

QMS MONTHLY MARKET UPDATE

April 2024

Purpose:

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

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Date: 8/5/2024

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AHDB

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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BEEF MARKET

SUMMARY OF MARKET DEVELOPMENTS

01 Prices

After sliding significantly in March, prime cattle prices have edged back higher since Easter, supported by a seasonal dip in availability for slaughter in Scotland. Although prices have slipped 2% behind year-earlier levels, leads over five-year averages have held at around 20%. Cow prices showed a stronger upturn in April, softening the year-on-year declines, but have shown signs of beginning to level off again at the turn of May with seasonal slaughter likely to have passed its low.

02 Production and market supply

- Increased prime cattle numbers on farm at the start of 2024 have been supporting GB slaughter, which has been up significantly year-on-year. At Scottish abattoirs, while weekly slaughter has fallen seasonally in April, throughput has pushed above year-earlier levels, in line with the increased numbers on farm in the January population data and reflecting supply chain challenges last year.
- Increased domestic production and imports at the start of 2024 appear to have supported a recovery in market supply after a tight end to 2023.

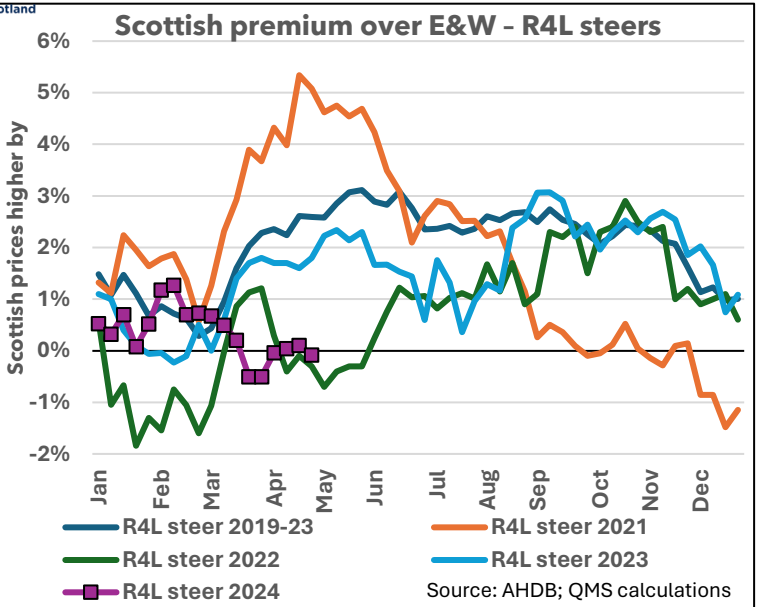
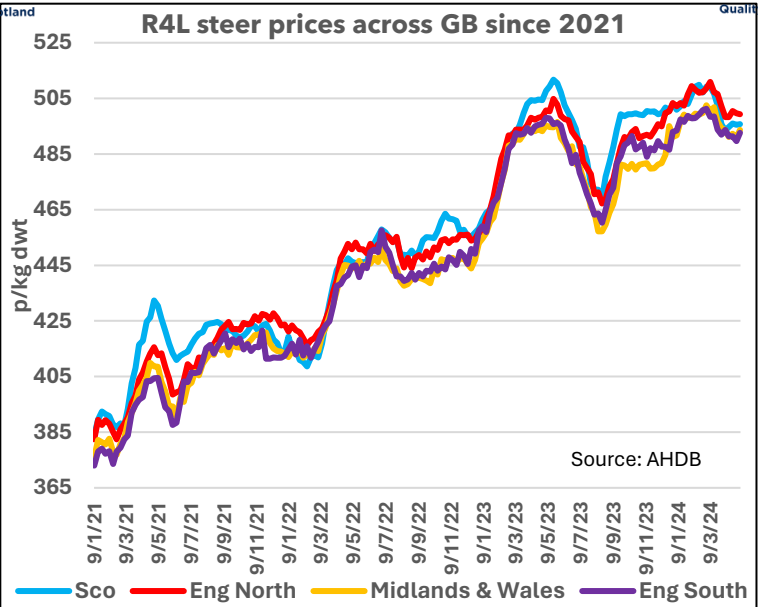
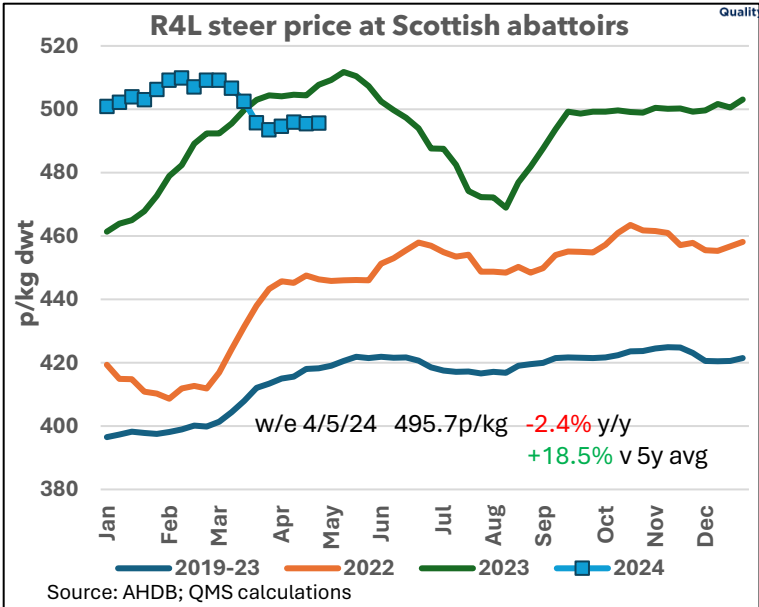
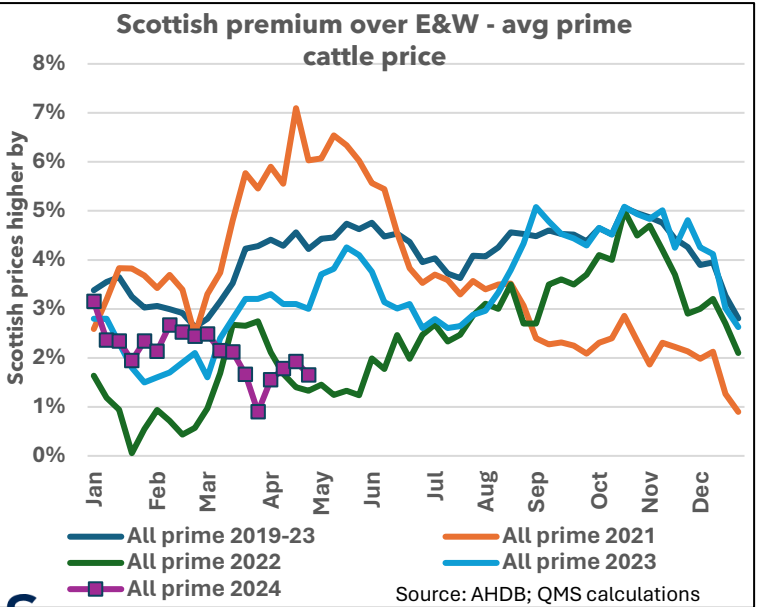
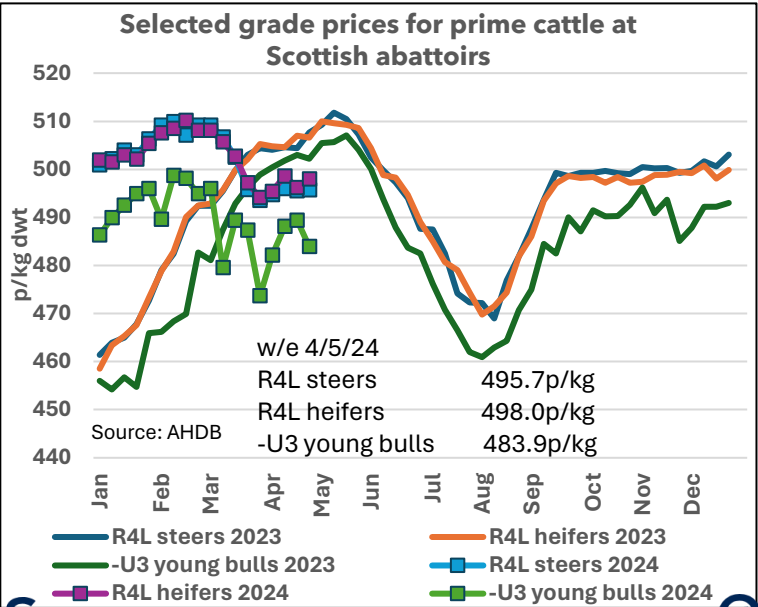
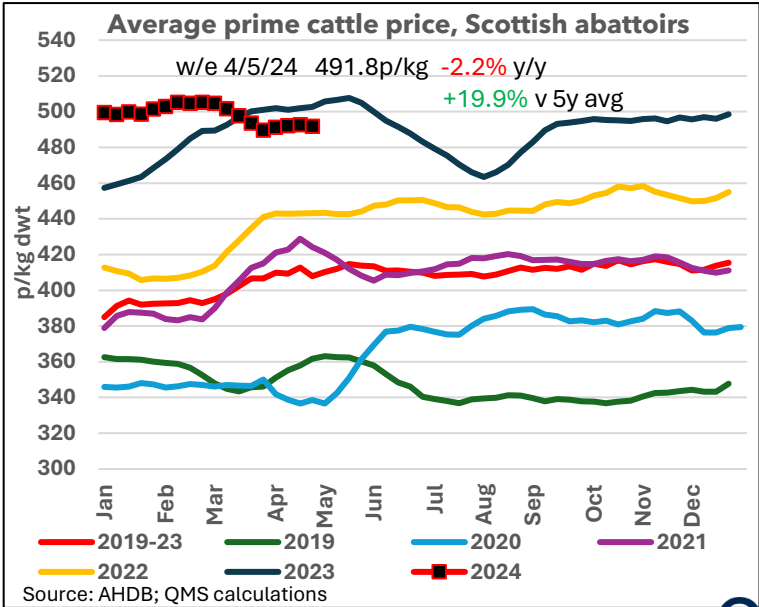
Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
R4L steer price at Scottish abattoirs	p/kg dwt, w/e 4 May	495.7	+0.2p	+0.4%	-2.4%	+18.5%
Prime cattle slaughter at price reporting Scottish abattoirs (87% of kill in 2023)	Average in four weeks to May 4, head procured deadweight	5,744		-1.8%	+6.5%	-7.8%
Store price at Scottish auctions for steers aged 12-18 months	Average in four weeks to April 27, £ per head	£1,358		-0.6%	n/a	+34% (v 2018-22)
UK beef market supply	Tonnes in Jan-Mar 2024 (estimate)	272,200			+6.6%	+5.9%

03 Outlook for production

- In the short-term, a higher spring-2022 calf crop and a slight slowdown in the store cattle outflow from the highs of 2022 should be supporting prime cattle availability in Scotland. However, weekly slaughter does often dip back in April before rebounding in May and then slowing down again in the summer. Numbers could tighten relative to year-earlier levels in the autumn as the reduced 2023 spring calf crop starts dominating slaughter.
- The combination of a reduced calf crop, lower input costs and firm finished cattle prices have supported store cattle values at the start of 2024, and supply is set to remain tight throughout 2024.

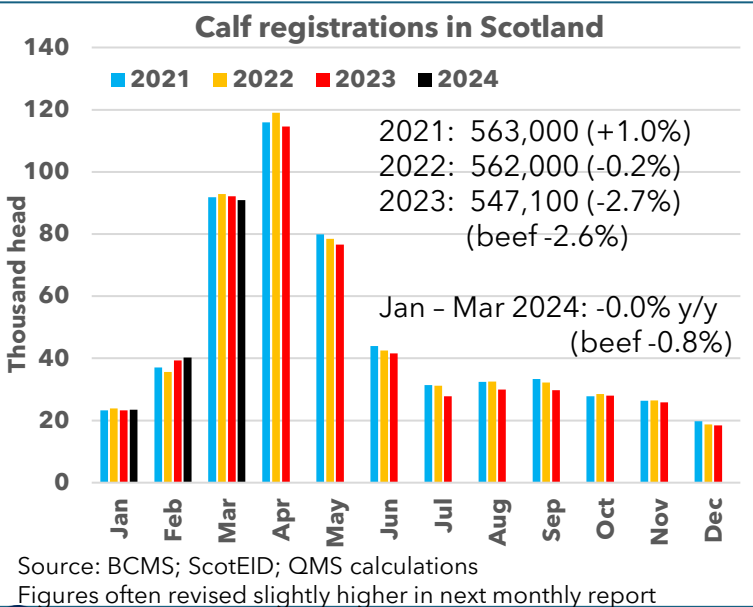
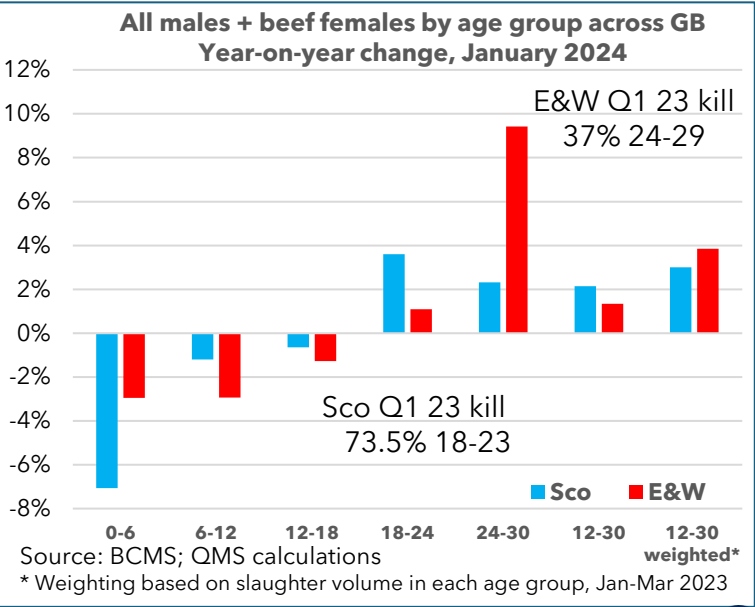
Farmgate prices

After a significant decline in March, prime cattle prices have edged higher in April with availability for slaughter in Scotland dipping seasonally. Prices slipped behind year-earlier levels for the first time since May 2020 at the end of March and the gap has held at around -2% in April. Nevertheless, the lead over the five-year average has held close to 20%.



Availability and slaughter

Since Easter, prime slaughter has been lower than its weekly average through the first quarter, but has now risen year-on-year, in line with the picture on farm at the turn of the year. The weekly prime kill in E&W has been at its highest of the year since Easter.

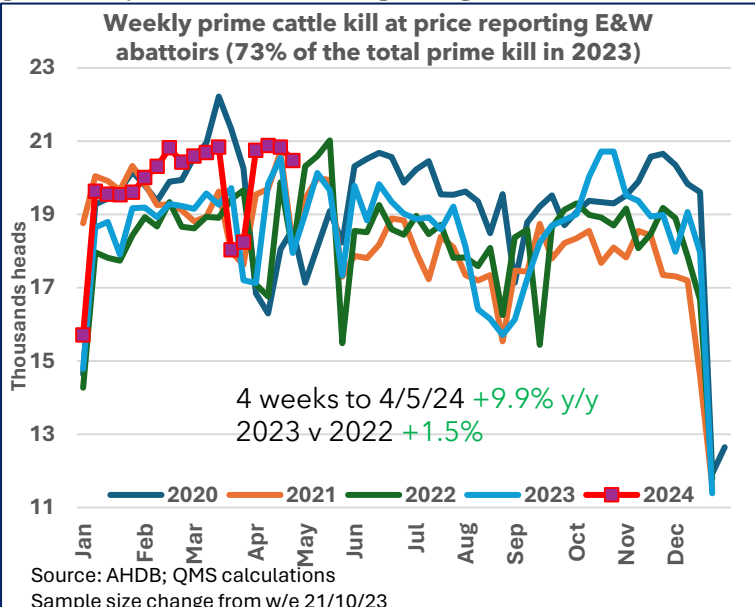
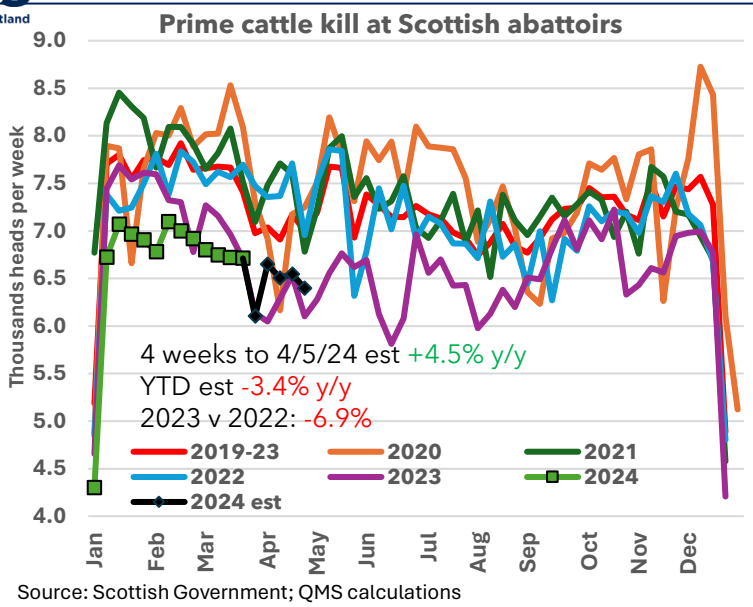
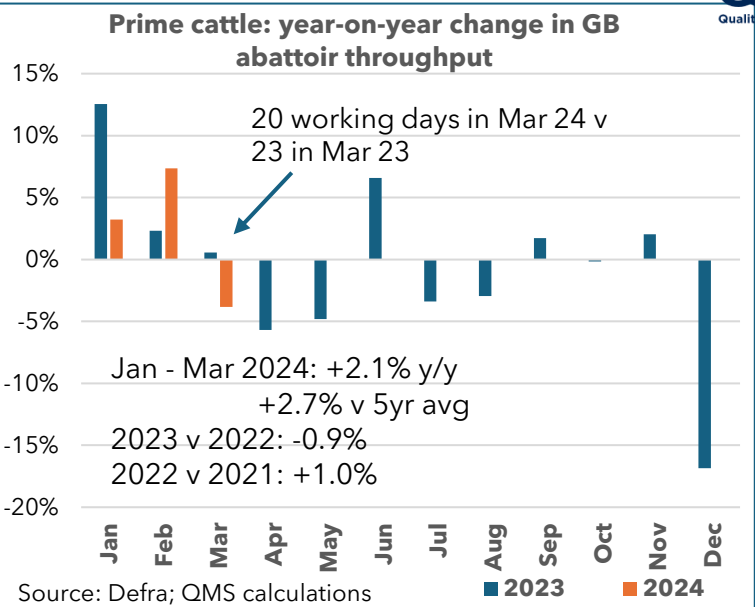


An increased prime cattle population on farm at the start of 2024 has continued to underpin slaughter across GB, which rose by 2% year-on-year in Q1 and appears to have risen at a stronger rate in April.

In Scotland, the prime kill has fallen on a weekly basis relative to Q1 since Easter but has now moved beyond the low levels of April 2023, which had been influenced by supply chain challenges.

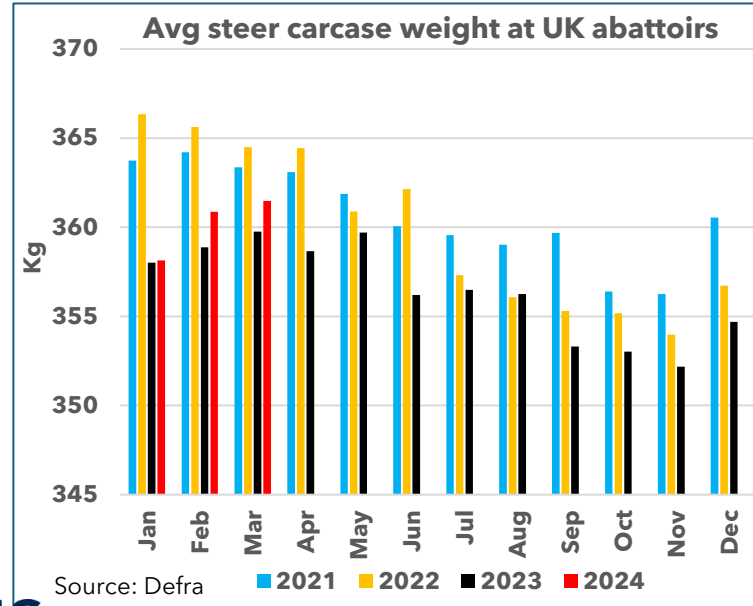
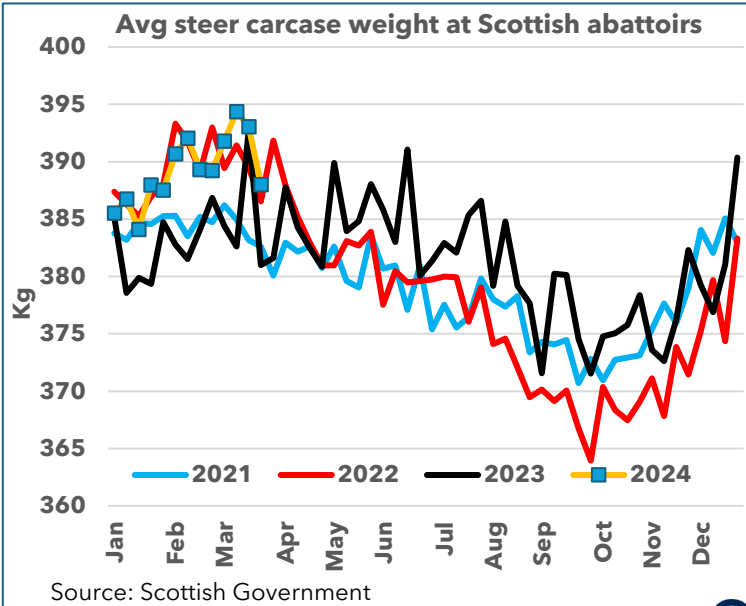
Slaughter at the price reporting abattoirs in E&W trended seasonally higher after Easter, reaching its highest of the year before dipping at the turn of May. While it has shown strong year-on-year increase, some of this may reflect a small change in sample size in October 2023.

In the short-term, weekly slaughter often rebounds in May after a slowdown in April, before slowing again in the summer. Numbers could tighten on a year earlier in the autumn as the reduced 2023 spring calf crop starts dominating slaughter.



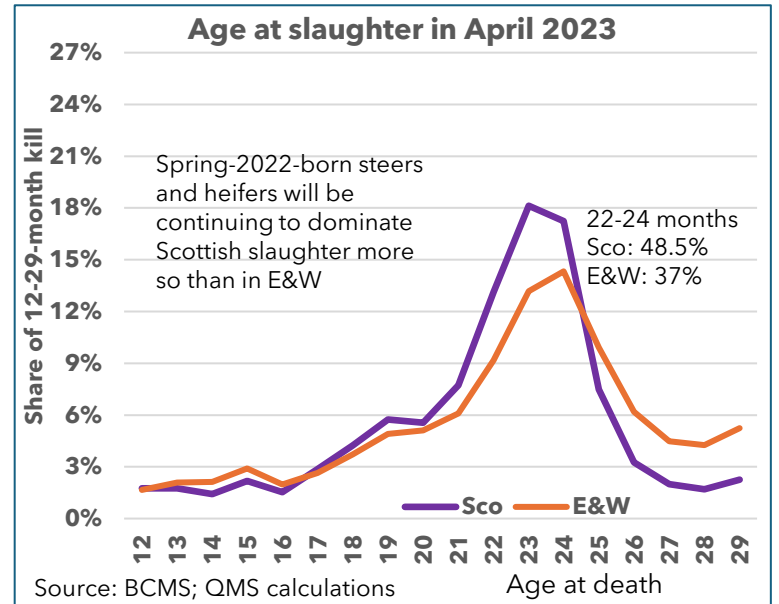
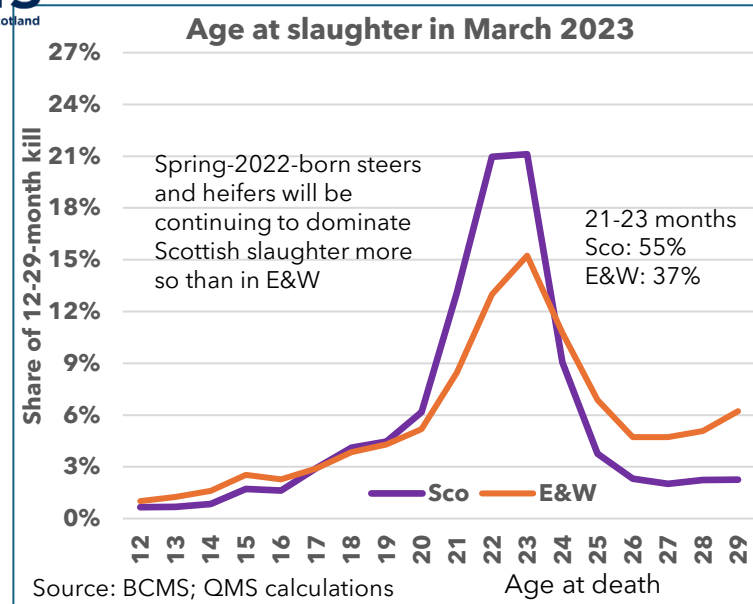
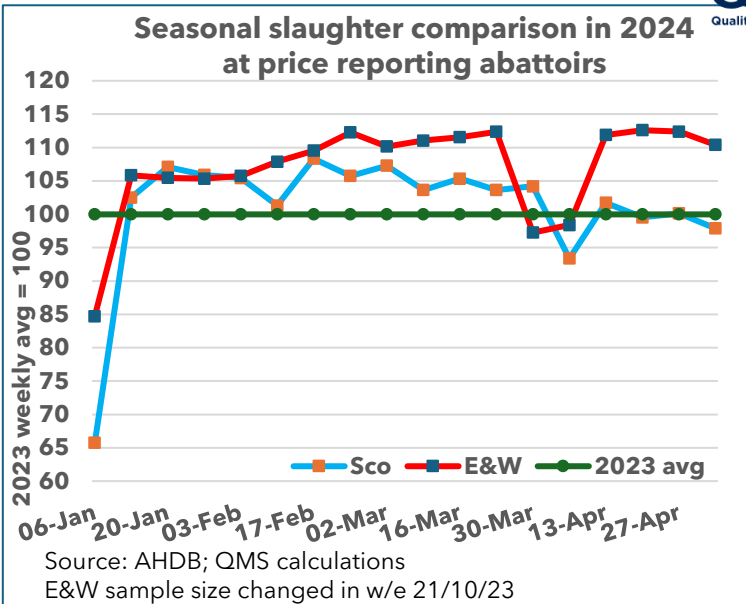
Seasonality of production

Availability is likely to have slowed seasonally in Scotland with the 2022 spring calf crop passing its peak slaughter age.



