



BIRTWISTLES

Market Report

MAY 2022

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Welcome to our Market Report for May.

KEY POINTS TO NOTE

- Reminder – Platinum Jubilee trading days & cut off times for ordering
- Beef trim, why are prices rising?
- Pork production and challenges for farmers/producers.
- Challenges around duck.
- Chicken “Cheep Cheep” to “Dear Dear”
- Avian Bird Flu update.
- Food & Fuel Price Shocks

The Queen’s Platinum Jubilee trading days & cut off times for ordering

Thursday 2nd June – Normal Trading

Friday 3rd June – Normal Trading

Saturday 4th June – Normal Trading

Sunday 5th June – Closed

Monday 6th June – Normal Trading (cut off time for orders will be midday

Saturday 4th June)

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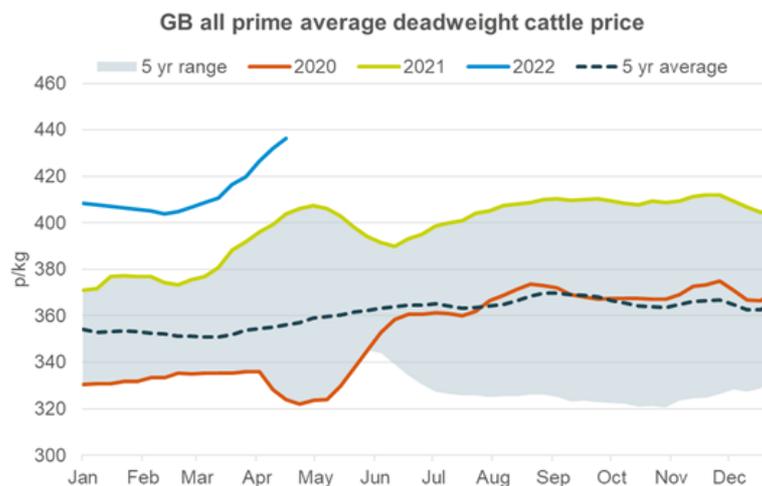


Beef Overview

Deadweight cow prices up again, but growth slows

In the week ending 16th April, the average GB all-prime deadweight cattle price rose by another 4p to average 436.3p/kg. This meant the price stood 33p above the price recorded in the same week a year ago, and up 80p on the five-year average. With all reporting categories steer, heifer and young bull all experiencing price growth.

Slaughter numbers of prime cattle in GB abattoirs was estimated to be 29,100 during the week, down 10% from the previous week, and down 8% year-on-year. The week ending 16th April included Good Friday and is compared to normal kill weeks in both the previous week and year, explaining at least some of the decline. In the year-to-date, an estimated 479,000 prime cattle have come forward, down 7% year-on-year.



Reports and data also show that global cattle prices have risen, partly due to increased demand for and shortage of VL (visual lean) material. As the UK imports significant volumes of beef from Ireland, which exports widely, it may not be a stretch to suggest that higher global prices are in turn helping support British prices, alongside the tighter number of British cattle available to kill.

Beef Trims

Following on from the long Easter holiday weekend and the upcoming May Bank Holiday contributing to short working weeks affecting production and numbers, this has kept prices firm and markets unsettled.

Many items are trading at the highest levels since our coverage began a couple of years ago. Trim prices are through the roof, strong and advancing once again and there were instances where 95% VL exceeded £6/kilo.

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Buyers/Traders with decades of experience have indicated that this is the highest level that they have seen also noting very strong demand from the EU willing to pay £5 kg for the lowest VLs (Visual Lean) trims.

The trim market due to demand/supply is utilising what would be a seasonally low period in terms of pricing for beef forequarter trim, shin, shank with processors choosing to put these now into trims and mince rather than taking notably lower prices.

The wholesale beef trim market availability is seeing offerings that ranged from barely adequate to very short supplies and this is around currently for moderately active demand.

This will be a tough area in terms of supply and firm prices outside of retail contracts up until at least September will continue. Demand will also continue from retail for all trims associated with the summer to produce burgers and other BBQ items.

Prices for some round cuts such as topside, silverside, brisket remained flat with no downward pressure due to the short weeks over the bank holiday. Demand is starting to be noticeable with the transition away from roasting items coming into Spring/Summer as we approach warmer weather. This has as expected and following seasonal trends favoured demand for all prime steaks on a tight market for supply.

Why are prices rising?

Over the past ten years, beef production in most major exporting countries has been relatively stable apart from Brazil. Meanwhile, global demand has increased through both a growing global population, and a growing Asian middle class with new money & generations wanting to expand their eating habits.

Labour costs, along with many other costs (including energy) have been rising for some months, only made worse by the Ukraine/Russia conflict. The conflict has also sent grain prices, which were also already high, even higher.

