



November
2016

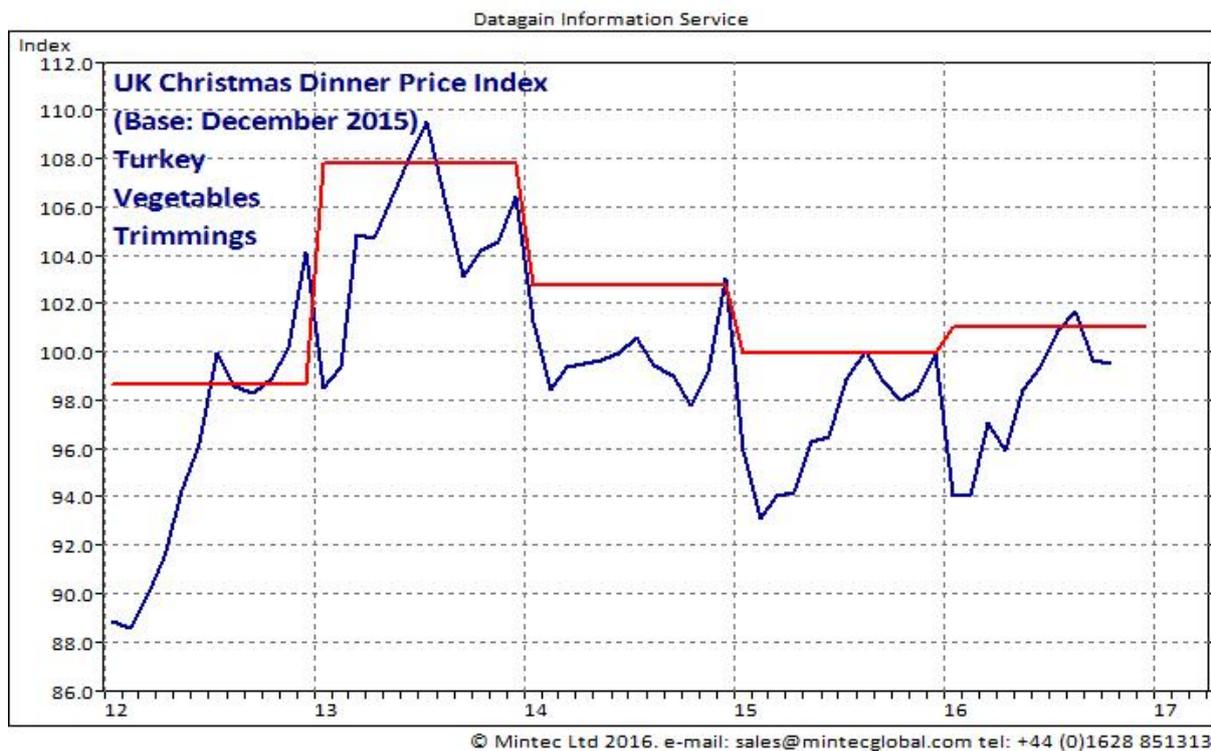


Mintec Christmas Dinner Index 2016

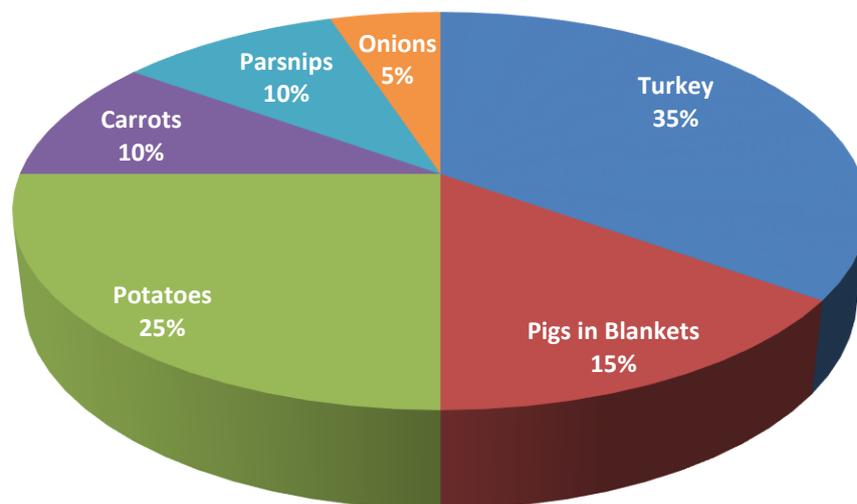


Introduction

On a cold Christmas morning, nothing gets children more excited than the prospect of opening presents tucked under the Christmas tree, next to a roaring fire. While adults prepare the dinner, the family arrive with an armful of gifts to celebrate the holiday and enjoy a hearty meal of turkey with all the trimmings. This year's Mintec Christmas Dinner index shows that **the cost price of a turkey dinner, with vegetables and all the trimmings, has gone up by 1% since last year.**



