes with shipping challenges, noticeably a sustained high cost for shipping containers and the inflated Bunker Adjustment Factor (BAF) surcharge applied to the fuel costs.

The cost of shipping containers from South Africa to the UK is regularly $3,500 higher over the same period (Source: Proprietary research).

Demand from the US for Mexican fruit has also increased in recent months. Previously the US market was supplied predominantly from the Michoacan region however, fruit from Jalisco, where typically most exports are European bound, are now exporting to the US where prices are 82% higher year on year.

Alongside shipping challenges, the popularity of avocados used by the cosmetic industry has increased. Avocado oil contains vitamins A, D and E which have been found to provide the skin and hair with moisturising properties, an increase in collagen metabolism, and protection from harmful UV exposure.

Our negotiations with our supplier for the summer season are still ongoing.

Bunker Adjustment Factor (BAF) is a non-negotiable pass-through surcharge to compensate for fluctuating fuel pricing for global sea freight and was introduced by the International Maritime Organisation (IMO) in 2019. In March, the BAF price reached an all-time high of €740, up 34% in the last 6 months (Freightos Baltic).

Banana & Pineapple

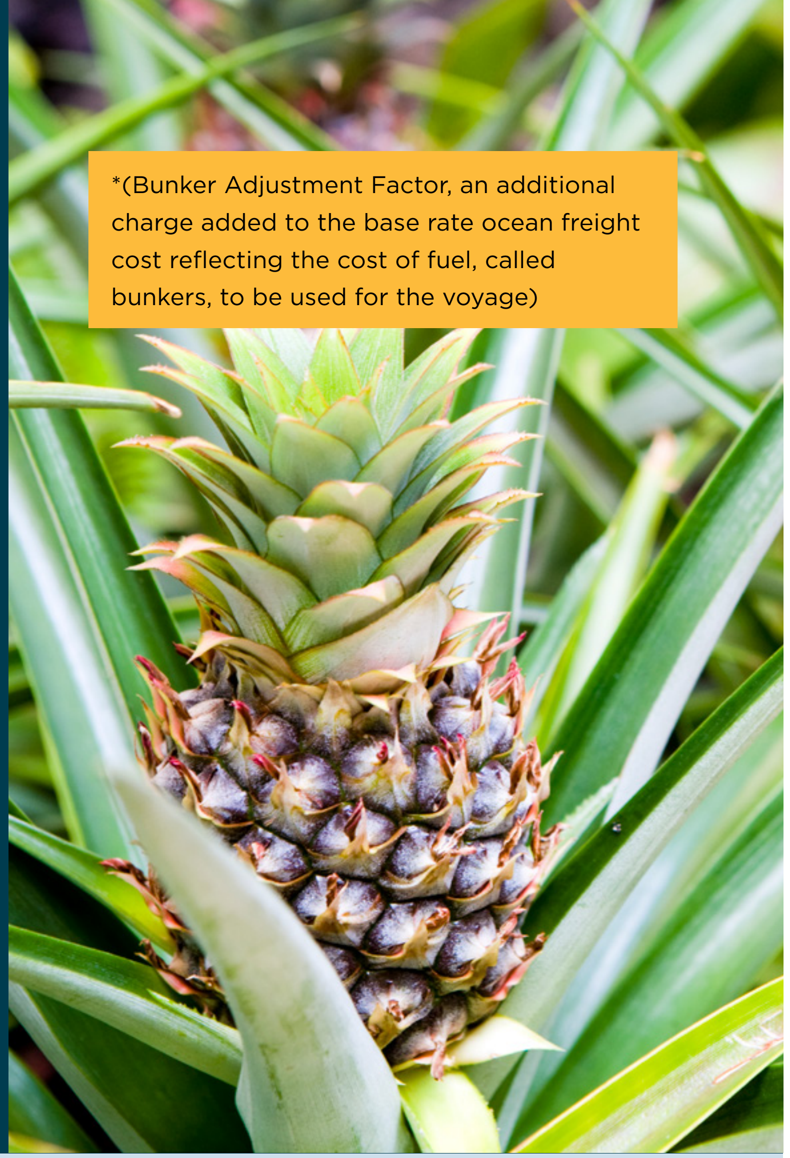
Costa Rica, Panama

Bananas, and pineapples to a lesser extent, are low-cost high-volume products and are therefore disproportionately impacted by the rise in cost for shipping containers. Global shipping cost volatility continues, with rates significantly higher in 2022 than previous years. The availability of containers also continues to be a challenge.

Since its inception in October 2019, BAF* is at an all-time high. As such, the Department for Environment, Food and Rural Affairs (DEFRA) have recently reported the weekly average banana wholesale price has reached highs of £0.92 per kilo. In comparison with the same week in 2021, where the price was £0.69 per kilo.

Conflict in Europe is causing volatility in the global fuel market as a response to supply uncertainty, which will impact all bulk imported category supply into our supply chain and BAF is expected to follow this pattern.

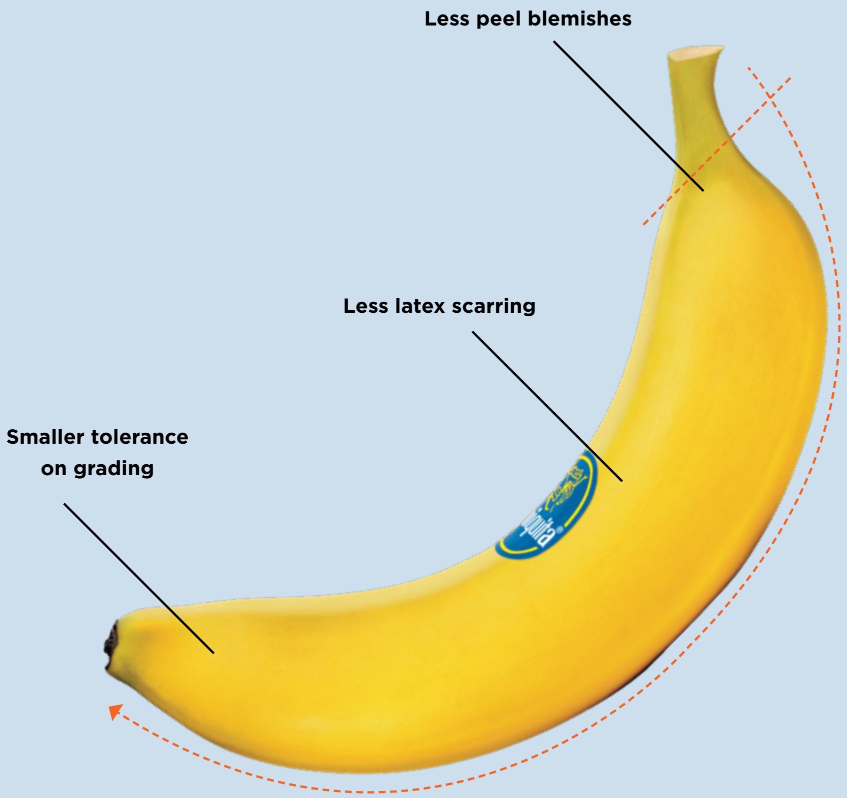
*(Bunker Adjustment Factor, an additional charge added to the base rate ocean freight cost reflecting the cost of fuel, called bunkers, to be used for the voyage)



Long standing partnership with Chiquita

We continue our long-standing relationship with Chiquita, one of the few recognised brands in the produce market, who only work with Sysco Speciality Group in the UK foodservice sector. This relationship allows us to offer our customers the premium Class Extra fruit.