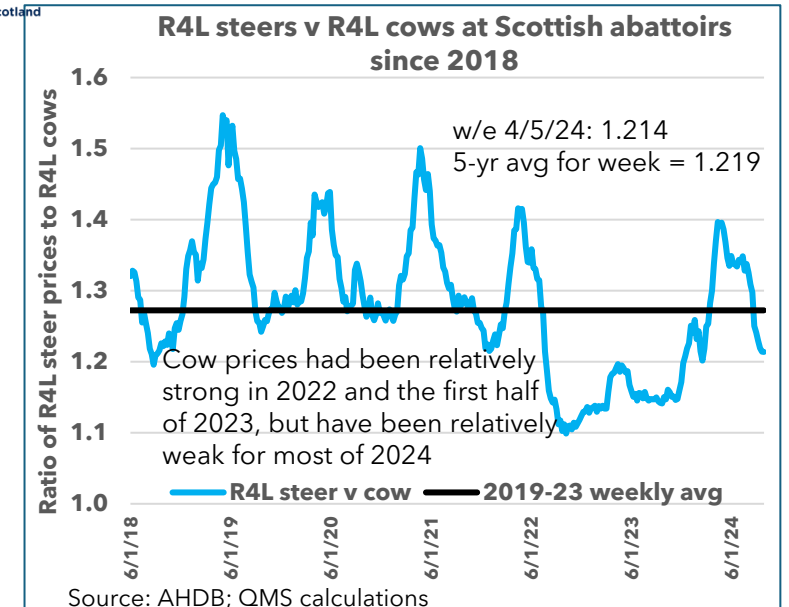
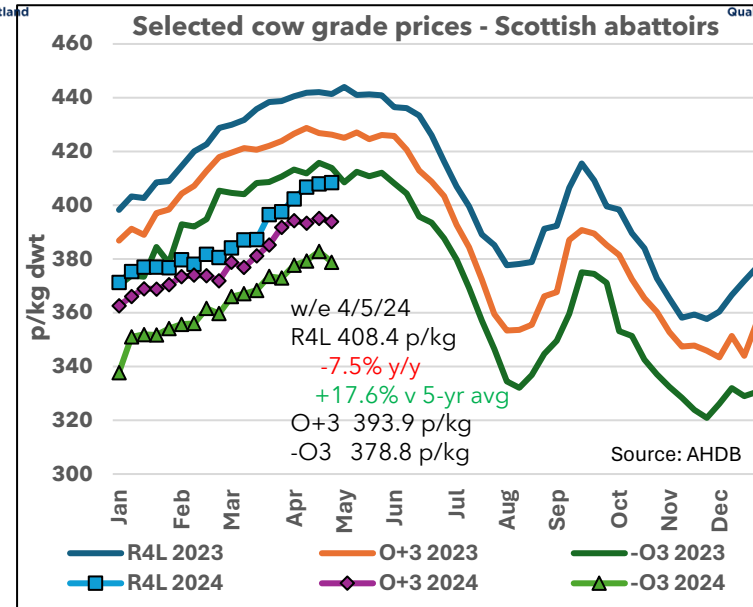
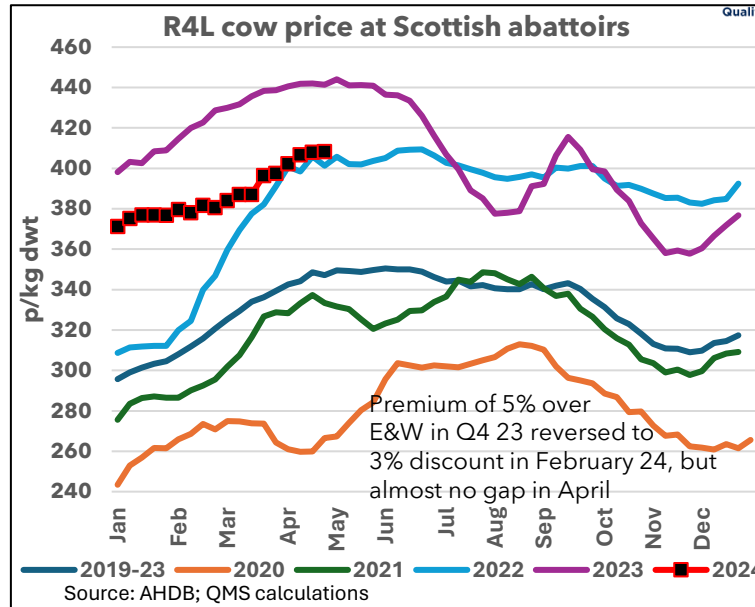
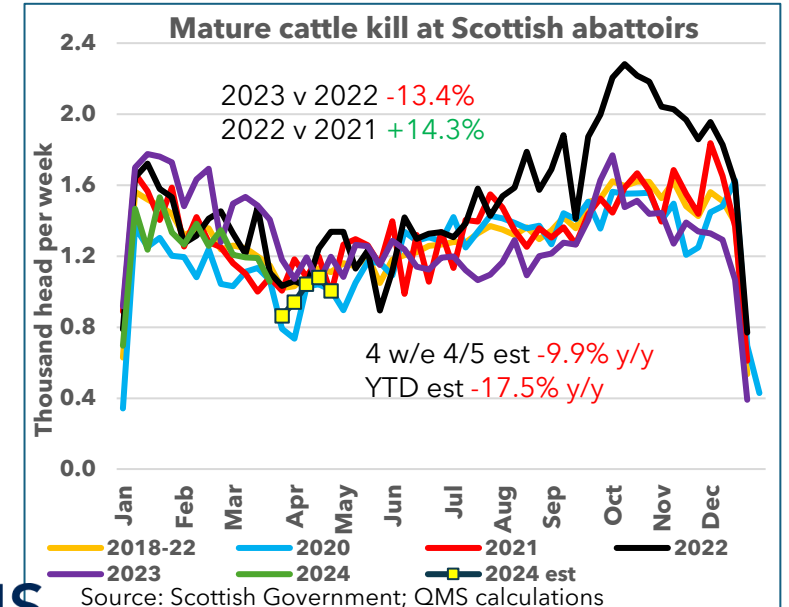
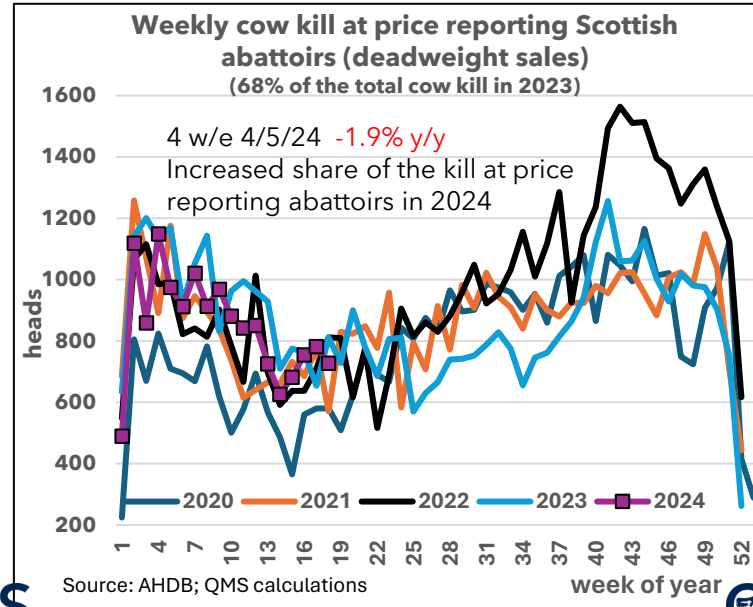
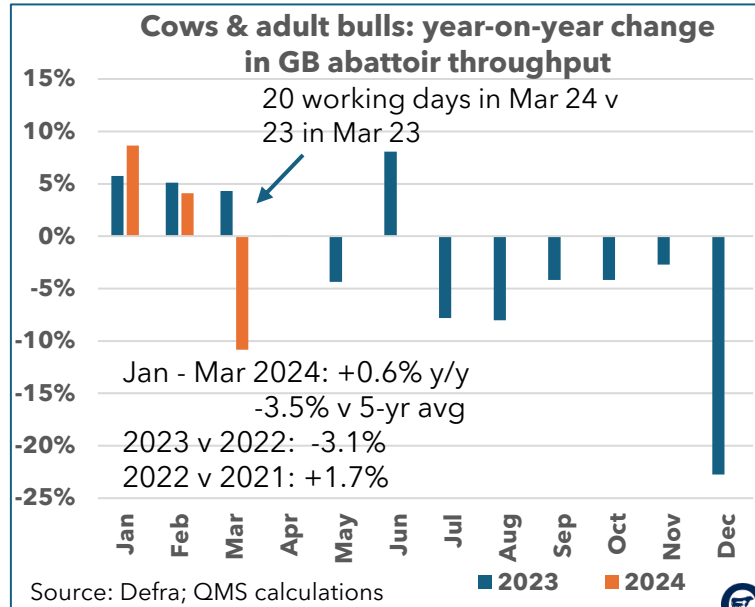
In theory, availability for slaughter should remain relatively firm in Scotland, although the spring calf crop from 2022 has passed its peak slaughter age, signalling the potential for some slowdown.

Carcase weights have been showing year-on-year increases in Scotland since spring 2023. Meanwhile, the UK average has started to show a similar trend at the start of 2024, adding further support to beef production volumes.



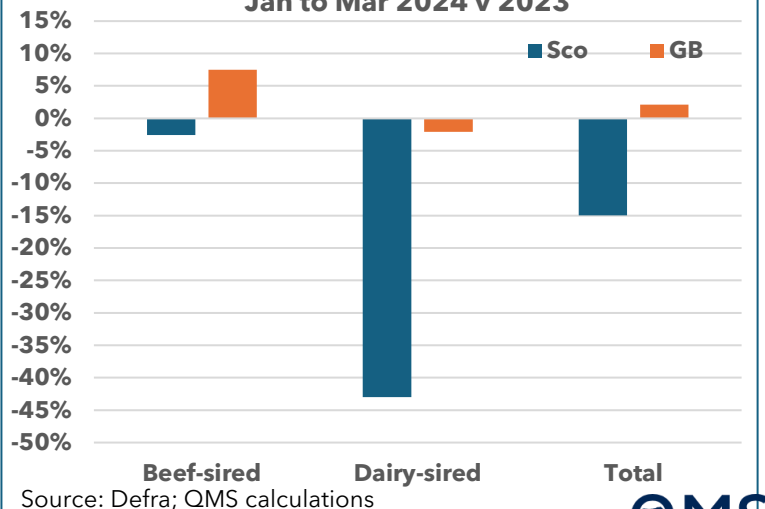
Mature cattle market

Sluggish start to the year for cow prices, followed by stronger uplift in April and then signs of seasonal stability at the turn of May. Like prime cattle, cow slaughter has fallen year-on-year in Scotland but risen in E&W.

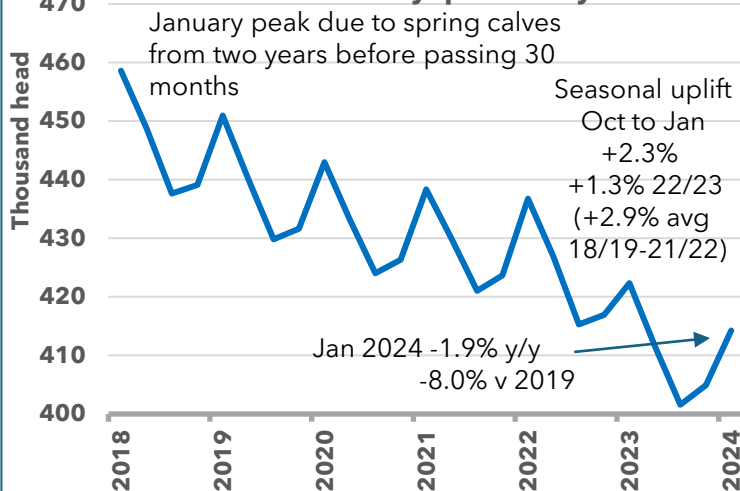


Herd reduction slowing but continuing in the beef sector

**Females 30 months +
change in abattoir throughput
Jan to Mar 2024 v 2023**



**Beef-sired females 30 months and over on
Scottish farms by quarter of year**



**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%
Apr 2023	-1.2%	-3.6%	-2.9%
Jul 2023	-1.0%	-3.3%	-2.6%
Oct 2023	-0.1%	-2.9%	-2.1%
Jan 2024	+0.8%	-1.9%	-1.1%

Source: BCMS; QMS calculations

**Females aged 30 months+ on farms in England & Wales
and GB (y/y change in Jan 2024)**

Month	Dairy	Beef	All
E&W	-0.7%	-3.2%	-1.8%
GB	-0.6%	-2.8%	-1.7%

Source: BCMS; QMS calculations

In January 2024, there were nearly 414,300 beef-sired females aged 30 months and over (OTM) in Scotland, down 1.9% and 8,000 head on the year, and by 8% on five years before. The seasonal uplift between October and January was slower than the five-year average despite cull cow slaughter continuing to fall significantly in late-2023. While the cow kill has continued to slide on a year earlier at the start of 2024, the age at death data suggests this has been driven by the dairy herd in Scotland.

Looking ahead, if the quarterly population changes in 2024 were to match their five-year average rates, the year-on-year decline in the beef herd could slow to 1.6% in April, 1.2% in July and October, then to 1.1% in January 2025.

Continuing strong herd decline in England & Wales is set to maintain firm demand from English finishers for Scottish-born beef calves.



**Latest breeding herd results – females over 2 years old
that have calved (y/y change)**

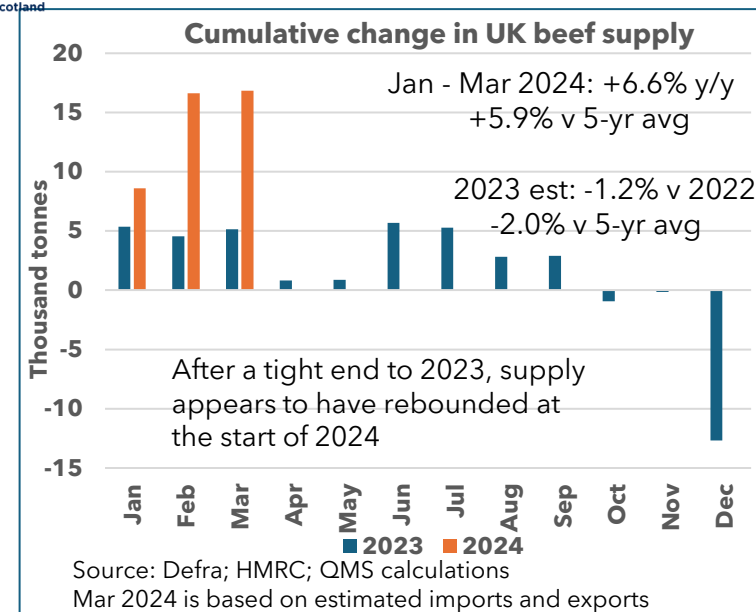
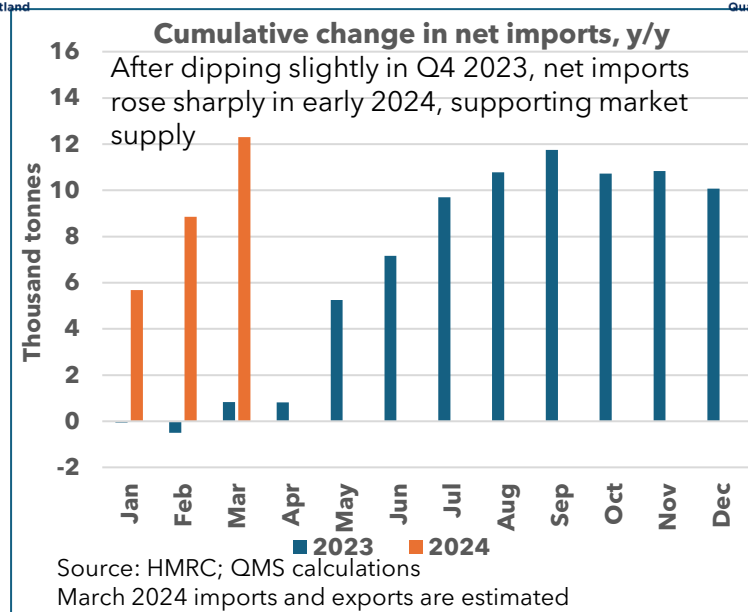
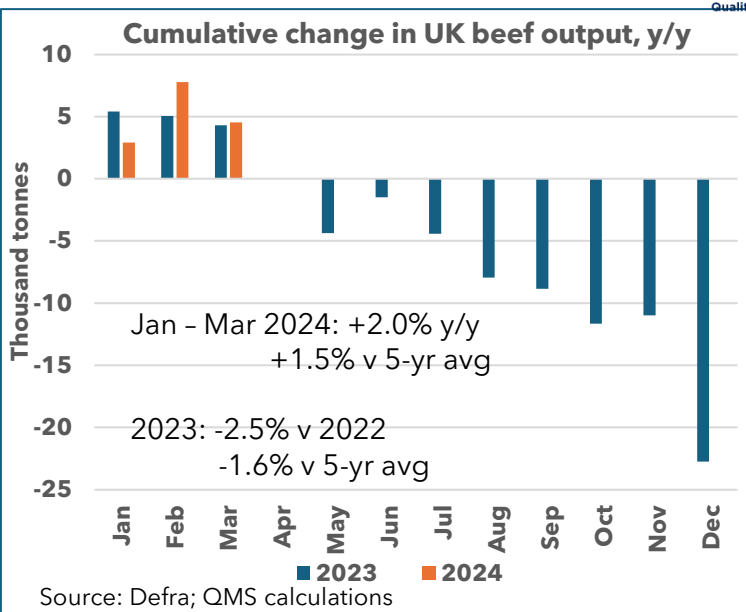
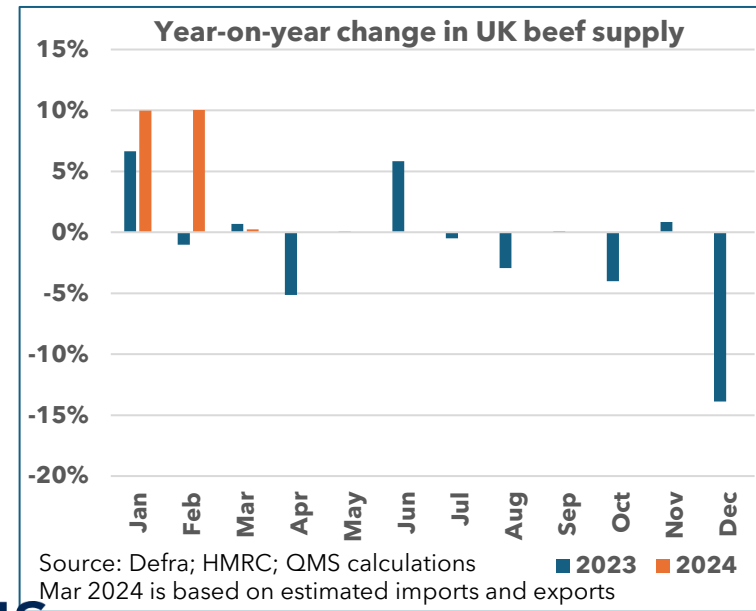
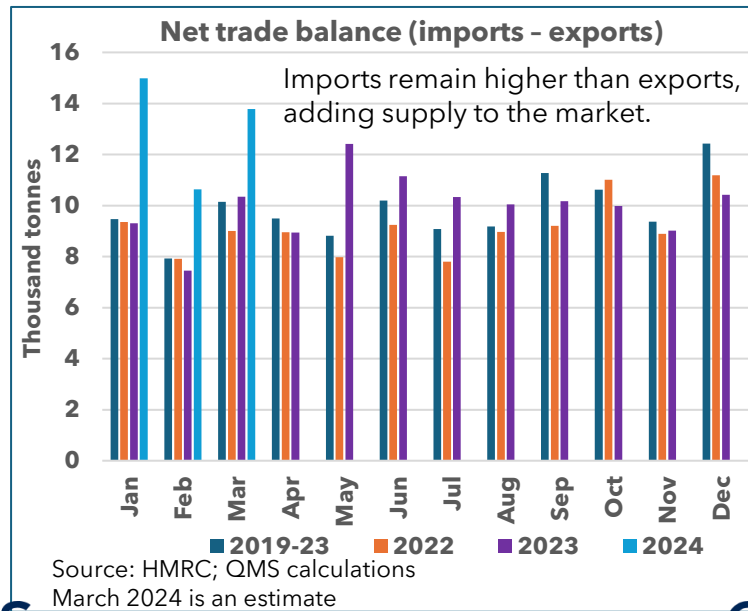
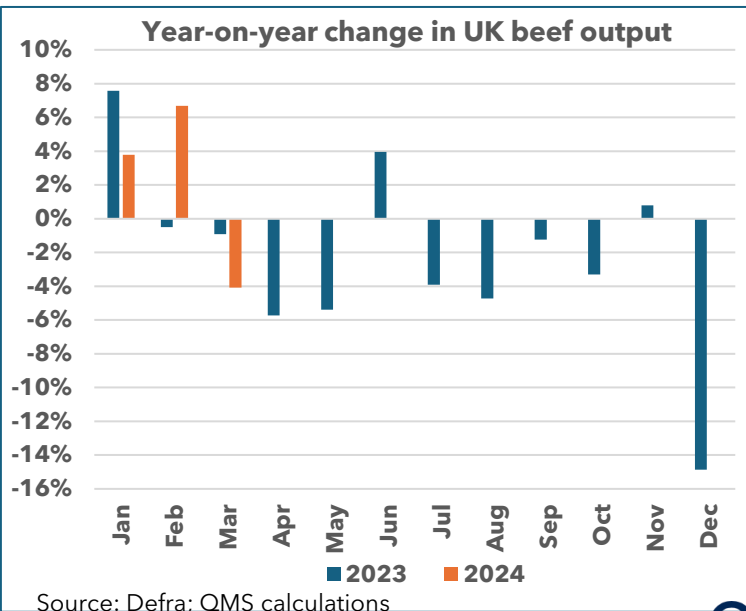
	Dairy	Beef	All
Scotland (Jun 2023)	+0.2%*	-3.5%	-2.4%
England (Dec 2023)	-0.9%	-4.2%	-2.1%

Source: Defra; Scottish Government; QMS calculations

*Please note dairy cow numbers were revised downwards from the +2.0% figure initially published

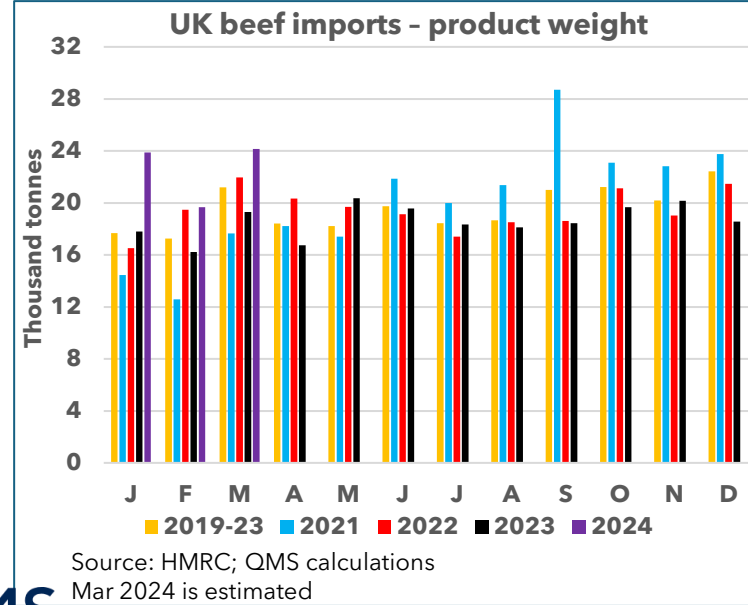
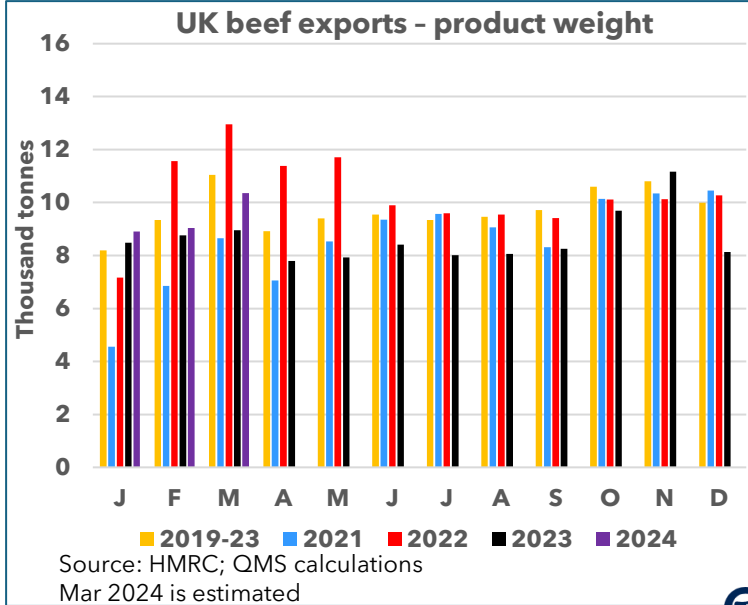
UK beef market supply

domestic production + (imports – exports) = supply



UK international trade

The legacy of a significant shortfall in market supply in December 2023 is likely to have continued to underpin UK imports in February following a strong start to the year, while rising production supported exports.



Year-on-year beef production growth continued to support UK beef exports in February, which rose by 3% on 2023.

While trade with EU countries continued to fall short of year-earlier levels, down 5%, sales to non-EU markets rose sharply for a second month (+72%), although they were still down slightly on February 2022.

Imports to the UK also showed a second month of strong uplift after a weak end to 2023, with the shortfall in market supply likely to have been carried well into 2024. While up 21% year-on-year, import volumes were closer to the five-year average for February (+10%), having started 2024 with a record January volume for this century and a 31% increase on the five-year average.

