

QMS Monthly Market Update January / February 2024

Purpose:

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

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

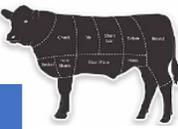
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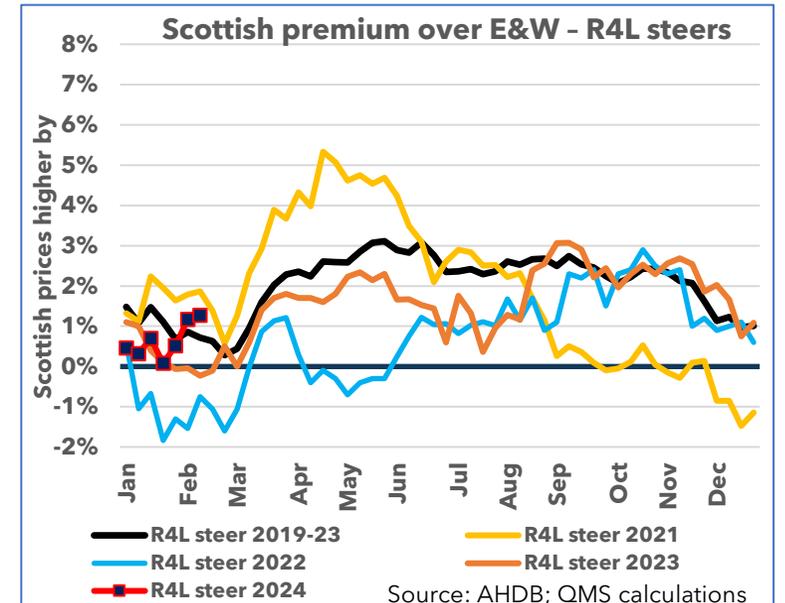
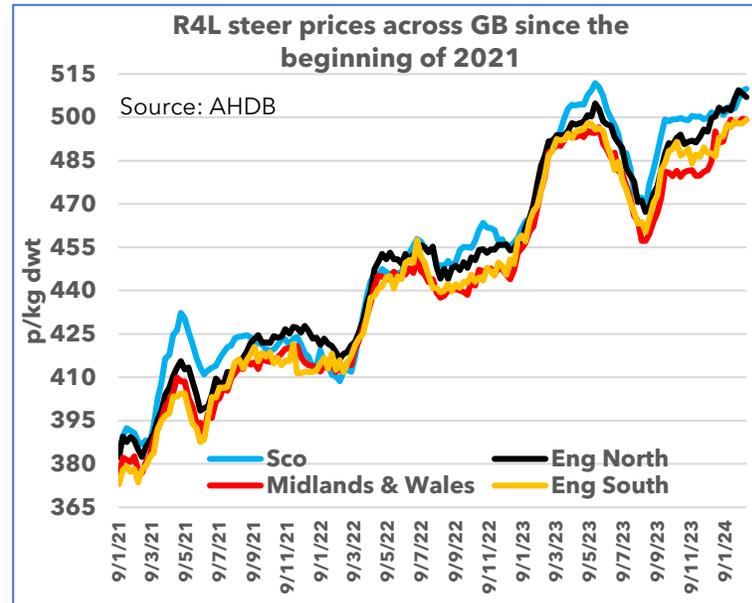
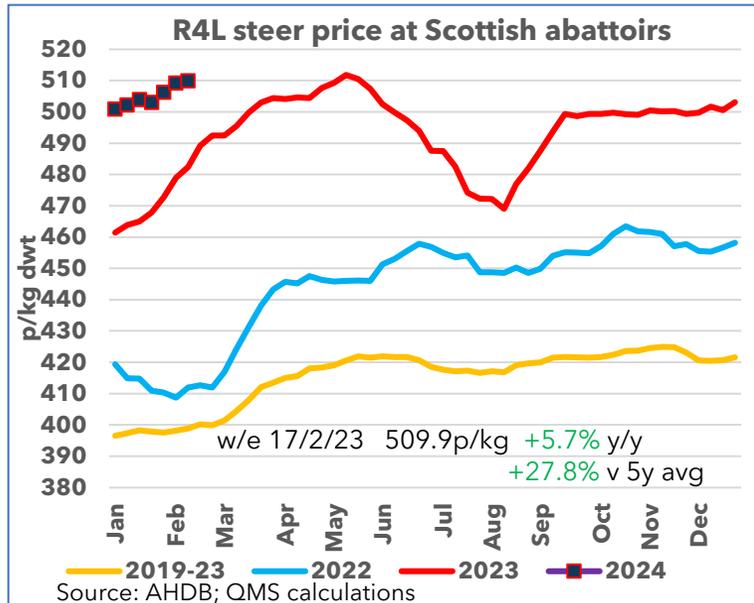
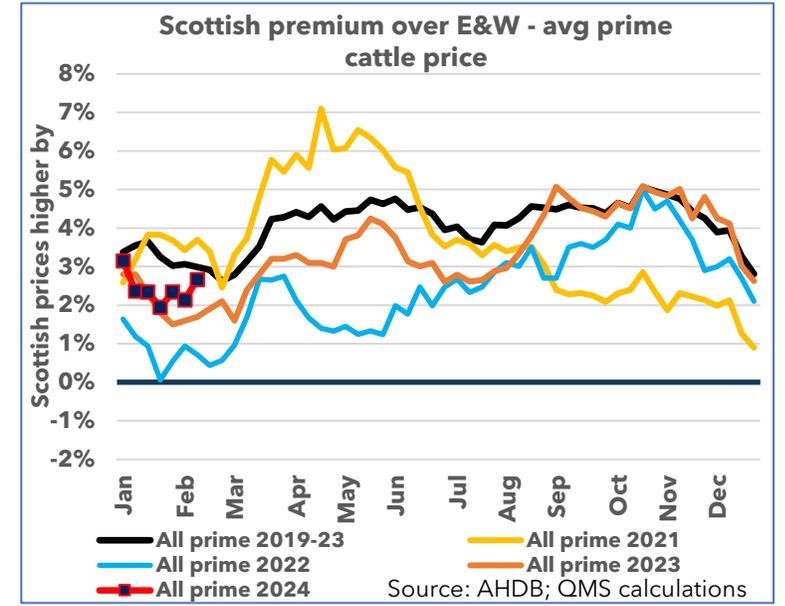
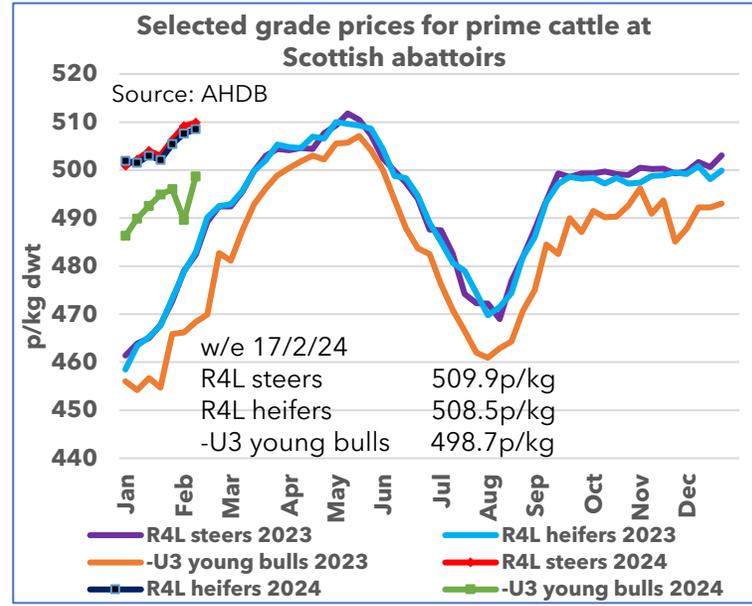
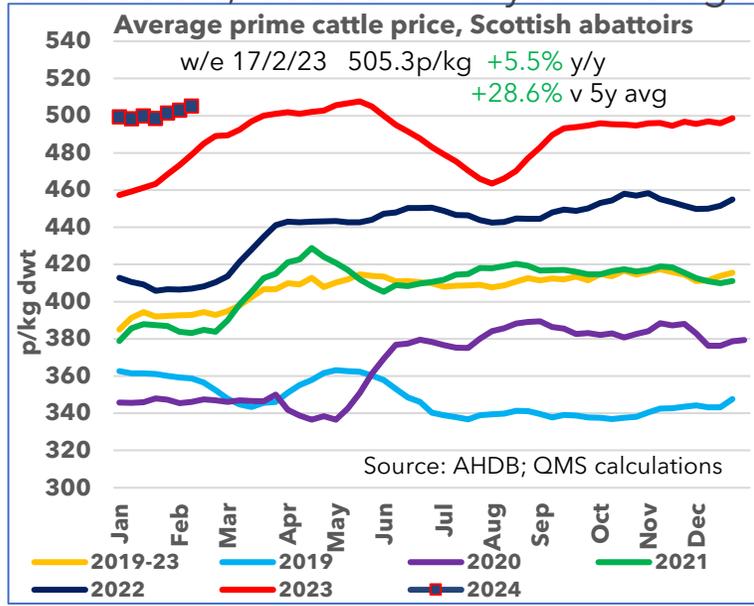
Summary of market developments - beef market



Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
R4L steer price at Scottish abattoirs	p/kg dwt, w/e 17 February	509.9	+0.7	+1.2%	+5.7%	+27.8%
Prime cattle slaughter at price reporting Scottish abattoirs (88% of kill in 2022)	Average in four weeks to February 17, head procured deadweight	6,056		+23.6%	-8.4%	-12.5%
Store price at Scottish auctions for steers aged 12-18 months	Average in four weeks to February 17, £ per head	£1,387			+6.5%	+29.8%
UK beef market supply	Tonnes in Nov 23-Jan 2024 (estimate)	258,700			-3.9%	-2.7%

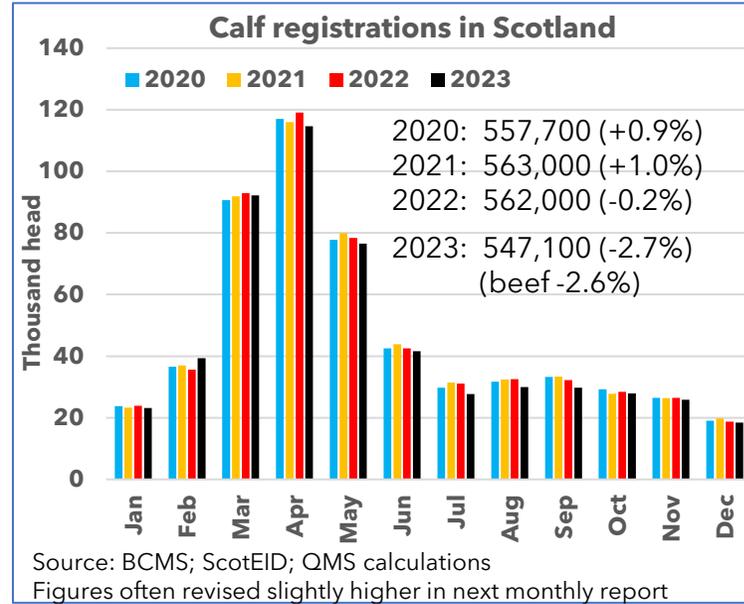
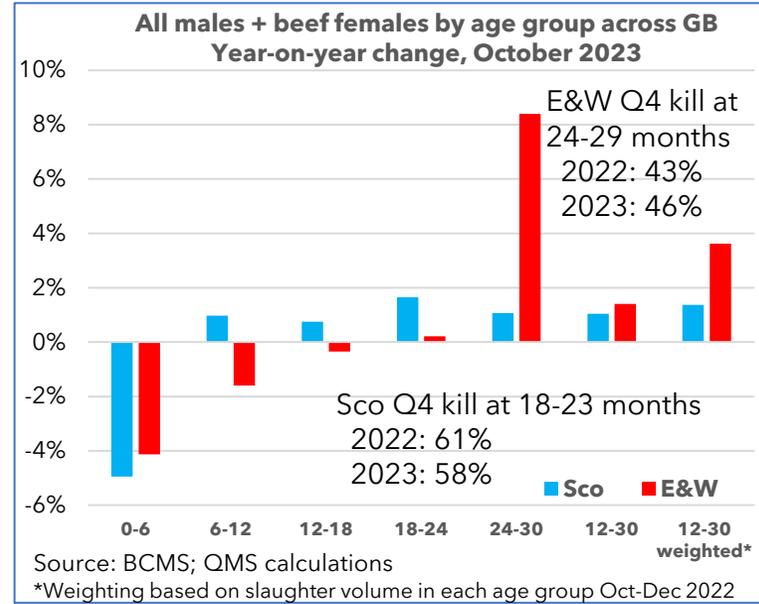
- Prime cattle prices have been trending slowly higher in the early weeks of 2024 despite seasonally firm availability on farm, signalling strong competition between processors. Although year-on-year increases have slowed towards 5%, leads on five-year averages have risen closer to 30%. Cow prices have however made a sluggish start to 2024, particularly in Scotland, suggesting a relatively weaker market for manufacturing grade beef.
- Some weakness in slaughter in the final quarter of 2023 may have resulted in a carryover of increased prime cattle numbers on farm into 2024, supporting GB slaughter. While the prime kill has been above 2023 weekly average levels in Scotland, slaughter has still lagged the levels seen in the opening weeks of 2023, reflecting changes in the supply chain in spring and summer 2023.
- A significant year-on-year decline in the cow kill at Scottish abattoirs since summer 2023 suggests that the beef herd is beginning to stabilise, although the herd is still likely to have shown a small year-on-year decrease at the start of 2024.
- In the short-term, a higher spring-2022 calf crop and a slight slowdown in the store cattle outflow from the highs of 2022 should be supporting prime cattle availability in Scotland, but numbers could tighten in the autumn as the reduced 2023 spring calf crop starts dominating slaughter.
- The combination of a reduced calf crop and firm finished cattle prices have supported store cattle values at the start of 2024.

Farmgate prices – prime cattle prices have been trending slowly higher in the early weeks of 2024 despite seasonally firm availability on farm, signalling strong competition between processors. Although year-on-year increases have slowed towards 5%, leads on five-year averages have risen closer to 30%.



Availability and slaughter – prime slaughter has been running above its 2023 weekly average level in Scotland, but remains historically low for the time of year despite a small year-on-year increase on farm. Strong y/y uplift in E&W prime kill.

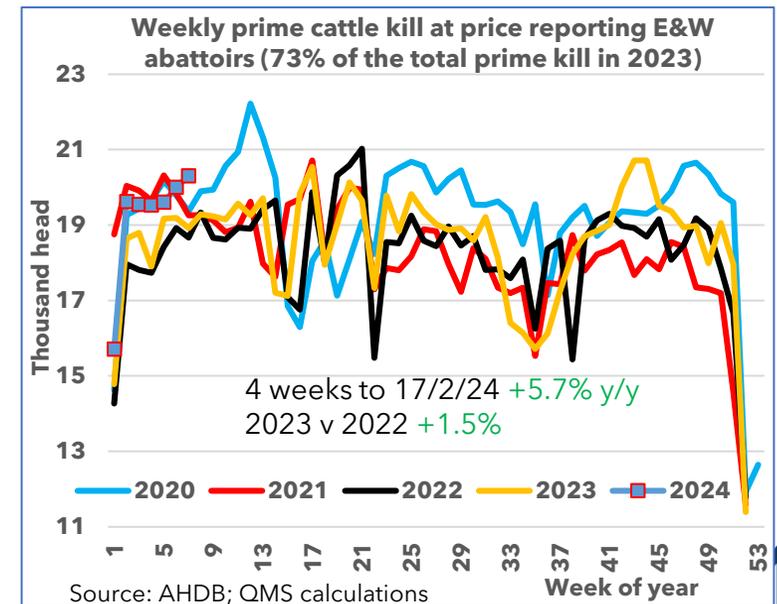
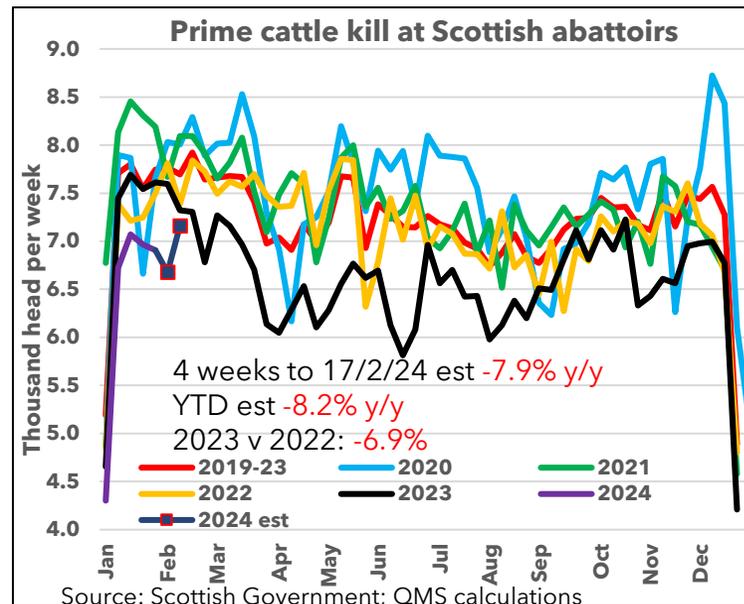
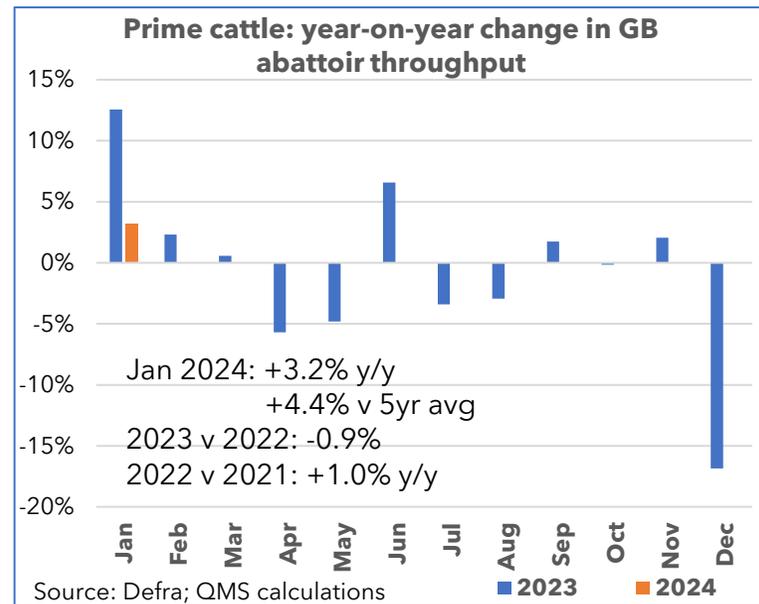
Some weakness in slaughter in the final quarter of 2023 may have resulted in a carryover of increased prime cattle numbers on farm into 2024, supporting slaughter across GB, which rose 3.2% year-on-year in January.



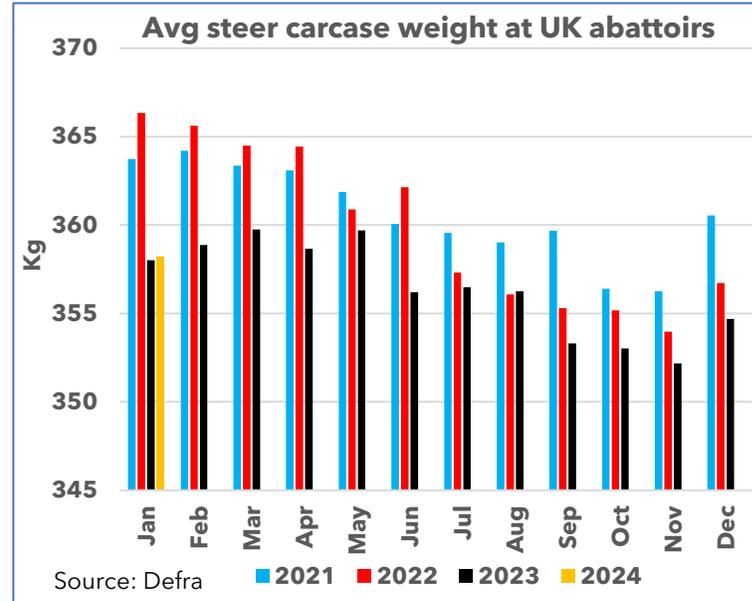
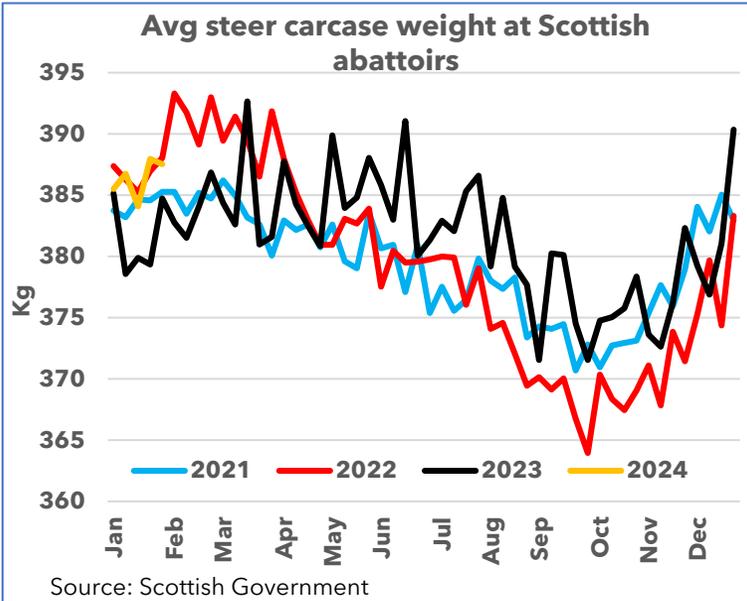
Although the prime kill in Scotland has been above its 2023 weekly average level, reflecting seasonally strong availability, numbers have still lagged behind year-earlier levels, reflecting changes in the supply chain in spring and summer 2023.

As well as being seasonally strong, slaughter at the price reporting abattoirs in E&W has risen significantly on a year earlier in 2024-to-date.

In the short-term, a higher spring-2022 calf crop and a slight slowdown in the store cattle outflow in 2023 from the highs of 2022 should be supporting availability in Scotland, but numbers could tighten in the autumn as the reduced 2023 spring calf crop starts dominating slaughter.

