

QMS Monthly Market Update

August/September 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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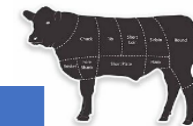
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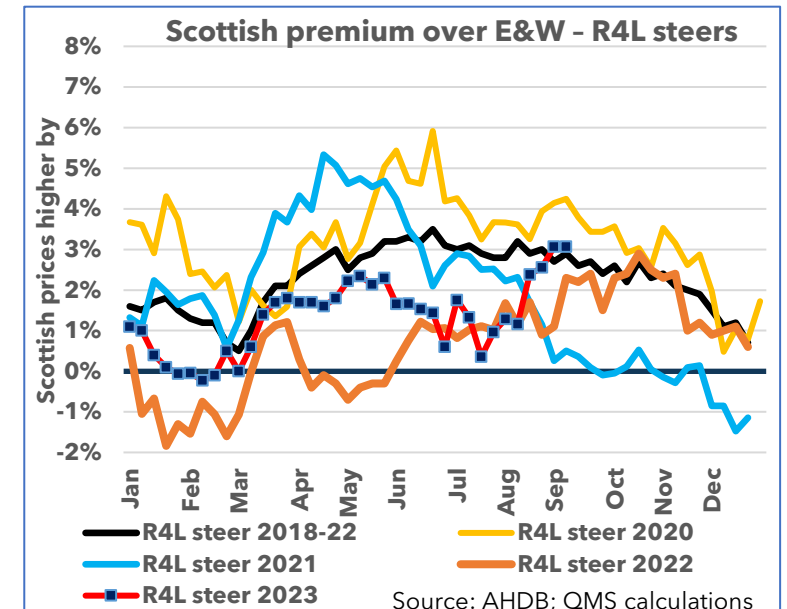
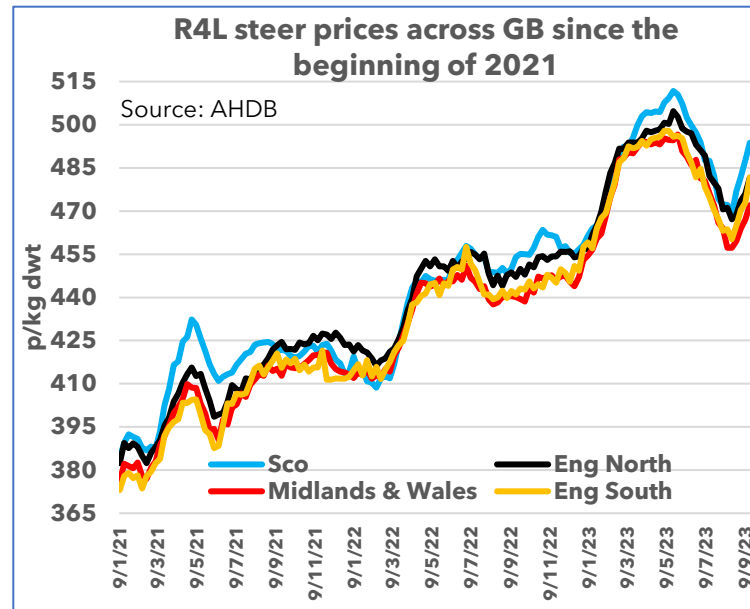
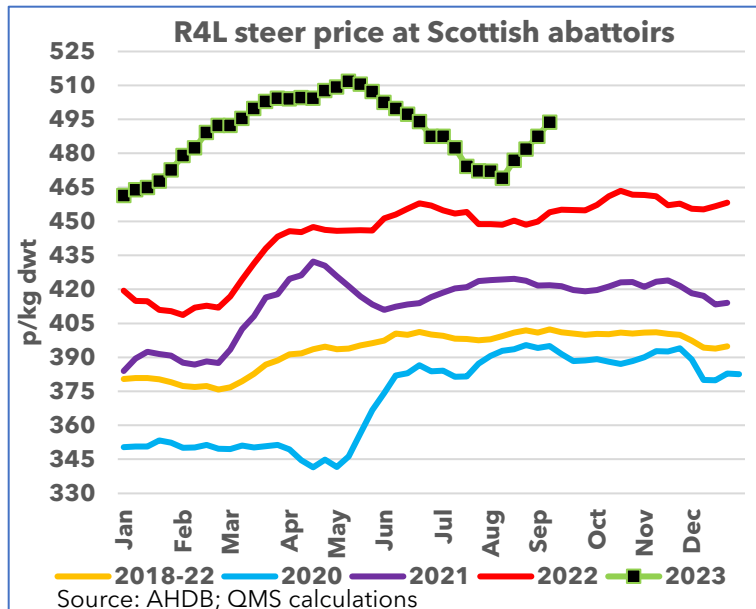
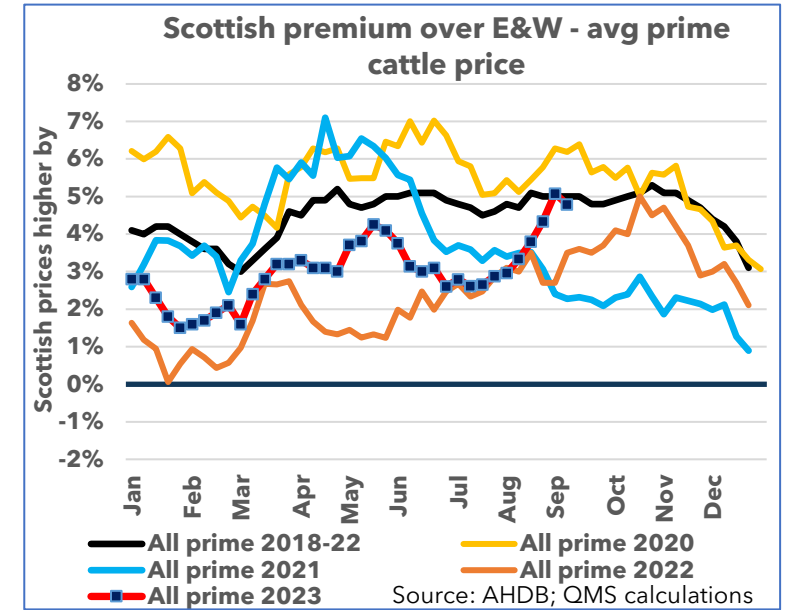
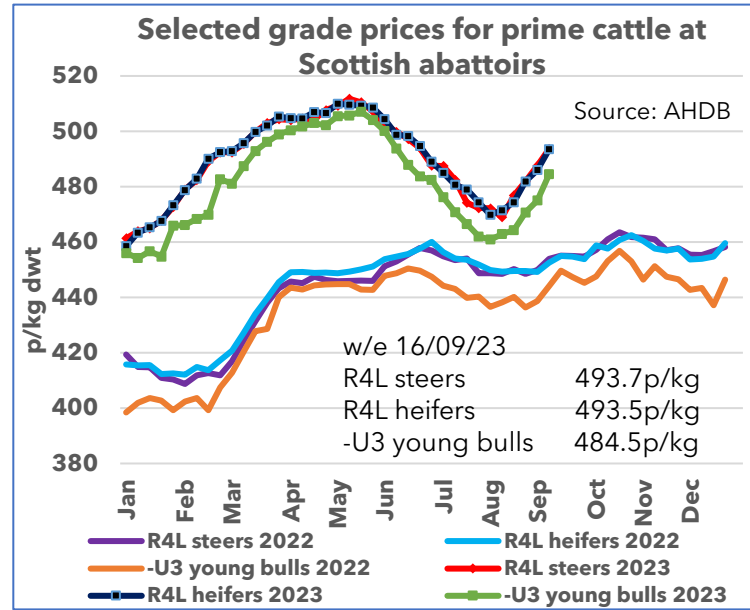
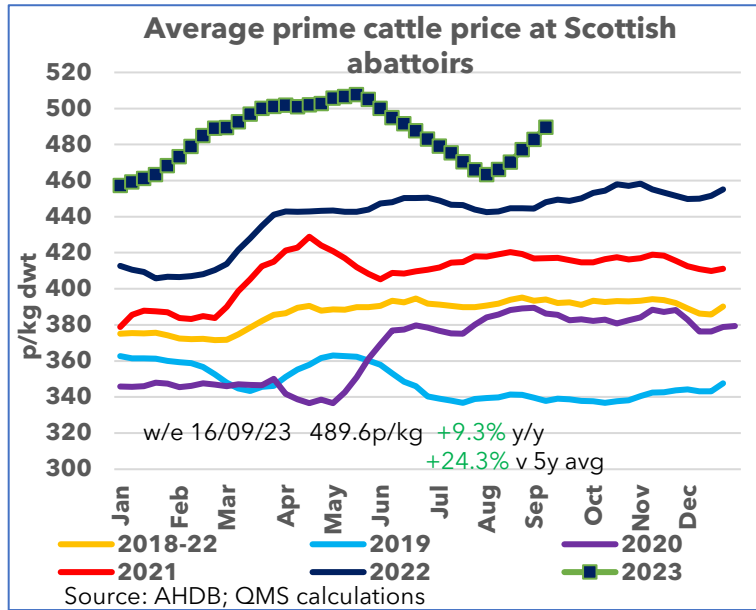
Summary of market developments – beef market



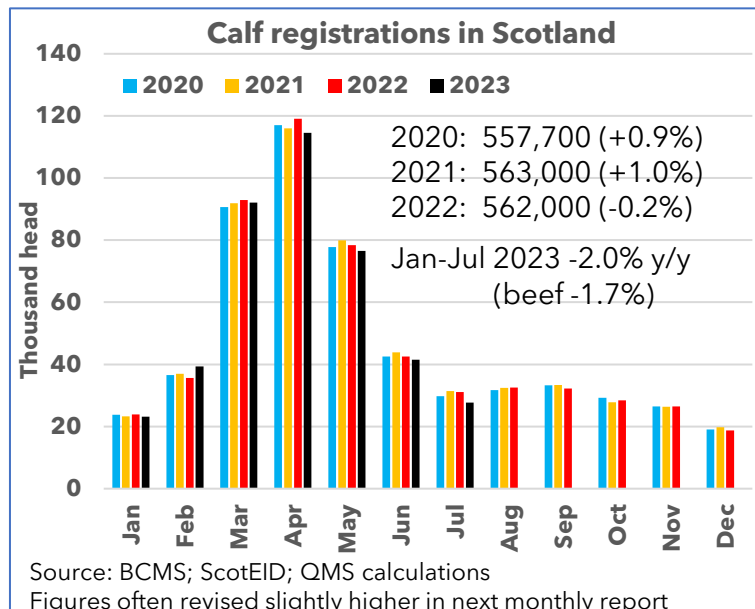
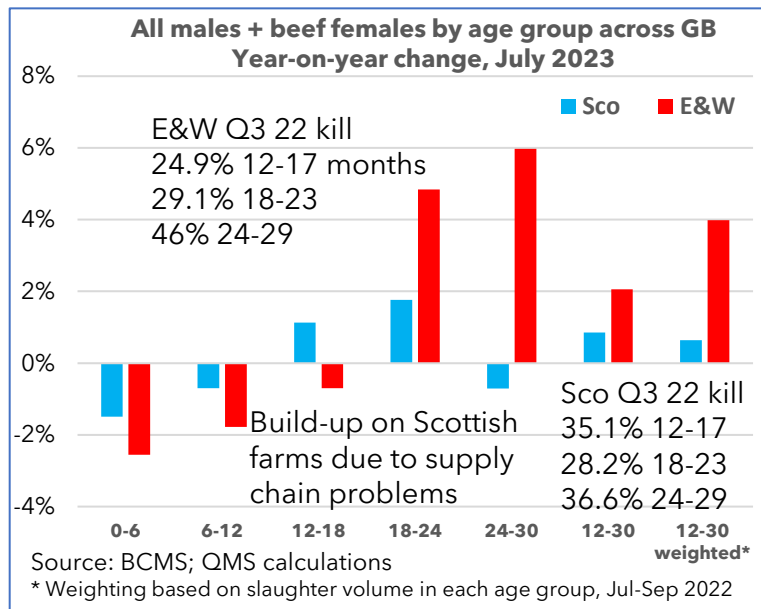
Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
R4L steer price at Scottish abattoirs	p/kg dwt, w/e 16 September	493.7	+6.1p	+5.3%	+8.7%	+22.7%
Prime cattle slaughter at price reporting Scottish abattoirs (88% of kill in 2022)	Average in four weeks to September 16, head procured deadweight	5,586		+3.7%	-5.4%	-10.6%
Cull cow slaughter at price reporting Scottish abattoirs (66% of 2022 kill)	Average in four weeks to September 16, head procured deadweight	745		-5.2%	-34.8%	-14.7%
UK beef market supply	Tonnes in Jun-Aug 2023 (estimate)	250,300			+0.7%	-1.0%

- Prime cattle prices have rebounded significantly since mid-August to the extent that by mid-September they were back closer to their May peak than August low. Increases over last year and the five-year average have widened again, reaching around 9% and 23%, respectively. Cow prices have also rebounded sharply.
- Prime cattle availability on Scottish farms is now likely to be lifting seasonally as supplies of spring 2022-born cattle come on stream. A slight increase on farm compared to 2022 in the July population data reflected a short-term build-up following reduced abattoir capacity in June.
- Weekly slaughter at E&W abattoirs fell sharply behind year-earlier levels in August and the first half of September, potentially influenced by a delayed harvest. BCMS data from July highlighted a continuing year-on-year increase in prime cattle availability on E&W farms relative to 2022 (+2.1%), so a rebound in late-September and October seems likely.
- UK beef production has fallen slightly in the year-to-date but reduced exports and a rise in imports have seen total beef market supply edge above 2022 levels, though with some reversal in July and August. At the same time, retail demand appears to have firmed year-on-year in July and August and will now be rising seasonally into autumn.
- While BCMS data for July showed a 3.3% year-on-year decline in beef-sired females aged over 30 months on Scottish farms, a slowdown in cow slaughter suggests that the herd may now have begun to stabilise.

Farmgate prices – sharp rebound, with prices now closer to May peak than August low, and a stronger uplift in Scotland

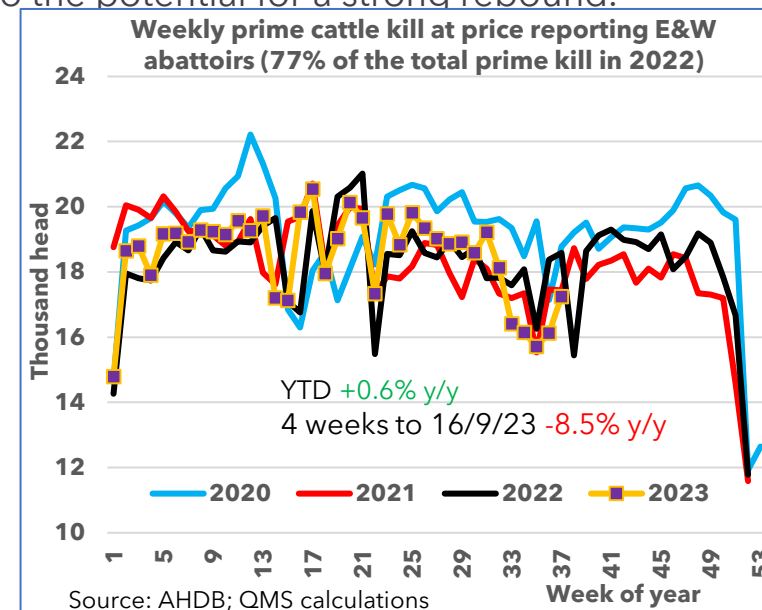
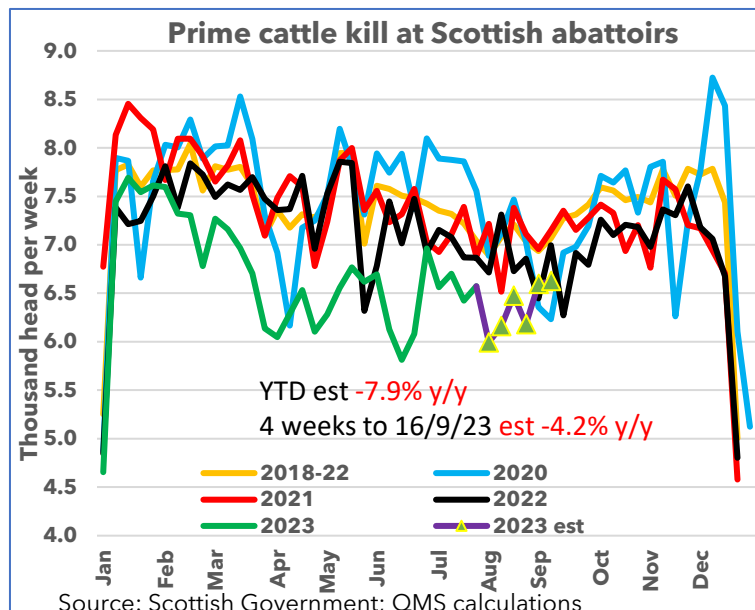
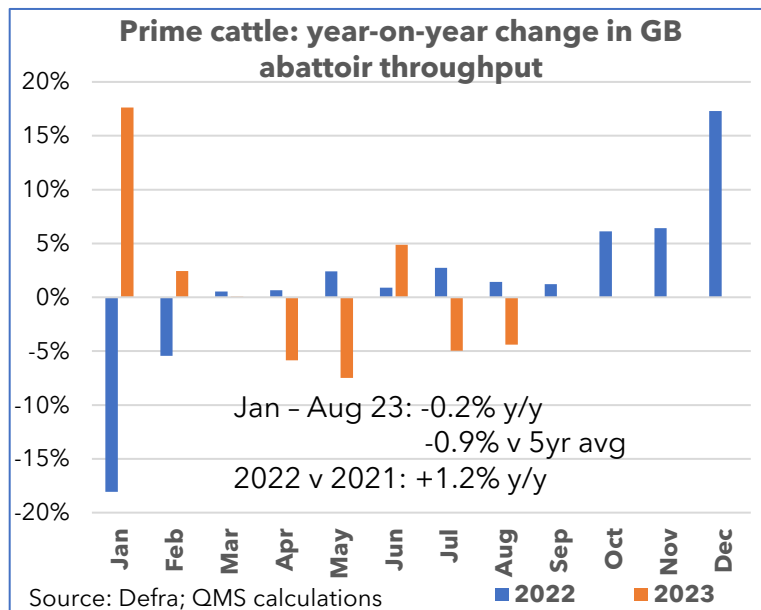


Availability and slaughter - early seasonal low and upturn in slaughter In Scotland, likely reflecting end market demand

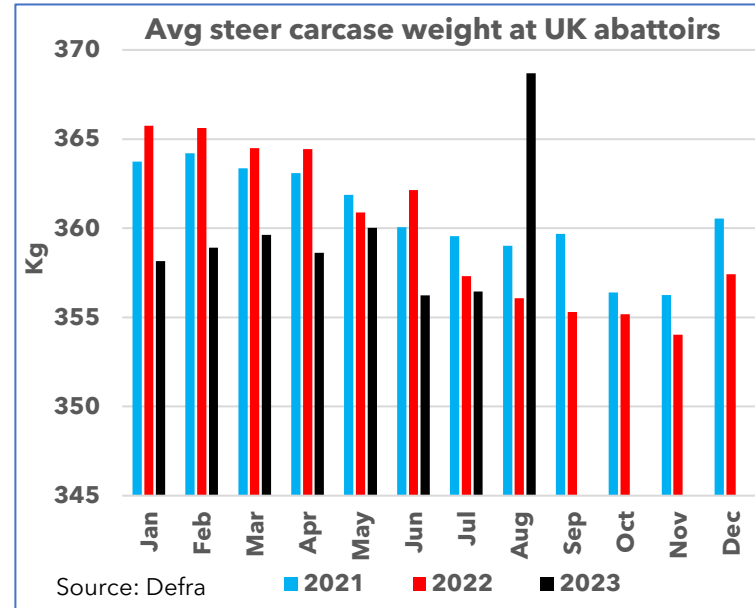
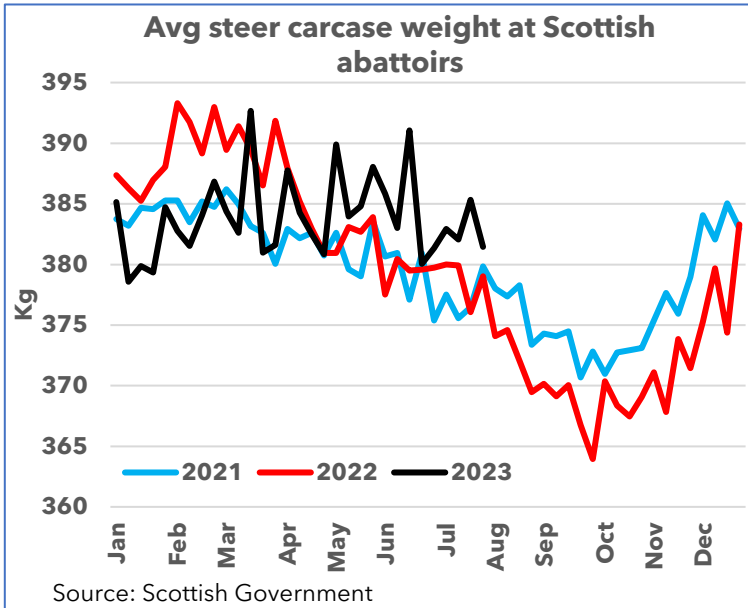


BCMS cattle population data for July showed a changing picture in Scotland, with the number of prime cattle on farms (males + beef-sired females 12-30 months) going from -2.5% year-on-year in April to +0.9% year-on-year in July. However, this reflected a short-term build up following reduced slaughter capacity in June. In E&W, the year-on-year increases continued in July, although the pace of uplift slowed from April. Then again, numbers were up significantly in the older age groups which account for the majority of the kill in Q3, pointing to strong supplies.

Firm competition between Scottish abattoirs for stock has seen slaughter rise from an early seasonal low in August, and the weekly kill is expected to rise further in the final quarter as more spring-2022 calves become available. By contrast, slaughter went through a consistently low period in E&W during August and early September. While reaching a five-week high at E&W price reporting abattoirs in the week ending September 16, numbers were still down 6% on last year, having been up 1.7% on 2022 in the first seven months of the year, pointing to the potential for a strong rebound.

