BIRTWISTLES

Market Report

July 2020

Market Report

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Key Headlines

To all Customers returning from the Covid19 lockdown could you please be aware that due to the impact of this on our business we have had to lower our stocks accordingly. We will require your help and support. You can assist us by providing us with as much notice as possible on return dates and any information on your revised menus and estimated volumes. We will then use this information to ensure that we are in the best position to satisfy your requirements. We look forward to welcoming you back.

Beef Overview

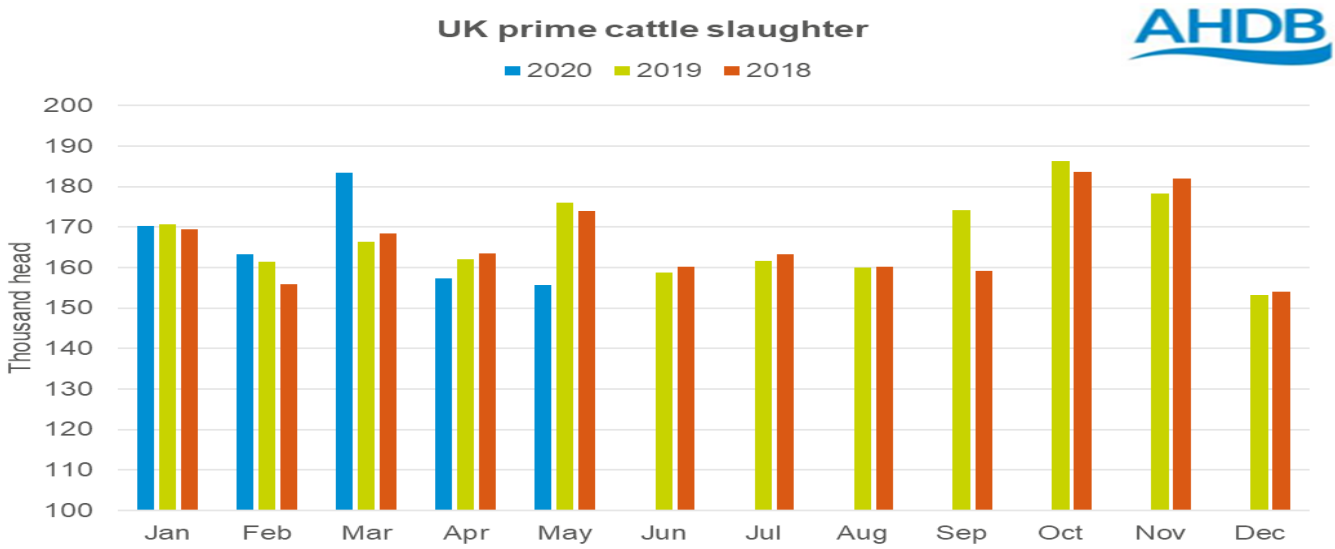
It has been the hottest May on record with sales for burger and steak meat outstripping cattle production and skills.

Lower Slaughter suppresses beef production in May

Beef and veal production in May totalled 67,700 tonnes, **down 13%** (10,300 tonnes) compared to May 2019. This is the lowest May production figure in four years. Lower production was largely due to fewer slaughterings of both prime animals and cull cows. Carcase weights were also slightly lighter when compared to May 2019.

May 2020 key statistics:

- Prime slaughter: 155,600 head (-12% YoY)
- Cow slaughter: 42,500 head (-14% YoY)
- Prime average carcase weight: 346kg (-1% YoY)
- Beef and veal production: 67,700 tonnes (-13% YoY)



