BIRTWISTLES

Market Report

FEBRUARY 2020

Market Report

February 2020

Key Headlines

There are 4 key external factors influencing global meat trade markets each of which will be with us for some time with varying degrees of effect.

African Swine Fever (ASF) continues with no signs of its spread abating and plugging the volume deficit in protein demand in China, especially on pork, will have a negative impact on prices. However, the recent Corona Virus (CV) in China and the government lockdown on movement may slow down demand as difficulties in moving product around will restrict trade meaning meat destined for China may need to be diverted elsewhere. It's hard to predict how and for how long this virus will impact Chinese demand. There are some sections of the global meat trade who in fact see it as a long-term opportunity given there is a suggestion that coronavirus emerged from eating exotic animals from a Chinese wet market. This fear could elevate Chinese consumer concerns about domestically-sourced protein and lead to increased demand for imported protein.

Brexit now enters an 11-month transition phase with the 31st December now the next key milestone on this journey. How this develops will be crucial to how the EU and UK meat trade map looks in January 2021.

Avian Influenza (AI) in eastern Europe is another factor that will play a big part in how poultry markets develop over the next few months.

Our view on how all these factors may influence trade will be touched on in this month's report.

Beef Headlines

- Global beef prices are expected to continue an upward curve driven by an increase in global beef exports, mainly out of South America – up 67% YoY of which 70% went to China.
- UK deadweight prices remain below 5-year average but decreases in 5th quarter returns and increases in production costs consume any benefit.
- UK beef herd declining and expected to continue in 2020.

Beef Overview

Looking forward to 2020 and beyond, both the UK and Ireland have forecast the availability of prime cattle to tighten up towards the end of the year. Lower calf registrations in 2018 are likely to keep the supply level tighter going into 2020.

The UK breeding herd, both beef and dairy, has been declining recently which is also forecast to have an impact on supply in the longer term. However, as the usage of sexed semen increases within the dairy herd, more beef calves are likely to be registered, making up for the decline in the suckler herd. Further to this, the effect of African Swine Fever in China is likely to impact all protein markets, including beef. This could be welcome news to UK beef producers. The UK recently regained market access to China after an absence of over 20 years. The first shipments are expected to go at the end of 2019 or beginning of 2020 and could provide a boost to the domestic market.

There have been some positive movements in prices in the last couple of weeks, particularly for cattle meeting specifications. However, it is too early to tell if this is a longer-term change in direction.

Market Report

February 2020

Total prime cattle slaughter for the quarter totalled 495,900 head, up 3% on the year. This was driven predominantly by a rise in the number of prime heifers (+5%) and steers (+2%) coming forwards.

During the third quarter of this year, the UK imported 55,200 tonnes of fresh and frozen beef, 23% less than the same period last year. Imports from Ireland, the UK's largest source of imported beef, fell by 16% compared to last year. Shipments from Germany, Poland and the Netherlands were also lower than last year.

Over the same period, the UK exported 36,000 tonnes of fresh and frozen beef. This is 48% more than the same period last year. Shipments increased to all major destinations, including Ireland (+45%), France (+35%) and the Netherlands (53%). However, while exports have surged in volume terms, there has not been the same uplift in terms of value. During the third quarter, exports of fresh and frozen beef totalled £120.5 million, only 16% more than last year.

Domestic demand for beef has remained subdued, both at a retail and foodservice level. According to Kantar, in the 52 weeks ending 3 November, GB retail consumers spent £2.17 billion on beef, down 2% year-on-year. Volumes meanwhile were down 1% on the year, at nearly 280,000 tonnes.

In October 2019 the breeding herd recorded a decline of 2% (60,000 head) compared to the same point in the previous year. With the herd in decline, fewer heifers are required to act as replacements. As such, this has allowed heifer slaughter to remain elevated throughout this year.

The decline in the breeding herd is expected to continue next year. We expect a drop in the region of 1.7%. This is mostly from a decline in the suckler herd, as a prolonged period of low beef prices have provided little incentive to expand herds.

Looking further forwards, the reduction in prime slaughter is expected to continue. Recent data suggest that the decline in the GB milking herd is slowing. With an increasing amount of beef coming from the dairy herd, fewer younger cattle will come through if the breeding herd stabilises. As such, this will reduce the availability of prime animals and therefore production.

Trade helped to balance the UK market this year. As a response to the poorer prices, imports of fresh/frozen been have fallen by nearly a quarter, while exports have increased by almost 50%. Imports into the UK are strongly affected by Irish production. In the first half of the year, Irish production was up by 6% on the year, which pressured domestic prices.