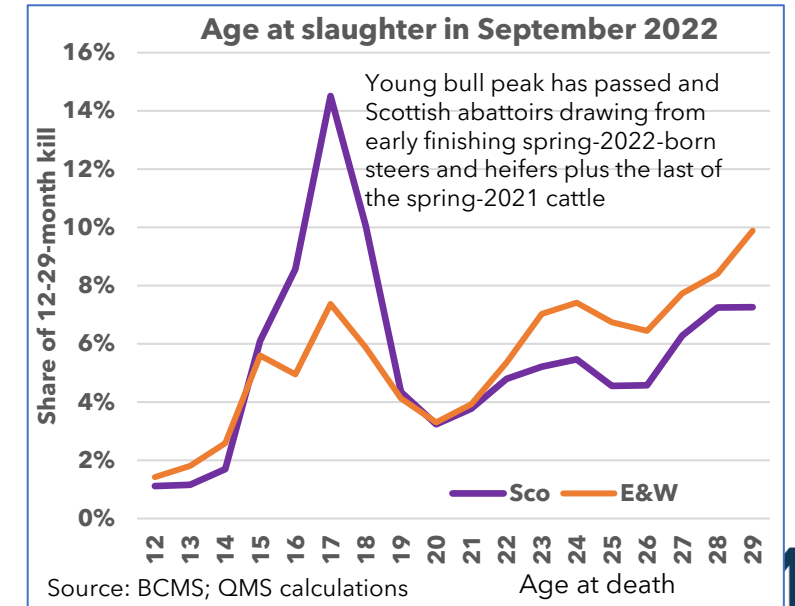
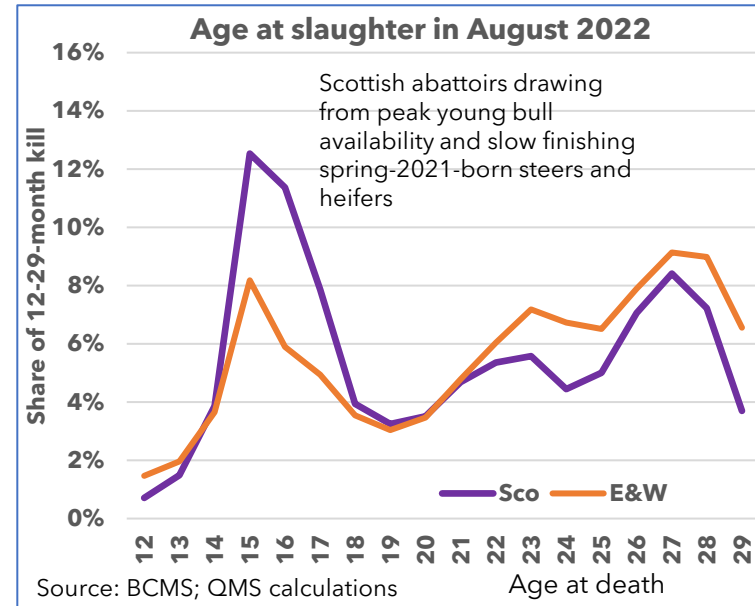
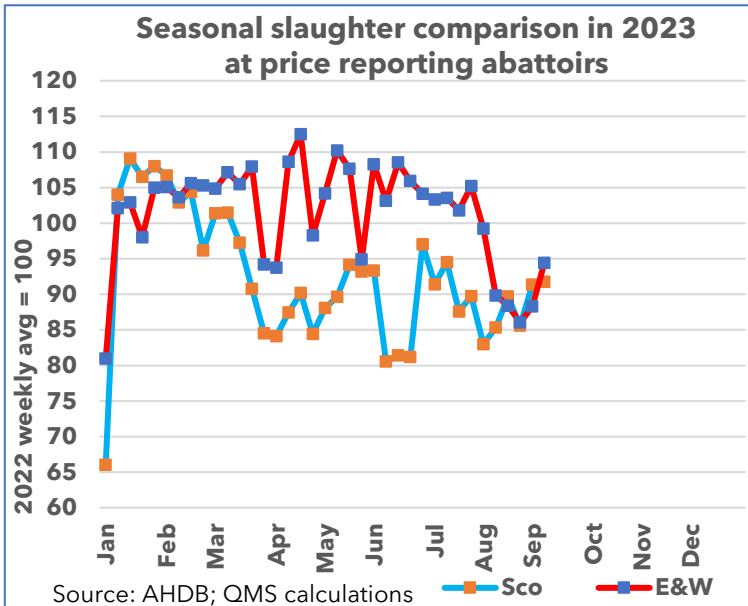


Seasonality of production – availability likely to be rising from its seasonal low as increased numbers of spring-2022 calves come on stream

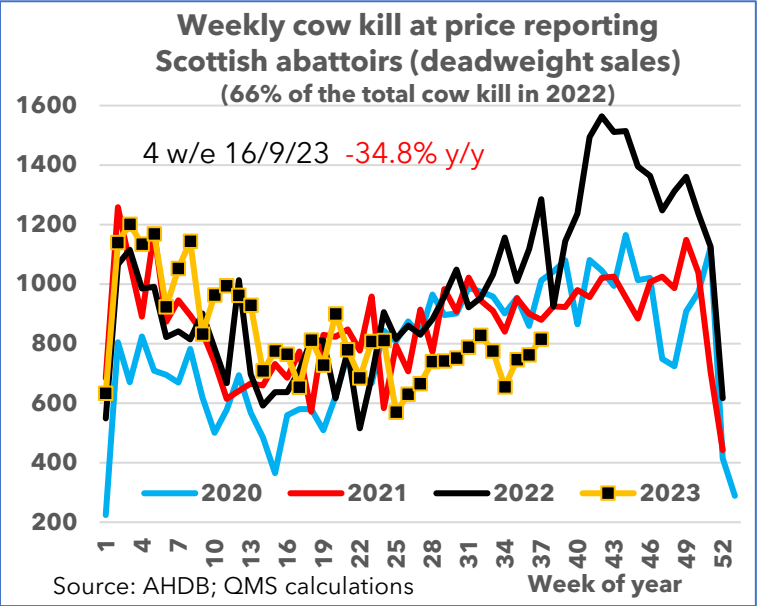
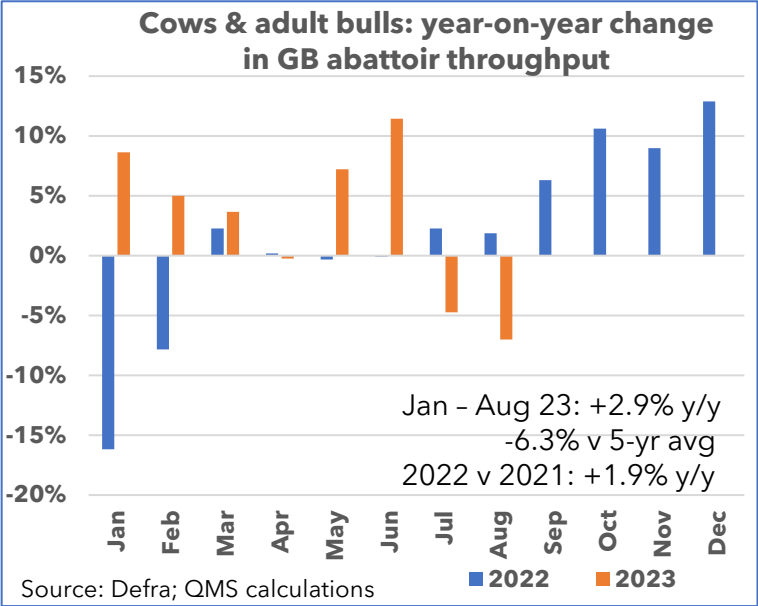


In theory, availability for slaughter should have been at its lowest of the year in late-August and early-September in Scotland, with the peak young bull selling period having passed and few spring-2022-born calves reaching slaughter age. However, supply chain challenges and a volatile end market may have had some impact on the timing of slaughter this year.

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 position has reversed in Scotland since April, supporting production volumes.



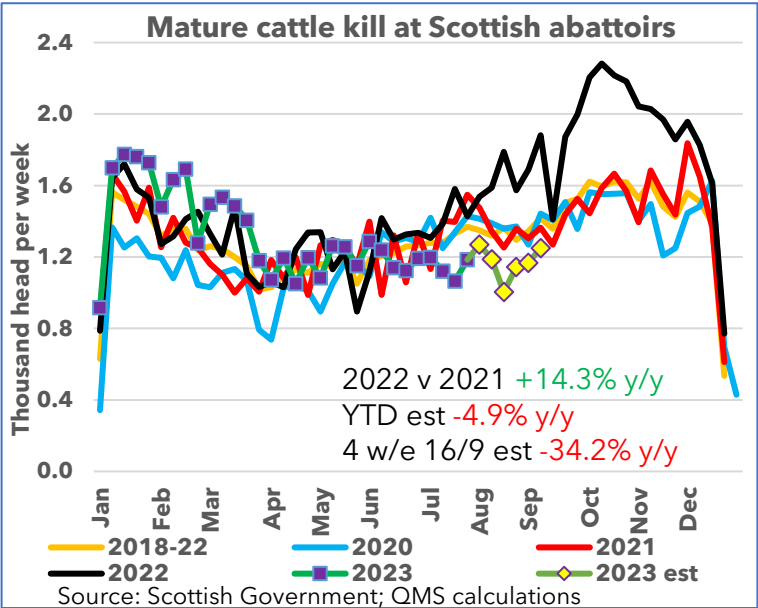
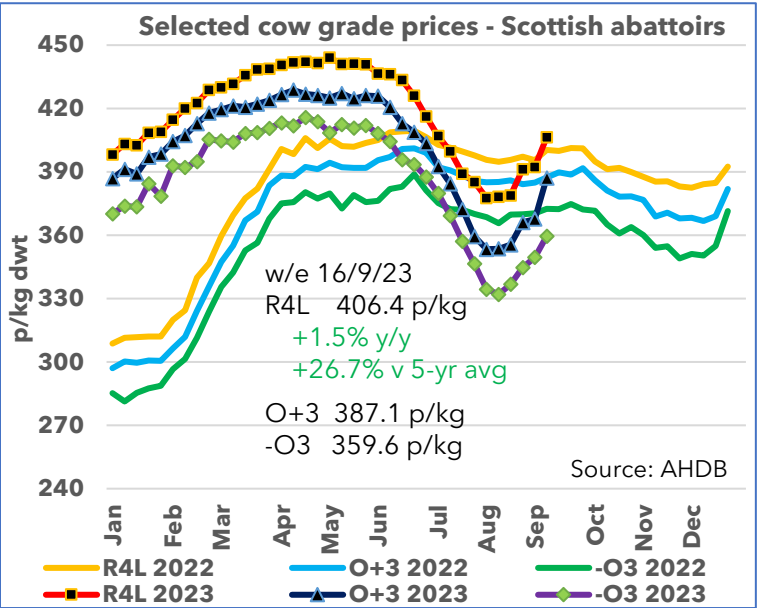
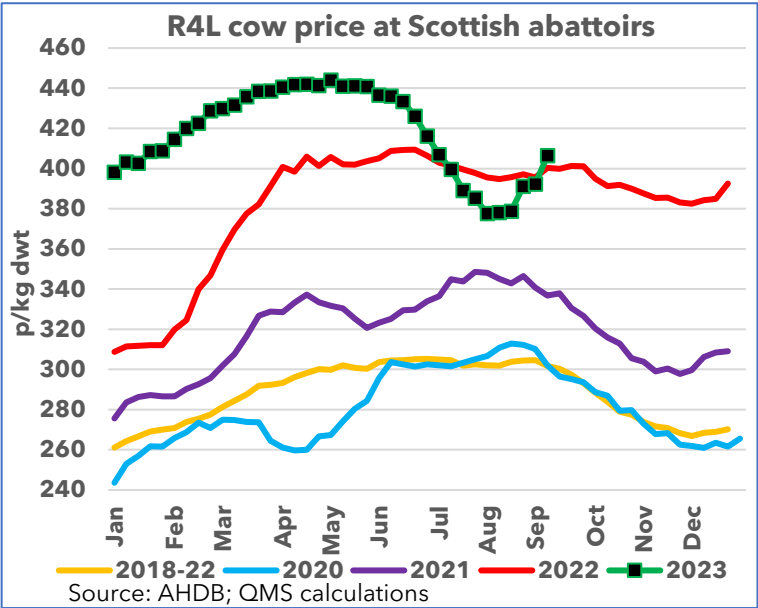
Mature cattle market – sharp rebound in prices, with slaughter showing little seasonal upturn and well behind 2022 levels



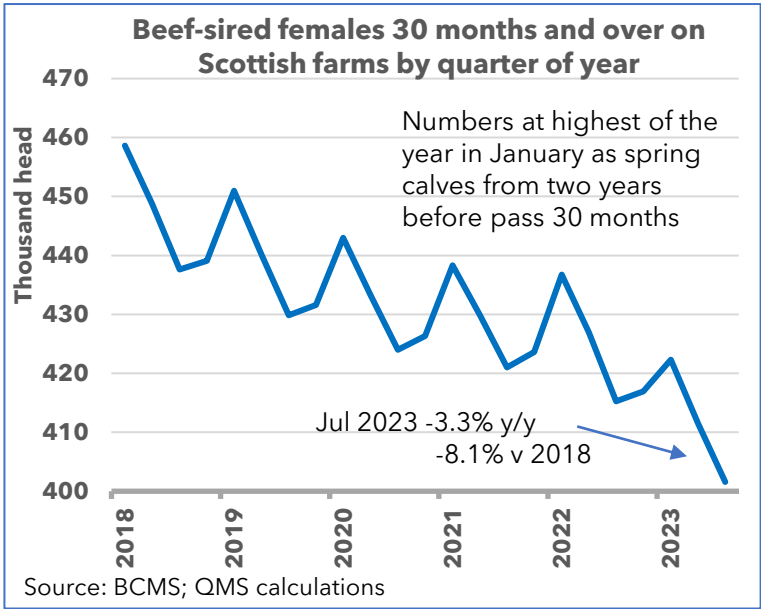
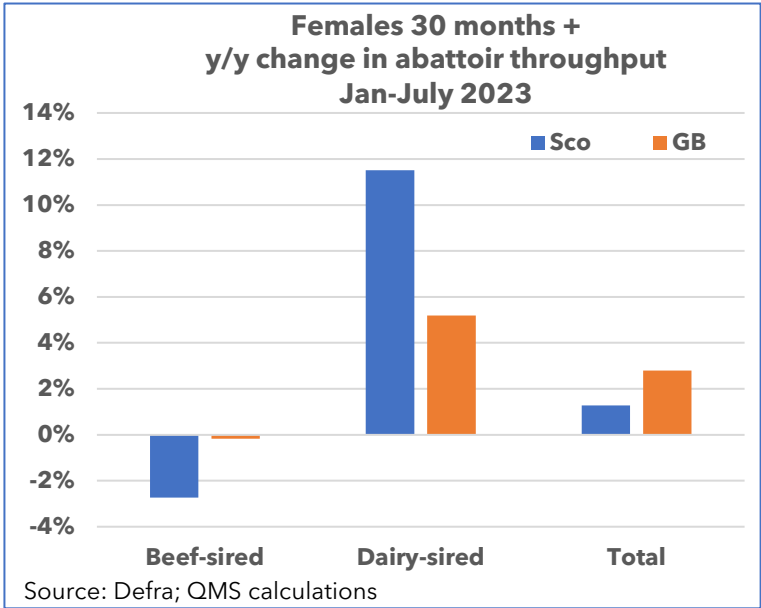
Cow prices have rebounded sharply from a mid-August low point, with slaughter numbers showing little sign of a seasonal uplift and the end market demand situation improving.

Cow prices had returned to more normal levels relative to prime cattle prices (see chart on page 7), in August and early-September, meaning less of an incentive to cull, although the gap did narrow again in the second week of September. In the week ending 16 September, R4L steer prices were 21.5% higher than R4L cows compared to just 13.4% in the same week of 2022, 25.2% in 2021 and 32.1% in 2020.

After starting the year ahead of 2022 levels, mature cattle slaughter has fallen well short of year-earlier levels in the summer, suggesting that the beef herd may be beginning to stabilise.



Herd reduction slowing 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%
Apr 2023	-1.2%	-3.6%	-2.9%
Jul 2023	-1.0%	-3.3%	-2.6%

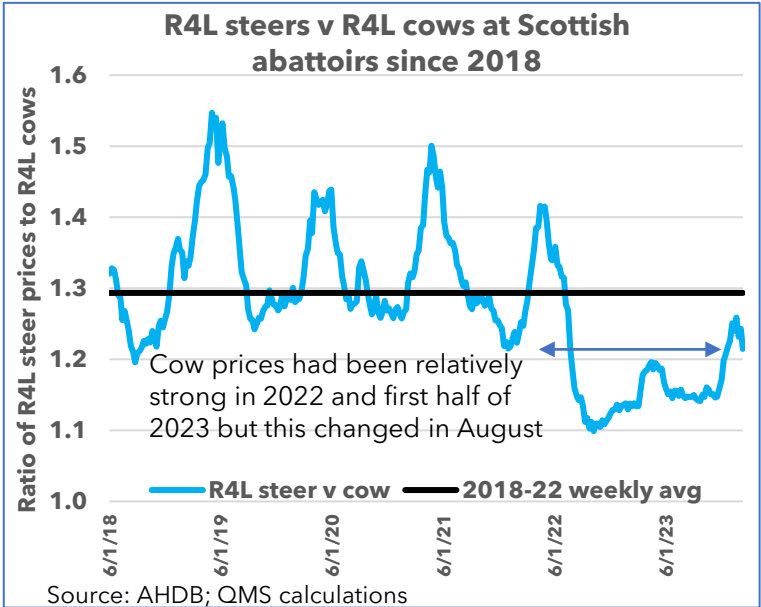
Females aged 30 months+ on farms in England & Wales and GB (y/y change in July 2023)			
	Dairy	Beef	All
E&W	-1.4%	-3.6%	-2.3%
GB	-1.4%	-3.5%	-2.4%

Breeding herd - females over 2 years old that have calved (y/y change)			
	Dairy	Beef	All
Scotland (Dec 22)	-0.3%	-3.3%	-2.4%
England (Jun 23)	-0.7%	-3.6%	-1.8%

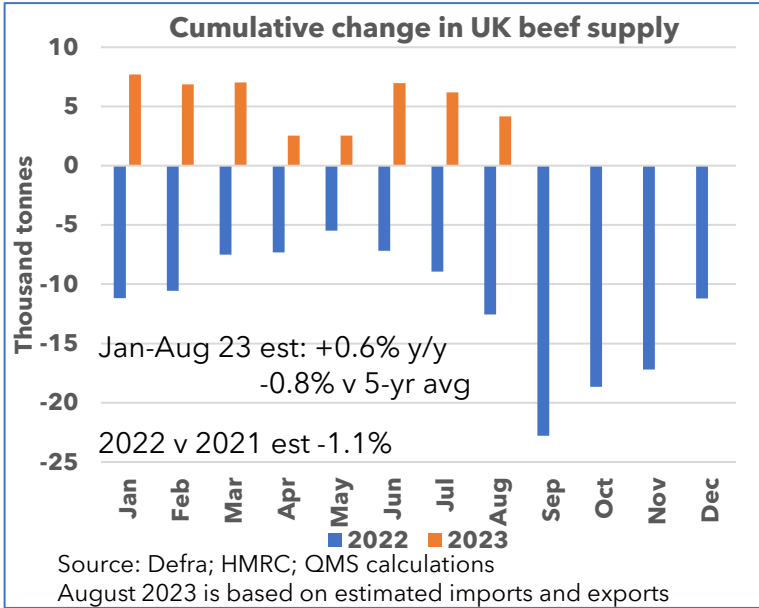
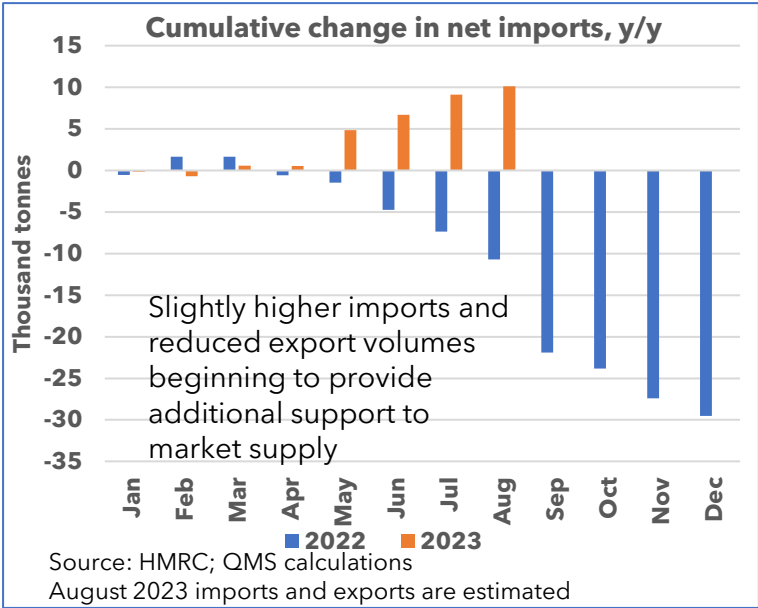
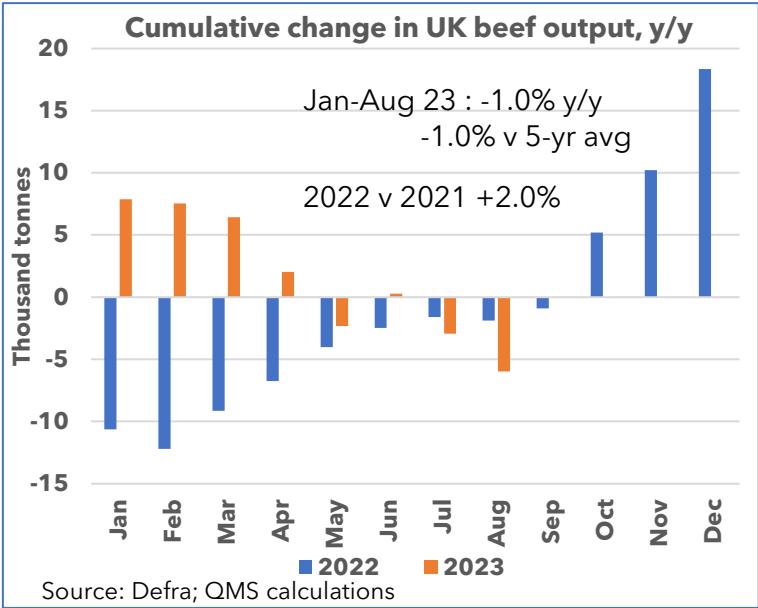
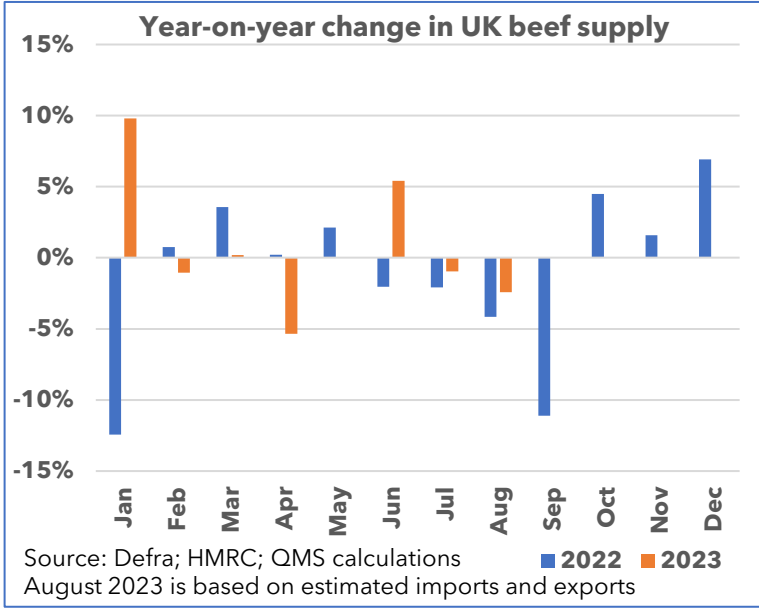
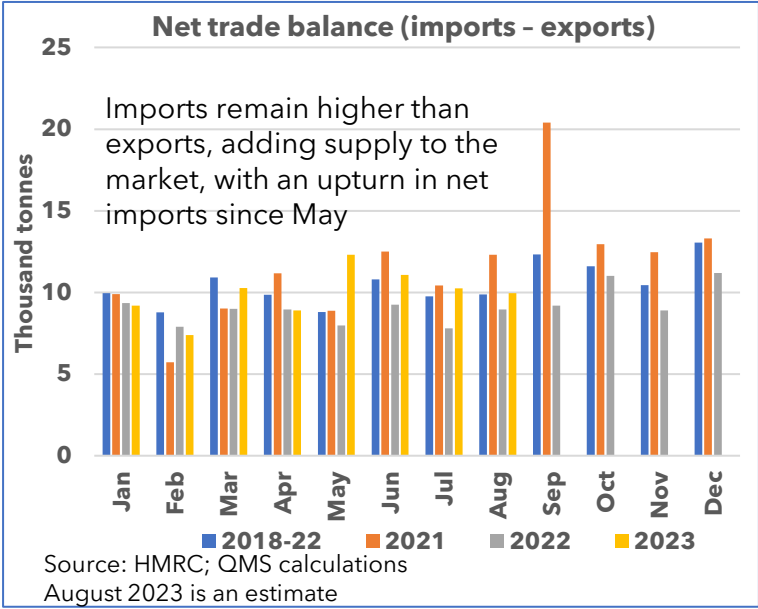
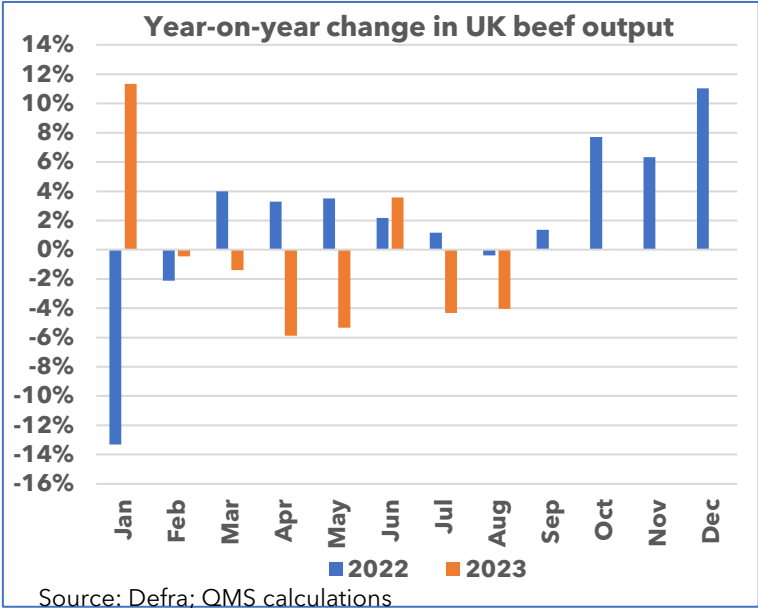
Source: Defra; Scottish Government; QMS calculations

In July 2023, there were nearly 401,600 beef-sired females aged 30 months and over on Scottish holdings. This was a 13,700 head and 3.3% reduction from a year earlier, marking a slight slowdown in the pace of year-on-year decline.

