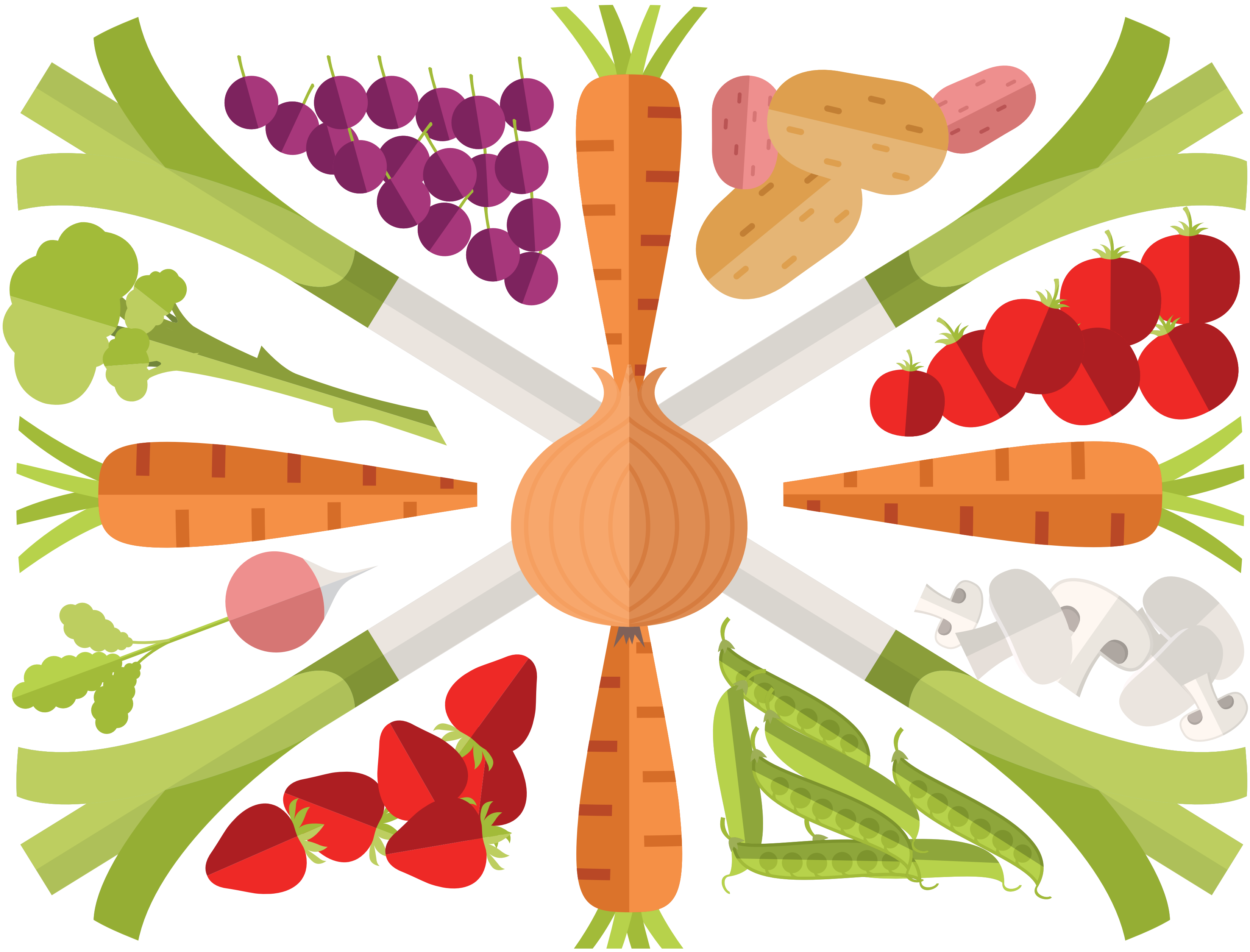
ISSUE #13 / AUTUMN 2017

THE MARKETPLACE



A NEW ERA FOR BRITISH PRODUCE?

Industry insight delivered to you by

Reynolds
more than just a greengrocer

WHAT YOU NEED TO KNOW AT A GLANCE

Matt Jones,
Senior Buyer

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Salads

Reflecting on the unseasonable weather seen across Europe last winter, how do things look this time around?

Matt Jones,
Senior Buyer

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Vegetables

The summer weather has been favourable for UK farmers. Labour is their biggest worry as we look ahead to winter harvests.

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Fruit

With the vast majority of fruit procured from overseas during the winter period, currency will be the major challenge this season.

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Dairy

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PAUL INTRODUCES SOME OF HIS THOUGHTS REGARDING WHAT THE FUTURE MIGHT HOLD FOR BRITISH PRODUCE POST-BREXIT.

Paul Collins,
Group Strategy Director

Reynolds' Group Strategy Director, Paul Collins, introduces the thirteenth edition of The Marketplace.

WELCOME

Welcome to the new-look edition of *The Marketplace*, our thirteenth deep dive into the supply of fresh produce and dairy products.

As always, it is our chance to share our insight with our readers into the key factors which are affecting product supply, both at home and abroad. It's our opportunity for us to let you know how we think the season ahead will pan out, and to offer some pointers which should assist you with menu-planning and maximising your food margins.

DAIRY

There's no doubt that the main talking point at the moment is dairy.

The industry has had its ups and downs over recent years, but it feels to me as though the sector is currently in unchartered waters. This global market is a complex beast, with many different influences at play, not all of which are immediately obvious. Given this fact, we have invited Promar International, a leading agri-food consultancy company based in the UK, but with global reach, to offer their independent view on the current state of play.

FRESH PRODUCE

In terms of fresh produce, I have been asked many times whether I believe that Brexit will be advantageous to British producers.

To help answer this, we have asked a mix of growers and industry experts to provide their views 'from the coal face' in our feature article. In short, what they tell us is that no-one has that elusive crystal ball, but there are some interesting conclusions reached.

Fresh produce growers and experts are broadly consistent in their opinion that the biggest challenge facing the sector is labour. This view hasn't changed since last year's referendum but, what has shocked many, is the speed in which the impact has been felt – almost instantly. Of course, those who work in the hospitality industry will also be feeling this change in the labour market already, as are we at Reynolds given that around one third of our employees are EU citizens. We know of farming businesses that are already planning to move production away from the UK to foreign shores, whether that's to Eastern Europe or Africa. With the cost of UK labour on the increase some producers fear the worst and why would they not protect their own livelihood?

BRITISH SUPPLY

This begs the question, how important is British supply?

Jersey Royal potatoes, Scottish raspberries or Wye Valley asparagus are some of the best produce available anywhere in the world and they have menu appeal. But what about spring onions, cucumbers, white cabbage or carrots – do consumers care whether the garnish on their plates or the leaf in their salad is grown in the UK? They might say they do but, when push comes to shove, would they pay more for British?

At Reynolds, we always buy from the UK where we can, and the products we procure must be safe and sustainable, but they must also be commercially viable and fit for purpose. Buying British is the right thing to do, because we all want to support our farming industry. But, it must be affordable or people just won't buy it and, if it is a significantly more expensive option than the imported alternative, it needs to deliver some added value, such as additional flavour, yield or shelf life.

British produce already commands a price premium in many cases; apples, pears, leeks, cucumbers, peppers, aubergines, asparagus and tomatoes to name a few. The reason these products cost more money than imports is, I believe, simple demand and supply; they are oversubscribed, predominantly by the UK supermarkets. For example, British tomato production amounts to about 75,000 metric tonnes per year, which is only about a fifth of the total volume of tomatoes sold in the country through the year, and only around a half of consumption in the summer months.

The simple fact is that we don't grow enough to meet demand and, often, the season can be very short. British farmers have worked miracles in recent years to extend the length of growing campaigns and we must celebrate that and embrace it. But the truth is that, as a nation, the UK is only a just over 40 percent self-sufficient in indigenous fruit supply (although this is increasing) and a miserly 12 percent for fruit as a whole. Comparatively, our country is a more respectable 60 percent self-sufficient in vegetable and salad supply, but this is declining.

THE FUTURE

Should we grow more of our own fruit and veg?

Well, of course we should, where it's sensible to do so. But, should we be growing melons in the UK for example rather than in Spain and Brazil? I don't think so, because in the UK we don't have the optimum climate and economies of scale.

For me, the Agriculture and Horticulture Development Board has the right idea. It suggests that UK farmers should be focusing on areas they are good at, commenting "If there are areas where we are not competitive and can import products more cheaply, then we either need to increase efficiencies to compete or produce other food stuffs where we are more competitive." In other words, we need to be realistic about what we can do and not chase self-sufficiency at all costs.

TRADE COSTS

Despite the recent announcement by government that we will have a two-year transitional period post-Brexit, we still don't know what the eventual cost to trade will be.

Siôn Roberts, Senior Partner at EFFP provides some insight into what to look out for as we move forward, but the reality is we don't know about regulation, tariffs, freight costs and other key areas. However, we do know that trade is unlikely to be cheaper. With exchange rates where they are, imported food will cost more.

All this uncertainty and price pressure makes it even more important that we keep building the most efficient supply chains, without impacting on quality and availability. Working closely with key partners right across the supply chain is critical, because long term relationships offer security, and it is that security which gives us and our suppliers the confidence to invest. Without investment, not only do businesses stop growing; they don't survive.

