brakes
a Sysco company

MARKET REPORT
SUMMER 2026

CONTENTS AND KEY COST DRIVERS

Headline levels of food inflation have fallen over recent months providing food service operators in the UK with a period of rare stability. Forecasts now indicate that this trend is changing with heightened global instability combined with extreme weather conditions pushing inflation rates higher once again. This report details the factors influencing price changes across the summer months.

3 MACROECONOMIC UPDATE

EUROPEAN ECONOMIES STILL STRUGGLE TO GENERATE MEANINGFUL GROWTH

The global economy remains muted as we move into the second half of 2026. While inflation has eased from recent peaks, this has not translated into increased economic activity. Higher borrowing costs, weak business investment and geopolitical uncertainty continue to weigh on growth across developed markets, leaving Europe in a prolonged low-growth environment.

Against this backdrop, the UK economy has shown some resilience but continues to face structural challenges. The UK posted a strong GDP result for Q1, with 0.6% growth. However, as illustrated in the chart from the Bank of England, this masks a low and declining underlying rate of growth, due to the economy's reliance on a small number of sectors, weak productivity growth and consumer confidence that has yet to fully recover from the cost-of-living crisis.

Low demand is becoming a more visible feature of the trading backdrop, and the labour market is beginning to reflect this. Unemployment has risen to around 4.9%, vacancies have continued to fall, and over the past two years wage growth has slowed to its lowest rate since the pandemic. For foodservice operators this creates a mixed picture: softer wage growth will ease one of the sector's major cost pressures, yet the lack of real income growth continues to limit consumer spending potential.

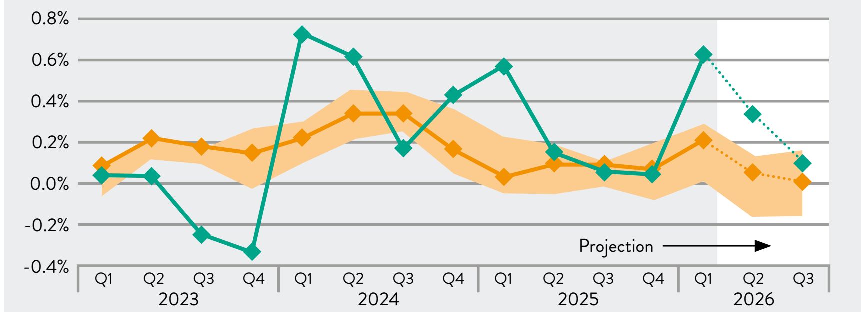
Moving forward, economies and businesses are bracing for a change in the inflation narrative. At the time of writing inflation in the UK sits at 2.9%, this is up from 2.6% in July which was the lowest level seen since December 2024. Forecast, however, now indicate we are seeing the start of a new upward trend, as renewed geopolitical disruption has renewed geopolitical disruption has triggered increases in energy, freight and imported food costs, resulting in higher price expectations over the next 6–12 months.

Overall, the macroeconomic backdrop points to a trading environment where growth is likely to remain measured, but the direction of cost pressure is becoming more challenging. Inflation may be lower than the peaks seen in recent years, but the period of steady disinflation is fading, with several key input costs now moving back in an inflationary direction. For foodservice businesses, this means growth is unlikely to come from a rising economic tide and margin management will remain under pressure. Success will depend on clear value positioning, menu relevance and the ability to respond quickly to the changing environment.

UNEMPLOYMENT IN THE UK HAS RISEN TO 4.9%

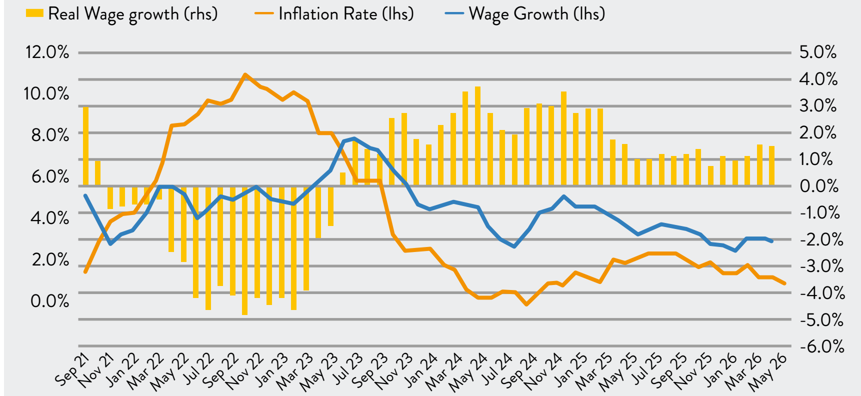
OVERALL INFLATION FOR THE UK SITS AT 2.9%

UK GDP



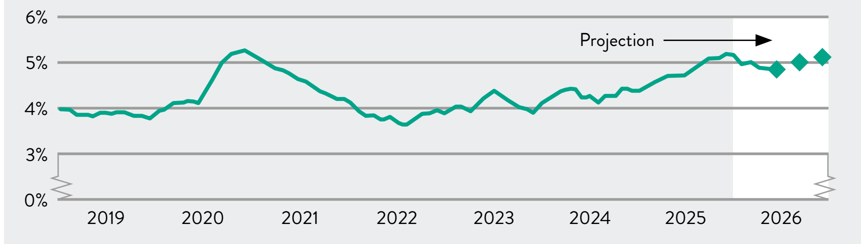
Source: Bank of England

UK REAL WAGE GROWTH



Source: Trading Economics

UK UNEMPLOYMENT



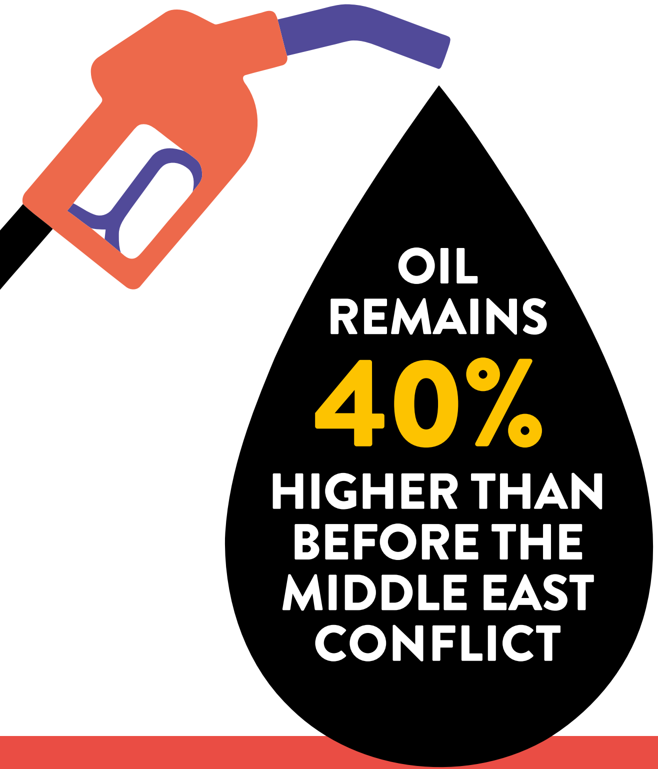
Source: Bank of England

4 GLOBAL INSTABILITY

RISKS TO ENERGY INFRASTRUCTURE AND TRADE RE-IGNITE INFLATION CONCERNS

The escalation of conflict in the Middle East has resulted in major volatility in global energy markets and shifted price expectations for food over the coming months.

