

Harvest

Spring/Summer Issue

Our seasonal outlook for the months ahead


Reynolds
more than just a greengrocer

***Stay informed by
reading about the
challenges faced
by Reynolds' fresh
produce and dairy
farmers***

Wonky fruit and veg

Why maintaining a
consistent supply is
not straightforward





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Intro

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

Welcome to the first edition of Harvest, our new bi-annual publication focused on important developments in the fresh produce and dairy sectors.

As the name suggests, the purpose of Harvest, is to explore and share the challenges and opportunities faced by our growers and producers, both at home and abroad, as we approach the season ahead.

We look at each key product category and reflect on the factors which are influencing supply, demand and, of course, price.

Our vision is that this insight should help our customers to plan ahead, assist with menu composition and help maximise those all-important food margins.

Naturally, Brexit has been uppermost in the thoughts of our procurement and supply chain teams, as we have been looking to firm up our sourcing plan for the summer season. Specifically, the potential impact of tariffs and the risks of port delays were of significant concern. Much time has been spent on ensuring that, as best we can, we have as many options at our disposal as possible to ensure consistency of supply for our customers.

Now it seems that, for the immediate future at least, the risk on a No Deal Brexit is unlikely. What's more, information only released by the government on Wednesday 13th March, which set out the schedule of tariffs in the (now unlikely) event of a No Deal, painted a much better picture than the industry first feared.

Whilst the news is a welcome relief, this sudden shift in the landscape means that our procurement team have needed to revisit their sourcing plans to ensure they continue to provide the best value for our customers. Fortunately, years of planning for any Brexit eventuality have ensured that we have a vast network of suppliers at our disposal.

It will probably come as no surprise to learn that the team tasked with securing your summer supplies describe this season's negotiations as the most difficult ever.

However, unlike Brexit, our summer contracts are now finalised and secured.

I wish you well for the next six months ahead, whatever the weather.

Best

Linda Evans

Sales and Marketing Director

VEGETABLES

Although last year's hot and dry summer seems like a distant memory, it has left UK farmers with a long-lasting legacy. Domestic potato, onion and carrot crops are all thin on the ground as a result, until new season crops arrive.

Potatoes

The 2018/19 UK potato season was an incredibly difficult period for farmers. The crop was heavily impacted by late planting due to flooding and snow, combined with prolonged hot and dry weather which stalled tuber growth in June and July. According to an estimate, only 53% of the potatoes in Great Britain had access to irrigation over the growing period.

Figures published by the Agriculture and Horticulture Development Board (AHDB) show that the total potato harvest was recorded as being 13% down on the five-year average of 5.6 million tonnes.

Issues which have presented themselves so far this season will only become more apparent with time, including high levels of scab, misshapes, greens and growth cracks, as well as small sizes. Sara Maslowski, senior analyst at AHDB, said: "The unseasonal weather this winter has meant that some growers struggled with ambient storage due to the higher than usual temperatures. This meant that these stores were cleared earlier than planned."

The lack of baker size material remains a major concern for caterers and thought may need to be given towards which varieties are used for which purpose over the coming months, to minimise inflationary pressures.



The low level of production is attributed to an estimated 4.4% year-on-year drop in the area planted, combined with a 12% drop in average yield.

The vast majority of UK potatoes are harvested by October and then stored for the months ahead. Figures released by the AHDB in March 2019 estimate that potato stock levels held by British growers are 24% down on the previous year and 13% down on the five year average. In particular, an unusually high number of potato stocks were reportedly removed from growers' stores during December and January, with growers concerned about the impact of longer-term storage on quality.

Sweet Potatoes

Following two hurricanes across North Carolina in the second half of 2018, US sweet potato growers have suffered from losses of up to 15% of their crop. Over recent years, annual demand in the US for fresh sweet potatoes has been increasing by between 3% and 5%, according to the Louisiana Sweet Potato Commission, whilst demand in the UK has quadrupled during the past decade. Hence, global supplies remain tight and market prices high.

