Issue 2 - Autumn & Winter 2019/2020

Harvest

Autumn & Winter Issue

Our seasonal outlook for the months ahead

Reynolds
more than just a greengrocer

Your bi-annual crop report from our farmers and growers around the UK and further afield.

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Industry insight delivered to you by Reynolds

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Intro

A warm welcome from Linda Evans, Reynolds' Sales and Marketing Director

Welcome to our second edition of Harvest, Reynolds bi-annual publication focused on the challenges and opportunities faced by growers, producers and the wider food industry, both at home and abroad.

We try and shed some light on what's really happening at the sharp end, so you are prepared as you can be for the six months ahead.

It will come as no surprise to hear that the main focus for everyone throughout our supply chain right now is Brexit. At the time of writing, a no-deal outcome on the 31st October still appears a real possibility, despite the passing of a law designed to stop it. It has been well publicised that if this were to happen, there is the potential for disruption to the flow of imported goods into the UK, especially for fresh food. This will particularly affect the upcoming winter months as this is when the UK buys more fresh produce than ever from the EU.

No-one actually knows what level of disruption is likely in the event of this no-deal Brexit but Operation Yellowhammer, which was the recently published worst case scenario, suggests that a lack of readiness could cut HGV traffic by 40-60% and lead to disruption lasting three months. As you would expect, many European suppliers are worried about supplying the UK this winter, for fear of losing valuable fruit and veg stuck in transit. It's not just the farmers and growers who are concerned either, with many European hauliers also refusing to quote for UK contracts.

Despite this bleak picture, our job at Reynolds is to provide our customers with a degree of certainty within this uncertain landscape, whatever the outcome. In the coming weeks and months, our robust relationships with growers across the EU and further afield will help us to do just that and to be the safe pair of hands that you need, which is what we do best.
In other news, turning to matters closer to home, UK potato, onion and root vegetable growers are expecting a more successful campaign this year, following on from last season's dreadful harvest. However, if you're a brassica farmer, you'll be much less optimistic, because cauliflowers and the humble Brussel sprout are likely to be in short supply for the next few months, due to the record rainfall in Lincolnshire this June, which was followed by unusually high temperatures.

There's no doubt that weather patterns have become even more unpredictable in recent times, which means that our team has to work even harder to source from alternative locations when needed, in order to deliver that continuity of supply you rely on us for.

Wishing you and your business well for the season ahead, whatever the weather.

Best

Linda Evans
Sales and Marketing Director

VEGETABLES

This season, the UK's onion, root vegetable and potato harvests are expected to deliver much better results than the last. Brassica famers meanwhile are facing trickier conditions.

Brassicas

Domestic brassica growers have had it incredibly tough over the last few years due to the unseasonable weather. In February 2018, farmers had to contend with the 'Beast from the East' storm, which was followed by a record dry spell and extreme summer temperatures.

This year began with a dry winter and an early spring which meant that plants went in the ground in near perfect conditions. However, record rainfall and low light levels came soon after; in the Yorkshire Dales for example, 113mm of rainfall was recorded in just three hours, which is some of the most intense rainfall ever recorded in this country.

In contrast, a sustained period of record-breaking temperatures followed and, as a result, cauliflower harvests have been especially affected this summer, with very small head weights and volumes thin on the ground. Broccoli and cabbage harvests were also influenced, with contingency in Europe almost non-existent as growers there struggled with their own issues.

Intense lobbying from the NFU has encouraged the UK government to recently announce a £2 million fund to help farmers in North Yorkshire and Lincolnshire, who were most affected by the summer flooding. A £62 million cash boost for flooding programmes across England has also been launched.

Whilst this will bring welcome relief to some UK growers, all will hope that the climate is kinder to those crops currently in the ground, destined for harvesting over the autumn and winter period. This season more than ever, growers are looking for commitment upfront and, in many cases, are seeking assurances 12 to 18 months in advance to guarantee supply.

