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Market Report

APRIL 2022

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Welcome to our Market Report for April.

KEY POINTS TO NOTE

- **REMINDER** - Easter 2022 Friday 15th – Monday 18th April – Trading days/cut off times.
- Beef and the challenges with trims.
- Pig Industry Update & Prices.
- China's impact on Pork prices.
- Update on UK & EU Poultry Market.
- Avian Bird Flu Update.

Easter 2022 trading days cut off times for ordering

Good Friday 15th April – Normal Trading

Saturday 16th April – Normal Trading (Cut off time for orders will be 3pm Thursday 14th April)

Easter Sunday 17th April - **Closed**

Easter Monday 18th April– **Closed**

Tuesday 19th April – Normal Trading (Cut off time for orders will be midday Saturday 16th April)

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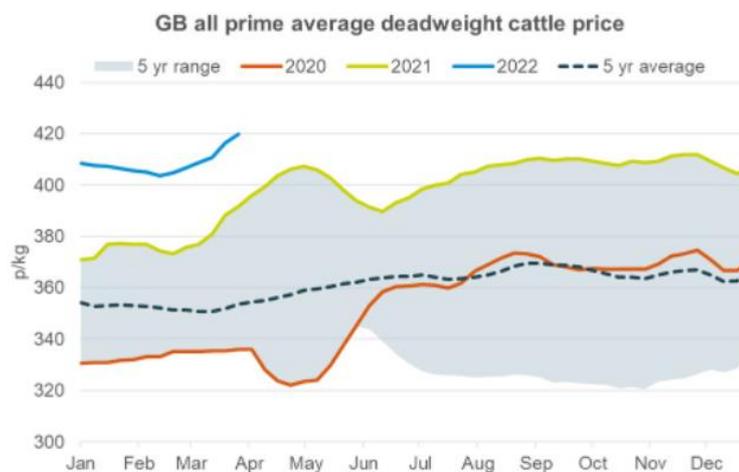
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Beef Overview

In the week ending 26 March, the average price for deadweight GB prime cattle increased to 419.8p/kg, up 3.4p on the week before. Cattle prices are currently at their **highest since 2014 amongst continuing rises in input costs**.



As with finishing other livestock, those producing cattle will be looking for all the returns they can get in the face of rapidly rising input costs.

Inputs were expensive before Russia invaded Ukraine, and their prices have increased substantially since. Overall steers achieved 417.4p/kg, and heifers 416.8p/kg, while young bull prices averaged 398.2p/kg.

Also, while finished farmgate prices are strong, any gains are likely to be offset by the sharp rises in cost of production currently being experienced.

UK Beef

We are still experiencing price rises due to Increase in demand, which is due to lack of Imported meat available. Also continuing issues around a lack of Staff in production plants is contributing to the challenges.

The preferred markets/end users for UK producers are still Retail and export (Export will require little or any further processing on primals).

Retail participants are now heavily in the market for trims/vl's ahead of the Spring/Summer season for burgers etc and this, in an already stressed trim market, does not help. Prices are volatile with increases of around 20-25 % due to demand, the lack of imported alternatives and a tight UK supply for all the reasons above.

If you take the labour shortages being experienced for months now and the effect it has had on producers not being able to forward plan and freeze/lay stock down ahead of the seasonal demand for their retail burger/mince

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production then you end up in a situation like this. Seasonality does push price and demand but not to the extent we are currently witnessing.

This has caused producers now to stop selling on the open market and prioritise retail demand by stockpiling to alleviate their own pressure but this adds to everyone else's. The market for trims/VL's will only strengthen in the run up to Summer and will be expected to remain firm for the remainder of the year.

On top of all the above, producers are now getting historic offers from the EU for 85vl (circa 4.80-5.00 kg) & 95 vl's (5.50-5.55 kg). Some key participants in the UK including NI have committed to German & Dutch retail contracts for the next four months that will keep the UK market short on product and high on price.

The situation reflects the inflationary pressures affecting businesses across the UK. It is unfair that farmers/producers would be expected to bear the costs and it is inevitable that end users will have to pay more for their food.

Simply in a lot of sectors the costs are rising and there isn't capacity to soak up that extra cost. So it has to be passed on to consumers.

