



## **MARKET REPORT - NOVEMBER 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:**

Accurate, timely and  
independent data you can trust

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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## **1.0 Cattle Update**

### **1.1 Farmgate prices – prime cattle**

- 1.1.1 Prime cattle prices were slightly higher at Scottish abattoirs in November than they had been in October, averaging 417.7p/kg compared to 415.8p/kg.
- 1.1.2 Prices were above the monthly average in its second half, reflecting the peak Christmas procurement period. In the week to November 27<sup>th</sup>, they cleared at 418.4p/kg.
- 1.1.3 The margin over last year was around 8% through November, similar to where it has been since mid-June, while the increase over the five-year average held around the 13% mark.
- 1.1.4 Prime cattle prices continued to trade at a seasonal record, holding 1.5% above 2013 levels, though they remained well below the record high when adjusted for inflation.
- 1.1.5 R4L steers closed November at 423.9p/kg, placing them within 0.2% of the summer peak and 1.9% below April's record high of 432p/kg. The consistent premium for R4L heifers over steers of the first half of 2021 has been less common since July, and R4L heifers ended November at 421.3p/kg. -U3 young bulls continued to show volatility due to thin trading and averaged 411p/kg during the month.
- 1.1.6 After showing some recovery through October, Scottish premia dipped in November. The prime cattle average ranged from 1.9% to 2.3% above E&W levels, with R4L steers ranging from 0.3% below E&W levels to 0.1% higher.
- 1.1.7 These ranges had been much higher at +4.7-5.8% and +2.6-3.5% respectively in November 2020.
- 1.1.8 A relatively tighter supply of cattle in E&W than in Scotland is likely to be a factor in the smaller price differential compared to recent years. Given this supply-side context, a more significant processing labour shortage in Scotland could be weighing on relative prices.
- 1.1.9 Auction prices for prime cattle were more volatile than usual in November, particularly for heifers as a number of older animals were sold at discounted prices early in the month. However, the trade firmed at the peak procurement period for Christmas and the average price reached a new peak of 254.7p/kg lwt, supported by a limited volume of stock being presented for sale.

### **1.2 Availability and slaughter**

- 1.2.1 BCMS cattle population data indicates that, as expected, there has been an improvement in prime cattle supply on Scottish farms this autumn, with a 5.4% lift at 18-30-months compared to October 2020. However, with numbers still down in E&W, overall GB supply was unchanged.
- 1.2.2 At 12-24 months, cattle numbers were up by 0.9% across GB and by 1.8% in Scotland, signalling increased supply in spring 2022.
- 1.2.3 The prime cattle kill at price reporting abattoirs in Scotland recovered from a weak second week of the month to run slightly ahead of the year-to-date weekly average in its second half. Nevertheless, volumes continued to fall significantly short of the five-year average. On average, numbers were little different to September and October, compared to successive month-on-month increases of 4.3% and 2% on average over the previous five-years.
- 1.2.4 After rising 5% in October, weekly slaughter steadied at E&W price reporting abattoirs in November, remaining slightly below the year-to-date weekly average in October. Last year there had been a lift of 4.6% between October and November.
- 1.2.5 Defra data for October shows that prime slaughter at GB abattoirs continued to fall sharply on last year. At 10%, the year-on-year decline was double that seen in the year-to-date. In October, there was a 12% decline in E&W and a 4% fall in Scotland.

### **1.3 Mature cattle market**

- 1.3.1 Slaughter of mature cattle has also been lower than in 2020 at GB abattoirs, falling 6.7% in the first ten months (though Scottish abattoirs have handled 5% more). There was a 7% decline in October, with a fall of 8% in E&W partially offset by a 1% lift north of the border.
- 1.3.2 At reporting Scottish abattoirs, where slaughter has been well above the year-to-date weekly average since July, cow prices continued to cool seasonally in November. The pace of decline held at around 4% for a second month, with O+3 grades slipping to 287p/kg after closing October at 298p/kg.
- 1.3.3 Tight beef supply relative to 2020 continued to underpin cow prices, which closed October 13% higher on the year and 14% above the five-year average.

### **1.4 Market supply and retail demand**

- 1.4.1 UK market supply (production + imports – exports) showed a second month of increase in September, rising 4.5% over 2020 levels as a surge in imports and reduced exports more than offset lower production.
- 1.4.2 In the first nine months, net supply was still 0.9% below 2020 levels with reduced production more than offsetting the impact of slightly higher imports and reduced export volumes.
- 1.4.3 Kantar data for the 12 weeks to the end of October continues to signal softer retail demand for fresh beef in GB with household spend only 0.5% higher than 2019, itself a weak year. The share of households buying beef was around 2% lower than 2019 and the frequency of purchase was down by 3%, likely driven by pent-up demand for dining out.
- 1.4.4 Category data signalled stronger sales for processed beef, with spend on burgers up 13.5% on 2019, driven by people buying them more often, while spend on cooked meats was 11% higher.
- 1.4.5 Retail price inflation is now starting to show up in the Kantar data, with fresh beef prices averaging nearly 5% higher than two years ago and up 2% on 2020.
- 1.4.6 In ONS consumer price data (CPIH), the beef & veal index has also started to increase, rising roughly 4% since the spring. Nevertheless, on a 2015=100 scale it was at 97.3 in October while the Scottish R4L steer price would be at 115.2, highlighting the squeeze in the supply chain.
- 1.4.7 As consumers start to shop around more frequently, retailers are facing heightened competition.

### **1.5 UK imports**

- 1.5.1 According to HMRC data, there was a surge in beef imports to the UK in September, building on a rebound seen during the summer months. The year-on-year increase almost doubled from August, reaching 34%, while shipments were almost as far above the five-year average (+32%).
- 1.5.2 Import growth is likely to reflect tight supply in GB and increased demand from the catering sector. A recovery in beef production in the Irish Republic, added to by its seasonal upswing, will have supported the increase.
- 1.5.3 Beef imports from the EU were up 33% on the year and 35% on the five-year average in September.
- 1.5.4 While imports from non-EU sources continued to run at more than double year-earlier levels and were the second highest of the year, likely reflecting demand for higher value cuts at competitive prices in catering, volumes were still 20% below the five-year average, accounting for just 3.4% of the total.

## **1.6 Irish Republic market**

- 1.6.1 Prime cattle slaughter has fallen from its autumn peak but remained well above average for the year-to-date in November. Increased supplies of younger cattle have been coming on stream while a previous shortage of older cattle has worked its way out of the system.
- 1.6.2 Like GB, Irish prime cattle prices have been relatively stable this autumn, but they did end November at their highest level since August, with festive demand and reduced kill potentially at play.
- 1.6.3 In sterling, Irish prices averaged 355p/kg for R3 steers in November, marginally higher than in October but still below this year's peak monthly average of 367p/kg in July.
- 1.6.4 The Scottish premium over Ireland (R4L v R3 steers) averaged around 19% for a second month but was down a fraction on the year. Given the smaller gap between Scotland and E&W prices this year, Irish beef has become more competitive at GB level, with further support from a weaker euro.

## **1.7 UK exports**

- 1.7.1 UK beef exports dropped to a five-month low in September. In addition, after three months above 2020 levels, volumes slipped 7% lower and they trailed the five-year average by 17%. Tight domestic supply remained a constraining factor and, although up a fraction from August, the share of production exported remained well below the five-year average.
- 1.7.2 Exports to EU countries dipped to a four-month low in September. They showed the steepest decline from 2020 since March (-15%) and steepest fall relative to the five-year average since April (-27.5%).
- 1.7.3 UK beef exports to non-EU countries continued to present a mixed picture in September. On one hand, they fell to an eight-month low and their share of total exports was the smallest of the year so far (25%), but on the other hand, they grew by 31% on the year and 51% on the five-year average.