However more recently, Irish production has stalled due to protests at the end of August. In the third quarter, throughputs were down by nearly 20% on the year. This has had the overall effect on the year of reducing throughputs by 3%, despite numbers in the first half of the year being up by 5%. It has been widely reported that there is now a large backlog of cattle to work through. This is likely to take some time given the slaughter capacity reportedly available. Additionally, processors are likely prioritising in-spec cattle, rather than catching up on the 'backlog'. Therefore, we could see more heavier, out of-spec cattle processed over the coming months, which could add to supplies in the short-term.

In the longer term, Irish production is likely to tighten. Calf exports have been increasing over the last couple of years, with exports up by nearly a quarter in the year-to-September. This will likely reduce the availability of animals to finish. Furthermore, there is a longer-term shift from beef to dairy cows, which is also likely to mean lighter carcase weights and potentially poorer conformation.

Despite this, UK imports are expected to show some recovery (5%) in 2020, considering the expected decline in domestic production. After performing strongly in 2019, export volumes are expected to fall by around 9%, again due to a reduction in supplies.

Since the outbreak of African Swine Fever in China in autumn 2018, the nation's reliance on imported protein sources has increased significantly. This surge in demand has rippled through markets at a global level.

Beef has been able to benefit somewhat from the increase demand for protein from China. Chinese imports of beef (including offal and processed products) increased by 54% on the year to 1.3 million tonnes in the year-to-October. The major beef producing regions in South America, as well as Australia and New Zealand have been the main suppliers of beef to China, as such any benefit in prices have been isolated to these nations.

The UK is likely to begin to benefit from the demand soon. In October, the UK and China finalised the details to the market access agreement. This will enable a selection of UK processors to export beef to the nation. While this is a significant breakthrough, it is unlikely that the UK will be able to become one of the major suppliers of beef to the nation. As such, the impact on prices may be limited.

The Chinese government is prioritising recovery in domestic pork production. Industry sentiment is that the Chinese pig herd will have made significant progress by 2025. As such, the uplift in demand is unlikely to provide benefits in the long-term.

Nevertheless, Chinese beef consumption in China is expected to grow. By 2027, consumption is expected to reach 4.7 Kg cwt. per capita, up from 3.9 Kg cw in 2017. This is driven by urbanisation and the growing middle class. This demand especially for forequarter meat and trim, combined with increased demand from North America is going to have a significant impact on price and availability going forward. The market forecast increases in price of up to 30% across these cuts peaking across the key summer trading period for burgers.

GB prime cattle prices hold their ground

Prime cattle prices remained stable towards end of January, with the overall prime average gaining 0.3p to £3.31/kg. This is still around 20p/kg below the price a year ago and the five-year average. Steer prices rose 0.4p to £3.32/kg and heifer prices rose by 0.2p to £3.33/kg.

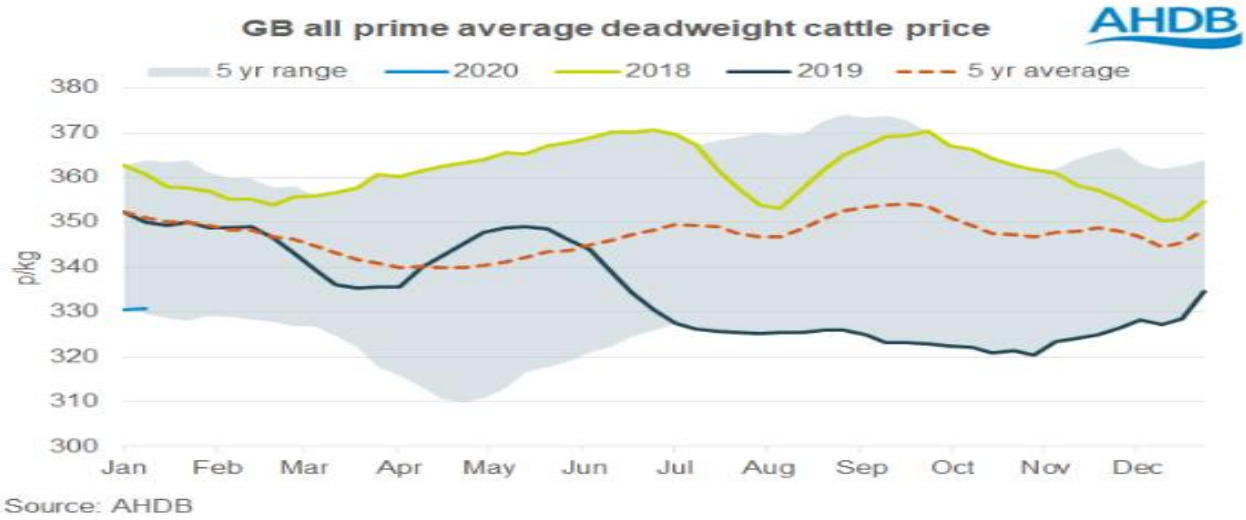
Cattle meeting R3 and R4L specifications were particularly in demand and these prices performed slightly better than the average. Most abattoirs are back to a normal operating week, with estimated GB prime slaughter recovering compared to the holiday period.