At the centre of the concern is the Strait of Hormuz, a narrow waterway linking the Persian Gulf with global markets and one of the most important routes for world trade. The region is responsible for the export of vast amounts of key commodities vital to developing economies, including over 30% of crude oil exports globally. In the early phases of the conflict, the price of Brent crude oil increased over 80%. Markets have been highly volatile ever since, and at the time of writing, the price per barrel of oil remains 40% higher than before the conflict. This has a direct impact on the cost of diesel in the UK, adding significant cost pressure to logistics operations.

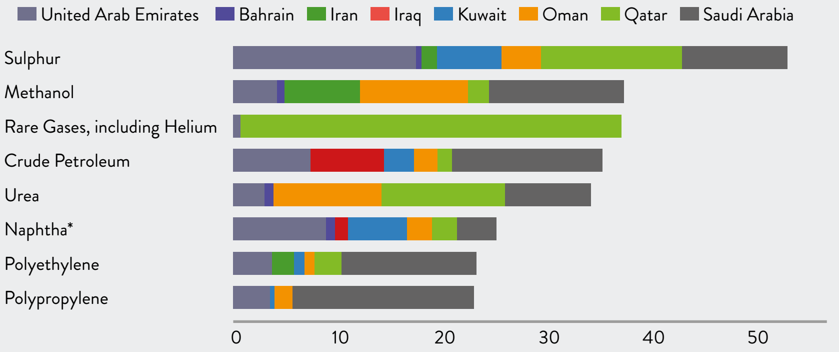


The link into food markets extends beyond transport and energy costs. The Gulf region is also an important supplier of natural gas, urea, ammonia and sulphur, all key inputs in the production of fertiliser. This is one of the main channels through which the conflict can affect the wider food complex. Higher fertiliser costs do not immediately lift finished food prices, but they raise the cost of the next growing cycle and can influence decisions on crop area, application rates and future yields.

For current food markets, the impact has been real, but more contained than early speculation suggested. Good supply in several core agricultural markets, softer demand and broader supply chain flexibility have helped prevent a generalised food commodity spike. However, the effect is not evenly spread. Vegetable oils, for example, are more exposed because higher crude oil prices can improve the economics of biofuel demand. Outside of food, oil-linked non-food categories such as plastics, packaging and chemicals are also vulnerable, as their feedstock is directly connected to energy markets.

The result is a more complex inflation backdrop than the broad increases seen in previous years. The base market remains well supplied, but the operating environment is more exposed to energy volatility and agricultural input costs. OECD scenario analysis highlights two potential paths for growth and inflation. If the conflict remains contained, these pressures should be manageable. If it re-escalates and extends into 2027, the risk is a steeper and more extended inflationary cycle, opening the door for further price action across energy-intensive, imported and oil-linked categories. This would put significant pressure on businesses with limited mitigation options to manage costs.

PERSIAN GULF SHARES OF WORLD EXPORTS

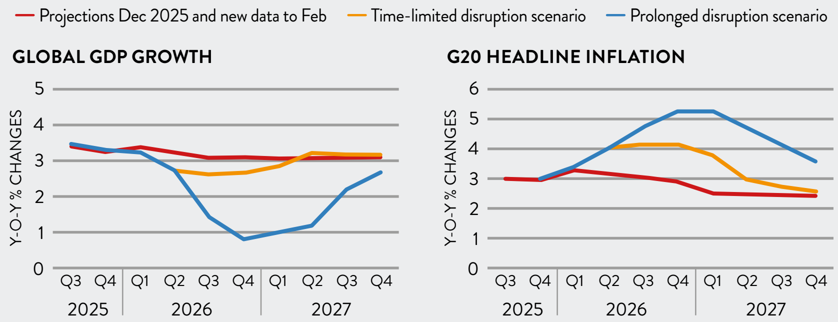


Source: OECD

BRENT CRUDE OIL: $ PER BARREL

Source: Trading Economics

OECD FORECASTS



Source: OECD

FOOD PRICING OUTLOOK

AFTER INITIAL SPECULATION, FORECAST CONSENSUS SETTLES ON MODERATE INCREASES INTO 2027

The last 12 months have seen food inflation across Europe soften, largely due to subdued demand and well-supplied global commodity markets. However, the disruption outlined in the previous section has changed the forward view.

Initially, many forecasts anticipated a sharp resurgence in inflation. Those concerns proved overstated, as food supply chains remained resilient in the short term. Forecasts have now shifted towards a more gradual reacceleration in inflation. This is reflected in the revised projection from the Institute of Grocery Distribution, which now expects UK food inflation to rise to near 5% in Q4. This report details the key categories affected by global and localised factors; however, several broader risks can be identified as core drivers of rising inflation expectations.

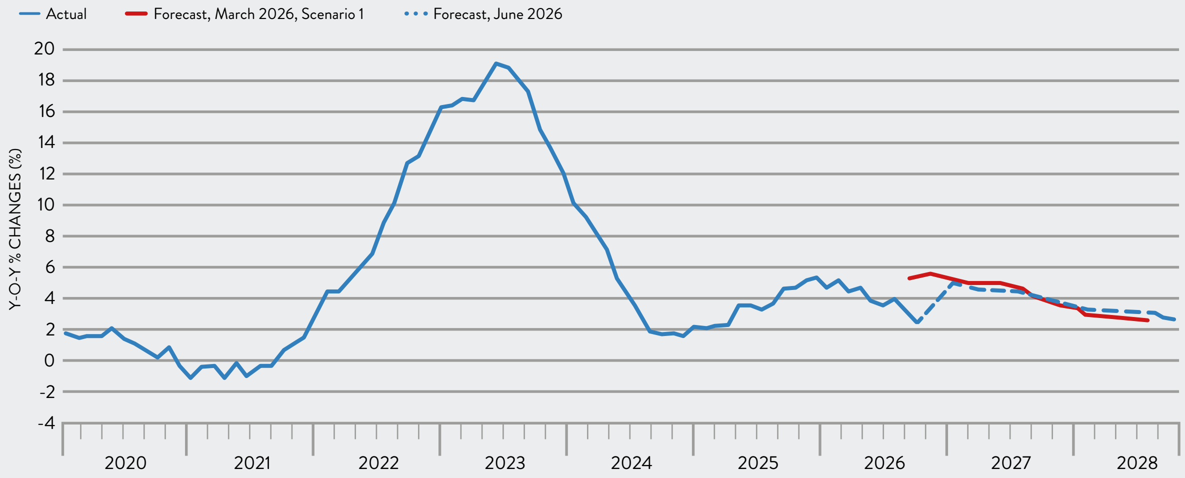
First is the delayed feed-through effect of higher input costs triggered by the conflict in the Middle East. Since the initial spike in fuel and fertiliser prices in March, producers have been increasingly exposed to higher cost levels within their production cycles. This is now feeding into foodservice pricing.