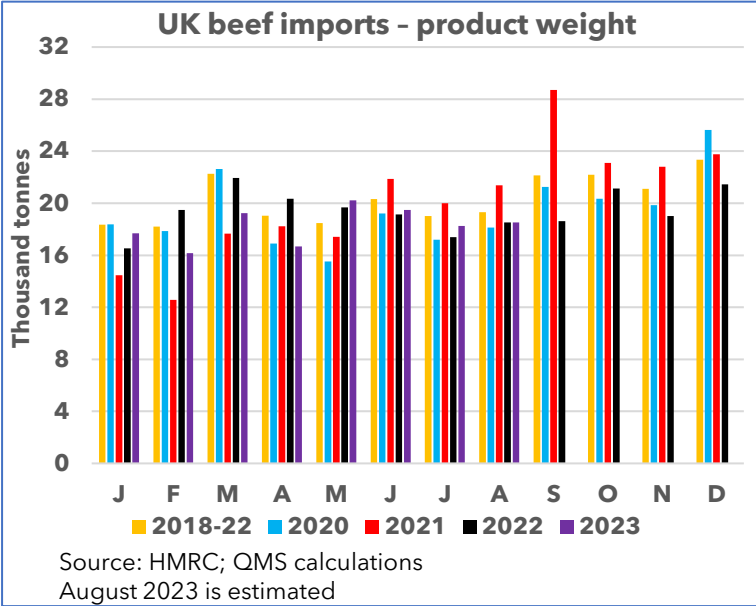
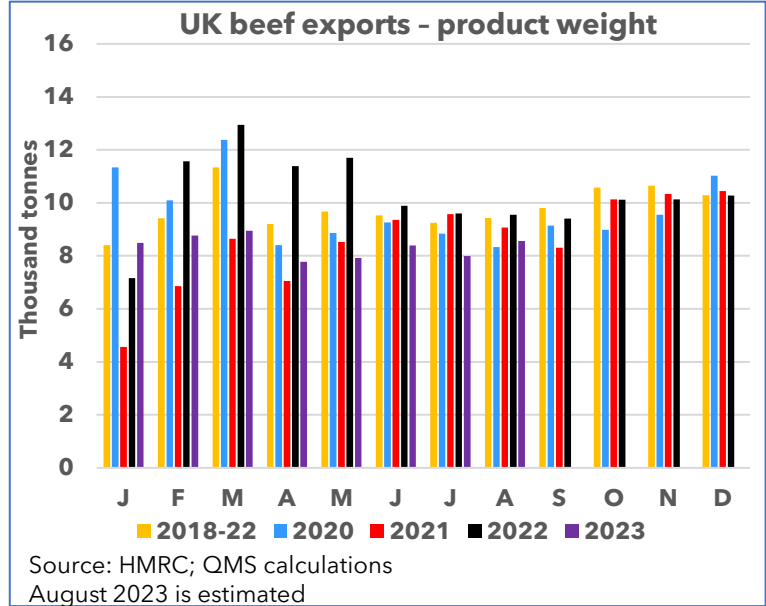
A lower cow kill at Scottish abattoirs in summer 2023 compared to summer 2022 suggests that the beef herd may be beginning to stabilise. In addition, BCMS data has signalled a change in the balance of the over 30 month kill towards dairy-sired cattle in 2023 while fewer Scottish-born OTM cattle were processed in E&W in the first half of 2023 than in 2022.



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



A focus on UK international trade in beef - export volumes soft and imports edging above 2022 levels



In July, UK beef export volumes were at a five-year low for the month and the average export price dipped behind year-earlier levels for the first time in 18 months.

As had been the case for much of 2022, UK shipments to the EU continued to out-perform non-EU markets, falling by 14% year-on-year in July compared to a 31% reduction for non-EU. However, volumes shipped to the EU slipped behind the lows of 2021 for the first time this year.

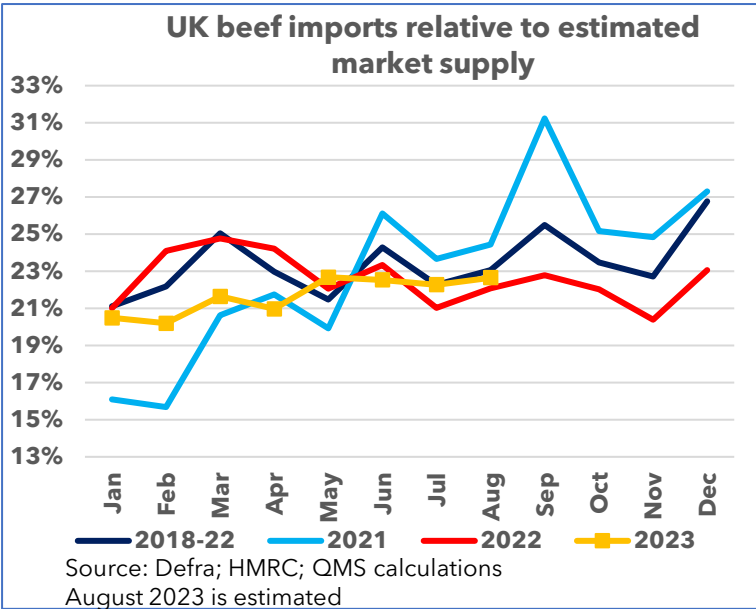
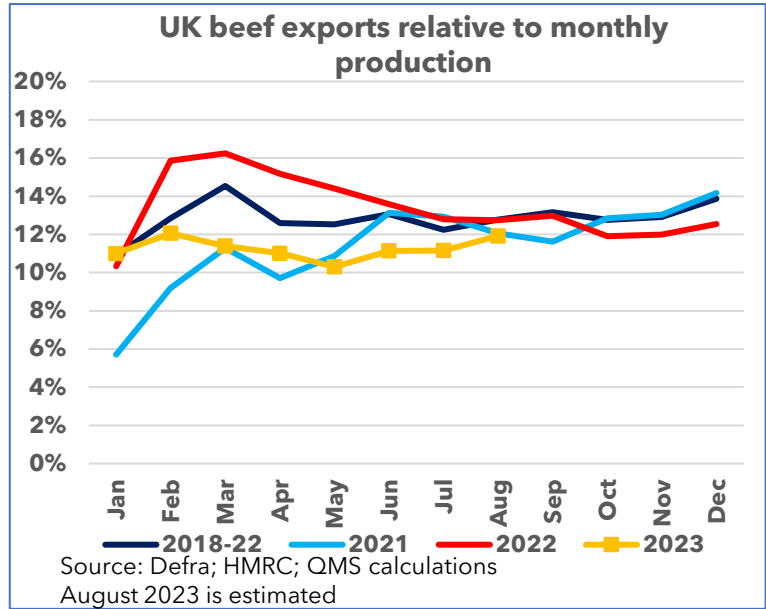
After a weak opening third of the year, beef imports pushed slightly above 2022 levels in May, holding slightly higher in June and July. Imports from the EU were up 4.5% on 2022 in July while shipments from non-EU sources were ahead of 2022 for the second time in three months.

The EU accounted for 94.4% of UK import volumes and 90% of exports in January to July 2023.

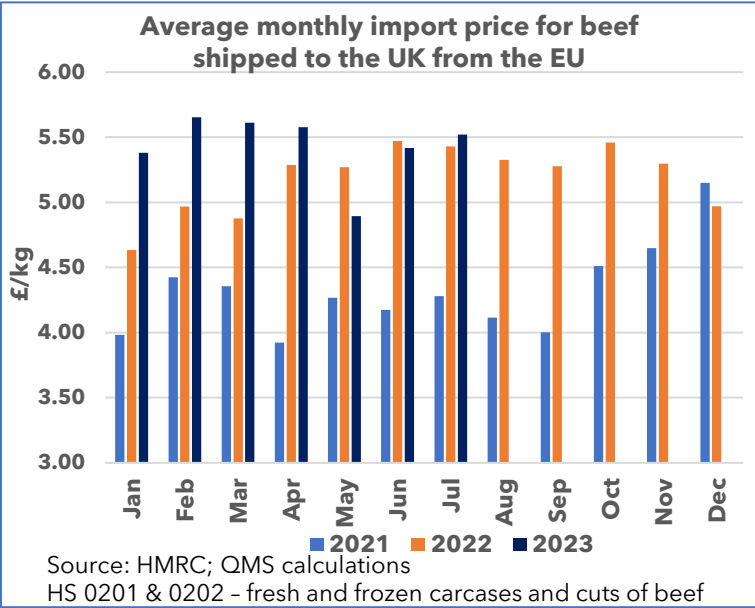
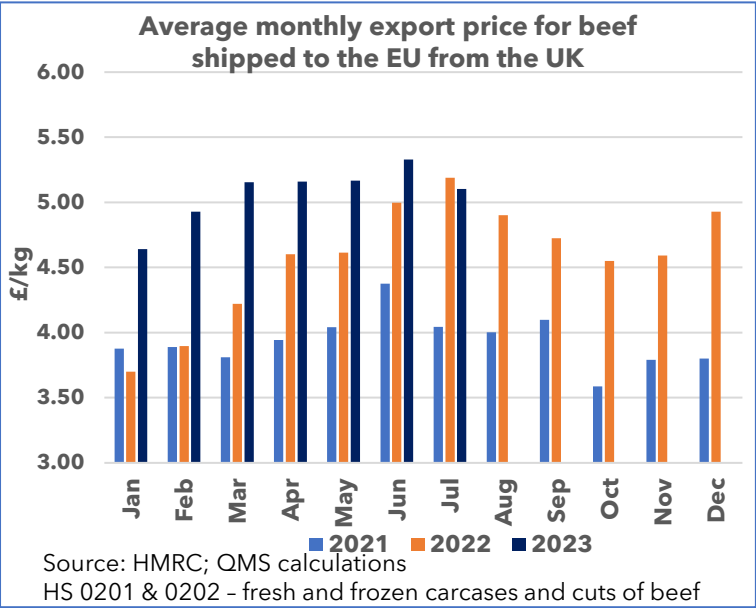
Note:

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

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

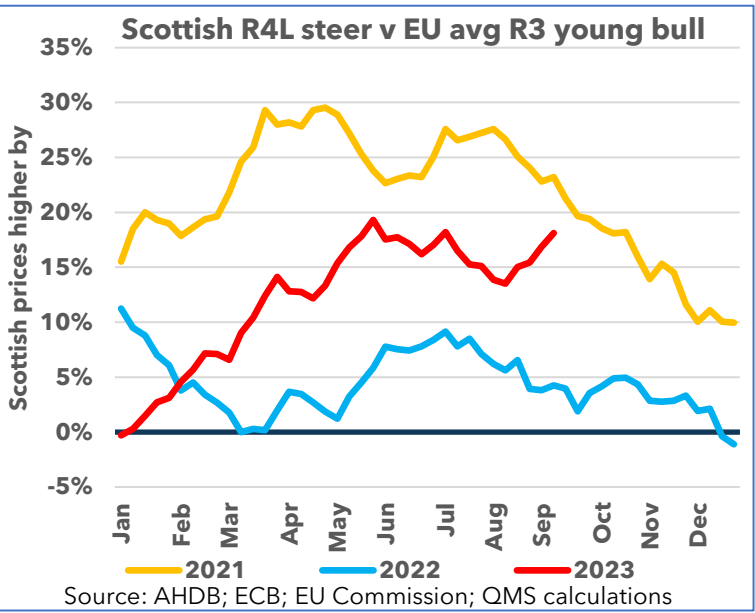
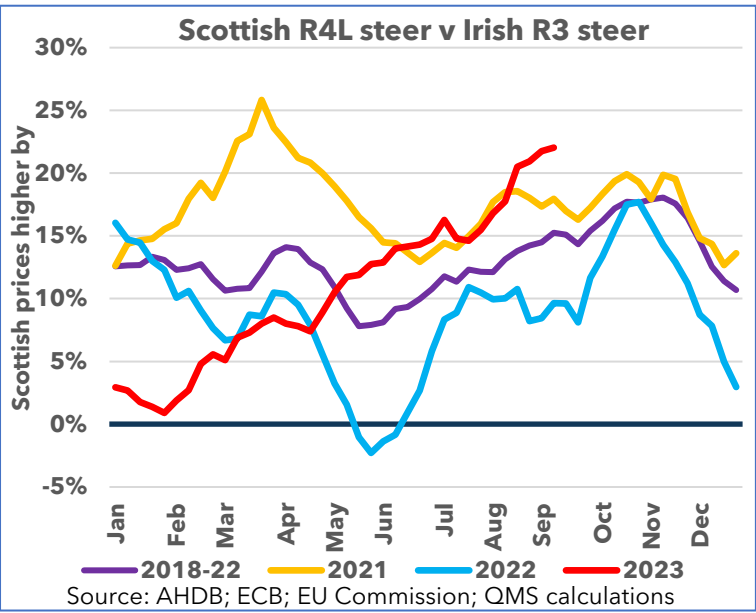


Variables influencing international trade in beef - competitive pressures from lower prices in Ireland but import prices back close to spring high in July and UK export prices held firm



Irish cattle prices fell faster than those in Scotland between May and August and have rebounded more slowly, resulting in a further widening of the price gap, which reached 22% in the first half of September.

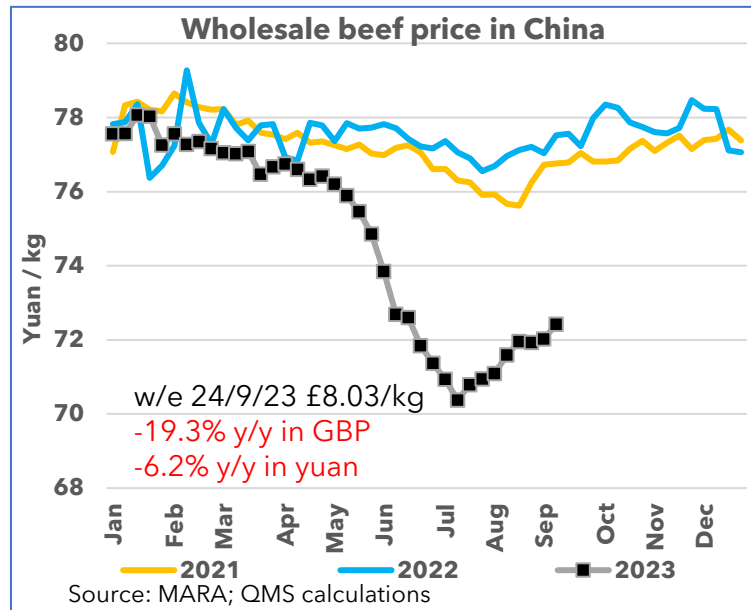
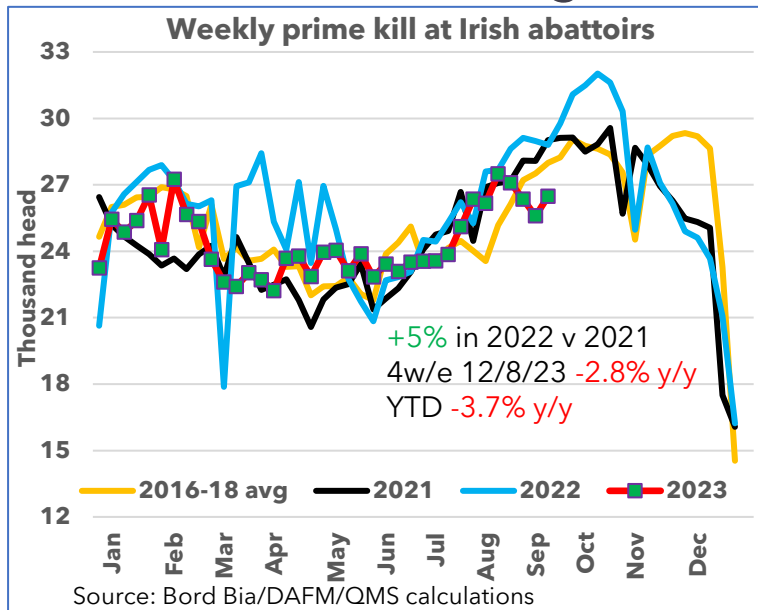
EU beef prices continue to look historically firm, supported by declining production, but market prices are back below the highs reached in 2022 in many countries. The lead for Scottish R4L steers over the EU average for R3 young bulls has reopened since mid-August, with EU prices lifting more slowly than those in Scotland.



Selected EU cattle prices for R3 males, converted from euro to p/kg dwt			
	Week 37 2023	Week 33 2023	Week 37 2022
Germany (young bull)	411.8	404.4	446.6
Netherlands (young bull)	303.3	310.4	410.8
Spain (young bull)	434.1	428.8	427.7
Poland (young bull)	380.5	399.0	424.1
Irish Republic (steer)	404.6	398.3	414.1
For comparison: Scotland R4L steer	493.7	469.0	454.0

Source: AHDB; EU Commission; LMC; QMS calculations

Variables influencing international trade in beef



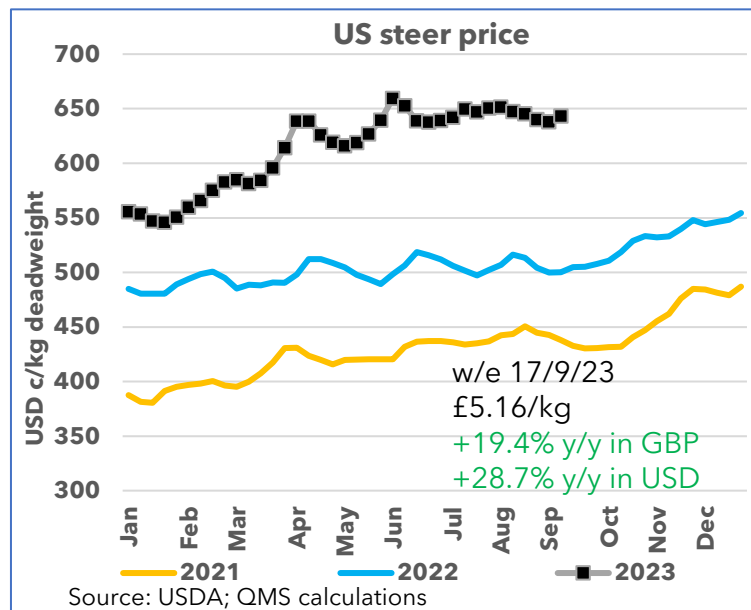
In the Irish Republic, slaughter had been rising seasonally into August but fell back unusually in late-August and early-September, and this may have helped support a rebound in market prices. Although Irish slaughter volumes have spent much of 2023 below 2022 levels, December population data did point to increased numbers in the Irish slaughter pool for 2023, but with the potential for some tightening once the 2022 calf crop reaches the market.

At a global level, beef prices are coming under pressure from rising production in Australia and Brazil, while weaker than expected consumer demand led to a build-up of product in China, reducing wholesale prices by 6% between late-May and mid-July, from which the rebound has been weak. However, the US market remains firm due to lower domestic output, driven by drought induced herd liquidation in 2021 and 2022.

