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Market Report

MARCH 2023

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Welcome to our Market report for March

Key Points to Note

- Pork - The current crisis and outlook ahead
- Beef Overview
- Lamb Overview
- Poultry Overview
- EU – Better Chicken Commitment Update
- Avian Bird Flu - Latest

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UK/EU Pork Overview



Huge price movements in Europe support UK pig price

There are 'huge' moves happening in Europe and these continue to have a positive impact on the UK pig price, as supplies continue to tighten in the UK.

Last week saw the pig price move up significantly in a number of EU countries, including Germany, Belgium, Spain and the Netherlands (the largest producer of bacon & Gammon) and buyer of pork legs, loins and bellies for this. Spot bacon pigs are as rare as hens' teeth and as a result it is difficult to find price comparisons, but buyers will probably have to think in terms of paying 215p – 220p/kg.

While the GB price was up by nearly 15p/ kg for the second consecutive week, this is a pure reflection of a tight pork market in Europe.

These are huge moves happening and these significant moves have now happened for three consecutive weeks with this being the fourth after further increases taken on Gammon & Bacon at the back end of the week ending 26 th February.

Be under no illusion that this does not look like being a short-term forecast and is only bringing the market to where it needs to be.

Pig numbers will remain tight as we approach the third month of 2023, the upward trend is set to continue.

With supply also beginning to thin out, we are all becoming increasingly concerned, not just with the current shortages, but what the future will hold as we certainly have not seen the bottom in supply yet which will again have a negative effect on supply and positive effect on pricing across the board.

Lower EU pork supplies were largely balanced by lower seasonal demand during Q1 2023, before rising now as we have seen "very sharply", as demand picks up and supply is tightening.

Average EU pig prices were 55% up year-on-year, while the EU piglet price rose by 15% in the space of a few weeks towards the end of the year, reflecting tight supplies.

EU production is also forecast to decline by at least 4% for the remainder of 2023 which will have an effect on both supply/demand for UK pork and keep prices firm.

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Feed prices still remain high although the peak has passed. **Feed is still accounting for a historically high 69% of total costs**

Farmers are back to losing £50 + per pig and with bacon being the same price for 10 years **what other commodity has no seen an increase for 10 years.**

More pig farmers left the industry last year than any other and will continue to do so unless there is a levelling up on returns not just for the farmers but also producers and foodservice providers who in turn will not commit to expensive stock without the correct returns and that is if product is available due to reduced numbers being produced.

You simply cannot promise a house and deliver a brick if raw material cannot be procured in the volumes required and probably promised by some.

There are several key factors to watch in 2023 and beyond, including feed grain prices and volatility due to drought in Argentina, poor US harvests, lower ending stock globally, and demand uncertainties.

GB Deadweight Prices – Pigs (SPP)

