

# QMS Monthly Market Update

## October/November 2023

### Purpose:

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

### Prepared By:

Iain Macdonald, Market Intelligence Manager

Abby Tong, Category Specialist

**Contact:** [marketintelligence@qmscotland.co.uk](mailto:marketintelligence@qmscotland.co.uk)

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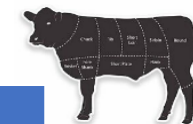
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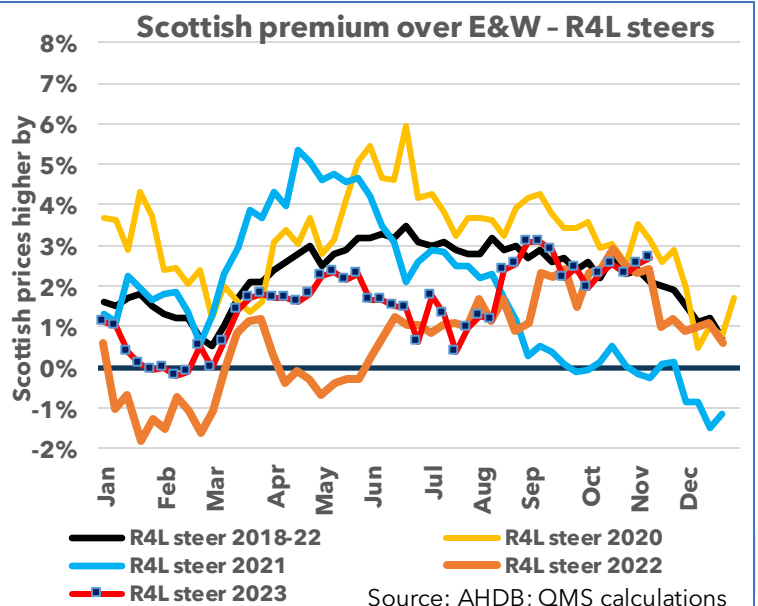
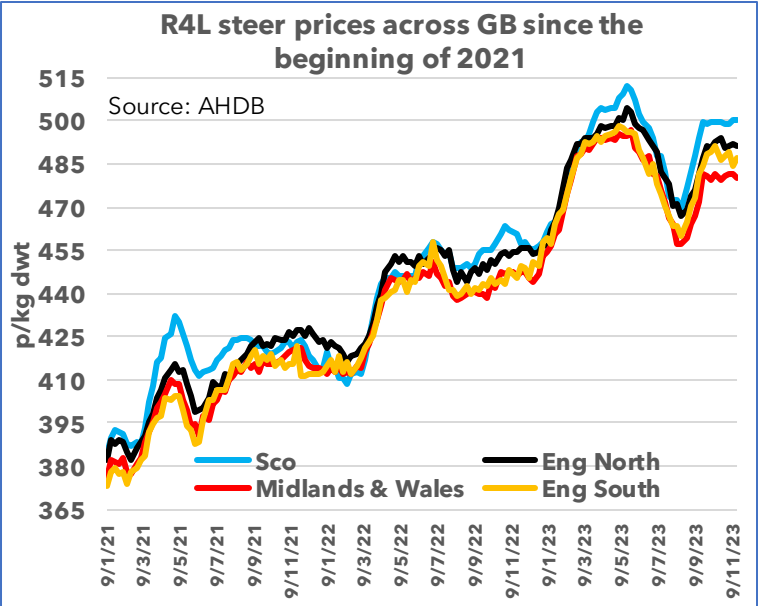
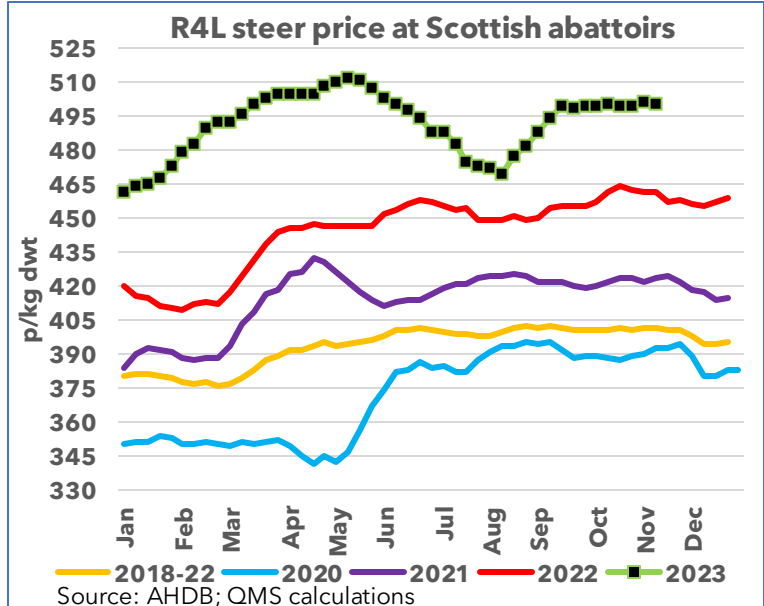
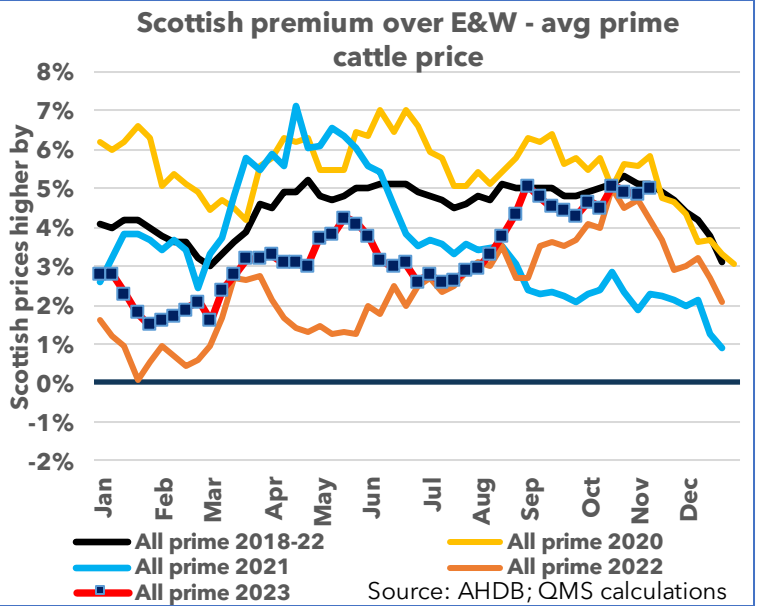
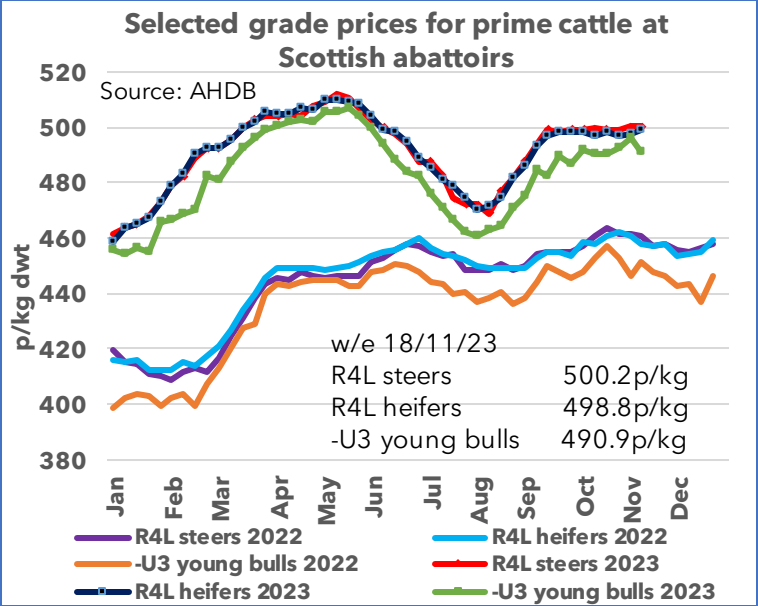
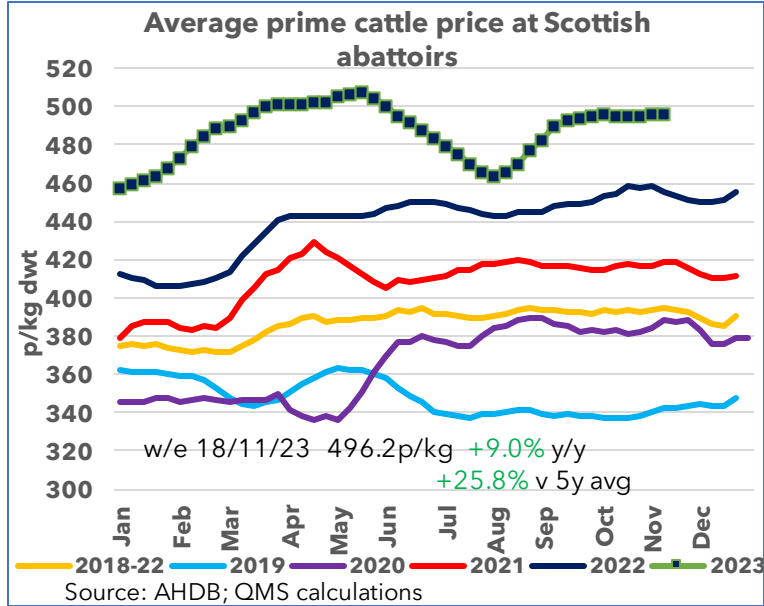
# Summary of market developments – beef market



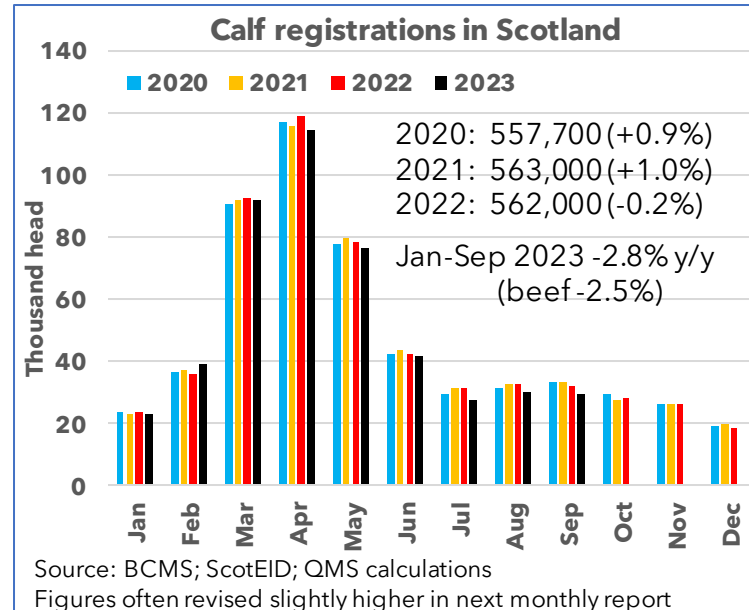
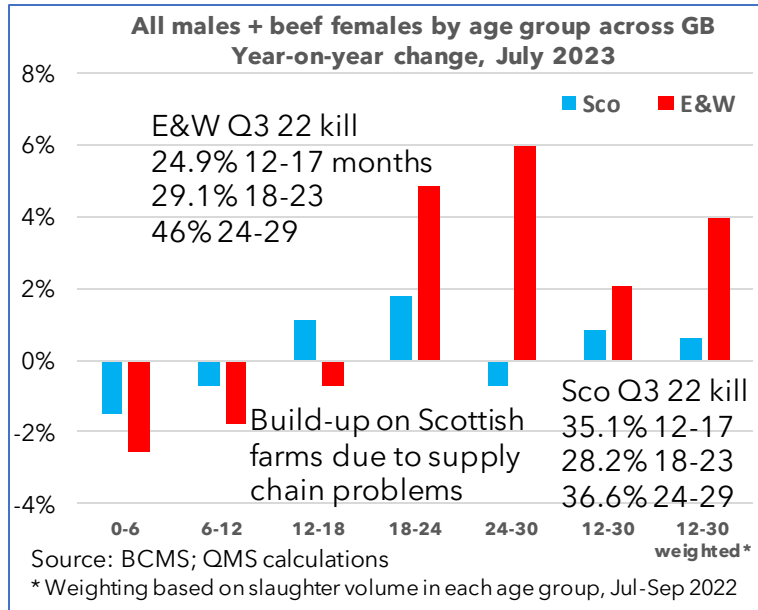
Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
R4L steer price at Scottish abattoirs	p/kg dwt, w/e 18 November	500.2	-0.3p	+0.1%	+8.5%	+24.7%
Prime cattle slaughter at price reporting Scottish abattoirs (88% of kill in 2022)	Average in four weeks to November 18, head procured deadweight	5,786		-4.2%	-7.4%	-12.4%
Cull cow slaughter at price reporting Scottish abattoirs (66% of 2022 kill)	Average in four weeks to November 18, head procured deadweight	1,030		-5.9%	-28.8%	+2.8%
UK beef market supply	Tonnes in Aug-Oct 2023 (estimate)	257,600			-1.5%	-2.8%

- Prime cattle prices have shown a marginal seasonal upturn for the festive procurement period in Scotland, holding 2-2.5% below the peak reached in May. Year-on-year increases remain at around 8-9% and the margin over the five-year average at 25-26%. Cow prices have continued to slide seasonally.
- Prime cattle slaughter has fallen back in Scotland in November against the seasonal trend, suggesting an early seasonal peak in October. While a slight year-on-year increase on farm in Scotland in July reflected a short-term build-up following reduced abattoir capacity in June, the recent tightening leaves the potential for a rebound in slaughter in the final weeks of the year.
- While the kill has also fallen below its late-October and early-November peak in E&W, it has remained well above last year's weekly average levels, pointing to a continuing firm level of availability, fitting with the year-on-year increase in prime cattle on E&W farms in the July BCMS population data (+2.1%).
- UK beef production has fallen slightly in the year-to-date but reduced exports have seen total beef market supply edge above 2022 levels. Retail sales volumes will be rising seasonally as the festive period draws closer, but performance remains mixed, with steak sales being supported by a slowdown in price inflation.
- While BCMS data for July showed a 3.3% year-on-year decline in beef-sired females aged over 30 months on Scottish farms, a slowdown in cow slaughter suggests that the herd may now have begun to stabilise. A reduced 2023 calf crop will begin to pressure beef supply in autumn 2024, with its peak impact likely in early-2025.

Farmgate prices – marginal seasonal upturn in Scotland for the festive procurement period, with prices 2-2.5% below May peak but 8-9% higher year-on-year. Prices in E&W slightly below the highs reached in October.



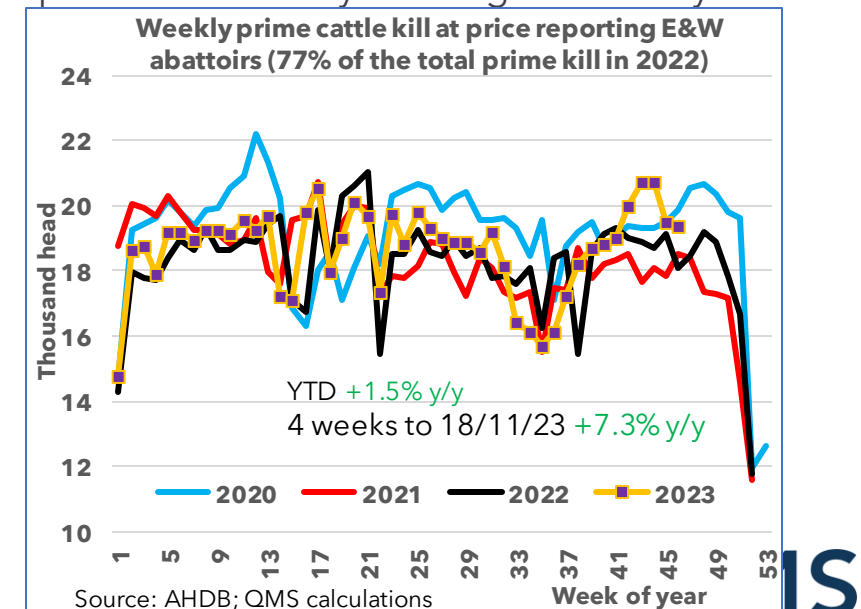
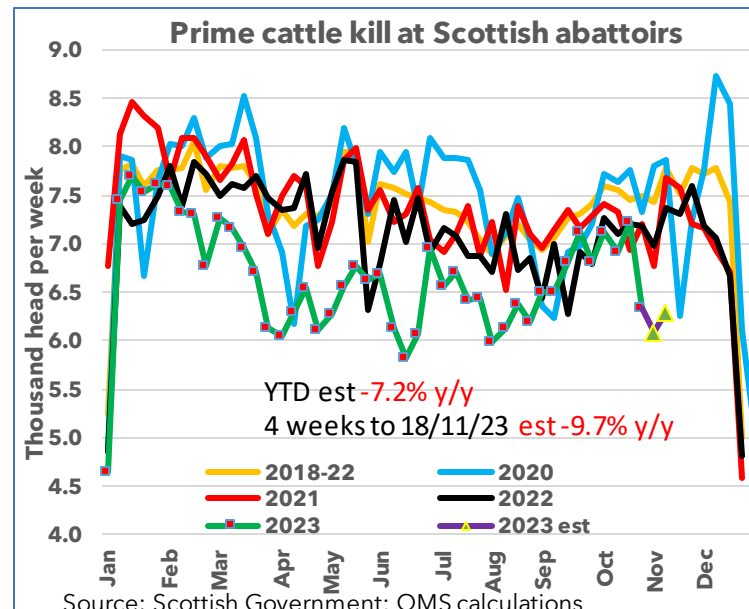
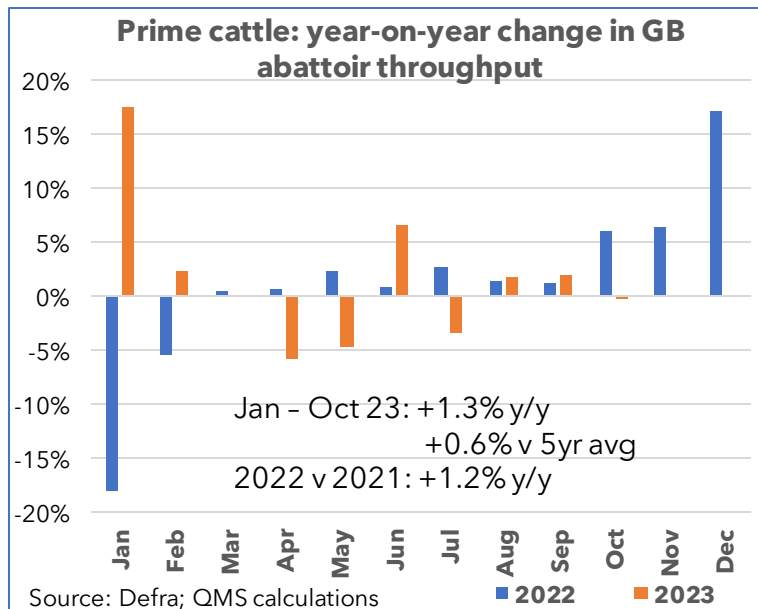
# Availability and slaughter – slaughter has fallen back in November in Scotland at a time of year when supply and demand are normally firm



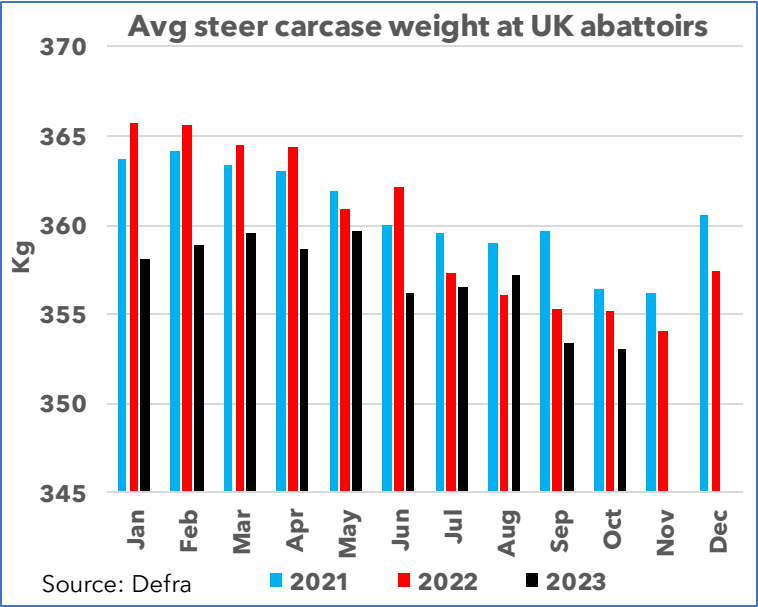
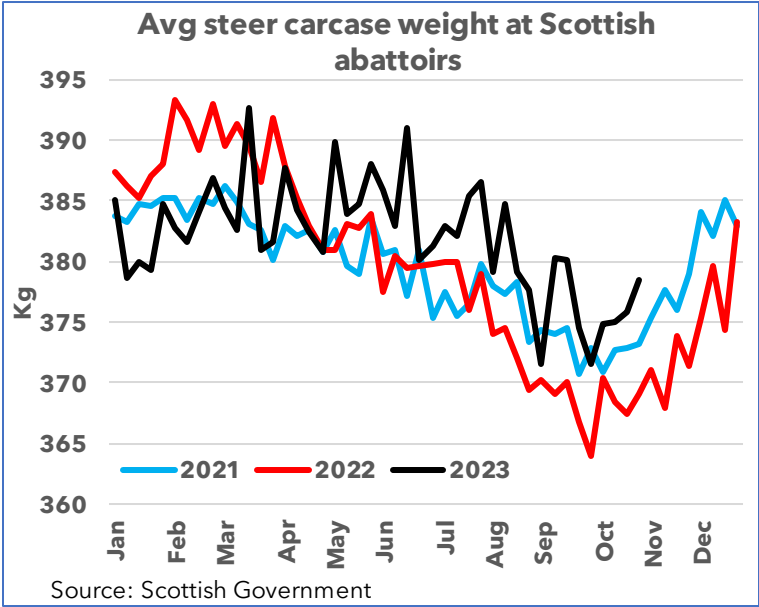
BCMS cattle population data for July showed a changing picture in Scotland, with the number of prime cattle on farms (males + beef-sired females 12-30 months) going from -2.5% year-on-year in April to +0.9% year-on-year in July. However, this reflected a short-term build up following reduced slaughter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

Prime cattle slaughter has fallen back in Scotland in November against the seasonal trend, suggesting an early seasonal peak in October. While the kill has also fallen below its peak in E&W, it has remained well above last year's weekly average levels, pointing to a continuing firm level of availability.

Looking forward, calf registrations have fallen significantly in 2023, with this likely to have its peak impact on availability for slaughter in early 2025.

