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Market Report

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Welcome to our Market report for May

Key Points to Note

- “Supplier Spotlight” - Introducing Martinez Somalo, La Rioja
- Beef Overview
- Pork Overview
- Lamb Overview
- Poultry Overview
- Avian Bird Flu - Latest

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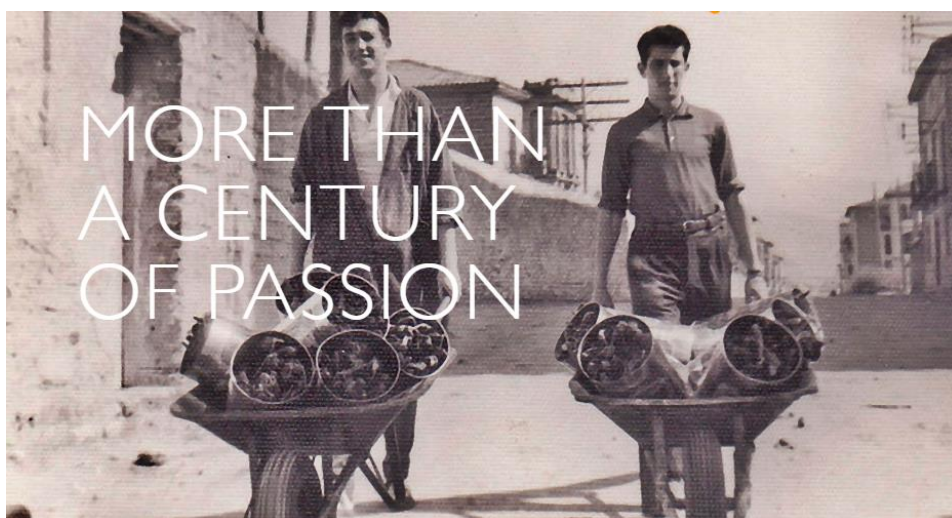
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Martinez Somalo, La Rioja

We wanted to start this month by introducing you to Martinez Somalo our partner in Spain.



Martínez Somalo was founded in 1901 by Don José Martínez Campo. Don José was part of a large family and several siblings were dedicated to the manufacturing and sale of meat products. At that time products derived from the pork raw material and Don José would trade them in his hometown and closest villages. The processing plant was called “La Gloria Riojana”.

La Gloria Riojana was at that time a small manufacturing plant located in Baños de Río Tobía (La Rioja) a small village in La Rioja, Spain, where the company is located at the moment.

The setting for the Baños de Río Tobía village sits 600 meters above sea level, located in the valley of the river Najerilla surrounded by mountains, allows cold winters, hot summers and springs and mild autumns, which created the perfect microclimate that would favour the elaboration and drying of pork derived products.

In 1921 the brand “La Gloria Riojana” was registered and is the oldest active brand of sausages and Hams in Spain & in 2021 they celebrated their centenary.

The business inherited generation after generation since 1900 and what is still evident to this day is the passion and know-how and the drive to still improve day by day using the best raw materials from the region that make Martinez Somalo and its products a very unique company.

There are many cured sausages and hams, but only one Martínez Somalo

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The second generation, Don José Martínez Somalo, son of the founder, was incorporated to his father business at a young age. He started a first stage of modernization of the primitive processing plant as seen opposite where they would dry out the Chorizos & hams by hanging them in the ceiling of the buildings,

Allocating several rooms to dry chorizos and some of them to salt hams. Still, at that moment,

the drying process of sausages and hams was carried out following the seasons of the year.

His son, Don Lino Martínez Uruñuela, began to work at the family company in 1962. He is the only son that continues with the business today.

Under the joint management of Don José and Don Lino, the production processes are improved and the products are commercialized throughout Spain. The production and drying processes are automated and the first drying rooms with controlled temperature are built.

The third generation: Don Lino takes over the company's management, once his father retires in 1990. The company starts using the name of Hijo de José Martínez Somalo, S.L. honouring him. Under his management, the company adapts the facilities in order to meet the EU Regulations.

In 2007, due to production needs, new modern facilities are built, equipped with the latest technologies in the industry. A second production centre is installed in close proximity in order to accommodate the whole ham process.



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The fourth Generation as a family company, Hijo de José Martínez Somalo, S.L., has experienced a model transition. Since May 2011 the company is being managed by the fourth family generation, Doña Elena, Don Juan José, Don José y Don Lino Miguel, maintaining the family spirit, but with the support of valuable and reliable and experienced professionals in management positions.

