



MARKET REPORT

MARCH 2021

CHALLENGING TIMES FOR GLOBAL SUPPLY CHAINS

Introduction

Exciting and positive times ahead as the government announces the roadmap out of lockdown.

With the vaccine roll out and lockdown measures showing a positive impact, we can cautiously start to imagine a re-opening of food service sectors together with a steady return to normality or at least the 'new normal'.

With many forecasting we will see a release of pent-up demand, those that have become known as 'unintentional savers' are keen to start spending, events tentatively releasing dates, we can see great opportunities for our sector to bounce back.

ADDRESSING SUPPLY CHAIN PRESSURES MUST REMAIN OUR TOP PRIORITOTY

Amidst this new feeling of release and despite the strong temptation to focus on the opportunities, at this time, it's more pressing to understand the unprecedented pressure and challenges to maintaining a strong and stable supply chain.

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The Five Challenges Affecting Our Supply Chain

- 1 BREXIT
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Nigel O'Donnell
Managing Director



THE FIVE KEY CHALLENGES TO GLOBAL SUPPLY CHAIN



1.



BREXIT

- DESPITE THE GOVERNMENT'S NO QUOTE - NO DUTY CLAIMS, THIS IS FAR FROM THE REALITY.

Complex rules of origin have impacted the ability to supply goods to NI, ROI and mainland EU.

The paper-based systems are causing bottlenecks and delays for both imports and exports and the disruption reported in the press is unlikely to improve when the 1st April 21 deadline comes and dispensation for full reporting passes. Meat and Fish have been hit particularly hard.



As Reuters predicted
'Brexit deal or no deal, meat supply lines will choke on red tape'

Nick Allen, chief executive of the British Meat Processor Association, was reported by the BBC to have said:

'Fundamentally, this is not a system that was designed for a 24/7, just-in-time supply chain. It's going to be a problem for quite a time until we move forward and hopefully get a better digital system in place'

<https://www.reuters.com/article/britain-eu-food-customs-anaylsis/analysis-brexiteal-or-no-deal-meat-supply-lines-will-choke-on-red-tape-idUKKBN28P1KO>
<https://www.bbc.co.uk/news/business-55680315>

2.

GLOBAL SHIPPING

FROM ASIA AND OTHER MARKETS TO THE EU/UK SEVERELY HIT

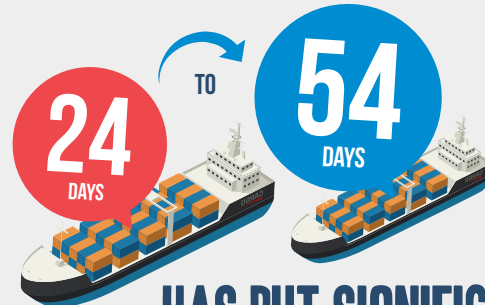
KEY CONCERNS:

1. Unprecedented Cost Increases
2. Extended Lead Times
3. Reduced Reliability
4. Bottlenecks at UK ports

CONTAINER QUOTES
HIT A RECORD HIGH
\$10,000

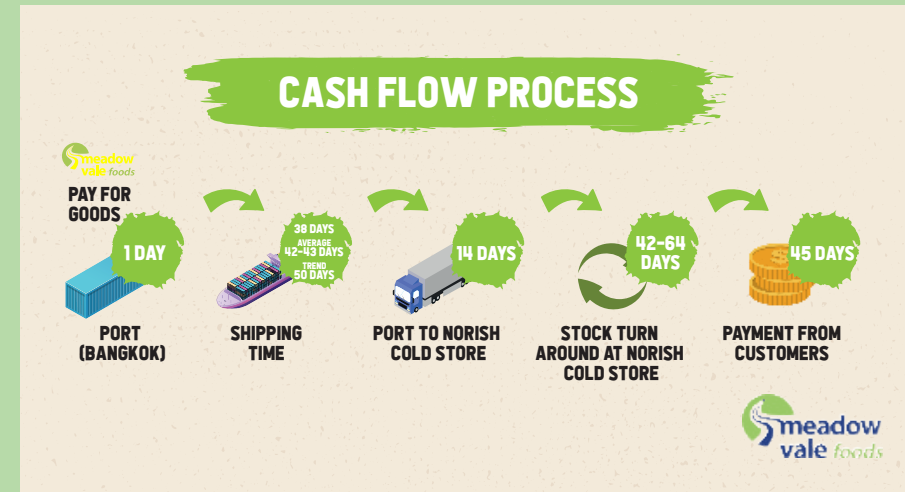
A COST INCREASE
OF **500%**

SHIPPING TIMES MORE THAN
DOUBLED
FROM



HAS PUT SIGNIFICANT
PRESSURE ON SHIPPING.

The cash flow implications of these factors is illustrated below.



It is easy to see why supply chain planning and managing the cash flow and funds required is made so much more challenging

3.



UK STORAGE COSTS

CAPACITY ISSUES DRIVE UK STORAGE COSTS TO RECORD LEVELS

- BREXIT Stockpiling
- COVID hit reduced work forces
- Stock left in storage - Reduced demand from some sectors eg Hospitality and the Pub Trade

Warnings of shortages were seen as early as April 2020 with Reuters headline:

'World's biggest cold storage supplier could reach full UK capacity in three weeks'



4.



