



Research Briefing **The red meat sector**

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Research Briefing

The red meat sector

This research briefing provides an overview of the red meat sector in Wales. It comprises a summary of beef, lamb and pork prices in the UK as well as the UK's position in the global red meat trade. It also contains information on red meat producers and processors in Wales as well as discussing the issues raised in relation to Brexit.



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1. Introduction

This research briefing gives an overview of the current state of the UK red meat sector with particular reference to the Welsh red meat industry. The red meat industry in Wales comprises sales of meat from cattle, sheep and pigs.

Red meat is one of the biggest agricultural sectors in the UK. It accounts for around **21% of UK agricultural production** by value; in Wales this figure was **more than twice as high at 45%**. Dairy is the biggest sector by value in Wales, followed by red meat. Cattle hold the biggest share of the red meat sector in Wales providing 26% of total Welsh agricultural production value, followed by sheep and pigs with 18% and 0.34% respectively. Given that pigs constitute a small proportion of Welsh red meat production, this briefing places more emphasis on cattle and sheep.

The value of sheep in Wales rose by 4% between 2015 and in 2016, while the **value of cattle** rose by 1% for the same period. Following a **downturn in the red meat market** in 2014, the market has started to regain value. This is thought to be the result of a combination of factors including **changing consumer requirements** and **fluctuations in the exchange rate** allowing UK produce to become more competitive in the European market.

2. British red meat prices

The **average deadweight cattle price for steers** in Great Britain (GB) in May 2017 was 354.85p per kg, an increase of 12.5% on May 2016 when the average price was 315.7p per kg. The **average deadweight lamb** price has also seen a rise between May 2016 and May 2017, with an increase of 6.4% from 422.75p per kg to 449.8p per kg. Lamb rose dramatically in June 2017, averaging 504.35p per kg for the first half of June, an increase of 23.3% on the first half of the previous month (Figure 1). In July however, the price began to fall back, reaching an average price of 432.9 p per kg in August.

The 2017 average livestock auction market prices also showed an increase on 2016. **In Wales, in May 2017, the steer price** rose 5.8% on May the previous year from 172.35p per kg to 182.35p per kg. The **Welsh auction market price of lambs** rose 10% with an increase from 190.65p per kg to 209.68p per kg. The Welsh price rises mirror similar GB-wide trends. Generally, the price of lambs is subject to considerable seasonal volatility.

