

Beef Market Outlook

Another year on the rollercoaster?

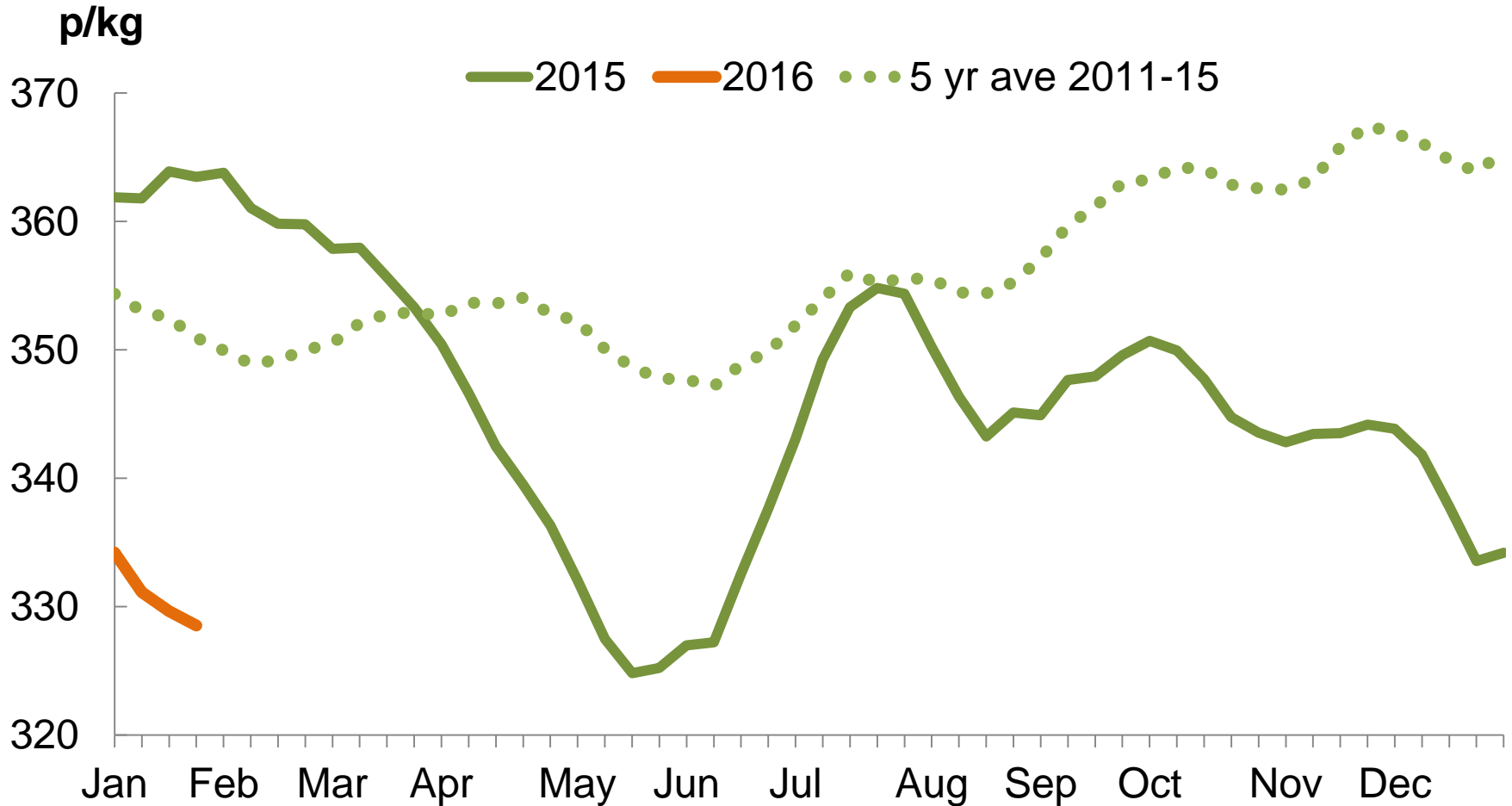
Debbie Butcher, AHDB Beef & Lamb
AHDB Outlook Conference
9 February 2016

Outline

- State of the UK market
- Forecast for supplies
- Wild cards
- Global developments