Market Report

February 2020

The influence of diminishing 5th quarter returns, higher processing costs, the increased legislative burdens of abattoirs and meat processors and strong export demand has eaten up any benefit of a reduced deadweight price.

Prime cattle slaughter is expected to fall in 2020 by around 3%, production could drop by 4% if carcase weights fall too. Exports are expected to be lower, by 9%, due to this lower production. Although cattle prices are still vulnerable to weak domestic demand, if they do recover, they will attract more imports, predominantly from Ireland. Product availability in Ireland will play an important part, as will Ireland's exports to countries other than the UK



Beef has seen the biggest volume increase in protein demand from China, however despite this, 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.

Market Report

February 2020

Lamb Headlines

- Global lamb farmgate prices have continued at higher levels. Throughout quarter three, prices in New Zealand and Australia have been above the GB equivalent. NZ sheep meat exports have reached record levels, now in excess of NZ$4b driven by Chinese demand, up 18%.
- Since November UK lamb prices have been rising above 5-year average and last year as less product is available on the market. ADHB forecast domestic production to drop back by 5%, driven by a decline in the size of the breeding flock.

Lamb Overview

Promotion work pays off as Welsh Lamb sees jump in Middle East exports

While Europe is still the destination for most Welsh Lamb exports, HMRC trade figures for January to October of 2019 show a leap of 608% in the tonnage of lamb exported from the UK to the Middle East when compared with the same period last year.

The sheepmeat trade to the region is estimated to have been worth around £2 million to Wales already this year, with figures for the final two months of 2019 still to be confirmed.

Exports to the United Arab Emirates have increased five-fold compared to two years ago, trade with Jordan and Kuwait has been established, and the gulf state of Qatar has been added as a brand-new export destination for PGI Welsh Lamb within the past few months.

Several Welsh processors are leading the drive to increase trade in the Middle East, in partnership with HCC and the Welsh Government. Thanks to contacts made at recent trade development missions, PGI Welsh Lamb is now available in two major supermarket chains in Qatar.

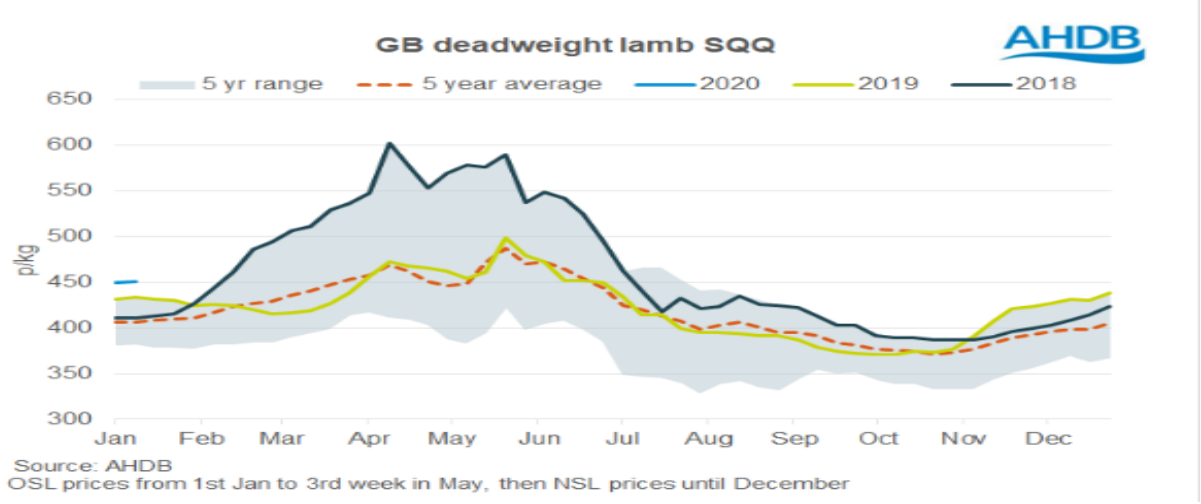
The region has been the focus of long-term promotional work by HCC. Welsh Lamb has earned its place in the high-end retail and hospitality sectors in the UAE for a decade and has gained wider recognition through promotions at the annual regional Gulfood trade show in Dubai. This market development activity has been intensified since 2016 as the industry prepares for Brexit, helped by additional funding from Welsh Government's Enhanced Export Fund.

Sheep prices stay buoyant

GB deadweight old season lamb prices have continued from their positive start to the year with a 0.2p increase in the week ended 11 January, bringing the GB deadweight OSL SQQ to 450.3p/kg. This is 17.1p higher than the same week last year and 43p above the 5-year average.

