

# QMS Monthly Market Update

## April 2023

### Purpose:

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

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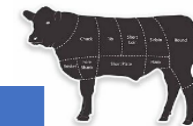
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# Summary of market developments – beef market

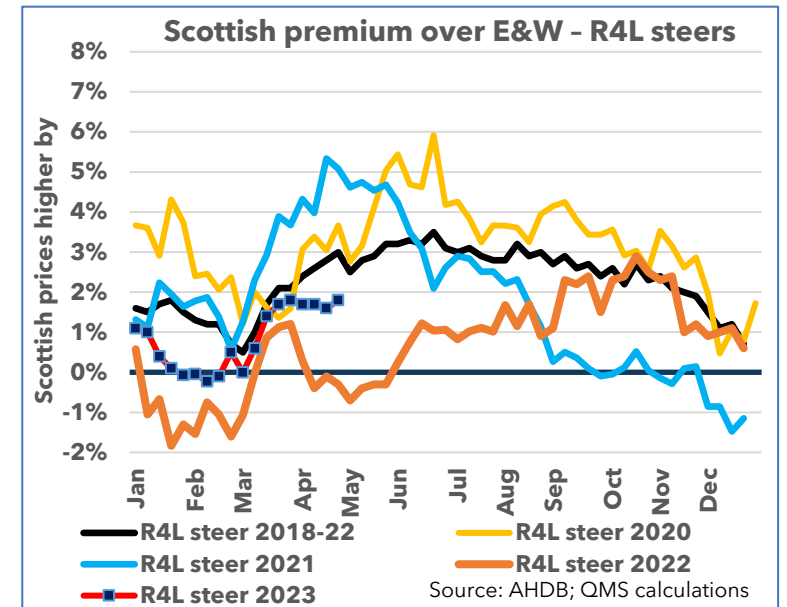
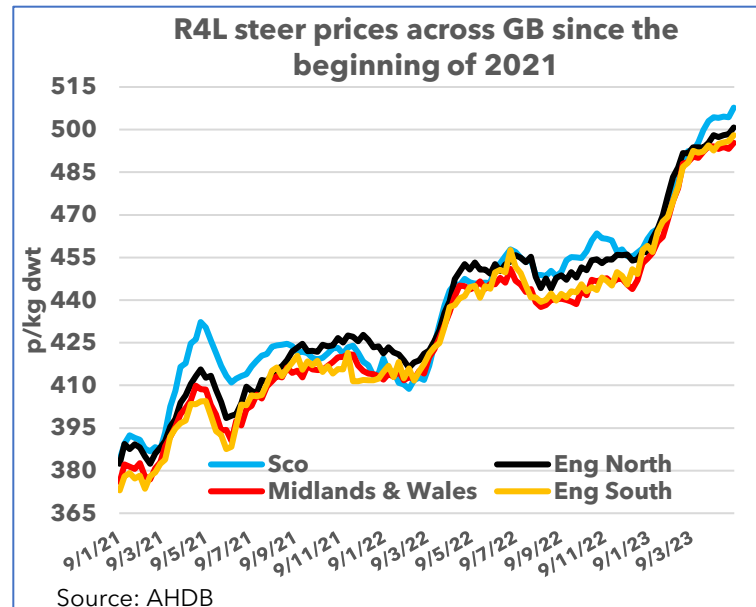
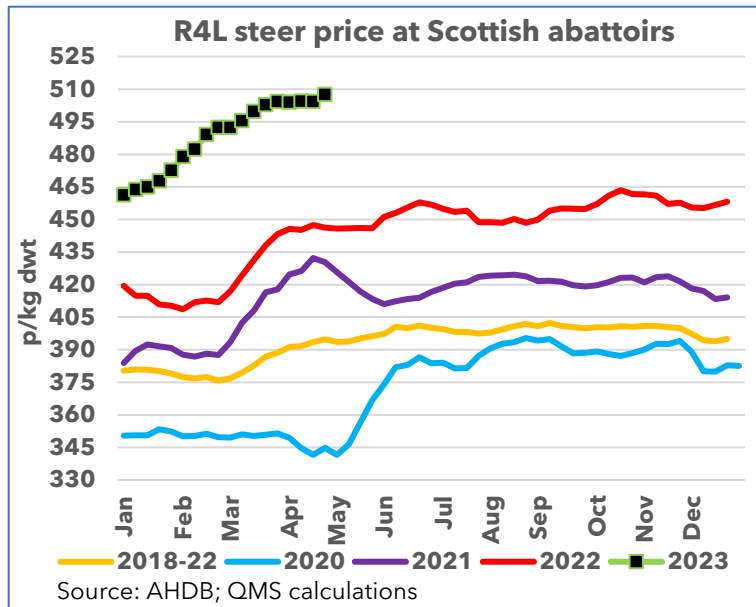
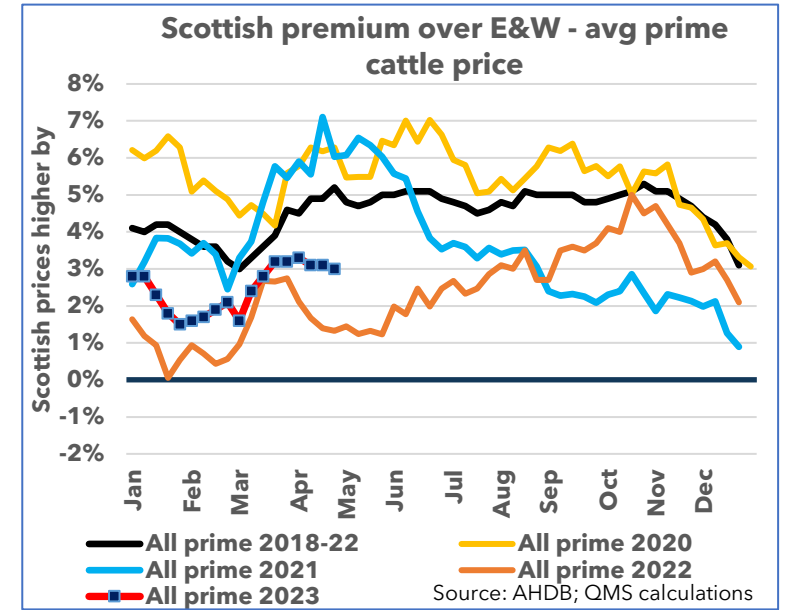
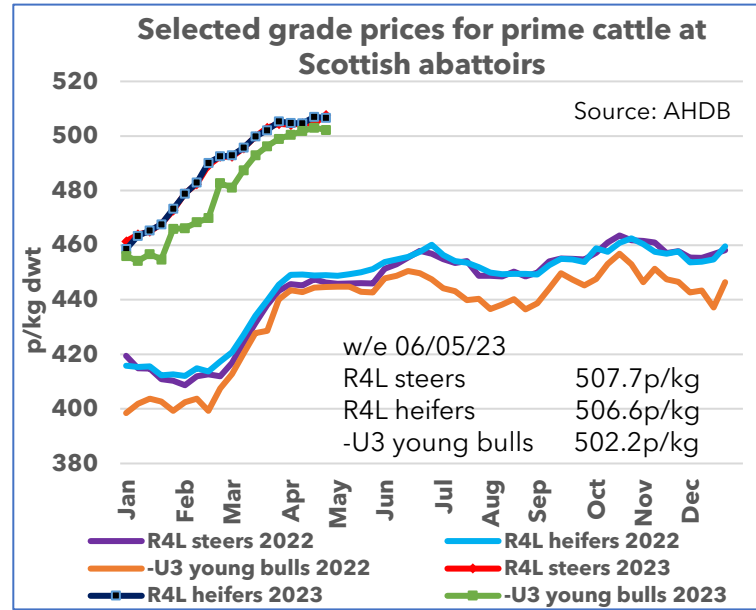
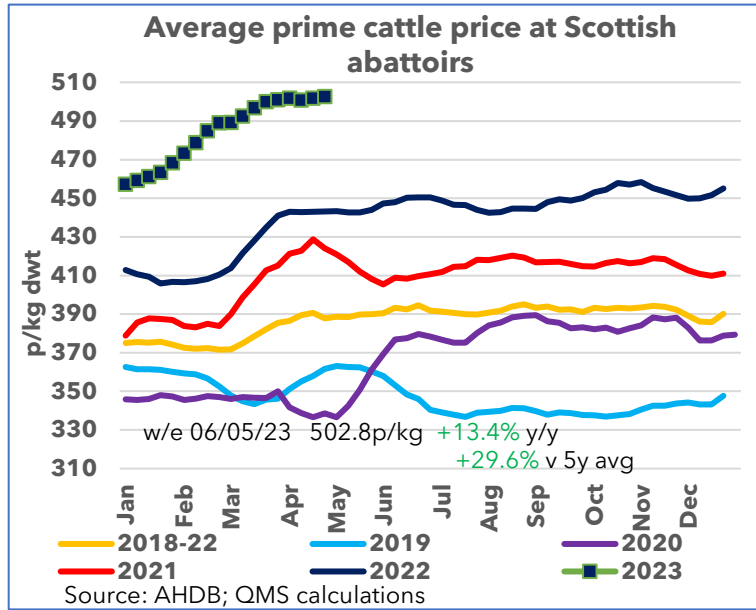


Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
R4L steer price at Scottish abattoirs	p/kg dwt, w/e 6 May	507.7	+3.3p	+0.7%	+13.8%	+28.6%
Prime cattle slaughter at reporting Scottish abattoirs	Average in four weeks to May 6, head procured deadweight	5,395		-7.4%	-16.1%	-15.9%
Cull cow slaughter at Scottish abattoirs	Total in four weeks to May 6,	4,446		-19.4%	-3.1% (-143 head)	+1.0%
UK beef market supply	Tonnes in Feb-Apr 2023 (estimate)	251,700			-0.7%	-0.9%

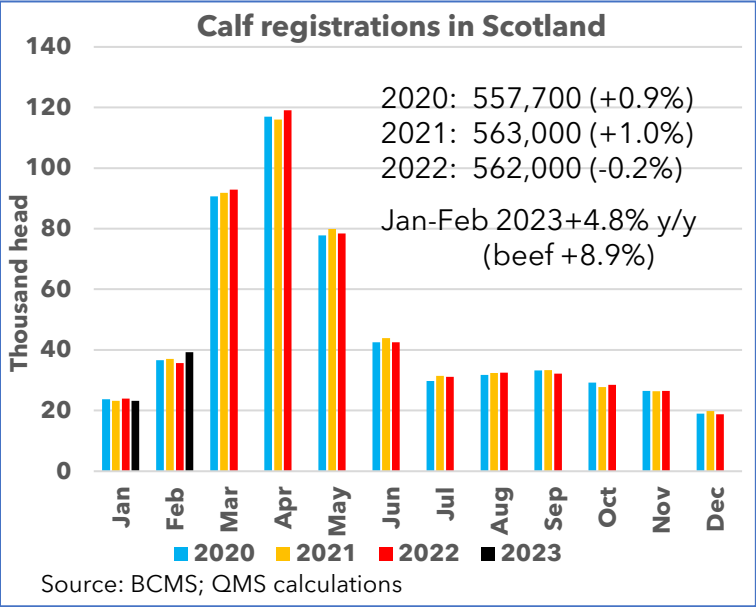
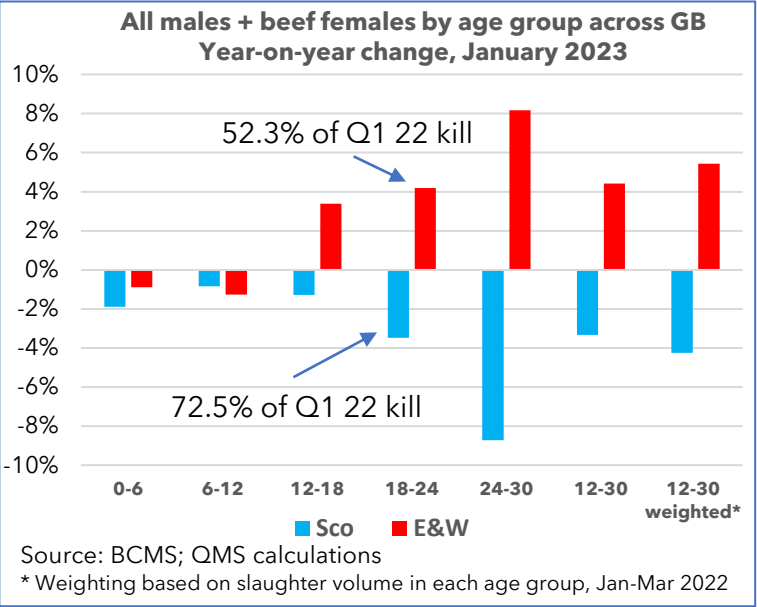
- Prime cattle prices showed signs of steadying through April and into May at Scottish abattoirs. Year-on-year increases held around the 13% mark, while the lead over the five-year average held close to 30%.
- As well as remaining lower than in 2022, reflecting a 3.3% year-on-year reduction in prime cattle on Scottish farms at the start of 2023, prime cattle availability has tightened seasonally in Scotland now that the peak slaughter age for spring-born cattle from 2021 has passed, but supply chain challenges are also thought to have played a part.
- By contrast, weekly slaughter at the large price reporting abattoirs in E&W has continued to trend higher and hold slightly ahead of 2022 levels, supported by an inflow of store cattle from Scotland over the past year.
- UK beef supply continues to look tight in an historical context, although it has partially rebounded in the first third of 2023 due to a small lift in domestic production and reduced export volumes. EU and global beef supply is tight in 2023, supporting import and export prices.
- In January 2023, the number of beef-sired females aged 30 months and over on Scottish holdings was down 3.3% year-on-year, driven by a sharp lift in cow slaughter in 2022 and fewer heifers available for replacement. This matched the 3.3% year-on-year decline in beef cows in December 2022 reported by the Scottish Government. While cow slaughter has remained elevated in 2023, seasonally lower slaughter numbers are likely to have limited the impact on herd size.



# Farmgate prices - prime cattle have shown signs of steadying at record high levels



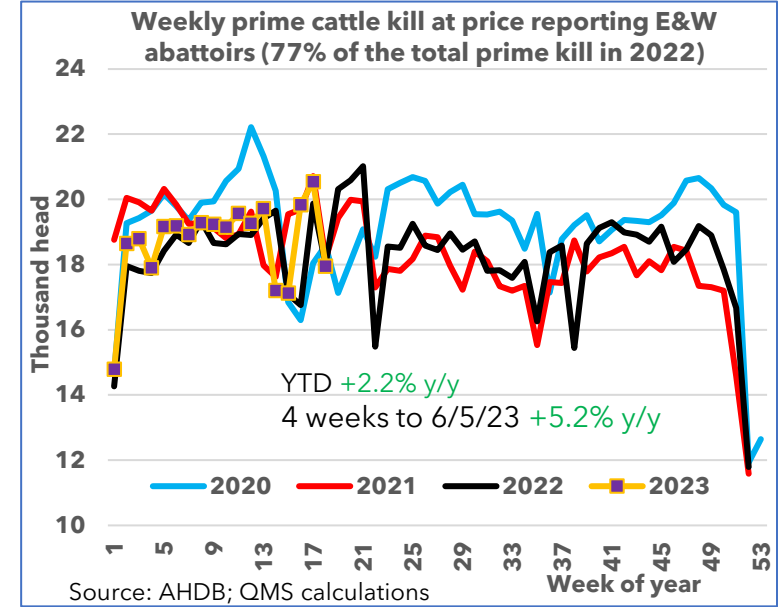
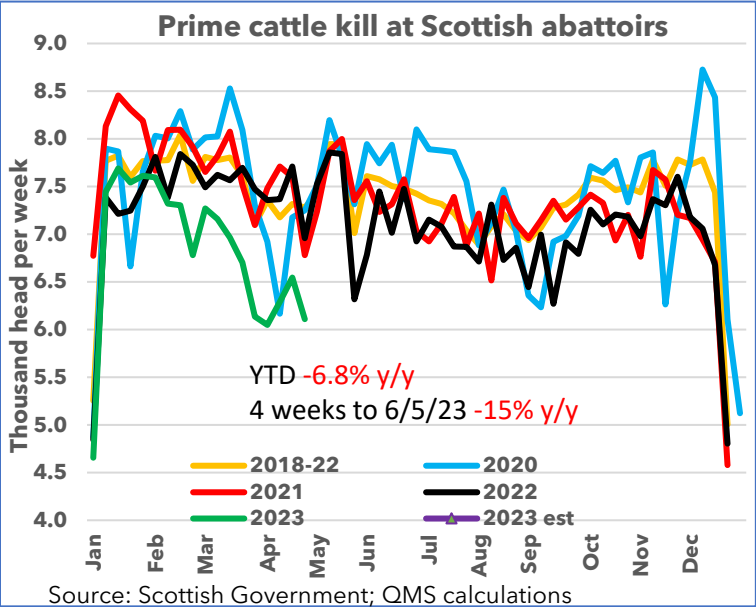
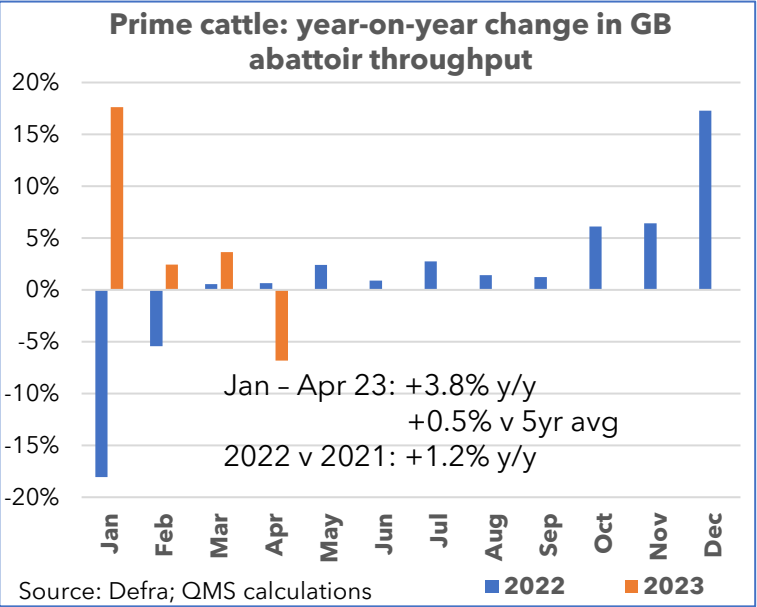
# Availability and slaughter - fewer prime cattle on Scottish farms in contrast to a significant increase in E&W



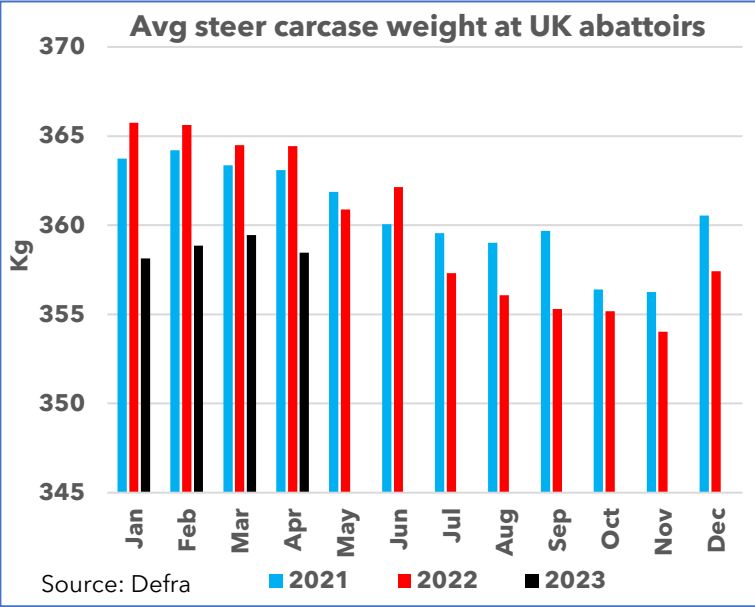
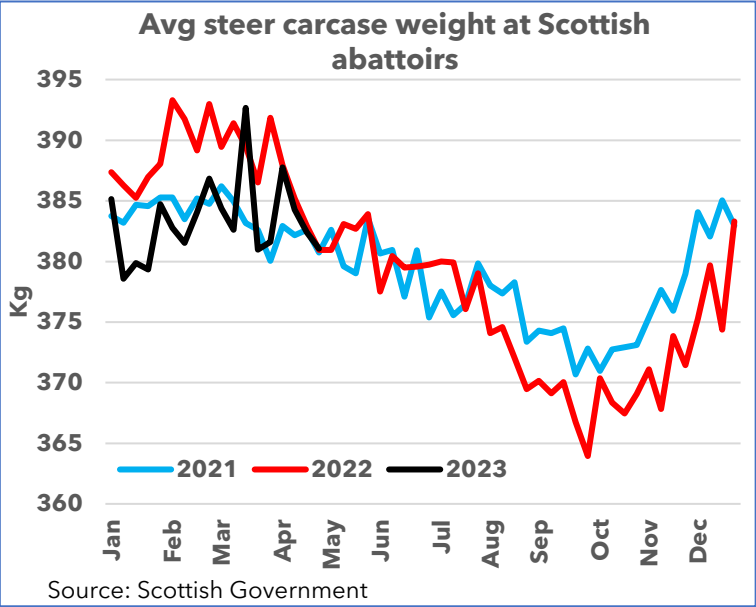
BCMS cattle population data for January highlighted a continuing year-on-year shortfall of prime cattle supply in Scotland, with the number of males and beef-sired females aged 12-30 months down 3.3% year-on-year. The divergence with England & Wales continued, where numbers were 4.4% higher than in January 2022. Smaller changes in younger age groups signal that, as the year progresses, the decline in availability should soften in Scotland while the increase should slow in England & Wales.

