

Campbell

BROTHERS

BUTCHERS MARKET REPORT Winter 2023



WELCOME

The Winter Market Report combines the knowledge of our buyer's and sales teams with industry insights from AHDB to provide you with the most current information on the meat market.

We aim to provide you with information to assist you with your menu development and innovation, and always welcome feedback on our communications.

Our commitment to carcass nose to tail utilisation ensures that every part of the animal is utilised to its fullest potential - maximising value for money and reducing wastage.

Our mission at Campbell Brothers is to procure fully traceable, sustainable meats from the market at the most affordable price without compromising your quality. Where products are perhaps more expensive than normal, or demand has caused shortages in supply, our experienced and knowledgeable team are here to support you by suggesting quality alternatives. Please contact your account manager should you require any assistance.

As always, we thank you for your continued support, particularly during these challenging times in the food industry.

Neil McCole, Business Unit Director – Campbell Brothers



Both our
Scotland and
London sites
are now Halal
Accredited.



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BEEF

Markets remain firm due to lowest slaughter numbers of the year with the slaughter numbers throughout the autumn period being significantly lower than the same period in 2022. The expectation into the spring and summer months 2024 is that calve numbers will be low whilst demand for beef both on home shores and also for export will remain high which in turn shall continue to drive the prices upwards.

A high demand continues for steak cuts and roasting joints with many clients seeking to find alternative value for money cuts, however all prime beef cuts are now carrying strong money with particularly feather blades, ox cheeks, dicing and mincing cuts along with the ever popular ribeye being the biggest movers.

The retail industry is now seeing stronger sales within slow-cooking braising and roasting cuts and the increased demand is driving the price upwards on forequarter and hindquarter meat.

Rising fuel costs and fertiliser costs have again pressured the industry with no respite expected into the winter months with natural gas costs driving the increases. Cattle feed, whilst showing some cost respite from 2022, remains high and unstable across the globe.

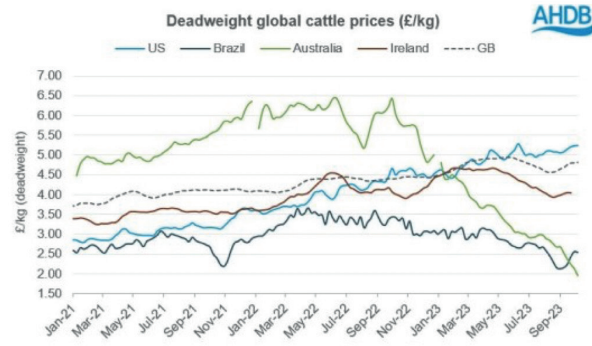
Beef Market Insight From AHDB

Prices

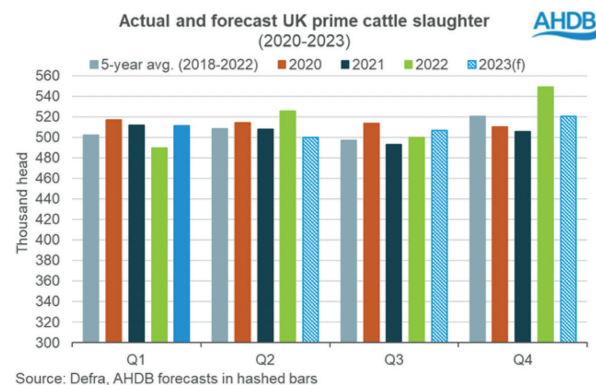
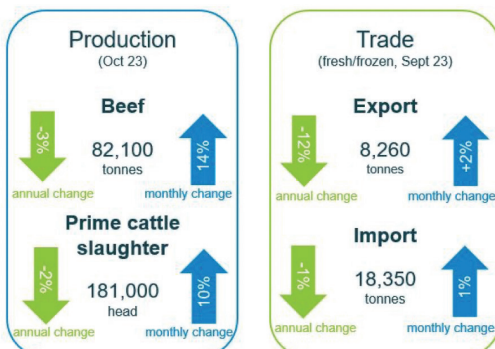
GB deadweight prices firmed in September, following a period of decline, and varied again throughout October. Prime cattle prices saw an increase of almost 4% from August and cull cow prices saw a month on month increase of over 4%.

