

# QMS Monthly Market Update

## November 2022

### **Purpose:**

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

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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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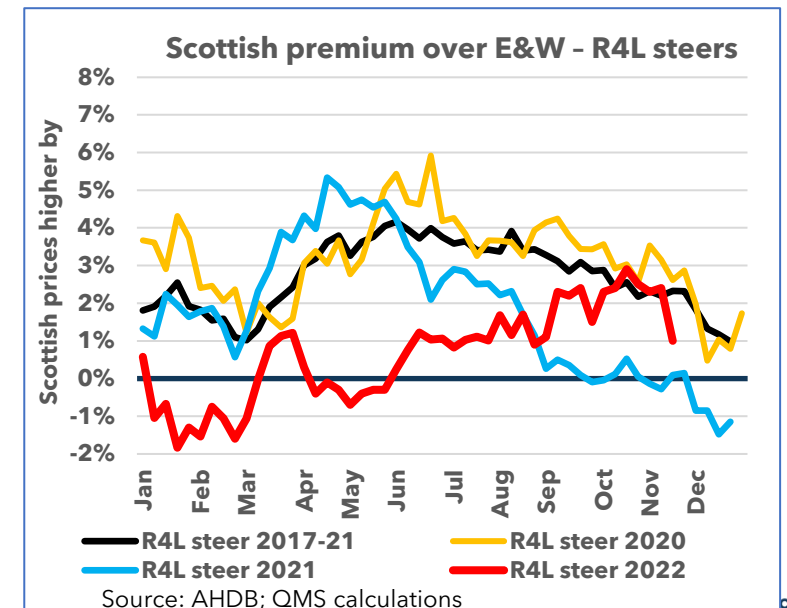
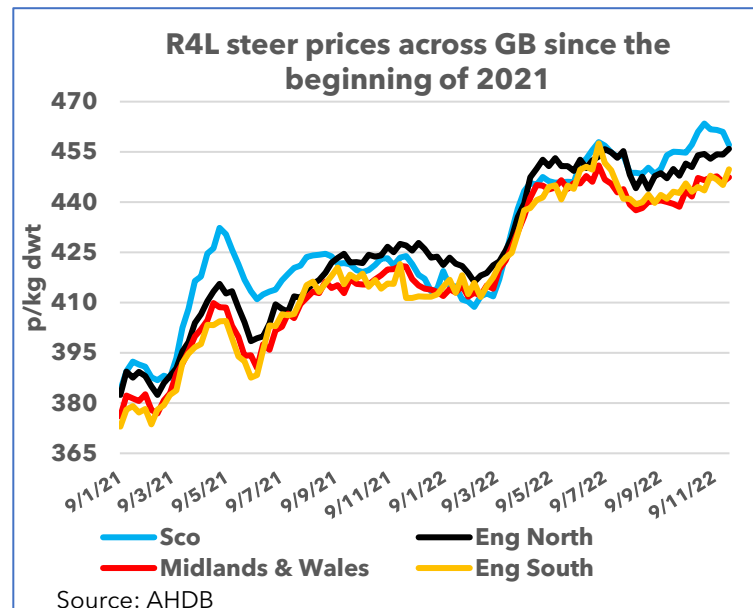
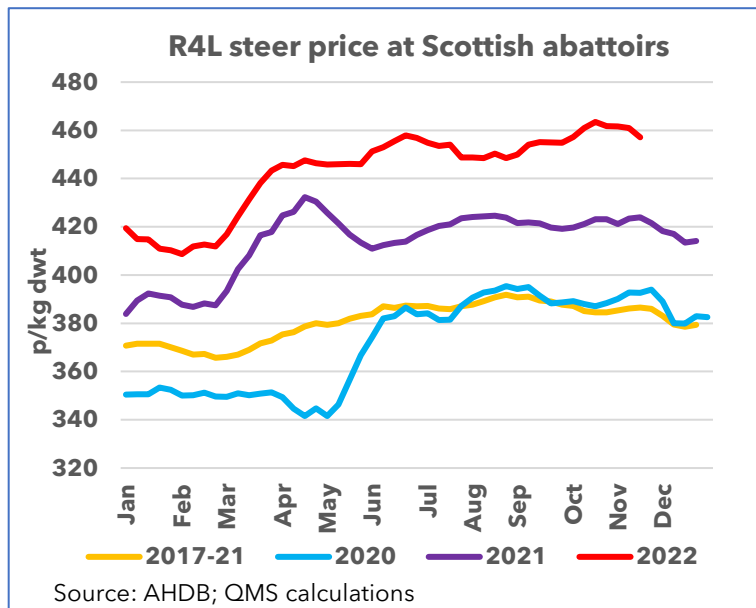
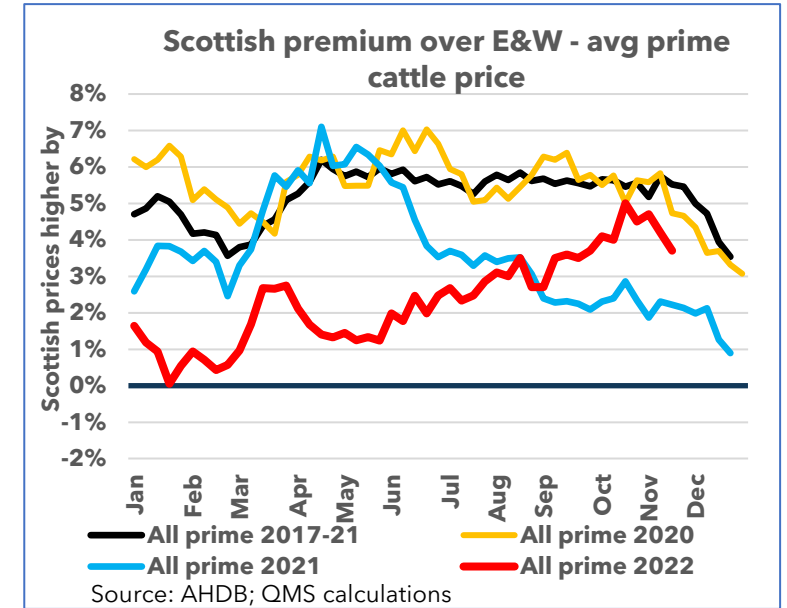
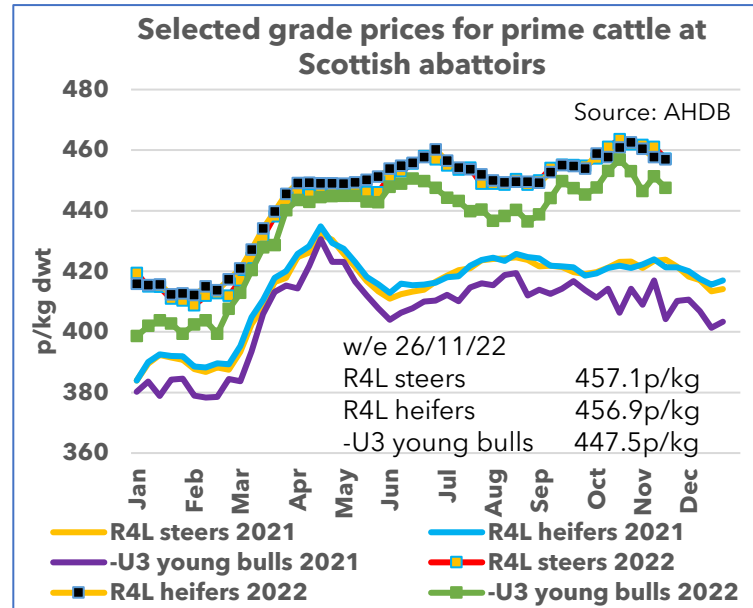
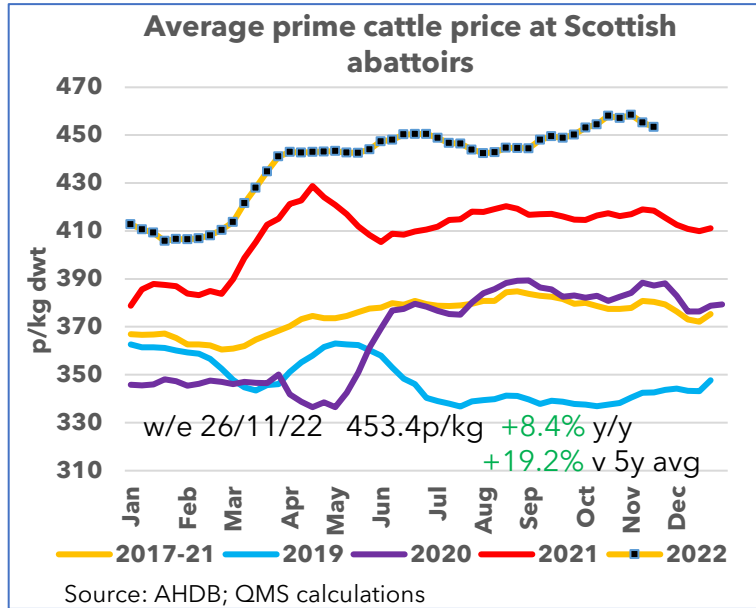
# Summary of market developments – beef market



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 26 November	457.3	-3.9p	-1.4%	+7.8%	+18.3%
Prime cattle slaughter at reporting Scottish abattoirs	Average in four weeks to November 26, head procured deadweight	6,263		+2.3%	-1.2%	-6.6%
Store price at Scottish auctions for steers aged 12-18 months	Average in four weeks to November 26, £ per head	£1,000		-7.8%	+2.8%	+10.4%
UK beef market supply	Tonnes in Aug-Oct 2022 (estimate)	255,200			-4.1%	-5.8%

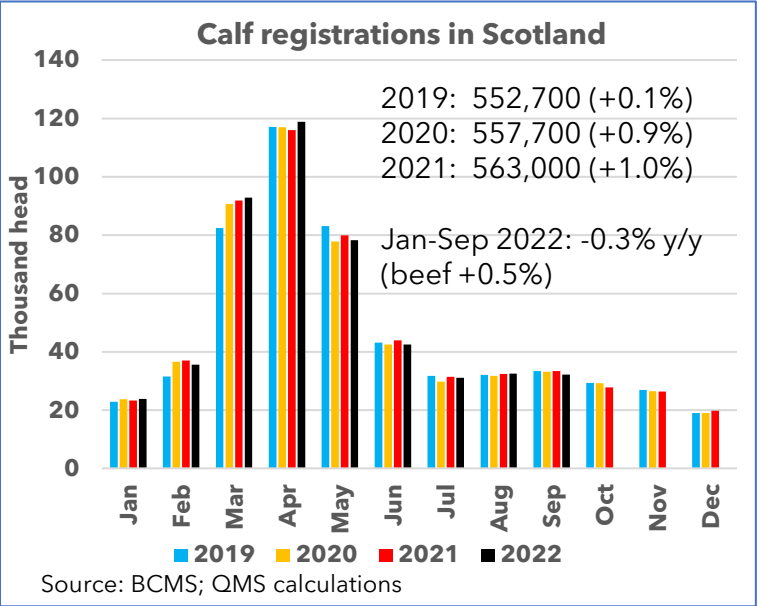
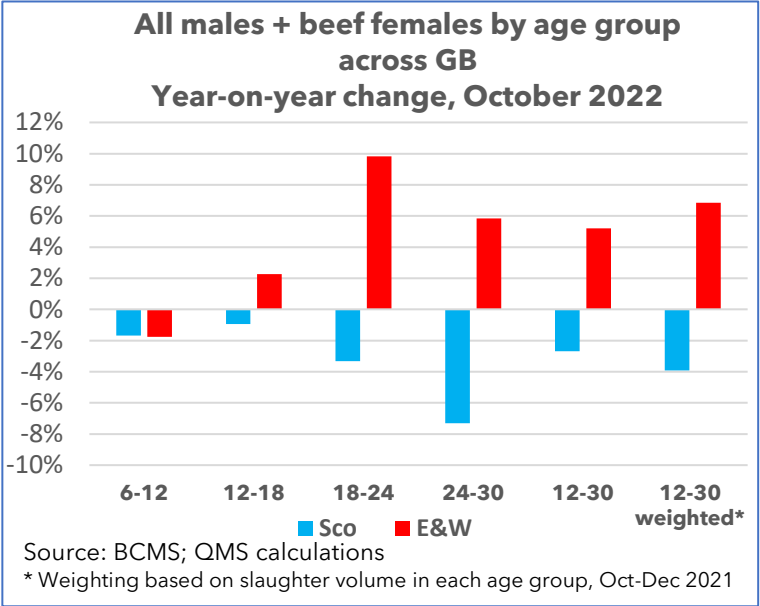
- Prime cattle prices have softened from the highs reached in October but remained around 8% higher than last year and nearly 20% above the five-year average in late-November.
- October population data indicates that prime cattle availability remains tight relative to 2021 in Scotland, down 2% in the 12-30-month group, while showing a slightly stronger 5% uplift in England & Wales. The main driver of this divergence has been the increased outflow of store cattle from Scotland since autumn 2021. However, on a weekly basis, numbers have been trending slightly higher at price reporting abattoirs in Scotland while slipping back in E&W.
- UK export volumes held firm relative to a fall in domestic production during Q3, while a reduction in import volumes by 22% appears to have resulted in a significant tightening of overall beef supply.
- While a surge in cow slaughter over 2021 at Scottish abattoirs this autumn suggests that beef herd contraction is likely to have accelerated, by October 1<sup>st</sup>, the pace of decline had only reached -1.6% from -1.4% on July 1<sup>st</sup>. Calf registrations have barely fallen so far this year, so herd contraction is unlikely to impact supplies until mid-2024 at the earliest.
- Store cattle prices have fallen seasonally and continue to underperform finished cattle prices, while auction volumes have continued to lag behind 2021 levels following the peak autumn selling period.

# Farmgate prices - prime cattle - softening after reaching an earlier seasonal peak than usual but continue to look historically firm





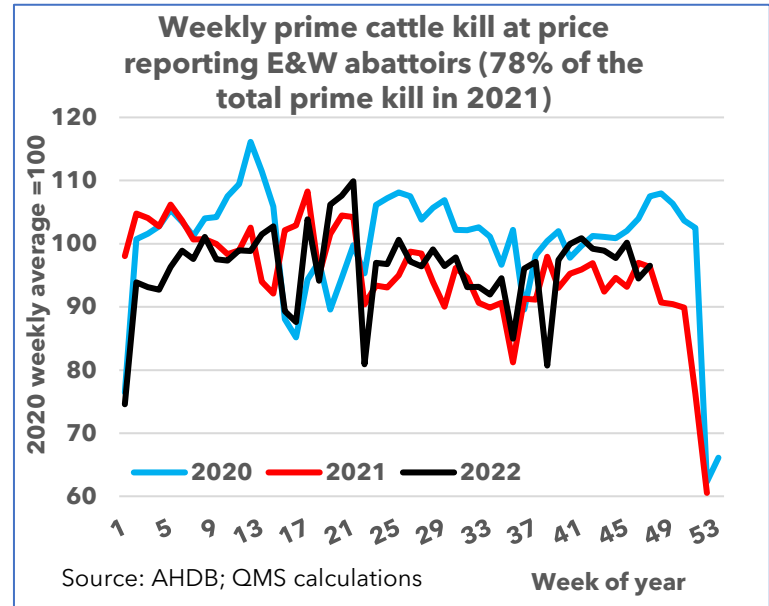
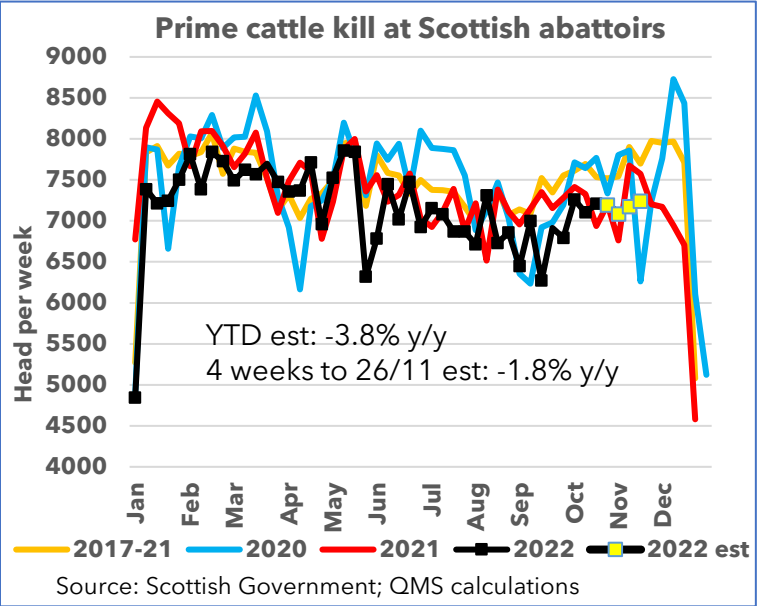
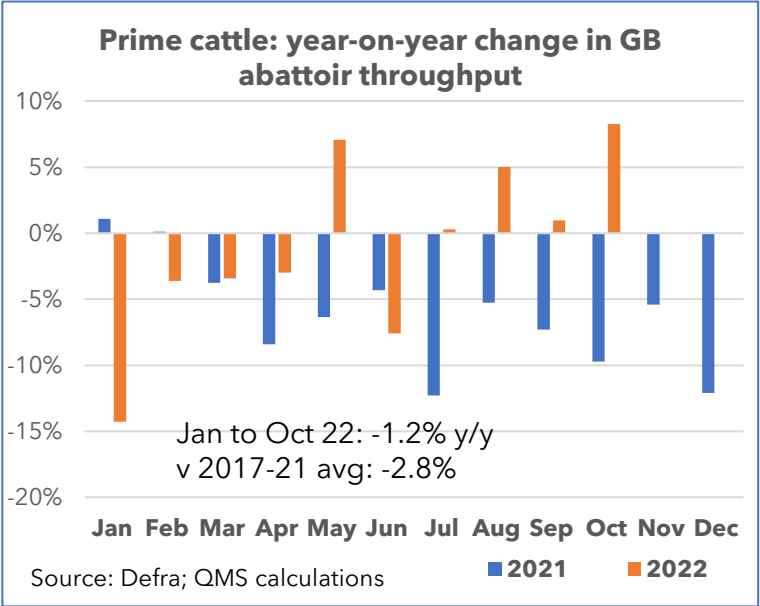
Availability and slaughter – fewer prime cattle on Scottish farms in contrast to a significant increase in E&W



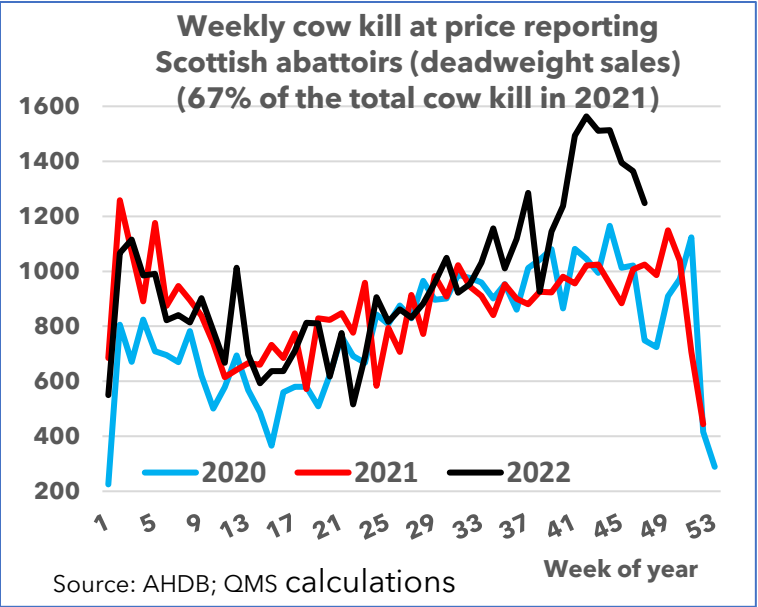
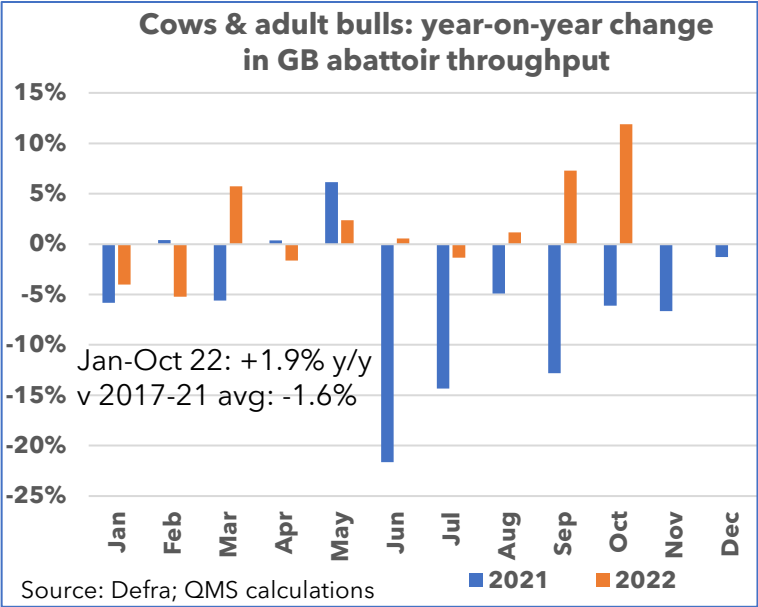
BCMS cattle population data for October highlights a continuing year-on-year shortfall of prime cattle supply in Scotland and continuing increase in England & Wales.