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

Key indicators	2021	2022	2023
World, production	58.40	59.33	59.57
USA, production	12.73	12.89	12.38
Brazil, production	9.75	10.35	10.65
EU, production	6.88	6.71	6.60
Australia, production	1.90	1.88	2.06
All countries, imports	9.95	10.23	10.32
China, imports	3.02	3.50	3.50
USA, imports	1.52	1.54	1.60
EU, imports (from non-EU sources)	0.32	0.40	0.40

Source: USDA Foreign Agricultural Service



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

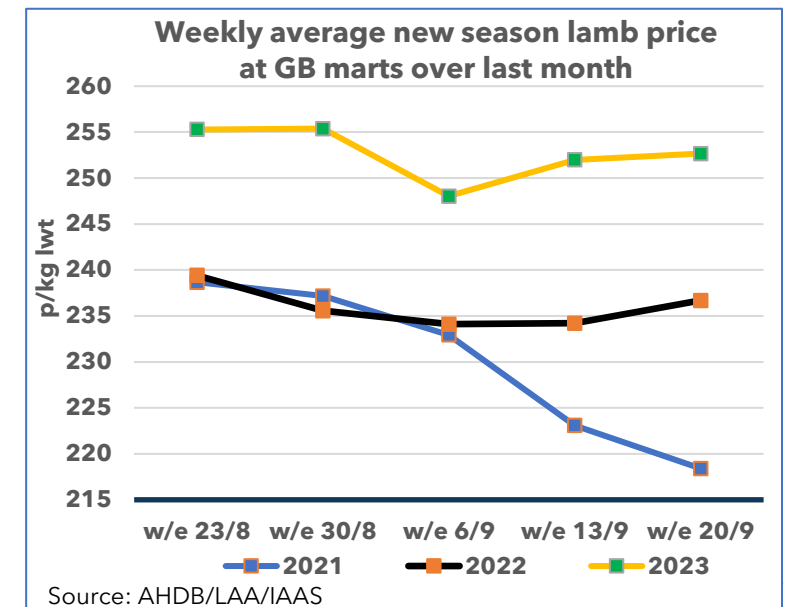
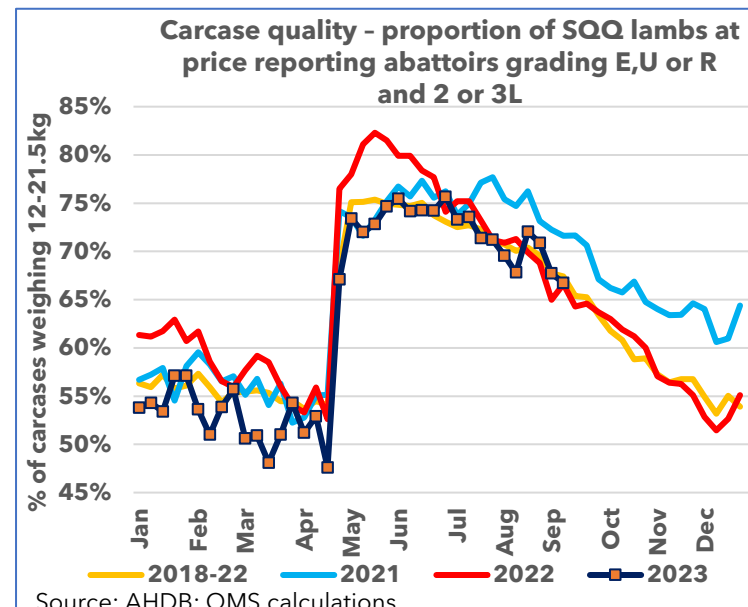
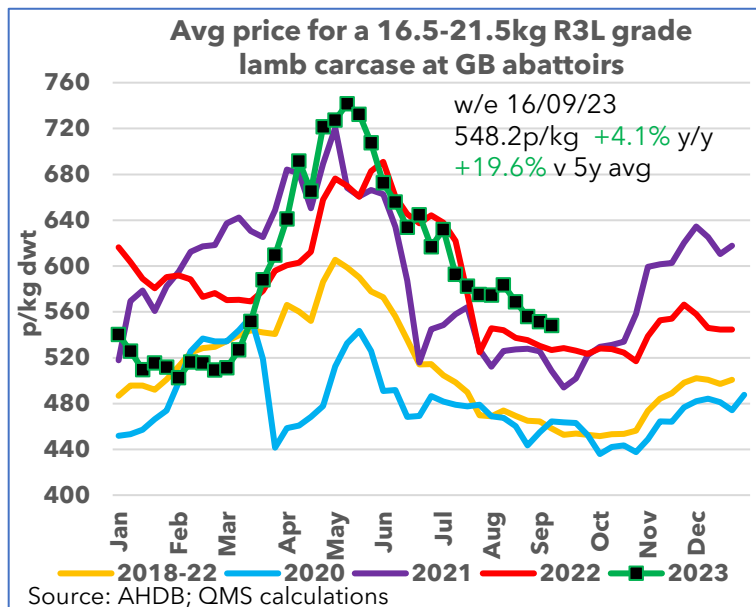
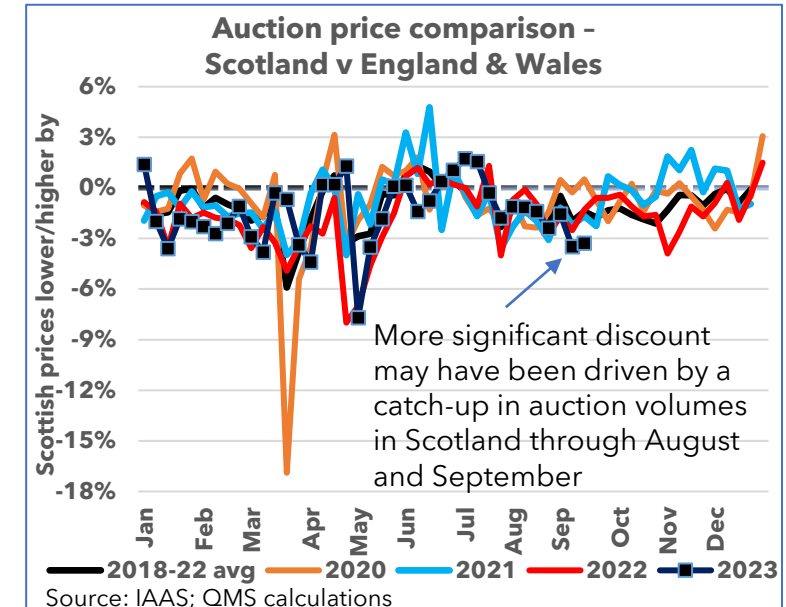
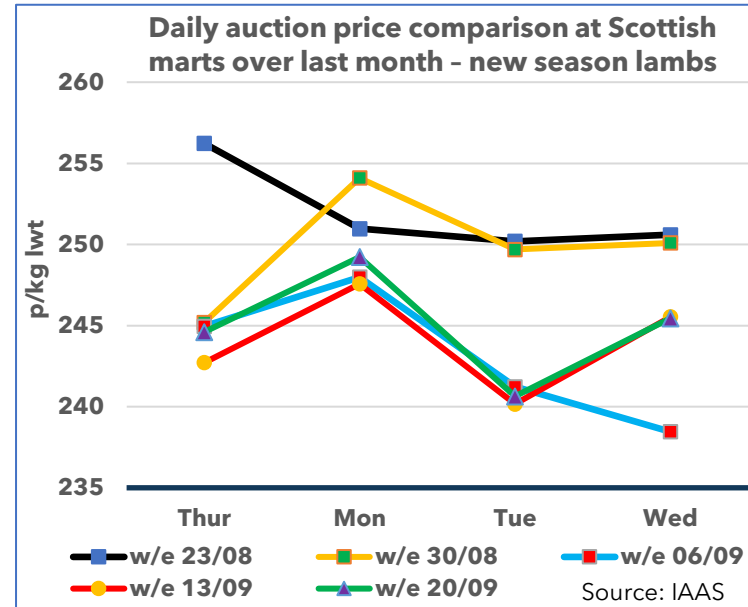
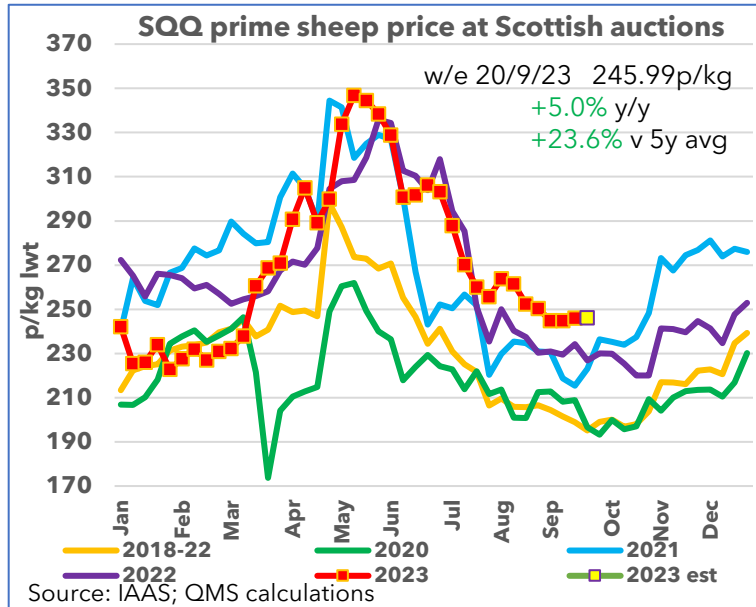
Summary of market developments – sheep market



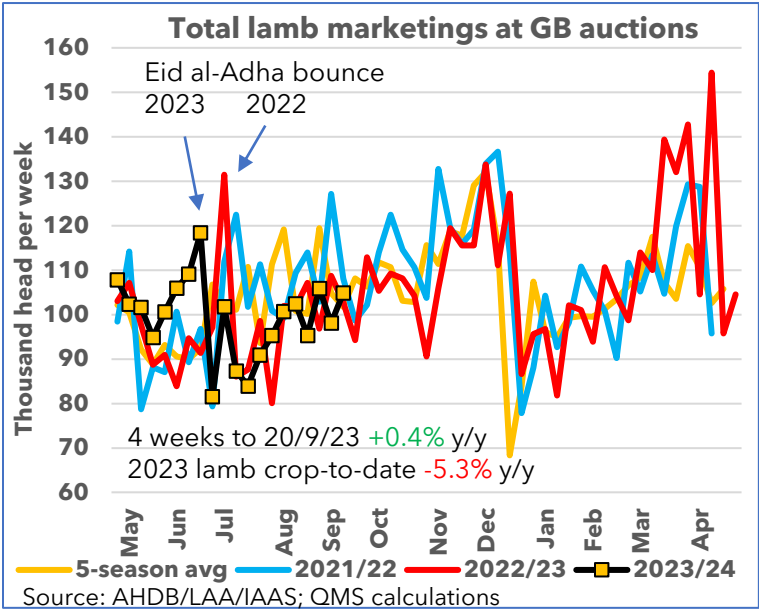
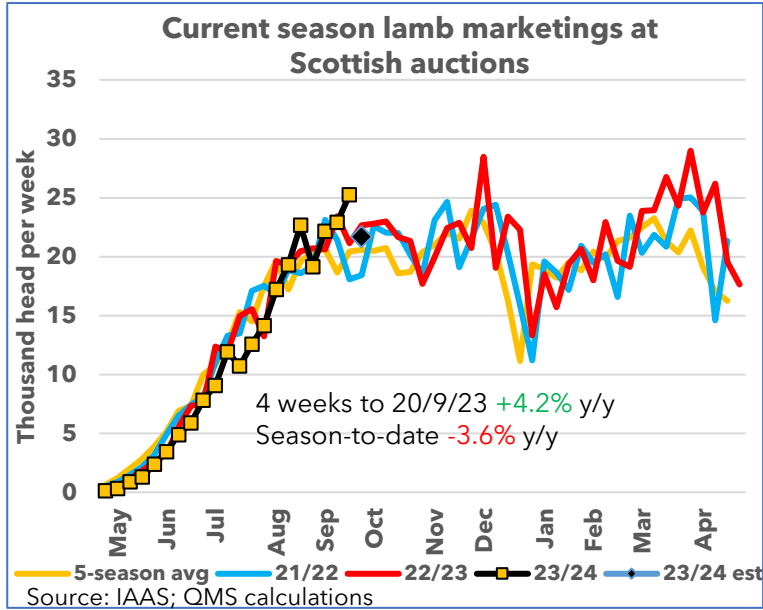
Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
New season SQQ lamb price at Scottish auctions	p/kg lwt, w/e 20 September	245.99p/kg	+1.08p	-2.6%	+5.0%	+23.6%
New season lamb marketings at Scottish auctions	Average in four weeks to 20 September, head	22,378		+22%	+4.2%	+12.8%
Total lamb marketings at GB auctions	Average in four weeks to 20 September, head	101,061		+3.8%	+0.4%	-5.2%
UK sheepmeat market supply	Tonnes in Jun - Aug 2023 (estimate)	66,100			-1.5%	-2.9%

- After a late-August dip, lamb auction prices settled at around 245p/kg at Scottish marts in the first three weeks of September. Prices have been running 5-10% above 2022 levels in Scotland, while holding 20-25% above the five-year average.
- Looking forward, England's June census reported a 5% decline in the lamb crop and, with England accounting for nearly half of the GB flock, the size of the decline points to a smaller GB lamb crop and that supply is set to remain fundamentally tight. In Scotland, census results are due to be published on 31 October but a smaller December 2022 breeding flock suggests that an increased lambing rate will have been required for a stable lamb crop.
- Retail data indicates that lamb sales struggled after Easter, but that the picture may have brightened in July and August, supported by a stabilisation of retail prices.
- UK lamb imports have continued to run behind 2022 levels despite highly competitive market prices in Australia and New Zealand; a softening in the Chinese lamb market; and increased UK market access for Australia since the end of May.
- In contrast to beef and pork, UK lamb exports have performed well in 2023. Along with reduced imports, this has ensured that market supply has remained tight, supporting lamb prices.

Farmgate prices - prime sheep - stability at record levels for the time of year in September at Scottish marts, averaging around 245p/kg, 5-10% above 2022 levels and 20-25% above the five-year average



Availability and slaughter – new season lamb numbers catching up in Scotland after a slow start, supported by dry weather in late-August and early-September, but smaller GB lamb crop expected compared to 2022

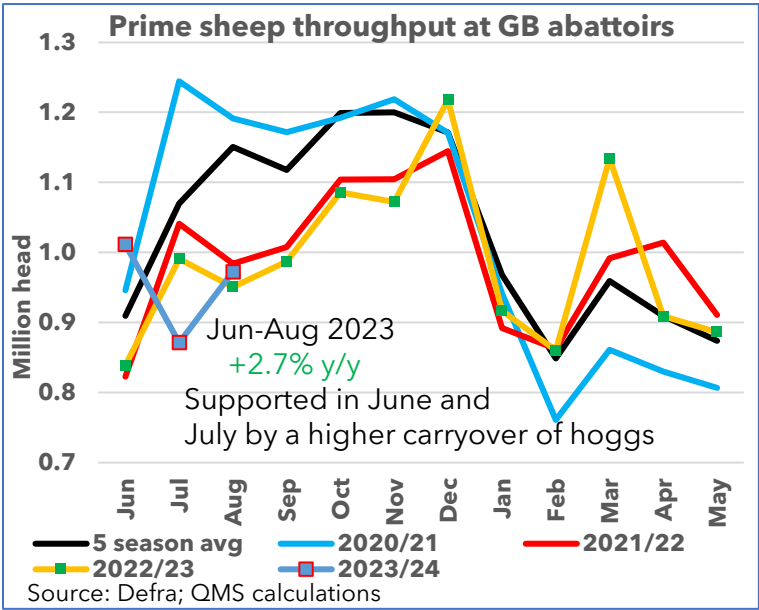
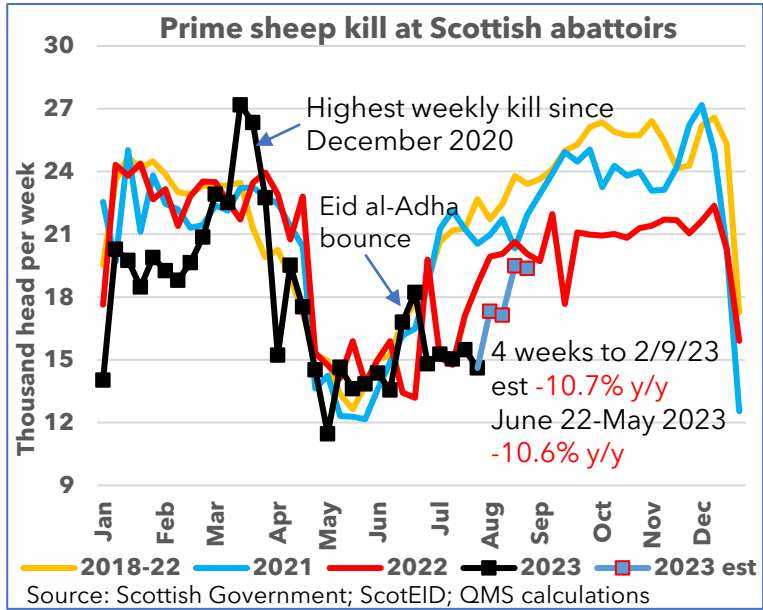


After a slow start to the season, Scottish auctions have seen a higher throughput than in 2022 between mid-August and mid-September, supported by a period of dry weather. However, numbers remained lower than last year in E&W.

June census results reported for England showed a sharp decline in lamb numbers due to a poor lambing rate. With England accounting for around half of the GB flock, the size of this reduction makes it seem likely that there is a smaller lamb crop at GB level this year.

Scottish June census results will be published on 31 October. The December 2022 results suggest that an increased lambing rate will have been required for there to be a stable lamb crop.

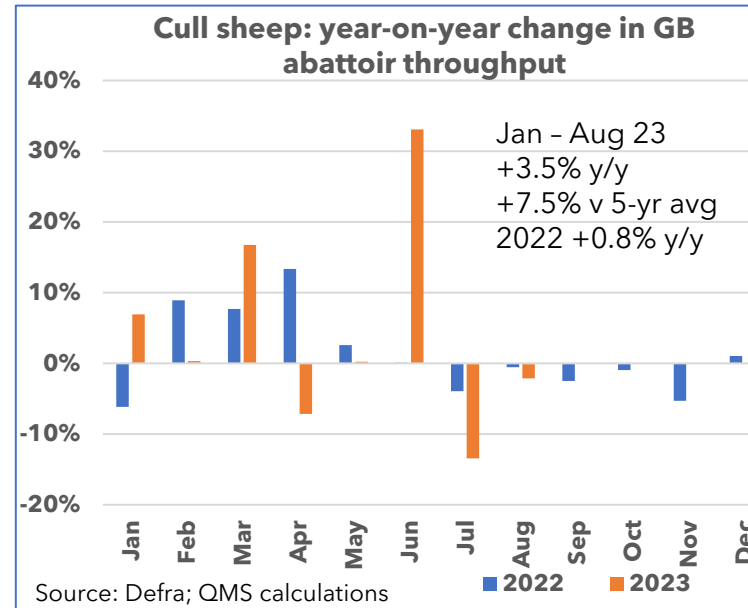
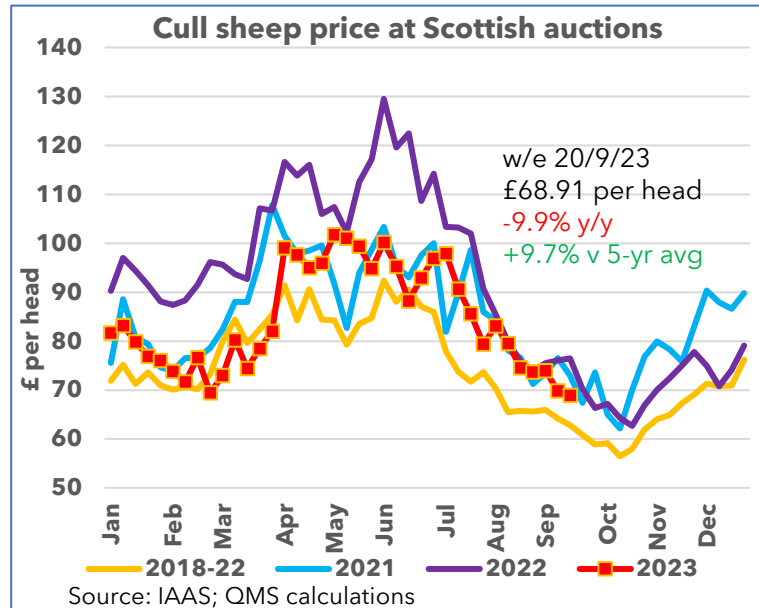
Abattoir throughput continued to trail year-earlier levels throughout August in Scotland.



December Sheep & Goat Inventory and June 2023 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 2023	Ewes for further breeding & slaughter	New season lambs
England	+1.5%	-4.9%

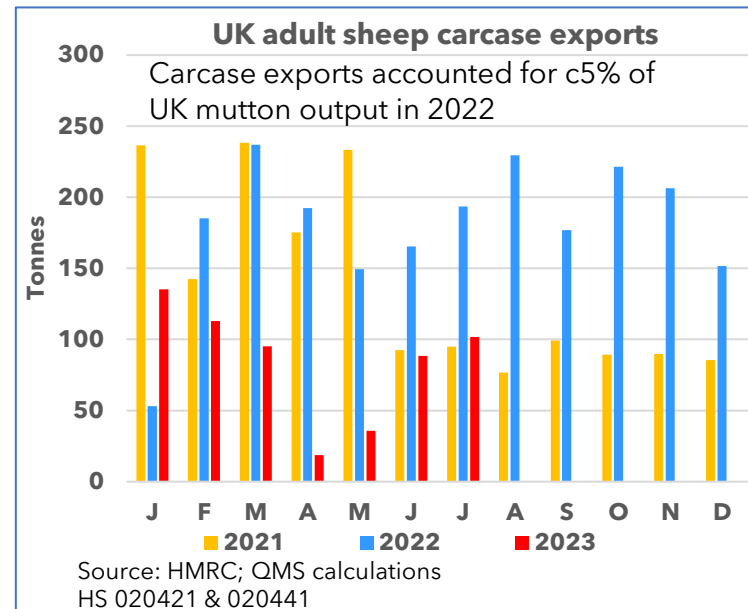
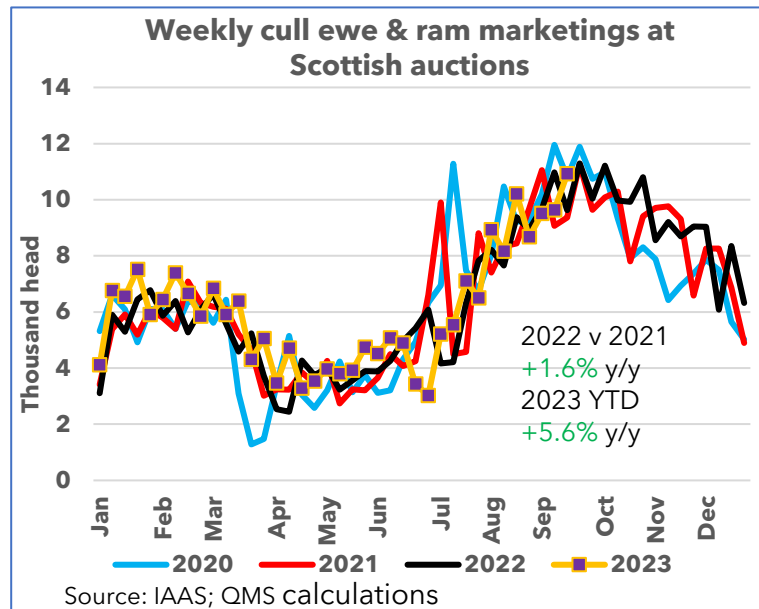
Source: Defra; Scottish Govt; QMS calculations
Note: Scottish June 2023 census results due 31/10/23

Cull sheep market - seasonal reduction in prices as marketings approach autumn peak