Source: Defra

Market Report

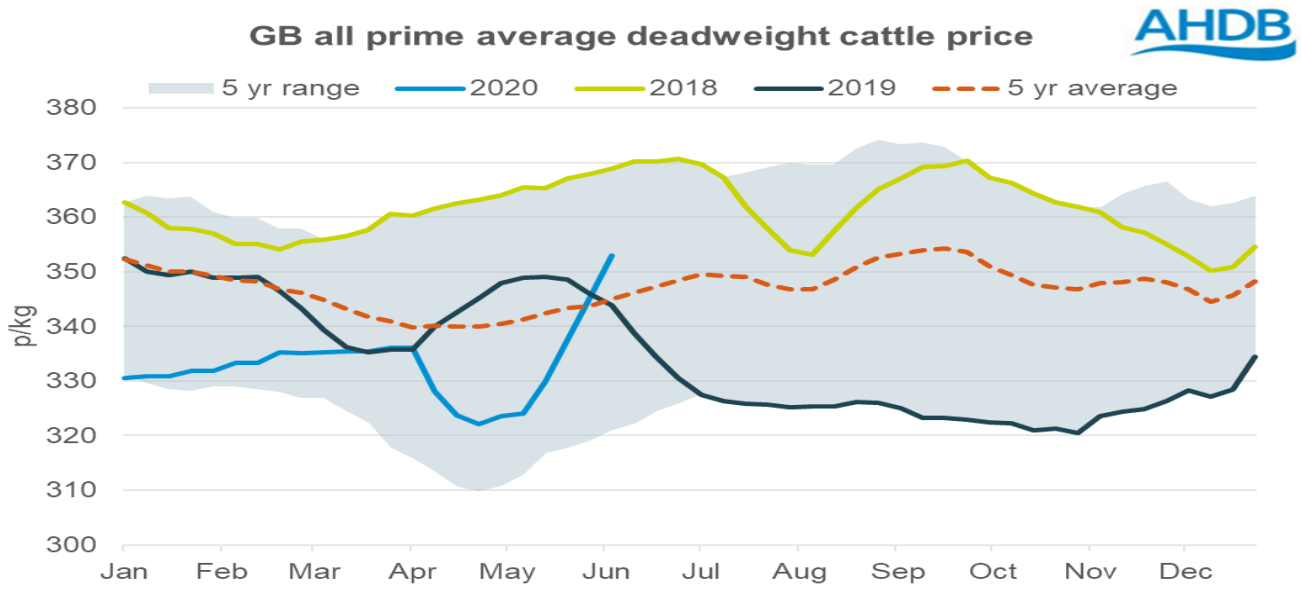
July 2020

Upward Streak continues for deadweight cattle prices

In the week ending 6 June, GB deadweight cattle prices rose strongly again across the board. **The all-prime GB price averaged 353.0p/kg, up nearly 8p on the week**. The price is 9.1p above the same week last year, and 8.0p above the five-year average.

Weekly deadweight prime cattle average price movements:

- Steers (overall): 352.6p/kg, up 7.8p
- Steers (R4L): 362.8p/kg, up 6.9p
- Heifers (overall): 354.0p/kg, up 7.8p
- Heifers (R4L): 363.0p/kg, up 7.4p
- Young bulls (overall): 351.6p/kg, up 9.0p



Source: AHDB

Cow prices also continued upwards, although growth was slightly more subdued than that of prime prices. **The overall average cow price totalled 251.6p/kg**, while –O4L cows averaged 268.2p/kg; **both measures up 4.4p on the week**. The overall cow price is now 7.8p higher than last year and 6.9p above the five-year average.

Estimated cow throughputs for the week stood at 12,400 head, up 2,400 head on the week before. The previous week included a bank holiday, but considering price movements, it is likely that producers are looking to capitalise on stronger returns.

Good weather during the week reportedly boosted consumer demand for beef as BBQs were fired up, while the reopening of fast food outlets helped to support the cull