Martínez Somalo is a company committed to people, to the village, where it is located, Baños de Río Tobía and its region. A company characterized for its great respect to every employee, customers and suppliers. It is also a respected company, with great social responsibility.

With quality above all they meet the strictest national as well as international standards and certifications.

They are certified with the prestigious regulations BRC "British Retail Consortium" and IFS (International Food Standard).

They also have the ETG of Jamón Serrano (Guaranteed Traditional Specialty) and are part of the Foundation of Jamón Serrano along with the Consortium of Jamón Serrano and the Consortium of Chorizo Español, as well as the IGP (Protected Geographic Indication) of Chorizo Riojano as seen opposite. They are also certified with the environment regulation 14001.



The Chorizo rings are unique in their identification and PGI status with the string these are hung with being the same colours as the flag of the Basque region an indication of pure quality and its heritage.

All of these certifications demand exhaustive controls during the whole production process to ensure and maintain their position as a market leader.

If you talk about tradition then talk about Martinez Somalo. Four generations of craftsmanship dedicated to searching for

the best products. Up in the mountains only the whisper of the wind, the weather and their know-how take care of the rest.

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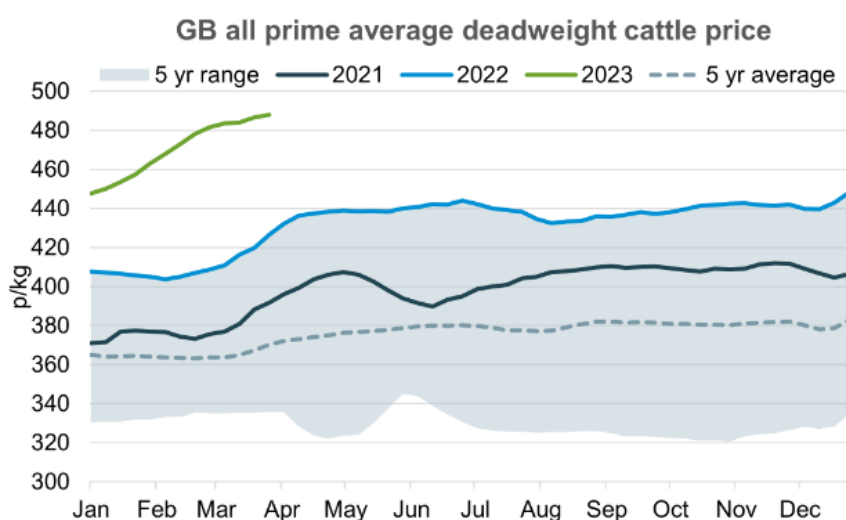


Beef Overview

Prime cattle prices continue to march on upwards

UK prime cattle prices continued to exceed historic levels in March. The all-prime deadweight average measure moved up to an average of 485.5p/kg for the four weeks in March. This was **up 16% versus the same period last year**. The week ending 1 April saw prices reach an average of 488p, **a jump of 4.5p throughout the month**. While still on an upward trajectory, when compared to February's gains.

UK beef imports will fall by around 2% in 2023 based on domestic market dynamics. However, supply tightness and firm demand in the global beef market could help to steady EU export levels, despite high prices.



EU tighter supplies and strong competition continue to support firm cattle prices. As we move forwards through spring and into summer the weather will be another crucial watchpoint for demand levels and subsequent pricing.

EU beef production is also forecast to see year-on-year (YOY) declines in 2023, at 1.2% driven by lower throughput numbers at slaughter. This follows continued contraction of herds, amid struggling profitability and environmental pressures facing farmers.

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South America

Brazil

Product and prices are still higher than usual due to a lack of raw material coming into the UK, we expect arrivals from mid-May in time for the summer uplift – early indications are that the prices will stay stable but with the new deal with America to export from Brazil now approved this could keep the market firm and shorten supply on an already tight market.

Brazil is expected to increase shipments again to China despite losing market access for about four weeks after an atypical case of (BSE) bovine spongiform encephalopathy was detected on a farm.

Uruguay

This beef market is currently being driven by what China are taking and based on the uptake & volume we are having to compete naturally for product at higher prices, the other contributing factor to this is also as noted above are no new arrivals from Brazil at present, both factors will also keep the UK product firm and in demand.