Week 7 2023

Source: AHDB MI

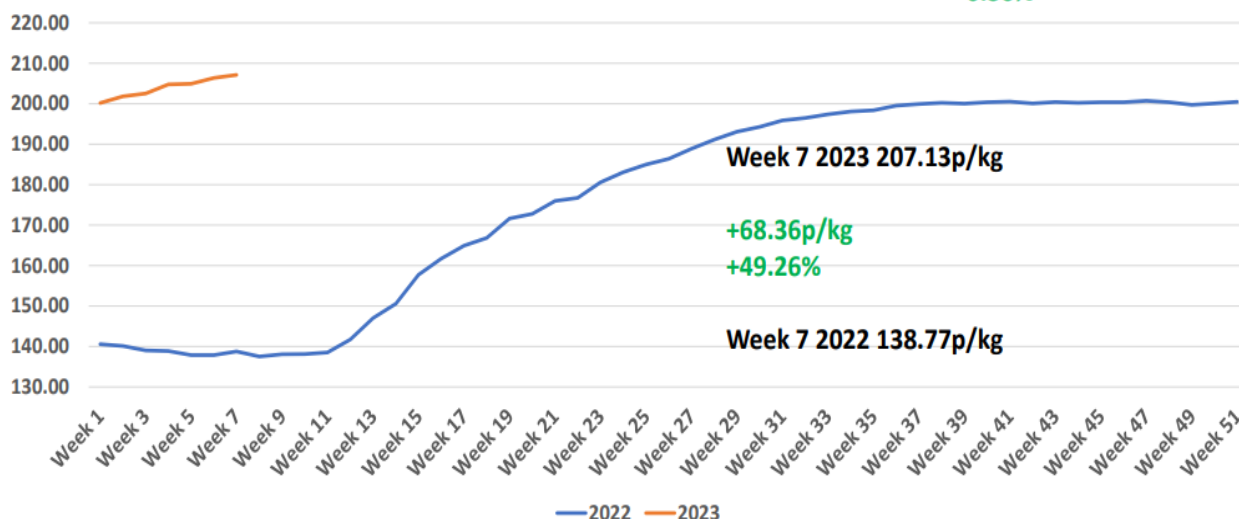
Weekly Price Movement

Week 7 2023 207.13p/kg

Week 6 2023 206.39p/kg

+0.74p/kg

+0.36%



Additionally, herd health, including incidents of African swine fever (ASF) have all had an impact.

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Below is the latest information on movement and this will again show a positive increase in the week ending 26th February.

European and UK prices (p/kg.dwt) 19/02/2023 Movement on week

Standard Pig Price	207.13	+1.44
Tribune Spot Bacon	211.93	+3.6
European Av	192.71	+7.44
Belgium	190.49	+8.05
Denmark	140.89	+5.63
France	232.09	+6.27
Germany	202.66	+8.29
Ireland	183.11	+4.65
Holland	186.13	+11.29

Huge decline recorded in English pig breeding herd as crisis takes its toll

England's female pig breeding herd suffered a massive decline in 2022, as the industry endured massive financial losses on the back of soaring input costs and the pig backlog.

Defra census figures for December 2022 show a 20% decrease in the female breeding herd, compared with December 2021, alongside a 9.2% drop in total number of pigs in England.

The female breeding herd numbered 237,000 at the end of 2022, compared with 295,000 in December 2021 and 317,000 in 2020.

The reduction will be the result of a combination of some businesses getting out of breeding pigs altogether and others cutting back on numbers, while maintaining reduced production levels, highlighting the massive impact on pig businesses of the multiple crises that have afflicted the industry over the past two years.

There are clear signs of significantly reduced pig numbers coming through the system in the early months of this year and AHDB is forecasting a 14% drop in pig production in 2023 on the back of the 2022 breeding herd decline.

Net margin figures have shown a ninth successive quarter of negative margins, with the industry, cumulatively estimated to have suffered losses of in excess of £750 million over the past two years or so. This simply cannot continue and for all the reasons and facts above pork will now become aligned to where it needs to be.

With the Standard Pig Price (SPP) topping 207p/kg in the week ending February 18, it remains to be seen whether this still will be enough to see the sector, on average, back in the black in the first quarter of this year.

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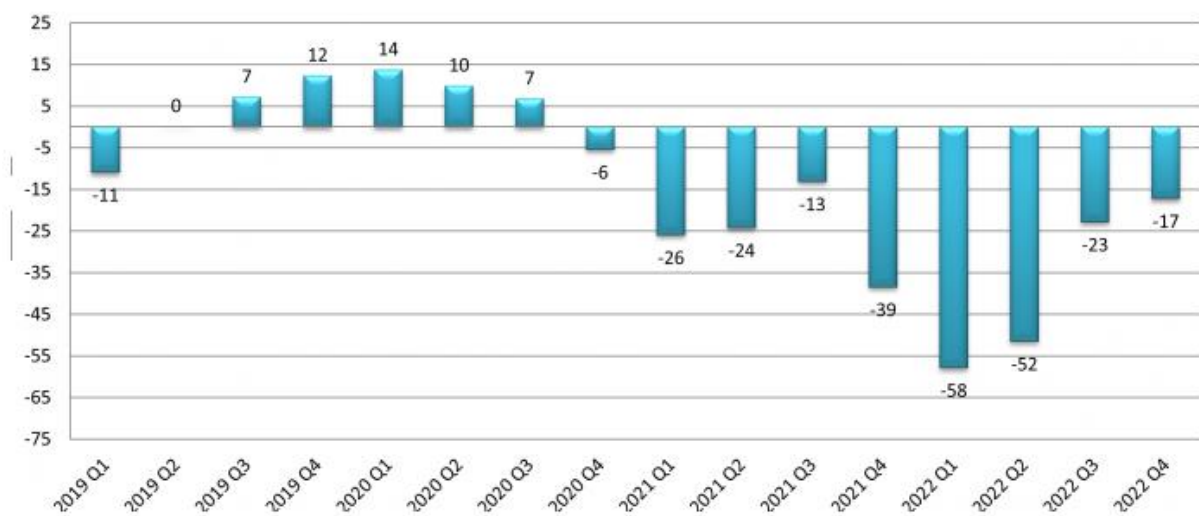
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EU prices continue to tick upwards and UK pig numbers remain very tight, however 'less is more' (less pigs = more money).

