

QMS Monthly Market Update

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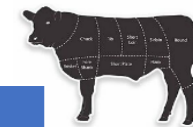
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Data Disclaimer: All deadweight price data used in this report is supplied to QMS by AHDB, who collect the data from reporting abattoirs each week and publish a consolidated set of data, regionally within GB for cattle, and GB-wide for sheep and pigs.

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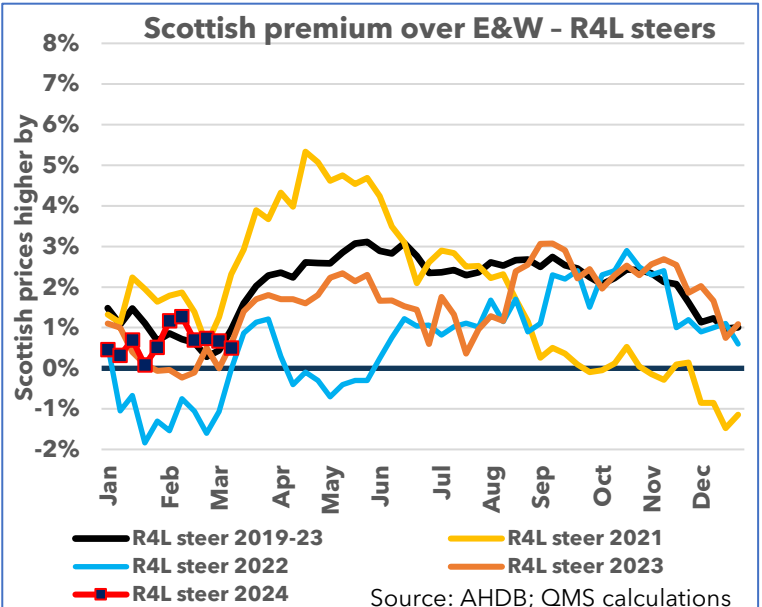
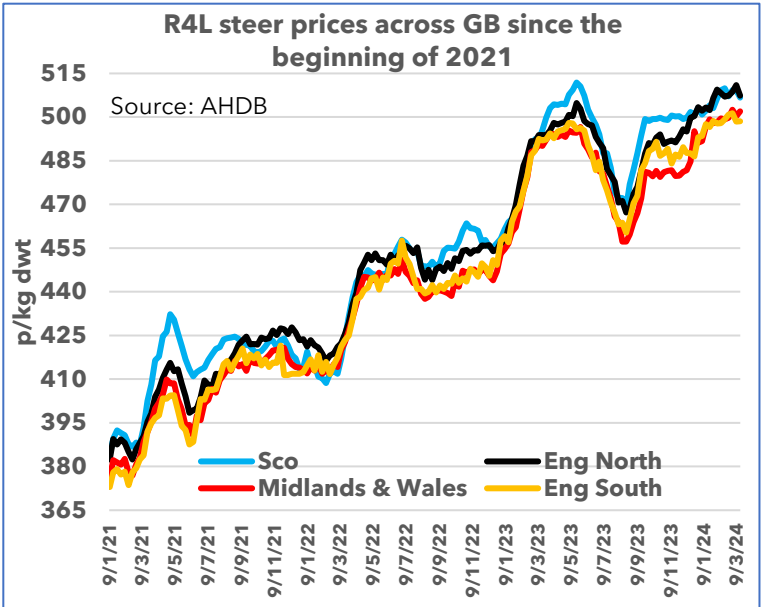
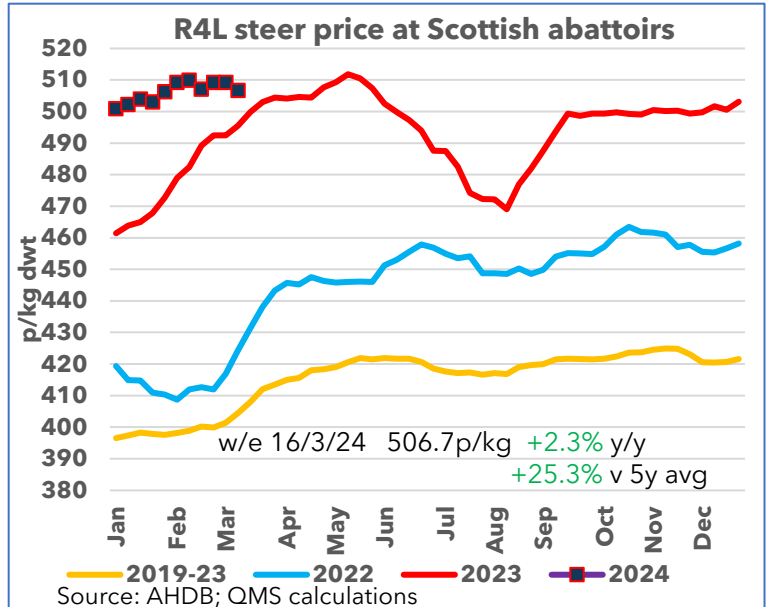
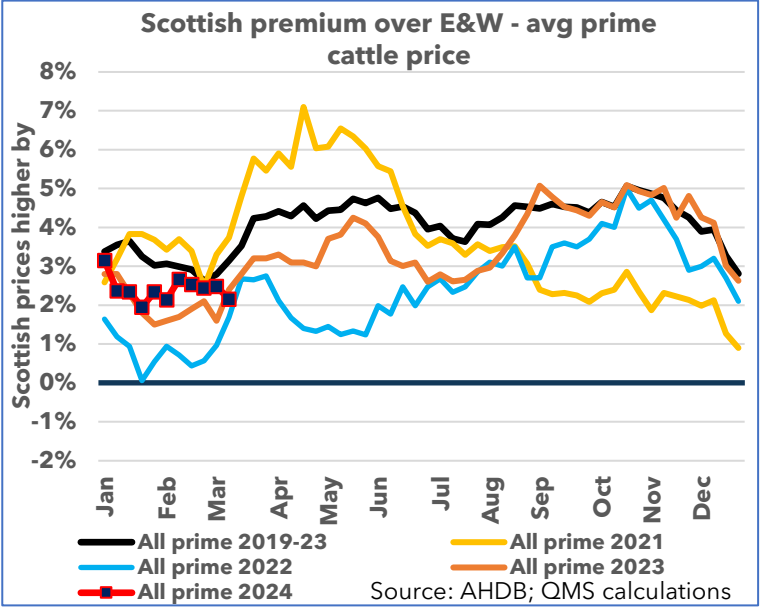
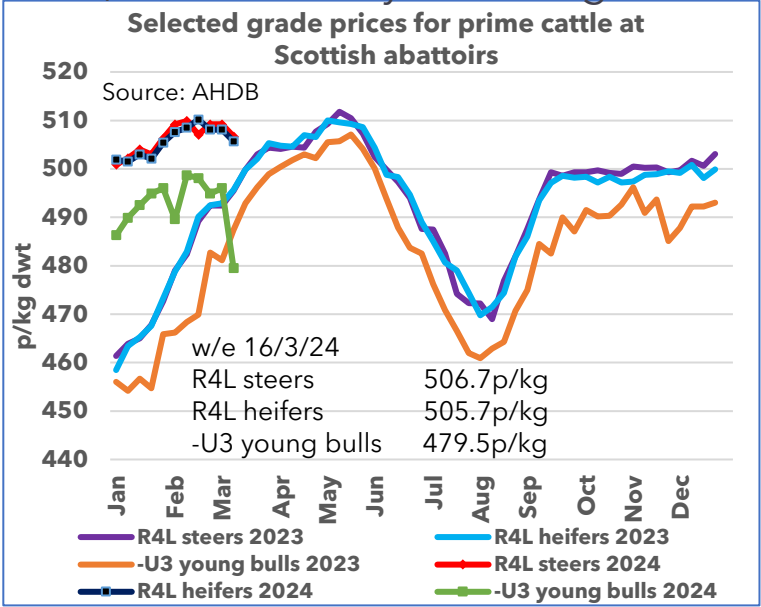
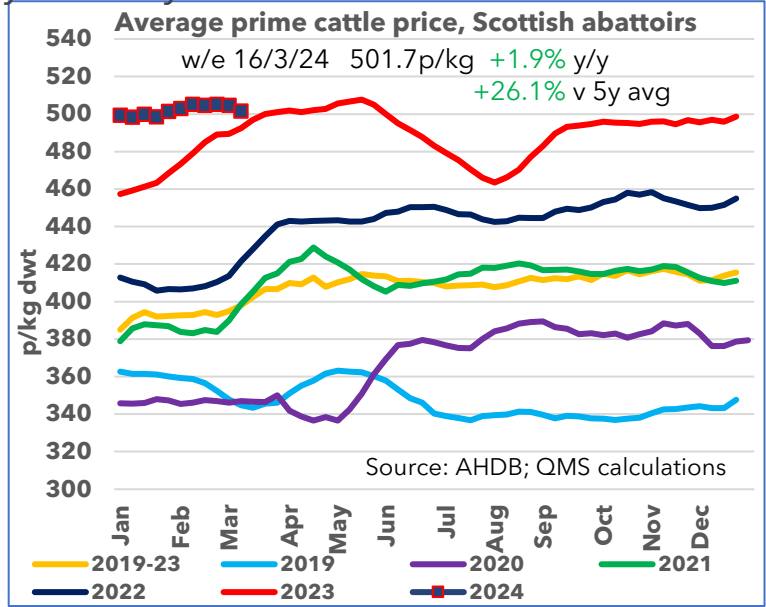
Summary of market developments – beef market



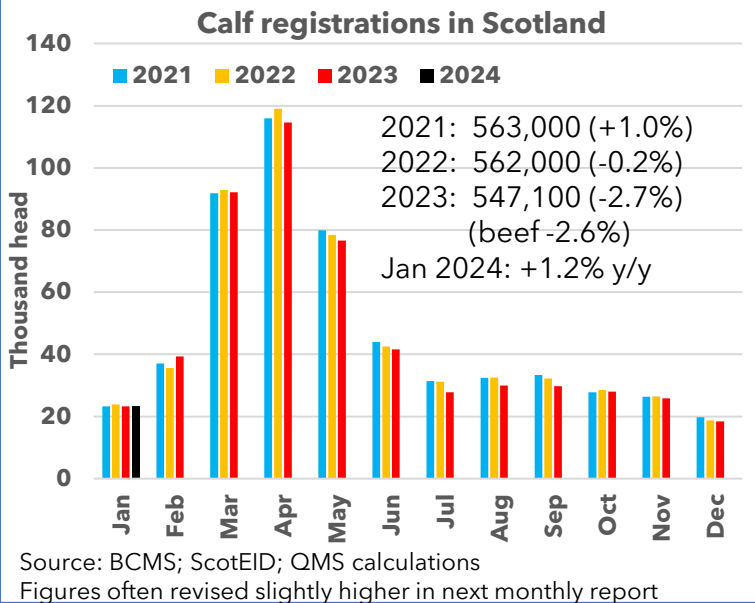
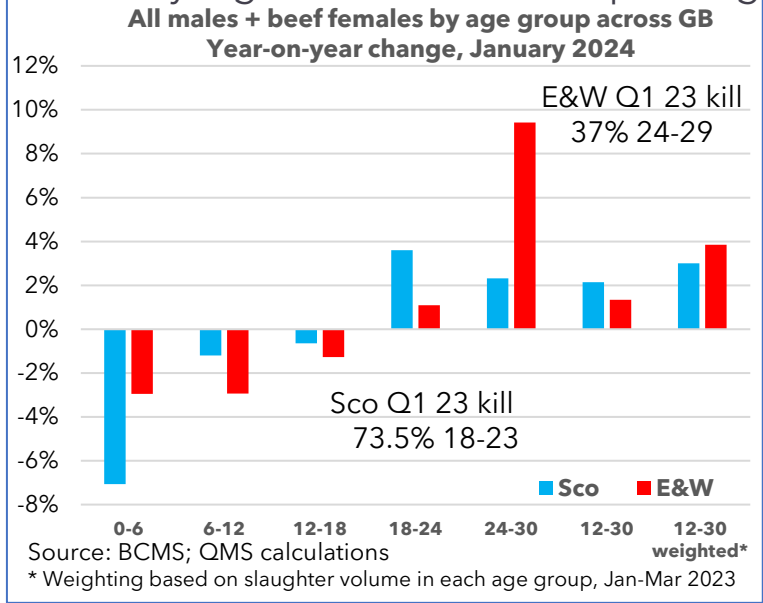
| Report Category | Basis | Average price or volume | Change on week | Change over four weeks | Change on year | Change on 5-year avg |
|--|---|-------------------------|----------------|------------------------|----------------|----------------------|
| R4L steer price at Scottish abattoirs | p/kg dwt, w/e 16 March | 506.7 | -2.5p | -0.6% | +2.3% | +25.3% |
| Prime cattle slaughter at price reporting Scottish abattoirs (87% of kill in 2023) | Average in four weeks to March 16, head procured deadweight | 6,056 | | +23.6% | -8.4% | -12.5% |
| Store price at Scottish auctions for steers aged 12-18 months | Average in four weeks to March 16, £ per head | £1,413 | | | +7.7% | +30.1% |
| UK beef market supply | Tonnes in Dec 23-Feb 2024 (estimate) | 262,800 | | | +2.6% | +3.2% |

- Prime cattle prices are starting to come under some pressure with availability on farm remaining firm and demand starting to soften seasonally now that procurement for events like Mother's Day and Easter has passed. Although year-on-year increases have slowed towards 2%, leads over five-year averages have held above 25%. Cow prices have continued to show a relatively sluggish seasonal upturn, particularly in Scotland, suggesting a relatively weaker market for manufacturing grade beef.
- Increased prime cattle numbers on farm at the start of 2024 have been supporting GB slaughter, which has been up significantly year-on-year. However, despite increased numbers on farm, throughput at Scottish abattoirs has continued to trail year-earlier levels, reflecting changes in the supply chain in spring and summer 2023.
- Despite a significant year-on-year decline in the cow kill at Scottish abattoirs since summer 2023, the beef herd still showed a year-on-year decrease of nearly 2% at the start of 2024, and a further reduction in the cow kill at the start of 2024 appears to have been driven by the dairy herd.
- 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 – prime cattle prices are starting to come under some pressure with availability on farm remaining firm and demand starting to soften seasonally now that procurement for events like Mother’s Day and Easter have passed. Although year-on-year increases have slowed towards 2%, leads on five-year averages have held above 25%.



Availability and slaughter – prime slaughter has continued to run above its 2023 weekly average level in Scotland, but remains historically low for the time of year despite a year-on-year increase on farm. The E&W prime kill has been trending seasonally higher and has been up strongly on 2023.

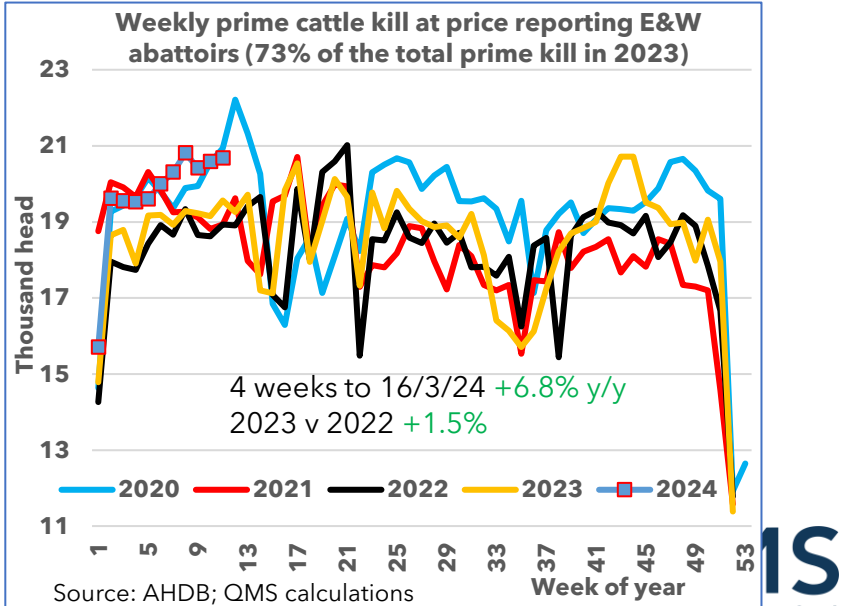
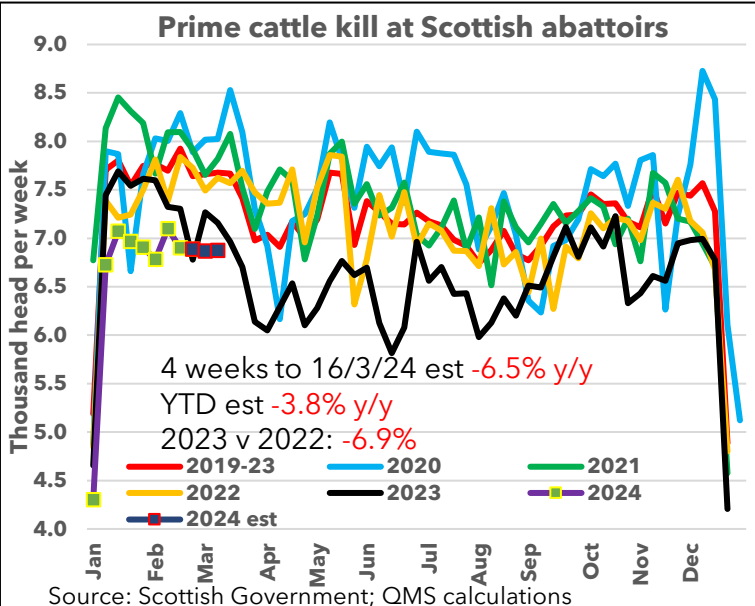
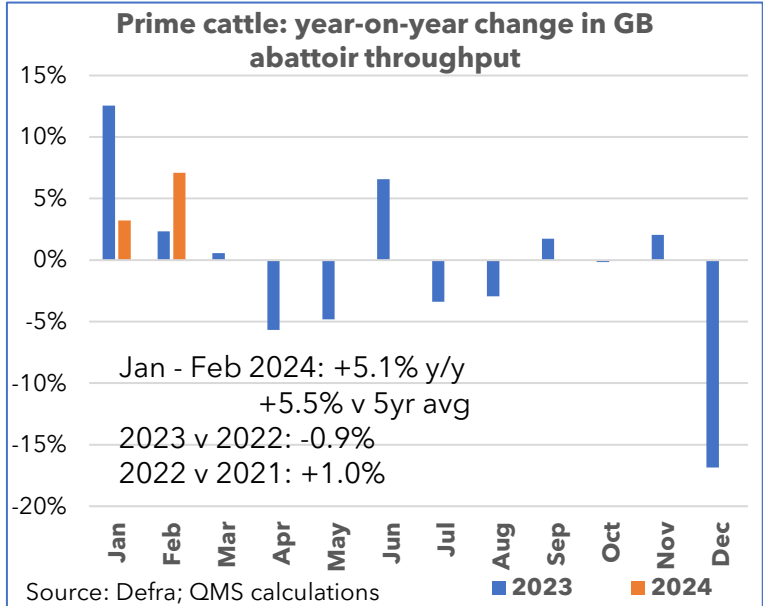


An increased prime cattle population on farm at the start of 2024 has continued to underpin slaughter across GB, which rose by 7% year-on-year in February. This supply-side pressure appears to have started to weigh on market prices.

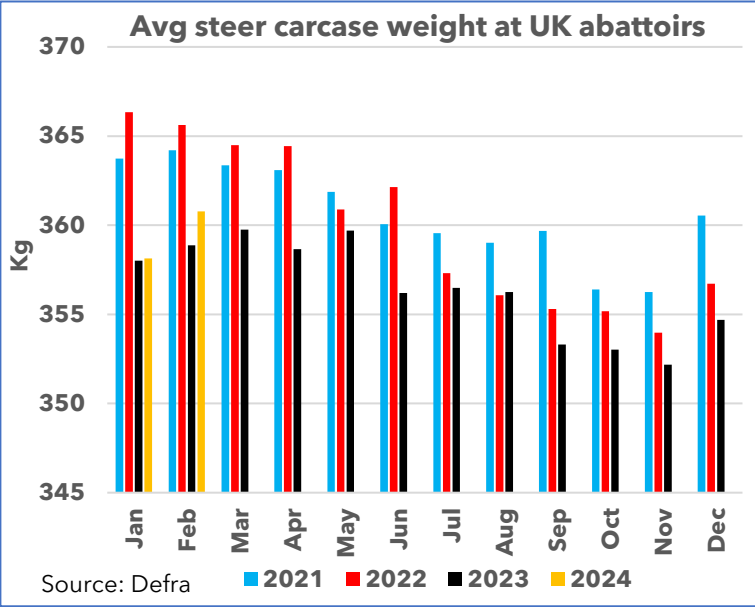
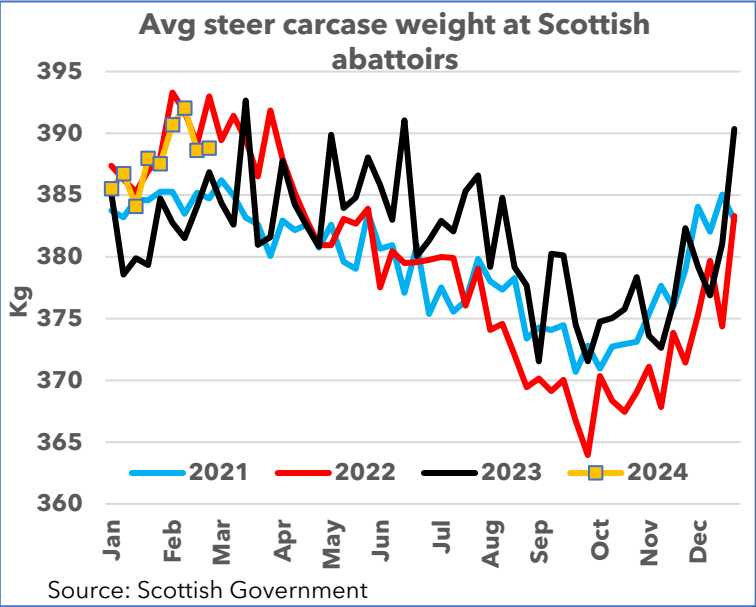
The prime kill in Scotland has still lagged behind year-earlier levels despite higher numbers on farm, reflecting changes in the supply chain in spring and summer 2023. This year-on-year deficit has started to ease since mid-February, reflecting that availability has remained seasonally firm this year but that slaughter had trended lower in February and March 2023.

Slaughter at the price reporting abattoirs in E&W has been trending higher seasonally and has pushed further above year-earlier levels in March.

In the short-term, a higher spring-2022 calf crop and a slight slowdown in the store cattle outflow in 2023 from the highs of 2022 should be supporting availability in Scotland, but weekly slaughter does often dip back in April before rebounding in May and then slowing down again in the summer. Numbers could tighten on a year earlier in the autumn as the reduced 2023 spring calf crop starts dominating slaughter.