Onions

2018 was a difficult season for onion growers in the UK, with harvests around 40% lower than the previous year according to the British Onion Producers Association. Wet weather delayed the planting process by up to six weeks and the hot weather during the summer period stunted bulb growth.

With the UK now reliant on stored onions, stocks in the UK and across Europe are requiring careful monitoring. The dry growing season means that the onions did not absorb the Malic Hydrizide (MH) applications, which suppress sprouts, as MH only works when the leaves are healthy and strong.

Large onions are already in very scarce supply both domestically and from the likes of Holland, who traditionally supply the majority of imports into the UK market. Clearly the lack of large sized bulbs will mean more preparation time is needed in the kitchen.

As crops are currently so short, we will need to source product from much further afield over the coming months, in order to guarantee the appropriate quality, consistency and availability. The South African brown onion crop has performed well this season, which offers some potential. However, Egypt is likely to provide us with a large proportion of both red and brown onions from late May/early June. On a more positive note, domestic growers report that new season crops are very much on schedule. This should mean a timely harvest of the main crop in September; weather permitting of course, which will provide some welcome relief to buyers and growers.



Roots

As with onions, small sizes are also evident on root vegetables this season, with carrot sizes especially affected during the growing period due to the unseasonable weather.

Whilst some carrot crops have managed to catch up somewhat over the winter period under straw, larger sized roots are scarce in supply. As such, we will be reliant on imported crops earlier this year than usual, before the new season begins around August.



Israel will provide the bulk of larger sized carrots, whilst Spanish volumes will also be available from May/June. Although it is too early to speculate on the new season ahead, plantings across the UK are being made on schedule and growers are currently reporting no issues with the weather.



The import season for parsnips will begin in June, with products sourced from an established grower in Spain. Contingency is also place for parsnips, with approved suppliers in Israel and France. No issues are currently being seen with swede or turnips.

Brassicas



With growing conditions very difficult last year, the weather is uppermost in the minds of domestic brassica growers this season. So far at least, conditions have been favourable for cabbage, kale and broccoli farmers with warmer weather and seasonable levels of rainfall. In short, new plantings for the summer season are on schedule. However, the mild winter is likely to mean an increase of pest pressure in the field, which will need very careful monitoring.

With the cost of labour around one third of the cost of brassica production, an increase in the UK minimum wage from £7.83 to £8.21 will be felt by growers, especially given the significant difficulties they are already experiencing in attracting migrant labour. Consequently, more and more investment is being made on the automation of harvesting and processing. Given the volatility seen across both the UK and Europe over recent seasons, long-term contractual agreements are becoming even more important for growers and the amount of crops grown for the open-market are falling.



Mushrooms

Mushroom producers in the UK, Ireland and Europe are currently faced with several cost challenges, especially straw prices which have doubled as a result of the hot and dry summer last year. Energy prices are also on the rise, with the cost of agricultural labour increasing both at home and in the EU. As labour costs increase, the prices of smaller mushrooms, such as button, are coming under the most pressure, due to the highly labour intensive nature of the product.

Meanwhile, mushroom demand is strong, due to the increase in demand for vegan foods.



Legumes

On March 15 2019, Cyclone Idai caused serious damage and loss of life across much of South Africa, including Zimbabwe, Mozambique and Malawi. In addition to the flooding and crop damage, risk of disease is now a major concern. The supply of legumes from the region, including baby vegetables, fine beans, sugar snaps and mange tout, will be severely affected for some time.

Consequently, supplies from more Northern countries, such as Kenya, Ethiopia and Senegal will be very important moving forward. Should the rainy season arrive as predicted in May, the reduced supply could lead to severe market shortages through to June, until volumes of product become available from Egypt and Morocco.

FRUIT

Supply of avocados could prove challenging towards the end of the summer, while the availability and cost of labour remains a major threat to British berry production. Elsewhere, the Spanish stone fruit crop is looking favourable this season.

