



# **BIRTWISTLES**

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*Market Report*

APRIL 2018

# Market Report

## APRIL 2018

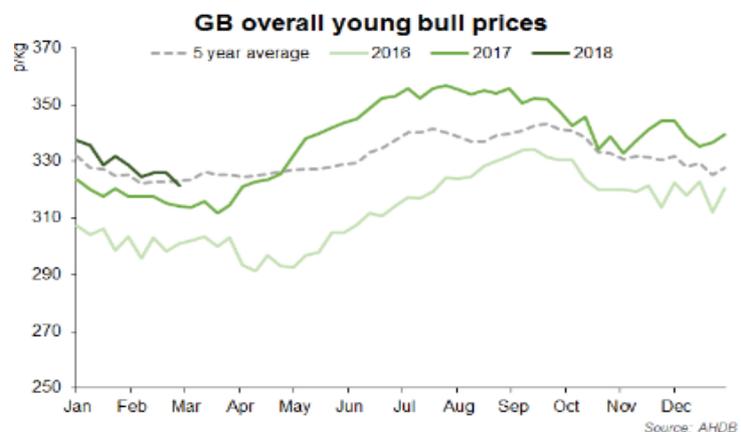


## UK Beef Prices continue to Rise

All market reports indicate that there is going to be shortage of cow beef putting huge pressure on prime UK cattle we are already starting to see sharp rises on a daily basis and as the weather improves I would expect to see a shortage of available UK product, prices will be higher than previous years and may hit record levels due to demand and an increase in exports. As reported in Farmers Weekly last year UK is only 60% self-sufficient and there is a recognised need to import more product

## GB prime Cattle prices Continues to rise

During the week ending 3 March, the GB all prime average cattle price gained 1.54p on the week, to 355.58p/kg. This is the first week-on-week gain since the end of 2017. Currently the measure stands 2.23p above the 5 year average for this week and 8.28p above the same week last year. Some of this uplift in price may be due to the snow across the country during the week as well as industry reports that demand may be picking up. How this price performs over the coming weeks will indicate if demand is starting to pick up.



Overall steer prices picked up by 2p week-on-week, standing at 355.9p/kg for the week ended 3 March, while steer carcasses meeting the R4L specification gained 1.7p, to 367.4p/kg. The overall heifer price recorded a small increase (+0.9p) on-the-week, to 358.7p/kg. Heifer carcasses meeting the R4L specification remained more stable (-0.2p), at 367.2p/kg. The overall young bull price declined 4.5p during the week, to 321.6p/kg, which for the first time this year is below the five year average. Those young bull carcasses meeting the R4L specification however fared better gaining 1.4p, to 343.2p/kg, although this gain modest gain was on the back of a sharp decline two weeks ago.

Estimated prime cattle slaughtering declined sharply during the week which is not surprising considering the poor weather conditions experienced across the country. Total estimated prime cattle slaughtering stood at 26,200 head, an 18% (5,700 head) decline on the same week last year. Compared to last week estimated slaughtering declined by 20% (6,700 head). As the weather conditions have now improved slaughtering are likely to return to a more typical level for this time of year and therefore record a large week-on-week rise next week.

In the week ended 3 March, the overall average cow price continued to increase (+2.8p), to 255.8p/kg, while those cow carcasses meeting the -O4L specification gained 3.4p on-the-week to 276.7p/kg. Estimated cow slaughtering stood at 7,000 head, a 31% (3,200 head) week-on-week decline. Compared to the same week last year, estimated slaughtering declined by 30% (3,000 head). In a similar pattern to estimated prime cattle slaughtering the number of cows slaughtered was most likely affected by the poor weather conditions. As recorded throughout the start of 2018, industry reports continue to suggest demand is in front of supply.

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### Price rises return for cow prices

In the week ended 24 March, the GB all prime average cattle price recorded the fourth consecutive week of rises, having gained 1.06p, to 357.65p/kg. The measure currently stands 14.21p above year earlier levels. Industry reports suggest some processors are actively looking for cattle to come forwards.

