

QMS Monthly Market Update

December 2023/ January 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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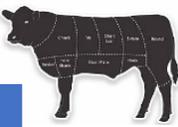
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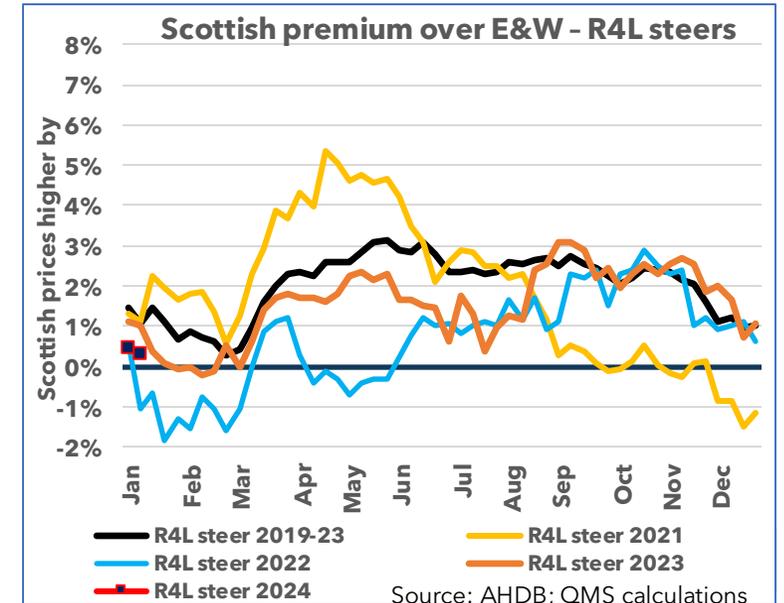
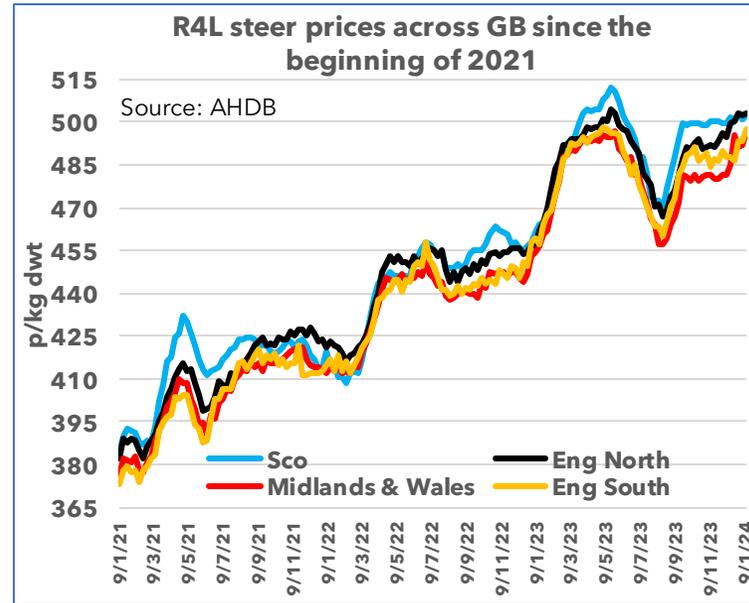
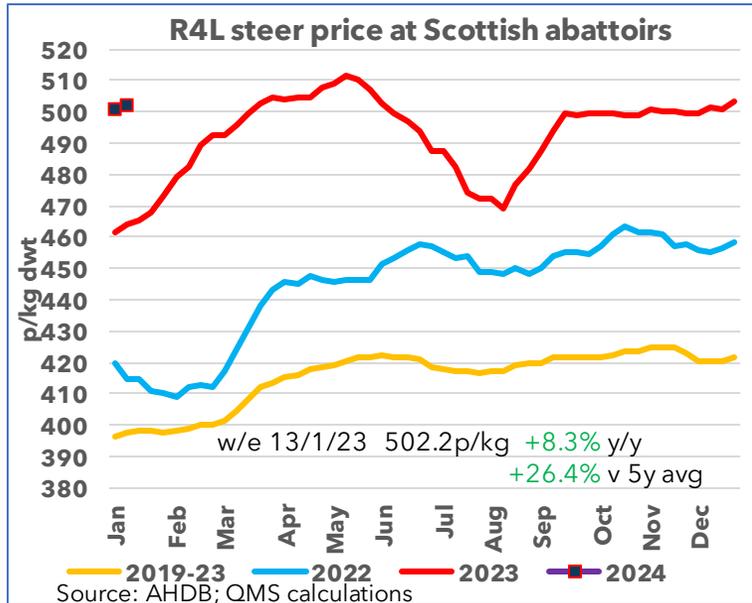
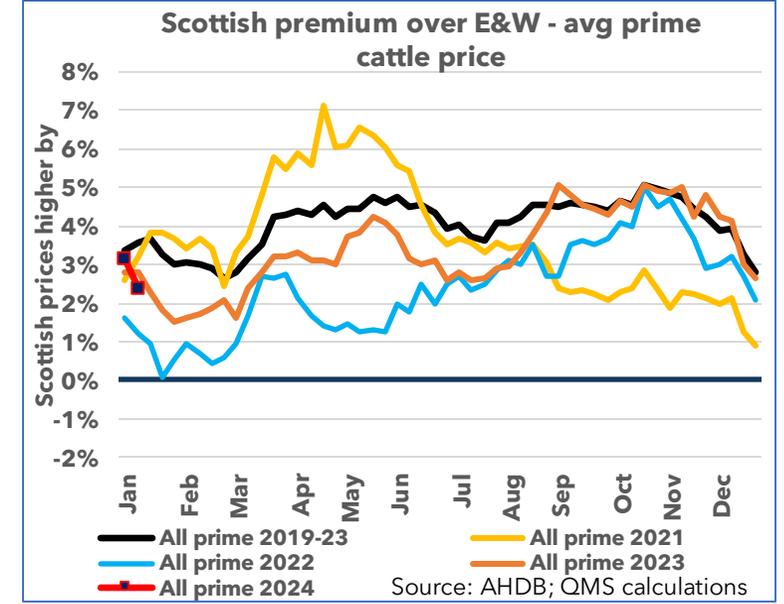
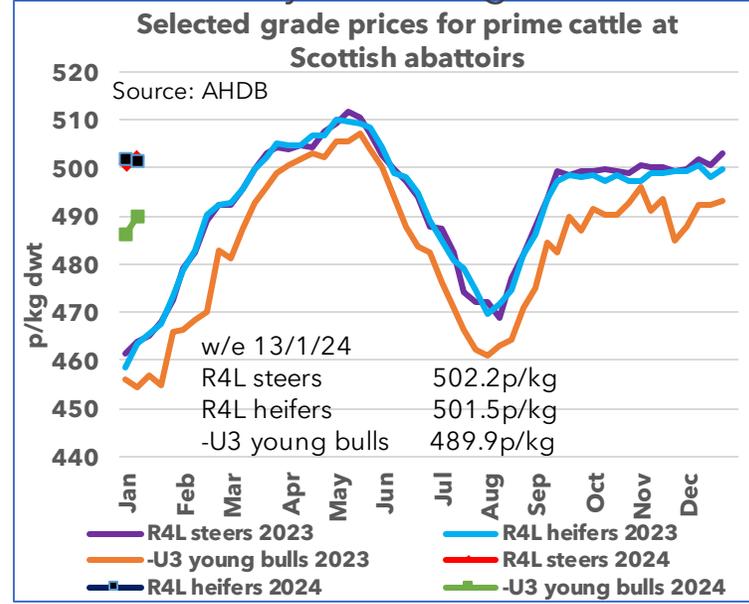
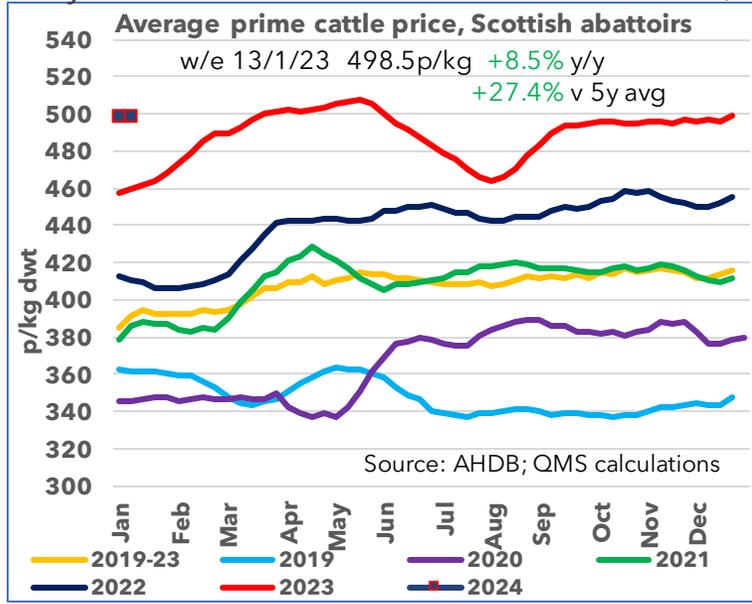
Summary of market developments – beef market



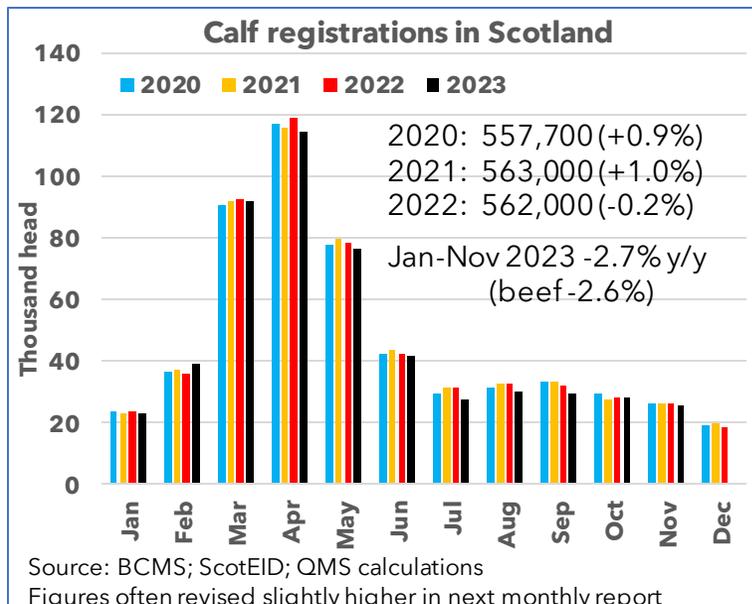
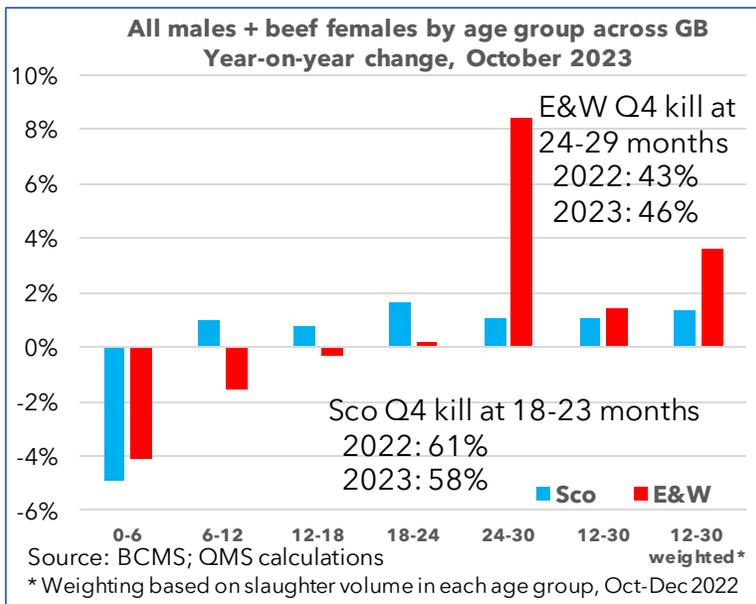
Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
R4L steer price at Scottish abattoirs	p/kg dwt, w/e 13 January	502.2	+1.3	+0.1%	+8.3%	+26.4%
Prime cattle slaughter at price reporting Scottish abattoirs (88% of kill in 2022)	Average in four weeks to January 13, head procured deadweight	4,863		-16.9%	-6.7%	-16.4%
Cull cow slaughter at price reporting Scottish abattoirs (66% of 2022 kill)	Average in four weeks to January 13, head procured deadweight	656		-32.4%	-25.4%	+4.1%
UK beef market supply	Tonnes in Oct-Dec 2023 (estimate)	265,500			-4.9%	-3.1%

- While the relative stability for prime cattle prices has continued into 2024, they have moved slightly above where they had been from late-September to early-December, suggesting a slight tightening of market conditions. Year-on-year increases remain firm at 8-9%, with leads on five-year averages above 25%. Cow prices have shown a seasonal rebound since November.
- After some rebound in December following a surprisingly weak November, prime cattle slaughter has made a slow start to 2024 in Scotland. By contrast, in E&W, after a tight end to 2023, the prime kill showed year-on-year increases of 5-6% in the first half of January at price reporting abattoirs, potentially reflecting some delayed slaughter.
- It is therefore possible that firm competition for cattle across GB reflects an attempt to rebuild stocks after a period of lower output and strong export demand.
- A significantly 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 things are expected to tighten significantly in the autumn as the reduced 2023 spring calf crop starts dominating slaughter.

Farmgate prices – while the relative stability has continued into 2024 for prime cattle prices, they have moved slightly above where they had been from late-September to early-December, suggesting a slight tightening of market conditions. Year-on-year increases remain firm at 8-9%, with leads on five-year averages above 25%.



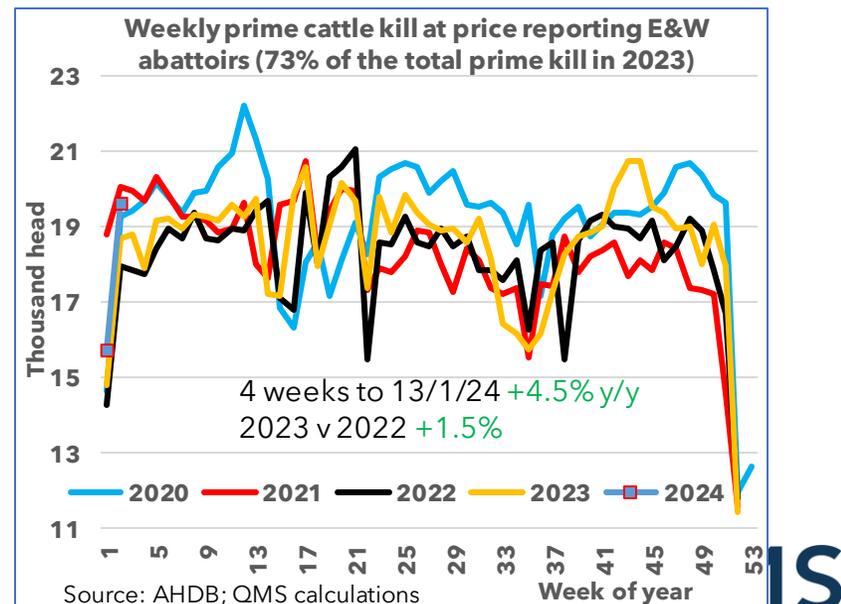
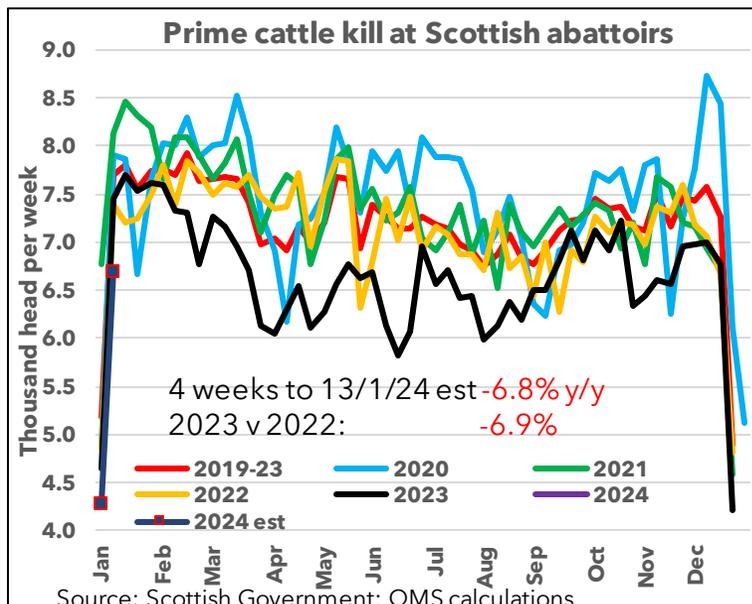
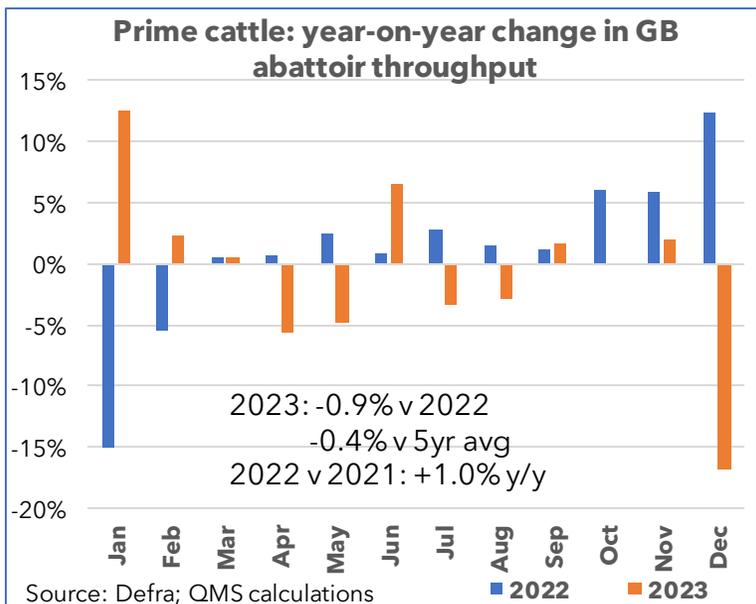
Availability and slaughter – after some rebound in December, prime cattle slaughter has made a slow start to 2024 in Scotland



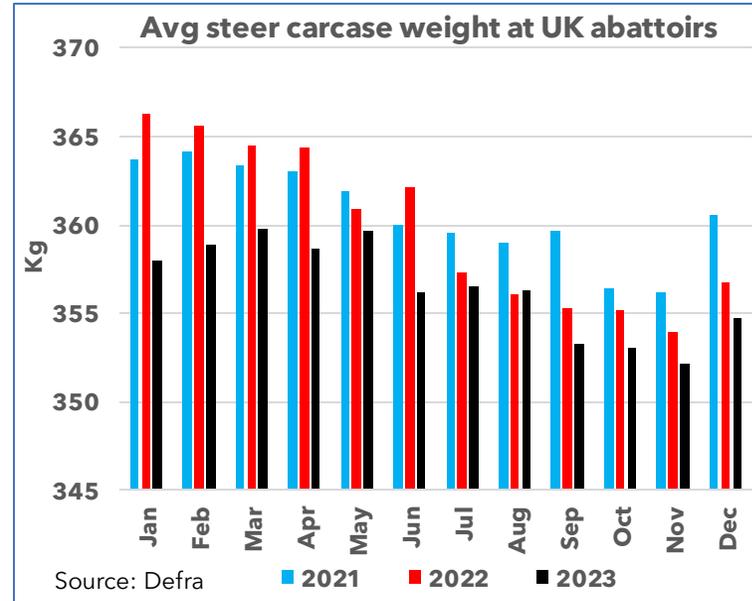
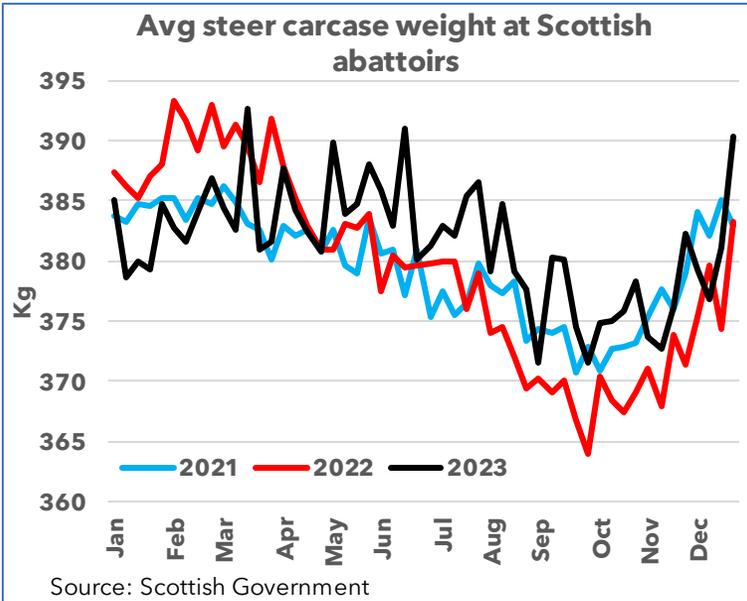
October population data from BCMS showed a small year-on-year uplift in prime cattle on Scottish farms with numbers aged 12-30 months up 1%. In E&W, a similar increase was driven by the 24-30-month group, which are a significant contributor to slaughter in the final quarter, and this may have driven a jump in weekly kill in October, before numbers trended downwards towards the year-end.

After some rebound in December following a surprisingly weak November, prime cattle slaughter has made a slow start to 2024 in Scotland. By contrast, in E&W, after a tight end to 2023, the prime kill showed year-on-year increases of 5-6% in the first half of January at price reporting abattoirs, potentially reflecting some delayed slaughter.

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 things are expected to tighten significantly in the autumn as the reduced 2023 spring calf crop starts dominating slaughter.

