BIRTWISTLES

Market Report

SEPTEMBER 2021

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KEY POINTS TO NOTE THIS MONTH

- The bounce back over the next two weeks when the education sector returns is only going to compound and worsen an already under pressure food supply chain. From producers/production to deliveries, the urgent need for extra staff/drivers which are simply at this time not available will lead to further delays across the sector at all levels. Please be patient and where possible plan ahead with flexibility in mind.
- The remainder of 2021 will remain challenging across the supply chain.
- Logistics/Labour shortages are still creating serious disruption to the supply chain both in the EU/UK, see other news section for update.
- Slaughter houses/processors are opting to not further process cuts due to labour shortages.
- Poultry is staying firm with no downward movement and little upward movement as the market is still inflated due shortages of product available.
- Lamb/Beef/Poultry prices still firm.
- UK Lamb rumps/racks are under some serious pressure and the possibility that they will currently be unavailable from mid-September if the current labour issues continue will become a reality. Lamb Rumps from NZ will most definitely not be available when current stocks are exhausted over the next few weeks as the season will not commence until November, restrictions allowing, which will not see any product arrive on these shores until at the earliest January 2022.

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Beef Overview

Trade activity remains somewhat cut-throat due to the contributing factors and challenges below.

• Acute labour shortages, tight cattle markets and firm demand continue to influence the pricing landscape. Given elevated price levels and delays caused by a lack of cattle, market participants continue to report squeezed margins, partly a consequence of honouring older contracts which were closed at lower values.

• **DEMAND**: While there are pockets of sluggish trade, demand is mostly firm and is expected to increase in the lead up to the bank holiday weekend.
A lot of bone-in meat continues to be pushed out the factory door because of the ongoing labour challenges. Availability of steak cuts and PAD meat remains burdensome. Given the tight supply and elevated price points of steak cuts whole UK Rib Eyes are still at record levels and firm with no downward movement. Feather Blade steak trade is strong with pockets of the market trying to mitigate against high premium steak prices on Rib Eyes, Sirloin and Fillets.

• **SLAUGHTER**: Processors continue to report intense competition for cattle, with total throughputs falling against the backdrop of staff shortages.
While the cattle market remains tight sentiment remains mixed, some market participants expect cattle prices to experience downward pressure as processors struggle to manage carcase balance given the ongoing labour issues and the demand for mince expected to trend higher alongside the reopening of schools.

The population of cattle in Great Britain declined by a further 0.8% in July, according to the latest data from the British Cattle Movement Service.

At 1 July, there were 7.98 million cattle on the ground in the UK, 62,800 head fewer than the same point a year ago. This maintains the trend seen in GB cattle numbers over the past 3 years, being the 15th consecutive set of quarterly figures that show a year-on-year decline.