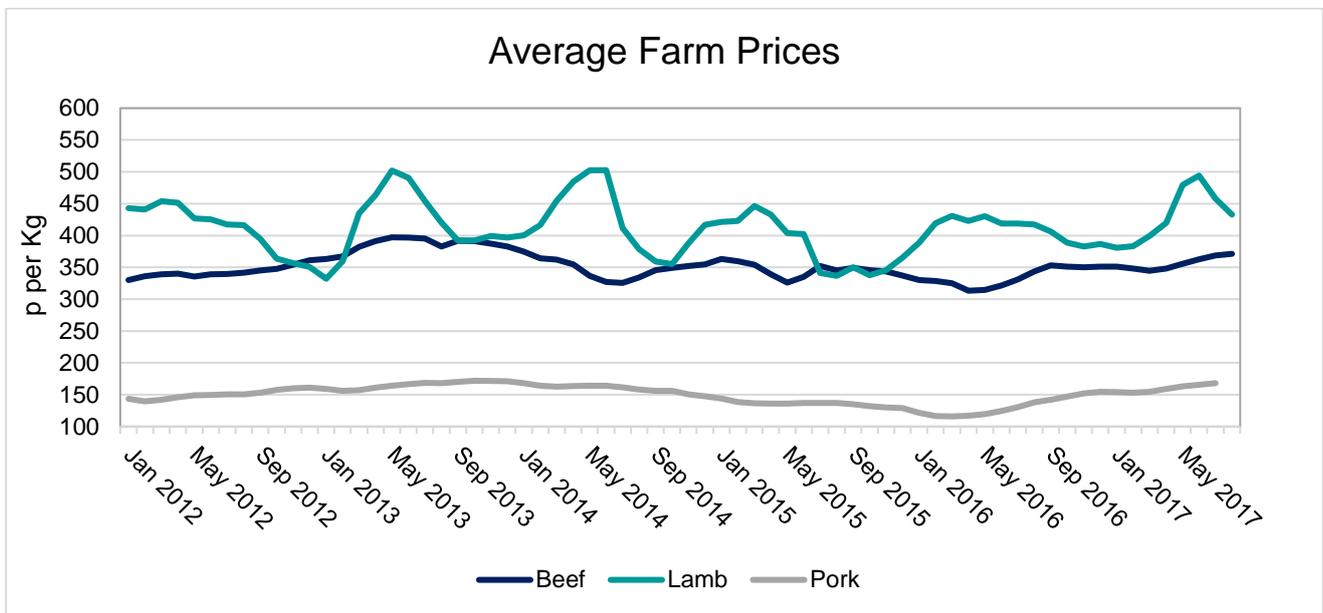


Figure 1: Average UK farm price in pence per Kg. Source: [AHDB Beef and Lamb](#)

3. The global red meat trade

The global trade for **red meat is subject to ongoing volatility** as a consequence of inconsistent consumer demand, exchange rates and varying supply.

Beef

Global beef exports are comprised mostly of meat from Australia, Brazil and the United States. The EU has limited influence on the global trade, as the majority of EU beef is sold within the EU single market, with any exports tending to be lower value cuts for which there is little demand within the EU. After the US, China is the biggest importer of beef and is an increasingly large importer of lamb.

UK exports

In 2016, the UK **exported 12% of its total beef and veal production**, with 11% of exports to non-EU countries and 89% to the EU. These exports had a **value of £325 million in 2015 (PDF 1.9MB)**.

UK exports of beef and veal in the first quarter (Q1) of 2017 were 16% less than the same period in 2016. This reduction is attributed to a fall in UK production coupled with strong retail sales. Despite this, higher unit prices meant the Q1 trade was still 3% higher year on year at £85 million.

Beef exports to Hong Kong doubled (PDF 591KB) for Q1 of 2017 compared to Q1 of 2016.

Coupled with falling EU exports, the UK increased its Hong Kong market share by 5% compared to 2016, reaching a total share of 7%.

UK imports

The UK imported **430,200 tonnes of beef (PDF 265KB)** in 2015. This accounted for 36% of total UK beef consumption.

Ireland is the UK's biggest supplier of imported beef, accounting for almost **70% of UK beef and veal imports in 2016**. Overall, the **imports of beef and veal were 2% lower (PDF 591KB)** at 61,400 tonnes for Q1 of 2017 when compared to the same period in 2016, driven mostly by a drop in supply from Germany and Italy.

Sheep meat

The global sheep meat trade is driven predominantly by exports from New Zealand and Australia, despite China being the world's biggest producer. The majority of Chinese stock is sold on the domestic market.

Despite this, there has been an **8% increase in the sheep meat imports** to China for the first four months of 2017. **Hybu Cig Cymru (HCC)**, the Welsh red meat promotion board, has focussed resources on **promoting Welsh red meat produce in Asian markets**.

UK exports

In 2016 the UK exported **27% of its lamb and mutton production**, with 95.8% of exports to the EU market. In 2015, these exports had **a value of £302 million (PDF 2MB)**.

Lamb exports have shown a **2% decrease year on year in March 2017 (PDF 591KB)**. The biggest share of UK lamb goes to France, followed by Ireland and Germany

UK imports

In 2015, the UK imported **109,600 tonnes of lamb and mutton (PDF 265KB)**. This accounted for 33% of total UK lamb consumption. The **majority of sheep meat imports** come from outside the EU with New Zealand providing 75% of UK imports.

Overall **sheep meat imports (PDF 591KB)** are lower in 2017 than 2016, with imports in March 2017 20% less than the previous year. This is attributed to a reduction in supply from New Zealand as a consequence of reduced production and increased demand from Asian markets.

