



BIRTWISTLES

Market Report

SEPTEMBER 2022

Market Report

SEPTEMBER 2022



Welcome to our Market report for September

Key Points to Note

- Impending Energy Crisis
- Let's Talk Turkey
- Beef Overview
- Pork Overview
- Lamb Overview
- Poultry Overview
- Agriculture "A Farmers View" Challenges Ahead
- CO2 "AGAIN"
- Avian Flu Update/Summary

Call 0161 776 1263
BIRTWISTLES.COM



BIRTWISTLES
Catering Butchers

Market Report

SEPTEMBER 2022



Energy Crisis: soaring energy prices to push the UK economy into recession

UK Hospitality is facing a very real threat. Up to 10,000 sector businesses could close permanently in the next 18 months as energy costs bite. An estimated 500,000 hospitality jobs could go – 300,000 directly employed and 200,000 among suppliers.

Without government support the hospitality industry will see a catastrophic loss of businesses. In some instances, energy bills are due to increase from £265,000 a year to £1.2m. Without an urgent and comprehensive government support package that helps both households and businesses, many hospitality venues will look at reduced trading, resulting in lower wages or lost jobs for staff who need their jobs more than ever if they're to heat their homes. This will inevitably also lead to further increases across all categories as producers/suppliers try to mitigate/recoup costs.

Be under no illusions that these coming months without any support will be the toughest we have all ever faced. Costs of raw material already at record highs due to the situation we all read about in the news every day, will once again be followed by unavoidable movement on prices to recoup the below.

Key Points

The likelihood that capped gas and electricity prices for domestic users will rise by around 80% in October means that the UK economy is likely to enter a mild recession from the fourth quarter of this year. The downturn is expected to last for nine months, with GDP declining by 1.3% over this period.

- Quite apart from the huge impact on household finances/businesses of these soaring energy costs, the overall rate of consumer price inflation is now expected to top out at 14% in January 2023. As a result, disposable real incomes are projected to shrink by around 2.5% this year and by 3% in 2023

The deteriorating economic situation means that we now expect the Bank of England is to raise UK Bank Rate by only a further 75 basis points, with the peak of 2.50% being reached in December.

- The uncertainties around these new forecasts are considerable. Neither of the contenders to succeed Boris Johnson have so far laid out plans that would meaningfully reduce energy bills, but it's possible that more generous support measures could be introduced once a new Prime Minister is in office.

The UK economy has proved resilient in the face of the twin shocks from food and energy prices, which have rippled around the world since Russia invaded Ukraine. But with the wholesale price of natural gas for next month delivery now close to £4 a therm, more than ten times what it was in the summer of 2019, the cracks will soon become apparent. As energy costs soar to unprecedented levels we expect that the UK will enter a mild recession later this year, which will last for three quarters. It will not be alone in this fate, which will be shared by many other countries, especially in Europe.

Call 0161 776 1263
BIRTWISTLES.COM



BIRTWISTLES
Catering Butchers

Market Report

SEPTEMBER 2022



The difficulties arising from the current situation for many businesses, mean that new support measures of some sort will be announced during the first few weeks after the next Prime Minister takes office. The big question is how substantial they will be, and whether the government will be able or willing to keep them in place should the surge in gas and electricity prices last for a few years. The hope must be that if the world, and especially Europe, is able to demonstrate that it can reduce its demand for natural gas by around 15%, then prices could ease back once the coming winter is over

Let's Talk Turkey

UK Turkey has remained firm and still above 2021's December pricing which is not a good sign leading into the last quarter of this year. Many farms have this year switched to rearing chickens due to the quicker turnaround and demand for product.

The challenges ahead for the UK are where the demand v's supply becomes tight and of course with the sixth outbreak of Avian Flu in the UK, as noted in our section below, there is a very real threat that could wipe out any stocks being reared ahead of the festive period.

On the wholesale markets (not retail) UK standard whole turkeys 7-9 kg currently are 28% up week on week with Bronze Free Range birds showing an increase of 20%, along with the whole bird's boneless skin on UK turkey breasts 4kg+ have seen a massive jump week on week of 54%. Add into the mix that a leading UK producer who has been rearing Turkeys for over 50 years plans to close by the end of September will not make the UK market for Turkey this year very appealing.

In terms of EU Turkey this will not go unaffected and remains firm, the biggest concern would be an outbreak of Avian Flu in the areas of the largest exporters.