Chiquita controls their own supply chain from the farm and run their own fleet of ships into Europe. This not only improves consistency of supply but also enhances focus on corporate social responsibility, allowing them to proactively support the communities and environments in which they operate.



Berries

UK, Egypt, Guatemala, Morocco, Portugal, South Africa, Spain & The Netherlands

The British berry season sees imported supply replaced with domestic supply, with Strawberries in full British season from May followed by blackberries and raspberries in June. During this seasonal transition we will continue to source from Egypt, Morocco and Spain providing our customers with the best quality seasonal varieties.

Low labour availability continues to be a challenge for this category. As the British season commences, additional seasonal workers are required to harvest the fruit with many of these coming from overseas. As outlined earlier in the report, the Seasonal Agriculture Worker Scheme (SAWS) currently looks likely to cost more than the national living wage. This will considerably impact growers' costs and could affect the cost price of British fruit.

We are proud to work with the finest growers and industry experts to continually innovate and lead the way in sustainable technology within foodservice. We continue to offer premium Driscoll varieties, which are renowned for their high quality and flavour profile, widely regarded as the finest berries.

Last summer, in partnership with our supplier, we launched a sustainable Prevented Ocean Plastic punnet into the Sysco Speciality Group supply chain. In one year, this removes the equivalent of 250,000 plastic bottles from our oceans.

Prevented Ocean Plastic™, supplied by Bantam Materials, to Sharpak, Aylesham and certified by OceanCycle, refers to plastic bottles that are collected from the shoreline before being responsibly converted into high quality raw material. Found within a 50km (30mi) distance of an ocean coastline or major waterway, any plastic waste left uncollected would end up as ocean pollution

Brassica

Our brassica growers are again reporting significant rises in transport, packaging and labour costs.

Broccoli – UK & Spain

The UK broccoli season will be available from mid-June, which is typically a late start, and continue until mid-November before supply returns to Spain. Broccoli is a labour-intensive product to harvest, and therefore added costs from increased labour and transportation continue to affect both the UK and Spain.

To mitigate the manual harvest challenge, our key suppliers are exploring automated harvesting technology and robotics to provide long term solutions to labour challenges. Robotic harvesting technology uses the latest Artificial Intelligence (AI) innovation and reduces staff numbers by up to 50%. These long-term AI solutions require significant investment and remain a few years from being commercially viable.

The Agriculture and Horticulture Development Board (AHDB) continue to work with suppliers and address labour challenges with a campaign aimed at introducing affordable technological solutions and tackle the labour crisis within the category.

We are expanding our range of British brassica with the tenderstem broccoli season from mid-June.

Cauliflower – UK

Our cauliflower is supplied all year from the UK. Lincolnshire provides the main crop in the summer with Cornish supply between January and March.

Cabbage & Spring Greens UK & Spain

Cabbage supply is fully sourced from the UK except for sweetheart cabbage, which is being grown in Spain.

Last season, high labour-intensive varieties such as kale, purple sprouting broccoli and cavolo nero, suffered from a lack of sufficient labour to effectively care, harvest and pack product. Our suppliers were faced with tough decisions over which crop to prioritise and favoured less labour-intensive crops which had a material impact on volume. As a result, much of last year's crop was ploughed back into the field as the labour wasn't available to harvest the product in time. As such, less product had been planted for this summer season to prevent a repeat scenario. This will impact availability in the market with supply levels lower than previous years.

Citrus

Lemon & Lime – Brazil, Guatemala, Mexico, South Africa, Spain

Spanish winter crop of lemons was correctly forecast to be down 23% year on year according to the Spanish Lemon and Grapefruit Interbranch Organisation (ALIMPO). Following a winter harvest that was worse than expected, Spanish winter crop of Fino variety was 16% down and the Verna variety was 40% down. As a result, closing stocks of lemons for the northern hemisphere are two thirds lower than expected, creating inflated prices.

The main concern is increased shipping costs from Central and South America and South Africa, and volatility of global fuel markets. Central America remains extremely short of shipping containers, which is particularly impacting the supply of limes and delaying fruit from entering our supply chain.

We have seen an increase in the purchase of lime orchards as an alternative investment option and a move away from more traditional and currently less favourable options, including gold and the stock market. Demand for limes has also increased, with an increase in Mexican quick service restaurants, and a rise in fresh limes required by drinks-led venues. Limes also provide anti-inflammatory benefits resulting in an increased demand by the pharmaceutical industry. This increases pressure on supply and causes an inflated price as the market adjusts to the added demand.

On a more positive note, the southern hemisphere lemon crop has been well cared for over the growing season and we do not expect yield or growing issues. Fruit is expected to be excellent quality and we have a strong relationship with our suppliers. To further improve the security of our lime supply chain, we are exploring closer working relationships with our US buyers.

We continue to supply both lemons and limes in home-compostable packaging, which is a first for foodservice in the UK and removes 2 million non-recyclable nets per year from our supply chain.

Exotic Produce

The exotic produce category consists of asparagus, beans, mango, root ginger, chillies, kiwi, peas, passion fruit and tenderstem broccoli, which are typically high value items imported from outside of the UK. Imported exotics are sourced from multiple origins and are subject to varying global transportation challenges, most notably increased fuel costs for both shipping and aviation.

Asparagus & Tenderstem Broccoli – UK, Kenya, Mexico, Peru, Spain

Further enhancing our British range helps to mitigate global transportation challenges. Our British asparagus are available from Worcestershire throughout the growing season, and we expect the British (green) asparagus season to commence in April with white and purple varieties available for a shorter two-month window, between May and June. Our extended range will include additional pack sizes.

Alongside British asparagus we are expanding our range of British produce following consistent feedback from our customers, to include in season tenderstem broccoli from mid-June. British bean varieties will also be available when they come into season over the summer. During the autumn and winter both asparagus and tenderstem will return to imported supply.

Supplying our customers with British produce reduces food miles and provides positive provenance and sustainability messages for our customers menus. To find out which British varieties we can supply you and your business, please contact your Account Manager.

Grapes

Egypt, Italy, Morocco, Spain, South Africa

Over the summer period our red grapes will come from Egypt. From May, our green grapes will come from Morocco.

Moroccan growing conditions have been particularly dry, with certain growing regions suffering from serious droughts. This has reduced the potential yield for green grapes as we enter the summer. Despite yields being low, the extra sunlight has improved the taste and we expect quality to be high.

We are exploring range extensions in the grape category to provide greater availability of premium varieties, including supply from South Africa and Peru, alongside improved sustainable packaging alternatives.

Herbs, Cress & Shoots

UK, Italy, Morocco, Spain

Herbs

The Moroccan season ends in Spring with Spanish followed by British supply in the summer.

Consistent supply of good quality herbs is a challenge due to a major British supplier ceasing operations in 2021. This has caused demand to outweigh supply and other suppliers to raise their prices in line with markets.

To mitigate challenging supply and fluctuating market prices we currently source from four suppliers. This ensures consistency of supply however comes with logistical challenges. Further factors in this category are packaging cost increases and rising utility costs. Packaging makes up on average 52% of the total price of herbs, therefore cost increases in packaging have disproportional pricing implications on the product.

Cress & Shoots

We supply British cress and shoots with our main supplier in Worcestershire. Supply includes bean sprouts, edible flowers, micro herbs and samphire. Increases in energy costs are the biggest challenge for this category with greenhouses providing the optimum conditions for growth.

Our supplier's year-on-year energy costs are reportedly up a significant 800%. Unlike residential properties, our supplier's commercial premises aren't protected by energy price caps and have felt the brunt of energy cost increases in the market.

