

QMS Monthly Market Update - April 2022

Purpose:

To provide an update on the key industry and economic factors driving cattle, sheep and pig markets in Scotland.

Prepared By:

Iain Macdonald, Senior Economics Analyst

Contact: info@qmscotland.co.uk

Date: 26/4/2022



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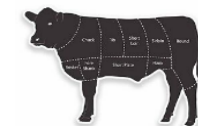
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Data Disclaimer: All deadweight price data used in this report is supplied to QMS by AHDB, who collect the data from reporting abattoirs each week and publish a consolidated set of data, regionally within GB for cattle, and GB-wide for sheep and pigs.
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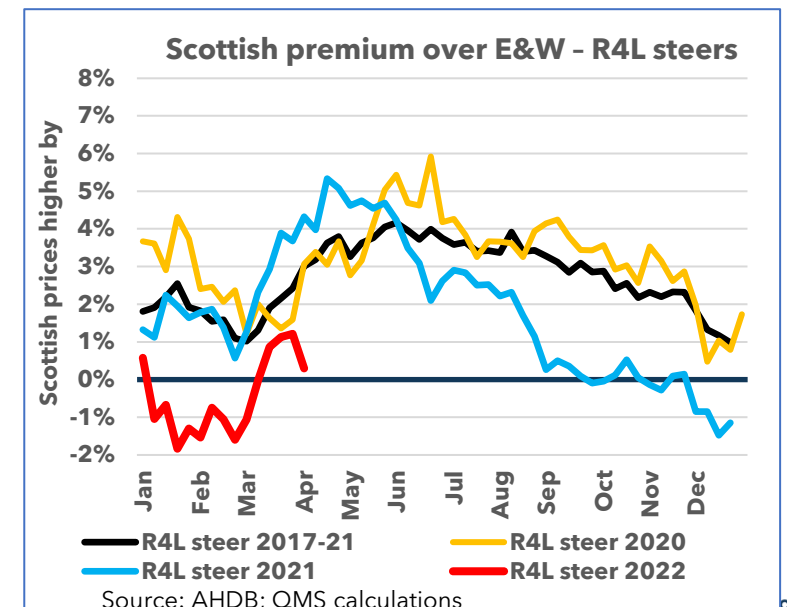
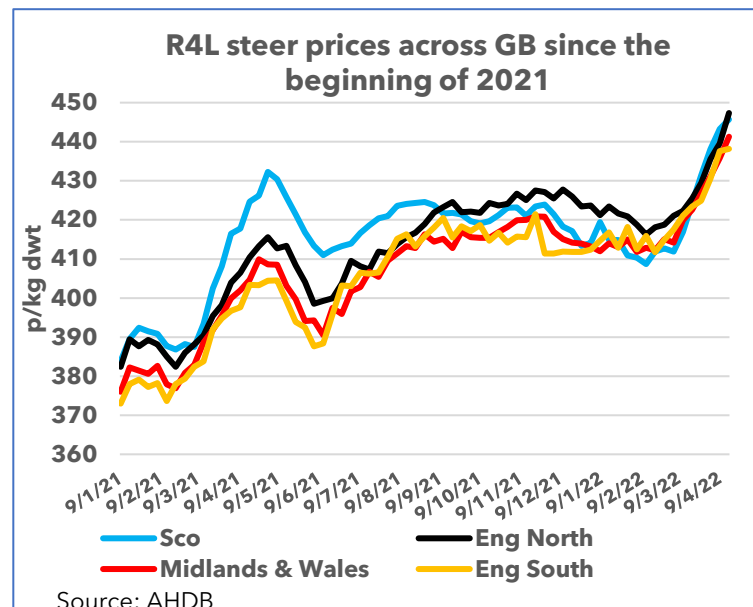
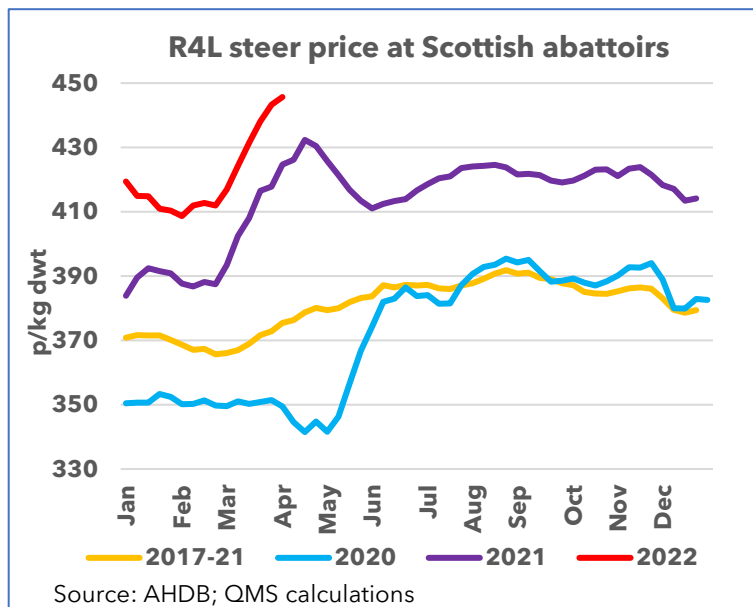
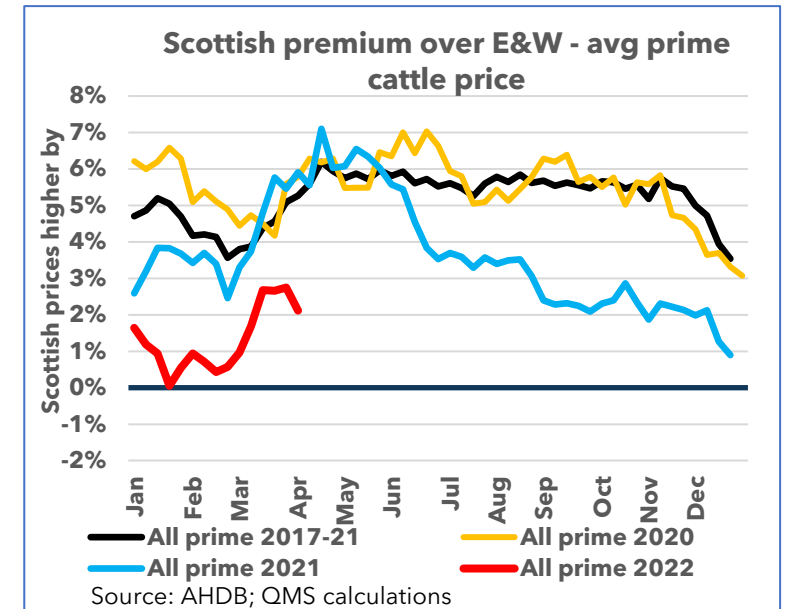
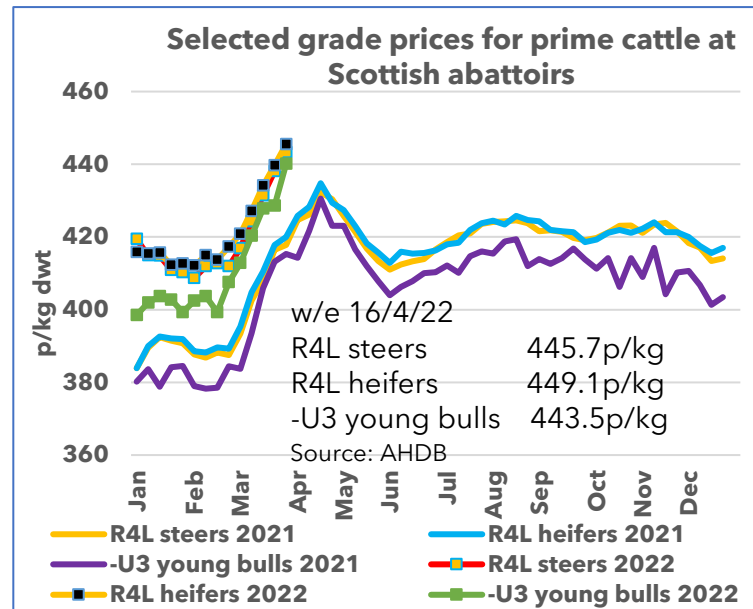
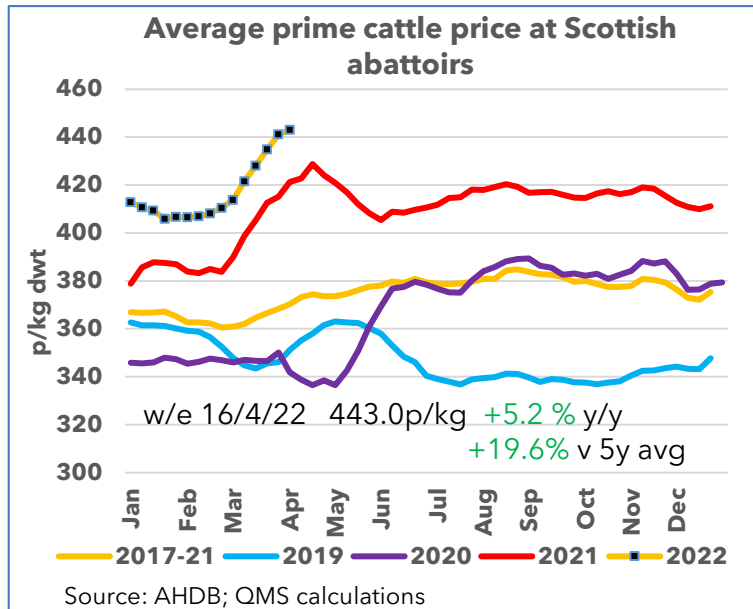
Summary of market developments – beef market



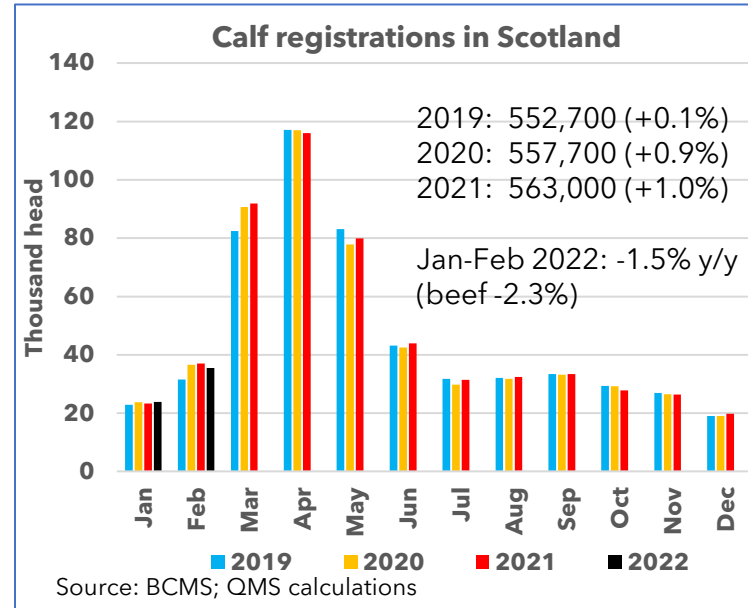
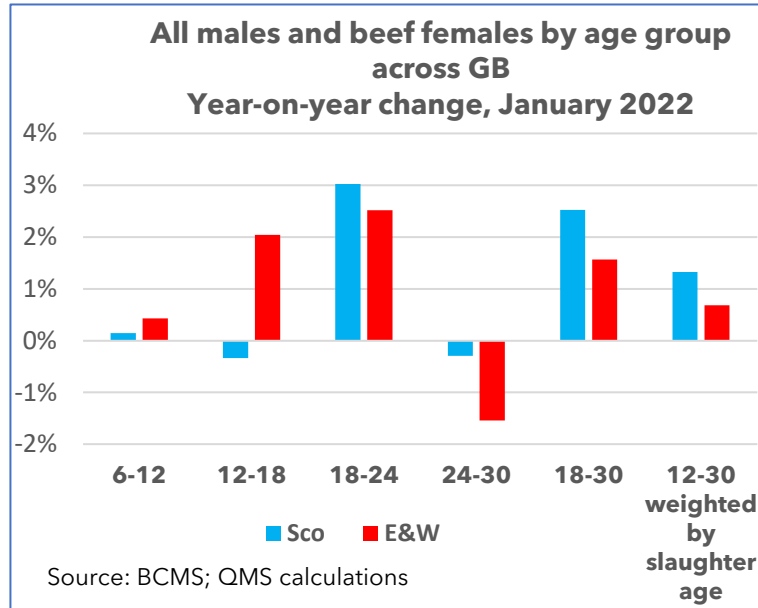
Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
R4L steer price at Scottish abattoirs	p/kg dwt, w/e 16 April	445.7	+2.4p	+5.0%	+4.9%	+18.7%
Prime cattle slaughter at reporting Scottish abattoirs	Average in four weeks to April 16, head procured deadweight	6,562		-2.3%	-2.3%	+0.1%
Store price at Scottish auctions for steers aged 12-18 months	Average in four weeks to April 16, £ per head	£1,073		-2.7%	-3.9%	+6.8%
UK beef market supply	Tonnes in Q1 2022 (estimate)	271,100			+6.9%	+4.4%

- Prime cattle prices surged through March, suggesting strong competition for the available cattle
- It is possible that there has been a seasonal dip in cattle availability given the bias towards spring calving and a peak slaughter age of 21-22 months in Scotland
- Despite a further fall in UK beef production in Q1 2022, total supply on the market is estimated to have increased due to imports recovering more strongly than exports from the lows of early 2021.
- While UK beef imports rose at the start of the year, likely driven by an undersupplied market, they are likely to have become less competitive due to surging EU cattle prices.
- Store cattle prices have slipped behind year earlier levels over the peak spring selling period, which may reflect expectations of a heavy squeeze on potential finishing margins

Farmgate prices - prime cattle



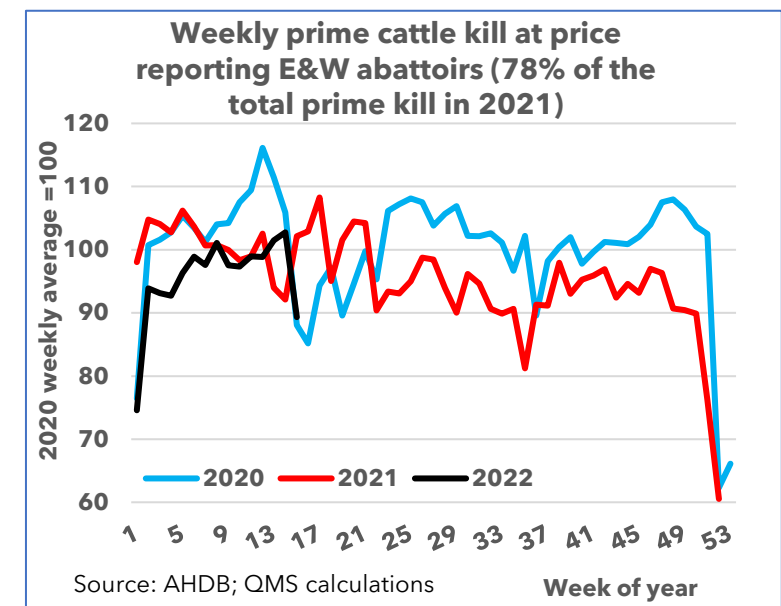
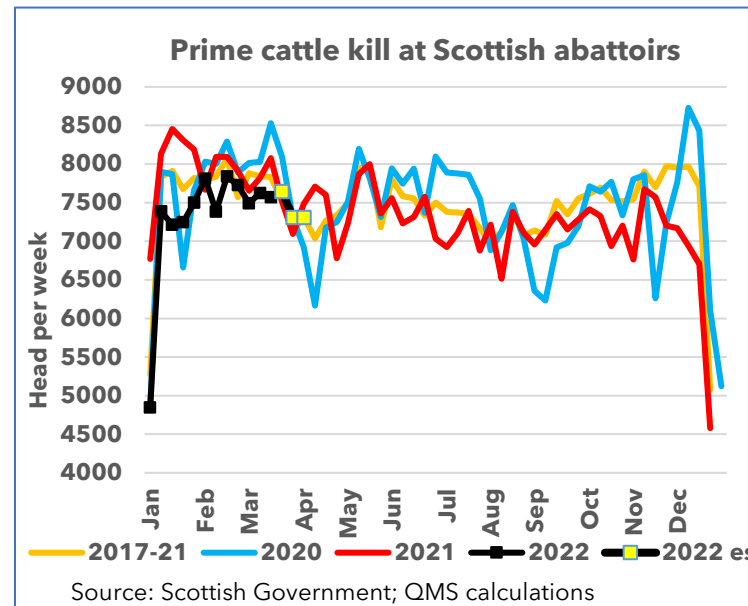
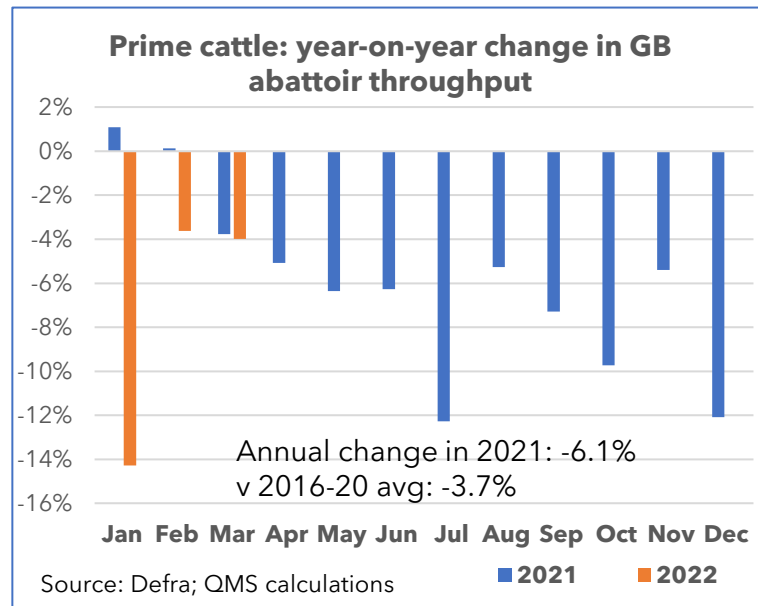
Availability and slaughter – continuing puzzle of increased availability but reduced slaughter



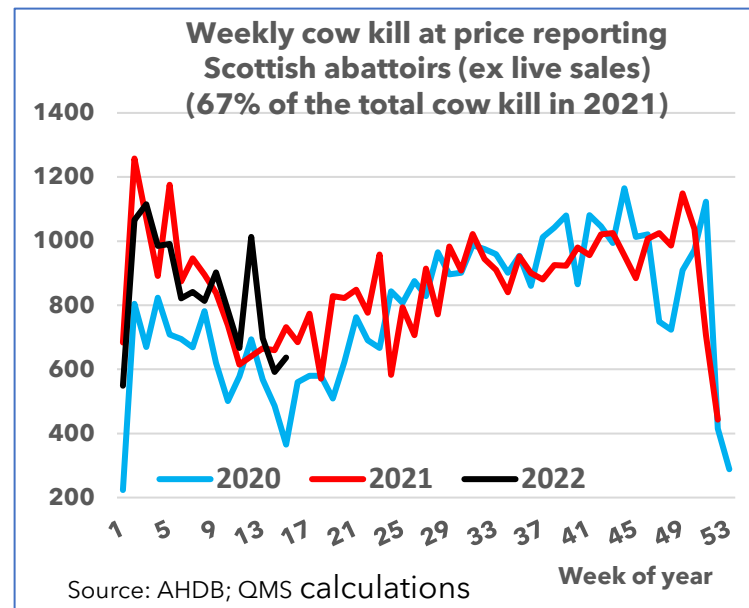
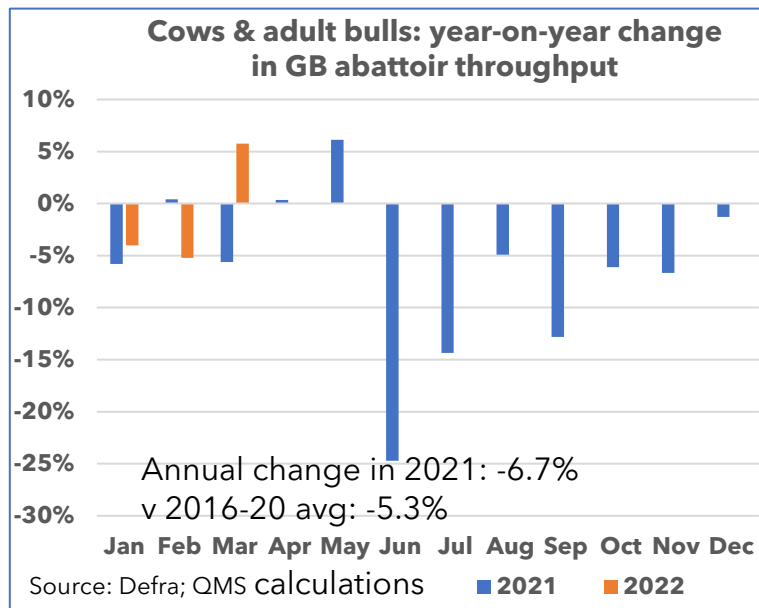
BCMS cattle population data for January indicated a continuing strong year-on-year increase in prime cattle aged 18 to 30 months on Scottish farms, while numbers in England & Wales were also higher.