The main contributor to the divergence has been an increased flow of store cattle to English farms, with a steep fall in the English suckler herd in recent years combined with the predominance of the beef herd in Scotland likely supporting demand from English finishers.

While seasonal supplies appear to have fallen sharply in Scotland, potentially reflecting that the peak slaughter age of spring-2021-born cattle will have passed, it is possible that more cattle have gone directly to E&W abattoirs in recent weeks.

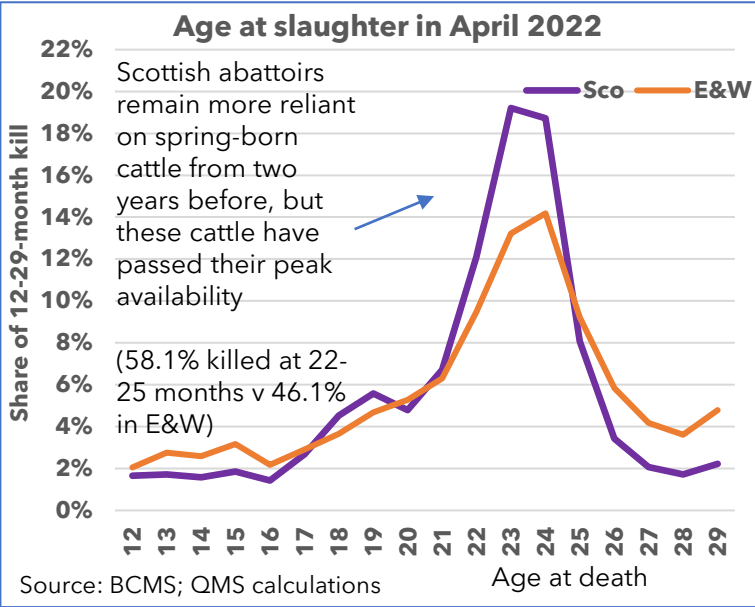
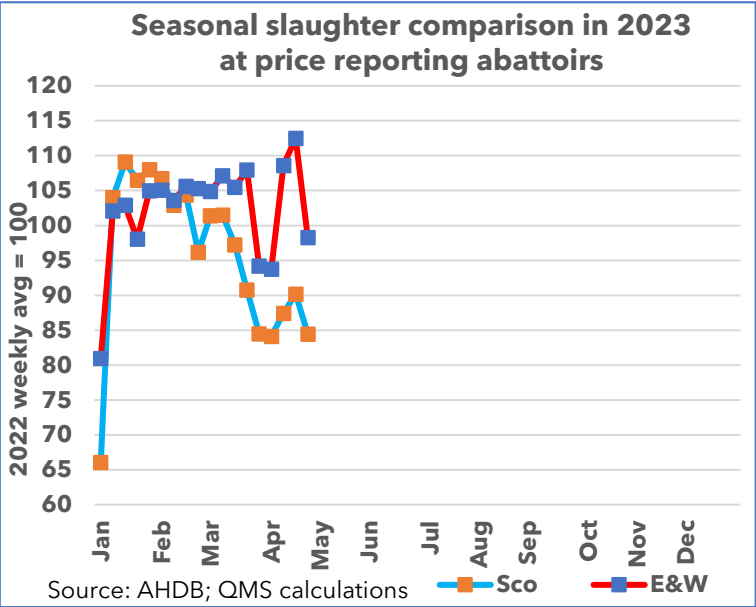


# Seasonality of production



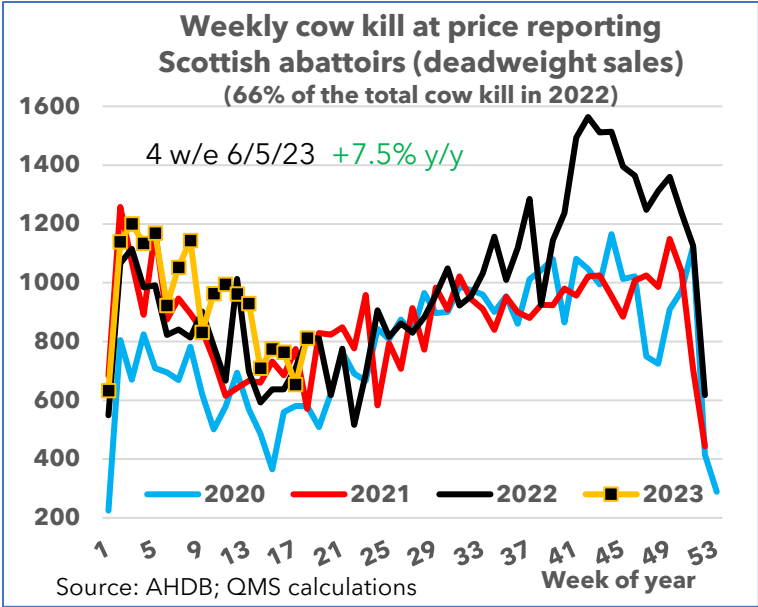
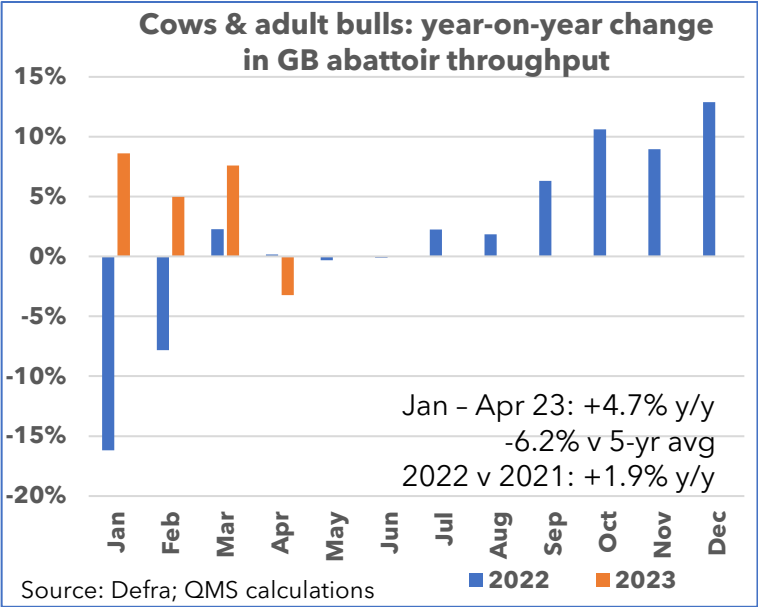
Slaughter tends to be towards its highest of the year in the first quarter as abattoirs draw heavily on the spring-born cattle from two years before. The dominance of spring calving in Scotland plus a younger age profile at slaughter makes the boost to seasonal supply stronger in Scotland. Availability tends to rebound briefly in Scotland in May before a summer slowdown.

After a firm start to the year, numbers fell significantly at Scottish abattoirs during March and have shown a limited rebound after Easter, while continuing to trend higher south of the border.



Carcase weights fell on a year earlier in the second half of 2022, likely reflecting dry weather and high feed and fertiliser costs, and this remained the case in the first quarter of 2023. However, this began to change in April in Scotland.

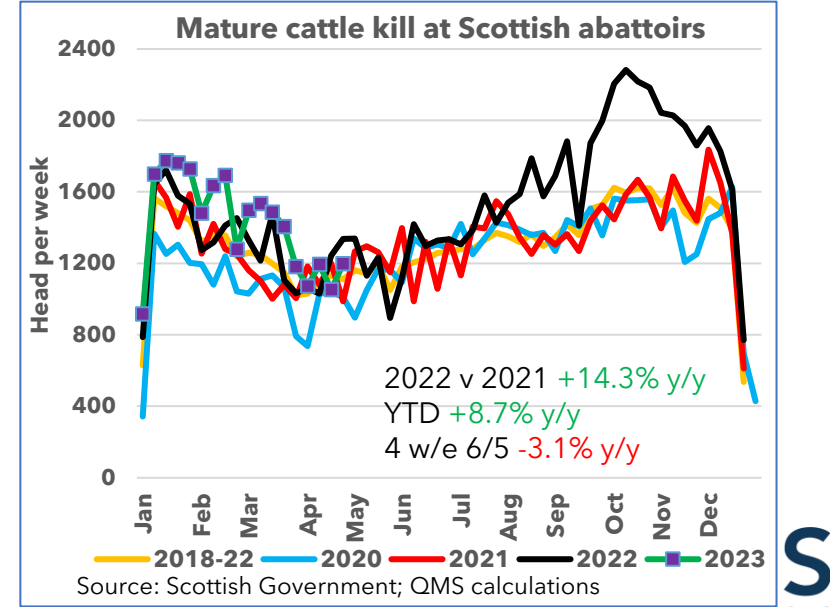
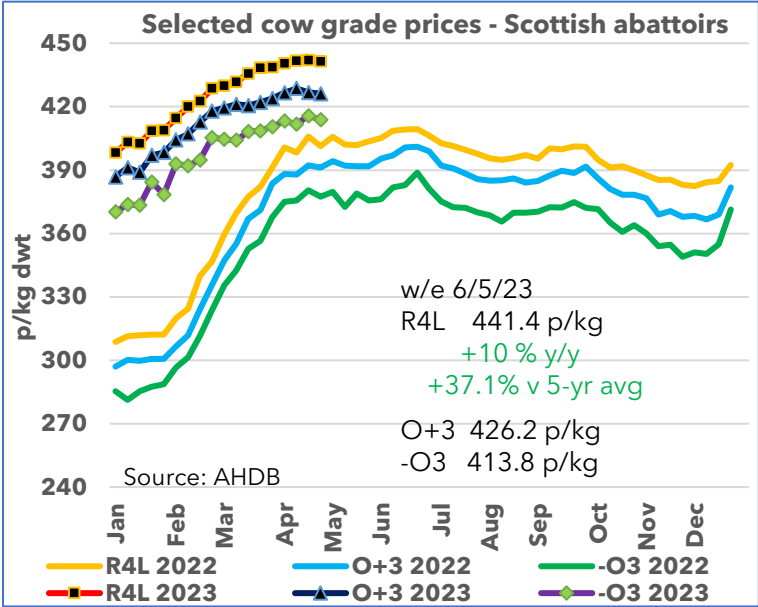
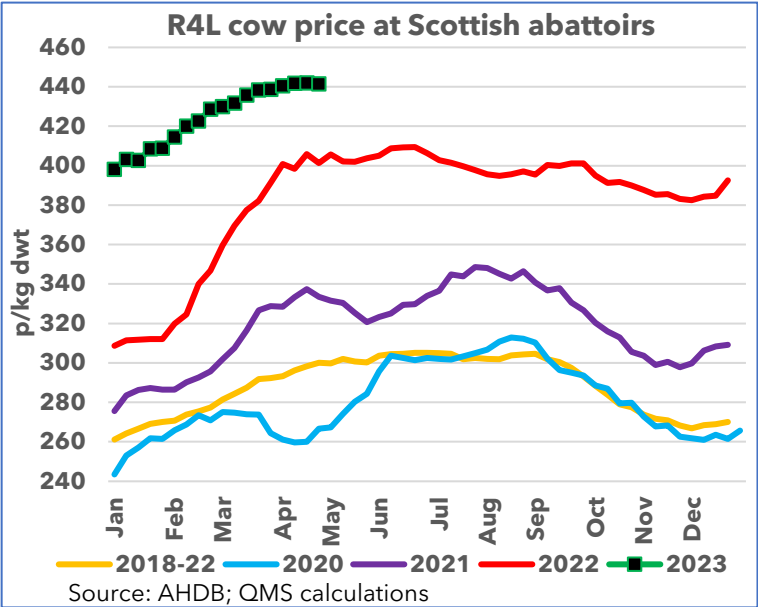
# Mature cattle market – steadying at seasonally firm price levels with slaughter at its annual low point



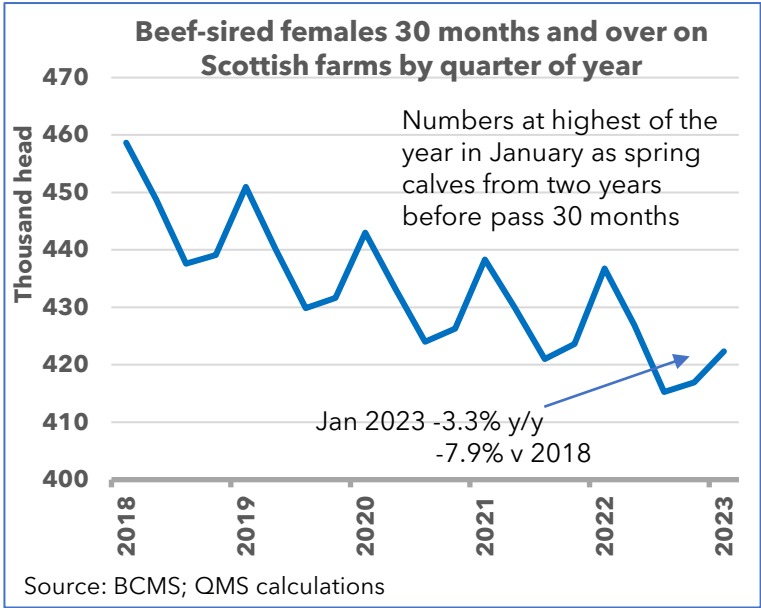
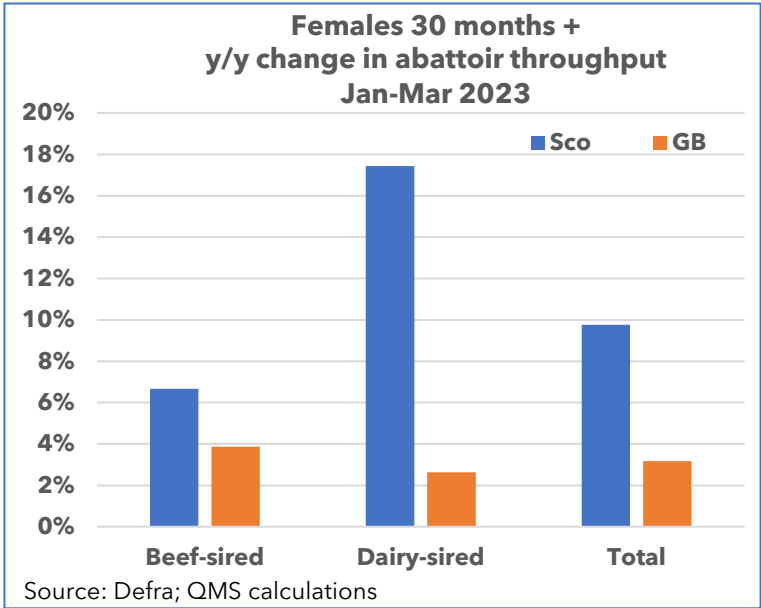
Cow prices showed signs of seasonal stability through April and into May at Scottish abattoirs, with slaughter numbers at a seasonal low point.

Cow prices remain much closer to prime cattle prices than pre-2022, driven by firm demand for cheaper manufacturing grade beef due to a rising cost of living.

While continuing year-on-year uplift in the cow kill points to some further herd contraction this spring, the scale is likely to have been limited. The cow kill is estimated to have been around 2,000 head higher than 2022 in the first quarter of 2023 at Scottish abattoirs but with less than half of this from the beef herd.



# Herd reduction is underway in the beef sector



## Females aged 30 months+ on Scottish farms (y/y change)

Month	Dairy	Beef	All
Jan 2022	-1.3%	-0.4%	-0.6%
April 2022	-1.1%	-0.7%	-0.8%
July 2022	-1.0%	-1.4%	-1.3%
Oct 2022	-0.5%	-1.6%	-1.3%
Jan 2023	-1.0%	-3.3%	-2.7%

Source: BCMS; QMS calculations

## Females aged 30 months+ on farms in England & Wales and GB (y/y change in January 2023)

	Dairy	Beef	All
E&W	-1.8%	-2.8%	-2.2%
GB	-1.7%	-3.0%	-2.3%

Source: BCMS; QMS calculations

## December 2022 breeding herd - females over 2 years old that have calved (y/y change)

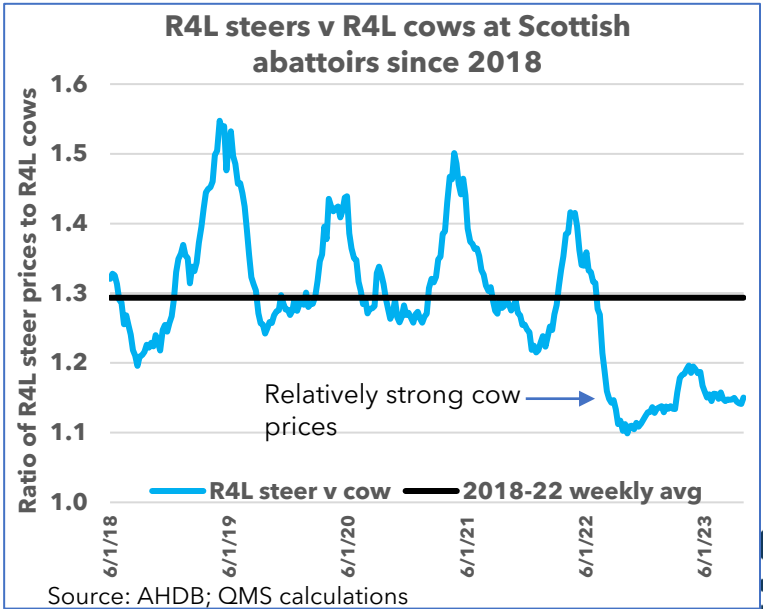
	Dairy	Beef	All
Scotland	-0.3%	-3.3%	-2.4%
England	-0.6%	-2.9%	-1.5%

Source: Defra; Scottish Government; QMS calculations

In January 2023, the number of beef-sired females aged 30 months and over in Scotland was down by 3.3% year-on-year, with a fall of 14,300 to 422,300 head. Beef cow numbers reported in December 2022 were also down 3.3% year-on-year, with a fall of 12,900 head reducing numbers to 384,200.

