THE SCOTTISH RED MEAT INDUSTRY PROFILE

2013 EDITION
Introduction

This report draws together a wide range of the latest information on the Scottish red meat sector and encompasses the whole production chain from producer to final consumer.

The data has been collated from a number of sources, and, unless otherwise stated, covers the 2012 calendar year. The report’s objective is to provide users with a single source of key information on the shape and scale of Scotland’s red meat industry. This is the eighth edition of this publication, and it highlights the continued importance of the red meat sector to Scotland’s economy.

Despite a year of strong producer prices for cattle and sheep in 2011 leading to increased confidence, this failed to materialise into a significant upturn in stock numbers in 2012. Indeed, the beef breeding herd continued to contract, more mature stock were slaughtered than in 2011 and fewer beef calves were registered. Meanwhile, there was only a marginal increase in the ewe flock. Although there was further consolidation within the pig sector in 2012, including the closure of the largest pig abattoir in Scotland, and feed costs remained high, producer prices did end the year at record levels, and some optimism may have returned as the year ended.

While producers of beef benefited from strong prices, an extremely wet year contributed to increased incidences of fluke and poor grass growth and quality. Together these occurrences led to poorer cattle growth rates and a greater use of purchased feeds, pushing up production costs. Lamb producers experienced similar conditions, with the additional problem of a sharp fall in producer prices in the final third of the year. Meanwhile, pig producers saw feed costs spike due to tight global supplies of grains and soya.

Amid a weak general economy, the processing sector continued to struggle to pass on their increased cost of sourcing cattle and pigs. However, they may have achieved improved margins on sheep towards the end of the year as producer prices fell at a faster pace than retail prices. Nevertheless, tight supplies of sheep and cattle limited the volume of product they had to work with and consumption of beef, lamb and pork all declined in the year as a whole. Furthermore, other production costs, such as energy and distribution, also placed a squeeze on margins. In reflection of a difficult year for the processing sector, significant restructuring took place, but hopefully this has placed the industry on a firmer footing going forwards. However, concerns over future livestock availability intensified.

The UK’s overall trade in red meat fell considerably during 2012, with imports down 5% and exports 8.5% lower. On the beef side, imports edged higher and exports fell significantly as production volumes declined. Trade volumes in sheepmeat fell back as tight supplies at the global level limited imports in the first half of the year, while exports were held down by tight domestic supplies in the second half of the year. By contrast, an expansion in domestic pigmeat production reduced import requirements and exports of pork rose. However, overall, pigmeat exports declined as the UK shifted away from selling bacon and ham to the continent.

All in all, 2012 proved a difficult year for the Scottish red meat supply chain, with producers and processors ending the year nervous of the future. However, on the upside, the export trade should continue to present opportunities to achieve improved carcass balance, particularly as sterling weakened in value early in 2013. In addition, as 2013 began there were some signs of optimism finally returning to the UK economy.
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Executive summary

Farming and processing of red meat makes a significant contribution to the nation’s economic output. Net of subsidy payments and excluding ancillary industries and further processing, the sector generated revenues of just over £2.1bn during 2012. This was an increase of 2% on the previous year. However, with input costs rising, total value added is expected to have fallen and since the Scottish economy expanded by 0.3% in 2012, this meant the red meat sector contributed slightly less to the economy than in 2011, taking an estimated 0.7% share of GDP.

The rearing of beef cattle, sheep and pigs, together with the primary processing sector, directly employed approximately 27,000 employees and proprietors (both full and part-time).

The Scottish suckler herd decreased in size for a second year. In 2012 it was 1% smaller than in 2011 at 517,000 head. However, following more than a decade of declines, the breeding ewe flock edged higher by 0.6%, taking numbers back above 2.8m head. Further restructuring resulted in the sow herd contracting sharply for a second year. Sow numbers declined by 13% to 28,100 head.

For a second year, beef production, at the UK level, slowed as the year progressed and producer prices for cattle moved sharply higher. Farm-gate lamb prices weakened significantly later in the year, despite the negative impact of wet weather on domestic production as import volumes jumped. Pig prices finished 2012 on a strong footing, despite higher UK production. In real-terms, cattle producers saw prices outstrip increased living costs for a second year, while there were more modest real terms gains for pig farmers. By contrast, the average farm-gate lamb price fell 8% in real terms.

Cattle slaughtering at Scottish abattoirs fell 8% to 480,000 head, with the total volume of beef produced down by 7.5%. Revenues from beef sales nevertheless rose 4% as beef became a more expensive commodity. Both the sheep kill and the total volume of sheepmeat produced fell by 10% in 2012. However, sales revenue grew by 2.5% due to strong prices early in the year. The closure of the largest pig slaughtering facility in October 2012 resulted in the Scottish pig kill falling back by 7.5% in the calendar year. Due to restructuring, processor output fell 18.5% in 2012. Scottish red meat production in 2012 totalled 243,500 tonnes, a year-on-year decline of 21,400 tonnes, or 8%.

Beef retail prices averaged nearly 11% higher than in the previous year, while pork was almost 7% more expensive. Both outpaced the retail price index which increased by 3.2%. However, lamb prices averaged less than 2% higher, thereby making it a more competitively priced protein.

Annual consumption of red meat in the UK declined for a fifth year with consumption down across the three species. Higher retail prices for beef and pork stymied purchased volumes, while tight global sheepmeat supplies limited availability for much of the year.

On average, agricultural input costs edged higher in 2012. However, they began 2012 below year earlier levels, as many commodities had spiked in early 2011 before falling back sharply as the year progressed. This trend generally reversed in 2012, with prices reaching annual highs late in the year. Indeed, the combination of drought in the US and a poor UK harvest due to wet weather pushed up the cost of feed in the second half of the year. Energy costs also picked up in the autumn, due to the lagged effect of higher oil and gas prices. However, since oil prices were more stable relative to 2011, this held down annual energy cost inflation and pulled fertiliser prices lower.

Lower consumption reduced the UK’s requirement for red meat imports during 2011. Meanwhile, tight domestic supplies of beef and sheepmeat constrained exports.
Farming contribution

In 2012, Scottish agricultural output, excluding subsidies, totalled nearly £2.8bn. This was down by £20m (0.7%) from the previous year.

Output from the beef sector increased for a fifth consecutive year. However, output from sheep and pig farming declined, though it did remain higher than two years before. Increased beef sector activity more than offset the declines in sheep and pig farming, and overall output from livestock rose by £50m (6%) to £1.06bn from the prior year’s figure of just over £1bn. With agricultural output contracting, livestock farming’s share increased from 36% in 2011 to 38% of the total in 2012.

