

# QMS Monthly Market Update - September 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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**QMS**  
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# Summary of market developments – beef market

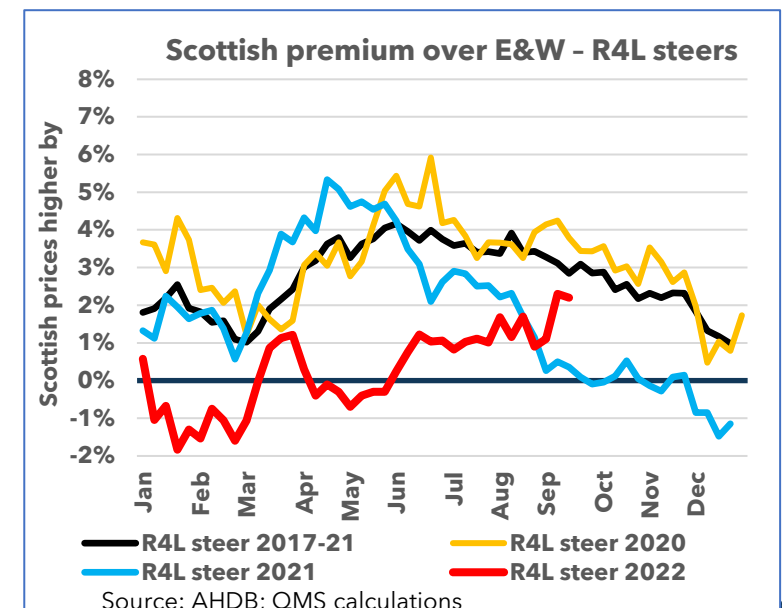
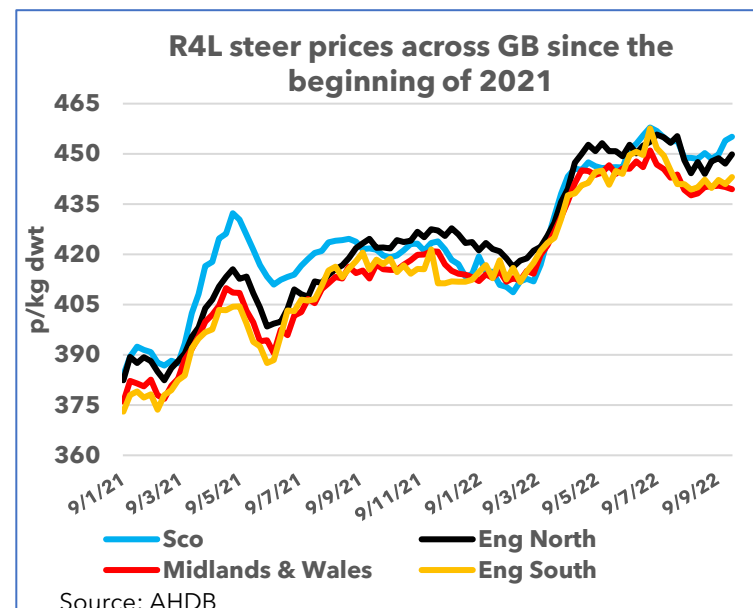
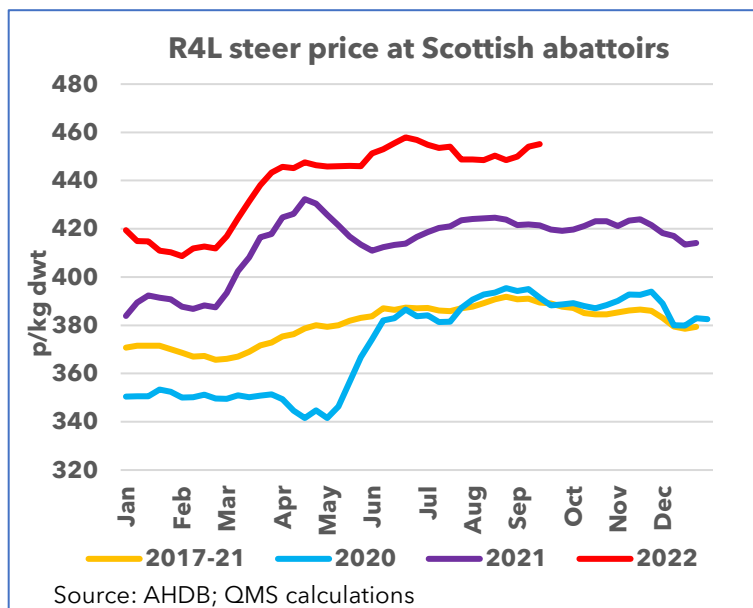
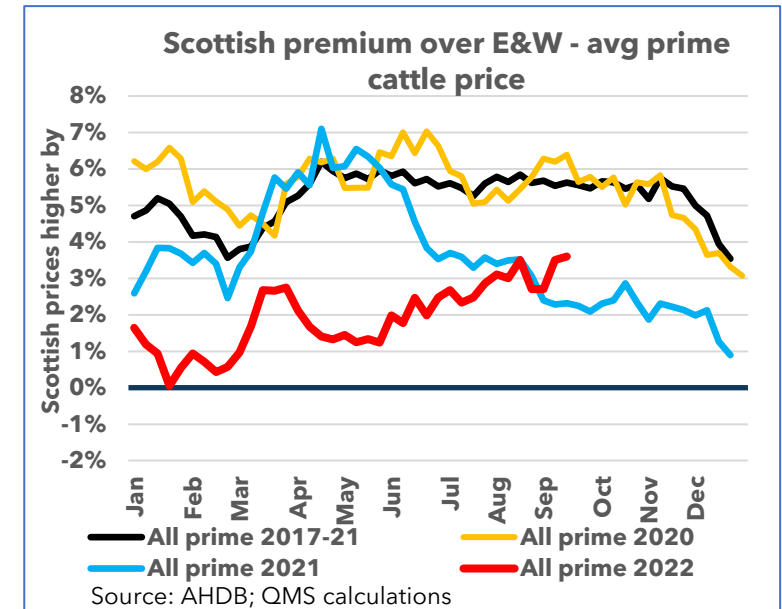
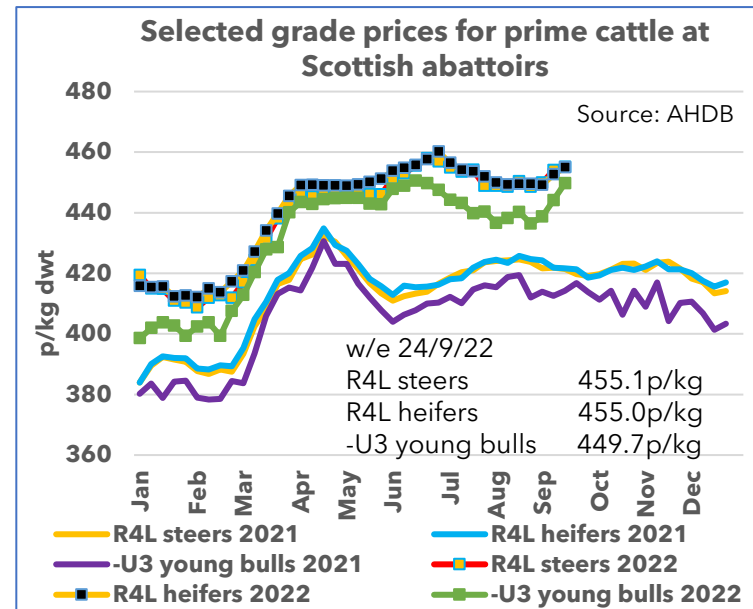
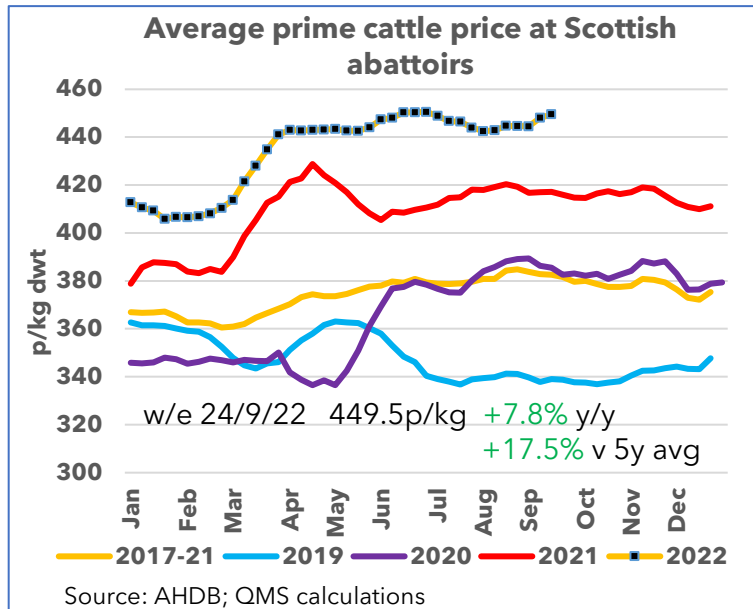


Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
R4L steer price at Scottish abattoirs	p/kg dwt, w/e 24 September	455.1	+1.1p	+1.1%	+8.0%	+16.9%
Prime cattle slaughter at reporting Scottish abattoirs	Average in four weeks to September 24, head procured deadweight	5,814		-4.5%	-8.1%	-8.6%
Store price at Scottish auctions for steers aged 12-18 months	Average in four weeks to September 24, £ per head	£1,137		+5.3%	+3.4%	+13.7%
UK beef market supply	Tonnes in June-Aug 2022 (estimate)	239,000			-5.6%	-7.2%

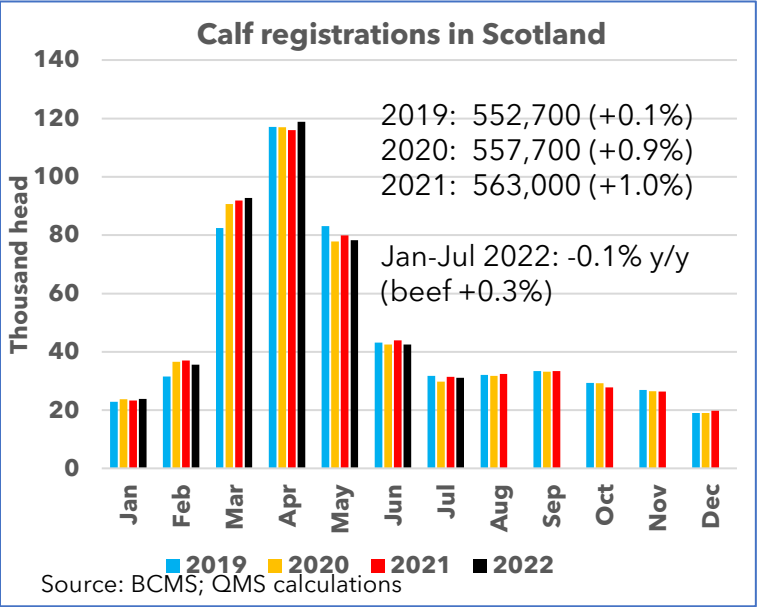
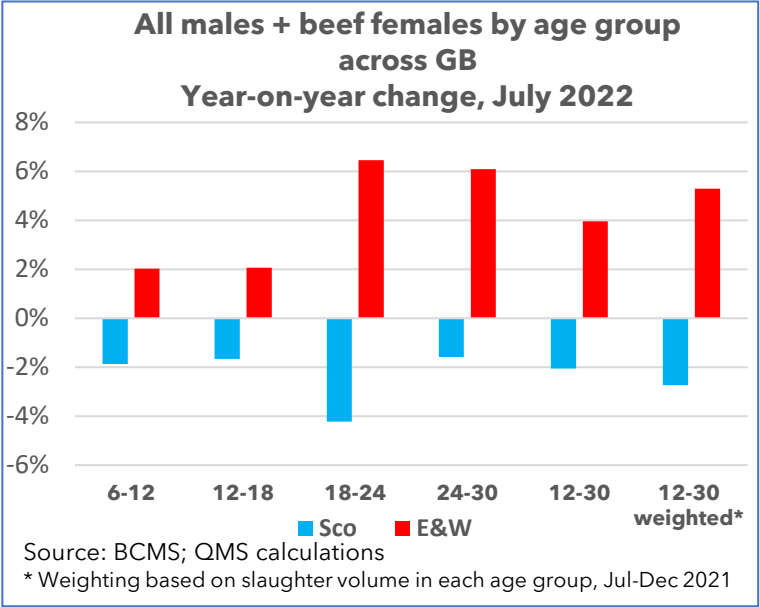
- Prime cattle prices have rebounded in September, closing in on their record highs of late June and early July, moving 8% above year earlier levels and around 17% above the five-year average.
- Based on July population data, prime cattle availability has tightened relative to 2021 in Scotland, down 2% in the 12-30-month group, while picking up by 4% in England & Wales, partly driven by an increased flow of store cattle from Scotland to England in the first half of the year.
- During the summer, UK export volumes held firm relative to a fall in domestic production, while a reduction in imports by 13% through June and July appears to have resulted in a significant tightening of overall beef supply.
- Cow prices have rebounded slightly in September having previously shown some seasonal decline and remain much closer to prime cattle prices than usual. There is some evidence of an increase in cow throughput in 2022 so far and this may have led to an uptick in the pace of decline in Scotland's beef herd with estimates putting this at a 1.5% decline so far this year.
- The main autumn store cattle selling period has begun with a lift in value of around 4% year-on-year for the 12-18-month age group while prices for longer keep stores have softened.



# Farmgate prices - prime cattle - firming more strongly in Scotland, potentially reflecting tighter availability



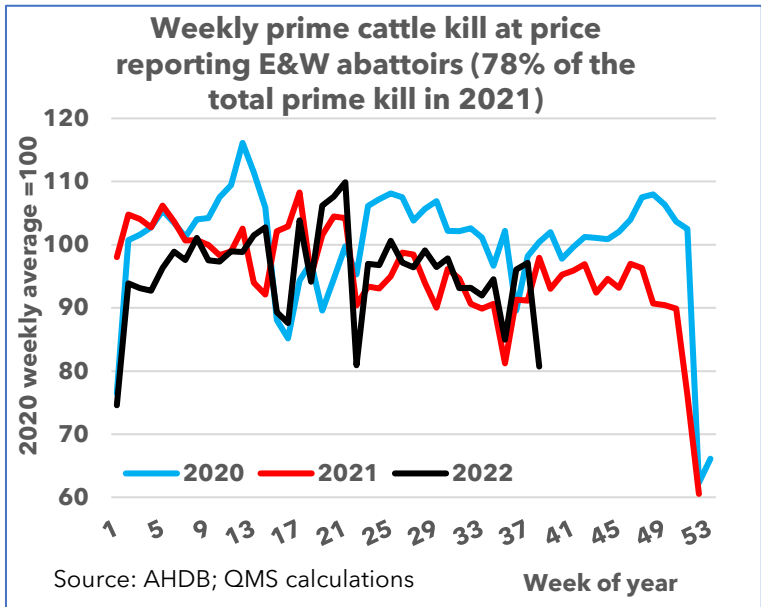
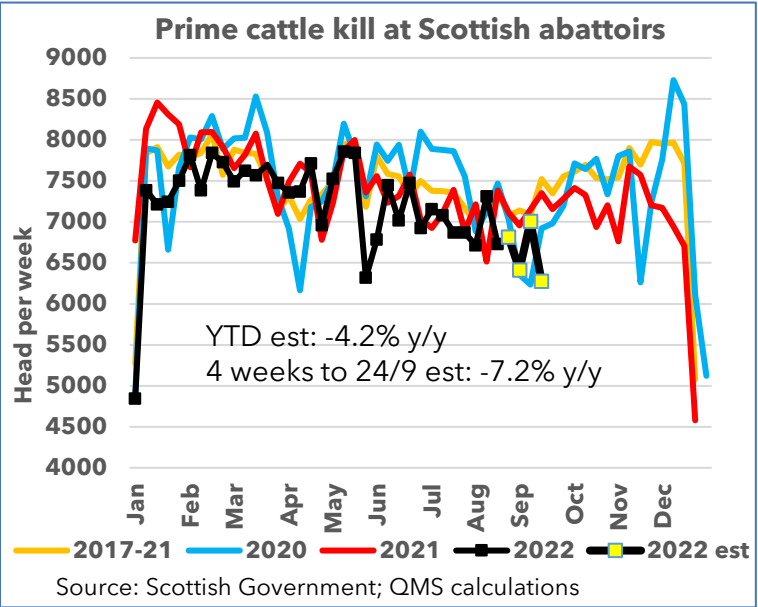
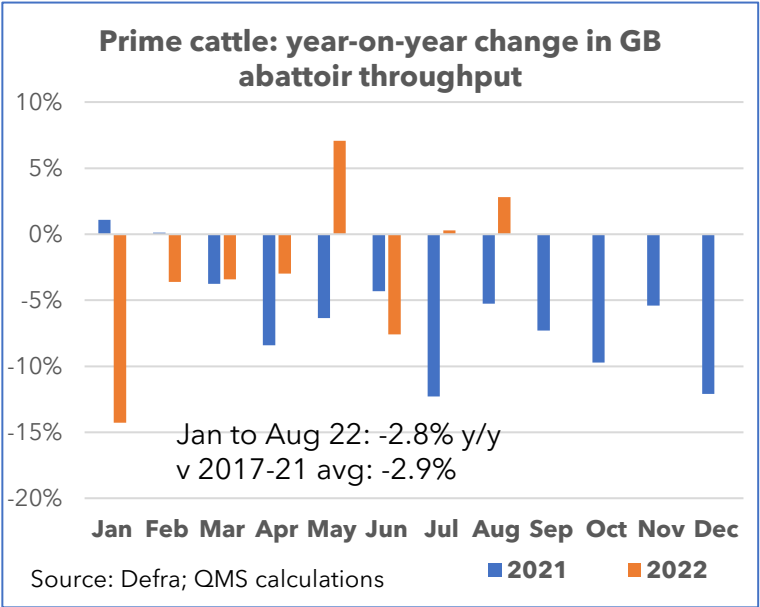
Availability and slaughter – fewer prime cattle on Scottish farms in contrast to a significant increase in E&W



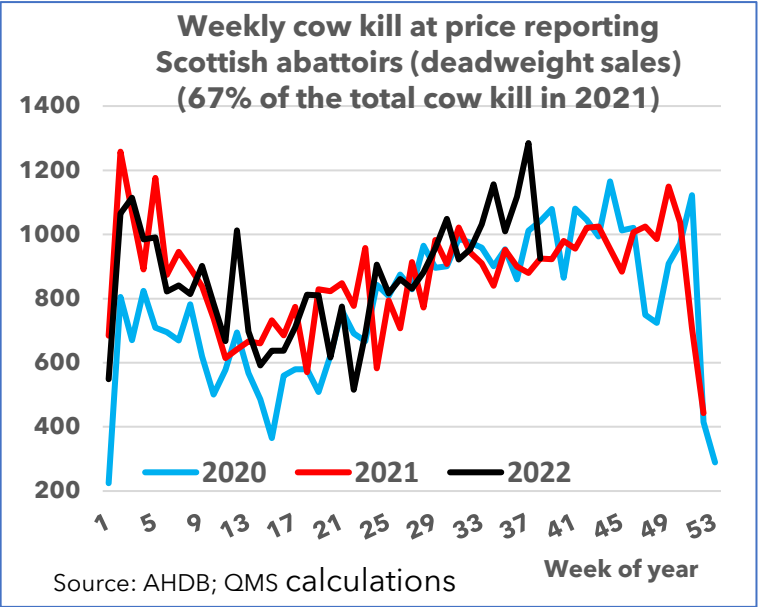
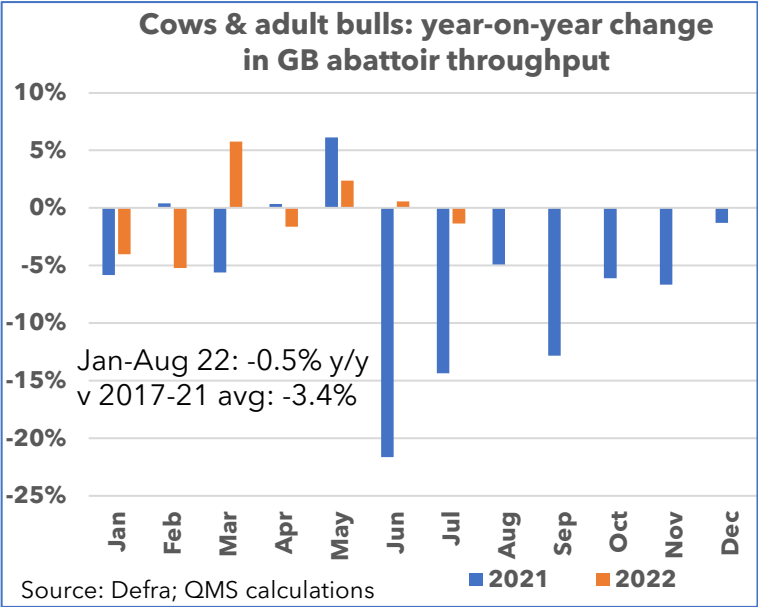
BCMS cattle population data for July indicates that prime cattle supply has fallen on Scottish farms relative to last year while now picking up strongly in England & Wales.