At Reynolds, we will continue to look for the best value whether at home or further afield, whatever the political climate. This will include supporting the best of British producers, but also sourcing exotic produce, grown by farmers from around the world. Most of all, we will continue to offer choice for our customers and provide products which are fit for purpose, 365 days of the year.

Wishing you a great winter and beyond.

WHAT NEXT FOR THE UK AGRI-FOOD INDUSTRY?

Siôn Roberts,
Senior Partner

EFFP

European Food and Farming Partnerships is a specialist agri-food business consultancy, working along the whole supply chain. It combines farming knowledge with food industry expertise to address structural, commercial, operational and relationship issues across the industry, from an objective and independent standpoint.

www.effp.com

UK ECONOMY

Is there any point worrying about what might be? Arguably no, as so much remains uncertain, yet there are key developments emerging in the economy that will impact on the agri-food sector and agri-food businesses are starting where appropriate to respond to Brexit related issues – in particular related to changes in the availability of labour.

Think back to the second half of 2016 and things seemed pretty good. The economy was performing well – the strongest performance of any country among the G7 nations – and nothing had really changed (unsurprising given that negotiations hadn't even started in earnest).

Yet after the initial post-referendum bounce, driven largely by a small further cut in interest rates, the devaluation in currency and the feeling that things weren't as bad as they could have been, 2017 has brought weakening economic performance, such that the UK is now at the bottom of economic growth among the G7.

Through this same period, agricultural prices have been steady, with increases in some sectors, notably dairy, returning us to inflationary food prices compared to the deflationary position last year.

Up until Christmas 2016, household spending was also holding up, although this seems to have been largely driven by reduced saving, which means that it wasn't really sustainable, as we are seeing now. And, whilst some business surveys suggest a degree of confidence in business investments, the hard data suggest that investments in manufacturing and services are down.

Meanwhile, despite its recent jump upwards Sterling remains significantly lower against both the Euro and the US Dollar than a year ago. Normally, such a devaluation, combined with strong economic growth overseas, would present an opportunity to increase UK exports and drive economic growth. Indeed, 2017 marks the first year since 2008 that global economic growth is prevalent across much of the global economy, yet our economy doesn't currently seem to be yet feeling the benefit.

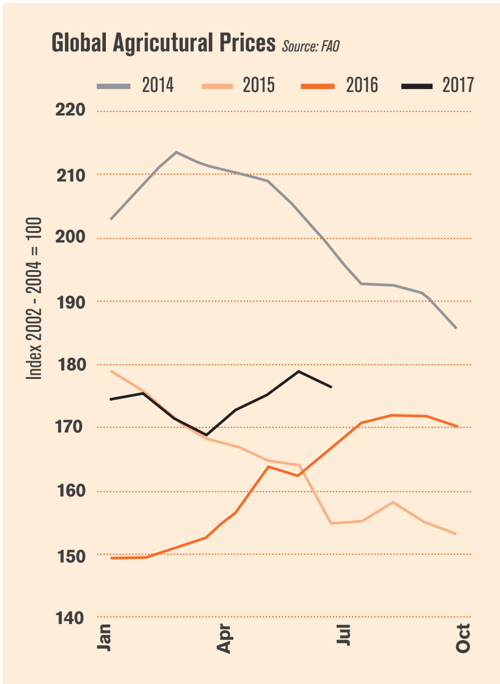
So, the jury is still out on what Brexit uncertainty means for the UK economy although, at the moment it seems that the "Brexit means Brexit" chant that was bandied about 12 months ago is now more accurately "Uncertainty means Uncertainty" and that is acting as a drag on business performance, although Theresa May's Florence speech calling for a two year transition has tempered this slightly.

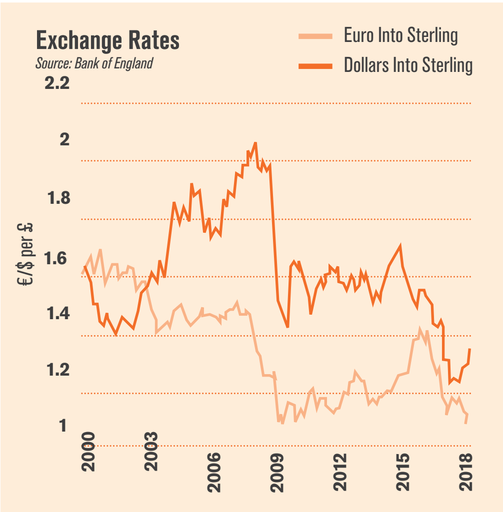
Despite all of this, agriculture and the food sector have fared fairly well in recent months. Livestock prices are up, particularly beef, pigs and dairy, and the cereal market in the UK is stable, despite a large harvest in the Northern Hemisphere putting downward pressure on global prices, as we are insulated by our weak currency position. Moving up the food supply chain, Kantar data shows that total grocery retail sales are approximately 3.6 percent up on last year, although 3 percent like for like inflation accounts for much of this growth, with only a little over 1 percent from volume growth and a small offset from consumers trading down. Nevertheless, this is still significantly better than a year ago, when we were seeing 1 percent volume growth being offset by 2.5 percent deflation. Within all this the rise of discount retailers remains undaunted, with Lidl showing growth of 19 percent year on year.

GLOBAL AGRICUTURAL PRICES

In short, global agricultural prices are steady, with small increases.

Overall, global agricultural prices are down 1.3 percent from July, but still 6 percent above their value a year earlier. The August decline reflected generally lower values for cereals, sugar and meat. Dairy prices have risen strongly this year and are now some 50 percent above their levels a year earlier but a bumper cereal harvest this year in the Northern Hemisphere and high global stocks will put a dampener on prices for a while, so we are perhaps likely to see only modest further price increases in the coming months.





EXCHANGE RATES

Before the Brexit referendum sterling was worth €1.45 and falling gently.

It then fell 10 percent immediately after the vote, and continued to fall thereafter. In recent months, the Euro has strengthened on the back of improved economic performance in the Eurozone and the feeling that the European Central Bank may pull back on quantitative easing. But a change in tone in September from the Bank of England has meant the market has brought forward expectations of a rate rise in the UK from Autumn 2018 to this November and sterling has also strengthened somewhat as a consequence in recent days. Many of the more bearish commentators have now reined back their currency forecasts and parity with the Euro seems a somewhat less likely prospect than a few weeks ago.

FIVE KEY INDICATORS

We have set out five key indicators that are important to the agri-food sector in the UK:

1. Global agriculture prices
2. UK exchange rate
3. UK living standards
4. UK economic growth
5. Net migration to the UK

IT WAS MOTHER TERESA THAT SAID "YESTERDAY IS GONE. TOMORROW HAS NOT YET COME. WE HAVE ONLY TODAY. LET US BEGIN." AND THAT SEEMS PRETTY APT FOR THE CURRENT POST-REFERENDUM, PRE-BREXIT HIATUS THAT WE FIND OURSELVES IN.

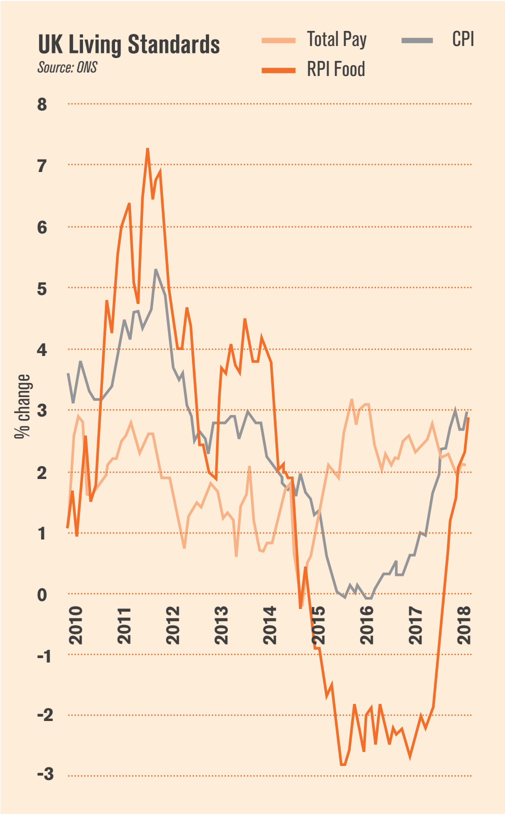
UK LIVING STANDARDS

The devaluation of the Pound hasn't yet led to a big increase in exports but it has impacted on inflation here, as the cost of imported goods has increased.

Fuel and food prices in particular have increased, pushing general inflation from around zero to around 2.9 percent and food inflation from -2 percent in summer 2016 to +3 percent now.

At present, there is little sign of household income improving in the UK, as pay levels have stayed stuck at a little over 2 percent, which means that wages are increasing at below the rate of inflation.

In response to this, retail sales have slowed considerably over the summer of 2017, although food hasn't been affected as much as general retail at this stage. The big question is this – will inflationary pressure work through quickly or will it be more pervasive, with weakness becoming more established in the retail arena. Whatever happens, it seems clear that household incomes will remain under some significant pressure for the time being.