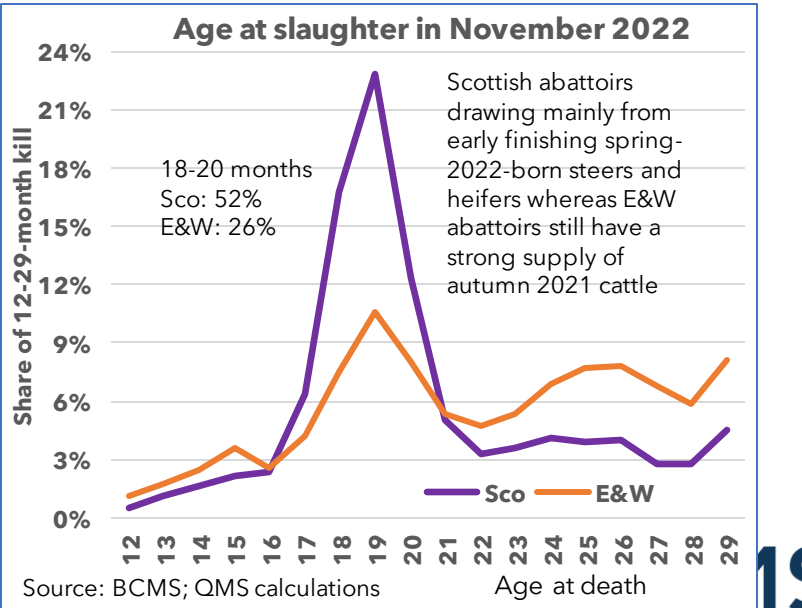
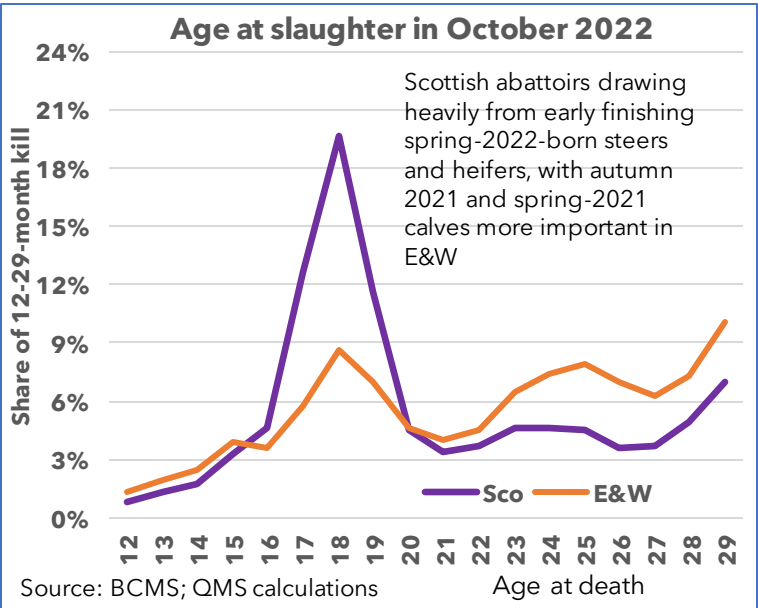
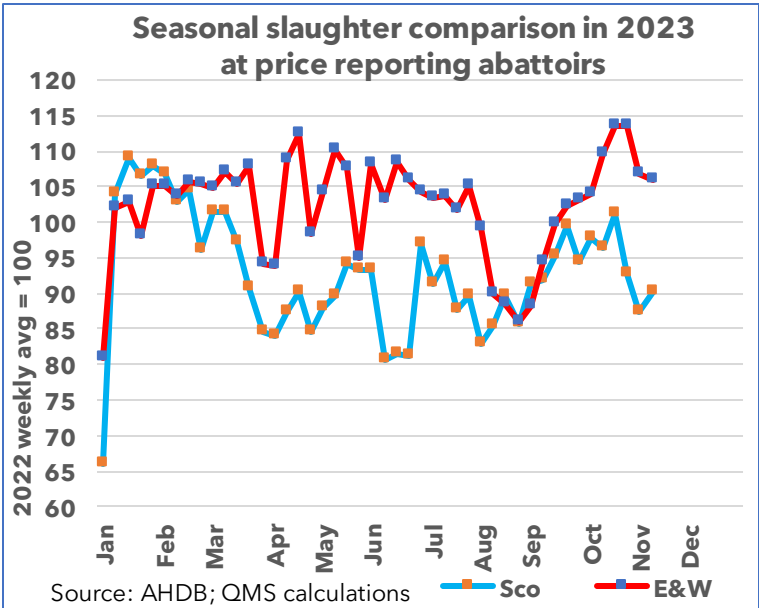


# Seasonality of production – slaughter has dipped against the seasonal trend in Scotland, with availability normally firm as more of the spring calves from the previous year reach slaughter age and festive orders support demand

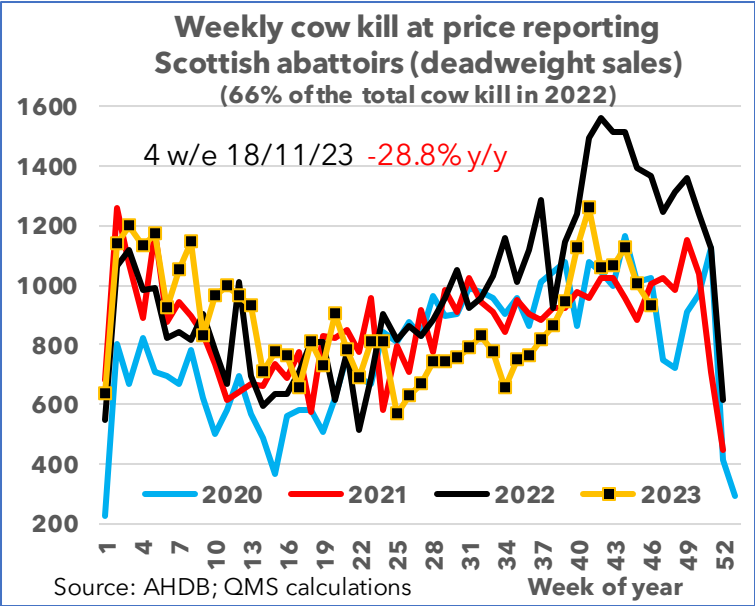
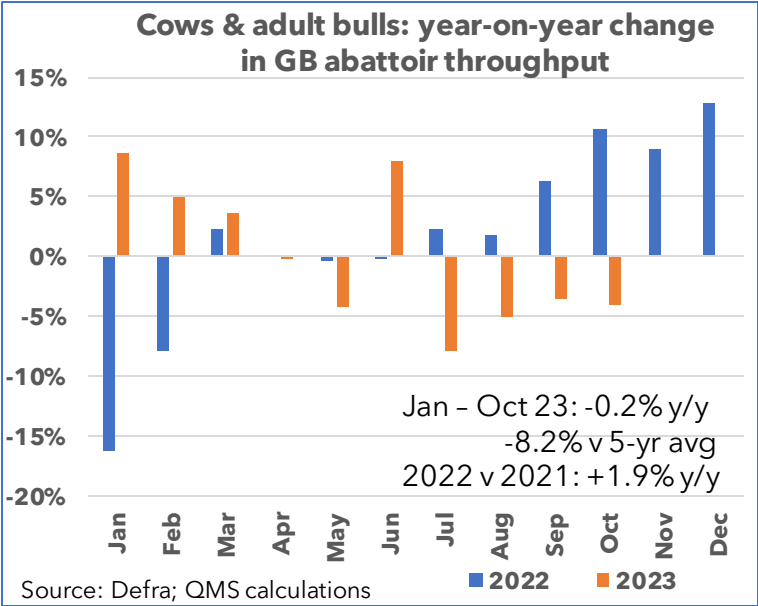


In theory, availability for slaughter should be seasonally firm in Scotland as supplies of the early-finishing calves from spring-2022 increase.

Carcase weights fell on a year earlier in the second half of 2022, likely reflecting dry weather and high feed and fertiliser costs, and this remained the case in the first quarter of 2023. However, this position has reversed in Scotland since April, supporting production volumes.



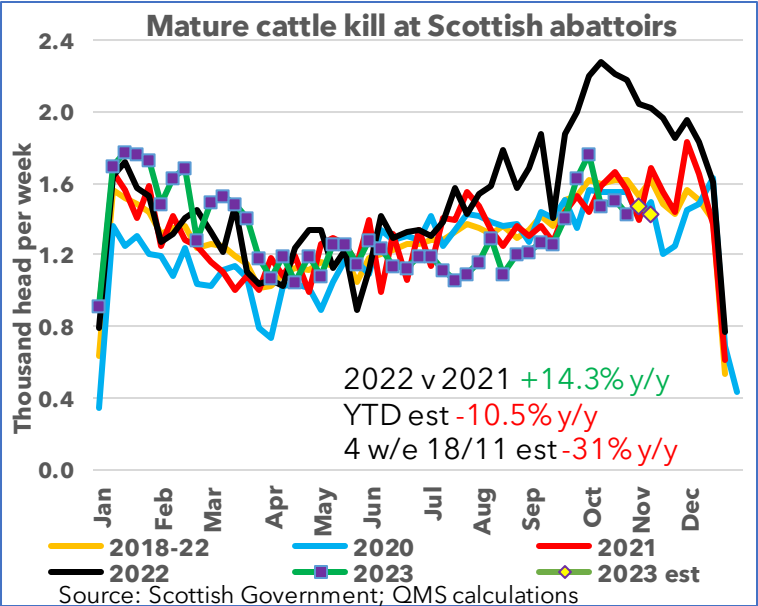
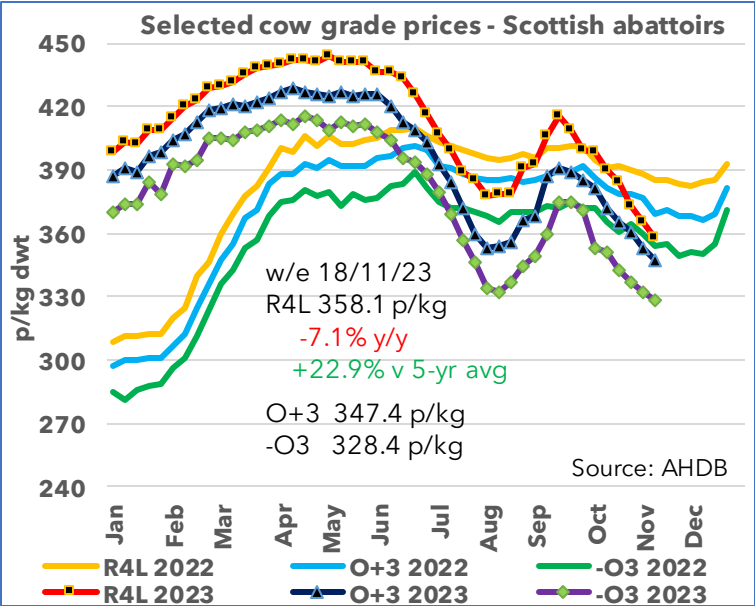
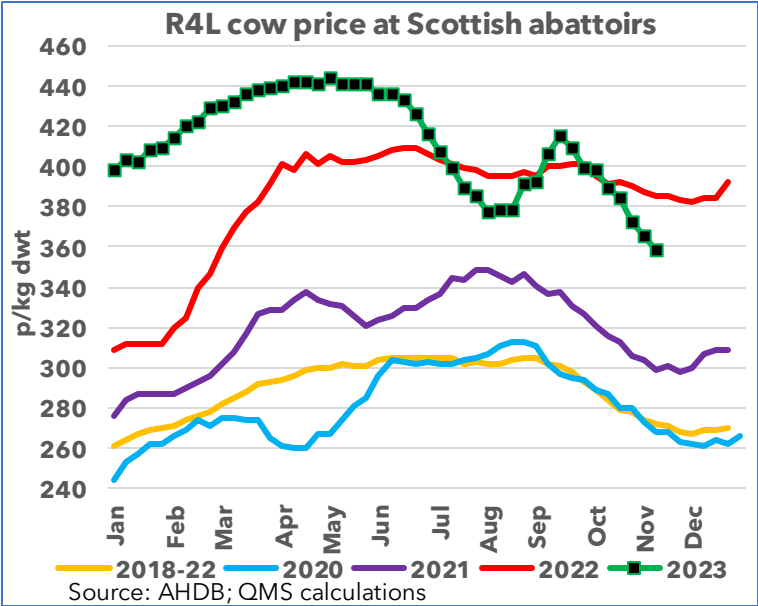
# Mature cattle market – prices have been sliding seasonally and slaughter has passed its peak



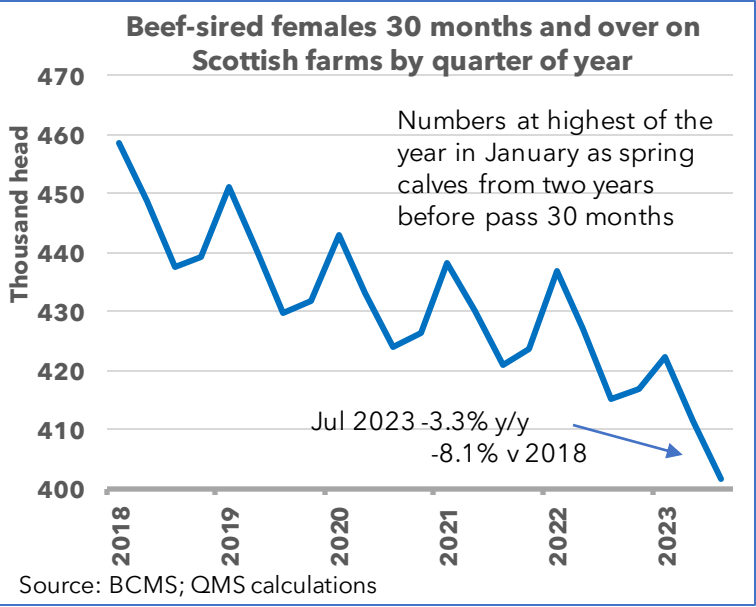
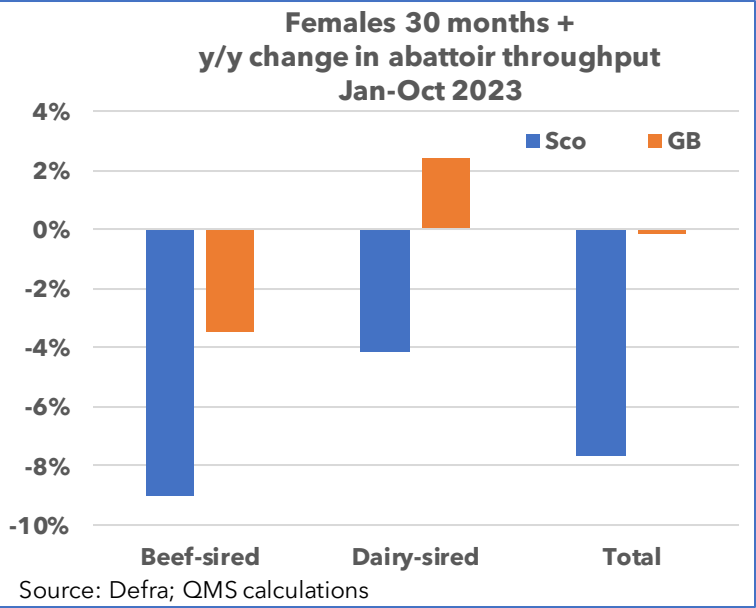
A brief cow price rally came to an end in late-September as slaughter numbers began to build seasonally.

Cow prices have returned closer to normal levels relative to prime cattle prices since the summer (see chart on page 7), meaning less of an incentive to cull. However, the gap is still smaller than pre-2022 levels. In the week ending 21 October, R4L steer prices were 28.3% higher than R4L cows compared to 17.8% in the same week of 2022 but 33.3% in 2021 and 38.5% in 2020.

After starting 2023 ahead of 2022 levels, mature cattle slaughter has fallen well short of year-earlier levels in the summer and autumn, suggesting that the beef herd may be beginning to stabilise.



# Herd reduction likely to be slowing in the beef sector



Females aged 30 months+ on Scottish farms (y/y change)			
Month	Dairy	Beef	All
Jan 2022	-1.3%	-0.4%	-0.6%
April 2022	-1.1%	-0.7%	-0.8%
July 2022	-1.0%	-1.4%	-1.3%
Oct 2022	-0.5%	-1.6%	-1.3%
Jan 2023	-1.0%	-3.3%	-2.7%
Apr 2023	-1.2%	-3.6%	-2.9%
Jul 2023	-1.0%	-3.3%	-2.6%

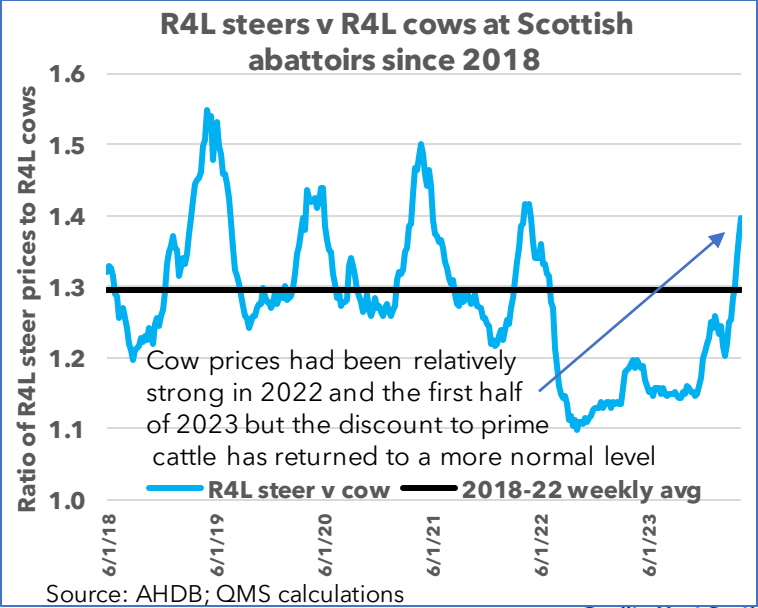
Females aged 30 months+ on farms in England & Wales and GB (y/y change in July 2023)			
	Dairy	Beef	All
E&W	-1.4%	-3.6%	-2.3%
GB	-1.4%	-3.5%	-2.4%

Breeding herd - females over 2 years old that have calved (y/y change in June 2023)			
	Dairy	Beef	All
Scotland	+2.0%	-3.5%	-1.9%
England	-0.7%	-3.6%	-1.8%

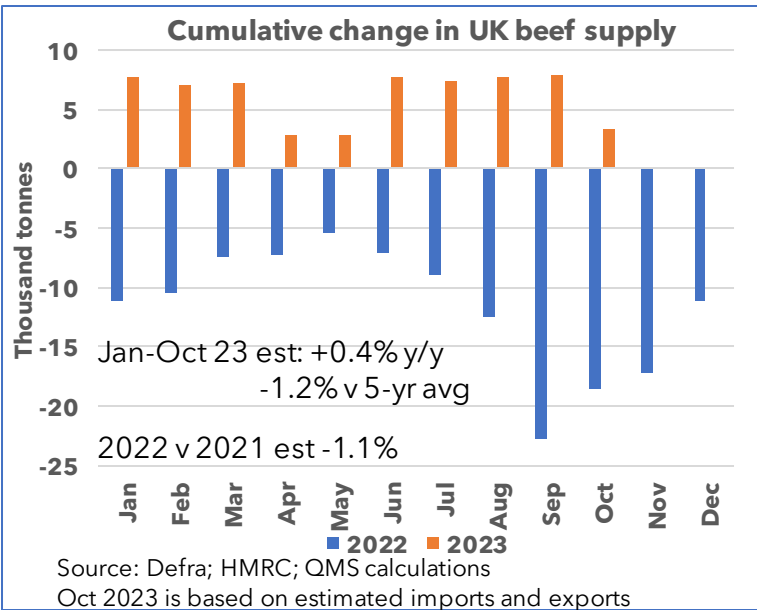
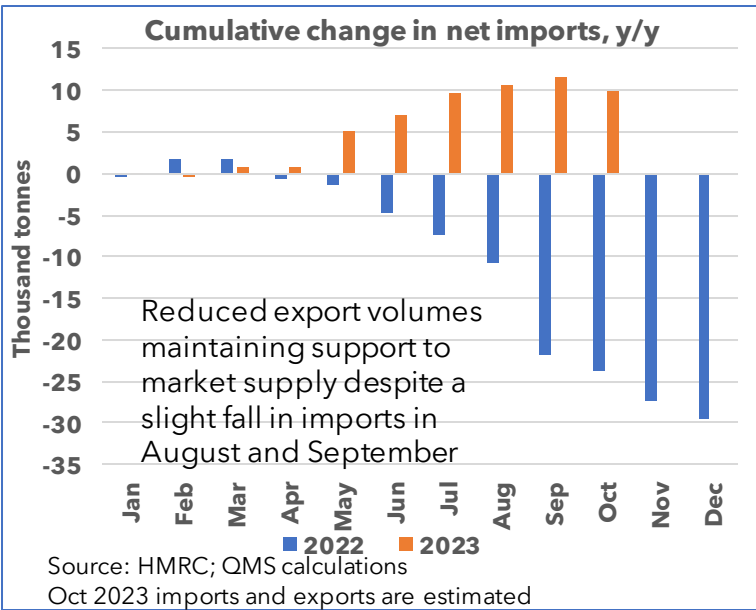
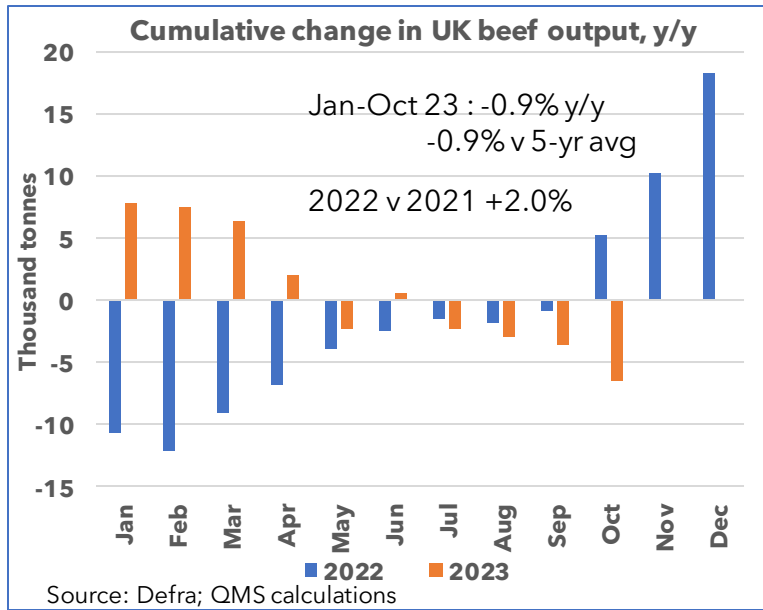
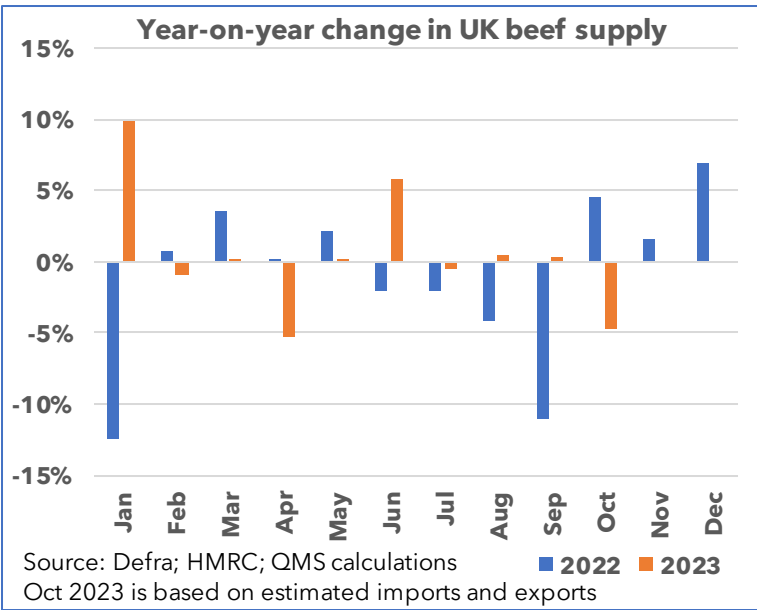
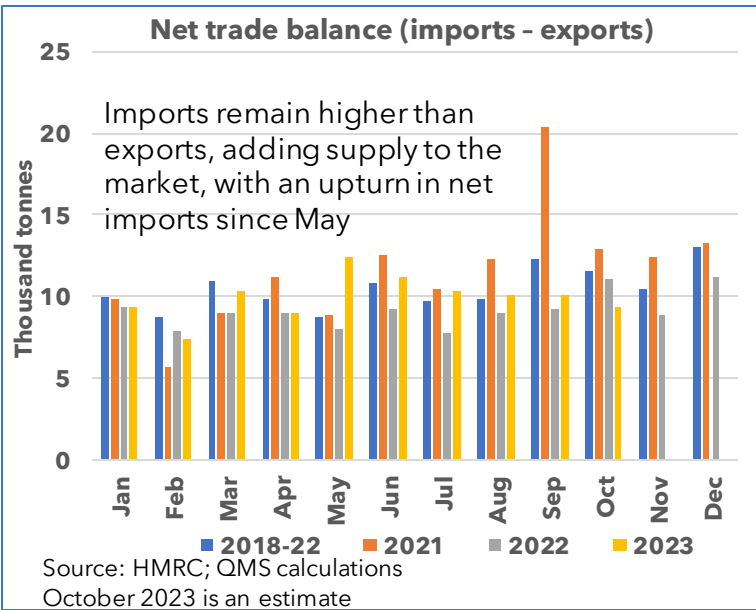
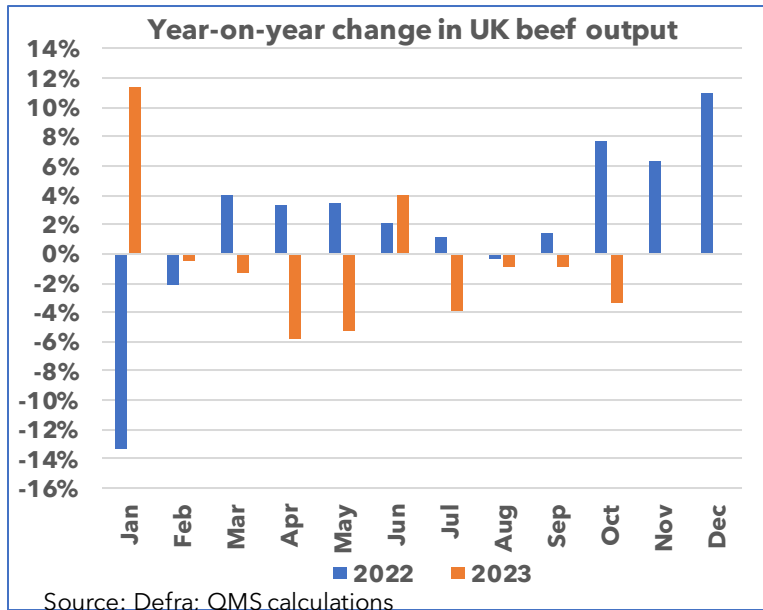
Source: Defra; Scottish Government; QMS calculations

In July 2023, there were nearly 401,600 beef-sired females aged 30 months and over on Scottish holdings. This was a 13,700 head and 3.3% reduction from a year earlier, marking a slight slowdown in the pace of year-on-year decline from April. In June 2023, there were 394,700 beef females over 24 months in Scotland with offspring, down 3.5% and 14,500 head year-on-year.