However, due to fewer cattle on English farms at 24-30 months, the overall 18-30 month pool of cattle showed a smaller increase in E&W than Scotland, and a later slaughter age in England & Wales means that a higher share of the kill is drawn from this category than in Scotland, leading to a short-term squeeze.

Looking forward, numbers were higher in the younger age categories across England & Wales, but more stable in Scotland, squeezing store cattle volumes in the short-term in Scotland and slaughter availability later this year.



Mature cattle market – very strong spring

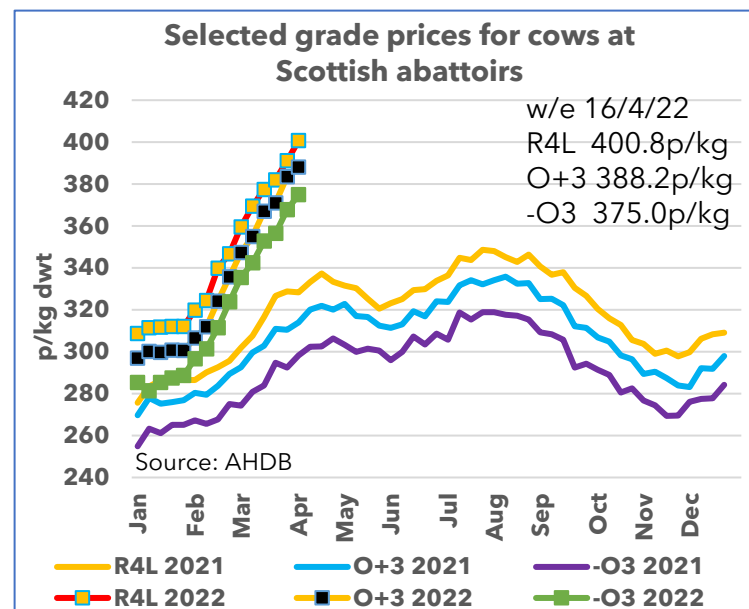
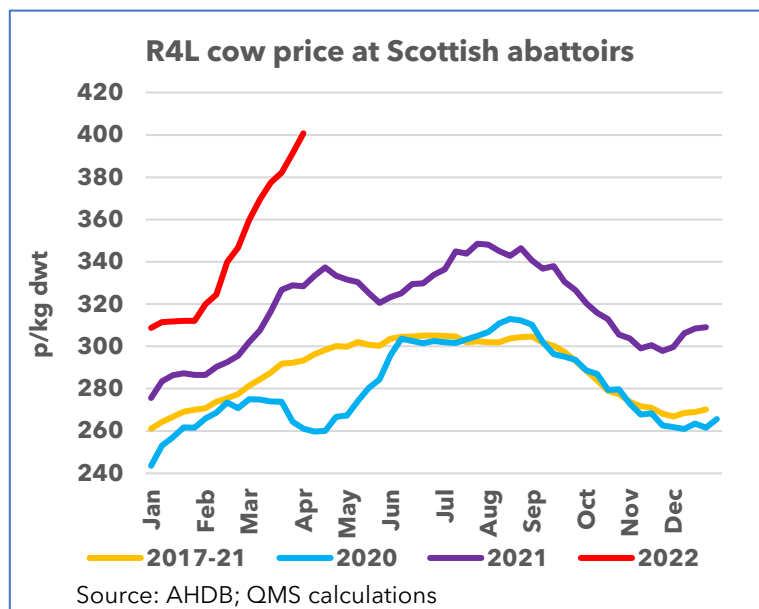


Cull cow slaughter continued to fall short of year earlier levels in Q1 2022 across GB.

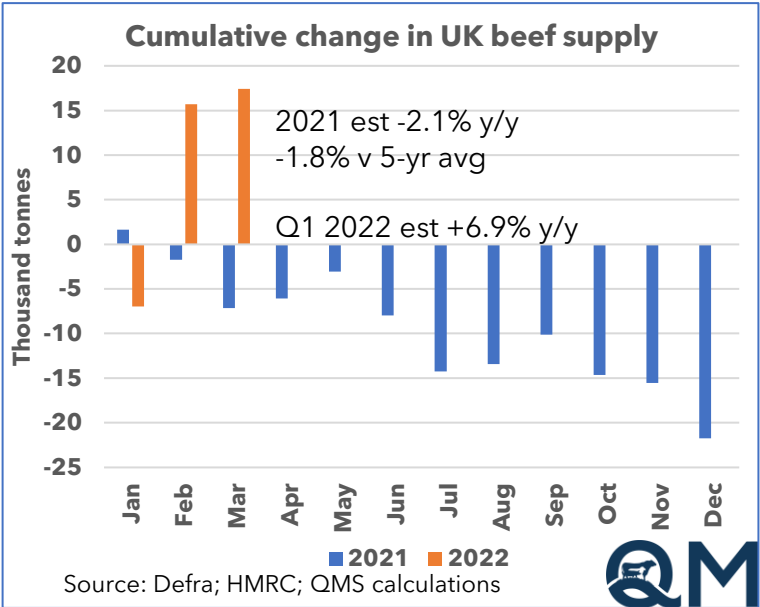
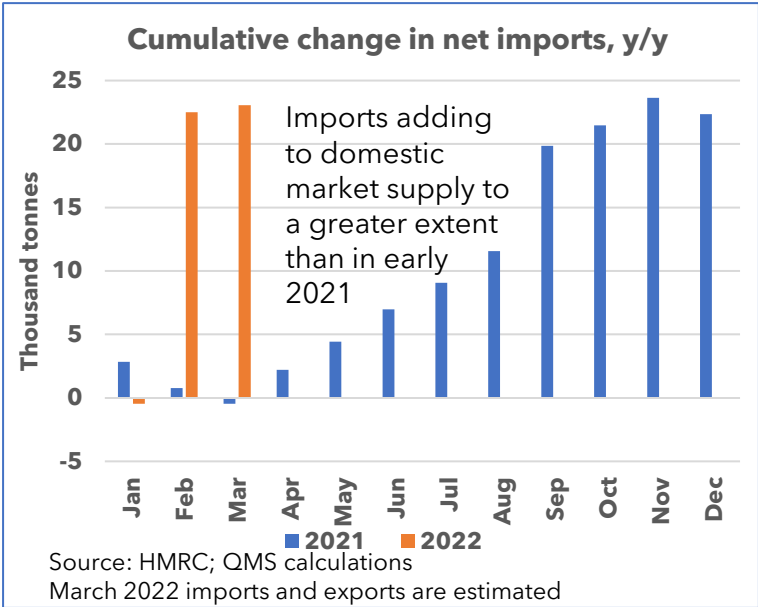
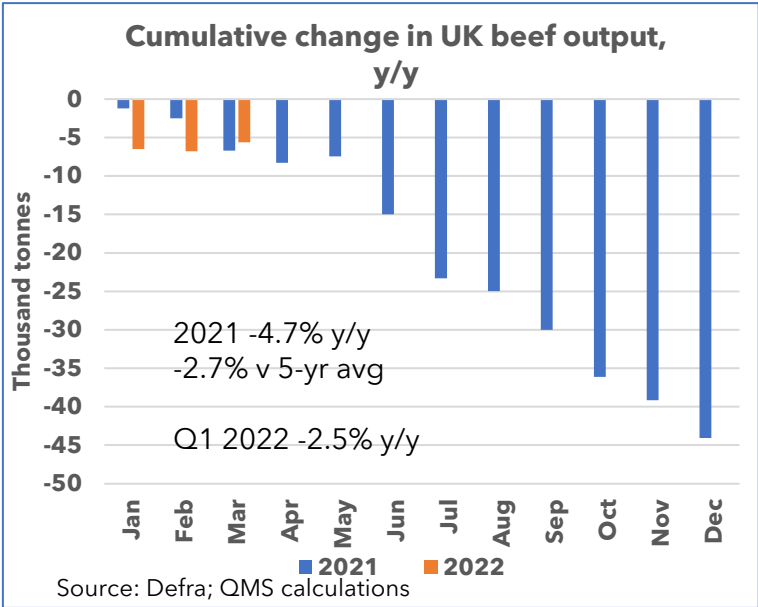
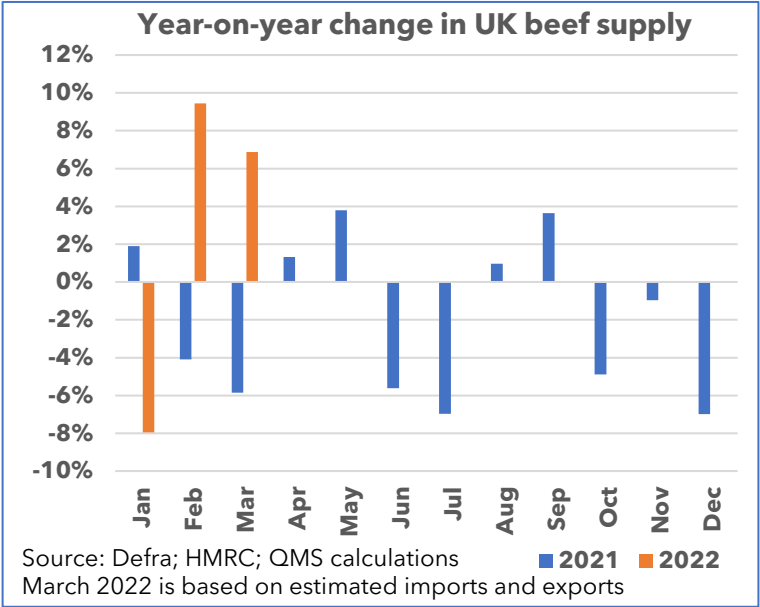
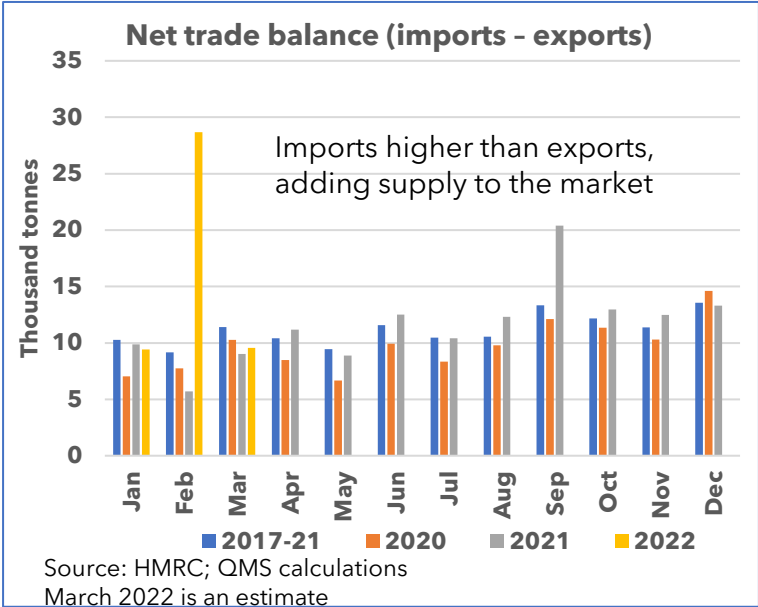
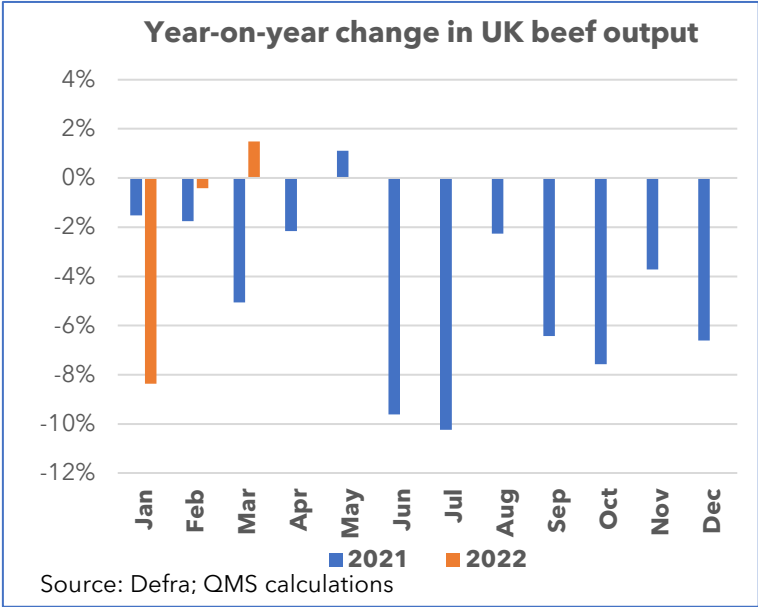
However, firm prices may have drawn out some additional stock in March.

Prices supported by:

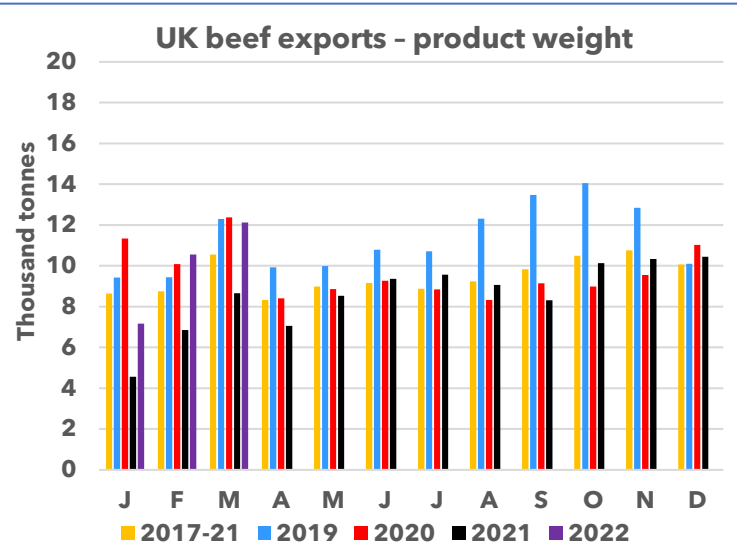
- reduced supply
- seasonality
- lack of cheap alternatives for manufacturing grade beef on EU market
- economic factors?



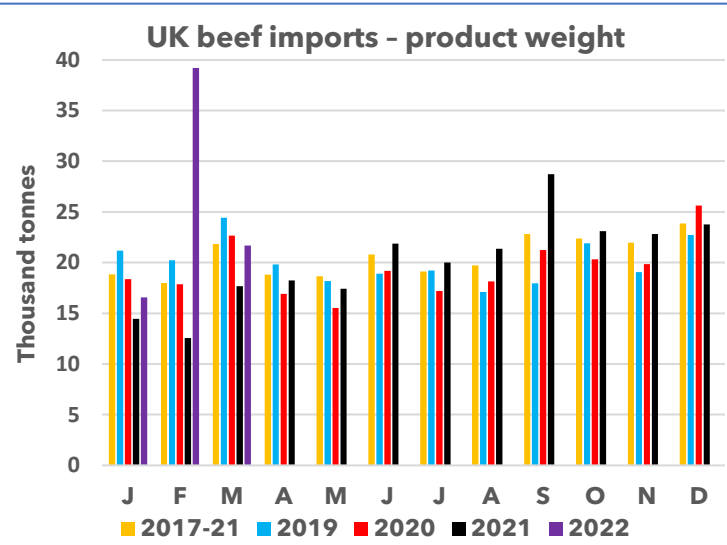
UK beef market supply: domestic production + (imports - exports) = supply



A focus on UK international trade in beef



Source: HMRC; QMS calculations
March 2022 is estimated



Source: HMRC; QMS calculations
March 2022 is estimated

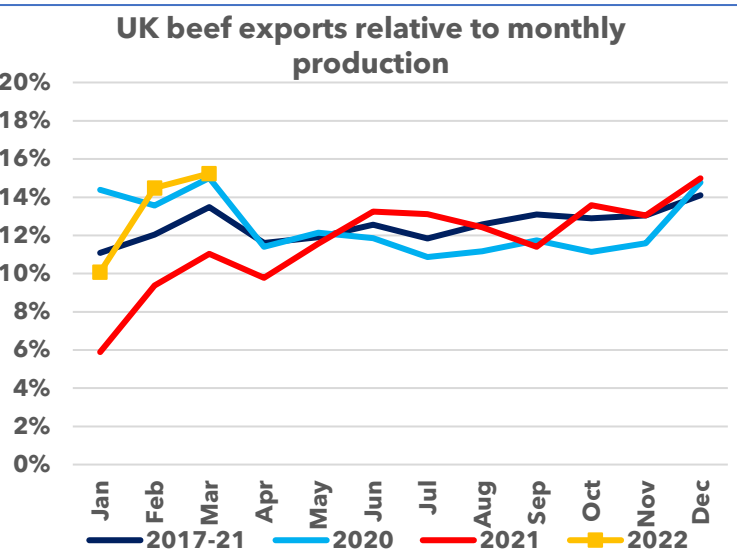
UK exports performing well given tight supply, EU exit and the pandemic.

Imports appear to have surged in February, likely driven by traders looking to rebuild stocks after a prolonged period of reduced slaughter.

