

TUCO



IN

INTELLIGENCE

TUCO FOOD & DRINKS TRENDS REPORT

Q2 2018

THE SOFT DRINKS INDUSTRY LEVY (AKA SUGAR TAX) ADDS 18P PER LITRE ON DRINKS WITH A TOTAL SUGAR CONTENT OF MORE THAN 5G AND LESS THAN 8G PER 100ML AND 24P PER LITRE ON DRINKS WITH 8G OR MORE PER 100ML

Two major changes have come into force since our last quarterly report: April saw the National Living Wage rise from £7.50 to £7.83 for 25+ (£7.38 for 21 to 24-year-olds) and the introduction of a sugar tax on soft drinks.

It's difficult to quantify the impact of the National Living Wage rise, as it will have an effect on parts of the supply chain as well as in-house catering operations. As ever, our close monitoring of prices will detect whether additional costs are being passed on.

While the Consumer Price Index currently remains at 2.7%, Bord Bia has reported that foodservice price inflation dipped to 2.5% in January according to the latest CGA Prestige Foodservice Price index. This is the lowest point reached by the index since early 2017.

However, the Bank of England expects wages to increase by approximately 3% in 2018. This will have an impact on the foodservice sector, increasing manufacturing and delivery costs.

If you would like advice and information on how suppliers are responding to the sugar tax, contact category manager Mandy Johnston, mandy.johnston@tuc.ac.uk. Your sales representatives should also be able to offer advice on product switching.

I hope you find our latest report useful.

Mike Haslin,
Chief Executive Officer, TUCO

FRESH FRUIT & VEGETABLES

Potato stocks reached a record 2.4 million tonnes in January – up 25% on last year, according to the Agriculture and Horticulture Development Board. This should keep prices stable until the summer when new crops hit the market.

Oliver Kay reports that cauliflower and broccoli prices should remain steady and highlight purple sprouting broccoli from Evesham as a stand out product. The end of the root vegetable season will see carrot and parsnip price rises.

The caveat for all of this is the prolonged poor weather at home and abroad could affect future supply.

Meanwhile, TUCO has found increasing demand for vegan and vegetarian options among members. Visit the TUCO website for our weekly market reports from distributors. These give advice on quality and availability of products together with suggestions for alternative to reduce costs.

And finally, Bord Bia has picked up on a growing movement in the fight against food waste: chefs are increasingly playing their part by using every part of fruit and vegetables. Parts of vegetables normally disposed of are full of flavour and nutritional benefits.

DAIRY & EGGS

Supply shortages in dairy led to rapid inflation in milk, butter, cream and cheese during 2017 but that price pressure has now eased. For example, butter prices have fallen by 40% from last year's peak.

But the markets are finely balance at the moment, according to Brakes. Supply is expected to be boosted by higher yields as the 'Spring Flush' takes effect but this is tempered by news that January production was only up 0.3% year on year.



↓ 40%

BUTTER PRICES HAVE FALLEN BY 40% SINCE LAST YEAR'S HIGH

FISH & SEAFOOD

Continuing quota cuts in Canada plus poor fishing in the Barents Sea have pushed up prices of coldwater prawns. Those same waters have seen quotas for Cod significantly reduced this year with an expected impact on prices.

Block production of fish fingers is down due to Chinese factories getting better at portioning, resulting in fewer offcuts for block freezing being produced, according to the M&J Outlook Report. It also warns of a shortage of larger mussel sizes from Chile and rising demand for Pollock due to a shortage of Cod in the market.

Current high prices for fresh salmon are expected to continue as a result of increased demand and farmers limiting harvests to drive up the available salmon biomass.



ALCOHOL

A recent survey by marketing and insight company, Multiply, revealed 11 key areas where pubs, bars and alcohol brands can do more to engage a new generation of drinkers. An increasing number of millennials are going alcohol-free, or opting for drinking in the comfort of their own home.

The survey found 78% of 18 to 26-year-olds classify themselves as low to medium drinkers, while 55% say alcohol doesn't play an important part in their social lives.

