

Commodity Movements

- **MILK:** Strong demand coupled with low milk volumes.
- **PACKAGING:** Inflation on aluminium prices.
- **VEGETABLE OILS:** Prices continued to rise underpinned by firm demand from the biofuel sector and declining export availability.
- **POTATOES:** Poor yields and challenges lifting crops.
- **NATURAL GAS UK:** Energy price cap increased (9.5%) in October.

Commodity	Bullish/Bearish	Monthly	Quarterly	Yearly
Milk (UK farmgate)	🐄	3.57%	10.61%	18.22%
Wheat (Euronext)	🐄	-2.43%	6.82%	-12.22%
Maize (Euronext)	🐄	-0.40%	3.38%	-0.48%
Chicken (EU DWT)	🐄	-0.04%	0.17%	1.88%
EUR packaging index	🐄	4.36%	1.98%	3.34%
Sunflower Oil	🐄	11.40%	23.41%	34.82%
Rapeseed Oil	🐄	7.78%	13.35%	15.45%
Olive Oil	🐄	-7.98%	-8.04%	-13.16%
White Potato EXW UK	🐄	5.08%	-7.46%	-3.13%
Natural Gas UK	🐄	10.12%	17.43%	-7.40%
UK Labour	🐄			9.80%

Inflation Outlook

Overall prices increased 2.3% in the 12 months to October 2024, this was a marginal increase from 1.7% in September.

Whilst inflation has steadied, food prices remain high – and with the Autumn budget announcements, there are some concerns that the government’s strategy may fuel inflation into 2025.

The final CPI update for the year will be announced in December.

Fish and Seafood

Salmon prices are likely at their lowest point in the market, with an anticipated upward trend in the near future. Prices for larger salmon (over 5kg) have already increased, and smoked salmon prices are expected to rise next month.

Dairy

Milk production is down 3% year-over-year which equates to around 20 million litres. Milk processors have responded to market conditions by raising their farmgate milk prices to farmers, providing greater motivation to increase production.

Fruit and Veg

UK supply of Brassica is being affected by too much rain which is causing the leaf to hold too much water and wilt. The wet weather is impacting both the ability of growers to harvest and the quality of the crop.

Dates for your Diary

- 2 Dec: English Breakfast Day
- 8 Dec: National Brownie Day
- 9 Dec: National Pastry Day
- 12 Dec: Gingerbread House Day
- 15 Dec: National Cupcake Day
- 25 Dec: Christmas Day
- 26 Dec: Boxing Day
- 31 Dec: New Year’s Eve



Market Updates

Logistics

The ongoing Red Sea crisis has caused major logistical disruptions, with ships being rerouted around Africa's Cape of Good Hope, resulting in roughly a 30% increase in transit times. Shipping costs are now estimated to be 2 to 3 times higher than in December of last year. As the disruption persists, elevated prices are expected to continue.

On the plus side there is an excess supply of container ships globally. Many ordered during the pandemic are starting to enter service, therefore once disruption ends, shipping rates could lower quite quickly.

Fish and Meat

Economic & Operational Pressures: Rising costs from increased national living wage and national insurance contributions, combined with the cost-of-living crisis is straining the industry.

The Marine Conservation Society's latest ratings place farmed Spanish turbot and Southwest-caught dover sole in the "fish to eat" category, while East Channel dover sole and crab have been downgraded to 4-5 rated.

Beef prices continue to rise with UK cattle price increasing between 5%-8% since July. This is driven largely by lower cattle numbers for slaughter, putting pressure on supply.

Dairy

Dairy fats have been in short supply which has had a significant impact on farmgate milk pricing. Milk prices have been climbing throughout the year, with Arla announcing a 10p per litre increase since the start of the year.

Cream prices hit a record high in October, although this has been easing as milk production has increased. Prices remain high, especially as we approach the busy seasonal period where cream usage typically rises.

Butter prices are still elevated, as dairy processors are choosing to sell the cream at higher prices rather than churning it into butter, which is more costly.

Fruit and Veg

Extreme flooding in Spain saw a full year of rain fall in 8 hours. The rain hit just as new crop season was about to start. Valencia has been hit the hardest which is the main region for Citrus Fruit.