State of the UK market

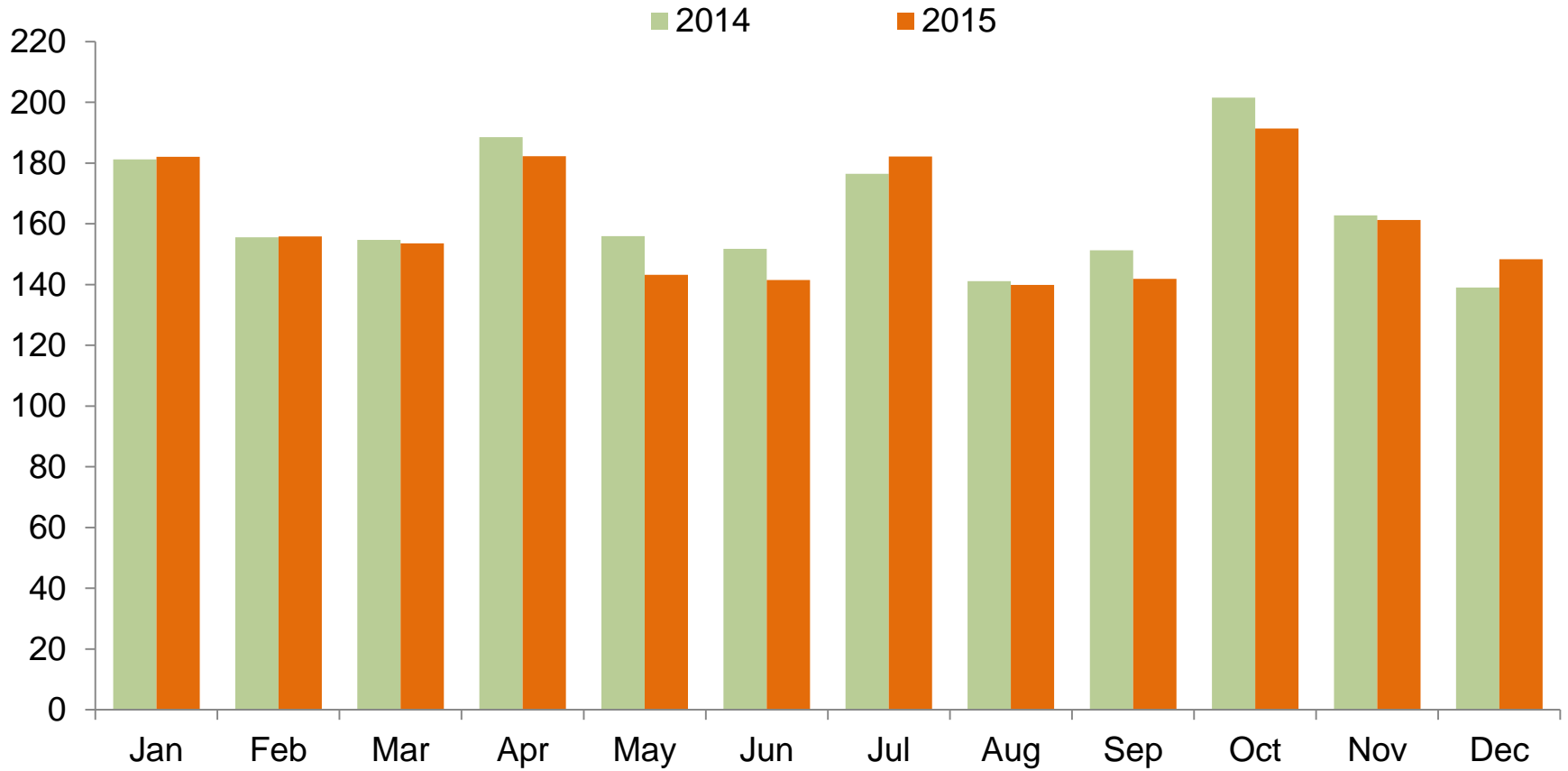
Another rollercoaster year



Overall prime cattle numbers back on last year

Down 2% at 1.92 million head

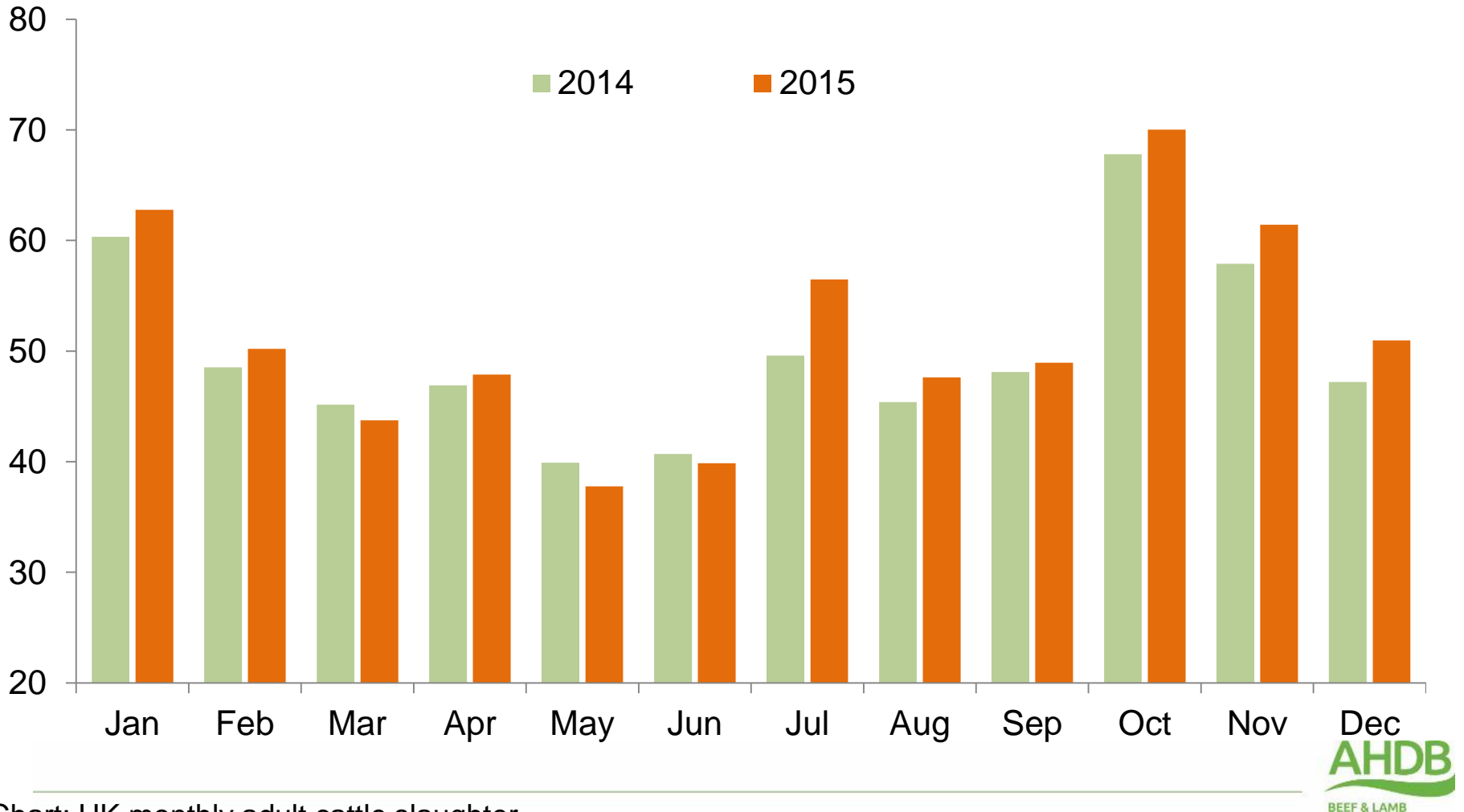
000 head



Adult slaughter remained high all year

000 head

Up 3% to 620,000 head



Carcase weights up again

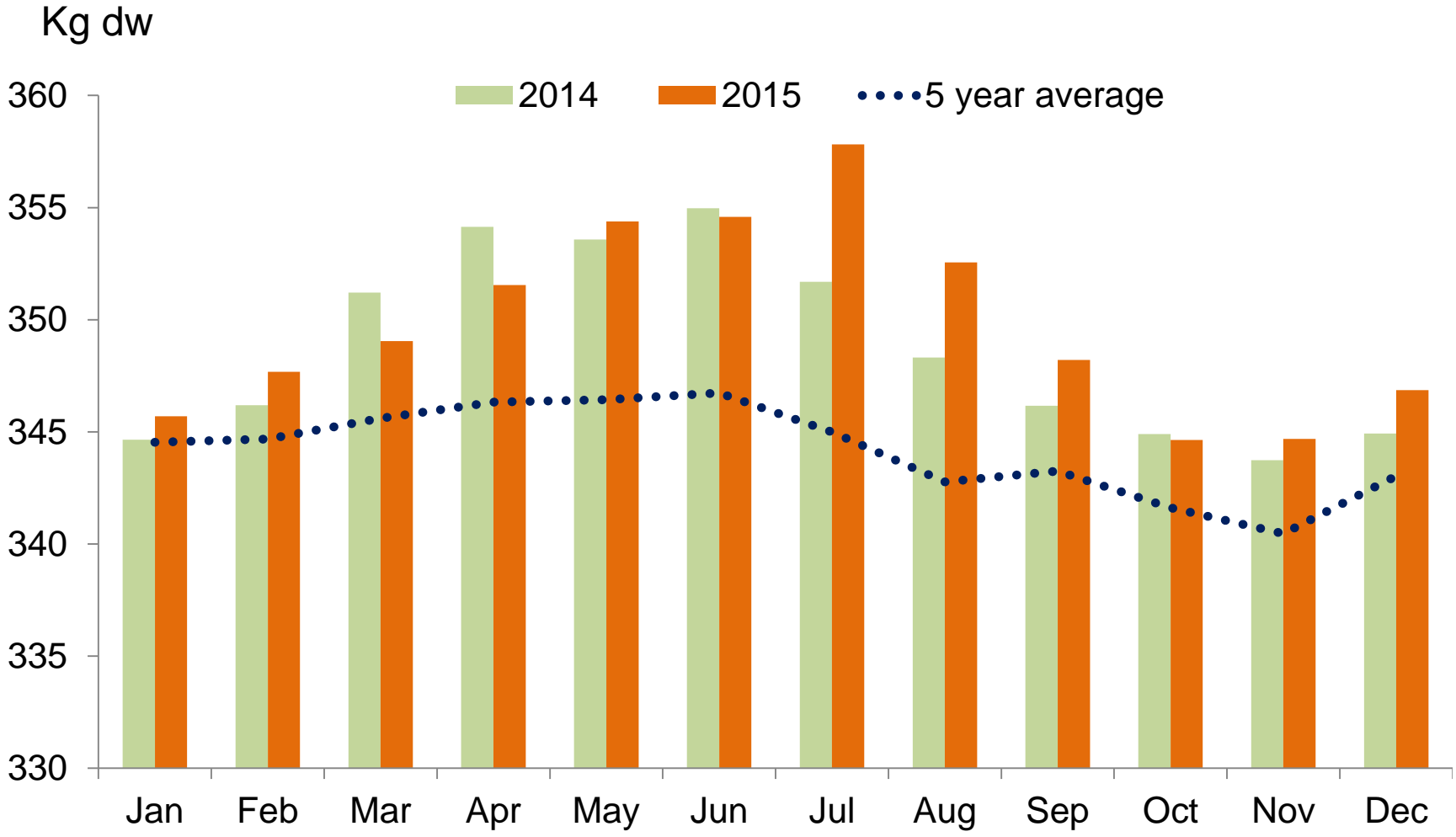
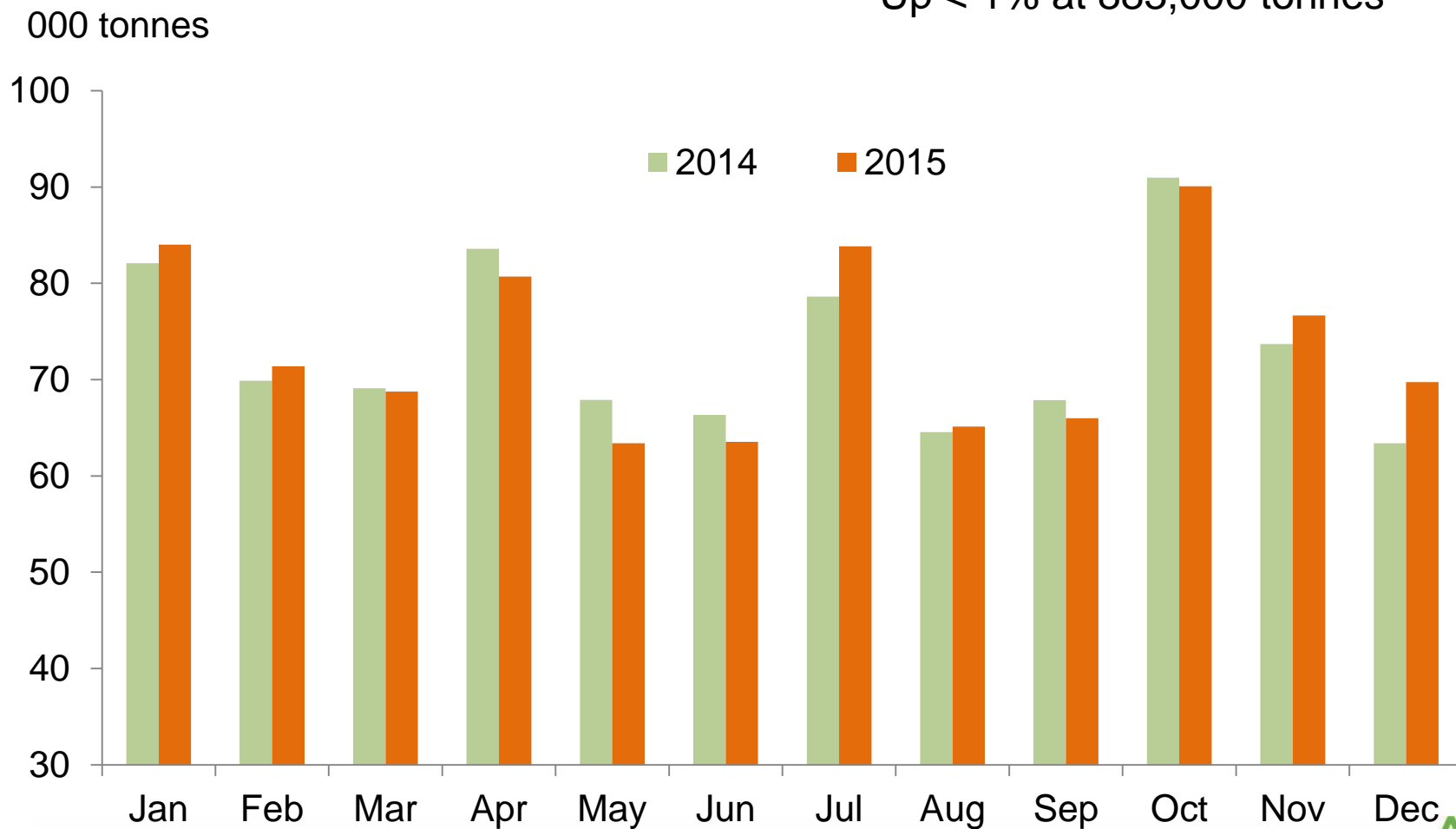


