



# MARKET REPORT

May 2022

*„Nothing happens without risk,  
but without risk nothing happens either.“*

*Walter Scheel (1919 – 2016), German Federal President*



**PMM***dosed*

*Our column.*

## RIGHT or WRONG?

I was puzzled by a report in the trade press in the first week of May - once again: "Henkel cuts 2000 jobs as part of realignment". There was talk of a divisional merger, brand review, savings, CEO makes speed ...? Wow, I thought, what a dynamic in turbulent times. I must be doing something wrong. Paul M. Müller is hiring new employees. We're growing online. PMM is launching new brands and products on the shelf. We even made a cool **movie** about us respectively our motto and what ADRIA is all about (here). I thought about it for a long time, pondered and wrestled with myself. My conclusion, however, is that no, I didn't do anything wrong. Not as an entrepreneur who has to take a risk, and not as an employer who has a responsibility to his employees. We give young talent a chance even in difficult times, we know our business and continue to learn. We know the pitfalls in the industry, and we actually have our divisions pretty well under control. Oh yes, I'm right in line with my fellow Managing Director Fabian Kretschmer, who just recently stated quite correctly: "Stock keeping is in, just-in-time is out". This is exactly the current challenge of a so-called inventory risk. Outdated? No, it has always been a classic irritant between manufacturers and retailers - especially in difficult times. As entrepreneurs, by the way, we quite consciously assume this risk for our customers. And we are happy to do so.

Thomas **Schneidawind**





NEW  
season

## Tomatoes: BLOW ON BLOW

Whether peeled tomatoes or real diced tomatoes - nothing is left, the market is sold out. 3-kilo, 5-kilo cans or bag-in-box (BiB, 10 kg) - nothing is left. "With the Corona scare breathing down our necks, there was simply too little production last year," says one market expert. It is important to know: producers plan their production capacities as well as the procurement of empty cans (small/large cans for food retail and Horeca) long before the harvest. However, last year there was no planning certainty whatsoever and producers played it safe - preferring to produce in small containers for food retailers or in drums for the industry.

So we start anew from an empty market (without surpluses) into the new tomato season, while the cry for goods from the finally resurgent Horeca area (**H**otel/**R**estaurant/**C**atering) is just getting louder. Raw material from the current harvest however, is not yet available. "The situation is very difficult," explains the insider. very high initial prices are emerging for the new crop."

Another unknown: water shortage! Difficult to predict for all regions, but already an acute problem for Spanish farmers. In addition, corn and wheat are competing with tomatoes - the reason for this is the global shortage of cereals. And so the total area under industrial tomatoes could be 10 % lower this season, observers estimate.

**The fact is** that raw materials are becoming more expensive, packaging materials are also becoming more expensive (although it is not sure if they will be delivered on time) and the price for empty cans is still extremely high, even though can availability is assured for this season. Cost drivers also remain expenditures for energy: electricity and for gas - the latter is required by the tomato industry in large quantities mainly for the production of "high Brix products" such as tomato paste. But also the available quantity of new tomato paste will be much lower than last year.

**Spain** is expected to supply too little raw material, **Ukraine** is likely to be out for the most part, and goods from **China** are still out of the question due to the high freight costs and the stalled container routes. PMM Managing Director Thomas Schneidawind predicts that "we are facing an unprecedented run on new goods," and advises to "replenish stocks as quickly as possible before everything is sucked up in the market".

**What's next?** PMM, on the one hand, can still offer tomato goods from its central warehouse and as a direct delivery. In addition, we have pulled out all the stops to be able to supply the Horeca sector in particular with the best goods.

At the beginning of June we present something special, not ordinary: whole peeled tomatoes with basil in 4 kg (A10) cans, which we have newly added to our program as ADRIA premium quality. In addition, we now offer DONNA ROSA bags (2x5 kg of fine tomato pulp) as a replacement for the no longer available 10-kg BIB, which are particularly sought after by pizzerias and other catering establishments. And that's not all: from September 2022, peeled tomatoes in 2650ml cans will be available under the new trendy brand PAOLO ROSSI made by PMM. Be curious. Soon you will read more about it on our website.




 NEW  
season

## PEACHES & APRICOTS

In **Greece**, a bountiful peach and apricot harvest is on the horizon for 2022. Last fall, the market had to swallow losses of almost 50% and a doubling of prices for products from this country of origin. Not every demand could be met. There are reports from **Spain** that the current harvest volume will probably be lower. At present, only cautious negotiations are taking place on prices and delivery volumes for canned goods. Rising costs for energy, cans and logistics continue to have an impact. Market experts currently expect price increases of between 3% and 6% for canned peaches and between 8% and 9% for apricots. One thing is certain: The entire food service and processing industries are desperately looking for new products in this segment as well.