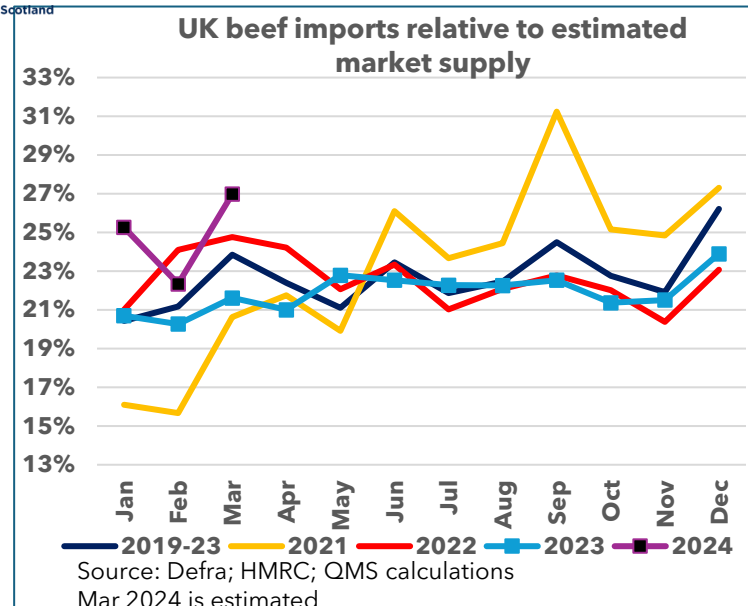
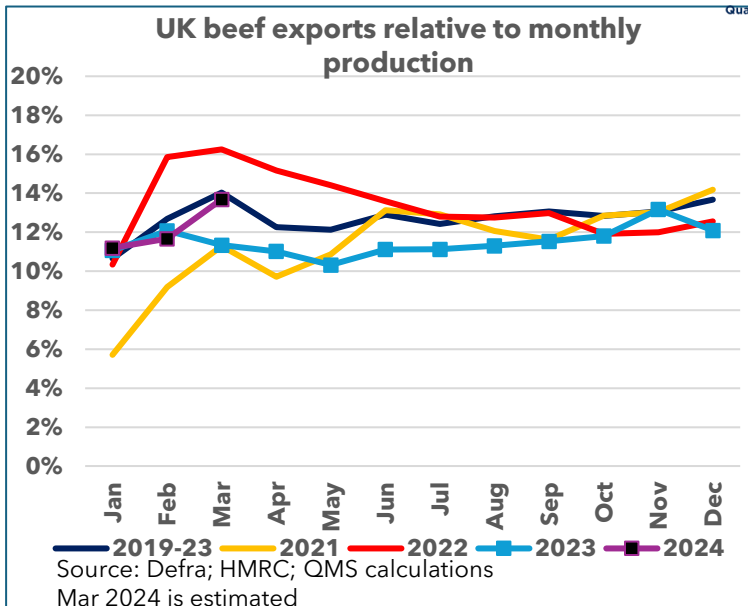
Imports from the EU and non-EU sources continued to show strong uplift on 2023; the former by 19% and the latter by 86%. Although imports from Australia, at 262t, were below the highs reached in autumn 2023, February showed a month-on-month increase from January and volumes were almost 16 times higher than in February 2023, in a sign that the increased quota granted at the end of May 2023 is being used.

The EU accounted for 94.6% of UK import volumes and 83.6% of exports in the first two months of 2024.

Note:

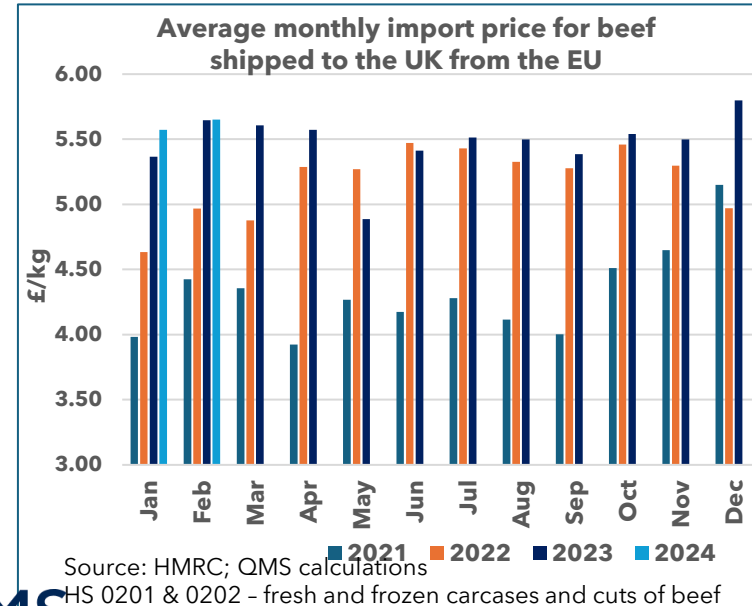
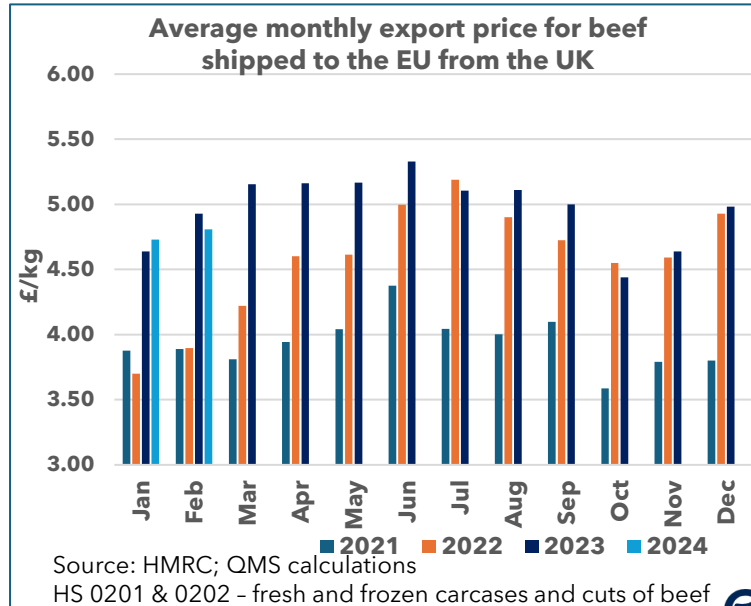
HMRC trade data covers HS codes 0201 & 0202 (fresh or chilled & frozen beef)

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



Variables influencing international trade

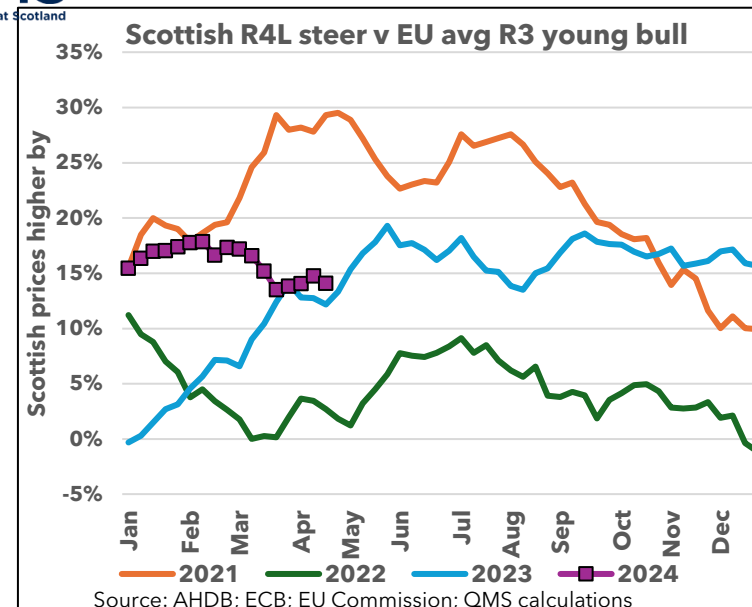
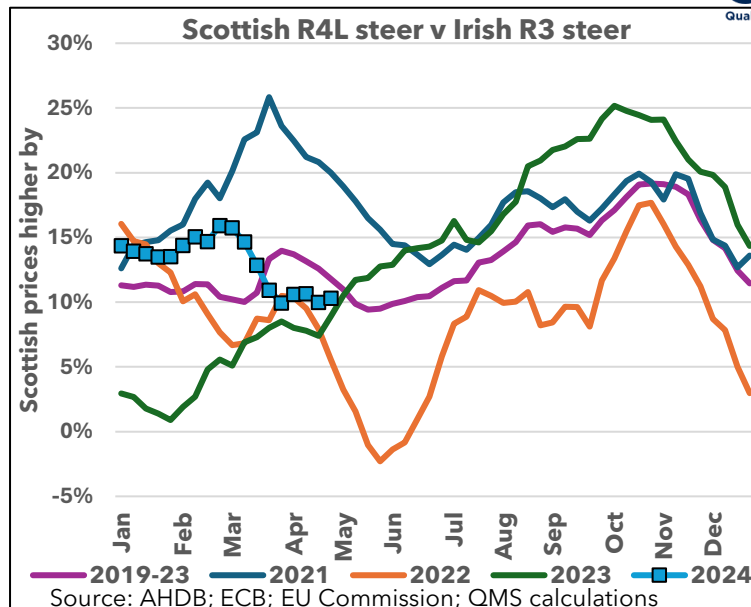
Scottish prices remain less competitive against Irish and EU averages in April than in 2023, partly reflecting exchange rates.



Irish prime cattle prices have continued to rise slowly in April, with numbers tightening seasonally. With Scottish prices also edging higher again, the gap between Scottish and Irish prices has begun to stabilise at around the 10% mark, and it has dipped below its five-year average (while still higher than last year).

EU beef prices remain below the highs reached in 2022 despite production trending lower and a weaker euro has given further support to their competitiveness. The lead for Scottish R4L steers over the EU average for R3 young bulls has remained relatively stable, and was at nearly 17% in mid-March.

Competitive pressures did not prevent year-on-year increases in UK import and export prices in late-2023 and early 2024, although this did show signs of changing in February.



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

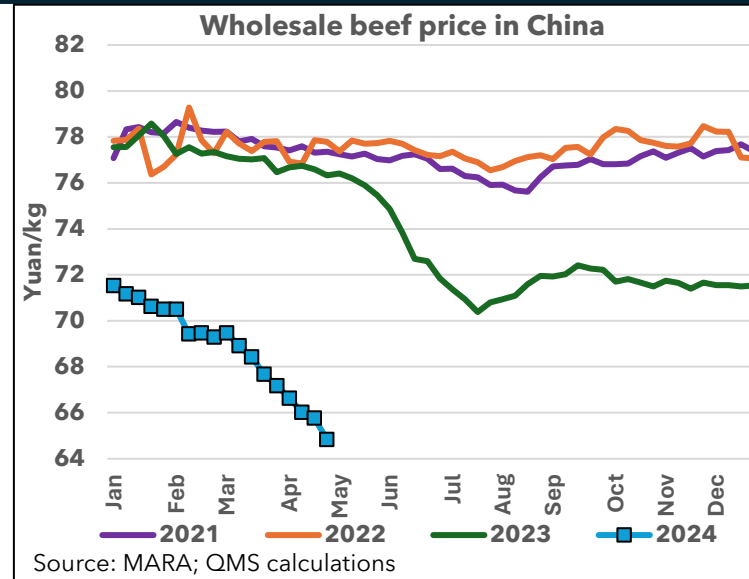
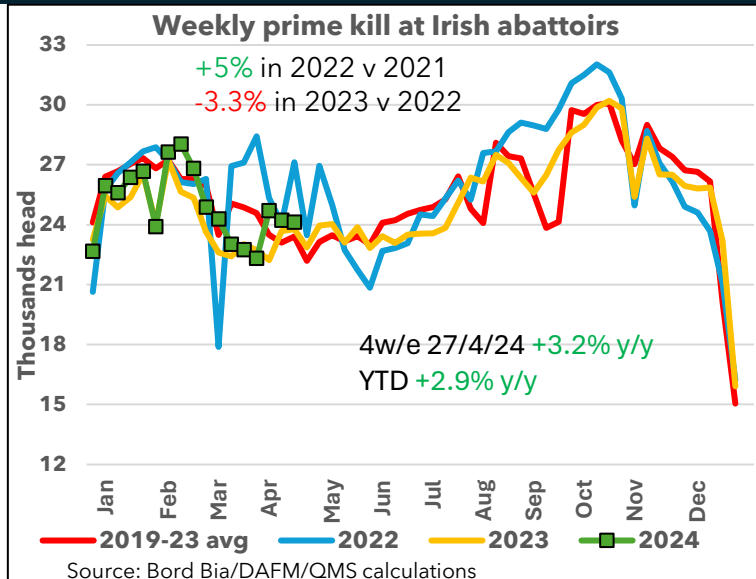
	Week 17 2024	Week 13 2024	Week 17 2023
Germany (young bull)	422.5	422.1	428.7
Netherlands (young bull)	406.3	402.6	351.4
Spain (young bull)	460.0	461.7	480.8
Poland (young bull)	420.8	418.3	442.2
Irish Republic (steer)	450.5	447.0	469.5
For comparison: Scotland R4L steer	495.5	496.0	504.4

Source: AHDB; EU Commission; LMC; QMS calculations

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

Variables influencing international trade

Divergent global market, with plentiful supplies and weak purchasing power in China making Brazilian and Australian beef highly competitive but the US market looks tight.



In the Irish Republic, slaughter has rebounded since Easter but remains well below its February peak. Throughput has continued to run above 2023 levels in contrast to expectations of tight supply this year. Census results from December suggest that things could tighten once an increased number of older prime cattle have been worked through. At EU level, production is also expected to contract further this year, supporting EU import demand.

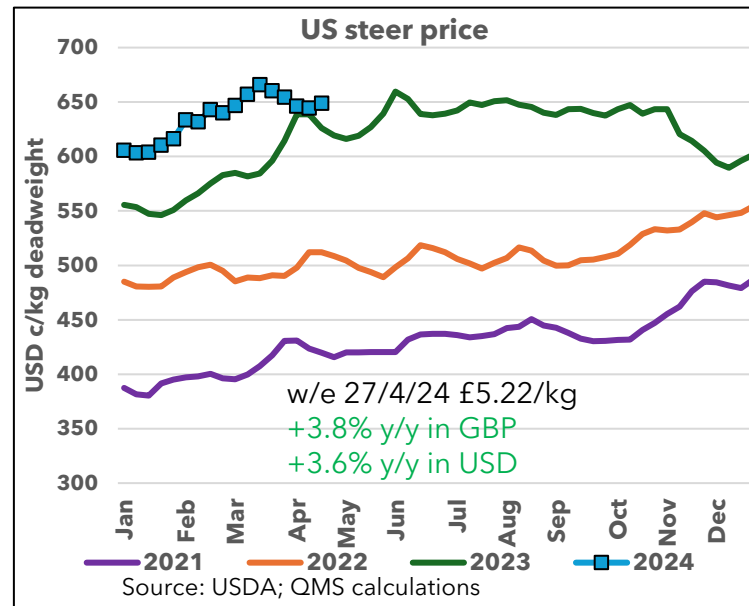
In the global market, beef prices are still under pressure from herd expansion in Brazil and weak purchasing power in China. However, surprisingly wet weather in Australia has seen producer confidence and market prices rebound from autumn lows and US beef prices continue to trade well above year-earlier levels with domestic production adjusting downwards following drought induced herd liquidation in 2021 and 2022.

In April revisions to its forecasts, the USDA is now projecting global beef output to rise slightly faster in 2024 and for consumption to now rise as well. This has also seen the import forecast shift from a small decline to a small increase, with continuing support to global trade flows from the mismatch between supply and demand in major beef producing and consuming countries.

USDA Global Beef Market Forecasts, April 2024
(million tonnes carcase weight)

Key indicators	2021	2022	2023	2024
World, production	58.36	59.32	59.98	60.35
USA, production	12.73	12.89	12.29	12.06
Brazil, production	9.75	10.35	10.95	11.21
EU, production	6.88	6.72	6.46	6.43
Australia, production	1.90	1.88	2.22	2.40
All countries, imports	9.95	10.25	10.35	10.40
China, imports	3.02	3.50	3.58	3.55
USA, imports	1.52	1.54	1.69	1.89
EU, imports (from non-EU sources)	0.32	0.37	0.36	0.35

Source: USDA Foreign Agricultural Service



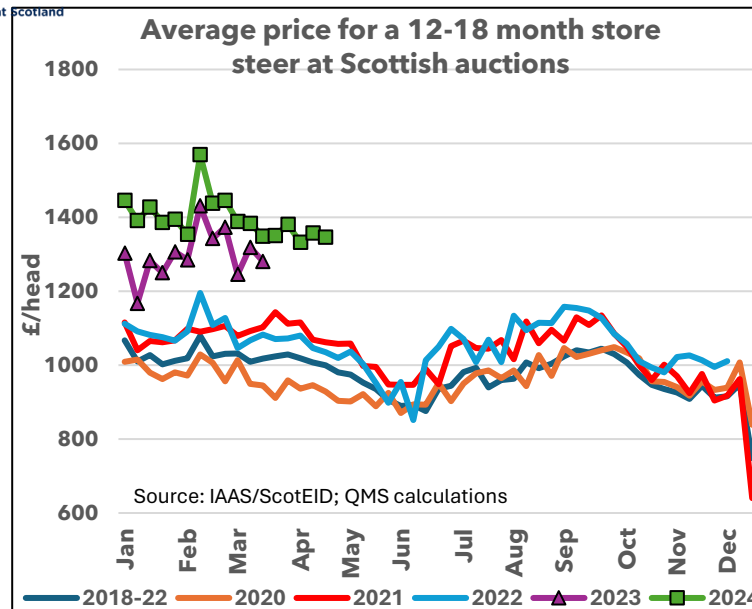
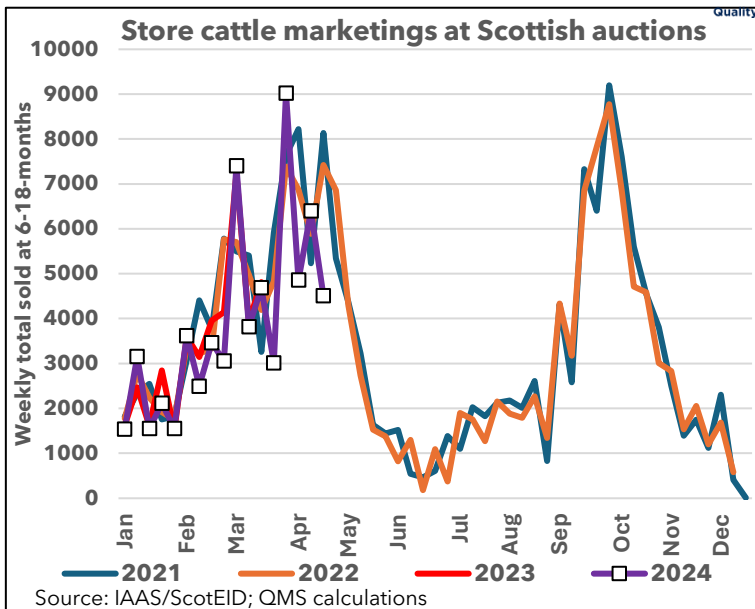
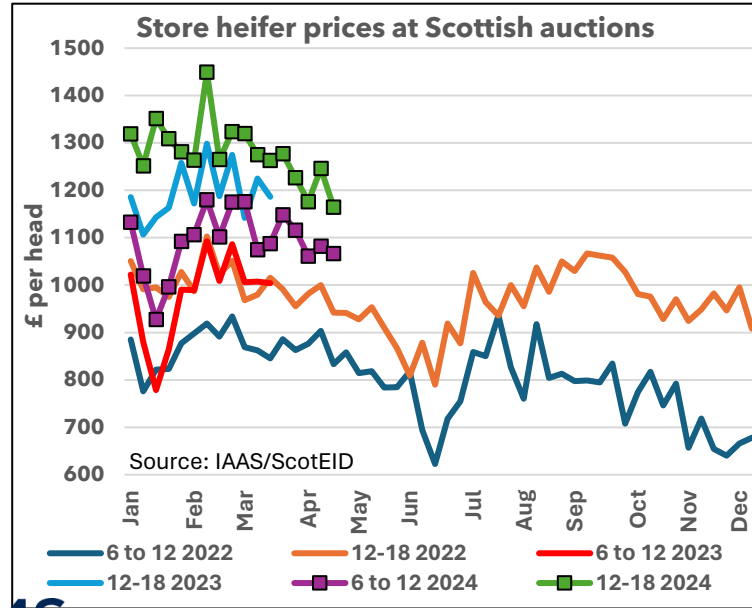
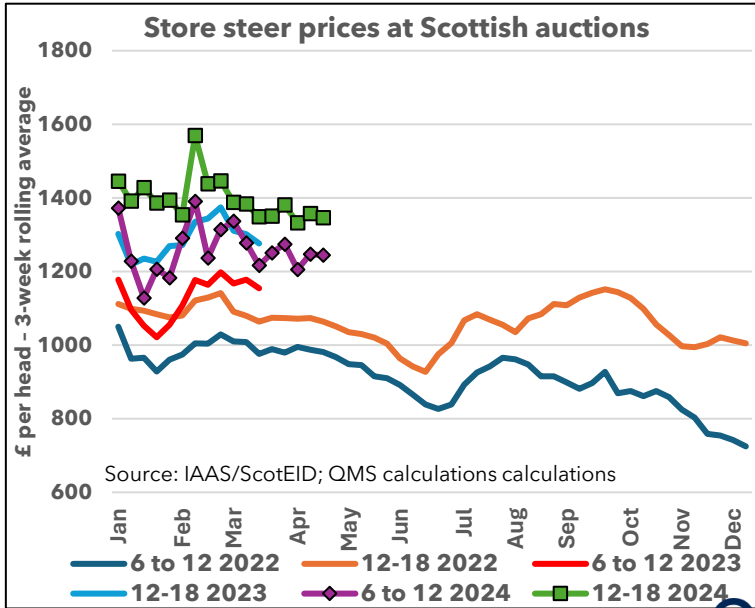
Cattle on Irish farms (thousand head)

Age group	Dec 2022	Dec 2023	y/y change
<12 months	1,995	1,974	-1.1%
1-2 years	1,801	1,795	-0.3%
2+ (males & non-breeding females)	337	381	+13%
Cows	2,541	2,519	-0.9%

Source: CSO

Store cattle trade

Tight supply supporting prices



A reduced availability of store cattle at Scottish auctions compared to 2023 has resulted in a firm start to the year for prices. Year-on-year increases have remained stronger than those for finished cattle, likely reflecting reduced input cost pressures as well as tight availability.

Longer keep stores have been looking relatively stronger, reflecting the significantly reduced calf crop of spring and summer 2023.

This lower calf crop is likely to ensure that store cattle availability remains tight throughout 2024.



4 weeks to 27/4/24

Store cattle prices

Steers, 6-12 months	£1,249
Steers, 12-18 months	£1,358
Heifers, 6-12 months	£1,087
Heifers: 12-18 months	£1,210

Store cattle marketings

All steers & heifers, 6-18 months	24,800
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Source: IAAS/ScotEID; QMS calculations
Prices rounded to nearest £1 and numbers to nearest 100



SHEEP MARKET

SUMMARY OF MARKET DEVELOPMENTS

01 Prices and slaughter numbers

- Hogg prices have shown limited seasonal decline since Easter and Ramadan, underpinned by a sharp fall in availability. This ensured that prices were nearly 30% higher than last year and nearly 50% above the five-year average in late-April. Meanwhile, new season lambs averaged around 420p/kg lwt at Scottish marts in early May.
- Despite the smaller 2023 lamb crop across GB (-6.3% year-on-year) and reduced carryover of hoggs into 2024, auction and abattoir throughput held up surprisingly well in early 2024, and this limited the expansion of supply to meet the additional demand for Ramadan and Easter. Since the festivals, a sharp fall in auction throughput has supported prices.

02 Retail demand

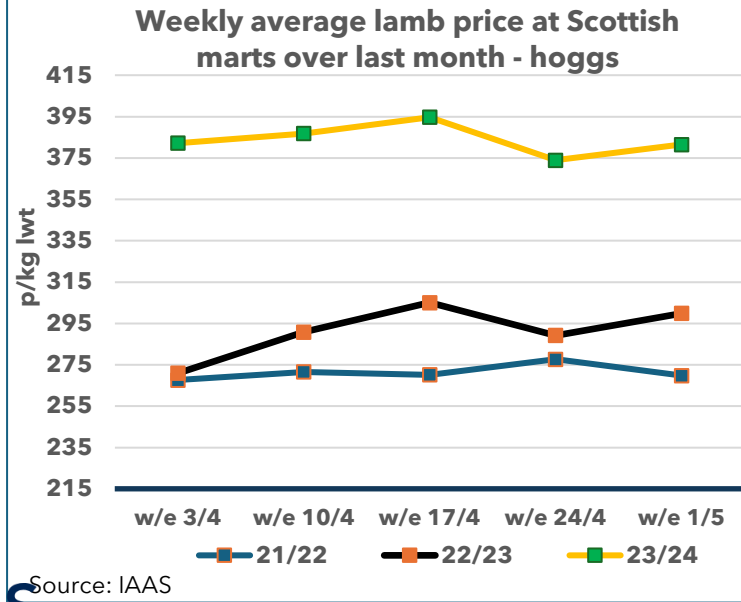
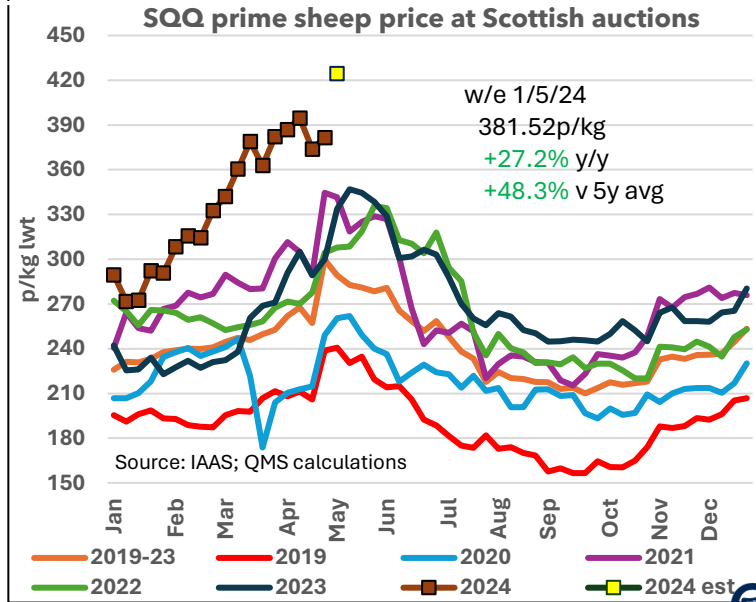
- GB retail data indicates that lamb sales performance continued to look positive in the 12 weeks to mid-April 2024. However, growth in volumes relied on discounted prices and the surge in farmgate prices has yet to pass through the supply chain. If it is to start being reflected in retail prices, it could test the sustainability of the recent strength in demand.