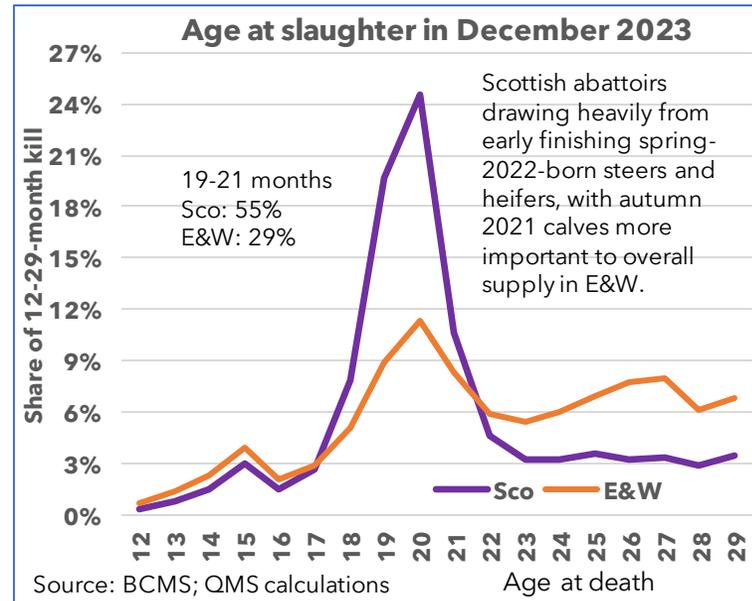
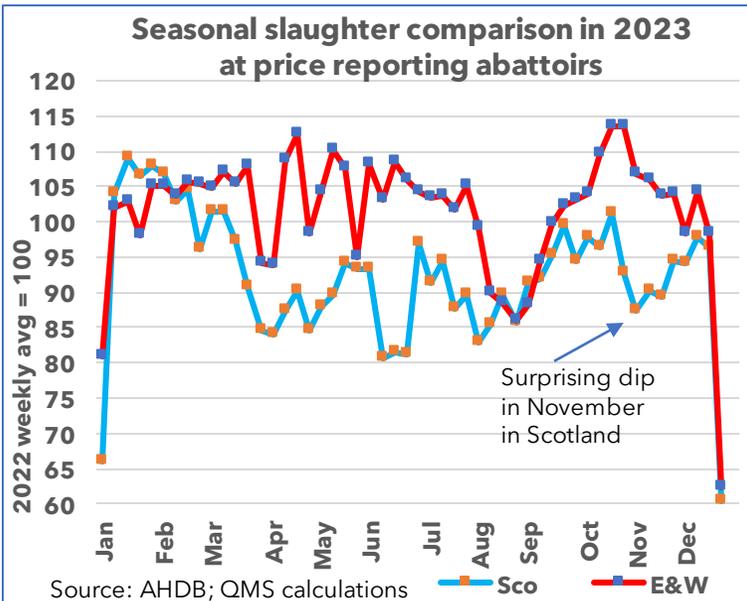


Seasonality of production – availability should be at a seasonal high in Scotland in the early weeks of 2024, with the 2022 spring calf crop reaching peak slaughter age

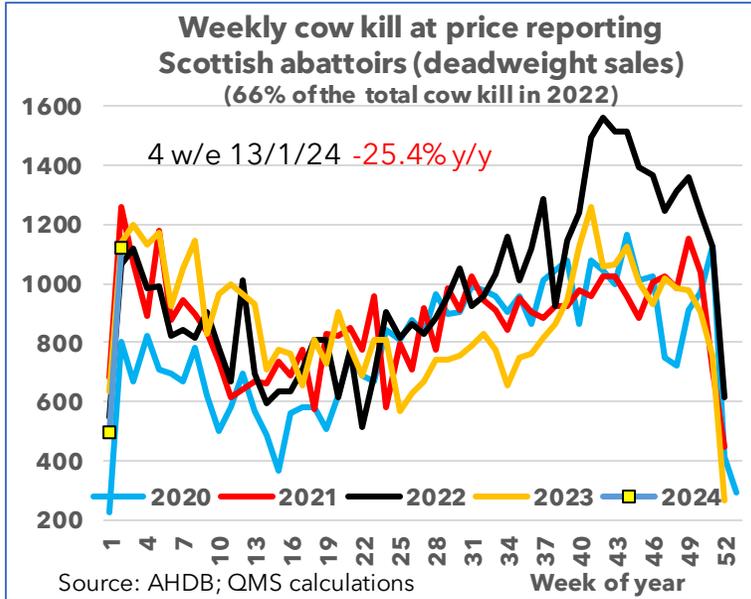
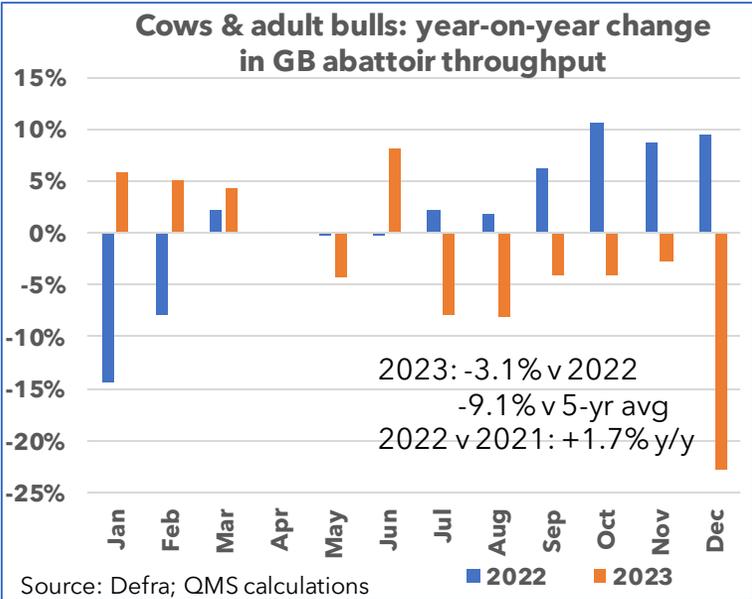


In theory, availability for slaughter should be seasonally high in early-2024 in Scotland as the spring calf crop from 2022 reaches peak slaughter age.

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



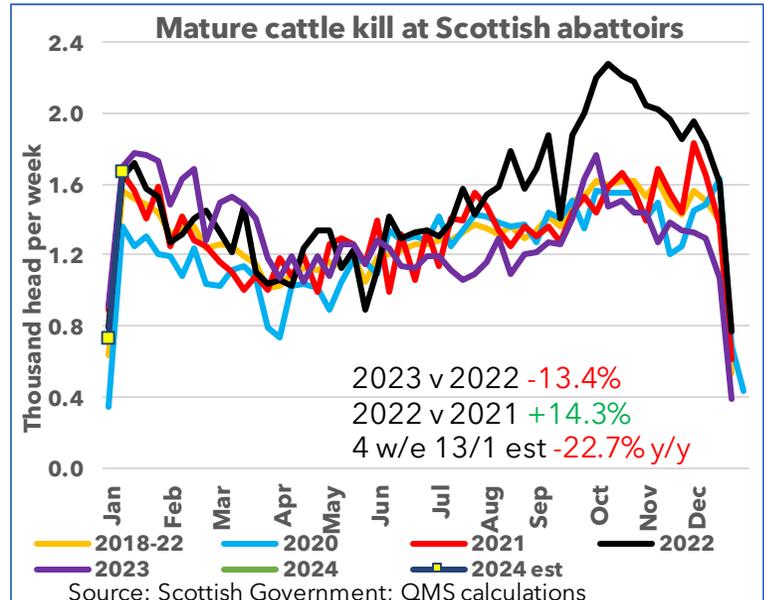
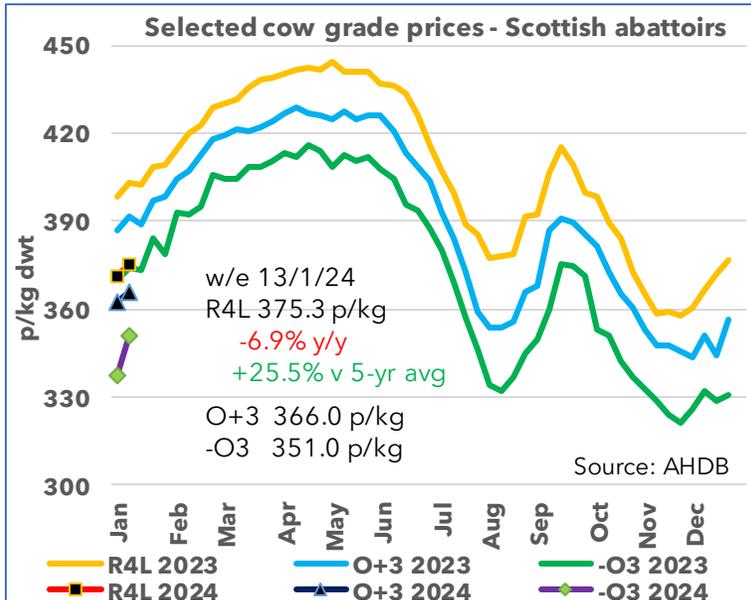
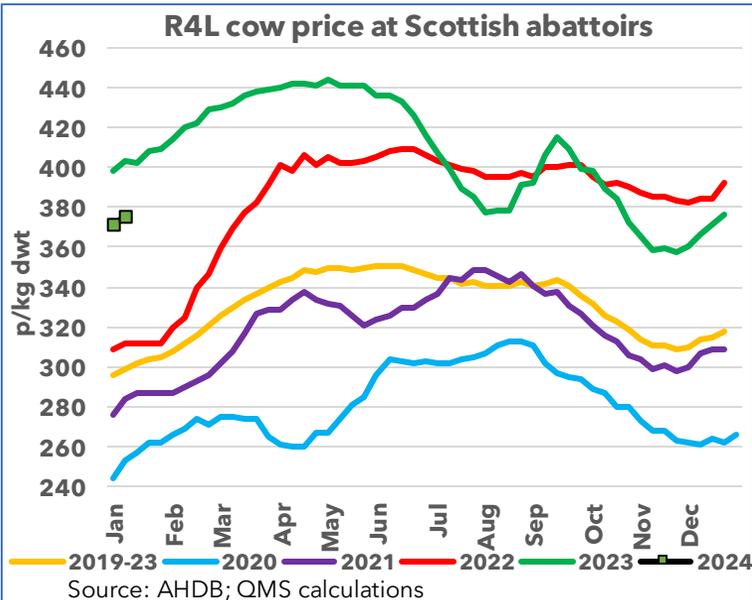
Mature cattle market – prices have shown seasonal rebound since November but continue to trail year-earlier levels, with the relationship to prime cattle prices back at a more normal level



Cull cow prices began to rebound in late-2023 after slaughter had fallen back from its autumn peak and this seasonal upwards trend has continued into 2024.

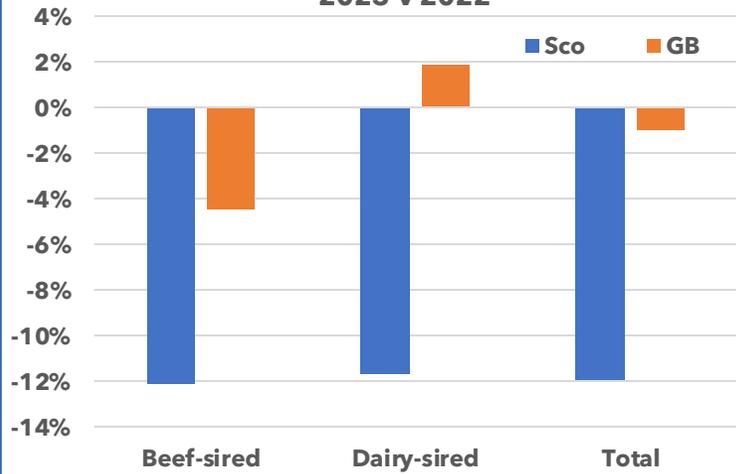
Cow prices have returned closer to normal levels relative to prime cattle prices since summer 2023 (see chart on page 7), meaning year-on-year price declines and less of an incentive to cull.

After starting 2023 ahead of 2022 levels, mature cattle slaughter has consistently fallen well short of year-earlier levels since the summer, suggesting that the beef herd is beginning to stabilise.



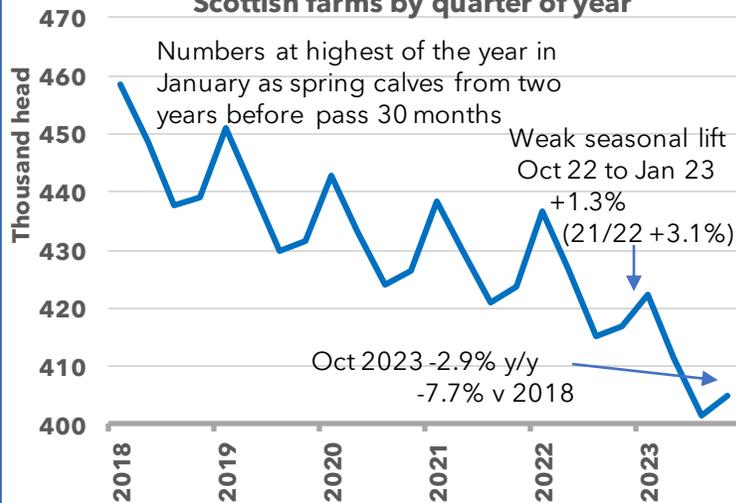
Herd reduction slowing in the beef sector

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

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)

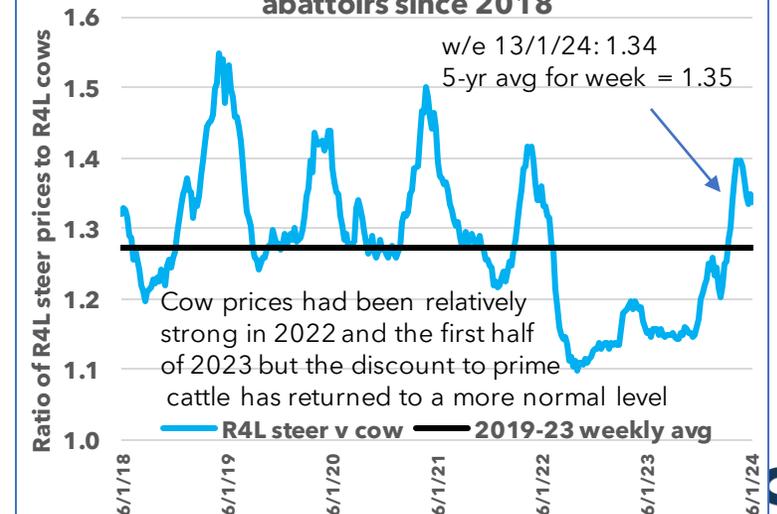
	Dairy	Beef	All
Scotland (Jun 2023)	+0.2%*	-3.5%	-2.4%
England (Jun 2023)	-0.7%	-3.6%	-1.8%

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

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.

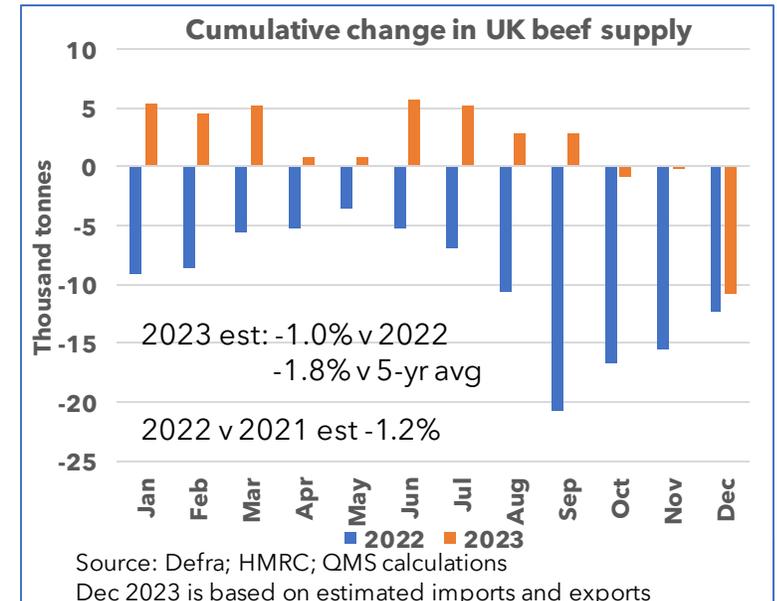
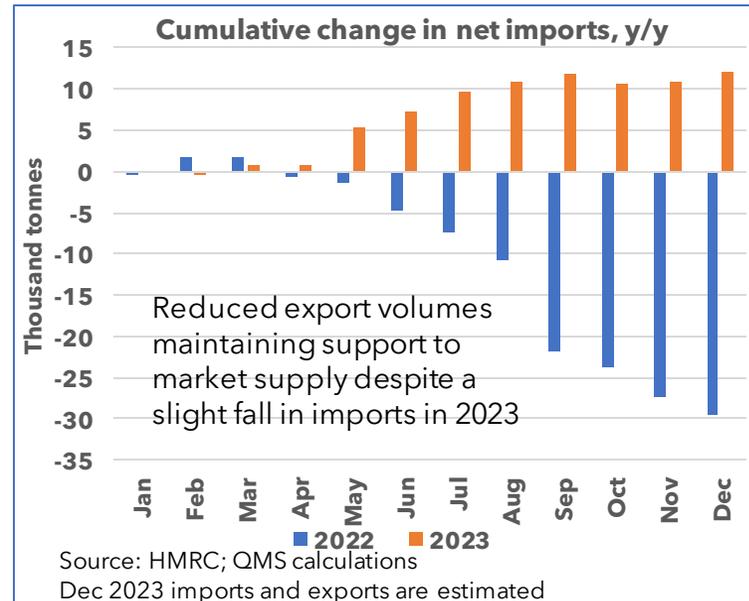
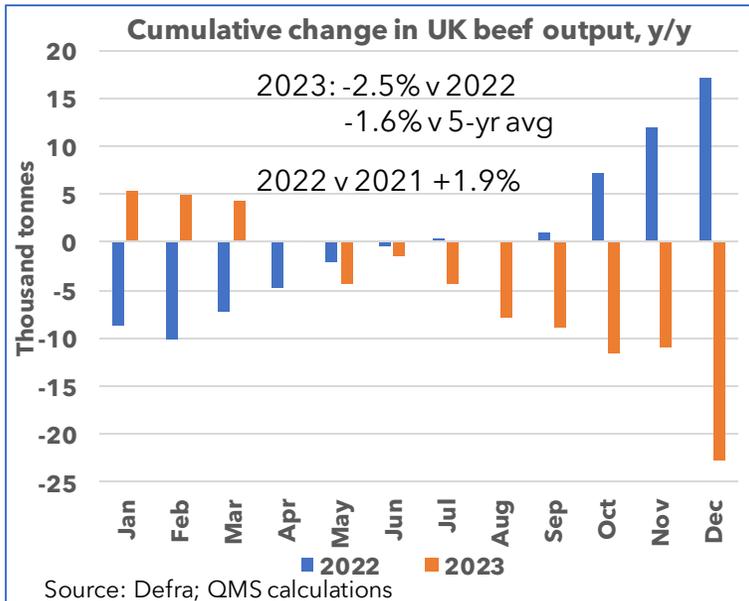
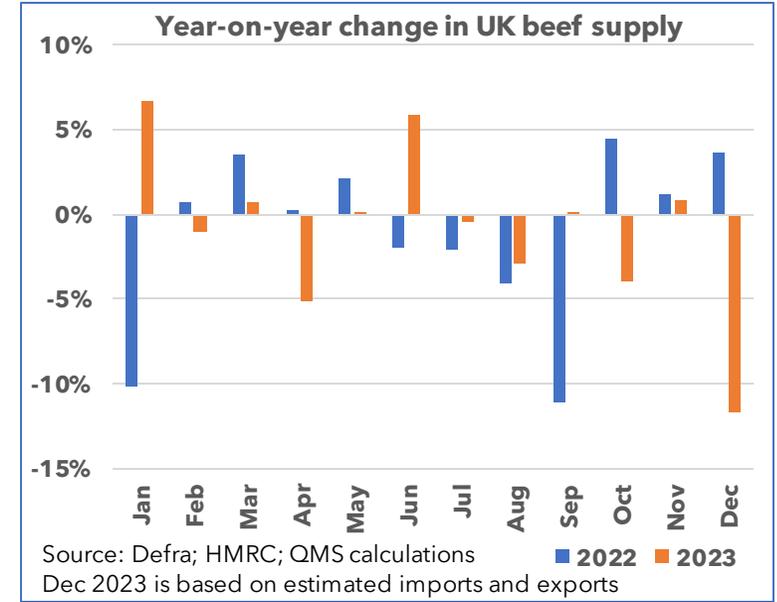
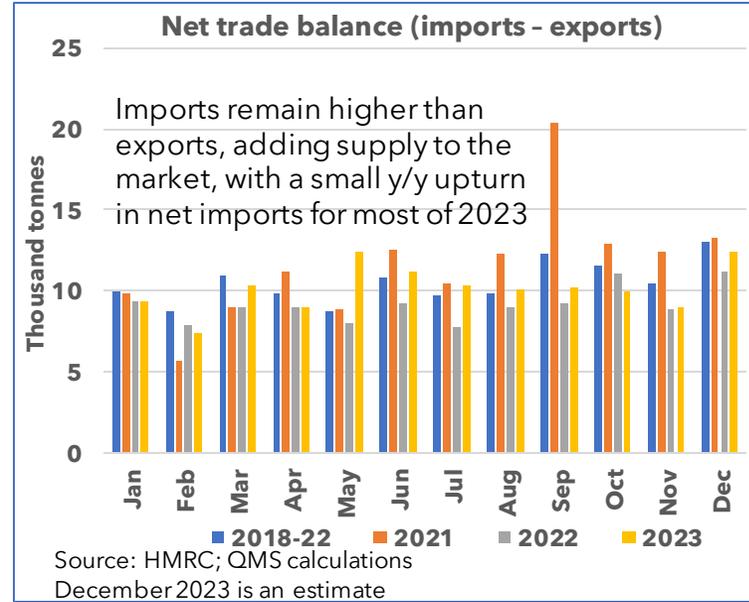
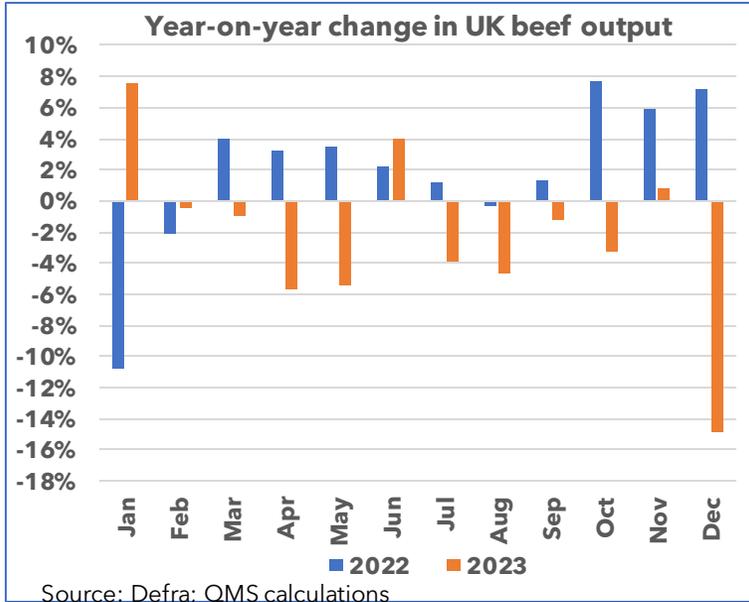
A significantly lower cow kill at Scottish abattoirs compared to 2022 suggests that the beef herd is beginning to stabilise, although the herd is still likely to have shown a small year-on-year decline at the start of 2024. BCMS data highlighted that 8% fewer Scottish-born OTM cattle were processed in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