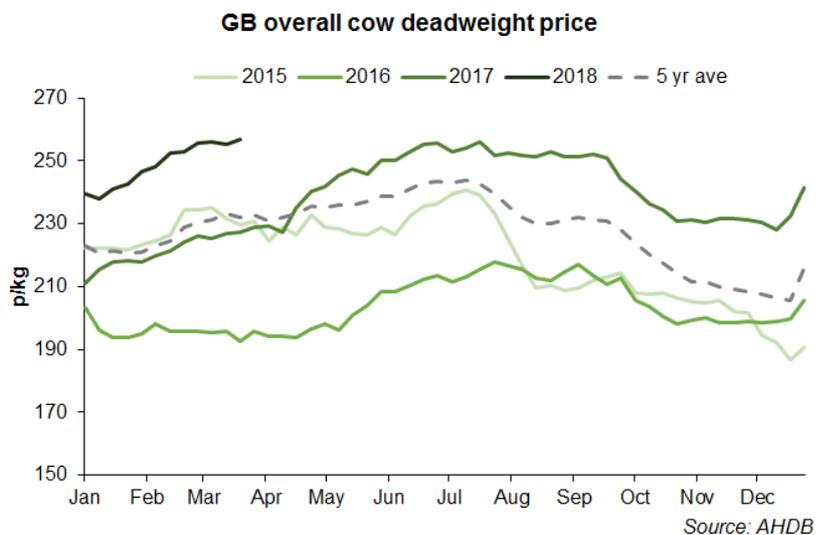
The overall steer price gained just over 1p during the week ending 24 March, to 358.6p/kg, while those steer carcasses meeting the R4L specification gained 1.4p, to average 369.6p/kg. Overall heifer prices gained 1p on-the-week, to 359.2p/kg, with those heifer carcasses meeting the R4L specification gaining 2.5p, to 369.7p/kg. Young bull prices once again proved they could be volatile gaining 7.7p week-on-week to 336.2p/kg, while those young bull carcasses meeting the R4L specification remained steady at 351.6p/kg.

Estimated slaughtering's fell back by 200 head on the previous week, to 33,000 head, although were still 5% (1,600 head) up on the same week last year.

During the week ending 24 March, the overall average cow price increased by 1.8p, to 257p/kg. However, those cow carcasses meeting the -O4L specification fell back by 0.7p, to 278.2p/kg. Estimated cow slaughtering's fell back on the previous week by just over 1,000 head, to 10,000 head. Industry reports continue to suggest that there is strong demand for manufacturing beef.

In the week ending 24 March 2017, the GB overall cow price was the highest it has been since July 2013, and even higher than the highest peak of 2017, which was seen in July. It is also around 25p higher than the five year average. The GB overall cow price recorded a sharp decline towards the end of 2013, and stayed there for two years. In 2015, poor milk prices saw UK slaughtering of cows increase. However, the removal of EU milk quotas saw some EU member states look to increase milk production despite the low prices, and in those countries there was no increase in the number of cows slaughtered. This increase in milk production following the

removal of milk quotas put farm gate milk prices under further pressure, leading to consolidation and a renewed drive for efficiency in the UK dairy industry. Continued lower milk prices into 2016 led to higher cow culling's in historic terms, weighing on the price for cows. Milk prices recovered during 2017, reducing the number of cows coming forwards, high supplies of cow beef on the European market post the cull of many Dutch dairy cows, which weighed on the price to a degree.



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GB overall cow price, deadweight



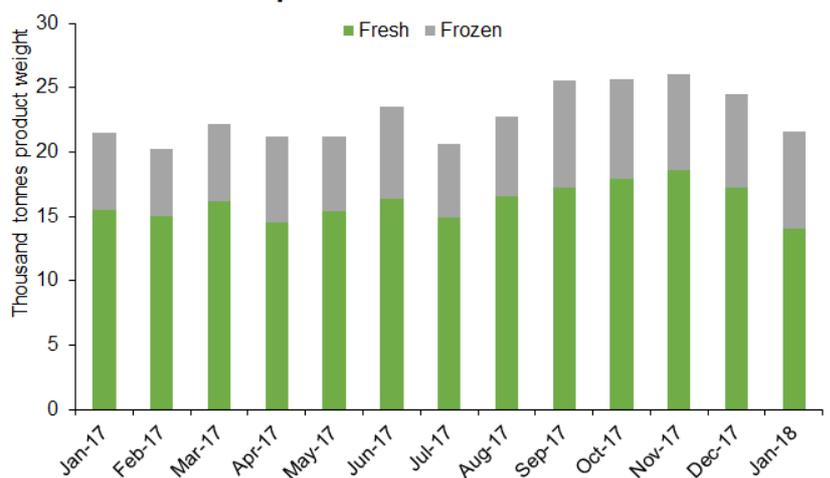
Compared to prices in other key European countries, the UK price typically has been one of the highest. French prices are higher, as cow beef is often seen as the preferred choice of beef in France. Since the EU referendum exchange rates have improved the competitiveness of UK cow, prices falling below Irish values.

