



MARKET REPORT - JUNE 2021

Purpose: *To provide an update on the cattle, sheep and pig markets and highlight the general economic conditions in which the red meat sector has been operating.*

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Data Disclaimer:

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AHDB

All deadweight price data used in this report is supplied to QMS by AHDB, who collect the data from reporting abattoirs each week and publish a consolidated set of data, regionally within GB for cattle, and GB-wide for sheep and pigs.

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Cattle Update

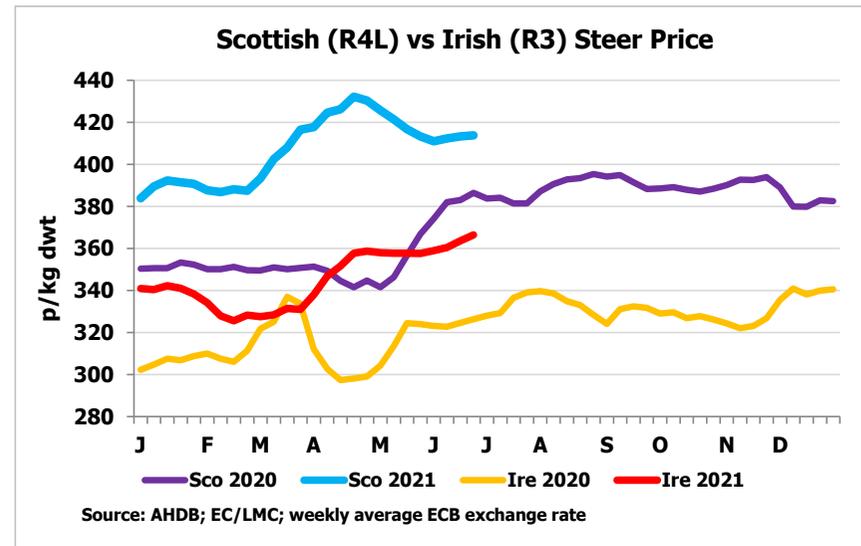
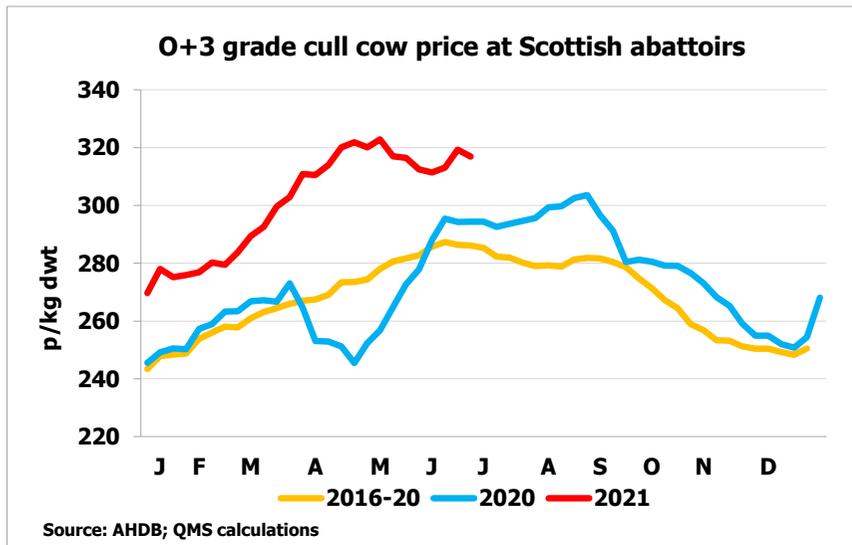
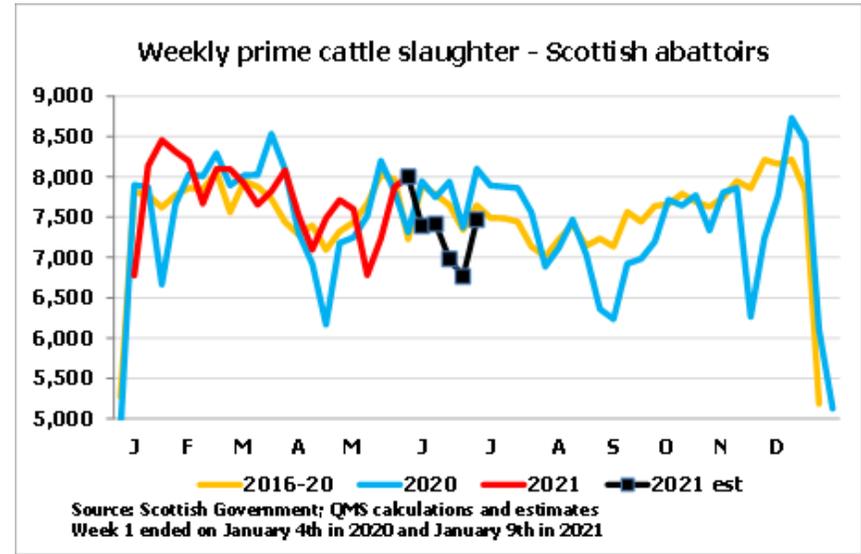
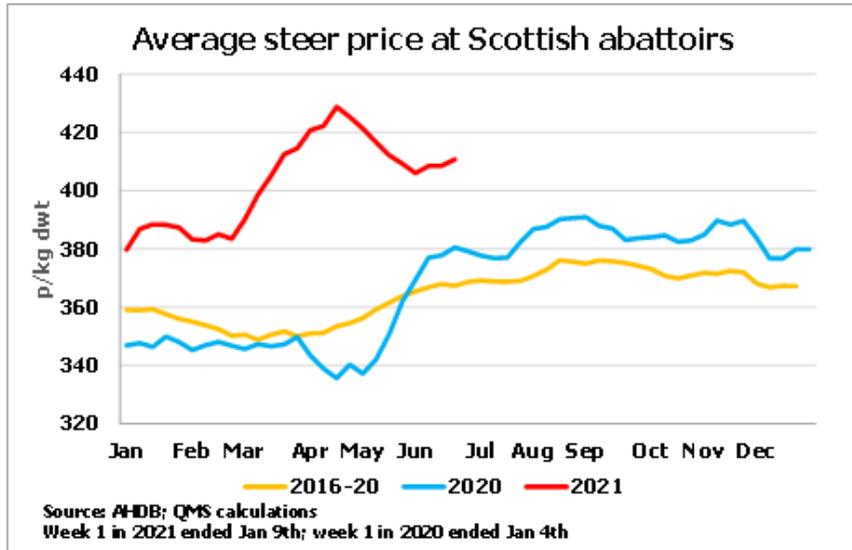
- After falling by 3.9% in May, prime cattle prices fell by another 1.6% in the first two weeks of June, slipping to a 12-week low of 405.3p. However, there was a small recovery of 1.1% over the next three weeks, taking the average to 409.7p/kg in the week to July 3.
- After peaking at over a quarter in late April and early May, the year-on-year increase fell sharply, dropping below 8% in the second week of June, before settling, given that the sharp recovery from the spring low in 2020 fizzled out in mid-June. From around 20% at the spring peak, the margin over the five-year average also settled in late June, at around 11%, while prices were around 1% below their 2013 record.
- R4L steers ended June at 413.9p/kg, bouncing 0.7% from their low point in the week to June 12, while R4L heifers traded at 415.6p/kg. A consistent premium for R4L heifers over steers since the beginning of February may reflect relatively tighter heifer supplies.
- At the end of June, R4L steers returned to marginal uplift over four weeks having shown a peak decline of 3.9% in early June, while the decline over eight weeks eased from a peak of 4.4% in the penultimate week of the month to 3.8%.
- The late-June price rally was considerably stronger in E&W, with three weeks of 3-4p average price increases lifting the average by 2.8% to 394.6p/kg.
- A stronger recovery in E&W saw the Scottish premium narrow sharply in June, declining from an average of 6.2% in May down to a 15-week low of 3.8% in the week to July 3, converging on the Q1 average of around 3.5%, when the seasonal trend is for the premium to be at its lowest in the first quarter and peak in the summer.
- For R4L steers, the Scottish premium also fell sharply in June, dropping from an average of 4.7% in May to end June at 2.1% - around half its five-year average for the time of year. From a low of 394.3p/kg in the week to June 12, R4L steers had rebounded to a seven-week high of 405.4p/kg at E&W abattoirs, with the year-on-year rise reaching 10%.
- BCMS cattle supply data from April showed a changing supply situation on Scottish farms. However, with a sharp increase at 12-18-months largely coming from the lower end of this range, slightly fewer at 18-24 months (and held up by females), plus a continuing reduction at 24-30 months (-4%), overall availability for slaughter is likely to remain relatively tight in the short-term. Numbers continued to look tighter in E&W.
- Weekly average prime cattle kill at Scottish abattoirs steadied at just under 7,500 head in May, remaining 4.2% below the average through Q1. However, it did reach its highest levels since late March in the second half of the month.
- Despite similar weekly average kills in April and May, slaughter pushed 7% above year earlier levels in the five weeks to May 1, before dropping 3% lower in the four weeks to May 29. This will, in part, reflect volatility around this time in 2020 due to market rebalancing and operational changes in the early weeks of the pandemic.
- Despite falling in May, the year-to-date prime kill closed May 1.2% higher than 2020. Steers drove the increase, with heifers only a fraction higher and young bulls down 9%.
- Prime cattle slaughter fell back sharply at price reporting Scottish abattoirs in June, with two of the four smallest kills of the year in the third and fourth weeks. While the week to July 3 saw a sharp recovery, volumes remained slightly below the year-to-date average.