Buyers are still reluctant to open conversations around pricing for the last quarter of 2022 and volumes still need to be identified of which is challenging. As with the UK the EU has switched to Chicken in the face of the demand caused by the conflict in Ukraine just to satisfy the home markets of countries along the border with the influx of refugees from Ukraine, especially Poland which is the largest exporter of poultry from the EU to the UK.

Call 0161 776 1263
BIRTWISTLES.COM



BIRTWISTLES
Catering Butchers

Market Report

SEPTEMBER 2022



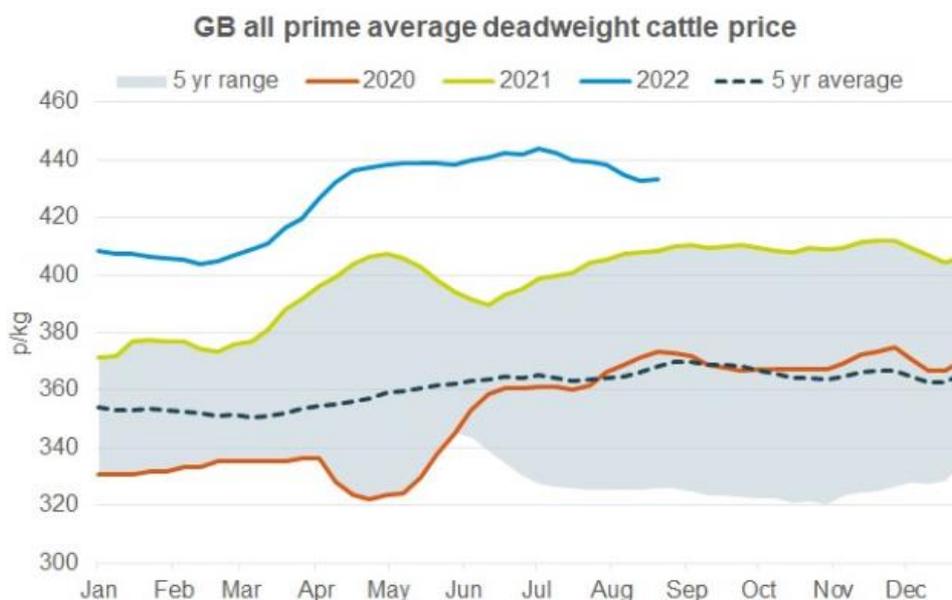
Beef Overview

GB Cattle prices continue to ease but still challenging.

The average GB prime cattle deadweight price saw its first increase for seven weeks, appreciating 0.9p to average 433.4p/kg in the week ending 20 August.

This increase means average prices are now 65p above the 5-year average, and 25p above prices this time last year. Within the all-prime average for the week, all categories saw a strengthening of prices.

There has been a significant shift in demand into less expensive cuts which is affecting carcass balance/values, which in turn has seen certain cuts increase in value as in line with higher demand.



Another thing to consider is we have seen slaughter numbers drop week on week we have seen over a 1% decrease in cattle being slaughtered and processed.