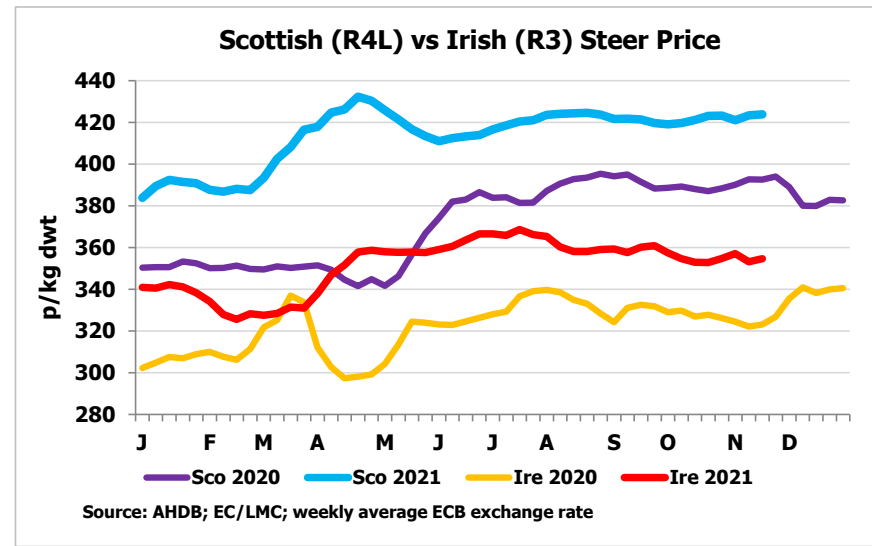
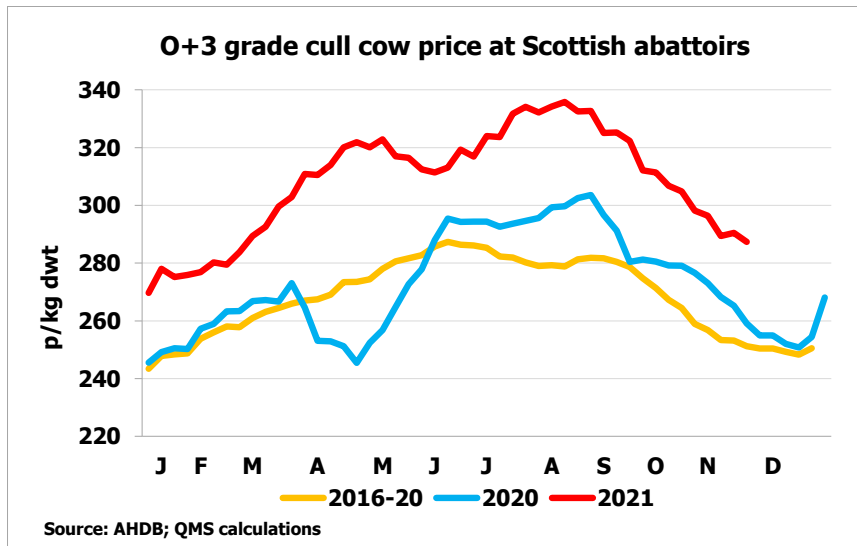
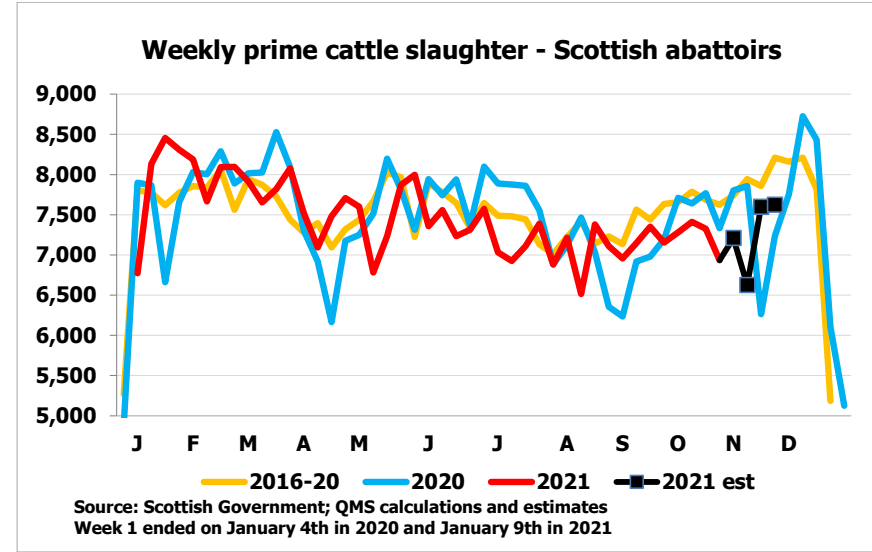
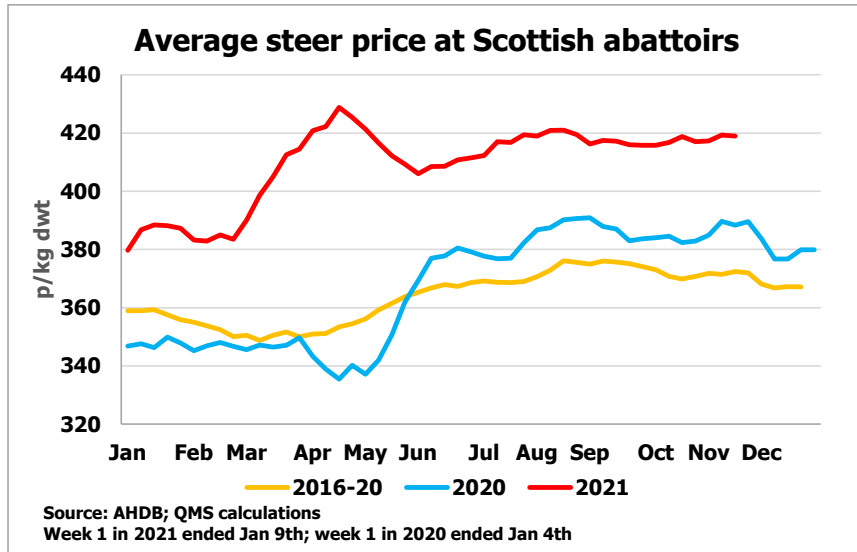
## **1.8 By-product market**