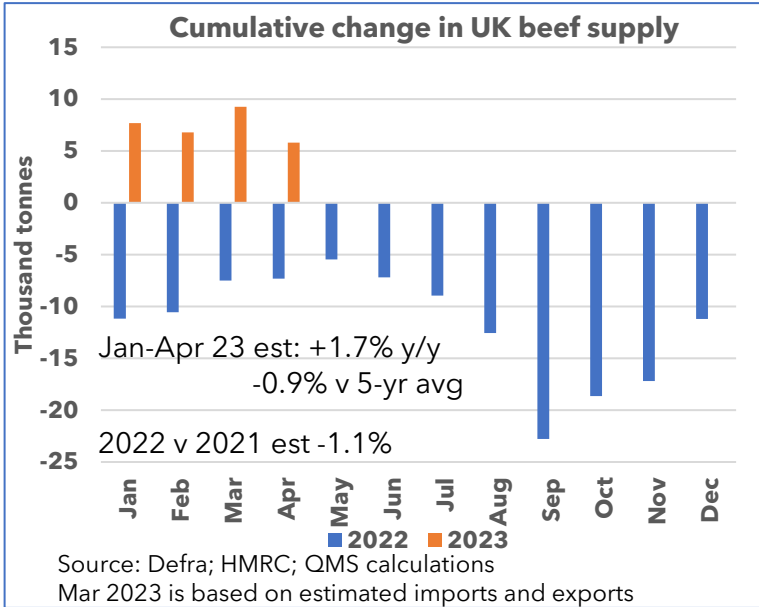
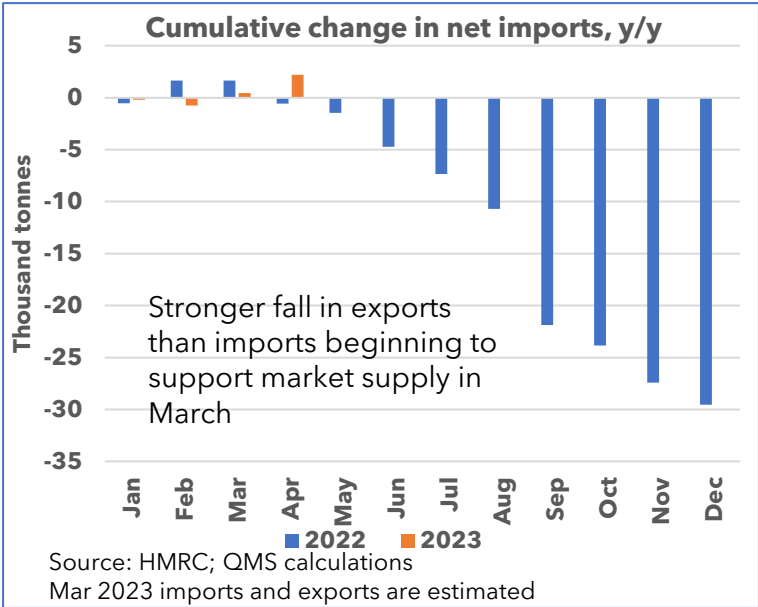
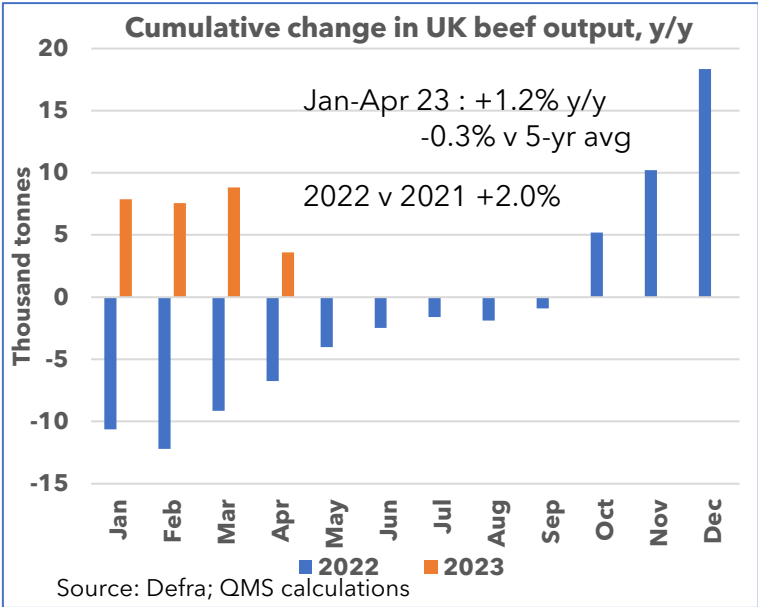
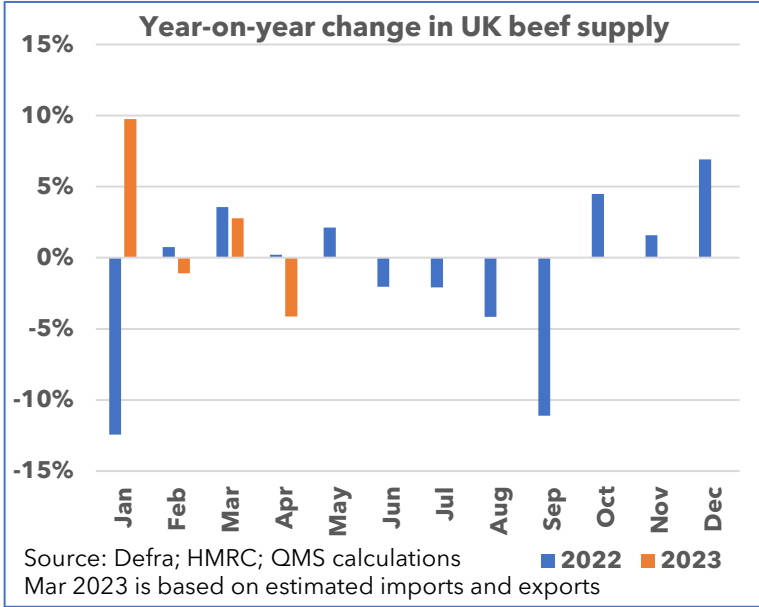
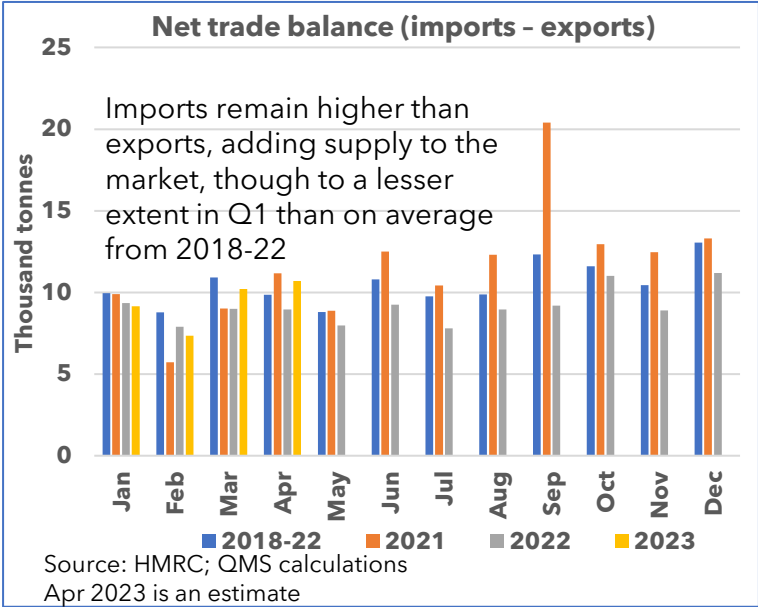
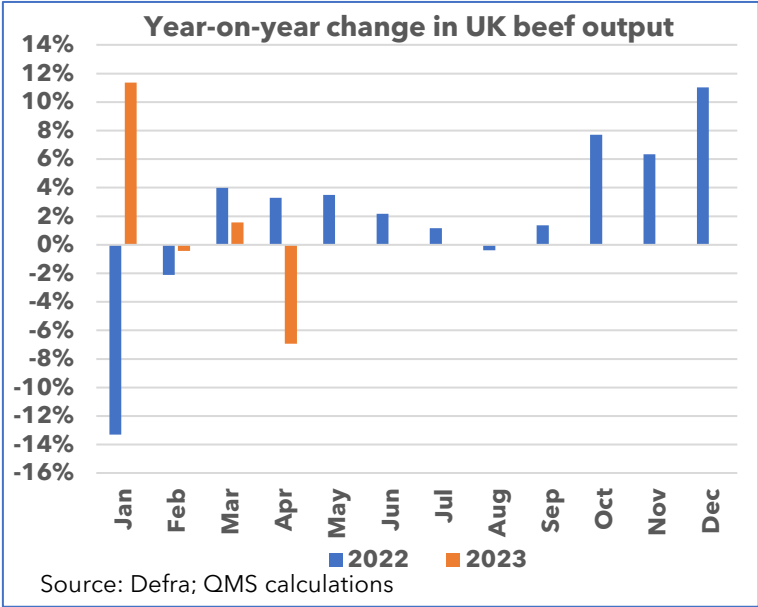
These declines reflected a strong increase in cow slaughter in the second half of 2022 at Scottish abattoirs, plus a reduced cohort of beef-sired heifers available to be added to the breeding herd.

Cull cow slaughter has remained elevated above year-earlier levels for most of 2023-to-date, with cow prices remaining at a level encouraging producers to dispose of their least productive breeding stock. In Scotland, dairy cows underpinned the lift in kill in the first quarter.



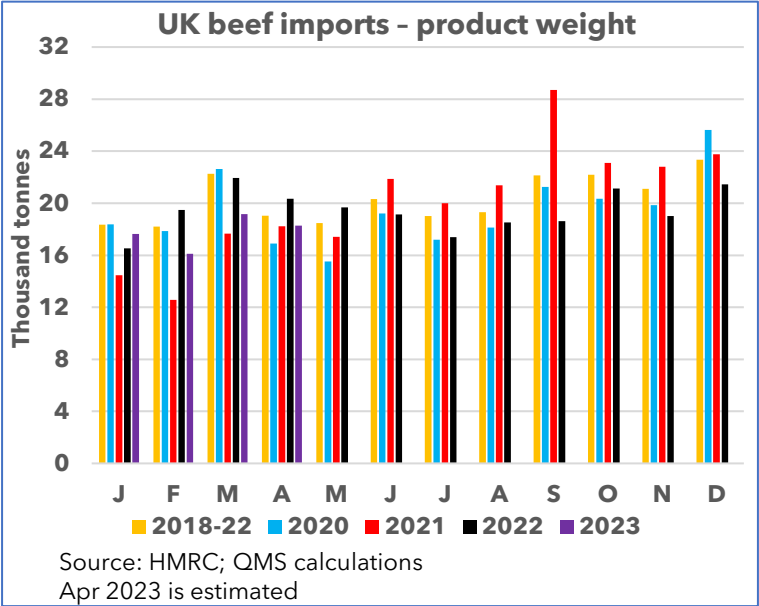
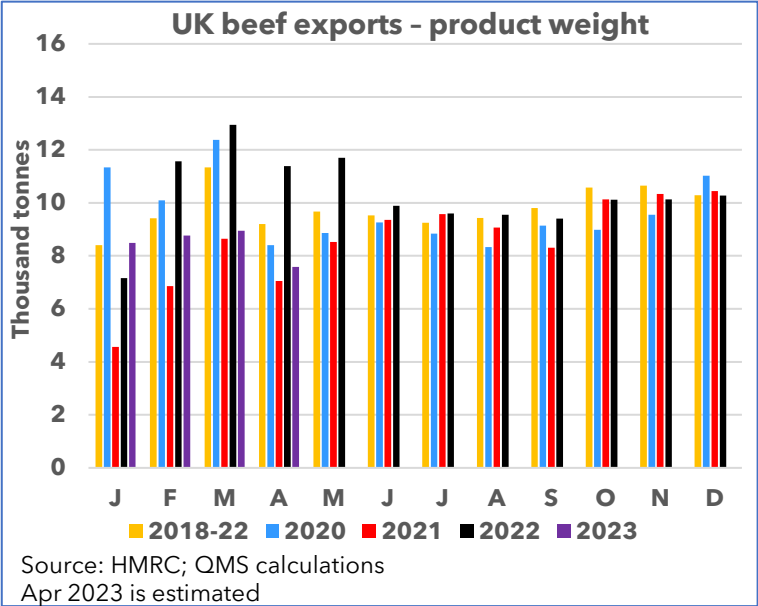


# UK beef market supply: domestic production + (imports - exports) = supply





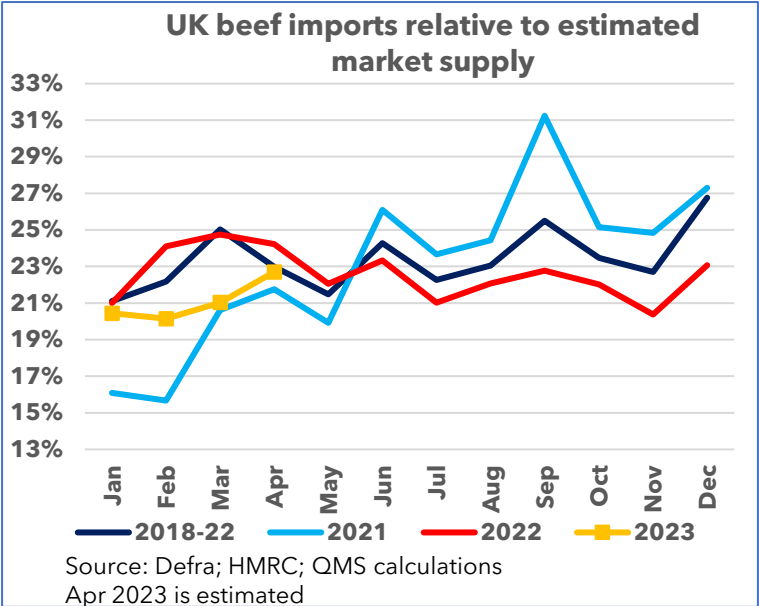
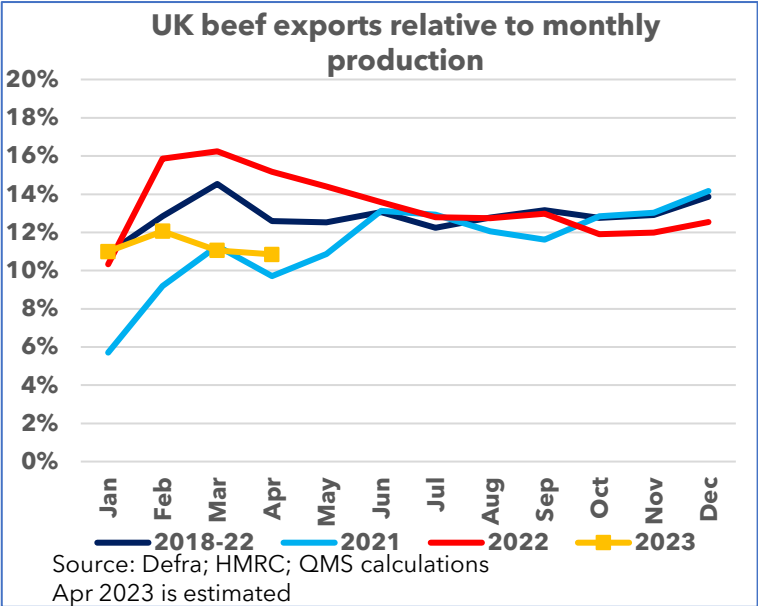
# A focus on UK international trade in beef



UK beef export volumes made their strongest start to a year since the UK left the EU single market. However, they then slumped back towards 2021 levels in February and March.

As had been the case for much of 2022, shipments to the EU continued to out-perform non-EU markets, posting a 10% decline in Q1 compared to a 53.5% fall for non-EU trade.

Import volumes also rebounded to a three-year high for January before softening in February and March. During Q1, the volume imported from the EU was down by 8.8% on Q1 2022, slightly faster than the 6.6% reduction in imports from outside the EU.



The EU share of UK trade in volume during Q1 2023 was 96.3% for imports and 90.6% of exports.

Note:

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

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

# Variables influencing international trade in beef

The Irish prime cattle kill has fallen back below the highs of Q1 2022 so far this year despite increased numbers of slaughter age cattle on farms in December 2022 compared to December 2021.

Irish steer prices continue to show little variation, and the Scottish price lead has now moved beyond year-earlier levels. In recent years, Irish prices have tended to lift between spring and summer as slaughter falls towards its annual low point.

EU beef prices continue to look historically firm, supported by declining production. Although prices are now similar to year-earlier levels on average, there is significant variation across countries. Scottish R4L steer prices have opened a 13% lead over the EU average for R3 young bulls - the largest in 18 months.

At a global level, beef prices are being supported by reduced supply and increased international trade.

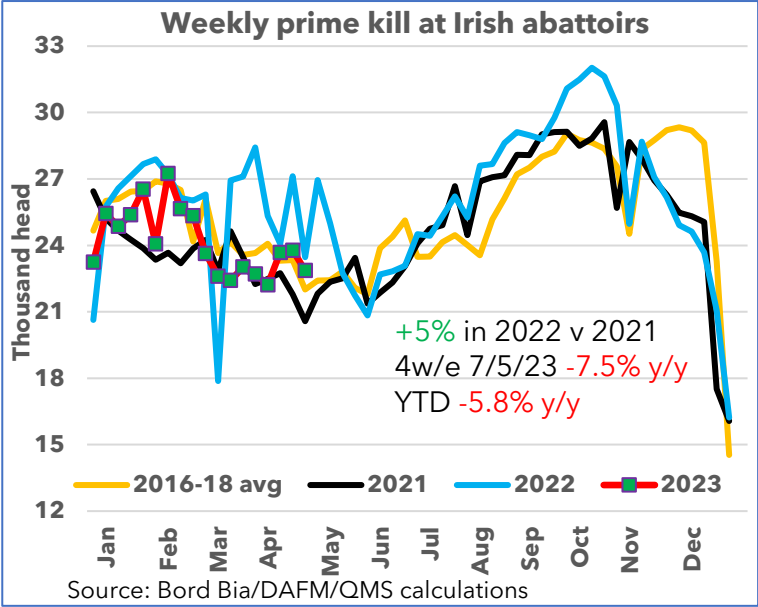
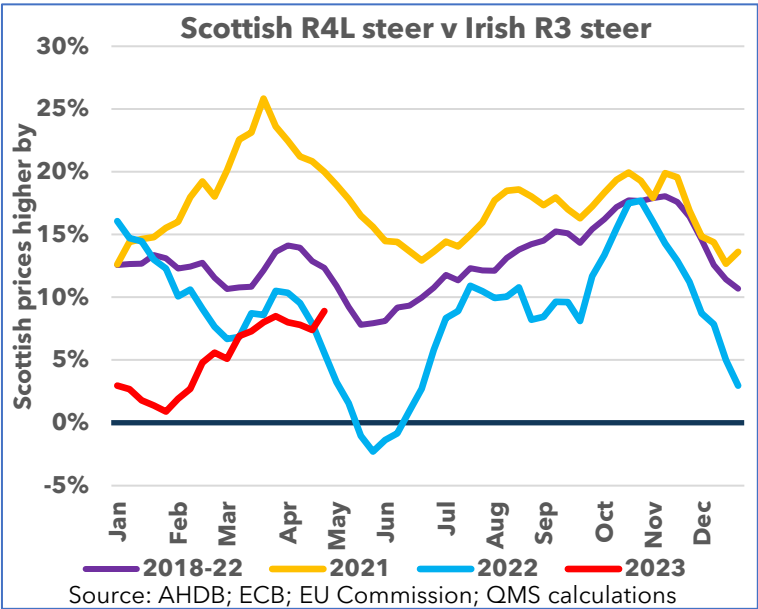
Selected EU cattle prices for R3 males, converted from euro to p/kg dwt

	Week 18 2023	Week 14 2023	Week 18 2022
Germany (young bull)	425.8	423.9	473.5
Netherlands (young bull)	396.4	429.9	477.4
Spain (young bull)	484.8	454.1	423.2
Poland (young bull)	439.6	424.0	438.4
Irish Republic (steer)	466.2	464.8	422.8
<b>For comparison: Scotland R4L steer</b>	<b>507.7</b>	<b>504.4</b>	<b>446.3</b>

Source: AHDB; EU Commission; LMC; QMS calculations

Cattle on Irish farms (thousand head)			
Age group	Dec 2021	Dec 2022	y/y change
<12 months	2,108	1,995	-5.3%
1-2 years	1,767	1,801	+1.9%
2+ (males & non-breeding females)	332	337	+1.5%
Cows	2,395	2,372	-1.0%

Source: CSO



USDA Global Beef Market Forecasts, Apr 2023 (million tonnes carcase weight)

Key indicators	2021	2022	2023
World, production	58.38	59.35	59.15
USA, production	12.73	12.89	12.20
Brazil, production	9.75	10.35	10.57
EU, production	6.87	6.73	6.70
Australia, production	1.90	1.88	2.06
All countries, imports	9.95	10.23	10.33
China, imports	3.02	3.50	3.50
USA, imports	1.52	1.54	1.59
EU, imports (from non-EU sources)	0.32	0.40	0.42