This season, Spain will supply the UK with the majority of our broccoli volumes from November onwards, which is not ideal given the uncertainty over Brexit. However, at Reynolds, we will increase our stock-holding by several days to mitigate freight delays. With local production levels currently reported as very low in the Netherlands, France and Germany, demand for Spanish broccoli is expected to be strong, especially during the start of the season. Recent flooding in Spain will have done little to help overall market availability.

Volumes of domestic Brussels sprouts are likely to be lighter than usual this season, mainly due to the heavy rains which affected early plantings. Elsewhere across Europe, Spanish growers will be waiting to evaluate the damage caused to sprout crops from the recent flooding. Meanwhile in the Netherlands, from where the UK supplements much of its winter demand, growers are expecting good quality and strong yields this season. Whilst this will bring some welcome relief to buyers, demand for sprouts is expected to be strong over the winter period, given renewed interest in the vegetable on menus and the increased popularity of plant based dining in general.

Finally, on the cabbage front, new season white and red crops are performing fairly well in the UK right now, whilst Savoy cabbages are still on the smaller side of preferences.

Onions

Last season was devastating for UK onion growers, with the wet weather delaying the initial planting process and hot weather stunting crop growth. Overall, yields were almost 40% down on the previous year and there was a much heavier reliance on imported volumes for longer than ideal this summer.

So far this year, growers are reporting a more positive position to date, with new harvests looking broadly favourable. However, the early season wet weather and high temperatures remain a concern, as bacterial issues could well influence the storage quality. In addition, reports of sunburn may influence the aesthetical nature of final crops.

Root vegetables

Last season's UK carrot harvest was not dissimilar to that of the onion. Yields were down significantly on the previous year and sizing was very much on the smaller side of preferences. Imported crops were required much earlier than for a normal season.

Fortunately, as we look ahead, new season crops are looking generally favourable. With carrots still bulking up for winter harvest, growers are hopeful for a much healthier yield, size and quality of product. Of course, with crops left in the ground and covered with straw over the winter, much can change in a fairly short period of time. Any sustained periods of excessive rainfall or snow can impact product quality and availability.

Elsewhere, no issues are expected with the domestic parsnip, swede and turnip harvest although, like most of the farming community, root vegetable growers remain particularly concerned about labour availability as we near Brexit.

Potatoes

The 2018/2019 UK potato season was one of low yields and high market prices. Figures released by the Agriculture and Horticulture Development Board (AHDB) in March 2019 estimated that potato stock levels held by British growers were 24% down on the previous year and storage quality was generally poor. Large baking potatoes were especially short in supply.

As we look forward to the current season, history suggests that a high priced year triggers a notable increase in planted area. However, latest figures from AHDB, which cover 90% of growers in the UK, show that the total planted area in Britain has only increased by 1%, with much of the increase attributed to smaller growers who have increased their growing area on the back of last season's high market prices.

This figure represents one of the lowest planted areas on record and is thought to be partly a result of very limited seed availability and high seed prices.

Looking to specific varieties, Maris Piper has bucked its recent downward trend, with an increase of 6.5% from last year, now accounting for some 13.5% of the UK planted potato area. According to AHDB, demand for salad potatoes has fallen slightly which has also influenced planting schedules.

Early reports suggested that the planting process went well, boosted by a mild winter and warm early spring, with many growers finishing well ahead of schedule. Since then, the heavy rains seen in June, combined with the subsequent hot weather, have raised some concerns with growers, and increasing concerns of internal issues are being reported.

However, the new season is still expected to deliver significantly better results than the last, with yields generally described as 'good to average but not exceptional'.

Sweet Potatoes

Following the disastrous harvest in the USA last autumn, the availability of sweet potatoes has been poor this year and global market prices very high. However the sweet potato boom has encouraged a breed of new growers across the world to farm this popular crop, as well as existing growers to extend seasons. As we look forward to the winter, expectations are for improved supply conditions.

Egyptian crop started very early this year, which helped to bridge the gap between the end of the USA crop and the start of the Spanish season. Spanish production, which usually starts in September, began in early August and is expected to run through to January. Meanwhile, in the USA, harvesting is well underway and early indications are that the crop looks good, albeit with sizing on the small side.