Avocados

April and May are notoriously two of the most difficult months for avocado supply and this year is unlikely to fare much easier than previous years. As the Israeli and Spanish seasons come to an end, supply will switch to the Southern Hemisphere, with South Africa and Peru expected to supply the majority of fruit. However, Columbia will also provide a supporting role to help us bridge the seasonal shoulders this spring.



As we look forward to our main two avocado sources, South African growers are expecting an 'off year' for fruit production, which means that harvests will be significantly below that of last year. High temperatures during fruit set have also contributed to a reduced forecast, so the expected drop in exports cannot therefore be solely attributed to an 'off-year'. However, despite a predicted year-on-year decline of almost 25%, volumes from the country are still likely to equate to the second highest ever, given the bumper crop last season.

Meanwhile, overall volumes from Peru should be fairly similar to that of 2018, although latest indications suggest that output may well be weighted more towards the front of the season. Early regions are forecasting increases in volume through to the end of June, but the later production regions are expected to be well down year-on-year. Californian harvests are expected to be down by around 60%, and threats by Donald Trump to close the US-Mexico border have led to a swift increase in the price of Mexican avocados, so Peruvian growers have high hopes of increasing supply to the US and Canada.

Overall market availability may well be low towards the end of this summer although, as ever, the weather will determine the final outcome to a fair extent. Certainly, as we head through September into October, there may well be more reliance on Chile as a sourcing option.

The World Avocado Organisation (WAO) revealed in its 2019 Avocado Forecast that Europe and the UK consumed over 650 million kilos of avocados in 2018 and that, since the establishment of WAO in 2016, avocado consumption in Europe has grown by over 60%. The European avocado market remains one of the fastest growing markets worldwide, with growth expected to continue by at least 15% per year over the next five years.



Top Fruit

As we move towards the summer, our attention will turn towards the Southern Hemisphere for provision of top fruit. According to the World Apple and Pear Association (WAPA), the 2019 apple harvest is predicted to show a steady 2% increase on last year, at 5.26 million tonnes. The total apple crop is also expected to measure up at around 2% higher than the average crop of the last three seasons.

Argentina, Australia, Brazil, New Zealand, and South Africa all are forecast to increase output, while Chile's crop will be lower, according to estimates.

The most popular top eight apple varieties are expected to show a year-on-year increase in volumes, aside from Gala and Braeburn, which are both predicted to deliver a 7% reduction. Meanwhile, Fuji, is expected to see a 22% growth in 2019 compared to 2018

Elsewhere, the pear crop is also thought to be looking fair, with a likely annual increase of around 2%. However, if realised, this figure will mark a 3% fall on the last three year average.

Berries

Throughout April and May, Spain will provide the UK with the majority of berries, supported by Morocco. Despite a 5 to 6% increase in planted area in 2018/19's campaign, Spanish strawberry growers were impacted by high levels of rain during the planting and blooming stages, dramatically influencing production levels for the first half of the season. According to Freshuelva, the Spanish producer organisation, productivity dropped by as much as 50 to 60% compared with the previous season. Now the weather has improved in Spain, the season appears to be back on track and growers are hopeful to a favourable end to their campaign.

Whilst UK-grown glasshouse strawberries are already available at a premium, we will need to wait for June until domestic strawberries are available in volume. Typically the UK raspberry season will get into full swing a couple of weeks later, with production of both fruits going through until as far as late October.

As with all crops, but especially berries, the weather will ultimately determine how successful the summer season pans out. Whilst UK fruit will make up the bulk of our requirements during the summer, even more so this season due to Brexit, Holland will provide us with a secondary source of supply, ensuring we have a dual source in case of any adverse weather conditions.

Given the labour intensive nature of berry production, UK growers remain very concerned about the price and availability of migrant labour. As such, it is expected that berry prices are likely to remain firm throughout the season.