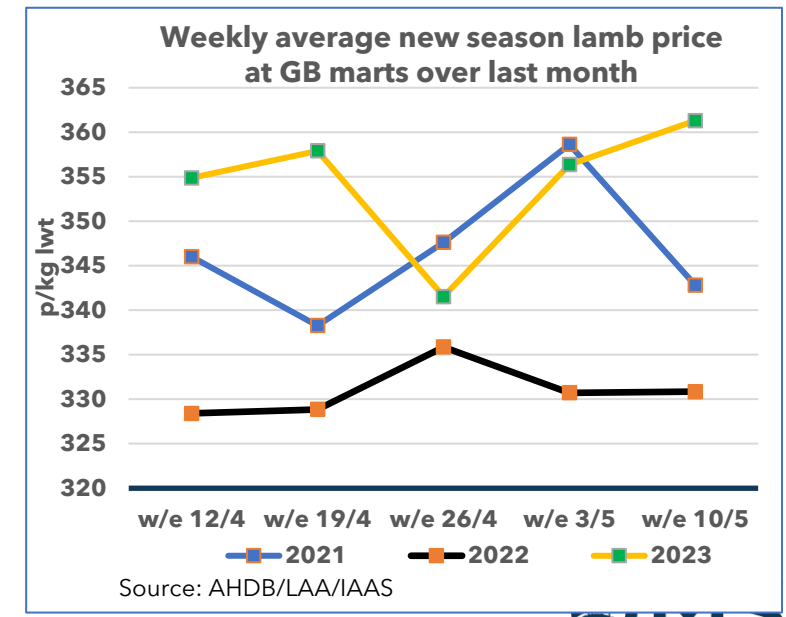
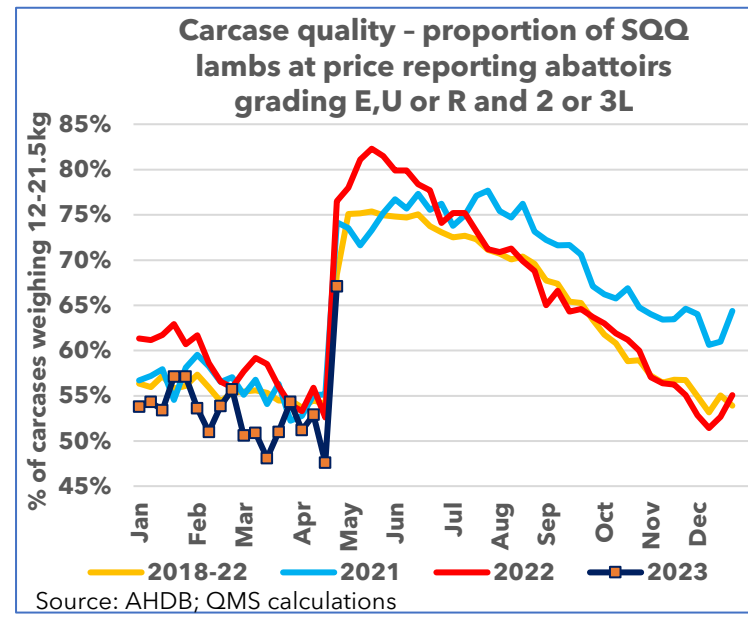
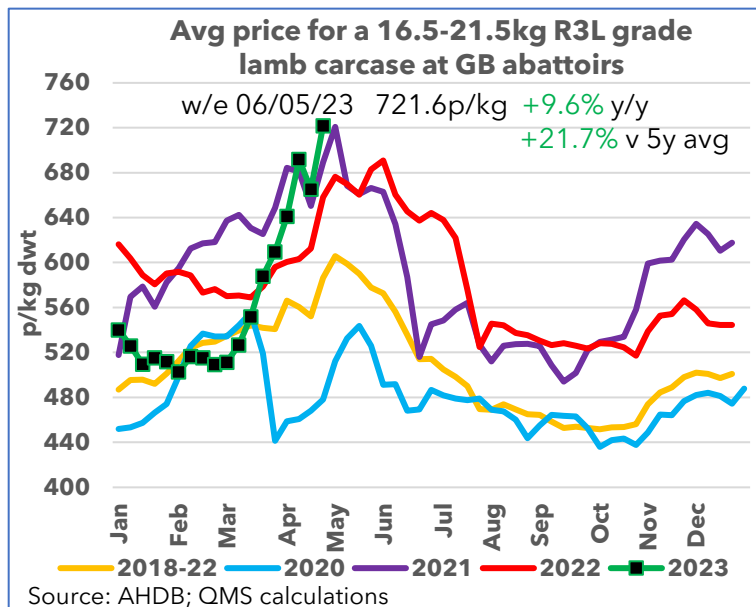
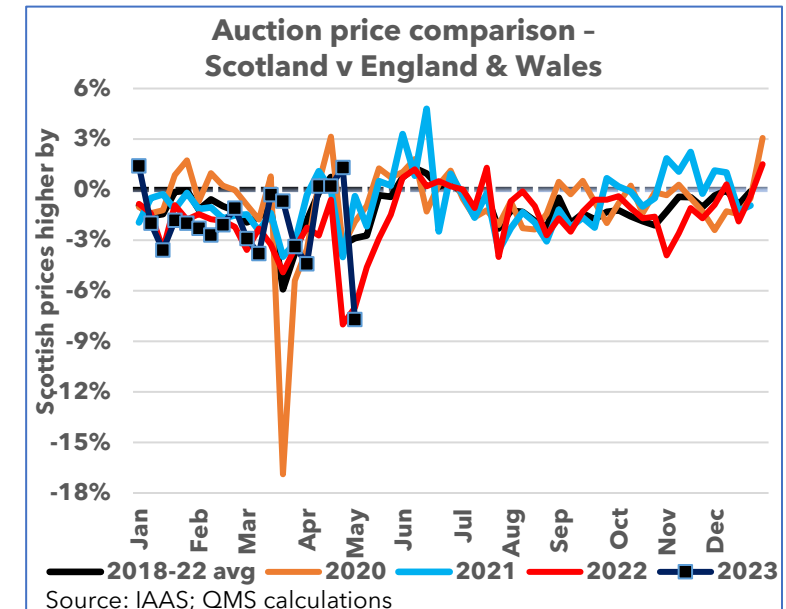
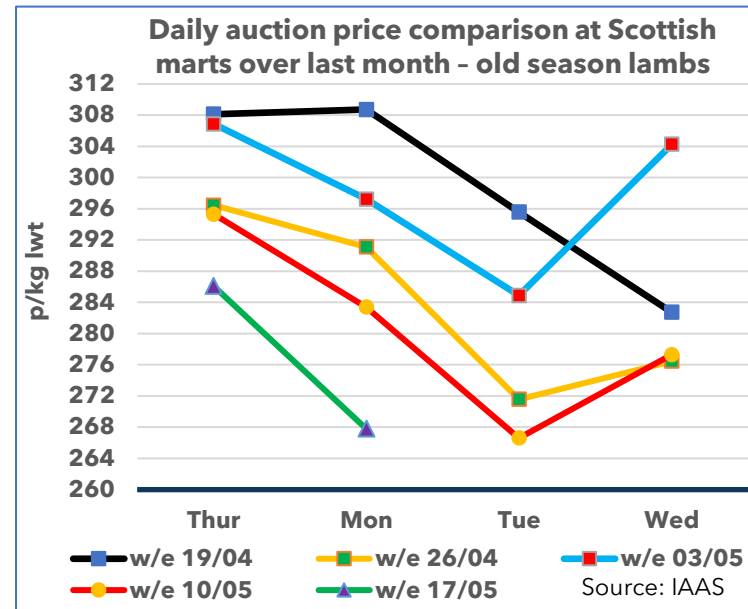
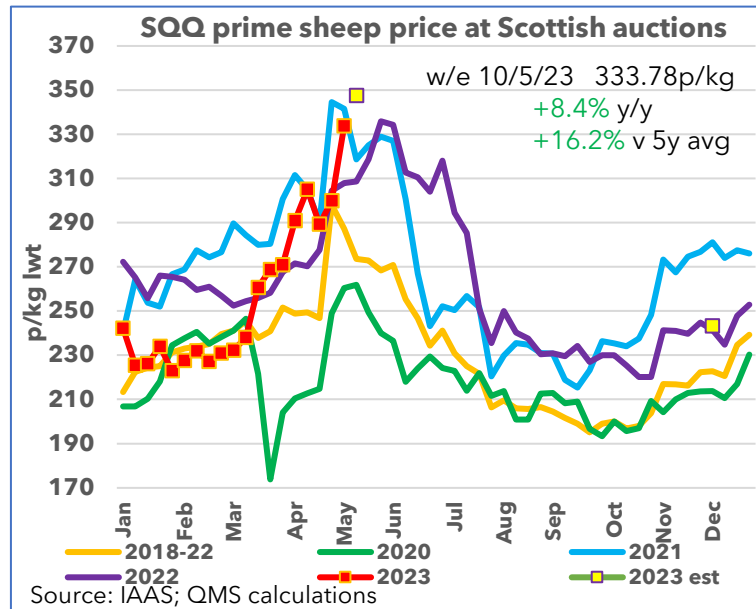
Source: USDA Foreign Agricultural Service

Please note that a +0.6% adjustment has been made to EU prices to reflect different spec and the weekly average exchange rate is sourced from the ECB

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 10 May	287.0p/kg	-12.9p	-1.3%	+7.4%	+17.6%
Old season lamb marketings at Scottish auctions	Average in four weeks to May 10, head	20,443		-21.3%	+15.0%	+29.1%
Total lamb marketings at GB auctions	Average in four weeks to May 10, head	115,645		-10.8%	+5.5%	+16.7%
UK sheepmeat market supply	Tonnes in Feb - Apr 2023 (estimate)	61,900			-12.7%	-8.3%

- Auction prices for old season lambs have remained historically firm since Easter and Ramadan, with marketings falling back from their seasonal high, but they have begun to soften in the first half of May.
- New season lambs have made a slow start at GB level, supporting market prices, which have been averaging around 360p/kg in the first half of May. It is possible that the impact of drought in 2022 on ewe condition has had an impact on lambing rates south of the border, though December survey results suggested an increased breeding flock in England, so there could be some catch-up, while a cool spring is likely to have delayed the first of Scotland's spring lambs.
- Eid al-Adha is even earlier this year (June 28<sup>th</sup>), with procurement likely to start in mid-June.
- Retail sales data suggests that lamb had a good Christmas and Easter but was soft in between, suggesting that it may have become a festival treat.
- After a weak final quarter of 2022, UK lamb imports continued to run behind year earlier levels in the first quarter of 2023, with a limited seasonal lift ahead of Easter. Combined with positive export opportunities, this has ensured that market supply has remained tight in spring 2023, supporting lamb prices.

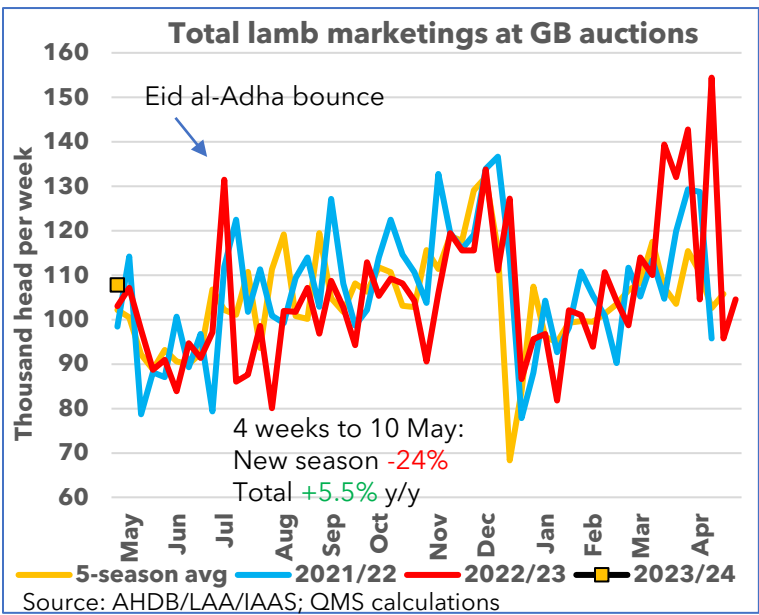
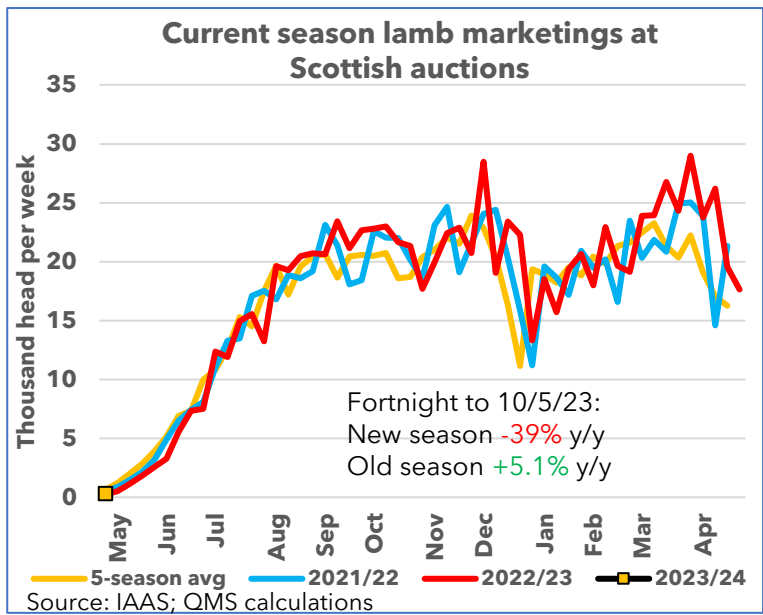
# Farmgate prices - prime sheep - remaining firm since Easter and Ramadan



Charts based on old season lamb prices from January to April and new season lambs from May to December

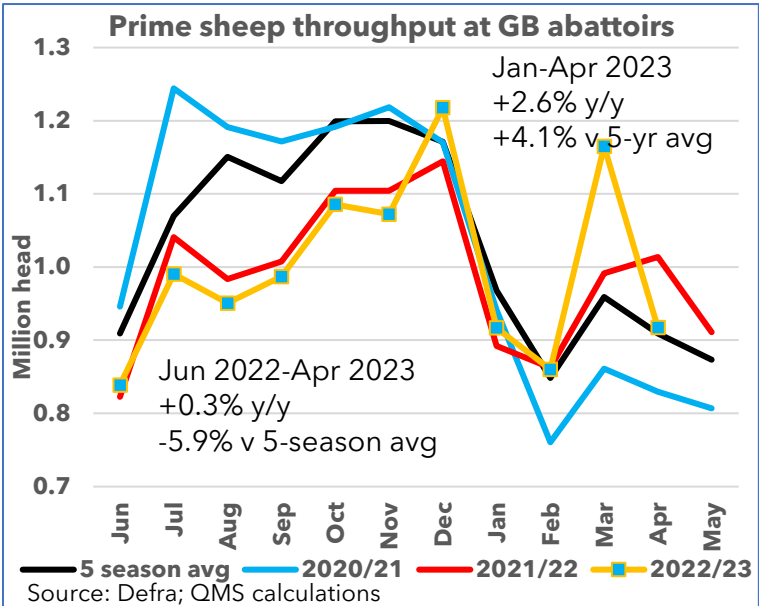
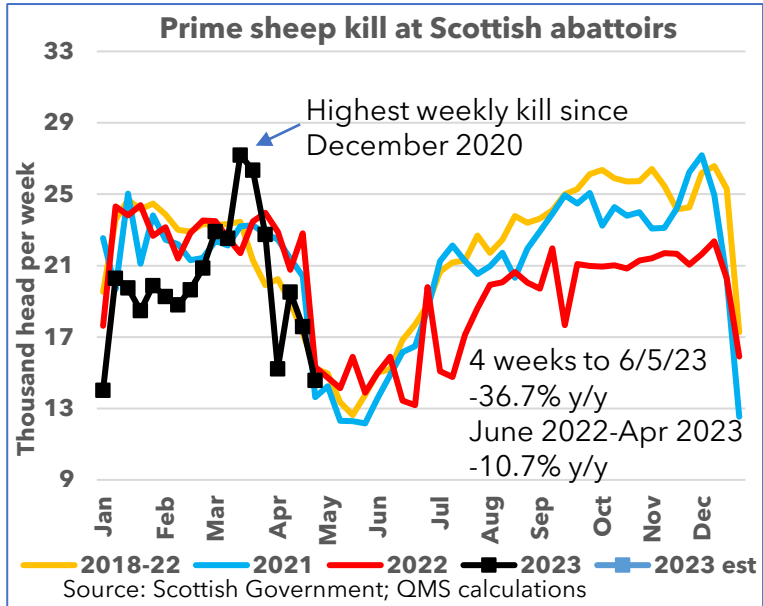


# Availability and slaughter – hogg marketings falling back sharply from seasonal peak and new season lambs slow to arrive



After a strong March and April, hogg auction marketings have fallen back seasonally moving into May. However, numbers have remained elevated above 2022 levels, supported by a delayed marketing of the 2022 lamb crop.

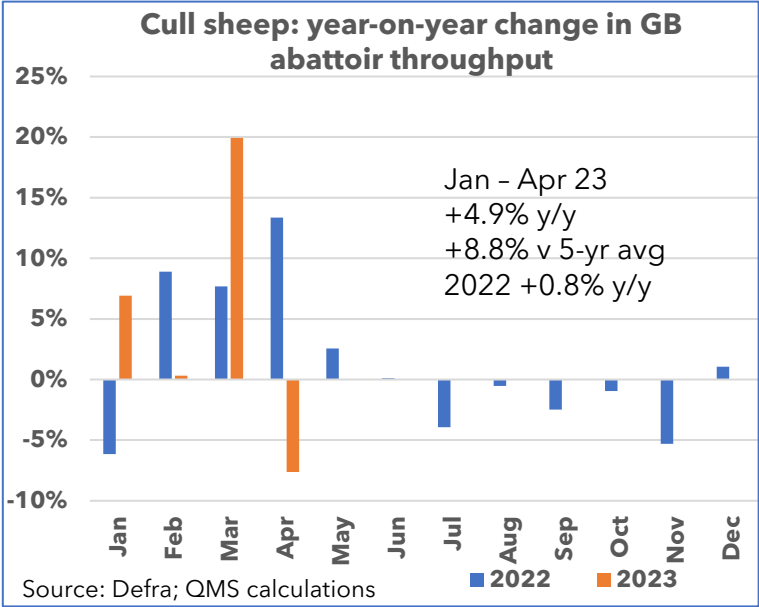
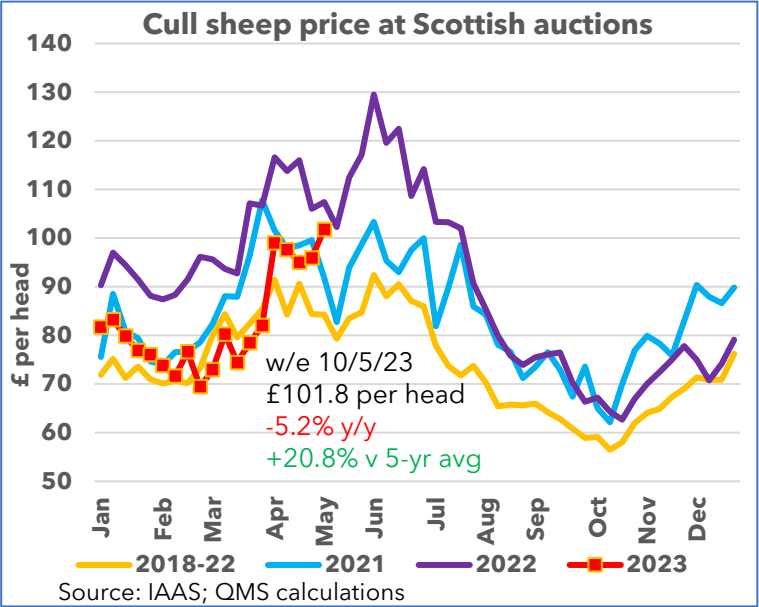
New season lambs have been slow to arrive on the market across GB. Anecdotal evidence suggests that drought in 2022 led to poor ewe condition at tupping south of the border, potentially having an impact on lambing rates, although December survey results suggest an increased breeding flock in England, so there could be some catch-up. A cool spring in Scotland is likely to have delayed the arrival of the first of the spring lambs.



December Sheep & Goat Inventory and June 2022 Census Results		
December	Total breeding flock y/y change	Other sheep and lambs y/y
Scotland (2022)	-0.7%	+0.3%
England (2022)	+2.5%	+1.5%
June 2022	Ewes for further/future breeding	New season lambs
England	+2.8%	+1.5%
Wales	-0.4%	-1.6%
E&W	+1.5%	+0.3%

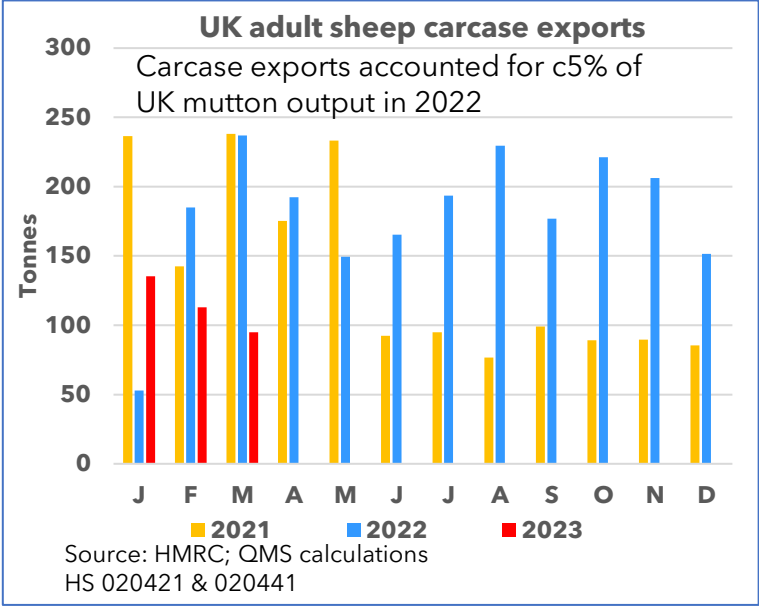
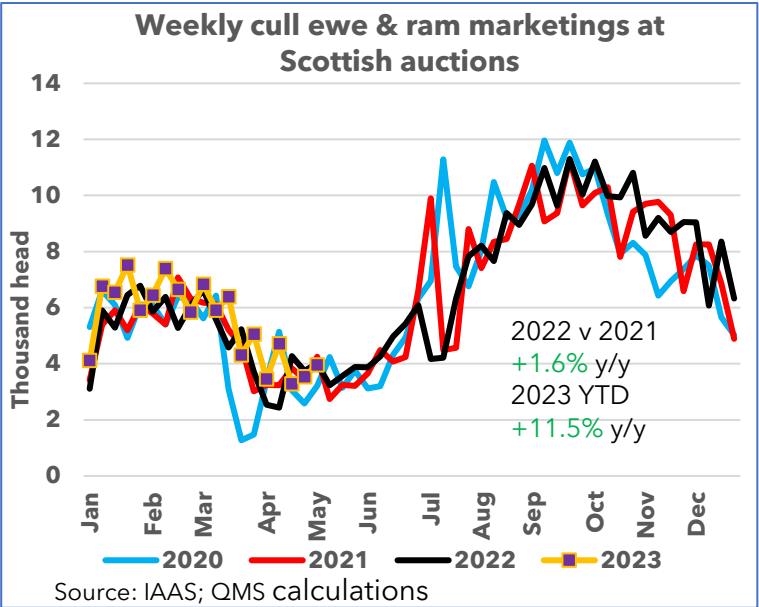
Source: Defra; Welsh Govt; Scottish Govt; QMS calculations