Abattoir capacity in Scotland has continued to face challenges from tight labour supply while the increased flow of store cattle to English farms seen in 2021 has accelerated in 2022, potentially driven by the reduction in the suckler herd in England in recent years.

A reduced pool of slaughter cattle in Scotland compared to last year is likely to generate firm competition for stock, although demand for cattle on Scottish farms from English abattoirs may soften given the significant increase in availability in England & Wales.

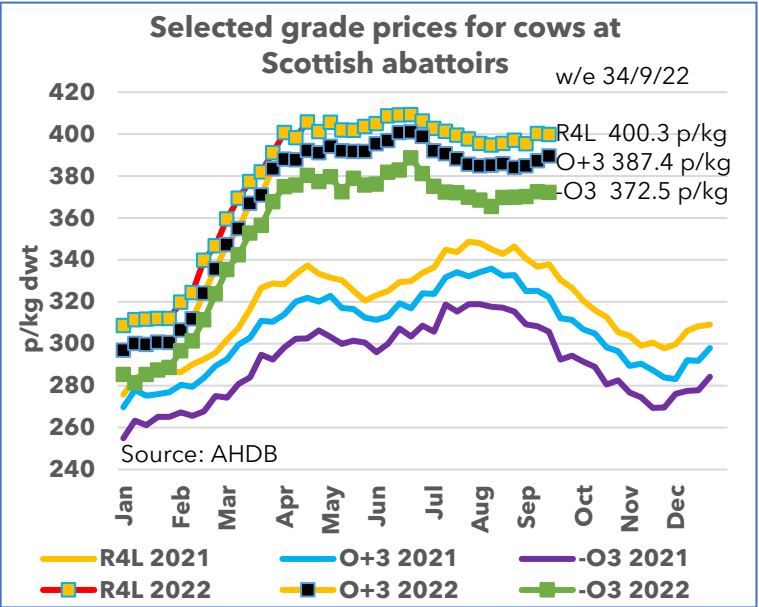
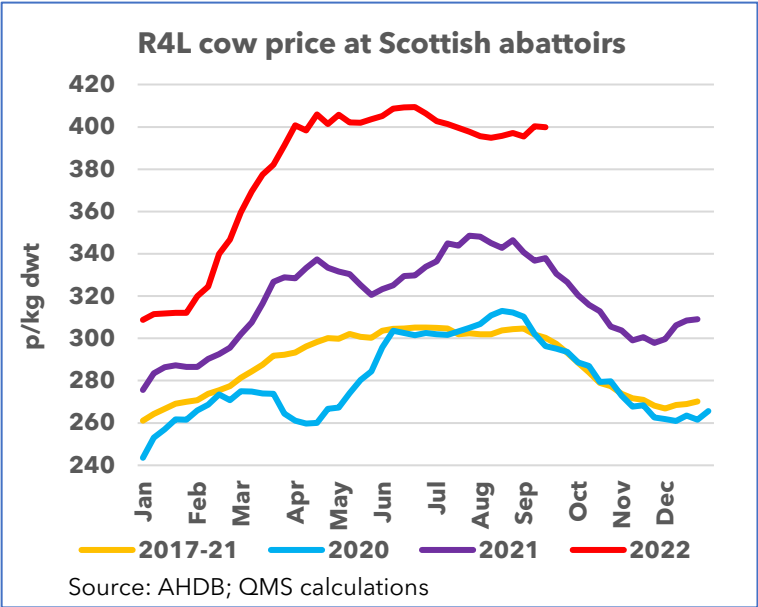


# Mature cattle market – softening seasonally, with some evidence of herd reduction



While around 10% more cows have been sold at Scottish auctions and 6% more handled by Scottish abattoirs than in 2021 so far this year, the year-on-year decline in females over 30 months on Scottish farms has risen gradually rather than dramatically. The next cattle population data for October 1<sup>st</sup> is due in mid-November and will provide a further indicator on the scale of herd decline.

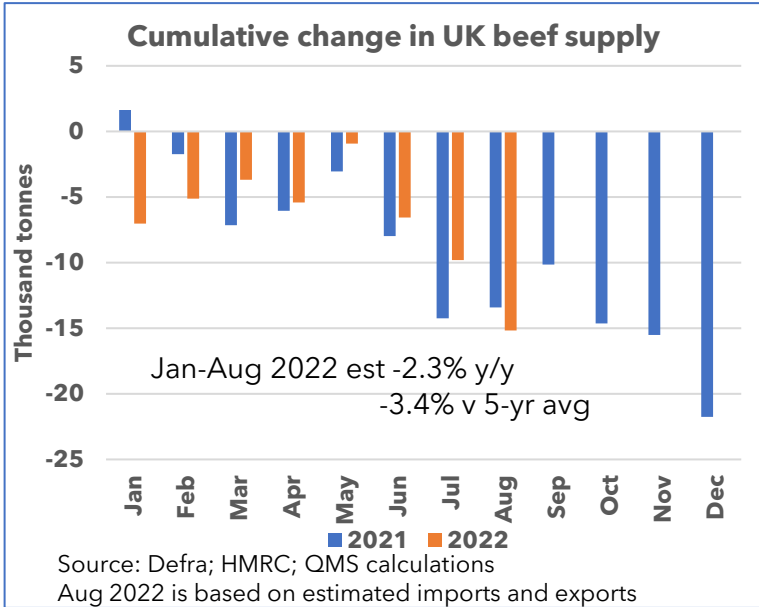
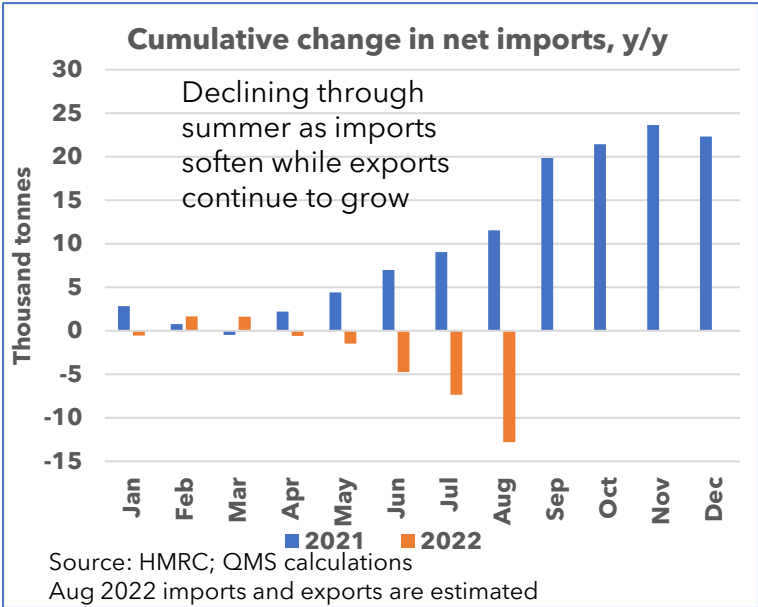
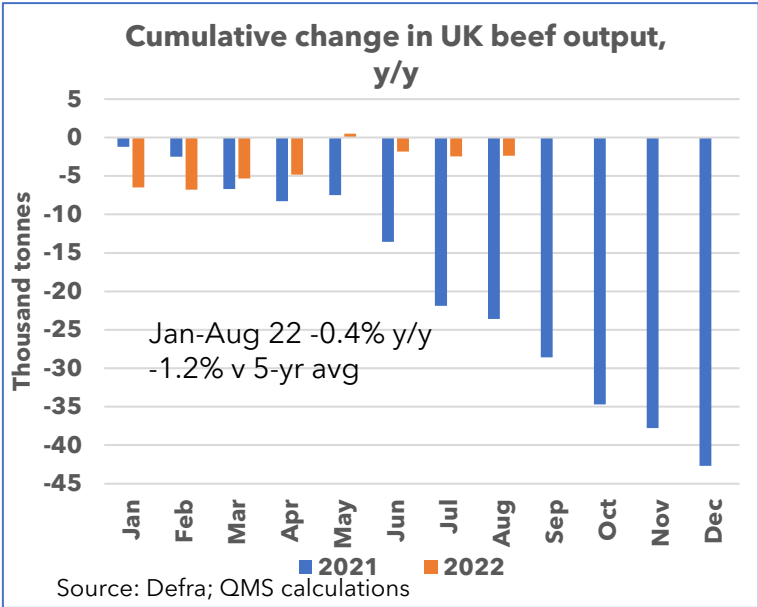
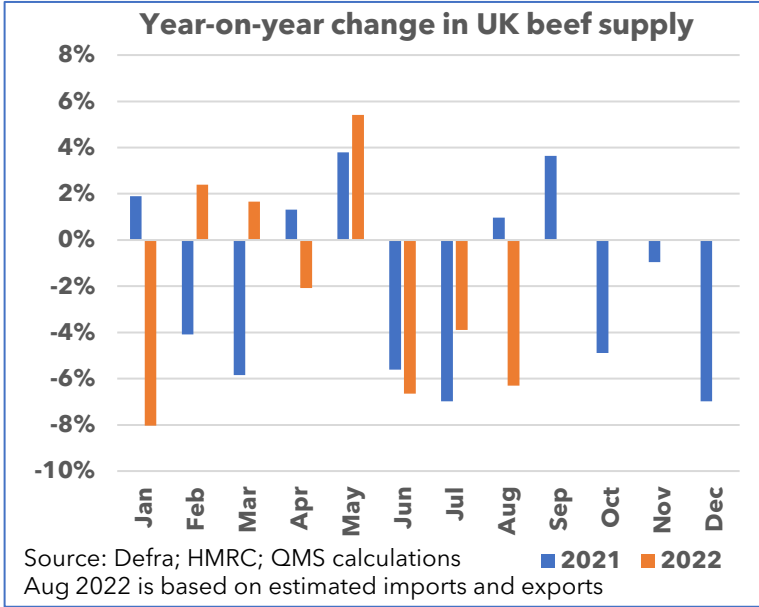
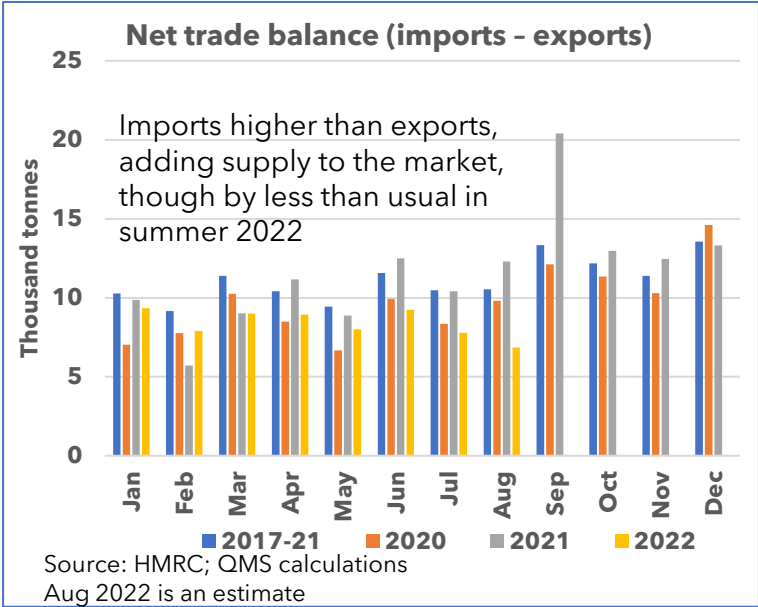
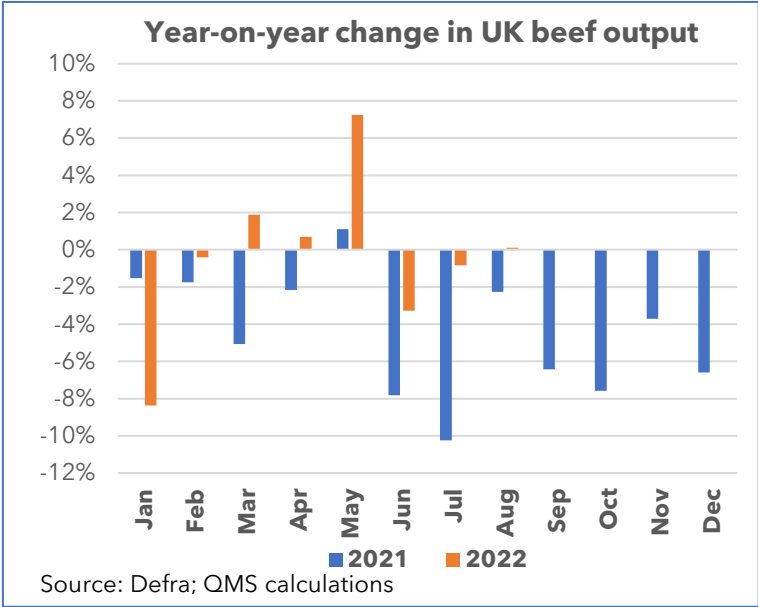
Cow prices have seen some upwards pressure in September against the seasonal trend, potentially driven by tight overall UK beef supply and firm demand for cheaper manufacturing grade beef due to the cost of living crisis.



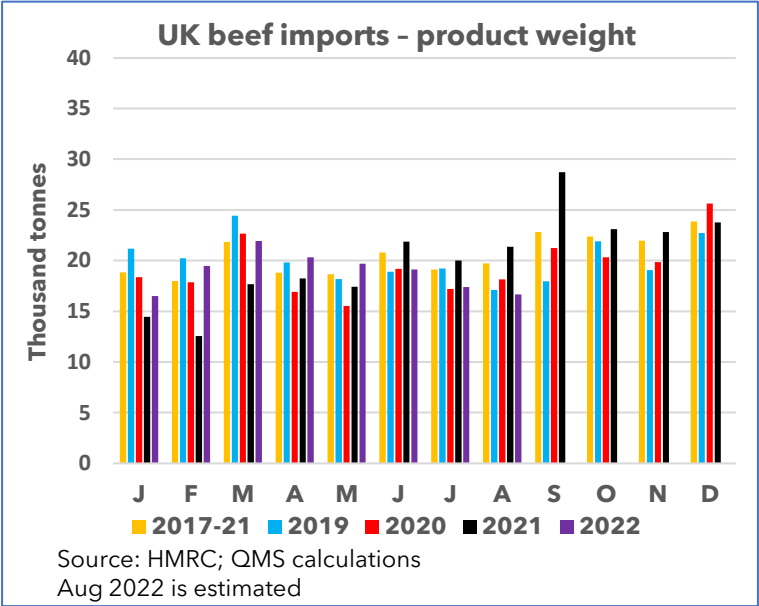
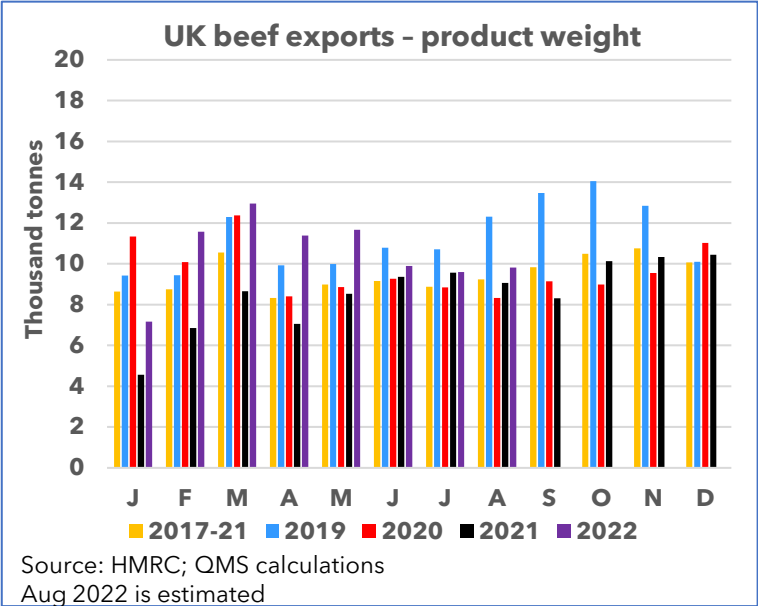
Females aged 30 months+ on Scottish farms (y/y change)			
Month	Dairy	Beef	All
Jan 2022	-1.3%	-0.4%	-0.6%
April 2022	-1.1%	-0.7%	-0.8%
July 2022	-1.0%	-1.4%	-1.3%

Source: BCMS; QMS calculations

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

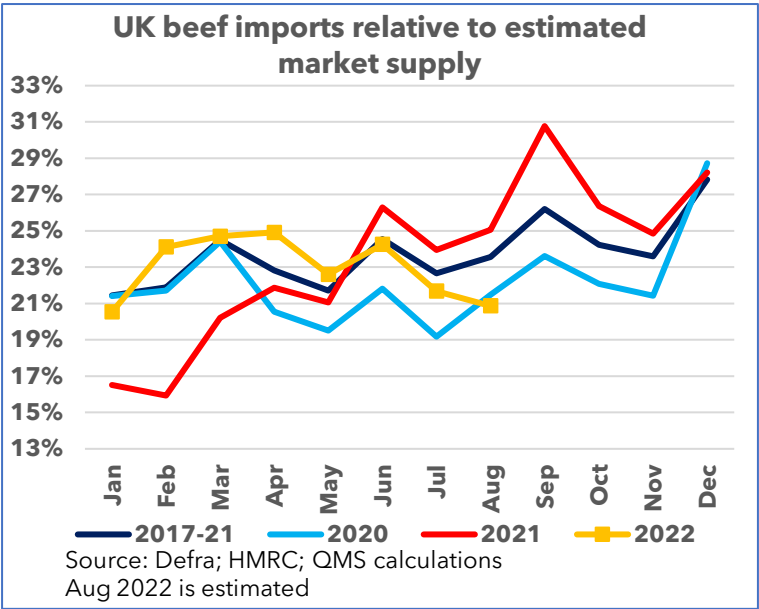
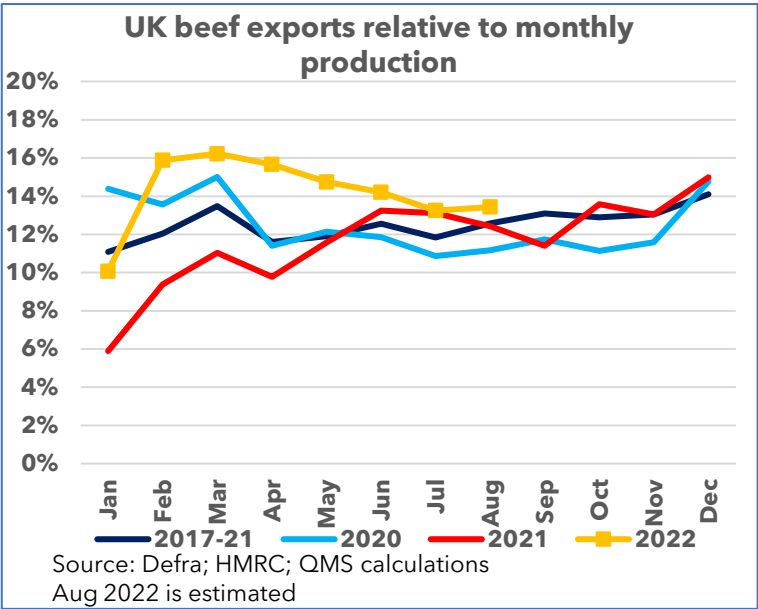


# A focus on UK international trade in beef



UK exports performed very strongly between February and May 2022 given tight supply and EU exit, running 30% above the five-year average, highlighting the strength of EU demand for beef. While returning to more normal levels in the summer, volumes were limited by a fall in domestic production.

Import volumes have also fallen back in the summer after a firm spring, tightening overall supply.



