

HCC Market Bulletin

August 2020

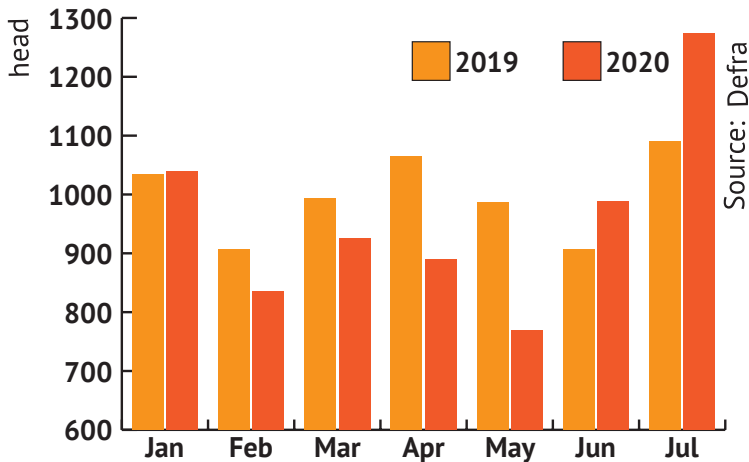
This month's Market Bulletin will give an overview of the lamb market so far this year.

Prime lamb market prices trended higher than year-earlier levels during the first two months of 2020, but the announcement of the UK-wide lockdown during March led to a significant price drop overnight. Prices recovered during the following weeks in April reaching a high of 263.3p/kg during mid-May. Since the peak, market prices have been trending above the historic seasonal price, and have averaged around 40p above year-earlier levels during recent weeks.

SUPPLY

Abattoir throughput figures released by Defra for the January to July period reveal the disruption on the UK lamb sector caused by the Covid-19 pandemic. Despite **prime lamb throughput** during both June and July recording an increase on year earlier levels, throughput remains well below the 7-month period in 2019 – down 3.8% (or 262,900 head) on the year. Increased throughput during July was largely driven by demand for the Eid-al-Adha festival at the end of the month. As the UK lockdown period began in March, the near-complete closure of the food service sector - on the home and overseas market - resulted in a drop in the demand. The fall in demand is reflected in lamb throughput during April being 16.4% lower than a year earlier, whilst May recorded throughput of 22.1% less than the corresponding period in 2019.

UK Prime Lamb Slaughtering

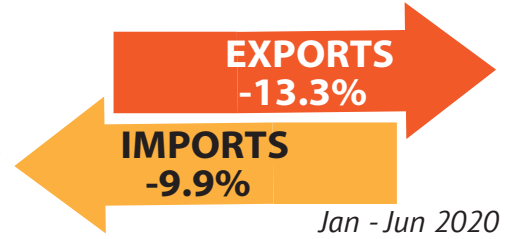


In combination with lower throughput numbers; average carcase weights of lambs during the 7-month period are 0.3kg lighter on the year at 20.0kg as the (generally) strong market prices have attracted lambs to be bought forward sooner. Total **prime lamb production** for the 7-month period stands at 134,240 tonnes – a decrease of 5.2% on the year due to the lighter carcase weights and lower throughput numbers.

TRADE

The volume of sheep meat **exported** from the UK during the January to June period have been trending below 2019 – down 13.3% to 38,600 tonnes, according to HMRC. This is likely a result of less product being available to export from the domestic market, combined with a lower demand for lamb in the EU market due to Covid-19. Volumes of sheep meat exported to both Germany (-33.2%) and France (-17.0%) experienced the largest year-on-year declines during the period. The overall

fall in shipments comes from a 21.3% decrease in the volume of whole carcasses exported. Exports during June recovered slightly and were up 2.9%



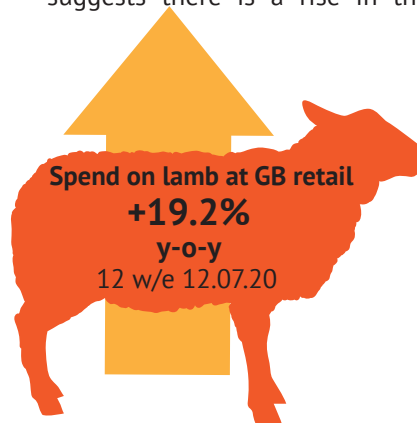
on year-earlier levels – providing some optimism that trade will resume to more 'normal' levels during the coming months. Despite the lower volume of sheep meat exported during the first 6 months of 2020, total value currently stands 2.0% higher than 2019 at £191.1 million.