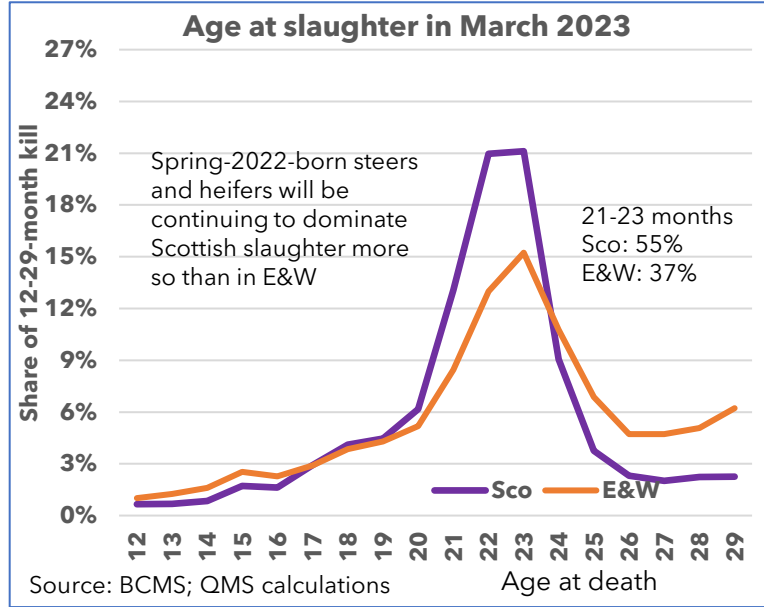
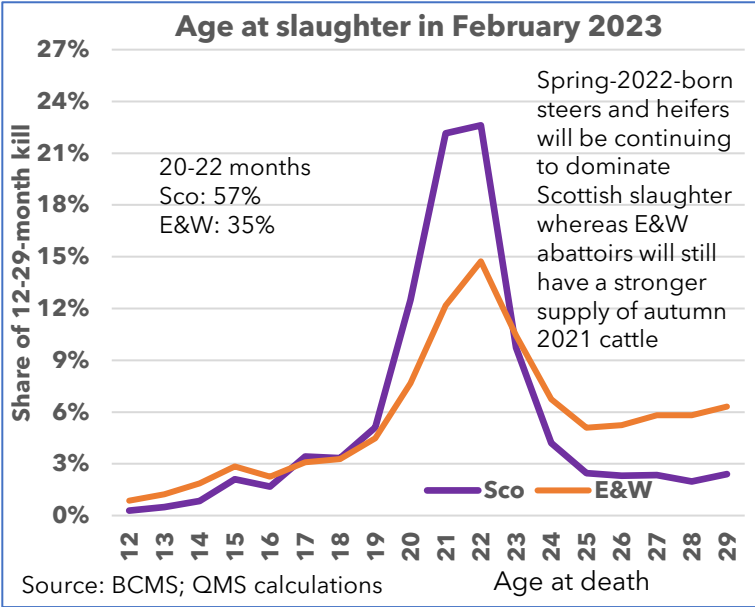
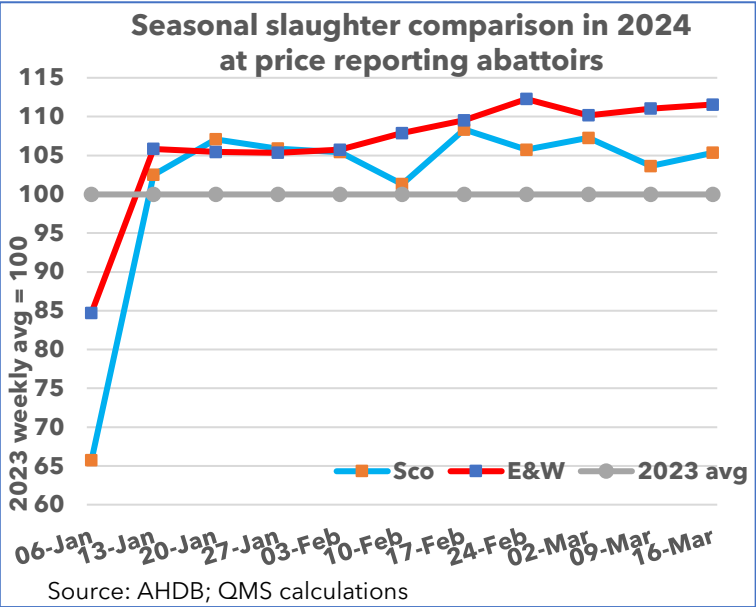


Seasonality of production – while availability should remain seasonally firm in Scotland during the spring, the 2022 spring calf crop is now starting to pass its peak slaughter age

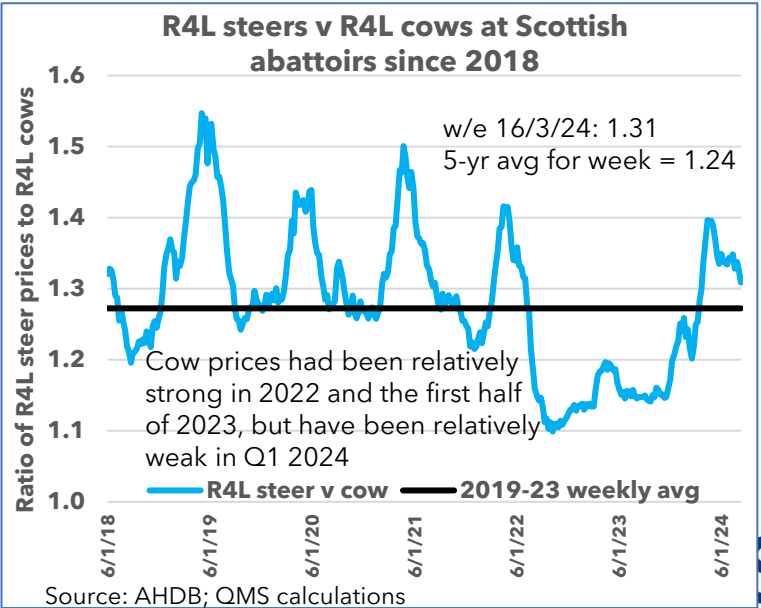
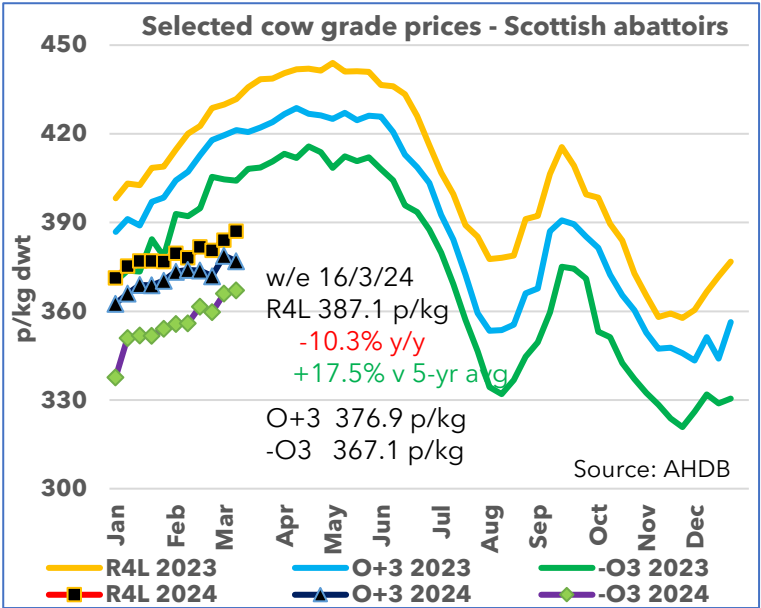
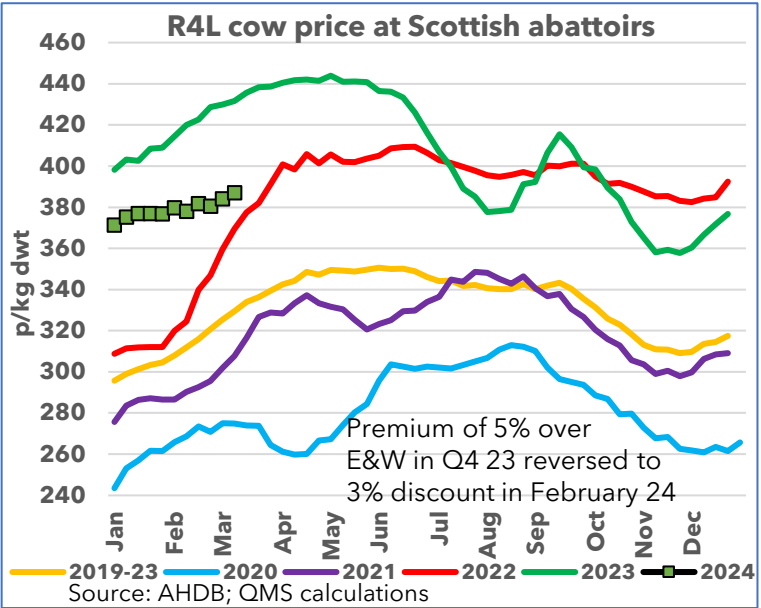
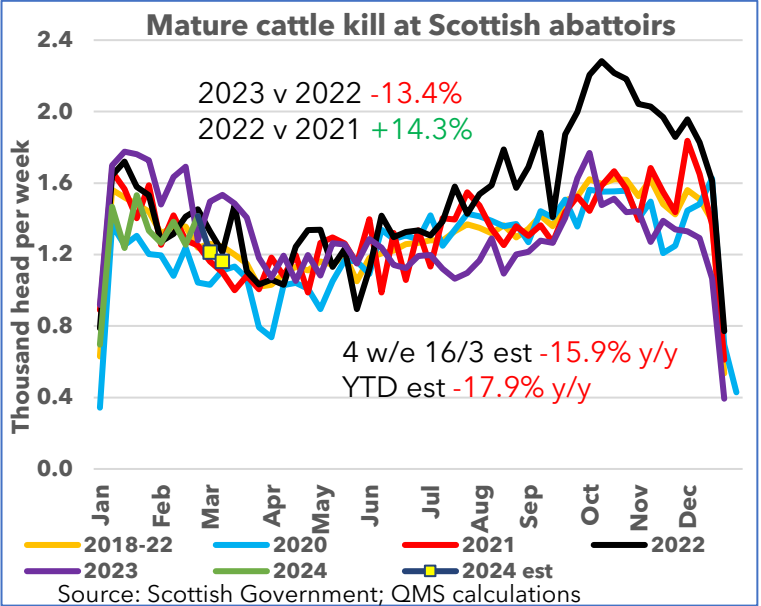
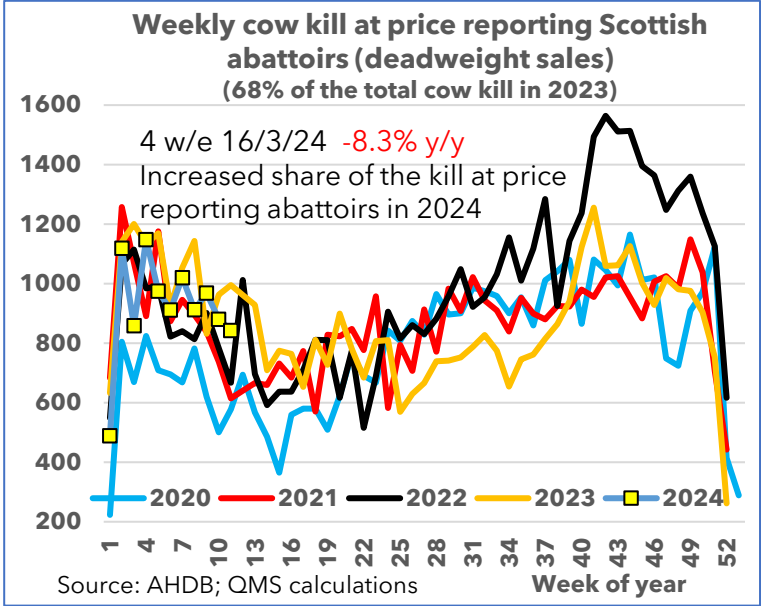
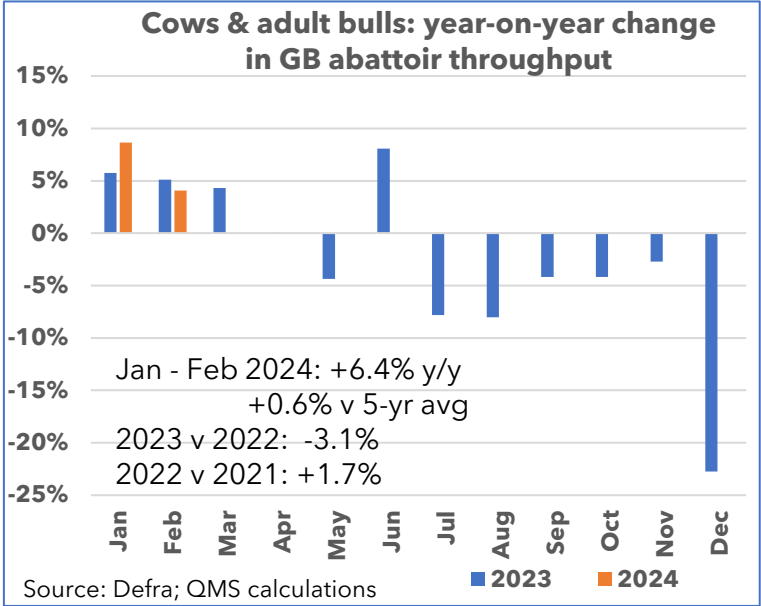


In theory, availability for slaughter should remain relatively firm in Scotland, although the spring calf crop from 2022 is starting to pass its peak slaughter age, signalling the potential for some slowdown.

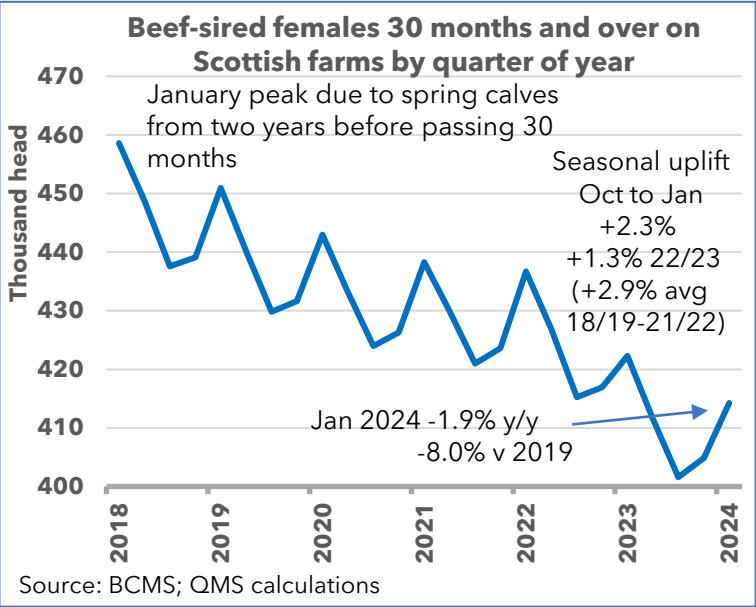
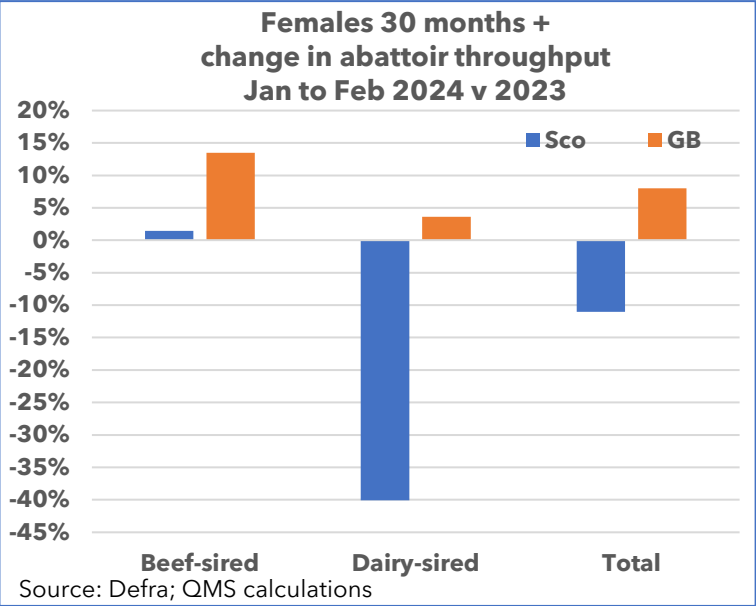
Carcase weights have been showing year-on-year increases in Scotland since spring 2023. Meanwhile, the UK average has started to show a similar trend at the start of 2024, adding further support to beef production volumes.



Mature cattle market – sluggish start to the year for cow prices, which are relatively weak for the time of year, suggesting a soft market for manufacturing grade beef. 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 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.

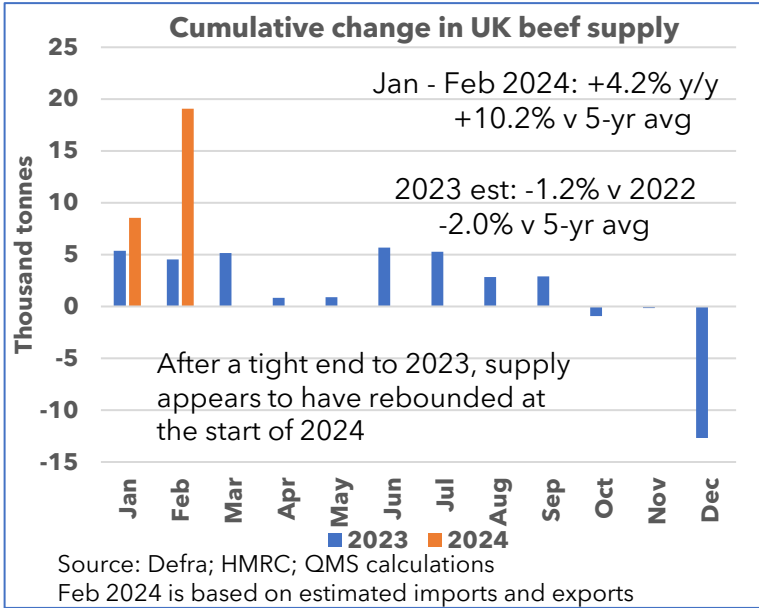
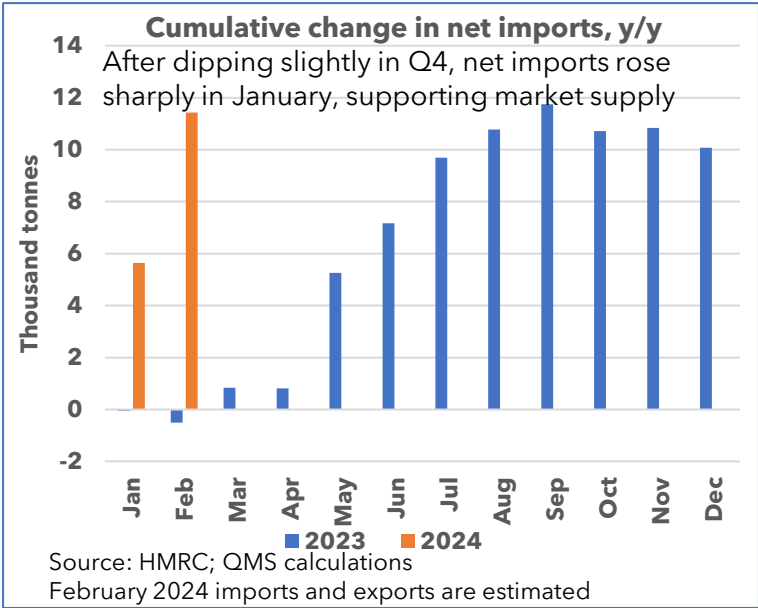
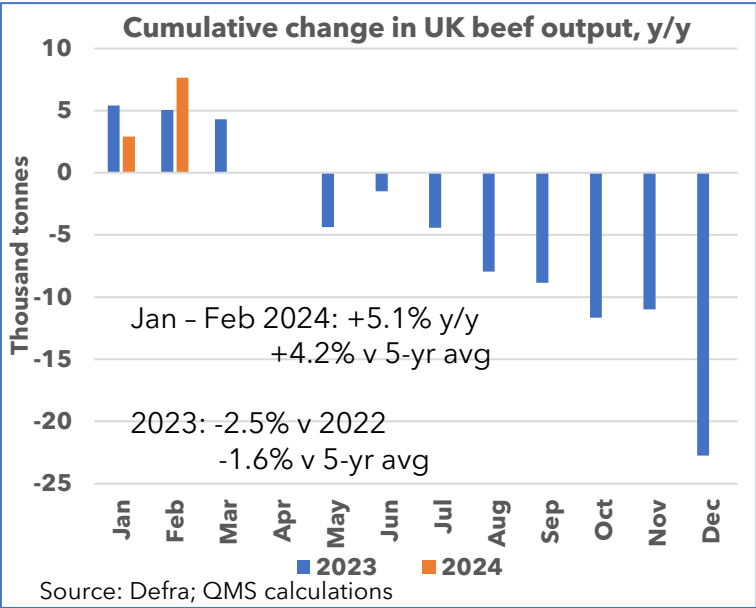
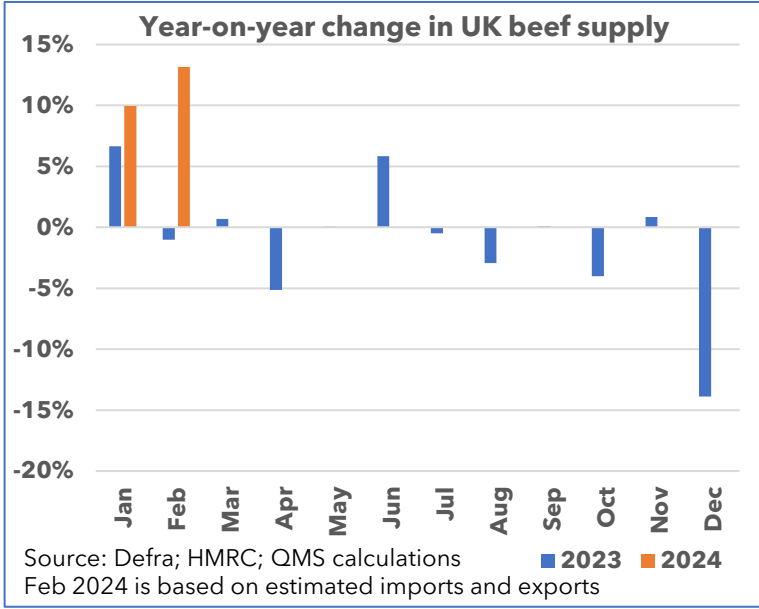
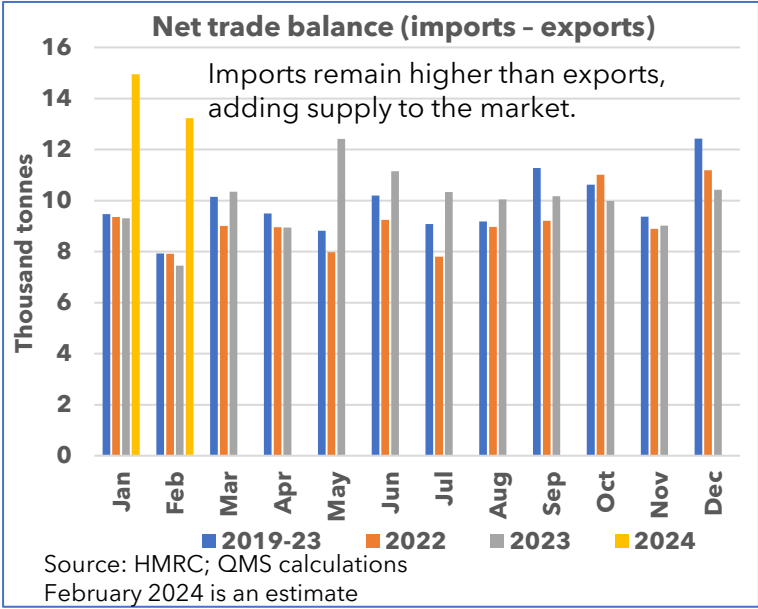
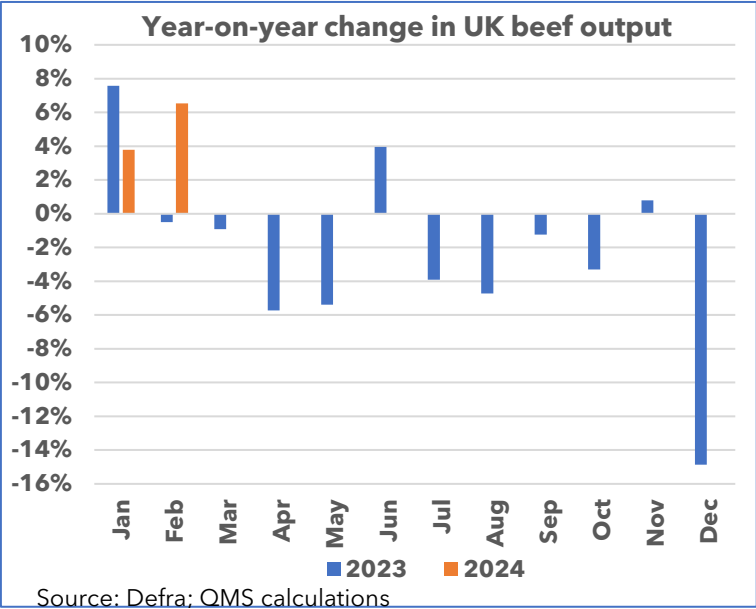
Continuing strong herd decline in England & Wales is set to maintain firm demand from English finishers for Scottish-born beef calves.

