



BIRTWISTLES

Market Report

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Supply chain disruption-Important Information – PLEASE READ

We feel it both urgent and necessary to bring to your attention the on-going issues over the short supply of Poultry and other key lines from across Europe into the UK. This is having a further impact on the Home market with suppliers trying to backfill with UK poultry, which is already oversubscribed with retail demand due to the good weather.

We expect the impact of short supply to last between 10-12 weeks and please note a finished bird is ready from hatching in 30 days.

You will inevitably in this time have substitutes or shortages in the worst-case scenario. We have been limited from our suppliers who are ensuring that everybody gets something rather than nothing. We are only receiving a percentage of what is required, we have B/In Supremes 6-7 oz & 7-8 oz, Skin On B/Less 6-7 & 7-8 oz, B/Less S/Less Fillets 5-6.6-7 & 7-8 oz. Bone in Corn Fed Supremes from France are very scarce and again we will be short of this product. You may receive B/Less Corn Fed Supremes until the market and availability settles. Our delivery in the week ending 30th May was delayed by a day and not received until Friday 28th May

The main reasons for the chronic shortages across the supply chain are as follows

- The number of public holidays across Poland and Holland in Europe in the coming weeks means the further loss of production days in a very tight market with France in particular having four public holidays alone in May around dates that have been critical to supply on an already short market.
- Suppliers of poultry are now limiting supply lines into the UK with every delivery being short and, in most cases, up to 40% of the order, depending on the products being delivered.
- We are seeing increase of +1.15 kg on Supremes & Fillets, +2.95 kg on Inner fillets, +1.05 kg on Thigh Meat and upwards from 0.65p kg on Wings, this is without any costs for production & packaging delivery added.

Current Delivery Schedules

Also, to remind you all of our current delivery Schedule as below;
Education & Business & Industry – Monday-Wednesday & Friday
Hospitality – Hotels-Pubs & Restaurants – Tuesday-Thursday & Saturday

Father's Day 20th June 2021

With under three weeks until Father's Day this year and as is expected a busy trading day for many pubs & restaurants can we please ask that you to send us any advanced volumes along with menu items. Taking into consideration the shortages within parts of the supply chain it may be an option to look at alternatives to poultry. The more notice we get the better we can advise and work with you to ensure you won't be disappointed.

Please do not leave it until the week in the run up to Sunday 20th June.

If you are being treated on the 20th June, we wish you a Happy Father's Day!

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Beef Overview

Processors remain wedged between a rock and a hard place, with cattle prices well above pre-pandemic levels and reports of supermarkets reluctant to take on the cost of certain beef items.

While the easing of restrictions has aided general sentiment, there is still a fair amount of uncertainty, with concerns about Covid variants hindering forward purchase volumes.

DEMAND

Mixed feedback has been received with regards to retail and foodservice orders. While some processors have reported that retail orders were soft amid the reopening of restaurants, feedback from some packers suggests that the reopening of indoor dining on Monday 17th May did not meet expectations. Retailers continue to report steady mince sales and firm demand for steak meat. Feedback from retailers also suggests that the gradual dip in sales this week amid the reopening of indoor dining is far less significant compared to the 'Eat-Out to Help-Out Campaign' of last year.

A fair amount of price movement was noted between suppliers this week. Availability is expected to tighten as the weather improves. While some remain firm on price points, upward pressure is noted on chucks with supply tight. Brisket offers remain firm, though feedback suggests supply may become short with smokehouses in the US looking for alternative suppliers (Canadian and Australian product costing between £8-£10). There appears to be more offers for 70% VL trim in comparison to last week, with some suggesting that packers have frozen down trims due to the dip in manufacturing. While the market for steak meat remains very tight, weather has hindered burger sales across the UK over the past week.

On the import front, mainland Europe offers remain firm but prices still considerably cheaper than UK.

Irish beef exports to GB drops back in 2021

During March, Irish cattle slaughter (including cows and calves) dropped back by 6.1% on the same month last year.