The total volume of sheep meat **imported** to the UK during the 6-month period is also down on year-earlier levels at 34,340 tonnes (-9.9%). Decreased imports from Ireland (-35.4%) and New Zealand (-7.2%) have been the main cause in the decline, whilst imports from Australia are up around 1,000 tonnes on year-earlier levels. A 23.8% decrease in imports of fresh/chilled sheep meat is the main driver of the overall lower volumes.

DEMAND

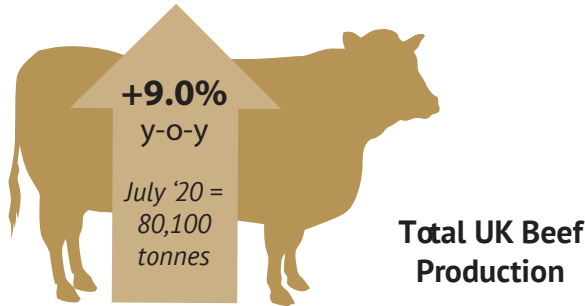
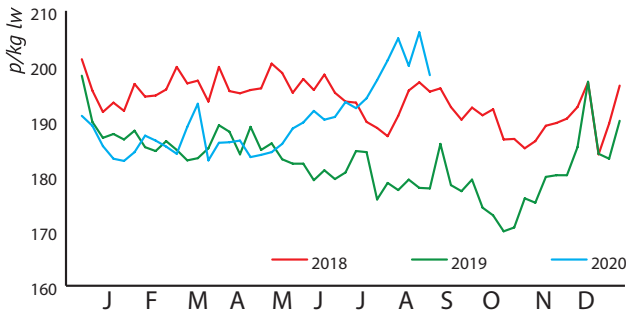
Demand for lamb on the domestic market has been strong during recent months. Data released by Kantar Worldpanel reveals that consumer **spending** on lamb at retail in GB during the 12-week period to 12 July experienced a 19.2% increase on year-earlier levels. The rise in total spend follows a 10.0% increase in the total **volume** of lamb purchased, coupled with an increase in the **average price** to £10.19/kg. Following an increase in families choosing to stay in the UK for their summer holidays, demand for meat in the out of home sector is stronger than year-earlier levels.

When looking at the increase in volume bought, the data suggests there is a rise in the number of people buying



lamb for the first time, or coming back to lamb (as the number of buyers increased 13.9%), rather than existing consumers purchasing more (as volume per buyer is down 3.4%). These figures are positive news for the sector, and indicate that lamb has performed well during the lockdown period.

Prime Cattle Prices at Auction Market in England and Wales

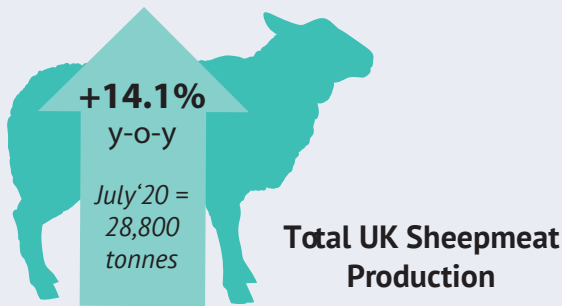


CATTLE

The all prime cattle average market price in England and Wales continues to trend significantly higher than year-earlier levels. For the week ending 22 August, the liveweight price stood at 198.3p/kg – down 7.8p on the previous week, but 20.6p above year-earlier levels. The current price sits 8.1p above the 5-year average (2015-19 average: 190.2p/kg). For the week ending 22 August, the average deadweight prices in England and Wales for steers stood at 368.9p/kg (+2.0p on the week) which is 46.9p above year-earlier levels. The deadweight prices for heifers stood at 368.0p/kg (+0.5p on the week), young bulls stood at 364.4p/kg (-0.1p), and cull cows at 261.8p/kg (-1.0p).