Beef production was once again the largest sector of Scottish farming, contributing £717m. This was up 8% year-on-year, and its share of agricultural output increased to nearly 26% from 23.5% in 2011. Output from finished cattle and calves grew by 2%, contributing £583.7m to Scottish agricultural output. Production of store cattle and calves also increased, rising 17% to £65.5m. Capital formation (the asset value of replacement breeding cattle) nearly doubled to £68.2m from £34.7m in 2011.

2012 was the first year in six that output from the sheep sector decreased. It fell by £5m (2%) to £261.4m. Nevertheless, its share of total agricultural production was relatively stable at just under 9.5%. 1 While output from finished sheep and lambs and store sheep declined, there were increases from wool and capital formation. Finished sheep and lamb production fell 4% to £202.3m.

Output from the pig sector contracted by 10% year-on-year to £77.8m, and its share of overall agricultural production fell slightly.

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1 Please note that throughout this publication charts and tables may not always add up to 100% due to rounding.
Livestock continues to be of greater significance to Scottish agriculture than it is either in the UK as a whole or, on average, in the EU.

Sheep production maintained its position as the most common farming activity in Scotland, with more than 28% of Scottish holdings involved in sheep production during 2012. 23.5% of holdings were involved in cattle production while 2.5% produced pigs. While cattle and sheep were produced on slightly fewer farms than in 2011, pig farming became more popular.

**Average herd and flock size**

The average size of a Scottish beef suckler herd was 51 cows, up marginally from the previous year, and nearly twice the size of the average UK herd.

The average breeding ewe flock, at 260 head, was also fractionally larger than in 2011. Scottish flocks remained significantly greater in size than the UK average.

Despite a slight increase in the number of holdings with pigs, continued restructuring of the sow herd resulted in the average Scottish breeding unit contracting in size by eight sows compared with 2011.

### Contribution to agricultural output

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle</td>
<td>25.8</td>
<td>15.4</td>
<td>8.1</td>
</tr>
<tr>
<td>Sheep</td>
<td>9.4</td>
<td>5.7</td>
<td>1.5</td>
</tr>
<tr>
<td>Pigs</td>
<td>2.8</td>
<td>4.8</td>
<td>9.1</td>
</tr>
</tbody>
</table>

Source: Scottish Government (2013a); Defra (2013a); European Commission (2013)

### Proportion of Scottish holdings with livestock enterprises

![Bar chart showing proportion of Scottish holdings with livestock enterprises](chart.png)

### Average herd and flock size

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef cows</td>
<td>51</td>
<td>50</td>
<td>28</td>
</tr>
<tr>
<td>Breeding ewes &amp; gimmers</td>
<td>260</td>
<td>259</td>
<td>218</td>
</tr>
<tr>
<td>Breeding sows</td>
<td>57</td>
<td>65</td>
<td>72</td>
</tr>
</tbody>
</table>

Source: Scottish Government (2012, 2013b); Defra (2012)
Cattle Production

During 2012, Scotland’s beef breeding herd contracted for a second year. In December 2012, the herd was 5,000 head (1%) smaller than a year earlier and stood at 517,000 head. By contrast, the dairy grew by 1,500 head (0.7%) to 219,000 head. The total cattle population decreased by 8,400 head (0.5%) during 2012 to stand at 1.72m head.

**Scottish cattle population**

The regional spread of cattle across Scotland remained concentrated in the south west and north east. Within the distribution, a general movement in store cattle from west to east can be seen. It is reflected by regions in the east of Scotland generally having a higher proportion of the total herd in comparison to their proportion of the breeding herd. This is particularly pronounced in North East Scotland, therefore emphasising the importance of cattle finishing to the region’s economy.

Scotland has a number of large cattle enterprises. As a consequence, 14.5% of holdings accounted for almost half of the beef herd in 2012, while 11.5% of holdings with prime cattle kept more than half of the Scottish total. However, the beef sector was less concentrated than sheep or pig farming.

The Scottish beef herd has contracted in size in six of the eight years since the CAP changed to focus on decoupled support payments in January 2005. In Scotland, there were 9% fewer beef cows in June 2012 than eight years previously. While each Scottish region has seen numbers fall since 2004, some areas have done better than others; and there is no clear pattern behind regional differences. Ayrshire had just over 2% fewer beef cows, while declines of less than 5% also took place in Lothian and the Western Isles. Meanwhile, breeding numbers declined by 6 - 7% in the largest cattle-producing regions, the North East and Dumfries & Galloway. By contrast, seven regions saw numbers contract by more than 10%, with Clyde Valley leading the way with 14.5% fewer beef cows in June 2012 than in June 2004.

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**Scottish cattle population**

<table>
<thead>
<tr>
<th>Year</th>
<th>Beef breeding herd</th>
<th>Dairy breeding herd</th>
<th>Total cattle herd</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>534 ‘000 head</td>
<td>222 ‘000 head</td>
<td>1,764 ‘000 head</td>
</tr>
<tr>
<td>2011</td>
<td>522 ‘000 head</td>
<td>218 ‘000 head</td>
<td>1,732 ‘000 head</td>
</tr>
<tr>
<td>2012</td>
<td>517 ‘000 head</td>
<td>219 ‘000 head</td>
<td>1,723 ‘000 head</td>
</tr>
</tbody>
</table>

Breeding herd comprises cows and heifers in milk, and cows and heifers in calf

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**Regional distribution of cattle**

**Regional decline in beef cows 2004 to 2012**
During 2012, 3,600 fewer calves were registered in Scotland than in the previous year. This came after two years of expansion. Numbers slipped back by 0.5% to just under 578,000 head.

The decrease in total calvings came despite an 8% rise in dairy sired calves. This increase, by nearly 8,000 head, was more than offset by an 11,600 head fall in beef sired calves. Nevertheless, beef calves still accounted for more than 80% of registrations.

Scottish calf registrations provide a leading indicator of potential beef production in the following couple of years. Since 2011 calvings exceeded year earlier levels, more animals should reach two years of age in 2013, and the availability of stock for slaughter should subsequently improve. Higher registrations of dairy bull calves in 2012 should also support slaughter stock levels in 2013, as they reach slaughter weight at around 12 months of age.

In 2012, 24% of calves born in Scotland were either Limousin or Limousin Cross. While Limousin retained its position as the most popular sire in Scotland, its share of the total fell from 25.5% in 2011 and from 26% in 2010. The decline in the share of Limousin calves was replaced almost one-for-one with black and white dairy calves (Friesians and Holsteins); their share rising from 15% in 2010 to 17% in 2012 and narrowly overtaking Charolais to become the second most popular sire, reflecting increased retentions of dairy-sired young bulls.

While the popularity of Charolais has eased slightly over the past couple of years, the proportion of Simmental-sired calves has held relatively stable, and the share of Aberdeen Angus has increased slightly to just below 15%.