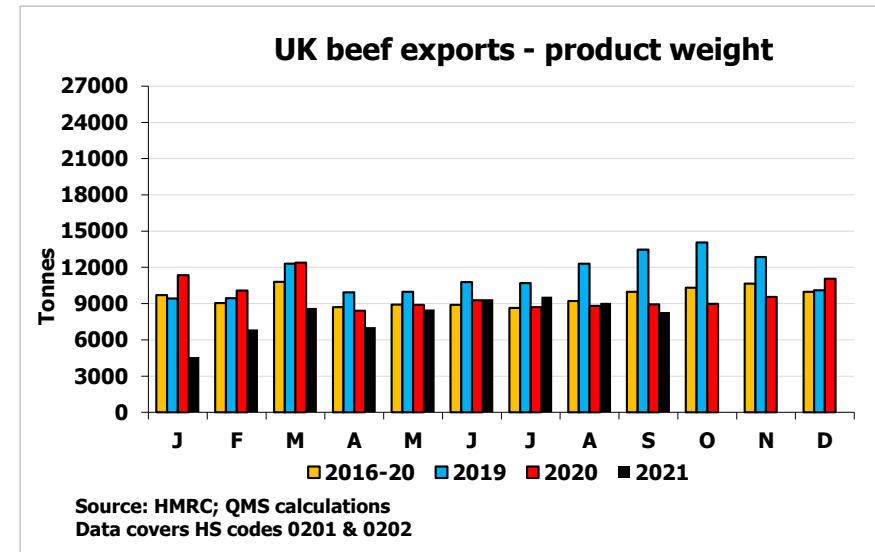
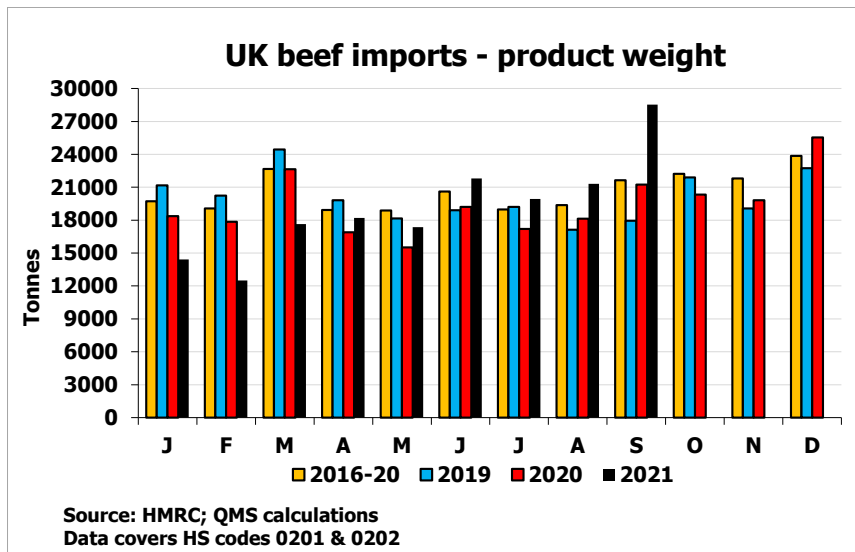
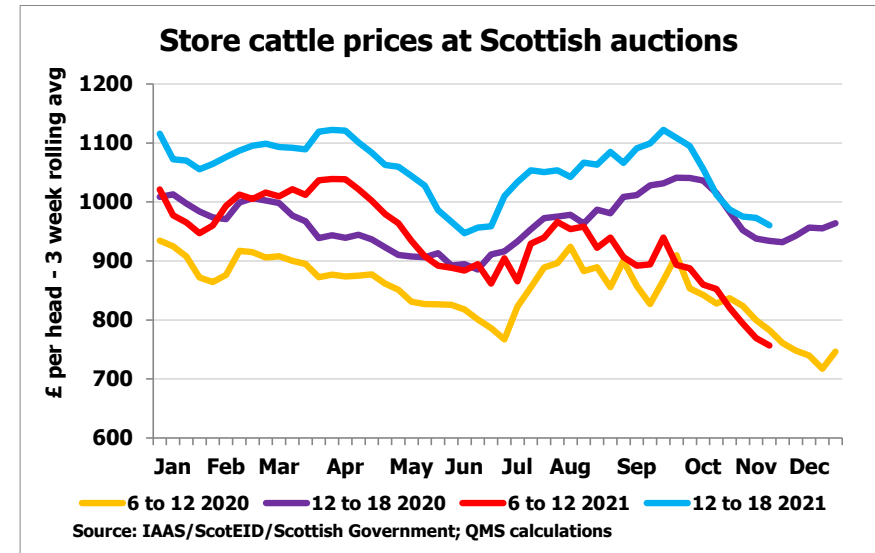
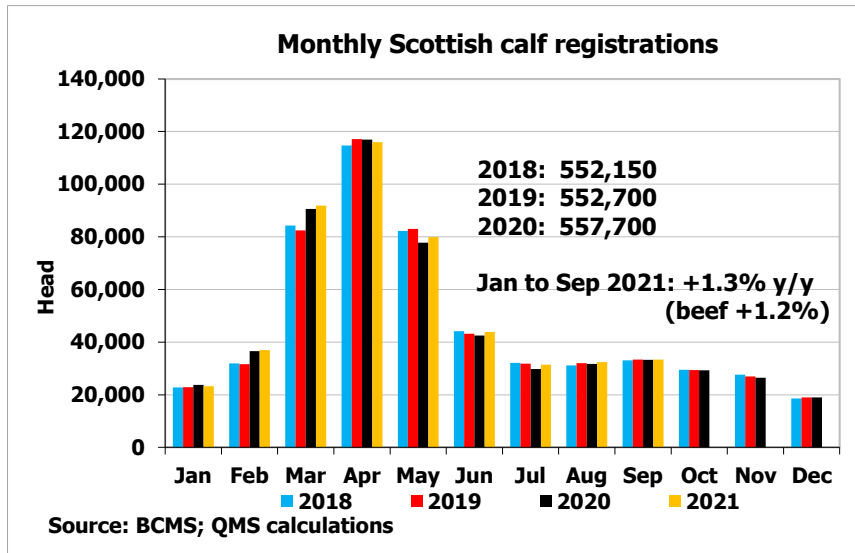
- 1.8.1 The upwards trend in US steer by-product value appears to have come to an end in the second half of November, with prices for hides, tallow, liver and blood falling; hides notably so.
- 1.8.2 Nevertheless, in late November, by-product was still up 78% on 2020, with its sterling equivalent of 24.8p/kg lwt proving 77% higher than last year. Hide value was unchanged on the year, with offals and tallow significantly dearer.

## **1.9 Store cattle trade**

- 1.9.1 At Scottish auctions, store cattle marketings fell back seasonally in November but remained above the summer low. Over the four weeks, sales of steers at 6-18 months were one-third of their October average and 2.4% lower than last year.
- 1.9.2 Store cattle prices began to level off in November having fallen sharply in October. Steers aged 6-12-months averaged £771, while the 12-18-month group averaged £974, which were a respective 9.5% and 6.7% lower than October, which in turn had seen similar declines from September.
- 1.9.3 Store heifers averaged £682 at 6-12-months and £899 at 12-18-months in November.
- 1.9.4 Prices paid for steers in the 6-12-month category dipped an average of 1% behind 2020 levels in November, but the 12-18-month group held 4% higher – similar to October.

## 1.10 Cattle Charts





## **2.0 Sheep Update**

### **2.1 Farmgate prices – prime sheep**

- 2.1.1 Having trended higher through October, lamb prices surged in the first half of November at GB reporting abattoirs, before edging upwards in the second half of the month.
- 2.1.2 After a 6.4% increase for medium R3L carcasses in October, they jumped another 12.2% in the first half of November. After a further slight upturn, they ended the month at 602.7p/kg; their highest since mid-June but still 17% below their new season peak.
- 2.1.3 While there is usually a seasonal increase in November, the surge saw the margin over last year widen to 25-30% and the increase over the five-year average reach 45-50%.
- 2.1.4 At Scottish marts, prices began to climb significantly in late October before surging at the beginning of November. After a brief dip, they picked up again and reached new highs in the second half of the month, reaching 277p/kg in the week to December 1.
- 2.1.5 Auction prices showed slightly stronger leads on previous levels than deadweight prices in November, averaging 30% higher than last year and 49% above the five-year average.
- 2.1.6 Scottish auction prices spent three weeks running 1-2% higher than E&W levels before dipping slightly behind in the week to December 1.

### **2.2 Availability and slaughter**

- 2.2.1 Combining June Census results for Scotland, England and Wales indicates a 0.8% smaller GB lamb crop than in 2020, with numbers 2.6% below the five-year average.
- 2.2.2 Compared to last year, increases of around 1% in Scotland and a 6% rebound in Wales were unable to offset a 4% reduction in England.
- 2.2.3 After a brief lift above 2020 in October, auction volumes at GB marts slipped behind again in November, down 5%. However, they did hold above their five-year average for a second month, up 0.8%.
- 2.2.4 The weekly average number of lambs sold at GB marts was 2.5% higher in November than October without being a barrier to higher farmgate prices.
- 2.2.5 After steadily increasing in previous months, marketings dipped back by an average of 1.5% in November at Scottish marts. While they also fell 8.5% behind 2020 levels, having risen in October, they remained well above the five-year average, proving 9% higher.
- 2.2.6 At GB abattoirs, prime sheep slaughter remained considerably lower than 2020 levels into October, although the decline slowed to 10%. Over the June to October period, slaughter fell 14% on 2020 and by 11% on the five-year average.
- 2.2.7 Contrasting the June census data showing a small fall in lamb numbers at GB level this season with the sharp decline in slaughter reported by Defra suggests that throughput will begin to recover over the winter and into 2022.
- 2.2.8 In October, the year-on-year reduction in lamb slaughter was 10% at E&W abattoirs and 14% in Scotland.

## **2.3 Mature sheep trade**

- 2.3.1 Having contracted by more than 15% in 2020, Defra figures indicate that the decline in ewe slaughter at GB abattoirs has accelerated in 2021, down 22% in the first ten months.
- 2.3.2 A sharp decline in ewe marketings in the final week of November at Scottish marts led to the month's weekly average falling below October levels by 5%. However, having fallen below 2020 levels in September and October, throughput was 21% higher in November.
- 2.3.3 Ewe prices spent most of November nearly 30% higher than last year at Scottish marts despite the increase in volumes.
- 2.3.4 The weekly average ewe price in November was £79, with prices closing the month at their highest level since mid-August. In October, the weekly average had been £68.

## **2.4 Market supply and retail demand**

- 2.4.1 The sharp decline in new supply of sheepmeat added to the UK market continued into September due to the combination of reduced domestic production and increased net exports.
- 2.4.2 In the first nine months, new supply fell by 8.5% on 2020.
- 2.4.3 According to Kantar, GB household spending on fresh lamb was still elevated by 10% on 2019 in the 12 weeks to the end of October. While there is evidence of significant retail price inflation, with the average selling price up by 7.5% on 2019 and 4% on 2020, the volume sold was still 2% higher than in 2019 despite tight supply. While a reduced share of households bought lamb, people bought it more often, underpinning sales growth from 2019.

## **2.5 UK imports**

- 2.5.1 Sheepmeat import volumes fell seasonally in September, slumping to a year-to-date low. They also dropped significantly behind 2020 levels (-39%), having been higher in three of the previous four months, and remained well behind the five-year average (-38%).

## **2.6 NZ market update**

- 2.6.1 NZ exporters continue to target the Chinese market where wholesale lamb prices remain firm at around £8/kg. This focus continues despite firm prices available in the UK for lamb legs, reported at £7/kg by the NZ Farmers Weekly and up 52% year-on-year in NZD.
- 2.6.2 Beef + Lamb NZ have reported that NZ lamb shipments leaving for the EU + UK in October were down 2% on last year and by 11% on the five-year average. Furthermore, an increased share of this European total was destined for EU countries instead of the UK.