A significantly lower cow kill at Scottish abattoirs compared to 2022 suggests that the beef herd may be beginning to stabilise, although the herd is still likely to show year-on-year decline in Q4. BCMS data has signalled a change in the balance of the over 30 month kill towards dairy-sired cattle in 2023 while fewer Scottish-born OTM cattle have been processed in E&W than in 2022.

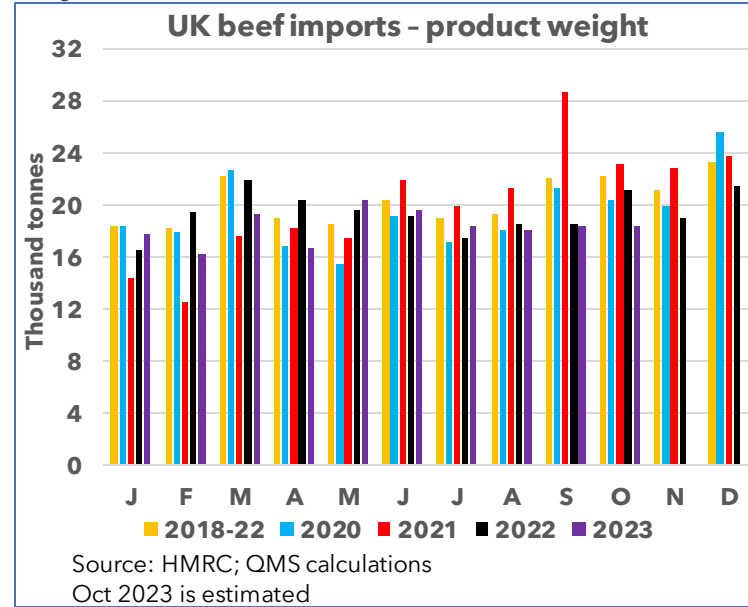
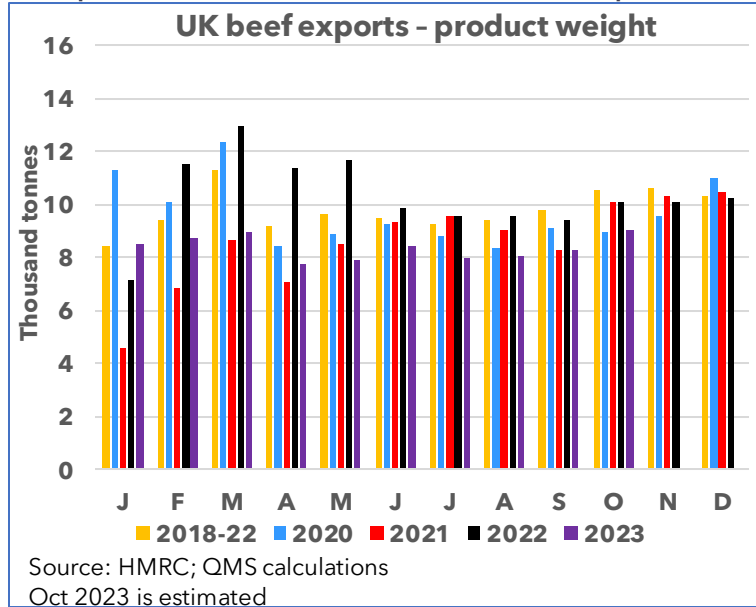


# UK beef market supply: domestic production + (imports - exports) = supply



# A focus on UK international trade in beef

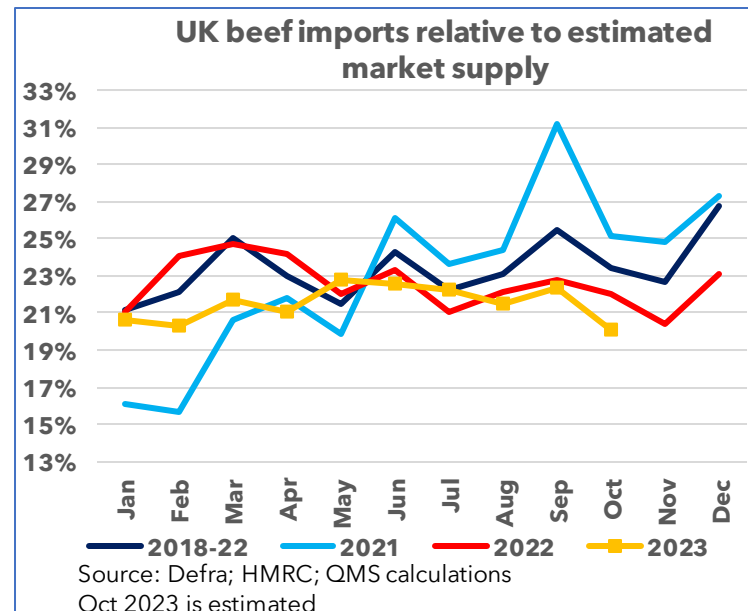
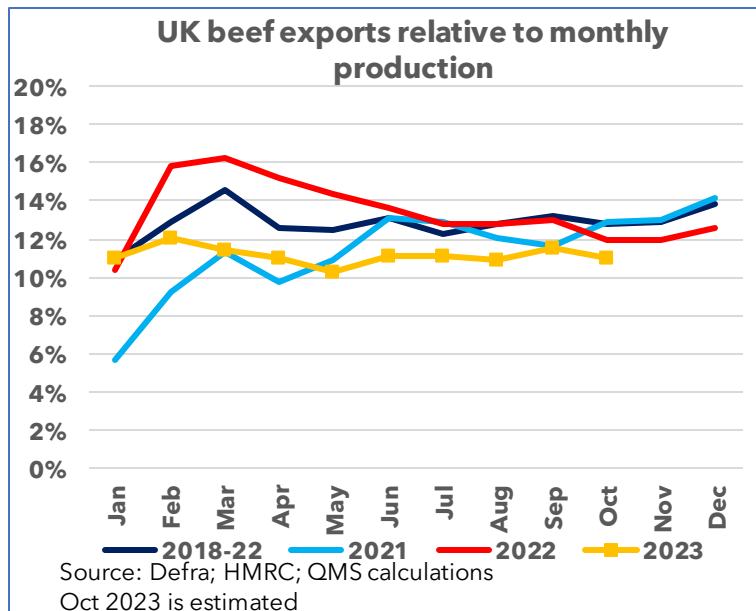
- export volumes soft and imports slightly behind 2022 levels



In September, UK beef export volumes were at a ten-year low for the month but export prices remained well above the levels of previous years.

In contrast to most of the past two years, exports to EU countries underperformed non-EU destinations for a second successive month in September, falling by 15% year-on-year whereas shipments to non-EU countries were up 7% on 2022, compared to a 38% reduction in the year-to-date.

Beef imports to the UK remained lower than last year for a second month in September, down 1.4%. While imports from the EU were down by 3%, this was partially offset by imports from non-EU countries being up by 35% year-on-year. Trade continued to show rebalancing towards fresh beef from frozen product, with the former up 11% year-on-year whereas the latter was down 22%.



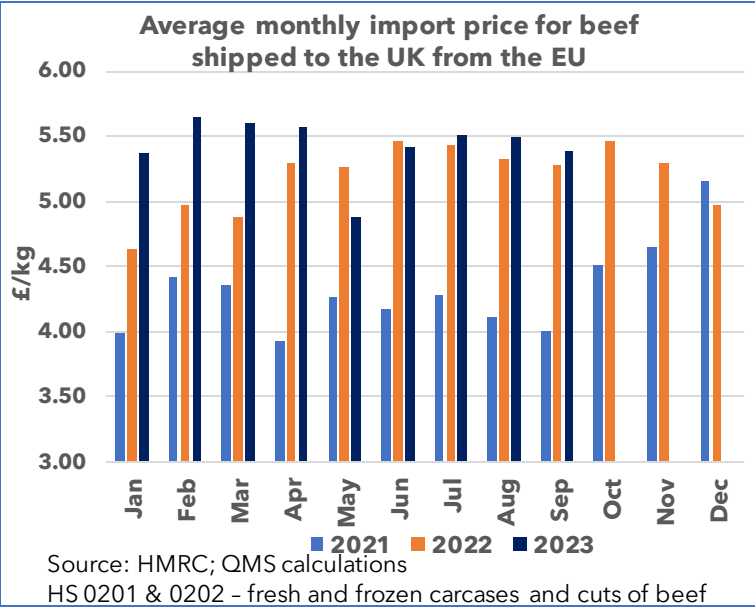
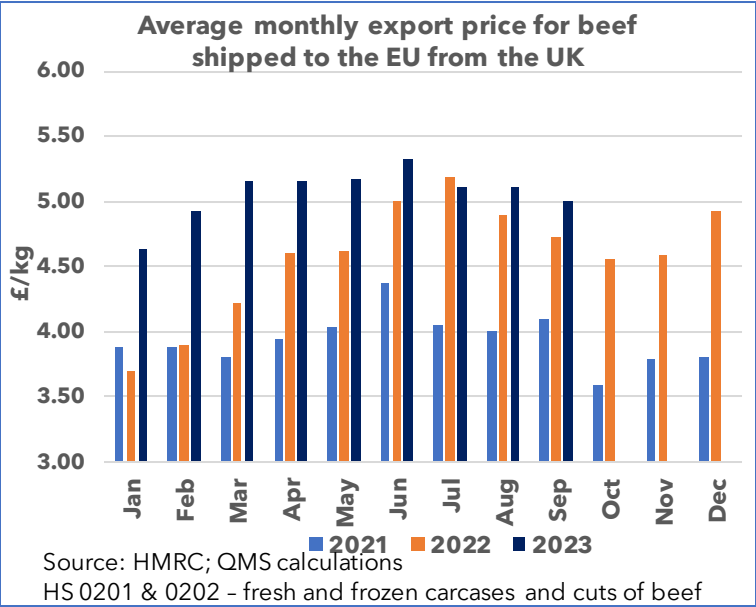
The EU accounted for 94.9% of UK import volumes and 88.6% of exports in January to September 2023.

Note:

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

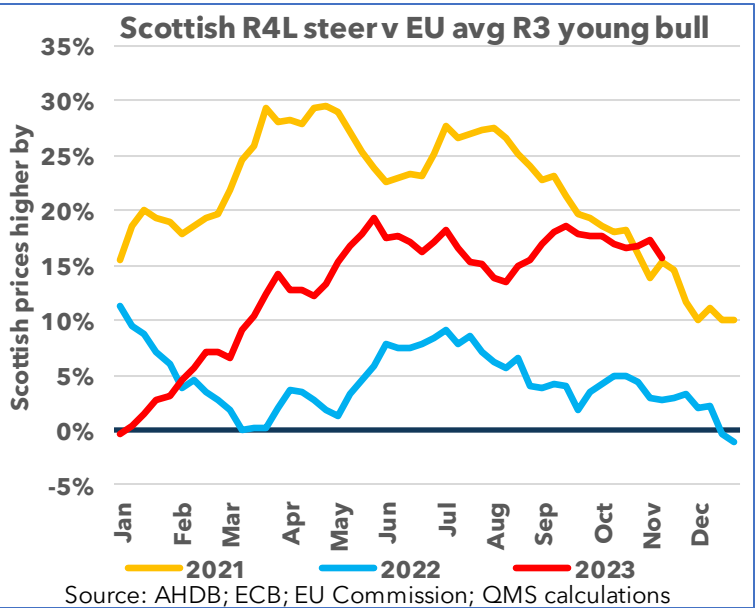
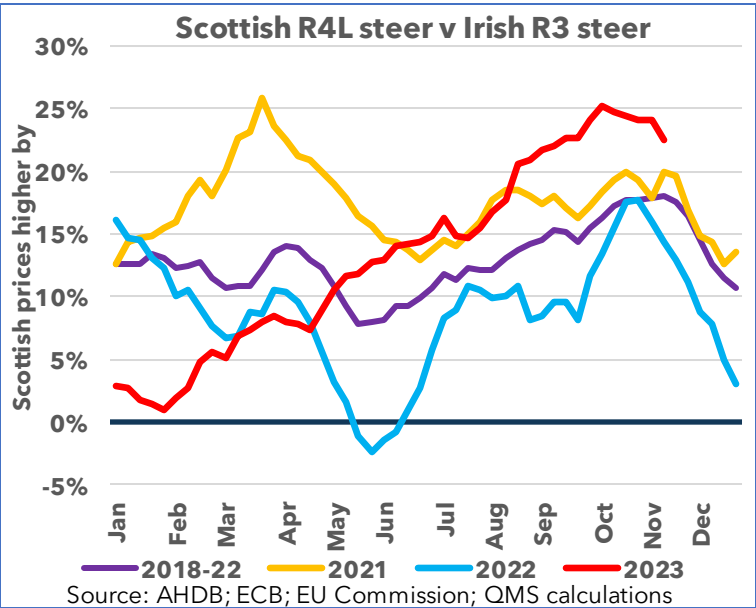
Estimates for October are based on seasonal trends in trade volumes and domestic production

# Variables influencing international trade in beef - competitive pressures from significantly lower prices in Ireland, with import and export prices showing some declines in September



Irish cattle prices have shown a stronger seasonal uplift in November than the Scottish market, leading to a slight narrowing of the price gap.

EU beef prices continue to look historically firm, supported by declining production, but market prices are back below the highs reached in 2022 in many countries. The lead for Scottish R4L steers over the EU average for R3 young bulls has narrowed slightly in recent weeks, but remains elevated, moving beyond 2021 levels as well as the lows of autumn 2022.

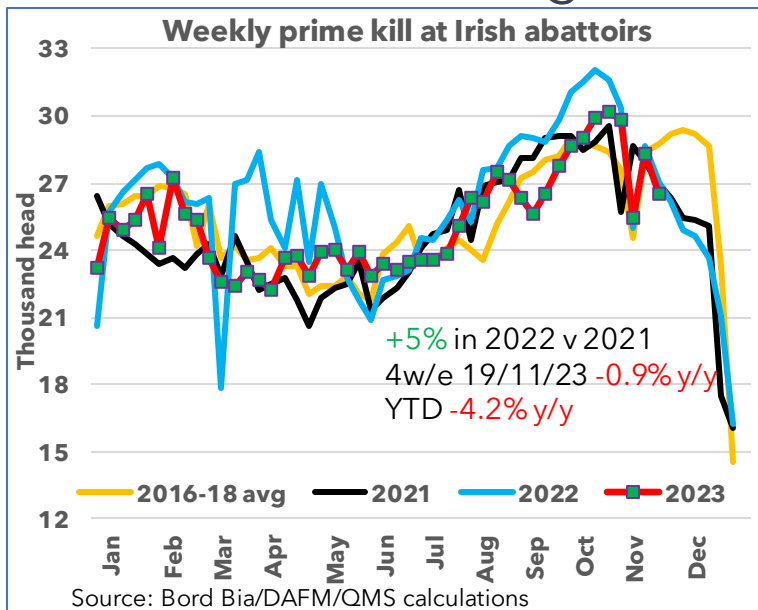


Selected EU cattle prices for R3 males, converted from euro to p/kg dwt			
	Week 46 2023	Week 42 2023	Week 46 2022
Germany (young bull)	424.0	418.3	463.1
Netherlands (8-11 months)	397.2	397.6	419.4
Spain (young bull)	443.5	437.5	454.1
Poland (young bull)	416.5	419.3	431.7
Irish Republic (steer)	408.5	400.5	403.4
<b>For comparison: Scotland R4L steer</b>	<b>500.2</b>	<b>499.7</b>	<b>461.0</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



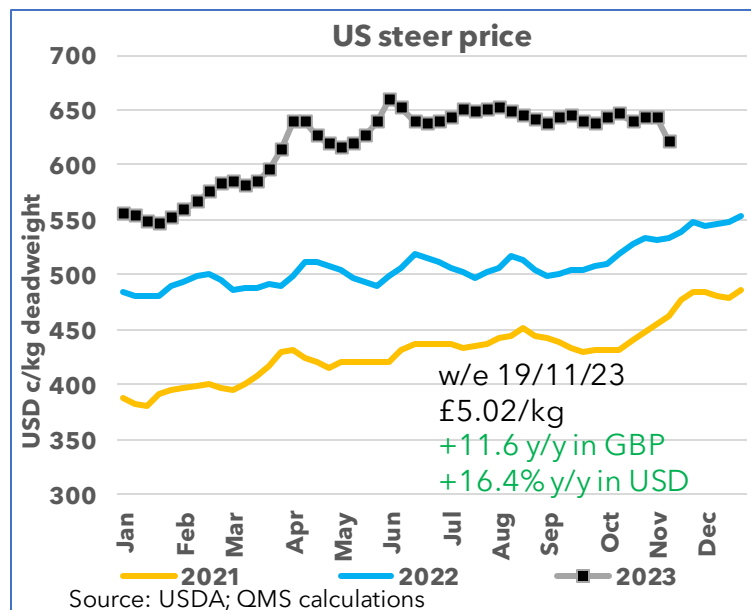
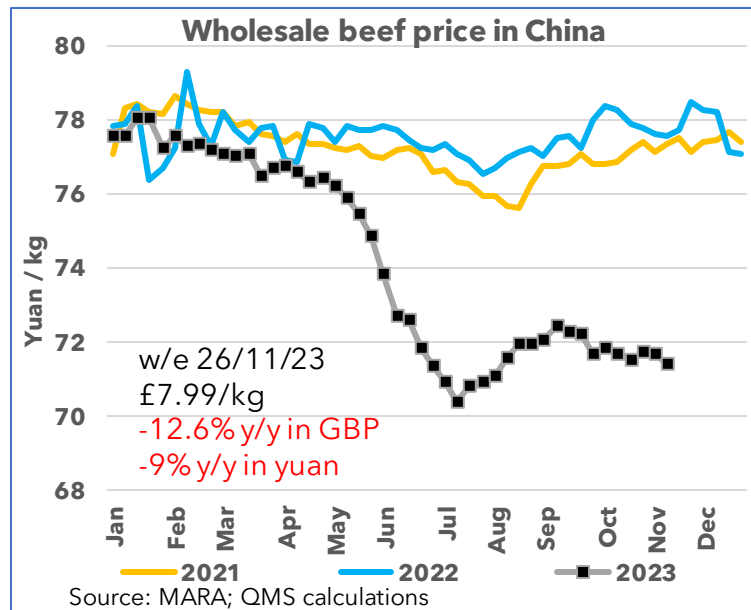
# Variables influencing international trade in beef



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

Key indicators	2021	2022	2023	2024
World, production	58.36	59.29	59.31	59.13
USA, production	12.73	12.89	12.29	11.52
Brazil, production	9.75	10.35	10.56	10.84
EU, production	6.88	6.72	6.50	6.44
Australia, production	1.90	1.88	2.17	2.25
All countries, imports	9.95	10.26	10.35	10.21
China, imports	3.02	3.50	3.60	3.50
USA, imports	1.52	1.54	1.64	1.66
EU, imports (from non-EU sources)	0.32	0.40	0.39	0.39

Source: USDA Foreign Agricultural Service



In the Irish Republic, slaughter has passed its seasonal peak, supporting some recovery in prime cattle prices alongside festive demand. However, the kill has remained below the highs of 2022. Population data points to further declines in Irish production in 2024 and 2025. At EU level, production is also expected to contract further, supporting EU import demand.

At a global level, beef prices are coming under pressure from herd expansion in Australia and Brazil. In China, wholesale beef prices have remained at a much lower level than last year, with no sign of seasonal uplift. However, US beef prices continue to trade well above 2022 levels due to lower domestic output, driven by drought induced herd liquidation in 2021 and 2022; though steer prices did drop to a six-month low in mid-November.

Initial forecasts for 2024 point to the global market remaining relatively tight, but with the potential for continuing downwards pressure on Australian and Brazilian beef prices.