Weather has also emerged as a major risk in 2026. Much of the UK and Europe has experienced prolonged hot and dry conditions, raising concerns around crop yields, quality and availability. Livestock production is also affected through reduced grazing quality, higher feed costs and heat stress. While impacts differ by category, the result is a more challenging agricultural production environment than in recent seasons.

Looking further ahead, there is global concern regarding the potential development of a Super El Niño event late in 2026. El Niño is a naturally occurring climate pattern linked to unusually warm sea surface temperatures in the central and eastern Pacific Ocean, which can alter global wind and rainfall patterns. Climate scientists forecast that the upcoming event could become one of the strongest recorded in decades. Should this develop, it may add pressure to crop production, livestock feed availability and logistics, creating another potential inflation risk across food markets.

Whilst the scale and timing of future impacts remain uncertain, the direction of travel has changed. The period of food disinflation is drawing to a close, with inflation risk building again across several parts of the food complex. For foodservice operators, the focus must shift towards preparing for a more inflationary and volatile trading environment. Working closely with supply chain partners will be critical to identifying pressure early, building mitigation options and managing the next phase of price movement.

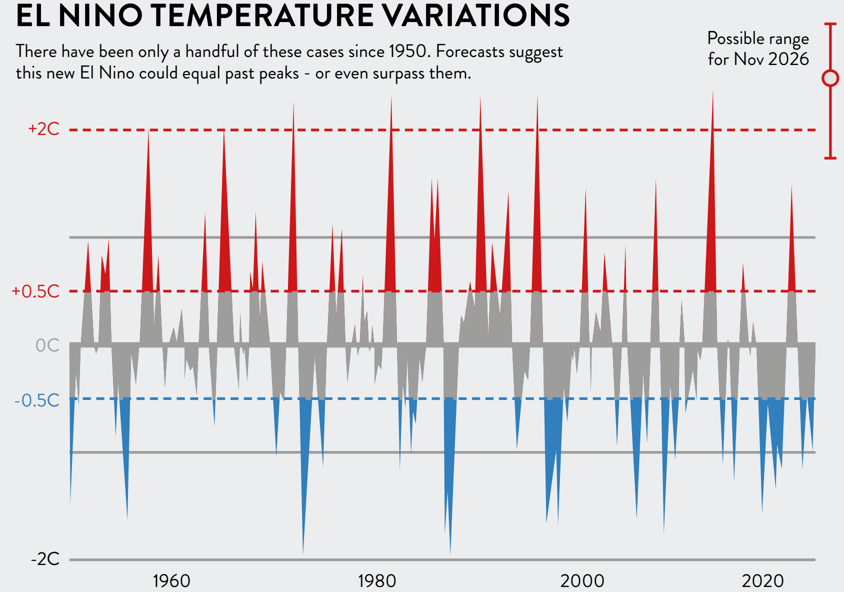
IGD FORECAST - CPI FOOD



Source: IGD

EL NINO TEMPERATURE VARIATIONS

There have been only a handful of these cases since 1950. Forecasts suggest this new El Nino could equal past peaks - or even surpass them.



Source: BBC

MILK

WITH PEAK SEASON OVER, MILK SUPPLIES TIGHTEN

UK milk collections ended 2025 significantly above previous years, with January 2026 setting a new monthly production record. As many major milk processors operate a pan-European farmgate price, deflation in the UK had initially been delayed. However, entering 2026, prolonged favourable weather conditions, strong farm profitability, increased feed use, and improving EU milk production created a supply surplus that allowed dairy prices to fall sharply through H1 2026.

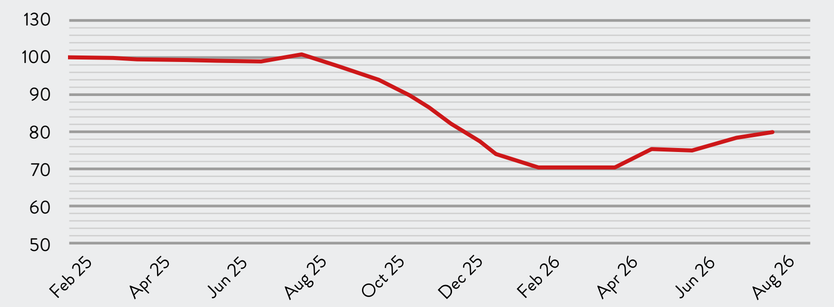
Milk production is, however, cyclical by nature, with peak output typically occurring during the spring flush before production begins to slow through the summer months. This seasonal pattern is now in effect and is becoming increasingly pronounced, as repeated heatwaves across the UK and Europe have raised concerns around heat stress and lower milk yields.

Farmgate pricing has moved higher in recent months in response to this. Processors, including Arla and Müller, have increased milk prices in response to tightening availability. This was welcome news for dairy farmers, who have seen their fortunes change quickly. The "milk-to-feed" price ratio fell by almost 24% between October 2025 and April 2026, as conflict in the Middle East and hot weather impacted input costs for animal feed, pushing prices higher.

ESTIMATED **15% REDUCTION IN DAIRY FARMS IN THE UK AND IRELAND IN THE LAST 5 YEARS**

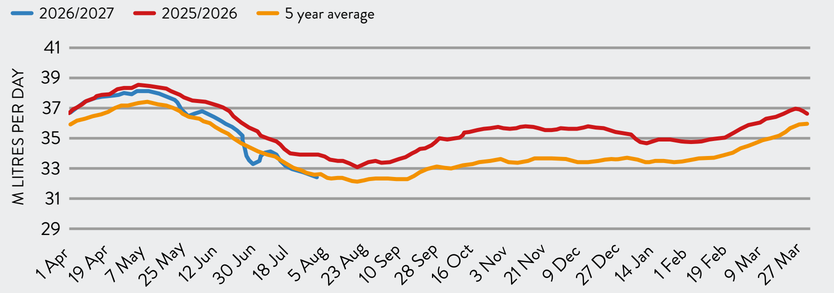
Longer term, structural concerns remain. The AHDB estimates that the UK and Ireland have seen a 15% reduction in dairy farm numbers over the past five years, alongside a decline in the milking herd. While current supply remains adequate, tighter seasonal availability, weather-related challenges, and ongoing consolidation continue to raise questions around the long-term resilience of milk production.

