



# **BIRTWISTLES**

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*Market Report*

OCTOBER 2020

# Market Report

October 2020



## Beef Overview

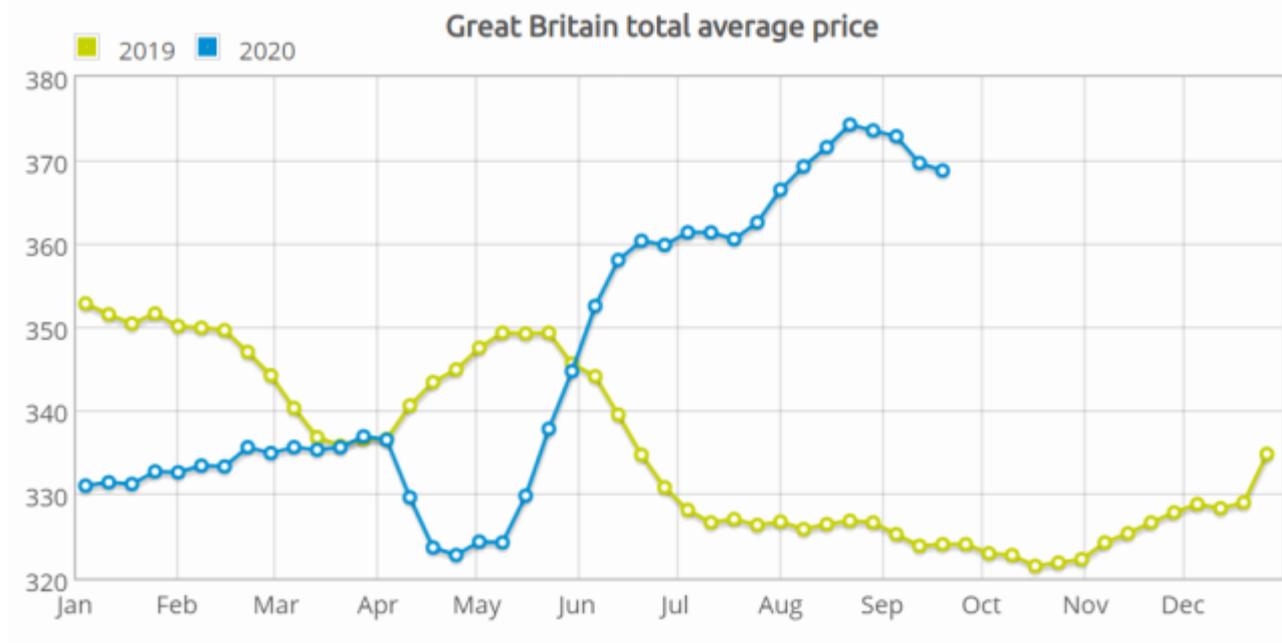
At present there is a large uncertainty around the trade regarding lock down measures and the effects it will have on the beef market. Add to that the weather changing and seasonal demand changes we are seeing real shortages on cuts due to low kills and carcass balance issues, this is causing prices to become volatile.

### Prime Cattle Price Falls

GB prime deadweight cattle prices continued to fall in the week ending 19 September. The GB all-prime average stood at 368.0p/kg, 1.0p down from the week before. Despite this, prices remain 13.8p above the 5-year average and 13-14% more than the same period last year.

Estimated prime throughput totalled 33,200 head, an increase from the previous week by 1,000 head (+3.3%). However, estimated prime kills remain lower compared to the same week last year, with a decrease of 2,400 head (-6.6%), suggesting prime cattle supplies remain tight.

