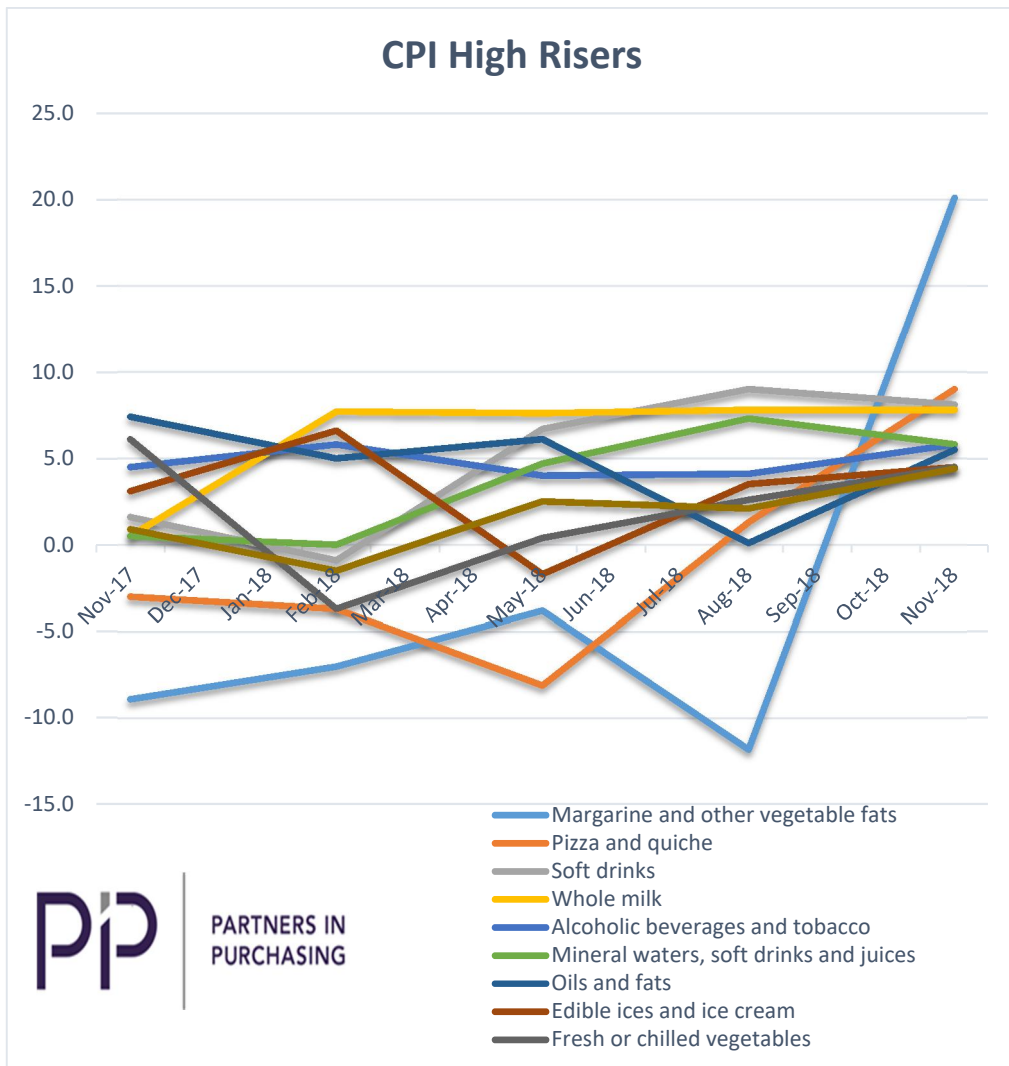


CATERING MARKET REPORT – JANUARY 2019

viewpoint



Empowering
smarter
buying decisions.