Cattle on Irish farms (thousand head)			
Age group	Jun 2022	Jun 2023	y/y change
<12 months	2,135	2,074	-2.8%
1-2 years	1,938	1,911	-1.4%
2+ (males & non-breeding females)	735	791	+7.6%
Cows	2,541	2,519	-0.9%

Source: CSO

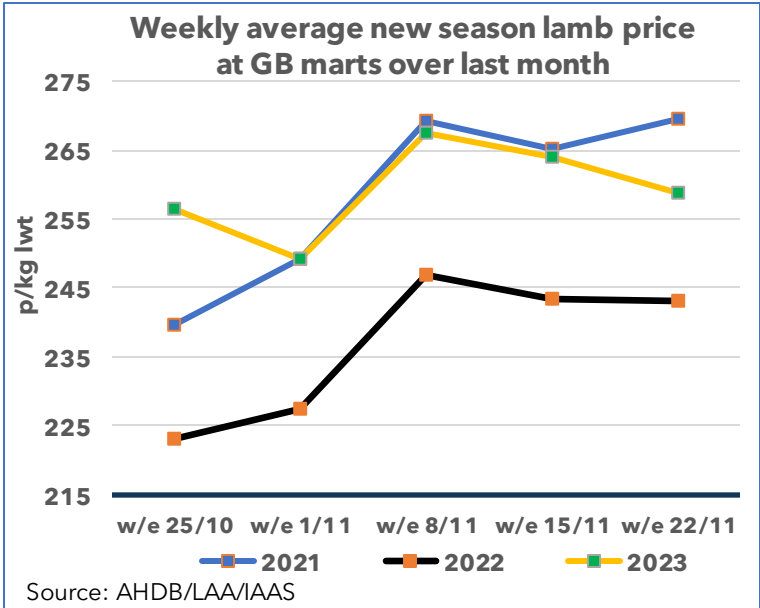
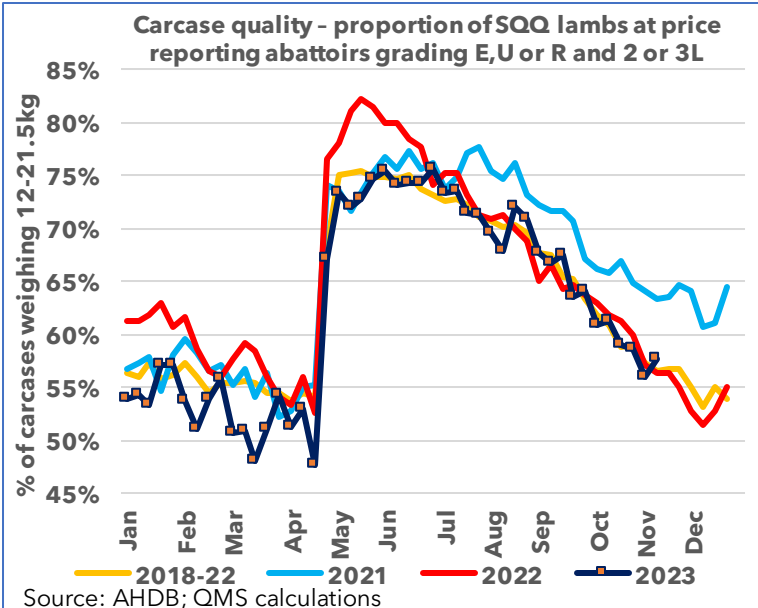
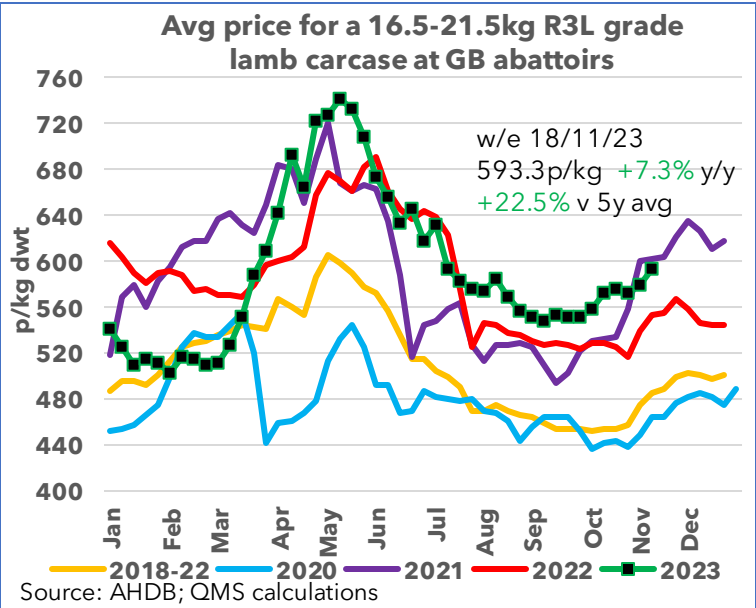
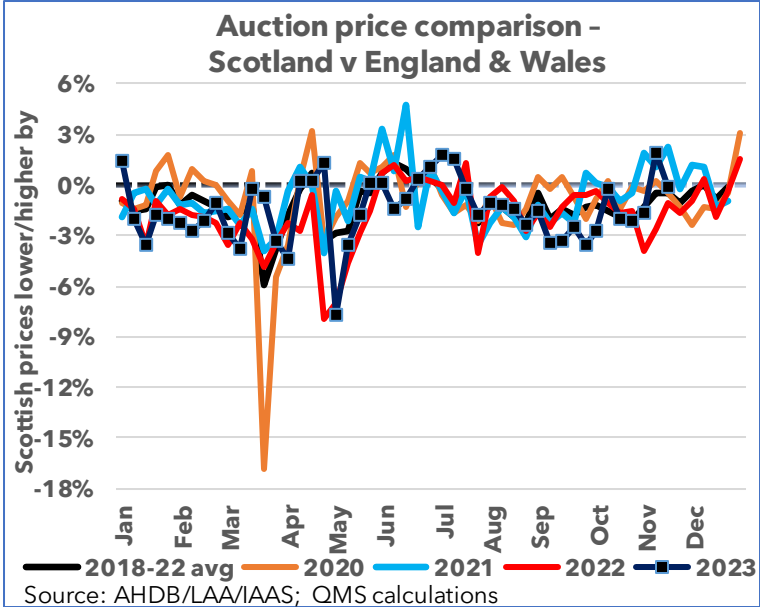
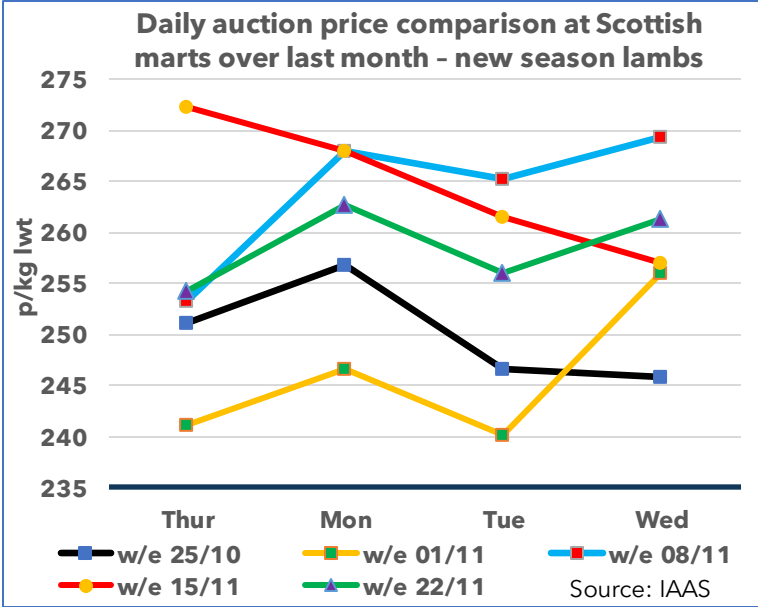
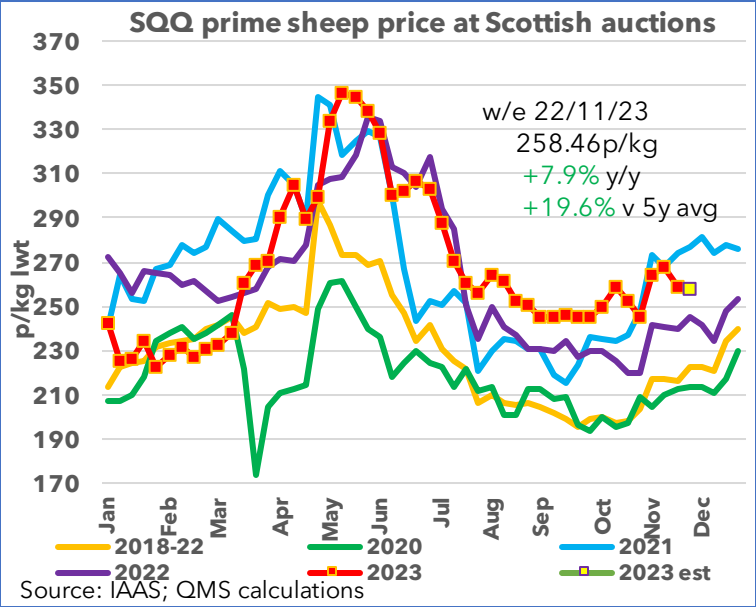
# Summary of market developments – sheep market



Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
New season SQQ lamb price at Scottish auctions	p/kg lwt, w/e 22 November	258.46p/kg	-9.21	+2.5%	+7.9%	+19.6%
New season lamb marketings at Scottish auctions	Average in four weeks to 22 November, head	25,448		-0.2%	+22.7%	+23.9%
Total lamb marketings at GB auctions	Average in four weeks to 22 November, head	114,244		+4.5%	+5.9%	+1.8%
UK sheepmeat market supply	Tonnes in Aug - Oct 2023 (estimate)	65,200			+2.0%	-2.9%

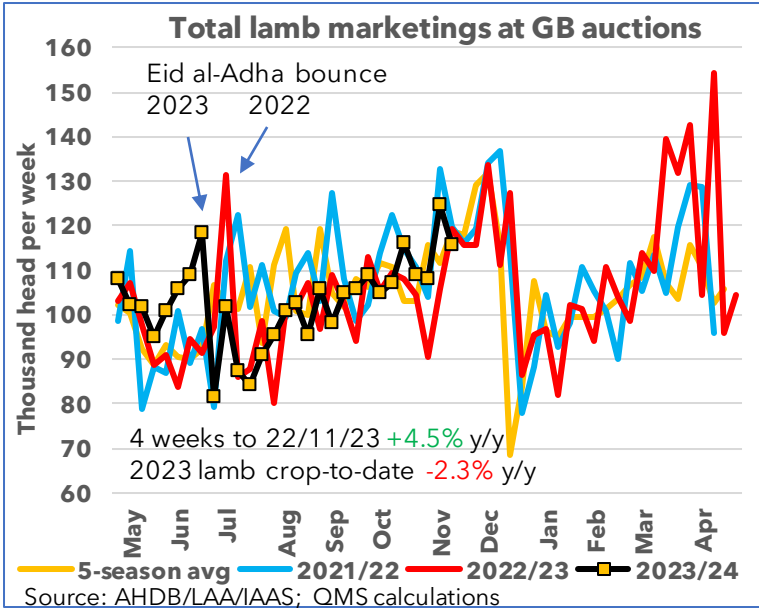
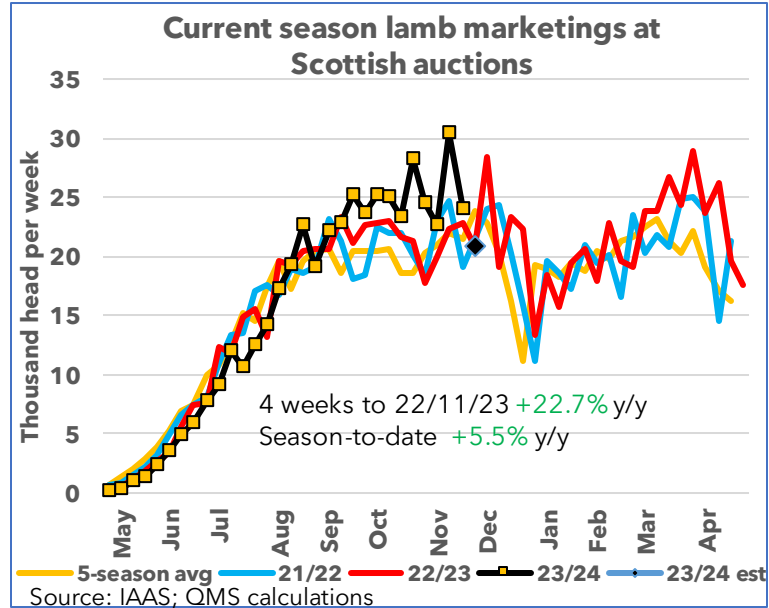
- After a seasonal uplift in early November, lamb prices have softened towards the end of the month at Scottish marts, averaging just under 260p/kg lwt, holding nearly 10% higher than last year and 20% above the five-year average.
- In Scotland, June census results showed a 2.2% contraction of the breeding flock and 4.5% reduction in lambs since the last census in 2021 but, after a slow start, finished auction throughput has now risen beyond last year's levels. With England's June lamb crop also down significantly, it points to fundamentally tight supply this season across GB. Relatively firm production in autumn 2023 points to the potential for a significantly smaller carryover of hogs into 2024.
- Retail data indicates that lamb sales performance has improved relative to 2022 since the summer, supported by a stabilisation of retail prices.
- Although UK lamb imports have fallen sharply in the year-to-date, monthly imports showed year-on-year increases in August and September. This import rebound is likely to reflect highly competitive market prices in Australia and New Zealand plus improved market access for Australia under the terms of the Free Trade Agreement. While rising imports remain a significant downside market risk, September volumes were similar to their average for the month from 2010-17.
- In contrast to beef and pork, UK lamb exports have performed well in 2023, ensuring that market supply has remained tight, and the price of GB lamb at Rungis market in Paris has trended higher in November.

Farmgate prices - prime sheep - after a seasonal uplift in early November, lamb prices have softened towards the end of the month at Scottish marts, averaging just under 260p/kg lwt, holding nearly 10% higher than last year and 20% above the five-year average



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

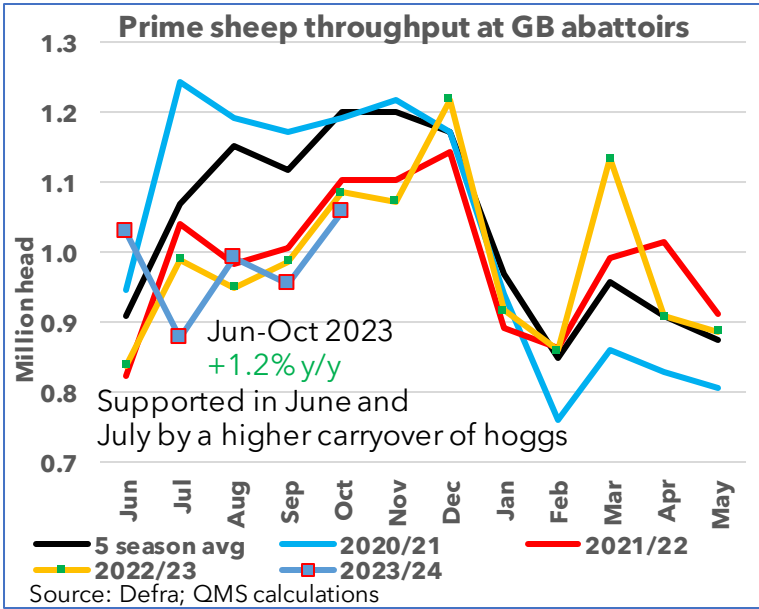
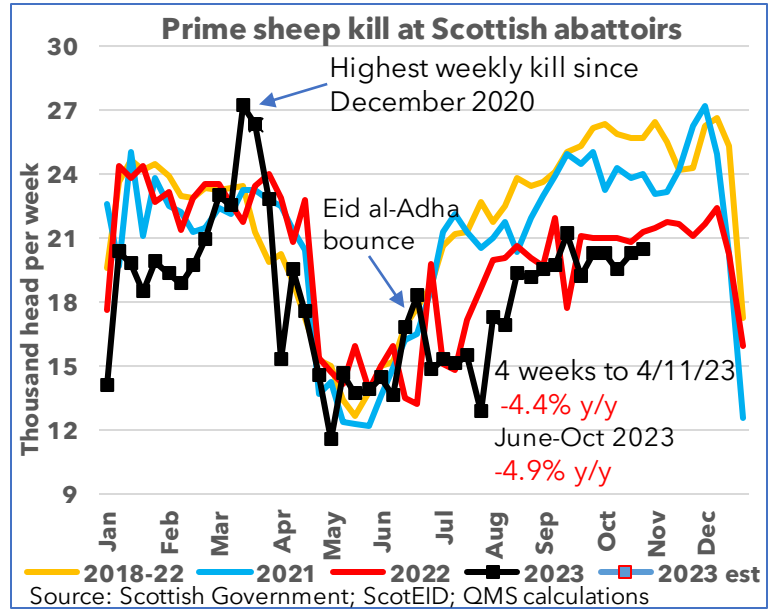
# Availability and slaughter – new season lamb numbers catching up after a slow start, but GB lamb supply fundamentally tight this season and we could have a smaller carryover into 2024



After a slow start to the season, Scottish auctions have seen a higher throughput than in 2022 since mid-August, and the number of new season lambs sold has now risen well beyond 2022. Auction throughput has also moved beyond 2022 in E&W, slowing the pace of year-on-year decline in the season-to-date.

Scottish June census results showed a significant decline relative to 2021, reflecting both a smaller ewe flock and lower lambing rate (though the lambing rate held above its 2012-21 average of 1.26).

June census results reported for England showed a sharp decline in lamb numbers due to a poor lambing rate and, coupled with the Scottish results, points to a fundamentally tight supply this season.

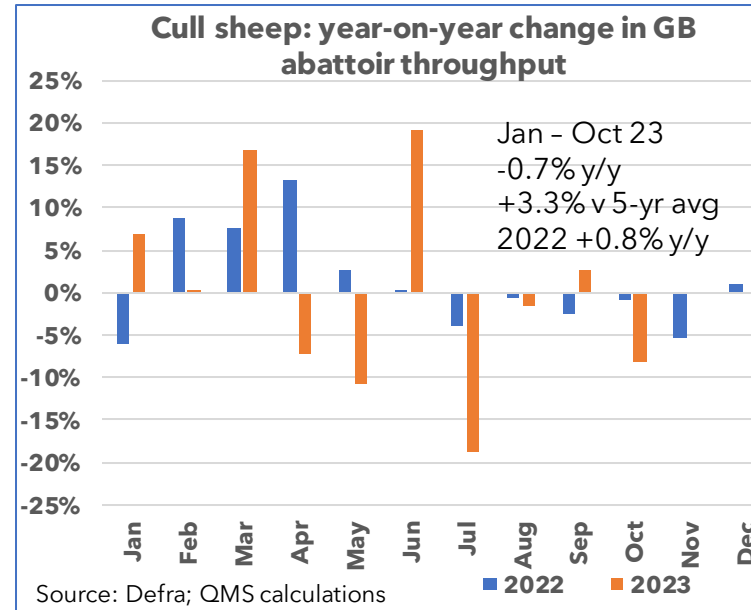
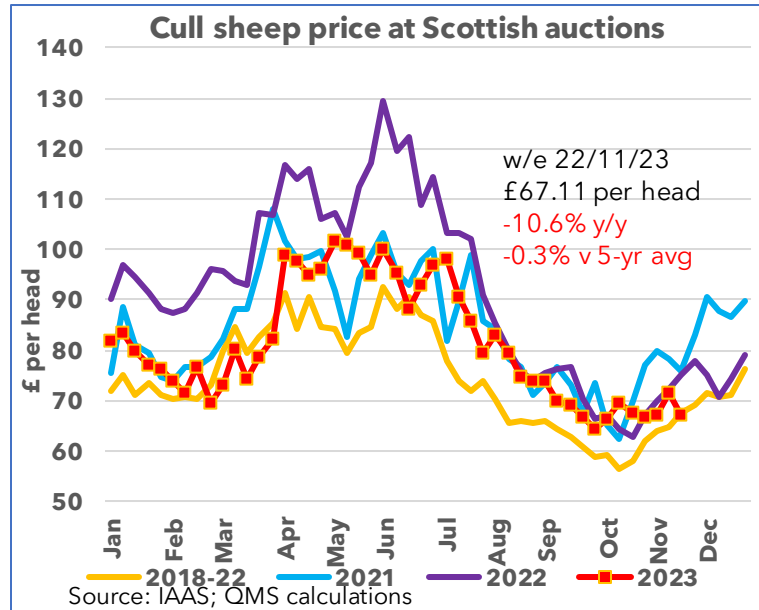


Given a smaller lamb crop, relatively firm auction volumes in October and November point to the potential for a smaller carryover of hogs into 2024.

June 2023 Census – Scotland and England					
	Sco v2021		Eng v2021		Eng v2022
Ewes for further breeding & slaughter	-2.2%		+1.2%		+1.5%
New season lambs	-4.5%		-3.4%		-4.9%
	Sco		England		
	2021	2023	2021	2022	2023
Lambs per ewe	1.306	1.275	1.274	1.274	1.216

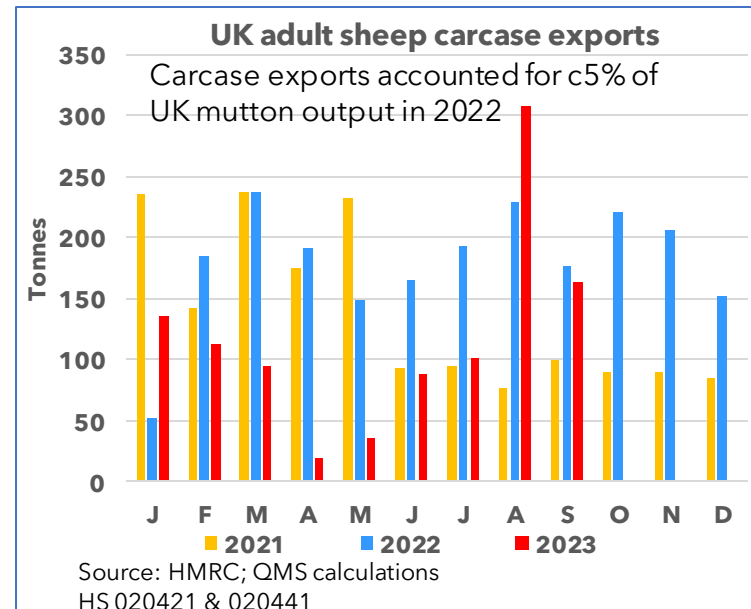
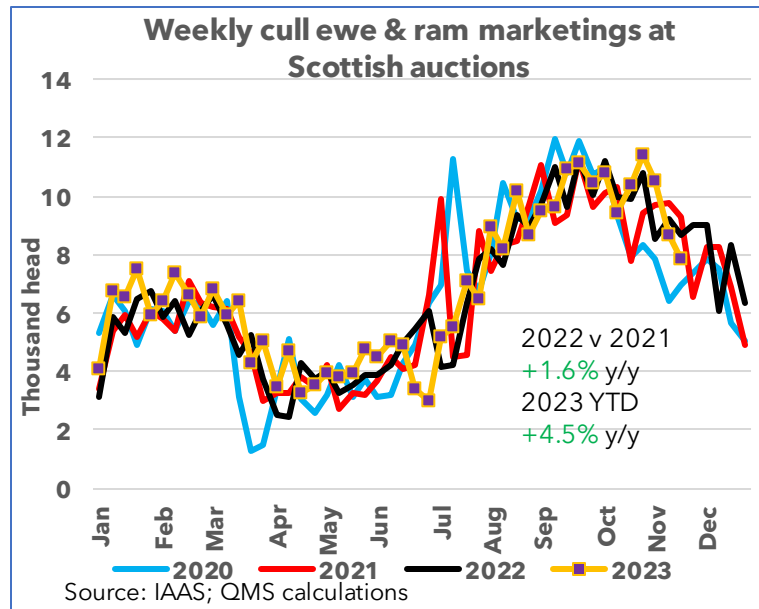
Source: Defra; Scottish Government; QMS calculations

# Cull sheep market – weak seasonal upturn in prices after a strong period for marketings between mid-October and early-November