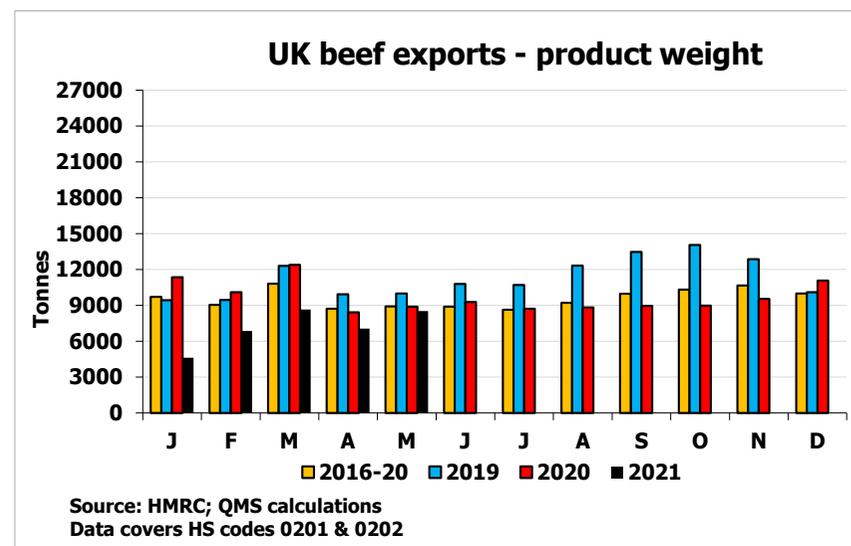
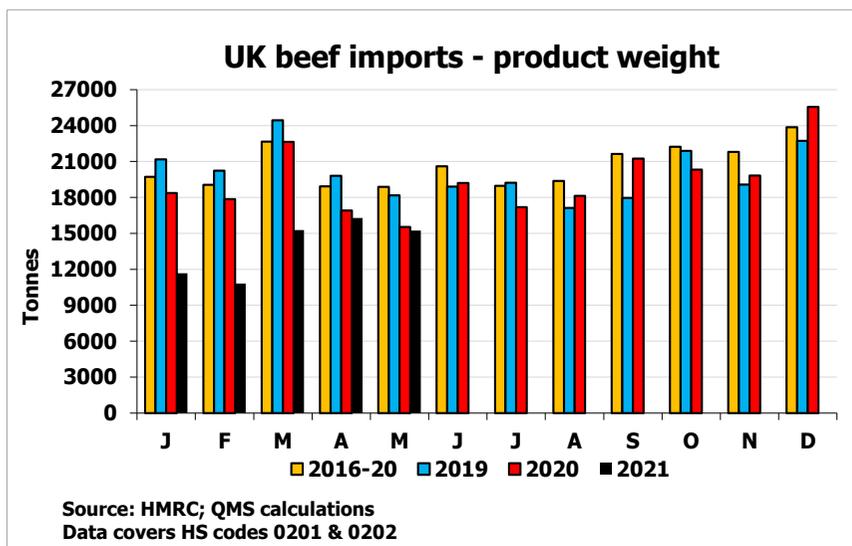
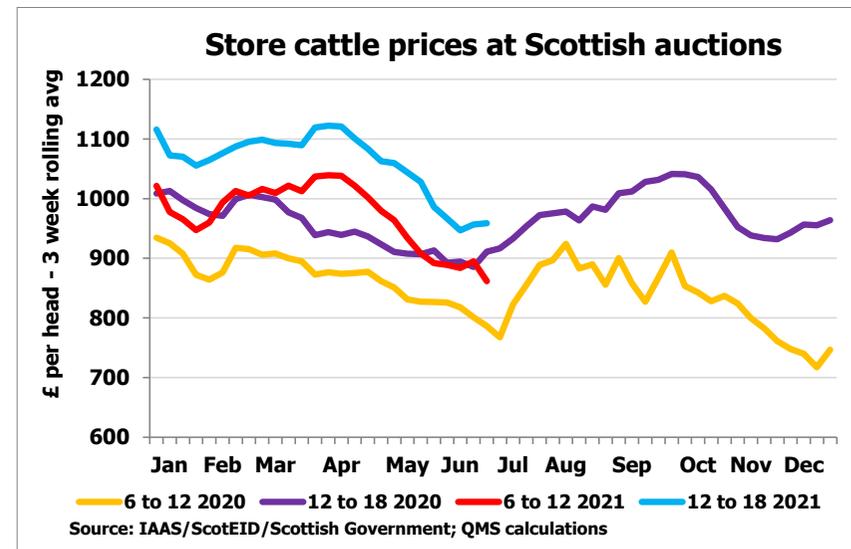
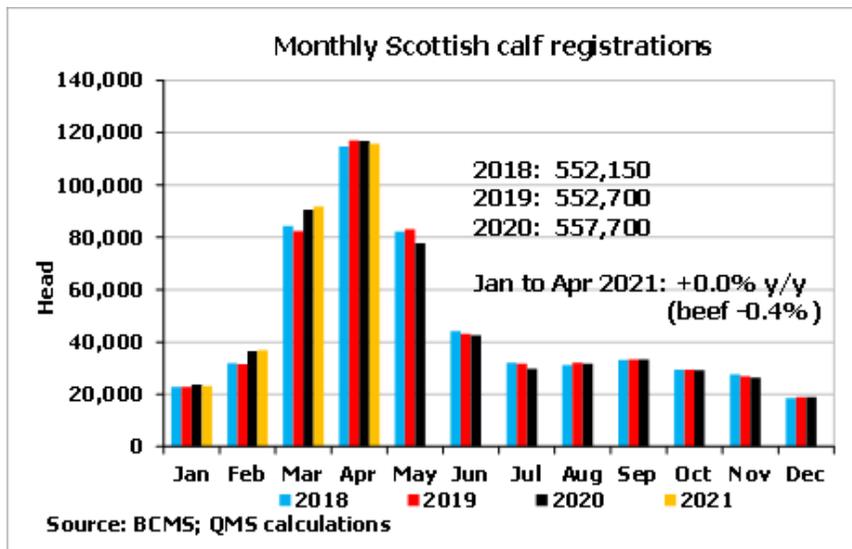
- At E&W price reporting abattoirs, numbers fell back sharply in early June, more so than in Scotland. However, there was then a smaller shortfall than in Scotland in the third and fourth weeks of the month. In the week to July 3, like in Scotland, numbers then recovered to around 1% below their 2021 average but held well below 2020 levels.
- Following declines in 2020, prime cattle carcase weights reduced further in the first five months of 2021 at Scottish abattoirs. In May, the average was down 0.7%, driven by steers, which averaged a year-to-date low of 380kg, while heifers slipped to 347kg.
- Defra data showed a further acceleration in year-on-year declines in prime cattle kill at E&W abattoirs in May, with the gap growing to 7.5%, from 6.9% in April, and 3.3% in Q1.
- At Scottish abattoirs, -U4L steers averaged 1.1p below R4L steers in June, similar to its year-to-date weekly average. For heifers, the lead for -U4L over R4L grades dipped to around 3p, from a year-to-date average above 4p. Meanwhile, the lead for R4L heifers over R4L steers continued to hover around 0.5%, having opened through February.
- Mature cattle slaughter averaged around 1,200 head per week at Scottish abattoirs in May, up from around 1,100 head between the second week of March and the end of April, but still around 13% behind its average of nearly 1,400 head in the opening two months.
- Mature cattle slaughter continued to exceed year earlier levels at Scottish abattoirs in May, with a 12.6% uplift falling just short of the year-to-date increase.
- After recovering from a seasonal low in mid-March to mid-April in May, weekly average cow kill at price reporting Scottish abattoirs steadied in June (though there was considerable week-to-week volatility), remaining below the year-to-date average. Numbers fell behind 2020 levels by 5%, reflecting the recovery in slaughter last year.
- Having fallen around 5% year-on-year in Q4 2020 and Q1 2021, May saw E&W abattoirs handle more mature cattle for a second month, up 5.3% on 2020 after April's 1.1% lift.
- After peaking at around 320-3p/kg between mid-April and mid-May, O+3 grade cows softened into June, trading at 311-13p/kg. They then bounced higher for a fortnight, approaching previous highs, before dipping to 317p/kg in the week to July 3. Prices spent June 9-11% above their five year average, down from 16-17% between Easter and mid-May, with the year-on-year increase slowing to average 8%, down from a peak of 30%.
- Defra meat balance sheets for Q1 2021 estimate a 7.5% reduction in UK beef supply as a fall in production of 3.3% was added to by a reduction in net imports (imports and exports both fell more than a third in carcase weight equivalent but import volumes started from a higher base volume). However, supply is estimated to have risen nearly 1% through April and May, with production edging up and net imports rising 5% above last year's low.
- In the 12 weeks to mid-June, domestic retail demand for beef remained firm. Although Kantar reported a 12% contraction in GB household spending on fresh beef below the highs of the 2020 spring lockdown, it held 7% above 2019 levels as an elevated frequency of purchase more than offset a small decline in the share of households buying it. Inflation remained muted at around 2% on 2019 and 2020, despite considerable uplift in farmgate beef prices. Meanwhile, burger sales were still nearly a third higher than in spring 2019.
- After a seasonal bounce in March, UK beef import volumes unusually rose further in April, likely reflecting increased buying in advance of the gradual reopening of the foodservice sector; though May levels were back in line with March, when often they would lift.

