Outlook for the UK beef market

October 2018

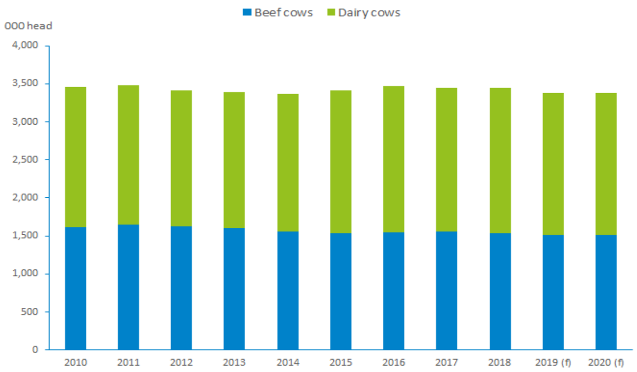
Summary

The latest AHDB Beef & Lamb forecasts for beef and veal supplies are now available. Production and total supplies are forecast to decline in 2019. This is a result of relatively stable overall prime cattle supplies, however, lower cull cow slaughterings are expected after a particularly high number in 2018. On-going Brexit negotiations are likely to impact on this outlook however due to the level of uncertainty. Broadly retaining the existing level of market access is a base assumption for this outlook.

Breeding herd

The breeding herd has experienced a couple of years of gradual decline, and the forecast for 2019 is no different. A challenging year weather wise has increased on farm mortality, which has been coupled with a strong demand for cow beef resulting in an increase in the number of slaughterings of adult cattle. Furthermore, heifer slaughterings have been higher than usual this year too, meaning there will be fewer females available as replacements going forward. June survey results from Defra indicate the total breeding herd declining by over 1.1%, with the beef breeding herd declining by 1.9%.

UK Breeding herd 2010-2020



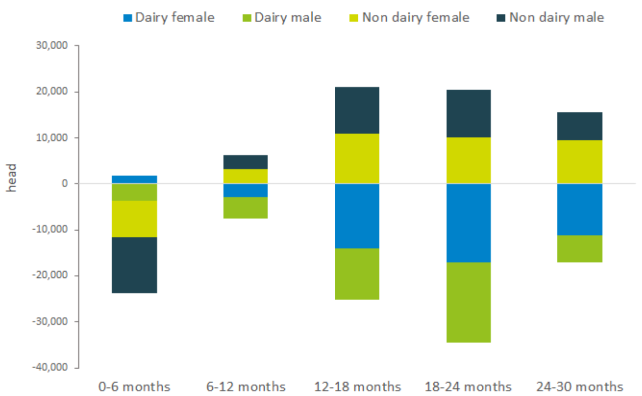
Source: Defra, AHDB

Making up 55% of the total breeding herd, the UK dairy herd plays a significant role in UK beef production. Fewer dairy sired calf registrations through 2016 and much of 2017, have resulted in lower numbers of dairy females on the ground aged between 12 and 30 months, which would suggest that the dairy herd is due to contract again in 2019. Dairy farmers were hit hard by the summer drought, with forage availability reportedly still an issue going into winter. This led a large number of producers to cull unproductive or marginal cows in the hope of saving forage for the more productive animals. For similar reasons to the dairy herd, the beef herd is also expected to contract in 2019. The forecast is that the overall breeding herd will decline by as much as 2%.

Calf registrations

For dairy males and beef animals of both sexes, those slaughtered between 12 and 30 months of age have an average age at slaughter of around 22 months. Therefore calves born throughout 2017 are going to have the greatest influence on production in 2019. However around 30% of prime cattle production comes from calves born in the previous year so it will important to take early 2018 calvings into account as well. During 2017 registrations of dairy males were down by around 30,000 head. This was offset however by a 44,000 head increase in beef registrations of both sexes combined. Once beef female replacements have been taken into account, prime supplies from 2017 should be fairly similar to those in 2018. This should result in sufficient supplies of prime cattle during the early part of 2019. This is corroborated by July population data from BCMS which shows numbers on the ground aged between 6-24 months was similar to those in 2017.