4. UK red meat supply

UK production of beef and veal was down 6% in April 2017 (PDF 591KB) relative to April 2016. The fall was ascribed to a reduction in the number of slaughters and a decrease in carcass weight. **UK lamb production increased (PDF 591KB)** however, with production 20% higher in April 2017 than the same month in 2016. It is likely this was influenced by a late Easter resulting in an additional April bank holiday which increased demand. Overall, production increased for all meat types between 2013 and 2016 (Table 1).

in 000 tonnes	Beef and veal	Lamb and mutton	Pig meat	Offal	Total red meat
2012	885	275	825	139	1985
2013	847	289	833	138	1969
2014	877	298	863	143	2038
2015	883	300	898	145	2082
2016	912	290	903	*	2105

Table 1: Total UK production in 000 tonnes. *Statistic not yet available. Source: AHDB Beef and Lamb **Sheep Yearbook (PDF 2MB)** and **UK Slaughtering Statistics**

In Wales, cattle slaughter numbers were down 15% for the period January - April 2017, relative to the same period the previous year (Figure 2). It is thought this is largely related to 2016's low milk price prompting dairy farmers to rationalise their herds. **Sheep slaughters increased 1.3%** for the same period relative to 2016 (Figure 2).

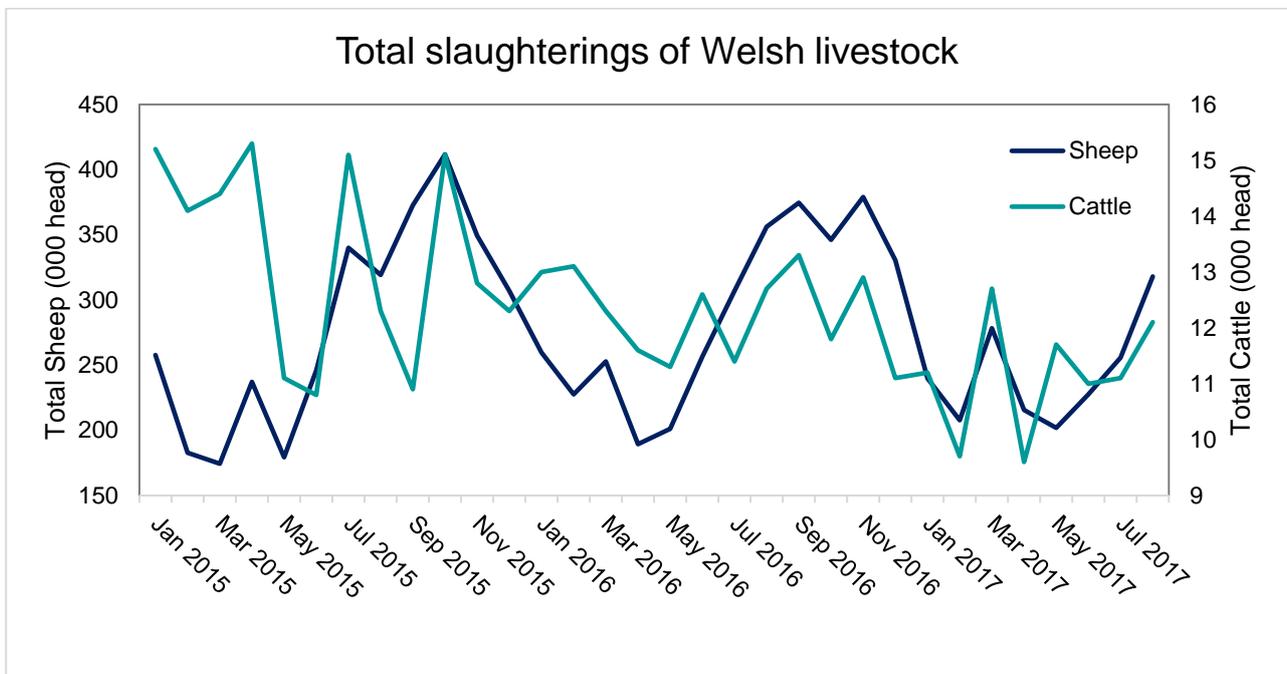


Figure 2: Total slaughtering of Welsh sheep and cattle between January 2015 and August 2017. Source [HCC](#).

