



# **BIRTWISTLES**

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*Market Report*

AUGUST 2021

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## KEY POINTS TO NOTE THIS MONTH

- Logistics are creating serious disruption to the supply chain both EU/UK
- Slaughter houses are only operating to 60% capacity due to staffing issues
- Suppliers are reducing the SKU they sell, again down to labour shortages
- Poultry increase again due to massive demand across Europe now we have holiday destinations opening
- Beef prices increases of 8% expected for August
- Lamb “Contrary to some peoples comments “still very short and very expensive, and demand for cuts exceeding supply due to lower throughputs.
- On a slightly different note, market participants are considering removing lamb rumps from their stock list with pallets formally at £7.99kg now at £13.99kg, this will create and we have already seen shortages. Along with this Lamb F/T Racks are under pressure with forward availability very thin on the ground due to lack of imports in turn putting pressure on the UK market which will last until November.
- Shortage of steak meat due to retail focus from the large producers and export demand from France, Italy and Spain. Particularly Rib Eyes which are at record levels in terms of price and demand for trims for the summer season on burgers.
- Turkey at present is stable considering the pressure on chicken but is expected to reach record highs for December as most producers have switched to producing chicken at this time to capitalise on record wholesale prices.
- South American steak meat market at record highs as South America/China demand is outstripping supply.

For the UK’s food industry the impacts of trade and travel restrictions, paired with the exiting of the EU & Brexit, will further increase food prices throughout levels of supply, with few exceptions.

From the announcement of the pandemic and the beginning of restrictions back in March 2020, there has been huge uncertainty regarding the supplies of goods and services on a global level. This uncertainty is heightened within the Food & Beverage Industry; pressures to manage demand, as well as to both maintain and open up new routes-to-market have all been major concerns among supply chain links.

Entire supply chains have been impacted, with each and every link as we know having felt the consequences.

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## Beef Overview

### Beef prices to remain strong over coming months

A continued tight supply of cattle coming onto the market in the short term could support farmgate prices over the coming months.

Domestic supplies of beef have been tight during the last 12 months, with the size of the Great British herd decreasing for the second consecutive year.

Industry figures suggest that this is likely to continue in the short term; the number of cattle under 30 months of age is relatively stable on the year, but has dropped by 1.4% since 2019.

Whilst supply is a key factor, there are complex external factors that could drastically change the outlook in the long-term.

These vary from post-Brexit changes in trade patterns and the Covid-19 pandemic to consumer influences and worldwide trends.

Strong global demand for protein has soaked up additional beef supplies on the worldwide market and also helped to support prices during the last 12 months or so.

A declining herd size is common across the European Union, also leading to a tight supply and strong prices.

This is affecting the quantities available to import to the United Kingdom, including from Ireland, the dominant supplier.

Supply chain constraints remain a key theme on market calls, as factories across the UK and Ireland continue to manoeuvre as best as possible to get product to market.

Transport and labour issues remain an industry wide concern with one haulier group changing from day 1 to day 1 to 5, and there's also been an increase in cancelled collections. Existing labour constraints is leaving little room to negotiate. According to market participants, some boning halls are down 15% in staff which continues to create backlogs of bone in beef.

• **DEMAND:** While cautious optimism is noted amid the easing of restrictions, mixed sentiment continues to be fielded. Packers continue to report strong selling prices for key beef items.

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Foodservice demand alongside pockets of robust demand continue to dictate firm offer levels, with catering butchers pushing back against elevated prices, though most product is being absorbed via retail contracts keeping prices firm with no room to manoeuvre.