Market Report

February 2020

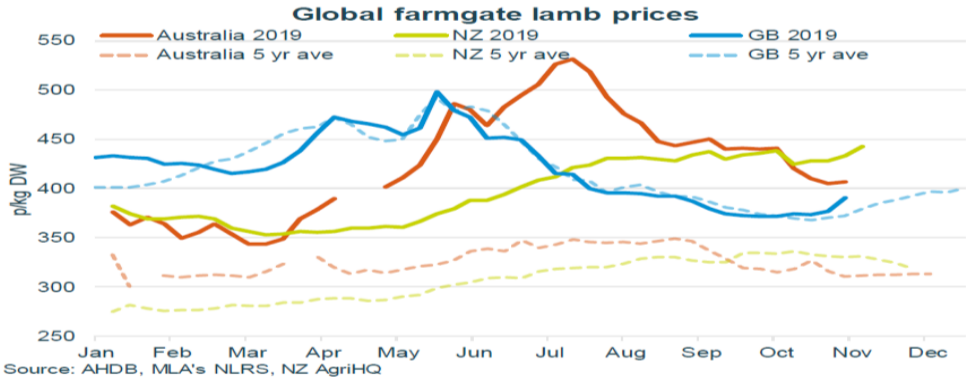


The UK is the dominant player on the EU sheep meat market. In the year to September, EU (excluding UK) imports of sheep meat totalled 104,400 tonnes, down 8% year-on-year, according to Eurostat data. Shipments from New Zealand and Australia have dropped back significantly, for the same reasons as in the UK. The UK has increased shipments by 9%, to 51,700 tonnes.

Global situation

Global lamb farmgate prices have continued at higher levels. Throughout quarter three, prices in New Zealand and Australia have been above the GB equivalent. More recently the Australian price has slipped, while the New Zealand price has made some un-seasonal gains. Global demand is expected to remain elevated, largely because of China, through 2020, with supply un-likely to record any significant recovery. This all therefore yet again points towards a tight global market.

In Australia, Meat and Livestock Australia is forecasting a decline in mutton production in 2020, and a small rise in lamb production. Overall once combined, production is forecast to be down. Meanwhile in the current New Zealand production season (Oct-Sep), Beef & Lamb NZ is forecasting lamb production to be steady, with mutton up slightly. For the UK, this is likely to mean imports remain low.



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Market Report

February 2020

Pork Headlines

- Prices stabilised a little in January across fresh pork, gammon and bacon, however China have reduced their buying but they are expected to return to market in February which will continue to drive prices up.
- Global pork prices continue to rise, as protein shortfalls intensify competition for a shrinking supply, according to Rabobank's Pork Quarterly Q4 2019
- Rabobank also forecast in November that China's pork production would shrink by 25% in 2019 to about 40.5 million tonnes, and a further 10% to 15% in 2020. This they will need to be replaced with imports.

Pork Overview

China's 2019 pork output plunged to a 16-year low, official data showed on Friday, as the fatal hog disease African swine fever killed millions of pigs in the world's top producer.

China, which is also the world's biggest pork consumer, produced 42.55 million tonnes of the meat last year, down 21.3% from 2018, and the lowest output since 2003, according to National Bureau of Statistics (NBS) data.

African swine fever, an incurable virus that kills almost all the pigs it infects but does not harm humans, reached China in 2018 and spread to farms across the country.

Food Prices

China's food prices have soared as pork costs have increased amid the supply shortage, driving inflation close to an eight-year high in the world's second-largest economy.

The Ministry of Agriculture and Rural Affairs reported China's hog herd had declined in October by 41% from a year earlier but rose by 2% in November. That data did not give a total herd size.

The NBS said the pig herd declined 27.5% from a year earlier to 310.41 million head by the end of December. That is up from the 306.75 million head it reported for the first nine months of the year. Some analysts and industry insiders have disputed the official government toll on the herd size, believing the decline was larger.

The NBS also reported that the number of slaughtered hogs last year fell 21.6% to 544.19 million head.

Pork Production

Rabobank forecast in November that China's pork production would shrink by 25% in 2019 to about 40.5 million tonnes, and a further 10% to 15% in 2020.

The government has sought to stabilise prices by releasing hundreds of thousands of tonnes of frozen pork from reserves. Imports have also surged, with December arrivals of pork meat almost double the previous monthly record.

Market Report

February 2020

ASF continues to impact production. While only single digit numbers of new cases have been reported in recent months, losses in the sow herd will lead to lower domestic production in 2020. This suggests China needs to import more to meet local needs than in 2019, when imports reached a new record of an estimated 3.1m to 3.2m metric tons, including meat and offal. The Rabobank Q1 pork report expect imports in 2020 to potentially increase by 30% to 40%, reaching 4.25m metric tons

Total meat output including pork, beef, lamb and poultry fell 10.2% in 2019 to 76.49 million tonnes, the NBS data also showed.