Imported Beef

There is a genuine lack of ready cattle for export with Brazil having already done a trade deal with China and more plants have been approved for export by China. China is taking full carcasses and paying more than the EU and UK.

Currently EU Prices are 20% higher than the UK, hence lack of cattle coming to the UK. The only way to get product is to commercially compete.

With a lack of EU beef available and Poland being one of the biggest beef producers in the EU their home market has become very strong for demand due to the crisis in the Ukraine and over two million refugees crossing the border. Export from Poland is now very limited.

Even the world's biggest player in the meat industry is cutting its cloth accordingly and are not immune to global export challenges, they will not quote for any beef going forward from Brazil and are not sending any Brazilian Beef to the EU or UK.

Of the 3 plants that currently produce for the UK/EU two have been approved for China and the other has been shut down. This will no doubt have a big impact on EU beef prices.

Availability also from another major producer in South America is also getting tight with no quotes on forward contracts being guaranteed due to lack of raw material. Currently each container arriving is being sent with a shortage of product and they cannot see this improving until at least June/July. Containers being sent under capacity are very damaging to on costs and final costs to end users.

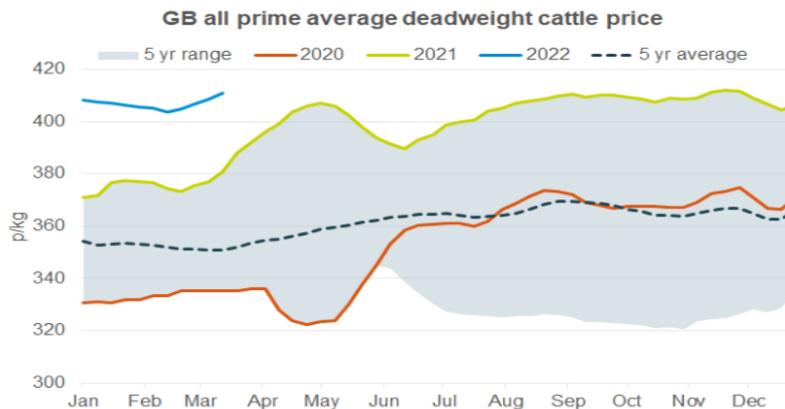
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Pork Overview



We have been expecting prices to continue to rise through this year as the world gets back to normal after the pandemic, however this has been thrown on its head with the devastating invasion of Ukraine.

Overnight and as reported on all news channels, grain prices have almost doubled and are now filtering into production cost. Prices have significantly risen in the last 2 weeks. We have seen increases out of the EU for pork at 25% with these expected to move even higher over the coming weeks.

We are also seeing that many contracts and forward prices being cancelled for Force Majeure.

The UK market is looking like it will increase in line with the EU over the coming weeks and we are expecting prices to increase significantly. We are also expecting further increases from the EU. We are expecting a very difficult year.

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The big players in the market have upped their contribution prices again to farmers, as the market continues to respond to the combination of soaring costs and rising EU prices.

With different processors going up by different amounts each week, there is now quite a range - according to the weekly market report; most weekly prices are now between 168p and 190p kg.

However, while the Standard Pig Price (SPP) has shown very encouraging signs for farmers in the last two weeks, including a leap of more than 5p this week, the nature of how it is calculated means it is still some way behind these contribution - and where it needs to be.

With production costs standing above £2/kg and many producers struggling to survive, the National Pig Association continues to make the case across the supply chain for price increases.

Their message is that while the price increases are welcome, they are nowhere near enough yet.

Meanwhile in Europe & further afield...

Price increases have come on the back of the Poultry Market increases with people looking for a cheaper option - Pig Prices are now rising week on week.

European pig prices continue to soar at an unprecedented rate, with the EU reference price now higher than its UK equivalent.

Only a few weeks ago, at the start of February, the EU Reference price stood at 108.7p/kg, compared with a UK reference price of 141.3p/kg, providing a UK 'premium' of nearly 33p.

After gradual increases in February, the EU leapt up by 7p, 14p, 13.5p and 4p in March to stand at 152.3p/kg in the week ended March 27. This compares with a UK figure of 149.3p/kg for that week.

