



# COMMODITY REPORT

*Autumn 2022*

  
*Harvest*

*Stiritup*  
www.stiritupmagazine.co.uk



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Harvest

# ENERGY

## Energy Price Cap Review October 2022

The next energy price cap was announced on 26 August to take effect in October. It has rocketed, to £3,549, (based on an average-consumption household on a 'dual fuel' gas and electricity standard variable rate tariff (SVT), paying by direct debit). This is up from the current £1,971 set for April 2022 onwards. The cap at the start of the year was £1,277 giving an increase of 180% this year. This will simply be unaffordable for many households. After the October update, the next change will be in January 2023 when a further expected increase could take the cap up to £5,386, according to predictions, which would push the prices up 234% against January 2022. OFGEM have agreed to reduce the cap review period to every 3 months, April is currently projected at £6,616. **Businesses are not protected by this price cap!**

## Volatility in the Market

Just as we think the market is calming with prices dropping, Russia then slows down (not quite turned off) the gas to Europe. Prices have then spiked back up towards their highest ever levels across Europe.

At the Energy Price Cap Review in February 2022 pricing was £198.97 per 100/T. Currently prices are £605 per 100/T which is a 570% increase year on year but a whopping 1,523% increase on November 2020 prices.



# ENERGY

## Europe's Energy Crisis Spills Over Into Food

By [Irina Slav](#) - Aug 09, 2022, 8:15 AM CDT

- ▶ Excessively high energy prices are pushing up food prices across Europe.
- ▶ Bloomberg noted that the inflation in the UK is seen topping 13 percent this year.
- ▶ Food processors are struggling to cope with the effects of rising energy prices and possible rationing.

We are now beyond the limits of affordability for many food businesses, fuel costs have been sky high, energy costs continue to rise, cost of production has increased and for food distribution were large warehouse size chillers and freezers use massive amounts of energy businesses are suffering with increasing costs, and unlike domestic customers, business don't get energy caps. These increases will have to be passed on to end users.

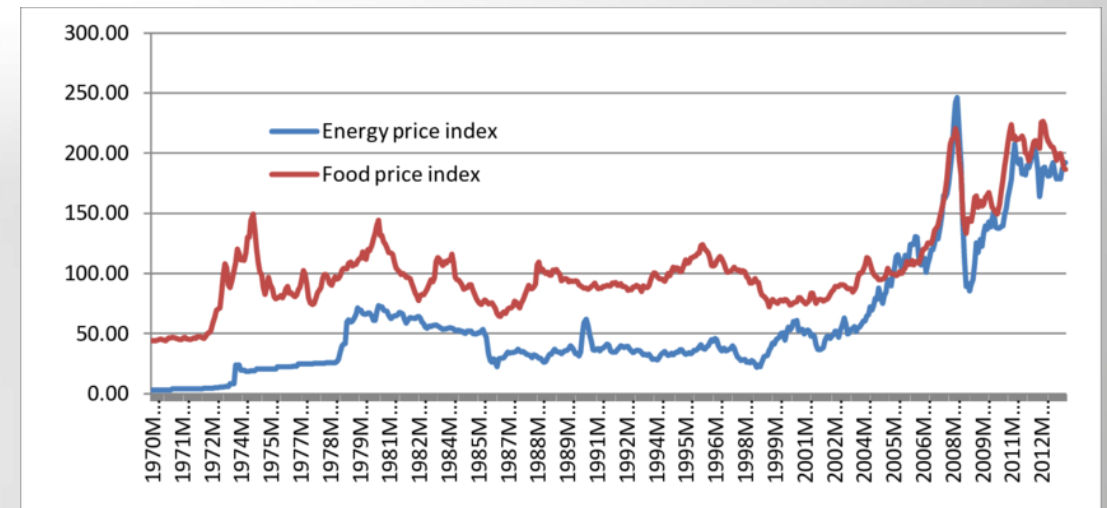
As you can see from the adjacent graph, food pricing follows energy increases or decreases closely.

**Bloomberg**

## The Great European Energy Crisis Is Now Coming for Your Food

- Energy rally is raising cost of everything from bread to sugar
- It's a double whammy for firms contending with material costs

Whether it's roasting coffee or making sugar from beets, companies are so far only talking about the increase in raw materials," Kona Haque, head of research for commodities firm ED&F Man, told Bloomberg. "I think the worst is still to come as energy prices rise. This winter will be a game changer and processing costs will likely go up."



# EXCHANGE RATES

## *The Pound versus the Dollar*

The Sterling exchange rate has depreciated by 6.3% against the Dollar since May. Current rates are around £1 = \$1.18. It did improve ever so slightly recently pushing back up to \$1.22 but that was short lived and fell back to \$1.178 within a few days. The recent increase had been driven by better than expected inflation figures in the US which have come in at a 0% change for July versus June, which suggests the high interest rate increases by the US Federal Reserve have worked and the inflation pressures there have started to slow down. With the UK expecting a 13% inflation figure in Q4, this has pushed investors to jump back towards the Pound, where higher interest rate increases are expected until the inflation slows down in the UK. However, the expected inflation numbers have now been revised for early 2023 and predictions are they will be 5% higher, hitting 18% which has pushed investors to back away from the pound.



## *The Pound versus the Euro*

The Pound remains quite stable versus the Euro at the moment, hovering around the £1 = €1.18 mark. The Bank of England are keen to bring inflation under control and interest rates are still seen as a way of trying to control this. The problem at the moment however is that inflation is a Global problem, meaning other countries are also expecting to increase rates as quickly as they can, including the Eurozone.



# CONSUMER SPENDING

Chart 2.12: Consumers are spending less due to the rising cost of living

Responses to the ONS Opinions and Lifestyle Survey (a)



*UK real income squeeze is weighing on consumer spending*

Households responding to a recent ONS survey reported that they were spending less due to the rising cost of living (Chart 2.12). Just over 60% said they were spending less on non-essentials, whilst almost 50% said they were using less energy at home and spending less on food.

# DAIRY

## Milk Prices

Milk Prices continue to rise for September and the key changes can be seen in the table below. As well as the rising cost of the milk itself, other costs such as energy also continue to rise, further impacting particularly fresh liquid milk. There is one small positive, covering dairy in general, the Global Dairy Trade Auctions, which are a good global indicator of where dairy prices may be heading have shown numerous falls recently, 9 out of the last 10 in fact. The bottom of the page shows the most recent changes with butter and milk powders showing reasonable falls. We await to see if or when this may filter into finished UK pricing as this has not happened yet.

**Milk Price Changes by Major Processors (in pence per litre - ppl)**

Processor	Change	New Price	When
Well Farms	Plus 2ppl	48ppl	1st September
Meadow Foods	Plus 1ppl	47ppl	1st September
Pattemores	Plus 1ppl	47.5ppl	1st September
Yew Tree Dairies	Plus 2ppl	48ppl	1st September
Arla	Plus 0.86ppl	45.89ppl	1st September
Saputo (Dairycrest)	Plus 1.5ppl	49.5ppl	1st September
Muller	Plus 1ppl	47ppl	1st September
Glanbia	Plus 2ppl	48.25ppl	1st September
First Milk	Plus 2.14ppl	48.64ppl	1st September

### Global Dairy Trade Auctions

SMP down 5.3% to average US \$3524 tonne  
WMP down 6.1% to average US \$3544 tonne  
Butter down 6.1% to average US \$5194 tonne  
Cheddar down 0.7% to average US \$4798 tonne



# DAIRY

## Butter

Butter prices have shown a couple of small reductions in recent weeks, but still remain at very high levels. Currently bulk butter in the UK is still around £6500 per tonne. At this level, it's possible that people seek out alternatives. However, this time around, the alternatives (spreads, margarines etc) are also very high in price due to record edible oil prices. The recent Lurpak news highlighted this especially. Interestingly, March this year saw butter imported from New Zealand into the UK, for the first time in 4 years, meaning that despite the cost to get it here and the import tariffs, somebody saw it feasible to import product. There have been no further deliveries since but perhaps this is a sign of things to come post Brexit, looking further afield for core commodities, despite the obvious sustainability concerns.

## cheddar + mozzarella

**Cheddar** – Prices remain high and availability supposedly tight. One thing that is starting to come to light is that retail volumes are falling. One train of thought is that this could bring more volume onto the market, perhaps for spot deals, however most experts believe the tightness of the market plus the combined milk and energy price increases mean it'll make little difference. Mild Cheddar (in bulk format) is comfortably above £5000 per tonne with Mature showing around a £200 per tonne premium. The sharp increase in milk prices is dragging mild cheddar prices (using newer milk) closer to mature prices than they otherwise would have been.

**Mozzarella** - Mozzarella is being quoted at €5100 per tonne in Europe, and at £4575 per tonne in the UK. Again, availability is said to be tight and anybody that does have available raw material will have no problem selling it.

## Prices for cheese and butter on rise at mults

### Kevin White

The cost of a number of cheese and block butter lines in the major supermarkets have rocketed by more than a quarter over the past four weeks, analysis of exclusive Assosia data has shown.

In the latest sign of escalating inflation at the tills, there were more than 280 price hikes across the two categories in the big four, Waitrose, Aldi and Lidl from 6 to 27 June. This represented roughly 10% of the total cheese and block butter SKUs on sale, with about 140 lines seeing price hikes of 10% to 50%, and 17 above 25%.

Increases included a 50% rise for a 300g Lake District grated cheese in Morrisons to £1.50.



More than 280 price increases were recorded in June

Some 17 SKUs sold by market leader Cathedral City saw price hikes of 5% to 16.7% across the selected retailers, while Arla's Lactofree saw four increases between 6.1% and 34.6% over the four-week period.