Costs

Fuel prices have been climbing steadily over the last quarter, driven by price support in wider oil markets but remain below the record levels seen last year. Marginal monthly increases were also seen in fertiliser prices with prices remaining historically high for this point in the season. Ongoing tensions in the Middle East have driven up crude oil prices, and any further rises in natural gas prices in the months ahead are likely to translate into higher nitrogen fertiliser and fuel prices.



Source: AHDB, European Commission, INAC, MLA, Consorcio de Exportadores de Carnes Argentinas, Informe Garadero Argentina



Source: Defra, AHDB forecasts in hashed bars

BEEF continued

Beef Summary

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:

- Lower kill numbers throughout the last quarter with demand remaining high across the globe for UK cattle which creates a supply and demand situation.
- Rising costs on fuel and fertiliser.
- Across 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 throughout 2023, with the same forecast into 2024 which has driven by declines in breeding herds. Insight from Bord Bia suggests slaughter numbers continue to be shorter versus a year ago, with processors competing for cattle.

PORK

Pork pricing remains stable however remains an all-time high with pig production the lowest we have seen since 2010 with pig kill numbers falling by 500,000 heads since last summer with a substantial decrease in fattening pigs driving the shortage.

Pork remains in demand as consumers seek value for money and sausage sales along with roasting joints and casserole cuts continue to strengthen.

The long term forecast is that pig meat will continue to trade at today's prices as historically it has been sold as an undervalued species and pork farmers have struggled to make a profit with many leaving the industry after 10 consecutive quarter's loss making.

Pork Market Insight From AHDB

- Pig meat production continues to be forecast to end the year 15% behind volumes from 2022, driven by a 14% reduction in clean pig kill
- Current prices are significantly higher than the 5-year average, and also surpass the prices from the previous year
- Total pig numbers are at their lowest level since 2011
- Both imports and exports are now projected to decline year on year as available supplies domestically and abroad tighten and price competitiveness narrows
- Domestic demand continues to ease, remaining at a forecasted -3%, driven by the cost-of-living crisis reducing volumes in retail sales and eating-out

Overview

UK pig meat production in Q1 2023 was down 11% year on year and EU production was 8% behind Q1 2022. This has kept prices supported with significant rises seen across both the UK and European market since the beginning of the year.

Although there has been some easing on inflationary pressure on input costs, prices for key commodities still remain historically high. This has resulted in our estimated cost of production and net margins improving, offering some signs of the green shoots of recovery. However, before the industry can regain its previous level of confidence, there are still numerous challenges that need to be overcome. In the short term, the ongoing cost of living crisis continues to dampen demand, while the constant risk of a disease outbreak remains a significant concern. Looking ahead, the industry is closely monitoring the volatile input prices and the potential closure of abattoirs, as recent announcements have highlighted the importance of maintaining domestic processing capacity.

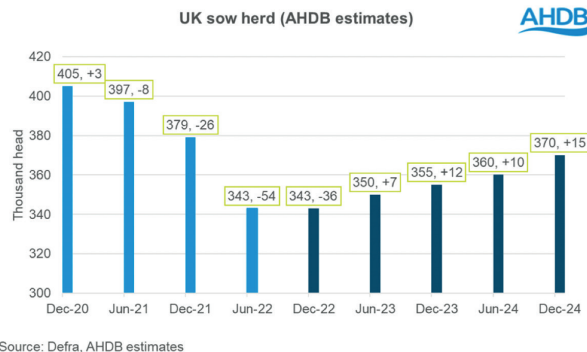
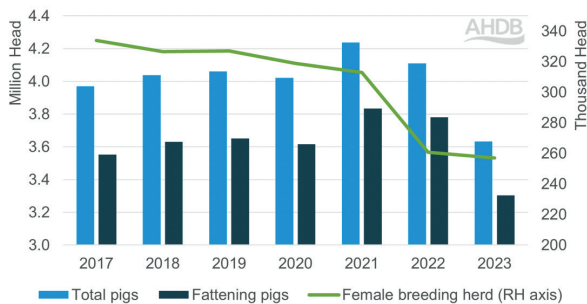


PORK continued

Supply

The census data revealed a substantial decrease in the UK's pig population, driven by a fall in the number of fattening pigs, with total pig population in 11.6% decline year-on-year, nearly half a million animals (477,000). Fattening pigs are at the lowest number since 2012, at 3.30million head, a fall of 12.6% compared to June 2022. This evidences the historically low slaughter throughputs and pig meat production volumes being seen in 2023.

