

Market Forecast

FOR THE HOSPITALITY AND CATERING INDUSTRY



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Spring 2023

MAKE THE MOST OF OPPORTUNITIES THIS SPRING



The Prime Minister's pledge to halve the rate of inflation this year, as one of the government's five key pledges to the nation, is welcome news to catering and hospitality businesses, who have seen their costs rise at unprecedented levels over the past year.

It's worth taking a moment to set out what that pledge really means, however. Some sections of the media tend to report a fall in the rate of inflation as though it's a fall in prices, which of course it's not.

Our Lynxometer measures the percentage change in the prices being paid

by operators for a basket of essential products compared to a year ago. At the end of 2022, it was up around 15%. If it has fallen to 7% by the end of this year, then the rate of inflation will have halved, but the prices businesses are paying will still have increased by 22% over two years.

The challenges facing the global supply chain are still very much with us, and the current issues with fresh produce supply are a reminder that the weather can have just as much effect on price and supply as politics. The supply chain has become more fragile, and as bodies such as the NFU have said, we need to become less reliant on food imports, and focus more on home-grown, seasonal produce. That should include a sensible debate on how farmers and food producers can be paid at a sustainable price.

With many products, including meat, dairy, and fresh produce, there has been a race to the bottom in terms of price. As a sector, we need to break this vicious circle and recognise that good value isn't the same as low cost.

For operators the best advice is to manage costs wherever possible, and make the most of the trading opportunities that the arrival of spring offers. Along with Easter and the usual May bank holidays, the Coronation weekend, including the extra public holiday on Monday May 8, is a chance to persuade consumers to come out to eat and drink.

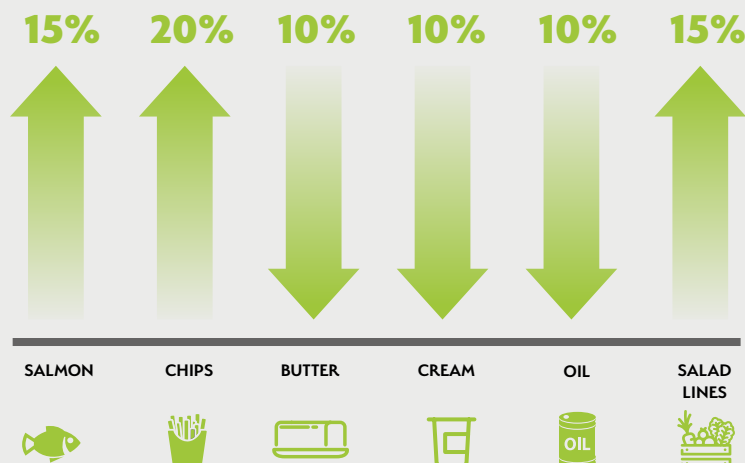
By working closely with suppliers, focusing on seasonality and availability, and applying some basic buying discipline, operators can manage food and drink costs more effectively, and avoid unexpected bills. Best practice includes planning menus well in advance, and consolidating orders to meet free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