While China's beef consumption is forecast 2 percent higher, imports are expected to remain flat year on year at 3.5 million tons.

Tighter exports in **Argentina** and Uruguay will thwart China's import growth in 2023.

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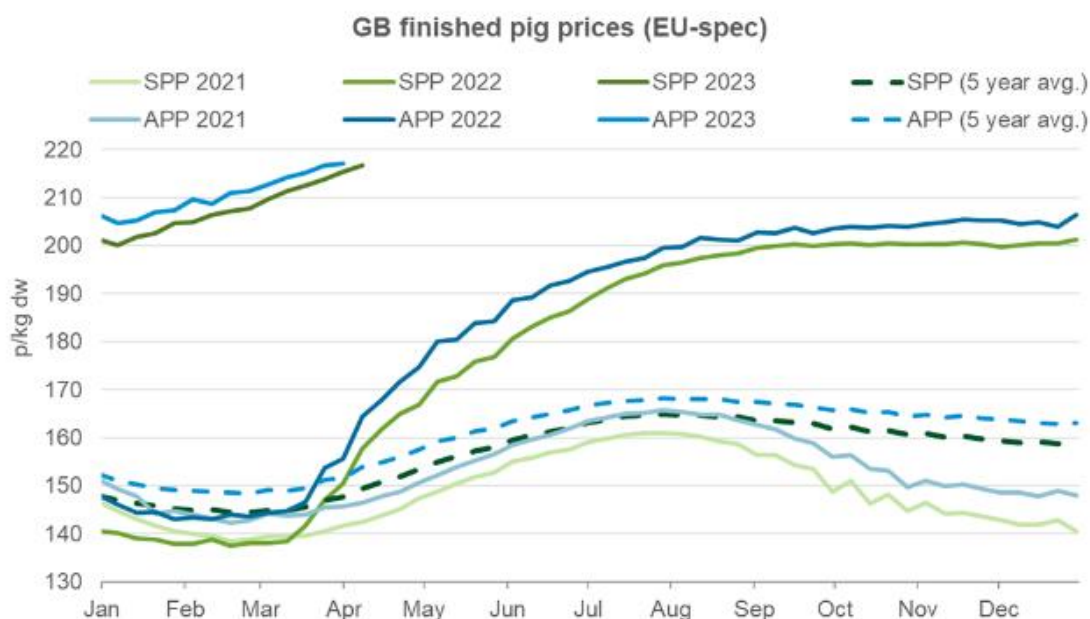
Pork Overview

Pig prices at record high while slaughter numbers at record low

Still on the move and many would say about time given the pressures on input costs farmers have faced including feed and energy but pork is still a great alternative on a market that has seen increases across all proteins.

Deadweight pig prices have continued climbing to new highs bringing the average price for the EU spec Standard Pig Price to 219p/kg. Monthly increases of 2.9 % and the percentage change year on year 43.79 % looks massive and it is in these terms but still offers good value.

In Europe, markets are recording similar trends. The latest EU reference prices show that in a four-week period gained over 4p/kg. This is a substantial increase of over 25p since the beginning of the year making the difference between the EU and UK Pork now very marginal.



All key producing nations have recorded significant growth in pig prices compared to the start of 2023, with the exception of **Denmark**, where price declines in January are equal to the price increases recorded through February and March. **France** and **Spain** have seen the strongest growth, with price increases in the region of 40p/kg in the twelve weeks that have just passed. The **Netherlands**, **Germany** and **Belgium** have recorded growth of almost 30p/kg while **Poland** is up 23p/kg.

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The latest EU short-term outlook for the 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.

It is also assumed that the African Swine Fever 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 naturally will continue to support higher prices.

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.

