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 many sources, and, unless otherwise stated, covers the 2018 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 fourteenth edition of this publication, and it highlights the continued importance of the red meat sector to Scotland’s economy.

After a relatively favourable 2017 weather-wise, 2018 proved challenging for the red meat sector in Scotland. A cold, wet winter and spring was followed by a hot, dry summer, altering marketing patterns and having an impact on the availability, and therefore cost, of forage and bedding materials. However, the continuing weakness of sterling against the euro underpinned farmgate prices.

Finished cattle prices were, on average, similar to year-earlier levels, but the store producer took a smaller proportion of the value of a finished carcase. Meanwhile, although the challenging spring weather made it a difficult spring for sheep farmers, tight supply and the slow arrival of new season lambs on to the market saw farmgate prices reach record high levels for this time of year. This will have been particularly welcome for store lamb finishers who had failed to see the traditional seasonal spring upswing in the market in 2017. By the autumn, the lamb market had returned closer to its average of recent years, but the store trade firmed on a tight supply. In contrast to the cattle and sheep sectors, pig producers had a whole year where farmgate prices failed to match year-earlier levels. In addition, production costs rose due to the continued recovery in global commodity prices plus a tight global market for feed grain. Nevertheless, further increases in the productivity of the pig herd will have had some offsetting impact.

In terms of animal numbers, the beef herd continued to contract, leading to worries for the processing sector, which operates on thin margins. These concerns were added to in 2018 by a reduction in beef-sired calf registrations, signalling a potential reduction in prime beef production in 2020. Within the beef herd, there was further movement away from continental sires towards native breeds. In the sheep sector, the challenging spring led to a sharp fall in the lamb crop and the lambs-to-ewes ratio fell back from the 21st-century high reached in 2017. The legacy of the spring was a smaller breeding flock in the autumn of 2018, potentially limiting the recovery in the lamb crop in 2019. Despite a smaller lamb crop reaching the market later than in the previous year, the autumn did see some evidence of growth in lamb production at Scottish abattoirs. In the pig sector, census results suggest volatility in the pig herd, with the June figures signalling a decline but then December results suggesting growth. Abattoir production rose strongly in 2018, with pig slaughter recovering to its highest level since the closure of Broxburn abattoir in 2012, while it now appears that there is the capacity to process Scottish sows in Scotland.

The volume of red meat available for consumption in the UK is estimated to have risen by around 1% in 2018. This growth was mostly down to beef, with a marginal lift in pigmeat supply and a tightening on the sheep side. Beef supply was underpinned by both home production and imports, with a switch in imports towards frozen product likely to have weighed on the market. Retail sales were affected by the volatile weather in 2018, with the hot dry summer leading to a shift away from roasts and stewing cuts towards steaks and burgers, while lamb sales were limited by the combination of reduced availability and higher retail prices. Meanwhile, pork sales steadied and there was some growth in processed pork products.

2018 was a mixed year for international trade in red meat. Whereas beef imports rose further, pigmeat imports steadied and the reduction in lamb seen in recent years continued as New Zealand lamb became more expensive and its exporters shifted focus to China. A weaker sterling continued to support the profitability of the export trade in 2018, helping to grow the UK’s exports of beef and pork. However, lamb exports were limited by supply constraints.
# The Scottish Red Meat Industry: A Snapshot

## Farm output

<table>
<thead>
<tr>
<th>Meat Type</th>
<th>Farm Output</th>
<th>Share of Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>£830.6m</td>
<td>46.1% of Scottish agri output</td>
</tr>
<tr>
<td>Sheep</td>
<td>£274.6m</td>
<td>15.8% of Scottish agri output</td>
</tr>
<tr>
<td>Pigs</td>
<td>£101.1m</td>
<td>6.6% of Scottish agri output</td>
</tr>
</tbody>
</table>

## Price of Livestock

### Farm assured premium at Scottish auctions

<table>
<thead>
<tr>
<th>Animal Type</th>
<th>Prime</th>
<th>Prime</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cattle</td>
<td>31.6%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Sheep</td>
<td>31.6%</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

## Red meat processing sales

- Beef: £274.6m (+31%)
- Sheep: £186m (+23%)
- Pigs: £186m (+22%)

## Abattoir output

<table>
<thead>
<tr>
<th>Meat Type</th>
<th>Output</th>
</tr>
</thead>
<tbody>
<tr>
<td>Beef</td>
<td>£695m</td>
</tr>
<tr>
<td>Sheep</td>
<td>£186m</td>
</tr>
<tr>
<td>Pigs</td>
<td>£101.1m</td>
</tr>
</tbody>
</table>

## Red meat processing employment

- 3,000 employees (+2.5%)
- 41% are non-UK EU nationals (+9% in 2017)
- £70m of wages (+4%)

## Self-sufficiency

- Beef: 144.5%
- Sheepmeat: 193%
- Pigmeat: 30%

## Per capita consumption

- Beef: 21.1kg (UK 12.3kg)
- Sheepmeat: 2.3kg (UK 4.5kg)
- Pigmeat: 17.9kg (UK 9.5kg)

## The Scottish Red Meat Industry: A Snapshot

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- Primary Processing
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  - Scottish Abattoir Output
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- References
Prices

Producer Prices

Cattle

The average steer price at Scottish abattoirs increased for a second year in 2018. It edged up by 0.6% to reach 377.3p/kg dwt. Although 2.9% above its five-year average for 2014–18, it fell 6.4% short of its 2013 high.

While farmgate prices showed a similar seasonal trend to the previous year, there were a couple of significant exceptions. In August, prices dipped significantly before recovering quickly, while the traditional upturn around the time of peak procurement for Christmas failed to materialise.

A significant proportion of prime cattle carcases continued to exceed the carcass weight specifications of the multiple retailers and faced price penalties. As a result, -U grade steers tended to be priced lower per kilo than R grade steers, whereas the opposite was true for heifers.

Deadweight prime cattle prices averaged around 5.6% higher in Scotland than they did in England & Wales in 2018. This was down marginally from a premium of 5.9% in 2017.

At 266p/kg dwt, the average cull cow price edged 1.6% above its 2017 level. Scottish abattoirs paid an average of 13.7% more for cull cows than their counterparts in England & Wales, up from 12.1% in 2017.

Scottish abattoirs paid an average of £1,444 for a steer carcass in 2018. This was a year-on-year increase of 0.8%. For a cow, the average carcass price rose by 3.3% to £934.

The increase in producer prices in 2018 was smaller than the general level of inflation across the UK economy, resulting in a real-terms decline of 1.7% in the average steer price.

Sheep

In the first third of 2018, prime sheep prices were exceptionally strong, trading in the 230–240p/kg range for most of March and April and spiking to 270p/kg in early April. This will have proved welcome to store lamb finishers who had experienced a challenging spring selling period in the previous year, when the traditional seasonal market upturn had failed to materialise.

This momentum from the spring was carried into the early sales of new season lambs, with prices approaching the £3 per kilo mark. The challenging spring weather delayed the arrival of new season lambs on to the market, helping to underpin prices which approached record highs of around £3/kg.

Over the peak autumn marketing period, prices traded at seasonal lows of around 161p/kg, compared to a low point of 157p/kg in 2017, and a 2014–18 average low of 153p/kg.

As demand firmed in the run-up to the festive season, prices saw a more notable seasonal upturn than had been seen in recent years, closing the year 10% above their five-year average at around £2.1/kg.

The influence of festivals on the lamb trade was once again in evidence during 2018. With lamb a prominent ingredient of meals around Easter across Europe, demand from both the home and overseas markets supported the market. Then in May, prices were influenced by the Islamic festival of Ramadan, supporting prices in mid-May when Ramadan commenced, and then in mid-June when it concluded with the Eid al-Fitr festival. In mid-August, a further Islamic festival – Eid al-Adha – saw lamb prices increase despite a significant rise in markings. As noted above, a seasonal lift in demand in the run-up to Christmas and New Year supported farmgate prices in November and December. The annual peak in exports to southern Europe will also have helped underpin the market in late 2018.

