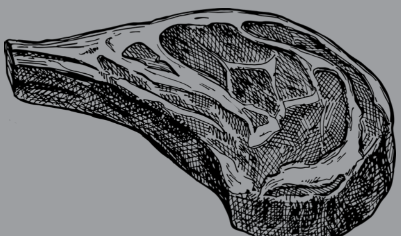


Campbell BROTHERS

BUTCHERS MARKET REPORT

Autumn 2023

WELCOME

Using a combination of our own buyer's and sales teams knowledge combined with industry insight from AHDB, we aim to provide you with the latest information on the meat market, to assist you with your menu planning.

As always, where products are higher than usual, or demand has caused shortages in supply, our experienced and knowledgeable team are here to support you and guide you to suggest alternatives. Please contact your account manager should you require any assistance.

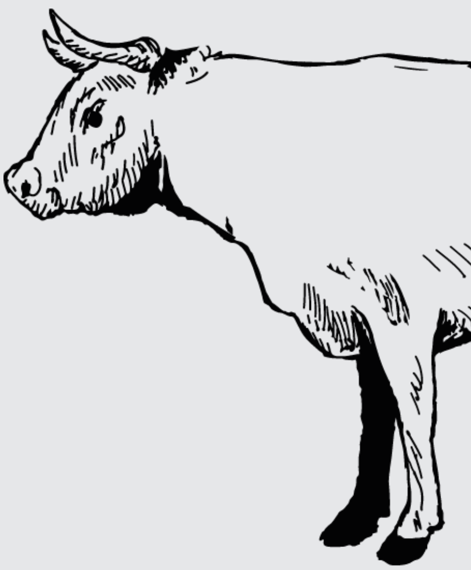
Neil McCole, Business Unit Director – Campbell Brothers

BEEF

Cattle prices remain high and above the 5 year average, remaining elevated in comparison to the same period last year. Restaurant and hospitality demand also remains high for steak meat and roasting joints along with added value cuts as the sector seek to find alternatives with cuts such as feather blade, flat irons and beef daube now featuring on many menus. Retail demonstrates the opposite with steak cuts slowing but demand for mince and stewing cuts increasing, which in turn keeps the carcase cuts at an all-time high price.

BEEF MARKET INSIGHT FROM AHDB

GB deadweight cattle prices have remained at record-high levels through the first 5 months of 2023. Slaughter numbers were above year-ago levels during the first quarter for both prime cattle and cows, but throughputs pulled back slightly through April and May. From a demand perspective, the year-on-year declines seen in retail purchases have slowed, with mince in particular performing well.



BEEF continued

PRIME CATTLE

During the first quarter of 2023, UK prime cattle slaughter grew by 4.5% on the year to total 511,000 head, according to Defra figures. This was primarily driven by January's kill levels, which followed elevated kill in the final quarter of 2022. A higher throughput of heifers drove the overall increase in the first quarter, continuing the trend of 2022.

Prime cattle carcase weights have averaged lighter during the first quarter of 2023 versus a year ago, likely reflecting pressures on forage and feed costs seen over the past season. How producers adapt their marketing decisions amid current market conditions and easing input costs will be a key watch point as we move through 2023.

Looking ahead, population data from the British Cattle Movement Service (BCMS) continues to suggest slightly more prime-age cattle (12-30 months old) on the ground in GB, in the region of +1% (data from 1 April). However, there are various factors that affect slaughter levels, the number of cattle available of course being just one element.

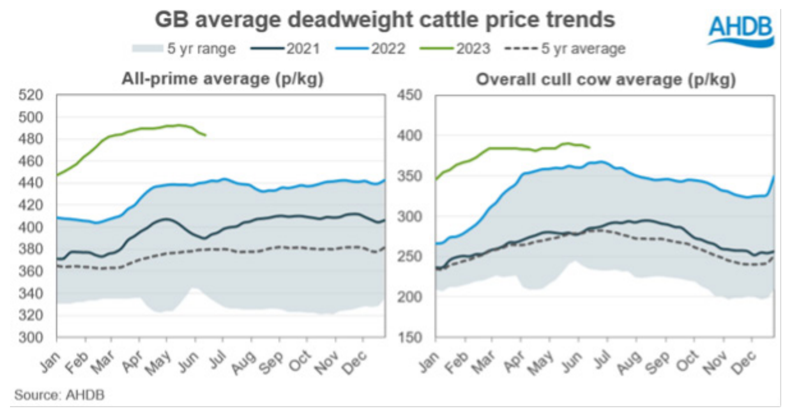
Overall, for 2023 AHDB forecast that UK prime cattle kill will total 2.04 million head, down 1% from 2022. This is predominantly driven by lower kill in the second and fourth quarters, reflecting the long-term trend, as kill was particularly high in these quarters in 2022.

