



MARKET REPORT

september 2021

„In the middle of difficulty lies opportunity.“

Albert Einstein, 1879 – 1955



PICKING UP SPEED

Germans fear inflation like “the devil fears holy water”. It is currently just under 4%, the highest level in 28 years. Many a politician who would like to be Minister of Economics or Finance, or both, is already saying in public that 5% is imminent next year. In one and a half weeks, elections will be held in the Federal Republic of Germany. Fear of inflation has a historical basis in this country, and stoking fears is part of the election campaign. Abyss, panic?

No! So, let's stay down to earth as experienced market participants and merchants. Anyone who has to deal on a daily basis with volatile purchase and sales prices, with fluctuating rates at sea and on land, with forecasts and varying prices and quantities, globally and nationally, and as an international importer for decades, knows that inflation is a good thing this time. The rising inflation rate proves that the economy is picking up steam again. Nothing stands still anymore, nothing sputters, the economic engine is humming again.

After all, the German government has pumped a good EUR 81 billion into the country for this purpose over the past 36 months – in economic aid and support for society. And this was also the case in other industrialized nations in Europe. The demand now is for more raw materials and goods, more oil, more primary products and more freight capacities (which are coming, as PMM reports exclusively in this market report).

The desire to spend, to trade, to consume is on the rise again. We dare to do something again. We all want to catch up. Tariff partners are even arguing again. All these factors are initially driving up prices. On the supplier side and on the consumer side. They will settle at a healthy level as early as next year. That's good for a strong takeoff in Europe. The ignition has worked. We, at Paul M. Müller, are also going full throttle again.

TOMATOES *Non-Stop*

Everyone is asking for tomatoes, we have some: Take a look at how our popular **1-liter ADRIA passata is made** on the production line. In Italy, the factories are working non-stop. Last week (as of 6. 9.), 70% of the planned quantities had been produced, an insider tells us, and this is expected to continue until the end of September.

In total, Italy expects a harvest output of 5.6 million mt of tomatoes to be processed. The quality is excellent: healthy fruit, beautiful color and a high Brix content. There is one downside: at present, the 3-kilo cans (peeled tomatoes), which are important for the HoReCa sector, are in short supply because

there is a lack of sheet metal for bulk canning or, in many cases, it is processed for small cans.

And, have you ever wondered what a "high brix" means? You can find out in the next PMM College on our website right after the market report. Be curious, it's worth clicking!



Click here!





PULSES

The market for pulses is under extreme pressure. The great drought in North America (USA/Canada) and an equally weak harvest in Eastern Europe (which has just started) are putting pressure on the expected volumes. Prices are rising day by day. Alternatives from China are hardly profitable at the moment. The supply of chickpeas and lentils is "very reduced, prices are out of control," market insiders tell us. The harvest of giant white beans from Eastern Europe has been rained out; unfortunately, there is hardly any raw material let alone reliable offers. Furthermore, the scarce availability of cans or expensive tins is a factor, and there is a threat of problems during transport. At the same time, more kidney beans are in demand again and the demand for chickpeas (trend food humus) is unbroken. PMM is still well stocked with all products (below ADRIA quality).



Peaches

The situation also remains critical for peaches: 50% less raw material, almost a doubling of prices. Greece is an example of this (see also PMM market report of July 2021). The result is currently a scramble for available volumes. "We are living from hand to mouth," one buyer tells us. Not every demand can be met, he says. Whoever ordered first gets the goods.

APPLES *and pears*

Encouraging trend for apples: Sufficient quantities were picked across Europe this year, namely around 11.74 million t (+1% in a three-year comparison since 2018). The varieties in detail: 2.12 million t of Golden Delicious (+8% year-on-year, although -4% three-year comparison); 1.56 million t of Gala (+8% year-on-year and three-year comparison); 685,000 t of Idared (+9%); and 640,000 t of Red Delicious (-3%). **Canned apple production starts at the end of September.** "The first raw crop is just arriving," we learn. A slight price driver could be the expensive tins (for cans) and transportation. New contracts are just about to be signed. By the way, apples from **China** (crop volume over 45 million tons) do not play a role in Europe due to import duties and high freight costs. Neither do apples from the **USA** (4.5 million t). Rather, America obtains up to 80% of its demand for apples from China, reveals an insider.



In the case of pears, on the other hand, there is virtually no raw material available for the industry. A total quantity of only 1.6 million tons means -28% compared to the previous year - less than at any time in Europe for ten years. **Italy** alone, one of the main supplier countries along with China, reported a dramatic 65% drop in harvests. Too small blossoms already made people skeptical at the beginning, hail and frost in the Italian growing areas almost completely destroyed the pear harvest. Heavy losses were also reported by **Belgium** (-25%) and **France** (-57%). "This is a disaster," a fruit expert from northern Italy explained when asked. "At best, we are talking about very small quantities that can be processed." As a result, prices are now skyrocketing. What impact this will have on cans of 5-fruit cocktail we'll be watching closely.