The main contributor has been the increased flow of store cattle to English farms since autumn 2021, potentially driven by the reduction in the suckler herd in England in recent years.

While a reduced pool of slaughter cattle compared to 2021 is likely to be generating firm competition for stock in Scotland, weekly slaughter has been trending seasonally higher while demand from English abattoirs is likely to have softened given the significant increase in availability in England & Wales.

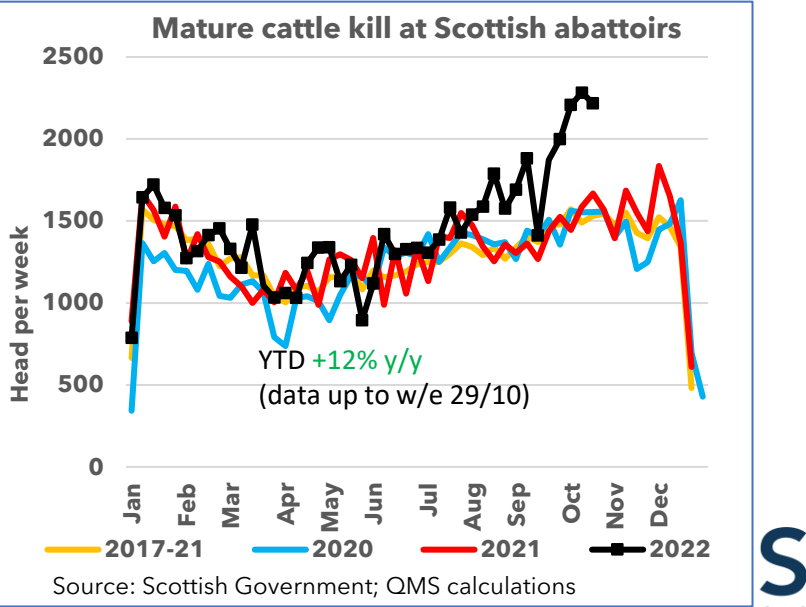
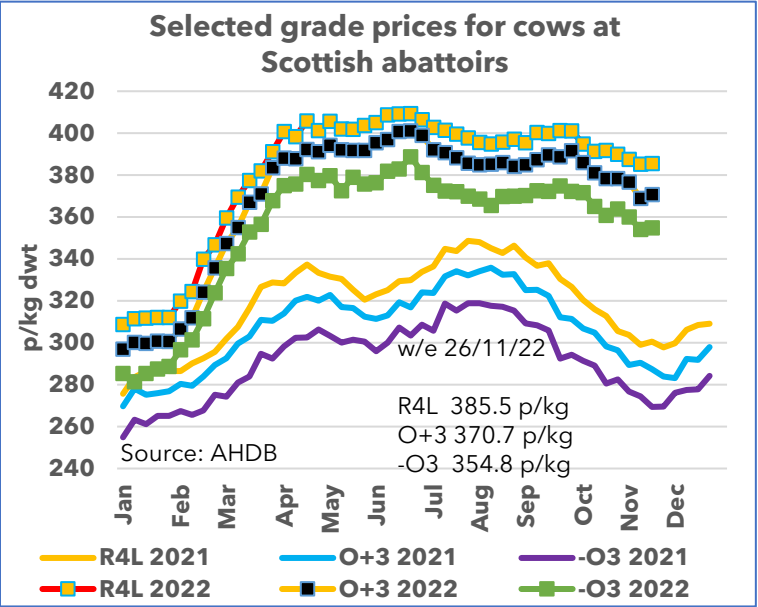
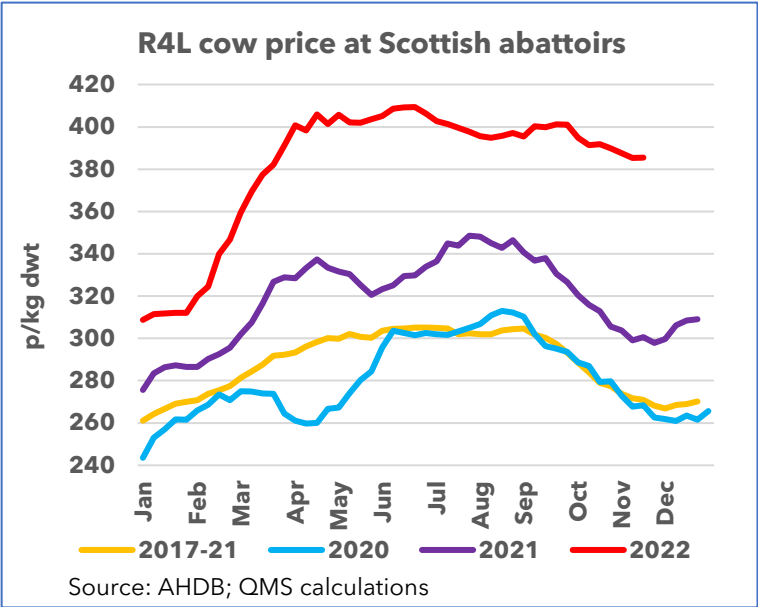


# Mature cattle market – limited seasonal decline in prices despite elevated kill

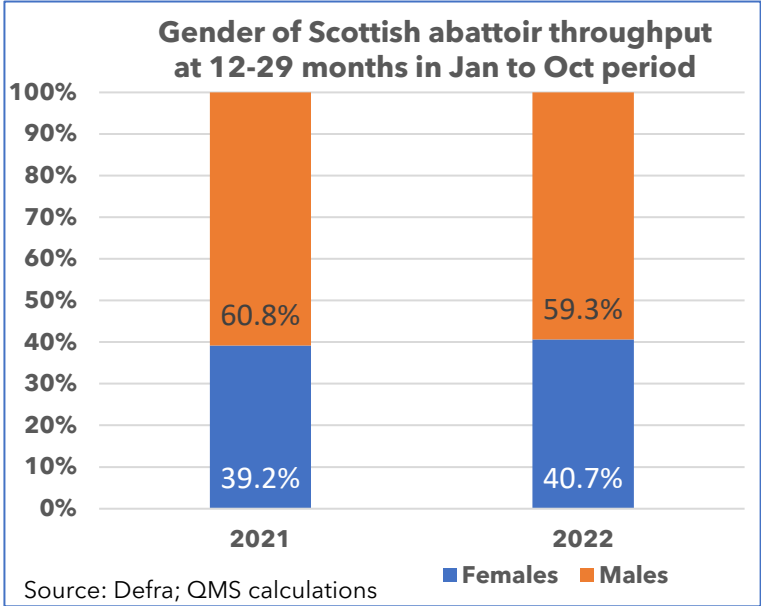
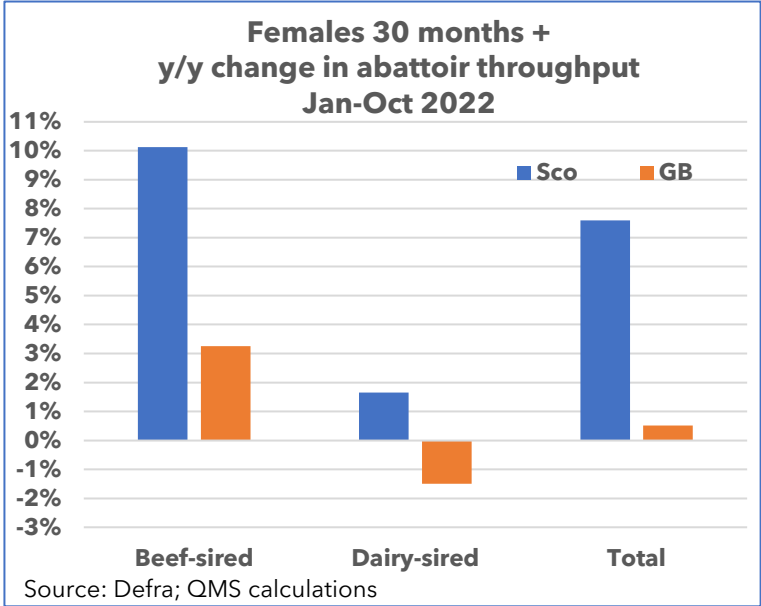


Cow prices remain historically high for the time of year and much closer to prime cattle prices, potentially driven by tight overall UK beef supply and firm demand for cheaper manufacturing grade beef due to a rising cost of living.

While the cow kill appears to have passed its autumn peak, the surge over 2021 levels in October and November does point to a faster pace of herd contraction.



# Evidence that herd reduction is underway in the beef sector



Females aged 30 months+ on Scottish farms (y/y change)			
Month	Dairy	Beef	All
Jan 2022	-1.3%	-0.4%	-0.6%
April 2022	-1.1%	-0.7%	-0.8%
July 2022	-1.0%	-1.4%	-1.3%
Oct 2022	-0.5%	-1.6%	-1.3%

Source: BCMS; QMS calculations

Females aged 30 months+ on farms in England & Wales (y/y change)			
Month	Dairy	Beef	All
Oct 2022	-1.8%	-2.2%	-2.0%

Source: BCMS; QMS calculations

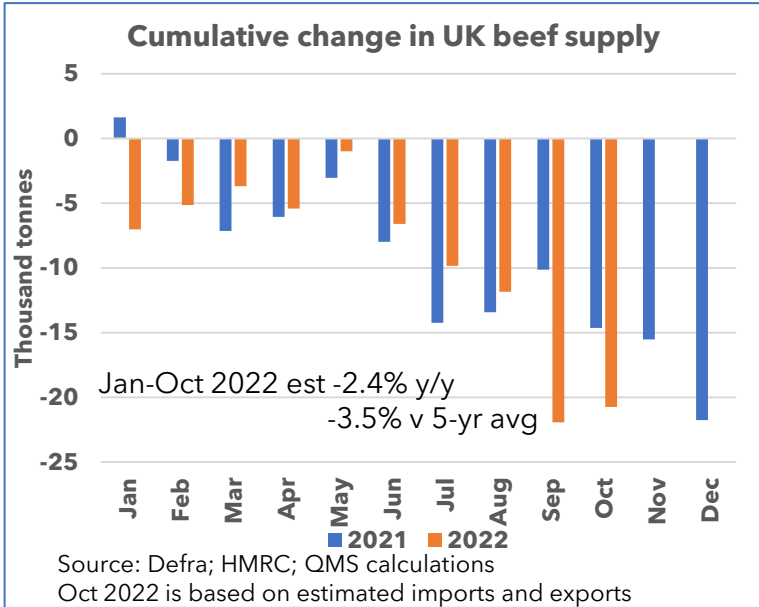
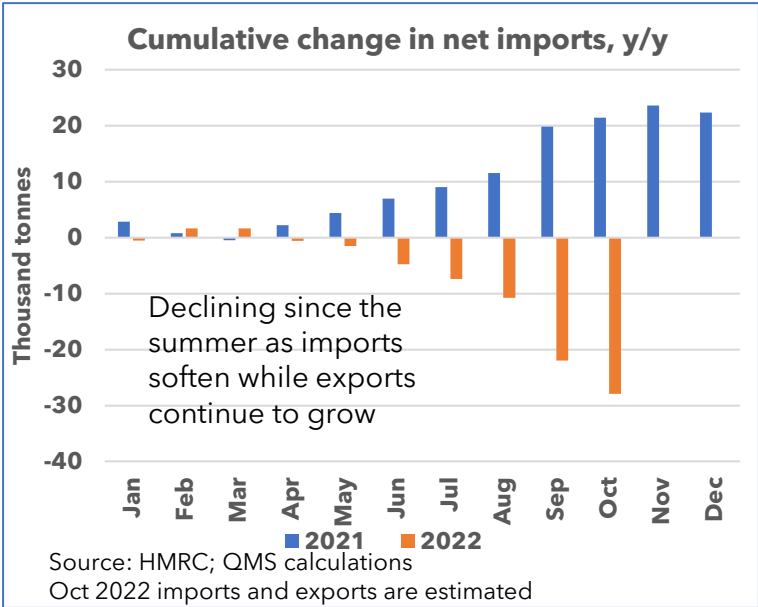
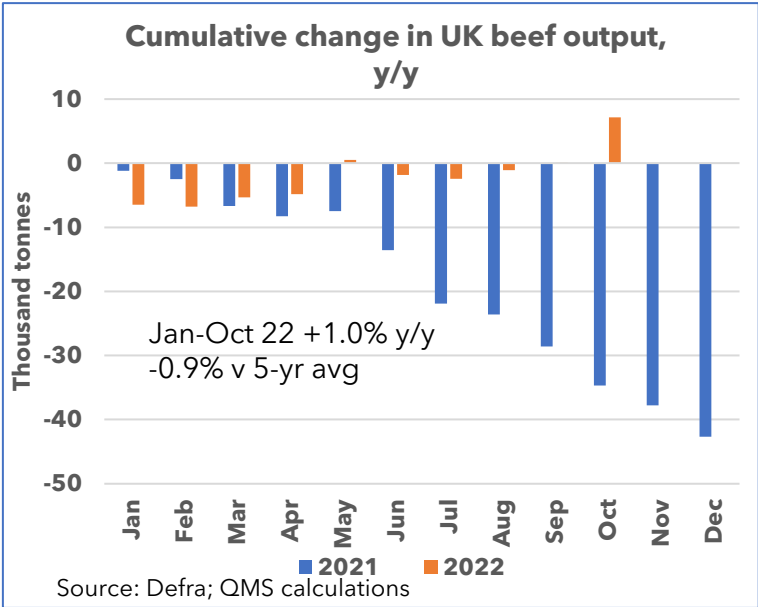
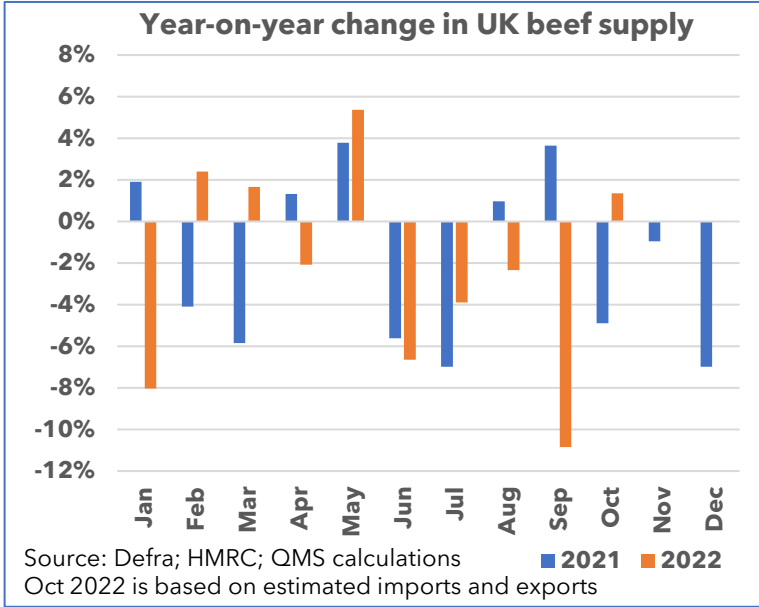
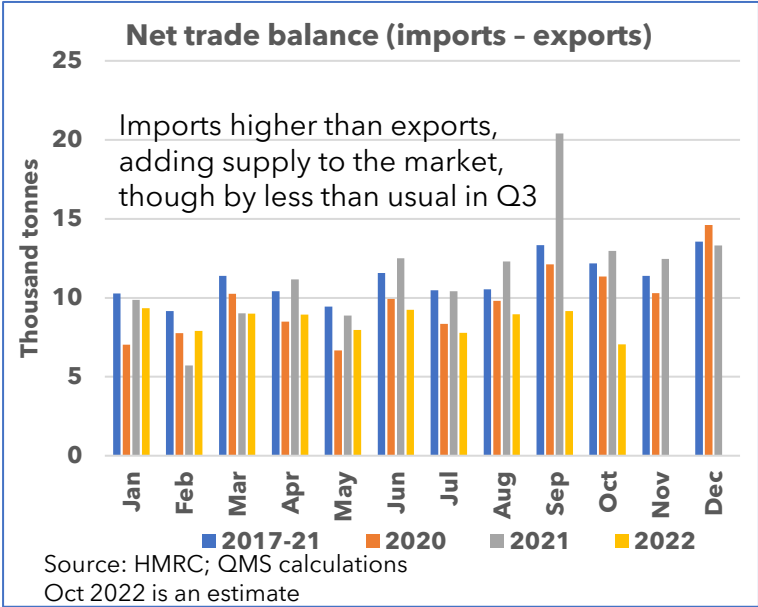
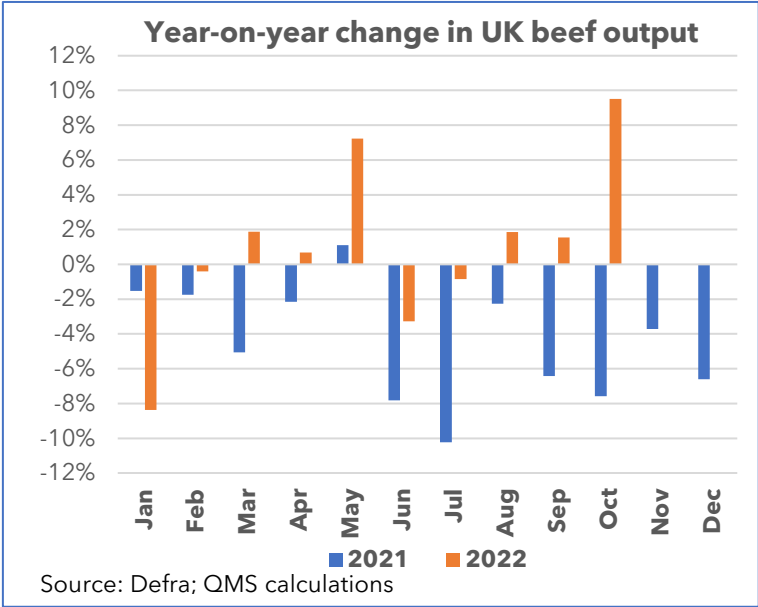
Despite a sharp uplift in slaughter of older females in Q3 2022 at Scottish abattoirs, the pace of y/y decline in over-30-month females on Scottish farms only edged up to -1.6%.

However, a year-on-year jump of nearly 40% in the cow kill at Scottish abattoirs in October and a 43% increase in the deadweight procured cow kill at price reporting abattoirs in the four weeks to November 26<sup>th</sup> suggests that the pace is likely to have accelerated since.

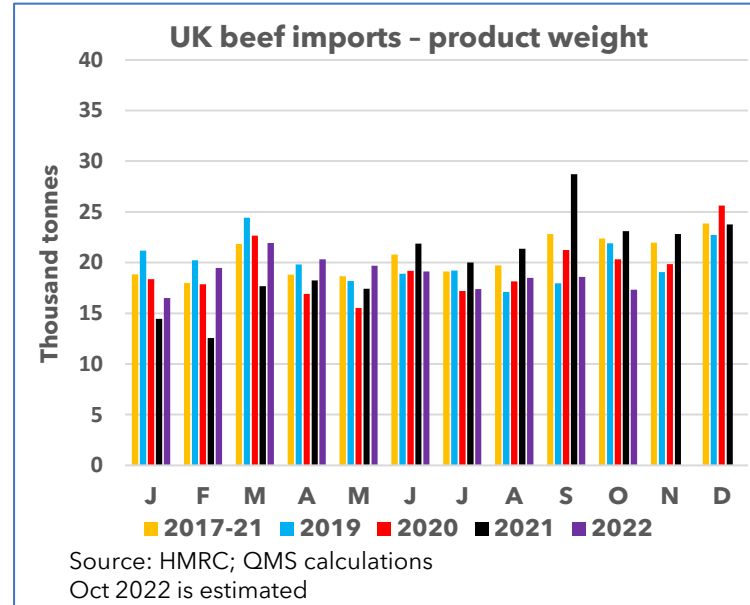
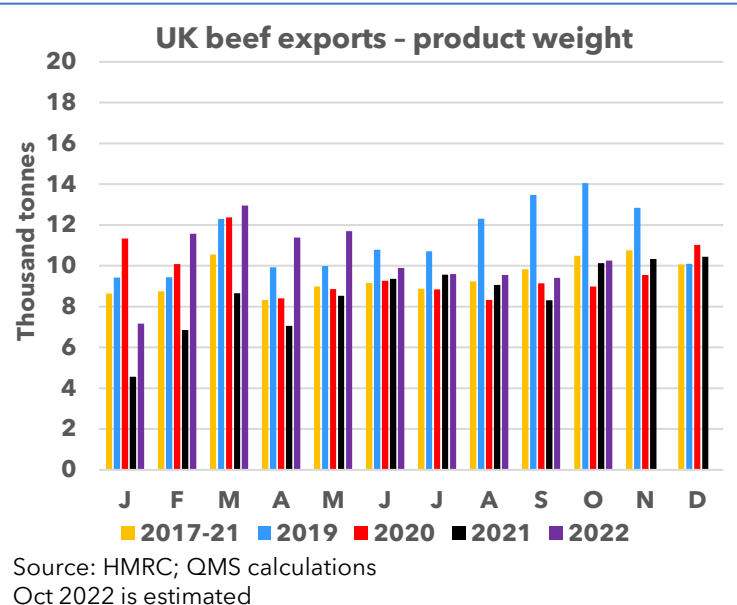
Within the female kill, numbers have risen by 1.2% year-on-year at 12-29 months in the first ten months in comparison to a 5% decline for males, which would point to fewer heifer retentions. However, the female kill has fallen by 18% in the 30-35 month group and the number of females in the 30-35 month group on farm in October was up by 4.5% year-on-year, limiting the overall decline in the over-30 month population. This suggests that we have seen a shift towards younger slaughter of heifers but also that we may have seen some more heifers added to the breeding herd to replace cows. Females aged 30-35 months accounted for 9.3% of the over-30-month female population in October 2021, rising to 9.8% in October 2022.