Please see below Price Movements on Steer and Heifer Cattle Steer Beef



Steer Beef

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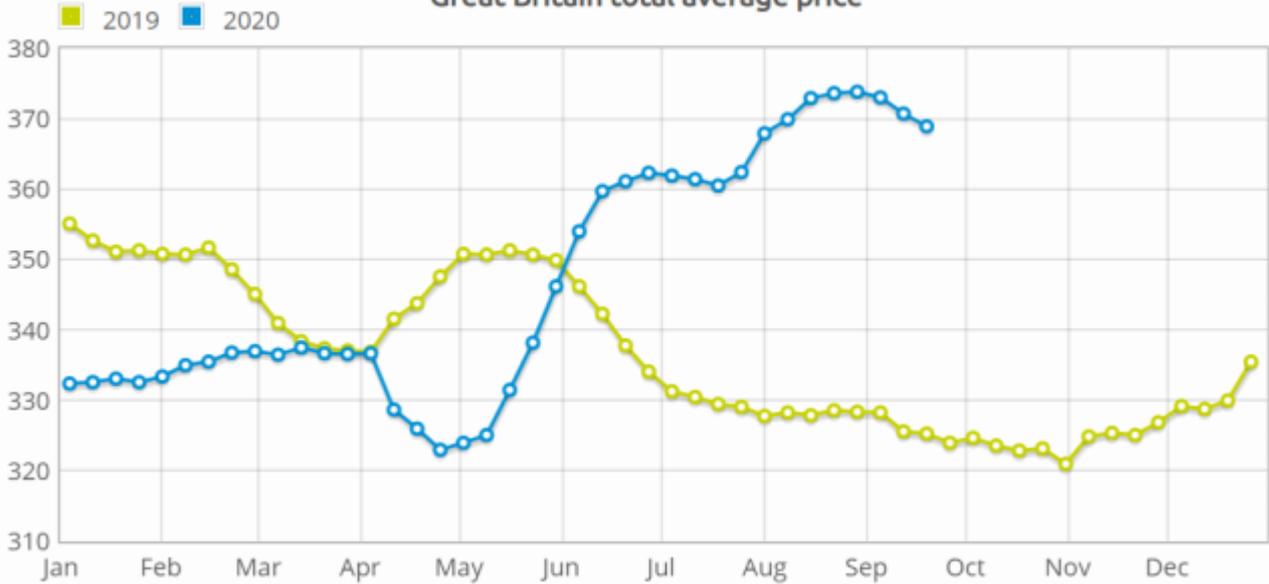
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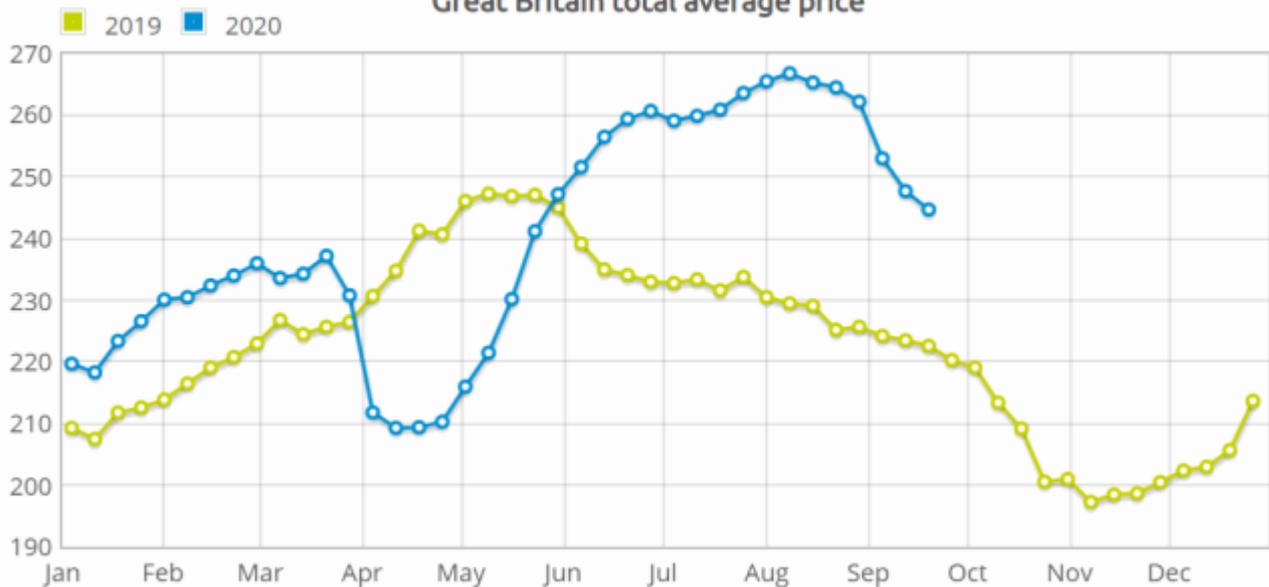
Great Britain total average price



