



# **BIRTWISTLES**

---

*Market Report*

NOVEMBER 2019

# Market Report

November 2019



## Key Headlines

It appears that the UK's exit from the UK is still the biggest single topic of conversation and even now there is still a degree of uncertainty when the date of withdrawal will happen with the EU having now granted the UK a further extension until January 2020. Market conditions across all proteins remain volatile as farmers, producers and traders await the outcome of negotiations and how the withdrawal agreement will be integrated into legislation. Whilst a no deal scenario is unlikely it would undoubtedly be damaging in terms of availability and increased costs given the imposition of tariffs and levies on imported meat together with deficiency of UK meat production. What this now means is that we will continue to trade on a status quo basis for the foreseeable future.

The position of turkey for Christmas has become clearer despite the forecasts for product availability and price not being positive and much higher than previous years. A more detailed summary of the market is included in this report.

Pork likewise is still in turmoil as African Swine Fever continues to affect the market. The prognosis is that these challenges will be with us for some time yet as demand for pig meat from China shows no sign of dropping. The demand for all types of proteins from China is continuing to gather pace and is going to be a significant influencing factor on global availability going forward with more plants in South America, Ireland and the UK gaining Chinese approval for export in the past month.

## Beef Overview

### Cattle prices remain a challenge

UK prime deadweight cattle prices fell in October and are now 30p+ below the 5-year average price. AHDB numbers suggest that total slaughter numbers are rising as many processors start their Christmas purchasing programmes. However the limited availability of boning staff means throughput in abattoirs is still challenging.

Despite the deadweight price movement, the factors covered in last month's report are still influencing primal prices, with export demand high especially. Export demand for EU beef is also a major factor on price, meaning domestic markets having to pay the right price to prevent raw material entering export markets.

Having had to pay more to secure forequarter, including VL's for burger production and round cuts during the weeks of Irish farmer protests (these were not passed on), prices are more stable since the end of protests and volume is more readily available. This is expected to remain the case through Q4 as China demand continues to accelerate with product being imported from South America, Ireland, UK and EU sources.

Steak cuts also appear to be creeping upwards as demand continues to be strong both domestically and for export, especially fillets as we move in to the Christmas seasonal period.

China's insatiable appetite for protein continues – 17 plants approved for export in Brazil, 8 in Argentina and a further 4 plants in UK approved – this will be first time UK beef has been available to Chinese market since the BSE crisis.

Call 0161 776 1263  
BIRTWISTLES.COM



**BIRTWISTLES**  
Catering Butchers

# Market Report

November 2019



China's demand for forequarter cuts especially is going to be a significant influencing factor across the market now they have approved more 3rd Country plants for export.

Two of the biggest South American producers are sending a combined total of over 1,400 containers of product to China in October alone.

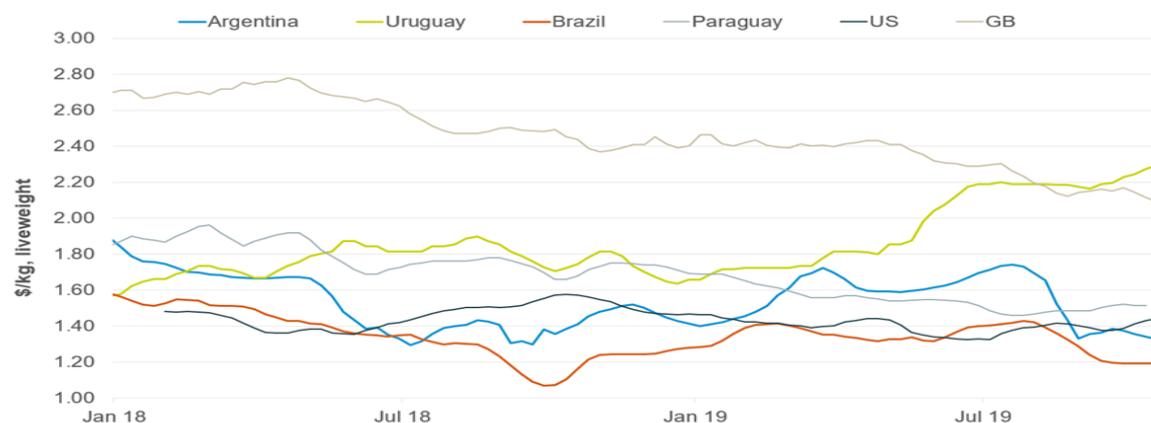
Despite rising exports, EU cattle figures declined by 1.6% on the year according to the June survey, suggesting there will continue to be fewer cattle coming forward. Rabobank's Q2 beef reports suggest that both EU beef production and consumption are likely to decline slightly by around 1-2% for 2019 year-on-year.