Meanwhile, the popularity of other sires has edged higher. This includes a number of native breeds - in particular Beef Shorthorn, Hereford and Luing - which have seen numbers grow significantly in recent years, though albeit from a low base.

### Number of Scottish-born calves registered with BCMS

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Calf registrations</td>
<td>572,300</td>
<td>581,600</td>
<td>578,000</td>
</tr>
<tr>
<td>Of which beef sired</td>
<td>472,000 (82.5%)</td>
<td>477,500 (82%)</td>
<td>465,800 (80.5%)</td>
</tr>
</tbody>
</table>

During 2012, 3,600 fewer calves were registered in Scotland than the previous year.
Sheep Production

The number of breeding ewes in Scotland increased during 2012 for the first time in more than a decade. The ewe flock edged higher by 17,350 head to 2.815m - an increase of 0.6%. Nevertheless, breeding numbers were still 18% lower than a decade earlier.

There was also a rise in the total sheep population at the end of 2012. Since lambs grew more slowly due to the wet weather, more hoggs were carried over into 2013. The flock rose by 4.4% to 4.66m head – a four-year high.

<table>
<thead>
<tr>
<th>Scottish sheep population</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breeding sheep flock</td>
<td>2,845</td>
<td>2,797</td>
<td>2,815</td>
</tr>
<tr>
<td>Total sheep</td>
<td>4,585</td>
<td>4,465</td>
<td>4,663</td>
</tr>
</tbody>
</table>

Source: Scottish Government (2013c)

Scottish sheep population

Just three regions account for nearly 45% of the breeding flock. The Scottish Borders has the largest flock, with one sixth of the total, while Dumfries & Galloway has 14.5% of the total and Highland has a 13.5% share.

Although these three regions also have the largest share of the lamb population, regional variation in ewe performance leads to a different distribution. The Scottish Borders was home to nearly 19% of Scotland’s lambs in 2012, while Dumfries & Galloway had nearly 15.5% of the total and 11.5% lived in Highland region.

After the introduction of decoupled support payments in January 2005 the ewe flock contracted annually in Scotland until 2011. There were differing rates of decline across the country as areas in the north and west of the country with the highest proportion of the disadvantaged land and greatest distance from markets suffered most. Although there was a slight recovery in ewe numbers during 2012, little inroad was made into the supplies lost over the previous few years. Consequently, there were still around a quarter fewer ewes in Argyll & Bute, Highland, Orkney and Shetland than seven years before, while the ewe population in the Western Isles had consolidated to two-thirds of its previous size.

Scottish sheep production has a significant number of large units. Indeed, just 21.5% of holdings accounted for nearly three-quarters of breeding ewes in 2012. South East Scotland has the largest farms, with each having an average of 423 breeding ewes - more than double the Scottish average of 207.
Pig Production

Scotland’s herd of breeding pigs contracted markedly for a second successive year in 2012. The sow herd decreased by a further 4,100 head (12.7%) to 28,100 head, following a 13.6% contraction in 2011. Over the past decade, the herd has contracted by 44%.

The total number of pigs in Scotland decreased by a similar proportion. The pig population in December declined by 47,000 head to 321,100 head and has contracted by one-third over the past decade.

Continued industry restructuring drove the decline. On one hand, some producers left the industry due to tight margins, but on the other hand, some producers drew down their herds with the intention of rebuilding in the coming year using breeding stock with higher health status and productivity.

Scottish pig population

North East Scotland is home to the vast majority of the country’s sows. However, the region’s share of the national herd fell by two percentage points to 63% in 2012. The region lost nearly 3,400 sows and at 20,150 head, it stood at a three-year low. Of the thirteen other regions, four increased their herd size and one stood still. Fife and Dumfries & Galloway made the largest gains in 2012, adding 11.5% to their herds. By contrast, the Clyde Valley sow herd declined by 23.5%, while in Highland region there were 29% fewer sows than a year earlier.

Pig production remains highly concentrated within a small number of businesses. In 2012, just 11% of holdings with breeding female pigs accounted for 92.5% of the sow herd, while 97% of fattening pigs lived on only 15.5% of holdings.

### Scottish pig population

<table>
<thead>
<tr>
<th></th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pig breeding herd</td>
<td>37,300</td>
<td>32,200</td>
<td>28,100</td>
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<tr>
<td>Total pig herd</td>
<td>410,200</td>
<td>368,100</td>
<td>321,100</td>
</tr>
</tbody>
</table>

Source: Scottish Government (2013c)

### Regional distribution of pig breeding herd

Source: Scottish Government (2013b)
Primary processing contribution

Supply of Product to the Processing Sector

Cattle

Scottish abattoirs slaughtered 414,800 prime cattle during 2012 - 10% below the previous year's figure of 460,200 head.

However, slaughterings of mature cows and bulls increased in 2012, as 65,400 older cattle were killed compared to 63,600 killed in 2011. This 3% rise took throughputs of older cattle to their highest level since the mid-90s.

In 2012, the overall number of cattle killed at Scottish abattoirs and entering the food chain was 480,200 head - an 8% year-on-year decline.

Average carcase weights

In 2012, the average prime cattle carcase weighed 3kg heavier than in the previous year. However, they were still 2kg lighter than in 2010. While all three categories of prime cattle were on average heavier than in the previous year, cows were marginally lighter.

However, these annual average figures mask a significant change

<table>
<thead>
<tr>
<th>Average carcase weights</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>kg per head</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Steers</td>
<td>378</td>
<td>374</td>
<td>377</td>
</tr>
<tr>
<td>Heifers</td>
<td>328</td>
<td>325</td>
<td>327</td>
</tr>
<tr>
<td>Young bulls</td>
<td>351</td>
<td>344</td>
<td>343</td>
</tr>
<tr>
<td>All prime cattle</td>
<td>356</td>
<td>351</td>
<td>354</td>
</tr>
<tr>
<td>Cull cows</td>
<td>340</td>
<td>344</td>
<td>344</td>
</tr>
</tbody>
</table>
in carcase weights as the year progressed. Early in 2012, strong prices and lower feed costs had encouraged producers to increase cattle weights and the average prime cattle carcase weighed close to 360kg. By contrast, slower growth rates due to the effects of bad weather on the quality and quantity of available feed meant that carcase weights averaged 10kg lighter than their annual average during the final quarter of 2012.

Scottish abattoirs produced 14,000 fewer tonnes of beef in 2012 than in the previous year. As carcase weights averaged higher than in the previous year, this partially offset the decline in throughput to leave overall production volumes down by 7.5%.

During the year, the distribution of kill by gender changes. Steers and heifers are dominant throughout, averaging 80% between them in 2012, but this fell to three-quarters in the summer months when young bull throughputs peaked.