Beef output rose 3.6% to 6.67 million tonnes while poultry output jumped 12.3% to 22.39 million tonnes. The $250bn Chinese import trade with a 7.5% tariff on an additional $150bn of imports.

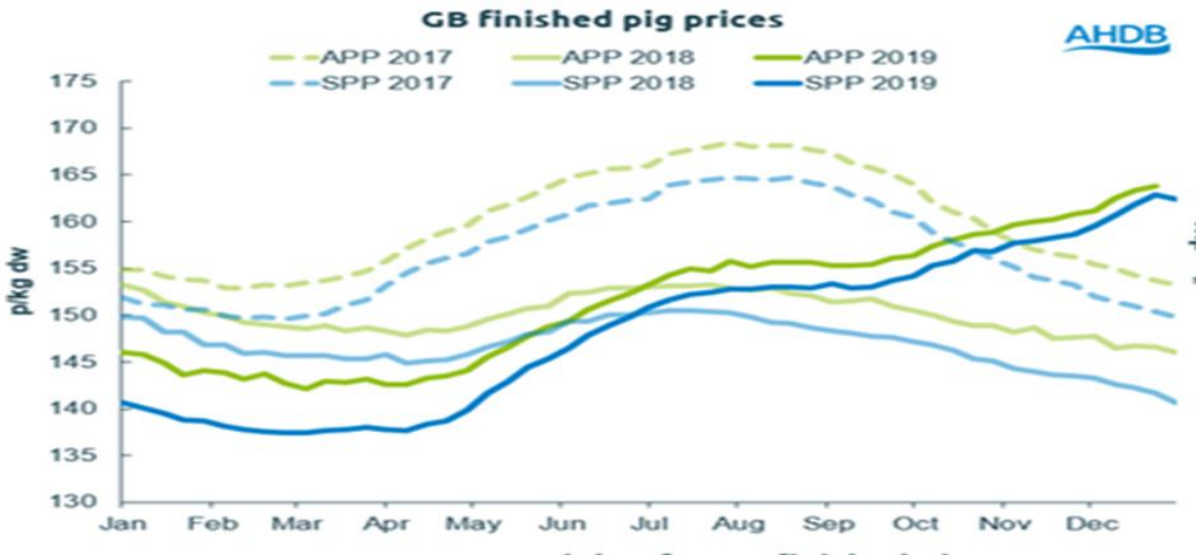
UK PRICES

Having started to increase again during September and October, GB finished pig prices continued to rise during November and early December. The monthly average GB APP for November was 160.56p/kg, the first time the monthly average has topped 160p since autumn 2017. This was around 13p higher than a year earlier.

The rise in prices has been sustained by strong demand on the export market, with prices on the continent also remaining elevated. Relatively subdued demand in the UK, where most British pork is traded, does limit the positive outlook though.

By week ended 21 December, the APP had risen to 163.83p/kg. The SPP has also been on an upward trend, averaging 158.60p/kg in November and 161.91p/kg in December. The SPP has generally been increasing more rapidly and in the week before Christmas, the gap between the two prices was the narrowest since the series began in 2014.

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.



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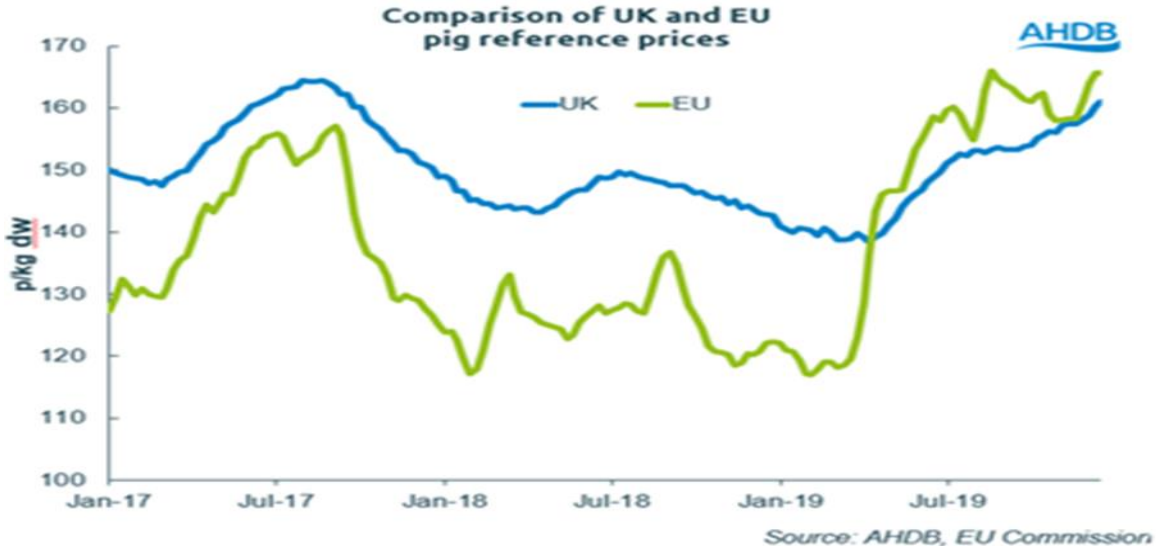
EU PRICES