## **2.7 UK exports**

- 2.7.1 While export volumes reached a year-to-date peak in September, they continued to trail 2020 levels (-15%) and fall well behind the five-year average (-21%). Tight domestic supply is likely to have been the main constraint, and the share of production exported fell back below its five-year average.
- 2.7.2 Exports of sheepmeat to the EU reached their highest of the year in September and the year-on-year decline, at 11%, was below the overall average.
- 2.7.3 Fresh lamb carcasses accounted for 78.5% of sales volumes to the EU in September, compared to 53% in September 2020, likely reflecting both the decline in trade in carcasses of mature



sheep but also the added challenge of exporting cuts from a number of smaller processing sites together in one shipment across the EU customs border.

2.7.4 Exports to non-EU countries remained weak, less than half their year earlier level and 41% below the five-year average, accounting for only 4.6% of shipments in September.

## **2.8 French lamb market**

2.8.1 GB export competitiveness in the French market declined sharply in November. In October, prices at Rungis had been 11-16% above the GB deadweight price, compared to an average gap of 9% in the first nine months, but this margin fell away in the second half of November, with imported carcasses dipping towards £6/kg as GB farmgate prices climbed to this level.

2.8.2 Therefore, a Paris wholesale price rally at the beginning of December which saw prices surpass their previous autumn high will have been welcome for exporters. Nevertheless, the price gap is expected to have held slightly below the year-to-date average, maintaining pressure on margins.

2.8.3 Over the past year, imported wholesale prices for imports at Rungis have out-performed local farmgate prices in France (equivalent to £6.61/kg in late November), rising by around 28% compared to a lift of around 10% at farmgate level.

## **2.9 Store lamb trade**

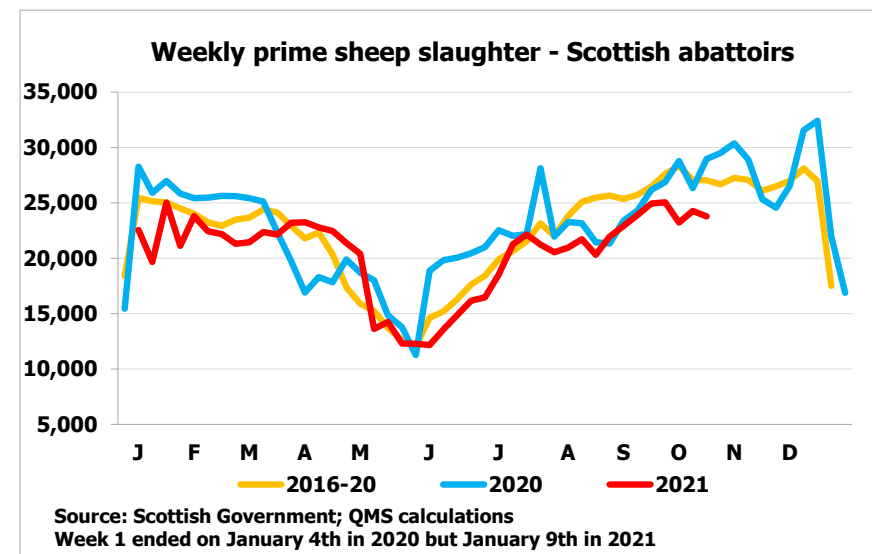
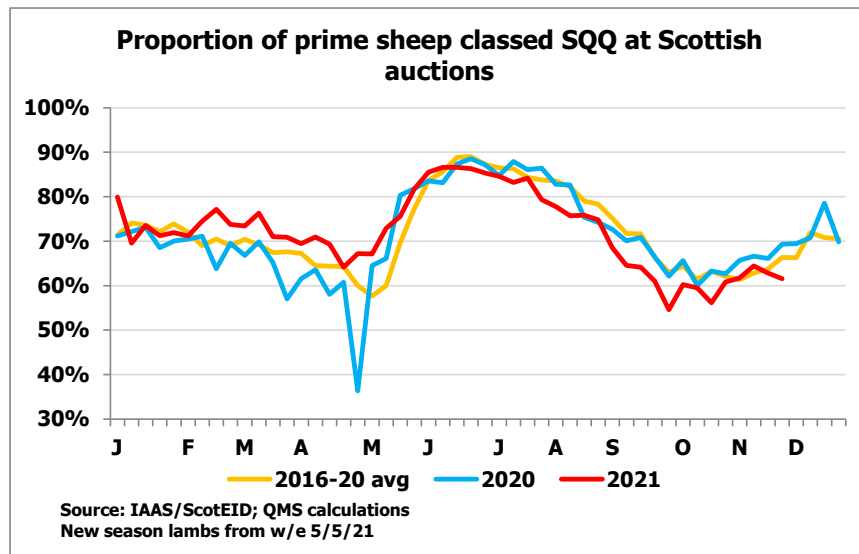
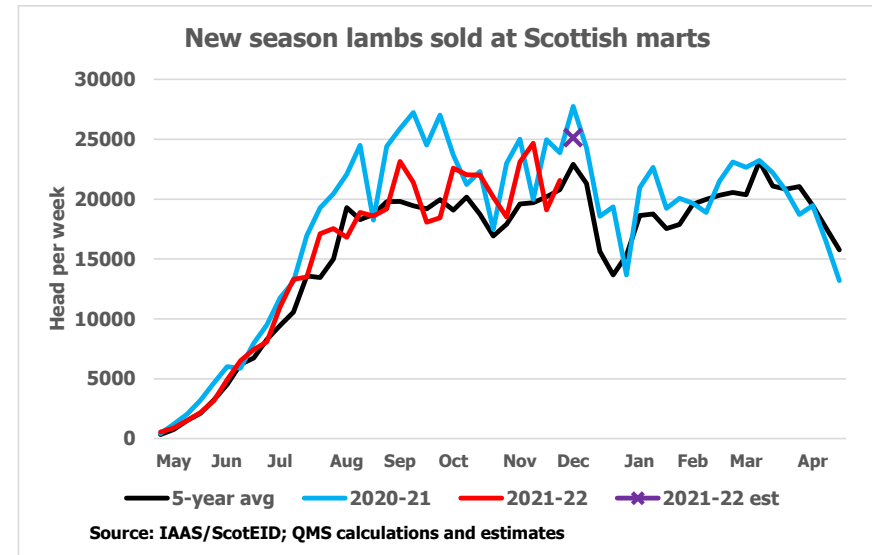
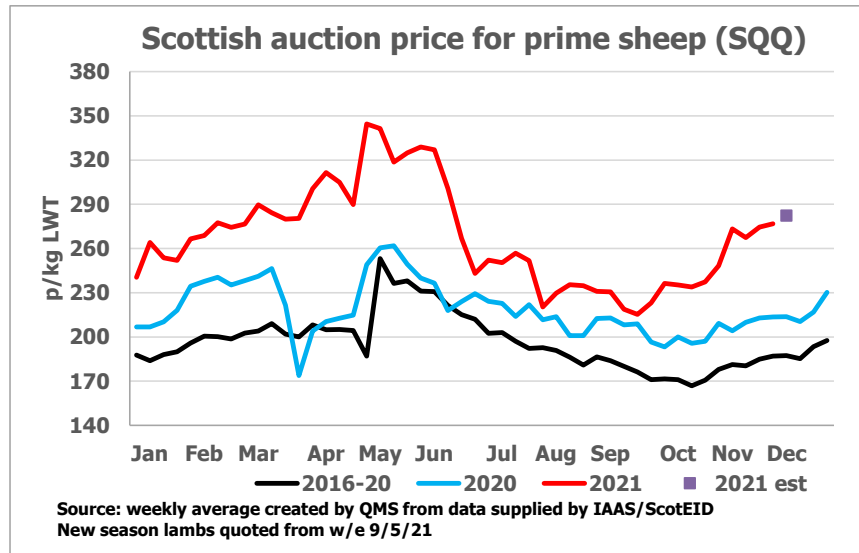
2.9.1 November saw very strong market conditions continue in the store ring in Scotland.