Overall, it is the **price of lean boneless beef which is providing the most drive to prices**. Wholesale prices for UK visibly lean (VL) boneless beef is up over a third compared to a year ago.

As previously noted, this demand for and shortage of VL beef is helping underpin global prices, and in turn global cattle prices.

Beef Steak Meat

We have seen premium cuts over the last month continue to rise, including as an example and the worst affected prime UK Beef Fillets commanding and easily achieving £30 kg, it highlights the historically high price for fillets.

Based on costing a prime UK 2.4 kg whole prime fillet this will yield an 8oz (227g) portion costing £10 each which is a stark reality to how the market has moved.

Imported Fillets are now also on a par with UK with increases in the last two weeks noted below and continuing.

UK ribeyes are also holding firm. Export markets are still the preferred destination for UK producers.

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Imported/EU Beef current outlook

Brazil

Huge production delays and Shortages of Ready Cattle, shipping delays and Port Delays – price on Striploins and Ribeyes and fillets have moved again rising an average of £2.00 per kilo in the last two weeks.

Uruguay

Black Angus availability really tight and prices are rising on every shipment coming forward.

EU Beef

Very little available with most forward contracts being cancelled to the UK due to having to feed refugees and a better home market.

Global beef export prices rising, driven by US demand for VL beef

Global beef export prices were rising through most of 2021 although they did cool slightly during the fourth quarter. Although this took the edge off prices slightly, they are still very elevated compared to historic averages.

Pork Overview

The Standard Pig Price rose a further 4p in the week ending 16th April, to 161.74p/kg, failing to repeat the previous week's 7p increase but still another upward tick. Slaughter numbers in the shorter week ahead of the Easter weekend were 9% lower than the previous full week's kill.

Carcase weights were steady at 93.14kg, still significantly heavier than at the same time last year and indicative that the backlog is still very much with us.

Pork Production Costs

Energy and feed prices have continued to rise and pig prices have failed to keep pace with the situation, leading to greater losses. Continued backlogs of pigs on farm, low pig prices compared to cost of production, and increasing input prices, are resulting in very difficult decisions for many pig producers due to their need to continue managing their business risks and their business cashflow.

Some producers have already decided to either significantly reduce stock or stop pig production. This will of course be driven by the individual farm situation and resources. This could lead to short or long-term supply issues for UK-produced pork.

Energy prices for producers between February 2021 and February 2022 have risen by 22% and fuels by 23%. We are all also aware that energy prices have risen again from April 2022.

Global tight supply, further impacted by the situation in the Ukraine, has resulted in continued upward pressure on feed prices and there is little indication that there will be any respite soon until at least the global situation changes for the better.

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Given the impact on feed prices and to give the following example it is plain to see the challenges.

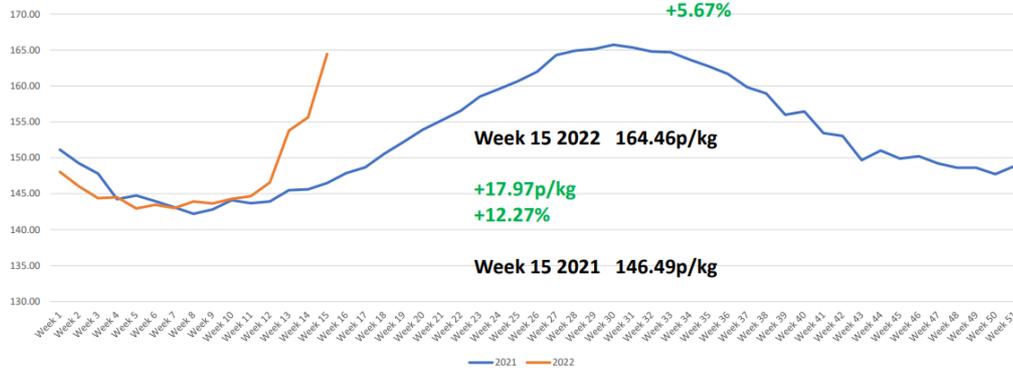
The changes in energy and fuel costs along with the estimated current cost of production is in the region of 203p/kg to 216p/kg.

Given the current pig prices, Standard Pig Price at 150.55p/kg and All Pig Price at 153.79p/kg, and assuming a carcass weight of 94kg; this equates to losses of between £46 and £61 per carcass after slaughter.