## *Anchovies*



PMM's delicious anchovy fillets in sunflower oil (can 630 ml) are currently crossing troubled waters: from the origins **Peru** and **South Morocco** (off Agadir) currently weak catch results (only small calibers) are reported. Fortunately the stocks in Peru are well filled, our main supplier there reports, so that for the time being sufficient raw material is available. Nevertheless, there are currently increases in the price per kilo of almost 20% compared to the previous year, due to higher expenses for packaging and rare or expensive sunflower oil. However, the average price is still well below that of the product from Morocco, **Argentina** (which, by the way, has just lost its MSC certification) and **Spain**, where the catch season is currently in progress. There the price is the highest. However, the exorbitantly high freight costs for the route across the Atlantic are causing us headaches. We are currently trying to find the best solution together with our Peruvian partner so that we can continue to provide PMM's customers with the best quality goods in the future.



## TUNA

After two years of pandemic stress, our global tuna industry partners are slowly reporting "business as usual" again. However, the weather phenomenon El Niño is currently causing weak catches in the Pacific Ocean. Massive wind currents along the equator are warming the water surface. The schools of fish submerge and are more difficult to locate. Catches in the Indian Ocean and from the Atlantic are limited. The still high costs for packaging and shipping oil continue to drive up the current raw material prices (Skipjack/Yellowfin) at the main trading center in **Bangkok**. Due to the strong US\$ at currently 1.04 to the Euro, the selling price is already above 9€ for canned tuna (1705g, chunks in oil or water). We are in daily contact with our producers. PMM remains available with top products (e.g. Solidpack and Pouch!).

NEW  
Season

## Hot peppers



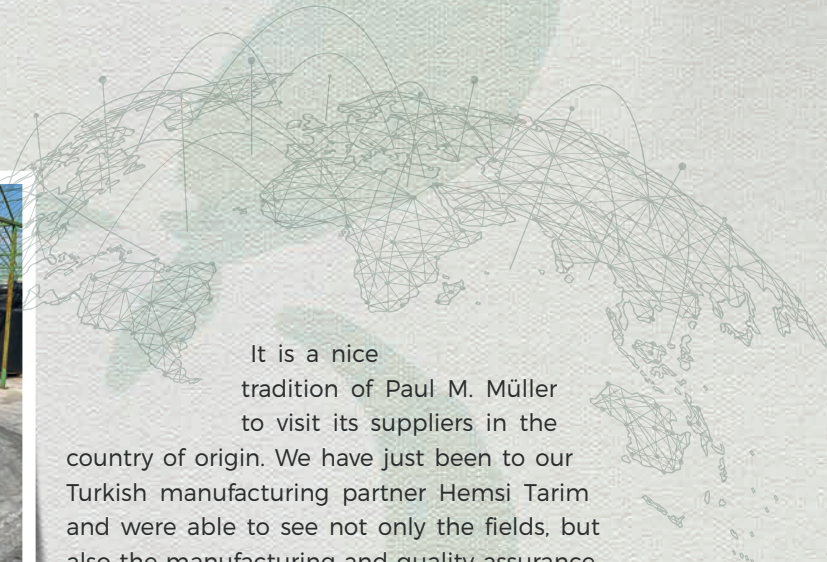
In **Turkey**, much less peppers and hot peppers were grown for the current season than last year. Unsold products from the last season are not available, especially the product pepperoni Lombardi 'cut' (4250 ml) is not available until the new harvest. Due to the exceptional heat, last year's harvest was not productive both in Turkey and **Egypt** - the pods literally "burned" in the fields. This has also led to contract reductions or non-fulfillment even by reputable producers at this country of origin. Fortunately, we at PMM are still sufficiently stocked with 'whole' pods - so the task now is to use this alternative and to encourage the staff in the kitchen to cut them on their own.

We expect price increases of up to 55% for the new crop for the 5-kilo and 10-kilo cans. Price drivers in Turkey are also energy costs (gas/electricity), packaging and an expensive dollar. However, the main cause for concern is high inflation of between 40% and 65% (depending on the data).

