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Meat Promotion Wales

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BETWEEN THE LINES

Beef Supply: Update and Outlook

April 2024

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Introduction

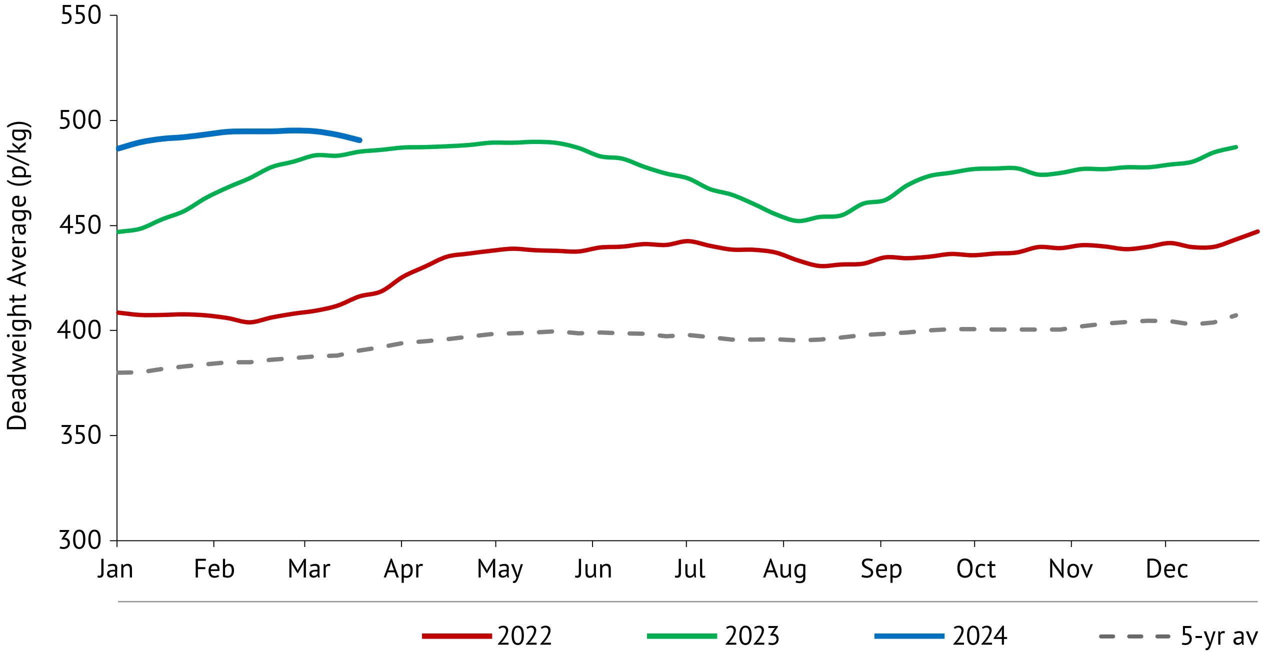
Farmers across Wales continue to be impacted by the cumulative inflation of agricultural inputs, with beef producers in particular experiencing a challenging environment due to higher costs, TB issues, changes in the political landscape, and weather conditions all at play. In this report, we take a look at what the potential supply levels will be for the year ahead and into 2025.

Current Market

Overall, the average deadweight price for prime cattle categories in England and Wales were strong during 2023, and remained above year-earlier levels for the entirety of the year. Steer average deadweight prices reached a high of £4.90 during mid-May – some 12% higher than year-earlier levels. Average prices recorded so far in 2024 for steers have already risen higher than the max price seen last year.

At the time of writing, the average was trending around the £4.91 mark in England & Wales following 9 consecutive weeks of price increases since the start of the new year. This is around 1% higher than year-earlier levels, and a further 26% higher than the longer term 5-year average. Heifers are also trending close behind these levels at around £4.91/kg, whilst young bulls averaged £4.66/kg at the time.

Graph 1: Average Deadweight Steer Overall Price in England & Wales



Source: AHDB

Deadweight prices for cull cows were more volatile during 2023. Averages for the first half of the year trended above year-earlier levels, however prices spent the second half below 2022 levels. In a similar manner to the steer deadweight prices; the cull cow average peaked at £3.87 at the end of May – which was some 8% higher than the same period in 2022. Current averages are trending around £3.46 at the time of writing, which is an increase of over 30p since the start of 2024, however the average is below the corresponding period last year by some 35p.

The UK produced 900,600 tonnes of beef and veal in 2023 according to data from Defra. This is a decrease of 2% when compared to 2022 – and the lowest annual volume produced since 2018. The lowered production levels were due to a 2% decrease in total cattle throughput to 2.77 million head, whilst average annual carcase weights for most categories were lighter year-on-year. Supply during 2023 was tight as a result. To note; heifer throughput has been elevated during the last 5 years and totalled 809,300 head in 2023 (up 0.4% on year-earlier levels). This suggests that the decline of the UK breeding herd is unlikely to revert in the immediate future.

