BIRTWISTLES

Market Report

OCTOBER 2021

Market Report

OCTOBER 2021

Welcome to our October issue & let's start this month concentrating on the HERE and NOW, which we are all currently living & breathing. We have plenty to cover and could things get any worse? Of course they did in the last week but this month we will not mention the "F" word and the disruption it may have caused us over a few days.

We would also like to thank you for your continued support & flexibility when needed during these challenging times.

KEY POINTS TO NOTE & OPEN WITH THIS MONTH

- Logistics/EU drivers are reluctant to come to the UK.
- Labour shortages
- CO2 Supply Chain Disruption Update
- Let's Talk Turkey
- Products under pressure

Market Report

OCTOBER 2021

Logistics & European drivers that say they won't come to the UK on temporary visas

The government is hoping that issuing thousands of three-month visas to foreign lorry drivers could help stem the supply chain crisis.

The latest official figures, which were a few months ago at 60,000 HGV drivers short is now at a staggering 100,000. There are simply not enough HGV Drivers to fulfil deliveries with almost all in the foodservice being affected.

Also, a final report showed that there are an estimated 500,000 unfilled vacancies across the industry.

But the drivers themselves don't seem overly keen on the visas on offer. Drivers don't want to work on a temporary visa because of the short-term implications and the difficulty in planning after the three-month period expires.

Putting it a lot more bluntly a source has commented that “The EU workers we speak to will not go to the UK for a short-term visa to help the UK out of the s*** they created themselves."

We suppose that if you advocate a policy that involves putting up barriers to trade and the movement of labour, own the consequences.
Leaders representing transport workers have slammed the government's plan to tempt thousands of European lorry drivers to return to the UK. They say it will do little or nothing to resolve the current crisis, with work needed to improve pay and conditions.

Other European countries are also being hit by a shortage of lorry drivers, so do not expect a flood of workers returning to the UK after leaving. The idea this crisis can be solved by 'sticking-plaster' solutions like issuing 5,000 three-month visas to workers from other countries is ludicrous.

Labour Shortages

As we already know the many things people depend on are facing disruption. Businesses are struggling too and are unable to recruit enough workers at all levels of the supply chain.

An update on the current Labour shortages shows that it is not just the HGV drivers that returned home since BREXIT/COVID.

Some 200,000 EU nationals left the UK last year.

The Confederation of British Industry (CBI) has commented, “we know there are vacancies across the board and it could take up to two years to resolve”.

The government has announced that up to 5,500 poultry workers will be able to work in the UK for three months until 24th December 2021 through the Temporary Workers route. Up to 5,000 HGV drivers will also be able to come to the UK to transport food and fuel in the run-up to Christmas. There were no measures for the pig sector, despite repeated requests from processors and the pig industry for short-term visas. (**See Pork Overview for more detail**)

CO2 Supply Chain disruption

The gas is critical in the food supply chain as it is used in packaging to prolong shelf life & also to stun animals prior to slaughter.

Short term we have been assured by our suppliers that there will be no issues from EU and UK Suppliers but we will review this on a month-to-month basis.

However the situation could become precarious again as the government has only stepped in to temporarily subsidise the American firm CF Fertilisers which produces 60 % of the UK’s supply at a cost of many millions so it can continue to operate. This loan is only for three weeks so what will happen after that? There are also already concerns with dealing with Christmas demand.

Add the above to the concern that the seasonal uplift in Turkey, facing labour issues and Transport issues, will cause major disruptions affecting both UK and imported Turkey availability and prices could be very volatile.

If a lack of Co2 does come into effect and slow down the slaughtering process during December Retail demand will get prioritised and there could be a real threat of short supply for the catering/hospitality industry.

Market Report

OCTOBER 2021

Turkey - UK faces turkey shortage at Christmas as the poultry industry warns Britons may have to settle for imported birds

Will the Government's visa scheme help ease the turkey shortage because producers are "desperate" for more labour ahead of the festive season and can we get them in time?

This will be critical in our offerings. We have already, as you know, taken the decision to reduce our range this year by excluding Roulades & Paupiettes with the focus being on ensuring we can supply escalopes for you to stuff if required.

We don't want to downplay Christmas because Christmas is important and we will do everything we can to ensure supply, but because of the labour shortages it's a classic case of concentrating on a dripping tap and missing the gaping hole in the ceiling by the Government. Why wait until we are in a crisis to react to it?

The supermarket shelves will be more sparce with turkeys this year than they have been before. This is because there have been less turkeys placed on the ground as the big processers knew that they would not get them processed.

Any UK turkey shortages this December hopefully can be filled by products imported from Europe – which is an option with the shortage of UK product expected, but currently with uncertainty around pricing still unclear as EU producers want to see how this plays out in the next six weeks.