The share of the total kill by gender held pretty stable in 2012. Steer and young bull slaughterings averaged 45% and 7% of the kill, an identical share to the previous year. However, as heifer throughput fell furthest, its share slipped by one percentage point to 35%. By contrast, with the cow kill higher than in 2011, its share of the total cattle kill increased from 12% in 2011 to 13% in 2012.

Since the decoupling of subsidy payments in January 2005 there has been a change in the age pattern of prime male cattle delivered to abattoirs.

**Age of prime cattle at slaughter**

Since the decoupling of subsidy payments in January 2005, there has been a change in the age pattern of prime male cattle being delivered to abattoirs. The curve is flatter than in the past, as producers have been encouraged to sell some of their steers at a slightly younger age since there is no longer an incentive to keep steers until 22 months of age. The slight bias in the curve towards younger cattle in 2012 may reflect producers’ response to rising feed costs and slower growth rates during the second half of the year. In general, there has been little change in the slaughter age profile of female cattle since decoupling. However, in 2012 farmers sold their heifers at slightly younger ages than in the previous two years.
Sheep
In 2012, Scottish abattoirs killed 151,000 fewer lambs than in the previous year. With throughput totalling 1.34m, it was down 10% on the year and slipped to a seven-year low. The principal contributor to the annual decline was that lambs came forward much more slowly in the second half of the year due to the wet weather. Indeed, after a slow start to the year, slaughter numbers had trailed year earlier levels by less than 1% at the end of June, with new season lambs initially in higher supply than at the beginning of the 2011/12 season. Supplies were 17% short of year earlier levels in the second half of the year.

Average carcase weights in Scotland

The average lamb carcase in 2012 was fractionally heavier than a year earlier, at 20.3kg. However, carcase weights fell back significantly in the second half of the year as growth rates slowed.

A large decline in both lamb and mature sheep throughput saw overall sheepmeat production at Scottish abattoirs fall by 10% on the previous year to 28,000t.

Carcase quality

Just over 62% of the 2012 GB lamb crop achieved at least an R3L grading. This was around 0.5 percentage points lower than in the previous year and more than two percentage points down on the 2010 lamb crop. With reduced availability and quality of forage during the autumn of 2012, carcase quality trailed year-earlier levels. However, this reversed in the New Year despite both early 2012 and 2013 being characterised by a long tail-end of hoggs. Carcase quality was higher in spring 2013 as many hoggs were only just reaching adequate slaughter weights, whereas in the previous year many had been taken to heavier weights.
Pigs

The number of pigs slaughtered at Scottish abattoirs has been significantly affected by industry restructuring over the past couple of years. Whereas the addition of a slaughtering plant in September 2011 boosted production, as fewer pigs needed to be transported to England for slaughter, this reversed in the final quarter of 2012 as the largest abattoir ceased operating.

The total number of clean pigs killed at Scottish abattoirs during 2012 was 581,500 head, 7.5% lower than in 2011. However, this was still higher than the 574,000 figure for 2010.

**Average carcase weights in Scotland**

The average carcase of a prime pig weighed 1.2kg lighter than in 2011. Likely factors were higher feed costs and poorer feed availability which are likely to have encouraged producers to have presented their pigs for slaughter at younger ages and/or lighter weights.

<table>
<thead>
<tr>
<th>Seasonal supply of prime pigs to Scottish abattoirs</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="image" alt="Seasonal supply graph" /></td>
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<table>
<thead>
<tr>
<th>Average carcase weights in Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td><img src="table" alt="Weight table" /></td>
</tr>
<tr>
<td>Clean pigs</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>78.5</td>
</tr>
</tbody>
</table>

The Scottish Red Meat Industry Profile
Scottish Red Meat Abattoir Sector

Thirty-four licensed red meat abattoirs operated in Scotland during 2012, two fewer than in 2011. Of this total, 25 sites processed cattle, 25 processed sheep, and 21 processed pigs. During the year, some 2.51m animals were processed by Scottish abattoirs, a decrease of 6% on 2011.

### Scottish abattoir output

<table>
<thead>
<tr>
<th></th>
<th>Number of animals</th>
<th>Volume of meat (t)</th>
<th>Estimated value (£m)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2011</td>
<td>2012</td>
<td>2011</td>
</tr>
<tr>
<td>Cattle</td>
<td>523,830</td>
<td>480,320</td>
<td>183,860</td>
</tr>
<tr>
<td>Sheep</td>
<td>1,519,930</td>
<td>1,363,580</td>
<td>31,140</td>
</tr>
<tr>
<td>Pigs</td>
<td>628,930</td>
<td>582,480</td>
<td>49,950</td>
</tr>
<tr>
<td>Skins &amp; hides</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

### Scottish abattoir sector scale

<table>
<thead>
<tr>
<th></th>
<th>Cattle</th>
<th>Sheep</th>
<th>Pigs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Abattoirs killing stock</td>
<td>22</td>
<td>21</td>
<td>18</td>
</tr>
<tr>
<td>Proportion of kill in 5 largest abattoirs (%)</td>
<td>70</td>
<td>87.5</td>
<td>92</td>
</tr>
<tr>
<td>Proportion of kill in 10 smallest abattoirs (%)</td>
<td>3.5</td>
<td>3.0</td>
<td>2.5</td>
</tr>
</tbody>
</table>

Scottish abattoir output

It is estimated that the total turnover of the primary processing sector during 2012 fell by £4.5m, or 0.4%, to £1.05bn. An estimated net reduction in staff numbers by 150 meant that the average number of people employed by the sector in 2012 is thought to be approximately 4,050. However, the year-end figure will have been lower following plant closures in the final quarter of the year.

Though fewer prime cattle were killed in Scottish abattoirs during 2012, this was partially offset by an increased kill of mature animals and heavier average carcase weights. Nevertheless, production volumes declined by 7.5%. However, due to tight supplies, beef became a more expensive commodity and this resulted in turnover rising by 4.5% to £687m.

Despite a 10% decline in production, sheep processors managed to grow their revenues slightly compared to the previous year. This was down to improved revenues in the first half of the year, when sheepmeat had been valued much higher than in early 2011. Restructuring within the pig processing sector led to a sharp decline in the volume of pigmeat produced by Scottish abattoirs in 2012. Although pigmeat was more expensive than in 2011, higher unit prices were unable to offset the fall in production and overall revenues declined.

Sales of skins and hides were worth an estimated £27.5m to Scottish red meat processors in 2012.

Scottish abattoir sector scale

The cattle processing sector is more evenly spread in terms of capacity than the sheep or pig sectors. There are a number of medium-sized plants working with cattle, whereas sheep and pig processors tend to be either very small or very large.

