



BIRTWISTLES

Market Report

JULY 2023

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Welcome to our Market report for July 2023

Key Points to Note

- Beef Overview
- Pork Overview
- Lamb Overview
- Poultry Overview
- In Depth Turkey Update UK & EU Challenges Ahead.

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Beef Overview

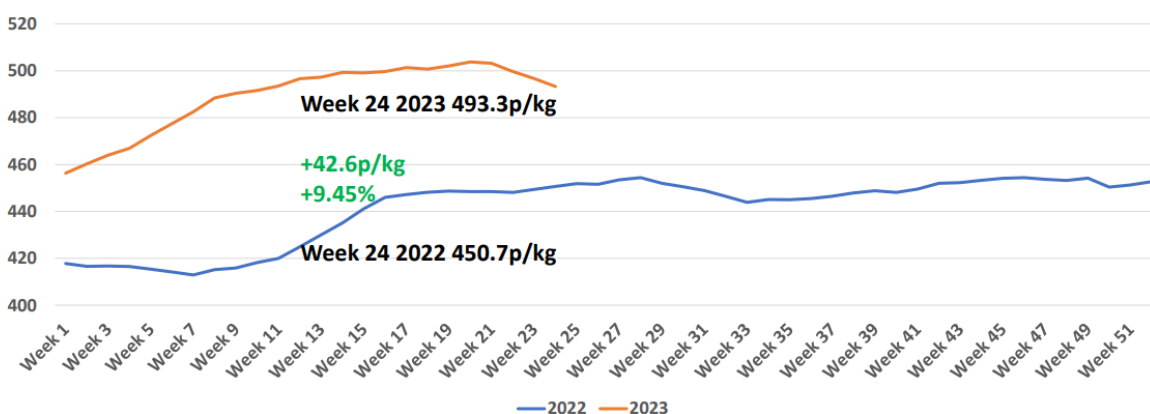
Finished beef prices at abattoirs and auction marts remain exceptionally high, with tight supply and good retail demand. The challenge for processors is balancing the carcass which could keep numbers tight.

As expected, steaks and burgers continue to see an uplift in demand both in foodservice and retail demand. The concern around the casual dining sector is if course driven by the current rate of inflation and ever-increasing interest rates. Footfall is there but customers are looking at more value for money.

In terms of demand for cuts & trims for burgers this has seen a strong seasonal demand along with steak meat in particular Sirloins and Rumps

GB Deadweight Prices - Heifers
Week 24 2023
Source: AHDB MI

Weekly Price Movement
Week 24 2023 493.3p/kg
Week 23 2023 496.7p/kg
-3.4p/kg
-0.68%



Prime cattle carcass weights have averaged lighter during the first quarter of 2023 versus a year ago, likely reflecting pressures on feed costs. How producers adapt their marketing decisions amid current market conditions and easing input costs will be interesting for the remainder of 2023.

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Global beef trade

Cattle prices in **Brazil** have not eased up but product is becoming more available which could see prices softening but trade to both the EU and UK is still lower due to current economic pressures and looks to remain this way.

Along with the UK and EU markets, exports from Brazil to China are recovering but at a lower price.

Brazil has also recently expressed concern about the drop in prices of exported meat, not least because of the margins at slaughterhouses keeping the domestic market tight due to lower numbers and a retracted demand. Renegotiation of contracts with customers in China, the main destination for shipments, is the greatest pressure factor.

The first shipments of **Australian** beef since the trade deal was agreed between the UK & Australia have started to arrive with the current pricing in direct competition with UK prime beef. This is exactly what the UK farmers have had concerns around, which could start to put pressure on the price of UK beef.

