



BIRTWISTLES

Market Report

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As we are now into the main holiday period for the UK and trade historically is subdued for the next six weeks, we are very busy behind the scenes across all departments to ensure we arrive in September in the best shape possibly; in readiness for the last quarter of the year which historically is the busiest. With an uncertain landscape after 31st October and traders willing to delay any negotiations on forward contracts we certainly are still very active and busy in our negotiations.

The education sector will see a massive uplift overnight in our business and we will prepare our stocks accordingly for the initial return from the 2nd September until mid-September when it should settle back into its routine.

Any advance notice on orders or the possibility of receiving the first deliveries the Saturday before could help massively and minimise any potential delays with transport and deliveries.

Pork Overview

Highest May pork exports on record for the UK

Fresh/frozen export pork shipments were up 31% on a year earlier, at 21,200 tonnes. This was the highest figure for May based on records going back to 1997. Average export prices were also a little higher, so export value was up by just over a third, at £31.5 million.

The growth was driven by shipments to China, which more than doubled compared to a year earlier, at 7,200 tonnes. This is unsurprising given the ongoing African swine fever crisis in China.

Fresh/frozen pork imports in May were 16% lower than last year. There were lower imports from nearly all suppliers, but particularly Denmark (-18% or -2,300 tonnes). With rising EU pig prices and a falling pound, average import prices were 15% higher. The poor competitiveness of imported product, and higher imports earlier in the year due to Brexit stockpiling, likely subdued import demand.

EU Prices

In the week ended 16 June, EU pig prices reached the highest point since October 2013, at €178.15/100kg. This was nearly €3 higher than the start of the month.

Demand is apparently below expectations across much of Northern Europe, although the onset of the holiday season is helping the situation in Spain and Italy. International trade is reportedly also somewhat mixed, though processors with access to the Chinese market remain in a more favourable position.

A rise in export demand coupled with reduced competition from imports, on the back of unusually high EU prices, has contributed to the rising market this year. Reports of subdued consumer demand, and lingering effects of Brexit stockpiling activity, have prevented prices rising more rapidly but when stock in cold stores has become exhausted in China this will then bring more pressure for supply and inevitable rises later in the year.

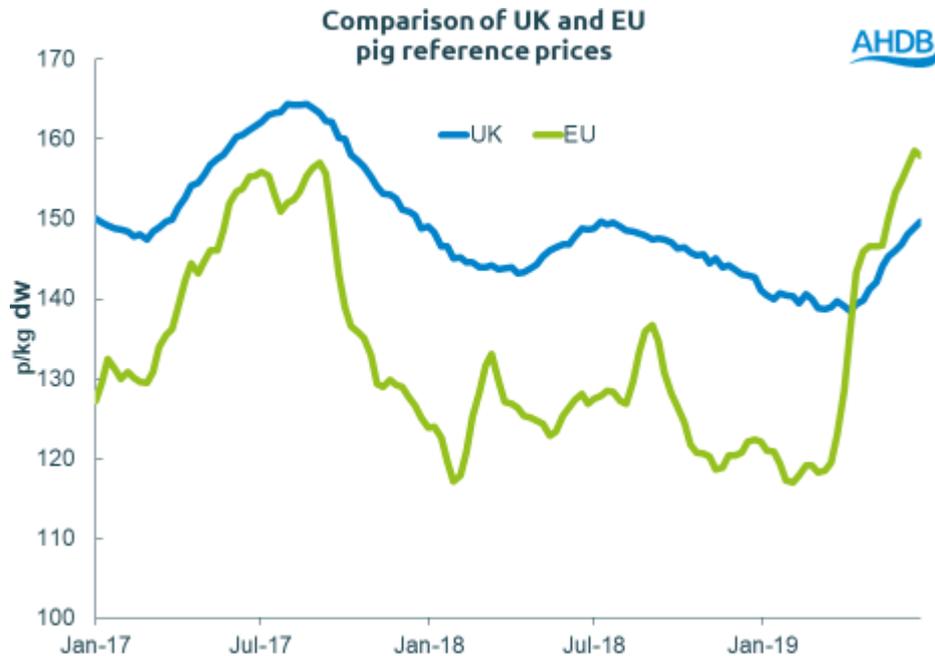
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UK Prices

Pig prices continue to rise

In the week ended 13 July the EU-spec Standard Pig Price rose 0.56p to average the week on 152.20p/kg. This is now 1.73p above the price this time last year. Demand is reported to be fairly slow but some products have been boosted by some barbeque trade with demand for middle meat, loins and belly's driving this. UK exports of pig meat increased by 14% (+2,700 tonnes) year on year. Increased shipments have primarily gone to China and the Netherlands. China has taken more frozen pork while the Netherlands has increased fresh pork shipments.