After averaging around 178p/kg in 2016 and 2017, the annual average price for an SQG lamb (weighing 25.5 to 45.5kg lw) at Scottish auctions firmed by 10.7% to 197.5p/kg in 2018. Meanwhile, the annual average price at GB price-reporting abattoirs rose more slowly, up 6% at 441.5p/kg dwt.

Having averaged around 5% below the England & Wales average in 2017, the Scottish auction price narrowed the gap to a deficit of less than 1% in 2018.

At Scottish auctions, the annual average cull ewe price rose by 2.3% to £56.50/head in 2018. This was 6.6% below the average selling price in England & Wales, similar to the 6.4% deficit in 2017.

When adjusted for inflation, the Scottish auction SQG average rose by 8.2% and the GB deadweight average by 3.6% in 2018.
Pigs

Prime pig producer prices followed their historic seasonal pattern in 2018. This saw prices cool marginally amidst the weak demand environment of the early weeks of the year. As slaughter numbers and carcase weights fell seasonally, the SPP stabilised in the spring before picking up to reach its annual peak of 150.5p/kg in early July. From then on, the market cooled each week until the year-end, reflecting a seasonal upturn in carcase weights and weekly slaughter volumes.

While following a similar seasonal pattern to 2017, prices spent the entire year trading at a lower level than in the previous year. This gap started at 1% and peaked at over 9% in August before slipping back to 6% in the final weeks of the year.

In the year as a whole, the average price within the SPP sample trailed its 2017 level by 6.4% at 148.8p/kg. Carcase weights were unchanged on average, meaning that, at £122.72, the average price per carcase also fell by 6.4%.

Farm Assurance Premium at Scottish Auctions

Although individual sales may differ, there is a general pattern throughout the year whereby the prices paid at Scottish auctions for Scotch Farm Assured cattle and sheep will be higher than for Non-Farm Assured stock.

Each year, the premium for cattle tends to be larger than for sheep, averaging around 15% and 5%, respectively. In 2018, the average premium for cattle widened significantly, to 32%, while it held at around 7% for sheep.

Farm Assurance Premium for Prime Cattle at Scottish Auctions

<table>
<thead>
<tr>
<th>Year</th>
<th>Scotch Farm Assured Avg selling price p/kg livewt</th>
<th>Non-Farm Assured Avg selling price p/kg livewt</th>
<th>Farm Assurance Premium (p/kg livewt)</th>
<th>Farm Assurance Premium (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>195.0</td>
<td>166.4</td>
<td>28.6p</td>
<td>17.2%</td>
</tr>
<tr>
<td>2017</td>
<td>210.9</td>
<td>172.6</td>
<td>38.4p</td>
<td>22.2%</td>
</tr>
<tr>
<td>2018</td>
<td>212.6</td>
<td>161.6</td>
<td>51.1p</td>
<td>31.6%</td>
</tr>
</tbody>
</table>

Source: AHDB/IAAS; QMS calculation

Farm Assurance Premium for Prime Sheep at Scottish Auctions

<table>
<thead>
<tr>
<th>Year</th>
<th>Scotch Farm Assured Avg selling price p/kg livewt</th>
<th>Non-Farm Assured Avg selling price p/kg livewt</th>
<th>Farm Assurance Premium (p/kg livewt)</th>
<th>Farm Assurance Premium (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>179.3</td>
<td>166.7</td>
<td>10.6p</td>
<td>6.3%</td>
</tr>
<tr>
<td>2017</td>
<td>180.6</td>
<td>169.0</td>
<td>11.6p</td>
<td>6.9%</td>
</tr>
<tr>
<td>2018</td>
<td>194.6</td>
<td>182.7</td>
<td>12.0p</td>
<td>6.6%</td>
</tr>
</tbody>
</table>

Source: AHDB/IAAS; QMS calculation

2 The ‘Standard Pig Price’ (SPP) is the price paid by a sample of abattoirs across Great Britain for a ‘standard pig’. A standard pig is one that does not receive a premium based on a specific characteristic, such as its breed or being farmed organically. Bonus payments for meeting specific contract targets are also excluded. The only premiums included are, therefore, those based on weight and carcase grade.

3 The ‘Farm Assurance’ (FA) premium is based on a farm meeting certain pre-agreed guidelines in their farming practices. These include animal health and welfare, nutrition, housing, etc.
Store Prices

**Store Cattle**

Store cattle prices reflected their historic seasonal trend once again in 2018. Prices peaked in both the spring and the autumn, in line with the main store cattle marketing periods. They also cooled during the summer and fell to their lowest levels of the year in the run-up to Christmas.

Having risen in 2017, store cattle values generally matched or traded above year-earlier levels at spring sales but weakened relative to 2017 in the autumn. In the year as a whole, they averaged slightly below 2017, at £853 for a 6–12–month steer and £954 for a 12–18-month steer. These were respective decreases of 1.4% and 2.5%.

The proportion of the final carcase price captured by the store producer has been trending lower in recent years. In 2018, 6–12-month steers sold at 59.1% of the annual average steer carcase price, down from 60.4% in 2017, while the proportions slipped from 68.3% in 2017 to 66.1% in 2018 for 12–18-month steers.

**Store Sheep**

After a challenging autumn of 2017 for store lamb producers, prices initially fell further at the beginning of the autumn 2018 selling period in August. However, by the beginning of September the market had rebounded, and the market cleared significantly higher than 2017 levels during the final quarter of the year.

The average store lamb sold for £49.26 in 2018, up 6.6% from the previous year, while Blackface store lambs traded 8.1% higher at £36.88. At these levels, the average store lamb is estimated to have been priced at 57% of the finished hoggs selling price from the first quarter of 2019, compared to 51% a year earlier, while Blackface values are estimated to have risen from 38% to 43% of the finished hoggs price.

A 9.1% reduction in the number of store lambs traded is likely to have boosted prices, while if higher carcase weights at Scottish abattoirs reflected a general increase in lamb weights, this may have also underpinned store prices on a per head basis.

**Exchange Rate Movements**

Shifts in exchange rates affect the competitiveness of Scotland’s red meat in the home market and abroad. These shifts have knock-on impacts on livestock prices and wholesale prices. Hedging, forward-buying and contract-pricing can slow the pace at which these changes pass through the supply chain.

Following the significant rebalancing of sterling against the euro in 2016 linked to the EU referendum result, the exchange rate was relatively stable for a second year in 2018, with a euro buying between 87p and 90p throughout the year. Developments in Brexit talks were the main influence behind fluctuations.

After significant falls in the annual average exchange rate in the previous two years, the decline in sterling relative to the euro eased to 0.9% in 2018.

The weakening of sterling since its recent peak in 2015 is likely to have benefited exporters because it allows an unchanged euro price to convert into a higher sterling revenue, potentially allowing a lowering of euro prices to gain market share without having to accept a lower sterling price in return. On the import side, a weaker sterling is likely to have raised the relative price of imports, underpinning demand for home-produced product in price-sensitive markets – most likely in food manufacturing and foodservice.

The value of sterling against the New Zealand dollar (NZD) is important in the sheepmeat sector due to the majority of the UK’s sheepmeat imports coming from NZ. Sterling averaged 6.4% stronger against the NZD in 2018 than in the previous year, thereby placing downwards pressure on the cost of importing sheepmeat from NZ, largely reflecting a rebalancing of the NZD after the country’s change in government in the autumn of 2017. The NZD bought an average of 31.8p in 2018.

The exchange rate between sterling and the US dollar (USD) affects the price of globally traded commodities such as energy and protein feed, which tend to be denominated in US dollars. A 3.6% recovery in sterling against the USD in 2018 provided some offset to the cost of imports priced in dollars. A dollar was equivalent to 74.9p in 2018.
Cattle Production

Scotland’s beef breeding herd contracted for the seventh time in eight years in 2018. A net loss of more than 8,300 beef cows left the herd at 406,700 head in December. A year-on-year decline of 2.1% left numbers 2.7% below their 2014–18 average and 11.9% below their 2006–10 average.

Dairy cow numbers edged higher for a second year in 2018. The herd expanded by 400 head to reach 175,600, an increase of 0.2%. This was 0.1% above their five-year average but 0.4% below the average for 2006–10.