R4L steers v R4L cows at Scottish abattoirs since 2018



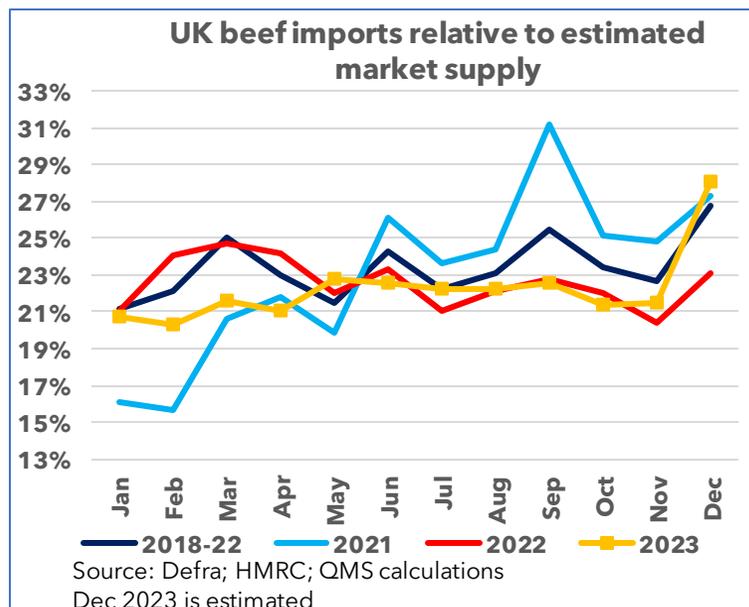
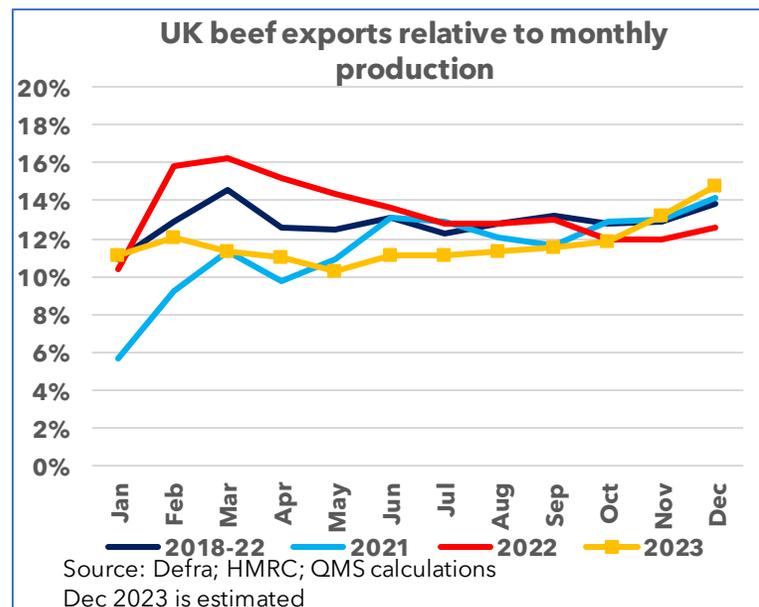
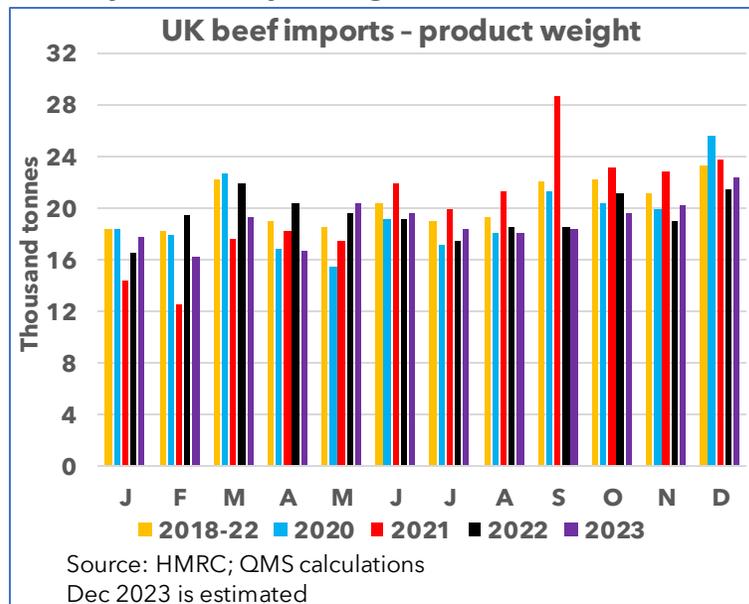
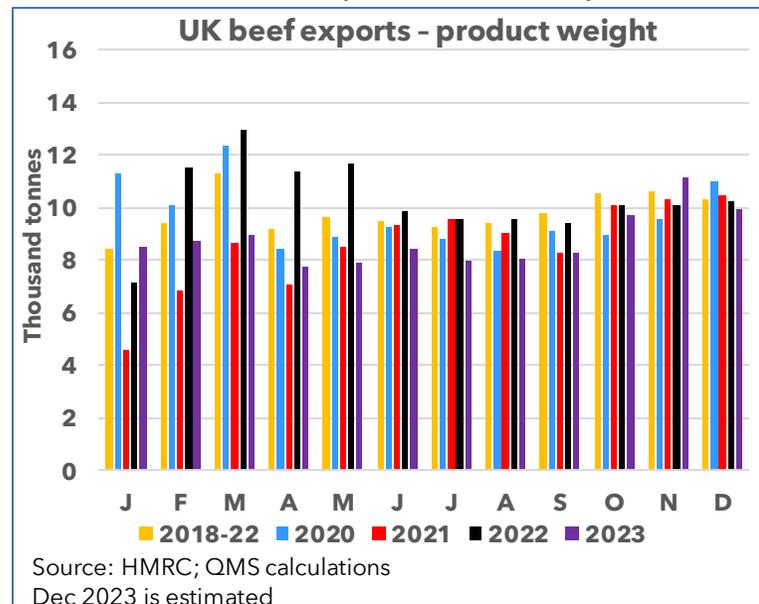
Source: AHDB; QMS calculations

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



A focus on UK international trade in beef - very strong

November for exports and imports returned to year-on-year growth



November saw UK beef export volumes reach an 18-month high and show year-on-year expansion for the first time in 14 months (+10%). For November, they were at a four-year high and the second highest since 2012. Export prices also held above the levels of previous years, pointing to a very strong month.

Trade with EU and non-EU countries rose, with exports to the former up 7% year-on-year and the latter by more than a third.

November saw UK beef import volumes rise to their second highest monthly total of the year-to-date and move beyond year-earlier levels for the first time since July. Trade continued to show rebalancing towards fresh beef from frozen product, with the former up 15% year-on-year whereas the latter was down 12%.

Imports from the EU were up 4% year-on-year, with imports from non-EU countries 48% above November 2022 levels. Imports from Australia rose from an average of less than 50t per month in the January to May period to over 300t per month in the autumn, in a sign that the increased quota granted at the end of May is being used.

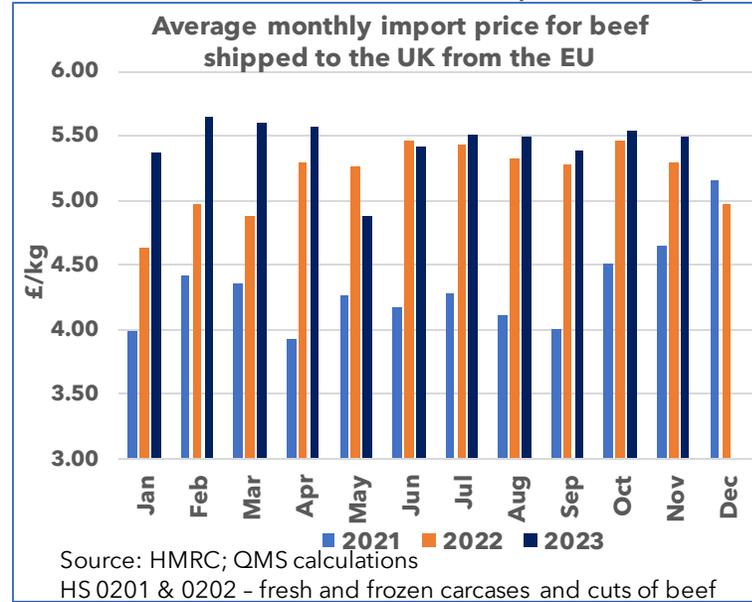
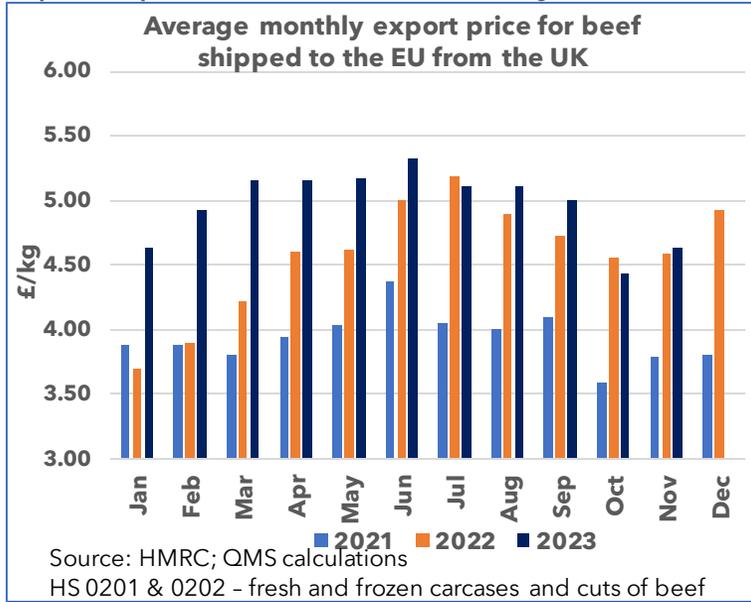
The EU accounted for 94.6% of UK import volumes and 87.9% of exports in January to November 2023, with November below average for both.

Note:

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

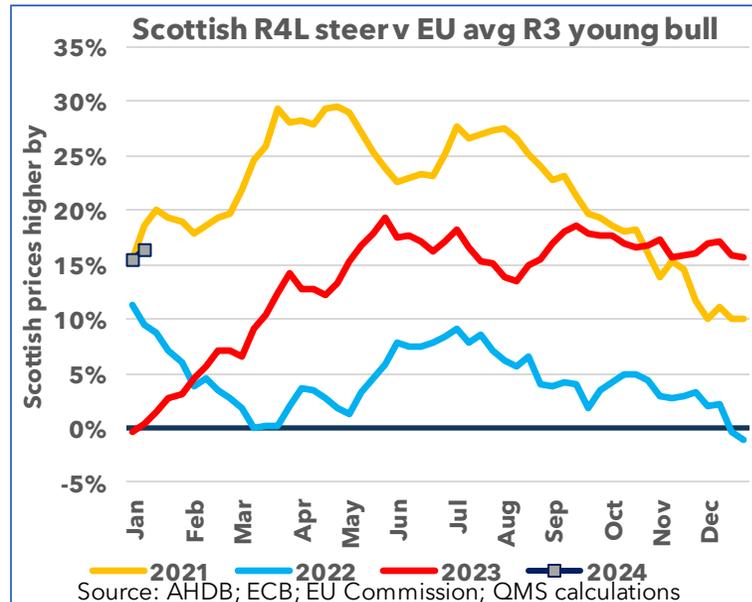
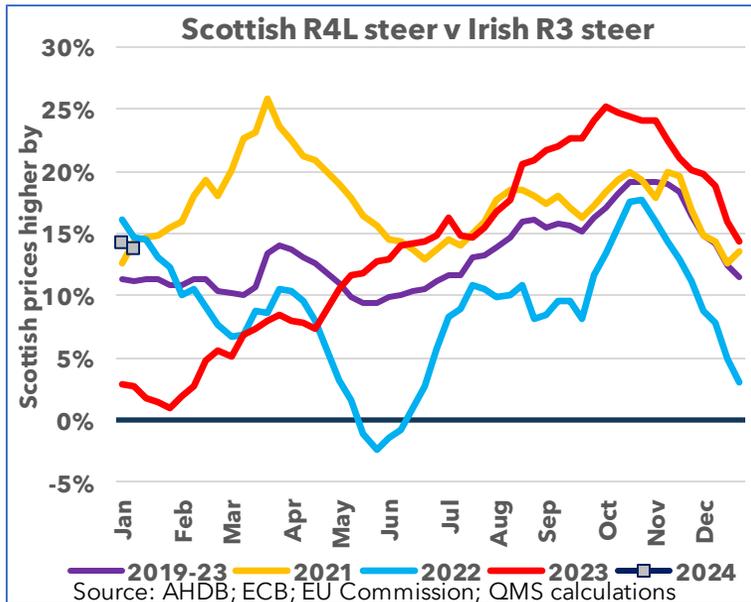
Estimates for December are based on seasonal trends in trade volumes and domestic production

Variables influencing international trade in beef - Irish prices remain competitive despite seasonal rebound while difference between Scottish and EU average price remains relatively stable. UK import and export prices held above year-earlier levels in November despite a significant premium over Irish prices.



The seasonal rebound in Irish prices continued into 2024, leading to a further narrowing of the price gap with Scotland. However, at 14%, the price gap remains above its five-year average.

EU beef prices continue to look historically firm, supported by declining production, but market prices are below the highs reached in 2022 in many countries. The lead for Scottish R4L steers over the EU average for R3 young bulls has remained relatively stable at around 16% in early-2024; a three-year high for the time of year.



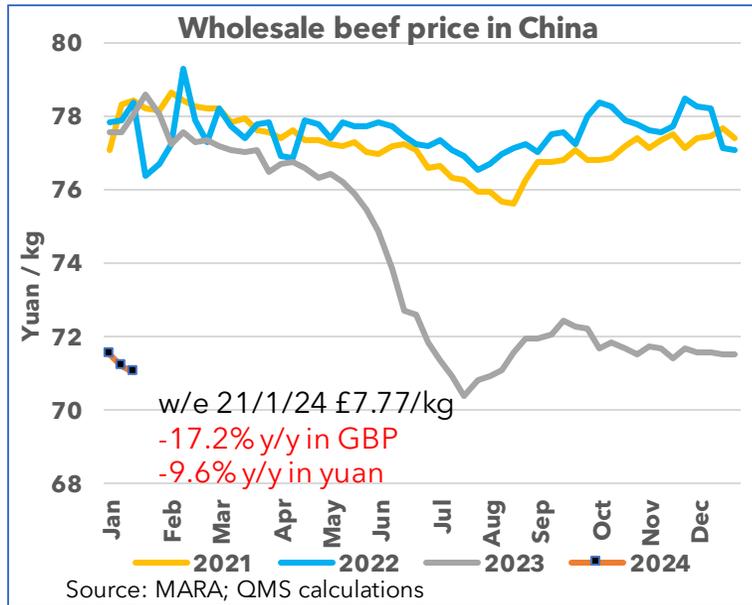
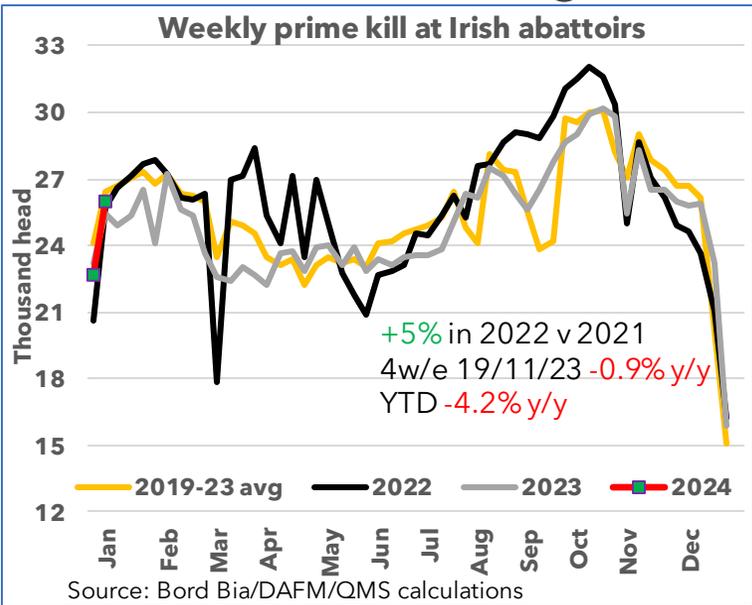
Selected EU cattle prices for R3 males, converted from euro to p/kg dwt

	Week 2 2024	Week 50 2023	Week 2 2023
Germany (young bull)	422.5	421.2	475.4
Netherlands (young bull)	394.7	258.3	374.0
Spain (young bull)	436.2	434.2	485.3
Poland (young bull)	418.7	413.7	432.2
Irish Republic (steer)	440.8	431.7	451.8
For comparison: Scotland R4L steer	502.2	500.6	463.9

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



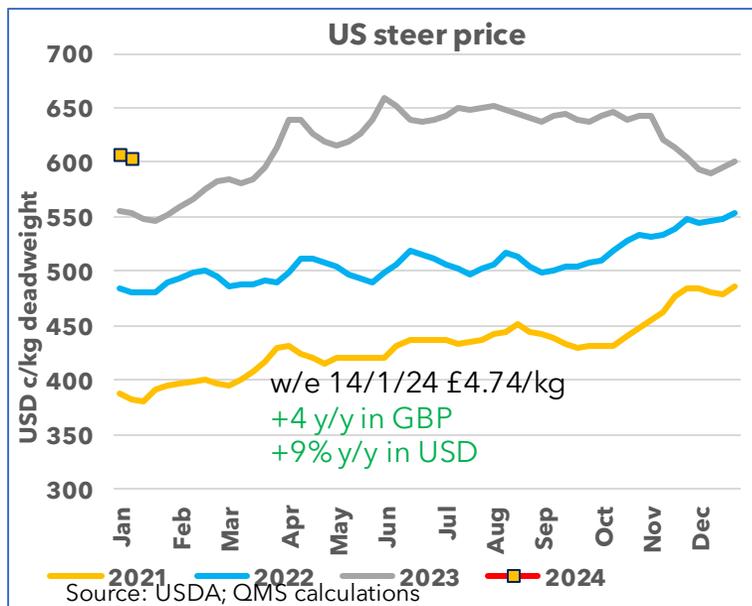
In the Irish Republic, slaughter has opened 2024 at a similar level to 2023 in the first half of January but below the five-year average. Population data points to declines in Irish production in 2024 and 2025. At EU level, production is also expected to contract further, supporting EU import demand.

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. A severe January cold snap may add to US supply challenges in the short-term, affecting the delivery of cattle to abattoirs and the transport of workers and meat.

USDA Global Beef Market Forecasts, January 2024
(million tonnes carcass 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



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.