Tuna

We had already reported in detail on the tense tuna situation (low catches, high prices) in the July market report. In Bangkok, the raw material price for skipjack appears to have peaked at US\$ 1500/t. The critical pandemic situation in Asia continues to keep the industry in suspense. Landings remain low, there is a shortage of foreign workers who are not allowed into the country due to Covid. Thai factories are cutting back production, and factories in Vietnam have been completely closed for six weeks.

Market experts expect production to remain limited in both countries.

Yet the demand is there, caterers and food service worldwide are again demanding more tuna. In Europe, demand for Yellowfin tuna is rising, and it is already becoming more expensive again. We have everything in stock, from small to large cans, from solid packs (especially Yellowfin in ADRIA premium quality is used here) to pouches.



LOGISTICS:



New Ships, NEW HOPE

The shipowners do what they want, they have learned how to make money. Nevertheless, there is cautious optimism: shipping is resuming, the ports in China that were closed for a short time have been open again since September 1. New containers are expected to solve the problem with empty containers on the world market. And new ships are coming on the market, PMM learned. We spoke to Manuela Reccavallo-Blumenthal, market insider at transport and logistics specialist SRTS Europe (Düsseldorf), about this.

PMM: Ms. Reccavallo-Blumenthal, when do you expect to see relief in the ocean freight market?

Manuela Reccavallo-Blumenthal: "Golden Week" in Asia is coming, Christmas business and then "Chinese New Year", yes, it remains difficult overall, but then we expect an easing - around the middle of next year.

What makes you so optimistic?

New capacities, new carriers are coming onto the market at the beginning of the year. Several new 23,000 TEU vessels have been ordered and are due to start operations in March at the latest. That should lead to an easing of the situation. These are already very large container ships. Nevertheless, we have to keep an eye on how the pandemic situation in Asia develops. It will still take a while before things settle down again.

But as an importer, you can't just wait and see ... Do alternative options such as transport by rail play a role??

We believe that precise advance planning is more important than ever at this time. What is the forecast for the next few months? Preferably by Chinese New Year. At the moment we have lead times of six weeks. So that's how much time passes from the time you place the booking until you're on the ship. It used to be within one to two weeks. The train is an option, but just like ocean freight, it's now fully booked and there are significant delays. For urgent things, there would be the plane, but that is unlikely to be worthwhile for cost reasons.

Thank you very much.





INQUIRED

Successful baton change (as reported in the PMM blog of Aug. 31, 2021) at the Waren-Verein of the Hamburg Stock Exchange. On September 1, **Jeanette Gonnermann** took over from **Dr. Helena Melnikov** as Managing Director of the Waren-Verein. We thank Dr. Melnikov for her great association work and advocacy for over seven years.



Dr. H. Melnikov (re)
und J. Gonnermann (li)

PMM: Ms. Gonnermann, what first steps do you plan to take as the new Managing Director of the Waren-Verein?

Jeanette Gonnermann: It is very important to me to establish and maintain personal contacts - both nationally and internationally. Everyone should know what makes Mrs. Gonnermann tick and what the Waren-Verein stands for. But with the great team here on site, we will succeed without any problems.

What are the most pressing issues?

There are topical questions to be asked: Where do we still want to go? What is in store for us in terms of EU regulations? One keyword, for example, is sustainability. And a not insigni-

ficant aspect of many foods is the topic of origin. But I also see a lot of potential in hygiene standards and nutrition, for example with the nutritional value table.

What do you mean exactly?

I think we should continue to build on the associated positive image towards the end consumer. We are lucky to be dealing with great products that are highly regarded both by wholesalers and consumers. We can and should use this to market ourselves even more.

We agree and wish you every success.

BRAND NEW

*We don't take everything; but this jackfruit does! From now on you can get the classic tropical fruit in organic quality from us. **Paul M. Müller** now has the largest tree fruit in the world from **JACKY F.** in its assortment. Jacky F., a sustainable young start-up from Germany, was the first company to bring the tasty pulp of the young organic jackfruit from Sri Lanka to Europe in 2016. We were convinced by the dedicated team and the great recipes. If you are interested, please contact **Fabian Kretschmer** directly **Tel. +49 (0)89 613868 27***



NEW assortment lists



The new PMM assortment lists are here: **clear, up-to-date and crisply fresh. Here once for ADRIA**, Paul M. Müller's top line. And brand new **especially for MUTTI**. We have over 40 products of the Italian cult brand in our program.

Now we wish everyone a nice late summer.

Your team from Paul M. Müller.