During 2012, the five largest abattoirs in the cattle and sheep sectors increased their share of production, whereas it eased back amongst pig processors. The share of the kill in the 10 smallest abattoirs increased across the three species, as a number of smaller plants stopped killing stock.
The distribution of red meat sales by market outlet in 2012

<table>
<thead>
<tr>
<th>Multiple retailers</th>
<th>Beef</th>
<th>Sheepmeat</th>
<th>Pigmeat</th>
</tr>
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<tbody>
<tr>
<td>% by value</td>
<td>68.5</td>
<td>92.5</td>
<td>3</td>
</tr>
<tr>
<td>Independent retailers</td>
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<td>14.5</td>
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<td>Retail wholesalers</td>
<td>6</td>
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<td>18.5</td>
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<tr>
<td>Food manufacturers</td>
<td>11.5</td>
<td>&lt;1</td>
<td>51</td>
</tr>
<tr>
<td>Foodservice &amp; catering suppliers</td>
<td>9</td>
<td>5</td>
<td>13</td>
</tr>
</tbody>
</table>

The distribution of Scottish red meat sales in 2012

<table>
<thead>
<tr>
<th>Scotland</th>
<th>Rest of UK</th>
<th>Exports</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value (£m)</td>
<td>% by value</td>
<td>Value (£m)</td>
</tr>
<tr>
<td>Beef</td>
<td>213.5</td>
<td>31</td>
</tr>
<tr>
<td>Sheepmeat</td>
<td>18</td>
<td>9.5</td>
</tr>
<tr>
<td>Pigmeat</td>
<td>33</td>
<td>21</td>
</tr>
<tr>
<td>Total red meat</td>
<td>264.5</td>
<td>25.5</td>
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</table>

Distribution of Scottish red meat sales in 2012

England and Wales remained the largest market for Scottish processors in 2012, with two-thirds of all revenues being generated there. Between 2011 and 2012, there was a rebalancing of beef and sheepmeat sales towards the UK from markets further afield as domestic supplies tightened. On the beef side, a higher proportion of UK sales was generated in Scotland than in 2011 while the opposite was true for lamb. The distribution of pigmeat sales held broadly steady.

The Scottish processing sector continued to send less of its produce overseas than the UK as a whole. Tight supplies of cattle and sheep meant that Scottish processors had less meat to sell once their domestic contracts had been fulfilled, while a stronger sterling hindered competitiveness and placed downwards pressure on export prices in sterling terms. As a consequence, revenues generated from exports fell 27.5% year-on-year in 2012 and made a smaller contribution to total sales revenues than in 2011. Pigmeat exports continued to play only a minor part. Their share was unchanged, falling at a similar rate to overall sales.

Processors again derived the largest proportion of their revenue from boneless and part-boned primals. This reflects the operating structures of Scotland’s largest processors, where a number of firms based in Scotland are part of larger UK meat businesses and the majority of the processing of the carcase takes place at other locations in the UK.

Fifth quarter product is of increasing importance for cattle and sheep processors, and helps them to achieve better balance of the carcase. It is of particular importance to the export trade, accounting for approximately 20% of overseas sales revenues.

The higher proportion of sheepmeat sold to multiple retailers reflects the customer base of the small number of large plants killing sheep in Scotland.

Fifth quarter product has a considerably different sales pattern than carcase meat. As prices for these raw materials tend to be much cheaper than for carcase meat, the majority of fifth quarter product goes into the food manufacturing chain, where the ability to add value while holding prices down for a highly competitive market is imperative.

The wealthiest trio of Belgium, the Netherlands and Luxembourg are also significant customers for the Scottish industry, accounting for nearly 40% of beef sales, 20% of the market for lamb and 45% of fifth quarter product. Italy is the third most important country for Scottish companies, although this is mainly a market for beef. Just over 20% of beef sales were made in Italy in 2012, but only 4% of lamb revenues. Similarly, the wealthy Nordic countries are mainly buyers of beef from Scotland.

Overseas sales of red meat in 2012

As can be seen in the chart below, France was the principal destination for overseas sales of Scottish red meat. This is particularly true on the lamb side, where nearly three-quarters of sales revenues were generated in 2012. France was the second largest destination for both beef and fifth quarter product, taking respective shares of 21% and 45% of total sales.
Prices

General Economic Factors

Consumer Prices Index

The general level of inflation within the UK economy fell back in 2012. Having risen by 4.5% in the previous year, CPI rose by 2.8% in 2012. Part of the decline can be attributed to CPI being pushed up in the previous year by a change in the level of VAT. The weak UK economy will also have contributed to the decline, with weak consumer confidence placing downwards pressure on prices in many consumer-facing sectors.

At 3.1%, food price inflation was slightly higher than headline CPI in 2012.

Food price inflation fluctuated throughout 2012, ranging from a high of 4.6% in March to a low point in July at 1.7%. Prices grew by around 3.5-4.5% year-on-year between January and May, before slowing down in the summer to around 2% from June until September. As the impact of the summer spike in arable crop prices began to pass through the food supply chain, food inflation then picked up, reaching 4% by the end of the year. With wet weather bearing down on domestic meat production and leading to a poor crop harvest, lower supplies of domestically produced foodstuffs will have contributed to the increase in food prices in the final quarter of the year.

Taking 2012 as a whole, within the food basket, most prices grew much more slowly than in the previous year, with the only category to outpace its 2011 rate of inflation being food products (e.g. soup, ready meals and condiments).

Five of the nine food categories showed higher rates of inflation than the average level of food price growth. This included meat and fish, whereas the prices of dairy products and eggs grew much more slowly, particularly in the second half of the year.

Exchange Rate Movements

During 2012, sterling averaged 7% stronger against the euro than it had been in 2011, averaging €1 = £0.81. However, at its strongest in July and August, sterling traded 10-11% higher than a year earlier. A stronger sterling tends to make British exports more expensive in the European marketplace, while imports become relatively cheaper. In line with 2009 and 2010, sterling traded at its strongest level against the euro during the summer months but opened and closed the year at its lowest level.

Despite losing its competitive advantage relative to the previous year, sterling still remained much weaker against the euro in 2012 than it had been prior to the 2008 banking crisis. This suggests that Scottish red meat exports retained a large part of the competitive advantage they had gained from the sterling depreciation between 2007 and 2009. For example, in December 2012 the same price in euro yielded nearly 12.5% more in sterling than five years before. Hence lower euro prices can be charged in order to capture market share while maintaining, or even gaining, revenue in sterling terms.

The opposite was true for imports. Although currency movements against the euro made them relatively cheaper than in 2011, they were still considerably more expensive than before the 2008 recession.