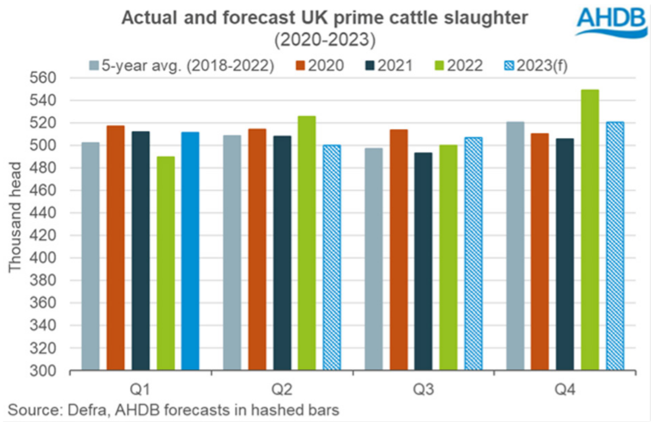
The pricing remains at an all-time high despite pressures on retail and consumer spending and are linked to higher cost of living and price inflation. Other factors at play include:

- Tighter supply situation of the UK beef market into 2023 which has kept prices elevated.

- A slight uplift in production, along with fairly stable imports and growth in exports pointed to lower availability of beef.

- All over the world the cattle markets are generally described as “tighter”. More so in the northern hemisphere where prices are being supported. Closer to home, Ireland is expecting lower kills in 2023, particularly in the spring, driven by declines in breeding herds. Insight from Bord Bia suggests slaughter numbers are starting to go short versus a year ago, with processors competing for cattle.





LAMB

We have seen a slight easing on lamb price throughout June & July, however prices remains around 15% higher than the 5 year average.

Demand from Europe continues to be strong and reflective in pricing as producers are exporting whole cuts and in turn saving on production costs. Trim and in particular lamb shanks have risen up to 20% throughout the summer, with shanks becoming harder to source. Please consider this whilst planning your menu cycles as they will likely be scarce for some months and what is available will be at an inflated price.

LAMB MARKET UPDATE FROM AHDB
Spring lamb prices continue their seasonal declines as lamb supplies grow but are holding up historically. We examine the key market drivers behind prices now and going forward.

Key market trends
• Supplies of lamb have uplifted through June.
• Domestic demand remains pressured by the cost-of-living.
• Exports to the continent have fallen from March peak.
• Imports grew from New Zealand in May but remain below 2022.

The GB deadweight new season lamb (NSL) SQQ averaged 651p/kg for the month of June, a fall of 55p from May and almost 9p on the year, as it ended the month (1 July) at 646p/kg. The equivalent liveweight measure averaged 307/kg for the month of June, as it ended the month (1 July) at 292p/kg. This represented a drop of 19p from May and almost 5p on the year.

Spring lamb slaughter rebounded in June, following several months of lower kill compared to a year ago. The latest Defra statistics showed 1.06m lambs slaughtered in June. This was an increase of 140,000 head from May, and up 184,000 head (21%) from June 2022. Slaughter levels were also up 157,000 head on the 5-year average for June. NSLs had been slower to come to market through April and May, likely reflecting the impact of last year's challenging feed and forage conditions on ewes, combined with a wet/cold spring.

In terms of trade, exports for May totalled 5,550 tonnes (fresh and frozen sheep meat). Exports were down 1,620 tonnes from April but remained largely stable year-on-year. Exports to the EU have been relatively strong through the first four months of the year, supported by competitive GB pricing and lower production on the continent. However, GB prices rallied through the spring and by May were closer to equivalent prices in France, potentially reflecting changes in trade volumes at the time. GB prices have since eased back, as have prices in Ireland and Spain. Meanwhile, Southern Hemisphere product continues to be very competitive, partly due to a combination of higher Australian production and subdued export demand.