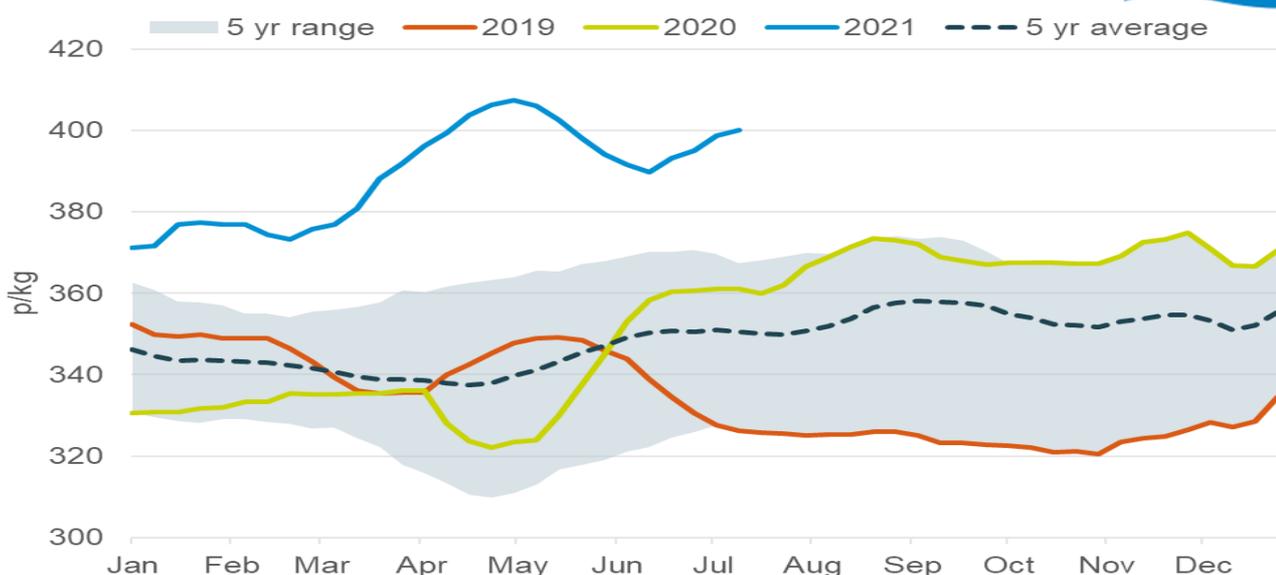
Several key themes remain in place and if anything, are more pronounced. Robust demand, tight supplies and labour shortages continue to influence trade. Managing customer expectations is a considerable challenge given availability issues, the acute shortage of hauliers, and track and trace isolations.

But on this note we/you must take credit for the continued level availability to our customers which has been assisted by yourselves at times having to react and be flexible in terms of your menus - thank you for this.

- **WARMER WEATHER** means competition for steak and trim meat remains intense. Striploins are more readily available than other key steak cuts particularly whole Rib Eyes. Trim remains firm, some contacts sold out on 98% VL, with increased demand for burgers during the Summer. Traditional French cuts like bavette, onglet and rump caps have all risen.

- **SLAUGHTER:** Demand for cattle remains intense. Cattle prices continue to trend northward, with average deadweight prices across the UK moving higher over the previous week. Throughputs trended slightly lower compared to last week and remain below levels last year, a consequence of tight supplies and labour shortages. Market participants expect throughputs to remain tight over the coming weeks. Factories in Northern Ireland (NI) worked a reduced kill this week due to bank holidays

GB all prime average deadweight cattle price **AHDB**



Source: AHDB

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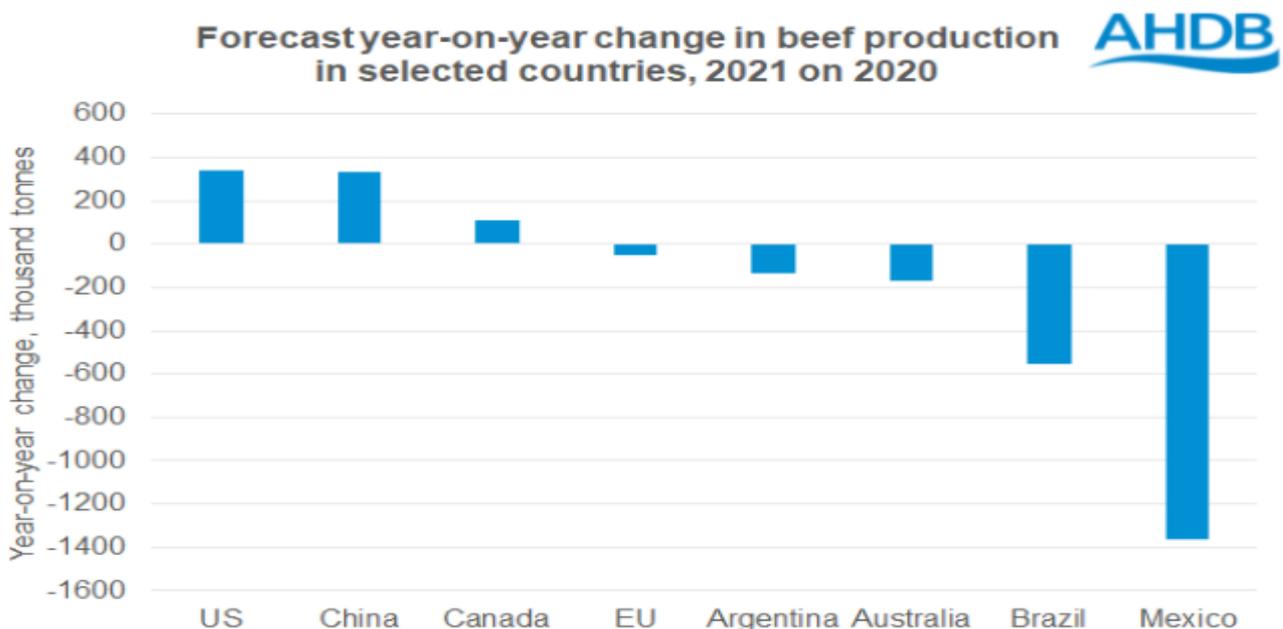
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Prime cattle prices continued to climb. The GB all prime average stayed strong at 400.8p/kg, with price increases recorded across most categories and specifications. Overall steers averaged 401.2p/kg, up 0.2p on the week, while those meeting the R4L specification rose by 1.3p to 411.0p/kg. Heifer prices rose too, overall, by 1.4p to 401.3p/kg while those meeting the R4L specification increased by 2.4p to 411.4p/kg.