GB Deadweight Prices – Pigs (APP)

Week 15 2022

Source: AHDB MI



Weekly Price Movement

Week 15 2022 164.46p/kg

Week 14 2022 155.63p/kg

+8.83p/kg

+5.67%

Week 15 2022 164.46p/kg

+17.97p/kg

+12.27%

Week 15 2021 146.49p/kg

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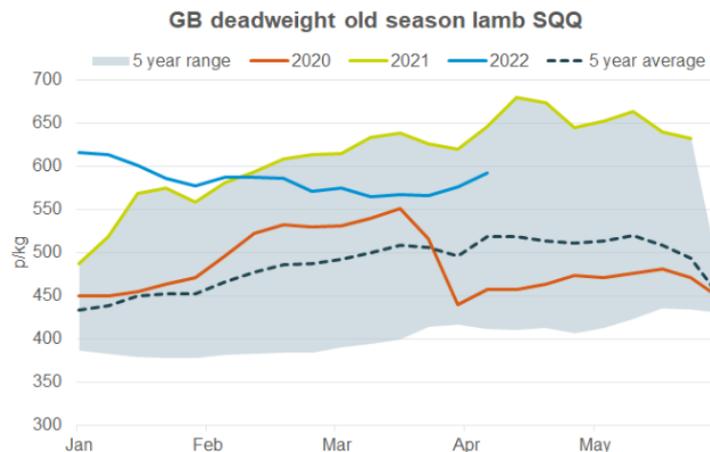
UK Lamb Market Overview

Lamb prices remain steady over Easter

Throughputs totalled 96,600 lambs, down 26% from the week before due to a shortened week for the Easter holiday.

For the week ending 16th April, the deadweight Old Season Lamb quotation was 595.40p/kg, up 2.5p from the week previous.

Estimated slaughter was 201,600 down 16% on the week before due to a short week for the Easter holiday, and the week previous being the peak Easter kill.



Irish sheep meat approved for export to United States

To add further pressure on already tight UK supplies Irish lamb and sheep will now have full access to the US market. The US Department of Agriculture (USDA) and its Irish counterpart recently agreed to a veterinary health certificate for the export of Irish sheep meat.

To note the United States is Ireland's second-largest export market behind the United Kingdom.

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EU/UK Poultry Market Update/Overview

Challenges with Duck

Due to the ongoing issues around the Avian Flu outbreak in France the biggest challenge we have faced over the last month is supply of Duck Legs, Breasts, Confit Legs along with also an impact on Corn Fed Chickens & Supremes and Guinea Fowl Supremes. We expect weekly three deliveries direct from France and have been limited to one delivery per week with barely 25% of our order covered.

Of course, this has had a knock-on effect and will continue to affect supply through May even if the restrictions are lifted as there will be very few birds on the ground to replenish numbers in the short term due to breeding times. If you can find an alternative for your menus this may be a good move until the situation improves.

We have daily/weekly updates from our partners in France and the above is the latest information in terms of production/supply facing them.

All poultry cuts both in the UK and EU are still commanding high prices with EU participants stockpiling the limited amount they have for their own markets in particularly Poland and the influx of refugees from Ukraine.

EU broilers have seen an increase of over 30 % year on year which has and will continue to have a knock-on effect on all cuts from the EU.

Cheap chicken may soon be a thing of the past - “NO” this is already a thing of the past

UK Chicken thigh meat is still very much in short supply with the lack of labour available to further process legs into boneless cuts.

Anyone still unsure can take a look at the retailers who can be the most competitive in terms of pricing. They have also had to act with the cost of skinless/boneless thigh ranging from £5.25 - £7 kg. These challenges are not only around labour but the rocketing cost of feed to farmers which has risen by over 50 percent.

If these increases are not also shared and passed onto farmers then the choice would simply be to shut places down, they would lose less money than trying to afford to feed their flocks.

To note we have taken a 27% increase in poultry over the last 6 weeks. This is not guaranteeing volume or delivery for some items such as the in balance in demand & availability. Failed deliveries are also very much still continuing. Chicken feed is made using soybean and wheat, which has seen massive price rises due to the war between Russia and Ukraine. The two countries produce a third of the world's grain which is used to produce cooking oil and both are experiencing particularly poor harvests due to the Russian invasion in February.

Soaring food prices are here & historically chicken was always cheaper and good value for money but is rising quicker than any other protein. Comparisons in prices on free range chicken to beef rump steaks are real and out there.

