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Market Report

APRIL 2023

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Welcome to our Market report for April

Key Points to Note

- Pork - The current crisis and outlook ahead
- Beef Overview
- Lamb Overview
- Poultry Overview

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UK/EU Pork Overview



EU forecasts further decline in pig meat production

In the latest EU short-term outlook, production of pig meat is forecast to decline by a further 5% in 2023, this follows a decline of 5.6% in 2022, the lowest production in almost a decade.

This is a result of the decline in the number of breeding sows on the continent with commentary that carcase weights may see a slight uplift as price pressure on feed costs ease. It is assumed that the ASF situation on the continent will not see dramatic change in 2023 but will continue to trigger strong responses from affected countries and trading partners.

The tight supply will continue to support higher prices which currently sit at record levels. This will result in EU pig meat being less competitive on the global market. Exports from the EU are forecast to decline by a further 3% in 2023, following a decline of 16% in 2022 which was primarily driven by a 50% reduction in volumes shipped to China despite growth in other regions.

Domestic consumption in the EU fell to 31.8kg per capita in 2022 and is forecast to decline further to around 30kg per capita in 2023. This consumption decline, paired with reduced UK production (the source of almost 85% of EU pig meat imports), leads to a forecasted increase of only 2% for EU pig meat imports in 2023.

For the UK pork industry, this outlook for the EU pork sector may provide opportunities to both the domestic and export markets. As EU pork prices lose their advantage to the UK it may lead to a higher market share of domestic product being made available at retail. It may also lead to other countries who usually look to the EU when sourcing their pork imports considering the UK as well, although this may likely be limited by forecasted increases in production in other major exporters such as the US. These will be interesting developments to watch as the year progresses.

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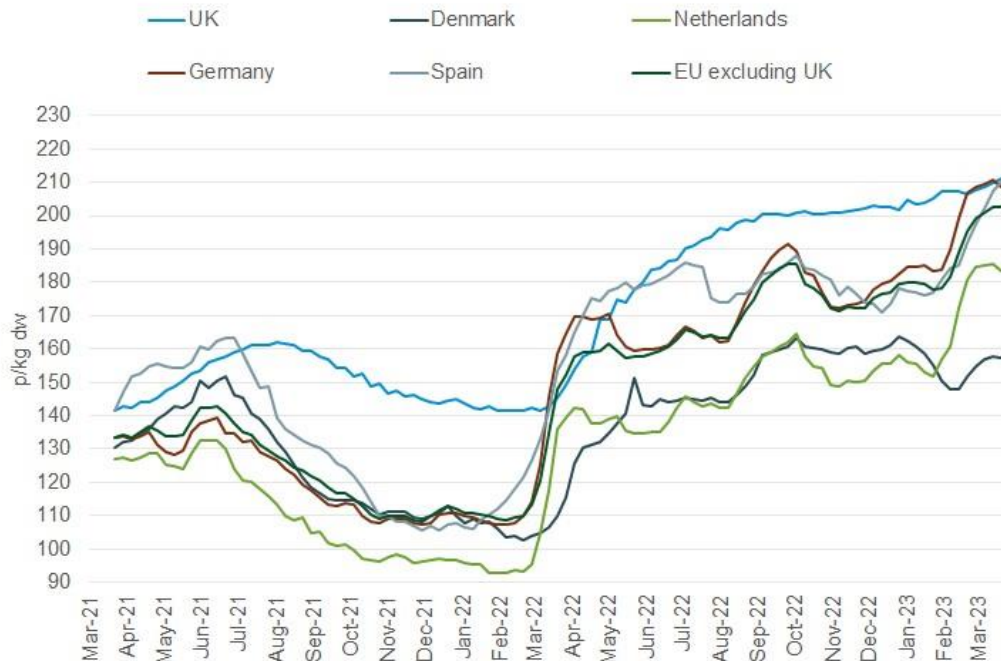
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EU deadweight pig prices

AHDB



Source: EU Commission

Specific sow quotations (week ended 26 March 2023)

Sows	€/100kg dw	% change on week	% change on year	p/kg dw *
Netherlands - Vion Type A	2.11	-	+40.7	185.50
Denmark - Danish Crown >130kg	1.54	+9.5	+105.1	135.75
Germany - MI	1.98	+1.5	+36.6	174.07
France - Bretagne	1.60	+0.4	+71.5	140.23

*Converted at weekly rate of 1 € = 0.87916

Source: AHDB, Vion Farming, Danish Crown, AMI

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Beef Overview

UK Beef Prices continue to gather pace we are seeing weekly increase on cattle in the open market, this is not being helped by the lack of imported South American beef due to the China beef trade suspension.

Prime cattle stocks slaughter grew slightly in 2022, to just under 2 million head, according to Defra figures. Supplies were particularly tight in the first quarter but increased through the remainder of the year.

The uplift in kill in 2022 was primarily driven by more heifers coming forwards, as steer numbers fell. More young bulls also came forwards, but from a lower base.

Looking to the year ahead, **prime cattle slaughter is forecast to pick up again, by 1.2%**. Quarterly population data from BCMS throughout 2022 has shown an annual increase in the number of cattle aged between 12-30 months. Data at 1 October showed that growth was weighted toward cattle aged 18-24 months, suggesting that the increase in slaughter could be predominantly in the first half of the year.

Actual and forecast UK prime cattle slaughter



Source: Defra, AHDB

UK Cow slaughter in 2023 is forecast to ease from the level seen during 2022, by 1.5%. The continued contraction of the suckler and dairy breeding herds, coupled with higher kill in 2022 are expected to lead to fewer cows available. Cow kill is expected to remain relatively high due to input costs remaining elevated, high selling prices for cull cows, and forecast pressure on milk prices both the dairy and suckler breeding herds are expected to remain pressured by loss of direct subsidy, increased input costs and associated impacts on profitability.