According to data from HMRC, the UK exported almost 134,000 tonnes in 2023, which is 15% below year-earlier levels – largely due to less product available on the domestic market and subdued global demand. Looking at consumer demand on the domestic market; over 80% of households in Great Britain (GB) bought beef at some point during the year according to figures from Kantar, and therefore demand was largely robust. As cost-of-living pressures continue to influence consumer shopping and eating habits, mince sales continue to show strength in the retail sector. Looking at the total volume of beef sold at GB retail in 2023, mince accounted for 55% of this volume – which is a notable uplift from accounting for 50% back in 2021. Despite there being potential carcase balance implications if this trend continues, robust demand for beef has likely provided support to the sector during the year.

Current Cattle Population

The British Cattle Movement Service (BCMS) records the number of cattle on the ground across GB which gives an indication of population number and potential supply. On 1 January 2024, the total number of cattle and calves on the ground in GB stood at 7.7 million head – 1.2% (or 89,700 head) fewer than on 1 January 2023 according to the latest data from BCMS. The current herd size is also around 1% smaller than both January 2022 and 2021 too, and a notable 4.5% smaller than in January 2019.

The **beef herd** recorded a year-on-year decrease of 0.5%, with the total number of beef cattle standing at 4.9 million head in 2024, whilst the **dairy herd** declined by 2.3% on the year to 2.7 million head. A near 1% increase in the number of **male beef cattle** on the ground has reduced the impact of a decline seen in the number of female beef cattle. The overall growth of the dairy herd was restricted by a 17% decline in **male dairy numbers** - likely as a result of the increased use of sexed semen within the dairy industry.

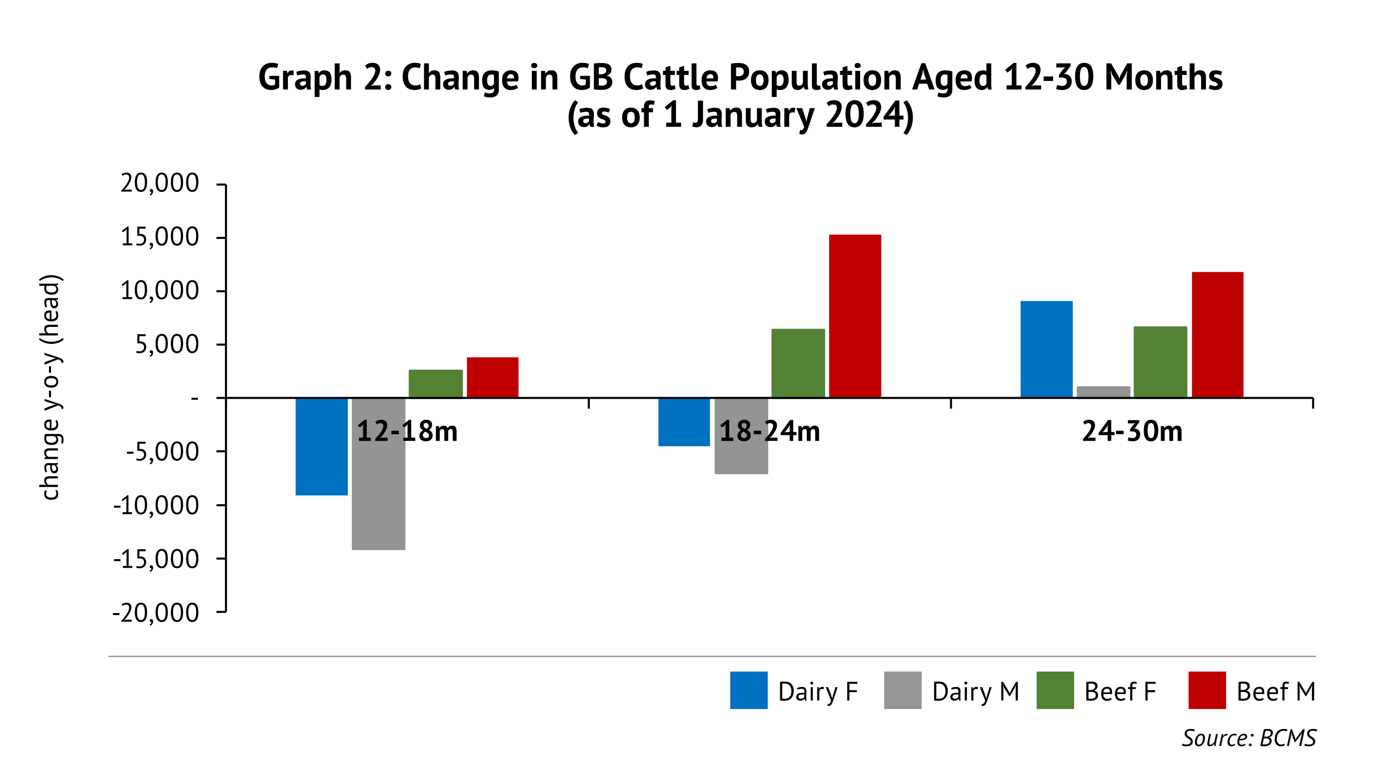
The number of cattle aged **under 30 months** in GB stood at 4.9million head, which although is a 1% decline on 2023, the current level is in fact similar to 2022 levels and almost 2% higher than levels recorded in January 2021. In contrast; the total number of cattle aged **30 months and over** stood at 2.8 million head – a decline of 1.5% on 2023, and almost 4% smaller than in 2022. The high adult cattle throughput shown in the Defra abattoir data is being reflected in the BCMS cattle population data.