PARTNERS IN
PURCHASING

- Margarine and other vegetable fats
- Pizza and quiche
- Soft drinks
- Whole milk
- Alcoholic beverages and tobacco
- Mineral waters, soft drinks and juices
- Oils and fats
- Edible ices and ice cream
- Fresh or chilled vegetables

CPI Annual Percentage Variances	
CPI (overall index)	2.3%
Categories with the highest percentage rises	Nov-18
Margarine and other vegetable fats	20.1
Pizza and quiche	9.0
Soft drinks	8.1
Whole milk	7.8
Alcoholic beverages and tobacco	5.8
Mineral waters, soft drinks and juices	5.8
Oils and fats	5.5
Edible ices and ice cream	4.5
Fresh or chilled vegetables	4.5
Rice	4.4

Commodity News – Significant Movers!

Margarine and other vegetable fats: China-USA trade war made impact on oilseeds market in 2018

CPI for November 2018 – 20.1%

The US trade war with China has had a major impact on oilseed markets in 2018, with mixed price movements the result of uncertainty from region to region, reports World Grain.

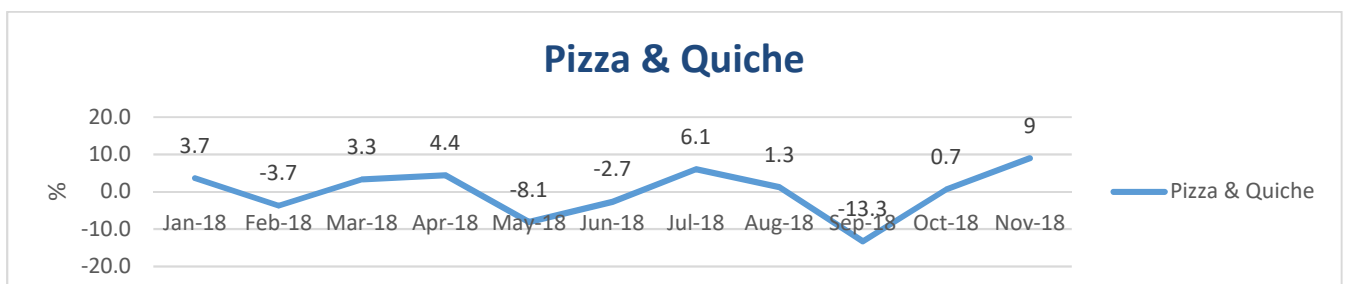
At the start of December, soya bean futures prices rose above US\$9/bushel for the first time since mid-October after China and the USA announced a 90-day temporary truce on 1 December.

Source: World Grain

Pizza and Quiche - ONS Shopping Basket

CPI – Pizza and Quiche for November is a 9% increase.

In 2018 the ONS made some changes to the CPI shopping basket, one of which was include Quiche with Pizza to “improve coverage of the pizza and quiche subclass within bread and cereals. Previously, only pizzas were included from this subclass and their prices have tended to be reasonably volatile so the inclusion of quiche should help interpretation of the figures.”



Source: Office for National Statistics

PIP – Pizza pricing still demonstrates volatility in the reporting reflecting the challenges on cereal, dairy and transport costs. However, stock reserves in cereal help mitigate the YoY increase.

CPI – Soft Drinks for November is 8.1%

Cost increases of 8.1% reflects the increase imposed by the sugar tax.

PIP - The tax on sugary soft drinks introduced in April 2018, passed onto consumers throughout the year. The tax for drinks containing 5g of sugar per 100ml are taxed at 18p per litre. For drinks with more than 8g per 100ml the tax rises to 24p per litre. Manufacturers are reducing the amount of sugar in their drinks as well as only offering Zero ranges to avoid the charges. Children consuming sugar is reported to have reduced by a 1/3 over 9 years.

UK National Diet and Nutrition Survey.

Supply Chain Disruption – Significant Movers!

Several strategic mergers, acquisitions and losses are reshaping the foodservice service market place and supply chain with new opportunities for efficiencies and innovation.

