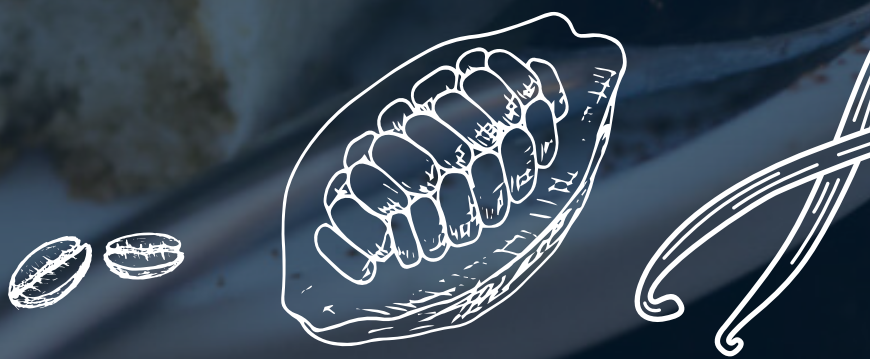


ADAPTING TO THE NEW NORMAL

# Writing the recipe for success in ingredients sourcing



## Adapting to the new normal: Writing the recipe for success in ingredients sourcing

Although the world has weathered the initial wave of COVID-19, the pandemic continues to cast a long shadow over global commodity markets, with the food and beverage sector feeling a particular pinch.

Like nearly every industry across the globe, border closures, quarantine measures, and labor sourcing struggles caused procurement teams in the food and beverage sector to reevaluate their supply chain positioning and sourcing strategies. Only a few months on and the foodservice closures that drastically reduced demand for commodities and sent prices plummeting has in large part reversed course, and now manufacturers and foodservice alike are faced with rising prices and an uncertain future that makes planning for next 'quarter's purchases anything but a trivial task.

When markets were turned upside-down in March, globally traded food commodities dropped 4.3% on average, [according to the Food and Agriculture Organization of the United Nations \(FAO\)](#). Over the summer, deteriorating conditions in many countries beset by the virus pushed prices down further with certain commodities like sugar recording prices that dipped to the lowest point in years. Although a fire sale would appear to have been the optimal moment for companies to pad inventories, many procurement teams were unable to take advantage of this worldwide discount. Instead, they are left searching for advantageous deals in a market that is trending upward.

**As the pandemic changes our shopping habits, food manufacturers have to ensure they have adequate stock coverage amid the demand uncertainty. Coupled with the currency fluctuations, the buying departments have a difficult task on their ' hands.**

With governments across the world, lifting measures restricting transport, trade, and dining, the soft commodities market is beginning to recover. However, the recovery is not evenly distributed due to differing geopolitical constraints and currency pressures. To help navigate the complex task of sourcing ingredients and better understand these pricing trends against benchmarks, the [Mintec Analytics](#) platform offers its [Mintec Benchmark Prices \(MBP\)](#) to provide real-time pricing data as part of more than 14,000 food ingredients.

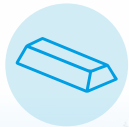
Global sourcing requires a layered approach.....	4
Coffee.....	4
Cocoa.....	7
Sugar.....	8
Vanilla.....	10
Mascarpone.....	11
Making it better for consumers.....	12

# Mintec Data Coverage

Price data on exchange-traded commodities is just the tip of the iceberg.



GRAINS



METALS



SUGAR



OIL



DAIRY



MEAT



CHICKEN



SPICES

Hard to find data on non exchange-traded commodities often represents your biggest spend.

Mintec brings you transparency with independent insight into more than

# 650

**Commodity types**

Mintec helps you to integrate commodity price data across your organisation faster and easier, saving you time and effort.



## Global sourcing requires a layered approach

Much like the layers of a tiramisu, building a product that has an appealing price point, quality ingredients, and stable production requires one to parse through the layers of a recipe. Time and again, it has proved advantageous to take the time to unpack the individual components of this classic dessert and understand how a simple adjustment in sourcing or ingredient substitution can make the difference between surviving the New Normal and thriving under these conditions.