Note:

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

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

# Variables influencing international trade in beef

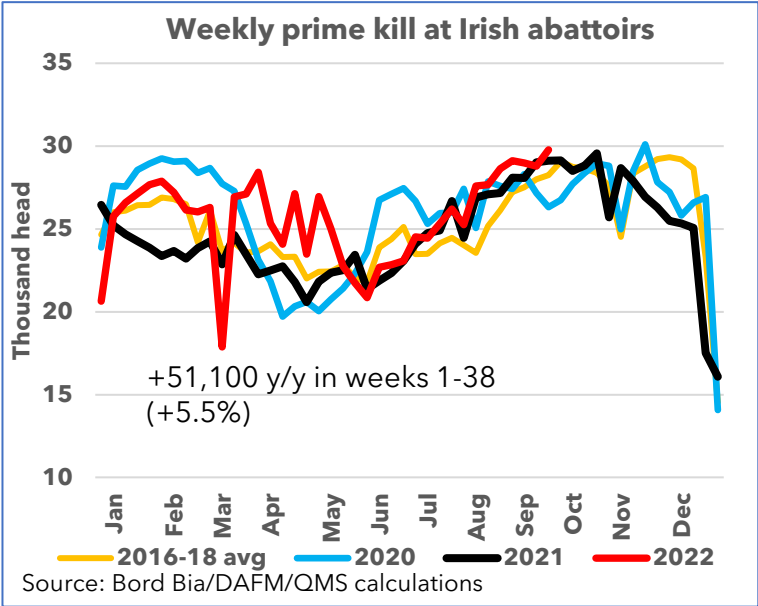
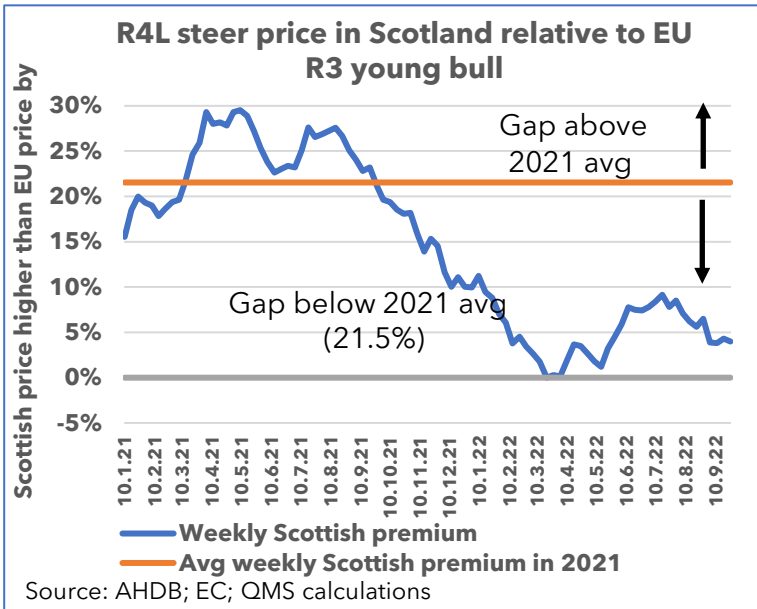
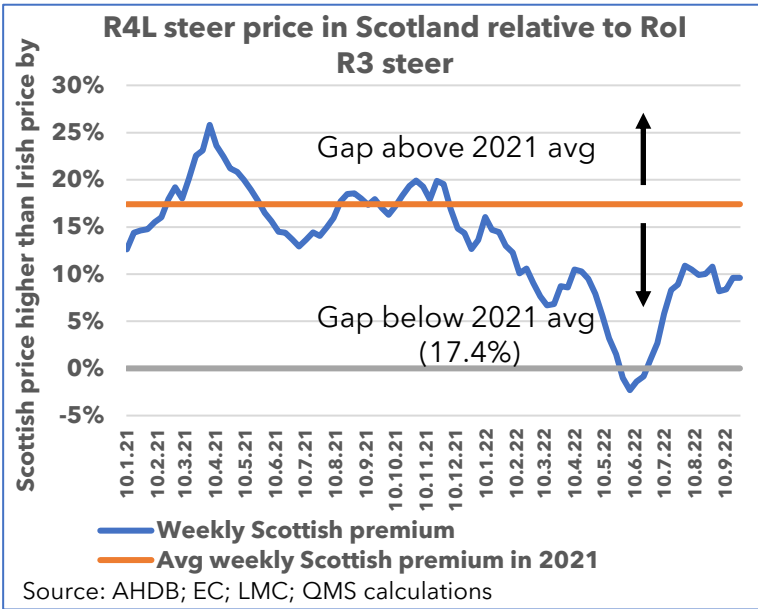
Despite a surge in slaughter in the first five months, there was still a year-on-year increase in cattle of slaughter age on Irish farms in June, supporting a smaller lift in kill through the summer and into autumn.

The seasonal slide in Irish prices has begun to slow with slaughter settling around its annual peak level. Scottish premia over Irish and EU prices have rebounded from their spring lows but remain much smaller than usual, supporting domestic competitiveness.

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



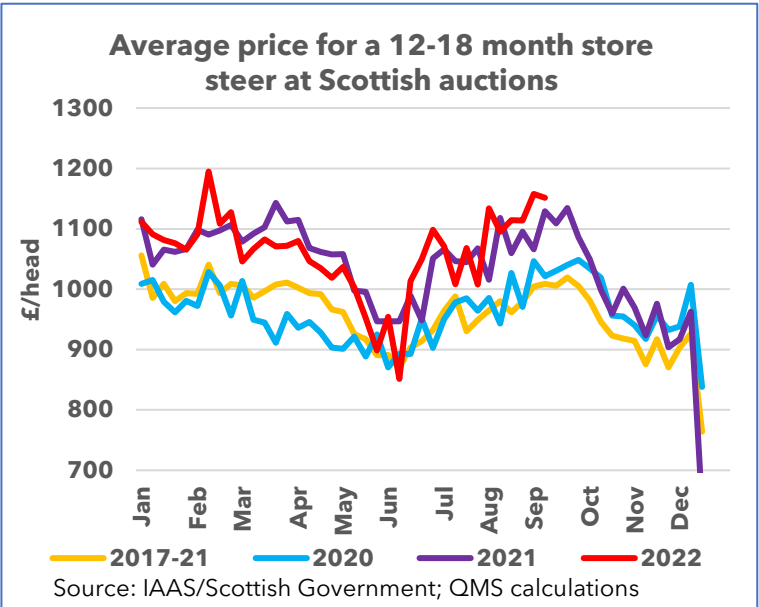
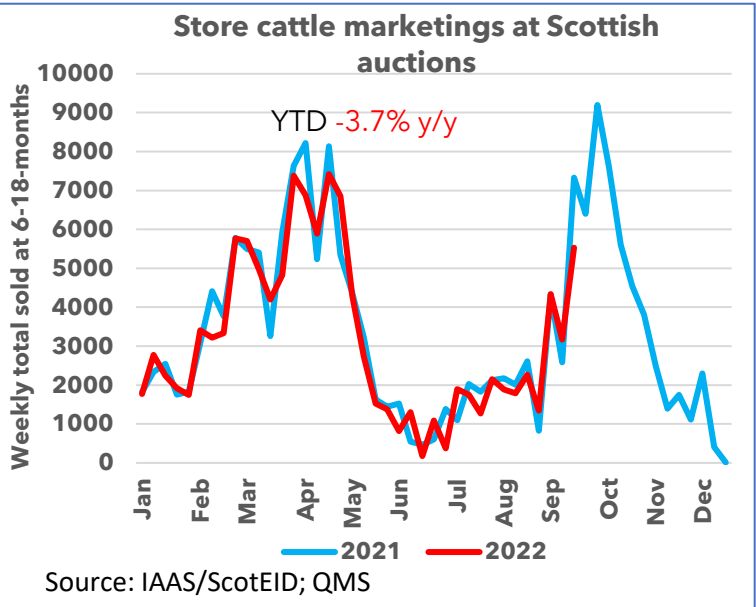
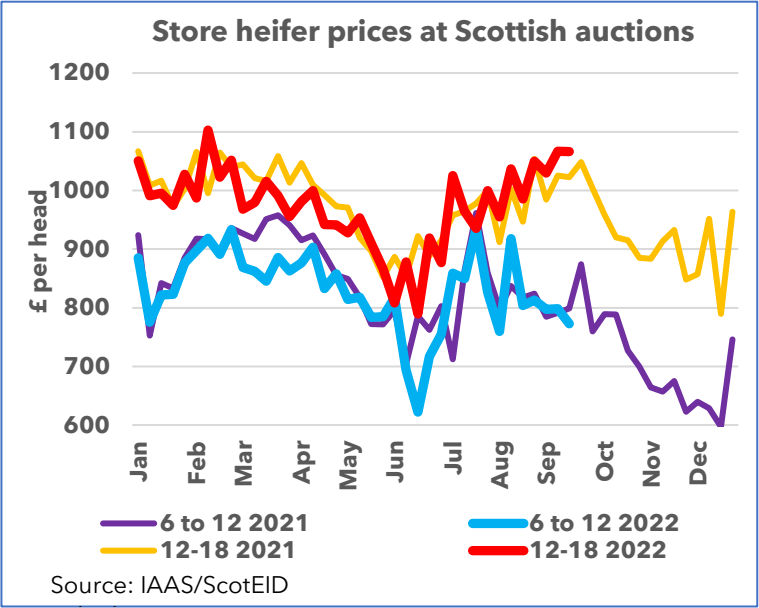
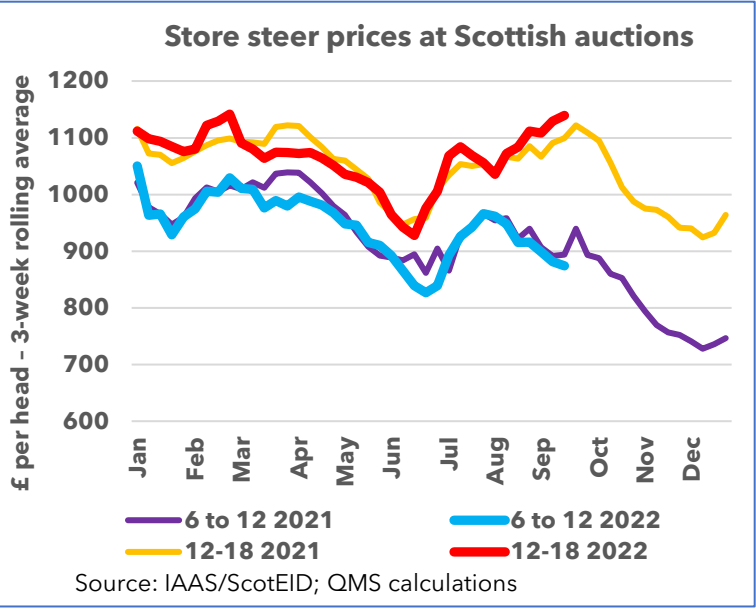
Selected EU cattle prices for R3 males, p/kg dwt

	Week 38 2022	Week 17 2022	Week 38 2021
Germany (young bull)	448.9	474.1	365.9
Netherlands (young bull)	444.1	459.0	344.2
Spain (young bull)	436.1	421.3	328.8
Poland (young bull)	426.6	436.6	326.9
Irish Republic (steer)	415.2	414.7	360.2

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



The main autumn store cattle trading period has begun with volumes continuing to lag year-earlier levels.

Prices have been following seasonal trends with those paid for yearlings picking up while younger store cattle have seen a softening. However, shorter keep stores have risen year-on-year while longer keep stores have struggled to match 2021 levels.

	4 weeks to 24/9	y/y change last 4 weeks
Store cattle prices		
Steers, 6-12 months	£874	-6.6%
Steers, 12-18 months	£1,137	+3.4%
Heifers, 6-12 months	£789	-0.7%
Heifers: 12-18 months	£1,054	+3.9%
Store cattle marketings		
All steers & heifers, 6-18 months	14,380	-4.5%
Source: IAAS/ScotEID; QMS calculations Prices rounded to nearest £1 and numbers to nearest 10		

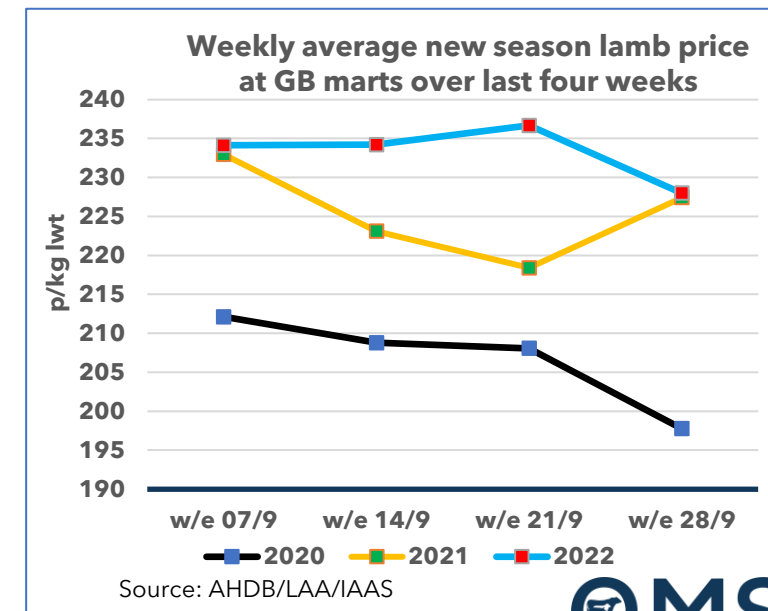
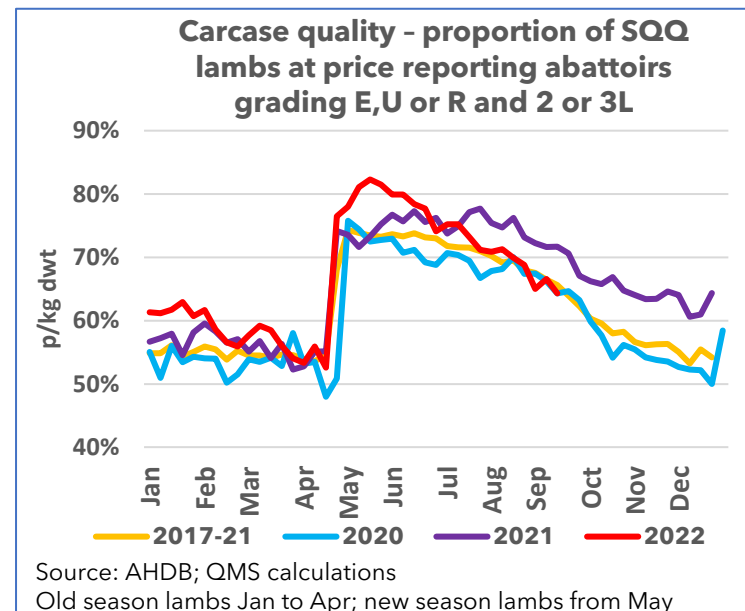
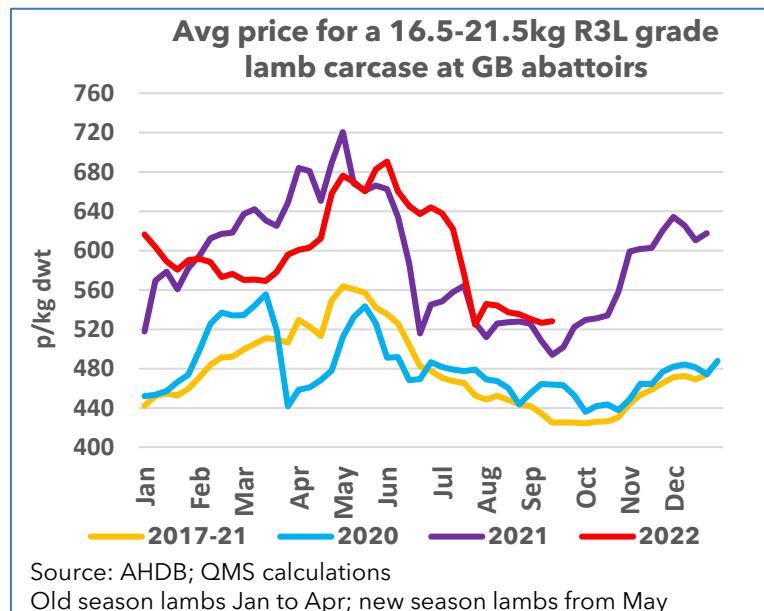
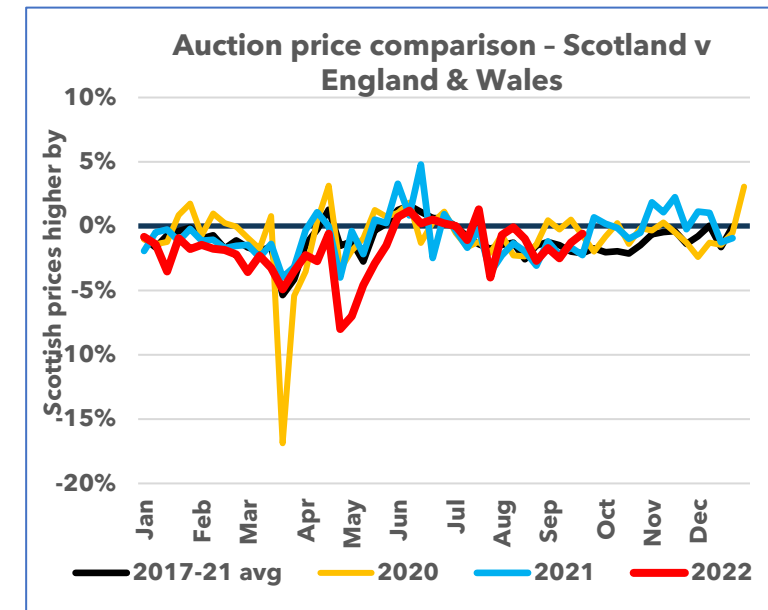
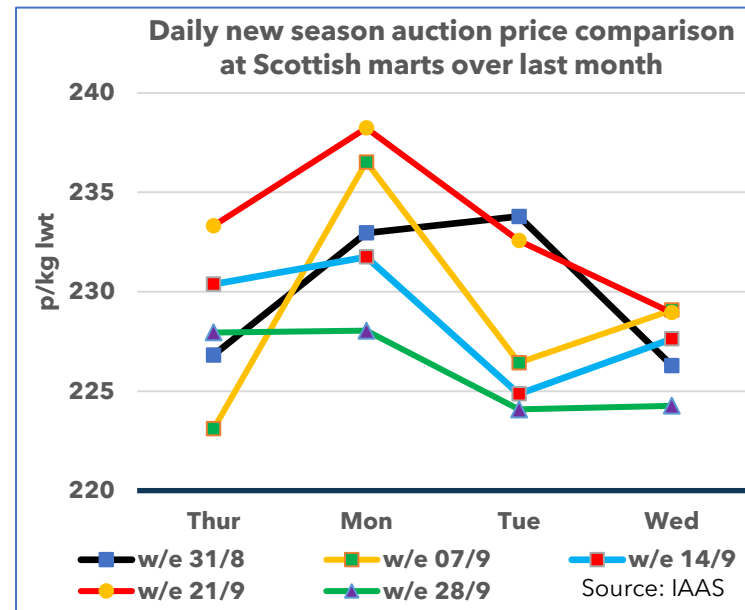
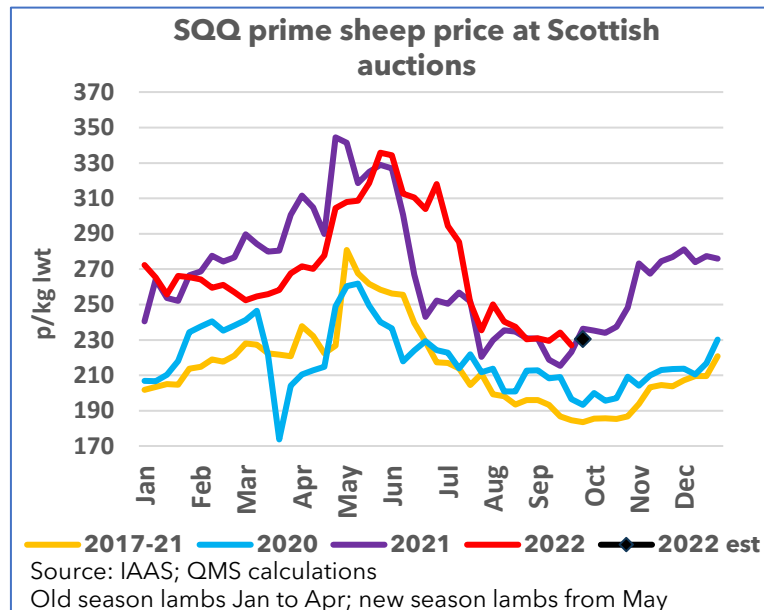
# Summary of market developments – sheep market