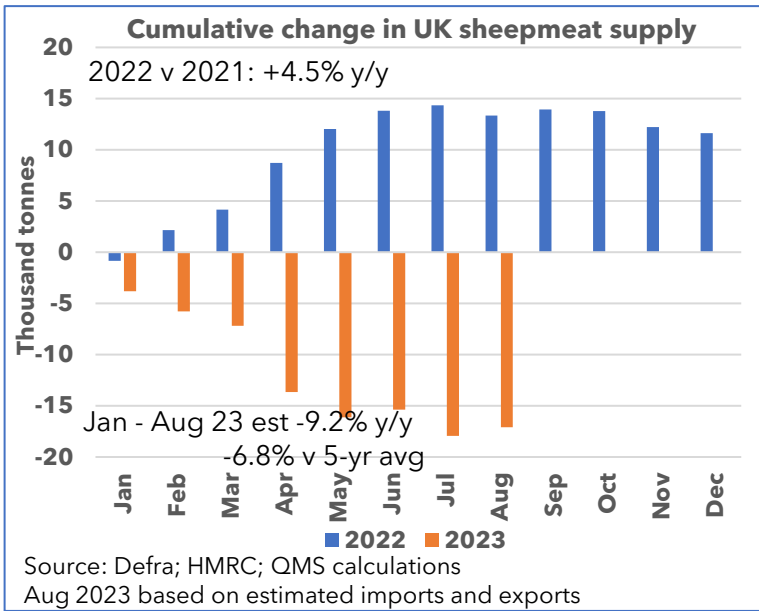
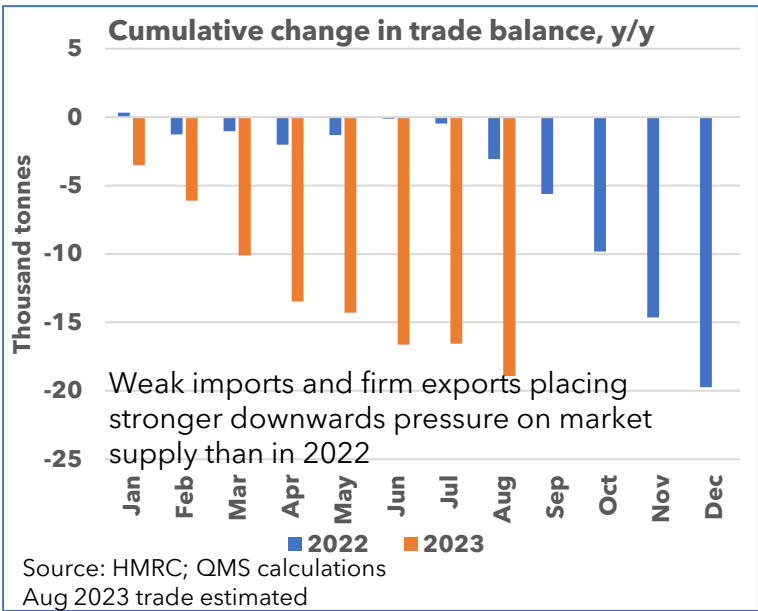
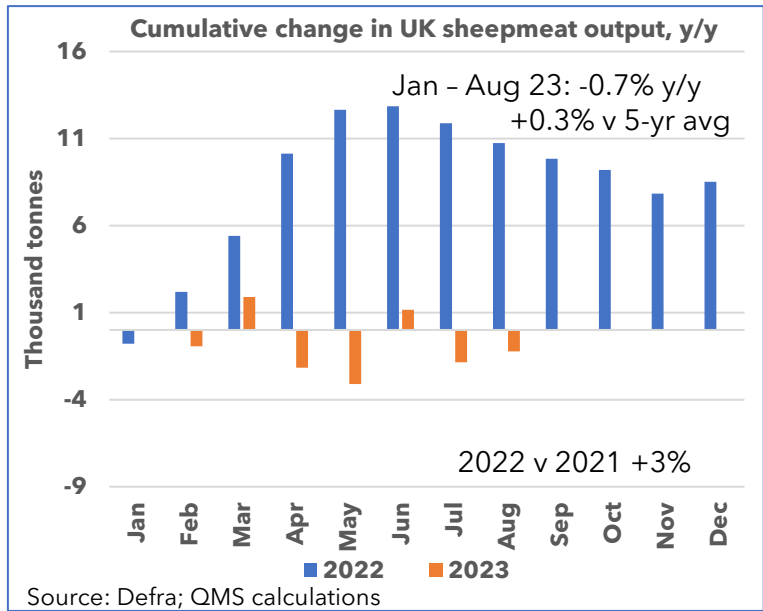
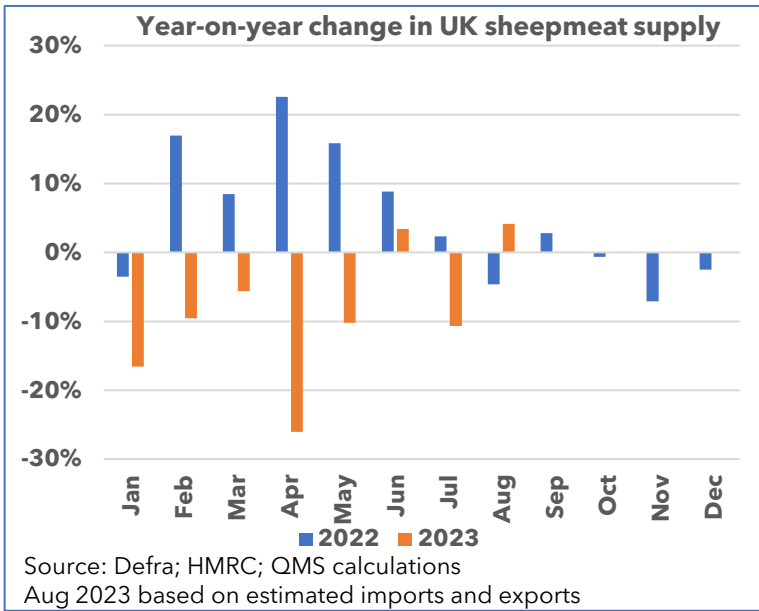
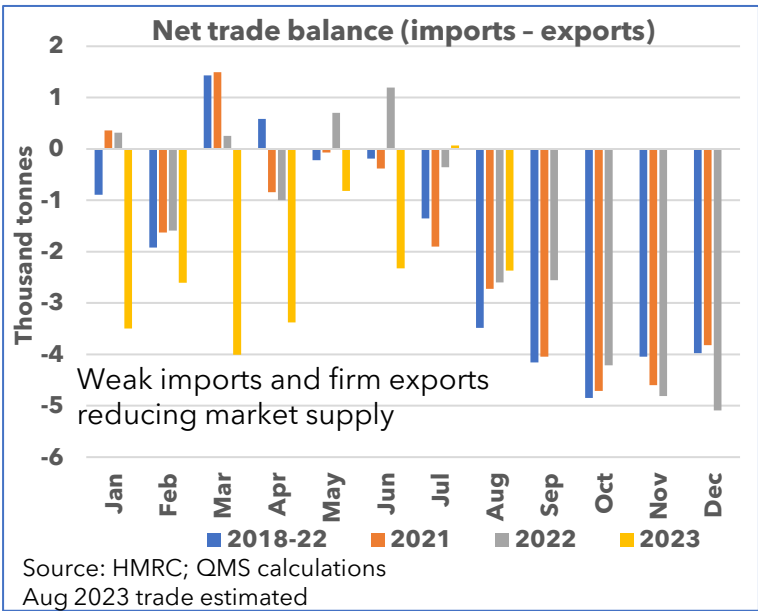
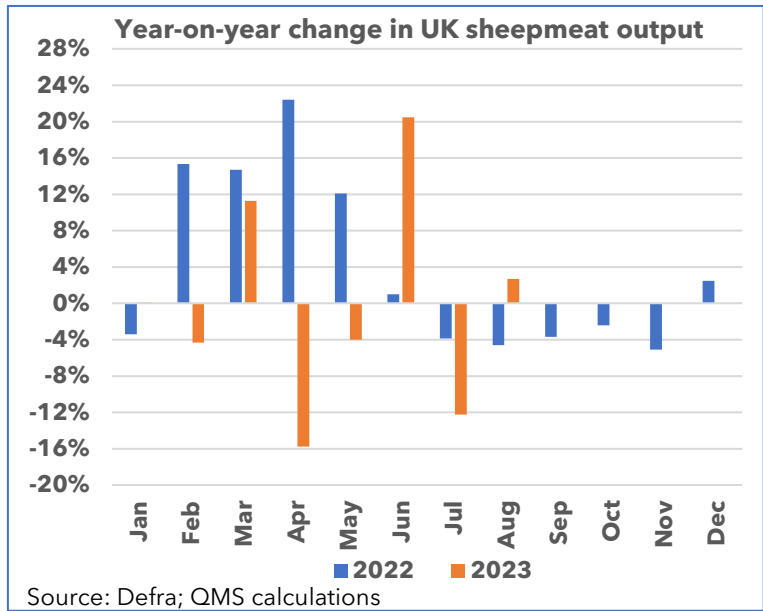
Cull ewe values have rebalanced downwards at Scottish auctions since mid-July as marketings have risen sharply above their seasonal low.

In September, weekly marketings of ewes & rams have reached a level that is likely to be close to their annual peak at Scottish marts, while the number traded in 2023 has remained above 2022 levels. This helps explain why ewe prices have not been as strong as those for prime lambs.

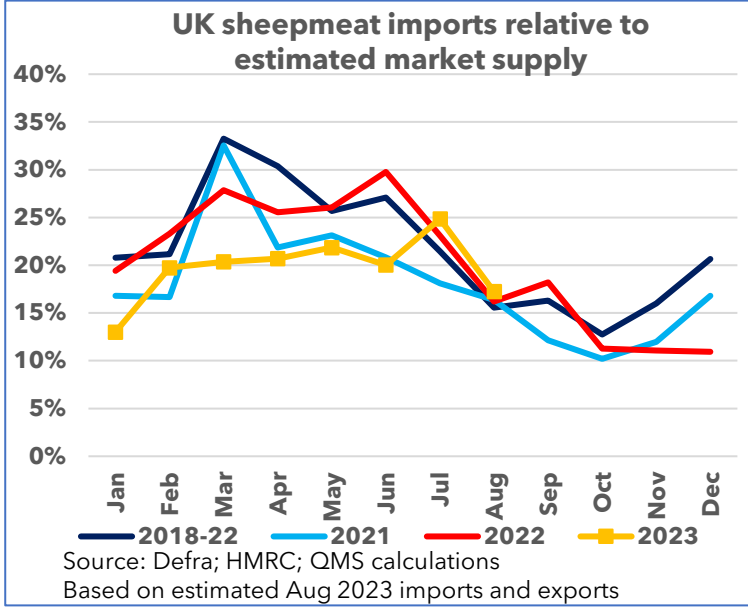
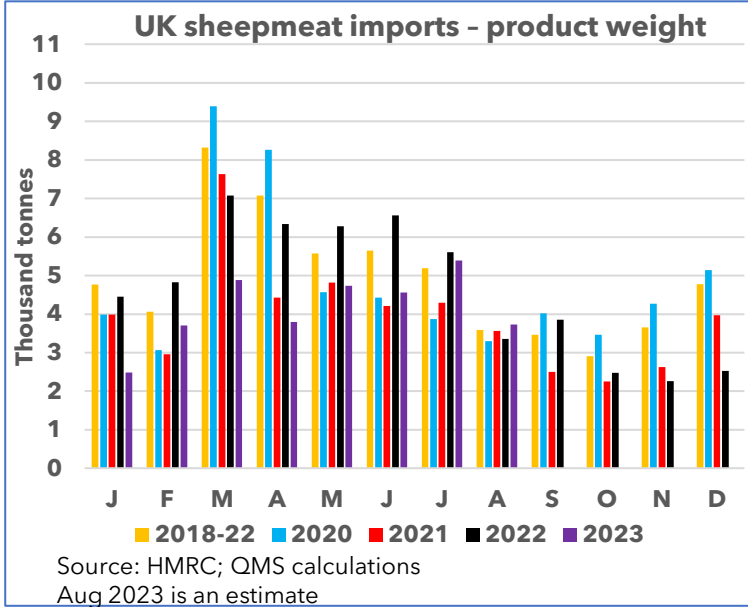
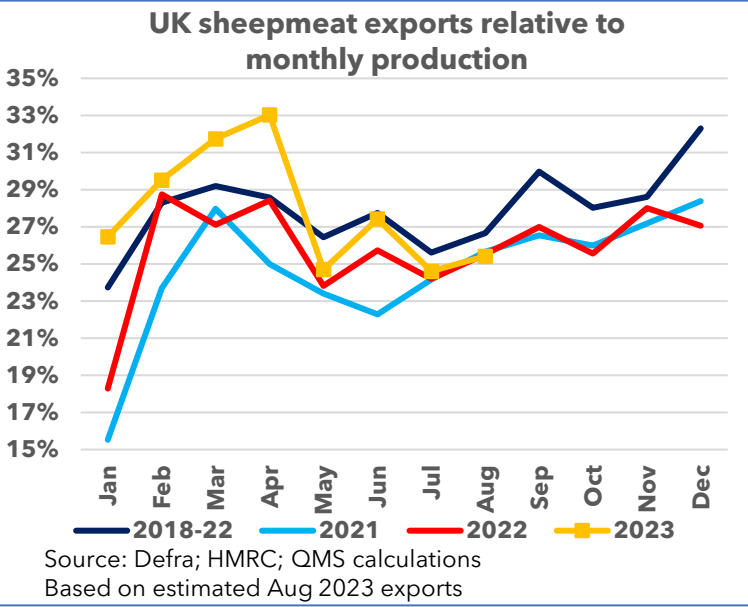
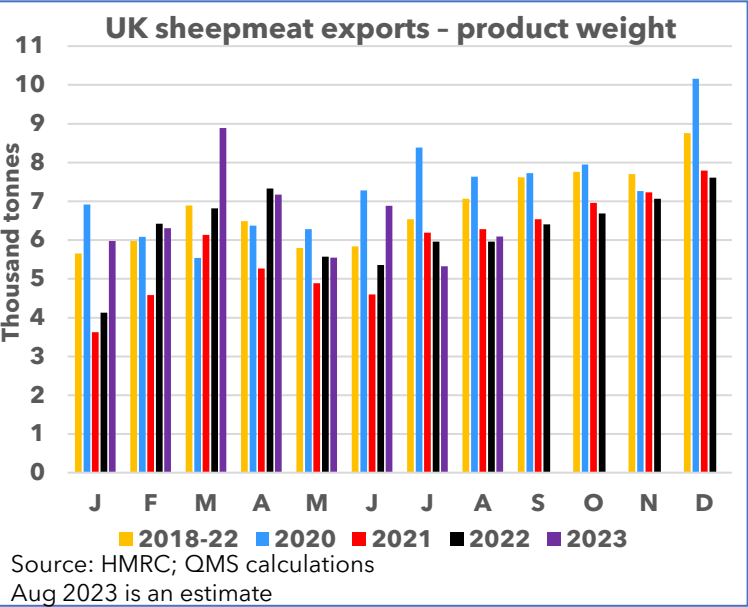


While domestic mutton production increased in the first half of 2023, the volume exported as carcasses fell back significantly relative to 2021 and 2022, signalling some rebalancing of demand to the home market.

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



A focus on UK international trade in sheepmeat - higher exports and lower imports in year-to-date, but signs of an import rebound in July



UK sheepmeat exports slipped back behind year-earlier levels in July, partly reflecting an earlier Eid al-Adha, which had supported volumes in June in 2023 compared to July in 2022. Nevertheless, over the first seven months of 2023, export volumes were up 11% year-on-year and by 7% on the five-year average. The price of GB lamb at Rungis market in Paris has held firm in September, up slightly on 2022, pointing to robust demand (see page 18).

UK imports had an historically weak final quarter of 2022 and the trend has continued in 2023. Over the first seven months, imports were down 28% year-on-year. However, the monthly import volume in July was the highest of the year so far, with the year-on-year decline slowing to 4%. Imports from NZ continued to run well behind year-earlier levels in July, but there were significant increases from Australia (for the second successive month) and the Irish Republic.

Beef + Lamb NZ highlighted continued year-on-year declines in shipments to the UK in July, signalling continued import weakness in August.

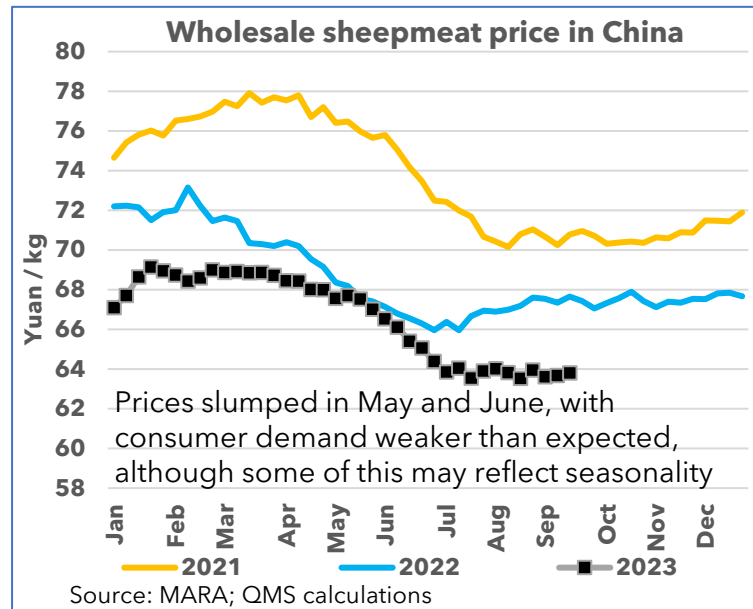
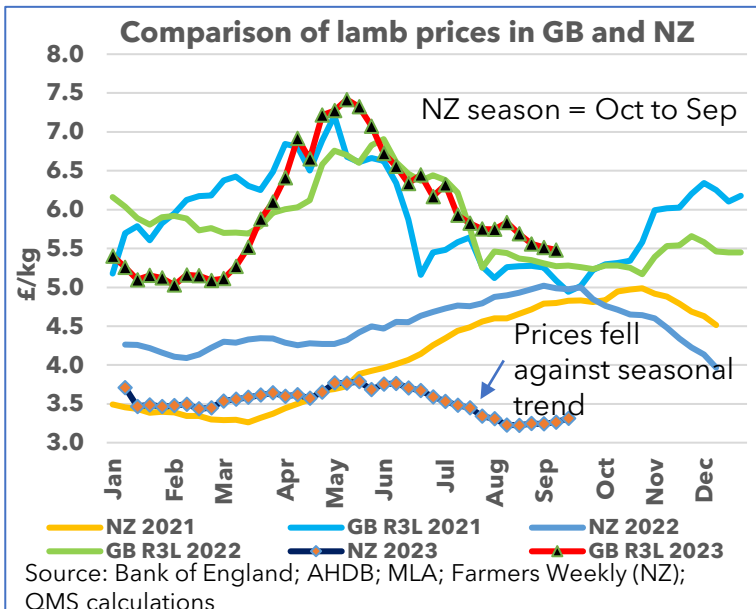
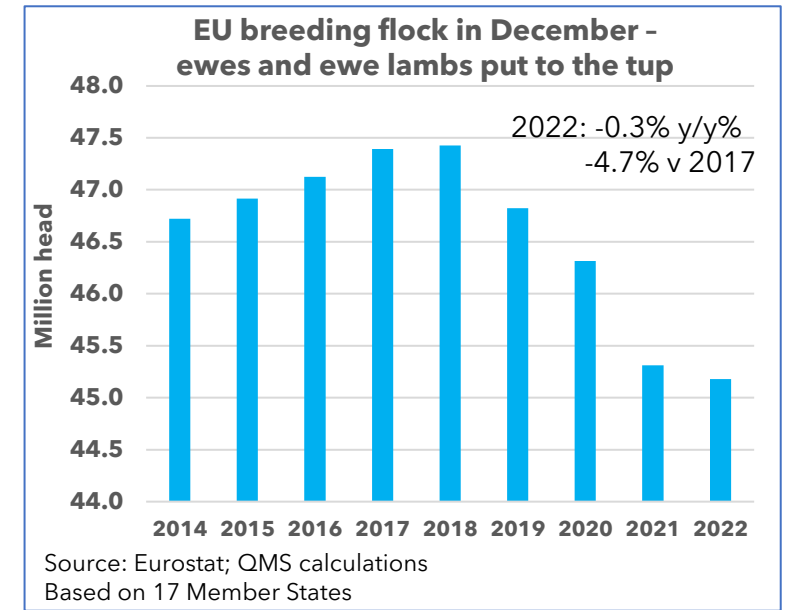
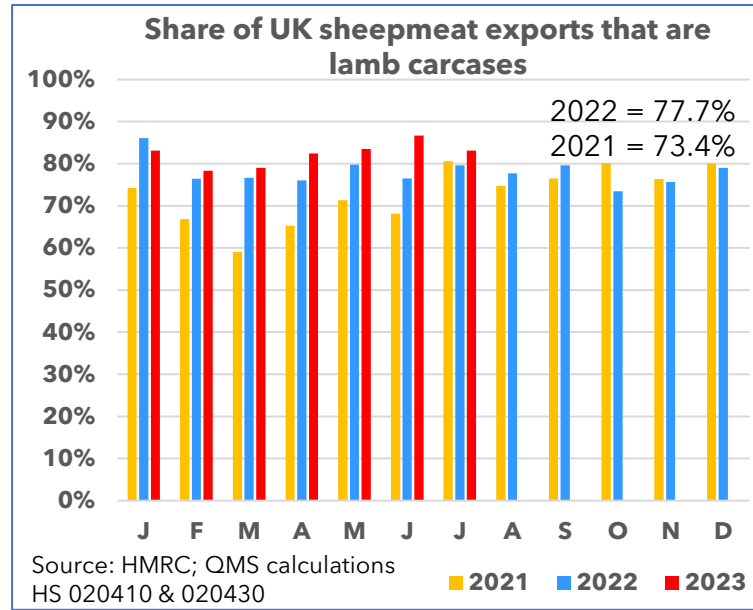
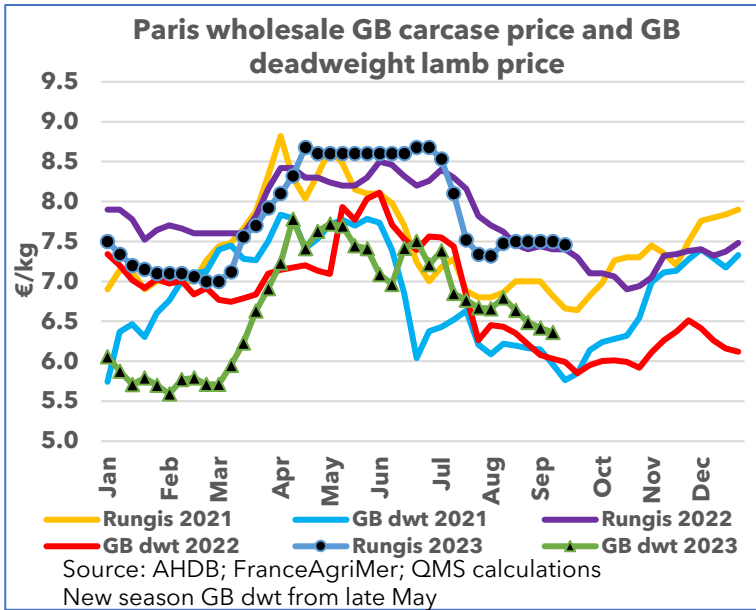
However, given seemingly attractive price levels in the GB market plus increased market access for Australia since the end of May, higher imports remain a significant downside market risk.

Note:

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

Estimates for August 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. Import volumes remain weak despite highly competitive prices in Australia and NZ, where Australian production growth and a weak Chinese market are pressuring prices.



