



European Commission Working Sheep Group

James Hamilton

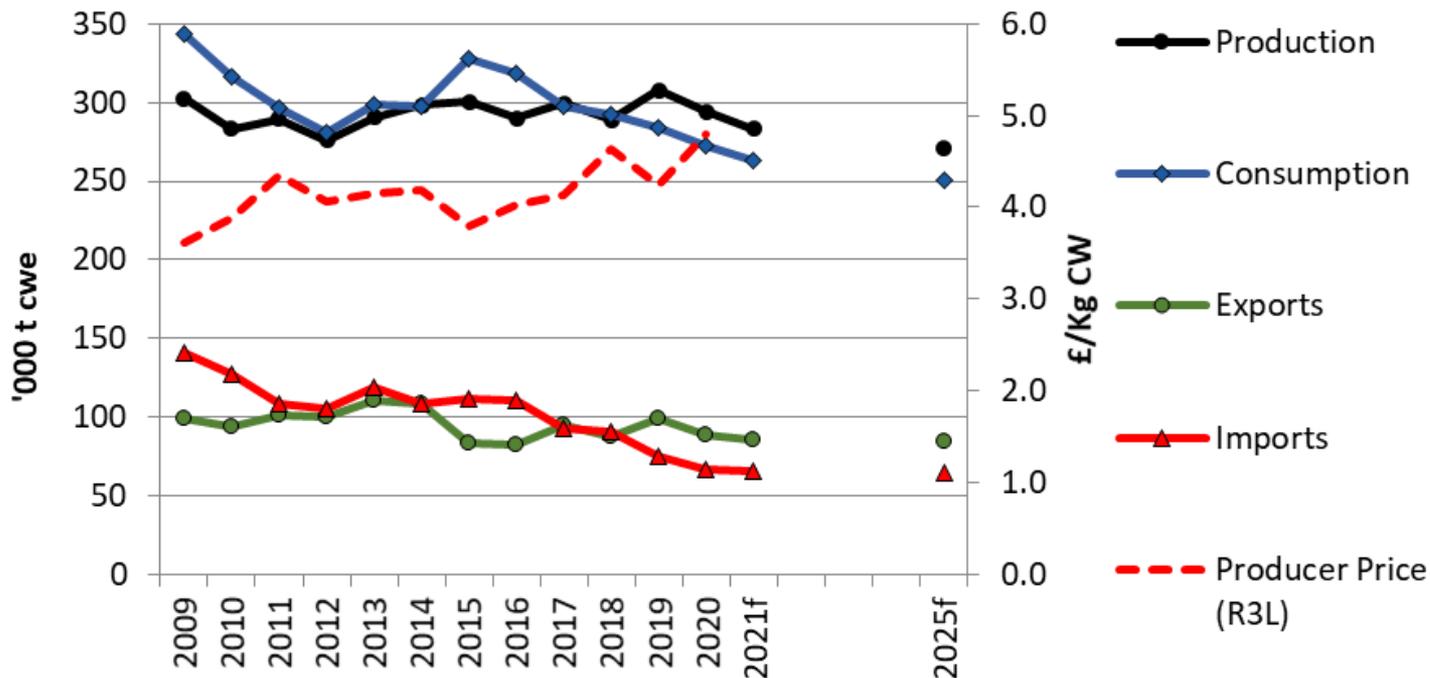
European Commission, 1st June 2021

UK Balance Table

Despite Covid-19 & Brexit; demand held up underpinning producer price



UK Sheepmeat Balance 2009-25f



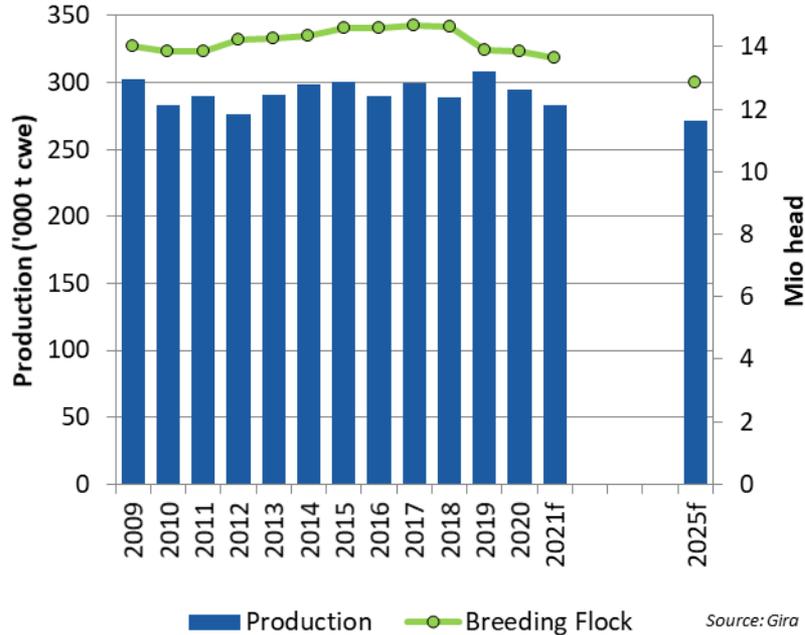
	<u>2020</u>	<u>2021f</u>
Production	-4%	-4%
Consumption	-2%	-4%
Exports	-11%	-5%
Imports	-11%	-2%
Producer Price (R3L)	+13%	++/--

Source: Gira compilations

UK Production Outlook

Decline; facing reduced government support payments post Brexit