Mintec Christmas Dinner Index 2012-2016

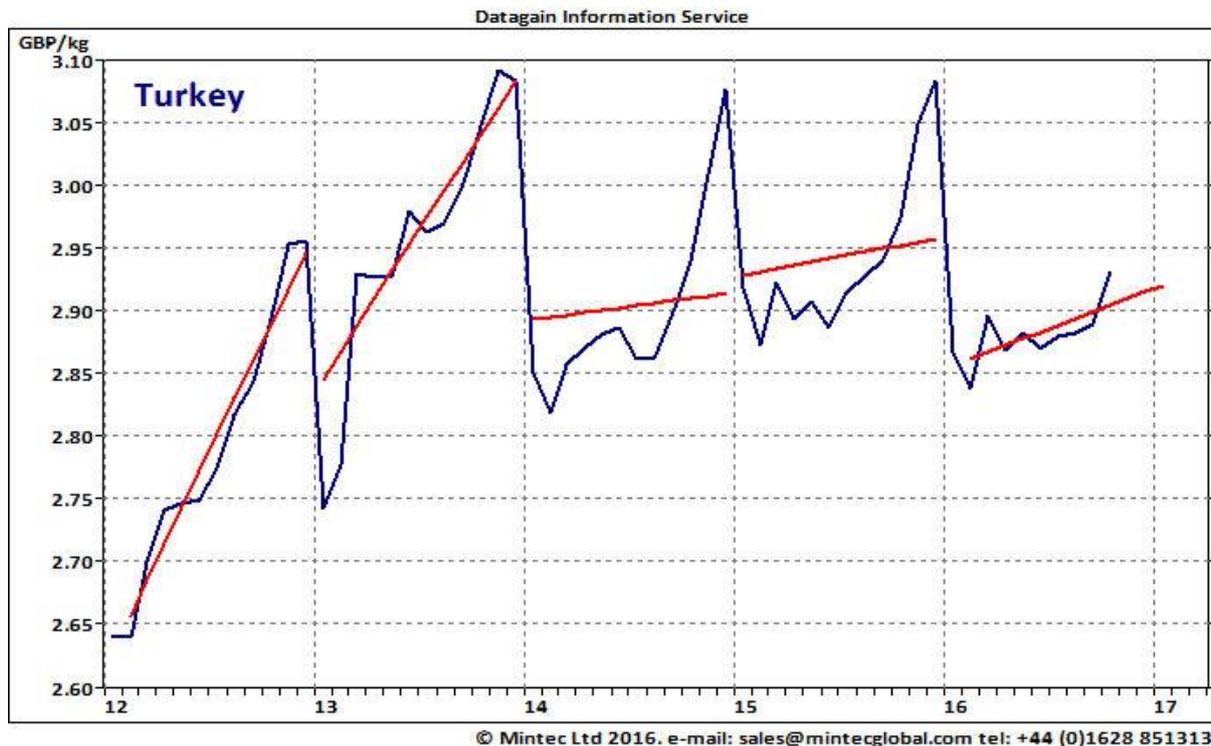


Percentage make up of a traditional Christmas dinner in the United Kingdom





Turkey



Price of turkey, 2012-2016 with yearly trend

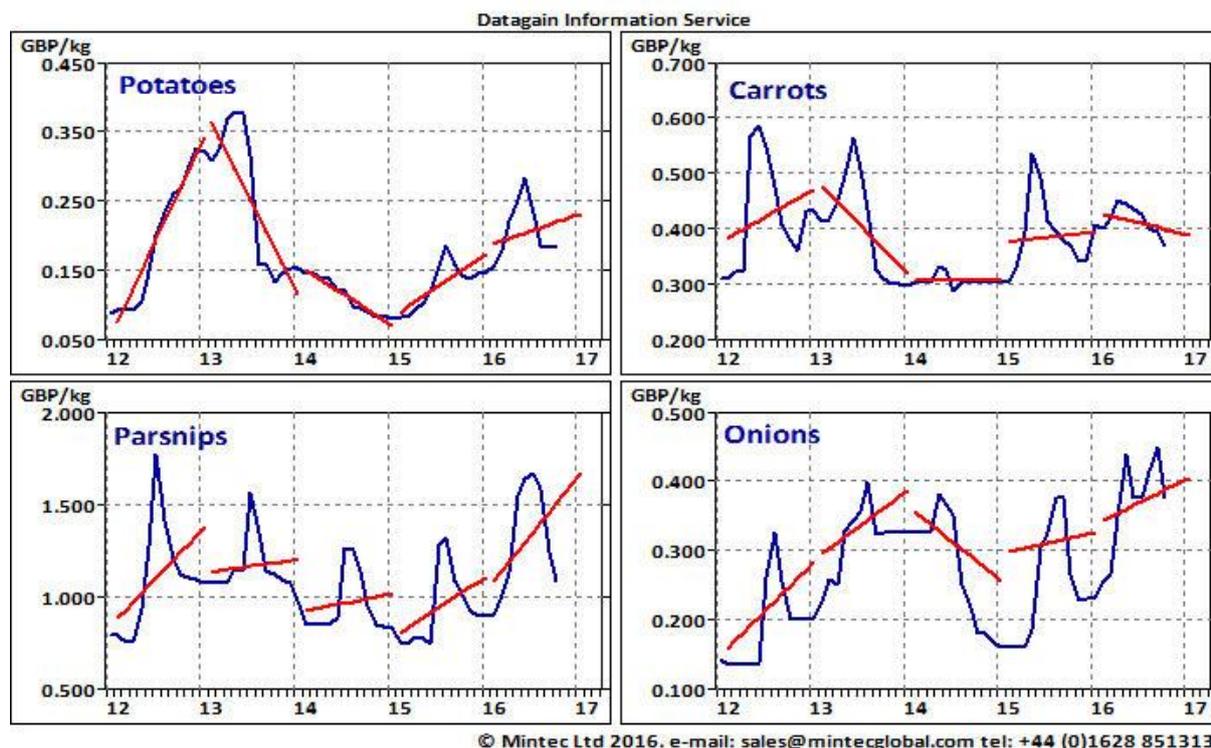
On Christmas Day, the traditional centre piece on the British dinner table is a turkey, with 87% of the people in the UK believing Christmas would not be the same without the traditional roast.

In October 2016, UK turkey prices were down 2% y-o-y, as the Christmas demand has not quite set in. In 2015, turkey prices were generally higher than in 2016 due to global concerns over avian flu. Turkey prices are likely to increase further between now and Christmas, due to higher demand, meaning, as always, it's best to buy early if you can.

Turkey meat is not only used for the Christmas bird in many UK households, but also consumed in the run up to Christmas, where demand generally peaks for turkey in the retail and restaurant trade. In anticipation of the festive demand, September turkey slaughters were up 10% y-o-y, totalling 1.3m birds.



Vegetables



Price of potatoes, carrots, parsnips and onions, 2012-2016 with yearly trend

Now, turning to our Christmas roast vegetables, prices have increased y-o-y for potatoes, onions and parsnips, but carrot prices have come down slightly.