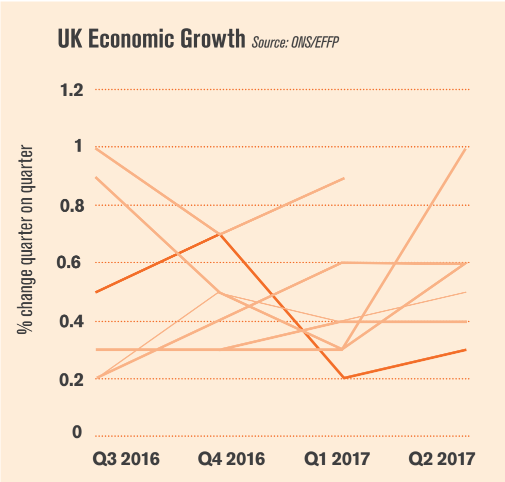


UK ECONOMIC GROWTH

As outlined previously, the UK economy is faltering – from best performance in the G7 to worst in just 12 months.

Following the significant devaluation in the value of Sterling, you'd expect an uplift in exports and trade but it hasn't happened yet. This is interesting politically – in recent weeks both the Government and the opposition seem to have softened their stances towards a hard Brexit and a so-called 'cliff-edge' when we leave, and talk has turned to transition periods to ease the process. Time will tell.

For now, at least, time ticks on and the economic background seems to worsen, which may impact on the Government's negotiating position with the EU.

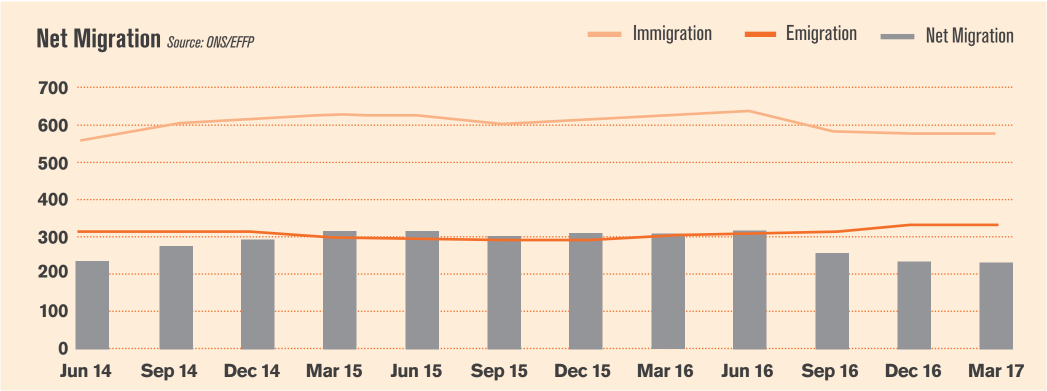


NET MIGRATION

Net migration into the UK has narrowed over the last twelve months.

In the year to March 2016, net migration was 327,000 people whereas in the year to March 2017 it had dropped to 246,000. Interestingly, emigration has increased and immigration has decreased. More than 5 percent of the change has come as fewer migrants from eastern Europe have entered the country, whilst migrants from eastern Europe who were already here have left. This is important for the agri-food sectors, as it is often workers from these countries that work on farms and in food processing sites. This is being seen every day throughout the food supply chain, with many businesses finding it harder to find and keep migrant staff as a result of relative earnings potential falling and a perception that they are no longer as welcome in the UK. Many are starting to invest more heavily into labour saving technologies and working hard to retain as many of their European workers as possible.

Circumstances for agri-food businesses remain interesting, then. Global agricultural prices are steady, but the exchange rate remains relatively weak, living standards in the UK are falling, impacting on consumer spending power, and the UK economy is faltering. On top of that net migration is narrowing, making recruitment and retention of staff more difficult. Having good relationships up and down supply chains, with long term commitments and great communication between all involved, has never been more important. Because, whilst tomorrow has not yet come, and we don't know what it will bring, today provides the opportunity to build strategic partnerships for mutual benefit no matter what we may face.



SALADS FROM SOUTHERN EUROPE

Matt Jones, Senior Buyer, introduces some of the challenges for the season ahead.

LEAFY SALADS

Although 'courgette crisis' was the phrase which stole the media headlines, there's no doubt that it was salad growers across Europe who felt the pain more than most last winter. An Initial period of severe flooding in Spain was followed by freezing temperatures, blizzards and heavy snow, all conditions which are far from expected in Southern Europe.

Across the main growing areas for Spanish leafy salads, notably Almeria and Murcia, entire fields of lettuces were decimated. With leafy crops exposed to the elements, there was little farmers could do to protect their livelihoods. Mature plants were destroyed by the harsh weather and left to rot, whilst young seedlings were simply washed away in the floods.

The widespread nature of the crop damage was enough to cause immediate supply shortages across the whole of Europe but, with many growers unable to plant new crops for between four to six weeks, the challenges were much longer-lasting. In fact, whilst the unseasonable weather lasted for around four to five weeks the disruption lasted through until May, with growers chasing crops throughout the period.

And, with Spain providing the UK with the vast majority of lettuces, including Little Gem, Iceberg, Cos and Romaine during the winter season, there were few options left open to buyers at the time. Those without supplier contracts were much less able to secure regular supplies, if at all, and those that managed to source product on the open market were paying sky-high prices; some buyers even imported leafy salads from as far as the US in desperation.

With leafy salad crops also seriously affected across the rest of Southern Europe, the supply shortage was worsened, with normally self-sufficient countries in the market for goods. One leading supermarket described the shortage as the 'worst supply situation in the UK in decades'

Reynolds was one of the more fortunate ones during the period and, despite daily challenges, we know that our customers were protected from the worst of the shortages, whilst contracted prices were maintained throughout. Certainly, the experience serves to reinforce the merits of our procurement strategy, namely a robust, contractual supply base, especially given the trend towards more frequent and extreme weather events.

For the season ahead, in order to ensure security of supply, we understand that UK retailers have adopted a more cautious approach to sourcing. With a distinct fear of empty shelves, the majority of contracts have been signed earlier this year to secure product. In fact, many summer 2018 contracts are already reported to be agreed. And, for some Spanish growers, this 'safe' approach helps them secure the essential funding they need from banks to put their programme in place, namely for seeds and other inputs. However, buyers will likely pay more for their eagerness to secure an early deal.

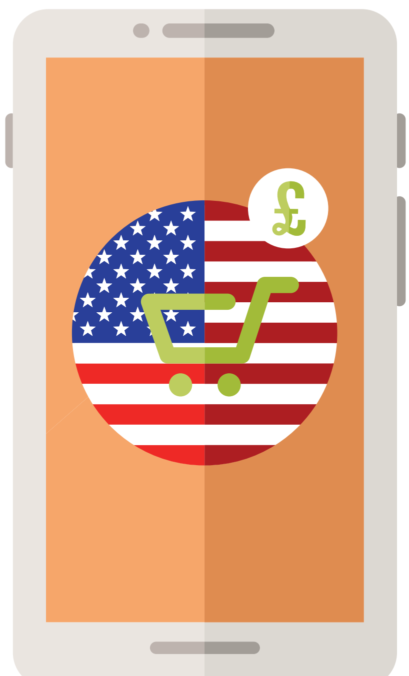
This recent development also serves to reduce the options left for those a little slower to the table. And, many Spanish growers are increasingly reluctant to contract their produce given the poor returns last season. The tendency here is to contract much less, if at all, and at much higher prices where they do to reduce any potential exposure to reduced yields. What's more, much less business is traditionally done on a long term contract basis with other European countries than with the UK, so Spanish suppliers are looking to develop these markets where possible.

With leafy salad commodities grown outside and therefore at risk to the elements, there is little that Spanish growers can do to protect crops without incurring prohibitive costs. From a yield perspective, the outlook for the season ahead is frankly too early to predict and is broadly weather dependant. However, a lack of water is the main current concern, perhaps ironic considering the flooding seen last winter.

The country has experienced an incredibly dry and hot summer and ground conditions are far from ideal. Perversely, whilst rain is very much needed to restore natural water tables and reservoirs in Spain, any sustained periods of heavy rain could prove difficult to manage, given that the dry ground will not readily soak up any excessive amounts water. In short, the risk of flooding is real and almost impossible to mitigate.

Not only will Spanish growers require additional investment for irrigation water this season, but labour and packaging costs, notably cardboard, have increased year-on-year.

Whilst there are no credible, commercial alternatives to Spanish leaf supply for the likes of Iceberg, Cos and Little Gem, there are several options for baby leaf and speciality leaf. Italy will provide the majority of our winter programme for products such as rocket and spinach, which will be grown undercover; an approach which should provide the appropriate crop protection against the elements. Meanwhile France will provide a supporting role for speciality products should it be required.



"LAST WINTER THOSE WITHOUT SUPPLIER CONTRACTS WERE MUCH LESS ABLE TO SECURE REGULAR SUPPLIES, IF AT ALL, AND THOSE THAT MANAGED TO SOURCE PRODUCT ON THE OPEN MARKET WERE PAYING SKY-HIGH PRICES; SOME BUYERS EVEN IMPORTED LEAFY SALADS FROM AS FAR AS THE US IN DESPERATION."

Reports suggest a reduction in supply of as much as

10%

fewer cherry and plum tomatoes this season.