Lettuce, Leaf & Celery

UK, Italy & Spain

British supply replaces Italian and Spanish for the summer season providing a welcome relief from a period of difficult supply from the continent. Despite an increase in British availability, challenges remain in this category, notably increases in fertiliser costs which are 200% higher than in 2021.

National Living Wage and Seasonal Agricultural Workers Scheme (SAWS) will increase the cost of British lettuce and suppliers are yet to fully understand the full implications these wage rises will have on their costs to serve.

Prep salad pricing is further affected by the increase in labour costs as additional workers are required to pick and prep the product.

Haulage remains a challenge in this category with large volumes entering our supply chain daily from multiple suppliers. Increased fuel costs put huge pressure on hauliers with many deciding to cease operations entirely.

Last season suppliers opted for the more standard varieties over specialist leaf, as they have a broader customer base and reduced risk. As a result, certain varieties such as continental lettuce are much harder to source this year due to suppliers opting for iceberg, cos and little gem, which are the more standard varieties.

We are fortunate to work with a long-standing British partner, exclusively supplying Sysco Speciality Group in the foodservice market. This strong working relationship provides excellent quality product and a good understanding of challenges in the category. Our major European suppliers are able to fill in gaps when British supply tightens.

British celery supply will begin in June, and we will continue to source from Spain until the season begins.

Melon

Brazil, Costa Rica, Spain

Supply of melons typically moves from South American to mainland Europe in mid-April before moving back again to South American in mid-August. The Spanish supply for a six-week period, between mid-April to June, is from Almeria, prices are inflated for this period as it is the only growing region globally. The Spanish growing region of Murcia starts supply in June through mid-August when it returns to Brazilian and Costa Rica.

Early forecasts predict a 30% decrease in harvest in Almeria, therefore increased demand will be met with reduced supply and prices are expected to be very high.

Brazilian supply continues to be heavily impacted by multiple shipping and logistical challenges. As a result, many farmers and suppliers are choosing to supply to the domestic market rather than supplying into Europe, to control costs. Next season's Brazilian crop is yet to be planted, and volume is unknown at this stage.

Pricing negotiations are ongoing, and we are confident of consistency of supply remaining strong, despite significant price increases in this category.

Salad & Tomato

UK, Canary Islands, Morocco, Spain, The Netherlands

The summer season will replace supply from Morocco, Spain and the Canary Islands with predominantly Dutch supply. During this period the majority of crop will be grown in greenhouses which require gas to maintain consistent growing temperatures.

Spanish supply has proven challenging over the winter. To prevent an over reliance of Spanish product, we have increased our sourcing from The Netherlands for the summer season, this will improve the consistency of supply of peppers and cucumber, allowing us to offer improved quality produce as a result.

Despite cheaper alternatives, we have taken the decision to increase our Dutch supply based on quality of produce and consistency of supply. We feel this option provides the best value for customers.

Utility rises across Europe, in particular rising gas prices, have significantly impacted the salad category. Typically, the colder the average temperature of the growing country, the larger the reliance on gas to heat greenhouses and produce sufficient yield. We are exploring sustainable growing techniques and renewable heat technologies with multiple suppliers to grow crops efficiently with less reliance on gas.

Alongside a sustained rise in energy costs, the category is impacted by higher packaging and fertiliser costs and ongoing Europe-wide labour challenges. The combined average cost of goods year on year increase in the salad category is over 17% (labour, energy, seed, fertiliser, packaging, transport). With gas prices alone up from an average of 50p per therm in February 2021, to 186p in February 2022 (proprietary data).

Our British range in the salad category is expanding over the summer with premium tomato varieties including beef, piccolo and heirloom coming into season. Developing our British range may provide long term solutions to high energy costs and reduce our shared carbon consumption.

Mushrooms

UK, Ireland, The Netherlands, Poland, Spain

We continue to source our flat mushrooms from Ireland and Northern Ireland whilst sourcing other varieties from Europe, predominantly Poland and The Netherlands. This year we also expect to introduce more UK product into our supply chain.

Prior to the conflict in Ukraine, shiitake mushrooms were sourced from the east of the country. To mitigate supply challenges, alternative supply from Spain and The Netherlands has been secured.

Button, cup and brown varieties are also sourced from eastern Europe and the ongoing conflict has disrupted harvesting with most of the labour from Polish suppliers coming from Ukrainian nationals. As is well documented in the news, these Ukrainian workers were required to return to their homeland in support of the defence of their nation.

The mushroom category is subject to ongoing labour, energy and logistics cost challenges. Minimum wage rates in Poland have increased recently by 7.1%. This represents an increase of over 50% since 2017. Also, the rising cost of energy significantly impacts the availability and quality of mushroom compost as large quantities are required during production.

We continue to work closely with our European suppliers to mitigate these risks and ensure supply remains consistent.

Sustainable packaging improvements

In 2020 we transitioned from black plastic rigid trays that are not commercially recyclable, to blue plastic containers that are widely recyclable.

In 2021, we worked closely with our supply partners to develop and introduce rPET punnets into our supply chain. rPET punnets are made from a minimum 80% recycled plastic and use up to 50% less energy to produce than standard PET, providing significant environmental benefits to our customers.

We continue to explore ways to reduce our shared carbon footprint, including implementing innovative packaging technologies and are committed to support our customers with their CSR goals.

Potatoes

UK

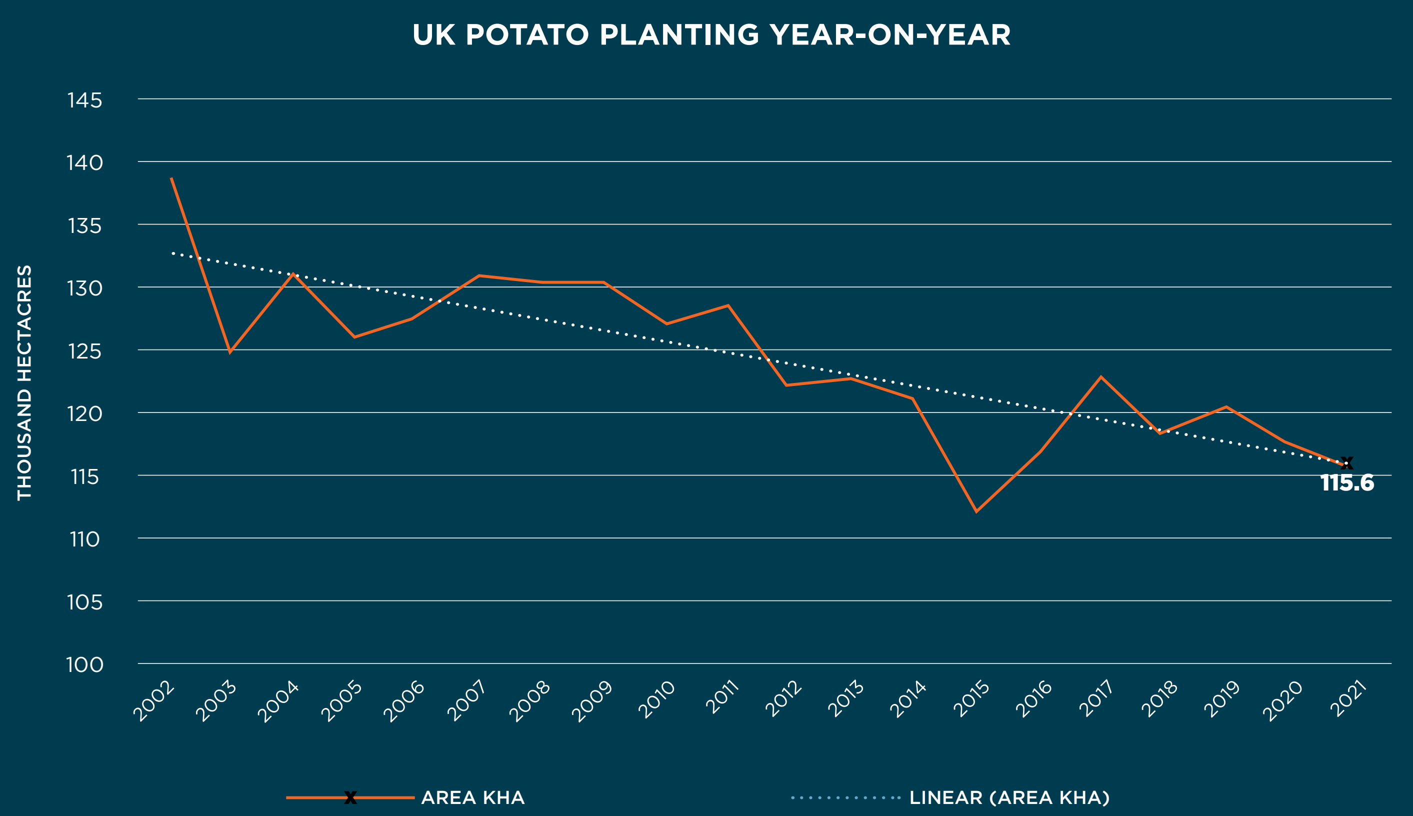
We continue to source our main crop potatoes from Cornwall, Norfolk and Suffolk and our heritage potatoes from Northumberland.