Call 0161 776 1263
BIRTWISTLES.COM



BIRTWISTLES
Catering Butchers

Market Report

SEPTEMBER 2022



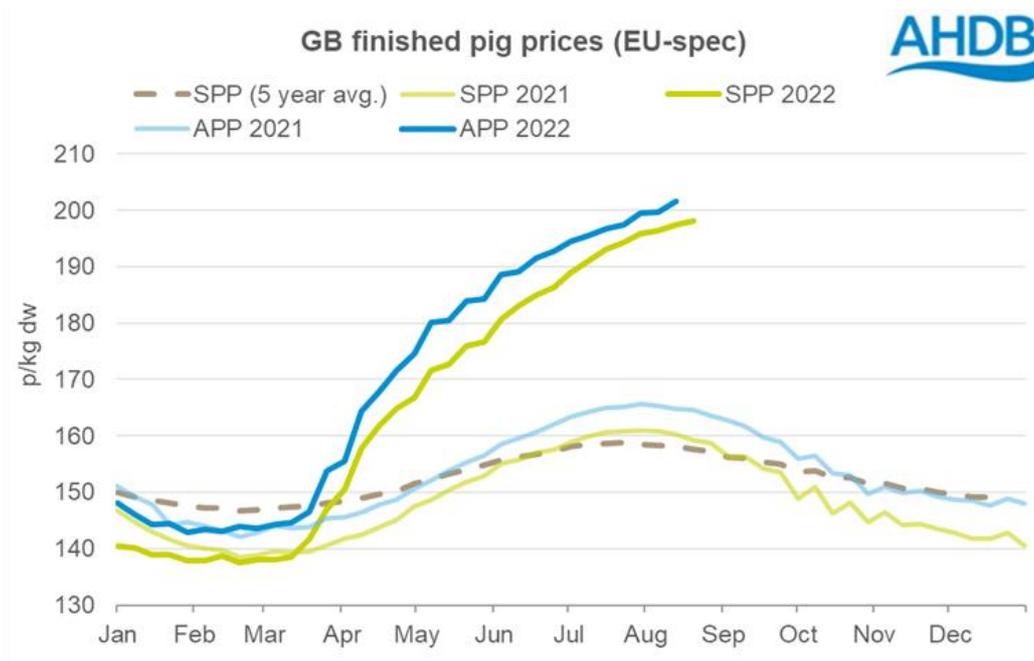
Pork Overview

UK pig prices continue to rise and availability is tightening, the GB/EU Spec Standard Pig Price edged closed to the 2.00p/kilo mark ending 20th August 0.66p up on the previous week which year on year stand 39p/kg above the equivalent week and 41p/kg above the 5-year average.

EU Pig prices are moving up week on week, due to a tighter supply and heavy demand. Demand is outstripping availability and there has been a significant uplift in demand towards the end of the holiday season.

An estimated 157,000 clean pigs were processed during the week, 6% (10,000) fewer than the week before. Reports of disruption at plants, including flooding, may have contributed. Demand was also reported to be flat.

Carcase weights averaged 87.4kg, 400g lighter than the week before, and just 220g heavier than the average weight reported at this point a year ago.



Call 0161 776 1263
BIRTWISTLES.COM



BIRTWISTLES
Catering Butchers

Market Report

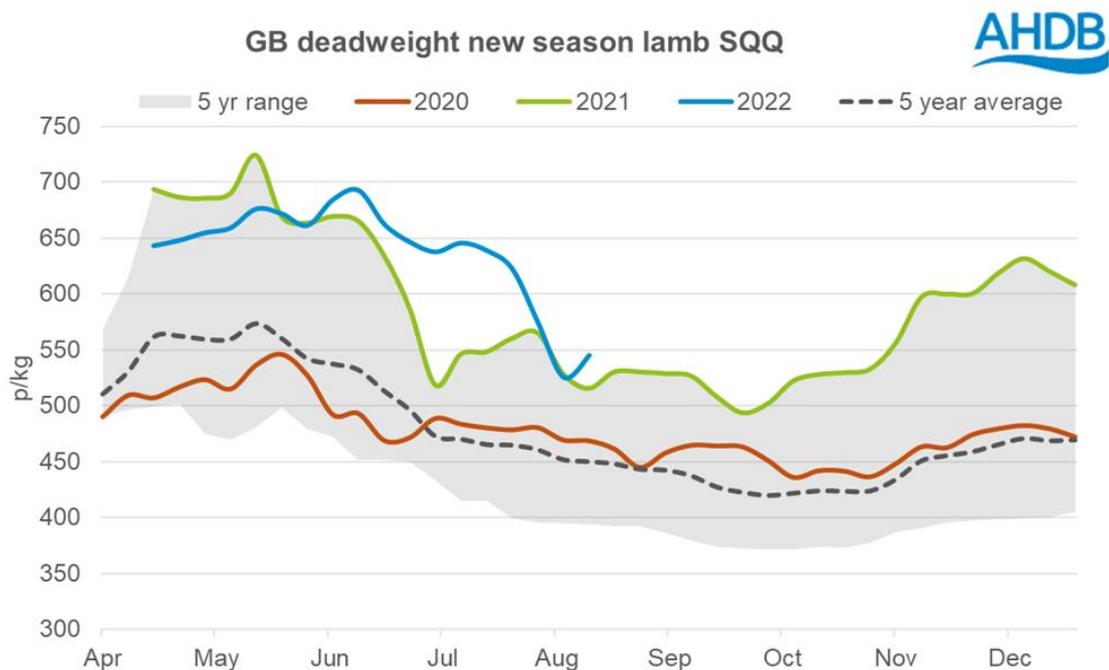
SEPTEMBER 2022



UK Lamb Market Overview

Due to a lack of imported product and a preferred export market for producers combined with lower Slaughter numbers even with the live price easing we have seen a significant increase on deadweight lambs. Dead weight lambs rose circa 20p week on week ending 13th August which is 30p/kilo above this time last year.