| 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% |

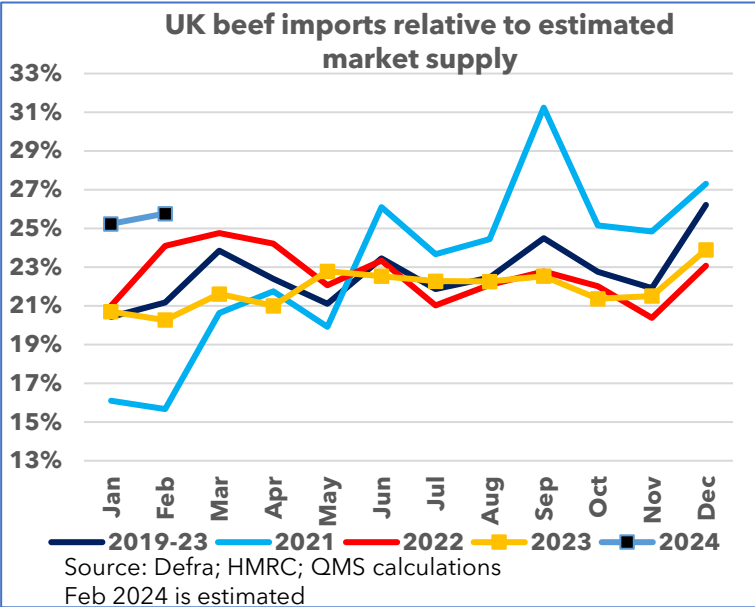
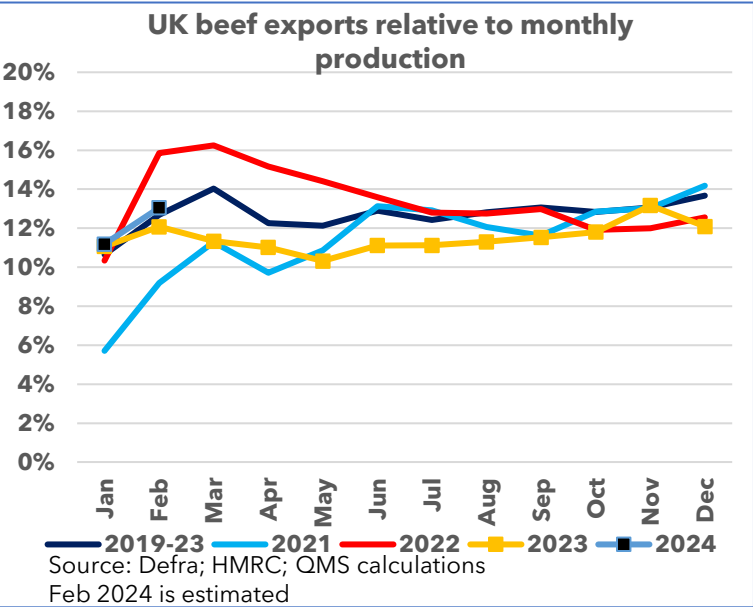
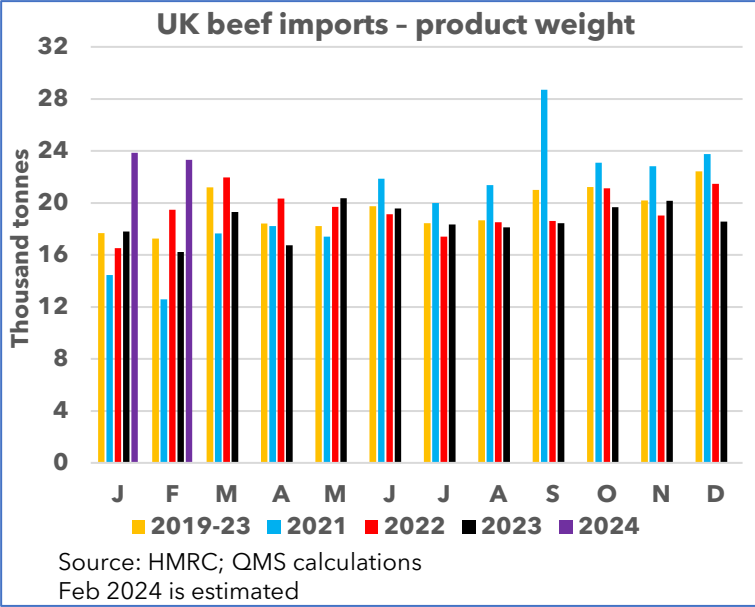
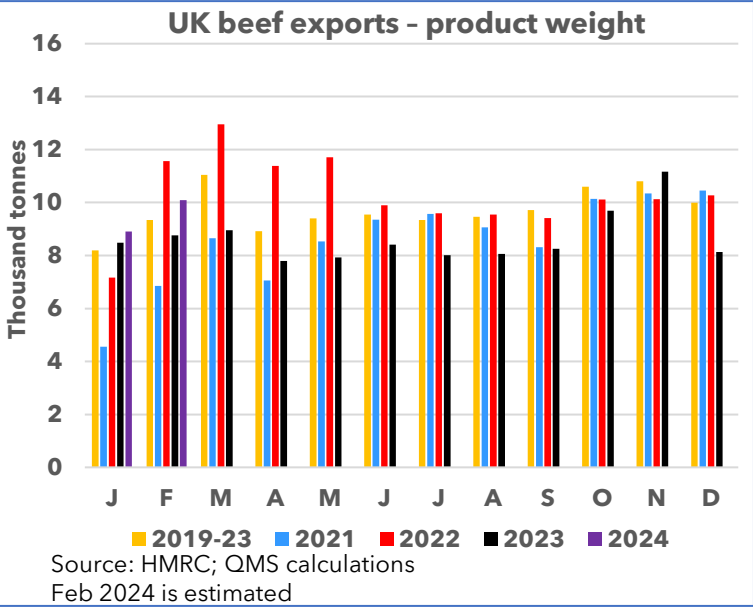
Source: Defra; Scottish Government; QMS calculations
*Please note dairy cow numbers were revised downwards from the +2.0% figure initially published

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

- Tight end to 2023



A focus on UK international trade in beef - Strongest start to a year for exports since 2020, but imports also surged after a soft December for imports and domestic production, which are likely to have left the market short of supply going into January



UK beef export volumes rebounded in January, supported by increased domestic production. Volumes rose by 5% year-on-year.

While trade with EU countries continued to fall short of year-earlier levels, down 3.4%, sales to non-EU markets rebounded after a weak December and were more than double January 2023 levels (though still below January 2022).

Imports to the UK also rebounded in January having undershot expectations in December. This may have been a response to the combination of reduced domestic production and lower imports which are likely to have left the market short of supply going into 2024. January imports were up by 34% on 2023 and the highest for the month this century.

Imports from the EU and non-EU sources were up strongly; the former by 32% and the latter by 75%. Although imports from Australia dipped for a fourth straight month, at 201t, they were still more than four times their January to May 2023 average, in a sign that the increased quota granted at the end of May 2023 is being used.

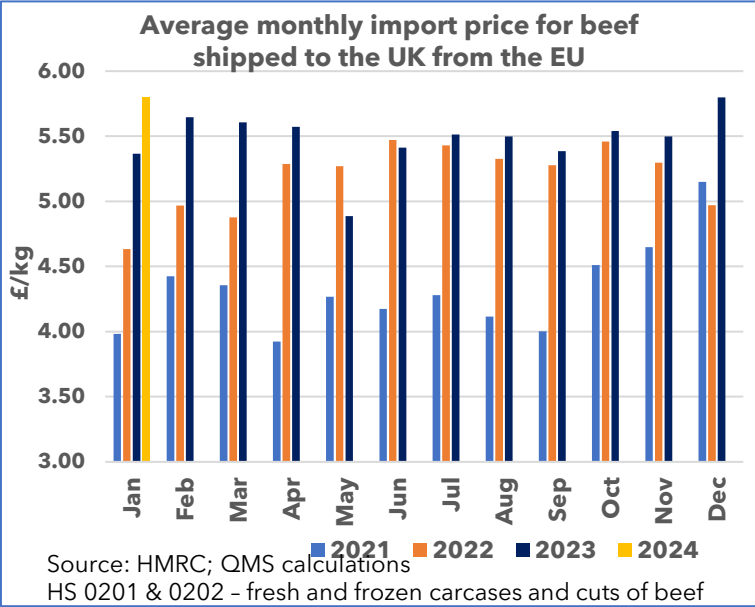
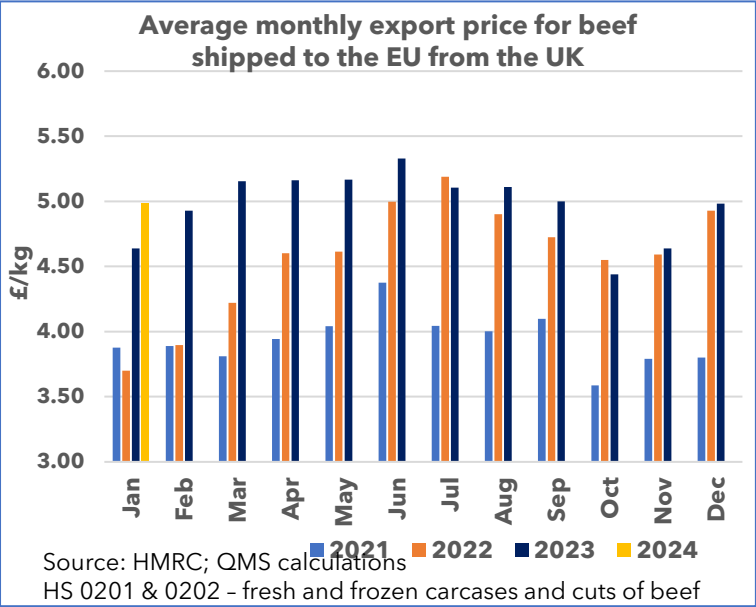
The EU accounted for 94.5% of UK import volumes and 85.3% of exports in January 2024.

Note:

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

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

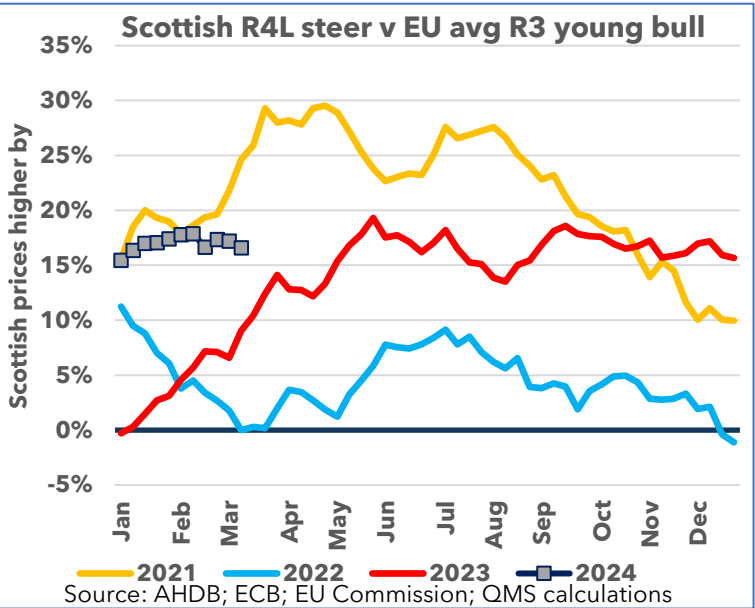
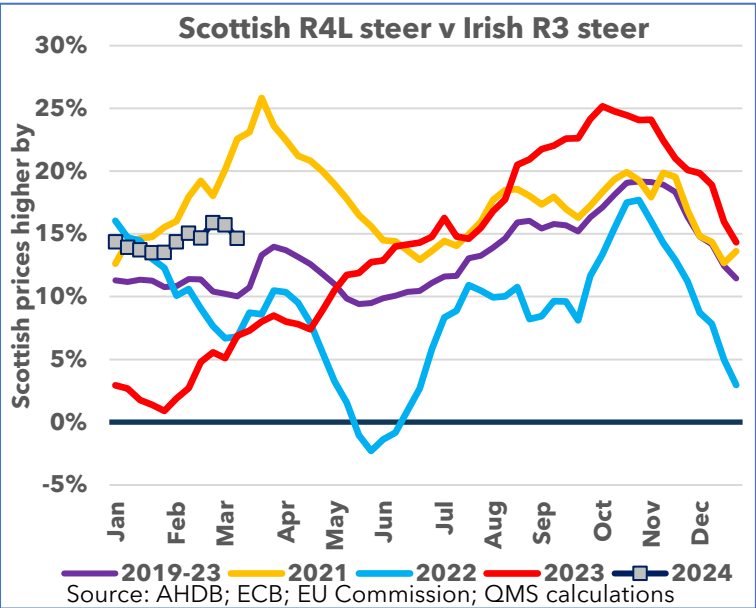
Variables influencing international trade in beef – Scottish prices remain much less competitive against Irish and EU averages in March than in 2023, partly reflecting exchange rates.



After a slight dip in February, Irish prime cattle prices have rebounded in March with numbers tightening seasonally. While the gap between Scottish and Irish prices has narrowed from a year-to-date high, it remained well above its five-year average for the time of year in mid-March.

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.

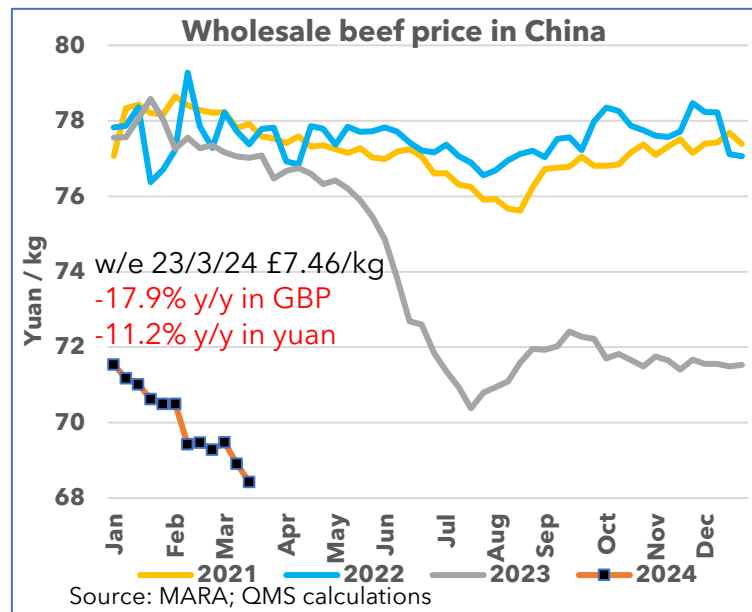
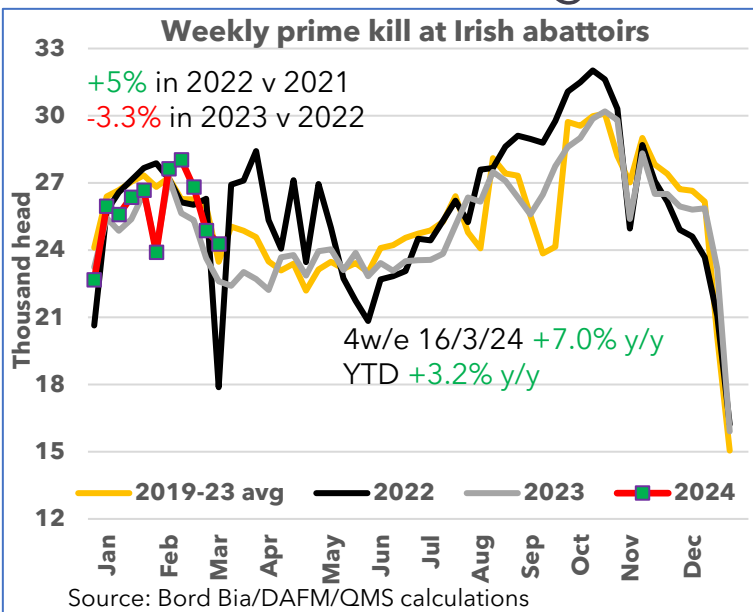
Competitive pressures did not prevent year-on-year increases in UK import and export prices in late-2023 and early 2024.



| Selected EU cattle prices for R3 males, converted from euro to p/kg dwt | | | |
|---|--------------|--------------|--------------|
| | Week 11 2024 | Week 7 2024 | Week 11 2023 |
| Germany (young bull) | 424.6 | 426.8 | 450.7 |
| Netherlands (young bull) | 389.1 | 324.7 | 455.7 |
| Spain (young bull) | 442.0 | 434.3 | 476.9 |
| Poland (young bull) | 416.3 | 413.9 | 428.5 |
| Irish Republic (steer) | 442.0 | 443.2 | 463.5 |
| For comparison: Scotland R4L steer | 506.7 | 509.9 | 495.5 |
| 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 in beef



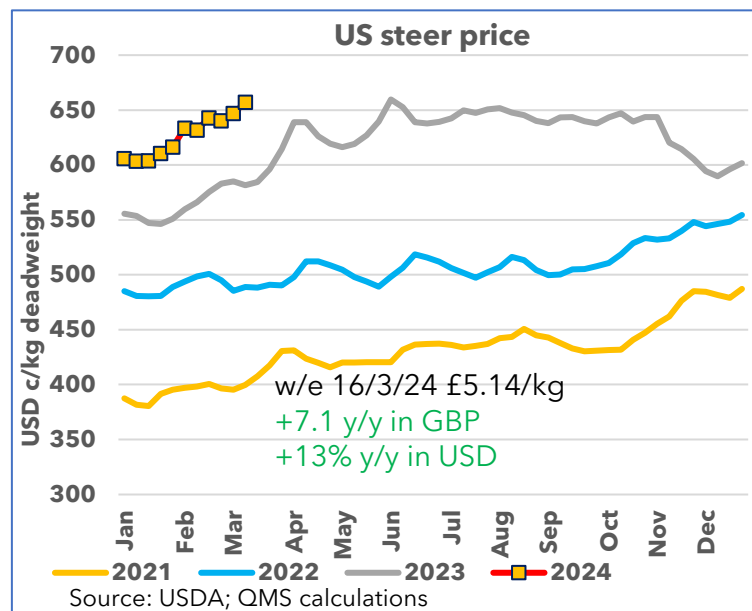
In the Irish Republic, slaughter has fallen back from the seasonal peak reached in February. However, throughput has been running above 2023 levels in contrast to expectations of tight supply this year. Census results from December suggest that things could tighten once an increased number of older prime 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.

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

| Key indicators | 2021 | 2022 | 2023 | 2024 |
|--------------------------------------|-------|-------|-------|-------|
| World, production | 58.36 | 59.28 | 59.37 | 59.49 |
| USA, production | 12.73 | 12.89 | 12.29 | 11.90 |
| Brazil, production | 9.75 | 10.35 | 10.56 | 10.84 |
| EU, production | 6.88 | 6.72 | 6.43 | 6.40 |
| Australia, production | 1.90 | 1.88 | 2.22 | 2.35 |
| All countries, imports | 9.95 | 10.24 | 10.33 | 10.28 |
| China, imports | 3.02 | 3.50 | 3.58 | 3.55 |
| USA, imports | 1.52 | 1.54 | 1.68 | 1.71 |
| EU, imports (from non-EU sources) | 0.32 | 0.37 | 0.36 | 0.38 |

Source: USDA Foreign Agricultural Service



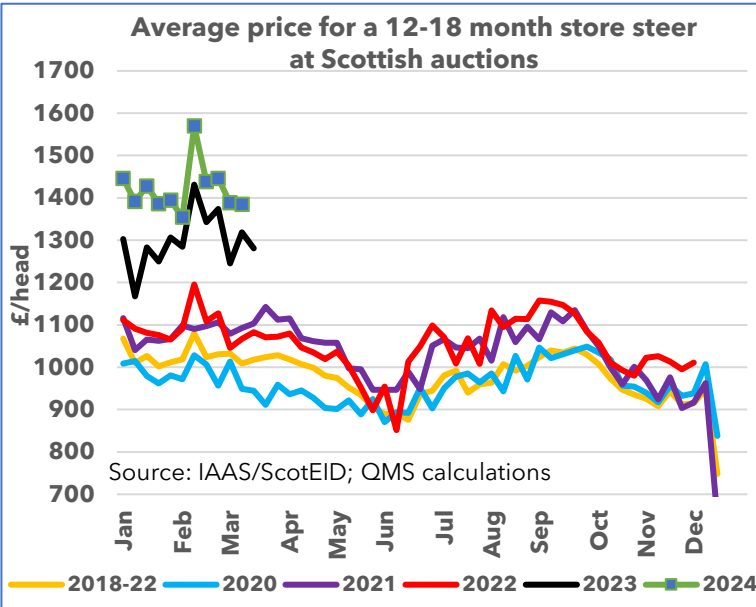
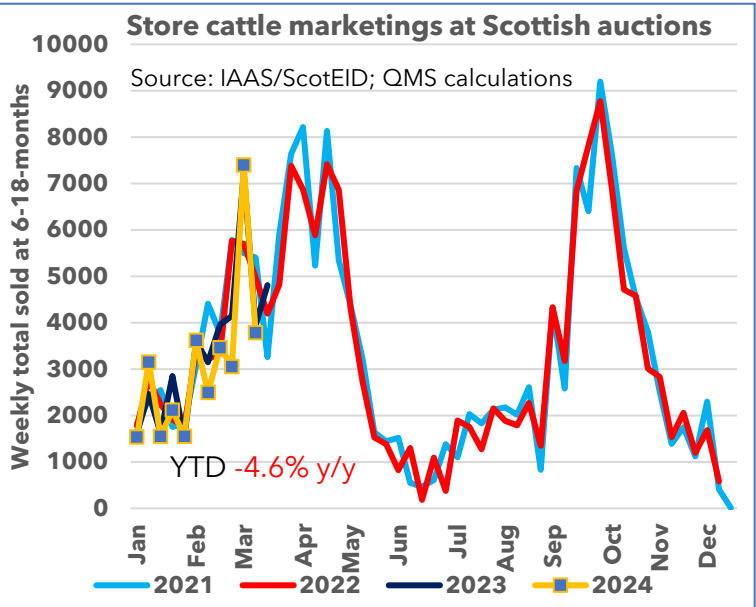
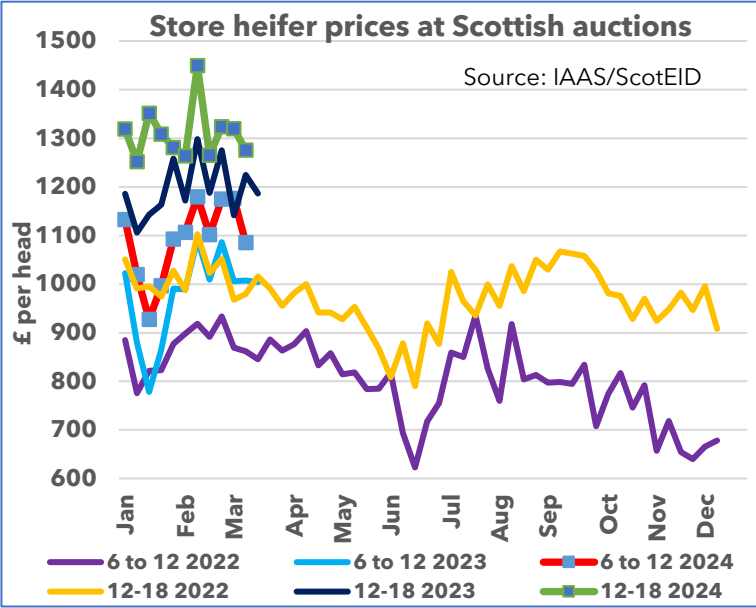
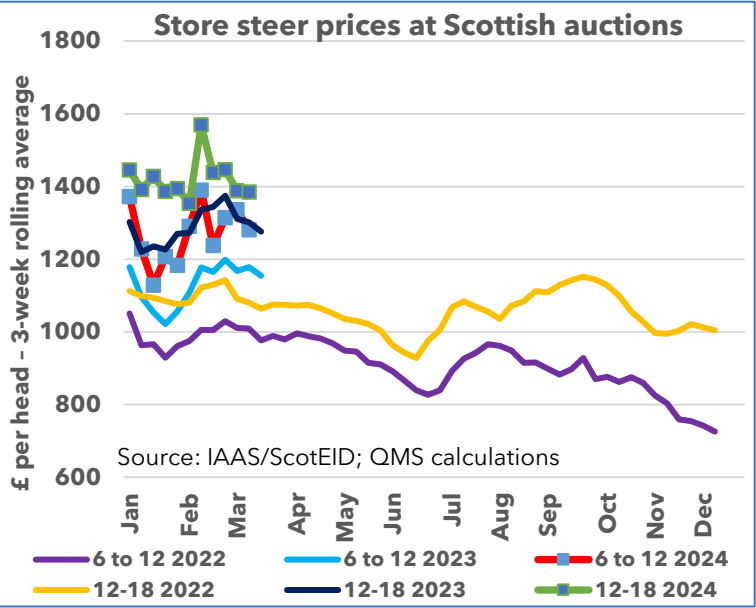
Global beef output has been forecast to rise marginally in 2024 but consumption to fall marginally. However, the mismatch between supply and demand in major beef producing and consuming countries will continue to support global trade flows in 2024.