A downward trend in British potato planting continues with volumes also down across western Europe. The British growing area is up 1.7% year on year, however overall production and yield are both down. Multiple factors impacting the potato category include packaging, haulage and rising utility and fertiliser costs with input costs rising as high as 30% year on year.

We are exploring and trialling improved sustainability packaging options to drive efficiency, reduce single use plastics and cut down on cardboard use across our supply chain. One efficient solution being explored is the move to pallatainers or heavy-duty plastic pallets, which are particularly effective for bulk produce transportation.

Prepared potatoes, chips and roast potato supply is significantly impacted in the UK and Europe, as well as the US, with a lack of availability and labour challenges. We expect this to reduce availability in the market.

Sweet potato and heritage potatoes remain in good availability.



Source: Agriculture and Horticulture Development Board, 2021.

Root Vegetables

UK, France, Spain

This category includes beetroot, carrots, celeriac, parsnips, swede and turnips which are mostly British.

This year we are seeing excellent quality carrots and improved availability as retail volumes have dropped, following the easing of Covid isolation requirements. This should allow for a full British season over the summer months and a lower reliance on Spanish crop.

Parsnip availability is lower and to supplement supply we will source from France and Spain to top up volumes, between May to July.

Challenges remain much the same as the potato category with labour, packaging, haulage and rising utility and fertiliser costs impacting pricing.

Fish & seafood

Sustainable Fishing Practices

Our speciality fresh fish and seafood business, M&J Seafood, has been serving the hospitality industry for over 40 years. Sustainable fishing practices has been a key focus for the business from the start. We were again delighted to be awarded Winners of the 2021 Marine Stewardship Council (MSC) Foodservice Wholesaler of the Year, alongside our sister company Brakes, for the 4th year in a row, showcasing our commitment to protect the sustainability of our seas for future generations.

For 16 years we have produced a 'red-list' in line with Marine Conservation Society (MCS) guidance, to protect endangered species, and we back this up with our commitment to never sell 5* rated fish. We also stock and supply the largest range of sustainable fish and seafood in the foodservice industry, to your kitchens up and down the country.

Bespoke Product Solutions

Recent investment in our M&J seafood sites over the past two years has effectively ensured our award-winning fishmongers have state of the art facilities to prepare and fillet fresh fish to our customers bespoke requirements. We have also invested in new packaging facilities, enabling us to offer bespoke filleted fresh fish in environmentally friendly, non-drip packaging solutions.

Skipper's Catch

Recently relaunched and available across all our depots, Skipper's Catch offers the freshest daily landings of fresh fish and finest quality seafood from local British fishing vessels. To place an order for your specials board and to find out what has landed that morning visit the M&J Seafood app.

Fresh & Smoked Salmon

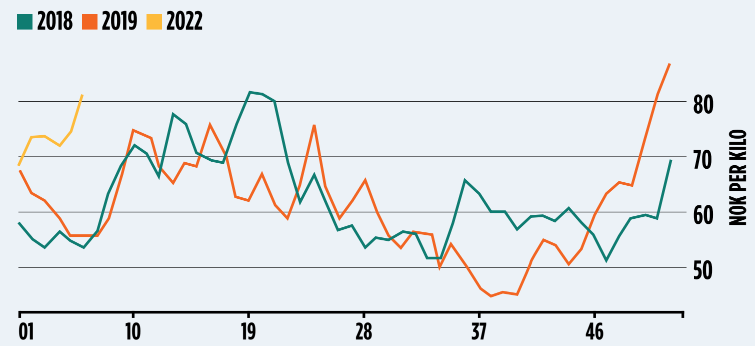
There is currently a significant supply shortage in the worldwide salmon market with supply issues reported from all producing countries including Norway, Scotland, Iceland and Chile.

Chile, the main supply country to the United States, has suffered an algal bloom that has had a significant impact on availability, forcing the US market to source from Norway. At the same time Scottish suppliers are experiencing extremely high demand and are reporting that the actual sizes of current fish stocks are smaller than usual market size. Export demand for Scottish Salmon is particularly high, which has meant reduced supply to the UK market, leading to increased demand for Norwegian Salmon

Norwegian salmon producers are reporting reduced availability of the right sized fish, having harvested significant quantities of fish in late 2021. The supply of Norwegian salmon is therefore very tight, which is forcing significant price increases in the market.

Nasdaq Atlantic Salmon Index

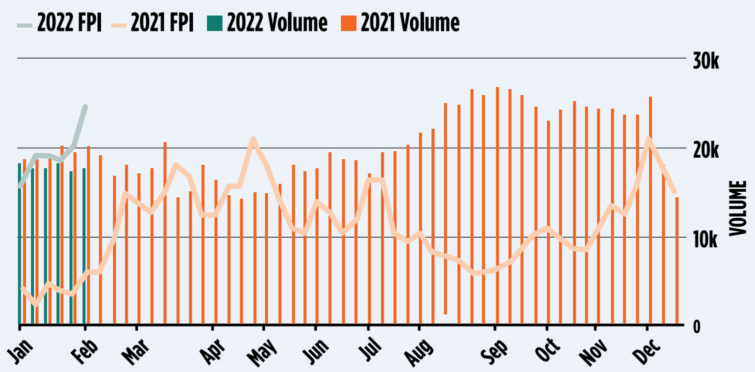
The NASDAQ Salmon Index (NQSALMON) is the weighted average of weekly reported sales prices and corresponding volumes in fresh Atlantic Superior Salmon



Source: Undercurrent News

The Fish Pool Index for Fresh Salmon

The NASDAQ Salmon Index (NQSALMON) is the weighted average of weekly reported sales prices and corresponding volumes in fresh Atlantic Superior Salmon



