

# HCC Market Bulletin

December 2020

The coronavirus pandemic has impacted all aspects of the red meat supply chain during 2020. Red meat faced changes in demand from the retail and foodservice sectors, which caused carcass imbalance issues and instability in market prices during the initial lockdown period. This month's market bulletin will give an overview of the trends and patterns seen in the red meat market during 2020.

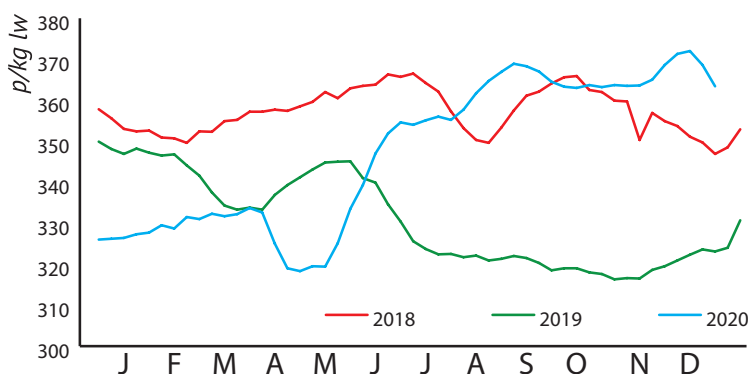
## CATTLE

### Market Prices

In the first quarter of 2020, deadweight prices for steers in England and Wales were trending below year-earlier levels for the time period. Prime cattle prices initially held their ground following the announcement of the first UK lockdown on the 23rd of March - despite the near complete closure of the foodservice sector. The switch in demand from foodservice to retail did put pressure on the beef market, and deadweight prices began to fall during the subsequent weeks. For steers, the average deadweight price reached a low of 318.3p/kg during the week ending 25 April, with heifers and young bull deadweight prices also weakening. Industry reports suggest carcass imbalance issues caused by a sudden increase in mince sales at retail, coupled with the loss of some export demand, caused this decrease in farmgate prices. During this time, the average deadweight price was some 7% below year-earlier levels. As the cull cow market is more heavily reliant on the export market and foodservice sector, deadweight prices in England and Wales fell by over 19p to 209.4p/kg during the first week of lockdown.

The beef market adjusted to the new market conditions and prices began to strengthen, with the average steer deadweight price peaking at 368.9p/kg during the week ending 22 August. The major UK beef campaign jointly launched by levy boards coupled with strong retail promotion helped to drive demand for higher value beef cuts. Since the summer, prime cattle deadweight prices have been averaging some 50p higher than year-earlier levels, with steers reaching a high of 372.0p/kg during the last week of November (up 15% on the year). For the week ending 12 December; the average deadweight price in England and Wales for steers stood at 364.4p/kg (-4.2p on the week), whilst heifers stood at 363.4p/kg (-3.5p on the week), young bulls at 347.1p/kg (-2.1p), and cull cows at 219.7p/kg (+1.3p).

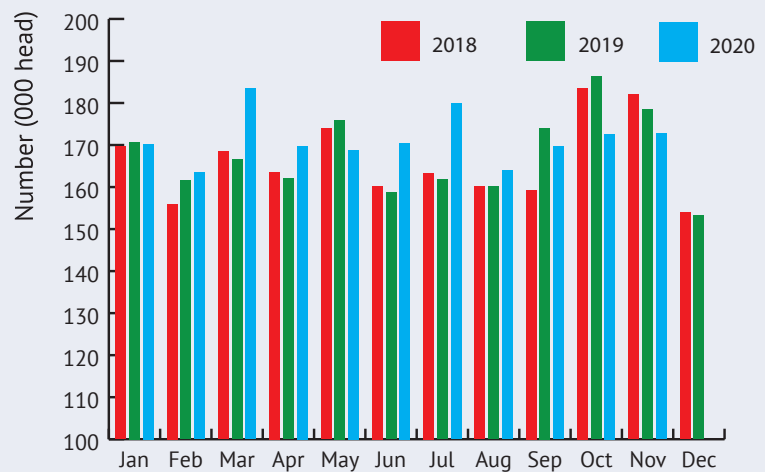
### Average Deadweight Steer Prices in England and Wales



### Supply

The monthly throughput of prime cattle at UK abattoirs peaked during March 2020 at 183,500 head – up 10.2% on the year. Since March, monthly throughput levels have mostly been trending above year-earlier levels. Total throughput of cattle stood at 243,400 head during November – down 5.5% on the year. For the year to date (Jan-Nov), total prime cattle throughput stands at 1.89 million head, which is 1.6% above 2019 levels. Heifer throughput has driven this increase in throughput, with numbers up 4.1% on the year, whilst steer numbers are up 1.1%. Cull cow throughput at UK abattoirs fell slightly during April/May following the initial lockdown period, but have since been mostly trending above year-earlier levels. Total throughput of cull cows during the year to November is 0.7% above throughput in 2019. Following increased throughput of both prime and cull cattle, the total production of beef and veal stands at 855,200 tonnes for the year – 1.4% higher than 2019.

