

Supply chain report - website

Looking back over the past six months

Wheat prices have been extremely high all year within the EU. UK wheat prices followed European prices up despite enjoying a good 2010 crop. Prices soared as serious (2010) drought conditions in Russia led them to impose an export ban. Russia is generally the largest exporter of wheat to the EU. Some of the supply gap created by lack of Russian wheat was then filled by the UK. This increased demand on the UK served to keep local prices high. On average over the period of May to October 2011 prices were circa 40% up (LIFFE) versus same period last year.

The Arab Spring effect on Brent crude oil has kept the price high over the past six months, generally swinging between \$105 to \$115 a barrel. This represents a 47% increase to price on the same period last year. The oil price of course is particularly significant as it drives the price of plastics, distribution and utilities.

Sugar has also added to the challenges that UK food manufacturers have faced this year. A global tightening of supply on the back of last years poor UK crop has kept prices firm. According to the Food Manufacturer (25 Oct 2011) this year has seen an increase in price YOY of 60%. This spiralling cost of sugar has led to some large EU food manufacturers challenging the constraints of the EU sugar quota, calling it illogical. 2011 saw the EU significantly increase its imports of expensive world sugar as a consequence of short term short supply. The quota in place currently restricts the amount of sugar that is produced for the EU domestic market and is now set to expire Sept 30th 2015 when deregulation takes place.