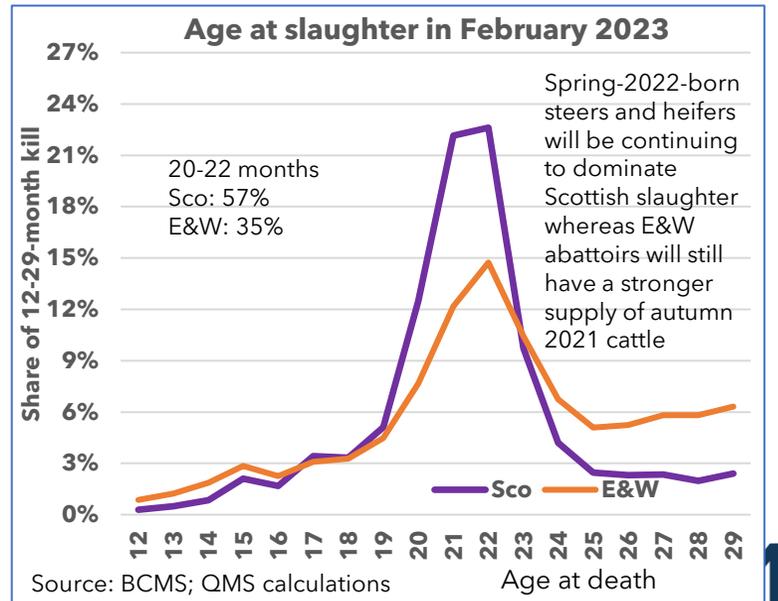
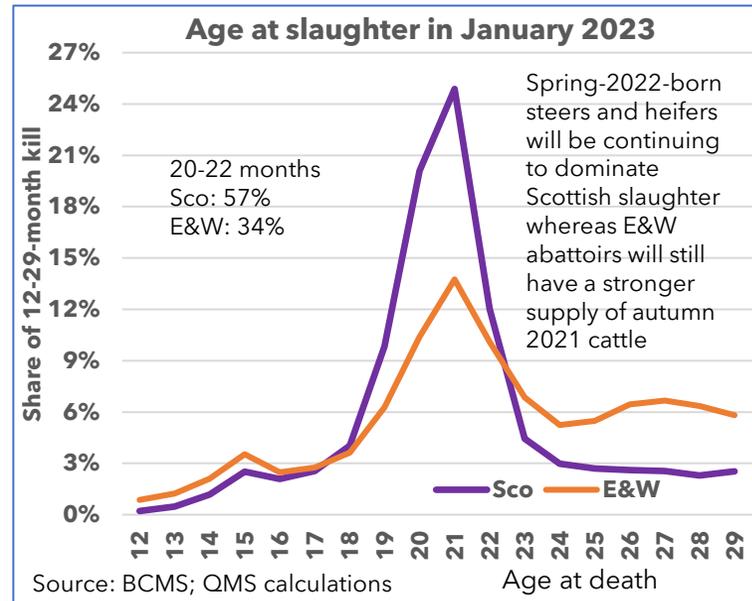
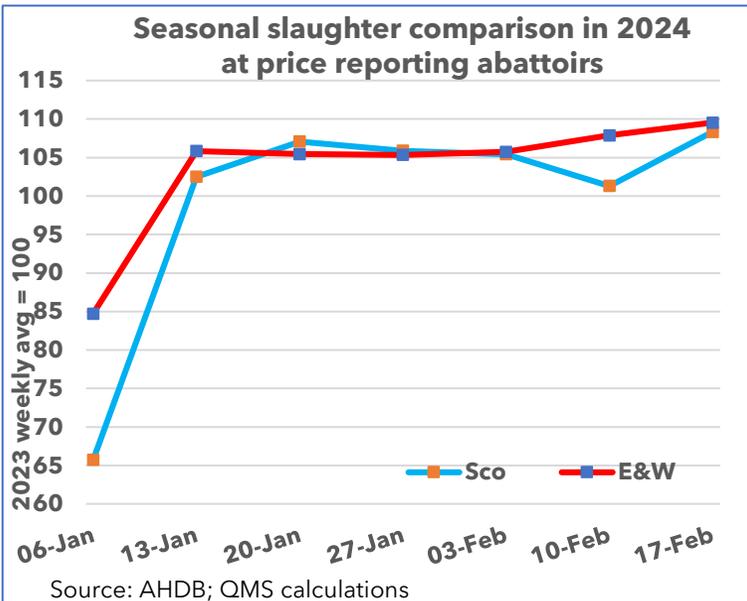


Seasonality of production – availability should be at a seasonal high in Scotland in the early weeks of 2024, with the 2022 spring calf crop reaching peak slaughter age

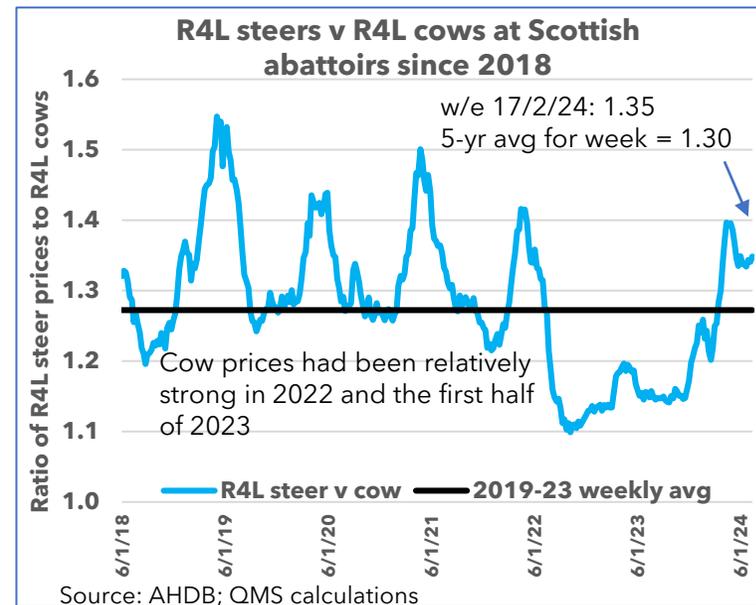
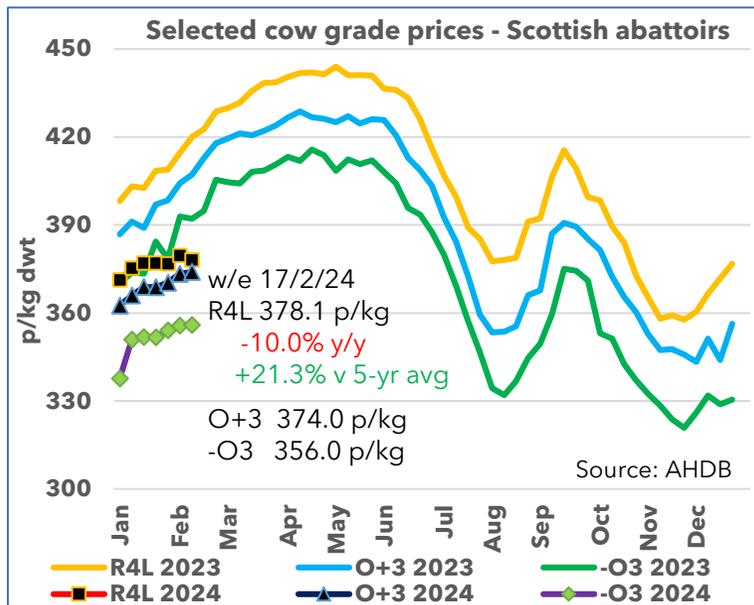
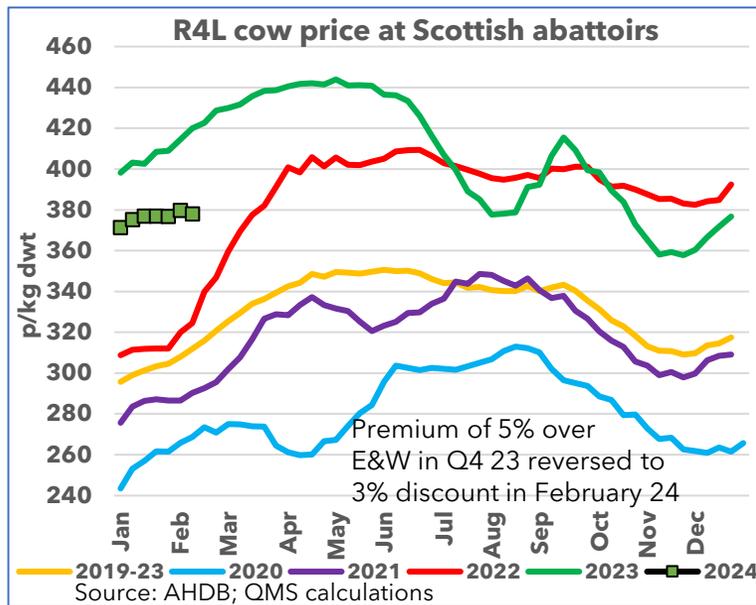
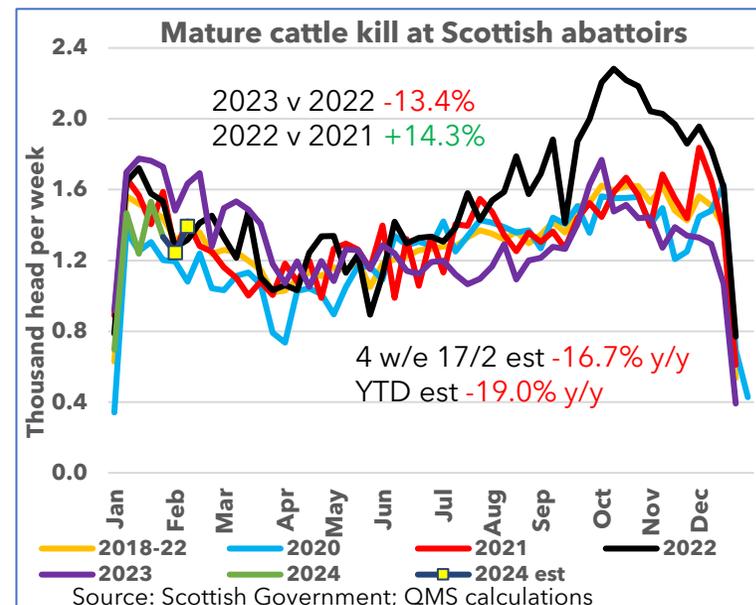
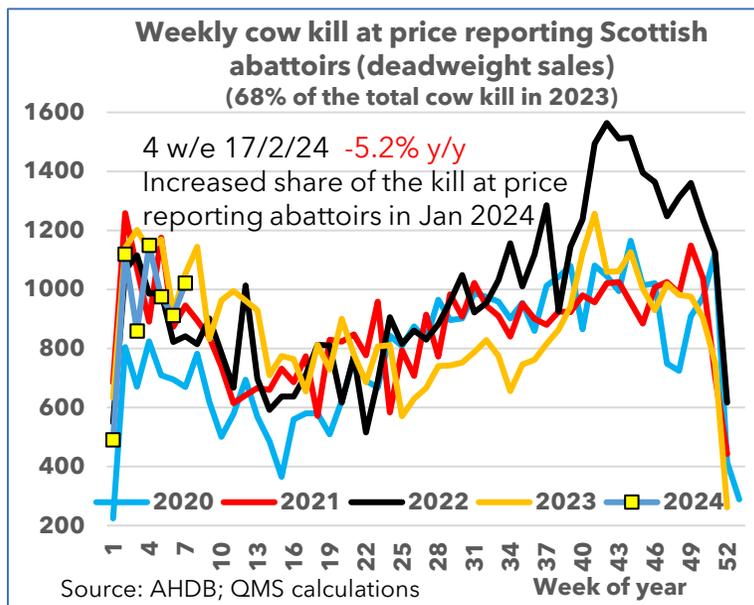
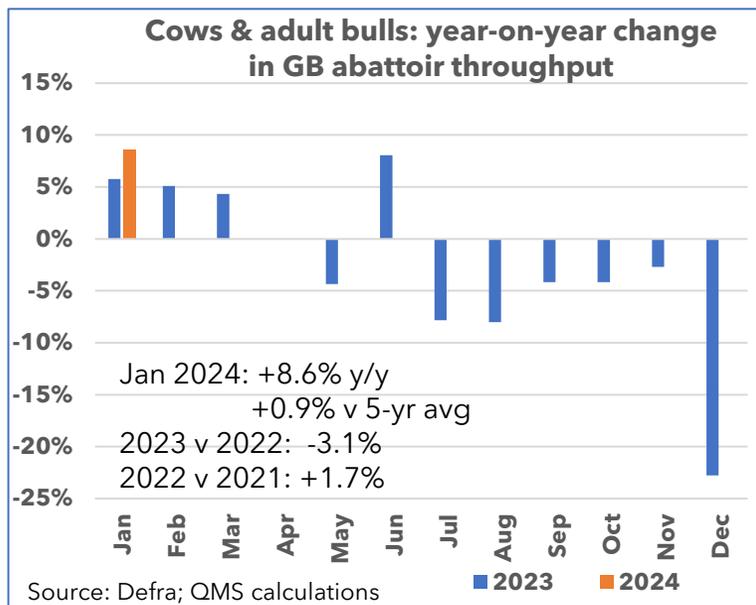


In theory, availability for slaughter should be seasonally high in early-2024 in Scotland as the spring calf crop from 2022 reaches peak slaughter age.

Carcass weights have been showing year-on-year increases in Scotland since spring 2023, while the UK average showed its first since June 2022 at the start of 2024.

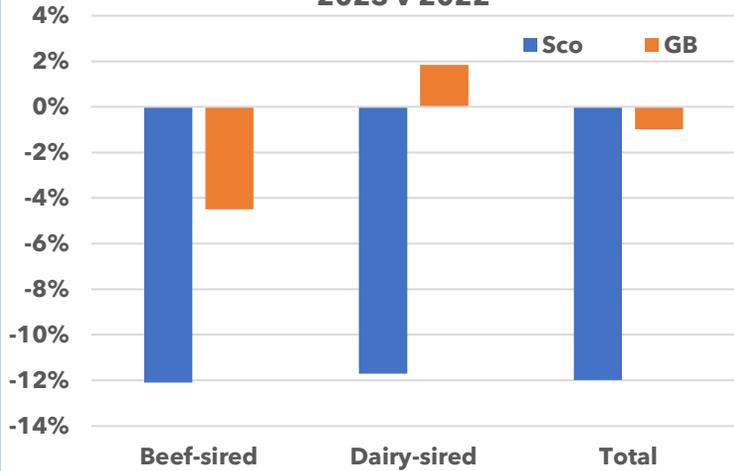


Mature cattle market – sluggish start to the year for cow prices, which are now relatively weak for the time of year. Slaughter remained below the highs of winter 2022/23 in early 2024.



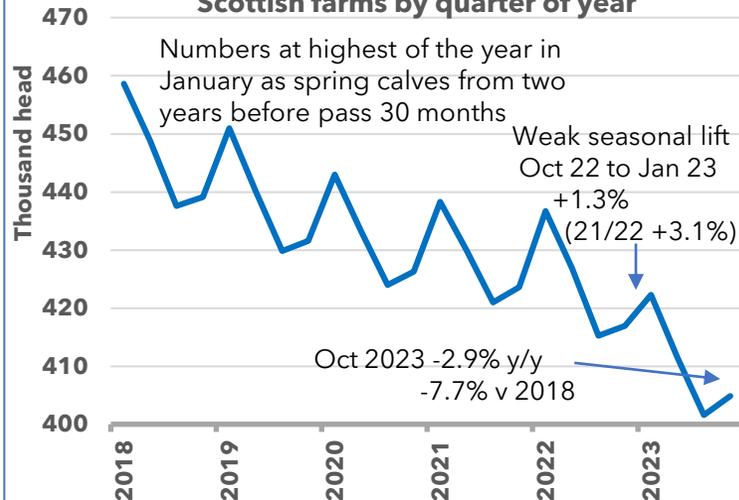
Herd reduction slowing in the beef sector

**Females 30 months +
change in abattoir throughput
2023 v 2022**



Source: Defra; QMS calculations

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



Source: BCMS; QMS calculations

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

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

Source: BCMS; QMS calculations

In October 2023, there were nearly 404,900 beef-sired females aged 30 months and over (OTM) on Scottish holdings. This was a 2.9% and 12,000 head decline from a year earlier, marking a further slowdown in the pace of year-on-year decline from its April 2023 peak. It left numbers down by 7.7% on five years before. The seasonal increase between July and October was 0.8%, compared to an average of 0.4% in the previous five years.

A significantly lower cow kill at Scottish abattoirs compared to 2022 suggests that the beef herd is beginning to stabilise, although the herd is still likely to have shown a small year-on-year decline at the start of 2024. BCMS data highlighted that 8% fewer Scottish-born OTM cattle were processed in E&W in 2023 than in 2022.

**Females aged 30 months+ on farms in England &
Wales and GB (y/y change in Oct 2023)**

Month	Dairy	Beef	All
E&W	-0.8%	-3.0%	-1.7%
GB	-0.7%	-3.0%	-1.8%

Source: BCMS; QMS calculations

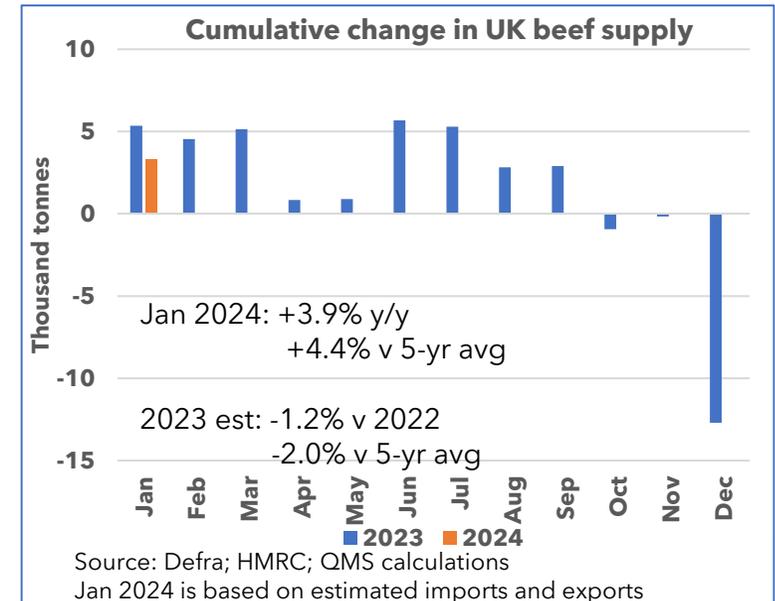
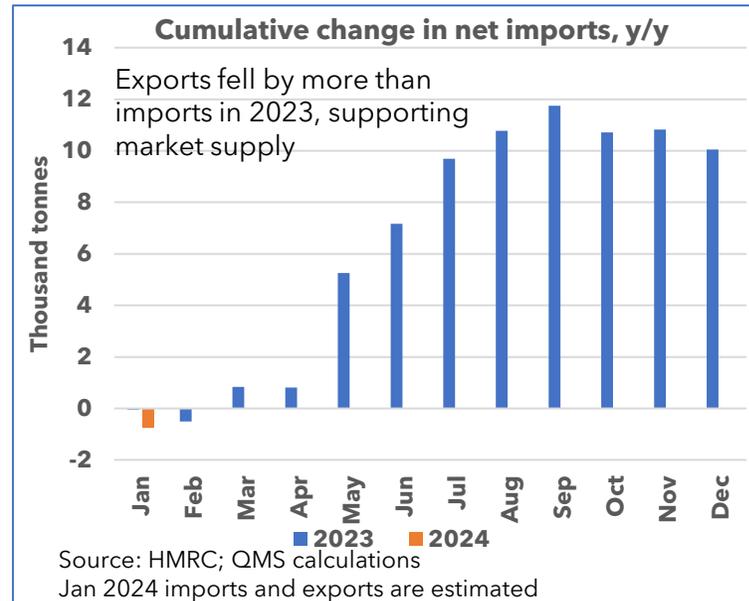
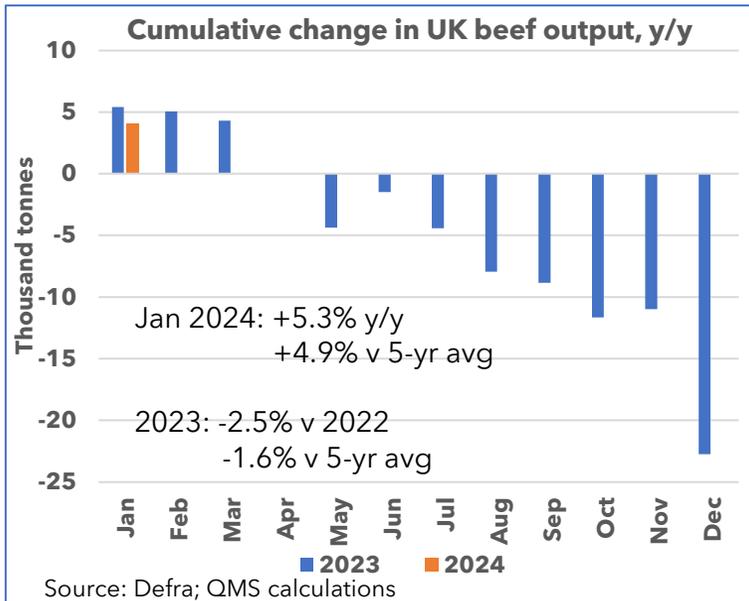
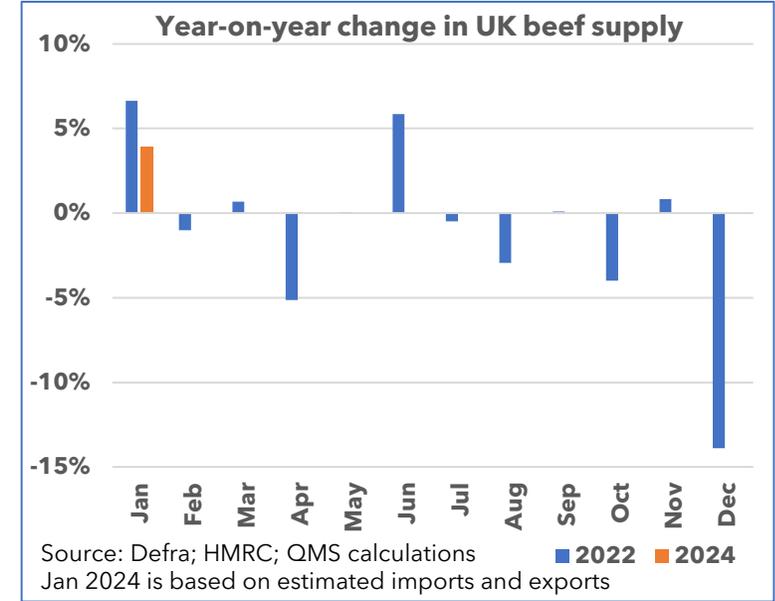
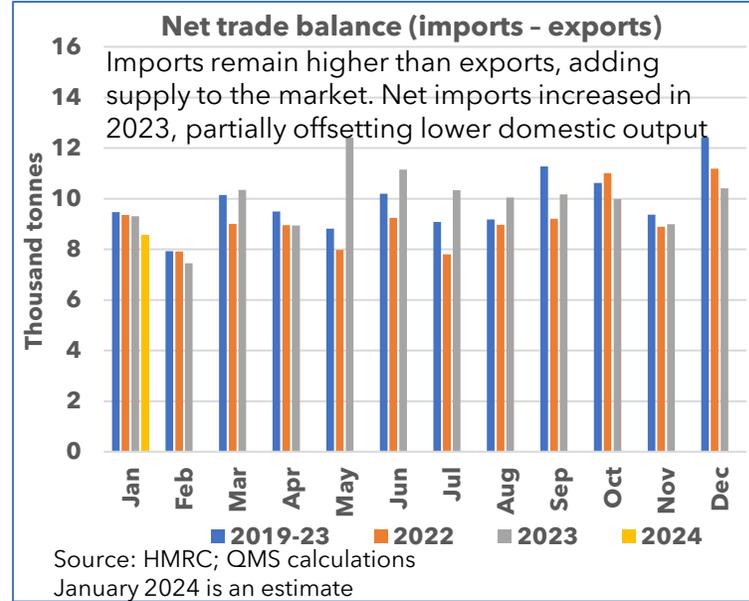
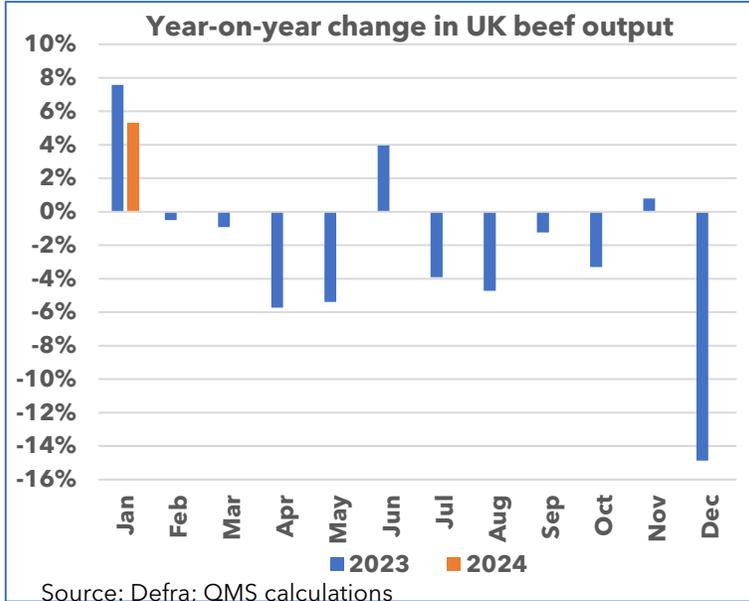
**Latest breeding herd results - females over 2 years old
that have calved (y/y change)**

	Dairy	Beef	All
Scotland (Jun 2023)	+0.2%*	-3.5%	-2.4%
England (Jun 2023)	-0.7%	-3.6%	-1.8%

