



BIRTWISTLES

Market Report

AUGUST 2018

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Beef Overview

Carcass prices started to decline in price due to the continued good weather and shortage in grass. Farms are having to supply more feed into the cattle at their expense so there has been a rise in numbers coming to market.

Prime steer cattle prices continue to stay strong with minimal decreases. Steak Meat (sirloin, fillet, ribeye and rump) and Beef V/L's (mince beef, Burgers) remain priced strong due to demand of the cuts and pressure from the export market.

Cow prices dropped due to poor quality carcasses coming to market caused by lack of natural feed leading to poor consistency on quality.

Imported Steak Meat is still a more viable option from a consistency, availability and price point of view, the quality is equally as good as the UK.

Cattle prices to decline

In the week ending 14 July, the GB all-prime average cattle price declined by 2.36p on the week, to 367.31p/kg. This is the largest week-on-week drop since mid-January. The price is currently just 0.5p higher than the equivalent week last year, while the gap between 2018 levels and the 5-year average has narrowed to 12p.

However, the price for steer carcasses meeting the R4L specification remained relatively stable on the week, declining only marginally by 0.3p, to stand at 382.1p/kg. In spec-heifer prices also recorded a similar marginal decline, while R4L young bulls gained 1.5p on the week to stand at 362.8p/kg. The maintenance of prices for cattle meeting target specification suggests that an increase in poorer quality carcasses coming forward has been depressing the overall average. This likely reflects the current poor grass growth conditions. The overall steer price fell by 2.5p week-on-week to stand at 367.8p/kg. Both the overall young bull price and heifer price fell by similar magnitudes, to stand at 353.2p/kg and 371.1p/kg respectively.

The latest retail figures from Kantar World panel also indicate demand for primary beef and in particular roasting joints has dropped slightly, most likely due to the hot weather. Industry reports suggest this may be resulting in these cuts being processed into lower-value mince, which could be contributing to the recent downward pressure on carcass prices as well.

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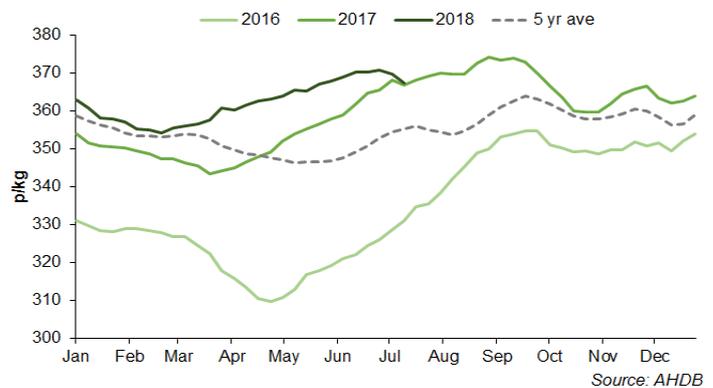
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Estimated prime slaughtering's for the week ending 14 July were 500 head lower than the previous week, at 31,700 head.

Overall cow prices fell for the fourth consecutive week, decreasing by 4p to 254.8p/kg. The measure currently stands just 0.9p above last year's levels, but remains 11p above the 5-year average. Increased supply availability, as more cows are sent forward due to the lack of grazing, could be contributing to the recent downward pressure. Cow slaughter increased by 200 head on the week, to 11,900 head, 2,200 head higher than in the equivalent week last year.

GB all prime average deadweight cattle price



Both UK beef imports and exports rise

UK fresh/frozen beef imports are up by 6,300 tonnes (+6%) in the year to May, to total 112,800 tonnes. Within this, shipments during May alone are 4% higher year-on-year. The majority of this increase has come from Ireland, with these deliveries rising by 5,000 tonnes in the year to date (+7%) to total 80,400 tonnes. This accounts for over 70% of total imports in the period. The data also suggests imports from outside the EU, most notably Brazil and Botswana, have picked up again this year, after declining in 2017. At 94%, the EU still dominates the UK beef import market, but market share is two percentage points lower than in January-May 2017.

Conversely, there has been a collective decline of 2,400 tonnes (-11%) in imports from the Netherlands, Poland and Germany for January-May. The decline in Dutch imports is likely related to higher production from the dairy cull in 2017 boosting the availability of exportable product last year.