Source: Fish Pool Index

Options to mitigate price increases

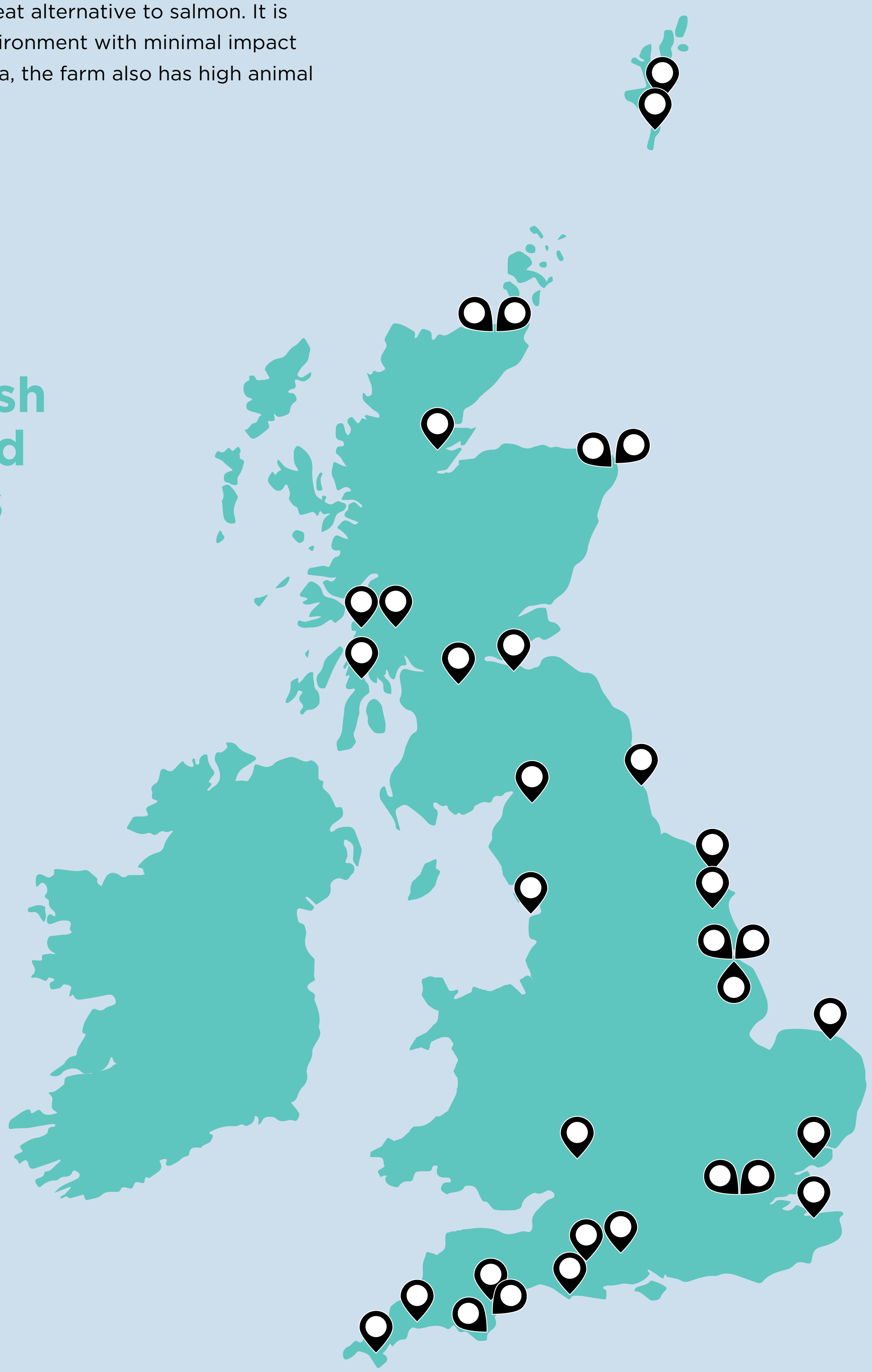
To maintain a salmon offer on menus and avoid a significant price increase we can offer competitive prices on a large salmon portion 160-190g, or alternatively we can supply pacific salmon as a cost-effective alternative.

As an alternative to salmon we suggest Loch Reared Trout, which has been farmed sustainably in the lochs of Scotland. The Trout is fresh, has a lovely colour and clean taste and is a great alternative to salmon. It is reared in a natural environment with minimal impact to the surrounding area, the farm also has high animal welfare standards.

Best of British

The British summertime provides better weather, improved availability and competitive pricing on the finest quality fish and seafood from our local waters. This season, our Best of British range consists of Brill, Clams, Crab, Cockles, Cornish Sole, Gurnard, John Dory, Lemon Sole, Lobster, Mackerel, Monkfish, Plaice, Pollack, Turbot and Wild Seabass.

We have over 30 British Fish & Seafood Suppliers



Dairy & Eggs

Liquid Dairy & Butter - UK

The liquid dairy category includes crème fraiche, yoghurt, fresh milk, cream, clotted cream, buttermilk, & sour cream which are all sourced from our expert British farmers and processors.

Rising Farmgate Costs

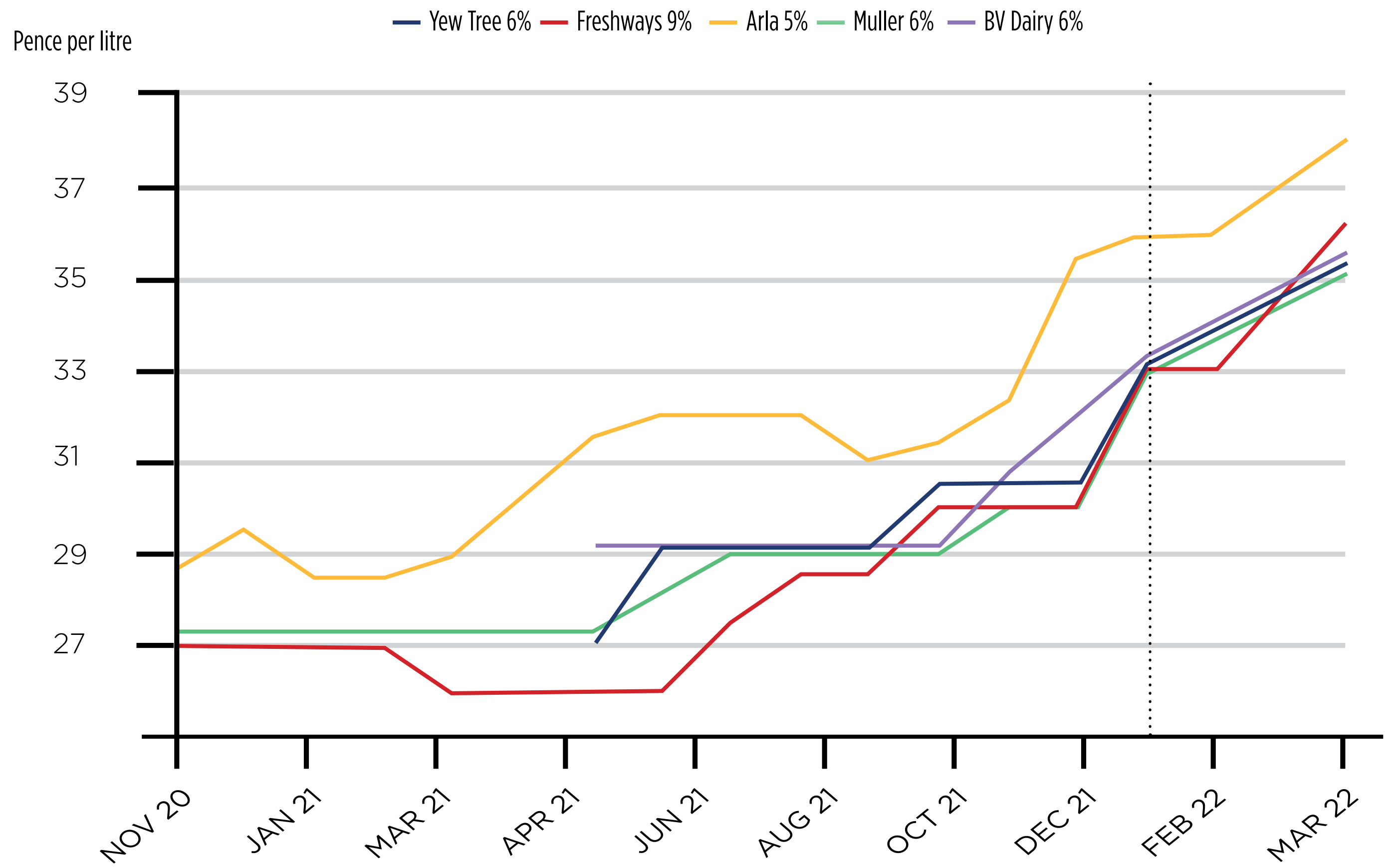
UK dairy pricing is determined by the farmgate cost of milk and is therefore the key cost driver in the dairy category. Farmgate cost is the price paid by processors to UK farmers for their liquid milk.