Heifer Beef

## Cow Price

Great Britain total average price



Cow Beef

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## Cow Beef Prices fall

Cull cow prices also fell, with the GB average down by 3.0p on the week to 244.7p/kg. Cow prices are currently costing 9.92% higher than the same period last year but with low numbers of availability we would expect prices to remain strong and increase especially in forequarter meat.

## Imports

UK beef imports (including primary, processed and offal) totalled 23,400 tonnes, down 12% on the year. Imports are still running below the five-year average, likely due to continuing lower demand as foodservice remains restricted.

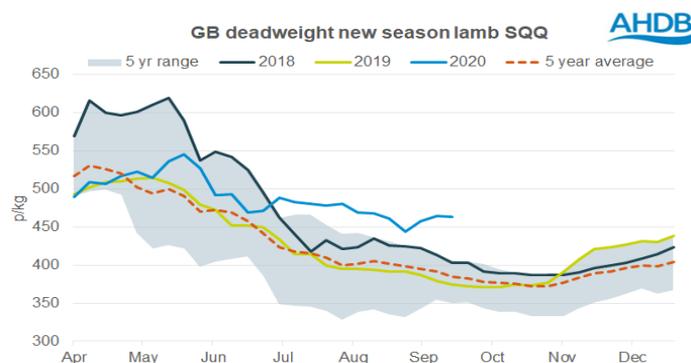
Fresh and frozen primary beef accounted for 76% of total beef imports in July, at 17,700 tonnes. Shipments were lower primarily from Ireland, but also Poland and the Netherlands to a lesser extent. The July figures brought total beef imports for January-July (inclusive) to 175,100 tonnes, down 11% year-on-year.

## Lamb Overview

Prices have remained higher than usually expected and stock has remained tight. The lack of imported lamb coming to the UK due to high demand from China and recent increases in exporting to Europe has kept the price strong. The cost is up nearly 90p compared to the same week last year.

Due to COVID-19 pandemic trade has been disrupted. Export volumes have been under pressure, although have recovered in recent months. Import volumes had been suppressed for several years and 2020 has been no different.

One positive in the current situation is that the farmgate price in both New Zealand and Australia are currently on a downward trajectory. The exchange rate fluctuations have muted some of the declines in Sterling terms but should the price gap between British and New Zealand lamb continue at this wider level, we may see an increase in imports from New Zealand, and GB prices coming under pressure.



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## Exports

During July UK exports of sheep meat increased 27% (1,700 tonnes) year-on-year, to 8,200 tonnes, according to the latest HMRC data. Just over half of the increase was sent to France, which received 3,400 tonnes during the month. Italy and Belgium both recorded increases of 400 tonnes.

Exports were exceptionally low during the spring and early summer due to the COVID-19 pandemic. This means year-to-July export volumes total 46,800 tonnes, down from 51,000 tonnes in the same period of 2019. Volumes to all key markets, especially France and Germany, have recorded year-on-year declines; volumes are in line with 2018 levels.

## Imports

UK imports of sheep meat in July totalled 3,900 tonnes, down 19% (900 tonnes) on-the-year. Imports from New Zealand remained subdued at 2,600 tonnes. Shipments from Ireland were also back on-the-year at just over 400 tonnes.

In the year-to July UK imports are down 11% (4,700 tonnes), to 38,200 tonnes. The entire decline can be attributed to a decline in New Zealand and Irish product. There was an uplift in product arriving from Australia earlier in the year.