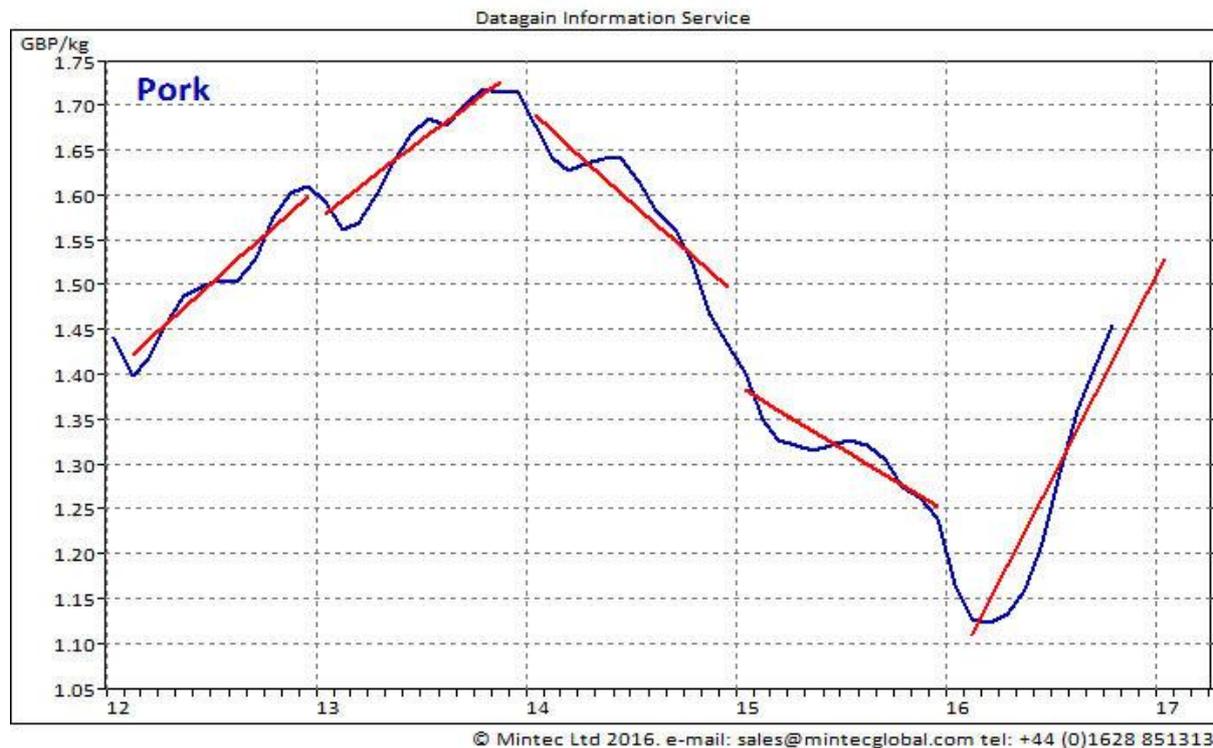
For potatoes, extreme weather conditions in the early parts of 2016 are expected to reduce yields, despite a 3% y-o-y increase in planted area. Plantings were delayed at the start of the season due to unseasonably cold weather, while a lack of sunshine hampered potato growth later in the season. In September, farmers were prevented from harvesting some of their crop due to dry and hot weather conditions. The situation in the UK markets has been aggravated by tight potato supplies elsewhere in Europe.

Plentiful supplies of carrots from the majority of European producers this year have reduced export demand across the continent, causing prices to fall compared to last year. Prices for carrots and parsnips peaked seasonally midway through the year, but have declined since on improved supplies from this year's harvest.

Onion producers in the UK faced difficult growing conditions this year, similar to potatoes. Onion production was affected by cold and wet weather in spring and early summer, followed by a lack of rain in later parts of summer and into early autumn. This is likely to cause total onion output to decline this year. Luckily for UK consumers, good onion supplies are expected from the Netherlands, Spain and Poland, with Germany also reporting good yields this year.