ARIA FARMGATE (INDEXED)



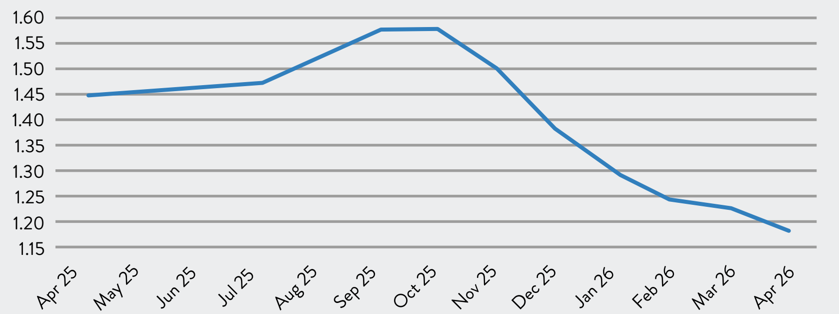
Source: Expana

GB DAILY MILK DELIVERIES (7 DAY ROLLING AVERAGE)



Source: AHDB

ACTUAL MILK TO FEED PRICE RATIO - ACTUAL



Source: Actual - Kingshay, Promar, Defra, AHDB, Daera

CREAM, BUTTER & CHEESE

TIGHTER MILK AVAILABILITY DRIVES FIRMER DAIRY COMMODITY PRICING

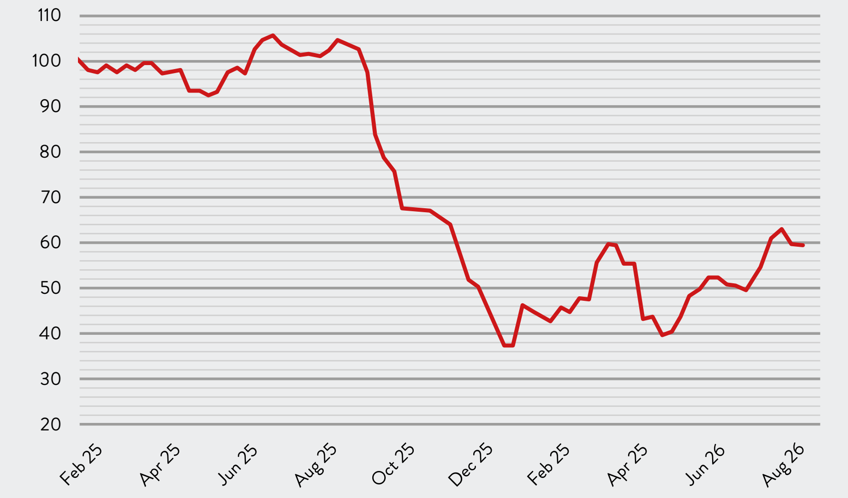
Cream, butter and cheese markets have all been influenced by tightening milk supplies and rising farmgate milk prices. Of the major dairy commodities, cream has experienced the greatest volatility, with spot prices increasing by almost 38% between May and August. Seasonal demand has remained strong throughout the summer period, adding further support to prices.

Butter markets have followed a similar direction, although broader market stocks built during the previous period of stronger milk production have helped moderate inflationary pressure. Fresh butter availability has become increasingly constrained, with elevated cream values reducing the incentive for producers to build inventories. Demand has also remained strong throughout the summer, particularly within the hospitality and foodservice sector, with notable increases seen in typical summer holiday destinations.

Cheese markets have tightened as more milk has been directed into fresh dairy products, reducing the volume available for manufacturing. At the same time, buyer demand has strengthened, with more participants entering the market to secure product. The combination of constrained supply and increased demand is providing upward support to prices. While some sellers have offered short-term buying opportunities, overall market sentiment remains inflationary, with most sellers holding stock in anticipation of further price increases.

CREAM SPOT PRICES INCREASED 38%
BETWEEN MAY AND AUGUST

CREAM UK (INDEXED)



Source: Expana

CHEESE UK (INDEXED)

Source: Expana

FROZEN POTATOES & VEG

SUPPLY POSITIVITY PUT AT RISK BY HEATWAVES

Previous seasons of elevated potato pricing have encouraged growers across Europe to expand planting areas in recent years. This, combined with favourable growing conditions, resulted in a strong crop for the prior 2025/26 season. With overall economic growth slowing and consumer demand below previous years, this led to an oversupply of potatoes within the processing sector. Ultimately, this allowed pricing to soften throughout the season and led to a degree of supply confidence heading into the 2026/27 season.

However, as we approach the harvest, several factors have tempered some of this optimism. There has been a reduction in planted area in the key EU regions of France and Germany, and while the European Commission expects EU production to fall by 4% YoY, the market would return to levels more similar to the five-year average. While the reduction in planted area can be linked back to the oversupply seen in the market, higher overhead costs facing growers are also an emerging factor. The conflict in the Middle East has increased the cost of energy and fertiliser, which play an important role in the production and storage process.

In recent weeks, the greatest threat to expected supplies has been the weather. Recurring heatwaves across Europe have resulted in persistent drought conditions in many key regions over the summer months. There is increasing concern that crop yields could be significantly impacted by these conditions, with a potential impact on pricing levels within frozen potato subcategories.

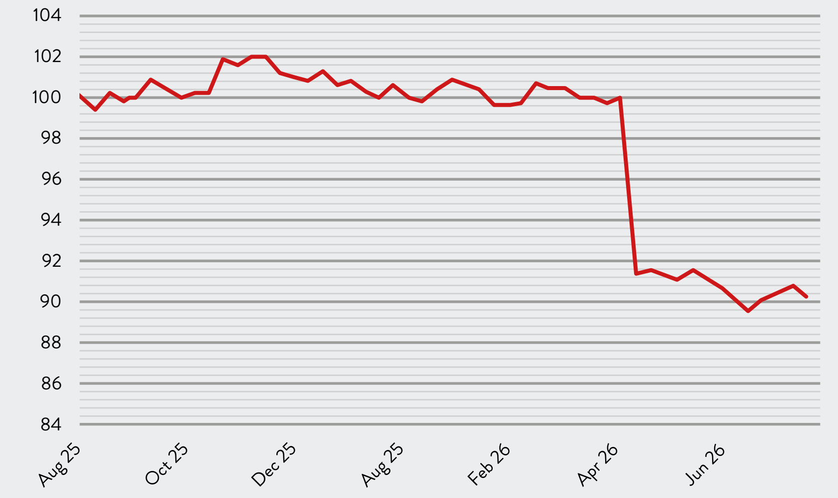
Many of these challenges are also affecting the frozen vegetable category, with varying levels of potential supply vulnerability depending on the crop and the key growing region it sits within. Through Sysco's scale, we have negotiated a strong position among our Frozen P&A suppliers and will work with our partners to navigate these potential risks.