Based on New Zealand export data, it appears during August there may have been a rise on-the-year in the volume of New Zealand lamb on the market in Europe. Although in September reports suggest imports from New Zealand to Europe may again be subdued.

## Poultry Overview

The UK and EU market has stayed relatively stable with little movement in prices. However there is still big difficulties securing smaller size birds, moving through Q4 2020 and into 2021, the global poultry industry will operate in a volatile market context, with pressure coming from foodservice and wholesale markets. Possible new waves of Covid-19 will add to the market ups and downs, and the impact of a deep economic crisis will make markets more price-driven.

Turkey – prices have risen and are starting to rise gradually week on week, with the uncertainty with Covid-19 and social gatherings there is a reluctance for suppliers to commit to a price or volume on fresh for Christmas, I would recommend that you buy now and freeze where possible.

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## Pork Overview

At present the product coming into the UK is stable the increases we are seeing is due to the Currency dropping to 1.08 from 1.12 last week. The biggest concern for the UK processor is the potential effect that the Export ban for German Pork to Asia will have.

Due to the Carcass balance there will be potentially fewer kills coming out of Germany and due to having lost the value in the offal, the prime cuts that we use may endure a price increase to cover the cost of the offal. Another concern is that with the uplift for Spanish pork from China will cause sharp price rises for Spanish Pork therefore Germany will have less competition when supplying the UK which again could cause price rises.

### EU pigs

#### African swine fever Hits Germany

African swine fever has been confirmed in Germany, Europe's Largest Pork Producer, raising the likelihood of widespread disruption in the market.

It has now been a week since Germany first found a case of ASF in a deceased wild boar near the Polish border. How have markets responded so far?

### Import bans

So far, the following countries have placed a ban on German pork imports:

- China
- Singapore
- Argentina
- Brazil
- Mexico
- South Korea
- Japan
- South Africa

German pork was also already banned from the Philippines because of ASF fears in mid-2019.

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## German pork trade remains relatively stable despite ongoing ASF outbreak

The German pig price has remained unchanged for a third week, at €1.27/kg for the week ended 23 September.

There are undoubtedly challenges in the supply chain with marketing products that are less desirable in the EU and are traditionally exported to Asia. Reports indicate some products are going into storage because of this. There is perhaps some optimism in Germany that the international market may eventually begin to accept a regional approach to ASF-related trade restrictions.

The price does not seem to be experiencing further downward pressure at this time, suggesting supply and demand are reasonably balanced overall for now. Slaughter is still limited by slaughterhouse operations, although it now seems there is also an intentional effort to slaughter fewer animals due to the slump in demand. Of course, this will ultimately add to a backlog of pigs that will need to be slaughtered eventually.

## Covid-19 Update

Public Health statistics revealed just 22 of 532 outbreaks of acute respiratory infections were reported in food outlets in England between September 14 and 20. A total of 17 of these were confirmed to be cases of Covid-19, while the others could have been flu or other viral illnesses. The statistics, updated every Friday, provide a snapshot of where coronavirus and other pathogens are spreading across the country. Restaurant and food outlet outbreaks trailed far behind schools and colleges, which accounted for 44% of England's outbreaks – a total of 341. Care homes recorded 25% of the week's outbreaks, a total of 195, followed by offices and factories, which saw 16% – a total of 124.

## Brexit

The UK formally left the EU on 31<sup>st</sup> January 2020. After this the UK entered a transition period. During this time the UK still has to navigate departing the single market and customs union, an arguably more arduous and complex process than the original Withdrawal Agreement. The upcoming deadline of 31 December 2020 has the potential to have a far more profound effect on agriculture. Although the UK government have continued to sign continuity deals, these still represent a small share of total UK agricultural exports, with some key partners still yet to sign. As it stands, if the UK departs from the Customs Union and Single Market without a trade deal, the UK will be trading with the EU, and a number of other key partners on WTO rules.

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