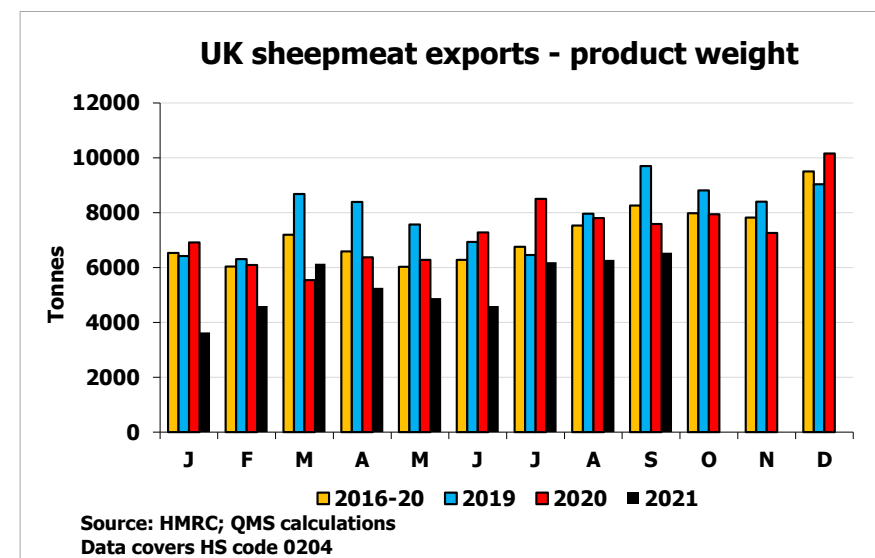
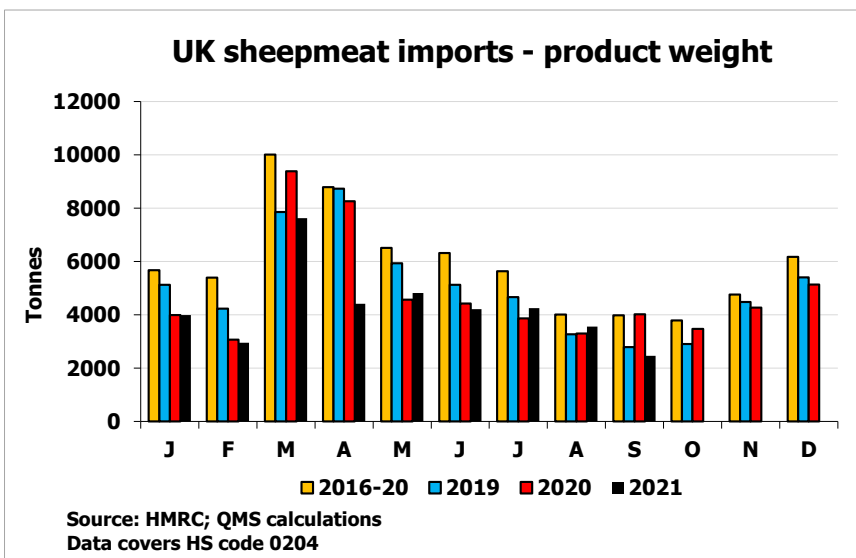
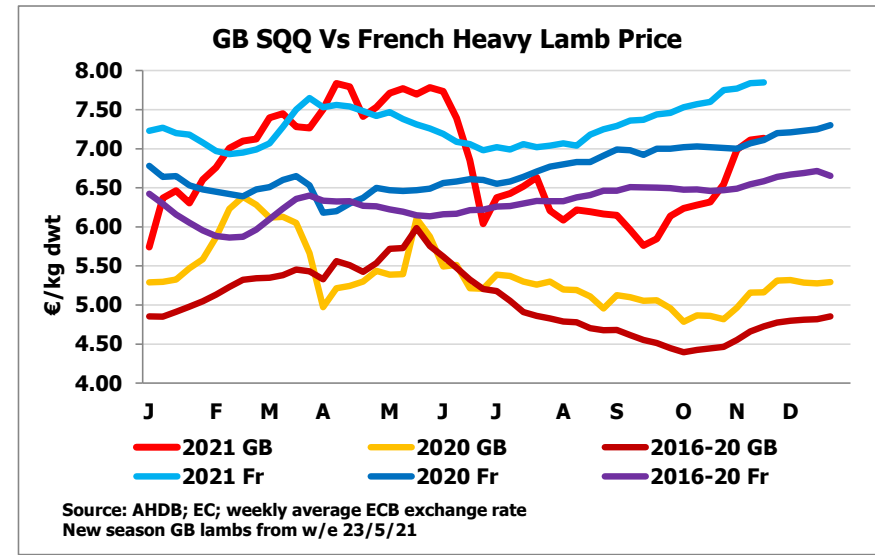
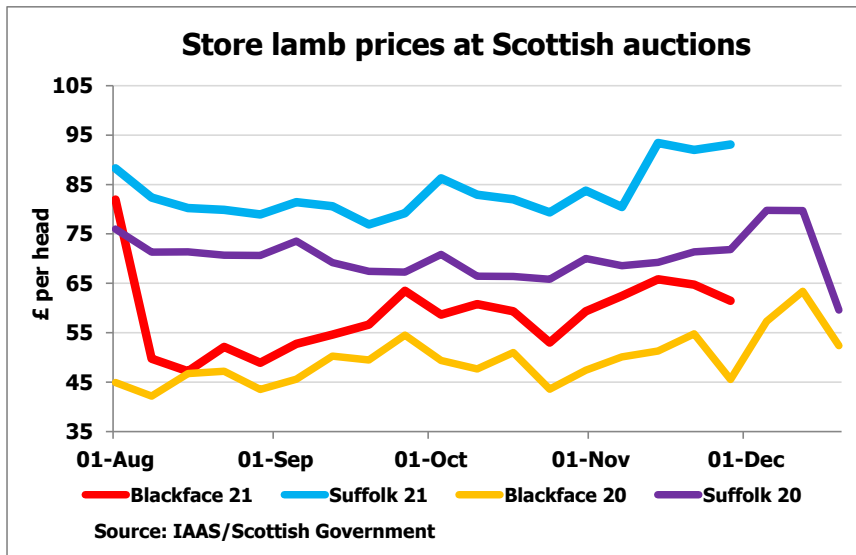
2.9.2 Although marketings fell back seasonally in November, they were 27% above 2020 levels, with high late-season sales likely driven by strong prices, bringing the cumulative total sold in the season-to-date 3.6% higher than last year compared to a 1.1% increase in the lamb crop.

2.9.3 There was the demand out there for these lambs and prices averaged £78 during the month, compared to £72 in August and October, and £68 in September. During the month, prices averaged 32% higher than last year's £59, with some of this reflecting stronger volumes of higher priced Suffolks and Texels.

2.9.4 During the month, Blackface lambs averaged £64.30, Cheviots £72.40, Suffolks £87.80 and Texels £91.30. Year-on-year increases were 26% for Blackface and Suffolks and 31% for Cheviots and Texels.

## 2.10 Sheep Charts





## **3.0 Pigs Update**

### **3.1 Farmgate prices – prime pigs**

- 3.1.1 Prime pig prices continued to decline through November, due to a seasonal trend along with the combination of an increased pig supply but an insufficient labour supply to cope with it.
- 3.1.2 However, the week-to-week volatility in the GB Standard Pig Price (SPP) reduced in size and the pace of decline slowed further, suggesting less disruption in the marketplace. Having fallen 6% in September and 3% in October, the SPP fell by 0.8% in November.
- 3.1.3 At the end of November, the SPP was down nearly 11% from its annual peak in the final week of July. Between 2014 and 2020, the SPP decreased between July and December in five of seven years, averaging 8.5%. In 2016 and 2019, a surge in the global market driven by import demand from China had led to unusual upwards pressure.
- 3.1.4 The rate of year-on-year decline averaged 6% for a second month in November. The decline on the five-year average widened slightly in November, ending the month at -5.5%.

### **3.2 Carcase weights**

- 3.2.1 The combination of fast growth rates and delays in processing quickly result in pigs exceeding target carcase weights and facing heavy price discounts. In November, carcasses weighing over 105kg traded around 15% cheaper on a price per kilo basis than those weighing 80-89.9kg, although the differential did narrow from closer to 20% earlier in the autumn.
- 3.2.2 The share of standard carcasses weighing at least 105kg has risen from a summer low of 1.5% to exceed 10% in late November. In the distressed market conditions of early 2021, due to the temporary closure of some processing sites, this proportion had been 5-6%.
- 3.2.3 Carcase weights rose by more than 6% from a July average of 86.4kg to 91.9kg in November – much faster than the 2.2% average increase in the previous five years.
- 3.2.4 Year-on-year weight increases have softened to average 4.6% in November from a peak above 5% in October, reflecting the increases caused by market disruption in autumn 2020.
- 3.2.5 The significant increase in carcase weights has supported the price per carcase, which averaged 1.7% lower than last year in November but still 3% above its five-year average.