The farmgate cost of milk is up on average 30% year on year, processors are paying more for raw material and we are seeing considerable price inflation of dairy products. The farmgate cost of milk has risen by 6.7% in 2022 alone, to a current price of between 35.5 pence and 37.5 pence per litre in March. A 30% increase represents the largest year on year rise this category has seen.

Market pricing was further inflated by major processors Muller and Arla increasing their prices by 11.1% in the first quarter of 2022. This caused the rest of the market to react and subsequently spot market pricing of liquid milk is trading as high as 56 pence per litre.

Farmers are attempting to mitigate these price increases by reducing fertiliser animal feed usage, however this causes a knock-on effect to yield.

Key UK Milk Processors Farmgate Costs



Source: Proprietary & publicly available data including forecasted data

Declining significance of Spring Flush

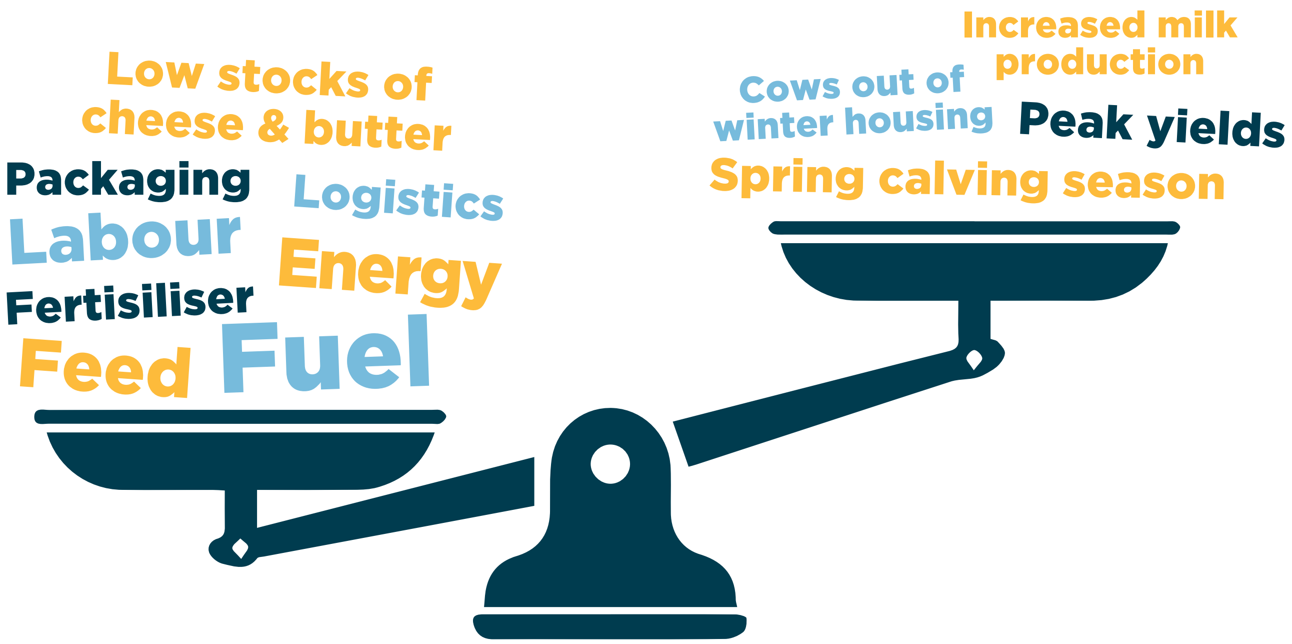
Typically, the spring season would provide an increase in milk production and a decrease in the cost of liquid milk. This is due to a traditional occurrence known as 'Spring Flush' whereby the spring calving season and the release of cows from their winter housing causes peak yields during May and June.

This year however, the economic benefits of the Spring Flush are outweighed by negative factors driving up the cost of milk. These include rising feed, fuel and fertiliser costs for farmers which make up 60% of the cost of milk and rising packaging, labour, energy and logistics costs for processors.

Alongside these negative cost drivers is volatility in global animal feed supply, which is jeopardised by conflict in Europe. Additionally, an increased demand from foodservice globally has led to low stock levels for cheese and butter and higher prices for these commodities. This will continue until stock levels are brought back up to pre Covid volumes, which is forecast to take many months.

At Sysco Speciality Group, to insulate our customers from the negative implications the introduction of a new plastic tax in April may bring, we have moved our milk pint products to cartons and continue to explore the economic benefits the increased usage of sustainable and recyclable packaging can provide.

The economic benefits of the Spring Flush are outweighed by negative factors driving up the cost of milk.



Liquid & Shell Eggs - UK

We remain committed to animal welfare and prioritise the quality of our products that positively impact the environmental sustainability of our supply chain. As such, all eggs supplied by Fresh Direct, including liquid egg, are free-range and all egg products supplied across the group are British Lion standard. By supplying British eggs only, we ensure freshness and quality product, whilst keeping road miles to a minimum.

Rising costs of animal feed is an area we are closely monitoring alongside our partnership suppliers. With the main proportion of hens feed coming from wheat, the global price of wheat continues to be a 'watch-out' for our buyers. Global wheat prices are significantly up, rising 10% in the first week of March, following continuing conflict in Ukraine.

Rising packaging costs continue to negatively impact pricing in this category. To mitigate this and become less reliant on global cardboard prices, reusable alternatives are being trialled with innovative cardboard substitutes, including replacing pulp paper packaging with more sustainable rye grass alternatives.

Free-Range Shell Eggs

Following a 'chicken lockdown' in 2020 and 2021, all UK hens have again spent the winter inside as a precautionary measure due to an increased risk of Avian Influenza. This precaution is now a yearly occurrence and is not currently impacting our supply chain. Due to hens being housed for longer than expected, egg volumes have become tight in the market, this is something we are monitoring closely with our supply partners.

If the lockdown were to continue past March 21st, our suppliers would be required to update labelling from 'Free-Range' to 'Barn Eggs', of which they are prepared for. We will continue to closely monitor the situation with our partner suppliers.

To supplement our free-range eggs, we offer premium and organic Clarence Court products, ranging from traditional hen eggs and Burford Brown's to speciality breeds such as quail and ostrich eggs, providing our customers with premium menu solutions.

Year on Year Average Wheat Price

2020 - £160 per metric tonne

2021 - £200 per metric tonne

2022 - £280 per metric tonne (a record high)

(Source: Mintec)

Bakery & Desserts

Wheat is the 3rd most produced grain in the world and a major commodity used in bakery and desserts, it accounts for 70% of the ingredients in bread. The key cost drivers for this category are shipping, transportation and conflict in Europe, with 26% of global wheat production coming from Ukraine and Russia.

