

# Market Forecast

FOR THE HOSPITALITY AND CATERING INDUSTRY



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PURCHASING

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Lynx Purchasing lynxpurchasing.co.uk

Spring 2022

## CHALLENGING MARKET NEEDS MENU FLEXIBILITY



The events in Ukraine have implications for us all in terms of increasing fuel prices, and the knock-on effect that has on production and distribution costs right through the supply chain.

For hospitality and catering operators, already seeing costs rising on all fronts, this puts further pressure on businesses still recovering from the impact of Covid. The current levels of food and drink inflation are unprecedented in the experience of most operators, driven by a combination of spikes in commodity prices, increased transportation and import costs, and higher labour costs, all of which have to be factored into the price charged to customers.

Energy prices had almost doubled over the past year because of increased demand post lockdown and are now set to rise further due to the global impact of the Russian invasion of Ukraine.

In addition, the loss of exports of grain and vegetable oil from both countries will have an impact on global food inflation.

Closer to home, the labour shortages which are causing problems for hospitality are also being seen in transport and distribution. The reality is that the higher costs that the sector now faces may have to be budgeted for as the 'new normal' for the foreseeable future.

To look at the positives, Covid restrictions have been eased, and as we approach the spring and Easter bank holidays, consumers are becoming more confident about eating out. The best advice to operators is to budget for costs that can't be controlled, and focus on those that can - one of which is purchasing.

By working closely with suppliers, and applying some basic buying discipline, it is possible to manage food and drink costs more effectively, and avoid unexpected bills. Best practice includes planning menus well in advance, and consolidating orders to meet free delivery and minimum value thresholds.

Food and drink prices are now expected to be higher than average for some time to come, and as always, those operators who can keep menus flexible will be in the strongest position to make the most of changing availability.

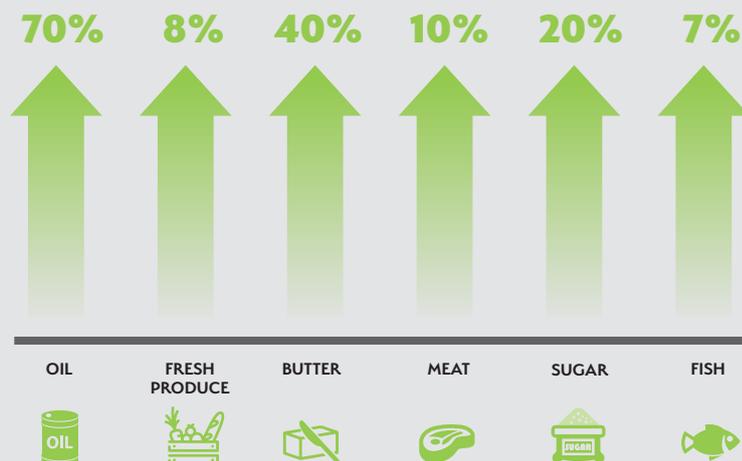
Working with suppliers to serve produce when it's at its best in terms of quality, value and availability makes more sense than ever.

### THE LYNXOMETER

Our basket of the most commonly delivered items in spring 2022 is

# UP 12%\*

\*Compares basket prices from March 2021 with March 2022





## DAIRY



Global demand for dairy products continues to increase, which may mean UK producers increase output in the longer term. For now it means higher prices and some shortage of supply, including products such as cheese, and cream used in food production. Egg supply is vulnerable to continuing outbreaks of avian flu, which has seen less birds in the market.

**Promote a premium British cheese board as a dessert option, and highlight the provenance.**



## COFFEE



Coffee prices have almost doubled in the past year, up by more than 90%. The crop in Brazil, the world's largest coffee producer, took a double hit from drought followed by frost, and while other countries fared better, the shortfall will continue to drive higher prices.

**Lock in prices from coffee suppliers where possible.**



## FISH & SEAFOOD



Suppliers are warning that salmon will continue to see steep price rises in the coming months. This is due to lower volumes being available overall, as well as issues with the quality from some sources.