Chart: UK prime cattle carcase weights
Source: Defra

So production just trending ahead year on year

Up < 1% at 883,000 tonnes



As expected, imports from Ireland did slow down after the summer

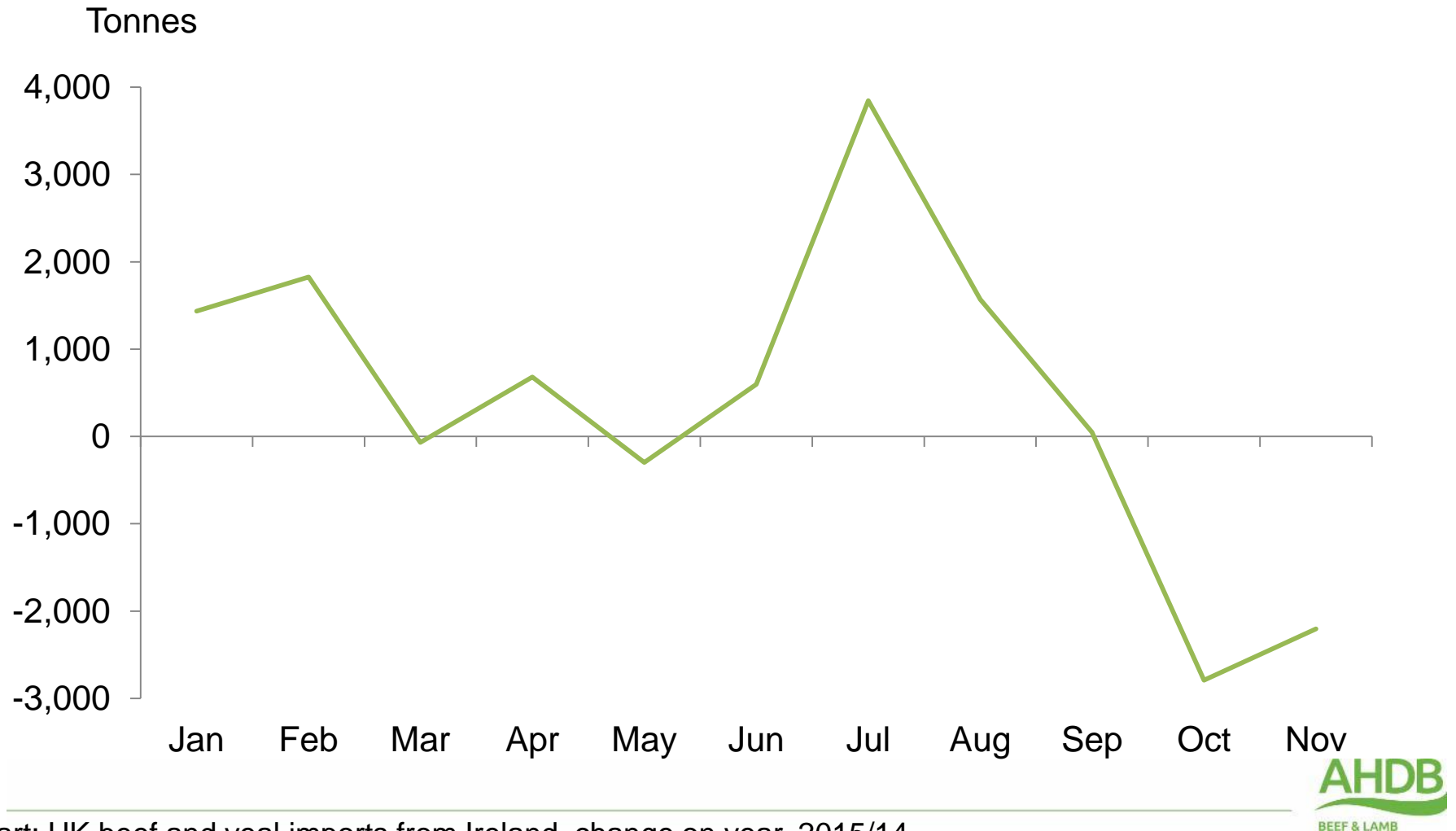


Chart: UK beef and veal imports from Ireland, change on year, 2015/14

Source: Defra

But overall imports still up 6% in the year to November

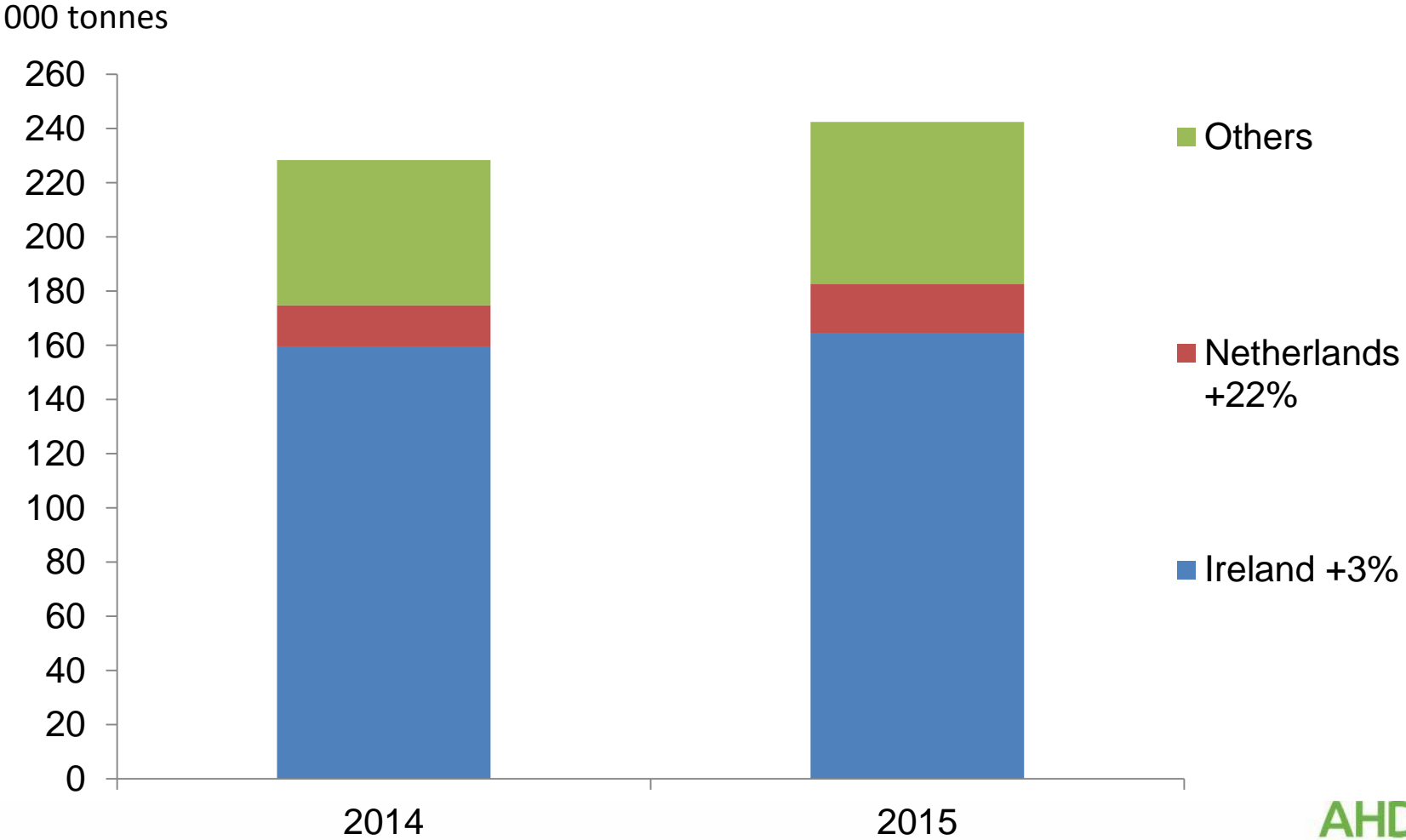


Chart: UK beef and veal imports YTD Nov
Source: GTIS

Exports have proven to be a challenge

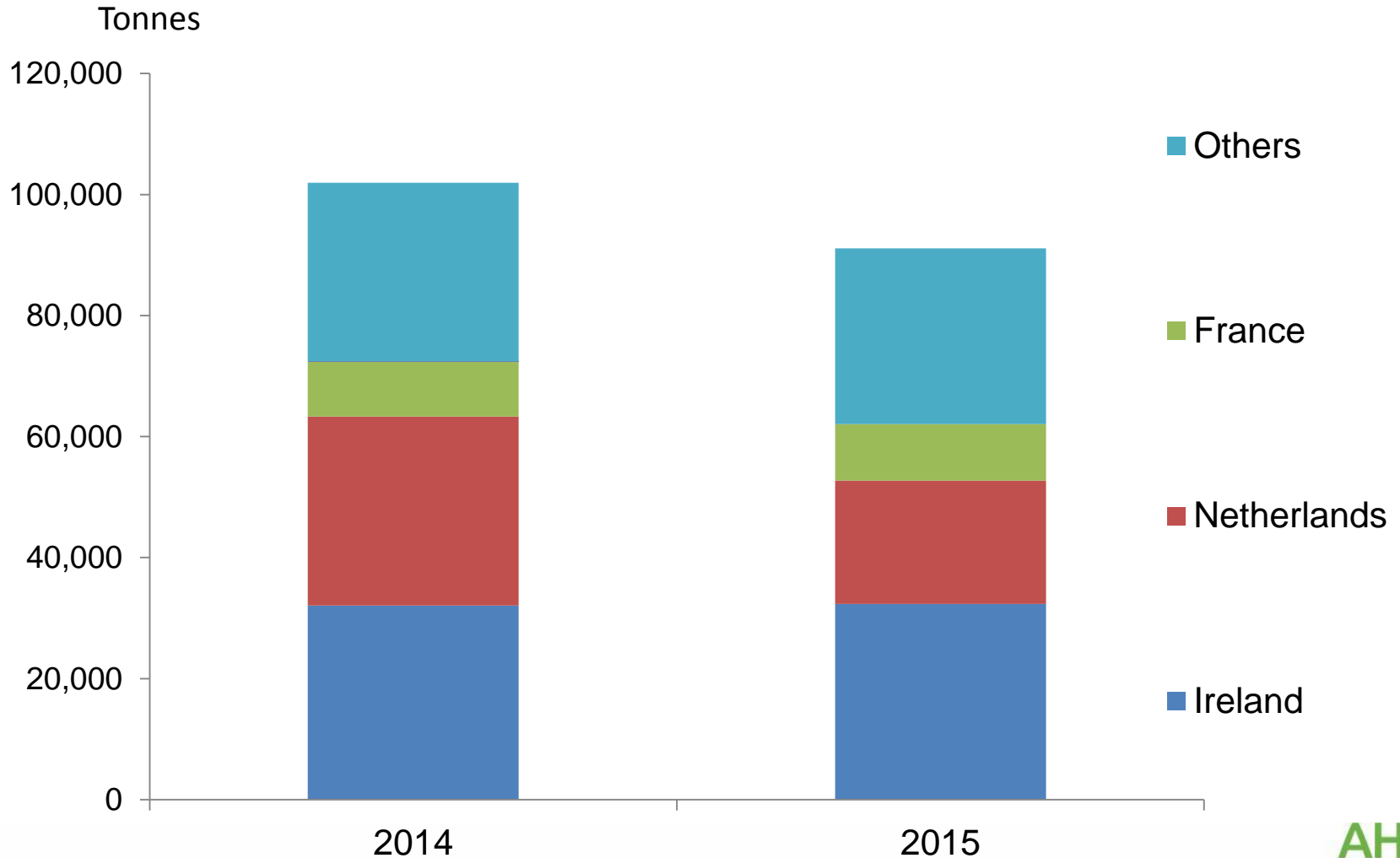


Chart: UK beef and veal exports YTD Nov

Source: GTIS

But still some positive developments

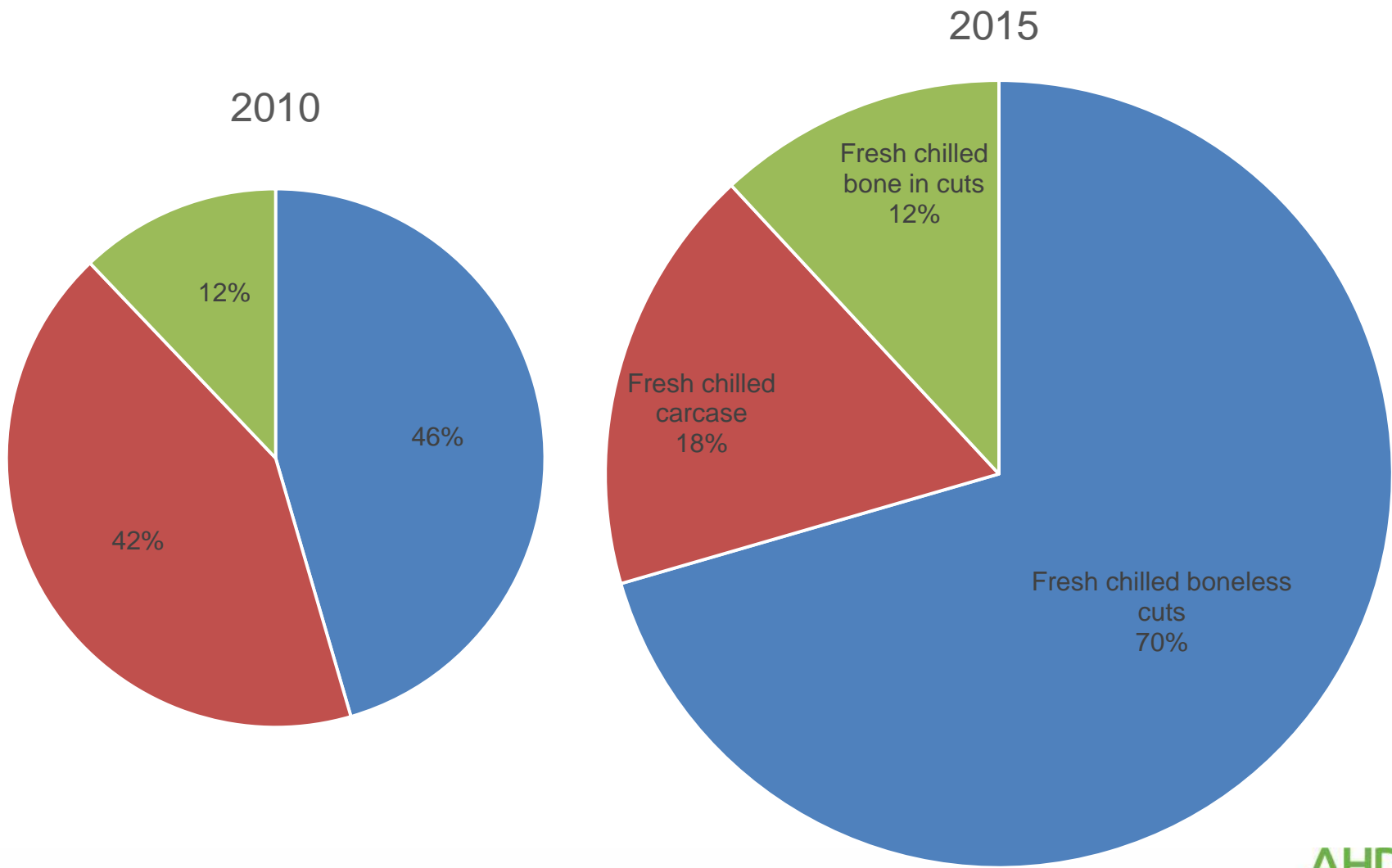


Chart: UK beef and veal exports YTD Nov
Source: GTIS

That are adding value

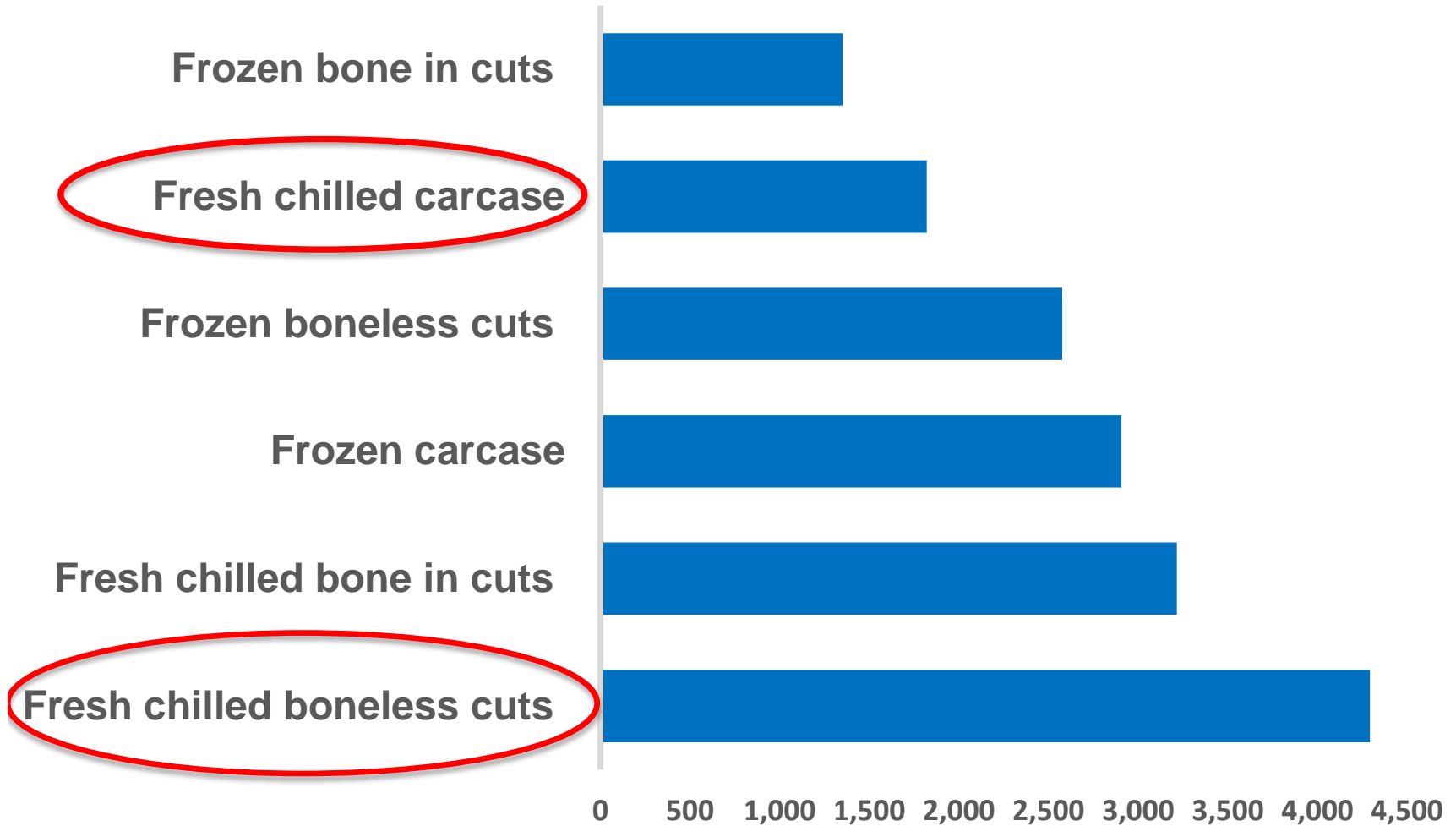


Chart: UK beef and veal exports unit value per tonne YTD Nov

Source: GTIS

And 5Q also doing well in volume and value terms. Delivering added value.