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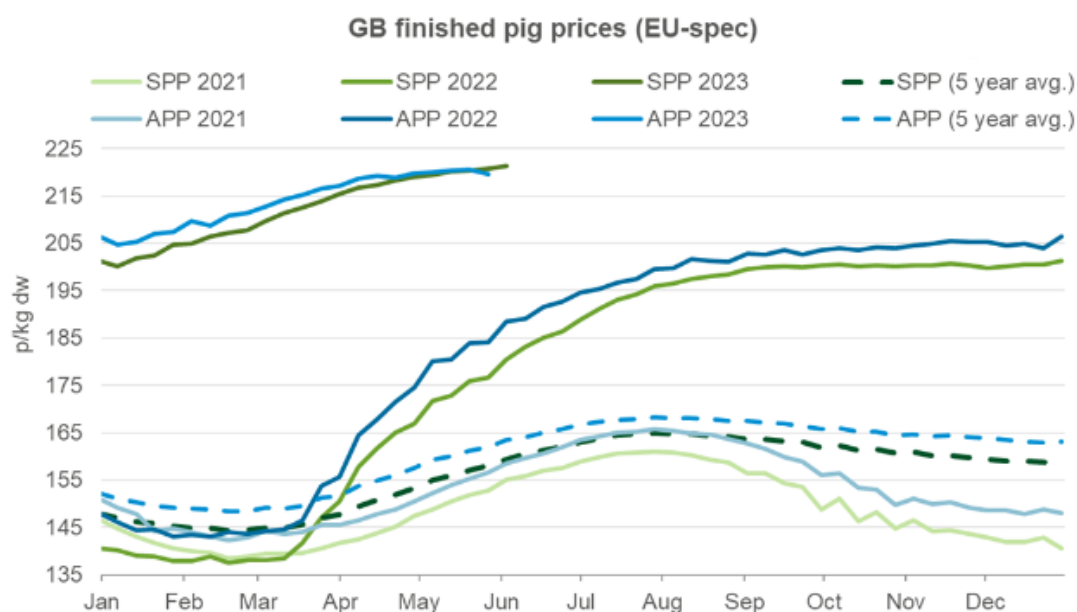
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Pork Overview

Improved prices are now positively impacting on producer margins and are considerably better than they have ever been in the last two years, although still at a negative value as inflationary pressures continue. To note pork inflation is at 27.2 % due to cost pressures.



Boneless product continues to dominate UK pig meat imports

Data now published from Jan-Apr 23 shows the UK imported 25,300 tonnes of fresh/frozen pig meat. Of this, 15,300 tonnes (60%) were boneless product, while 9,000 tonnes (36%) were made up of bone-in product.

This signals that we are continuing to make use of butchery capacity abroad, a trend which begun in early 2020 as a result of the first Covid-19 lockdown in the UK and as we approached the end of the Brexit transition period. Both of these events severely impacted our domestic butchery, with skilled staff either off sick or deciding to leave the UK.

However, with UK pig meat production forecast to end the year down 15%, domestic processing capacity is currently facing an economic challenge rather than one of capacity and the restructuring we're witnessing within the processing sector regrettably evidences this.

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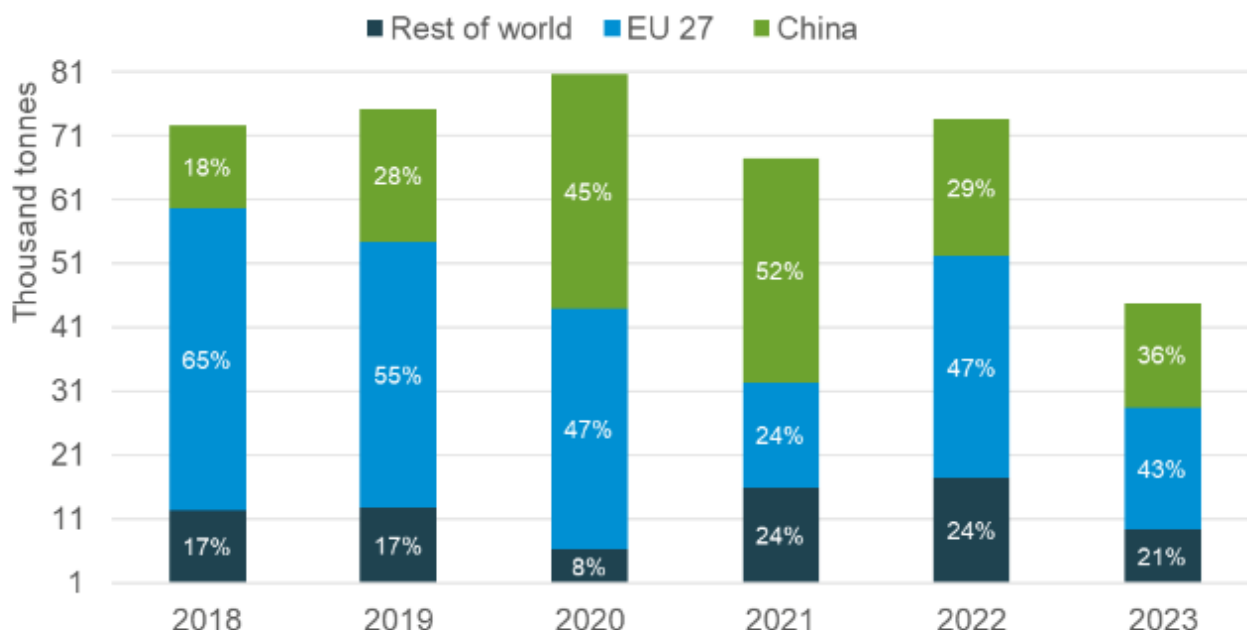