Pork/Gammon

This, as well documented, has seen some massive swings mainly due to the situation in China with ASF (African Swine Fever) and demand to feed their people at whatever cost. All EU pork/gammon was in very short supply with middles and legs contracts being cancelled (force majored) and diverted for better prices in Asia. The UK market was also under pressure due to demand across all cuts in the last year when we were pretty stable at 1.1 % this increased to a 16.1 % increase to our business for cuts.

Bacon

On its own was severely hit due to the lack of middles from the EU with increases straight away to 20.3 % increasing to 30.7 %, although the price may have plateaued we are yet to see any considerable downward movement in price due to demand in the summer months for loins/Belly's and legs, this market could turn either way at any time and China are still buying.

Understandably, China is responsible for the majority of increases, as African swine fever drives import demand.

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African swine fever Update

Due to ASF the Chinese pig herd has been reduced by 16.6% (official Chinese figures) which equates to the entire production of US or Northern Europe for 1 year - which is staggering. As a result China have bought heavily to fill the supply gap. Sales to China include bone in leg and loin contracts on top of traditional products. These purchases have brought about European shortages and significant price increases. Loins +20% to date and more increases are expected. Legs +25% since the beginning of the July and again forecast to increase further.

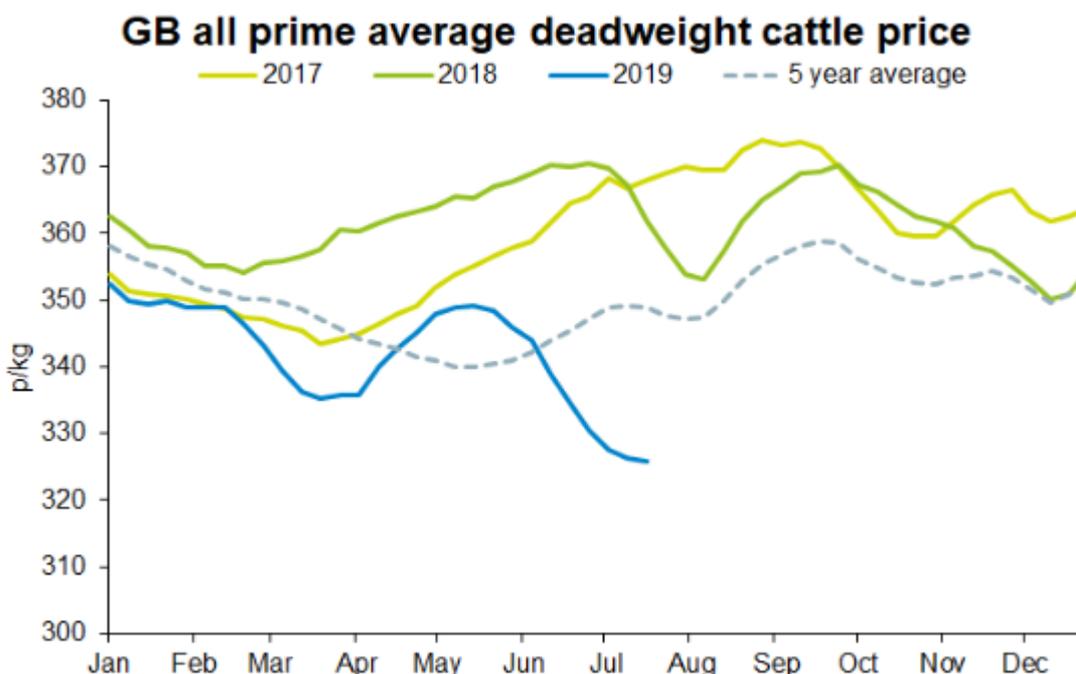
European Pig numbers have also dropped at the same time. Major European producers have experienced kill level drops of up to 20% and pig prices are rising quickly putting pressure on non-Chinese products.

In summary a perfect storm which could well last months but no one knows exactly when it will rebalance. Speculation is rife but hard facts are prices will be high and availability short for the foreseeable.

Beef Overview

Cattle prices stabilize slightly

Deadweight cattle prices stabilized in the week ended 20 July. Although a decline in the GB all prime average was recorded, it was by just half a penny. The price averaged £3.26/kg for the week. It is expected that cattle supply will tighten slightly as we go into the second half of the year. Estimated slaughter increased by 15% compared to the previous week, totalling 10,900 cattle. The highest weekly slaughter since March.