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 1 May	381.52p/kg	+7.63p	-0.2%	+27.2%	+48.3%
Old season lamb marketings at Scottish auctions	Average in four weeks to 1 May, head	17,931		-26.1%	-17.7%	-3.9%
Lamb slaughter at GB abattoirs	Total between June 2023 and March 2024, million head	9.857			-1.7%	-5.0%
UK sheepmeat market supply	Tonnes in Jan - Mar 2024 (estimate)	65,700			+6.4%	+0.6%

03 International trade

- Although UK imports continued to show significant year-on-year increase in February 2024, export volumes remained higher than imports, resulting in a tightening effect on domestic market supply.
- While this balance may have changed in March, with imports expected to have risen seasonally for Easter and Ramadan, supported by increased supply and highly competitive prices in Australia and New Zealand, the market readily absorbed any lift in imports without lowering domestic farmgate prices.

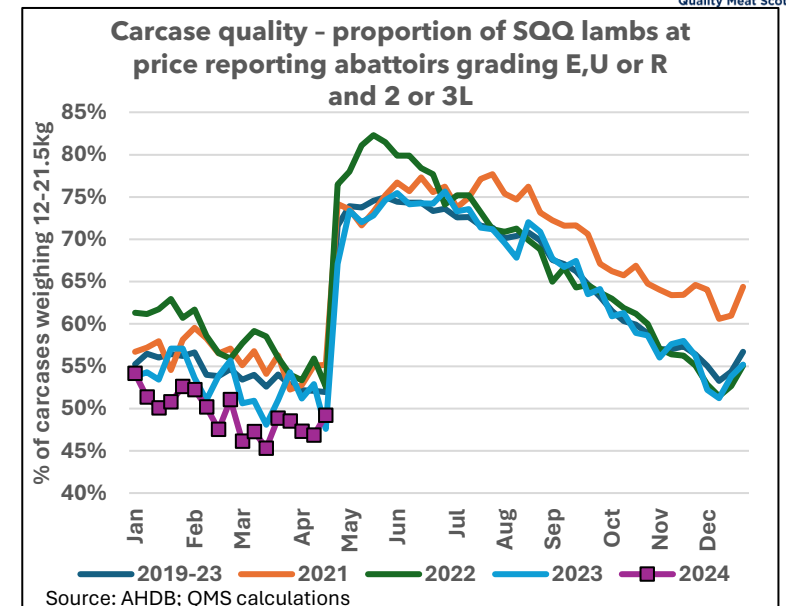
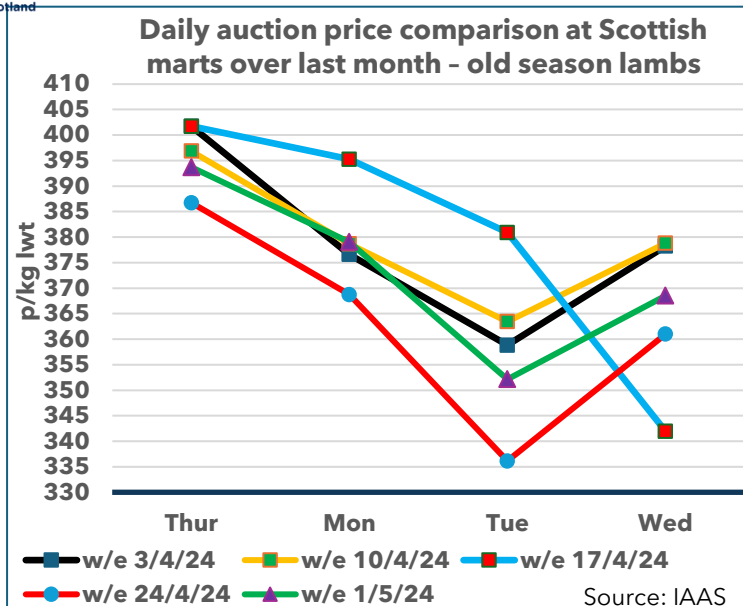
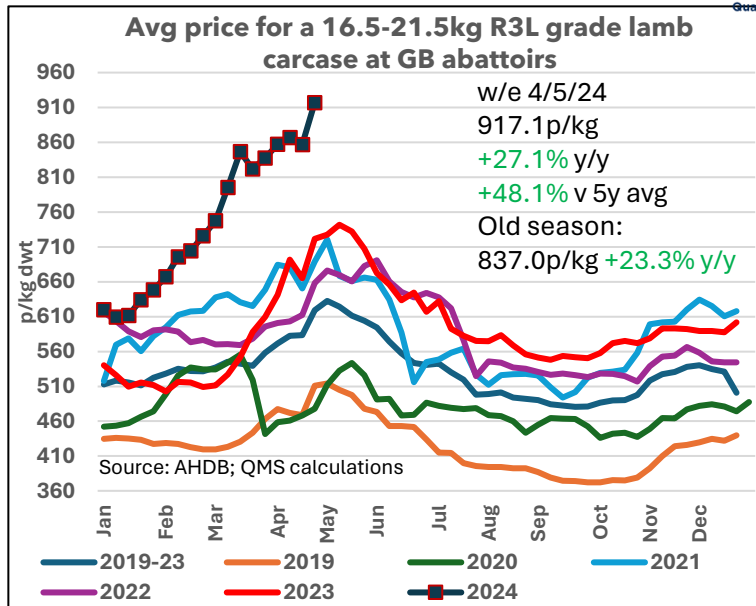
Farmgate prices - prime sheep – slight softening since the end of Ramadan but still at record highs for the time of year due to fundamentally tight supply



Old season lamb prices have cooled at Scottish auctions since reaching a peak above 390p/kg lwt around the end of Ramadan in mid-April. However, hogs still ended April averaging above 380p/kg lwt and are expected to average well above 370p/kg in the first week of May. GB deadweight prices have continued to show a similar trend, dipping to average 850p/kg dwt in late April but remaining close to their peak.

New season lambs have made a strong start to 2024/25, averaging 424p/kg lwt in the week to May 7 at Scottish auctions and 917p/kg dwt at GB abattoirs in the week to May 4.

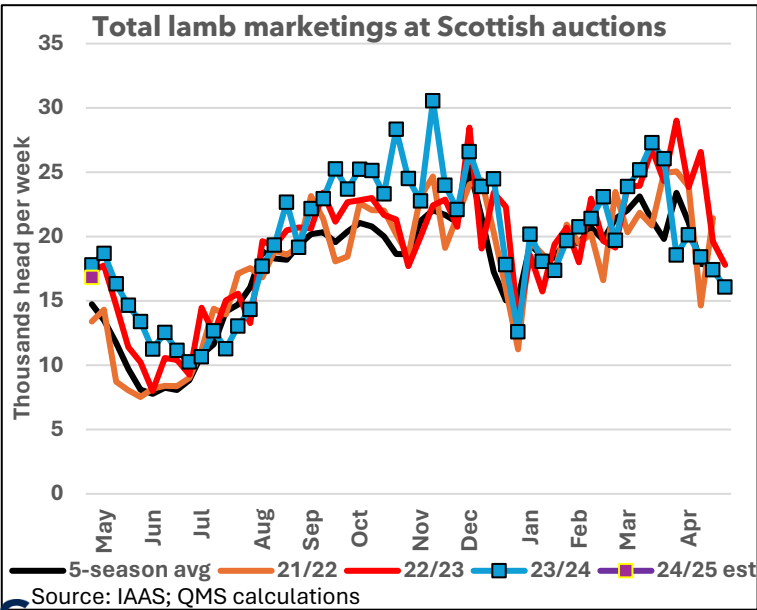
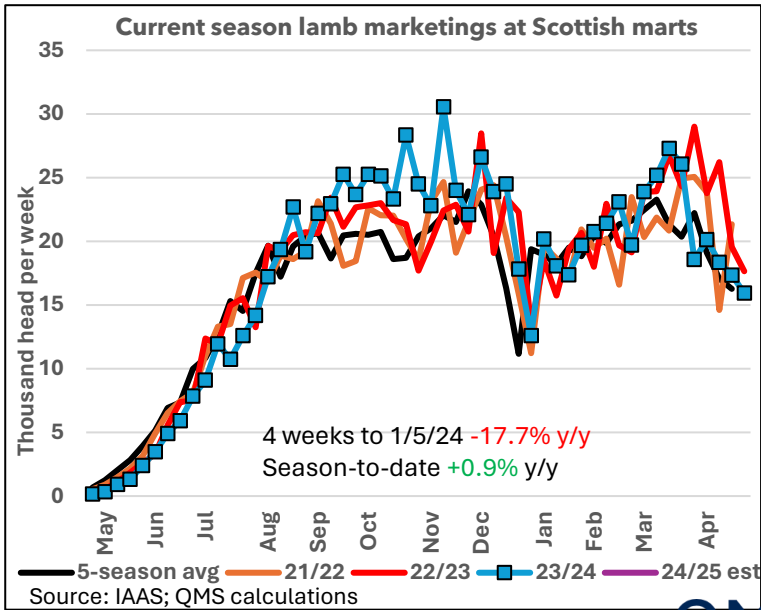
Although hogg prices may see some downwards seasonal pressure in May, a smaller hogg carryover indicates that domestic supply should remain tight until the new season lamb crop comes fully on stream. Eid al-Adha is in mid-June, signalling strong demand in the first half of June.



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

Availability and slaughter

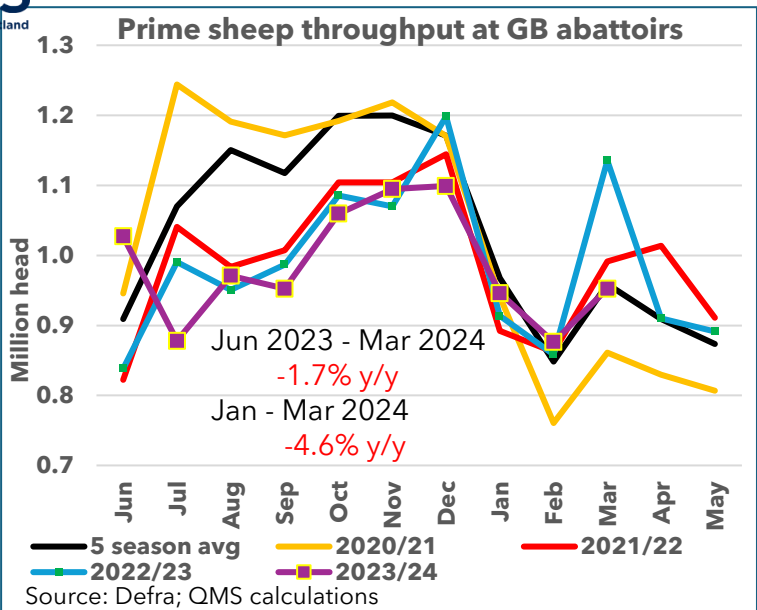
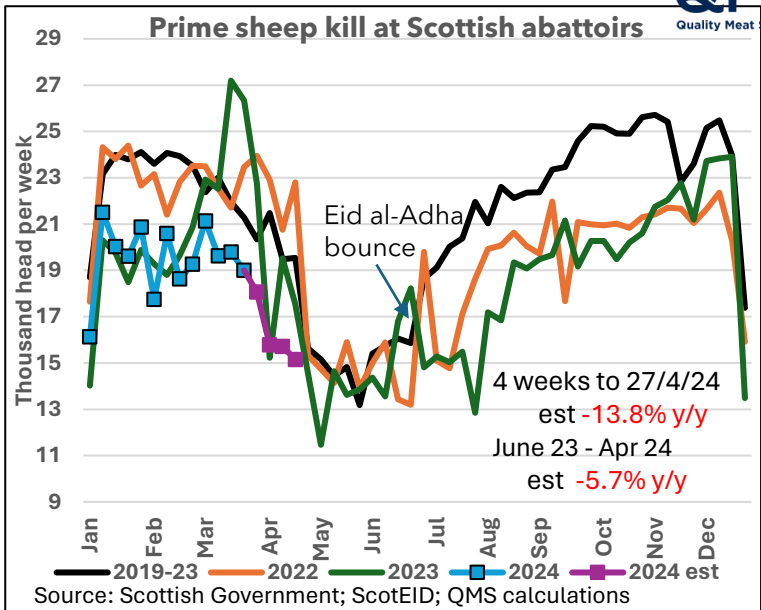
Although a fundamentally tight GB lamb supply resulted in a smaller carryover of hogs into 2024, throughput held relatively firm at the start of 2024, resulting in a significant tightening after Easter and Ramadan.



Auction and abattoir throughput held up better than expected in early 2024 given the smaller carryover of hogs. However, it may have limited the market's capacity to satisfy the peak in demand for Ramadan and Easter, and is likely to ensure that supply remains tight in the second quarter.

Poor lambing results across GB in 2023 point to a fundamentally tight supply this season, with the combined GB lamb crop down 6.3% on 2022. December census results are not available yet for Scotland, but the English results confirm expectations of a smaller carryover of hogs.

Lamb throughput at Scottish abattoirs showed no upturn at Easter and Ramadan and fell significantly thereafter. While availability on Scottish farms is likely to have been tight, it is possible that processing demand has been limited by the level of farmgate prices.



Latest Census Results – Scotland, England & Wales

June 2023 – Scotland, England & Wales

	Sco v 2022	Eng v 2022	Wal v 2022
Ewes for further breeding & slaughter	-1.7%	+1.5%	-4.2%
New season lambs	-4.1%	-4.9%	-10.1%

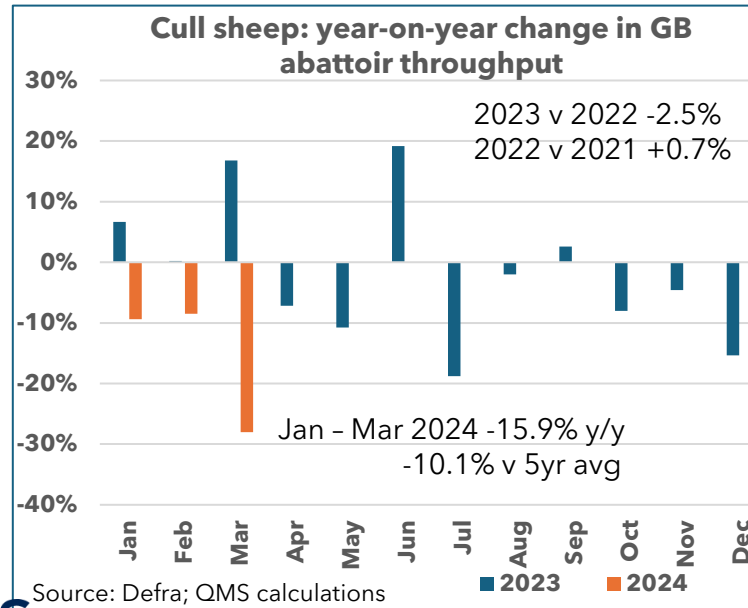
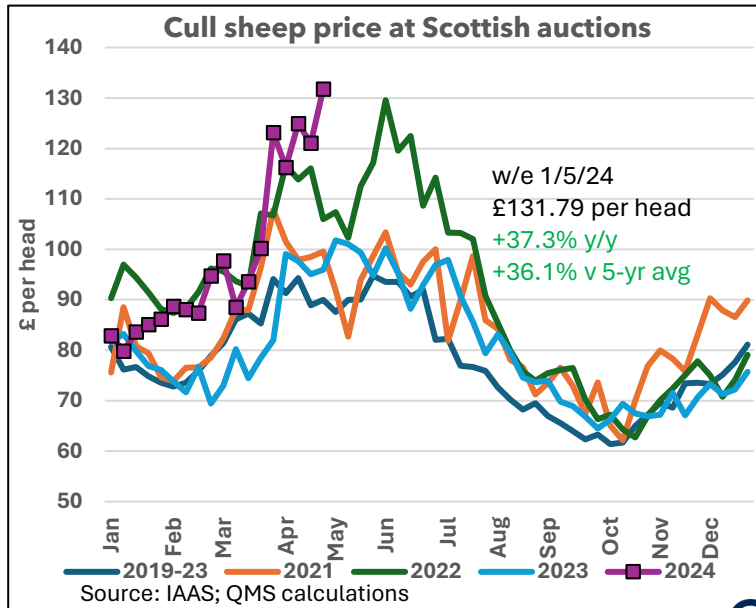
December 2023 - England

Female breeding flock	-3.8% y/y
Other sheep	-6.1% y/y

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

Cull sheep market

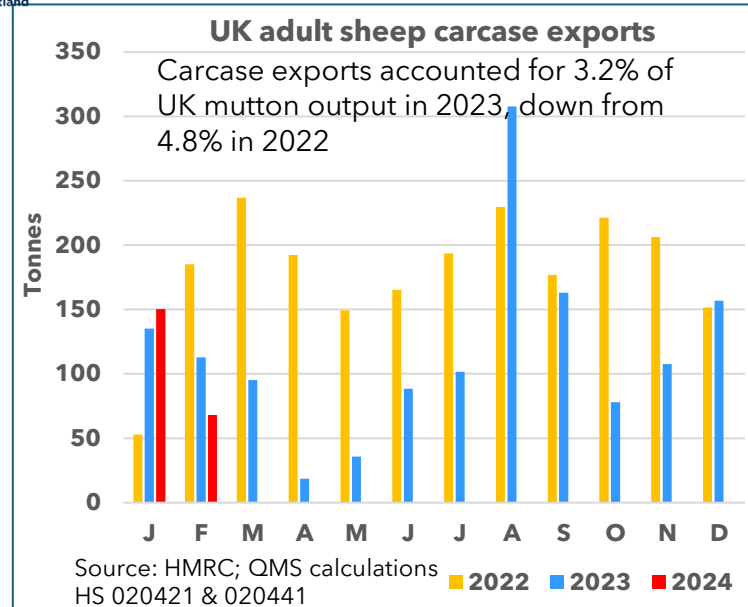
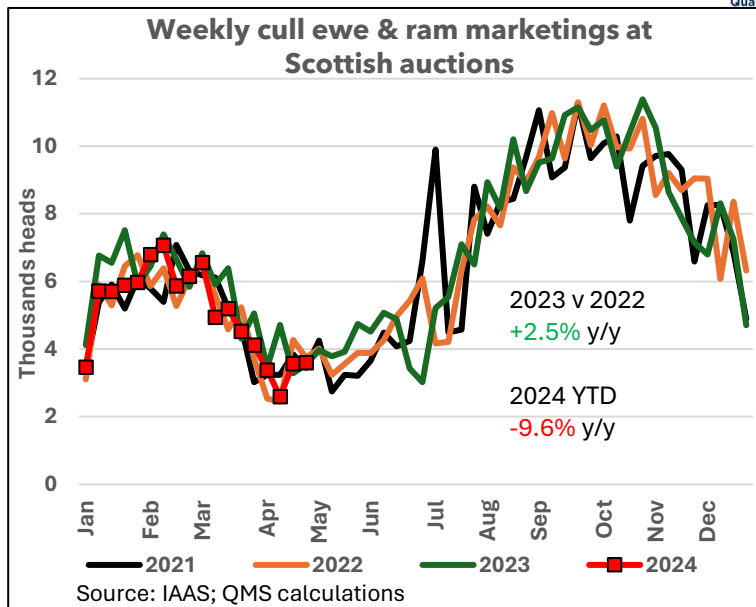
Prices rose sharply towards the end of Ramadan, holding firm thereafter, reflecting the seasonal low point for availability and a reduction in slaughter in 2024



Cull sheep prices spiked in the second half of Ramadan, supported by demand for the Eid al Fitr festival and a seasonal decline in availability for slaughter. This seasonal low for slaughter volumes continued to support prices in the second half of April and into May.

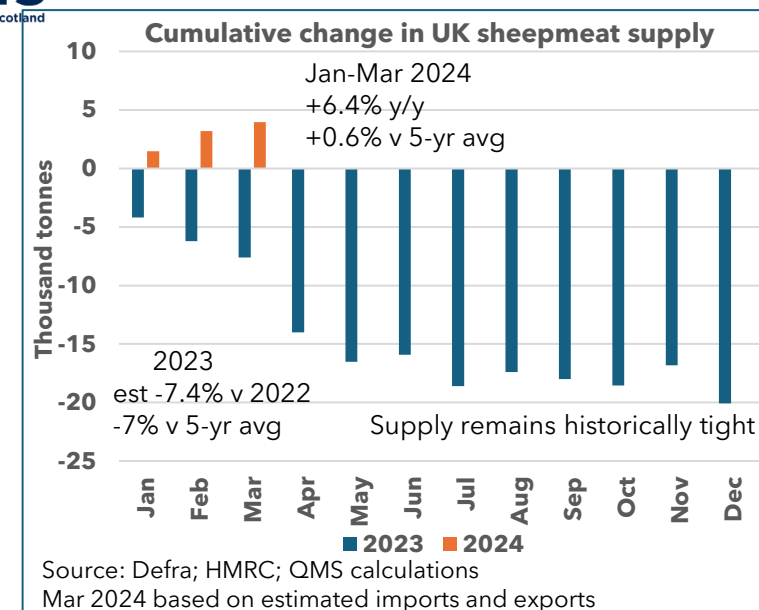
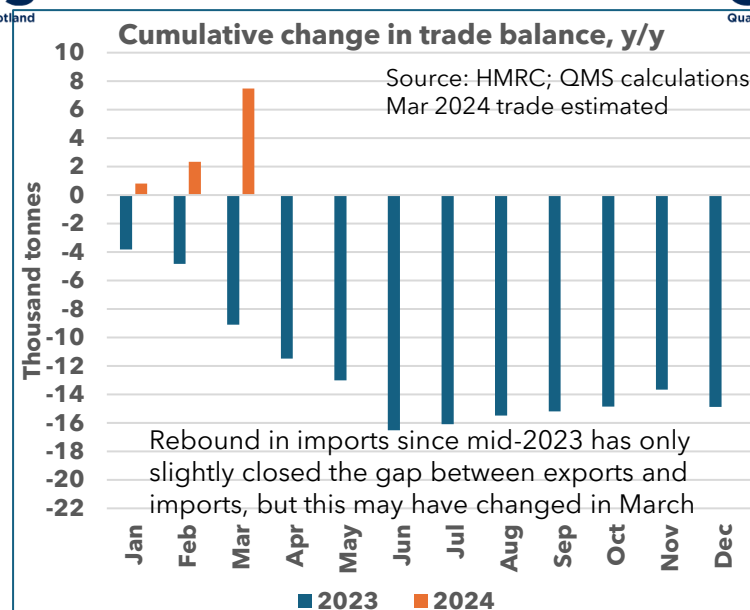
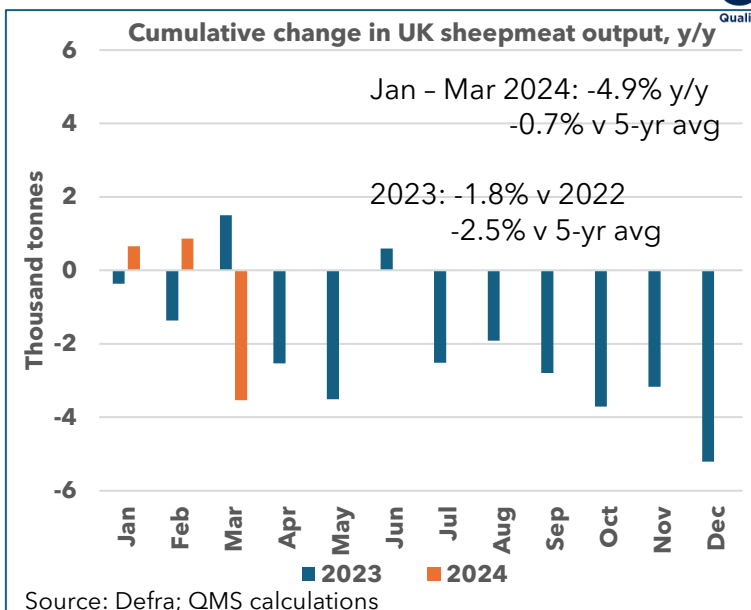
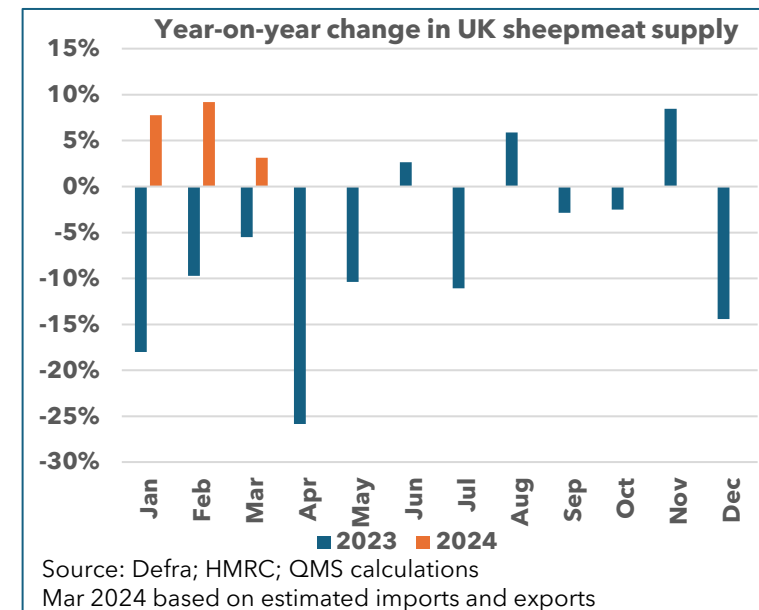
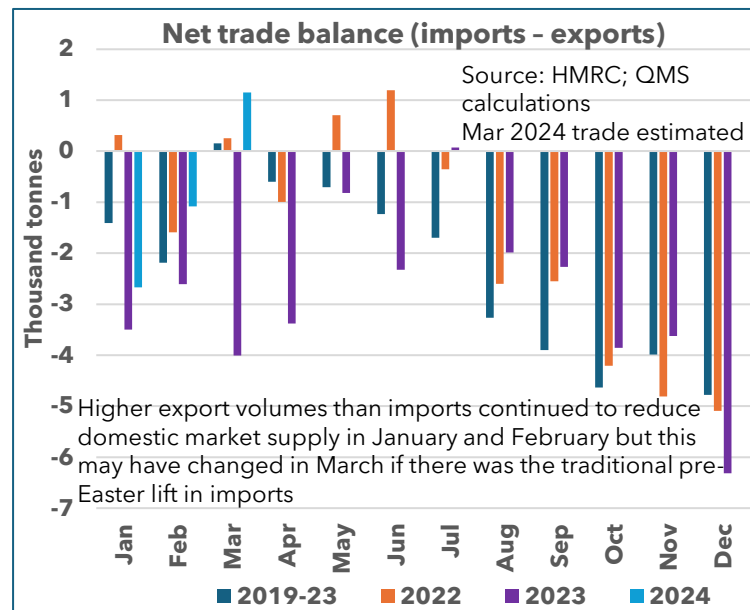
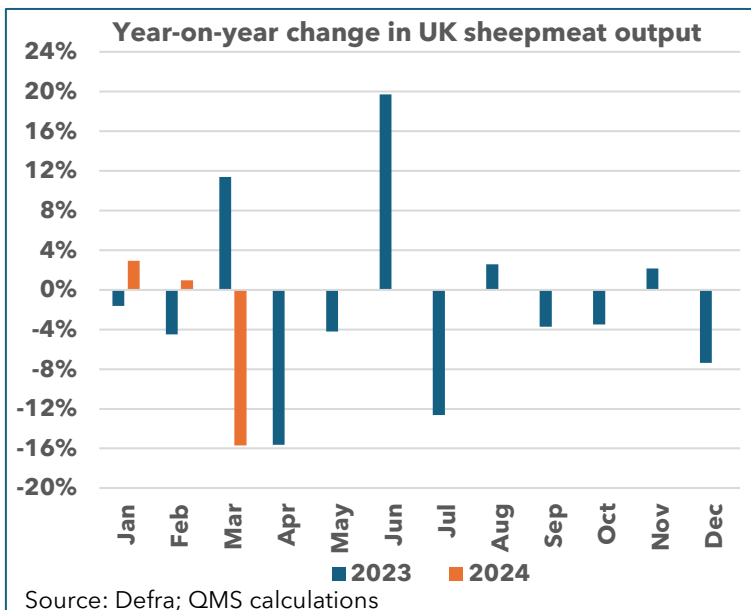
The cull sheep trade is starting to look as firm as the prime market after a relatively softer start to the year.