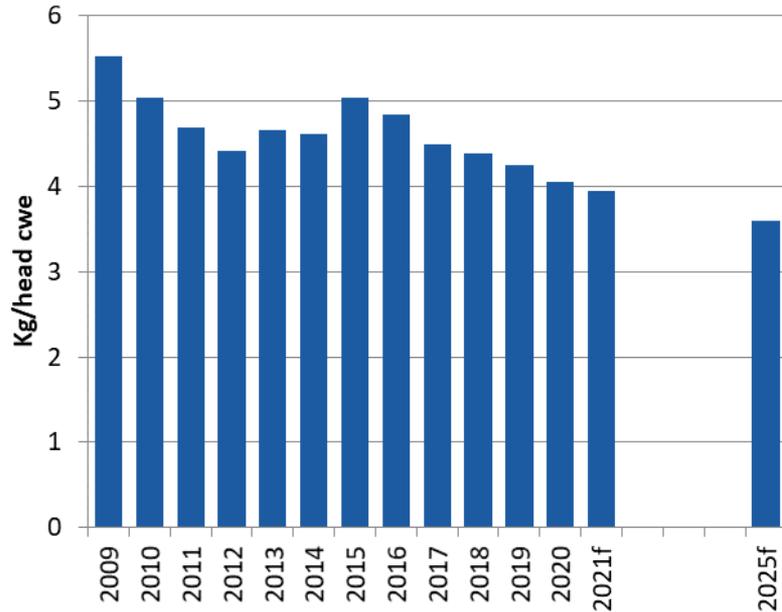
UK Production & Breeding Flock 2009-25f



Source: Gira compilations

- UK breeding flock stabilises in 2021
 - Ewe flock static: 13.8 mio head
 - Helped by strong 2020 lamb price
 - Previous decline reflecting Brexit uncertainty
- UK production 2021f: **-4%**
 - Brexit uncertainty: 4Q20 slaughterings ↑
 - Smaller lamb crop: due to weather at lambing
 - Tight supply 1Q21 leads to record prices
- Long term outlook: 2025f **-1.6%** p.a.
 - Changes to support payments post Brexit (no CAP!)
 - Breeding flock to shrink further to <13 mio head