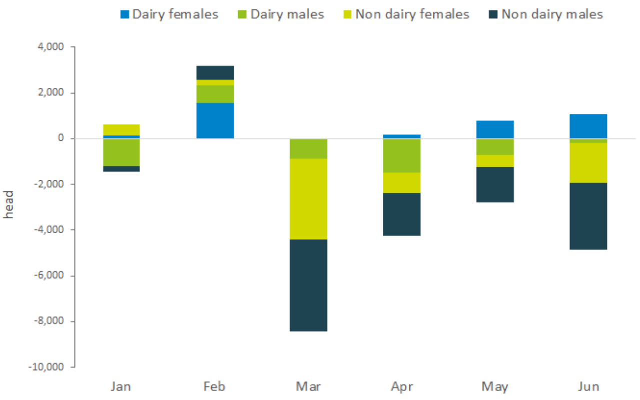
Cattle population under 30 months, July, year on year change 2018/17



Source: BCMS

Looking at calving in early 2018, bad weather resulted in heavy losses of both cows and calves. Higher mortality and fewer registrations during the early part of 2018 are likely to have an effect on production in the second half of 2019, from 2018 spring born calves that would usually finish within 12-15 months, predominately dairy males. Going further forward production throughout 2020 is likely to be lower as a result of lower registrations during 2018.

Calf registrations, year on year change 2018/17

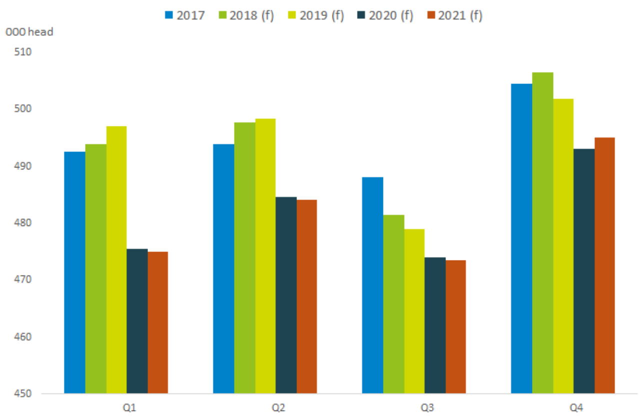


Source: BCMS

Slaughterings

With the first nine months of data accounted for, prime cattle slaughterings to September totalled 1.47 million head. BCMS July population data suggests prime cattle supply is similar to last year, and assuming demand remains relatively stable, prime slaughter for 2018 is forecast to reach 1.98 million head. Going into 2019, the number of prime cattle on the ground suggests supply in the first half of the year will be similar, if not slightly elevated compared to 2018. Towards the second half of 2019, supply may become more restricted by the higher mortality suffered among 2018 spring born calves, particularly dairy males, which are typically finished within a 16 month time frame.

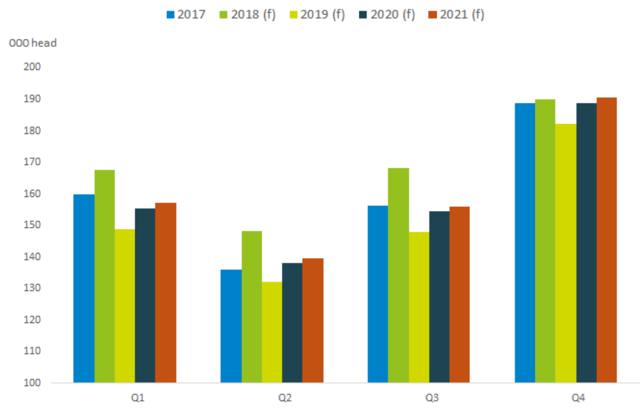
Actual and forecast UK prime cattle slaughter, 2017-2021



Source: Defra, AHDB

Due to higher heifer slaughterings in 2018, heifers available for replacement are likely to be restricted in 2019. Also, cow slaughterings have been particularly high this year, as at October, the highest 12 month rolling total since 2006. Together these lead to a forecast of lower cow slaughterings next year, to a more 'normal' level, assuming the herd does indeed stabilise. Poor calving and lower registrations in 2018 will have more of an impact on prime slaughterings in 2020.