### **3.3 Availability and slaughter**

- 3.3.1 England's June census results showed a 6% increase in fattening pigs compared to 2020, while Scotland's reported a lift of 2%.
- 3.3.2 Defra slaughter data has shown a 3.3% increase in GB abattoir throughput over 2020 in the first ten months. However, between June and October, numbers fell slightly behind year earlier levels overall, leading to a backlog on farms given the strong increase in supply.
- 3.3.3 Slaughter of standard pigs at GB price reporting abattoirs steadied in November, having risen significantly between September and October, but remained well below the levels seen during the first half of the year.
- 3.3.4 Labour shortages in butchery limit the ability of processors to maximise overall carcase value. This is especially true where it results in the export of minimally processed carcasses, as the economic value from conversion into cuts of pigmeat is generated overseas.

3.3.5 At Scottish abattoirs, the sharp year-on-year decline in prime pig slaughter continued in October as the suspension of export approval for China made it less economic to process pigs at Scotland's largest abattoir. Although still a quarter below 2020 levels, the weekly kill did average above 5,000 head for the first time since June.

### **3.4 Cull sow trade**

3.4.1 While sow slaughter at Scottish abattoirs was 26% lower than last year over the first ten months as a whole, throughput was 1.4% higher between April and October.

3.4.2 At GB level, the sow kill returned to year-on-year decline for a third time in four months in October, with a sharp 44% reduction suggesting prioritisation of prime pigs due to labour shortages. Over the first ten months, slaughter trailed 2020 levels by 2.7%.

3.4.3 Based on UK trade in pig carcasses, after a weak start to the year when exports fell sharply, sow prices are estimated to have rebounded in March. After reaching a 2021-peak in June, export prices fell 4-5% in each of July and August before dropping 15% in September to leave them only slightly above the lows of January and February and only slightly higher than 2020.

### **3.5 Pigmeat supply and retail demand**

3.5.1 UK pigmeat supply is estimated to have continued rising strongly in September, up 7.4% on a year earlier, as imports increased for a second month while exports continued to slide sharply and elevated carcass weights underpinned domestic production.

3.5.2 Kantar data for the 12 weeks to October 31<sup>st</sup> continued to signal firm pigmeat demand in GB as spending on fresh pork was 11% above 2019 levels, supported by small increases in penetration and frequency. In the processed ranges, 11% more was spent on cooked meats and 9% more on fresh sausages, but there was a 2% dip below 2019 for bacon rashers.

3.5.3 While average prices for fresh pork, cooked meats and sausages were 8-9% higher than 2019, most of the inflationary pressure came in 2020. Meanwhile, bacon rashers were almost unchanged from 2019 and 5% cheaper than in 2020, seemingly without stimulating sales.

### **3.6 UK imports and EU market conditions**

3.6.1 Having almost matched 2020 levels in August, there was a significant 15.5% year-on-year decline in pork imports to the UK in September. However, for an eighth month, volumes were about 20% below their five year average (-21%).

3.6.2 Imports of bacon & ham have rebounded from the lows of 2020 and September was the sixth month of year-on-year growth. Though, while 10% higher than last year, volumes still trailed the five-year average by 15%.

3.6.3 The net result was a return to year-on-year declines in overall pigmeat imports after two months of growth. Volumes were down 8% on 2020 and by 19% on the five-year average.

3.6.4 EU pig prices fell by 23% between mid-June and the end of October before stabilising in November. Forecasts for Germany point to further stability in early December, while a wholesale price rally in November appears to have petered out.

3.6.5 The GB premium over the EU pig price remained elevated in November, averaging 33% and around four times mid-March to mid-June levels. EU prices closed the month at 108.4p/kg.

3.6.6 Reflecting farmgate price movements, latest trade data for September indicated an average pork import price from the EU nearly 11% lower than last year.

3.6.7 Although UK import requirements have been reduced by a well-supplied market, the option of a cheaper alternative from abroad will be exerting downwards pressure on prices in the supply chain, particularly in the most price sensitive segments.

### **3.7 UK pigmeat exports**

3.7.1 UK pork exports slumped to their lowest level since January in September. They were 37% below 2020 and trailed the five-year average by 28%.

3.7.2 Monthly exports to the EU reached their highest of the year so far in September but remained substantially below last year and the five-year average, down 38% and 43% respectively.

3.7.3 Exports to non-EU countries fell 36% behind 2020 levels and dipped behind the five-year average for the first time this year, down 7%. However, past growth meant that non-EU shipments accounted for 54% of export volumes compared to a five-year average of 41%.

### **3.8 Chinese pork market rebalancing**

3.8.1 Exports to China/Hong Kong had underpinned overall UK pork exports in recent years, with its share of export volumes climbing from below 25% in 2016-18 to 49% in 2020.

3.8.2 However, UK exports have fallen in line with China's reduced import requirements this year and the volume shipped in September was down 47% on 2020 and was the smallest monthly total since February 2019. Exports did however remain well above pre-2019 levels.

3.8.3 The Chinese market has changed course once again this autumn, with wholesale prices ending November around 35% above their early October low and 18% above the 2016-18 average. The cost of pork has recovered from a low of just over £2/kg up to around £2.90/kg. However, it had been worth £5.30/kg in January.

3.8.4 It is likely that the market quickly became under-supplied as a result of local production falling back again after a liquidation cycle plus a sharp reduction in imports during the summer.

3.8.5 After a decline of 15% this year, the USDA are forecasting a partial 6% rebound in China's pork imports in 2022. This would see volumes at nearly three times their 2016-18 average, highlighting that opportunities still exist for global exporters despite an expectation that consumption will remain well below 2016-18 levels.

### **3.9 Feed costs – additional pressure on margins**

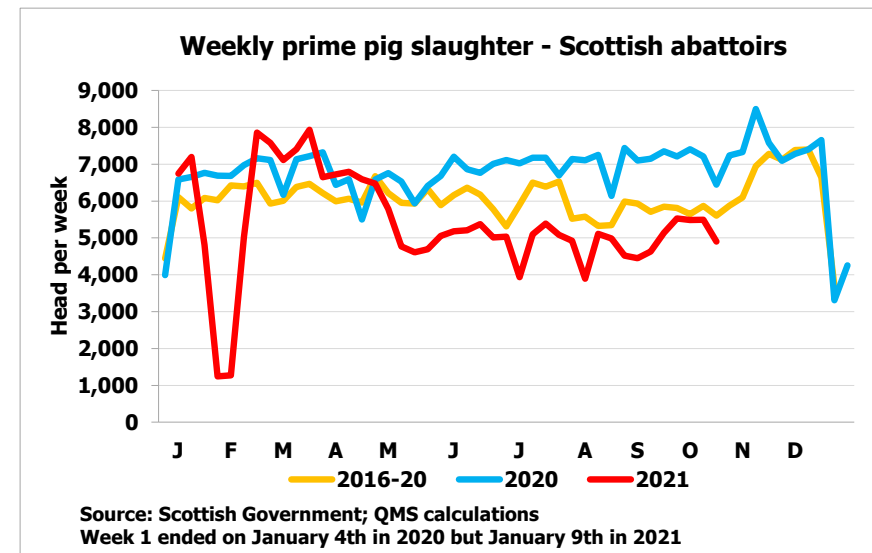
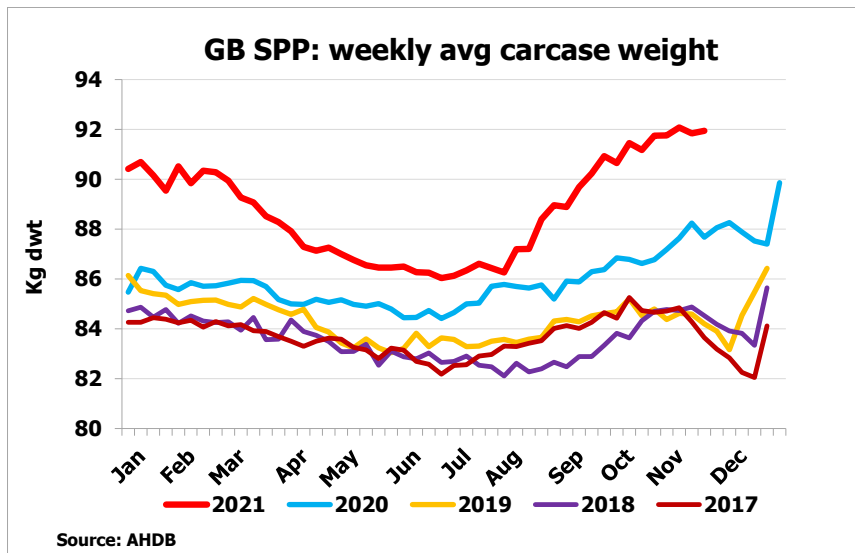
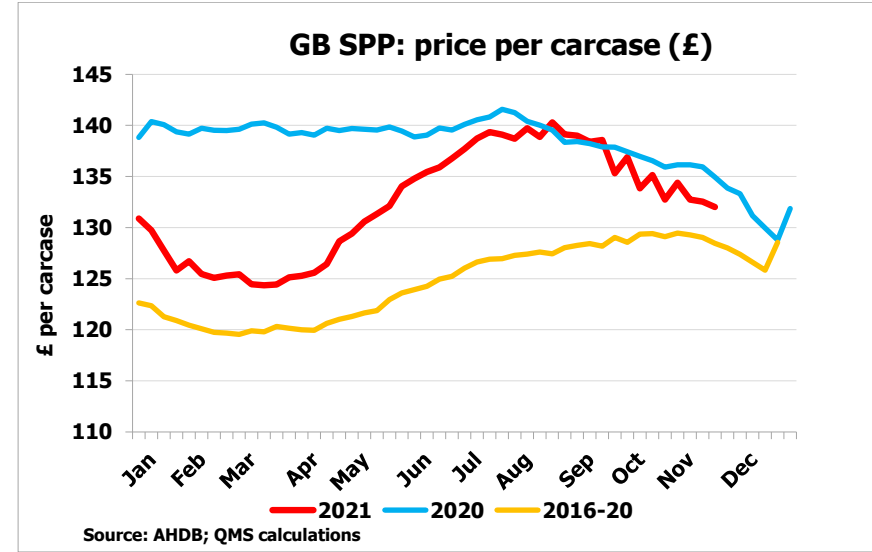
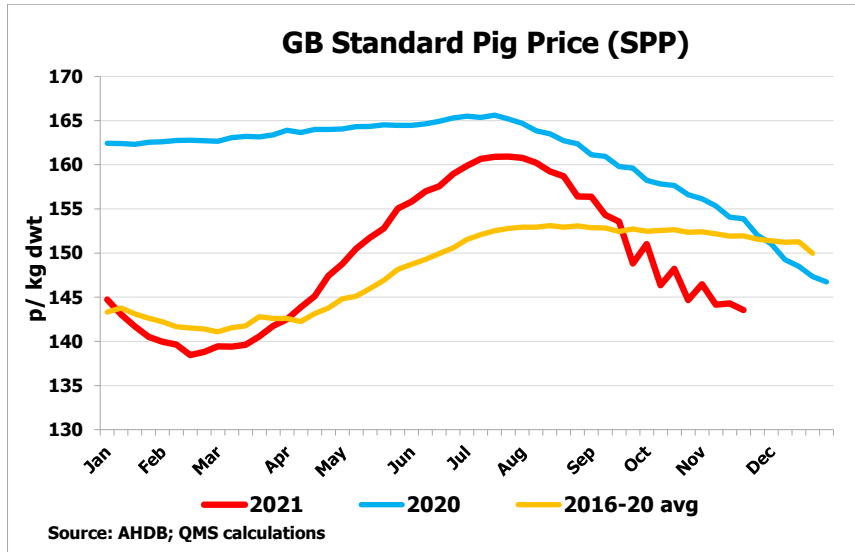
3.9.1 Defra's monthly straights prices for feed wheat and barley showed increases of around 6% between September and October but soyameal dipped 1.5%. While wheat held 7% above 2020 levels and barley was around a third more expensive, soyameal became slightly cheaper.