REFLECTING ON THE UNSEASONABLE WEATHER SEEN ACROSS EUROPE LAST WINTER, HOW DO THINGS LOOK THIS TIME AROUND?

"WITH LETTUCE TAKING AS LITTLE AS 60 DAYS TO GROW AT THE HEIGHT OF THE SEASON, CROPS CAN BE REPLACED REASONABLY QUICKLY IN THE EVENT OF ANY MAJOR ISSUES, GROUND CONDITIONS PERMITTING OF COURSE."

HARD SALADS

Whilst the flooding did little to help Spanish hard salad growers last winter, it was the subsequent period of weather which had a major influence on crops.

Hailstones damaged many of the structures housing plants across the country, and the sustained period of sub-zero temperatures and snow destroyed many tomato, pepper, cucumber and aubergine plants, which simply cannot survive under freezing conditions. For any plants fortunate enough to escape the worst of the bad weather, future yields were invariably affected.

With lettuce taking as little as 60 days to grow at the height of the season, crops can be replaced reasonably quickly in the event of any major issues, ground conditions permitting of course. With a much longer period needed from seed to maturity, to reach anything like commercial volumes, the same cannot be said for hard salad plants. Even at low temperatures, hard salads simply stop growing and the low light levels which followed, and accompanied, the cold weather halted plant growth in its tracks. With growers continually chasing crops, the season was one which buyers and sellers will not forget, dominated by quality issues, interrupted supply, and headaches.

As with leaf growers, water supply is a major issue for Spanish hard salad famers, although perhaps less so given the irrigation systems they tend to have in place. However, water will cost more this season, which will be very unwelcome. Currently hard salad crops are around a week to ten days ahead of schedule because of the extreme heat in Spain, which has the potential to cause supply gaps during the season, as well as a premature finish.

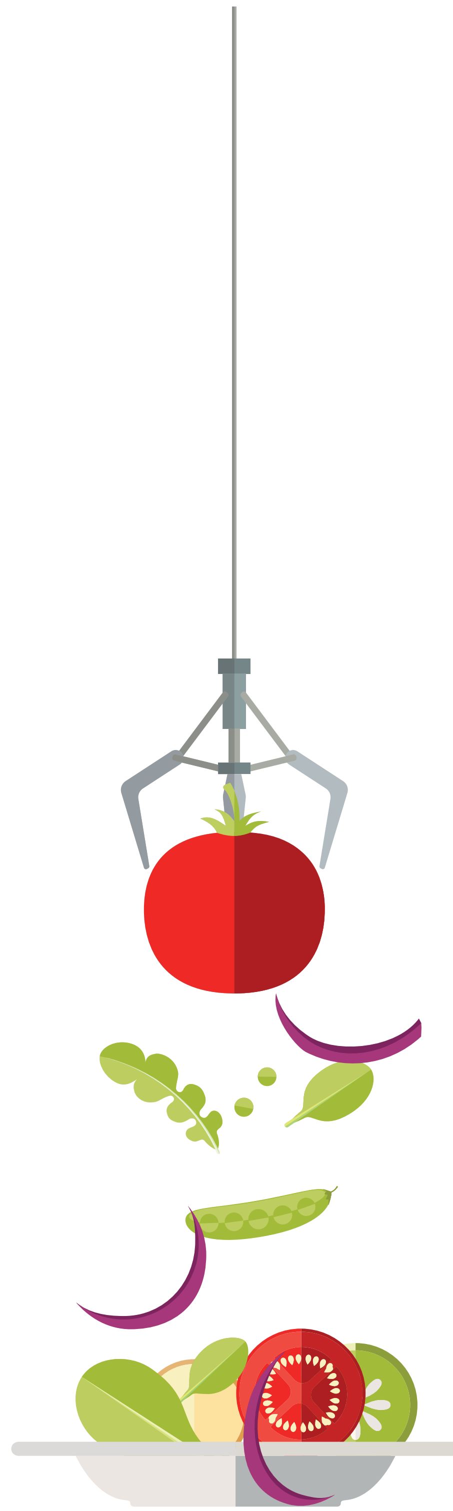
Reports suggest fewer plantings of cherry and plum tomatoes in Spain this season, with growers preferring pepper and cucumbers, which offer more stable returns. Estimates suggest a shift in supply of as much as ten percent.

As always, Morocco will provide an important element to our winter programme, especially for round tomatoes, but including the majority of hard salads. Whilst this country was affected by the bad weather last winter, the lasting effects were less severe and we will continue to develop our relationships with growers in this important and developing region.

Additional sources for hard salads including southern Italy, Greece and Turkey can offer limited support in the requirement for any contingency, but these countries are dominated by small scale producers. None of these are yet developed enough, have comparable infrastructure and logistics, or appropriate quality standards to meet our exacting needs.

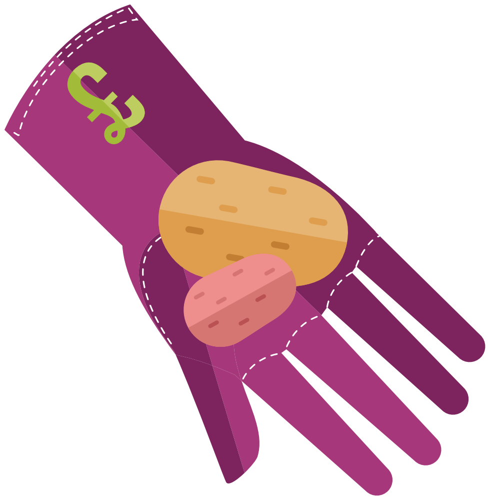
Growers across both Spain and Morocco continue to invest in new machinery, including graders and automatic packing to maximize efficiencies, as well as smart technology to help identify problems more quickly.

Volatile exchange rates continue to dominate proceedings and are likely to influence short and medium-term market prices in some way.

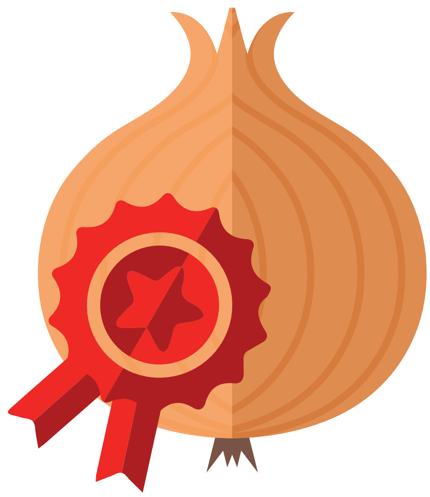


SECURING VEGETABLE SUPPLIES FOR THE SEASON AHEAD

Matt Jones, Senior Buyer, discusses the intricacies of the winter harvest.



"THE COST OF LABOUR REMAINS THE LARGEST CHALLENGE FOR UK POTATO GROWERS AND INPUT COSTS ON SEEDS AND FERTILISERS HAVE BEEN IMPACTED BY WEAKENED EXCHANGE RATES."



POTATOES

Market prices have remained strong this summer, due to a shortage of good quality stored crops in the UK.

However, spring time planting was generally very successful. Near perfect weather conditions in March and early April meant that the vast majority of potato crops were planted on time, with decent soil conditions.

According to Agricultural and Horticulture Development Board (ADHB), figures published on 25 June the area planted in Great Britain totals 121, 000 hectares, which is a four percent increase on last season. This area is similar to the areas planted in 2012, 2013 and 2014. The North-west European Potato Growers (NEPG), which covers Belgium, the Netherlands, Germany, France and the UK), are estimating a combined increase of 4.6 percent on last year.

As we moved through April into May, dry weather conditions became a concern amongst British and European potato farmers. According to the Met Office, April was drier than average in most areas of the UK, with less than a third of the average rainfall in many places. However, some areas received only around 5mm of rainfall in the whole month. In May, the UK received an improved 83 percent of normal rainfall, but some regions were still much drier.

Wetter weather from late June into August has eased any drought fears, and arrived just in time for maincrop varieties that were showing signs of heat stress. However, it is yet unclear whether the early dry conditions have had a significant impact on the quality and quantity of the 2017 harvest. Only when the crop is completely harvested and in store can accurate assessments can be made for the 2017/18 potato season.

UK harvesting has begun early and should be almost complete by the beginning of November and, aside from notable reports of common scab, early indications seem to point to an improved harvest on last year. According to ADHB, should yields meet the five year average, the industry will see a production increase of four percent or a national crop of 5.65 million tonnes, an increase of 8.3 percent on last year.

New, salad and baby potatoes are currently likely to be tighter in supply than the maincrop varieties. Whilst crops have generally produced higher tuber numbers, a significant proportion of the crop is outside of the traditional small grade size grown for this category.

The cost of labour remains the largest challenge for UK potato growers and input costs on seeds and fertilisers have been impacted by weakened exchange rates. The number of UK potato growers continues to reduce year-on-year as the most successful growers leverage their economies of scale.

As one would expect, our winter plan includes a wide spread of growers across the whole of the UK to mitigate the impact of regional crop failure or delayed harvests.

ALLIUMS

Harvesting of UK new season brown onions began early this season at the beginning of August and quality has been good, although the first crops lifted were small and supply of 80/+ onions continued from Spain. Spring set crops have since performed better, with size and quality both at the preferred end of the spectrum.