A rise in import prices means that the value of the UK beef import market has increased 10% compared to year earlier levels across the first five months of the year, reaching almost £456 million.

UK fresh/frozen beef imports, January -May

	2016	2017 tonnes	2018	Volume change 2018-2017	% change 2018/2017	
Total fresh/frozen beef	105,197	106,514	112,816	6,301	5.9	↑
of which: EU	96,200	101,883	106,262	4,379	4.3	↑
Ireland	71,812	75,406	80,415	5,009	6.6	↑
Netherlands	7,795	8,467	7,483	-984	-11.6	↓
Poland	5,880	7,989	7,059	-931	-11.6	↓
of which: non-EU	8,997	4,631	6,554	1,922	41.5	↑

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

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UK fresh/frozen beef exports in the year to May total 48,000 tonnes, a 16% (+6,600 tonnes) rise on the year. Annual growth for the month of May stands at 11%, with shipments totalling 9,300 tonnes. For the year to date, the EU-27 accounts for 87% of total exports in volume terms and with a value of £163 million, EU trade makes up 90% of the total market value (£180 million). With higher beef prices this year, value has increased ahead of volume, growing 16% on year earlier levels for January-May.

UK fresh/frozen beef exports, January -May

	2016	2017 tonnes	2018	Volume change 2018-2017	% change 2018/2017	
Total fresh/frozen beef	46,224	41,437	48,031	6,594	15.9	↑
of which: EU	41,918	34,752	41,920	7,168	20.6	↑
Ireland	16,886	13,245	16,604	3,359	25.4	↑
Netherlands	10,607	8,544	11,300	2,757	32.3	↑
France	4,194	3,373	3,788	414	12.3	↑
of which: non-EU	4,307	6,685	6,110	-575	-8.6	↓
Hong Kong	1,334	3,025	3,461	436	14.4	↑

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

Deliveries to Ireland have increased by 25% (+3,400 tonnes) to total 16,600 tonnes for the year to date, and currently account for around 35% of UK beef export volumes. Shipments to the Netherlands have also increased by 2,800 tonnes (+32%) on 2017 levels, to total 11,300 tonnes.

Lamb Overview

Lamb Prices overall have decreased. Carcasses are very light and are of poor quality due to the lack of natural feed. The larger Lambs 20k+ are still very short on numbers and these are still demanding a premium and are very hard to get hold of. The middles of lamb (racks and Cannons) are still being exported for a premium throughout Europe and Asia.

There are a lot of animals coming to market under finished and of poor quality (small carcass, plain and lacking Fat Cover) due to the heat and lack of grass and this has been driving the market price down. Please note this doesn't give a true representative of the price on individual cuts as due to poor yielding we are still having to compete with the export market which is the preferred destination.

GB lamb prices continue to move south

During the week ending 18 July, the declining trend in the GB live weight NSL SQQ steadied slightly, recording the smallest week-on-week decline for five weeks at 4.41p/kg. Currently the quote stands at 182.19p/kg, which is 26.20p/kg below year earlier levels. For the second consecutive week, the quote has been below the five year average.

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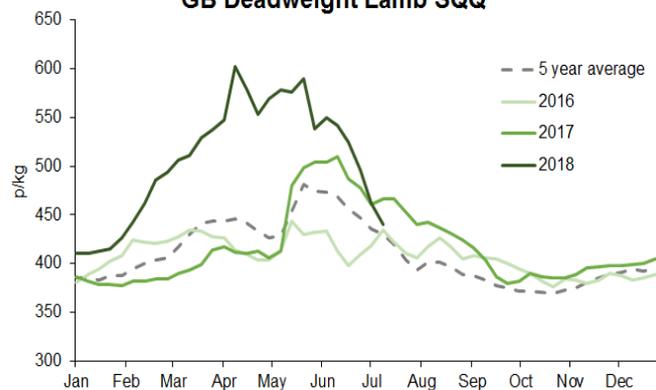


Auction market throughputs declined by 16% on the week and were nearly a third below year earlier levels, at 78,300 head. This was the second lowest weekly throughput level for 2018. Total throughputs were also below any week recorded in 2017, apart from the Christmas week which always has low throughputs. New season throughputs have been under pressure throughout 2018, reflecting the poor lambing conditions followed by the recent dry weather. Compared to this time last year, the number of new season lambs recorded at auction markets so far in 2018 has fallen by a third.