Pigs in blankets



Price of pork, 2012-2016 with yearly trend

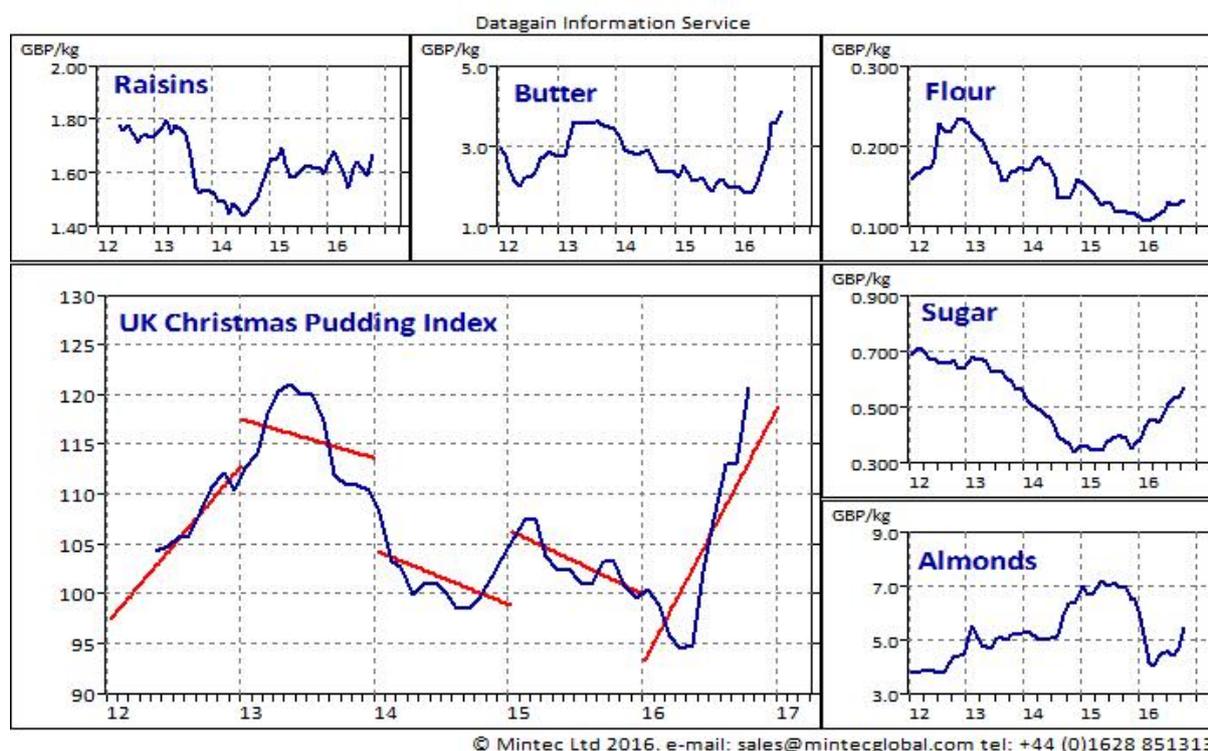
For some, Christmas dinner would not be the same without pigs in blankets to go along with your turkey. However, this year they could be more of a luxury item, with pork prices on the up in 2016.

Since May, UK pork prices have been following an upward trend and were up 14% y-o-y in October. This has mainly been driven by higher export demand from China, due to low prices seen at the start of the year and lower production forecasts in 2016. Exports in August were up 3% y-o-y totalling 15,900 tonnes, with China being the main destination (accounting for 68% of total stock). Production of UK pork in September was down 2% y-o-y, totalling 78,000 tonnes.

With demand rising in the run up to Christmas for these tasty little treats, also great as Christmas party food, could we see pork prices rise even further?