Grapes

South Africa and India will provide us with the bulk of our grape supply through until the end of May, with the former sending predominantly red/black grapes and India mainly white varieties. Both countries are now at the peak of their season and a range of varieties are available for selection. Despite the occasional weather related challenge, we are currently expecting a normal end to the seasons in both countries. However, Chile is on hand to provide a supporting role in case of any unforeseen issues, with Egypt and Morocco picking up supply from mid-May.

As in previous years, the summer grape market will be dominated by production in the Mediterranean region from July, with Spain, Italy, Greece and Portugal sending the majority of fruit destined for the UK. With harvesting still a few months away, it is too early to predict fruit volumes or quality with any degree of accuracy. Clearly any strengthening or weakening of the pound against the euro will impact market prices.

In summary, a stable picture is predicted for grape availability this spring and summer.



Stone Fruit

The Spanish stone fruit crop is looking favourable this season, with fruit reported to be ahead of last year by a week or two. A cold winter with a small amount of frost enabled the trees to rest at just the right time of the year, whilst sunny conditions during the blossoming stage helped to promote good fruit growth. Expectations are for good fruit sizes and particularly high brix levels.



Bananas

Weather is the key component to stable banana supply and very difficult to predict. Since the beginning of the year, cold weather throughout much of the Caribbean has affected the ripening process and led to smaller fruit being harvested.

According to industry body, Corbana, Costa Rica is predicting up to 20% lower banana exports than last year, due to dry growing conditions and a pest outbreak of cochineal scale insects. However, availability in international markets is expected to improve in the second half of the year once the weather related issues in the Caribbean have run their course.

Guatemalan growers have also been experiencing issues with recent volcano (De Fuego) activity, as ash deposits can seriously harm fruit production.

Disease remains perhaps the biggest challenge for growers, with Mal de Panama, Sikatoa, race 4 and Escama (skin scale insect damage) all requiring close monitoring. In addition, the Fusarium fungus continues to affect Cavendish banana crops across much of the world. With no current treatment available, the outlook remains uncertain.

The cost of packaging, particularly cardboard, is influencing the price of fruit, so alternatives are being carefully reviewed.

As is always the case, to ensure a consistent and stable supply of bananas, we have other regional options at our disposal during the summer, including Ivory Coast, Ghana and Dominican Republic.

Citrus

Last year the Spanish Verna lemon crop was damaged during the blossoming stage, which left a significant shortfall in the market and meant an early reliance was needed on fruit from further afield. This year, the Verna crop is expected to fare much better and fruit is expected to last until July, which should allow a much easier transition to lemons from the Southern Hemisphere; predominantly South Africa and Argentina. No issues are currently expected with lemon harvests in either country. In fact, the South African citrus industry is forecasting an 11% increase in its export crop for the season ahead.

As we near the end of the Spanish orange and easy peeler season, The Valencian Association of Agricultural Producers has described the season as 'absolutely disastrous'. From September 2018 to March 2019, losses accumulated by orange and mandarin growers are reported to have exceeded 300 million Euros. With volumes around 23% higher than last year and fruit sizes generally smaller, combined with greater competition from countries such as Egypt, Turkey and Tunisia, prices have become unprofitable and much of Spain's fruit has been left unharvested. Concerns are now being expressed for the sustainable future of small to medium sized growers in the country.

Looking ahead to the summer, given its bullish lemon forecast, the South African citrus industry is expecting its second consecutive record export crop this year. Pre-season estimates indicate total year-on-year volumes will rise by 0.7%. Late-maturing mandarin varieties in particular are showing strong growth in plantings, with exports expected to be up 19% this season on the last. Meanwhile, collective harvests of Navel and Valencia oranges are expected to fall slightly.