The reduced slaughter numbers are not unexpected, with higher slaughter throughputs last autumn tightening the supply of cattle available now. Industry estimates forecast a 3% fewer cattle to be slaughtered during 2021. This tighter supply may be helping to support prices in Ireland, as well as also limiting the volume of beef available for export."

Trade

Less beef was exported to Britain with export volumes for the quarter back 38%, a reduction of 18,200 tonnes compared to the same period last year. Irish beef exports initially dropped back in January following the UK's withdrawal from the EU, and have since been steadily recovering month on month.

Despite volumes dropping the value of Irish exports has not dropped as much, with high prices helping to make up for some of the reductions in volumes. Total Irish exports during Q1 totalled £463M, an annual decrease of only 7%."

Prices

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Irish cattle prices have been on the rise in recent months. For the week ending 8th May, Irish R3 steers averaged €4.11/kg deadweight, up €0.63 on the same week last year. Looking at global prices, Irish prices have been narrowing the discount to prices here.

With high cattle prices in Great Britain, there is potential for exports from Ireland to increase in the coming months, possibly helped by the re-opening of the foodservice sector, although availability of production in Ireland may limit volumes to a degree.

GB PRICES

Deadweight cattle prices eased a little in the week ended 15th May, but remain at unusually high levels as the market for beef continues to be firm.

Prices for all prime cattle types remained significantly above the 5-year average.

Although favourable for producers, such high prices make profitability further along the supply chain a challenge. This may limit how long such levels can be maintained, even though supplies of cattle on the ground remain tight.

Global beef price update

Argentina's Temporary Ban on Beef Exports has Potential Market Impacts

Last week, Argentina's president announced a 30-day ban on beef exports as part of an attempt to control rising inflation, which is approaching 50%. In protest, the country's main farm groups said they would launch a nine-day halt in livestock trading. There are also reports of processing plants in the country shutting down in response to this decision. While the immediate impacts of the Argentine government's decision are short-term (assuming the ban is not extended), it has the potential to disrupt beef import and export supply chains and will likely place upward pressure on already elevated beef prices.

This export ban is bound to escalate tight global supplies which some market participants expect to push up prices, particularly for steak meat out of the EU. This will also put pressure on all origins including the UK, with significant increase (€2+) already noted on beef cotes this week already.

From trade wars to animal disease outbreaks, and of course, COVID-19's upending of supply chains, there have been numerous disruptions in agricultural trade over the last several years. While maybe not at the same level of significance as these other events, an ill-advised export ban by Argentina is yet another trade-related event to add to the list.