Despite sourcing the majority of our wheat from the UK and Europe, wheat is traded as a global commodity, and impacted by global pricing moves. In March, the EU market saw wheat pricing reach a record high following 40% inflation year on year, caused by the worst wheat harvest recorded in 40 years, in 2020. The US experienced 30% rises in wheat prices over the same period.

The global price of wheat has continued to stay high. The Omicron variant caused disruption to eating out habits and reduced demand, which in turn led to a small reduction in wheat pricing over the winter, easing concerns on the global supply. However, following recent conflict in Europe, pricing has spiked causing concerns of global supply to heighten.

In addition, high fertilizer pricing for farmers and rising energy costs in bakeries will continue to impact the cost of goods. Our scale and close supplier relationships allow for longer-term deals to protect our customers from both supply and price volatility, however inflation in this category is still likely to continue given current market factors.

Alongside bread, we offer a wide range of pastries, cakes, individually wrapped, vegan and gluten free alternatives. The products we supply are compliant with Natasha's law, providing clear, visible allergen information on all individually wrapped products. We can continue to provide our customers with advice and support on our range and compliance in this category. To find out more, please contact your account manager.

Global Wheat Costs (Indexed)
Indexed (100 = March 2020)

Source: Mintec, 2022

Meat & Poultry

We continue to source and supply British Red Tractor approved cooked meats in this category.

Animal feed price increase

Global concern over rising animal feed costs have heightened, following conflict in Ukraine which has caused the cost of wheat and grain to rise significantly. The longer-term implications of these rises are as yet unknown, and we are closely monitoring the implications to meat and poultry pricing.

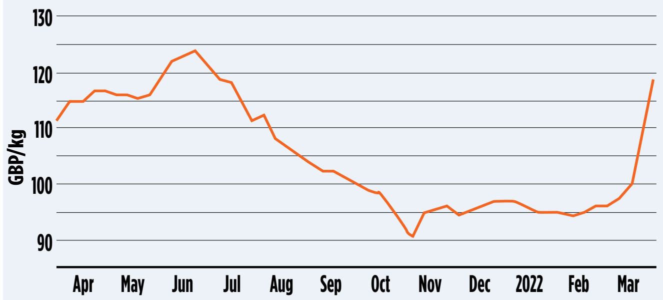
Pork

Over the past 2 years, the global demand for pork has increased with Chinese consumption rising. Pork prices were held high during periods of lockdown across the UK and Europe due to an increase in home cooking and strong demand.

Since the outbreak of conflict in Ukraine we have seen European pig pricing rise 25% within a matter of weeks. We expect the upward trend to be maintained throughout the summer and therefore forecast pork prices to rise as new orders are placed with processors.

EU Pork Pricing (Indexed)

Indexed (100 = March 2019)



Source: Mintec, 2022

Chicken

Chicken pricing remains inflated and is experiencing continued record highs. This is caused by three main drivers: animal feed costs, the withdrawal from the market of millions of chickens into Europe originating from Ukraine and rising energy prices. Processing costs continue to increase following energy and utilities cost rises. Similarly, rising costs of wheat and soya will continue to inflate the price of chicken globally for poultry producers.

Avian Influenza has again affected Europe this winter and chickens remain housed in 'chicken lockdown' to prevent the spread of infection. This is further driving up costs as there are fewer chickens being bred as a result.

Beef

Demand and availability are finely balanced with continued high prices following last year's trend. The summer months normally see beef become more popular. As such farmers are expected to retain cattle volumes, saving them for the summer season when demand rises and cattle attract a premium price.

The popularity for pork and chicken are predicted to rise faster in comparison to beef. This is in part due to the progressive squeeze on disposable income in the UK, following the cost of utilities and fuel increasing over recent months which could see consumers switching to lower priced chicken and pork meat.

What's in season?

As the days get longer and lighter, we start to enjoy an abundance of spring and summer produce. We transition from winter crop, which gave us purple sprouting broccoli, spinach, and British apples, and instead turn to colourful summer produce.

With warmer weather on our side, expect good availability of roots, brassicas, alliums, berries, leaf and much more. From Wye Valley asparagus arriving in April until June, outdoor rhubarb and delicious strawberries beginning their harvest in May and sweet summer raspberries and courgettes making a welcome appearance alongside British sugar snap peas. July sees blackberries at their best, and the ever-popular British Bramley apple back in season. With brassicas such as tenderstem broccoli, cavolo nero and cauliflower in full swing over the summer.

Once again, we are focusing on the amazing seasonal freshness the British waters have to offer with a wealth of fresh fish and seafood. Monkfish and Crab are at their best from April to September. We also expect good availability of Lobster and British rope-grown Mussels.

To add to our expanding seasonal offering, we've welcomed onboard new suppliers, providing our customers with a bigger and better range, including fresh Isle of Wight tomatoes and Evesham based Pak Choi both in season from May and Yorkshire grown farmed Wansford Trout.

Fish & Seafood Seasonality Calendar

KEY

- Good Import availability
- Varying Import availability
- UK Availability good
- UK Availability Varying
- Difficult availability

Fish	J	F	M	A	M	J	J	A	S	O	N	D
Black Bream	Difficult	Difficult	Difficult	Difficult	Difficult	UK good	UK good	UK good	Difficult	Difficult	Difficult	Difficult
Brill	Difficult	Difficult	UK varying	UK good	UK good	UK good	UK good	UK good	UK good	UK varying	UK varying	Difficult
Clams - Manila	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good
Cockles	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good
Cod	UK varying	UK varying	UK good	UK good	UK good	UK varying	UK varying	UK varying	Difficult	Difficult	Difficult	Difficult
Skrei Cod	Good import	Good import	Good import	Good import	Difficult	Difficult	Difficult	Difficult	Difficult	Difficult	Difficult	Difficult
Coley	UK good	UK varying	UK varying	UK varying	UK good	UK good	UK varying	UK varying	UK varying	UK varying	UK varying	UK good
Crab	Difficult	UK varying	UK varying	UK good	UK good	UK good	UK good	UK good	UK good	UK good	Difficult	Difficult
Cuttlefish	UK good	UK good	UK varying	UK varying	Difficult	Difficult	Difficult	Difficult	UK varying	UK varying	UK good	UK good
Dab	Varying import	Varying import	Good import	Good import	Good import	Varying import	Varying import	Varying import	Varying import	Difficult	Difficult	Varying import
Dover Sole	Difficult	Difficult	UK varying	UK varying	Difficult	Difficult	Difficult	Difficult	UK varying	UK varying	Difficult	Difficult
Flounder	Difficult	Difficult	Difficult	Difficult	Difficult	Varying import	Varying import	Varying import	Varying import	Difficult	Difficult	Difficult
Gilt Head Bream - Farmed	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import
Grey Mullet	Difficult	Difficult	Difficult	Difficult	Difficult	UK varying	UK varying	UK varying	UK varying	Difficult	Difficult	Difficult
Gurnard	Difficult	Difficult	UK good	UK good	UK good	UK varying	UK varying	UK good	UK good	UK varying	Difficult	Difficult
Haddock	UK varying	UK good	UK good	UK good	UK varying	UK varying	UK good	UK varying	Difficult	Difficult	UK varying	UK varying
Hake	Difficult	UK varying	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK varying	Difficult
Halibut	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import
Herrings	Difficult	Difficult	Difficult	Difficult	Difficult	Difficult	Good import	Good import	Good import	Good import	Good import	Difficult
John Dory	Difficult	Difficult	UK varying	UK varying	UK varying	UK varying	UK varying	UK varying	UK varying	UK varying	Difficult	Difficult
Langoustines	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good
Lemon Sole	Difficult	UK varying	UK varying	UK varying	UK varying	UK good	UK good	UK good	UK varying	Difficult	Difficult	Difficult
Lobster	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good
Mackerel	UK varying	UK varying	UK varying	UK varying	UK varying	UK good	UK good	UK good	UK good	UK good	UK varying	UK varying
Meagre - Farmed	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import
Megrim	Difficult	Difficult	UK varying	UK good	UK good	UK good	UK good	UK varying	UK varying	UK varying	Difficult	Difficult
Monkfish	Difficult	UK varying	UK varying	UK good	UK good	UK good	UK good	UK good	UK good	UK varying	UK varying	Difficult
Mussels	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good
Oysters	UK good	UK good	UK good	UK good	Difficult	Difficult	Difficult	Difficult	UK good	UK good	UK good	UK good
Plaice	Difficult	Difficult	UK varying	UK varying	UK good	UK good	UK good	UK good	UK varying	UK varying	Difficult	Difficult
Pollack	Difficult	Difficult	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK varying	Difficult	Difficult
Rainbow Trout - Farmed	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good
Ray	UK varying	UK varying	UK varying	UK varying	UK varying	UK varying	UK varying	UK good	UK good	UK good	UK varying	UK varying
Red Mullet	UK varying	UK varying	UK varying	UK varying	UK varying	UK good	UK good	UK good	UK good	UK varying	UK varying	UK varying