Meanwhile, harvesting of drilled brown crops began on time at the start of September, despite the majority of crops being planted late and under less than ideal soil conditions. Warm weather over the summer helped crops catch up and, although there will be some regional variation amongst crops, it is believed the overall result should be positive.

Elsewhere, Dutch onions were harvested around two weeks earlier than normal because of the ideal spring conditions and quality is reported as excellent. Whilst the volume of the new crop is more or less the same as last year, bulb sizes are slightly smaller.

Following a short market over recent times, garlic supply has improved. Volumes and prices this year are expected to be a lot more stable.

The North-west European Potato Growers (NEPG) are estimating a combined increase of

4.6%

on last year's potato crops.

THE SUMMER WEATHER HAS BEEN FAVOURABLE FOR UK FARMERS. LABOUR IS THEIR BIGGEST WORRY AS WE LOOK AHEAD TO WINTER HARVESTS.

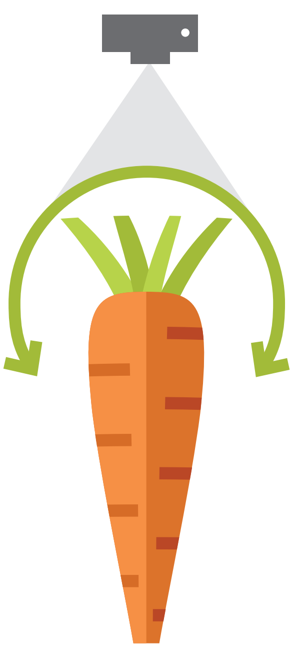
ROOTS

Weather conditions over the summer period have been close to ideal for root farmers, with a good balance of rain and sunshine promoting good crop growth. In fact, growers have little need for irrigation in some locations. However, excessive rain is likely to cause a higher risk of pest damage and disease which will be carefully monitored, especially given the reduced options for chemical treatment now open to farmers, following recent regulatory change.

With overall planted acreage and seed sales reported as being very similar to last season, crop sizes are expected to be higher. However, time will tell and the season has a long way to go.

Seed and chemical costs continue to rise due to weaker exchange rates and with the cost of labour set to rise further as the National Minimum Wage level increases, packers continue to invest in expensive camera grading technology.

With root vegetables considered a comparatively risky option for farmers, the supply base continues to contract, and the industry is now dominated by larger players who have the economies of scale to deliver the appropriate value for money.



LEGUMES

At times over the last two years, weather conditions in Kenya have been extreme. This has included periods of very cold weather and subsequent frost damage to crops, including beans and tenderstem broccoli, to be followed by very high temperatures and drought conditions. A significant reduction in rainfall over the past two years has increased irrigation costs, as well as added additional pest pressures.

The increasing cost of labour is a big challenge for Kenyan farmers. As the country is developing at a fast pace, other industries are proving more attractive options for the most skilled workers, lured by higher wages and less strenuous working conditions.

Egypt and Guatamala are able to provide some contingency during periods of reduced Kenyan supply, which are becoming commonplace.

BRASSICAS

The UK brassica season was a fair one this summer, with the pest issues from 2016 firmly behind growers and, as we move into autumn, there is no reason to suggest the situation is about to change dramatically.

Good rainfall levels over the second half of the summer period, combined with warm weather, should help brassica growth, especially for red and white cabbage. Crops are maturing around two weeks earlier than expected, which should not pose too many problems for growers. Labour will remain the greatest cost challenge for domestic growers and the industry will continue to look towards greater levels of mechanisation to counteract this.

As in previous years, Spain will continue to be the main source of supply for broccoli from November. The country will also serve as the main non-domestic source of supply for other brassica crops throughout the winter period, including cauliflower and cabbages, when UK supply is not available. The flooding, cold temperatures and snow seen in Spain during last winter and spring were unprecedented in recent times, but a startling reminder to the fresh produce industry of how the weather can virtually destroy complete crop programmes in a relatively short space of time. Whilst more savvy growers have put extra measures in place to try and mitigate any risk against a repeat natural disaster, contingency costs money and a balance must be struck to avoid becoming uncompetitive.

Water remains a huge challenge in Spain, despite the flooding last winter. The lack of rain and consistently high temperatures experienced over the summer period have reduced water levels significantly and growers will have to provide costly irrigation unless circumstances change dramatically. Whilst secondary sources of brassica supply to Spain do exist, volumes are either too low to meet volume requirements or transportation costs to the UK are prohibitive.

European growers will be looking to recoup some of the huge losses seen last season and cover additional costs they face this season. Whilst Reynolds' strong supply chain relationships will stand us in good stead, some additional category inflation will be inevitable and the weak pound will not assist.

COURGETTES

Given the severe crop failures experienced last winter due to the unseasonal weather, combined with risks associated with the New Dehli virus, some Spanish growers will be reducing their plantings of courgettes this season.

Market prices are likely to remain at the higher end of the normal spectrum throughout the winter period.

ENSURING A CONSISTENT SUPPLY OF FRUIT

Sandra Kajda, Category Buyer, shares her views on what the winter period holds.

AVOCADOS

Summer supply has been difficult this year, with heavy rains delaying harvesting and reducing overall supply from Peru during the first half of their season. Hail storms in South Africa have also affected yields. Record demand from Asia has worsened the situation, with buyers prepared to pay high prices for the best quality fruit.

The forthcoming programme will need careful planning and a variety of options to ensure both continuity of supply and consistent quality fruit.

Chile has begun harvesting over four weeks early this year, which will help to alleviate some of the pressure on supply, generally seen throughout September and October. Chilean fruit is expected to be available through to late February should the season pan out favourably.

Reports from Israel suggest that this year's production will be 30 percent lower than last, due to the sizeable crop last year, which is invariably followed by a lesser year as the trees recover. However, imports to the UK could start arriving in the UK from November, buoyed by high market prices.

Spain is likely to be set to start exporting to the UK in December, albeit volumes will be minimal and only gain a critical mass as we move towards January. So far, the forecast for the Spanish avocado season is very good and fruit should last until May, weather permitting. However, Spanish avocados are likely to command a premium due to their superior quality.

Colombia is likely to play a supporting role in our programme from October through to March. However, it is predicted that up to 10 percent of Colombian production will be exported to the US this season following a new trade deal between the two countries.

The Dominican Republic is also a viable option from October to February, especially if bad weather elsewhere becomes a factor. Mexico too can play its part in supply to the UK this winter period, which may look to reduce its dependency on US markets.

Worldwide avocado consumption continues to grow at a phenomenal rate, with no indication of a slowdown any time soon. A 30 to 40 percent demand increase in the UK and continental Europe is reported and avocado consumption in relatively new markets is growing much faster. Year-on-year avocado imports are expected to double in China this year, and the Financial Times has reported export growth from Latin America to China is growing by around 250 percent a year. Certainly, global production is under relentless pressure and whilst investment in new orchards is significant, at times supply cannot keep up with demand.

Volatile exchange rates, namely the Euro and Dollar against Sterling, will continue to influence market prices at home.

"WORLDWIDE AVOCADO CONSUMPTION CONTINUES TO GROW AT A PHENOMENAL RATE, WITH NO INDICATION OF A SLOWDOWN ANY TIME SOON. A 30 TO 40 PERCENT DEMAND INCREASE IN THE UK AND CONTINENTAL EUROPE IS REPORTED AND AVOCADO CONSUMPTION IN RELATIVELY NEW MARKETS IS GROWING MUCH FASTER."

TOP FRUIT

Forecasts published on 10th August 2017 by the World Apple and Pear Association (WAPA), suggest a sizeable reduction in the European apple crop this season. Although harvesting is expected to begin two weeks earlier than average, estimates suggest a 21 percent decrease on last year and the lowest crop in a decade, with a total output of 9.34 million tonnes. Intense frost during the blossoming period, as well drought conditions during spring and early summer are the root causes.

The UK crop is forecasted to fall by 25 percent on 2016 and 24 percent on the last three year average. Whilst some growers are expected to have a good crop, others will not have sufficient quality fruit to cover their costs and will seek greater leniency from buyers regarding product specifications.

Significant decreases are also expected in many other non-EU Northern Hemisphere countries, including Russia (-37 percent), Mexico (-30 percent), Switzerland (-21 percent), Belarus (-19 percent), Ukraine (-10 percent), and Canada (-5 percent), which may leave a tight market.

Looking to specific varieties, EU production of Golden Delicious is expected to fall by around 18 percent, with Gala seeing a much smaller drop in year-on-year volume, by around three percent.

Following the Russian embargo, reduced export volumes to North African markets and bumper crops over recent seasons, some industry experts are suggesting that this year's crop will be more suited to match current market demand, providing a more balanced position for growers and consumers. Certainly fruit will be more expensive this season than last, especially considering the weaker position of Sterling.

Elsewhere, the pear crop is predicted by European growers to be relatively stable at 2.15 million tonnes, which is a decrease of one percent compared to 2016. However, the Conference variety will see its production decrease by seven percent to an estimated 844,000 tonnes.

40%

increase in UK and continental Europe avocado consumption.

WITH THE VAST MAJORITY OF FRUIT PROCURED FROM OVERSEAS DURING THE WINTER PERIOD, CURRENCY WILL BE THE MAJOR CHALLENGE THIS SEASON.