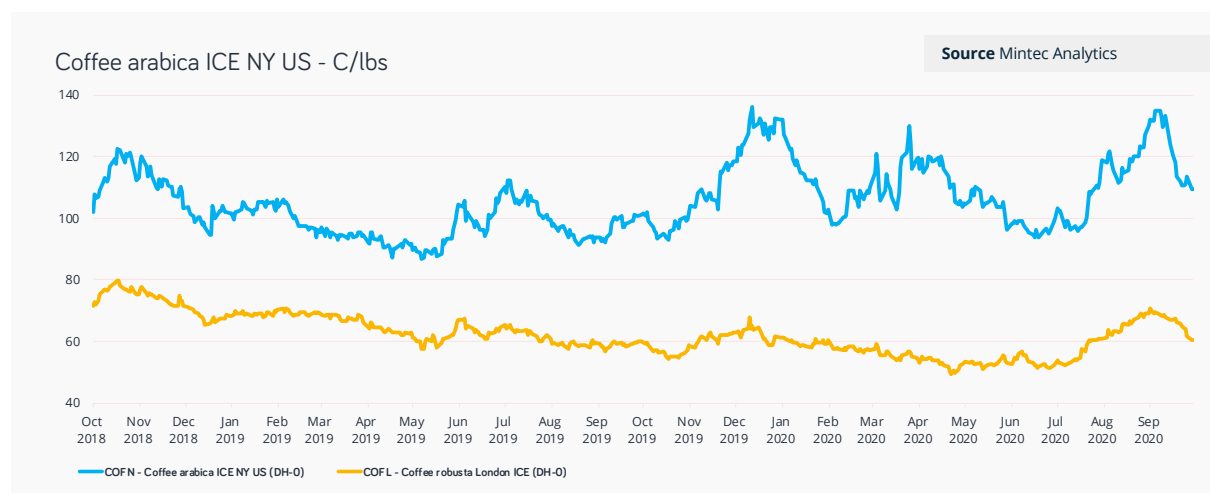
## Coffee

Late last year, coffee consumption was already predicted to overtake production in 2020, per a report from the [International Coffee Organization](#) and valuations were on the way up after hitting rock-bottom lows in more than a decade, according to [The Wall Street Journal](#). Despite this, views of a large on-cycle crop in Brazil kept coffee reverting back to ten-year lows.

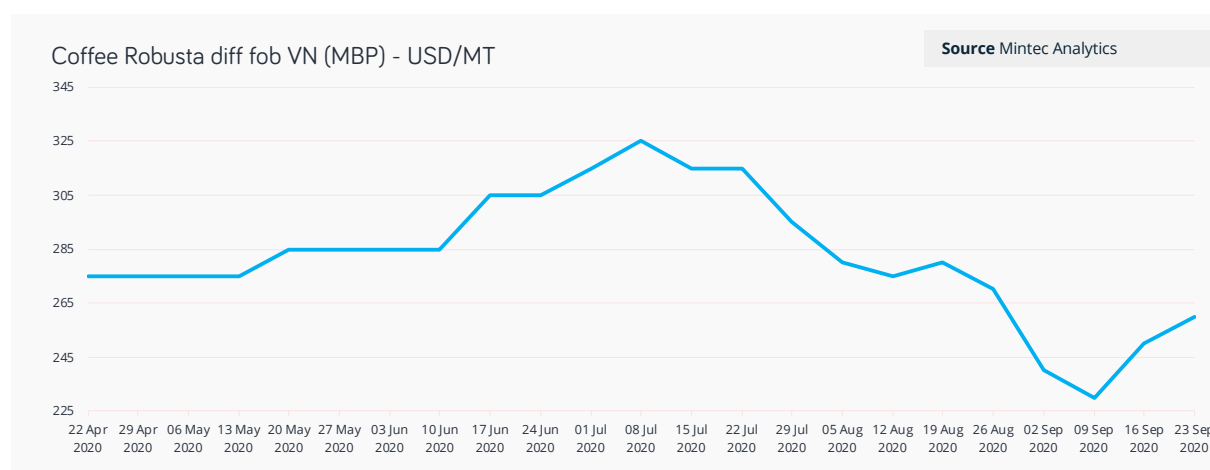
In April, fear of trade restrictions and availability caused manufacturers to frontload coffee orders in the spot market, which caused prices to jump more than 15%. At the same time that escalated demand was ratcheting up the cost of this commodity on the nearby, East Africa was fending off a locust invasion that disrupted harvests and lockdowns in Colombia limited migrant labor in the midst of harvest season. With several years of low coffee prices behind us, lower yields were forecast in many growing areas across Latin America. This trifecta of global conditions only served to further push up differentials as buyers anticipated upcoming shortages in the summer and fall. That spot buying started to impact nearby futures prices in July as dwindling certified stock levels became the talk of traders, falling to their lowest levels in nearly 20 years.

