



Hybu Cig Cymru
Meat Promotion Wales

Beef Supply: Update and Outlook

March 2023



Introduction

Beef producers across Wales experienced a challenging environment during 2022 as dry weather conditions and significant increases in farm input costs were all at play. However, return values – in both the liveweight and deadweight markets - were firm for the beef sector throughout the year. The strong farmgate prices coupled with pressures on farm businesses may have encouraged additional numbers of animals forward in order to maintain cashflow and reduce farm costs. This has, in turn, influenced beef production levels during 2022. In this report, we take a look at what the potential supply levels will be for the year ahead and into 2024.

Current Market

Market Returns:

Prime cattle farmgate prices in England and Wales entered 2023 in a remarkably strong position. Prices for all three categories of prime cattle have increased further by around 8% since the start of the year. Steers consistently fetched close to the £5/kilo mark in the deadweight market, with the average in England and Wales sitting at £4.83/kilo during mid-March – 17% higher than year-earlier levels, and 33% higher than the 5-year average. Both heifers and young bulls are also trending close behind these levels.

Deadweight prices for cull cows have also been notably strong so far in 2023, and have increased by 11% since the start of the year. Deadweight averages have been trending over £1/kg higher than the 5-year average for the entirety of 2023 so far, with the average during mid-March being £3.81/kilo. Cull cow prices have been particularly strong as the demand for cheaper cuts of beef has been on the rise due to inflation putting pressure on household spending.

Supply:

The UK produced 906,400 tonnes of beef and veal last year according to data from Defra. This is an increase of 2% when compared to 2021 – but last year's levels were below both 2020 and 2019. The elevated production levels were due to a 3% increase in total cattle throughput at 2.8 million head, whilst average annual carcase weights for all categories were lighter. A dry summer, coupled with increased feed costs, likely resulted in leaner animals coming forward. For example, the average steer carcase weight at UK abattoirs in 2022 was 360.3kg, which is the lightest since 2018 (at 358.3kg).



Both heifers and adult cows recorded the highest year-on-year increase in throughput numbers – up by 3% and 5%, respectively. Increased adult cow numbers coming forward with, on average, lighter carcase weights, does suggest that the combination of strong farmgate prices along with higher farm input costs may be influencing producer decisions to market older, less-productive, animals.

During the first two months of 2023, total cattle throughput stood at 445,100 head – which is 4% higher than levels seen in 2022, but similar to 2021. Both heifer and adult cow numbers remain elevated.

Inflationary Pressures:

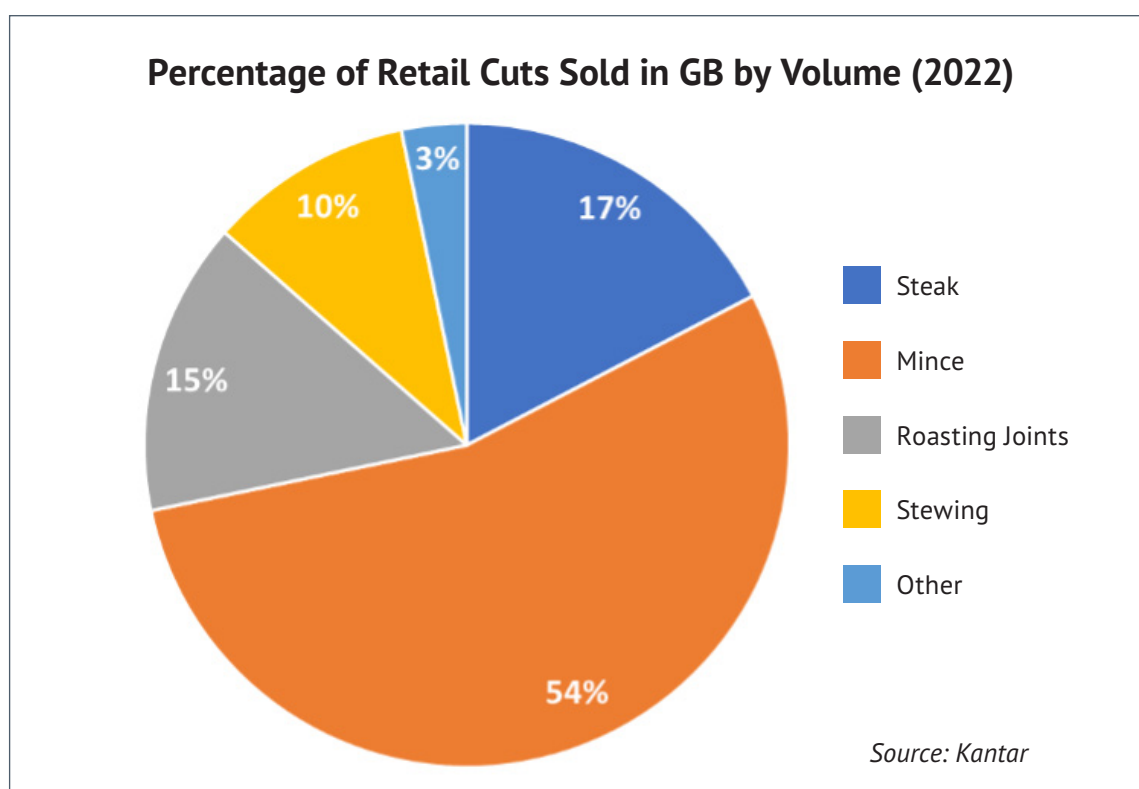
The high farm input costs due to inflation impacted the profitability of the red meat sector in 2022. Many farmers looked for ways to save on expenditure – such as reducing fertiliser use, reducing stocking rates, and improving efficiencies through utilising grazing techniques. Changes to fertiliser applications rates will inevitably have a knock-on impact on future forage availability. Input costs have

