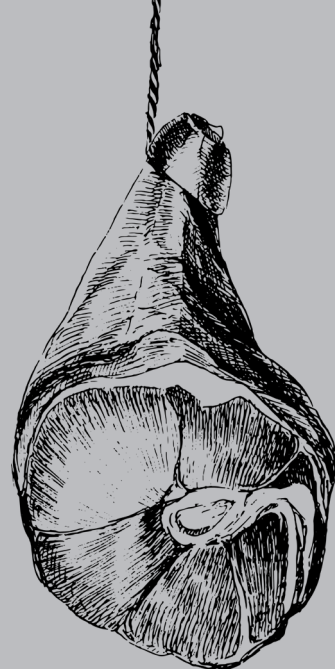


Campbell

BROTHERS

BUTCHERS MARKET REPORT Autumn 2022



WELCOME

Firstly, as always, please let me thank all our customers for your continued support throughout the summer months - which have flown past in the blink of an eye! We now set our sights on Autumn and Winter, and we look forward to proudly supplying you in the coming months.

As you will know, Campbell Brothers formally launched as a national catering butcher in June this year, rebranding our London based site in Woolwich as Campbell Brothers – South, ensuring that we are well placed to supply all your requirements across Great Britain. The launch has been a great success, with many site visits having already taken place with both existing and new customers.

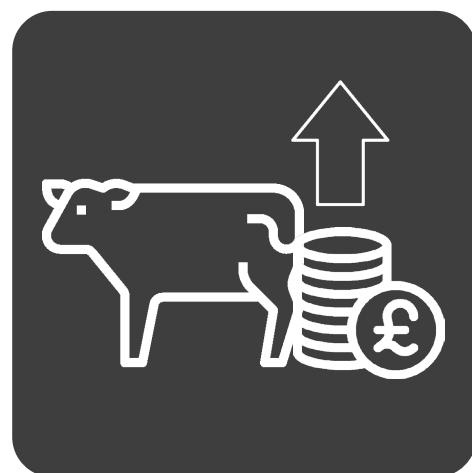
We have seen a great trading period throughout the summer for the team at Campbell Brothers thanks to hospitality returning with a bang! Our Scotland depot supplied the British Open at St Andrews - feeding the players, press and the public with Campbell Brothers Reserve dry aged steak being served in the players' lounge – perhaps assisting with the player's performance?! Campbell Brothers' southern depot supplied Royal Ascot where 10,000 fillet steaks were supplied throughout the week!

Our restaurant customers were very busy through the summer and it was pleasing to see our hotels' footfall picking up again - bringing us almost in line with pre-Covid sales.

Public sector trading remains down on 2019 as certain workforces still encourage homeworking. However, we have seen an increase of 30% from earlier in the year as this sector begins to recover.

It is truly heart-warming to see all our valued customers' working in partnership with the Campbell Brothers teams in both the north & south, so again, a big thank you to everyone for your continued support, from myself and the team at Campbell Brothers.

Neil McCole, Business Unit Director – Campbell Brothers



Delivering Quality, Transparency & Consistency Since 1902

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CHALLENGES

Supply and demand

The market place, as outlined below, remains a challenge - with demand increasing and availability still tight. Our teams work tirelessly to ensure we are well stocked with quality products for our customers. This is one of the benefits of us working 52 weeks a year with all our loyal supply chain partners.

New world pricing

New world pricing is here to stay with many well documented factors contributing globally to the cost of food. Brexit, the crisis in Ukraine, rising energy costs, packaging increases, labour and general product availability being the leading factors.

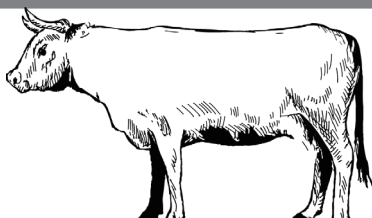
Staffing

Remains a challenge for Campbell Brothers as we try to increase our head count, we have been recruiting for a number of positions across our business including butchers, drivers and general operatives. We are looking forward to bringing many more skilled staff into our Campbell Brothers family and continuing to work together to offer the best quality products, carefully prepared and provide a high level of service to all our valued customers.

Despite rising costs, there is usually an alternative product available, whether that be on origin or specification change, our experienced team are always here to help with product development.

BEEF

- Prime cattle prices are 36p per kg higher than the same period a year ago, and 79p higher than the five year average. Demand for joints such as: Striploins, Silverside and Topside is still high at the expense of the more premium beef cuts.
- With an increased demand for beef in both the UK and the EU against an overall global backdrop of produce, tighter supply looks likely to continue, with cattle prices nearly £1 per kilo higher than the 5-year average, and only 60p behind the average price for prime cattle.
- As the cost of living crisis and its impact on pricing becomes more apparent, customers are looking to purchase minced products rather than some traditionally more expensive cuts. Therefore limiting the supply of visual lean muscle trimmings even further, subsequently escalating already steep increases in price.
- Extremely hot weather during the summer in the UK and Europe, combined with prolonged periods of drought has significant impact on grass growth. This, in turn, resulted in winter feed stocks already being consumed, and will significant repercussions in terms of pricing the later part of the year.