It should be noted that a proportion of the OTM kill will be older heifers.

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



# A focus on UK international trade in beef



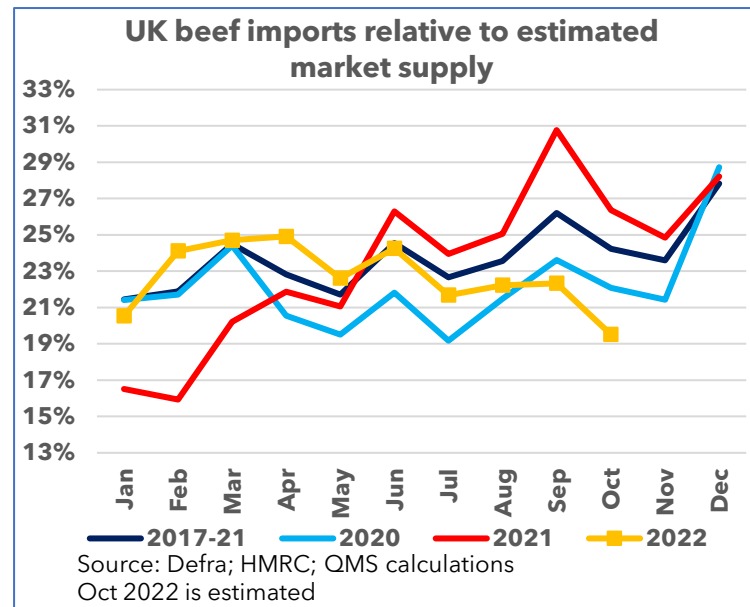
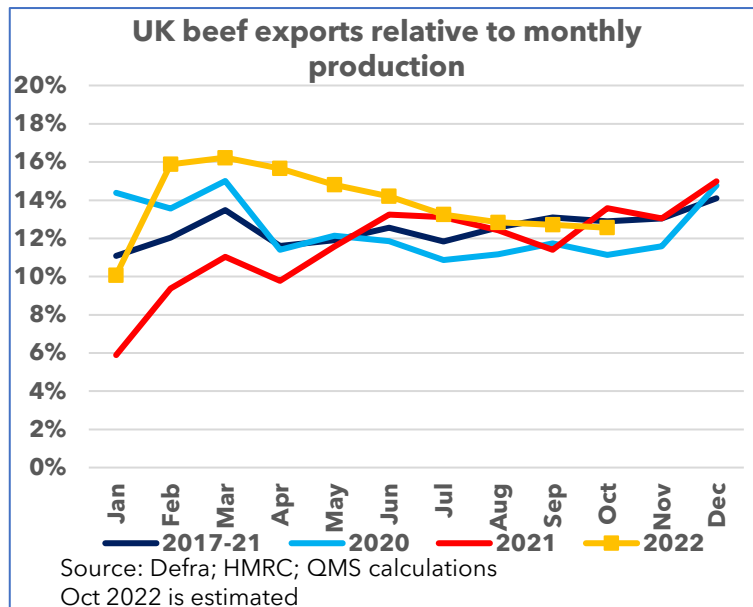
UK export performance has weakened since the spring but the share of domestic production exported has held close to the five-year average.

Import volumes have fallen back sharply relative to last year and the five-year average, tightening overall UK beef supply.

Note:

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

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





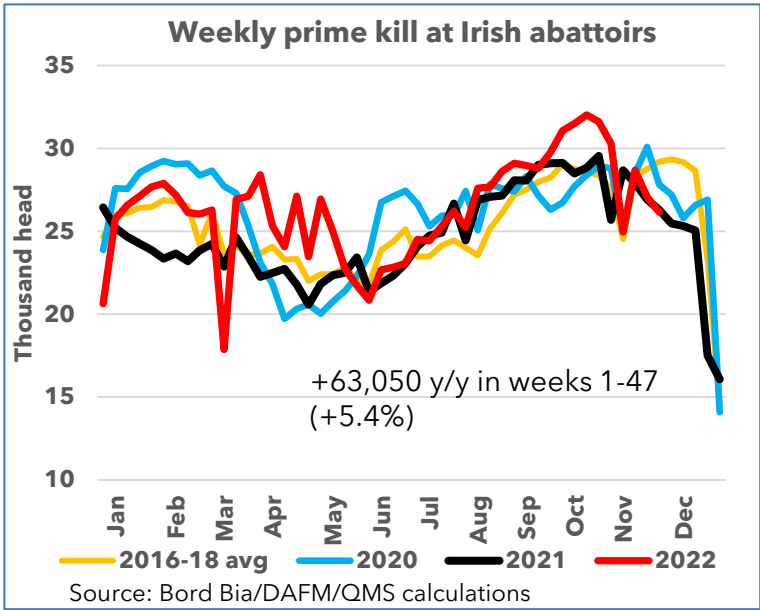
# Variables influencing international trade in beef

After surging to an early seasonal peak in October, the Irish prime kill has fallen back significantly, supporting a slight rebound in prices.

EU cattle prices (in euro) have generally been firming seasonally but the volatility at country level has remained. This average for R3 males is much closer to Scotland than usual and well above RoI steer prices, supporting the competitiveness of British (and Irish) beef on the EU market.

Cattle on Irish farms (thousand head)			
Age group	June 2021	June 2022	y/y change
1-2 years	1,900	1,938	+2.0%
Males 2 years +	364	380	+4.5%
Cows	2,545	2,541	-0.2%

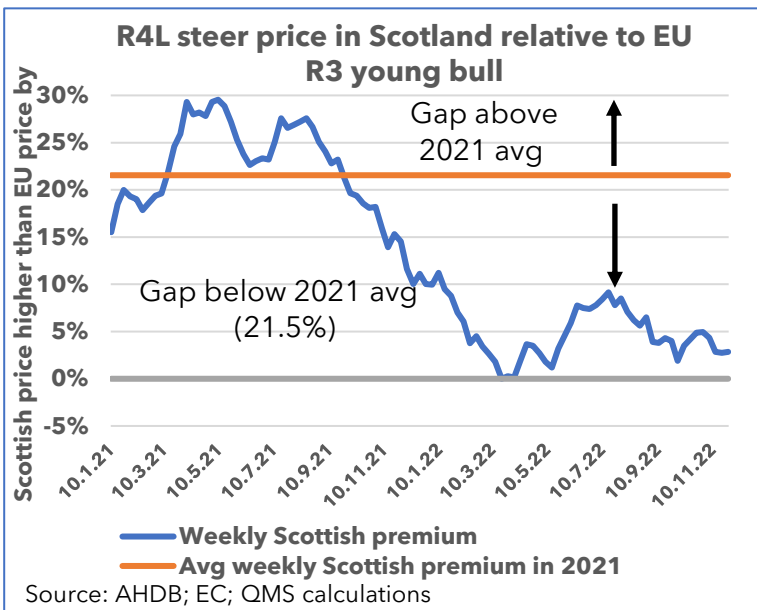
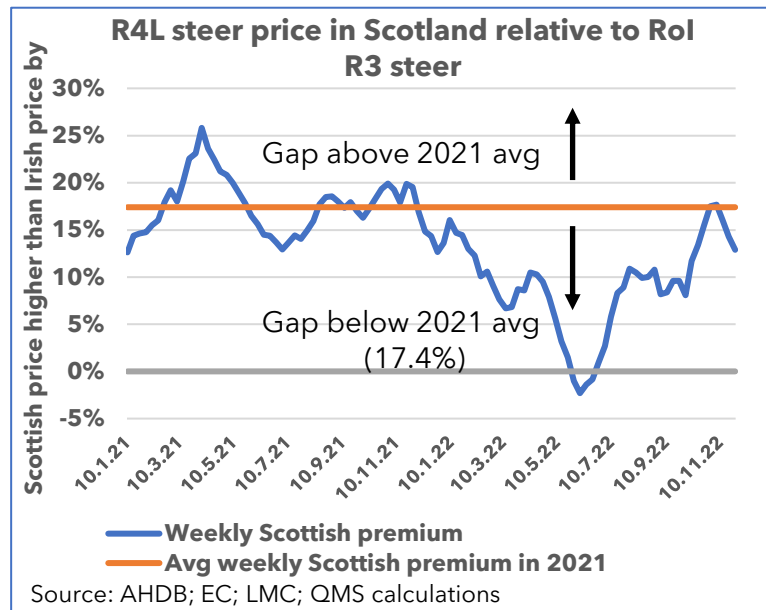
Source: CSO



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

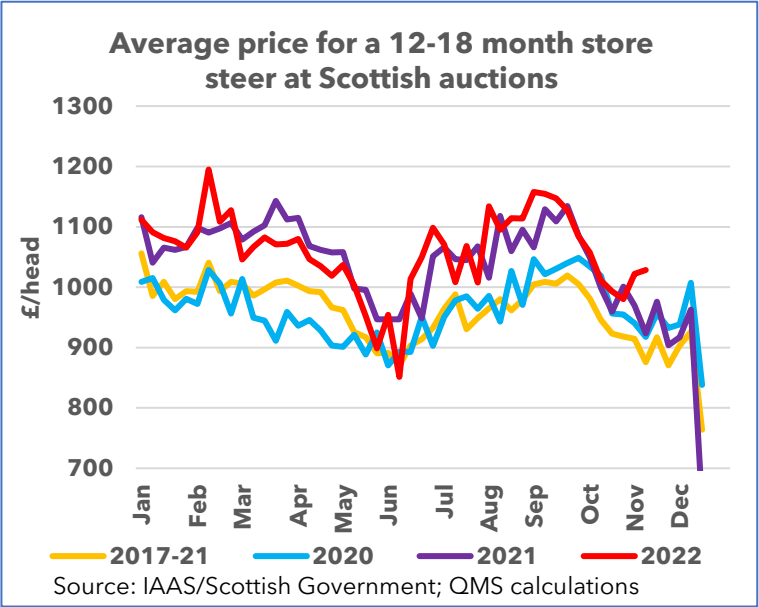
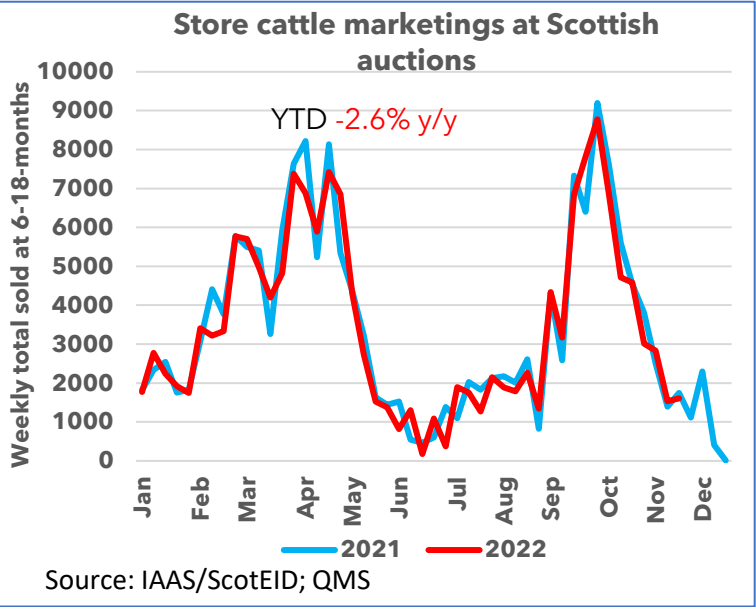
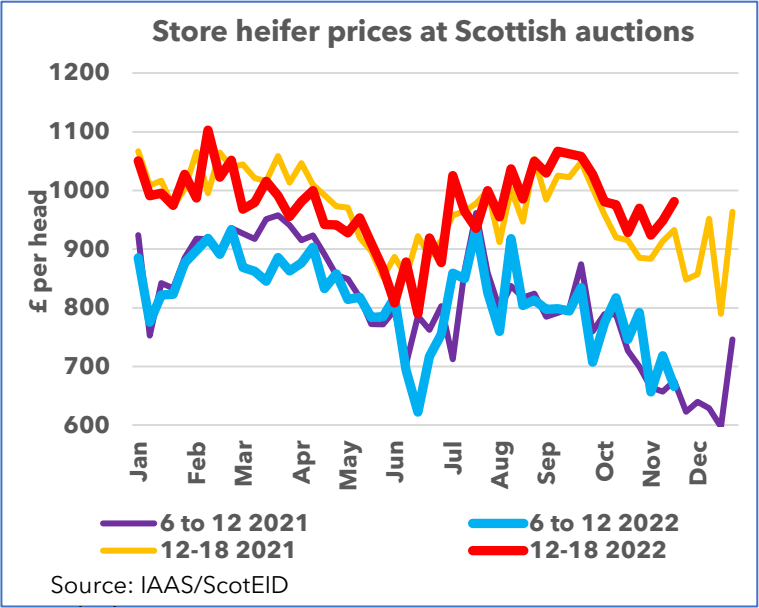
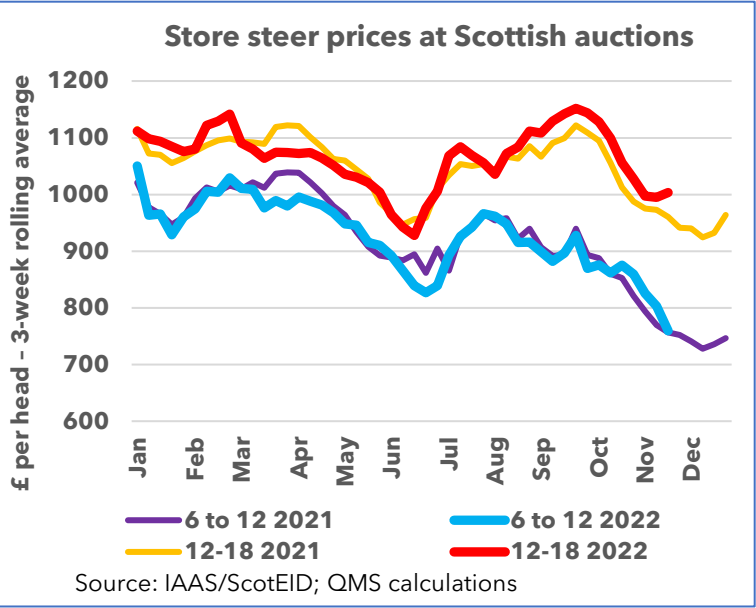
	Week 47 2022	Week 17 2022	Week 47 2021
Germany (young bull)	457.0	474.1	398.5
Netherlands (young bull)	452.2	459.0	360.8
Spain (young bull)	454.0	421.3	354.1
Poland (young bull)	422.0	436.6	365.3
Irish Republic (steer)	404.9	414.7	354.6
<b>For comparison: Scotland R4L steer</b>	<b>457.1</b>	<b>447.5</b>	<b>423.9</b>

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

# Store cattle trade



Volumes have fallen back to a seasonally low level and have continued to run behind year-earlier levels.

Prices for longer keep stores have continued to follow a seasonal downwards trend in November while the price of those in the 12-18 month group began to rebound in the second half of the month.

	4 weeks to 26/11	y/y change last 4 weeks
Store cattle prices		
Steers, 6-12 months	£796	+3.3%
Steers, 12-18 months	£1,000	+2.8%
Heifers, 6-12 months	£715	+5.1%
Heifers: 12-18 months	£954	+6.3%
Store cattle marketings		
All steers & heifers, 6-18 months	8,980	-5.0%
Source: IAAS/ScotEID; QMS calculations Prices rounded to nearest £1 and numbers to nearest 10		