Oceania lamb production forecasts			
	2022	2023	y/y change
Australia (thousand tonnes)			
Sheepmeat production	708	737	+4%
Sheepmeat exports (product weight)	428	462	+8%
New Zealand (head) (June 2023 stock number survey)			
Breeding ewes	15.48m	15.34m	-0.9%
Lamb crop for 2023/24	20.23m	20.36m	+0.6%
Source: MLA; Beef + Lamb NZ; QMS calculations			

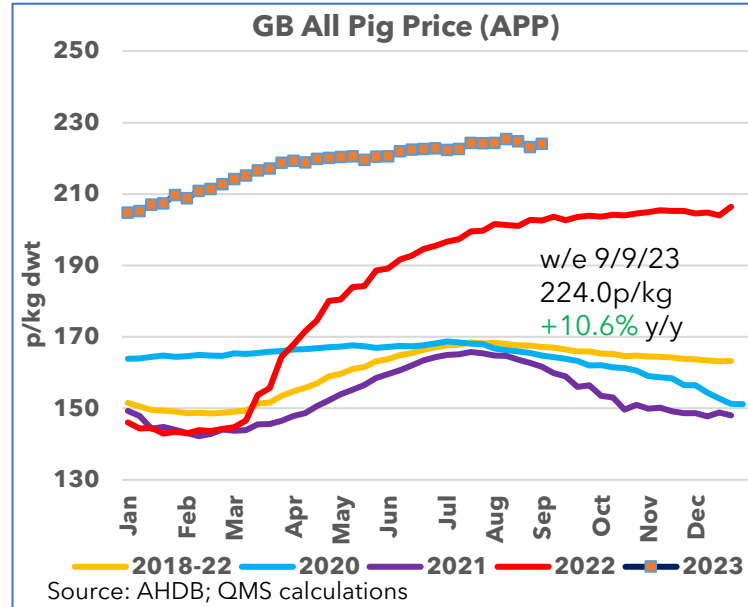
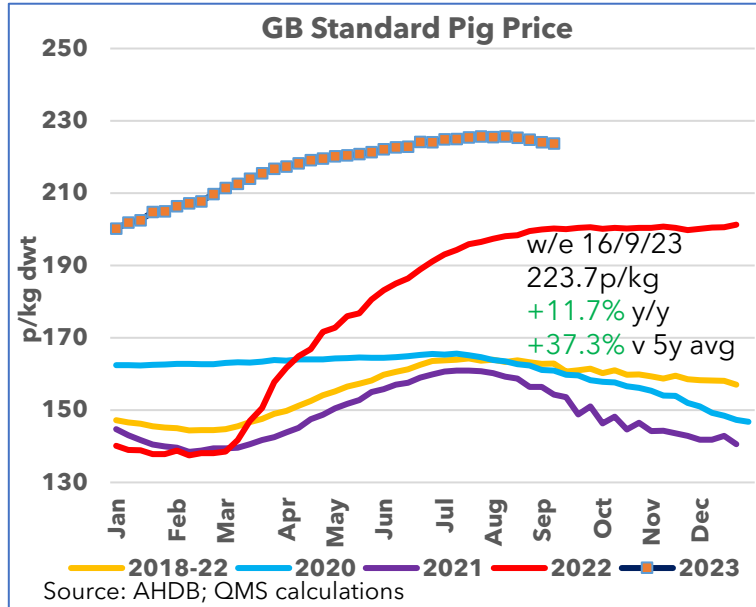
Summary of market developments – pig market



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 16 September	223.74p/kg	-0.29p	-0.8%	+11.7%	+37.3%
Average carcase weight of standard pigs	Average in four weeks to 16 September EU spec	89.2		+0.6%	+1.4%	+4.5%
Prime pig slaughter at GB abattoirs	Total during August 2023, thousand head	717.1		+6.1% (change in daily avg kill Aug v Jul)	-6.9%	-7.5%
UK pig market supply	Tonnes in Jun-Aug 2023	324,000			+0.2%	+2.1%

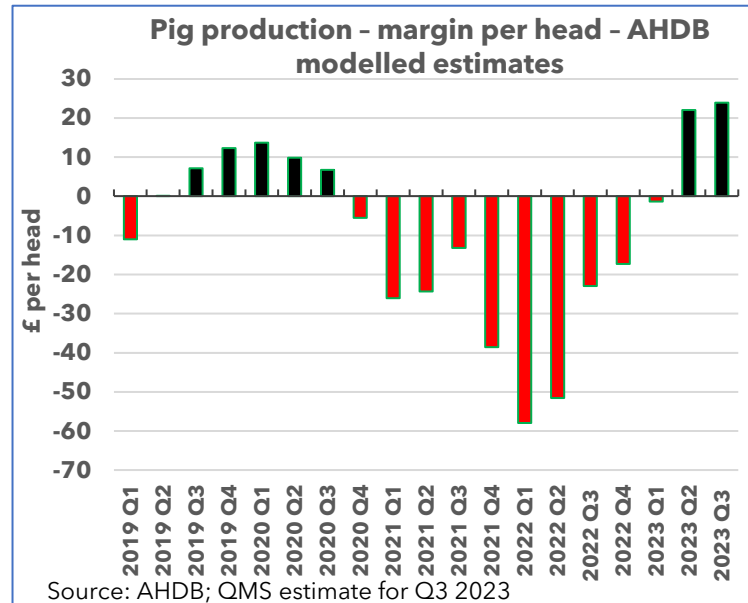
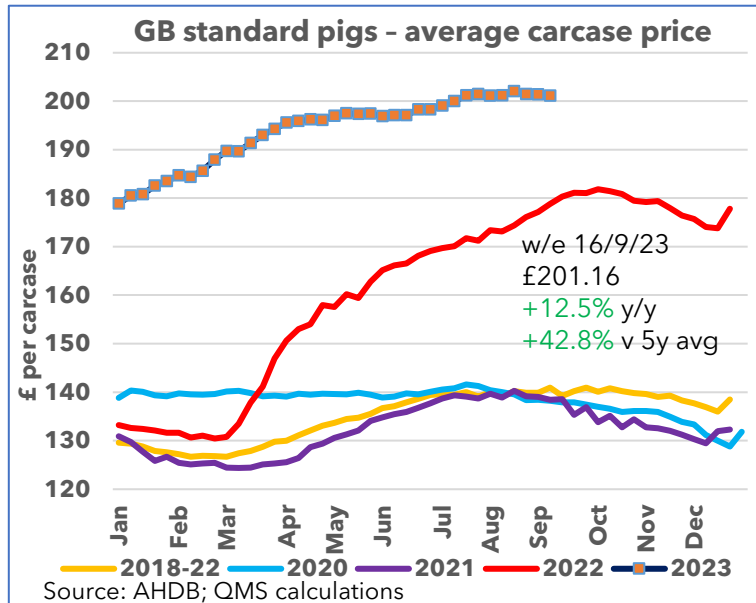
- Farmgate pig prices have fallen seasonally since August, with weekly slaughter and carcase weights picking up from their summer low. Nevertheless, prices remain up by more than 10% year-on-year and by over 35% on the five-year average.
- GB abattoir slaughter continued to fall sharply below 2022 levels in August, reflecting the knock-on effect of a reduced breeding herd. However, England's June census results do now point towards some stabilisation in the sow herd, with prime pig availability likely to stabilise at a lag.
- ScotEID slaughter data continues to signal reduced availability on Scottish farms in 2023, although the pace of year-on-year decline has slowed from its peak. After a weak July, prime pig slaughter fell further behind 2022 levels at Scottish abattoirs in August, reflecting supply chain challenges.
- EU pig prices have seen a stronger seasonal reduction than GB prices, resulting in a wider pricing gap, and this may have flowed through to some import price reduction since July. However, EU pig supply remains fundamentally tight.
- UK import volumes had already started to rise before any softening of EU pig prices and, combined with a sharp reduction in UK exports, this has begun to limit the tightening of supply in the domestic market.

Farmgate prices - prime pigs - seasonal price fall underway but values remain up more than 10% year-on-year and by nearly 40% on the five-year average, supporting slow recovery in finances



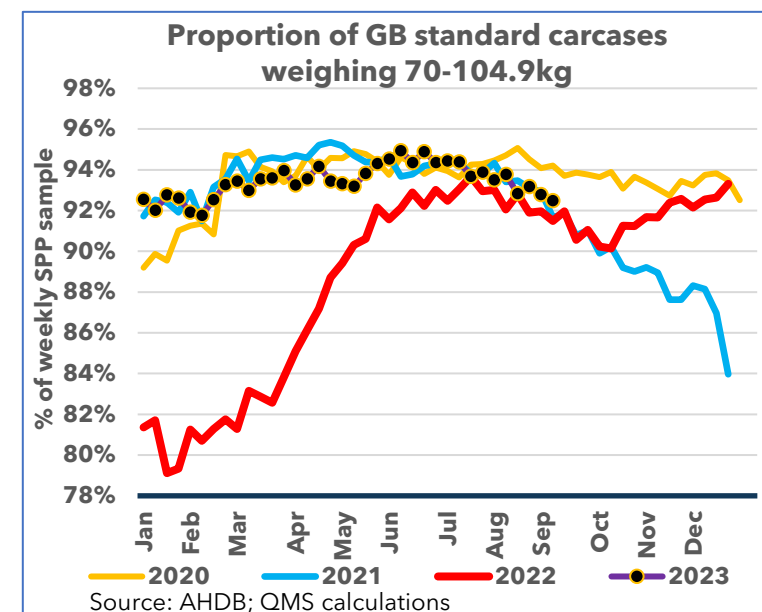
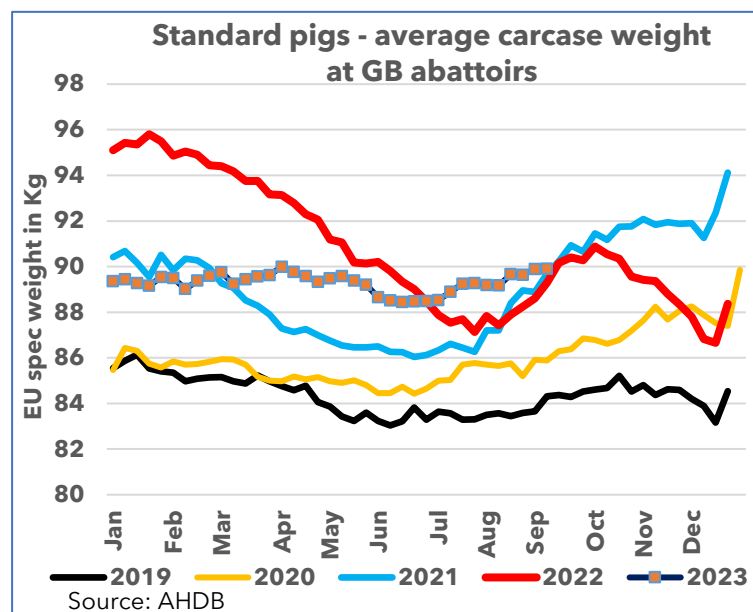
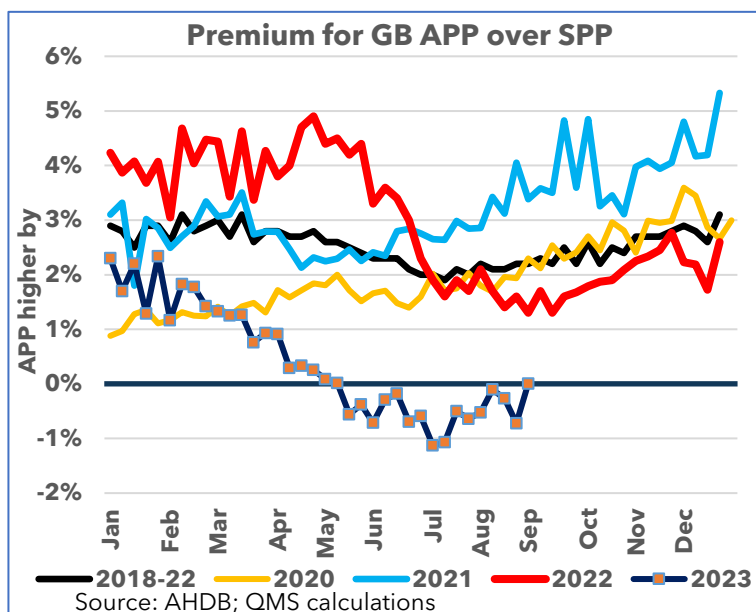
Pig prices have started to dip seasonally since mid-August, with weekly slaughter and carcase weights supporting a seasonal uplift in production volumes. However, prices have held more than 10% above year-earlier levels and nearly 40% above the five-year average.

A seasonal uplift in carcase weights has kept the average price per carcase more stable, although it was also below its August peak in the second week of September.



The current combination of farmgate prices and the cost of straight feeds are likely to be supporting some recovery in producer finances from a sustained period of losses. However, energy, labour and interest costs will have risen considerably for many businesses this year and herd size has reduced.

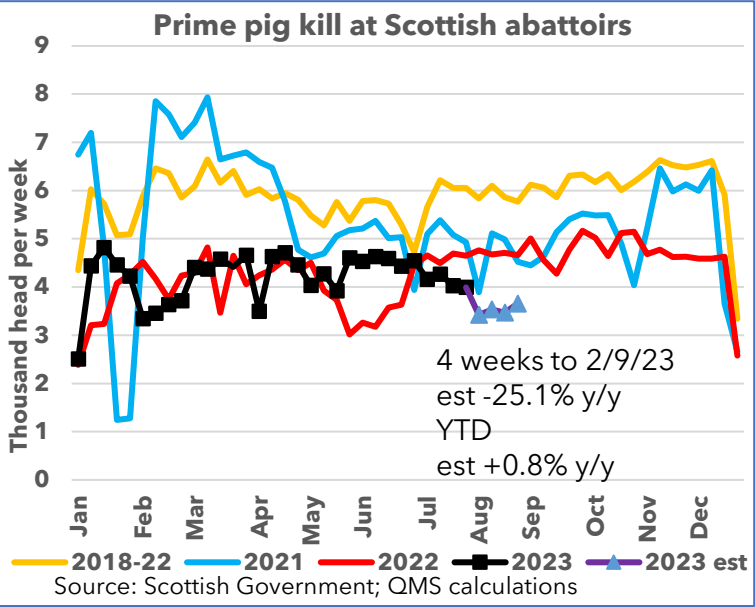
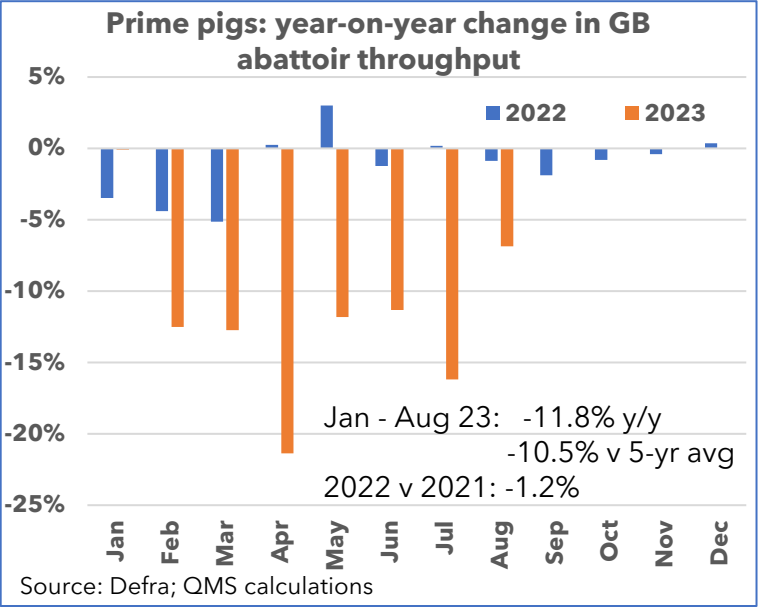
Indicators of market disruption - lack of premium for pigs with specific production characteristics points to very tight market. Carcase weights have risen again after a brief seasonal decline and remain historically elevated.



The premium for the overall average pig price (APP) over standard pigs (SPP) has disappeared, indicating that pigs with specific production characteristics are no longer receiving premia in the marketplace, signalling an extremely tight market - though as the market balance has changed seasonally in recent weeks, the discount for the APP has narrowed again. It should be noted that the two price reporting samples are not identical.

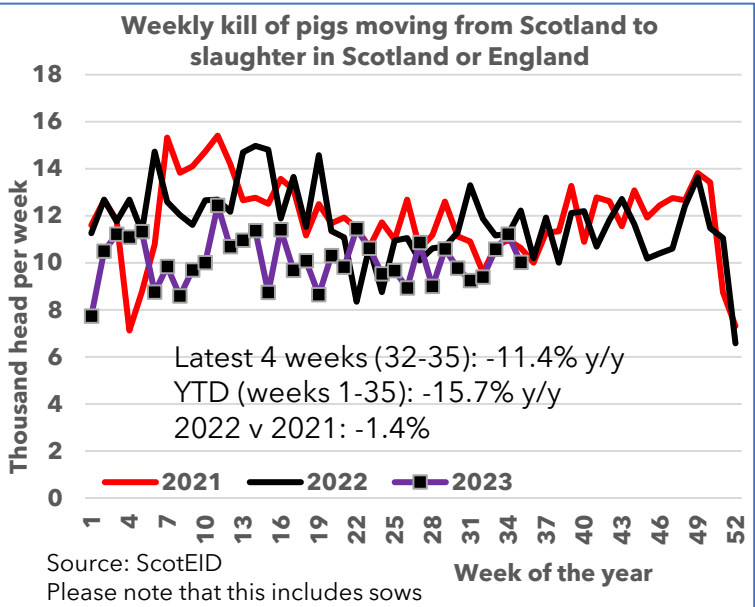
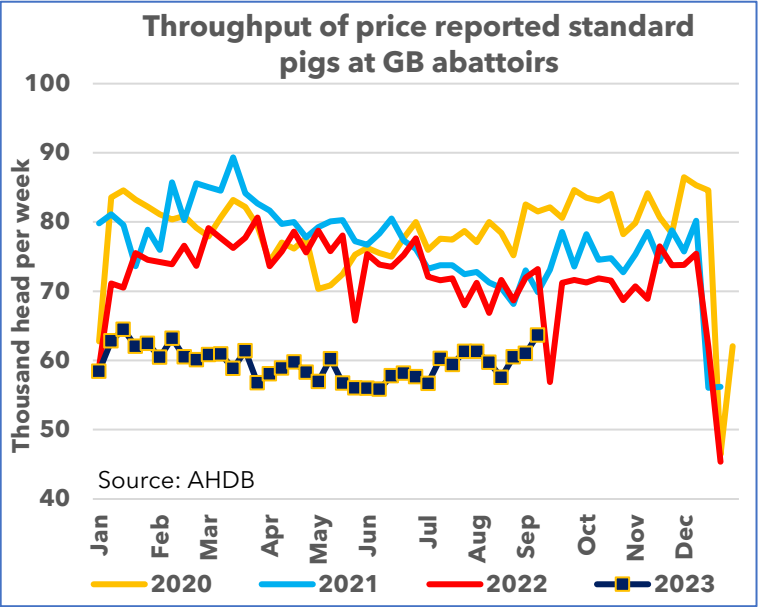
Carcase weights have risen seasonally, and the share of heavy carcasses in the standard pig price sample has remained elevated above pre-backlog levels. Since mid-July, weights have been showing year-on-year increase, but the gap narrowed into September, potentially reflecting a short-lived backlog on farms in August and September 2022 which underpinned weights.

Availability and slaughter – supply remains tight across GB compared to recent years but availability for slaughter likely to be edging seasonally higher. Abattoir throughput has fallen back sharply in Scotland since mid-July.



The contraction of the GB breeding herd driven by financial pressures in 2021 and 2022 has resulted in a sharp reduction in this year's slaughter pig crop. However, the standard pig price sample has shown a seasonal uplift in weekly slaughter. In addition, England's June census results suggested that the sow herd is beginning to stabilise, and this should see the pace of year-on-year decline in availability for slaughter slow as the year progresses.

While the number of pigs sent to slaughter from Scottish farms continued to run behind year-earlier levels in August, the pace of decline has softened since May and weekly numbers trended higher in August.



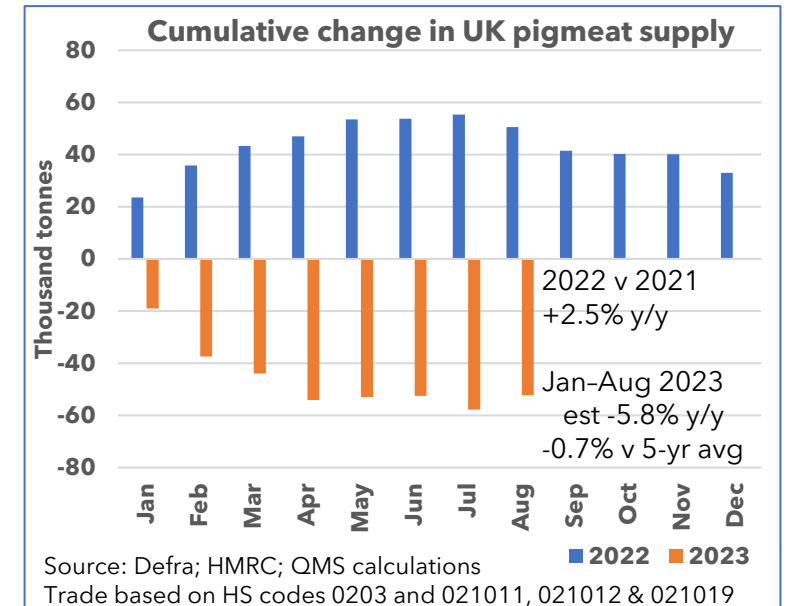
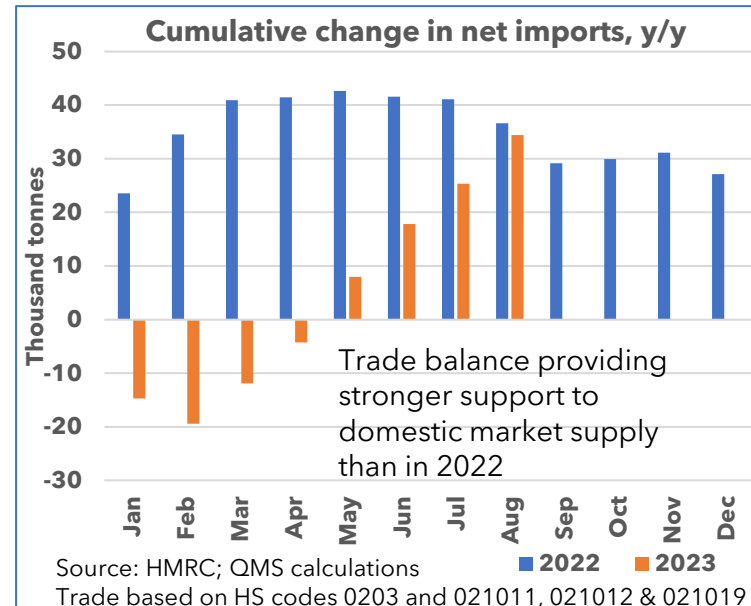
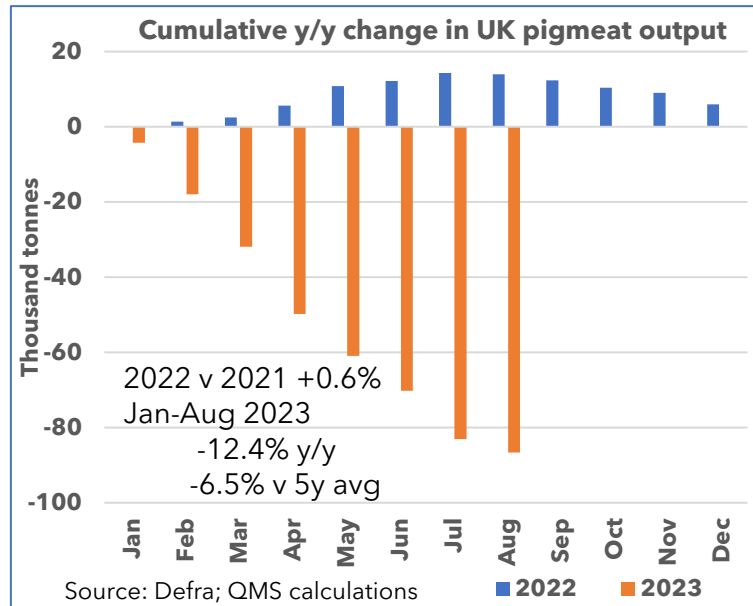
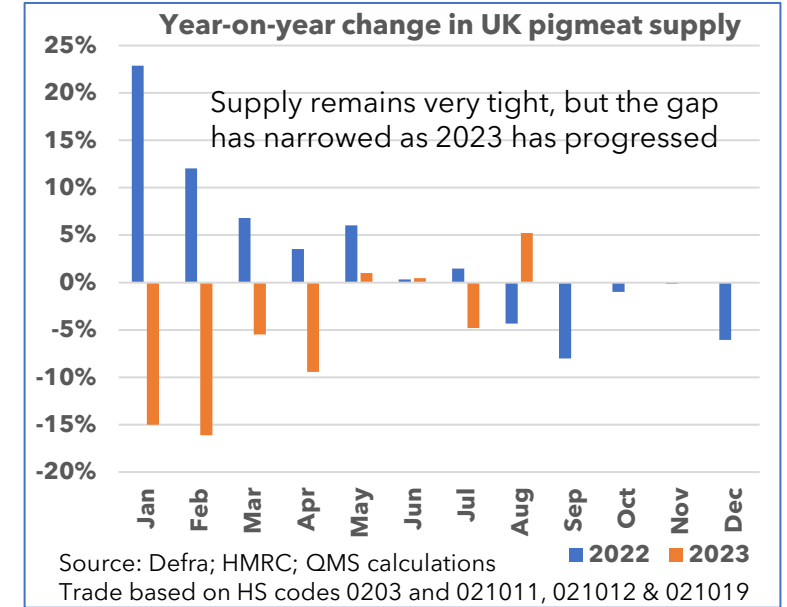
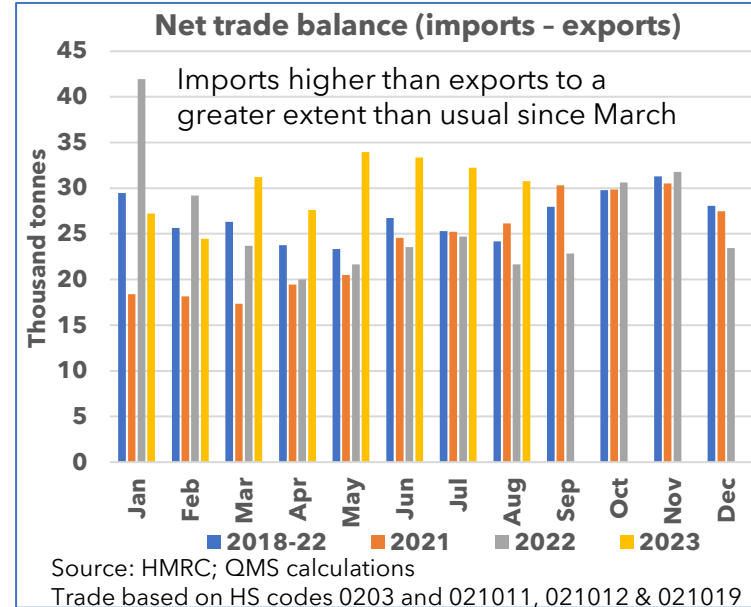
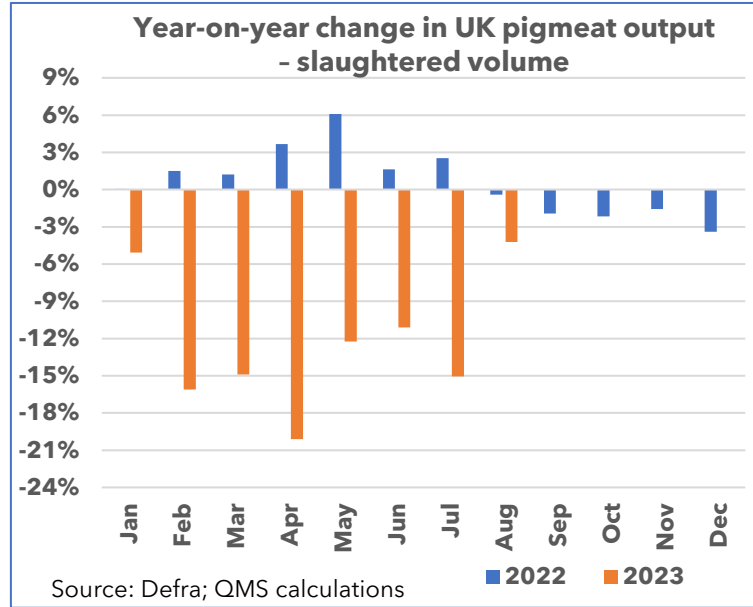
After two months of significant year-on-year increase at Scottish abattoirs, prime pig slaughter fell back behind 2022 levels in July. Throughput then fell further in August, driven by supply chain challenges.