Cucurbits

UK pumpkin and squash growers in the UK are expecting a relatively normal harvest this season. Figures show that pumpkins in particular are enjoying buoyant sales, with a near 20% increase in volumes recorded last year.

Mushrooms

Mushroom production is reportedly on the decline so far this year across Europe. According to figures presented by GEPC, the organisation of European mushroom growers, Poland are estimating total production levels of around 260,000 tonnes, compared to 270,000 last year. The Netherlands are suggesting that their volumes will fall to 241,500 tonnes, a decline of just over 7%, whilst Irish growers expect a slight reduction year-on-year by around 1,000 tonnes.

Given its proximity to mainland Britain, Ireland is the main supplier of mushrooms and substrate to the British market. However, uncertainty over Brexit is causing huge unrest amongst growers, with the future of the Irish border still not yet known. Elsewhere, labour shortages remain a major issue for growers across Europe, including in Poland and other former Eastern Bloc countries.

FRUIT

A difficult harvest is expected this autumn and winter for European apples and pears, whilst the Spanish citrus fruit crop may have been affected by recent storms

Avocados

Overall, Peruvian volumes and quality have met expectations this year, but the season is rapidly coming to an end, with the USA now receiving the majority of their end of season volumes.

Conversely, South African fruit has been troublesome over the last couple of months, due to strikes at ports. This is on the back of an already poor season, with recent news reports highlighting a drop in overall output of 25% year-on-year due to generally lower yields, premature fruit drop, and the cyclical on-year and off-year nature of avocado harvests.

Fortunately, the Colombian season has been strong this year, helping make up any shortfalls, as the country continues to grow the volumes it exports across the globe.

October is always one of the most difficult periods for avocado supply as producers around the world are either beginning or concluding their seasons, and this year will be no exception. Late season South African fruit will continue to arrive into the UK until the end of October, predominantly supported by early season Chilean and Mexican crop. However, the low levels of dry matter on fruit from Chile and Mexico mean that the ripening process typically takes between five and six days, compared to the usual couple of days. In addition, demand for fruit from the USA is strong and competition for fruit is fierce during this barren period. Chile is also expecting low volumes due to lack of rainfall during the growing cycle.

As we approach late November, Israel and Morocco are both expecting favourable harvests which will help to bring some relief to markets somewhat. In Spain, original estimates for a normal season may need to be recalculated as avocado growers wait to assess the full extent of damage from the recent spell of bad weather. Reports suggest that the strong winds have damaged fruit In Málaga and Granada and that 'thousands of kilos' of avocados have been left on the ground. With global demand for avocados increasing at a rate of knots, market prices are likely to remain firm for the foreseeable future.

Reynolds will be looking to use more domestic ripeners in the season ahead, which should be advantageous in the event of disruption to traditional supply chains, as fruit volumes can be increased on UK soil.

Top Fruit

July's heatwave across Europe did little to help top fruit growers. According to the World Apple and Pear Association, the European apple crop is forecast to be significantly lower than last season, totalling an estimated 10.5m tonnes, against a haul of 13.2m tonnes for 2018.

Poland, which is Europe's largest producer, will face a huge decrease on last year, as volumes are expected to fall by some 44%. Elsewhere, Italy, Belgium and the UK will see small decreases compared to last year, whilst Spain, France and the Netherlands will see increases. European growers are expecting to harvest 3% fewer of the most popular apple variety, Golden Delicious, this season. Gala estimations are broadly the same as last year.

Meanwhile, the European pear harvest is expected to produce 14% fewer fruit than last year, the second lowest volume in a decade, with decreases recorded in all major pear-producing countries in the EU, except Spain. As well as issues with flowering and periods of high humidity, an increase in pest numbers is to blame.

Berries

The UK berry season has not been without issue this summer, as the warm and wet weather provide perfect conditions for mould and spoilage in the punnet, which need careful management. However, the high temperatures were generally good for fruit growth.

During the month of September, as temperatures and light levels fall in the UK, we transition away to predominantly Dutch and Belgian strawberries and raspberries, before moving to Egypt in November, followed by Spain and Morocco. No major issues are currently expected with any of these countries.