We would highly recommend to our customers where possible to look at securing a frozen option on turkey butterflies. This is the only way we can 100% guarantee availability. We as a business are in the process of talking with our suppliers and have offers in front of us for this as we look to secure your Turkey now for December in the best interests for both of us.

Products still under pressure or soon to be N/A

As highlighted in previous Market Reports the shortages we were anticipating the below will be as follows;

Lamb Rumps - currently very few available and will be not available in the coming days with no arrivals expected before January 2022, please double check before ordering.
Lamb Cannons – currently unavailable with none due until January 2022.
Lamb Racks - as with the Lamb Rumps please check before ordering.
Manufacturing Lamb Shoulder for Diced - the same as Rumps, Cannons & Racks.

Please be mindful when planning Autumn/Winter Menus and look at alternatives where possible.

Market Report

OCTOBER 2021

Beef Overview

The ongoing CO2 shortage has added yet another layer of uncertainty to the market. There are also slight concerns of slowing export interest, but domestic demand looks solid enough currently to absorb the supply

DEMAND

Beef demand remains solid as concerns over other issues are top of any agenda currently for potential supply constraints. Steak cuts remain firm with striploins, fillets, and ribeyes holding within most ranges established over the last few months with no downward movement. There were slight price adjustments as higher prices caused a little hesitancy in buying patterns. Levels for topsides and silversides continue to hold firm. Chucks and knuckles meanwhile continue to trend higher amid firm demand from both retail and the catering sector. There will be upward pressure on Ribs and Fillets as we approach the festive season, partly due to the expected lack of Turkey on the market.

SLAUGHTER

Labour shortages and a tight cattle market continue. Throughputs dipped slightly over the previous week as average deadweight prices trended higher yet again, with the average steer price now trending 11% higher compared to price levels this time last year.

Feedback also suggests that there is an uptick on imported striploins from Brazil, which some expect to influence UK striploin prices in the weeks ahead given an influx of cheaper offers from South America. However, opinion remains divided on the outlook of imports from Latin America with some anticipating a downturn given Brazil's BSE situation and curbed exports out of Argentina with the continuation of the export ban until 31 st October, of which more detail can be found below under global beef prices.

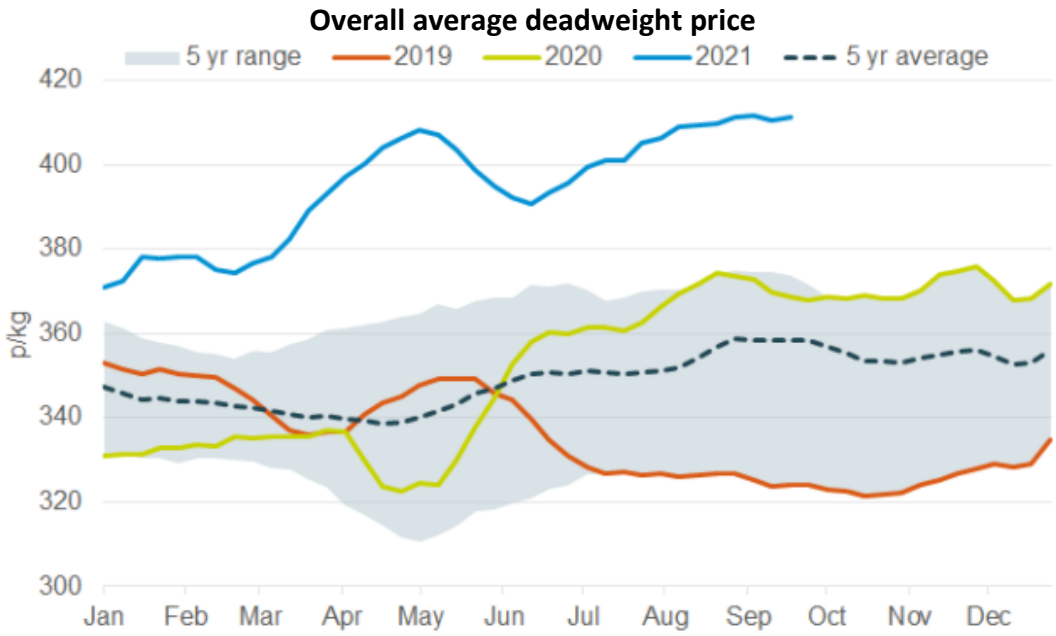
During the most recent week there have been a variety of challenges facing the beef industry. The temporary shutdowns of some fertiliser plants caused disruption with the availability of CO2 which is used for maximising the shelf life of meat in retail packaging. Due to the time taken to get the plants back online CO2 supplies are likely to remain limited through the current week.

