

Autumn/Winter 2019 Market Forecast

For the hospitality and catering industry



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Keep talking to suppliers!

It's not an easy time for the UK restaurant and hospitality sector.

New research by accountants UHY Hacker Young shows that the number of restaurant businesses going insolvent increased by 25% in the year to the end of June, up from 1,130 to 1,410. Consumer caution about eating out due to the continued uncertainty over Brexit is undoubtedly one reason for the problem, but other factors such as high rents, rates and wage costs have all played a part.

The research also highlights that the biggest challenge is in the mid-market, with the high

media profile given to the problems of well-known operators overshadowing the fact that the market is just as much of a challenge for independent businesses.

However, buying costs are an area where there is scope to make changes. Whatever type of Brexit we get, strong supplier relationships are going to be more essential than ever. Our key

message to our customers is to keep talking to their suppliers; the more you talk, the more information suppliers can share about pricing and supply.

Ask which products could be most affected, i.e. those not grown, produced or manufactured in the UK, and with a particular focus on products which are key to your business, so you can plan ahead. For example, if most of your salad and citrus fruit comes from Europe, what are the alternatives?

It will make sense to build as much flexibility as possible into menus and how dishes are described. Keep your options open by listing the 'catch of

the day' rather than a specific fish species and say dishes are served with a 'selection of fresh, seasonal vegetables'. Working with seasonal produce should also help operators reduce food waste, which is an important step on the road to running a more sustainable business.

UK inflation

The headline UK inflation rate in August 2019 was 1.7%, down from 2% the previous month, with a reduction in the price of clothes and some consumer goods contributing to the fall. The headline inflation rate for food was 1.8%, while the more detailed RPI inflation measure showed that the overall cost of eating out rose by 2.8% year-on-year, including a 2.6% increase in restaurant meals.

Distribution costs: Costs have risen on the back of crude oil inflation, with diesel up 16% over the past two years. The current political uncertainty in the Middle East is likely to have a further impact on transport costs.

Packaging: Changes in legislation in recycling are affecting costs of paper and plastic.

£1 was worth

As of March 1st 2019**

€1.16
\$1.32

As of June 14th 2019**

€1.12
\$1.27

As of October 1st 2019***

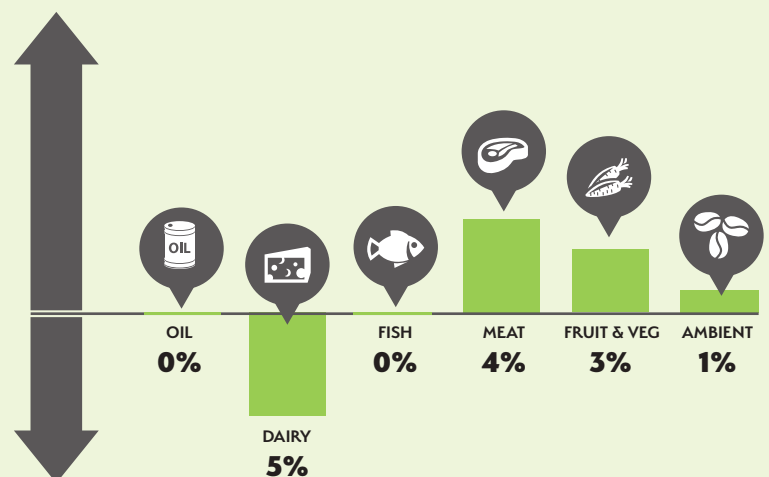
€1.12
\$1.22

THE LYNXOMETER

Our basket of the most commonly delivered items in Autumn/Winter 2019 is

UP 2%*

*Compares basket prices from September 2018 with September 2019
**Bank of England spot rates





Brassicas

Record rainfall in the spring, followed by a sustained period of record-breaking temperatures has affected cauliflower, broccoli and cabbage harvests. Volumes of Brussels sprouts are also likely to be lower than usual this season.

Factor higher costs into festive menu pricing.



Dairy

Increasing demand for dairy from manufacturers in the run-up to Christmas, combined with seasonally lower production, puts upward pressure on prices across the autumn. The UK imports considerable amounts of cheese and butter, and whatever the impact of Brexit, European suppliers have other markets for their products as global demand grows.

Use dairy alternatives in sauces and desserts where possible.



Farmed fish

Overcoming chefs' concerns about using farmed fish is important in supporting sustainability initiatives in the hospitality sector. Serving farmed sea bass and gilt head bream offers a popular and sustainable consumer menu option, while farmed fresh and smoked trout are a useful and tasty alternative to salmon as Christmas approaches.

Plan seasonal menus around high quality farmed fish.



Pork

African swine fever continues to spread in China, as well as other parts of Asia and Europe. Pork prices set a new record in August and are expected to rise further. Poultry could be an important substitute for pork on menus, and this will continue into 2020.

Stay in touch with suppliers to get the best value pork, ham and gammon cuts as demand changes.



Wild fish



With relatively calm seas and cooler waters, early autumn sees a range of exceptional quality fish and seafood landed at ports around the UK. That includes flat fish such

as lemon sole and dover sole, brill and turbot, as well as hake and coley.

Chefs planning Christmas menus should place orders for wild fish that can be frozen for delivery later in the year.