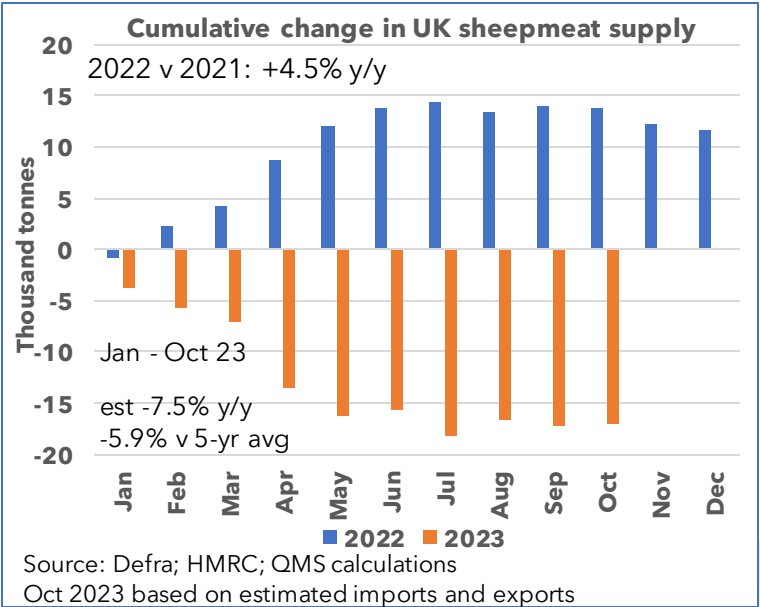
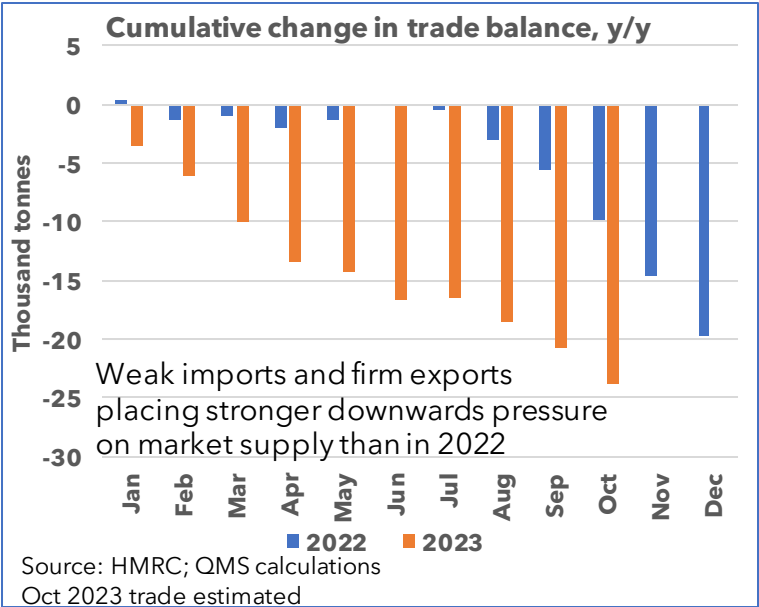
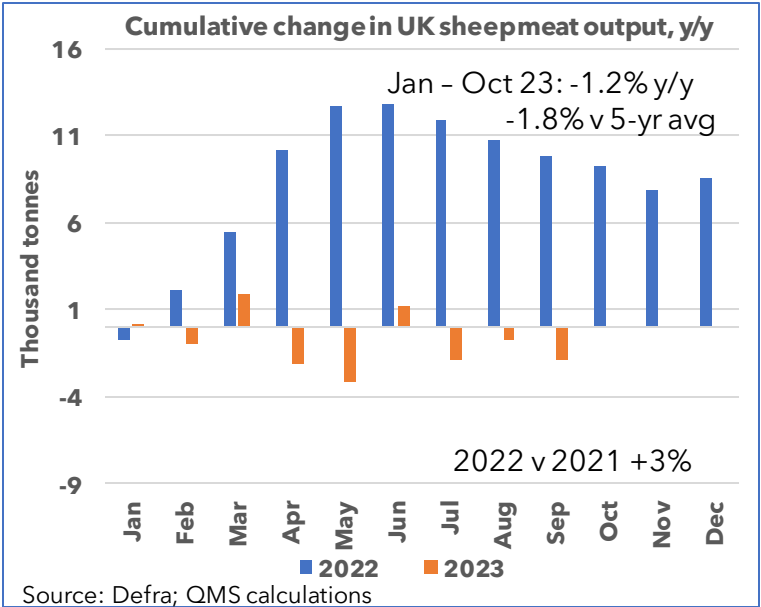
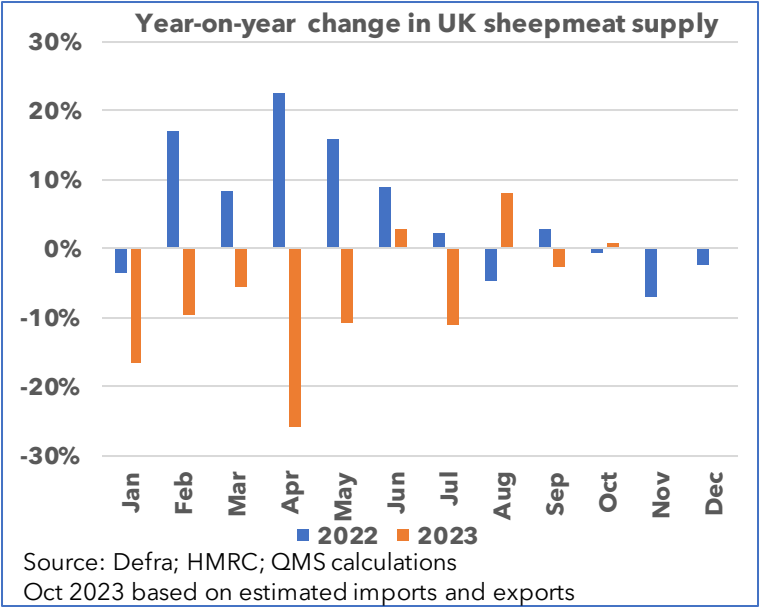
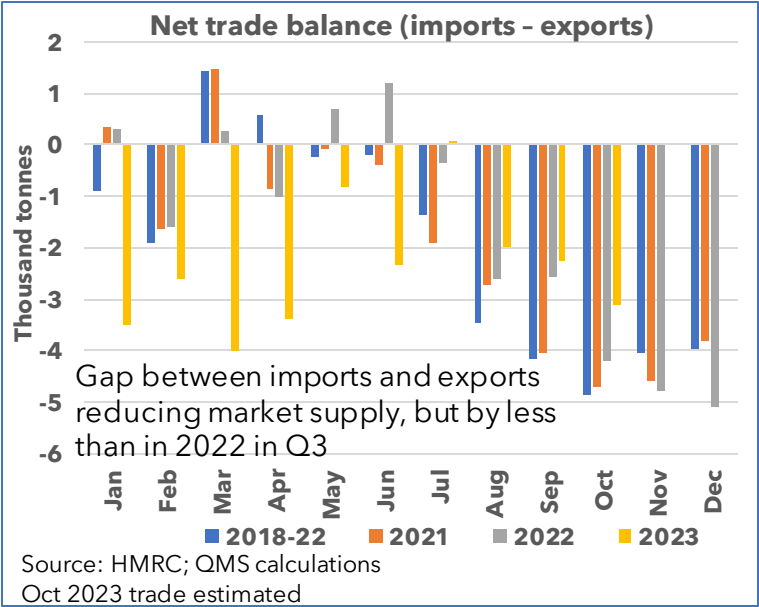
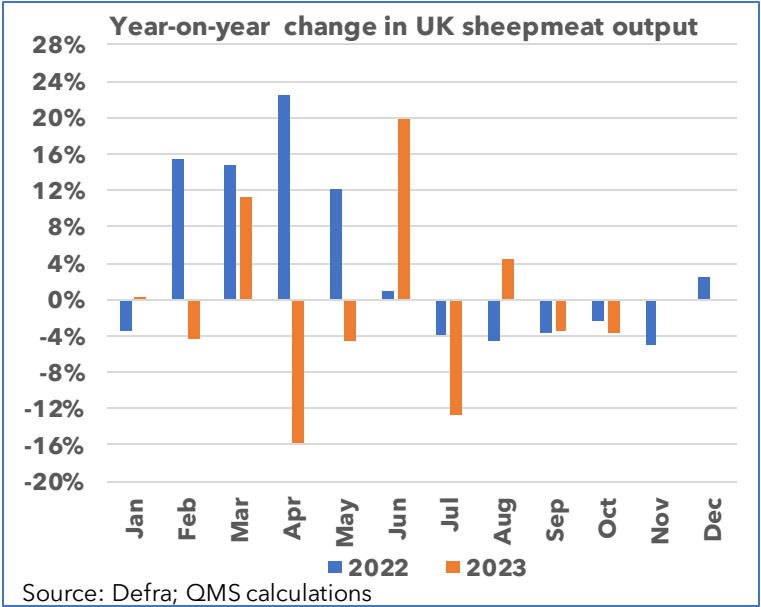
Cull ewe values appear to have taken an unusually small bounce from their seasonal low in autumn 2023. One contributor could have been a strong period for marketings in the second half of October and early November, potentially leading to some build-up of product in chills.

This soft upturn has seen prices fall behind autumn 2022 levels and back to the five-year average, signalling a weak market compared to the prime sheep trade.

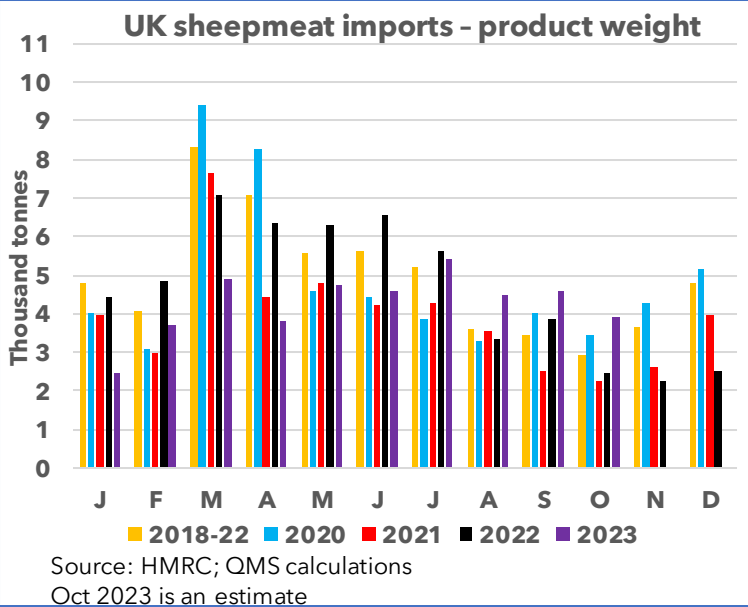
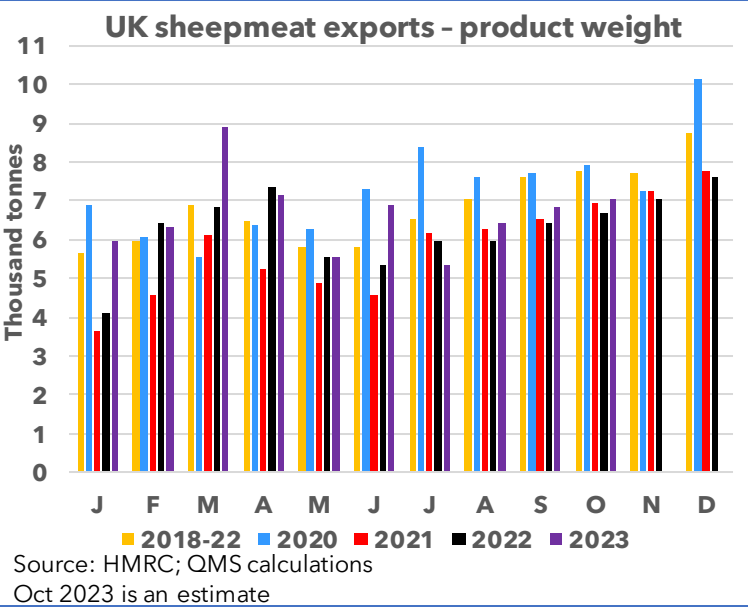


Mutton carcase exports fell back significantly relative to 2021 and 2022, until July, signalling some rebalancing of demand to the home market. However, this may have changed again in August, with exports surging. Although volumes slipped back again in September, they were still the second highest of the year.

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



# A focus on UK international trade in sheepmeat - higher exports and lower imports in year-to-date, but imports rebounding in Q3



UK sheepmeat exports were up 7% on 2022 in September, slightly behind the 10% increase in the year-to-date, but at a three-year high for the month. The price of GB lamb at Rungis market in Paris has been trending higher in November and has showed year-on-year increases of 6-9% during the month, suggesting that export demand has held firm. (see page 18).

After a very weak end to 2022 and soft first half of 2023, UK sheepmeat import volumes have shown a change in the second half of the year, with July deliveries unusually being the highest of the year and August and September volumes then exceeding 2022 levels. They have also been taking up an increased share of UK market supply since July.

Although imports from NZ fell back behind 2022 levels in September (-9.5%), trade with Australia showed a fourth straight month of year-on-year growth and, at nearly 1,200t, was close to three times year-earlier levels. Imports from Ireland were also higher than a year earlier.

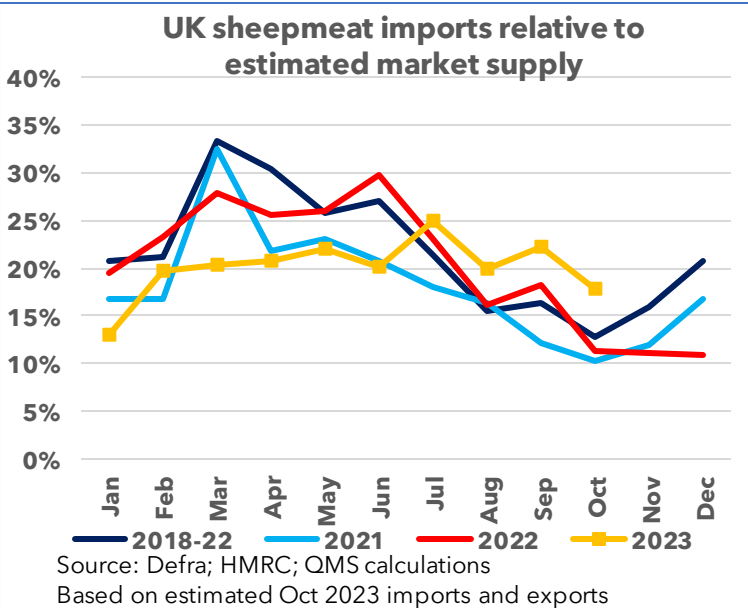
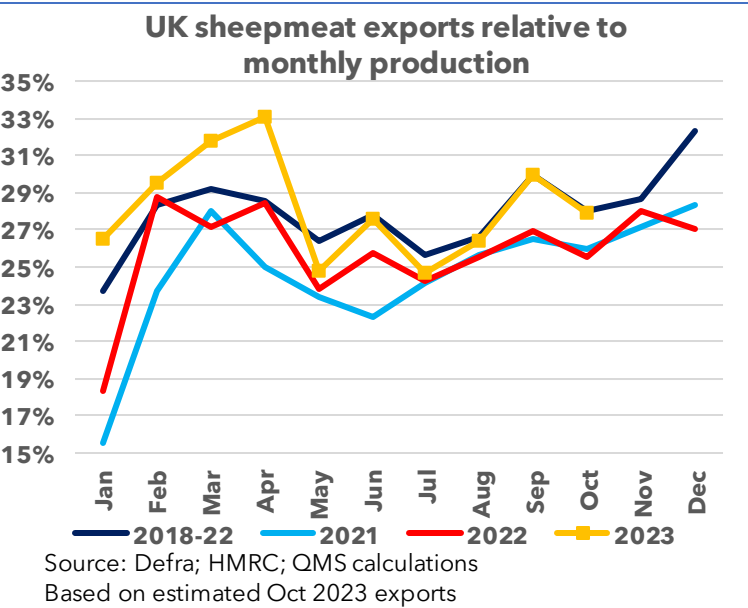
Average import prices continued to run sharply lower than last year in September, with product arriving from NZ down 25% and Australian sheepmeat 43% cheaper.

Given seemingly attractive price levels in the GB market plus increased market access for Australia since the end of May, higher imports remain a significant downside market risk. In September, import volumes were similar to their average for the month from 2010-17.

Note:

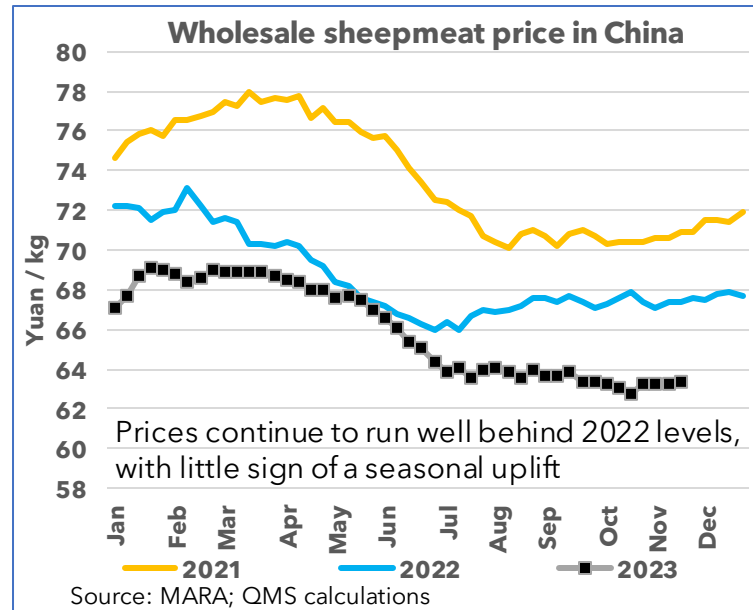
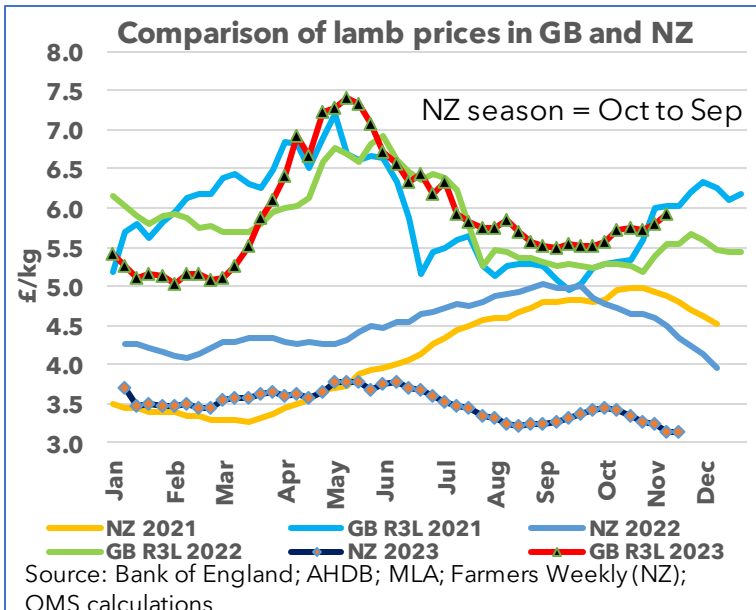
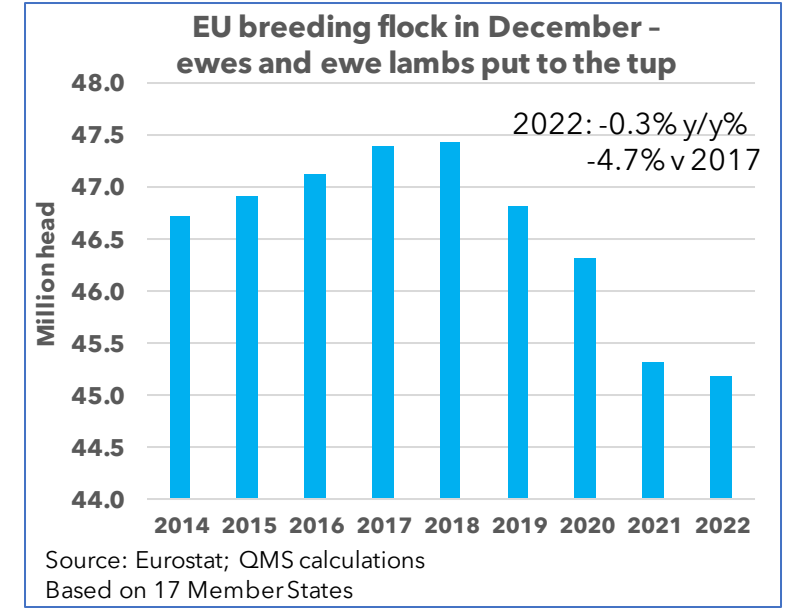
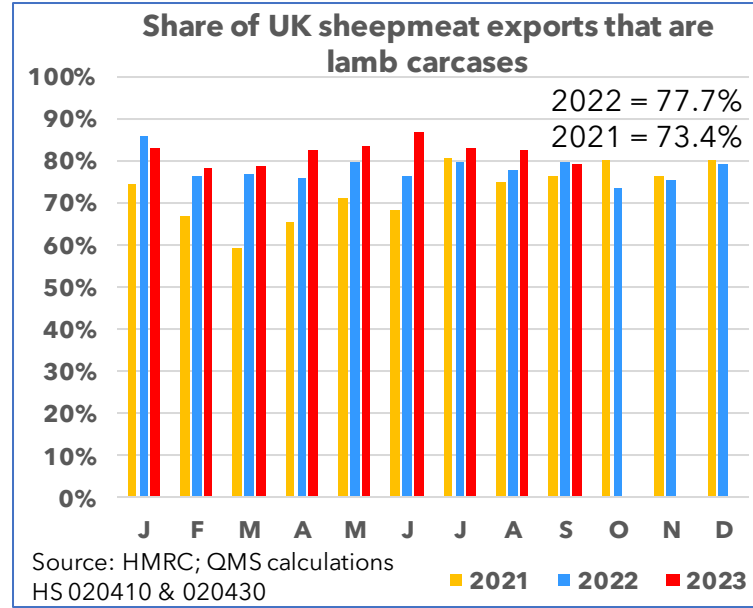
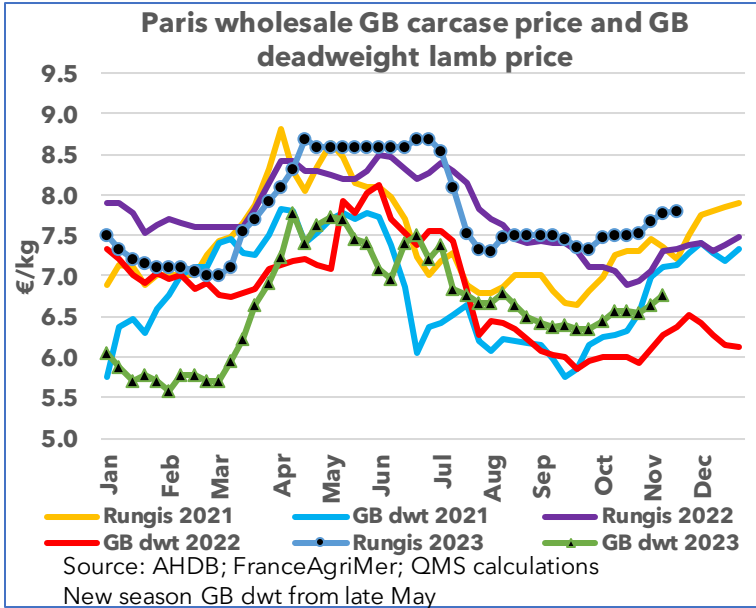
HMRC trade data covers HS codes 0204 (fresh or chilled & frozen sheep and goatmeat)

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



# Variables influencing UK sheepmeat trade

Prices in France continue to look attractive to GB lamb exporters. Highly competitive prices in Australia and NZ, where Australian production growth and a weak Chinese market are pressuring prices, now appear to be supporting UK imports.



