



BIRTWISTLES

Market Report

SEPTEMBER 2020

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Beef Overview

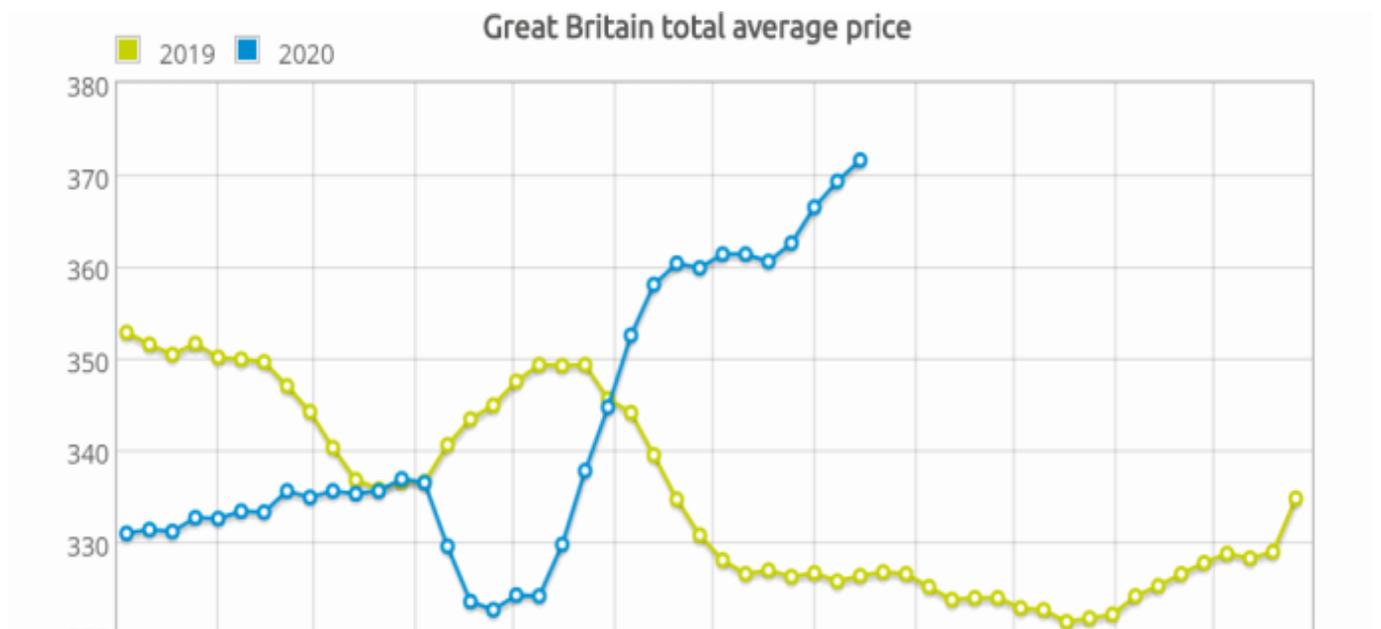
In 2020, UK beef production is still expected to fall slightly, due to tighter cattle supplies. Imports are not expected to recover as strongly as first forecast, and could remain at similar levels to last year. But they could be competitively priced due to huge demand in Asia. This means that the level of exports needed to balance the market will be higher than previously forecast.

What we have witnessed is huge price increases due to demand from the 'Eat Out to Help Out' Scheme, huge retail demand and the lack of fresh imported options. The demand on high quality UK carcasses is outstripping availability and will keep this price high for the foreseeable future, much higher than previously expected.

Prime Cattle Price Rise

Prime Beef is costing 13.8% more than the same period last year and prices have risen 16% in the last 3 months.