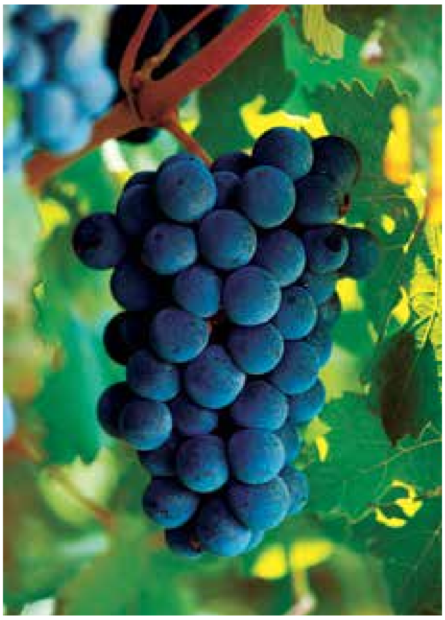
However, given the fragile nature of berries, getting fruit from the field to fork as quickly as possible is absolutely critical and any delays in transit pose a serious risk to fruit quality. Therefore, this season we will be working closely with one of our UK partners who collaborate directly with many growers across the world. Their immense pool of supply options will offer the best chance of maintaining a full supply situation should Brexit lead to any issues at UK ports.

Grapes

There should be less of a reliance on USA supply to bridge the gap between the Northern and Southern Hemisphere this year, as the seasons in Greece and Italy are extended due to their late starts. However, heavy storms recently destroyed many late season table grapes in Spain which will do little to help European supply.

With imported fruit expected to start arriving from South Africa during mid-November, the country is expecting a much better harvest than last year due to improved water levels and reduced pest pressures. Last season, as well as crop expectations not being realised due to climatic conditions, growers and exporters faced an oversupply in Europe during the early season. This season, growers will be looking for a good return in order to ensure their sustainability – many are reportedly already reconsidering their position.

Elsewhere, Chilean exports will arrive in the UK from February, with Indian fruit arriving soon afterwards. It is too early to predict how harvests will pan out, but Indian growers are mainly concerned about unseasonal rain due to climate change.



Depending on the outcome of Brexit, further devaluation of the pound could be a major factor influencing the cost of grapes arriving in the UK this season. As well as the cost of fruit, there are shipping rates to consider, which are all US Dollar based. Reynolds will be hedging currency to mitigate this risk.

Bananas

Global demand for fruit is at its peak from January to April which can place pressure on availability and prices. Shipping capacity from Latin America is also under strain at this time of the year, due to additional demand for seasonal products such as melons.

The new International Maritime Organisation (IMO) regulations come into force globally on the 1st January 2020, which limits the sulphur content of marine fuel from 3.5% to 0.5%. This change will bring significant environmental and health benefits, but is expected to cost the shipping industry an additional $15 billion per year for containerised products alone.

Melons

Brazil will pick up the provision of melon supply to the UK from late October onwards, as Spanish fruit exports dry up. Year-on-year, the pound remains devalued compared to the US dollar and shipping costs are very challenging. Both of these factors are likely to influence market prices.

Citrus

Spain traditionally provides the UK with the vast majority of citrus fruits including lemons, oranges and easy peelers from November. Last year's abundant harvest meant that fruit from the Northern Hemisphere was left on trees for much longer than normal, which will inevitably influence volumes for the new season ahead.

Although volumes of easy peelers and oranges could be up to 30% lower than the last Spanish season, fruit sizes are expected to be larger with an improved eating quality and brix content.

Spain's lemon forecast is also expected to be much lower than last season. According to Spanish citrus growers association, AILIMPO, their end of July opening forecast for the 2019/20 Spanish lemon season estimated an overall decrease of 14% on the previous year. Within this figure, Fino lemon production was expected to fall 8% to 845,000 tonnes, with later Verna volumes predicted to reduce 29% to 260,000 tonnes.