Actual and forecast UK cow slaughter, 2017-2021

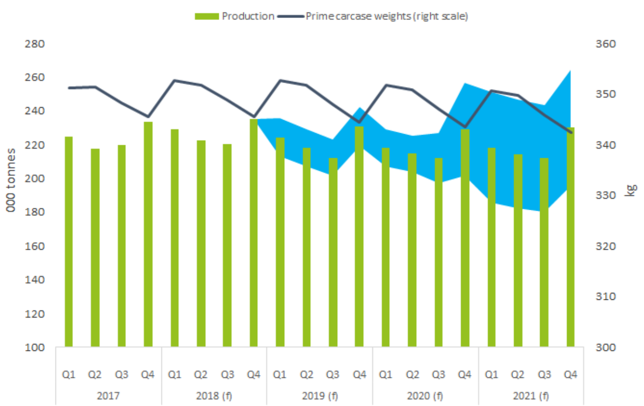


Source: Defra, AHDB

Carcase weights

Prime cattle carcase weights in 2018 have been marginally higher than 2017. This is slightly surprising, particularly in Q3, when it might have been expected that the drought would reduce carcase weights. It may be that the sudden drop in price through the summer led some producers to hold onto cattle a bit longer, and so ended up being marketed at heavier weights. Prime carcase weights in 2017 averaged around 349kg. If carcase weights remain similar to the last quarter of 2017, then in 2018 carcase weights are on track to average just under 350kg. Cow carcase weights however, may have been affected by the weather this year. Carcase weights in the third quarter of 2018 were around 7kg lighter than in 2017. Overall this has led to the carcase weight for 2018 forecast to be down year-on-year.

UK beef production forecast



Source: Defra, AHDB

The range for 2018 and 2019 is based on the historical accuracy of AHDB forecasts. However, afterwards the range starts to be based on the Impacts of Alternative

Post-Brexit Trade Agreements on UK Agriculture: Sector Analyses using the [FAPRI-UK Model report, published by the Agri-Food and Biosciences Institute (2017).](#) This highlights the potential for an increase in production if the UK adopts a protectionist stance and a decline in production under a trade liberalisation scenario, where competition from imports increases. This range is not intended as a forecast, but rather identifies possible outcomes that the sector may face.

Going forward, despite this year's increases, carcase weights are still expected to decline slightly overall, although with the potential for more supplies to be available in the first half of the year, carcase weights may be similar to the previous year, if not slightly higher in the first six months. In any event, assuming weather events are relatively regular next year, carcase weights are not expected to vary a great deal. A steady decline is forecast due to an increase in registrations of native bred cattle as well as more beef coming from the dairy herd, which generally have poorer conformation and thus less muscle. Cow carcases are predicted to remain relatively stable going forward, perhaps rising slightly next year as feed availability improves.

Trade

The forecast includes a slight reduction in both import and export volumes. In the first eight months of the year the UK imported around 188,000 tonnes of fresh/frozen beef. Almost 71% of this was from Ireland and for this reason imports into the UK are strongly affected by Irish production. Irish production in 2019 is expected to reduce after higher live exports during 2017 and 2018 will likely limit supplies available for slaughter, and as a consequence, supplies available for export. A risk to this forecast is that Poland has been increasing beef production in recent years and trade with the UK has also been increasing up to 2017. Trade data for both the countries is conflicting currently and so it is difficult to ascertain whether Polish imports to the UK have been increasing this year. However, if Irish exports to the UK were to reduce, Polish exporters could see it as an opportunity to export more to a generally high value market. UK exports are forecast to reduce slightly in line with reduced production, particularly of cows, which are a source of manufacturing beef and have recorded a strong trade this year. Obviously, the largest risk to this forecast is the UK's impending departure from the EU. In any case, trade is unlikely to increase post-Brexit. In the case of a deal being secured trade will probably continue as it is currently, with perhaps an increase in friction around border points. In the event of no-deal, trade is likely to be affected, at least in the short term. For this forecast no material change in trade relations is assumed.

UK beef exports to Non-EU Jan-July 2018 ***(11% of total trade)***

Source: AHDB, IHS Maritime & Trade—Global Trade Atlas®, HMRC

Summary

The forecast for 2019, is for a slight decrease in domestic production as a result of similar slaughterings of prime animals but a reduction in cow slaughter.

Actual and forecast supplies of beef and veal in the UK

000 tonnes	2017	2018 (f)	2019 (f)	2020 (f)
Production	895	907	886	874
Imports	443	463	455	450
(Fresh/frozen)	(340)	(363)	(355)	(352)
(Processed)	(102)	(100)	(99)	(98)
Exports	140	153	146	143
Total Consumption	1,198	1,217	1,195	1,181

Totals may not sum due to rounding
Source: Defra, AHDB

Overall trade is expected to decrease slightly as a result of less supply available for export and a reduction in Irish production affecting imports. A poor calving period in 2018 is likely to have an impact on production in late 2019 and throughout 2020. The high amount of female slaughter in 2018 has resulted in a forecast that the breeding herd will decline in 2019.This is likely to further limit production in the future. Brexit is likely to have some impact on trade in any event although it is still too early to put any definitive magnitude to this.