Despite Irish fresh/frozen beef exports totalled 30,900 tonnes in August 8% (+2,300 tonnes) higher than year earlier levels according to the latest Ireland customs data. This continues a trend seen throughout 2019. China up 340% with UK down 8%

For 2019, total EU beef and veal production has been revised up by 20,000 from previous forecasts, up to 7.82m tonnes. This is a 2.6% decline from the total production in 2018. Elevated cattle slaughter and high production in 2018 has caused the EU cattle herd to contract, causing lower production in 2019.

## Liveweight global cattle prices (3 week rolling average)

AHDB



Source: INAC, USDA

Million tonnes CWE	2019	2020	Annual change	Annual change (%)
Australia	2.3	2.1	-0.22	-10%
Brazil	10.2	10.8	0.59	6%
China	6.9	6.6	-0.23	-3%
European Union	7.9	7.8	-0.13	-2%
United States	12.3	12.6	0.33	3%
<b>World*</b>	<b>61.3</b>	<b>61.9</b>	<b>0.56</b>	<b>1%</b>

Source: USDA

Call 0161 776 1263  
BIRTWISTLES.COM



**BIRTWISTLES**  
Catering Butchers

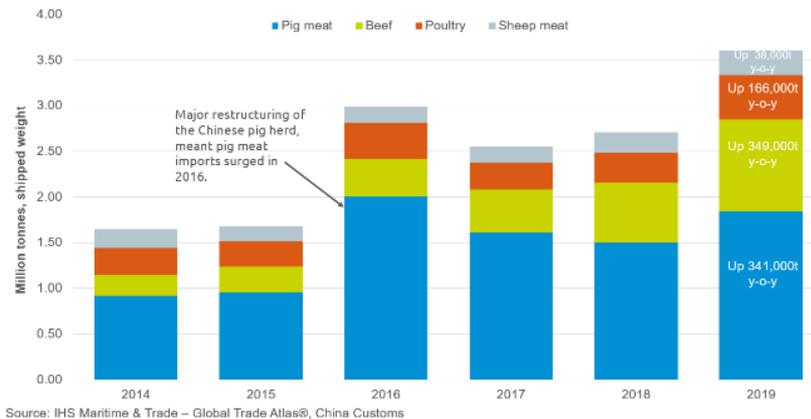
# Market Report

## November 2019



### Chinese imports of meat protein, Jan - Aug

AHDB



Beef has seen the biggest volume increase in protein demand from China, however despite these prices globally haven't risen as much as the markets anticipated as global beef supply has been increasing. The average Chinese import price, in US\$, for beef is up just 2% year-on-year.

Argentina, Uruguay, Brazil, Australia, and New Zealand are the five largest suppliers of beef to China. Growth of imports from Brazil has been limited this year due to Brazil regaining access to the Russian market and re-directing exports in that direction. However, the other 4 countries have all had at least double-digit growth in percentage terms, with imports from Argentina growing 122%.

New Zealand and Uruguay have seen increases in cattle prices in recent months. Uruguay, especially, has seen a sharp increase in farmgate prices. Increased demand from China, coupled with a long-term decline in the beef herd has tightened supply in the country.

For the other countries, farmgate prices have been trending below the long-term average throughout 2019. In Brazil and Argentina, prices in US\$ have declined since the start of August, in part due to weakening domestic currency.

## Lamb Overview

### Prices of UK lamb are static

Prices of UK lamb are static although market is short in terms of raw material.

Industry reports suggest there has been more demand for medium and heavy lambs with them being most suited to the current export markets. Conversely, demand for lighter lambs has been minimal. The latest trade data does show sheep meat exports increasing to the EU, with France continuing to be the largest export destination for UK lamb.

NZ production is flat YoY but export to EU countries is down 20% because of more product going to China.

