

QMS MONTHLY MARKET UPDATE

May and June 2024

Purpose:

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

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Date: 14/6/2024

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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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BEEF MARKET

SUMMARY OF MARKET DEVELOPMENTS

01 Prices

- A short-term seasonal uplift in availability on farm has seen prime cattle prices come under some significant pressure. While year-on-year declines have remained relatively stable at -4-5%, leads over the five-year average have softened towards 15%. Cow prices also fell back in late-May and early-June in Scotland, with availability for slaughter likely to have passed its seasonal low.

02 Production and market supply

- Increased prime cattle numbers on farm at the start of 2024 have been supporting GB slaughter, which has been up significantly year-on-year.
- While weekly slaughter has been consistently strong in England & Wales, it has jumped back towards its highest levels of the year since mid-May at Scottish abattoirs, reflecting a short-term seasonal build up on farm. After moving ahead of 2023 levels in April, slaughter has also continued to show year-on-year increase through May and into June in Scotland, in line with the increase on farm in the January population data.
- Increased domestic production and imports at the start of 2024 appear to have supported a recovery in market supply after a tight end to 2023, and a well-supplied market has enabled UK export volumes to increase.

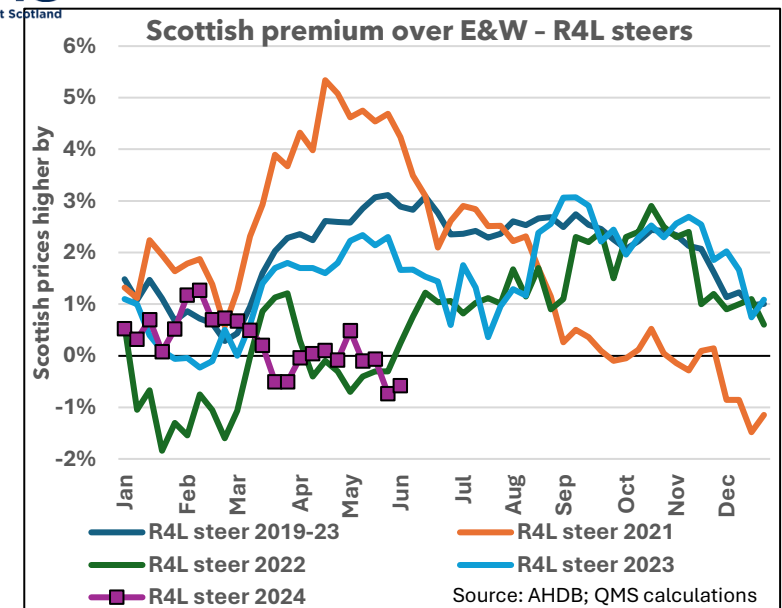
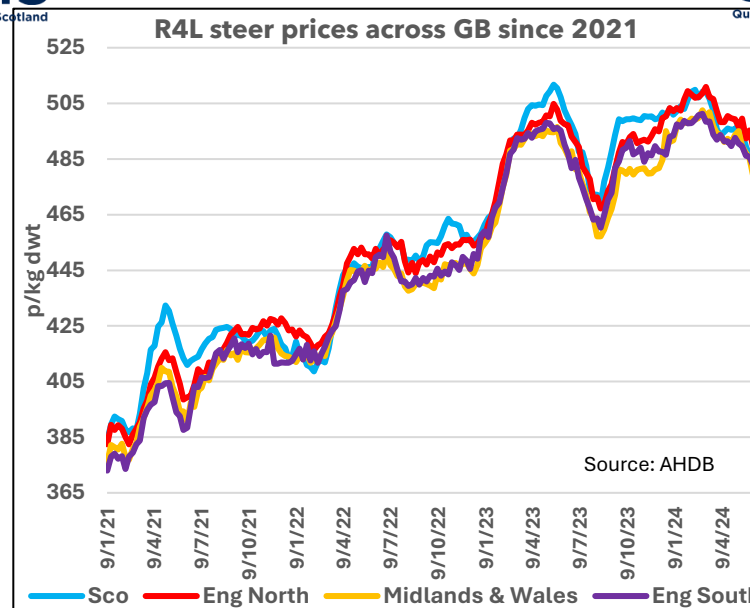
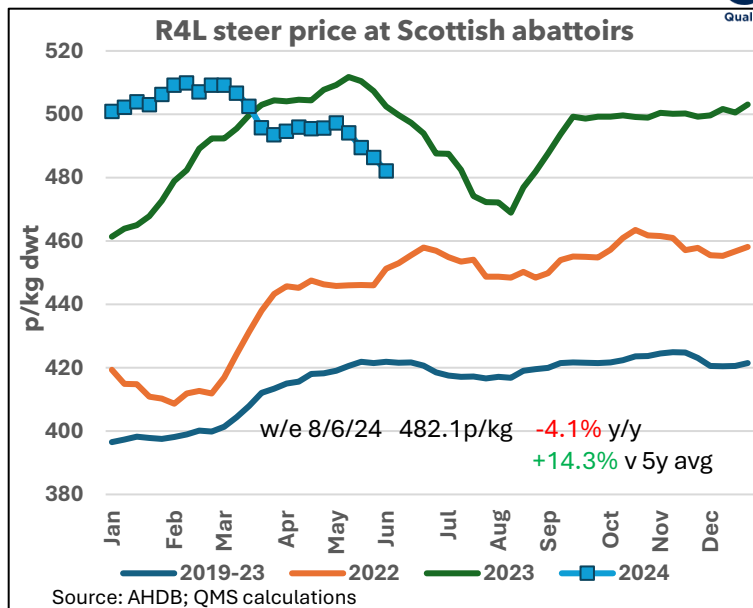
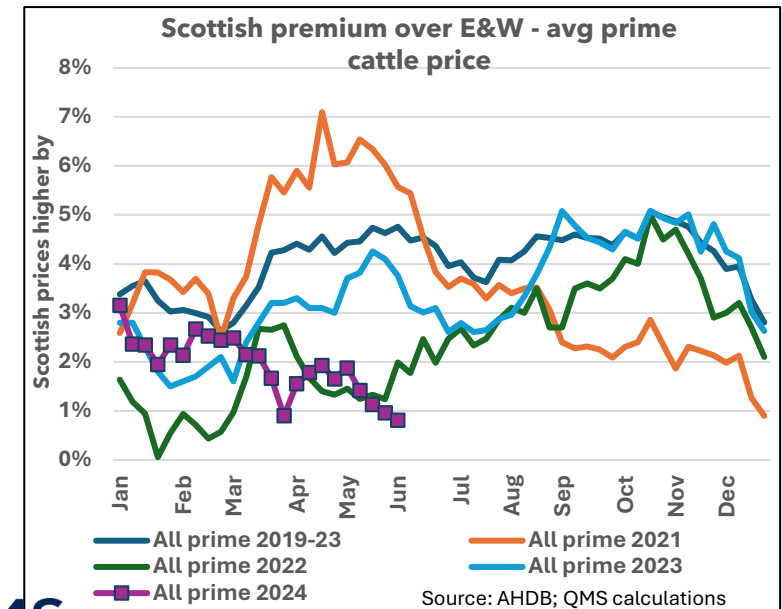
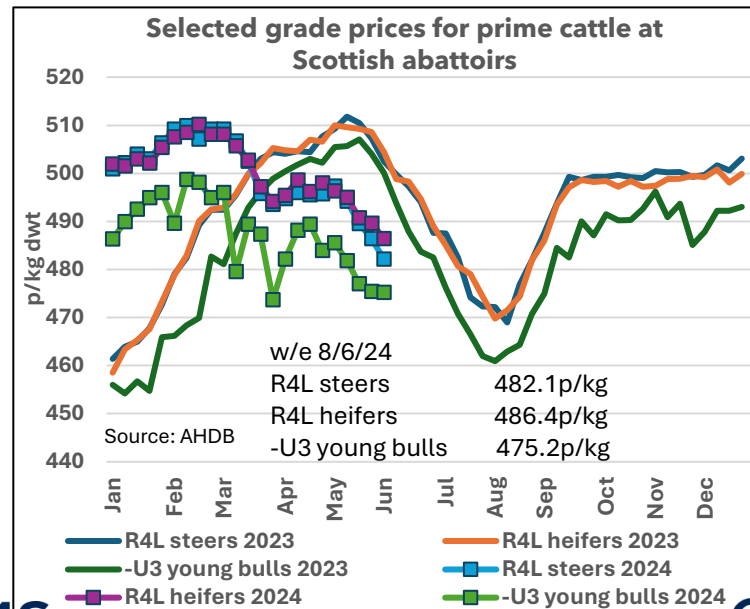
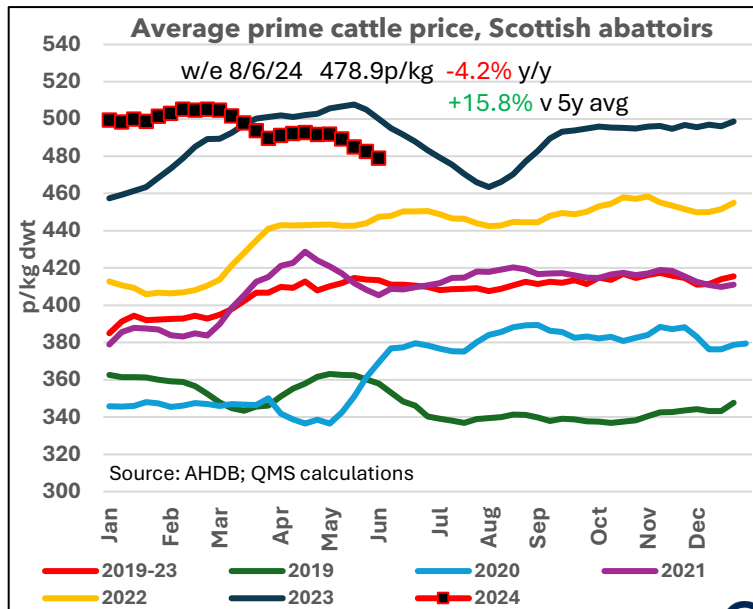
Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
R4L steer price at Scottish abattoirs	p/kg dwt, w/e 8 June	482.1	-4.3	-3.1%	-4.1%	+14.3%
Prime cattle slaughter at price reporting Scottish abattoirs (87% of kill in 2023)	Average in four weeks to June 8, head procured deadweight	5,984		+5.5%	+3.7%	-8.7%
Store price at Scottish auctions for steers aged 12-18 months	Average in four weeks to June 8, £ per head	£1,250		-5.5%	n/a	+35.8% (v 2018-22)
UK beef market supply	Tonnes in Mar-May 2024 (estimate)	259,400			+0.4%	+0.8%

03 Outlook for production

- In the short-term, a higher spring-2022 calf crop and a slight slowdown in the store cattle outflow from the highs of 2022 should be supporting prime cattle availability in Scotland, along with the seasonal increase in young bull availability. However, weekly slaughter then has a downwards trend in the summer. Numbers are expected to tighten relative to year-earlier levels in the autumn as the reduced 2023 spring calf crop starts dominating slaughter.

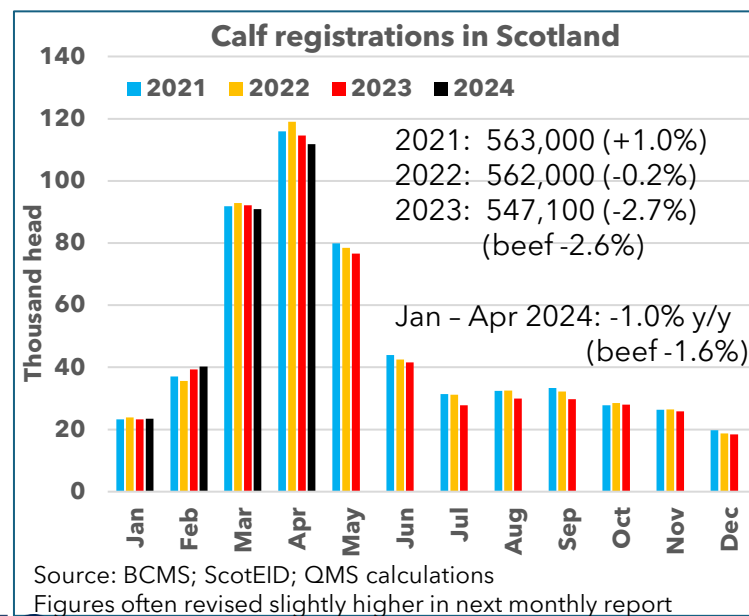
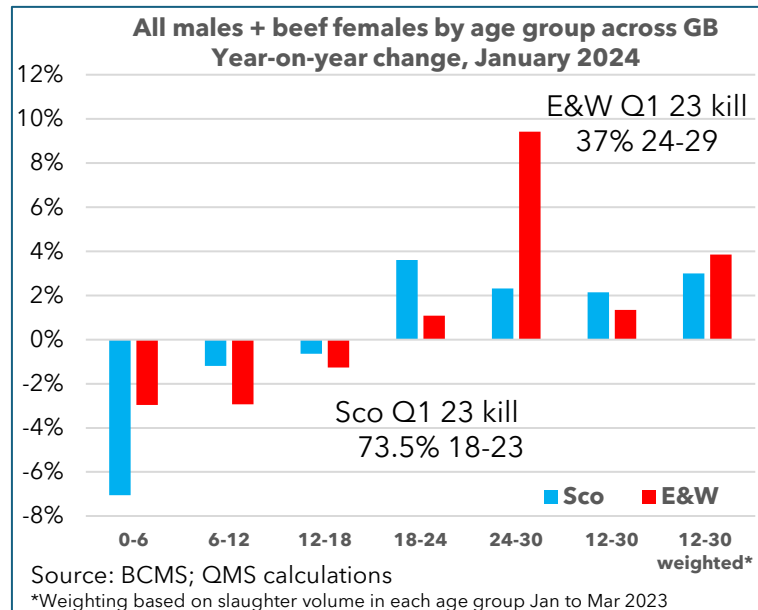
Farmgate prices

Prime cattle prices have cooled through May and into June, reflecting a short-term build in availability on farm. After falling 2% behind year-earlier levels in April, the gap has widened to 4%, while the lead on the five-year average has slowed to 15%.



Availability and slaughter

Since mid-May, prime slaughter has risen towards its highest levels of the year in Scotland, reflecting a short-term seasonal uplift. Numbers have remained well above the lows of 2023, in line with the picture on farm at the turn of the year, but are expected to tighten as the 2023 calf crop reaches slaughter age.

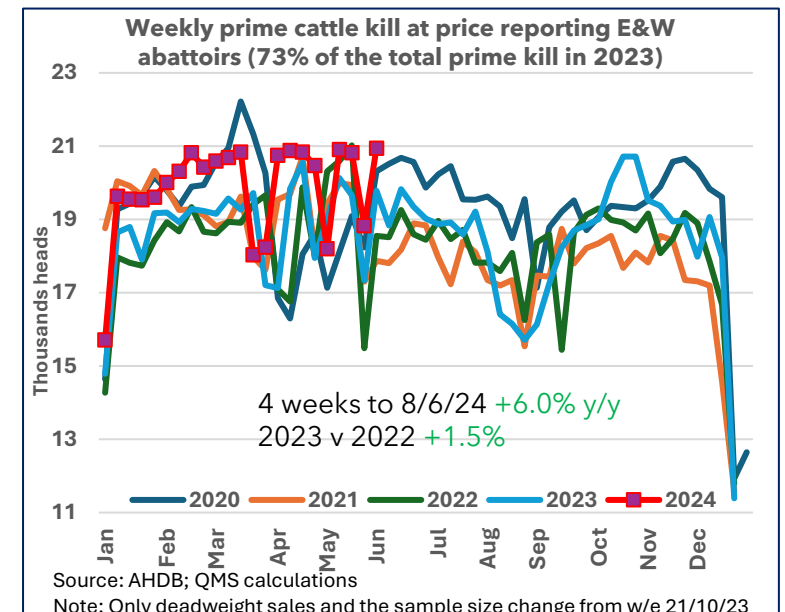
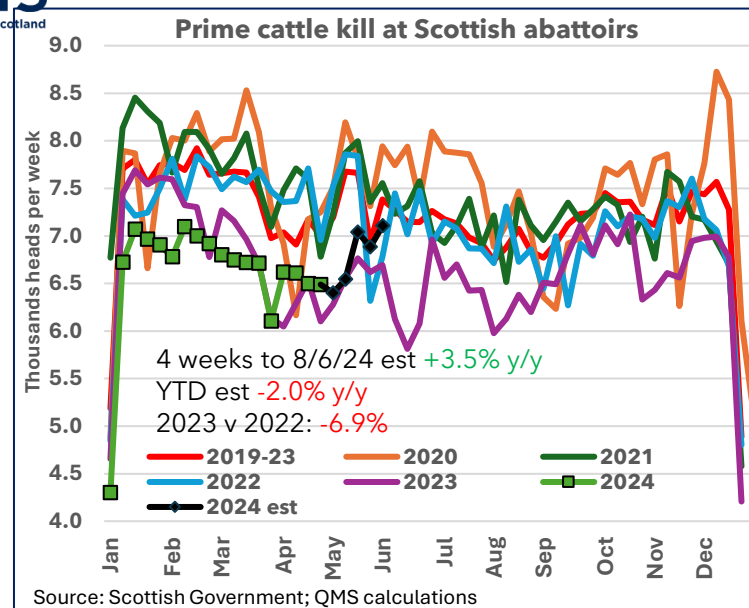
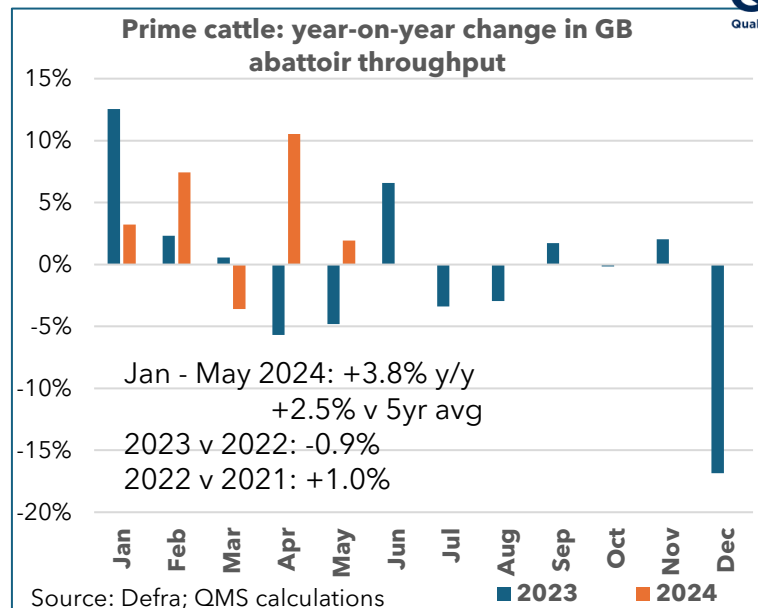


An increased prime cattle population on farm at the start of 2024 has continued to underpin slaughter across GB, which rose by 4% year-on-year in the first third of the year.

In Scotland, the prime kill has risen sharply since mid-May, returning to around its highest levels of the year, in a short-term seasonal uplift. Numbers continued to run ahead of the low levels of 2023 through May and into June, fitting with the year-on-year increase on farm reported in January (which reflected an increased spring calf crop in 2022 and a reduction in the outflow of store cattle from its peak).

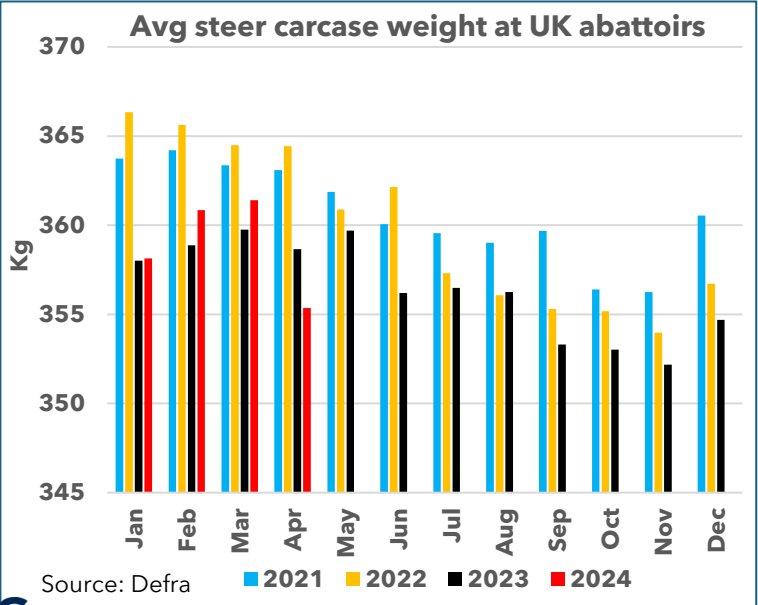
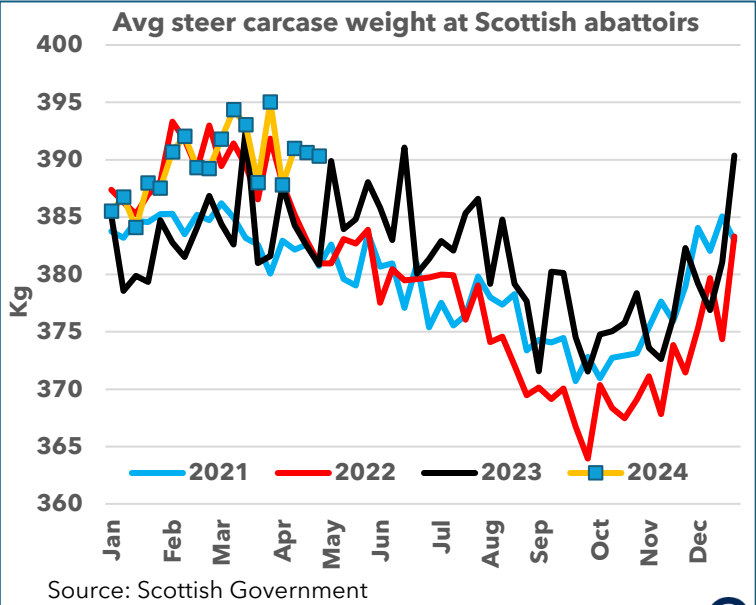
Meanwhile, slaughter at the price reporting abattoirs in E&W has remained consistently firm through May and into June, reaching a year-to-date high at the start of June. Some of its year-on-year uplift may reflect a change in sample size in October 2023.

Numbers are expected to tighten seasonally as we move further into summer, while the year-on-year increases of the first half may begin to slow, or even reverse, as the reduced calf crop of 2023 starts reaching slaughter age.



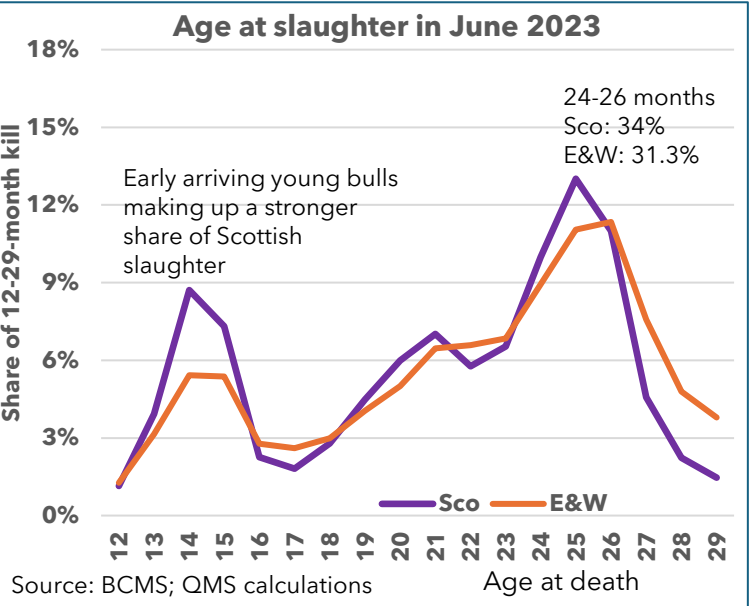
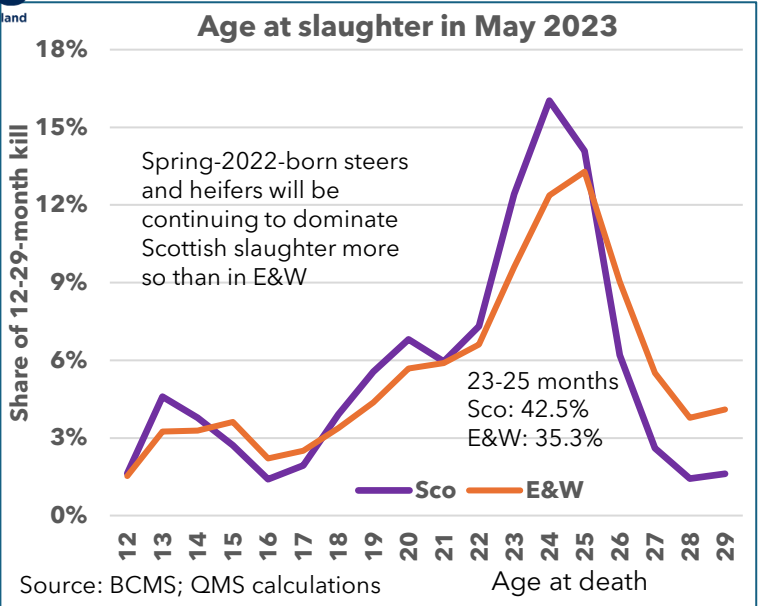
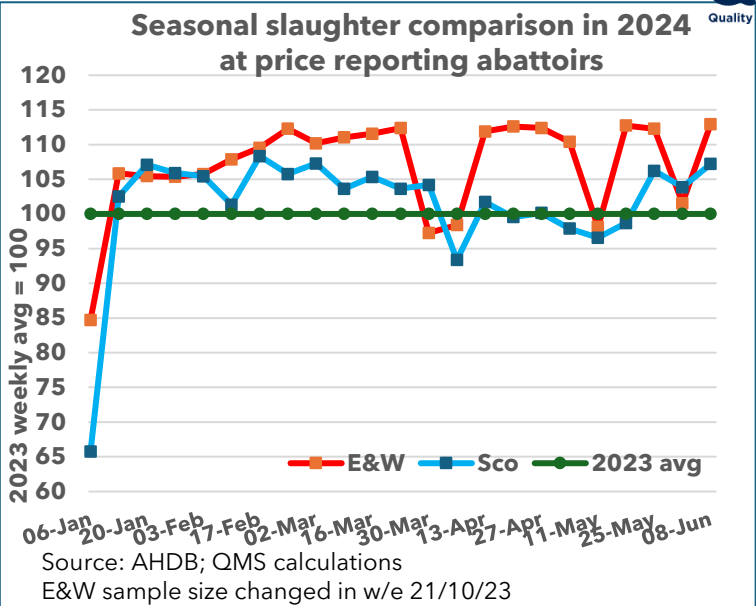
Seasonality of production

After a short-term uplift in May, prime cattle availability is likely to slow seasonally in Scotland with the 2022 spring calf crop passing its peak slaughter age. After a sluggish start, young bull availability is starting to climb sharply towards its seasonal peak.