However, since these figures were published, heavy storms in some parts of Spain have caused extensive crop damages, with the worst affected provinces reported to include the key citrus growing areas of Valencia and Murcia. Whilst citrus fruits are believed to have sustained amongst the worst damage, the true extent of any losses will depend on the amount of time that the trees remain underwater.

With increasingly fewer citrus fruit available in the free market due to lower grower returns, contracting volumes is more important now than ever, especially with the uncertainty over Brexit.

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SALAD

Heavy storms in Spain have caused disruption to the start of the salad season which will affect the early export market. Meanwhile, Spanish tomato growers are facing particularly challenging cost pressures and output is gradually falling.

Leaf

As we head towards Brexit on 31st October, the date coincides with the shoulders of the season for lettuce and baby leaf salads. Whilst the majority of leafy salads are grown in the UK during the summer months, this is simply not an option during the winter period.

Spain therefore provides the majority of lettuce to the UK from November onwards, given its perfect climate and huge, dedicated infrastructure. Spain is the largest global exporter of lettuce and the country will supply us with commodity products such as iceberg, cos and little gem, whilst Italy grows much of our speciality leaf, including spinach and rocket.

Looking ahead to European growing conditions; all seemed to be progressing well until recent heavy storms in south-eastern Spain, thought to be the worst in over 100 years, led to some fairly extensive crop losses. In particular, lettuce fields in Alicante and Murcia have been flooded by heavy rains, leaving crops at all stages of production severely damaged.

Lettuce ready for harvesting is now in short supply and the young seedlings and immature lettuces will have to be replanted as soon as possible in the affected regions. Consequently, the export market will be impacted for several weeks whilst growers try to ‘catch up’, and market prices will remain high for some time.

With no other credible alternative options open to UK buyers, and given the very short shelf life nature of leafy salads, this category is most at risk to any delays in transit bought on as a result of Brexit. Alternative options to the traditional Calais/Dover route are available to bring products into the UK, but they are more time consuming and so will invariably impact shelf life. Clearly air-freight is an exception to this, but is hugely expensive and environmentally unfriendly.

Of course, the heavily publicised risk to freight congestion has not gone unnoticed amongst the European haulage industry. Operators are already reducing their exposure to the UK market, especially as the amount of business available on backhaul from the UK has been falling over recent months as we approach Brexit - empty vehicles are of no value to haulage firms. Many European hauliers are pricing themselves out of cross-channel work and some have simply refused to commit any of their fleet. The net impact of this is a significant increase in all road haulage costs to the UK.

With fresh herbs also at risk in the event of any freight delays, given their very short shelf life, Reynolds has endeavoured to contract as much as possible with UK growers this winter, as well as to build in as much contingency as is practical. Whilst this will come at a cost, it should help maintain availability.

Hard salads

With the Dutch hard salad drawing to an end, we look to Spain and the Canary Islands as our main suppliers of hard salads, including tomatoes, cucumbers, peppers and aubergines.

Following the recent cold snap in Southern Spain, producer unions in Almería have said that several hundreds of hectares of greenhouses have been damaged, which will put some growers out of action for most, if not all of the season. The cool temperatures will also have also slowed down plant growth.

With the weather returning to normal, high humidity levels may now be the biggest concern for tomato growers, who require a longer grading period to ensure that any damaged (split) fruit can be isolated and removed from harvests.

Unfortunately, the weather isn’t the only thing on the minds of Spanish tomato growers. The tomato is now thought to be the most expensive crop to cultivate in the country compared to other produce, with some reports suggesting that costs have increased by 20% in the past season. In addition, the cost of transportation is undoubtedly a major concern, especially to UK markets, as well as the cost of labour. In 2019, the minimum wage in Spain rose by an unprecedented 22%, increasing from €736 to €900 per month. This additional cost is putting increasing pressure on the entire Spanish farming community, especially given the existing difficulties in finding labour right across Europe. However, the farming of hard salads is especially labour intensive, so the impact here is particularly significant.