The relationship between production (tonnes) and slaughterings is dependent on the average carcass weight, which is in turn dependent on the maturity of the animal when slaughtered as well as the sex. Generally, carcass weights have increased for all UK livestock, with the exception of ewes and rams (Table 2).

in kg	Cattle				Sheep	
	Steers	Heifers	Young bulls	Prime cattle	Clean sheep	Ewes and rams
2012	367.1	320.3	346.4	347	19.1	26.4
2013	360.7	315.9	338.8	340.6	19	25.9
2014	367.5	324.6	344.8	348.7	19.4	27.3
2015	374.8	331.8	344.6	355.7	19.6	26.7
2016	372.4	327.9	327.1	350.9	19.2	25.9

Table 2: Carcass weight of cattle and sheep in the UK 2012-2016. Source [ADHB Sheep Yearbook \(PDF 2MB\)](#) and [Cattle Yearbook \(PDF 1.9MB\)](#).

Supply chain margins

The retail price spread is the difference between the amount paid to the farm and the amount paid to the retailer. The price spread has decreased for pork in the first half of 2017, while the beef and lamb price spreads have been more changeable (Figure 3).

Generally however, the **producer share is up in the first half of 2017** for both beef and lamb, relative to the same period last year. This rise is due to a reduction in retail prices that was not reflected in monthly farm prices.

Cattle production is forecast to continue to be down in 2017 relative to 2016 and, combined with a slight increase in demand, **it is expected this will result in an increase in farm gate prices.**

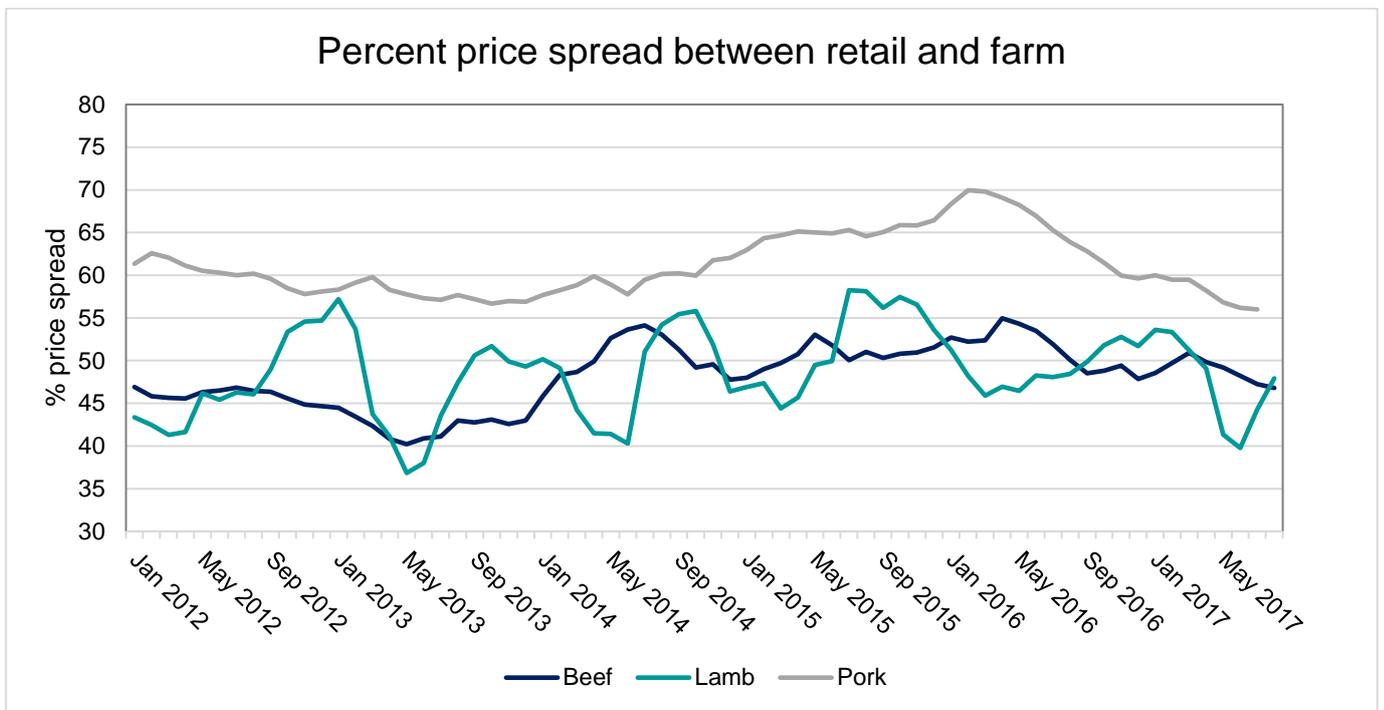


Figure 3: UK Price spreads for beef, lamb and pork from January 2012 - August 2017. Source AHDB 'UK farm to retail price spreads'.