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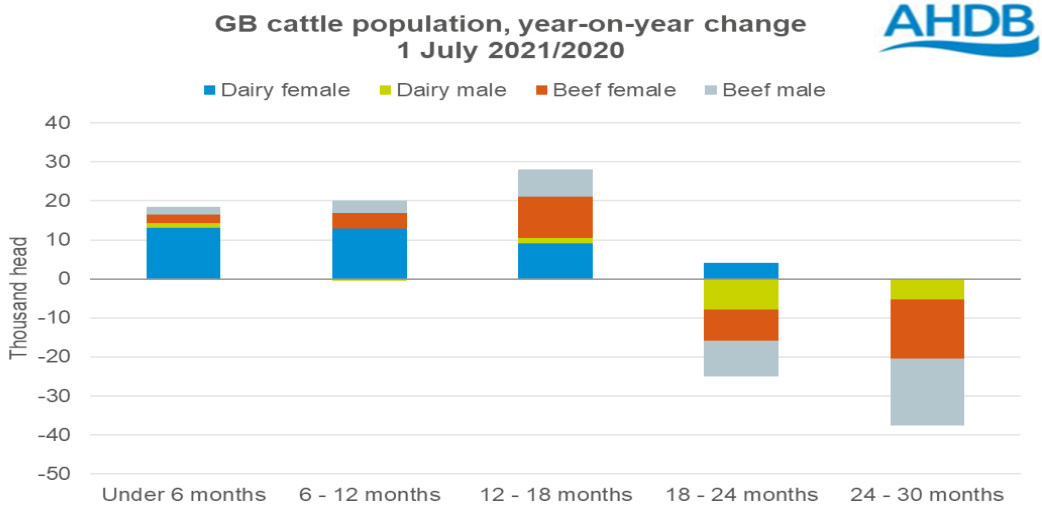
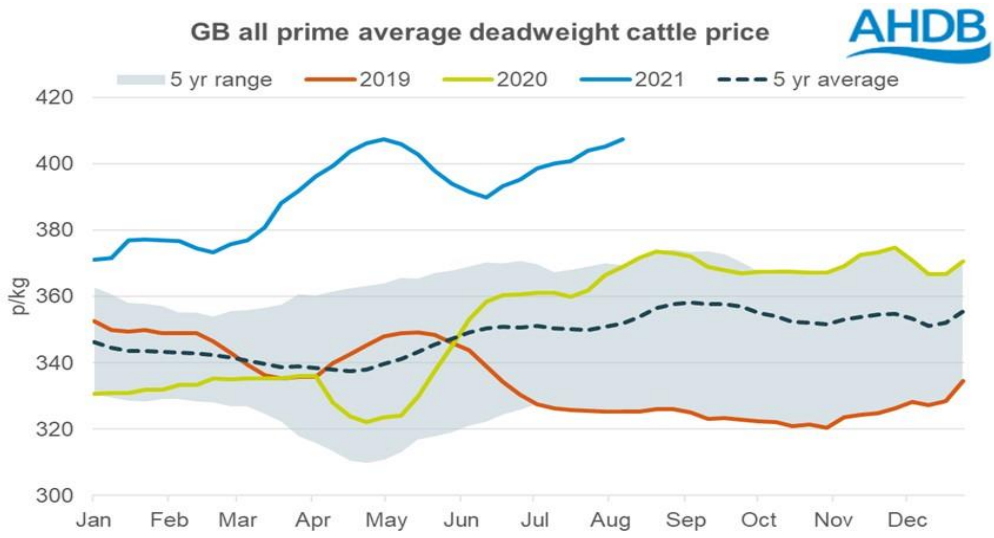


Source: British Cattle Movement Service

Deadweight cattle prices gain further ground

GB cattle prices inched up again in the week ending 14 August. The all-prime deadweight average was 407.9p/kg, about half a penny more than the week before.

Estimated prime slaughter in the week ending 14 August was 30,300 head, 700 fewer than last week. This reflects some anecdotal evidence that processors are having to work hard to find cattle.



Source: AHDB

Prime cattle prices continued to climb. The GB average stayed strong at 400.8p/kg, with price increases recorded across most categories and specifications.