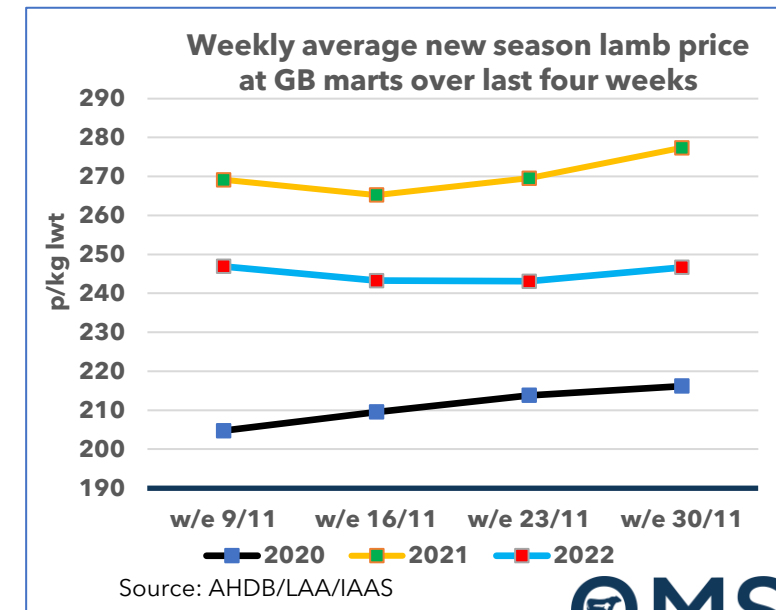
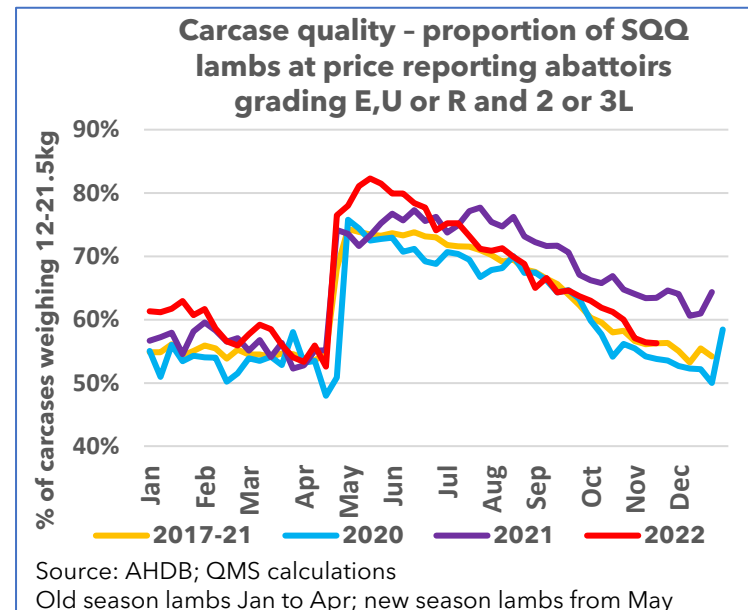
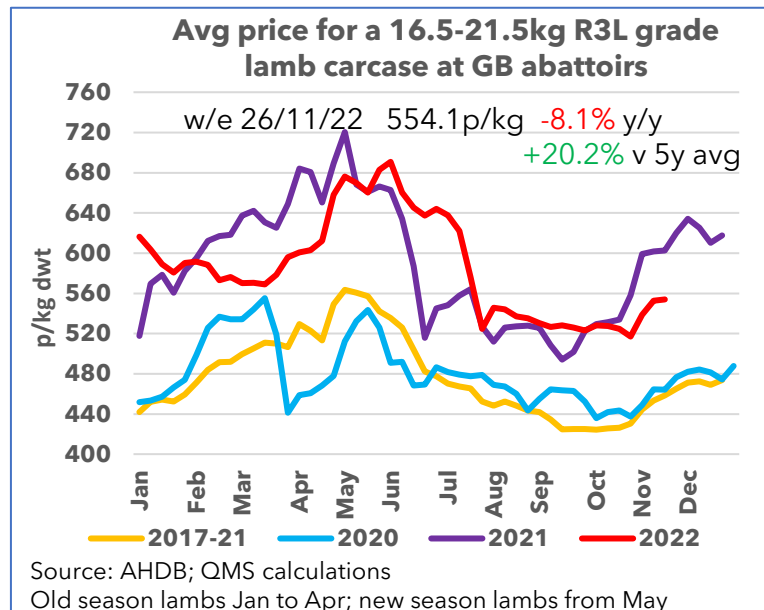
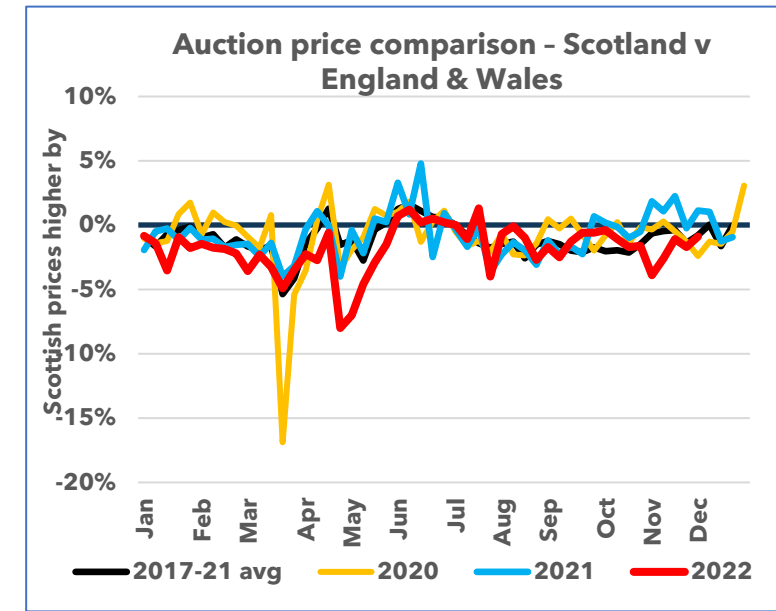
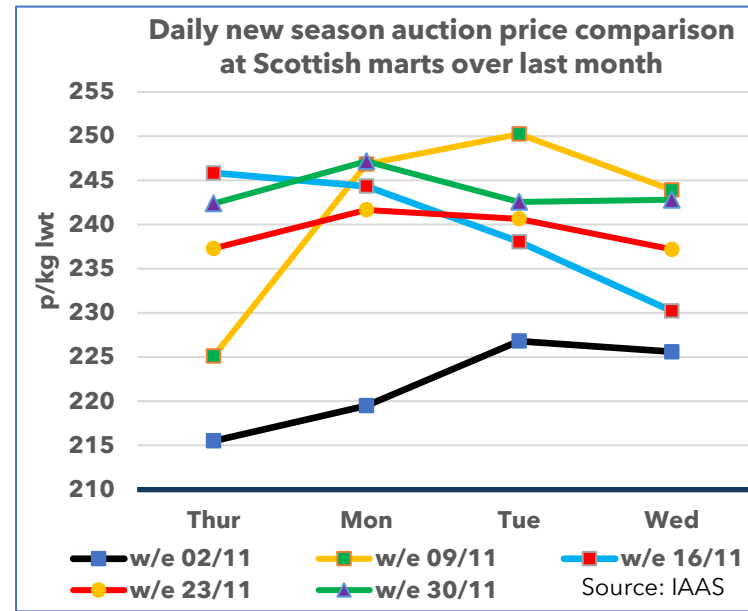
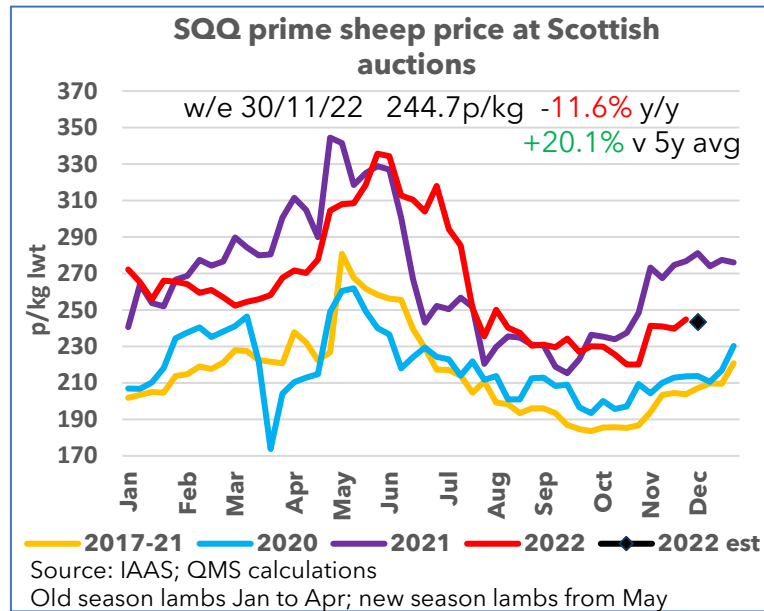
# Summary of market developments – sheep market



Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
New season SQQ lamb price at Scottish auctions	p/kg lwt, w/e 30 November	244.73p/kg	+5.09p	+11.2%	-11.6%	+20.1%
New season SQQ lamb marketings at Scottish auctions	Average in four weeks to Nov 30, Head	21,500		+2.7%	-2.7%	+4.8%
Total lamb marketings at GB auctions	Average in four weeks to Nov 30, Head	114,150		+10.7%	-6.3%	-3.6%
UK sheepmeat market supply	Tonnes in Aug-Oct 2022 (estimate)	62,300			+3.7%	-13.5%

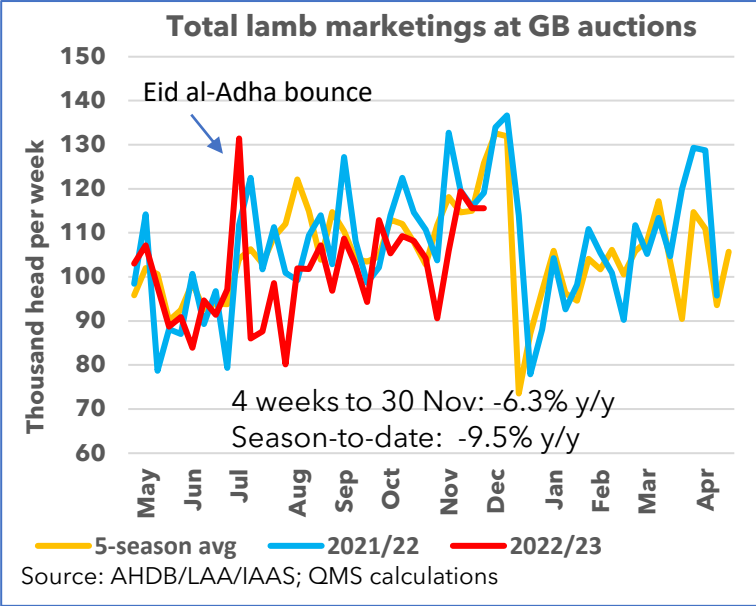
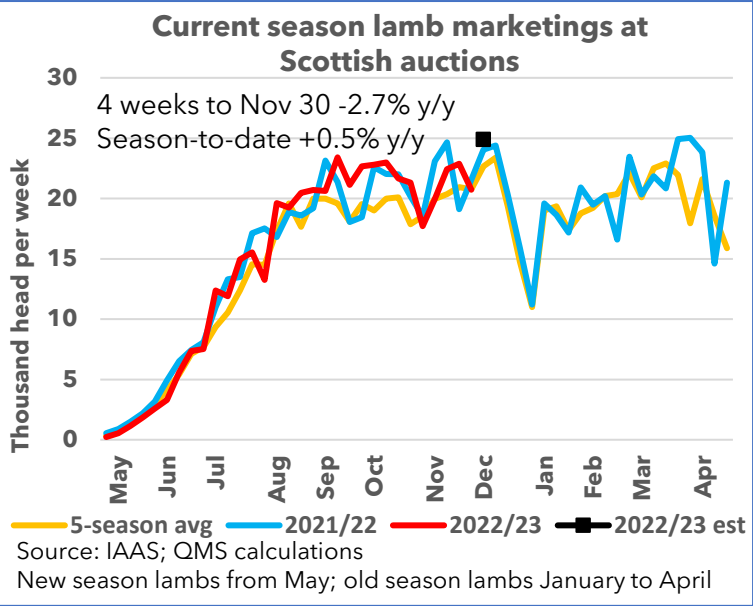
- After slumping to a seasonal low of around 220p/kg in late-October, lamb prices have risen above 240p/kg in November despite a seasonal jump in auction volumes at GB level.
- While lamb marketings have risen slightly in Scotland so far this season, they have continued to trail year earlier levels at GB auctions and abattoir throughput has fallen despite the English census pointing to a slightly larger lamb crop. This is signalling that we could have a large carryover of hogs into 2023 at GB level.
- Store lamb volumes fell behind 2021 levels as November progressed, but in the season-to-date, the number traded has still risen by more than 5%, pressuring prices along with the softer market for finished lambs than in 2021.
- Retail sales data is signalling that GB household spending has fallen significantly behind year earlier levels, with most of this driven by a reduced share of households buying lamb, which is an expensive protein.
- UK lamb import volumes have rebounded this year but remain well below the levels seen in the mid-2010s, ensuring that the sheepmeat market remains tightly supplied in comparison to historic average levels.

# Farmgate prices - prime sheep - rebound from delayed seasonal low and holding 20% above the five-year average



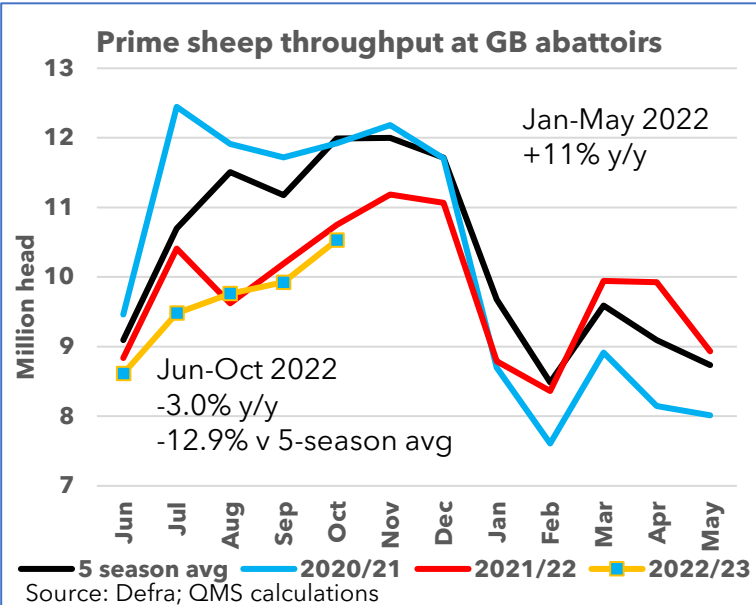
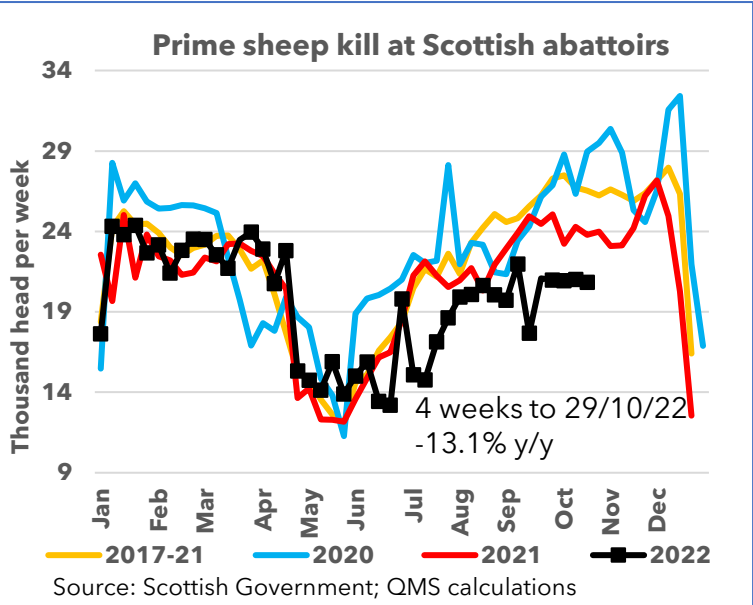


# Availability and slaughter - slightly increased auction throughput in Scotland but lambs still arriving more slowly than last year at GB level



Slightly more lambs have been traded at Scottish marts in the season-to-date than in 2021, suggesting that we have a better lamb crop than indicated by the reported breeding flock decline in December 2021.

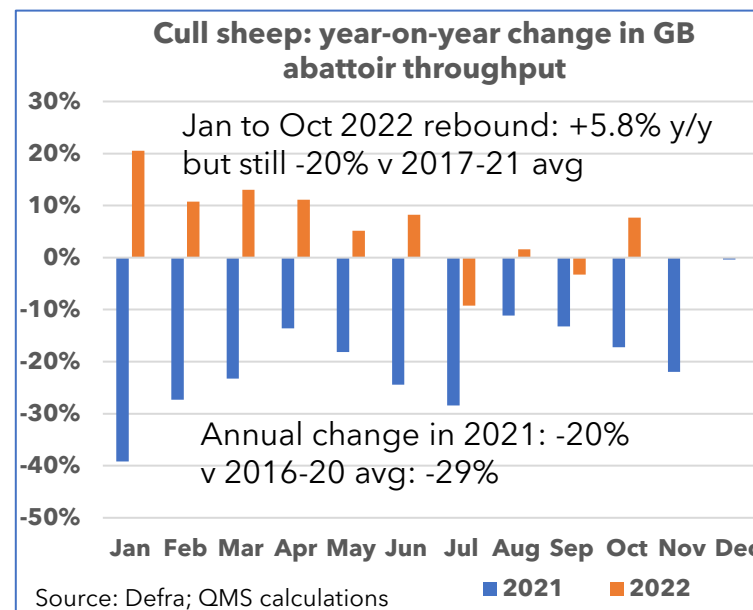
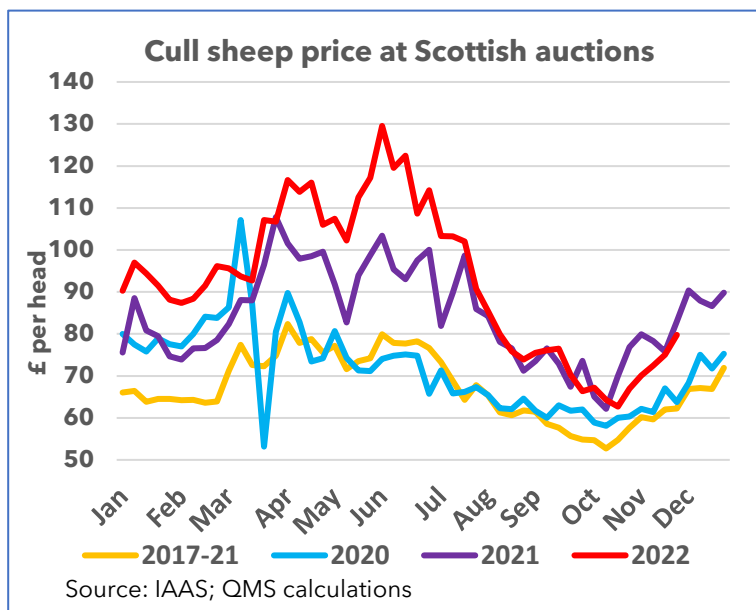
England reported an increase in lambs in June but despite lifting seasonally, GB auction volumes have continued to run below 2021 levels through November, signalling that we may end up with a further rise in hoggs in the run up to Easter 2023.



December 2021 Sheep & Goat Inventory and June 2022 Census Results		
December 2021	Total breeding flock y/y change	Other sheep and lambs y/y
Scotland	-3.7%	+3.3%
England	-1.2%	+9.3%
June 2022	Ewes used for breeding in previous season	New season lambs
England	+1.5%	+1.5%

Source: Defra; Scottish Government; QMS calculations

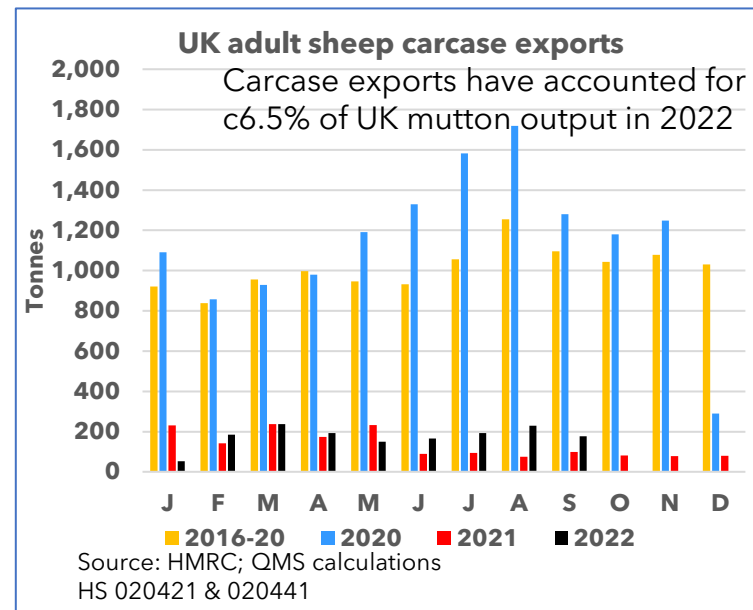
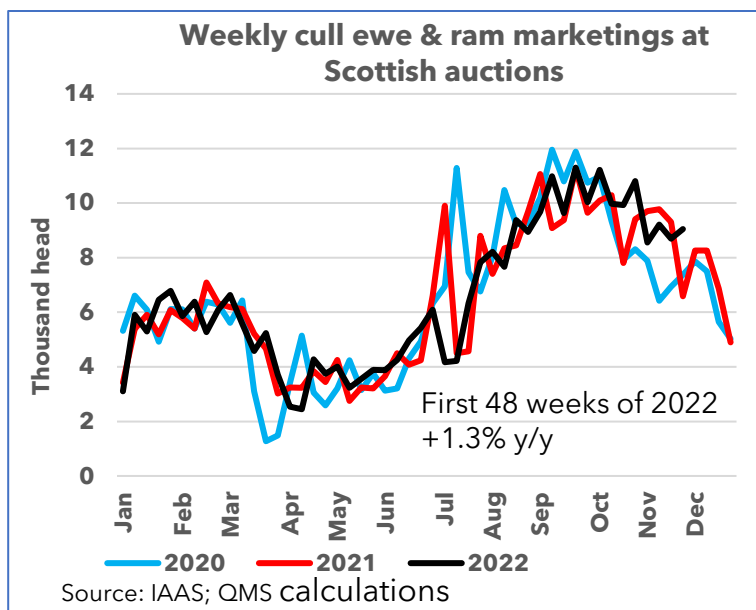
# Cull sheep market – prices showing slight seasonal rebound now that the peak auction selling period has passed