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

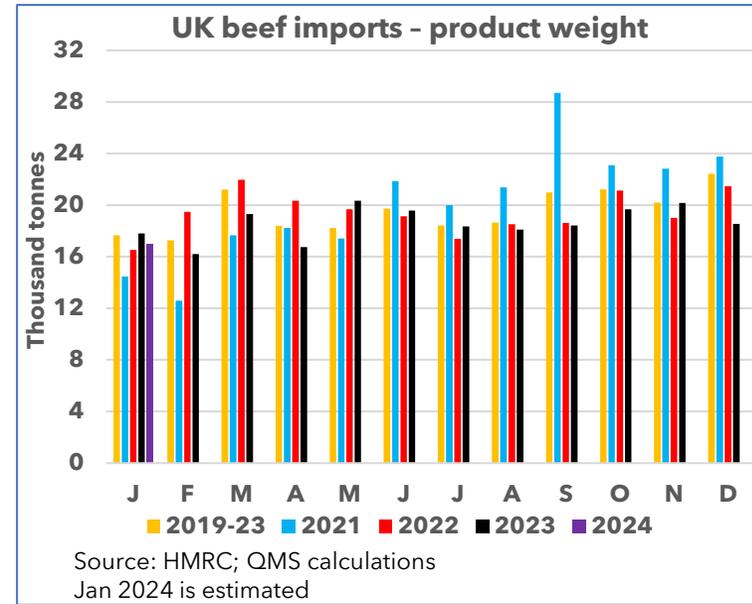
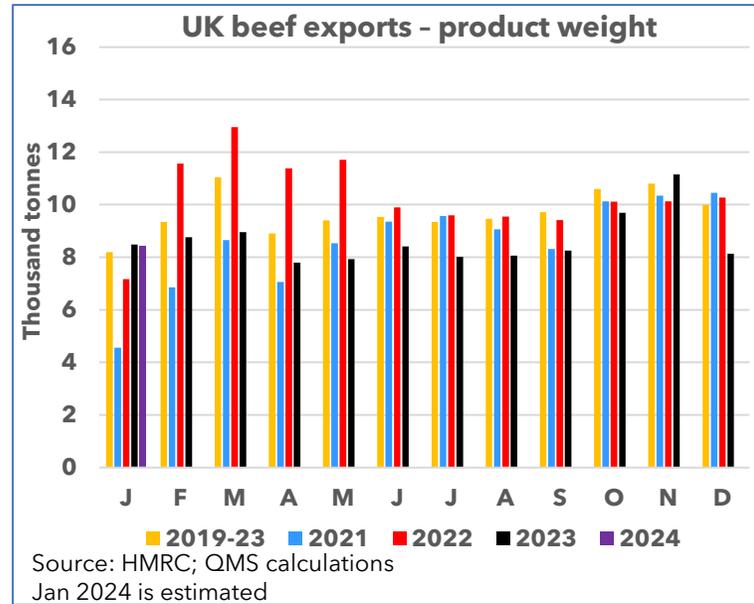
UK beef market supply: domestic production + (imports - exports) = supply

- Tight end to 2023



A focus on UK international trade in beef

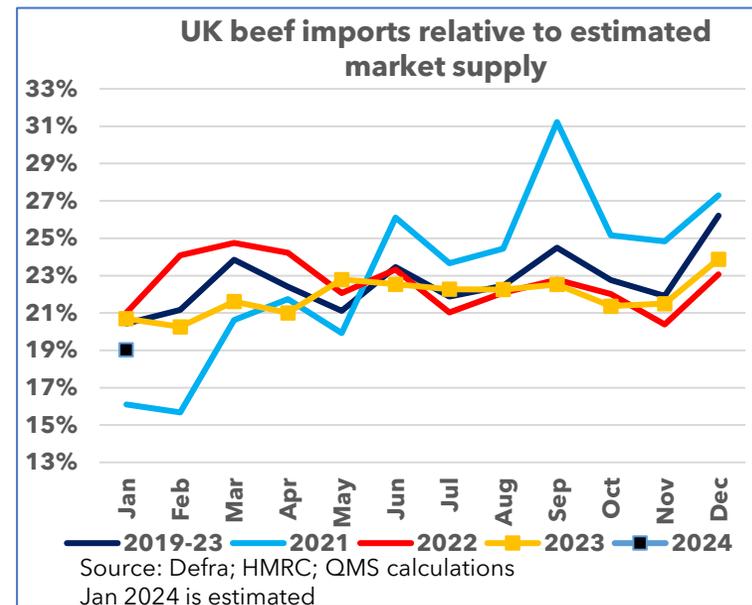
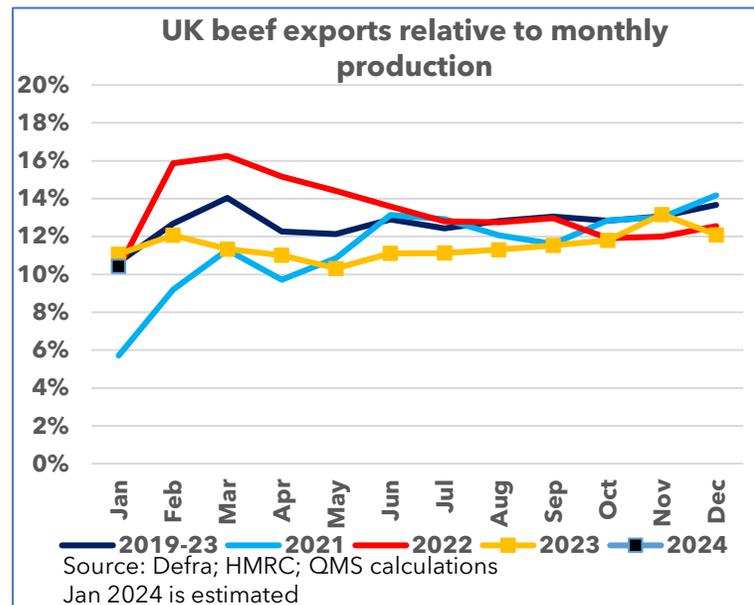
- December exports limited by domestic production but imports surprisingly low



UK beef export volumes fell back sharply in December after November's 18-month high, driven by reduced domestic production during the month. Volumes fell by 21% year-on-year, stronger than the 16% reduction in the year as a whole. Export prices did however hold above the levels of previous years.

Trade with EU countries fell by 14% year-on-year, in line with the annual change, while sales to non-EU markets ended the year at a six-month low and down nearly 50% on the year.

Given weak domestic production and robust demand in December, UK import volumes surprised to the downside, posting a decline of almost 14% on the year and slumping to a 16-year low for the month. Trade continued to show rebalancing towards fresh beef from frozen product, with the former up 6% year-on-year whereas the latter was down 45%.



Imports from the EU fell by 17% year-on-year in December, whereas imports from non-EU countries were more than double December 2022 levels. Imports from Australia remained elevated at close to 300t in December (Jan to May average <50t), in a sign that the increased quota granted at the end of May is being used.

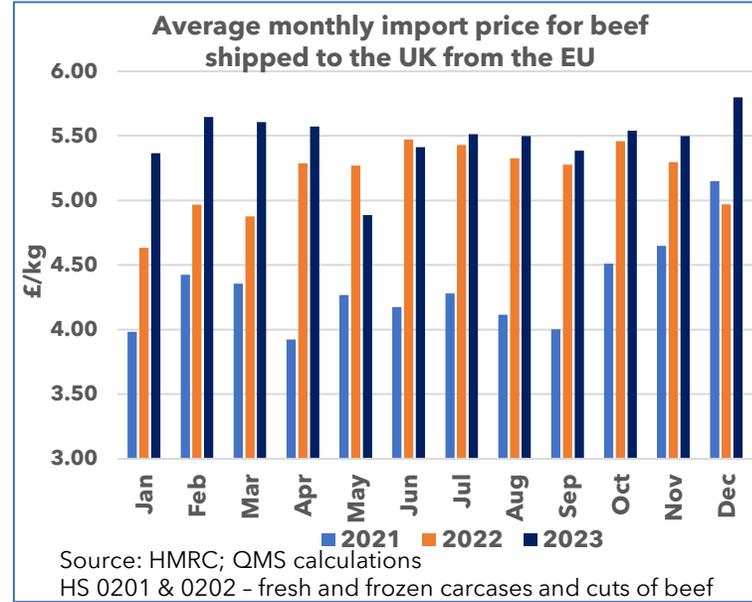
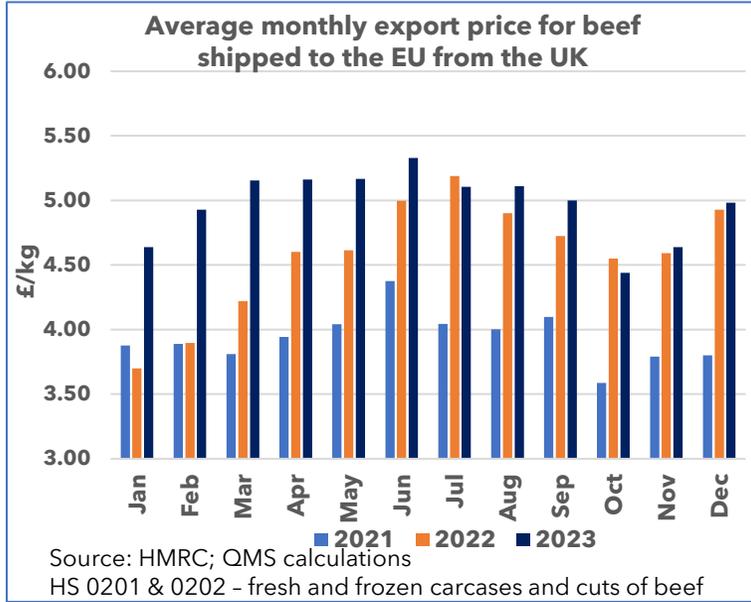
The EU accounted for 94.5% of UK import volumes and 87.9% of exports in 2023.

Note:

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

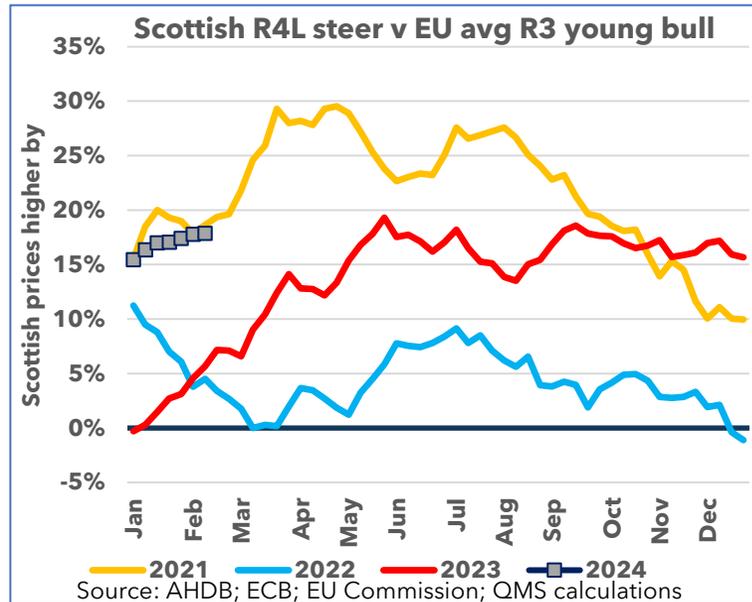
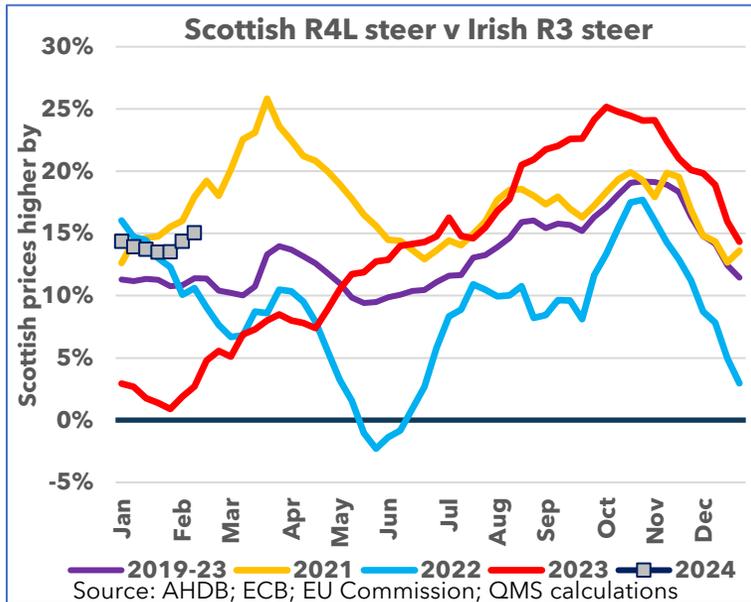
Estimates for January are based on seasonal trends in trade volumes and domestic production

Variables influencing international trade in beef – Scottish prices have become slightly less competitive against Irish and EU averages in February.



The seasonal increase in Irish prime cattle prices of late-2023 and early-2024 appears to have come to an end, resulting in a slight widening of the price gap with Scotland in the first half of February. At 15%, the price gap remains above its five-year average for the time of year. Competitive pressures did not prevent year-on-year increases in UK import prices in late-2023.

EU beef prices remain below the highs reached in 2022 in many countries despite production trending lower. The lead for Scottish R4L steers over the EU average for R3 young bulls has risen to a three-year high for the time of year, reaching 18%.



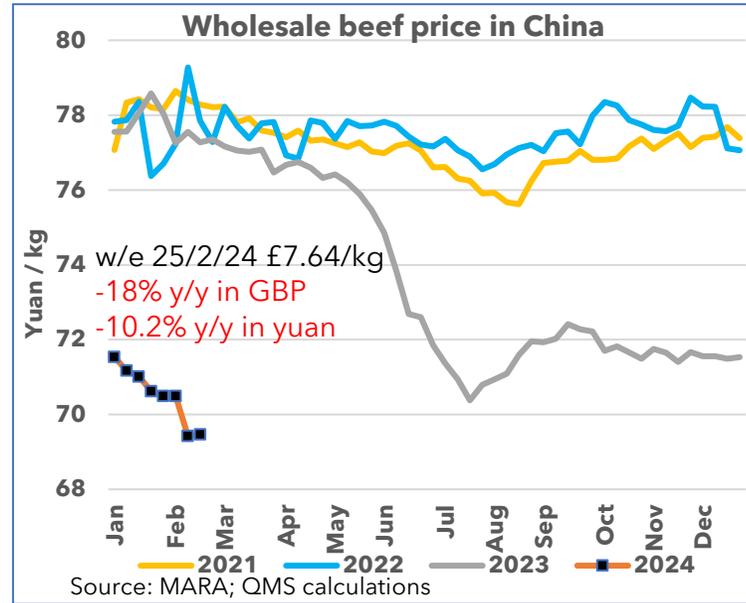
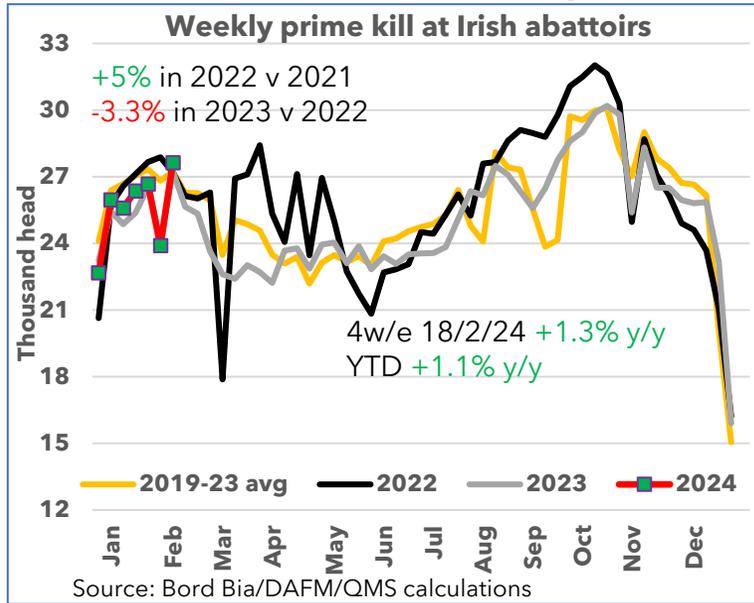
Selected EU cattle prices for R3 males, converted from euro to p/kg dwt

	Week 7 2024	Week 3 2024	Week 7 2023
Germany (young bull)	426.8	422.0	461.5
Netherlands (young bull)	324.7	343.1	344.9
Spain (young bull)	434.3	426.2	472.7
Poland (young bull)	413.9	415.1	418.9
Irish Republic (steer)	443.2	445.2	469.7
For comparison: Scotland R4L steer	509.9	509.2	482.4

Source: AHDB; EU Commission; LMC; QMS calculations

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

Variables influencing international trade in beef



In the Irish Republic, slaughter has opened 2024 at a similar level to 2023 but below the five-year average. Population data points to declines in Irish production in 2024 and 2025. At EU level, production is also expected to contract further, supporting EU import demand.

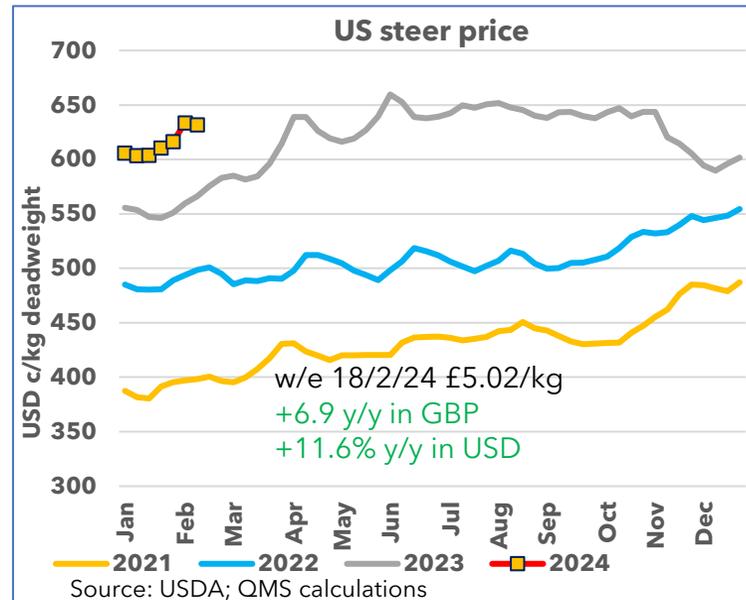
In the global market, beef prices are still under pressure from herd expansion in Brazil and weak purchasing power in China. However, surprisingly wet weather in Australia has seen producer confidence and market prices rebound from autumn lows and US beef prices continue to trade well above year-earlier levels with domestic production adjusting downwards following drought induced herd liquidation in 2021 and 2022.

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

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

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

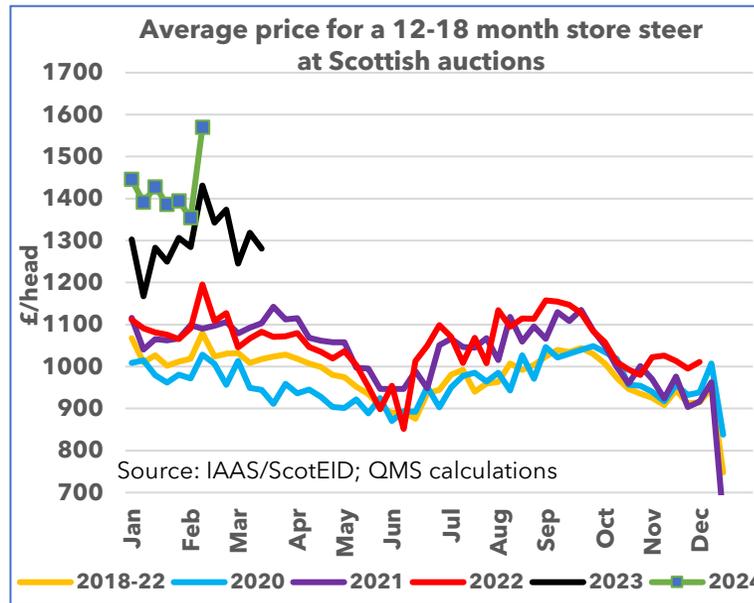
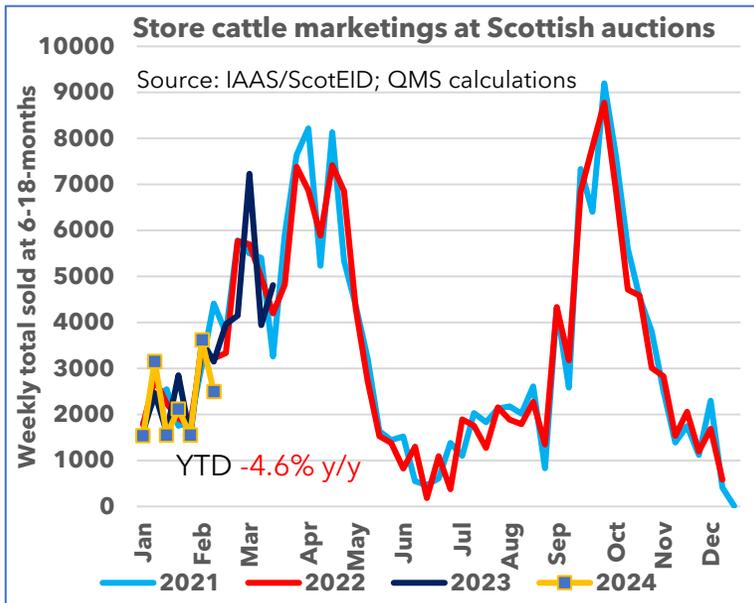
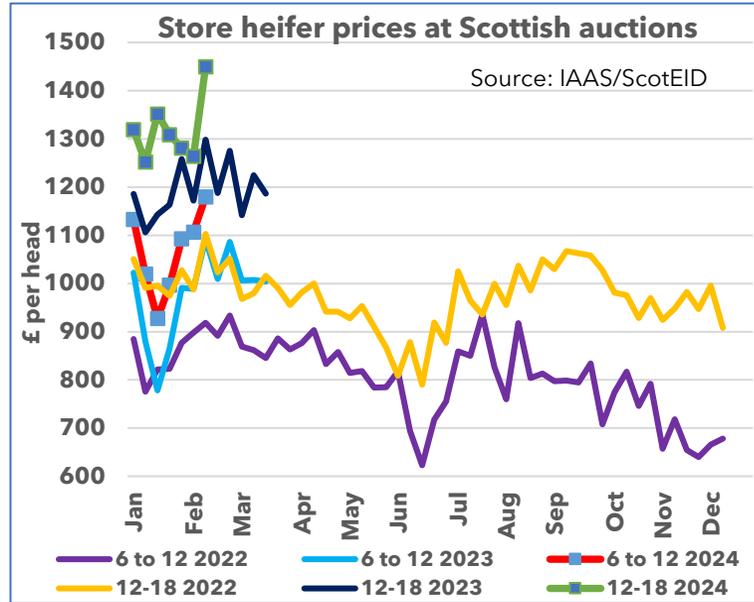
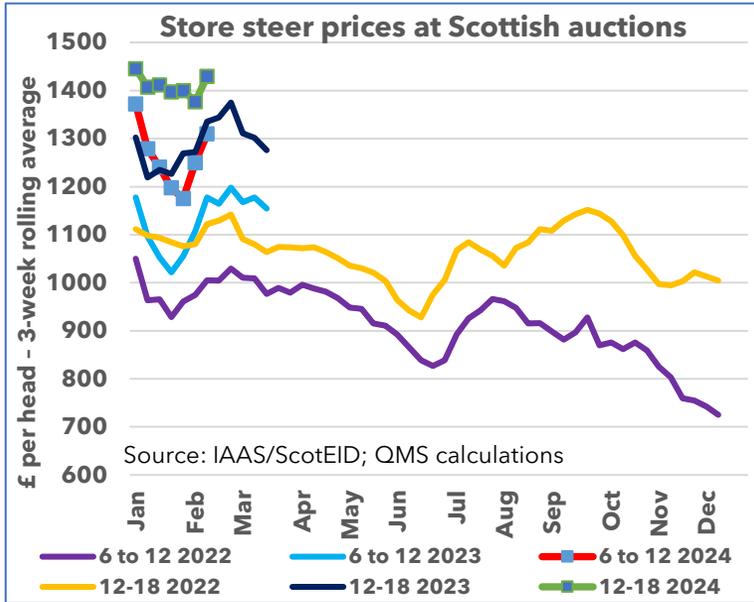
Source: USDA Foreign Agricultural Service



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

Store cattle trade - tight supply supporting prices



A reduced availability of store cattle at Scottish auctions compared to 2023 has resulted in a firm start to the year for prices, which climbed seasonally through February.

Prices for longer keep stores have generally been looking relatively stronger, reflecting the significantly reduced calf crop of spring and summer 2023.

This lower calf crop is likely to ensure that store cattle availability remains tight in 2024.