Inflation in block butter included a 14.5% jump for a 250g block

of Anchor and a 13.8% increase in the price of a 250g block of Président butter in Waitrose.

The increases come amid ongoing farmgate price hikes to reflect the rising costs of production across the farming sector. Arla announced this week it would increase its July standard milk price

by 1.66p to 49.95ppl.

The previous week, Freshways announced it would increase its milk price for September to a record 50ppl.

Research released by the NFU this week revealed 7% of the country's dairy farmers were likely to cease milk production before March 2024 due to the challenging conditions.

Elsewhere, data from the BRC and NielsenIQ this week revealed fresh food inflation had "strongly accelerated" in June to 6.2%, from 4.5% in May. This was above the 12 and six-month average growth rates of 2.2% and 4.0% respectively, and was the segment's highest inflation rate since May 2009. [+](#)



# CHICKEN

Fresh chicken prices have started to stabilise after a period of constant price rises. Whilst many of the input costs have risen such as feed costs and energy, the extremely high prices have seen overall demand reduce slightly leading to prices starting to ease somewhat. There are some other positives such as improved availability of stock out of Poland which had a real long term issue with bird flu.

The situation is pretty similar across frozen varieties such as strips, diced and whole fillets. With many frozen varieties coming from Thailand, Brazil and China, the freight costs from those places has been high now for a sustained period of time hence we are starting to see more consistent prices, albeit at high levels.



# TURKEY

Fewer and pricier turkeys this year, warn producers



## Kevin White

Shoppers will face far fewer fresh turkeys at much higher prices this Christmas due to issues such as labour shortages, avian flu and soaring input costs, producers have warned.

Although too early to gauge the exact number of birds on the ground for this year's festive season, there are already indications volumes could be down – particularly among producers supplying the value tier – suggested Paul Kelly, MD of supplier Kelly Turkeys.

"It depends when [producers] will have bought their feed, but we are expecting the price of turkeys to be between 13% and 25% higher this year," said Kelly.

Premium suppliers would be better insulated against inflationary pressures, he said, but there

was a definite "reduction at the lower end of the market".

Kelly also reported supermarkets had ordered fewer fresh birds this year.

Fresh turkeys had been a loss-leader for the mults in 2021, "so it is a good opportunity for the retailers to cut back as the fewer they sell the more money they will save", he suggested.

The pivot towards more frozen birds would also be accelerated by shoppers on tighter budgets, Kelly added.

It follows warnings last summer that chronic labour shortages would ultimately lead to a pivot towards more frozen birds, which could be produced all-year round.

Kantar data shows supermarket turkey sales fell significantly last year, with whole turkey

volumes declining 20.1% during the four weeks to 26 December 2021.

This week, the NFU warned escalating on-farm costs and concerns over labour and avian flu were "causing many [poultry producers] to consider their future".

Turkey farmer Michael Bailey of Cheshire-based Bailey's Turkeys told the BBC's Today programme on Tuesday he had decided to end production, with the loss of more than 40 jobs.

Many producers were doing the same, while others had cut production to mitigate the financial risk, Bailey said.

He warned it remained "very, very difficult to get staff" for seasonal work.

"There is definitely going to be a reduction in the number of turkeys available this Christmas," he said.



Labour shortages, avian flu and soaring costs are all set to drive up the price of turkeys

# PORK

- *All content correct at the time of publication, August 2022.*

Whilst it is certainly true that UK pig prices have continued to rise, the situation in Europe is a little more steady. The graph below shows German (red), Spanish (Orange) and Dutch (blue) pig prices since the turn of the year. Prices did rise dramatically around February/March particularly due to the concerns around availability of feed, since then things have settled although the Dutch price has started to creep up again which will affect bacons and the Spanish price has followed.



  
FINANCIAL WEBSITE OF THE YEAR

## **Porkflation: Bacon and sausages are about to get even pricier as UK pig prices jump 27% and farmers face all-time-high feed costs**

- Wheat and soya prices at 'all-time highs' have pushed up the price of feed
- UK pig prices up 27% in three months to end of June compared to last year
- Cranswick supplies pork and chicken to all the main supermarkets

By CAMILLA CANOCCHI FOR THISISMONEY.CO.UK  
PUBLISHED: 15:25, 1 August 2022 | UPDATED: 15:26, 1 August 2022

Bacon and sausages are set to become more expensive with the price of a pig in the UK increasing by more than a quarter, according to industry figures.

A jump in the price of wheat and soya to 'all-time highs' has pushed up the price of feed, which accounts for most of the cost of raising a pig.

As a result, UK pig prices climbed 27 per cent in the three months to the end of June compared to the same period a year ago, meat producer Cranswick said in a trading update.

# FISH *Tuna*



**ucn** undercurrentnews  
SEAFOOD BUSINESS NEWS AND DATA

## Skipjack sellers push for \$200/t price hike on July level in Bangkok

*Tuna suppliers are trying for a price hike of around \$200/t for August deliveries of skipjack to the processing hub of Bangkok, Thailand, sources told Undercurrent News*

By Tom Seaman | July 19, 2022 17:14 BST

Tuna suppliers are trying for a price hike of around \$200 per metric ton for August deliveries of skipjack to the processing hub of Bangkok, Thailand, sources told Undercurrent News [...]

Tuna sellers are requesting higher prices at the moment. Overall the picture is mixed, the main Bangkok reference price which is normally set in dollars is around \$1450 per tonne, this is actually slightly lower than the prices in recent months, however the main problem is the currency situation. With Pound Sterling having lost a lot of value versus the Dollar recently, it means the importing of tuna once it lands in the UK is actually dearer than this time last year. Pricing is being talked about moving up to \$1650 per tonne over the next few weeks.

# FISH *salmon*

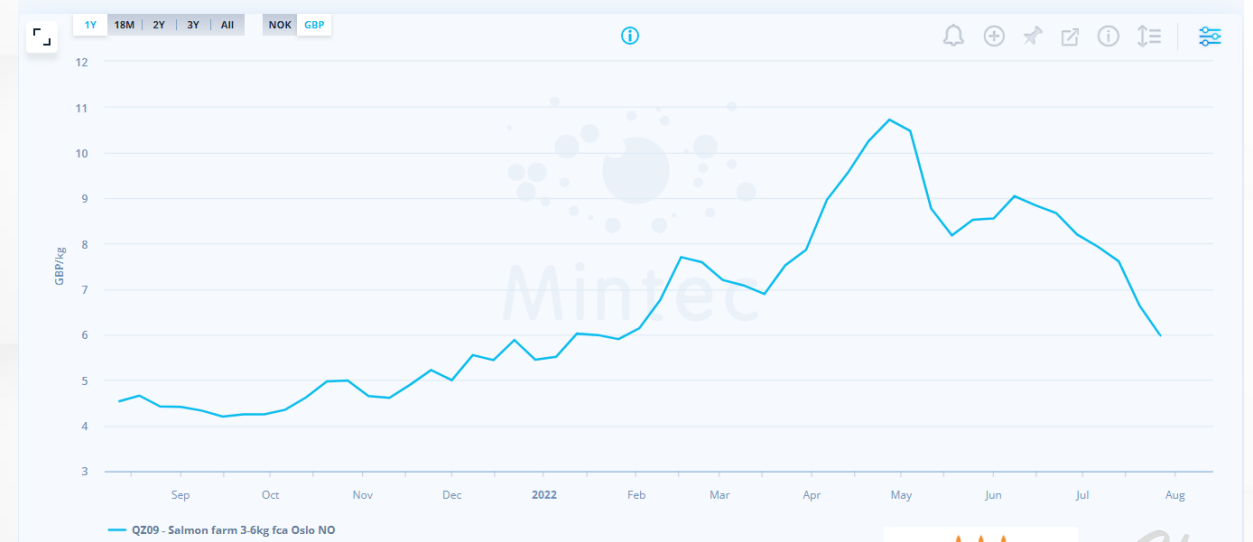
Farmed Salmon prices rose throughout Quarter 2 of 2022 at an unbelievable rate, rising as high as £10.70 per kg compared to less than half of that a year ago. Since then however the market has started to come back quite quickly too albeit still higher than a year ago at around £6.00-£6.50 per kg. Originally prices rose through a combination of higher feed costs leading to under-nutrition and higher mortality rates along with the lowest frozen Norwegian stocks in 2 decades.

According to Mintec – ‘Robust farming activities and a strong harvest contributed towards the downward momentum. Additionally, Chilean salmon exporters, buoyed by plentiful supply, are increasingly targeting buyers outside of their traditional markets in North America. This is intensifying the price competition for market share in Europe, Norway’s primary salmon market.