Having strengthened relative to sterling over the course of the previous three years, the New Zealand dollar held more stable around the $NZ1 = £0.51 mark during 2012.
Nevertheless, the New Zealand dollar averaged 3.5% stronger against the pound than in 2011. This would either have placed upwards pressure on the cost of importing lamb from New Zealand relative to 2011, or have forced down prices in New Zealand dollar terms to remain competitive.

The exchange rate between sterling and the US dollar affects the price of globally traded commodities such as energy and protein feed, which tend to be denominated in US dollars. With sterling averaging 1% weaker against the dollar in 2012, it added to the cost borne by UK producers importing commodities. This was particularly true during the summer months of 2012, where sterling traded at its weakest levels of the year against the dollar but had been at its strongest in 2011.

A stronger US dollar exacerbated the effects of the significantly increased dollar prices faced by producers importing wheat and protein products. Since the dollar remained significantly stronger against the pound than prior to the 2008 recession, producers were more exposed to elevated commodity prices than in the past.
Price Movements

Producer Prices

Cattle

After a slow start to 2012, deadweight prime cattle prices began to pick up in February and grew at a steady pace for much of the year. However, in contrast to 2011, prices followed a more seasonal pattern with short-lived dips in May and late July/early August before a strong upswing for the Christmas trade. The annual peak for Scottish steers, at 373p/kg dwt in late December, was 9% above their low-point of 342.5p/kg dwt in late January. At 356p/kg dwt, the average producer price for a Scottish steer was 12% higher than in 2011.

Auction prices for prime cattle were more stable than deadweight prices during 2012, as the prime cattle average auction price held relatively steady around the 200p/kg lwt mark. Nevertheless, prices did slip below 195p/kg on three occasions: late January, mid-May and early October. There was also a seasonal lift in prices above 210p/kg towards the end of November and start of December as producers presented their best cattle to the market. Their annual average, at 199p/kg lwt, exceeded the 2011 average by 12%.

Although higher energy and food prices kept inflation above the Bank of England’s 2% target throughout 2011, cattle prices rose at an even greater pace. This resulted in a second year of rising producer prices in real terms, averaging 8.5% higher than in 2011.

2 Real prices: Where inflation is greater than zero, the price that the producer receives is lower in real terms than the market (nominal) price as the sales proceeds have less purchasing power in the wider economy than in the past due to a rise in the general level of prices. For example, a sales price of 400p/kg in period 2 would be equivalent to a price of 392p/kg in period 1 if the rate of inflation was 2%. As inflation increases, the real price diverges from the nominal price to a greater extent – with inflation at 4%, a price of 400p/kg in period 2 would be equivalent to just 384p/kg in period 1.
Sheep

Prime sheep prices opened 2012 at 204p/kg lwt, 18% higher than they had begun 2011. They then held relatively stable for the first half of the year, mostly trading in a range between 200-210p/kg lwt, although they did reach a new season peak of 224p/kg in the opening week of May. New season values peaked 18% lower than a year earlier. As a long tail of hoggs held down prices in the spring, there was a much smaller seasonal upturn than in previous years.

Producer prices also followed a different seasonal profile in the second half of the year. As would normally be expected, prices eased gradually between July and September as supplies of new season lambs began to pick up. However, despite a reduced volume of lambs on the market, prices continued to slide towards the year-end, failing to move higher as the festive period approached.

While new season lamb had been valued at similar levels to 2011 in July and August, prices fell below year earlier levels in mid-September. The discount to 2011 widened as the year progressed, closing 2012 at almost 30%.

Deadweight lamb prices reached their high of 467p/kg dwt in mid-May and fell to their lowest level of 339p/kg dwt as the year ended. Prices had begun 2012 15% higher year-on-year, but this slipped into a discount in April and May as strong supplies of hoggs held down prices. They then generally traded around 5% higher than 2011 levels towards the end of the summer, before falling behind again in September and closing the year more than 25% down on year earlier levels.

In the calendar year of 2012, deadweight producer prices averaged 5% less than in 2011, at 401p/kg dwt while the average price at Scottish auctions fell 6% to 183p/kg lwt. However, when adjusted for an annual RPI inflation rate of just over 3%, producers saw real terms prices fall 8-9% in 2012.

**Deadweight lamb prices reached their high of 467p/kg dwt in mid-May**
**Pigs**

At the beginning of 2012, prices fell back on low seasonal demand as the UK market was well-supplied with pigmeat. However, prices quickly recovered, rising through the spring and early summer to a seasonal peak at just over £1.50/kg dwt in mid-July, 1.5% below their July 2011 peak. They then began to ease back seasonally in August. However, this quickly reversed, and the GB DAPP lifted by around 10p/kg dwt in September and October. There were reports that some processors added a supplement to reflect higher feed costs faced by producers. In addition, the import market tightened up as supplies fell and prices picked up sharply on the continent. Producer prices edged higher through November and peaked at just over 161p/kg in December, closing 2012 up 9% year-on-year.

The average producer price in 2012 of 151.5p/kg was up nearly 5% on the year. This exceeded the general level of inflation in the UK economy, meaning that real-terms pig producer prices rose by approximately 1.5% over their 2011 level. However, as the cost of living had risen more quickly than the GB DAPP in previous years, producers received on average 9% less in real terms than in 2009.
**Store Prices**

**Cattle**

Store cattle prices started 2012 around 20-25% above year-earlier levels, and this was sustained throughout much of the first half of the year. However, prices steadied in May and then failed to pick up in the autumn as they had in 2011. In the second half of the year, prices averaged just 1% above year-earlier levels and exhibited a very similar trend to 2011.

Whereas prices for 12-18 month old steers held relatively stable at around £800-£900 a head from May through to the year-end, younger steers became much cheaper in the final quarter.

Compared with 2011 the average 6-12 month old steer sold at a price 15% higher than in the previous year; averaging £795/head. Store steers aged 12-18 months averaged 10% higher than in 2011, at £887/head.

**Sheep**

Store lamb prices fell back in the final quarter in a similar fashion to prices for finished lambs. As prices had lifted towards the end of 2011, this left prices trading one-third below year-earlier levels in November and December of 2012.

The average new season Blackface store lamb sold for just over £35/head in 2012, a 17% decline year-on-year.
**Producer Input Costs**

In 2012, input costs for farmers averaged slightly higher than in the previous year. This was principally due to a spike in costs during July and August, and then a further lift in December, as costs had closely matched their 2011 average throughout the first half of the year.

Energy and fertiliser costs began 2012 higher than year-earlier levels, reflecting the oil price which heavily influences them. The cost of oil was driven higher mainly by worries over Iranian oil supplies after sanctions were placed on the country’s exports. However, oil prices then cooled as other oil producers increased production and the global economy slowed. Energy prices then lifted in the final third of the year as domestic companies raised their gas and electricity tariffs.