Call 0161 776 1263  
 BIRTWISTLES.COM



**BIRTWISTLES**  
 Catering Butchers

# Market Report

November 2019



NZ sheep meat exports have reached record levels, now in excess of NZ\$4b driven by Chinese demand, up 18%.

Market on lamb is expected to tighten going in end of Q4 and into Q1 2020.

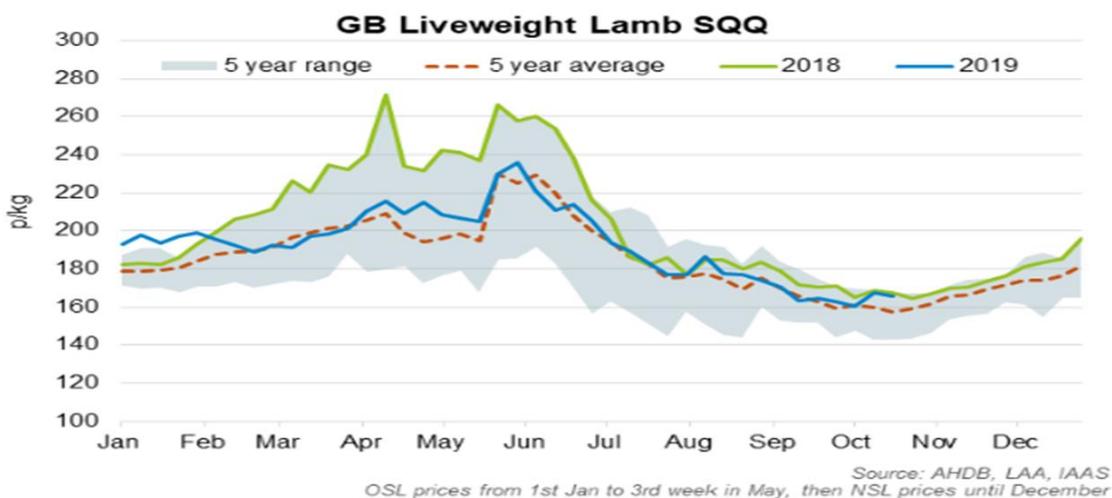
Brexit is the single biggest threat to UK lamb market given the significant export trade.

Whilst the GB liveweight SQQ dropped by 2.2p/kg in the week ended 23 October to finish at an average of 163.63p/kg, this is still in line with the previous year, and up just over 4.5p on the five-year average. In contrast, the GB deadweight SQQ went up (+3p), averaging 374.3 p/kg for the week ending 19 October. This reduces the gap with the high prices of last year to 14.6p/kg, up 4.5p on the five-year average.

In the year to July, total EU-28 sheep meat production increased by 12,700 tonnes year-on-year, to 420,000 tonnes, according to Eurostat data. This is entirely driven by an increase in production in the UK. Partially offsetting the rise in UK production is a decline of 3,200 tonnes in Spain. Prices for heavy lambs have been trending below last year's levels across the EU. Continuing the trend of the past few years, imports of sheep meat from third countries have declined. This is largely driven by a drop in New Zealand lamb entering the bloc.

Whilst Brexit has been delayed a trade deal between China and the UK for the export of sheep meat became more of a possibility after an extensive 10 day visit last month from a delegation from the Chinese General Administrations of Customs. The Chinese signed a protocol agreement in June to export beef for the first time in more than 20 years since the BSE ban and this visit looking at lamb production is a significant step to gaining access to the Chinese market for UK lamb.

In the background Australia have also signed a memorandum of understanding with the Chinese government to promote a collaborative partnership on meat exports to China from Australia. China is the biggest export market for Australian meat with this MOU designed to enhance the strong value placed on the trading relationship between the 2 countries.



Call 0161 776 1263  
BIRTWISTLES.COM



**BIRTWISTLES**  
Catering Butchers

# Market Report

November 2019



## Pork Overview

### Surging pork demand causes prices to escalate in China

Mintec have seen prices for UK pork climbed 35% y-o-y in the second week of September, due to the rising export demand from China, the largest destination for UK pig offal exports.