Increased competition from other countries, predominantly Morocco and, to a lesser extent, Turkey and Egypt, is possibly the biggest challenge faced by Spanish salad growers. According to data from the UN Statistics Department, Spanish tomato exports have fallen by 16% in the last five years, while those from Morocco have increased by 17%.

Pest pressures are also making tomato growing difficult and financially risky, with a species of moth called Tuta absoluta, or the tomato leafminer as it is more commonly known, becoming more prevalent and harder to combat.

More and more Spanish tomato growers are looking to move into other production areas, namely those which favour lower production costs and more stable prices, such as aubergines, peppers and watermelons. Seed companies are reporting that the acreage dedicated to tomatoes in Spain will fall again this season, which will reduce the amount available on the open market, especially should product go short at any time.

The Canary Islands appear to be faring even worse still. Figures recently reported by the Provincial Federation of Associations of Exporters of Fruit and Vegetable Products of Las Palmas show the gradual demise of the sector in recent years. In 1999, 352,000 tonnes were exported, compared to just over 50,000 in the latest campaign, with the dedicated acreage reduced from around 3,000 hectares to just 500.

Many UK buyers will be looking to contract with non-EU hard salad growers this winter, especially Morocco, but also Tunisia and Egypt, to help protect against any transit delays in the event of a hard Brexit. It is worth noting that hard salad supply from countries outside of the EU has not always been as reliable as those from within it and transit times are longer, so a diverse supply base is critical in attempting to reduce risk.

DAIRY

Lower milk volumes in the UK are expected to reduce some of the pressure on wholesale markets, providing some support to farmgate prices as we move towards the new year. Meanwhile, UK farmed colony egg prices are firming as we approach Brexit.

Liquid Milk

Milk production has been generally favourable so far this year. Last season, the dry conditions and subsequently low silage stocks moving into the winter meant that herds were fed on an unusually high level of concentrated feed, which boosted milk yields through until the spring. Moving towards this summer, excellent grass growth and good weather conditions supported yields, whilst genetic improvements in the milking herd are also thought to have had a positive effect.

Figures produced by DEFRA show that UK milk production reached a 25-year high almost every month from January to June, with total deliveries for the first half of 2019 up 2.8% compared to last year and 3.7% compared to the 5-year average.

Looking forward, total UK milk production for the rest of the year is expected to fall to levels slightly lower than the last, because of the healthy and good quality silage stocks, which will in turn affect yields. The reduction in feed costs will be welcome news to farmers as between July 2018 and March 2019, feed costs per litre of milk were on average 10% higher than in the same period the year previously, only moving down when the cows were able to return to pasture.

Looking further ahead to the first half of the 2020/21 season, production is currently expected to be on par with, to slightly down on the previous year. The number of freshly calved dairy cattle going through auction markets has been on a steady decline since the start of last year, which will do little to bolster output. However, some analysts are suggesting that the UK has been over-producing at times, so may benefit from a contraction in supply. According to a recent report by Kite Consulting, the capacity of the liquid milk industry's 15 largest plants was approaching 102% of domestic demand in 2018, which represents around 500 million litres of excess milk in the system. Lower milk deliveries in the UK should reduce some of the pressure on wholesale markets, providing some support to farmgate prices as we move towards the new year.

In wider markets, milk production in the EU28 between January and June of this year showed more subdued levels of growth. Overall total deliveries, including the UK, were up by only 0.4% year-on-year, which includes reduced output in Germany, France and the Netherlands. Despite lower market returns, according to DEFRA, UK farmgate prices have remained in the region of 29ppl on average over the previous 12 months to June 2019, slightly above the 5-year average of 27.5ppl. Globally, milk production growth for 2019 is expected to be limited, with weather the main factor limiting growth.

According to DEFRA, the UK average milk price for July 2019 was down by 0.2% year-on-year, and up 1.8% on the previous month.

Fats

Limited supply growth and lack of excess stocks of most dairy products has kept the majority of wholesale prices afloat over recent months, including for cheese and cream. Cream markets are relatively volatile, though prices remain lower than this time last year, whilst the cheddar market continues to remain stable.