## UK imports less fresh beef in January and exports increase

During January, the UK reported imports of fresh/frozen beef remained at a similar level to January 2017, at 21,600 tonnes, according to the latest data from HMRC. Ireland shipped 15,200 tonnes to the UK, again a similar amount as year earlier levels. Although the amount received in total was similar, what has changed is the make-up of the types of product. Around a third of beef imported into the UK in January 2018 was frozen, totaling 7,500 tonnes, 25% higher volume year-on-year. The volume of fresh product declined (-10%) to 14,100 tonnes.

In January, the UK reported exports of fresh/frozen beef increased by 11% on-the-year, to 9,500 tonnes. Exports to Ireland increased by 31% on year earlier levels, to 3,200 tonnes. The Netherlands is the UK's second largest market, and the UK shipping 2,700 tonnes there in January, up 16% year-on-year. Although they won't account for the whole amount, a 74% increase year-on-year in the volume of carcasses/half carcasses' going to the Netherlands points towards the ongoing strength in the cow market. Over three quarters of UK beef exports are of fresh product and totaled 7,600 tonnes in January, a 22% increase on-the-year.

UK imports of fresh/frozen beef



Source: IHS Maritime & Trade- Global Trade Atlas®, HMRC

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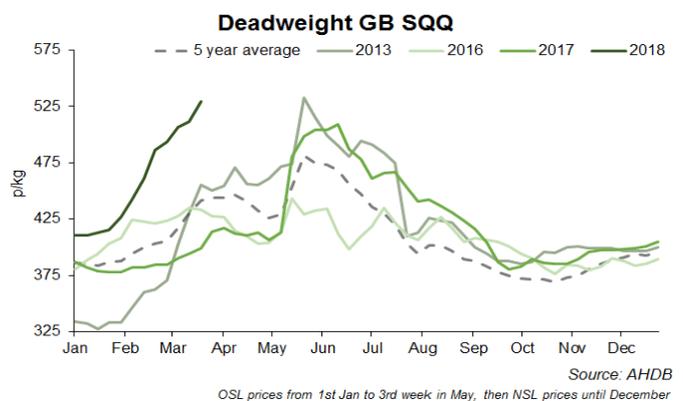


### Highest deadweight hogget price ever

During the week ending 28 March, the GB live weight OSL SQQ which has been rallying since the start of the year paused, with a week-on-week decline of 2.09p, standing at 232.39p/kg. The quote currently stands almost 45p above year earlier levels.

Auction market throughputs rose by 8% (10,600 head) week-on-week, to 136,100 head. Throughputs of cull ewes increased by 21% (6,700 head), to 39,400 head.

However, in the week ended 24 March, the GB deadweight OSL SQQ gained 18p week-on-week, to 529.2p/kg, which is 130.1p above year earlier levels. This is the highest this measure has ever stood, and only fractionally below the highest recorded level for the deadweight NSL SQQ which was recorded in May 2013. Estimated slaughtering's for the week totaled 254,800 head, a 15% rise on the same week last year. As well as the high price, part of the year-on-year increase in throughputs is likely to be due to Easter falling earlier this year than last.

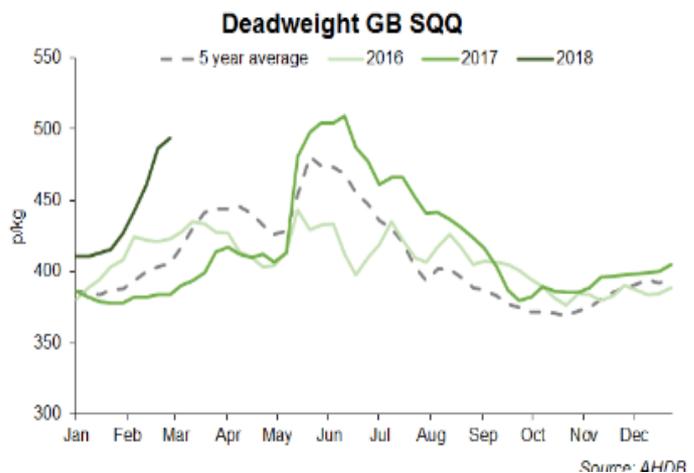


AHDB estimates that the hold-over of lambs from 2017 into 2018 is higher year-on-year; in the year-to-date AHDB estimates that 10% (254,700 head) more lambs have been killed compared to year earlier levels. Industry reports suggest that due to recent poor weather conditions there is currently a lack of new season lambs available for slaughter.