In June 2017, the regional spread of cattle across Scotland remained heavily concentrated in the south west and north east. With livestock production heavily influenced by land type, the cattle population is skewed towards the beef herd in the North West, Tayside, the Borders and Argyll & Bute. By contrast, in the South West, there is a heavier focus on finishing store cattle and dairy production. In the North East, the Lothians and Fife, producing beef calves and finishing beef cattle take place in relatively equal measure.

Sheep Production maintained its position as the most common farming activity in Scotland, with 29.4% of Scottish holdings involved in it during 2018. Meanwhile, 22% of holdings were involved in cattle production and 2.2% produced pigs. The total number of agricultural holdings in Scotland rose by 19 to 51,157 in 2018. Cattle farming saw a further decline of 2% (-1.8% in 2017), and the number of holdings with pigs dipped back (-1.7%). By contrast, sheep holdings rose for a third year, up 0.3%. This reflected a small increase in holdings with fewer than 50 ewes more than offsetting a big decline in the largest holdings with more than 1,000 ewes.

Herd Size

In June 2018, the average size of a Scottish beef suckler herd was unchanged on the previous year, with a fall in the South West offset by small increases elsewhere. Average herd sizes remain slightly lower across Scotland than before the decoupling of subsidy payments in 2005, but well above the English average.

The prominence of crofting in the Highlands and Islands ensures that the average herd size is well below the national average in the North West. For example, the average holding in Na h-Eileanan Siar had just seven cows in 2017 and Shetland was little higher at 12, though Orkney herds did exceed the national level. The largest average herd size, of 78 head, was in the Scottish Borders, followed by Lothian on 69 (down from 73) and Dumfries & Galloway on 66 head.
Calf Registrations

Following two years of marginal declines, the total number of calves registered in Scotland contracted more significantly in 2018. Registrations fell by 2.6% to a five-year low of 552,100 head.

Following four years of increases, beef-sired registrations declined by 2.9% to 456,300 head in 2018. This left them 1.1% short of their 2014–18 average. While dairy-sired registrations fell for the third straight year, the rate of contraction eased to 1.4% from over 5% in the previous two years. At 95,800 head, dairy-sired registrations were 6.1% below their 2014–18 average.

The share of beef-sired calves in total registrations eased slightly to 82.6% but was still at its second highest level since 2008.

On a regional basis, total registrations fell by 3.1% in both the North West and South West, and by 3.5% in the North East. However, registrations fell more slowly in the South East, down 0.4%. The South West accounted for 44% of beef-sired registrations and 51% of total registrations in 2018.

Scottish calf registrations provide a leading indicator of potential beef production in the following couple of years. A small decline in total registrations in 2017 points towards a slight tightening of supply in 2019, while the more significant decline in registrations in 2018 suggests that numbers could tighten by 2–3% in 2020. However, this tightening is likely to begin in the autumn of 2019 as the early-finishing spring-2018-born calves begin to reach the market.

Limousin retained its position as the most popular sire in Scotland in 2018, with 20.6% of the calves born in Scotland being sired by a Limousin bull. However, numbers declined by 5.6% in 2018 to 114,000 head, lowering their share of the total by 0.7 percentage points.

Aberdeen Angus registrations continued to trend higher in 2018, bucking the overall trend, likely reflecting the marketplace premium for finished Aberdeen Angus-sired cattle. A 2.5% increase occurred in 2018, taking registrations to 97,900 head and a 17.7% share of the total, up from a 16.8% share in 2017.

The other main breed groups saw declines in 2018. Registrations of black & white dairy cattle fell by 1.8% to 85,500, giving them a marginally increased share of 15.5%. Meanwhile, heavy declines of 8.4% to 76,100 head for Charolais and 5.9% to 69,400 for Simmental saw their shares slip by a respective 0.9 and 0.4 percentage points to account for 13.8% and 12.6% of the total.

The popularity of other sires, in general, continued to increase. However, growth rates did vary significantly from 2017. Indeed, registrations of Shorthorn and Hereford sired calves rose by only 0.5% and 1.1%, respectively, having shown increases of around 10–15% in 2017. Although registrations of British Blue and Salers continued to rise strongly, their growth rates did ease from 2017’s 8–9% to a respective 6.3% and 3.4% in 2018.

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The country’s lambing performance has been monitored for many years, with a comprehensive Sheep and Goat Inventory. Unfortunately, the change in reporting has led to significant volatility from year to year in estimates of ‘other sheep’ aged over 12 months and ‘lamb not put to ram’. Therefore, significant caution is required when comparing against previous years.

Adding the number of ewes that had been kept for breeding in the autumn of 2018 to the number of lambs that had been put to the ram indicates that the Scottish breeding sheep flock contracted by 2.1% to 2.88m head in December 2018. This placed it 2.6% below the 2014–18 average and 8.6% down on the 2005–09 average.

Subtracting the female breeding flock from the total number of sheep estimated to have been on Scottish holdings in December 2018 points to a 5.5% year-on-year rebound in ‘other sheep’. This would point towards an increased carryover of hoggs into 2018, despite a sharp 8% year-on-year contraction reported in the June lamb crop, reflecting a delayed marketing profile.

Scottish sheep population

Just three regions accounted for 44.2% of the breeding flock in June 2018. The Scottish Borders had the largest flock, with 15.7% of the total, while Dumfries & Galloway had 14.9% and Highland 13.6%.

Regional variation in ewe performance is considerable across Scotland, reflecting land quality and climate. The Scottish Borders was home to 17.5% of Scotland’s lambs in 2018, while Dumfries & Galloway had 15.6% of the total, 11.8% lived in Highland region and 11.2% in the North East.

Following two years of strong lambing performance, the challenging spring weather had a major negative impact in 2018. The national lambing percentage dropped 5.4 percentage points below the previous year’s 21st-century high and, at 122.9%, was 2.8 points below the 2014–18 average.

However, it remained considerably higher than 2013’s 118.7%, which had been a six-point reduction from the previous year.

Performance declines were concentrated in southern Scotland, with the South West seeing an overall reduction of 7.7 percentage points while the South East’s decline was a marginally below average 5.3 points. The declines were more evenly spread across the South West than the Southern Highlands, with the South West seeing an overall reduction of 7.7 percentage points while the South East’s decline was a marginally below average 5.3 points. The declines were more evenly spread across the South West than the Southern Highlands, with the South West seeing an overall reduction of 7.7 percentage points while the South East’s decline was a marginally below average 5.3 points.

The North East was least hard-hit by the challenging spring, with its lambing percentage 1.2 points lower, while the reduction was 3.2 points in the North West, ranging from around 1.5 points in Na-h-Eileanan Siar and Shetland to around 4 points in Highland and Orkney.

Fife still led the way in terms of ewe performance, slipping to 152.7%, while the North East remained second on 145.2%. However, Lothian slipped below the Borders (137.2%) into fourth on 134.5%. Although ewe performance in the North West remained well below average, Orkney was an exception, with 132.5%.

The Scottish Red Meat Industry Profile

Calf Registrations

Scottish Red Meat Industry Profile

Sheep Production

Calf Registrations

Scottish Red Meat Industry Profile

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Scottish Red Meat Industry Profile

Sheep Registration

Calf Registrations

Scottish Red Meat Industry Profile

Sheep Registration
Pig Production
Following a contraction of 17% reported in the December 2017 Agricultural Survey, the 2018 results point to a rebound, with a rise of 15.2% seeing the herd recover to total 36,100 head. This was 2.7% above the 2014–18 average.

Gilt retentions also recovered from a fall in 2017, rising 5.1% to 5,050 head. Nevertheless, they were still 7% below their 2014–18 average.

The number of prime pigs on Scottish farms declined for a second year. A 5.6% reduction to 290,000 head left numbers 2.5% behind their five-year average.

There were eight prime pigs for each breeding sow in December 2018. This was well below the 9.8 recorded in 2018 and down on the five-year average of 8.5, suggesting that the proportion of Scottish-born pigs being sold as weaners to producers in the north of England may have risen.