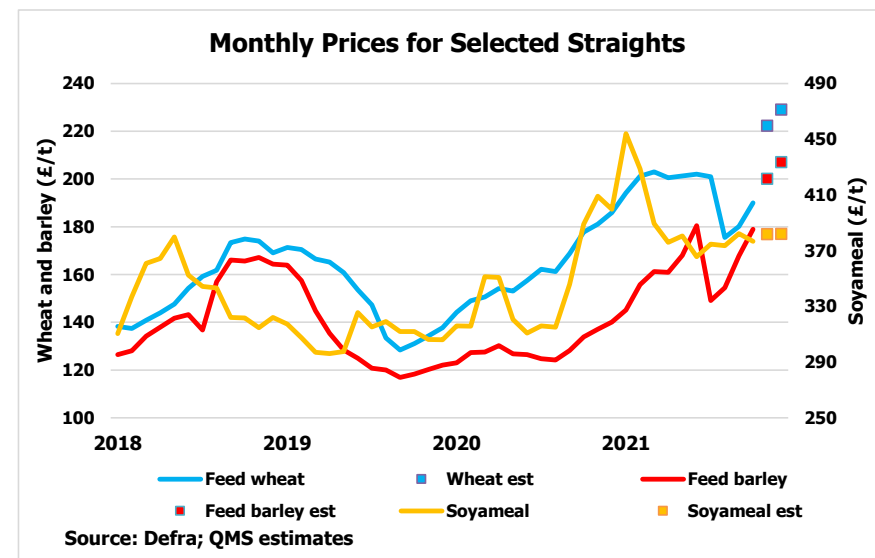
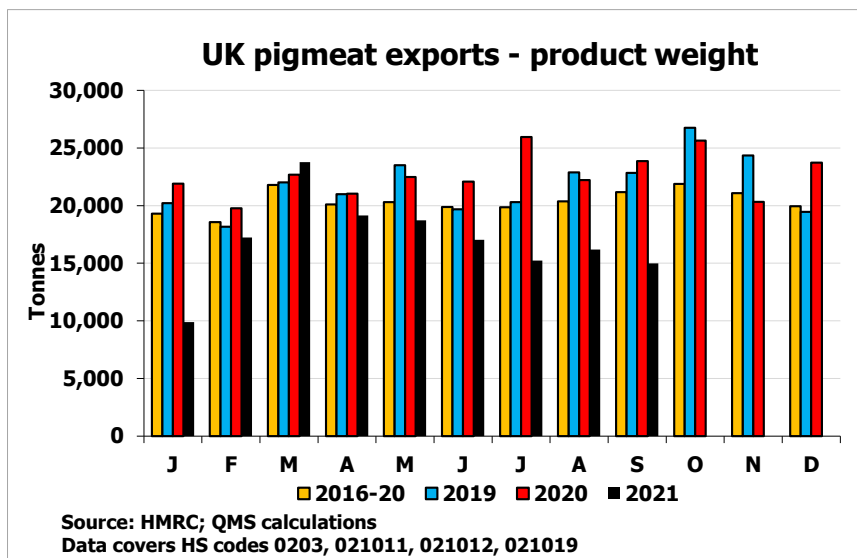
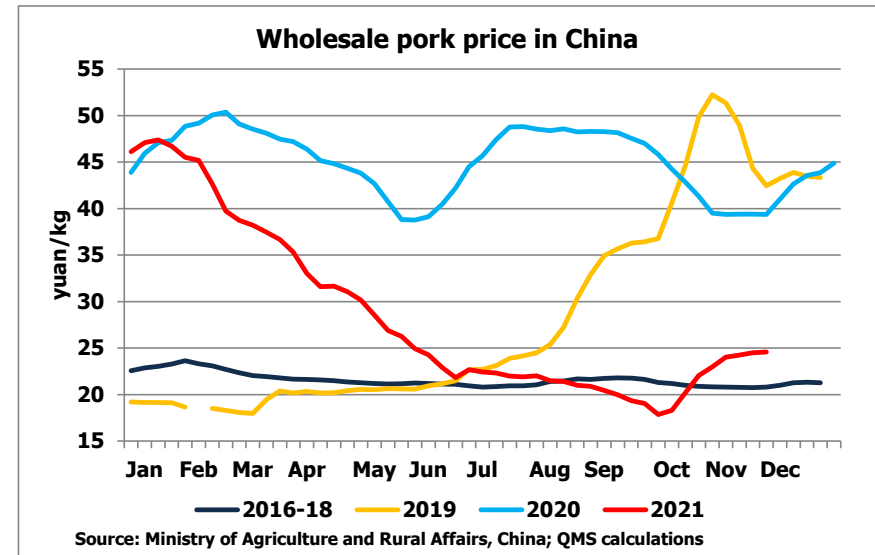
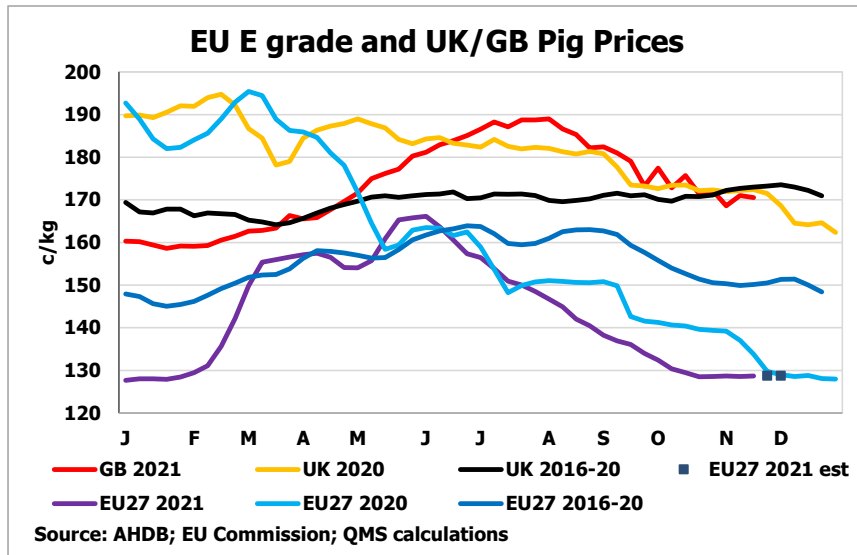
3.9.2 Since then, forecasts of a very tight global grain market balance have resulted in a surge in market prices, with wheat estimated at £222/t and barley £200/t in November, and the upwards pressure continuing into December. These November estimates would work out at respective increases of 22% and 46% over 2020 levels.