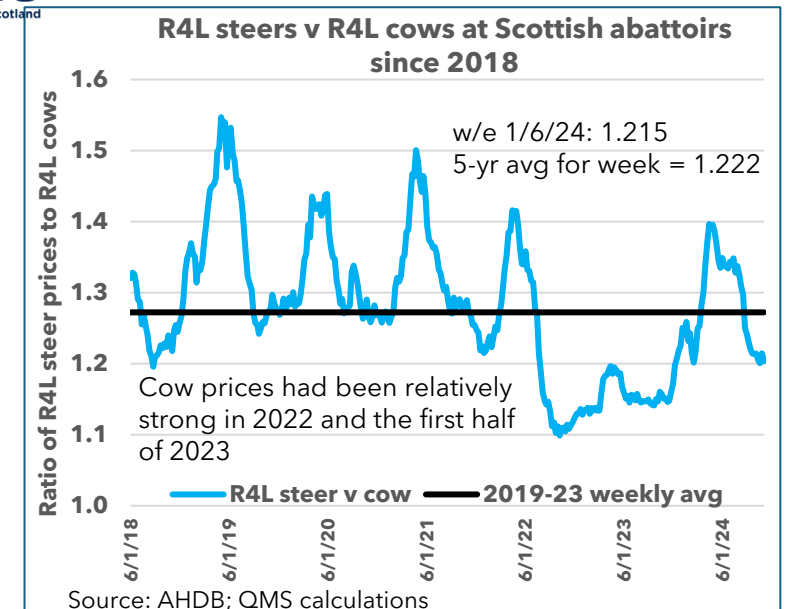
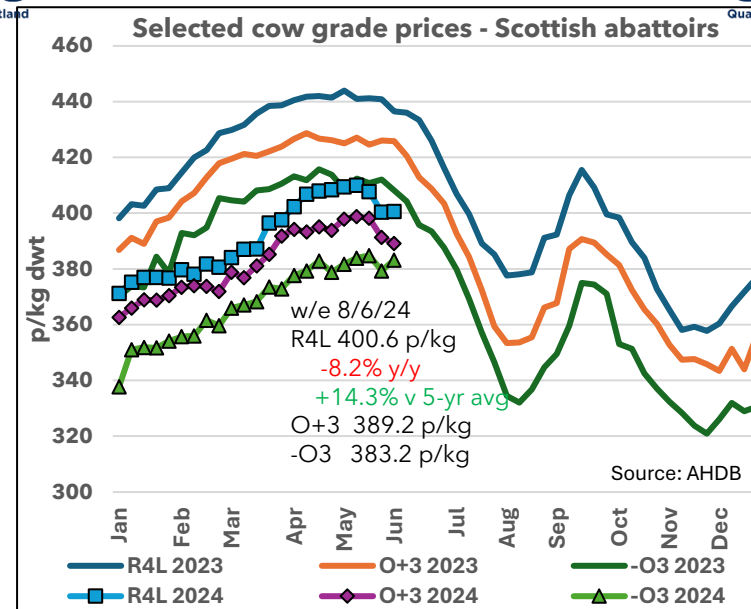
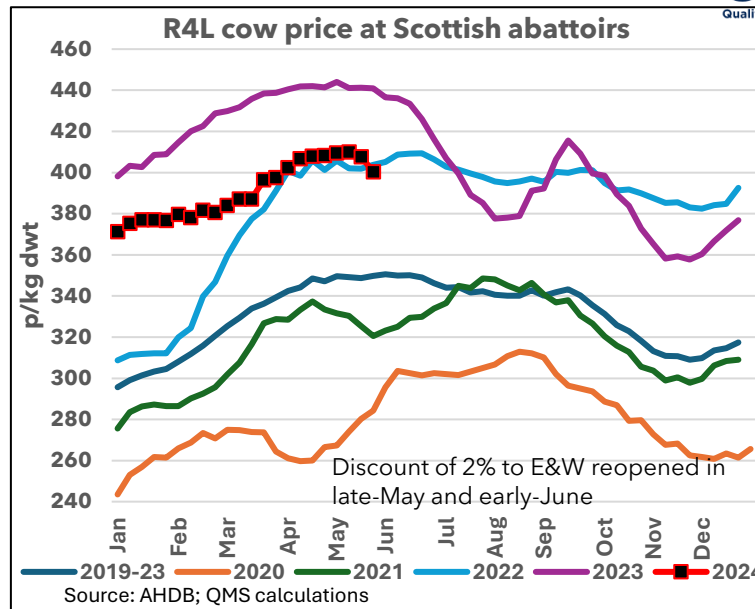
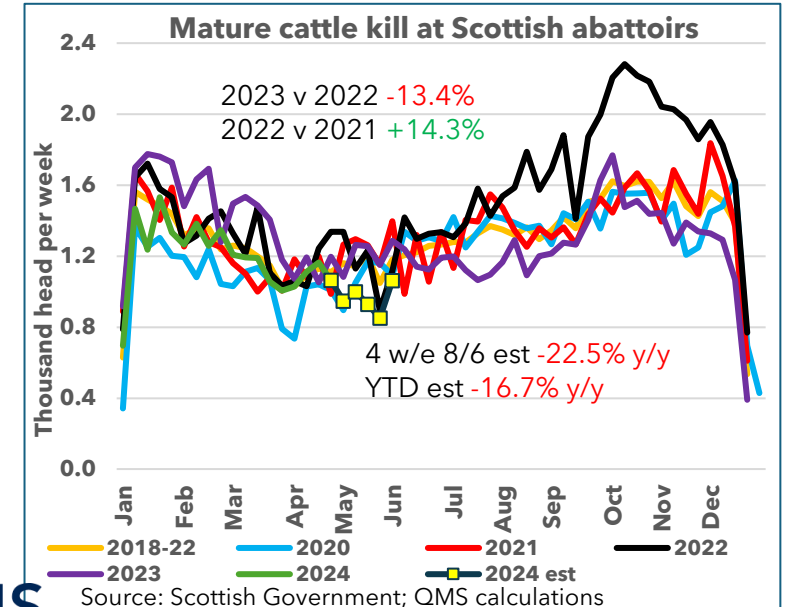
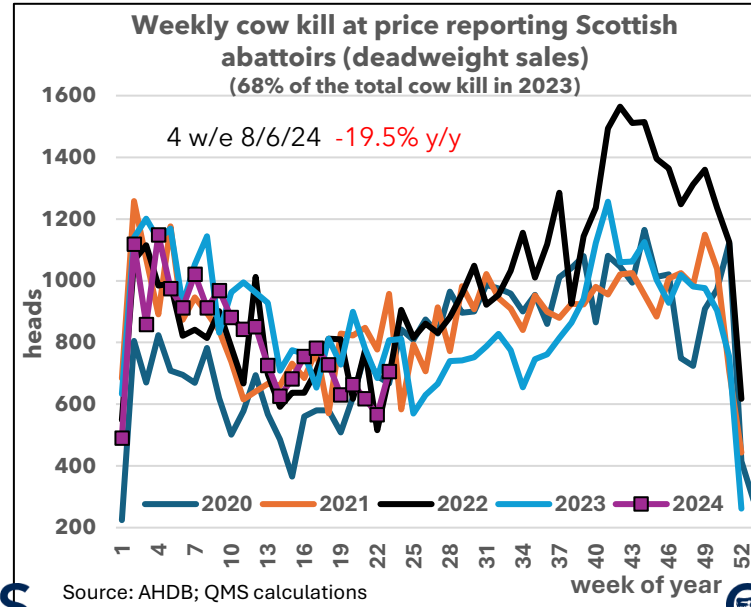
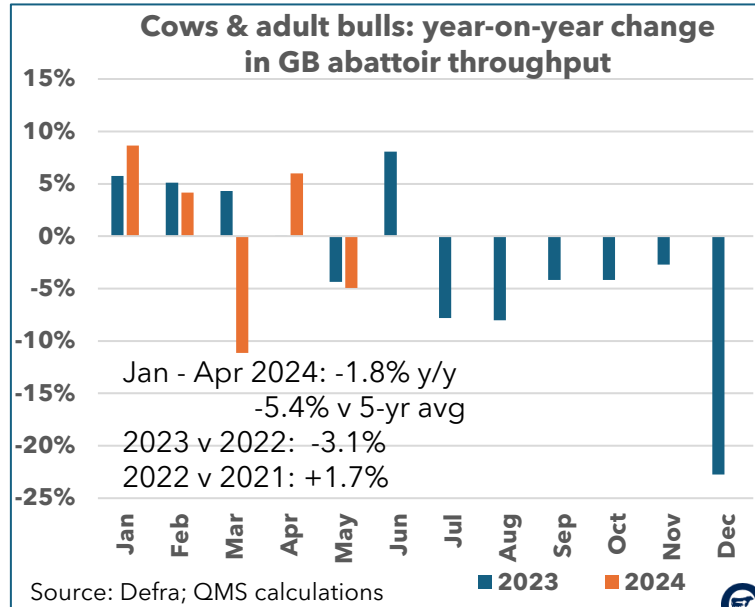
In theory, availability for slaughter should remain relatively firm in Scotland, although the spring calf crop from 2022 has passed its peak slaughter age, signalling the potential for some slowdown.

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



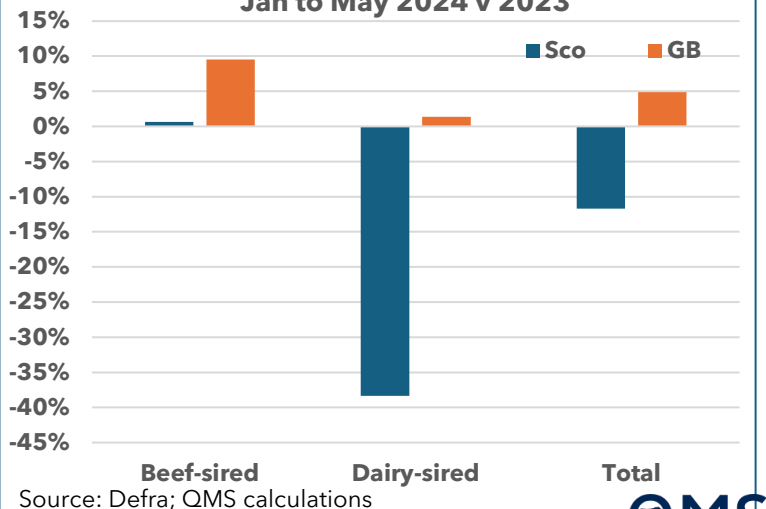
Mature cattle market

Cow prices have been coming under some seasonal pressure as availability for slaughter is likely to have passed its annual low. Unlike prime cattle, cow slaughter has continued to lag 2023 levels in Scotland.

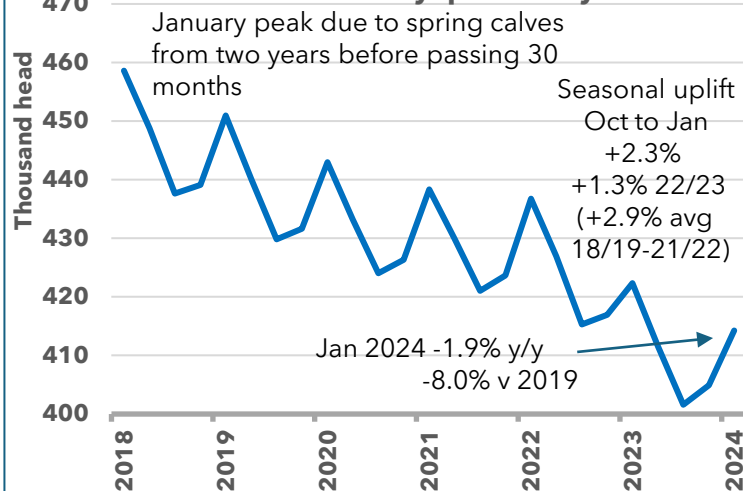


Herd reduction slowing but continuing in the beef sector

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



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



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

Month	Dairy	Beef	All
Jan 2022	-1.3%	-0.4%	-0.6%
April 2022	-1.1%	-0.7%	-0.8%
July 2022	-1.0%	-1.4%	-1.3%
Oct 2022	-0.5%	-1.6%	-1.3%
Jan 2023	-1.0%	-3.3%	-2.7%
Apr 2023	-1.2%	-3.6%	-2.9%
Jul 2023	-1.0%	-3.3%	-2.6%
Oct 2023	-0.1%	-2.9%	-2.1%
Jan 2024	+0.8%	-1.9%	-1.1%

Source: BCMS; QMS calculations

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

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

Source: BCMS; QMS calculations

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

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



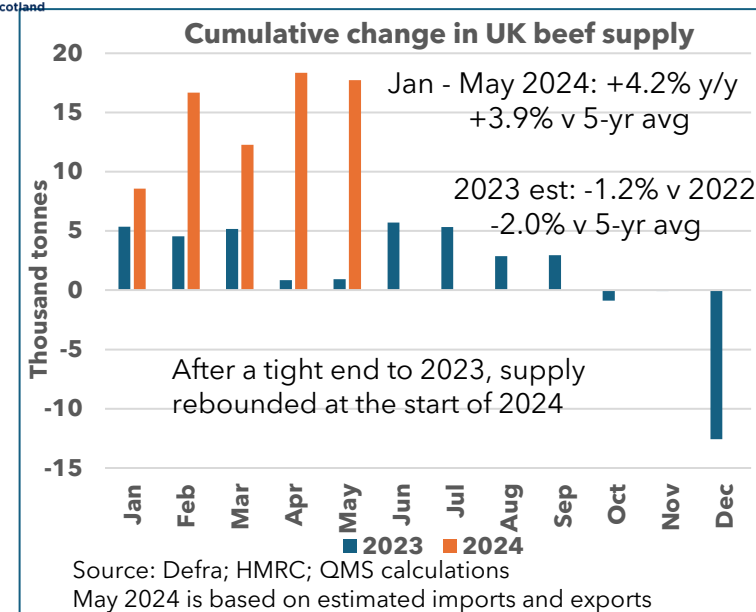
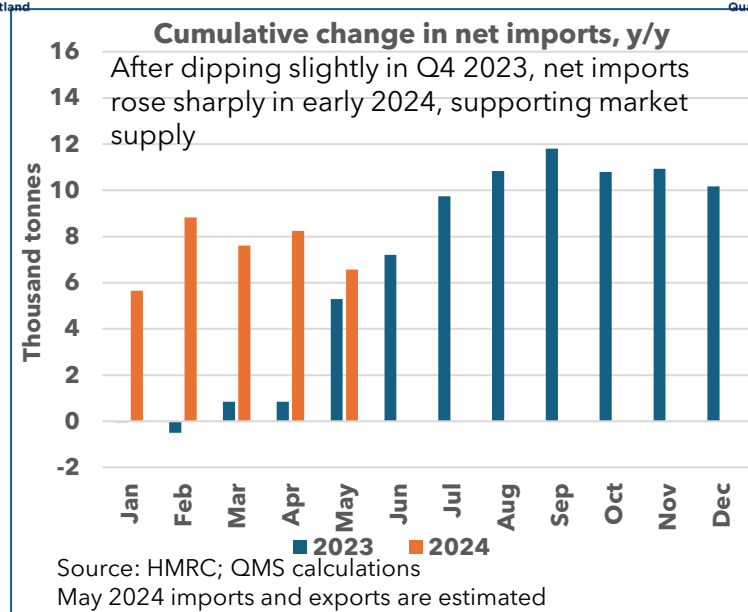
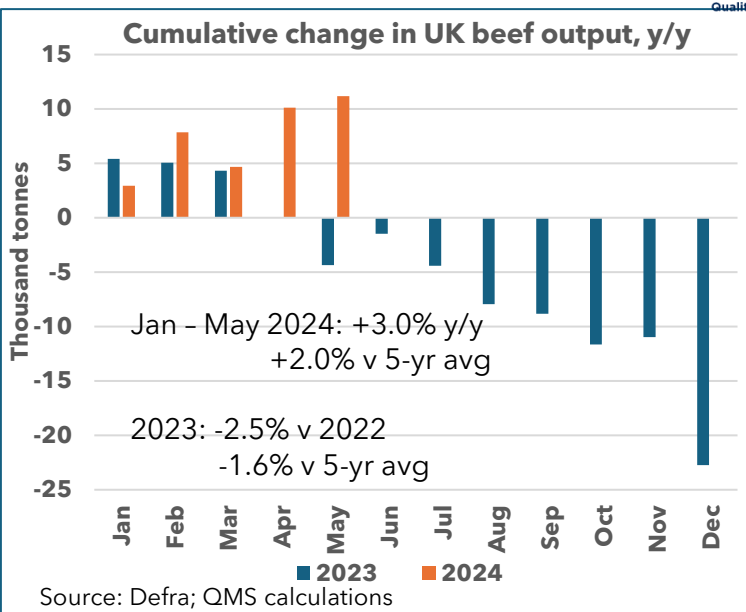
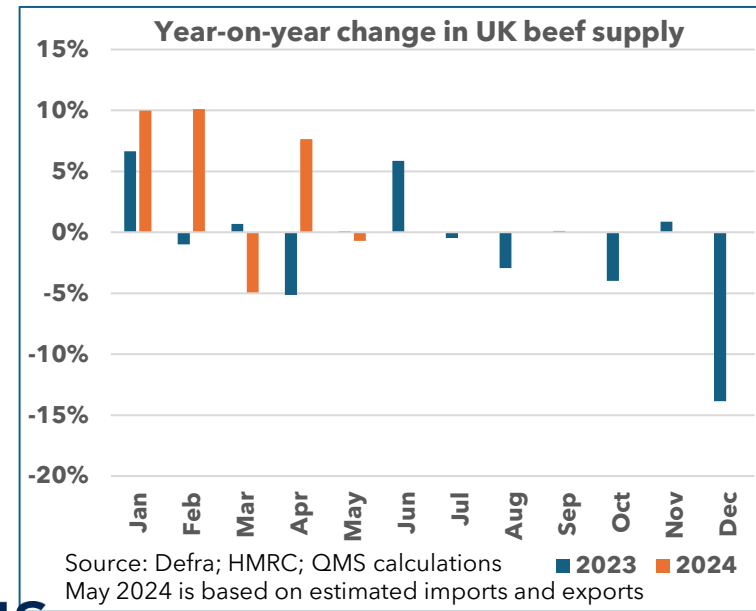
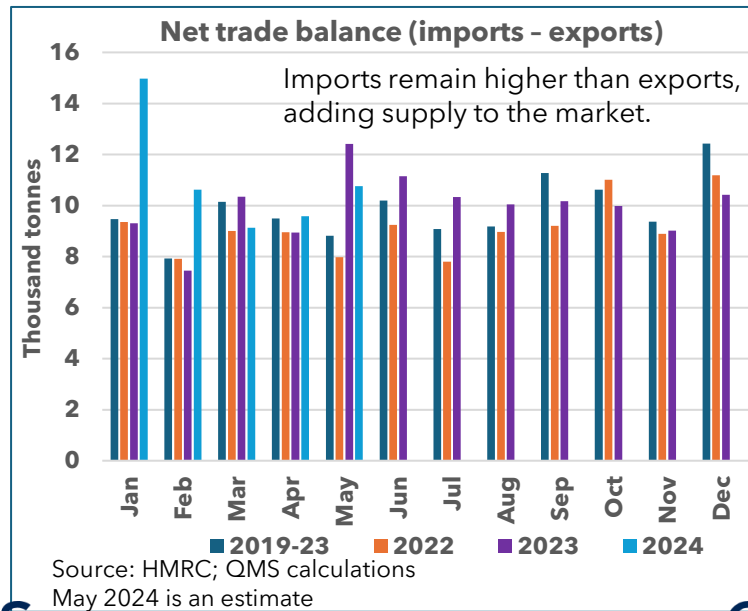
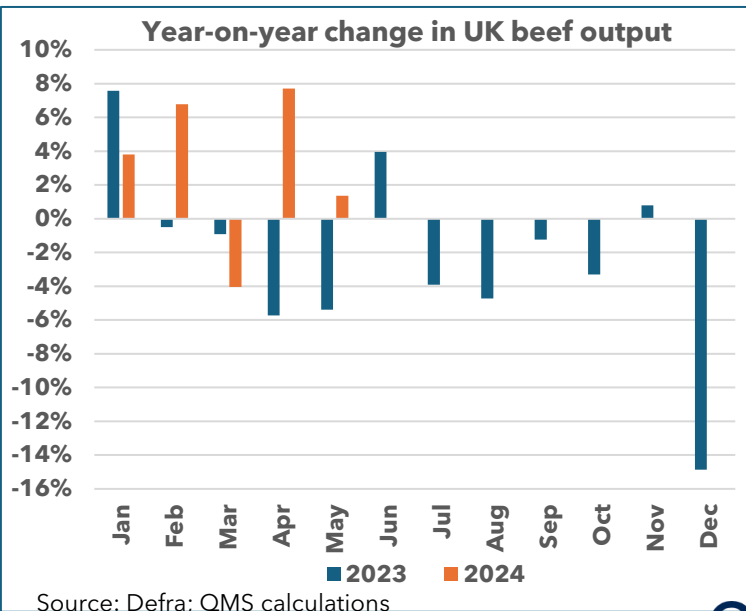
**Latest breeding herd results – females over 2 years old
with offspring (y/y change)**

	Dairy	Beef	All
Scotland (Dec 2023)	+1.0%	-2.5%	-1.4%
England (Dec 2023)	-0.9%	-4.2%	-2.1%

Source: Defra; Scottish Government; QMS calculations

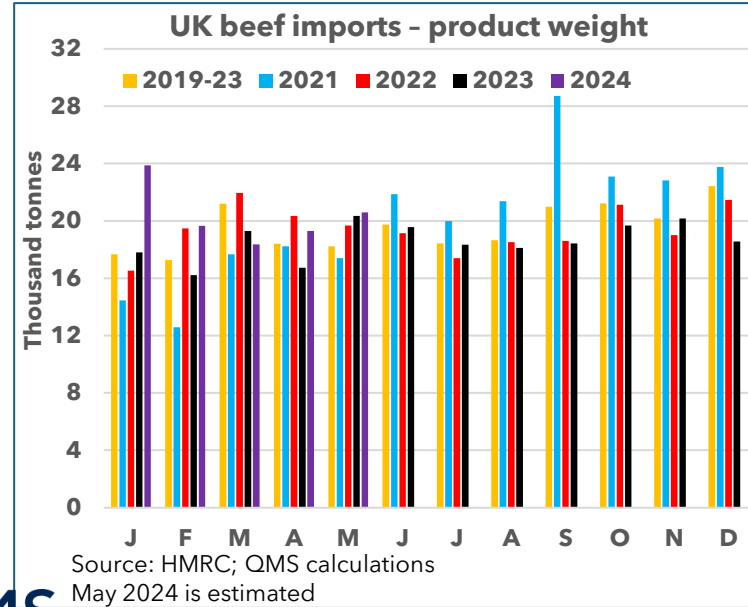
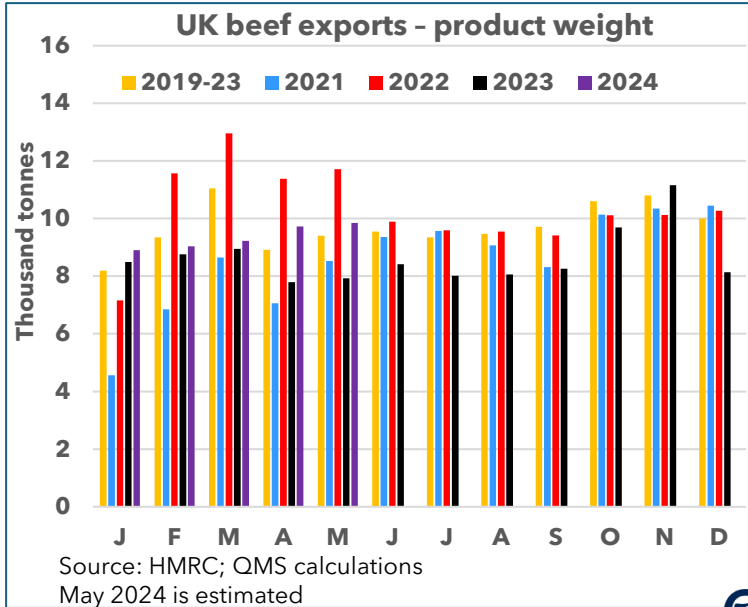
UK beef market supply

domestic production + (imports – exports) = supply



UK international trade

UK beef imports and exports have risen in 2024, with strong increases in trade with non-EU markets.