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 16/3 | y/y change last 4 weeks |
|---|-----------------|-------------------------|
| Store cattle prices | | |
| Steers, 6-12 months | £1,304 | +11.6% |
| Steers, 12-18 months | £1,413 | +7.7% |
| Heifers, 6-12 months | £1,142 | +11.4% |
| Heifers: 12-18 months | £1,300 | +8.6% |
| Store cattle marketings | | |
| All steers & heifers, 6-18 months | 17,700 | -8.1% |
| Source: IAAS/ScotEID; QMS calculations Prices rounded to nearest £1 and numbers to nearest 100 | | |

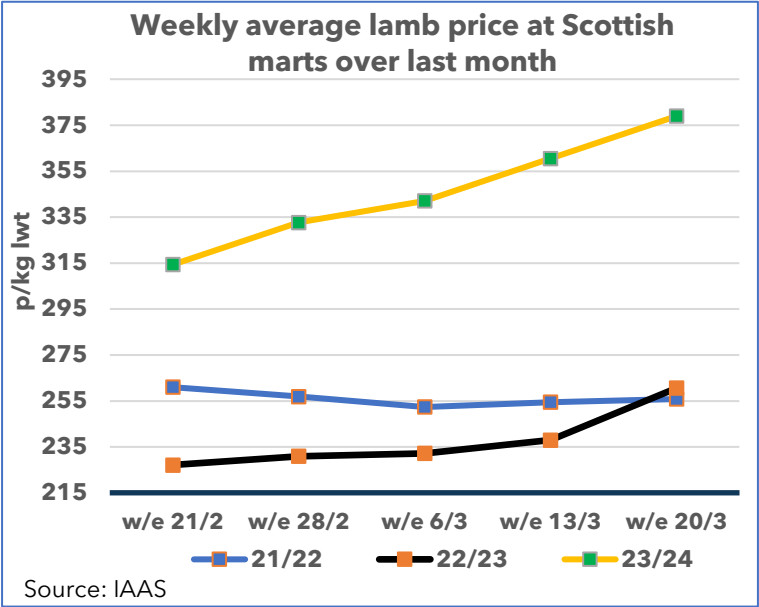
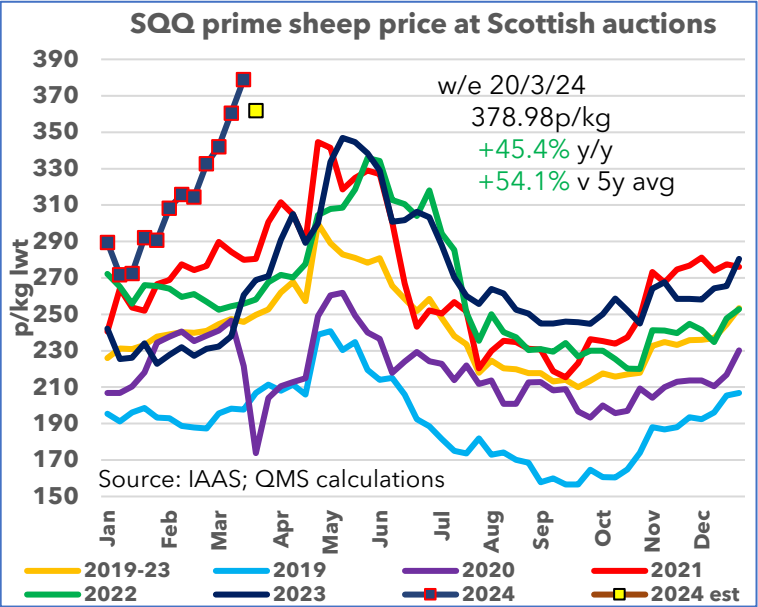
Summary of market developments – sheep market



| Report Category | Basis | Average price or volume | Change on week | Change over four weeks | Change on year | Change on 5-year avg |
|---|---|-------------------------|----------------|------------------------|----------------|----------------------|
| Old season SQQ lamb price at Scottish auctions | p/kg lwt, w/e 20 March | 378.98p/kg | +18.46p | +20.6% | +45.4% | +54.1% |
| Old season lamb marketings at Scottish auctions | Average in four weeks to 20 March, head | 24,003 | | +13.1% | +2.4% | +8.3% |
| Lamb slaughter at GB abattoirs | Total between June 2023 and February 2024, million head | 8.905 | | | +0.1% | -5.3% |
| UK sheepmeat market supply | Tonnes in Dec 23-Feb 2024 (estimate) | 58,200 | | | -3.7% | -8.9% |

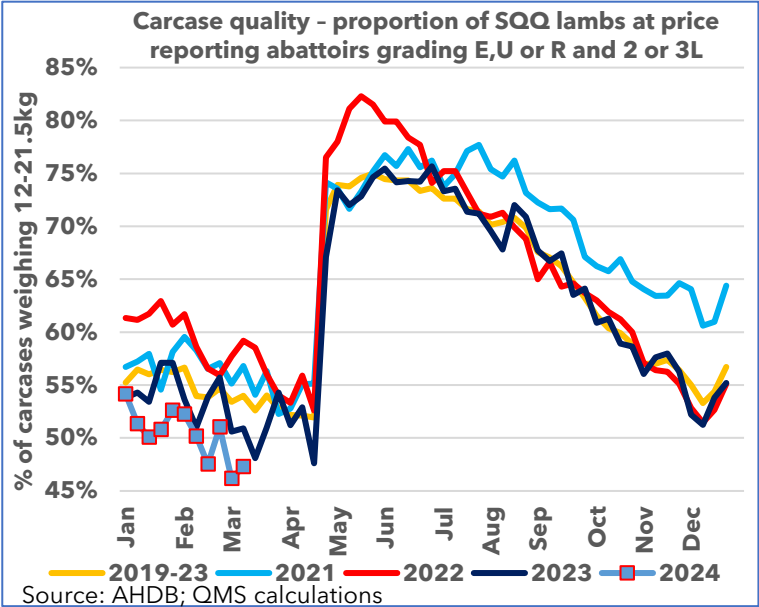
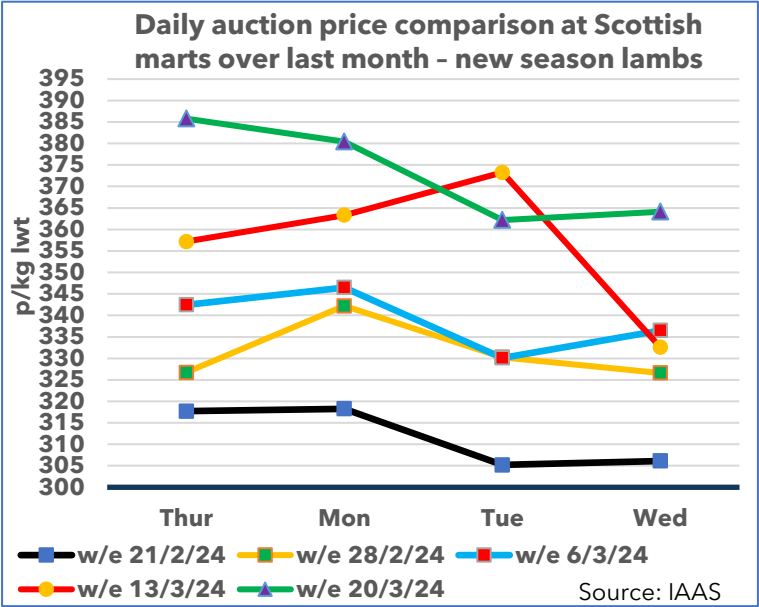
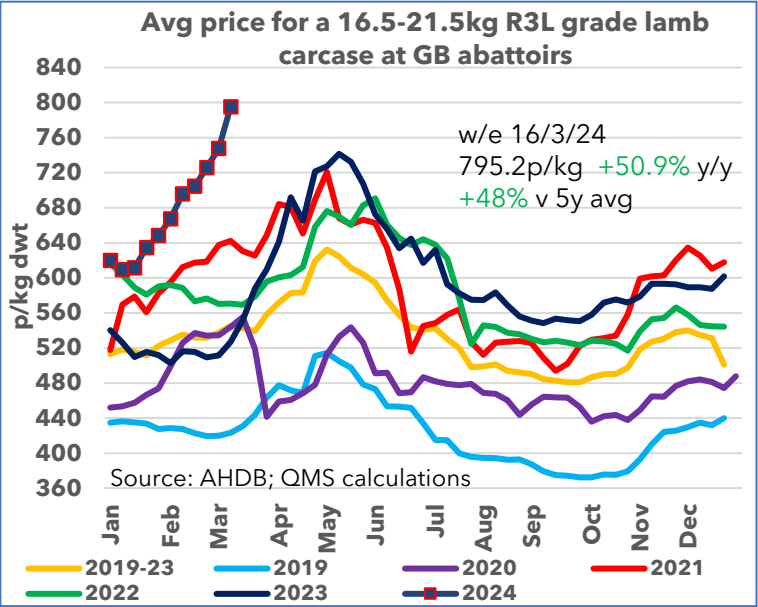
- Hogg prices have risen strongly in the run up to Easter at Scottish marts, passing previous record new season highs and averaging around 50% above 2023 levels and the five-year average in the third week of March. While there has been a slight softening in the final week of the month, prices are still set to average above 360p/kg and the the Eid al-Fitr festival at the end of Ramadan is drawing close.
- Despite the smaller 2023 lamb crop across GB (-6.3% year-on-year) and smaller carryover of hoggs into 2024, auction and abattoir throughput continued to hold up surprisingly well in early 2024, and this may have limited the expansion of supply to meet the additional demand for Ramadan and Easter. It may also ensure that the market remains tight during the second quarter of the year.
- GB retail data indicates that lamb sales performance continued to look positive in both value and volume in the 12 weeks to mid-February 2024, supported by an increased share of households buying it, but if rising farmgate prices were to pass through the supply chain, this could test the recent strength of demand.
- Although UK imports continued to show significant year-on-year increase in January 2024, export volumes remained higher than imports, resulting in a tightening effect on domestic market supply.
- Figures from Beef + Lamb New Zealand suggest that NZ has a larger lamb crop this year while Australia's sheepmeat production and exports are expected to continue rising in 2024. In addition, shipments to the UK from Australia continue to receive support from increased market access under the terms of the FTA. This could partially offset some of the anticipated market tightening from lower domestic production, but any increase in imports has been easily absorbed by the market in the first quarter.

Farmgate prices - prime sheep - now above new season records



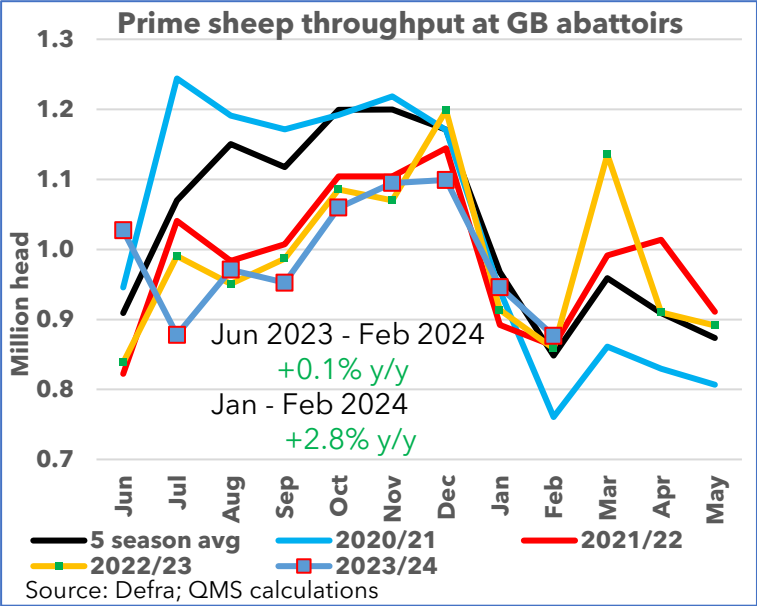
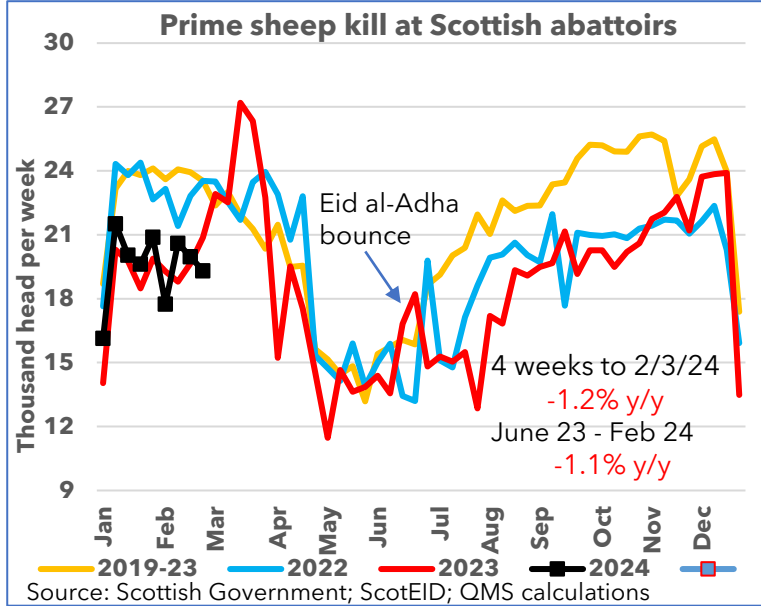
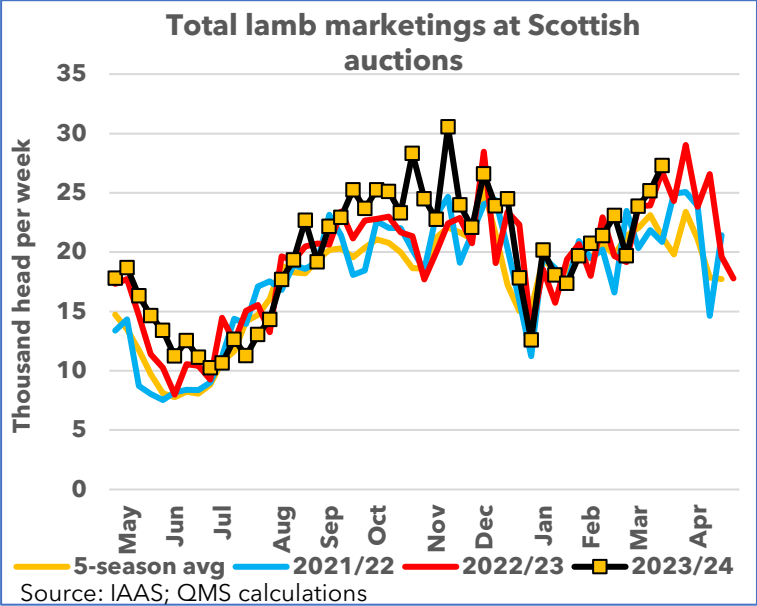
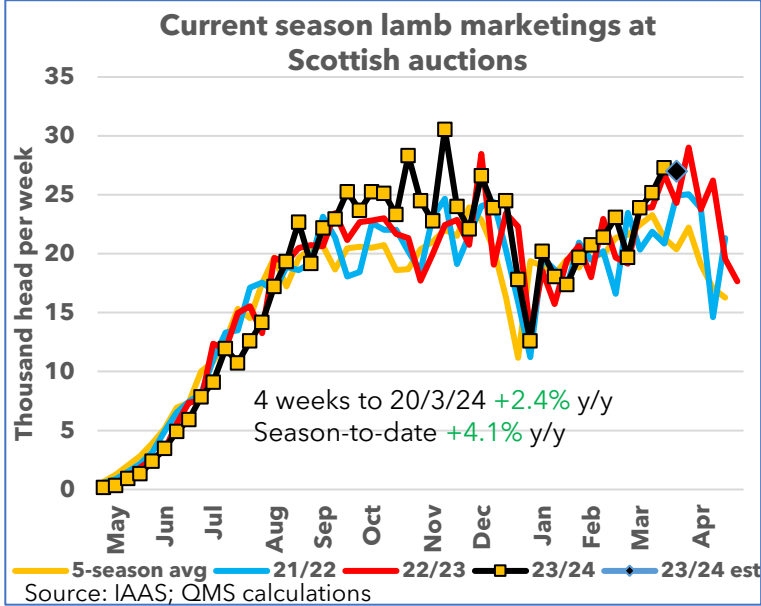
Lamb prices have risen sharply in the run up to Easter at Scottish marts, passing previous new season record highs. This has seen leads over 2023 and the five-year average widen to around 50%. While there has been a slight softening in the final week of the month, prices are still set to average above 360p/kg. GB deadweight prices have continued to show a similar trend, approaching the £8/kg mark. High price levels do not yet appear to have slowed demand for lamb.

Looking ahead to April, lamb demand is likely to dip back from its peak after procurement for the Eid-al Fitr festival which ends Ramadan (April 10). However, a smaller hogg carryover indicates that domestic supply should remain tight until the new season lamb crop comes fully on stream.



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 has resulted in a smaller carryover of hoggs into 2024, throughput has held relatively firm at the start of 2024, signalling the potential for numbers to tighten in the second quarter.



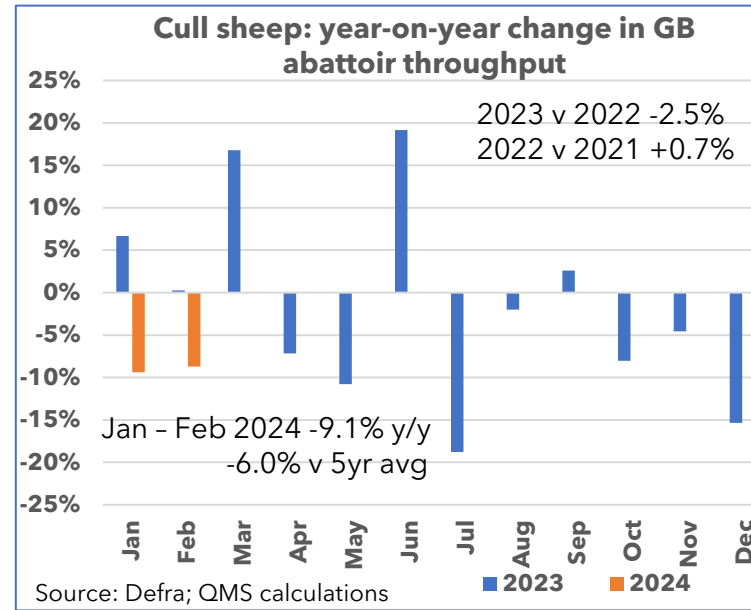
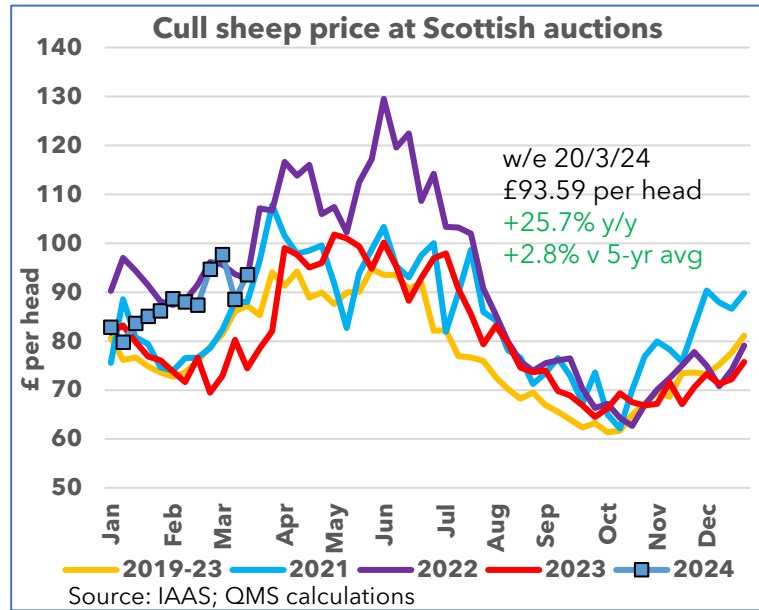
Auction and abattoir throughput has held up better than expected in early 2024 given the smaller carryover of hoggs, potentially driven by strong prices drawing out stock. However, it may have limited the market's capacity to satisfy the peak in demand for Ramadan and Easter, and is likely to ensure 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 hoggs.

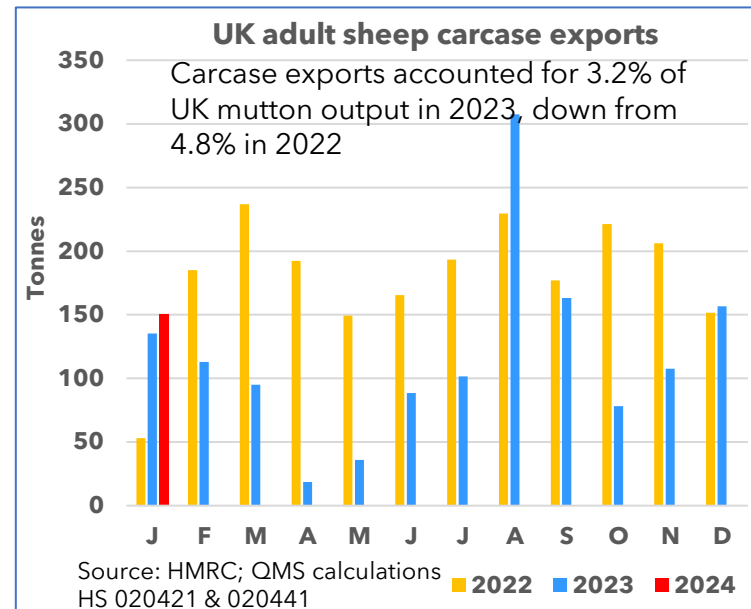
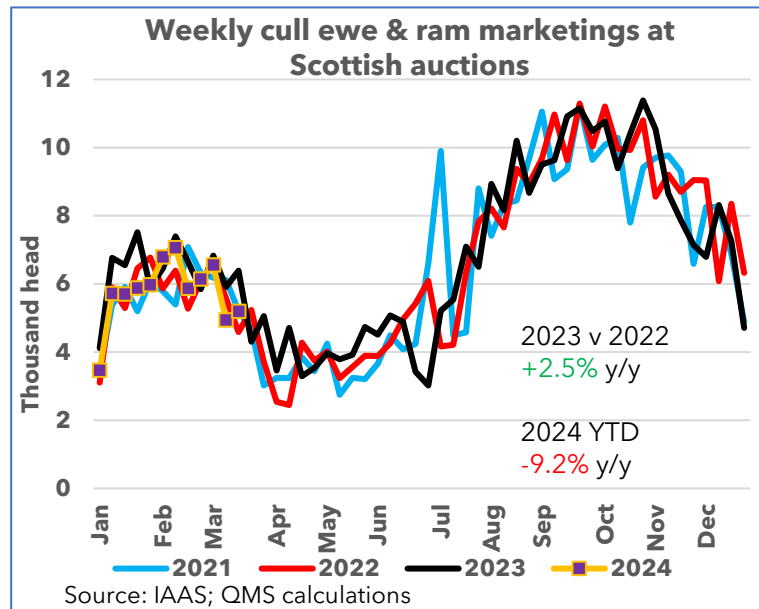
Lamb throughput at Scottish abattoirs dipped back behind year-earlier levels in February following a rebound between November and January. It is possible that processing demand has been limited again by the surge in prices.

| 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 have been significantly higher than in March 2023 but the cull sheep trade has been softer than the prime sheep trade