EUROPEAN COMMISION EXPECTS PRODUCTION TO FALL BY

4%

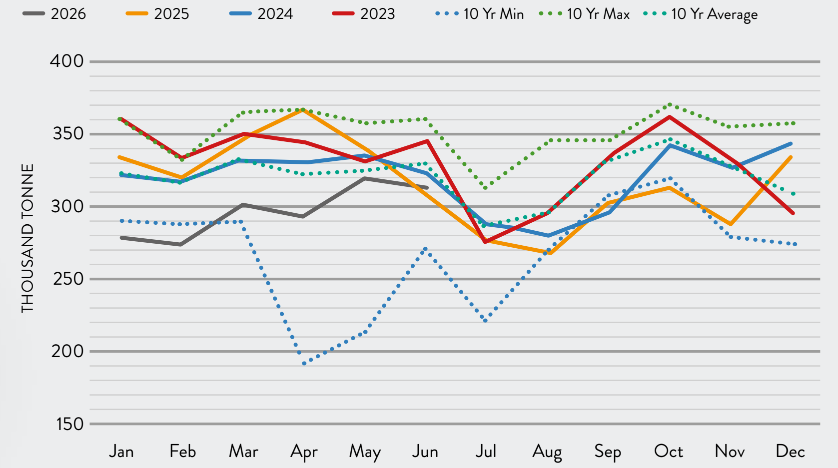
YoY

PROCESSING POTATOES EU (INDEXED)



Source: Expana

MONTHLY DUTCH PROCESSING POTATO USAGE



Source: Expana

DRIED FRUIT & NUTS

IMPROVING TURKISH HARVEST PROSPECTS EASE MARKET PRESSURE

Frost damage in Turkey during April 2025 resulted in a significant supply shock across dried fruit markets, with some harvest yields reportedly falling by almost 90%. The outlook for 2026 is more encouraging, with production expected to recover towards normal levels.

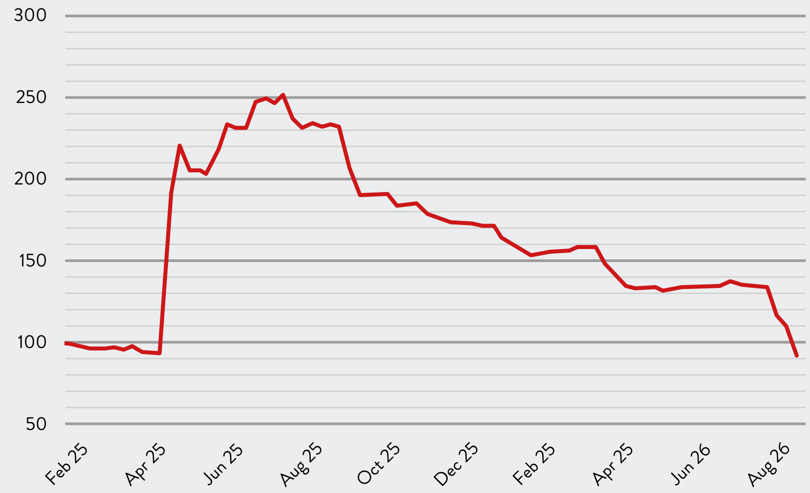
Turkey's dominant position in the global dried fruit market means any disruption can have a significant impact on supply and prices, which is why any action by the Turkish government's own public procurement department, the TMO, should be monitored. The TMO can intervene in the market by purchasing large quantities of stock, which can tighten supply and push prices higher.

A similar trend can be seen across Turkish nut markets, where improved crop conditions have contributed to lower commodity prices in recent weeks. For hazelnuts, the TMO has introduced a price floor for the 2026/27 season, limiting the potential for values to return to pre-2025 levels.

Demand also remains weak following the exceptionally high prices witnessed in 2025, with buyers reducing volumes and favouring shorter-term purchasing strategies.

In the longer term, the impact that El Niño can have on key nut-growing regions such as California remains a watchout, with potential droughts likely to have a knock-on impact on global supply for nuts such as almonds and walnuts.

DRIED APRICOTS TR (INDEXED)



Source: Expana

HAZLENUTS TR (INDEXED)

Source: Expana

WHEAT

WEATHER CONCERNS AND BLACK SEA DISRUPTION DRIVE WHEAT PRICES HIGHER

Wheat markets have strengthened considerably over the summer, with European wheat prices peaking in July at levels not seen since 2024. Despite expectations for a relatively strong global wheat crop, European markets have become increasingly focused on weather related production risks and the ability of grain to move through key export channels. This has supported a sharp rally in prices since late spring, with spot prices for wheat on European markets rising by more than 20% from the lows seen earlier in the year.

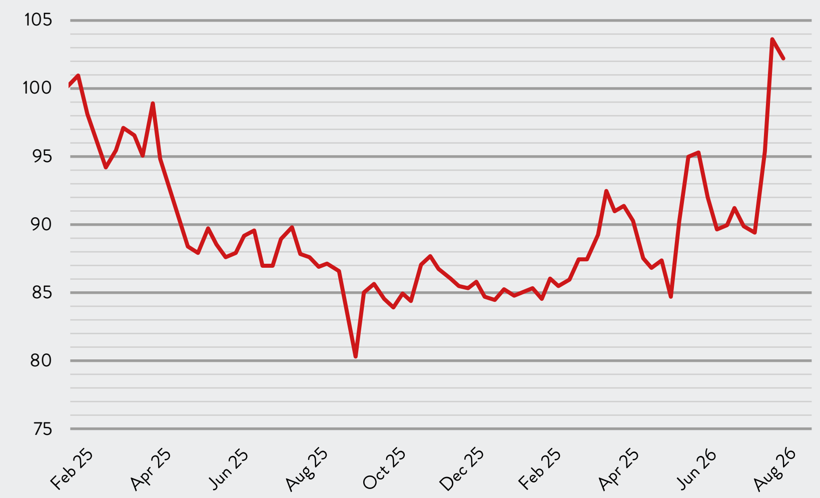
A significant driver behind recent market strength has been concerns around crop development across several major producing countries. Repeated heatwaves and dry weather throughout Europe have reduced yield expectations, particularly in France, Germany and parts of Central Europe. While these conditions are not expected to result in widespread crop failures, they have reduced top-end yield potential and raised concerns around milling quality.

Alongside weather concerns, disruption across the Black Sea has become an increasingly important market driver. Ukraine and Russia remain well supplied from a production perspective however attacks on port infrastructure and restrictions on vessel movements have shifted market focus away from supply volumes and towards export capability. Both Russian and Ukrainian exporters have been forced to rely more heavily on alternative routes, but these channels lack the capacity to fully replace deep-water Black Sea ports.

Despite these challenges, the broader global supply picture remains relatively comfortable. Strong production prospects in Argentina and Australia, combined with sizeable global carryover stocks, should help prevent severe shortages from developing. Nevertheless, continuing geopolitical uncertainty, weather risks and export disruption are expected to keep markets volatile, supporting prices above levels seen during the first half of the year.