remained elevated going into 2023. If this persists, then farmers will continue to limit supplemented forage and feed to their herd, with some farmers potentially sending cattle to slaughter earlier. This would increase supply onto the market in the short term – although these cattle would likely be presented to slaughter with lighter carcass weights than anticipated.

Consumer Demand:

The demand for beef is changing as cost-of-living pressures are influencing consumer shopping and eating habits. These habits may include switching between cuts within a protein category (e.g., from beef roasting joints to beef

mince) or switching between protein sources (e.g., from beef to pork or chicken). For 2022, spend on beef at retail in Britain fell by 5% on the year, whilst volume sales were down by 12% according to consumer research specialists Kantar. Beef sales at retail performed strongly during the Covid pandemic, however current volumes (for 2022) are down some 19% on the highs of 2020. The proportion of beef sold as mince has increased to around 54% in volume terms in 2022 as consumers have switched to buy cheaper cuts in an attempt to save money. This rise in mince sales is likely providing support to the cull cow market, and is likely to continue to do so as the cost of living remains elevated.



Current Cattle Population

On 1 January 2023, the total number of cattle and calves on the ground in GB stood at 7.7 million head – down 0.2% (or 18,000 head) on 1 January 2022 according to the latest data from the British Cattle Movement Service (BCMS). Although the total herd size has remained relatively stable on January 2022 (-0.2%), and 2021 (+0.1%), the herd is smaller than both January 2020 (-1.4%) and 2019 (-3.4%)

The **beef herd** recorded a year-on-year increase of 0.5%, with the total number of beef cattle standing at 4.9 million head in 2023, whilst the **dairy herd** declined by 1.5% on the year to 2.8 million head. A 2% increase in the number of **male beef cattle** on the ground has driven the overall increase in the beef herd. The overall growth of the dairy herd was restricted by a 14% decline in **male dairy numbers** - likely as a result of the increased use of sexed semen within the dairy industry.

The population of cattle aged **under 30 months** in Britain increased by 0.9% on the year to total 4.9 million head by 1 January 2023, which is also a near 3% increase on numbers recorded in 2021. In contrast; the total number of cattle aged **30 months and over** stood at 2.8 million head – a decline of 2% on 2022, and 4% smaller than the population in 2021. The high adult cattle throughput shown in the Defra abattoir data is being reflected in the BCMS cattle population data. As a result, the **breeding herd** (*dairy and beef females aged 30 months and over*) stood at 2.7 million head, which is over 2% smaller than in 2022, and 4% smaller than in 2021.