Please see the Graphs Below showing Price Movements on Steer and Heifer Cattle Steer Beef



Steer Beef

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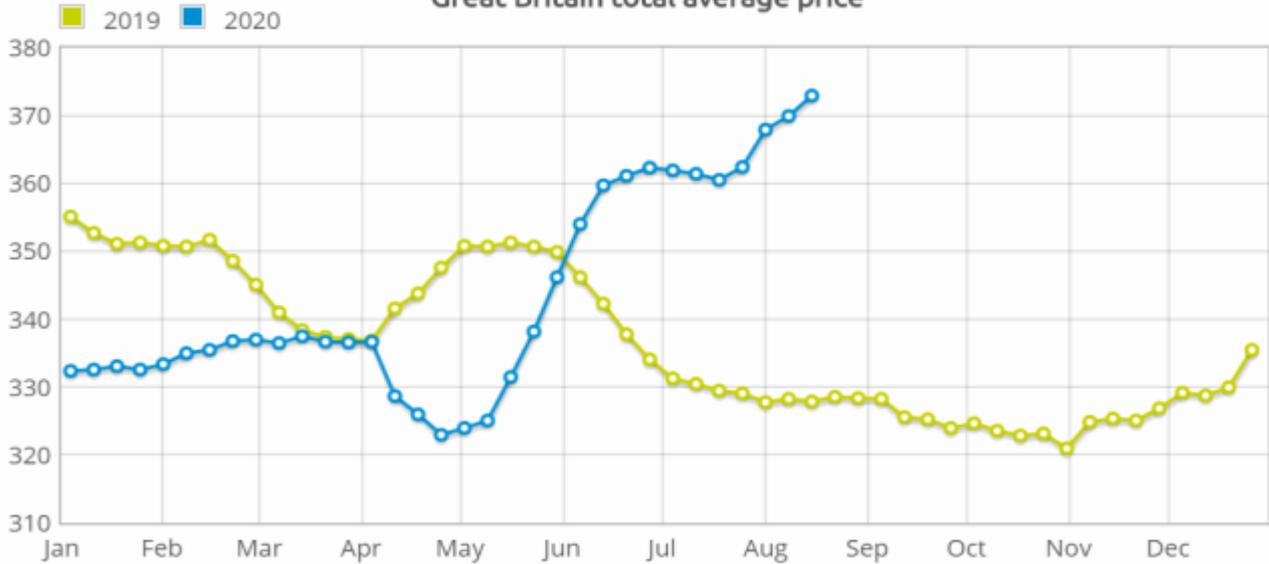
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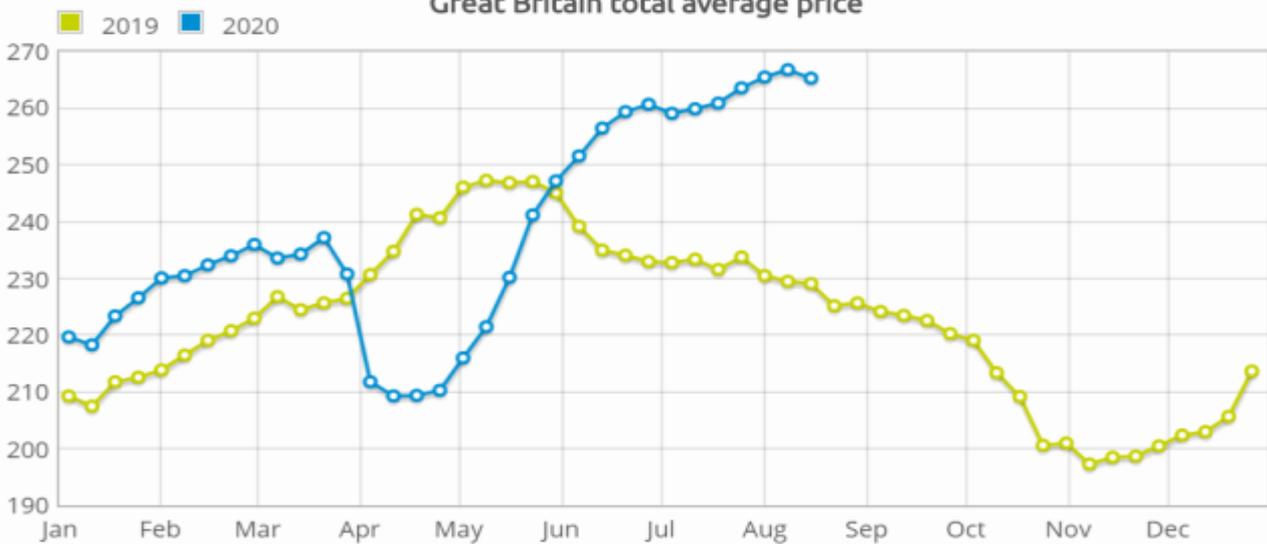
Great Britain total average price