- While UK beef import volumes continued to trail 2020 levels in the spring, the margin narrowed from -36% in Q1 to -4% in April and -2% in May, reflecting the low levels of trade in the early weeks of the pandemic. Trade remained sharply below the five year average, but the gap narrowed from nearly 40% in Q1 to 13% in April and 19% in May. However, within this, imports of frozen beef rebounded well above the five-year average.
- Beef imports from the EU followed the general trend, and declined more slowly compared to 2020 in April and May, falling around 6%, having been 35-40% lower in Q1. Reduced imports from the EU will in part reflect reduced foodservice sector buying but also lower cattle supply in the Irish Republic and supply chain rebalancing due to restrictive rules limiting cross border movements of meat between GB and the EU without facing a tariff.
- Beef imports to the UK from non-EU countries showed a sharp recovery in the spring, more than tripling on a year earlier in April and May, with May volumes being higher than any month in 2020. The non-EU share of imports increased in each of the first five months, going from just 1.6% in January to 4.9% in May. Largely boneless beef, when converted into carcase weight equivalent, it will have had a greater impact on the market.
- UK beef exports were seasonally lower in April and May than in March but were still up more than a third from the lows of January and February, against the seasonal trend. Compared to 2020, volumes fell 16% in April then 4% in May, having been down 40% in Q1. Comparisons against the five-year average were similar in April and May.
- While UK exports to the EU performed better than trade with non-EU countries in April and May relative to 2020, trade was still around a quarter below the five-year average whereas exports to non-EU countries were up more than a third on the 2016-20 average.
- In the Irish Republic, prime cattle supply remains tight, and the kill fell around 9% below the 2017-19 average in June. June's weekly kill was similar to April and May, around 7% below the average in Q1; though cow slaughter has been seasonally higher since May. Compared to 2020, when processors had been working through the backlog from the start of the pandemic, prime slaughter was around 15% lower in June, and the cow kill by 18%.
- After steadying at around 358p/kg between late May and early June, Irish R3 steer prices trended higher for four weeks, reaching 366.5p/kg in the week to July 3. With sterling edging higher over the period, the 2.5% increase in sterling was marginally slower than the lift in euro. At the end of the month prices were around 11% higher than last year in sterling and up 17% in euro, with a stronger sterling boosting Irish competitiveness.
- After peaking at 26% at Easter, the premium for Scottish R4L steers over the Irish R3 had halved by the end of June, slipping a percentage point below the 2020-weekly average.
- In the US, wholesale beef continues to trade at an unusually high premium to farmgate values as labour supply shortages limit slaughter capacity. As a result, US beef is much less competitive on the global market than suggested by farmgate values, which climbed to around 315p/kg in the second half of June after a period at just under £3/kg. The Scottish premium has fallen back to around 31%, having peaked at 43-44% in May and averaged 38% since June 2020.
- Cattle by-product value (hides, offals, fats etc) in the US continued to trend higher in June, supported by global economic recovery, ending the month around 84% above 2020 levels in USD and by 64% in p/kg; the difference reflecting the weak USD. By-product was worth above 20p/kg lwt in late June compared to 15p in January and a 2020 low of 12p/kg.

- Store cattle marketings continued to fall back from the spring peak, totalling only 300-400 head per week for steers aged 6-18 months in the three weeks to July 2, only around 10% of their average through the spring. In the five weeks to July 2nd, numbers were down by nearly two-thirds on last year. In part, this may reflect increased sales during the spring.
- Store cattle values cooled further from their seasonal peak in June, with prices paid for 6-12 month steers averaging 4.4% lower than in May, at £886, while 12-18 month steers were down 8.3% at £952. In both categories, this meant that values were around 13% lower than in March and April. In the younger group, prices held around 12% above 2020 levels but the gap more than halved to 6% in the older group. In April, the increases had peaked at 18%.

Cattle Charts





Sheep Update

- New season lamb volumes continued to build at Scottish marts through June, though the weekly pace slowed from around 50% in late May and early June to below 10% in the final week of the month. However, some of this slowdown in the final week of June is likely to have been driven by a sharp fall in market prices, with marketings then jumping by 36% in the opening week of July after the market bounced off its new season low.
- At GB level, new season volumes were more volatile, falling back in the second and fourth weeks of June, before surging into July, with late-June and early July likely influenced by market conditions. Despite surging into July, volumes looked too low for a pre-festival peak, suggesting that peak procurement for Eid al-Adha had yet to take place.
- With old season lamb availability dwindling, new season supplies went from 42% of sales at Scottish marts in the week to June 2 up to 90% in the final week of June, and then over 98% at the beginning of July. Reflecting the earlier lambing south of the border, new season lambs rose to 98% from a higher share of 79% at the turn of June.
- This year's lamb crop is anticipated to have fallen back from 2020 levels across GB due to the cold wet spring and last year's significant increase in lambs to ewes ratios.
- Through June, auction data continued to fit this pattern of reduced supply, with numbers down around 10% year-on-year at Scottish sales, having been 28% lower in May. Across GB, May's 8% decline accelerated to 13% in June, with numbers still trailing 2020 in the opening week of July (-6.5%) despite rebounding strongly.
- It should be noted, however, that marketings have been above their five-year average in most weeks since the start of May, proving nearly 5% higher in June.
- The early trading period for new season lambs has been characterised by price volatility.
- New season lamb prices recovered quickly from a post-Ramadan dip in mid-May, approaching 330p/kg at Scottish marts as June began, back to within 5% of the early May peak. However, conditions quickly changed, with prices falling below £3/kg on June 15th and reaching a low of 233p/kg on Thursday 24th, down 18.5% on the week and even 1% lower than last year.
- With market volumes seemingly responding to pricing signals in late June, prices bounced to around 245p/kg on the 28th and 29th, then approached 260p/kg in early July. While prices averaged 9p higher at 252p/kg in the opening week of July, the volatility continued, with a rush of lambs appearing to dampen the trade again, with prices down over 4% on the week at 238p/kg on Wednesday 7th. On Thursday 8th, prices were then 5% lower.
- Having traded at a discount to E&W marts for the first three weeks in May, Scottish prices averaged above E&W levels in five of the next seven weeks.
- After opening June around 38% above 2020 levels, the price rebalancing during the month saw the gap close to 6% in the final week of June, before widening again, opening July at nearly 13%. Meanwhile, the rise above the five-year average slowed from over 40% to end the month at 15%, before widening to 25% again in early July.
- From 660-670p/kg at GB price reporting abattoirs in late May and early June, lamb prices fell sharply over a four-week period, with the pace accelerating over time. A decline of 22.5% saw R3L carcasses in the 16.5-21.5kg medium range drop to 516p/kg. After eight