Staffing in both the kill line and boning hall remains challenging. This is not a unique situation facing the British beef sector, but abattoirs of all species have been reporting staff shortages.

Despite these challenges the most recent week saw cattle prices tick up**.** The GB all prime average increased 0.5p, to 410.1p/kg in the week ending 18 September. Compared to year earlier levels the measure currently stands 42p higher.

Market Report

OCTOBER 2021



Global beef prices

For the most part, cattle prices around the world have continued to rise over the last few weeks, reflecting lower supplies in key producing nations and strong demand from importers, particularly China and Southeast Asia.

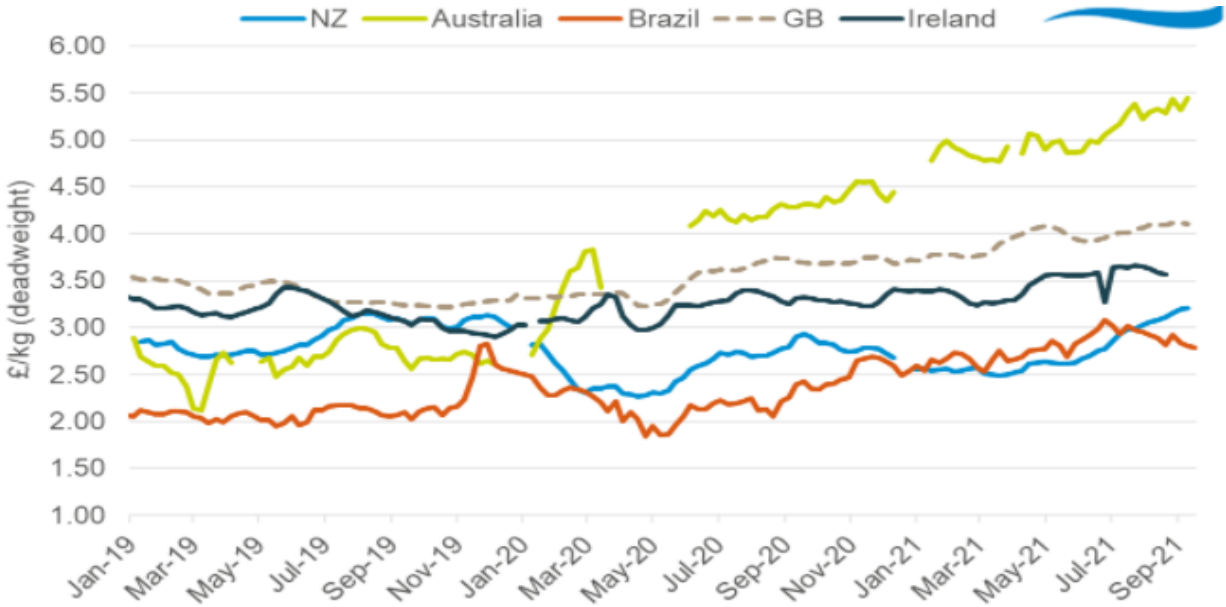
- **Australia** - Cattle prices have gone from strength to strength, with Meat and Livestock Australia reporting that improved seasonal conditions are adding confidence to the market. Demand is also reportedly strong domestically and overseas, the latter helped by supply constraints in South America.
- **South America -** The price picture has been more mixed. There are currently bans in place on beef exports from Argentina in an aid to control domestic prices, and more recently, China banned shipments from Brazil due to BSE.
- **Uruguay** and **Paraguay** – Prices have continued to strengthen, possibly in response to neighbouring supply situations.

In addition to the above and in South America the MERCOSUR (South American Trade Bloc) countries Argentina, Brazil, Paraguay and Uruguay are facing disruption to global maritime transport due to the lack of containers, increased freight costs and uncertainty regarding delivery dates. As a result of this abattoir activity has fallen between 20-25 %.

Uruguayan abattoirs might have to limit production because beef has to be taken to cold storage due to the lack of available containers with shipping lines now avoiding ports in the area for more lucrative ports & cargoes

Travel times to the Europe are also not being respected, trips that would take 40/42 days to arrive are now more like sixty days.

Deadweight Global Cattle Prices



Market Report

OCTOBER 2021

UK/Global Lamb Market Overview

Although there were lower throughputs in the markets, and a lower estimated slaughter, similar to other meat sectors there are various challenges currently which may be bring downward pressure to prices.