## QZ09 - Salmon farm 3-6kg fca Oslo NO

Farmed Atlantic salmon | 3-6 kg | superior quality; fresh; gutted | excluding terminal costs; export duty and taxes | free carrier Oslo; Norway | Nasdaq salmon index



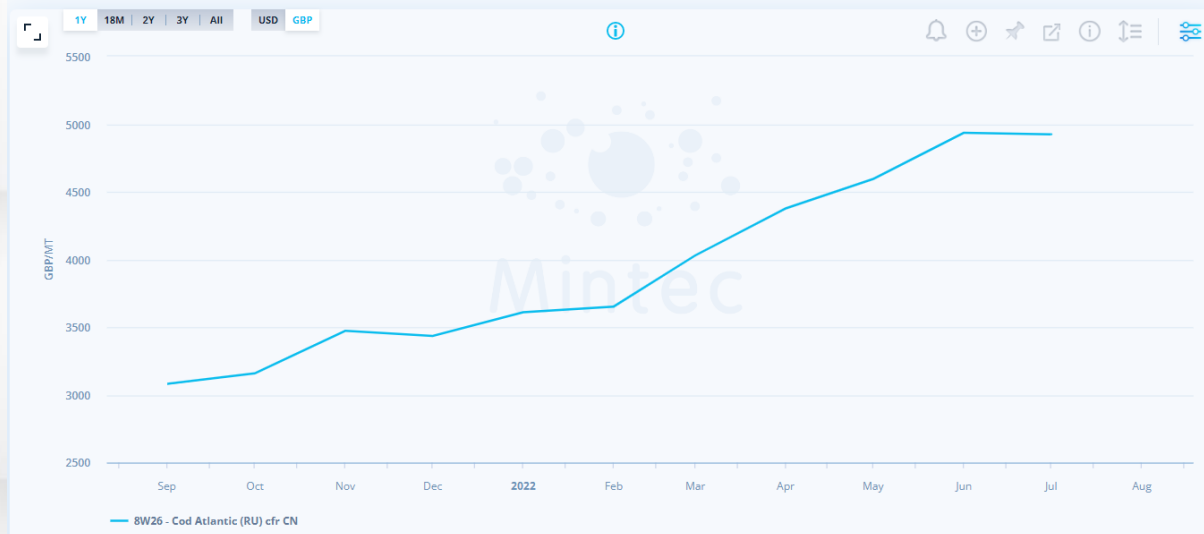
# FISH Cod and Haddock

Both Cod and Haddock prices are through the roof and raw material availability is in very tight supply. Fish traders who have been around for decades have stated that ‘they haven’t seen anything like this!’

Many of the processing factories are in China and with repeated Covid lockdowns, this doesn’t help the situation. Neither does high fuel costs, arguably the biggest cost component in catching cod and haddock. Demand remains strong, especially in the UK, where fish processed in China does not fall foul of the 35% tariff on Russian caught whitefish. Atlantic cod prices are also at record levels, again partly due to the Russia Ukraine war, where disrupted flows of Russian caught fish is putting pressure on Norway and Iceland.

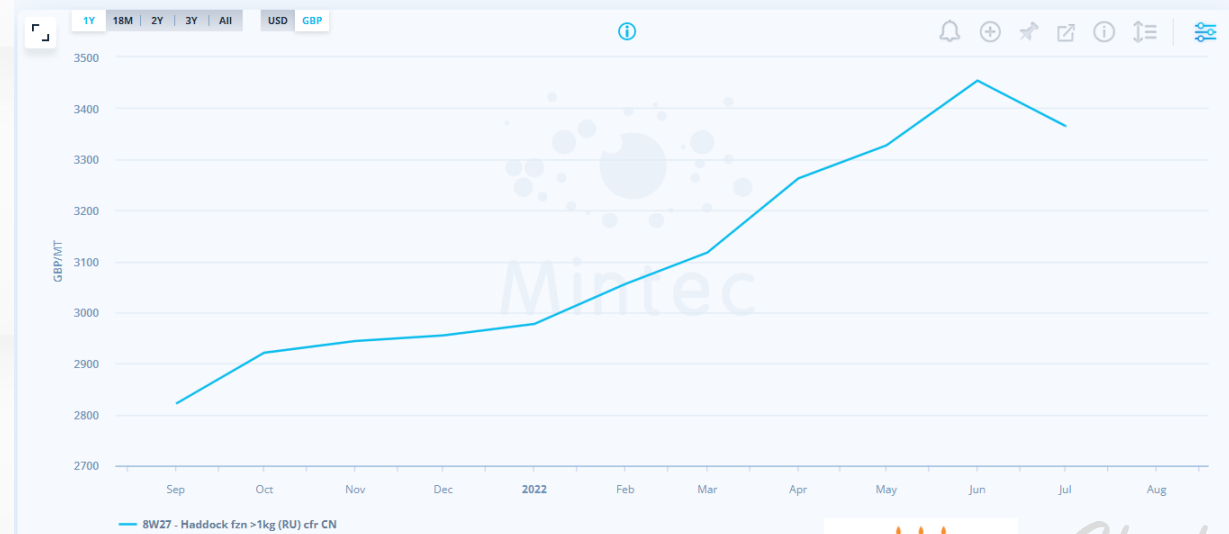
8W26 - Cod Atlantic (RU) cfr CN

Atlantic cod | gutted; headless | origin:Russia | cost and freight | China | [[Gadus morhua]



8W27 - Haddock fzn >1kg (RU) cfr CN

Haddock | gutted; headless; over 1kg | frozen | origin:Russia | cost and freight | China



# Fishing fuel prices leading to labour concerns and supply issues, warns industry

By Grace Duncan | 9 August 2022



Seafish, the industry body for seafood, has said fuel prices are now higher than its predicted worst-case scenario

## The Grocer

Fuel prices for fishing vessels have risen beyond what was predicted as the worst-case scenario in April, leading to some vessels being tied up and crews walking away, seafood sector insiders have warned.

Seafish, the industry body for seafood, said that fuel prices – which it had expected to peak at the level of 90p per litre (all tax excluded) for the sector – were now close to £1 on average at ports.

High fish prices on the first sale market were helping some fishers to mitigate the impacts of fuel price increases, but some crews were more vulnerable than others to changes, said the public body.

These concerns were echoed by the National Federation of Fishermen's Organisations' chairman, Paul Gilson, who said in a statement that “the price has, for several weeks, been hovering around the point where it becomes no longer viable to go to sea because earnings no longer cover costs – of which fuel is the most significant component”.

# POTATOES

## Frozen Chips

Prices have risen year on year due to a number of reasons. Potato farmers have been able to ask for and receive much higher prices for their potatoes this year, as much as 20% more in fact. The increased price of other crops such as wheat, arguably less volatile in nature, means they have been able to drive a much higher prices for potatoes, through the threat of planting other crops instead. Once the potatoes are in the factories, the process of turning a fresh potato into frozen chips is an energy intensive one. This includes sorting, washing, peeling, blanching, freezing and packing, all of which use various forms of energy. The energy crisis is not unique to the UK and this means large processors in Europe are suffering the same fate.

At a macro-level, demand for frozen potato products remains very strong. They are a still a cheap carbohydrate and sales are continuing to grow across Global Markets. There is arguably not enough capacity in the market hence demand tends to outstrip supply. Until this changes, prices are likely to remain firm.





# VEGETABLES

## sweet corn

Sweetcorn prices have increased globally in both canned and frozen varieties. The raw material itself competes with things such as cereals and maize for planting space and those alternatives have increased significantly in price, particularly in the US which is driving sweetcorn prices higher around the world. Thailand and other Far Eastern countries are less of an option now on canned sweetcorn (due to the sky high freight costs) and this is really putting pressure onto European prices.

## peas + broccoli

European peas have been affected due to frosts in Spring which caused pod damage but also the volumes haven't necessarily been planted at the levels required due to lucrative offers to plant others crops. In the same way that the UK is struggling to attract seasonal workers, the same is true across Europe with broccoli in particularly likely to be affected.

## UK farms missing 75% of seasonal workers

Grace Duncan

Seasonal worker shortages of up to 75% have been reported in some parts of the UK, sparking fears there will not be enough labour available to pick crops this year.

One senior food sector source told The Grocer the shortages had been driven by delays in the processing of visas, leaving some producers with just 25% of the workers they had originally booked in for harvest.

Meanwhile, some Worcestershire-based farmers are reporting shortfalls of about 30%, with others in the east of England have said up to half of their booked labour is missing, a second industry source suggested.



Farms are reporting shortfalls in seasonal workforces

Julian Marks, group MD of global food and farming company Barfoots, said securing labour was an "ongoing challenge" and getting "pretty desperate". The business is "just about keeping our heads above water, but it could change in 48 hours or a week depending on delays on

permits", Marks warned. "The challenge for us comes in about a fortnight's time when we have Tenderstem broccoli and courgettes come in together, and you still have asparagus [to pick now]," he added. Marks urged the government to get "moving now" to secure

the sector's promised 10,000 extra visas under its seasonal workers scheme, as "we are heading into the peak season for everybody".

By June and July farms would need to be "running flat out", he added, "and it is going to be absolutely no use for somebody to then say more labour is going to arrive in August and September".

A Defra spokesman said: "We fully acknowledge the food and farming industry is facing labour challenges and we are continuing to work with the sector to mitigate them."

He added the government was "working towards attracting UK workers to the sector".

THE Grocer

FRUIT & VEG

## Crop shortages expected in coming months due to water scarcity, growers warn

By Grace Duncan | 4 August 2022

The UK could face crop shortages in coming months due to a lack of water, growers have warned, as they voiced concerns over national water security.

Following several months of dry weather, NFU deputy president Tom Bradshaw told The Grocer that water was now a "critical issue" for the growing sector, and for some crops "the writing is on the wall".

"I can't see how potato yields are going to be anything but well below average," said Bradshaw. "Onion yields the same. Carrots and lettuce are in the same boat as the hot weather has had really severe impacts on them."

British Growers Association CEO Jack Ward echoed the concerns. Crops already in the ground were "running short of water because irrigation licences have been restricted or shut down altogether," he said, which would mean yields were "severely curtailed".