	4 weeks to 17/2	y/y change last 4 weeks
Store cattle prices		
Steers, 6-12 months	£1,293	+12.1%
Steers, 12-18 months	£1,417	+8.8%
Heifers, 6-12 months	£1,097	+14.1%
Heifers: 12-18 months	£1,324	+18.2%
Store cattle marketings		
All steers & heifers, 6-18 months	9,800	-11.9%

Source: IAAS/ScotEID; QMS calculations
Prices rounded to nearest £1 and numbers to nearest 100

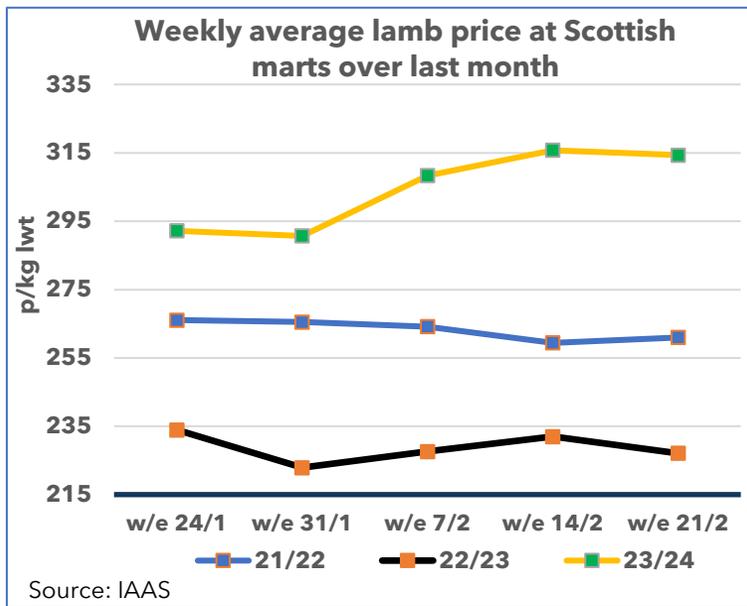
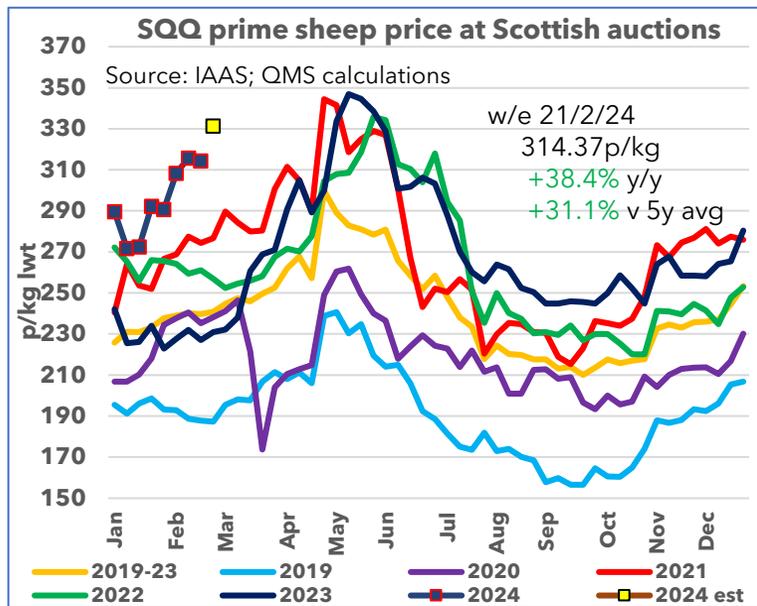
Summary of market developments - sheep market



Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
New season SQQ lamb price at Scottish auctions	p/kg lwt, w/e 21 February	314.37p/kg	-1.41p	+7.6%	+38.4%	+31.1%
New season lamb marketings at Scottish auctions	Average in four weeks to 21 February, head	21,220		+24.5%	+4.4%	+7.9%
Lamb slaughter at GB abattoirs	Total between June 2023 and January 2024, million head	8.027			-0.1%	-6.4%
UK sheepmeat market supply	Tonnes in Nov 23-Jan 2024 (estimate)	61,600			-0.7%	-9.3%

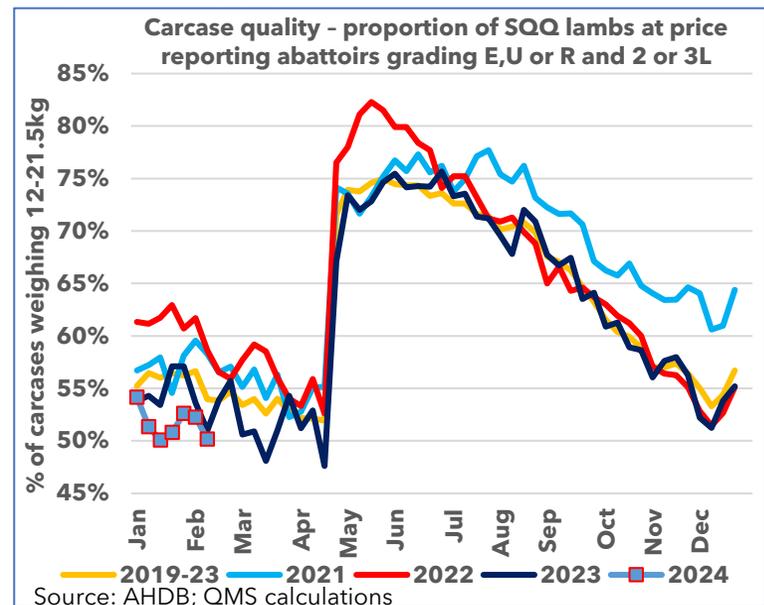
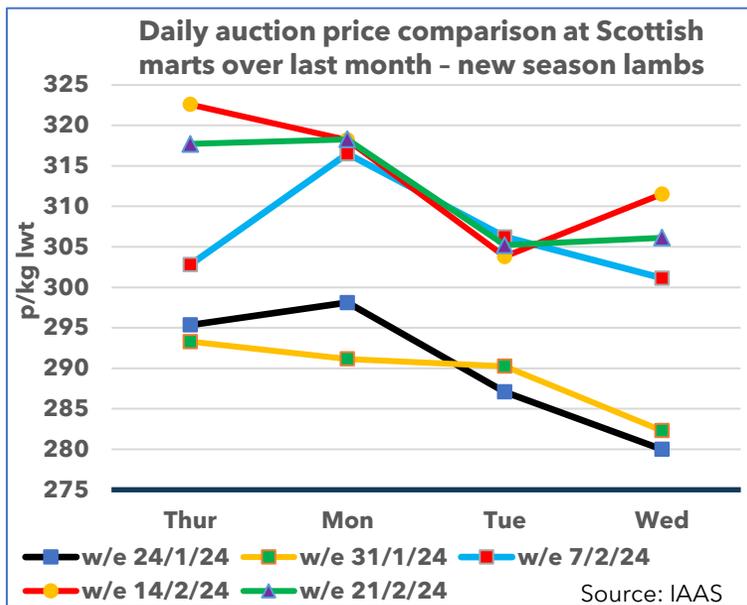
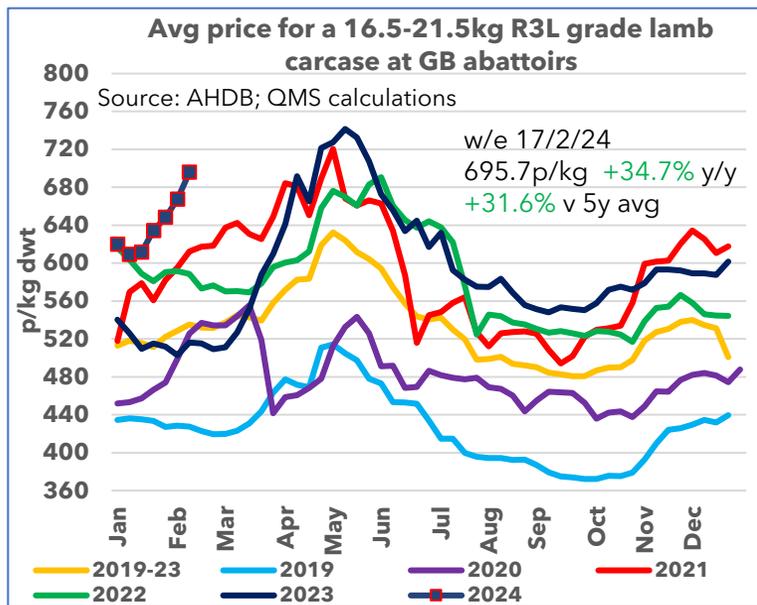
- Hogs have averaged well above 300p/kg lwt at Scottish marts in February, averaging around 315p/kg in the second and third weeks of the month. Compared to the soft market conditions of February 2023, prices have been running 35-40% higher at Scottish marts, with the increase on the five-year average closer to 30%. Prices have shown a further uplift in the final week of February.
- Despite the smaller lamb crop in 2023 across GB (-6.3% year-on-year), auction and abattoir throughput has continued to hold up surprisingly well in early 2024, potentially supported by strong prices drawing out stock, and this could limit the size of any seasonal uplift in domestic supply for Ramadan and Easter.
- GB retail data indicates that lamb sales performance continued to look positive in both value and volume moving into 2024, but if rising farmgate prices were to pass through the supply chain, this could test the recent strength of demand.
- Although UK imports rebounded considerably in the second half of 2023, export volumes remained more than double import volumes in Q4 2023, resulting in a tightening effect on domestic market supply. Imports may have been disrupted at the start of 2024 by shipping delays, supporting demand for domestic product, while an upwards trend in the price of GB lamb at Rungis market in Paris indicates that export demand remains firm, though export margins have narrowed in 2024.
- Looking forward, figures from Beef + Lamb New Zealand suggest that a significantly increased volume of lamb left NZ for the UK during January 2024, while rising production and an increase in its UK Tariff Rate Quota (TRQ) are expected to underpin imports from Australia. This could partially offset some of the anticipated market tightening from lower domestic production.

Farmgate prices - prime sheep - seasonal records at start of 2024



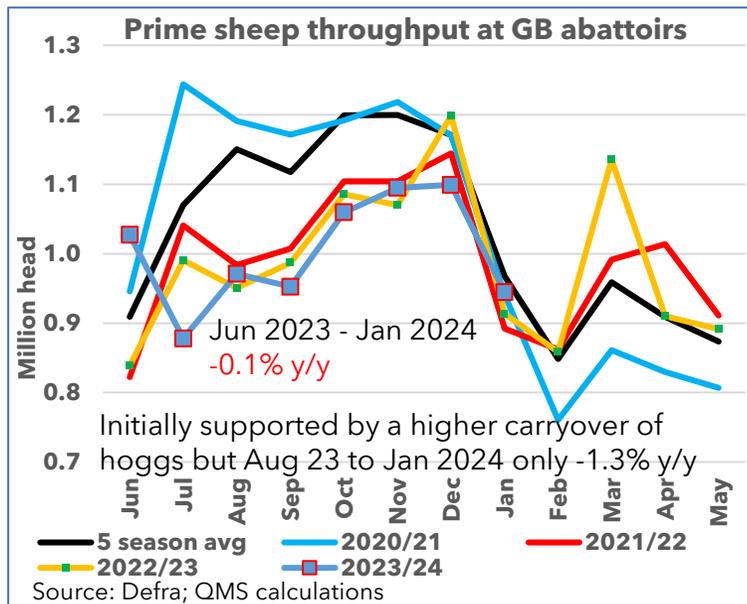
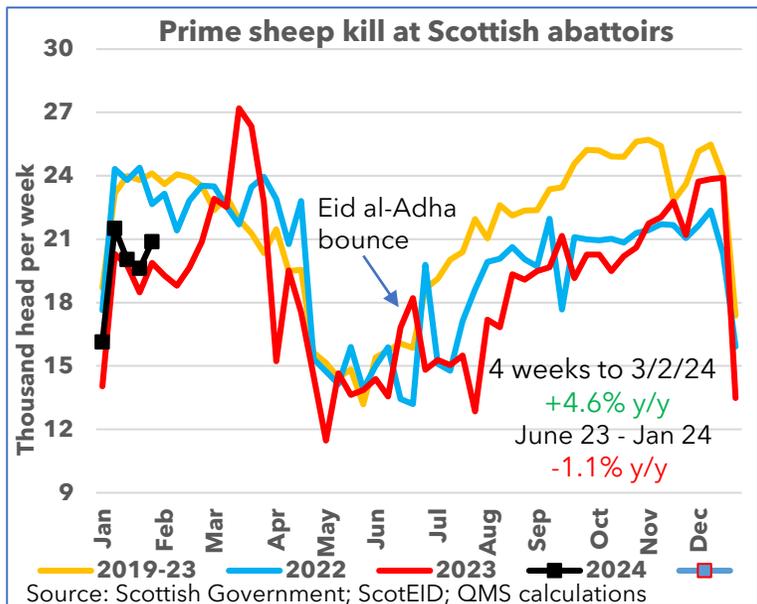
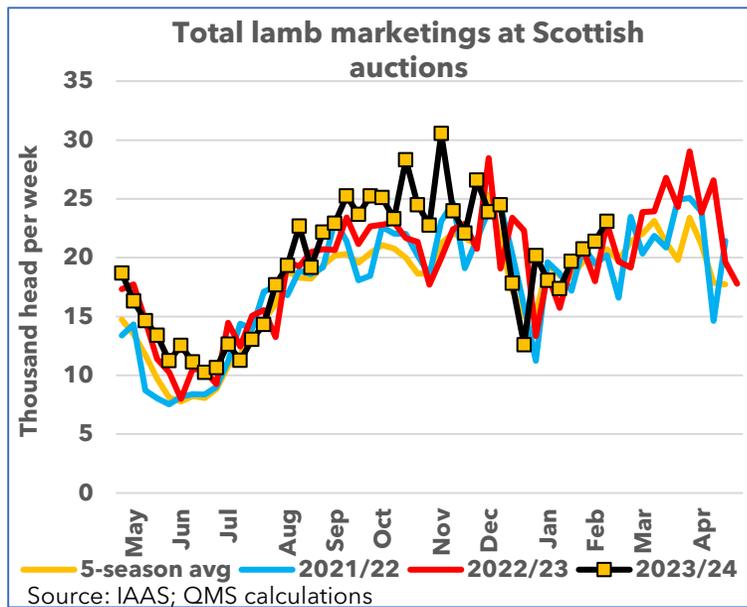
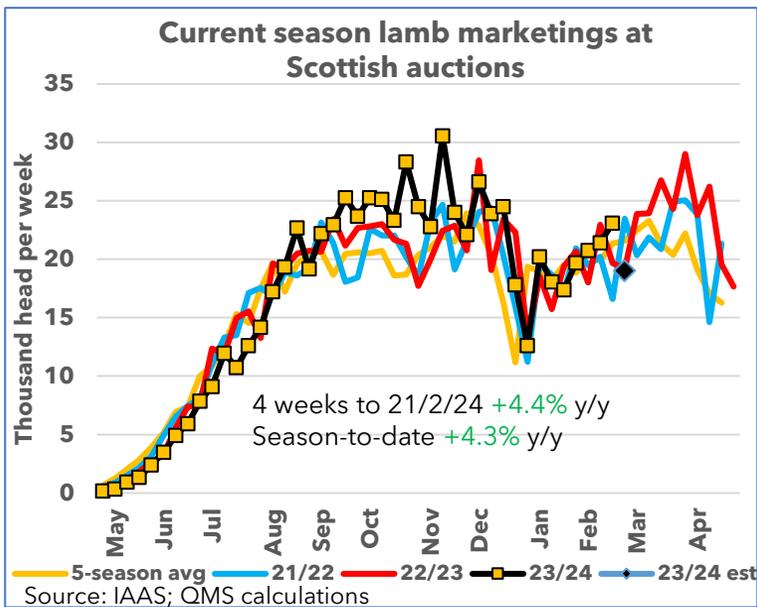
After a strong start to 2024, lamb prices have risen further in February, setting new record highs for the time of year, averaging around 315p/kg lwt at Scottish marts in the middle of the month. Given a weak market in early 2023, year-on-year increases have approached 40%, while prices have maintained a margin of over 30% on the five-year average. The final week of the month has seen a renewed uplift. GB deadweight prices have shown similar upwards movement in early 2024, approaching the £7/kg mark.

Looking ahead to March, lamb demand is likely to hold firm given that Ramadan begins on March 10 and Easter falls on the final weekend of the month. However, such farmgate price momentum could test consumer demand if it was to pass through the supply chain.



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

Availability and slaughter - Although a fundamentally tight GB lamb supply pointed to a smaller carryover of hogs into 2024, throughput has held relatively firm at the start of 2024, signalling the potential for numbers to tighten this spring.



Moving into 2024, auction and abattoir throughput has held up better than expected, potentially driven by strong prices drawing out stock. This may limit the size of any seasonal uplift for Ramadan and Easter and ensure tight supply through April and May.

Scotland's June census showed a significant decline in lambs from 2022, reflecting both a smaller ewe flock and lower lambing rate (though the lambing rate held above its 2013-22 average of 1.266).

England and Wales also had poor lambing rates in 2023 and, coupled with the Scottish results, point to a fundamentally tight supply this season, with the combined GB lamb crop down 6.3% on 2022.

Having spent most of 2023 behind year-earlier levels, lamb throughput at Scottish abattoirs has shown year-on-year increases between November and January, suggesting renewed interest in processing lambs.

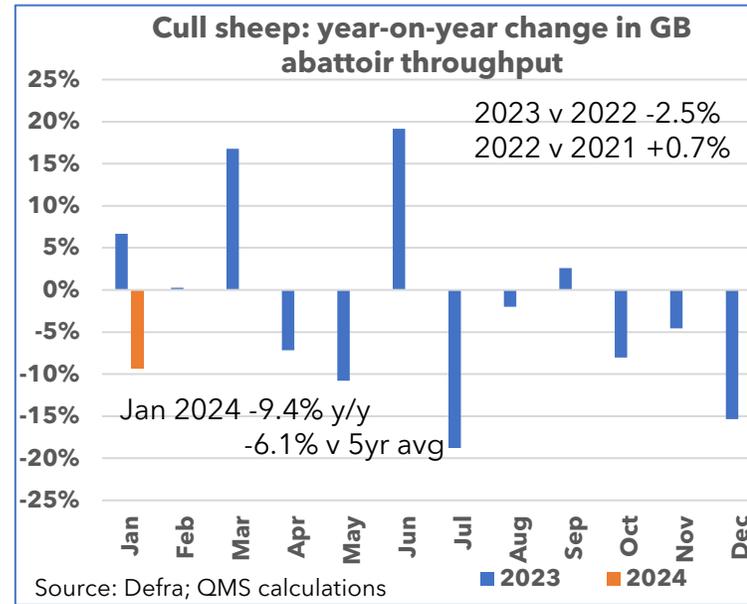
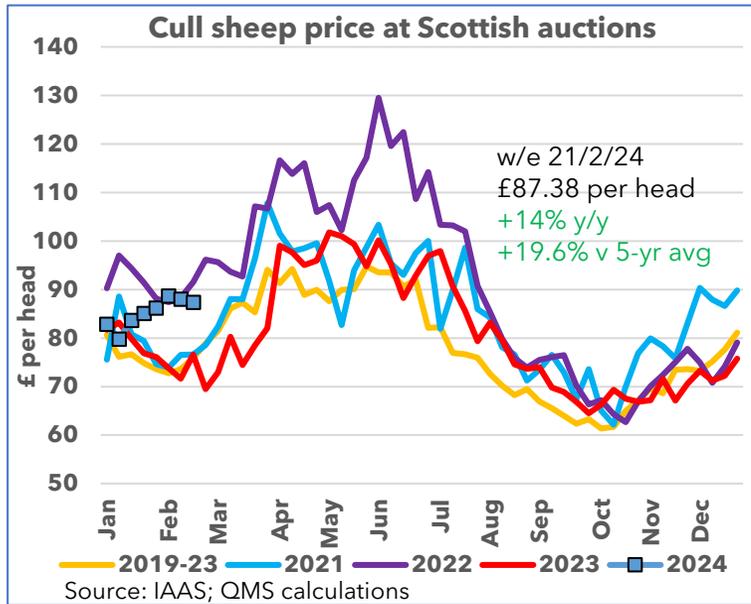
June 2023 Census - Scotland, England & Wales

	Sco v 2022	Eng v 2022	Wal v 2022	
Ewes for further breeding & slaughter	-1.7%	+1.5%	-4.2%	
New season lambs	-4.1%	-4.9%	-10.1%	
	Sco		Eng	
	2022	2023	2022	2023
Lambs per ewe	1.308	1.275	1.274	1.216

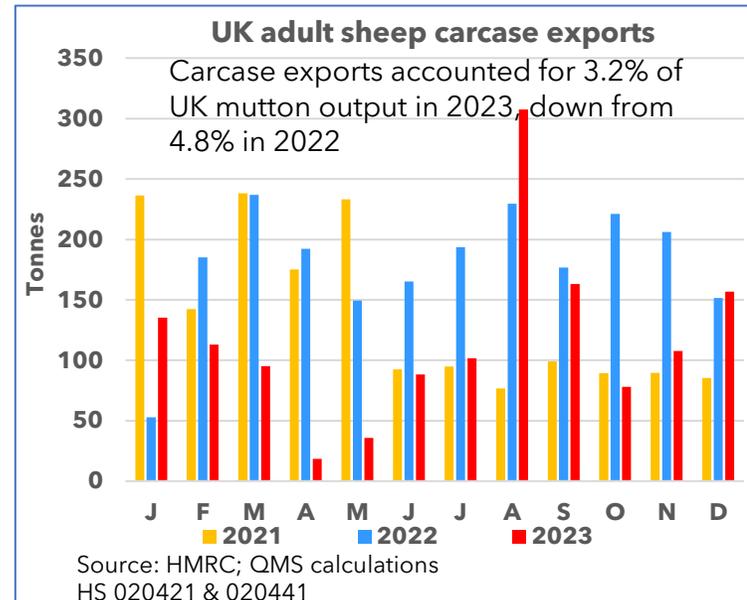
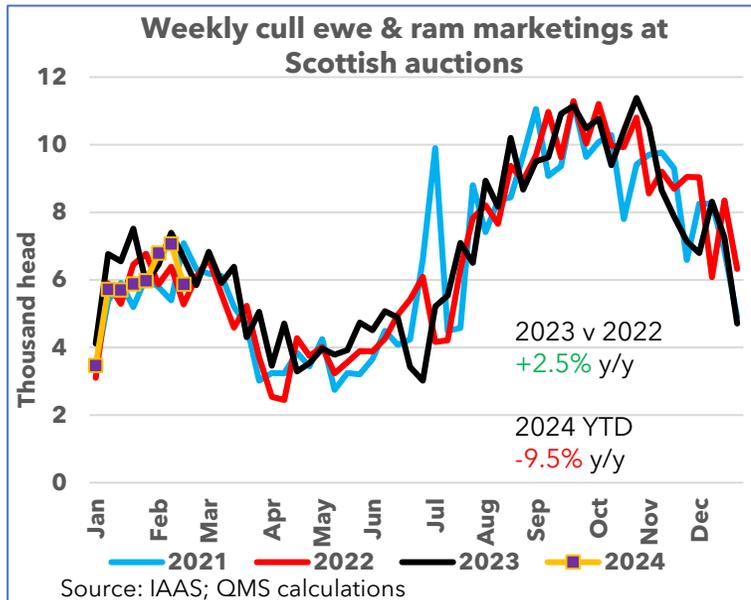
Source: Defra; Scottish Government; QMS calculations