Total cattle throughput at UK abattoirs stood at 241,300 head for July – 8.1% above July 2019. This brings the total throughput for the first 7 months of 2020 to 0.6% below year-earlier levels. Total prime cattle throughput for the month increased by 9.6% (or 15,600 head) on the year to 177,300 head. Within this total, heifers saw the largest year-on-year increase (+14.1%). Adult cattle throughput was up 11.8% on the year. Industry reports suggest the continued strong prices during July may have encouraged producers to bring cattle forward, resulting in beef production for July being up 9.0% on the year at 80,100 tonnes.

Prime Lamb (SQQ) Prices at Auction Markets in Wales

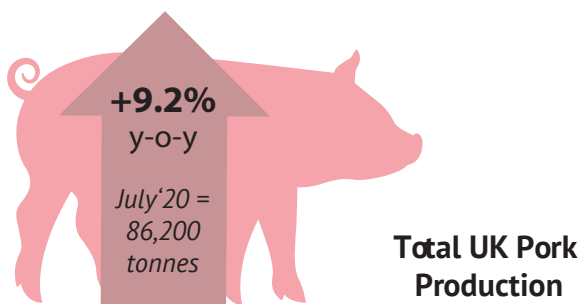
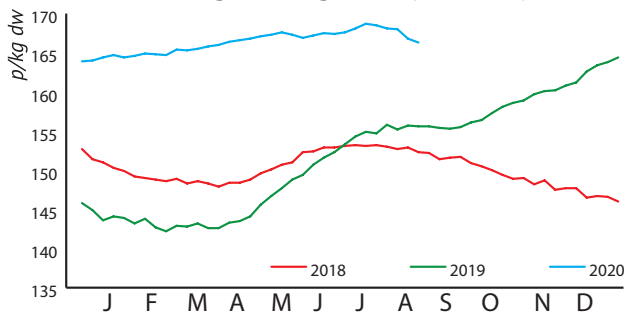


SHEEP

The Welsh prime lamb liveweight SQQ at auction has been easing in recent weeks, but remains above historic prices. For the week ending 22 August, the average price fell by 11.7p on the week to stand at 201.4p/kg – 29.6p above the corresponding week in 2019, and 29.5p above the 5-year average (2015-19 average: 171.9p/kg). Cull ewe prices at auction markets in Wales remain volatile, with the most recent price standing at £55.50/head for the week ending 22 August – down £3.30 on the week, but £8.70 above the corresponding week last year. Deadweight lamb prices in GB stood at 460.9p/kg for the week ending 22 August (-7.4p on the previous week).

Total sheep throughput at UK abattoirs stood at 1.4 million for July – up 15.1% on the corresponding month last year. The rise in throughput was a result of a 16.8% increase in prime lamb throughput on the year, along with a 2.1% increase in cull ewe throughput. Prime lamb average carcass weights during July were 0.3kg lighter than July 2019 at 19.2kg – suggesting producers are attempting to take advantage of the current strong market prices by bringing lambs forward earlier. Total sheepmeat production stood at 28,800 tonnes for July – 14.1% higher than year-earlier levels.

GB Average All Pig Price (EU-Spec)



PIGS

The EU-spec All Pig Price (APP) in GB stood at 166.3p/kg for the week ending 15 August – down 0.5p on the previous week, but significantly higher than the corresponding week a year earlier (up 10.7p). The 30kg average weaner price in GB for the week ending 15 August stood at £61.71/head (+12.8% on the year), whilst the 7kg weaner price stood at £42.30/head (+10.9% on the year).

Total pig throughputs at UK abattoirs stood at 986,900 head for July – 6.6% higher than the corresponding month last year. The increase seen on the year was driven by an increase of 6.3% (or 129,800 head) in clean pig throughput at UK abattoirs during the month. Sow and boar throughput also experienced year-on-year increases during July (up 21.4%). Average carcass weights of clean pigs during the month were heavier on the year at 86.0kg (up 2.0kg). The combination of heavier carcass weights and higher throughputs led to a 9.2% increase in pork production for July at 86,200 tonnes.