In the four-week period ending 15 December, EU pig prices rose by €12.43 to €197.01/100kg. The average pig price looks to be at the highest weekly level in 20 years and is more than €60 higher than this time last year.

The price rise has accelerated in recent weeks, following a period of stability in mid-October. This is because of booming shipments to China resulting in increasingly tight supplies of pig meat, especially for the processed sector. China has recently reduced its external tariffs for frozen pork from 12% to 8%, effective 1 January 2020.

With the recent acceleration in EU pig price growth, the gap between UK and EU prices has widened a little again. For the week ended 15 December, the discount of UK price to the EU average stood at about €6.



Despite increase in imports the Chinese market is still going to be short of pork through 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 as early as February. In December 2019, the EU carcass price was at record levels for the month (see Figure 8). The average carcass price approached a 30-year high set in 1997 (EUR 2.07/kg), sitting about 5% lower than that. Rabobank anticipates some correction in prices in the first few months of 2020. However, prices are expected to remain firm in 1H 2020, as the lowering of Chinese import tariffs on pork signals continuous strong demand from the country.

Poultry Headlines

- The outlook for the global poultry industry will be challenging in 2020. The ongoing impact of ASF outbreaks in Asia and Europe will remain one of the key themes for the year ahead.
- EU dark-chicken meat prices are expected to stay at high levels driven by demand in Asia and Africa.
- EU chicken breast prices have come down since November and appear to be stable, with plenty of volume available. The watch out here is what happens when China enters EU market for poultry and how the news that all 12,000 tonnes of Ukraine imports have been banned in the EU with impact prices.

- UK chicken prices again stable except thigh meat where we've seen some small increases. Looking ahead to February we expect prices to remain unchanged.
- Turkey prices for UK and EU have dropped post-Christmas. We do have some stock in Bestwick which we bring back over the next couple of weeks to clear.
- H5N8 avian influenza in Hungary where 50k and Poland may have an impact on availability of EU turkey looking forward, especially if it spreads into Poland and Germany.

Poultry overview

3 countries dominate poultry meat production to 2028

Brazil, China and the U.S. will supply most poultry meat, but new production technologies will enable growth in other regions.

Poultry meat production is forecast to rise from just over 121 million metric tons over the average of the base period 2016-18 to more than 141 million metric tons by 2028, according to the latest Agricultural Outlook projections by the Food and Agriculture Organization (FAO) and Organization for Economic Cooperation and Development (OECD).

Poultry will continue as the most popular meat type produced over the next decade, partially thanks to its short production cycle, which allows producers to respond quicker than other meats to market demands, and production benefits that make it more sustainable for the environment than some other animals. By 2028, nearly 141 million metric tons of poultry meat are forecast by FAO to be produced, with pig meat forecast at almost 129 million metric tons, beef and veal production at nearly 77.5 million metric tons, and sheep meat at just 17 million metric tons.

For poultry, the production growth is expected to grow relatively even with the number of animals, which is not the case with some of the other agricultural products. Poultry production is expected to increase by 20 million metric tons, according to FAO, accounting for nearly half of the total increase in meat production over the coming decade. This will be due to intensified production, taking advantage of favourable feed prices and at the same time expanding its production base.

As of 2018-19, FAO says the majority of poultry meat production comes from the regions of Asia, North and South America, and Europe, thanks to key market players like China, the U.S., Brazil and the European Union. Over the long term, individual countries like China, the U.S., Brazil, India and Mexico are projected to continue to contribute significantly to the additional poultry meat volume by 2028 compared with their average in the base period 2016-18.

According to estimates from the U.S. Department of Agriculture (USDA), U.S. broiler production is estimated to increase only slightly from nearly 42.6 billion pounds in 2018 to 44 billion pounds in 2020. Turkey production is set to rise only slightly, as well, from 5.88 billion pounds in 2018 after dipping negligibly in 2019 to 5.93 billion pounds in 2020.

Brazil's outlook for poultry meat production, according to a USDA report, calls for a 2.5% increase by 2020. This is attributed to rising global chicken meat demand, especially from China. Brazil is on track to see slight increases in production and consumption from 2018 to 2019.