Butter prices are a slight exception to this, as demand has been declining steadily since summer 2018, due to falling usage within the food manufacturing sector. However, there was a rise in butter prices over September, following several months of decline, as the market attempted to follow the rising cream price.

Product availability in EU markets has varied from month to month this year, but total available supplies of butter and cheese over the 12 months to May are more or less the same as last year.

The outcome of Brexit could have a major and sudden effect on dairy markets this year. A no-deal scenario is likely to disrupt the UK export market, due to the high tariff levels set by the EU. With UK dairy products effectively priced out of the market, a rebalancing of demand and supply will be needed. UK suppliers with strong export markets will need to rethink their strategy in order to avoid difficulties.

Eggs

Fresh egg sales rose by 4% in the year to 14th June according to Kantar, which represents an increase of 260 million eggs to 6.5 billion. However, demand and supply for colony and barn eggs is falling as more and more users of eggs switch to cage free options. Domestically produced colony eggs now seem to be in shorter supply, compared to free range, presumably as buyers look to tie up a more secure supply base as we approach Brexit.

In retail over the last year, free range volumes have risen from 60% to account for 64% of the market, while colony has moved from 36.5% to 33%. This trend is expected to continue, which is likely to lead to occasional issues due to the supply lag. Both caged and free range large eggs are commanding higher relative prices, due to supermarkets preferring to offer the greater sized eggs.

Brexit – A brief update

As we approach the 31st October, the future of Brexit remains very uncertain.

This date also happens to coincide with the start of our winter season, which adds an extra layer of complexity to our sourcing plans. During this period, produce such as lettuce and berries, which are grown domestically during the summer, will move to imported supply.

However, years of planning mean that we are as ready as we can be to mitigate the well-publicised disruption at ports in the event of a hard Brexit. Our key focus, as ever, is to ensure that we are able to maintain product availability as best we can.

So what has Reynolds done to mitigate any risk?

Supplier selection

Our work to prepare for a no-deal Brexit began not long after the referendum in June 2016. The last three years have given our procurement team the opportunity to work with new suppliers, both within and outside of the EU as well as, where possible, in the UK.

However, the UK can only ever be a limited solution for fresh produce supply – see page 11.

Years of careful planning mean that, as we move into the new season, we have multiple suppliers available for each product category to spread the risk of any failed deliveries. Crucially, those suppliers we have selected are tried and tested and have been risk assessed to ensure they are as reliable as possible.

Dialogue with our suppliers continues and includes sharing transportation plans, product programmes and contingency strategies. In addition, our people on the ground in Europe have been working closely with our suppliers to ensure they are as prepared as they can be for a no deal scenario.

Stockholding

In the event of a no-deal Brexit, we have a revised stockholding plan for each product, which is influenced by a number of key elements including shelf life, country of origin and transit time. Clearly for very short-shelf life products, such as berries, we can only increase our stock levels by a relatively small amount.

Stock levels of products sourced from within the UK will be reduced to make space for imported products so that we can build in an appropriate level of contingency based on risk. To ensure that we are not constrained by space, additional chilled storage has been secured within our own network and our UK supply base.

Currency and tariffs

The value of the pound remains significantly devalued against major currencies such as the Euro and US Dollar, which are used to buy the majority of our imported food products.

Currency is likely to remain volatile until the outcome of Brexit is certain. However, we have now locked down our currency to ensure that, in the event of any further devaluation of the pound, the product prices we pay for the six month season ahead are secure.

Of course, this security does not include any additional tariffs or import costs related to Brexit, which remain unclear, and may need to be passed on to customers. In March, the government published a list of tariffs to be implemented in the case of a no-deal Brexit, which suggested that the majority of Reynolds products would be 'zero tariff', with a few exceptions including bananas, fine beans, butter and continental cheeses.

However, we do not yet know if the latest government will adopt the same stance.

Specifications

Whilst Reynolds will never compromise on quality, in order to ensure continuity of supply there may be a requirement to adjust our specifications in the event of a no-deal Brexit.

This could allow for products to be supplied slightly more backward than usual, for example, in order to be ripened in the UK.