## Global cattle prices

Global beef production is forecast to stand at 60.8 million tonnes, driven by declines in Argentina, Australia and Brazil. Australia is currently rebuilding its national herd following the drought and therefore marketing of heifers will be reduced. In Argentina the government has been tackling high beef prices by limiting exports, to try and increase supplies on the domestic market.



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## Lamb Overview

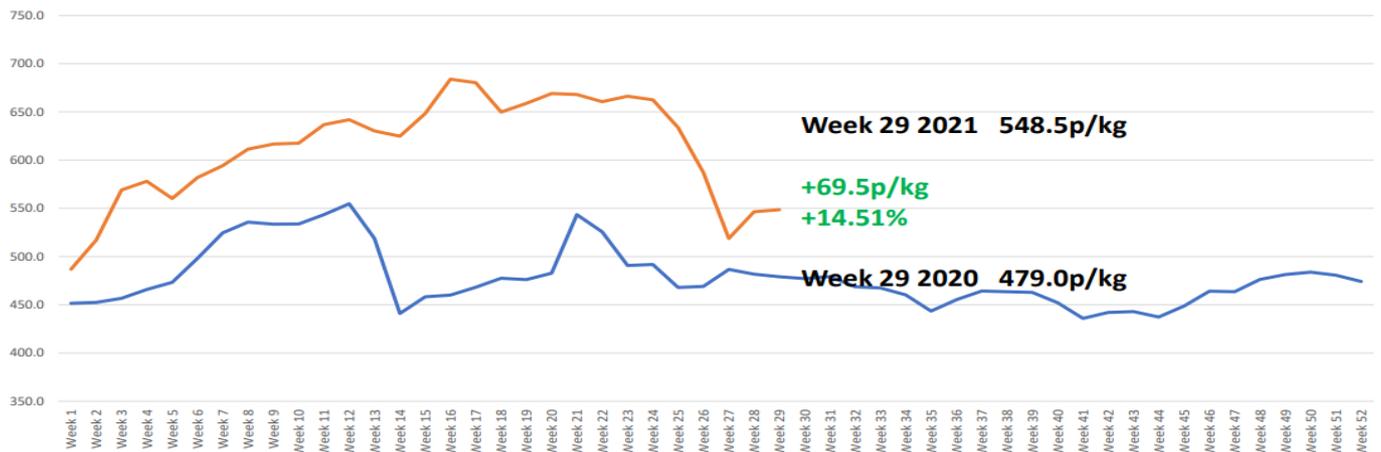
### Lamb Prices tick up

In the week ending 21 July, the GB average rose by 9.4p on the week before. This puts the measure up 44p on the price for the same week a year ago, and up 70p on the five-year average.

Total lamb throughputs at British auction marts were estimated to be 17% lower than the week before and 28% lower than the same week a year ago.