Cattle on Irish farms (thousand head)

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

Source: CSO

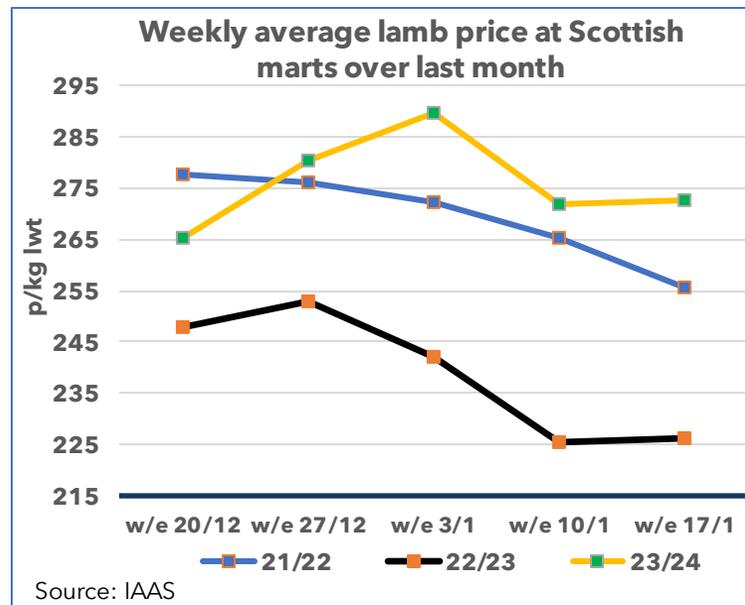
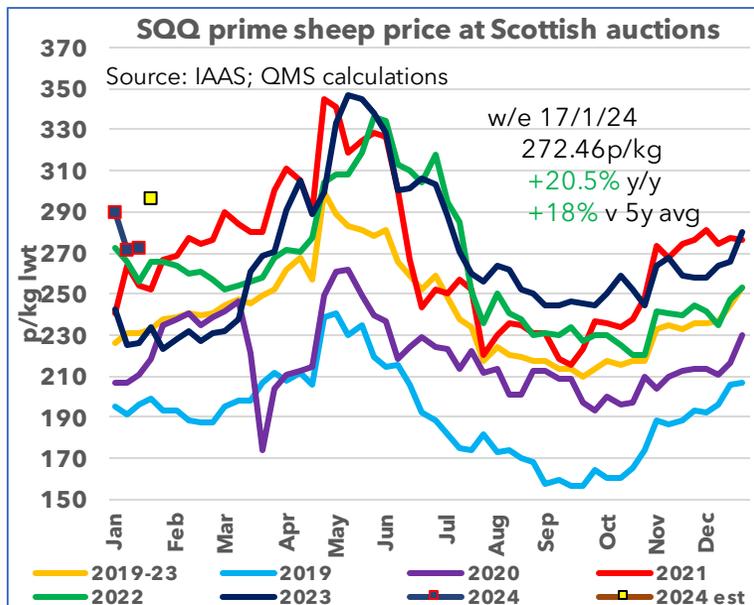
Summary of market developments - sheep market



Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
New season SQQ lamb price at Scottish auctions	p/kg lwt, w/e 17 January	272.46p/kg	+0.75	+2.6%	+20.5%	+18.0%
New season lamb marketings at Scottish auctions	Average in four weeks to 17 January, head	17,162		-29.3%	-1.8%	+4.3%
Lamb slaughter at GB abattoirs	Total between June and December 2023, million head	7.079			-0.6%	-7.1%
UK sheepmeat market supply	Tonnes in Oct - Dec 2023 (estimate)	66,000			+1.7%	-4.0%

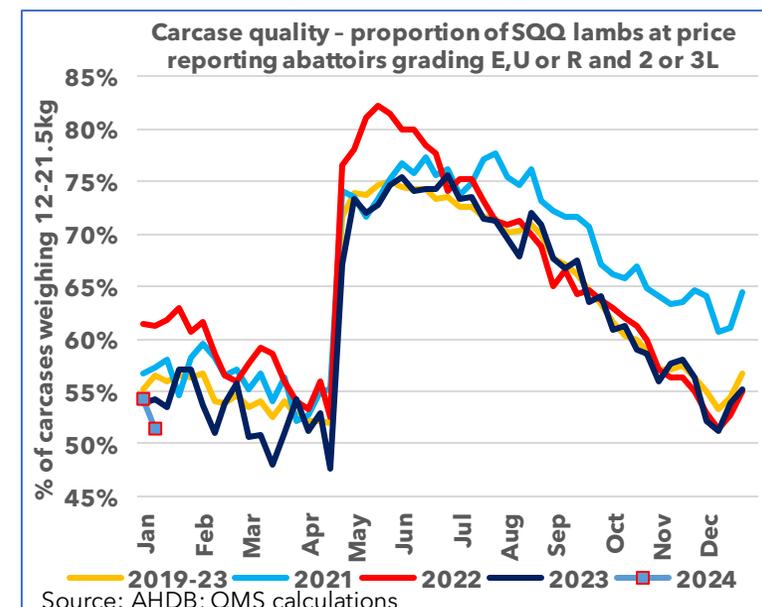
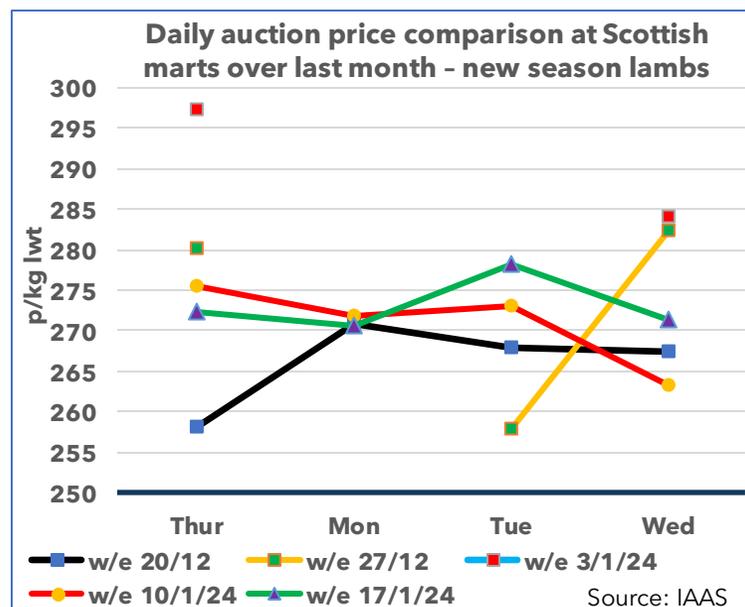
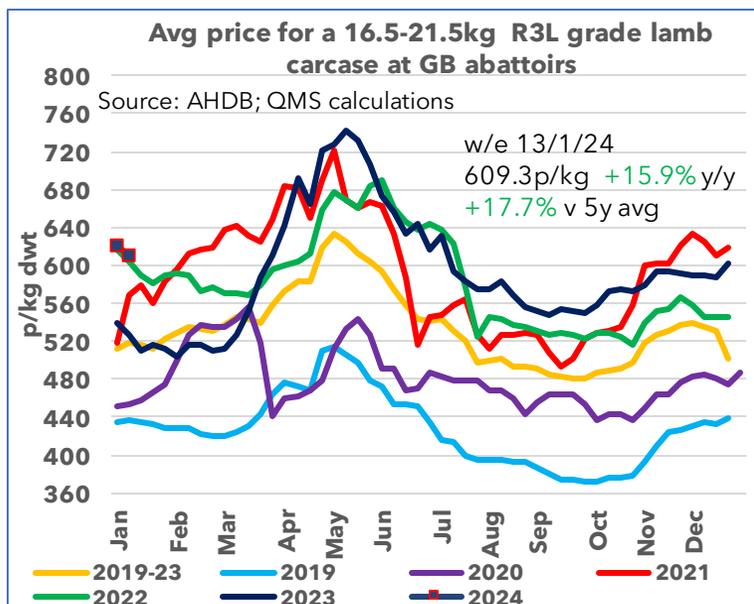
- After a seasonal uplift over the festive period, lamb prices dipped back to around the 270p/kg lwt mark in mid-January at Scottish auctions. However, this placed them above where they had been in the run up to Christmas and around 20% ahead of both year-earlier levels and the five-year average. Moving into the second half of January, prices have spiked towards £3/kg.
- Given the smaller lamb crop in 2023 across GB (-6.3% year-on-year), relatively firm numbers at auction sales in the autumn and only a small year-on-year decline in abattoir throughput suggests that there has been a significantly reduced carryover of hogs into 2024, underpinning prices.
- GB retail data indicates that lamb sales performance continued to look positive in both value and volume in the final quarter of 2023, supported by a stabilisation of retail prices.
- UK sheepmeat imports showed strong year-on-year growth for a fourth month running in November, with volumes almost double their November 2022 total, supported by competitive prices in Australia and New Zealand, plus the additional quota granted to Australia at the end of May. However, November volumes were still nearly a quarter below their 2010-17 average.
- Although higher imports remain a downside market risk, they were more than offset by strong export levels in autumn 2023, ensuring that market supply remained tight. Continuing year-on-year increases in the price of GB lamb at Rungis market in Paris in January 2024 indicates that export demand remains firm.

Farmgate prices - prime sheep - strong start to 2024 as hogg supplies expected to have tightened



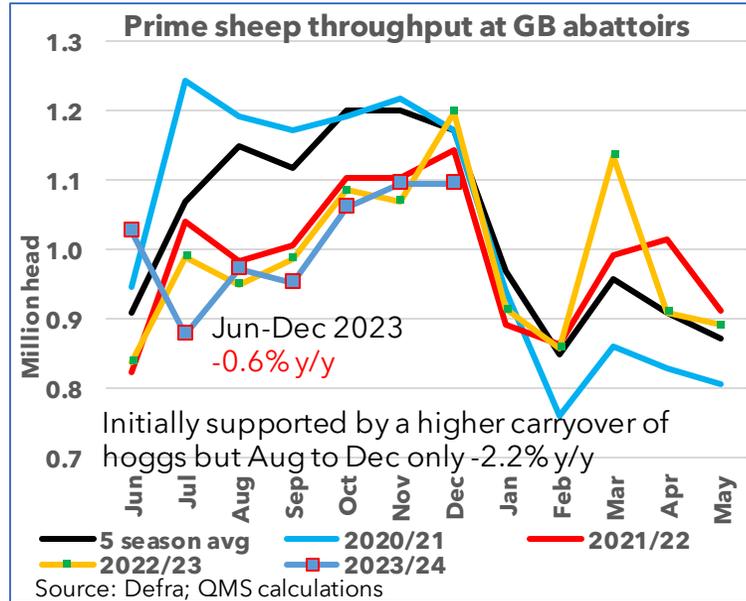
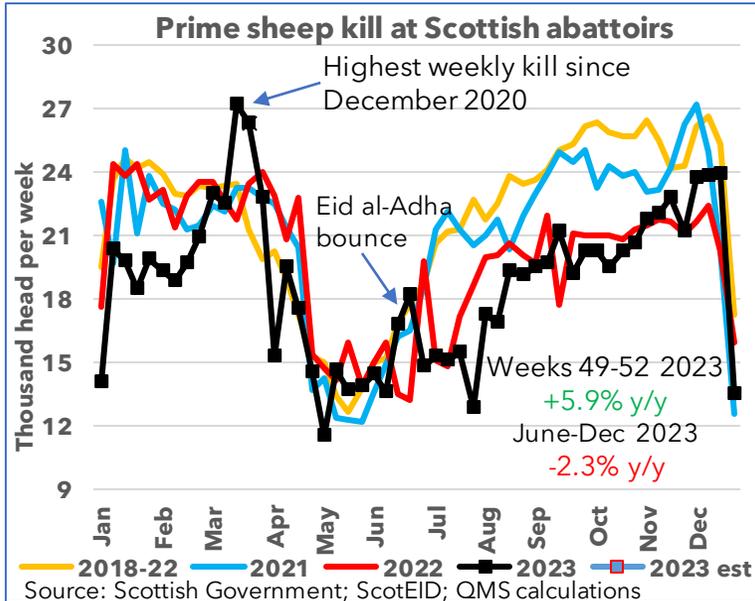
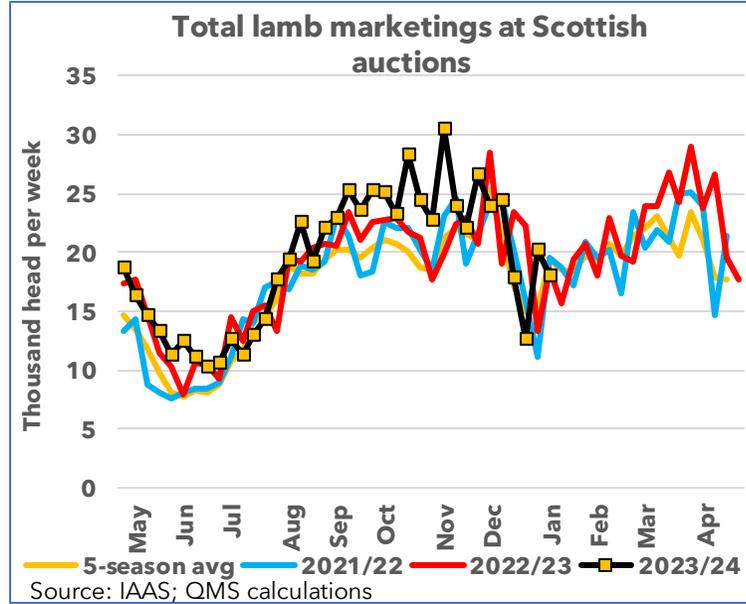
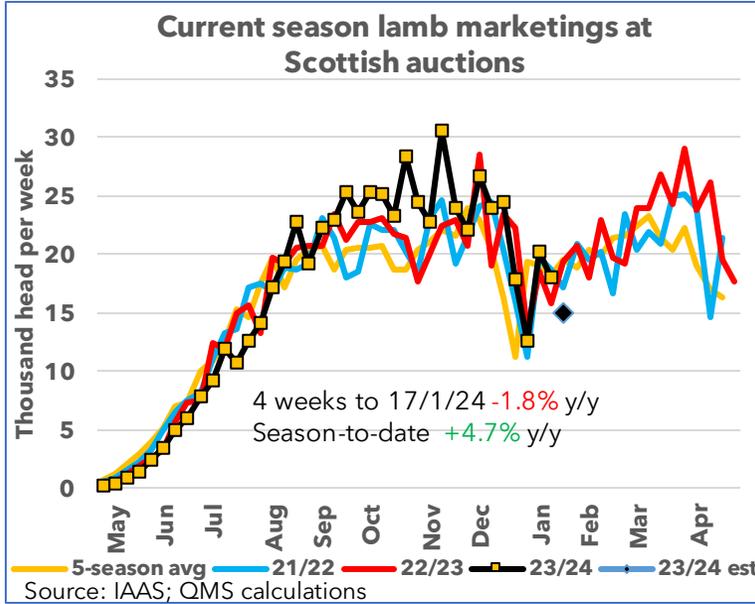
Lamb prices initially softened at Scottish marts in January after a seasonal uplift over the festive period. However, at around 270p/kg lwt, they traded above where they had been in the run up to Christmas, and moved well ahead of year-earlier levels, when there had been a relatively soft start. GB deadweight prices have shown similarly firm year-on-year increases in early 2024.

Moving into the second half of January, lamb prices have spiked at Scottish auctions, with some sales averaging above £3/kg lwt on reduced marketings. While some of this tightening may reflect challenges of getting stock to markets during a period of bad weather, it is also likely to reflect a smaller carryover of hogs.



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

Availability and slaughter – GB lamb supply is fundamentally tight this season and relatively firm sales in autumn 2023 therefore point to a smaller carryover of hogs into 2024



After a slow start to the season, the number of new season lambs sold at Scottish auctions rose strongly in the autumn, but numbers tightened over the festive period and into 2024. GB abattoir slaughter held close to 2022 levels in the second half of 2023.

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).

June census results for England and Wales also reflected poor lambing rates 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.

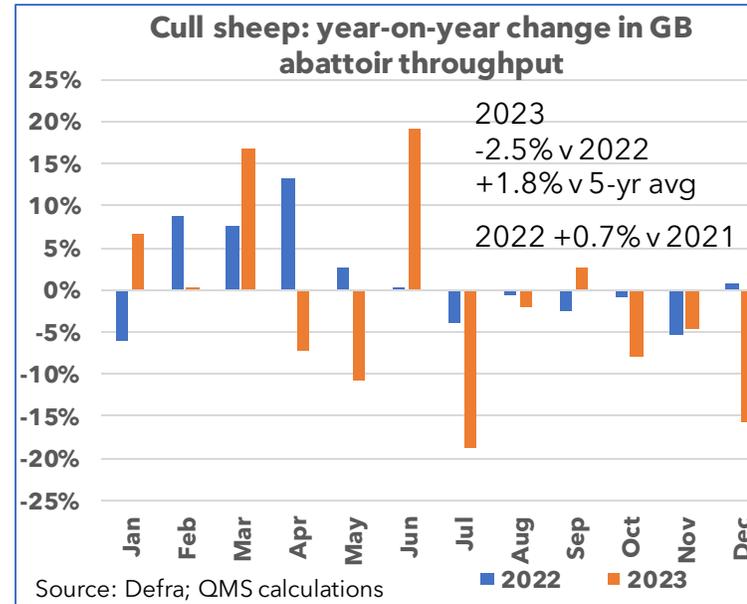
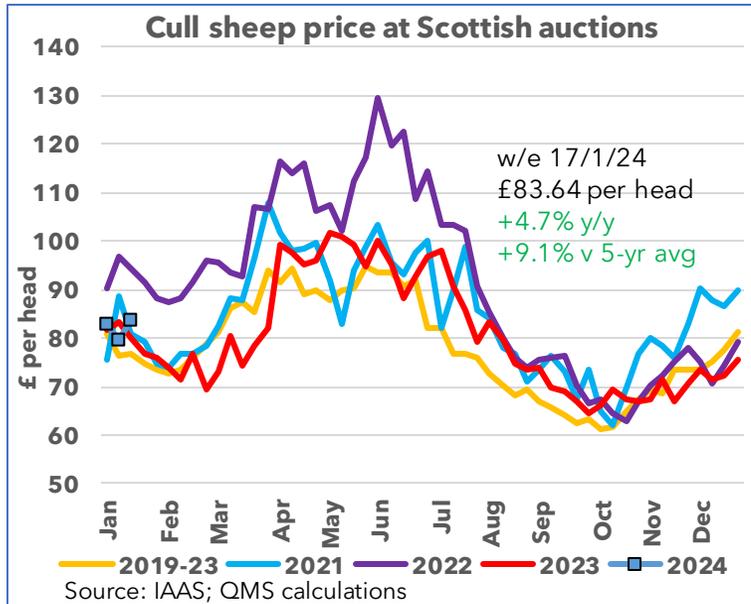
Having spent most of 2023 behind year-earlier levels, lamb throughput at Scottish abattoirs showed promising increases in November and December.

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
Lambs per ewe	1.308	1.275	1.274

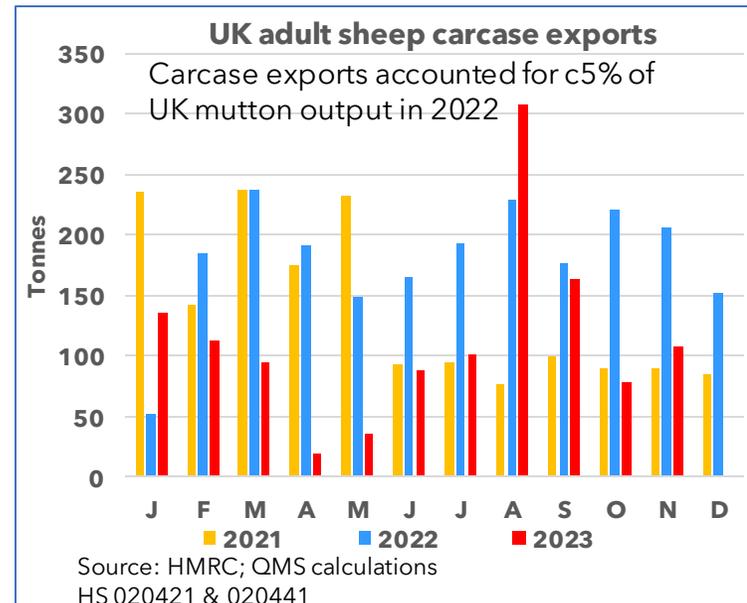
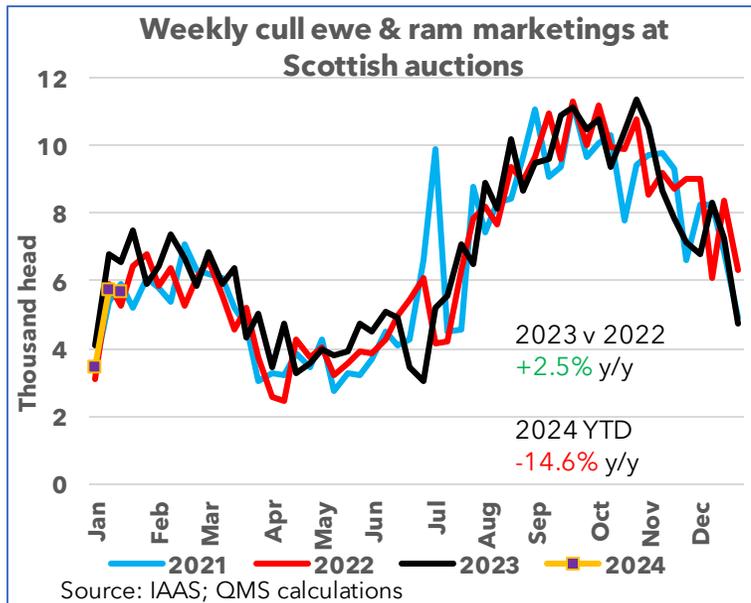
Source: Defra; Scottish Government; QMS calculations