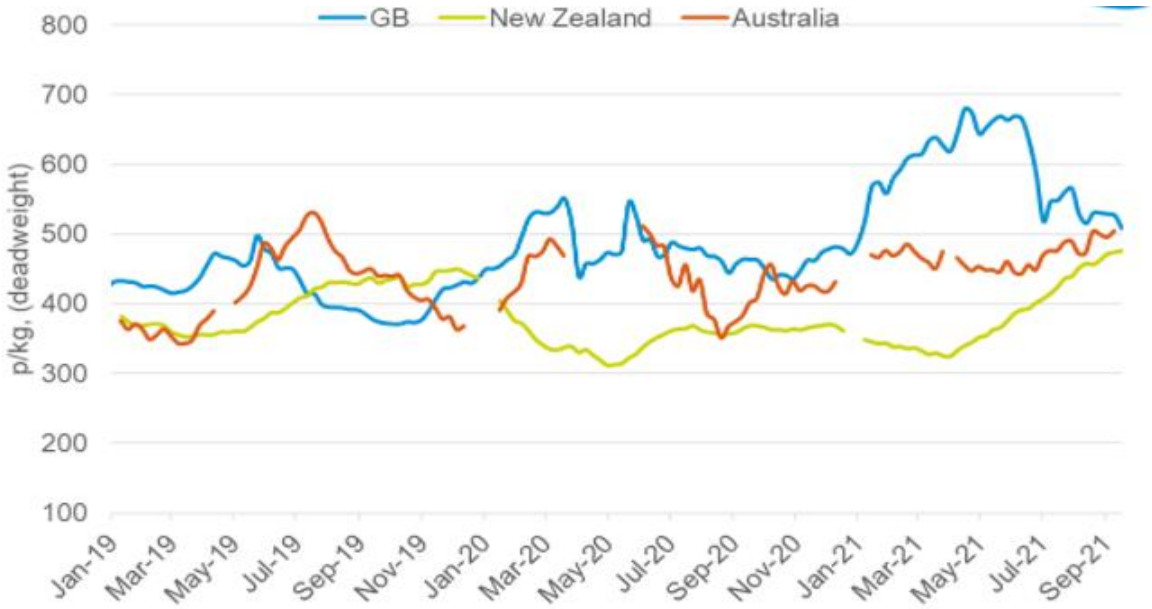
- Ongoing staff shortages for the slaughter line and boning hall
- Lorry driver shortages across the supply chain.

Deadweight prices fell by 18.5p/kg in the week ending 18 September to average 508.4p/kg. Estimated slaughter at GB abattoirs was 238,500 sheep, 1% fewer than in the previous week and 8% down on the same week last year.

Estimated sheep slaughter in the year so far is 7.8 million, 11% down on 2020. In a typical year we would now be in the heart of peak kill season, but kill levels have not picked up the way we would expect.

Prices have strengthened on the global sheep market. In Australia and New Zealand, deadweight lamb prices are currently around 30% higher than they were at the same point a year ago (in GBP terms). New Zealand lamb prices have been on an upwards trajectory for several months, recovering from the lows in 2020 caused by COVID-19 disrupting international demand. Australian prices continue to be supported by tighter supplies as producers rebuild their flocks' following droughts.

Global Lamb Prices



Market Report

OCTOBER 2021

Pork Overview

National Pig Association calls for butchery visas to tackle pig backlogs

The National Pig Association (NPA), has once again called for urgent action over the pigs backed up on farms because of the ongoing labour and CO2 shortages.

The backlog is estimated by NPA to be over 100,000 pigs with some farmers having run out of space and many more at or close to the limit. While some processors are working with the industry to reduce the backlog, preparations are being made for a welfare cull, which is now more likely to have to happen on farms due to a chronic shortage of butchers in pork processing plants.

They are disappointed that the government has ignored repeated requests for temporary visas for butchers, despite the overwhelming evidence of the impact this is having across the supply chain.

They desperately need those visas, even for a short period of time to help us get rid of the backlog. This is not just about saving Christmas, which seems to be the government's sole focus, but about protecting pig welfare and averting an environmental disaster.

If they don't get the help we need, it is true that consumers will be denied their Christmas favourites, like pigs in blankets. But we are also facing the long-term decline of British pig production.
Producers are already cutting back the number of sows for breeding by about 5%.

Poultry overview

Chicken -EU

A good improvement in availability from the EU although we are experiencing late or missed delivery days against our schedule.

Chicken -UK

The biggest challenge is still labour in the UK with a continuing theme still prevalent with shortages on all lines. Producers in the UK are still sharing what they have between their customer base against actual requirements. October does not look any better currently for UK supply with currently an 8.5% increase forecast.

Until the factors around labour & transport improve don't expect the situation to improve dramatically especially with the uptick in demand going forward.

Please be prepared and continue to be flexible where possible as substitutions/shortages will inevitably arise.