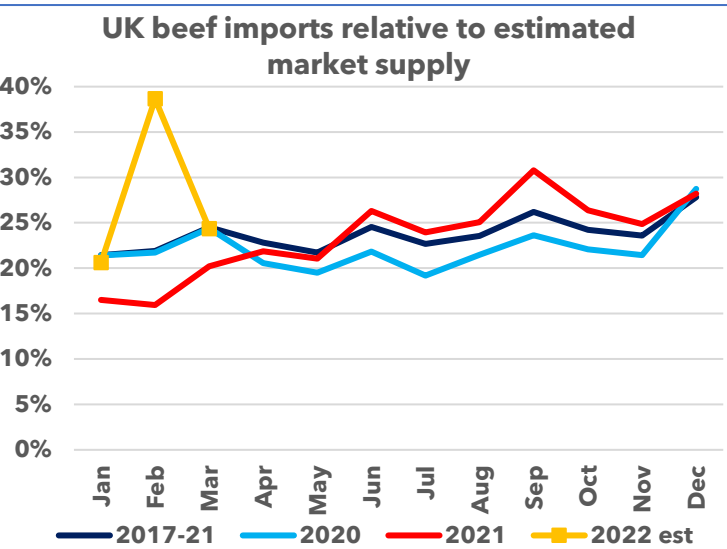
Note:

HMRC trade data covers HS codes 0201 & 0202 (fresh or chilled & frozen beef)

Estimates for March are based on seasonal trends in trade volumes and domestic production



Source: Defra; HMRC; QMS calculations
March is an estimate



Source: Defra; HMRC; QMS calculations
March is an estimate

Variables influencing international trade in beef

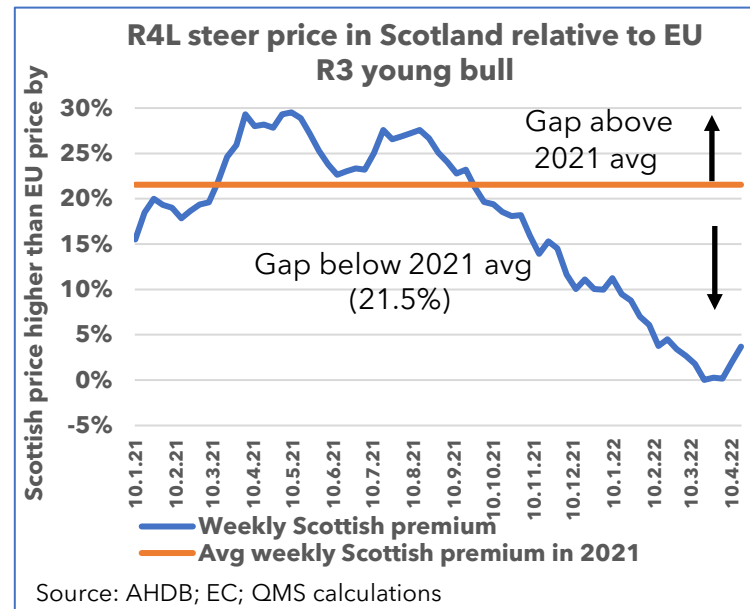
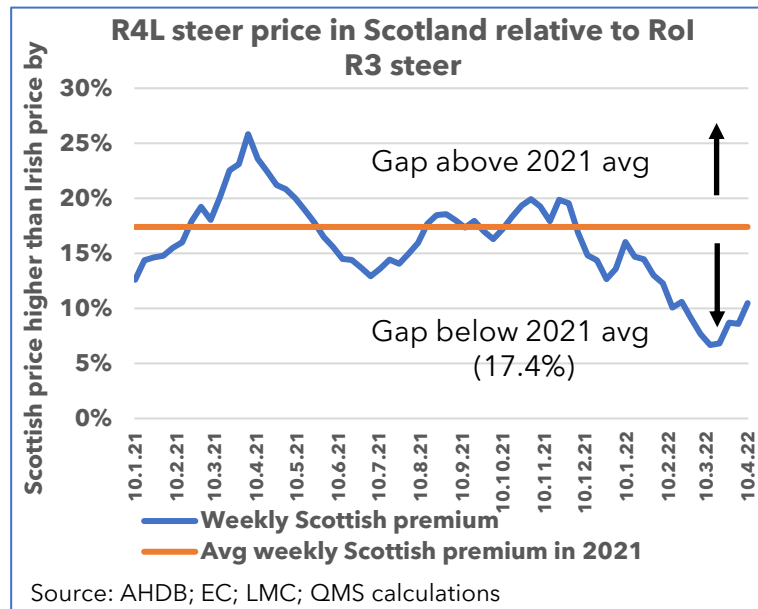
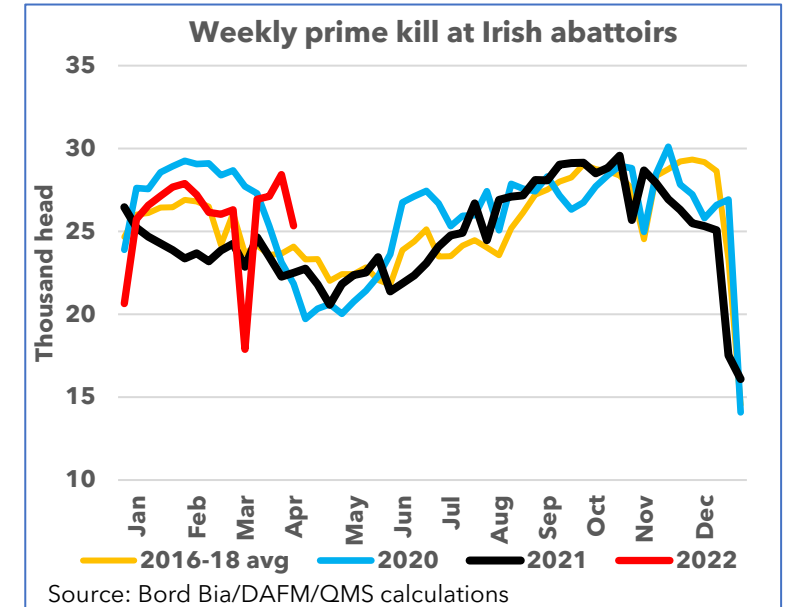
Supply has recovered in RoI since a very tight first half of 2021

Significant upwards pressure on UK import prices seems likely given rising cattle prices across the EU

Cattle on Irish farms
(thousand head)

Age group	Dec 2020	Dec 2021	y/y change
1-2 years	1,699	1,767	+4.0%
>2 years (cattle for slaughter and future breeding)	346	332	-4.0%

Source: CSO

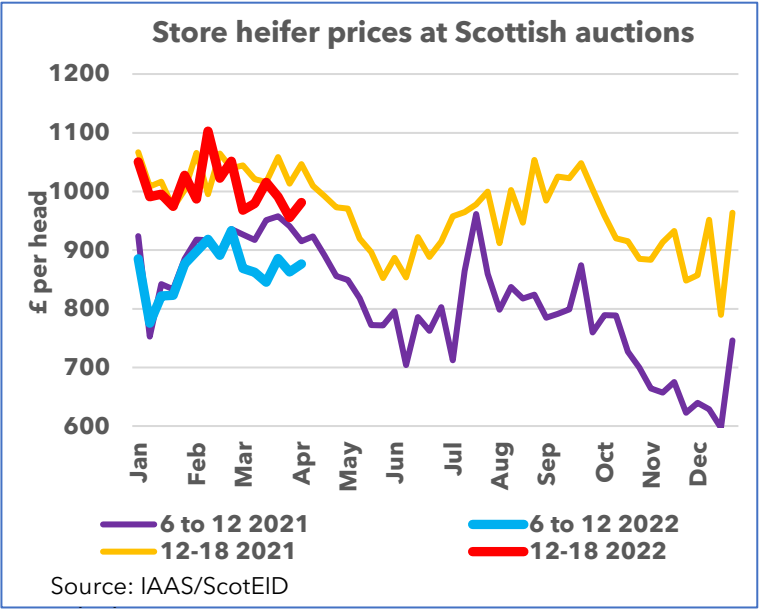
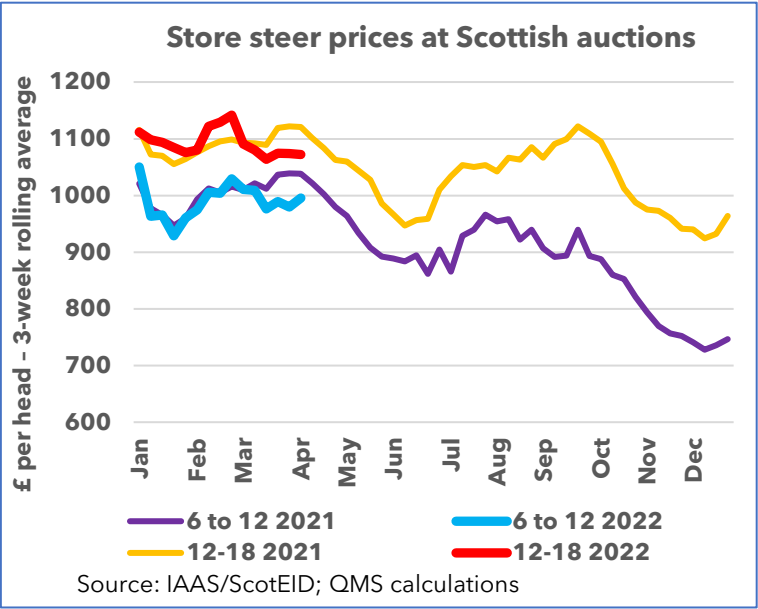


Selected EU cattle prices for
R3 males, p/kg dwt, week 15

	2022	2021
Germany (young bull)	474.6	350.2
Netherlands (young bull)	442.6	290.5
Spain (young bull)	421.5	312.9
Poland (young bull)	423.5	285.6
Irish Republic (steer)	403.7	346.8

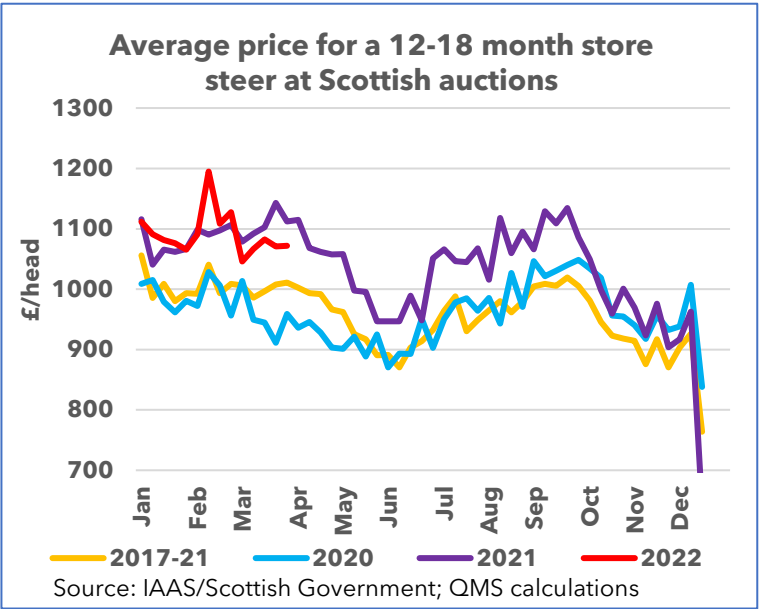
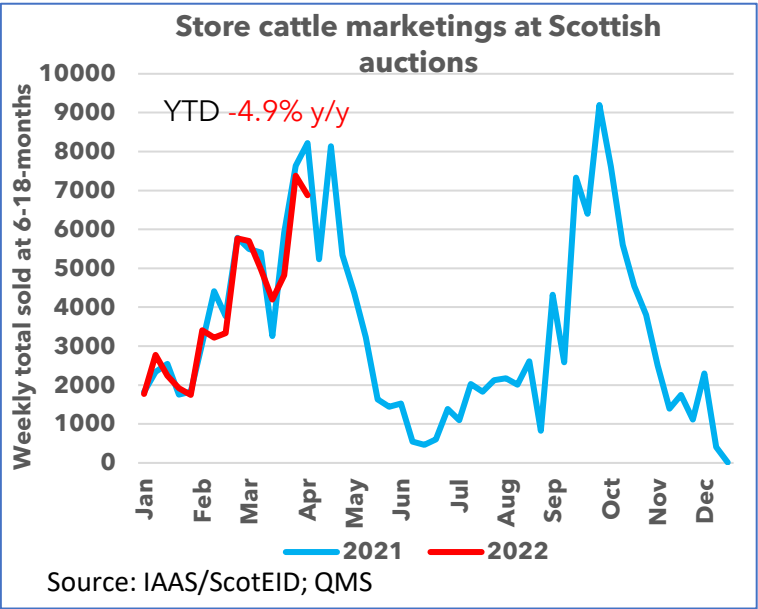
+0.6% Adjustment made to EU prices to reflect different spec and the weekly average exchange rate is sourced from the ECB

Store cattle trade



Store cattle prices have dropped behind 2021 levels since March despite fewer being traded.

It is likely that surging input costs have resulted in reduced demand from finishers.

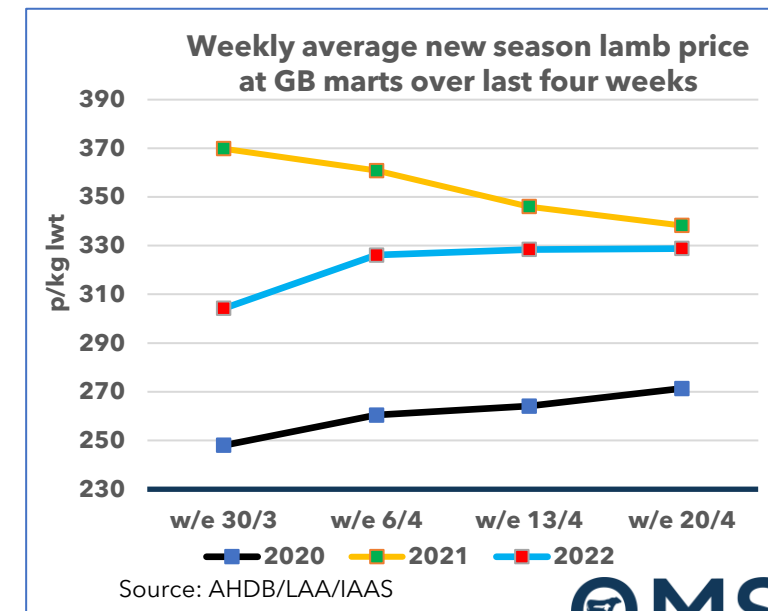
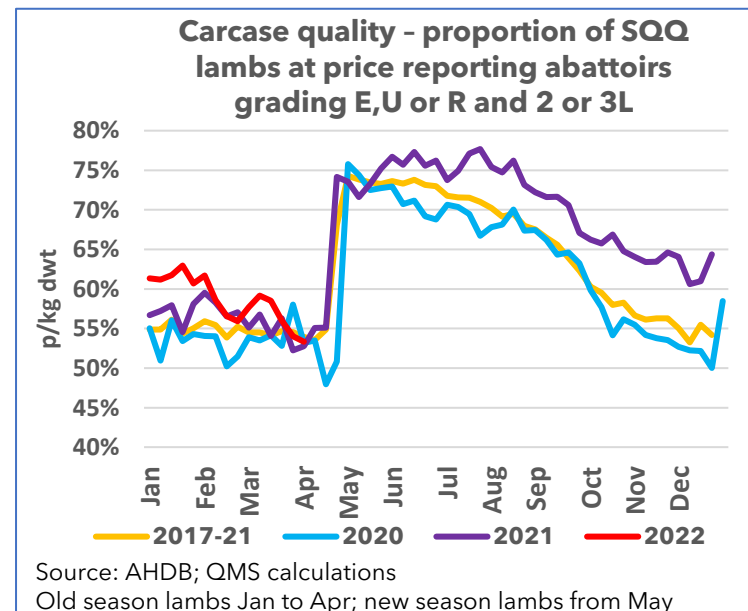
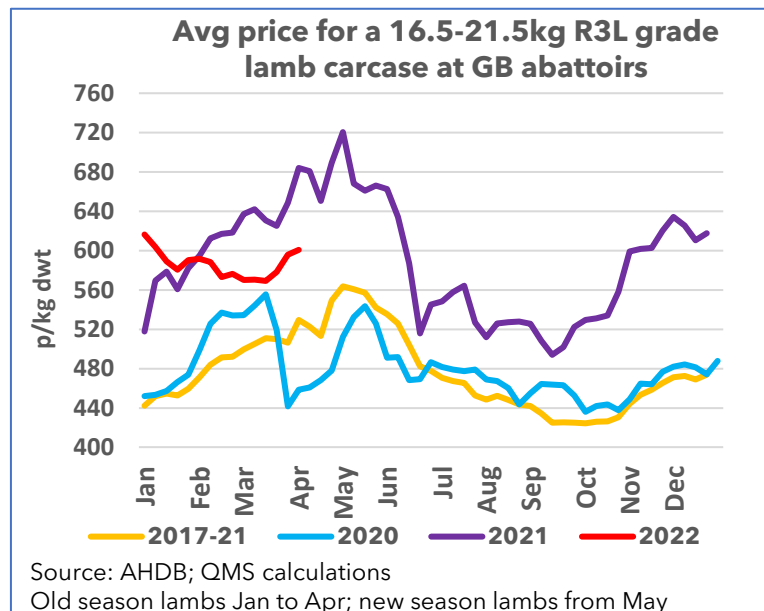
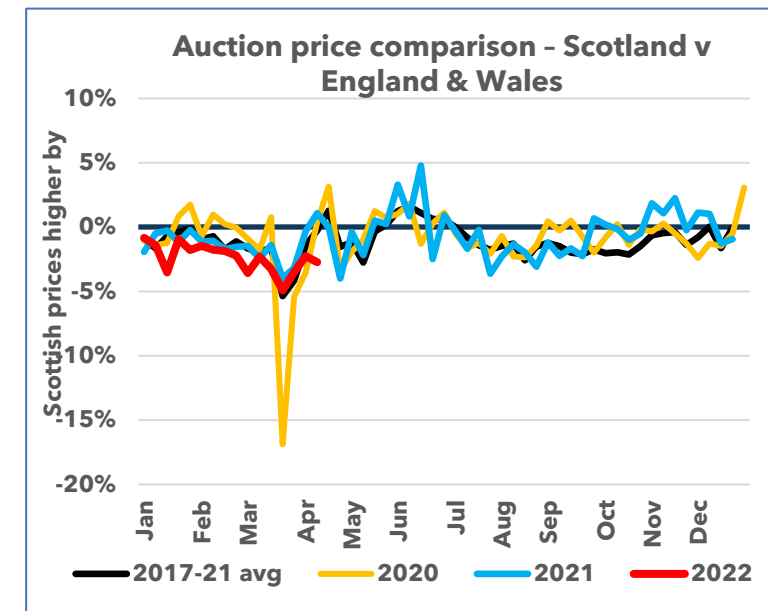
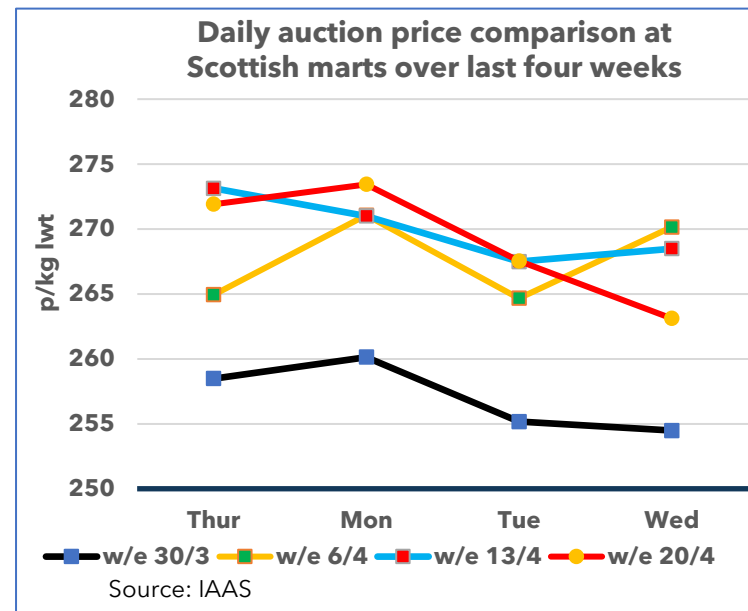
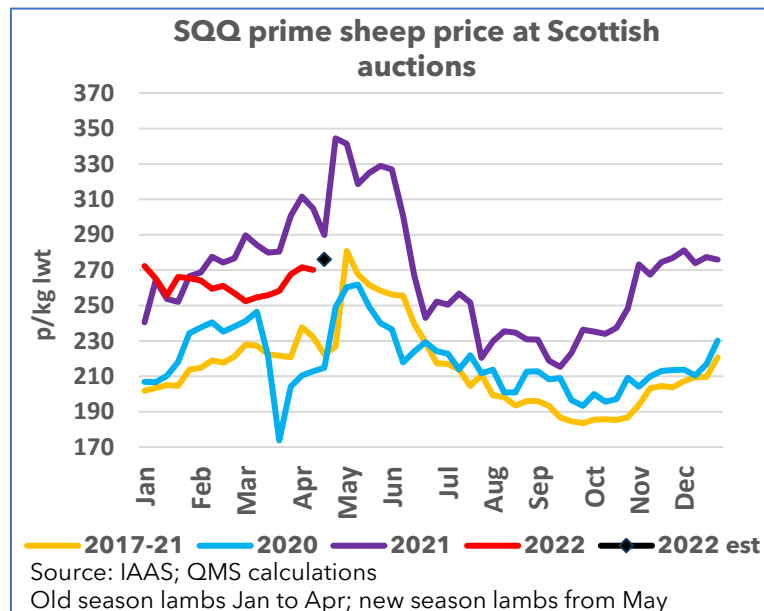