Cull sheep market - prices have started the year seasonally firm



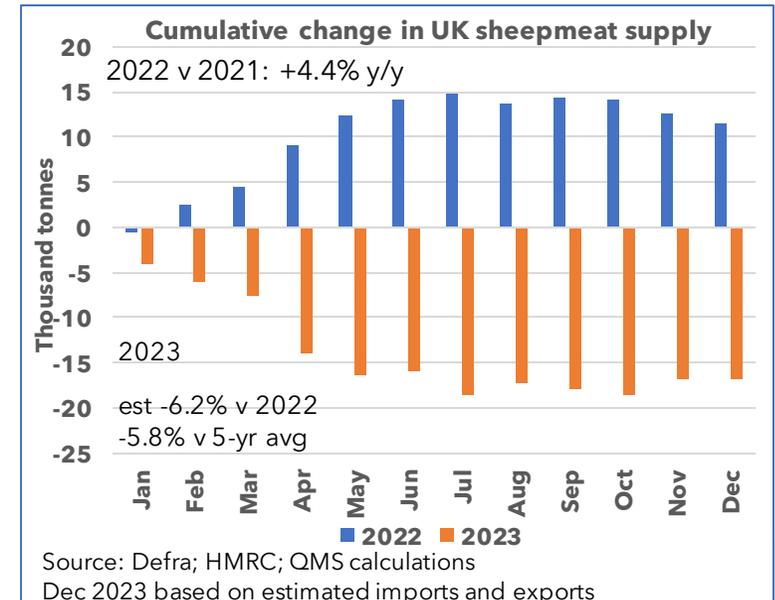
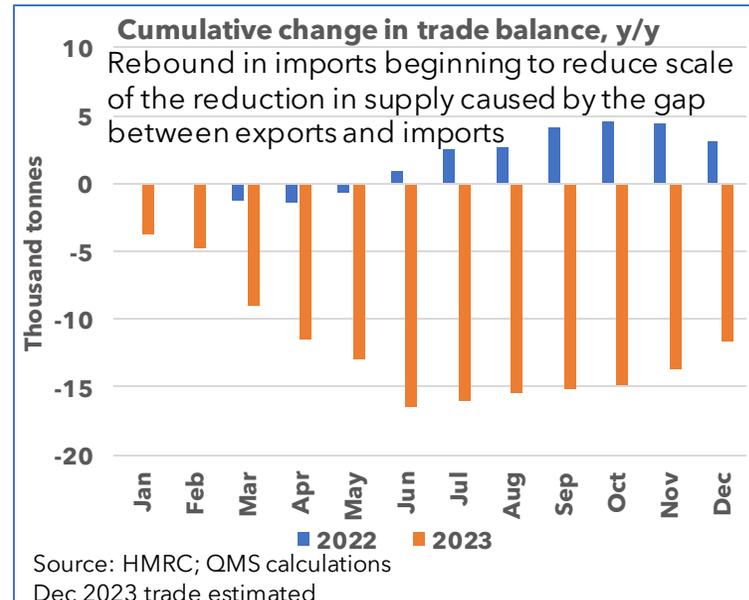
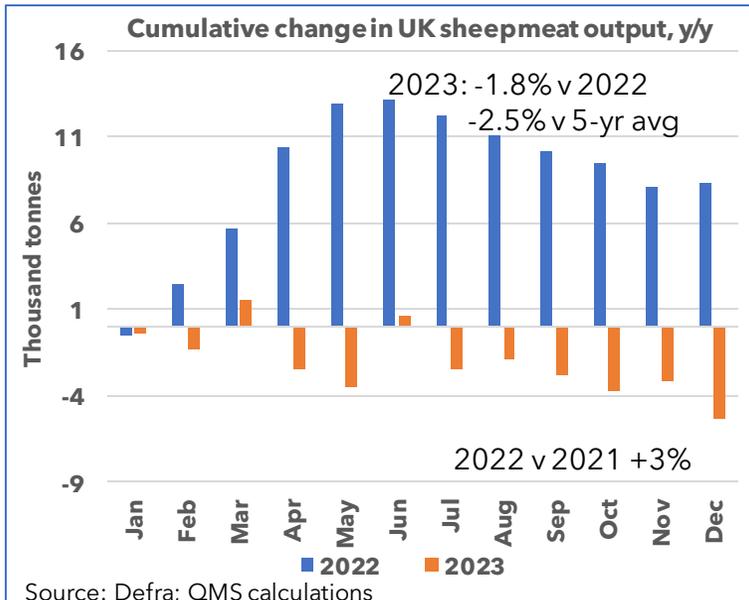
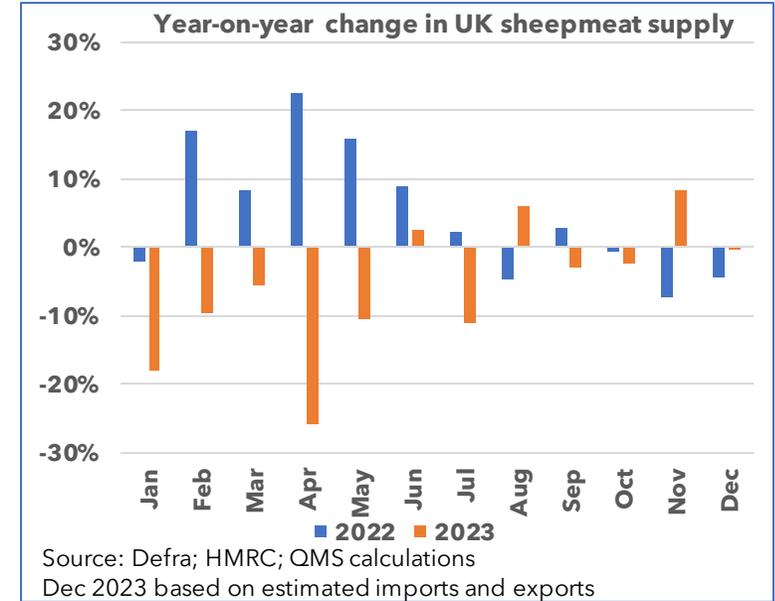
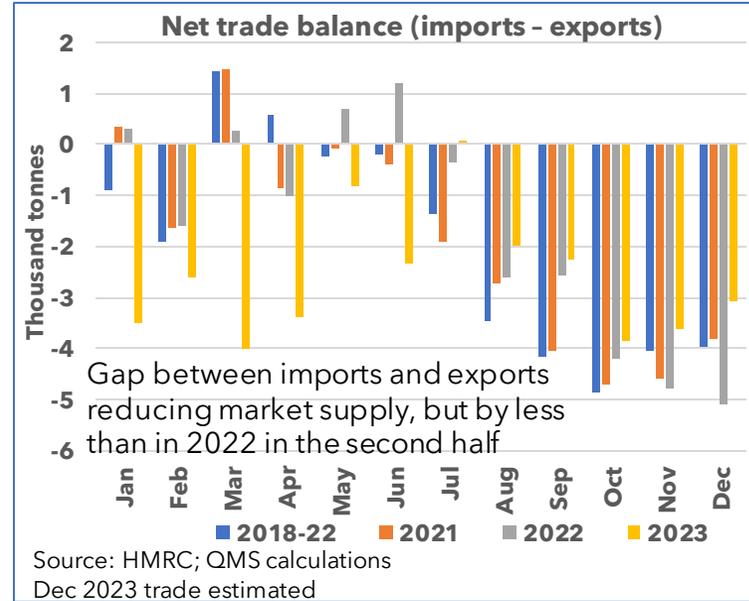
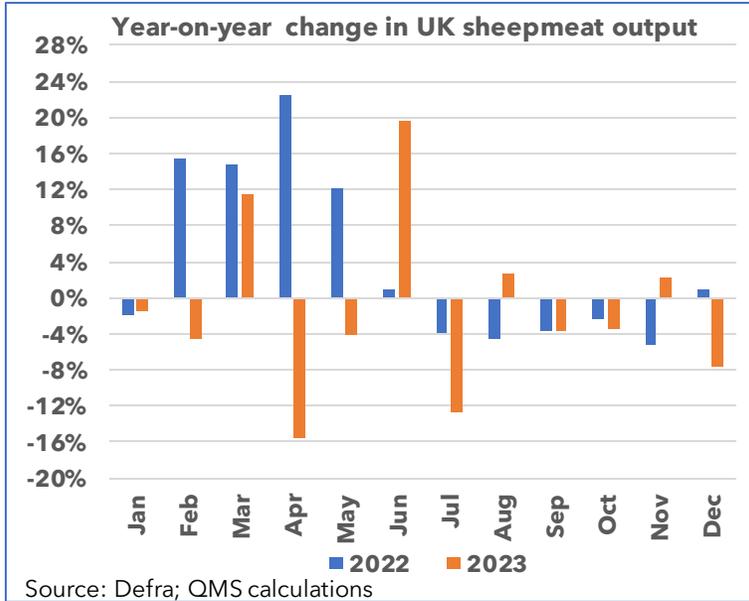
Cull ewe values have shown a seasonal upturn at the start of 2024, with auction volumes below where they had been in the run up to Christmas. A fall in GB abattoir production in the final quarter of 2023 may also have given some support to prices, if it led to a reduction in stocks.

While they have moved above year-earlier levels, the cull sheep trade remains relatively weaker than the prime sheep market.

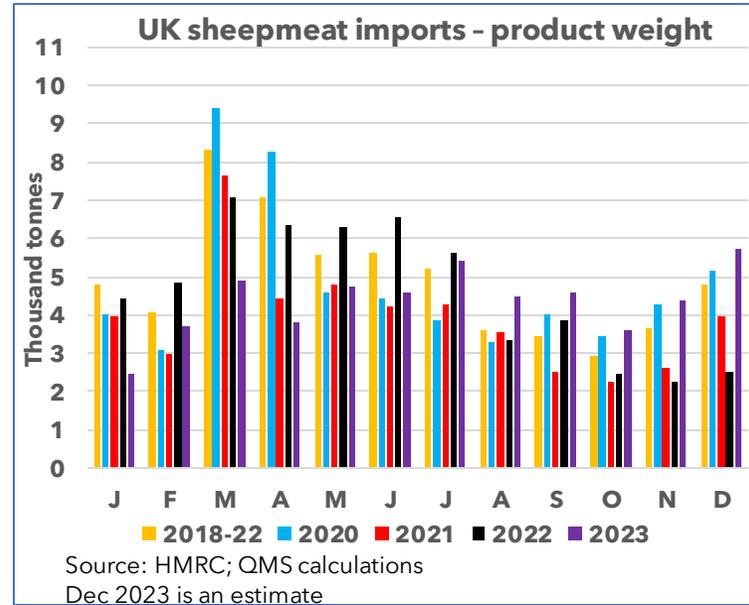
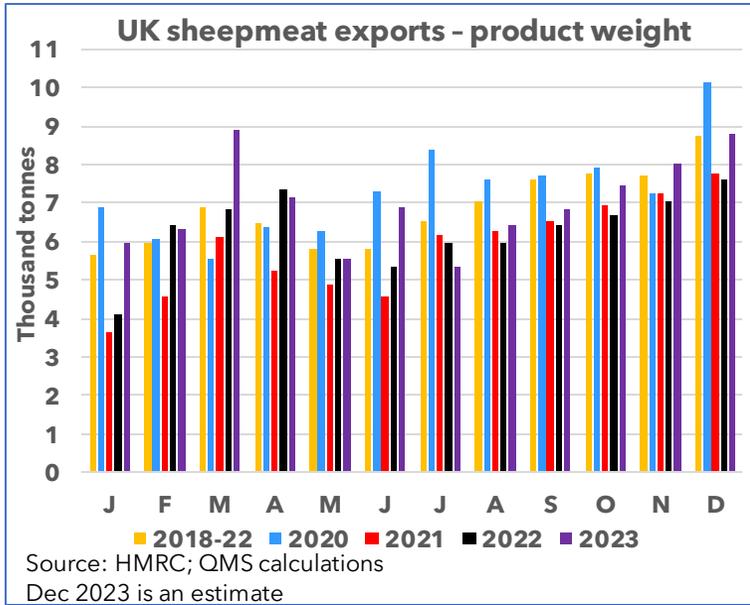


Mutton carcass exports spent most of 2023 below 2022 levels, suggesting some rebalancing of demand to the home market.

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



A focus on UK international trade in sheepmeat - export growth continuing through the autumn and continuing to more than offset resurgent import levels



UK sheepmeat exports were up 13.5% year-on-year in November, compared to a year-to-date uplift of 10.6%, and exceeded the five-year average for the first time in five months. The price of GB lamb at Rungis market in Paris had a firm end to 2023 and, while softening seasonally in January, year-on-year increases have risen above 11%, suggesting that export demand remains strong. (see page 18).

UK sheepmeat imports showed strong year-on-year growth for a fourth month in November, with volumes almost double their November 2022 total, recovering to a four-year high for the month. Imports have been taking up an increased share of UK market supply since July. However, November volumes were still nearly a quarter below their 2010-17 average.

Imports from NZ were more than double their November 2022 lows. Trade with Australia showed a sixth straight month of year-on-year growth and, at nearly 1,400t, was more than three times year-earlier levels and the highest for any month since March 2022.

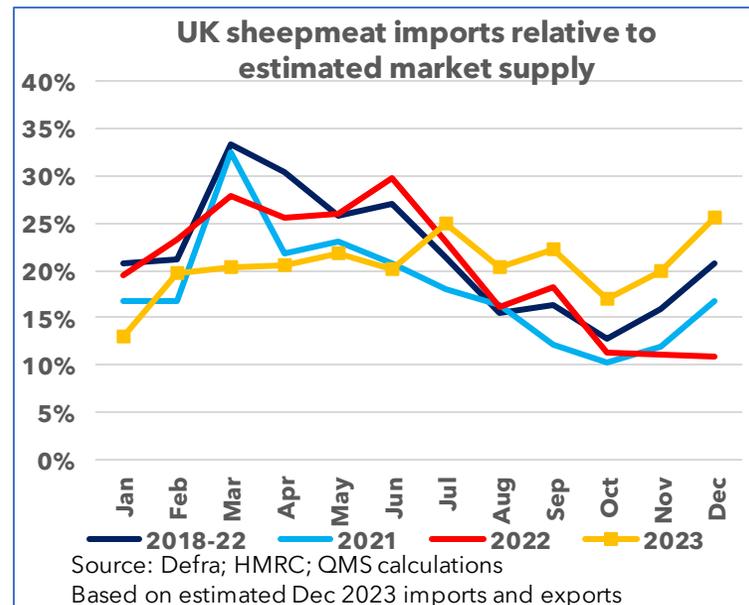
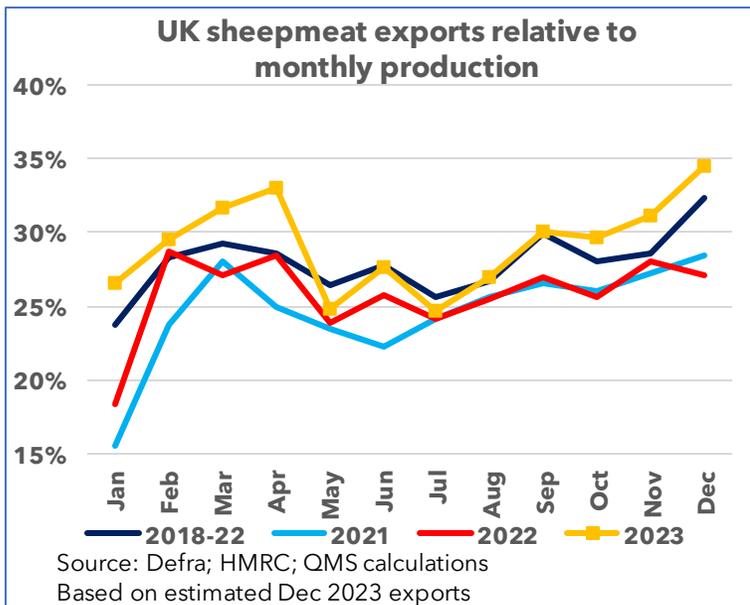
Average import prices continued to run sharply lower than last year in November, with product arriving from NZ down 14% and Australian sheepmeat 33% cheaper.

Although higher imports remain a downside market risk, they are currently being more than offset by exports, ensuring that market supply remains tight.

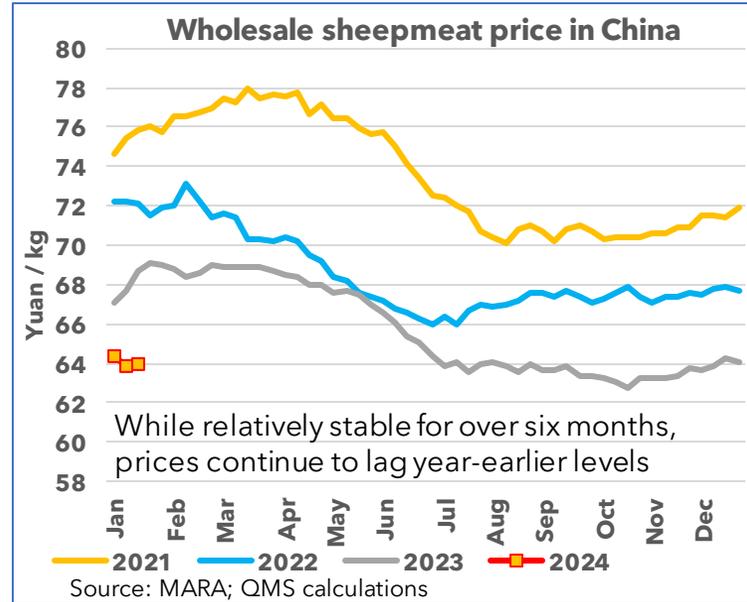
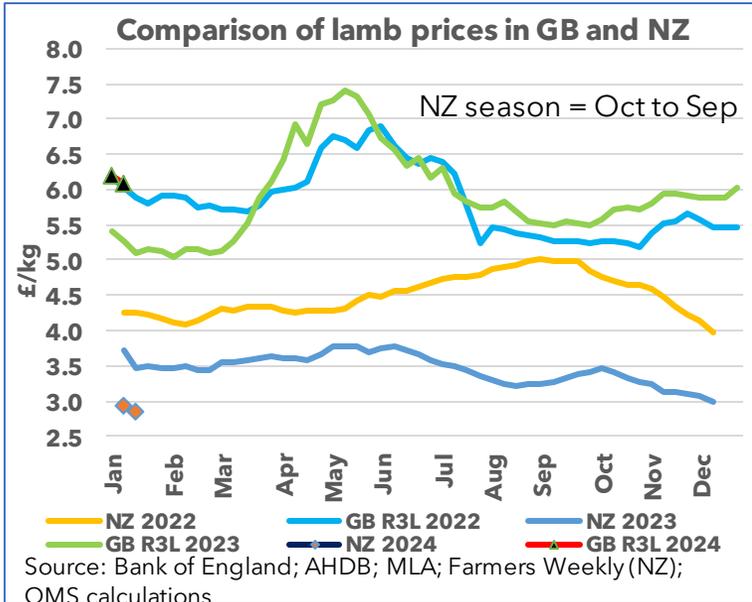
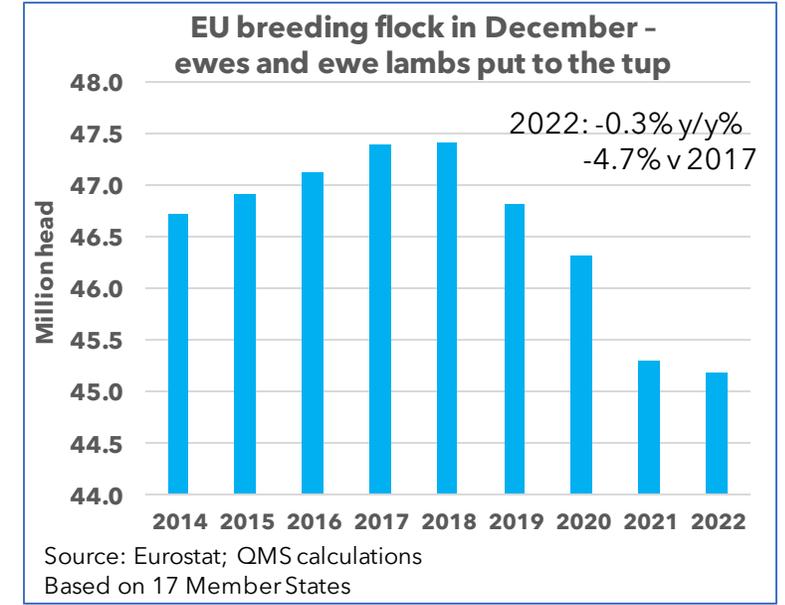
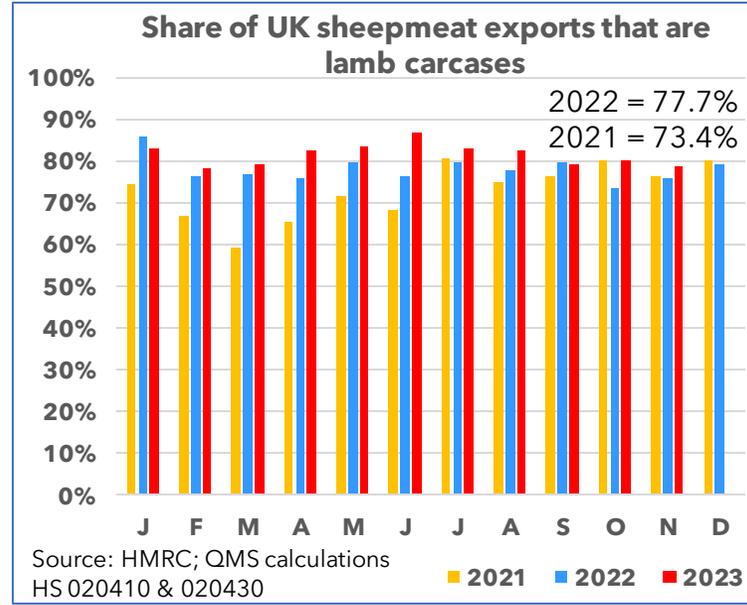
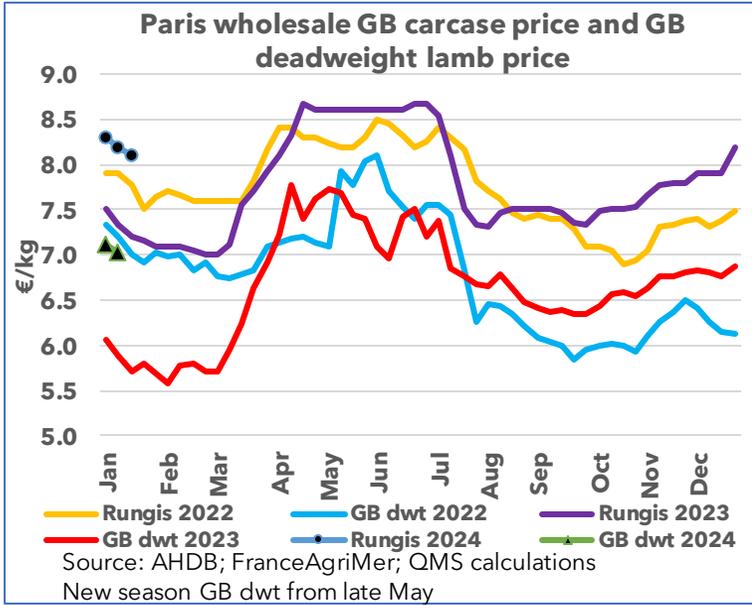
Note:

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

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



Variables influencing UK sheepmeat trade – Prices in France continue to look very attractive to GB lamb exporters. Highly competitive prices in Australia and NZ, where Australian production growth and a weak Chinese market were pressuring prices in autumn 2023, supported a rebound in UK imports. Though Australian prices surged at the start of 2024, they slipped below £3.60/kg dwt in the third week of January, with NZ lamb trading below £3/kg.