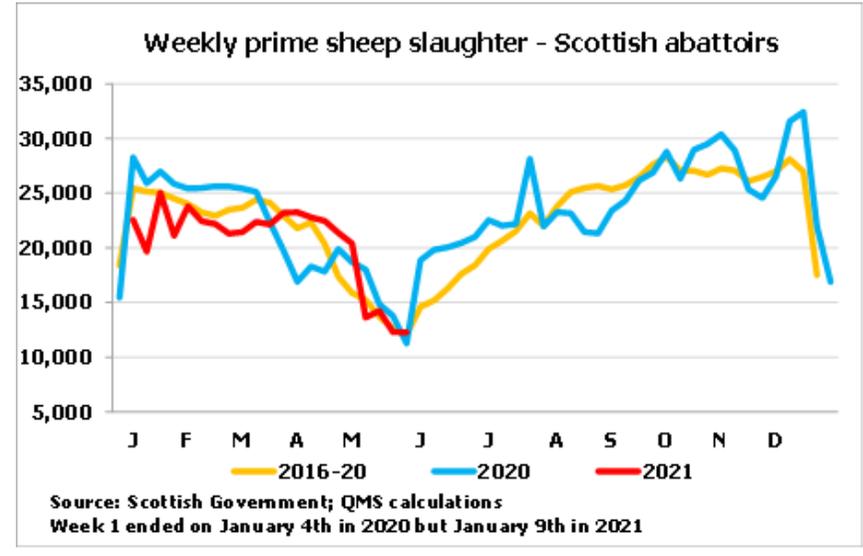
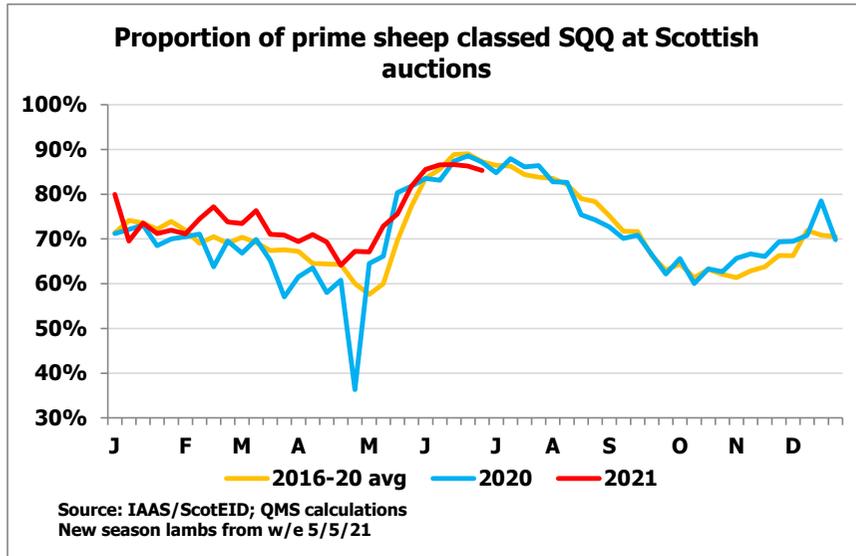
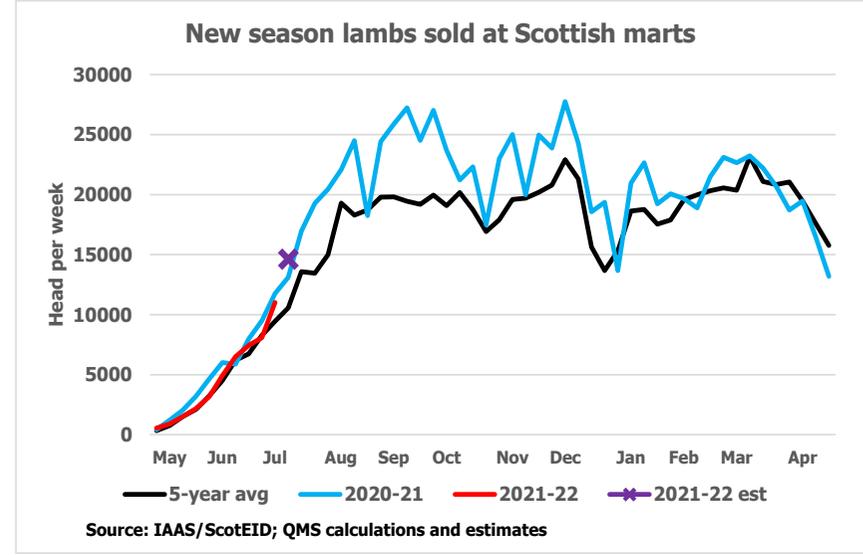
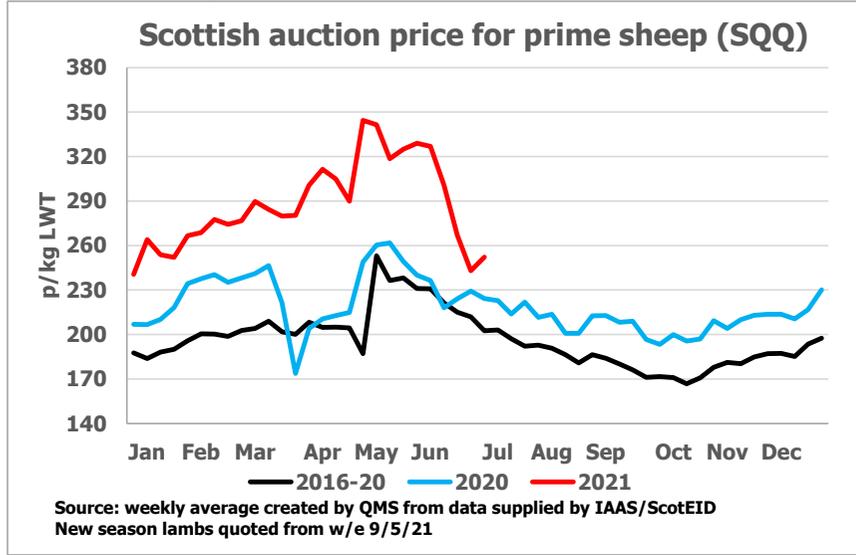
weeks averaging 25-35% above 2020 levels, the margin narrowed to 6% in the week to July 3, with values down more than 28% from their new season peak.