Market Report

July 2020

Lamb Overview

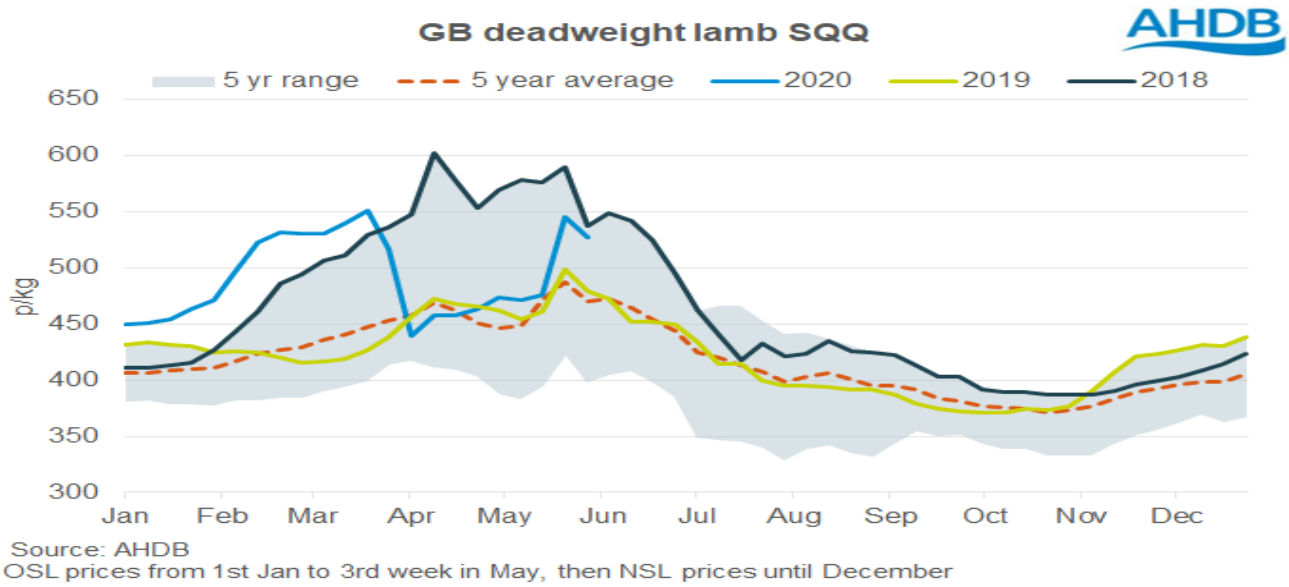
Lamb Prices have followed the seasonal trend, the GB live weight NSL SQQ slipped almost 8p week-on-week, Prices are still currently above year earlier levels, however live prices don't dictate the actual price, demand does. Due to really low numbers coming through the market and very little Imported available, with retail demand and ready meals sales being so high, the prices at present are at a premium and they will be for the next 8/10 weeks until NZ product arrives

Lamb Kill falls by a fifth

Lamb kill production in May had many of the same trends as in April. Numbers forwards were significantly down (-22%) on-the-year, at 766,000 head, according to Defra data. It is without a doubt that Covid-19 was partially behind the decline. The available number of lambs was also under pressure during the month, with poor grass growth limiting finishing. Carcase weights were down 300g, to 20.3kg.

Ewe kill was down almost 40% year-on-year, to 83,600 head. This is the lowest monthly adult sheep kill since the foot and mouth outbreak in 2001. Prior to that, it would have been the early 80s when slaughter was last this low.

Unsurprisingly, since the kill was so low, production for May was only 17,900 tonnes. This means that since lockdown UK sheep meat production is more than 11,000 tonnes lower than in the same period of 2019.



AHDB estimates that total domestic lamb demand in recent weeks has largely been steady year-on-year, having suffered in April. Supply of British lambs has been tighter though. Trade would have played a role in balancing these opposing trends during the month. Where prices move from here will depend upon how supply and demand balance against the backdrop of seasonal pressures

Market Report

July 2020

Poultry Overview

Due to retail demand increasing caused by Covid19 and the usual seasonal demand, UK Red Tractor Poultry has been difficult to source and we have had to endure price increases across the whole range between 5-10%. We would expect this to be where the level is until the end of summer.

In Imported Chicken there has been very little change, prices have eased up around 5% but we do expect volume increase in the coming weeks as the UK Hospitality venues such as pubs and restaurants start to re-open meaning these savings will be short lived.

In line with the Better Chicken Commitment Red Tractor have announced that it is launching a new enhanced welfare standard for chicken. The chicken grown under this standard will be labelled with a purple label in shops. The new standard requires slower growing breeds to be used, lower stocking densities, plus environmental enrichment and additional and natural light.

The Chief Veterinary Officer has announced the UK has met international requirements to declare itself free from Avian Influenza (AI) H5N3, but reiterated calls for all poultry keepers to remain vigilant for signs of disease, as there is a real and constant threat.