Christmas pudding



Price of Christmas pudding, 2012-2016 with yearly trend

On Christmas Day, following our main feast, many of us will look forward to delving into the UK's favourite festive dessert – the Christmas pudding. Each year an estimated 25 million Christmas puds are set ablaze on 25th December - a staggering number seeing as they aren't consumed outside the UK!

Prices for the commodities used in our Christmas pudding increased 21% y-o-y in October to their highest levels since 2013. For the Mintec Christmas Pudding Index, we weighted our ingredients using a traditional recipe; 1kg raisins, 250g butter, 140g flour, 100g sugar and 50g almonds.

Raisins, which make up most of the traditional Christmas pudding, are mainly imported into the UK. Global supplies have been high in 2016 due to ample carry-over stocks from the US and a large raisin and sultana crop from Turkey. Despite plentiful supplies, raisin prices in the UK have increased y-o-y, due to the depreciation of the GBP.

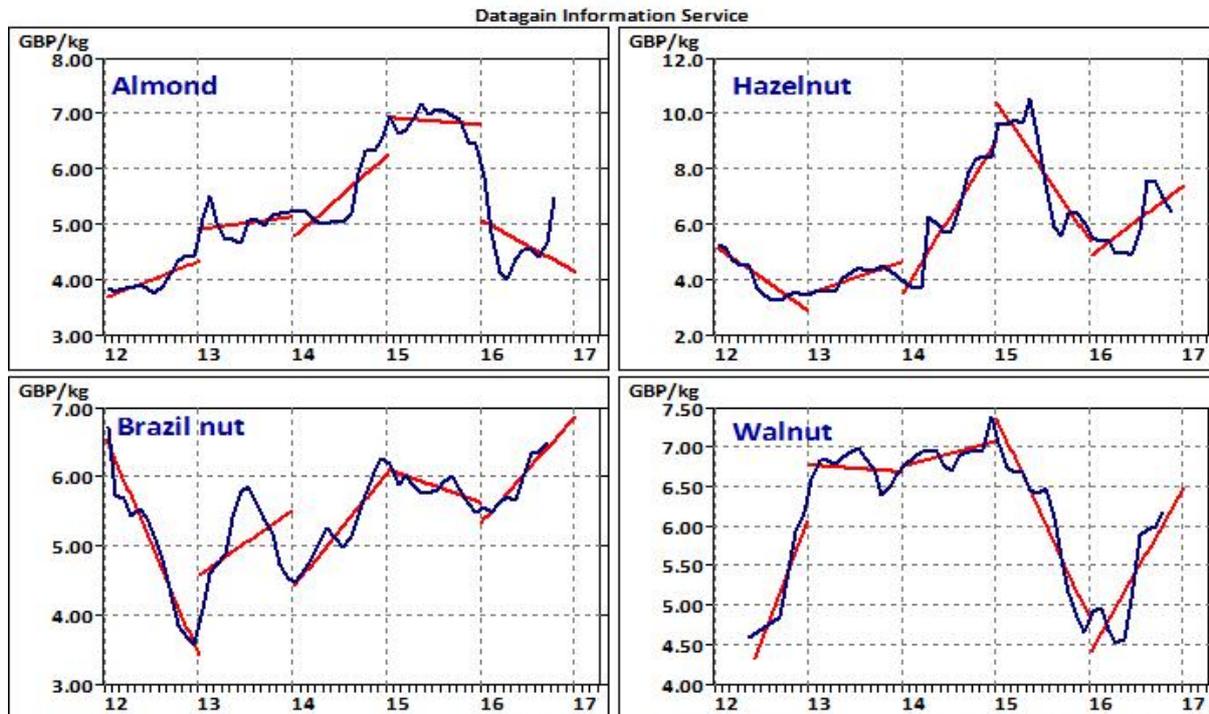
Butter adds moisture and gives the pudding its infamous gooey texture. This year, falling milk and milk fat supplies across the UK has limited butter production, causing prices to reach their highest levels in over 5 years leading up to Christmas.