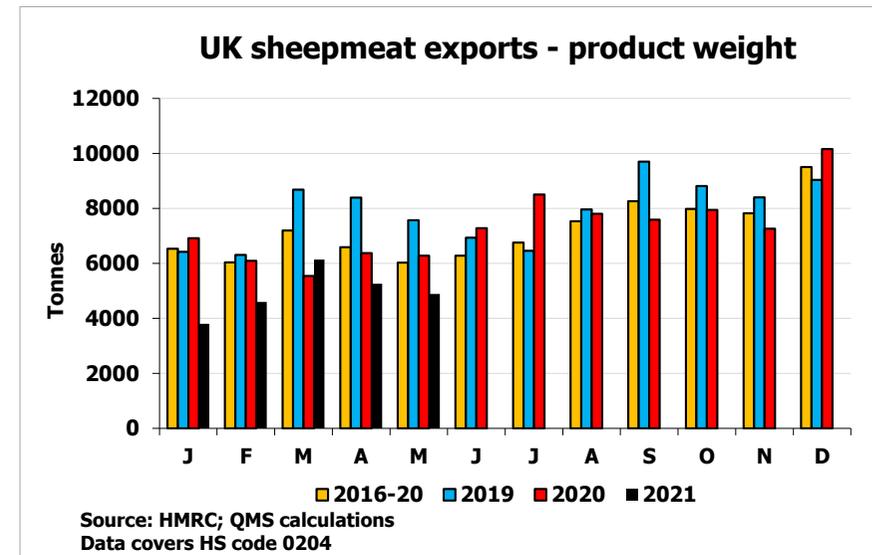
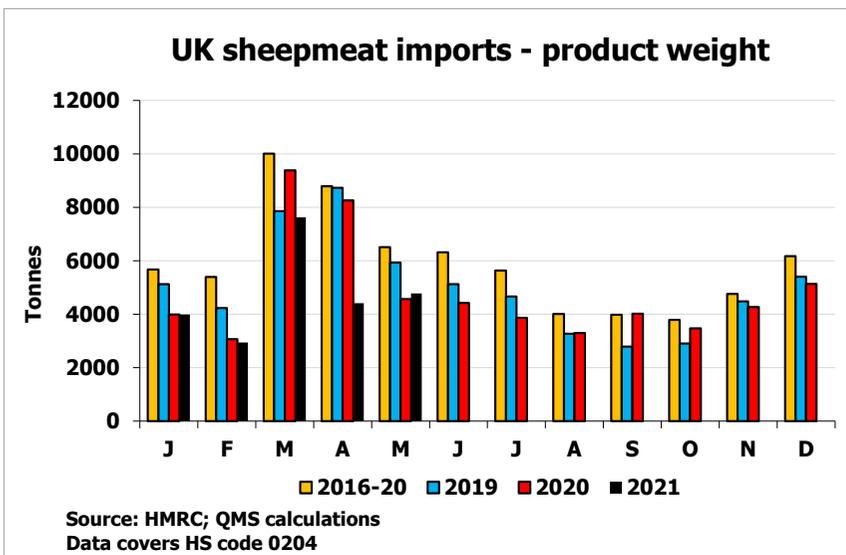
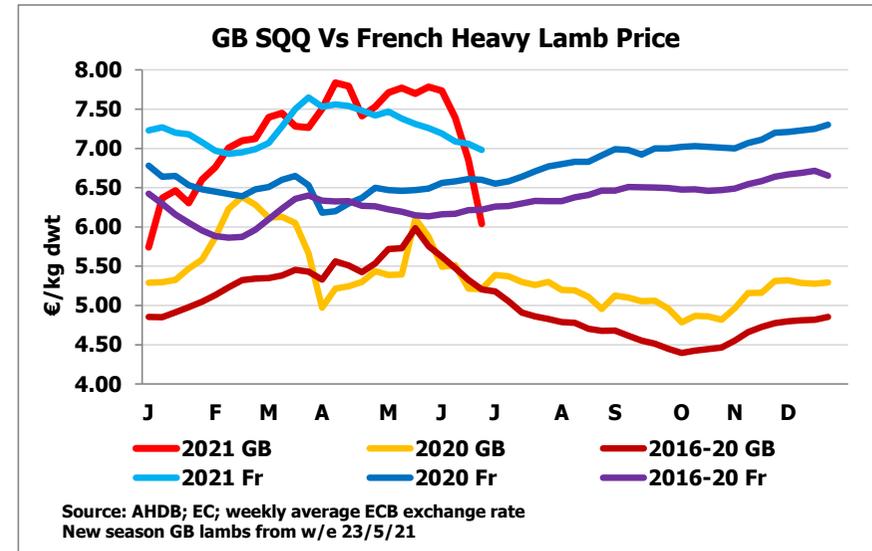
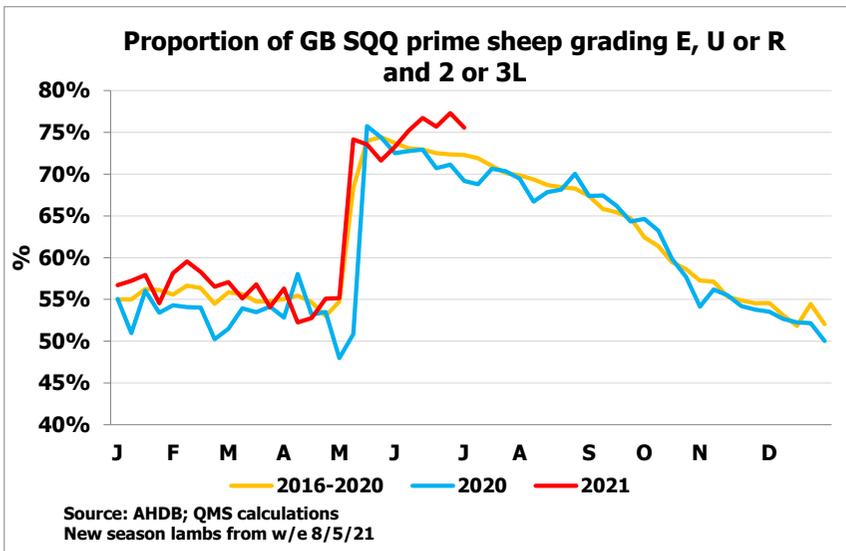
- After opening June at around 230p/kg, hogg prices spent much of the period between June 8th and early July averaging around the £2/kg mark.
- Prime sheep slaughter dropped to a seasonal low at Scottish abattoirs in May, averaging 13,100 head per week. This was down by 41% on the average in the first third of 2021. Throughput also fell by 9.4% on the year.
- At E&W abattoirs, the prime sheep kill lagged 2020 for a fifth month in May, down 6%.
- Prime sheep slaughter trailed 2019/20 levels by 2.6% at Scottish abattoirs between June 2020 and May 2021, totalling 1.189m head. Over the same period, the prime kill fell 1.2% at E&W abattoirs, meaning a 1.3% reduction across GB. Given a higher June 2020 lamb crop in Scotland, the figures point to increased cross-border movement for slaughter.
- In May, lamb carcass weights fell below an average of 20kg at Scottish abattoirs for the first time since August, averaging 19.86kg. This meant a third successive month of year-on-year declines, with the gap widening to -1.5%.
- Having contracted by more than 15% in 2020, ewe slaughter at GB abattoirs continued to slide sharply on a year earlier in the first five months of 2021, falling almost a quarter.
- Cull ewe marketings began to climb seasonally in June at Scottish marts, initially rising around a quarter above their average through April and May, before surging by 55% in the opening week of July, reaching their second highest level of the year.
- The cull ewe trade had a very firm Q2, spending the period 10-40% above year earlier levels, with values trading between £92-£108 per head in twelve of the thirteen weeks at Scottish marts. Moving into July, prices rose by around 2.5% to £100 despite the surge in auction volumes, reflecting firm demand in the run up to Eid al-Adha; though like for lambs, prices did begin to cool again towards the end of the week. Then, on Thursday 8th, prices slumped to a four-month low of £72 as marketings more than trebled.
- Defra's meat balance sheets estimated a 7% contraction in UK sheepmeat supply during Q1 2021 as a rebound in net imports (in carcass weight equivalent) partially offset a 10% fall in domestic production. Through April and May, supply remained tight as production fell nearly 7% while exports were higher than imports in product weight terms.
- At the same time as market supply has been lower, retail demand for lamb has been stronger. Kantar reported that in the twelve weeks to mid-June, GB households spent 7% more money buying fresh lamb than a year earlier, and nearly 4% more than two years ago. Fewer households bought fresh lamb this year, but they bought it more often.
- Sheepmeat imports to the UK climbed seasonally in March ahead of Easter, totalling higher than January and February combined. Moving into April, volumes plummeted, down 46.5% on a year earlier, as Easter moved forward in the calendar. In March and April combined, imports were nearly a third behind 2020 levels, and 36% below their five-year average. While May saw some recovery on the month and year, volumes were still more than a quarter below their five-year average.
- Beef + Lamb NZ report that NZ exports to the EU and UK continued to exceed the low levels of 2020 in May but were still nearly a third below their five-year average. In NZ, lamb prices followed their five-year average in the first half of the 2020/21 season but

have out-paced their seasonal trend in Q2, jumping above the £4/kg mark in late June, reducing NZ competitiveness.

- In the first five months of the year, NZ exports showed further rebalancing from Europe to China, although there was some reversal of this trend in May, reflecting the volatility of trade in 2020 due to the pandemic. While North American markets have shown some recovery in 2021, sales to the Middle East have fallen back significantly.
- On the export side, UK sheepmeat exports fell back in April and May after increasing in March as Easter approached. However, volumes did hold above the lows of January and February, likely reflecting seasonal demand plus the smoother operation of the newly complex export process to EU customers; though high prices in the domestic market are likely to have been a barrier to trade by limiting competitiveness, while continuing public health restrictions will have limited import demand from foodservice operators.
- Having started the year down 42% on the five-year average in January, UK sheepmeat exports were around a fifth below the 2016-20 average between February and May, with the early Easter limiting the decline to 15% in March.
- UK sheepmeat exports to the EU fell by 7% on last year across March and April, placing them 23% below their five-year average. However, in the first two months, trade had been down more than a third. May volumes were then down 14% on last year and by 17.5% on the five-year average.
- After a promising start to 2021 for UK sheepmeat exports to non-EU countries, rising 78% above the five-year average in the first third, volumes slumped to the lowest monthly total since June 2019 in May, down 70% on the year and by 38% on the five-year average.
- In France, farmgate prices cooled seasonally in May but then continued to slide in June against the seasonal trend, with local sources pointing to weak demand. In the week to July 3, heavy lambs were around 4.5% cheaper than in late May, and had fallen by nearly 9% from their Easter peak. They did, however, remain slightly above their February low. The year-on-year increase softened further in June, ending the month below 7%. Heavy lambs have slipped back to the equivalent of £6/kg from around £6.50/kg in April.
- Wholesale carcass prices at Rungis market in Paris for imported R grades fell by around 4% in the week after peak procurement for the end of Ramadan (May 11-14). It then took another month for prices to fall by another 4%, before the pace of decline sharpened in late June, with a drop of around 12% between June 21st and the beginning of July. At €7/kg, prices opened July in line with the levels last seen through January and February; though still around 15% dearer than at the same point in 2020.
- Currency movements (a stronger sterling on the month and year) mean that the average wholesale price of €7.24/kg (£6.22/kg) in the week to July 3, would have been worth a slightly higher £6.24/kg in the final week of May 2021 and £6.57/kg a year earlier.
- In the week to July 3, French wholesale prices averaged 20% higher than GB deadweight lamb prices, with relative prices suggesting that GB exporters closed June at their most competitive level since the first week of the year. For most of the year, relative prices have suggested limited opportunity for GB exporters to make a margin, with the weekly gap averaging less than 7%.