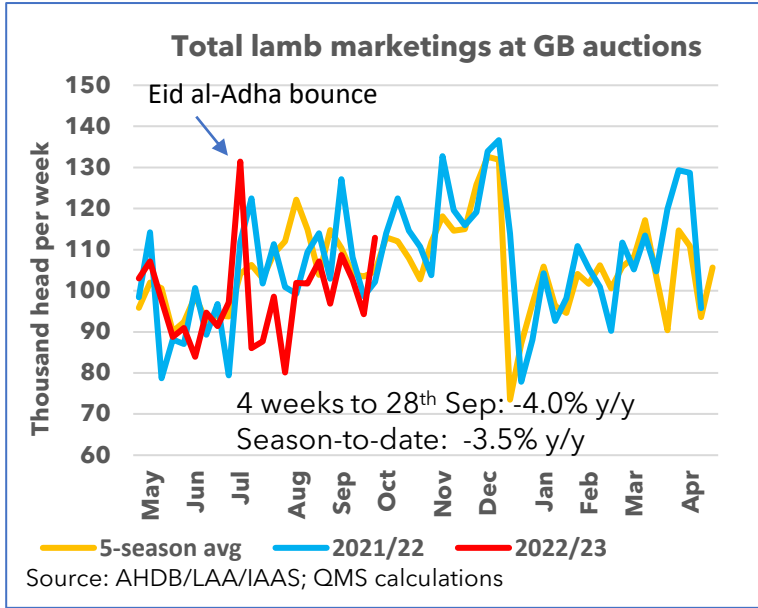
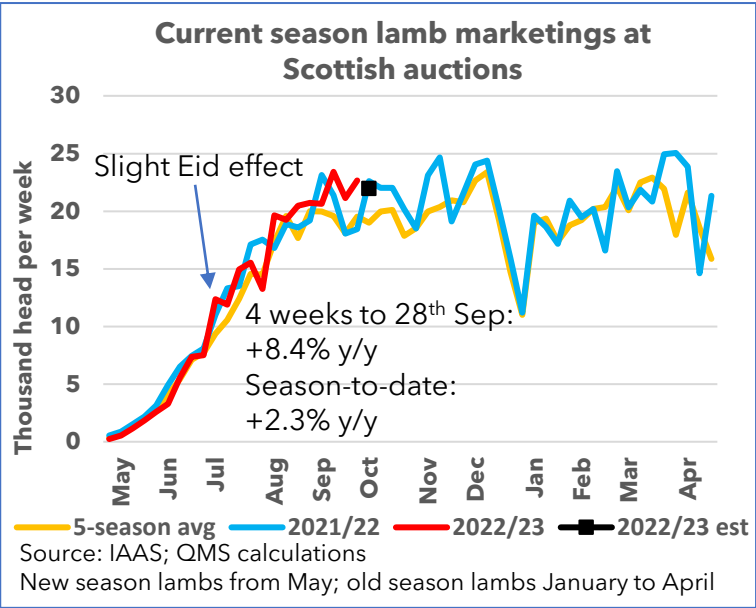
Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
New season SQQ lamb price at Scottish auctions	p/kg lwt, w/e 28 September	226.89p/kg	-7.34p	-1.5%	+1.7%	+23%
New season SQQ lamb marketings at Scottish auctions	Average in four weeks to Sep 28, head	21,971		+9.7%	+8.4%	+12.4%
Total lamb marketings at GB auctions	Average in four weeks to Sep 28, head	104,700		+2.7%	-4.0%	-1.0%
UK sheepmeat market supply	Tonnes in Jun-Aug 2022 (estimate)	64,600			+2.8%	-6.1%

- New season lamb prices have settled in a range of 225-35p/kg at Scottish marts since late-August, remaining slightly ahead of 2021 levels and 20-25% above the five-year average.
- Lamb marketings have been exceeding year earlier levels at Scottish marts since August, but they have continued to reach the market more slowly at GB level, despite the English census pointing to a slightly larger lamb crop.
- After a very slow start to the season, store lamb volumes have now caught up with 2021 levels after rising significantly in September.
- 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.
- While slowing seasonally, UK lamb imports continued to exceed year earlier levels into the summer but these volumes were more than offset by a seasonal rebound in exports, keeping overall market supply historically tight.

# Farmgate prices - prime sheep - slower seasonal decline leading to historically firm prices

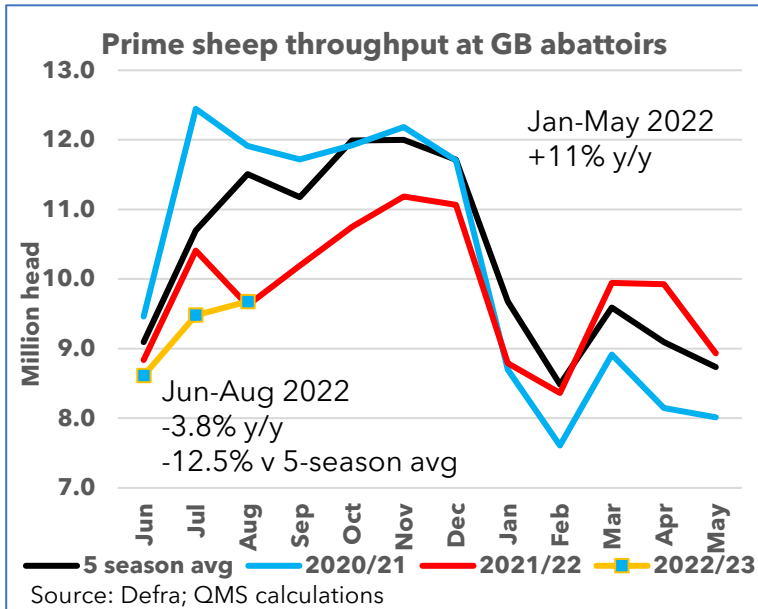
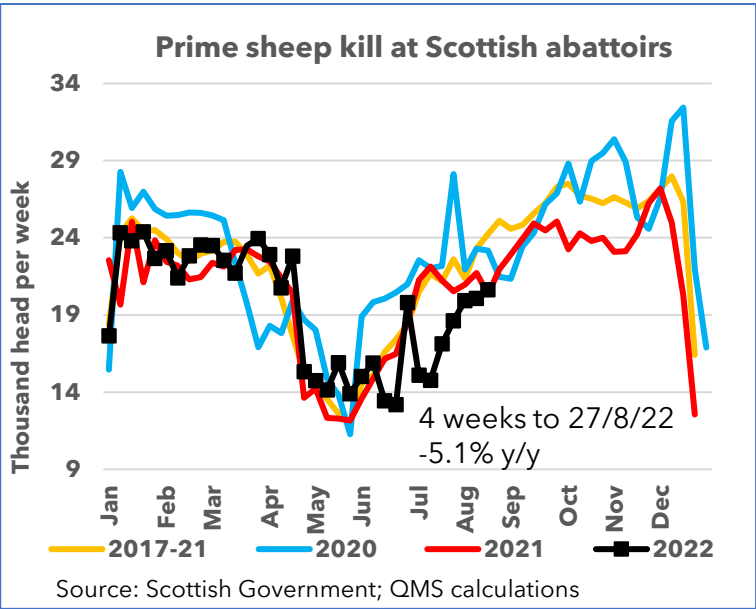


# Availability and slaughter – increased auction throughput in Scotland but lambs still arriving more slowly than last year at GB level



Although Defra reported an increased lamb crop for England in June 2022, the number sold at auctions in England & Wales has continued to run behind 2021 levels in September.

By contrast, lamb auction numbers have now exceeded year earlier levels for two straight months in Scotland, pointing to a better lamb crop than signalled by the near-4% reduction in the breeding flock reported in December 2021.

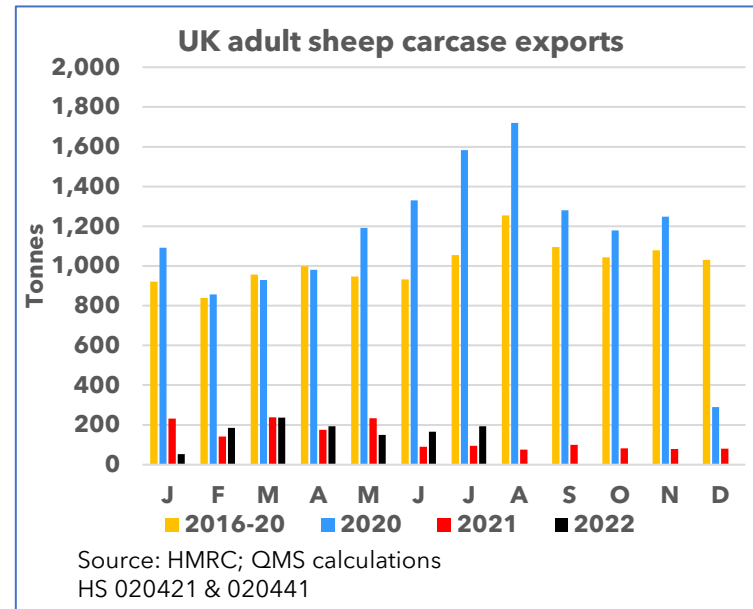
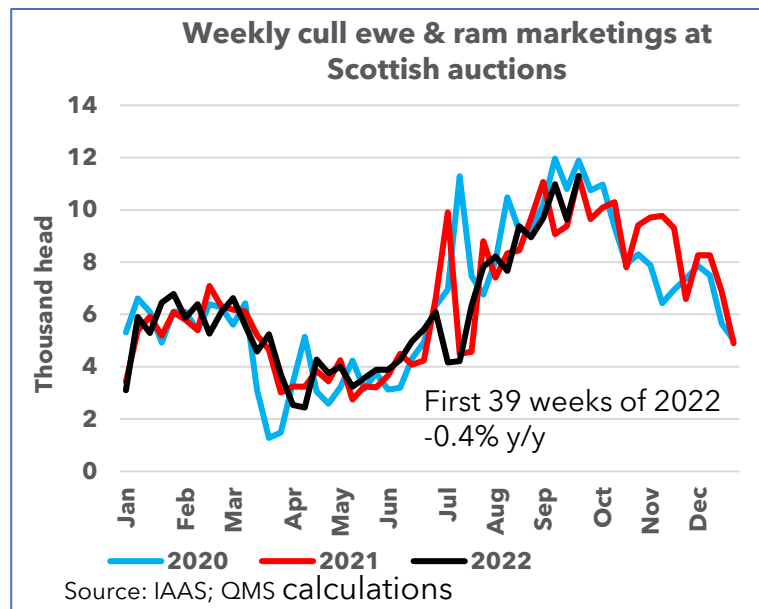
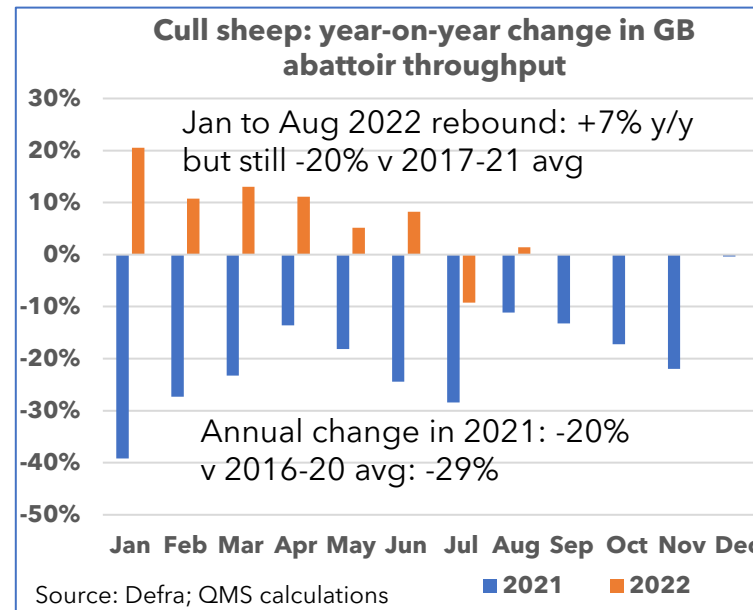
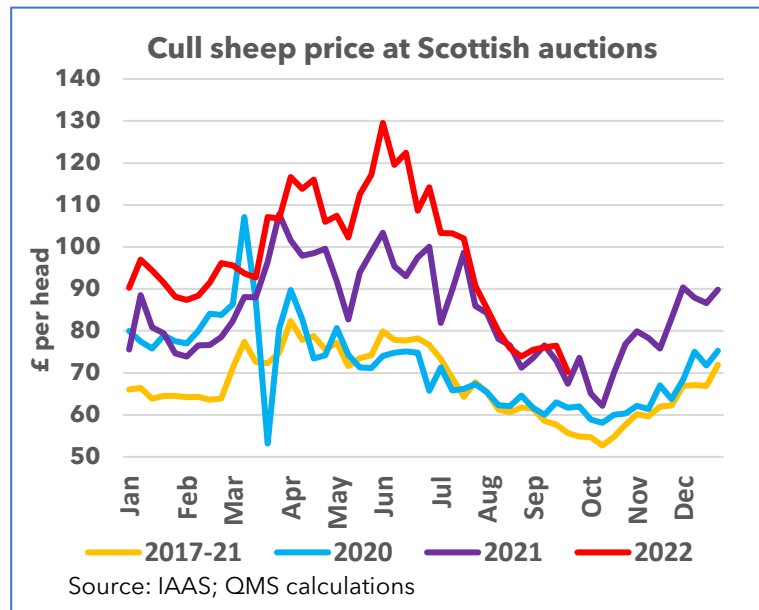


December 2021 Sheep & Goat Inventory and June 2022 Census Results		
December 2021	Total breeding flock y/y change	Other sheep and lambs y/y
Scotland	-3.7%	+3.3%
England	-1.2%	+9.3%
June 2022	Ewes used for breeding in previous season	New season lambs
England	+1.5%	+1.5%

Source: Defra; Scottish Government; QMS calculations



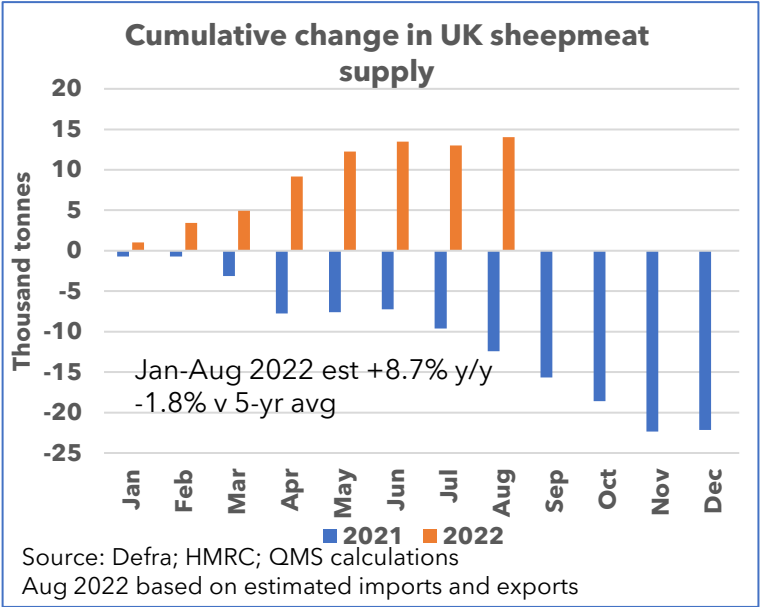
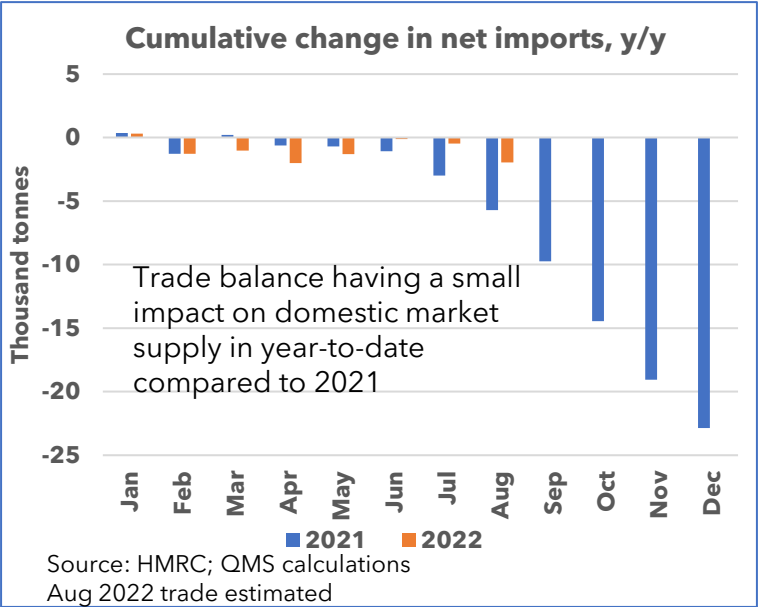
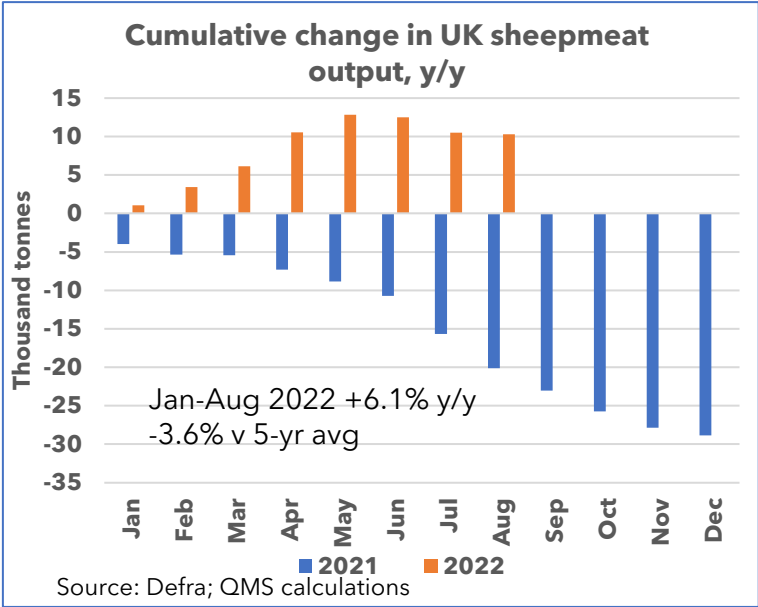
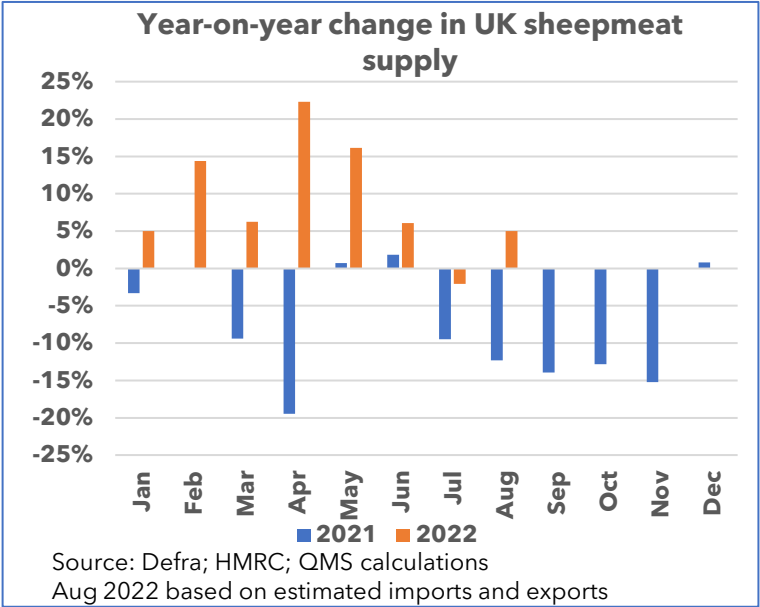
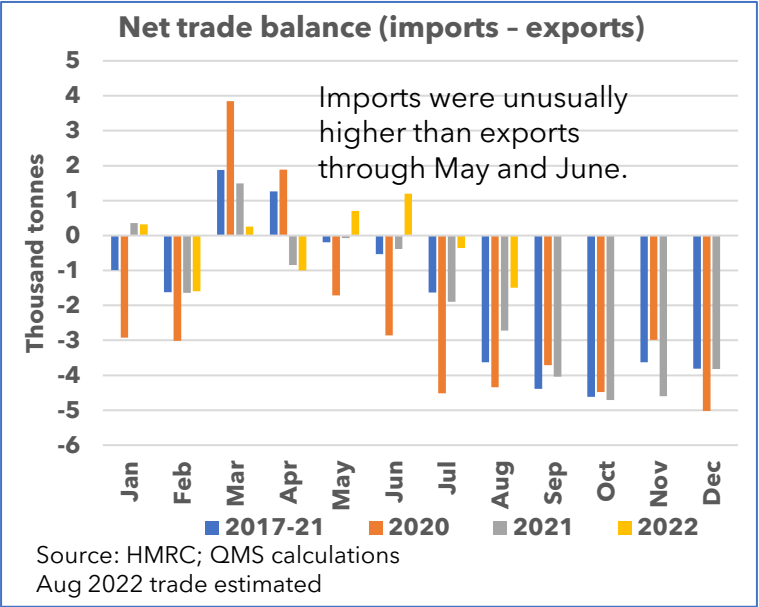
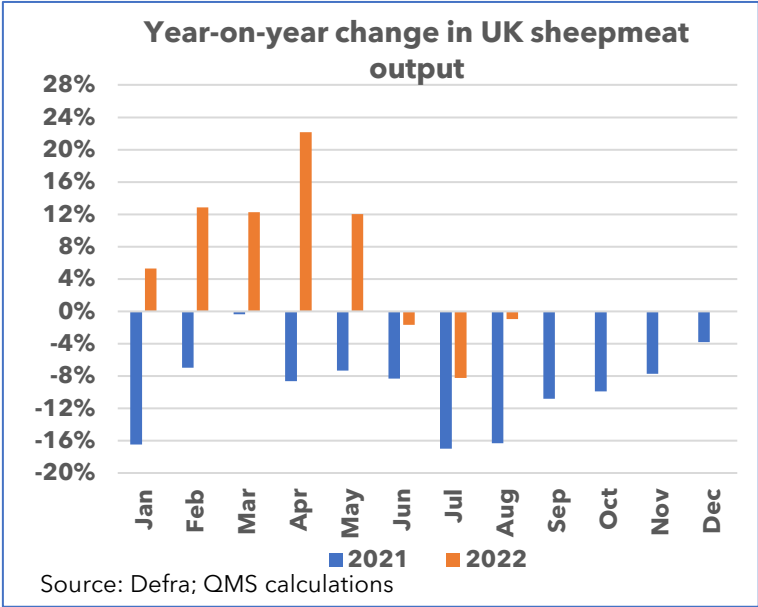
# Cull sheep market – seasonal peak in supply pressuring prices