Exports on Lamb year on year is currently up 17%



Source: AHDB

Call 0161 776 1263
BIRTWISTLES.COM



BIRTWISTLES
Catering Butchers

Market Report

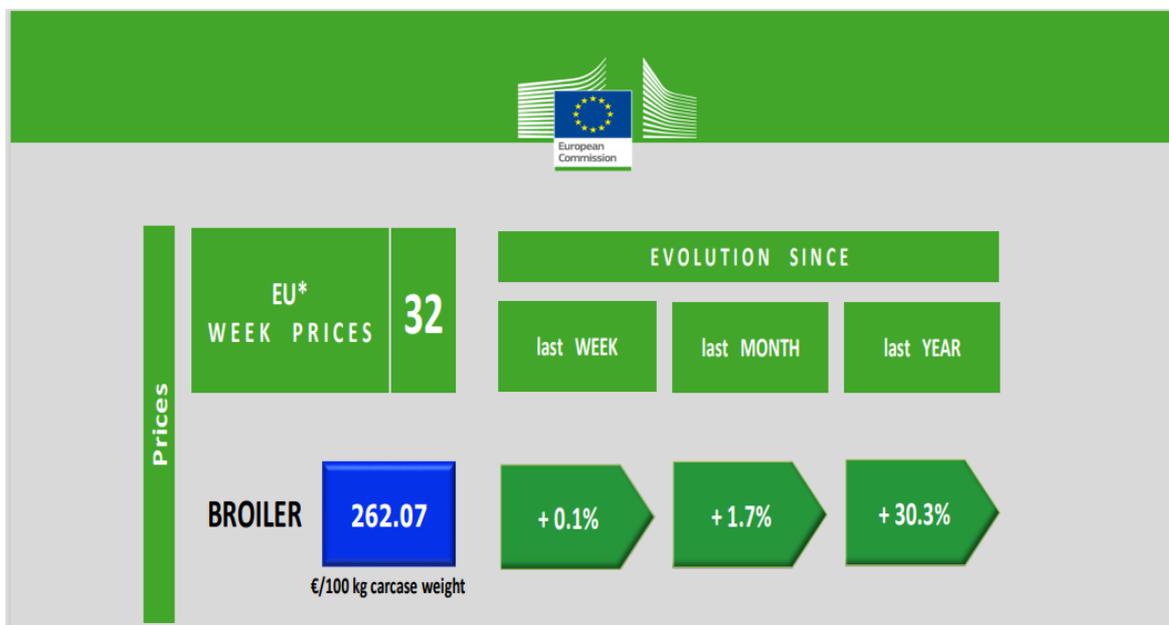
SEPTEMBER 2022



Poultry

Demand on UK and EU poultry is still very strong. EU and UK chicken production is expected to stabilise for the remainder of 2022 but at elevated levels. The EU Broiler price is now high enough to compensate for the input costs. Feed prices are expected to stay strong and remain high well into 2023. Both of which will keep the markets firm. Again the EU broiler price has ticked up as shown below keeping pricing as firm as it's been.

The same in demand cuts are still outstripping supply and include thigh meat & wings as suppliers try to balance the carcass to reduce waste.



There is still some cause for uncertainty surrounding poultry such disruption to trade flows with Ukraine, Avian influenza that we have been all aware of but now with CO2 Shortages and the energy costs it could not be worse.



Market Report

SEPTEMBER 2022



Agriculture “A Farmers View”

It is sometimes easy for so many just to concentrate on what we deal with on a daily basis without fully understanding the challenges in the wider food chain.

Whilst a lot of people look towards taking a break at this point in the year, for those working in agriculture and food markets, the opposite is happening.

Harvests are rapidly moving along amid early developing crops and a prolonged period of dry weather.

Harvesting at 4am to preserve moisture is the norm for some crops and so the impact of dry grain is both a bonus at a time when drying costs are so high, but also a risk as quality may be impacted.

For livestock markets, the question hovers over demand, and the impact of high inflation on consumer habits and spending. We're seeing a prolonged downtrend in lamb demand with double-digit percentage drops so far this year. Other red meat sectors are also likely to see a drop in demand, albeit at more modest levels as consumers protect their incomes and reduce spend.

For dairy, the risk of a high-cost winter is looming ever larger. Forage availability and quality may be harmed from the dry summer, and so increases in feed costs at a time when demand is uncertain poses a significant threat.