Exports however have not seen the same change in product type as imports, as bone-in product has always been more dominant. In April the UK exported 10,100 tonnes of fresh/frozen pork, of which 5,400 tonnes (53%) was bone-in, while 1,300 tonnes (13%) were made up of boneless product. For the year to date (Jan-Apr) 44,800 tonnes fresh/frozen pork has been exported from the UK: 24,100 tonnes (54%) of this being bone-in with only 5,700 tonnes (13%) of bone-less.

However, exports have seen a changing picture to the destination of product over the past 5 years. Historically, the vast majority of our fresh/frozen pork exports were shipped directly into the EU, but the outbreak of ASF in China in 2018 led to vastly increased import demand, with China overtaking the EU as our main export partner in 2021. This was reversed in 2022 due to a plethora of factors, including Covid-19 restrictions being lifted in Europe and the UK, increasing demand closer to home, while the Chinese government's zero-Covid policy limited demand there.

This appears to be a trend that is continuing into 2023 despite the zero-Covid policy being lifted. Import demand in China has not bounced back to pre-pandemic volumes as domestic production has grown and a slow economic recovery leaves consumers feeling tight with their disposable incomes.

Year to date (Jan-Apr) exports of Fesh/Frozen Pork



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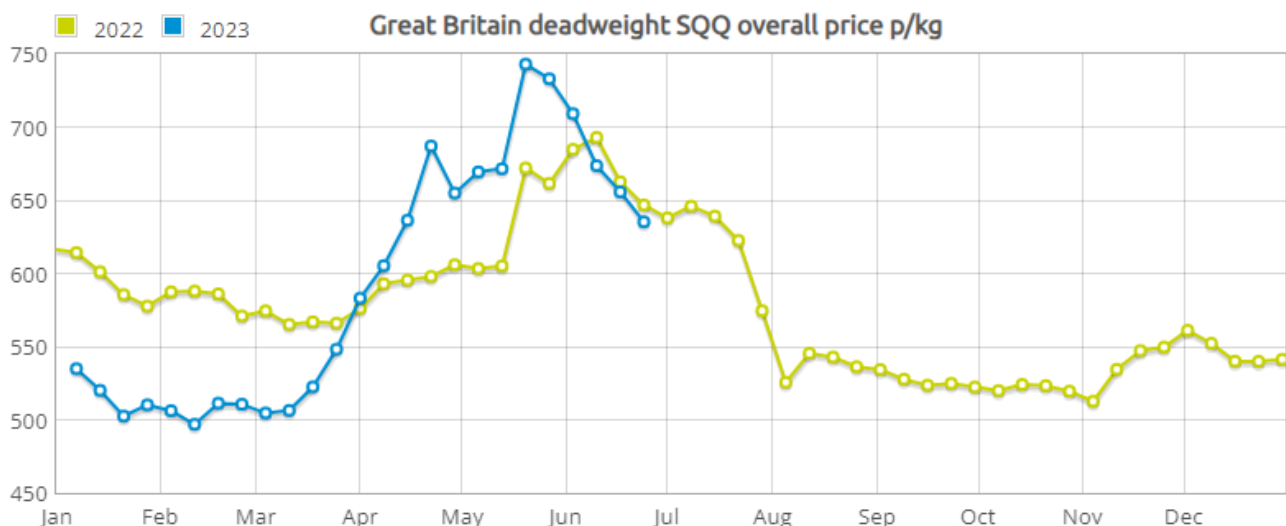


UK Lamb Market Overview

Spring lamb prices off to a strong start

Average prices for new season lambs (NSL) are in a strong position as supply switches away from old season, with throughputs falling short compared to a year ago.