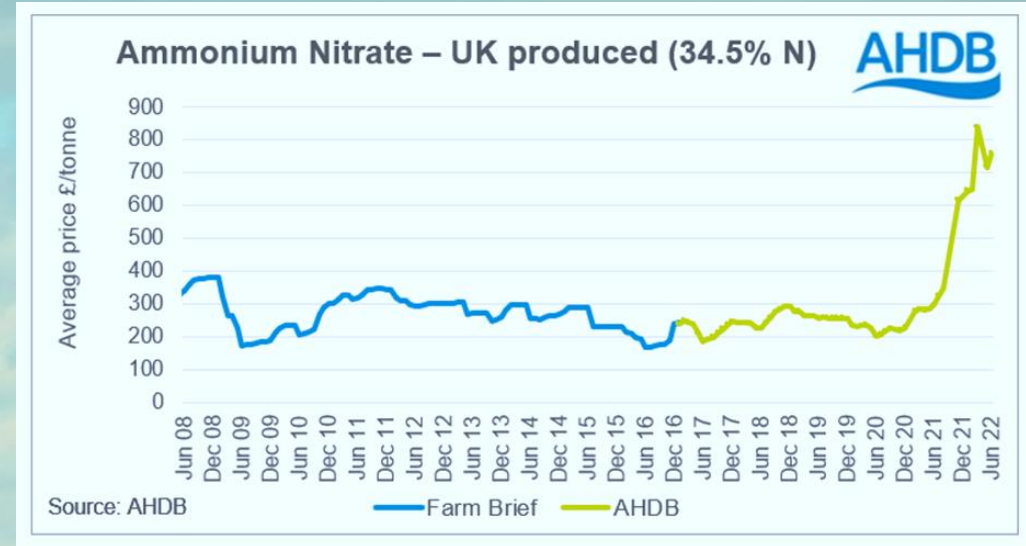
Meanwhile, Ward warned that not enough crops were being planted to keep the UK supplied with vegetables in the winter. Soon, "we could be looking in some instances at reductions of up to 50% in production", he forecast, though he also cautioned that some parts of the UK such as Scotland would continue to have higher production levels due to wetter conditions.



Growers have warned that potato, onion, carrot and brassica crops are likely to be impacted by severe water shortages

# FERTILISER COSTS

Fertiliser prices are up 155% year on year and 320% since 2019. Record-high input costs including natural gas prices, especially in Europe, led to widespread production cutbacks in ammonia — an important input for nitrogen-based fertilisers. Prices are expected to remain at historically high levels for as long as natural gas and coal prices remain elevated.



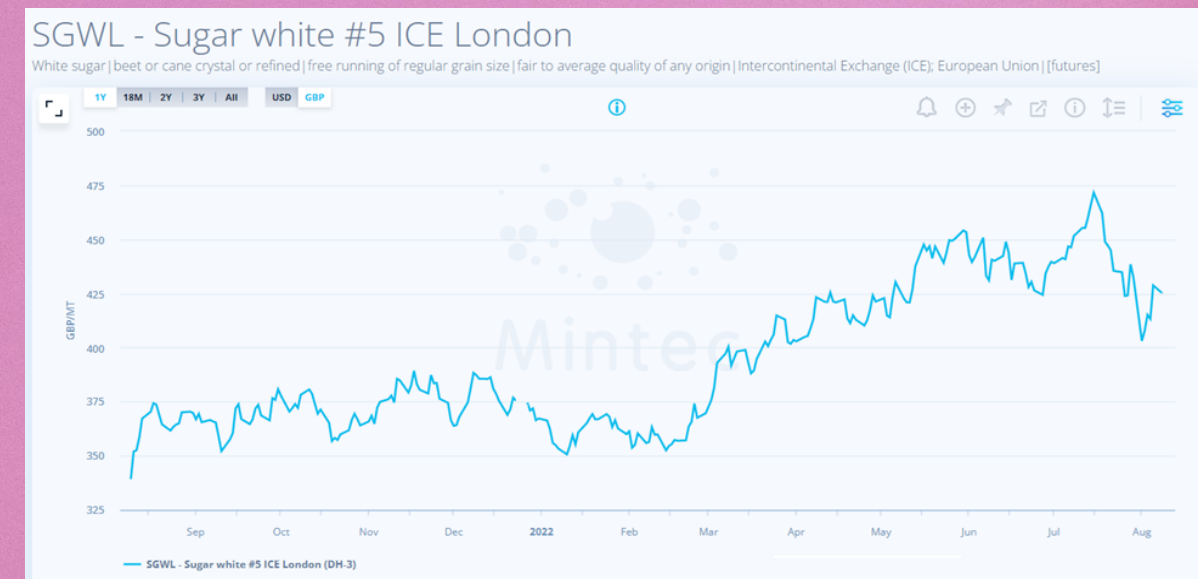
The GB fertiliser price series, to the right, covers the most commonly used products: Ammonium nitrate (UK produced and imported), liquid nitrogen (UAN), granular urea, potash and phosphates. They are an average of spot prices and therefore should be used as an indicator of pricing trends.

	Jun-22 (£/tonne)	May-22 (£/tonne)	Change from previous month (%)	Jun-21 (£/tonne)	Change from previous year (%)
AN – UK produced (34.5% N)	758	716	6%	297	155%
AN – Imported* (34.5% N)	738	731	1%	291	153%
Granular Urea - Standard Specification (46% N)	742	783	-5%	N/a	N/a
UAN (30% N w/w kg per 100kg)	619	N/a	N/a	N/a	N/a
Muriate of Potash (MOP)	729	683	7%	287	154%
Diammonium Phosphate (DAP)	1078	1100	-2%	520	107%
Triple Super Phosphate (TSP)	922	883	5%	431	114%

\*Imported prices are based upon product delivered via a range of sea ports  
Source: AHDB

# SUGAR

Global sugar prices are on the rise. A combination of higher shipping costs and higher energy costs are impacting all areas of the supply chain. The majority of World sugar is from cane sugar (around 80%) and the most of this is from places such as Brazil and India, hence being affected by higher shipping costs. These are global markets meaning that an impact in one country will often directly impact the pricing in another. World sugar prices have risen around 30% over the past 12 months and this is before the increased costs associated with refining sugar into the finished product.



There are some high energy intensive processes involved in turning raw sugar into the sugar used for commercial purposes, including filtration, heating and cooling in large silos. These further additional costs along with higher packaging and domestic haulage costs mean finished good prices are now much higher than before.

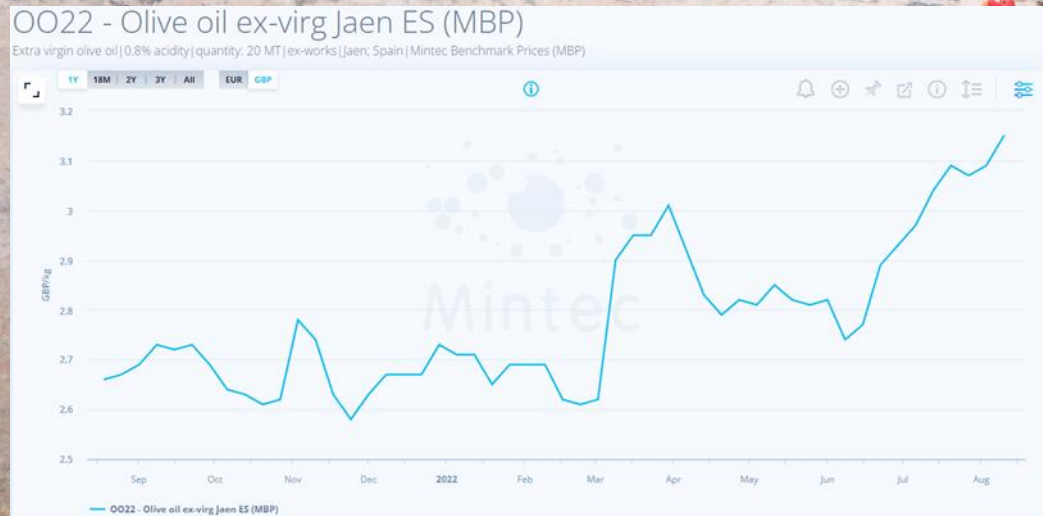
# EDIBLE OILS *Rapeseed, Soya and Palm Oil*

All three of these edible oils are showing a downward trend, yet as can be seen from the graphs below, they are all still higher than this time last year. The key driver of these recent falls is most likely Palm Oil. The Indonesian Government placed an export ban on palm oil back in April of this year to curb higher domestic prices. This was then revoked at the end of May but since then they have struggled to shift volume hence leading to cheaper pricing. This factor combined with falling crude oil prices (reducing the demand from biodiesel markets) means that rapeseed and soya prices are also falling. The key question is just how much will prices fall. One certainty is that the new normal for these oils is likely to remain quite high still following the ongoing war in Ukraine and therefore the lack of sunflower availability, which remains in place.



# EDIBLE OILS Olive Oil

Olive oil prices are bucking the trend of the other major edible oils. The drought like conditions across key growing countries in Europe is causing nervousness and higher prices. Prices have already started to increase on the back of this information.



## Spain warns heatwave threatens olive oil production

Weather also threatens output in Italy and grain across Europe as Ukraine war pushes prices higher

Julia Kollewe

The Guardian  
UK edition  
News website of the year

Tue 2 Aug 2022 12.51 BST

Fierce heatwaves and a lack of rain in [Spain](#) threaten to reduce olive oil production from the world's top exporter, the country's agriculture minister has warned.

"If there is no temperature relief or rains in the coming weeks, this year's olive harvest could be notably lower than previous ones," Luis Planas [told Bloomberg News](#). "The olives sector is concerned about oil production."