Sheep Charts





Pigs Update

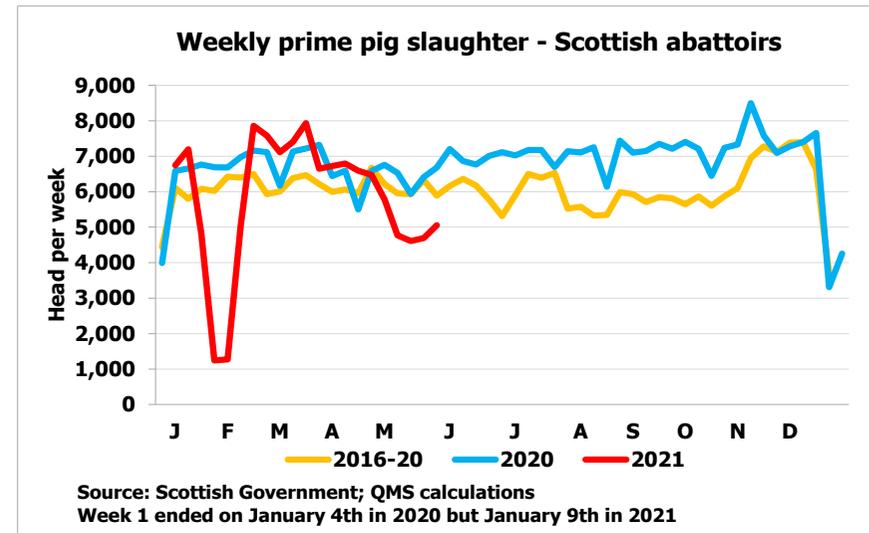
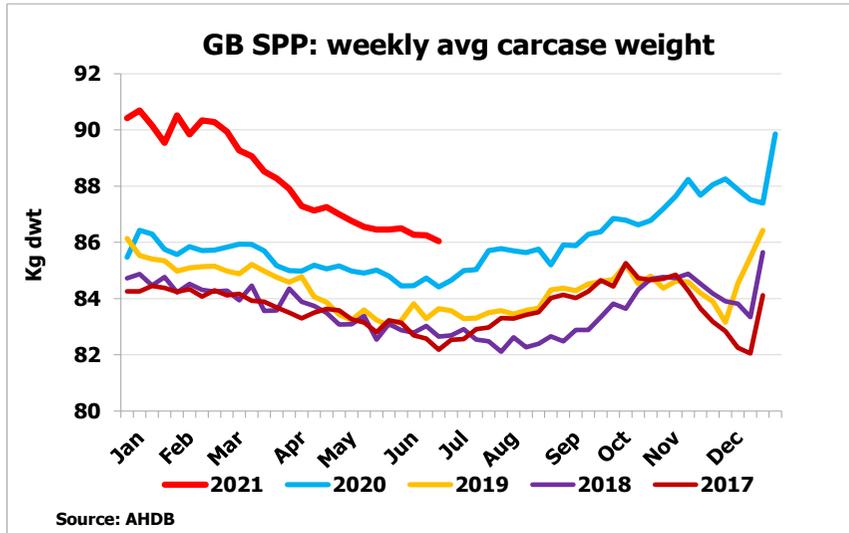
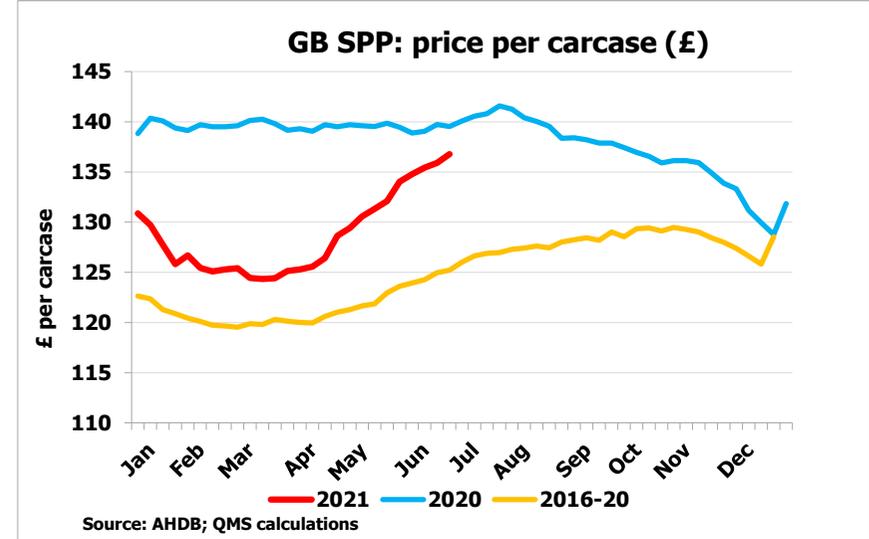
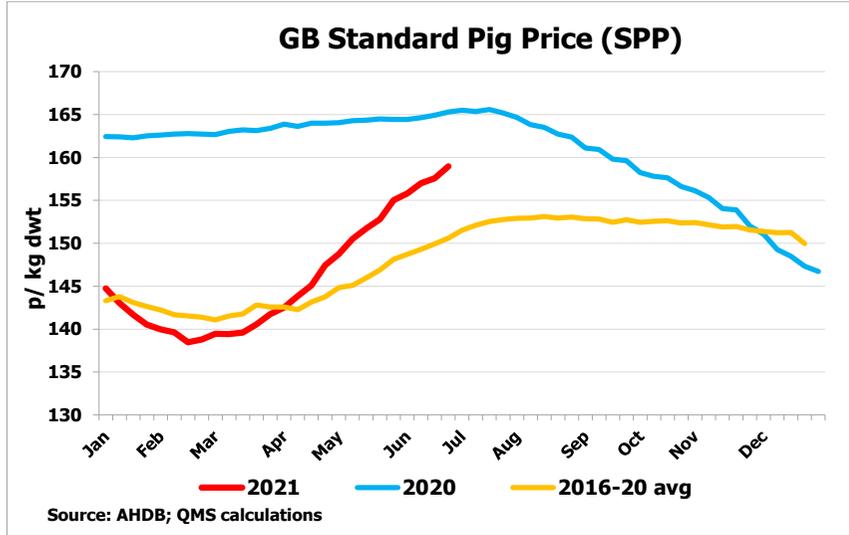
- While the recovery and seasonal upswing in the prime pig market continued through June, the pace did slow. Indeed, having peaked at 4.6% in four weeks to mid-May, the the GB Standard Pig Price (SPP) rose 2.5% in the four weeks to July 3 - the least since early April.
- However, by the week ending July 3, the GB SPP had risen 14.8% above its late February low, compared to an increase in the 2016-20 average of around 3% over the same period.
- Having peaked at 14.9% in February, the year-on-year decline in the SPP had eased to 4% in late June. Meanwhile prices have gone from 2.2% behind their five-year average in the third week of February to push ahead by 5.6% in the final week of June.
- The winter backlog of pigs led to a reduced share of carcasses within the 70-104.9kg band at GB price reporting abattoirs, slipping to around 92% in the first two months of 2021. It quickly recovered to around 94.5% in mid-March, peaked above 95% in late April and the first half of May, before settling at around 94.5% again. In the second half of June, it eased towards 94%, reflecting an increase in carcasses weighing under 70kg.
- Meanwhile, the year-on-year carcass weight uplift averaged around 2% for a second month in June, having peaked at around 5% in the opening two months of 2021. EU spec weights in the SPP sample fell from an average of 90.3kg in late February to 86.5kg between mid-May and mid-June, before ending the month at 86kg; last year they only fell by just over a kilo in the same period, averaging 84.6kg in the three weeks to July 4.
- After limiting the fall in overall carcass value during the winter months, year-on-year increases in carcass weights continued to underpin carcass value in June. Closing June at £136.77, it was 9.2% above its five-year average, with the year-on-year decline slowing to 2.4%. Despite the seasonal fall in weights, the pace of upturn in per kilo prices has kept carcass value trending higher, up 2% over four weeks, and 9.3% since February.
- December census results pointed to a small reduction in the English breeding sow herd compared to a year earlier. However, there was a sharp increase reported in Scotland, leading to a combined increase of 0.4%. For fattening pigs, putting together a small fall in England with a large increase in Scotland gives the same small net increase. Slaughter numbers have, however, been volatile over the winter and into spring.
- Based on Defra slaughter data, at GB abattoirs, the numerous outages in late 2020 and early 2021 left prime pig slaughter numbers trailing year earlier levels by 5.1% between October 2020 and January 2021. However, three consecutive months of year-on-year expansion between February and April offset the previous declines, before a rise of nearly 16% in May took numbers 1.8% above year earlier levels in the eight-month period.
- In June, slaughter of standard pigs at GB price reporting abattoirs showed a further seasonal decline, slipping to the lowest monthly average this year, dipping slightly below the average of the first six full processing weeks, when operational disruption had peaked.
- At Scottish abattoirs, prime pig slaughter has been highly volatile in 2021, falling heavily in the early part of the year due to temporary site closures, before rebounding sharply in late February and early March. Having then began to settle in a similar pattern to 2020, numbers fell back sharply behind year earlier levels from late April and this continued in May. In the five weeks to the end of May, throughput trailed 2020 by 23%, averaging just under 5,000 head per week, having peaked at an average of almost 7,600 head between mid-February and mid-March.