## PMM on site



Moiz Hemsî, Thomas Schneidawind, Bahar Atrek und Albert Hemsî in front of Pepper barrels (L-R)



It is a nice tradition of Paul M. Müller to visit its suppliers in the country of origin. We have just been to our Turkish manufacturing partner Hemsî Tarim and were able to see not only the fields, but also the manufacturing and quality assurance. The personal talks are important, where we are also informed about problems. The biggest problem here, he said, is also finding (good) staff.

"Especially in the fields, fewer and fewer people want to do the tedious manual labor in the heat of summer. In contrast to tomatoes, there are no possibilities for harvesting by machine in the case of hot peppers, peppers and also capers," explains **Moiz Hemsî**. It is very valuable to "further strengthen the long-standing friendly relationship and build on the trust," the company owner emphasized.





## INTERVIEW

# "SHELF PRICES *will remain high*"

Planning security, making advance payments, assuming inventory risk? We wanted to know how PMM's partner on the supplier side (for chickpeas, white beans and kidney beans) is dealing with these currently biggest challenges in the market. Answers are provided by long-time market expert **Carolina Grimaldi**, Managing Director of the southern Italian bean producer **Eurocom** (Angri).



Carolina Grimaldi

**PMM:** Ms. Grimaldi, the current market situation for pulses is a disaster. Energy prices and labor and packaging costs are skyrocketing, and agreed containerized goods are not arriving on time. How do you see the development in Europe and worldwide? Do you see any chance of getting out of this mess?

**Carolina Grimaldi:** These are precisely the explosive questions we have been asking ourselves for months. So far, unfortunately, we have not found any satisfactory answers. The situation remains extremely difficult. What we can say with certainty: The management of this crisis and the related slow restoration of normal socio-economic conditions depend on the decisions of the EU and the international community.

In addition, supply chains are breaking down - especially now, when demand is finally increasing after two years of pandemics. What do you see as the biggest challenges in the near future?

For us, it is a matter of course to fulfill all existing contracts and to supply our customers with the necessary raw materials. We did this even during the most critical phase of the pandemic.

However, in view of the steady rise in production costs, ever higher raw material prices and the associated decline in profit margins, it is becoming increasingly difficult for us to make financial

advances and meet the demand for goods through forward-looking purchases and consistent stockholding. But this is precisely what would significantly limit the risk and damage in the event of an impending supply chain collapse.

**The engine in the food and hospitality sector has just started up again. What do you expect in terms of market adjustment or shakeout? Who will survive?**

That's a very tricky question to which I can't give an answer and don't dare make a prediction.

**How do you assess the future price level on the consumer side?**

Only a new balance on the international 'chess-board' of all market participants can lead to a calming of prices. But even then, shelf prices will probably remain high.

**How important is partnership between the various market players for you?**

Vital to survival! Especially under these circumstances, serious, fair and intensive cooperation between all parties is absolutely essential.

**Thank you for the interview.**



## LOGISTICS *on the brink of collapse*

The transport problems worldwide are coming to a head. In addition to the container congestion on the world's oceans, the route business with Southern Europe is now also threatening to collapse, warns PMM Managing Director **Fabian Kretschmer**. The provision of trucks is becoming increasingly difficult and expensive. Drivers are missing or have to be retrained at great expense in accordance with new EU requirements. "Currently, delivery dates, agreed quantities and prices are on the line," explains Kretschmer. Many people do not yet

have a clear picture of the dramatic situation. "We are prepared for anything and are trying to restock as best we can to secure supplies," emphasizes the PMM manager. In the short and medium term, however, there is no relief in sight in the logistics sector, he says. On the contrary, the situation in European overland transport will worsen in the short term, he adds. "In particular, I see June and July as very critical months for freight space and prices. Here, too, the rule is 'take it or leave it!'"



## *Hit*

The jump into cold water can go wrong. Not for **Eve-Florence Gölz**. Our new purchasing/sales manager at Paul M. Müller since April 1 is glad that she is "just getting hardcore experience of everything at PMM and not everything is just running in calm waters." Expensive purchasing, high dollar, the run on tight offers, sales not at any price - there are indeed rough waves in the market at the moment. However, the 33-year-old business economist and long-time ex-Wasgau employee (Pirmasens) has sufficient know-how and has an experienced captain at her side in PMM professional **Martina Schulke**: At the end of the year, Gölz will then take over the role 'Category Management Fish' at PMM completely. We are very happy about the newcomer on board.



Eve-Florence Gölz with jackfruit

**Finally, summer is calling!**

Until then, we wish all friends and partners of PMM a good start.

*Your Team from Paul M. Müller.*



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