After edging above 2023 levels in Q1, UK beef exports showed a strong month in April, up 25% year-on-year, driven by more than just rising domestic output.

Shipments to EU countries had fallen in the opening two months of the year and were only up marginally in March, before rising by nearly 18% on 2023 in April. Meanwhile, trade with non-EU countries continued to grow, reaching a year-to-date high and up nearly 80% on April 2023 (though they were still down marginally on April 2022).

After a strong start to the year, driven by re-stocking demand after a tight end to 2023 for the UK beef market, imports cooled in March, down 5% year-on-year. However, they rebounded in April, posting a 15% uplift and moved back above the five-year average.

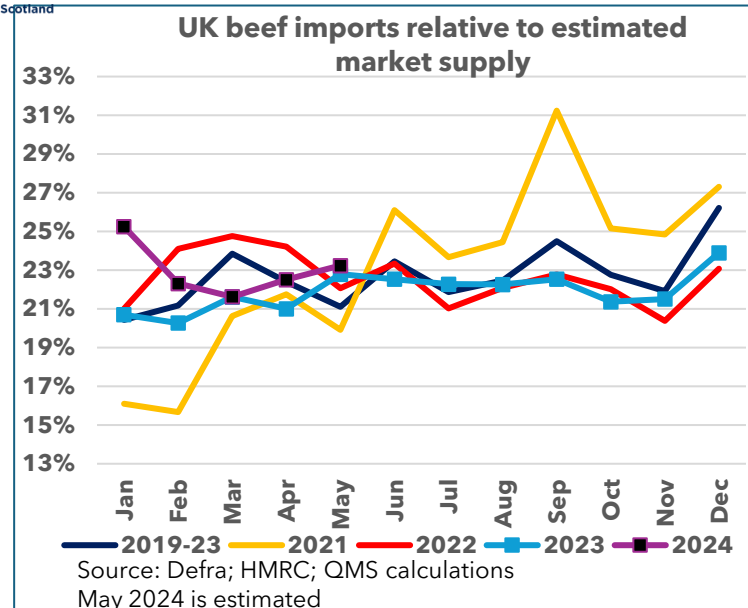
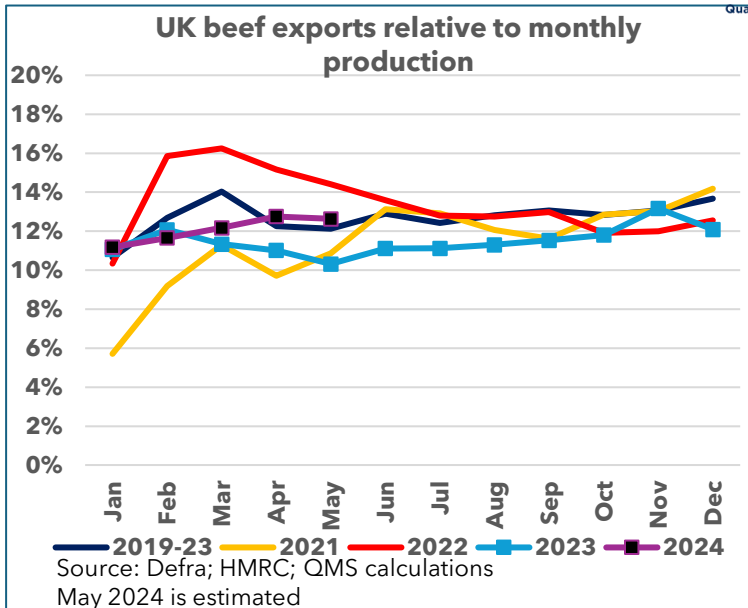
Imports from the EU rebounded after a dip in March, up 11% year-on-year, while the volume arriving from non-EU sources continued to expand, up more than double on the year and at their highest level since late-2018. Imports from Australia and New Zealand accounted for 45% of non-EU shipments in the first third of 2024, up from 15% in the same period of 2023, highlighting use of the Free Trade Agreements which entered force on 31/5/23.

The EU accounted for 93.9% of UK import volumes and 84.4% of exports in Q1 2024.

Note:

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

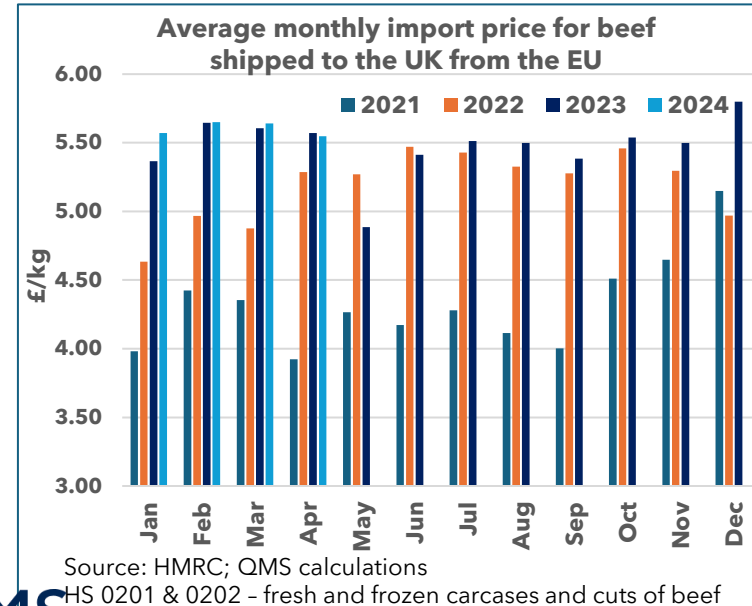
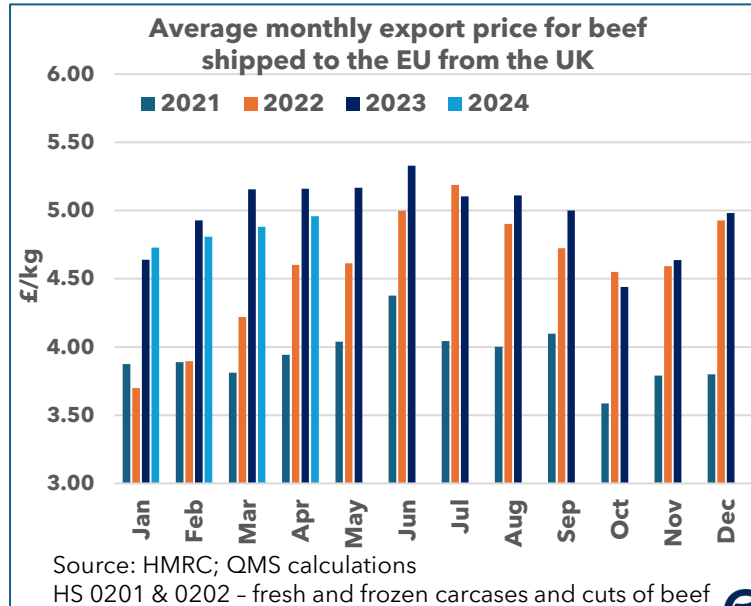
Estimates for May are based on seasonal trends in trade volumes and domestic production



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Variables influencing international trade

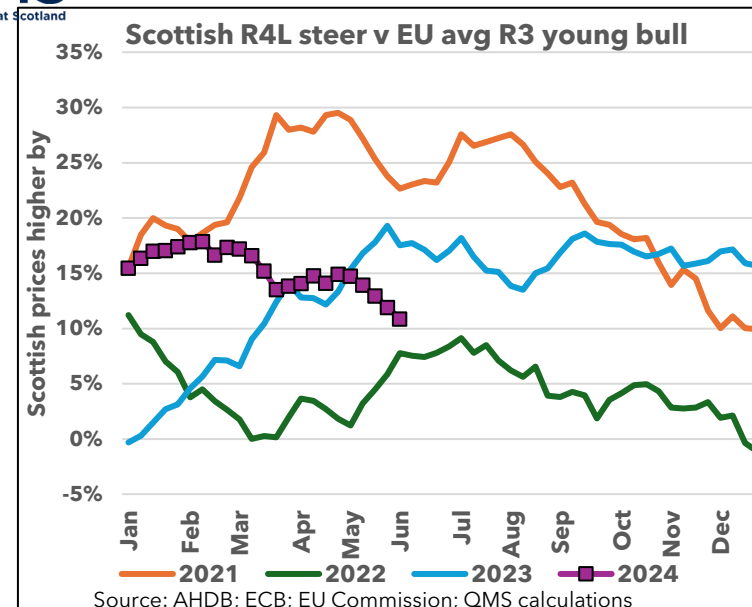
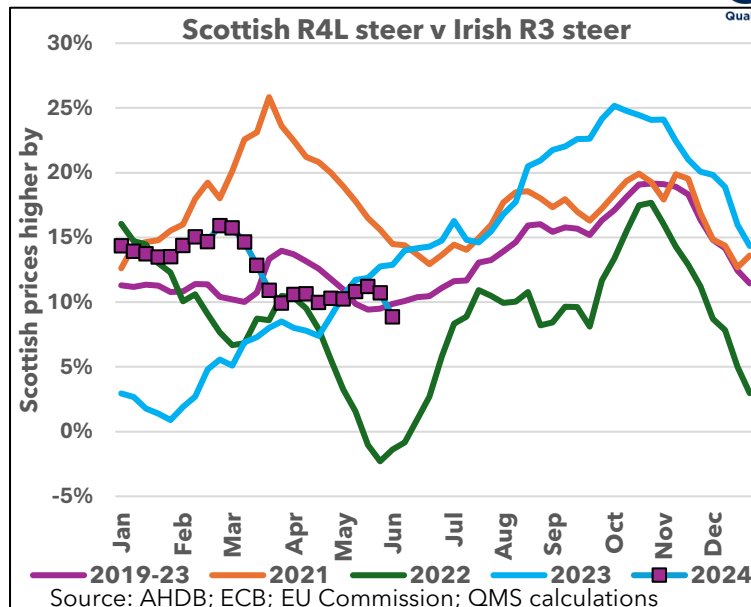
Scottish prices more competitive than in the first quarter.



Irish prime cattle prices cooled in May despite a seasonal tightening of slaughter, but there was a slight rebound at the start of June. While the gap between Scottish and Irish prices had held at 10-11% in May, the Irish price rise at the start of June saw the gap narrow to a 13-month low of 9%.

While EU beef prices remain below the highs reached in 2022 and 2023, they have risen since the start of 2024 and the lead for Scottish R4L steers over the EU average for R3 young bulls fell to 11% at the start of June, leaving it at its lowest since Q1 2023.

Although UK export prices have come under some competitive pressure this year, import prices appear to have held firm.



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

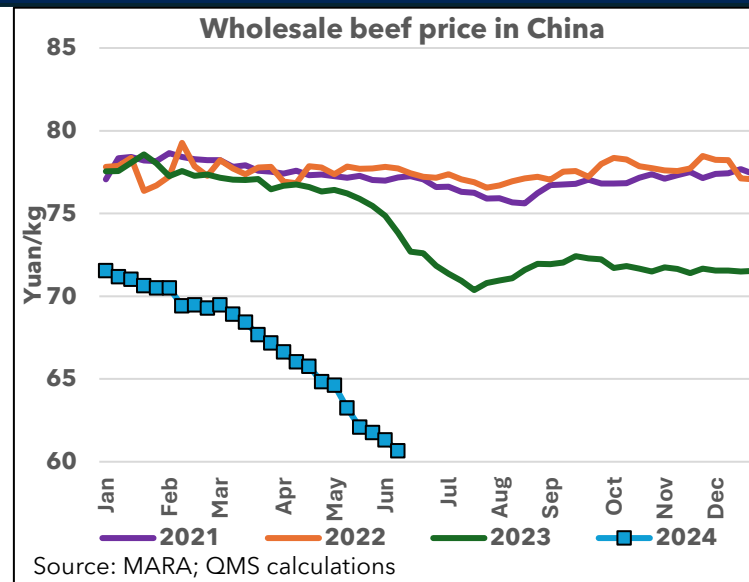
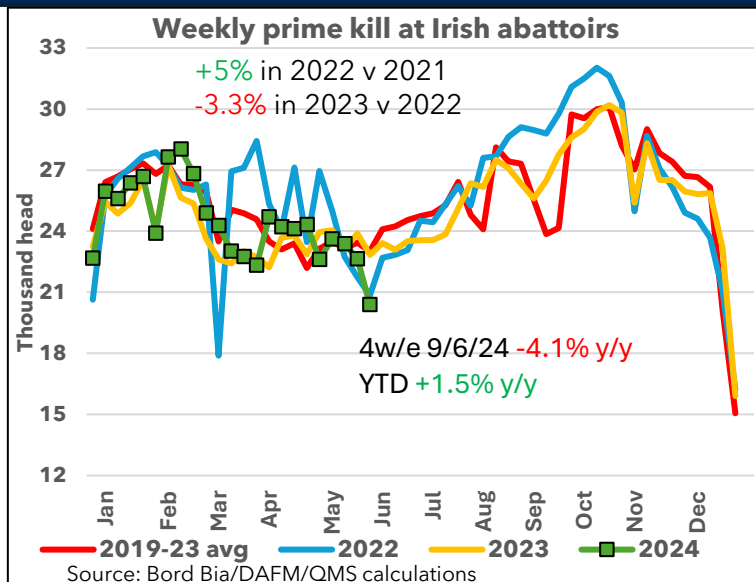
	Week 22 2024	Week 18 2024	Week 22 2023
Germany (young bull)	425.5	420.5	399.0
Netherlands (young bull)	357.2	325.2	375.8
Spain (young bull)	462.2	460.4	449.0
Poland (young bull)	422.0	412.7	401.9
Irish Republic (steer)	439.3	449.4	449.9
For comparison: Scotland R4L steer	486.4	489.5	507.3

Source: AHDB; EU Commission; LMC; QMS calculations

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

Variables influencing international trade

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



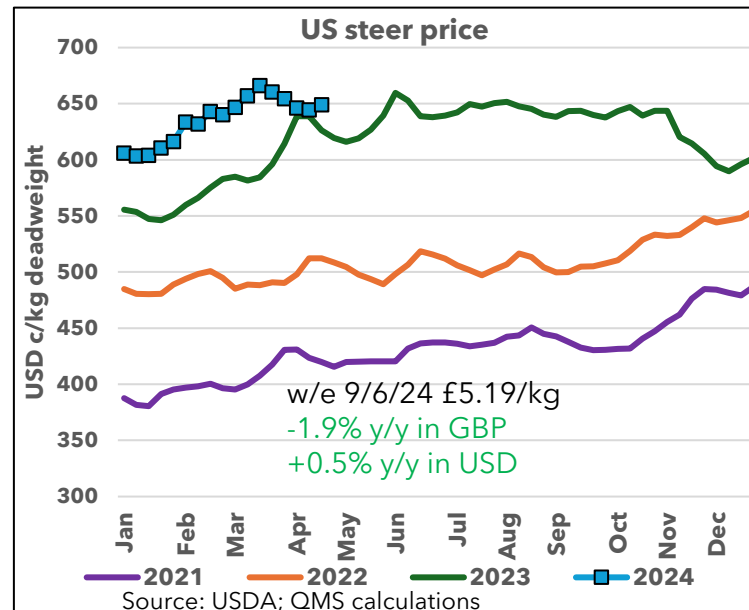
In the Irish Republic, slaughter has fallen seasonally and slipped to a year-to-date low at the start of June, but it may now begin to trend higher. Throughput has also fallen behind year-earlier levels after a surprisingly strong increase to the year and census results from December did point towards a tightening once an increased number of older prime cattle had 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 2023 lows and US beef prices continue to trade historically firm with domestic production adjusting downwards following drought induced herd liquidation in 2021 and 2022.

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

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

Source: USDA Foreign Agricultural Service



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

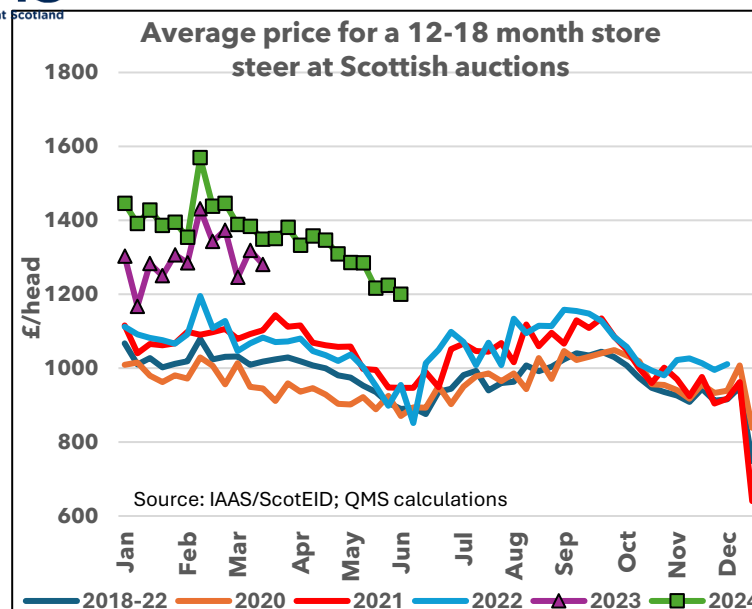
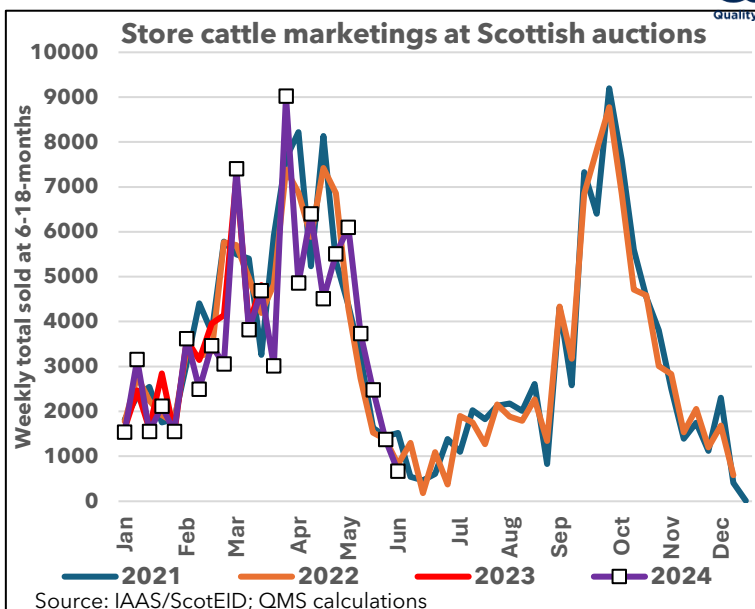
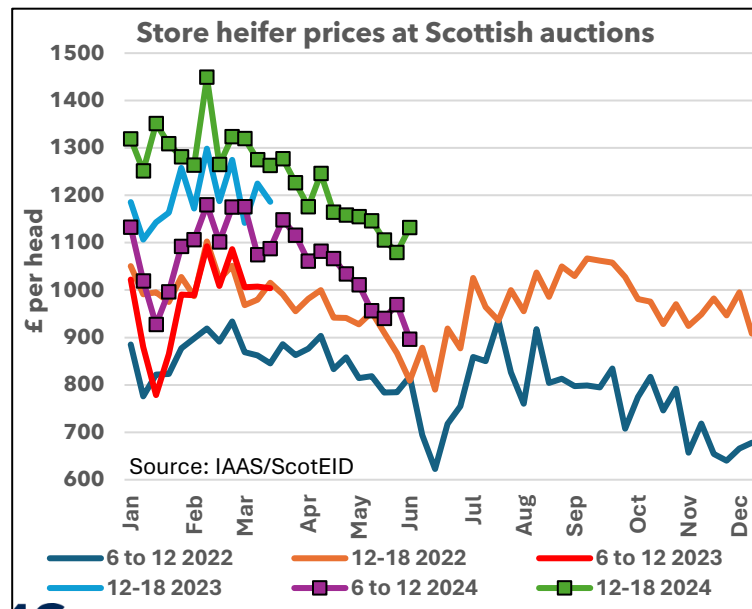
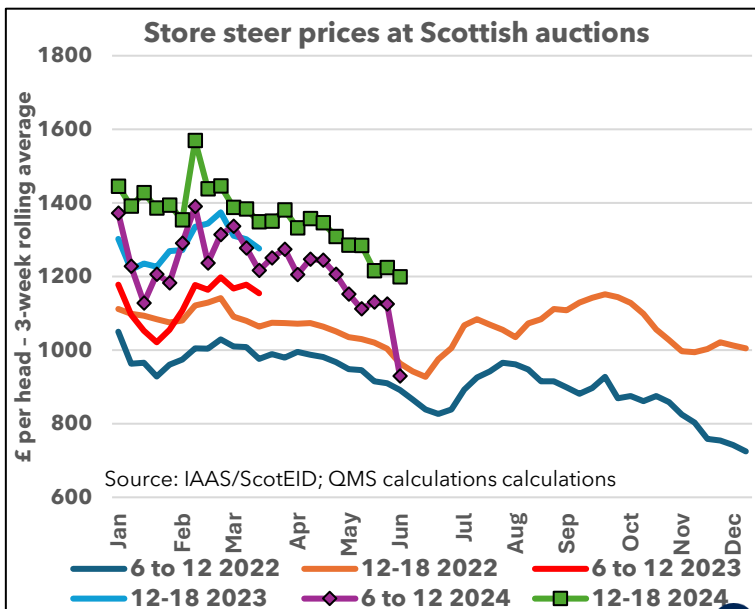
Cattle on Irish farms (thousand head)

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

Seasonal dip in prices, with some additional influence from a softening of finished cattle values



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

While prices have softened seasonally in the second quarter, some additional influence is likely to have come from a dip in finished cattle prices.

A smaller calf crop in summer and autumn 2023 is likely to ensure that store cattle availability remains tight throughout 2024.



4 weeks to 8/6/24

Store cattle prices

Steers, 6-12 months	£1,106
Steers, 12-18 months	£1,250
Heifers, 6-12 months	£949
Heifers: 12-18 months	£1,122

Store cattle marketings

All steers & heifers, 6-18 months	8,200
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Source: IAAS/ScotEID; QMS calculations
Prices rounded to nearest £1 and numbers to nearest 100



SHEEP MARKET

SUMMARY OF MARKET DEVELOPMENTS

01 Prices and availability for slaughter

- While new season lamb prices have cooled from their seasonal peak, they have remained historically firm at around the £4/kg lwt mark in the first half of June, placing them up by nearly a third on the year and by 50% on the five-year average. Hogg prices have also softened seasonally but remain historically elevated.
- There has been a slow start to the new season with significantly fewer lambs reaching Scottish marts than in May and June 2023, reflecting a wet spring, while hogg availability has tightened seasonally and year-on-year, reflecting a smaller carryover of hogs into 2024. This fundamentally tight market situation continues to underpin market prices, along with the short-term factor of the Eid al-Adha festival in mid-June.

02 Retail demand

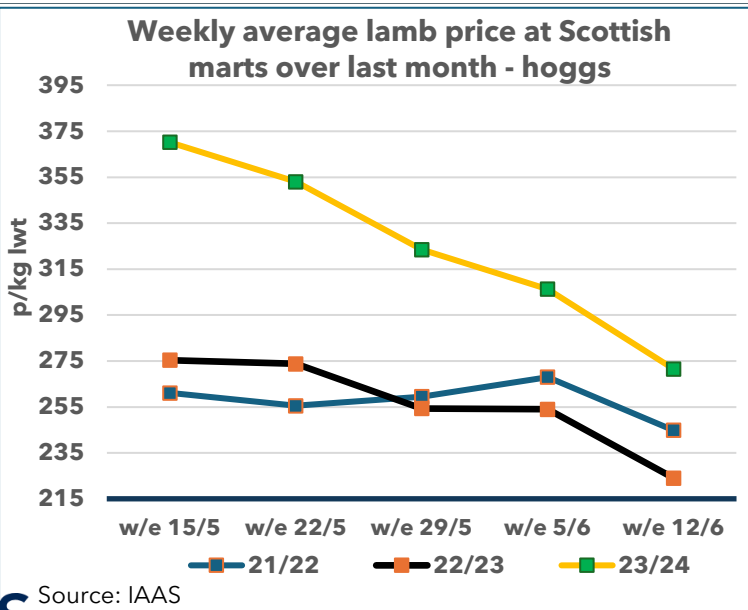
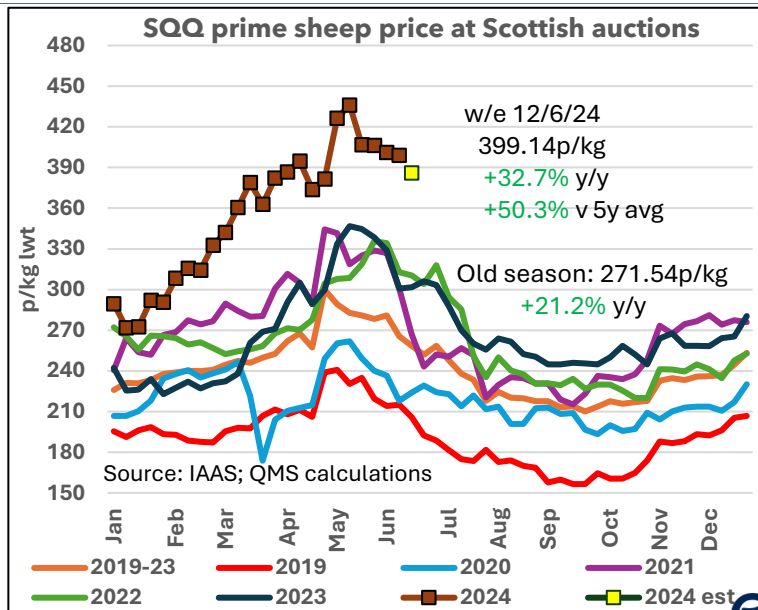
- GB retail data indicates that lamb sales performance continued to look positive in the 12 weeks to mid-May 2024. However, growth in volumes relied on discounted prices for leg roasts at Easter and ONS inflation data suggests that the surge in farmgate prices has begun to be reflected in retail prices, which could begin to test the sustainability of the recent strength in demand.

Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
New season SQQ lamb price at Scottish auctions	p/kg lwt, w/e 12 June	399.14p/kg	-1.98	-8.5%	+32.7%	+50.3%
Total lamb marketings at Scottish auctions	Average in four weeks to 12 June, head	12,440		-23.5%	-3.9%	+27.3%
Lamb slaughter at GB abattoirs	Total between June 2023 and May 2024, million head	11.446			-3.2%	-6.2%
UK sheepmeat market supply	Tonnes in Mar - May 2024 (estimate)	63,200			-1.2%	-8.2%

03 International trade

- Although UK imports continued to show significant year-on-year increase in March 2024, the pre-Easter uplift was limited in historical context. In addition, export volumes remained higher than imports, resulting in a tightening effect on domestic market supply.
- In the second quarter, while imports from Australia and New Zealand may have continued to exceed 2023 levels, they are also likely to have been surpassed by export volumes, with a tight EU market maintaining demand for GB lamb, despite higher export price levels.

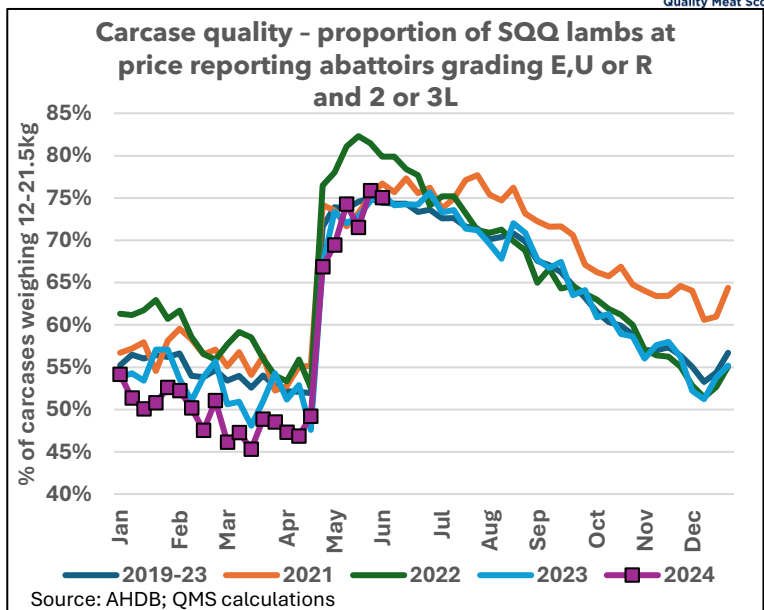
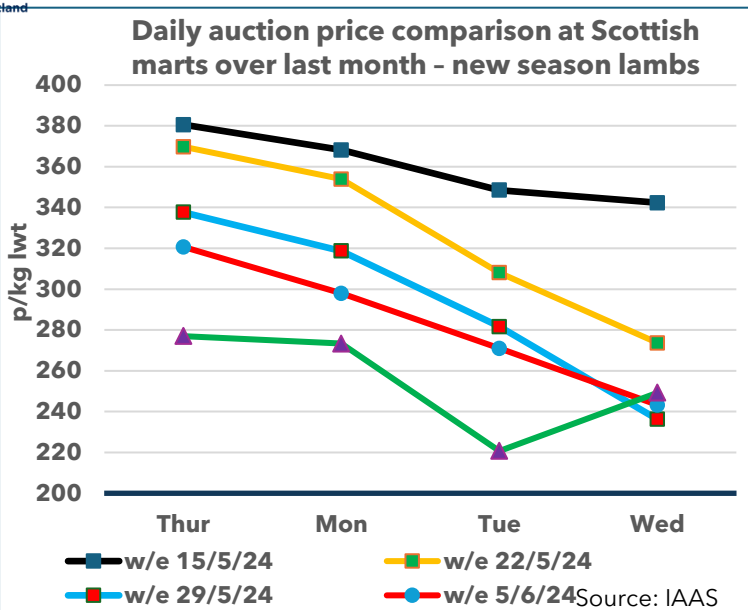
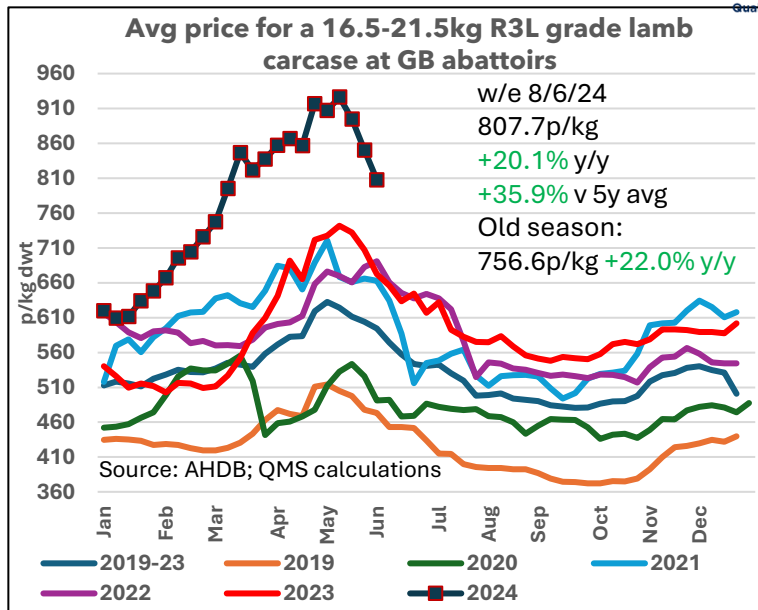
Farmgate prices - prime sheep – new season lamb prices have slipped back from their seasonal peak but remain historically firm due to a fundamentally tight market, with a similar picture for hogs. Eid al-Adha will have underpinned prices in the first half of June.



While new season lamb prices have cooled from their new season peak above 430p/kg at Scottish marts, they have held around the £4/kg lwt mark in the first half of June. Meanwhile, old season lamb prices have fallen back more steeply but also remain historically elevated.

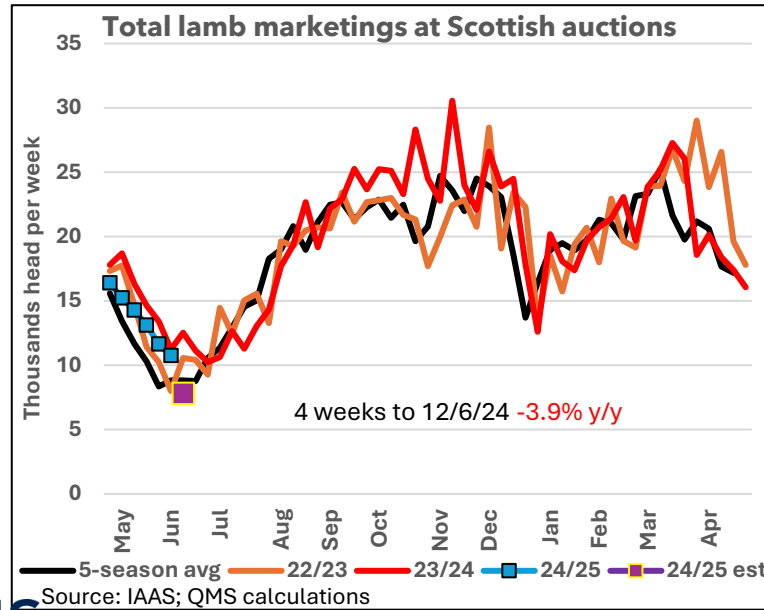
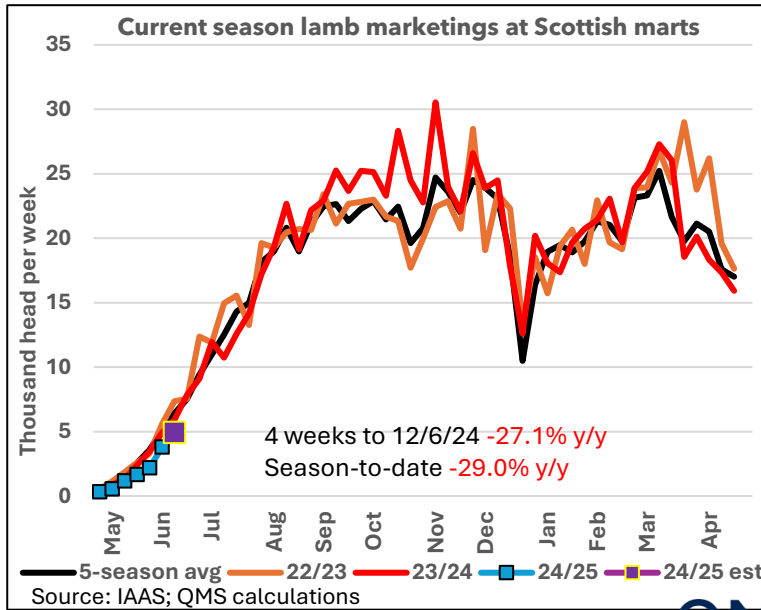
GB deadweight prices have fallen sharply from their new season high point but continue to look historically firm, holding above the £8/kg dwt mark in early-June.

In the first half of June, procurement for the Eid al-Adha festival will have supported sheepmeat demand, while the market remains fundamentally tight.



Availability and slaughter

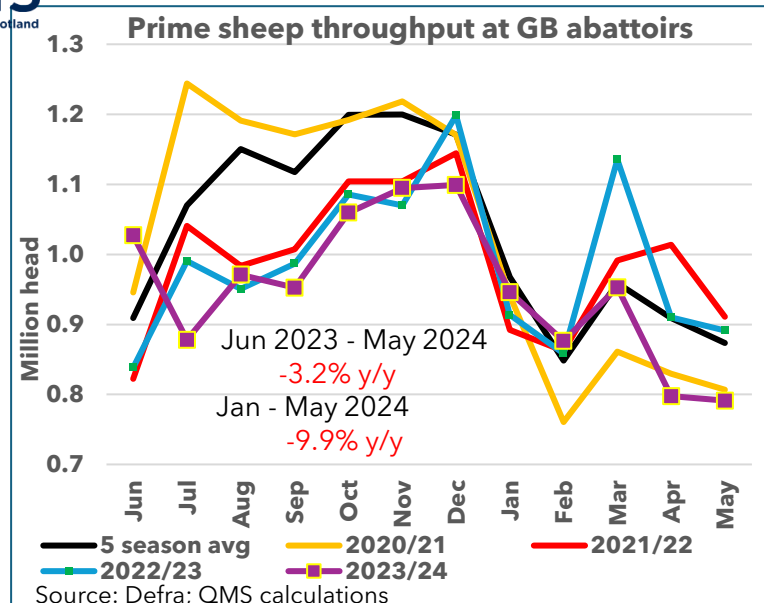
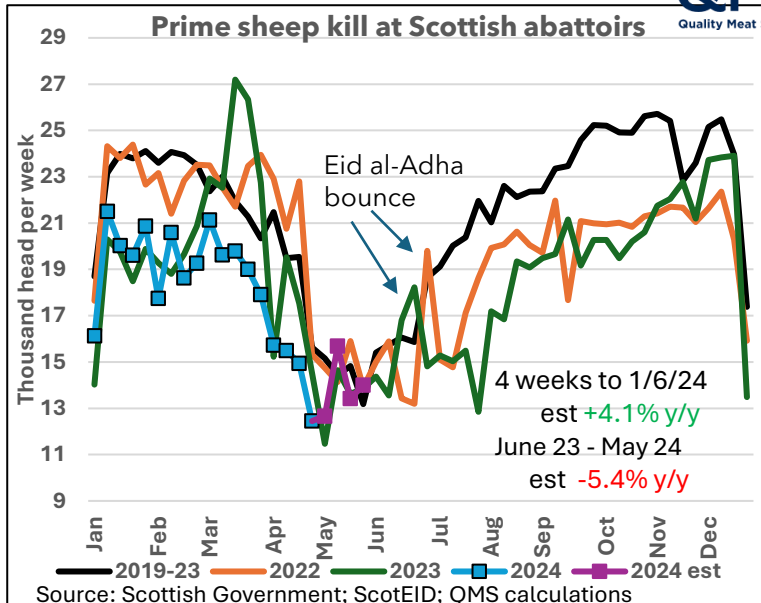
There has been a slow start to the new season, reflecting a wet spring, while hogg availability has tightened seasonally and year-on-year, reflecting a smaller carryover of hogs into 2024.



Auction and abattoir throughput held up better than expected in early 2024 given the smaller carryover of hogs, limiting the market's capacity to satisfy the peak in demand for Ramadan and Easter. Since April, hogg supply has remained tight, both seasonally and relative to last year. However, there has been a short-term spike in throughput ahead of Eid al-Adha in mid-June.

New season lamb supply has been building at Scottish marts, but it has been a slow start, likely reflecting the wet spring.

Lamb throughput at Scottish abattoirs showed no upturn at Easter and Ramadan and fell significantly thereafter, in line with seasonal trends. However, after falling well behind year-earlier levels through March and April, there was a small upturn in May.



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%

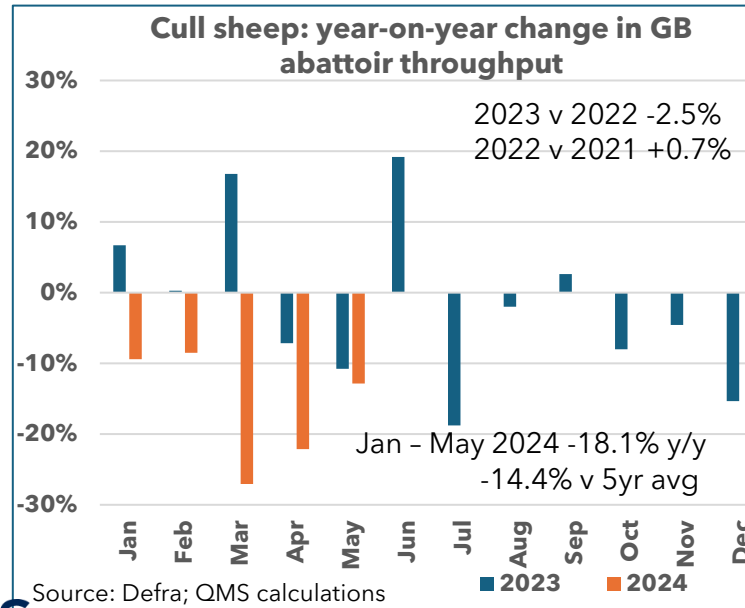
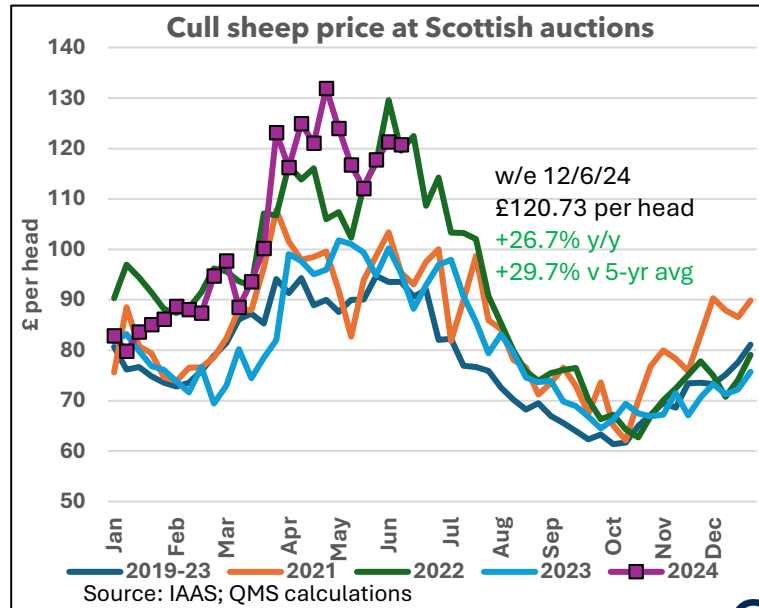
December 2023 - England

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

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

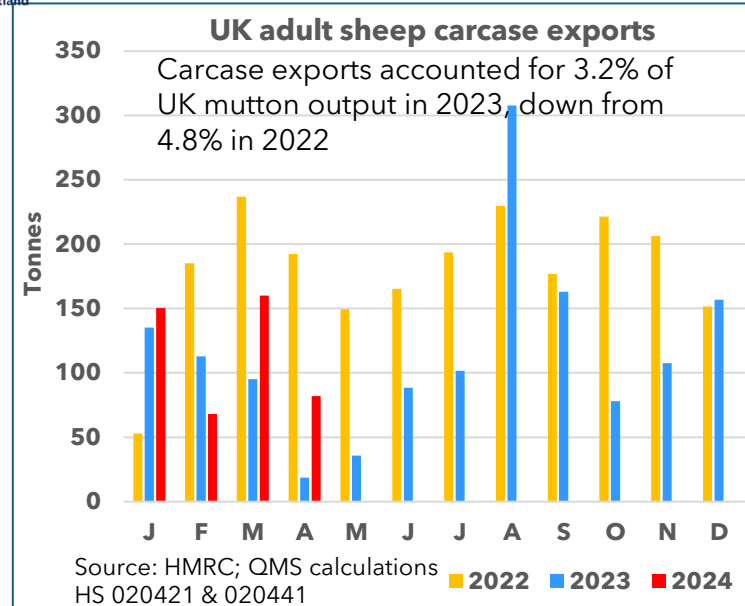
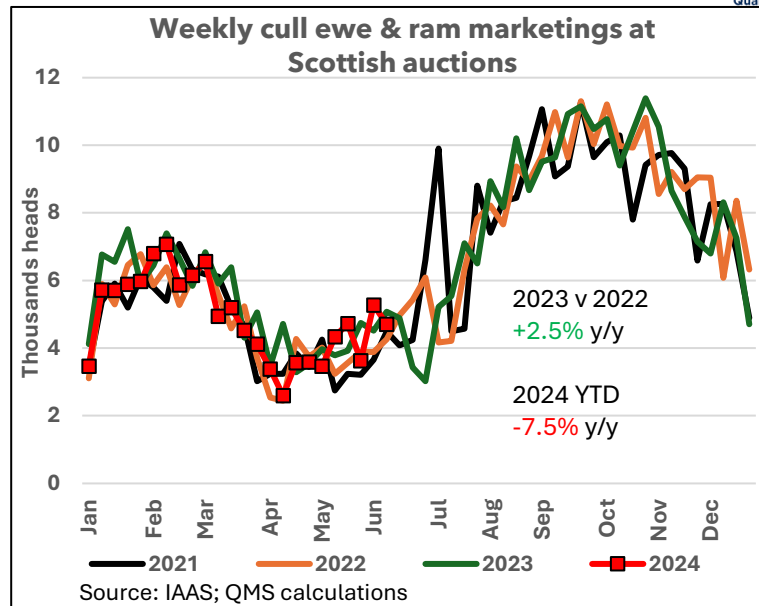
Cull sheep market

After a dip at the end of Ramadan, cull sheep prices firmed again ahead of Eid al-Adha, as the additional demand offset the lift in availability from its seasonal low



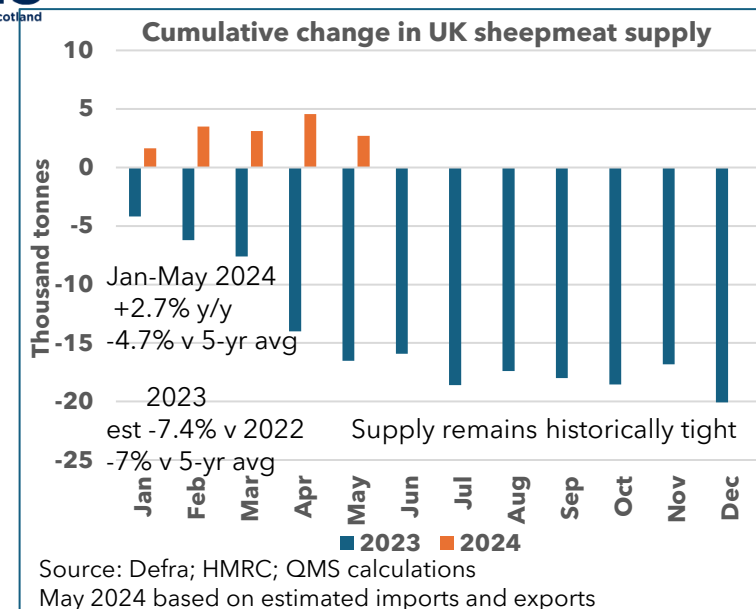
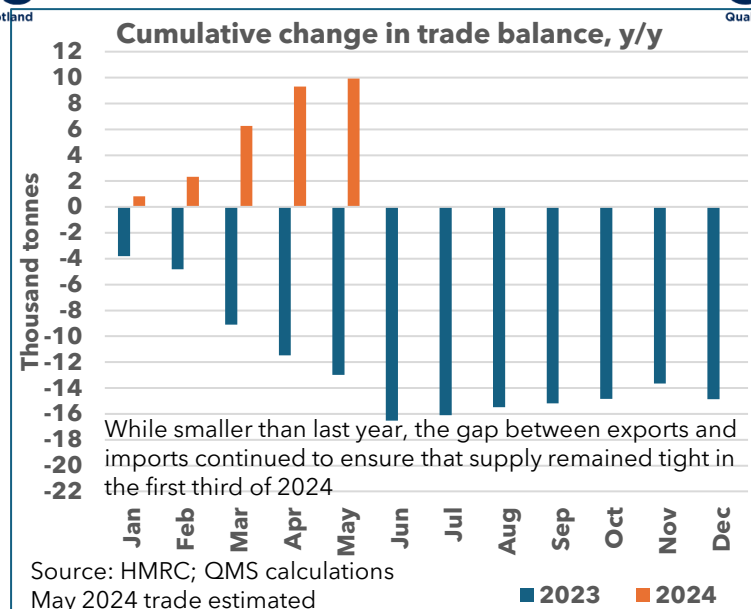
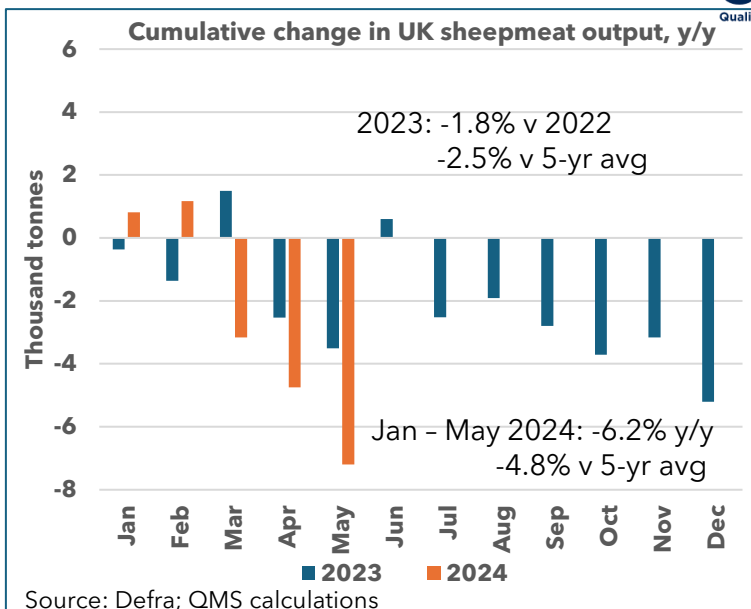
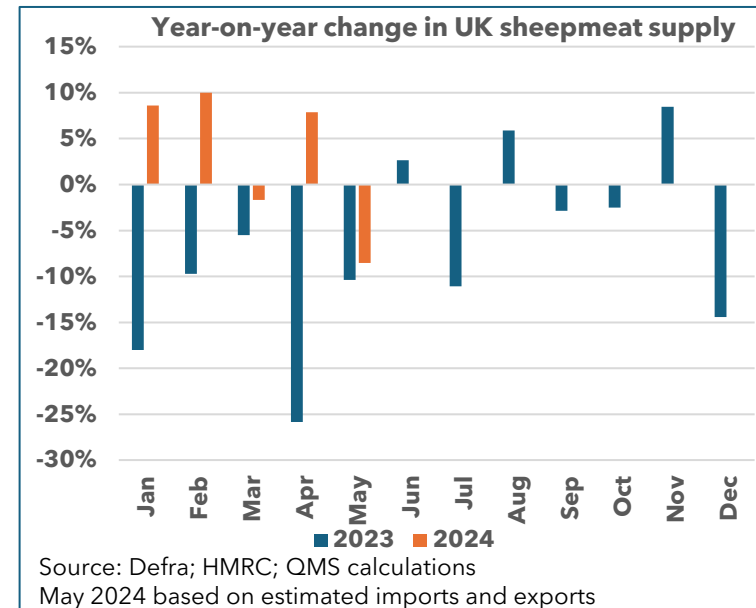
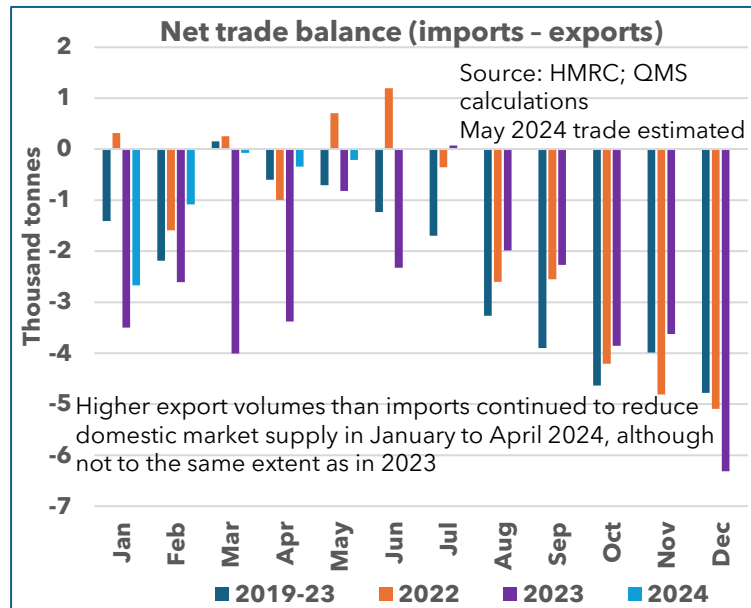
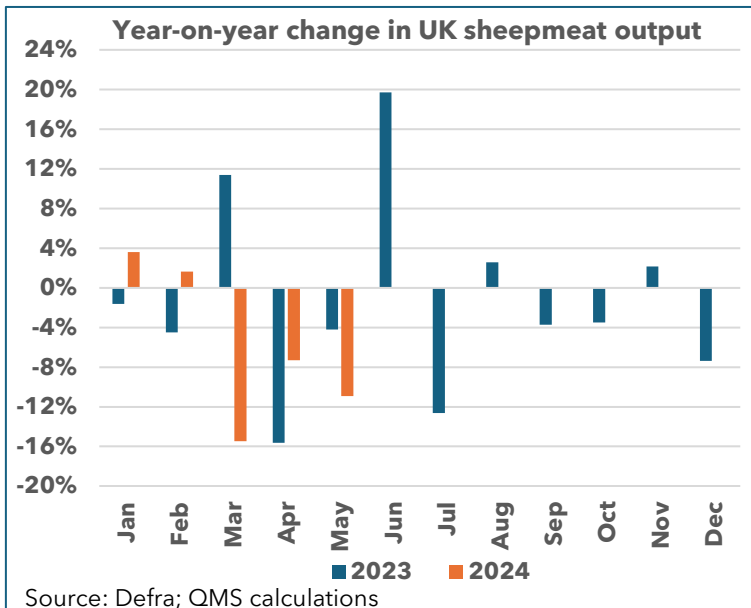
Cull sheep prices cooled after the end of Ramadan, with availability beginning to lift from its seasonal low point. However, with Eid al-Adha approaching, prices rebounded at the end of May and into June, supported by the extra demand for the festival.