Importantly for TUCO members – and echoing our own research – it showed that millennials, first and foremost, care about quality experiences. Some 55% cited quality as being crucial when buying alcohol in the on-trade. However, 60% said price was a major consideration.

The grape harvest has been hit by bad weather meaning limited supplies will result in higher prices. Both the European and southern hemisphere harvests are affected.

55%

55% OF MILLENNIALS SAY QUALITY OF ALCOHOLIC DRINKS IS CRUCIAL

UNIVERSITIES VS HIGH ST

Overall prices at university catering outlets rose by 0.6% last year compared with 5.3% on the high street, according to TUCO's latest Benchmarking Against the High Street research.

The study involving TUCO members looked at a total of 319 products. It found that alcohol, with the exception of some alcopops, is more expensive on the high street.

And while high street cafés saw prices rise year on year by 3.2%, it was just 1.3% higher at universities. The gap was even bigger in the case of bars – 12.1% compared with 2.7%.

Other examples of how universities are competitively priced included egg and cress sandwiches made in-house. One sandwich would set you back £2.95 on the high street on average compared with £1.90 at universities.

£2.42

PRICE OF A PINT OF FOSTER'S LAGER AT UNIVERSITIES COMPARED WITH £3.13 ON THE HIGH STREET

FRESH MEAT & POULTRY

UK lamb prices are hitting record highs with some reports in the live sales trade reporting year on year values rising by up to 45%. Hybu Cig Cymru (HCC), the Welsh red meat body, says lambs have been fetching more than £2.50 a kilo compared with £1.88 in the corresponding period over the last two years.

Demand continues to outstrip supply with the biggest factor believed to be the weakness of the pound and the strength of the export market in Europe. It's uncertain whether this will continue after Brexit in March 2019.

45%

LAMB PRICES HAVE RISEN BY UP TO 45% YEAR ON YEAR

FREE FROM

International meal delivery service Just Eat believes veganism will be the top consumer trend in 2018. Its research found 33% of its partner restaurants across 15 countries provide vegan options. It also revealed demand for healthy choices generally grew by 94% in 2017 versus 2016, and gluten-free options increased by 72%.

Indeed, Mintel has forecast that the UK free-from industry will be worth £540m in 2018.

The findings echo TUCO's last Global Food & Beverage Trends report, which identified health and 'all things natural' as major factors with veganism, anti-sugar and protein-rich diets having greater prominence. Our latest report will be published soon – watch this space.

£540M

THE UK'S FREE-FROM INDUSTRY IS SET TO REACH £540M THIS YEAR

HOT BEVERAGES

A few trends emerged from the recent annual review meeting for the TUCO Hot Beverages Framework. While lattes and cappuccinos are the most popular choices of coffee, flat white is gaining popularity along with cold coffees.

Customers are increasingly asking for dairy alternatives such as soya and oat milk.

Convenience of location and the taste of coffee were the two most important factors for consumers when purchasing coffee and making return visits.

Millennials have greater interest in food origins, which is increasing demand for small batch, locally roasted offerings. But in turn, this is creating a growing market for premium products and the profit opportunities that go with that.



TESTING TIMES

If you ever visit TUCO's new offices the chances are you'll find our meeting room doubling up as a hub for product sampling.

Throughout the year various foodstuffs are blind tested and scored for everything from taste and appearance to packaging. No two products are the same - you'd be amazed how different coronation chicken can look from one supplier to the next!

It's an essential part of the rigorous procurement process we go through for each framework.

Importantly, our tender working group carries out the testing. Made up of TUCO members, the group is involved at every stage from the pre-tender survey onwards.

This ensures every framework is fit for purpose and is shaped by the needs of the sector. Our team of category managers use their expertise to ensure only suppliers of the highest quality are used and oversee ongoing monitoring of prices and added value.

It's been a busy few months with new frameworks on their way - look out in July when we will launch our new fruit & vegetables and sandwiches frameworks.

As ever, please get in touch if you have any questions or would like to get involved in our work.

Jane Eve,
Head of Contracts



JANE EVE

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**Head of contracts
responsible for TUCO's
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contracting team**

WHO TO CONTACT



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Contracts executive
providing administrative
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and promotion of TUCO's
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