Moving on to the deadweight NSL SQQ, in the week ended 14 July, the measure dropped by 21.7p, to 440.3p/kg. This is the first time this year's lamb crop has recorded the deadweight SQQ at below year earlier levels. Estimated slaughtering's have continued to trend below 2017 levels, at 235,300 head, although this is a small uplift on the previous week. Estimated slaughtering's have not been above year earlier levels since the middle of March.

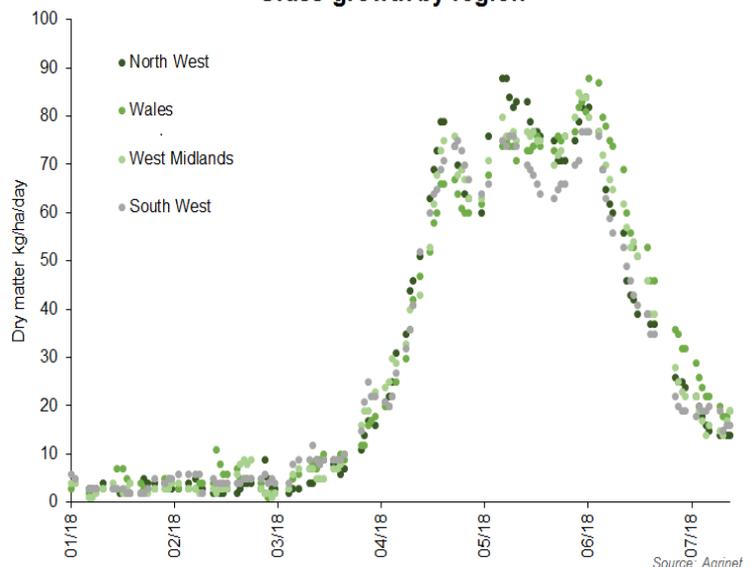
Industry reports have continued to suggest that some animals are coming forwards under finished, which is no doubt negatively affecting the SQQ. Grass growth has been lacking recently with many fields looking rather brown and sun scorched. Developments with the weather, and subsequent grass growth, are likely to have the largest impact on when numbers and finishing conditions begin to pick up. However, improvements to finish levels, and an increase in numbers, are likely to have opposite effects on the price, and therefore how the market is balancing at the time will ultimately be key.

GB Deadweight Lamb SQQ



Source: AHDB
OSL prices from 1st Jan to 3rd week in May, then NSL prices until December

Grass growth by region



Source: Agrinet

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New Zealand sheep meat exports remain steady on year earlier levels

During the first six months of 2018 New Zealand fresh/frozen sheep meat exports totaled 249,800 tonnes, similar to the same period last year, according to Statistics New Zealand. The largest market for New Zealand exports is China, with shipments totaling 107,200 tonnes, up 13% year-on-year. Despite a sharp increase on-the-year in May, exports to the UK in the year-to-date are 4% below even last year's low levels

During June, total sheep meat production in New Zealand declined (down 41% month-on-month, down 5% year-on-year), to 25,800 tonnes, according to the Ministry of primary Industries. Between October 2017 and June 2018, production totaled 414,400 tonnes, a 4% rise on-the-year.

Pork Overview

EU/ UK Pork Prices remain stable, UK Pork prices middle cuts (loins, Ribs) stay strong due to Seasonal demand and pressure from the export market, the export market is still the preferred destination due to the value of the pound and more profitable markets.