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

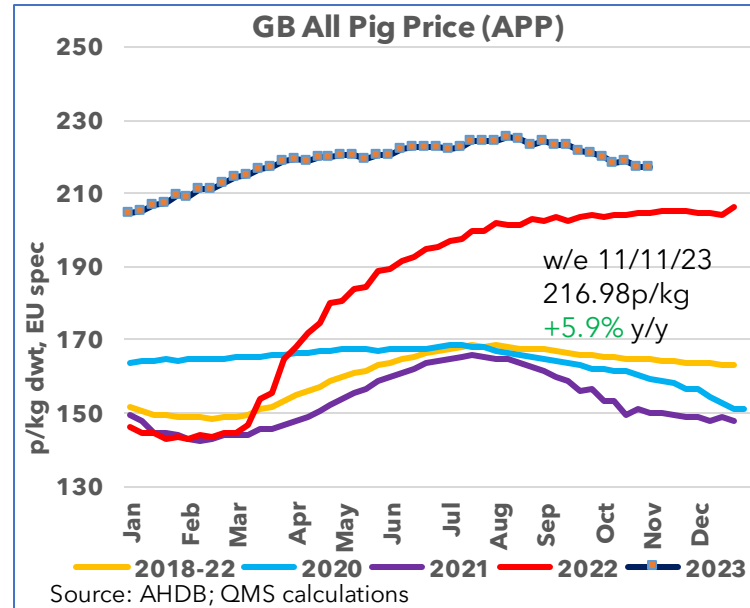
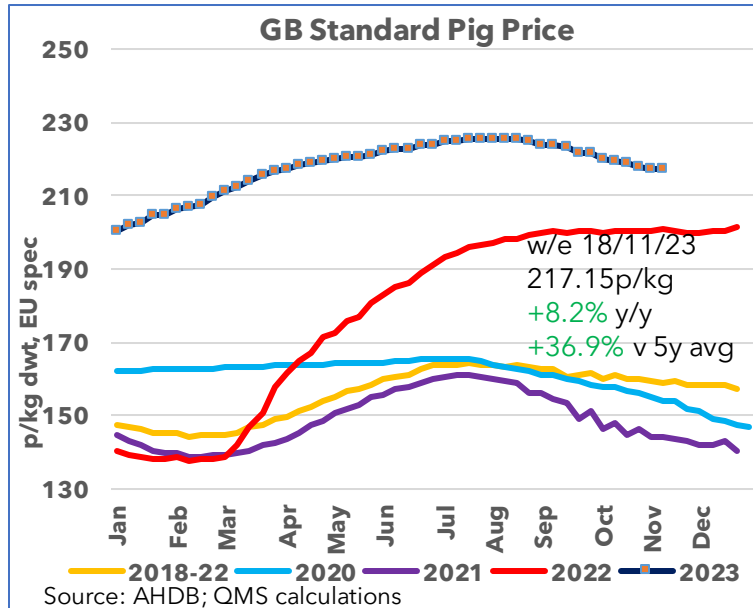
# Summary of market developments – pig market



Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
GB Standard Pig Price (SPP)	p/kg dwt, w/e 18 November	217.15p/kg	-0.09p	-1.1%	+8.2%	+36.9%
Average carcase weight of standard pigs	Average in four weeks to 18 November EU spec	90.7		+0.4%	+1.1%	+3.3%
Prime pig slaughter at GB abattoirs	Total during October 2023, thousand head	726.3		+5.3% (change in daily avg kill Oct v Sep)	-8.4%	-9.9%
UK pig market supply	Tonnes in Aug-Oct 2023	329,900			+0.0%	-0.9%

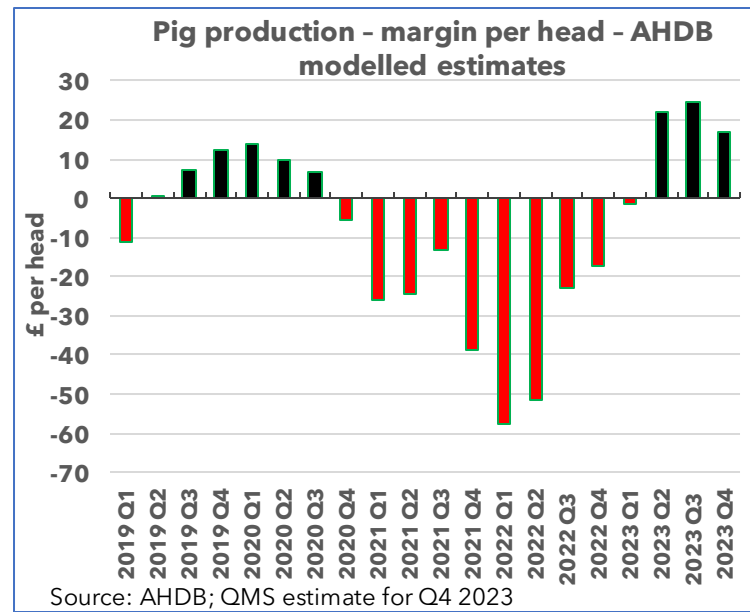
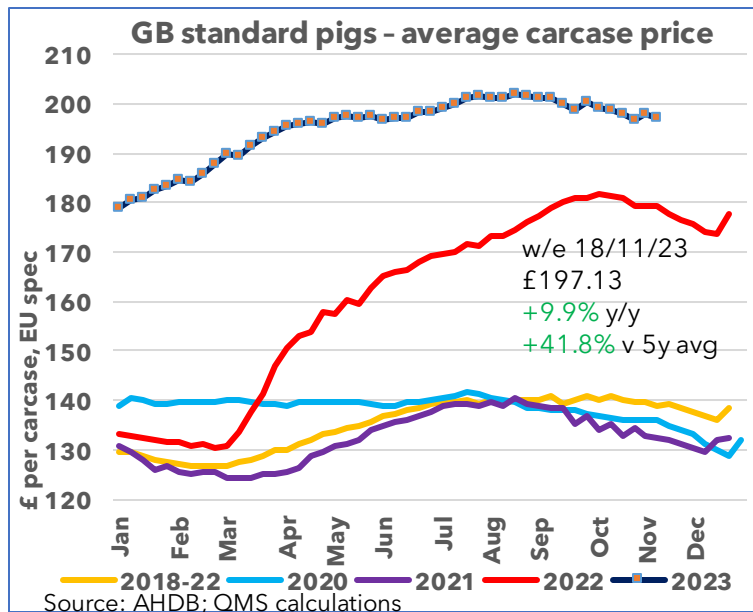
- Farmgate pig prices have continued to slide seasonally, with availability for slaughter and carcase weights seasonally firm. Nevertheless, prices remain up by around 10% year-on-year and by over 35% on the five-year average.
- GB abattoir slaughter continued to fall sharply below 2022 levels in October, reflecting the knock-on effect of a reduced breeding herd. However, England's June census results do now point towards some stabilisation in the sow herd, with prime pig availability likely to stabilise at a lag.
- After rising beyond 2022 levels in September, the number of pigs sent to slaughter from Scottish farms declined in October, with storms in Scotland's main pig producing regions likely to have had some influence on movements. However, Scottish abattoir throughput showed signs of recovery, suggesting some easing of supply chain challenges.
- EU pig prices have steadied in November but a stronger seasonal reduction than in GB has resulted in a wider pricing gap, and placed downwards pressure on UK import prices in August and September. However, EU pig supply remains fundamentally tight, in contrast to a relatively stable and well-supplied global market.
- A rise in net imports compared to 2022 since March has offset the continuing shortfall in domestic output, resulting in a broadly balanced market relative to last year after a tight start to 2023.

Farmgate prices – prime pigs – seasonal price fall continuing but values remain up by 6-10% year-on-year and by 35-40% on the five-year average, supporting slow recovery in producer finances



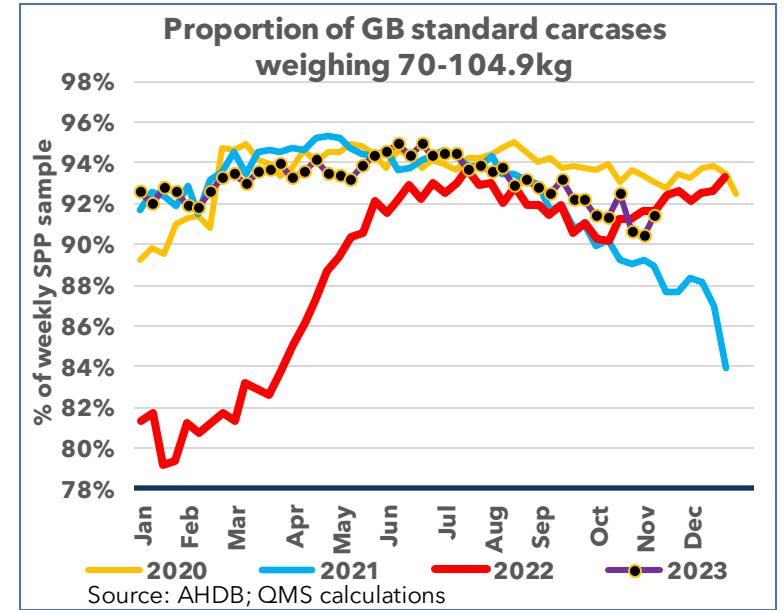
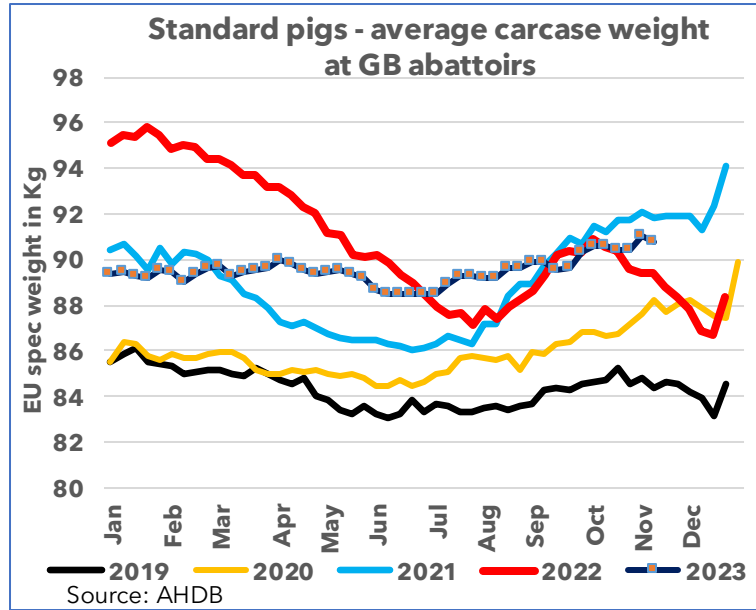
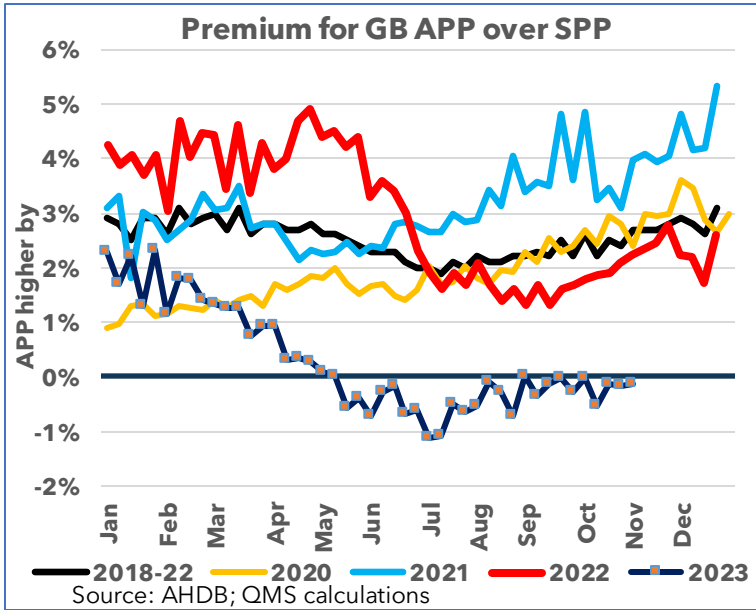
Pig prices have continued to show a slight seasonal trend lower in November, with seasonally firm availability for slaughter and carcass weights supporting a seasonal uplift in production volumes. However, prices have held nearly 10% above year-earlier levels and over 35% above the five-year average.

A seasonal uplift in carcass weights has limited the fall in average price per standard carcass, with it down 2.4% from its summer peak compared to a 3.8% reduction in per kilo prices.



The current combination of farmgate prices and the cost of straight feeds are likely to be supporting some recovery in producer finances from a sustained period of losses. However, energy, labour and interest costs will have risen considerably for many businesses this year, and herd size has reduced. Modelled production costs are just under £2/kg dwt.

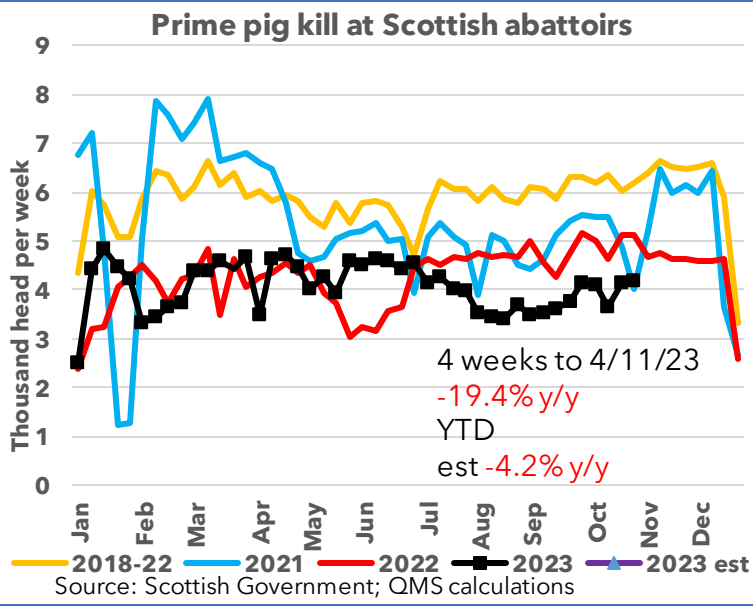
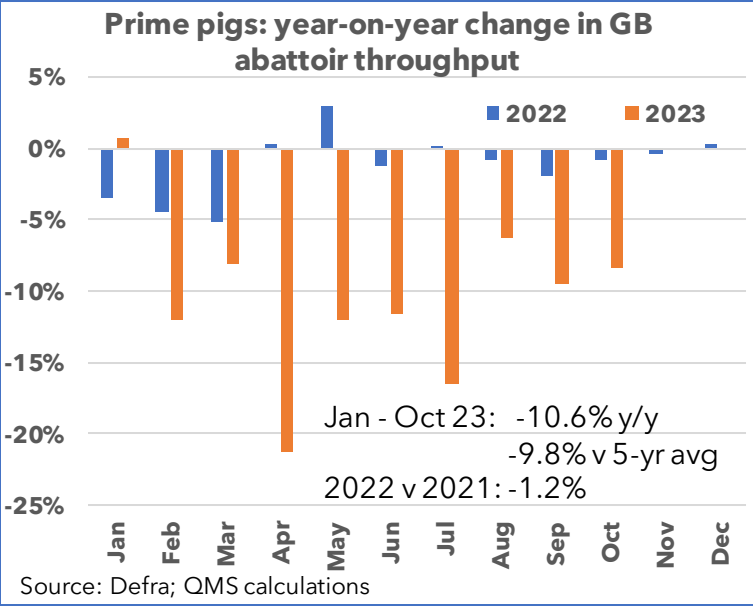
Indicators of market disruption - lack of premium for pigs with specific production characteristics points to tight market. Carcase weights have risen seasonally and are likely to be around their annual peak.



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

Carcase weights have risen seasonally and are likely to be at their annual peak in November. A more normal seasonal pattern in weights has seen the year-on-year increase return in November. However, the share of heavy carcasses in the standard pig price sample has remained elevated above pre-backlog levels, suggesting some legacy impact.

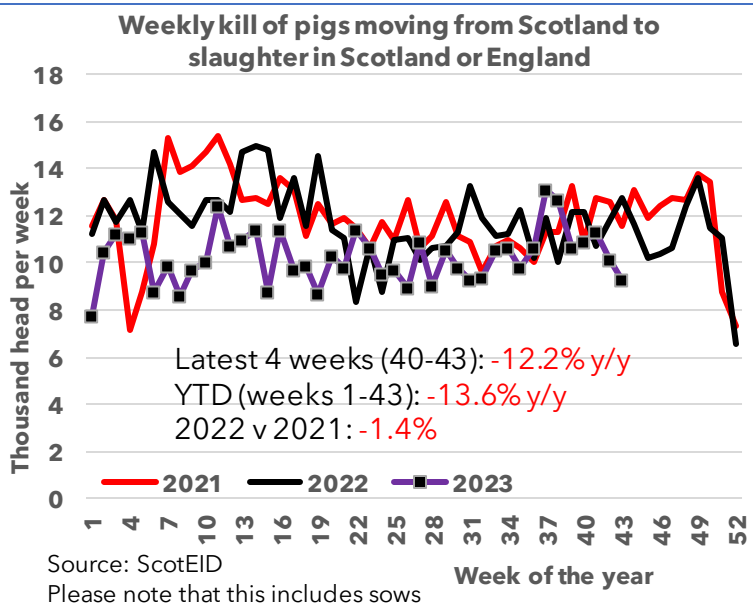
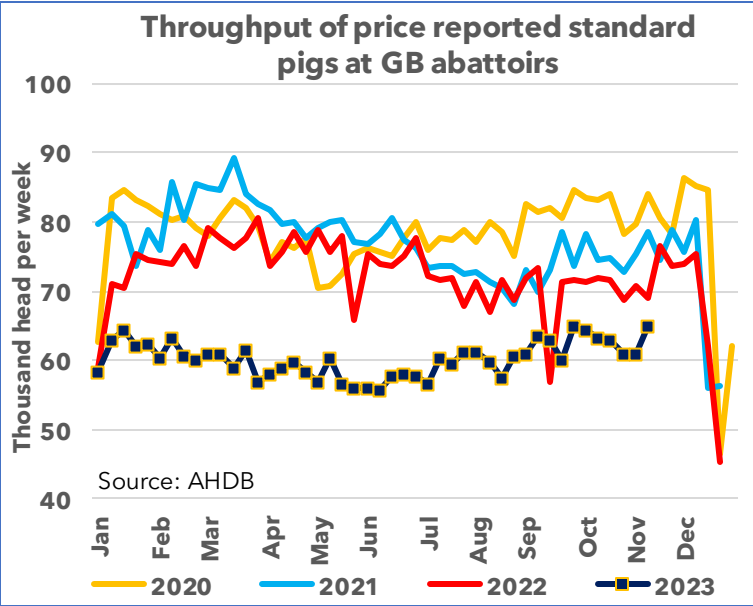
Availability and slaughter – supply remains tight compared to recent years but availability for slaughter likely to rising towards a seasonal peak. Abattoir throughput has shown signs of recovery in Scotland after a sharp year-on-year reduction in Q3.



The contraction of the GB breeding herd due to financial pressures in 2021 and 2022 continues to reduce prime pig production. However, England’s June census results suggested that the sow herd is beginning to stabilise, and this should help slow the year-on-year decline in availability for slaughter. Meanwhile, the standard pig price sample continues to signal a seasonally firm level of availability for slaughter.

After bouncing back above year-earlier levels in September, the number of pigs sent to slaughter from Scottish farms declined again in October. In part, this is likely to reflect challenging weather in Scotland’s main pig producing regions in the second half of the month.

Weekly slaughter at Scottish abattoirs has risen above its August low point suggesting some improvement in supply chain challenges.

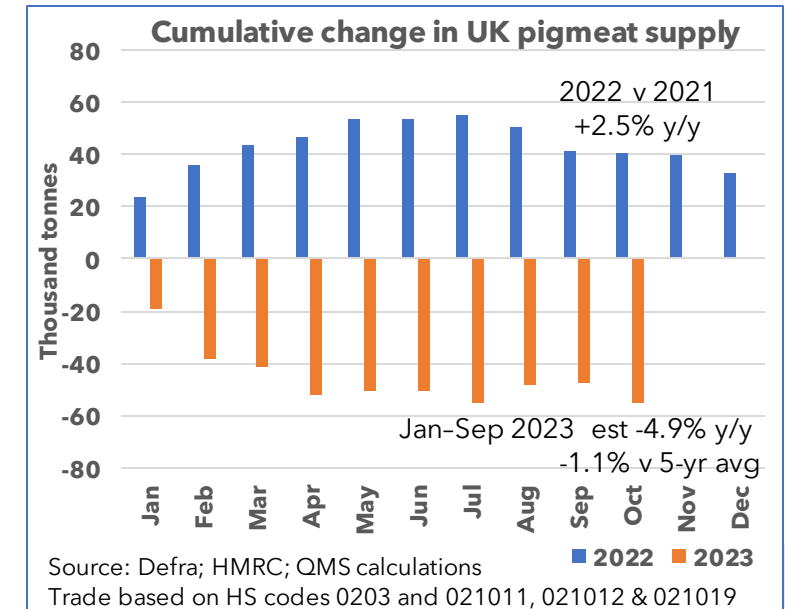
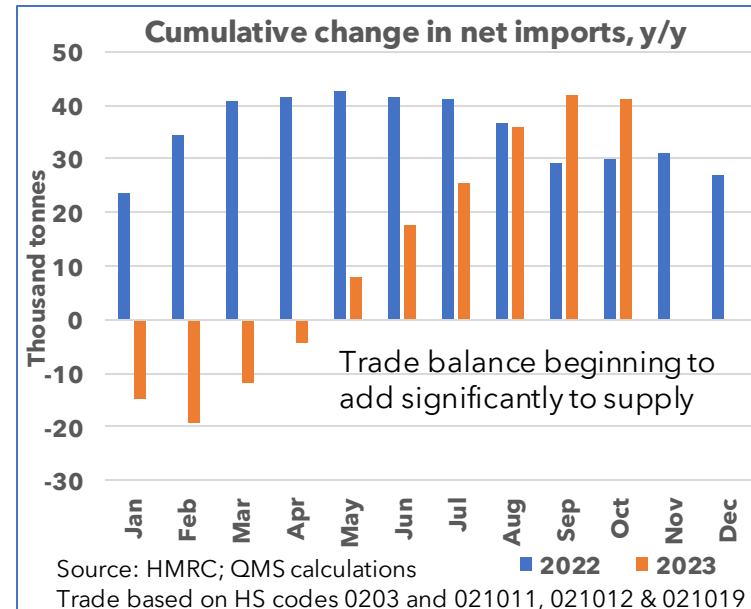
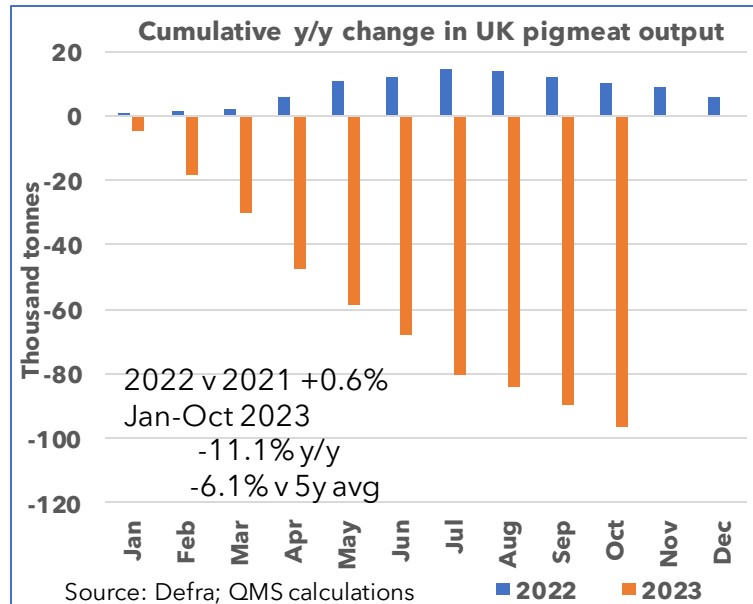
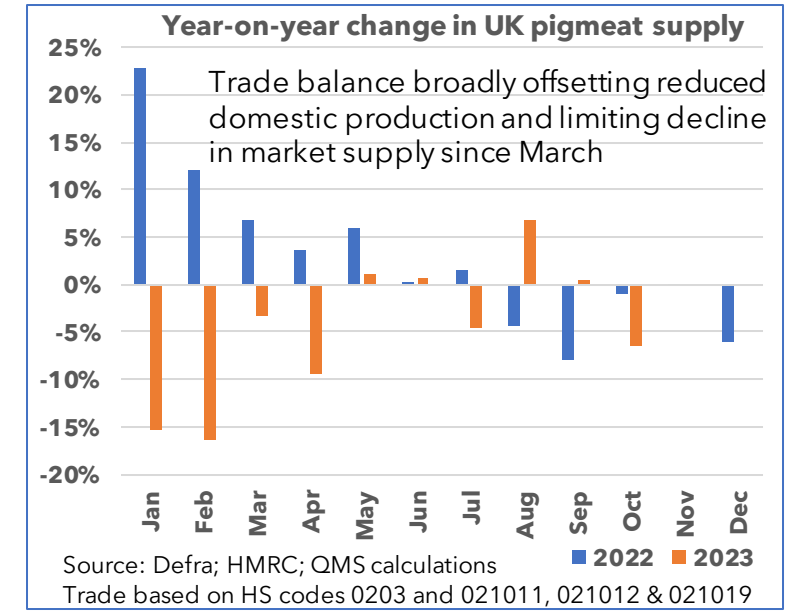
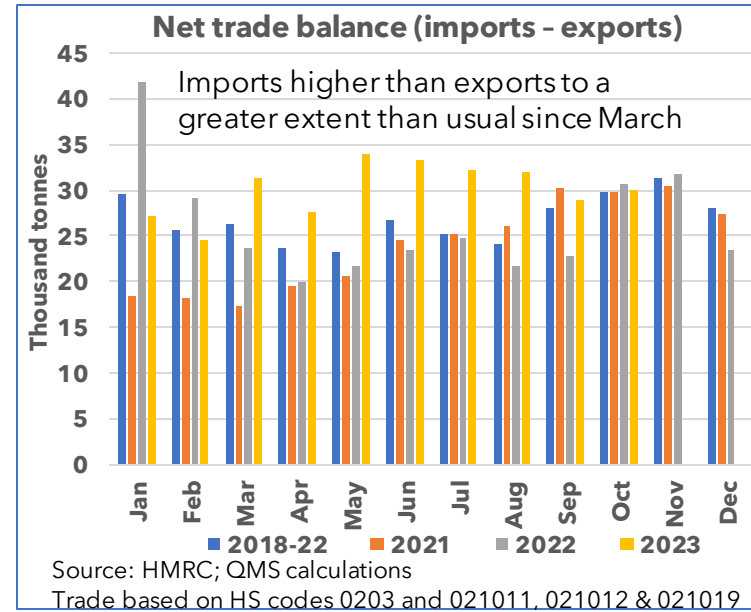
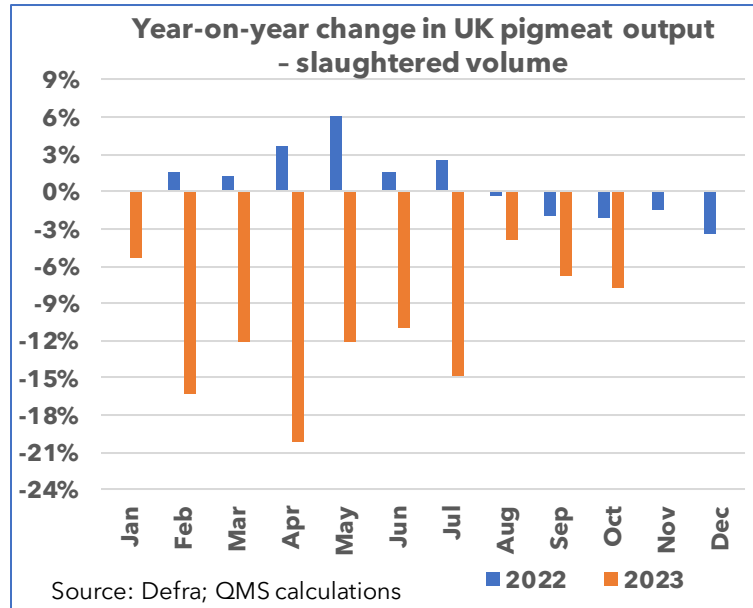