# Cull sheep market - prices seasonally firm but struggling to match the highs of 2022

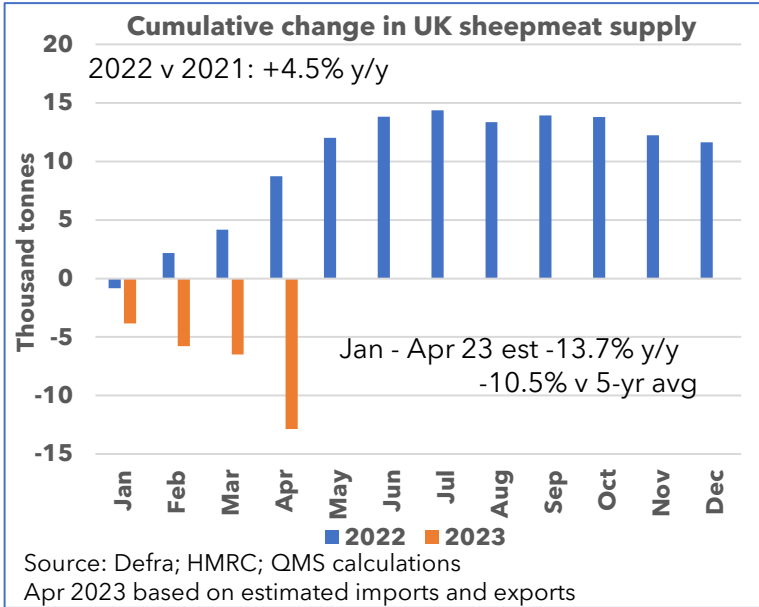
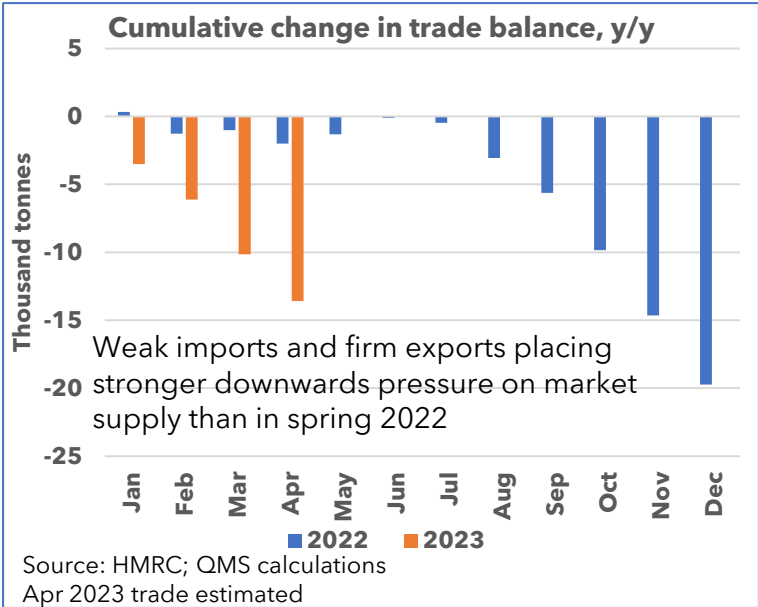
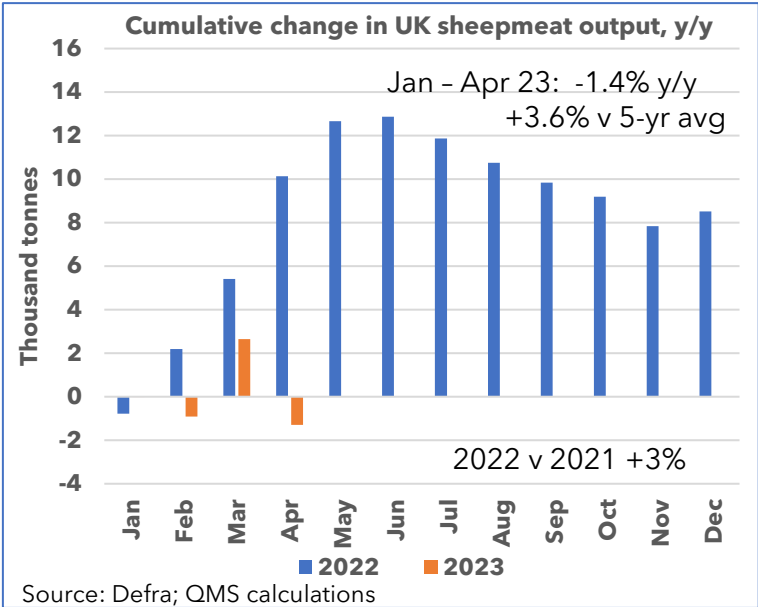
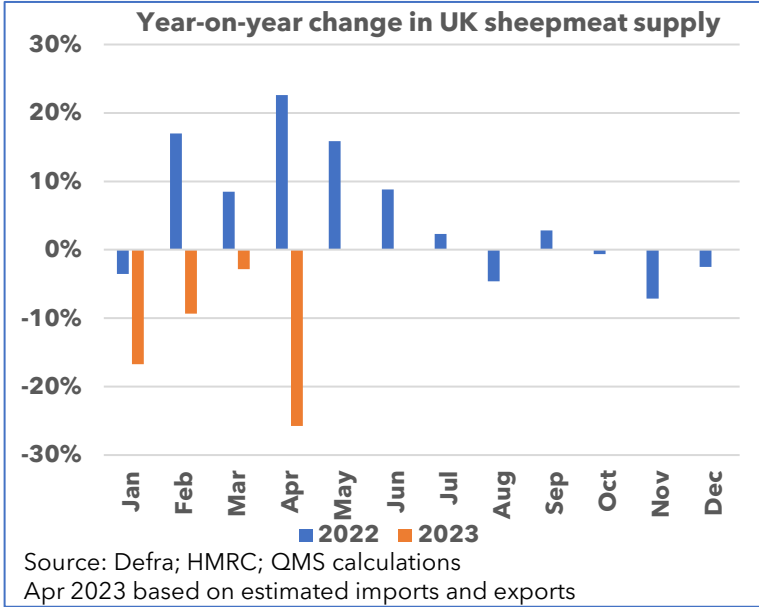
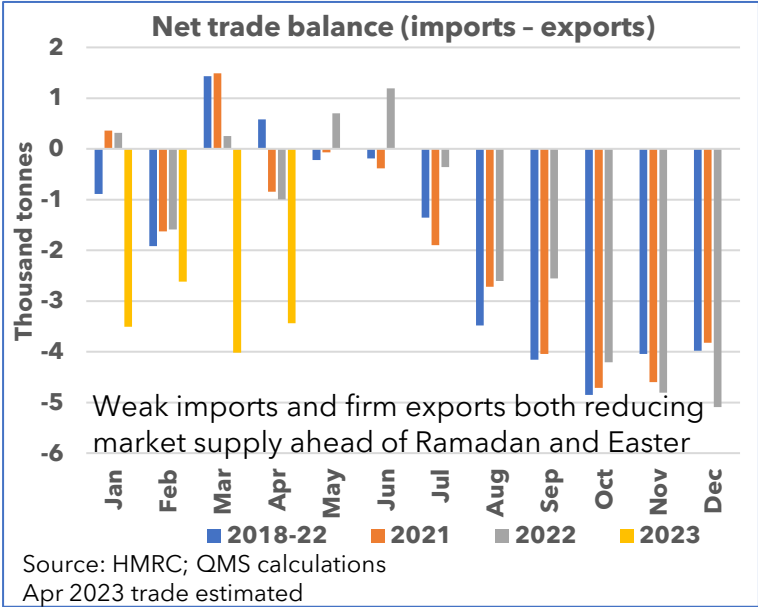
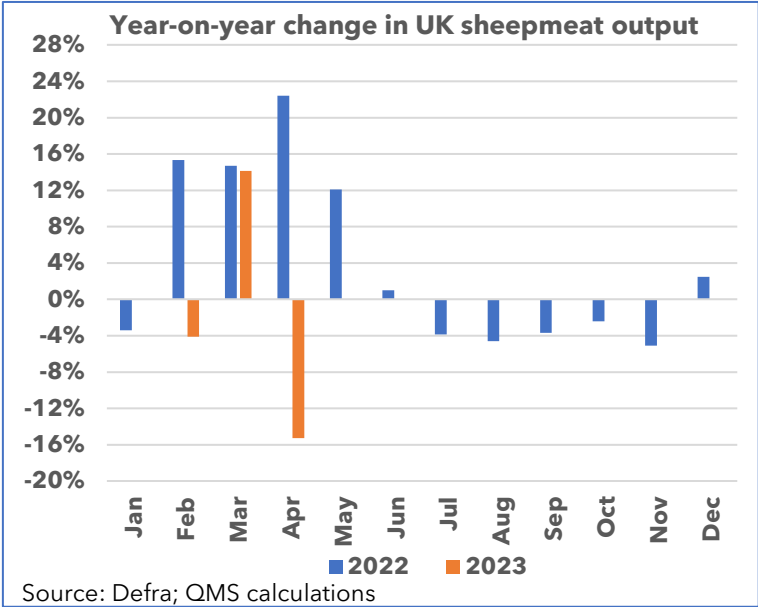


Ewe prices climbed seasonally through March and remained elevated through April and into May at Scottish auctions, supported by seasonally low supply. However, numbers have remained elevated relative to year earlier levels and prices have remained well below the highs of spring 2022, in contrast to the prime sheep trade.

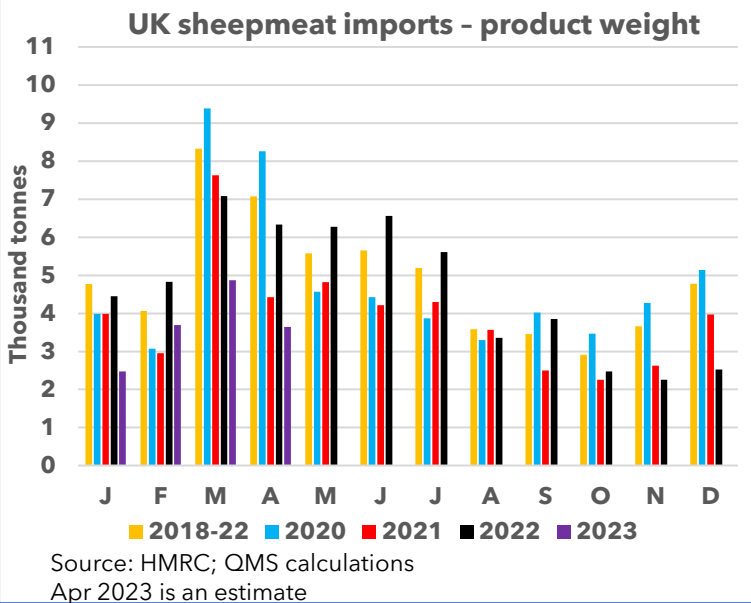
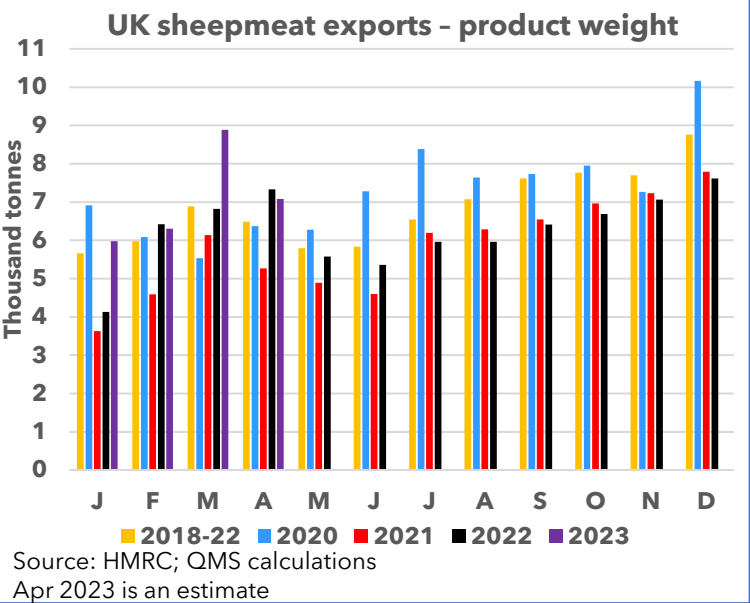
While domestic mutton production has increased in 2023, the volume exported as carcasses fell back significantly relative to a year earlier in February and March.



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



# A focus on UK international trade in sheepmeat

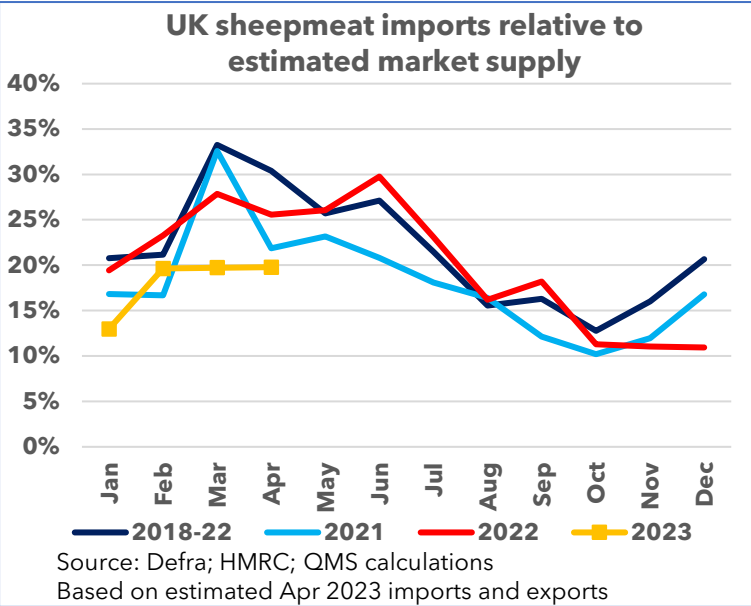
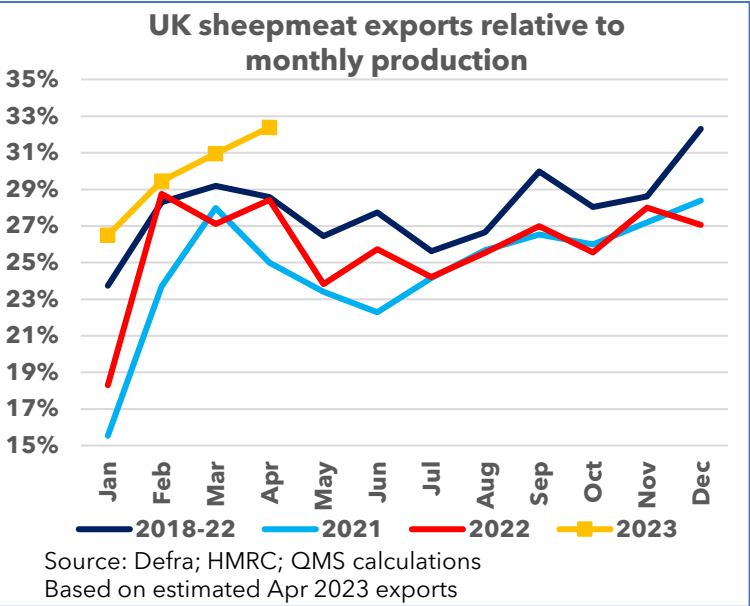


Export volumes appeared to have been constrained by a reduction in domestic production in the second half of 2022 but they rebounded strongly in Q1 2023. March export volumes were a 10-year high for the month.

Export prices in the key French market have remained firm since Ramadan and Easter, though they are now looking less attractive relative to domestic farmgate prices than they had during the first quarter (due to the strong uplift in GB prices).

Imports had a historically weak final quarter of 2022 having previously rebounded strongly in the middle of the year.

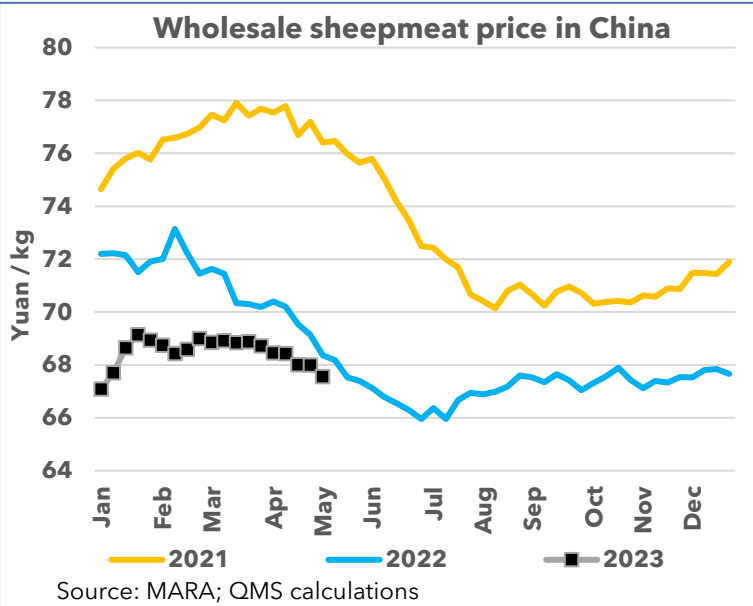
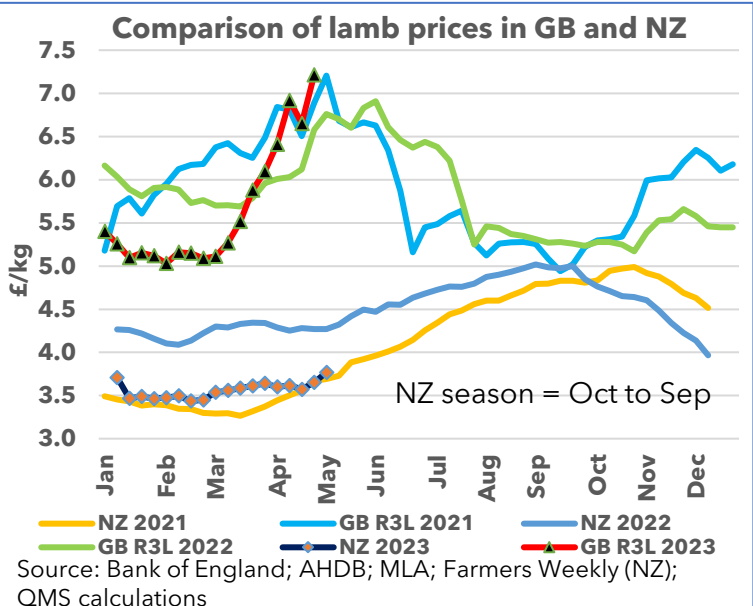
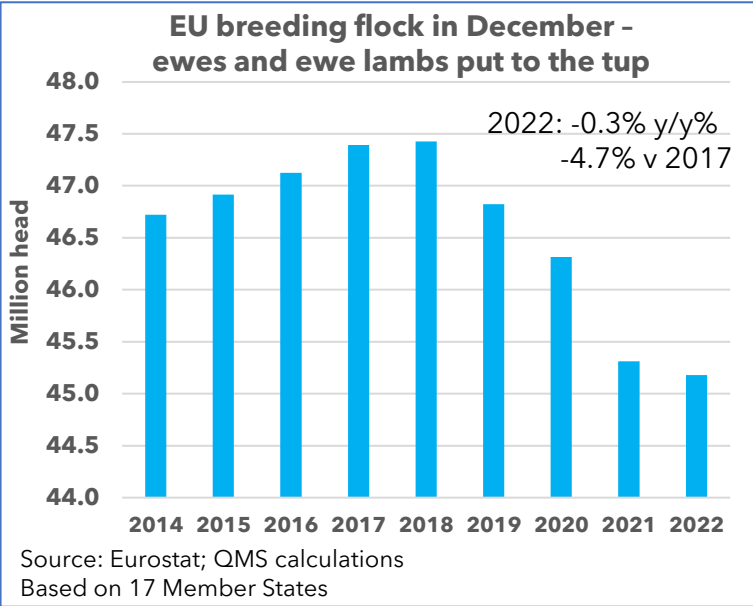
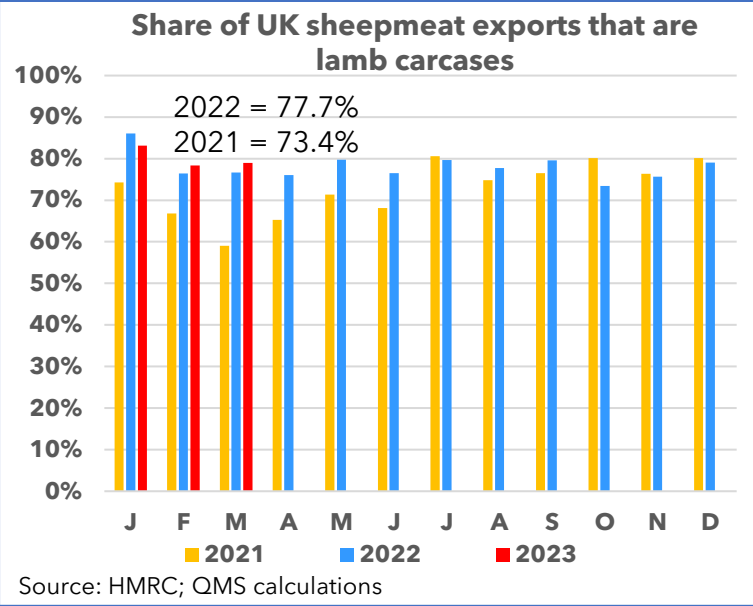
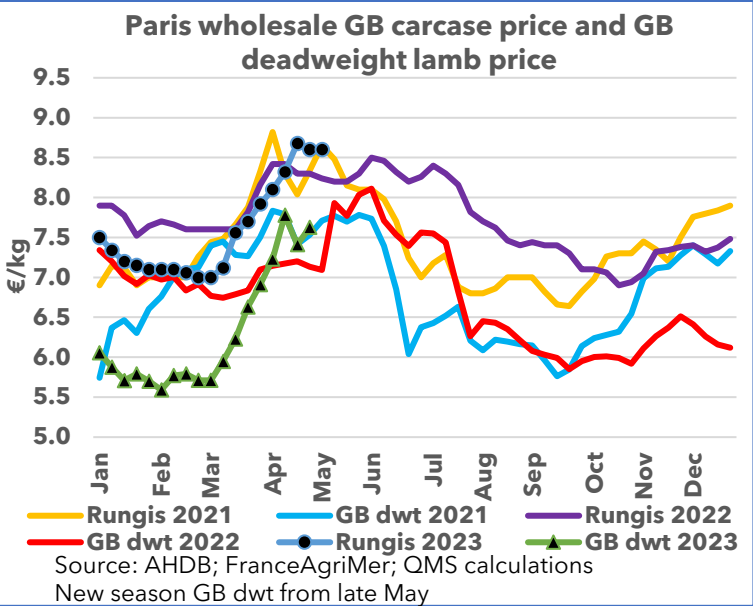
Imports remained low in Q1 2023, remaining well behind year earlier levels in the run up to Easter, with a limited seasonal bounce higher between February and March, despite the earlier Easter and Ramadan this year.



Note:  
HMRC trade data covers HS codes 0204 (fresh or chilled & frozen sheep and goatmeat)  
Estimates for April are based on seasonal trends in trade volumes and domestic production



Variables influencing UK sheepmeat trade – Prices in France continue to look attractive to GB lamb exporters following Easter and Ramadan. Import volumes remain weak despite highly competitive NZ prices.