The deadweight NSL Standard Quality Quotation (SQQ) averaged 709p/kg in the week ending 3 June, up a massive 24p kg compared to the same week in 2022.



This comes as spring lambs have been slower out of the gates this year compared to last (and the 5-year average). By the 3 June, just under 186,000 new season lambs had come through since the start of the year, 17% below the same period in 2022. Indeed, estimated weekly slaughter (of both old and new season lambs) has run below 2022 levels throughout most of May.

Present trends in spring lamb supplies likely reflect pressures from challenging weather over the past season, variable grass growth and more expensive feed. While still early days in terms of new season supply, we may well see these systemic factors continue to impact the kill pattern for the rest of the year.

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The next single key point of demand for sheep meat is the Eid al-Adha festival (expected on 28 June). Requirements for the charitable giving of Qurbani are for lambs of at least 6 months old (this year's lambs would need to have been born before 28 December to be suitable).

During the Eid-al-Adha festival, there are two distinct market routes for beef and lamb: the Qurbani market and the Eid market. The Eid market accounts for 75–80% of the increase in trade, while the remaining 20–25% is associated with the Qurbani market. The Eid market is usually patronised by consumers who are unable to purchase animals to perform the Qurbani rites locally, or they may simply choose to send money abroad for the Qurbani to be performed on their behalf. It is estimated that the total number of sheep and lambs processed for the UK's Qurbani market is in the region of 50–70,000 per annum. In the UK, relatively small numbers of adult cattle are also used for the sacrifice. In contrast, the total number of sheep and lambs processed in France is estimated to be in the region of 100,000. As a top exporter of sheep meat in the EU, there is room for UK processors to tap into the ever-growing EU Qurbani market by focusing on member states with large Muslim populations

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Poultry

In the UK demand from foodservice is still strong on thigh meat and with the onset of the Summer and settled weather drumsticks & wings have also increased in demand from both retail and foodservice. This also is a result of consumers looking to spend less. Retail demand has and will continue to have an effect on supply and availability on volume to foodservice as they promote instore throughout the summer on the three for £ deals. Although this could be eased ever so slightly with the onset of the education sector breaking up for the Summer

We still have and expect supply issues to continue from France for Confit Duck Legs, Duck Legs, Breasts, Corn Fed Chicken and Guinea Fowl with arrivals only around 40 % of the requested volumes. French farmers are not able to get insurance due to the Avian Flu meaning also that minimal birds are being put on the ground.

On a positive note, there hasn't been anything significant on the Avian Flu front in Poland the EU's largest exporter to the UK for chicken.

EU Broiler Prices (€ per 100kg carcass)