LAMB

- Lamb prices continue to rise and this trend looks set to persist.
- Current average price of New Season UK Lamb Standard Quality Quotation is 63p higher than for the same period last year and £1.05p higher than the five-year average.
- UK government recently signed a free-trade agreement with Australia which is expected to come into force at the end of this year. Any increase in import volume from Australia is likely to have an impact on quantities sourced from other countries.
- Disruption caused by both recent, and proposed strike action from port workers, and Covid-19 impacts on the shipping industry are contributing to higher freight prices and delays to shipping which are predicted to remain until at least the end of the year. This combined with import volumes already under pressure in both Australia and New Zealand, coupled with higher demand from China, will likely result in cost increases.

POULTRY

- The UK poultry industry has had lots of challenges, as with other domestic industry sectors, from lack of labour, transportation, and fuel costs. Feed is the main driver behind the cost and contributes for up to 70% of the overall production cost.
- Chicken placings in UK for June they were down by 20% on the same period last year, although slaughtering was up by 2.2% therefore supply remains very tight.
- Domestic turkey chick placings for June were down by 8.8% on June last year with slaughtering down by 14%.
- The price of grain has fallen slightly as the deal to guarantee shipment safety out of Ukraine was struck (overseen by Turkey between Ukraine and Russia), but feed prices still remain extremely high and the cost will certainly increase if the deal were to collapse.
- In Europe the poultry sector faces a Highly Pathogenic Avian Influenza (HPAI) epidemic season - on a scale never seen before. Since October last year EU countries affected by Avian Flu experienced the most pressurised fertility season since the records began, with 53 million birds killed.
- Prices for whole chicken imported from Europe are now 29% higher than the same time last year.

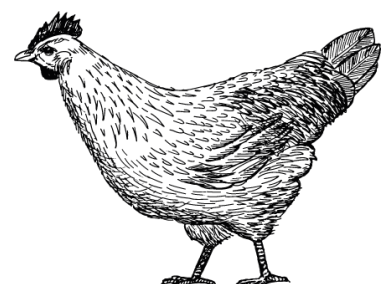
The current market is looking stable over the next few weeks now that the UK government has put a cap on the cost of energy, prior to this the expectations were that prices will keep rising. Despite most poultry consumed in the UK being of European origin, the European Union have also taken measures to ensure energy prices are not blown out of proportion, which would have guaranteed increased prices. Farmers in Europe are still trying to increase prices to cover their needs, but with the market suppressed this is unlikely to happen in the short term. Also, with Ukrainian products able to travel freely into the European Union due to tariffs being withdrawn earlier in the year, the supply of poultry currently, is sufficient to cover needs. If there were to be a rise in demand, then we could see prices rise again.

There are concerns about forward supply of Co2 and until this shortage is clarified, it is difficult to quantify. One key UK supplier has already said there could be major issues later in the year if this problem is not resolved.

UK turkey suppliers have advised of possible shortages in Q4 this year. This is due to a large number of small and medium sized producers leaving the industry. Many of the larger producers have converted their sheds from turkey, to chicken, and the increased production costs throughout the UK and Europe have forced producers to cut numbers due to cashflow constraints.

In regards to EU turkey – Polish suppliers have sold a large quantity of frozen birds into the UK over the last two months and this has resulted in their attempt to increase prices going forward on frozen product for October, and on fresh currently. Their attempts to increase the fresh prices has resulted in a reduced volume coming in. They will have to make decisions soon to freeze product and hope the prices improve to keep the volumes moving.

Duck and related products. Due to the Avian Flu, levels of flocks are nowhere near where they should be, which has resulted in prices increasing month on month. Polish suppliers looking to start their geese slaughter for European frozen Christmas demand, with the lack of ducks in Poland this will impact prices. There is some thought that prices will increase again as we get closer to the festive period.



PORK

- Whole pig prices have risen 29% since the beginning of the year.
- Current UK price is just over £2 per kg and is set to rise as shortages occur due to farmers exiting the sector. This could be as much as 20%. This is clearly a pan-European issue and EU prices have risen by over 50p per kg relative to this time last year.
- The processors have lost significant amounts of money – as much as £50 to £80 per pig during the summer. The pork market has not rebalanced quickly enough to reflect the cost inflation and also as a result of the war in Ukraine.
- Similar to the poultry industry, feed is always the main factor driving the cost, although wheat prices have come from a peak of £350 per tonne they are currently around £260 per tonne. AHDB estimates that feed and other input inflation has resulted in the cost of pig production rising to £2.23 per kg.
- Going forward the pressure will be for increased prices, as processors try to limit their losses. EU processors are in the same position, and import prices have risen very steeply in the past couple of weeks with price increases in gammon and bacon related products.
- Sausage manufacturing has seen increases on all ingredients required to produce, leading to large cost rises on finished products.
- With Christmas fast approaching, 80:20 trims will face the biggest pressure and are likely to go to over £3 per kg in the run up to Christmas, with other cuts following.

SUMMARY

We appreciate that, like with our summer report, all this information can make for difficult reading and cause uncertainty. Unfortunately the world and the market place we are currently living in has continued to face unprecedented challenges. It seems unlikely that the market will ease in the foreseeable future, however we are encouraged by certain species costs 'stabilising' at best.

We remain positive and grateful that our customers have been understanding, accepting and worked with us in partnership to help with any price increases where required. Campbell Brothers are committed to continue to do our utmost to work with our customers to help with development and provide alternatives to help your margins.

Our business has continued to evolve over the last few, we are proud of our team and all the hard work they have done to get our business back to where it needs to be. We would once again like to thank our valued customers for your continued support and patience. Campbell Brothers have exciting things planned over the winter months and look forward to speaking with, and visiting our valued friends and customers soon.



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