North East Scotland is home to the vast majority of the country’s sows and given that number rose by 0.7% there compared to the national decline of 5.2% reported in June 2018, its share of the national total picked up from 59.9% to 63.6%. This was largely mirrored by a decline in the South East of 3.8 percentage points to 24.8%, reflecting a 17.6% reduction in the sow population.

Herd Size
The average Scottish sow herd fell back in size by 1.7 head in 2018 after four years of significant increases.

An average herd size well above the national average in the North East reflects the commercial concentration of pig farming in the area, with 93.2% of the sows on the 28 holdings with 250 or more, averaging 643.6 each. In the South East, the eight holdings with at least 250 sows accounted for three-quarters of the overall decline in ewes reported in the June census, with total numbers declining by 9.8% in this category and the average holding seeing numbers fall to 1,488.1 from 1,526.2 in June 2017.

South East Scotland has the largest holdings, with each having an average of 397 breeding ewes in June 2018 – almost double the Scottish average. This is largely due to the Borders, where the average sheep holding kept 503 ewes during 2018. At 375 ewes, Tayside had the second largest flocks in Scotland while East Central took third place with 343. The South East hosted 41.5% of the country’s holdings with more than 700 ewes, while a further 39.8% of these holdings were located in the South West.

The North West’s average flock size was held down by Na h-Eileanan Siar’s average of only 32.7 ewes, but flock sizes were also well below average in Orkney, Shetland and Highland.

Scottish Pig Population
<table>
<thead>
<tr>
<th>Year</th>
<th>Pig breeding herd</th>
<th>Total pig herd</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>37,800</td>
<td>367,800</td>
</tr>
<tr>
<td>2017</td>
<td>31,400</td>
<td>345,150</td>
</tr>
<tr>
<td>2018</td>
<td>36,100</td>
<td>332,600</td>
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</table>

Source: Scottish Government (2019b)

Breeding Herd Size

<table>
<thead>
<tr>
<th>Region</th>
<th>North West</th>
<th>North East</th>
<th>South East</th>
<th>South West</th>
<th>Scotland</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>10.6</td>
<td>220.7</td>
<td>87.2</td>
<td>18.0</td>
<td>71.4</td>
</tr>
<tr>
<td>2018</td>
<td>10.0</td>
<td>205.7</td>
<td>74.7</td>
<td>19.6</td>
<td>69.7</td>
</tr>
</tbody>
</table>

Source: Scottish Government (2018, 2019c)

Flock Size
The average Scottish breeding ewe flock had 7.3 fewer ewes than a year earlier in June 2018, slipping to 201 head. Average flock sizes remained significantly smaller than they had been prior to the decoupling of CAP subsidy payments in 2005, except in the North East.

Scottish sheep production has relatively few large units. Indeed, only 7.7% of holdings had more than 700 ewes, accounting for 44.2% of the national flock. Holdings with more than 1,000 ewes accounted for three-quarters of the overall decline in ewes reported in the June census, with total numbers declining by 9.8% in this category and the average holding seeing numbers fall to 1,488.1 from 1,526.2 in June 2017.

South East Scotland has the largest holdings, with each having an average of 397 breeding ewes in June 2018 – almost double the Scottish average. This is largely due to the Borders, where the average sheep holding kept 503 ewes during 2018. At 375 ewes, Tayside had the second largest flocks in Scotland while East Central took third place with 343. The South East hosted 41.5% of the country’s holdings with more than 700 ewes, while a further 39.8% of these holdings were located in the South West.

The North West’s average flock size was held down by Na h-Eileanan Siar’s average of only 32.7 ewes, but flock sizes were also well below average in Orkney, Shetland and Highland.
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.

Pig sector output dropped back in 2018 having surged in 2017. The fall of 7.4% to £101.1m was down to a reduction in farmgate prices and production. As a result, the pig sector slipped to 3.2% of Scottish agricultural output in 2018, matching its 2016 share, having risen to 3.5% in 2018.

Provisional estimates indicate that Scottish agricultural output rose for a second year and almost recovered to its 2013 peak. At £3.14bn, output rose by 2.5% on 2017. Cereals, milk, eggs and fruit had a strong year, with vegetable production edging higher, while livestock output stabilised and potatoes struggled.

It is estimated that combined output from cattle, sheep and pig farming edged higher by 0.3% to £1.21bn in 2018. This was 37.8% of agricultural output, down from 38.7% in 2017 and a 2014–18 average of 39%.

Output from beef production rose slightly in 2018, up 0.6% at an estimated £3.14bn. However, its share of agricultural output fell by 0.5 percentage point to 26.1% – its lowest since 2013. Output from finished cattle and calves rose 2.3% to £657m due to slightly higher farmgate prices and production. Meanwhile, the cross-border trade in beef and lamb output increased by 2.4% to £220.7m while capital formation and livestock output stabilised and increased at an above-average rate, whereas the cost of fixed assets, such as machinery, buildings and transport equipment, rose more slowly.

Energy costs steadied in the first third of the year and then rose significantly until October. Thereafter, they stabilised in November before slipping back to a five-month low in December. This was largely driven by the evolution of fuel costs, reflecting the global oil market and the sterling exchange rate with the US dollar.

Commodity prices generally increased at an above-average rate, whereas the cost of fixed assets, such as machinery, buildings and transport equipment, rose more slowly.

Energy costs steadied in the first third of the year and then rose significantly until October. Thereafter, they stabilised in November before slipping back to a five-month low in December. This was largely driven by the evolution of fuel costs, reflecting the global oil market and the sterling exchange rate with the US dollar. Meanwhile, electricity and gas prices were stable in the opening and closing quarters of the year and tended higher in between.

The fertiliser market also made a stable start to the year. However, prices then cooled through April and May before rebounding strongly and firming until November. A second year of increases saw the fertiliser category become its dearest since 2015.

Feed costs began the year on a slight upwards trend until April. After two months of stability, they then firm up between July and October, before stabilising in the final quarter. Soyameal markets moved in a different way from the average during 2018, rising strongly at the beginning of the year due to a drought at harvest time in Argentina, before falling back in the second half after China imposed tariffs on US soya while analysts predicted a bumper US soya bean crop. A challenging year of weather in the Northern Hemisphere had a negative impact on grain production, while at the same time raising demand for animal feed.
Primary Processing

Supply of Livestock to the Processing Sector

Cattle
Prime cattle slaughter edged higher at Scottish abattoirs in 2018. At 390,700 head, numbers were 0.5% higher than in 2017. Nevertheless, numbers were still down by 1.7% on their 2014–18 average and 15.1% below the 2005–09 average.

Mature cattle slaughter dropped back to a three-year low of 68,600 head in 2018. This was a 6.7% fall from 2017 but still left numbers above the 2014–18 average by 3.1%.

These changes left the total cattle kill at Scottish abattoirs 0.6% below 2017 levels and down 1% on their 2014–18 average and 19.1% below the 2005–09 average.

Seasonality of Production
Carcase weights are traditionally lower during the autumn, reflecting the dominance of spring calving in Scotland. Steers and heifers tend to be slaughtered at around 18 months of age in the autumn, whereas those being slaughtered in the spring tend to be closer to two years old.

While steers and heifers continued to dominate the cattle kill in 2018, averaging 79% between them, this fell to 73% in July when young bull throughput peaked and the cow kill began to trend higher. Cull cows have traditionally risen significantly as a share of total slaughter during the autumn months when culling approaches its annual peak. However, in the second half of 2018, the cow kill fell sharply on a year earlier, so its share peaked at 16% in September, having reached 17–19% in the autumn of 2017.

The slaughter mix changed in 2018, with a shift from cows to heifers while the steer and young bull shares were almost unchanged.

Carcass Quality
At 45.5%, steers edged up by 0.1 percentage point while young bulls gave up 0.1 point, slipping to a 6.3% share. Meanwhile, heifers rose from 32.5% to take a 33.5% share but cows dropped from 15.6% to 14.6%.

To be labelled as Scotch Beef, beef from eligible animals must also meet product specifications. Only carcasses classified as 2, 3, 4L, 4H or 5L for fatness and E, U, R or O+ for conformation are eligible.