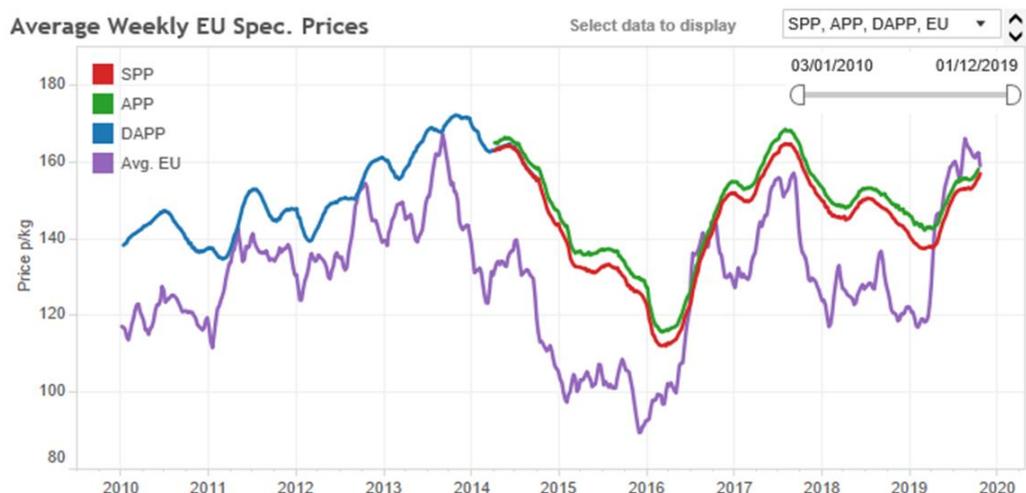
UK exports volume grew 11% y-o-y in July, the highest since July 2016. Both fresh and frozen pork account for a significant share in UK pork exports, followed by bacon and sausages with minor shares. China's pork demand has been rising drastically after mass pig culls were carried out following the outbreak of African swine fever. Chinese pork imports from Brazil and Europe have surged in attempts to fill in the deficits in the domestic market. As a result, pork prices in China are up 75% y-o-y and 58% q-o-q in mid-September.

To restrict the price increase, the Chinese commerce ministry in early September declared to release frozen pork from the government reserves. Also, the Chinese transport ministry announced to exempt vehicles carrying chilled pig and piglets under the "green passage" policy (exemption from vehicle toll). On the international front, China is in discussion with the US with the aim of increasing pork imports and ease prices in the domestic market. Besides, China has already boosted pork imports from the US in July, the highest volumes imported in two years, and will continue to exempt pork and soya bean from additional tariffs until a negotiation meeting in October.

The EU-spec GB SPP recorded the largest week-on-week increase since June in the week ending 5 October, reaching 155.32p/kg. The pig price is now up 8.53p compared to the same week last year.

Estimated slaughter in the same week reached 184,000 head. This was a 2% (+3,200 head) increase on the previous week and an 11,600 head increase on the same week last year. Carcass weights also increased by 0.24kg on the previous week, averaging 84.52kg. GB finished pig prices continued to rise in the week ended 19 October. The latest SPP is over 11p above both the same week last year and the 5-year average.

It seems that good export demand and higher import prices have started to drive increased upward momentum in pig prices. The Traffic Lights spot base has been above the SPP for a few weeks now, suggesting supplies are relatively tight when compared to demand. This is despite industry reports suggesting domestic retail demand has been patchy.



Call 0161 776 1263  
BIRTWISTLES.COM



**BIRTWISTLES**  
Catering Butchers

# Market Report

November 2019



For the week ending 28 September, the EU-spec APP gained 0.26p on the previous week to average 156.37p/kg. During the same week, the SPP grew by 0.46p, so the gap between the SPP and APP narrowed.

UK pork prices have risen by over 35% YoY due to continued rising export demand from China.

Chinese imports from 3rd Nations – Brazil & Europe have surged to fill deficits in their domestic market.