While a lower ewe and ram kill in Q1 2024 fits with a smaller breeding flock, the scale of the decline points towards the potential for some flock rebuilding to be taking place.



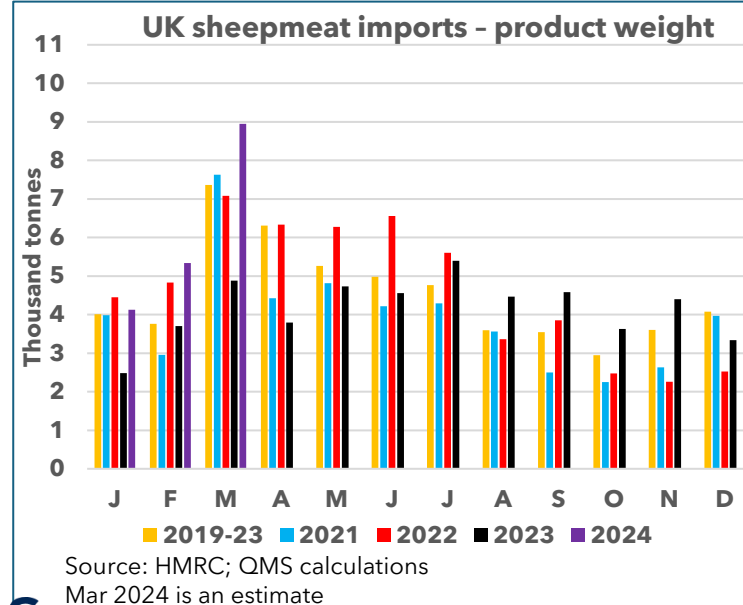
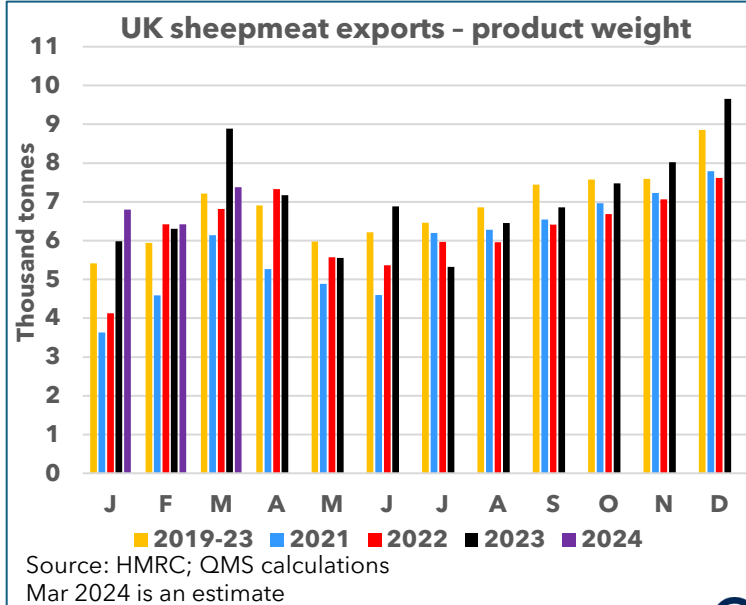
UK sheep market supply

domestic production + (imports – exports) = supply



UK international trade

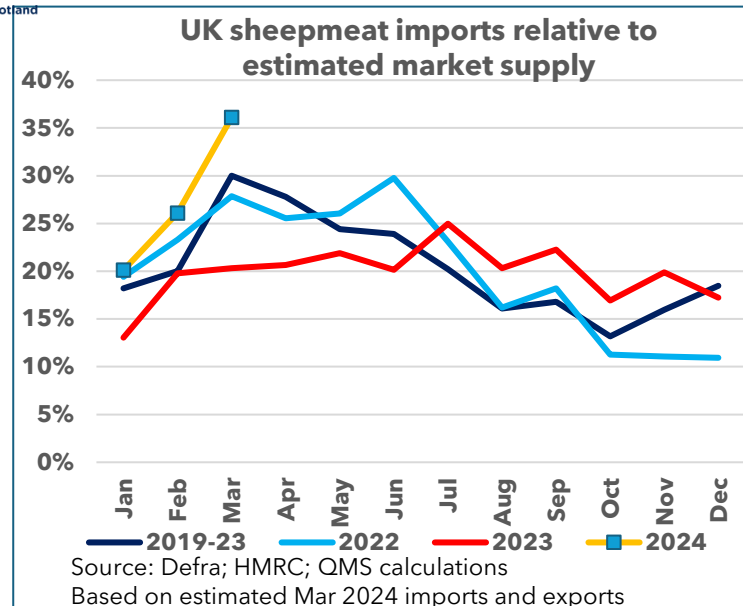
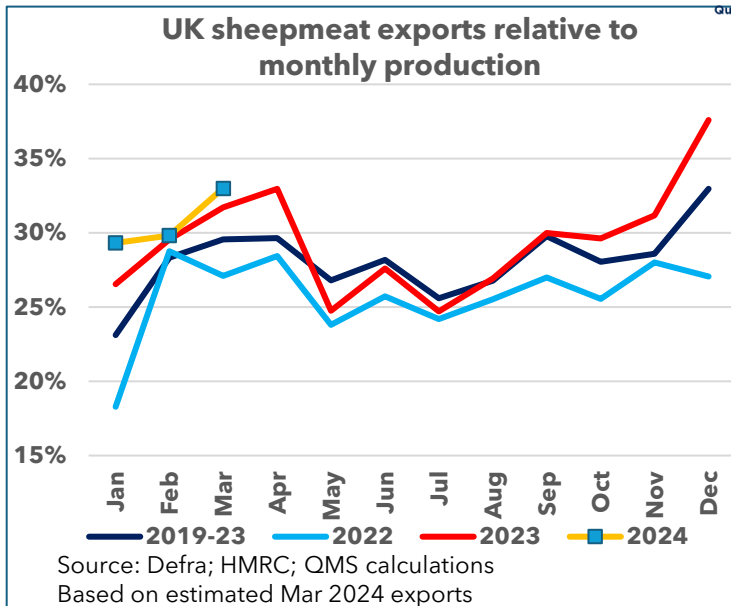
Increased exports continued to more than offset resurgent import levels at the start of 2024, but reduced production may have limited exports in March while the general strength in demand around Easter and Ramadan is likely to have underpinned imports



UK sheepmeat exports posted a seventh straight month of year-on-year growth in February, although the uplift was a softer 2% and the seasonal change between January and February returned to its pre-covid balance. The price of GB lamb at Rungis market in Paris followed domestic farmgate prices sharply higher at Ramadan and Easter, suggesting that export demand remains strong, although export margins may have been squeezed this year. (see page 19).

UK sheepmeat imports continued to show strong year-on-year uplift in February (+44%), reaching a seven-year high for the month.

The monthly volume to arrive from Australia was at its highest since March 2022 and was up by 78% year-on-year. Meanwhile, imports from New Zealand exceeded year-earlier levels by 58%.



Imported sheepmeat continued to trade at highly competitive prices, averaging around £4,800 per tonne from NZ and only £3,900/t from Australia. The former was down 3.4% year-on-year and the latter by over 30%.

Although higher imports remain a downside pricing risk, the market has been strong enough to easily absorb this product so far.

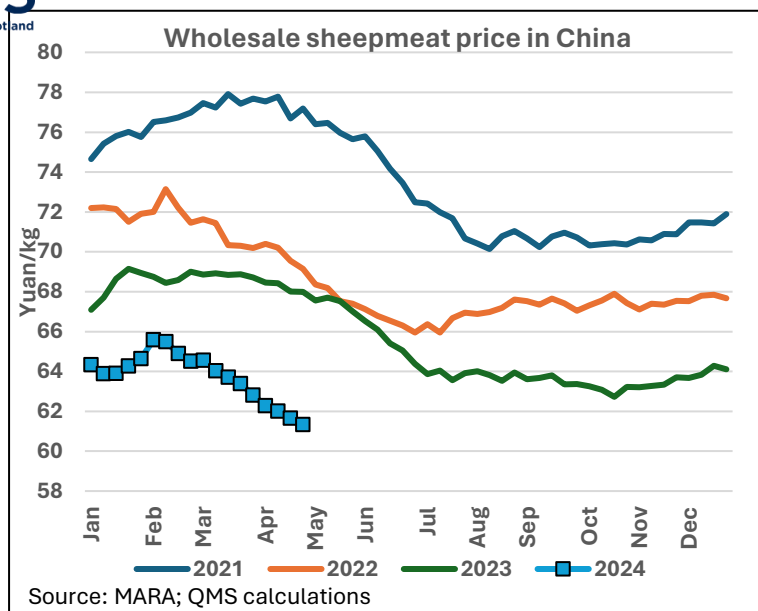
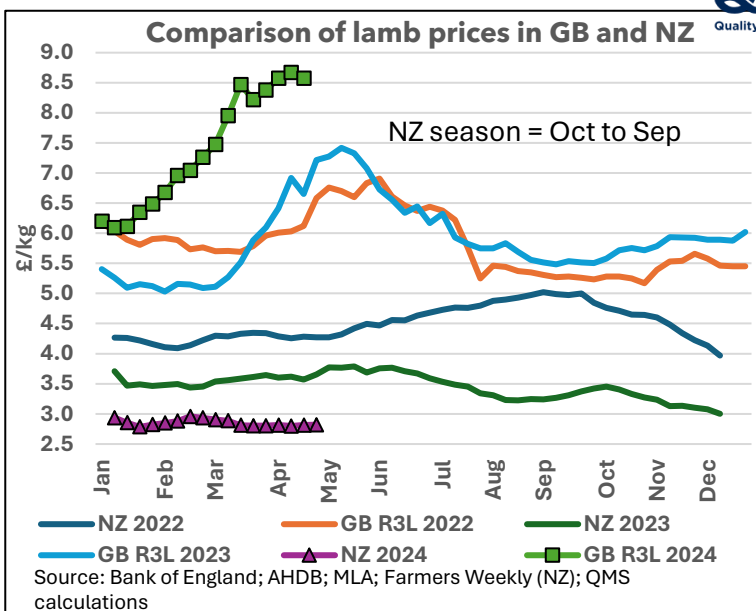
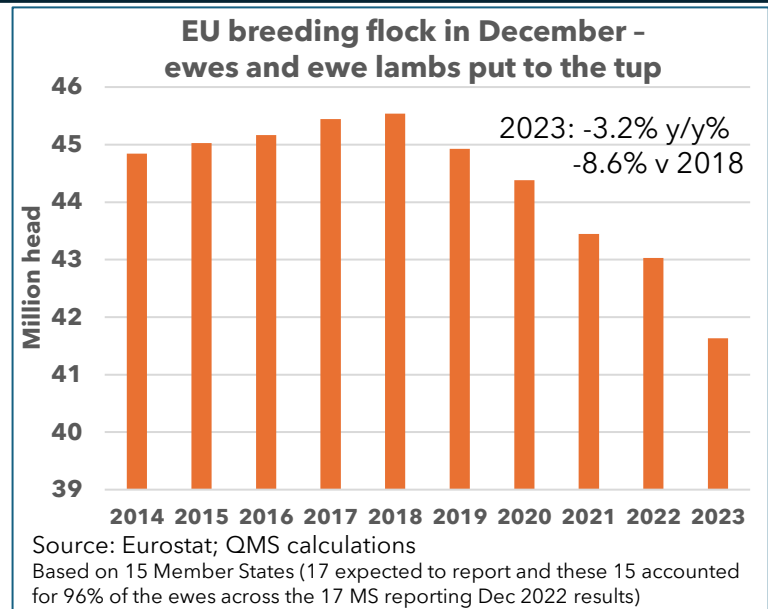
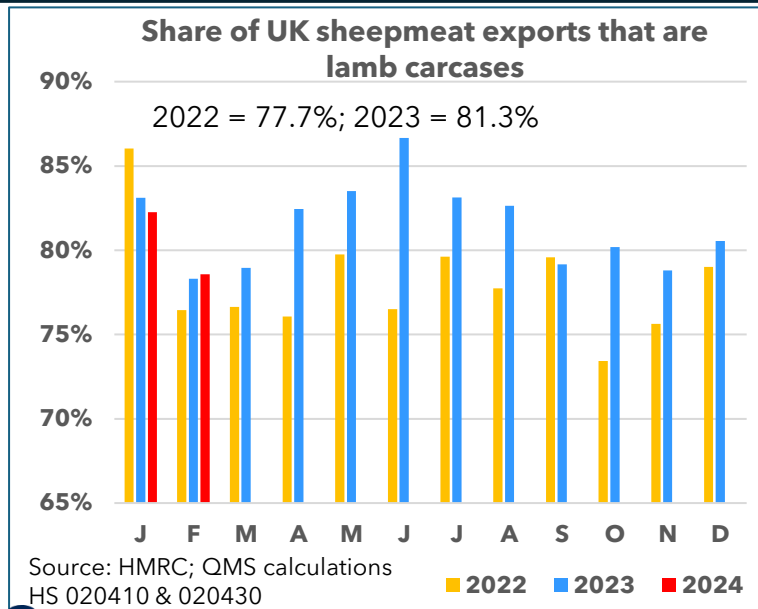
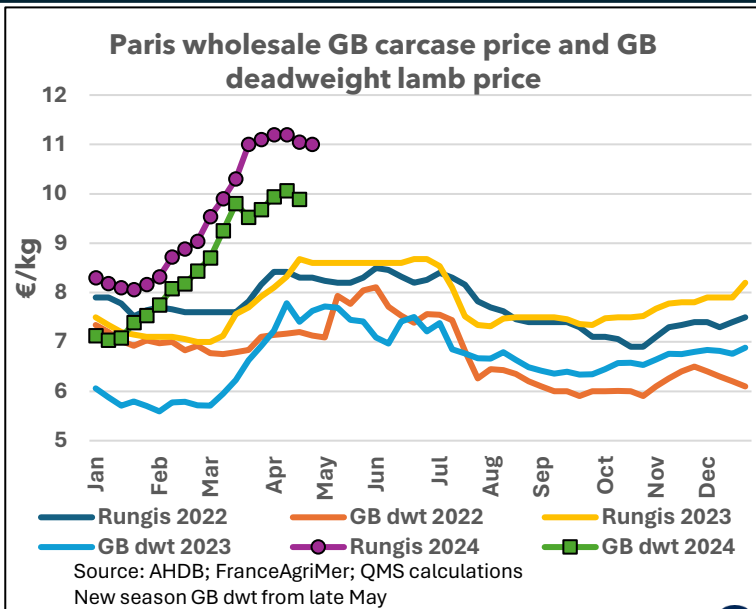
Note:

HMRC trade data covers HS codes 0204 (fresh or chilled & frozen sheep and goatmeat)

Estimates for March 2024 are based on seasonal trends in trade volumes and domestic production

Variables influencing international trade

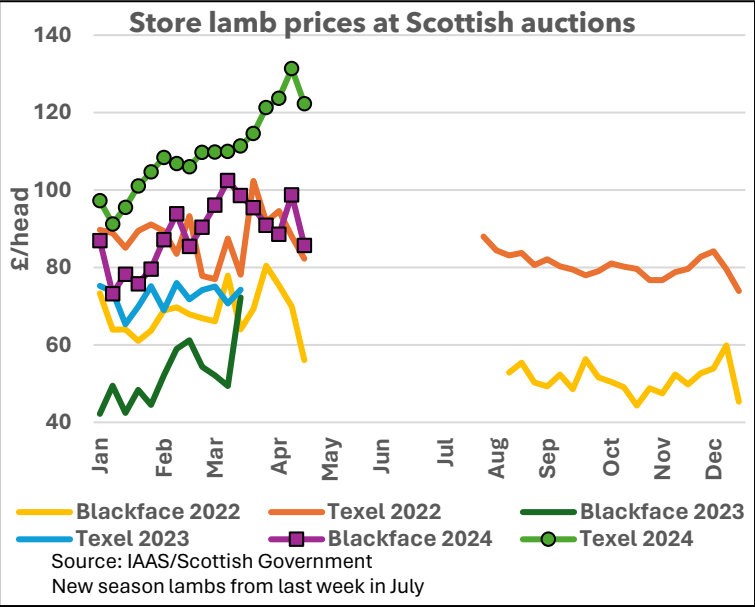
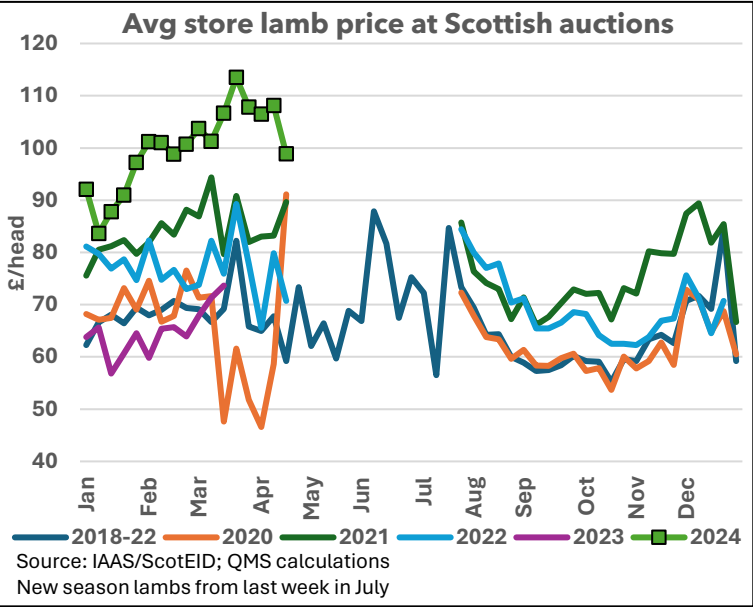
Wholesale prices in France for GB lamb have held firm since Easter and Ramadan and export margins have widened after a short-lived tightening in March. Lamb produced in Australia and NZ continues to look highly competitively priced, supporting UK import demand, and relative price movements may be starting to make the UK and EU as appealing to Australia and NZ exporters as the Chinese market (£6.80/kg wholesale).



Oceania lamb production forecasts				
	2022	2023	2024	24 v 23
Australia: February 2024 Industry Projections (thousand tonnes)				
Sheepmeat production	708	845	875	+4%
Sheepmeat exports (product weight)	428	536	546	+2%
New Zealand: December 2023 Lamb Crop Report (head)				
	22/23	23/24	y/y change	
Breeding ewes	15.48m	15.34m	-0.9%	
Lamb crop	20.39m	20.91m	+2.6%	
Source: MLA; Beef + Lamb NZ; QMS calculations				

Store sheep trade

Prices have followed finished hogg prices sharply higher

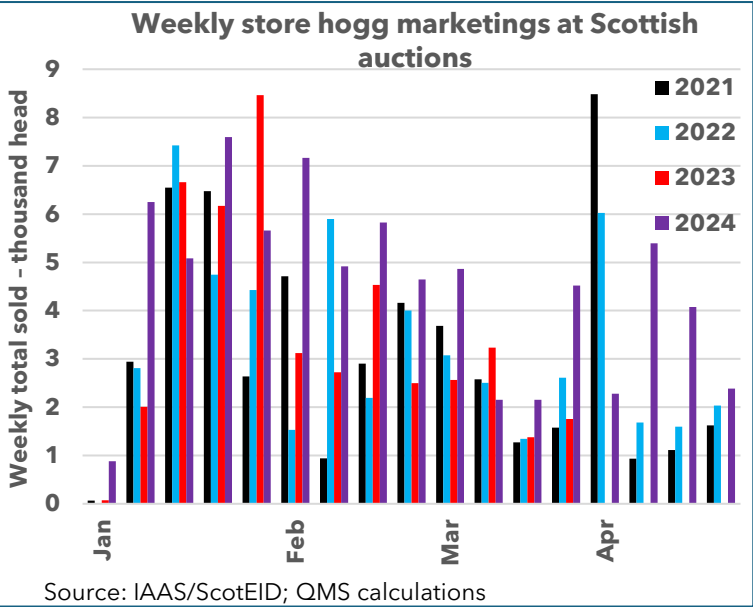


Store lamb selling prices have rebalanced higher in spring 2024 in line with the lift in the finished lamb trade, suggesting strong competition for hogs between finishers confident that a positive margin can be made.

While store lamb numbers have been weak in the 2023/24 season-to-date, high prices may have brought some additional hogs into the ring in spring 2024.



Prices not displayed between May and July due to small volume and volatile prices



Store hogg prices at Scottish auctions, 4 weeks to 27/4/24	
Overall average	£106.00
Blackface	£90.70
Cheviot	£105.20
Suffolk	£121.10
Texel	£123.90
Source: IAAS/ScotEID; QMS calculations Prices rounded to nearest 10p	



PIG MARKET

SUMMARY OF MARKET DEVELOPMENTS

01 Prices

- After some initial signs of slight upwards seasonal pressure on market prices in March, pig prices have dipped slightly in April, against the seasonal trend; though the underlying picture is of a well-balanced market. While prices have fallen slightly further behind year-earlier levels, the margin over the five-year average remains strong at nearly 30%, reflecting the reduced level of domestic supply since the financial crisis of 2021/22.

02 Slaughter numbers

- The financial crisis of 2021/22 continues to have a lasting effect on prime pig production with GB abattoir throughput continuing to decline on a year earlier in Q1 2024. While England's sow herd has started to edge higher again, fattening pig numbers were still down significantly on a year earlier in December 2023, suggesting that any recovery will take time.
- The recovery does look further along in Scotland, with the number of pigs leaving Scottish farms for slaughter rising 7% in the first third of 2023. However, Scotland accounts for only around 8% of the GB finishing herd, meaning this will have limited impact on the wider GB 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 4 May	210.77p/kg	-0.20	-0.1%	-4.0%	+27.0%
Average carcase weight of standard pigs	Average in four weeks to 4 May, EU spec	90.79		-0.6%	+1.2%	+3.4%
Prime pig slaughter at GB abattoirs	Total during March 2024, thousand head	656.5		+6.1% (change in daily avg kill Mar v Feb)	-10.6%	-15.3%
UK pig market supply	Tonnes in Jan-Mar 2024 (estimate)	314,300			-0.7%	-4.7%

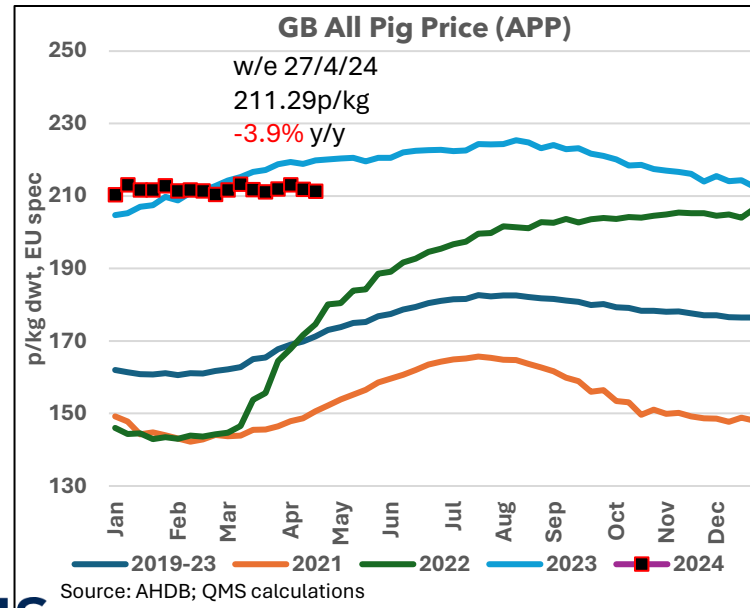
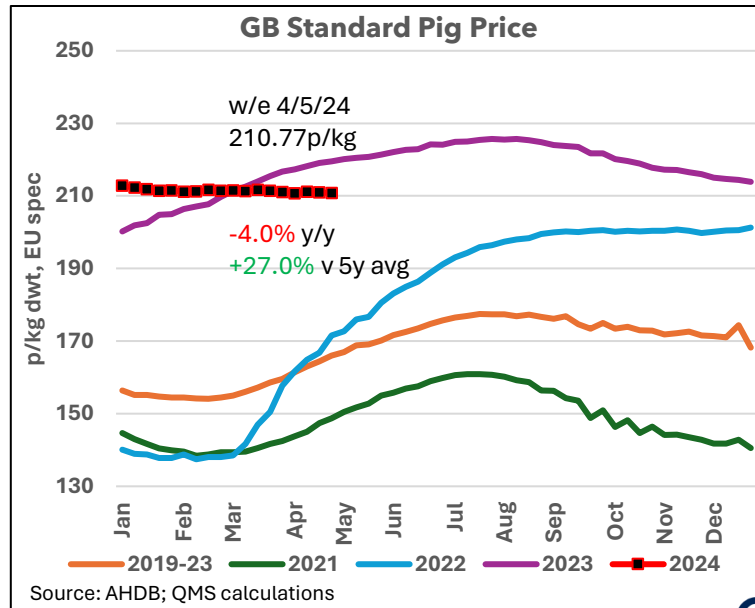
03 International trade and market supply

- With domestic production continuing to contract at the start of 2024, the trade balance provided some offsetting support to domestic market supply. Lower production continued to suppress UK export volumes while imports showed continued though limited growth, likely reflecting the fundamentally tight supply situation in the EU.
- Rises in EU pig prices tend to flow through to higher UK import prices, suggesting that EU pork is less competitive than at the start of this year following price increase in February and March. This may limit the potential for downwards pressure on the domestic market. In China, while herd liquidation in 2023 could see the market tighten later this year, Chinese import demand has remained sluggish in 2024 so far.