UK sheep meat imports increased in May from the previous month to 4,700 tonnes (mostly driven by New Zealand), but this was still down notably from last year, as has been the case since January. Demand is lower in the domestic market compared to a year ago, as consumers wallets are squeezed from the increased cost-of-living.
Looking further afield, China continues to play a key role in the global sheep meat market, with Australia and New Zealand making up 93% of China's sheep meat imports in May. Exports from Australia have grown to China, up 2,200t from April to May, and up 6,600t from May 22, as they continue to increase their production. Increased supplies have been weighing on domestic prices, making Australian exports more competitive. Whilst exports from New Zealand to China have grown slightly (555t) from April to May, there has been growth of over 8,200t from May 2022.

However, there are uncertainties over the sustainability of Chinese sheep meat demand. Reports suggest that fragile economic conditions in China are not incentivising consumption growth, but recent announcements of government support for businesses may improve consumer confidence.

As our latest outlook shows, production is expected to grow throughout the remainder of 2023, as GB lamb kill is forecast higher on-the-year through the second half. Domestic lamb consumption is expected to remain lower than 2022, as consumers face the cost-of-living crises. By themselves, this could point to potential downward pressure on prices. However, tighter supply forecast in the EU and favourable pricing is expected to support trade with the continent, while EU demand is expected to stay firm thanks to lambs cultural and religious significance. This could soften potential price declines vs 2022.
A key watch point for lamb prices more widely comes from the Southern Hemisphere, as Australian and New Zealand product remains more competitive on the international stage, amid greater Australian supply. Any significant weakness in demand from China could lead to more Oceania product looking for a home elsewhere on the global market.

SUMMARY

Careful consideration is advised when planning menu cycles specifically for the hospitality sector who require large volumes. Availability will remain tight throughout the autumn with imports likely to continue to be in shorter supply. Prices as noted above may be expected to rise again however it is difficult to gauge at this point by how much and how soon given all the contributing factors.

PORK

Pig pricing remains high with the standard prices seeing an increase for 25 consecutive weeks into July. Pig pricing as an average year to date now sits 24p higher since the turn of the year.

Pork as highlighted in the graph, continues to perform strongly, although increases have slowed a little into August. The driving factors being the number of heads going to slaughter, with the UK forecasting to be around 1 million heads down on the 2002 kills. The EU producers are following a similar trend, with rising costs of feeding and farming, the Far East demand, and African swine flu. The likelihood is that we shall see further increases in the coming months on pork and cured pork products.

MARKET INSIGHT FROM AHDB

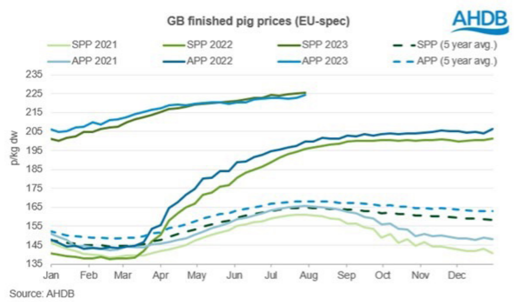
Key trends

- Standard pork price (SPP) hits 225p for the first time.
- Average pig price averages 223p throughout the month.
- Net margins from cost of production at +£22 per head.
- Feed costs, pig price, and building costs remain key watch points in cost of production.

Market update

The EU-spec SPP hit new highs during July, averaging 225.0p and reaching 225.4p for the week ending 29 July. Prices rose 2.1p compared with the previous month, as weekly gains averaged 0.3p. The first week of the month saw a minor decline, however, this was balanced out by a jump of 0.82p in the second week.The SPP ended the month almost 30p up from the same period in 2022, and over 60p up from the 5-year average.The EU-spec APP averaged 223.0p for the four weeks ending 29 July, an increase of 1.1p compared with the previous four-week period.Despite a fall of 0.4p in the second week, the final week of the period more than made up for lost ground, increasing 1.7p to end the month at 224.3p. This has closed the gap between the APP and SPP, with the SPP now only 1.1p above the APP.