BERRIES

To date, the UK has seen a fairly trouble-free berry season this year, aside from raspberries perhaps which suffered from a slight blip in supply during August, due to the previous warm weather which created a gap. However, as we approach the tail-end of the UK berry season, the likelihood is that we will see a premature finish to proceedings. Dutch and Belgian fruit will invariably be needed earlier than usual, which will command a premium.

Egyptian strawberries, as ever, will be needed from November into January, with Moroccan and Spanish fruit coming into play around December and January respectively. Warm weather on the continent will also bring forward the end of Polish and Dutch blueberries this year, with Argentina picking up the shortfall at higher prices.

BANANAS

As always, weather poses the largest risk to supply, with El Nino and (all too common) hurricanes top of the list when it comes to likely challenges for growers.

However, with options spread across Colombia, Ecuador, Costa Rica, Ivory Coast and Ghana, Reynolds is well placed to deliver a full, uninterrupted programme of supply.

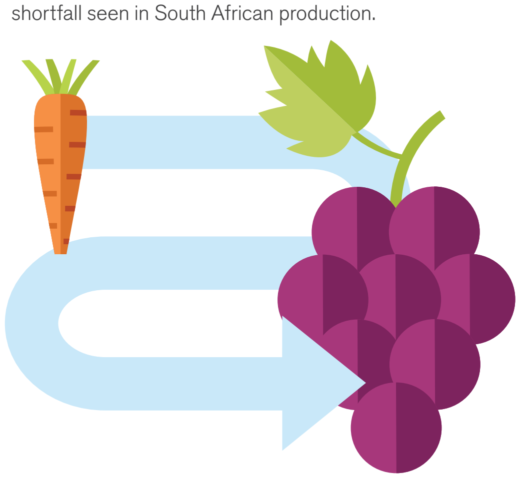
GRAPES

Extremely hot temperatures in the Mediterranean over the summer period have damaged much of the European grape crops this season, so fruit from Spain, Italy and Portugal will inevitably finish earlier than in previous years. Greece is likely to benefit from any fruit shortages elsewhere, especially as the country is predicting the best harvest for seven years, and will invariable provide us with the majority of grapes through October.

As always, the Southern Hemisphere grape season will be dominated by South African fruit from November to May, as well as Indian fruit from January to June. Brazil and Peru can provide support from October to December. Chile offers some contingency from February to July, although the country's main markets remain the US, Far East and Mexico.

Whilst it is difficult to speculate with any degree of certainty on fruit which is so far away from being harvested, a water shortage is the major concern for grape farmers in South Africa this winter. In some areas there has been no rain for months whilst, in the case of one key growing area known as Hex River valley, average rainfall is less than half of a normal year. Many larger producers have their own water reservoirs and farmers are diverting water from their vegetable crops or their wine grapes to their table grapes. However, unless rainfall levels improve, South African exports are unlikely to be anywhere near to the 67 million cartons seen last season.

Fortunately, India's potential to increase grape supply to the UK is significant, despite strong domestic demand and growing demand from China. Currently, India only exports between six to eight percent of its current total production, so the country should be able to make up any shortfall seen in South African production.



CITRUS

Spain will supply the UK with the majority of citrus fruits through winter into spring, including lemons, easy peelers, oranges and grapefruit. Egypt provides us with a secondary option for the supply of oranges from January. As always, limes will remain predominantly South American throughout the period, with Mexico an additional option.

With South African and South American lemons becoming short earlier than usual due to high demand, early Spanish supplies will invariably be needed to maintain full availability in the UK, meaning arrivals from September rather than late October. This reliance on early season Spanish fruit is likely to mean an acceptance of green tinge on the skins, which has no impact on internal fruit quality.

Harvesting of new season Fino lemons starts in Spain from early September. Initial estimates reported in late July by the Lemon Interprofesional Organization (AILIMPO) suggested that Spanish lemon production for the 2017/2018 campaign would amount to 1,080,000 tonnes, a very similar volume to last season in which approximately 1,090,000 tonnes of lemons were harvested.

However, since then, temperatures in Spain have been very high in key growing areas, with little rainfall and although the initial Fino crop is expected to be largely unaffected by this period of unseasonably high temperatures, the Verna crop which should start in April is thought to have been severely damaged during the blossoming stage. Estimates from growers suggest that fruit yields may be as much as 60 to 70 percent lower than last season, leaving a significant shortfall in the market, and an early requirement for Southern Hemisphere fruit is inevitable.

Elsewhere Turkish lemon harvests, which also begin in September, are expected to show a year-on-year reduction, with the initial Enterdonato crop down around 40 percent, and the Lamas variety likely to fall by around 20 percent. With little competition outside of Spain, Spanish growers will be keen to maintain bullish lemon prices throughout the season ahead. The country will also be looking to further develop markets outside of the EU, including the Middle East, Canada and Brazil.

The June and July heatwave in Spain means that yields this season will be even lower than last, for satsuma mandarins, as wells as other varieties of mandarins, clementines and oranges.

The influence of El Nino continues to influence South American farming, impacting regions in different ways. Brazilian lime harvests are six weeks ahead this season, whilst other nations are expecting later fruit, so a wide spread of sourcing options is critical in maintaining full, uninterrupted supply.

A NEW ERA FOR BRITISH PRODUCE?

BREXIT NEGOTIATIONS BRING UNCERTAINTY TODAY, BUT BREXIT, IN WHATEVER SHAPE IT ENDS UP, WILL PROBABLY BRING THE MOST SIGNIFICANT CHANGES TO BRITISH AGRICULTURE IN A GENERATION. ON TOP OF THIS, THE FOOD MARKET NEVER STANDS STILL.

There continues to be interest in traceability and provenance, further heightened by the recent Fipronil contamination in imported eggs. The sustainability agenda – producing more from less – will continue to shape production decisions. And consumers continue to demand cheap food.

IMPACT ON DAIRY

Across all sectors of primary production, questions are being asked about what the future holds. Will sectors still be viable post-Brexit? Will the British government continue farm support? Will we have enough labour to continue farming in the way we do now? Are supply chains secure? Has the era of cheap food ended?

"The immediate impact of the Brexit decision on the dairy sector was the currency effect," explained Sian Davies, NFU Chief Dairy Adviser. "Overnight, currency devaluation made exports more appealing and improved single farm payments and world market prices in £ value. Some dairy farmers have linked the Brexit decision to the current brighter outlook in the market, but most are concerned by the uncertainty Brexit has brought."

One definite negative seen already in the dairy sector, however, is the availability of labour. "Many farms and dairy processors, along with allied industries such as vets, feed mills and haulage firms rely heavily on Eastern European labour and since the Brexit vote availability has dried up," Sian explained. "This is due to three factors – the lower value of the £, the insecurity about future immigration policy and the sentiment of the actual vote. Currency devaluation has taken around 19 percent off their take-home pay when converted back to Euros, which simply makes working here less attractive."

The uncertainty over trade deals, market access and support also puts both producers and dairy processors in a bit of a quandary. "Farmers don't know what to plan for, and so many are holding off investments and 'making do' until they have more clarity. Similarly, processors don't know how farmers will react to the outcome of Brexit, and what impact that might have on UK production and the ability to export, and so can't effectively plan investment and growth strategies either," Sian added. "That said there is a huge opportunity to displace imports, especially of cheese and yoghurt going forward."

"OVERNIGHT, CURRENCY DEVALUATION MADE EXPORTS MORE APPEALING AND IMPROVED SINGLE FARM PAYMENTS AND WORLD MARKET PRICES IN £ VALUE."

IMPACT ON FRESH PRODUCE

It seems likely that the UK dairy industry will survive due to having relatively large, cost-competitive farmers operating in a temperate climate ideally suited to dairy production. But other sectors might not be so well-placed. The fresh produce sector, for instance, is susceptible to competition from overseas and can't satisfy year round product requirements without resorting to imports in many categories. It is also heavily reliant on seasonal labour.

"Within a few weeks of the Brexit vote the fresh produce industry identified three key issues that would play a significant role in the security of the sector moving forward," explained Jack Ward, CEO of British Growers. "First and foremost is the issue of seasonal labour – without easy access to Eastern European workers many produce farms simply couldn't manage the harvest process," he said. "This was a growing issue anyway, but Brexit means that it has become more significant more quickly. Seasonal workers are earning less as a result of currency changes, they don't feel welcome and it is easier and more profitable to simply work somewhere else in the EU."

This has knock-on effects throughout the supply chain. Fewer workers mean that harvest operations might not be so optimally timed, for example, impacting on quality and availability. But it also impacts on longer term planning and investment, as asparagus grower, Chris Chinn, explained:

"Asparagus is a labour-intensive crop, requiring one labour unit per acre of crop to care for, harvest and pack," he said. "There is virtually no mechanisation due to the way that the crop is grown. As such, we can find recruiting enough workers challenging at the best of times. Brexit has compounded an already challenging situation. Currently, there is no plan for when we exit the EU and close our borders in 2019. If nothing is done, it is likely that UK asparagus production will stop in the same year, as we simply won't have the labour needed. This is causing real concern at the moment and some asparagus growers are holding off on expansion plans. Asparagus is a long-term crop, with a growing life of 10 years, so uncertainty about the long-term future of the sector is undoubtedly going to impact on business decision-making."