5. Welsh producers

In 2016 there were 9.8 million sheep in Wales, 306,000 more than in 2015; an increase of 3.2%. The Welsh flock in December 2016 was the largest in a decade for the time of year. This is attributed to favourable lambing conditions earlier in 2016 and a high carryover from the previous year. However, the total UK flock decreased by 1.1% between 2015 and 2016.

In 2016, Welsh cattle numbers stood at 1.11 million, an increase of 1.3% on the previous year. Welsh pigs reached 28,000 in 2016, a decrease of 8% since the previous year.

The average farm income in Wales from sheep and cattle farming has risen in 2016/2017. Farm income for less favoured areas (LFA) (around 80% of Welsh land) stands at £27,500 per farm, an increase of £5,600 from last year, the highest in five years. This is attributed to improved market prices combined with a weak pound resulting in exchange rate fluctuations that lead to an increase in EU Basic Farm Payments of approximately 17%.

6. Red meat processing in Wales

According to an HCC list of abattoirs, in June 2017, there were 20 abattoirs in Wales, of which 17 slaughtered cattle, 20 slaughtered sheep and 12 slaughtered pigs.

An HCC assessment of capacity in the Welsh red meat slaughtering industry in March 2016 indicated abattoir numbers were in decline, with three abattoirs closing or suspending operations between 2014 and 2016. Of the abattoirs in use, none were operating to capacity with cattle facilities operating 17% under their maximum capacity, sheep facilities 41-72% under capacity and pig slaughtering facilities 32 % under capacity.

A review of the beef sector in Wales in 2014 found that 72% of Welsh cattle were slaughtered outside Wales. Of the slaughtering that occurred in Wales, 42% comprised cattle born outside Wales.

Of British sheep, **31% were bred in Wales but only 24% were slaughtered in Wales**. 90% of the Welsh abattoir throughput was undertaken by only four abattoirs, the largest of which is St Merryn Meats Ltd.

In 2017, as well as the four major abattoirs, there are an additional 16 smaller abattoirs which are considered vital to rural Wales for employment and reduced transportation distances for the animals. These were in addition to 15 beef processing and cutting plants as well as packing plants run by Irish companies Dawn Meats and Dunbia.

Buyers and consumers

The vast majority of Welsh livestock is sold on the spot market, with a very limited proportion sold on contract, and even less at a known price. The market price varies by region across Wales. HCC supplies up-to-date **market prices by region in Wales**.

Different buyers require different specifications. For example, butchers generally require the highest classifications, while manufacturers tend to have lower specifications. Specific **sheep carcass classifications** and **cattle carcass classifications** for different markets are provided by HCC.

As of January 2017, **British beef accounted for 81% of British supermarket beef sales (PDF 241KB)**, while British lamb accounted for 72% of supermarket lamb. In 2016 only **5% of sheep bred in Wales were consumed in Wales**, with 60% consumed in the UK and 30-35% exported.

The red meat levy

The red meat levy is a price paid by all producers or slaughterers at the point of slaughter (or live export). The levy is paid to the relevant levy board to be used for marketing and promotion of that country's meat products. The country of slaughter dictates which country's levy will be paid. In Wales the levy **is paid to HCC**, which in 2015/2016, was **70% funded by the levy**.

The levy has been **criticised in the past** as it does not take into account cattle produced in one country then slaughtered in another; the money is paid to the levy board in the country of slaughter regardless of origin. In **2015 there were proposals to change this**, but as of June 2017 no changes have been made.

7. Voluntary code of practice

In 2015, the British Meat Processors Association (BMPA) introduced a **voluntary code of practice for purchasing cattle (PDF 178KB)** between meat processors and livestock producers. The code aims to improve the transparency of processors' operations, while also encouraging processors to provide 12 weeks' notice of changes to trading conditions.