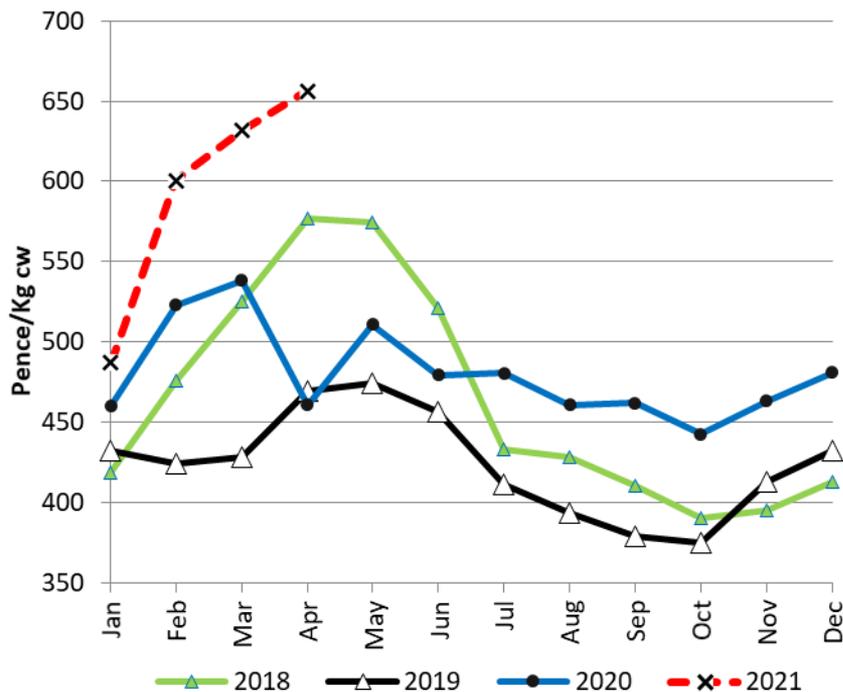
UK Sheepmeat Consumption 2009-25f



Source: Gira compilations

- Demand holds up well; 2020 **-1.9%**
 - Despite initial Covid-19 demand shock over Easter
 - Retail & takeaway demand compensate for FS losses
 - Strong demand for mince **+25%** & chops **+12%**
 - Dishes for sit-down dining suffered: roasts
- 2021f is negative **-4.1%**; particularly in 2H21
 - 2H21 demand will weaken as Furlough scheme ends
 - Due to price point lamb will suffer more than Bf, Pk & Py
 - Higher value cuts will require discounting to sell
 - Demand for lower value cuts will hold up better: mince
- Demand set to decline further: 2025f **-1.7%** p.a.
 - Weak domestic demand combined with lower availability
 - Continuing fall in production
 - Imports under pressure; exporters target other markets

UK Heavy Lamb Price 2018-21



Source: Gira compilations

2020 producer price remarkably stable

- Short lived drop at the onset of Covid-19
- Strong retail & festival demand offsetting FS losses
- Typical seasonal price decline defied by tight supply
 - Both domestically & from imports

1H21 outlook is positive

- 1Q21 prices at record levels
- Driven by low carryover & strong retail demand
- Expected to continue into 2Q21

2H21 outlook is less encouraging

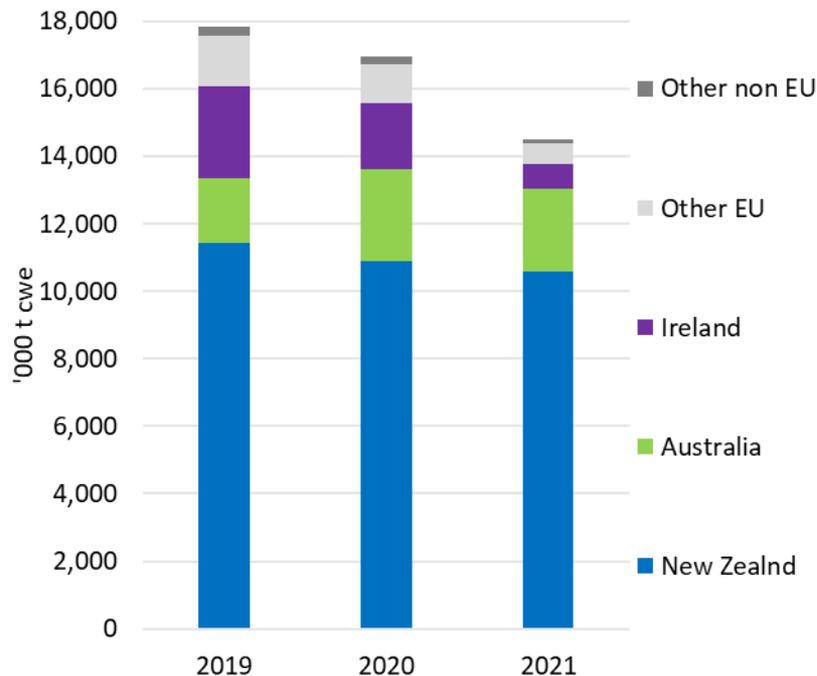
- Easing of government support mechanisms
- Struggling economy: ↑ pressure on consumer spending
- Negating tight supply: ↓ pressure on price