In addition to gains in Brazil, production of poultry has grown significantly throughout the Latin America and Caribbean region. FAO estimates poultry production will have increased by 302% over the past two decades largely due to expansion in aviculture and emerging technology.

In another large market, the European Union produced a record high 15.2 million metric tons of poultry meat in 2018, according to Eurostat. About 70% of this production came from just six member states: Poland, the United Kingdom, France, Spain, Germany and Italy.

African swine fever (ASF) will increasingly push chicken expansion in Asia in 2020. This will help fill the gap in domestic protein markets affected by ASF, but it also raises concerns about future oversupply. Strong growth in domestic supply – from poultry companies and pig farmers who invest in poultry farming – and rising imports are boosting supply. This will likely result in price volatility in 2020.

Global markets will be highly volatile in 2020. Dark-chicken meat prices are expected to stay at high levels, but with more volatility. Supply growth in ASF-affected markets, rising availability of dark meat after Russia's and Ukraine's entry to global markets, and the reopening of US chicken exports to China, will all add to volatility in global trade flows.

The top-performing markets in 2020 will be China, which is expected to see short supply in the next four to five years, and Mexico, where supply will also remain short, after outbreaks of avian influenza (AI) in early 2019. The US – and, to a lesser extent, the EU and Russia – will see improvement if supply stays balanced.

Several influencing factors could impact markets in 2020, including Brexit, the ongoing risk of AI, feed-price volatility (the base-case scenario indicates limited growth), and potential trade disruptions. In trade, we see more openings in Asia (partly because of AI), but also rising restrictions in Africa and the Middle East.

EU suspends imports of poultry meat from Ukraine

The European Union has suspended imports of Ukrainian poultry meat due to the detection of avian influenza in the country, the State Service of Ukraine on Food Safety and Consumer Protection has reported as a precautionary measure due to recent avian flu outbreaks in the country.

An operational report received from the European Commission recently, states imports of poultry meat, meat products and non-heat-treated poultry products from Ukraine have been suspended. However, eggs and egg products are not subject to these restrictions.

Considering the reports of numerous equivalence assessment missions, the results of negotiations and preliminary agreements, the EU decision is extremely unexpected for the Ukrainian side, the agency said.

The State Service of Ukraine on Food Safety and Consumer Protection said that, in accordance with its international obligations, Ukraine, as a member of the World Trade Organization (WTO) and the World Organization for Animal Health (OIE), promptly informed its international trading partners of an avian influenza case.

Ukrainian measures for the control and eradication of bird flu have been recognized as equivalent to those implemented by EU member states according to the Ukrainian Ministry.

Unfortunately, this is a major risk to current availability and pricing as the volume will need to be made up from existing EU domestic production.

Sales of Brazilian Poultry exports growing in volume and value driven by greater demand from China

Figures published by the Brazilian Association of Animal Protein (ABPA) over 4.2 million tonnes of poultry was exported in 2019 an increase of 4.1 million tonnes, up 2.8% YoY. In value terms exports stood at $6.994bn up 6.4% YoY. During December alone 392 thousand tonnes were shipped up 11.2% YoY – a record valued at $636m.

China became the leading destination for Brazil's international trade with total exports of 585,300 tonnes up 34% YoY. This is the highest annual volume exported to China since the market opened to Brazil in 2009.

Japan, UAE and Yemen were also key markets up 7%, 10% and 24% YoY respectively. The flow of exports to Asia and the Middle East is expected to remain strong throughout 2020.

12,089 turkeys lost to avian influenza in Poland

An outbreak of highly pathogenic avian influenza (HPAI) has been reported in a flock of commercial turkeys in Poland. Samples from lost turkeys tested positive for highly pathogenic H5N8 avian flu

The Polish Ministry of Agriculture and Rural Development's General Veterinary Inspectorate reported the outbreak to the World Organisation for Animal Health (OIE) on January 2.

According to a report on the OIE webpage, 12,089 turkeys died at a farm in the Lublin region in the eastern part of the country, which borders Belarus and the Ukraine. Samples were taken from five dead turkeys, and those samples tested positive for a highly pathogenic form of H5N8 avian influenza.

Worryingly for the market the source of infection has not been determined.

Control measures applied include screening, traceability, destruction of animal by-products, official disposal of carcasses, by-products and waste, stamping out, control of wildlife reservoirs and zoning, according to the OIE. In the latest outbreak, Andrzej Danielak, president of Polish Association of Breeders and Poultry Producers, told Reuters that three farms might be affected, with up to 350,000 birds at risk in a three-kilometre radius.

OIE stated it would provide weekly updates on the avian influenza situation in Poland until it is resolved.