NFU Cymru President, Stephen James, said when the code was announced in 2015:

This is a welcome step in the right direction as we continue to seek more openness and transparency in the supply chain. What is critical to our members is the stability that this code should bring, which will allow producers to plan ahead and market their cattle without sudden or unexpected changes to conditions of sale. We hope this will help beef producers to manage the volatility we have seen in recent years and provide a clearer understanding of the terms and conditions that are on offer.

As of February 2015, **six processors had signed the code**: ABP, Dovecote Park, Kepak Group, Randall Parker Foods, 2 Sister Food Group and Morrisons subsidiary Woodheads. However Dunbia and Dawn Meats, which between them have three Welsh processing plants, did not.

The decision **drew criticism from the NFU**. In a statement in November 2015, NFU president Meurig Raymond said:

Dunbia is a processor that publically claimed that a voluntary code was not in their best interest as their relationship with suppliers was fair and transparent. Yet they are giving their producers virtually no notice for significant changes in the specifications of cattle.

A spokeswoman for **Dunbia said in 2015 that the possibility of signing was under discussion** but it is understood both Dunbia and Dawn Meats are yet to sign it (as of June 2017).

As of June 2017, there is no code of practice in place for sheep or pigs.

8. Red meat markets post-Brexit

The EU is the biggest market for Welsh red meat, with approximately 90% of Welsh beef and lamb exports destined for EU Member States other than the UK in 2016. Consequently, maintaining access to the EU single market after **Brexit has been described as 'critical' by ex HCC chairman Dai Davies**.

Alongside HCC, NFU Cymru and the Farmers Union of Wales (FUW) provided **written evidence to the Assembly's Climate Change, Environment and Rural Affairs Committee (PDF 2.8MB)**. In this, both NFU Cymru and the FUW expressed their desire for the best possible access to the single market, in addition to imports to the UK remaining subject to the UK's high environmental and animal health standards.

As well as providing a large export market for the red meat sector, the EU single market also allows tariff free imports into the UK which help to maintain consumer demand for beef and lamb. According to the 2016 **'Little book of Meat Facts'** the UK was only 76% self-sufficient in beef and 92% self-sufficient in lamb in 2015.

Should the UK leave the EU with no trade deal in place, it has been suggested that trade between the two would take place on the basis of World Trade Organisation (WTO) rules. HCC told the Climate Change, Environment and Rural Affairs Committee in 2016 that, based on 2015 information, a scenario where the UK trades with the EU under WTO rules could mean tariffs of 84% on cattle carcasses, 46% on lamb carcasses and 61% on cuts of lamb.

Despite exporting most of its sheep meat products to the EU, Wales is still **the biggest EU exporter** of sheep meat to non-EU countries. HCC has invested resources in exploring non EU markets, particularly in the **Middle East, Asia** and the US.

In addition to opportunities abroad, **HCC told the Climate Change, Environment and Rural Affairs Committee** that there was the possibility of further increasing the post-Brexit domestic market share:

Probably as far as a UK basis is concerned about 6 million lambs from the UK end up in Europe and about 6 million lambs from New Zealand and Australia actually come into the UK. So, if I was the Prime Minister, looking after the interests of the red meat sector, I would say, if we lose the single market, we get rid of the cheap imports from Australia and New Zealand in order for us to sell the lambs that we actually sell to Europe now, because there would be a demand for them at home.

The **EU protected food name scheme** gives legal protection against imitation of registered regional and traditional foods or drinks throughout the EU. There are currently a number of **Welsh products registered with the scheme**, including 'Welsh lamb', 'Welsh beef' and 'traditionally reared pedigree Welsh pork'. Leaving the EU raises questions about continued participation in the scheme, however there is precedent for non-EU country participation, for example Mexican tequila.

9. Key sources

- [AHDB Beef and Lamb](#)
- [Hybu Cig Cymru](#)
- [Farmers Union of Wales](#)
- [NFU Wales](#)
- [Farmers Weekly](#)
- [Welsh Government Agricultural Statistics](#)
- [Review of beef sector 2014](#)
- [2016 Cattle Yearbook \(PDF 1.9MB\)](#)
- [2016 Sheep Yearbook \(PDF 2MB\)](#)