June 2023 Census - England (Note: Scottish results expected 31/10/23)	
Female breeding herd	-1.5% y/y
Fattening pigs	-13% y/y
Source: Defra	

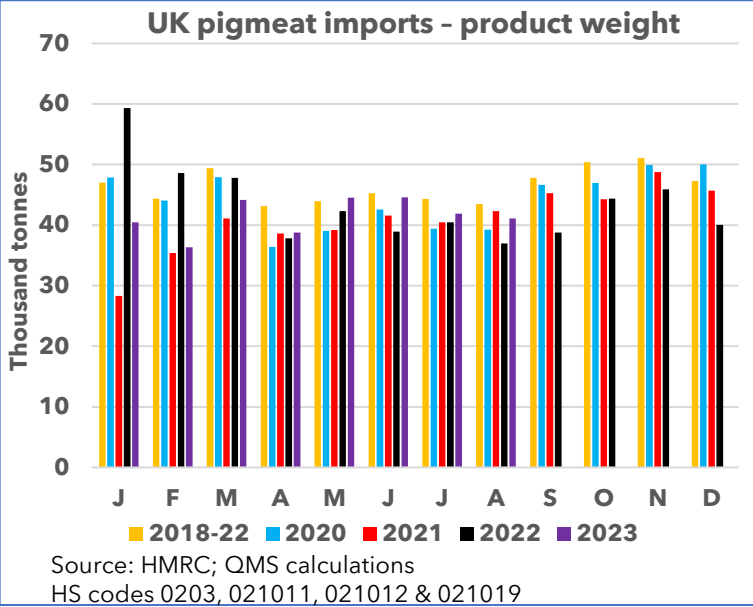
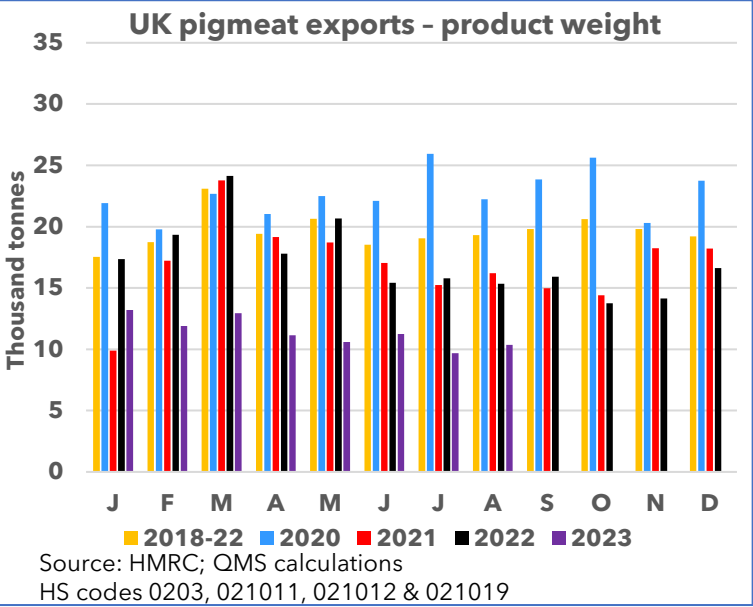


UK pigmeat market supply: domestic production + (imports - exports) = supply

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



A focus on UK international trade in pigmeat – imports picking up while exports fall sharply, reflecting tight domestic supply



While tight domestic supply continued to constrain exports in July, imports held above 2022 levels for a fourth month, offsetting some of the decline in UK pigmeat market supply.

Imports of pork (HS0203) were 6% above year-earlier levels in July, marking a slowdown from the more significant increases seen in the previous three months. However, bacon & ham imports (HS0210) dipped slightly back behind year-earlier levels after showing the first increase for seven months in June.

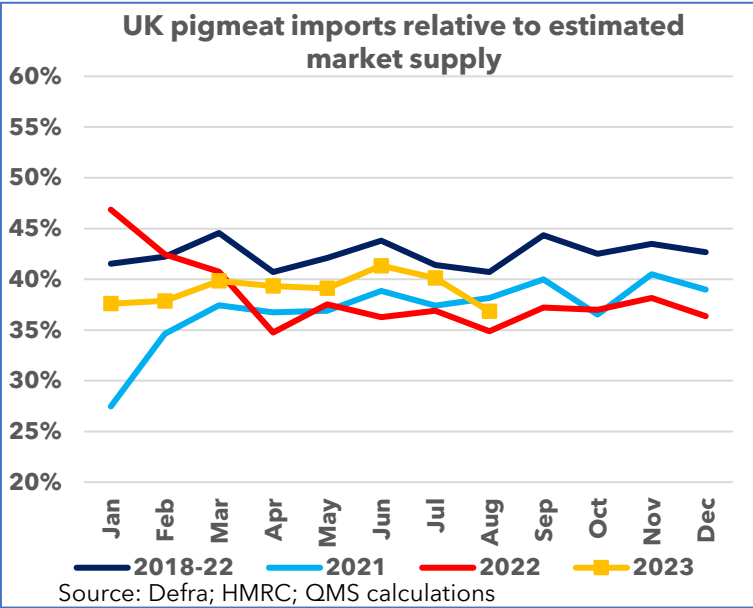
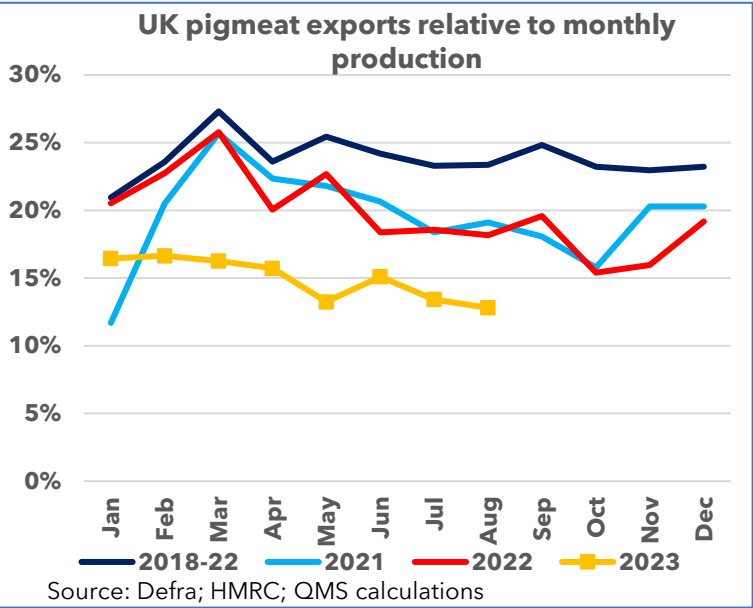
UK exports of pork (HS 0203) to the EU fell to their lowest monthly volume of the year so far in July, lagging 40% behind year-earlier levels.

Exports (HS 0203) to non-EU countries slipped to their second lowest monthly total of the year so far in July and were down 39% year-on-year. Within this total, deliveries to China and Hong Kong slipped back 20% behind year-earlier levels, after showing a slight increase in June, but still accounted for over 70% of non-EU trade and 36% of overall export volumes.

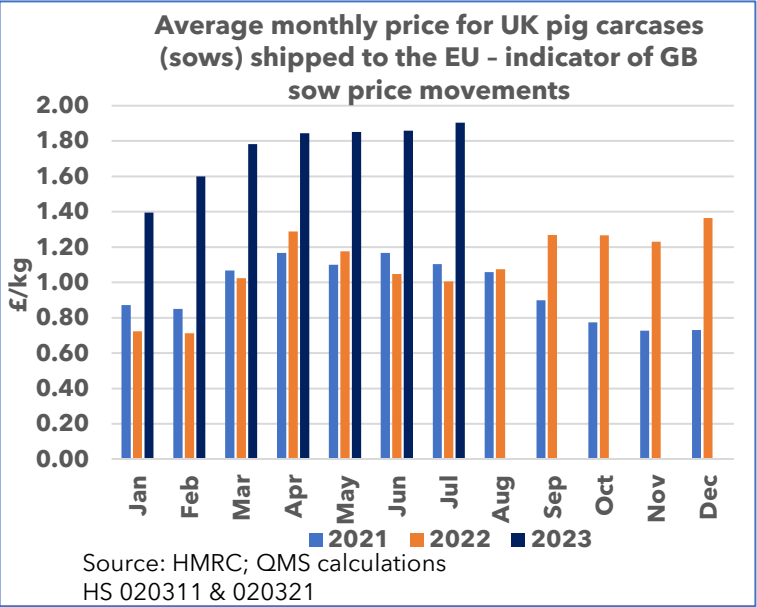
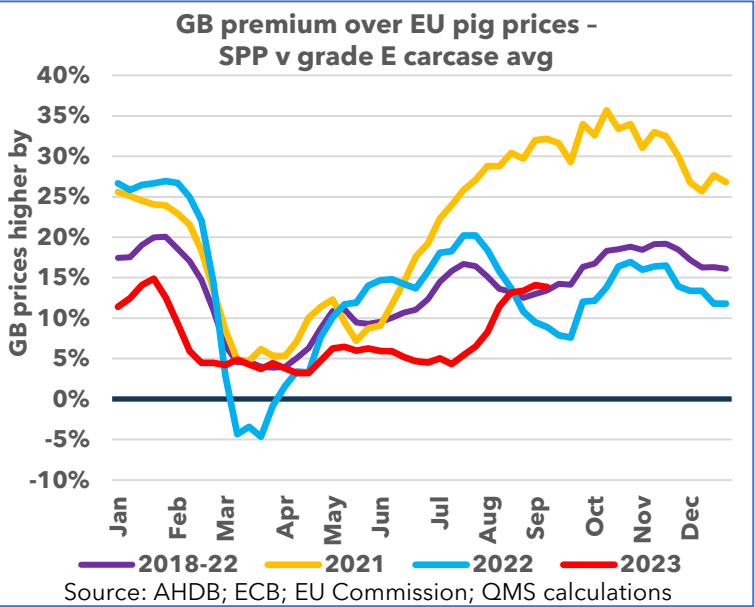
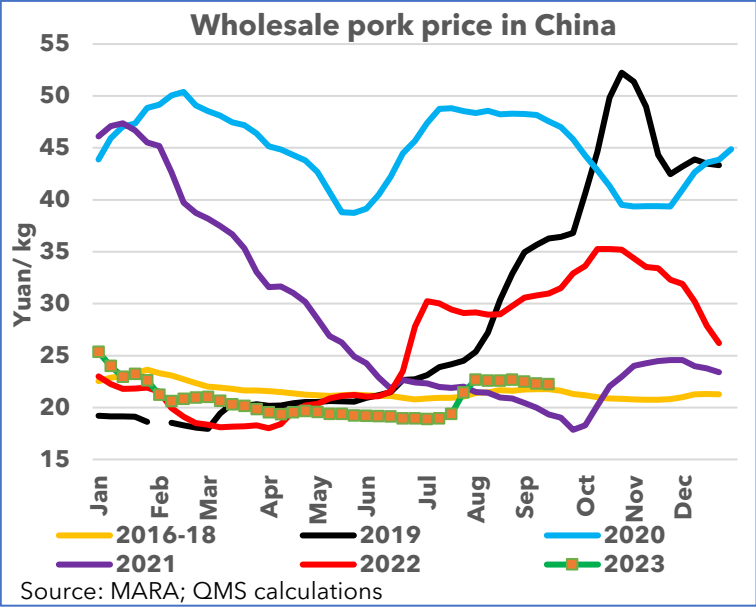
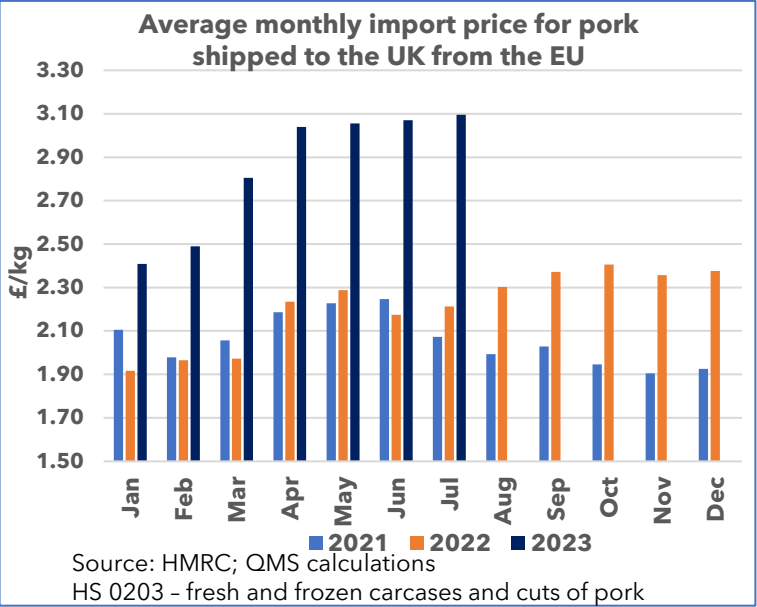
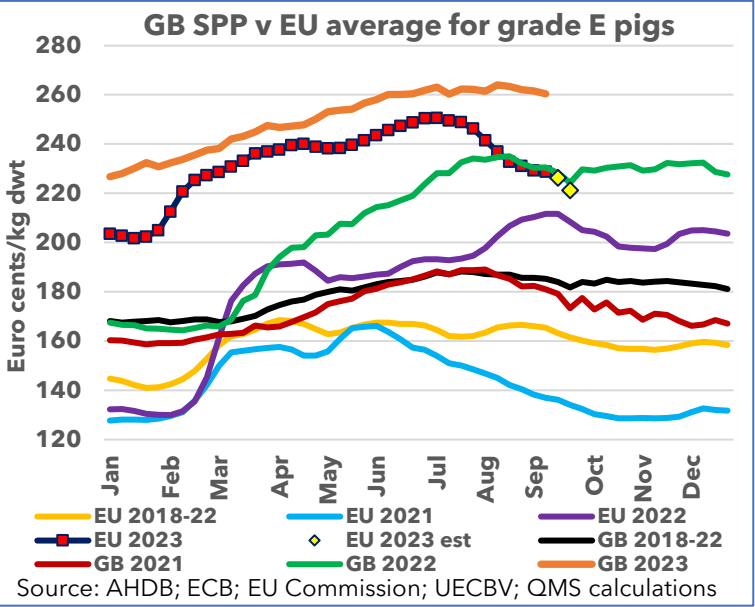
Note:

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 August is estimated



Factors driving UK international trade in pigmeat – A stronger seasonal softening of the EU pork market than in GB has seen the price differential widen to a more normal level for the time of year and import prices may have fallen back since July. However, EU supply remains fundamentally tight, with sow numbers down another 2.4% year-on-year in May/June 2023 across the 13 reporting member states.



USDA Global Pork Market Forecasts, July 2023 (million tonnes carcass weight)						
Key indicators	2018	2019	2020	2021	2022	2023
World, production	111.9	101.0	95.8	107.9	114.4	114.8
China, production	54.0	42.6	36.3	47.5	55.4	56.0
All countries, imports	8.6	9.3	11.7	11.6	9.89	9.81
China, imports	1.46	2.45	5.28	4.33	2.13	2.30
EU, production	23.2	23.0	23.2	23.6	22.3	21.7

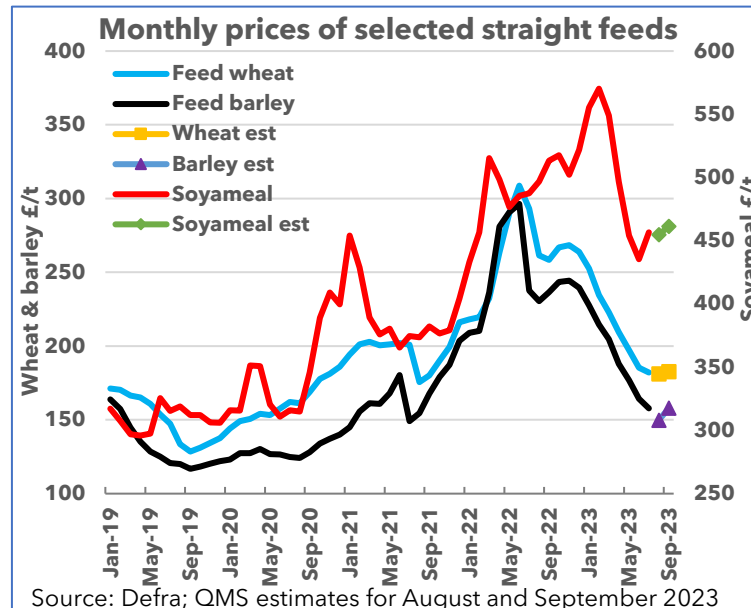
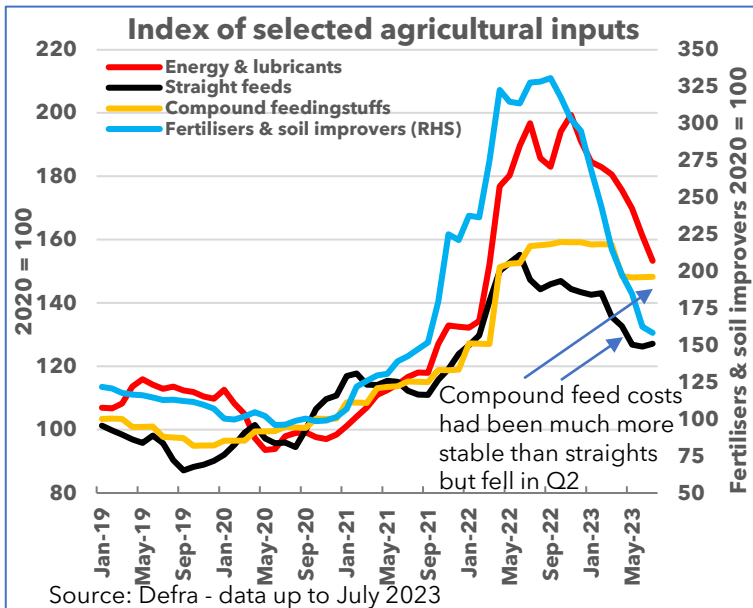
Source: USDA Foreign Agricultural Service

Summary of economic developments

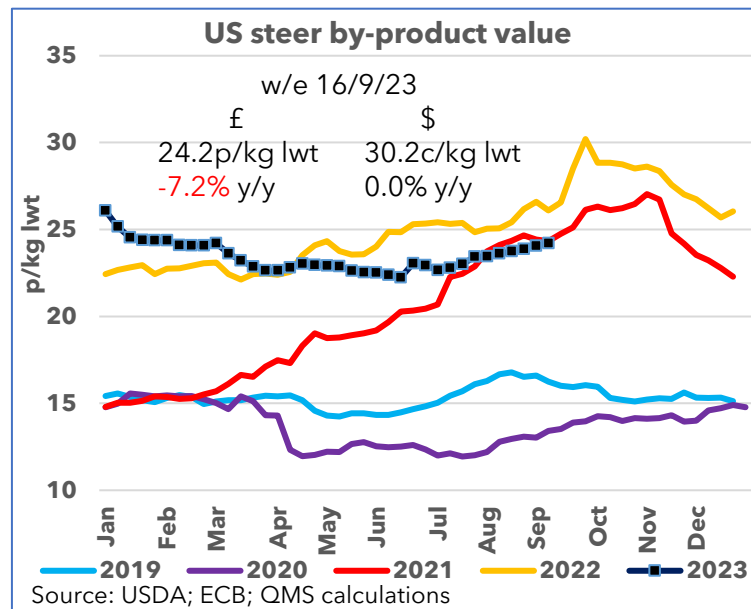
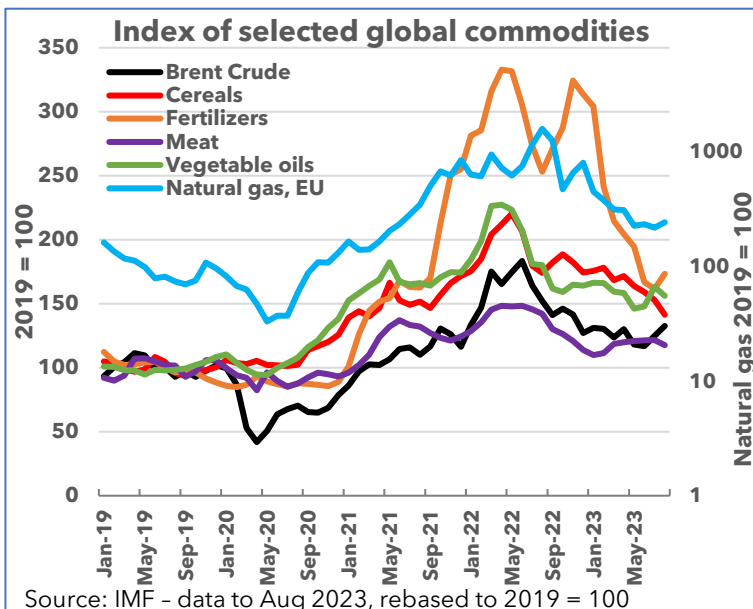


- Commodity prices have remained well below their 2022 peak in 2023, pressured in part by a weaker US dollar, but farmers and processors will continue to face unusually high levels of input costs where end prices reflect past rises in raw material prices. Wage and borrowing costs are also still rising significantly.
- 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 should begin to support sales volumes.
- The beef retail market continues to be characterised by consumers trading down towards cheaper products, but a slowdown in price increases boosted steak sales in the summer. Sharp pork price rises are weighing heavily on sales volumes, but this is also reflective of tight supply. Lamb sales rebounded at GB level in July and August after a soft patch and retail prices are stabilising.
- Consumer confidence improved in August and remains better than in late-2022 despite concern over the potential for sharply increased mortgage payments as new fixed rate deals are agreed this autumn.
- PMI surveys are signalling a slight economic contraction in the UK, with demand softening in services while deteriorating further in manufacturing. While employment and vacancies have begun to fall, wage pressures remain considerable, supported by cost-of-living increments, particularly in the public sector.