This is the first case of H5N8 HPAI since 2017. In March of that year, Polish veterinary officials reported to the OIE the presence of the disease in three commercial and two backyard flocks in the provinces of Greater Poland, Lesser Poland and Lubuskie. More than 31,000 poultry died or were destroyed as a result of the disease in these outbreaks. The National Food Chain Safety Authority (NEBIH) have confirmed that H5N8 strain of bird flu has been found at a large turkey farm in north western Hungary.

Slovakia, Hungary's northern European Union neighbour, also reported its first outbreak of the same highly pathogenic strain of the virus in nearly three years in backyard poultry in the western part of the country.

Precautionary Measures

Hungary's NEBIH said the full turkey stock at the farm, more than 50,000 birds, would have to be culled and other precautionary measures implemented to contain the spread of the infection. It said the farm would receive state compensation.

The authority said the strand of the virus was very similar to the one Hungary tackled during a previous outbreak in 2016. It said poultry products in Hungary were safe to consume.

Hungary will also implement transport restrictions to contain the virus, the authority said, adding that the H5N8 strain had so far caused no human infections in Europe.

East Europe also dealing with ASF

After an absence of two-and-a-half years, highly pathogenic avian influenza (HPAI) of the H5N8 subtype returned within days to Hungary, Romania, and Slovakia. Following reports of cases among Polish poultry last week, four countries in central Europe are now battling the virus.

The first country to officially report new cases was Slovakia. The virus was detected after three birds died out of a backyard flock of 22 head of poultry in the southwestern region of Nitra. The source of the infection is unknown, according to the agriculture ministry's report to the World Organisation for Animal Health (OIE).

Hungary's animal health agency has reported to the OIE two outbreaks of HPAI linked to the same virus variant. In both cases, the presence of the virus was confirmed after sharp spikes in mortality among commercial flocks. The first to be confirmed was an outbreak among 53,500 13-week-old fattening turkeys in the northern county of Komarom-Esztergom. Just one day later, the disease was confirmed among a flock of more than 115,500 ducklings at a farm in Hajdu-Bihar, which is in the east of country, and borders Romania.

In both Hungarian outbreaks, indirect contact with wild birds was suspected as the source of infection.

Within days, HPAI was confirmed in Romania — at a farm with almost 18,700 birds in Maramures. The county is in the north-western part of the country and shares a border with Ukraine as well as Hungary. As with the other outbreaks, the source of the infection is unknown, according to the national veterinary agency's report to the OIE. Just last week, the same HPAI virus subtype was reported at eight poultry farms in Poland.

Since then, a further three Polish outbreaks have been confirmed, reports the UK's Department for Environment, Food and Rural Affairs (Defra).

These bring Poland's total outbreaks since the end of December last year to 11.

The HPAI of the H5N8 subtype was first diagnosed on December 30th, 2019 at a poultry farm in Poland in the Eastern Polish province of Lublin, which borders on both Belarus and Ukraine. About 15 cases have been reported

in 2020 in Poland and cases of domestic and wild birds have been found across Eastern Europe including Czech Republic, Hungary, Romania, Slovakia, Germany as well as Ukraine.

Brexit Update

Pork

Whilst ASF will still be the biggest influencing factor on global pork market. The UK imports significant volumes of fresh pork and bacon, however the demand from and prices being paid by China will drive prices harder than any post-Brexit tariff rate quotas.

Poultry

The UK will leave the EU by the end of 2020, and this could shake up local EU trade – along with Germany, the UK is the big intra-EU import market. Poultry industries in the Netherlands and Poland are highly dependent on trade to the UK. Under any Brexit scenario, trade will surely be more difficult, and local UK production will likely increase. Exactly how much of a difficulty Brexit will pose for the EU poultry industry remains to be seen but refocusing trade flows within Europe will not be easy. This could affect market conditions throughout 2020. At the same time, Brexit could also be an opportunity for potential non-EU exporters to the UK, such as Brazil, Thailand, China, and the US. Any trade agreement with these exporters could impact the competitive situation in the UK and will more likely impact the frozen poultry market.

Beef

The UK is the largest beef importer in the EU, and the future terms on which its major suppliers – such as Ireland – can access that market are uncertain. The extended period of uncertainty for the UK's beef trade partners is already affecting confidence and investment in the sector, and cattle prices reflect this. Trade barriers will increase prices should we reach 31st Dec 2020 without a trade deal in place.

Lamb

The UK is the dominant player on the EU sheep meat market. In the year to September, EU (excluding UK) imports of sheep meat totalled 104,400 tonnes, down 8% year-on-year. Tariff rate quotas would severely impact domestic farmers who export significant volume of lamb to EU. Short term there may be a benefit however it may lead to large numbers of farmers leaving the industry.