The South African citrus industry remains very critical of the EU's refusal to remove import restrictions related to Citrus Black Spot (CBS), despite any progress made by the country to reduce the risk. Reports suggest that steps may be taken by the South African government to refer the matter to the World Trade Organization for final arbitration. Political developments in South Africa threaten stability, with national elections set to be held at the beginning of May. The potential for any disruption to supply is notable.

SALAD

Labour is likely to be the biggest challenge faced by salad growers this summer, both at home and abroad. So far this year, the mild weather across Europe has been broadly welcomed.

Leaf

Whilst Spain is Reynolds' predominant supplier of lettuce over the winter and spring months, our demand for lettuce over summer and autumn is met almost exclusively with produce grown in the UK. This season, Reynolds has contracted with more UK growers than ever before.

Historically, Portugal, Italy and Spain would provide us with much of our baby-leaf contracts, such as for spinach and baby chard. However, given the uncertainty around Brexit and the potential for port delays, we have taken the unusual step of securing a much larger percentage of our short-shelf life products with domestic growers. Whilst the products will command a premium, they come with less risk in the event of any transportation issues at borders.



As one would expect, the weather is generally the main concern for salad growers and this season will be no different. So far this year, the mild winter and start to spring have been broadly welcomed by leaf growers in the UK. Plantings have gone into the ground on time and are on track for a timely start to the season, if not slightly ahead of where they need to be. Most growers are now waiting for night time temperatures to improve slightly, before removing the protective fleece used at the start of the season to protect crops from frost damage.

However, whilst the warm conditions are generally good for plant growth, they also promote the growth of aphids. According to Aphid News, published on 8th March 2019, "if spring does not throw any abnormal conditions at us, aphids will

be flying around two weeks earlier than they would be expected to historically." High pest pressure in the field is likely to lead to damage to the outer leaves, which will require removal, and therefore head weights would be affected.

Water shortages could also pose a threat to proceedings, following the dry summer and winter. Whilst recent rainfall has allowed for some recovery of rivers and groundwater levels, concerns are that any sustained periods of dry weather could lead to water shortages in some areas.

According to the National Farmers' Union (NFU) concerns are highest in the regions of East Anglia, Lincolnshire and the Chilterns chalk aquifers, where some farmers are still struggling to fill reservoirs. Fortunately, Reynolds' long-term suppliers are well placed to protect themselves from drought as they are spread across multiple locations, with access to appropriate irrigation.

Hard Salads

Even during the summer months, when weather conditions in the UK lend themselves reasonably well to hard salad growing, production of cucumbers, peppers and other hard salads is still very much oversubscribed.

For example, according to British Growers, domestic tomato production amounts to around 75,000 metric tonnes per year, which equates to only 20% of the total volume of tomatoes sold in the country through the year and up to half of our consumption during the summer. Elsewhere, the UK grows around 25% of the cucumbers consumed by its residents, whilst we can only meet around 10% of our total sweet pepper requirements.

As such, buyers are required to pay a price premium for domestic produce, which are typically led by the major retailers. Despite the increasing costs of transportation from Europe, it is still significantly cheaper to import products than to buy British. This means that, although UK grown hard salad options are always available for Reynolds' customers, they will command higher prices than imported produce.

This summer, Holland will continue as the main source for our hard salad needs. 40 years of government investment into the country's infrastructure means they are well placed to provide good quality produce at competitive prices. What's more, given the uncertainty surrounding Brexit in the lead up to the new season, being able to import products into Felixstowe direct from Hook of Holland provides some peace of mind, in the event of any delays with the more traditional routes into the UK.



Dutch salad growers are reporting strong progress in the greenhouses. Good light levels during the initial growing stages mean that crops are well advanced, with many farmers reporting early harvests.

As is the case in the UK, labour is probably the biggest challenge faced by Dutch growers this season. According to Eurostat, wage inflation is running at around 3% in Holland but, with wage growth into double figures in much of Eastern Europe, including 13.1% in Romania, 11.8% in Latvia and 10.2% in Lithuania, competition for skilled farm workers right across Europe is very high.