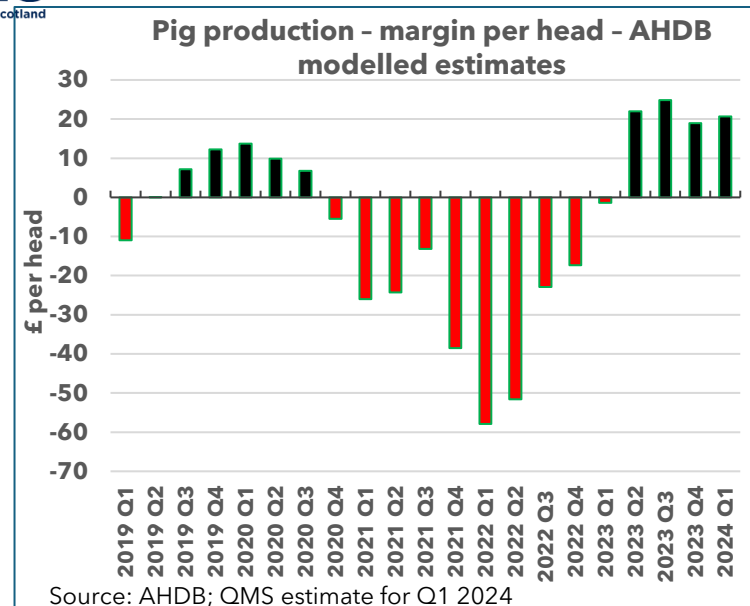
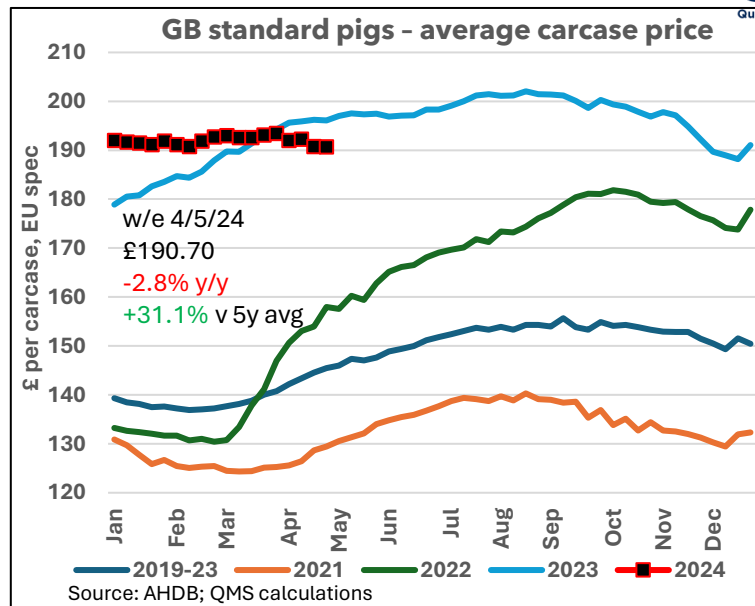
Farmgate prices – prime pigs

Pig prices have fallen slightly in April, against the seasonal trend, resulting in a stronger year-on-year decline. The dip in carcass weights in the second half of April has also taken carcass value below 2023 levels. Nevertheless, prices have still been around 30% above the five-year average, supporting a slow recovery in producer finances when combined with a dip in feed costs.



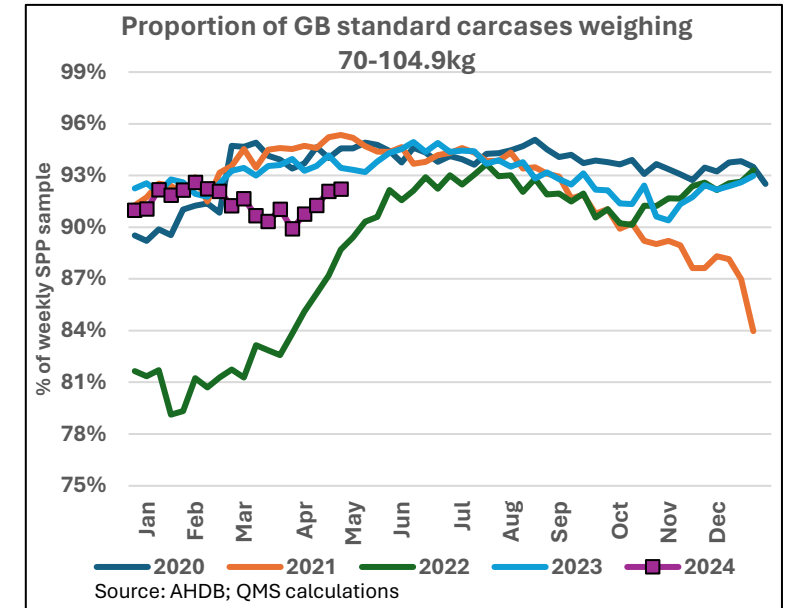
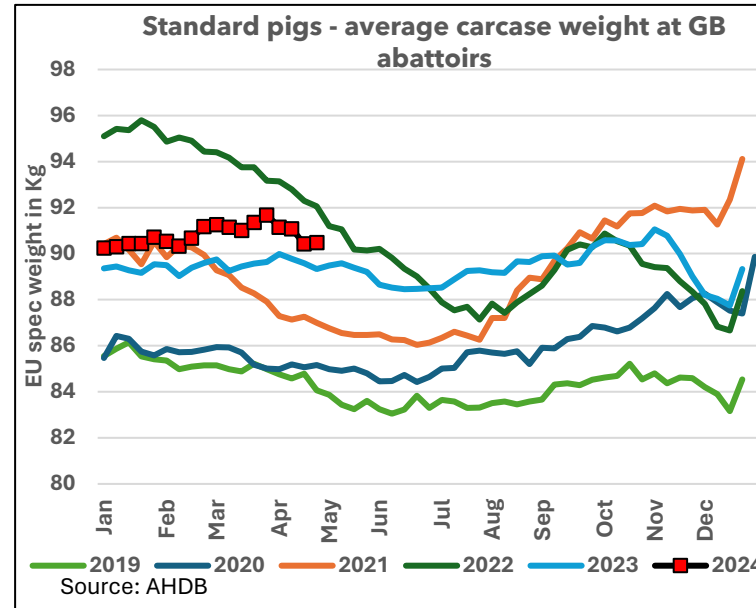
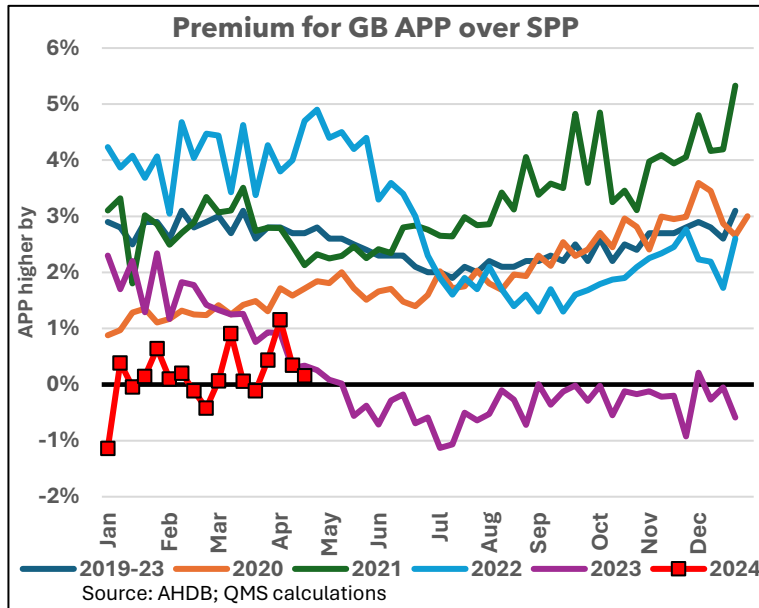
After showing some early signs of a slight seasonal uplift in March, prime pig prices have fallen back again marginally in April and the underlying picture is of a market that has been well-balanced in 2024. The lack of a seasonal upturn has seen prices fall further behind year-earlier levels, with a dip in carcass weights meaning carcass value has also fallen behind last year. Nevertheless, prices have still been around 30% above the five-year average, reflecting a reduced level of supply since the crisis of 2021/22.

The current combination of farmgate prices and feed costs is likely to be supporting recovery in producer finances from the period of substantial losses, partially offset by rising labour and interest costs. Modelled production costs are expected to have fallen further below the £2/kg dwt mark in Q1 2024 due to lower feed prices. However, the scale of past losses means that producer confidence remains relatively weak.



Indicators of market disruption

Return of a small premium for pigs with specific production characteristics points to a slightly less tight market. After rising against the general seasonal trend for the time of year in March, carcass weights appear to have fallen back in April, with fewer carcasses exceeding 104.9kg.

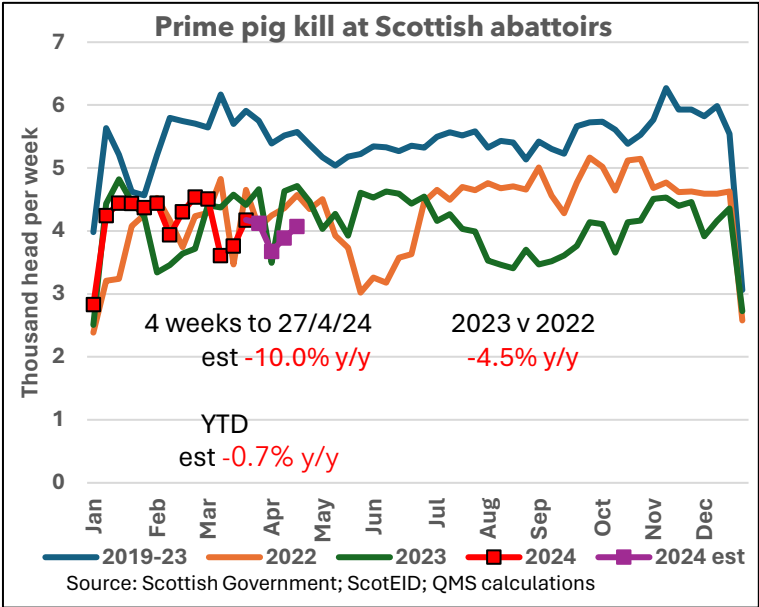
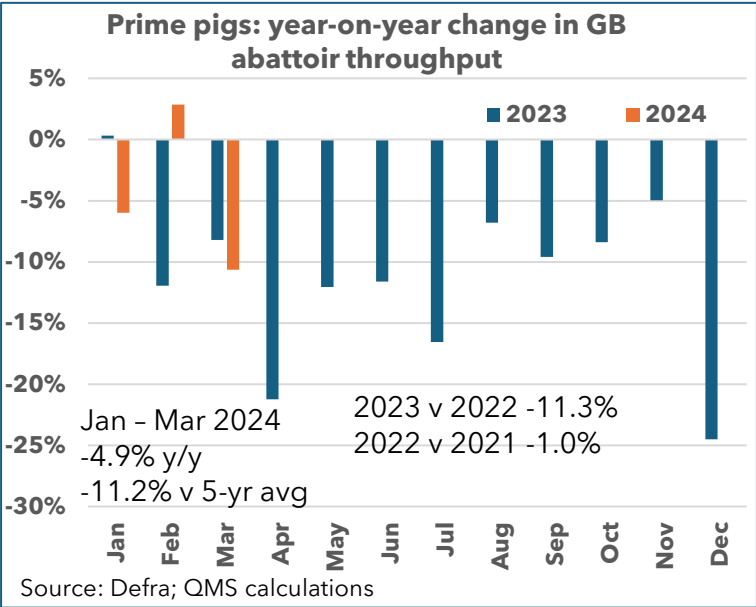


A slight premium for the overall average pig price (APP) over standard pigs (SPP) has returned at the start of 2024, indicating that pigs with specific production characteristics are receiving a slight premium in the marketplace again, suggesting that market conditions are not as tight as they had been for most of 2023. It should be noted that the two price reporting samples are not identical.

Carcass weights appear to have risen against the general seasonal trend for the time of year in late-February and early March, with more carcasses outside the 70-104.9kg weight band, potentially suggestive of a build-up on farm. However, this trend reversed in April, returning carcass weights to a more normal seasonal trend and reducing concern around the potential that numbers were building up on farms. Having widened from a year-on-year increase of around 1-1.5% in January and February to 2% in March, the dip in weights in April has seen this gap narrow towards 1% late in the month. Nevertheless, higher weights will be continuing to help offset some of the decline in pigmeat production caused by reduced throughput.

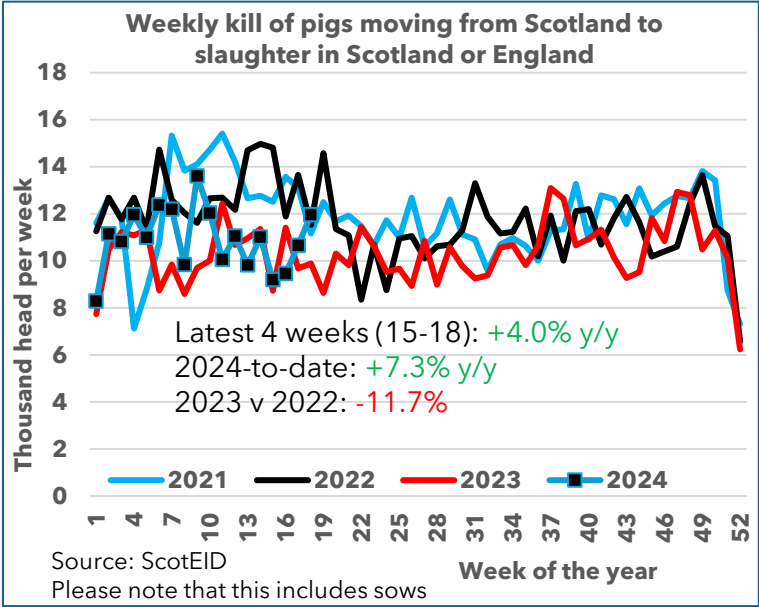
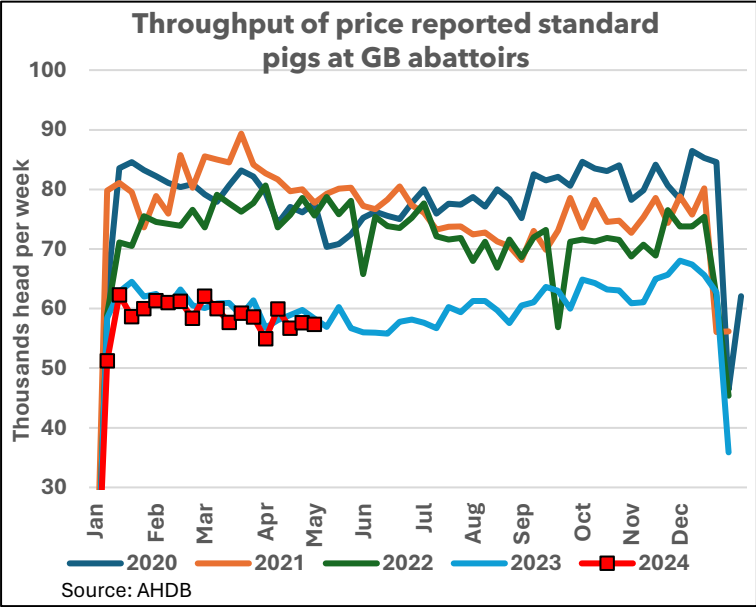
Availability and slaughter

The financial crisis of 2021/22 continues to restrict GB pig production but a slight rebound in England's sow herd in December 2023 and rising numbers leaving Scottish farms suggests that there could be some recovery this year. Weekly prime pig slaughter at Scottish abattoirs has been lower in March and April than in the early weeks of the year, pointing to a softening of conditions in the supply chain, although it may also reflect a seasonal dip in availability, which is underway at GB level.



The financial crisis of 2021/22 continues to pressure prime pig production. Though England's June census results suggested that the sow herd is starting to recover slowly, finishing pig numbers were still trailing year-earlier levels, suggesting any rebound in production will come at a lag. While the strong increase in numbers leaving Scottish farms for slaughter in early 2024 suggests that the recovery is further forward in Scotland, this will have limited impact on the wider GB market given that Scotland accounts for only around 8% of GB fattening pigs.

Weekly prime pig slaughter at Scottish abattoirs has been lower in March and April than in the early weeks of the year, pointing to a softening of conditions in the supply chain, although it may also reflect a seasonal dip in availability. This seasonal reduction in availability has been observed in the weekly GB Standard Pig Price reports.



Latest Census Results – Scotland and England		
	Sco: June 2023 v 2022	Eng: Dec 2023 v 2022
Female breeding herd	-6.8% y/y	+0.7% y/y
Fattening pigs	-1.2% y/y	-11% y/y

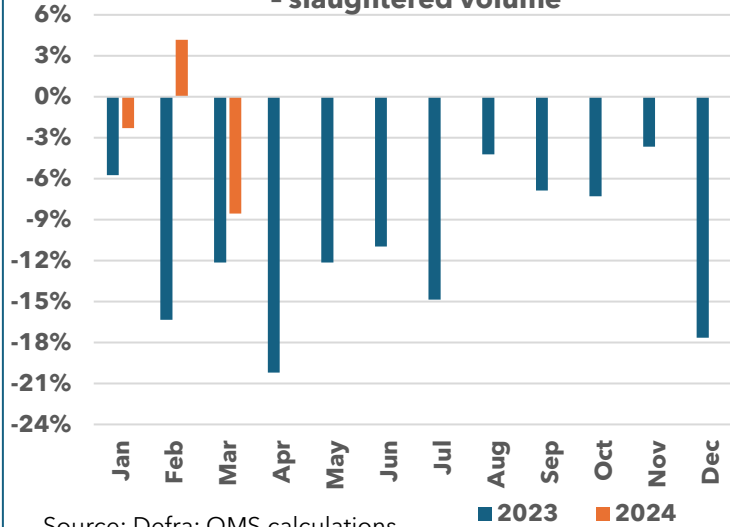
Source: Defra; Scottish Government

UK pigmeat market supply

domestic production + (imports – exports) = supply

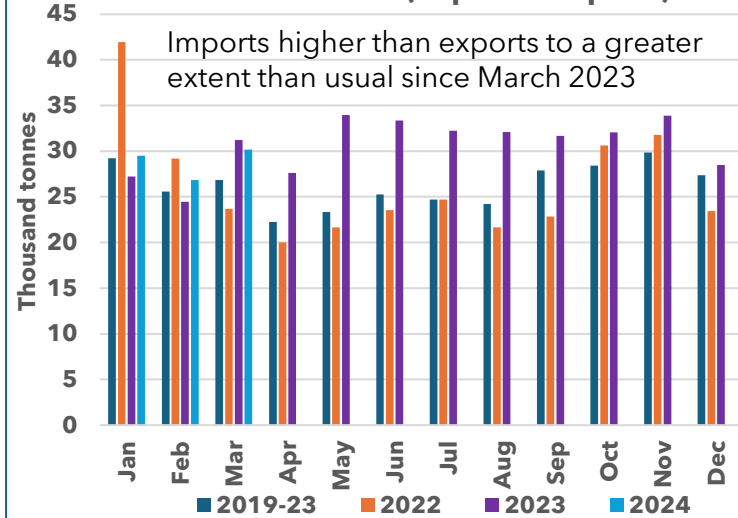
Trade balance and pigmeat supply calculations based on estimated imports and exports for February 2024

Year-on-year change in UK pigmeat output – slaughtered volume



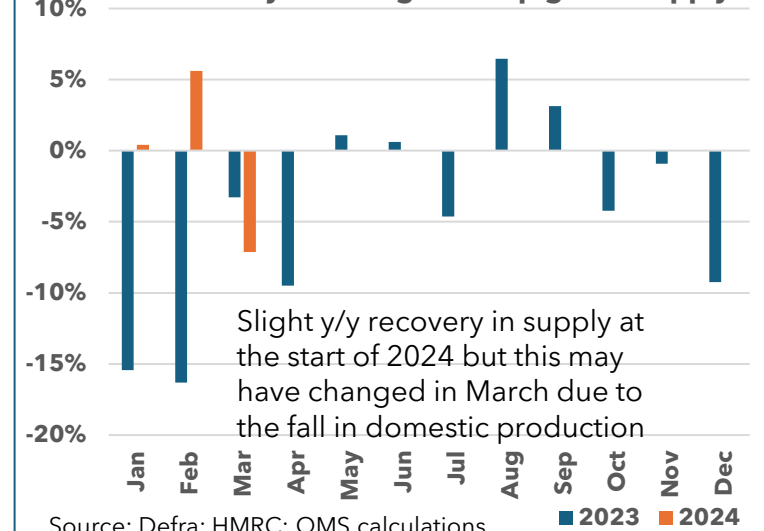
Source: Defra; QMS calculations

Net trade balance (imports - exports)



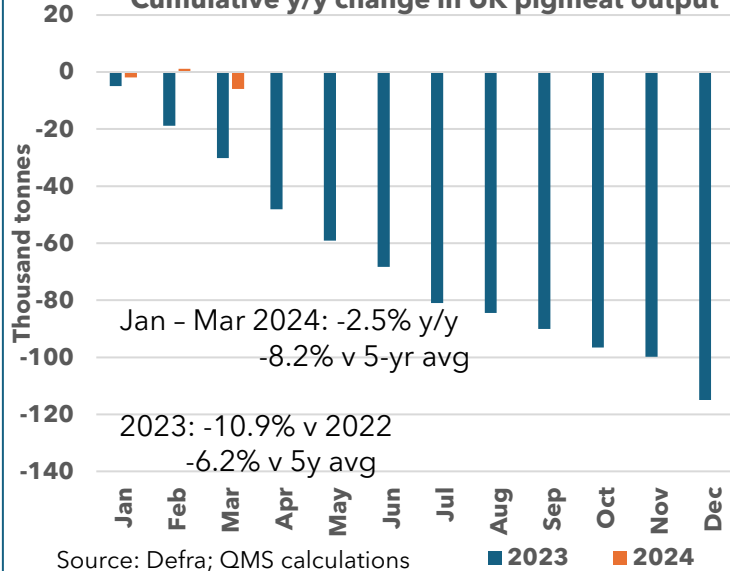
Source: HMRC; QMS calculations
Trade based on HS codes 0203 and 021011, 021012 & 021019

Year-on-year change in UK pigmeat supply



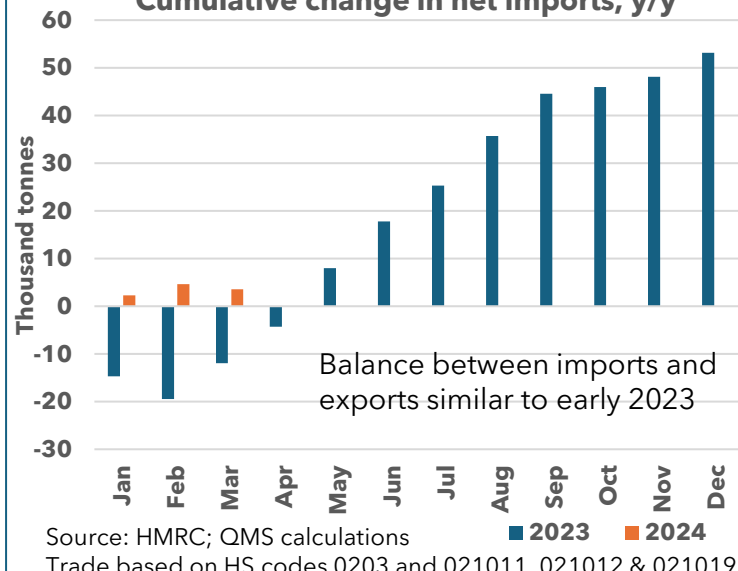
Source: Defra; HMRC; QMS calculations
Trade based on HS codes 0203 and 021011, 021012 & 021019

Cumulative y/y change in UK pigmeat output



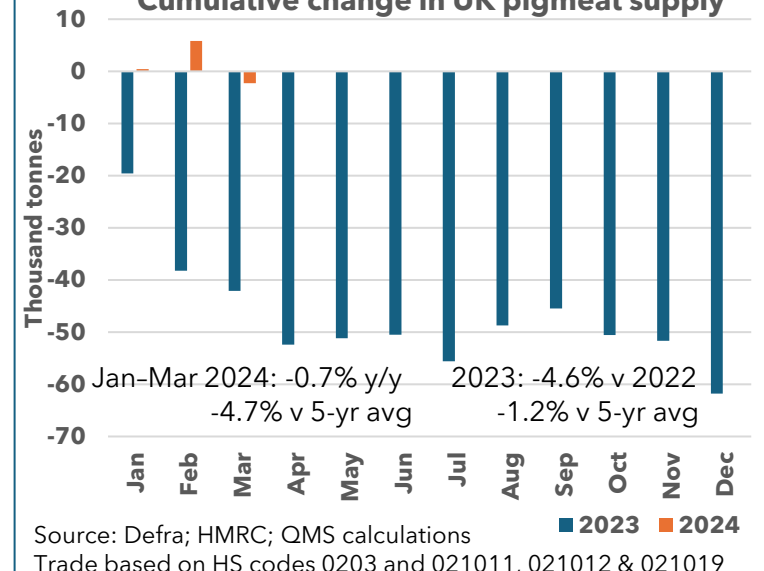
Source: Defra; QMS calculations

Cumulative change in net imports, y/y



Source: HMRC; QMS calculations
Trade based on HS codes 0203 and 021011, 021012 & 021019