### Snow slows deadweight lamb price gains

In the week ended 7 March, the GB live weight SQQ increased by 15.05p on-the-week and up 52.97p on year earlier levels, standing at 226.58p/kg. Daily live weight prices increased sharply at the start of the week recording an average of 226.41p/kg on Thursday 1 March, a 10.6p gain on the previous day. There was no recorded OSL daily price for the Friday. Prices peaked for the week on Monday 5 March at 233.03p/kg, a 22.7p increase on the same day of the previous week. Since then live weight prices eased significantly to finish at 221.04p/kg on Wednesday 7 March, although this was still 5.2p up on week earlier levels.



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Global prices have also continued to be strong which is supporting domestic farm gate prices by reducing imports from New Zealand, according to reports.

Due to the poor weather conditions auction market throughputs took a downwards turn with week totalling 108,302 head, 3% (2,900 head) down on the previous week. Cull ewe throughputs also eased (-25%) on-the-week, to 21,451 head. It is expected that auction market throughputs are likely to recover next week, as normal trading resumes.

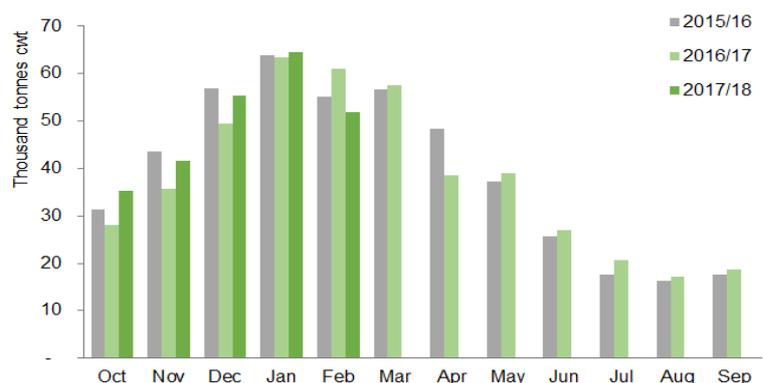
During the week ending 3 March, the GB deadweight SQQ rose by 7.6p week-on-week to 493.9p/kg. This was a more modest week-on-week increase than recorded in the previous four weeks and the opposite of one might have expected with the terrible weather. This might in part be due to some processors having a lower killing capacity with staff struggling to get to the abattoir. Currently the measure stands almost 110p above year earlier levels. Estimated slaughtering for the week took a tumble as many parts of the country were covered in snow. Compared to last week estimated slaughtering were down by 27% (60,500 head), to 166,300 head. The key Easter kill period is now starting and an increase in numbers coming forwards is expected over the coming weeks.

## New Zealand gaining competitive edge over British lamb

Lamb prices in New Zealand have continued to trend at a higher level year-on-year through March. In the week ending 24 March, the New Zealand North Island lamb price was recorded at 710 NZ cents per kg. Currently the price is just under 180 cents above year earlier levels and almost 215 cents above the five year average for this time of year. Despite this, the rally in the GB price means the gap between GB and New Zealand lamb prices is growing, which makes New Zealand lamb more competitive on the British market again.

As expected, following reports from Beef and Lamb NZ that New Zealand had fewer lambs left available for slaughter compared to year earlier, New Zealand production of sheep meat in February declined 20% (12,700 tonnes) month-on-month, to 51,900 tonnes, according to the Ministry of Primary Industries. Compared to production in February 2017, production declined by 15% (9,100 tonnes). Despite this, total production during the current New Zealand production year (started in October 2017) is still 5% (11,200 tonnes) up on year earlier levels, at 248,800 tonnes. Sheep meat production from lambs in particular took a sharp hit in February, down 19% (10,800 tonnes) year-on-year, to 37,600 tonnes. New Zealand exports during February rose by 3% (1,600 tonnes) year-on-year, to 52,200 tonnes, according to the latest data from Statistics New Zealand. New Zealand exports to China were higher year-on-year (26%), to 23,000 tonnes.