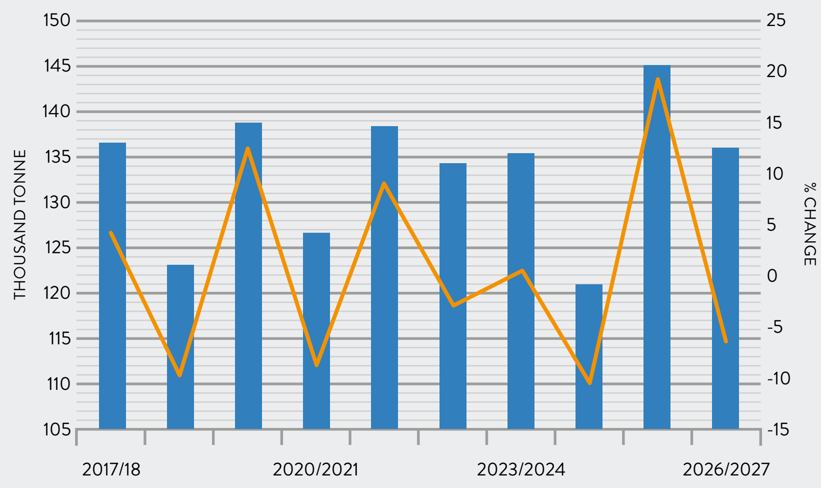
SPOT PRICES ON EUROPEAN MARKETS HAVE RISEN MORE THAN 20% THIS YEAR

WHEAT EU (INDEXED)



Source: Expana

EU WHEAT PRODUCTION AND Y-O-Y GROWTH



Source: USDA

11 VEGETABLE OIL

PRICES RISE DUE TO UNCERTAINTY REGARDING PRODUCT AVAILABILITY

The vegetable oil market has experienced mixed fortunes during 2026, with rapeseed oil emerging as one of the most inflationary categories. Prices have risen nearly 20% since the spring despite forecasts for increased global oilseed production. This apparent contradiction reflects a market influenced less by headline crop volumes and more by supply accessibility, logistics and biofuel demand.

European rapeseed production is expected to recover from last year's weaker harvest, with output forecast at around 20 million tonnes. Global production is also projected to reach record levels, supported by strong crops in Canada, the European Union and India. Under normal market conditions, this increase in supply would be expected to exert downward pressure on prices.

However, recent revisions to yield expectations have tempered earlier optimism. The European Commission reduced its 2026 EU rapeseed yield forecast to 3.14 tonnes per hectare, 2% below the five-year average and 6% lower than 2025 levels. Several key producing countries have faced challenging growing conditions, with hot and dry weather weighing on yields. Buyers are also increasingly cautious over how much supply will be readily available to the market. Disruption to Black Sea logistics continues to create uncertainty around Ukrainian exports, while low water levels on the River Rhine have hindered inland freight movements across Europe. These factors have helped support rapeseed oil prices.

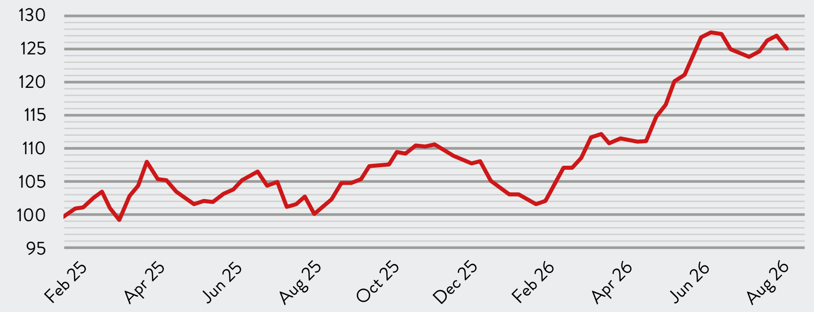
Another key factor supporting prices is the growing influence of the biofuel sector. In both Europe and North America, increasing volumes of rapeseed and canola are being diverted into renewable fuel 2026/27, yet record biofuel demand is expected to absorb a growing share of avproduction. Canada, one of the world's largest canola producers, is forecast to harvest a sizeable crop in ailable supply. Elevated crude oil prices caused by the conflict in the Middle East has increased demand for renewable fuel alternatives.

Looking ahead, vegetable oil markets appear adequately supplied, but recent price movements demonstrate that availability remains as important as production. While increased global oilseed output should help prevent a return to the extreme inflation experienced in previous years, continued uncertainty around logistics, biofuel demand and weather conditions is expected to keep rapeseed oil prices relatively firm through the remainder of 2026.

2026 EU RAPESEED YIELD FORECAST REDUCED TO

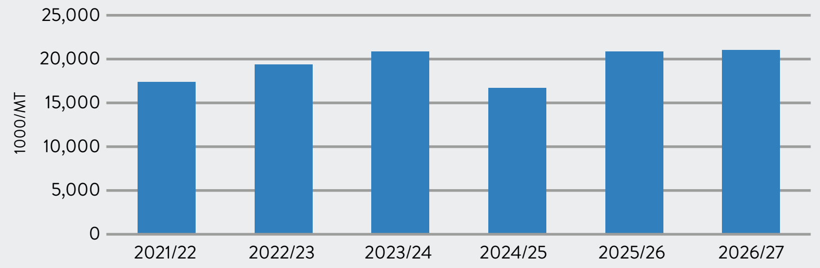
3.14 TONNES PER HECTARE

RAPESEED OIL (INDEXED)