Heifer Beef

Cow Price Rises

Great Britain total average price



Cow Beef

Cow Beef Prices

Cow Price are currently costing 15.8% higher than the same period last year, prices have risen 26% in the last 3 months

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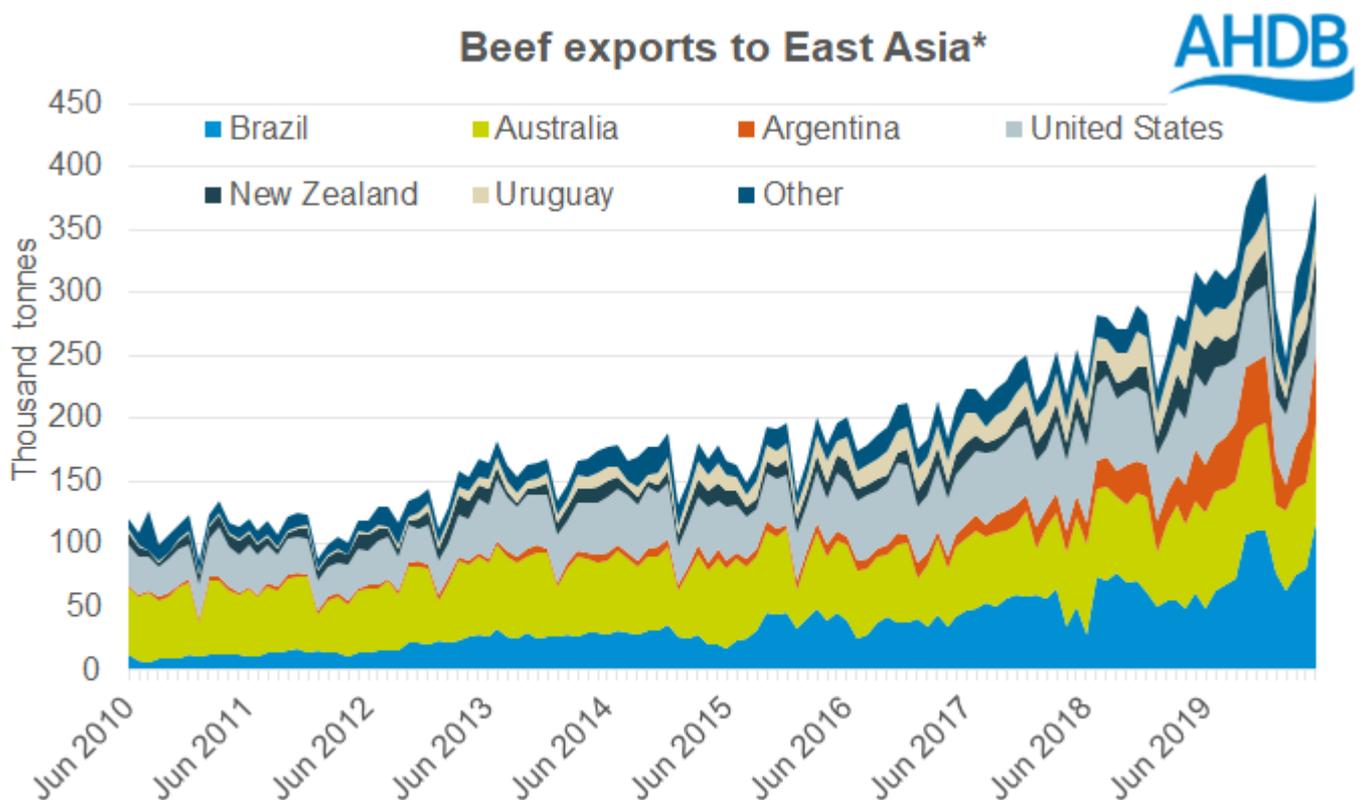


Asia imports more beef during H1 2020 despite COVID disruptions

There has been plenty of coverage in the media of trade talks between the UK and Japanese governments. The UK would like to build on the existing trade deal that it has as a member of the EU. The EU deal includes favourable access for beef to Japan, which has been receiving modest quantities of UK beef so far this year; 1,500 tonnes, worth nearly £5 million.