	4 weeks to 16/4	y/y change last 4 weeks
Store cattle prices		
Steers, 6-12 months	£988	-4.3%
Steers, 12-18 months	£1,073	-3.9%
Heifers, 6-12 months	£868	-7.4%
Heifers: 12-18 months	£981	-5.2%
Store cattle marketings		
All steers & heifers, 6-18 months	23,300	-7%
Source: IAAS/ScotEID; QMS calculations		

Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
Old season SQQ lamb price at Scottish auctions	p/kg lwt, w/e 20 April	270.18	-1.41p	+5.6%	-11.4%	+16.3%
Old season SQQ lamb marketings at Scottish auctions	Average in four weeks to April 20, head	22,109		+2.2%	+17.4%	+12%
Total lamb marketings at GB auctions	Average in four weeks to April 20, head	118,437		+8.9%	+17.1%	+16%
UK sheepmeat market supply	Tonnes in Q1 2022 (estimate)	66,900			+10%	+0.5%

- Finished hogg prices recovered through March at Scottish marts and opened April at their highest since the festive period driven by increased demand ahead of Ramadan and Easter, steadying since.
- Market prices continue to fall short of 2021 levels due to an increased carryover of hoggs, but remain historically high as market supply remains below pre-2020 levels.
- The December Sheep and Goat Inventory indicated breeding flock reductions of around 4% in Scotland and 1% in England, so it seems likely that we will end up with a smaller lamb crop this year.
- However, given the slower marketing profile in 2021, production volumes may hold up through the summer and into autumn even if there are slightly fewer lambs born this spring.
- While imports have risen in early 2022, they are unlikely to recover to mid-2010s levels while a tight EU market is likely to boost export demand, keeping the domestic market historically tight.

Farmgate prices - prime sheep - lower than last year but well above pre-pandemic levels

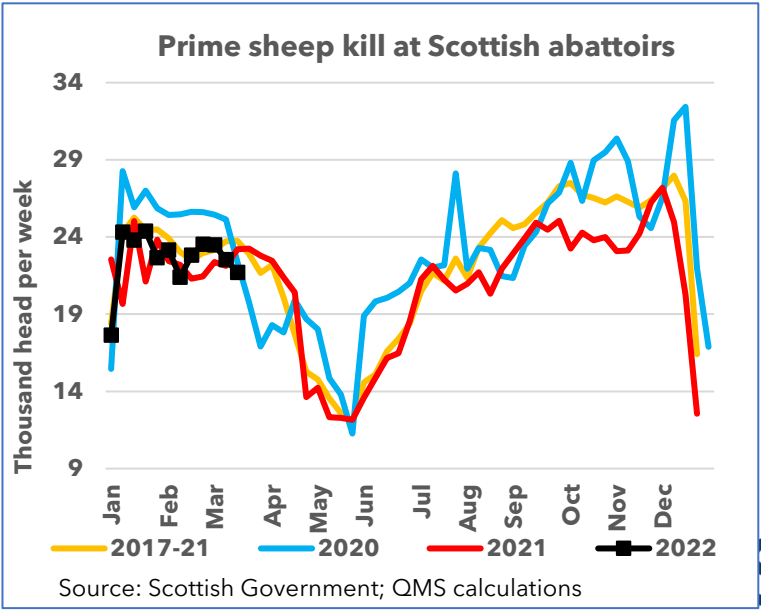
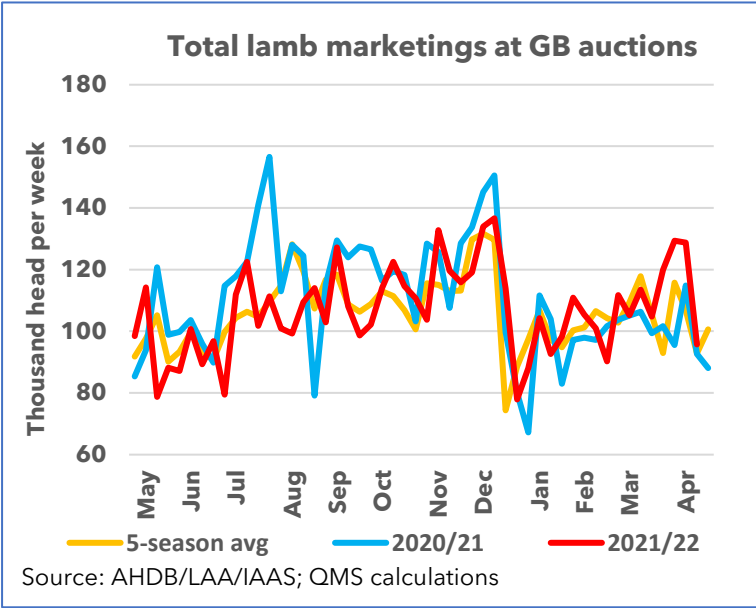
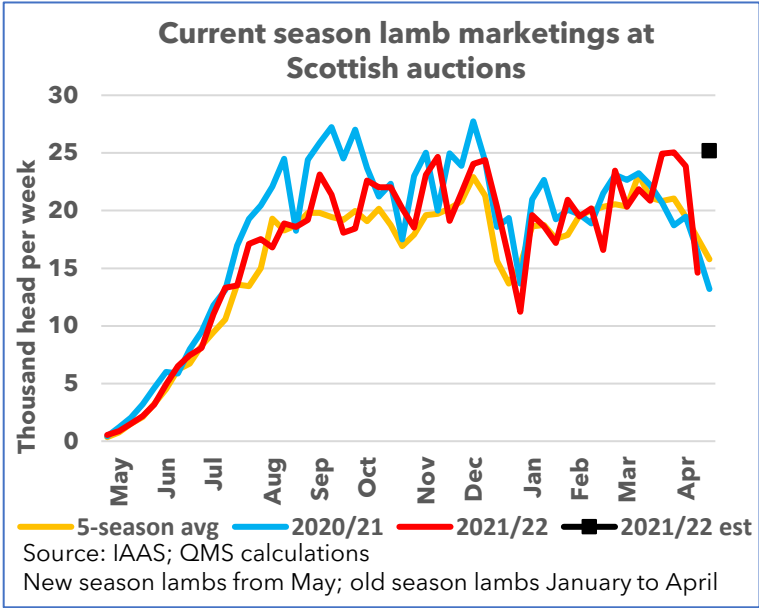
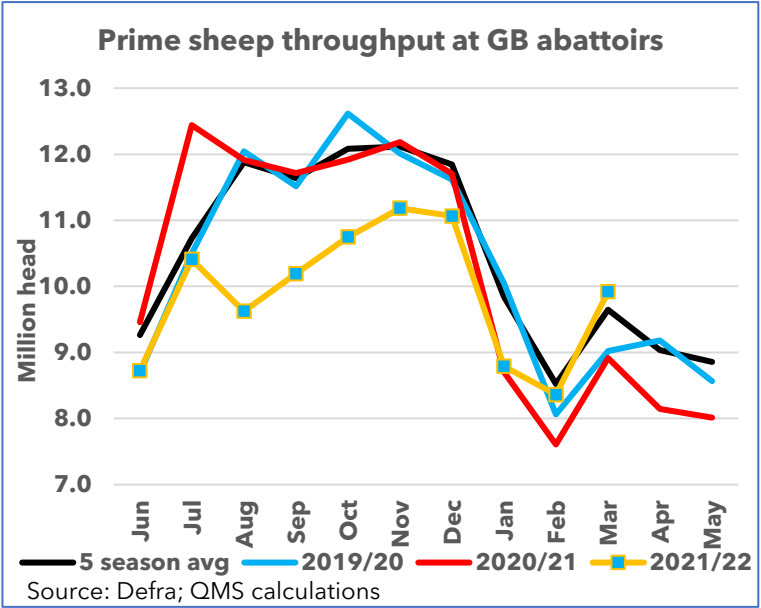


Availability and slaughter – increased hogg carryover into 2022 but potential for fewer lambs in 2022/23

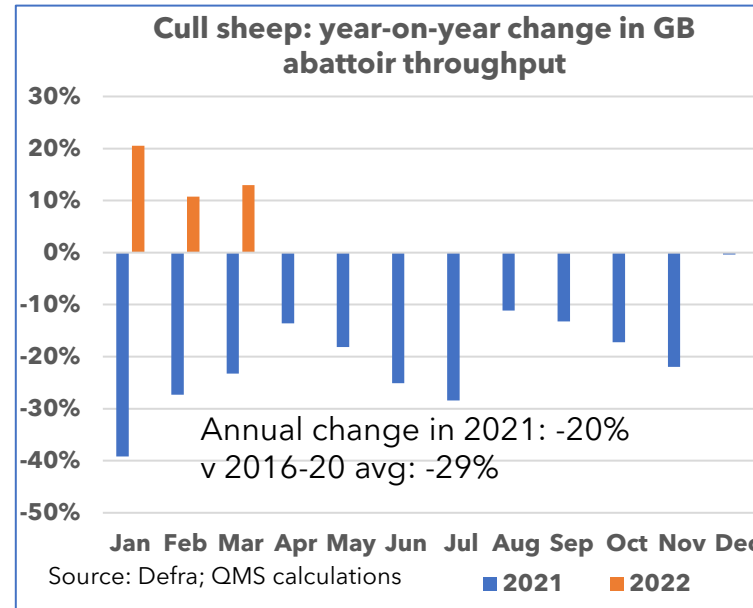
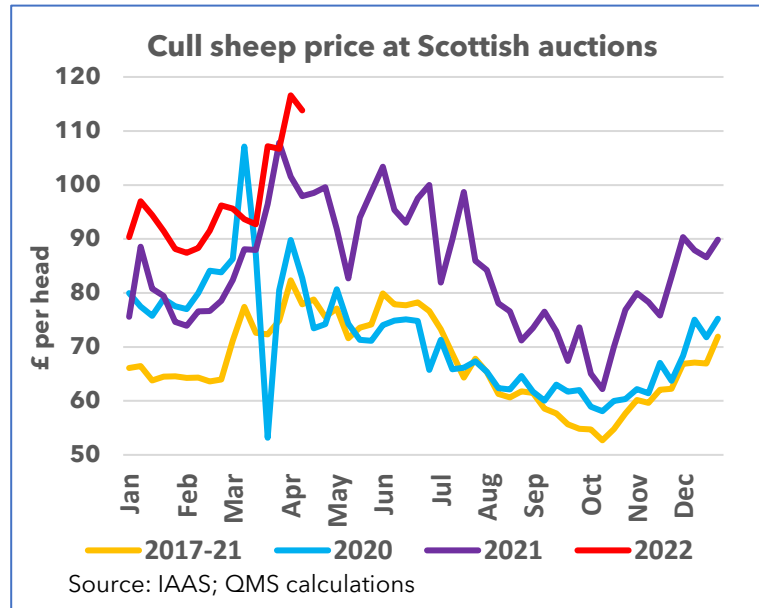
June Census, 2021		
	Lamb crop y/y change	Change v 5-year avg
Scotland	+1.1%	+1.9%
England	-3.9%	-5.8%
Wales	+3.1%	-0.4%
GB	-0.8%	-2.6%

December 2021 Sheep & Goat Inventory		
	Total breeding flock y/y change	Other sheep and lambs y/y
Scotland	-3.7%	+3.3%
England	-1.2%	+9.3%

Source: Defra; Scottish Government; Welsh Government; QMS calculations

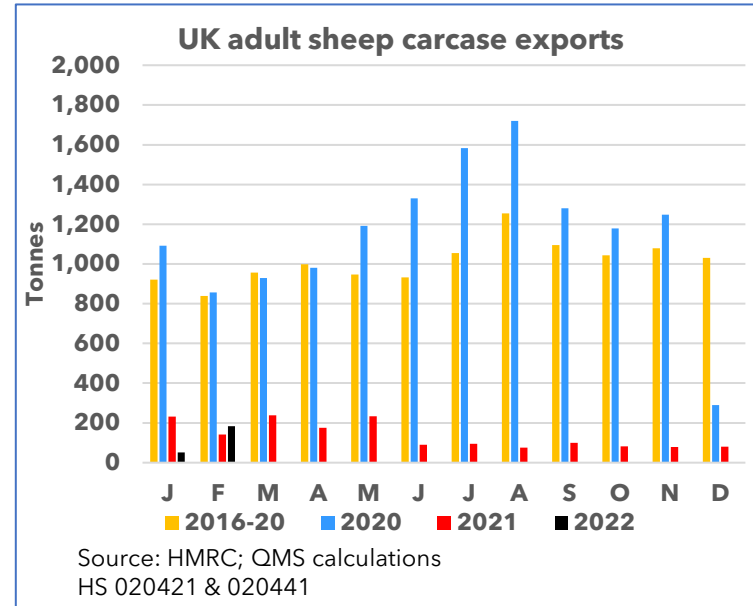
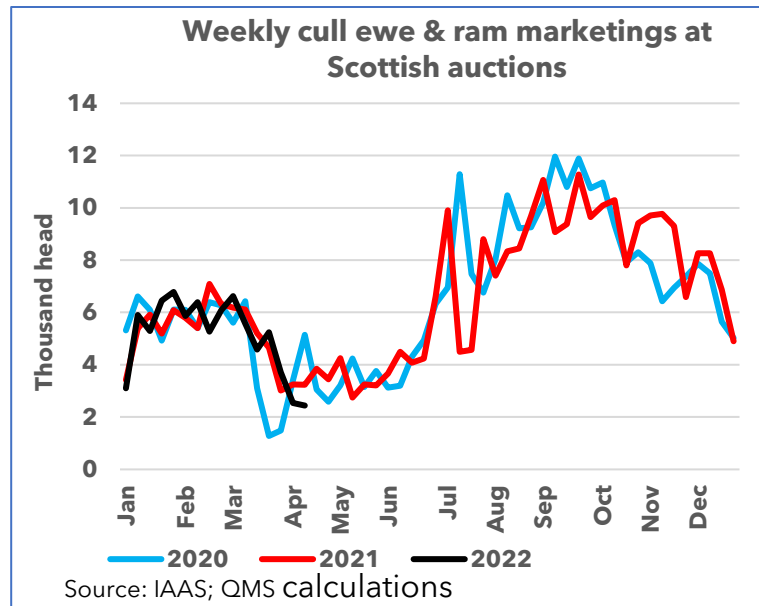