### UK Prime Cattle Slaughtering



### Demand

The panic buying behaviour during the initial lockdown period in March, combined with the almost complete closure of the foodservice sector, led to an increase in spend on cheaper beef cuts – particularly mince during the early part of the year. Spend on mince during the 4 weeks ending 22 March was 43% higher than the corresponding period in 2019 (source: Kantar Worldpanel). The significant increase in mince sales led to beef carcass imbalance issues which contributed to the initial decrease in farmgate prices. Campaigns which encouraged consumers to buy other premium cuts restored the balance in beef cut sales, with spend on steak during the 12 weeks to 06 September being 15.9% higher than year-earlier levels. Total spend on beef for the year to 01 November 2020 currently stands at £2.1 billion – up 15.3% on 2019. The strong demand for beef during recent months is one of the factors which has contributed to strong farm gate prices.

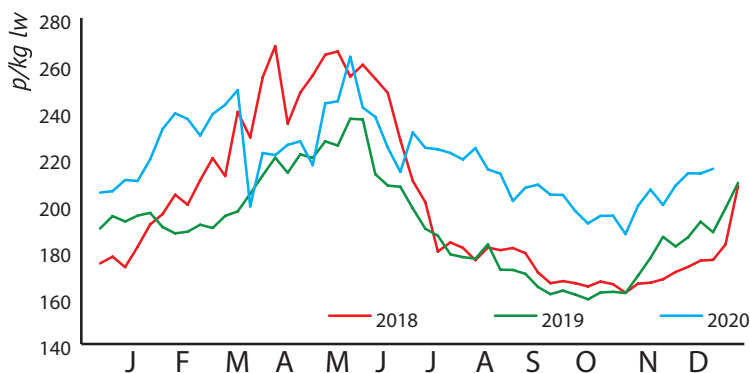
## SHEEP

### Market Prices

The prime lamb liveweight average price at Welsh auction markets has been strong overall during 2020, with the average during quarter 1 trending around 30p above year-earlier levels. Unlike prime cattle prices; the prime lamb average experienced an immediate decrease in market prices when the UK announced the first lockdown – a fall of 50p during the week ending 28 March to average 199.1p/kg. During the weeks that followed, the market adjusted as processors and meat suppliers were able to adjust their supply routes following the closure of the foodservice sector. During the same period, cull ewe liveweight prices at auction also experienced a fall in prices (down £38/head during the week ending 28 March). Cull ewe prices in Wales have since recovered and remained largely above both year-earlier levels and the 5-year average.

As the lamb market supply chain stabilised and retail sales of lamb stayed strong, the average prime lamb price recovered during quarter 2 of 2020. The week ending 23 May recorded the highest average of 263.3p/kg at auction (11% higher than year-earlier levels), and the average price remained relatively stable during quarter 3 and into quarter 4. On average, lamb liveweight prices were around 22% higher than year-earlier levels during quarter 3, with the price gap between this year and last narrowing a little to around 15% higher during most of quarter 4. The Welsh prime lamb liveweight SQQ at auction for the week ending 12 December stood at 215.2p/kg – up 2.0p on the week. The current price is 27.2p above year-earlier levels, and 44.3p above the 5-year average (2015-19 average:170.9p/kg). Cull ewe prices at auction markets in Wales averaged £61.10/head during the most recent week – down £3.80 on the previous week, but around £1.30/head higher than the corresponding week last year.