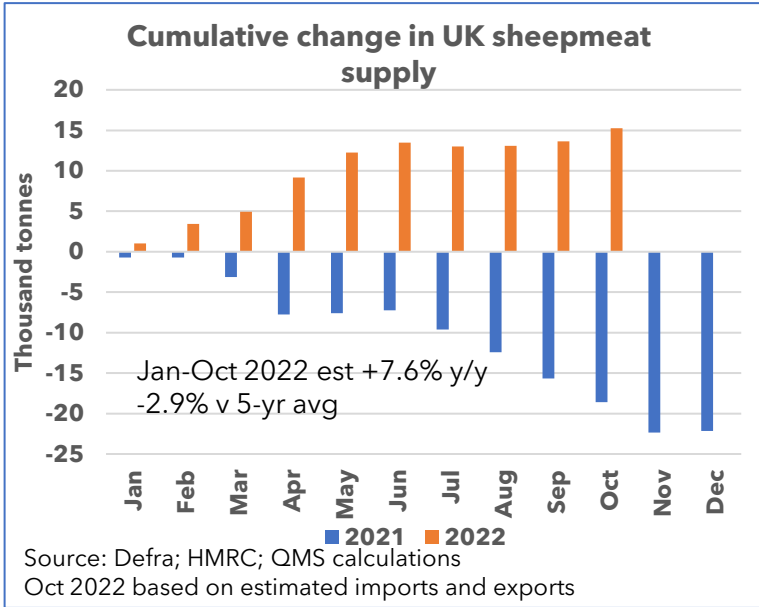
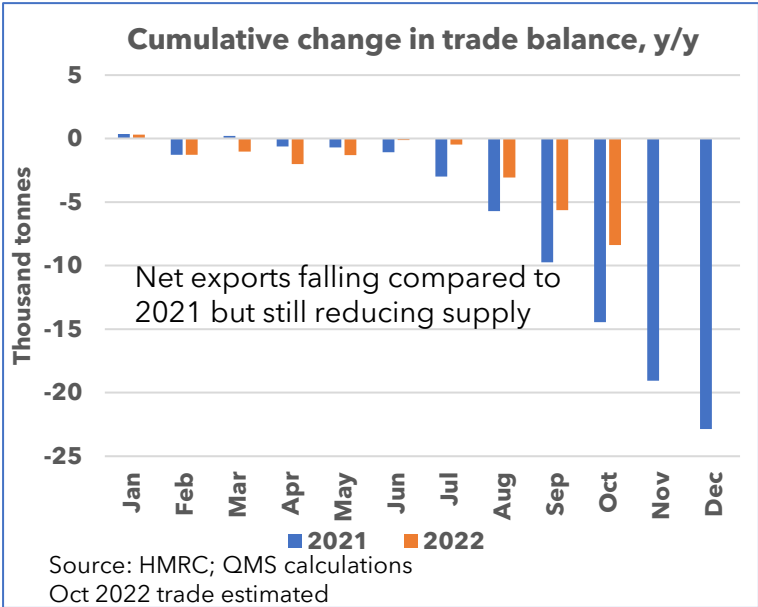
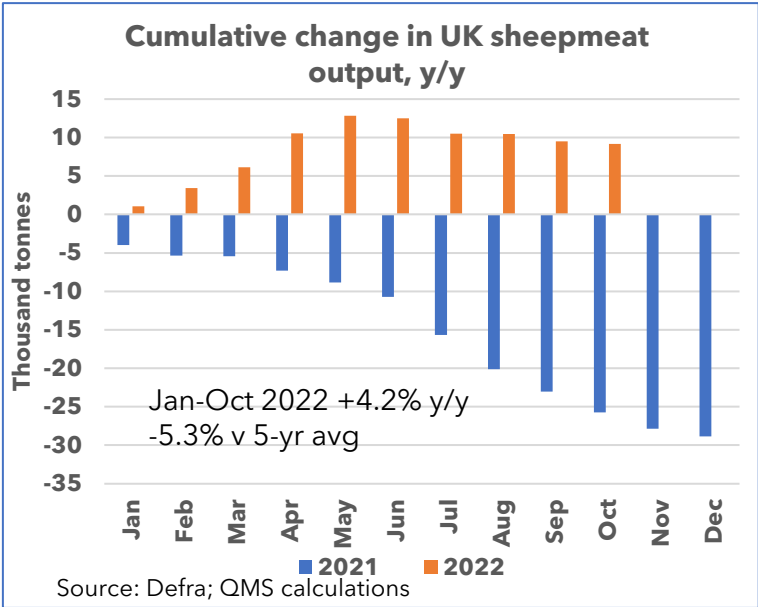
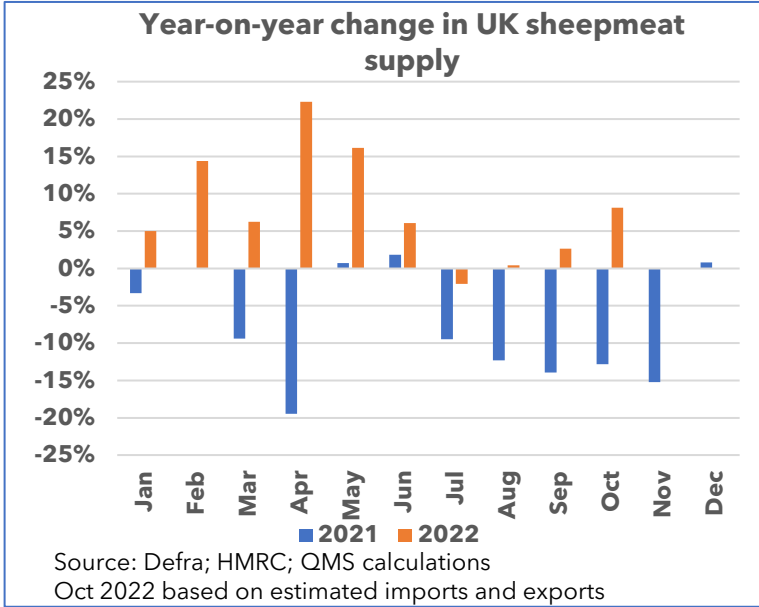
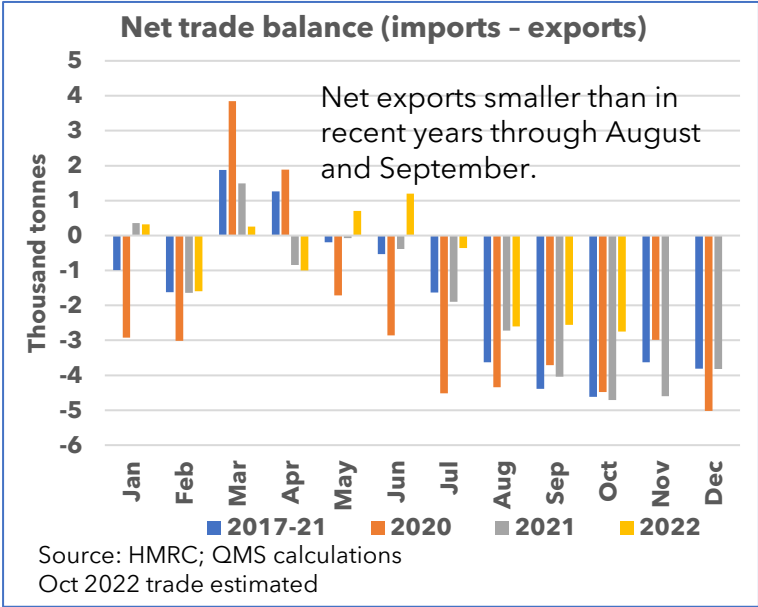
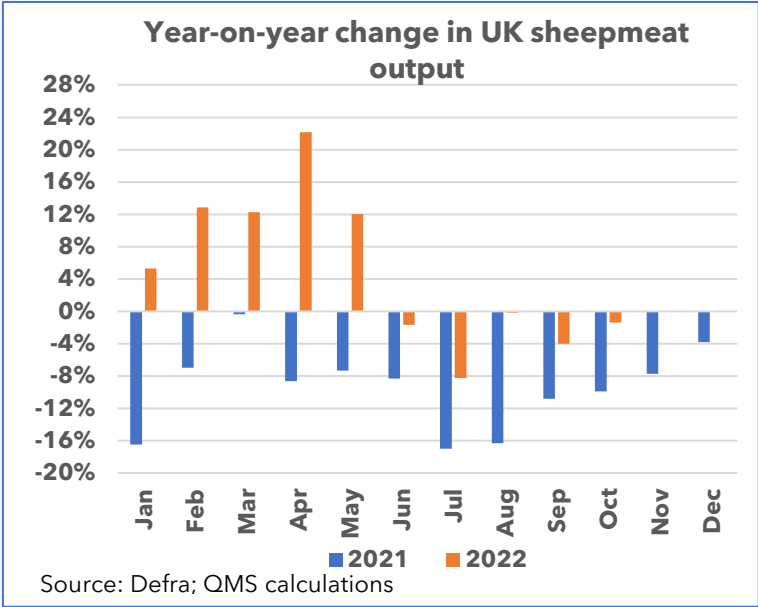
While slaughter looks to have rebounded from the lows of 2021, there are questions over the size of reduction reported by Defra last year.

Prices are showing a seasonal rebound and, while continuing to trail the highs of 2021, remain historically firm.

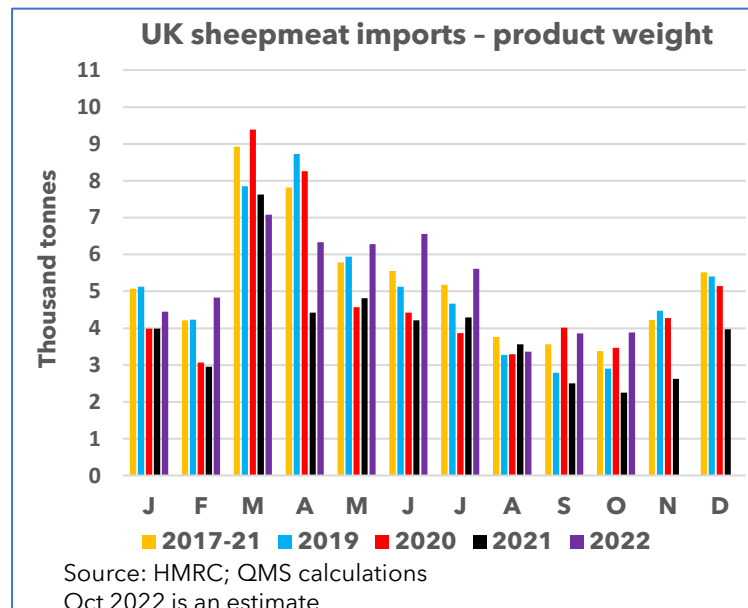
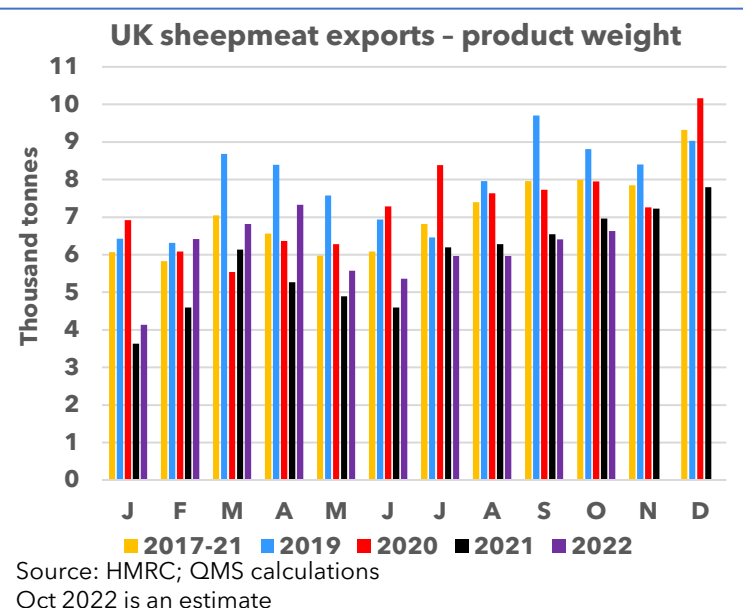
Mutton demand appears to have rebalanced from exports to the home market since late 2020. However, this could reflect improved data collection since single market exit, with export figures now based on customs declarations rather than business surveys. Nevertheless, there has been growth in shipments in 2022.



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



# A focus on UK international trade in sheepmeat



Export volumes have fallen back behind 2021 levels after rebounding in the first half; though this has largely reflected tight supply.

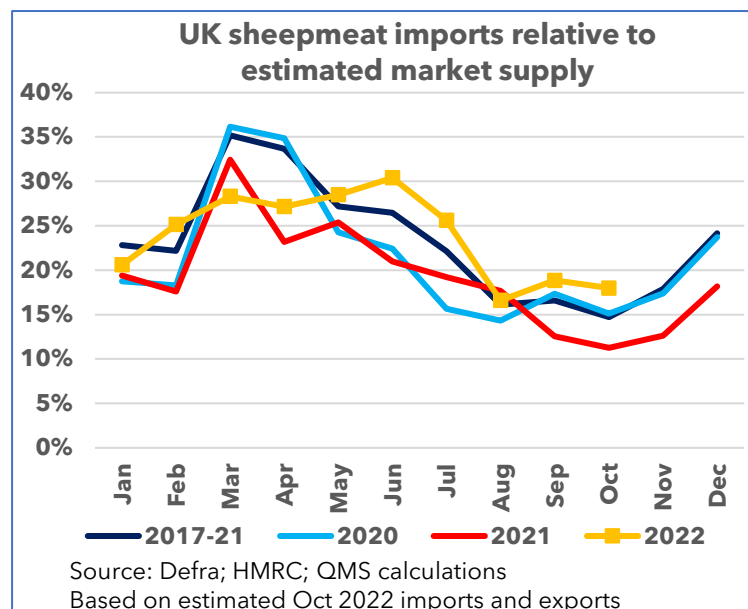
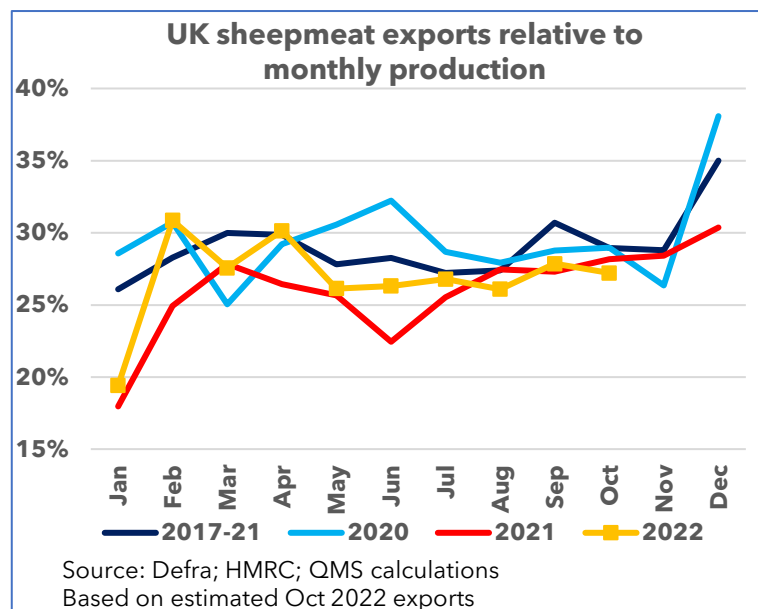
Export value remains strong with pricing in the main export market of France continuing to look attractive, rising seasonally ahead of the festive period.

Imports rebounded in September after a weaker August, with the general uplift in imports in 2022 driven by a diversion of Australia and New Zealand's exports towards Europe from China, where covid-19 control measures have resulted in a contraction of foodservice sector demand and heightened market risk to exporters.

Note:

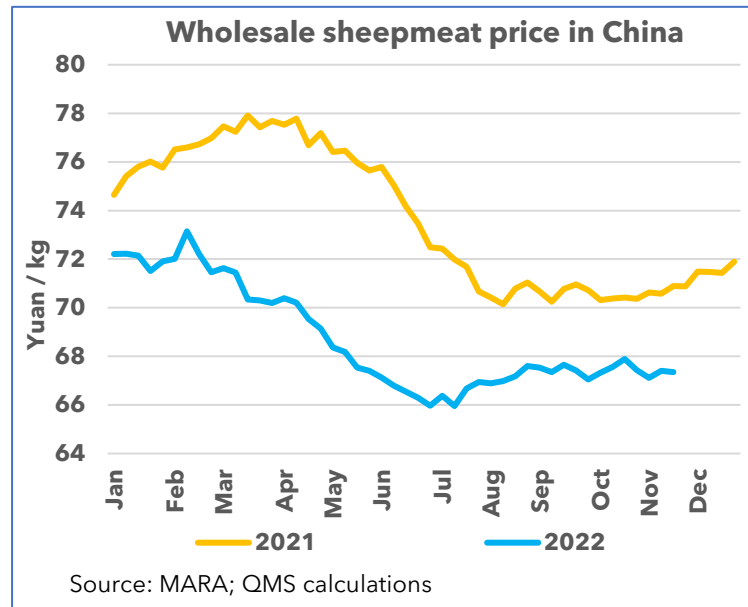
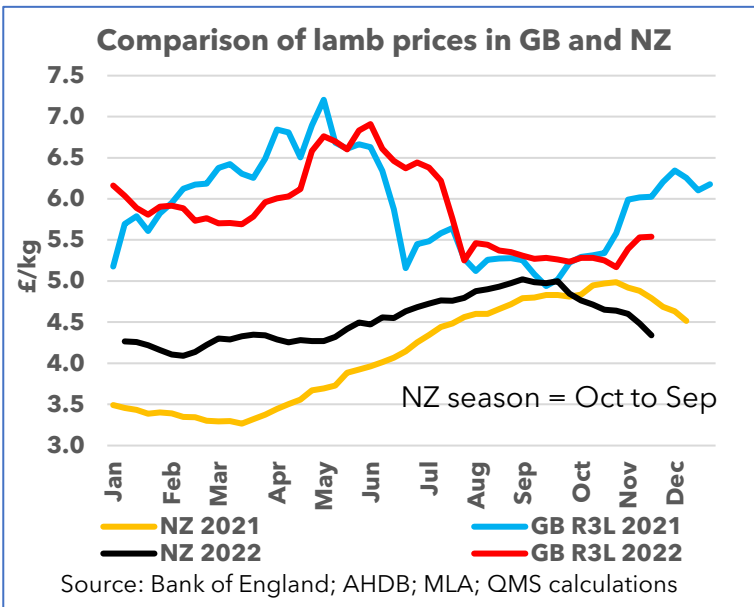
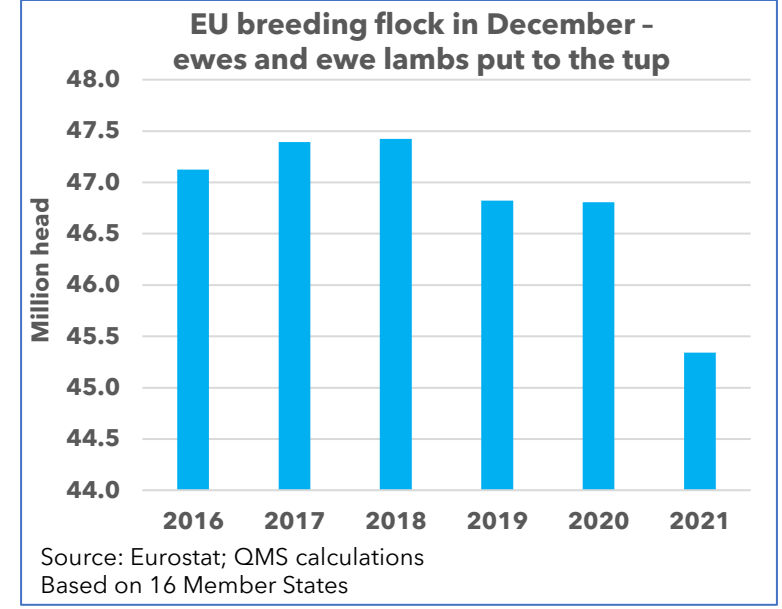
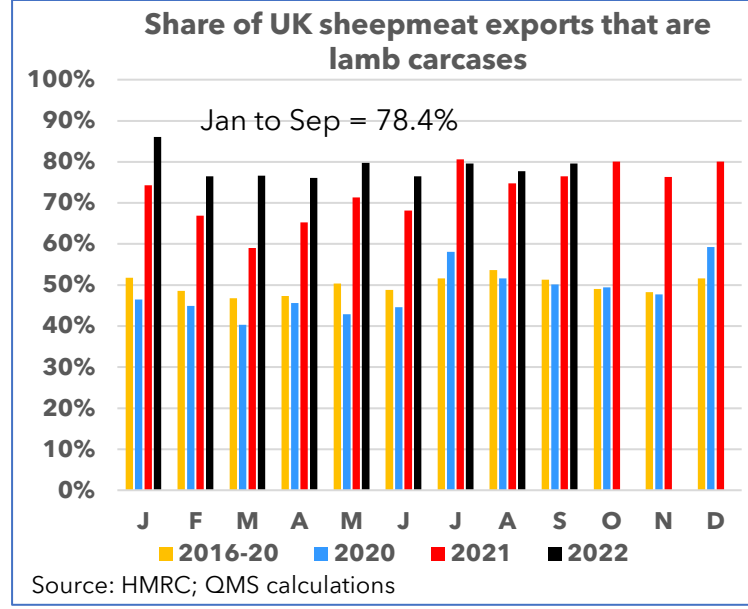
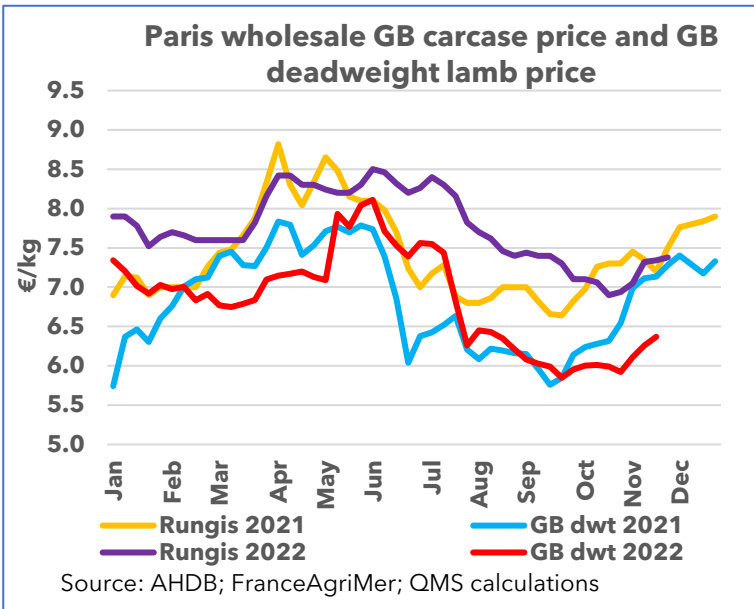
HMRC trade data covers HS codes 0204 (fresh or chilled & frozen sheep and goatmeat)