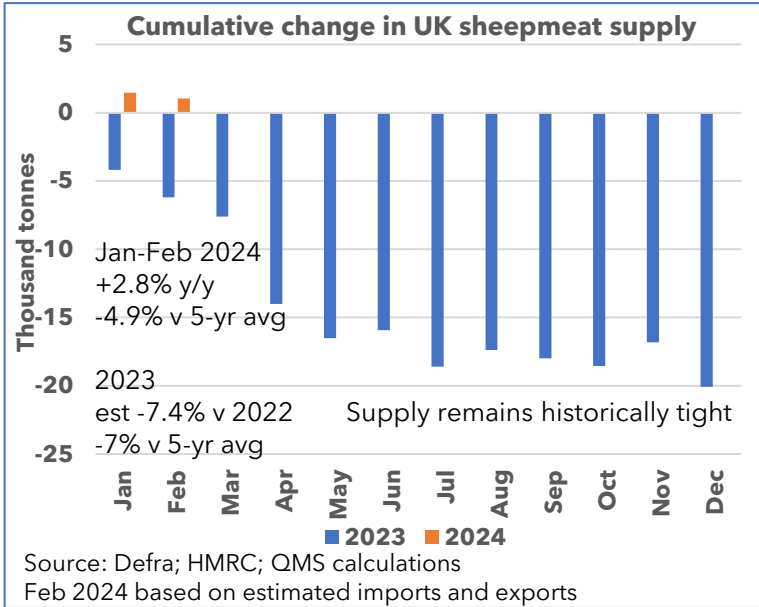
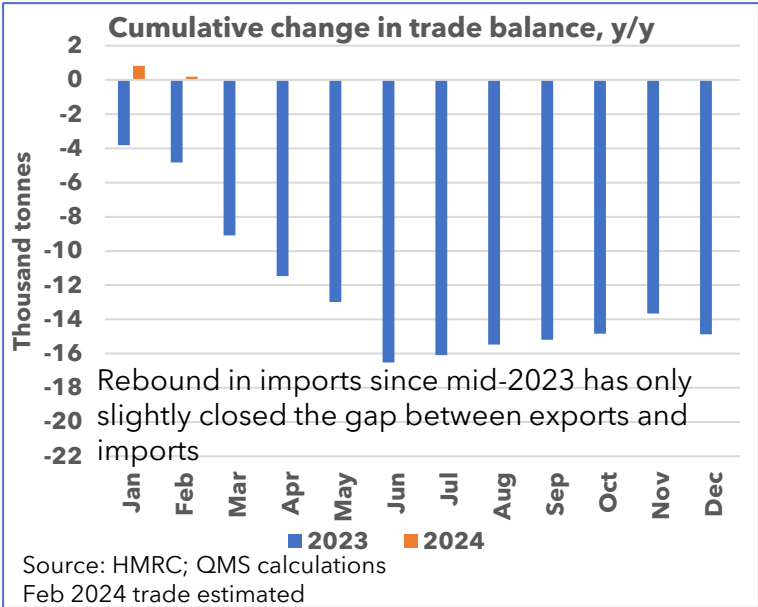
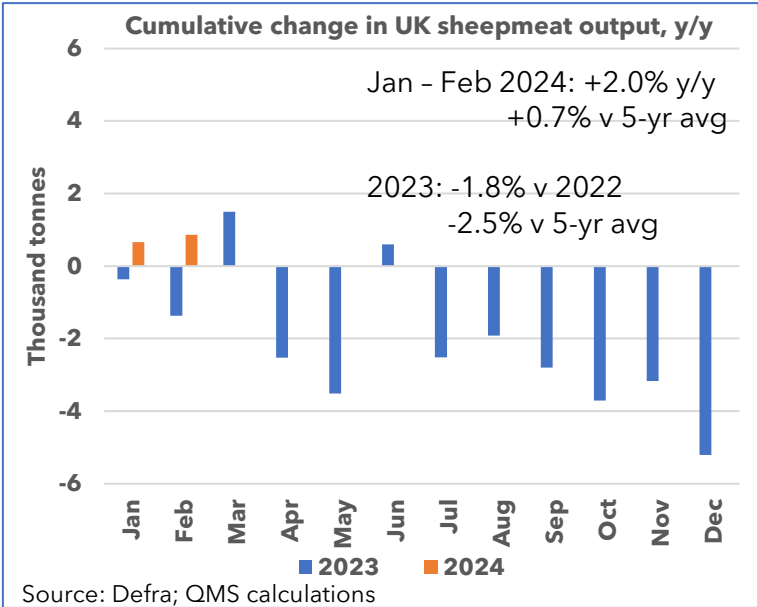
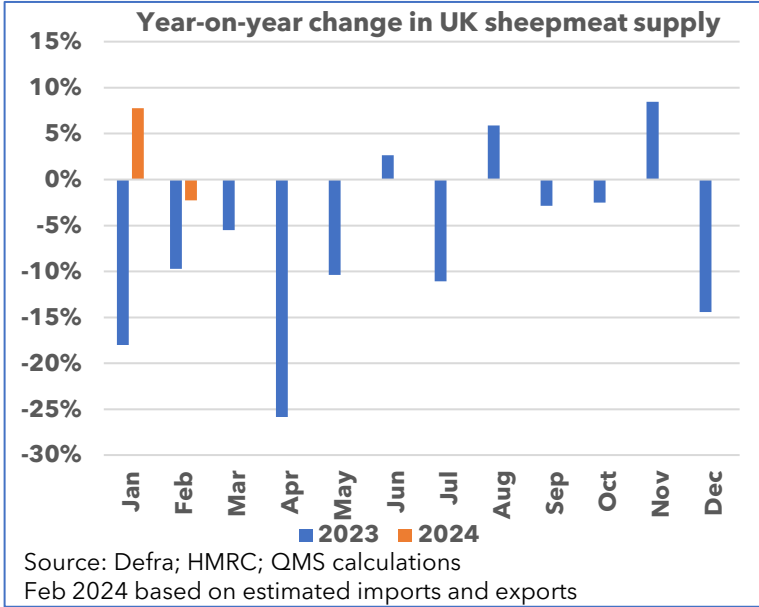
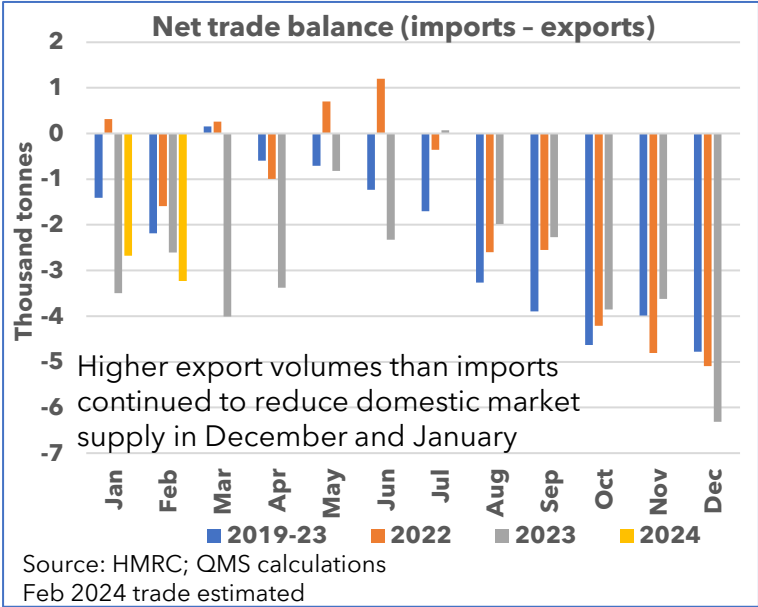
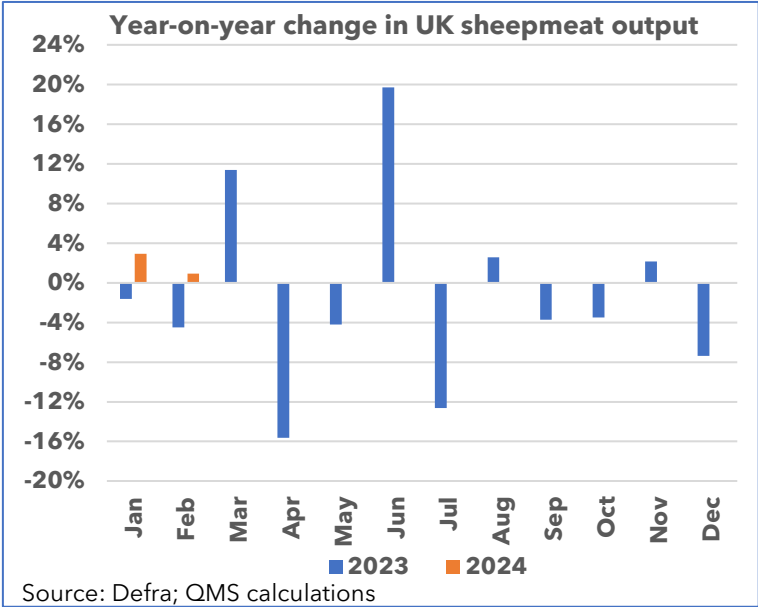


After rising against the seasonal trend in the early part of 2024, cull sheep values rose further in the fortnight before Ramadan. Despite a drop in auction volumes in mid-March, prices have remained below the pre-Ramadan peak, signalling a drop in demand and, although ewe values are well above 2023 levels, the historical price comparison has been much weaker than in the prime sheep market.

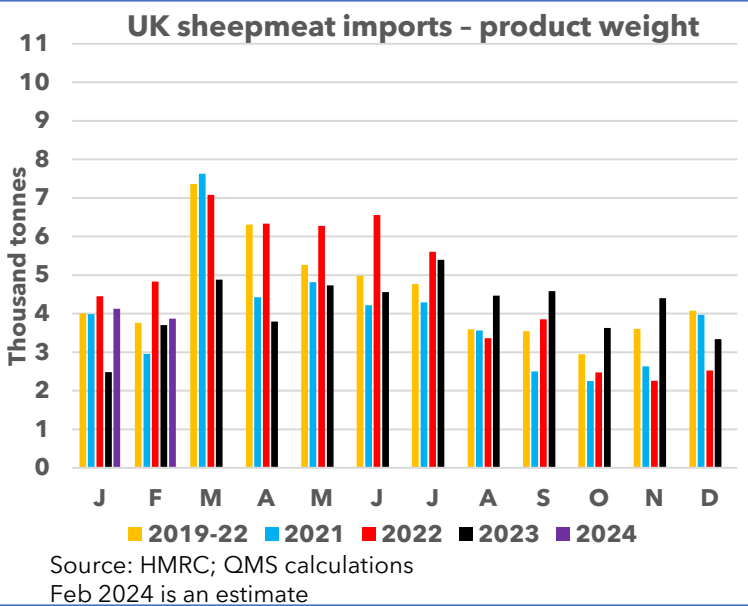
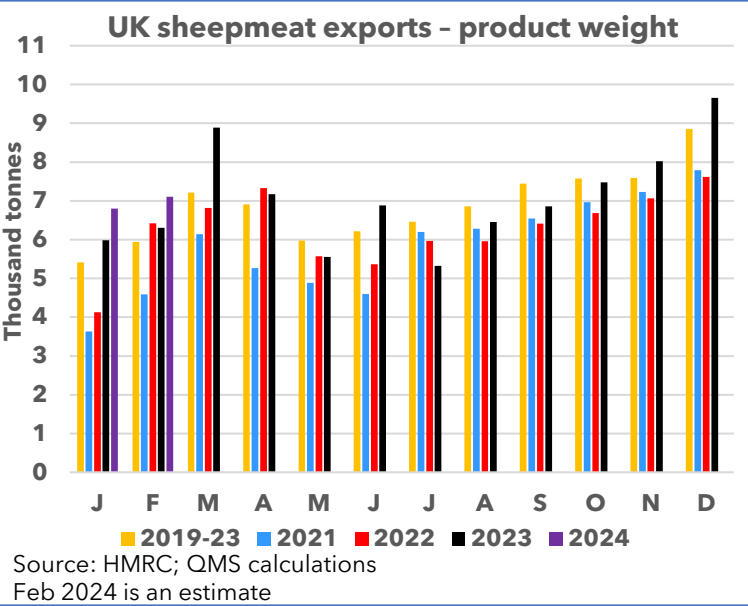


Mutton carcase exports spent most of 2023 below 2022 levels, suggesting some rebalancing of demand to the home market, but this may have changed again since December, especially after factoring in reduced mutton output.

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



A focus on UK international trade in sheepmeat - increased exports continued to more than offset resurgent import levels at the start of 2024



UK sheepmeat exports posted a sixth straight month of year-on-year growth in January, up 14% on January 2023 and a four-year high for the month. The price of GB lamb at Rungis market in Paris has 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 January (+66%) but were similar to their 2020-22 average for the month and well-below pre-2020 levels.

January's import rebound was stronger from NZ than Australia, with volumes delivered from the former nearly three times their January 2023 level, while imports from the latter were up 25% and at their lowest monthly volume since June 2023.

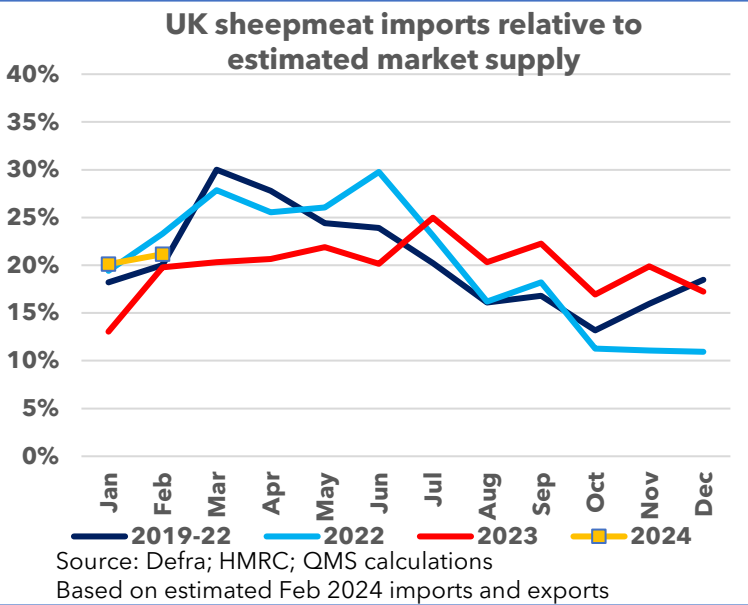
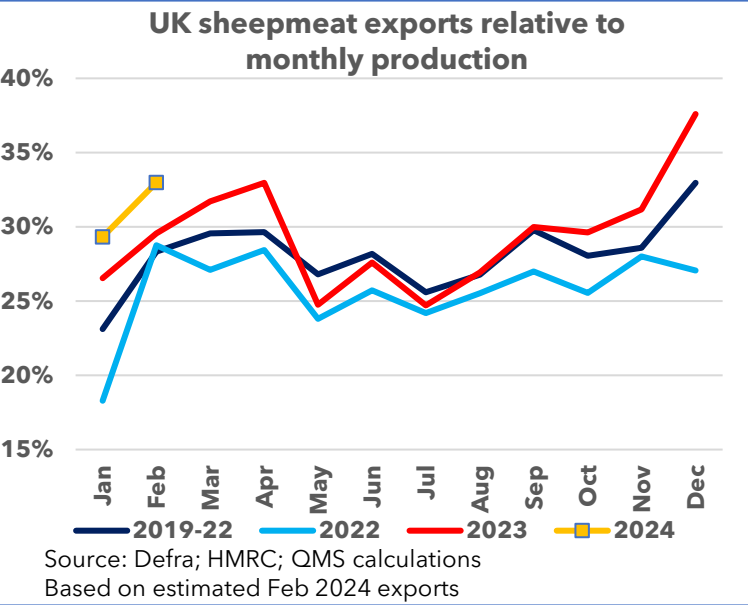
Average import prices continued to run sharply lower than a year earlier in January, with product arriving from NZ down 16% and Australian sheepmeat 28% cheaper.

Although higher imports remain a downside market risk, they are currently being more than offset by exports, ensuring that overall market supply remains tight.

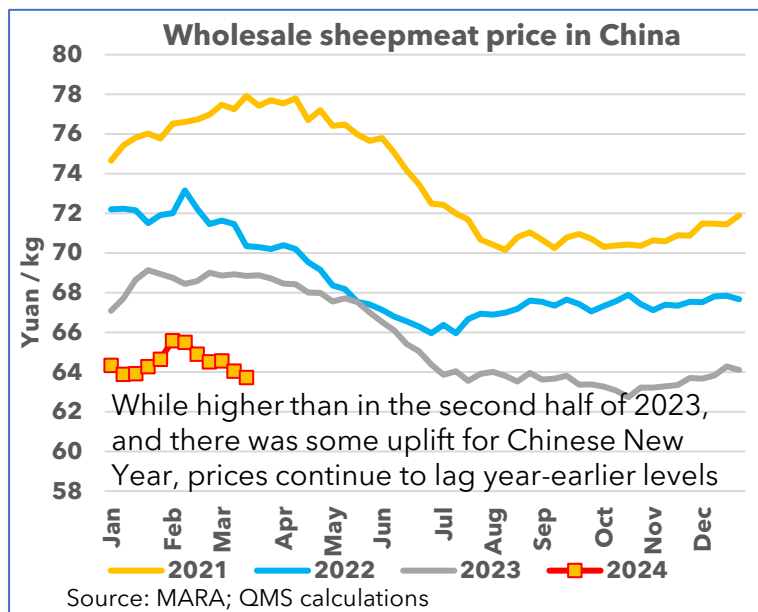
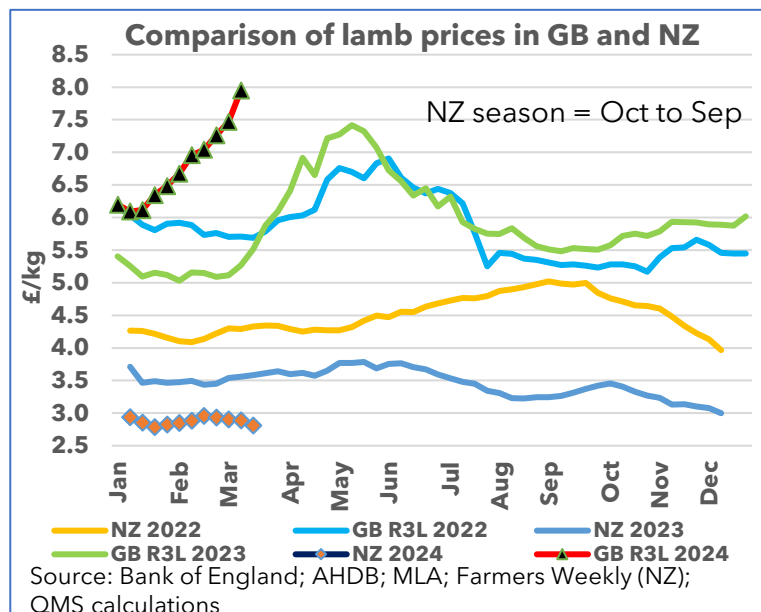
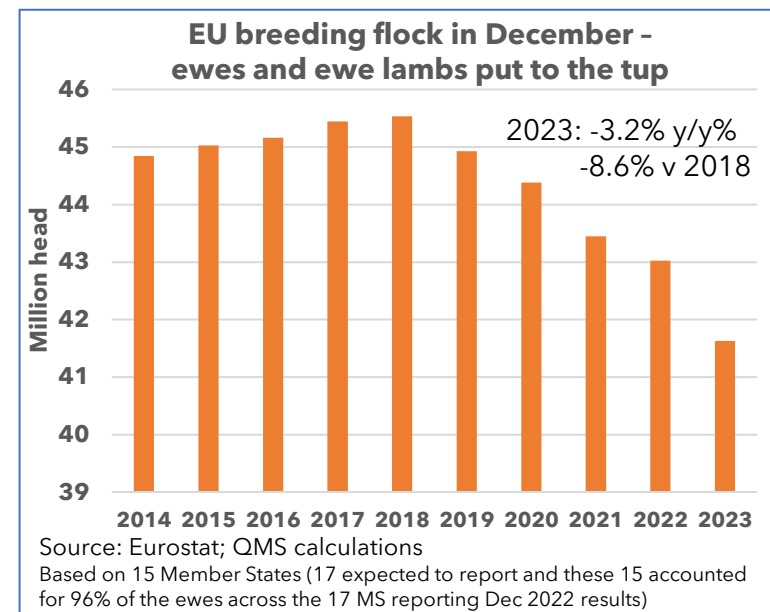
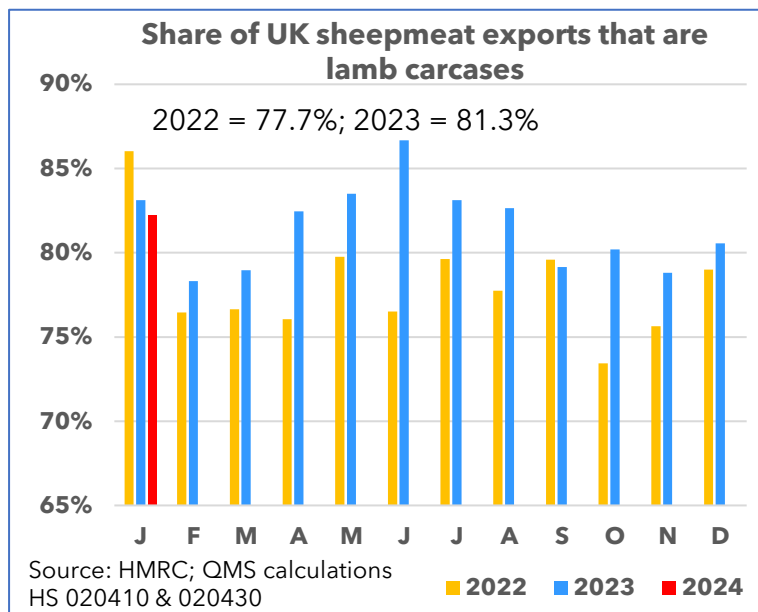
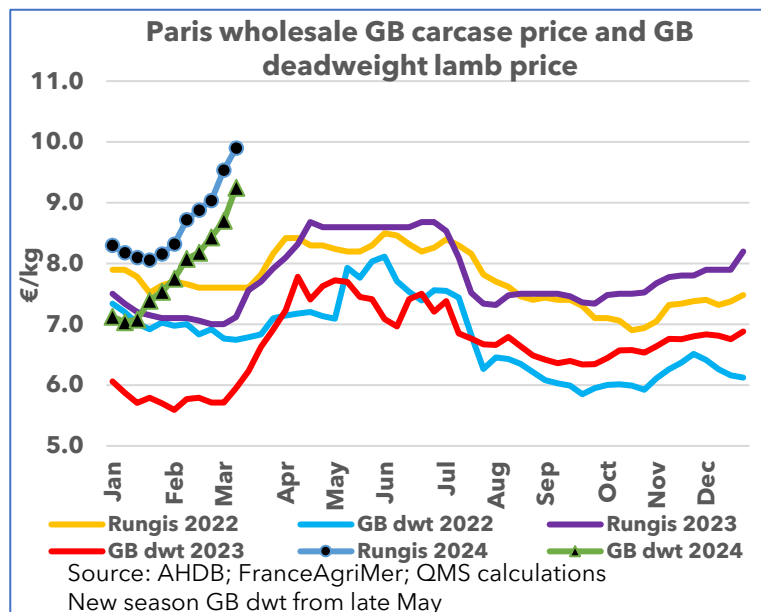
Note:

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

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

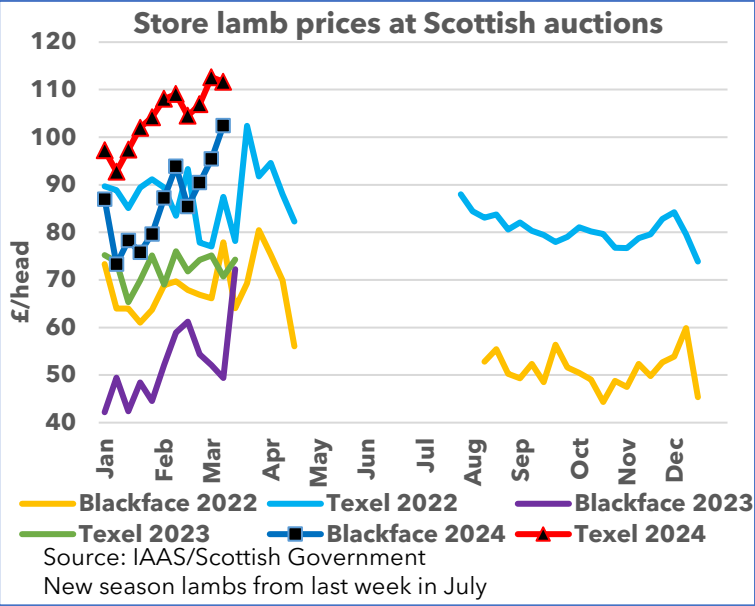
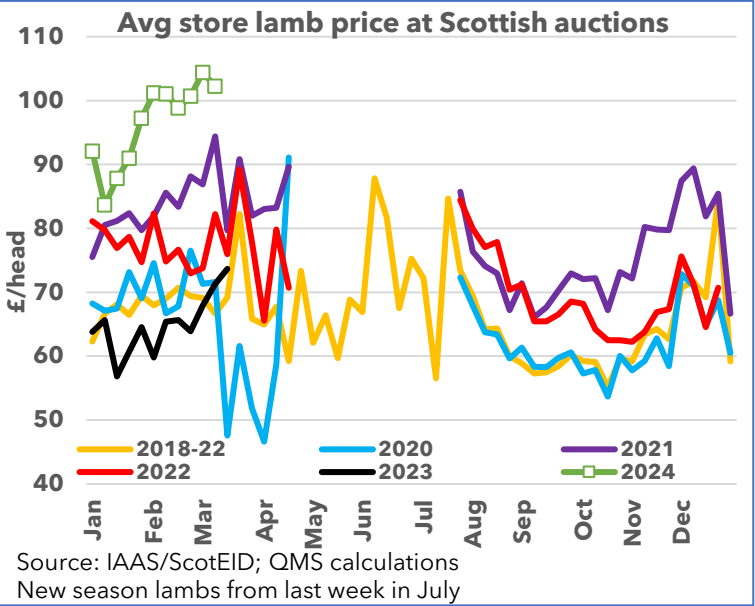


Variables influencing UK sheepmeat trade – While wholesale prices in France have risen significantly, the margin over domestic farmgate prices has narrowed for GB exporters, potentially making exports look slightly less attractive. Lamb produced in Australia and NZ continues to look highly competitively 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 (£7/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 | | | | |

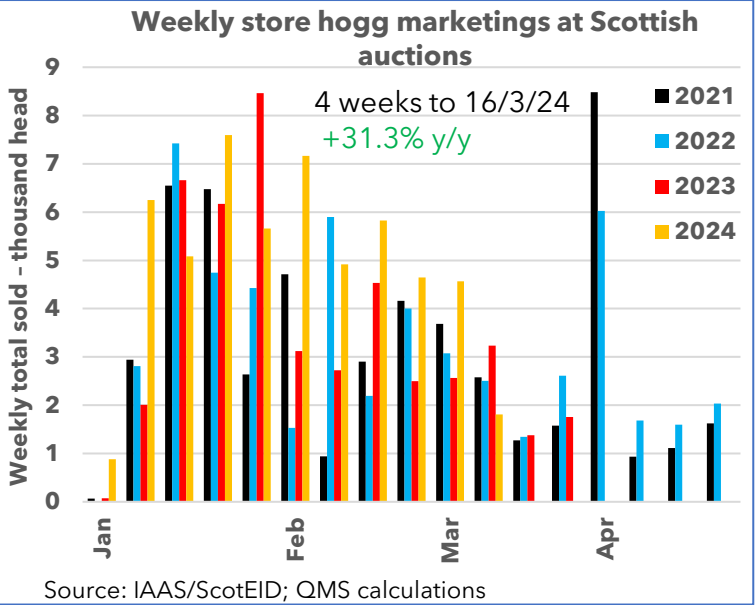
Store sheep trade - prices have followed finished hogg prices sharply higher



Store lamb selling prices have risen sharply at the start of 2024, reflecting the change in the finished hogg trade. Compared to March 2023, prices have been up more than 50%, suggesting strong competition for hogs between finishers confident that a positive margin can be made.