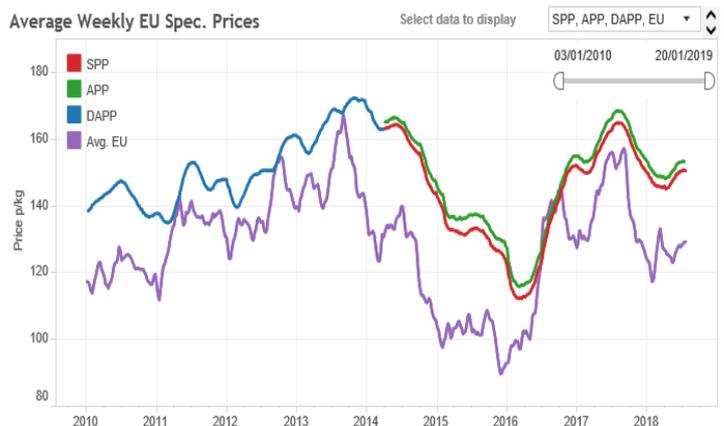
Pig Prices (EU Spec)

Home \ Prices & Stats \ Prices \ Pig Prices (EU Spec)

The EU-spec SPP for week ended 21 July stood at 150.34p/kg, a marginal decrease of 0.13p compared to the previous week. This places the measure 14p below last year's levels.

Carcass weights recorded a decline of 370g compared to the previous week, averaging 82.54kg, which also happens to sit 370g below the equivalent week in the previous year. The lower carcass weights may reflect some slowdown in pig growth rates due to the recent warm weather. Estimated throughputs stood at 168,800 head for the week, which is in line with 2017 levels and 1% higher than the previous slaughtering week.

The EU-spec APP fell marginally on the week to 153.12p/kg for the week ended 14 July. This was a week-on-week decrease of 0.05p, which meant the gap with the SPP narrowed to 2.65p, the smallest difference since the end of March.



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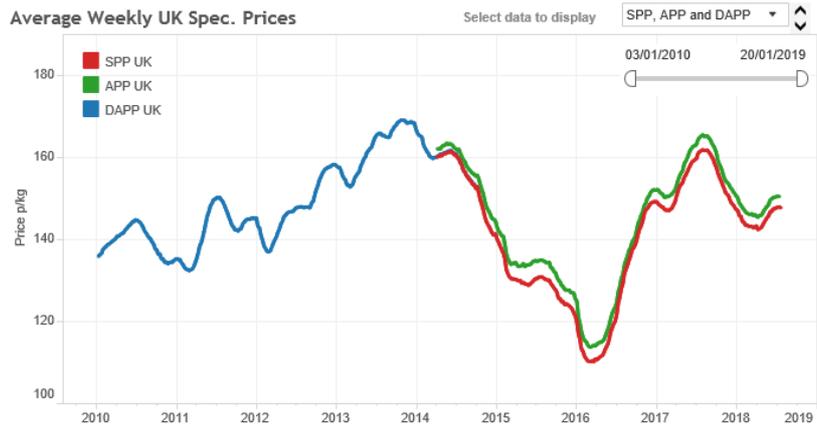
Pig Prices (UK Spec)

Home \ Prices & Stats \ Prices \ Pig Prices (UK Spec)

The UK-spec SPP for the week ended 21 July stood at 147.64p/kg, a marginal decrease of 0.12p compared to the previous week. This places the measure 13.8p behind last year's levels.

Carcass weights recorded a decline of 370g compared to the previous week, averaging 84.05kg. The lower carcass weights may reflect some slowdown in pig growth rates due to the recent warm weather. Estimated throughputs stood at 168,800 head for the week, which are in line with previous year levels and 1% (1,500 head) higher than the previous slaughtering week.

The UK-spec APP fell marginally on the week to stand at 150.38p/kg for the week ended 14 July. This was a week-on-week decline of 0.04p, which meant the gap between the SPP narrowed to 2.62p, the smallest difference since the end of March.



Poultry overview

Poultry prices have risen and have now stabilised as the market catches up with the EU Brazilian Chicken ban. UK produce prices have rose and continue to stay high due to demand from the export market the prices will continue to stay high until seasonal summer demand eases.

Update on Slaughtering and meat packaging affected by carbon dioxide shortage July 2018

The gas, which gives soda its fizz and is used to package food, and even stun pigs before slaughter, is in short supply due to a high number of closures at ammonia plants that produce CO₂. That's putting pressure on food and drink industries just as warm weather.

Carbon dioxide, often associated with [global warming](#), is a byproduct of ammonia produced by the fertilizer industry. When puffed into packaging, it helps prolong the shelf life of meat or salads, and is also used in dry ice, which helps transport frozen goods. The shortage has been caused by too many ammonia plants closing down for planned maintenance or production issues.