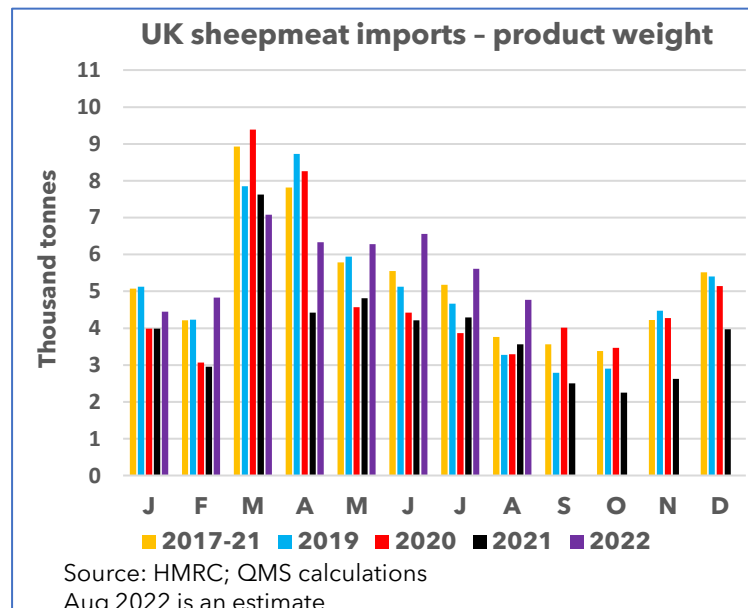
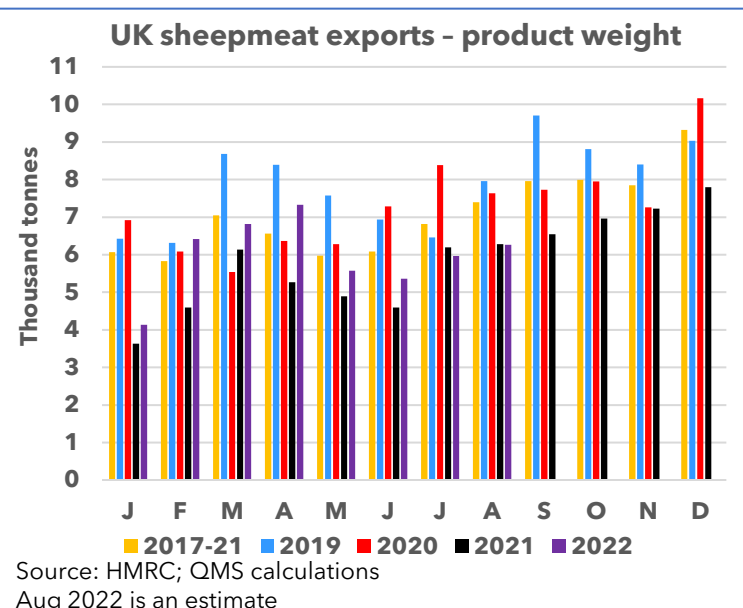
While slaughter looks to have rebounded strongly from the lows of 2021, there are questions over the size of reduction reported by Defra last year.

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.

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



# A focus on UK international trade in sheepmeat



Export volumes during the summer are likely to have been constrained by a slow arrival of lambs on to the market due to the dry weather.

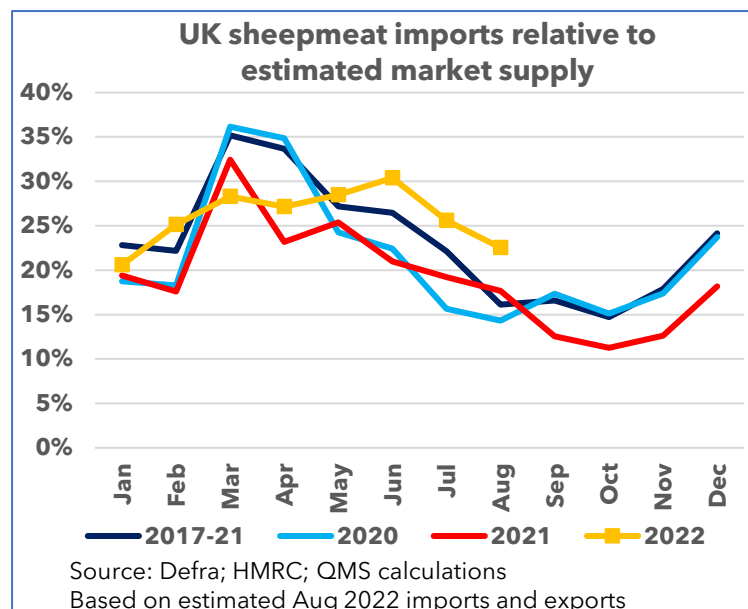
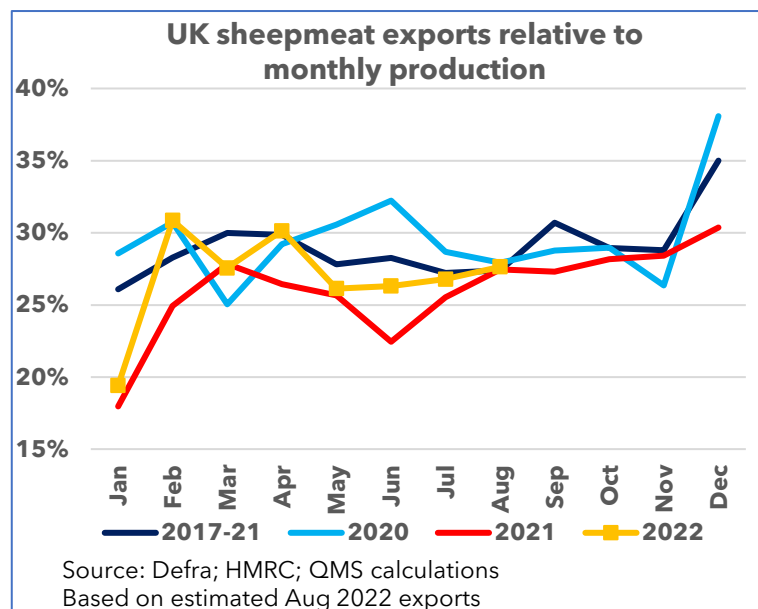
Although imports have started to fall back seasonally, they have remained elevated. As well as a general tightness of supply supporting import demand, it is possible that some sheepmeat has been diverted towards Europe from China due to weaker foodservice sector demand and the heightened level of market risk to exporters caused by covid-19 lockdowns.

Beef + Lamb NZ have indicated that NZ export volumes leaving for the UK remained well above year earlier levels into August.

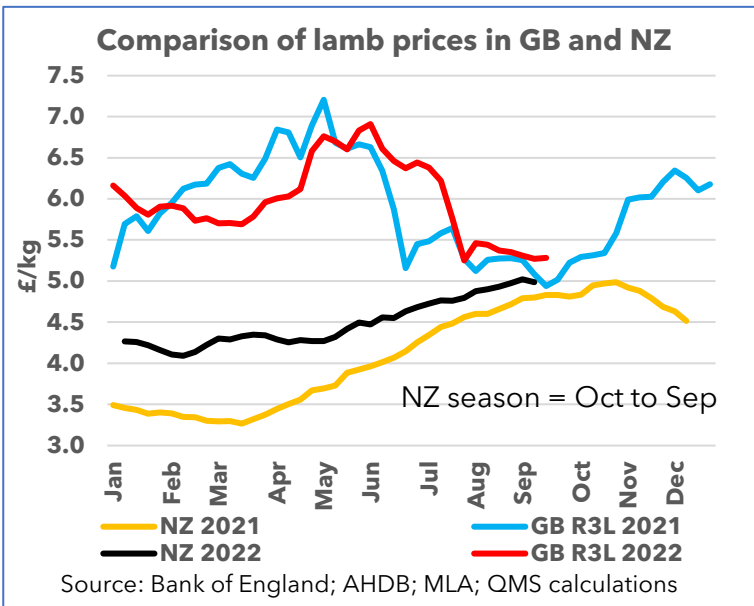
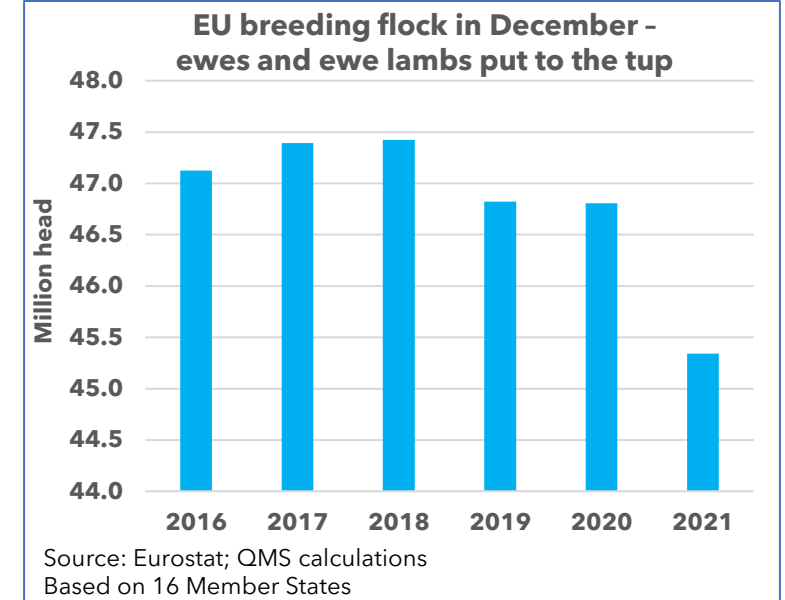
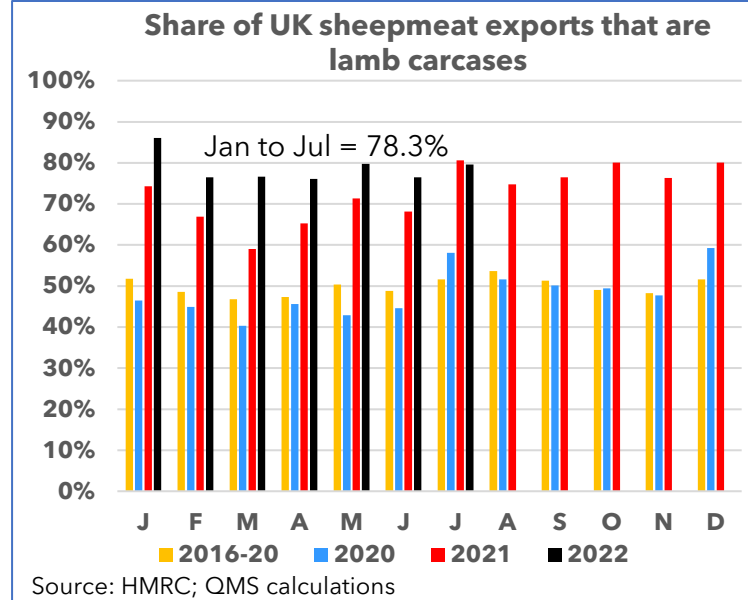
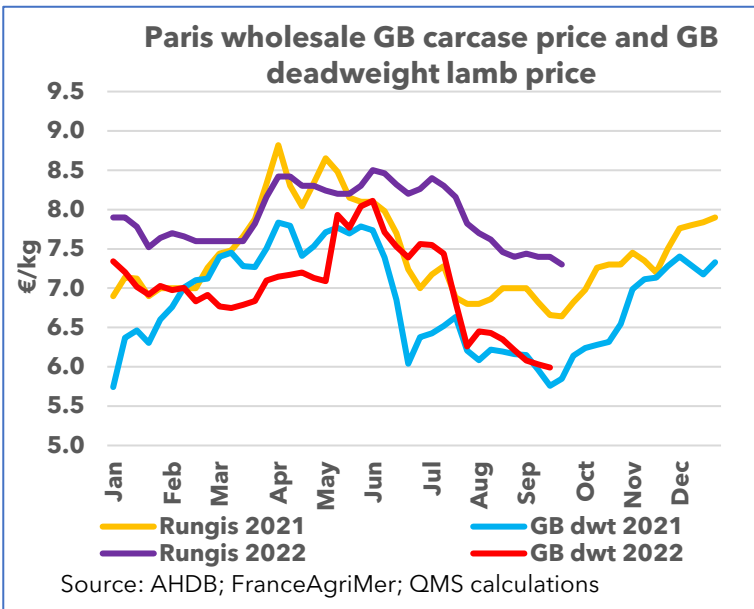
Note:

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

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



# Variables influencing UK sheepmeat trade - could the rebound in sheepmeat prices in China suggest that market prospects have brightened there, potentially slowing the diversion of product to Europe?

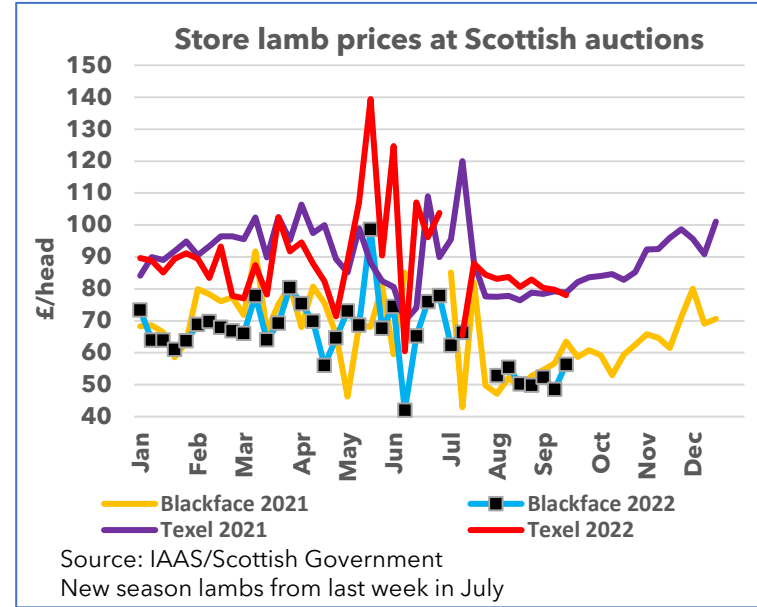
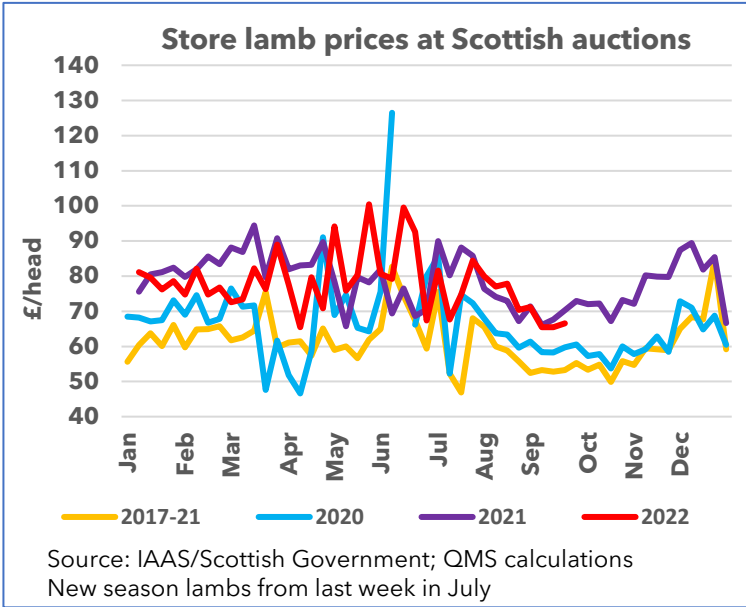


Oceania lamb production forecasts			
	2021	2022	y/y change
Australia (thousand tonnes)			
Lamb production	508	549	+8%
Lamb exports (product weight)	283	308	+9%
New Zealand (head) (October 2021 - September 2022 season)			
Lamb crop	22.57m	22.70m	+0.6%
Export lambs	18.3m	18.5m	+1.0%

Source: MLA; Beef + Lamb NZ; QMS calculations



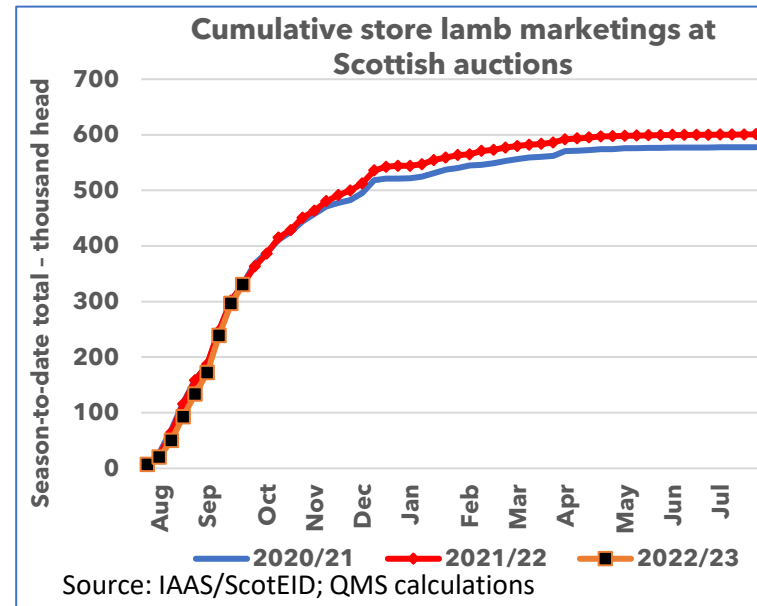
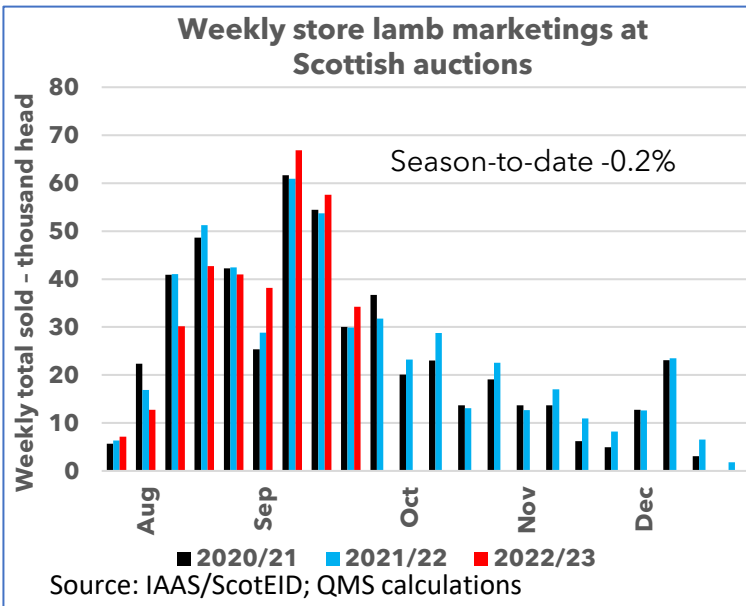
# Store sheep trade



A jump in marketings through September has returned volumes to year earlier levels in the season-to-date, having been down 15% in late August.

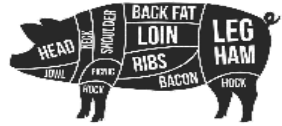
This increase in marketings has pressured prices, which have slipped back behind 2021 levels.

