Beef Market Outlook
Another year on the rollercoaster?

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Outline

• State of the UK market
• Forecast for supplies
• Wild cards
• Global developments
State of the UK market
Another rollercoaster year

Chart: GB deadweight average prime cattle price
Source: AHDB Market Intelligence
Overall prime cattle numbers back on last year

Down 2% at 1.92 million head

Chart: UK monthly prime cattle slaughter
Source: Defra
Adult slaughter remained high all year

Up 3% to 620,000 head

Chart: UK monthly adult cattle slaughter
Source: Defra
Carcase weights up again

Chart: UK prime cattle carcase weights
Source: Defra
So production just trending ahead year on year

Up < 1% at 883,000 tonnes

Chart: UK beef and veal production
Source: Defra
As expected, imports from Ireland did slow down after the summer.

Chart: UK beef and veal imports from Ireland, change on year, 2015/14
Source: Defra
But overall imports still up 6% in the year to November

Chart: UK beef and veal imports YTD Nov
Source: GTIS
Exports have proven to be a challenge

Chart: UK beef and veal exports YTD Nov
Source: GTIS
But still some positive developments

Chart: UK beef and veal exports YTD Nov
Source: GTIS
That are adding value

Chart: UK beef and veal exports unit value per tonne YTD Nov
Source: GTIS
And 5Q also doing well in volume and value terms. Delivering added value.

Chart: UK 5Q exports YTD November
Source: GTIS
Fresh beef volume and penetration lower

Chart: 12-week fresh beef volume performance 03 Jan 2016, % YOY change
Source: Kantar Worldpanel
So supplies on the market increased last year

Chart: Estimated year-on-year change in UK beef and veal supplies, 2015
Source: AHDB forecasts based on data from Defra, HMRC
What about this year?
Forecast for supplies
Dairy breeding herd continued to grow despite the challenges of last year

Chart: English breeding herd, June
Source: Defra
And the suckler herd was reported to have ended its contraction

Chart: English breeding herd, June
Source: Defra
Calf registrations trending up – beef breeds

Chart: Monthly beef breed calf registrations, change on year
Source: BCMS
And dairy on the back of the bigger herd

Chart: Monthly dairy breed calf registrations, change on year
Source: BCMS
So … we have more younger cattle on the ground

Chart: October 2015, GB cattle population under 18 months
Source: BCMS
Impact on prime cattle supplies to be felt later this year

Chart: Forecast year-on-year change in UK prime cattle supplies
Source: HMRC, AHDB MI (actual), AHDB MI (forecasts)
Cow numbers to be high for another year

Forecast up 3% to 635,000 head

Chart: Forecast year-on-year change in UK adult cattle supplies
Source: AHDB MI (forecasts)
For the UK this means that production will be up

Chart: UK beef and veal production forecasts – change on year
Source: AHDB Market intelligence forecasts
In Ireland production also up this year

Chart: Irish forecasts, cattle at export plants
Source: Bord Bia
UK exports could do better but imports still likely to be robust

Chart: Forecast year-on-year change in UK beef and veal trade
Source: AHDB MI (forecasts)
Supplies on the UK market will increase again this year

Chart: Estimated year-on-year change in UK beef and veal supplies, 2015 and 2016
Source: AHDB forecasts based on data from Defra, HMRC
Wild cards
How competitive will Irish product be?

Chart: Irish and GB steer price, 2011 - 2016
Source: Eurostat
In part, the answer to that will lie with exchange rates

Chart: Euro:sterling exchange rate
Source: Pacific exchange rate service
How will beef perform with the consumer?

1980 60 minutes

1990 45 minutes

2015 31 minutes

Source: Kantar Worldpanel usage
Given that price is the main driver of product choice

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Source: IGD ShopperVista
Poland - continued competition

Chart: Polish exports YTD Oct
Source: GTIS
Global trends
Impact of the oil crisis in some parts of the world

$ per barrel

Chart: Brent spot prices
Source: EIA
China’s momentum has picked up, will it continue?

Chart: Chinese beef imports
Source: GTIS
Some global trends (not so wild for the UK beef sector)

- **Australia** production down 13% in 2016. Exports back.

- Cattle herd is forecast to decline to 26.2 million head by 30 June 2016, making the unusual sequence of two consecutive years with 5% year-on-year declines.

- Extreme forces throughout the year. US prices corrected could limit price movements but weak A$ will benefit as will supply situation.

Chart: Australian beef and veal production
Source: MLA
• The **US** cow herd up 3%. Impetus for herd rebuilding strong. Most significant upturn in the US cattle cycle in 20 years.

• Potential for exports from South America to increase this year. **Brazil** dependent/US access?

• Elimination of curbs on exports from **Argentina**, and the liberation of the currency could provide a boost.

• The rise of the **Paraguayan** beef industry has been helped by investment and expertise flowing in from Brazil. Small quota to the EU

• **Uruguay** exports up last year, increase in trade with the US and China. Lower reliance on the Russian market and access to the US market gave Uruguay the upper hand over Brazil.
Conclusion

- Increased production
- Increased Imports
- Meeting market requirements
- More positive exports

PRICE?
Thank you

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