It could be September before more ammonia comes back to the market, and with it CO₂, according to CRU's Fertilizer Week publication. A supply squeeze for another three or four weeks may cause more

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considerable problems for the food and drink industry, Berenberg Bank analysts said last week. Northwest Europe has been particularly affected. The UK which imports the majority of its Co2 has been among the hardest hit.

The crisis could cause potential problems for farmers if they can't sell their produce, the U.K.'s National Farmers' Union said. Reduced slaughtering capacity could force more pigs to be moved to other plants, or for birds to be held on farms for longer, industry groups have warned.

Some chicken processors have resorted to electrical stunning and some meat producers switched to other gases or using a vacuum to package their products.

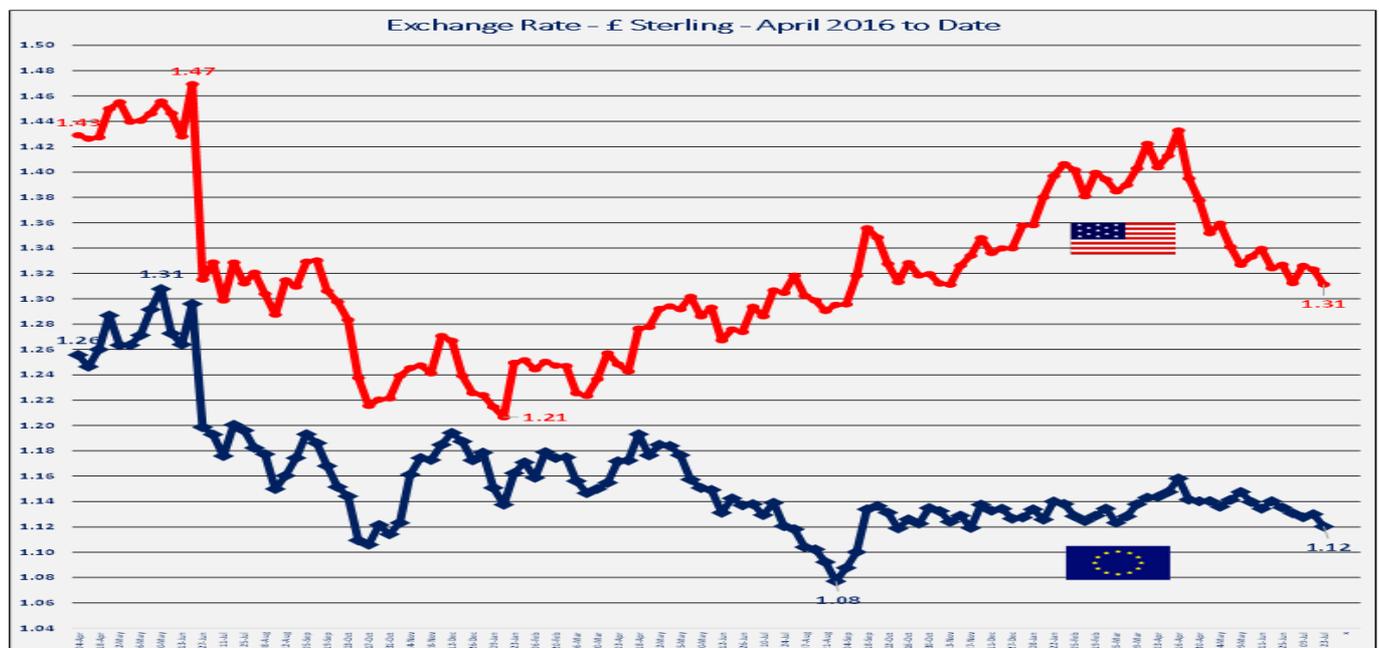
"No one anticipated this at all," said Nick Allen, CEO of the British Meat Processors Association. "We have got some plants that certainly if they can't get more gas supply this week, they will actually be having to close down."

Critical Element

While a U.K. ammonia plant was expected to restart this week, meat factories are expected to face problems over the next few weeks until gas supplies are fully restored, the U.K. meat-processing group said.

"Now everyone's realized just how critical a part of your supply chain it is," Allen said. "We thought the problem on the planet was that we have too much CO2. Now we've discovered we haven't got enough."

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