Feed costs opened 2012 slightly below year-earlier levels, but then rose steadily over the first half of the year after a cold snap disrupted grains production in the Black Sea region. Feed prices then spiked in July as a severe drought hit the USA, leading to large downward revisions to global supplies of wheat, soybeans and maize. While prices fell back at the global level late in the year, they picked up again in the UK as the poor harvest lowered domestic supplies and led to increased imports.

Although farm-gate prices for beef and pork outpaced the agricultural input index in 2012, margins may well have narrowed for many producers as wet weather will have reduced the quality and quantity of forage, leading to increased requirements for purchased feedingstuffs. In addition to the weather, sheep farmers had a lower annual average price to factor in. In both the cattle and sheep sectors the weather slowed growth rates and extended finishing periods, leading to further upwards pressures on the cost of production.

<table>
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<tr>
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<td><strong>Energy</strong></td>
<td>149.8</td>
<td>177.0</td>
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<tr>
<td><strong>Fertilisers</strong></td>
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<td>229.3</td>
<td>220.3</td>
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<td>121.5</td>
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<td><strong>All means of agricultural production</strong></td>
<td>135.8</td>
<td>151.9</td>
<td>154.2</td>
<td>+1.5</td>
</tr>
</tbody>
</table>

Source: Defra (2013b)
Retail Prices

The RPI breaks food prices down into more detailed categories than the CPI. Within the RPI food basket, most prices grew much more slowly than in the previous year. Only beef and processed fruit posted double-digit gains, compared with eight foodstuffs in the previous year. Meanwhile, five showed deflation (falling prices), up from just one in 2011.

Retail prices for beef continued to rise in the first quarter of 2012, having begun to move higher in June 2011 in response to sharply rising prices at the farm-gate. However, higher retail prices began to bear down on household purchases and retailers held prices pretty constant for the remainder of 2012. UK beef retail prices averaged 11% higher than a year earlier and grew at the same pace as GB farm-gate prices.

After holding firm in the first quarter of 2012, well above year earlier levels, lamb retail prices then fell at a slow but steady pace after Easter. Falling producer prices at the global level, due to a recovery in supplies from the previous year, allowed retailers to lower prices and increase sales as lamb became more competitively priced against other proteins. Despite trending lower over the course of 2012, the annual average price for lamb retailed in the UK was 2% above its 2011 level. This was mainly down to the sharp increases in the first half of 2011, which meant that prices were well above year-earlier levels for much of the first half of 2012.

Pork retail prices trended higher throughout 2012 and lifted significantly towards the year-end in response to the higher cost of sourcing pigmeat from farmers. Retail prices grew by 7% in the year as a whole versus the 5% increase to producer prices, thereby indicating slightly wider margins of processors and/or retailers.
Index of input costs; producer and retail prices for beef

Index of input costs; producer and retail prices for lamb

Index of input costs; producer and retail prices for pork
Consumer demand

Beef consumption in the UK fell 2% to 1.04m tonnes during 2012. However, despite this being the second successive year that consumption had fallen, it remained above 2009 levels.

UK lamb consumption declined for a fifth year, reaching its lowest level in decades. The volume consumed in 2012 decreased by 5% to 283,100 tonnes and was 27% lower than five years before.

Consumption of pigmeat also fell for a fifth consecutive year. Volumes decreased by 1.5% as 1.33m tonnes were consumed (a 12-year low).

Overall, volumes of red meat consumed in 2012 fell 2.2% to 2.65m tonnes. This decline more than offset a 1.4% rise in poultry consumption, leaving total meat consumption down 0.8% at 4.46m tonnes in 2012. The decline in beef consumption was driven by lower production and tight global supplies, which limited imports while keeping overseas demand strong. Sheepmeat consumption was also lowered by tight domestic and global supplies. By contrast, pigmeat consumption fell despite an expansion in production volumes. Again, tight supplies at the global level pushed imports lower whilst also limiting the reduction in exports.

It is estimated that Scottish beef and sheepmeat production volumes exceeded consumption during 2012, whereas net imports of pigmeat were required to satisfy consumer demand. Beef production was estimated at 144% of consumption, sheepmeat production at 281% and pigmeat at 42%.

However, with Scottish production volumes of all three species declining in 2012, self-sufficiency was lower than in the previous year.

Source: Defra (2013c)
UK overseas trade

Details of imports and exports of meat into and out of Scotland are unavailable separately from UK figures. Consequently, this section summarises trade data for the UK as a whole and reflects the trade environment in which Scottish producers and processors operate.

Imports

Beef

Beef imports rose marginally in 2012 to a total of 236,200t. This was 700t higher than in 2011.

Closer examination of the figures shows that the UK imported 4,600t less fresh product, but this was more than offset by a 5,500t recovery in imports of frozen beef, taking them back level with their 2010 total. This was the first year in five that frozen beef imports increased, with the main driver being an increased requirement for manufacturing beef for the Olympics. Higher imports were required, as UK production volumes from mature animals declined in the first half of the year. However, frozen imports ended the year below year-earlier levels, as demand fell back following the Olympics and domestic supplies increased.

Ireland maintained its position of market leader in supplying the UK’s beef import requirements. However, its share of the market fell three percentage points as tight supplies led to reduced availability of supplies for export and the balance of shipments brought in from Ireland changed. 130,000t of fresh beef was imported, down 9,200t (6.5%) on the year, whereas deliveries of frozen beef increased by 1,400t (5%), reaching 29,900t. This reflected the Irish Republic’s position as the UK’s principal source of imported manufacturing beef, and shipments fell below year earlier levels post-Olympics.

With supplies tight in Ireland, more beef was bought from Germany, France and Holland. Holland captured 2% more of the UK market than in 2011 while Germany increased its share by one percentage point.

Of the UK’s principal third country suppliers, the most significant growth in shipments came from Brazil and Australia. Australia sent 20% more beef than in 2011 while Brazil almost doubled its deliveries to 3,500t.

Nevertheless, Brazilian deliveries were still only 10% of their 2004 record of 34,600t, before the EU imposed restrictions on imports. By contrast, imports from Uruguay fell 17.5% and 11.5% less beef was delivered from New Zealand.
Sheepmeat

2012 was a tale of two halves in terms of sheepmeat imports. Tight global supplies and relatively stable domestic production led to lower imports of sheepmeat in the first half of the year. However, this began to change in the summer and by August imports had begun to exceed year earlier levels. Then in the final quarter of the year imports rose sharply as production in the UK’s principal supplier, New Zealand grew significantly on the year, while slow lamb growth limited supplies of home produced lamb. In the 2012 calendar year, the UK imported 86,450t of sheepmeat - 2.5% below the previous year’s total of 88,700t.