Now the future has arrived, and though stock issues remain forefront and availability from Latin America (outside Brazil) before their harvests is keeping prices firm, the NY price has come back down given the huge Brazil crop. At its peak in early September, the exchange price had jumped 39% year-on-year. However, the labor restrictions that resulted from lockdowns did not affect only Brazil. Vietnam, Colombia, and Indonesia were all faced with harvest seasons that lacked a labor force. Origin premiums have nearly doubled in some areas, until the new crop season later this year is anticipated to alleviate supply concerns, per [Mintec price data](#).

For those baking a tiramisu, though, the quality of coffee is not of paramount concern, and Robusta coffee offers an alternative solution for buyers seeking an addition of flavor rather a cup of specialty coffee. According to World Bank and Mintec, Arabica and Robusta prices diverged in recent months, with the spread between the two at 50 cents/lb. Robusta prices are expected to decline by more than 7% in 2020 before experiencing a modest recovery in 2021 when increased exports from Vietnam are anticipated to level the market, and Vietnamese diffs will remain supported through at least the end of the harvest in a few months. Mintec data supports this analysis but shows that price recovery will begin in the fourth quarter of this year. Already, September saw a significant increase in the London Robusta price (up 15% from the lows of May/June).



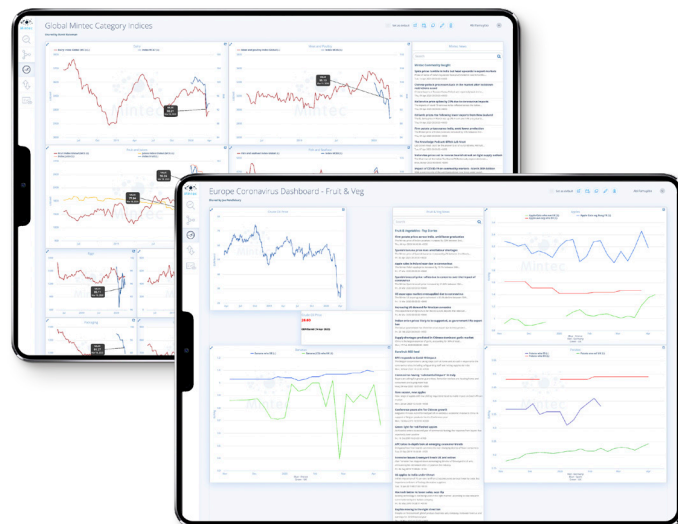
However, we have not seen Vietnam origin diffs rise to the same extent as in arabica, despite dry weather throughout much of this year tempering expectations for the new harvest.



This uncertainty, combined with 'arabica's recent rise, has accounted for much of the recent exchange movements.

The robusta discount to arabica may also see suppliers alerted to the possibility of flexing their blends in order to take advantage of the lower prices, particularly as we head into a sizeable harvest in Vietnam, however, this may prove to be a short-lived opportunity.

# Mintec Category Indices enable procurement to track food price changes during COVID-19 crisis.



New Mintec Category Indices (MCI) are enabling food procurement teams to track price pressures affecting their raw materials and food production costs. This additional capability is particularly powerful when combined into dashboards to provide improved data visualisation. Plus the ability to group and monitor price movements across different categories and across different geographies has helped to illustrate the effects of COVID-19 on prices and to help determine the potential impact on future costs.

Food procurement professionals in every industry have been under extreme pressure to try to assess the current status of their supply chains, and the likely impacts of the progress of the coronavirus pandemic. Business leaders are also struggling to make immediate decisions on a huge range of issues, including availability, pricing, sourcing and disruption in raw materials and foods.

These 46 new MCI are specifically designed to measure the changes in price for a group of core food and beverage categories. The indices cover global, regional and specific country prices for dairy, eggs, cereals and bakery, hot beverages, fish, fruit, vegetables, meat and poultry, juices, oils and fats, confectionery, packaging and nuts.

The MCI enable procurement, sales and finance teams to understand how prices are moving across a range of commodities and to see whether a category is exhibiting an inflationary or deflationary trend. The Mintec Category Indices can be used to benchmark buying teams and suppliers against an independent market reference for core categories.