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



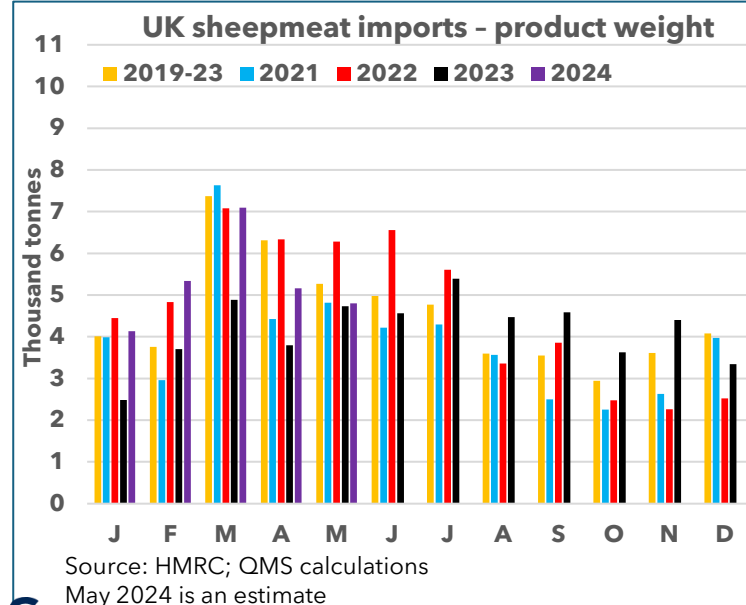
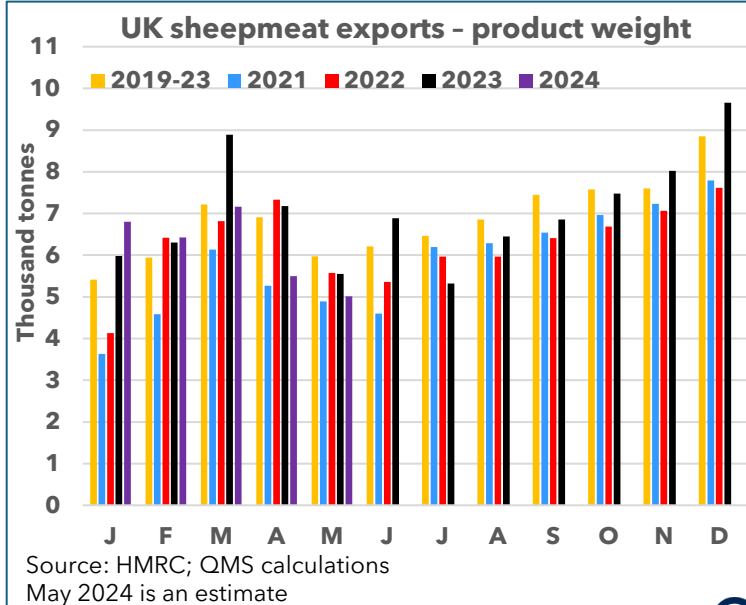
UK sheep market supply

domestic production + (imports – exports) = supply



UK international trade

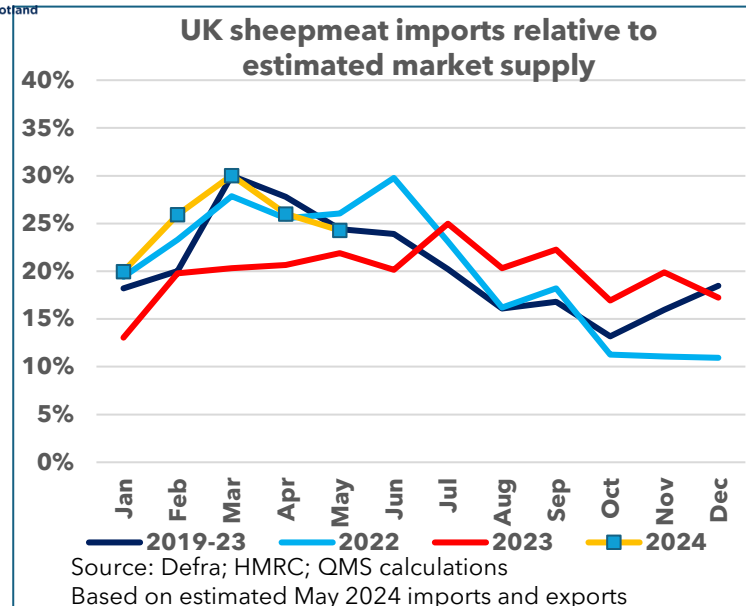
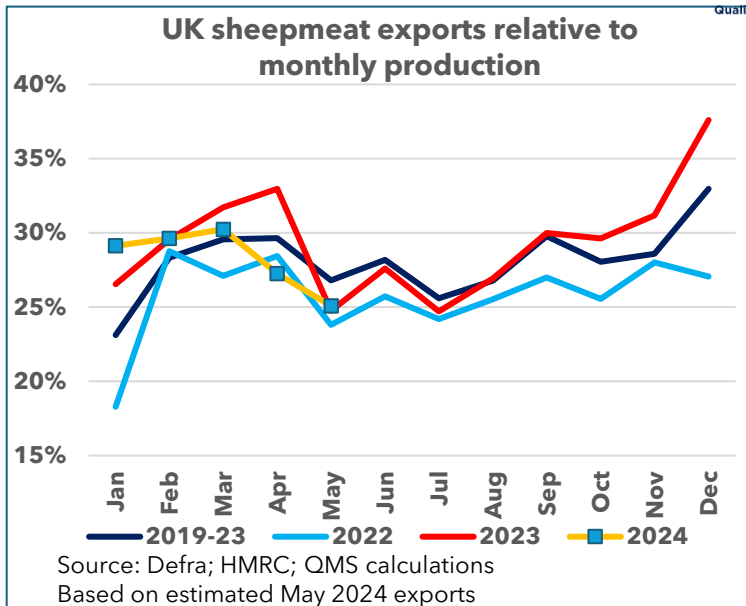
Increased exports continued to more than offset resurgent import levels at the start of 2024, but reduced production may have limited exports in March and April while the general strength in demand around Easter and Ramadan underpinned imports.



UK sheepmeat exports showed a first year-on-year decline since July 2023 in March, down 19%, and then fell further in April (-23%), limited on the supply side by a tight domestic market. The price of GB lamb at Rungis market in Paris rose again in the run up to Eid al-Adha, suggesting that export demand remains strong, although price levels may be having an impact on the volume shipped. (see page 19).

UK sheepmeat imports fell back seasonally in April from the pre-Easter peak in March but continued to run well ahead of 2023 levels (+36%). However, the volume arriving was relatively weak in an historical context, 18% below the five-year average and less than half of April 2014 levels. Looking forward, year-on-year import increases may soften, following a lift in 2023.

Although the volume imported from Australia in April was a three-month low, it was still 31.5% above year earlier levels. Meanwhile, imports from New Zealand were up 41% on the year.



Imported sheepmeat continued to trade at highly competitive prices, averaging around £4,600 per tonne from NZ and £4,400/t from Australia; both 16% cheaper than in April 2023.

Although higher imports following the Free Trade Agreement with Australia remain a long-term downside pricing risk, the market has been strong enough to easily absorb this product so far.

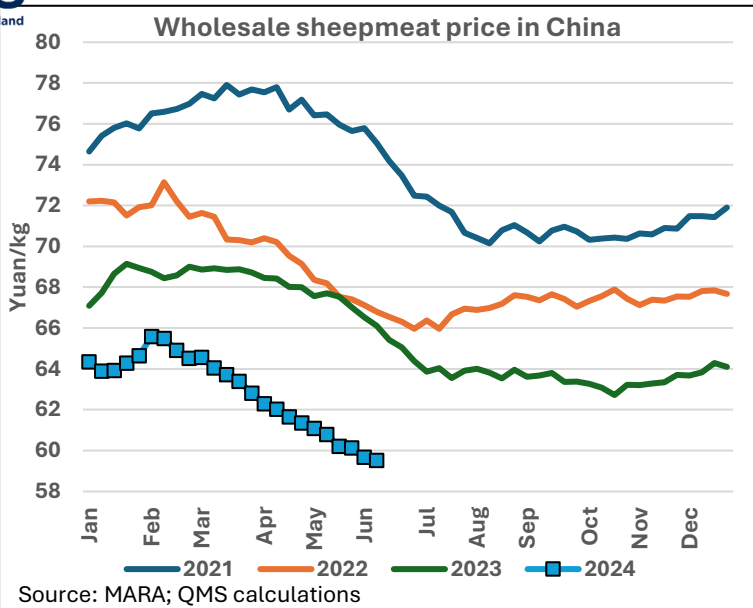
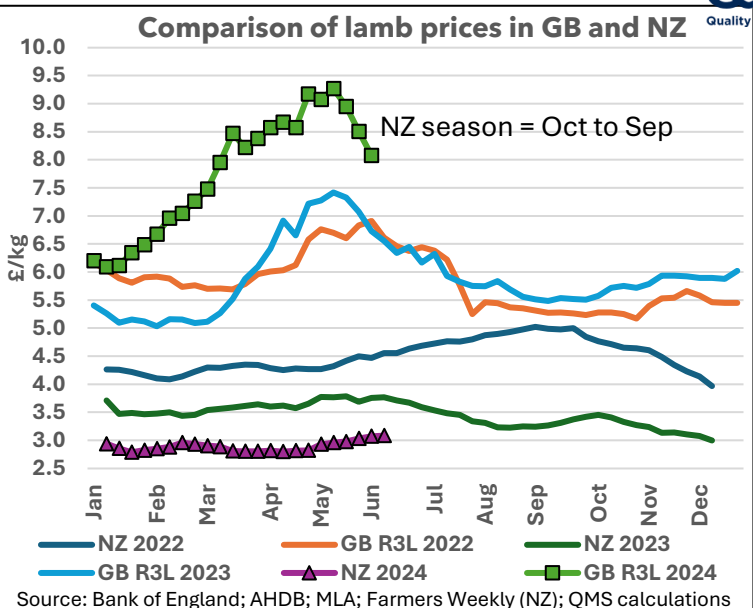
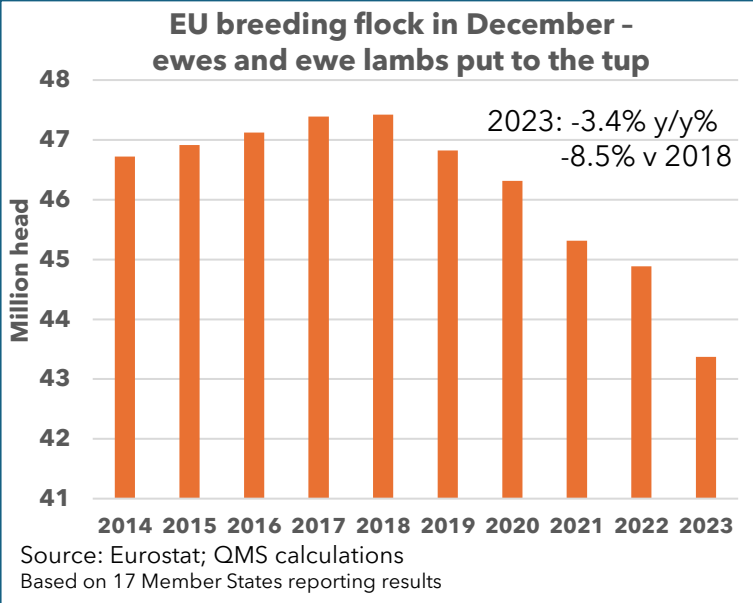
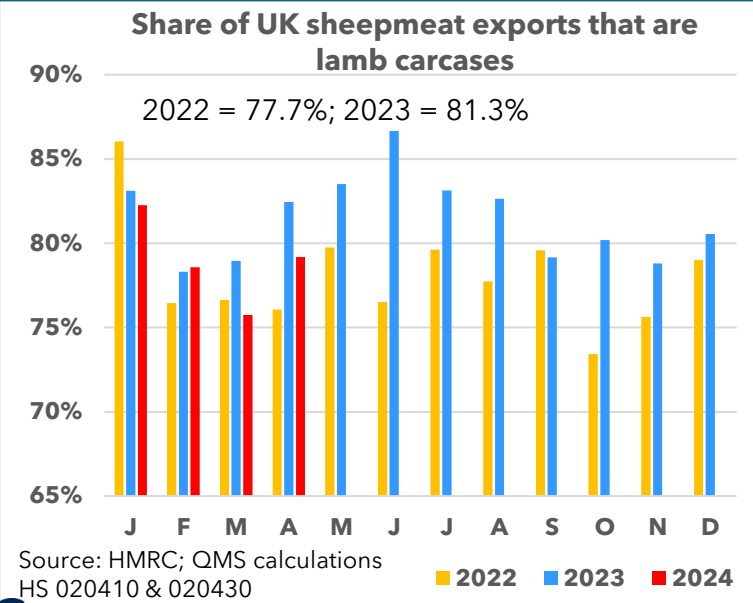
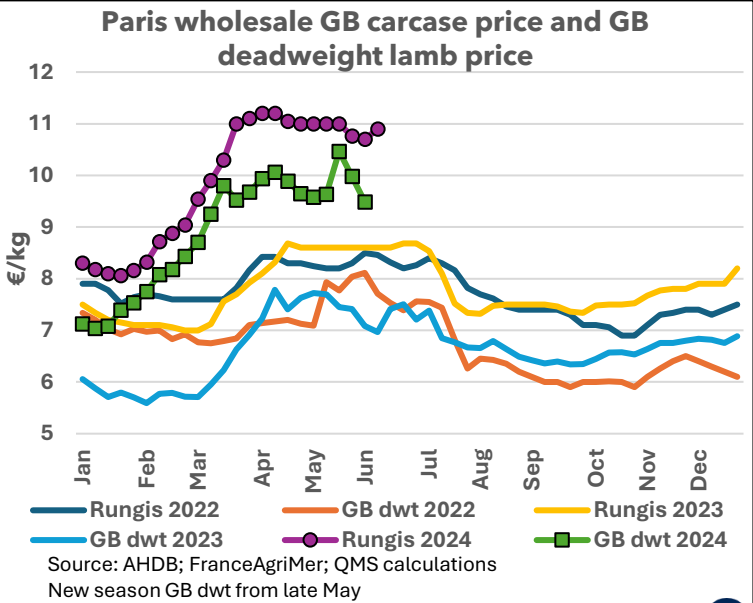
Note:

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

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

Variables influencing international trade

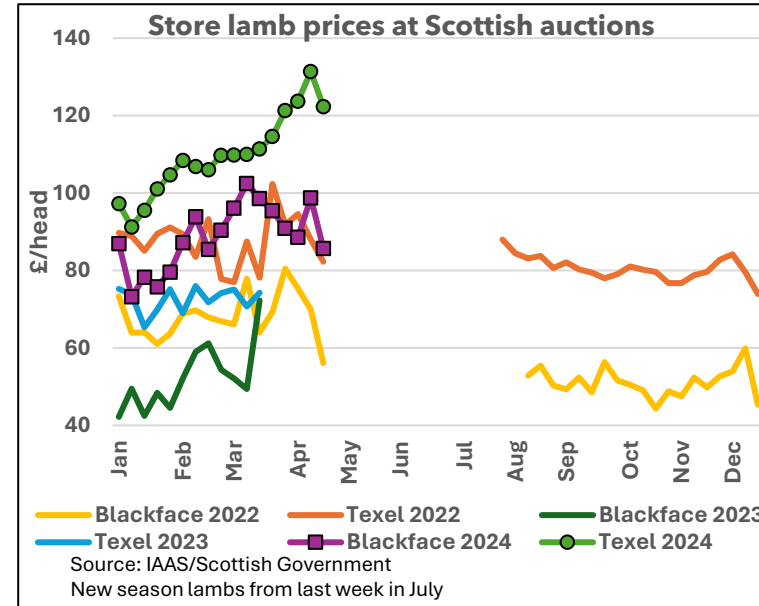
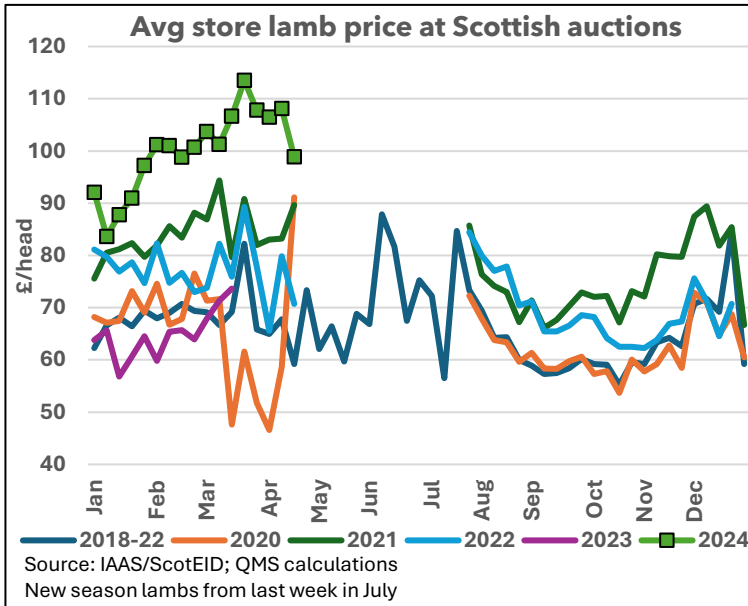
Wholesale prices in France for GB lamb have rebounded ahead of Eid al-Adha, supporting export margins. Lamb produced in Australia and NZ continues to look highly competitively priced, supporting UK import demand, and relative price movements may be starting to make the UK and EU as appealing to Australia and NZ exporters as the Chinese market (£6.40/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 followed finished hogg prices sharply higher at spring sales but have now cooled seasonally

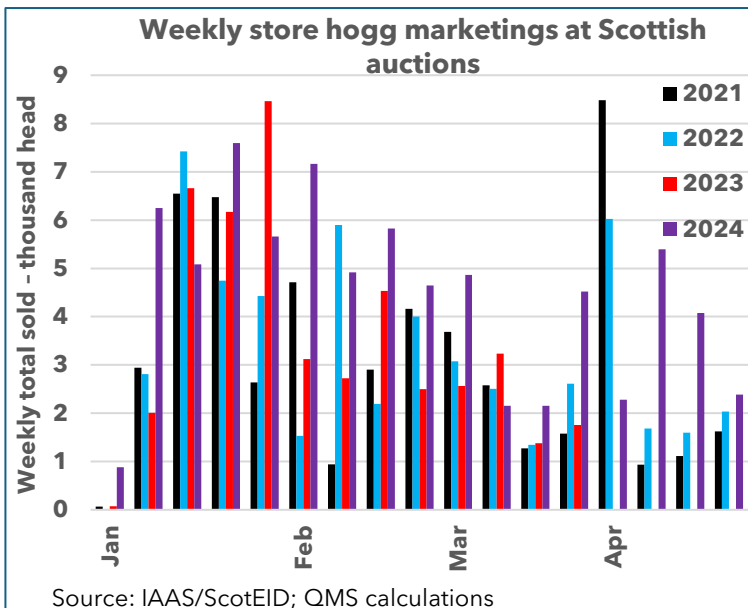


Store hogg selling prices have cooled seasonally with the season coming towards an end.

While store lamb numbers were weak in the 2023/24 season as a whole, high prices may have brought some additional hogs into the ring in spring 2024.



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



Store hogg trade at Scottish auctions, 4 weeks to 8/6/24

Overall average	£90.90
Blackface	£81.70
Cheviot	£87.80
Suffolk	£100.90
Texel	£102.90
Weekly average number	610

Source: IAAS/ScotEID; QMS calculations
Prices rounded to nearest 10p



PIG MARKET

SUMMARY OF MARKET DEVELOPMENTS

01 Prices

- Prime pig prices continue to look relatively flat, pointing to some softness in the market given the seasonal upswing between spring and summer that we have seen in most years. While prices have fallen slightly further behind year-earlier levels, the margin over the five-year average remains strong at around 25%, reflecting the reduced level of domestic supply since the financial crisis of 2021/22 coupled with lower EU pigmeat production.

02 Slaughter numbers

- While the financial crisis of 2021/22 continues to have a lasting effect on prime pig production, GB abattoir throughput does appear to have steadied at around 2023 levels, with some room for a slight recovery in the second half, underpinned by an increase in availability on Scottish farms this year.
- During May, weekly slaughter at Scottish abattoirs remained below the higher levels seen towards the start of this year, suggesting some softness in the market, although a seasonal reduction in availability may have had some influence.

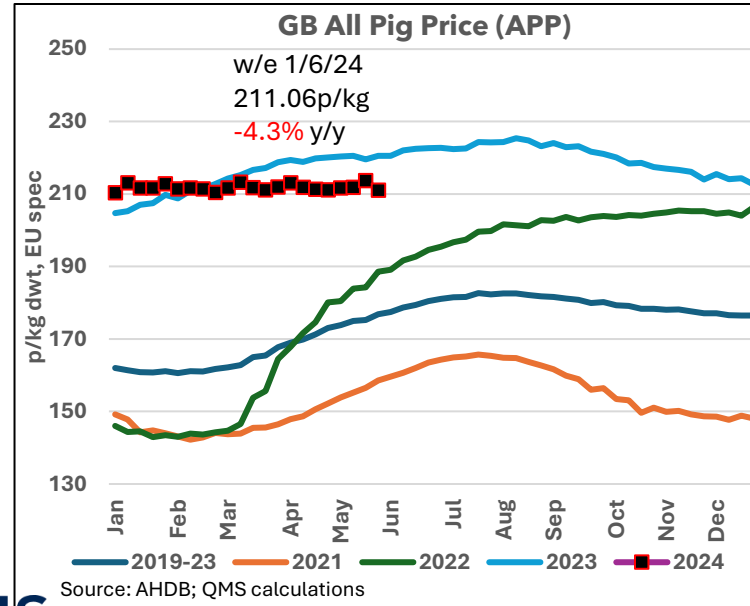
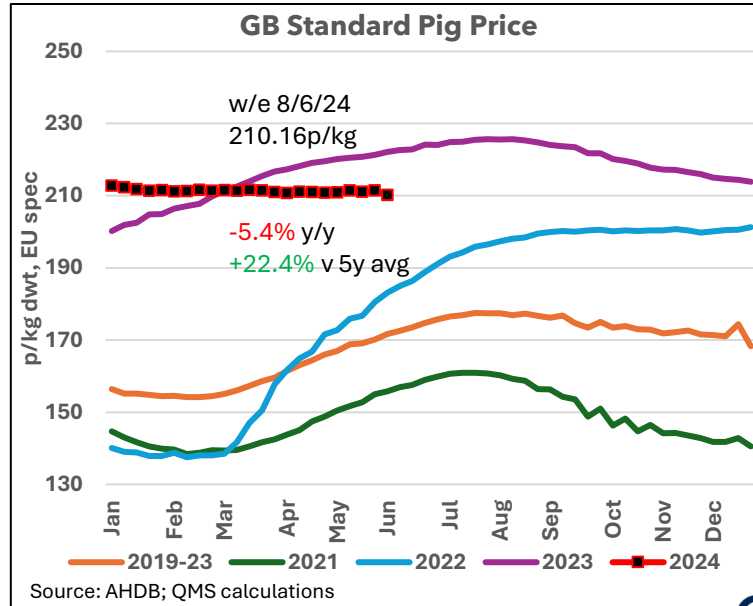
Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
GB Standard Pig Price (SPP)	p/kg dwt, w/e 8 June	210.16p/kg	-1.23	-0.3%	-5.4%	+22.4%
Average carcase weight of standard pigs	Average in four weeks to 8 June, EU spec	90.65		-0.0%	+1.6%	+4.4%
Prime pig slaughter at GB abattoirs	Total during May 2024, thousand head	622.2		+2.8% (change in daily avg kill May v Apr)	-13.3%	-17.0%
UK pig market supply	Tonnes in Mar-May 2024 (estimate)	319,900			-1.8%	-0.3%

03 International trade and market supply

- UK pig market supply has been relatively flat in 2024-to-date compared to 2023 with domestic production and net imports at similar levels.
- EU pig prices have also been trending relatively flat in Q2 2024 and, since they have been significantly lower than in 2023, EU pork has, in theory, become more price competitive. However, UK import prices did start the year above the levels of early 2023 and imports took until April to show a significant increase. In China, the long-anticipated tightening appears to be underway following a jump in pork prices, but it remains to be seen if this will stimulate a rebound in import demand after a very weak start to 2024. However, a trade dispute between the EU and China is something to keep an eye on in the coming months as it could have implications for EU pork exports.