June 2023 Census - Scotland and England			
	Sco v2021	Eng v2021	Eng v2022
Female breeding herd	-5.0%	-17.9%	-1.5% y/y
Fattening pigs	+0.1%	-13.9%	-13% y/y

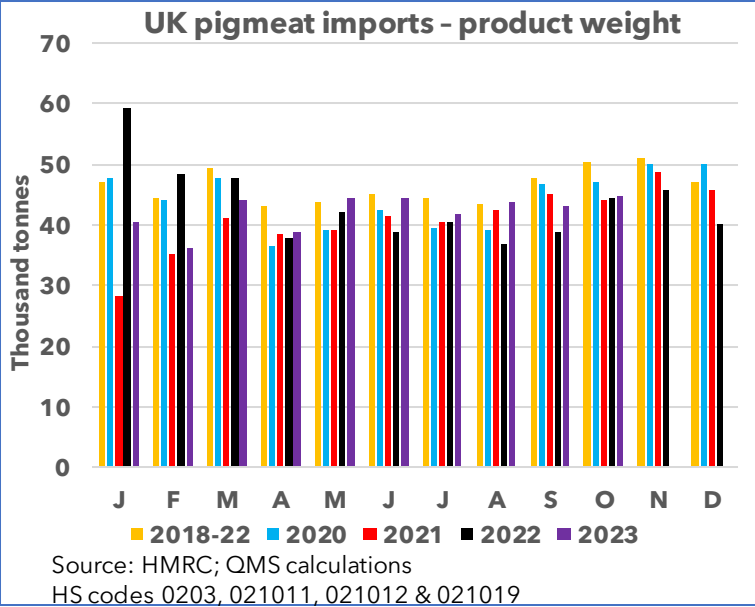
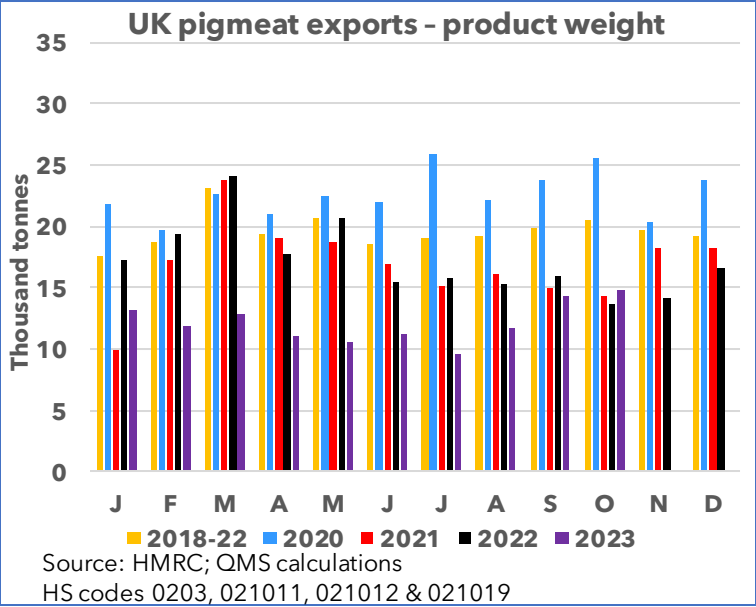
Source: Defra; Scottish Government

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

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



# A focus on UK international trade in pigmeat – imports picking up while exports fall sharply relative to 2022, reflecting tight domestic supply



While tight domestic supply continued to constrain exports in September, the month did show a strong rebound, with volumes reaching a year-to-date high. Meanwhile, imports held above 2022 levels for a sixth month, leading to some recovery in UK pigmeat market supply.

Imports of pork (HS0203) were up 17% on year-earlier levels in September, with this the sixth consecutive month of expansion. Meanwhile, imports of bacon & ham products (HS0210) exceeded year-earlier levels for the third time in four months (+3%).

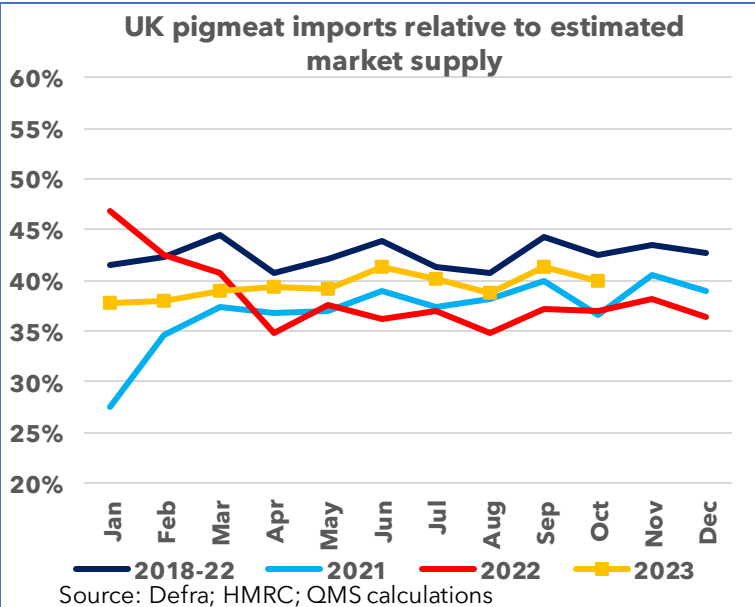
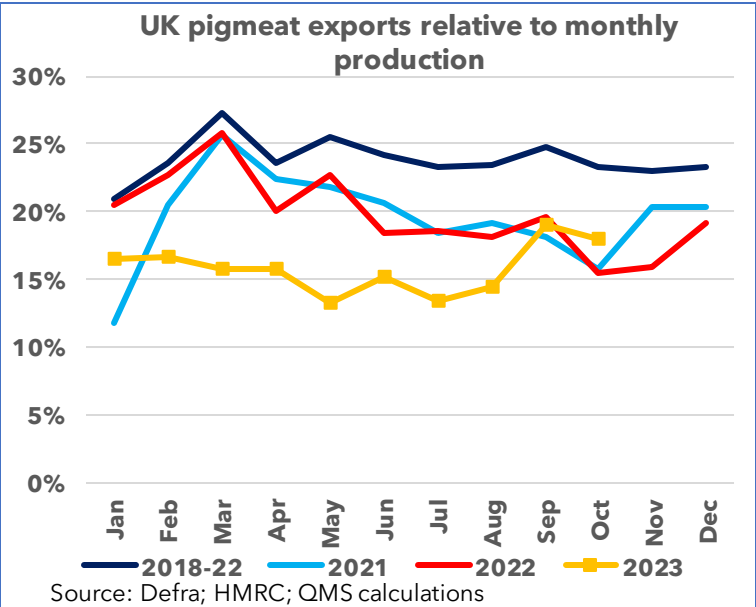
UK pork exports (HS 0203) to the EU jumped to a year-to-date high in September, limiting the year-on-year decline to 3% (compared to -39% so far in 2023).

Exports (HS 0203) to non-EU countries continued to lag well behind 2022 levels, down 28%. Within this total, deliveries to China and Hong Kong were down 20% on last year and accounted for 69% of non-EU trade and 31.5% of overall pork export volumes.

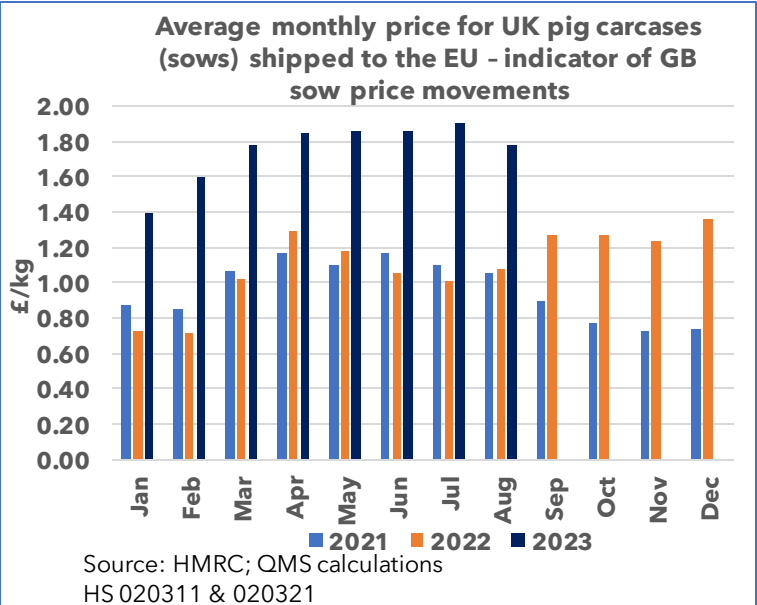
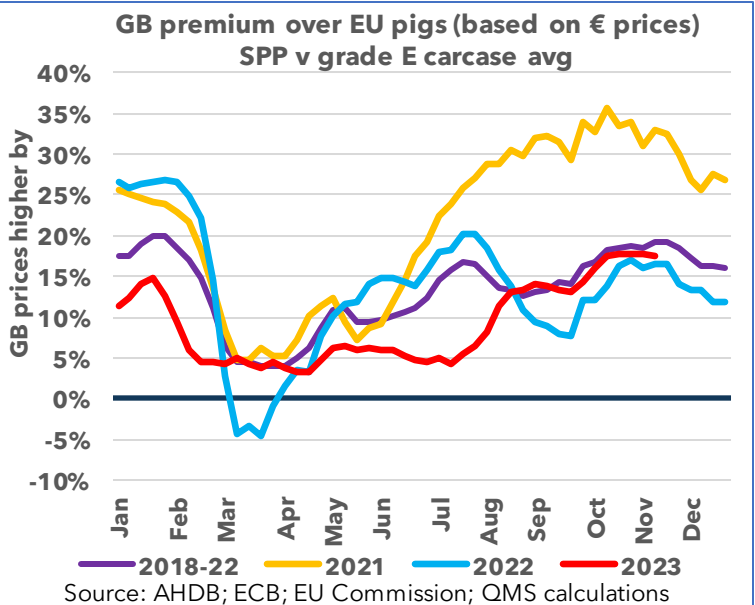
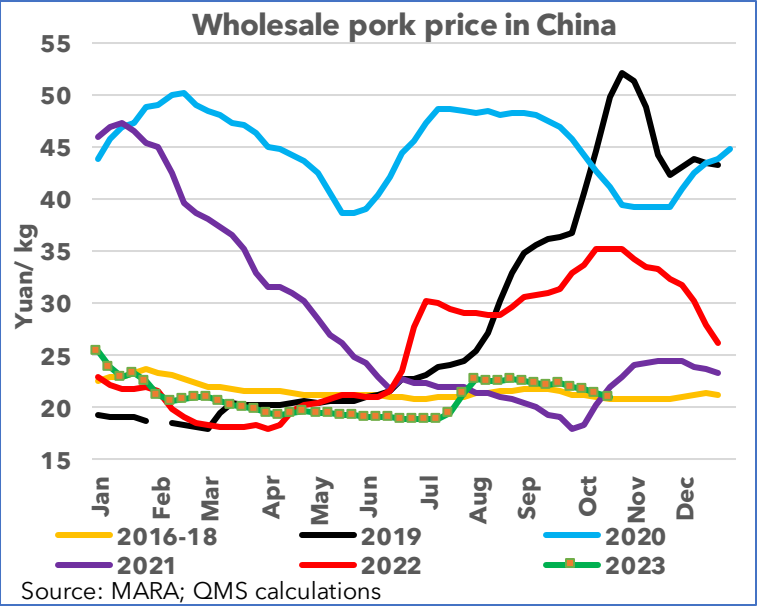
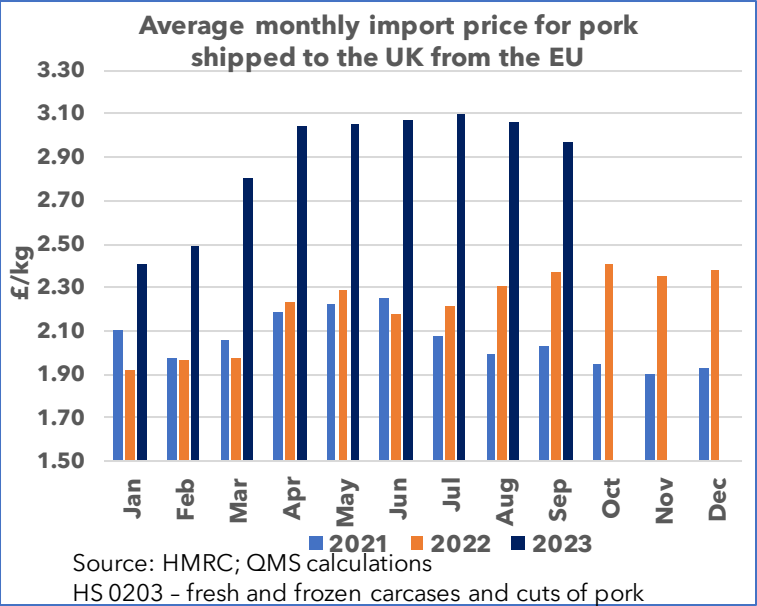
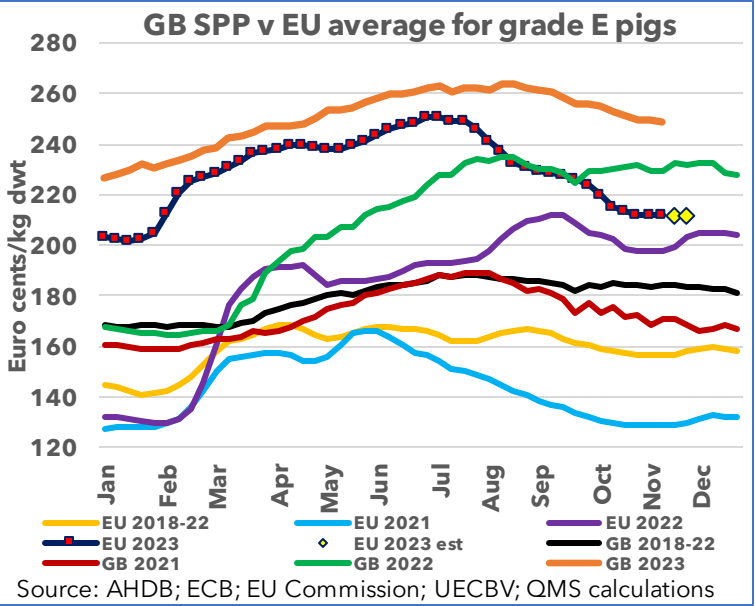
Note:

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

Trade data for October is estimated



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



USDA Global Pork Market Forecasts, October 2023 (million tonnes carcass weight)						
Key indicators	2019	2020	2021	2022	2023	2024
World, production	101.5	96.1	108.0	114.5	115.5	115.5
China, production	42.6	36.3	47.5	55.4	56.5	56.0
All countries, imports	9.3	11.6	11.5	9.80	9.64	9.75
China, imports	2.45	5.28	4.33	2.13	2.28	2.30
EU, production	23.0	23.2	23.6	22.3	21.5	21.2

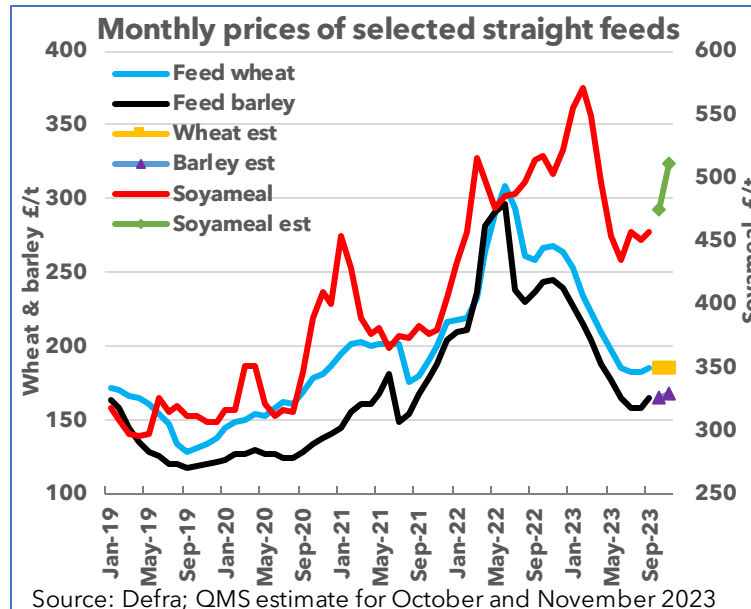
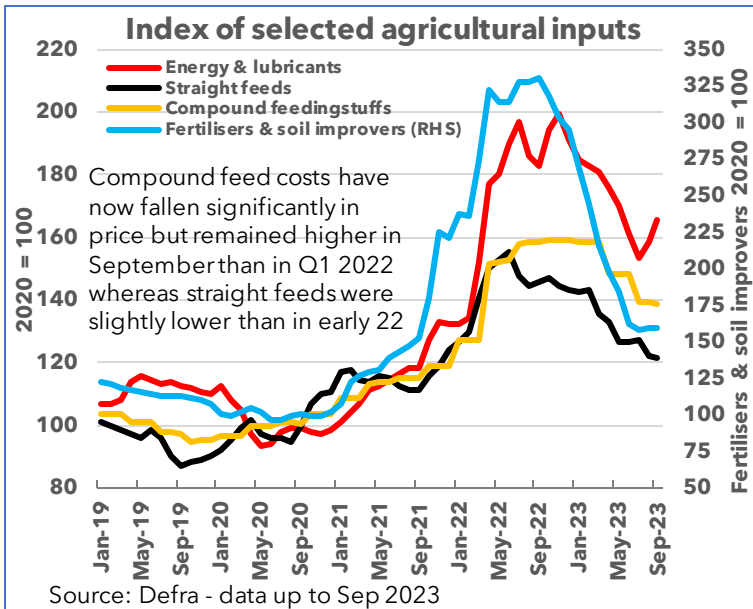
Source: USDA Foreign Agricultural Service

# Summary of economic developments



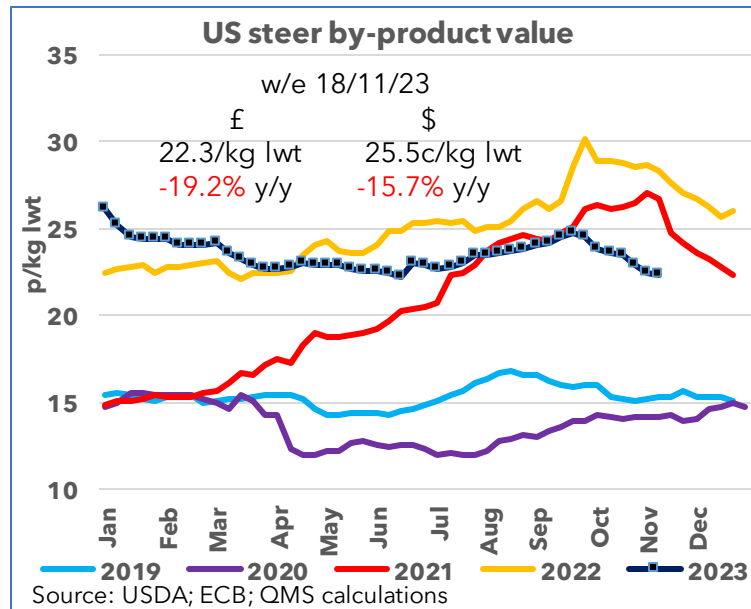
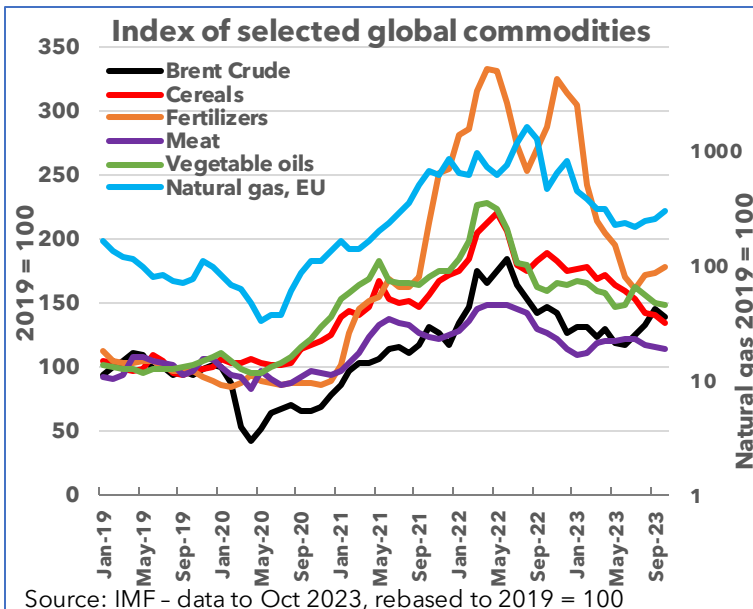
- Commodity prices have mostly dipped back in November after previously rebounding from their summer 2023 lows. Nevertheless, farmers and processors are having to deal with a higher cost base, with wage and borrowing costs rising significantly. For pig producers, a recent spike in protein meal prices is something to watch, although global supply is expected to be strong in 2024.
- Strong average earnings growth has continued to underpin increased retail sales in cash terms and, with inflation rates beginning to slow in many sectors, this should begin to support sales volumes. However, spending has rebalanced towards food stores, with food prices continuing to show above average increases on 2022.
- While the beef retail market showed general weakness in September and October after recovering relative to 2022 in July and August, steak sales showed growth, despite their higher price point. Sharp pork price rises are weighing heavily on sales volumes, but this also reflects tight supply, and the pressure has begun to ease. Lamb retail prices have been similar to 2022 levels, supporting an improvement in sales volumes.
- Consumer confidence improved in November, likely supported by wages outpacing inflation and fears easing over the potential knock-on effects to energy prices from conflict in the Middle East.
- PMI surveys are signalling a slight economic contraction in the UK, with demand softening in services and deteriorating further in manufacturing. However, a fall in employment in spring 2023 appears to have been short-lived and wage pressures remain considerable, supported by cost-of-living increments, particularly in the public sector.