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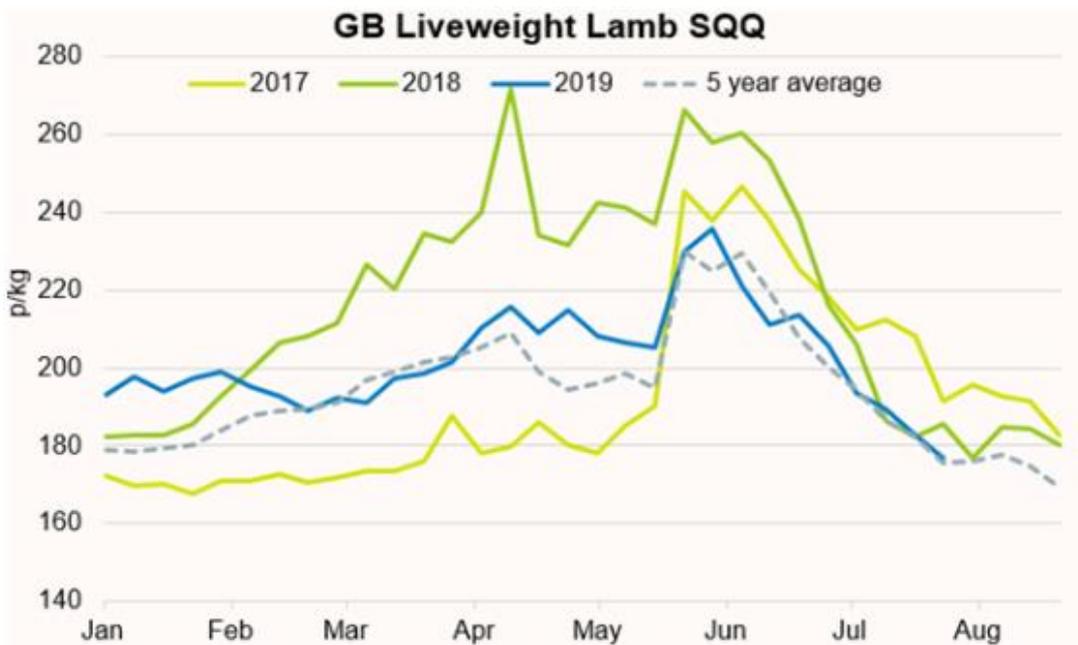
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Lamb Overview

In the week ending 20 July, the GB deadweight New Seasons Lamb price stabilised with a fall of 0.3p to 414.6p/kg. Estimated slaughterings were again up on the week to an estimated 255,000 sheep. This was an increase of 4% on the week, and 12% higher than the same period last year.



The GB liveweight New Seasons Lamb price fell 9.9p over the week ending 24 July to 176.9p/kg. Auction market throughput declined to 91,336 head, 10% lower than the previous week.

With harvest starting to ramp up, throughput will see declines over the next few weeks, potentially improving demand.

Poultry overview – Turkey Prices

This looks like being a tough year for whole birds and Boneless Breasts (Turkey Butts). Early indications are it could possibly see a 32% increase by the year end and currently we are paying this week compared to the same week in 2018 - 16.2% more for Boneless Breasts.

Demand across Europe is fairly standard although there probably is some increased demand in Germany for Turkey as pork is in such short supply for products such as Schnitzels due to the disease problems in China. Generally there seems to have been less product throughout this year with little chance of the shortages being made up before the Christmas demand kicks in.

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The current heatwave across Europe will have reduced bird size and increased mortality but the market situation was set long before this became an issue. Many Turkey farmers switched species from Turkey to Chicken towards the end of last year due to better returns and less long term investments.

No two years in the turkey market are the same, early last year we were able to secure 10 to 15 loads of reasonably priced Turkey breast for sale in the second half of the year. This year and at this present time we have yet to secure stock and under current negotiations we are in for contracts going forward there is very little commitment from any producers at workable prices before Christmas. With the likelihood of a no deal on the 31st October and an additional 0.46p/kg import duty being applied it is no wonder buyers are sitting on their hands for as long as possible.

In conclusion

We are probably facing the most unstable and unreadable Turkey market in the Industry, the problem being the number of possible factors making any contingency plan just as risky as doing nothing.

Chicken

Demand on EU poultry and favoured destinations outside the EU for better prices has kept the UK market above its base in the last twelve months we have seen an increase across all cuts from EU/UK to 7.7 % in 2018 now tracking at 6.6 % above for June 2019. This peaked at 11.7 % across all cuts.

Brexit

On Thursday 25 July we learned that the next Prime Minister will be Boris Johnson MP. No doubt the new Prime Minister will be focussed on Brexit in the coming weeks. With little time left before a potential no-deal much of industry is hoping a deal can be agreed.

Being able to import the most popular cuts which we do not produce in sufficient quantities is indispensable for the retail, foodservice and manufacturing sectors to supplement those parts of the carcass in deficit and to ensure year-round supply.

There are 101 days until the 1st November. The run up to Christmas is a particularly crucial time for the meat and wider food industry and a no deal on that date would be even more challenging than if there had been a cliff-edge earlier in the year. We hope that the new Prime Minister recognises the importance of the food sector and weighs up any decisions based on the potential impacts for this sector.

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