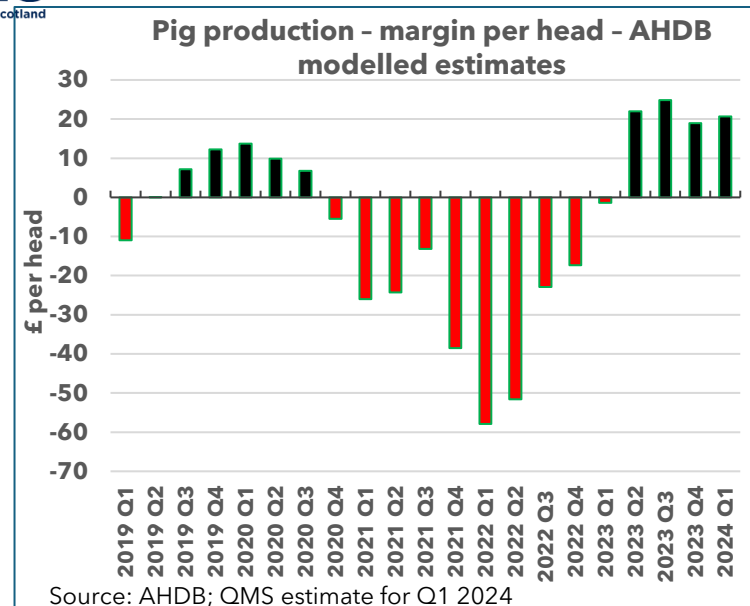
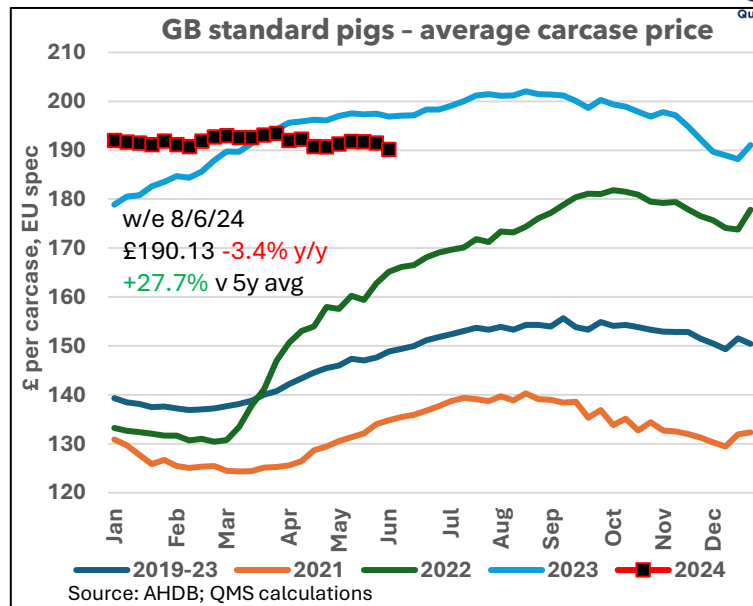
Farmgate prices – prime pigs

Pig prices continue to look relatively flat overall, with the traditional seasonal upswing between spring and summer appearing not to have happened this year. Nevertheless, prices have still been around 25% above the five-year average, supporting a slow recovery in producer finances.



After showing some early signs of a slight seasonal uplift in March, prime pig prices dipped marginally in April and rebounded in May. However, the SPP then slumped to a year-to-date low at the start of June. With market prices fluctuating within a narrow range throughout 2024-to-date, the picture is of a well-balanced market, but one that is soft for the time of year, given the historic seasonal trend of uplift between spring and summer.

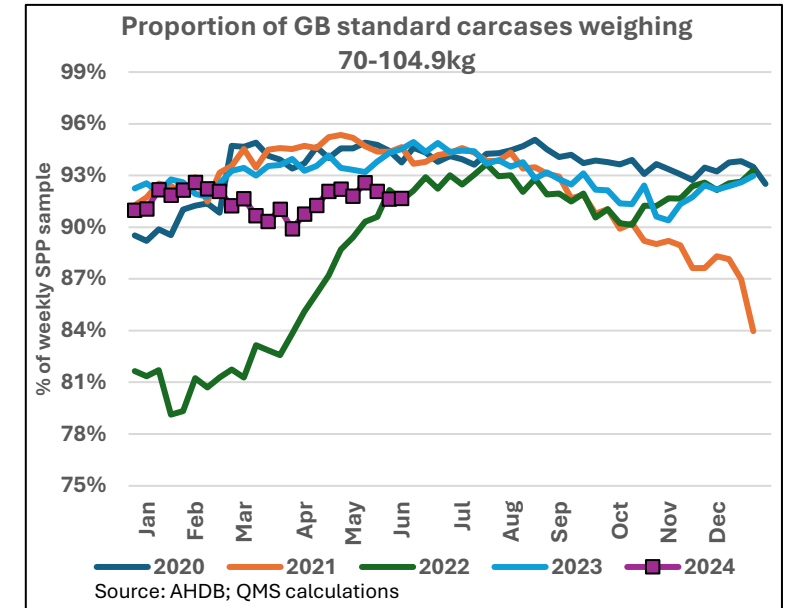
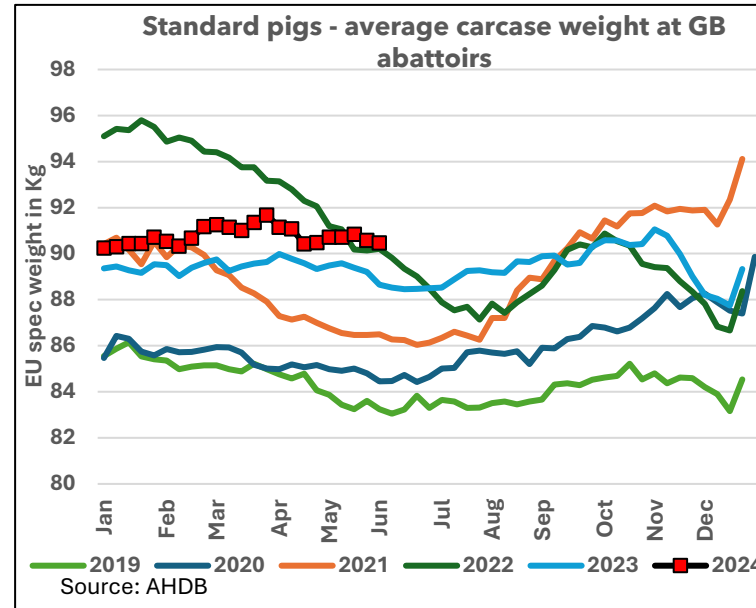
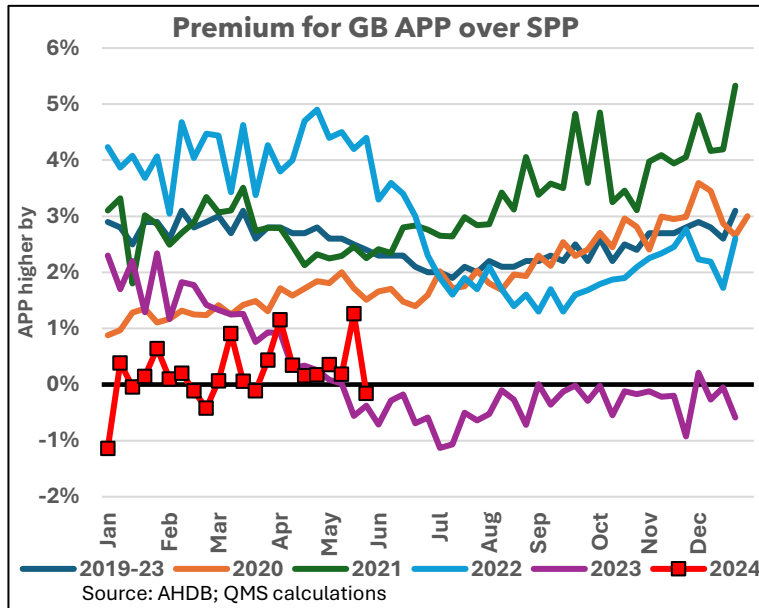
The lack of a seasonal upturn has seen prices fall further behind year-earlier levels, although 1.5-2% higher carcass weights than in 2023 have limited the year-on-year decline in carcass value. Meanwhile, prices have still been around 25% above the five-year average, reflecting a reduced level of supply since the crisis of 2021/22.



The current combination of farmgate prices and feed costs is still likely to be supporting recovery in producer finances from the period of substantial losses. However, a rise in feed costs in Q2 will have placed some pressure on margins and the scale of past losses means that producer confidence remains relatively weak.

Indicators of market disruption

The general return of a small premium for pigs with specific production characteristics points to a slightly less tight market. Carcase weights have continued to hold relatively firm, reaching a record high for the time of year, with the share of carcasses exceeding 104.9kg higher than in the past.

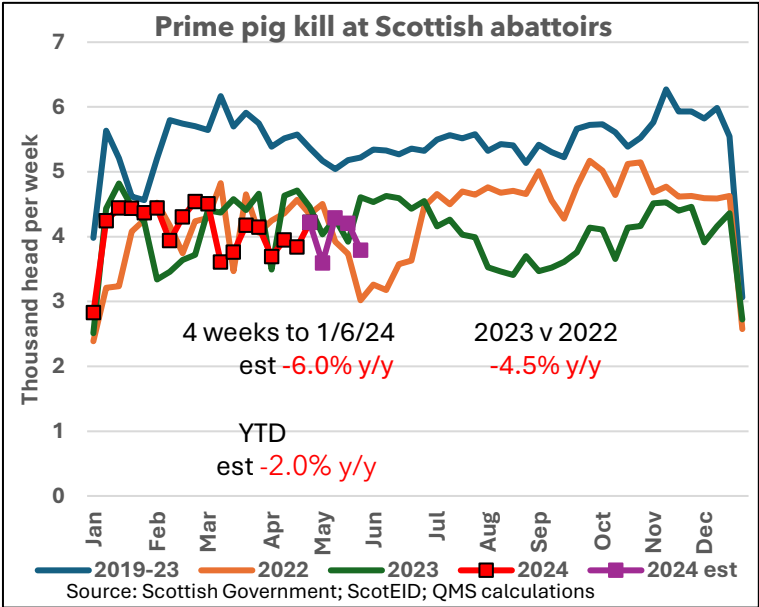
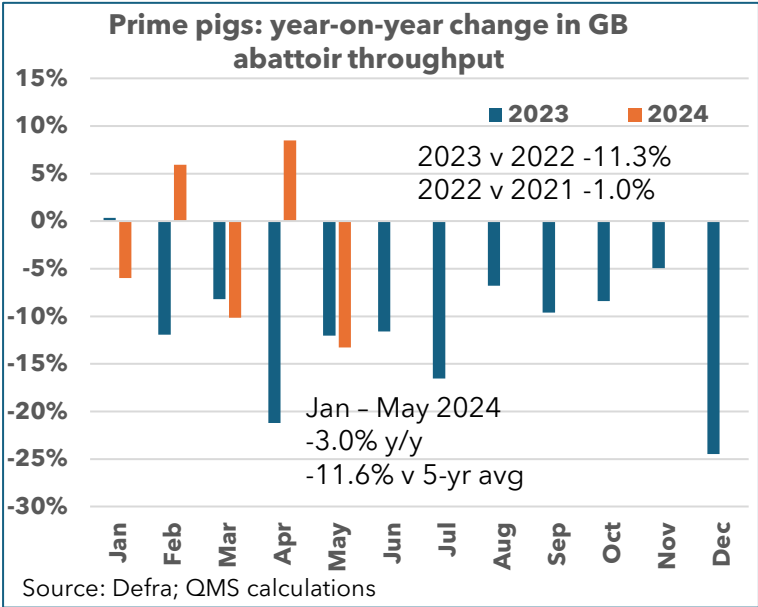


A general slight premium for the average pig price (APP) over standard pigs (SPP) has returned at the start of 2024, indicating that pigs with specific production characteristics are receiving a slight premium in the marketplace again, suggesting that market conditions are not as tight as they had been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

Carcase weights have continued to hold relatively firm throughout 2024-to-date, underpinned by a higher share of carcasses outside the 70-104.9kg weight range than has usually been the case. In the second half of May and early-June, this has resulted in record-high weights for the time of year, around 1.5-2% higher than in 2023, continuing to help offset some of the decline in pigmeat production caused by the reduction in throughput.

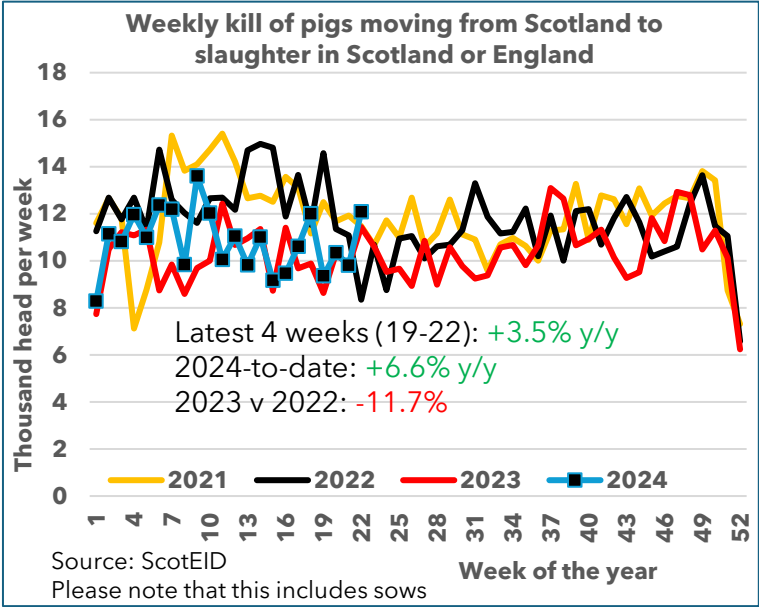
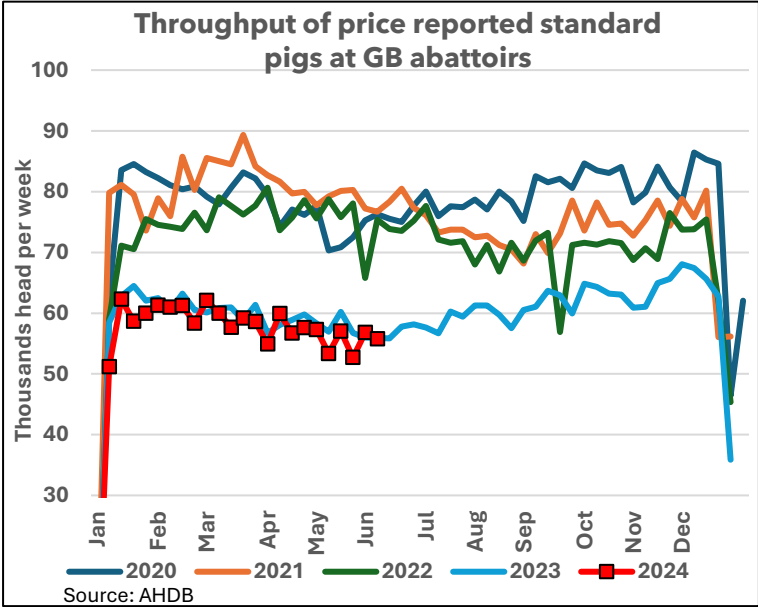
Availability and slaughter

The financial crisis of 2021/22 continues to restrict GB pig production, but numbers may now be steadying at close to 2023 levels, with the potential for some slight recovery in the second half, underpinned by the rebound in availability on farm which has already started in Scotland. Prime pig slaughter continues to look relatively sluggish at Scottish abattoirs, although it is likely to have been influenced by a seasonal dip in availability.



The financial crisis of 2021/22 continues to pressure prime pig production. Though England's December census results suggested that the sow herd is starting to recover slowly, finishing pig numbers were still trailing year-earlier levels. However, GB abattoir throughput does now appear to be stabilising at close to 2023 levels and there may be some room for a slight recovery in the second half. While the increase in numbers leaving Scottish farms for slaughter in 2024 suggests that the recovery is further forward, it will have had a 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 fall short of January and February levels in May, pointing to softer market conditions. However, a seasonal reduction in availability may have contributed. This seasonal reduction in availability has been observed in the weekly GB Standard Pig Price reports.



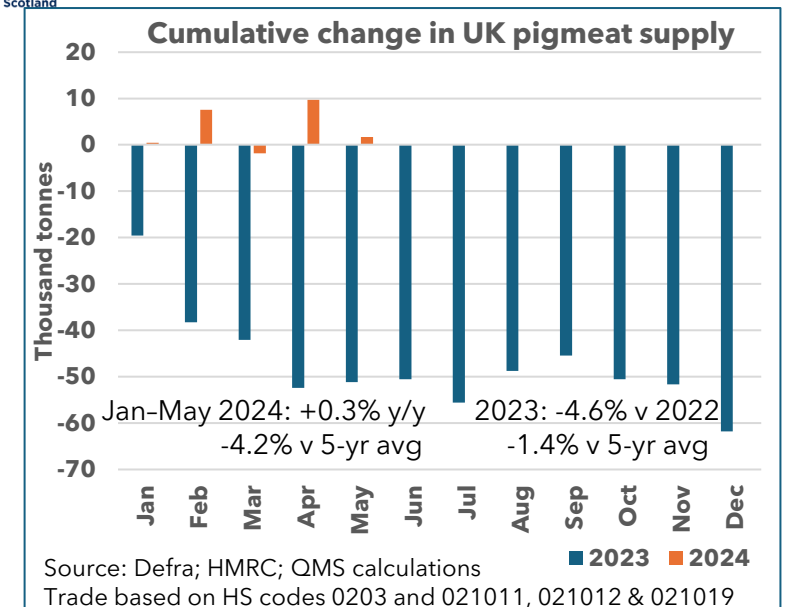
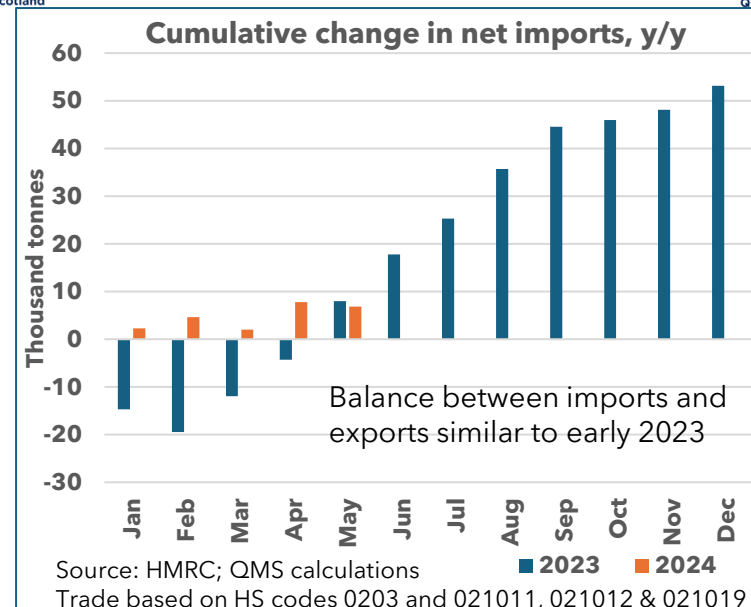
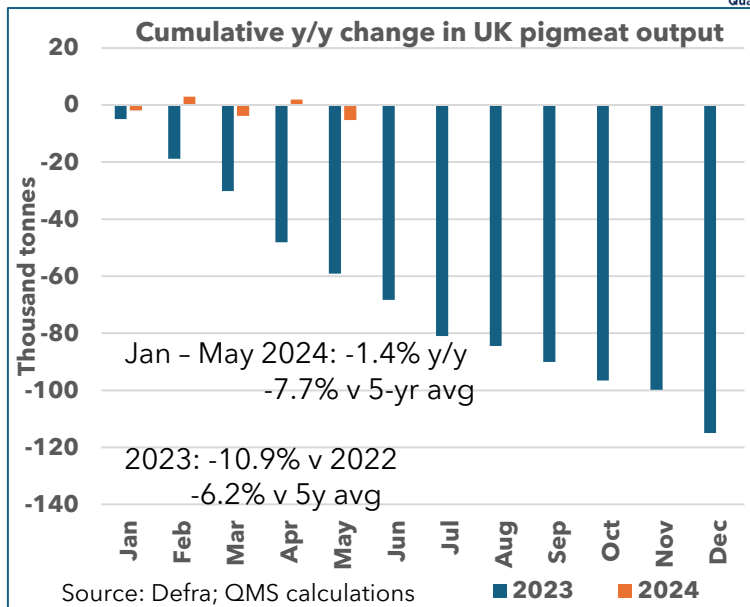
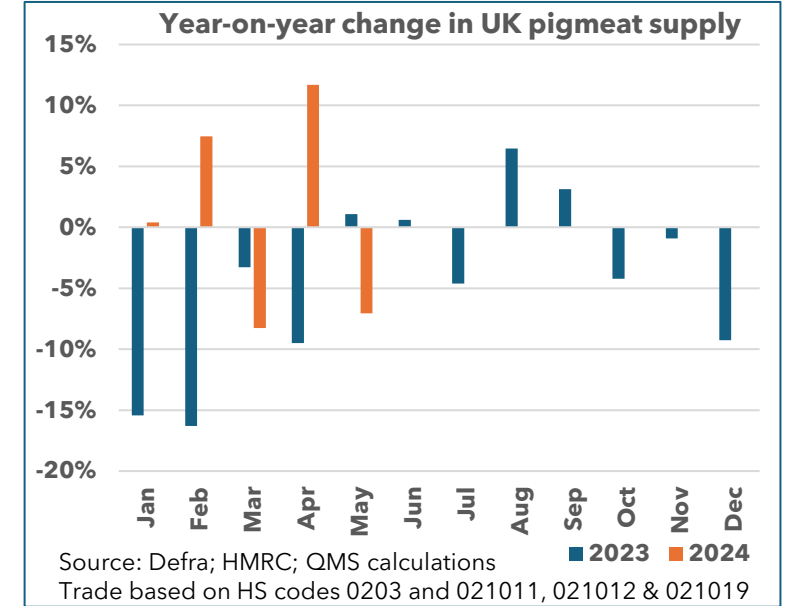
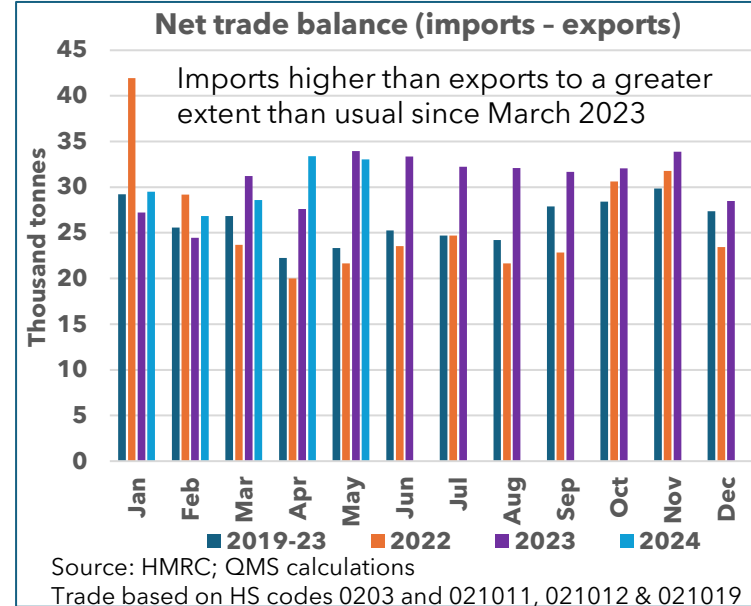
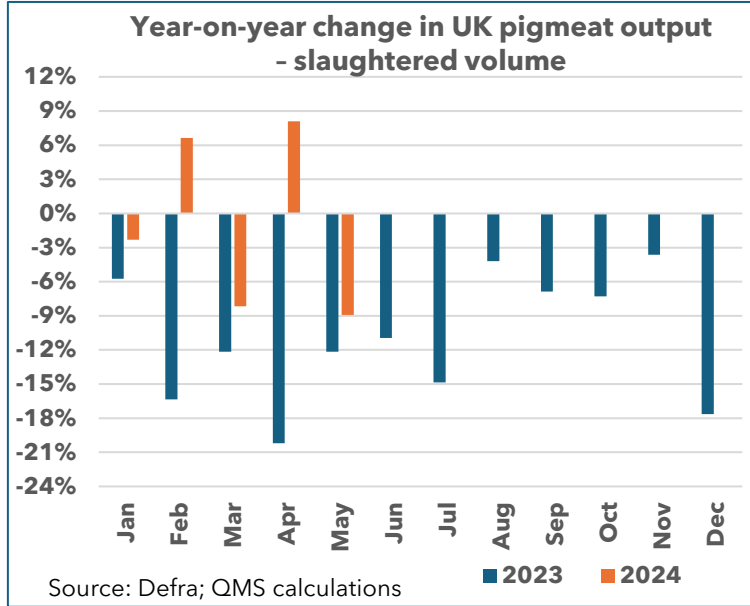
Latest Census Results – Scotland and England		
	Sco: June 2023 v 2022	Eng: Dec 2023 v 2022
Female breeding herd	-6.8% y/y	+0.7% y/y
Fattening pigs	-1.2% y/y	-11% y/y