Cull sheep market – seasonally strong



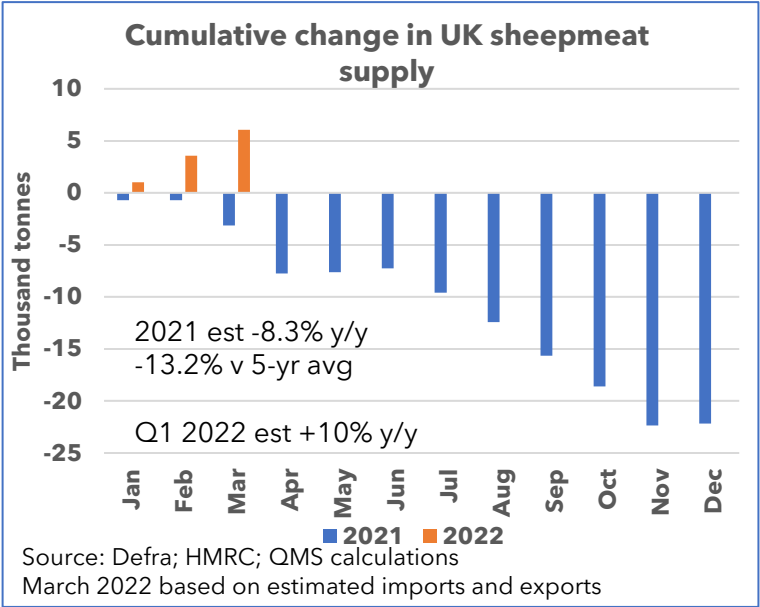
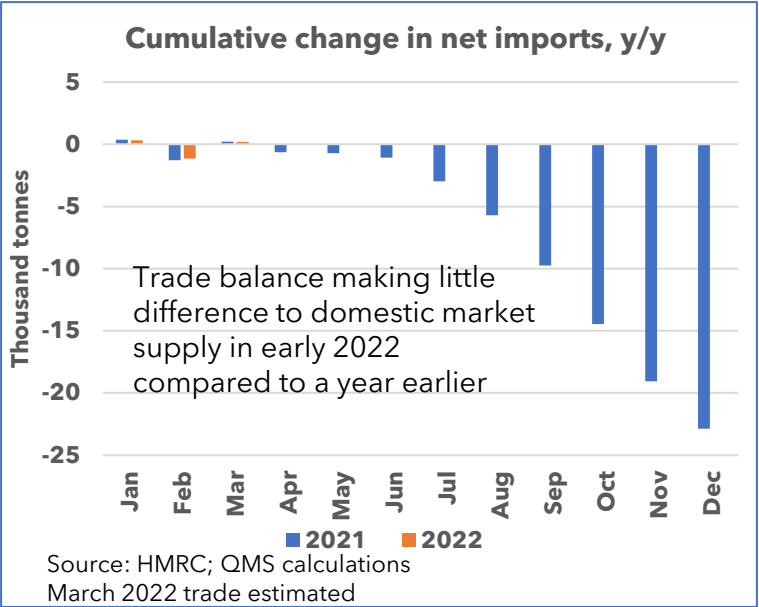
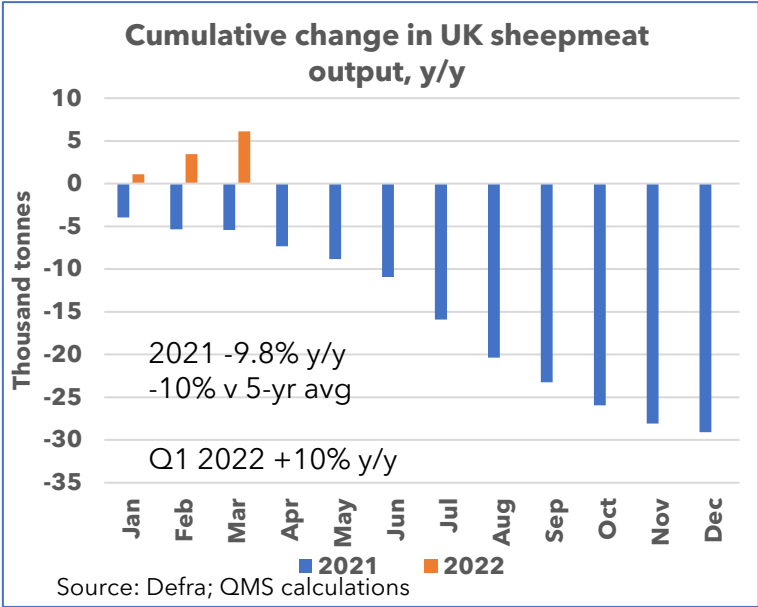
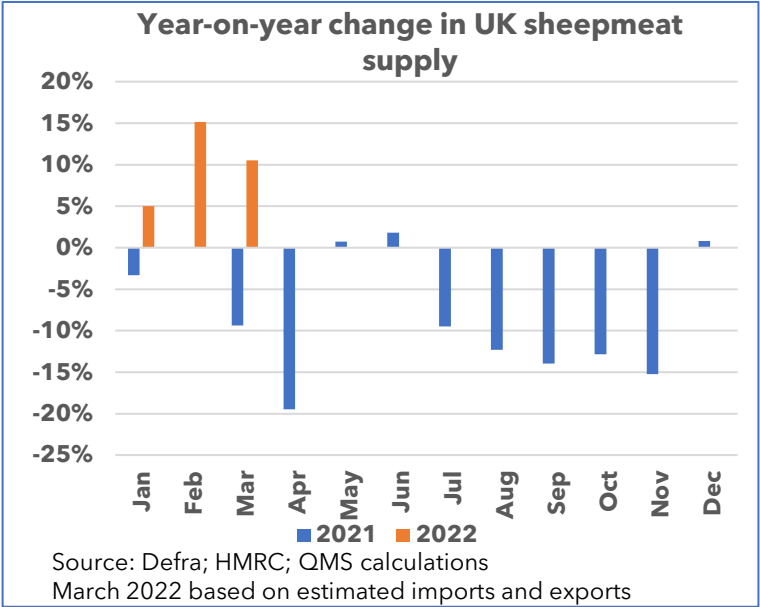
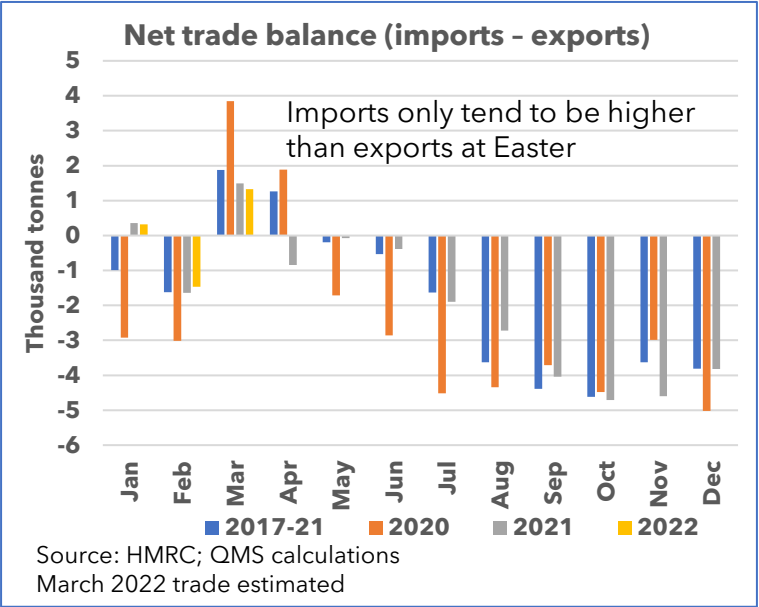
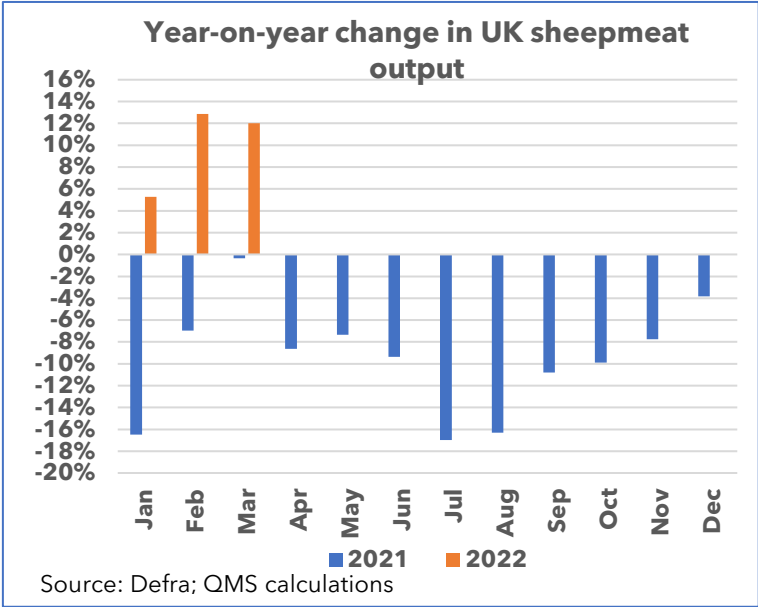
A seasonal reduction in supply has boosted ewe values at a time of increased consumer demand for Ramadan and Easter.

While slaughter looks to have rebounded strongly from the lows of 2021, there are questions over the size of reduction reported by Defra last year.

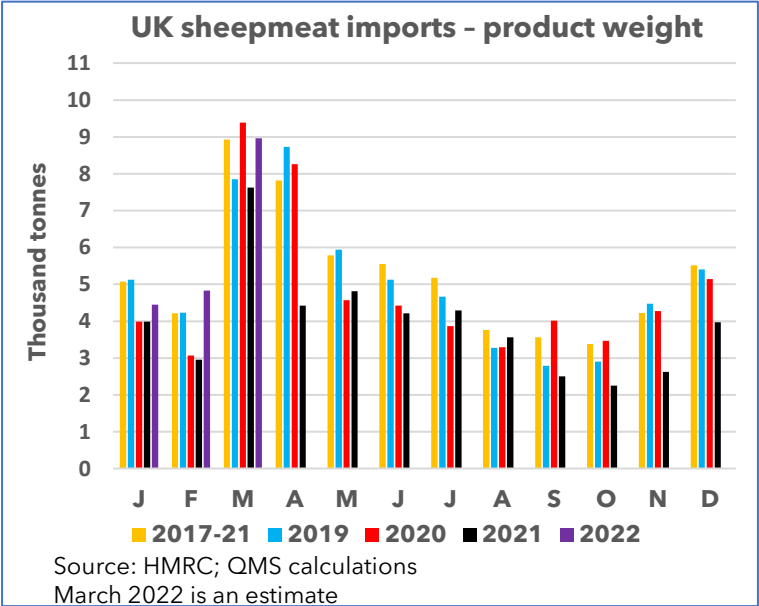
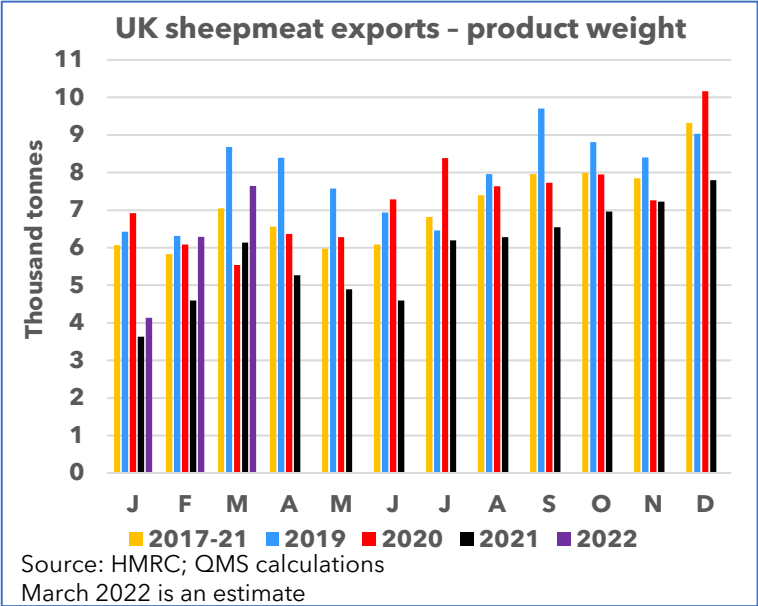


Demand appears to have rebalanced from exports to the home market since late 2020 without dampening prices.

UK sheep market supply: domestic production + (imports - exports) = supply



A focus on UK international trade in sheepmeat



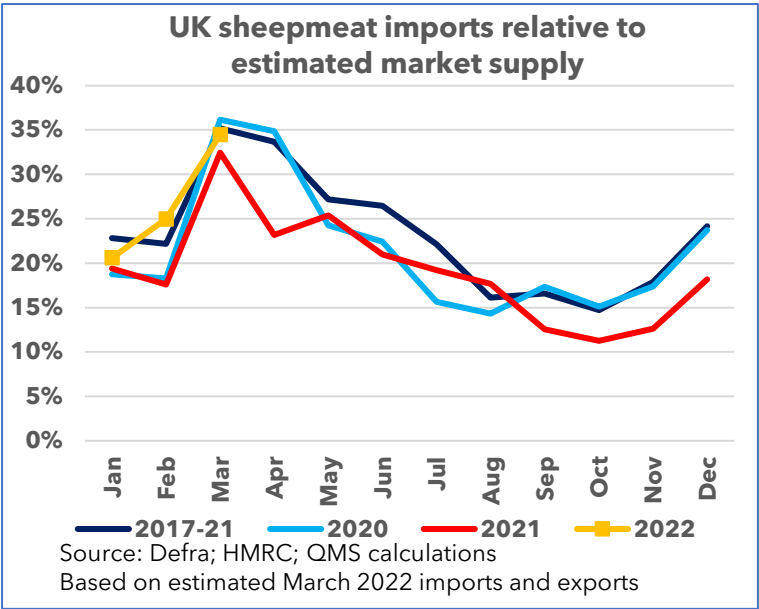
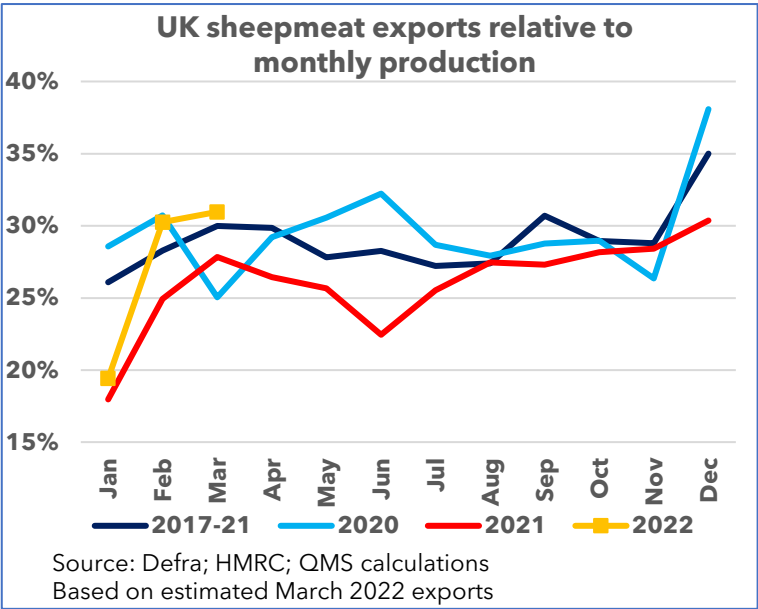
UK exports supported by tight supply in the EU and the rebound in production.

Rebound in UK imports reflects attractive market prices for global exporters amid continuing weakness of overall supply.

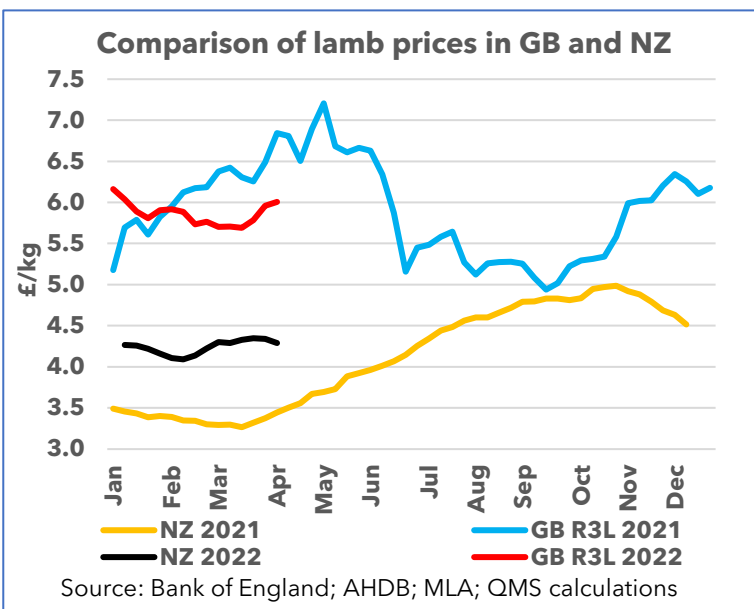
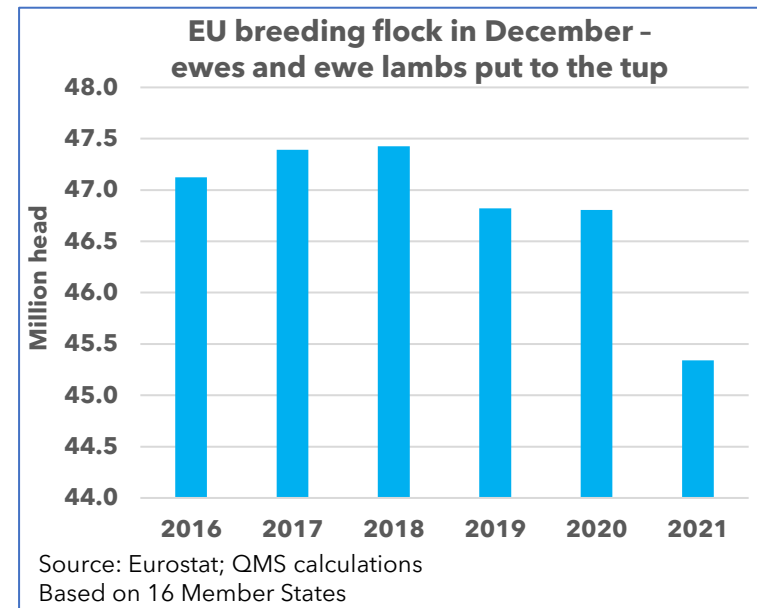
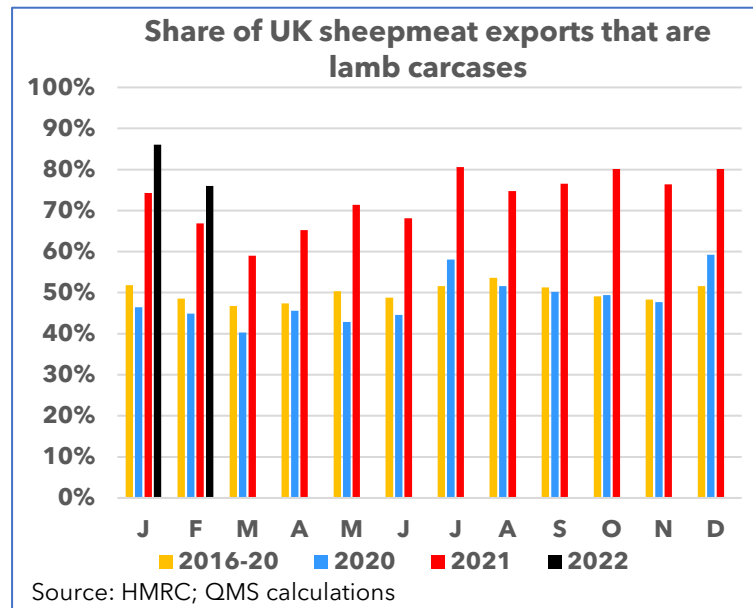
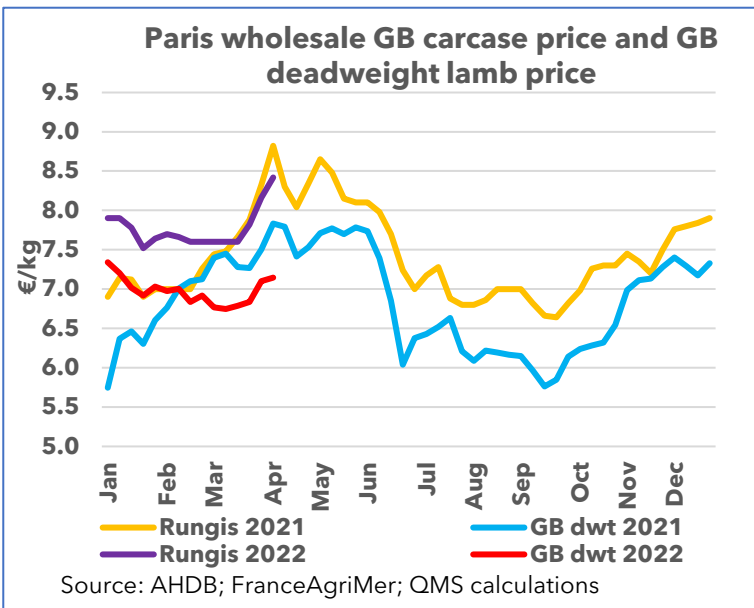
Note:

HMRC trade data covers HS codes 0201 & 0202 (fresh or chilled & frozen beef)

Estimates for March are based on seasonal trends in trade volumes and domestic production



Variables influencing UK sheepmeat trade

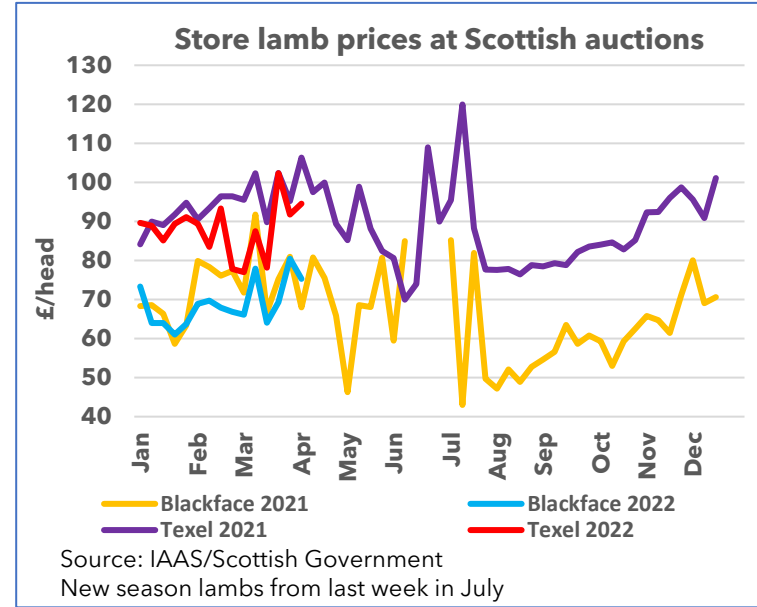
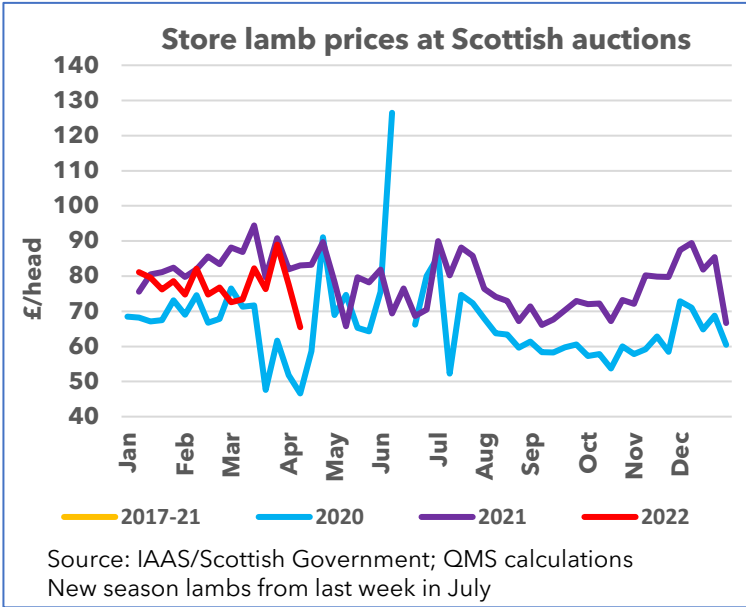