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Summary

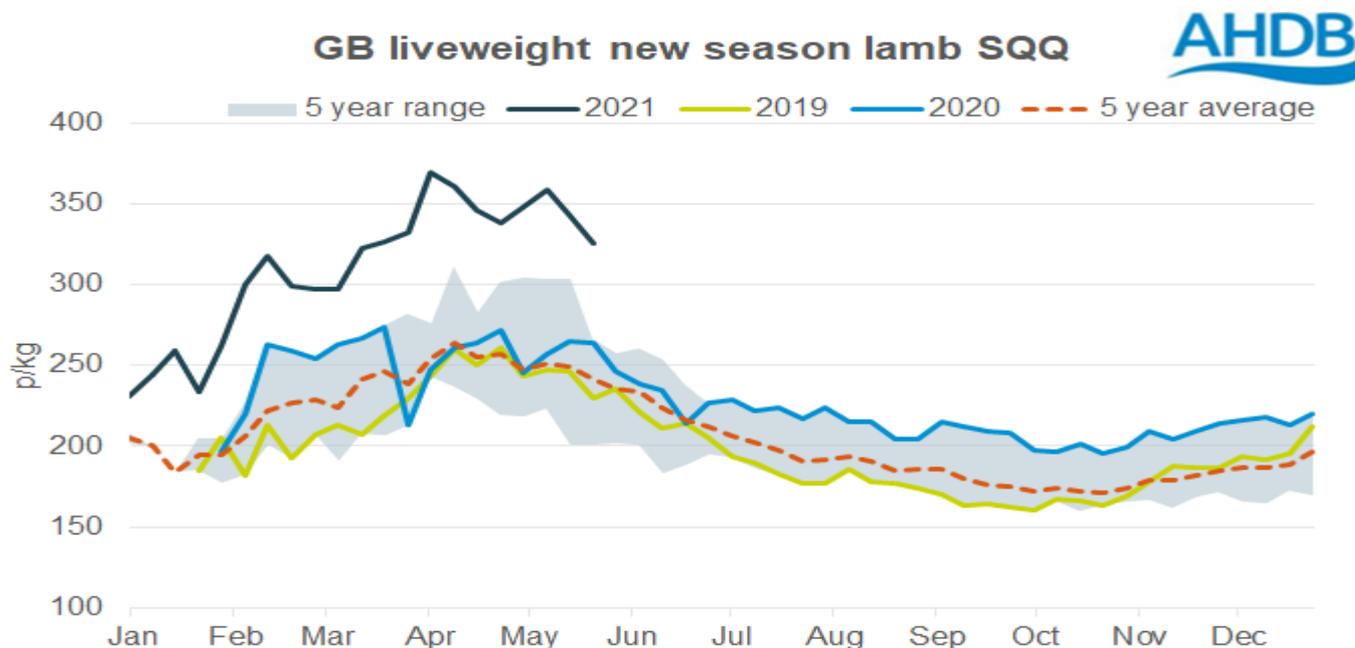
Argentina's decision to halt exports of beef in an effort to fight domestic inflation has implications for other exporters of beef and importing countries in search of animal protein. While Argentina is not the top beef exporter in the world and this ban is only for 30 days, the country is a significant enough exporter and a key source of product for China. When we combine this with the relatively tight supplies out there, the impact is likely going to place upward pressure on global beef prices, and push China to other beef suppliers in the short-term, at a time when the country has already been significantly increasing its purchases of US beef. The US is already experiencing rising beef prices due to a combination of factors, including very healthy demand, which would typically dampen export demand, so it will be interesting to see how this development affects exports.

Lamb Overview

GB liveweight lamb prices soften, deadweight prices strengthen further

In the week ending 19th May, liveweight lamb prices lost ground. The NEW SEASONS LAMB averaged 325.49p/kg, 17.5p lower than a week earlier. The OLD SEASON LAMB averaged 271.56p/kg, 19p lower than the week before. **Retail prices in the 12 weeks to 18th April have risen by approximately 4% year on year, compared with a rise in farmgate prices of more than 25% over the same period.**

Throughputs totalled 79,300 head, 32% lower than the same week a year ago.



Source: AHDB, LAA, IAAS

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In contrast, deadweight lamb prices rose in the week ending 15th May. Overall deadweight old season lamb carcasses achieved an average of 663.3p/kg, more than 10p higher than the week before. New season lamb carcasses fetched an average of 724.2p/kg, 34p more than the week before.