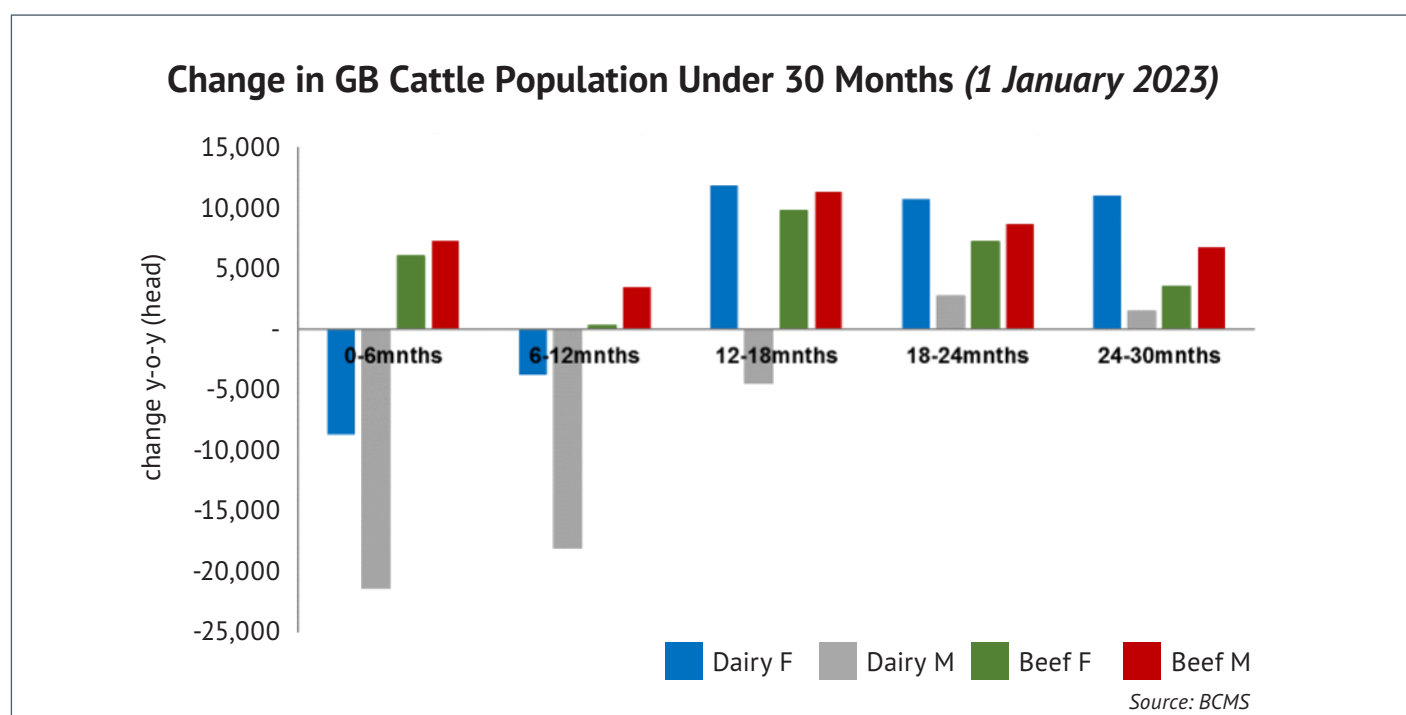
Looking Ahead

As previously mentioned, the total number of cattle aged **under 30 months** in GB on 1 January 2023 increased by

0.9% on the previous year. By breaking down the cattle categories and age brackets, it is possible to estimate the potential supply of cattle onto the market during the short and medium terms.

Short Term:

In terms of the potential supply of prime cattle onto the market in the short term (i.e. beef cattle and dairy males aged **12-30 months**), BCMS figures indicate there were 3% (or 47,000 head) more animals on the ground on 1 January this year when compared to 2022. All categories – apart from dairy males aged 12-18 months - recorded year-on-year increases in numbers. This suggests that supply in the short to medium term will be more plentiful when compared to year-earlier levels, whilst also noting that some of these cattle may be used as suckler replacements.



Beef males in the 12-18 month age bracket recorded the largest year-on-year increase in numerical terms (up 4%, or 11,300 head), whilst **beef females** of this age bracket also recorded a notable increase of almost 9,800 head. This will undoubtedly lead to an increased supply coming onto the market during the next 6-12 months, however, Defra throughput figures suggests animals are leaner. As a result,

abattoirs would have to compete for prime animals in order to produce the same volume in tonnage terms.