UK Sheepmeat Imports

Trade deals threaten UK producers

UK Sheepmeat Imports

Jan-Mar 2019-21



Source: Gira based on HMRC

2020 imports fall sharply **-11%**

- Covid-19 trade and FS demand disruption
- Lucrative CN market pulls NZ & AU product

TRQ allocation post Brexit

- UK average use of each quota per exporting country
 - 51% EU27N (144kt) & 49% UK (138kt)

Outlook: further contraction 2021f: **-2%**

- Imports from IE will struggle in 2021
- Disrupted by new checks and paperwork requirements

Australian Trade Deal

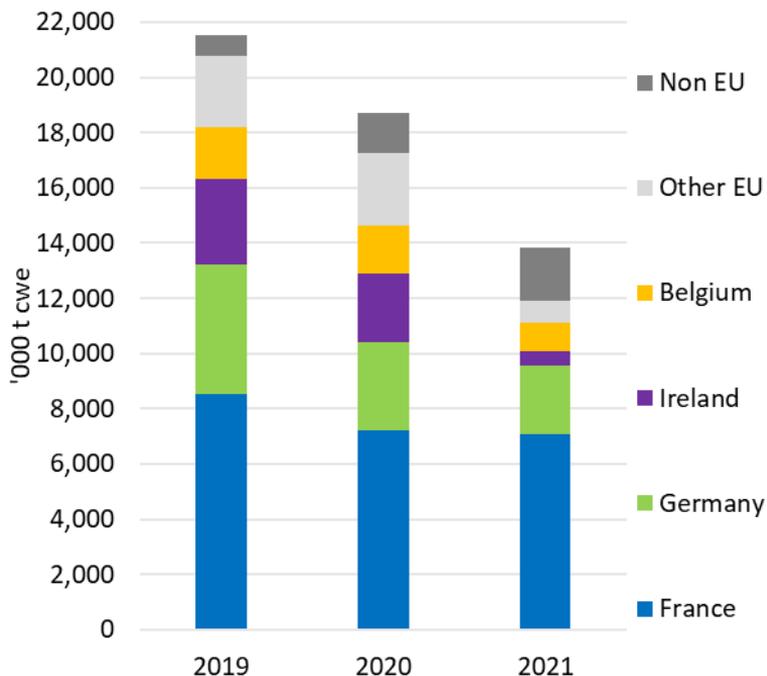
- Potentially zero-tariffs on sheepmeat
- Setting a precedent for further FTA
- Backlash from UK farmers

UK Sheepmeat Exports

Covid-19 & Brexit combined lead to significant disruption

UK Sheepmeat Exports

Jan-Mar 2019-21



Source: Gira based on HMRC

2020 exports drop **-11%**

- Covid-19 trade and FS demand disruption across EU
- UK domestic demand relatively strong
- Mixed retail demand across EU

FTA between UK & EU27N averts complete crisis

- But, far from business as usual
- Significant trade disruption between NI, EU & UK
- EU rejects “risk assessment approach”
 - Requiring UK to formally align with EU rules
 - In turn, rejected by UK

2021f outlook: further reduction **-5%**

- Losses concentrated in 1H21: particularly 1Q21
- Some recovery in 2H21 possible;
 - Traders becoming used to export red tape
 - Covid-19 restrictions easing opening up FS outlets

UK Wool Market Update

Wool market collapses in 2020; begins modest recovery in 2021



Leicester: £2.75/Kg



Mule: £0.16/Kg



Blackface: £0.10/Kg



Romney: £0.17/Kg

- Values under pressure historically
 - Rise in synthetic fibres
 - Wool is expensive to process
- Severe Covid-19 2020 demand impact
 - Global wool market closed in March 2020
 - Zero demand as a result
 - Wool price fell 50%
 - Significantly less than cost of shearing
- 2021: *some* signs of recovery
 - But price will remain modest
- UK sheep industry meat focussed
 - <1% of gross income per ewe from wool

Thank you for your attention.

Should you need more details, please contact:

James Hamilton
jhamilton@girafood.com
+44 (0) 7789 713514