4 weeks to 24/9:



Overall average - £66.75 (-2.1% y/y)  
Blackface - £52  
Cheviots - £62  
Suffolks & Texels - £80

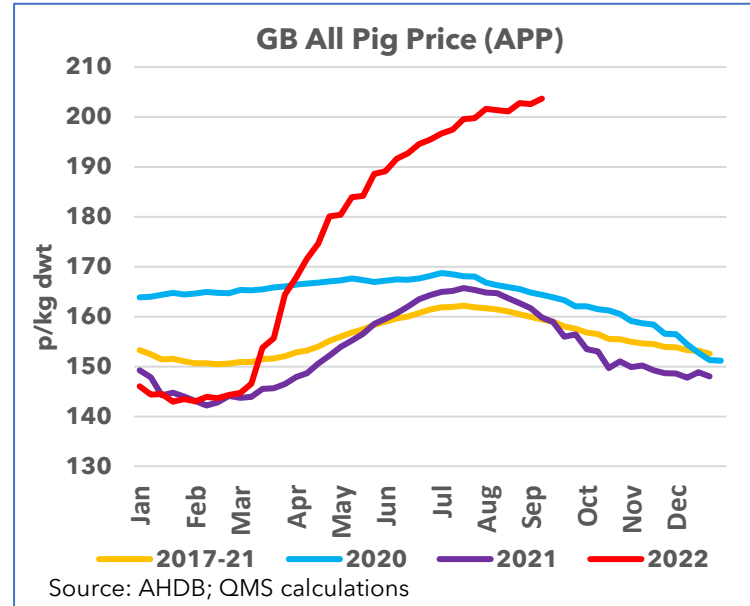
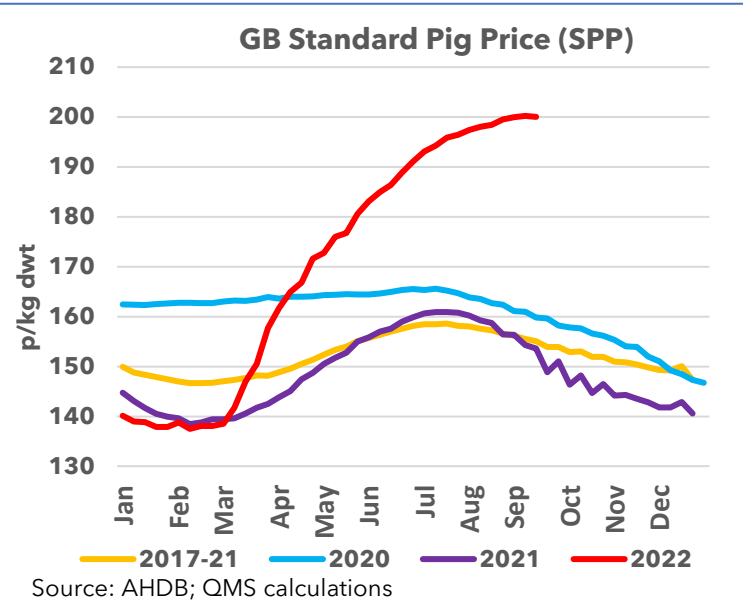
# Summary of market developments – pig market



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 24 September	200.01p/kg	-0.21p	+0.8%	+30.2%	+29%
Average carcase weight of standard pigs	Average in four weeks to 24 Sep, EU spec	89.03		+1.7%	-0.5%	+4.4%
Prime pig slaughter at GB abattoirs	Total during August 2022, thousand head	769.3		+1.6% (change in daily avg kill Aug v Jul)	+0.3%	-1.1%
UK pig market supply	Tonnes in May-Jul 2022	326,700			+2.0%	+4.6%

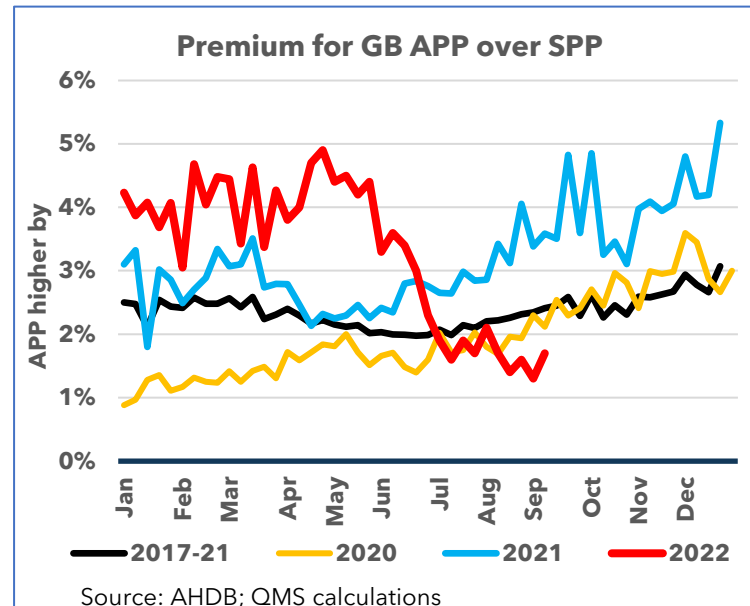
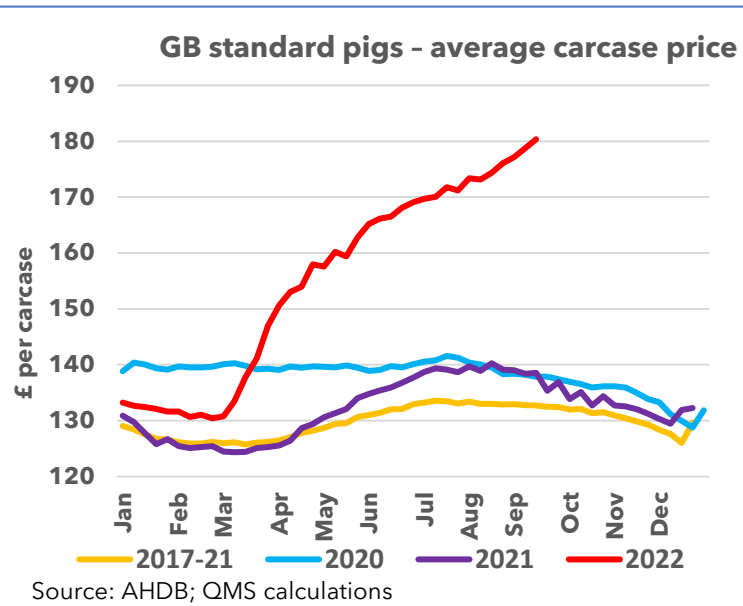
- The upwards trend in pig prices has shown signs of coming to a halt in September and prices are expected to have remained well below the cost of production, particularly with spot feed prices beginning to lift again.
- Farmgate prices have held far above their five-year average despite a well-supplied market, suggesting that the processing sector has been supporting farmgate prices in an attempt at maintaining a future supply of pork.
- Carcase weights have begun to increase strongly, suggesting that a backlog of pigs may have built again despite census data for England suggesting that availability for slaughter could be beginning to tighten sharply at GB level.
- A strong upturn in EU prices may have begun to unwind moving into October but there does appear to be a link between EU pig prices and UK pork import prices, suggesting that imports could be more expensive than in autumn 2021.
- Market prices in China remain elevated well above 2021 levels, suggesting that there should be some stronger opportunities for exports, although its pork imports have yet to rebound in response.

# Farmgate prices - prime pigs



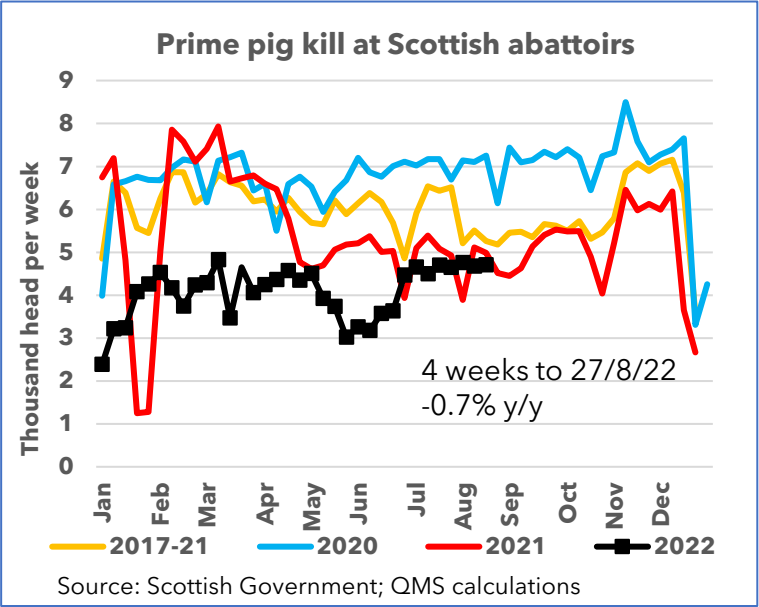
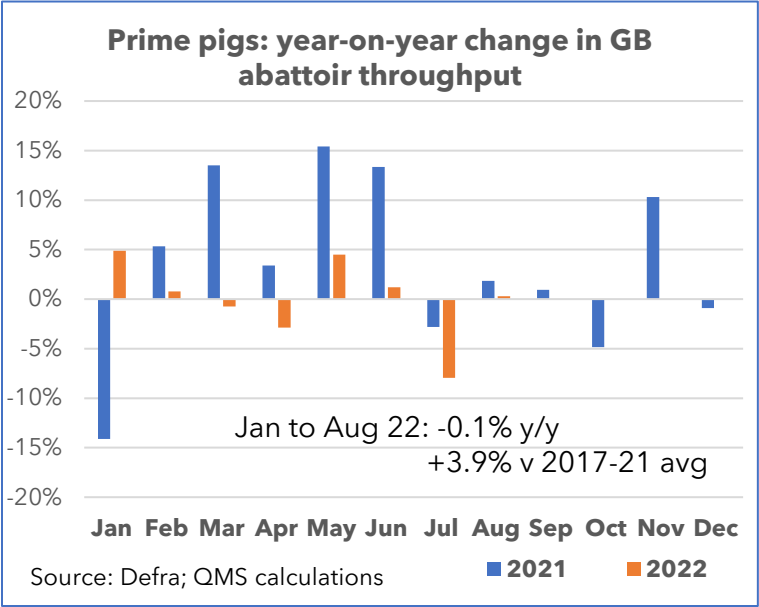
The pig market has continued to trend higher beyond the traditional seasonal peak in late-July/early August. Prices have risen by more than 40% from their low and are around 25% above their five-year average.

In a sign of reduced disruption, the premium for the overall average pig price (APP) over that of standard pigs (SPP) has fallen to a more normal level, meaning that pigs with specific production characteristics are no longer receiving exceptional premia in the marketplace, suggesting a more balanced market.



Nevertheless, production costs are still estimated to have held well above £2/kg.

# Availability and slaughter

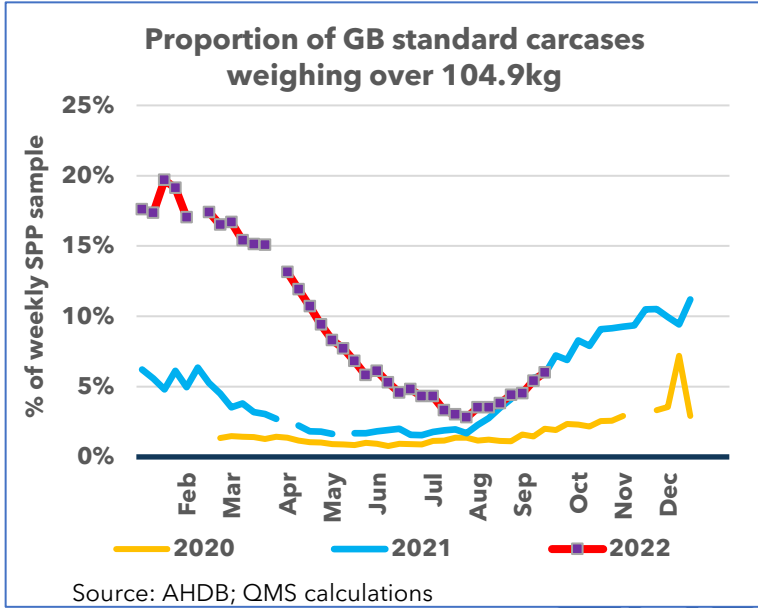
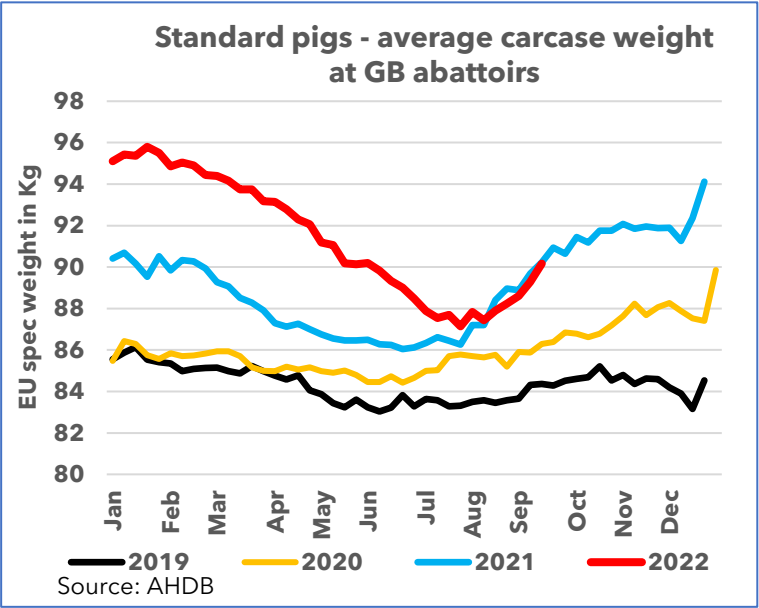
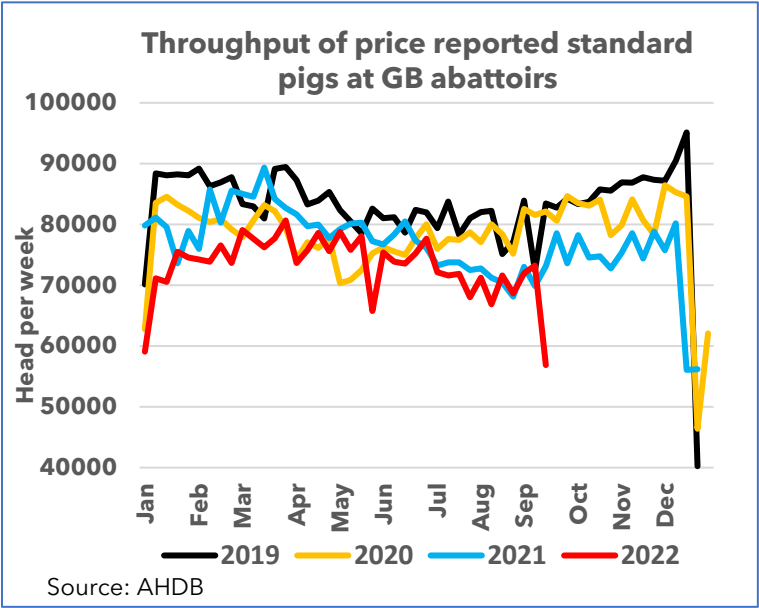


While a contraction in the breeding sow herd is expected to be tightening availability for slaughter across GB, carcase weights have begun to rise strongly, suggesting that a backlog may be growing once again.

Slaughter at Scottish abattoirs reached a year-to-date high in August but remained well below previous levels.

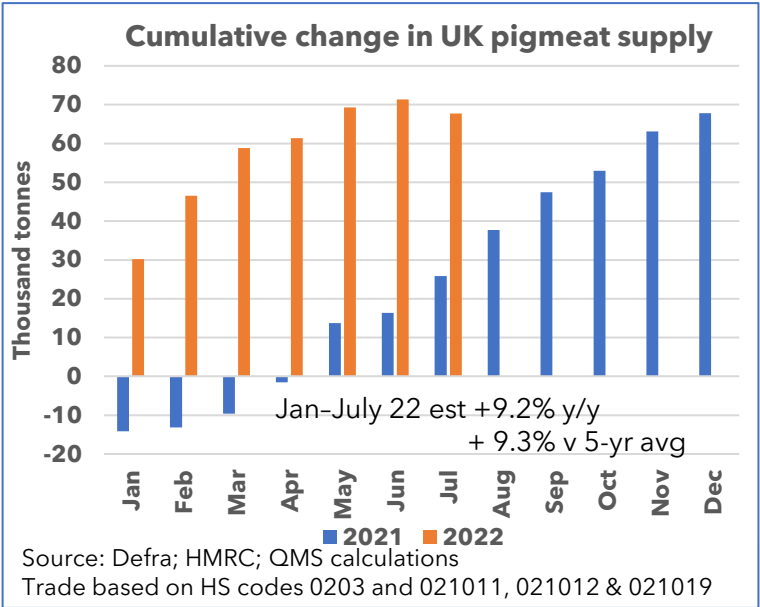
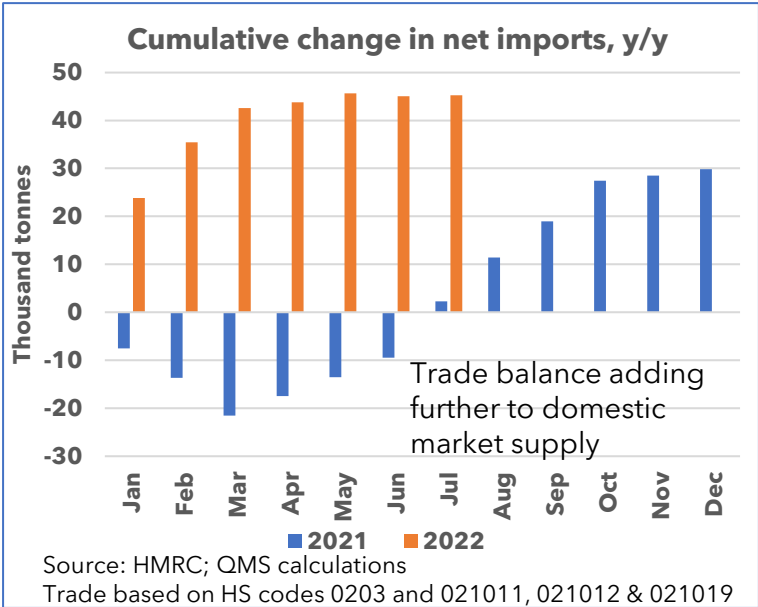
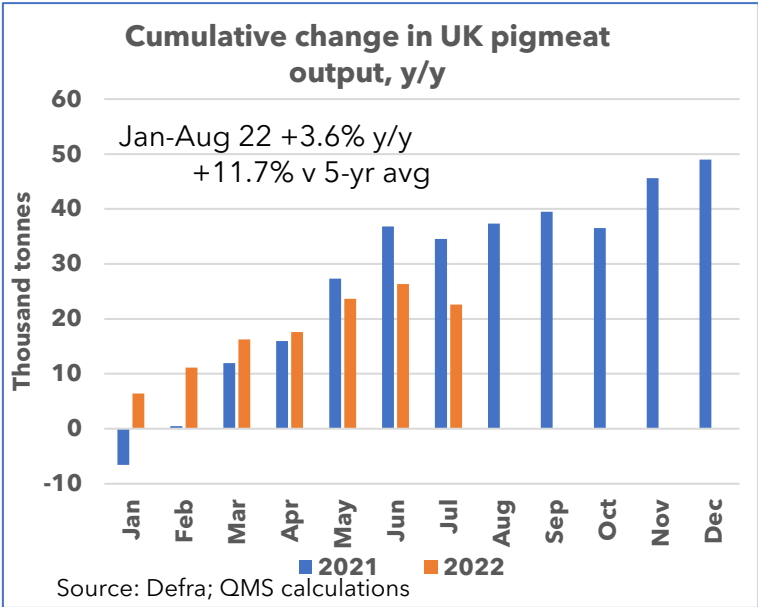
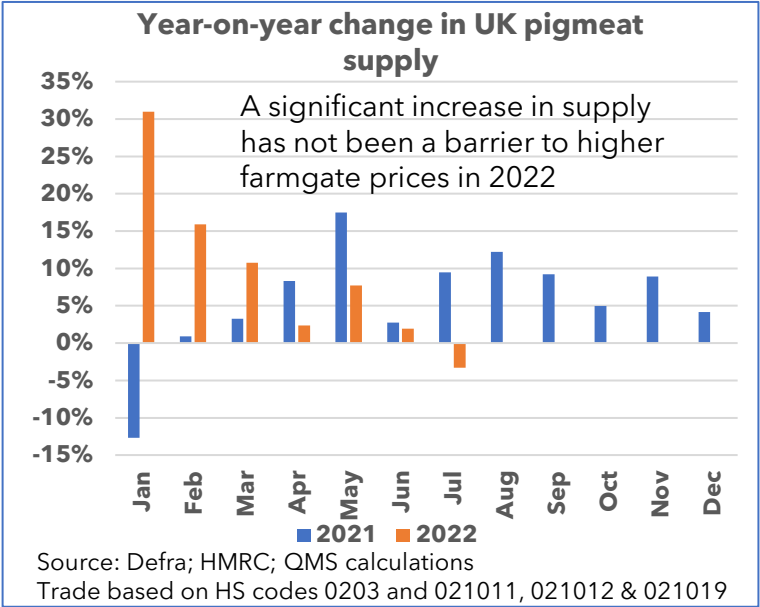
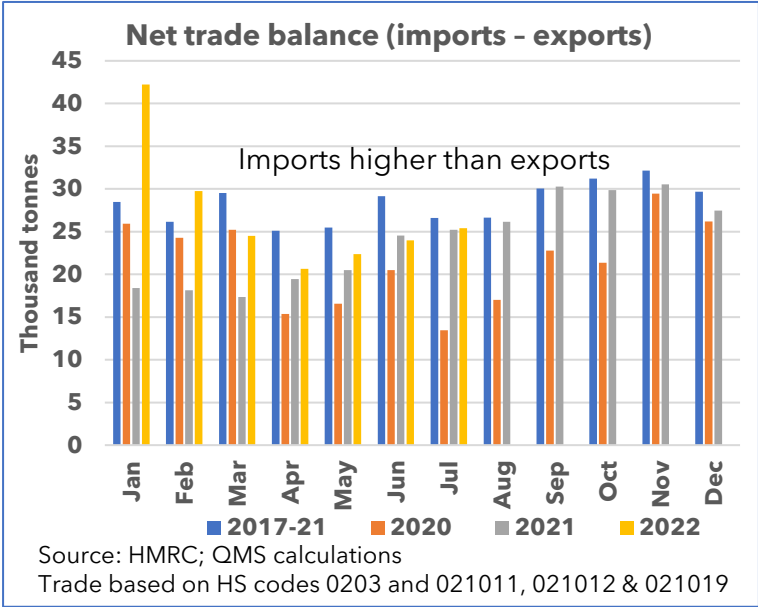
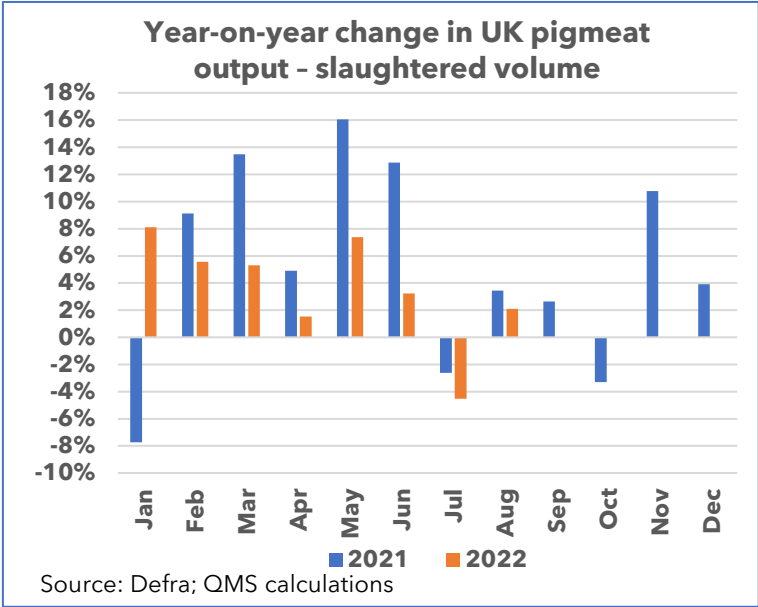
June Census - England (Note: Scottish results not available)	
Female breeding herd	-16.7% y/y
Fattening pigs	-1.4% y/y