Cull sheep market - prices have risen against the seasonal trend in early 2024

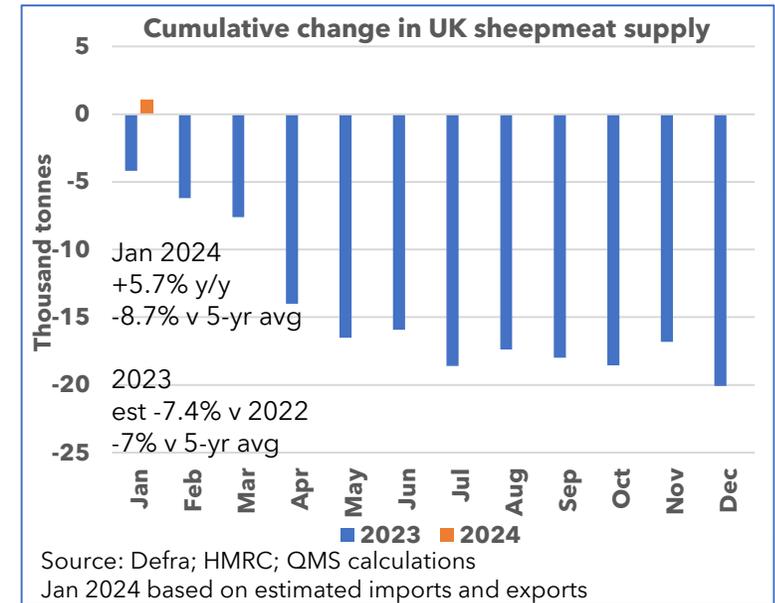
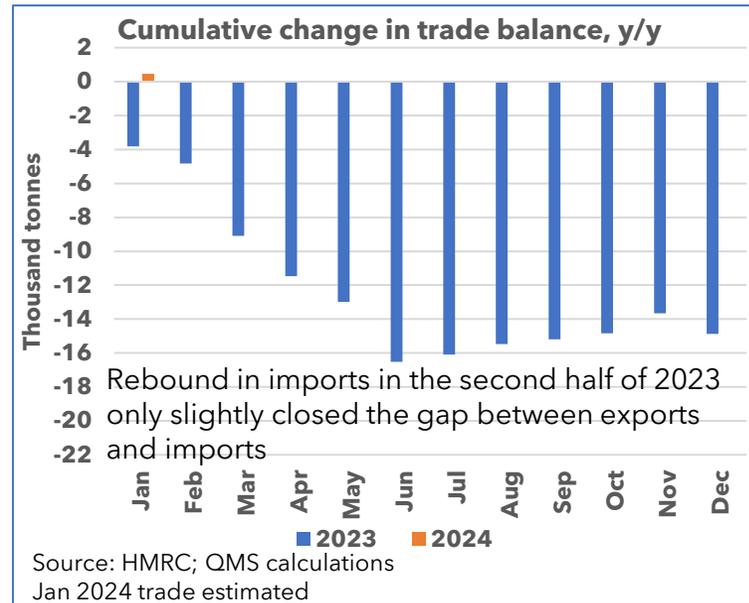
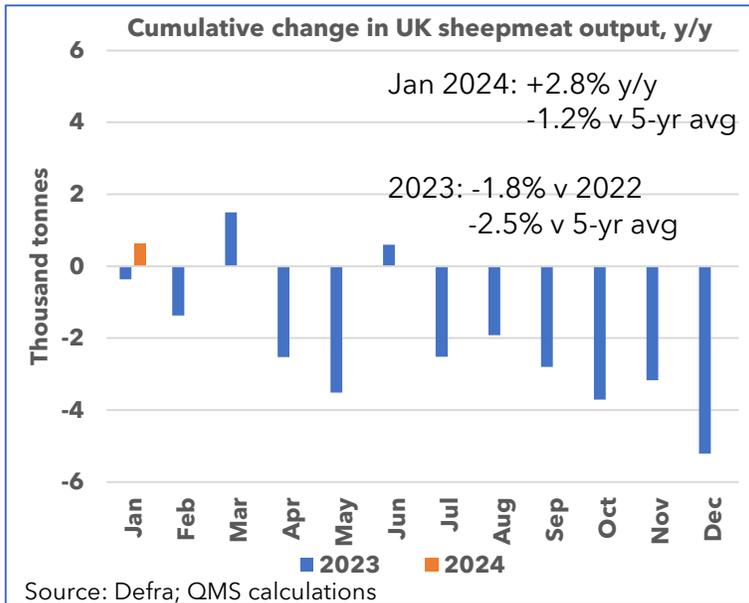
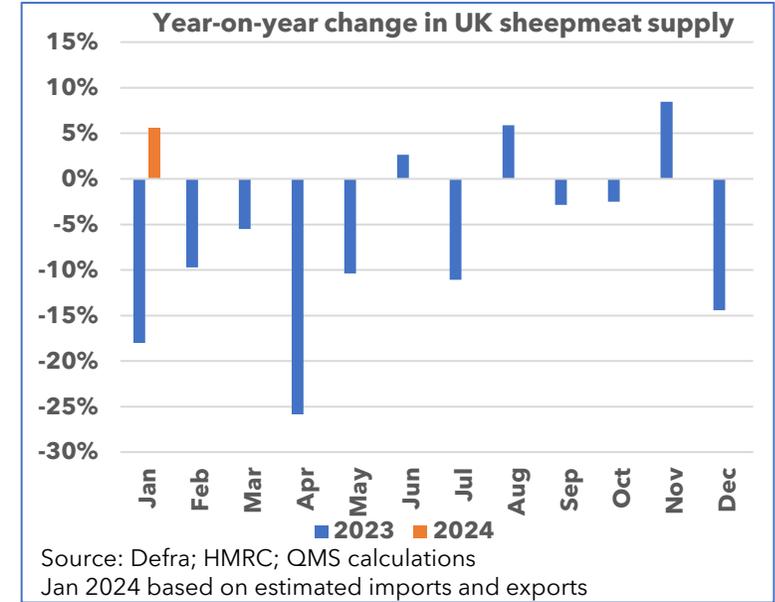
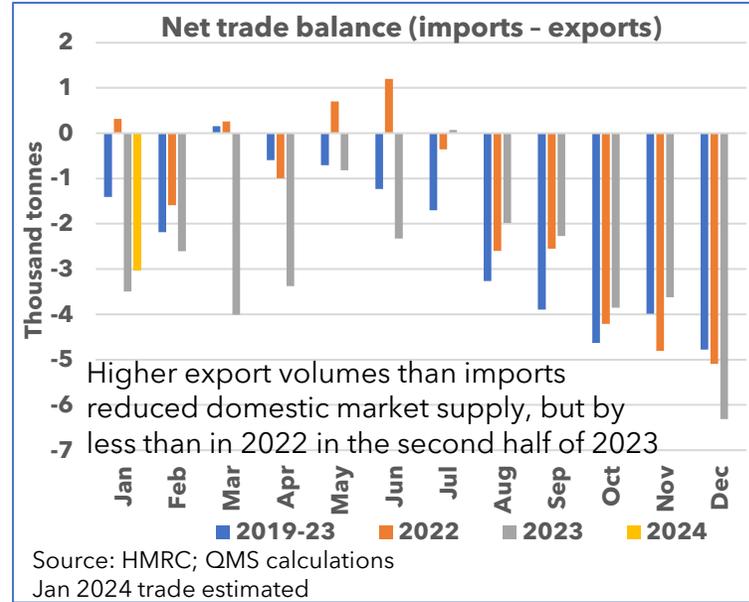
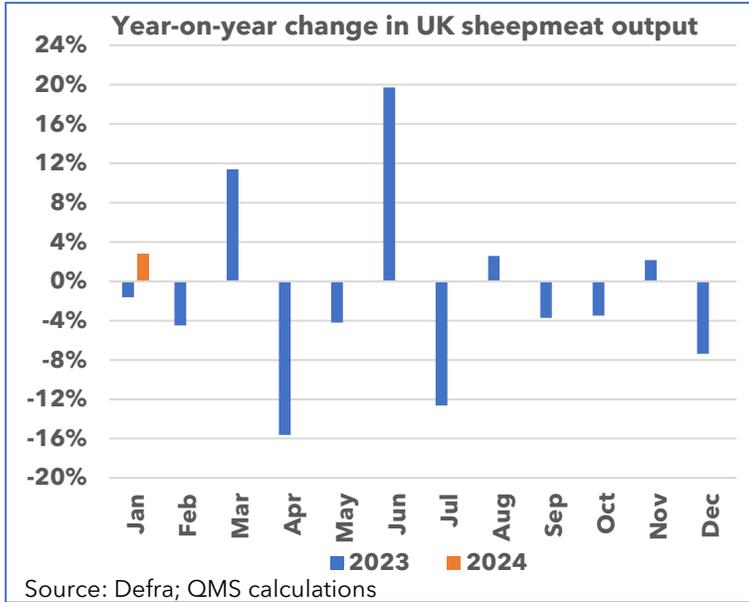


Cull ewe values have risen at the start of 2024, against the seasonal trend. However, the uplift has been less significant than seen in the prime sheep market, despite auction volumes running at a lower level than in early 2023. While prices have been higher than in 2023, they have not reached the records set in 2022 and the increase over 2023 has been significantly smaller than for prime sheep, suggesting a weaker market.

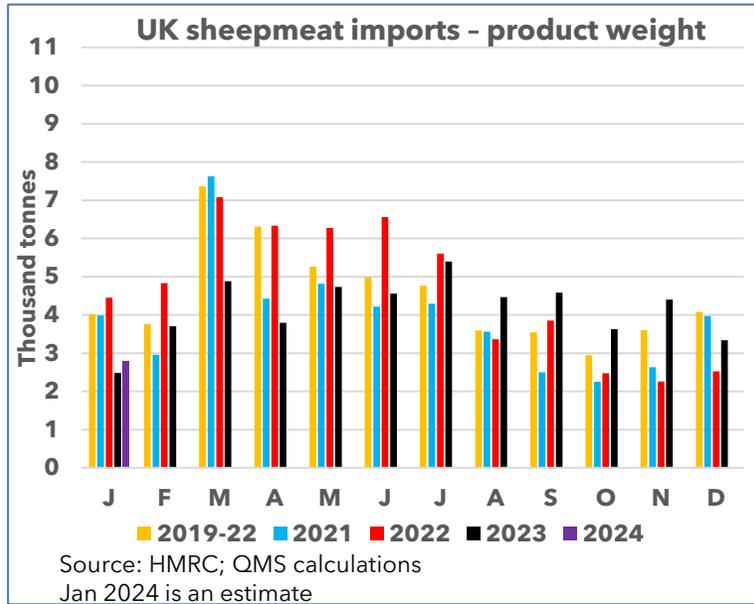
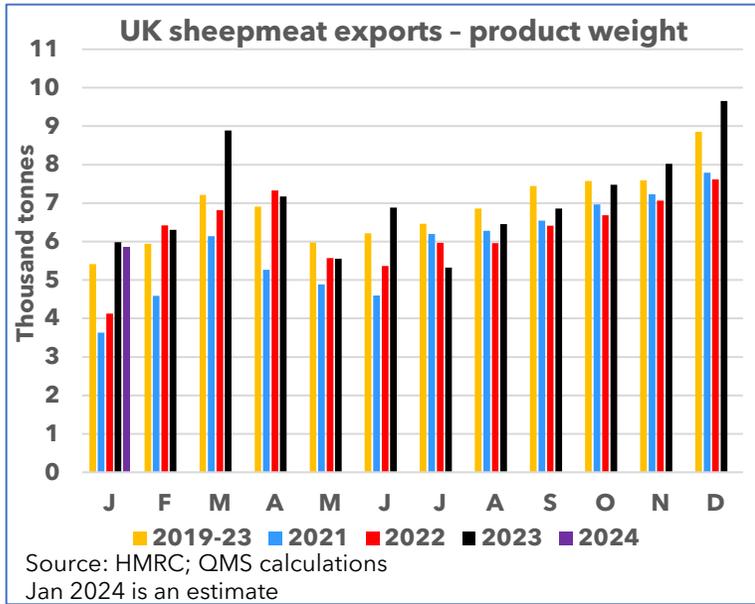


Mutton carcass exports spent most of 2023 below 2022 levels, suggesting some rebalancing of demand to the home market.

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



A focus on UK international trade in sheepmeat - exports continued to more than offset resurgent import levels in late-2023 and imports may have been disrupted at the start of 2024



UK sheepmeat exports posted a fifth straight month of year-on-year growth in December, up 27% on December 2022 and a three-year high for the month. The price of GB lamb at Rungis market in Paris had a firm end to 2023 and further uplift at the start of 2024 suggests that export demand remains strong. (see page 19).

UK sheepmeat imports continued to show strong year-on-year uplift in December 2023 (+32%) but were weaker than anticipated and at a three-month low. They also slipped back behind the five-year average for the first time in six months.

Although nearly double year-earlier levels in December, imports from NZ were at their second lowest of 2023. Meanwhile, trade with Australia rose on a year-earlier for the seventh straight month but the rate of increase slowed sharply to +59% as the volume slipped to its lowest monthly total since August.

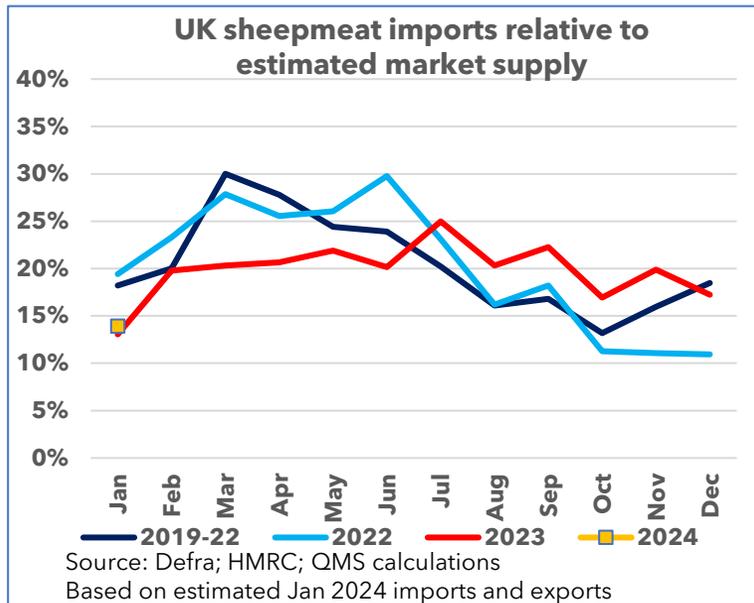
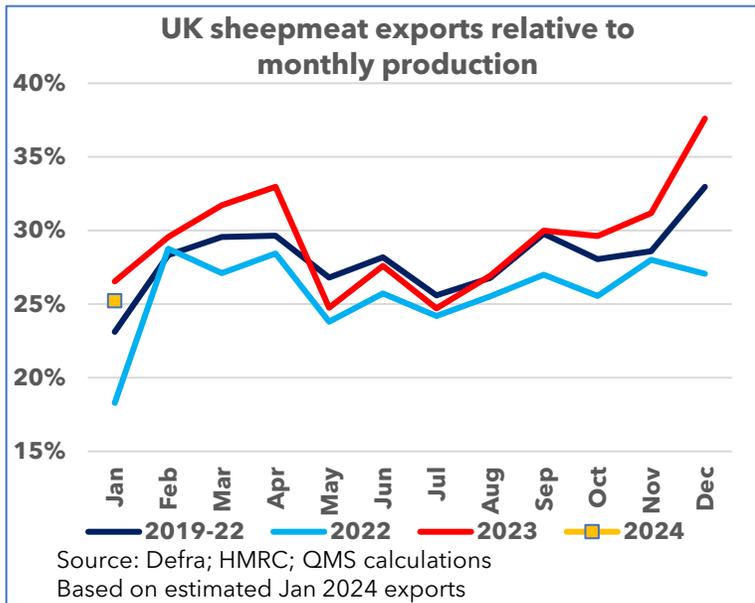
Average import prices continued to run sharply lower than a year earlier in December, with product arriving from NZ down 20% and Australian sheepmeat 35% cheaper.

Although higher imports remain a downside market risk, they are currently being more than offset by exports, ensuring that market supply remains tight. In addition, shipping delays may have disrupted the arrival of imports in January and February, bidding up prices for domestic product.

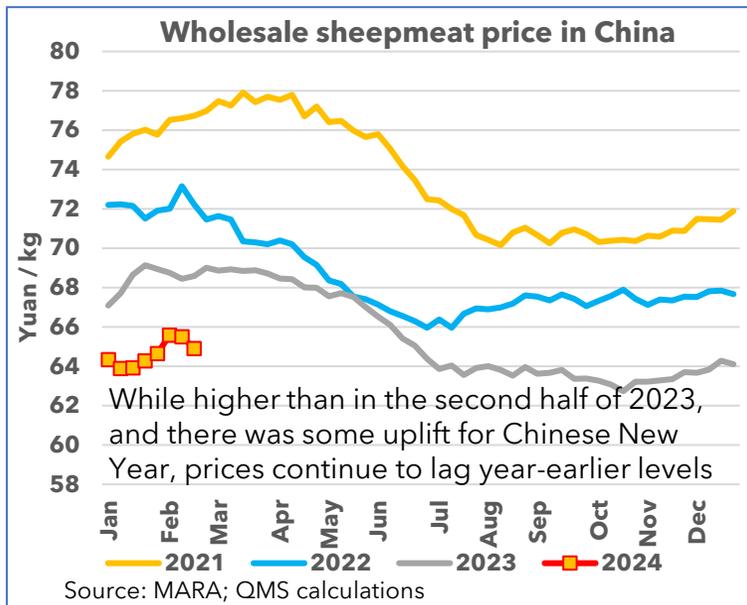
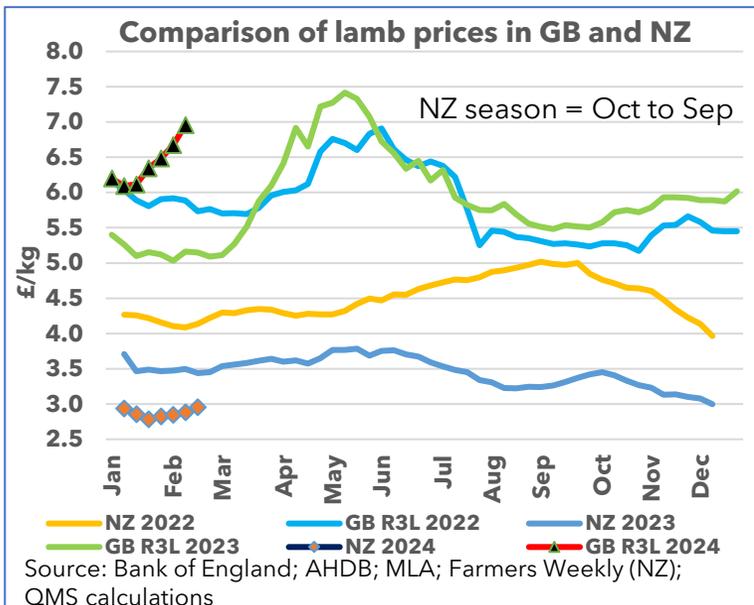
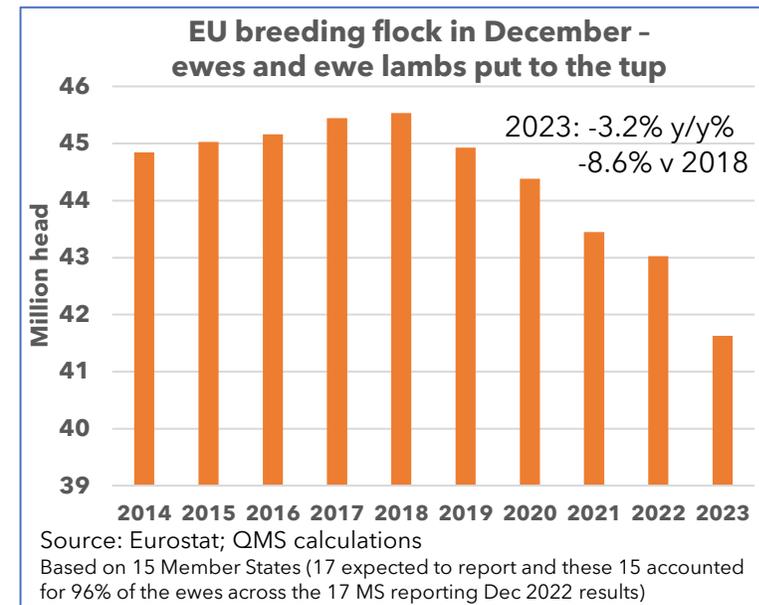
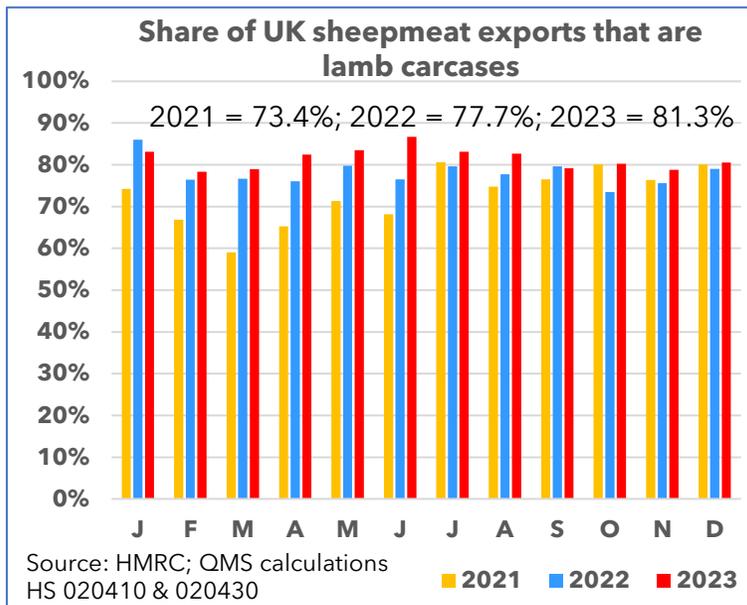
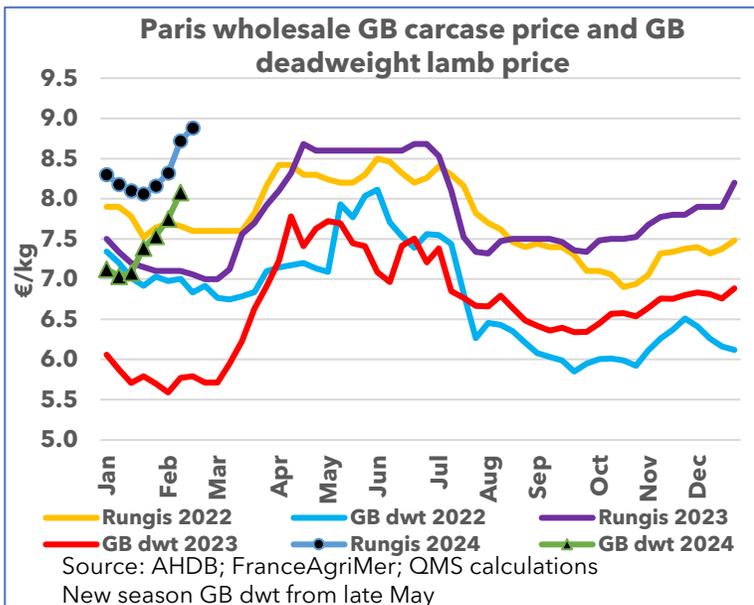
Note:

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

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



Variables influencing UK sheepmeat trade – While wholesale prices in France have risen significantly, the margin over domestic farmgate prices has narrowed for GB exporters, potentially making exports look slightly less attractive. Lamb produced in Australia and NZ continues to look highly competitively priced, supporting UK import demand, and relative price movements may be starting to make the UK and EU as appealing to Australia and NZ exporters as the Chinese market (£7/kg wholesale).