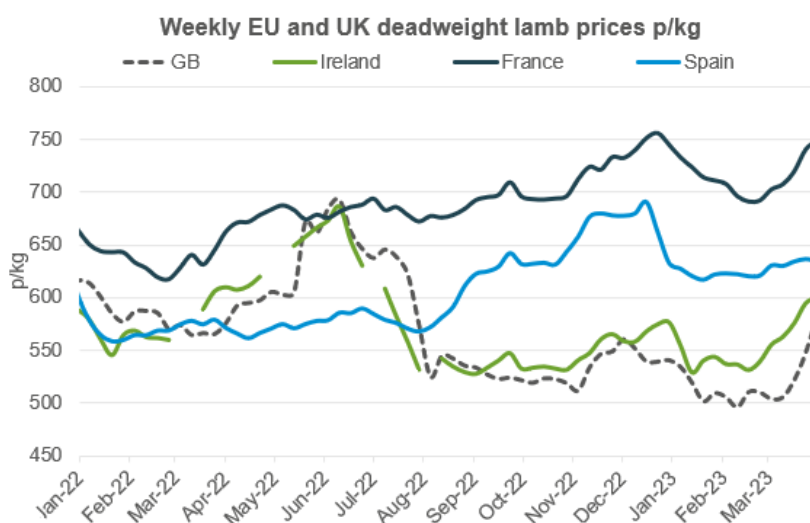
UK Lamb Market Overview

The UK has experienced a period of lower prices, due to seasonal trends and reduced demand but demand has fallen in line with availability with the UK Lamb season not due to commence in any large numbers for throughput and availability until June. New Seasons Lambs and cuts are available but at a price which is prohibitive to most and those who want to have it on the menu are challenged with supply.

We have although seen a change in market since the beginning of March as lamb prices started to rise rapidly, as we approached a period of important religious festivals such as Ramadan and Easter.

The strong continental prices, caused by tight supplies have also added to this recent price support.

We have also the upcoming three short weeks in May due to the Bank Holidays in the UK which will affect kill/processing numbers keeping prices firm along with the New Seasons lamb hitting the market, it will be challenging to a degree for anyone wanting volume and stability through these weeks.



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This pressure on UK lamb prices has increased the price competitiveness when compared to mainland EU. We have seen increased demand from the EU with year-to-date YTD monthly exports to the continent increasing by 18% compared to the 5-year average.

This was driven predominantly by YTD exports to France increasing by c.600t (+c.27%) compared to the 5-year average. With the UK's lower price point, this has enabled product to become increasingly favourable in destination markets. The EU export market in particular France will also take the three main primals Lamb Fronts, Whole Saddles and Haunches in turn reducing labour/overhead costs at processing plants who would be further processing the carcasses for retail first and then what remains out into the food service market.

Poultry

Both here in the UK and in the EU, we have seen for a long and sustained period of time now prices at consistent levels with no real signs or indications of any easing in the market, of course external contributing factors we are well aware of in the EU are keeping demand and prices firm.

Demand is strong in the casual dining sector especially on thigh meat along with fillets and Supremes now being introduced on Spring menus as an alternative to Lamb.

Like Pork yes, we have seen the prices reach new levels and stay there but in comparison it is still an affordable option compared to other areas of food inflation have seen far bigger increases.

We will also have some challenges around supply from France with the upcoming Bank Holidays here in the UK and France who along with our dates have the addition of Thursday 18 th May "Ascension Day" with the next big public holiday following this" Bastille Day" on the 14 th June.

Of course, volumes have been adjusted but remember stocks are still recovering from the largest AI (Avian Influenza) outbreak in thirty years.

EU poultry production set to fall

EU poultry production fell by nearly 1% last year (2022) and will continue to decline by 0.4% this year, according to the European Commission's recently published short-term Outlook report.

This is despite poultry being supported by its relative affordability compared to other meats, especially in times of high inflation and with the relaxation of Covid-19-related measures unleashing foodservice demand which was at times very hard to keep pace with.

High input costs and the devastating impact of avian influenza has caused real problems in many other European countries, particularly Italy, France and Hungary, which have seen an 11% reduction in production and will take time to recover.

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Avian Bird Flu Update

France orders 80 million doses of vaccine against avian flu

France has ordered 80 million doses of avian influenza vaccine, becoming the first European country to do so.

It will begin a vaccination programme this autumn, Marc Fesneau, the minister of agriculture said.

Subject to favourable results of the experimental study conducted on ducks expected in mid-April, a consultation phase is opening with the poultry sector, veterinarians and local authorities to define by the summer an operational vaccination strategy and its implementation methods.

France has faced a severe outbreak of avian influenza this season, with 315 cases since last August. Last December it announced its intention to pursue a strategy of vaccination once trials had demonstrated efficacy.

The scale of which France has experienced AF has affected supply to the UK especially on Duck products and is yet still to be back to pre-AF levels.

Final Thought

**“The Road to Success Is Always
Under Construction”**

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