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





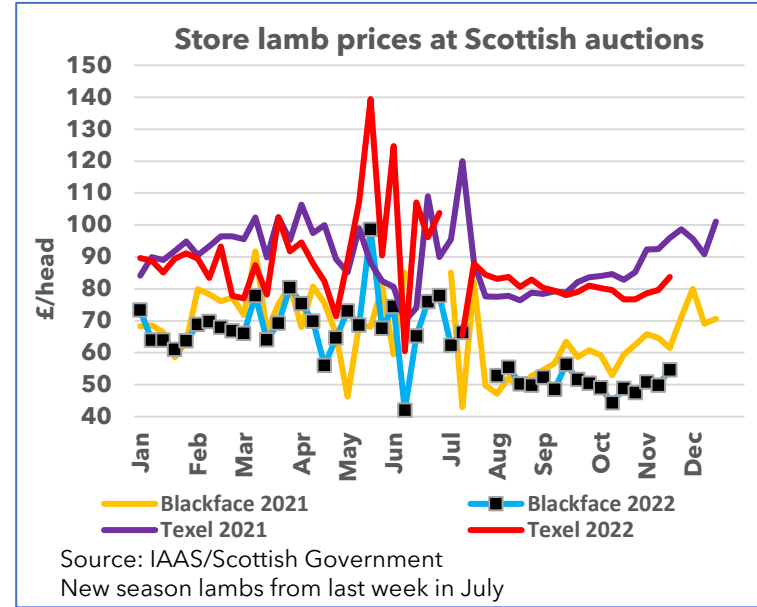
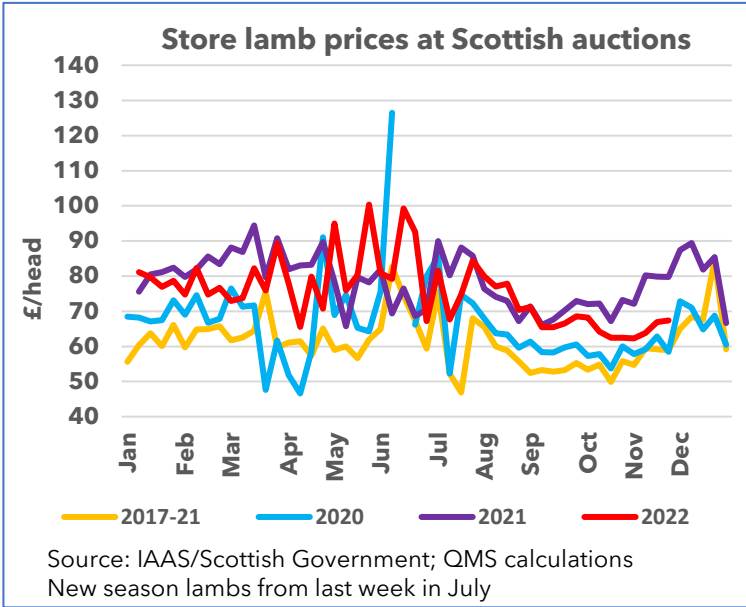
# Variables influencing UK sheepmeat trade - could the softening of covid-19 control measures in China begin to slow the diversion of product to Europe?



Oceania lamb production forecasts			
	2022	2023	y/y change
Australia (thousand tonnes)			
Lamb production	549	557	+1.5%
Lamb exports (product weight)	308	310	+0.6%
New Zealand (thousand tonnes) (October 2022 - September 2023 season)			
Lamb production	338.4	335.6	-0.8%
Lamb exports	282	280	-0.8%

Source: MLA; Beef + Lamb NZ; QMS calculations

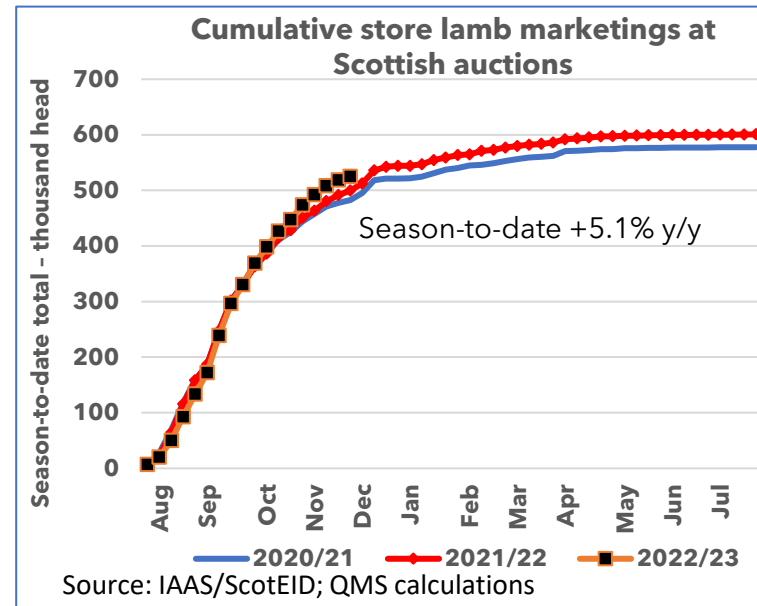
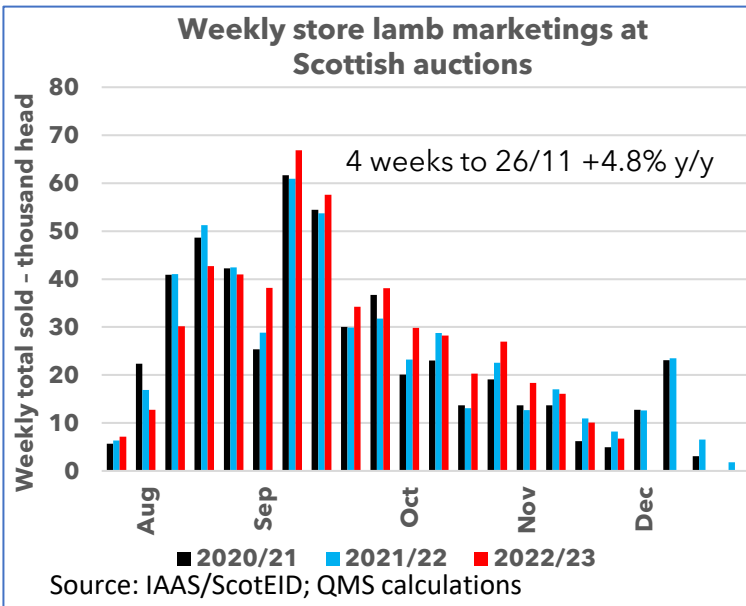
# Store sheep trade



While store lamb auction volumes have begun to fall back behind 2021, prices remain significantly lower than last year, reflecting a 5% uplift in marketings in the season-to-date plus reduced finished lamb prices.

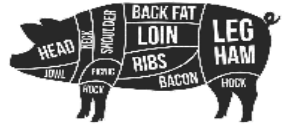
Nevertheless, values continue to look firm in an historical context.

4 weeks to 26/11:



Overall average - £64.30 (-17.5% y/y)  
 Blackface - £51  
 Cheviots - £59  
 Suffolks - £74  
 Texels - £79

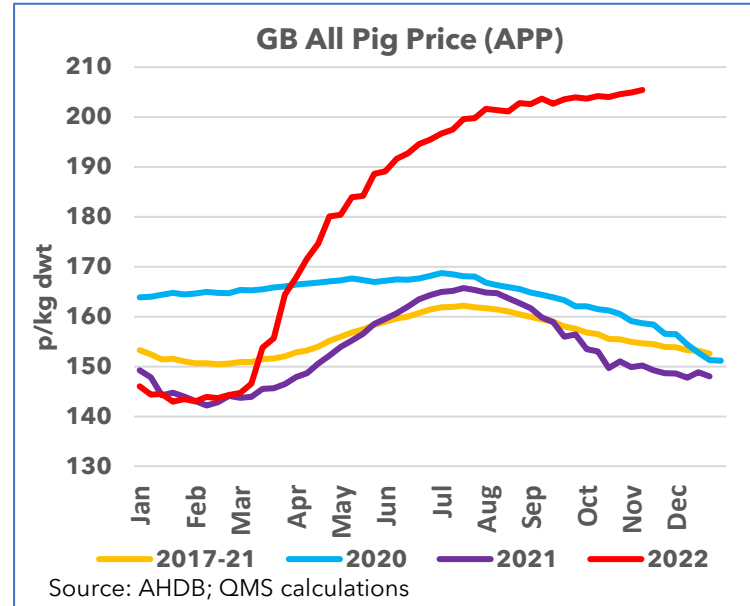
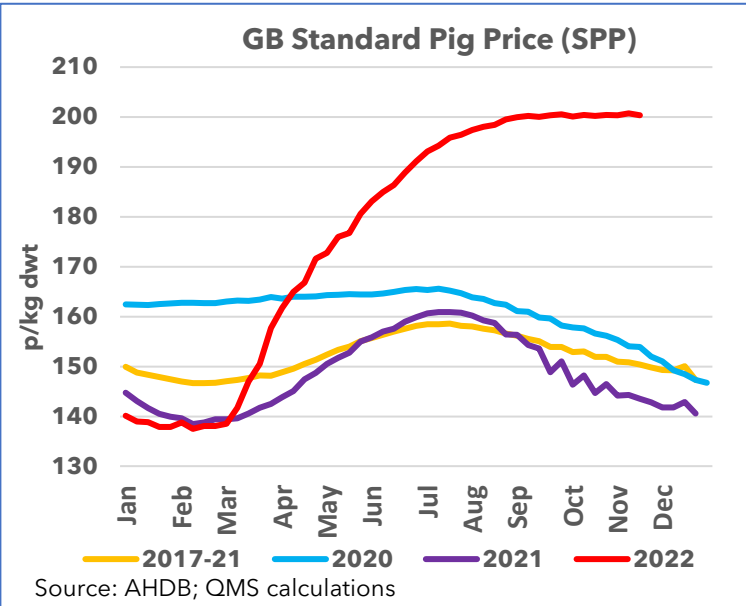
# Summary of market developments – pig market



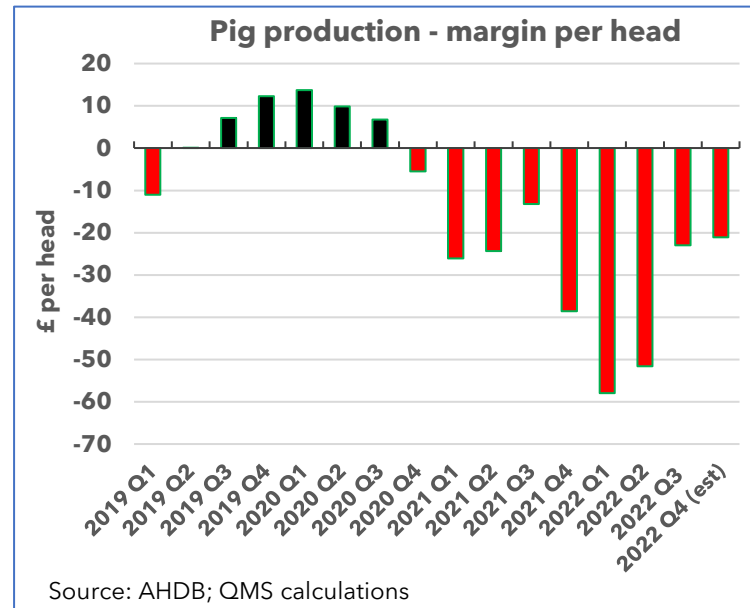
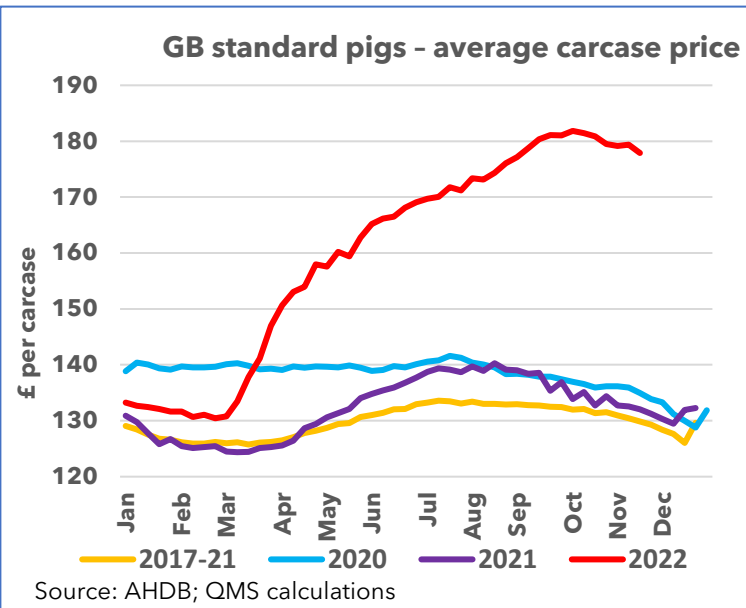
Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
GB Standard Pig Price (SPP)	p/kg dwt, w/e 26 November	200.36p/kg	-0.36p	+0.1%	+39.6%	+33.2%
Average carcase weight of standard pigs	Average in four weeks to 26 Nov, EU spec	89.28		-1.4%	-2.9%	+2.4%
Prime pig slaughter at GB abattoirs	Total during October 2022, thousand head	760.1		-0.9% (change in daily avg kill Oct v Sep)	-0.3%	-4.2%
UK pig market supply	Tonnes in Jul-Sep 2022	319,000			-4.3%	-1.2%

- Pig prices continued to steady at around the £2/kg dwt mark in November; a level still well below the cost of production.
- While June census data for England suggested that availability for slaughter could tighten sharply at GB level this autumn, GB slaughter data has yet to show that any significant decline is underway, although reduced carcase weights are supporting a fall in pigmeat output.
- There appears to be a link between EU pig prices and UK pork import prices and this suggests that imports are likely to have been more expensive than in autumn 2021, while the EU market is firming again as we move into December.
- Although pork prices in China have fallen back from the peak reached in October, a tight market should present some stronger opportunities for UK and EU exports.
- However, unless or until China's pork imports rebound significantly, UK and EU markets are likely to have surplus pork for sale.

# Farmgate prices - prime pigs



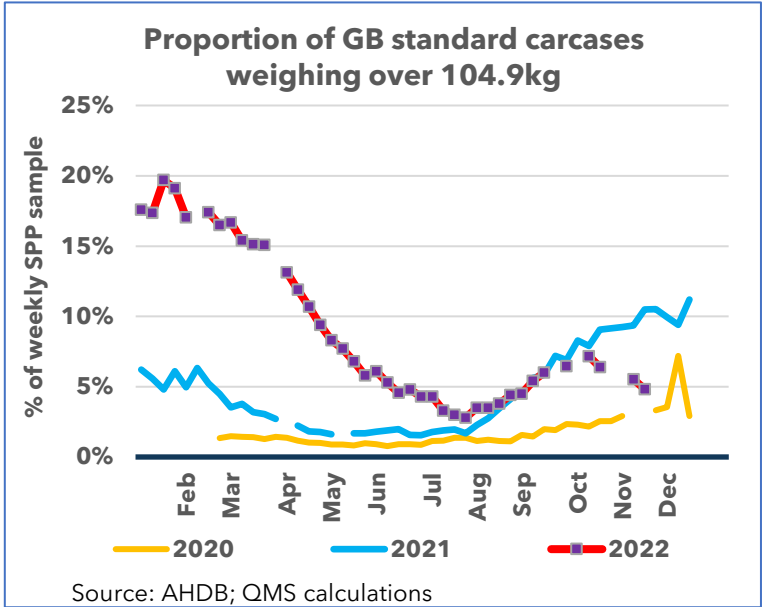
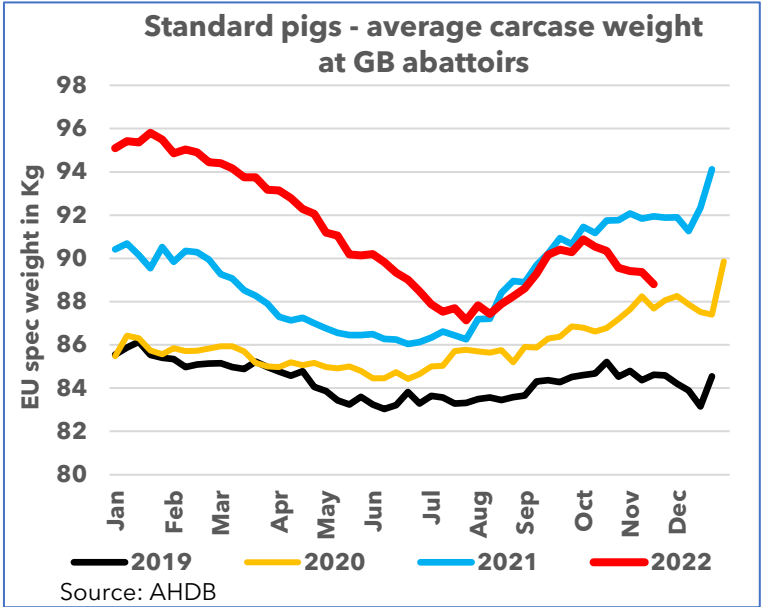
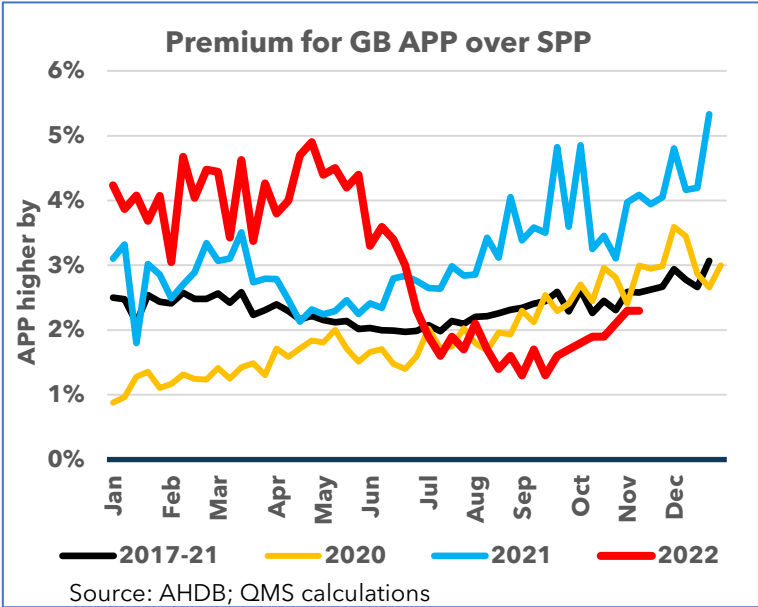
Per kilo pig prices remained stable in November, resulting in increased leads on 2021 and the five-year average given the traditional downwards seasonal trend. However, falling carcass weights have reduced prices on a per head basis.