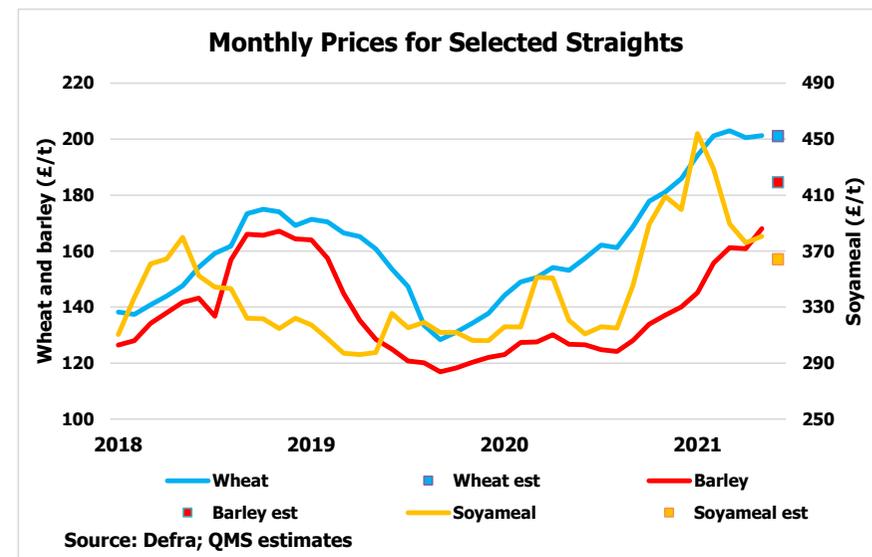
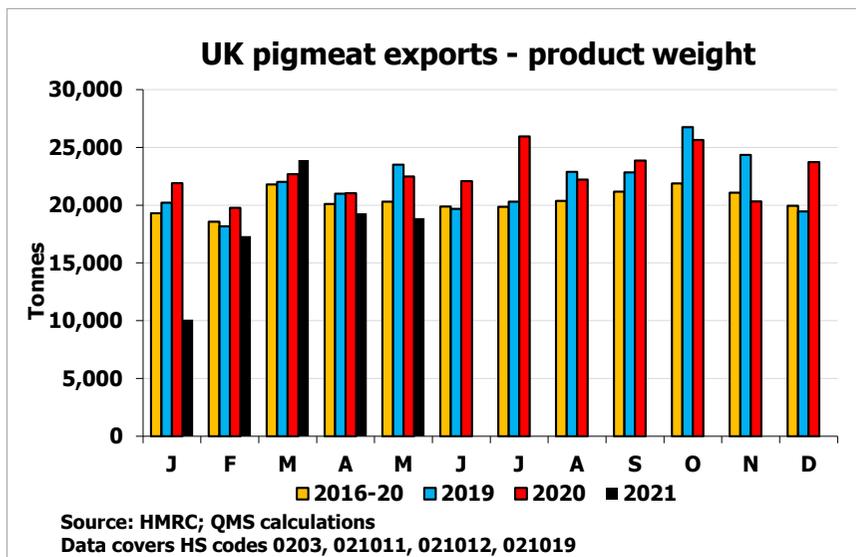
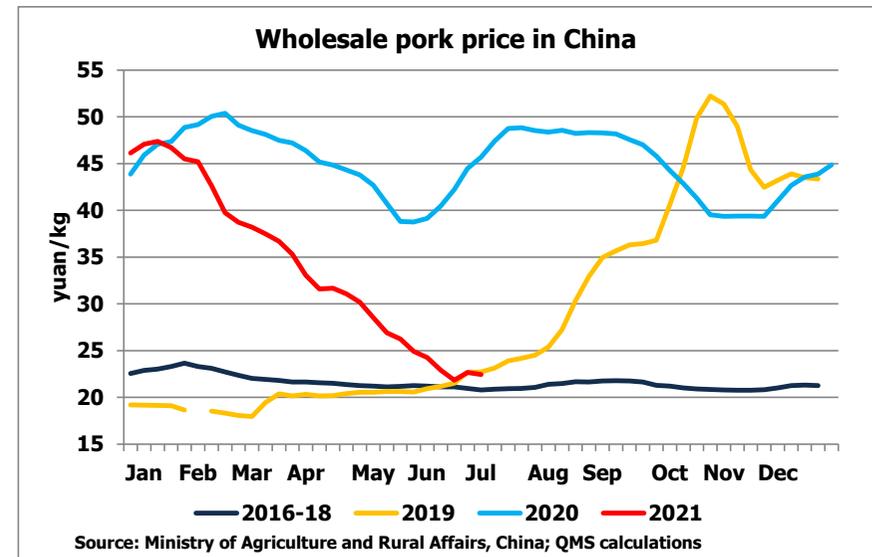
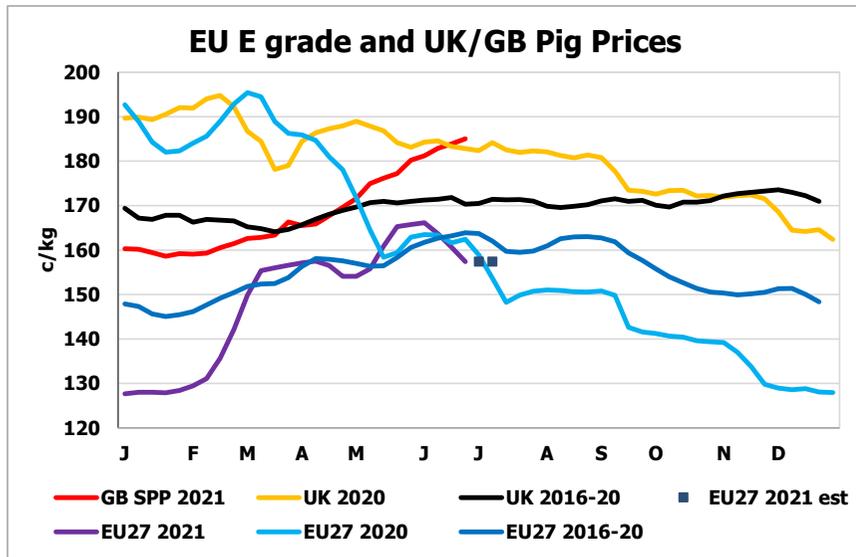
- The sharp fall since late April reflects a reduction in activity in Scotland's largest abattoir, which has temporarily lost its export approval for China. As a result, increased numbers of pigs are crossing the border for slaughter in English abattoirs which have retained their access to the Chinese market, raising the relative value of these carcasses compared to those handled by a facility without approval.
- Between January and May, prime pig slaughter trailed year earlier levels by 12.5% at Scottish abattoirs despite a sharp increase in fattening pigs on Scottish farms reported in the December agricultural survey, highlighting greater cross-border movement this year.
- Sow slaughter was hit hard by the operational challenges at Scottish abattoirs in the first quarter, with numbers down 75% year-on-year. However, throughput moved back above 2020 levels in the week to March 27, and exceeded year earlier levels in April (42%) and May (14%). Between late March and the end of May numbers rose 39% above 2020 levels, narrowing the decline in the year-to-date to around 45%.
- At E&W abattoirs, sow slaughter was volatile compared to 2020 throughout the first five months, declining nearly a quarter in January and by 15% in April, but rising by 20-36% in the other three months. Over the first five months, numbers rose by 7%; enough to more than offset the decline in Scotland and see the GB total exceed 2020 levels by 3.7%.
- Over the winter, increased carcass weights helped support UK pigmeat production, meaning that output actually rose marginally year-on-year in the October 2020 to January 2021 period. It then surged 11.4% above year earlier levels between February and May.
- Defra's meat balance sheets estimate a 5% reduction in UK pigmeat supply in Q1 2021 as a 5.5% lift in domestic production was more than offset by a sharp reduction in net imports. However, in April and May, supply is estimated to have jumped higher again as production showed further expansion and net imports climbed above the spring 2020 low. Though, with net imports still well below 2019 levels, overall supply remained tight.
- On the demand side, Kantar data reported a 10% decline in GB household spending on fresh pork relative to the highs of spring 2020 in the 12 weeks to mid-June. However, it held 15% above 2019 levels, supported by a slightly higher share of households buying it and a stronger lift in frequency of purchase. Similar trends were seen in bacon rashers and sausages. However, sales of sliced cooked meats did rise by 4% from 2020.
- UK pigmeat imports fell heavily during Q1 2021 but did recover through the period. In April and May, volumes were similar to February and March, and to the volumes brought in a year earlier. However, they were still around a fifth below the five-year average.
- After around two months of stability, the EU average price for grade E pigs climbed by 6% in the second half of May, before edging slightly higher in early June, peaking at €1.66/kg. This saw the GB premium narrow from 12% in mid-May down to 9% in mid-June. However, three weeks of declines then followed, lowering prices by over 5% back to the top of their mid-March to mid-May range (€1.57/kg).
- With the GB market continuing to trend higher, the GB premium approached a four-month high of 18% in the week to July 3, with EU prices equivalent to 135p/kg.
- While reduced import volumes will have supported the UK pigmeat market over the winter, this is likely to have been tempered by sharply reduced import prices, which will have had some impact on negotiations in the supply chain. The average value per tonne of pork imported from the EU began to recover in March and import prices showed continuing recovery from the February low in April and May. However, while the average in May was