While store lamb numbers have been weak in the season-to-date, high prices may have brought some additional hogs into the ring in Q1 2024.

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



| Store hogg prices at Scottish auctions, 4 weeks to 16/3/24 | |
|---|----------------------|
| Overall average | £101.20 (+51.6% y/y) |
| Blackface | £91.50 |
| Cheviot | £92.40 |
| Suffolk | £110.10 |
| Texel | £108.30 |
| Source: IAAS/ScotEID; QMS calculations Prices rounded to nearest 10p | |

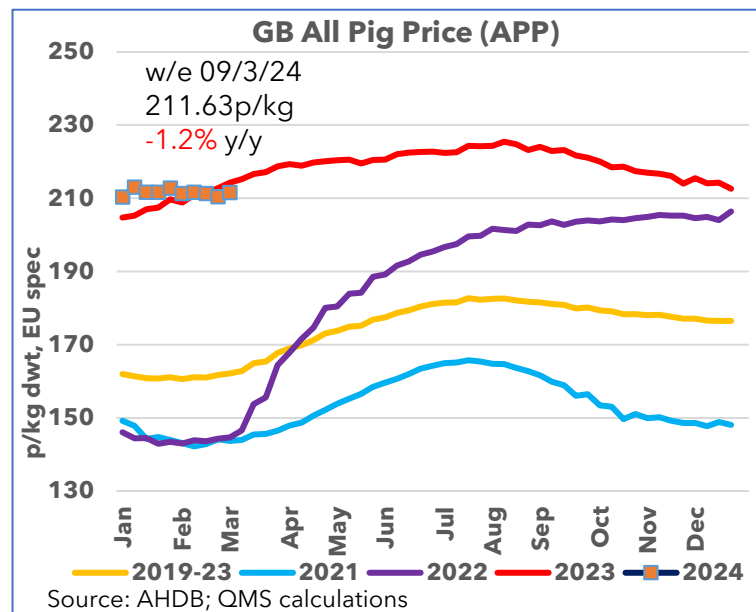
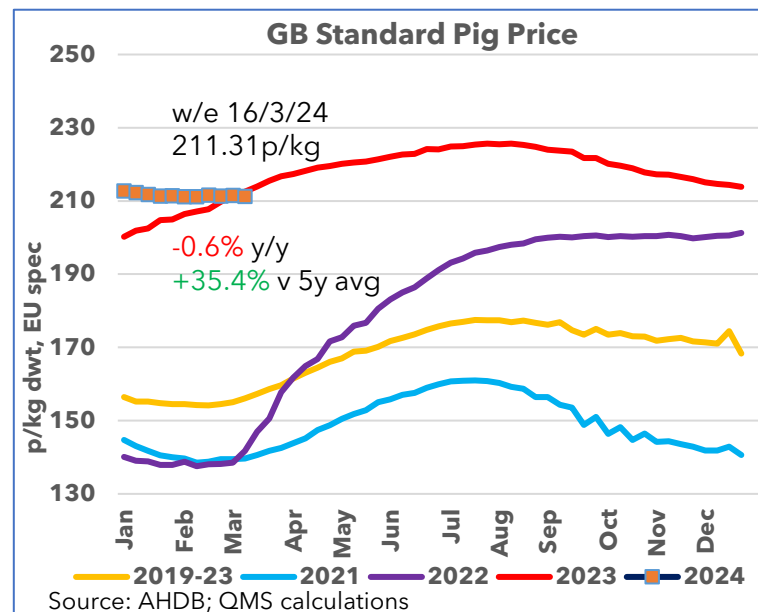
Summary of market developments – pig market



| 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 March | 211.31p/kg | -0.18 | +0.0% | -0.6% | +35.4% |
| Average carcase weight of standard pigs | Average in four weeks to 16 March EU spec | 91.07 | | +0.6% | +1.8% | +2.4% |
| Prime pig slaughter at GB abattoirs | Total during February 2024, thousand head | 622.5 | | -2.9% (change in daily avg kill Feb v Jan) | -1.4% | -11.2% |
| UK pig market supply | Tonnes in Dec 23-Feb 2024 (estimate) | 306,200 | | | -2.1% | -6.5% |

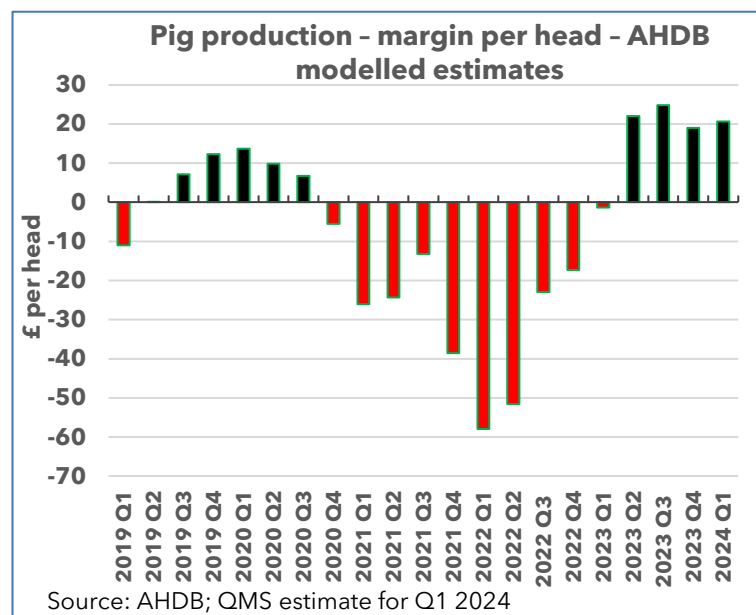
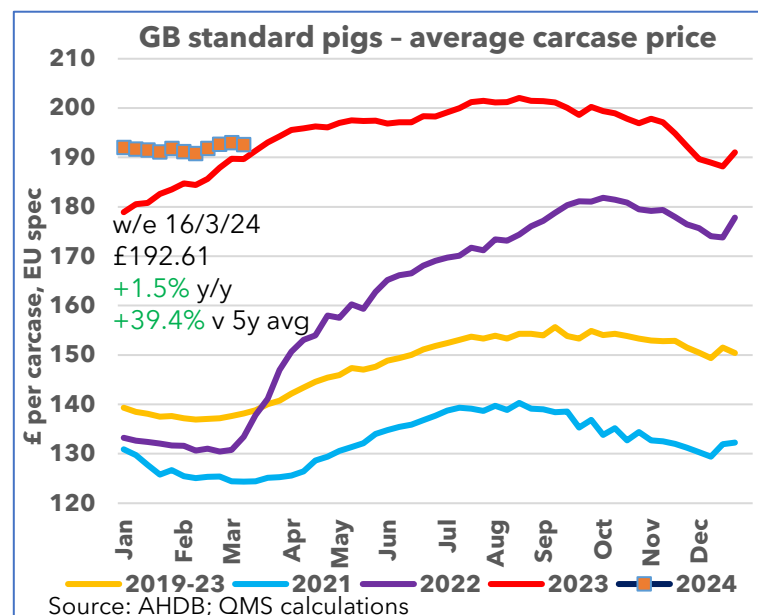
- While the pig market balance may be starting to change, we have yet to see a seasonal upturn in per kilo prices. As a result, prices have slipped marginally behind year-earlier levels for the first time in two years. Nevertheless, its lead over the five-year average remains strong at 35% and a lift in carcase weights has kept carcase value above 2023 levels.
- 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 the first two months of 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 significantly in the first two months 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.
- EU pig prices have rebalanced seasonally higher, narrowing the price gap with GB levels. Rising EU pig prices tend to flow through to higher UK import prices, limiting the potential for downwards pressure on the domestic market. In China, pork prices have cooled since the New Year holiday but herd liquidation in 2023 could see the market tighten later this year, boosting Chinese import demand.
- 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.

Farmgate prices – prime pigs - little sign of a seasonal upturn in pricing has seen per kilo prices slip marginally behind year-earlier levels for the first time in two years. Nevertheless, higher carcase weights mean that carcase value is still higher than in 2023, and the lead over five-year average remains strong at 35%, supporting a slow recovery in producer finances when combined with a dip in feed costs.



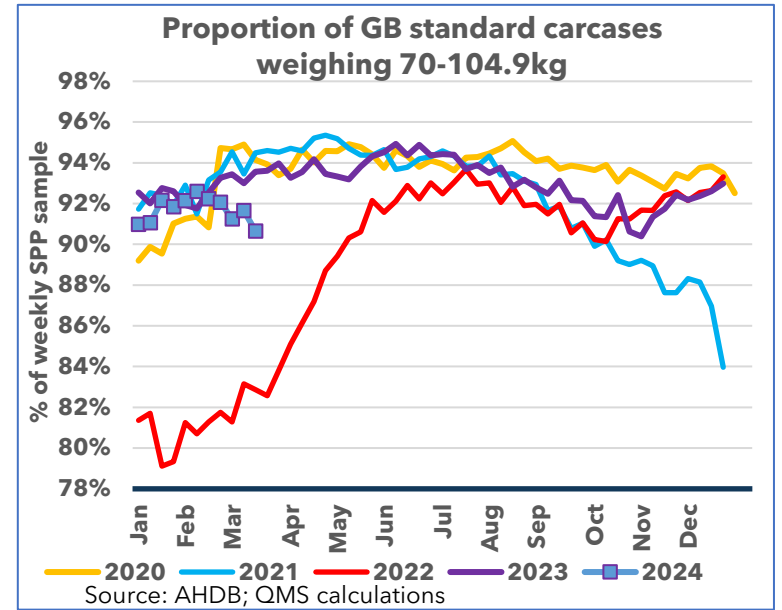
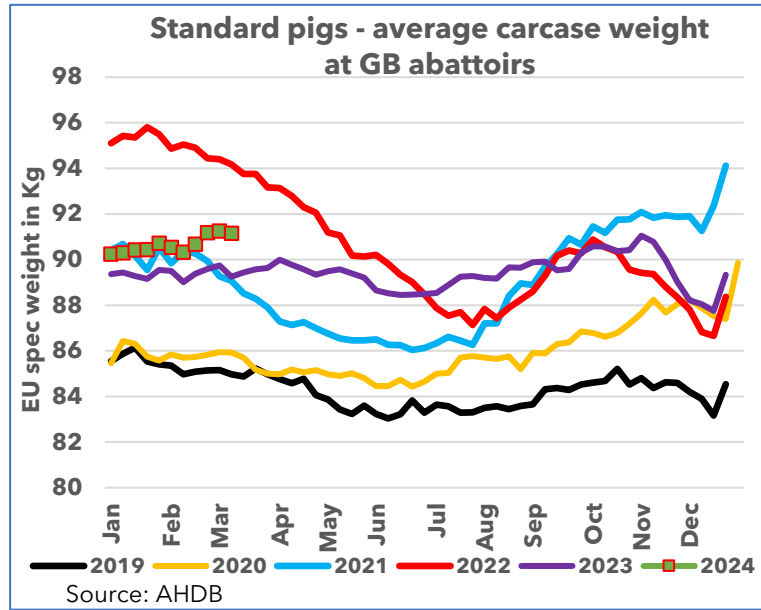
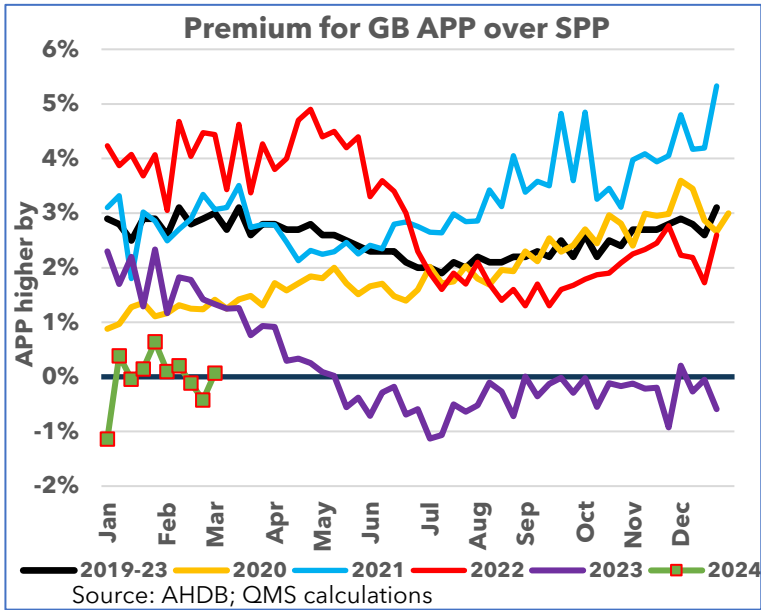
While the market balance may be starting to change, we have yet to see any signs of a seasonal upturn in pricing. As a result, prices have slipped marginally behind year-earlier levels for the first time in two years. Nevertheless, leads over five-year averages remain strong at above 35%.

Given the flat trend in per kilo price, an increase in carcase weights between mid-February and mid-March has resulted in a rise in standard carcase value, ensuring that it has held above year-earlier levels.



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.

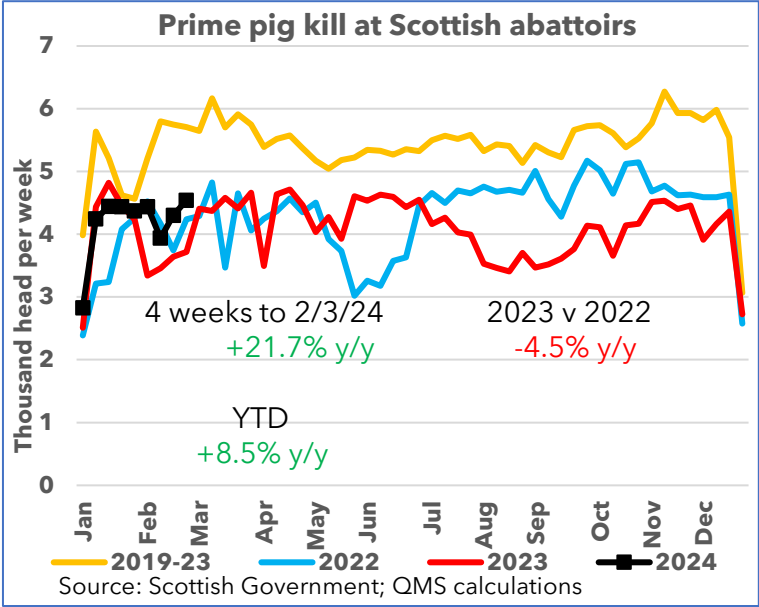
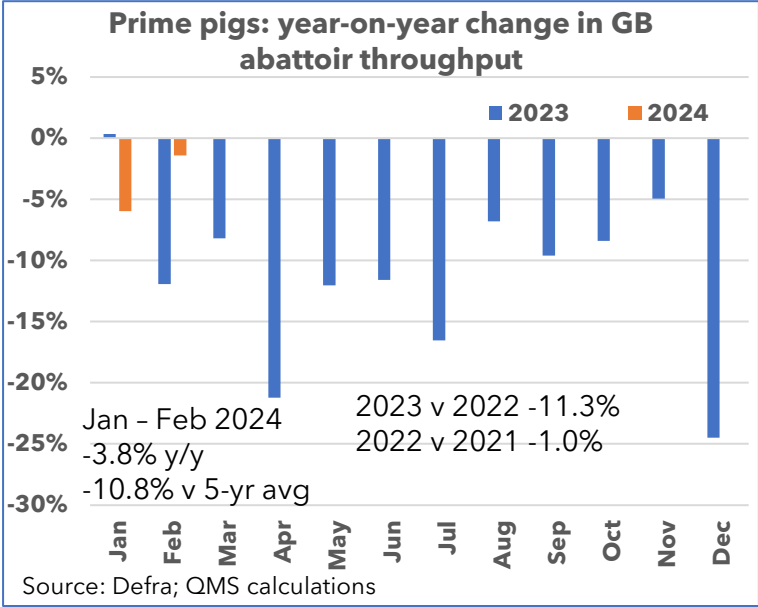
Indicators of market disruption - return of a small premium for pigs with specific production characteristics points to a slightly less tight market. Carcase weights appear to have risen against the general seasonal trend for the time of year.



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.

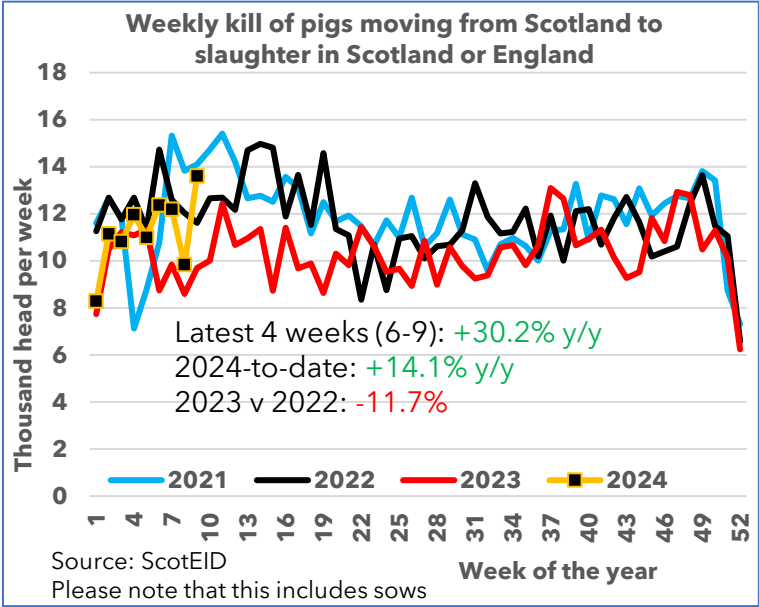
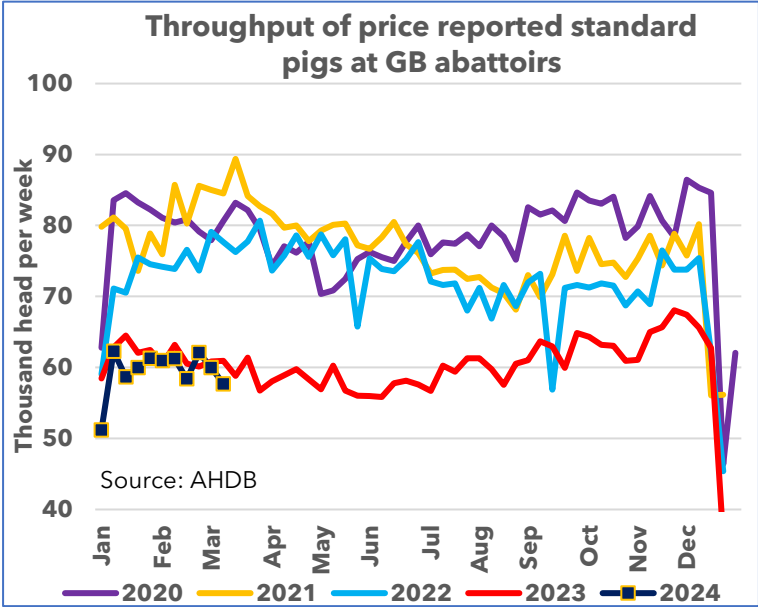
Carcase weights appear to have risen against the general seasonal trend for the time of year in late-February and early March, with more carcasses outside the 70-104.9kg weight band, potentially suggestive of a build-up on farm. While something to monitor, market prices have not fallen in response. Carcase weights were 1-1.5% above year-earlier levels for much of January and February, but the uplift has widened towards 2% in March, offsetting 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 continued to run towards the upper end of its 2023 range in February, pointing to an improvement in supply chain conditions. Weekly availability for slaughter is likely to be edging lower 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 continued to run towards the upper end of its 2023 range in February, pointing to an improvement in supply chain conditions.