These ingredients are mixed with flour and some sugar for sweetness. Wheat prices in the UK have risen due to an increase in demand from millers, as a result of the high quality crop this season. Furthermore, concerns over the quality of EU crop, following heavy rains in the region between May and July, have also raised demand for UK wheat exports. In the EU, sugar prices have risen this year, due to low carry-over stocks from the 2015/16 season and high levels of consumption in 2016.



Finally, Californian almond production (the main exporter) is forecast up 8% y-o-y to 930,000 tonnes this season. This has pushed down our almond prices y-o-y.

Mixed Nuts



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Price of mixed nuts, 2012-2016 with yearly trend

What would Christmas be without a selection of our favourite Christmas nuts! Each supermarket chain sells their own selection; we have picked the ones which would never be missing on our Christmas table. As all nuts are imported from their respective origins, they have all been affected by depreciating sterling since the Brexit vote in June.

For almonds, the good news is that prices are below levels seen last year due to a strong harvest in California, the world’s largest producer, with the crop projected at 930,000 tonnes, up 8% y-o-y. With carry-in stocks estimated at 412m pounds, total supply for 2016/17 has been projected at almost 2.5bn pounds.

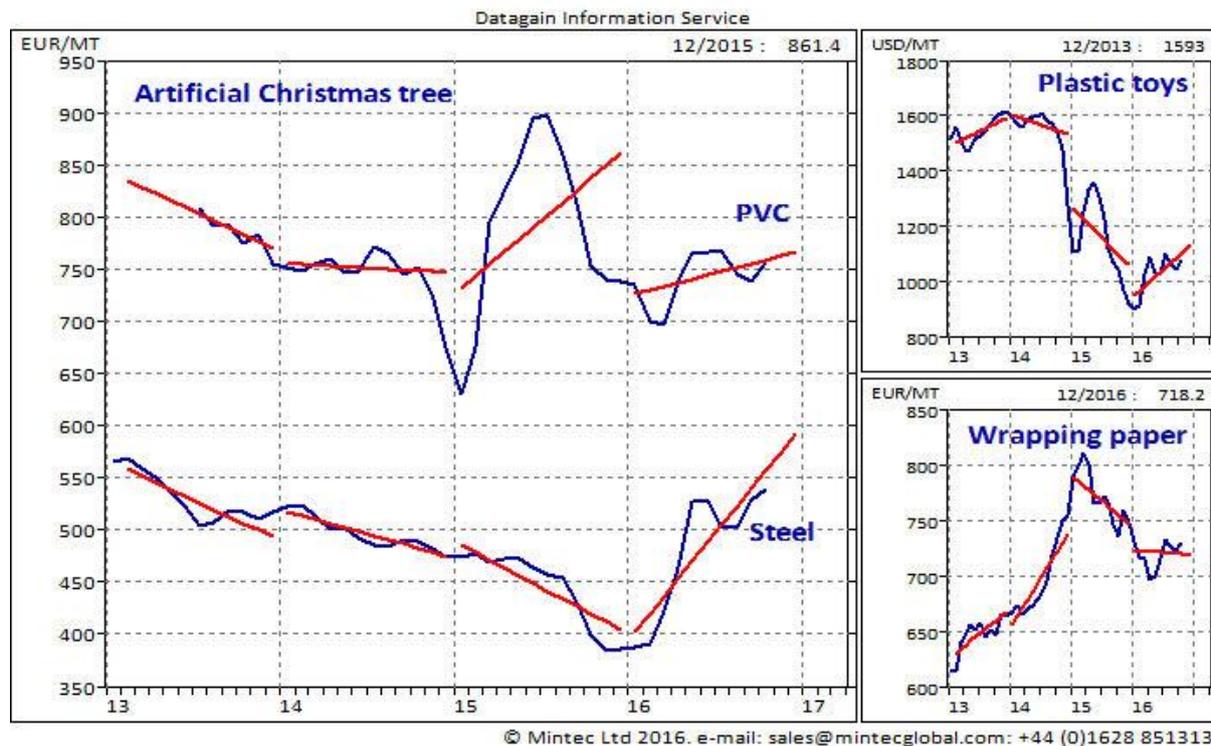
Hazelnut prices spiked in August as Turkish farmers decided to hold on to their stocks and stimulate a higher market price. Turkey is the main hazelnut producer and, with harvests estimated down 17% y-o-y at 580,000 tonnes, supplies have been limited this year.