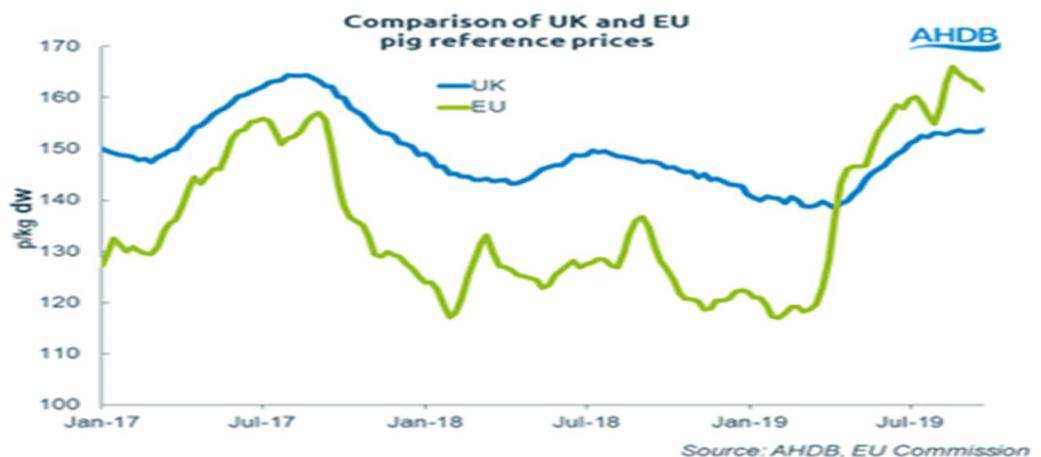
Despite increase in imports the Chinese market is still going to be short of pork through the rest of 2019 and into 2020. Price rises have slowed however, market analysts expect prices to remain firm and high going forward for the foreseeable future.

Industry rumour mill is suggesting Danish pork leg prices will be moving up again either this week or next.

Streaky bacon availability is tightening, and pricing is expected to rise given the demand from China for pork bellies as the impact of African Swine Fever is expected to with us for the foreseeable future.

With over 70% of UK produced pig meat consumed in the UK, changes in the home retail market are key for the domestic pig sector. Overall GB retail sales of pig meat declined in the latest retail update, in contrast to beef and lamb.

In the 12 weeks ending 11 August, GB retail sales of total pig meat declined almost 4% in volume, and over 3% in spend, according to data from Kantar. Volumes of fresh and frozen primary pork recorded a marginal rise. However, fresh and frozen primary pork makes up around only a fifth of total pig meat volume sales. Within the primary pork category, shoppers turned away from the more expensive cuts of marinades and pork ribs, towards cheaper roasting joints, and mince.



## ASF Update

### Soaring Chinese meat prices from swine fever threaten retail crisis

A 159% rise in wholesale pork costs is more than double the increase passed on to consumers. Whilst wholesale price rises for chicken at about 33% were almost double the 18% rise passed on to consumers.

Soaring wholesale meat prices in China sparked by the African swine fever epidemic are threatening a crisis in the nation's food retail sector, which has struggled to pass on the bulk of the increases to consumers.

Call 0161 776 1263  
BIRTWISTLES.COM



**BIRTWISTLES**  
Catering Butchers

# Market Report

November 2019

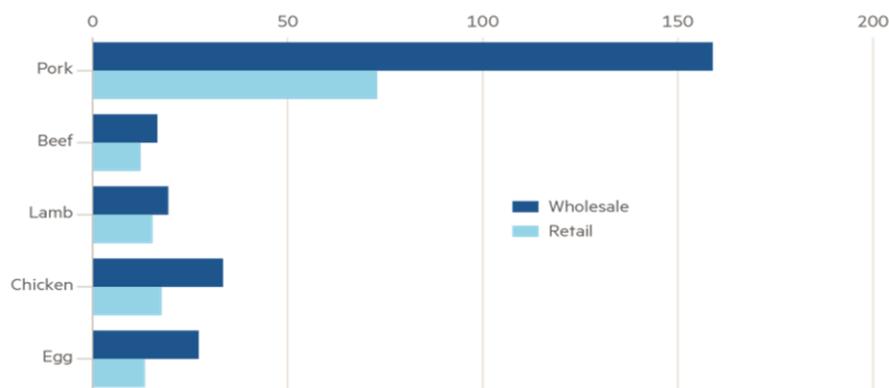


Pork prices were nearly 159% higher in October than a year earlier, more than double the retail price rise of nearly 73%, hitting restaurants, butchers and other food retail outlets.