Mergers & Acquisitions

- **Sysco acquire Brakes**

In 2016 the Sysco Corporation, a leading US Foodservice operator announced its \$3.1 billion acquisition of Brakes Group, one of the two existing leading foodservice distributors in the UK. In 2018 the group also **acquired Kent Frozen Foods**, a successful UK-based foodservice distributor. By adding to the suite with Brakes, Fresh Direct and M&J Seafood, this shores up the possibility of a quality Multi-temp solution.

- **Tesco takeover Booker - Booker acquires Ritter**

Booker PLC acquired Ritter Courivaud Ltd back in 2010, the fine food importer and distributor of food products for the upmarket sector of the food service industry in the UK. Tesco's £4bn takeover of Booker is creating a new powerhouse in the £200bn-a-year food market by bringing together Britain's biggest retailer with the countries' largest fine foods wholesaler to the independent sector.

Source: The Telegraph March 2018

Following this, the collapse of Confectionery and Tobacco distributor Palmer and Harvey in November 2017, precipitating shifts in the Cash & Carry business throughout 2018.

Administration & Receivership:

- **2018 – Russell Hume in administration**

Meat supplier Russell Hume collapsed into administration, weeks after the company suffered a food safety scare. Administrators redundancies of 266 staff at the Derby-based firm, which lost several major contracts after inspectors said they had uncovered "serious non-compliance" with food hygiene regulations.

Source: Sky News, James Sillars, Business Reporter

PIP: A review of the consequent actions of the H&S inspectors is pending.

- **2018 - Nigel Fredericks ceases trading**

On 7 September 2018, the Company went into administration and subsequently reformed within a new management structure.

Source: PricewaterhouseCoopers LLP

PIP: Shifts such as these in supply chain structure offer access to advantageous product prices and product ranges to customers and consumers.

- **2019 - Cafe chain Patisserie Valerie collapses into administration**

After the failure of rescue talks with banks, 70 outlets will close immediately, while the remaining 121 will continue trading in the hope of finding a buyer:

Source: BBC 22 Jan

PIP: This follows closure of sites from several eating out chains representing financial stress in 2018.

Supply Chain Disruption – Significant Movers!

Mergers & Acquisitions

Contract Catering & Facilities Management:

Catering and hospitality firm CH&Co Group has announced a merger with Concerto Group, a London-based event management company including Create, its event caterer, and Ultimate Experience, an event management business in November 2017.

The merger looks set to increase the group's turnover to £300m and gives an introduction into the hotel sector. The deal was a second big merger for CH&Co in 2017, after acquiring catering firm Harbour & Jones in June of that year.

Source: The Caterer.

Sodexo acquires Alliance in Partnership (AiP)

In November this year, AiP was bought by Sodexo giving access to catering contracts incorporating more than 400 schools.

Source: Foodservice Equipment Journal

Baxter Storey Jan 2019

The US investor has acquired "a significant stake" in the business as reported in the Wall Street Journal.

The deal for the business includes Benugo, Searcys, Holroyd Howe, Caterlink and Portico. In its last reported accounts WSH saw turnover hit £828m for the year to 29 December 2017. Pre-tax profit in the period rose 29% to £7.5m.

Administration & Receivership

Carillion into liquidation – January 2018

The UK's second-largest construction company buckled under the weight of a whopping £1.5bn debt pile. Carillion plc was a British multinational facilities management and construction services company headquartered in Wolverhampton in the United Kingdom, prior to its liquidation - officially, "the largest ever trading liquidation in the UK" - which began in January 2018.

Mitie and **Interserve** issued profit warnings respectively in 2017 casting nervousness of the robustness of FM providers to successfully deliver contracts coupled with client's ability to pay on time.

PIP: In a mature Contract Foodservice provision marketplace, Supply chain's in FM soft services can be inter-reliant on their co contractors. Contractor reliability, agility and innovation are key to improved pricing & efficiencies.

All the best for a prosperous 2019; solidarity to commerce in coping with the Brexit horlix, and a calm and collected approach to providing great food and service to all those who are looking forward to relaxation, restoration and entertainment from our resourceful hospitality industry.