# FRUIT JUICES

## *orange juice*

Prices are higher year on year by about 60% and factories are paying more to process into finished products due to higher energy and packaging costs. The Brazilian harvest is now underway and the initial suggestions are for a more positive crop this year. One slight concern is warmer than average weather conditions in the key growing areas which would reduce fruit size and quality meaning less available for further processing. August and September remain the key period and some rainfall would help things along a lot to try and bring down what remains a very high price for the raw material.

## *apple juice*

Prices haven't risen anywhere near what orange juice prices have, perhaps a maximum of 10-15% over the past year. The expectation moving forward is that there will not be as many apples sent for processing this year but as yet its too early to tell whether this will be the case. Higher fertiliser costs will also be a hinderance to pricing.



# CANNED GOODS

## tomatoes

Tomato prices are up massively year on year. Tomato paste is mostly affected through a complete lack of availability and huge demand increases from the manufacturing sector. However, chopped and plum tomatoes prices are also up around 60% versus the same time last year, paste prices are around 110% up year on year. There are a combination of factors, the tomato prices being requested by farmers are much higher than last year for example. The energy prices being paid by the factories are 2-3 times what they were last year and this also means financing the growers becomes more difficult and the banks have tightened business lending as a result of Covid. Freight costs out of Italy have doubled at least in the last year or so too.

## baked beans

This store cupboard essential is about to get a lot pricier. Many of the elements that make up a can of baked beans have increased dramatically year on year. Navy beans, or haricot beans as they are also called, make up around half of the can and they are up in price around 40% year on year. Tomato Paste is usually the second ingredient on the list and prices of tomato paste are around twice of what they were last year. Following this there have been yet further increases in tins costs of around 25% year on year and finally the energy used to produce the finished product (cooking etc) is up around 300% year on year. None of these increases are insignificant and this means finished products are at least 50% up in price year on year. Mushy peas are also seeing a similar level of increases to baked beans.



# EGGS

EGGS & POULTRY

## Egg inflation not being passed on to producers

By Kevin White | 6 July 2022

Farmers are warning too small a percentage of the price increases introduced across the egg category in recent weeks are being passed on to hard-up producers.

Egg prices have been rising steadily in the major supermarkets over the past two months, with data from Assosia showing there were a total of 241 price increases and just three price cuts across the big four, Waitrose, Lidl and Aldi between 21 March and 4 July, with many lines seeing multiple rises.

Notable increases within this period included a 30.3% hike in a 6-pack of Merevale British Free Range eggs in Aldi, a 27.5% increase a large Morrisons British Free Range 6-pack and a 25% hike in a Big and Free 6-pack in the same retailer.

And in total, some 53 out of the 177 fresh egg SKUs sold across the selected retailers saw price increases of between 10% and 30% within this time period.





# CORN FLOUR *Falls in Europe's crop yields due to heat waves could worsen Maize price rises*

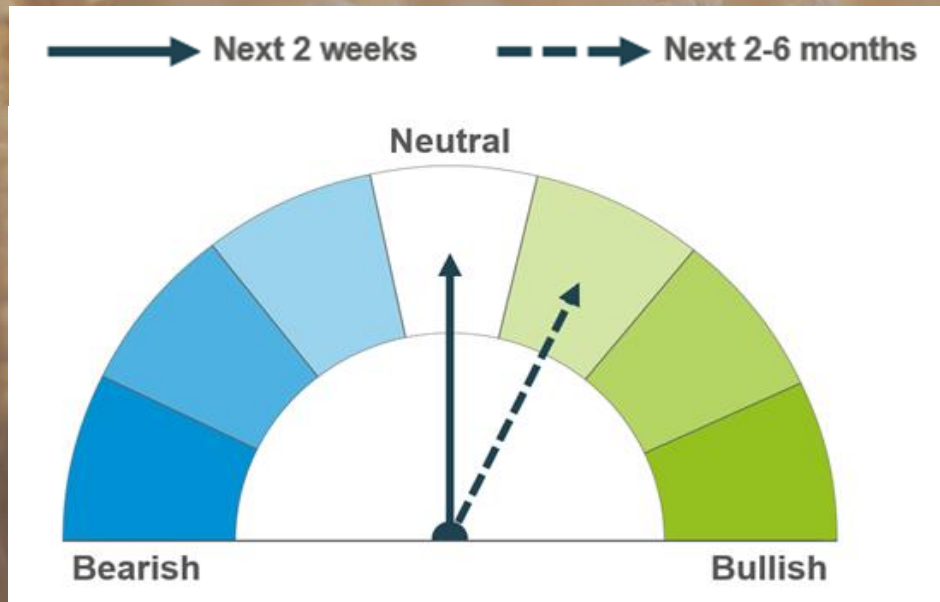
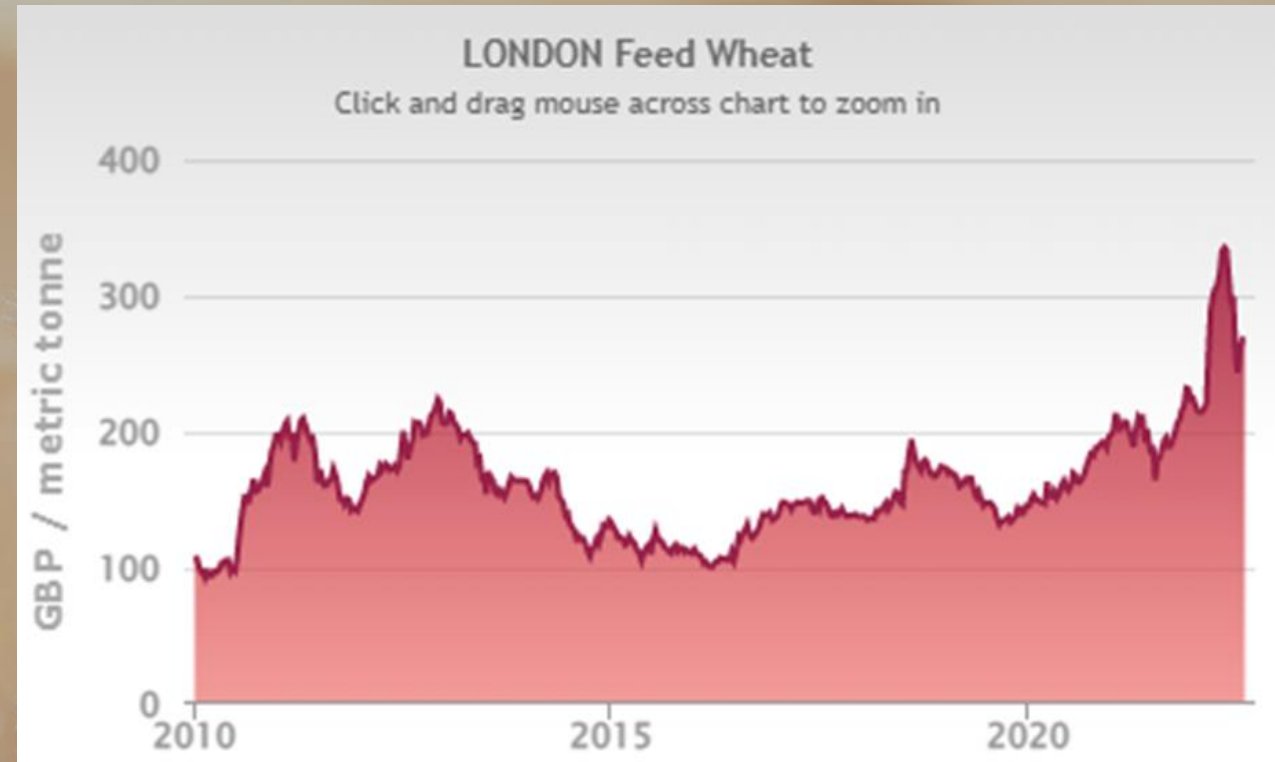
Maize yields are forecast by the EU to drop by about 8% to 9% due to hot weather across the continent. Supplies of maize were already under pressure, as Ukraine is a major producer and its exports have been blocked by Russia.

Prices started to fall early July when pricing was down to a 31% a year increase from the high point in May when pricing was 78% higher year on year. However, the continued hot weather in key growing areas has turned the pricing back on an upward trend with it currently sitting 53% higher and rising. The overall outlook is that prices wont retreat until 2023-2024.



# WHEAT

Following the hot and dry weather in the EU. The yield outlook for EU maize has been trimmed by the European Commission, down 7.9% from June's outlook, to below the 5-year average. This is down to heat stress in France, Italy, and Romania especially. This has created short term volatility whilst the crops are starting to be harvested, however, the addition of the Ukrainian grain should help hold the prices from going back upwards. The extreme dry and hot weather remains a watchpoint for harvest 2022.