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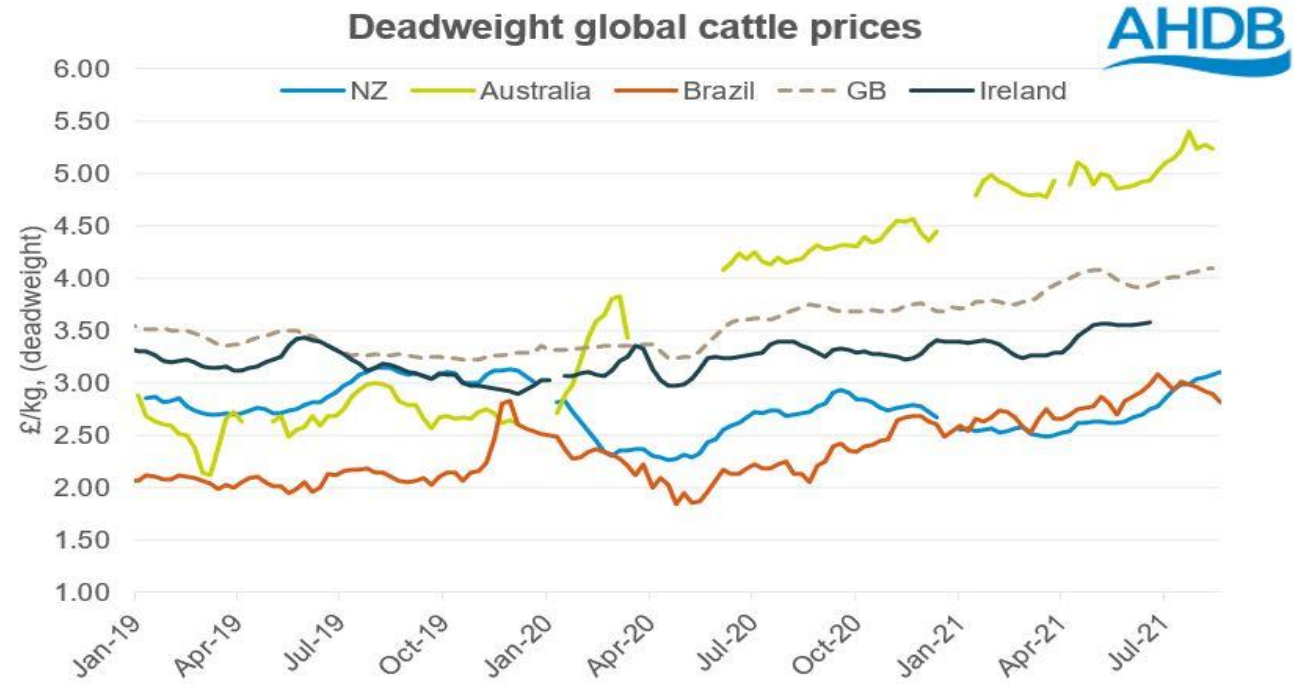
Global cattle prices

Around the world farmgate cattle prices vary, affected by various factors, most obviously in the current climate, supply and demand. Some of these factors are more local in nature, and might include logistical and supply chain issues, such as transportation costs between farm, abattoir, cutting plant and dispatch location, or problems with processing capacity due to labour shortages.



Source: AHDB, INAC, NZX Agrifax, MLA

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Lamb Market Overview

- 7% fall in UK sheep meat production forecast for 2021.
- Imports to decline again, driven by reduced product availability in New Zealand and higher shipping costs.
- Export volumes limited by product availability, reduction in consumer demand in Europe and trade friction.

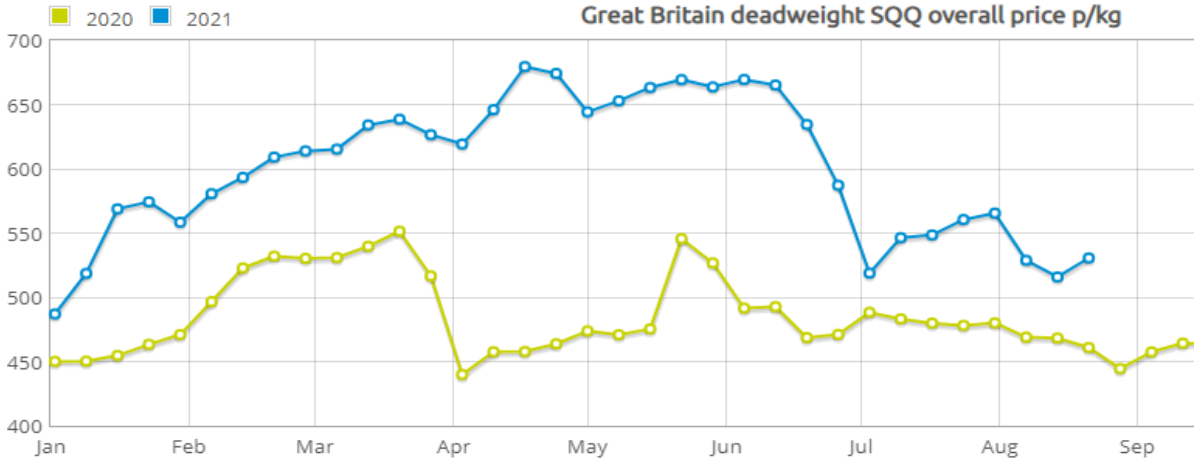
Imports of sheep meat have been under pressure for some time. Production in New Zealand and Australia have been low in historic terms recently and demand in Asia rising. There is no reason to presume a sharp divergence from recent levels. Global shipping costs remain high, and container availability is challenged.