Ultimately, it feels like we're approaching a tipping point. Squeezed margins, high inflation and significantly lower direct payments. Planning, budgeting and monitoring will be the order of the day for the next 12 months, so knowing what is on the horizon, and what to prepare for is as important as ever.

Call 0161 776 1263
BIRTWISTLES.COM



BIRTWISTLES
Catering Butchers

Market Report

SEPTEMBER 2022



CO2 Shortages

The Environment, Food and Rural Affairs (EFRA) Committee has written to the Government expressing concerns about the halting of CO2 production at a CF Fertilisers plant in the north east.

CF Fertilisers, which supplies 42% of the UK's CO2, has announced plans to temporarily halt ammonia production at its Billingham plant, which will also cause CO2 production to stop.

CO2 plays a key role in the food supply chain, keeping food fresh as well as being used in the humane slaughter of poultry and pigs. Any disruption in supply could present serious risks to food production and security, and animal welfare.

In light of this news, the Committee Chair has written a letter to the Secretary of State for Environment, Food and Rural Affairs, George Eustice MP, requesting information on the length of the production stoppage, if this will impact the resilience of the UK's food supply chain, and whether the Government is considering providing financial support – as it did in September 2021, when there was a similar risk to CO2 supply.

Sir Robert Goodwill MP, Chair of the EFRA Committee, said “Recent reports that CF Fertiliser will be halting production of ammonia are worrying, given the knock-on impacts this decision will have on CO2 production in the UK. Any disruption to CO2 supply could have serious effects on food production, national food security, and animal welfare.”

This once again could become short in the UK and Poland. CO2 is a by-product of fertiliser production and is used extensively in Poultry production, main uses are to stun animals before slaughter and in the packaging of meat. CF industries has announced its plan to close it's last remaining fertiliser plant at Billingham, this closure would remove the bulk of the UK's CO2 supplies from the market.

The British Meat processors association (BMPA) have stated a shortage would pose a serious animal welfare issue and have called on the government to step in.

Polish Chemical Firm Grupa Azoty is producing Carbon Dioxide at less than 30% its normal capacity, soaring gas prices are making profitable production of ammonia and Nitrogen fertilisers impossible.

Call 0161 776 1263
BIRTWISTLES.COM



BIRTWISTLES
Catering Butchers

Market Report

SEPTEMBER 2022



Avian Flu Update

The European Commission has announced that this season's outbreak of highly pathogenic avian influenza (HPAI) is the largest that Europe has experienced.

Based on national reporting to the European Commission, there were a total of 2,398 outbreaks during the 2021/2 season, with **46 million birds culled in the affected establishments**, 168 detections in captive birds and 2,733 highly pathogenic avian influenza events in wild **birds in 36 European countries**.

Between 16 March and 10 June 2022, 1,182 highly pathogenic avian influenza virus detections were reported in 28 EU/EEA countries and the UK with 750 of these in poultry, 410 in the wild and 22 in captive birds. During this most recent reporting period, 86% of the poultry outbreaks were secondary infections due to the spread of highly pathogenic avian influenza between farms.

France is the worst affected

Of the poultry outbreaks, the worst affected country has been France with **68% of all recent cases**, while Hungary saw 24% of cases. No other EU country reached more than 2%. However, the greatest number of detections in wild birds were reported in Germany (158), followed by the Netherlands (98) and the UK (48).

Duck Meat from France

The situation sadly is easing very slowly, the latest information we have is that September is going to be difficult. Indications are approximately a 50% supply on Duck Breast and 70% on Duck Legs which is an imbalance and will probably be nearer 50% for both as stocks are very low.

Whilst we are hopeful October to be better, we are expecting no more than 60-70% supply on Breast until end of Jan 2023, with legs also at the same level until 2023

It's the reality of where we are currently with product coming out of France, they just can't grow Duck fast enough at the moment

Corn fed chicken has improved more quickly with supply predicted to be back to normal from September, Guinea Fowl and Poussin will be late September.

UK

A case of Avian Influenza was recorded on Norfolk commercial poultry farm last week, making it the 6th case in the UK this month resulting in all birds being culled, the UK has faced its largest outbreak of the disease with over 130 cases since October 2021.

Call 0161 776 1263
BIRTWISTLES.COM



BIRTWISTLES
Catering Butchers

Market Report

SEPTEMBER 2022



Final Thought

“If it doesn’t challenge you, it doesn’t change you”

Call 0161 776 1263
BIRTWISTLES.COM



BIRTWISTLES
Catering Butchers