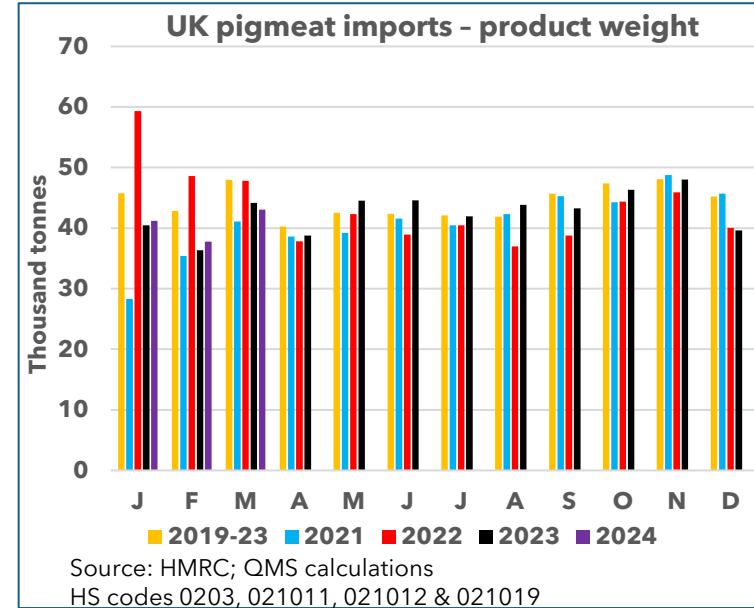
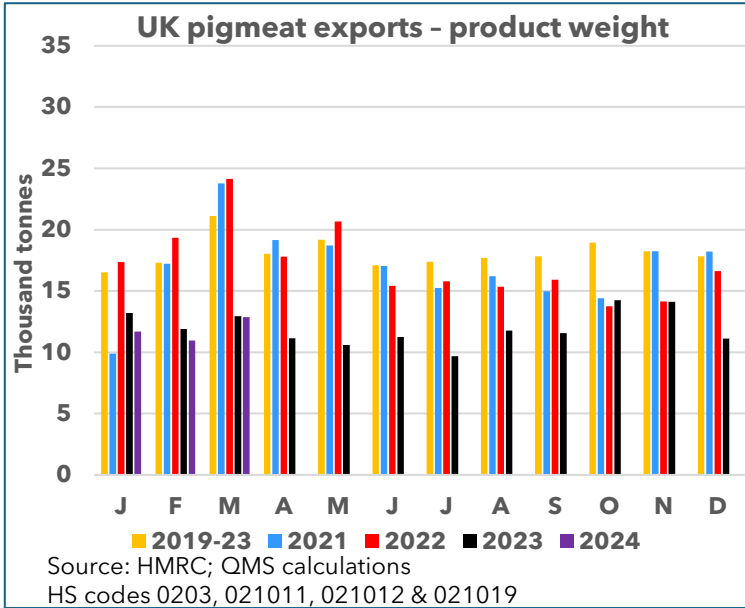
Cumulative change in UK pigmeat supply



Source: Defra; HMRC; QMS calculations
Trade based on HS codes 0203 and 021011, 021012 & 021019

UK international trade

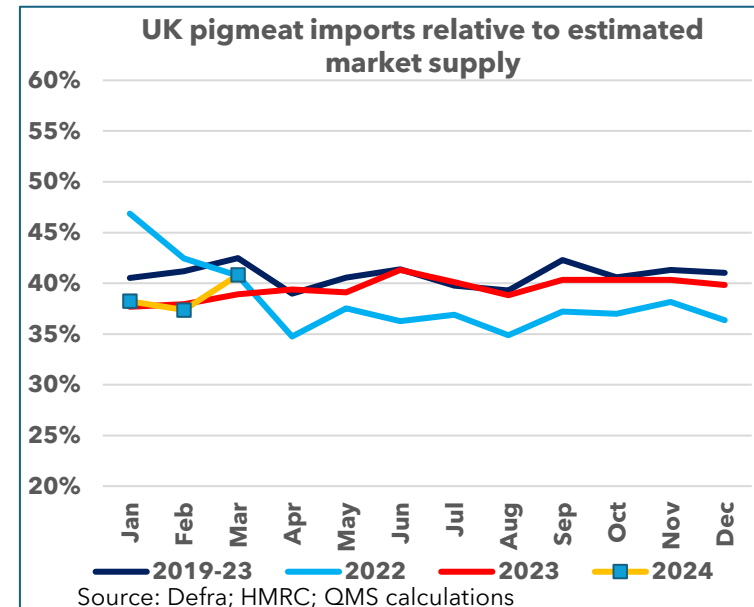
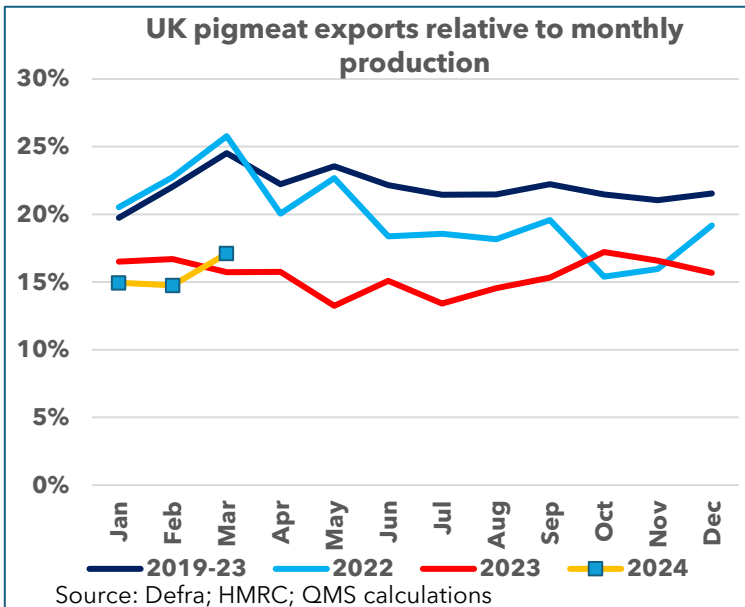
Exports continue to face downwards pressure from lower domestic production but imports have shown limited uplift at the start of 2024, reflecting a well-balanced market.



UK pigmeat exports showed a further month of soft performance in February, partly reflecting reduced domestic output, and were down by 8% year-on-year.

After starting the year with a slight recovery, UK pork exports (HS 0203) to the EU slipped back marginally behind year-earlier levels in February.

Meanwhile, exports (HS 0203) to non-EU countries drove the overall decline, falling 12% short of February 2023 levels. Within this total, the decline in deliveries to China and Hong Kong accelerated, down 21%. This saw them account for a reduced 54.5% of non-EU trade and 28.5% of overall pork export volumes, well below respective annual averages of 67.5% and 36.2% in 2023.



UK pigmeat imports continued to show slight year-on-year growth in February, up 4%. This was driven by Imports of pork (HS0203), which rose by 6%, whereas imports of bacon & ham products (HS0210) trailed year-earlier levels for a fifth month, although the deficit was marginal.

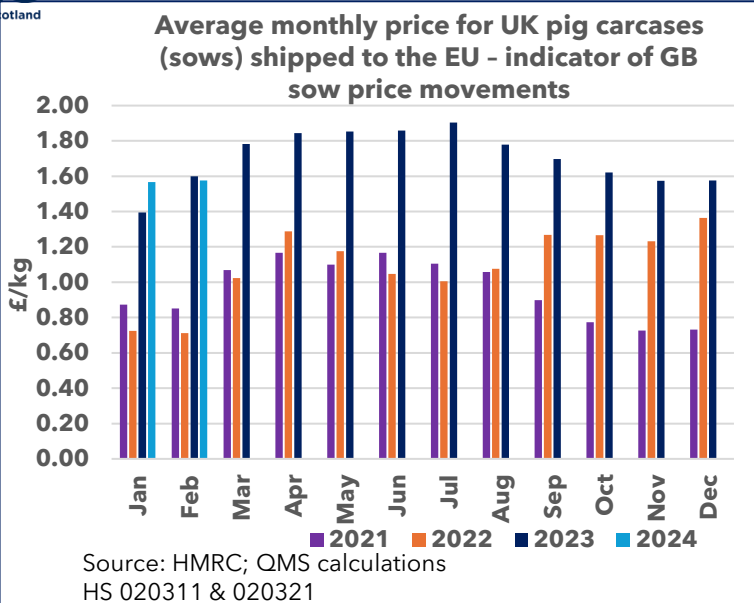
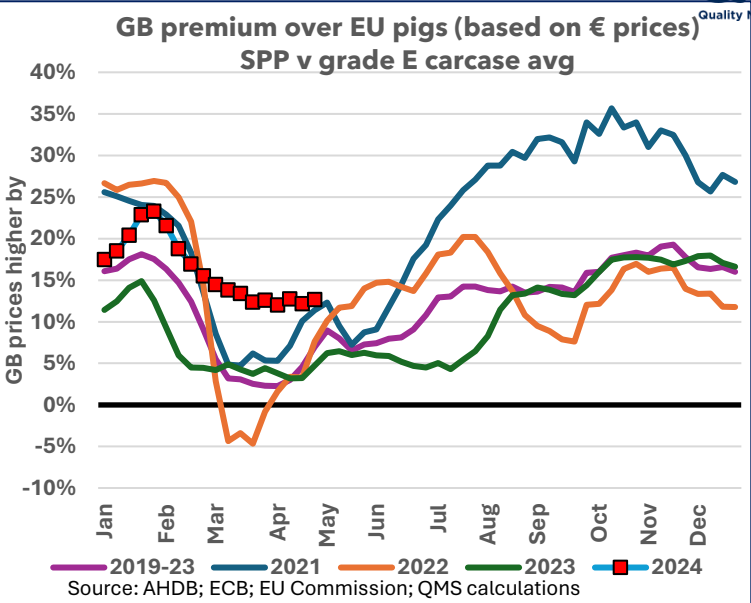
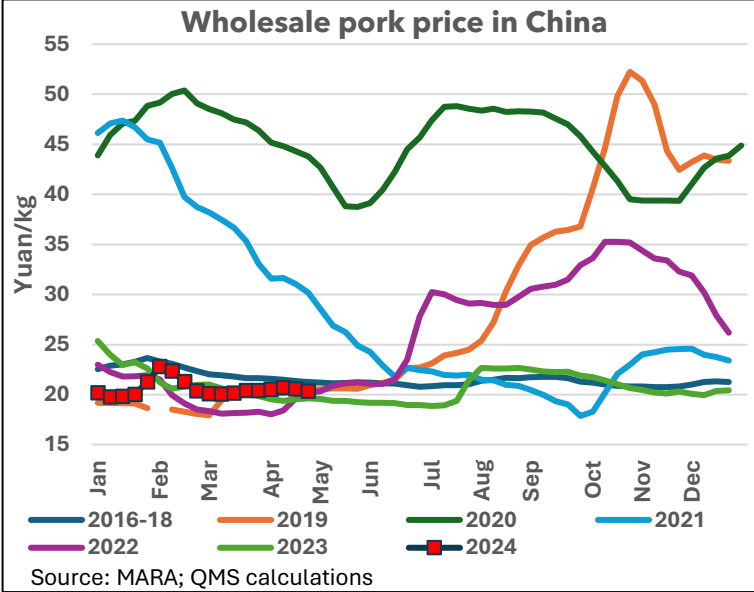
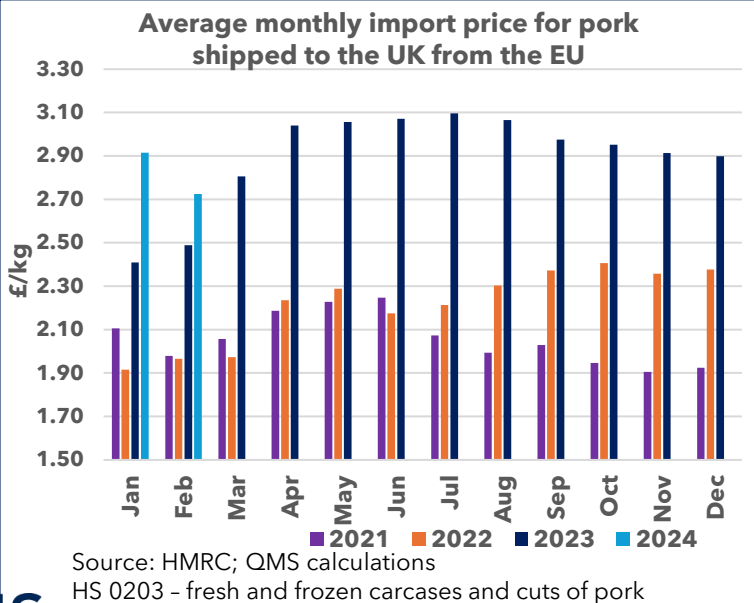
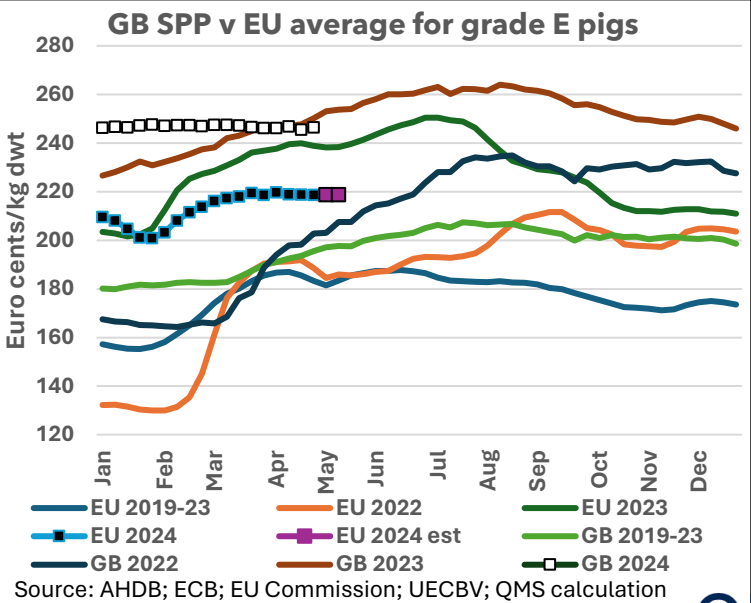
Note:

HMRC trade data used here covers HS codes 0203 (fresh or chilled & frozen swine meat) & 021011, 021012 & 021019 (bacon & ham – ‘salted, in brine, dried or smoked’).

Trade data for March 2024 is estimated

Factors driving UK international trade

A seasonal rebalancing of EU market prices narrowed the price gap with GB levels through February and March before a more stable picture evolved in April. Rising EU pig prices tend to flow through to higher UK import prices, suggesting that EU pork is now less competitive than in the early part of the year. In China, pork prices have been edging higher but while last year's herd liquidation could see the market tighten, import demand has remained sluggish.



USDA Global Pork Market Forecasts, April 2024 (million tonnes carcase weight)						
Key indicators	2019	2020	2021	2022	2023	2024
World, production	101.5	96.1	108.0	114.6	116.2	115.6
China, production	42.6	36.3	47.5	55.4	57.9	56.0
All countries, imports	9.3	11.6	11.5	9.80	9.20	9.40
China, imports	2.45	5.28	4.33	2.13	1.90	1.88
EU, production	23.0	23.2	23.6	22.3	20.8	21.2

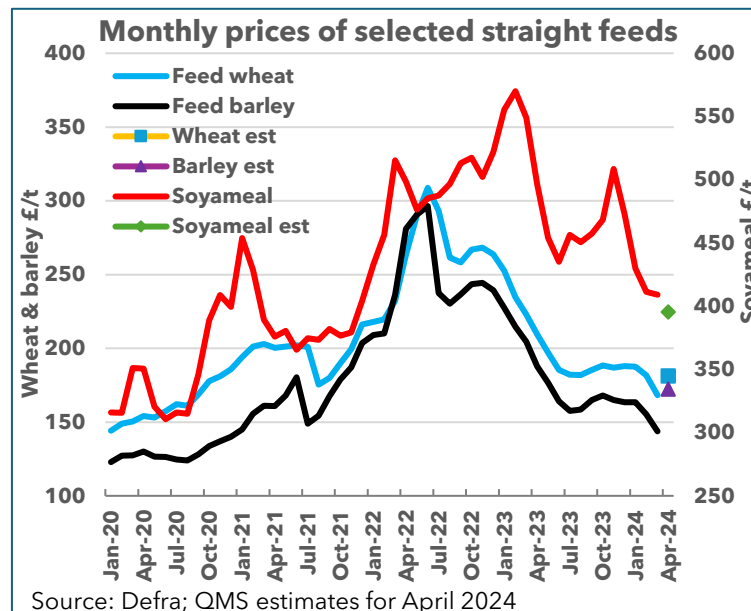
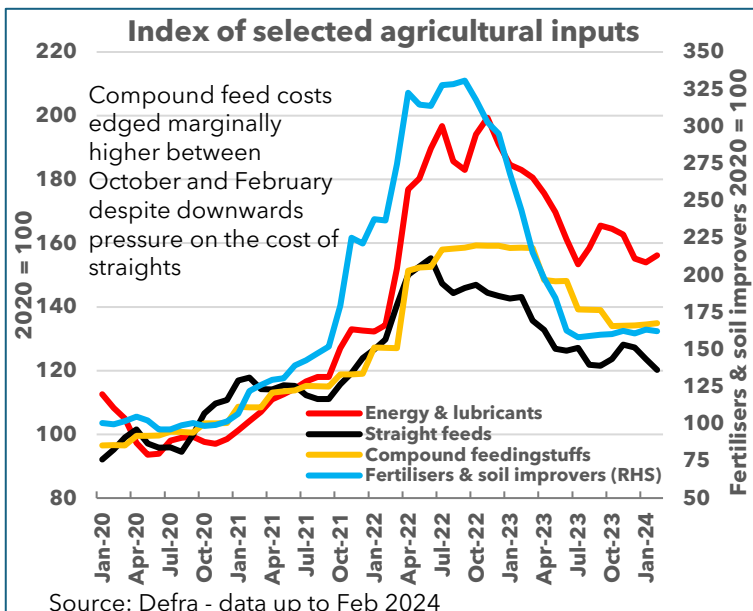
Source: USDA Foreign Agricultural Service



ECONOMIC DEVELOPMENTS

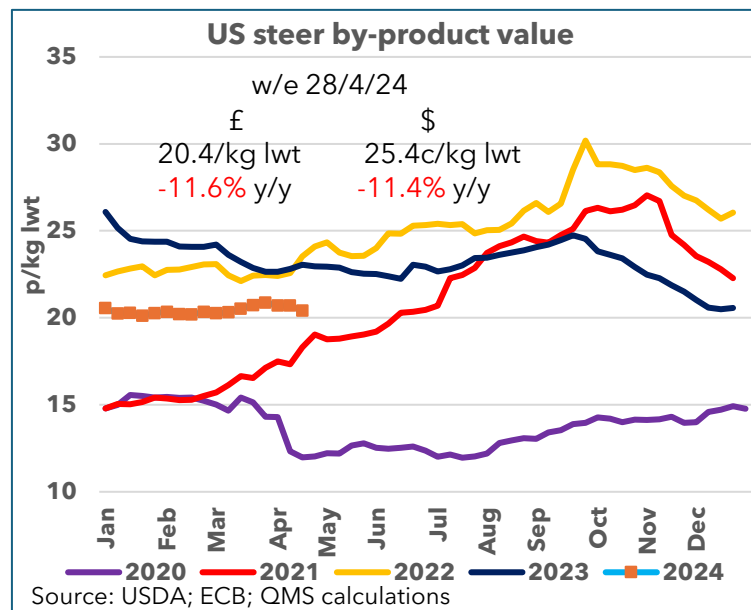
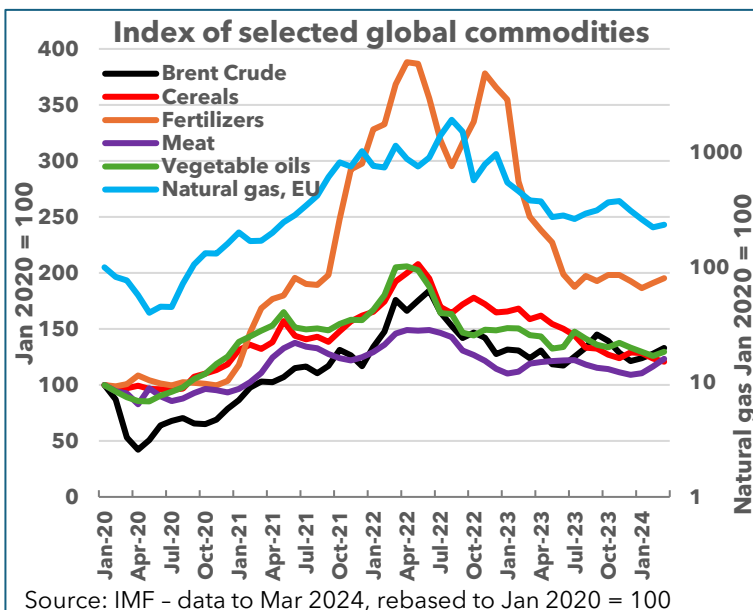
- Commodity prices have generally been flat at the start of 2024 with only a slight upside impact from geopolitical tensions. Nevertheless, farmers and processors are having to deal with a higher energy cost base and wages continue to rise significantly. Although feed costs are at their lowest since 2020 for the time of year as global crop supplies look stronger in 2024, a small rebound in grain prices since March is something to watch.
 - Strong average earnings growth has continued to underpin increased retail sales in cash terms and, with inflation rates beginning to slow in many sectors, this could begin to support sales volumes. Spending has rebalanced towards food stores, with food prices continuing to show above average year-on-year increases.
 - Increased cash spending on beef and pork from a year earlier translated across to a steady volume of sales as price rises remained significant in popular product categories like beef mince and pork chops/steaks. While lamb continued to perform strongly, this has been underpinned by discounted prices, with no sign of the surge in farmgate prices passing through the supply chain.
-
- Consumer confidence returned to January's two-year high in April, as nearly a year of wage growth outpacing inflation and lower energy and fuel prices supports some optimism around the outlook for personal finances.
 - PMI surveys suggest that the UK economy has grown slowly at the start of 2024, driven by improved demand in the service sector while the manufacturing slowdown has eased. However, the labour market data for the December to February period did point to a significant deterioration and is something to monitor closely. While measures of employment and unemployment worsened, wage growth held firm at around the 6% mark, continuing to outpace inflation.

Production costs and by-product revenues



Commodity prices remain well above pre-covid levels, meaning that businesses have a higher cost base to manage, particularly energy costs. Markets have stayed relatively flat since summer 2023 but there has been some slight uplift through Q1 2024, likely influenced by geopolitical tensions. However, risk premia have been weaker this time so far than during other periods of conflict.

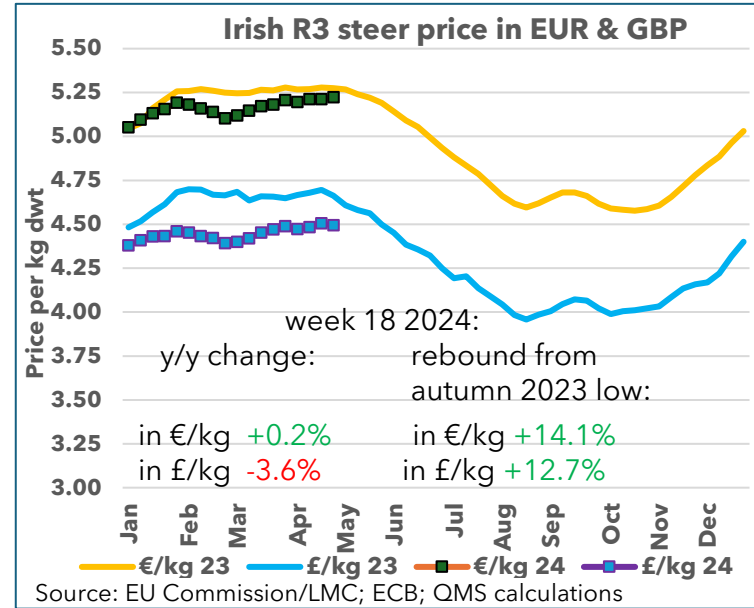
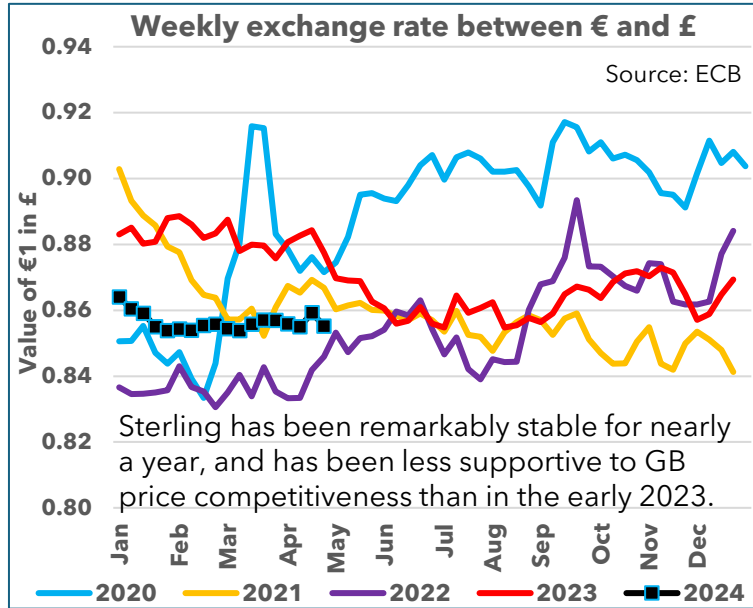
Feed prices had started the year with renewed declines, underpinned by a well-supplied global market. However, there has been a reversal of these declines for grain in March and April as a result of attacks on infrastructure in Ukraine plus concerns around winter crops and spring planting in Europe. Nevertheless, grain prices have been at four-year lows for the time of year. By contrast, a strong South American harvest has seen soyameal prices soften further.



In the US, after a slight uplift in February and March, cattle by-product value softened a little again in April and remained at a three-year low for the time of year, reflecting general commodity market forces. Hide value fell slightly in March and dipped further in April, dropping it around 10% behind 2023 levels.