Oceania lamb production forecasts

	2021	2022	y/y change
Australia (thousand tonnes)			
Lamb production	502	540	+7.6%
Lamb exports (product weight)	283	307	+8.5%
New Zealand (head) (October 2021 - September 2022 season)			
Lamb crop	22.57m	22.70m	+0.6%
Export lambs	18.3m	18.5m	+1.0%

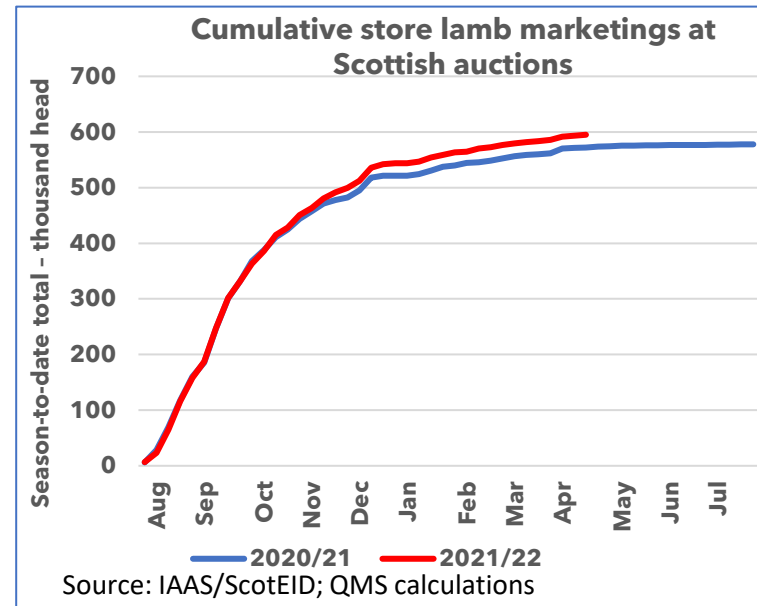
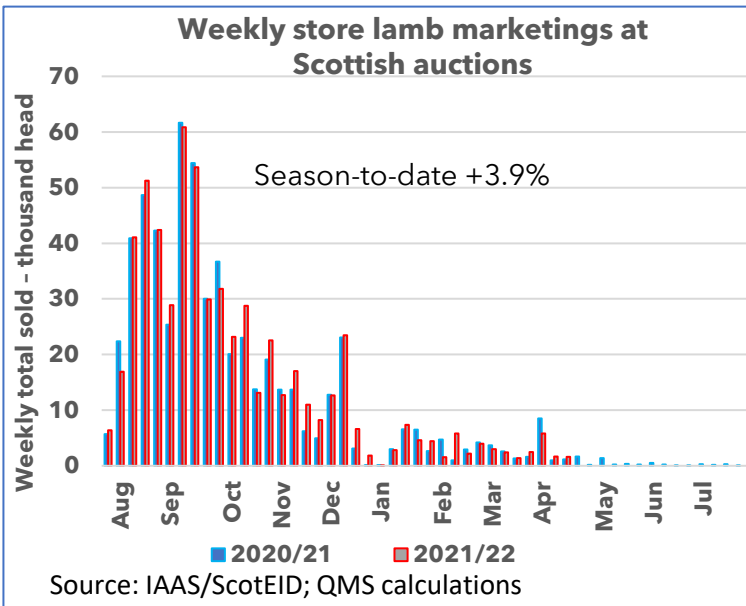
Source: MLA; Beef + Lamb NZ; QMS calculations

Store sheep trade



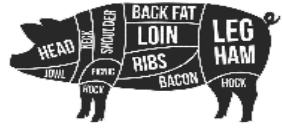
Like the finished trade, store hogg prices have softened compared to spring 2021 levels.

Prices were exceptional at autumn 2021 sales, so the year-on-year reduction in finished hogg prices are likely to have squeezed finishing margins.



More lambs have been sold store this season and the increase has out-paced the overall uplift in the June 2021 lamb crop (+1.1%). This has supported hogg supplies in the marketplace in spring 2022.

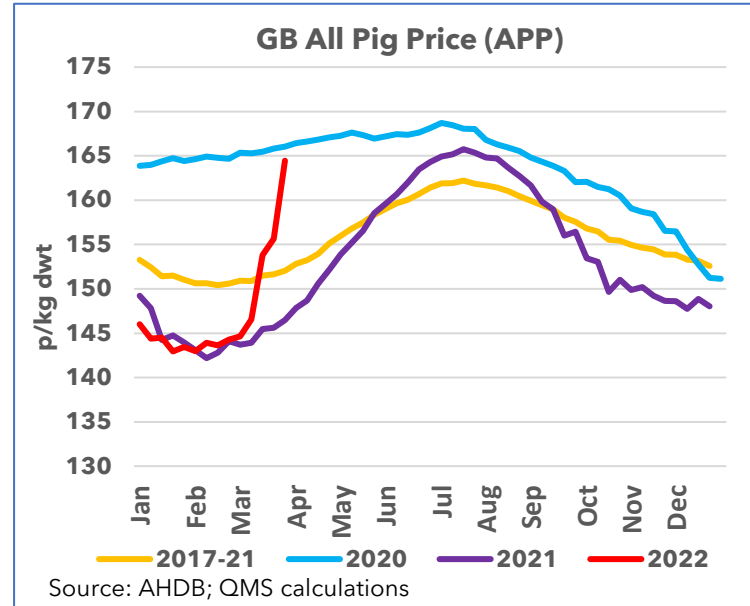
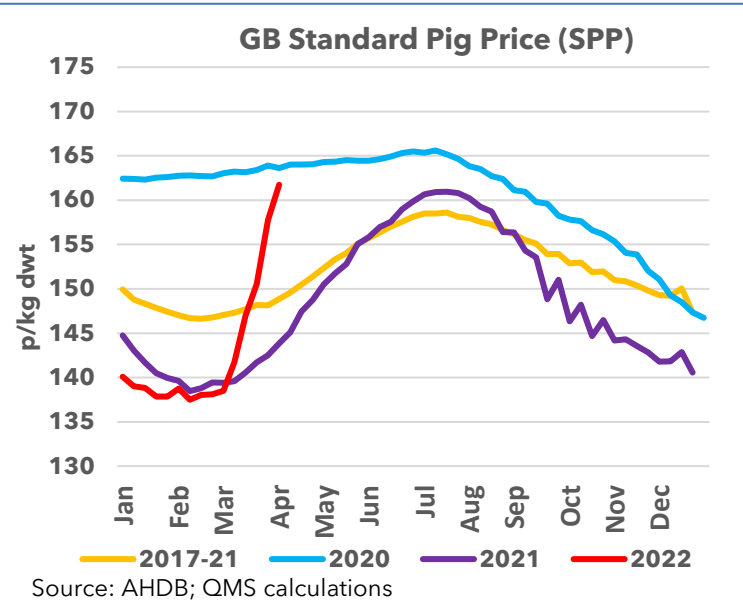
Summary of market developments – pig market



Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
GB Standard Pig Price (SPP)	p/kg dwt, w/e 16 April	161.74	+4.01	+14.1%	+12.4%	+8.6%
Average carcase weight of standard pigs	Average in four weeks to April 16, EU spec	93.45		-1.1%	+6.2%	+9.8%
Prime pig slaughter at GB abattoirs	Total during March 2022, thousand head	883.3		+1.3% (change in daily avg kill Mar v Feb)	-0.8%	+14%
UK pig market supply	Tonnes in Jan-Feb 2022	250,100			+24.9%	+18.2%

- The pig market has surged since March and farmgate prices have moved well beyond their five-year average despite a well-supplied market.
- While off their peak, carcase weights remain elevated as 13% of standard carcasses weighed over 104.9kg in mid-April compared to 2.5% a year earlier, suggesting that a backlog remains on farm.
- After rising 40% in eight weeks, EU pig prices have steadied in mid-April and have been similar to GB levels since mid-March having traded at a 20% discount over the winter.
- While imports rose at the start of the year, they are likely to have become much less competitively priced in the spring, with EU prices driven up by seasonality, tight EU supply, and a rebalancing of demand in Eastern Europe.
- Pork prices in China remain below pre-ASF levels but export opportunities remain higher than before 2019 and market prospects are expected to improve in the second half of the year.

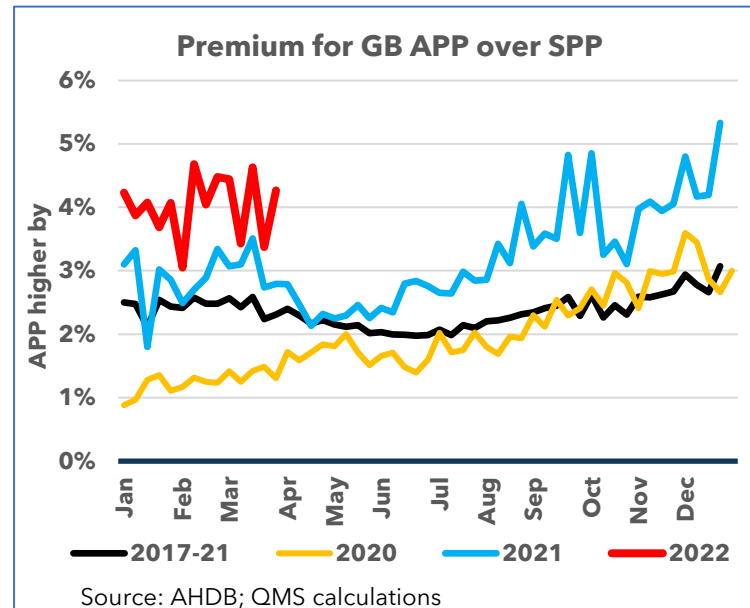
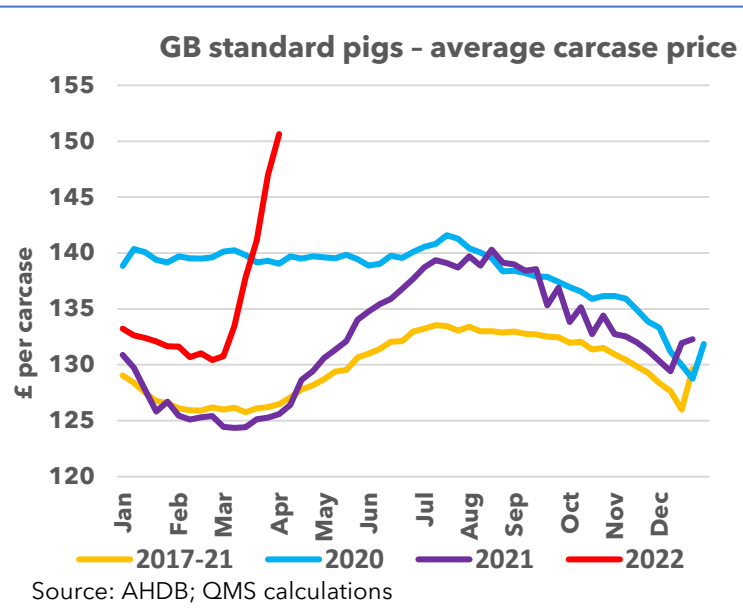
Farmgate prices - prime pigs



The pig market has surged since March, with the SPP rising 17% over five weeks and approaching record highs for the time of year.

However, production costs are likely to be well above £2/kg, so margins remain heavily squeezed.

An elevated premium for the overall average pig price (APP) over that of standard pigs (SPP) suggests that market conditions remain disrupted, with higher relative prices still being paid for pigs with specific production characteristics.



Availability and slaughter

- inability of the processing sector to expand output enough to meet increased pig numbers in 2021 led to a backlog on farm, pressuring farmgate prices and pushing up carcase weights due to delayed slaughter

June Census, 2021

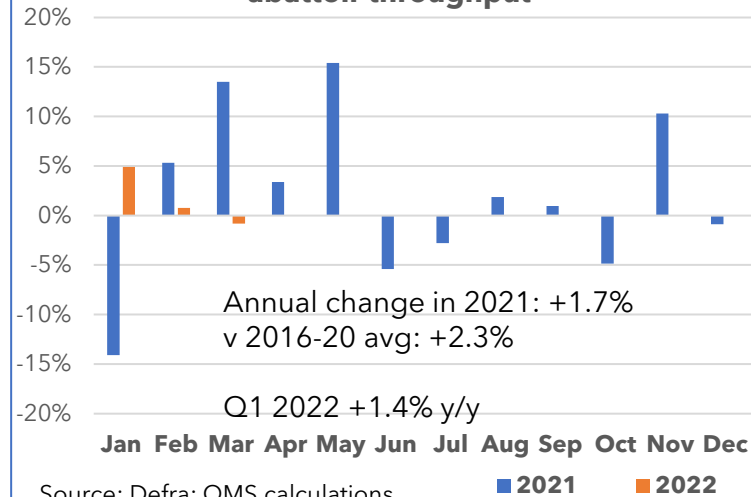
	Female breeding herd y/y change	Fattening pigs y/y change
Scotland	-8.7%	+1.9%
England	-1.8%	+6.1%

December Pig Survey, 2021

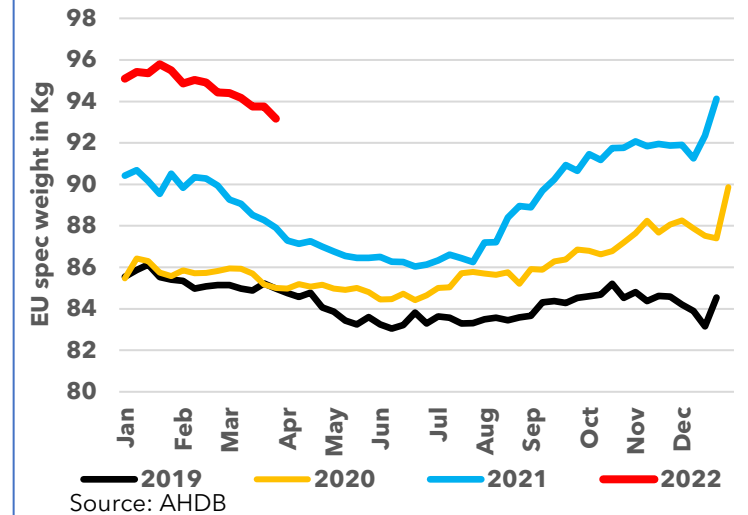
	Female breeding herd y/y change	Fattening pigs y/y change
England	-6.9%	+10.6%

Source: Defra; Scottish Government; QMS calculations

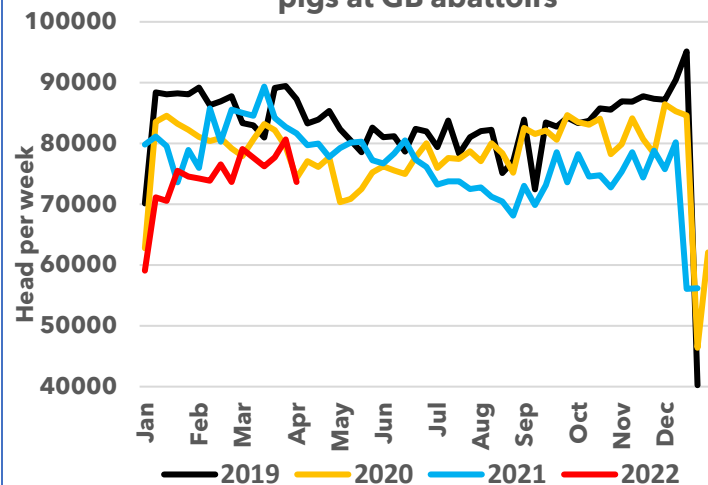
Prime pigs: year-on-year change in GB abattoir throughput



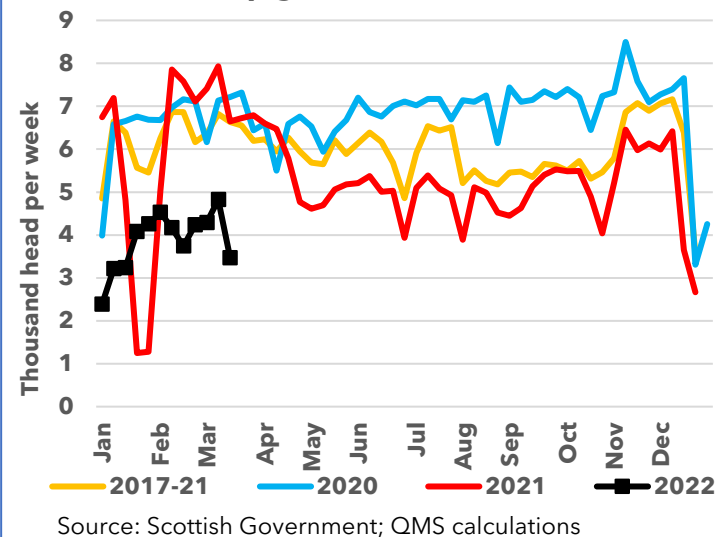
Standard pigs - average carcase weight at GB abattoirs



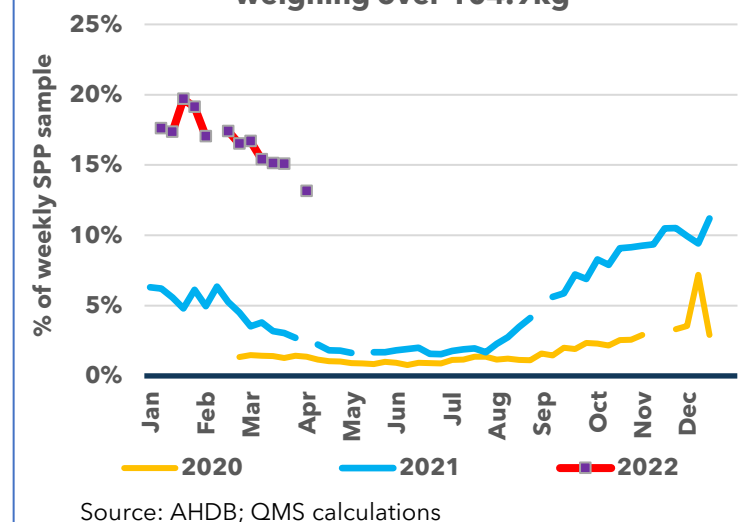
Throughput of price reported standard pigs at GB abattoirs