In total Japan imported 351,000 tonnes of beef* in the first half of 2020, a 4% increase over last year. The United States and Australia typically vie for market share, and each supply around 40-45% of Japan's import needs. The US has been increasing its volumes and has supplied 151,000 tonnes of beef to Japan so far this year, 9% more than in the same period of 2019.

South Korea is another market unsurprisingly dominated by US and Australian suppliers. In the first half of 2020, there was a 1% drop in beef imports compared with 2019, to 250,000 tonnes. Here again the US has been increasing its market share.



*China, Hong Kong, Singapore, Japan and South Korea

Source: IHS Maritime and Trade - Global Trade Atlas®, national customs

Of course, China dominates imported beef demand in the Asian region. This is driven in the short term by its need for imported protein in the wake of African swine fever, but also longer term by growing national per capita income.

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In the first half of 2020, Chinese trade data shows imports of over 1 million tonnes of beef, 41% more than a year ago. South American beef has the greatest market share, with Brazil at 35%, Argentina 22% and Uruguay 12%. China's imports from Brazil, in particular, have grown by 134% year on year to 350,000 tonnes; this trend may well be set to continue as Brazil deals with coronavirus and its huge internal market for beef contracts.

Moving forwards the Asian market is likely to continue to be dominated by the US and South American countries. Recently Australia has been sending a greater share of its exports to the US itself, reducing the quantities going to Japan and China. As Australia rebuilds its herd following a prolonged period of drought, it is likely that export volumes overall will continue to decline for a while.

Lamb Overview

Lamb has gone against the usual seasonal trend due to the impact of Covid19. Prices have remained higher than usually expected and stock has remained tight. The 'Eat Out to Help Out' Scheme, retail demand and the lack of imported Lamb coming to the UK due to high demand from China has kept the price strong. The cost is 18.74% higher than the same period last year, we expect this price to get stronger as normal business resumes.



Lamb Imports/Exports

UK imports are again forecast to decline this year, driven by a lack of product availability in New Zealand and continued higher demand from China. New Zealand and Australia have both now had rain after a prolonged period of drought, which means farmers there are looking to re-stock. In the short term, this will negatively affect production in these countries.

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Poultry Overview

The UK market has stayed strong with the 'Eat Out to Help Out' Scheme, returning businesses and retail demand putting pressure on the prices. There have been big difficulties securing smaller size birds and large chicken wings due to the 'Eat Out to Help Out' Scheme as they have been in high demand we have also seen a large rise in exporting to China from the EU.

Turkey – prices have started to rise since Businesses began to return from Covid19 – the concern in the trade is the reluctance of the farmers to show a commitment to put down stock for Christmas due to the uncertainty surrounding Christmas Trade. This will have a real negative effect and could will drive the prices to record levels and create a huge shortfall. We would recommend that all customers confirm their requirements as soon as possible.

Pork Overview

This year, UK pig meat production is set to rise again. However, supplies on the market will therefore be balanced by lower import levels, alongside strong export demand, which is expected to continue.

GB finished pig prices continue down

In the week ending 22 August, the GB EU-spec SPP slipped 0.79p on the week to average 162.72p/kg. The measure is still around 10p above last year's price for the same week, and is now nearly 16p above the five-year average.

Estimated slaughter at British abattoirs totalled 176,800 head during the week, down 3,600 head from the week before. This is around 7,000 head above both 2019 and the five-year average for the same week. Industry reports suggested reduced kills at various plants due to infrastructure works and staff holidays.

Carcase weights averaged 85.76kg, up 120g on the week. This is 2.31kg above the same week last year, and 3.41kg above the five-year average.

EU pig prices remain stable

Since our last update, EU pig prices have remained relatively steady. Combined challenges in processing capacity, as well as heavier average carcase weights, has weighed on markets. This price pressure has also been felt in weaner markets. Nevertheless, there is optimism that the backlog of pigs will be worked through in the coming weeks and carcase weights are reportedly now falling. Reports indicate that orders from China are increasing, and some of the coronavirus-related disruption to this trade has eased. Altogether, this may provide some upward support to prices in the future.