Production costs and by-product revenues



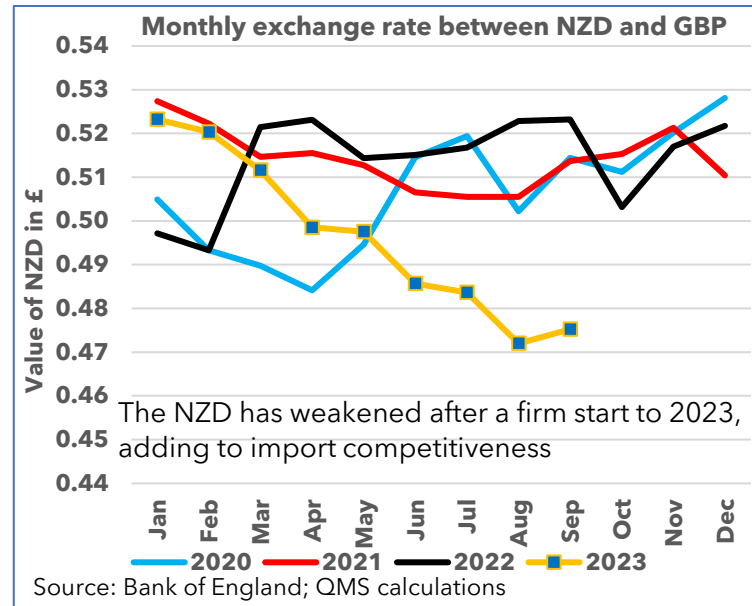
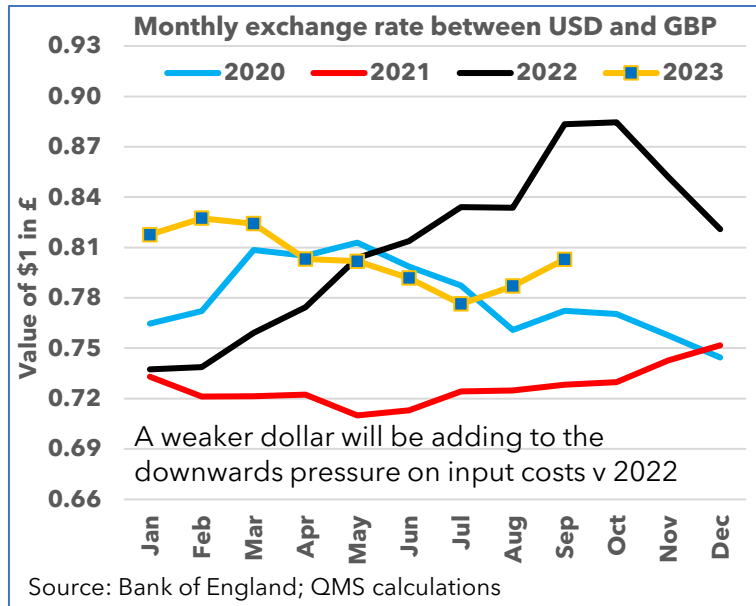
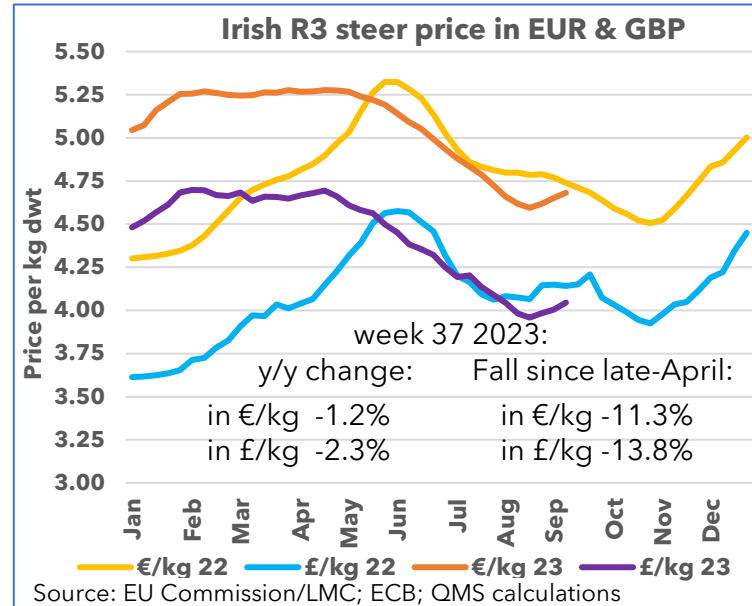
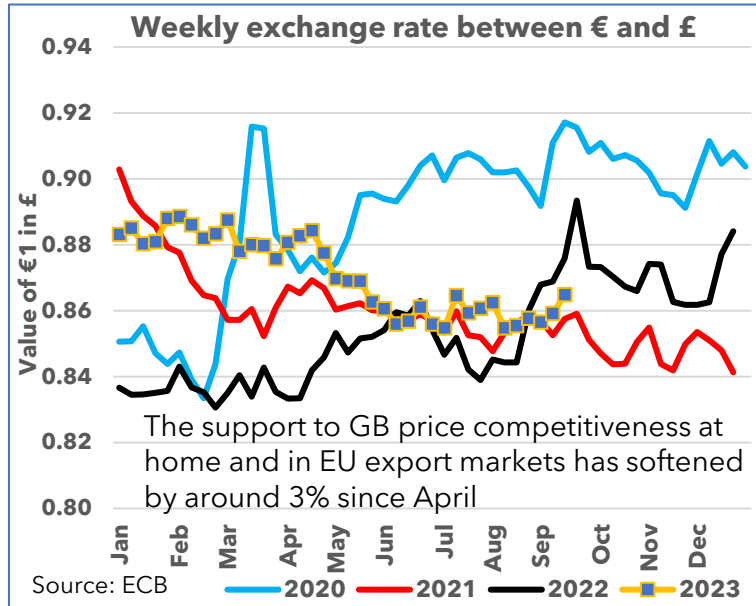
Commodity prices have fallen from their highs, added to by a weaker US dollar, but many are still well above pre-covid levels, meaning that businesses are still having to deal with higher cost bases than they have been used to. Crude oil prices have shown some rebound since July, and this has passed through to fuel costs. Natural gas and fertilisers are also above their lows. Contract pricing of inputs means that businesses may still be facing rising or unchanged costs even as commodity prices have dipped from their peak.



A well-supplied global grain market continues to limit any price rises from concern over the US harvest. Meanwhile, a record Brazilian soyabean crop has ensured that soyameal prices have fallen below year-earlier levels and Argentina is expected to see a sharp rebound in production in the coming season.

By-product value followed commodity markets lower in late-2022 but there has been a rebound since June, partially offset by a weaker US dollar. Hide value has been part of this rebound. However, in mid-September, a stronger pound than a year ago meant that hides were down 9% on 2022 in GBP while being down less than 1% in USD.

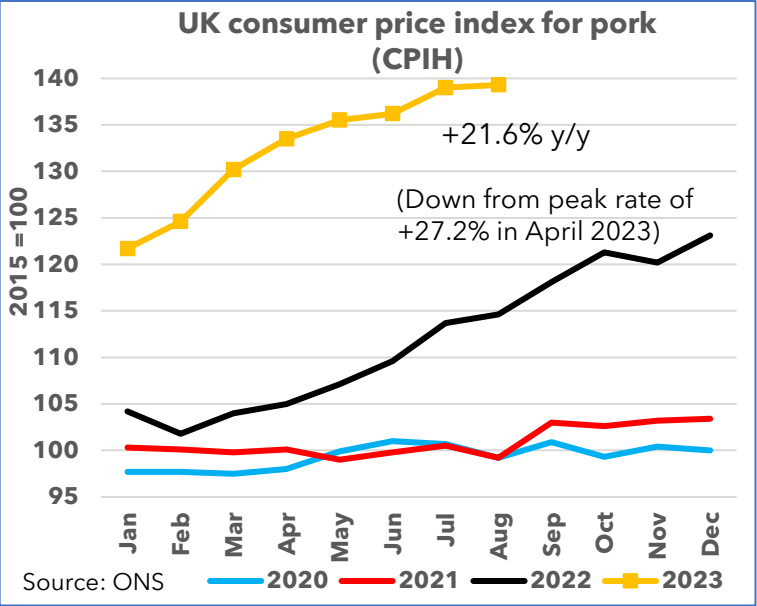
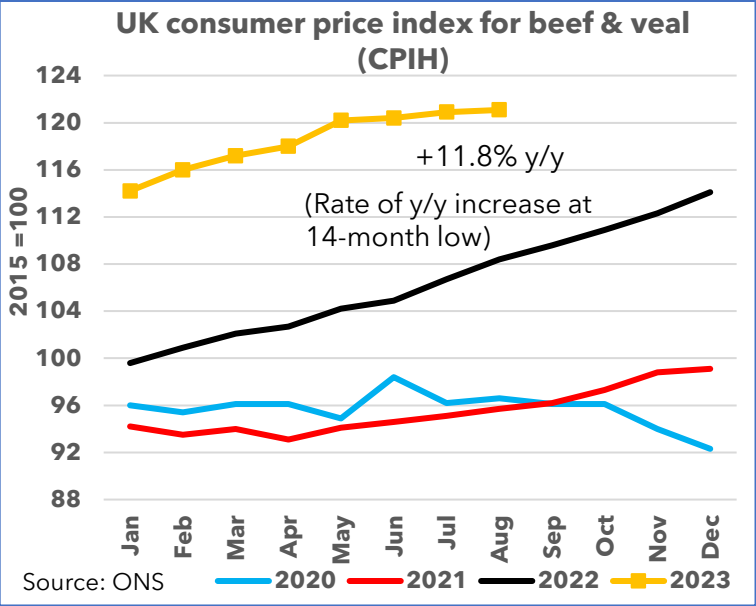
Exchange Rate Movements – UK interest rate rises had been supporting sterling, reducing the competitiveness of UK products



Sterling has been fluctuating within a relatively narrow range against the euro since June, reflecting settled expectations over the outlook for rising UK interest rates. 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 have been overly cautious with interest rate policy to try and get inflation down towards the 2% target. This stance has ensured that sterling has remained firmer than it had been in spring 2023. However, Bank Rate was left on hold in September and expectations are now that interest rates may have peaked, leading to a dip in sterling in late-September.

US economic data has remained relatively firm in 2023 but a slowdown in US inflation has limited expectations for further interest rate rises, limiting room for the dollar to rebound. While now below its summer peak against the dollar, sterling should hold stronger than in autumn 2022 when UK fiscal policy announcements led to a devaluation. A weaker USD than a year ago has softened input costs, but is also likely to have eased UK returns on dollar-denominated exports to non-EU countries. For example, an export price of \$5,000/t would have returned £4,420 in September 2022 but £4,020 in the first three weeks of September 2023 (-9%).

Retail demand and prices - signs that meat prices are beginning to stabilise but beef and pork still well above 2022 levels, limiting sales volumes. Foodservice sector firms continue to pass on higher cost base, signalling robust demand.

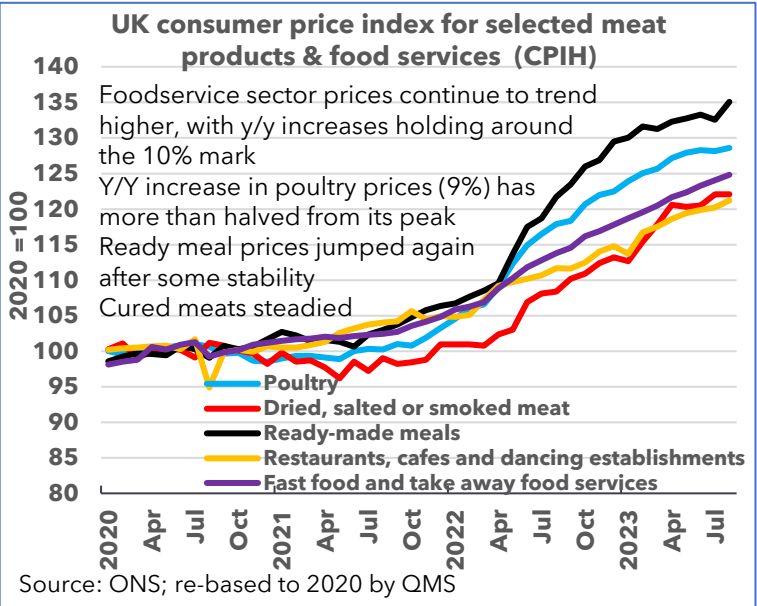
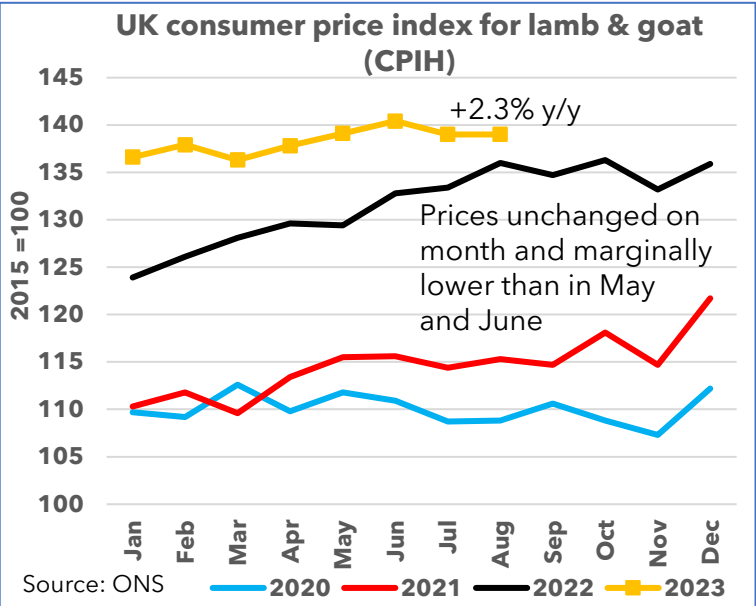


Retail demand remains firm overall with rising UK wages (+8.5% y/y in May-Jul) supporting the overall amount of money spent on groceries. However, sharply higher prices continue to limit sales volumes.

Sales figures from the 12 weeks to early September point to an improved trading environment relative to last year, particularly for beef, though sales had been very weak in summer 2022.

Lamb retail performance has generally been weak outside of festivals and remains an expensive protein despite its average price now slipping back.

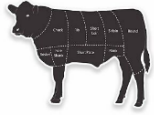
Pork retail prices continue to show sharp year-on-year uplift as previous rises in farmgate and import prices pass through the supply chain, squeezing sales volumes in line with tight supply.



Y/Y change in GB retail sales reported by Kantar in 12 weeks to 3/9/23			
	Value	Volume	Avg price per kilo
Fresh beef	+15.4%	+3.0%	+12.1%
Fresh lamb	+0.6%	+3.0%	-2.4%
Fresh pork	+12.8%	-8.9%	+23.8%
Fresh poultry	+12.1%	+3.1%	+8.7%
Total grocery market	+9.4%	-2.3%	+11.9%

Source: Kantar

Retail demand and prices – beef and pork prices continue to show strong year-on-year increases, limiting sales volumes, but lamb sales steady at GB level. Pork performing better than beef and lamb in Scotland relative to summer 2022.



BEEF

12 weeks to 6th August 2023



LAMB

12 weeks to 6th August 2023

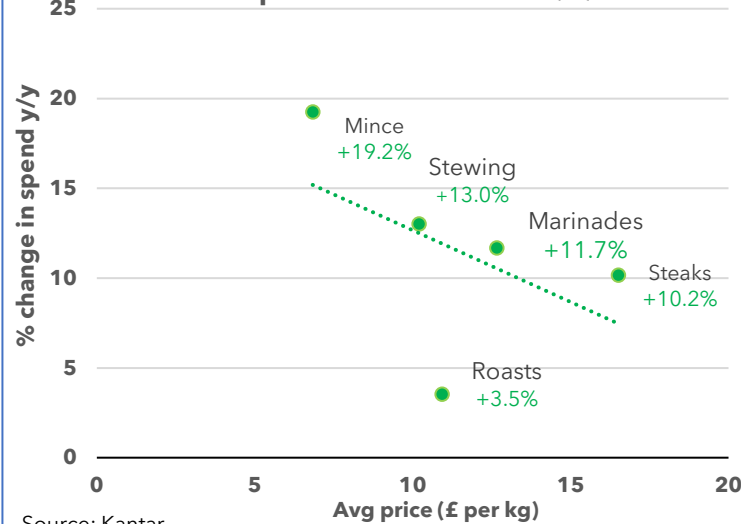


PORK

12 weeks to 6th August 2023

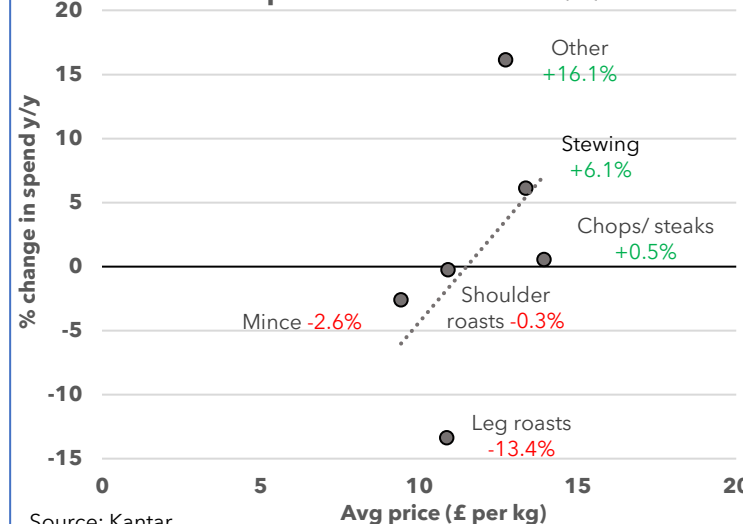
	GB	Scotland	GB	Scotland	GB	Scotland
Value (£m)	485.9 (+13.2% y/y)	48.1 (+6.1% y/y)	100.7 (-1.5% y/y)	5.0 (-23.9% y/y)	205.4 (+12.0% y/y)	14.4 (+19.9% y/y)
Volume (t)	49,781 (+0.8% y/y)	4,791 (-4.8% y/y)	8,420 (-0.6% y/y)	416 (-23.2% y/y)	31,290 (-7.5% y/y)	2,177 (+0.3% y/y)
Avg price (£/kg)	9.76 (+12.3% y/y)	10.05 (+11.5% y/y)	11.96 (-1.0% y/y)	11.95 (-0.9% y/y)	6.57 (+21.1% y/y)	6.63 (+19.6% y/y)
Penetration*	64.5% (-0.1% y/y)	68.7% (+0.6% y/y)	21.5% (+0.3% y/y)	15.5% (-3.8% y/y)	45.0% (-2.6% y/y)	39.2% (-0.9% y/y)
Frequency**	4.2 (+0.4% y/y)	4.2 (-4.7% y/y)	2.3 (-1.1% y/y)	2.0 (-12.7% y/y)	3.0 (-3.2% y/y)	2.7 (+5.6% y/y)

Relationship between GB household spending on beef and retail prices in 12 weeks to 6/8/23



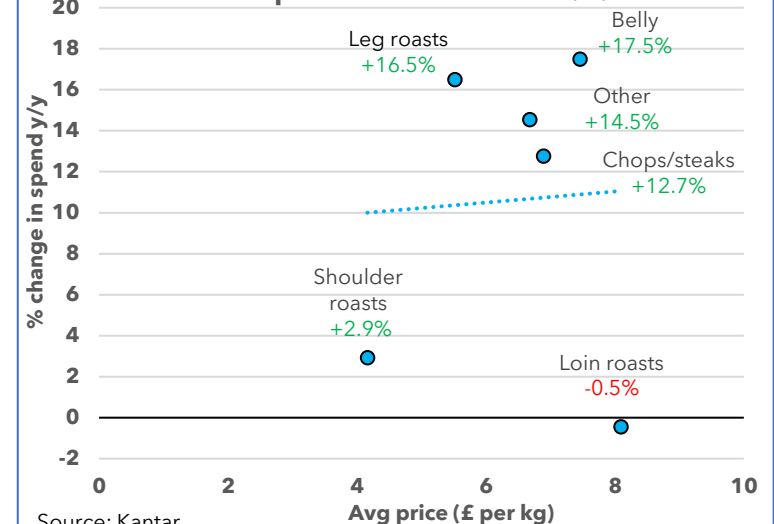
- Slowdown in steak price increases supported 5% y/y lift in sales volumes.

Relationship between GB household spending on lamb and retail prices in 12 weeks to 6/8/23



- Lamb leg sales surged around Easter but dropped sharply afterwards.

Relationship between GB household spending on pork and retail prices in 12 weeks to 6/8/23



- Pork belly and 'other' cuts performing best on volume due to slower price rises.

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.