THE LYNXOMETER

Our basket of the most commonly delivered items in spring 2023 is

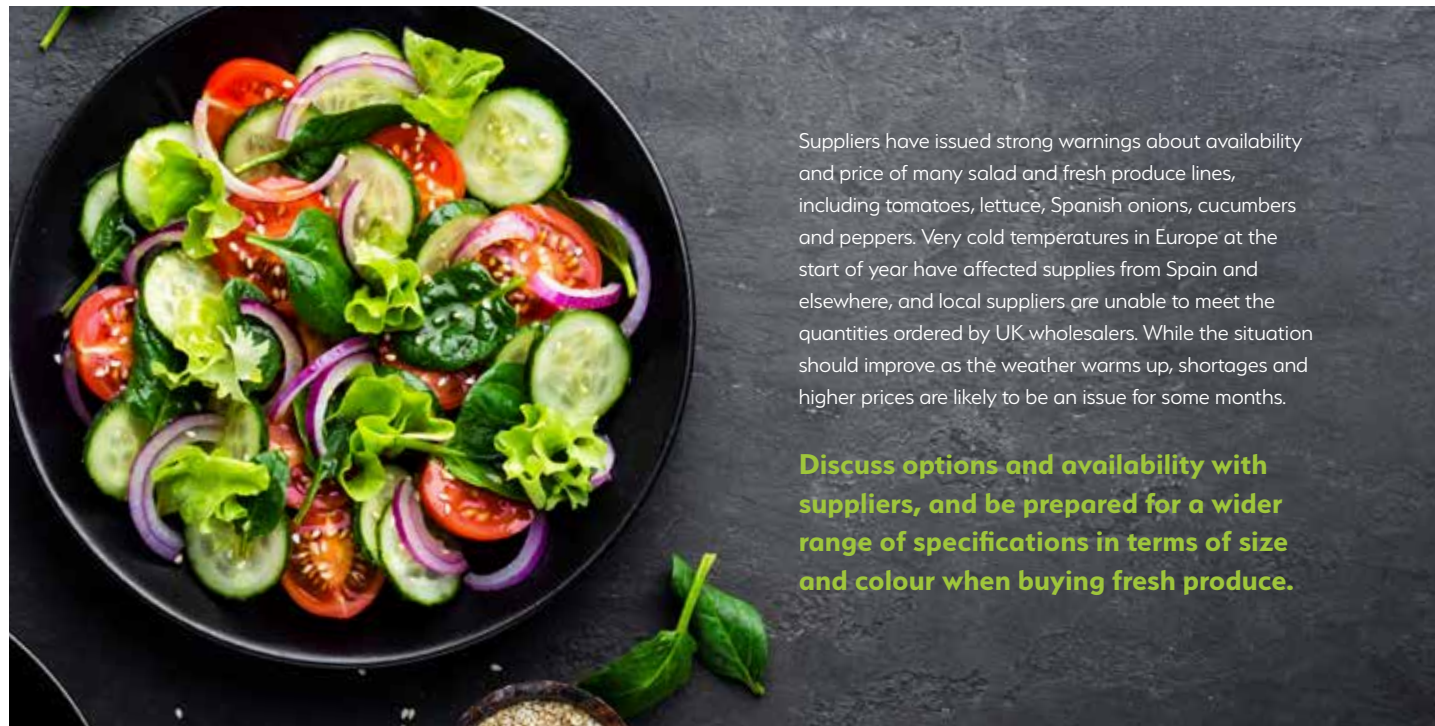
UP 6%*

*Compares basket prices from March 2022 with March 2023





SALADS AND FRESH PRODUCE



Suppliers have issued strong warnings about availability and price of many salad and fresh produce lines, including tomatoes, lettuce, Spanish onions, cucumbers and peppers. Very cold temperatures in Europe at the start of year have affected supplies from Spain and elsewhere, and local suppliers are unable to meet the quantities ordered by UK wholesalers. While the situation should improve as the weather warms up, shortages and higher prices are likely to be an issue for some months.

Discuss options and availability with suppliers, and be prepared for a wider range of specifications in terms of size and colour when buying fresh produce.



DRINKS



Glass manufacture is an energy-intensive industry, so higher production costs have affected the price of bottled drinks, especially high volume products such as wine and beer. These issues are likely to push up prices over the next few months. European wine producers will also be cautious about the grape harvest following the cold weather at the start of the year.

Update drinks menus regularly to make the most of changing availability and supplier deals.



BEEF & LAMB



Current prices are well above average, as higher energy and feed costs have combined with the labour shortage to reduce UK production of both beef and lamb. With seasonal increases in demand for lamb around Easter, and for beef as the barbecue season starts, demand for the most popular cuts will be high.

Use better value cuts on menus where possible.



BRANDED PRODUCTS



With reports that leading food brands have put their prices up at the top rate of inflation as they seek to restore margins, hospitality operators will need to assess where branded products genuinely add value or if own-brands and generics do an equally good job for less..

Opt for generic or own-brand frozen products, sauces and condiments wherever possible. Try a blind taste test with staff to see what will work for your business without affecting menu quality.



PORK



Higher production costs have made it more of a challenge for UK pork producers to make a profit, prompting a number to cut back or exit the market at the start of the year. This has seen upward price pressure on bacon initially, and is likely to make prime pork cuts more expensive as demand increases in the spring.

Talk to suppliers about the best value pork cuts as availability changes.



POTATOES



The cold weather has also had an impact on potatoes, both in the UK and in Europe, where many processed and frozen potato products are produced. This is likely to affect availability and price of new potatoes this spring, as well as on frozen chips and other potato products as current supplies run out.

Offer choices such as spicy rice as alternative side dishes.



VEGETABLES



The ongoing labour shortage meant that many farmers were unable to plant the full crop of root vegetables they would have liked. Combined with the effect of the very cold weather at the start of the year, this is likely to see shortages and higher prices for both fresh and frozen veg.

Use a flexible description such as 'served with seasonal veg' on menus to manage availability.



POULTRY



Despite the impact of avian flu, poultry has still been seen as a better value option than red meat for operators over the past year. However, prices have continued to rise, due both to the continued flu outbreak and the higher cost of feed.

Add dishes such as chicken pies and skewers to menus to make the most of better value cuts.



EGGS



Egg supply has been significantly affected by avian flu, with restrictions on producers affecting both supplies and price. Measures to control the outbreak are likely to have a continued impact on availability.

Adjust recipes to use fewer eggs where possible.



SALMON



The forecast price increases in both fresh and smoked salmon have proven to be much sharper than suppliers were expecting, due to the impact of factors such as fish quality, high demand and the effects of bad weather on production.

Consider alternative species as menu options wherever possible.



DAIRY



After a period of very high inflation, some dairy prices have started to level off, particularly butter and cream, which will help with the price of many frozen and pre-made products. However, demand for cheese is still strong.

Offer cheese as a trade-up option on burgers etc.

Menu Watch



- Healthier food trends are helping hospitality operators to manage high food costs by enabling them to focus more on meat-free dishes, according to the latest Menu & Food Trends Report from Lumina Intelligence. Both the proportion of meat-based dishes on menus and the average calorie count per dish are now lower than pre-pandemic.
- Nose-to-tail cooking is a key trend in hospitality as chefs work harder than ever to use every possible part of the produce they buy, according to the Fresh Trends 2023 report. While this is seen most clearly in fresh meat dishes, the trend is also in fish and fresh produce, as operators see the benefits of reducing food waste and supporting sustainability, as well as making the most of budgets.

Inflation

The CPI inflation rate was 10.1% in January 2023, down from 10.5% in December 2022. ONS figures show that the price of a meal eaten out was 9.9% higher in January 2023 than a year earlier. The Bank Of England is forecasting that inflation will begin to fall from the middle of this year and be around 4% by the end of 2023. However, the Bank believes that one reason for the fall is that consumers have less money to spend, creating less demand for goods and services in the UK.

Seasonality Guide

BEGINNING OF SEASON

- Crab
- Mackerel
- Watercress

IN SEASON

- Jersey Royal potatoes
- Asparagus
- Rhubarb

END OF SEASON

- Venison
- Root vegetables
- Apples



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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 better value products and services than operators could obtain by negotiating alone.

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