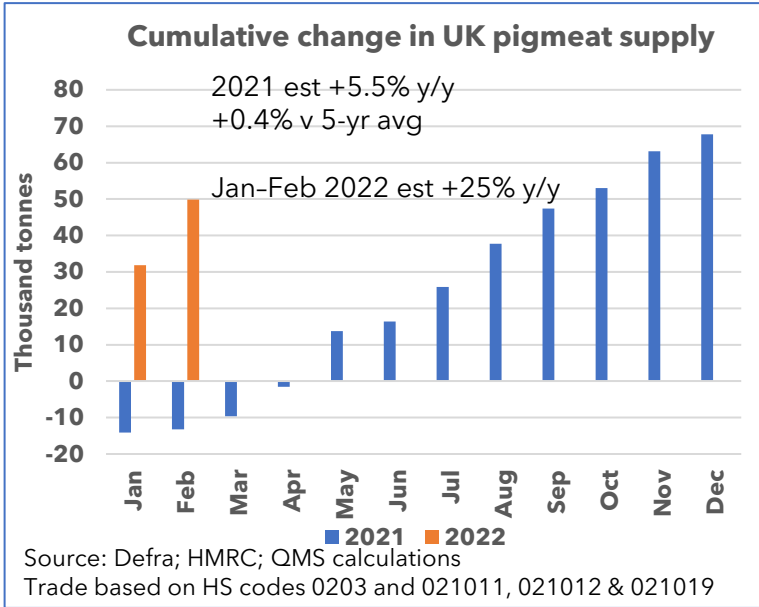
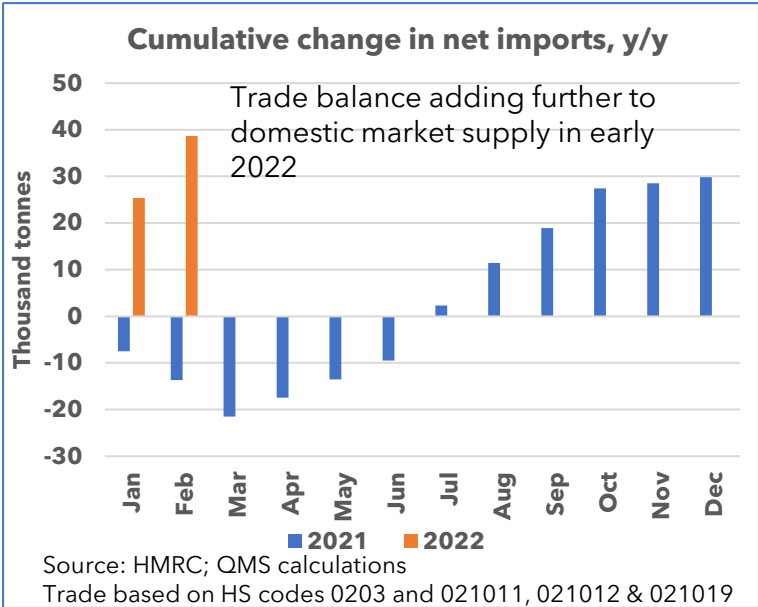
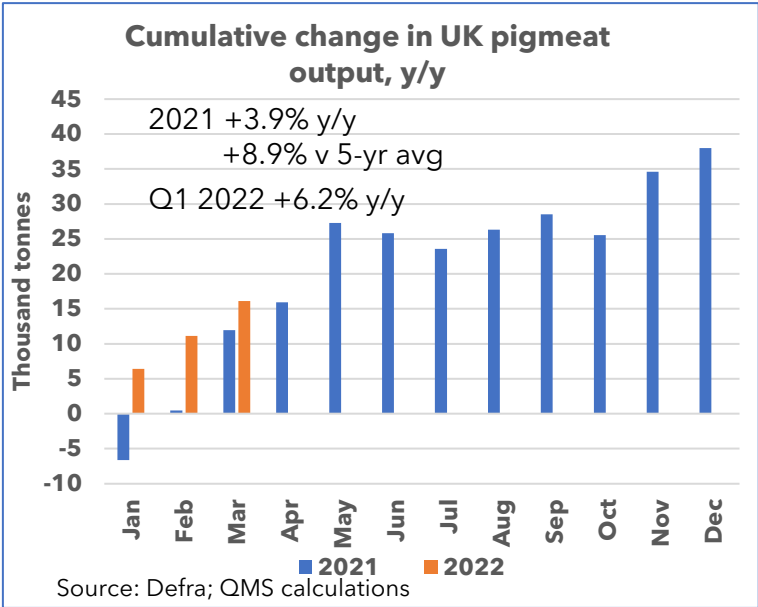
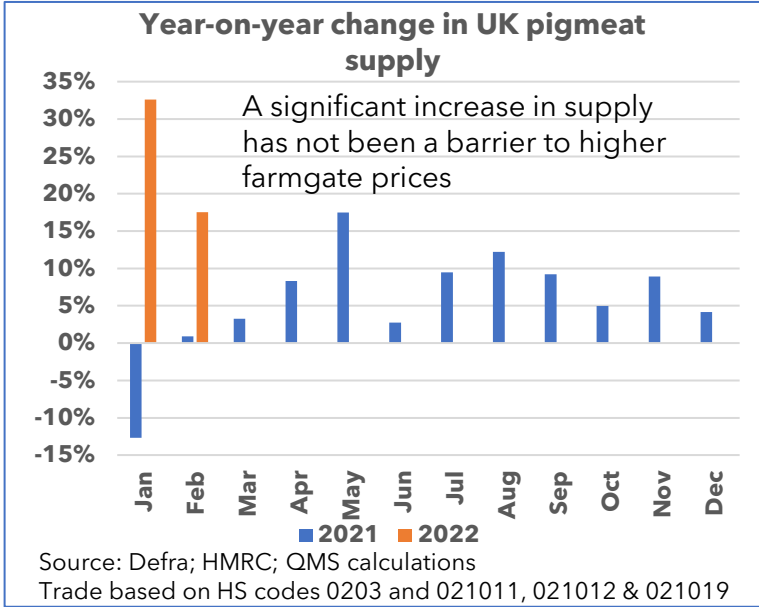
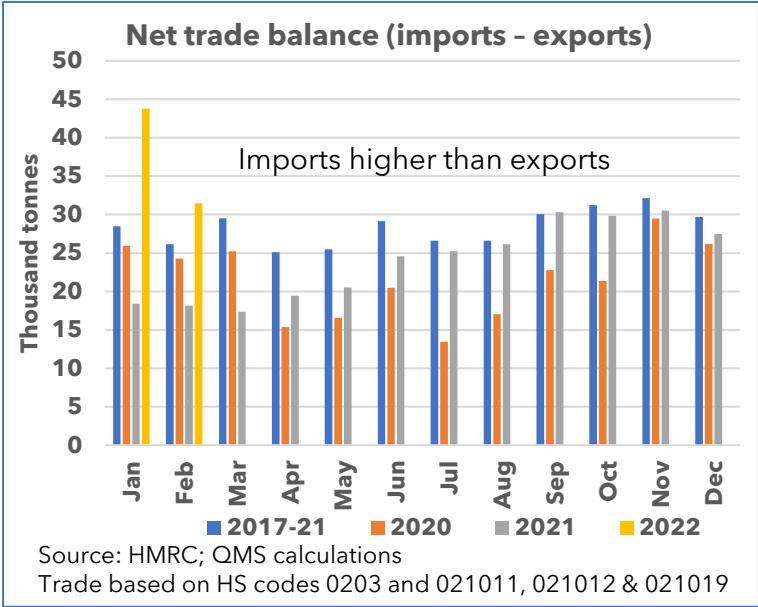
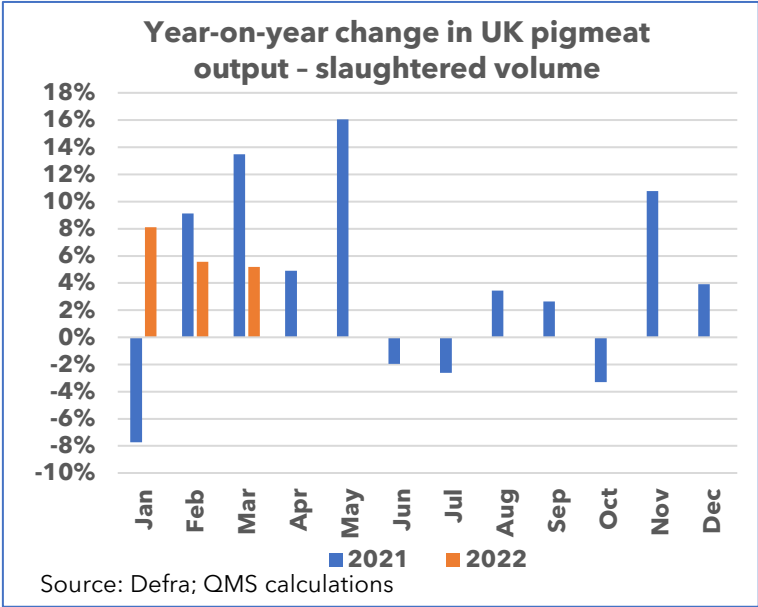
Prime pig kill at Scottish abattoirs



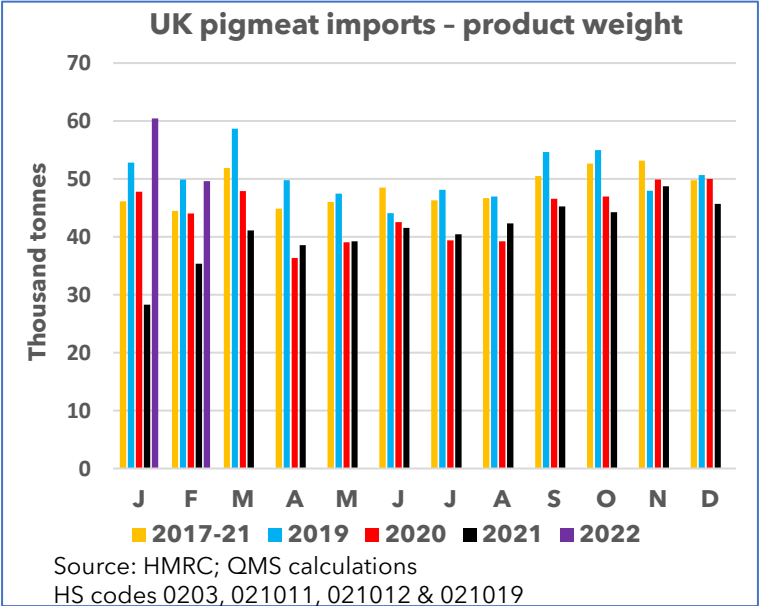
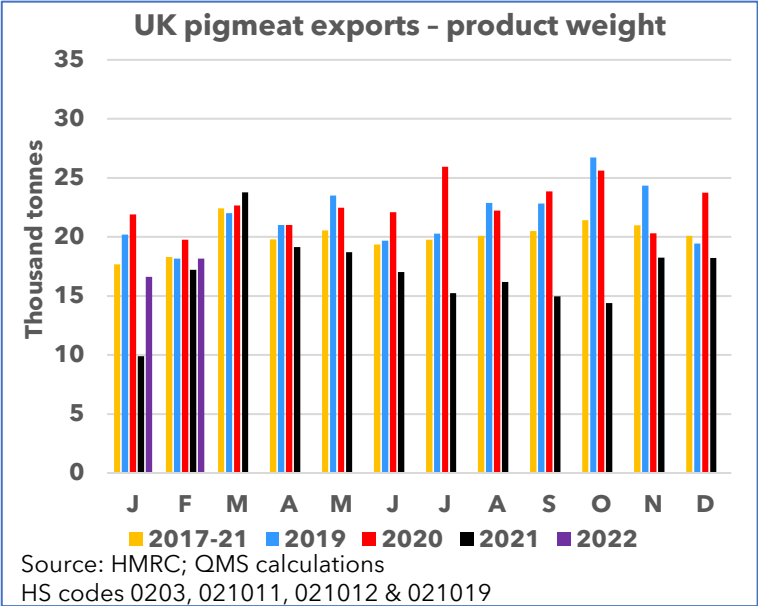
Proportion of GB standard carcasses weighing over 104.9kg



UK pigmeat market supply: domestic production + (imports - exports) = supply



A focus on UK international trade in pigmeat



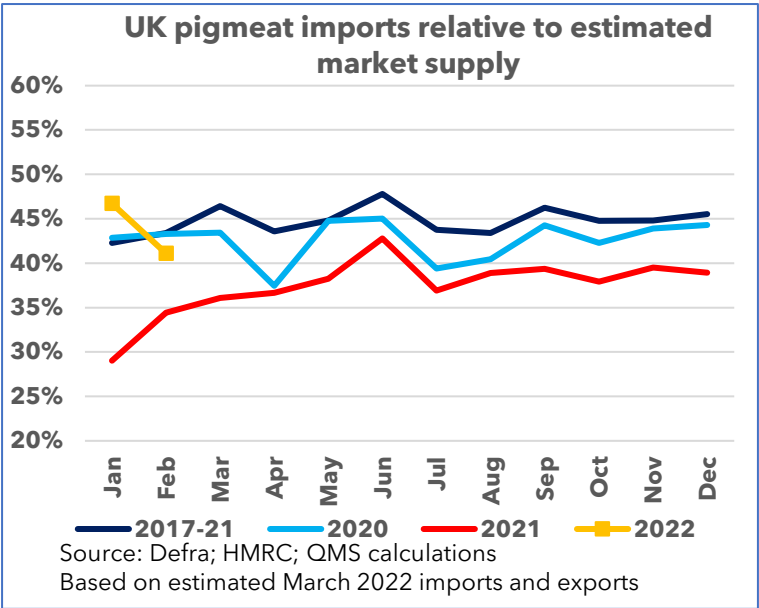
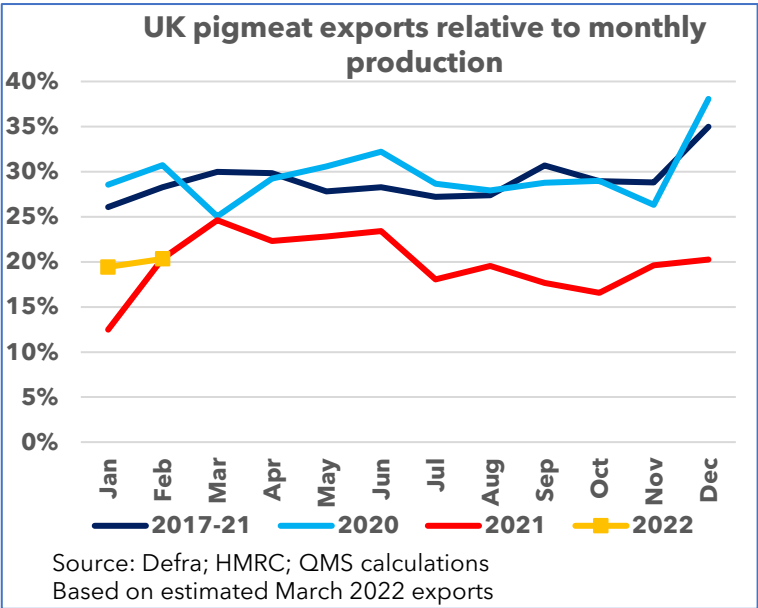
While EU pork was cheap to import over the winter, higher import volumes appear to be more of a return to previous levels, albeit with a shift in composition towards bacon & ham.

Export activity remains relatively weak and this has raised overall UK market supply.

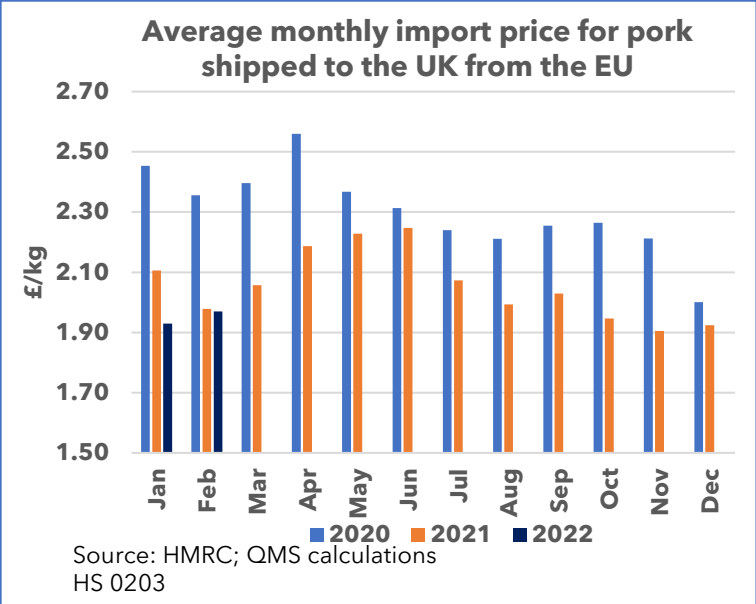
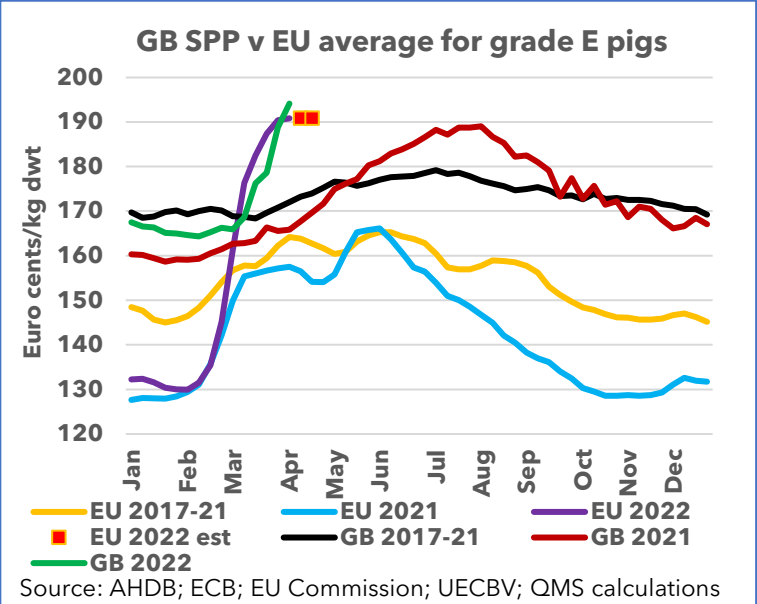
Although exports to the EU reached a 16-month high in February, sales to China fell sharply, slipping back to just over 25% of export volumes compared to a February 2021 peak of 64%.

Note:

HMRC trade data used here covers HS codes 0203 (fresh or chilled & frozen swine meat) & 021011, 021012 & 021019 (bacon & ham).