For the Brazil nut, concerns over the crop in Bolivia, caused by a lack of rainfall at the end of 2015, influenced prices in the early months of 2016. In addition, parts of South America were affected by heavy rains related to El Niño, which disrupted the harvest and logistics. For the British consumer, prices have increased due to the depreciation of the GBP.



European walnut prices are increasing due to a late start to the harvest season in Eastern Europe, currently limiting supplies. In addition, European processors are ramping up production to meet deliveries for Christmas supplies across Europe. In the US, the largest walnut exporter, production is forecast to increase 11% y-o-y to 608,000 tonnes, which is being absorbed by increased demand from Asia.

Christmas Tree



Price for artificial Christmas Tree, 2012-2016 with yearly trend

Whether it's because they make no mess, or because they are an investment piece lasting year after year, artificial Christmas trees are becoming increasingly popular. The needles can be made from polyvinyl chloride (PVC), wrapped around steel branches and frames. European PVC prices rose in Q2 2016 due to high feedstock costs and tight supply. Reduced demand caused prices to ease in Q3, but recent feedstock cost increases left prices unchanged y-o-y. After reaching low levels in Q4 2015, European steel prices have been trending upwards due to a rise in cost of feedstock, coking coal. Production cuts in China - to reduce oversupply and pollution - caused coal prices to increase 81% since January. Consequently, steel prices are up 39% since January and 35% y-o-y.

Of course, you can't have a tree without presents underneath! From toy cars to action figures, plastic toys are popular presents for children. After reaching a seven year low, polypropylene (PP) prices in China are up 19% since January, and 3% y-o-y, due to high demand and rising cost of feedstock, propylene. However, PP prices still remain at low levels due to low crude oil prices.

Finally, you can't give presents without wrapping them! The idea of wrapping paper has been around for many centuries, but modern gift wrap was developed around 100 years ago. Wrapping paper is made from dyed and decorated pulp. European pulp prices fell in Q1 2016, due to increased imports from Latin America and Asia, causing high supply in Europe. Additionally, reduced demand from China,

a major importer, added downward pressure. However, increases caused by reduced supply have left prices down by just 1% y-o-y.

Conclusion

So, is Christmas 2016 going to be cheaper than 2015? The Mintec Christmas Dinner Index shows that unfortunately it is highly unlikely, with some of the key festive treats and decorations costing more y-o-y.

As we have seen, turkey price is down y-o-y, but it is highly likely that prices will be pushed upwards in the run up to Christmas. We are seeing recent highs in pork prices with further increases expected. Most of the nuts and vegetables in the UK are imported, but with the GBP still weak from the aftermath of Brexit, imports are more expensive overall.

Soaring milk prices in the EU has also made the traditional Christmas pudding more expensive this year. Additionally, key ingredients like flour, sugar and almonds are also trending upwards compared to last year.

On a brighter note, raw commodity prices for plastic, wrapping paper and steel are down over all y-o-y due to higher supply, which should make durable goods cheaper.

It is worth noting that prices are likely to rise in December as demand grows, so if you want to take advantage of the lower prices this year, stocking up on turkey and pork early is probably the best course of action.

Company profile

Mintec Limited

Mintec has a long and successful history of working in partnership with sales, purchasing and supply chain professionals, primarily in the retail, manufacturing and food service sectors. We deliver unique understanding and valuable insight into a vast range of worldwide commodity and raw materials markets.

Using innovative technology and a highly experienced and knowledgeable team of specialists, we have the proven ability to provide independent insight and trusted, authoritative data, and to translate this into expert analysis. This expertise helps the world's most prestigious brands to make the intelligent, informed decisions needed to reduce costs, manage risks and realise commercial opportunities in order to reach their business objectives.

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