### Prime Lamb (SQQ) Prices at Auction Markets in Wales



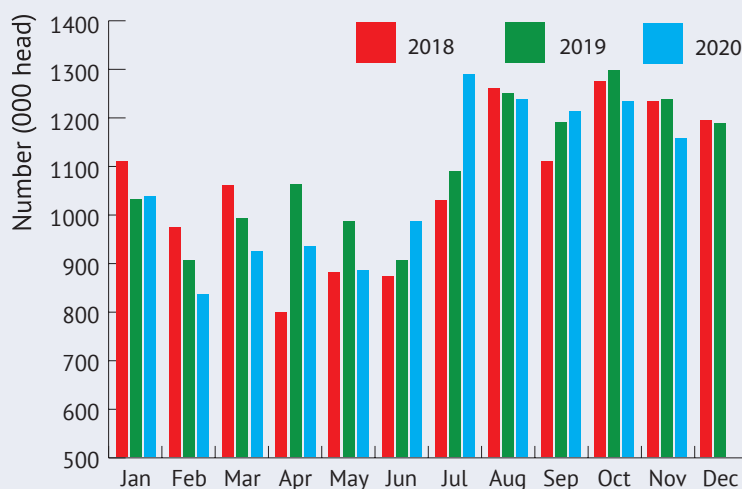
### Supply

The throughput of prime lambs at UK abattoirs during quarter 1 and quarter 2 was below year-earlier levels by 4.6% and 5.0%, respectively, with throughput during quarter 3 recovering and being higher than 2019 (up 6.0%). Monthly throughput was highest during July at 1.29 million head – up 18.5% on the year. For the year to date, total throughput of prime lambs is 1.8% below the corresponding period in 2019 at 11.8 million head, and accounted for almost 90% of total sheep slaughterings. The provisional UK June Survey results suggest that the 2020 lamb crop size is similar to that of last year, with the throughput of lambs between May and November 2020 being up 0.6% on the year – suggesting there may be a slight tightening in supply during the coming months when compared to the year earlier. Cull sheep throughput has been trending below year-earlier levels for each month of 2020, apart from July where demand

from the Eid al-Adha Muslim festival held at the end of the month likely drove an increase of 3.6% in throughput.

As a result, the throughput of cull sheep during the year to date is 15.1% behind 2019 levels, and 9.5% behind 2018. For November, the total throughput of sheep fell by 7.7% on the year to stand at 1.27 million head. Following decreased numbers of both prime lambs and cull sheep coming forward, the total throughput of sheep at UK abattoirs between January and November stood at 13.07 million head - 3.3% below the corresponding period in 2019. A combination of fewer sheep coming forward, and the carcass weights of prime lambs being similar to that of 2019 has led to the total production of sheep meat so far in 2020 being 4.8% below year-earlier levels at 267,300 tonnes.

### UK Prime Lamb Throughput



### Demand

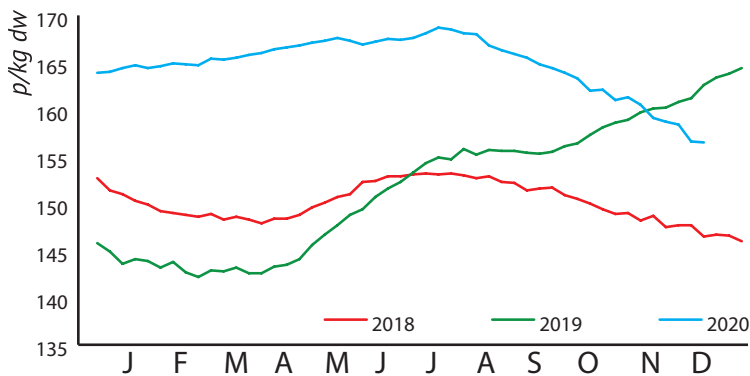
The UK announced the first lockdown period a few weeks before Easter, with the foodservice sector facing almost complete closure during the Easter period. Although lamb sales are usually highest during Easter, demand for lamb was low during Easter 2020. Total spend on lamb during the 4 weeks to 19 April was 15.0% below year-earlier levels, and volume was down 21.1% (source: Kantar Worldpanel). Lamb legs accounted for the highest proportion of sales during the 4-week period in 2019 (61%), but accounted for only 53% of sales during Easter 2020 because consumers made the switch to lamb chops due to restrictions on large family gatherings and celebrations. Since Easter, spend on lamb at retail in Great Britain has been steady, with total spend during the year to 04 October up 7.9% on the year. Although lamb overall is performing well, lamb leg sales during the year to date are down 8.0% on year-earlier levels following a poor performance at Easter. Since the UK entered lockdown at the end of March, butchers have been performing well – especially with lamb sales. Total spend on lamb at butchers during the year to date is up 33.0% on the year, with volume up 26.9%. This trend suggests that consumers have moved to shopping in places that are more local and perhaps smaller due to the pandemic.