Quarterly Estimated Net Margins £/head



And finally...

Difficult times are ahead for abattoirs trying to maintain throughputs from a dwindling supply, which is having the effect of putting up their fixed costs with some resorting to a four-day week, which will do nothing to help their overall profitability levels.

There will no doubt be further changes in the year ahead with the whole pig meat supply chain suffering from a growing and severe shortage of stock.

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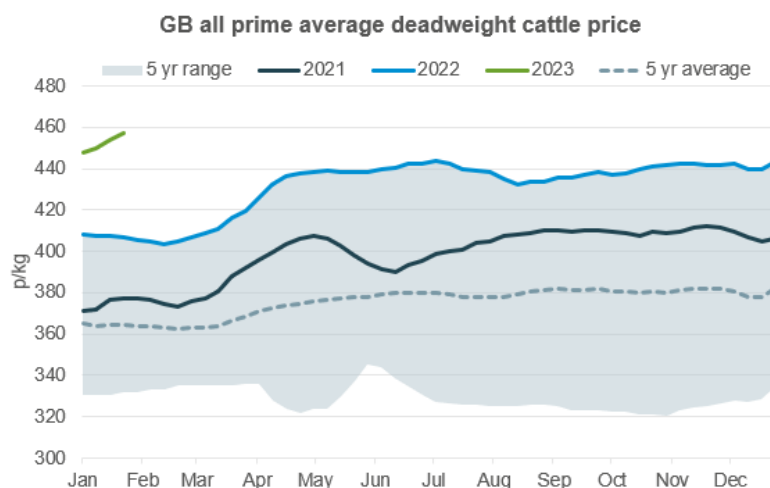
Beef Overview

GB cattle prices continue rise into New Year

Following on from historic highs in December, GB cattle prices continued to rise in January 2023. The GB all-prime deadweight cattle price averaged 454.7p/kg during the month, up 13p from December's average and up 48p year-on-year.

GB steer prices averaged 456.2p/kg overall in January, 12p ahead of December and up 49p on the average recorded for January 2022. Weekly prices appreciated continuously as the month progressed, up 15p from the first week to the last.

For heifers, weekly prices saw steeper growth, up 17p during January, with a monthly average of 454.8p/kg. This was a further increase from December's average, by 14p, and up 48p compared to January 2022.



Deadweight cattle prices

Week ending 18 Feb 2023

	Price p/kg	Change on week
GB		
Steers	474.0	+4.4 ▲
Heifers	473.7	+6.1 ▲
Young bulls	451.9	+3.4 ▲
Cows	373.0	+4.3 ▲

Sustained price growth against more cattle forward nationally would suggest strong competition for cattle at present. Cow prices typically experience growth in the first half of the year, as post-Christmas sees strong demand for mince and manufacturing beef. Likewise, Irish cattle prices are also rising strongly at present despite more numbers forward, with cow values seeing particular uplift.

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UK Lamb Market Overview

The continued strain on budgets is going to have the biggest impact on behaviours going forward. Growth of the UK economy is expected to enter an extended period of sluggish growth, and inflationary pressures look set to continue.

Lamb through retail may benefit from some shoppers moving their out-of-home spend in-home, and could capitalise on occasion/celebration and family get-togethers. However, it is predicted that more will be lost to cheaper proteins, and carcase balance needs to be monitored as cheaper cuts will be in most demand. Given the economic forecast, lamb volumes are predicted to decline further during 2023.