The second major issue is the uncertainty over regulation. Defra is putting out a message of continuity, suggesting that they will simply lift EU legislation and re-name it as UK law, but this type of change is fraught with potential challenges. It also means that legislation which could be usefully

Asparagus is a long-term crop, with a growing life of

10 YEARS

so uncertainty about the future will impact on business decision-making.

THE FUTURE FOR BRITISH AGRICULTURAL PRODUCTION IS MORE UNCERTAIN NOW THAN IT HAS BEEN FOR MANY YEARS.

changed to support the industry here in the UK will remain as is, so there may not be the opportunity to re-shape the legislative agenda in the next few years.

Third and by no means last, is the challenge around future support payments. "At the current time, it is suggested that subsidy support will be similar to the current approach. But for fresh produce, that is a missed opportunity," Jack explained. "Re-writing agricultural support policy provides a chance to consider new ways of supporting the food industry through research and development funding, skills and knowledge exchanges and other innovative approaches."

Inevitably, access to international markets, both for food exports and imports, is cause for concern for businesses in the fresh produce sector. "Many growers import crops from their own farming operations overseas to provide customers with year around product availability. Changes in trade and market access could fundamentally impact on the economics of this approach, which could have consequences for food prices and supply chain provenance," Jack said.

All this uncertainty will, almost inevitably, limit investment decisions in domestic supply chains in the near future. Domestic factors such as interest rates and inflation are also at play – food prices play a key role in inflation and pressure in the retail sector from the discounters means that few would welcome steeply rising food prices in the future.

"RE-WRITING AGRICULTURAL SUPPORT POLICY PROVIDES A CHANCE TO CONSIDER NEW WAYS OF SUPPORTING THE FOOD INDUSTRY THROUGH RESEARCH AND DEVELOPMENT FUNDING, SKILLS AND KNOWLEDGE EXCHANGES."

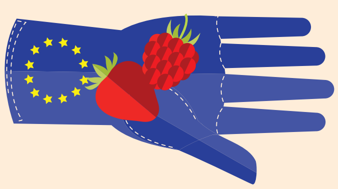
FUTURE OPPORTUNITIES

It is not all doom and gloom. With change and uncertainty comes opportunity for those who are bold and think differently.

Brexit and food contamination issues may well lead customers to seek shorter, UK-based supply chains that come with enhanced transparency and better controls.

POST BREXIT FRESH PRODUCE ISSUES

1.



Reduced access to Eastern European seasonal labour.

2.

Uncertainty over regulation.

3.

Challenges around future support payments for research and development.

Working in such arrangements also provides long-term security to all parties, mitigating some of the uncertainty that prevails.

"There has always been a great demand for British produce and this won't go away in the run up to, or after Brexit," said sprout grower, Matthew Rawson.

"In some ways Brexit actually strengthens my relationship with UK customers. Yes, we are nervous about what is going to happen in the future, but so are customers and they are keen to secure supply of produce. To do this, it is crucial that customers programme supply and commit forward for years of supply to give growers the confidence to invest. This is happening in some market sectors but not all. Whilst I am nervous about the future, I am also positive. This is a new situation and we have to work to deal with the problems it causes. But I think our relationship with customers will continue to improve as we shall be more reliant on each other in the future."

Mike Coughlan, Sales and Logistics Manager for parsnip growers, RRW Bartlett, agrees. It is an example of a company that is not being distracted by all the talk of Brexit and uncertain futures. Growing and selling root vegetables, the business continues to grow, supplying both retail and catering businesses. Its philosophy is to invest in people and equipment in order to deliver quality product that people want.

As Mike explained, "We are one of a handful of growers of parsnips in the country, which some people refer to as 'rich man's veg' because yields compared to crops such as carrots are low at 12-14t/acre, compared to 25-30t/acre. This difference puts a lot of growers off but we see it as an opportunity. Ten years ago, we were supplying 50 tonnes per day, but now this can be as much as 300 tonnes."

"We are also experts at what we do," he added. "During an incredibly cold spell a few years ago, many crops were destroyed. But because we had the foresight to straw-cover the crops, we were able to continue to supply when others couldn't."

And with this growth comes other opportunities. "We are currently looking to supply Europe. Previously we did this through exporters but why not shorten the supply chain and go direct to our customers?," Mike said. "We are sticking to our guns in the belief that as long as we continue to do what we do to the best of our ability, and work closely with our customers, our future is exciting. We remain optimistic, despite Brexit."

What's clear then is that, in the main, the same issues face all sectors – labour, market access, currency, legislation and support. Until we know how these issues are resolved it is, perhaps, too early to guess whether we will see the biggest change in agriculture in the last 200 years or whether, in fact, things will remain fairly similar. Yet what is clear is that change, whilst concerning for many, will bring opportunities too - opportunities to forge closer supply chain relationships that can provide stability in uncertain times.

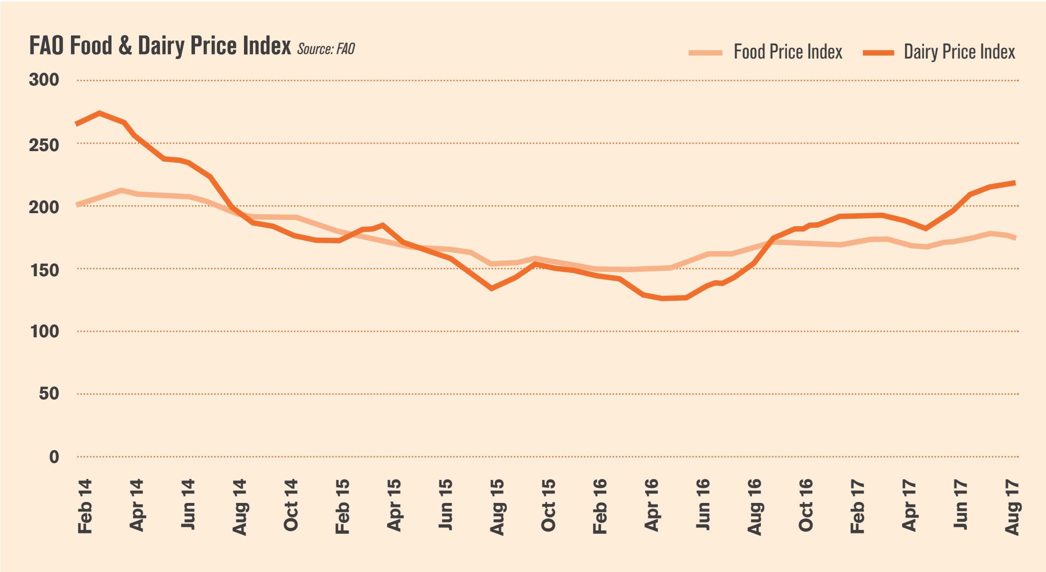
A HEADY COCKTAIL OF INFLUENCES AT PLAY IN THE UK & INTERNATIONAL DAIRY SECTOR...

Lizzie Bonsall, Promar International.

GLOBAL MARKET

Since the start of the year, the global dairy market has found itself increasingly in the spotlight.

Between August 2016 and August 2017, the Food and Agriculture Organisation (FAO) Food Price Index, which tracks on a monthly basis the change in the prices of key international food commodities, increased by 10.6 points to 176.6. In comparison, during the same period, the dairy index has increased by 65.1 points, to 219.7. Whilst these increases seem significant, it is important to note that the current level is still not at the high it was at in 2014.



WHOLESALE

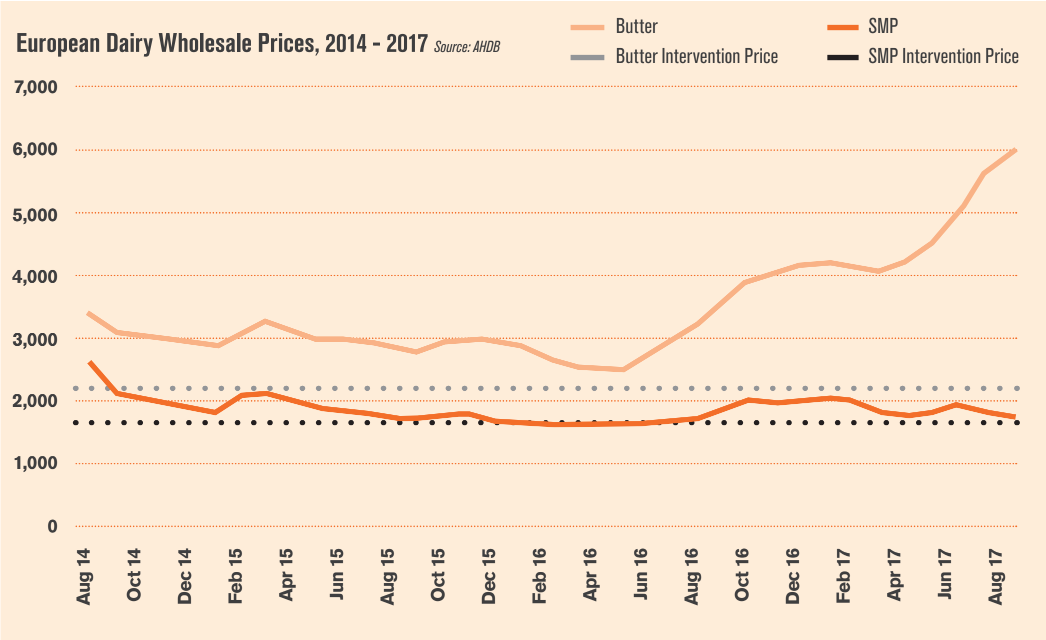
Dairy fats have been the key driver behind the increasing price momentum within the international dairy industry.