Oceania lamb production forecasts			
	2022	2023	y/y change
Australia (thousand tonnes)			
Lamb production	549	569	+3.6%
Lamb exports (product weight)	284	310	+9.2%
New Zealand (head) (October 2022 - September 2023 season)			
Lamb crop	22.61m	22.02m	-2.6%
Export lambs processed	17.8m	17.5m	-1.6%
Source: MLA; Beef + Lamb NZ; QMS calculations			

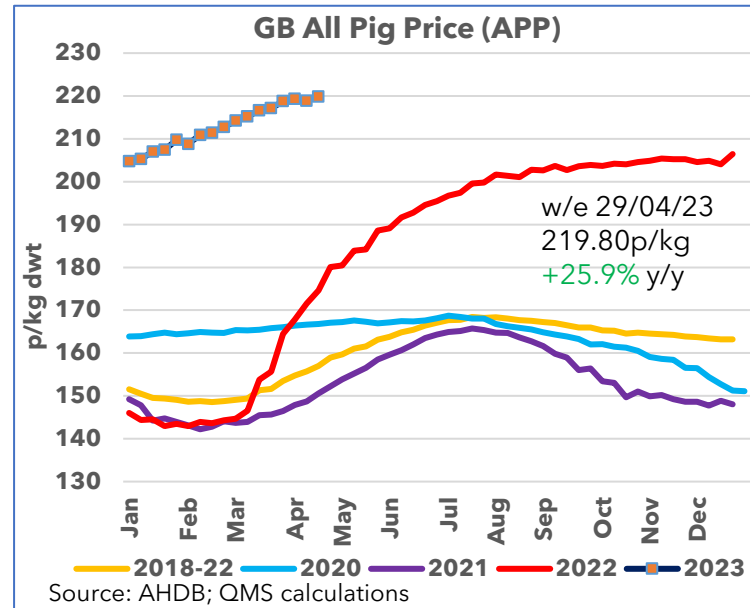
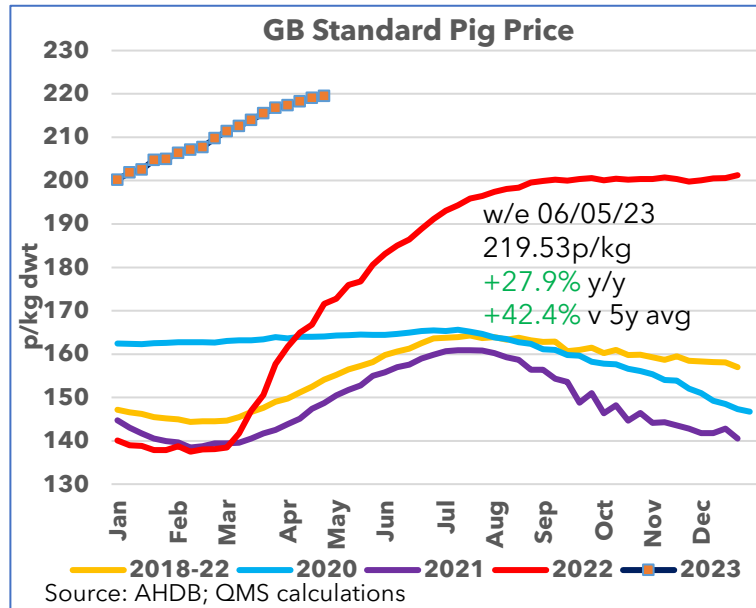
# Summary of market developments – pig market



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 6 May	219.53p/kg	+0.46p	+1.3%	+27.9%	+42.4%
Average carcase weight of standard pigs	Average in four weeks to 6 May, EU spec	89.7		+0.2%	-3.1%	+3.6%
Prime pig slaughter at GB abattoirs	Total during April 2023, thousand head	614.7		+7.5% (change in daily avg kill Apr v Mar)	-21.5%	-19.4%
UK pig market supply	Tonnes in Feb-Apr 2023	309,500			-9.1%	-3.8%

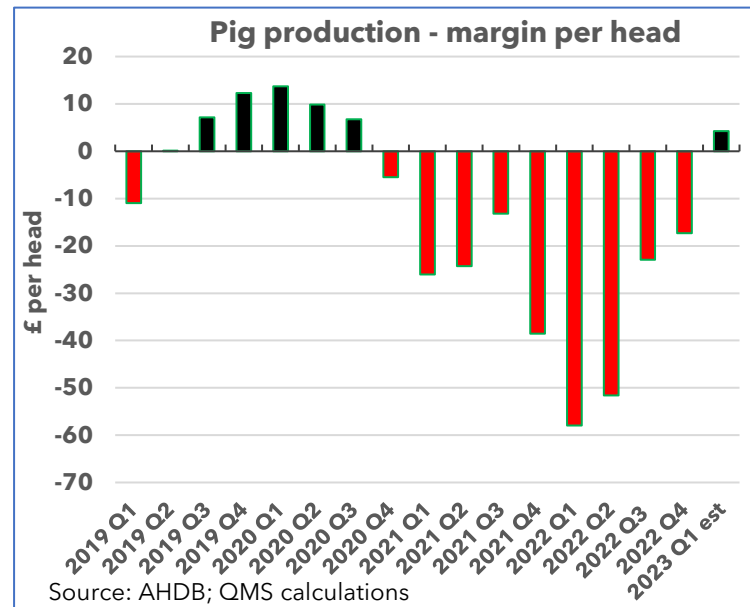
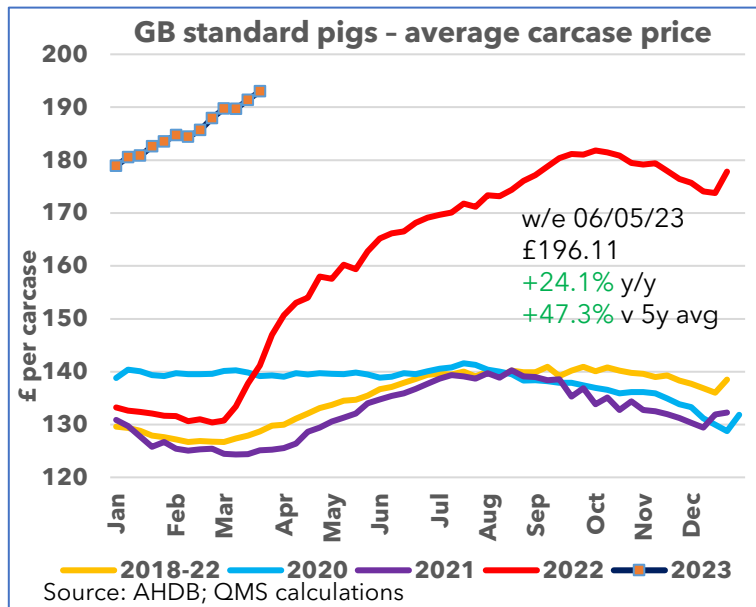
- Prime pig prices continued to rise through April and into May, now in line with the historic seasonal trend. Coupled with falling feed prices, this will be welcome for producers after two years of negative margins.
- The sharp fall in GB abattoir slaughter in the first third of 2023 fits with the reduction in prime pig numbers on farm following a reduction in the breeding herd in 2022, in turn supporting farmgate prices. Slaughter data from Scotland is also signalling reduced availability on Scottish farms.
- Lighter carcase weights compared to 2022 will have added further to the fall in pigmeat output, and stocks of pigmeat built up in 2022 are likely to now be declining.
- Tight supply on the continent has seen EU pig prices narrow the gap to GB levels in 2023, supporting GB price competitiveness at home and in export markets.
- In China, pork prices steadied through April and into May and futures market pricing is still pointing towards a tightening of supply in the second half of the year.

# Farmgate prices – prime pigs – showing further upwards seasonal pressure



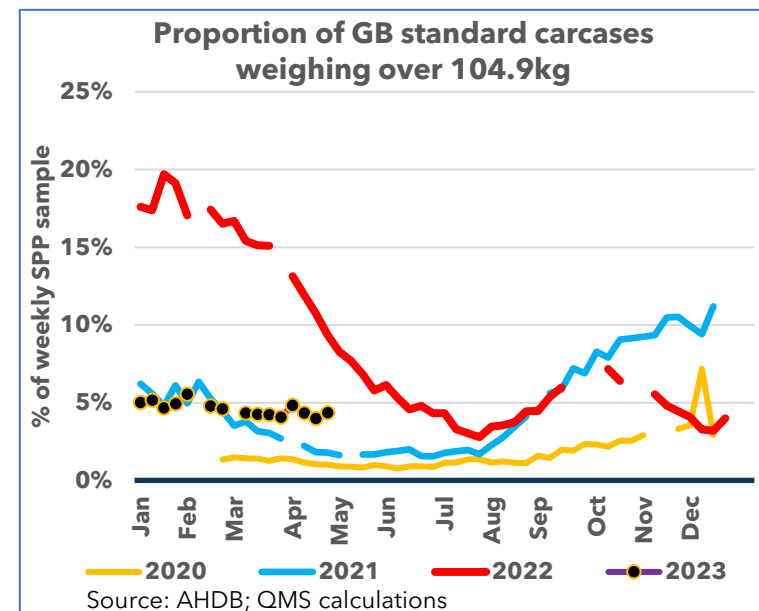
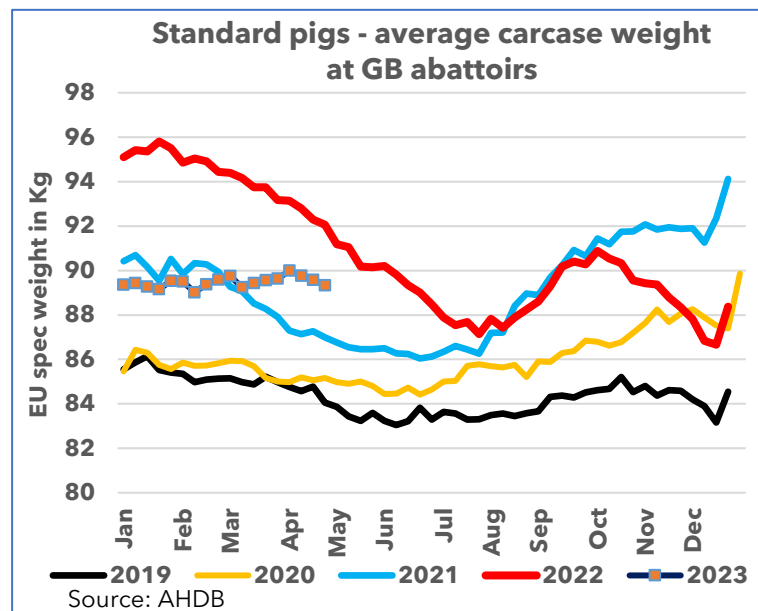
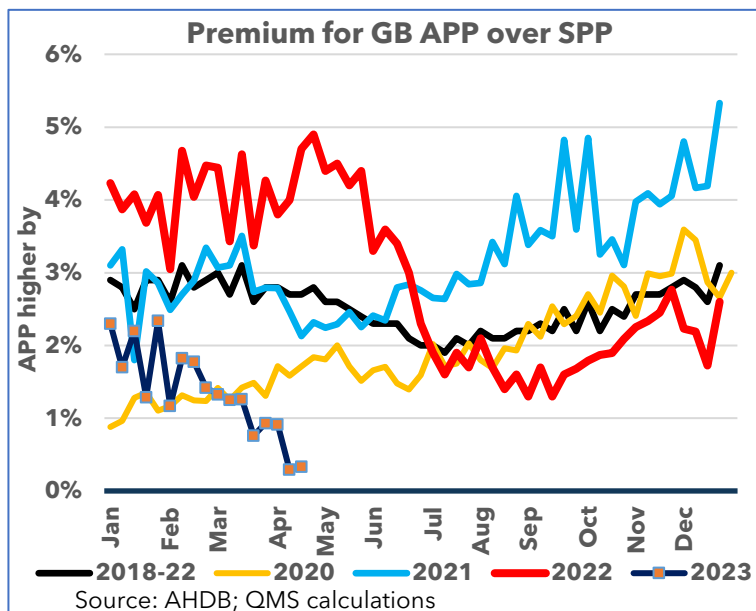
Pig prices continued to lift through April and into May, now following the seasonal trend higher, at a time when the market balance is usually beginning to tighten.

Relatively stable carcase weights mean that the average price per carcase has also been trending significantly higher. Significantly lighter weights than in 2022 have limited the year-on-year increase in carcase prices but the margin over the five-year average has held firm.



The lift in pig prices at the beginning of 2023 plus a reduction in price for straight feeds may have helped producer finances to return towards breakeven after a sustained period of losses. However, energy and interest costs are likely to have risen considerably for many businesses.

**Indicators of market disruption** - lack of premium for pigs with specific production characteristics points to very tight market and carcase weights are holding up against the seasonal trend.

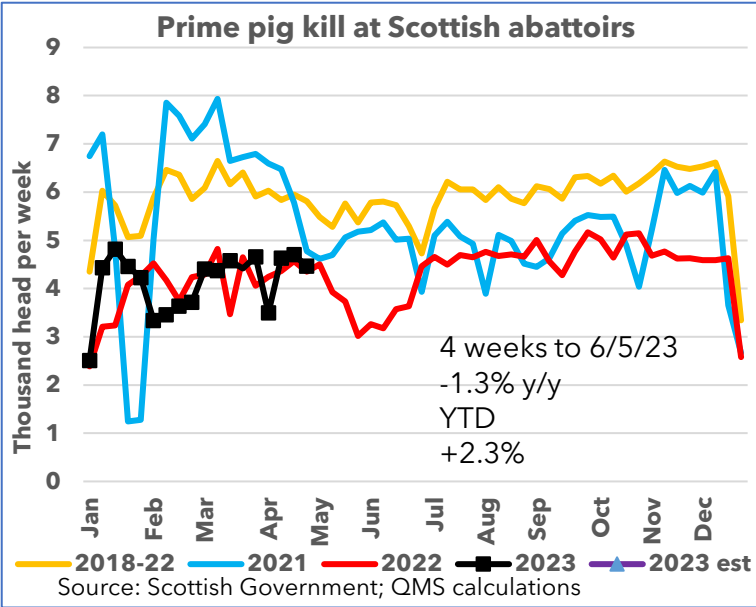
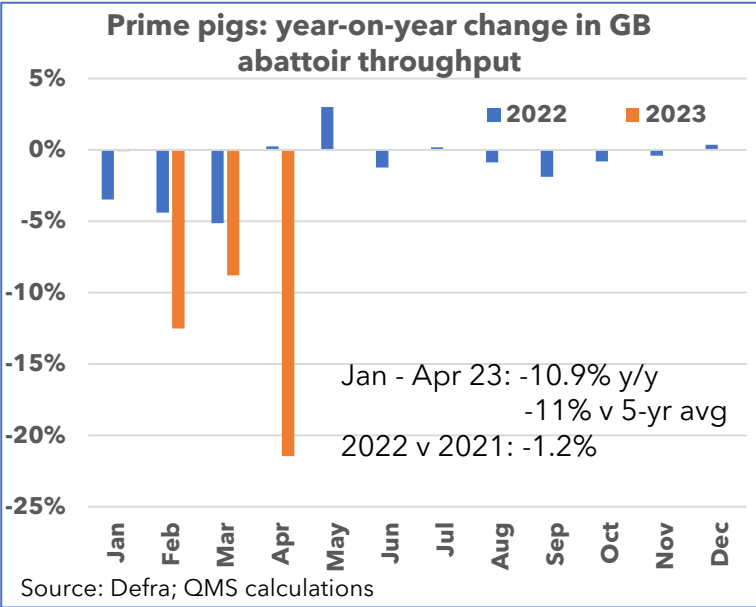


The premium for the overall average pig price (APP) over standard pigs (SPP) has almost disappeared, indicating that pigs with specific production characteristics are no longer receiving exceptional premia in the marketplace, signalling an extremely tight market.

However, interestingly, while well below the highs of 2022, the share of heavy carcasses has remained elevated compared to pre-backlog levels and average weights have continued to hold up more than expected, failing to show a seasonal decline, supporting revenue per carcase.

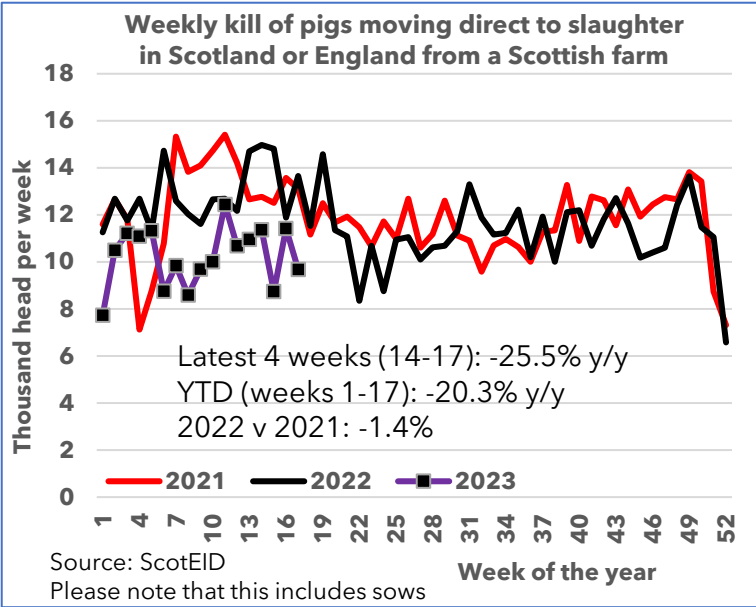
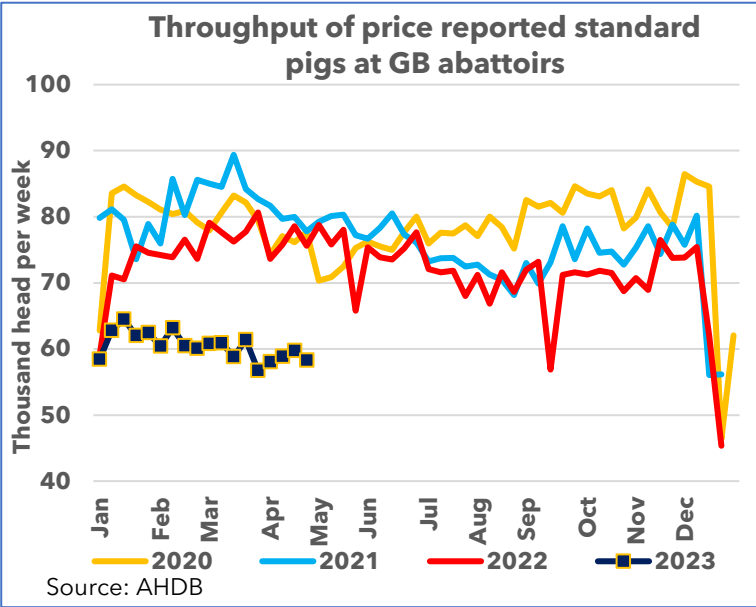


# Availability and slaughter – tight supply following herd contraction



The contraction of the GB breeding herd driven by financial pressures on producers in 2021 and 2022 has resulted in reduced availability for slaughter since late-2022, with the pace of contraction accelerating in 2023.