Imports are important in balancing demand in the UK, both in terms of cuts preferred by UK consumers, and the seasonality of supply. Longer term we forecast volumes to stabilise reflecting the UK's continued need for imports to balance domestic production. This year import volumes are expected to drop 13%, to 58,000 tonnes.

On the imports side, the UK shipped in 4,200 tonnes of fresh and frozen sheep meat in June, 5% less than a year ago and 12% lower than in May.

Volumes from New Zealand were 16% lower year-on-year at 2,800 tonnes.

Year-to-date UK sheep meat imports totalled 27,700 tonnes, down 17% on the same period a year ago.



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Pork Overview

Whilst all proteins have come under some record levels of pressure in terms of pricing and availability pork has probably taken the least impact in terms of the level of rises, we have seen, **this said it has still risen and brought challenges with it** but can be an alternative option to other proteins when planning menus for the Autumn/Winter period which are facing record highs in terms of price and record shortages in terms of supply.

The pork market seems to have settled and the challenges are mainly how quick they can get the pigs off the farms and into the supply chain. Carcass weights are rising due to pigs still on farms and this will inevitably put pressure on pricing at the heavier weights.

US pork exports facing Chinese headwinds

Why you might ask are we including an article on US Pork …… read on.
The US doesn't export very much pork to the EU or the UK, but it is an important global competitor. As such, what happens in the US can have an effect on opportunities for EU and UK exporters.

Recently, US processors have found the price of pigs much higher than normal. Pig prices in the US had been strengthening since January, and according to the USDA, processor margins had been narrowing. Low margins at the start of July may have prompted processors to buy fewer pigs, reduce slaughter levels, and rely more on their own company supplies. These actions reduced pig prices and supported both wholesale pork prices and processor margins.

US prices may still be too high to stimulate demand overseas. One important market that the EU and US have in common is China. US fresh/frozen pork exports to that market have fallen by around a third in the year to date. Although, this is perhaps as much to do with Chinese pork production rebounding from African Swine Fever (ASF), as it is to do with high pig prices in the US. **Nonetheless, the EU has increased its fresh/frozen pork exports to China by around a fifth in the year so far.**

High prices, and tariffs into China, are expected to impinge further on US competitiveness as China's demand for imported pork continues to fall. US export volumes are therefore expected to go to markets both elsewhere in Asia and closer to home (such as Mexico) to offset declines to China.

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Poultry overview

How can we have a review this month on poultry without mentioning KFC,Nando's "Fast Food" to "No Food" and more recently Greggs.

The reasons have been well documented and reported on.

This is the stark reallity we are facing and will continue to face until the shortage of labour is addressed and improved upon at all levels of the supply chain. Be under no illusion that when we have informed you of this in earlier reports it really needed taking note of and flexibility proritised.

We as a business have also had to adjust our production methods in this ever fast changing landscape, particulary on value added poultry lines. We are currently unable to offer any stuffed breast portions along with fresh diced kebabs on all protiens until we are able to fully establish again a full dedicated team/unit for this area of the business. We can of course and will gladly supply the diced meats and skewers required so this can be prepared in your kitchens - we will not leave you without product.

It is hard to avoid the news and be informed of the current situation in many parts of the supply chain with gaps also on supermarket shelfs, bearing in mind these will be the first sector to be served with available product before anyone else in the food chain.

Please be prepared as flexible as possible when considering menu choices.

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Labour Shortages

A member of AIMS has shared with us a letter that their local MP has received in reply to their letter in relation to the labour shortage crisis. The letter has come from the Home Office.

For us there are a few stand out points:

- "The Government recognises some businesses will need to adjust, but investment and development of the UK's domestic labour force should take priority, rather than seeing labour from overseas as the solution to recruitment difficulties."
- "Although the deadline for the EU Settled Status (EUSS) has now passed, those with reasonable grounds for missing it can still apply
- "Jobs such as **meat processors**, delivery drivers and farm workers **do not meet the threshold**, so are not eligible to be sponsored for a Skilled Worker visa." NOTE: This is at odds with the description for standard occupation code 5431 (Butchers) which includes meat cutters within the range of jobs covered. Looking at the Home Office's Point Based Immigration System.
  Looking at Occupation Code 5433, Fishmongers and Poultry Dressers this shows the related job titles as being: Butcher (fish, poultry) / Filleter (fish) / Fish processor / Fishmonger / Poultry processor.