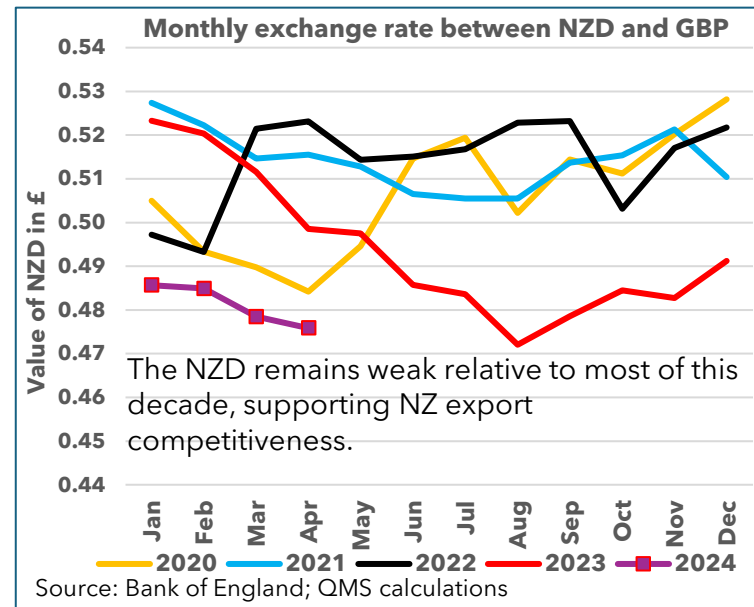
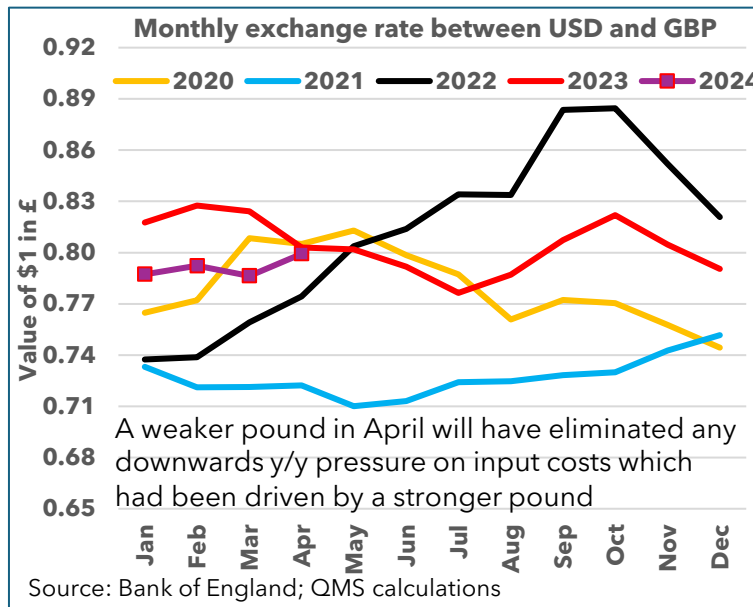
Exchange Rate Movements

Sterling has been stable against the euro for nearly a year, reflecting similar paths for interest rates, but it has meant a reduction in competitiveness compared to early 2023 when the pound had been weaker. A strengthening of the dollar in April will have placed some upwards pressure on imported inputs and downwards pressure on export returns, while a weak New Zealand dollar continues to support the competitiveness of NZ lamb.



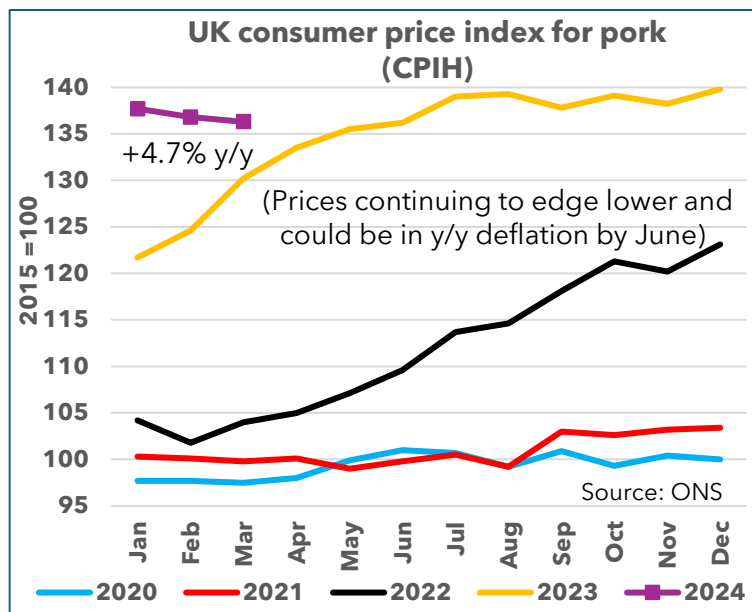
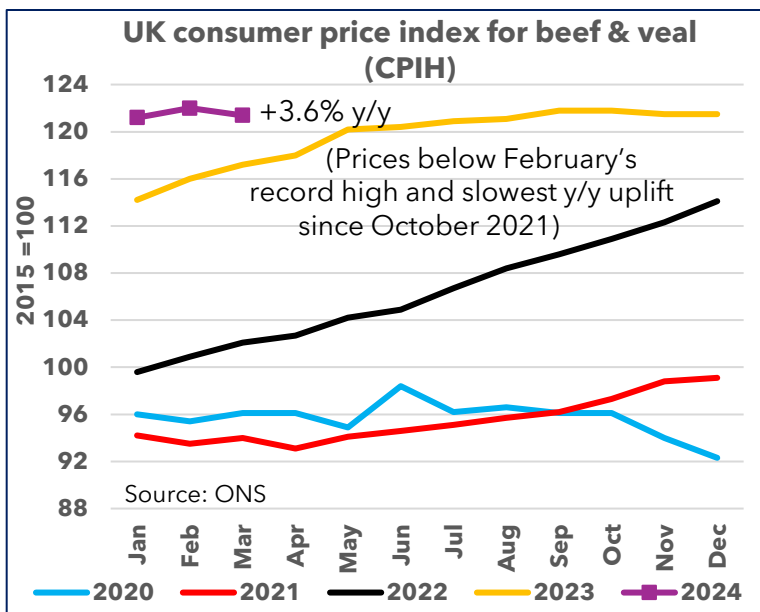
The outlook for interest rates has continued to hold sterling stable against the euro with both UK and European Central Banks expected to slightly reduce interest rates from their peak in 2024 now that inflationary pressures have reduced and economic activity remains sluggish. However, sterling remains stronger than in 2023, making imports from Ireland more competitive.

While US interest rates are still expected to fall this year, firm economic data and a more persistent inflation rate have resulted in a delay to any downwards move in interest rates, supporting a small rise in the dollar in April. During Q1, a weaker USD than a year earlier had placed downwards pressure on input costs but had restricted UK returns on dollar-denominated exports to non-EU countries, with the same dollar value returning 4-5% less than in Q1 2023. However, a strengthening of the dollar in April returned it back in line with 2023 levels.



Consumer demand and prices

Households have continued allocating a significantly higher amount of money to meat and a slowdown in price inflation has begun to support sales volumes. Foodservice sector firms continue to pass on higher cost base, signalling robust demand.

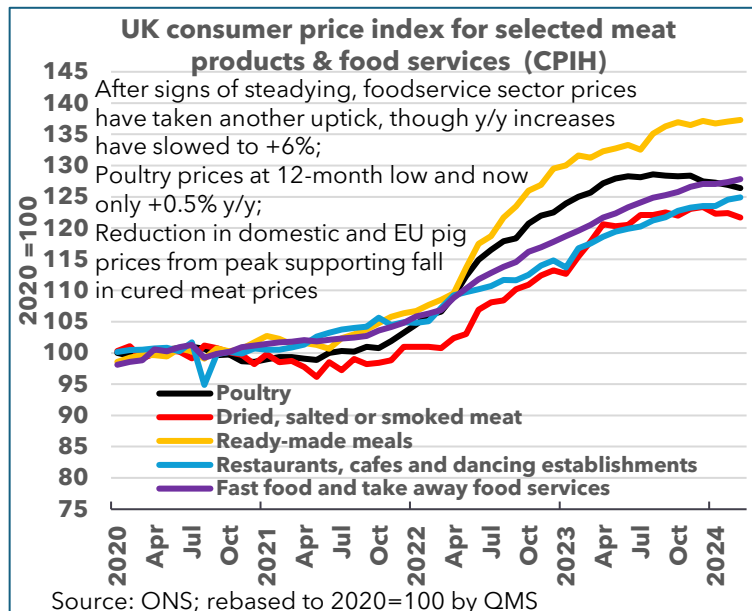
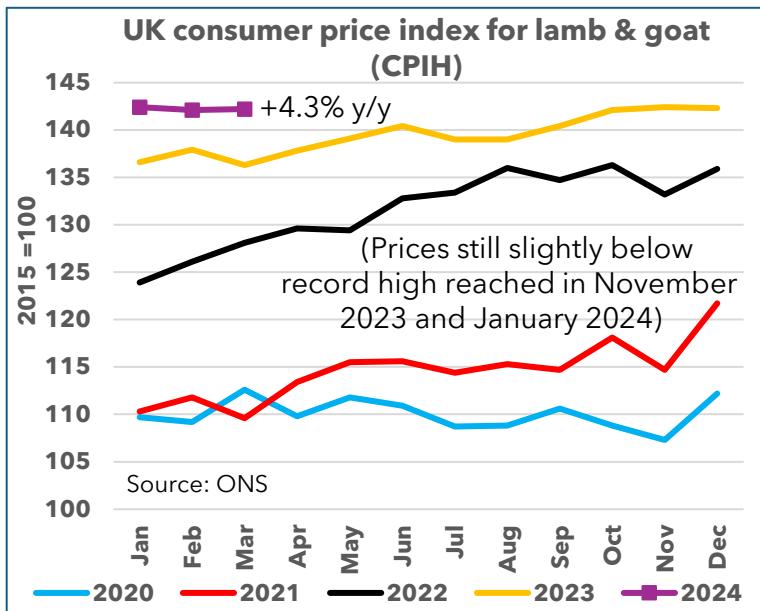


Retail demand remains firm overall with rising UK wages (+5.6% y/y in Dec 23-Feb 24 period) supporting the overall amount of money spent on groceries. Meanwhile, prices are not rising as fast as they had in 2022 and early 2023, providing some support to volumes.

Sales figures from the 12 weeks to April 14 point to a firm trading environment for meat in GB. Beef showed stronger spending growth while lamb sales continued to look strong in volume terms, with the farmgate price spike not passing through to retail prices.

With previous rises in farmgate and import prices now reflected in pork retail prices, inflation has slowed sharply and there is now some room for slight volume growth, although this will be limited by the level of supply.

Chicken has continued to regain price competitiveness and sales.



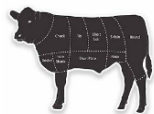
Y/Y change in GB retail sales reported by Kantar in 12 weeks to 14/4/24

	Value	Volume	Avg price per kilo
Fresh beef	+9.5%	+0.5%	+9.0%
Fresh lamb	+2.2%	+6.2%	-3.8%
Fresh pork	+7.1%	+1.2%	+5.8%
Fresh poultry	+6.5%	+5.0%	+1.5%
Total grocery market	+4.9%	+0.0%	+4.9%

Source: Kantar

Retail demand and prices

Strong cash spending growth on beef and pork only translated into stable sales volumes due to rising prices whereas discounted prices appear to have given strong support to lamb sales. Surging farmgate prices are yet to pass through the supply chain and into lamb retail prices.



BEEF

12 weeks to April 14 2024



LAMB

12 weeks to April 14 2024

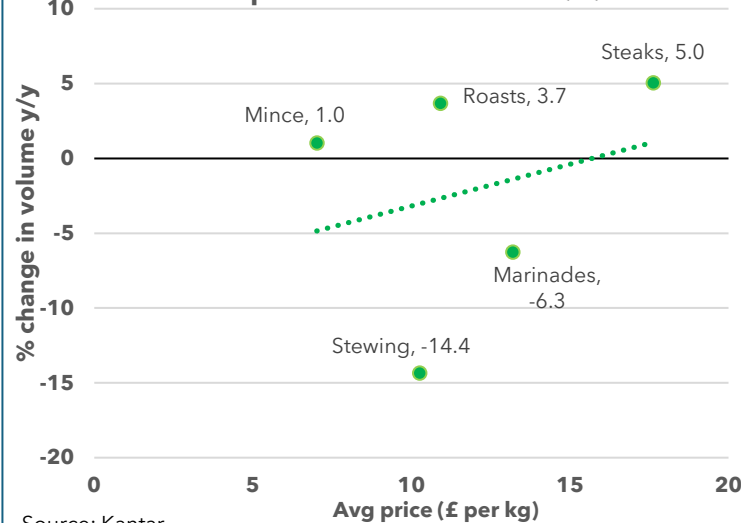


PORK

12 weeks to April 14 2024

	GB		Scotland		GB		Scotland		GB		Scotland	
Value (£m)	623.8	+8.6% y/y	61.3	+6.5% y/y	180.5	+4.5% y/y	9.0	+2.9% y/y	219.6	+6.1% y/y	14,794	+3.4% y/y
Volume (t)	62,971	+0.1% y/y	5,951	-2.7% y/y	15,821	+10.4% y/y	789	+10.5% y/y	34,788	+0.0% y/y	2,333	-0.7% y/y
Avg price (£/kg)	9.91	+8.5% y/y	10.3	+9.5% y/y	11.41	-5.3% y/y	11.46	-6.8% y/y	6.31	+6.1% y/y	6.34	+4.2% y/y
Penetration*	68.9	-1.3% y/y	72.4	-0.4% y/y	29.0	+0.6% y/y	19.1	+0.2% y/y	45.8	-0.9% y/y	42.4	+2.5% y/y
Frequency**	4.7	+1.2% y/y	4.8	+1.1% y/y	2.3	+0.6% y/y	2.3	+2.9% y/y	3.1	+0.3% y/y	2.7	-1.3% y/y

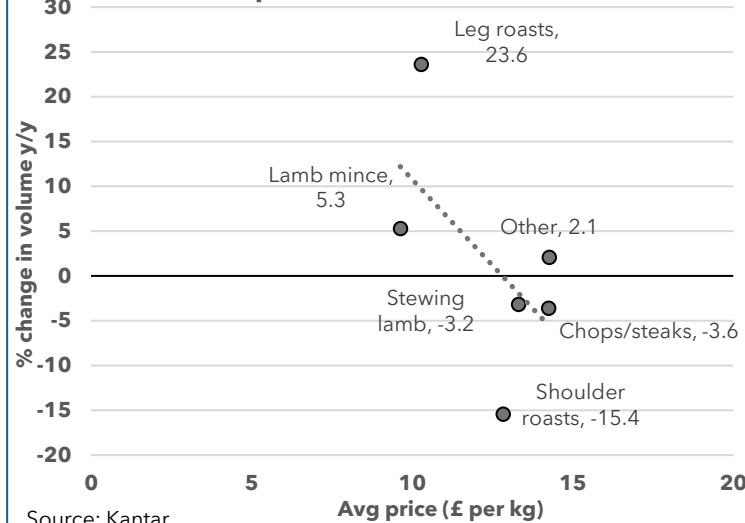
Relationship between GB household spending on beef and retail prices in 12 weeks to 14/4/24



Source: Kantar

- Considerable price inflation limited rises for mince, roasts and steaks.

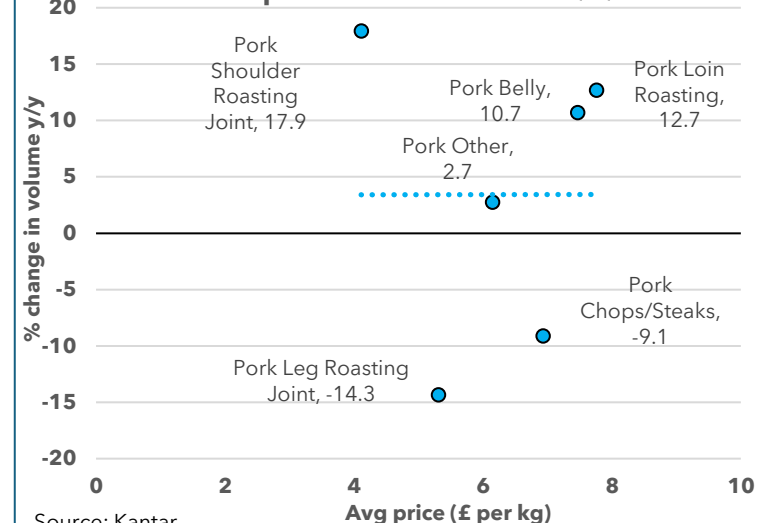
Relationship between GB household spending on lamb and retail prices in 12 weeks to 14/4/24



Source: Kantar

- Lamb leg roasts continued to drive up sales, supported by lower prices (-12%).

Relationship between GB household spending on pork and retail prices in 12 weeks to 14/4/24



Source: Kantar

- Chops/steaks offsetting volume growth elsewhere due to elevated inflation (10%).

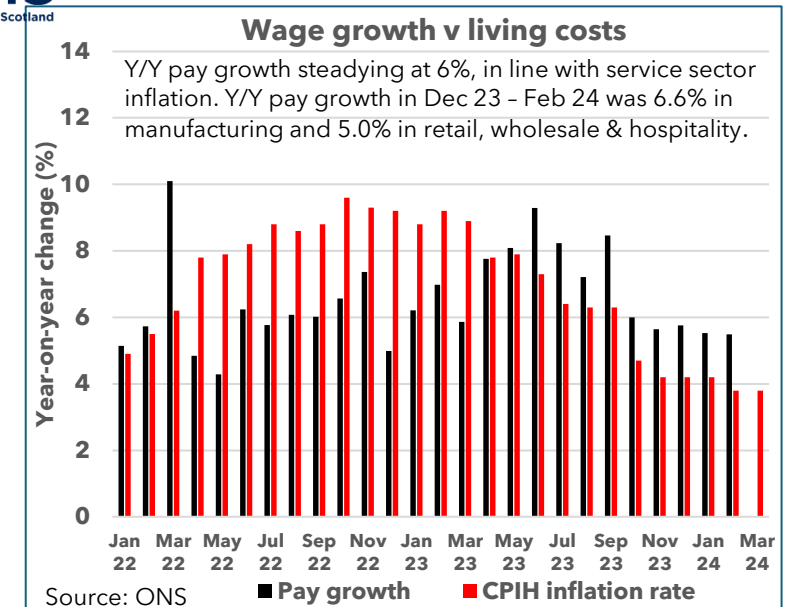
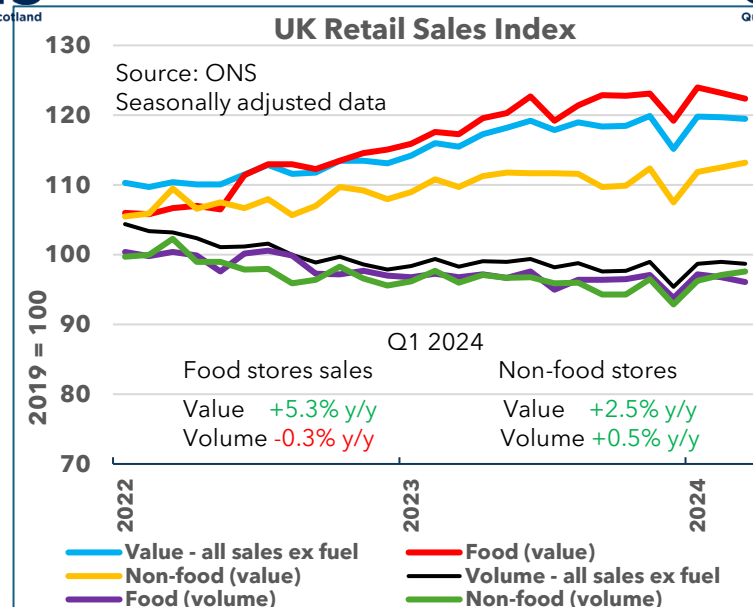
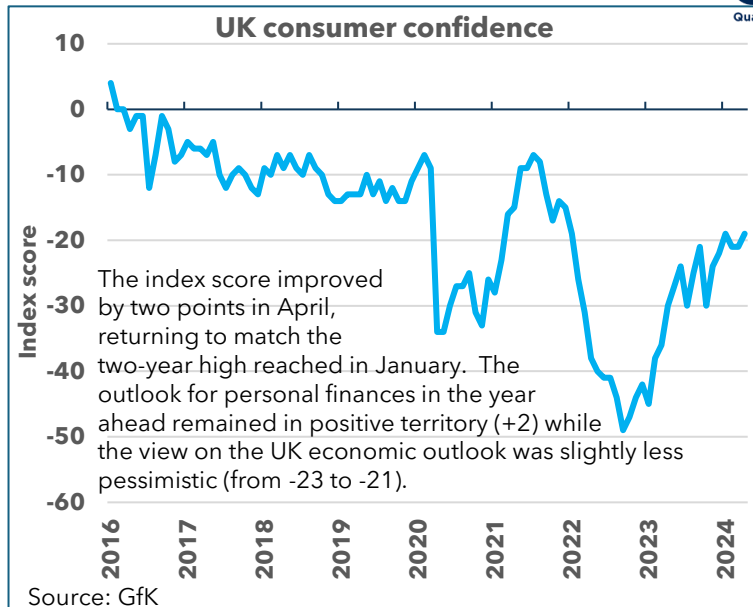
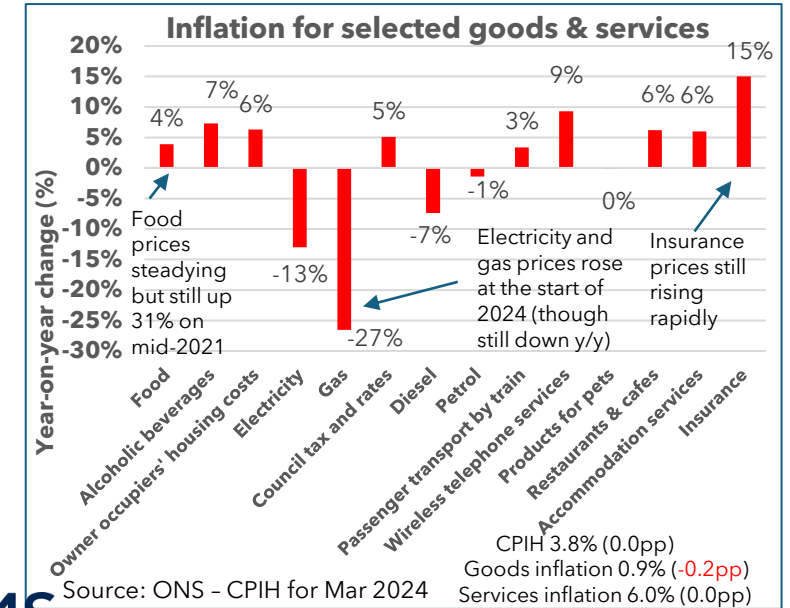
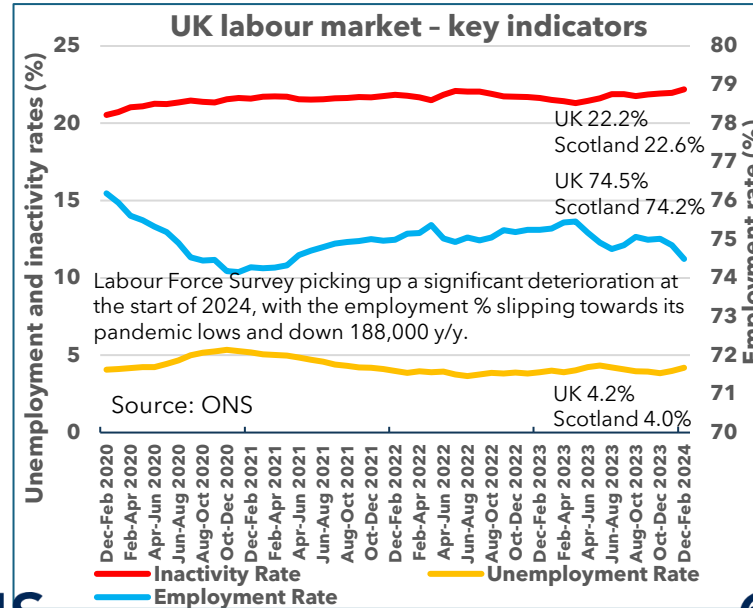
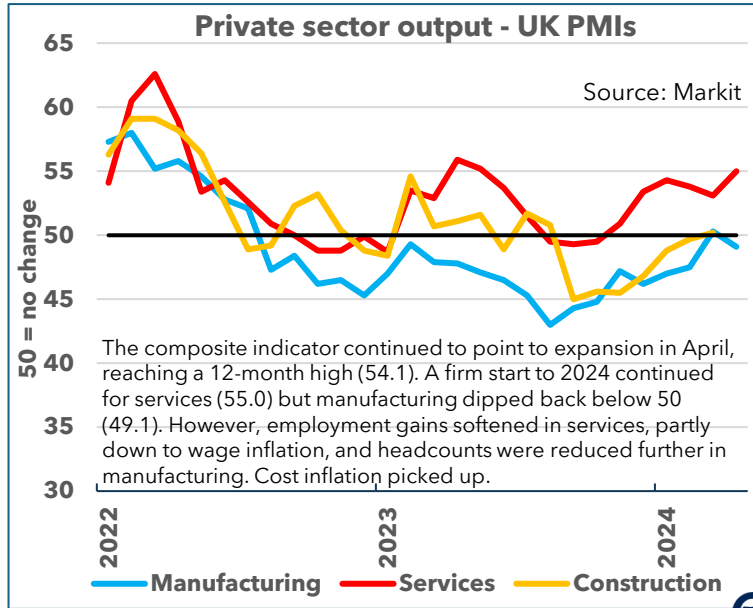
Data covers sales of fresh and frozen unprocessed red meat

*Penetration % - Number of households/individuals that bought at least once in the time period as a percentage of total households/individuals.

**Frequency - Average number of purchase trips per buyer in the time period.

Economic indicators

While business and consumer surveys are showing continuing improvement in 2024, the labour market appears to have softened at the start of the year. Nevertheless, wage growth held firm, and it has exceeded inflation for nearly a year, supporting some slight repair in household finances. Continuing wage growth and a slowing inflation rate have seen year-on-year spending growth translate into stable sales levels.



Scotch Beef UKGI is whole chain assured beef from Scotland

Scotch Beef UKGI is from specific animals that are sourced from selected Scottish farms which adopt best practice that includes high standards of animal welfare and natural production methods.



Scotch Lamb UKGI is whole chain assured lamb from Scotland

When you see the Scotch Lamb UKGI logo, you can be confident that the lamb was born, reared and processed in Scotland and that it holds whole life quality assurance from farm to fork.



Specially Selected Pork is assured pork from Scotland

Specially Selected Pork is from animals that are sourced from selected farms that adopt best practice. Specially Selected Pork is approved by The Scottish SPCA, who independently inspect farms and processors.