In 2018, 94.6% of the steers and 97.4% of the heifers processed by carcase classification as 2, 3, 4L, 4H respectively in 2017. This marked an improvement from 94.1% and 97.3% respectively in 2017.

R4L continued to be the most common grade for both steers and heifers, and this dominance increased in 2018. In general, fat cover and conformation were higher than in the previous year.

Age of Cattle at Slaughter
The heifer age at death profile also became younger in 2018, with the proportion slaughtered at 18–22 months rising 2.4 percentage points to 40%. In addition, the median age at death fell from 23 months in 2017 to 22 months in 2018, while the most common age at slaughter fell more significantly than for males, down two months to 20 months.

Seasonality of Carcase Weights
Seasonal carcase weight data shows a pattern of higher weights in the autumn and lower weights in the spring, reflecting the differing ages of cattle at slaughter in the summer and winter. The spring season tends to see the highest carcase weights as cows are culled at around 22 months of age, whereas the autumn season sees the lowest weights as steers and heifers are culled at around 18 months of age.

Carcase Quality
The seasonality of carcase quality is also evident, with higher percentages of grade 2, 3, 4L, and 4H carcases in the autumn and lower percentages in the spring. This is because the autumn season sees the highest weights, and thus, the highest grades, while the spring season sees the lowest weights, and thus, the lowest grades.

Age of Cattle at Death
The age of cattle at death is an important factor in determining carcase quality. In general, cattle slaughtered at a younger age tend to have higher carcase weights and better grades. This is because younger cattle tend to have more muscle and less fat, which results in a higher value carcase.

Steer Carcases by Grade at Scottish Abattoirs in 2018
The data shows that the most common grade for steers slaughtered in Scotland in 2018 was R4L, with 45.9% of carcases falling into this category. The next most common grade was R3, with 25.7% of carcases falling into this category. The least common grade was R5, with only 0.2% of carcases falling into this category.
Sheep

Prime sheep slaughter at Scottish abattoirs fell for the fourth straight year in 2018. Numbers decreased by another 2.3% to just under 1.1m head. At this level, throughput trailed its 2014–18 average by 9.3% and fell 18.3% short of its 2005–09 average.

While slaughter fell during the year as a whole, there was significant seasonal variation to this. During the first quarter, throughput fell by 1.9%. Numbers then fell by more than a fifth in April and May, reflecting an early Easter and a slow arrival of new season lambs on the market. Between June and October, throughput then fluctuated either side of year-earlier levels, totalling 0.8% lower for the period, before a strong increase towards the year-end saw volumes exceed 2017 levels by 5% in November and December.

The three largest weekly kills of the year occurred in the run-up to Christmas. At around 28,100 head, they were one-third above the annual average. While the weekly average around the time of the Eid al-Adha festival in August, this was only the joint fifth largest of the year when it had been the annual peak in recent years. This may, in part, reflect the earlier timing of the festival in 2018, in a period of less plentiful supply.

In its Economic Report on Scottish Agriculture dataset, the Scottish Government estimated that the total number of Scottish ewes and rams slaughtered in 2018 rose by 11% to 599,600 head.

The average prime sheep carcase weight at Scottish abattoirs steadied at 29.3kg in 2018.

Prime hogg carcase weights averaged around 2% lighter than in 2017, at 20.2kg, starting the year down by around 1% before running up to 5% lighter after Easter. However, moving into the new season, lamb weights quickly turned around, exceeding year-earlier levels throughout the second half of 2018. In the third quarter (Q3) they averaged 20.2kg, before climbing to 20.6kg in Q4.

With carcase weights in line with the previous year’s average, prime sheepmeat production fell by the same rate as slaughter, sliding by 2.3% to 22,250t in 2018. Total sheepmeat production contracted by 1.9% to 22,900t.

**Carcase quality**

During 2018, 62% of the prime sheep slaughtered at GB price reporting abattoirs achieved an R3L grade or better. This was an improvement by two percentage points from 2017. Carcase quality opened the season around a percentage point above 2017 levels, before averaging 5–6 points higher between mid-February and the end of April. Moving into the new season, quality retained a significant lead over 2017, averaging 3–4 percentage points, and this was sustained all the way through until late October. In November, the gap narrowed to 1–2 percentage points, and then it reversed in the final month, averaging two points behind late 2017.

A further proxy of carcase quality is the proportion of prime sheep sold at auction that qualify as ‘Standard Quality Quotation’ (SQQ). The SQQ covers prime sheep weighing from 25.5kg up to a maximum liveweight of 45.5kg. During 2018, 71.8% of prime sheep sold at Scottish auctions fell into this weight band, down slightly from 72.5% in 2017. While relatively similar on average during the calendar year, there were more marked seasonal differences. Indeed, the proportion of hogs slaying within the SQQ weight band was significantly higher than in early 2017 – at 75.1% compared to 67.4% a year earlier. By contrast, an increased proportion of new season lambs were traded above the 45.5kg liveweight mark, resulting in the SQQ proportion slipping to 68.2% from 76.4% in 2017.

**Pigs**

Prime pig slaughter at Scottish abattoirs rebounded in 2018, having been limited in 2017 by a three-month suspension of slaughtering at the country’s main pig abattoir following fire damage. Throughput rose by 34% to 333,300 head, recovering to its highest level since the closure of the facility at Broxburn in 2012.

In its Economic Report on Scottish Agriculture dataset, the Scottish Government estimates that 861,200 Scottish-born pigs were sold for slaughter in 2018, down slightly from 2017. The combination of increased slaughter and carcase weights boosted prime pigmeat production by 35% at Scottish abattoirs in 2018, reaching an estimated 27,500t. Once the expansion of sow meat production has been factored in, total pigmeat production is estimated to have risen by 38% to 29,100t.

The number of sows handled by Scottish abattoirs increased strongly for a second year in 2018, following up a 36% increase in 2017 with an 11% increase. This saw slaughter recover to a four-year high of 21,000 head. Nevertheless, this was growth from a very low base, reflecting that an estimated 96% of Scottish culled sheep are processed by abattoirs in England and Wales.
Scottish Red Meat Industry Profile

Scottish Red Meat Industry Profile

Scottish Red Meat Industry Profile

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 2018, the five largest cattle processors accounted for 15.7% of cattle throughput increase by 1.5 percentage points, while the share of the top five sheep processors jumped by 7.8 percentage points to 26.5% of beef exports. For beef processors, the shift towards retail sales came at the expense of food manufacturing, with sales of Scotch beef abattoirs and food manufacturers in the pork sector.

England and Wales remained the most common first point of sale for Scotch processors in 2018, and it is estimated that around two-thirds of all sales were generated there. The Scottish processing sector continued to send less of its produce overseas than the UK as a whole. Higher beef producer prices and a lower scale of production in Scotland than in the rest of the UK made it harder for Scottish processors to compete in price-sensitive export markets, leading to a focus on lower value markets. While 2018 saw strong beef export growth, lamb exports softened despite the exchange rate remaining at a favourable level. Direct exporting of pigment from Scotland remained negligible. Five quarter products continued to play an important role in helping cattle and sheep processors achieve carcass balance. These products are much more likely to be sold to wholesalers and food manufacturers than into the multiple retailers. They also make up a significant proportion of exports. Fifth quarter exports consisted mainly of beef in 2018 and showed significant growth. Multiple retailers increased their dominance of the sales profile of Scottish red meat processors in 2018. There were estimated increases of around 10 percentage points of turnover share for beef and pork, although the increase for sheepmeat was only marginal.

For beef processors, the shift towards retail sales came at the expense of food manufacturing, while there was a shift away from both wholesale and food manufacturing in the pork sector. Fifth quarter is largely sold either wholesale or to the food manufacturing trade, with ‘other’ outlets making inroads in 2018.

Scotland’s red meat exports outside the UK in 2018

In the year to September 2018, Scotland’s red meat abattoirs are estimated to have sold approximately £75m of red meat and offal to customers outside the UK. Beef exports were estimated at £39m in value and 7,100t in volume (converting to around 10,000t in carcass weight terms), with a further 4,300t of beef offal generating nearly £9m of revenue.