Highly pathogenic avian influenza (HPAI) continues to circulate in Europe and as winter approaches later in the year the risk of migratory wild birds infecting domestic poultry will rise. The UK was previously declared free of Avian Flu in September 2017 and has remained free of highly pathogenic avian influenza since then. But a low pathogenic strain disease returned in December 2019 which was quickly met by Government action.

The government continues to monitor the international situation and carrys out surveillance in poultry and wild birds and publishes regular disease updates.

Turkey at present is the lowest summer price it has been for many years, however this could cause a **huge negative effect for Christmas pricing** as at the current pricing and with the uncertainty surrounding Covid19 and social distancing we are finding there is a reluctance for Turkey processors to put down Turkeys for Christmas thus causing a huge shortfall and could push prices to record levels.

Market Report

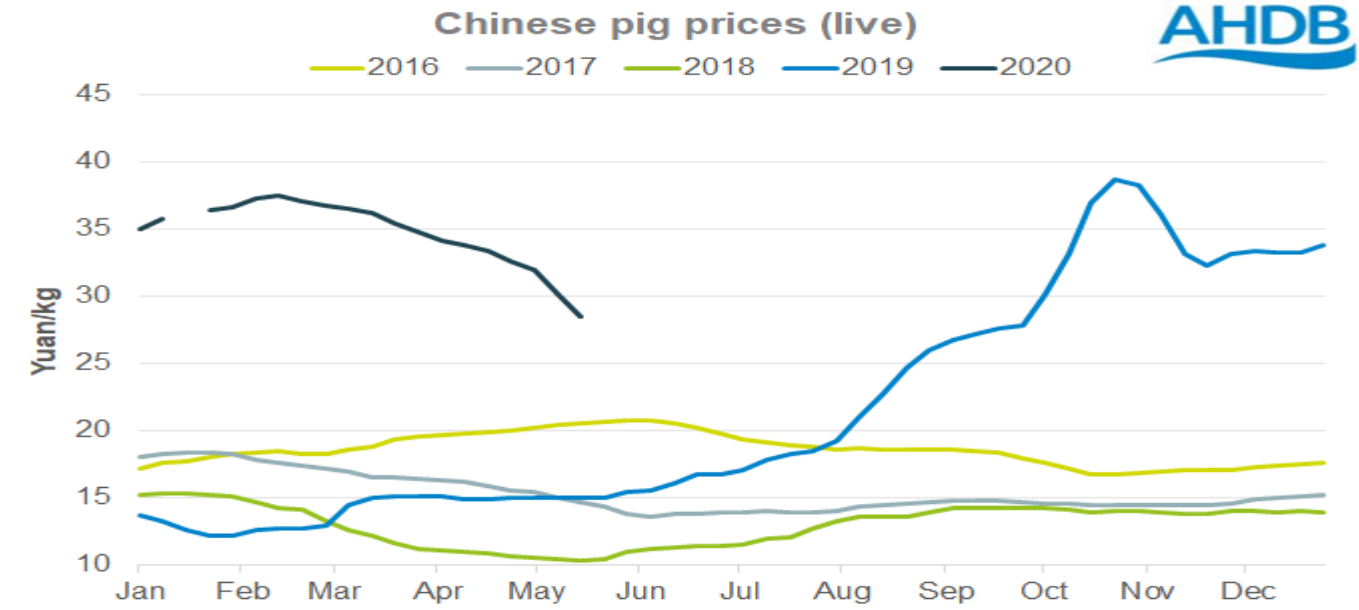
July 2020

Pork Overview

Although China appears to have the worst of the coronavirus outbreak behind it, the underlying supply shortage caused by African Swine Fever remains.

Chinese pork production in 2020 is forecast to be lower still than in 2019, although some reports suggest that it may now have passed the lowest point. The road to rebuilding the industry will be a long one, and the country's appetite for imported product is likely to remain for some time to come.