The most dramatic increase has been seen in Germany, where after a long period of over-supply and rock-bottom prices, the market has turned on its head, with the German reference price up from 107p/kg in mid-February to 164.6p/kg by the end of March.

In Spain, the reference price has risen from 112p/kg in late-January to 158p/kg in late-March, while the Polish price has soared from 106p/kg in late-February to 156p/kg. France and the Netherlands have seen notable increases.

Prices of all categories of pigs are rallying strongly in the EU, from weaners to sows, perhaps starting to bring the idea of relief to pig producers across the bloc. Finished pig numbers are tighter, and prices for them are rising rapidly.

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However, prices are still some way short of the cost of production in most cases, and so very many producers will still be facing negative returns and cashflow problems. This follows the rapid and sustained increase in input costs, not least feed. It's worth remembering that costs were already high and rising, even before Russia invaded Ukraine.

China's Impact on Pork Prices

China is now reducing its imports of pork and as they say when China coughs the rest of the world catches a cold (no pun intended) but such is the impact on farming and numbers farmers are now having to drastically cut back on pig production.

We have seen and are going to see further shortages of pork around the world as a result, which will in turn put more pressure on pricing.

The gestation period for a female pig (sow) is 114 days and will require "levelling up" with China now reducing its imports of pork, the farming world has cut back dramatically on pig production. Hence now we are short of pork around the world.

Chinese pigmeat imports have plummeted in the first two months of 2022 based on the latest data available compared with 2021.

Imports are 276,000 tonnes compared with 689,000 tonnes in 2021 a reduction of almost 60 %. This is reflecting the successful rebuilding of their own pig herd.

Imports from all major suppliers/countries fell significantly. Spain is the top exporter to China with 81,000 tonnes followed by Brazil 56,000, Denmark 31,000 and the US 25,000 tonnes.

Supply also from Ireland is 44% down from 13,632 tonnes to 7,620 tonnes in the first two months of 2022.

Comment

China is the main market for international traded meat and the strength of that market shapes global prices in each commodity. Its reduction in demand for pig meat will contribute to all the factors above particularly in Europe, their main source of imports in recent years.

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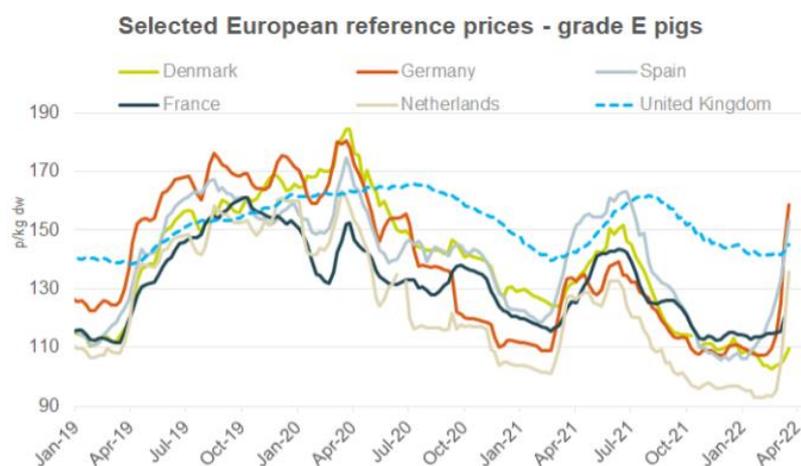
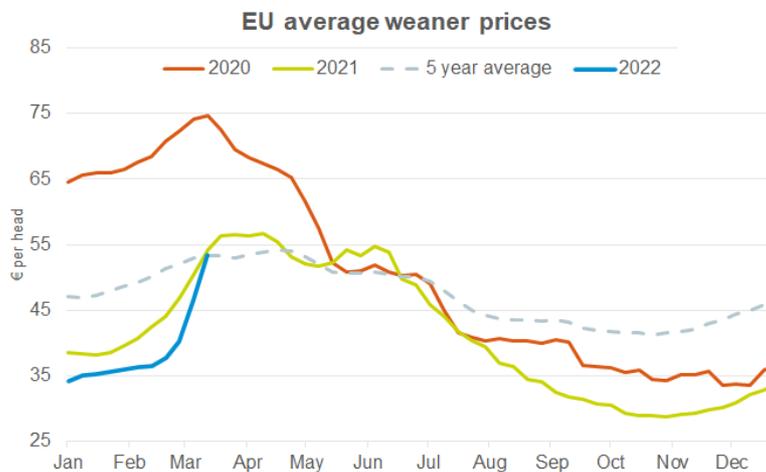
Record increase for SPP - but more needed

The Standard Pig Price (SPP) this week has moved, as the impact of the processor contribution price increases starts to become more noticeable.