Looking Ahead

As previously mentioned, the total number of cattle aged **under 30 months** in GB on 1 January 2024 decreased by 1% 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 2% (or 26,500 head) more animals on the ground on 1 January this year when compared to 2023 at 1.8 million head. All categories of beef animals in this age bracket recorded year-on-year increase in numbers, whilst dairy male numbers were down 18% in this age bracket.



Beef males aged between 18 and 30 months recorded the largest year-on-year increase in numerical terms (up 6%, or 27,200 head) and drove much of the overall increase seen in this category. **Beef females** of this age bracket also recorded a notable increase of over 13,000 head. This will likely lead to a sufficient supply of prime cattle coming onto the market in the short to medium term, however, some of these cattle may be used as suckler replacements, and also carcase weight data from Defra does suggest that prime animal carcases are becoming leaner (see Table 1 below). As a result, abattoirs would have to compete for prime animals in order to produce the same volume in tonnage terms.

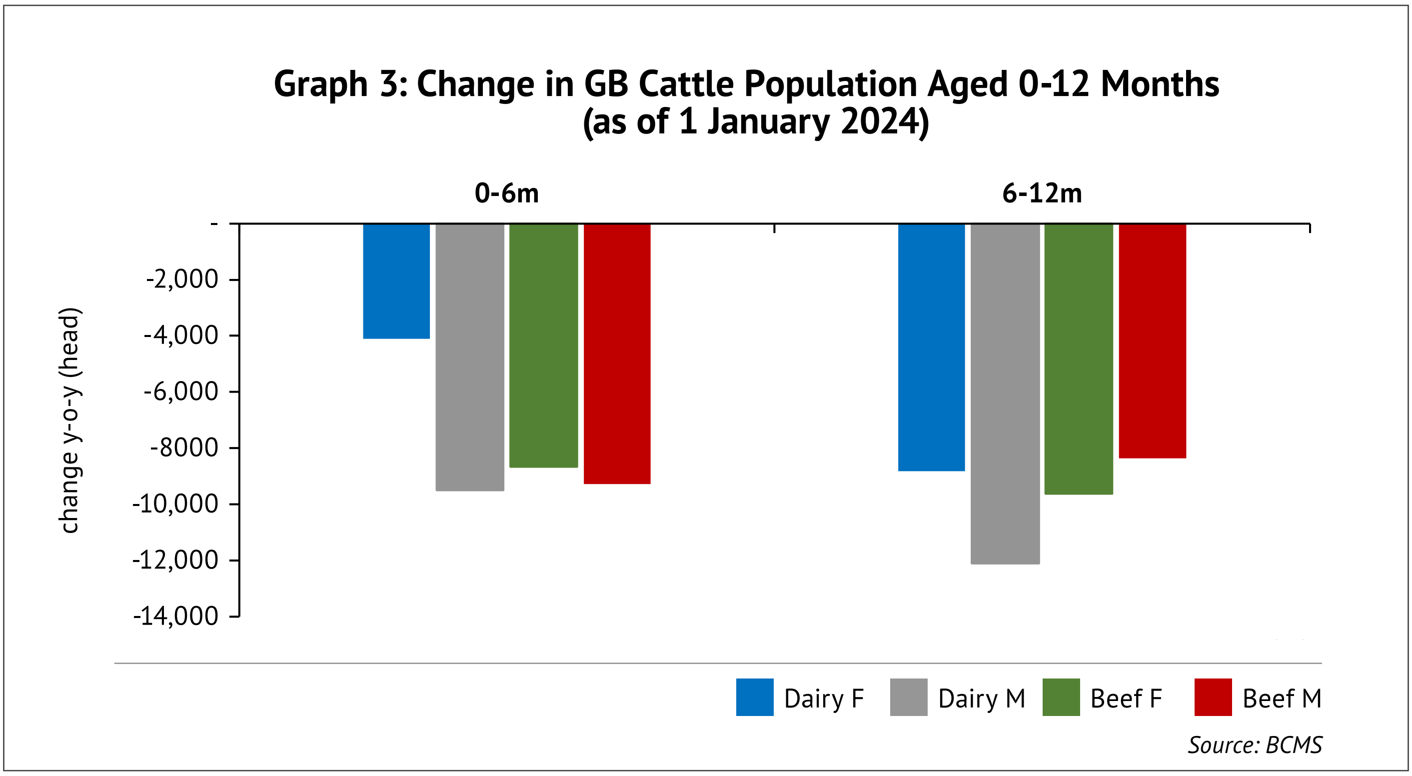
Table 1: UK Average Annual Dressed Carcase Weights (KG)