# Production costs and by-product revenues



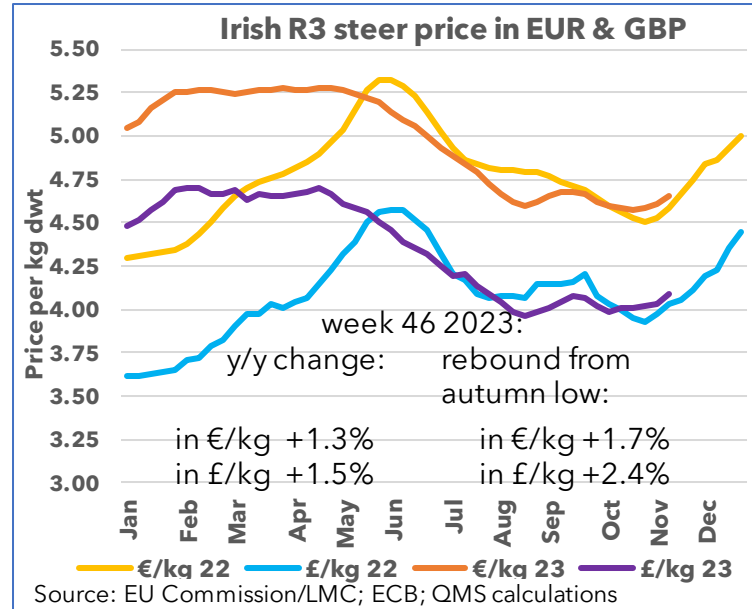
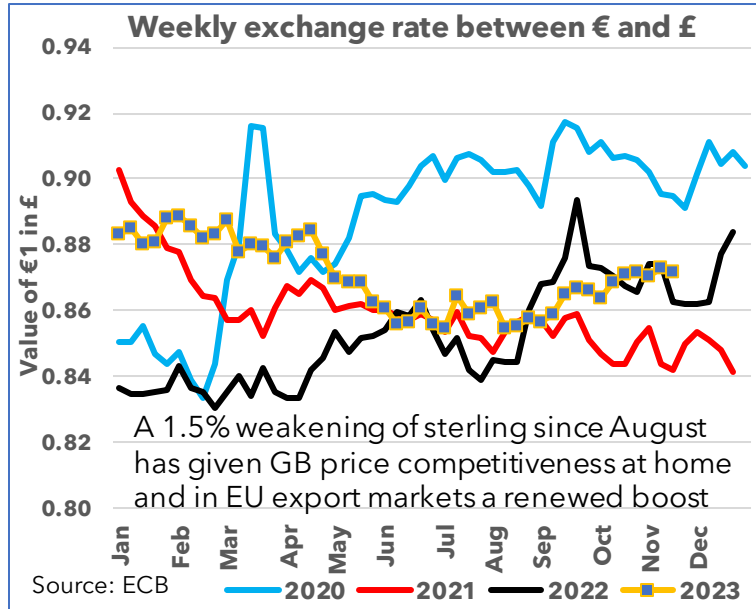
Commodity prices have fallen from the highs of 2022, but many are still well above pre-covid levels, meaning that businesses have a higher cost base to manage. After some rebound since the summer, crude oil and natural gas prices have dipped in November, but they do remain above their summer low point.

A well-supplied global grain market continues to keep prices in check, although there are some concerns for harvest 2024 in Northern Europe, with a wet autumn having a negative impact on planting. Although another record Brazilian soyabean crop is expected and Argentina is expected to see a sharp rebound in production and exports in the coming season, soyameal prices have jumped higher as dry weather in key growing areas of Brazil is resulting in some downgrades to production forecasts, plus there has been strong demand from China. However, it is possible that a weaker US dollar could lead to some reversal in this recent price spike for imported soya.

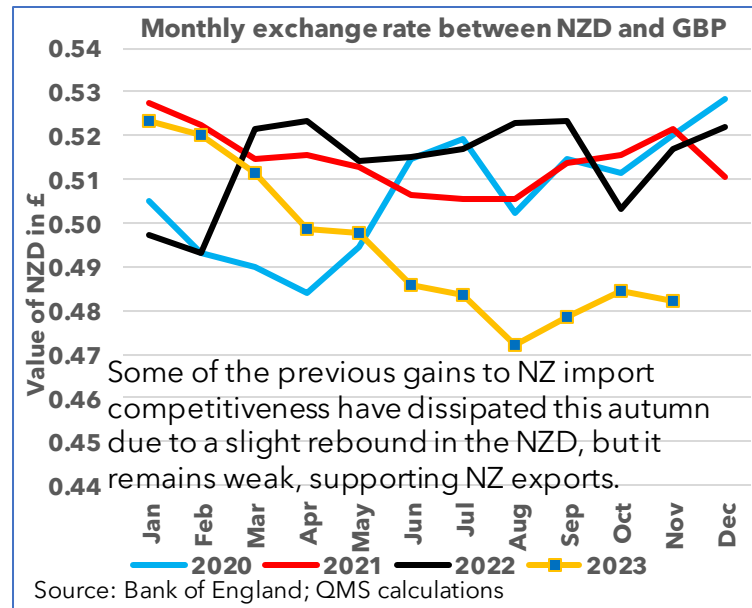
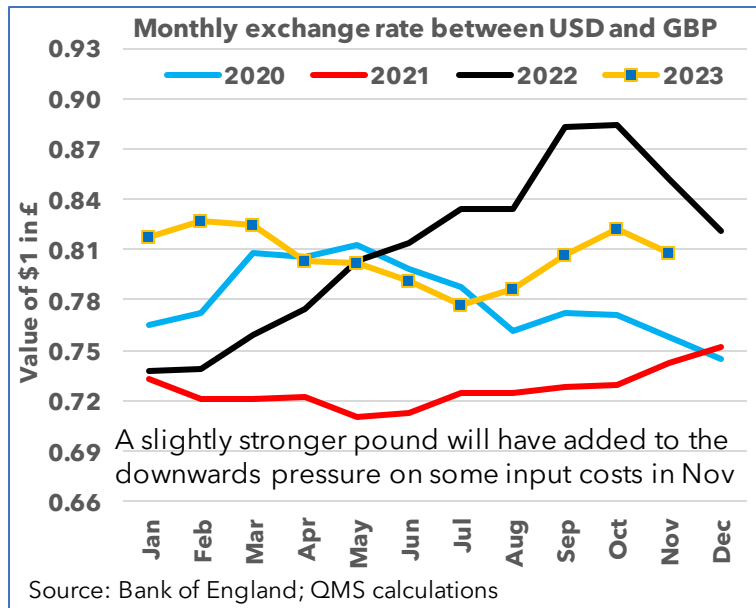


In the US, by-product value has softened significantly from its autumn peak, with lower hide and oil prices having an influence, widening the year-on-year price deficit. Currency movements meant that hides were down 15% on 2022 in GBP in late-November compared to an 11% reduction in USD.

# Exchange Rate Movements – expectations that UK interest rates have peaked has led to a softening of sterling against the euro, providing some support to the competitiveness of domestic products this autumn

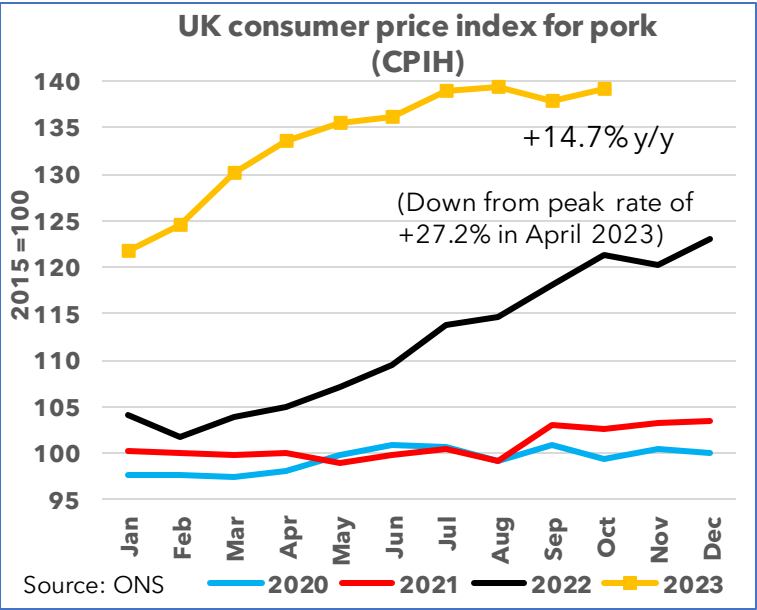
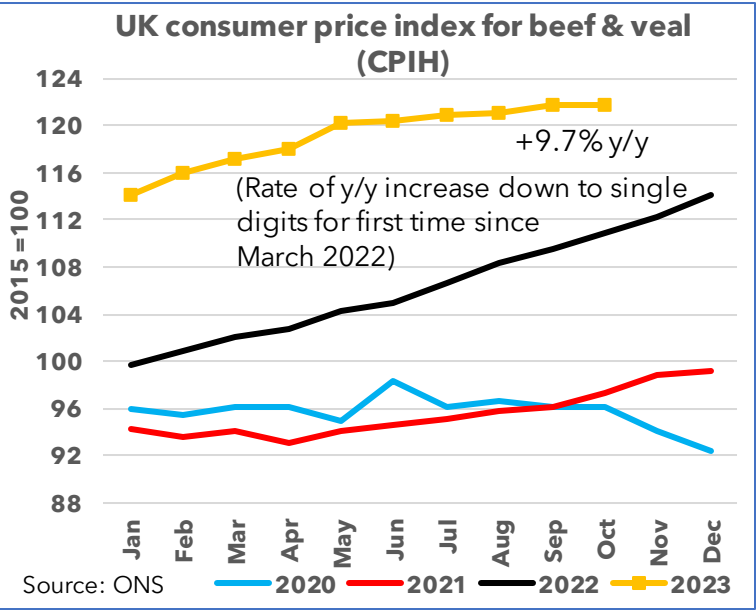


After some rebalancing earlier in the autumn, reflecting expectations that UK interest rates may now have reached their peak given the slowdown in UK inflation, sterling has been relatively stable against the euro in November. Nevertheless, the Bank of England is of the view that price and wage-setting decisions have more of an upside bias since the pandemic. It is also of the view that weak business investment since the Brexit vote means that prices are likely to rise in response to increased demand rather than for production to expand. As a result, they remain cautious with interest rate policy to try and get inflation down towards the 2% target.



US economic data has remained relatively firm in 2023 but a slowdown in US inflation has limited expectations for further interest rate rises, leading to some dollar softness. While now below its summer peak against the dollar, sterling is significantly stronger than in autumn 2022 when UK fiscal policy announcements led to a devaluation. A weaker USD than a year ago has softened input costs but is also likely to have eased UK returns on dollar-denominated exports to non-EU countries. For example, an export price of \$5,000/t would have returned £4,260 in November 2022 but £4,040 in November 2023 (-5%).

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

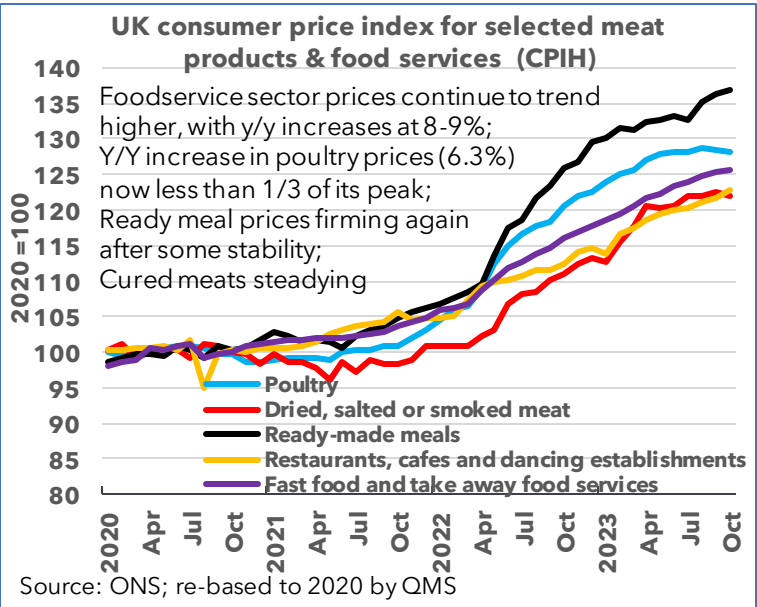
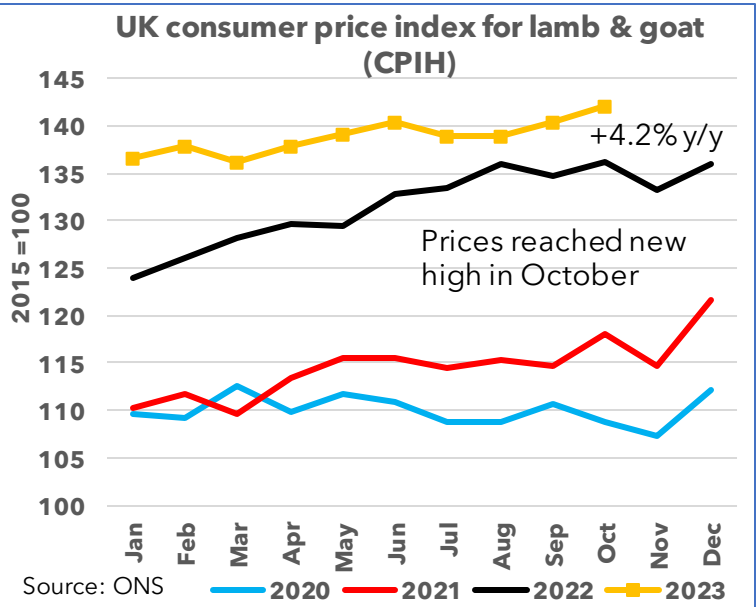


Retail demand remains firm overall with rising UK wages (+8.51% y/y in Jun-Aug) supporting the overall amount of money spent on groceries. However, sharply higher prices continue to limit sales volumes.

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

Lamb remains an expensive protein despite its average price now steadying. However, value and volume growth point to an improved level of demand.

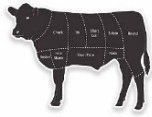
Pork retail prices continue to show sharp year-on-year uplift as previous rises in farmgate and import prices pass through the supply chain, squeezing sales volumes in line with tight supply. However, the pace of price increase has slowed significantly from its peak.



Y/Y change in GB retail sales reported by Kantar in 12 weeks to 1/10/23			
	Value	Volume	Avg price per kilo
Fresh beef	+11.8%	+1.1%	+10.6%
Fresh lamb	+4.3%	+3.7%	+0.6%
Fresh pork	+12.0%	-7.2%	+20.7%
Fresh poultry	+13.1%	+4.2%	+8.6%
Total grocery market	+8.9%	-1.7%	+10.8%
Source: Kantar			

# Retail demand and prices

- beef and pork prices continue to show strong year-on-year increases, limiting sales volumes, but lamb sales improving across GB. Beef underperforming in Scotland but soft September and October across GB.



## BEEF

12 weeks to October 29 2023



## LAMB

12 weeks to October 29 2023

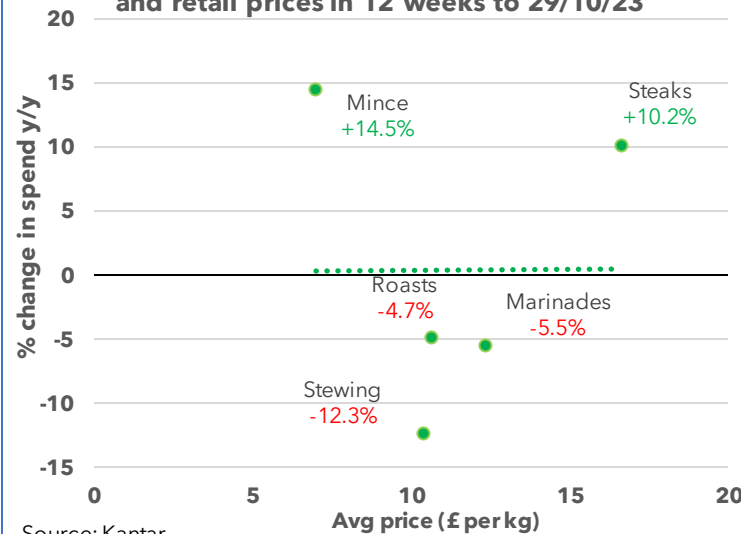


## PORK

12 weeks to October 29 2023

	GB	Scotland	GB	Scotland	GB	Scotland
<b>Value (£m)</b>	542.8 (+6.6% y/y)	55.0 (+1.5% y/y)	113.7 (+1.0% y/y)	7.0 (+10.0% y/y)	208.5 (+7.1% y/y)	15.9 (+21.7% y/y)
<b>Volume (t)</b>	56,115 (-4.2% y/y)	5,552 (-8.2% y/y)	9,759 (+1.5% y/y)	569 (+7.4% y/y)	32,024 (-9.6% y/y)	2,375 (+1.6% y/y)
<b>Avg price (£/kg)</b>	9.67 (+11.2% y/y)	9.91 (+11.3% y/y)	11.87 (-0.5% y/y)	12.22 (+2.5% y/y)	6.51 (+18.4% y/y)	6.68 (+19.8% y/y)
<b>Penetration*</b>	67.5% (-2.1% y/y)	71.0% (-2.1% y/y)	22.6% (+3.8% y/y)	16.1% (+11.8% y/y)	44.8% (-3.5% y/y)	41.2% (+1.7% y/y)
<b>Frequency**</b>	4.4 (-1.5% y/y)	4.5 (-3.0% y/y)	2.4 (+0.1% y/y)	2.3 (+2.1% y/y)	3.0 (-2.6% y/y)	2.9 (+9.0% y/y)

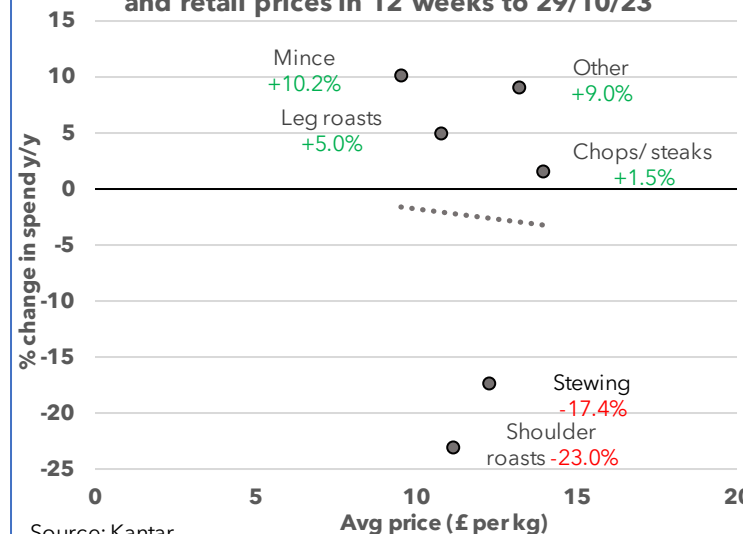
Relationship between GB household spending on beef and retail prices in 12 weeks to 29/10/23



Source: Kantar

- Slowdown in steak price increases supported 7% y/y lift in sales volumes.

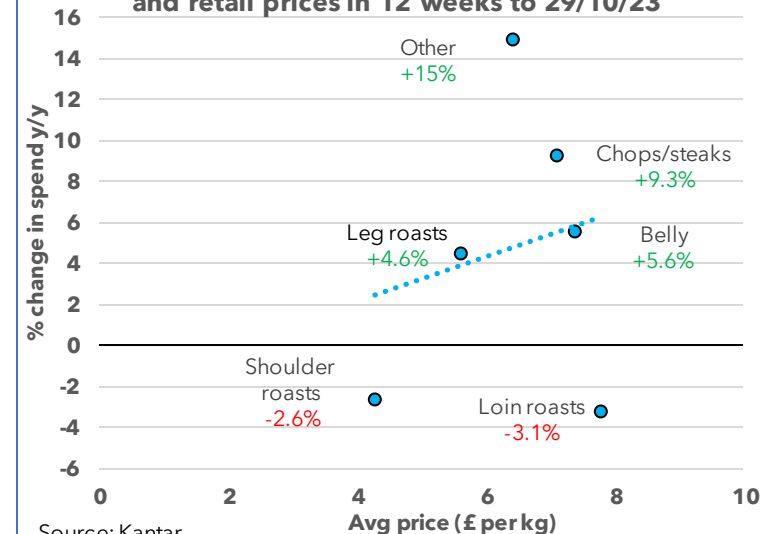
Relationship between GB household spending on lamb and retail prices in 12 weeks to 29/10/23



Source: Kantar

- Lamb mince and leg roasts performed strongly, with volumes up 9% y/y.

Relationship between GB household spending on pork and retail prices in 12 weeks to 29/10/23



Source: Kantar

- 'Other' cuts the only category to show any volume growth slower price rises.

Data covers sales of fresh and frozen unprocessed red meat

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

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

**Economic indicators** – mixed picture with business surveys pointing to reduced activity, but the labour market appears to have steadied after a fall in spring 2023 and consumer sentiment is better than in autumn 2022 and spring 2023. Wage growth is now significantly above inflation, which has slowed sharply, but the cost of living is still rising.