GB Deadweight Prices - Sheep  
 Week 29 2021  
 Source: AHDB MI

**Weekly Price Movement**  
**Week 29 2021 548.5p/kg**  
**Week 28 2021 546.4p/kg**  
**+2.1p/kg**  
**+0.38%**



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## Pork Overview

National Pig Association (NPA) is seeking government action to avert a pig sector labour crisis.

**The National Pig Association (NPA) is seeking urgent action from the UK Government after discovering that staff shortages are leading to major pork processors cutting throughput, some by up to 25%.**

The pig sector, is “edging closer to a major crisis” as staff shortages hit pork production, causing backlogs on farms and gaps on supermarket shelves. The resulting cut back on throughput, means that producers are once again having to keep pigs on farm for longer than would usually be the case.

The shortage is being driven by:

- the new stricter rules on EU workers coming to the UK
- furlough schemes
- the expansion of jobs in other sectors
- the ‘pingdemic’ that has resulted in more than 600,000 people per week being told to isolate by the NHS Test and Trace app.

It is further reported by the association that labour shortages are being felt across the entire pig sector, including on farms. Pork processing plants have been reporting absenteeism of 10-16% even before COVID-related absences, which the British Meat Processors Association (BMPA) said is now accounting for, in some cases, a further 5-10% of staff that are self-isolating.

In some plants, it is reaching critical stage, with production being cut by a quarter and pigs being ‘rolled’ into the following week, meaning backlogs are starting to build on farms. We are hearing that this is not just a short-term issue resulting from COVID self-isolation. EU staff have gone home and are not coming back or have gone to find alternative employment.

If this continues, it will only be a matter of weeks before we see serious problems on farms. This is the last thing our members need as they are only just getting over the last backlog, which saw more than 100,000 pigs backed up on farm, and are currently coping with record feed costs, so are already struggling to find funds to keep feeding pigs.

Demand for British pork is currently strong, but pork plants are struggling to meet it because they do not have enough people to do the work.

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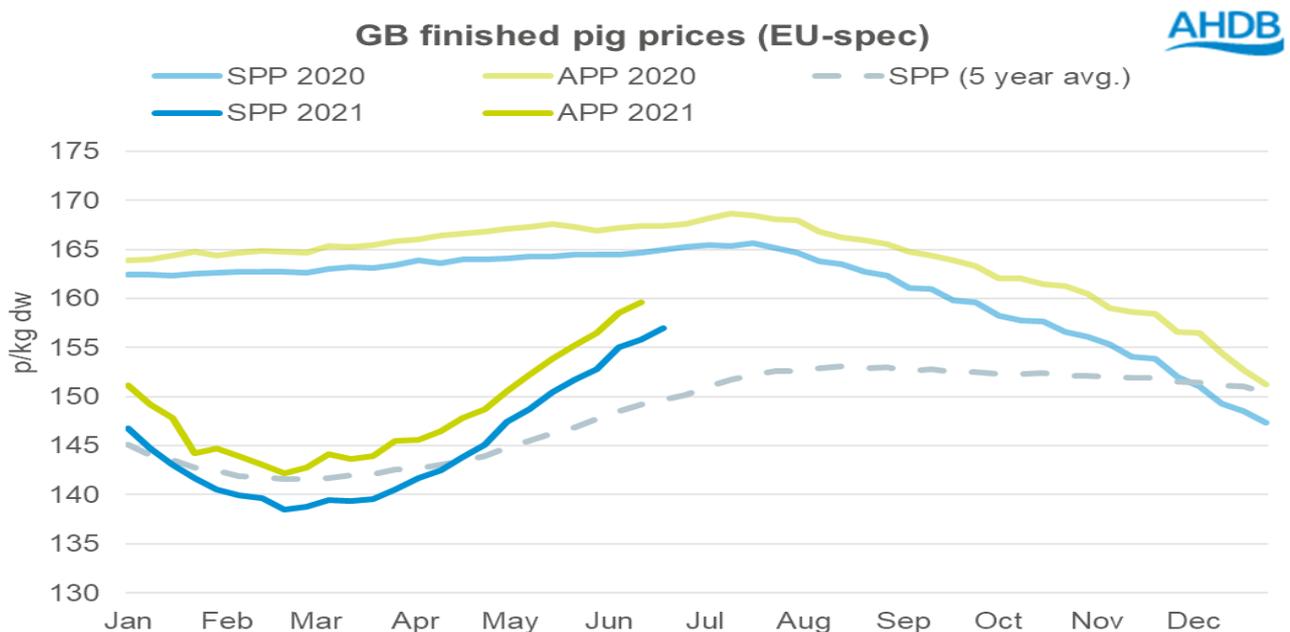
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### Pig prices continue to increase

The outlook for UK pork across many prime cuts is 5- 10 % higher with suppliers/forecaster's reluctant to look past the next four weeks.