However, a more recent survey carried out in the spring of 2019 indicated that sales in the calendar year of 2018 were in fact significantly higher than this—totalling £92m.

In the year to September 2018, product branded as Scotch Beef PGI is estimated to have accounted for 54% of beef export volumes and 62% of revenue. It averaged £3,900/t compared to £5,000/t for non-Scottish beef exports—a premium of 39%. Offal was exported at an average value of £2,600/t.

EU markets are estimated to have accounted for 98.5% of export revenues from Scotch Beef PGI, 96% from other beef and 62% from beef offal.

At £12.8m, France was the largest overall market in terms of export revenue, accounting for 29% of the combined beef and beef offal total. France accounted for 27% of Scotch Beef PGI sales, 28% of non-Scottish sales and 41% of the offal trade. Italy was the largest market for Scotch Beef PGI, with 1,200 t sold for £7.5m, giving it a 36% share by value and 31% by volume. Its share of non-Scottish and offal revenue was much lower, at a respective 11% and 1%. Belgium & Luxembourg and the Netherlands were also important markets, accounting for shares of 9% and 15% of Scotch Beef PGI export revenues. The top premium beef markets within the EU in 2017/18 were Austria & Germany, averaging £13,300/t for sales of Scotch Beef PGI, and Belgium & Luxembour, on £13,000/t. Of the £2.9m worth of exports of beef and beef offal to non-EU countries, 68% of this revenue was generated from sales of beef offal.

Non-EU markets accounted for 38% of beef offal revenue. Hong Kong & Macau was the main destination for beef offal.

Norway, Switzerland & Iceland was the main non-EU market for both Scotch Beef PGI and non-Scottish product. Sales of Scotch Beef PGI to these countries had the highest average price for any market, at £18,400/t.
The Scottish Red Meat Industry Profile

Consumer Prices Index (CPIH)

The general price level in the UK economy trended higher through 2017. Prices rose slightly more slowly than in the previous year, increasing by 2.5% between January and December compared to a 3.1% lift in 2017. In the year as a whole, prices rose by 2.3% from 2017.

Compared to 2017, the price level saw a strong upwards influence from energy costs, linked to rising global oil prices. However, strong competition and shifting consumer demand away from buying physical goods on the high street toward online purchases and experiences limited price increases in the consumer goods sector, while the cost of housing also rose slowly.

The headline year-on-year CPIH inflation rate opened 2018 at 2.7% – inline with its average from April to December 2017. However, it had eased to 2.2% by April, and held within a 2.2–2.4% range between March and November, before slipping to 2% in December. Inflation slowed in 2018 as the past effect of higher input costs due to the fall in sterling in mid-2016 dissipated.

The cost of food went up for a second year in 2018, although its rate of increases slowed by more than the general level of inflation in the UK economy.

Food prices were relatively stable in the first third of the year, before easing back by around 1% to their annual low in June. After lacking direction through the summer and into autumn, they then firmed again towards the year-end, closing the year around 0.5% higher than they had begun it.

Six of the nine categories in the food basket showed slower inflation rates than in 2017. However, two of the fallers – oils & fats and fish – continued to show well-above average rates of 5.9% and 3.8% respectively. By contrast, inflation in food products slowed to just 0.1%.

Beef and veal retail prices trended lower through the first half of 2018 and then lacked direction between July and October before drifting slightly higher in the final two months. Despite this recovery, prices still fell by 1.5% between January and December. On average, beef retail prices tend to be relatively stable for long periods.

Lamb was one of the few meat categories to go against the overall trend in 2018. Having firmed through 2017, prices climbed by another 9.5% between January and July and October, before slipping back in November, closing the year 2.5% higher than where they had been in January.

The retail price of beef, salted or smoked meats and dried, salted or smoked meats trended downwards in 2018. Falling farmgate prices for pigs may have given the supply chain some room to steadily reduce prices in attempt at stimulating consumption. By December, retail prices averaged 1.9% below their January position. The two months to show significant price lifts in 2018 – March and December – may reflect a seasonal lift in demand for Easter and Christmas.

Retail Prices

Table: Scotland’s Beef Exports by Destination, October 2017 to September 2018 (£m)

<table>
<thead>
<tr>
<th>Destination</th>
<th>Scotch Beef PGI</th>
<th>Non-Scotch Beef</th>
<th>Beef Offal</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU</td>
<td>23.5</td>
<td>14.3</td>
<td>3.3</td>
<td>41.1</td>
</tr>
<tr>
<td>Belgium &amp; Luxembourg</td>
<td>2.2</td>
<td>0.7</td>
<td>0.2</td>
<td>3.1</td>
</tr>
<tr>
<td>France &amp; Monaco</td>
<td>6.5</td>
<td>4.1</td>
<td>2.2</td>
<td>12.8</td>
</tr>
<tr>
<td>The Netherlands</td>
<td>3.6</td>
<td>4.9</td>
<td>0.1</td>
<td>8.6</td>
</tr>
<tr>
<td>Italy</td>
<td>7.5</td>
<td>1.7</td>
<td>0.1</td>
<td>9.2</td>
</tr>
<tr>
<td>Spain &amp; Portugal</td>
<td>1</td>
<td>0.4</td>
<td>0.1</td>
<td>1.5</td>
</tr>
<tr>
<td>Austria &amp; Germany</td>
<td>1.3</td>
<td>0</td>
<td>&gt;0.1</td>
<td>1.4</td>
</tr>
<tr>
<td>Denmark, Sweden &amp; Finland</td>
<td>0.7</td>
<td>2.5</td>
<td>0.1</td>
<td>3.3</td>
</tr>
<tr>
<td>Poland &amp; Baltic states</td>
<td>0.2</td>
<td>0</td>
<td>0.5</td>
<td>0.7</td>
</tr>
<tr>
<td>Other</td>
<td>0.5</td>
<td>0.1</td>
<td>&gt;0.1</td>
<td>0.6</td>
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<tr>
<td>Non-EU</td>
<td>0.4</td>
<td>0.6</td>
<td>2</td>
<td>2.9</td>
</tr>
<tr>
<td>Norway, Switzerland &amp; Iceland</td>
<td>0.3</td>
<td>0.3</td>
<td>&gt;0.1</td>
<td>0.6</td>
</tr>
<tr>
<td>Other</td>
<td>0.1</td>
<td>0.3</td>
<td>2</td>
<td>2.4</td>
</tr>
<tr>
<td>Total Exports</td>
<td>23.9</td>
<td>14.8</td>
<td>5.3</td>
<td>44.1</td>
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</table>

Source: ONS Processor Survey, October 2018

Table: Annual CPIH inflation (%)

<table>
<thead>
<tr>
<th>Year</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Prices Index (CPIH)</td>
<td>+1.0</td>
<td>+2.6</td>
<td>+2.3</td>
</tr>
<tr>
<td>Food</td>
<td>-2.4</td>
<td>+2.5</td>
<td>+1.8</td>
</tr>
<tr>
<td>Meat</td>
<td>-4.1</td>
<td>+1.8</td>
<td>+1.0</td>
</tr>
<tr>
<td>Beef and veal</td>
<td>-2.7</td>
<td>+0.3</td>
<td>-0.7</td>
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<tr>
<td>Lamb</td>
<td>-1.7</td>
<td>+4.4</td>
<td>+8.7</td>
</tr>
<tr>
<td>Pork</td>
<td>-5.3</td>
<td>+1.5</td>
<td>-0.3</td>
</tr>
<tr>
<td>Poultry</td>
<td>-6.1</td>
<td>-1.2</td>
<td>-0.4</td>
</tr>
<tr>
<td>Edible offal</td>
<td>-0.7</td>
<td>+1.1</td>
<td>+0.7</td>
</tr>
<tr>
<td>Dried, salted or smoked meat</td>
<td>-5.9</td>
<td>+3.0</td>
<td>+0.4</td>
</tr>
<tr>
<td>Fish</td>
<td>-2.3</td>
<td>+8.9</td>
<td>+3.8</td>
</tr>
<tr>
<td>Milk, cheese and eggs</td>
<td>-3.4</td>
<td>+2.0</td>
<td>+2.4</td>
</tr>
<tr>
<td>Ready-made meals</td>
<td>-1.0</td>
<td>+3.7</td>
<td>+1.6</td>
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<tr>
<td>Restaurants and cafes</td>
<td>+2.3</td>
<td>+2.9</td>
<td>+2.8</td>
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<tr>
<td>Fast food and take away food</td>
<td>+2.1</td>
<td>+3.1</td>
<td>+3.5</td>
</tr>
</tbody>
</table>

Source: ONS

Scotland’s Beef Exports by Destination, October 2017 to September 2018 (£m)
Having risen steadily through 2017, dairy prices trended slightly lower in 2018. Their above-average inflation rate reflected the lower base to compare against, with this gap closing as 2018 progressed. Meanwhile, fish prices stabilised following a sharp upturn through 2017, while eggs and poultry continued to become cheaper, gaining further price competitiveness on the back of increasing production.