Source: Defra; Scottish Government

UK pigmeat market supply

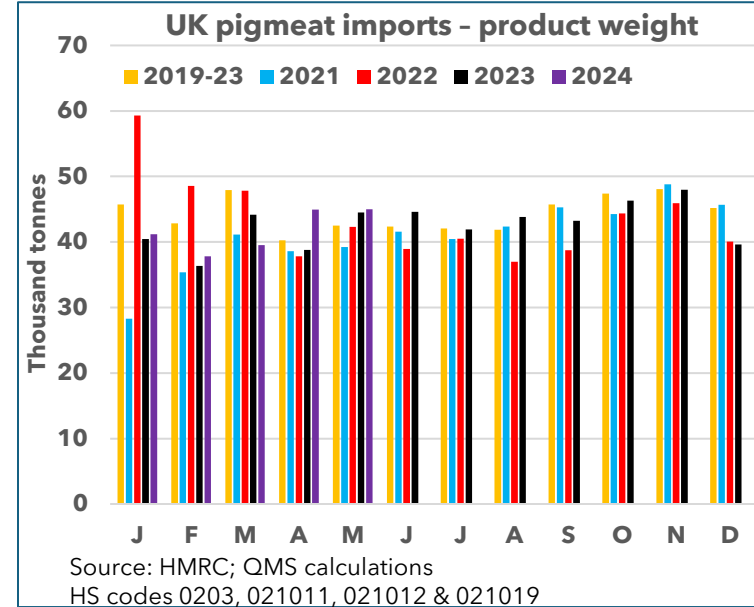
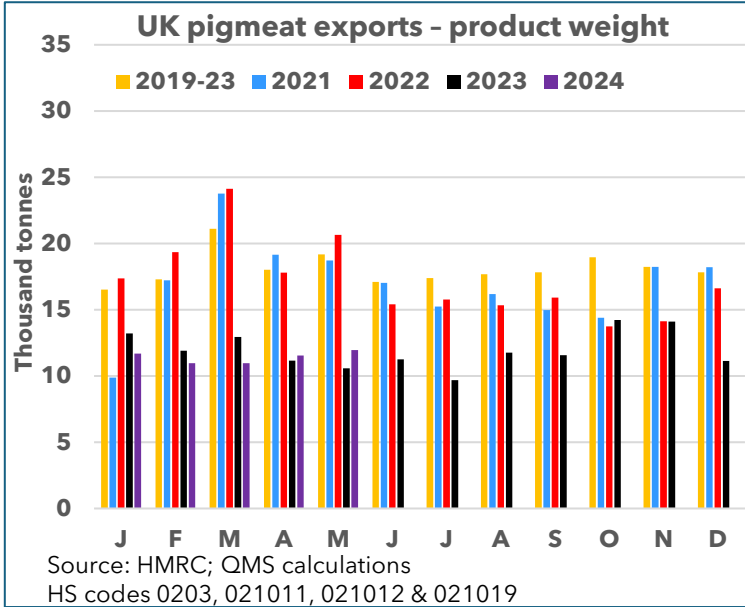
domestic production + (imports – exports) = supply

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



UK international trade

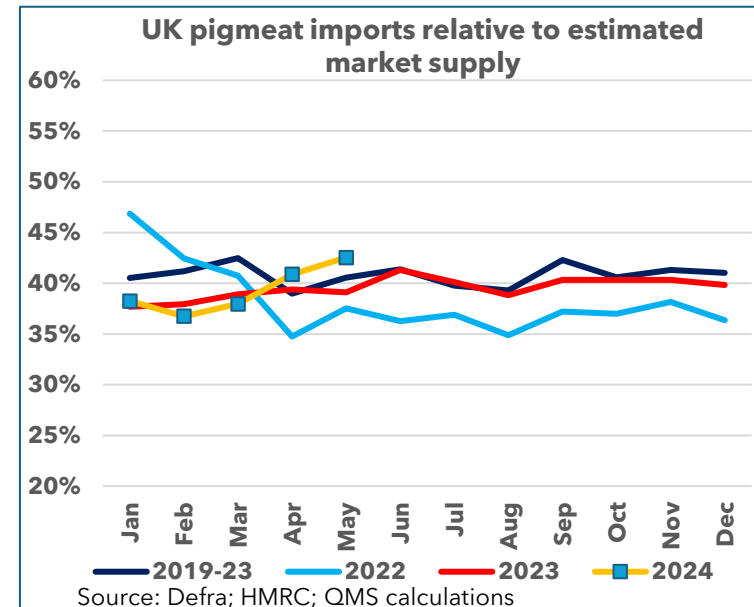
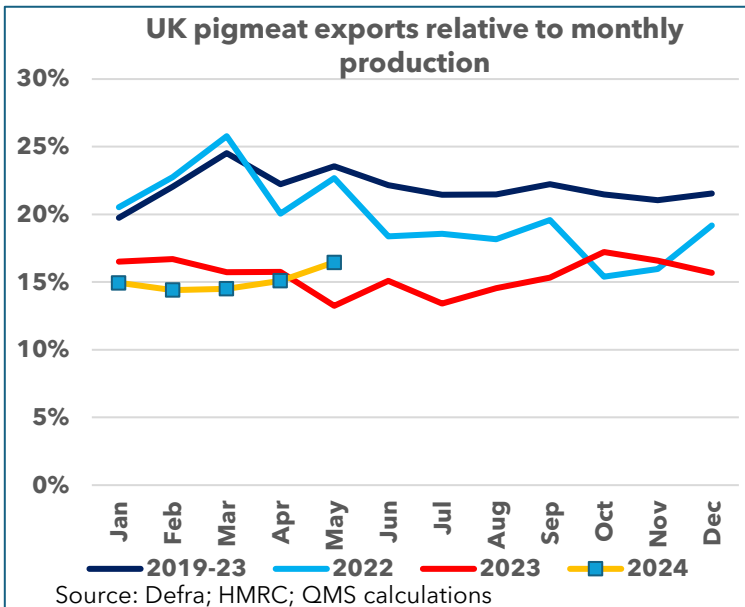
Exports continue to face downwards pressure from lower domestic production but imports jumped in April after looking historically weak relative to market supply in Q1.



UK pigmeat exports showed a further month of historically soft performance in April, partly reflecting reduced domestic output. While 4% higher than April 2023, volumes were 36% below the five-year average.

For the third time in four months, UK pork exports (HS 0203) to the EU exceeded year-earlier levels, up 16%.

However, pork exports (HS 0203) to non-EU countries continued to fall short of 2023 levels in April, although the decline softened to 3%. Within this total, the year-on-year decline in deliveries to China and Hong Kong was 25%, although monthly volumes did rise above March's ten-year low. China and Hong Kong accounted for a reduced 54% of non-EU trade and 28% of overall pork export volumes, well below respective annual averages of 67.5% and 36.2% in 2023.



After a weak March, UK pigmeat imports rebounded to a five-month high in April. Pork imports (HS0203) rose by 17% year-on-year and imports of bacon & ham products (HS0210) by 14%. After looking historically weak relative to overall market supply in Q1, there was a significant rise in import penetration in April.

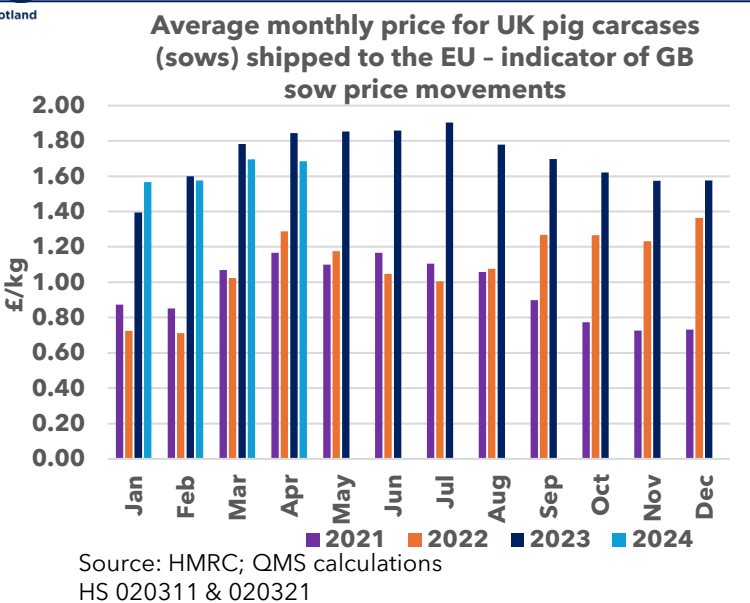
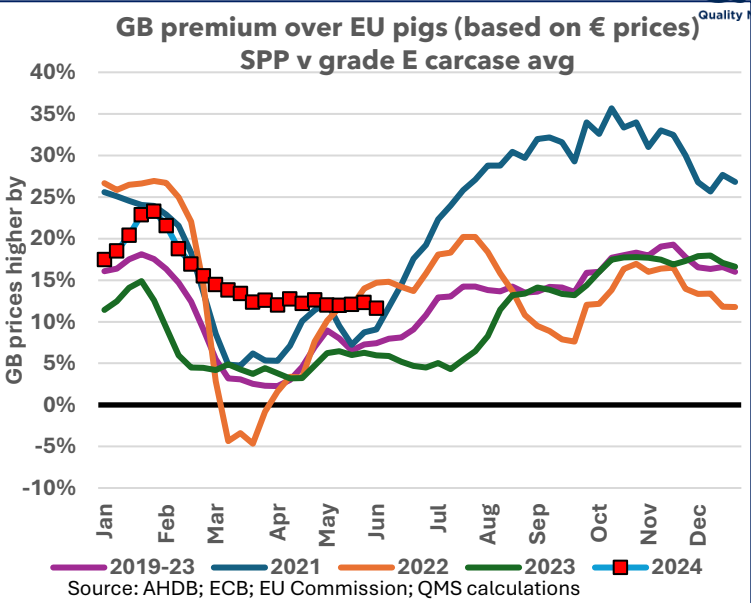
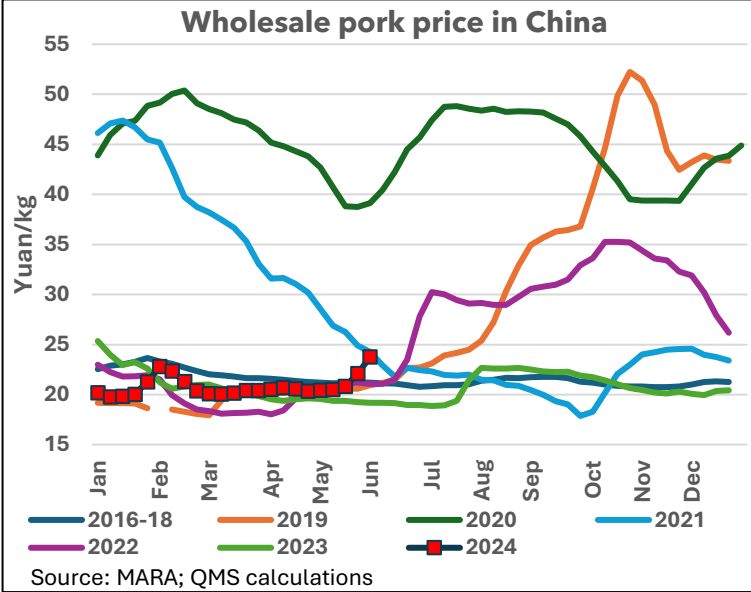
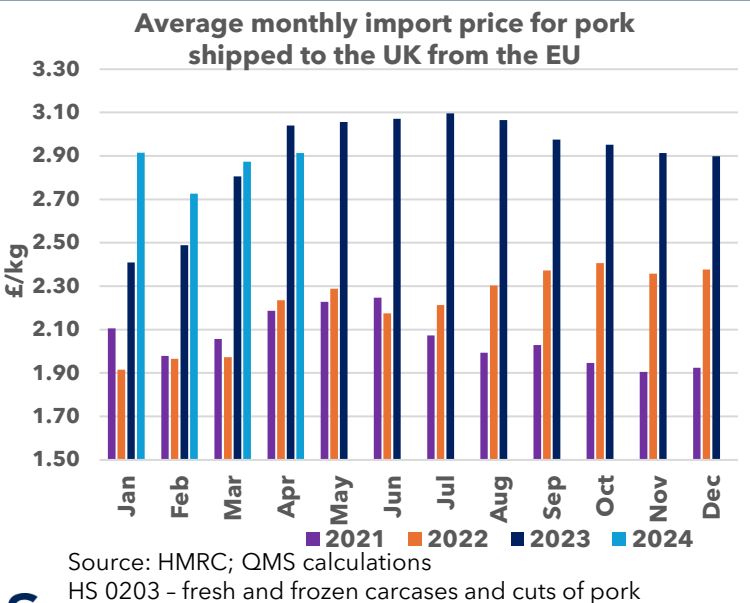
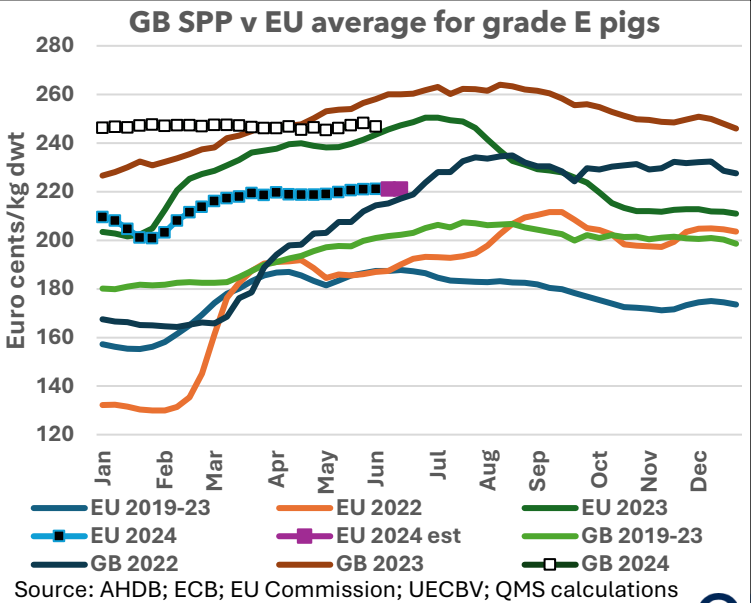
Note:

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 May 2024 is estimated

Factors driving UK international trade

The EU pig market has also been relatively flat in recent weeks, meaning a relatively stable lead of around 12% for GB pig prices. As a result, EU pigmeat has been, in theory, more price competitive in 2024 than in 2023. However, import prices still averaged higher during Q1 2024 than in early 2023. In China, the long-anticipated tightening appears underway following last year's herd liquidation, and it will be interesting to see if this will result in higher Chinese import demand following a very weak start to 2024. A trade dispute between the EU and China is something to watch.



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

Source: USDA Foreign Agricultural Service

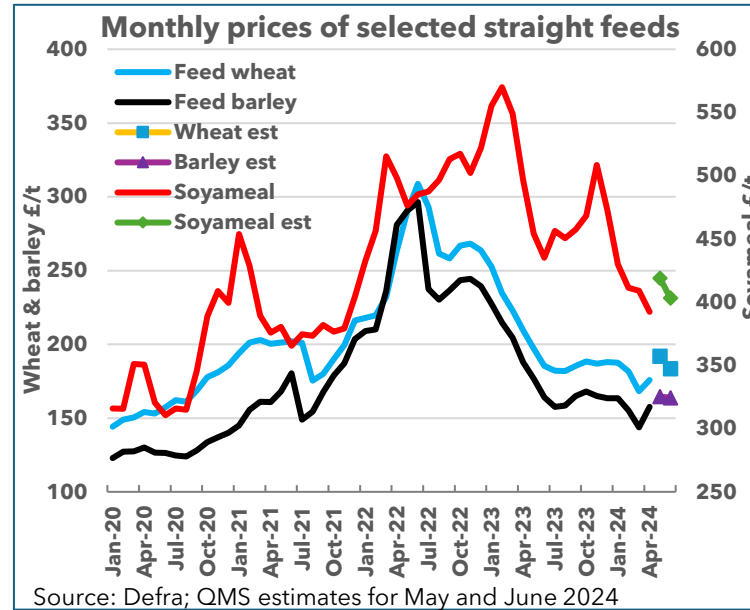
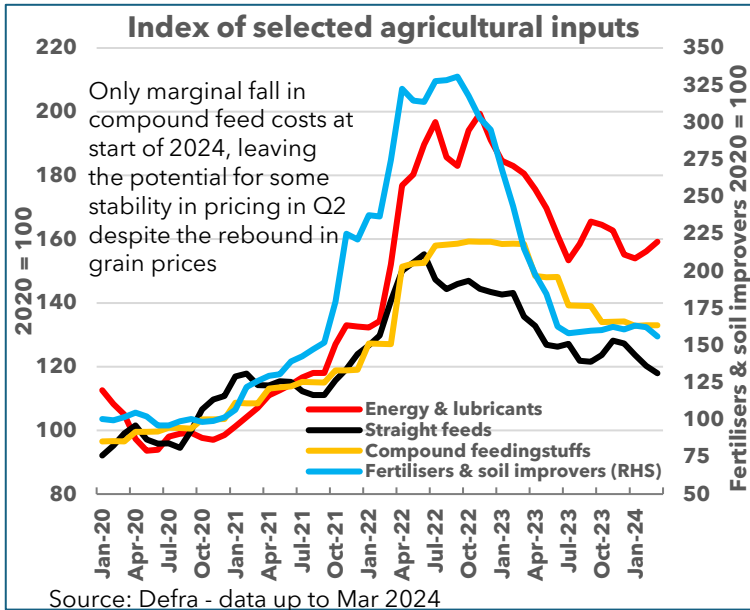


ECONOMIC DEVELOPMENTS

- Commodity prices have generally been flat at the start of 2024 with only a slight upside impact from geopolitical tensions. However, they remain well above pre-covid levels. A jump in grain prices in April and May, driven by a tightening in the outlook for this year's global crop balance, may have started to unwind in June following a strong start to the US harvest.
 - While strong average earnings growth has continued to support household spending, retail sales remain relatively flat as inflation has slowed sharply. A period of wet weather around Easter appears to have resulted in a poor month for retail sales in April, both for food and non-food stores.
 - Beef, lamb and pork all continued to show positive retail performance in the spring. However, for lamb, sales were underpinned by discounted prices at Easter and, with the ONS inflation data now picking up the pass-through of the surge in farmgate prices along the supply chain, there is a question mark over whether this strong performance can be sustained.
-
- Consumer confidence reached a 29-month high in May, as a year of wage growth outpacing inflation and lower energy prices supported some optimism around the outlook for personal finances.
 - PMI surveys point to a lift in economic activity growth in 2024, driven by the service sector, but with the manufacturing sector's prospects finally starting to brighten. However, the ONS labour market data has signalled a significant deterioration and is something to monitor closely. While measures of employment and unemployment worsened, wage growth did hold firm at around the 6% mark, extending its gap over a slowing inflation rate.

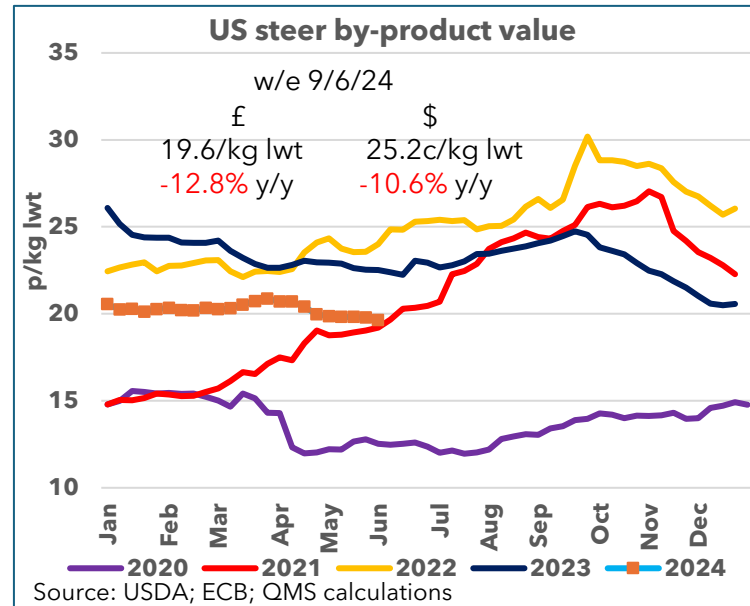
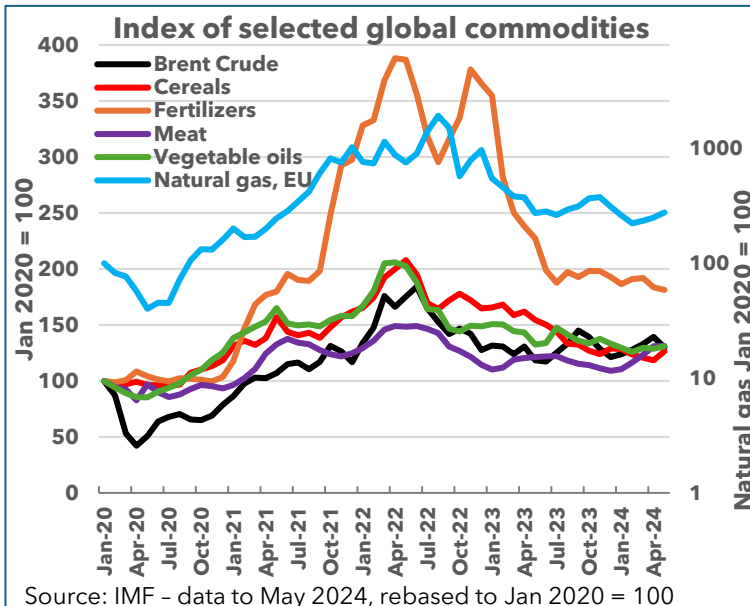
Production costs and by-product revenues

Commodity markets have been relatively flat over the past year but remain well above pre-covid levels. Grain and oilseed markets tightened during the spring due to concerns over growing conditions in key areas, but fears have now eased somewhat.



Though relatively flat over the past year, commodity prices remain well above pre-covid levels, meaning that businesses have a higher cost base to manage, particularly energy costs. There has been some general slight uplift in commodity prices 2024, linked to geopolitical tensions. However, risk premia have been weaker this time so far than during other periods of conflict. Shipping costs have spiked again in May, but this is expected to be a short-term bounce.

Feed prices had started the year with renewed declines, underpinned by a well-supplied global market. However, there was a sharp spring rebound for grain, driven by concerns around growing conditions in the Black Sea region, although some of these fears have been eased following a strong start to the US harvest. While flooding in Brazil resulted in a bounce in soyameal prices, global soyabean crop fundamentals are limiting any upside to the market and prices have slipped back again.



In the US, after a slight uplift in February and March, cattle by-product value softened a little again in April and has since stabilised, remaining at a three-year low for the time of year, reflecting general commodity market forces. Hide value has fallen 15% since March, leaving it the same margin behind 2023 levels.