Longer Term:

Looking at the potential supply of prime beef production in GB during the longer term (i.e., beef cattle and dairy males aged **0-12 months**) the picture is slightly different. The

BCMS figures indicate that numbers are down by 1.0% on the year at almost 2.0 million head (although some of these cattle will be used for suckler replacements). This suggests that prime cattle supplies onto the market may tighten in the future – particularly as we are also experiencing a reduction in the size of the breeding herd.

A reduction in the number of **dairy males** aged 0-12 months has driven this decline in animals under 12 months of age. As dairy bred bull calves contribute to the overall volume of beef produced in the UK, a near 26% decrease in these animals will likely have a more profound impact on production levels in the longer term. The continued increased use of beef semen on dairy cows may counteract this further down the line as more beef-type animals will come from the dairy herd, but, the ongoing contraction of both the dairy and suckler herds (due to issues including increased input costs and associated effects on profitability) could act as a limiter for further growth in beef production here.

Looking further ahead, the contraction in the breeding herd across GB will lead to fewer calf registrations in early 2023,

which in turn will inevitably lead to fewer slaughter-ready animals being available into 2025.

Global Supply

The UK is around 80% self-sufficient when it comes to beef and veal production, with a strong domestic demand for beef hindquarter cuts, and therefore trade is important. During 2022, the UK imported around 302,600 tonnes of beef – an increase of 2% on 2021 levels, according to HMRC data. Ireland continues to be the dominant supplier despite volumes being almost 4% lower on the year, resulting in a market share of 65%. According to bord Bia, the throughput of cattle in Ireland is forecast to fall in 2023 due to a smaller herd, therefore there will be limited Irish product available for exporting.

The latest outlook published by the United States Department of Agriculture (USDA) forecast a marginal decline in global beef production volumes in 2023 to 59.2 million tonnes¹ (see Table 1).

Table 1: Global Beef and Veal Production Forecast for 2023
(selected countries summary)

	Beef Production Forecast (tonnes)	Y-O-Y Change
Brazil	10,560,000	+2.0%
China	7,350,000	+3.2%
European Union	6,700,000	-1.3%
United Kingdom	905,000	+1.1%
United States	12,053,000	-6.5%
TOTAL:	59,206,000	-0.3%

Source: USDA

¹Source: https://downloads.usda.library.cornell.edu/usda-esmis/files/73666448x/5d86qb08j/9p291n89n/livestock_poultry.pdf

As with the UK, markets across the globe are being driven by a tighter availability of cattle for slaughter at the moment – particularly in the US as droughts have impacted production. As a result, beef prices in the US remain firm, along with many other key exporting nations. The USDA outlook also forecasts an increase in beef import demand

from China as Covid-19 restrictions continue to ease. It's likely that Brazil and Australia will gain market share here as production in these countries are forecast to increase production levels. The tighter global supply, along with increased demand from China, will likely strengthen the demand for beef across the globe.

Summary

- Current farmgate prices for all categories of cattle are strong compared to historical levels.
- Inflationary pressures are influencing consumer shopping behaviour, and the decision making of farmers across the UK.
- Impacts of the dry weather conditions experienced last year, along with high feed costs, are visible in 2022 cattle slaughter numbers and carcase weights.
- The latest population figures from BCMS show that supply will likely be more plentiful in the short term when compared to year-earlier levels as there were 3% more cattle aged 12-30 months on the ground in GB.
- In the longer term, the potential supply of cattle in GB may tighten somewhat as the number of animals aged 0-12 months was down 1% on the year –with a notable reduction in the number of dairy males.
- Looking further ahead, the contraction in the breeding herd across GB will lead to fewer calf registrations in early 2023, which in turn will inevitably lead to fewer slaughter-ready animals being available into 2025.
- Farm input costs remain high so it's difficult to predict on-farm decisions. There may be a further increase in the number of adult cattle coming forward as a method to mitigate the impacts of current inflation, however, the ongoing contraction of both the dairy and suckler herds could act as a limiter here.
- The supply of beef on the global market is tight at the moment, and the USDA outlook does forecast that this tight supply will continue. As a result, beef continues to be in demand across the globe, which is providing support to the sector.

Notes

Data obtained from HMRC, Defra, and BCMS were reported at the start in March 2023 and are subject to revision.

Volume data is shown in tonnes (carcase weight equivalent).

Registration data obtained from BCMS does not include 'blank' data.