Pork Overview

Pig prices continue to increase

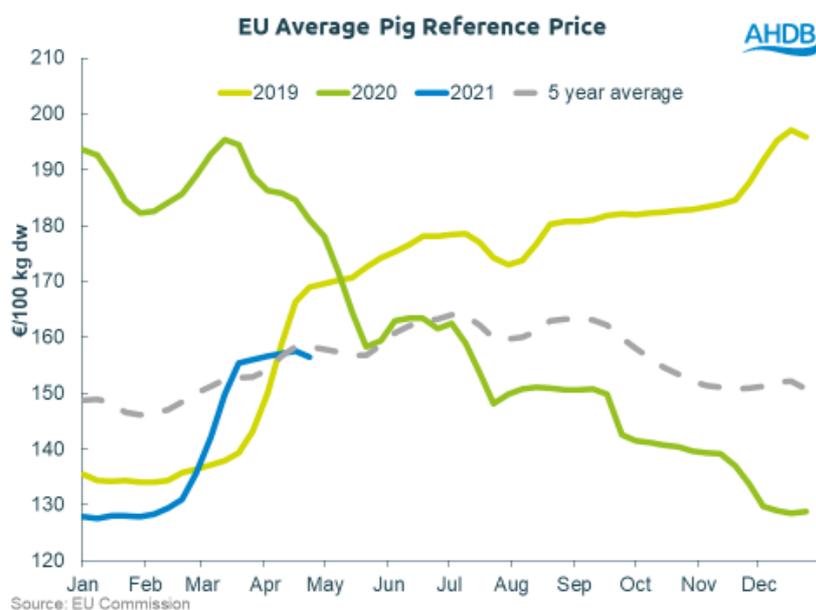
The recent recovery in GB pig prices has continued in the week ended 22nd May, with a 1.23p rise to 151.74p/kg. The price has now increased for 10 consecutive weeks, adding over 12p over this time, and is at its highest level since late November.

Market reports continue to describe supplies as tight, which will be influenced by falling carcass weights. Domestic demand also remains robust and reports indicate demand in Europe has started to pick up recently too.

EU pig market broadly stable

EU pig prices have been more stable in April. Following some improvement in prices early in the month, a combination of limited slaughter and subdued demand meant that prices eased back. Public holidays and coronavirus infections have both limited slaughter levels in Germany in particular. Poor weather is also reportedly dampening demand, as this delays the onset of the “barbeque season”.

The EU average price had been at the highest level since last July in mid-April, at €157.50/100kg. However, in the subsequent week ended 24th April the average dropped back to €156.48/100kg. The outlook remains cautious at present, and will depend on developments with the COVID-19 pandemic, the weather, and tourist trade.



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Prices on the key German and Spanish markets have followed different trends in recent weeks. The German price was broadly stable in early April but fell sharply in the latest week. Meanwhile, the Spanish price rose sharply at the start of the month and has since increased more slowly. Aside from Germany, the only other key market to show a declining trend over the past month was Poland. Prices have been rising noticeably in Denmark and France.

Poultry overview

By far as we navigate forwards poultry is the most under pressure protein on the market in terms of availability and upward movement in price, as in our opening statement, we are seeing a situation which has never been seen before as we all try to take the steps back to normality. Prices are at record levels, availability from suppliers across the UK and EU are being basically rationed across their customer networks until the farming & production can recover sufficiently to pre pandemic levels which has not been helped by the outbreak of Avian Flu in parts of Europe.

Foodservice Price Index predicts return to inflation

Inflation is starting to return to food and non-alcoholic drinks after months of falling prices, the CGA Prestige Foodservice Price Index has revealed.

March figures from the index showed a firming of prices year-on-year as lockdowns lifted and deflationary pressures related to Brexit receded. It is expected that prices will continue to increase month-on-month as hospitality gradually restores full service and government policy regarding public sector debt, taxation and inflation becomes clearer.

The March edition of the index also showed a return to significant levels of inflation in categories including fruit, meat and breads and cereals. The traditional firming of prices that is seen in the spring season has also contributed to the upward movement.

Shaun Allen, chief executive of Prestige Purchasing, said: "We expect prices to rebound as volumes recover, probably to above 2020 levels as the year progresses. We should also avoid taking a renewal of pre-lockdown supply for granted, as the commercial impacts of the winter lockdown have been harmful to many supplier balance sheets."

Andrew Dean, client director for retail at CGA, said: "The return of hospitality is a huge relief for operators, the foodservice sector and consumers alike. However, the sector faces a long road back to profitability, and the signs of inflation will be unwelcome for businesses already facing a host of other challenges.

Final Note

Rest assured we are working tirelessly to do everything possible through these difficult times to try and fulfil all your orders, however please note the situation is still very challenging and will impact the volumes more so on poultry for your order fulfilment. Please give as much lead time as possible when placing orders.

Thank you for your continued support.

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