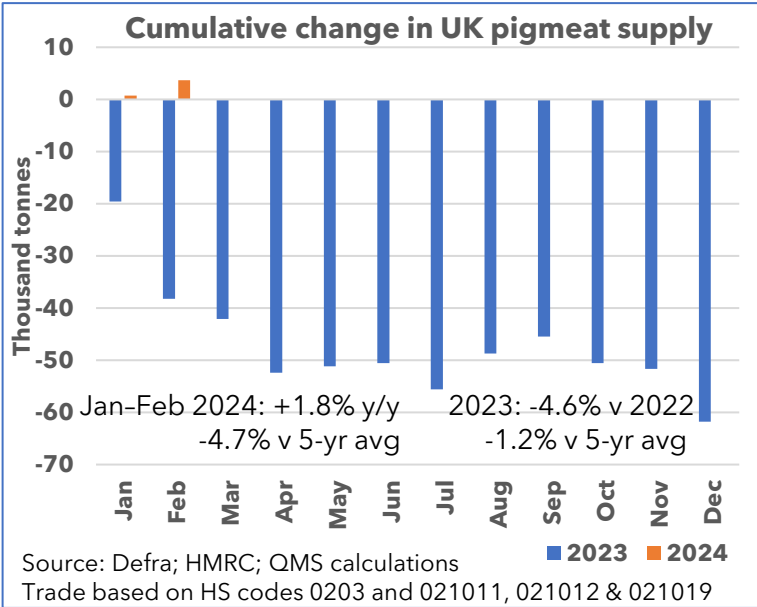
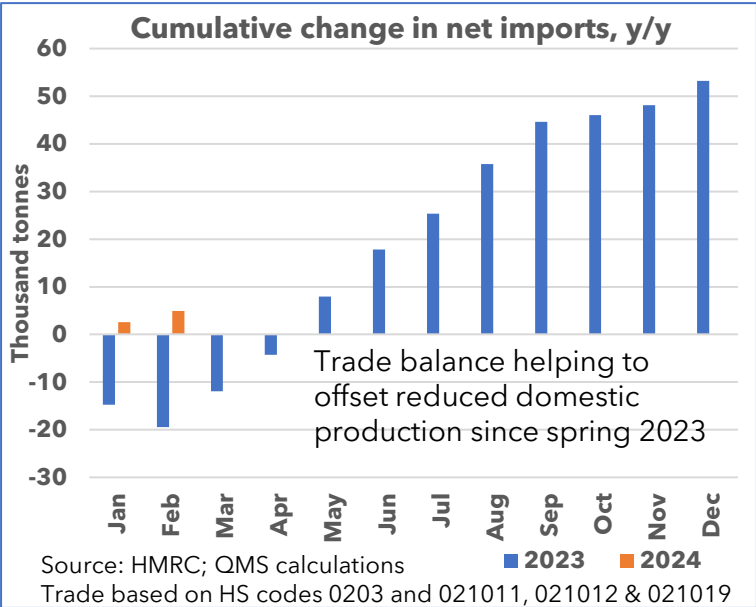
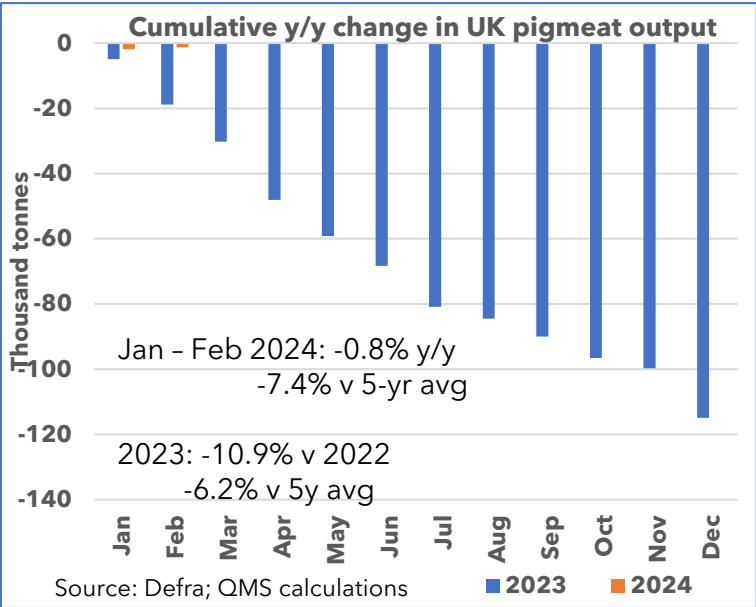
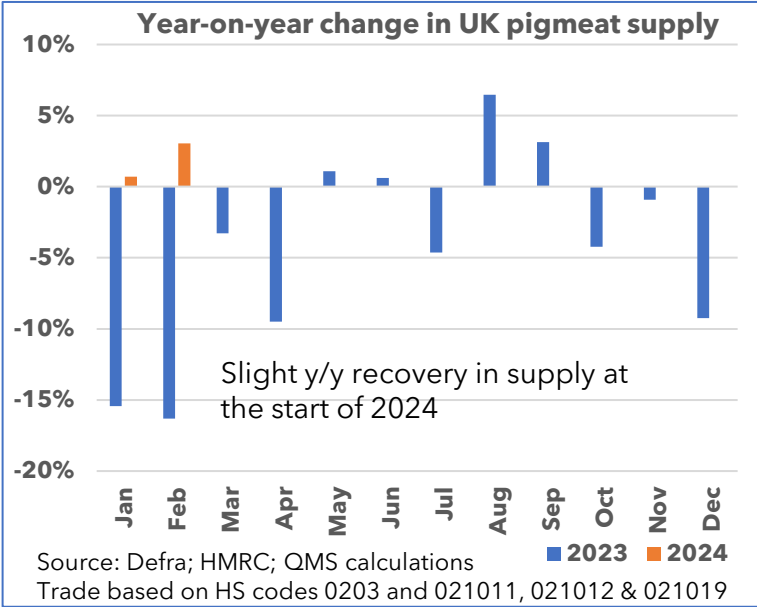
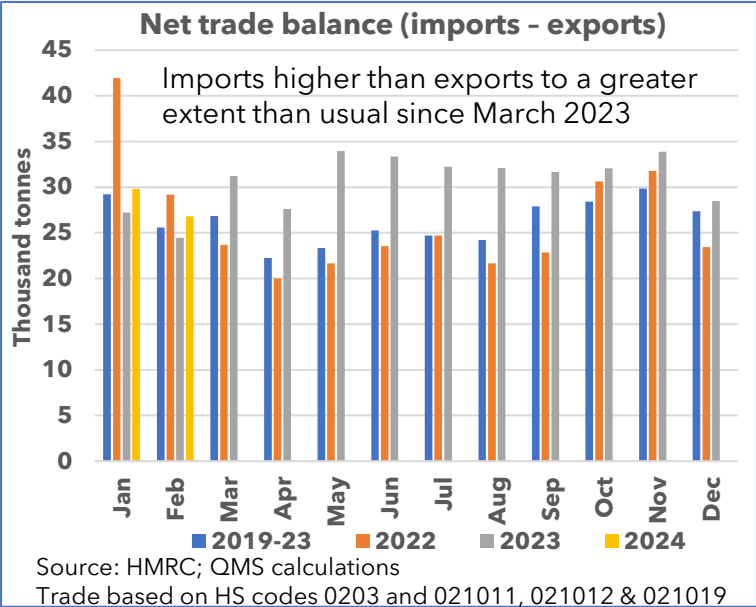
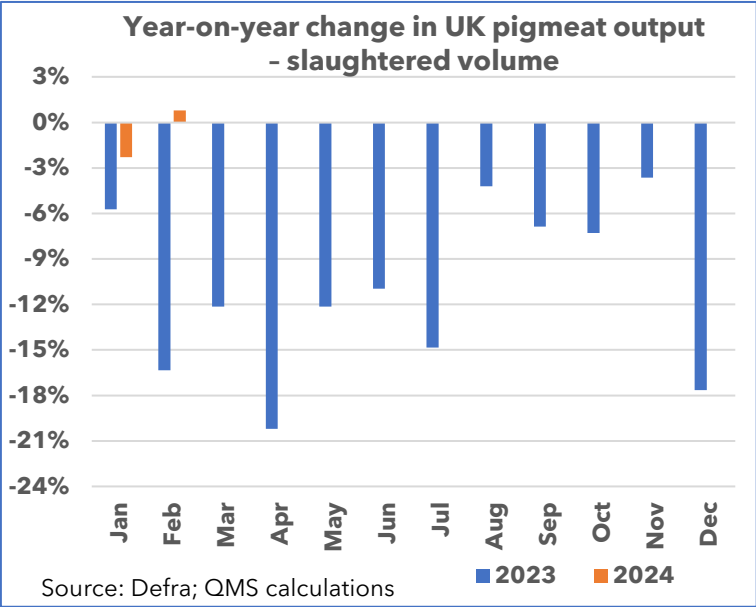
At GB level, weekly availability for slaughter is likely to be edging seasonally lower and this has been the case at Standard Pig Price reporting sites.

| 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 |

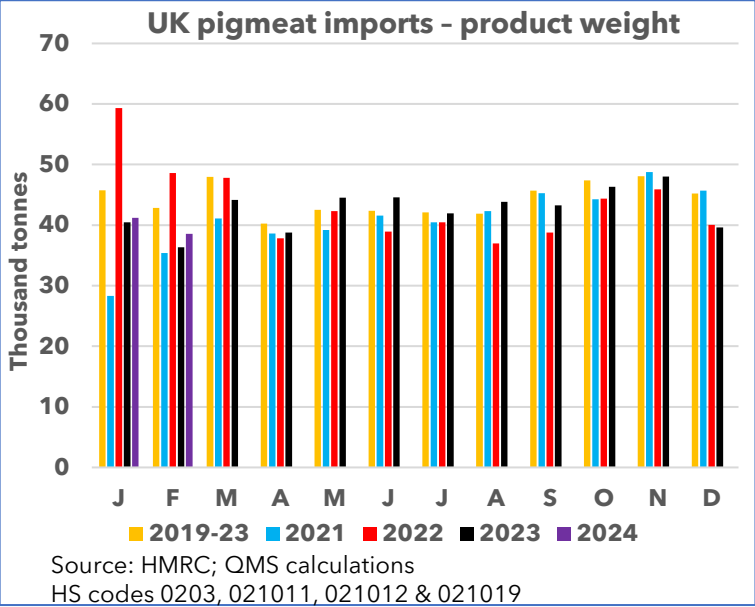
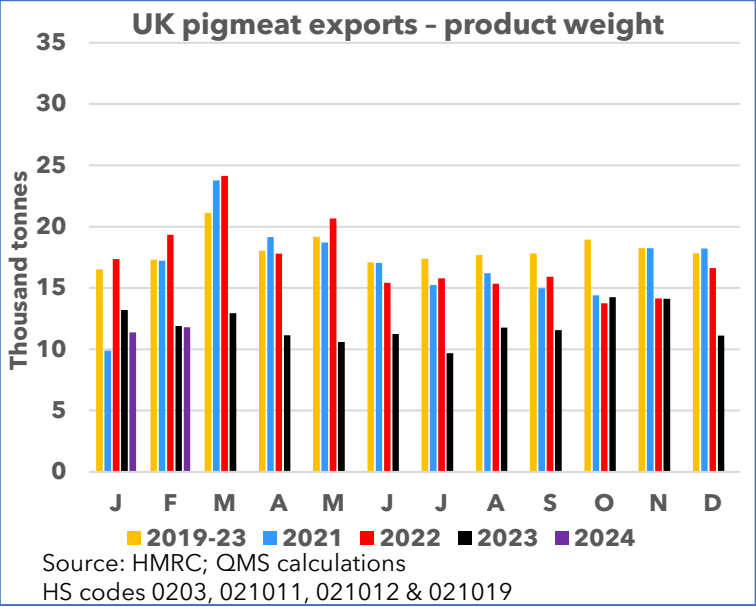
Source: Defra; Scottish Government

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

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



A focus on UK international trade in pigmeat – exports continued to face downwards pressure from lower domestic production while a tight domestic market supported import volumes.



After showing signs of recovery in October and November, UK pigmeat exports showed a second month of weaker performance in January, partly reflecting reduced domestic output, and were down by 14% year-on-year.

UK pork exports (HS 0203) to the EU continued to show year-on-year contraction in January, down nearly 4%.

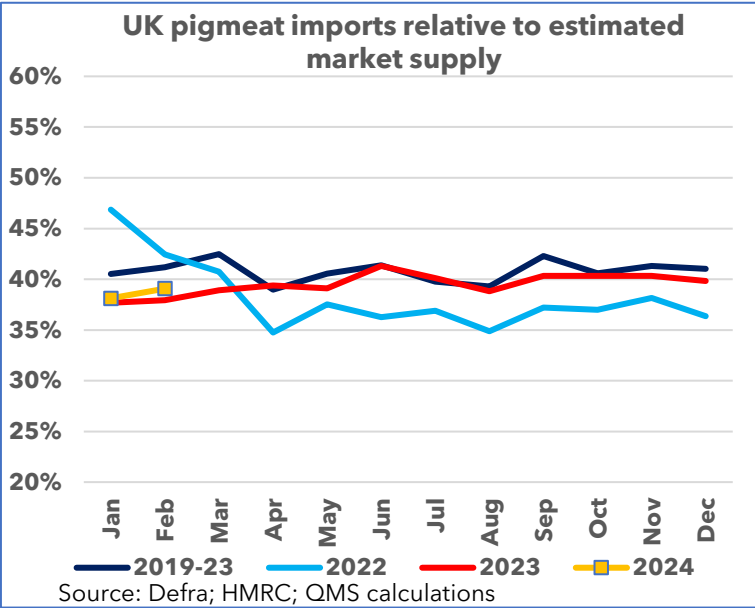
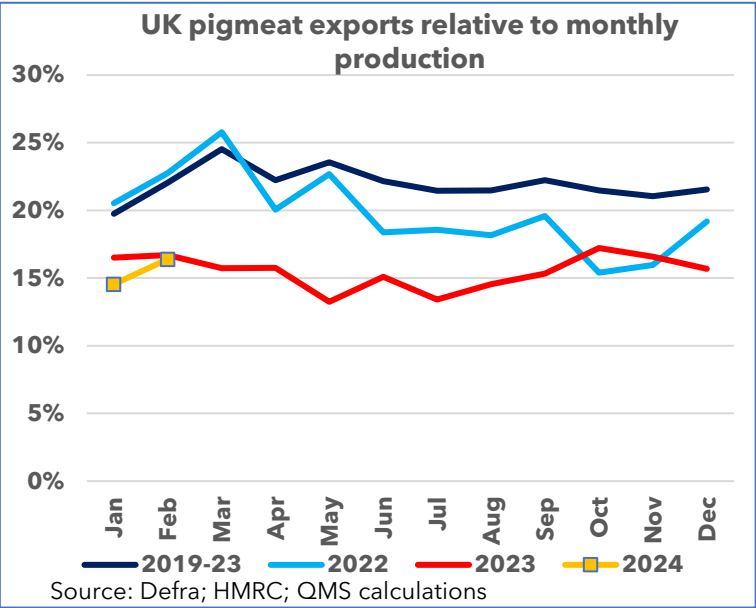
Though rebounding on the month, exports (HS 0203) to non-EU countries were 17% below year-earlier levels in January. Within this total, deliveries to China and Hong Kong were down by a slightly below average margin. They accounted for 68% of non-EU trade and 37% of overall pork export volumes, slightly above their annual shares in 2023.

UK pigmeat imports showed a small 2% uplift on a year earlier at the start of 2024. This was driven by Imports of pork (HS0203), which rose by 8%, whereas imports of bacon & ham products (HS0210) trailed year-earlier levels for a fourth month, down 8%.

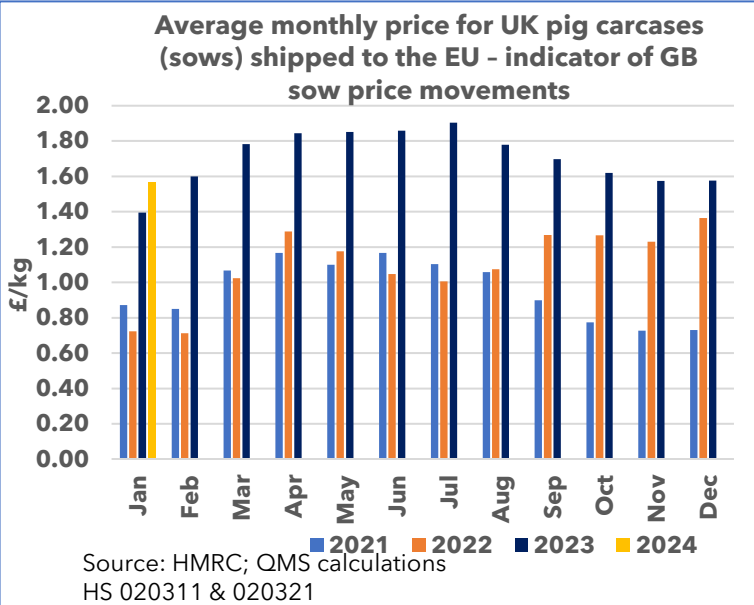
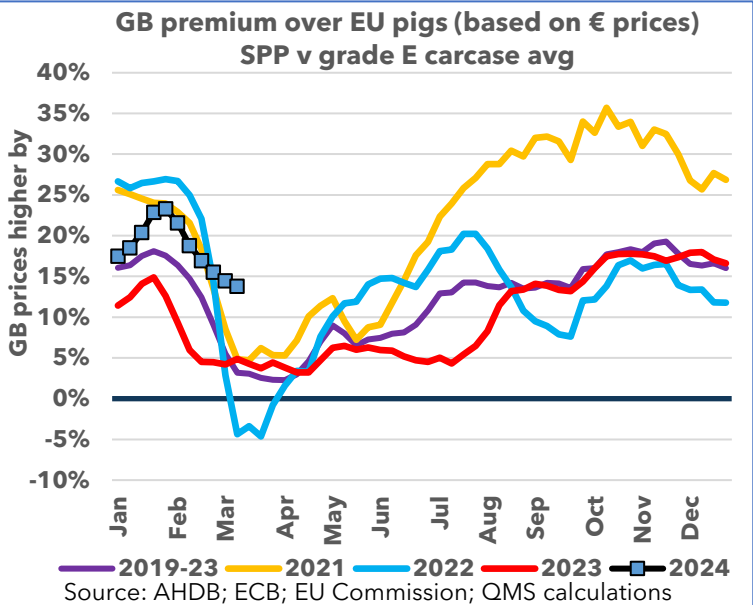
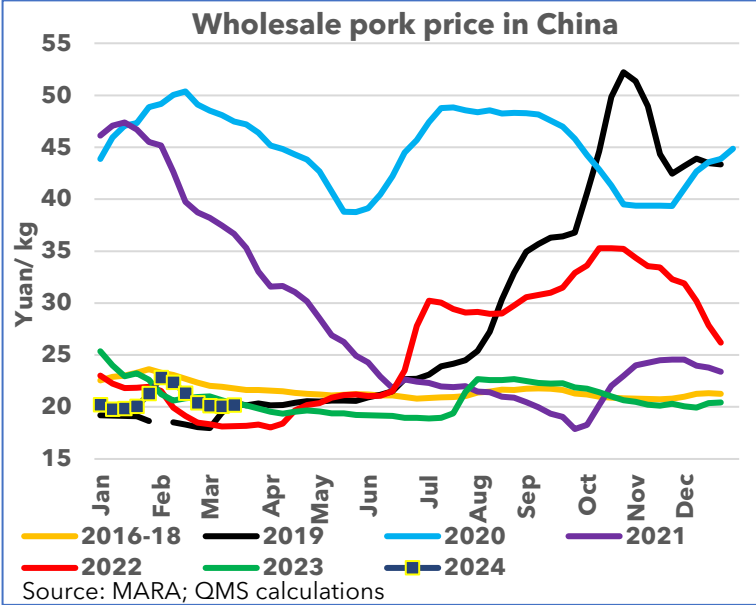
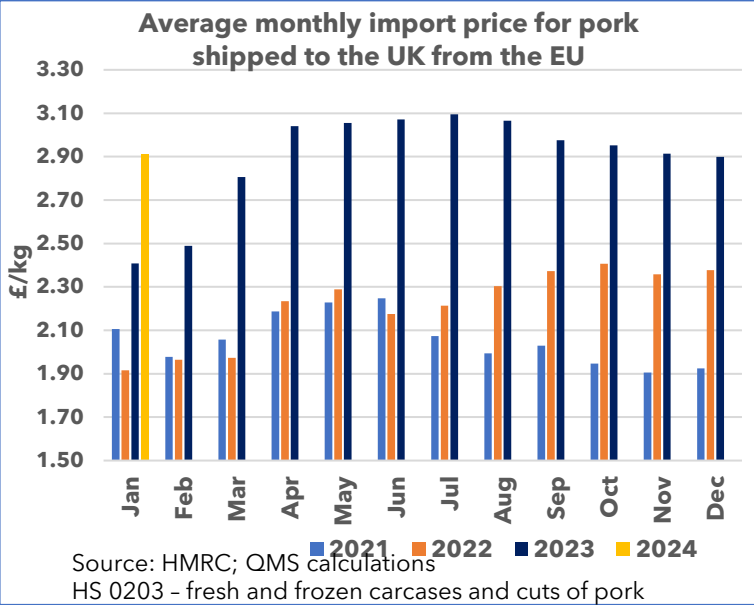
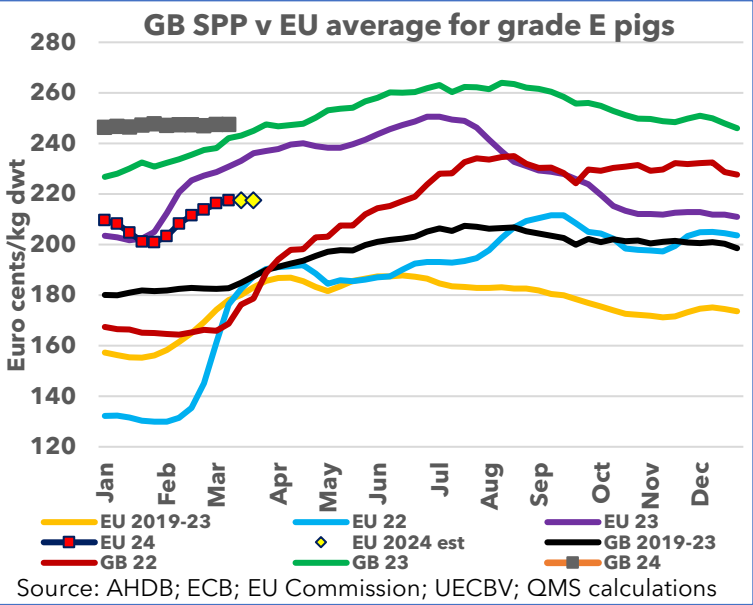
Note:

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 February 2024 is estimated



Factors driving UK international trade in pigmeat – After a soft start to the year, EU market prices have rebalanced seasonally higher, narrowing the price gap with GB levels. Rising EU pig prices tend to flow through to higher UK import prices, potentially eroding some of the competitiveness gains from the start of the year and limiting the downwards pressure on the domestic market. In China, pork prices have cooled since the New Year holiday but herd liquidation in 2023 could see the market tighten later this year, boosting Chinese import demand.



| USDA Global Pork Market Forecasts, January 2024 (million tonnes carcass weight) | | | | | | |
|--|-------|------|-------|-------|-------|-------|
| Key indicators | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 |
| World, production | 101.5 | 96.1 | 108.0 | 114.5 | 115.2 | 114.2 |
| China, production | 42.6 | 36.3 | 47.5 | 55.4 | 56.9 | 55.2 |
| All countries, imports | 9.3 | 11.6 | 11.5 | 9.80 | 9.20 | 9.70 |
| China, imports | 2.45 | 5.28 | 4.33 | 2.13 | 1.93 | 2.25 |
| EU, production | 23.0 | 23.2 | 23.6 | 22.3 | 20.9 | 20.7 |

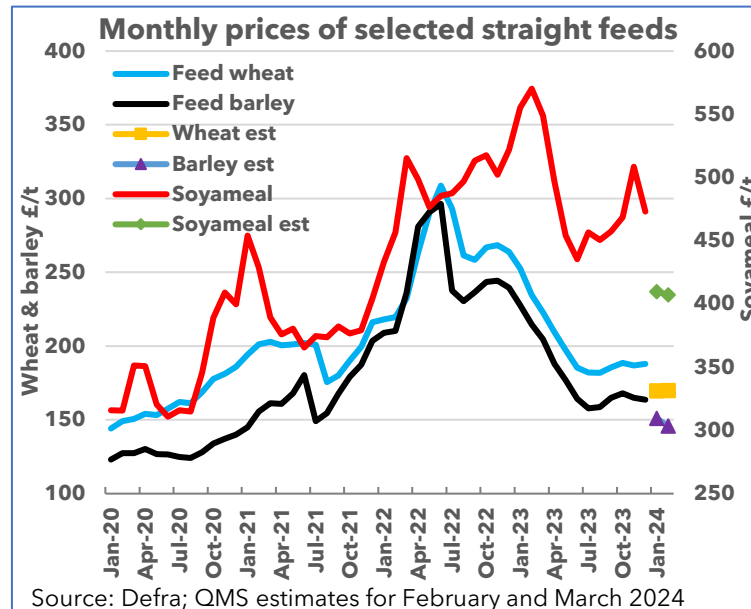
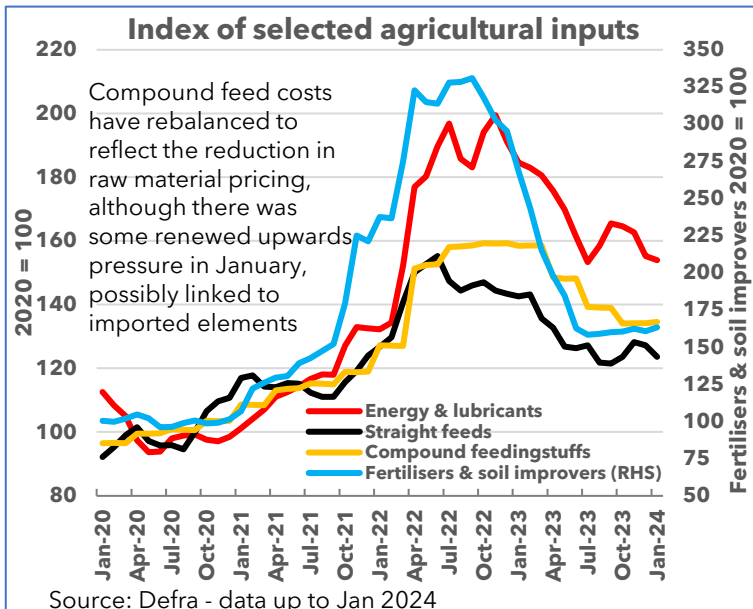
Source: USDA Foreign Agricultural Service

Summary of economic developments



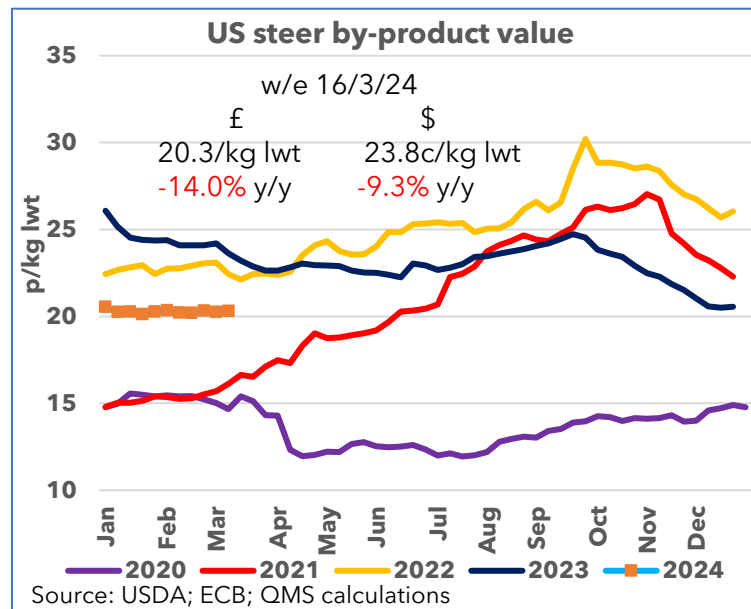
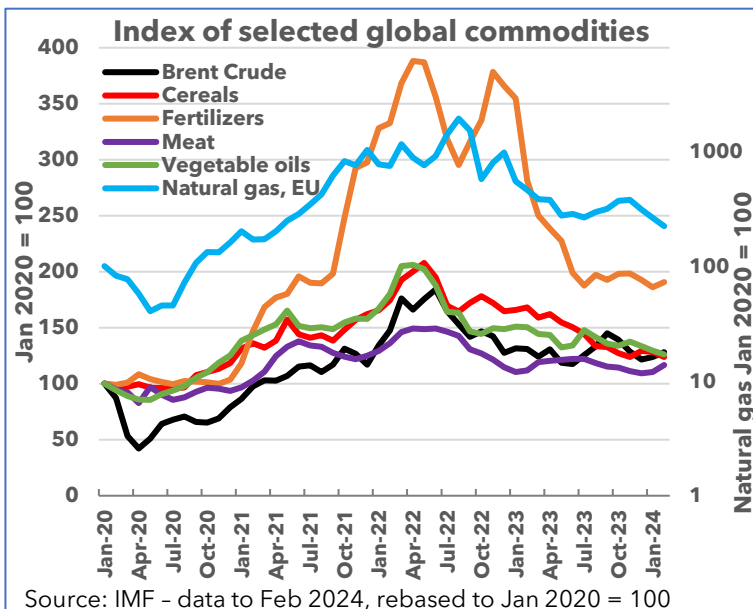
- Commodity prices have generally been flat at the start of 2024 with little upside impact from geopolitical tensions. Nevertheless, farmers and processors are having to deal with a higher energy cost base and wages continue to rise significantly. More positively for livestock farmers, feed costs have fallen at the start of 2024 as global crop supplies look stronger this year, though a rebound in grain prices in late-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 continued to convert into slightly reduced retail sales volumes in the 12 weeks to February 18 as price rises remained significant in popular product categories like beef mince and pork chops/steaks. However, lamb performed strongly, supported by slightly lower prices, with an increased share of households buying it.
- Consumer confidence remained close to January's two-year high in March, 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 suggested that the UK economy continued to grow slowly at the start of 2024, driven by improved demand in the service sector while the manufacturing output slowdown eased further. Meanwhile, unemployment remains close to its record low, ensuring a tight labour market. Though slowing from their peak, wage pressures remained considerable in the November to January period, with average earnings up 5.6% year-on-year.