After a sharp fall in February, the prime pig kill rebounded at Scottish abattoirs in March and has been running in line with 2022 levels in recent weeks

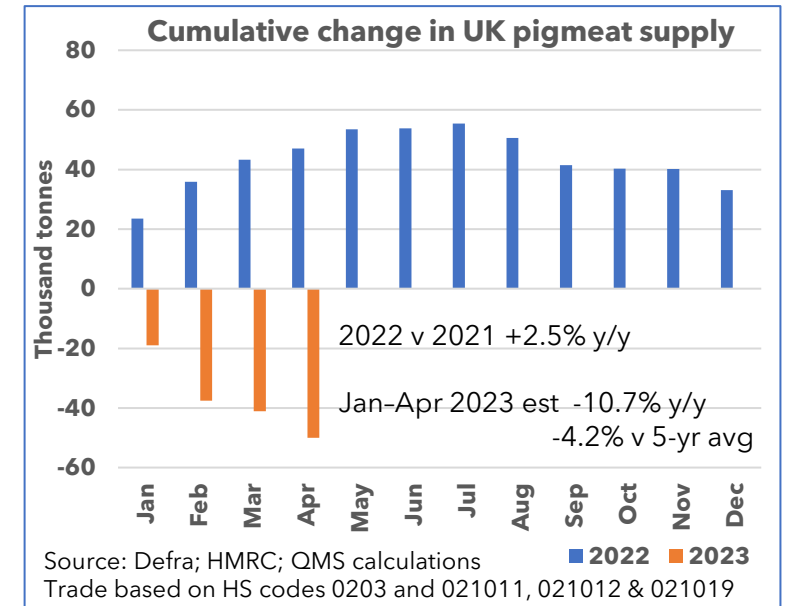
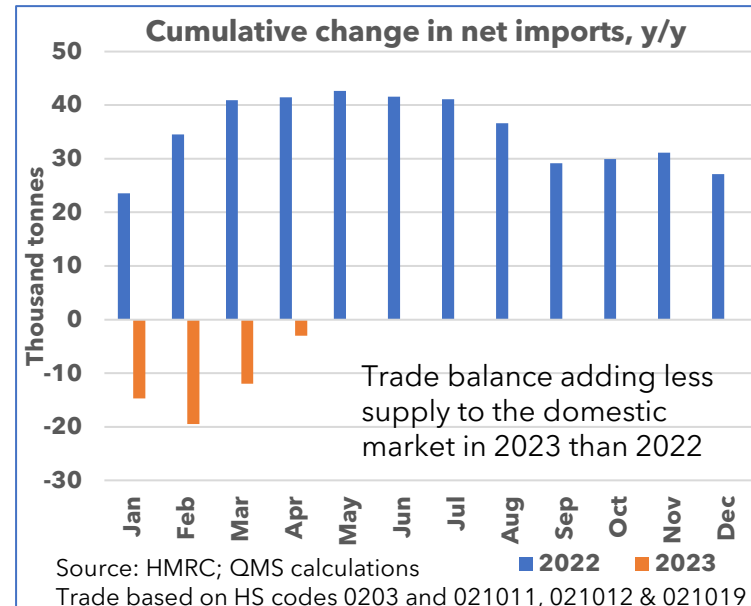
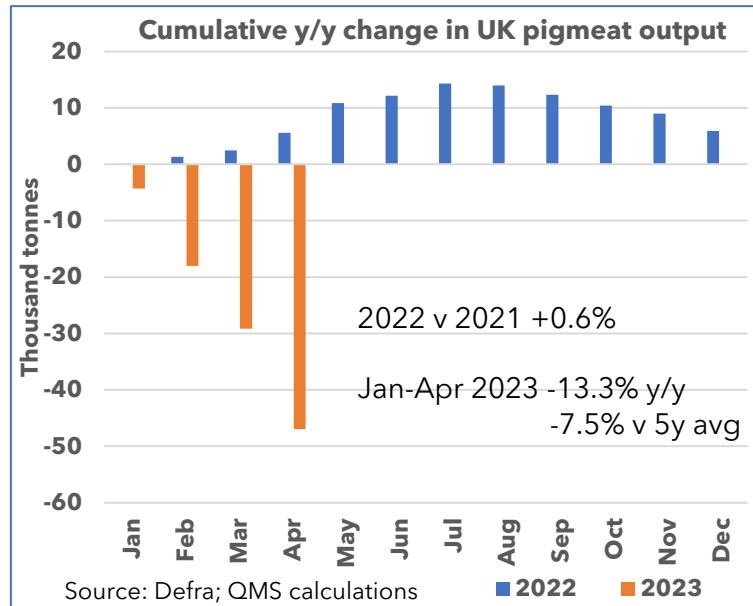
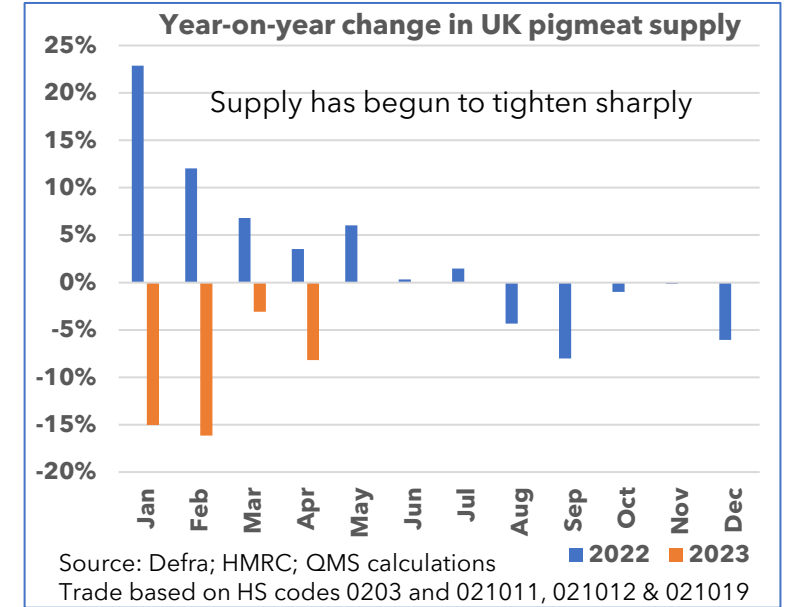
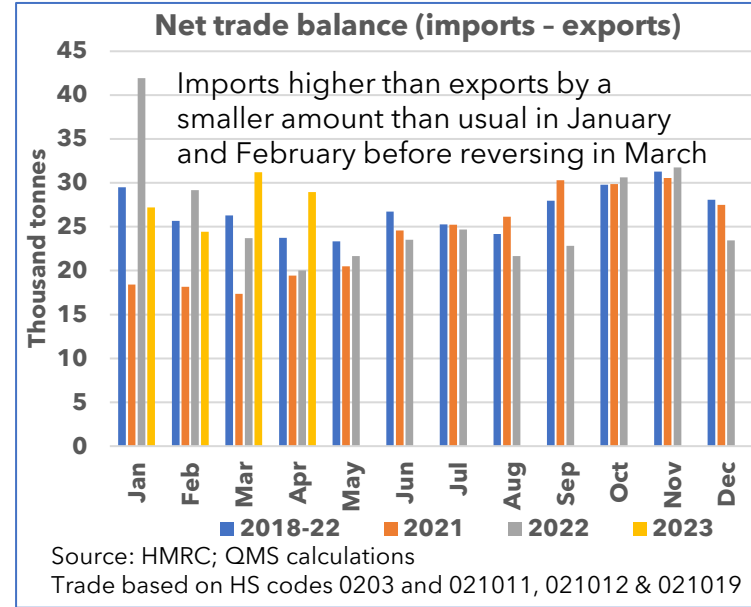
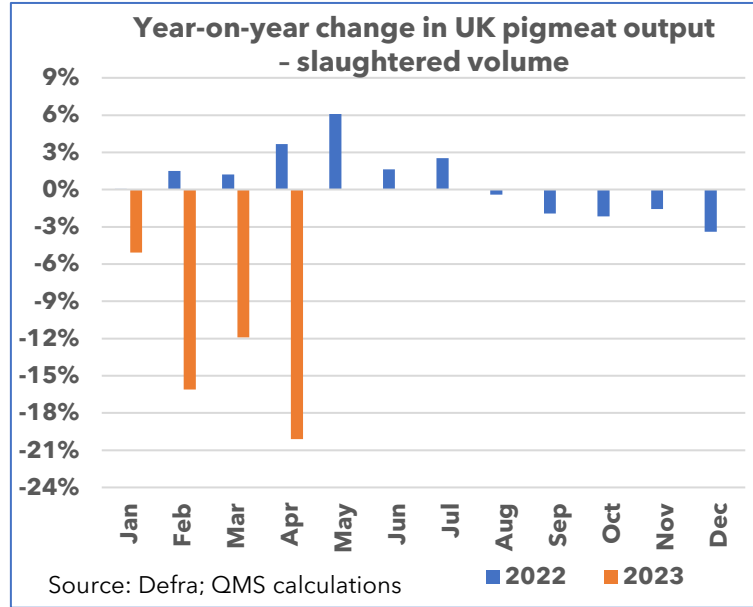


However, the number of pigs sent directly to slaughter from Scottish farms continued to lag year-earlier levels through April, suggesting that availability on farm remains tight, though numbers do appear to have partially rebounded after a notably weak February.

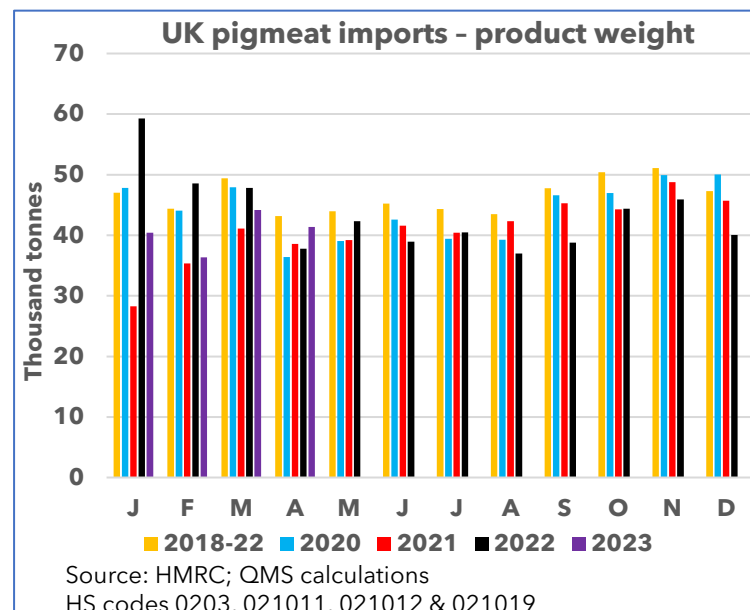
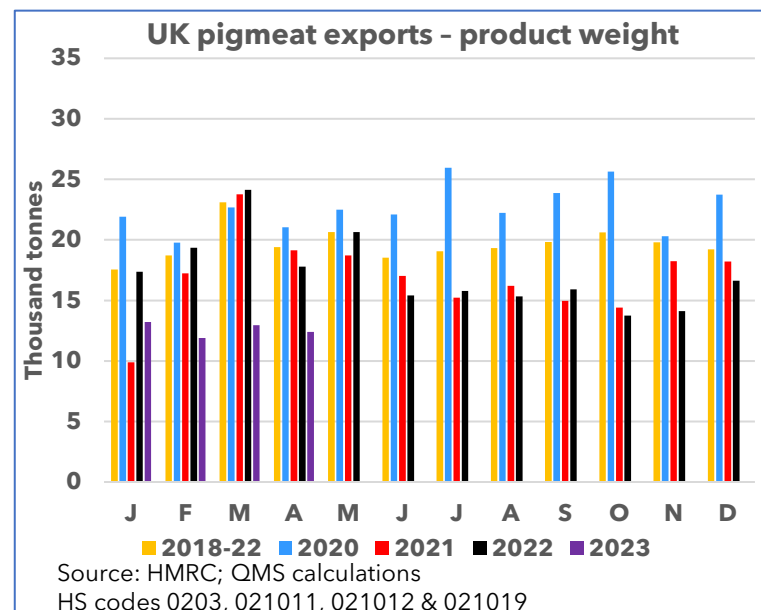
December Census - England (Note: Scottish results not available)	
Female breeding herd	-20% y/y
Fattening pigs	-7.9% y/y
Source: Defra	

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

Trade balance and pigmeat supply calculations based on estimated imports and exports for April 2023



# A focus on UK international trade in pigmeat



Tight pig supply in the UK and in the EU is likely to have limited imports and exports of pigmeat at the beginning of 2023.

Imports of pork (HS0203) trailed year earlier levels for an eighth straight month in March but the deficit did slow to only 3% with monthly volumes their highest in a year. Bacon & ham imports (HS0210) trailed year earlier levels for a fourth consecutive month (-15%).

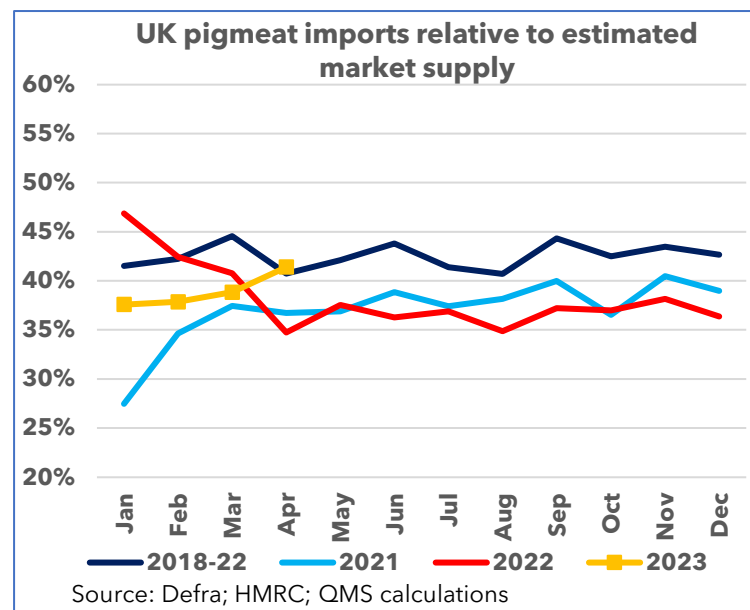
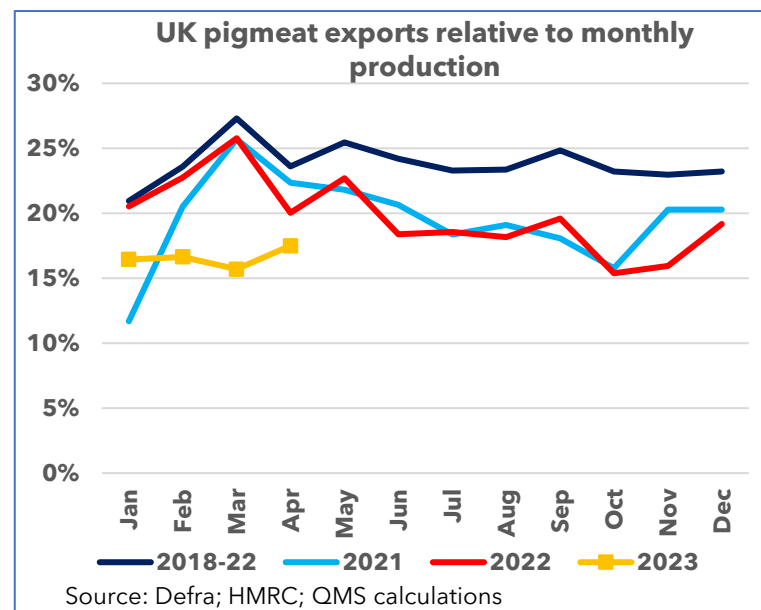
Exports of pork (HS 0203) to the EU fell short of year-earlier levels for a sixth consecutive month in March (-53.5%).

UK exports (HS 0203) to China and Hong Kong rebounded to a three-month high in March but remained soft, down 26% year-on-year. They were two-thirds of exports to non-EU countries and 39% of all exports.

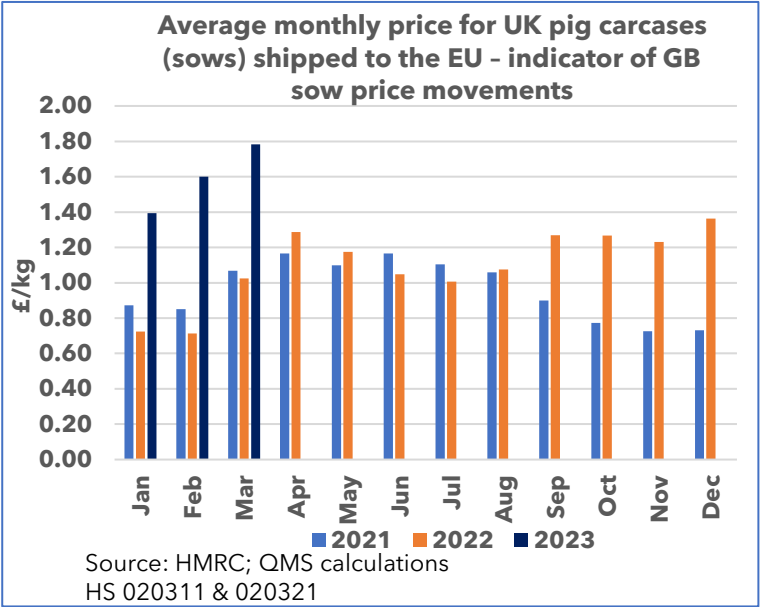
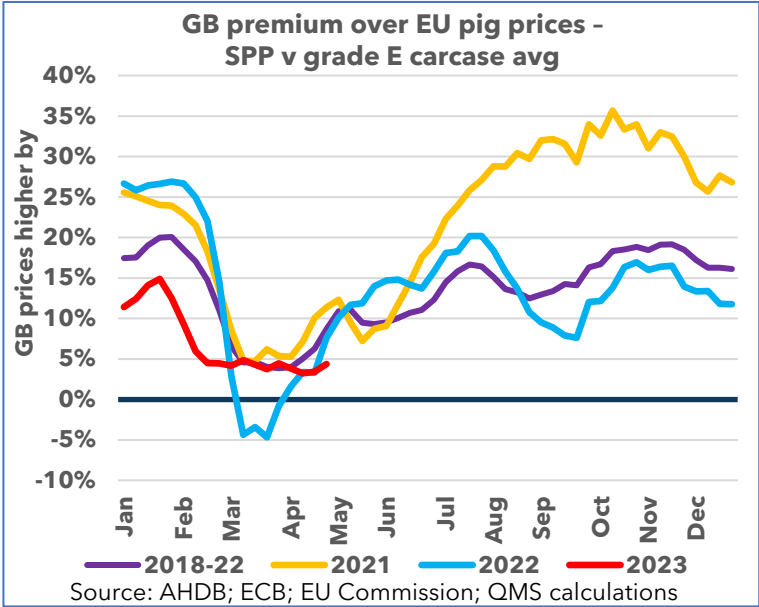
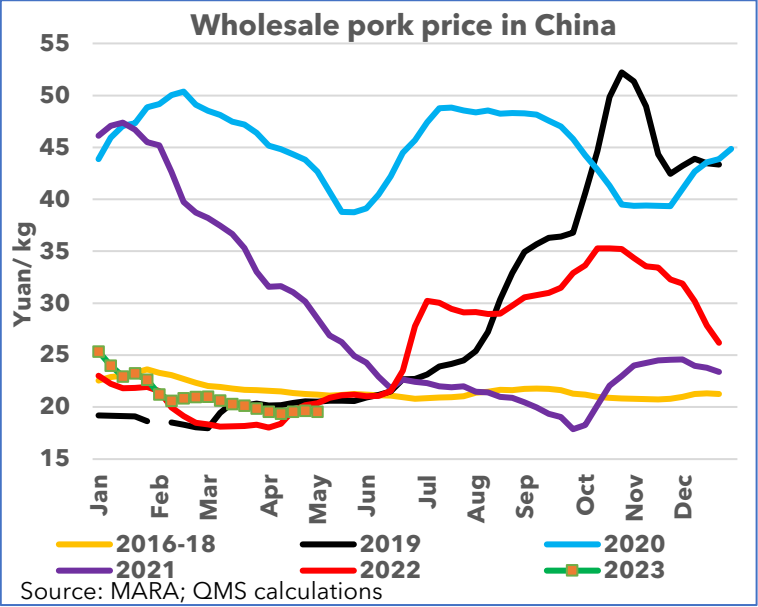
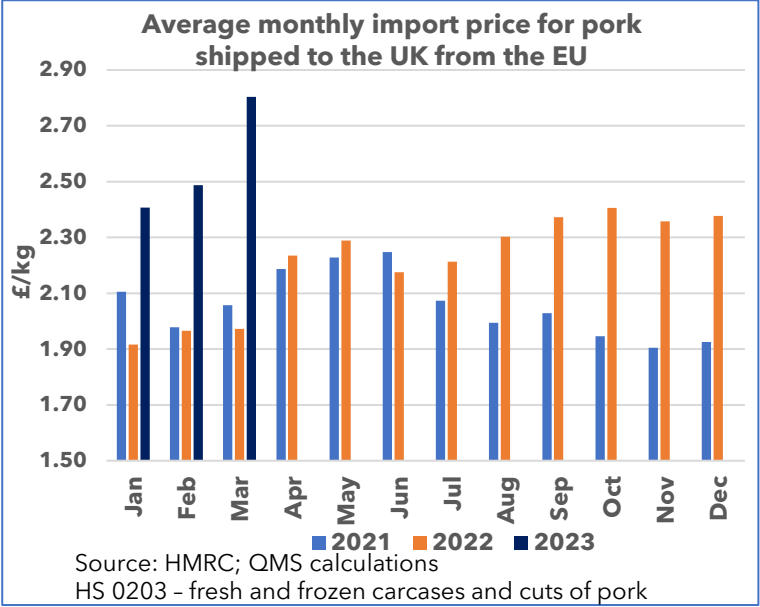
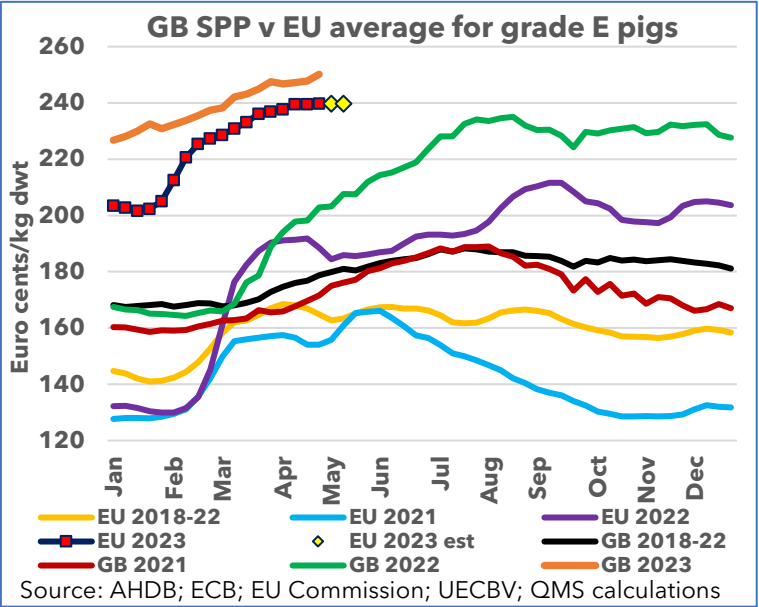
Note:

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

Trade data for April is estimated



# Factors driving UK international trade in pigmeat – A tight EU pig market continues to support GB price competitiveness, underpinning GB pork prices at home and on the continent. Pork prices in China have been relatively stable since the beginning of April and futures market pricing still points to expectations for supply to tighten in the second half of the year.