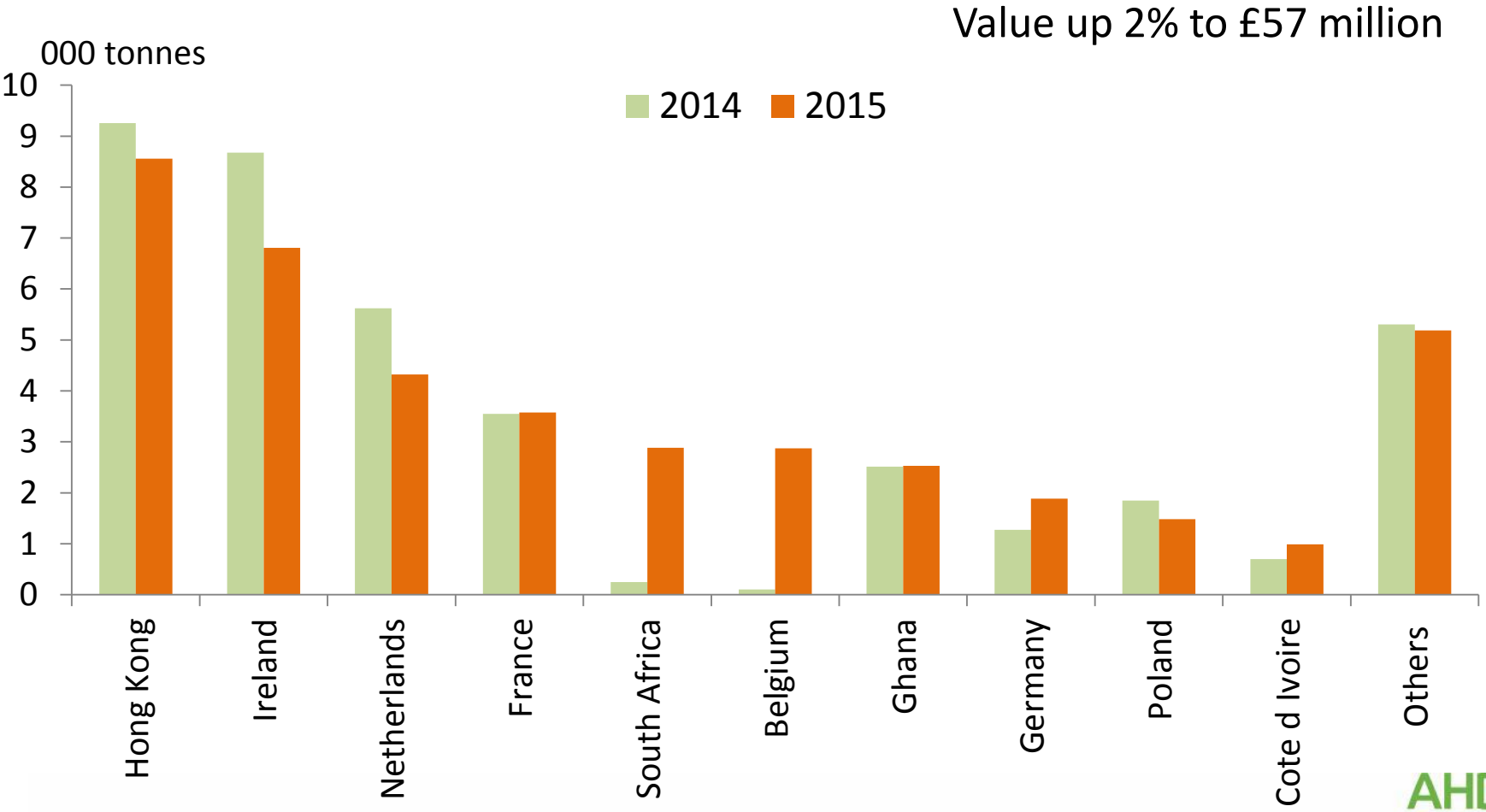
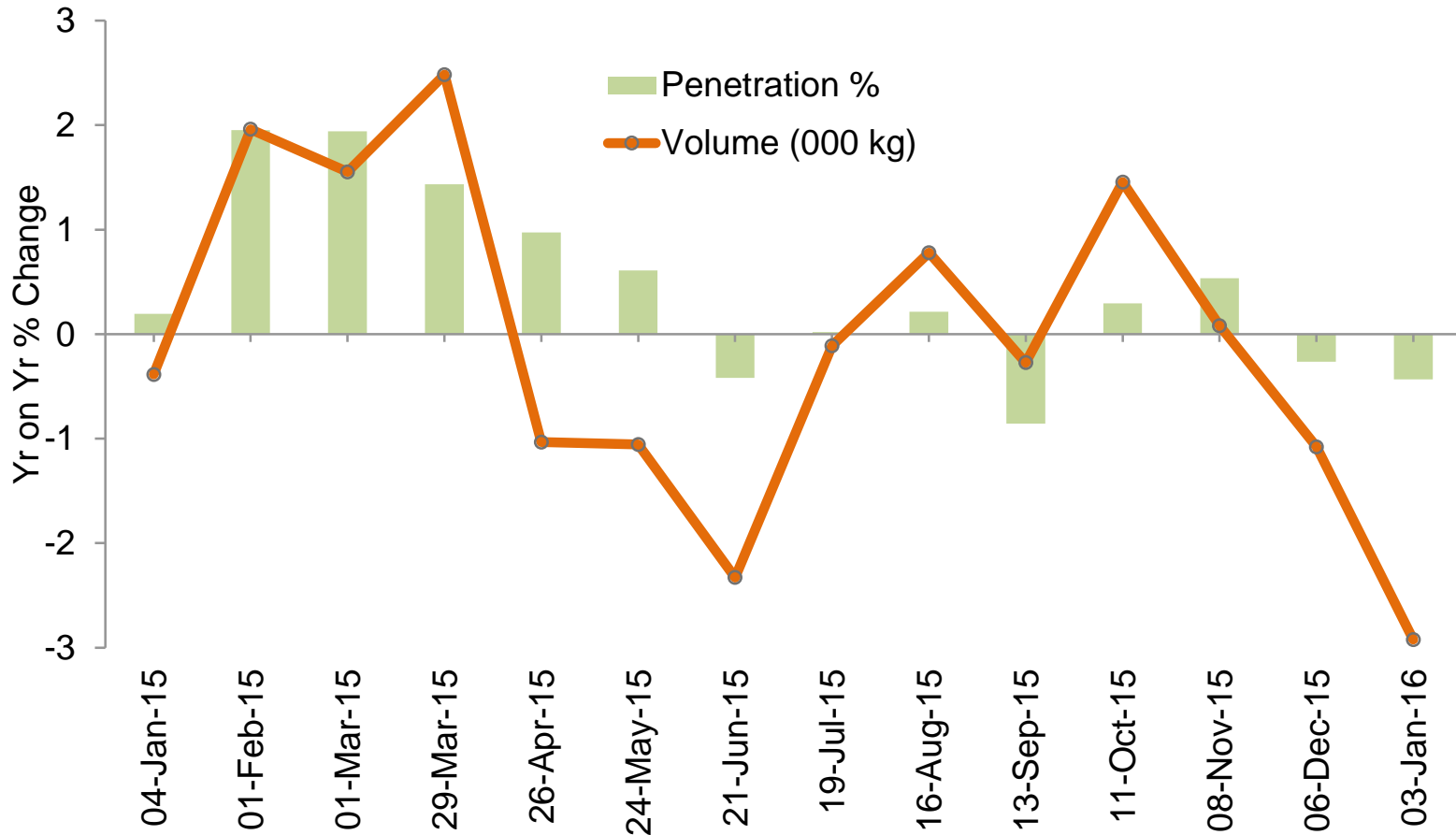
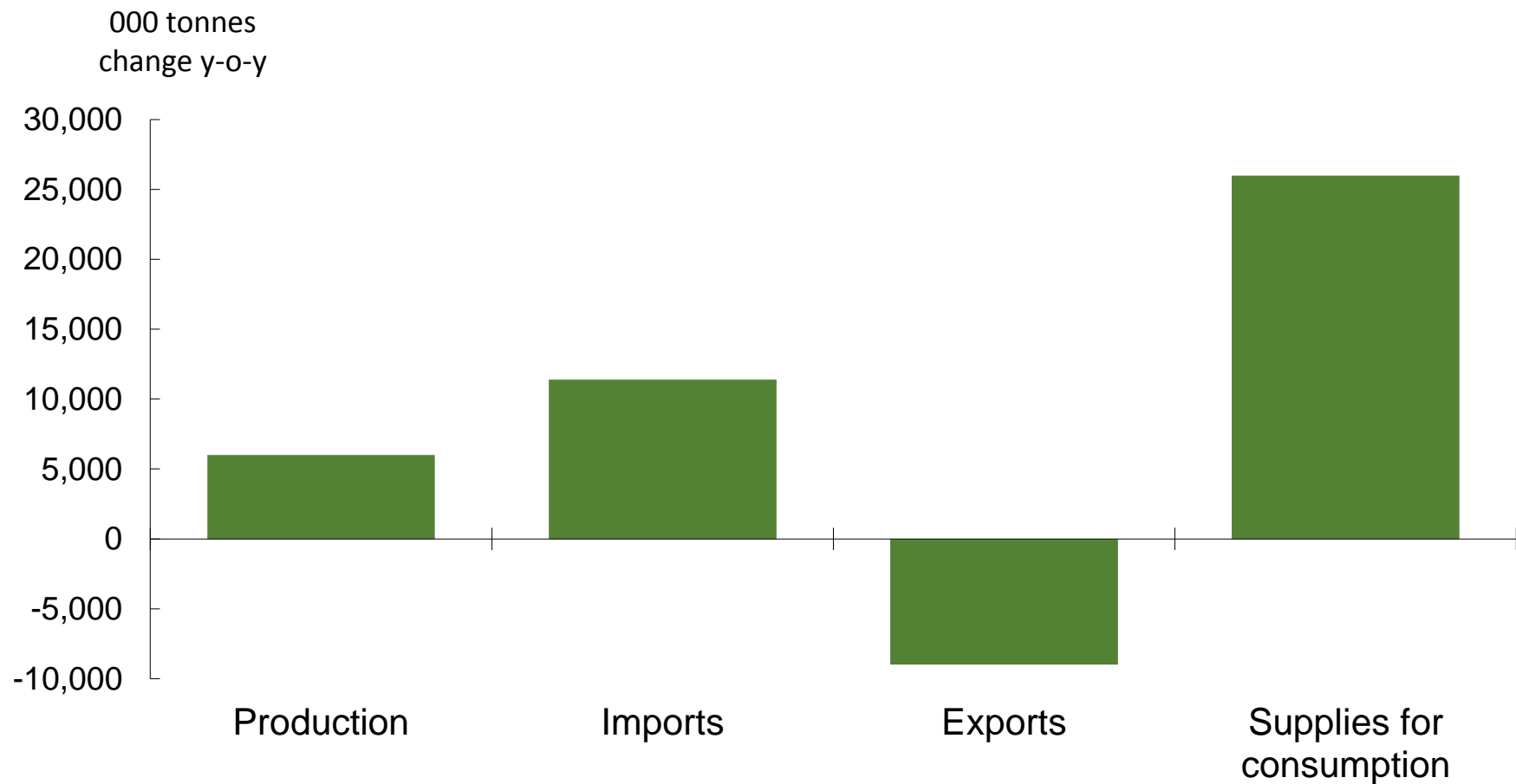


