

TUCO



IN



INTELLIGENCE



TUCO FOOD & DRINKS TRENDS REPORT

Q1 2018

WELCOME

Welcome to the first in a new series of quarterly reports from TUCO designed to arm buyers with the latest intelligence on trends affecting university catering operations.

Each report will draw on market analysis pulled together by our category managers and in the coming months we also plan to include key findings from TUCO research reports.

Firstly, the bigger picture. The last 12 months have been particularly challenging for food and drink prices with food inflation at its highest level for many years with the overall Consumer Price Index for December 2017 (latest published figure) at 3%, an increase of 1.2% from January 2017.

But the Bank of England predicts inflation will fall steadily towards its 2% target during 2018.

Uncertainty in the economy – fuelled by Brexit – is impacting on the value of sterling and currency fluctuations against the euro and US dollar are making imports more expensive.

The prospect of Brexit is also expected to contribute to staff shortages in a number of sectors as EU workers leave the UK.

Read on to find out what's happening in key categories.

Mike Haslin,
Chief Executive Officer, TUCO

£7.83 | **THE NATIONAL LIVING WAGE WILL INCREASE BY 4.4% TO £7.83 IN APRIL 2018.**



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DRY STORE

Latest intelligence from Brakes has flagged up four commodities to monitor.

Rapeseed oil prices have increased by 10% since summer 2017 as there is concern over this year's supplies (forecast to be down 15% year on year).

Prices are on the rise for canned tuna after falls last year and the market for apple juice has spiked following reports of a poor harvest in Poland.

A number of factors are likely to push up the price of cooking wine. From this year HMRC is applying the same rate of duty as standard wine and a poor harvest in France means excess stock used for cooking grade wine is in short supply.



10 MILLION BIRDS REMOVED FROM EUROPEAN EGG PRODUCTION

DAIRY & EGGS

According to Brakes, after steady inflation in the UK fresh milk market during 2017 we should expect this to slow in the first half of 2018 as farmers increase production in response to the higher farm gate prices.

Similarly, butter prices are falling after doubling in price last summer and it should be a similar story for Cheddar cheese. Fipronil contamination in Holland has curtailed production and this has driven extra demand on the continent for UK Lion quality eggs, pushing up prices in the process.



FRESH FRUIT & VEGETABLES

WHAT TO USE

- UK Cox, Russet and Bramley apples
- Italian blood oranges
- Yorkshire forced rhubarb
- Seville oranges
- Notts Piccolo parsnips and Chantenay carrots
- Lancs sprouts, Savoy cabbage, leeks, beetroot and kale
- Worcs purple sprouting broccoli
- French Pink Fir potatoes
- Scottish Anya potatoes

DON'T USE

- Yellow courgettes
- Runner beans
- Garden peas
- Broad beans
- Coloured cauliflower
- Apricots
- Cherries
- Outdoor grown rhubarb
- Girolles

ALCOHOL

EU wine producers must submit figures for their latest grape harvests to the European Commission by mid-March. With the Agriculture and Rural Development department suggesting 2017 hit a 36-year low due to severe weather, supply is expected to be affected leading to higher prices. There are wide variations within that with some regions experiencing an increase in volumes. But in the major wine producing nations of Italy, France and Spain there were year on year drops of 21%, 17% and 16% respectively.

The gin industry continues to grow and in the UK sales now top £1bn a year. Average gin prices in the off-trade have risen to £20 a litre, suggesting a trend towards premium products.

↓ 17%

2017'S HARVEST ACROSS EU WINEMAKERS WAS DOWN 17% YEAR ON YEAR



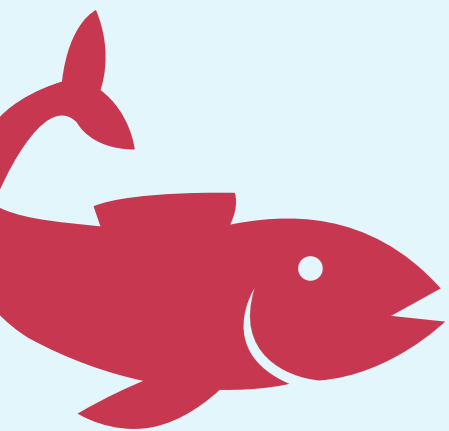


FRESH FISH & SEAFOOD

Last year saw a major reduction in Baltic cod and haddock quotas and it's set to continue in 2018 with the EC having reduced both by 13%.

Poor catch volumes, quota cuts and rising demand are all expected to contribute to rising cold water prawn prices.

And according to reports in The Caterer, the wholesale price of farmed salmon could rise by as much as 50% as the knock on effect of stocks decimated by sea lice continue affect supply and compound already low global stocks.



↓ 13%

BALTIC COD AND HADDOCK QUOTAS REDUCED BOTH BY 13%

FRESH MEAT & POULTRY

British meat continues to attract premium prices and there are other factors that are expected to drive high demand and prices - particularly for chicken - according to Brakes.

But both beef and pork prices are expected to stabilise, in the latter's case due to increased supply.



SOFT DRINKS

TUCO's latest Global Trends report shows health is growing in importance among consumer concerns and more universities are focusing on offering alternatives to sugary drinks. Some are taking it a step further, such as the University of Brighton and its Sugar Smart campaign which has introduced a 10p levy on drinks with a high sugar content. This reflects worldwide trends towards lower calorie and natural beverages.

From April 2018, the UK government is introducing a 'sugar tax' that will see brands with more than 5g of sugar per 100ml will incur an 18p-per-litre tax, while those producing drinks with more than 8g of sugar per 100ml will be taxed an extra 24p per litre.

UP 8P

SUGAR TAX MEANS 6P ON A CAN OF FANTA OR SPRITE AND 8P ON A CAN OF COCA-COLA OR PEPSI

HOT BEVERAGES

With categories like tea and coffee being reliant on the import market, expect price increases. UK tea suppliers have announced price rises with 10% increases on the international market. Importers of coffee are also paying more due to the weaker pound.



↑ 10%

INTERNATIONAL TEA MARKET PRICES HAVE RISEN BY 10%



HELP IS AT HAND

Without the aid of a crystal ball it's impossible to know precisely what will happen in the various markets that catering operations rely on for their goods and services. There are so many factors at play.

However, what TUCO does is work proactively for its members to enable them to control costs and combat price rises.

We do it in a number of ways. Our benchmarking exercises ensure members do not pay over the odds when compared with other sectors and arm them with the data needed to gauge their own operations against peers.

We have a team of expert category managers that regularly monitor the markets and liaise with suppliers to ensure there are no nasty surprises - and that any price rises are justified. It's essentially about making sure TUCO's range of framework agreements maximises the

spending power of over 500 full, associate and affiliate members.

This market intelligence combined with our strong and often long-standing relationships with suppliers enables the team to proactively switch products when necessary to mitigate price increases.

But the support we offer is also about the fundamentals of running an effective and efficient operation. Through training, study tours, consultancy and research we enable members to reduce costs, increase value for money and drive quality.

Please get in touch if you'd like to find out more...

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Responsible for TUCO's annual spend of over £140m and manager of the contracting team

WHO TO CONTACT



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