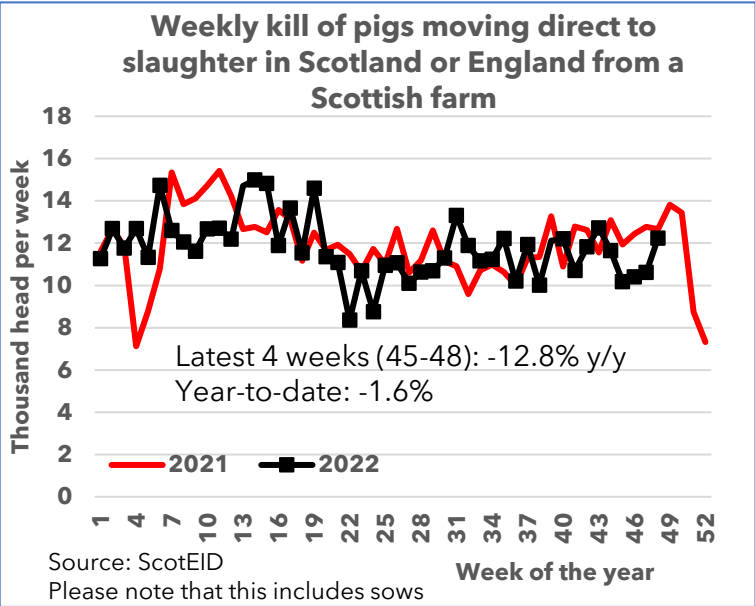
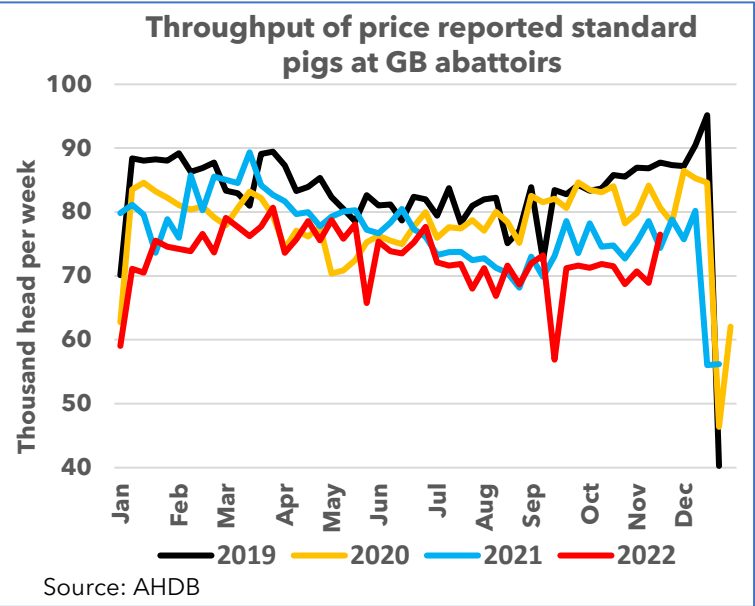
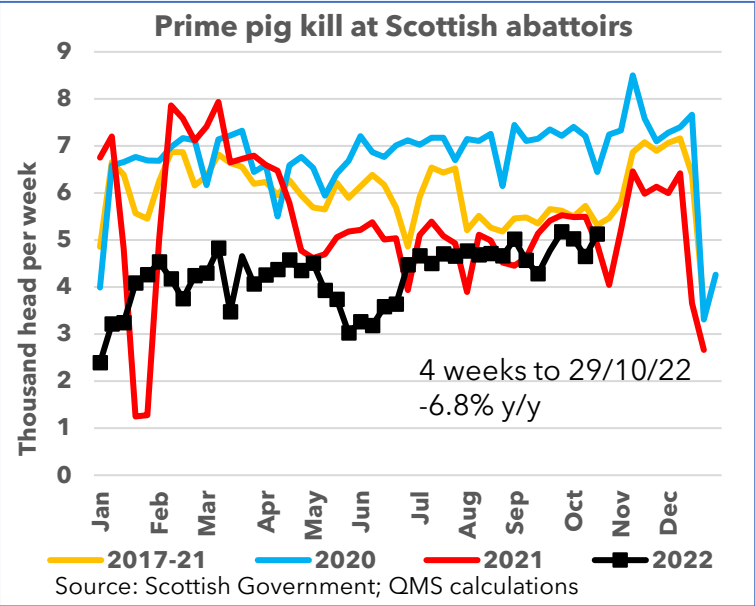
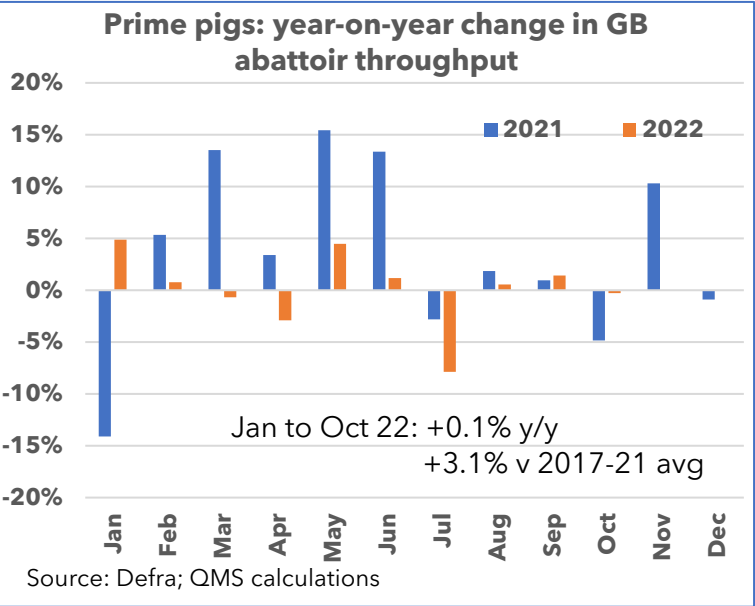
Despite record farmgate prices, production costs are still estimated to have held well above £2/kg, resulting in sustained losses for producers.



Indicators of market disruption - The premium for the overall average pig price (APP) over standard pigs (SPP) has remained well below the elevated levels of the past two winters meaning that pigs with specific production characteristics are no longer receiving exceptional premia in the marketplace. Meanwhile, a fall in carcase weights since October suggests that processors are able to handle the volume of pigs coming forward, in contrast to the past two winters.



# Availability and slaughter



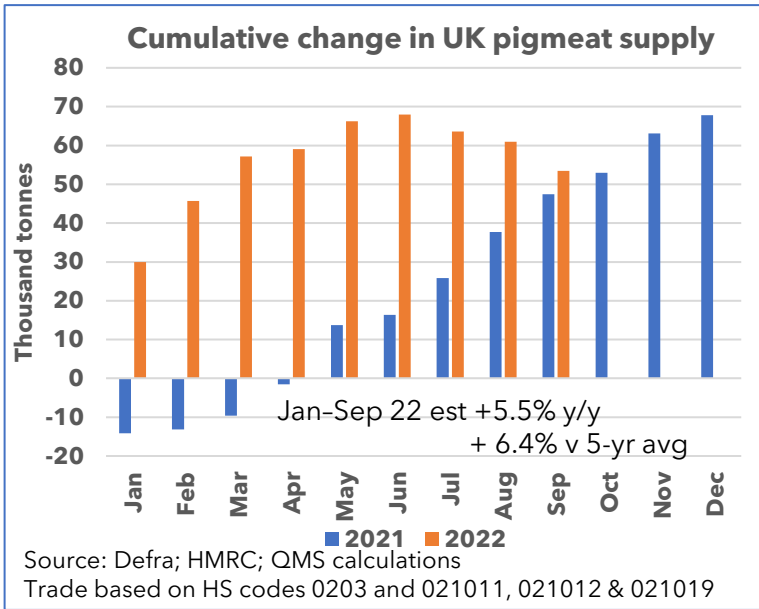
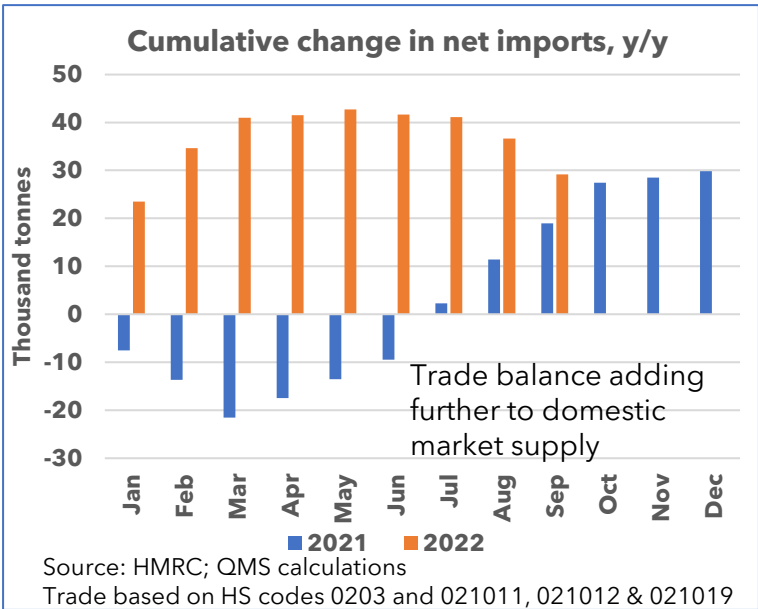
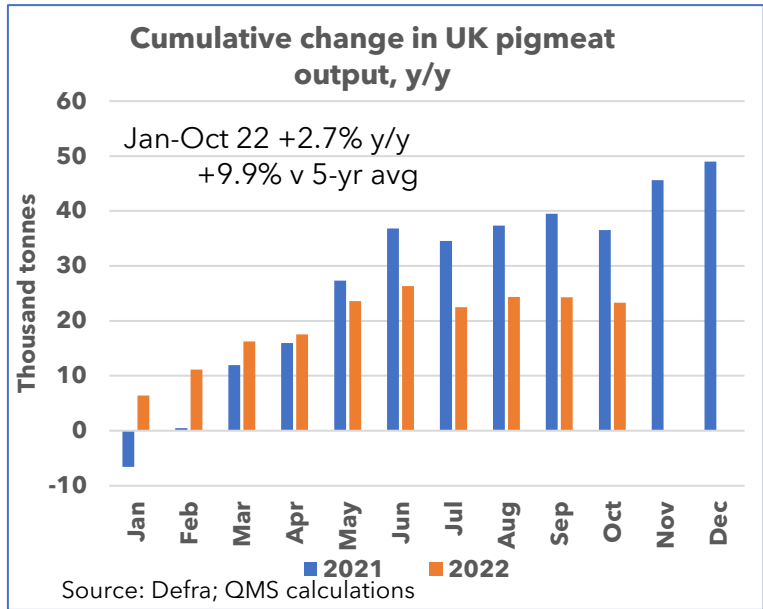
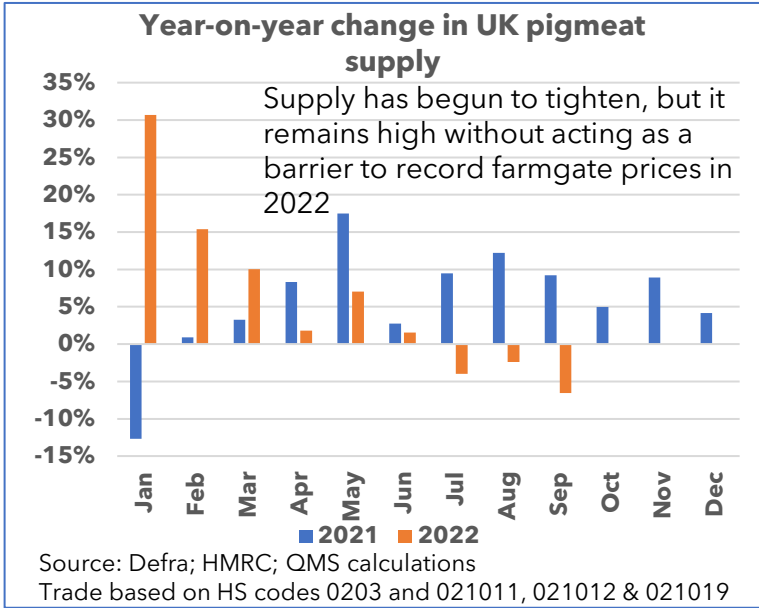
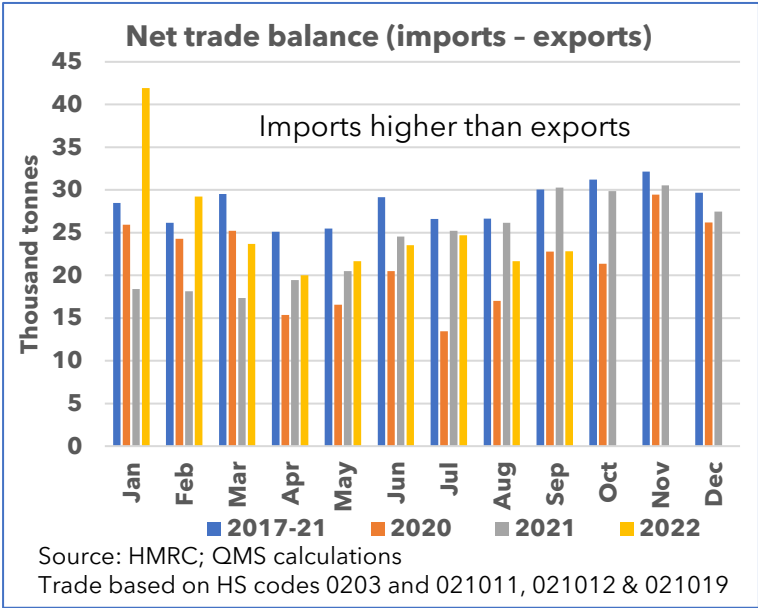
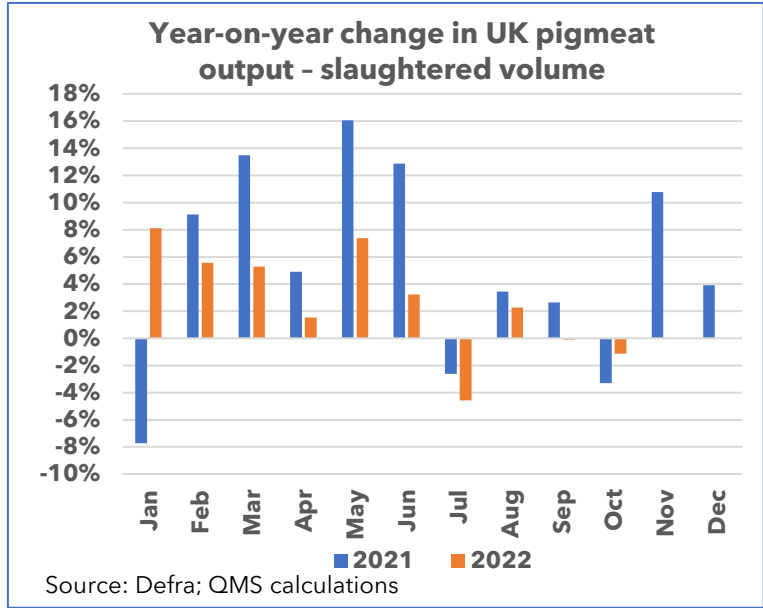
A breeding herd contraction is expected to reduce availability across GB but slaughter numbers continued to exceed expectations through October.

Slaughter at Scottish abattoirs continued to trend marginally higher but remained well below previous levels.

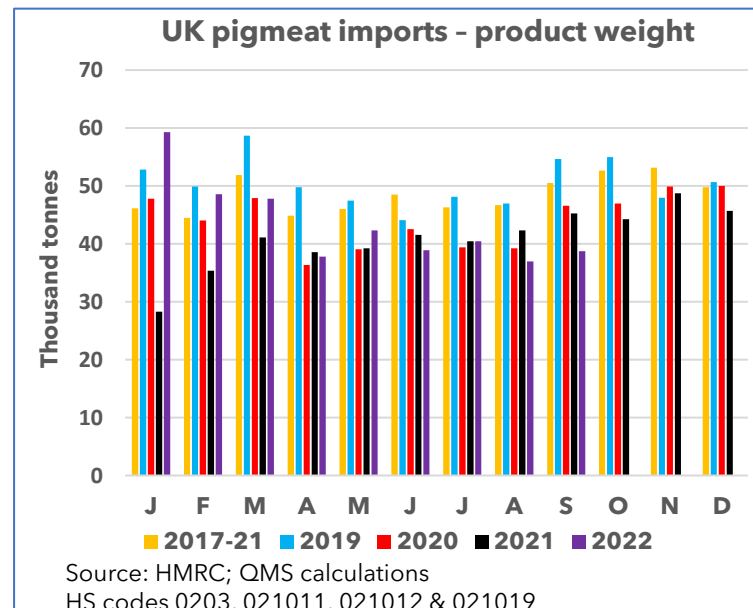
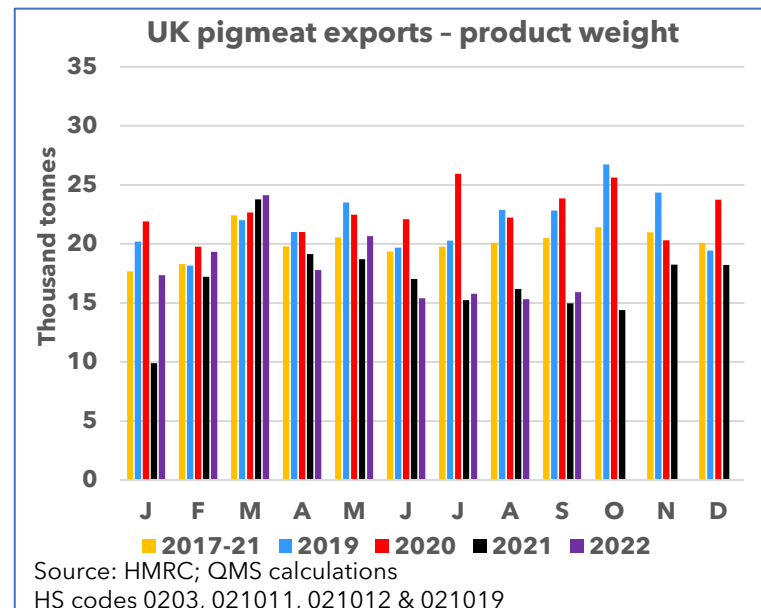
The number of pigs sent directly to slaughter from Scottish farms has shown signs of contracting, in line with the theory that the breeding herd has declined, driven by a prolonged period of steep losses. After a 3% reduction in October, numbers were down by more than 12% on last year in November, working out at a 7.5% reduction over the nine weeks.

June Census - England (Note: Scottish results not available)	
Female breeding herd	-16.7% y/y
Fattening pigs	-1.4% y/y
Source: Defra; QMS calculations	

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



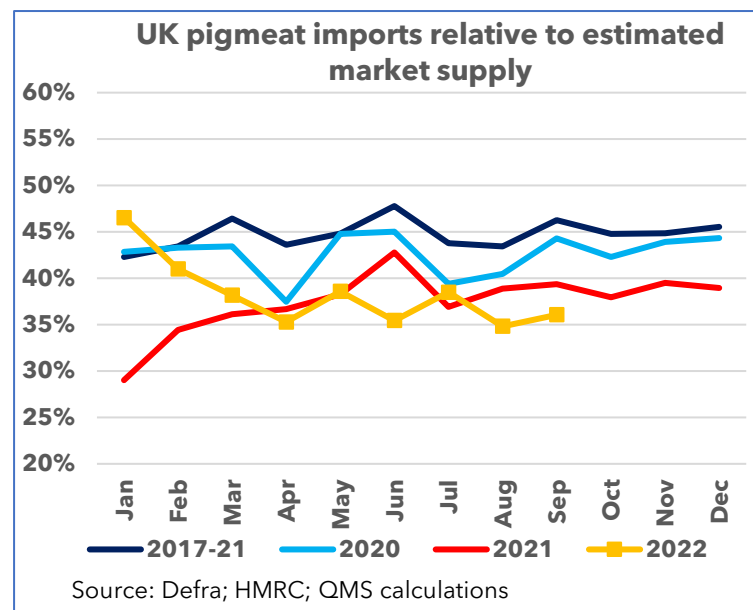
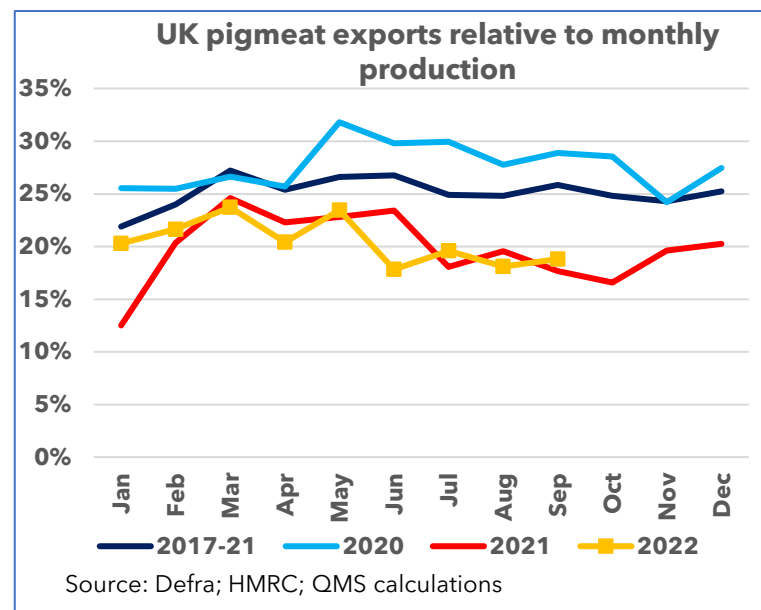
# A focus on UK international trade in pigmeat



Rising domestic production and weak export demand have led to reduced import requirements relative to overall market supply but volumes still accounted for 35-40% of the market in Q3 2022.