Production of sheep meat in New Zealand



Source: Ministry of Primary Industries

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In contrast, New Zealand exports to the EU declined sharply (-19%) year-on-year, to 14,900 tonnes. When looking at New Zealand exports to the UK, during February they stood at 6,300 tonnes, a 26% (2,200 tonnes) year-on-year decrease.

With the competitive edge which New Zealand typically has over British lamb growing and moving back towards more historic levels, how prices develop over the coming months both domestically and on the global market will have an impact on future UK imports from New Zealand. As much as New Zealand is increasingly competitive on the UK market, if the profit margins look more promising elsewhere, or there are simply fewer lambs left to export, New Zealand lamb imports are likely to remain at a reduced level at least in the near future.

## Sheep meat consumption in China forecast to rise

In China around 3% of all dietary protein is from sheep meat however consumption of sheep meat in China is increasing with the growing middle class driving this growth. Pork is the most popular meat protein in China, followed by poultry, beef and then sheep meat. Traditionally sheep meat was more likely to be consumed in the northern regions of China, especially during the colder months due to a belief that it generated internal heat. However, consumption has been rising in the warmer coastal regions as wealthier consumers look to diversify their diets and are also more likely to be able to afford imported sheep meat. It is estimated that around 65% of all sheep meat in China is consumed outside of the home, according to USMEF. Looking forwards, Chinese consumption is forecast to increase by around 14% (0.5kg), between 2017 and 2027, to 4kg per capita per year according to GIRA.

Demand in China for imports can be volatile and heavily affected by domestic production. Industry reports have suggested that Chinese domestic production has been lower in 2017 than in 2016. This is further confirmed by the latest data from China Customs, Chinese imports recorded a 13% (29,000 tonnes) year-on-year rise, to 249,000 tonnes. Most of China's imports of sheep meat come from New Zealand and Australia. China however, is the world's largest producer of sheep meat, with an estimated flock of 312 million head in 2017.

## Australian lamb prices still high

The Australia eastern states trade lamb price declined sharply in mid- February, and stand at 597 AUS cents per kg in the week ended 8 March, according to the latest data from Meat and Livestock Australia (MLA). The price in Australia is currently 14 cents below year earlier levels but 70.8 cents above the 5 year average for this week. Australian prices rallied sharply at the start of 2017 and maintained the level

China imports of sheep meat, annual



Source: IHS Maritime & Trade - Global Trade Atlas®, China Customs

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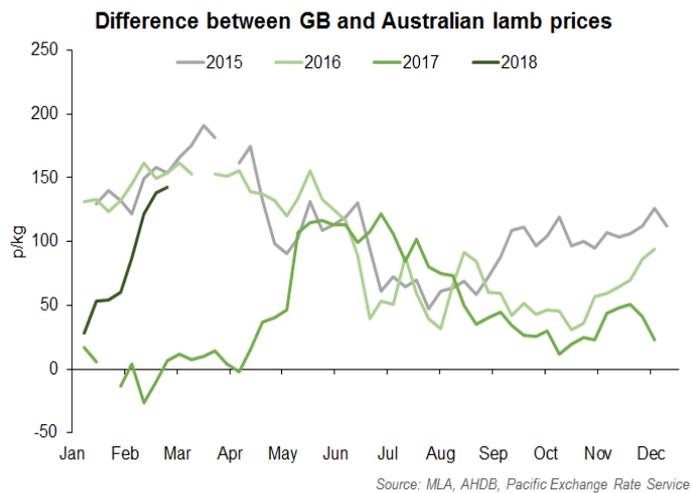
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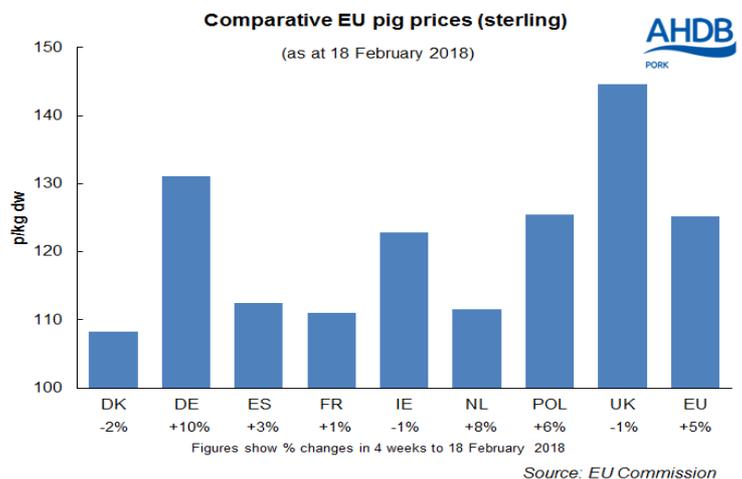
throughout the year, not the typical seasonal pattern. The gap between GB and Australian prices has widened significantly since the start of the year, due to the GB price moving upwards. Typically, Australian lamb is cheaper than British lamb, however this time last year British lamb was cheaper in sterling terms. Currently the difference stands at around 142p/kg, which is slightly below historic levels.