By blending the raw material prices, the MCI provide a uniform approach measuring the changes across the key sectors in the food and beverage

supply chains so as to compare commodity prices. The Indices cover the key categories that our manufacturing and retailing clients are typically organised around in their purchasing structures.

The MCI are published in the native currency for each region or country, to allow for currency fluctuations and direct comparison across all price series. Each one has been weighted based on the significance of each commodity included, providing an accurate direction of price changes.

These new indices are provided alongside 14,000 commodity prices already published by Mintec as part of its online SaaS platform, Mintec Analytics.



## Mintec Category Indices

Compare commodity price changes by category, in order to measure price competitiveness across beverages, meat, fish & more.

Use MCIs to track global and country-specific category price movements.

[MINTECGLOBAL.COM/MCI](https://MINTECGLOBAL.COM/MCI)

# Cocoa

Cocoa is another critical component of a complete tiramisu. It is also a commodity that has been particularly challenged by the pandemic. Before the pandemic-fueled disruptions, the industry as a whole was plagued by overproduction, sustainability concerns, and fluctuating prices. But with the onset of the coronavirus, the industry had a new hurdle to clear: a reduction in demand.

Chocolate is a beloved treat the world over, and sales of chocolate in the US increased by 5.5% between March 15 and August 9, per data from the [National Confectioners Association](#). Despite the jump in consumer retail demand, overall out-of-home sales ground to a slow trickle as tourism and foodservice demand dried up. Not only could retail sales not compensate for this reduced market for cocoa, but the 70,000-tonne global cocoa deficit that [Mintec](#) recorded in January transformed to a 35,000-tonne surplus by August, and the latest estimates from the ICCO see a 42,000-tonne surplus by the end of the year against a backdrop of large ending stocks. Unsurprisingly, prices declined accordingly across cocoa-producing regions, including the Côte d'Ivoire, which produces the majority of the 'world's supply. The forward curve remained backwarddated throughout much of the year.

This reduced demand was particularly apparent in Q2 grindings figures, which were around 8-9% lower year-on-year in major grindings regions.

In addition to reduced demand driving prices down, the World Bank reported a large crop harvest in Côte d'Ivoire that created additional downward pressure on prices. [Reuters estimated in August that cocoa futures will likely cost 10% less by the end of the year.](#)



However, Mintec data indicates that while prices were trending down from April until August, the beginning of September saw a spike in value due to political uncertainty in Cote d'Ivoire, the 'world's largest producer, ahead of 'October's first-round presidential election. For manufacturers that use cocoa in dessert applications, timing will become a critical consideration in the upcoming months as the market continues to fluctuate. Mintec takes the guesswork out of the equation and offers real-time monitoring to indicate exactly when will be the best time to stock up on cocoa for the upcoming chocolate-fueled holiday season.



# Sugar

What would a tiramisu be without a little dose of something sweet? Global sugar prices took a record dip in the first half of 2020 after recording the highest average prices in two years at the end of February. For the two months ending late April, futures prices for the sweetener fell on the London and New York markets by 21% and 31%, respectively. As the weakened demand from foodservice and tourism began to recover later in the summer, supported by a weaker USD, sugar prices rebounded and are now up 2.6% from this time last year, according to Mintec data from September. As travel demand in Brazil picks back up, so will demand for bioethanol, a bullish prospect for global markets.



Prices for this key ingredient in biscuits, cakes, confectionery, jams, and ice cream continued to climb over the summer, with the FAO reporting a spike that was tempered only by the anticipation of a bumper crop in India where the harvesting season begins in October. Despite this expectation, the 'country's moderated prices remain elevated. Mintec data demonstrate that prices for sugar sourced from India, the second-largest producer behind Brazil, are up 5.7% this quarter. All eyes are now on the Indian government to see whether they will announce a new export subsidy of 6 million tonnes to enable competition in the global market.

This jump in prices for Indian sugar is the most out of the other major sugar-producing regions, which include the US, Thailand, and Brazil. Prices in these regions remained relatively stable over the last quarter, but going forward, they are likely to soften across markets. The US Department of Agriculture (USDA) forecasts an increase of 10 million tonnes of sugar production from India and Thailand for the upcoming 20/21 year. Coupled with the widely held prediction that Brazil will produce a record sugar cane crop by the end of October, the already large surplus of product inventory will balloon to levels that current depressed demand will not sufficiently deplete. Based on these market realities, Mintec expects average sugar prices to lose the majority of the upward momentum that was recorded in May and June, leaving an opportunity for buyers looking to replenish their supplies at a discount this fall. What remains to be seen for global markets, however, is how demand responds in 2021 as the virus starts to ease.