Chart: UK 5Q exports YTD November
Source: GTIS

Fresh beef volume and penetration lower



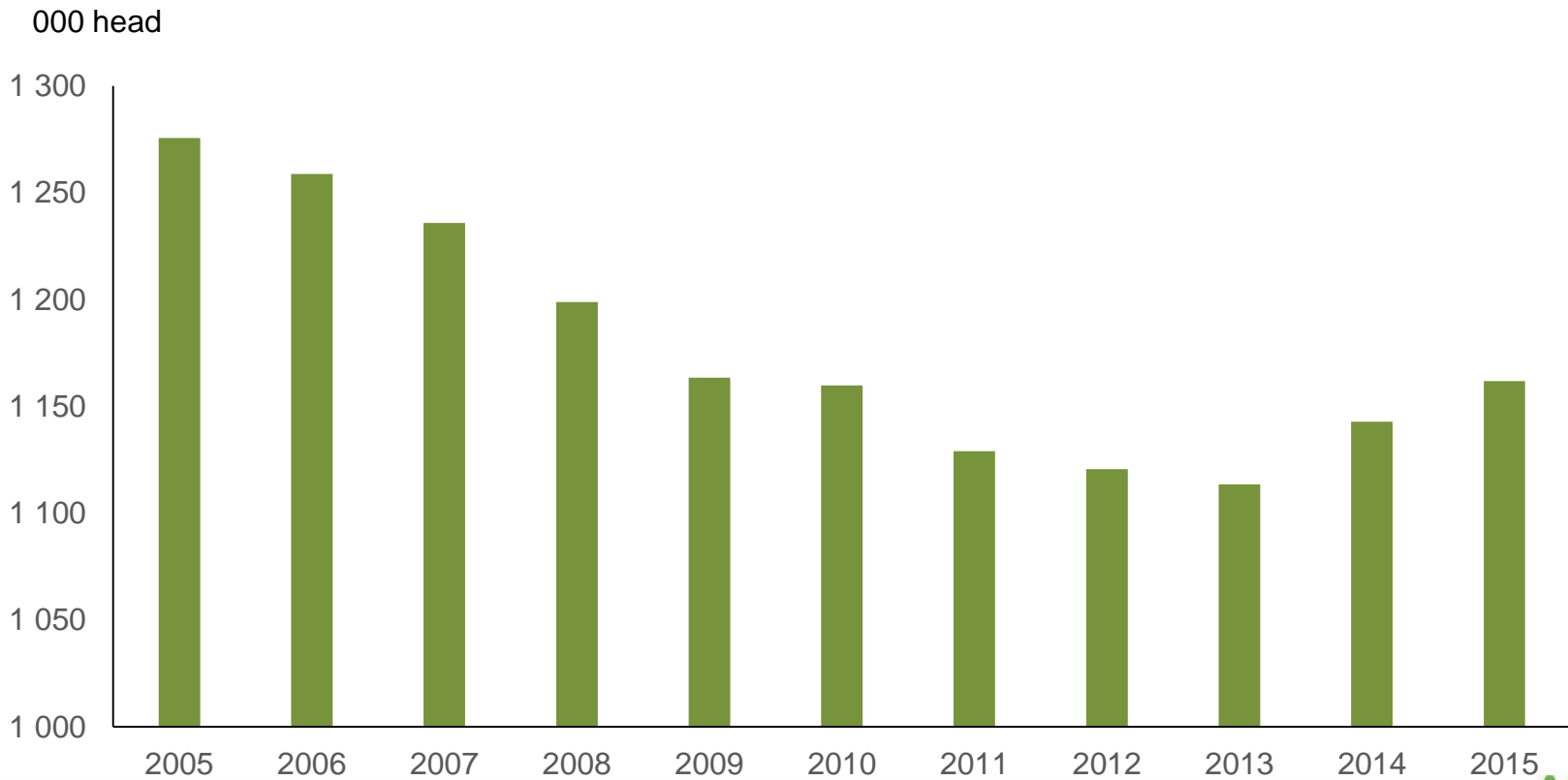
So supplies on the market increased last year



What about this year?

Forecast for supplies

Dairy breeding herd continued to grow despite the challenges of last year



And the suckler herd was reported to have ended its contraction

000 head



Calf registrations trending up – beef breeds

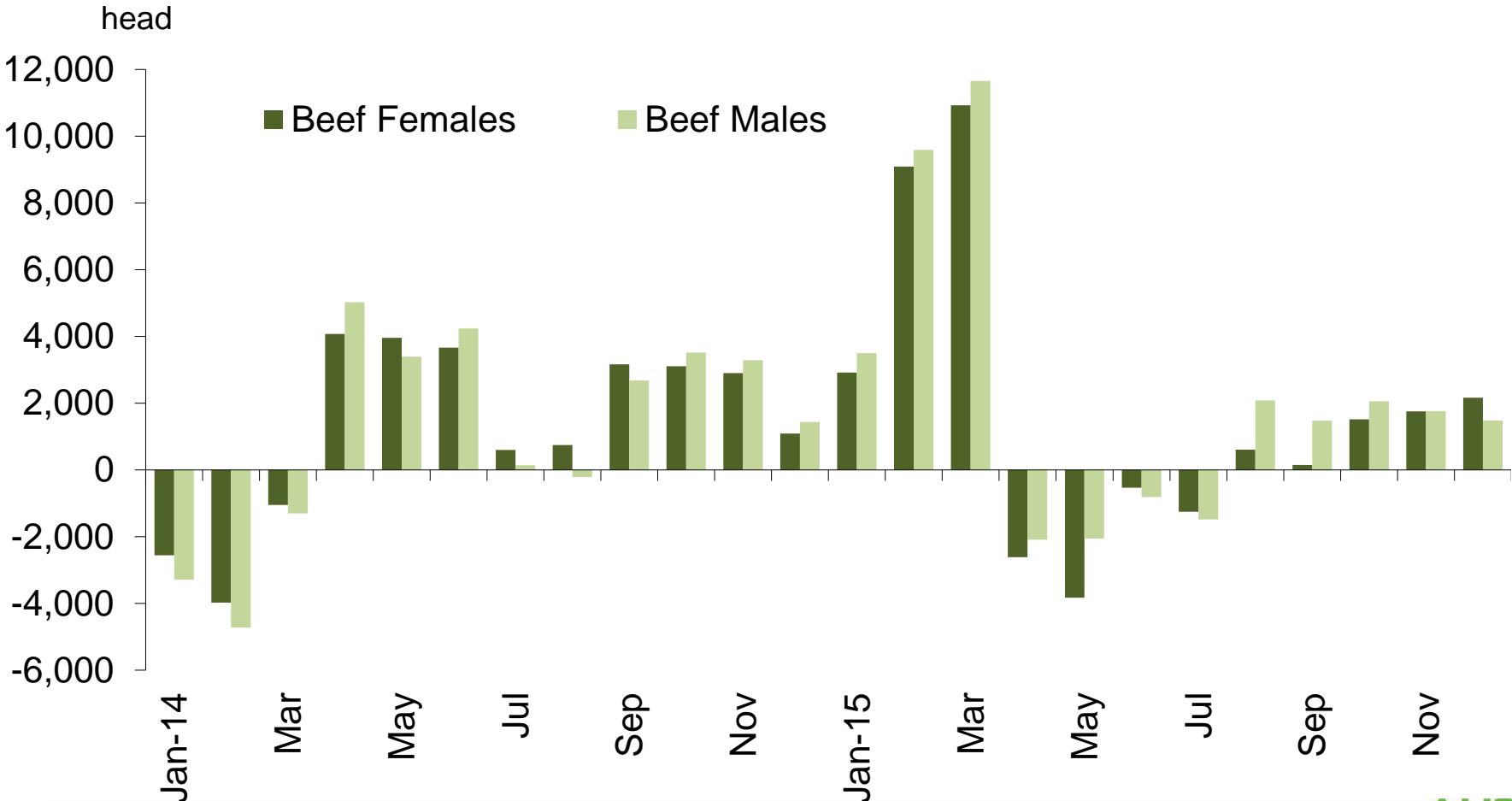
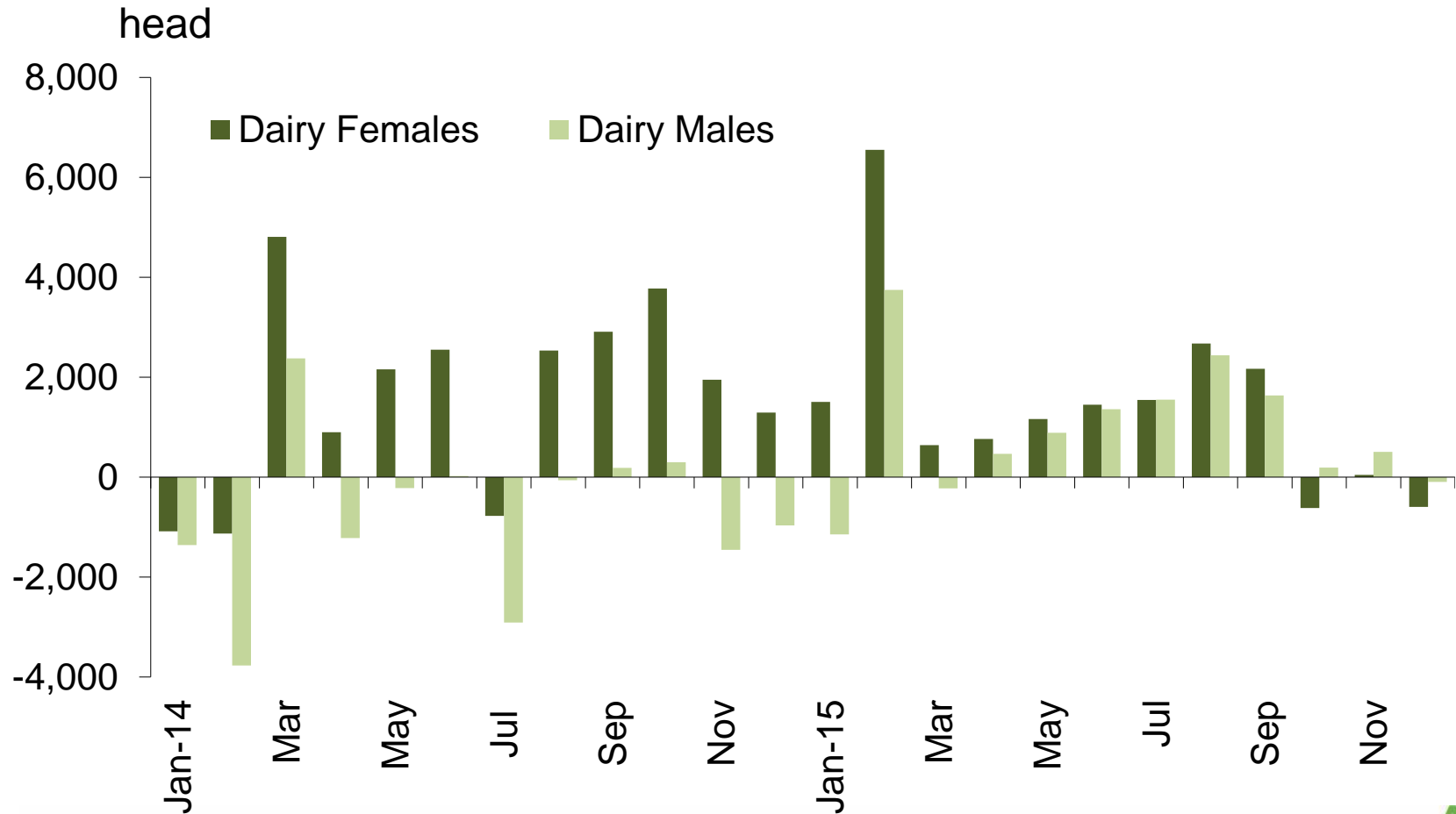
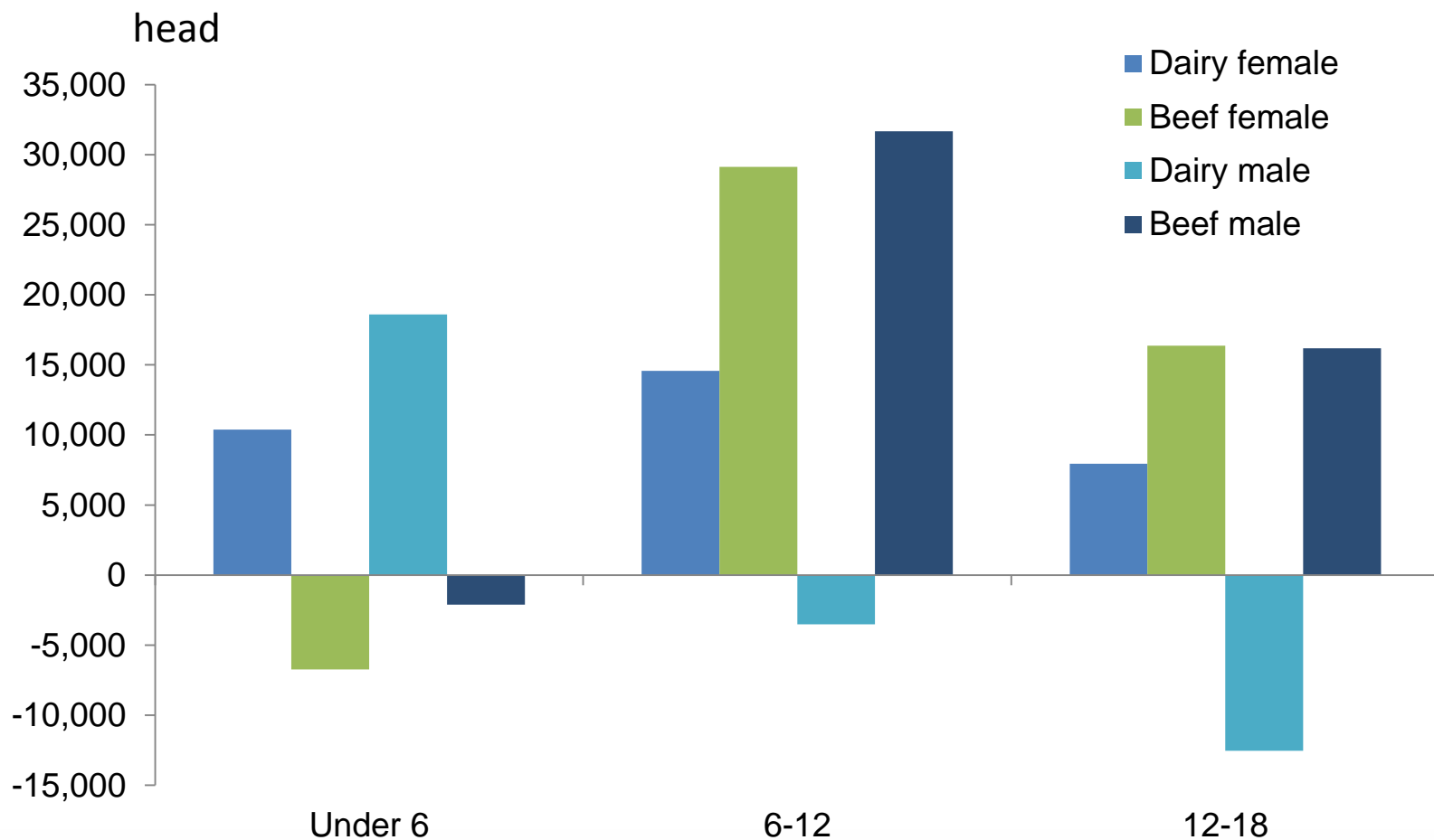