However, the dramatic increase in demand for imported pork this year has not led to further increases in pork prices, either at the wholesale level or in import prices. Chinese wholesale pork prices, and the price of live pigs, have both been falling in recent weeks. Timely withdrawals from strategic stores of pork have been used to balance supply and demand.



Source: pig333

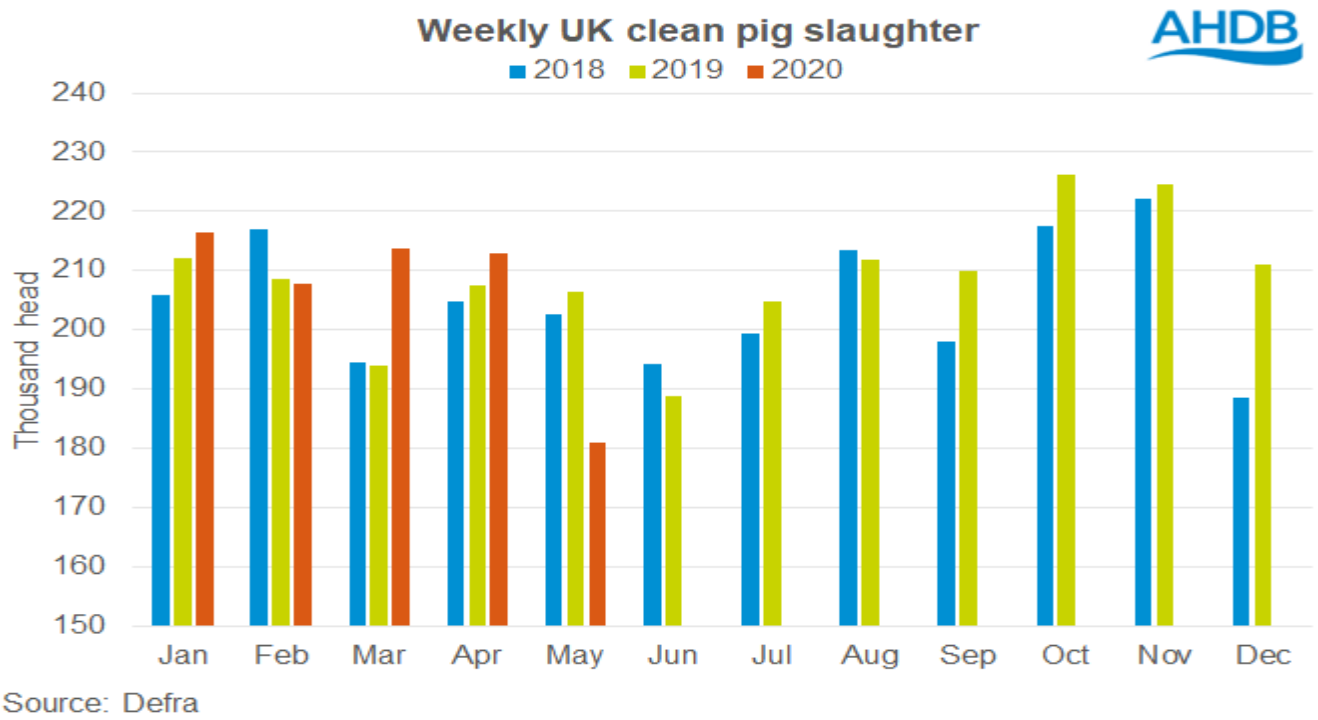
UK pork Production lower in May

UK pork production was 71,100 tonnes in May, according to Defra data. This is 11% lower than May 2019, although May this year had two fewer working days, exaggerating the fall.

801,000 clean pigs were slaughtered, 12% lower than a year ago. Clean carcase weights averaged 86.1kg, 1.84kg heavier than a year ago, although slightly lighter than those recorded in recent months.

Market Report

July 2020



GB finished pig prices hold steady

In the week ending 6 June, the EU-spec SPP remained steady on the week, at 164.45p/kg. However, this time last year was when pig prices started to rise considerably, and so the year-on-year change has continued to erode. As such, this puts prices 16.6p above the same week last year.