nearly 13% above February levels, it was still down 6% on the year. At the same time, mid-May saw EU farmgate prices return to match 2020 levels, so import price declines may have slowed further since.

- UK pigmeat exports also fell sharply in Q1 as a whole. However, by March they had recovered to a new high for the month and 10% above the five-year average, as the processing sector worked through the backlog from earlier in the year. Through April and May, volumes fell again, respectively 4% and 7% below their five-year average.
- Export statistics highlight continuing divergence in performance between EU and non-EU markets. Although exports of pork to the EU averaged more than double January and February levels in April and May, they still trailed 2020 levels by a huge margin of 35%, having contracted by more than 70% in the first two months. Meanwhile, having risen 22% year-on-year in Q1, exports to non-EU countries were more stable in April and May but still climbed from around 57% of exports in 2020 to 67% in 2021.
- Exports to China/Hong Kong have been the main driver of increased non-EU trade in recent years, with its share of UK export volumes climbing from under a quarter in 2016-18 up to 36% in 2019, then 49% in 2020, and 57% in Q1 2021. This trade was also hit by processing sector outages in January, but year-on-year increases returned in February and March ensuring the Q1 total exceeded 2020 by 6%. Moving into April and May, sales to China contracted again, with May shipments a three-year-low for the month, while the share of exports fell back to 45.6% in April and 42% in May; the latter a 20-month low.
- In China, wholesale pork prices rose by 4% in the final week of June before settling at a slightly lower level in the first week of July. However, following six months of consistent decline, driven by a recovery in domestic production and high import volumes, they were still down by more than 50% from both the pre-Chinese New Year peak in late January and on the year (though still 8% above their 2016-18 average). Wholesale prices have fallen from the equivalent of £5.30/kg in January to around £2.50/kg in early July.
- Changing market conditions in China may help explain the softening of UK exports to this market in April and May, with import demand beginning to soften from its peak.
- The relative value of pork on China's wholesale markets compared to beef and lamb has fallen back to around early 2019 levels, trading at roughly 30% of beef and lamb values, perhaps helping stimulate consumption again in late June; though compared to chicken it remains much higher, at nearly a third dearer, up from 16% in early 2019.
- Live hog futures prices in China continue to signal that some muted seasonal recovery is expected through Q3, but they have only risen slightly from recent lows.
- A feed price spike over the winter added to the squeeze on producer margins from lower pig prices and delayed slaughter. Defra's monthly straights prices show that the upwards trend in feed wheat and barley resumed in May after a pause during April, while soyameal rebounded slightly from a seven-month low. Year-on-year increases widened; wheat edging up to 31%, while barley and soyameal jumped to 32.5% and 19% respectively.
- In the short-term, the cost of feed grain rose again in early June before steadying but, with a better global harvest expected in 2021, futures prices have started to fall back significantly, dropping to their lowest levels since October 2020.
- While soyameal remains cheaper than at the winter peak, the global market continues to be underpinned by strong Chinese import volumes, linked to recovering pig production. Year-on-year increases remain around the 15-20% level.

Pig Charts





Business Environment

Economic Activity:

Purchasing Managers Index (PMI) scores for June indicate continuing strong economic activity growth in the UK, though a point softer than the record levels seen in May. A surge in employment was insufficient to keep up with demand, suggesting further workforce expansion will be required, and this demand-side strength also allowed record input cost inflation to be passed on in output prices. However, export activity was relatively soft and optimism dipped.

Scotland's composite PMI indicator jumped to a record high in May and narrowed the gap on the UK PMI score to 0.5 points, compared to an average deficit of 5.3 points since March 2020. Both manufacturers and services firms reported strong uplifts in activity, subsequently leading to higher employment levels. However, the rise in orders was still weak relative to those seen in most of the other regions and nations of the UK.

In the Scottish Government's latest business survey results for June 1-13, there was a continued increase in activity in accommodation and food services, with 78% of firms trading, up from 70% in the second half of May and 30-35% in the opening third of 2021. As a result, the proportion of staff on furlough reduced sharply, to 18% from 31% in the second half of May and around two-thirds in the January to April period. Nevertheless, this remained elevated compared to the average of around 8% across all sectors, while two-thirds of accommodation and food services firms were still making use of the scheme.

Consumer Confidence and Spending

GfK's monthly consumer confidence survey for June showed that the sharp recovery in sentiment seen in 2021 stalled, with the score stabilising at -9. Nevertheless, this is its least negative since March 2020 and above the 2019 range of -10 to -14.

Compared to May, there was a further marginal uptick in the outlook for personal finances, and net pessimism over large purchases eased further. Opinions of personal and general economic conditions over the past year also improved. However, there was a fall in sentiment over the general economic environment in the coming year, possibly reflecting the delay in further easing of restrictions and the continuing challenge for overseas travel.

According to the ONS, UK retail sales turnover dipped back by 0.8% in May after jumping over 9% in April. The net decline came as a 5.7% reduction in spend in food stores more than offset a further uplift in non-food spend, up 3.5% after surging by a quarter in April.

Although spending in food stores fell to its lowest level since December 2020, it was around 2% above February 2020 levels and up more than 4% on May 2019. After adjusting for price changes, fuel sales meanwhile increased around 6%, reaching their highest level since February 2020 as reduced restrictions led to more trips. However, they were still down 7% on May 2019. Non-store retail spending fell by just under 3% from April but was still elevated by nearly 50% above pre-pandemic levels.

Exchange Rates:

	w/e 4/7/21	June 2021			w/e 5/7/20	June 2020		
		Low	High	Avg		Low	High	Avg
€:£	85.9p	85.4	86.3	85.9	90.7p	89.0	91.5	89.9
\$.£	72.4p	70.5	72.4	71.3	80.6p	78.4	81.5	79.8
NZD:£	50.7p	50.2	51.2	50.7	52.2p	50.3	52.3	51.5

Sterling was very stable against the euro during June, showing a marginally stronger trend through the month, and trading at around its strongest level since March. In June, sterling was around 5% stronger than it had closed 2020 and on the year.

Sterling continues to be underpinned by economic optimism, though concerns around the surge in infections caused by the delta variant may be limiting further increases. Economic prospects are also firm in the euro area, with vaccination rates rising fast and the holiday season approaching.

The rise in sterling over the past year coupled with greater trade frictions on exports to the EU than on imports will have hampered the competitiveness of domestic products at home and overseas. However, sterling is still significantly weaker than its mid-2014 to mid-2016 peak.

The NZ dollar continues to see support from the much reduced level of public health restrictions compared to other developed economies. However, sterling has still risen in 2021 against the NZD, back to around its summer 2020 high, due to improving relative economic prospects. As a result, this will have boosted the competitiveness of NZ sheepmeat in the UK.

The US dollar rebounded to around its highest levels since February in the second half of June as a surge in inflation led monetary policy decision makers to adjust their forecasts for the future path of monetary policy, bringing forward the likely retrenchment of stimulus measures and interest rate increases. Nevertheless, the large combined scale of fiscal and monetary expansion means that the dollar is still considerably weaker than in autumn 2020.

While input cost inflation has been a significant challenge for UK farming and red meat processing businesses in 2021, a weaker dollar has softened the lift in global commodity prices when converted into sterling.