Chart: Monthly beef breed calf registrations, change on year
 Source: BCMS

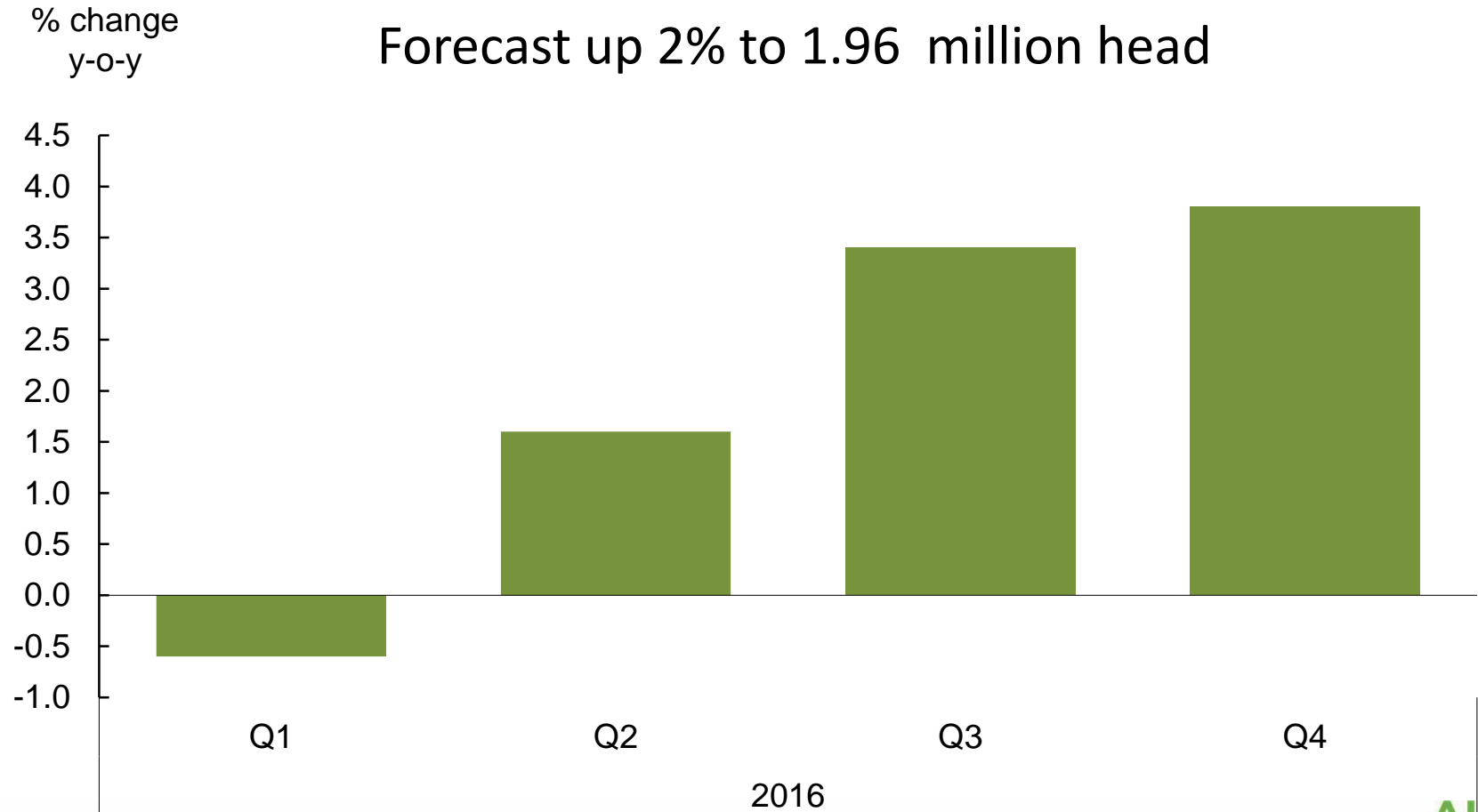
And dairy on the back of the bigger herd



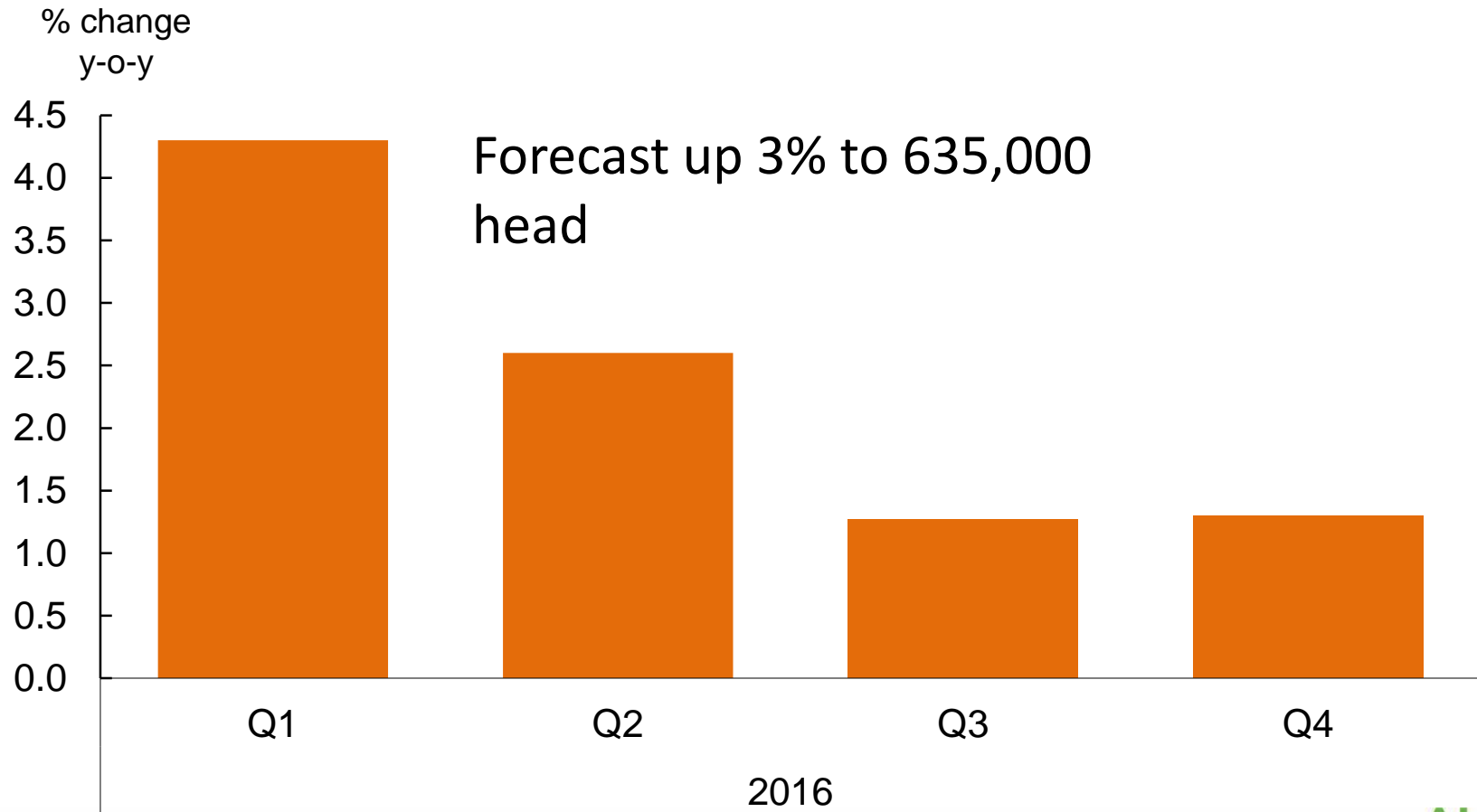
So ... we have more younger cattle on the ground



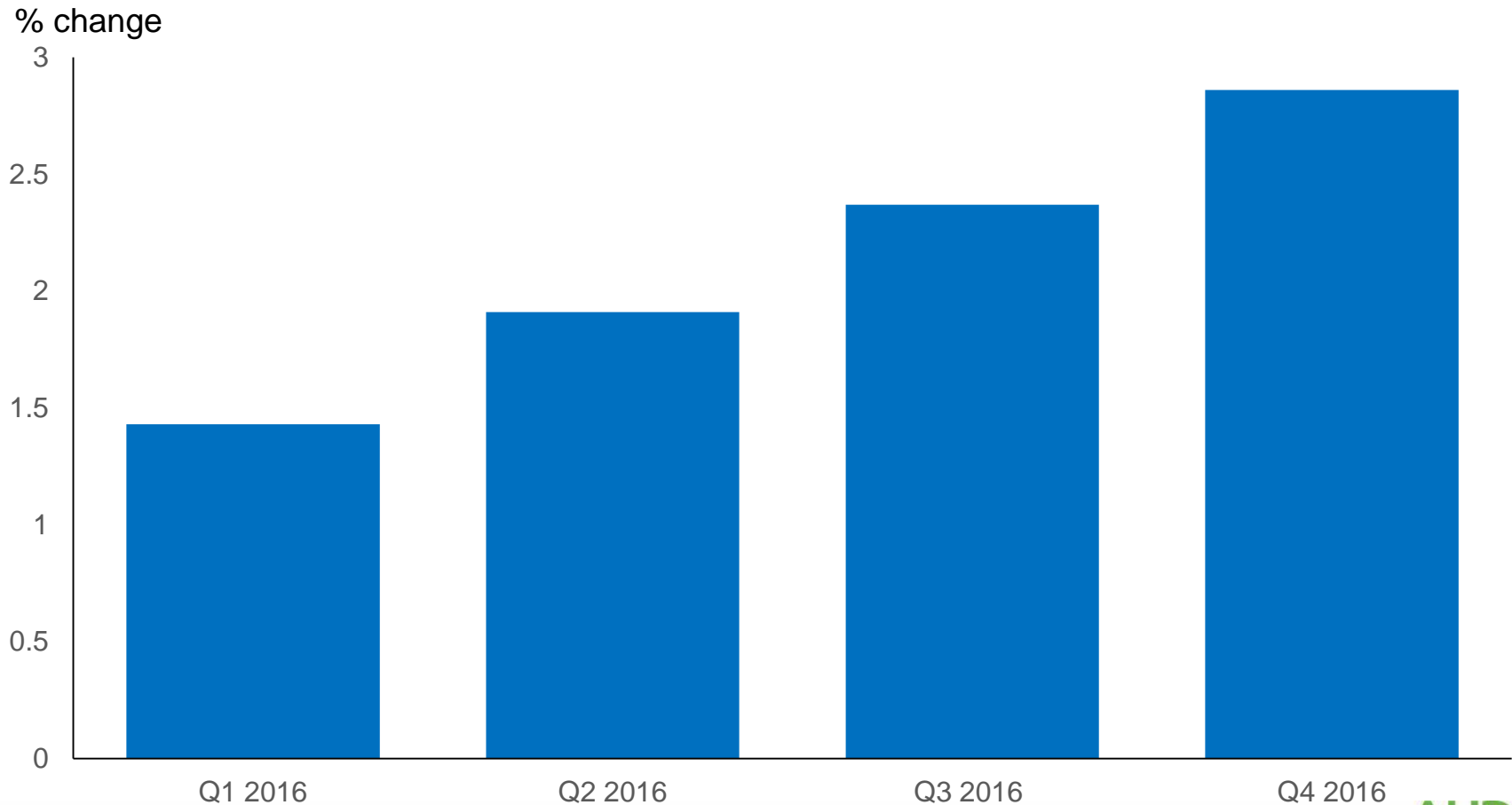
Impact on prime cattle supplies to be felt later this year