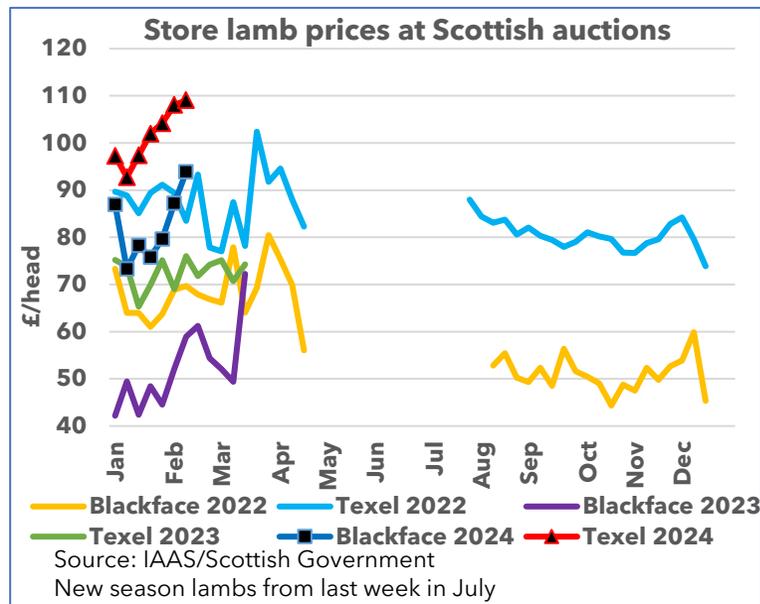
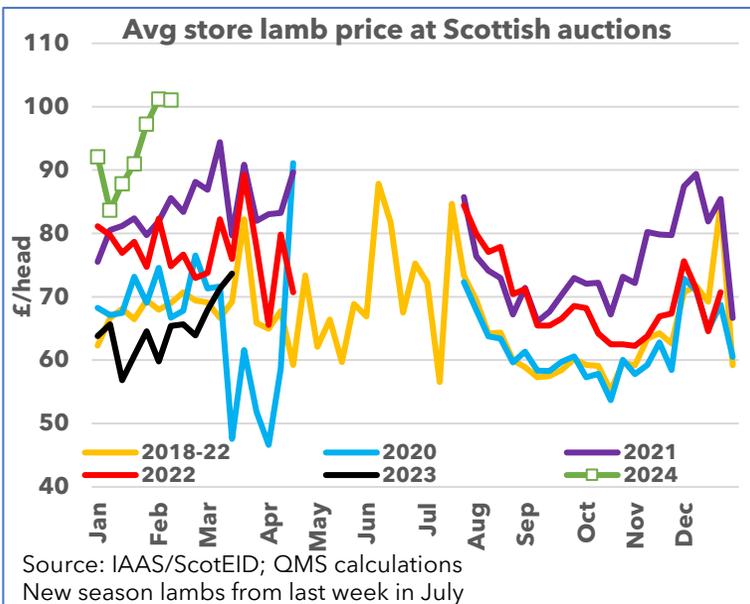


Oceania lamb production forecasts

	2023	2024	y/y change
Australia (thousand tonnes)			
Sheepmeat production	737	765	+4%
Sheepmeat exports (product weight)	462	493	+7%
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

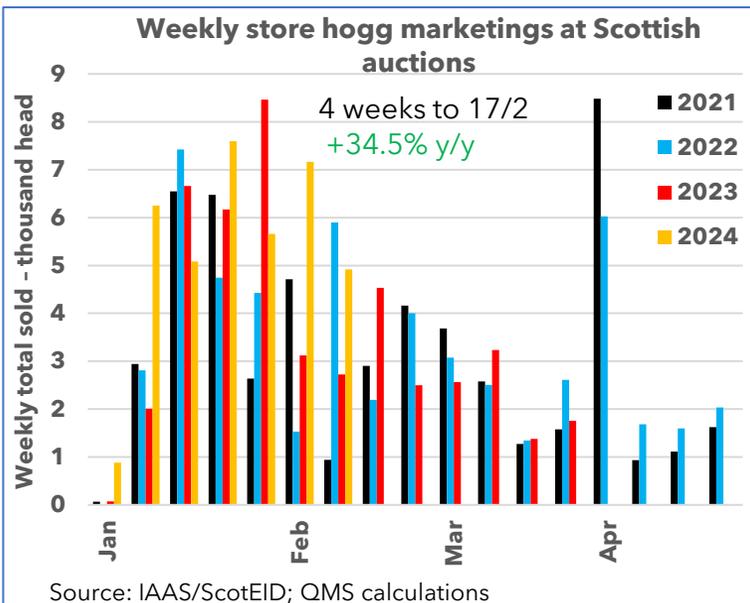
Store sheep trade - prices have followed finished hogg prices sharply higher



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

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

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



Store hogg prices at Scottish auctions, 4 weeks to 17/2/24	
Overall average	£97.20 (+56% y/y)
Blackface	£82.90
Cheviot	£88.30
Suffolk	£109.30
Texel	£105.70

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

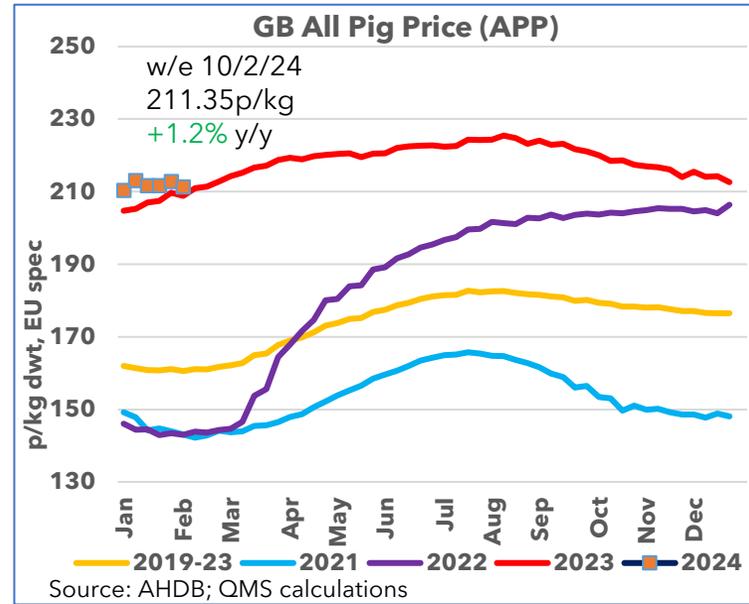
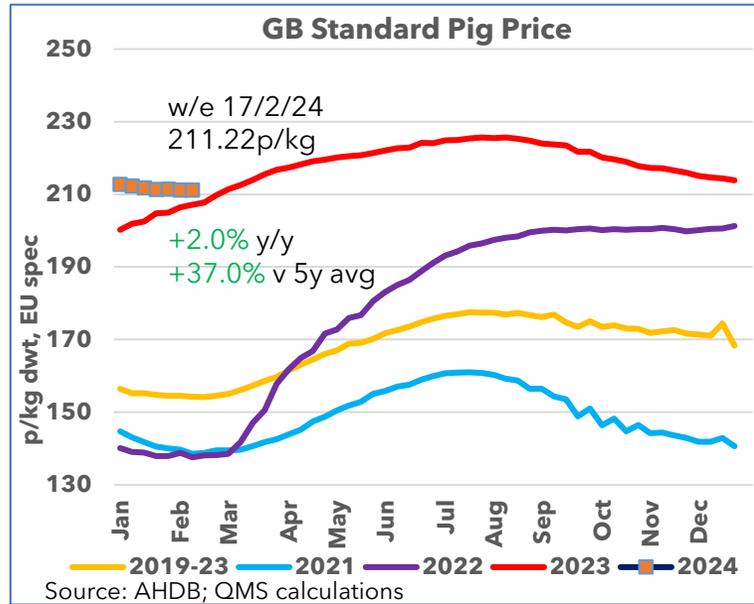
Summary of market developments - pig market



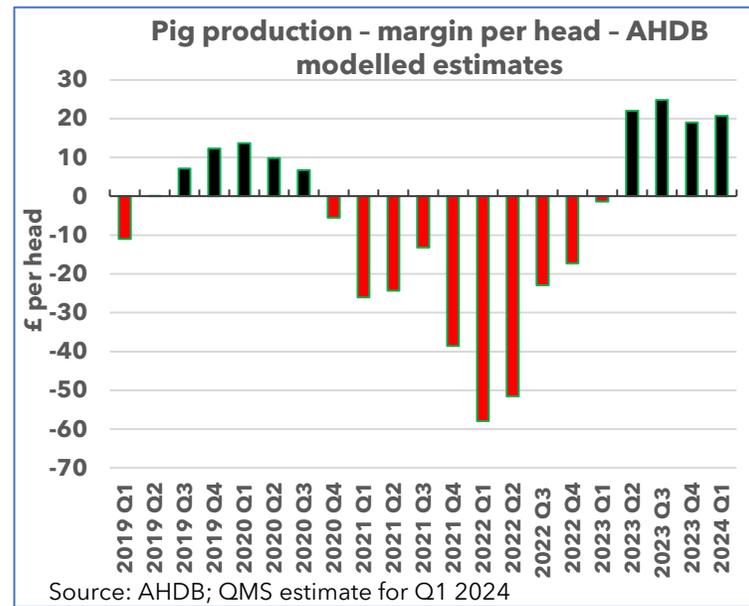
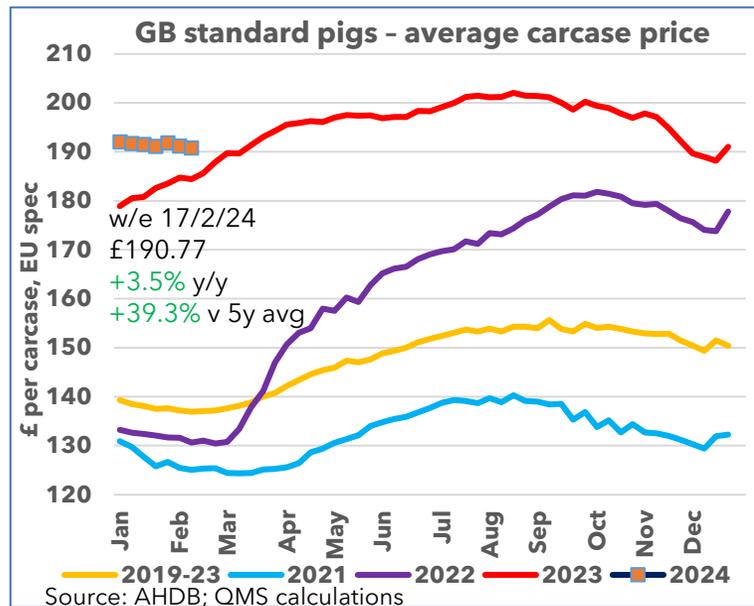
Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
GB Standard Pig Price (SPP)	p/kg dwt, w/e 17 February	211.22p/kg	+0.07p	-0.3%	+2.0%	+37.0%
Average carcase weight of standard pigs	Average in four weeks to 17 February EU spec	90.51		+0.4%	+1.3%	+1.5%
Prime pig slaughter at GB abattoirs	Total during January 2024, thousand head	684.4		-3.9% (change in daily avg kill Jan v Dec)	-4.2%	-8.7%
UK pig market supply	Tonnes in Nov 23-Jan 2024 (estimate)	325,700			-3.3%	-4.5%

- There are signs of a seasonal change in pig market balance as the downwards trend in farmgate prices has slowed to almost a halt. Although year-on-year price increases have slowed further, prices remain over 35% above their five-year average.
- The financial squeeze of 2021 and 2022 continues to have a lasting effect on prime pig production but GB slaughter volumes showed the smallest year-on-year decline in January 2024 since the opening month of 2023.
- After showing some signs of early recovery in the second half of 2023, the number of pigs moving to slaughter from Scottish farms has started 2024 slightly above year-earlier levels. Meanwhile, slaughter at Scottish abattoirs started 2024 close to its 2023 high point, suggesting further improvement in the supply chain issues which had limited the kill in the second half of 2023.
- EU pig prices have rebounded in February, likely passing through to UK import prices and limiting the competitiveness gains for EU pork which had been seen at the start of 2024. In China, herd liquidation in late-2023 could lead to a fall in production in 2024, boosting the country's import requirements.
- Although UK pork market supply fell sharply in 2023, most of the decline happened in the first third and the market was broadly in balance thereafter as rising net imports offset the shortfall in domestic output, supporting a return to more normal seasonal pricing trends.

Farmgate prices - prime pigs - signs of a seasonal change in market balance appearing as the downwards trend has slowed. While this has seen year-on-year increases soften further, leads over the five-year average have held firm at 35-40%, supporting a slow recovery in producer finances when combined with a dip in feed costs.



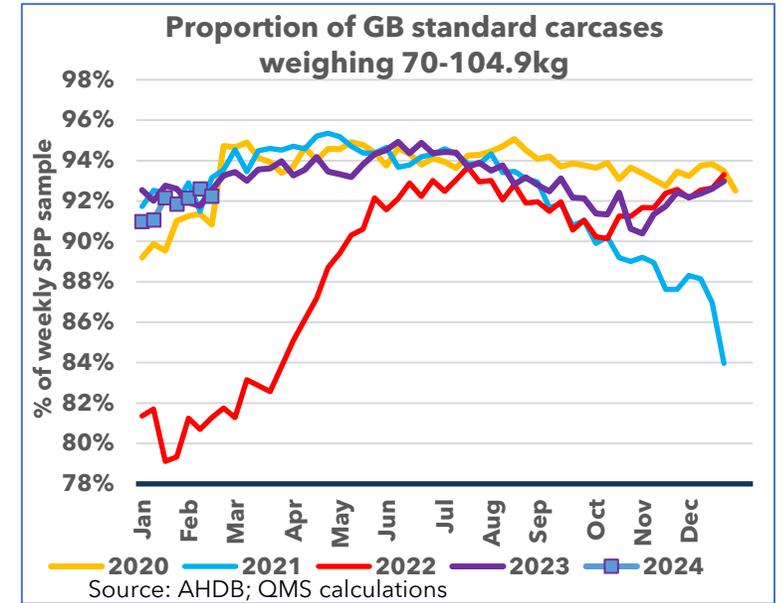
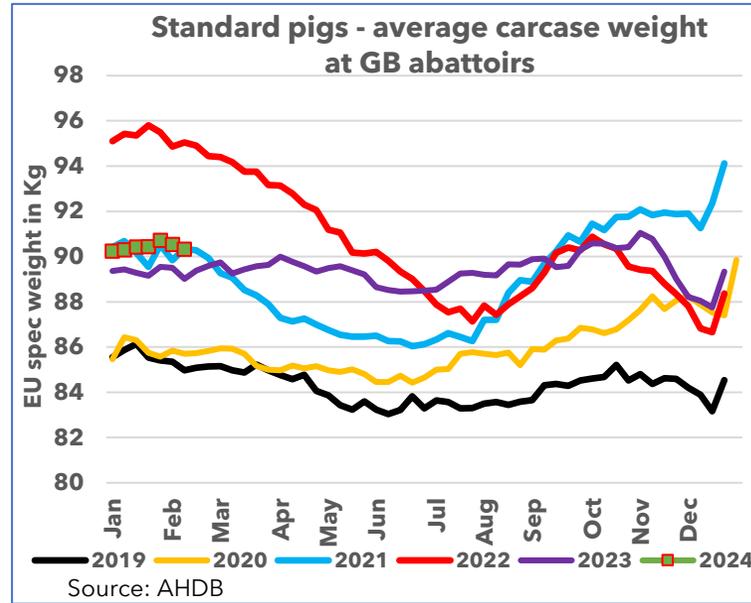
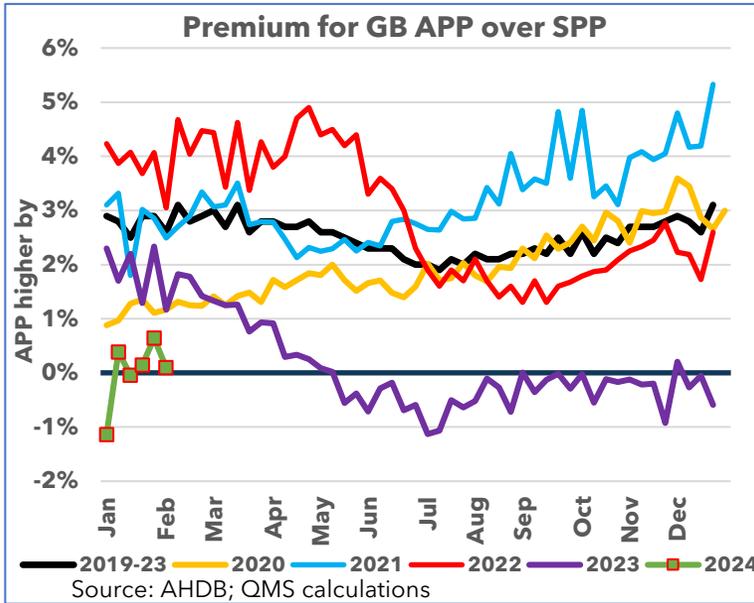
The downwards seasonal trend of the second half of 2023 and early 2024 has slowed to almost a halt, signalling that the traditional seasonal shift in market balance is beginning as availability for slaughter and carcase weights dip from their peak. While year-on-year price increases have slowed further, leads over five-year averages remain strong at above 35%.



After edging up through January, standard carcase weights have fallen slightly in February, resulting in some slight downwards pressure on standard carcase value. Seasonally high carcase weights mean that while per kilo prices are 6.4% below their summer 2023 peak, carcase value has fallen 5.6%.

The current combination of farmgate prices and feed costs is likely to be supporting recovery in producer finances from the period of substantial losses, partially offset by rising labour and interest costs. Modelled production costs are expected to have fallen further below the £2/kg dwt mark in Q1 2024 due to lower feed prices.

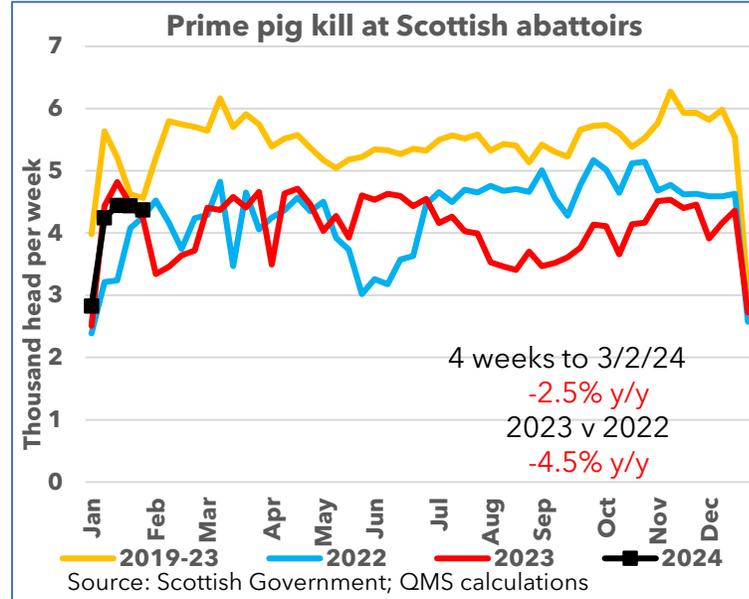
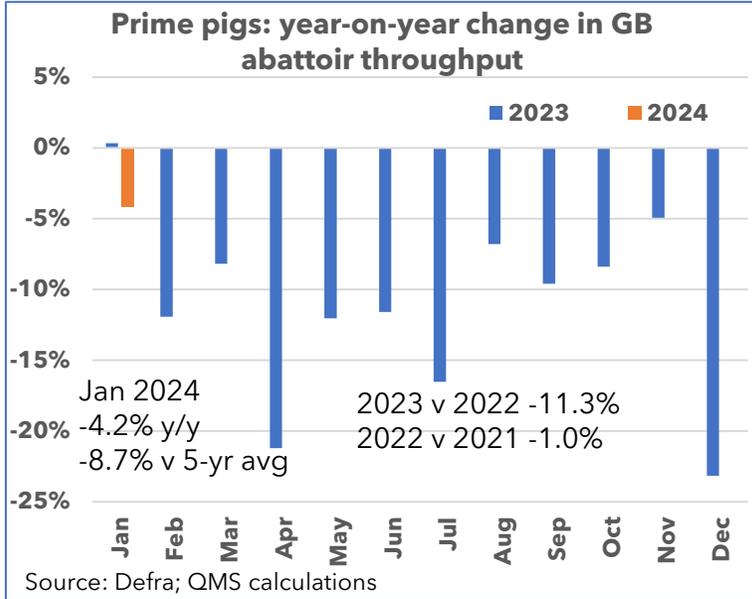
Indicators of market disruption - return of a small premium for pigs with specific production characteristics points to a slightly less tight market. Carcase weights may be starting to reduce seasonally.



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

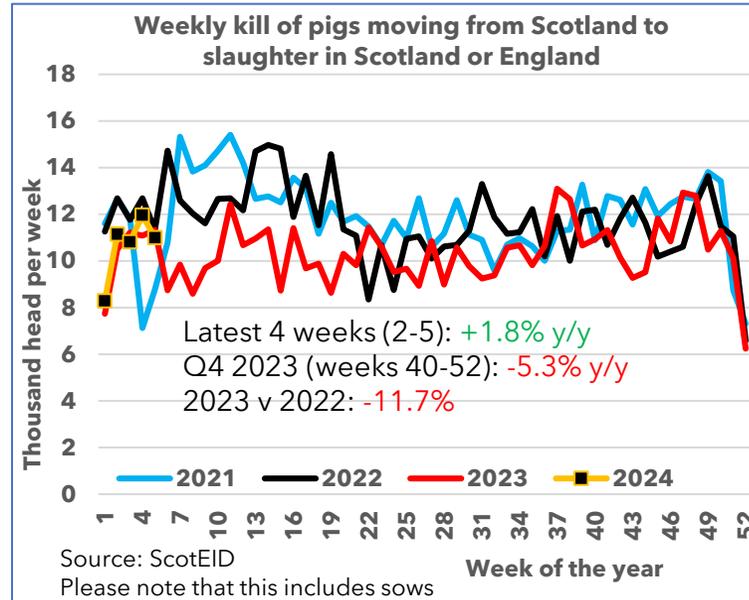
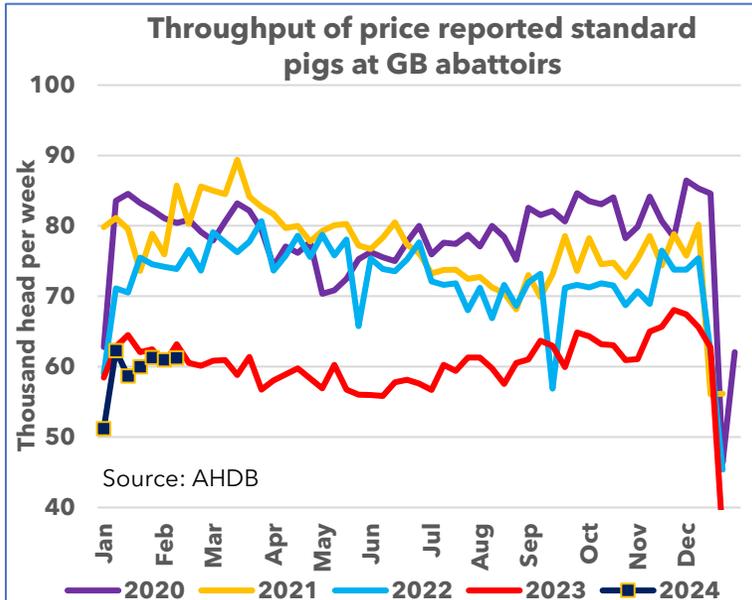
After a return to a more normal seasonal pattern in 2023, carcase weights have continued to follow a normal trend at the start of 2024, beginning to dip back in February. They have been running 1-1.5% above year-earlier levels in early 2024, providing some support to pigmeat production.

Availability and slaughter – supply remains tight compared to pre-2023 and availability for slaughter could be starting to soften from its seasonal peak. Although abattoir throughput continued to trail year-earlier levels in Scotland in January, weekly slaughter was close to its 2023 high point, suggesting an easing of the supply chain issues seen in the second half of 2023.



The financial squeeze of 2021 and 2022 continues to have a lasting effect on prime pig production. However, England's June census results suggested that the sow herd is beginning to stabilise, and this could see slaughter numbers return towards year-earlier levels in 2024; and January had the smallest year-on-year decline in slaughter at GB abattoirs since the opening month of 2023.

After showing some signs of early recovery in the second half of 2023, the number of pigs moving to slaughter from Scottish farms has started 2024 slightly above year-earlier levels.