Oceania lamb production forecasts

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

Source: MLA; Beef + Lamb NZ; QMS calculations

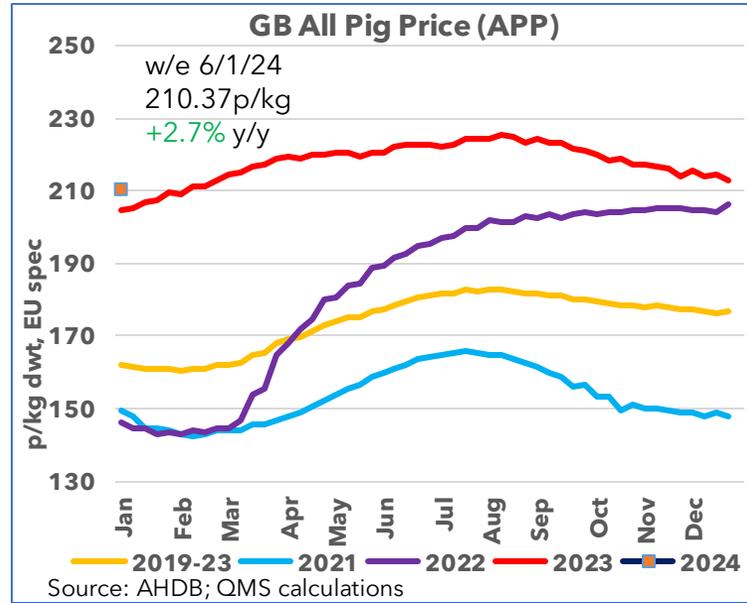
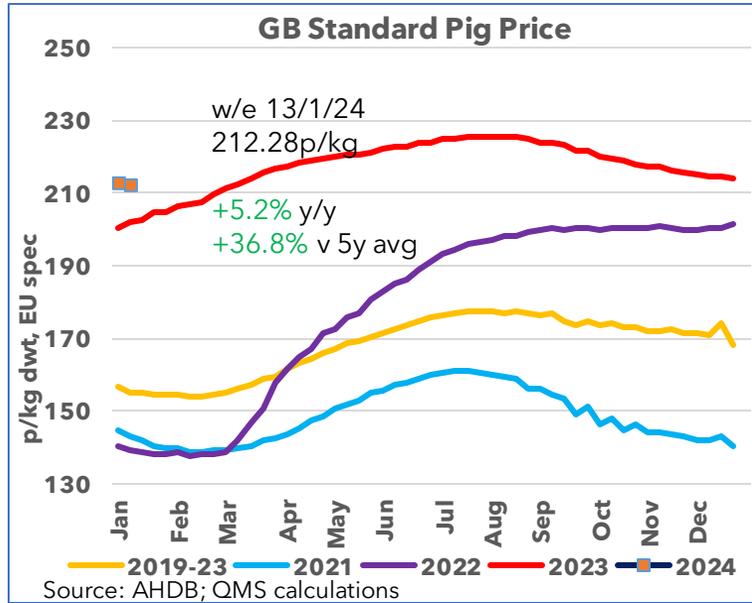
Summary of market developments – pig market



Report Category	Basis	Average price or volume	Change on week	Change over four weeks	Change on year	Change on 5-year avg
GB Standard Pig Price (SPP)	p/kg dwt, w/e 13 January	212.28p/kg	-0.51p	-1.1%	+5.2%	+36.8%
Average carcase weight of standard pigs	Average in four weeks to 13 January EU spec	89.4		+0.6%	+1.0%	+1.0%
Prime pig slaughter at GB abattoirs	Total during December 2023, thousand head	614.8		-4.3% (change in daily avg kill Dec v Nov)	-23.2% (daily avg -19.2%)	-20.2%
UK pig market supply	Tonnes in Oct-Dec 2023	338,200			-3.2%	-2.4%

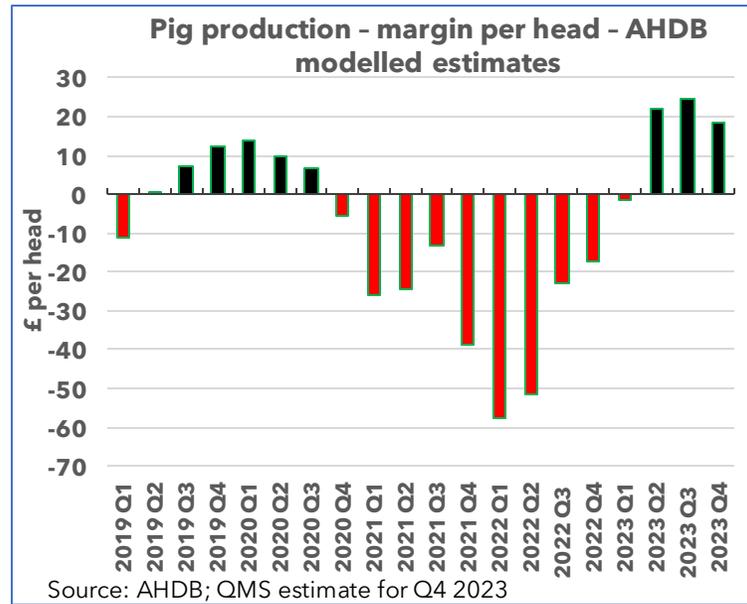
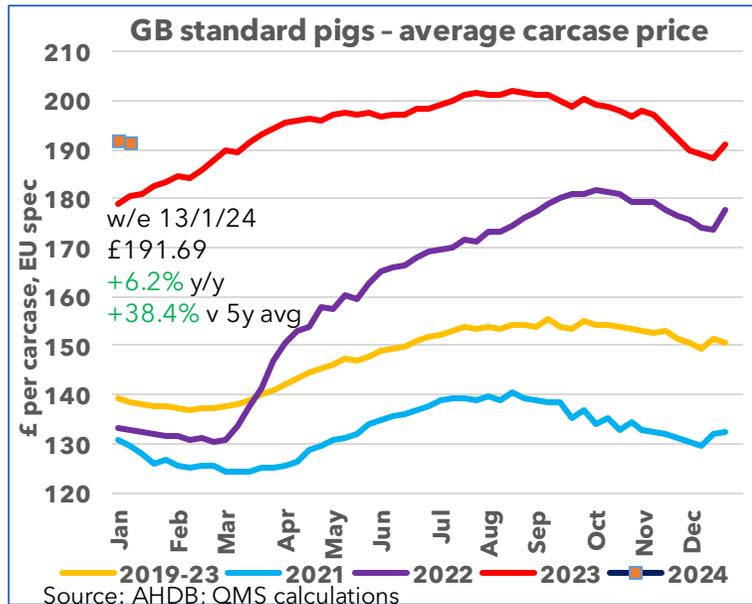
- Farmgate pig prices have continued to slide seasonally into 2024, with availability for slaughter and carcase weights seasonally firm. Although year-on-year price increases have halved since the autumn, prices remain over 35% above their five-year average.
- GB abattoir slaughter continued to fall sharply year-on-year in December, with production still adjusting to a smaller breeding herd. However, England's June census results points towards some stabilisation in the sow herd, and production could begin matching year earlier levels in 2024.
- Although the number of pigs moving to slaughter from Scottish farms fell back behind year-earlier levels in the final weeks of 2023, the pace of decline was slower than in the year as a whole. In addition, in contrast to 2022, weekly average slaughter was higher in the second half of the year than in the first half, pointing to some recovery in supplies.
- The seasonal reduction in pig prices has been stronger in the EU than GB, placing downwards pressure on UK import prices. Though EU supply remains fundamentally tight, further price declines are expected in the second half of January. In China, herd liquidation in late-2023 could lead to a fall in production in 2024, boosting the country's import requirements.
- A year-on-year rise in net imports from March onwards largely offset the continuing shortfall in domestic output, resulting in a broadly balanced market relative to 2022 after a tight start to 2023, likely leading to the return of more normal seasonal pricing trends.

Farmgate prices – prime pigs – seasonal price fall has continued into 2024 and year-on-year increases have slowed, but values still 35-40% above their five-year average, supporting slow recovery in producer finances



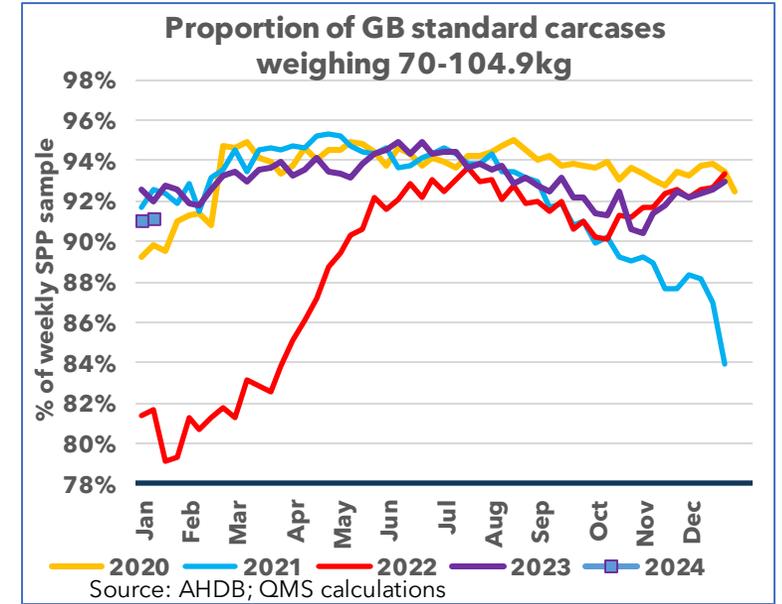
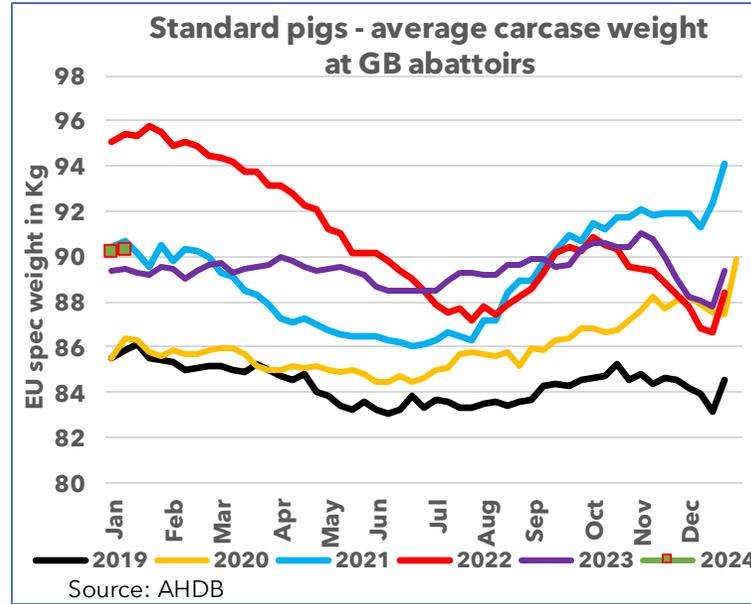
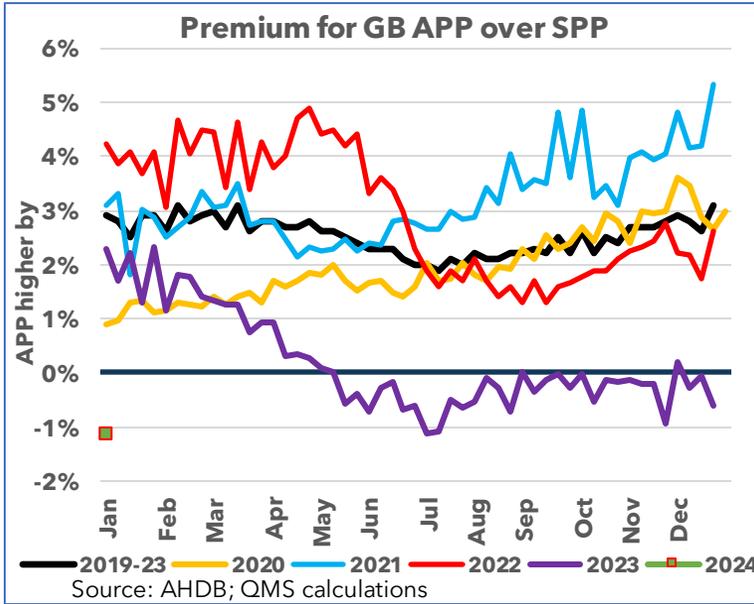
The downwards seasonal trend of the second half of 2023 has continued into 2024 with seasonally firm availability for slaughter and carcass weights supporting production volumes. While year-on-year price increases have halved since the autumn, leads over five-year averages remain strong at above 35%.

A seasonal uplift in carcass weights has supported the average price per standard carcass, which has been holding above its December low point. Per kilo prices are around 6% below their summer 2023 peak while carcass value has fallen around 5%.



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

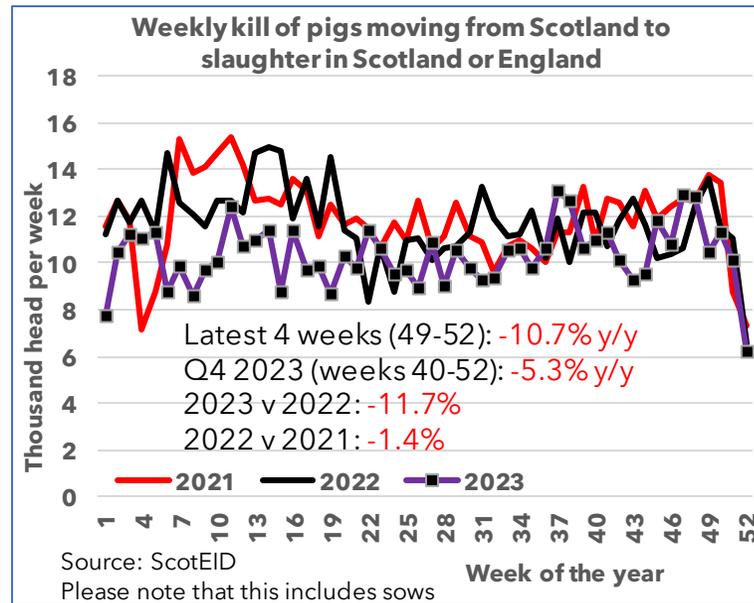
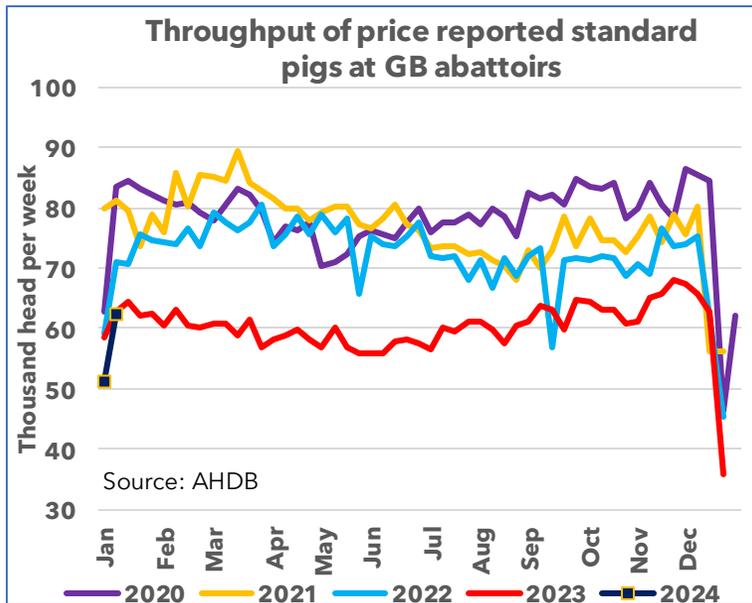
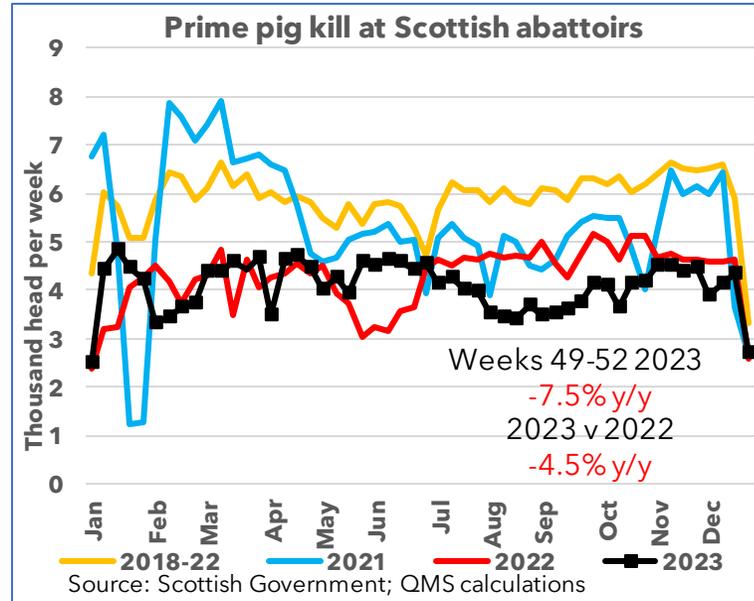
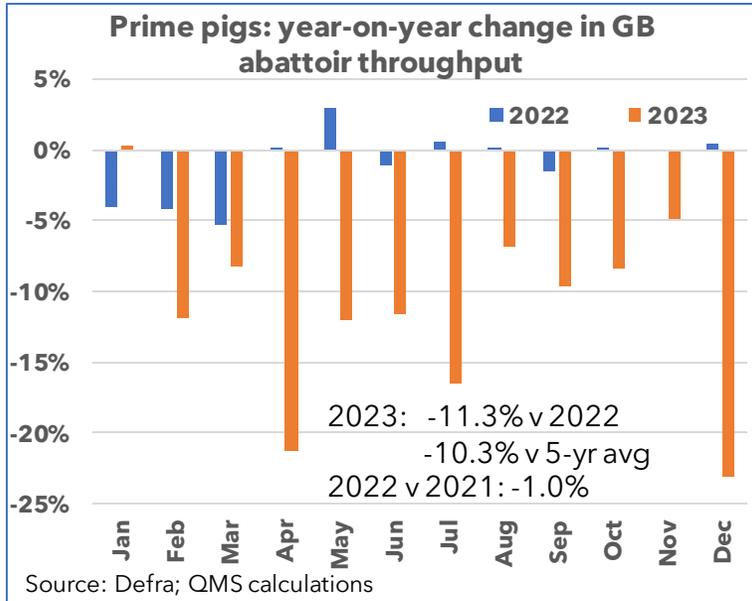
Indicators of market disruption - lack of premium for pigs with specific production characteristics points to tight market. Carcase weights have risen seasonally and are likely to be around their annual peak.



The premium for the overall average pig price (APP) over standard pigs (SPP) has disappeared, indicating that pigs with specific production characteristics are no longer receiving premia in the marketplace, signalling an extremely tight market. 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 opened 2024 up by around 2.5% on December and by 1% on early 2023.

Availability and slaughter – supply remains tight compared to pre-2023 but availability for slaughter should be seasonally firm. Abattoir throughput showed signs of recovery in Scotland in the autumn but fell further behind year-earlier levels again in December.



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. The standard pig price sample pointed to some recovery in production in the second half of 2023, but numbers were soft again over the festive period and the first full slaughter week of 2024.

Although the number of pigs moving to slaughter from Scottish farms fell in the final weeks of 2023, the pace of decline was slower than in the year as a whole. In addition, weekly average slaughter was higher in the second half of the year than in the first half, in contrast to 2022, pointing to some recovery.

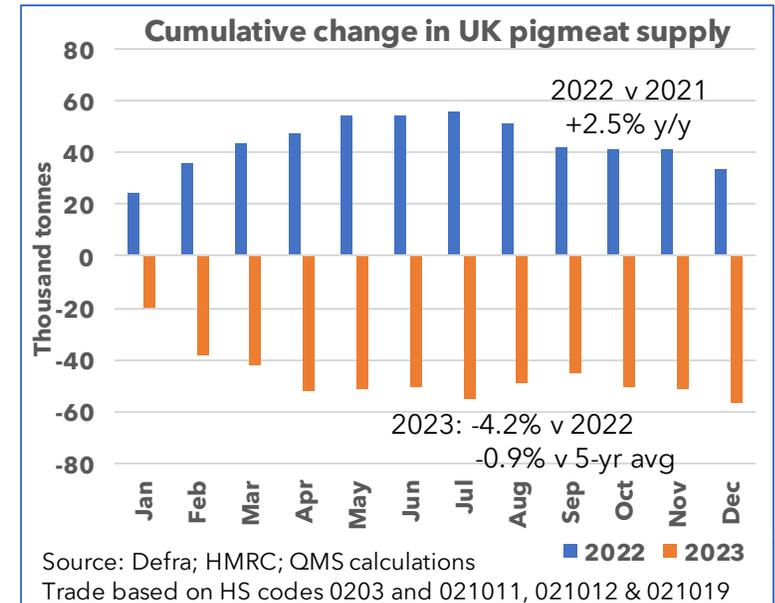
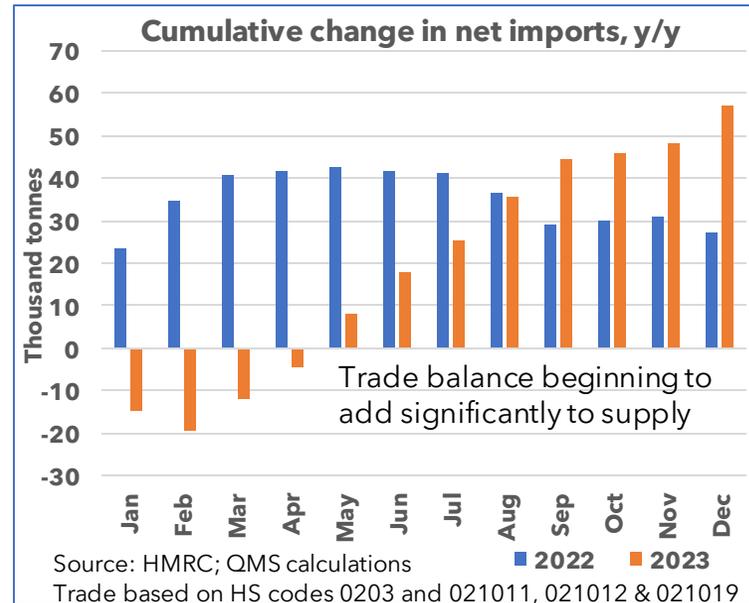
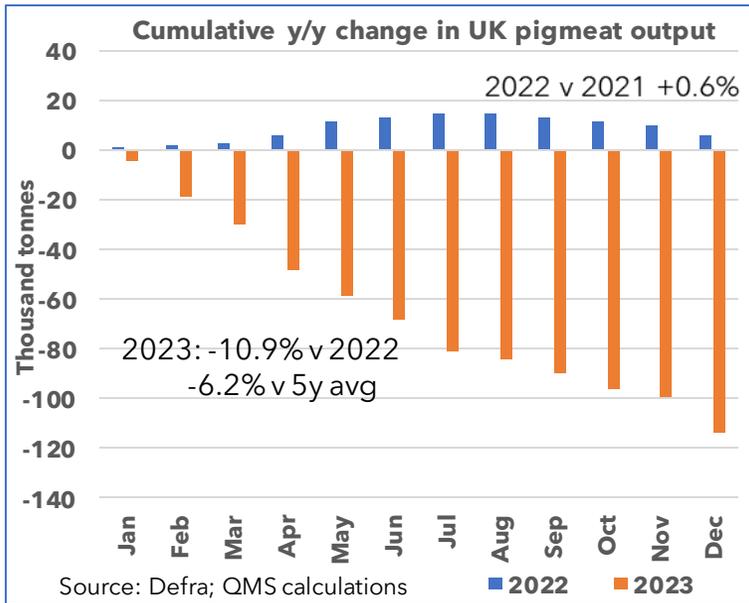
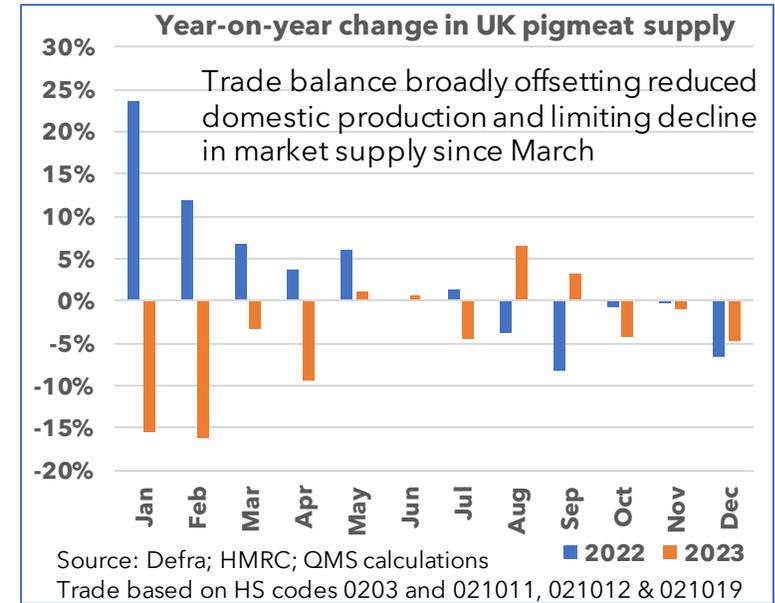
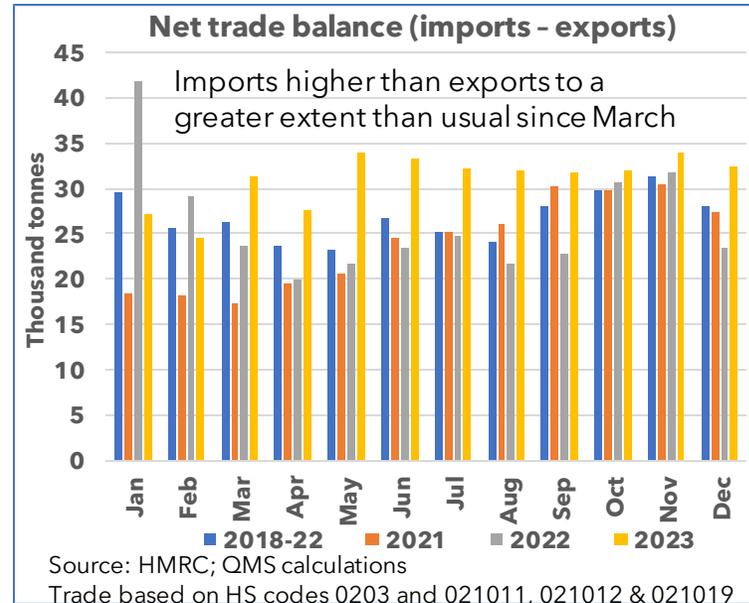
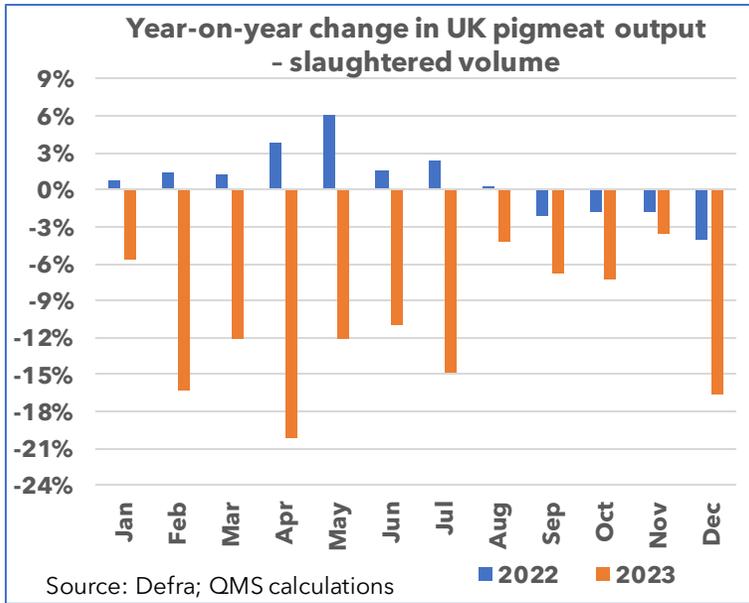
Weekly slaughter at Scottish abattoirs trended higher through the autumn, suggesting an improvement in supply chain challenges, but it did weaken again in December.