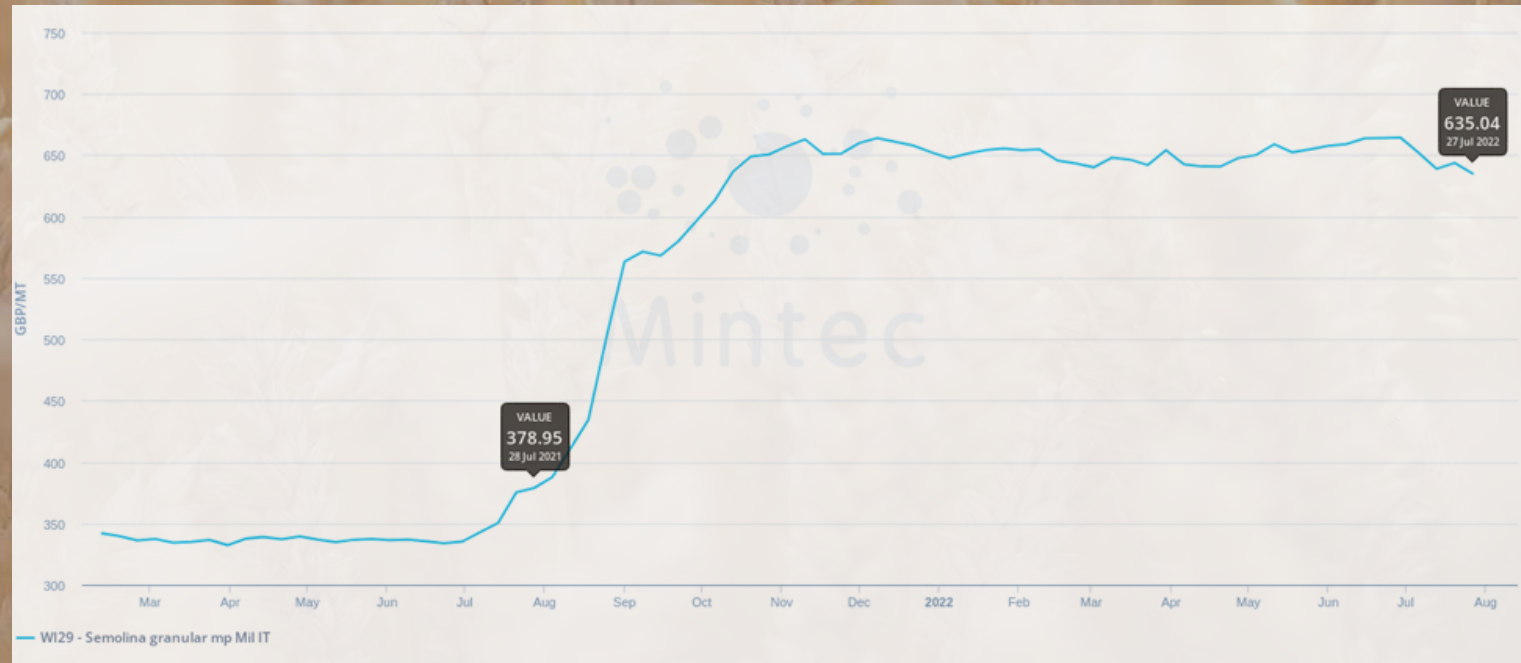
The Russia Ukraine War is still causing issues on the wheat front. Even after the agreement by Russia to release the first grain ship from the port of Odessa caused an initial deflation in price from the highest point of £332 per MT (an 83% increase versus last year) to the still high point of £267 per MT, which is a 45% increase on last year, when the price was £181 per MT. The hope is we continue to see ships leaving Odessa and no escalations put a stop to this, year on year pricing will be much higher and this is impacting all wheat-based products already.

# DURUM WHEAT

Global durum production is expected to rebound in 2022/23, but stocks are likely to remain tight this season leaving pricing flat against the start of the year.

Total durum production in 2022/23 is expected to increase 10% to 33.9 MMT, led by increases in the United States, Canada, and Mexico. While durum production in North America looks good, production across Europe and North Africa is expected to fall according to Coldiretti, an Italian agricultural lobby. The country's durum and "common" wheat production this year is expected to fall 15% as the drought slashes yields. The Italian Millers' Industrial Association expects durum production to fall 10% to 3.5 MMT. Stratégie Grains now forecasts EU production at 7.0 MMT, 9% behind 2021/22; if realised, this would be the lowest durum production since 1997.

Market expectation is for prices to continue at close to the £600 per MT they currently are for the next 12 months (which is a 64% increase versus August 2021). Next years crops will need to bring an excess in volume vs demand to reduce these prices, despite the rise in the price of pasta, it remains a cheap meal option for families.



# RICE

Consumers switching to Rice from Wheat is pushing up Rice prices

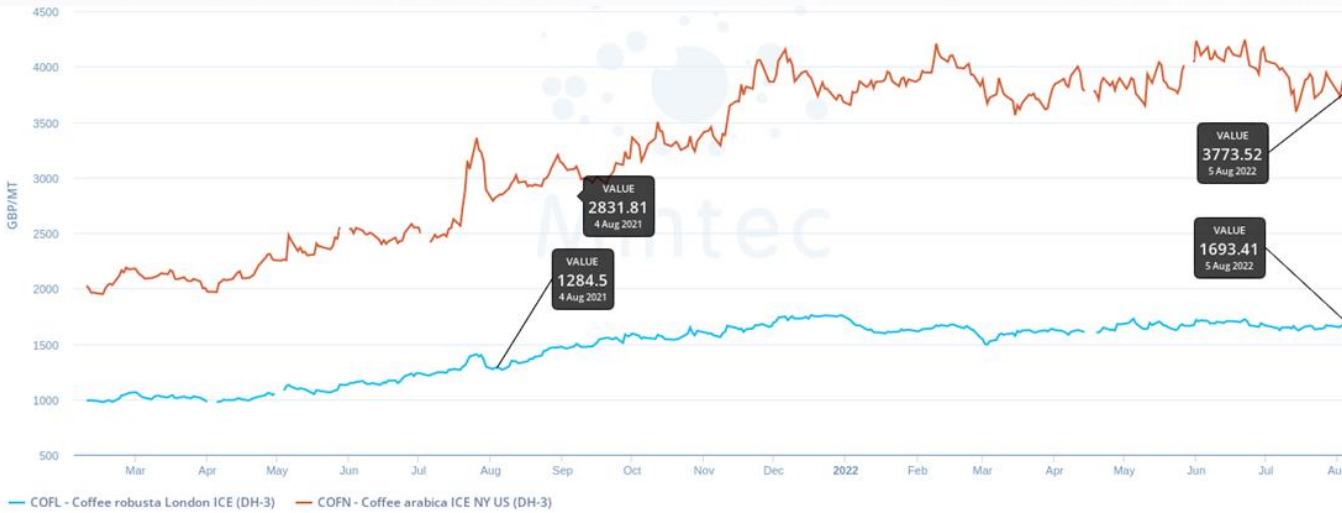
- The average price of Indian 5% broken white rice is 13% higher than the same time last year.
- Production is higher than last year and projected to hit record highs in 2022/23.
- Consumers are opting for rice as a cheaper alternative to wheat following the high food price inflation
- Global rice supply continues to be impacted by the limited container availability, port congestions, and continued high shipping rates
- Fertiliser prices reached a record high in 2022, resulting in the increased cost of production for rice growers. With high fertiliser prices and supply shortfalls, there is already evidence that some farmers are cutting back on fertiliser use which could negatively affect yields
- High energy, gasoline and diesel prices will impact the cost of rice production.



# COFFEE

The Coffee Market remains high

Current pricing is sitting 33% up versus the same time last year on Arabica and 31% on Robusta, see graph (below).



## Brits paying more for high street hot coffee

**Niamh Leonard-Bedwell**  
Brits are paying more for coffee as prices surge at coffee and sandwich shops, new data reveals.

According to data from Lumina Intelligence's Menu Tracker, the average price of a hot coffee across hospitality rose from £2.78 in February to £2.88 in May – representing a 3.5% increase.

In coffee and sandwich shops alone, the average price of a coffee had risen by 3.1% to £2.94.

Greggs offered the cheapest hot coffee at £1.90, but its prices were up 5% since February.

A Greggs spokesman put this down to the end of government VAT relief for fast food chains and coffee shops, introduced in 2020, in April.



Greggs is cheapest for hot coffee, up 5% since February

"We had to make some changes to the pricing on individual hot drinks to reflect the return of the standard 20% rate," he said. "We are confident that we continue to offer great value for money."

Creams Café, meanwhile, had the highest average price for a hot coffee, at £3.34. This

price represented a 29% increase versus February 2022. The Grocer has approached Creams for comment.

Inflation was not the case across the board, though. The data shows the average price of a hot coffee at Starbucks decreased over the same period, by 0.8% to £3.13.

The steepest price increases were seen at quick service restaurants, where average prices rose 5% to £2.37 over the same period.

Pubs and bars were the most expensive channel for hot coffee, charging £3.24 on average – a 4.4% increase over the same period.

Lumina Intelligence senior insight manager Katherine Prowse said operators, manufacturers and consumers were "facing significant challenges" amid "decade-high inflation".

"To mitigate rising costs, operators are going to need to increase prices and this is likely to be just the start, as inflation is forecast to increase," she said.

One roaster explained "we think we're at a point now where differentials have settled into a higher trend than we saw pre-pandemic. With the higher input costs and consumers looking towards more sustainably-sourced coffee, producers seem to be able to command more of a premium, and we don't anticipate that changing for the foreseeable future – at least a year or more"



# COCOA

## BARRY CALLEBAUT RESUMES CHOCOLATE MANUFACTURE AFTER SALMONELLA SCARE

For four consecutive weeks, the world's largest chocolate factory remained closed because of an ingredient used in making chocolates. They found that lecithin, which gives food its smooth texture, is the culprit that carried the salmonella bacteria.

However, no consumers reported getting sick due to eating chocolates supplied by Barry Callebaut's chocolate factory. It supplies chocolates to Nestlé, Hershey's, and Unilever, but not directly to consumers.

"We remain cautious because this operation is unprecedented, the process of cleaning and disinfection takes a lot of time," said Barry Callebaut Korneel Warlop.

Three of the huge factory's 24 production lines started operations, completing the first delivery in six weeks. Belgian health authorities gave permission to the giant chocolate factory to resume operation for a three-month test period.

The Wieze plant is the largest chocolate factory in the world. It provides the reputation of being made in Belgium. Consumers love Belgian chocolate, and chocolates made in Belgium earn their reputation as top-quality chocolates.