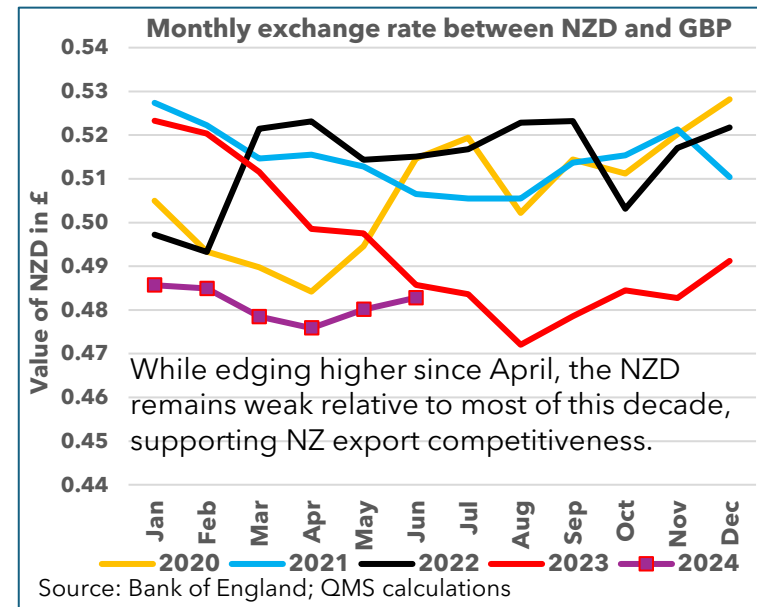
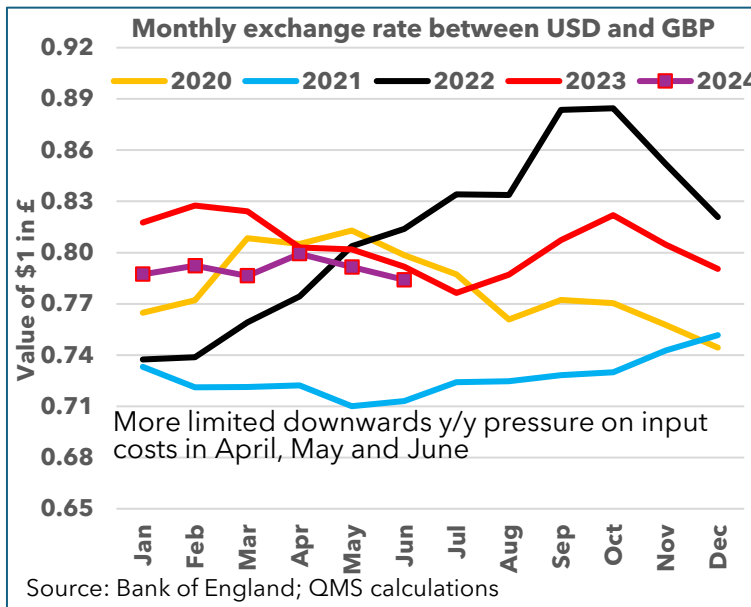
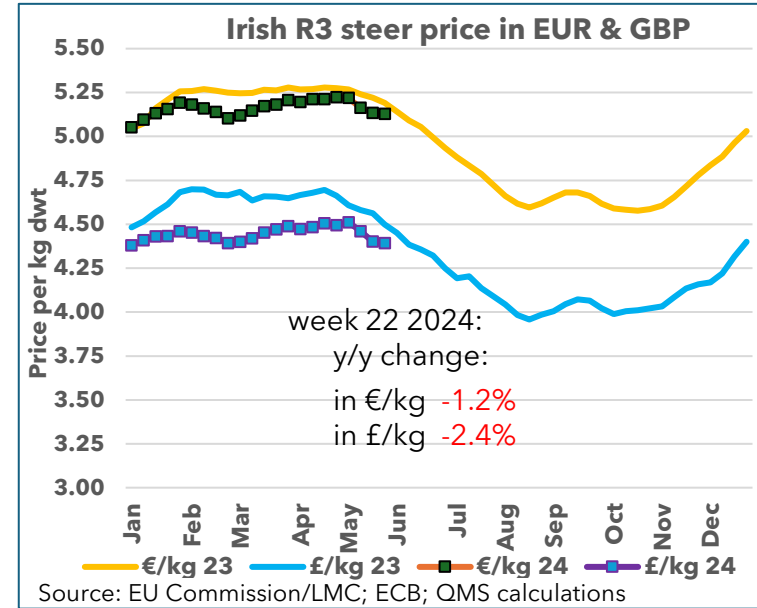
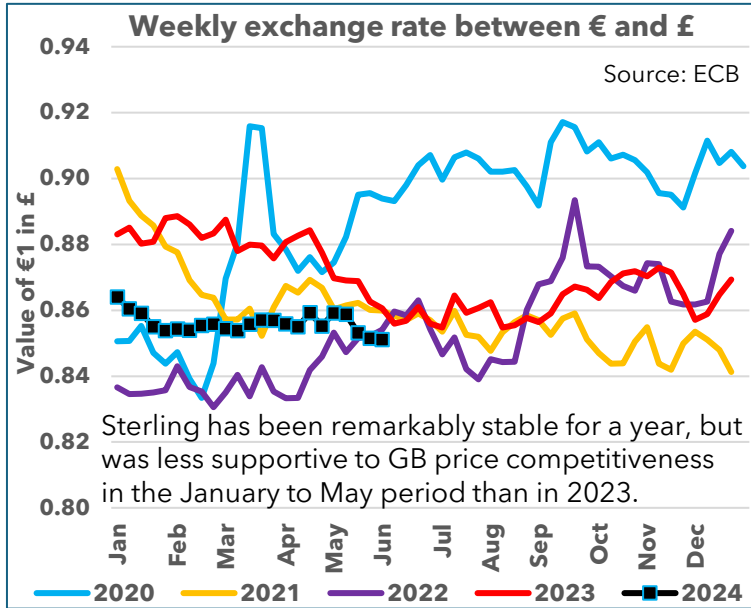
Exchange Rate Movements

sterling stable against the euro for a year, reflecting similar paths for interest rates. Meanwhile, a slightly stronger dollar in April and May has meant the prolonged period of significant downwards pressure on imported inputs and upwards pressure on export returns has come to an end. A weak New Zealand dollar continues to support the competitiveness of NZ lamb.

The outlook for interest rates has continued to hold sterling stable against the euro with the Bank of England expected to follow the European Central Bank in slowly reducing interest rates now that inflationary pressures have reduced and economic activity remains sluggish.

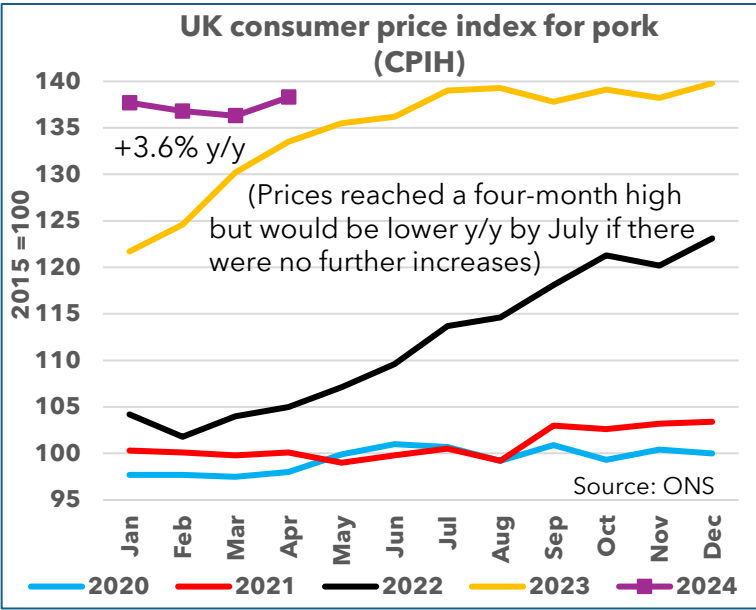
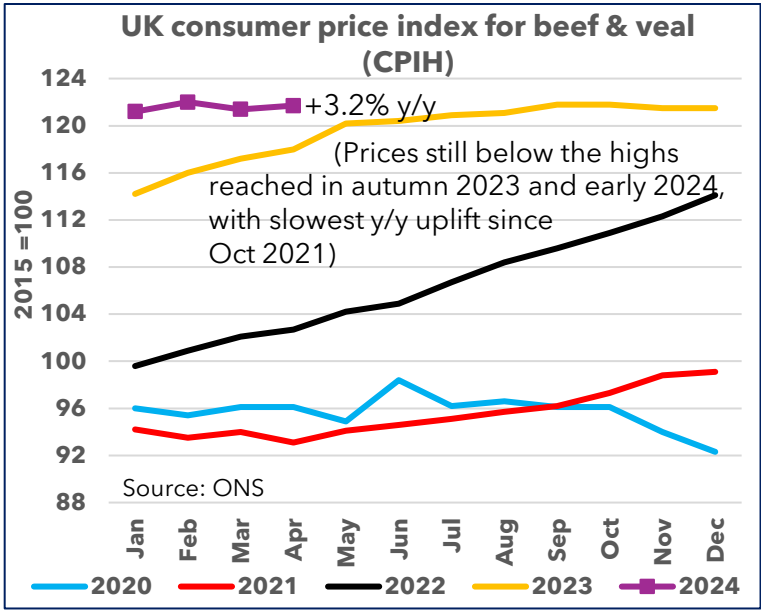
While US interest rates are still expected to fall this year, firm economic data and a more persistent inflation rate have resulted in a delay to any downwards move in interest rates, supporting a small rise in the dollar in April, which only partly unwound in May.

During Q1, a weaker USD than a year earlier had placed downwards pressure on input costs but had restricted UK returns on dollar-denominated exports to non-EU countries, with the same dollar value returning 4-5% less than in Q1 2023. However, a strengthening of the dollar in April returned it back in line with 2023 levels and the situation was similar in May and June, with only a slight dip in the dollar keeping it close to where it had been at the same time in 2023.



Consumer demand and prices

GB meat retail trading conditions continue to look firm. Reported meat prices for the inflation index and average selling prices are starting to diverge, suggesting some rebalancing of demand within categories. Foodservice sector firms continue to pass on higher costs, signalling robust demand.

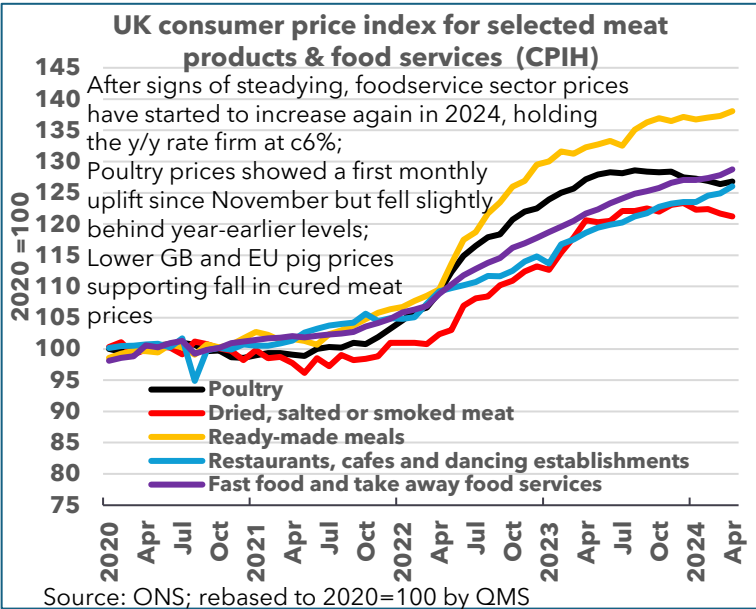
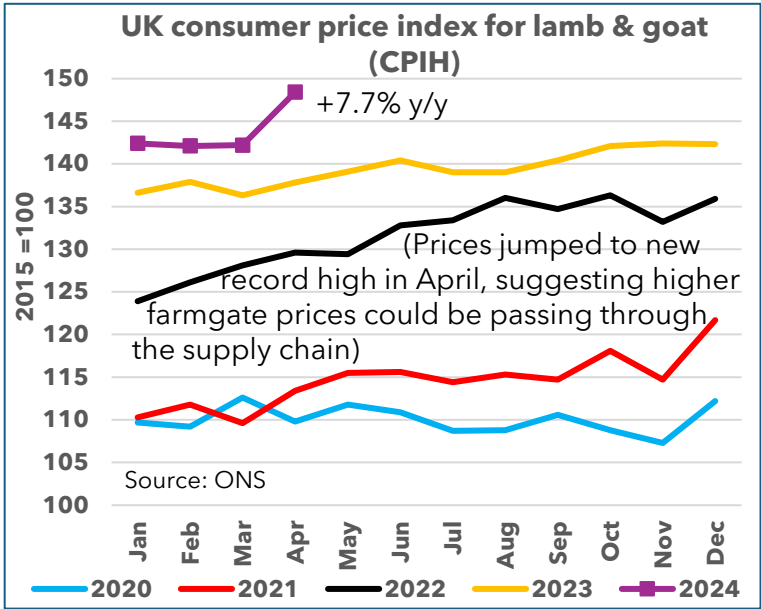


Retail demand remains firm overall with rising UK wages (+5.7% y/y in Q1 2024 supporting spending levels.

Kantar figures from the 12 weeks to 12/5/24 point to a firm trading environment for meat in GB. Beef and pork saw stronger spending growth than the grocery market as a whole, while lamb sales continued to show significant volume growth.

While the consumer price index points to rising prices for lamb products, the Kantar data points to a continuing reduction in the average price of the lamb sold by retailers, potentially driven by the balance of products sold.

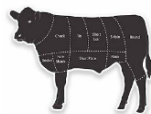
With previous rises in farmgate and import prices now reflected in pork retail prices, inflation has slowed sharply and there is now room for volume growth, although this will be limited by the level of supply. Chicken has continued to regain price competitiveness and sales.



Y/Y change in GB retail sales reported by Kantar in 12 weeks to 12/5/24			
	Value	Volume	Avg price per kilo
Fresh beef	+6.8%	-0.2%	+6.9%
Fresh lamb	+2.3%	+5.5%	-3.1%
Fresh pork	+9.0%	+6.8%	+2.1%
Fresh poultry	+4.9%	+3.7%	+1.2%
Total grocery market	+4.0%	-0.3%	+4.2%
Source: Kantar			

Retail demand and prices

Strong cash spending growth on beef only translated into stable sales volumes due to continuing price increases whereas a slowdown in inflation appears to have boosted pork sales and discounted leg roasts appear to have given strong support to lamb sales.



BEEF

12 weeks to May 12 2024



LAMB

12 weeks to May 12 2024



PORK

12 weeks to May 12 2024

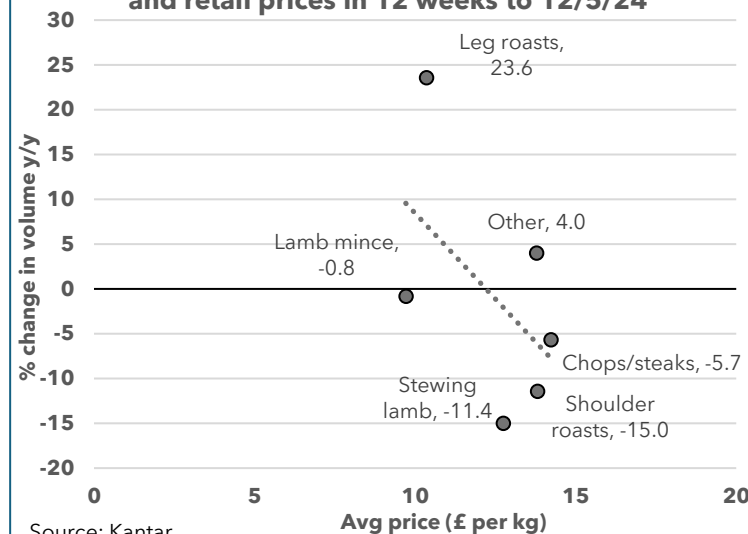
	GB		Scotland		GB		Scotland		GB		Scotland	
Value (£m)	589.3	+6.0% y/y	56.7	+2.7% y/y	177.4	+3.9% y/y	9.2	+6.0% y/y	220.4	+7.0% y/y	14.6	+2.5% y/y
Volume (t)	59,727	-0.4% y/y	5,607	-3.0% y/y	15,521	+9.2% y/y	791	+11.8% y/y	35,201	+4.6% y/y	2,301	+0.6% y/y
Avg price (£/kg)	9.87	+6.5% y/y	10.12	+5.9% y/y	11.43	-4.9% y/y	11.58	-5.2% y/y	6.3	+2.3% y/y	6.3	+1.9% y/y
Penetration*	67.5	-1.3% y/y	71.5	+1.0% y/y	28.6	-0.4% y/y	19.5	+5.4% y/y	45.7	-0.6% y/y	41.9	+2.0% y/y
Frequency**	4.6	+1.3% y/y	4.6	+0.7% y/y	2.3	+0.2% y/y	2.2	-1.9% y/y	3.1	+2.2% y/y	2.7	-1.4% y/y

Relationship between GB household spending on beef and retail prices in 12 weeks to 12/5/24



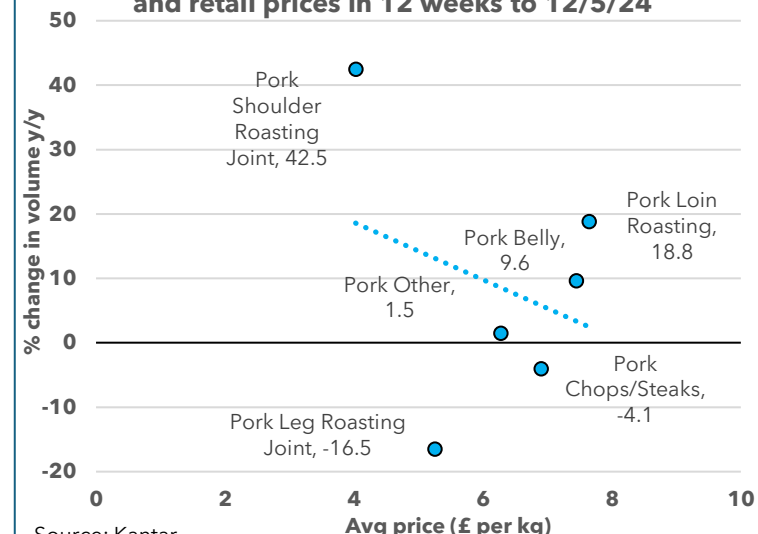
- Considerable price inflation limited rises for mince, roasts and steaks.

Relationship between GB household spending on lamb and retail prices in 12 weeks to 12/5/24



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

Relationship between GB household spending on pork and retail prices in 12 weeks to 12/5/24



- The largest category of chops/steaks still underperforming, likely influenced by above-average price increases.

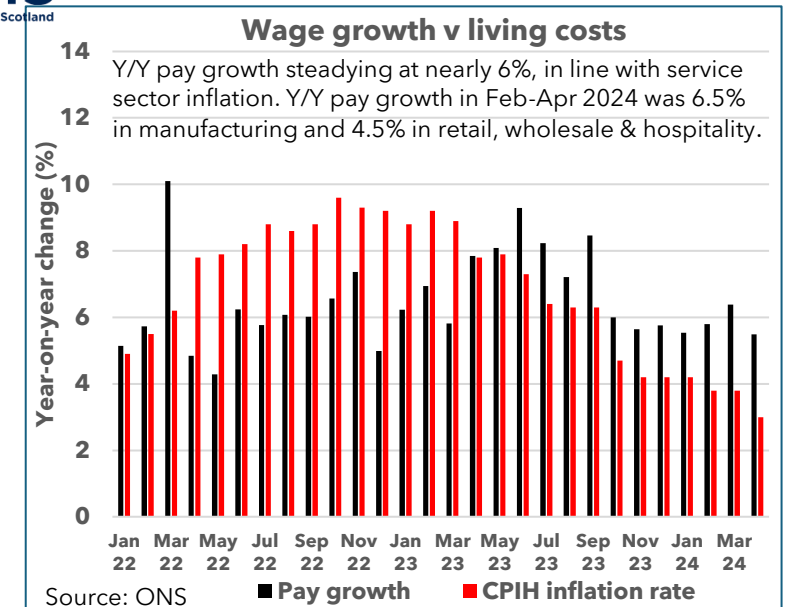
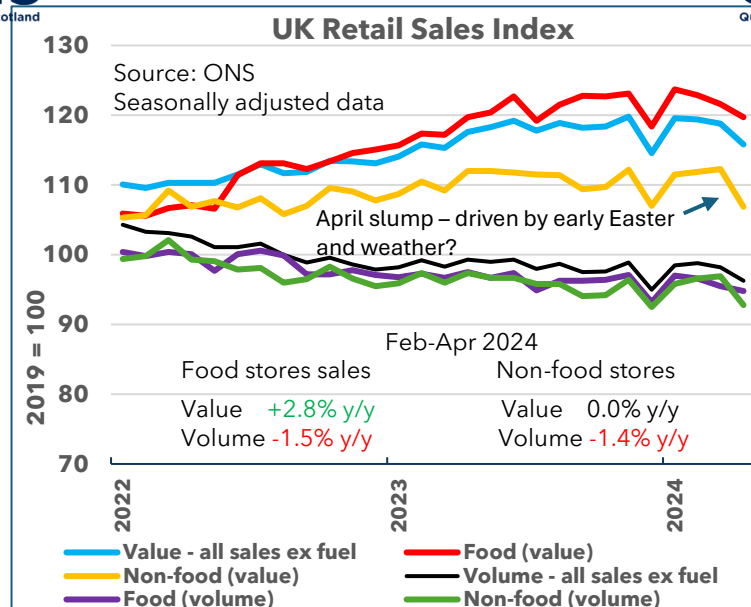
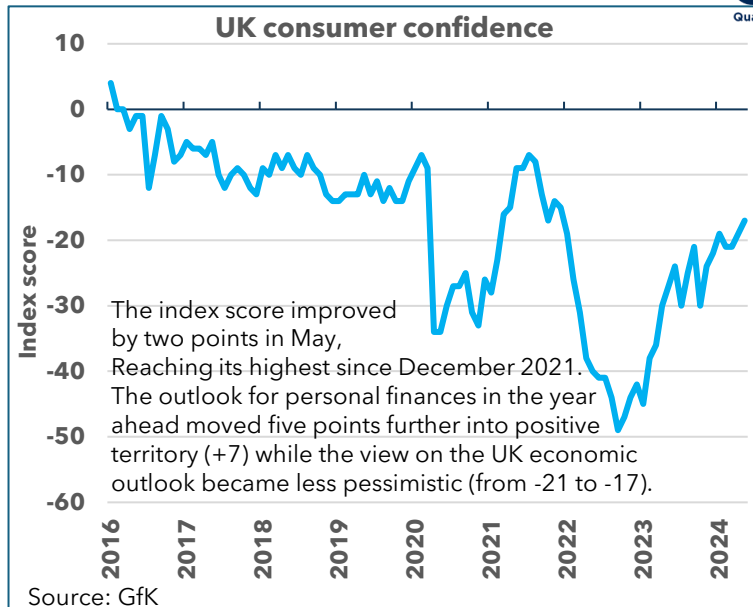
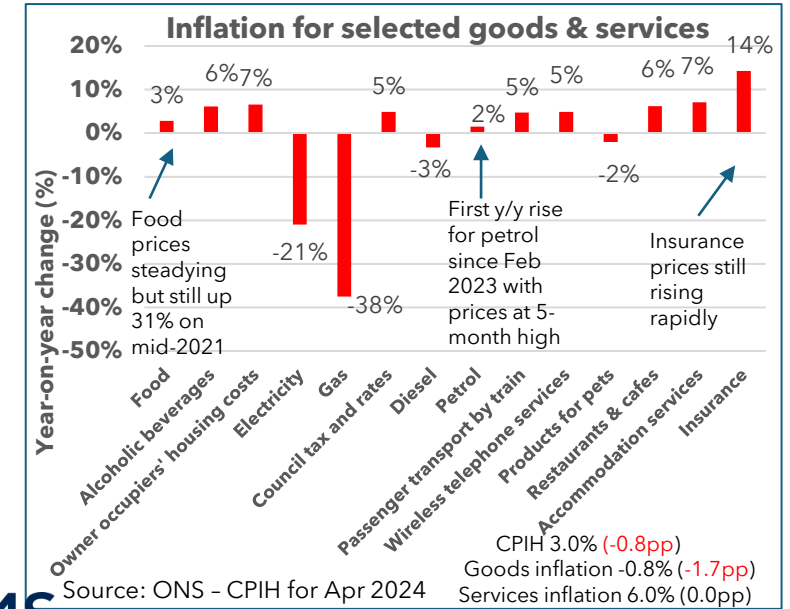
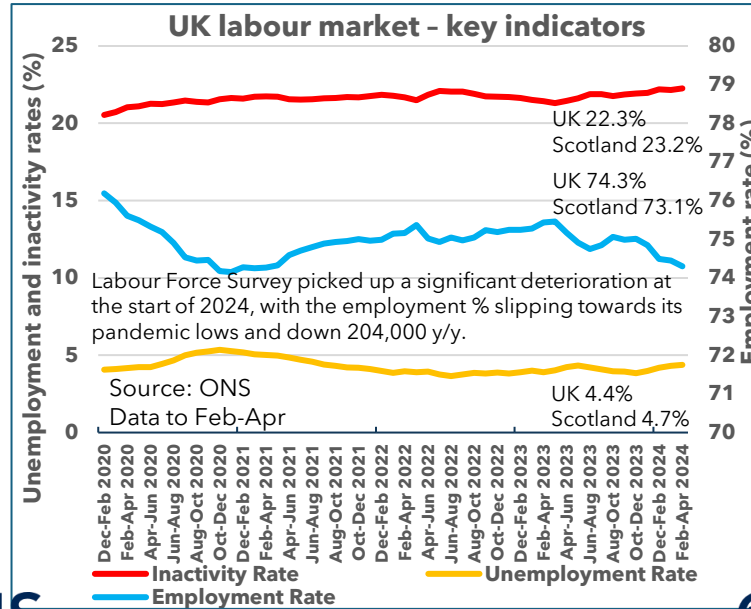
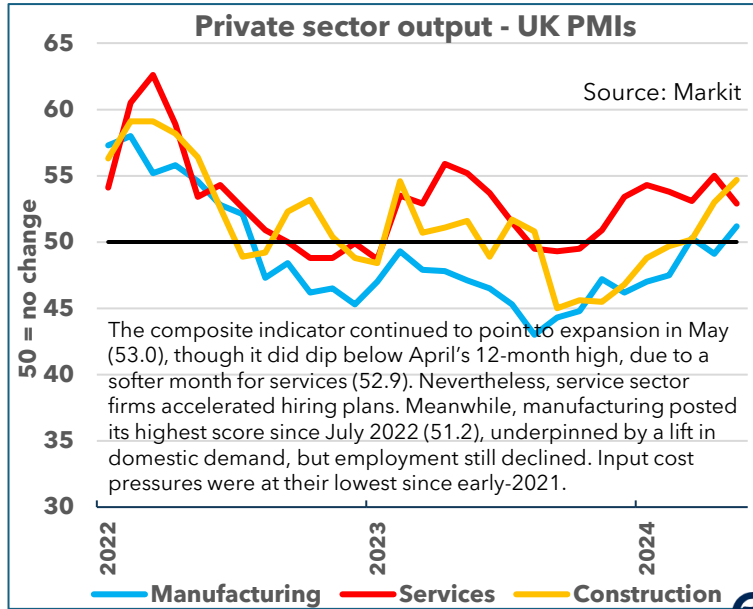
Data covers sales of fresh and frozen unprocessed red meat

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

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

Economic indicators

While business and consumer surveys are showing continuing improvement in 2024, the ONS has signalled a significant weakening in the labour market. Nevertheless, wage growth held firm, and it has exceeded inflation for over a year, supporting some slight repair in household finances. With inflation coming down sharply, retail sales remain relatively flat, albeit with a weak April driven by poor weather.



Scotch Beef UKGI is whole chain assured beef from Scotland

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



Scotch Lamb UKGI is whole chain assured lamb from Scotland

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



Specially Selected Pork is assured pork from Scotland

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

