

GLOBAL
OUTLOOK

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Last month I reported on how Maersk Line, the world's largest container shipping company, had taken the industry by surprise with its announcement to substantially ramp-up reefer (refrigerated) freight rates by as much as 30%.

With the magnitude of the increases sinking in, there has been a difference of opinion over the Maersk strategy. Although it will be hugely problematic in the short term, many acknowledge that it is not in Maersk's long-term interest to be losing money on its reefer business. However, there are also many who believe the firm is simply using its size to dictate to the market.

Well, so far it looks like bad news for shippers as French carrier CMA CGM and now MSC, the second-largest global shipping line, have said they too will make similar rate increases from January. MSC claims: "Freight levels today are insufficient to offset the increasing operating costs, so the price rise is needed to maintain service standards and to safeguard further investment in the sector."

Maybe the writing is truly on the wall for 'cheap' freighting costs for the UK meat industry.

Meanwhile, one of the banners that Maersk continues to wave when people complain about rate rises is the issue of reliability and how it constantly tops schedule integrity reports. Fair enough, but it is worth noting that MSC rarely appears at the top of those lists, yet is still hugely successful.

With more than 50% of container business under the control of freight forwarders, we may be seeing a situation where they are taking the issue in hand, working closely with their key clients to allow the necessary leeway in the supply chain, so they will no longer tolerate paying a premium for such a service.

Finally, the arrival of winter means port delays can become a regular occurrence. Ensure you partner with the right freight forwarder to mitigate against this.

Tesco invests £25m into British pig, beef farming

Supermarket chain Tesco has said it is to become the first UK retailer to work directly with beef and pork farmers, as part of its £25m annual investment in UK agriculture.

The decision was made to help take pressure off UK farmers, following a rise in feed prices. Tesco said the move to create its new Sustainable Farming Group (SFG) will guarantee beef farmers an above-market price for their meat and a price linked to the cost of feed for pig farmers.

According to the National Pig Association (NPA) the move could play a part in transforming a struggling pig industry. NPA general manager Dr Zoe Davies said British pig-keepers have been plagued by short-term supply chains and volatile costs, preventing them from investing in the future. Davies said: "The new direct supply contracts by Tesco should be available for around 140 pig-keepers early next year and, in the NPA's view, could help transform British pig production."

Tesco meat, fish and poultry



Tesco: dedicated relationship

director Derek Lawlor explained that Tesco was the biggest customer of UK agriculture, which made him delighted to announce the new way of working with UK beef and pig farmers.

He said: "Pig farmers have been under pressure, with significant rises in feed prices, so it means a great

deal to work in partnership with them and British beef farmers to help secure the industry's future in this country."

The key to a sustainable industry is through retailers and farmers working together, added environment secretary Owen Paterson. He said: "Freeing up businesses from unnecessary burdens and getting them the right support will lead to a stronger UK production sector, which will allow British farmers to take advantage of the huge opportunities to supply markets at home and all over the world."

President of the National Farmers Union (NFU) Peter Kendall said: "Tesco's desire to establish a dedicated relationship with producers, matched with a long-term direct contractual commitment should be praised. Tesco is in a unique position as UK agriculture's biggest customer, allowing these contacts to have significant impact on both sectors."

N Ireland's chicken feet on their way to China?

Chicken feet could be Northern Ireland's next big export, due to work being carried out by environment secretary Owen Paterson.

While on his trade trip to China this week, Paterson paid a visit to a Tesco supermarket in the centre of Shanghai, where the subject of chicken feet was broached in a conversation with the store manager. In his online tour diary, Paterson said: "I was looking out for chicken's feet which are a delicacy over here; the store manager said he had to bring them from Brazil as he cannot get enough of them. A wasted by-product of the poultry industry in the UK can be sold here, adding value."

The UK processes more than 850m chickens each year and most of the 1.7bn feet from those chickens are rendered into pet food, along with heads, livers and gizzards. Many processors pay to get rid of the feet.

Invest Northern Ireland business



Next big thing?

international director Barry McBride said: "In relation to the opportunity highlighted by Defra Minister Owen Paterson, over the past week, a trade delegation of 20 food companies has visited Beijing, Shanghai and Hong Kong. Included in the delegation was Moy Park, our largest poultry processor, which is very much aware of this important opportunity."

Cranswick on 'hold' ahead of interim results

City analysts have reduced the target price of Cranswick shares ahead of the company's interim results next week.

Panmure Gordon & Co advised investors to hold on to stock, but lowered the price to 800p, citing the uncertainty over margins in the second half of 2013, due to higher pork prices. It said price negotiations were likely to remain the focus of the processors' interim report, due for release on 26 November.

Analyst Damian McNeela forecast a return to "normal margins", with operating profits up 26% to £23.9m, and adjusted profit before tax up 29% to £23.4m. This, he said, was driven by the return to more normal margins following a lag in recovering higher pork prices during the first half of 2012. UK pork prices, he noted, had continued to rise, with the DAPP now at 160p/kg.

In the six months to 20 September, Cranswick saw turnover 5% ahead of the same period last year and total sales up by 6%.