The trend has been reflected in other meats and sources of protein, including beef, chicken and eggs, suggesting the impact of swine fever is beginning to hit the wider economy just as growth has slowed down to a 30-year low of 6 per cent.

## The cost of animal protein has risen across the board in China

Price change year on year Oct 2019 (%)



Sources: Ministry of Agriculture; National Development and Reform Commission  
© FT

## Turkey Overview

### Market availability tightening driving prices up.

The supply of Turkey in the last quarter of 2019 is going to be particularly challenging. Neither volume or price commitments have been secured for UK or EU product.

The hot weather during July & August has reduced supply of Turkeys

Breeding flocks have died in Central France due to heat stress, the UK sources 20% of its Christmas birds/ eggs from these hatcheries.

The extreme heat in August has caused high mortality on the farms.

The high temperatures have reduced food conversion ratios and the birds arriving at the factory are well below their target weights.

EU placings of turkey are 18% down (visible from EU statistics), due to a combination of the heat wave effect and turkey farmers switching to chicken production for faster turnaround / cash flow.

Call 0161 776 1263  
BIRTWISTLES.COM



**BIRTWISTLES**  
Catering Butchers

# Market Report

November 2019



Moy Park have stopped producing turkey completely, about 500k hens. (which means the remaining producers have picked up)

BM have cut back (25% on all year-round stags = 15k birds per week and taken a large amount of above Moy park orders)

With virtually no product coming out of South America (Brazil & Chile) the demand for UK and EU turkey has produced a market shortage driving prices upwards. Since May we have seen prices increase before over 30%. Looking ahead to Christmas the availability of turkey is going to be challenging and prices are at record levels.

The supply of Turkey in the last quarter of 2019 is going to be particularly challenging. This is due to a unique combination of factors:

Last year, proved to be a very difficult year for the Turkey industry. Bernard Matthews lost over 15 million pounds and many of the European producers also posted heavy losses.

The net effect of these losses is that many of the larger producers transferred their Turkey sheds into Chicken production. As the growing cycle of Turkey production takes 6 months the implications of these strategic production changes have just started to impact the market.

This combination of factors means that the UK & Europe are producing 20% less turkey that this time last year.

On the other side of the equation, the demand for poultry and particularly turkey has increased. ASF in pig production has pushed up pork prices and the restrictions on Turkey imports from South America has made the demand for fresh Turkey more acute.

With price of breast meat rising rapidly we expect demand for dark meat to increase as way of balancing costs against value for customers.

## Poultry overview

### Chicken market in good shape and poised to become the most consumed protein globally.

Availability of UK and imported chicken good, with no anticipated issues securing supplies going forward.

Prices from EU sources have softened over last month, however the demand from China is expected to increase post-Christmas with poultry playing a bigger role in their protein consumption, as this shifts to other species and to plant-based proteins to fill the gap. With chicken being closer to pork in value it is primed to become much more widely used.

As with beef, China have also approved several poultry plants in Brazil for export as they gear up for the anticipated switch to chicken as the more price comparative substitute for pork.

UK prices remain firm but stable.

Currently within the market we are managing pricing commitments on no longer than a monthly basis.

Call 0161 776 1263  
BIRTWISTLES.COM



**BIRTWISTLES**  
Catering Butchers

# Market Report

November 2019



## Outlook for 2019

### US: Disciplined supply growth in fragile market

- Improved prices due to strong demand
- Rising export volumes, but dark meat prices low
- Supply challenges due to new upcoming capacity and high pork and beef supply

### Brazil: Ongoing export challenges

- EU restrictions still in place, new restrictions on Saudi exports; China dispute (partly) solved
- Domestic market to recover due to better economic conditions
- Ongoing supply reduction needed for market balance

### EU: Prices recovering, improved market balance

- Prices are recovering (from end of January)
- Intra-EU production and non-EU imports have slowed down since November/December 2018
- CEEC expansion raises concerns for 2H

### China: Very bullish market with rising demand

- Domestic prices will stay high throughout 2019
- ASF to lead to protein supply shortage, with consumers buying more chicken
- Low breeding stock restricts local production

RaboResearch | Poultry Quarterly Q2 2019 | March 2019

Call 0161 776 1263  
BIRTWISTLES.COM



**BIRTWISTLES**  
Catering Butchers