FEED PRICES

66% OF PRIMARY POULTRY PRODUCTION COST IS FEED

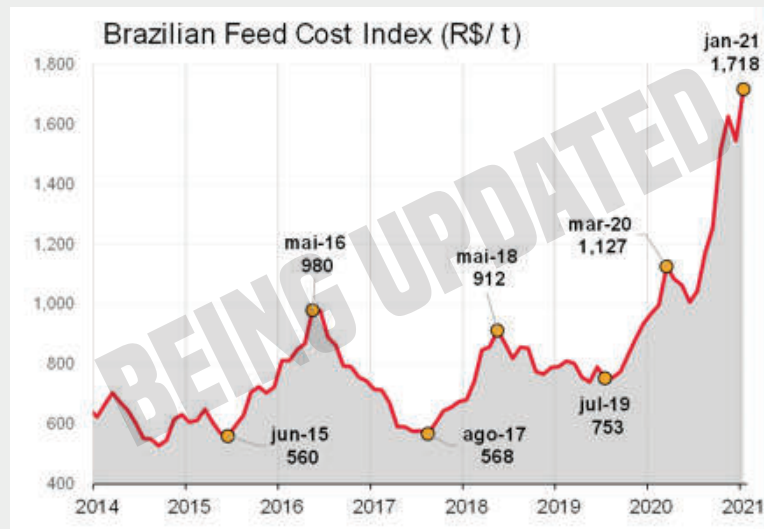


WE HAVE SEEN A SIGNIFICANT UPTURN IN PRICES OF RAW MATERIALS, SHOWING A **38%** INCREASE IN SOYA MEAL & **36%** IN WHEAT.

MVH FEED PRICE REPORT

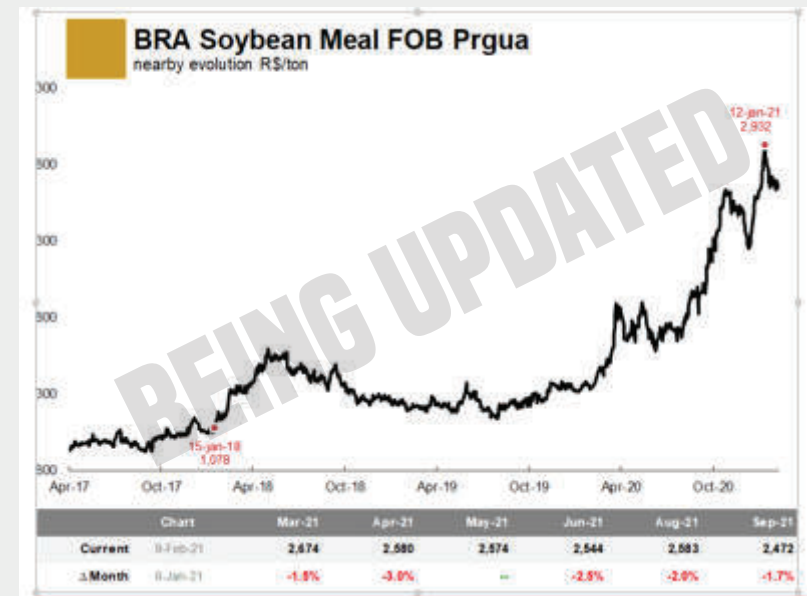
	PRICE - 1 YEAR AGO	PRICE - 3 MONTHS AGO	PRICE - 1 WEEK AGO	PRICE - TODAY
WHEAT DELIVERED OSWESTRY (£/MT)	£159.00	£201.00	£222.00	£217.00
HIPRO SOYMEAL EX. LIVERPOOL (£/MT)	£298.00	£380.00	£416.00	£412.00

THE ABOVE PRICES ARE FOR INDICATION ONLY AND ARE SUBJECT TO MARKET MOVEMENTS



Along with poultry, animal feed is a global market and strong, unexpected demand from China along with delays in some planting has resulted in a large increase with little signs of these levels abating.

With 2/3rds of the cost of primary poultry production going on feed the underlying pressure on prices can only be upwards.



5.



PACKAGING

Factory shutdowns, COVID reduced workforces and a large increase in demand for packaging due to the increase in online shopping has resulted in a shortage of cardboard and subsequent price increases.

Whilst this is expected to improve later in the year it has resulted in some companies either trying to use alternative packaging materials or in some instances not being able to pack and deliver product at all.



Cardboard price's steady climb plateaus during pandemic

Producer Price Index Corrugated and Solid Fiber Box Manufacturing



Chart: Matt Leonard / Supply Chain Dive • Source: U.S. Bureau of Labor Statistics • Created with [Datawrapper](#)

SUMMARY

Complex Supply Chains are all part of the Global market environment we operate within and we often have to combat a number of issues at any one time. As you can see from this report, a large number of influences are hitting together, all of which are likely to increase rather than decrease the cost of production, importing and distribution of supplies.

There is no short-term solution to these issues with COVID-19, Extended Lead Times and Additional Costs continuing to challenge us for the foreseeable future.

The good news is we have the positive announcement of gradual opening of the sector bringing new and exciting opportunities for business growth. Our strong and experienced supply chain team will continue to focus on ensuring we maintain the best stock availability and service levels in the market, to help you deliver the products you need when and where you need them

Kind Regards



Nigel O'Donnell
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To discuss any of the points in more detail
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KEY DATES OUT OF LOCKDOWN

- MARCH 8TH, 2021 - ALL STUDENTS RETURN TO SCHOOLS AND COLLEGES
- MARCH 29TH, 2021 - RULE OF SIX
- APRIL 12TH, 2021 - HOSPITALITY REOPENING FOR OUTDOOR PURPOSES ONLY
- MAY 17TH, 2021 - PUBS & RESTURANTS TO SERVE INDOORS
- JUNE 21ST, 2021 - ALL LIFTING OF SOCIAL CONTACT