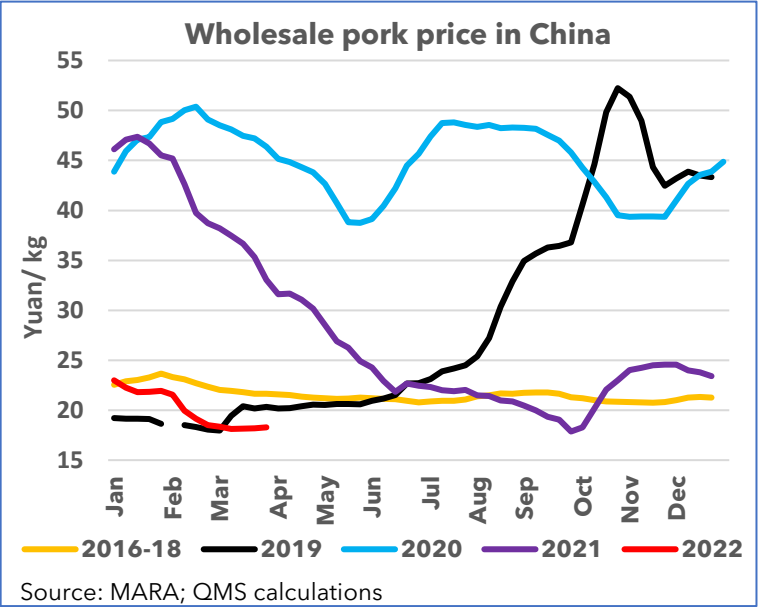
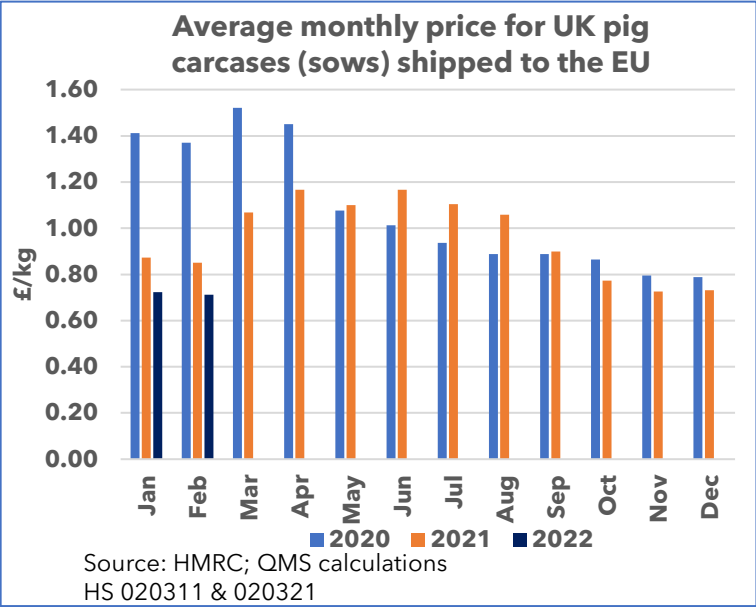
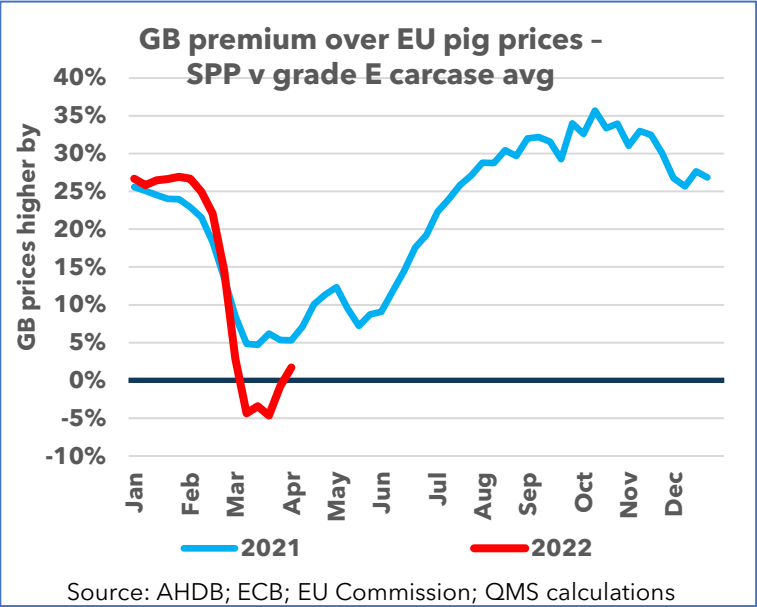


Factors driving UK international trade in pigmeat



USDA Global Pork Market Forecasts, April 2022 (million tonnes carcass weight)					
Key indicators	2018	2019	2020	2021	2022
World, production	111.9	101.0	95.8	107.7	110.5
China, production	54.0	42.6	36.3	47.5	51.0
All countries, imports	8.6	9.4	11.7	11.6	11.0
China, imports	1.46	2.45	5.28	4.33	3.50
EU, production	23.2	23.0	23.2	23.7	23.2

Source: USDA Foreign Agricultural Service

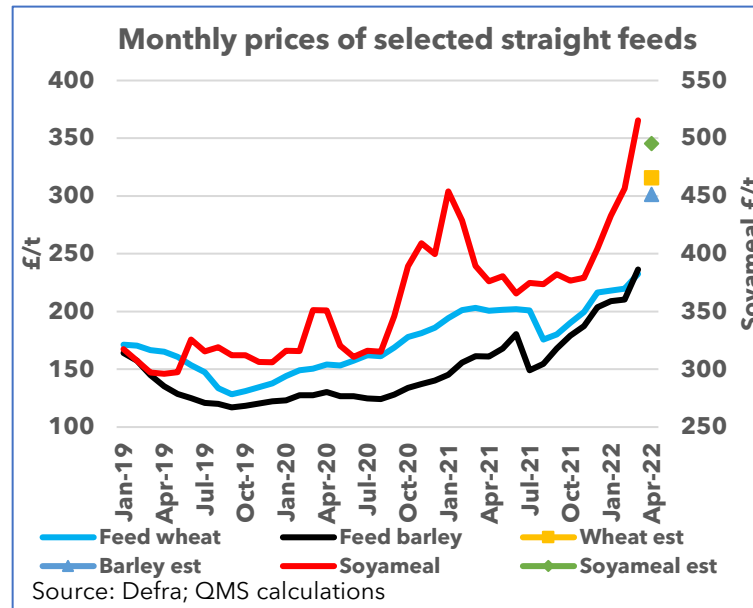
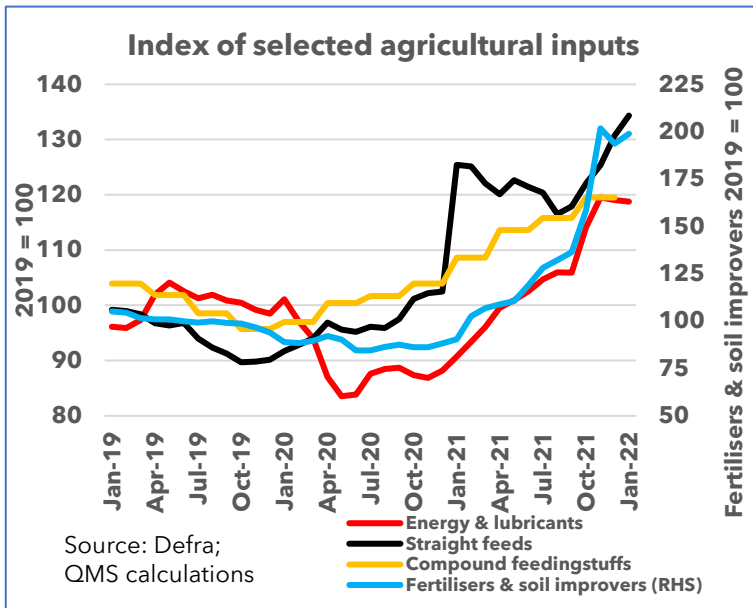


Summary of economic developments



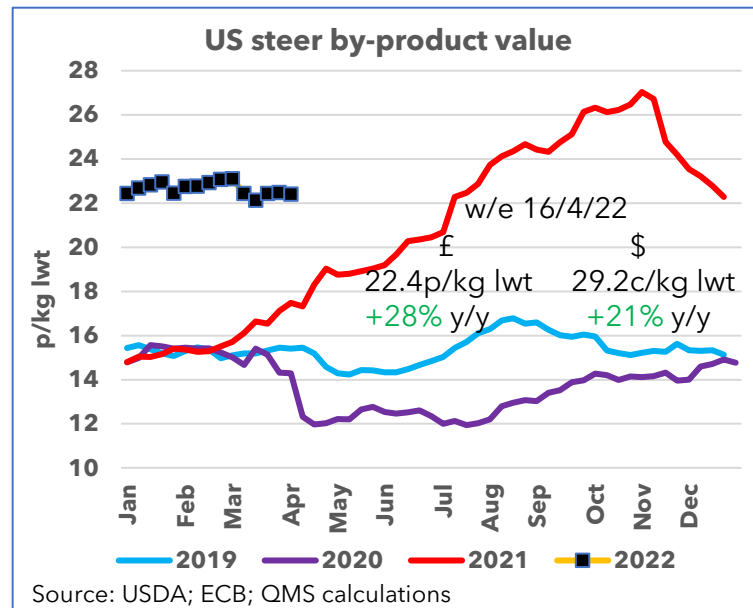
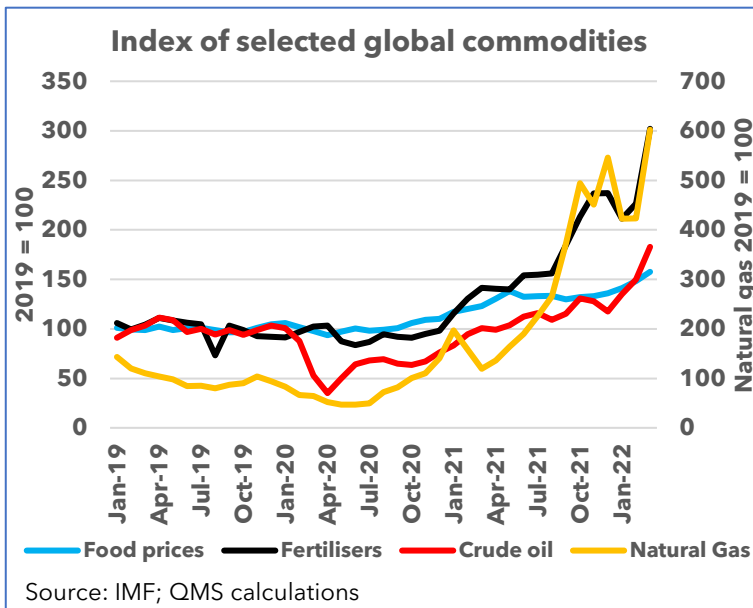
- Global commodity price inflation continues to push up production costs for farmers and processors.
- Consumer confidence is sliding sharply as the cost of essentials increases faster than wages.
- While retail sales are still rising in value, the pass through of rising input costs into higher retail prices is resulting in reduced volumes.
- Business activity continued to expand in the first quarter but early Purchasing Managers Index returns for April suggest that activity growth has now started to soften.
- While unemployment has fallen and the employment rate has rebounded, a higher share of the working age population that left the labour market during the pandemic have yet to return, squeezing staff availability.

Production costs and by-product revenues



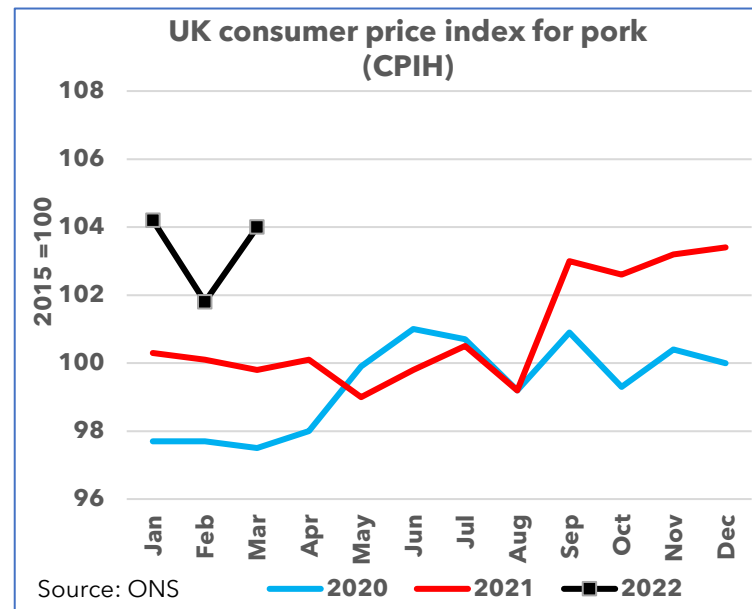
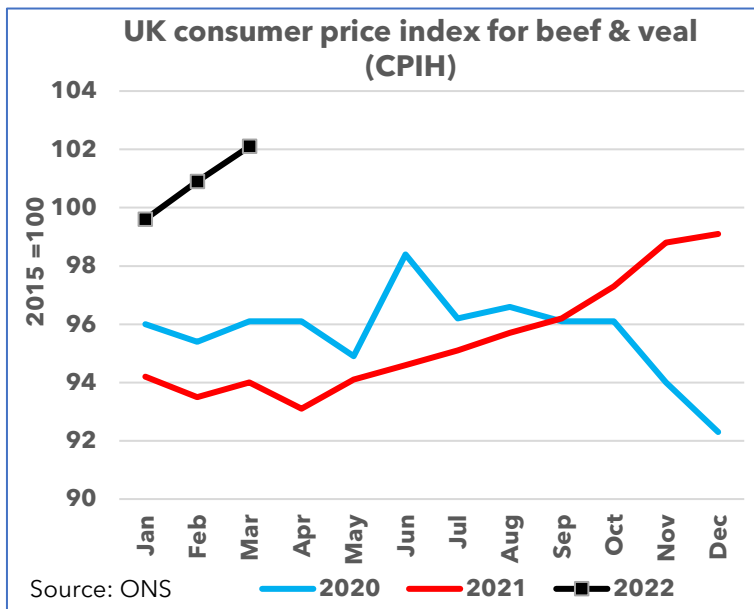
Costs have been rising sharply for farmers and processors.

Raw material/commodity price spikes will pass through to end product prices over time as contracts are renewed/renegotiated and will affect spot purchases more significantly in the short-term.



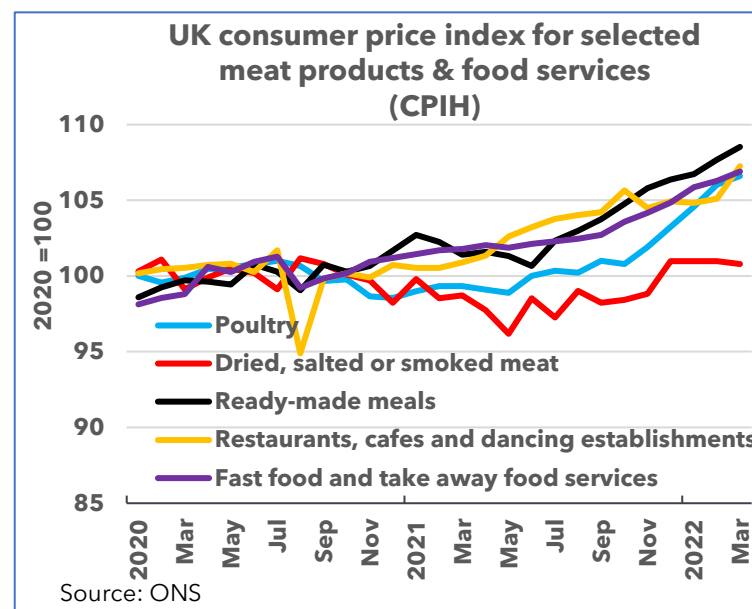
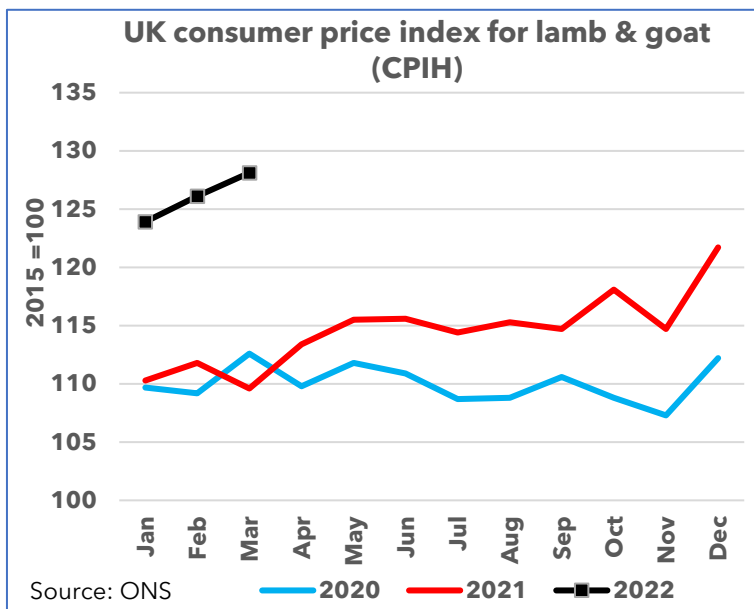
By-product value has been supported by firm commodity markets but hide value weakened in autumn 2021 and has been below year earlier levels in 2022.

Retail demand and prices

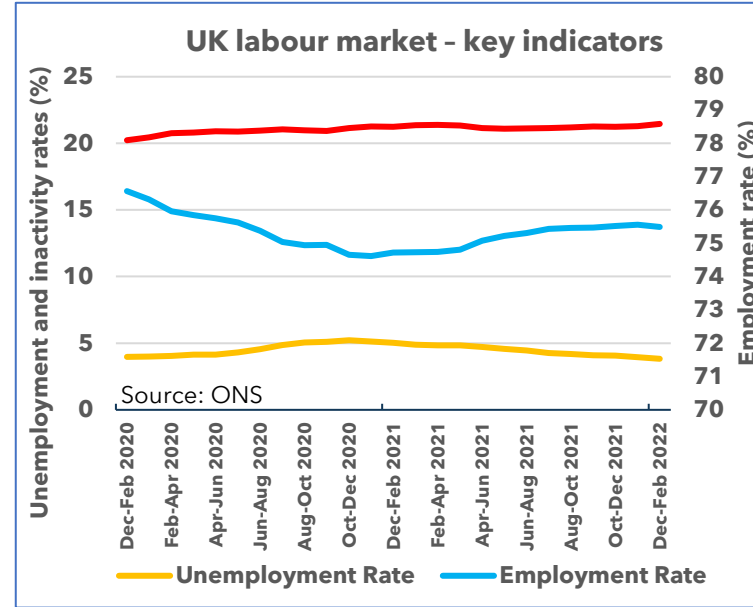
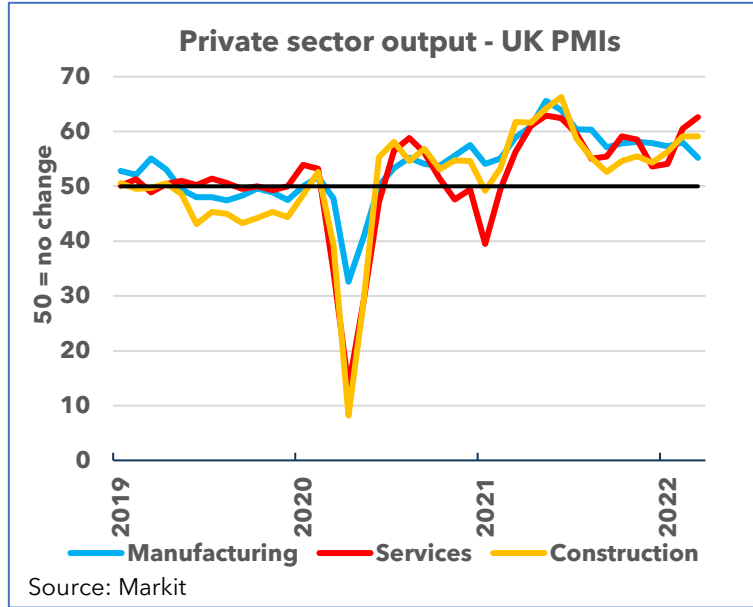


Retail demand held firm over the winter but retail prices are beginning to climb strongly, for both meat and food services.

Increased prices are likely to test consumer loyalty and potentially lead to switching towards cheaper cuts and proteins, with implications for carcase balance.



Economic indicators



Households are starting to feel the squeeze from rising prices for essential goods and services, weakening confidence and leading to reduced retail sales volumes.

Business activity continues to expand and demand for staff remains high, but some people who left the labour market during the pandemic have yet to return, tightening supply.