Cod



Due to dwindling stock, Icelandic quotas are not going to fulfil all the demand. Availability and prices will be volatile in the coming months, and as the UK's favourite menu choice for white fish, operators may need

to rethink their reliance on this species. The shortage will impact the price of alternatives - haddock and pollock - and there is already upward forward pricing for processed and frozen products, as well as fresh.

Use specials boards to spotlight alternatives to popular species.

THE LYNXOMETER



Meat
4%



Fruit & Veg
3%





Turkey

Turkey prices have been higher than usual for much of the year. This was initially driven by concerns over lack of margin that prompted some farmers to switch to other types of poultry. In addition, there has been a constriction on seasonal workers needed by producers, in part due to Brexit, as well as to the improving economy in Eastern Europe. Suppliers will appreciate

certainty, so operators who can give forecasts of their potential orders to help suppliers plan will be in a strong position when it comes to price negotiations.

Promote Christmas menus to help estimate customer bookings for the festive season.



Avocados

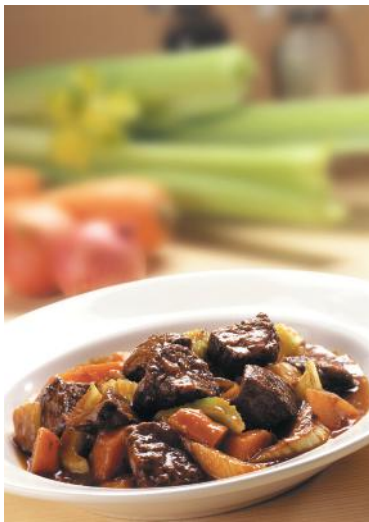
Israel, Morocco and Spain all expect favourable harvests, which will see supplies kick in from November onwards. However, with global demand for avocados continuing to increase, market prices are likely to remain firm for the foreseeable future.

Control portions carefully to get maximum menu value.

Beef

Demand for beef increases as autumn starts, pushing up the price for prime cuts in particular. This may come as a relief to beef producers, who have argued that lower prices over the year so far have threatened the livelihood of farmers, but is likely to see operators face higher prices during a key season.

Offer popular winter dishes such as stews and pies to make the most of better value beef cuts.



Fruit

July's heatwave across Europe did little to help European fruit growers, with the World Apple and Pear Association forecasting that the European apple and pear crop will be significantly lower than last year. Heavy storms in some parts of Spain have caused extensive damage to citrus crops.

Use a broader range of fruit, such as berries, in desserts and garnishes.



Oil
0%



Dairy
5%



Fish
0%



Ambient
1%





Salads

Recent storms in Spain, thought to be some of the worst in over 100 years, led to some fairly extensive crop losses. Prices will remain high for the foreseeable future as growers try to 'catch up'. The tomato is now the most expensive crop to cultivate in Spain, with

reports suggesting that costs have increased by 20% in the past season.

Monitor salad garnish on plates coming back to the kitchen, to reduce waste.



Sugar

Global prices have been rising for some time, with European commodity markets showing a 50% increase year-on-year. As this starts to work through, many products will see prices increase.

Monitor costs of manufactured products and be ready to consider alternatives if needed.



Wine

Extreme weather in much of Europe this summer has affected the grape harvest, with French wine producers reporting a 12% year-on-year decline in production. Operators who can keep their wine list flexible will be best placed to get the best deals in the market.



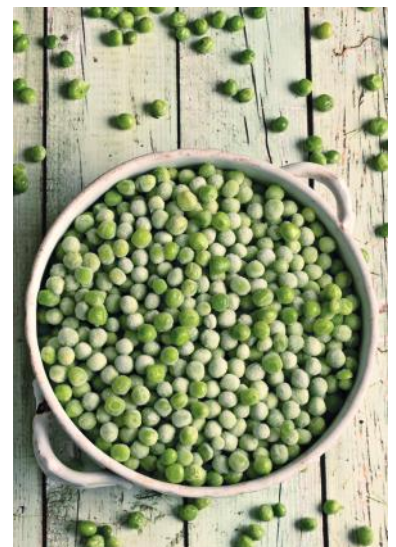
Offer a 'wine of the week' recommendation to spotlight wines with the best GP.



Frozen and tinned

Frozen peas have seen cost increases in the UK and on the continent as floods in the summer damaged crops. Canned tomatoes have increased in price by 11% year-on-year due to storm damage to crops in Italy.

Keep menus flexible to make best use of available products.



Coffee

Coffee prices continue to be low on the global commodity market, making it a good time to lock in prices. Growers are campaigning for a minimum or 'floor' price to help the industry's sustainability.

Speak to suppliers about locking in a price for Fairtrade or ethically sourced coffee.

LYNX PURCHASING

Lynx Purchasing works with more than 2,200 accounts in the hospitality and catering sector, on a no-membership and no-contract basis that offers like-for-like products at lower prices and often better quality than operators could obtain by negotiating alone.

As purchasing professionals, Lynx works with leading suppliers in the hospitality and catering industry. These include specialist fresh food suppliers, wines & spirits, catering equipment providers, utilities, and specialist service providers such as telecom, business rates consultancy and waste management.

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