The price index was up by a significant 5.28p to average 146.99p/kg in the week ending March 26.

This is the largest weekly rise recorded in the price series since it began in 2014, and marks the fifth consecutive week of price rises. This follows the strong rise recorded in the previous week, following increases as previously noted in weekly contributions from a number of processors.

The figure was up 6.4 up on a year ago, but still more than a penny down on the five-year average.



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EU/UK Poultry Market Update/Overview

On the back of the recent unprecedented rises and the pain we have all endured over poultry we are seeing producers starting to scale back production of chicken with some plants reducing capacity by up to 15%. This is in response to rising labour costs (if you can get staff) along with other input costs.

The invasion of Ukraine obviously hasn't helped.

Input costs in chicken production have already risen by 50% in past 12 months with the forecast for food inflation which could rise to 15% by the middle of the year, more than it's been for 50 years.

Poultry business are heavily dependent on a stable agricultural sector, but cannot isolate themselves from events abroad. Commodities like animal feed and CO2 are vital for the industry.

Cost pressure

Weekly pricing is now in effect from all EU supply with many UK suppliers still not able to commit to any sort of volume. We can get a price but what is the point if forecasts can't be met.

We have a situation where feed costs account for around half of producers' input costs, and are seeing a cost pressure of an additional 20%-30%. At some point that had to feed through the system.

Since the beginning of the conflict, we have seen millions of pounds added to the weekly cost of chicken feed due to the disruption in the global wheat market.

Combine that with the expense of mitigating Brexit barriers, a shortage of labour, and bird flu challenges. We have a cost that has to land somewhere.

Ukrainian farmers should be sowing crops in March, instead they're fighting for their country. If this war is not stopped the UK could experience a major drop in supply of products like wheat, barley, corn, rapeseed, and sunflower oil. So a European supply chain issue escalates to become a global commodity price crisis, and none of us can escape this.

The reality is companies who trade globally, and rely on the smooth flow of trade links between states are vital. Without measures to isolate states from food security risks, ultimately there will be less food and higher prices to pay.

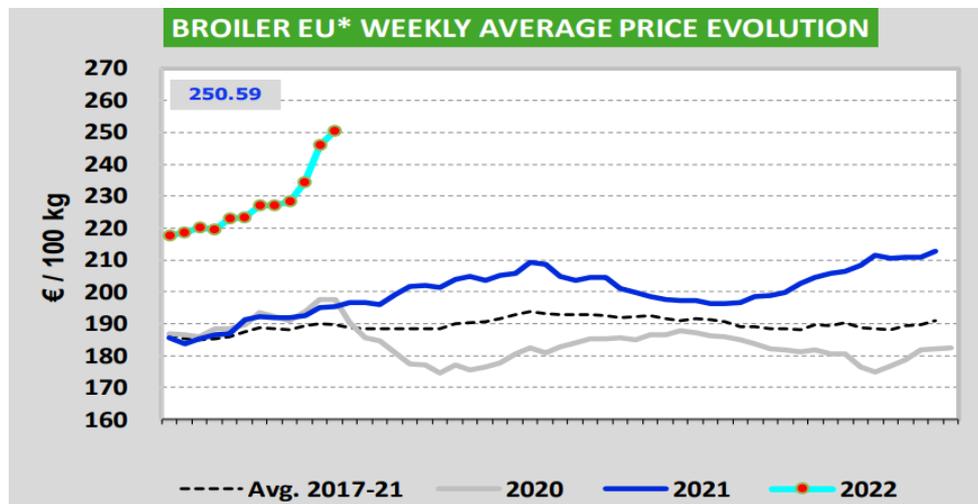
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Avian Bird Flu Update

France

Since the beginning of 2022 more than 4 million birds, of which more than 2 million are ducks, have been culled.

