

Suppliers Uncertain As Sterling Drop Continues

Caterers should stay cautiously optimistic as they wait to see the real impact of the move towards Brexit on food and drink prices. With the Government having confirmed that Article 50 will be triggered in the first quarter of 2017, we can start to see the timetable for Brexit, but it's still not clear what it will mean in terms of our trading relationship with Europe and the rest of the world.

Although some prices have risen as a result of the drop in the value of sterling since the referendum vote in June, other factors have provided some balance.

The supply chain dislikes uncertainty more than just about anything else, and in that context, it's understandable that suppliers are building plenty of caution and caveats into their forecasts. With a wide range of products seeing changes in price, caterers will need to keep a close eye on their supplier costs over the coming months.

In the longer term, whatever replaces the Common Agricultural and Common Fisheries Policies will have a big impact on the viability of UK food production, and those discussions are at a very early stage.

For now, as well as the impact of the weaker sterling on prices, there are the usual effects of the weather, changes in global demand and other factors to deal with. In the run-up to the key Christmas trading period, Lynx Purchasing is working closely with our suppliers and customers to offer transparency on pricing wherever possible, in order to allow operators to plan with confidence.



During this period of uncertainty, it's important to fall back on the basics – those operators who can build flexibility into their menus and buy when availability, quality and value are at their best, will see the benefits during the important months ahead.

Where caterers have to rely on specific products, which is often the case with pre-booked Christmas menus, our best advice this year is that it's never too early to start talking to suppliers. Orders that are locked in early provide certainty for everyone, and it looks unlikely that there'll be too many last minute bargains on offer.



Oil Bubbles

The UK inflation figures for August showed a sharp 12.8% uplift in the price of oils and fats.

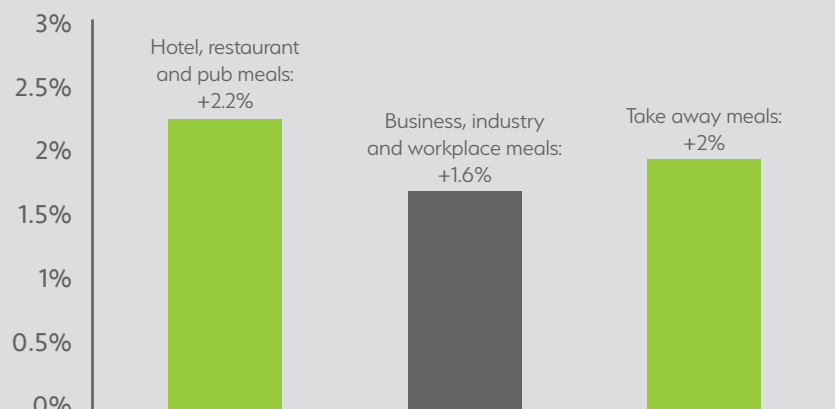
With all oil initially traded in Chicago, the cost has been affected by the weaker exchange rates, and both rapeseed and sunflower prices have jumped dramatically following the Brexit vote. With unpredictable weather patterns also playing a big part, the price of cooking oil is expected to remain high into 2017.

UK Inflation

The Consumer Price Index (CPI) rose by 0.6% in the year to August 2016, the same rate seen in July, and a higher rate of increase than was seen throughout 2015 and the first half of 2016. Rising food prices were cited by the ONS as one of the factors contributing to the increase.

The more detailed RPI inflation measure shows that the cost of eating out has continued to rise above the rate of inflation, as factors such as higher wage costs continue to impact on operators:

The Inflation Factor





Dairy Drama

Prices over the last 18 months have been relatively low, due both to the removal of quotas and the Russian export ban. With many dairy farmers having exited the market, prices are now moving up. While the price of milk often hits the headlines, for caterers the prospect of a sharp increase in the cost of butter, cream and cheese should also be a concern.



Prawns

A popular product for Christmas starters, prawns are expected to be in short supply after a sharp drop in the availability of warm water prawns. Severe weather conditions in Asia earlier this year have affected the volume of supplies from India, Bangladesh and Vietnam, inevitably pushing up prices.



UK Fruit & Veg

Labour is the biggest cost pressure on UK producers this autumn and winter, as wage levels continue to rise in the UK. While this will have an impact on the price of fruit and vegetables, this will be mitigated by lower fuel costs, as well as hopes for a good harvest of root vegetables, apples and pears this year.