Production costs and by-product revenues



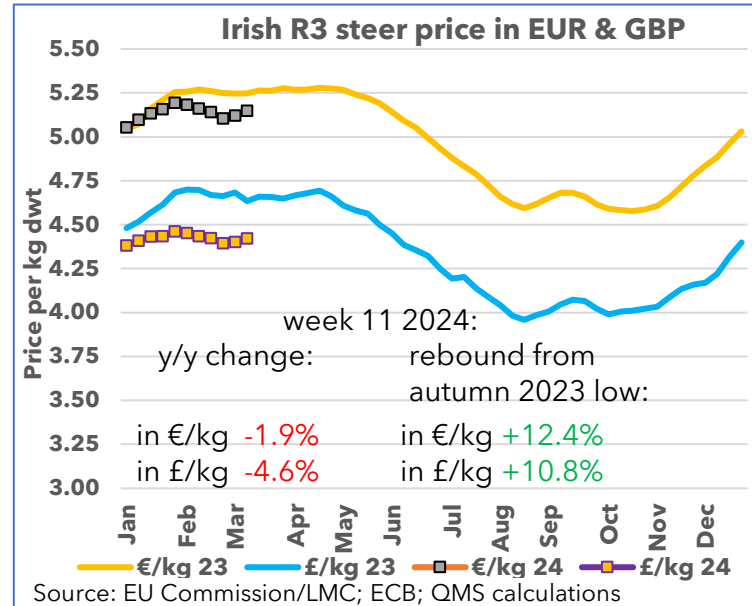
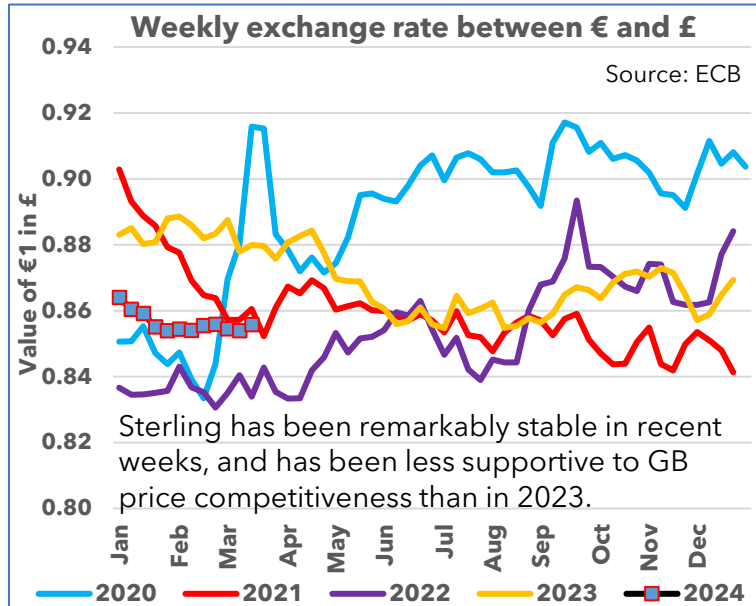
Commodity prices remain well above pre-covid levels, meaning that businesses have a higher cost base to manage, particularly energy costs. However, markets have stayed relatively flat since summer 2023 with geopolitical tensions and attacks on ships travelling through the Red Sea having little impact on energy and fertiliser costs.

Feed has been an exception to the overall stable trend as a generally well-supplied global grain market has placed downwards pressure on feed wheat and barley prices in Q1 2024, supported by Russia and Ukraine exporting large volumes at competitive prices. However, a slight rebound in market prices in late-March is something to watch closely. Soyameal prices have fallen sharply after a brief autumn spike as Brazil's large harvest draws towards a close and Argentina is set for a large rebound in soyabean production this year.

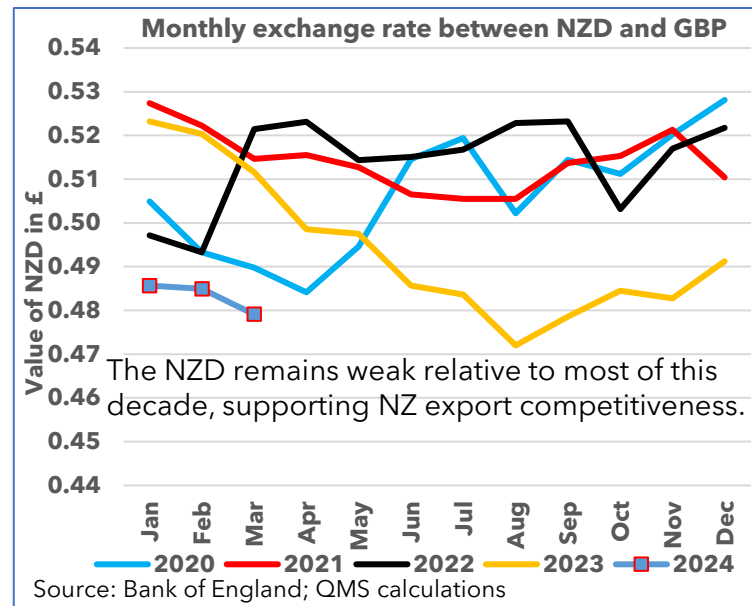
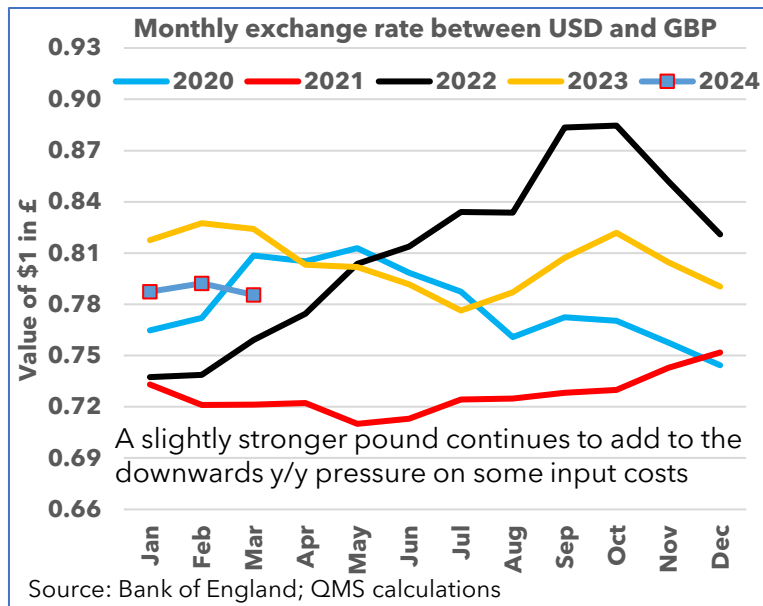


In the US, cattle by-product value has steadied at a three-year low for the time of year, reflecting general commodity market forces. A slight dip in hide value in March has seen it fall 3% behind year earlier levels in USD, though after factoring in a stronger sterling, it is down 6%.

Exchange Rate Movements – expectations that UK interest rates will begin to fall this year have had limited impact on sterling as inflation and interest rates are also on a downwards path elsewhere, leaving sterling stronger than in 2023, resulting in downwards pressure on input costs but also having a negative impact on price competitiveness.

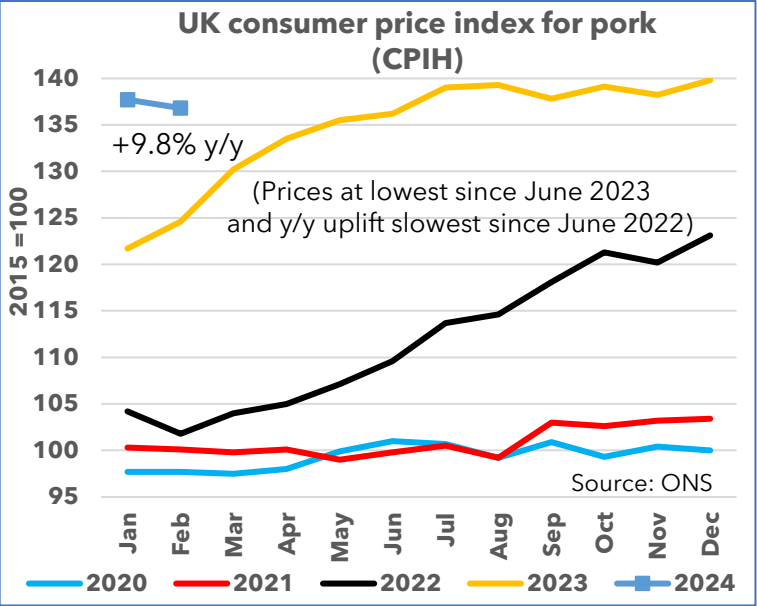
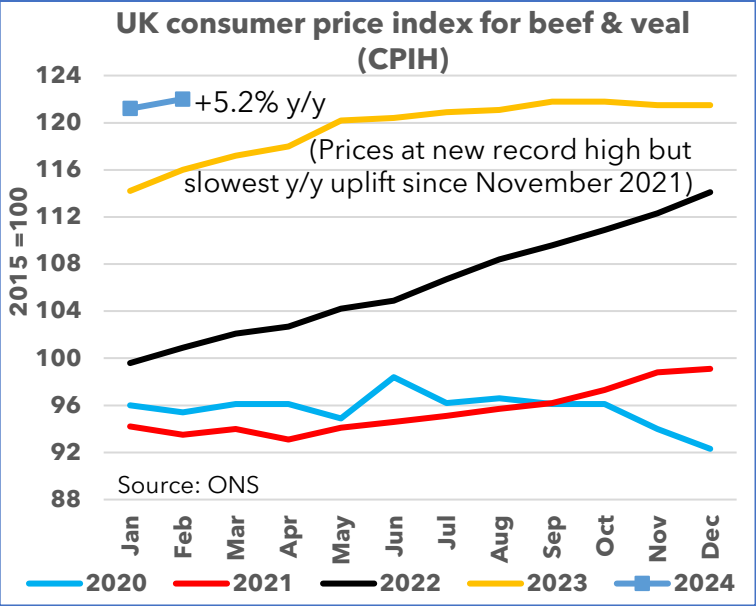


Sterling firmed slightly against the euro at the beginning of 2024 despite expectations that UK interest rates will start to reduce this year as inflation falls back towards its 2% target. Guidance from the Bank of England towards this lower path for interest rates led to some slight downwards pressure on sterling in late-March (-0.3%). Nevertheless, the Bank of England is likely to remain cautious with its interest rate setting policy to ensure that inflation can sustainably return towards the 2% target, limiting room for significant movement in interest rates and, in turn, exchange rates. It remains nervous that weak business investment since 2016 and the impact of a tight labour market on wages are biasing inflation to the upside.



US economic data has remained relatively firm in Q1 2024 but a slowdown in US inflation means that interest rates are forecast to fall this year, leading to some dollar softness, and geopolitical tension has not pushed up the dollar. 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 £4,121 in March 2023 but £3,927 in March 2024 (-4.7%).

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.

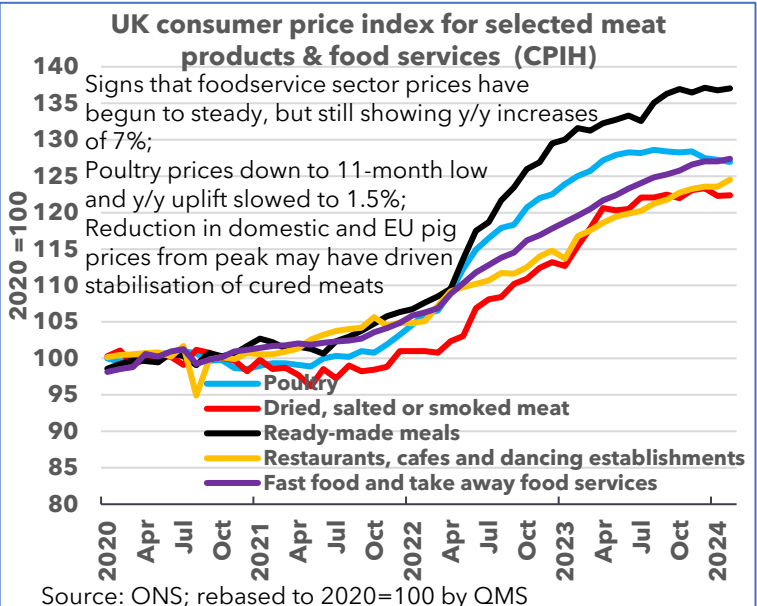
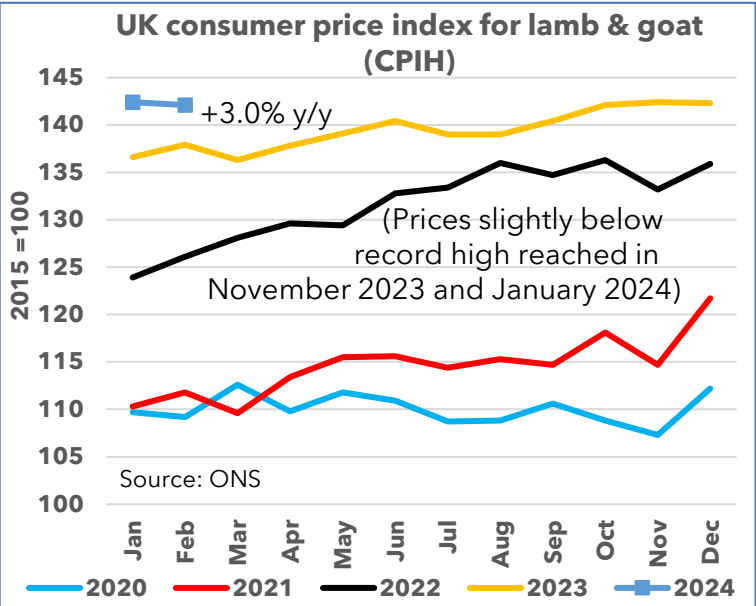


Retail demand remains firm overall with rising UK wages (+5.6% y/y in Nov 23-Jan 24 period) supporting the overall amount of money spent on groceries. While higher price levels continue to limit sales volumes, prices are not rising as fast as they had in 2022 and early 2023, providing some support to volumes.

Sales figures from the 12 weeks to February 18 point to a firm trading environment for meat. Beef showed some improvement after a dip in the previous 12-week period and lamb sales continued to look strong.

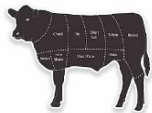
Previous rises in farmgate and import prices are still passing through the pork supply chain, squeezing sales volumes in line with tight supply. However, the pace of price increase has slowed significantly from its peak and volume declines have softened as a result.

Chicken is regaining price competitiveness and sales.



| Y/Y change in GB retail sales reported by Kantar in 12 weeks to 18/2/24 | | | |
|---|-------|--------|--------------------|
| | Value | Volume | Avg price per kilo |
| Fresh beef | +6.6% | -0.5% | +7.1% |
| Fresh lamb | +5.2% | +6.2% | -1.0% |
| Fresh pork | +5.6% | -3.3% | +9.2% |
| Fresh poultry | +6.8% | +3.7% | +3.0% |
| Total grocery market | +5.9% | +0.1% | +5.9% |
| Source: Kantar | | | |

Retail demand and prices - beef and pork price inflation has slowed overall but remains high for the most popular sales categories meaning continued pressure on overall sales volumes. Lamb sales continue to look strong at GB level, with more households buying it.



BEEF

12 weeks to February 18 2024



LAMB

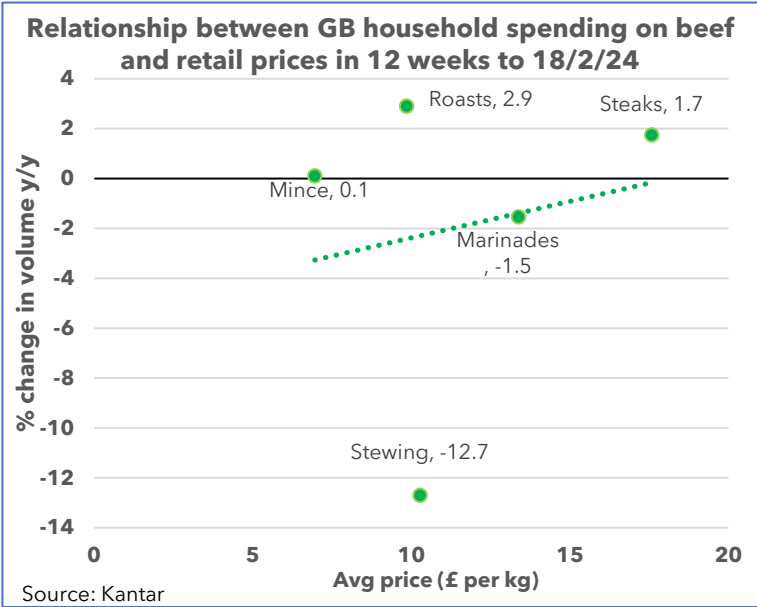
12 weeks to February 18 2024



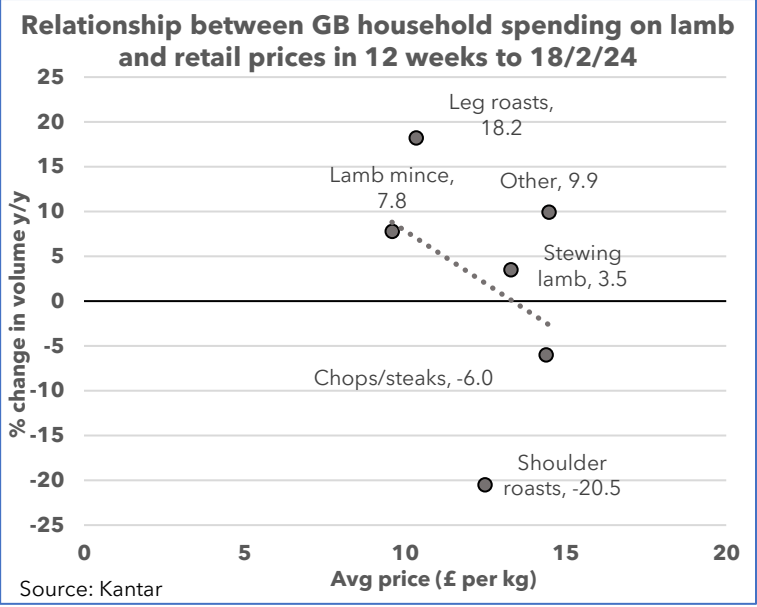
PORK

12 weeks to February 18 2024

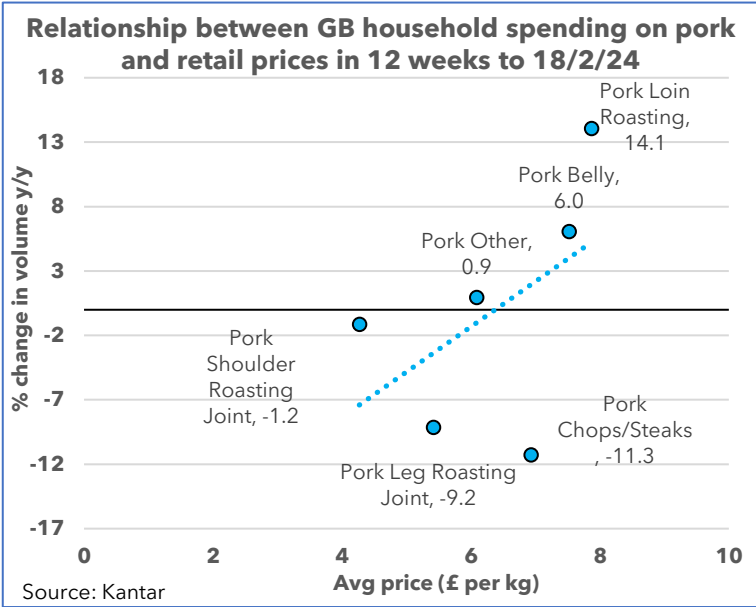
| | GB | Scotland | GB | Scotland | GB | Scotland |
|------------------|--------------------|-------------------|--------------------|-------------------|--------------------|-------------------|
| Value (£m) | 645.2 (+6.4% y/y) | 63.6 (+1.3% y/y) | 166.7 (+7.1% y/y) | 7.6 (-2.1% y/y) | 215.7 (+5.5% y/y) | 14.6 (+8.8% y/y) |
| Volume (t) | 66,748 (-0.8% y/y) | 6,210 (-7.2% y/y) | 14,508 (+8.0% y/y) | 628 (-3.7% y/y) | 33,840 (-3.4% y/y) | 2,276 (-0.1% y/y) |
| Avg price (£/kg) | 9.67 (+7.2% y/y) | 10.24 (+9.2% y/y) | 11.49 (-0.8% y/y) | 12.15 (+1.7% y/y) | 6.38 (+9.3% y/y) | 6.43 (+8.9% y/y) |
| Penetration* | 70.6% (-0.7% y/y) | 72.1% (-4.6% y/y) | 27.4% (+2.8% y/y) | 18.1% (+0.6% y/y) | 45.6% (-2.8% y/y) | 42.3% (+2.9% y/y) |
| Frequency** | 4.6 (-1.3% y/y) | 4.7 (-3.1% y/y) | 2.3 (-0.3% y/y) | 2.1 (+4.6% y/y) | 3.0 (+0.2% y/y) | 2.6 (+1.4% y/y) |



- Considerable price inflation of 13% still pressured mince volumes.



- Lamb leg roasts continued to drive up sales, supported by lower prices (-2%).



- Chops/steaks driving overall volume decline with y/y inflation still high (16%).

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

– business surveys showing an improvement, the labour market is stable and consumer sentiment remains much better than in autumn 2022 and spring 2023. Wage growth has exceeded inflation for nine months but it softened over the winter and while the cost of living is rising at a slower pace overall, it is at a much higher base than in mid-2021 and continues to limit retail sales volumes as spending levels stabilise.