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EU Poultry Prices (€ per 100kg carcass)

Week 15 2022

Source: European Commission

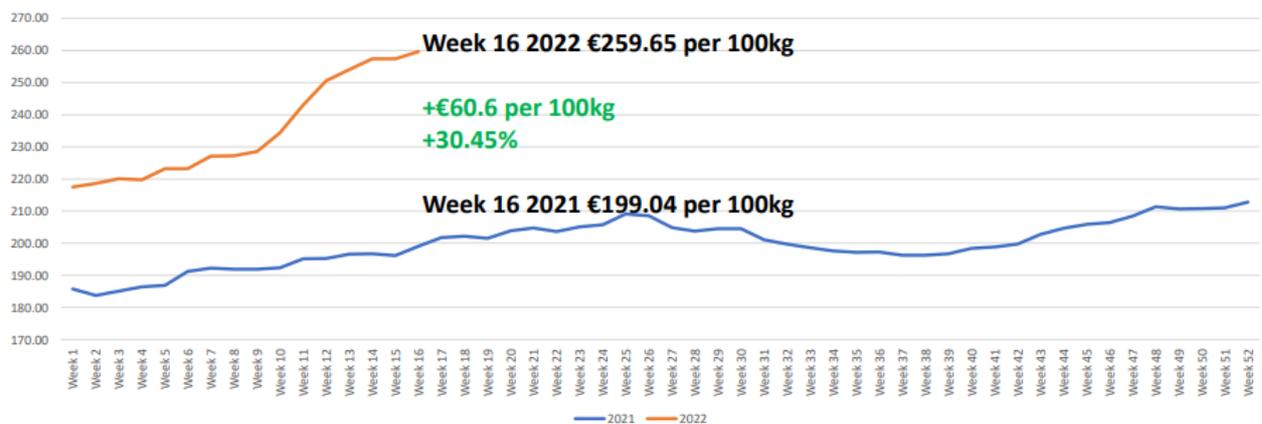
Weekly Price Movement

Week 16 2022 €259.56 per 100kg

Week 15 2022 €257.37 per 100kg

+€2.3per 100kg

+0.89%



Avian Bird Flu - Update

More than 13 million birds have now been culled in France due to bird flu over the past 4 months as the country's worst avian influenza crisis in thirty years continues to impact the sector. Movement restrictions due to the huge number of cases mean that British game farms are now also struggling to replenish stocks of pheasants and partridges ahead of this Autumn/Winter.

It has been reported that by 15th April, 1,230 outbreaks had been recorded on farms since the first case was detected on 26th November. The H5N1 strain is proving particularly prevalent with cases rising more than 10% in the first week of April.

In recent weeks, there have been a substantial number of confirmed cases of avian influenza in the Vendee and Loire Atlantique areas of France, where the majority of French game farms are found.

Farms emptied to prevent spread of bird flu in the Netherlands

The Dutch Food and Consumer Product Safety Authority has cleared 7 poultry farms in Barneveld, the Netherlands, as a preventive measure following a new avian influenza outbreak in the area. All 7 farms are within a 1 km zone around the infected premises, which lies in the epicentre of Dutch egg production.

With the preventive culling, the government wants to prevent the virus from spreading further in the most poultry-dense area in the Netherlands. The bird flu virus (probably highly pathogenic) was diagnosed on 15th April at a layer farm in Barneveld with about 34,000 chickens.

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European short-term outlook

In its short-term outlook, EU poultry production decreased by 2.7% due to avian influenza, with France, Poland, Spain and the Netherlands affected in particular. Poland and the Netherlands are the largest exporters to the UK.

Increased costs, due to the tensions on the energy and grain markets, caused by the invasion of Ukraine, and the avian influenza outbreaks, could lead to a further reduction in production in the Netherlands but production in Spain and Poland is expected to stabilise unless Avian Bird Flu is detected across the borders.

Countries less affected by avian influenza could see a moderate rise in production. Overall, EU production is expected to rise very slightly by 0.5% in 2022, not yet recovering to pre-pandemic levels.

Food, fuel price shocks to last at least 3 years

Global food and fuel price shocks linked to the Russia-Ukraine war are set to last until at least the end of 2024, as reported by the World Bank in its latest Commodities Market Outlook report.

In its first comprehensive analysis of the war's impact on commodity markets, the bank, which provides loans and grants to low- and middle-income countries, said the world faces the biggest commodity price shock since the 1970s.

It is being aggravated, by restrictions in food, fuel and fertiliser trade that are exacerbating already elevated inflationary pressures around the world we are all facing.

Russia, as we know, is the world's largest natural gas and fertiliser exporter, and second largest crude oil exporter. Together with Ukraine, it accounts for nearly a third of global wheat exports, 19% of corn exports and 80% of exports of sunflower oil exports.

Production and exports of these and other commodities have been disrupted since Russia's February invasion of Ukraine.

As a result, the World Bank expects energy prices to rise more than 50% in 2022 before easing in 2023 and 2024, while non-energy prices, including agriculture and metals, are seen climbing by almost 20% in 2022 before moderating.

In the event of a prolonged war, or additional (Western) sanctions on Russia, prices could be even higher and more volatile than currently projected.

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FINAL THOUGHT

“Always Deliver More Than Expected”

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