Cow numbers to be high for another year



For the UK this means that production will be up



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

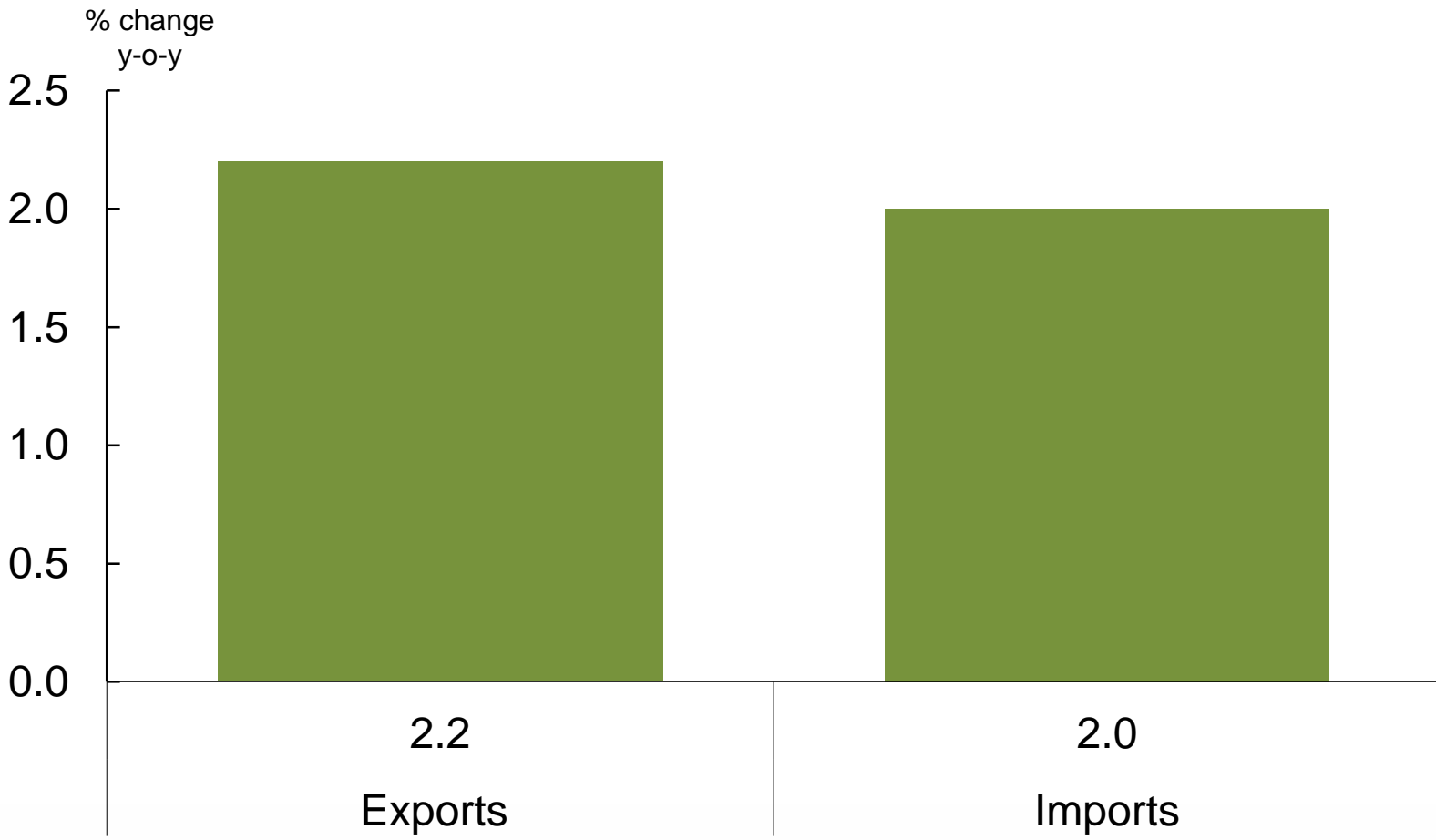
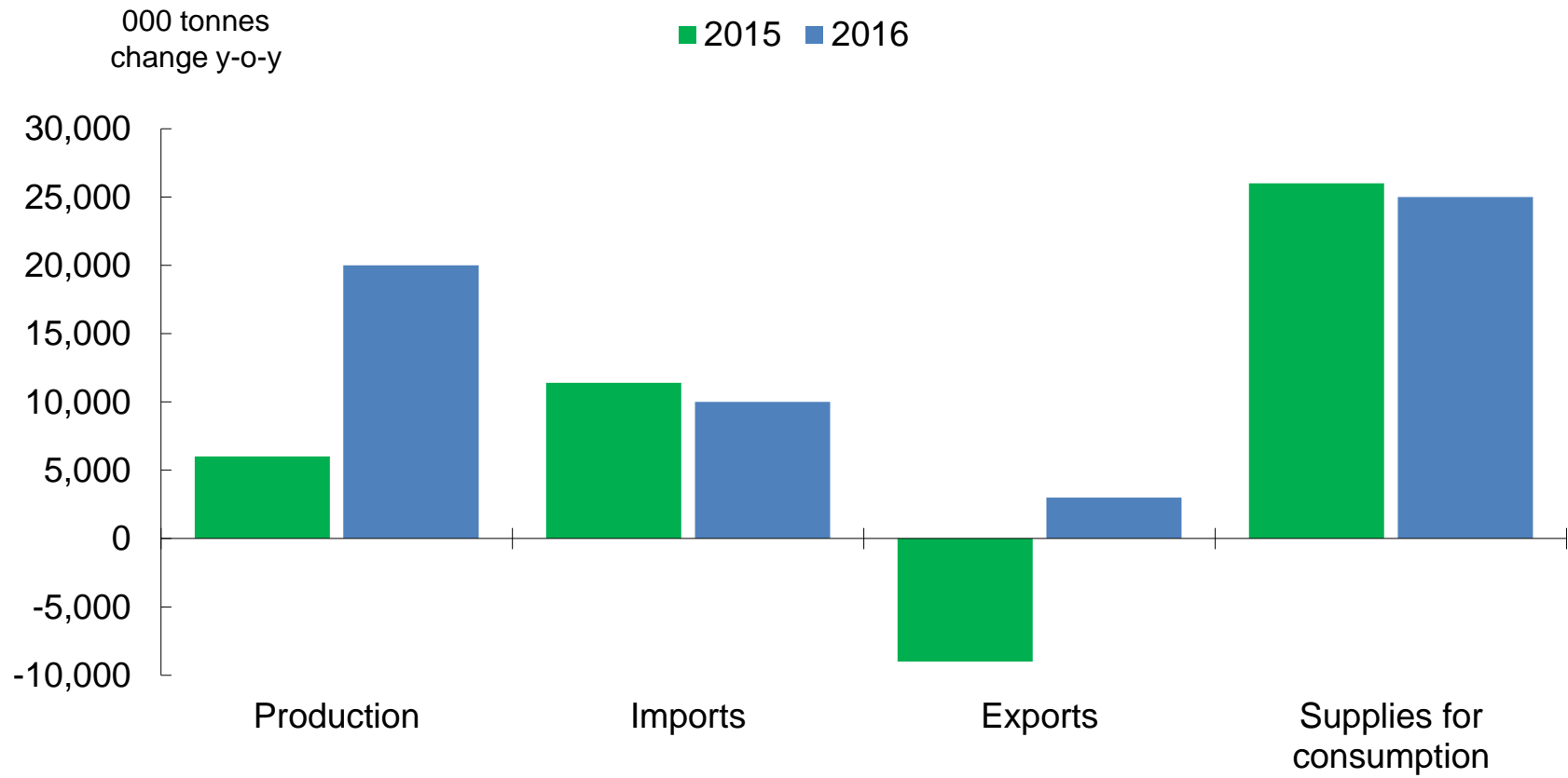


Chart: Forecast year-on-year change in UK beef and veal trade
Source: AHDB MI (forecasts)

Supplies on the UK market will increase again this year



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



How will beef perform with the consumer?