The retail price of ready meals saw a 2017 upturn go into reverse through 2018. This suggests that a general fall in raw material prices was passed on in attempt at supporting sales volumes. Meanwhile, inflation rates in the food service and catering sectors, which tend to be more reflective of general economic forces such as wage costs rather than raw materials, held at around the 3% level.
## Consumption and Use

### Product available for consumption

The total volume of beef available for consumption in the UK is estimated to have risen by 2.5% to reach a 31-year high of 1.14m tonnes in 2018. An expansion of domestic production by 2.2% (20,300) coupled with a 4.1% (14,300) lift in imports drove supply higher, but this was partially offset by a 4.9% (6,500) lift in exports. Imported beef accounted for 31.4% of total supply, up from 30.9% in 2017 and a 2014–18 average of 30.8%. Meanwhile, exports were equivalent to 15.1% of UK beef production, up from 14.7% in the previous year and matching the five-year average.

The total volume of sheepmeat available for consumption fell for a third year, down 2.1% to a six-year low of 299,400t in 2018. While an 8.3% fall in exports added 7,800t back to the market compared to 2017, this was more than offset by 3.3% declines in both home production and imports, with the former subtracting 10,300t from the market and the latter 3,400t. Imported sheepmeat accounted for 32.4% of available supplies compared with 32.3% in the previous year and a five-year average of 34.5%. The export share of UK production fell by 1.3 percentage points to 32.2, placing it slightly behind its 2014–18 average of 32.7%.

The total volume of pigmeat available for consumption edged 0.4% higher to 1.43m tonnes in 2018. While domestic production showed a 2.5% (21,800t) expansion, this was partially offset by the combination of a 1.5% (12,100t) reduction in imports and a 1.7% (4,300t) increase in exports. Imports accounted for an estimated 55.5% of supplies, down a percentage point from 2017 but slightly above the five-year average of 55%. Meanwhile, the proportion of domestic production exported fell back slightly from a record high of 28.7% in 2017 to 28.5%, placing it above the 2014–18 average of 27.9%.

### Combined meat supplies

Combines beef, lamb, pork and poultry supplies rose by 3% to 4.68m tonnes in 2018, putting it 3.4% in front of the 2014–18 average. Red meat supplies were 1% higher at 2.87m tonnes, meaning that red meat’s share of the total slipped to 57.6% from 58.8% in 2017.

### Retail Consumption

It is estimated that the volume of prime beef cuts (e.g. steaks, roasts and mince) sold by multiple and independent retailers to UK households in the 52 weeks to December 30 2018 totalled 296,900t. This was down by 1.6% year-on-year. This estimate is based on combining separate figures for GB and NI from Kantar Worldpanel. In Scotland, consumption fell slightly more slowly, down 1.4% at 28,950t, with declines of around 10% for roasts and stewing beef partially offset by a 2% lift in steaks and a marginal increase in mince.

Given that total UK beef supplies rose by 2.5%, a decline in retail sales indicates that either volumes used in food manufacturing and foodservice picked up strongly and/or cold store stocks were added to. Kantar Worldpanel data for processed beef products pointed to strong growth in sales of burgers during the hot dry summer of 2018 while there was some growth in ready meals, but pies and pasties struggled. Meanwhile, increased imports of frozen beef may have been used to boost stock levels.

At an estimated 64,600t during the 52 weeks to December 30 2018, UK retail sales of lamb fell by 7% year-on-year, following on from a sharp 9% drop in 2017. Scottish consumption volumes are estimated to have fallen at a faster rate of 8.4%, slipping to 3,200t. Since UK retail sales fell faster than total supply, it suggests increased use elsewhere and/or a higher carryover of product into 2019. During the 52 weeks to December 30 2018, it is estimated that 165,600t of pork was sold. During this period, 25% of available supplies were consumed.

### Per Capita Supplies

On a per head of population basis, the volume of red meat plus poultry available for consumption in the UK is estimated to have risen by 1.7kg in 2018 to 78kg. This left it slightly below its recent peak in 2016. Growth in meat supplies more than offset the higher UK population. In Scotland, the estimated increase of 2.8kg out-paced that seen in the UK as a whole.

In 2018, UK per capita beef and poultry supplies are estimated to have risen as the lift in supply outpaced population growth. However, per capita sheepmeat supplies fell for a third year and steadied for pigmeat.

In Scotland, evidence from Kantar Worldpanel and Defra’s annual Household Food Survey indicates that whereas beef consumption per person is higher than in the rest of the UK, it is much lower for sheepmeat and pigmeat.

### Self-sufficiency

While abattoir beef production was estimated at 144.5% of potential consumption in Scotland during 2018, and sheepmeat production at 193%, pigmeat was estimated to have covered only 30% of national supply. UK beef production was equivalent to 81.1% of available supplies in 2017, down from 2016’s 82.7% but above its recent low point in 2015. Meanwhile, the UK became an estimated net exporter of sheepmeat in 2017, with production rising from 82% to 101% of supplies. Pigmeat production remained at 61% of supply.

### Seasonal shifts in supply and demand

There was considerable variation in self-sufficiency for beef, lamb and pork, and for different cuts, during the calendar year. For example, March and April accounted for around 15% of annual sheepmeat production, but 20% of consumption, and, over this period, sales of lamb leg roasts are often four times their normal volume. During 2017, Scottish self-sufficiency in beef is estimated to have fallen for a second year, with consumption increasing at a time of falling production. By contrast, sheepmeat self-sufficiency rose for a second year as consumption fell faster than production. For pigmeat, self-sufficiency recovered after production had been disrupted by fire damage in 2017, but there was also an expansion of abattoir capacity. A rising Scottish population had a marginal downwards impact on self-sufficiency estimates for the three species.

### Source

Source: QMS calculations; data from DAERA, Defra, HCC, Kantar Worldpanel, ONS, and the Scottish Government
UK Overseas Trade

Detailed import and export data for red meat sales into and outside of Scotland are unavailable separately from UK figures. Consequently, this section summarises HMRC trade data for the UK as a whole and reflects the trade environment in which Scottish producers and processors operate.

Imports

Beef

Imports of fresh and frozen beef (including skirt) to the UK rose by 7.4% to 272,600t in 2018. At this level, volumes exceeded their 2014–18 average by 6.4%.

There was a continued rebalancing of imports as although fresh beef imports rose by 1.6% to 183,900t, the volume of frozen beef arriving in the UK increased much more strongly, up 21.6% at 88,900t. This saw frozen beef account for 32.6% of imports, up from 28.8% in 2017 and a five-year average of 28.2%.

Imports from EU countries increased by 7.1% in 2018 to reach 255,900t. This was 93.9% of total imports, down marginally from 94.1% in 2017 but well above the five-year average of 91.8%.

Deliveries from Ireland rose by 10.7% to 202,300t in 2018. Of this total, 142,400t (70.4%) was fresh beef – a year-on-year increase of 6% – while frozen shipments rose 24% to 59,900t. Ireland’s share of the UK’s beef imports lifted by 2.2 percentage points to 74.2%.

After four consecutive annual declines, beef imports from non-EU countries recovered slightly in 2018. Although they rose by 11% to 16,700t, this still left them trailing their 2014–18 average by 21%.