Throughout the most recent 12-month period, prices have remained robust, with both exports and domestic demand offering support. Despite these high prices, producers remain stretched, with high input costs and challenging weather conditions, particularly through the summer of 2022, placing additional strain onto businesses. Farmgate prices moved into 2023 under pressure versus 2022 and 2021 levels, fluctuating closer to five-year averages.

GB Deadweight Prices - Sheep

Week 7 2023

Source: AHDB MI



Tight supplies are still keeping prices supported with a notable demand for Lamb Shanks still challenging.

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Poultry

UK producers are still seeing huge demand versus supply especially in the hospitality sector and pricing is still being reviewed on a weekly basis as the challenge to balance carcasses is paramount to reduce waste and limit further on costs by sending pallets to coldstores.

Duck Legs & Breasts are again starting to be in short supply from France as demand has picked up. It has put the processors back under pressure whilst still trying to replenish birds on the ground and recovering from Avian Bird Flu. This will take time to return to normal levels in 2023. Confit Duck Legs are still not available with latest indications of being another month away.

EU Poultry Prices - Broiler (€ per 100kg carcass)

Week 7 2023

Source: European Commission

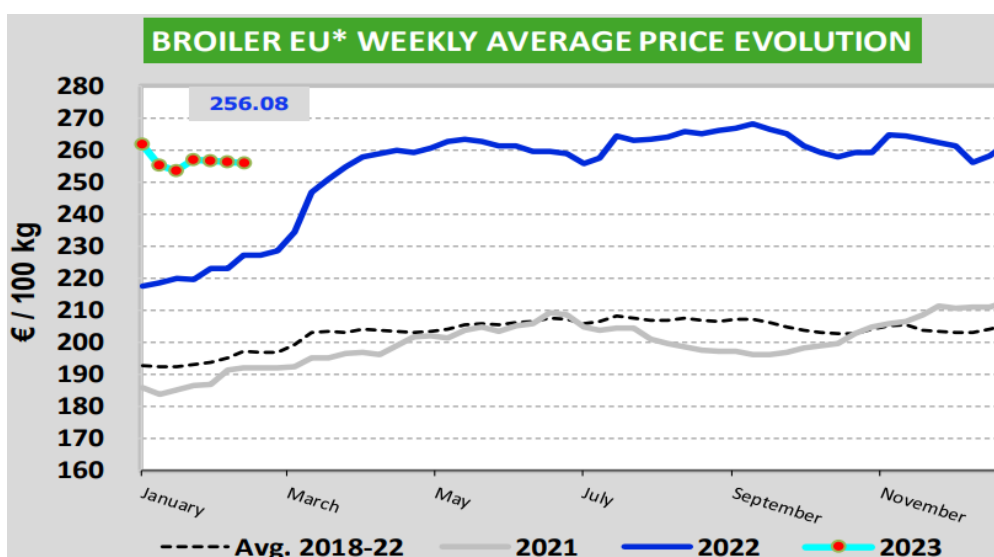
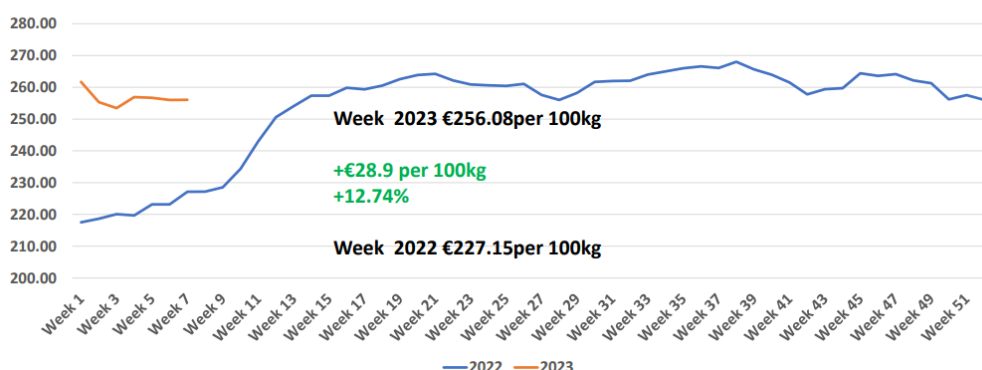
Weekly Price Movement