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

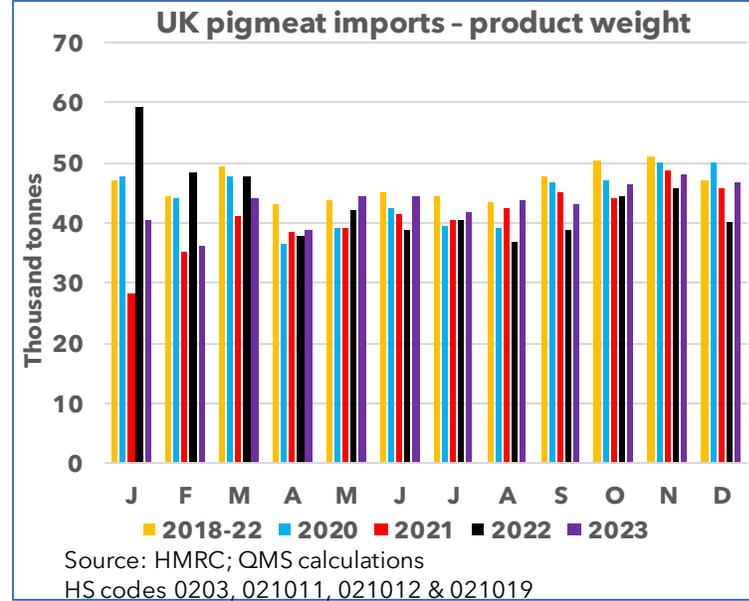
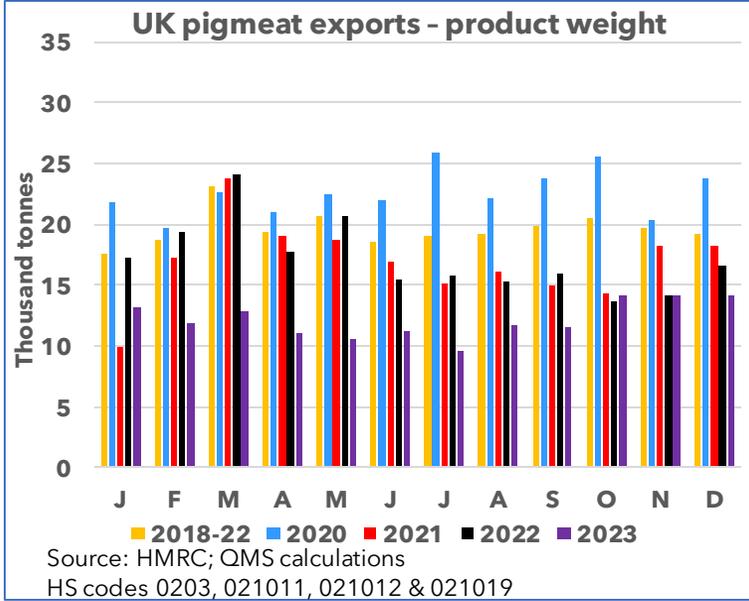
Source: Defra; Scottish Government

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

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



A focus on UK international trade in pigmeat - imports showing consistent year-on-year growth, while exports showed some recovery in the autumn but remained historically weak, reflecting tight domestic supply

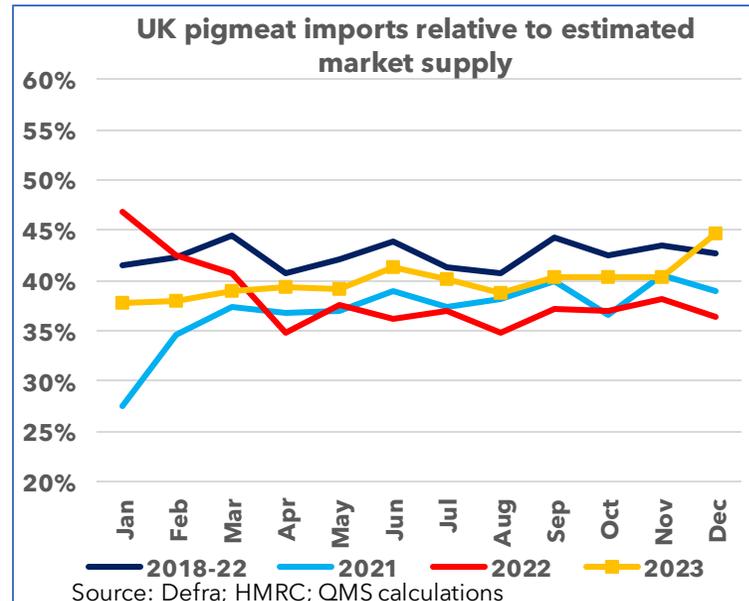
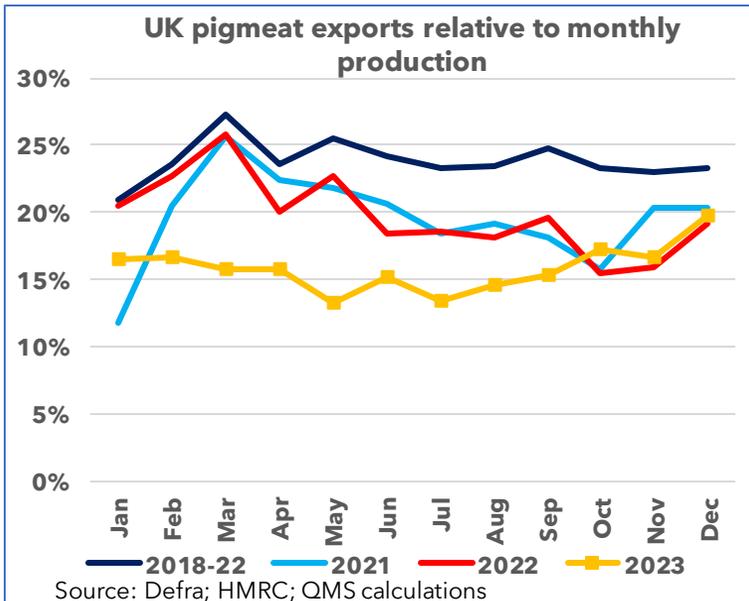


While tight domestic supply continued to constrain exports in November, volumes almost matched October's year-to-date high and were only a fraction below the same month of 2022, compared to a year-to-date decline of 30%. Meanwhile, imports held above 2022 levels for an eighth month (+4.6%), leading to some recovery in UK pigmeat market supply.

Imports of pork (HS0203) reached a year-to-date high and were up 11% on year-earlier levels in November, with this the eighth consecutive month of expansion. Although imports of bacon & ham products (HS0210) also reached a year-to-date high, volumes trailed 2022 levels for a second month (-5%).

UK pork exports (HS 0203) to the EU set a new year-to-date high for a second month in a row in November and were up 4.4% year-on-year (compared to a 35% decline so far in 2023).

Exports (HS 0203) to non-EU countries were the fourth highest of the year so far but did exceed year-earlier levels for a second month, up 5.5% (compared to a 28% decline so far in 2023). Within this total, deliveries to China and Hong Kong were the second highest of 2023 after October, were up 13% year-on-year, and accounted for 72% of non-EU trade and 36% of overall pork export volumes.

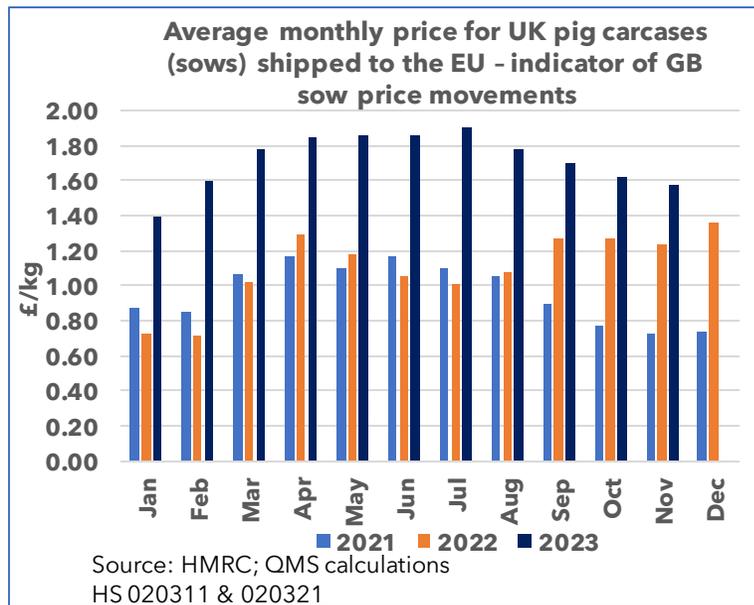
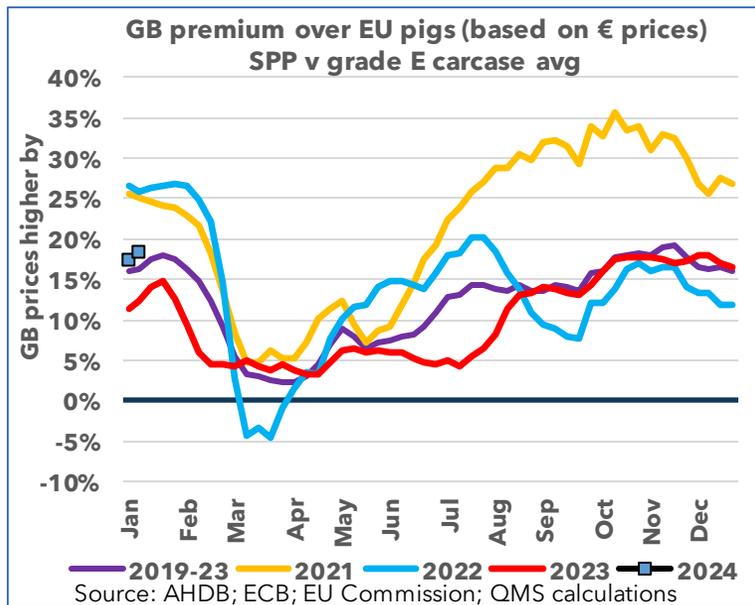
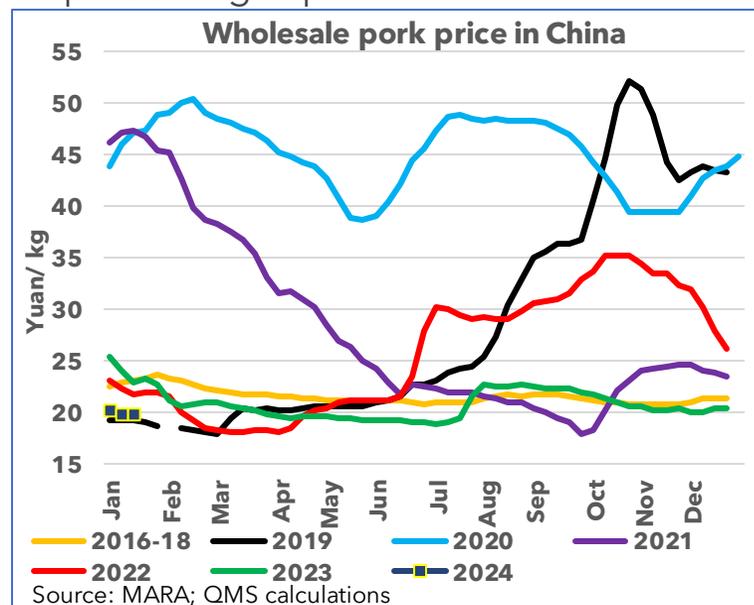
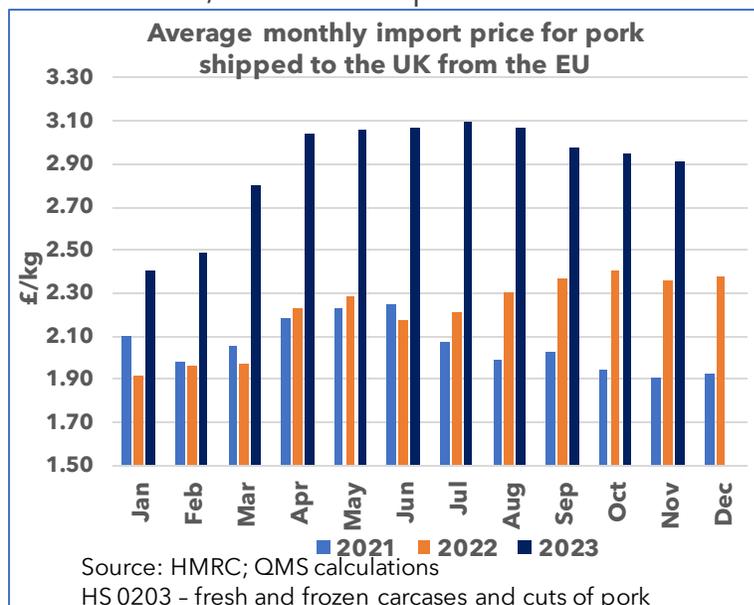
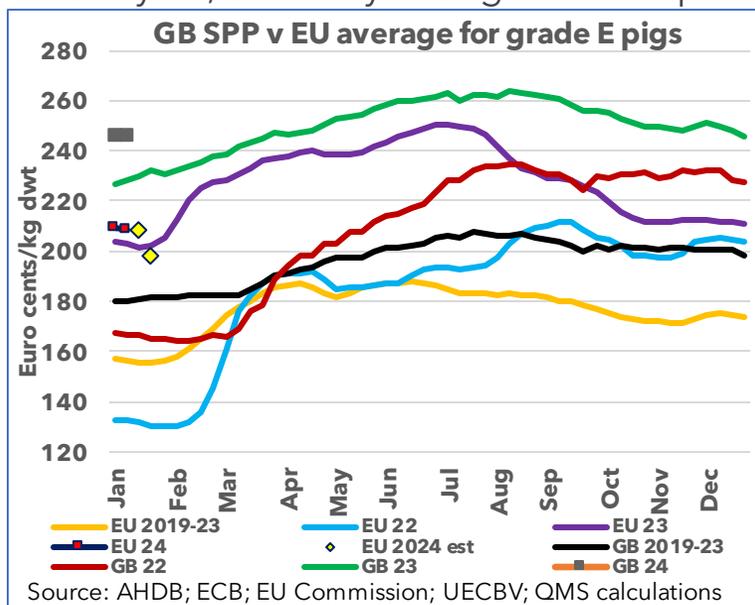


Note:

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

Trade data for December is estimated

Factors driving UK international trade in pigmeat – A stronger seasonal softening of the EU pork market than in GB has seen the price differential widen at the start of 2024, suggesting that import prices may fall further. Though EU supply remains tight, falling wholesale prices point to softer demand, and prices are expected to fall further in the second half of January. In China, prices are at five-year lows for the time of year, driven by strong domestic production in 2023, but herd liquidation in 2023 could end up boosting 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

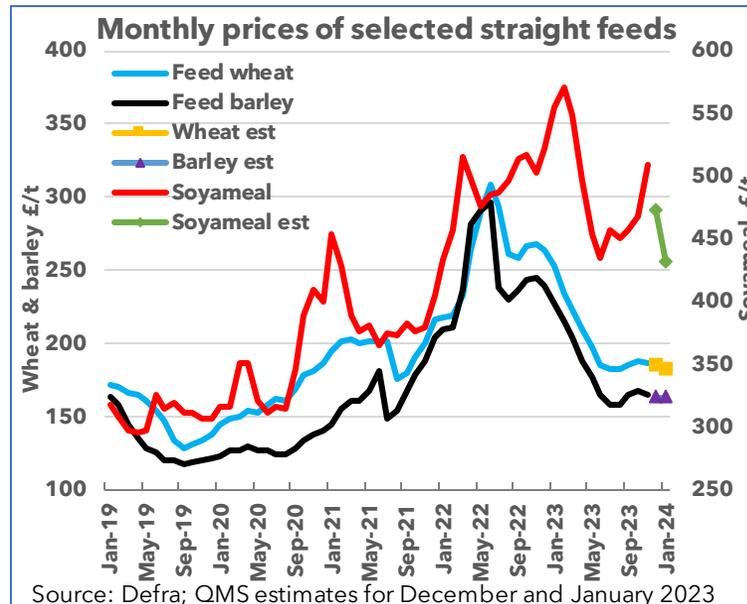
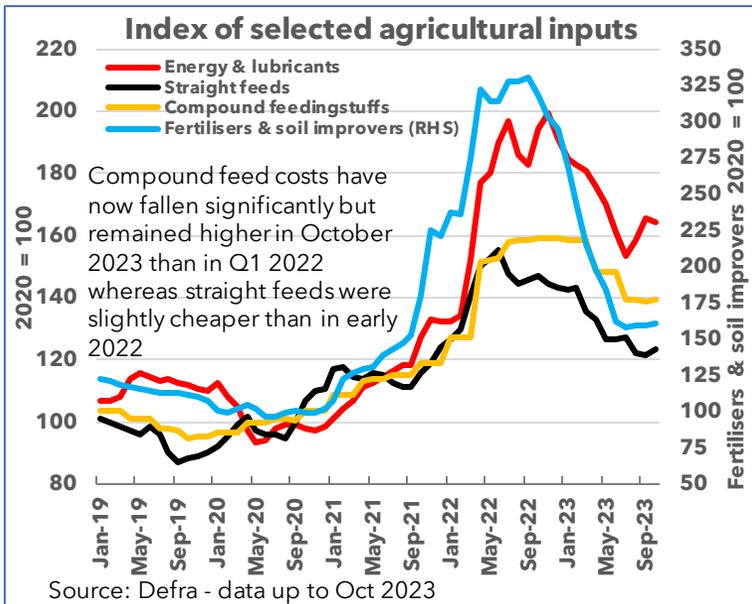
Source: USDA Foreign Agricultural Service

Summary of economic developments

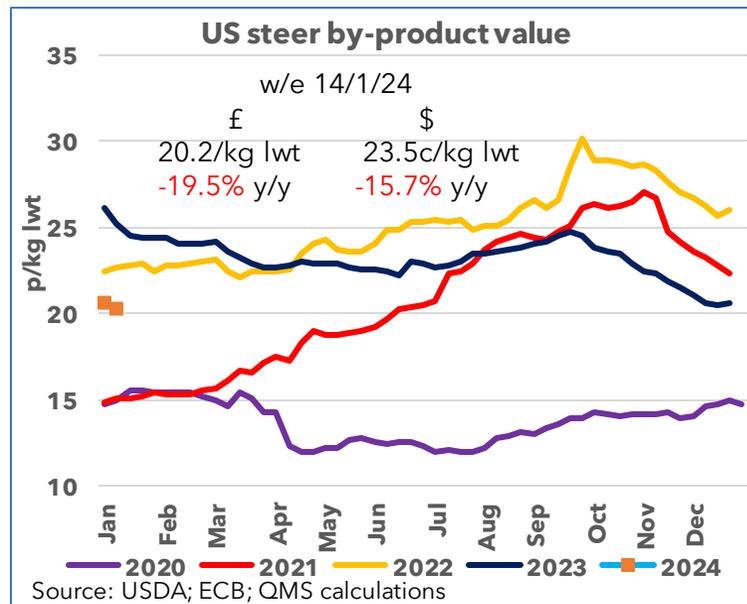
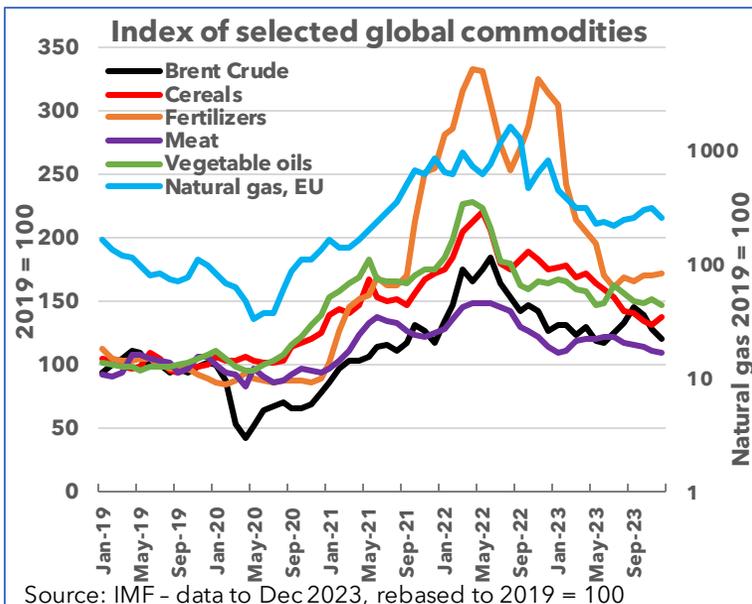


- Commodity prices ended 2023 slightly above their summer lows, in general, and geopolitical tensions have yet to have a significant impact. Nevertheless, farmers and processors are having to deal with a higher cost base, and wages continue to rise. For pig producers, an autumn spike in protein meal prices has now reversed. Geopolitical problems have however resulted in a surge in shipping costs between Asia and Europe, which could have some impact on the cost of lamb imports from Australia and NZ but also on UK beef and pork exports to Asia.
- 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 increases on 2022.
- Slower but still significant inflation continued to see firm levels of cash spending increases on beef and pork convert into slightly reduced retail sales volumes in the final quarter of 2023 relative to 2022, whereas lamb had a strong final quarter, supported by lower prices.
- Consumer confidence improved in December, likely supported by wages outpacing inflation and falling energy and fuel prices.
- PMI surveys suggested a return to slight economic growth in the UK in late 2023, with demand rebounding in services and the manufacturing slowdown easing. A fall in employment in spring 2023 appears to have been short-lived. Though wage pressures remain considerable, supported by cost-of-living increments, particularly in the public sector, year-on-year increases have begun to slow from their peak.