	Steers	Heifers
2019	362.8	324.5
2020	361.2	327.0
2021	360.7	327.1
2022	359.8	326.1
2023	356.4	321.8

Source: Defra

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 3% (or 57,500 head) on the year at almost 1.9 million head (although some of these cattle will be used for suckler replacements). 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 19% decrease (or 21,600 head) in the number of these animals on the ground will likely have a more profound impact on production levels in the longer term. The number of both beef females and males in this age category are down some 2% (or 18,000 head) each when compared to January 2023. This suggests that prime cattle supplies onto the market will likely tighten the further down the line into 2025 – particularly as we are also experiencing a reduction in the size of the breeding herd.



The GB breeding herd has been contracting during recent years, with the latest BCMS data indicating the size of the breeding herd in GB (i.e., beef and dairy females aged over 30months) stood at 2.7 million head in January 2024. This is a contraction of almost 2% when compared to 2023, and a notable 6% smaller when compared to January 2021. Despite numbers in clear decline, beef production volumes have not followed the same notable decreases - 900,600 tonnes of beef were produced in 2023, which is just 1% less than the volumes produced in 2021. This is likely as a result of changes to dairy calf management regulations, and increased use of sexed dairy and beef semen which have led to more animals becoming available for beef production. The decline in the younger cattle age category as discussed in this report does however indicate that perhaps the contraction of the breeding herd is beginning to outweigh the changes in insemination trends. A smaller breeding herd will result in fewer calf registrations, which will likely lead to fewer slaughter-ready animals being available on the domestic market in future years.

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 2023, the UK imported around 291,200 tonnes of beef – a decrease of 4% on 2022 levels, according to HMRC data. Ireland continues to be the dominant supplier despite volumes being some 2% lower on the year, resulting in a market share of 66%. According to Bord Bia, the throughput of cattle in Ireland was tight in 2023 and therefore there was limited supply available for export to the UK. Irish cattle supplies are forecast to tighten further in 2024, therefore we can expect subdued volume coming from Ireland.

Looking at beef production volumes on the global market for 2024; supplies are set to be tight following tighter cattle supplies from the likes of Argentina and the US. Considerable reductions in cattle numbers have been recorded in the US inventory, with the herd as its smallest size in 70+ years, the USDA is therefore forecasting a 6% decline in beef exports from the US in 2024. Lower cattle slaughter levels are also forecast for the EU – with production predicted to fall by 1% - due to multi-year herd contraction and subdued consumer demand. According to the latest outlook published by the United States Department of Agriculture (USDA), both Australia and Brazil will see increased production and likely gain market share in the US as supply tightens there – however Australia will be at an advantage here due to the US-Australia Free Trade Agreement. With both the EU and Ireland being closer to home and experiencing a tight supply, the forecast of plentiful supply on the domestic market may result in positive growth in the export market as beef demand remains firm across the globe throughout 2024 – however the competitiveness of the product on the global marketplace will also play a part here.

Summary

- **Farmgate prices for all categories of prime cattle are currently tending higher than year-earlier levels.**
- **Inflationary pressures are influencing consumer shopping behaviours, with the proportion of mince sold on the rise.**
- **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 2% 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 3% on the year.**
- **The GB breeding herd stood at 2.7 million head in January 2024 - a contraction of almost 2% when compared to 2023, and a notable 6% smaller when compared to January 2021.**
- **Looking further ahead, the decline in the younger cattle age category as discussed in this report does indicate the contraction of the breeding herd is beginning to outweigh the changes in industry trends, which will lead to fewer calf registrations in 2024 and therefore fewer slaughter-ready animals becoming available into 2026 and beyond.**
- **The USDA outlook forecasts a tight supply of beef on the global market int 2024, whilst Ireland and the EU will experience reduced production volumes.**
- **As a result, beef continues to be in demand across the globe, which may provide support to the domestic market as opportunities for increased exports arise.**

Notes

Data obtained from HMRC, Defra, and BCMS were reported in March 2024 and are subject to revision.
Volume data is shown in tonnes (carcase weight equivalent). Registration data obtained from BCMS does not include 'blank' data.