In recent days, the number of outbreaks in the Vendee area of France have exploded, impacting breeder stocks. Some hatcheries are also located in this area. Within 2 weeks, more than 200 farms (chicken – duck – turkey) have been affected.

A lack of birds coming out of this area will be strong and have a significant impact on supply of guinea fowl & corn-fed chickens along with all associated products.

The situation at the back end of 2021 didn't improve and even became worse in 2022. Concerning ducks, Poland, Hungary, Germany, Netherland, UK and South West of France have been particularly impacted and this is having an effect on supply of legs & breasts.

Since January 2022 more than 30 countries are now seriously affected by bird flu outbreaks across Europe.

In the **UK** DEFRA has said housing measures for free-range poultry will remain "until further notice", confirming that the 16-week derogation will be exceeded.

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Listed below are some of confirmed cases in March across the country

On 30 March 2022 highly pathogenic avian influenza (HPAI) H5N1 was confirmed in birds at a second premises near Woodbridge, East Suffolk, Suffolk. A 3km Protection Zone and 10km Surveillance Zone have been put in place around the premises.

On 28 March 2022 highly pathogenic avian influenza (HPAI) H5N1 was confirmed at a premises near Stowmarket, Mid-Suffolk, Suffolk. A 3km Protection Zone and 10km Surveillance Zone has been put in place around the premises.

On 27 March 2022 highly pathogenic avian influenza (HPAI) H5N1 was confirmed in birds at a premises near Woodbridge, East Suffolk, Suffolk.

On 19 March 2022 highly pathogenic avian influenza (HPAI) H5N1 was confirmed at a premises near Strichen, Aberdeenshire, Scotland. A 3km Protection Zone and 10km Surveillance Zone has been put in place around the premises.

On 18 March 2022 highly pathogenic avian influenza (HPAI) H5N1 was confirmed at a premises near Beith, Ayrshire, Scotland. A 3km Protection Zone and 10km Surveillance Zone has been put in place around the premises.

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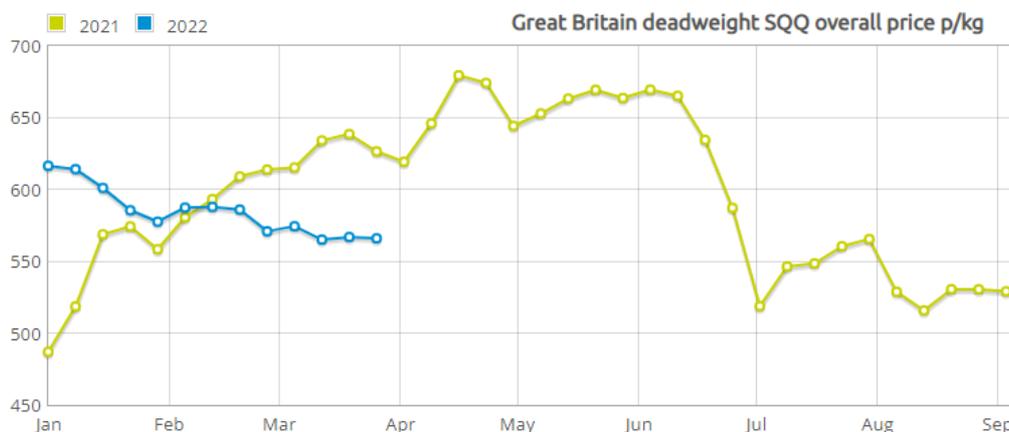
UK Lamb Market Overview

Key dates for Lamb coming up

- Ramadan begins April 2nd and ends with Eid al-Fitr May 2nd
- Easter April 17th
- Eid Al-Adha begins July 9th

Deadweight lamb prices rose by 1.8p in the week, with the Old Season Lamb price at 566.9p/kg week ending 19 March. Carcasses in the R3L category remained steady at 570.4p/kg. Prices are still almost 60p above the 5-year average.

Shoulders are in demand as end users look towards alternative options/cuts as we head towards Spring in place of Legs but prices will still be inhibitive. Legs which will also feature heavily around Easter from a retail perspective are causing potentially higher prices.



FINAL THOUGHT

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