Price increase of circa 6% are being seen across the fresh fruit and vegetables categories as we move away from UK supply into imported. This will remain for the Winter season through to May 2025.

Coffee

Arabica accounts for 56% of the total coffee volume traded, with Robusta making up the remaining 44%. Arabica commands a higher price than Robusta because it requires more effort to cultivate as it is typically grown at higher altitudes. Additionally, coffee beans are produced in climate-sensitive regions like Vietnam, Brazil, and Indonesia, which influences pricing.

Arabica coffee prices surged by 27.8% in April alone. Brazil produces 37% of the world's Arabica beans, but one of its major growing regions has seen three times the usual rainfall, causing crop damage and reducing this year's harvest yield.

Robusta beans are currently selling at a 30-year high, driven by several factors. The primary reason is severe droughts in Vietnam, one of the largest producers of Robusta. Additionally, the perception of Robusta is evolving globally, with companies encouraging the cultivation and harvesting of Robusta beans using the same methods as Arabica. This shift has led to a growing demand for Robusta beans.

Cocoa prices have skyrocketed by 317% over the past 18 months. It's at a 50-year high due to poor harvests, resulting in a global shortage.

The market has experienced decades of underinvestment, both in the maintenance and cultivation of existing cocoa trees and in the planting of new ones. This has created fragile market conditions in West Africa, where 40% of the world's cocoa is produced.

Extreme weather and disease have led to a forecasted cocoa deficit of about 350k-500k tons for this year's growing season, with the expectations that this will continue into next year.

A new European Union regulation set to take effect at the end of the year requires importers to trace the journey of cocoa from pod to port, ensuring that its movement through the supply chain has not contributed to deforestation.



Macro-Economic Factors

The Autumn budget brought some significant changes to the cost of labour. There is a scheduled increase to the National Minimum Wage from April 2025. Wages rose by 7% in the UK in the year end to June which is almost twice the rate of the Eurozone where wages increased by 3.7%, the April 2025 increases, will see wages rise by a further 6.7%.

Additional to investment in minimum wage, the budget also shared a reduction in the National Insurance threshold from £9,100 to £5,000. Employers will also need to contribute an additional 12% in National Insurance contributions from April 2025. The combined impact of the minimum wage increases, and NI contributions is equivalent to a wage rise of 10% – it's very likely employers and suppliers will seek to pass these impacts.

Supply Chain

Britain is the third largest net importer of Food and Drink and with the roll out of the new Border Target Operating Model in April 2025 it's been positive to see relatively little disruption on inbound supply.

It's unclear with Trump's successful win of a second term whether his commitment to apply punitive tariffs to the EU will extend to the UK – if he does, this is likely to reduce export potential across some commodities. Consequently, this may put pressure on the domestic prices.

Political Instability

With the UK the third largest net importer of Food and Drink and significant consumption commodities traded on the global market, geo-political disruption will drive volatility into our pricing.

As the situation with Ukraine/Russia once again escalates we'll need to monitor potential commodity impacts. Russia is the largest exporter of wheat globally, and a significant exporter of corn, vegetable oils and other agricultural products.

Whilst EU has reduced its dependency on Russian gas since the onset of the war, it is still supplying 15% of EU gas so could challenge energy prices.

Agriculture Inheritance Tax

The Autumn budget also introduced reforms to implement tax on agricultural land. The proposed changes to Agricultural Property Relief have been a catalyst for protesters but the industry has cited wider concerns regarding falling farm incomes with real cuts to subsidies, high inflation and increased competition with Brexit trade deals.

A record number of farms have been sold in recent years; however, this is increasingly being bought by lifestyle buyers and other investors (this accounts for 50% of farm sales last year). With UK food sufficiency now at 62% versus 78% in 1984 it's unclear how the industry can grow without structural reform.

Any questions?

Please contact your Account Manager if you have any questions about this month's news.

 0161 337 9154

 nationalaccounts@ef-group.co.uk

 ef-group.co.uk

 Willow house
Orbital 24
Oldham Street
Manchester
M34 3SU