European tomato growers have also been urged to remain vigilant for a devastating new virus, which has the potential to wipe out entire crops of tomatoes and also damage peppers. Tomato brown rugose fruit virus (ToBRFV) was first identified in Israel in 2014 but has now been confirmed in Germany.


Reynolds
more than just a greengrocer

Issue Focus - Agricultural Labour

Even before the EU referendum on 23rd June 2016, UK growers had been experiencing ever increasing difficulties in recruiting seasonal workers to manage and harvest crops. The National Farmers Union (NFU) estimates that, in recent years, around 75% of the UK's seasonal horticultural workforce have been recruited from Romania and Bulgaria, with much of the remainder largely from Poland.

Post-referendum, the fall in the value of the pound has meant that migrant workers have often been able to earn more money in other parts of Europe, including Germany and Holland. And, with free movement of European citizens in the UK also highly unlikely post-Brexit, the number of European workers seeking farm work here has fallen dramatically, with many put off by the potential future barriers.



The NFU estimates that the UK horticulture sector needs approximately 80,000 seasonal workers a year to plant, pick, grade and pack over nine million tonnes and 300 types of fruit, vegetable and flower crops in Britain. However, according to the most recent NFU Labour survey, in 2017 UK growers recruited 13% fewer workers than they needed. For the month of September 2017, the same survey revealed an even higher 29% shortfall in seasonal workers for the month. To compound the challenge, the 2017 survey also shows a significant decline in the number of regular workers returning to farms, denying the industry of much needed skills and experience.

Clearly, the cost of food production is gradually rising through higher wages, reduced picking rates and, in some cases, non-harvesting of crops. Where possible, growers are looking to further automate growing processes as much as possible to overcome the difficulties, but the cost is often prohibitive; especially to smaller businesses. What's more, the robotic technology which would be required to harvest certain crops, such as berries and hard salads, is not yet advanced enough to be fit-for-purpose. It is therefore these particularly labour intensive products where we are seeing significant levels of inflation.

Following pressure from the UK agricultural industry to address the decline in migrant workers post-referendum, a new government pilot scheme was launched on 6th March 2019, which provides 2,500 places for non-EU agricultural workers. Migrant workers will be able to remain in the UK for up to six months, before they return home. The scheme will be monitored closely by the Home Office and Defra, with the majority of workers thought likely to be recruited from Ukraine, Moldova and the Philippines.

The workers will begin arriving in the UK this spring, but numbers are thought to be insufficient to compensate for the fall in farm workers.

NFU president Minette Batters hailed the scheme as a "major victory" in September 2018, but many growers feel the number is symbolic in the face of the shortages. Food Minister at Defra, David Rutley said: "Our farmers and growers have been absolutely clear about the need for additional sources of labour to work on farms during the busy harvest months.

This pilot, which will be closely monitored and reviewed, will help inform future policy as we look at how best to support the longer-term needs of the industry outside the EU."

In April 2019, the minimum wage for over 25's in the UK is set to rise to £8.21 from £7.83 which will place further pressures on the cost of labour. Most growers report that in order to retain and attract staff, they already need to pay in excess of this figure.

Elsewhere across Europe, the cost of labour is also increasing. According to Eurostat, in the fourth quarter of 2018 overall hourly labour costs rose by 2.8% across the 28 members of the EU, compared with the same quarter of the previous year. However, higher levels of inflation are being seen in some countries, including Poland (6.5%) and Portugal (10.3%). Comparative wage growth in the UK is measured at 3.5% for the same period.

Table 5: Labour Intensity of top UK grown fruit and veg (per ha)

High Labour Intensity	Medium Labour Intensity	Low Labour Intensity
Asparagus	Broccoli	Carrots
Beans	Brussels Sprouts	Onions
Cherries	Cabbage	Parsnips
Courgettes	Cauliflower	
Cucumber	Celery	
Peppers	Dessert Apples	
Plums	Kale	
Raspberries	Leeks	
Spring Onions	Lettuce	
Strawberries	Mushrooms	
Tomatoes	Pears	
	Peas	
	Spinach	

Source: British Growers, personal communication.