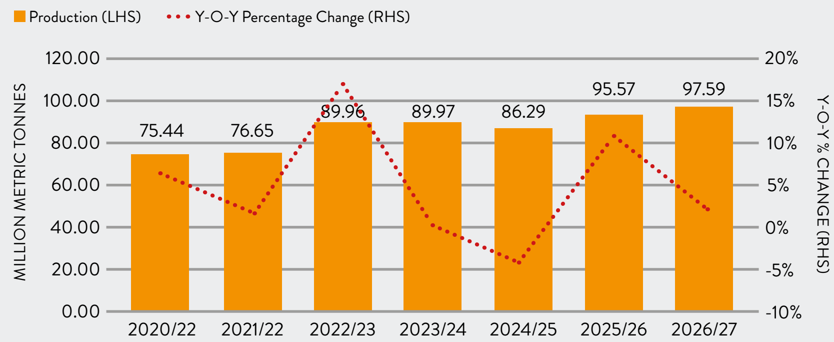
Source: Expana

RAPESEED PRODUCTION EUROPEAN UNION



Source: USDA PSD

GLOBAL RAPESEED PRODUCTION AND YoY GROWTH



Source: USDA PSD

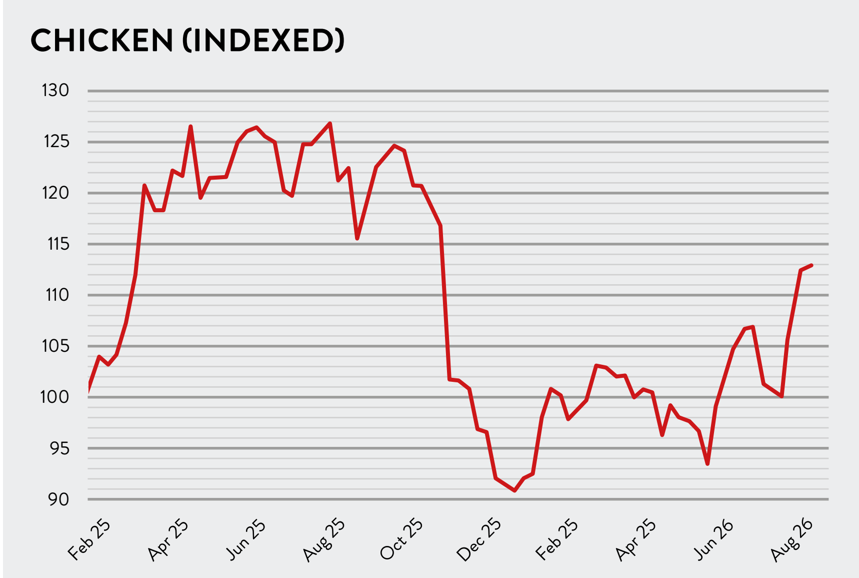
TIGHTER SUPPLIES EXPECTED ACROSS PROTEIN MARKETS WHILE DEMAND TRENDS CHANGE

CHICKEN

European chicken prices have strengthened through 2026, supported by robust seasonal demand and growing uncertainty over import availability. As one of the most affordable animal proteins, chicken continues to benefit from consumer substitution away from higher-priced meats.

A key market development is the EU's decision to suspend Brazilian protein imports from September 2026 due to antimicrobial and sanitary compliance concerns. As Brazil is the EU's largest poultry supplier, buyers have accelerated purchases ahead of the deadline while processors have built inventories to mitigate disruption risk. The UK has taken a different approach, with Brazilian imports expected to continue while DEFRA completes its own review.

Within Europe, Poland remains a key market indicator. Strong domestic and export demand, combined with hot weather reducing slaughter numbers and bird weights, has tightened availability and provided further support to prices.



Source: Expana

BEEF

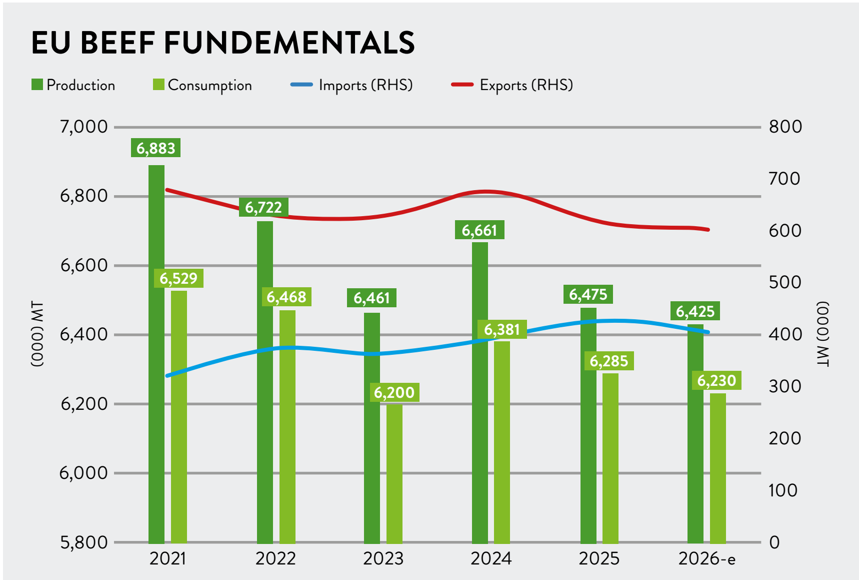
European beef prices have stabilised during 2026 but remain elevated by historical standards. Tight cattle supplies continue to underpin the market, with EU beef production forecast to decline by 0.8% as herd numbers contract. Bluetongue disease, rising feed costs and increasing regulatory pressures are also limiting opportunities for production growth.

However, the high price levels established during 2025 have weighed on consumer demand, creating a more balanced market despite ongoing supply constraints.

Looking ahead, European beef production is expected to continue declining, while imports may also come under pressure as Brazilian restrictions take effect from September. Although affordability concerns are expected to limit demand growth, tight supplies are likely to keep prices firm as the market moves into 2027.

EU BEEF PRODUCTION FORECAST TO DECLINE BY

0.8%



Source: Expana and USDA

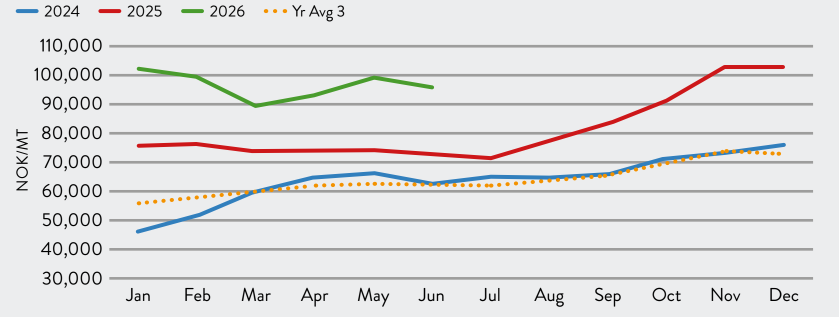
WHITE FISH

QUOTA CHANGES CONTINUE TO SHAPE WHITE FISH AVAILABILITY

COD

2026 was always expected to be a difficult year for the cod market, with its Total Available Catch (TAC) quota cut by 16% at the end of last year. Norwegian cod catches, which are typically concentrated between January and April, were down 19.4% YoY during this period. As the market moves into the seasonally weaker period for catches, availability is expected to remain tight, maintaining support for already elevated prices.

NORWEGIAN COD INCREASED 32% YoY IN JUNE

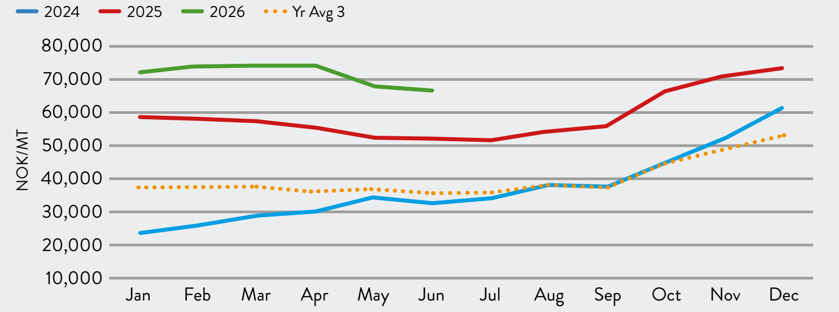


Source: Expana

HADDOCK

Unlike cod, haddock received a TAC increase of 18% for the 2026 season within the key fishing region of the Barents Sea. This has supported stronger YoY catch rates throughout 2026. While an improvement in supply conditions would typically result in price pressure easing, this has not been the case, with tightening supply across alternative whitefish species driving strong demand for haddock and maintaining a high price point.