Though supply side factors were a major contributor to the change in import volumes during the year, higher consumer demand from Easter onwards will have also played a part. As prices fell back at the global level in the second half of the year, it encouraged imports to make up for the shortfall in domestic product. Indeed, having averaged 12.5% more expensive in the first quarter of 2012 than in the same period of 2011, the average import price for sheepmeat from New Zealand was down 20% year-on-year in the final quarter of 2012. Import volumes from New Zealand were down 18% in quarter 1 but were 29% higher in the final quarter of the year.
Pigmeat

In 2012, the UK continued to import declining volumes of pigmeat. Imports fell a further 7% to 606,900t, a decrease of 45,000t year-on-year. Of this figure, 349,100t of fresh and frozen pork was imported, down 6% on 2011, while imports of cured pigmeat fell by 8%. As a consequence, fresh and frozen pork accounted for 57.5% of deliveries, taking a slightly greater share of the total than in the previous year when it made up 57% of imports.

In terms of fresh and frozen product, there were large changes to the sourcing of UK imports. Though Denmark retained its position as the largest supplier, its shipments fell 15% to 99,500t. This was a 28.5% share of the total, down from 32% in 2011. Dutch deliveries also declined, falling 17% to 49,000t, and its market share decreased from 16% to 14%.

By contrast, as Germany’s deliveries increased by a quarter, it moved above Holland into second place and took a 19% share of UK imports, up from 14% in 2011.

Other suppliers to gain market share included France and Spain with deliveries rising by 6% and 32% respectively. However, Ireland sent 16% less pork while imports from Belgium fell 23%.

As stated above, imports of bacon and ham also decreased in 2012. They were 22,500t down on the year at 257,800t, and monthly import volumes trailed year-earlier levels in 11 of the 12 months for a second year. Cured product accounted for 42.5% of the UK’s pigmeat imports.

During 2012, although Denmark exported 9% less bacon and ham to the UK than in 2011, it held its market share at 41%. Shipments totalled 105,900t, giving a year-on-year decline of 10,300t.

For a third year, the number two supplier, the Netherlands, increased its market share as its deliveries contracted at a slower pace than the overall decline. Shipments from Holland eased 2% to 104,500t, taking a 40.5% share of the total compared with 38% in 2011. Some of this share was captured from Germany as its exports to the UK decreased by a fifth to 32,200t. Consequently the German share fell back from 14% in 2011 to the 12.5% it had in 2010.

Of the smaller suppliers, Ireland performed best, increasing its shipments by nearly 50% and gaining a percentage point in market share. By contrast, France saw its exports of bacon and ham to the UK collapse from 5,400t in 2011 to less than 1,400t in 2012.
Exports

Beef

UK beef exports fell sharply in 2012 following significant expansion in 2011 when shipments had reached their highest volume since the mid-1990s. Exports decreased by 23,800t (17%) to 119,800t. Tight domestic supplies and a less favourable exchange rate were the main factors behind the decline.

The Irish Republic leapfrogged the Netherlands to become the UK’s largest customer. Exports to Ireland increased by 19.5% on the year to 41,250t and accounted for 34.5% of the UK total in 2012, up from 24% in 2011. Whereas the Netherlands took delivery of 39.5% of UK shipments in 2011, this fell to 32% in 2012 as volumes fell by nearly a third from 56,500t to 38,100t. In part, this shift away from the Netherlands may reflect a change in distribution method, with perhaps more sales going direct rather than through a Dutch port. There was a minor shift in composition of deliveries to both Ireland and Holland, with frozen product accounting for a greater share than in 2011.

Of the other significant European markets, there were considerable declines in shipments of 14% to Italy, around 25% to France and Germany and more than 60% to Denmark. However, Belgium bought 4% more fresh beef; although this was offset by a fall in frozen beef shipments.

Growth in deliveries outside the EU slowed to just 5% in 2012 following two years of greater than 50% expansion. Shipments outside the EU totalled 5,800t in 2012, accounting for nearly 5% of the total. In the previous year, 5,500t had been delivered to non-EU nations. Close to half of these shipments went to Ghana and Hong Kong/China. Although Ghana doubled its purchases of frozen beef to 1,400t, 20% less beef was delivered to Hong Kong/China, with shipments declining to 1,150t.

UK beef exports fell sharply in 2012 following significant expansion in 2011.
Sheepmeat

UK sheepmeat exports fell 1,800t (2%) below 2011 levels in 2012. Annual shipments totaled 94,900t. However, it was a tale of two halves with exports tending to run ahead of year-earlier levels in the first half of the year before contracting throughout the second half as domestic production fell sharply. Supplies in the southern hemisphere improved as the year progressed and this additional competition is likely to have affected UK exports, too. In addition to supplies, pricing will also have had an impact on trade volumes. On the one hand, a better supplied global market meant lower prices and this helped stimulate demand for UK sheepmeat. However, on the other hand, a stronger currency eroded some of the potential gains from lower sterling prices.

A weak European economy remained a significant headwind to UK exports in 2012. Deliveries to France fell by 12% to 52,300t, and this saw France’s share of UK exports decline by five percentage points. In addition, exports to Ireland slipped 17% on the year while Italy purchased a quarter less. However, some more progress was made into Germany as exports grew 3.5% to 8,900t and it cemented its position as the UK’s second largest sheepmeat customer, growing its share slightly to 9.5%. A similar rate of growth was achieved into Holland.

In reflection of strong demand for sheepmeat, exports to non-EU countries more than doubled in 2012 to reach 12,300t. Hong Kong accounted for much of this growth with its imports from the UK increasing by a factor of five to 7,300t. Other countries to increase shipments from the UK included Ghana, South Africa, the Philippines, the United Arab Emirates, Canada and Norway.
Pigmeat

In 2012, overall UK pigmeat exports decreased by 5% to 169,800t. However, exports of fresh and frozen pork actually increased by 7% to 154,300t, with this being more than offset by a more than halving of exports of cured product.

Export volumes of fresh and frozen pork were supported by higher UK production and lower domestic consumption. However, demand does not appear to have been boosted by the weak European economy leading consumers to trade down from beef and lamb into more competitively priced pork. Although shipments to the EU rose by just over 6,000t to 112,300t, this additional product went to Denmark and Sweden, possibly for use in further processing. Most other EU member states bought similar volumes to the previous year, except for France, which purchased considerably less.

Greater access to markets in Africa and East Asia also helped drive sales higher. Indeed deliveries to South Africa and Ivory Coast grew more than 10 times, while China purchased 11,500t of UK pigmeat in 2012 compared with 4,000t in 2011. Other areas of growth included the developed economies of Japan, Korea and Singapore. However, possibly in reflection of better direct access to the Chinese mainland, shipments to Hong Kong fell back sharply.

UK exports of bacon and ham declined by 55% on the previous year to 15,500t.
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