**Consider farmed trout as an alternative to salmon, and speak with suppliers to make the most of fish caught in British waters.**



## WINE



New world wine producers have been warning customers of higher prices, driven by greatly increased distribution costs. However, the continued impact of high tariffs imposed on wine imports by the Chinese government may have a balancing effect, diverting more wine to the UK market.

**Be ready to shop around and take a flexible approach to listing house wines.**



## POTATOES



As was widely reported, the 2021 UK potato crop was lower than expected, due to flooding and other weather issues, and this is now reflected in the price of processed products, such as frozen chips. New potatoes will start to become available from April, but as with all produce, operators should budget for higher prices due to strong demand.

**Offer alternatives such as rice as menu choices for side dishes.**



## FRUIT & VEG



Availability of salad crops will improve as supplies from Spanish and southern European growers arrive, but the added cost of transportation, and continued delays at ports, are expected to keep prices high. UK crops will increase in availability later in the spring, but any shortfall will push up demand and affect prices. Fruit growers will also be looking for government support in recruiting pickers as the early summer berry crops ripen.

**Use menu descriptions such as 'served with seasonal veg' to maximise availability.**



## MEAT & POULTRY



Suppliers warn that poultry prices will rise significantly as the result of the loss of grain for feed from Ukraine and Russia, and the disruption to poultry processing in both Ukraine and neighbouring countries such as Poland. Beef prices are relatively high, and pressure on price is likely to increase as Easter and the barbecue season approaches. With lamb also seeing strong demand and lower availability, pork is likely to be better value when planning menus, although the ongoing labour shortage has the potential to disrupt production for all meat suppliers.

**Plan menus around dishes that can be adapted to use different cuts according to availability.**



## OILS & FATS



Ukraine supplies 60% of the world's sunflower oil, and the loss of this will inevitably lead to cost increases. Oil prices on the global commodities markets were already reported to have reached an all-time high in January, mainly due to global weather challenges, including drought in South America. With vegetable oils used in the production of many staple foods, operators can expect to see the impact on food bills in the months ahead.

**Keep menu descriptions flexible to allow for product switches where possible.**



## STORE CUPBOARD



Increased transport and ingredients costs will continue to have an impact on many dry and tinned store cupboard staples. However, there will always be deals and offers available from suppliers as availability changes.

**Make the most of supplier offers to buy products with longer shelf life at the best prices.**

# Seasonality Guide

## BEGINNING OF SEASON

- Crab
- Mackerel
- Watercress

## IN SEASON

- Jersey Royal potatoes
- Asparagus
- Rhubarb

## END OF SEASON

- Venison
- Root vegetables
- Apples

## Menu Trends



Restaurants are responding to UK consumers who want to have dishes “their way” when they eat out, the latest Lumina Intelligence UK Restaurant Market Report shows. The proportion of items tagged as ‘customisable’ has increased on branded restaurant menus to 26% of dishes. This also allows operators to continue to offer choice while running reduced menus, says Lumina.

Just under half of British consumers are now limiting their meat intake or not eating it at all, according to research by Mintel. The figure is up from 41% in 2020. While the numbers not eating red meat or poultry at all has remained largely unchanged (10% in 2020 versus 11% now), there has been a significant increase in the number limiting or reducing meat eating, up from 31% to 38%.

## Utilities Update



Energy prices were already increasing sharply, and the impact of the Russian invasion of Ukraine, as well as the possibility of escalation, makes forecasts almost impossible. The advice from our specialist utilities broker is for operators to factor increased energy costs into their business planning and budgeting. Any new fixed price contracts are currently likely to only be offered at very high rates.

## Inflation Fact File

The ONS reported that the average price of restaurant meals in February was up 6.4% year-on-year, ahead of the overall inflation rate of 6.2%.

**Inflation-busting advice from Lynx Purchasing's specialist buying team includes:**

- Order early: Place orders early in the day as this helps the supplier manage stock and makes the most of availability.
- Cost out asking suppliers to do some prep, such as filleting fish or trimming steaks to size, before delivery. This can significantly cut kitchen staff costs.
- Feature better value products such as burgers, meatballs and fishcakes on menus. These are popular with customers, and generate good margins.



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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.

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