NORWEGIAN HADDOCK INCREASED 27.4% YoY IN JUNE

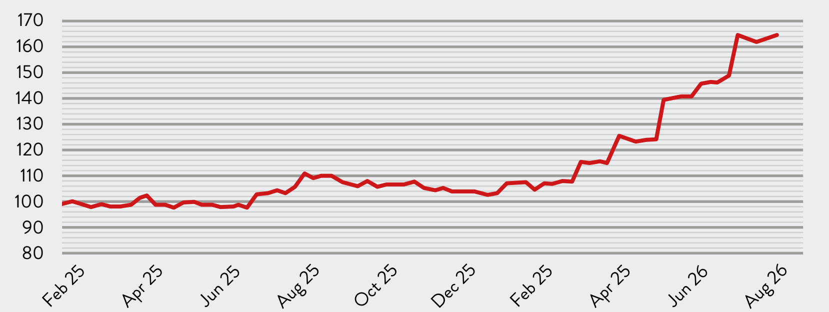


Source: Expana

POLLOCK

Unlike previous years, when pricing was primarily influenced by fishing conditions and geopolitical disruption, quota reductions have become the major driver of the pollock market in 2026.
The Gulf of Alaska TAC was reduced by 25%, adding further pressure to an already complex supply picture. At the same time, demand continues to strengthen. Pollock remains an attractive alternative when pricing for other whitefish species increases, while growing consumption in China has provided an additional source of demand. As a result, market conditions remain firm despite ongoing efforts to improve supply availability.

POLLOCK (INDEXED)



Source: Expana

SALMON & TUNA

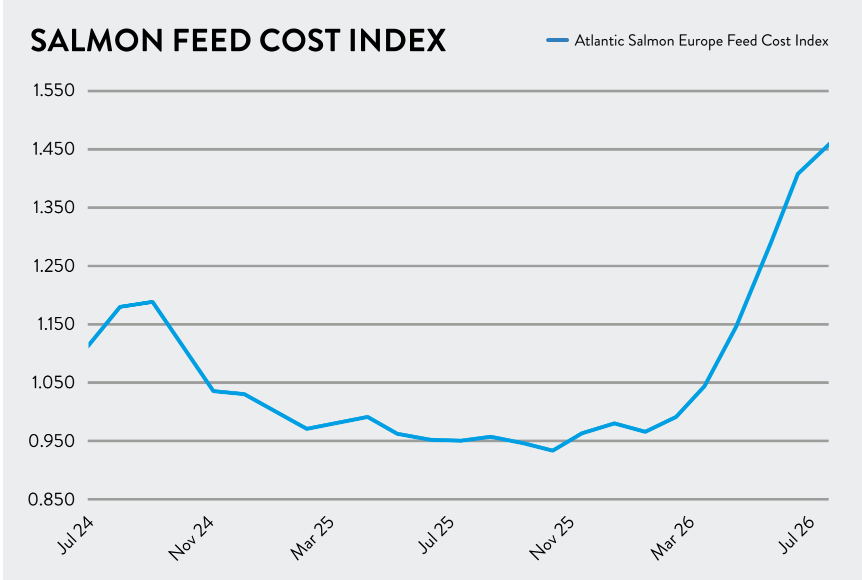
CLIMATE AND FUEL COSTS CREATE CHALLENGES ACROSS SEAFOOD MARKETS

SALMON

Spot prices for salmon are often volatile, though they typically move within seasonal trends. Prices for Norwegian salmon saw a smaller summer drop than in the previous season, supported by improving demand across both Europe and Asia and tighter availability of larger fish sizes. Recent market data shows export volumes continuing to increase, particularly into Asian markets. Production remains broadly stable, but slightly lower stock levels have raised questions around future supply growth.

The El Niño forecast to start in late 2026 is also impacting global salmon prices. Prices for aquafeed have risen following a decision by Peruvian authorities to suspend anchovy fishing, a key component within the feed used for farmed fish. Peru accounts for almost 60% of the world's anchovy production, making this a significant market shock.

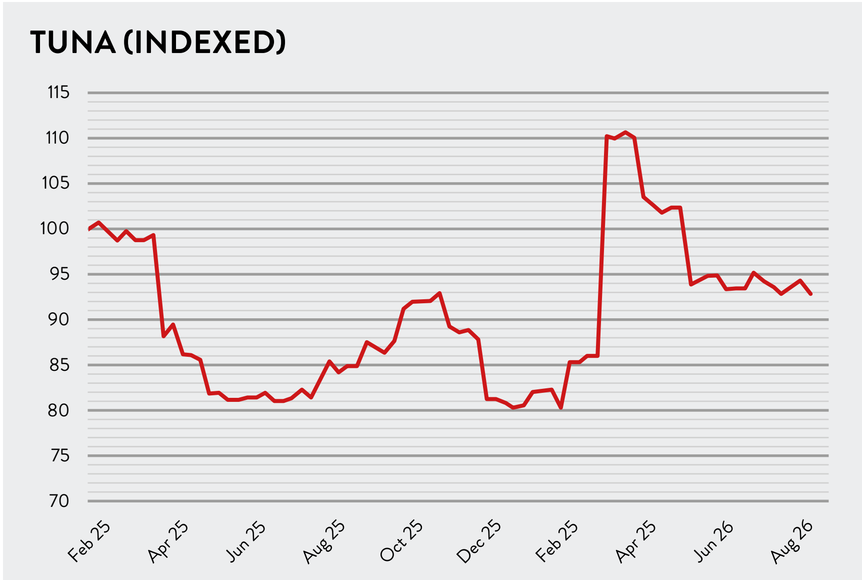
Market participants are also monitoring the potential impact of warmer Pacific Ocean temperatures on Chilean production. Rising sea temperatures can affect fish health directly and increase the risk of harmful algal blooms, creating uncertainty around future supply. Strong demand from consumers seeking alternatives to higher-priced whitefish species has provided additional market support.



Source: Expana

TUNA

Tuna markets have also faced significant challenges this year. Difficult fishing conditions across the Western and Central Pacific, combined with El Niño-related migration patterns, have affected catches in several key producing regions. At the same time, higher fuel costs linked to disruption in the Middle East and the closure of the Strait of Hormuz have increased operating costs across the supply chain. With demand for canned tuna remaining resilient, these factors continue to provide upward pressure on market prices.



Source: Expana