Estimated slaughter continued to rise, totalling 171,500 head, 1.3% (2,200 head) more than in the previous week. However, it is important to note that the previous week (w/e 30 May) contained the Whitsun Bank holiday. Nevertheless, throughputs are up by around 3,000 head on the year, a contrast to previous weeks, which could suggest that supplies of pigs are starting to improve. Demand meanwhile, continues to be reported as strong.

Carcase weights averaged 84.45kg, 350g less than in the previous week. While this is the lowest weekly average carcase weight this year, this movement in in line with normal seasonal trends.

Exports

Monthly the UK imports and exports pig meat products. About 60% of UK pig meat consumption is imported, and about 30% of our production is exported. So, developments in trade can be a key price influencer.

Export is the preferred market for UK and European producers

Market Report

July 2020

Covid-19 Update

New Zealand is the first developed economy to declare itself pandemic-free as of 8th June, having reported zero new cases of Covid19 since 23rd of May. It is expected that agricultural exports from New Zealand, such as lamb and dairy, should become more available over the next coming months, impacting prices. Elsewhere, Europe continues to loosen lockdown restrictions, with Cafes, Bars and Restaurants opening for business and several sporting activities able to restart. India, China and other Asian countries are also re-opening more public spaces.

Boris Johnson's hopes of reducing the two-metre social-distancing rule to one metre have been blocked by the government's scientific advisers, so he is now trying another route. Rather than keeping the guidance "under constant review", the Prime Minister has commissioned a quick, wider investigation involving economists as well as scientists. This review of the two-metre social distancing rule comes after backlash from the hospitality industry, with chancellor Rishi Sunak admitting an easing could have a significant impact on the sector's reopening.

It is an open secret that Mr. Johnson hopes this review will allow him to relax the restriction before pubs, restaurants and cafes start to open next month. In moving the goal posts after repeatedly assuring the public his government is "guided by the science", he is seeking support for a decision he has already made in principle. He signaled his desire to move to one metre at a Downing Street press conference on 3 June.

Ministers are under intense pressure from Conservative MPs, who see the easing of the two-metre rule as crucial to the further reopening of the economy, which shrank a record 20% in April. Sunak acknowledged the decision will have a major impact on the hospitality sector, with the government stating restaurants and pubs can start opening next month.

In an interview with Sky News, he said: "You are right to highlight the impact it has on business – it is the difference between maybe three-quarters and a third of pubs opening, for example, so it is important that we look at it.

Obviously many other countries around the world use a different rule. We have seen a couple of countries recently – Norway and Denmark – have moved from two metres to something less as well.

"It is important that we look at it comprehensively, in the round, and that is what we will do urgently."

The interview came as all non-essential shops in England prepared to open on 15 June for the first time since the lockdown was imposed in March, and amid fears of a new wave of job losses as the government starts to wind down its furlough scheme

Earlier this month, the British Beer and Pub Association (BBPA) and UK Hospitality said venues such as pubs and restaurants will not be able to make enough money as the two-metre regulation reduces the number of patrons they can host at one time.

Market Report

July 2020

Brexit

A hard Brexit would have a “catastrophic” impact on the European meat industry according to a new report by UECBV, the federation which represents 20,000 livestock and meat companies across EU member states.

The report modelled the impact of a hard Brexit on trade between the UK and EU for meat products and found that increased costs imposed by tariff barriers, additional veterinary checks and increased transport costs would lead to a reduction of trade in meat from EU to UK by up to 84% for beef, 76% for sheep meat and 48% for pig meat.

It estimates that the price shock would decrease the value of EU meat production by 2.4billion euros for beef and 2.3billion euros for pig meat and result in the loss of at least 32,000 jobs.

Last month the government released a scheme of tariffs to be imposed in the event of the UK failing to reach a trade deal with the EU. They included duties on beef, butter and poultry to help protect UK farmers, meeting with tentative approval from the sector. Just over half of the UK’s food is sourced domestically.

Border controls for EU goods imported into Great Britain will be introduced in stages throughout 2021 to give businesses affected by coronavirus more time to prepare.

From April 2021: All products of animal origin (POAO) – for example meat, pet food, honey, milk or egg products – and all regulated plants and plant products will also require pre-notification and the relevant health documentation.