Total sheep meat production in Australia stood at 697,700 tonnes cwt in 2017, 2% (11,800 tonnes) higher than in 2016, but still below levels in 2014 and 2015. The composition of the sheep meat did change however. Production from lambs fell by 1% (6,700 tonnes), to 509,200 tonnes, whereas production from culls increased by 11% (18,600 tonnes), to 188,434 tonnes. According to industry reports, Australian sheep farmers have begun to feel more confident in the market and weather conditions and therefore have kept ewe lambs as replacements but also cleared out some older ewes from their breeding flocks.



## Pig Prices (EU Spec)

EU pig prices fell significantly throughout January. The EU reference price declined continually up the week ending 4 February, however since then prices have taken a sharp upward turn. Over the past three weeks, prices have risen by €7.25 to €140.95/100kg for the week ended 18 February. Prices were not increasing at the same rate during the equivalent period last year, so the gap between this year's and last year's prices has narrowed over the period. For the most recent week prices are €11 below this time last year. The sudden upward momentum reflects a downturn in German slaughtering's in particular, but with growth in the number of young pigs and piglets in their November census, whether this will continue is somewhat uncertain.



Looking at member states individually, most have recorded significant price rises in recent weeks. The German reference price stood at €147.65/100kg in the week ending 18 February, which is €13.31 above three weeks earlier. Other major producers also recorded significant price rises over the period, including Poland and the Netherlands. However, Danish reference prices have continued to fall, declining by €2.07 over the past three weeks to €121.92/100kg.

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## Pig Prices (UK Spec)

### UK PRICES

Finished pig prices continued the downward trend apparent since mid-2017 in January. During the month, the EU-spec SPP averaged 147.88p/kg, 2.88p down on the previous month and making this the sixth consecutive month of decline. The SPP for January last year was 2.78p/kg higher, meaning the gap relative to year earlier levels had widened since December. Higher throughputs during the month, as any festive backlog cleared, likely contributed to the falling prices and equally demand has reportedly been lackluster. Moving into February, the SPP has continued to follow a downward trend, standing at 145.66p/kg for week ended 24 February.

The EU-spec APP in January followed a similar trend, falling 3.21p/kg on the month to average 150.96p/kg. Again, this will have been partly influenced by high post-Christmas throughputs, as well as the downward pressure on price evident to producers throughout the EU. The price differential between the APP and the SPP narrowed in January to 3.08p/kg, with the premium market seemingly coming under greater pressure than the standard market.

## Poultry market update

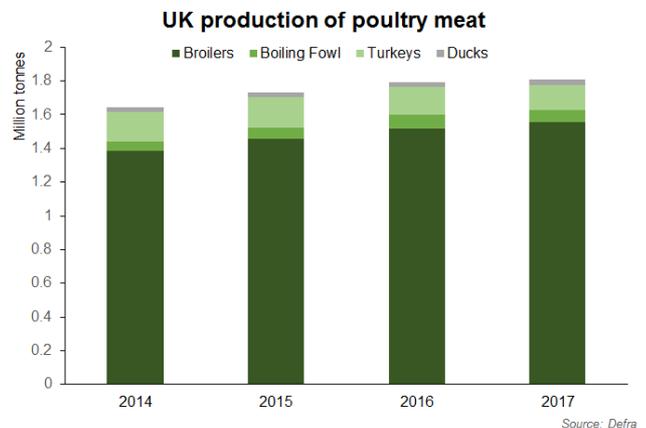
Thursday, March 29th, 2018

Poultry meat production in the UK increased by 1% (13,600 tonnes) year-on-year in 2017, to 1.8 million tonnes, according to Defra data.