Source: Defra; QMS calculations

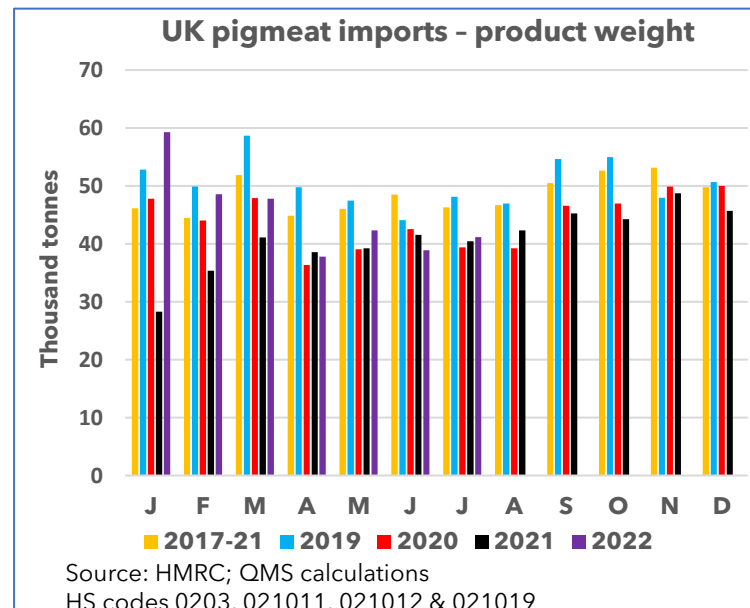
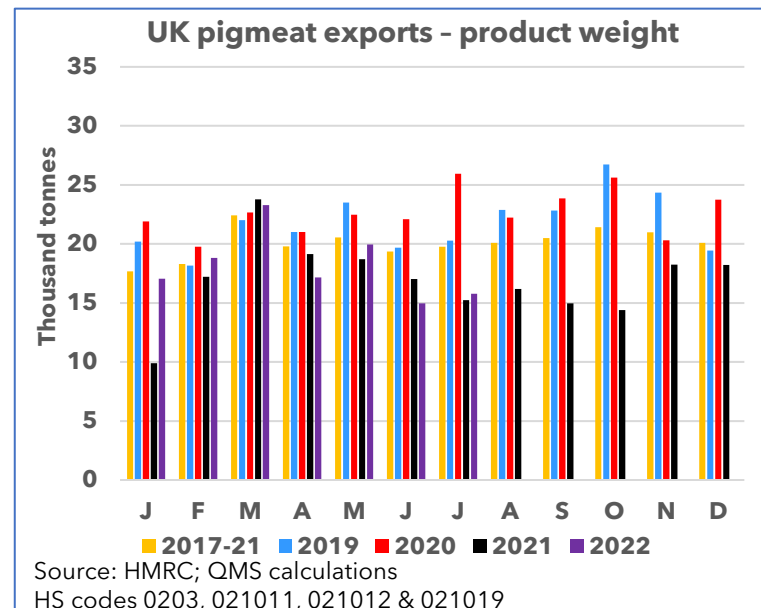




# UK pigmeat market supply: domestic production + (imports - exports) = supply



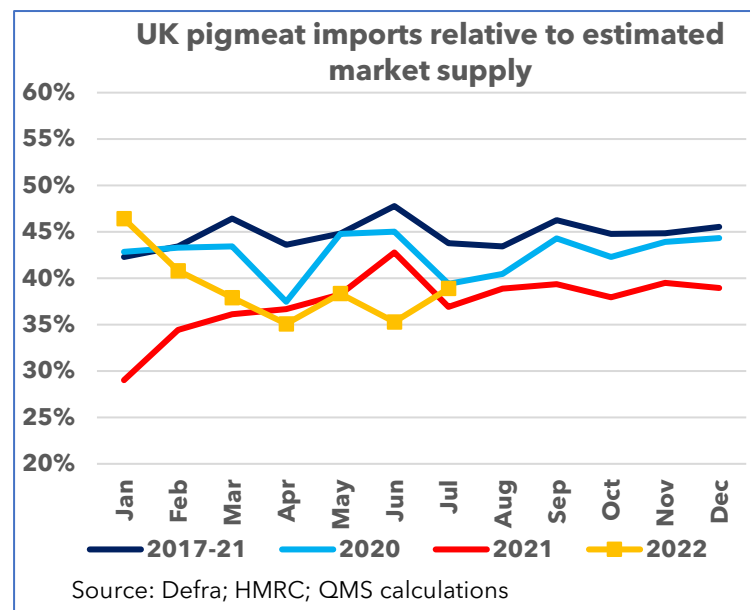
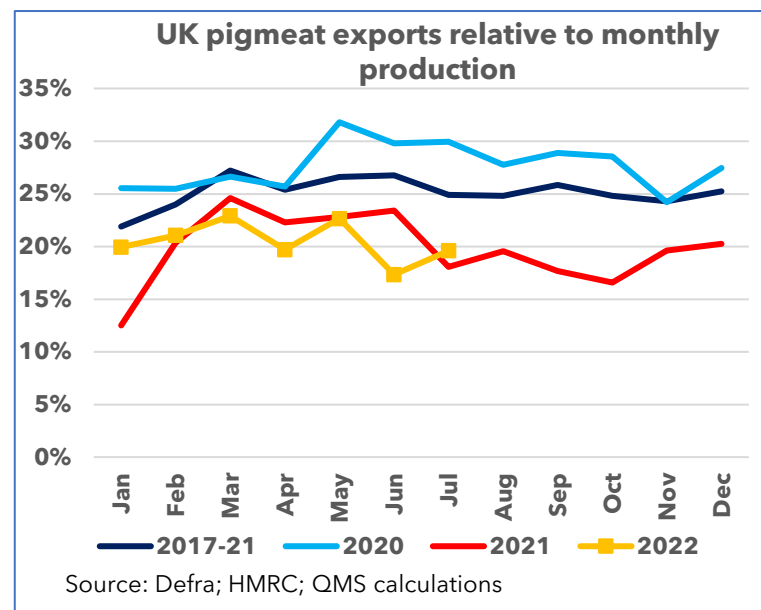
# A focus on UK international trade in pigmeat



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

Exports to the EU have rebounded from the lows of 2021 but continue to lag well behind the five-year average despite reduced EU production.

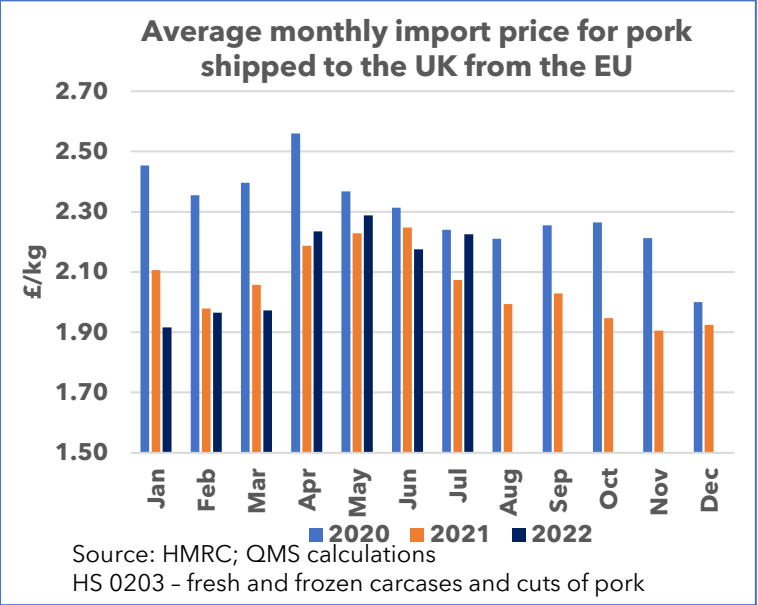
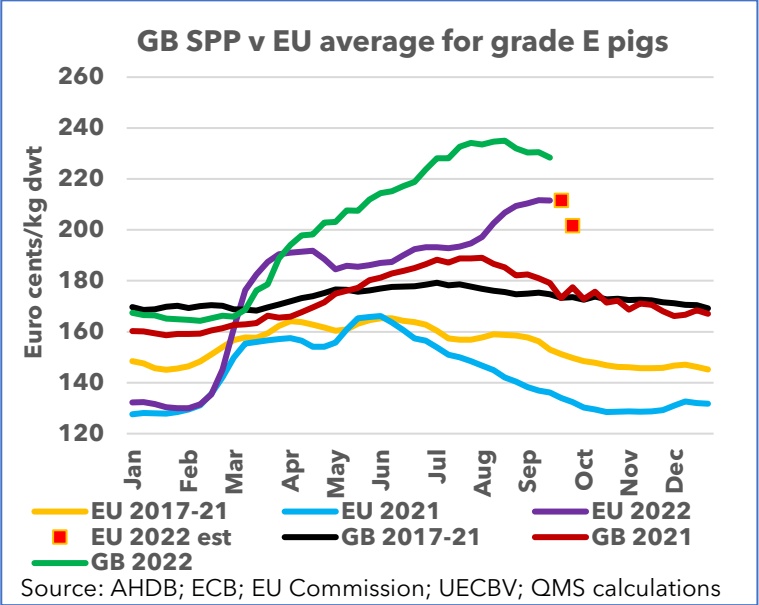
Although a spike in pork prices between mid-June and mid-July indicated that the Chinese market had tightened significantly, UK exports to China in July dipped to their second lowest monthly volume of the year and were at a four-year low for the month.



Note:

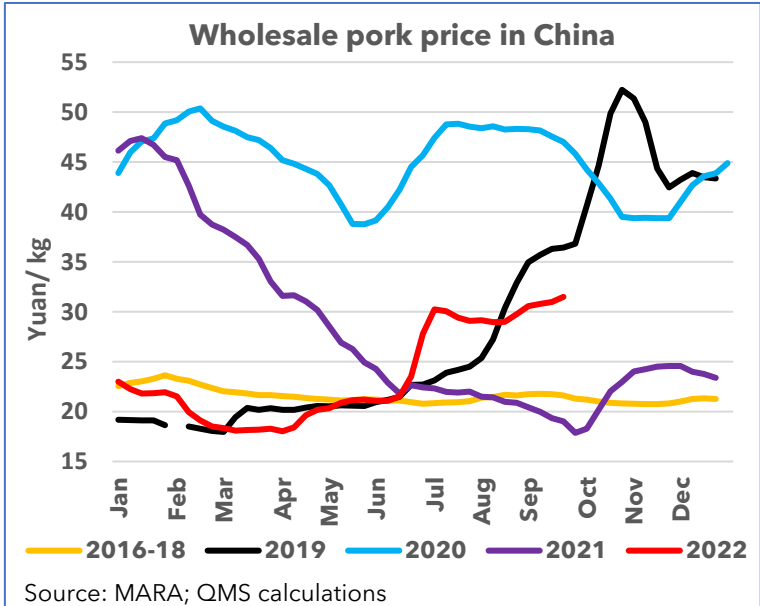
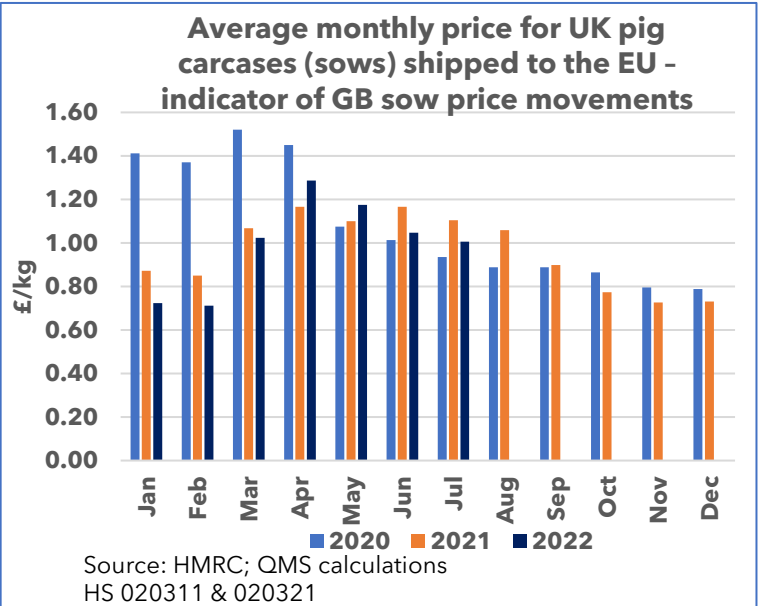
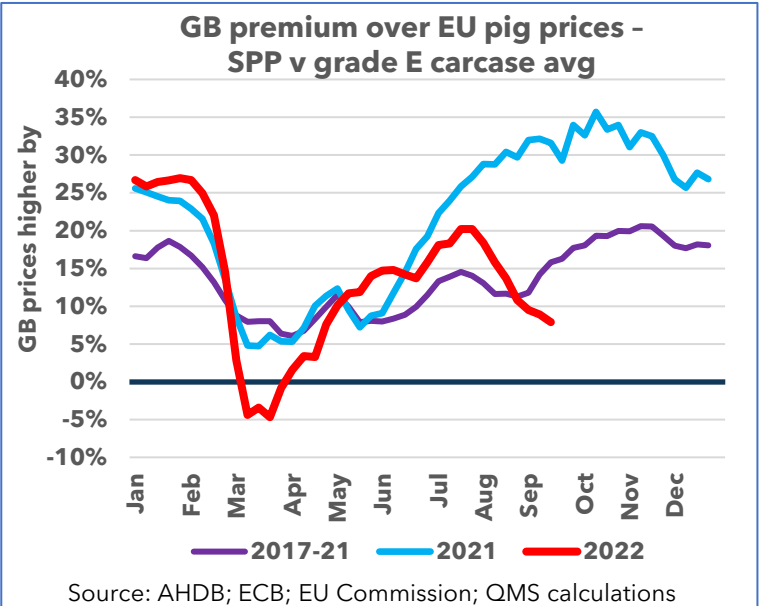
HMRC trade data used here covers HS codes 0203 (fresh or chilled & frozen swine meat) & 021011, 021012 & 021019 (bacon & ham).

Factors driving UK international trade in pigmeat - Chinese pork prices continue to signal an undersupplied market, but EU and UK exports to China are yet to rebound. EU pig prices are coming under pressure after some recent strength, but there does appear to be a link between EU pig price movements and UK import prices, suggesting import prices may run higher year-on-year this autumn.



USDA Global Pork Market Forecasts, July 2022 (million tonnes carcase weight)					
Key indicators	2018	2019	2020	2021	2022
World, production	111.9	101.0	95.8	107.6	110.7
China, production	54.0	42.6	36.3	47.5	51.8
All countries, imports	8.6	9.4	11.7	11.6	9.7
China, imports	1.46	2.45	5.28	4.33	2.15
EU, production	23.2	23.0	23.2	23.7	22.6

Source: USDA Foreign Agricultural Service



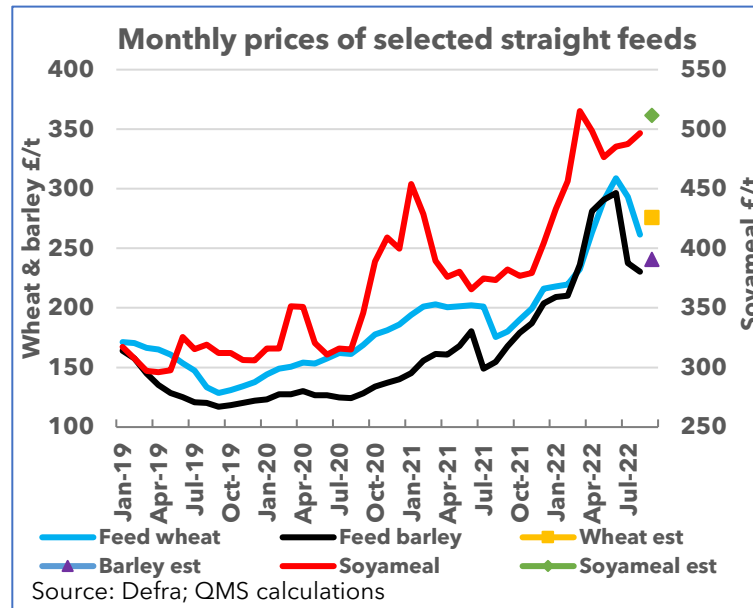
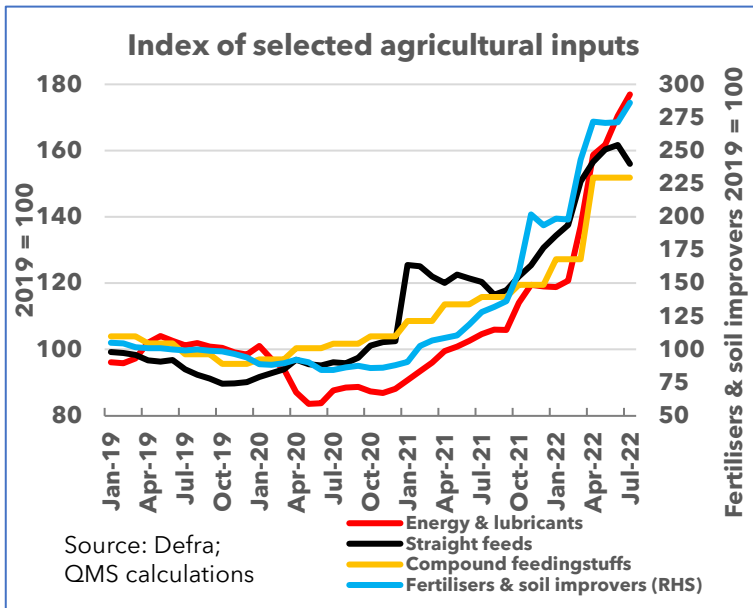
# Summary of economic developments



- Farmers and processors continue to face unusually high levels of input costs and past rises in raw material prices will still be filtering through to end prices, with a strong US dollar underpinning many of these.
- Though energy costs have been capped on a price per unit basis, households and businesses are now facing up to much higher interest rates on mortgages and other borrowings.
- Consumer confidence has continued to fall due to concerns about rising energy, fuel and food costs.
- Retail spending softened in August and significant inflation meant that volumes lagged well behind year earlier levels.
- UK businesses have started to report a fall in demand but have still been taking on staff to fill gaps in their workforce.