3.9.3 However, soyameal futures in Chicago have remained below their peak as global supply is expected to be well above demand in the coming year and the price of imported soyameal is estimated to have held at around £380/t, roughly 5% below late-2020 levels.

3.9.4 Defra figures for Q3 2021 indicated that while compound pig feed was slightly cheaper than in the April to June period, it still proved 13% more expensive than last year, and renewed increases in grain prices suggest that further upwards pressure on compound feeds will follow.

### 3.10 Pig Charts

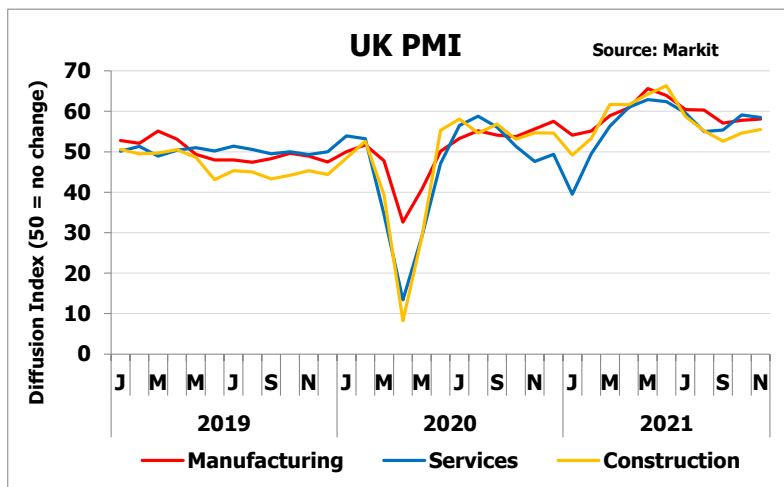






## 4.0 Business Environment

### 4.1 Business activity



4.1.1 The closely watched monthly business surveys carried out by Markit have signalled a further improvement in UK private sector activity growth in November.

4.1.2 The index for the service sector dipped a little on the month but remained higher than its August and September lows, while manufacturing and

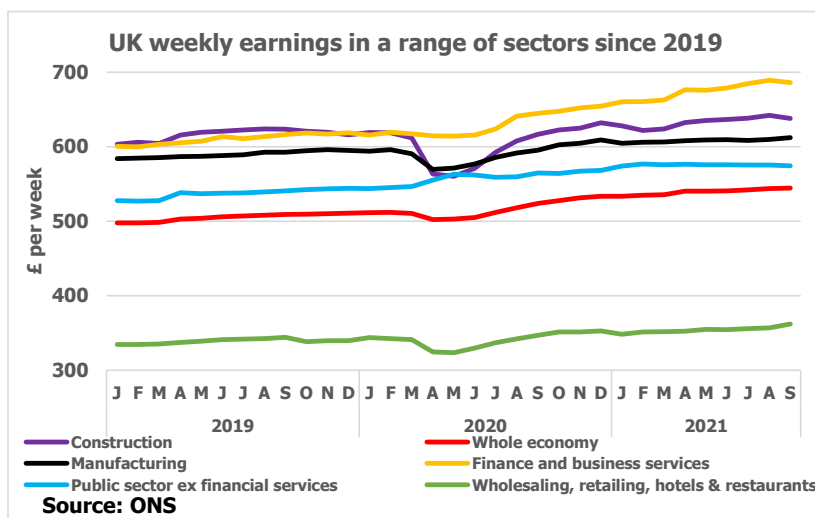
construction moved further above their September lows.

4.1.3 In manufacturing, some of the output expansion reflected attempts to build resilience through higher stock levels. However, many firms reported challenges in acquiring all their necessary components and in accessing enough labour to meet demand, leading to record input cost increases. Supply chain challenges were also reported to have limited export activity.

4.1.4 Having spent most of the pandemic significantly below UK levels, the Scottish PMI had exceeded the UK level in August and September, pointing to some relative catch-up expansion following the loosening of restrictions. In October, it slipped slightly behind the UK index again, though it did edge above its September low and remained in positive territory, driven by strong demand but hindered by record input costs. Firms raised employment but were unable to do so fast enough to keep up with new orders.

### 4.2 Labour market

4.2.1 Weekly earnings data from the ONS indicates that wage pressures at sector level

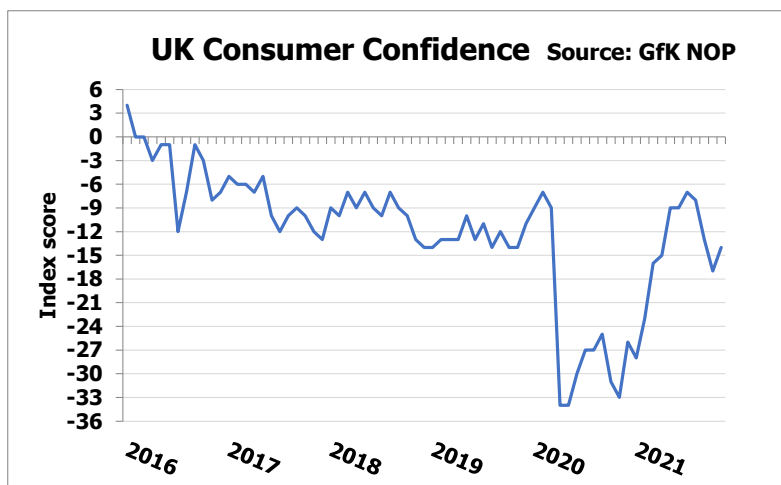


remain relatively muted, largely returning to their pre-pandemic upwards trend. A spike in wage growth during the summer largely reflected reduced numbers of people on furlough.

4.2.2 This suggests that firms that are having to raise wages significantly to retain and attract staff due to shortages are in the minority.

- 4.2.3 In September, the one sector to see a widespread significant spike in wages was wholesaling, retail foodservice & restaurants, potentially signalling more considerable competition for tight supplies of staff.
- 4.2.4 Other indicators do however signal more widespread issues in the balance between demand and supply of labour.
- 4.2.5 Vacancy numbers reported by the ONS shows that the level in the August to October period of 2021 was 43% higher than on average in the three years to February 2020.
- 4.2.6 Meanwhile, in Q3 2021, there were only 1.3 unemployed people per vacancy, down from an average of 1.7 in the three years before the pandemic.
- 4.2.7 Data for Q3 2021 shows that the headline employment rate in the UK remained below pre-pandemic levels, with 75.4% of the population aged 16-64 in work, compared to 76.6% in the December 2019-February 2020 period.
- 4.2.8 Most of this gap reflected an increased share of the population leaving the labour market, with economic activity within this age range at 78.9% compared to 79.8% in December 2019-February 2020, while the unemployment rate was only 0.2 percentage points above its pre-pandemic level, at 4.3% in Q3.
- 4.2.9 Data on the unemployed shows that compared to pre-pandemic levels, the share of those who have been out of work for longer periods has increased significantly whereas short-term unemployment has fallen back, adding to the squeeze on labour availability.

### 4.3 Consumer Confidence



4.3.1 The GfK/NOP's long running survey has signalled a sharp fall in consumer confidence this autumn, likely linked to fuel shortages of late-September/early October, press coverage of potential food supply shortages at Christmas, and rising energy costs.

4.3.2 While these concerns dissipated a little in November, the survey was carried out before Omicron was first detected.

- 4.3.3 As has been the case for a prolonged period, people have been much more negative about the overall state of the UK economy than of their own personal financial conditions. For example, the index for economic expectations for the year ahead was at -23 while the index for expectations of personal financial conditions was at +2.
- 4.3.4 The net balance of those finding it a good time to build savings fell from +22 to +15.

