A RESILIENT COLD CHAIN WILL BE TESTED AGAIN IN 2023

Every January the Cold Chain Federation Board of Directors, which consists of leaders from 15 of the biggest companies in temperature-controlled logistics, come together to take part in a strategy session including discussing how the industry will fare in the coming 12 months. This is a summary of how 2023 is shaping up for businesses in the cold chain.

DEMAND FOR COLD CHAIN

- In general consumers spent money on food this Christmas. Sales in chilled and frozen foods were steady if not spectacular. However, as we look ahead to 2023 with economic recession and the costs of living crisis continuing to bite it can be reasonably expected that people will be cutting back in expenditure. Groceries will always be in demand, but reduced consumer spending could hit the restaurant and hospitality trade.

- There is no doubt that cold storage costs have increased throughout the last 12 months or more. Higher logistics costs, and the reduced consumer spend may combine to reduce the amount of product held in cold storage. There has been a significant simplification of range on shelf through covid and Brexit and this will further reduce the need for storage space.

- The crises of recent years have led to a lot of discussion about a strategy shift away from 'just in time' supply chain models to 'just in case' models. However, as the pressures of production cost, reduce demand and high logistics costs bite there is every chance that 'just-in-time' will be seen as both necessary and desirable by both producers and retailers.

INFLATION & CHANGING SUPPLIER RELATIONSHIPS

- It is impossible to ignore the impact of last years energy price shock on both the reality of operating costs across cold chain and the impact it has on confidence to invest. This is not helped by the withdrawal of the government funded energy bill relief in March, the replacement scheme will not provide any reassurance about insulation from price shocks going in to winter 2023. However, wholesale prices are down and the sense of peril has waned.

- Businesses providing products to the cold chain, such as refrigeration equipment and vehicles, are yet to catch up with demand and there are still significant delays and increasing costs for new products. This coupled with ongoing uncertainty over energy prices and other inflationary pressures mean that costs for cold chain services will remain high and could still increase further. Costs should stabilise this year, but it is unlikely prices will come down.

- It is a noticeable trend that certain logistics functions have shifted 'in house' to retailers and manufacturers – mainly through examples like the takeover of GIST by M&S and EV Chill by Asda and Sainsbury respectively. This trend could continue as larger organisations attempt to take control of costs and emission reductions across their operations.

CONSOLIDATION & INVESTMENT

- The era of cheap borrowing has given way to higher interest rates. As a result, consolidation and investment into cold chain businesses could slow down or at least cool the prices previously seen for acquisitions.

- For specific business investment, the focus of the last year has been on taking control of energy through purchasing solar panels and other renewable energy. Whilst this will continue it is likely businesses will need to look at other measures, such as energy efficiency, to continue to manage energy costs.

TEMPERATURE-CONTROLLED DISTRIBUTION

- Whilst the market for HGV drivers has improved over 2022, it remains challenging and businesses can't rule out further shortages in peak periods and the need for wage rises to maintain driver levels.

- The growth of Clean Air Zones and other measures such as the Direct Vision Standard presents a challenge for hauliers. The unequal implementation of CAZ (eg. they can be designed differently from city to city) will increasingly challenge urban distributors.

- The trialling and transition to emission free haulage and refrigeration will continue but as yet there are no scalable financially viable alternatives for diesel and barriers such as lack of infrastructure show no sign of being addressed.

COLD CHAIN FEDERATION

- The Board is proud of another strong year of growth for the industry's Federation. With 55 new members and a full programme of in person and virtual events delivered. We also remain high profile in the media and punching above our weight in policy engagement.

- The Board itself has seen changes with a range of new directors appointed in 2022, helping the Board to better reflect a variety of business operations hat make up UK cold chain. The staff team goes from strength to strength, now 7 strong and delivering a significant output across all our work streams.

- The Federation will need to ensure it continues to be of relevance to all members during continuing economic uncertainty and amidst a potentially more challenging market for its members.