

## January 2012 – Market Report

### **Beef:**

The demand for forequarter cuts, chuck, braising steak and trim for burgers, is expected to remain very strong as we move into the New Year. This is driven by the perception that these cuts remain good value, especially for the retailers and manufacturers. This high demand continues to add upward pressure onto these cuts and is expected to do so well into 2012.

The view for hindquarter beef, steak meats and round cuts, is for pricing to remain stable in the early part of 2012 with the exception of fillet. As we approach Q2 2012 we expect the market to start strengthening on key steak cuts as demand starts to increase along with traditional increases in demand into the warmer months.

Cattle prices in the UK and Ireland are projected to stay at current record levels throughout quarter 1 2012.

### **Lamb:**

As we approach the end of the season the availability of good quality lamb is expected to decline with the result being that prices are expected to rise in response before the next rise in prices in spring as new season lamb becomes available. The best time to source good quality lamb is August and September as the seasonal peak has passed but quality remains excellent. Prices for imported lamb are expected to remain firm into 2012 as supply remains constrained; the current view is that this is not good value for money as quality is not always reflected in price being demanded.

### **Pork:**

A decline in herd numbers in combination with an increase in demand from the emerging Asian markets is expected to drive pork prices up 6-7% in early 2012. This is expected to be reflected across all cuts, including bacon and gammon, as the demand from these new markets included all cuts.

### **Poultry:**

The view into 2012 is that poultry prices will remain stable as feed prices stabilise. This view could change very quickly with any fluctuations in exchange rates with Europe which has the potential to have a significant impact upon poultry pricing.

Turkey prices are expected to come down from their seasonal peak as we leave Christmas behind and demand drops off. Expectation is for prices to drop back to late summer/autumnal levels.

## Fish

**Haddock** – Looking at increases of around 5% as demand has increased as most Scottish haddock has MSC certification

**Cod** – Again similar to haddock with increases of about 4% due to increased demand from China

**Prawns (North Atlantic)** – Due to increased demand from the Far East and constricted fishing in the north Atlantic along with rise in fuel and production costs, prices set to rise by about 6%

**Scampi** – Owing to consolidation of processors and lack of landed raw material, increases looking like approx. 3%

**Scallops** – good supply and no increases forecasted

**Coley and Pollock** – good supply and no increases forecasted

**Tuna** – A rise is expected of about 3% due to increased global demand and more pressure on unsustainable fishing

**Salmon** – Early indications are showing decreases of up to 15% to increased volumes being produced in Chile balancing global demand which should come through in next few weeks

## Fresh Fruit & Vegetables

Supply in general is good and weather whilst cooling recently in Spain should not affect crops and supply during the New Year.

Products to avoid over the next couple of months are strawberries - Product is poor quality with interrupted supply patterns and high prices, they are not a seasonal product at this time of year and should be avoided where possible!

Some varieties of micro-cresses are proving to be difficult with supply. This is due to huge increases in demand for the range which have not been planned by the growers, leading to certain more popular products going short. There are hundreds of varieties and now maybe the time to experiment and try something more interesting.

Potatoes are now being taken from store rather than the field, therefore skin finish may start to suffer but eating quality is good.

All root crops are of excellent quality and will continue to be available through the first quarter of 2012 such as parsnips, carrots and swede.

## **Dairy**

With continued political discussions in the Eurozone in order to resolve the sovereign debt crisis, this has caused suppressing market sentiment and has brought caution and volatility to global commodity markets and could affect dairy markets in the coming months.

World wholesale prices for butter and cheddar have fallen considerably however this has had in the impact of a 10% decrease for butter in UK wholesale market whilst cheddar has remained unchanged. Milk prices have remained fairly constant even though farm gate prices have been increasing throughout 2011.

## **Eggs**

A new EU law designed to improve the welfare of laying hens comes into effect from 1 January 2012 which will prohibit the use of conventional 'battery' cages.

British egg producers have invested £400 million on phasing out battery cages, but producers in 13 other EU countries, including Spain, Italy and Poland, have ignored the EU ban.

More than 90% of British Lion cage eggs already come from new, enriched colony cages and all will be up to the new standards by 1 January, but it is estimated that more than a third of EU cage egg production will break the new rules, with 84m hens still kept in illegal battery cage conditions next year.

The British egg industry has repeatedly urged the UK Government to take tough action and ban imports into the UK of illegally produced eggs, egg products, and foods containing illegal eggs, from 1 January 2012 - or risk crippling the UK egg industry.

## **Cooking Oil**

With regards to the edible oils markets pricing indications for 2012 remain very firm with little sign of relief being predicted from our raw material suppliers.

Pricing levels are also being compounded by the exchange rate concerns and the high level of commodity investors that have kept the market in a strong condition.

## **Used Cooking Oil**

With confirmation of legislation changes on the 20p/Litre Duty Relief now having been confirmed from April 2012 the market has already shown a reduction in value of approx. £100/MT.

With the introduction of a new ticketing system now to be introduced to replace the taxation breaks, at present these have no real value in the marketplace and an element of uncertainty surrounds the long term value albeit its use in bio fuels via the petroleum companies will still create demand for used oil.

## **Cocoa**

The price of chocolate could leap due to a worldwide shortage of cocoa beans, experts predict. Manufacturers may have to increase the use of nuts and other ingredients to bulk up bars if the extra capacity is not found. A growing taste for cocoa in China, rising demand for dark chocolate and an awareness of its health benefits are forcing up demand.