Source: AHDB

### Poultry overview

The UK market still remains under pressure with demand still outstripping supply and retail contracts taking priority over foodservice. Prices on both UK and EU products have increased and will be firm by a further 8-15 % in the coming weeks. Please be prepared as previously noted to be as flexible as possible when considering menu choices, we will where possible always send an alternative which may not be skin on or have the bone in but please understand the situation is still very testing not only for us but for all producers and suppliers.

In the mean time we will be accessing every market available to fulfil requirements; Bone in Chicken breast (Supremes) and smaller fillets will continue to be an issue due to the producers maximising the yield of every available bird. Corn Fed Supremes and whole birds are also in short supply from France with farmers/suppliers not able to replenish stocks fast enough, added to this the restrictions in place due to localised pandemic rules, labour is very short.

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## EU Update

Despite a marginal recovery in chicken production from Avian Influenza, the average price of EU chicken reached €2058/MT in June, up 1.3% month-on-month and 14.3% year-on-year supported by high feed prices. EU domestic demand for chicken is expected to increase in the short term with the reopening of the foodservice sector, thus supporting prices further.

Please also see below the % impact on the UK year-on year with EU exports. Also, the table below this one showing imports to the EU, the UK simply is very short of poultry and still struggling to satisfy the home market hence the firm and rising prices.

## EU\* Exports (Top destinations in 2021/2020)

### POULTRY MEAT (Tonnes carcass weight)

	2020	2021	% Chg
Ghana	76 463	102 370	+ 33.9 %
Ukraine	46 077	62 145	+ 34.9 %
Congo (Dem. Rep.)	41 318	42 359	+ 2.5 %
Philippines	88 578	35 835	- 59.5 %
Benin	23 605	28 720	+ 21.7 %
Other	400 425	327 995	- 18.1 %
<b>Extra-EU without UK</b>	<b>676 465</b>	<b>599 423</b>	<b>- 11.4 %</b>
United Kingdom **	261 023	204 565	- 21.6 %

## EU\* Imports (Main partners in 2021/2020)

### POULTRY Meat (Tonnes carcass weight)

	2020	2021	% Chg
Brazil	76,344	73,525	- 3.7 %
Thailand	49,676	45,760	- 7.9 %
Ukraine	29,782	13,535	- 54.6 %
China	6,008	4,395	- 26.8 %
Norway	518	993	+ 91.9 %
Other	13,006	3,767	- 71.0 %
<b>Extra-EU without UK</b>	<b>175,334</b>	<b>141,975</b>	<b>- 19.0 %</b>
United Kingdom **	82,877	49,465	- 40.3 %

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## Other News

Growth in global consumption of meat proteins over the next decade is projected to increase by 14% by 2030 with poultry meat expected to rise 13.1%, driven largely by income and population growth.

The Agricultural Outlook 2021-2030 is a collaborative effort of the Organisation for Economic Co-operation and Development (OECD) and the Food and Agriculture Organisation (FAO) of the United Nations.

The report states poultry meat will continue to be the primary driver of meat production growth, albeit rising at a slower rate in the projection period relative to the past decade.

Protein from beef, pork, poultry, and sheep meat is projected to grow 5.9%, 13.1%, 17.8% and 15.7% respectively by 2030. Meat consumption has been shifting towards poultry. In lower income developing countries this reflects the lower price of poultry as compared to other meats, while in high-income countries this indicates an increased preference for white meats which are more convenient to prepare and perceived as a healthier food choice. Globally, poultry meat is expected to represent 41% of all the protein from meat sources in 2030.

## To reiterate and remind you of Supply chain disruption

We expect the impact of short supply to last between 6-8 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 all get something rather than nothing. We have as below only been 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

### Current cut off times for ordering

3 pm for next day delivery

Currently also anyone with an option for delivery on a Monday must have the order placed before 12 pm on the Saturday before.

We currently face the same challenges as most businesses in our sector - lack of labour, isolations, late arrival and shortages of stock and not enough personal available to cover a full weekend of production, picking and dispatch.

Thank you for your continued support.

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