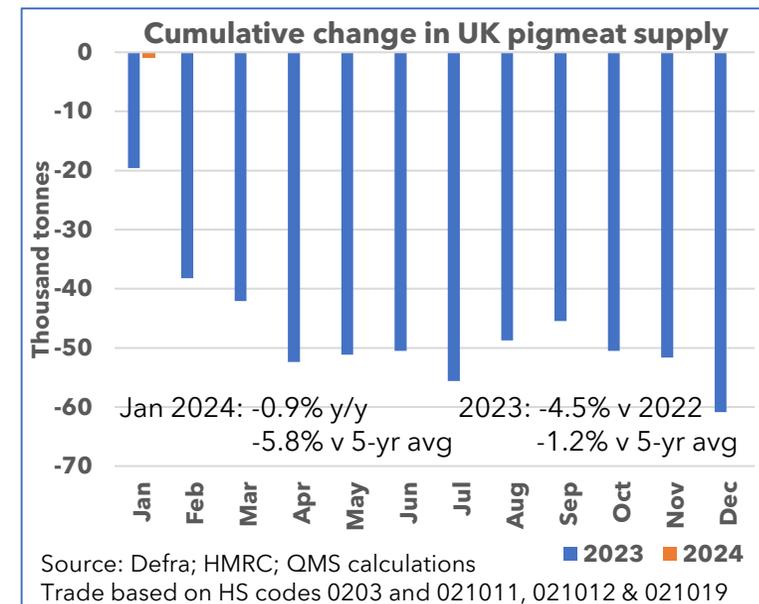
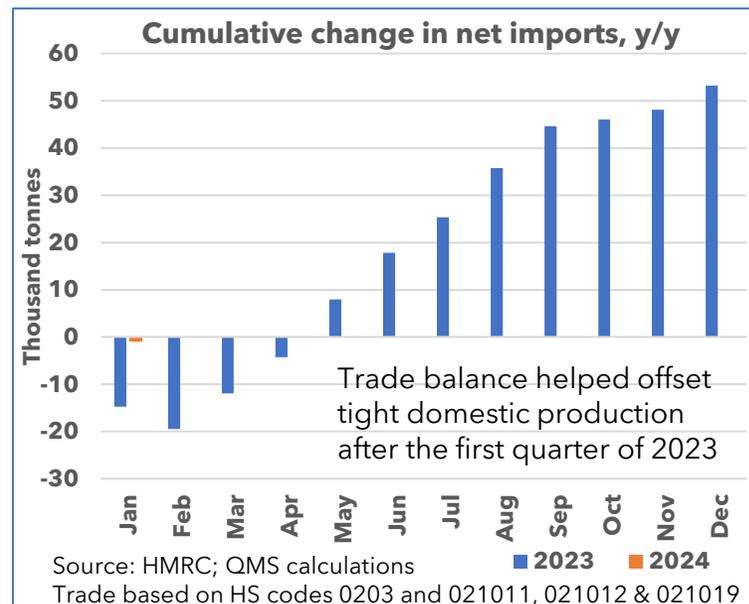
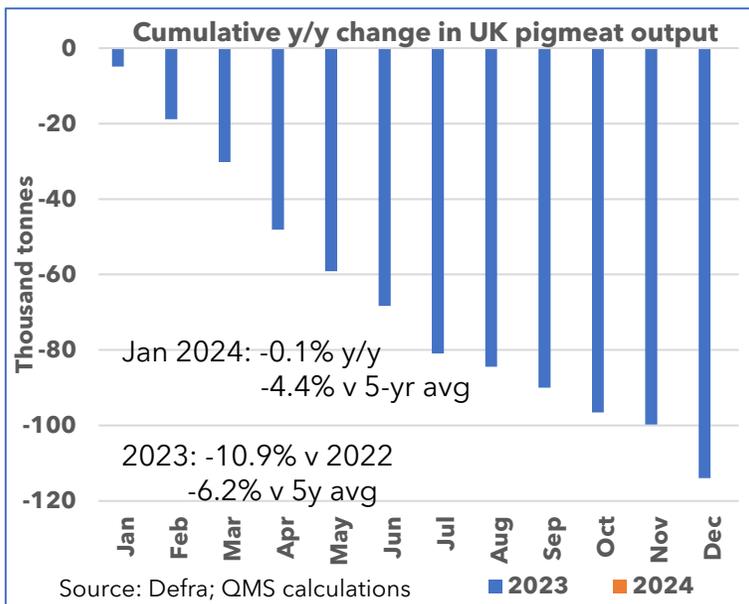
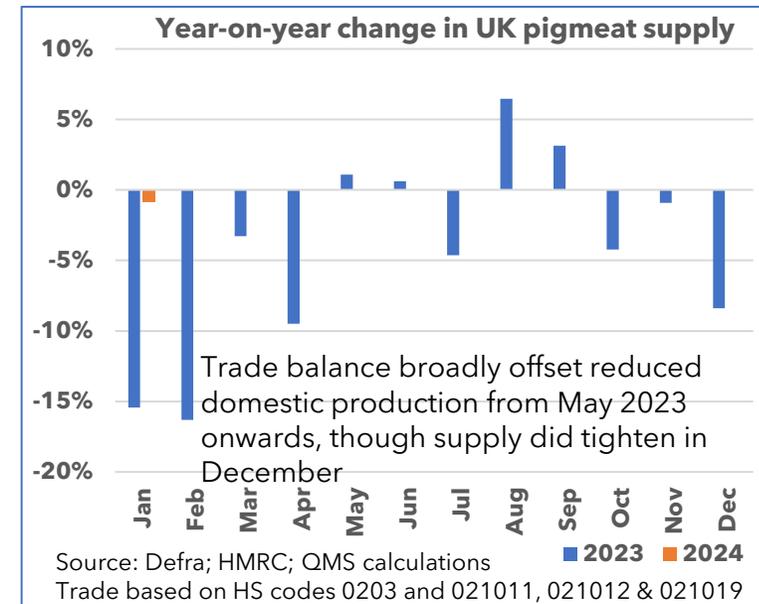
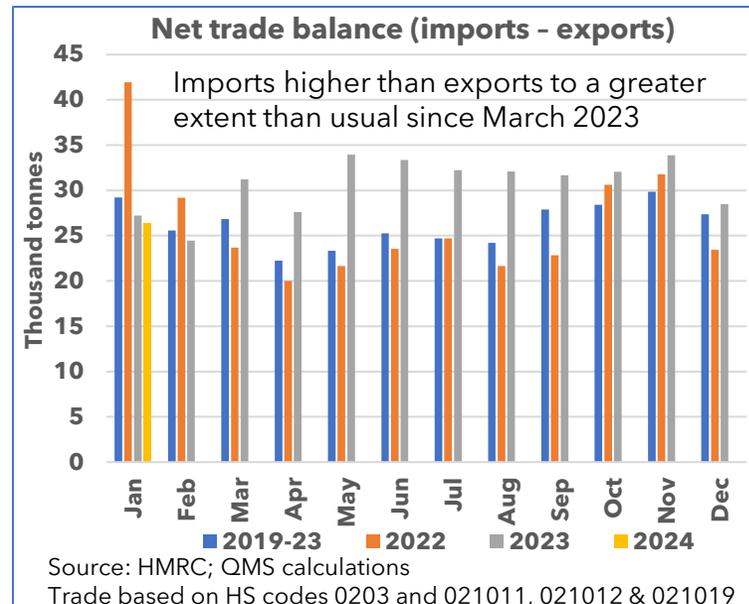
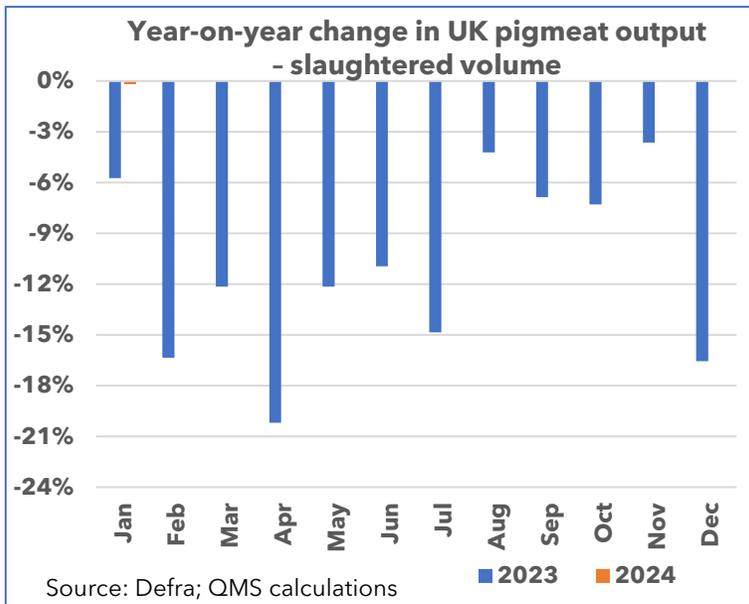
Although weekly prime pig slaughter at Scottish abattoirs has still shown some slight year-on-year decline at the start of 2024, it has been towards the upper end of its 2023 range, pointing to an easing of supply chain issues seen in the second half of 2023.

June 2023 Census - Scotland and England				
	Sco v2021	Sco v2022	Eng v2021	Eng v2022
Female breeding herd	-5.0%	-6.8%	-17.9%	-1.5% y/y
Fattening pigs	+0.1%	-1.2%	-13.9%	-13% y/y

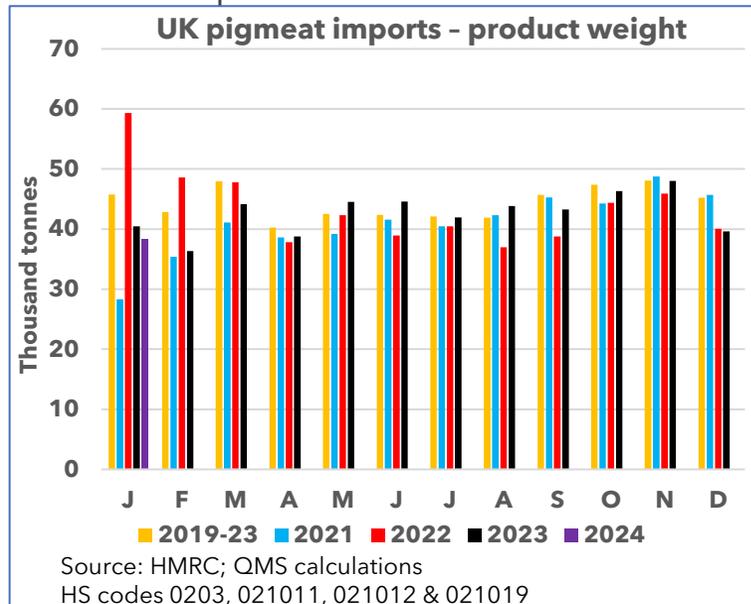
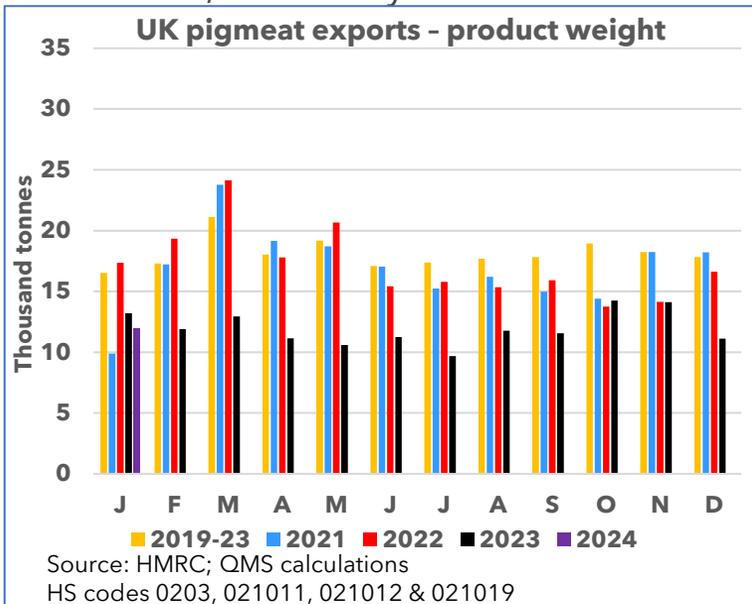
Source: Defra; Scottish Government

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

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



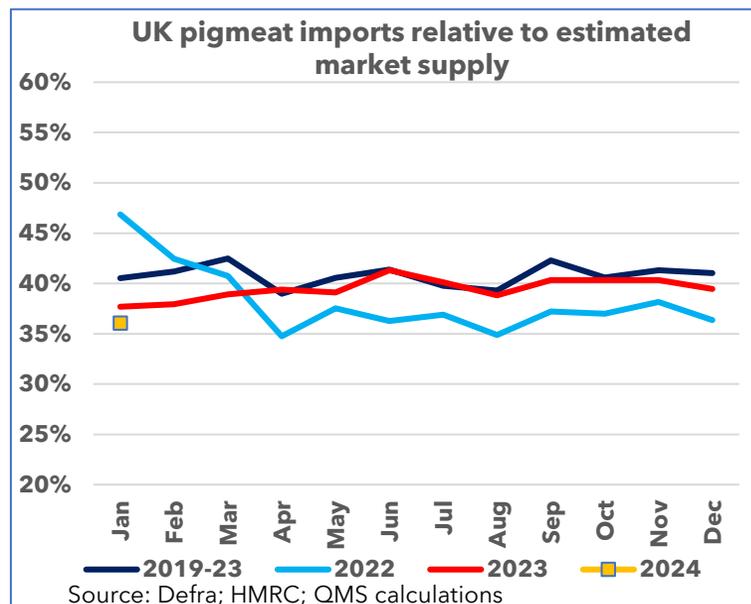
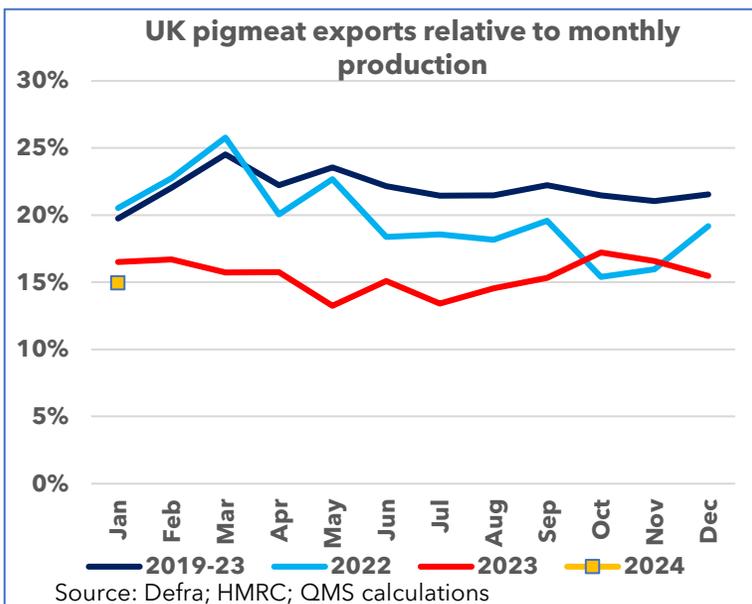
A focus on UK international trade in pigmeat - exports had a weak December after showing signs of recovery in October and November, driven by non-EU markets. A period of year-on-year import growth came to an end in December, driven by reduced trade in bacon & ham products.



After showing signs of recovery in October and November, UK pigmeat exports slumped again in December, partly reflecting reduced domestic output, and were down by 33% year-on-year.

Although UK pork exports (HS 0203) to the EU declined on a year earlier in December, the fall was well below average, at 6%, with monthly export volumes the third highest of the year.

By contrast, exports (HS 0203) to non-EU countries were the third lowest of the year and down almost 50% on December 2022. Within this total, deliveries to China and Hong Kong were the second lowest of 2023, down 56% year-on-year. They accounted for 64% of non-EU trade and 28% of overall pork export volumes, compared to respective shares of 67.5% and 36% in 2023 as a whole.



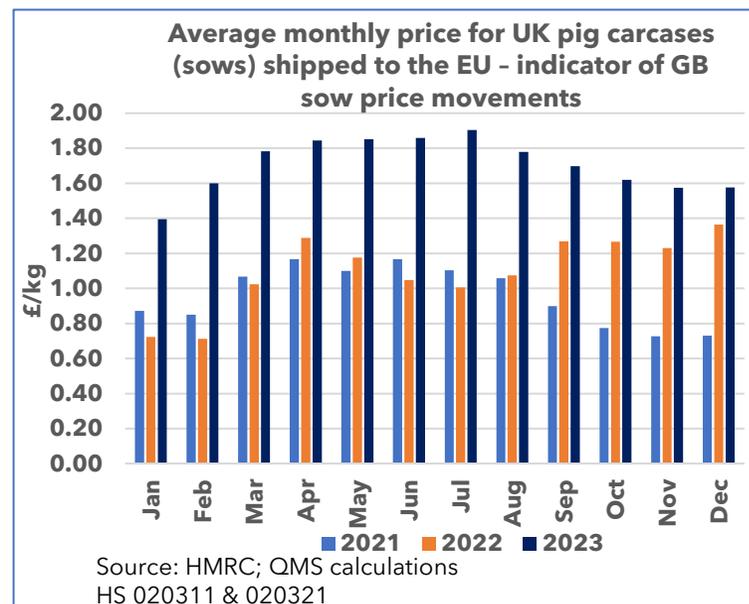
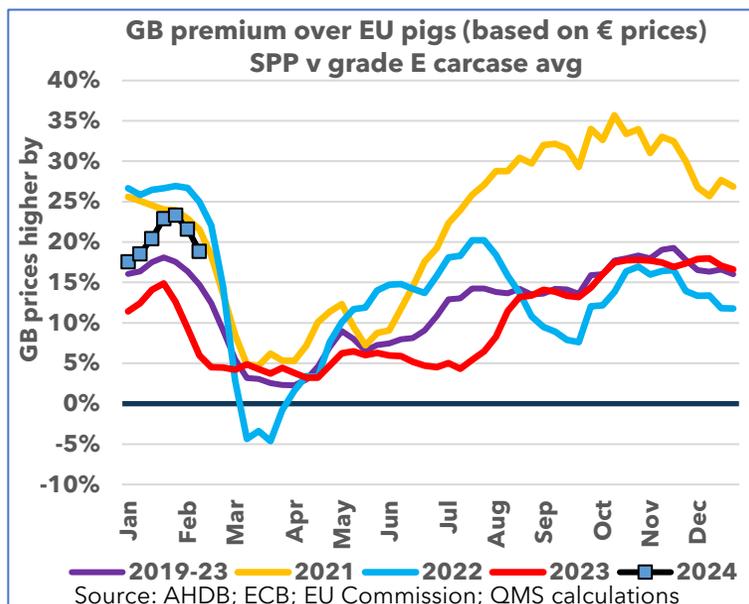
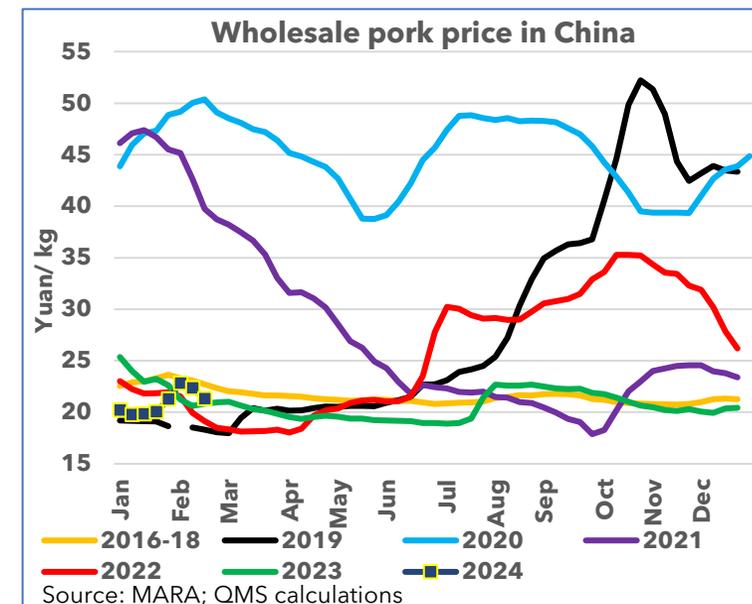
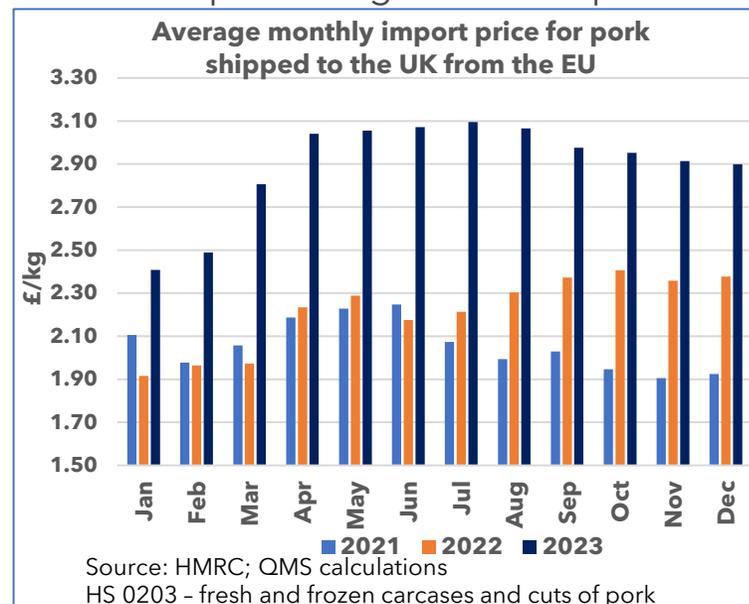
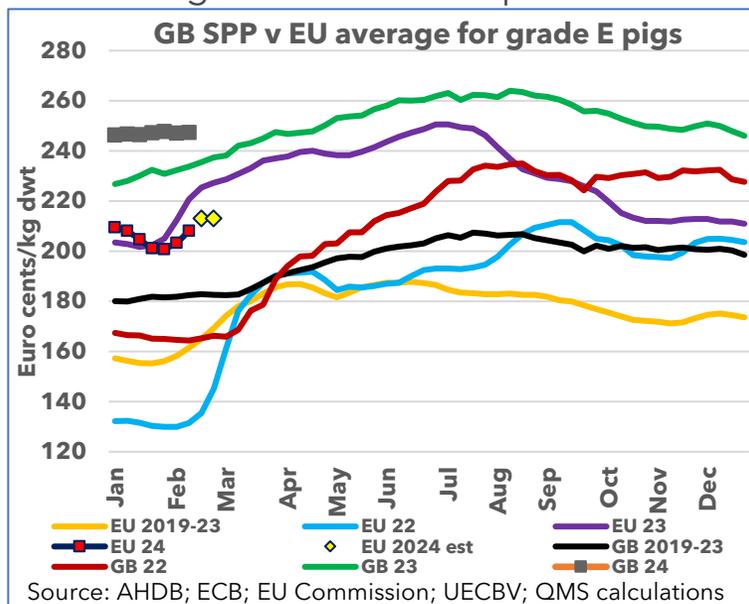
While UK pigmeat imports also slumped in December, dropping to their third lowest monthly total of 2023, some of this is likely to have been seasonal. Nevertheless, volumes did fall behind year-earlier levels for the first time in nine months (-1%). Imports of pork (HS0203) still showed year-on-year expansion, up 2%, but imports of bacon & ham products (HS0210) trailed 2022 levels for a third month, down 6%.

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 January 2024 is estimated

Factors driving UK international trade in pigmeat – After a soft start to the year, EU market prices have rebalanced higher in February, narrowing the price gap with GB levels. Rising EU pig prices tend to flow through to higher UK import prices, potentially eroding some of the competitiveness gains from the start of the year. In China, there was a short-term price spike ahead of Chinese New Year, but the market has softened again since. Herd liquidation in 2023 could end up boosting Chinese import demand later in 2024.



USDA Global Pork Market Forecasts, January 2024 (million tonnes carcass weight)

Key indicators	2019	2020	2021	2022	2023	2024
World, production	101.5	96.1	108.0	114.5	115.2	114.2
China, production	42.6	36.3	47.5	55.4	56.9	55.2
All countries, imports	9.3	11.6	11.5	9.80	9.20	9.70
China, imports	2.45	5.28	4.33	2.13	1.93	2.25
EU, production	23.0	23.2	23.6	22.3	20.9	20.7

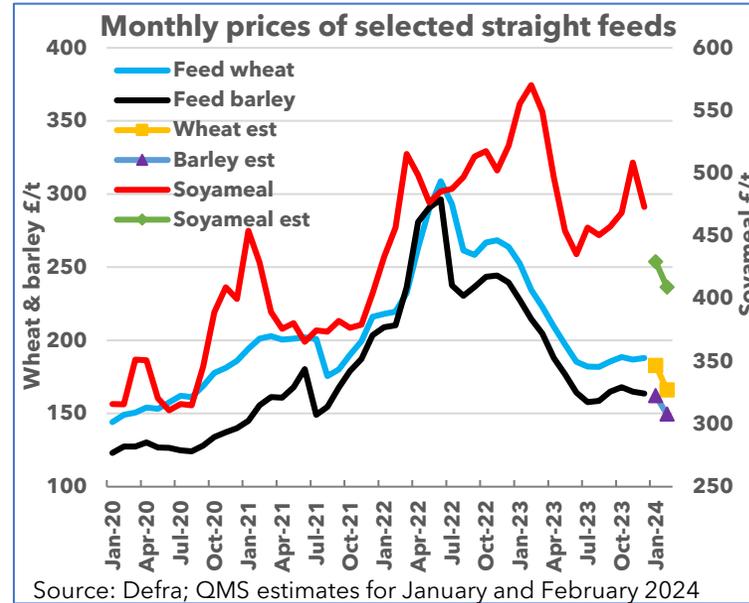
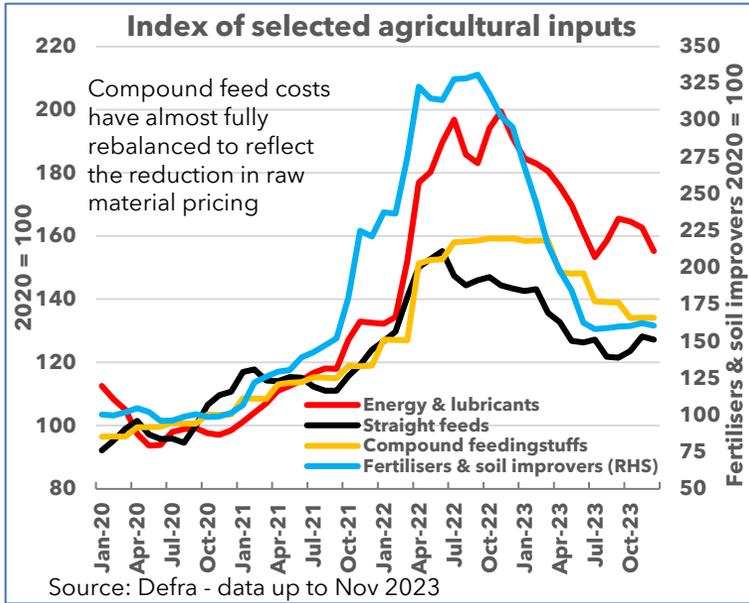
Source: USDA Foreign Agricultural Service

Summary of economic developments



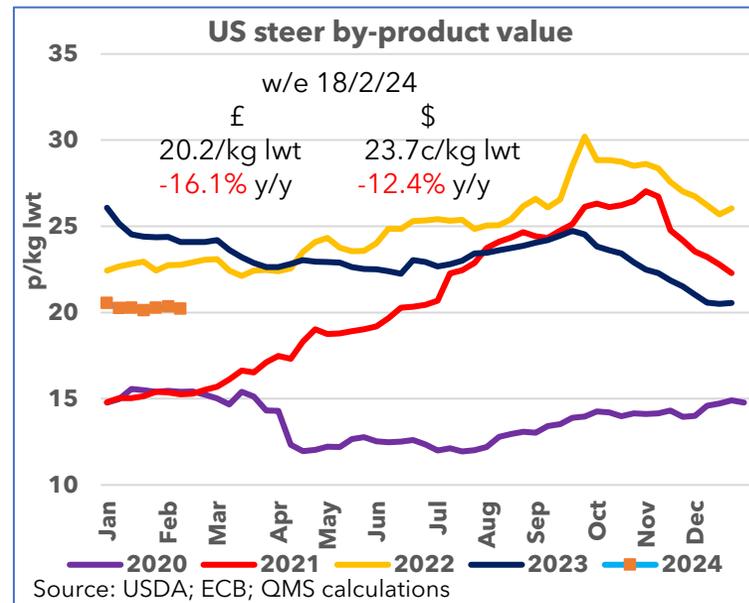
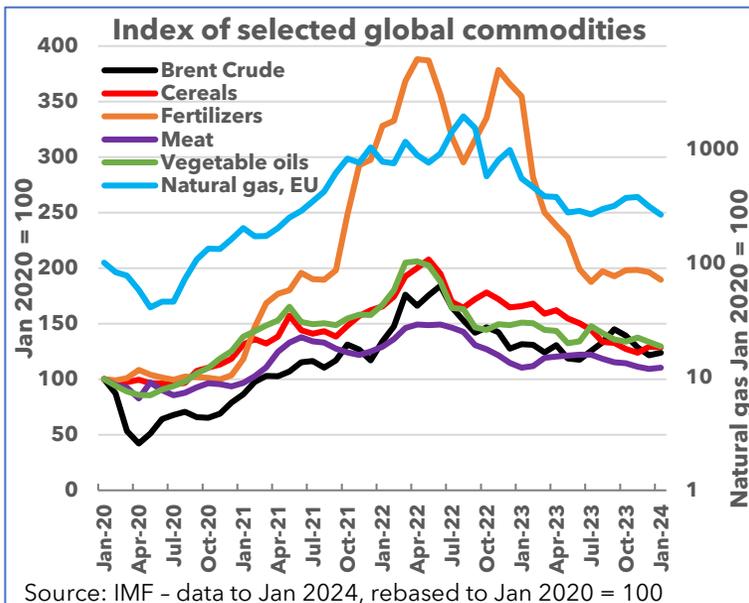
- Commodity prices have been relatively flat at the start of 2024 overall and geopolitical tensions have had limited upside impact. Nevertheless, farmers and processors are having to deal with a higher energy cost base and wages continue to rise significantly. More positively for farmers, feed costs have fallen at the start of 2024 as global crop supplies look stronger this year.
- Strong average earnings growth has continued to underpin increased retail sales in cash terms and, with inflation rates beginning to slow in many sectors, this could begin to support sales volumes. Spending has rebalanced towards food stores, with food prices continuing to show above average year-on-year increases.
- Slower but still significant inflation continued to see cash spending increases on beef and pork convert into slightly reduced retail sales volumes in the 12 weeks to January 21, whereas lamb performed strongly, supported by slightly lower prices.
- Consumer confidence reached a two-year high in January, likely supported by wages outpacing inflation and falling energy and fuel prices, but there was a slight increase in pessimism in February, driven by views on the UK economic outlook rather than personal finances.
- PMI surveys suggested that the UK economy continued to grow slowly at the start of 2024, driven by improved demand in the service sector while the manufacturing output slowdown eased further. Meanwhile, unemployment fell back towards its record low in the second half of 2023. Wage pressures remained considerable in Q4 2023, but the year-on-year increases have slowed from their peak.