## PIGS

### Market Prices

Since the end of 2019, the average pig deadweight price has been strong and remained largely resilient during the initial lockdown period in the UK. Due to the relatively small pork sector in Wales, pig market prices for producers in Wales (and the UK) are largely influenced by global trends. The increases in pig prices during the first half of 2020 were a result of a significant increase in demand for pork from Asian regions following the African Swine Fever (ASF) outbreak which wiped out over 60% of the pig herd in China. During January, the average All Pig Price (EU-spec) averaged 164.0p/kg. This average increased by almost 5p during the first half of 2020 to reach a high of 168.7p/kg during the week ending 11 June – 13.8p higher than year-earlier levels. Since this peak however, the average has been falling each week. There are a number of factors putting pressure on the pork market in the UK. Firstly, industry reports suggest that China is rapidly rebuilding its pig herd following the ASF epidemic. As a result, the demand for pork (and other meat) from China will decrease as the country increasingly relies on domestic supply. In addition to a decrease in demand, Germany (the largest pork exporter in the EU) recently reported the discovery of ASF in their wild boar population. This is causing significant disruption to the German supply chain, with an oversupply of pork on their domestic market due to the loss of some export markets, such as China. As a result, this is putting pressure on the pork sector in Germany, and is also putting pressure on other global pork markets (including the UK). Industry reports also suggest that Covid-19 is still limiting staff availability at some processing plants in the UK, with heavier carcass weights coming forward due to pigs being backed up in the system.

### Prime Lamb (SQQ) Prices at Auction Markets in Wales

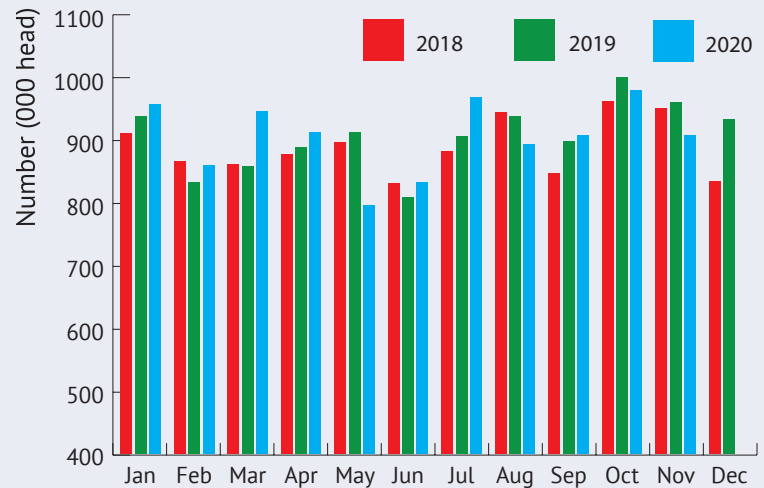


During the second half of 2020, pig prices have fallen by over 10p, with the average falling below year-earlier levels for the first time this year during the week ending 07 November. The EU-spec All Pig Price (APP) in GB stood at 156.5p/kg for the week ending 05 December – down 0.1p on the previous week. The 30kg average weaner price in GB for the week ending 05 December was not available, whilst the 7kg weaner price stood at £39.57/head – similar to the previous week (+0.01p).

### Supply

The monthly throughput of clean pigs at UK abattoirs have varied during 2020. Throughput numbers reached a low of 797,000 head during May (12.8% below year-earlier levels), and reached a high of 980,700 head in October – which was 2.1% below year-earlier levels, despite the peak. For November, clean pig throughput fell 5.5% below year-earlier levels to stand at 908,700 head. Overall, the total throughput of clean pigs during the year (to November) is similar to year-earlier levels at 10.0 million head – up 0.2% on the year. The throughput of clean pigs accounted for 98% of total throughput during the year to date. As a result of throughput levels of both categories (clean pigs and adult pigs) being similar to year-earlier levels, the total number of pigs slaughtered between January and November 2020 stood at 10.2 million head, which is 0.2% higher than the corresponding period in 2019. Carcass weights in the UK have been slightly heavier when compared to year-earlier levels, and so the total production of pork during the year to date is up 2.3% on the year at 898,100 tonnes.

### UK Clean Pig Throughput



### Demand

During the initial lockdown period in the UK, demand for pork remained strong despite the loss of the foodservice sector. In the 24 weeks ending 09 August, total spend on pork was 13% higher than year-earlier levels, with sales of bacon and sausages driving the overall increase in spend. As consumers had to spend more time at home, there was a significant increase in the number of cooked breakfasts eaten in the home which helped to drive demand for some processed pork products (source: Kantar Worldpanel).

Merry Christmas

from all at Meat Promotion Wales