GB estimated slaughter saw an average of 153,400 pigs slaughtered per week in July, giving a monthly total of 613,400 head. July saw a fall of only 1,800 head from June, but a 118,500-head fall from July 2022.Carcase weights for the SPP recovered from their hot June losses, averaging 88.9 kg, an increase of 370 g. For the week ending 29 July average weights had returned to sit above 89 kg.



The estimated cost of production for Q2 (Apr–Jun) in 2023 was 196p/kg, as feed costs fell and pig prices rose. This led to net margins of £22 per head, and +25p/kg – the first positive net margin in ten consecutive quarters.

Falling feed costs throughout the quarter brought welcome news for producers, from highs seen over the past year. Throughout the last ten quarters since positive net margins, feed costs have risen from around 100p/kg in Q3 2020 to a peak of 175p/kg in Q2 2022, as the war in Ukraine pressured global feed prices. Feed costs now sit at an estimated 123p/kg for Q2 2023, down 52p year on year.

Pig prices have also supported the growth in net margins, as the APP has grown by 65p since the last period of positive net margins. The APP averaged 165p/kg in Q1 of 2020 and sat at 221p/kg for Q2 of 2023. Prices have seen significant growth over the past year, with a 38p increase from Q2 of 2022, as production falls and domestic supplies become tighter.

Another major driver increasing the cost of production during the previous ten quarters was building costs. The cost of building materials such as concrete and steel saw significant price increases following the global pandemic. A second challenge for building costs arose in the form of increased interest rates and finance costs. This has been especially true since the latter half of 2022, with costs moving from 39p in Q2 2022 to 46p in Q2 2023. Overall building costs have risen 12p since the last positive net margin figure recorded in Q3 2020.

These three areas remain key watch points for the cost of production and where net margins will lie in the future. The pig price is still historically high, but gains are slowing, meaning any changes to input costs, especially feed and interest rates, will impact net margins for better or worse.

SUMMARY

We forecast that the pork market may stabilise into the autumn and winter months, however a reduction in pricing is unlikely given all the driving factors noted above.

POULTRY

Poultry continues to be a challenge with UK and EU suppliers struggling to meet demand, and prices moving almost weekly.

• Operational costs continue to drive prices with higher distribution and feed costs along with labour and energy the key factors.

• Avian Bird flu continues to wreak havoc in the marketplace, with further cases now being identified throughout Poland, Germany and Holland reducing the number of food production kills significantly.

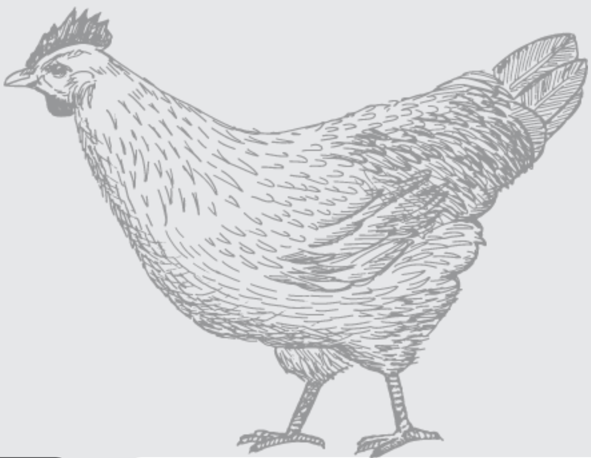
• The heat on the continent has killed many chicks which has impacted volume available from the EU.

• The demand for Red Tractor chicken currently far outweighs the availability, and in turn is pushing pricing up once again on poultry both from the UK and the EU.

• Duck remains very limited currently with few options available, and has been decimated with the Avian Bird flu however we are seeing some limited availability now coming from France.

• Producers are desperately trying to replenish stock birds for killing in the coming months however returning to normal numbers may take months and prices are expected to continue to remain strong in turn.

• Red Tractor turkey remains in very short supply due to the supermarkets having boxed off what little is available and this is likely to be the case for the rest of 2023, our advice is to plan early for the Christmas period and agree volumes and pricing just as soon as possible for UK and EU birds for your menus.



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AHDB