1980 60 minutes

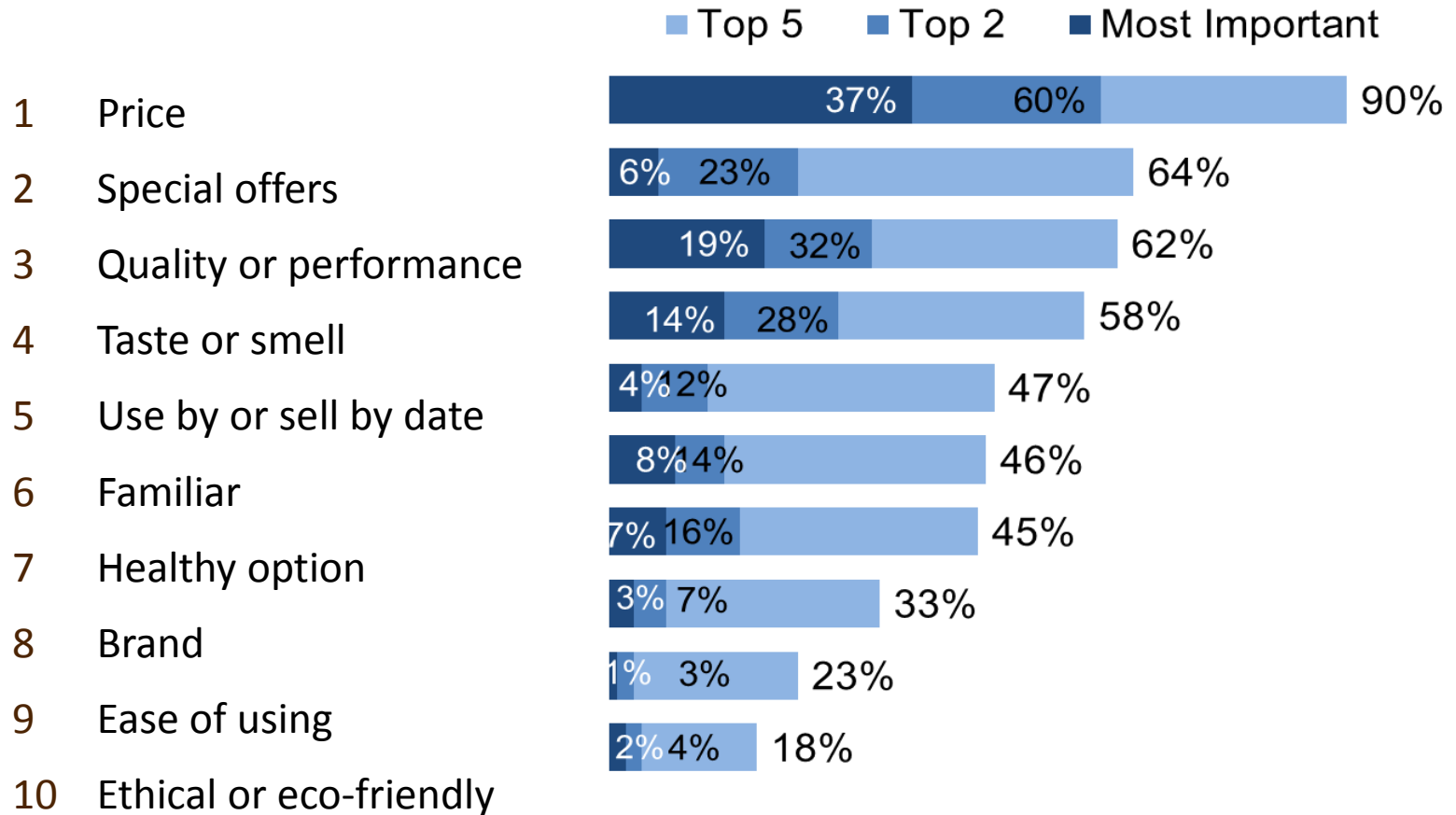


1990 45 minutes

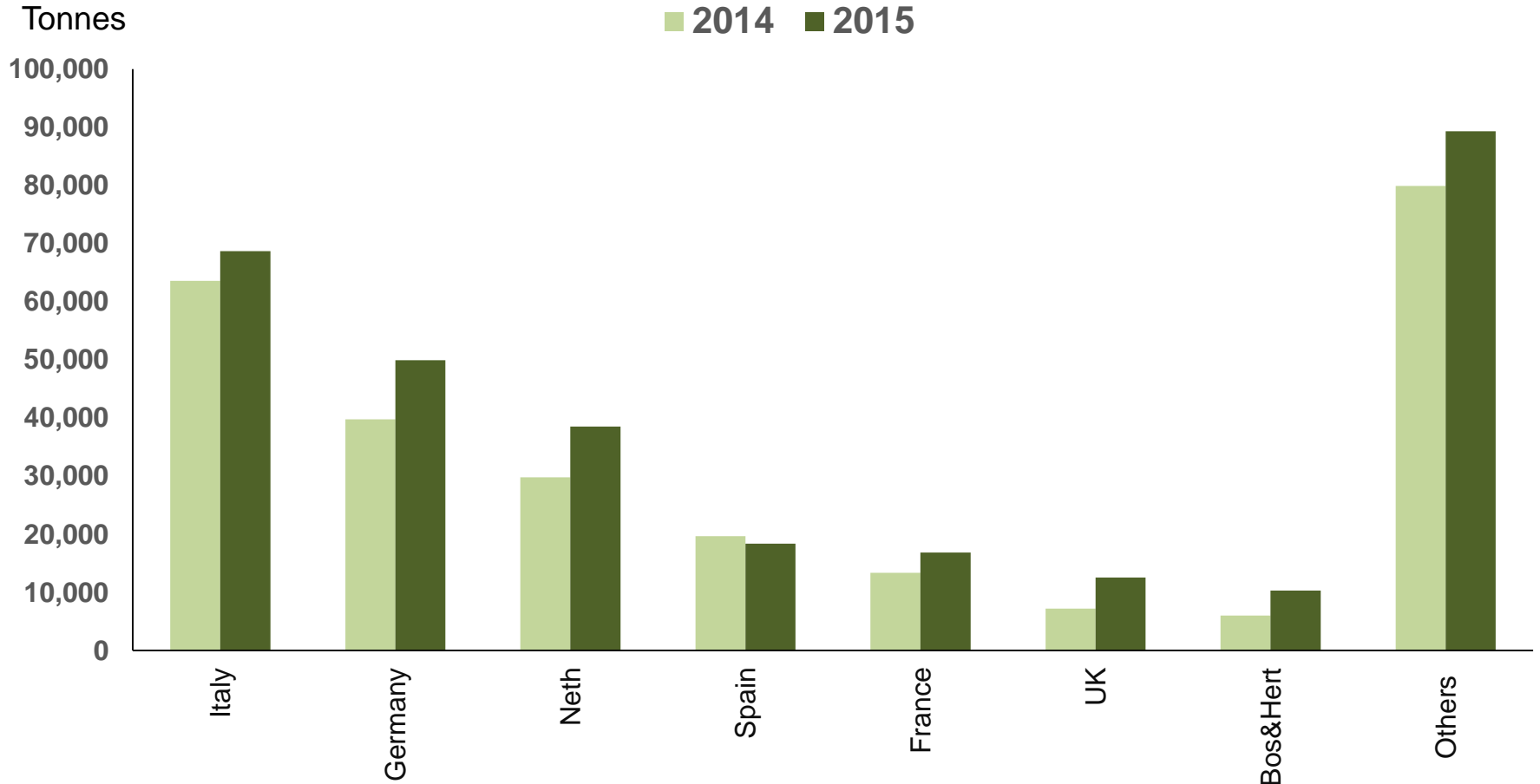


2015 31 minutes

Given that price is the main driver of product choice



Poland - continued competition



Global trends

Impact of the oil crisis in some parts of the world

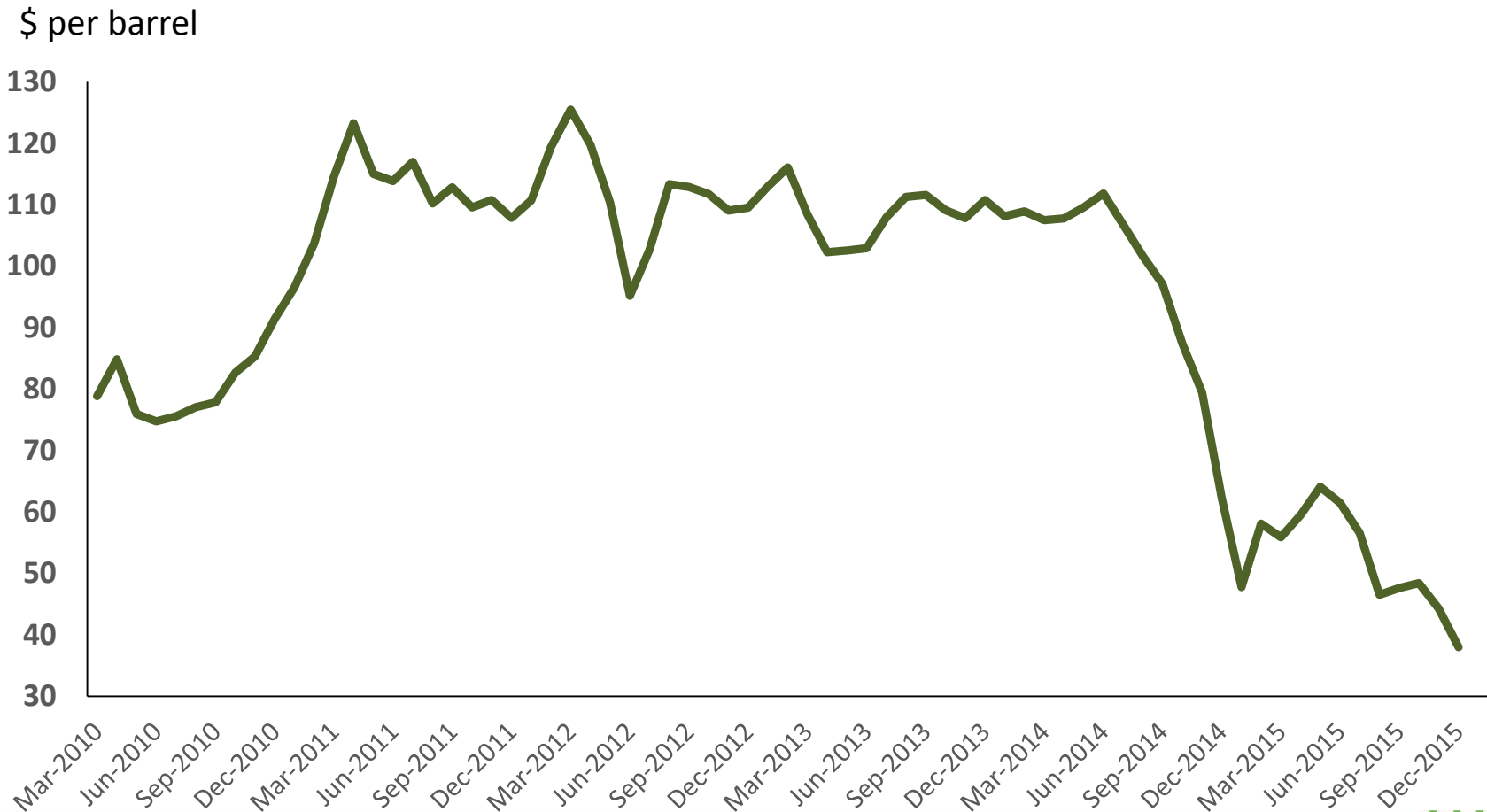
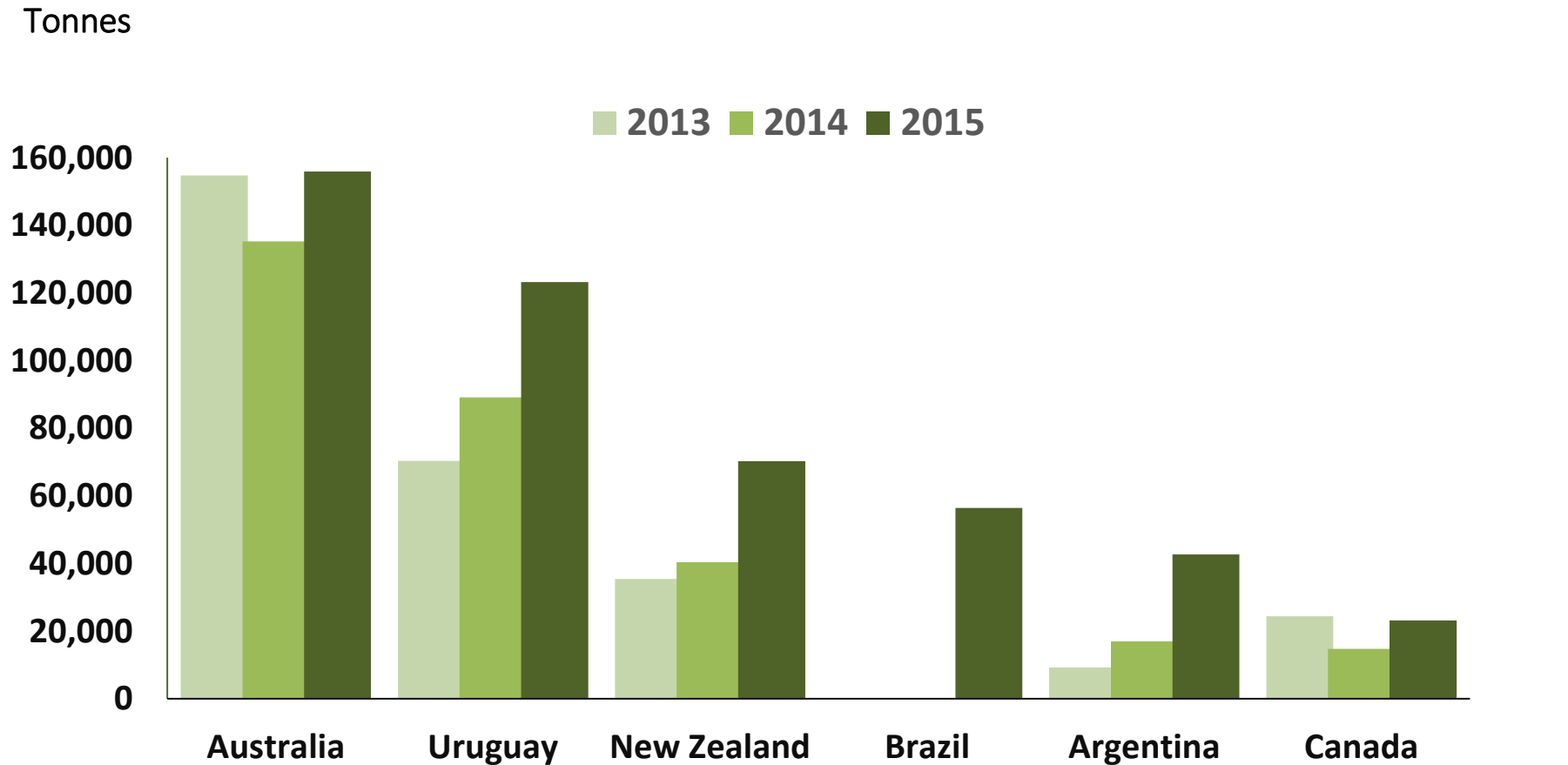


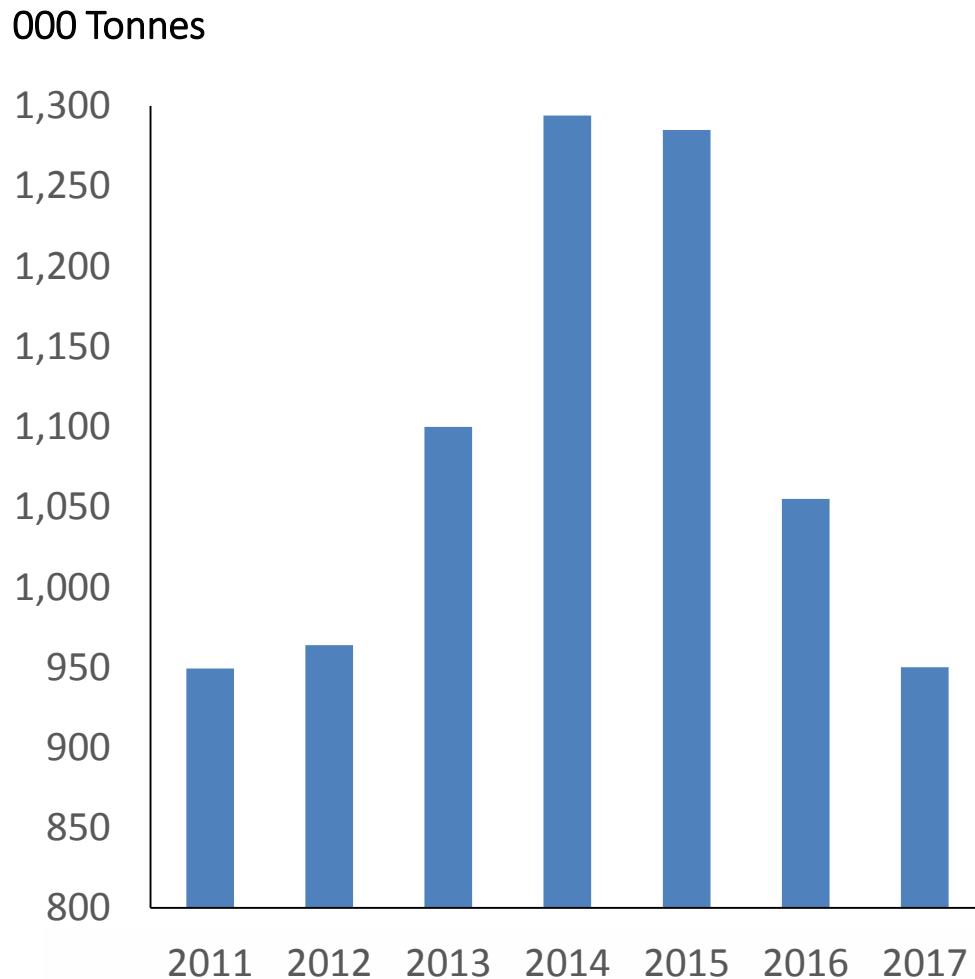
Chart: Brent spot prices

Source: EIA

China's momentum has picked up, will it continue?



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 26.2million 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.



- 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

PRICE?

Meeting market
requirements

More positive
exports



Thank you

Debbie.Butcher@ahdb.org.uk

024 7647 8851