Production costs and by-product revenues



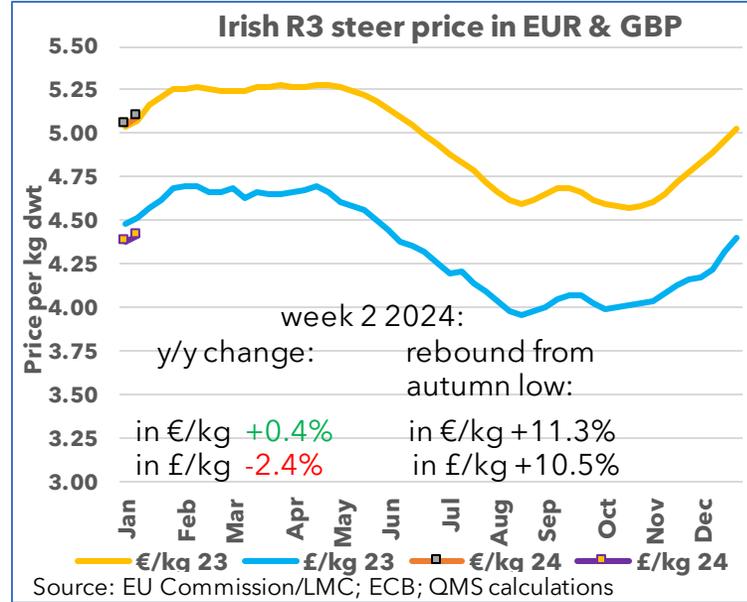
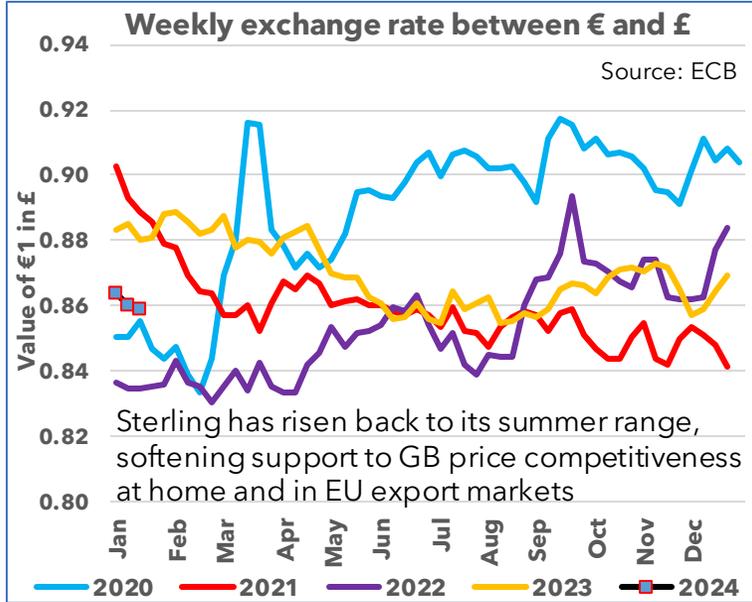
Commodity prices have fallen from the highs of 2022, but many are still well above pre-covid levels, meaning that businesses have a higher cost base to manage. After some rebound between summer and autumn, crude oil and natural gas prices dipped in late-2023 but remained above their summer low point, while fertiliser prices trended slightly higher. Shipping rates between Asia and Europe have more than doubled over the past month, due to attacks on ships in the Red Sea, but geopolitical tensions have yet to filter into commodity prices more generally.



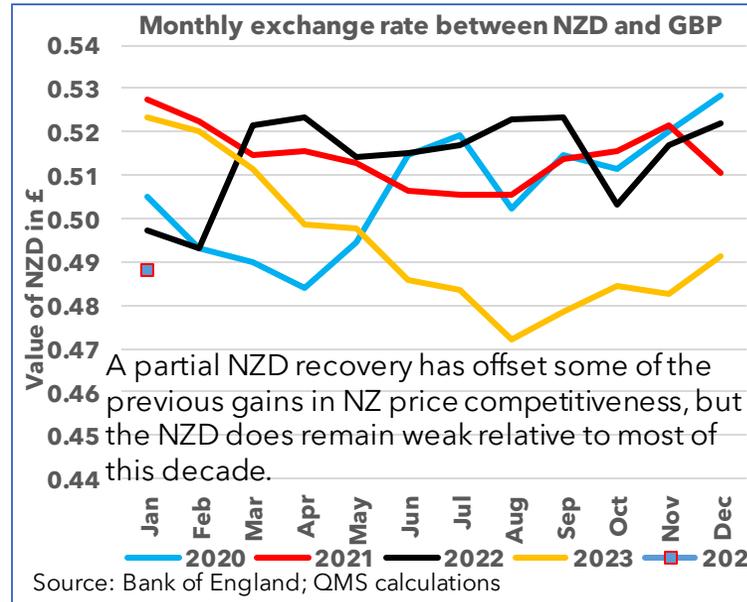
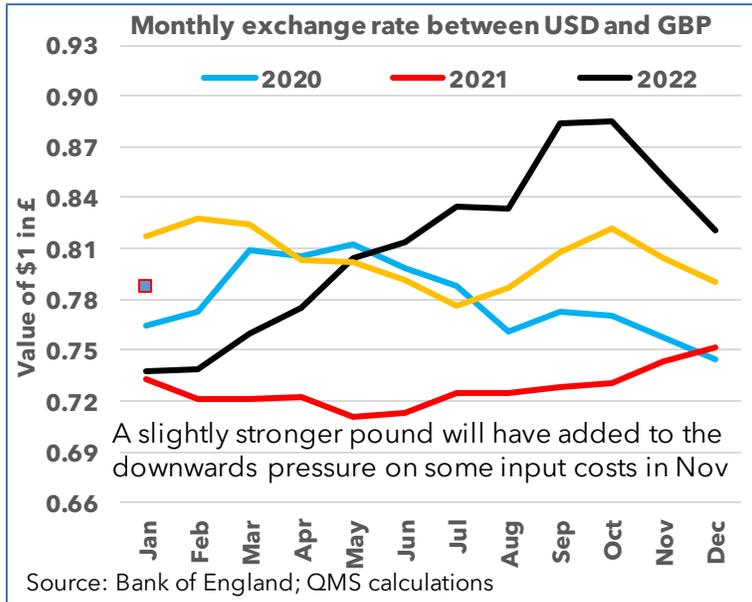
A well-supplied global grain market continues to keep prices in check, despite concern over harvest 2024 in Northern Europe due to a very wet autumn and winter. Soyameal prices have cooled after an autumn spike as soil moisture levels have improved in Brazil following much-needed rain while Argentina is set for a large rebound in soyabean production this year.

In the US, by-product value has continued to decline at the start of 2024, with significant price reductions for tallow and some offal categories since the autumn. However, hide value has steadied, leaving it 3% higher than in early 2023 in US dollars; though with a stronger sterling making it only 1% dearer in p/kg.

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

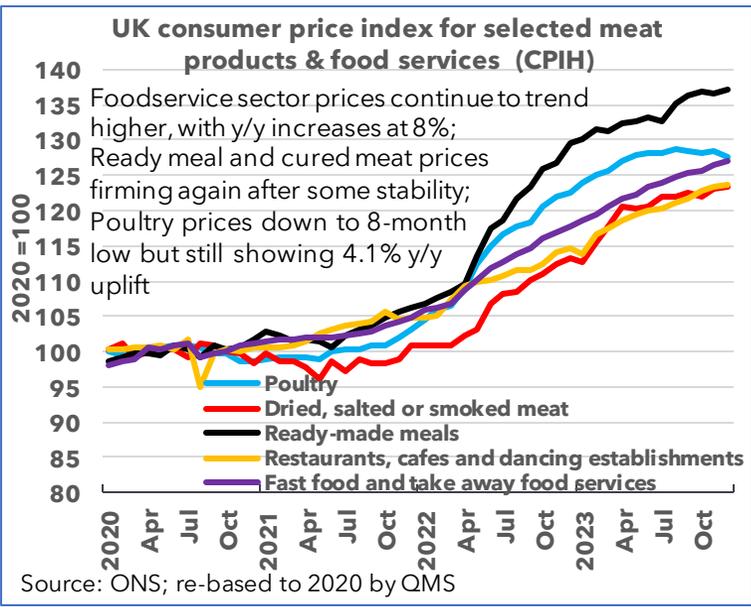
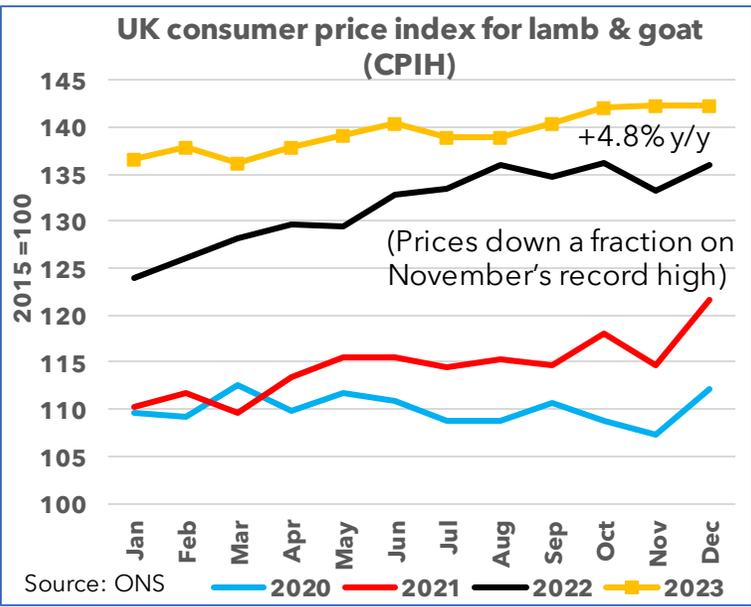
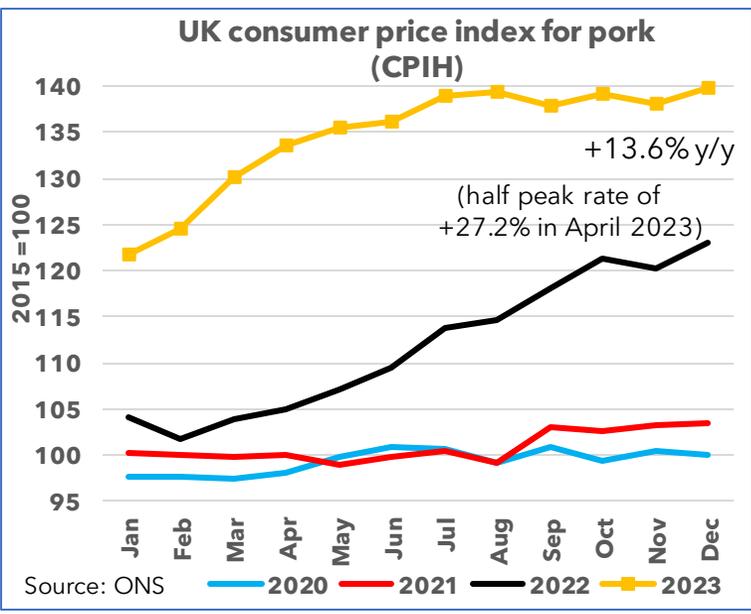
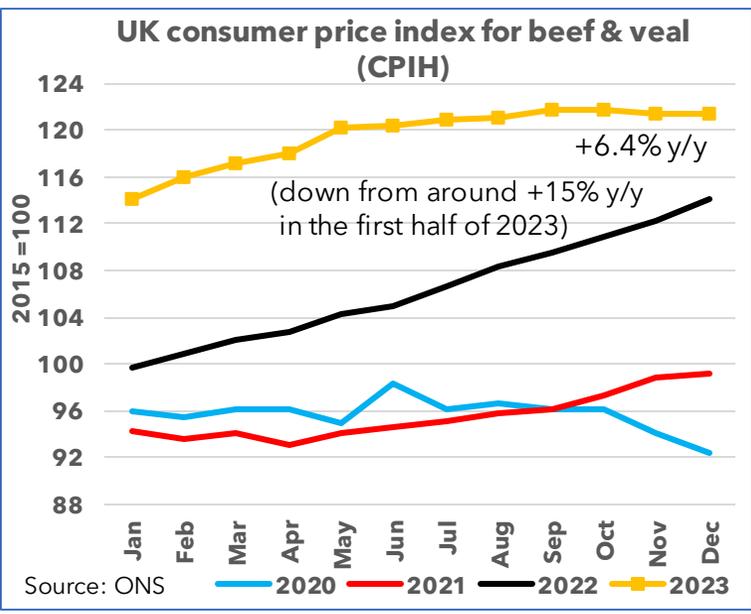


Sterling has firmed slightly against the euro at the beginning of 2024 despite expectations that UK interest rates will start to reduce this year as inflation falls back towards its 2% target. The Bank of England is of the view that price and wage-setting decisions have more of an upside bias since the 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 late 2023 and 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 £4,090 in January 2023 but £3,940 in January 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 (+6.5% y/y in Sep-Nov) supporting the overall amount of money spent on groceries. However, higher prices continue to limit sales volumes.

Sales figures from the 12 weeks to Christmas point to a firm trading environment, 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.

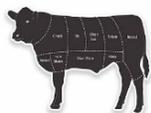
Pork retail prices continue to show sharp year-on-year uplift as previous rises in farmgate and import prices pass through the supply chain, squeezing sales volumes in line with tight supply. However, the pace of price increase has slowed significantly from its peak and volume declines have softened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

Y/Y change in GB retail sales reported by Kantar in 12 weeks to 24/12/23

	Value	Volume	Avg price per kilo
Fresh beef	+4.3%	-1.3%	+5.7%
Fresh lamb	+11.6%	+9.9%	+1.5%
Fresh pork	+9.6%	-3.0%	+13.0%
Fresh poultry	+9.0%	+5.1%	+3.7%
Total grocery market	+7.0%	-0.6%	+7.6%

Source: Kantar

Retail demand and prices - beef and pork price inflation has slowed but has continued to pressure overall sales volumes. Lamb sales showed continuing improvement across GB. Roast sales volumes improved across the three species relative to late-2022.



BEEF

12 weeks to December 24 2023



LAMB

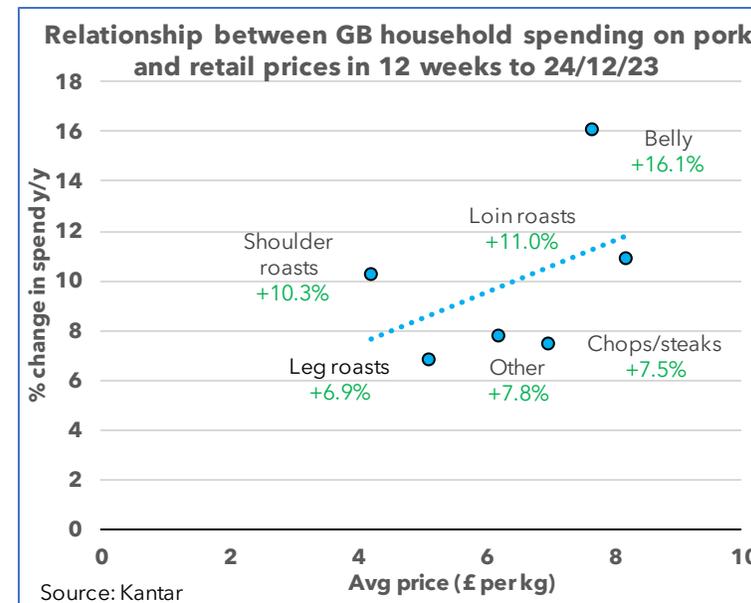
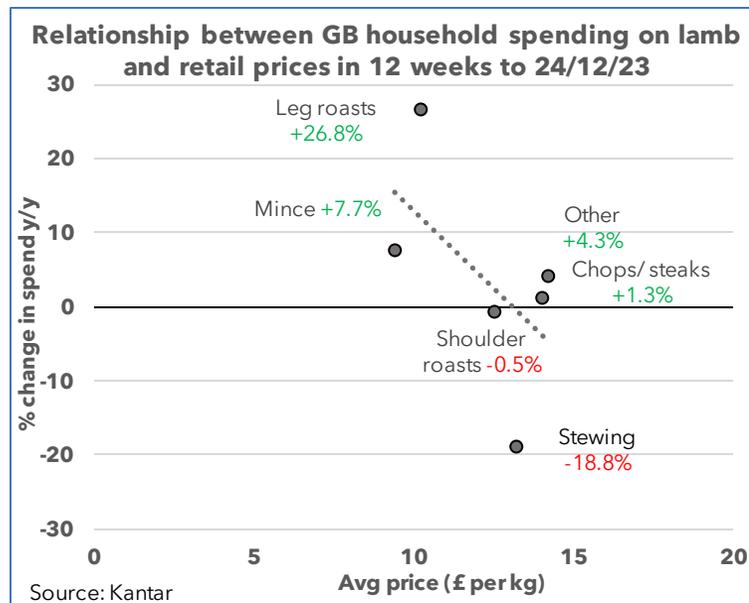
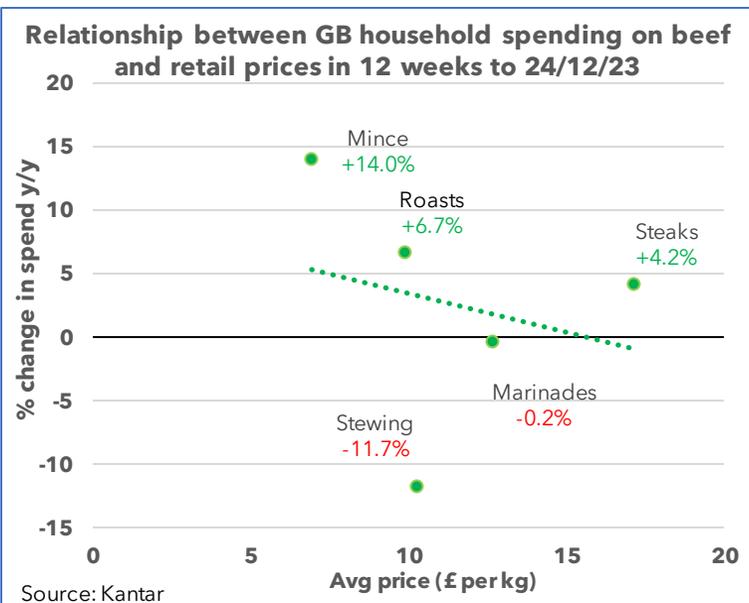
12 weeks to December 24 2023



PORK

12 weeks to December 29 2023

	BEEF		LAMB		PORK	
	GB	Scotland	GB	Scotland	GB	Scotland
Value (£m)	636.3 (+5.7% y/y)	61.2 (+1.5% y/y)	182.1 (+12.7% y/y)	8.7 (+7.4% y/y)	221.6 (+9.2% y/y)	16.5 (+21.4% y/y)
Volume (t)	66,506 (-1.5% y/y)	6,181 (-6.5% y/y)	16,111 (+14.9% y/y)	707 (+3.5% y/y)	34,825 (-2.8% y/y)	2,514 (+6.4% y/y)
Avg price (£/kg)	9.57 (+7.4% y/y)	9.90 (+8.5% y/y)	11.30 (-1.9% y/y)	12.29 (+3.8% y/y)	6.36 (+12.4% y/y)	6.55 (+14.1% y/y)
Penetration*	70.2% (-0.9% y/y)	72.0% (-0.8% y/y)	28.3% (+8.4% y/y)	17.7% (+4.2% y/y)	45.7% (-2.0% y/y)	41.5% (+1.7% y/y)
Frequency**	4.6 (-1.4% y/y)	4.7 (-4.4% y/y)	2.3 (-1.1% y/y)	2.4 (+2.8% y/y)	3.0 (-0.1% y/y)	2.8 (+7.0% y/y)



- Considerable mince price inflation still pressured volumes, which fell 1.5% y/y.

- Lamb leg roasts did best, with volumes up 31% y/y, supported by lower prices.

- Leg and loin roasts, and belly showing volume growth, with inflation slowing.

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.