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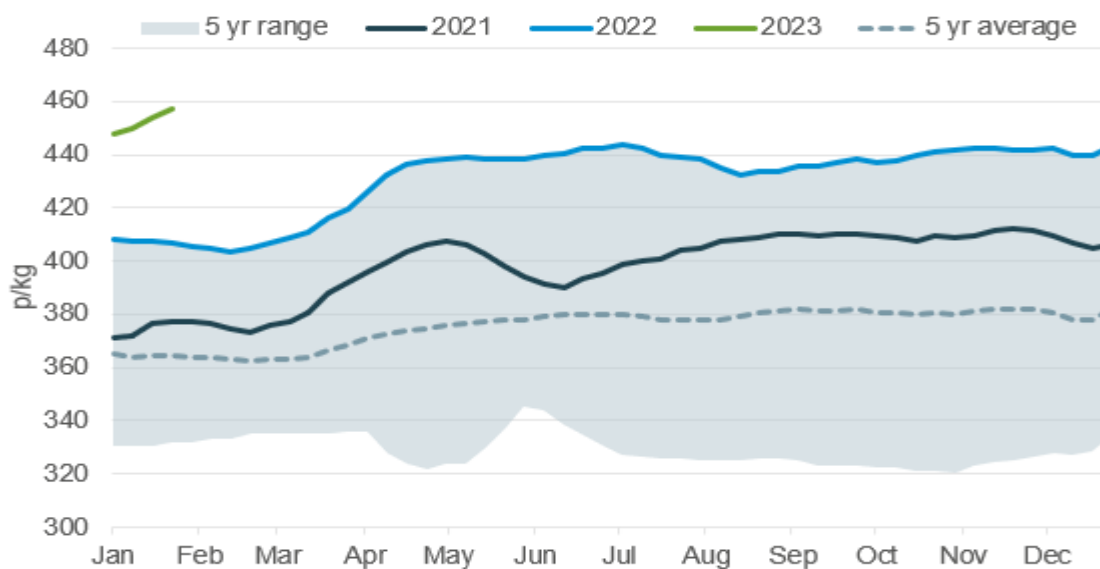
Actual and forecast UK cow slaughter

AHDB



Source: Defra, AHDB

GB all prime average deadweight cattle price



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Brazil – China beef trade suspension

Due to the suspension Brazil have shut numerous production plants as it is not commercial viable for them to operate without China's trade.

On the 23 February, shipments of beef from Brazil to China were suspended over a confirmed case of atypical BSE. This comes under a health protocol maintained between the two countries, requiring the voluntary suspension of sales upon notification of the disease.

Brazil and China are heavily reliant on one another for trade.

Brazil's beef exports have generally been growing over the past two decades, spurred by rising global demand for beef. Growth in the past ten years has largely been driven by China, Chinese demand is now the significant influence on Brazilian trade.

To put the size of these markets in context, on average Brazil exports more beef around the world in one month, than the UK exports in one year, in 2022, 55% of Brazil's annual volume went to China.

In the UK 8% of the beef consumption comes from Brazil and 25% of the EU beef Consumption comes from Brazil, the main issue will be that EU beef will be consumed on the home markets and that EU markets will become a preferred destination for UK beef exporters, it is also possible that China can look to the EU to cover their beef shortfall, or will turn to another protein. Ireland have also recently regained access to China after their longstanding BSE related ban and will be eager to take advantage of the situation again this is product that will be taken away from the UK and EU markets.

Lamb Market Overview

UK Lamb

Due to record prices last year on Lamb and the lack of imported product available we have seen a market swing in menus. The general consensus for the last 9 months is that due to low availability and high prices people have turned their attention to an alternative protein.

Slaughter number have been up during January and February, this goes against the usual trend seen over the last 5 years, the higher throughput in February is most likely due to a higher carry over of animals, however the increase in numbers is still not backed up with the increase in availability as most product is going to retail or preferred export markets. Imported product availability is still unstable and this has kept the price firm.

Due to the price on Lambs there is also a lack of people cutting lambs due to difficulties balancing the carcass, the export option is still the preferred destination by all producers

For certain cuts there is still no availability.

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Imported Lamb

Imported Lamb NZ and Australia are the two largest exported of Lamb to the EU and UK. Certain cuts are still in Short supply, UK specifications are not being produced in high numbers due to a bone in 6 cut Lamb being produced for preferred markets this has made availability on certain cuts very difficult and the immediate forecast does not look likely to change. Some cuts like Lamb hind shanks are very limited with next to none availability.

Poultry

Global Poultry Markets will continue to be influenced by avian Influenza and inflation into 2023.

The outlook for poultry is positive with a strong demand but there is still a limited supply. Feed and energy prices continue to prove to be challenging. An economic downturn will affect market conditions, and ongoing high inflation will pressure consumer spending power. This typically translates to strengthening demand for chicken, eggs, and cheaper cuts, and, in markets where more expensive, slower-growing, and organic options are available, strengthening demand for conventional chicken products.

Avian Influenza will remain a critical influencing factor for global Markets, there has been recent cases in South American and the EU. Any big outbreak in these areas will influence the price and availability and we will have no option but to adapt accordingly.

In Europe the producers are keeping stocks very tight. The risk of avian flu and with higher feed and energy costs producers have no option but to be very disciplined in supply.

Final Thought

“If your dreams don’t scare you, they are too small”

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