The occurrence came three months after discovering salmonella bacteria at a Ferrero factory in Arlon, Belgium. This is also where they also make Kinder chocolates.

The salmonella contamination which forced the shutdown of the Barry Callebaut plant in Weize, Belgium, the largest chocolate production factory in the world, has temporarily resulted in higher prices observed in the market as other manufacturers were scrambling to source more stock to take on the uplift in demand caused by lack of availability from Callebaut. We expect final production costs of Chocolate products to increase for the short term, as the Weize plant begins to resume full production, initially they only have authorisation from the Belgian Health authorities to use 3 lines.

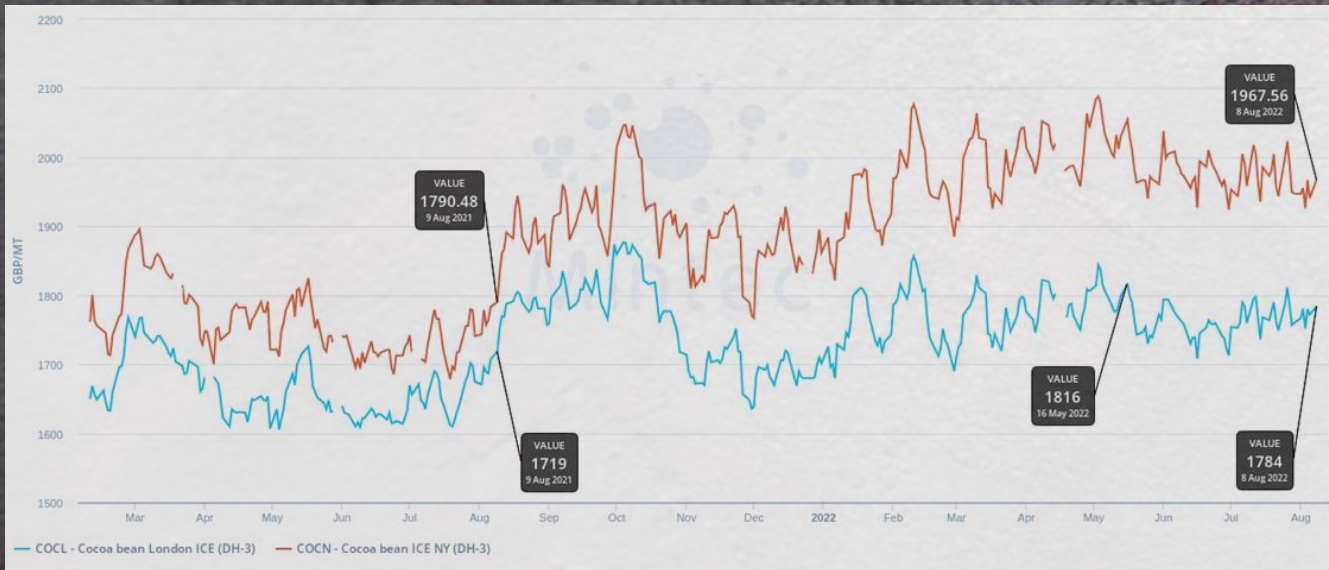


# COCOA

Pricing of Cocoa has remained steady over the last quarter, with prices trading between £1,700-£1,780 on the London Cocoa Bean ICE since May, see below chart.

The Global crop this year is being predicted to be similar to last years record crop, 5.2 MT, however, some analysts are predicting a slight swing downwards if weather conditions deteriorate in any of the growing regions of approx. 6% to around 4.9 MT.

Globally demand is up 1.5% year on year. If demand continues to increase globally this could create price issues as there is very little overstock in the market and therefore could push pricing upwards especially if the final crops do come in at the lower 4.9 MT predicted.



All content correct at the time of publication, August 2022.

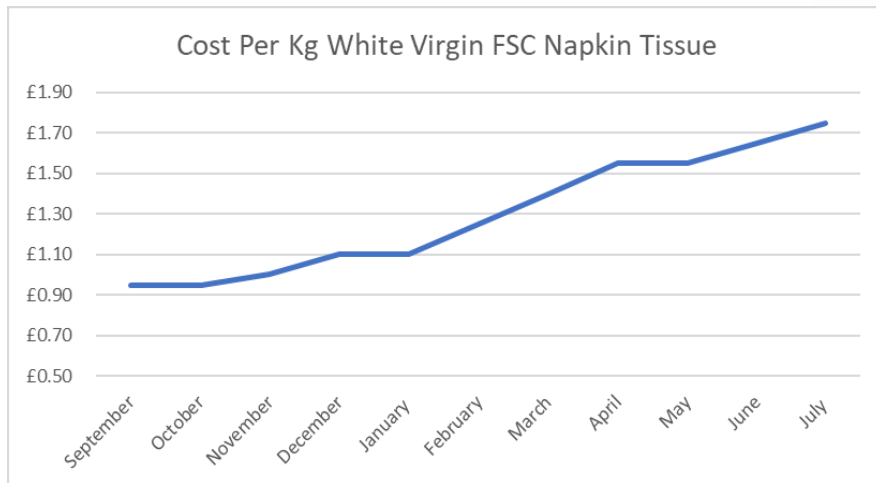


# NON FOOD

The chart below shows the price evolution of white Virgin FSC Napkin Tissue, the raw material since September 2021 has increased nearly **85%**!

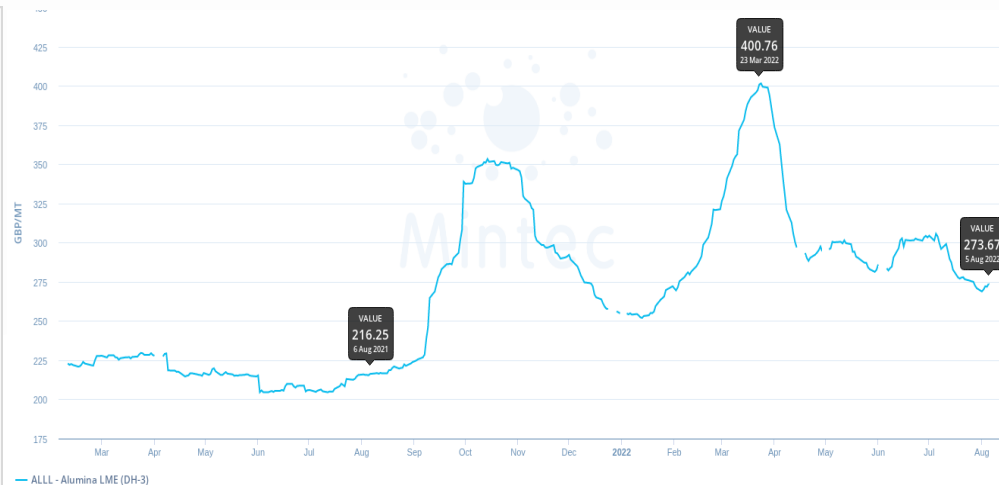
The following are the main drivers of the increases

- Ukrainian / Russian conflict impacting gas price and birch availability
- General market demand increase – leading to a shortage of material availability worldwide
- Sea freight capacity shortage
- Ethylene & Propylene shortage in market
- All-time high-energy costs



## Aluminium LME prices Calm

The price of Aluminium has calmed over the last quarter, with pricing dropping 9%, however, prices are still 26% up year on year mainly driven by high energy costs and the Ukraine war causing issues on supply. The Covid lockdowns coming to an end in China have been the main driver in relaxing the pricing as production came back on line.





# FUEL *Cost of a Barrell of Oil down under \$100*

OPEC+ the Oil Alliance will add 100,000 barrels a day of oil in September, giving a tight market extra supplies.

The 23-nation alliance had already agreed to add 600,000 Barrels a day to the market for July and August, which has helped lower the cost of a barrel under the \$100 mark, which is starting to drive down the price of fuel at the pump. However, some analysts believe that 100,000 a day is not enough and we may see prices start to climb back up over \$100 a barrel as we approach September, especially as there is no news from OPEC+ on if they will keep increasing production in subsequent months.



The average price of petrol fell in July by nearly 9p (8.74p) to 182.69p a litre, with the actions of independent retailers prompting the biggest retailers to finally lower their prices, analysis of [RAC Fuel Watch](#) data shows.

This led to nearly £5 being shaved off the cost of a 55-litre tank of petrol (£105.29 down to £100.48). Diesel came down by almost 7p (6.69p) a litre from 199.07p at the start of the month to 192.38p by the close, reducing a fill-up by £3.68 (£109.41 down to £105.81).

While these are the third and fourth biggest monthly reductions respectively in the last 20 years, the RAC says they still don't fairly reflect the fall in the wholesale price of fuel, meaning major retailers should be cutting pump prices much further.

The wholesale cost of petrol delivered to forecourts has fallen for eight consecutive weeks by a whopping 20p from 151.93p at the start of June to 131.75p a litre in the last week of July.

The last time unleaded was this price on the wholesale market was in early May which a week later led to a UK average pump price of just 167p a litre.

The high wholesale prices of late May and June caused average petrol prices to rocket by 29p (28.66p) a litre in two months to a new record high of 191.53p on 3 July and diesel to climb 22p (21.66p) to an all-time high of 199.09p on 25 June.

Despite wholesale petrol prices falling by 20p over the last eight weeks, the average price paid for unleaded by drivers across the UK has only dropped by 9p – all of which came off in July.

This is far too slow even after factoring in the two weeks it generally takes for the smallest retailers to use up their existing fuel and buy more supply at a new – in this case – lower price.