Production costs and by-product revenues



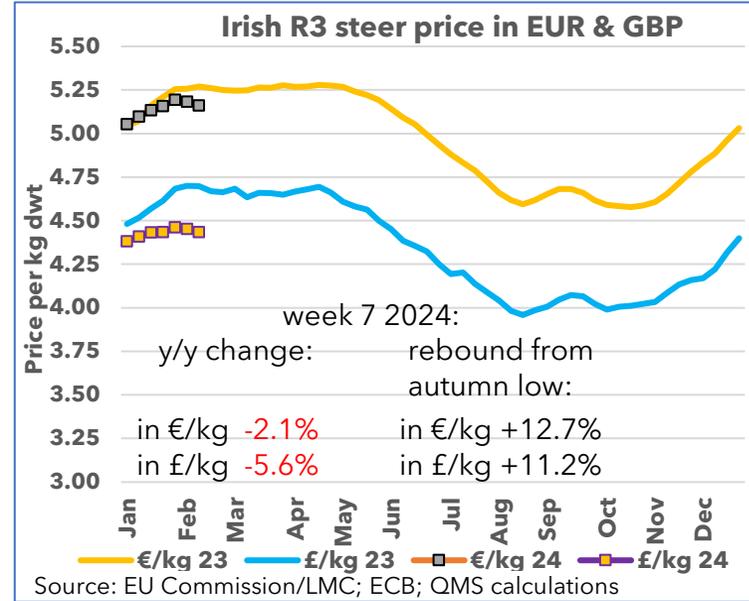
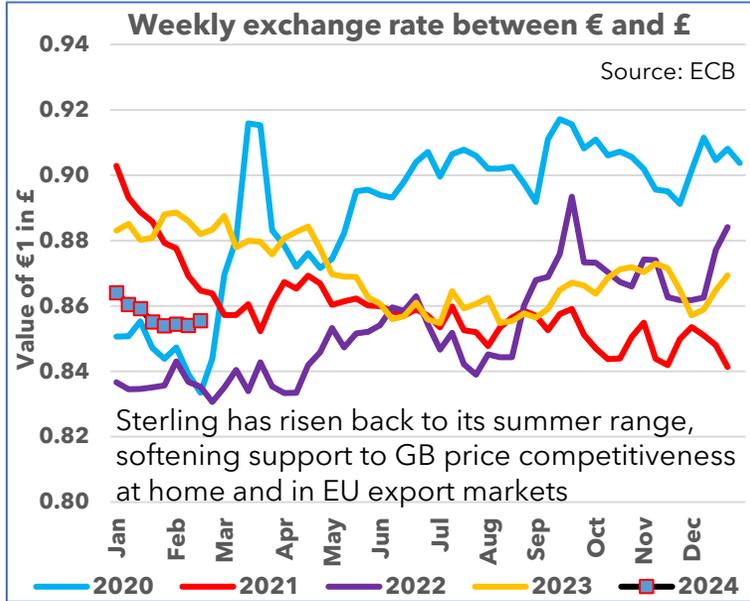
Commodity prices remain well above pre-covid levels, meaning that businesses have a higher cost base to manage, particularly energy costs. Geopolitical tensions and attacks on ships travelling through the Red Sea have however had surprisingly limited effect on oil and gas markets in late-2023 and early-2024, limiting a more general pass-through to input costs.

A well-supplied global grain market continues to keep feed wheat and barley prices in check, with Russia and Ukraine exporting large volumes at competitive prices. Soyameal prices have also cooled after an autumn spike as Argentina is set for a large rebound in soyabean production this year and US production is expected to increase.

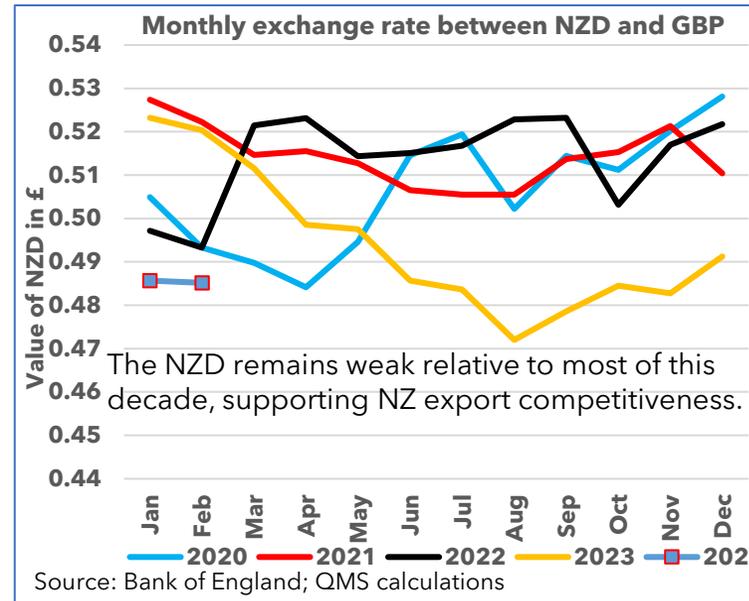
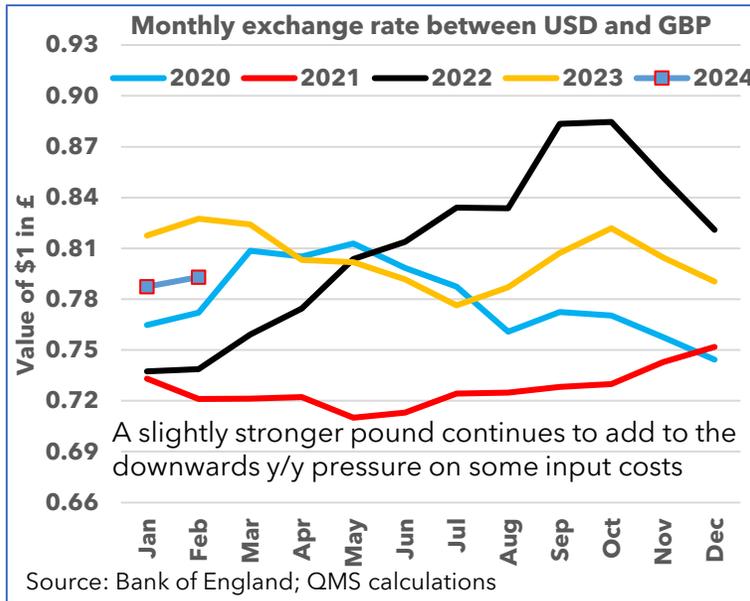


In the US, cattle by-product value has steadied at a three-year low for the time of year in early 2024, reflecting general commodity market forces. Although hide value is unchanged on the year in USD, after factoring in a stronger sterling, it is down 6% in late-February.

Exchange Rate Movements – expectations that UK interest rates will begin to fall this year have not prevented some sterling strength at the start of 2024, as inflation and interest rates are also on a downwards path elsewhere

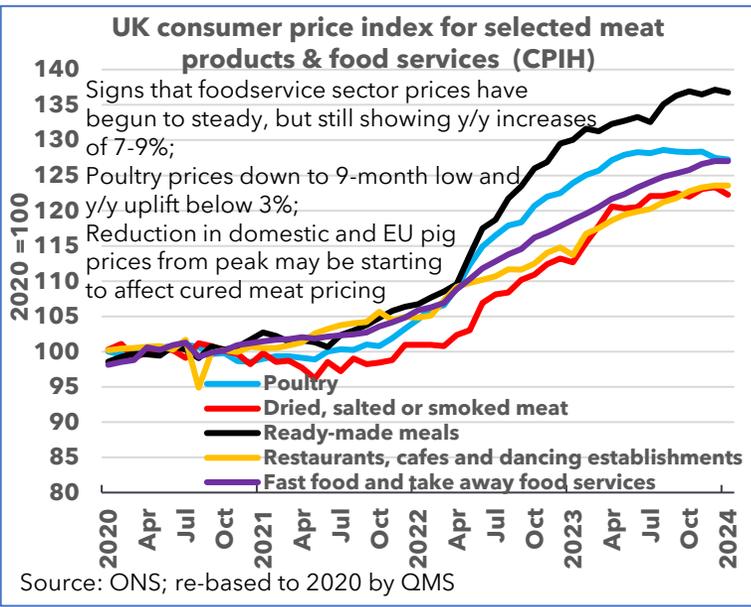
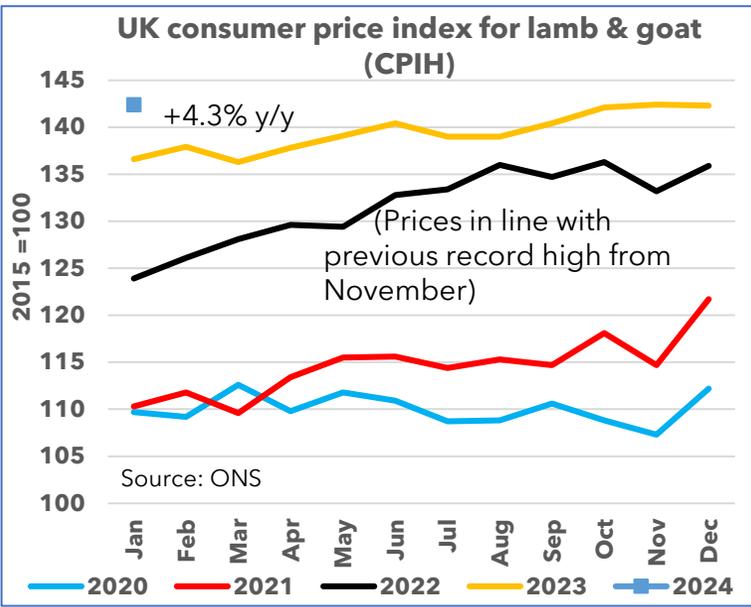
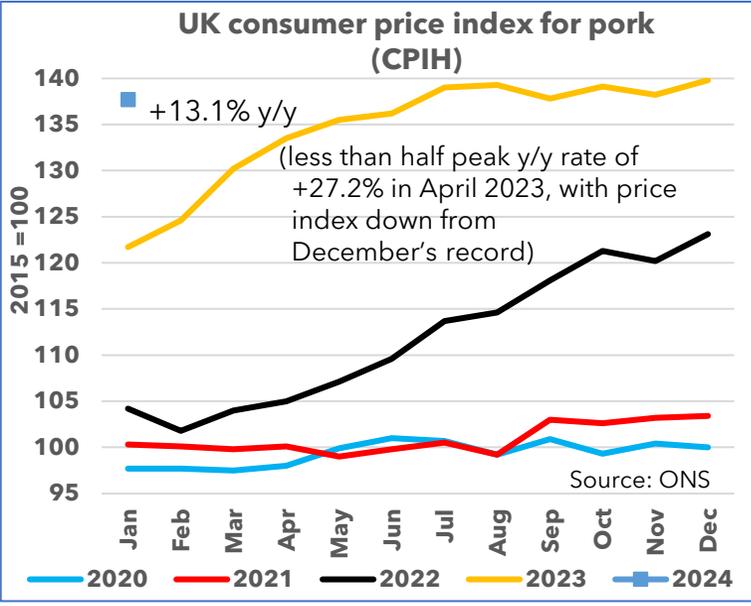
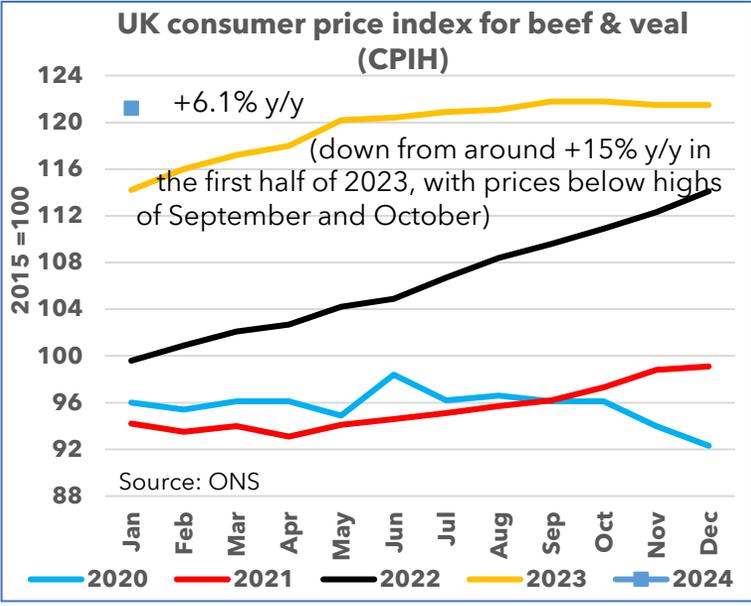


Sterling has firmed slightly against the euro at the beginning of 2024 despite expectations that UK interest rates will start to reduce this year as inflation falls back towards its 2% target. The Bank of England is of the view that price and wage-setting decisions have more of an upside bias since the 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, suggesting that any downwards movement in interest rates is likely to be slow.



US economic data has remained relatively firm in early 2024 but a slowdown in US inflation means that interest rates are forecast to fall in 2024, leading to some dollar softness, while geopolitical tension has yet to impact the dollar. A weaker USD than a year ago has softened input costs but is also likely to have eased UK returns on dollar-denominated exports to non-EU countries. For example, an export price of \$5,000/t would have returned £4,135 in February 2023 but £3,965 in February 2024 (-4%).

Retail demand and prices - households have continued to allocate a significantly higher amount of money to meat and a slowdown in price inflation has begun to support sales volumes. Foodservice sector firms continue to pass on higher cost base, signalling robust demand.



Retail demand remains firm overall with rising UK wages (+5.8% y/y in Q4) supporting the overall amount of money spent on groceries. However, higher prices continue to limit sales volumes.

Sales figures from the 12 weeks to January 21st point to a firm trading environment for meat, though beef did underperform against total grocery spend.

While lamb remains an expensive protein, value and volume growth point to an improved level of demand.

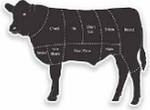
Pork retail prices continue to show sharp year-on-year uplift as previous rises in farmgate and import prices pass through the supply chain, squeezing sales volumes in line with tight supply. However, the pace of price increase has slowed significantly from its peak and volume declines have softened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

Y/Y change in GB retail sales reported by Kantar in 12 weeks to 21/1/24

	Value	Volume	Avg price per kilo
Fresh beef	+4.7%	-1.5%	+6.3%
Fresh lamb	+12.7%	+13.0%	-0.3%
Fresh pork	+9.7%	-0.7%	+10.5%
Fresh poultry	+6.4%	+1.9%	+4.4%
Total grocery market	+6.3%	-0.6%	+6.9%

Source: Kantar

Retail demand and prices - beef and pork price inflation has slowed but has continued to pressure overall sales volumes, especially for beef, where spending growth has softened. Lamb sales continue to look strong at GB level, but with some weakening in Scotland. Roast sales volumes continued to perform well across the three species.



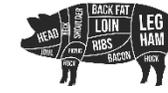
BEEF

12 weeks to January 21 2024



LAMB

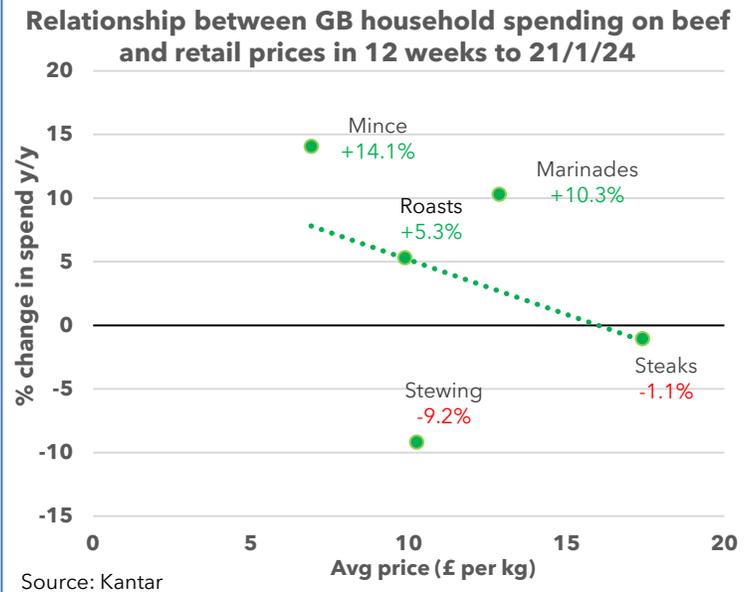
12 weeks to January 21 2024



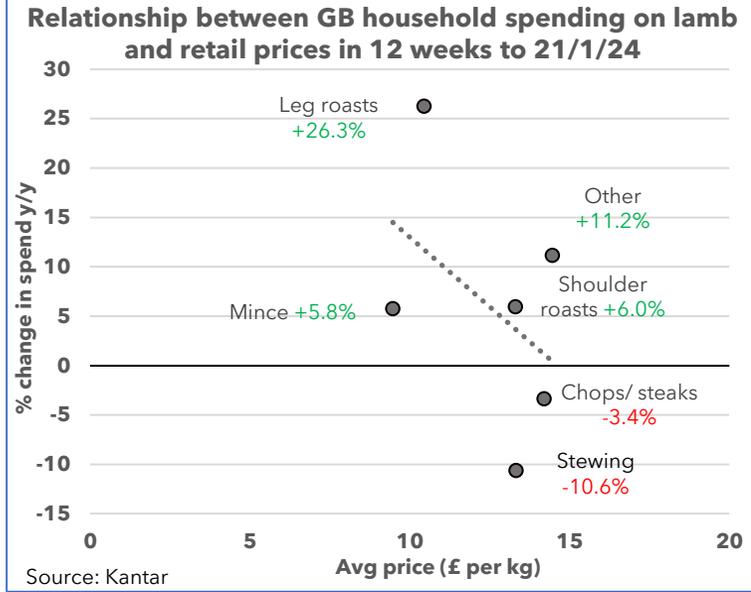
PORK

12 weeks to January 21 2024

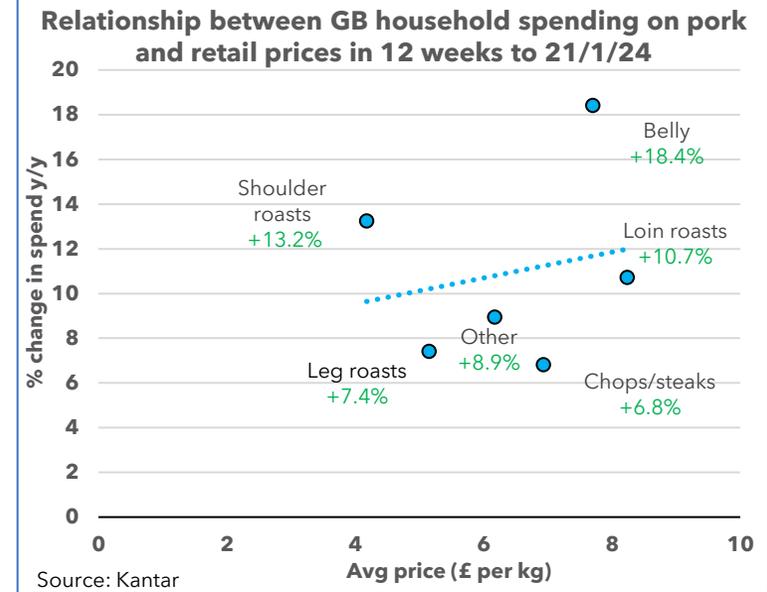
	GB		Scotland		GB		Scotland	
Value (£m)	639.5 (+4.8% y/y)	60.9 (-3.3% y/y)	180.4 (+13.1% y/y)	8.5 (+2.1% y/y)	218.6 (+9.7% y/y)	15.2 (+17.0% y/y)		
Volume (t)	67,048 (-1.6% y/y)	6,127 (-9.0% y/y)	15,711 (+13.6% y/y)	671 (-5.6% y/y)	34,445 (-0.7% y/y)	2,336 (+4.4% y/y)		
Avg price (£/kg)	9.54 (+6.4% y/y)	9.94 (+6.3% y/y)	11.48 (-0.5% y/y)	12.70 (+8.2% y/y)	6.35 (+10.5% y/y)	6.51 (+12.0% y/y)		
Penetration*	70.3% (-1.4% y/y)	72.4% (-2.9% y/y)	28.4% (+6.8% y/y)	17.5% (-2.8% y/y)	45.5% (-1.5% y/y)	40.7% (+1.7% y/y)		
Frequency**	4.6 (-1.9% y/y)	4.5 (-7.8% y/y)	2.3 (-2.1% y/y)	2.3 (+10.6% y/y)	3.0 (+0.4% y/y)	2.8 (+6.2% y/y)		



- Considerable price inflation still pressured mince volumes, which fell 0.5% y/y.



- Lamb leg roasts did best, with volumes up 28% y/y, supported by lower prices.



- Chops/steaks driving overall volume decline with y/y inflation still high (17%).

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 showing an improvement and the labour market appears to have steadied after a soft spring 2023. Consumer sentiment remains much better than in autumn 2022 and spring 2023. Wage growth is now above inflation but appears to have softened in the autumn and the cost of living is still rising, limiting retail sales volumes.