Logistics

Currently, some 90% of the UK's imported fresh fruit and vegetables come through the Dover-Calais route, as this system is fast, efficient and cost-effective. The British Retail Consortium (BRC) has reported that in the run-up to Christmas 2017, 130 lorry-loads of citrus fruit came through Dover from Spain every single day.

According to the UK government's Operation Yellowhammer' paper, which was released after MPs demanded that it be made public, the potential for disruption to existing transportation routes from the EU into the UK is significant. In a 'reasonable worst case scenario', the report suggests that:

- Between 50-85% of UK lorries travelling to the EU may not be ready for French customs.
- Lack of readiness and limited space in French ports could cut HGV traffic by 40-60% and lead to disruption lasting three months.
- This would lead to significant queues in Kent and it could take lorries up to two-and-a-half days before being able to cross into France.

Air freight aside, alternative transportation routes from the EU into the UK are less efficient and deliver longer transit times, which impacts shelf-life. Cost is also a significant factor, with air-freight of course the most expensive option by far.

However, Reynolds has evaluated alternative transportation routes which can be mobilised in the event of disruption at ports. At this stage, having as many options as possible at our disposal, without financial commitment, is the best way to ensure we can be nimble and flexible so we can react to any disruption.

Through our team on the ground, we now consolidate much of the produce we source from Europe and manage the distribution ourselves, meaning we are less reliant on third parties and have more control.

What can you do to help?

- Try and ensure that menu descriptions allow for some flexibility where possible. Keep menu changes to a minimum around 31st October.
- Communicate with your account manager and agree any possible substitutions in advance of 31st October. Remember - we are here to help.
- Don't stockpile, as this will affect our forecasting and may increase your waste.

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UK self-sufficiency for fresh food and our reliance on the EU

Crucially, whilst at Reynolds we are buying more domestically produced food and drink than ever, the UK can only be a small part of our solution to Brexit.

There are a number of limiting factors to increasing the UK's fruit and veg self-sufficiency, including the availability and suitability of land, the cost of labour, consumer demand patterns and, of course, our climate.

According to the National Farmers Union, the UK currently produces 61% of all food it consumes, which means that over the year Britain would run out of food on 11th August if reliant on its own produce.

In 2017, according to DEFRA, the UK was only 36.5% self-sufficient in fresh produce, a reduction of 2% on 2015. The UK's food trade gap on fresh fruit and vegetables is the highest of any food and drink category at 9:1.

Because of its proximity to the UK, the 27 members of the EU currently provide the UK with the vast majority of its fresh food imports.

According to a report by the House of Lords titled 'Brexit: Food prices and availability', around 30% of the UK's food currently comes from the EU, with a further 11% coming from non-EU countries.

Fruit

- According to DEFRA, the UK was only 17% self-sufficient for total fruit consumption in 2016, a 3.4% decrease on 2015.
- Around 40% of our fruit imports come from the EU.
- The majority of imports are made up of fruits which are not generally grown in the UK, such as bananas, citrus and melons.
- However, the UK also imports significant quantities of most fruits which are grown domestically.

Vegetables

- According to DEFRA, the UK was 54% self-sufficient for total vegetable consumption in 2016.
- Thirty years ago, 83% of the vegetables we ate were grown in the UK.
- Around 80% of our vegetable imports come from the EU.
- Spain and the Netherlands provide over half of all imported vegetables to the UK, of which a large proportion are salad crops, such as tomatoes, sweet peppers, lettuce and cucumbers.

Dairy

- According to DEFRA, the UK was 77% self-sufficient for total dairy consumption in 2016.
- Around 99% of the UK's dairy imports come from the EU.
- The UK's butter self-sufficiency is just under 80%. Ireland provides the majority of butter imported into the UK.
- Over 85% of Cheddar imports (the most commonly consumed cheese in the UK) are also from Ireland.

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Our insight and view of the key issues affecting the industry. **We'd love to hear your views** – feel free to get in touch with any feedback or comments.

Email us at feedback@reynolds-cs.com

'Keep an eye out for our next edition of Harvest in **Spring/ Summer 2020**'

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