Exports to the EU slumped to an eight-month low in September and were only 3% above year-earlier levels as the EU market was less tight than signalled by its fall in production. This reflects a fall in EU exports to non-EU countries with growth markets such as the Philippines and Korea unable to offset reduced trade with China.

UK exports to China and Hong Kong rebounded to a four-month high in September but were still down 12% on 2021 and at a four-year low for the month. Shipments to China fell by 36% year-on-year in the first nine months.



Note:

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



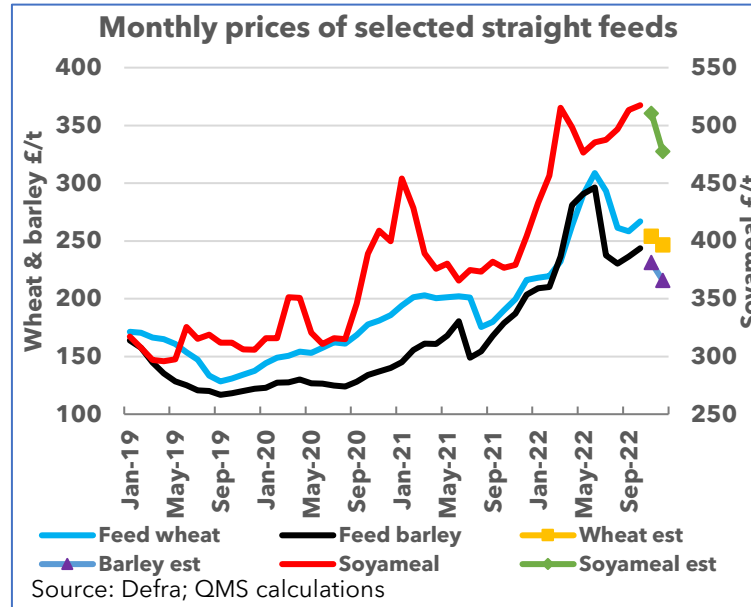
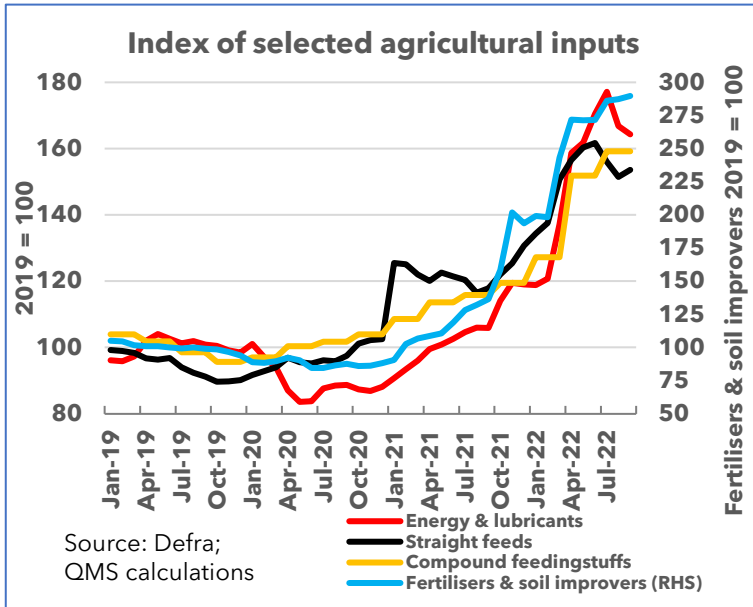


# Summary of economic developments



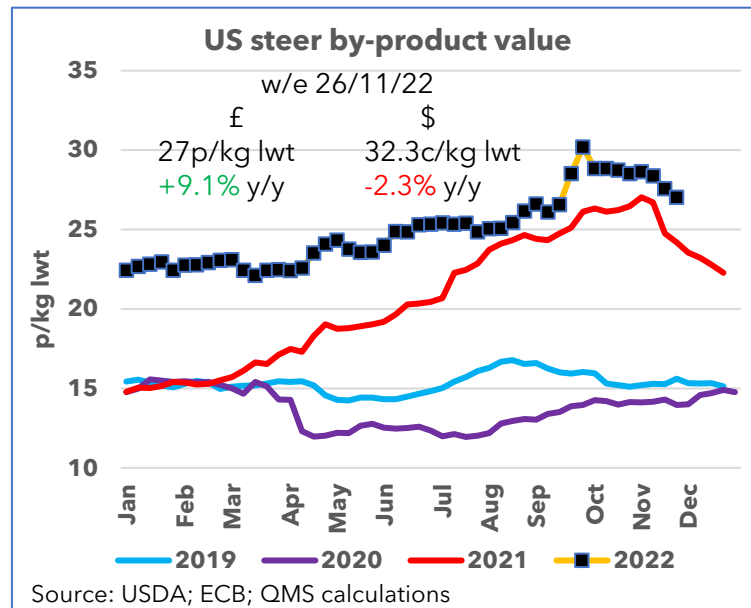
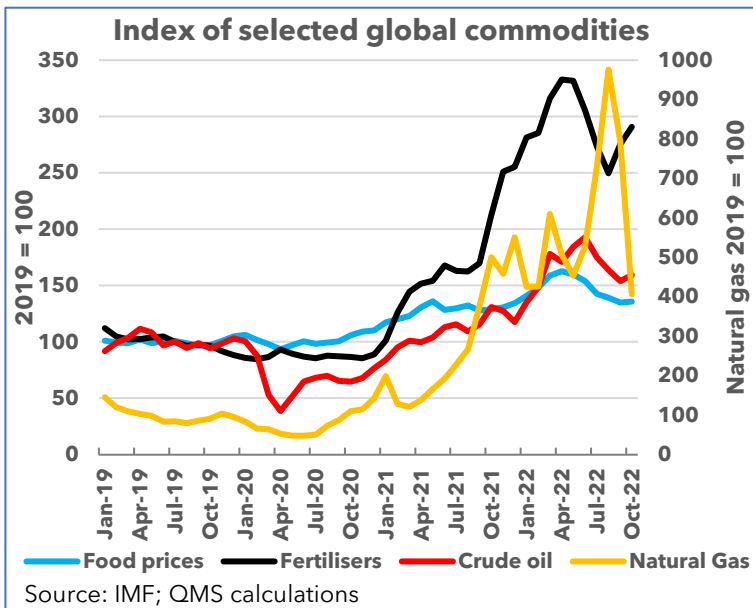
- While fears over the Chinese economy and a dip in the US dollar from its recent peak have resulted in some downwards pressure on commodity prices, farmers and processors are having to cope with unusually high levels of input costs and past rises in raw material prices will still be filtering through to end prices.
- Consumer confidence remains very weak due to concerns about rising energy, food and mortgage costs but the cap on unit energy costs has supported a slight rebound in confidence through October and November.
- Strong average earnings growth has continued to support increased retail sales in cash terms, but much higher prices are leading to reductions in purchased volumes.
- The meat retail market is experiencing significant volatility, driven by consumers trading down towards cheaper products.
- UK businesses have started to report a fall in demand but have still been taking on staff to fill gaps in their workforce and the labour market continues to look resilient.

# Production costs and by-product revenues



Commodity prices have fallen sharply from their highs, supported in recent weeks by a fall in the US dollar, but also fears over the Chinese economy and a mild autumn in Europe which has boosted gas storage. Nevertheless, businesses are still having to deal with higher cost bases than they have been used to. Contract pricing of inputs means that businesses will face cost increases at a different pace.

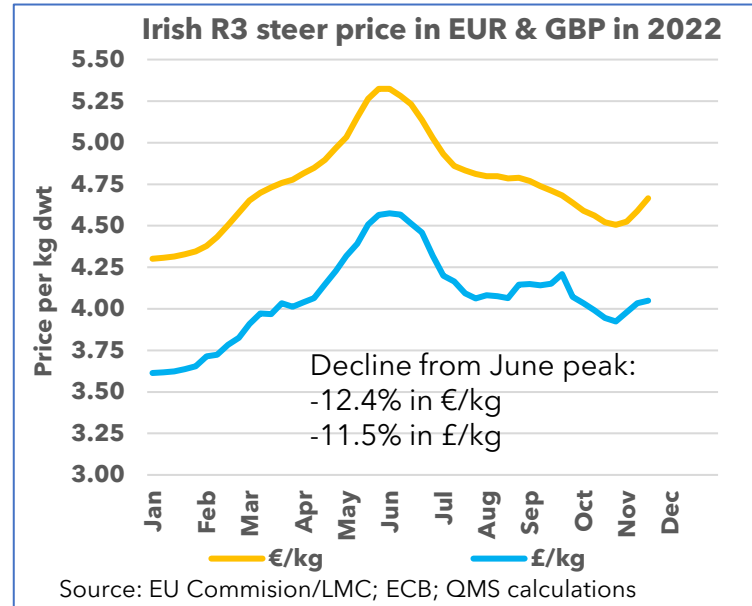
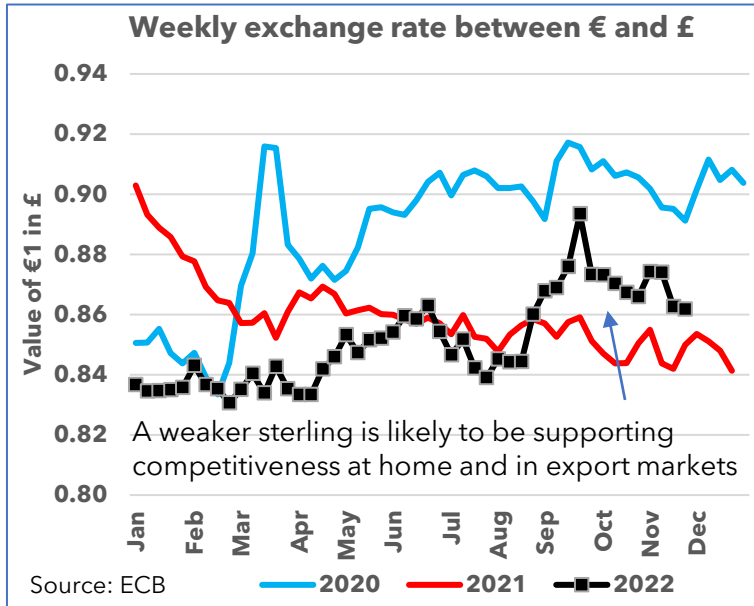
As well as currency and China, spot feed prices have fallen due to the extension of the Black Sea grain export deal. Year-on-year increases have slowed towards 10% for grain and 20% for soyameal.



Prime cattle carcase weights have consistently trailed year earlier levels since August at Scottish abattoirs, with feed costs likely at play along with grazing conditions.

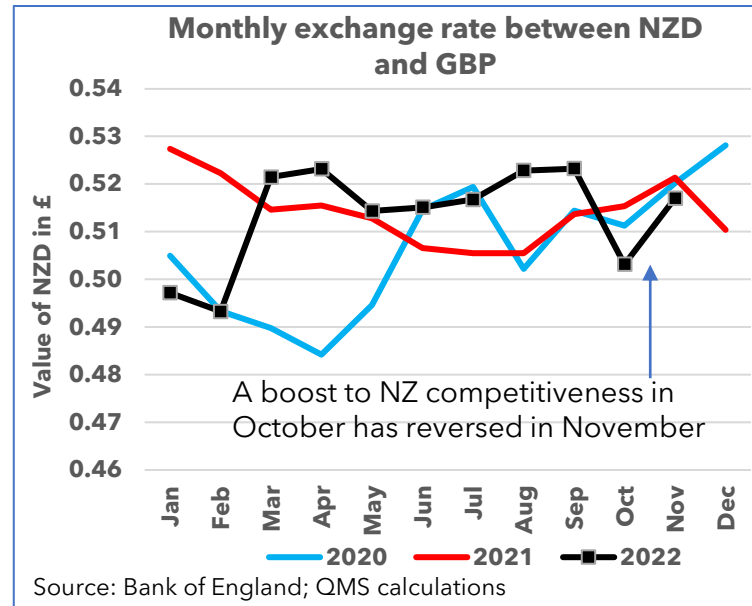
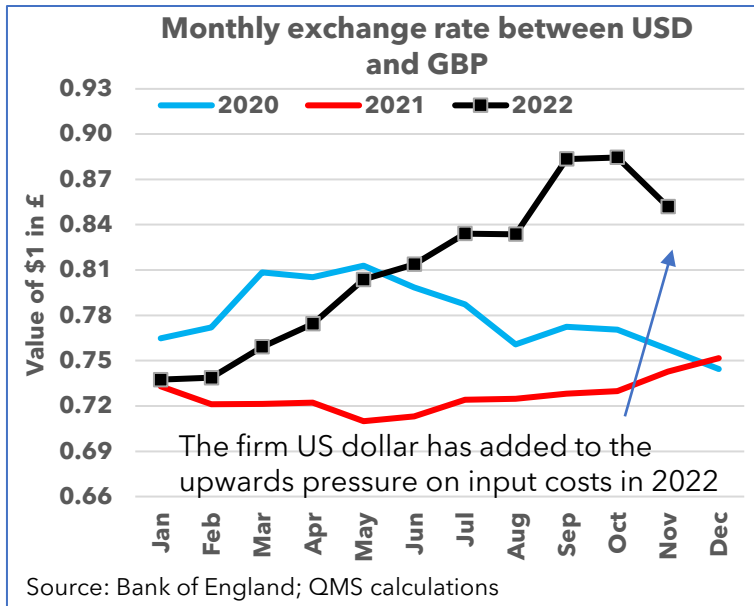
By-product value has been supported by firm commodity markets and a firm US dollar and while hide value has remained well below its autumn 2021 peak, it has now begun to steady year-on-year (-5% in USD; +3% in GBP).

# Exchange Rate Movements – sterling has shown a slight rebound after changes to fiscal policy while the USD is off its peak with interest rate increases set to slow



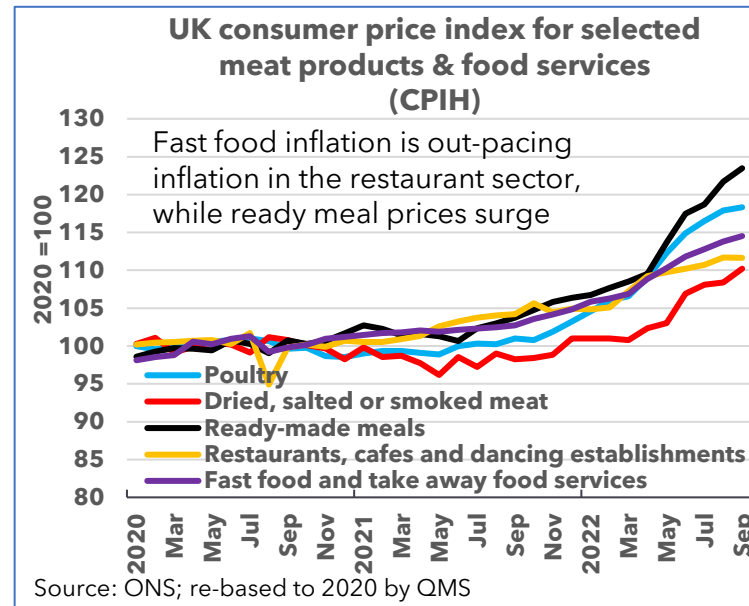
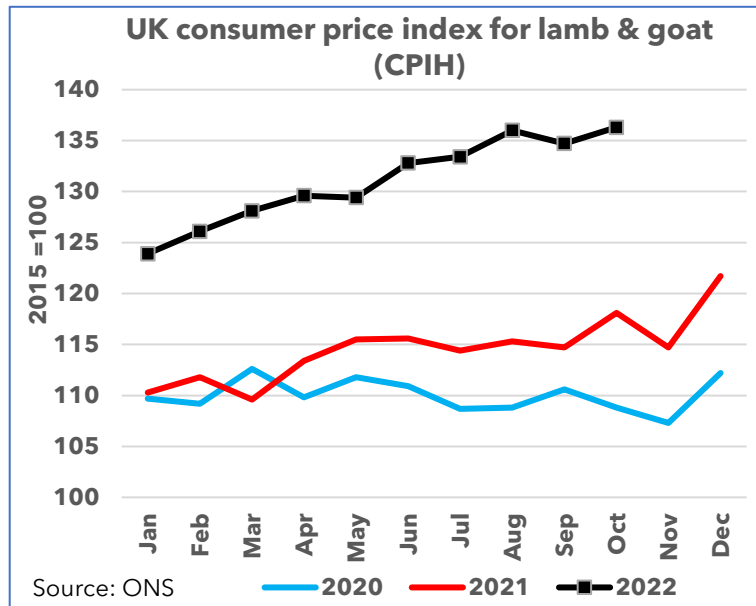
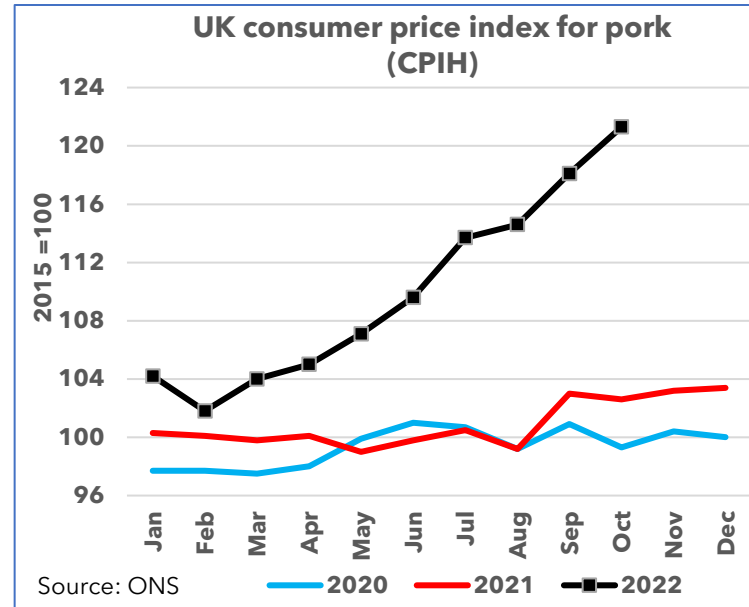
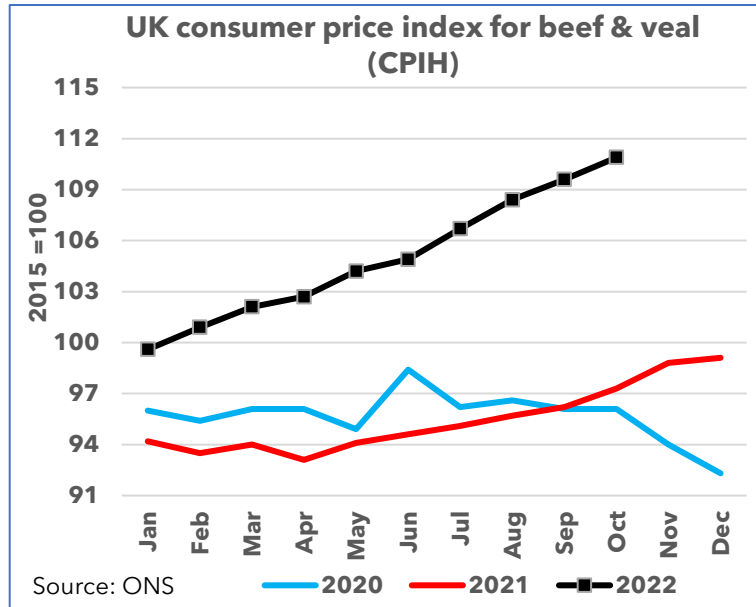
Sterling weakness has slightly softened the seasonal fall in Irish cattle prices.

The US dollar has fallen back over the past month as slowing inflation has resulted in a shift in expectations towards a lower peak in US interest rates. In turn, this has placed some downwards pressure on the price of imported commodities and may take some of the heat out of returns on dollar-denominated exports to third countries.



However, the USD remains much stronger than a year ago, meaning an unchanged export price of \$5,000/t would have returned £3,715 in November 2021 but £4,260 in November 2022 (+15%).

## Retail demand and prices – meat prices continue to trend higher



Retail demand remains firm overall but sharply higher prices at a time of falling real incomes means that higher spending on meat is translating into a reduction in the volume being bought by GB households.

For beef, there has been a shift in spend towards cheaper cuts, such as mince, but this is less evident in pork. Lamb is, on average, an expensive protein and this is likely to be the driving a switch away from it.

### Y/Y Change in GB retail sales reported by Kantar in 12 weeks to 30/10/22

	Value	Volume	Avg price per kilo
Fresh beef	+2.1%	-6.7%	+9.4%
Fresh lamb	-14.9%	-23.2%	+10.8%
Fresh pork	+8.2%	-0.2%	+8.4%
Fresh poultry	+13.2%	-1.9%	+15.4%
Total market	+4.8%	-4.0%	+9.1%

Source: Kantar

# Economic indicators - the labour market is yet to show a downturn, supporting household spending, but not enough to keep pace with inflation