USDA Global Pork Market Forecasts, Apr 2023 (million tonnes carcass weight)						
Key indicators	2018	2019	2020	2021	2022	2023
World, production	111.9	101.0	95.8	107.9	114.6	114.3
China, production	54.0	42.6	36.3	47.5	55.4	55.5
All countries, imports	8.6	9.3	11.7	11.6	9.89	9.88
China, imports	1.46	2.45	5.28	4.33	2.13	2.20
EU, production	23.2	23.0	23.2	23.6	22.5	21.8

Source: USDA Foreign Agricultural Service

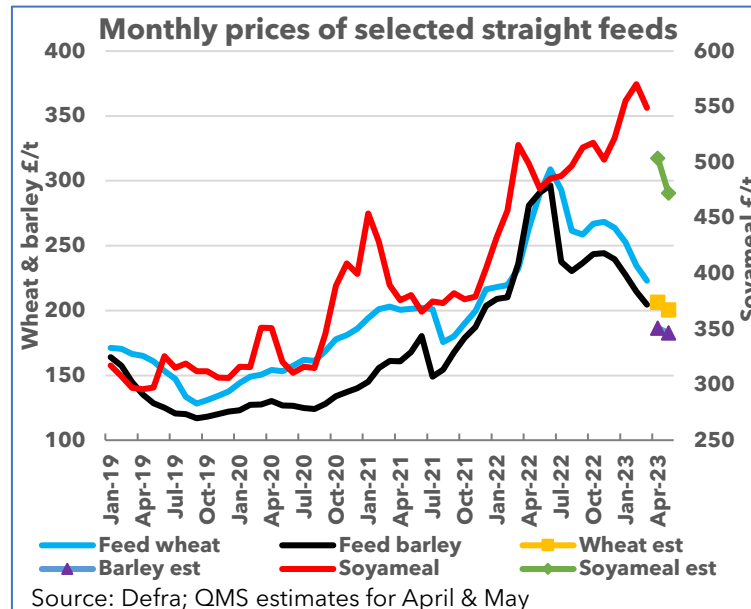
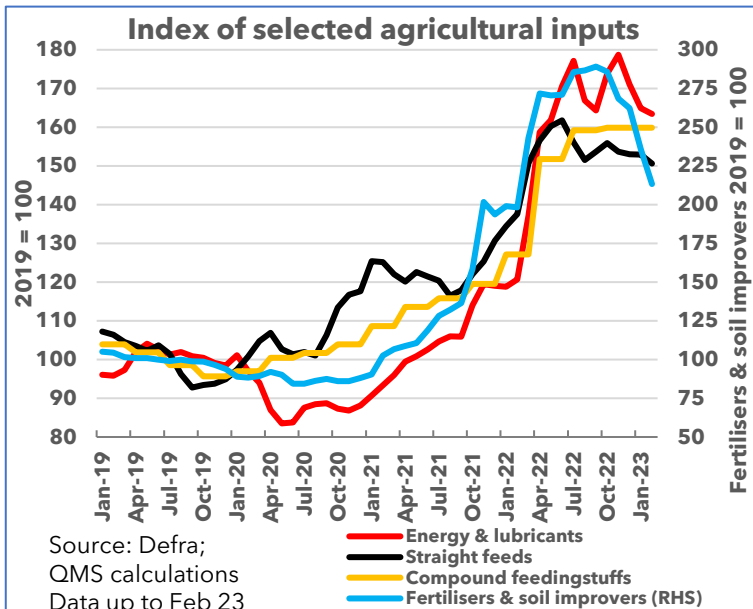
# Summary of economic developments



- Commodity prices have remained well below their 2022 peak in 2023, supported by a weaker US dollar, but farmers and processors will continue to face unusually high levels of input costs where end prices are reflecting past rises in raw material prices. Wage and borrowing costs are also still rising.
- While consumer confidence has rebounded from its autumn 2022 low, it remains very weak due to concerns about rising energy, food and mortgage costs, and the Bank of England has highlighted that the majority of mortgage payment increases are expected in 2023 as new fixed rate deals are agreed.
- Strong average earnings growth has continued to support increased retail sales in cash terms, but much higher prices are leading to reductions in purchased volumes.
- The meat retail market continues to be characterised by consumers trading down towards cheaper products, although lamb did have a good Easter period.
- PMI surveys have suggested a firm spring for UK service sector businesses but manufacturing remains subdued. While the labour market continues to look tight, previously inactive people have started to look for work, providing a slight boost to labour supply.

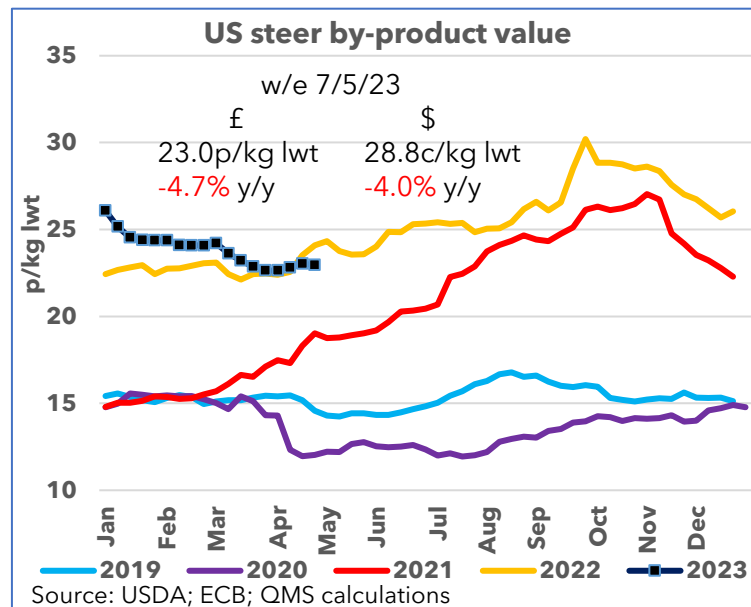
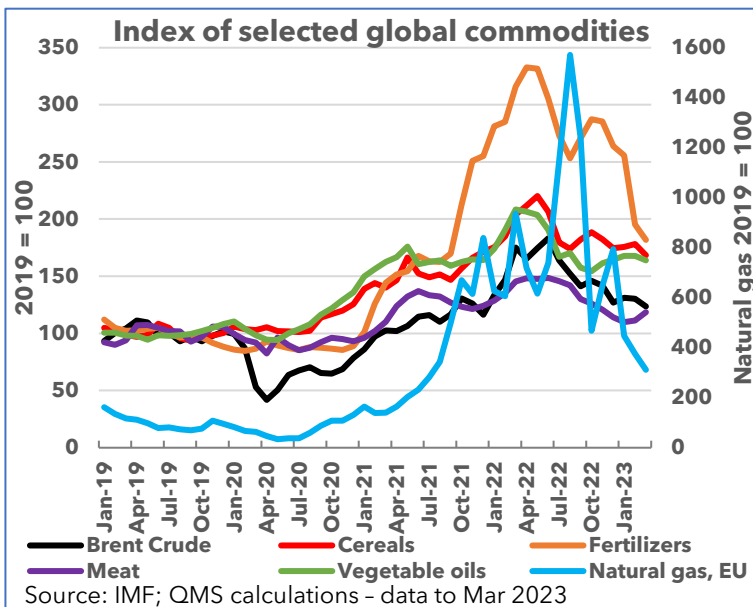


# Production costs and by-product revenues



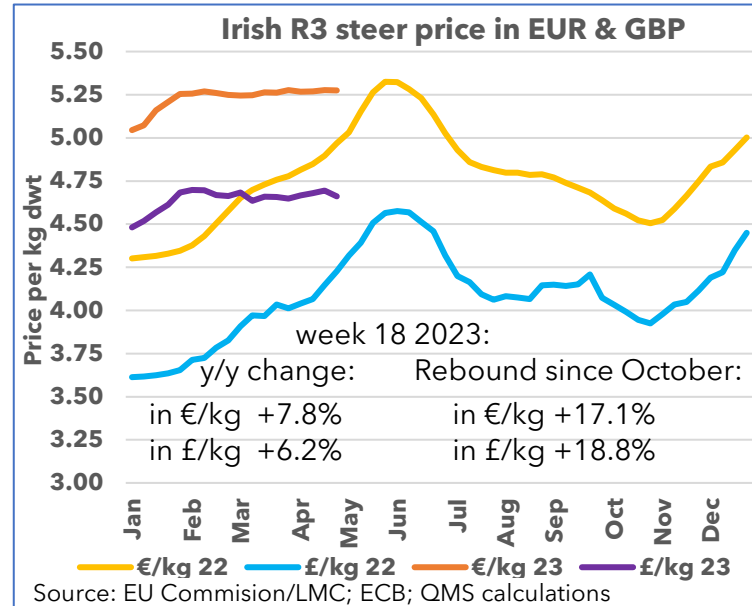
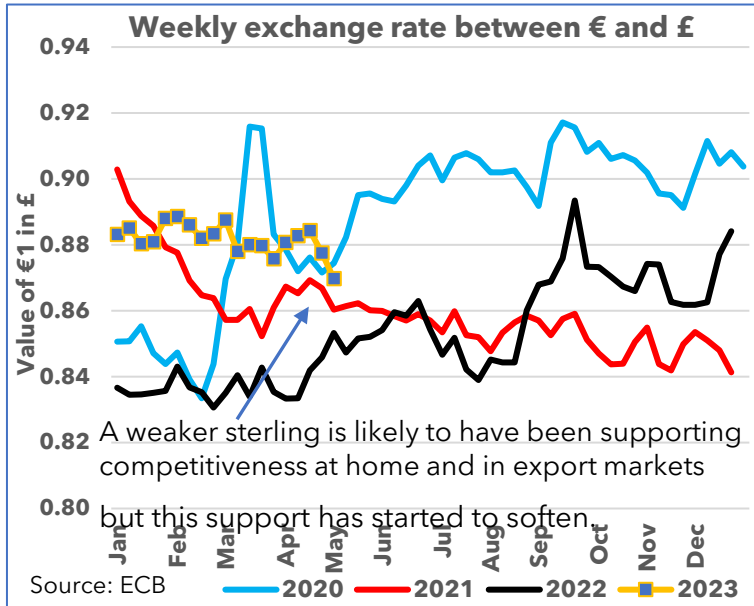
Commodity prices have fallen from their highs, but many are still well above pre-covid levels, meaning that businesses are still having to deal with higher cost bases than they have been used to. Contract pricing of inputs means that businesses may still be facing rising costs even as commodity prices have dipped.

Increased availability of cheap Black Sea wheat on the global market continues to pressure global grain prices, along with favourable weather for the US wheat crop, although this could change quickly if the initiative which allows exports from Ukraine's southern ports is not extended on May 18<sup>th</sup>. With grain prices spiking in the early weeks of the war in 2022, they are now sharply below year-earlier levels. Soyameal prices have now started to fall back towards year-earlier levels as a record Brazilian crop is reaching the market and the US planting season is going well.

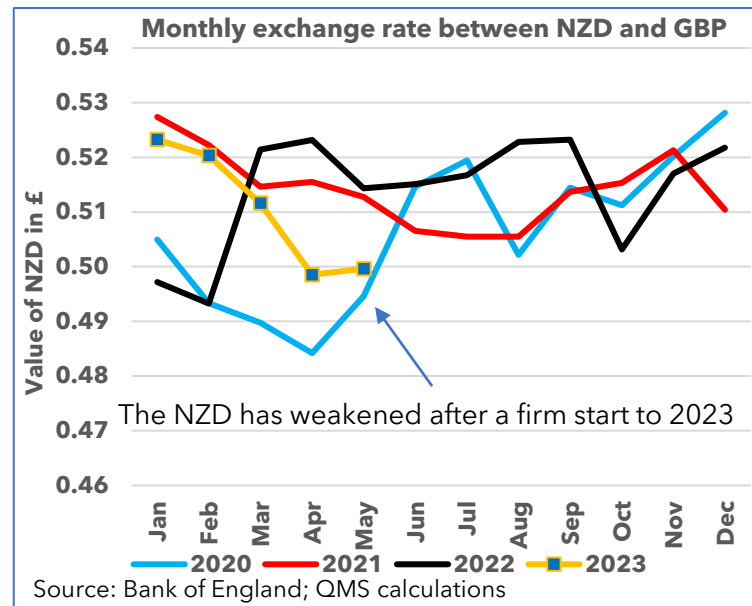
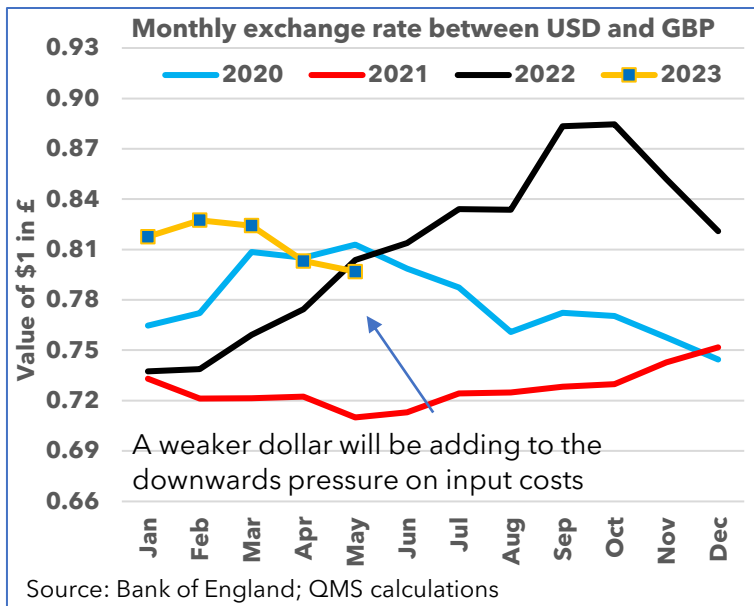


By-product value has followed commodity markets lower since the autumn and a softer US dollar has pulled sterling prices below year earlier levels. After softening at the start of 2023, hide values have stabilised in the USA. In mid-May, the softer dollar meant that hides were down slightly more on 2022 in sterling (-8.5%) than in USD (-6.3%).

# Exchange Rate Movements – interest rate rises supporting sterling

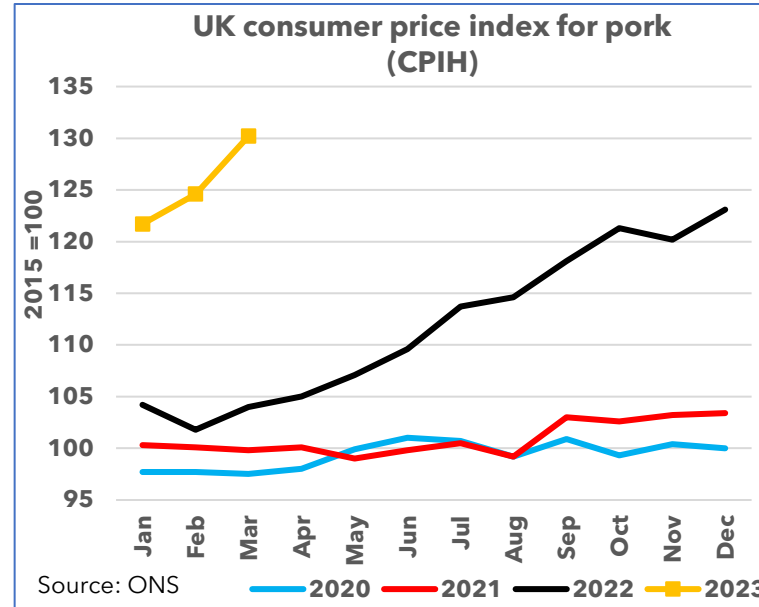
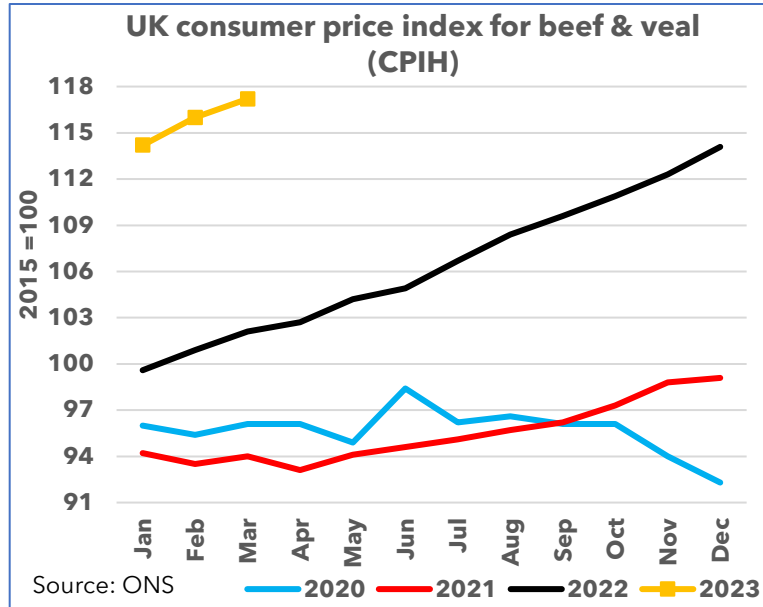


Sterling weakness has continued to support Irish cattle prices quoted in £/kg when compared to 2022, but a bounce in sterling to a nine-month high has narrowed this gap in May 2023. The Bank of England is of the view that price and wage-setting decisions have changed since the pandemic, biasing them to the upside, so they want to be overly cautious with interest rate policy to get inflation down towards the 2% target.



US economic data has remained relatively firm in 2023 but banking sector turmoil has limited expectations for further interest rate increases, pressuring the dollar. A slightly weaker USD than a year ago has added further downwards pressure to commodity prices and input costs, in turn potentially also softening returns on dollar-denominated exports to non-EU countries. For example, an unchanged export price of \$5,000/t would have returned £4,020 in May 2022 but £3,980 in early May 2023 (-0.9%).

# Retail demand and prices - meat prices continue to show strong year-on-year increases, limiting sales volumes

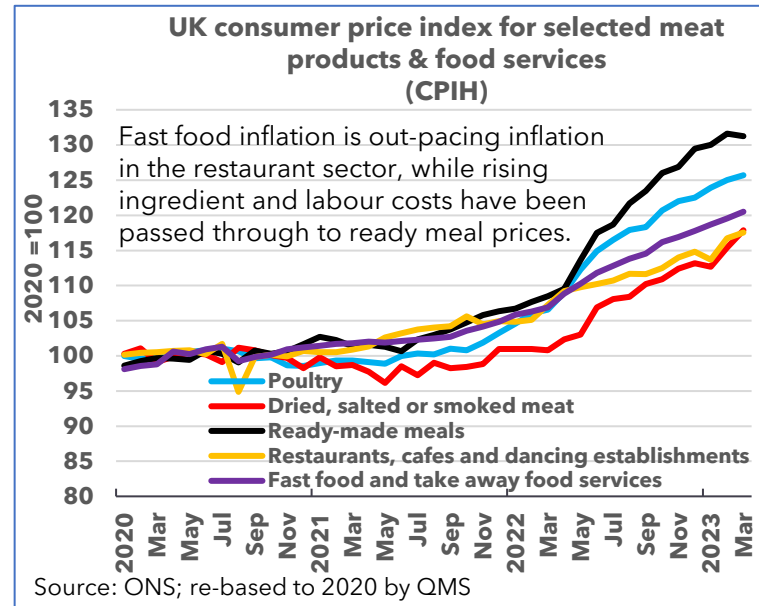
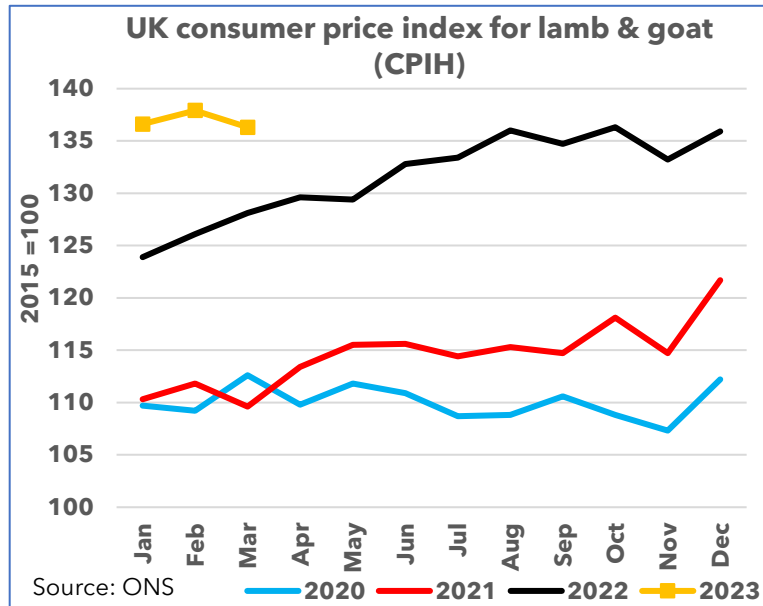


Retail demand remains firm overall with rising wages (+5.7% y/y in three months to January) supporting the overall amount of money spent on groceries. However, sharply higher prices continue to limit sales volumes.

Within product categories, there has been a shift in spend towards cheaper cuts, such as beef mince and shoulder roasts of lamb and pork.

Lamb had a good Christmas and Easter but sales were weak in between - suggesting it may have become even more of a festival treat. The resurgence in farmgate prices may test the signs of retail prices beginning to stabilise.

Pork retail prices now rising fast as higher farmgate and import prices pass through the supply chain.



## Y/Y change in GB retail sales reported by Kantar in 12 weeks to 16/4/23

	Value	Volume	Avg price per kilo
Fresh beef	+7.9%	-1.2%	+9.2%
Fresh lamb	+12.1%	+6.8%	+4.9%
Fresh pork	+10.9%	-6.8%	+19.0%
Fresh poultry	+14.6%	-0.3%	+15.0%
Total grocery market	+10.0%	-3.8%	+14.3%

Source: Kantar

**Economic indicators** – economic sentiment has improved slightly at the start of 2023 as cost pressures appear to have passed their peak. Wage pressures have continued to support household spending, but have not been enough to keep pace with inflation.