Week 24 2023

Source: European Commission

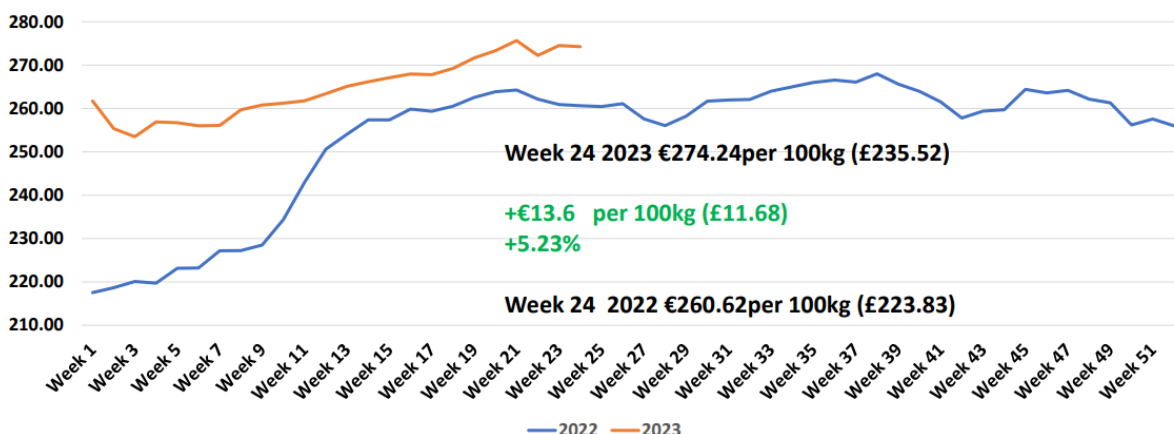
Weekly Price Movement

Week 24 2023 €274.24per 100kg (£235.52)

Week 23 2023 €274.54per 100kg (£235.78)

-€0.3per 100kg (£0.26)

-0.11%



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Turkey Overview

Inflationary pressure in fuel, commodities and labour, which has driven up prices and significantly reduced demand for UK-produced turkey.

Non-existent rewards

Turkey has always been a trickier part of the market to make work than chicken, but a series of events over the past few years has pushed the market into crisis, with losses mounting, companies only continue to grow it out of a sense of duty to the retailers.

Big companies don't want to grow turkeys any more, because of avian influenza.

It is an expensive bird to grow, they are awkward to grow and they are particularly susceptible to AI. They are tying up the factories, and it is difficult to get the labour.

Processors doing turkeys do them as a service to supermarkets because they rely on their business for chicken. The rewards are simply not great enough or are non-existent.

Avian flu

The spectre of avian influenza has only compounded the situation. The disease has devastated the poultry industry, and turkeys are the most susceptible. Last November, Richard Griffiths appeared before the EFRA select committee and told them half of free-range Christmas turkeys – around a million birds – had been affected by avian influenza. The chief executive of the British Poultry Council (BPC) said the scale of this year's outbreak was "unlike anything we have seen before. Its intensity poses a risk to UK food producers, and our food supply."

Retailers, again this year as they did in 2022, after the initial outbreak of Avian Flu will be buying in turkey from abroad. Italy and Poland in particular have growing turkey markets and import crowns and butterflies for the UK market.

This will of course be always inevitable when retail want something to ensure it will be on the shelves for Christmas but will put pressure on foodservice in terms of securing volumes for 2023 and price.

It seems likely that the future of turkey in the UK will be premium growers supplying the Christmas market, and very little homegrown production to fulfil demand in other times of the year. The story is similar to that of UK duck.

The volumes in 2022 were artificially supported by tonnes of frozen stock in coldstores which will not be the case this year due to all the above, there is no back up to draw from.

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What is clear though is that growing turkey in Britain is more expensive, riskier, and less rewarding than it used to be.

Fewer British-reared turkeys will be available this Christmas due to smaller producers leaving the sector. There has been among smaller, often seasonal producers, concerns over rising production costs, coupled with ongoing labour issues and the continuing threat of avian flu. This has led to several sizeable producers to walk away in the last twelve months, they simply do not have the appetite to risk facing the same crisis as in 2022.

The challenges in the turkey sector have been exacerbated by a scaling back in production from the likes of Avara Foods, which is planning to close its Abergavenny factory – a key processor of retail turkeys.

While it is still too early to determine exact volumes on the market this Christmas, Defra data does already point to a distinct tightening in supply. The number of turkeys slaughtered in April was around **500,000 birds – down 36% year on year.**

A lot of producers were already having big issues with labour, and while the government has given the Seasonal Worker visa scheme, it is proving expensive and bureaucratic. One seasonal worker costs around £1,300 each in visa and listing fees, meaning in practice it has become a nightmare for the smaller farmer who just needs a few extra staff for a few weeks.

Then bird flu was the final straw. That remains a big concern as we all know it hasn't gone away. We know it will come back, it's just how big and how bad will it be this year? That's the question the sector is asking itself. We're not going to see a vaccine this year either, so we will be going into Christmas with the same risks as last Christmas.

Year-on-year turkey sales for Christmas are down, following the spike in bird flu that resulted in the deaths of more than 600,000 festive birds

Final Thought

Do What is Right, Not What Is Easy"

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