Lemons

Availability of lemons has been extremely tight over the summer, with very high market prices in the wake of problems with both the Argentinean and South African crops. Demand is likely to remain very strong, and so prices high, across the autumn and winter.



Pork

The combination of increased demand from Asia and fewer UK farmers producing pork has seen prices for bacon, sausage and other pork products rise, and the UK is likely to rely increasingly on imported products.



Sugar

Stocks of sugar are low in the EU, which has led to steady price rises since the start of the year. This is unlikely to ease until November 2017 when quotas are removed.



Salmon Challenge

Salmon is always a Christmas favourite on menus. However, with problems in Chile caused by an algal bloom that has killed millions of farmed fish, and a fall in production in Norway, the supply of fresh, frozen and smoked salmon is unlikely to improve by the end of the year.



Fish

As alternatives to salmon on autumn/winter menus, haddock from Norway and Iceland will be readily available, while supplies of farmed sea bass and sea bream are expected to be good value and quality. Most frozen fish is traded in dollars, so exchange rates will have an impact on prices.



Potatoes

Potatoes may be more challenging than some other produce, with most caterers relying on imported products for staples such as frozen chips, alongside home-grown supplies. The currency issue as well as wet weather in northern Europe is expected to have an impact, with both crop quality and quantity expected to be lower. The rain will also mean higher prices for other frozen vegetables from key growing areas in France, Belgium and Holland.



Avocados

Global demand for avocados continues to increase by an estimated 30% annually, with the UK's love of Mexican menus seeing our consumption grow even more rapidly, at around 35%. With global production only growing annually at around 3%, the supply gap will be wide at times.



Turkey Tales

As caterers plan Christmas menus, there is continued high demand for Red Tractor produce which is keeping poultry prices firm across the board. The UK imports a significant number of fresh turkeys from the EU, and while this will be affected by the exchange rate, there is a good supply of birds which could help to keep prices competitive. Turkey for added-value products, such as stuffed or flavoured joints, mainly comes from South America and is traded in dollars, so while availability is good, higher prices than last year are inevitable.



Salad

Spain supplies much of the UK's leafy salads during autumn and winter, but there are suggestions that some Spanish growers will be looking to reduce their exposure to the UK market this season. This is as much to do with the UK's retail price wars as with concern over Brexit and the lower value of sterling, with the low prices paid by supermarkets deterring growers.





Wine Under The Weather

Several hospitality wine specialists have contacted customers to say that prices will rise as a result of the pound's weakness since the referendum result. This is likely to be compounded by an increase in the cost of European wines following bad weather at the end of the summer, with the Burgundy, Loire Valley and Champagne regions of France all reported to have had shortfalls in production.



Coffee

Unsettled weather in Brazil, the world's biggest exporter of coffee, as well as in Vietnam affected coffee production, pushing up prices on the commodities market. In the longer term, the International Coffee Organization has warned that with coffee growers around the world facing low revenues and rising costs, some farmers are switching to other crops.



Orange Juice

Brazil's problems with the weather have also affected its orange juice crop, while Florida, the number two supplier behind Brazil, has had crops devastated by a disease-spreading bug. As a result, prices on the commodities market have spiked.



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With Lynx, what you see is exactly what you get. Our job is to help you buy better and save you time and money, year after year. We do this for 2,000 companies in the hospitality sector. Working with over 60 industry-leading suppliers, Lynx can offer you like-for-like products and services at lower prices and, very often, better quality. The price we give you is the price we get because 100% of the savings we negotiate with suppliers is passed on to you.

With Lynx, there's no membership involved and no contract to sign – only trust and results. If you are not satisfied with the savings or the service we provide you can stop using us at any time. Our business model is straightforward. We've been in business since 2002 and have a team of catering and hospitality industry experts nationwide. We operate a lean structure with no head office costs.

Our own income comes from our suppliers who pay us.

We save you time and money year after year.

Why work with a purchasing company?

Running a profitable business means maintaining quality and controlling costs. Getting the best price in the market on goods and services helps you control costs and get more out of your budget. But finding and making those deals takes time and expertise in today's complex buying market. That's where a purchasing company can help because saving your business money is our business.

At Lynx Purchasing, we use our negotiating skills and our network of suppliers every day to get better prices on food and beverage, catering equipment, utilities and specialist services. And because we work for hundreds of independent hospitality and catering businesses just like yours, we have extra leverage with suppliers to ask for and get the very best prices in the market.

We work for you. It's like having your own purchasing team.

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