  AIMS welcome this on behalf of our poultry members but are now seeking an urgent reply from The Home Office as to why meat processors are NOT seen as being eligible for the skilled worker visa route.

- "Regarding the Migration Advisory Committee (MAC) recommendation about **butchers**, the UK labour market has changed rapidly in recent months and we need time to monitor the impact of the **new Skilled Worker route**, as well as how the economy recovers post-COVID 19. We therefore consider we should not make widescale changes to the Shortage Occupation List (SOL) relating to medium-skilled occupations, which have only recently become eligible for Skilled Worker visas."

- "For clarity jobs do not need to be on the SOL to be recruited via the Skilled Worker route, but the relevant salary threshold must be met when doing so."

- "Our Plan for Jobs is therefore focused on helping people across the country retrain, build new skills and get back into work, rather than providing alternatives to this via immigration policy."

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Where have all the people gone?

• As the economy has re-opened, the UK's labour market has tightened markedly. Vacancies are at a record high, and wage inflation is at its highest in more than 20 years.

• The effects of the recent 'pingdemic' are now abating, and more people will become available for work when the furlough scheme ends. But there are ongoing uncertainties about people's attitude to work in the post-pandemic world, and about the number of migrant workers who will return, meaning that many firms are likely to face ongoing difficulties in hiring staff.

• These ongoing pressures will mean that wage inflation is unlikely to fall back to its pre-pandemic norm. It's the main reason why the Bank of England is expected to begin hiking interest rates next Spring.

"Staff wanted"

There is plenty of evidence, from official statistics as well as from media reports, that conditions in the labour market have tightened considerably in the past few months. Widespread staff shortages are giving many workers, especially in low-paid jobs, a rare opportunity to bid up their wages. There have been reports of supermarket chains offering substantial pay rises and four-figure joining bonuses as they scrambled to recruit and retain lorry drivers. And any visitor to the UK's coastal resorts during this staycation summer will have also noted the plethora of "staff wanted" signs at pubs, restaurants, and shops.

New attitudes to work-life balance

It's also likely that the Covid experience will trigger changes in people's attitudes towards work. For those who have been enjoying some leisure under the furlough scheme, it would not be entirely surprising if the prospect of returning to disagreeable, stressful, and low-paid jobs prompted some of them to demand higher pay or to seek alternative work. More generally, there's plenty of anecdotal evidence that people are thinking more carefully about their work-life balance, perhaps taking early retirement or looking to work fewer hours. Others will be reluctant to resume their tedious and expensive daily commuting routine. The new puppies acquired during lockdown will need exercising, while many people have taken up new hobbies and interests. As yet, however, there is little hard evidence that large numbers of people are dropping out of the labour market altogether. The number of people of working-age (which for statistical purposes is 16-64) who are 'economically inactive' – that's to say, they aren't employed, on furlough, or actively seeking work – has risen during the pandemic, but only by around a quarter of a million. The Labour Force Survey reports that the main reason for dropping out has been to take up some form of study, with the number of students rising by over 300,000.

The fog of statistics

The biggest source of uncertainty affecting the labour market in coming months and years is the extent to which the migrant workers who left the UK during last year's lockdowns will opt to return. The problem is that nobody really knows how many people left. The official migration statistics were already known to have serious shortcomings, resulting in them losing their designation as "official statistics" back in 2019.

As the economy re-opens, and as travel restrictions are eased, some of the migrant workers who went home will return. The question is, how many? People from EU countries can, if they took the trouble to apply for settled status, come back whenever they please. If they didn't take up that option, then returning could be harder, with a new points-based immigration system having taken effect from the start of this year. And some of those who returned home may now be finding that jobs closer to home are better-paid than was the case a few years ago, as countries in Central and Eastern Europe continue their economic development. The experience of the pandemic, especially the speed with which international travel was curtailed, may also make migrants more wary about finding themselves stuck again in a foreign land, and they won't be taking it for granted that they can nip home at any time to attend to family emergencies, should the need arise.