Unleaded	Super unleaded	Diesel	LPG
<b>170.40</b>	<b>183.57</b>	<b>182.70</b>	<b>82.20</b>
pence per litre	pence per litre	pence per litre	pence per litre
↘ Should fall	↘ Should fall	↘ Should fall	
24/08/2022			RAC Fuel Watch



# SHIPPING

## Container Charter Market Could See New Spike as Ships Slow Down for New Emissions Regulations

It is expected that only half the current global fleet, some 6,000 container vessels, will meet the IMO's Carbon Intensity Index (CII) energy rating levels in January, which will mean they will need to slow down to comply.

According to Maersk CEO Soren Skou, the Danish carrier has estimated that, based on its liner fleet of 700 ships, it will need between 5% and 15% more capacity to comply with CII regulations. "Actually a quite significant impact," Mr Skou told investors during Maersk's Q2 earnings call. He said reducing vessel speed was the "most likely" option for compliance, "given the shortage, and the price, of biofuel".

Over the last quarter average freight rates have dropped 28% globally. Since the start of August pricing has however started to jump back up on the European routes, this looks to be on the back of the water levels on the Rhine in Germany being too low for ships to take full loads causing fear of backlogs at ports.

Freightos Baltic Index (FBX) Global Container Index  
FBX Global Container Freight Index  
05-Aug-22 | \$6,139



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fbx.freightos.com

# INFLATION REPORT

Bank of England

*Why is the rate of inflation in the UK so high?*





















Higher energy prices are one of the main reasons why the rate of inflation is so high. Russia's invasion of Ukraine has led to more large increases in the price of gas. Since May, the price of gas has doubled. We think those price rises will push inflation even higher over the next few months, to around 13%.

Higher prices for the goods we buy from abroad have also played a big role.

During the Covid pandemic people started to buy more goods however, the people selling these have had problems getting enough of them to sell to customers. That led to higher prices – particularly for goods imported from abroad.

Businesses are charging more for their products because of the higher costs they face. There are more job vacancies than there are people to fill them, as fewer people are seeking work following the pandemic. That means that employers are having to offer higher wages to attract job applicants. And prices for many services have gone up.

## INFLATION IMPACT ON SHOPPING ITEMS

 <b>Milk</b> JUNE 2021: £1.34 JULY 2022: £1.59 +25p 18.7%	 <b>Shampoo</b> JUNE 2021: £3.80 JULY 2022: £3.88 +8p 2.1%
 <b>Eggs</b> JUNE 2021: £2.06 JULY 2022: £2.27 +21p 10.2%	 <b>Spaghetti</b> JUNE 2021: £1.19 JULY 2022: £1.46 +27p 22.7%
 <b>Bread</b> JUNE 2021: £1.11 JULY 2022: £1.21 +10p 9%	 <b>Spreadable Butter</b> JUNE 2021: £3.06 JULY 2022: £3.76 +70p 22.9%
 <b>Toilet Rolls</b> JUNE 2021: £4.47 JULY 2022: £5.08 +61p 13.6%	 <b>Beans</b> JUNE 2021: £1.39 JULY 2022: £1.62 +23p 16.5%
 <b>Washing Powder</b> JUNE 2021: £6.38 JULY 2022: £6.37 -1p -0.2%	 <b>Chicken Breast</b> JUNE 2021: £4.26 JULY 2022: £4.64 +38p 8.9%
 <b>Fruit</b> JUNE 2021: £1.99 JULY 2022: £2.11 +12p 6%	 <b>Tea Bags</b> JUNE 2021: £3.01 JULY 2022: £3.09 +8p 2.7%
 <b>Toothpaste</b> JUNE 2021: £3.19 JULY 2022: £3.22 +3p 0.9%	 <b>Ham</b> JUNE 2021: £1.80 JULY 2022: £1.94 +14p 7.8%
 <b>Cheese</b> JUNE 2021: £2.44 JULY 2022: £2.73 +29p 11.9%	 <b>Crisps Multipack</b> JUNE 2021: £1.57 JULY 2022: £1.63 +6p 3.8%
 <b>Potatoes</b> JUNE 2021: £1.47 JULY 2022: £1.55 +8p 5.4%	 <b>Coffee</b> JUNE 2021: £3.55 JULY 2022: £3.87 +32p 9%
 <b>Beer</b> JUNE 2021: £6.98 JULY 2022: £7.51 +17p 2.4%	 <b>White Wine</b> JUNE 2021: £7.72 JULY 2022: £7.90 +18p 2.3%

Analysis of Trolley.co.uk data by MailOnline

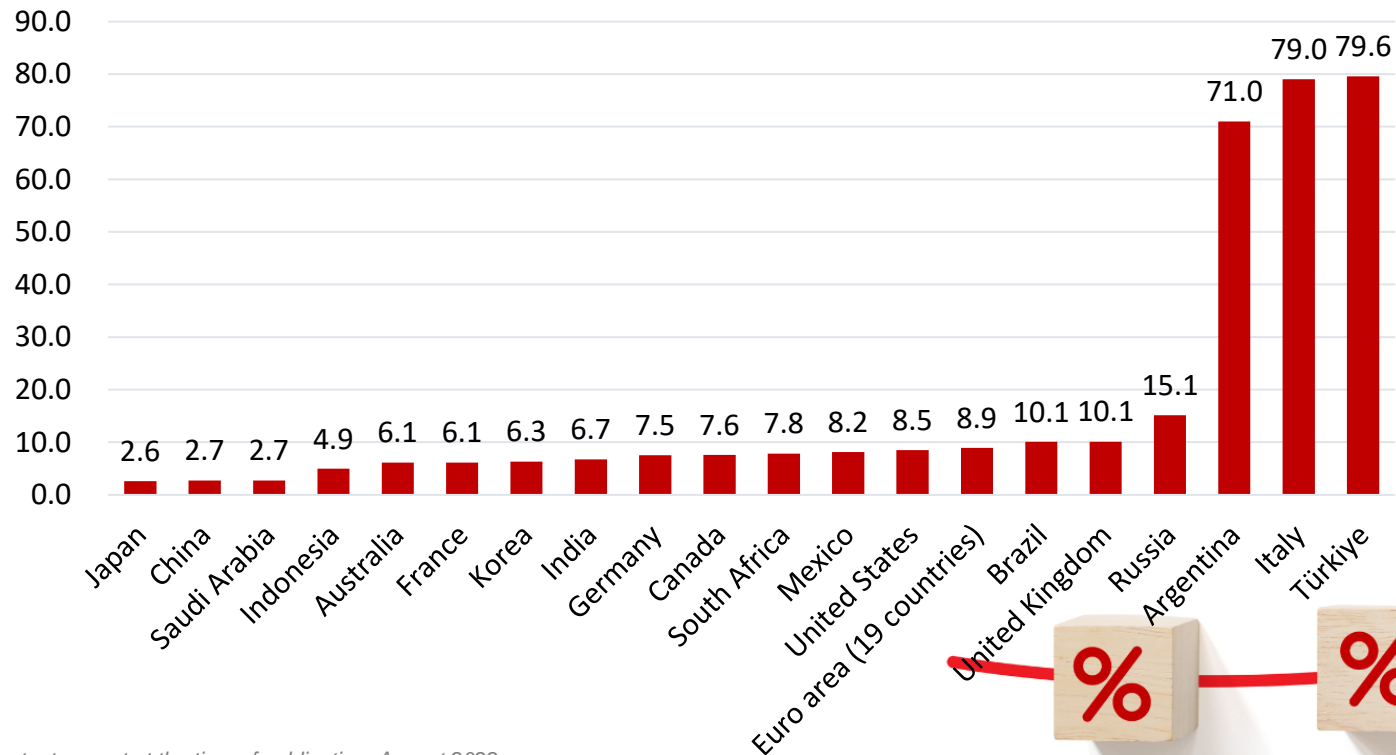


# INFLATION LEVELS *High inflation is still a global issue*

Almost all G20 countries are having inflation shocks, with very few seeing a decline versus the last quarter. With higher Energy costs world wide coming, these inflationary figures will get worse before they get better. See below current inflation levels across the G20.

The UK announced a 40 year high inflation level of 10.1% as of July 2022 and expect inflation to hit 13% by the end of 2022, market analysts have revised expectations of 13% being the high point to a further 5% increase taking it up to 18% by early 2023 on the back of the energy price cap being revised higher, with that comes the expectation that inflation will go higher in the following months.

## G20 Countries Inflation % Data August 2022





The general outlook is pretty bleak, particularly around inflation. Latest reports (22<sup>nd</sup> August 2022) suggest that UK inflation will hit 18% in early 2023, factoring in the forthcoming energy price rises. That said, some product areas which had significant price increases over a year ago are starting to slow down a little, perhaps a sign of things to come.

Unfortunately though, until there is a grip on energy prices, its hard to see anything substantial changing. Perhaps some demand driven reductions in certain luxury product areas but its commodities which are being hit the most. Recently one supplier joked 'you're buying energy from me, with a bag of potatoes attached to it', which is a pretty accurate reflection at the moment. IF, and it is a big if, energy prices were to fall as quickly as they have risen this could see food prices plummet but nothing at the moment is suggesting that will happen, if anything it's the opposite, each time the energy price is reforecast, it seemingly goes up.

The Bank of England have confirmed they expect a recession this year and industrial output has already started to slow down. With regards to prices, experts predict that a long drawn out recession would see prices fall eventually, but in the short term prices are expected to continue rising.

**The Guardian** UK edition **UK inflation will hit 18% in early 2023, says leading bank Citi**  
Forecasts updated after 25% and 7% rally in gas and electricity prices respectively last week  
News website of the year