Since April 2016, the UK wholesale price of butter has increased dramatically from £1,850 per tonne to a current level of £6,150 per tonne. At an EU level, wholesale prices for Whole Milk Powder (WMP) have increased over the last 12 months from €2,314 to €3,076 per tonne, with butter nearly doubling from €3,266 to €6,016 per tonne. These changes have also been replicated at a wider level through the Global Dairy Trade Auction.

Whilst the price of dairy fats has been increasing, the price of Skimmed Milk Powder (SMP) has only been kept up by the EU's intervention scheme. Since June 2015, some 383,000 tonnes of SMP have been placed into intervention, with only 140 tonnes being sold this year. These SMP stocks are a result of more milk increasingly going for the production of butter and cream, so producing SMP as a by-product. However, the EU probably cannot carry on putting SMP into intervention, with the expectation of it being diverted to the animal feed sector becoming increasingly likely.

Whilst the relatively low SMP price acts as some form of restraining factor for the overall dairy market price, butter and WMP prices are looking likely to continue increasing until at least the end of the year. Year to date, milk production in the UK is currently at 8.53 billion litres and compared against the same time in 2016, this is down by around 50 million litres, from 8.58 billion litres. Since April 2017, while milk production in the UK has been up against 2016, these more recent gains have not been enough to offset the previous significant drops in production. The previous drop in raw milk production had been driven by farmers cutting costs due to poor market returns. The reduced raw milk output caused a subsequent fall in dairy product stock levels, during the first quarters of 2017 and in 2016.

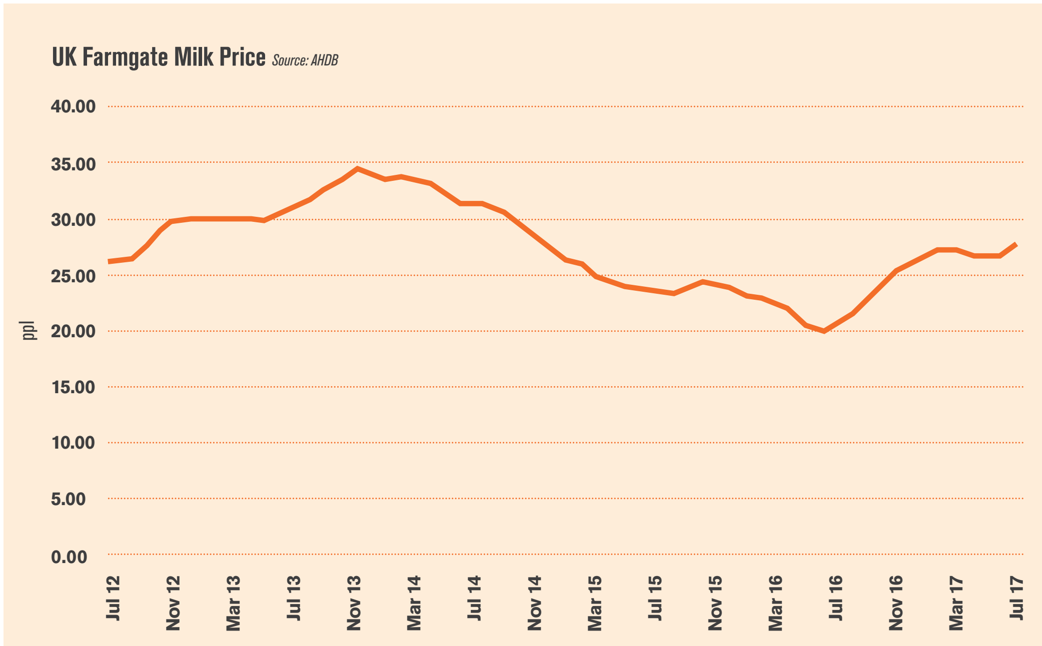
However, the rise in wholesale prices hasn't just been a result of a lag in production, as it is now ahead of where it was last year. The increase has also been driven by demand for butter remaining buoyant in the emerging markets of Asia and other parts of the world, as well as changing consumer requirements in the more mature markets, such as the UK and USA. Whilst previously consumers had been advised by health officials to avoid eating fat, and especially dairy fat, due to the increased risk it can present in terms of coronary heart disease, there is now scientific evidence that suggests this is not the case. Consumers are being encouraged to eat butter (albeit in restrained quantities), rather than margarine, due to the extra vitamins and "good" saturated fat that it



THE MARKETS FOR DAIRY PRODUCTS ARE CURRENTLY GOING THROUGH TURBULENT TIMES, WITH PRICES FOR SOME COMMODITIES ROCKETING. TO SHED SOME LIGHT AND INSIGHT INTO THE CAUSES AND POTENTIAL CONSEQUENCES, WE HAVE INVITED LIZZIE BONSALL OF PROMAR INTERNATIONAL, TO SHARE HER VIEWS FOR THIS EDITION OF *THE MARKETPLACE.*

contains. These trends have caused demand for butter from the food processing sector to increase in the last 12 months.

As well as the increase in the demand for dairy fats, other dairy products such as yogurt continue to grow in popularity. Demand is particularly strong in Europe and North America, and as such, export stocks of dairy products from these countries have become much lower, a result of strong domestic demand. There is also the potential for butter prices to further increase, as dairy stocks in China reduce due to less favourable production conditions for domestic producers, and lower stocks of added value dairy products.



FARMGATE PRICES

At a UK farm gate level, the impact of the increasing wholesale prices for processed products has been filtering down through the supply chain during the past year.

During this time, the average milk price received by farmers in the UK has increased by 6.99 ppl, rising to 27.78 ppl, an uplift of 34 percent. These recent price increases are boosting the confidence of many producers, with many taking advantage of these positive market returns.

At the start of the year, the increase in wholesale prices was something only noticed by those involved in the industry, however, the impact is now being passed on to the consumer. For example, UK dairy processor, Dairy Crest, has reported that they have removed price promotions on their *Country Life* butter products.

The only certainty for the future of the dairy market is that it will become increasingly volatile, with peaks and troughs in production, not least fuelled by macro economic and social factors (GDP growth, population demographics, exchange rates etc.) and then weather conditions in the key producing areas of the world such as the EU, the US, Oceania and Latin America.

Demand in Asia looks set to continue being a key influence on international dairy markets, along with changing consumer habits playing a further part. Some farmers and processors, particularly in export centric countries, might look to counter this volatility by using more modern systems of price setting, such as the use of futures contracts which are commonly used in other areas of agriculture and food.

All this produces a somewhat heady cocktail of factors driving UK and international dairy markets. Often the price rises seen for products such as butter cannot be attributed to one single factor, but a combination of events.

WHAT'S NEXT

The recent rise in dairy prices will trigger increased milk production in the autumn period in the Northern Hemisphere, but history shows that this will then eventually cause milk prices to come back down, which will then see production to fall again.

The cycles of volatility are not just found in the dairy sector. The pork sector is also subject to the same sort of patterns, but often on even a shorter time basis. Farmers, processors and others in the supply chain will need to spend more time trying to understand what is happening at a global level and plan ahead.

Some of what is happening in the UK is driven by local market conditions, but increasingly by what happens in other parts of the world is also highly influential, be it in the US, New Zealand or China. Making sense of all the nuances of what is going on in these and other areas and how this impacts on the UK is a big challenge. Businesses need to make sure they are well informed and up to date with key developments around the world and then be able to interpret what this means for them and not least their customers.

EGGS

The price of eggs in the UK has remained relatively stable during the past year, after falling around 10 percent at farm gate level towards the end of 2016.

Despite a recent decline, compared year-on-year, the current wholesale price is actually up by 20 percent. Mid to long term, it remains to be seen what impact the recent infected egg scandal from the Netherlands will have on the UK market. The UK consumes some 12.6 billion eggs per annum, with a per capita consumption of 193 per head, but we still import over 2 billion eggs which makes us only 85 percent self-sufficient. As supermarkets dominate the sale of eggs, much of the UK production is carried out on a contract basis. However, the industry is still under the same pressures as many others in the agri-food sector, including the uncertainty over BREXIT and volatile feed costs, the average price of which has increased by around 12 percent over the past 12 months.

Lizzie Bonsall, a Consultant within the agri food team at Promar International can be contacted at elizabeth.bonsall@genusplc.com. Promar International is the value chain consulting arm of Genus plc, the leading supplier of dairy and livestock genetics in the world.

The Marketplace is 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. What would you like to read about in the next edition? Email us at **feedback@reynolds-cs.com**

SPRING 2018

Keep an eye out for the next edition of The Marketplace, in Spring 2018.

Reynolds Catering Supplies Limited
National Distribution Centre
Britannia Road
Waltham Cross
Herts
EN8 7RQ

T 01992 809200
E feedback@reynolds-cs.com

www.reynolds-cs.com

@ReynoldsFood