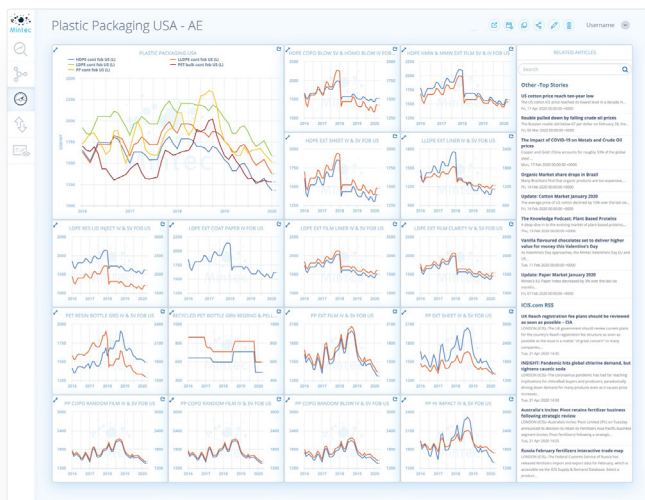
In Europe, the neonicotinoid ban has started to assert itself, with instances of yellow virus affecting yields, particularly in western Europe. Though 'Europe's whites production looks likely to be down by around 150,000 tonnes, if this is set amongst a context of consistently falling demand, particularly exacerbated by Covid-19, we have seen sugar prices in western Europe remain relatively unchanged year-on-year.



# Mintec Dashboards

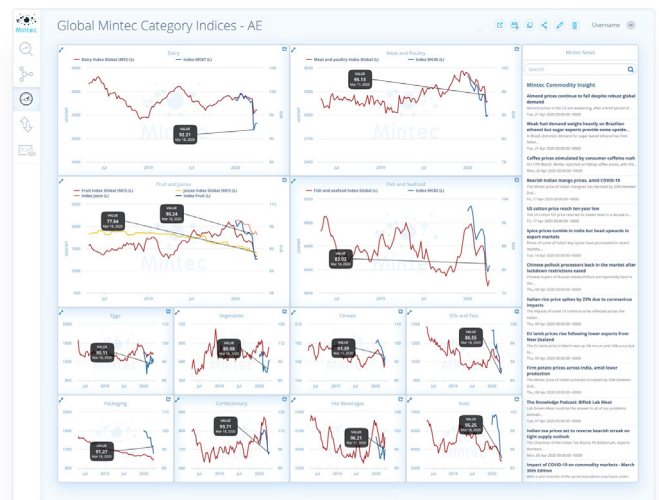
Create your own or access our extensive library of readymade dashboards to track the category and commodity prices most relevant to you.

Price dashboards that help you visualise, track and respond to changing market conditions.



Compare price series across commodity types

to visualise price comparisons between alternative raw materials and share editable dashboards with anyone in your organisation.



Explore category indices to track price movements

and identify underlying market trends. Use Mintec Category Indices to track global, regional and country-specific category price movements.