DAIRY

Domestic milk output has improved through the spring, which is starting to place some pressure on farmgate milk prices. Butter and cream prices have begun to reduce in the lead up to the spring flush, whilst cheddar prices are more stable.

Liquid Milk

Following a sustained period of low milk output in the UK last year, especially over the spring and summer, domestic milk production managed to improve somewhat dramatically over the winter period. This increase has been despite a reduction in the size of the UK herd.

During the summer, farmers were supplementing cows' diets with bought in, concentrated feed, due to the lack of available pasture as a result of the drought conditions. With farmers also unable to put aside sufficient grass stocks for winter feed, this approach has continued, which seems to have boosted seasonal milk yields per cow; especially from December onwards. Of course, the favourable weather through the winter period will have also had a positive effect on milk production year-on-year. According to the Met Office, it was the 7th warmest, 6th sunniest, and 23rd driest winter since 1910. It will also go in the record books as the first winter in which we have officially recorded a daily maximum temperature above 20°C.

According to figures published by AHDB on 13th March 2019, UK milk production over February this year was the highest it has been for over 25 years and around 3% higher than for the same period in 2018. However, the price of concentrated feed has been rising since June 2016 and has been above the five year average since March 2018. So, whilst milk levels have been heightened, profitability levels will have been affected which could impact on future milk volumes.

Looking forward, the spring weather and grazing conditions are likely to be the main determining factor in production levels from April through to June. With February, the second warmest on record, according to the Met Office, reports suggest that cows are returning to pasture early. An early spring flush seems quite likely unless weather conditions deteriorate, but below-average rainfall levels in many parts of the UK have the potential to impact

grass growth. Producer numbers are continuing to fall and dairy calf numbers have reached an eight year low, which will also influence future milk output.

Farmgate milk prices fell slightly in January and February according to Defra. The UK 'all milk' average price for February was reported as down by 1.4% compared with the previous month and 0.4% lower than the same period in 2018. However, analysis by the Grocer in December 2018 shows that average profit margins for the seven largest milk processors in 2017 tumbled by almost 86% to just 0.14%. They report that, following an equally difficult 2018, "several processors are now understood to be facing financial difficulties."

Fats

Butter and cream prices started to ease through February and March as, with milk production levels high relative to the time of year and the spring flush on the horizon, buyers are reportedly reluctant to commit. With the uncertainty around Brexit, storage has been a further consideration, with limited space available for dairy products. The strengthening of the pound during the back end of February may have also placed some downwards pressure on fat prices.

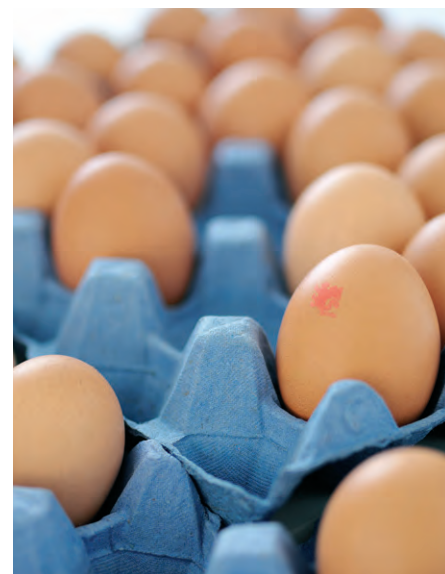
Bulk cream and butter prices published for March 2019 by AHDB Dairy show a 6% and a 5% decrease respectively on the previous month. Cheddar prices meanwhile remain much more stable, with little movement. The same cannot be said for Italian cheese prices, which have soared over the winter period.

