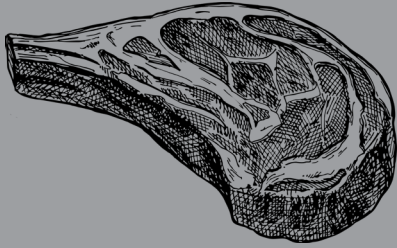


Campbell

BROTHERS

BUTCHERS MARKET REPORT Winter 2023



WELCOME

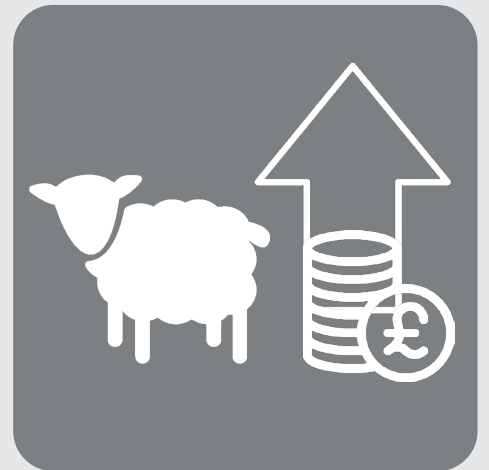
A very Happy New Year to all our friends and customers from all of the team at Campbell Brothers. We'd like to thank you for your continued support in 2022 and we look forward to working in partnership with you throughout 2023.

The autumn season has demonstrated positive trading in September & November, with October, as expected, showing a drop in footfall as tourism, particularly in the North of Scotland, started to fall away. However, hospitality continued to perform strongly and flourish, whilst England and Wales restaurants and hotels remained busy. A strong start to December was encouraging, however, there was a drop off in sales with the train strikes bringing a number of venue cancellations.

With many challenges in the industry, we feel it is important to support local British businesses as much as possible. There are lots of hard working, quality producing British farmers and producers that we want to continue to support throughout the year.

With menu costs rising we have seen a swing in trends when it comes to higher price point protein such as steak. Fillet has, and always will be a popular choice on menus, but we are starting to see more and more chefs choosing alternative cuts such as feather blade and flat iron steaks, which still provide excellent eating, but at a lower price point, helping customers to achieve a better GP. Nose to tail dining is something we have supported for some time, as from a sustainability point of view it is also beneficial to consider all the great lesser used cuts available to help reduce waste as well as costs.

Neil McCole, Business Unit Director – Campbell Brothers



Check out our guide to lesser known steak cuts to help improve your GP



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CHALLENGES

Supply and demand

The marketplace, 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.

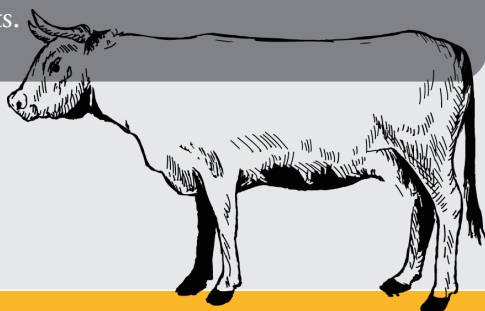
Staffing

This remains a challenge for Campbell Brothers as we try to increase our headcount. 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 by our team, and to provide a high level of service to all our valued customers.

Please remember; 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 any questions you may have and all your product development requirements.

BEEF

- GB prime deadweight cattle prices remained strong throughout November and December showing an 8% increase against the same period in 2021, and are 21% higher than the 5 year average.
- Demand and pricing for prime cuts (pre the Christmas period) increased as expected, with fillets, ribs and sirloins remaining strong. Forequarter & hindquarter beef cuts increased in price significantly due to demand, and clients seeking value for money options - a trend which is expected to remain with mincing and burger VLs, for example, are 20% more expensive than the same period last year. And roasting joints are carrying an 18% average increase.
- South American imports continue to be driven by production from Brazil with an expected export increase of 1% in 2023 due to demand from China. Uruguay, Argentina & Paraguay export production is expected to drop by up to 3%. Imported beef demand in the UK remains high, driven by labour shortages in many key UK beef producing plants.



LAMB

- UK lamb pricing remains well above the 5 year average (17%). However, throughput has increased by 4% year on year.
- Feed and natural gas prices are driving factors, as farmers struggle to make ends meet and in turn, UK production levels drop, Imports are increasing, however carry strong prices. Feed is now averaging 30% more than the same period last year with fuel up 50% and fertiliser 45%.
- The possibility of new trade deals expected to be completed in spring between the EU and Australia, could have serious negative implications for UK farmers.
- Continuous strong demand from China is the main driver behind heavy costs for imported lamb.
- Current volume and value of all lamb sales in UK is in decline year-on-year, with significantly more imported products present on the UK market; this is up by 25.1% against the same time last year. The main driver behind the imports is frozen sheep meat from New Zealand and Australia, up 64.9% and 36.8% respectively.

POULTRY

- As with the other meat sectors, last year saw a big rise in prices due to the conflict in Ukraine, inflation and the energy crisis etc. In November prices had eased a little, but were nowhere near the cost at the start of last year.
- This year will be a challenge again, specifically on frozen products, which always impacts the fresh market. It looks as though there will be large stocks of Chilean poultry available next year as they come away from their Salmonella issues.
- The Ukraine (war depending) will have a large effect on the trade, as Ukraine are one of the world's largest producers of poultry. The tariffs and quotas are not in place and are unlikely to be put in while the conflict continues. This in turn might result in large production of fresh and frozen products, putting even more pressure on prices. The unknown factor will be what European countries do politically about this situation. Polish, Dutch, German and Belgian chicken farmers have rising costs due to feed and energy issues, along with Avian Flu issues. Therefore, they are unable to lower prices to levels that may be required to compete.
- Duck flocks have been dramatically affected by Bird Flu, this is unlikely to be resolved in the short term. Demand for legs has become a real trend in the last couple of months as people switch away from the large cost of breast. Once flocks increase, these prices should revert back to where they were prior.
- The turkey industry in the UK has been highly affected by Avian Flu last year. If farmers can get away from the Bird Flu issues, they will be looking to replenish stocks and try to recover some of the money they lost last year. This could lead to higher prices than normal this year, and will be dependent on European stock levels and demand.

PORK

- UK pork sector remains under intense pressure as a direct result of conflict in Ukraine.
- Although feed prices have only recently stagnated, increased energy costs could add £10 per pig, resulting in an average loss of £23 per pig for UK based farmers.
- The current price is just over £2.05 per kg. This is clearly a pan-European issue and UK prices have risen by over 55p per kg relative to this time last year.
- Abattoir losses and staff issues have seen demand for pigs, and resulting prices, flatten out. This is likely to result in reduced pig prices in January, and unfortunately, will increase the exit of some producers from the industry, which will create big shortages in May & June.
- The processors have lost significant amounts of money over the summer, (between £50- £80 per pig killed) as the pork market has not rebalanced quickly enough to reflect the cost of inflation, and as a result of the on-going conflict in Ukraine & Russia.
- Traditionally, before Christmas and New Year, significant demand for 80:20 pork shoulder and trim, impacts on the price, and can affect other cuts, such as leg, too.

SUMMARY

Another challenging year lies ahead for our proud industry with continuing rising costs, however, we remain upbeat and confident and are looking forward 2023!

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

Our business has continued to evolve over the last few years and 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 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 in the near future.