Week 7 2023 €256.08 per 100kg

Week 6 2022 €256.02 per 100kg

+€0.06 per 100kg

+0.02%



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EU Better Chicken Commitment update

Here's our quick summary of the road to the EU Better Chicken Commitment produced in conjunction with one of our major EU producer/suppliers. Whilst we are like others being bombarding for requests for information and compliance by 2026 by organisations feeling they/us need to have to comply, please do also give some thought to the cost as this will ultimately be the key deciding factor that will decide whether it is used on menus or not. It will no longer be a cheaper alternative.

If there is a significant amount of BCC (Better Chicken Commitment) stock grown in the EU it will be 60-70% more expensive than standard EU chicken.

The UK Red Tractor standard will have less evolution required to adapt to the standard but the probability is that all the UK birds will end up in retailers leaving next to none for foodservice and product that may be available will be expensive.

BCC – Key Cost Drivers for the EU 2026 implementation will be as follows

- 40 - 45% is in Agricultural division, day olds, stocking density, growth KPI's, input costs etc
- 25 - 30 % is in process cost increase of which during 2023 producers will run a full year cycle to verify costs (Chicks placed 30/01/23).
- Opening estimate is a massive 60% price increase
- Irreversible Commitments that producers are committing to are Great Grandparent Stock – ordering BCC breeder stock 4 years in advance of broiler placement.
- Recruitment and physical conversion of broiler farms – a 3-year Cap Ex program.

What we can already tell is that the on-farm developments in the EU required to adapt to the BCC will be behind the 2026 deadline as seen in the below information.

Better Chicken So Far

- Assessment of the BCC standard during 2022 (including a single test flock)
- Agreed to produce BCC product.
- Agreed a roadmap to BCC.
- Estimated cost relative to current standard from a single test flock
- 2023 full cycle of a flock of Hubbard Redbros

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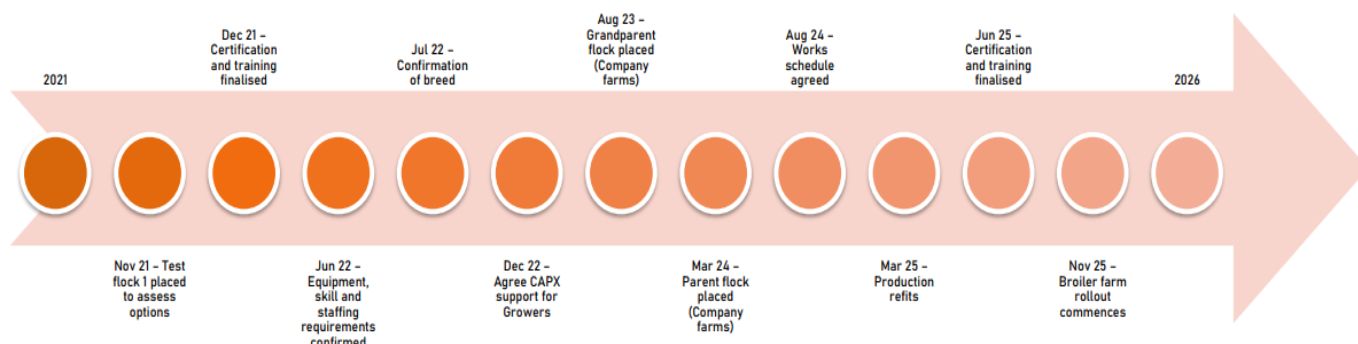
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EUROPEAN BETTER CHICKEN COMMITMENT THE ROAD TO 2026



Avian Bird Flu Update

Last week, the UKHSA confirmed it had found avian flu cases in poultry at 145 premises and in 656 wild birds in England, a rise of 15 new premises and 209 detections in wild birds since December 2022.

In addition, 14 out of 134 wild mammals collected since October 2021 were found to have avian flu: four in foxes in England and one in Wales. In Scotland, there were four cases in otters, four in seals and one in a fox.

Final Thought

“The reward for good work Is more work”

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