Eggs

UK egg volumes and value rose by 4% in 2018 to surpass the £1 billion mark for the first time, equating to an additional 240 million eggs consumed over the period according to Kantar Worldpanel data (52 w/e 30 December 2018). British Lion Eggs suggest that increased demand for healthier eating and a reduction in meat consumption have been key drivers for the increase.

According to the British Egg Industry Council, latest stats report that the UK is 87% self-sufficient for egg production, which means that we need to import in the region of 1,904 million eggs.

However, given the uncertainty around Brexit, many buyers of imported egg products have been looking to secure their volumes from UK farms. As a result, the price of British eggs laid in enriched cages has increased significantly.



Meanwhile, following an over supply of free range eggs available in the UK, the market is moving to a more balanced position.

Brexit

In 2018, 99.8% of UK dairy import volumes were imported from the EU and were therefore tariff-free. Under a no-deal scenario, AHDB estimate that approximately 18% of total UK dairy imports would be subject to a tariff, which would equate to an average figure of €622 per tonne for butter and €214 per tonne for tariffed cheeses (include processed cheese, cheddar and selected blue-veined cheeses). Clearly, this change would negatively impact UK market prices.



'Wonky fruit and veg' has been making news headlines just about everywhere in the UK over the last couple of years, following successful efforts by several high profile foodies to persuade retailers and the general public to give crooked carrots and knobbly potatoes a chance.

At Reynolds, we have been offering our customers the option of using imperfect produce for many years, long before it became a 'thing'. Of course, it may not be right for every occasion, but choosing to use imperfect produce in the kitchen is a great way to save money and help the farming community, as well as doing your bit for the environment. Ultimately, supplying these lines to Reynolds allows our growers to use a much greater percentage of their crop than they perhaps would have otherwise done.



Crucially, each product in our range of imperfect produce still has its own specification which must be met. Depending on the product and time of year, these products may exhibit some external and/or internal defects but are still fit for consumption while fresh.

These defects may be in the form of:

- Skin scarring and blemishes
- Discolouration, including sunburn
- A broader range of sizes and shapes

Each batch of imperfect produce is likely to be in some way different to the last, especially as we need to source from multiple growers in order to meet demand. Some batches may well look more 'perfect' than others, but all products are supplied within pre-agreed specifications.

If you are interested in using more 'imperfect produce' on your menus, please speak with your sales contact before ordering as demand is already high and increasing.

Maintaining a consistent supply of imperfect produce is not as straightforward as it may seem. Here are just a few reasons why:

- Farmers do not set out to grow imperfect produce for Reynolds – it's a by-product of the main crop and farming techniques are improving all the time, reducing wastage.
- The amount of product which doesn't meet Class I specification will vary according to seasonal timings and other variables, such as the weather.
- During periods of product scarcity or reduced harvest, the amount of wonky veg available generally reduces, as buyers are forced to widen their standard specifications to maintain availability.



- Given the increased publicity around wonky veg, demand is now exceeding supply at times, across foodservice, retail and manufacturing.
- New brands are emerging all the time on supermarket shelves promoting products containing wonky veg, including chutneys and relishes, soups, drinks, crisps and hummus.
- Both on-line and traditional retailers are now successfully marketing wonky veg boxes.



Perversely, some growers are now reporting that they are being asked to finance any unmet wonky veg orders with premium class products, which is clearly not in their interests. The price gap between a Class I product and its wonky cousin appears to be narrowing each season and, in some cases, is now approaching parity.

Importantly, the varieties and amounts of imperfect produce available will vary from one day to the next and availability can never be guaranteed. This means that should no product be available on the day of your delivery, you will be sent our standard product as a replacement, at the standard product price.

If you are interested in using more 'imperfect produce' on your menus, please speak with your sales contact before ordering as demand is already high and increasing. Volumes must be pre-agreed eight to twelve weeks before the start of each season so we can contract with growers to avoid disappointment.



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 **Autumn 2019**'


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