Fish	J	F	M	A	M	J	J	A	S	O	N	D
Red Snapper	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Varying import	Varying import
Salmon	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import
Sardines	Difficult	Difficult	Difficult	Difficult	Difficult	UK varying	UK good	UK good	UK good	UK good	UK good	UK good
Scallops	Difficult	Difficult	UK varying	UK good	UK good	UK good	UK good	UK good	UK good	UK varying	UK varying	Difficult
Sea Bass - Farmed	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good
Wild Sea Bass	Varying import	Varying import	Varying import	Good import	Good import	Good import	Good import	Good import	Varying import	Varying import	Difficult	Difficult
Sea Trout	Difficult	Difficult	Difficult	Difficult	Difficult	Good import	Good import	Good import	Difficult	Difficult	Difficult	Difficult
Swordfish	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import
Squid	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good
Tilapia - Farmed	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import	Good import
Trout - Loch Reared	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good
Torbay Sole	Difficult	Difficult	UK varying	UK varying	UK varying	UK varying	UK good	UK good	UK good	UK varying	Difficult	Difficult
Tuna	Good import	Good import	Good import	Good import	Good import	Good import	Varying import	Varying import	Good import	Good import	Good import	Good import
Turbot	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good	UK good
Whitebait	Good import	Good import	Good import	Difficult	Difficult	Difficult	Difficult	Difficult	Difficult	Difficult	Difficult	Difficult
Whiting	UK good	UK good	UK good	UK varying	UK varying	UK varying	UK varying	UK varying	Difficult	Difficult	Difficult	Difficult

Produce Seasonality Calendar

KEY

- UK Availability - Good
- UK Availability - Varying
- Imported
- Not Available

Brassicas	J	F	M	A	M	J	J	A	S	O	N	D
Broccoli												
Cabbage Savoy												
Cabbage Spring green												
Cabbage White												
Cauliflower												
Cavolo nero												
Kale												
Pak choi												
Purple sprouting broccoli												
Romanesco												
Sprouts												
Tenderstem broccoli												

Alliums	J	F	M	A	M	J	J	A	S	O	N	D
Garlic												
Leeks												
Onion Red												
Onion White												
Spring onion												
Shallots												

Mushrooms	J	F	M	A	M	J	J	A	S	O	N	D
Button												
Cup												
Flat												
Portobello												
Paris Brown / Chestnut												
Oyster												
King Oyster												
Shiitakes												
Shimeji												
Exotic Mix												
Wild Mix												

Squash	J	F	M	A	M	J	J	A	S	O	N	D
Courgettes												
Pumpkins												
Butternut squash												

Root vegetables	J	F	M	A	M	J	J	A	S	O	N	D
Carrot Standard												
Carrot Chantenay												
Carrot Heritage												
Parsnip												
Turnip												
Swede												
Beetroot Red												
Beetroot Golden												
Beetroot Candy												
Horseradish												
Salsify												

Exotic vegetables	J	F	M	A	M	J	J	A	S	O	N	D
Asparagus Green												
Asparagus purple												
Asparagus white												
Fennel												
Fine beans												
Ginger												
Globe artichoke												
Jerusalem artichoke												
Lemongrass												
Mangetout												
Mooli												
Okra												
Rhubarb forced												
Rhubarb outdoors												
Sugar snap peas												
Sweetcorn												

Stone fruit	J	F	M	A	M	J	J	A	S	O	N	D
Avocados												
Cherries												
Nectarines												
Peaches												
Plums												

Apples & pears	J	F	M	A	M	J	J	A	S	O	N	D
Apple Braeburn												
Apple Bramley												
Apple Cox												
Apple Gala												
Apple Golden Delicious												
Apple Granny Smith												
Apple Pink Lady												
Apple Red Delicious												
Apple Royal Gala												
Apple Russets												
Pears Conference												
Pears British												

Berries	J	F	M	A	M	J	J	A	S	O	N	D
Strawberries												
Raspberries												
Blackberries												
Blueberries												
Cranberries												

Melons	J	F	M	A	M	J	J	A	S	O	N	D
Orange Flesh												
Galia												
Honeydew												
Watermelon												

Grapes	J	F	M	A	M	J	J	A	S	O	N	D
Red												
White												

Exotic fruit	J	F	M	A	M	J	J	A	S	O	N	D
Bananas												
Coconuts												
Dates												
Figs												
Kiwi												
Mangoes												
Papayas												
Passion Fruit												
Physalis												
Pineapples												
Pitahayas (Dragon Fruit)												
Plantains												
Pomegranates												

Citrus fruit	J	F	M	A	M	J	J	A	S	O	N	D
Grapefruit												
Lemons												
Limes												
Oranges												
Easy Peeler												

Chillies	J	F	M	A	M	J	J	A	S	O	N	D
Green & Red												
Scotch Bonnet												
Padron												
Jalapeno												

Salad	J	F	M	A	M	J	J	A	S	O	N	D
Beef Tomatoes												
Cherry Tomatoes												
Vine Tomatoes												
Plum Tomatoes												
Round Tomatoes												
Heirloom Tomatoes												
Piccolo Tomatoes												
Cucumber												
Peppers												
Radish												
Aubergine												
Spinach												
Lettuce												

Lettuce/Leaf	J	F	M	A	M	J	J	A	S	O	N	D
Round/Butterhead												
Cos												
Iceberg												
Curly Endive/Frise												
Lamb/Mache												
Lollo Blondi												
Lollo Rosso												
Oak Leaf												
Radicchio												
Rocket												
Spinach												
Baby Red Chard												
Chicory/Endive												
Celery												
Chinese Leaf												
Watercress												

Herbs/Cresses/Shoots	J	F	M	A	M	J	J	A	S	O	N	D
Basil												
Chives												
Coriander												
Curley Parsley												
Flat Parsley												
Dill												
Mint												
Rosemary												
Thyme												
Potter Herbs												
Micro Herb												
Edible Herbs												
Samphire												
Bean sprouts												
Growing/Living Cress												

Baby veg	J	F	M	A	M	J	J	A	S	O	N	D
Carrot												
Leek												
Courgette												
Beetroot												
Parsnip												
Corn												

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