Production from boiler chickens accounts for around 85% of all poultry meat produced in the UK, totaling 1.6 million tonnes in 2017, up 2% (35,800 tonnes) year-on-year. The total number of broiler chickens slaughtered rose by 4% (44.3 million birds) during the same period, to 1.03 million birds. The number of boiling fowl (which includes spent hens and spent breeders) declined by 6% (3,590 birds) year-on-year, to 53,300 birds.

The number of broiler chick placings has been increasing over the past three years and in 2017 increased by 3% (34.6 million chicks) on-the-year, to 1,047.2 million chicks. In every month apart from December the number of chick placings increased on the year. In January and February 2018, broiler chick placings also recorded strong year-on-year increases.

Production of turkey meat declined by 11% (18,000 tonnes) on-the-year, to 146,600 tonnes, while the number of turkeys slaughtered declined by 8% (1 million birds), to 13.1 million birds. The average live weight of a turkey at slaughter fell below 13kg for the first time since 2012, at 12.7kg/head. Duck production increased by 4% (1,000 tonnes) on-the-year, to 30,600 tonnes.



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In 2017, the UK imported 7% (31,100 tonnes) less fresh/frozen chicken meat than in 2016, at 410,000 tonnes, according to data from HMRC. UK exports of chicken grew by 18% (47,100 tonnes) in 2017 on-the-year, to 309,900 tonnes. Over 95% of UK imports of fresh/frozen chicken meat imports come from other EU countries, while just over three quarters of exports are destined for the EU. As with the pig sector, trade plays an important role in balancing the carcass.

So far in 2018, chicken has performed strongly in the supermarkets, somewhat bucking the trend of other proteins. In the 12 weeks ending 25 February, there were 18% more promotions on chicken which has helped support an increase in volume sold.

## Exchange Rate

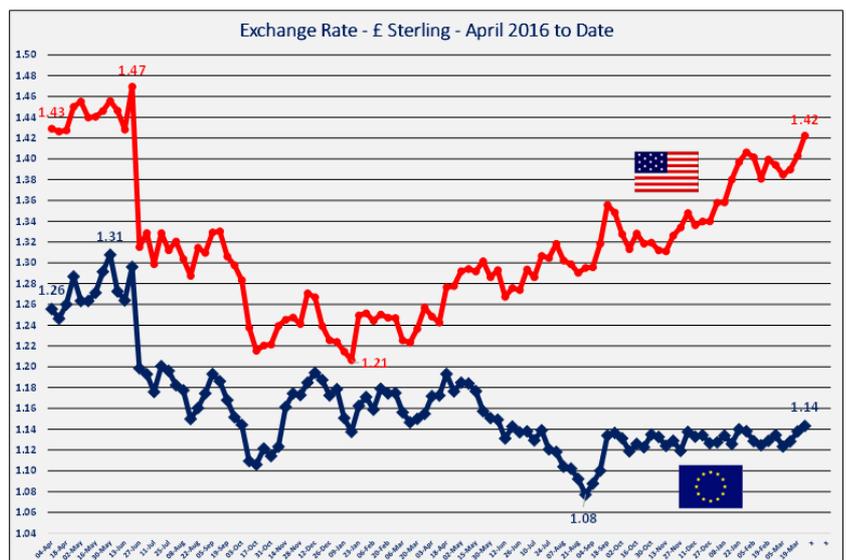
The Pound remains “extremely cheap” and with a Brexit transition deal now in the bag, fading economic uncertainty should create scope for the British currency to regain its poise against the Euro and US Dollar, according to strategists at *ING Group*.

This call comes hours after British and European negotiators agreed a deal to extend the status quo for 21 months after the March 2019 Brexit date. The agreement was reached after issues covering citizens’ rights and a financial settlement were agreed in full while the Northern Irish border question remains open, but enough assurances on the issue have been provided to allow negotiators to recommend talk’s progress to the third stage.

Most importantly for businesses, the deal removes or at least defers the risk of a so-called cliff edge Brexit, where the UK leaves the EU immediately after an agreement reached in the dying hours of March 2019 or leaves without an agreement an agreement at all and defaults to trading with the EU under World Trade Organisation terms.

The Pound rose sharply against the Dollar, Euro and all of its other developed world rivals in response to the deal agreed Monday.

This saw Sterling break back above the 1.40 level against the Dollar while traversing its way toward the higher end of its five-month trading range against the Euro, with the Pound-to-Euro rate having been quoted as high as 1.1434.



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