Pig prices in **Spain** have bucked the trend, and have moved up by over €6/100kg since the start of the month. Exports to China have been particularly strong. In June, exports of fresh and frozen pork reached 68,400 tonnes, over 200% more than in the previous year. This has likely been supported by the growth in pig production seen in the nation. However, the export price of pork to China has dropped back by 16% since March, which has likely capped price rises.

In **France**, demand is reported as good, supported by sales campaigns. Lower average slaughter weights could indicate that supplies of available pigs are now slightly short.

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African swine fever

African swine fever (ASF), a virus that affects pigs and wild boar, has been identified in Belgium.

ASF is well-established within parts of Europe, Russia and China, with a reservoir of infection in the wild boar population. If uncontained this could have severe consequences on Prices and availability going forward.

Covid-19 Update

In **Germany**, the major Tönnies processing site has now resumed operations following a one-month closure due to a COVID-19 outbreak among the workforce. According to AMI, the slaughter of around 4 million pigs was directly affected. On 17 August, the Chinese authorities granted permission to export again, and so trade is expected to resume in the near future. Supplies are reportedly meeting demand; however, there are some regional differences.

Meanwhile, in **Denmark**, the Danish Crown plant at Ringsted halted operations for two weeks during August following an outbreak of COVID-19 amongst staff. The plant accounts for around one-fifth of the pigs processed in the country, however, pigs were able to be re-directed to other facilities. The plant has since reopened at 50% capacity, although exports to China have been temporarily suspended. Reports suggest that demand is subdued due to the limited activity in the foodservice sector. Nevertheless, supply is meeting demand and that has resulted in price stability.

A meat processing plant will have to close for a deep clean after an outbreak of coronavirus. Cranswick Country Foods in Cullybackey, **Northern Ireland**, processes pigs. Health Minister Robin Swann described the outbreak as 'significant' adding that 35 staff members have tested positive, as well as a smaller number of their contacts.

In a statement Cranswick Country Foods said: 'There has been a recent increase in the number of confirmed Covid-19 cases in Ballymena and the wider region and this has been acknowledged as a community issue.'

With the current issues affecting meat plants we at Birtwistle have implemented strict procedures that are being adhered to by our employees and documented that form part of track and trace. We are currently in communications with a company who will implement a temperature monitoring system which will not allow employees access if their temperature is not in spec through a traffic light system and will deny all access. This monitoring system is linked to our internal cameras which allows us to monitor throughout the day. This will be the first system of this kind in the meat industry.

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Brexit

How likely are the 'big four' European economies to vote leave the EU if Brexit works out

- Based on a survey commissioned by Euro news, Italy is the most likely of the "big four" member states to consider exiting the EU if Brexit proves beneficial to Britain.
- The survey gauged the opinion of 1,500 people in each of the four countries (6000 people in total) between July 17 -18. Of the four countries, respondents in Italy were the most in favour of exiting the EU – with nearly half of Italians (45%) either agreeing or strongly agreeing with the idea of an "Italexit."
- France was the next most in favour with 38% supporting leaving the EU, followed by Spain with 37%. Germany were the least likely to consider exiting – with just 30% in favour.
- Meanwhile, on the question of whether the UK would benefit from leaving the EU in the long-term, even if there were short-term economic problems – 45% of French and 43% of Italian respondents believed that the UK would prosper outside of the bloc. Whereas only 35% of Spanish and 31% of German respondents felt that the UK would benefit.

Brexit deadlock as UK and EU admit deal unlikely

The chief negotiators from both the UK and the EU have warned that a post-Brexit trade deal is looking increasingly unlikely, following the latest round of talks. Speaking during his regular press conference, Michel Barnier said: "Too often this week it felt as if we were going backwards more than forwards. Today, at this stage, an agreement between the EU and UK seems unlikely. I simply do not understand why we are wasting valuable time." A trade agreement must go hand-in-hand with fair, mutually agreed standards; a long-term agreement on fishing and no cherry picking when it comes to the Single Market,

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