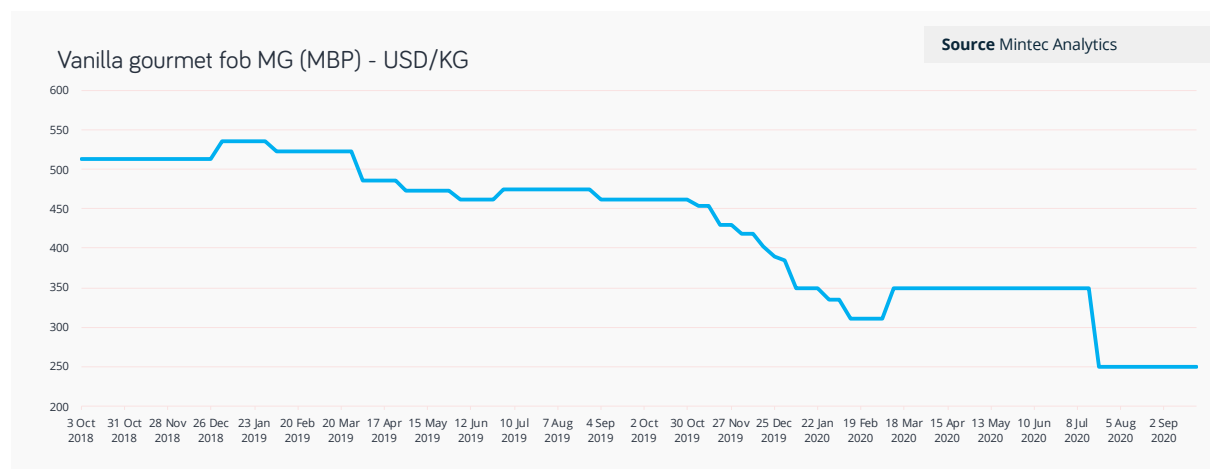
# Vanilla

Although a small bean, vanilla packs a powerful punch in any recipe that it is used in. Its heady aroma is prized for the creamy tones it imparts to desserts like tiramisu, but it has a price tag to reflect its popularity. For several years, the price of natural vanilla extract has been high. According to a 2019 report from vanilla distributor Nielsen-Massey, these sustained high prices resulted in a global demand reduction for pure vanilla from 2,700 tonnes in 2015 to an estimated 1,700 tonnes in 2019.

Despite this trimming in market size for true vanilla, the flavor remains a sought after ingredient, and despite an increased number of companies substituting authentic vanilla for its artificial substitute vanillin when prices were sky-high, replacing authentic vanilla with an imitation may not be such a straightforward economical decision to make any longer. Mintec Benchmark Prices for Madagascar Gourmet Grade Vanilla came down 48% between September 2019 and September 2020 and a steeper price decline has been prevented due to the Madagascar government interfering in the market by setting a minimum export price at \$350/kg in March which was lowered to \$250/kg in July where it has remained since. Madagascar produces 41% of the world's vanilla supply, according to Mintec.

While Vanilla harvests in 2019 and 2020 have been significantly higher, the price plunge is not only supply side driven as the shuttering of foodservice around the world as a result of COVID-19 has further impacted the demand side. While consumer retail demand for vanilla has spiked on the back of increased home-baking, this has not made up for the loss from foodservice.

**The Mintec Benchmark Prices for gourmet grade vanilla declined steadily from \$650 per kg in 2017 to \$310 per kg in February this year, on the back of dwindling demand and growing supplies.**

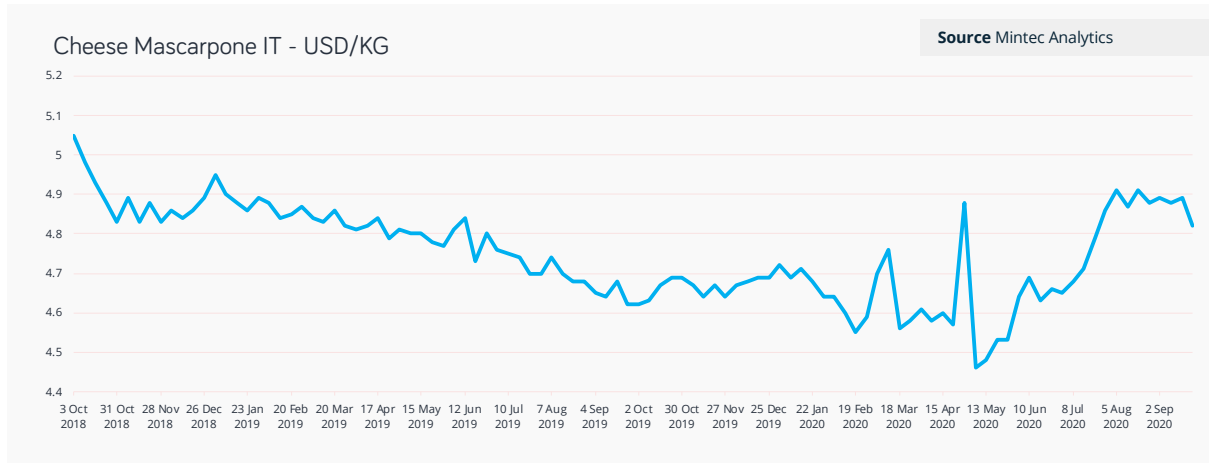


# Mascarpone

The most unmistakable component of a tiramisu is the smooth, butter-like mascarpone. It is also an ingredient that has suffered as the pandemic gutted the dairy industry in the US and New Zealand. While this cheese traditionally hails from Italy, it is one that is produced worldwide today, and having global offerings of this cheese gives procurement teams a variety of opportunities to balance quality, price, and availability.