# Production costs and by-product revenues



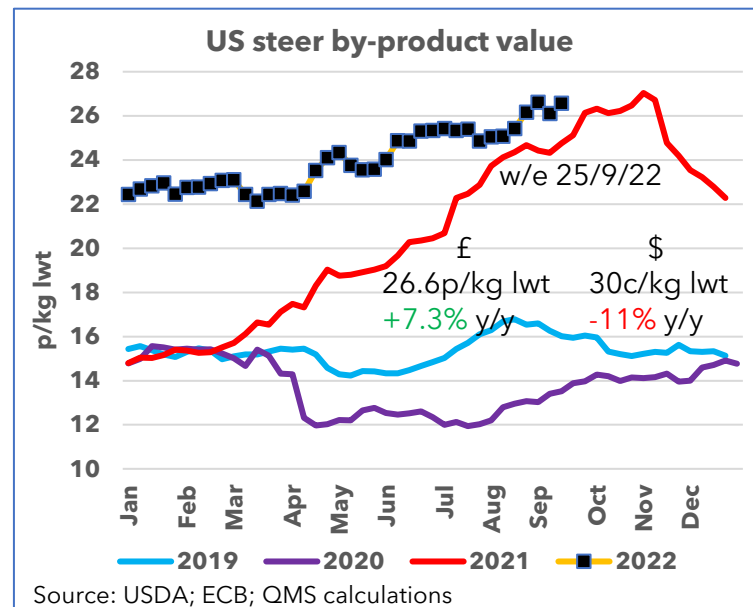
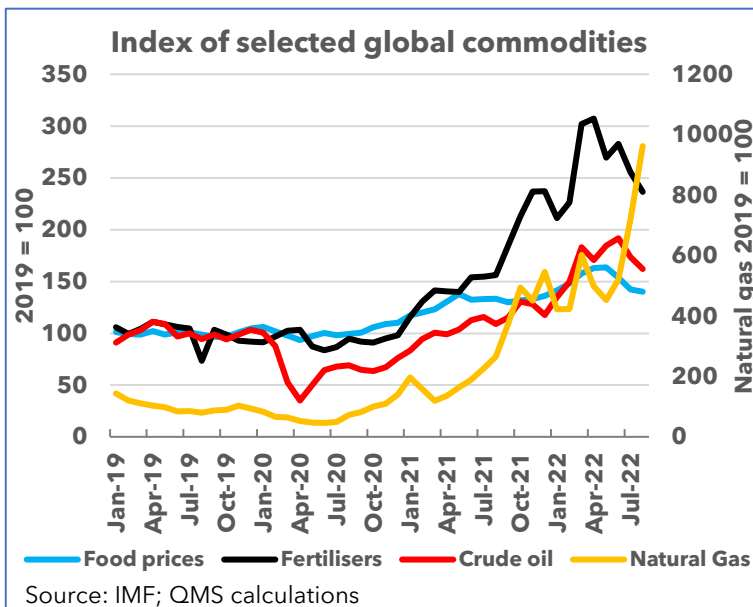
Costs have been rising sharply for farmers and processors for much of the past two years and many commodities are trading at higher levels than we have been used to, with consequences for energy bills and the cost and availability of related products such as fertiliser and CO<sub>2</sub>.

Spot feed prices have begun to climb again, with concern over crop yields in the US and Europe, plus a weaker sterling. They remain 40-50% higher than last year.

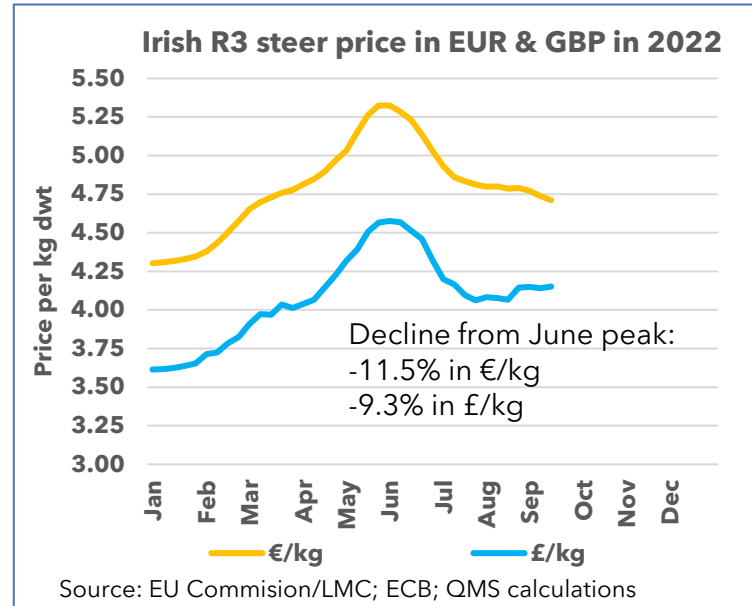
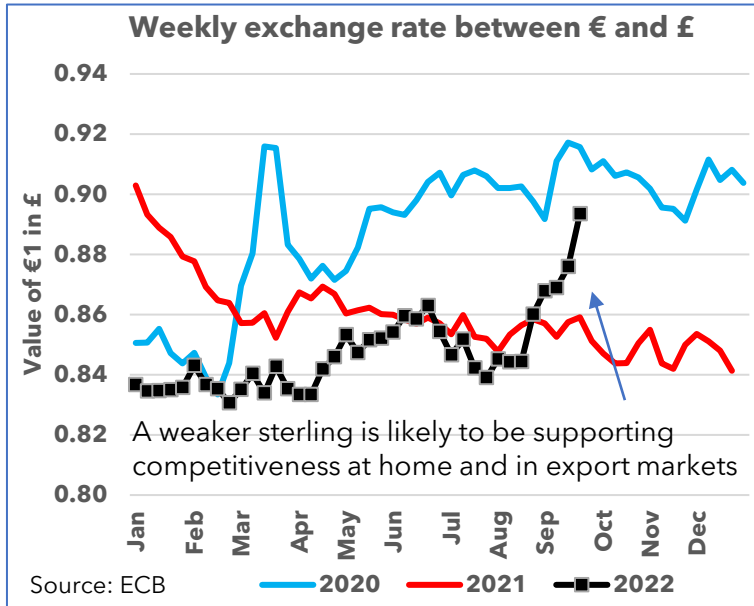
Higher feed prices have not led to a reduction in prime cattle carcase weights at Scottish abattoirs this summer, with weights edging above 2021 levels.

Since commodity price spikes pass through to end product prices over time as contracts are renewed, businesses will face cost squeezes at a different pace and times.

By-product value has been supported by firm commodity markets and a rising US dollar but hide value has remained well below its autumn 2021 peak and continues to trail year-earlier levels (-41% in USD; -29% in GBP).

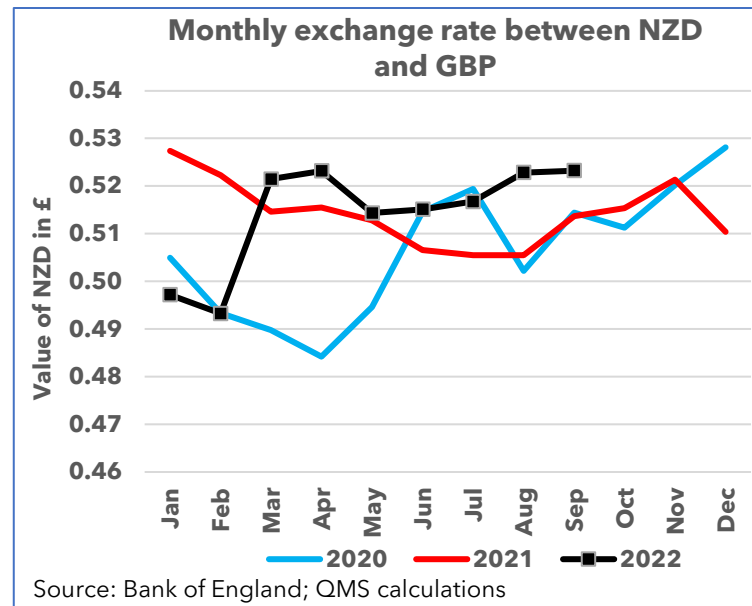
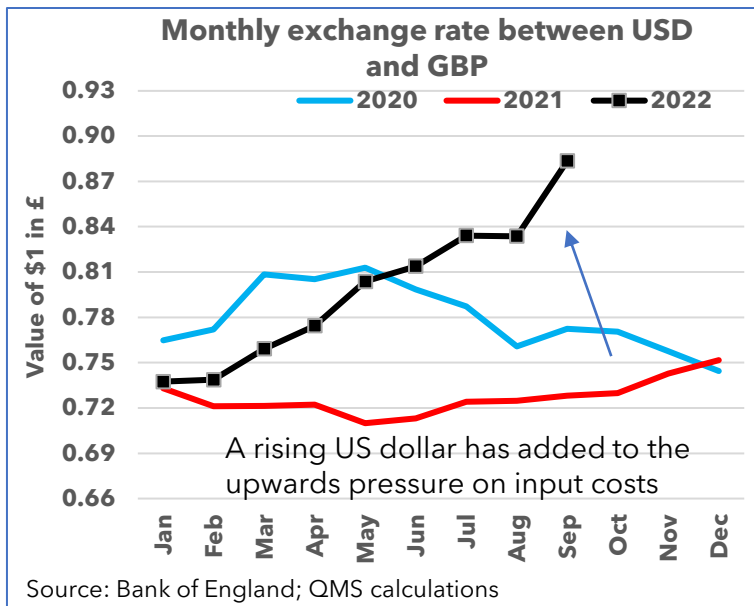


# Exchange Rate Movements – weak euro, but an even weaker pound



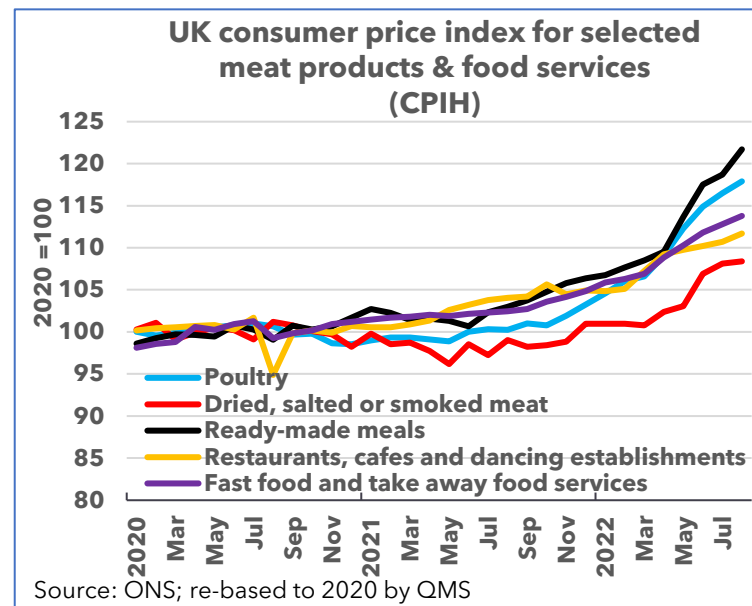
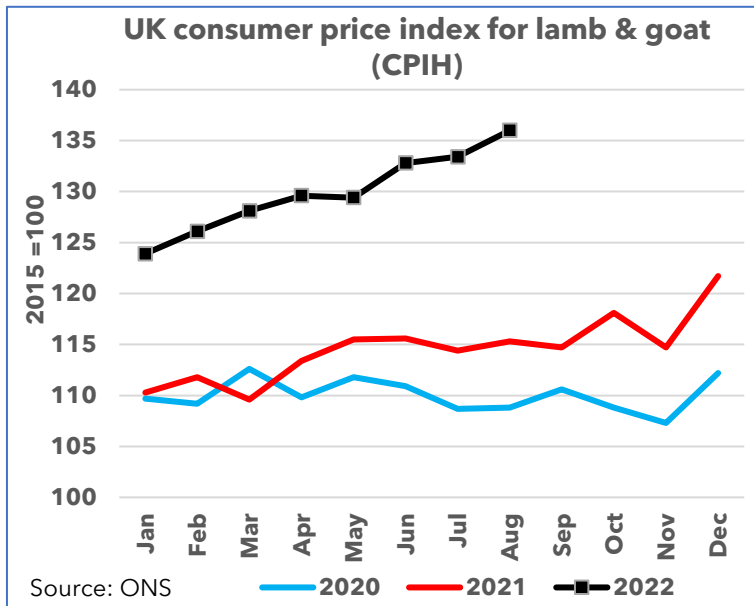
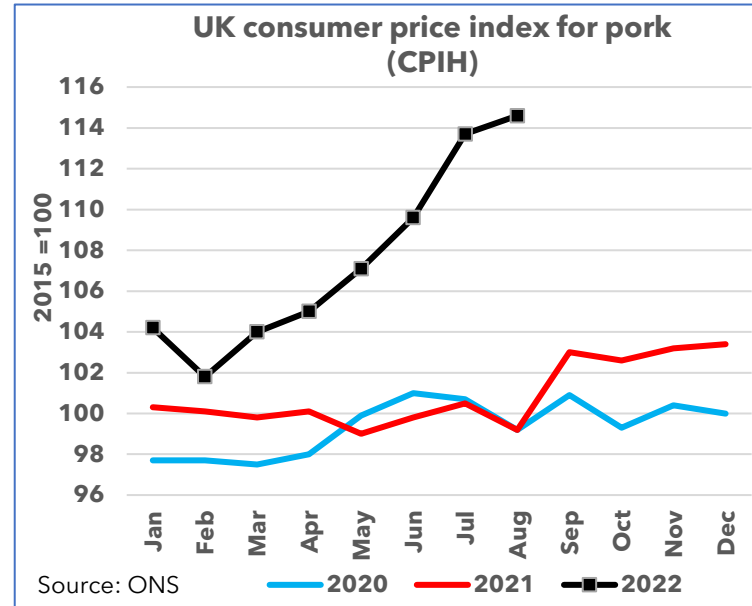
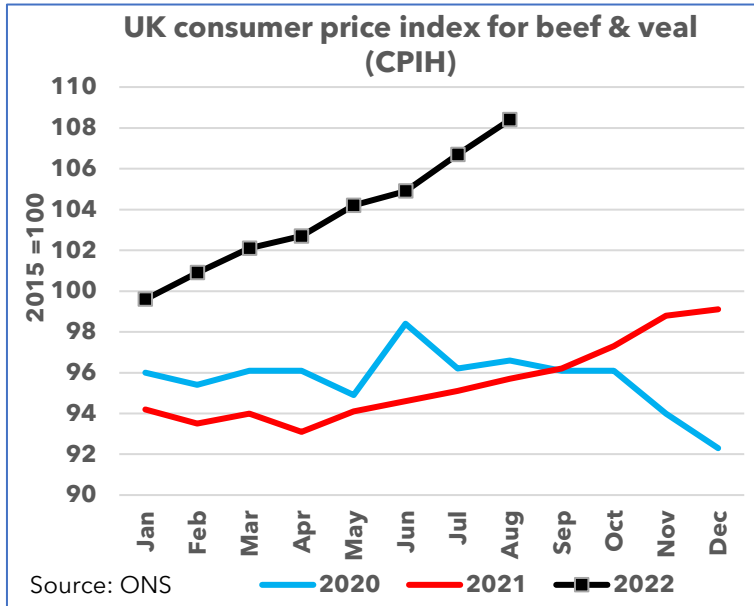
Sterling weakness has given a slight lift to Irish steer prices quoted in p/kg in September while they have continued to soften in euro. These trends are expected to have continued into the final week of the month, likely pushing Irish R3 steers closer to 420p/kg.

The US dollar continues to receive support from the US position as a safe-haven for investment, added to by a path of rising interest rates due to the country's tight labour market and inflation in consumer services prices.



A strong USD adds to the pressure on the cost of many imported inputs while supporting returns on dollar-denominated exports to third countries. An unchanged export price of \$5,000/t would have returned £3,640 in September 2021 but £4,400 in September 2022.

# Retail demand and prices



Retail demand remained under pressure during the summer, with some of this likely to have been driven by increased overseas travel and less hesitancy to dine out.

Nevertheless, falling real incomes and significant meat retail price inflation are likely to have been the main drivers.

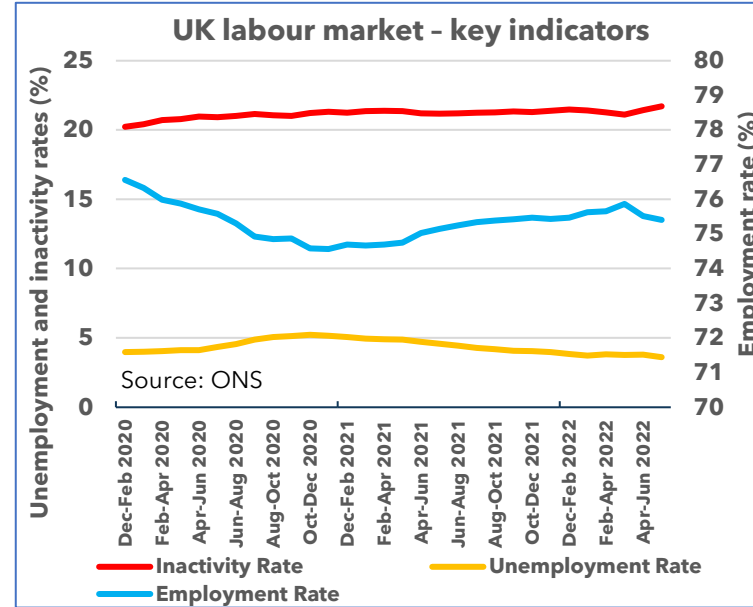
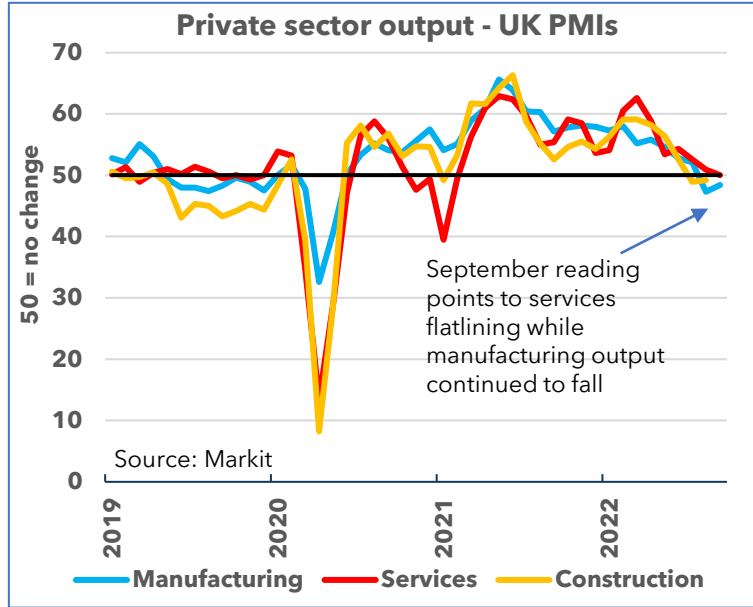
Within product categories, there has been a shift in spend towards cheaper cuts, such as beef mince.

## Y/Y Change in GB retail sales reported by Kantar in 12 weeks to 4/9/22

	Value	Volume	Avg price per kilo
Fresh beef	-4.1%	-12.4%	+9.4%
Fresh lamb	-15.2%	-23.8%	+11.4%
Fresh pork	+4.6%	-3.1%	+7.9%
Fresh poultry	+10.1%	-4.5%	+15.2%

Source: Kantar

# Economic indicators



With wage growth averaging around 7% in the private sector and under 2% in the public sector this year, households are feeling the squeeze. While UK Government policy is capping per unit energy costs from October, these prices are still going to be at unusually high levels, with annual consumer electricity price inflation at 54% in August and gas inflation at 96%. Fuel prices are off their peak but a weak sterling will limit the downside and the upwards trend in food prices has shown no signs of slowing.

Sharply rising interest rates will be adding to concerns for those with mortgages and raising the cost of loan servicing and investment funds for businesses.

Retail sales came under some pressure in August after a brighter June and July and, after factoring in higher prices, volumes were down by 5% on the year overall, and by 4.5% at food stores.

PMI survey results are now pointing to a decline in demand in both manufacturing and services sectors, although firms continued to add to staffing levels.