On the contrary, the breeding pig population has remained flat in 2023, showing signs of a more positive industry sentiment and some cautious growth from producers. Although we do not expect to see the industry bouncing back to the heights of 2021 in terms of pig numbers, throughputs and production, if demand remains steady and producer net margins continue on a positive track then we anticipate some welcome growth



After being in decline for the first four months of 2023, imports have witnessed year-on-year growth since from May. Total fresh and frozen pork imports have seen the largest volume gain, up 23% year-on-year to 28,400 t. The bacon category also recorded an increase of 12% year-on-year, totalling 15,500 t and has resulted in the category increasing its market share of UK imports to 24%. UK pork production continues to be impacted by the market conditions of the past two years as domestic supplies remain tight and the price differential between UK and EU product increased over the latest period, making UK product less competitive on the EU market. With the EU accounting for 45% of total UK pig meat exports this remains a key focus.

The overall volumes of pig meat purchased through retail and food service has fallen by 1.3% year-on-year for the 52 weeks ending 3 September 2023 (AHDB estimates based on Kantar data). Retail volumes remain suppressed, back 2.5% in volume terms. However, demand trends have diverged between foodservice and retail with volumes in foodservice growing by 7.2%. The foodservice sector generally has a greater weighting of non-British product, which may be a key factor driving imports.

Looking to our key trading partners, the EU outlooks published by the European Commission report that domestic meat consumption is in decline and that demand for pork specifically is set to drop to around 31kg per capita by 2032. Although this is part of a longer-term trend as consumers seemingly move to a less meat intensive diet, in the short term the decline is accelerated by the increased cost of living and inflationary pressures.

Assuming that domestic consumer demand declines by 3% and that pig prices remain stable then we anticipate that UK pig meat import volumes will end the year down 4%.

We forecast that the pork market will continue to stabilise into the winter months however a reduction in pricing is unlikely given all the driving factors noted above.

Trade

- Imports of pork have picked up month-on-month and year-on-year in August
- Lower domestic production, increases in foodservice demand and competitive EU pricing supports import volumes
- Higher imports likely to subdue market sentiment
- Offal constitutes an impressive 44% of the export basket

LAMB

The decrease in the number of slaughters of UK sheep meat over the previous months has led to a decline in meat production. According to Defra's annual livestock survey, the total population of English sheep and lambs decreased by 3.2% in 2023, reaching its lowest level since 2011. As a result, there has been a greater reliance on imports from New Zealand and Australia, as their competitive pricing compared to European supply has led to increased import volumes surpassing those of the previous year.

- Sheep meat production expected to decline by 1% in 2024 due to lower grass availability, higher feed costs and outbreaks of disease.
- Consumption limited by cost of living cutbacks and inflationary pressures as one of the most expensive types of red meat, but benefits from consumption at religious events with demand remaining relatively flat.
- Domestic pricing is high limiting export potential, resulting in product remaining within the UK. Growth in Oceania production, along with competitive pricing, is boosting volume into the EU.



POULTRY

- High culling due to avian flu, increased costs, and customer preferences continues to impact UK poultry farming with the number of poultry in England decreasing by 6.0% to 131 million this year.
- Table chickens, known as broilers, account for 70% of all poultry with volumes decreasing by 6.4% to just over 91 million birds this year.
- Turkey numbers have decreased by over 30% to 2.4 million birds due to large culling numbers, and breeding and laying flock down 1.1% to 32 million.
- British cooked poultry meat will soon reach Japanese tables thanks to a new market access deal that will benefit UK farmers, meat processors and exporters. (Source gov.uk)

Thank you to AHDB for their valuable insights data.