In May, the price of this ingredient had fallen to \$4.46 USD/Kg, as farmers in the US and New Zealand found themselves with a glut of dairy and nowhere to send finished products. While that dramatic shift in demand will have long-term consequences on the dairy industries of both countries, the price for dairy and mascarpone made a remarkable recovery in the ensuing months, even topping peak prices from April.

Such a rebound signals a potential need for an ingredient substitution. For manufacturers, that be a switch could be changing sourcing to avoid the 5.6% jump in value this quarter for true Italian mascarpone in favor of a Brazilian-produced equivalent, which has seen a 5.53% reduction in price in the same time period. Alternatively, perhaps substituting another casein product or looking for a plant-based equivalent may help bring prices down and add another dimension of desirability to the overall finished product.



## Making it better for consumers

Plant-based products are a newer category that manufacturers are gravitating toward in response to demand from consumers for alternatives to conventional animal-based products. SPINS market research data reported that plant-based food retail sales rose 11.4% in 2019 to reach a total market value of \$5 billion. However, due to their more recent entrance to the market, accurately defining the cost of ingredients, such as pea concentrates, and soy isolates can leave manufacturers with more questions than answers. Mintec Analytics offers Benchmark Prices for Plant Based Proteins as well as access to Thought Leadership and Webinars on topics such as “Plant Protein Cost Structures” or “Lab Grown Meat”.

Nor are plant-based alternatives the only trend in the better-for-you space. Organics and fair trade options have risen in the esteem of consumers who are looking for opportunities to contribute to the sustainability of the environment through food choice, and this trend toward eating sustainably has only been amplified by the pandemic. Nearly half of consumers say that the pandemic has contributed to a shift in purchases due to an increasing concern for the environment, according to an April survey by the consulting firm Kearney. Compared to the 71% of consumers who factored the environment into their purchases in 2019, the survey shows that 83% of consumers said they take the environment into consideration when making a purchase.

The effects of this sentiment can be staggering. For a simple dessert like tiramisu that contains both cocoa and chocolate, the difference between selecting fair trade and conventional ingredients no longer only influences the sales price of a final product, but also the standing of the manufacturer in the eyes of the consumer.

Choosing to make an investment in better-for-you ingredients is not a straightforward path. Pricing organic, fair trade and conventional ingredients necessitates that procurement teams have a profound and nuanced understanding of the value of ingredients in the eyes of the consumer as well as taking into account their value on the global market. Synthesizing market trends with pricing models and availability can prove to be a tedious task, particularly when these models need to be repeatedly updated for individual ingredients across an expansive portfolio.

## About Mintec

Mintec enables the world's largest food brands to implement more efficient and sustainable procurement strategies through its SaaS platform. Mintec Analytics delivers market prices and analysis for more than 14,000 food ingredients and associated commodity materials. Our data and tools empower our customers to understand supplier prices better, analyze their spend in greater detail, and negotiate more confidently with suppliers. Ensuring they are best placed to reduce costs, manage risk, and increase their efficiency, helping them to maximise their margins.

[Get the latest insight into the widest range of food commodities.](#)



# Our Products

## Mintec Analytics

**Analysis of price data** helps reveal how food prices can change over time; helping you gauge the true level of food price increases.

- **Quickly access +14,000** independent food ingredients & soft commodity prices & market analysis
- **Use actionable insight** to enable buyers & sellers to negotiate deals with confidence
- **Reveal what's behind food raw material prices** & driving current market trends
- **Develop procurement strategies** to increase efficiency, manage risk & transform trading performance.

## Data Direct

Our innovative **API and Excel Add-in data feeds** deliver pricing data into the platforms and systems you are already using – saving you time and effort.

- **Automated** - Remove human error, save time and increase efficiency with automated data transfers and dynamic data updates.
- **Integrated** - Aggregate and integrate data with your existing systems, data sets and models more easily for deeper insights and a more efficient workflow.
- **Dynamic** - Respond to changing business, user and system needs more readily - plus benefit from enhanced collaboration and sharing capabilities.