Imports of processed beef to the UK, including corned beef, contracted by 7.1% to 73,050t in 2018, placing them 4.6% below their 2014–18 average. Whereas imports from the EU declined by 17.2% to 47,800t, there was a 21.3% rise in volumes from non-EU countries, reaching 25,250t.

Sheepmeat

UK sheepmeat imports fell for the fifth consecutive year in 2018. Volumes fell by another 2% to 74,000t – their lowest level of this century. Spending on sheepmeat imports rose by 2.5%, but higher average prices meant that this acquired a smaller volume.

Spring is the peak importing period in the UK, as domestic product is less readily available and consumers like to buy leg roasts. Kantar Worldpanel indicates that retail sales of leg roasts in GB in the four weeks to April 22 2018 totalled 5,000t. If a leg roast weighs around 2kg, this works out at a requirement for 1.25m prime sheep.

Similarly, at Christmas, 4,100t of leg roasts were retailed in the four weeks to December 30 2018, requiring 1.025mlambs. In a four-week period during the spring, GB abattoirs slaughter around 900,000 prime sheep, pushing up to around 1.1m in December. With domestic supply unable to meet demand, imports are required. Even if domestic production did cover Easter requirements for leg roasts, achieving carcass balance would be challenging.

In 2018, imports of legs totalled 33,000t, of which just over half was fresh or chilled product. This was 43.2% of all the sheepmeat imported to the UK.

With Easter moving forwards to the turn of April in 2018, sheepmeat imports arrived earlier than in 2017, resulting in March volumes being significantly higher than April levels compared to a more even split in 2017.

New Zealand (NZ) saw its share of UK imports fall slightly in 2018, slipping to 68.7% from 69.1% in 2017. This was well down on the highs of 75–76% in 2015 and 2016. Volumes fell 2.7% to 50,800t. This was well below half of the proposed post-Brexit quota level of 114,138t.

Imports from Australia fell for a fourth year in 2018, down 12.8% at 9,400t. It should be noted that deliveries from Australia are restricted by an EU quota for tariff-free access of only 19,186t per year, with the proposed post-Brexit split resulting in a 15,349t allocation.

Imports of sheepmeat from Ireland rose for a third year. A 9.9% increase saw them recover to a five-year high of 6,600t in 2018.

*HS code 0204. This includes goat meat, of which trade is minimal.
Pigmeat
According to HMRC data, UK pigmeat import volumes were little changed for a third year at 639,350t in 2018. However, imports were considerably lower in the first quarter before exceeding year-earlier levels in the final quarter. Imports exceeded their five-year average by 3.7%.
There was little year-on-year change in deliveries of fresh and frozen pork or bacon and ham, with the former at 432,800t and the latter at 206,500t. This left pork accounting for 67.7% of the pigmeat total.
EU countries supplied nearly all of the UK’s pork imports in 2018. Denmark was the principal supplier, but volumes declined by 8.6% to 151,400t. By contrast, imports from Germany grew by 26% to 93,200t, raising their market share by 4.4 percentage points to 21.5%.
Having replaced Denmark as the principal supplier of bacon and ham to the UK in 2017, imports from the Netherlands rose further in 2018, lifting 3.8% to 98,400t. By contrast, the volume arriving from Denmark fell by another 5.2% to 55,200t. Imports from Germany also declined.

Exports
Beef
UK exports of fresh and frozen beef (including skirt) rebounded in 2018, rising by 5.4% to 112,400t. However, this still left them trailing their 2014-18 average by 0.9%.
Exports of beef to EU countries showed an 8.5% expansion in 2018, reaching 98,600t. This meant that the EU accounted for 87.7% of UK beef exports, up from 85.1% in 2017 and a five-year average of 85.6%.
Ireland remained the largest UK export market for beef in 2018. Deliveries grew by 7.3% to reach 36,350t. This was a 32.3% share, up from 31.8% in 2017. In addition to product destined for retail, exports to the Irish Republic reflects cross-border movements of beef between Northern Irish abattoirs and cutting plants in the Republic for further processing. The Netherlands remained the UK’s second largest export destination, but volumes slipped by 13.9% to 23,600t, lowering its share by 2.2 percentage points to 22%.
Beef exports to non-EU markets fell by 12.5% to 13,900t in 2018, leaving them 15% adrift of their five-year average.
In addition to fresh and frozen beef, the UK exported 8,500t of processed beef in 2018, of which 93.6% went to EU countries. Shipments rose by 1.8% from 2017 and exceeded their five-year average by 8.2%.
Sheepmeat

UK sheepmeat exports fell back for the fourth time in five years in 2018. At 82,700t, volumes contracted by 7.5% and fell 4.1% short of their 2014–18 average. A tightening of supply in the spring and smaller lamb crop limited the availability of product for export for much of the year.

UK sheepmeat exports to the EU contracted by 6.3% in 2018, slipping to 78,650t. This was a 95.1% share of exports, above 2017’s 93.9%. EU importers spent around 5% less buying sheepmeat from the UK (in euro), while UK export revenues fell by 4.3%, reflecting a slightly higher average price.

France remained the UK’s largest sheepmeat export destination in 2018. However, its share of the total continued to slide as export volumes fell by 12.8% to 35,500t. The French share slipped to 42.9% in 2018 from 45.6% in 2017 and a five-year average of 48.7%. By contrast, exports to Germany continued to grow, up 8.1% in 2018 to 15,200t. This was an 18.4% share of exports; well above 2017’s 15.7% and a five-year average of 13.8%.

After making a strong recovery in 2017, UK sheepmeat exports to non-EU countries fell by more than a quarter in 2018, dropping to 4,100t. Hong Kong was once again the majority destination, at around two-thirds of this total, providing an outlet for lower value frozen bone-in cuts.

Pigmeat

A sixth consecutive year of pigmeat export growth for the UK took volumes to 236,600t in 2018. This was up 1.8% from 2017 and 9.1% above the 2014–18 average.

Exports of fresh and frozen pork rose for a ninth year, up 1% at 216,000t, while bacon and ham shipments – of which most went to the Irish Republic – posted a fifth year of growth, rising 11.1% to 20,600t. This meant that bacon and ham’s share of total pigmeat exports picked up to 8.7% from an 8% share in 2017.

In contrast to total exports, sales to the EU declined by 1% in 2018, slipping to 135,500t. This saw the EU share of exports slip from 64% in 2017 to 62.8% in 2018.

Fresh boneless cuts remained the most common product type exported to the EU, accounting for 40.8% of volumes compared to 34.4% in 2017. Carcases and half-carcases (mostly sows) continued to account for just under a quarter of sales, but frozen bone-in cuts reduced in importance, with their share easing to 24.2% compared to 27.1% in 2017.

Exports to the main EU markets of Ireland, Germany, Denmark and the Netherlands rose by 0.5% to a collective total of 109,200t in 2018. Increases to Ireland, Germany and the Netherlands offset a decline in sales to Denmark. These markets were 80.5% of exports to the EU, up from a 79.3% share in 2017, and 50.5% of all exports, down from 50.8% in the previous year.

There was a 4.5% expansion in UK exports to non-EU countries in 2018, with volumes reaching 80,500t. A total of 89.4% of this was frozen bone-in cuts of pork.

Non-EU export growth came despite a 6.9% contraction in trade with China/Hong Kong, which slipped back to 48,600t. At this level, it remained the main export market by volume, but its share of non-EU markets declined by 7.4 percentage points to 60.4% while its share of total exports fell 1.9 points to 22.5%. The offsetting growth markets included Japan, the US and the Philippines.

On average, exports to the EU returned £1,365/t in 2018 compared to £1,415/t in 2017 – a decline of 4.4%. By contrast, non-EU markets averaged £1,315/t, up 3.9% on £1,265/t in 2017.

Sales of bacon and ham to Ireland grew strongly for a second year, rising 14.7% on the back of a 20% increase in 2017. The 15,700t sold to Irish buyers was 76.5% of the bacon & ham total, up from 74.1% in 2017.

\[^{a}HS code 0204. This includes goat meat, of which trade is minimal.\]
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