



# European Commission Working Sheep Group

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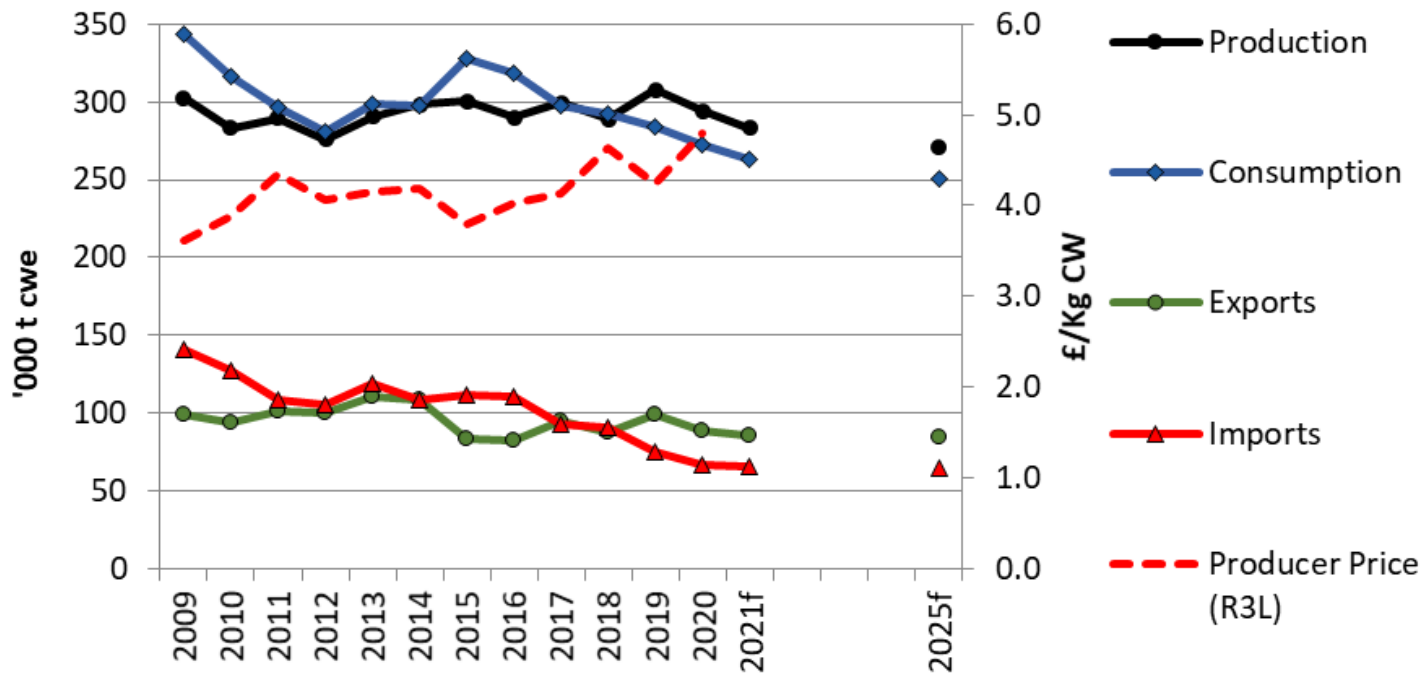
European Commission, 1<sup>st</sup> June 2021

# UK Balance Table

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



## UK Sheepmeat Balance 2009-25f



**2020**

**2021f**

-4%

-4%

-2%

-4%

-11%

-5%

-11%

-2%

+13%

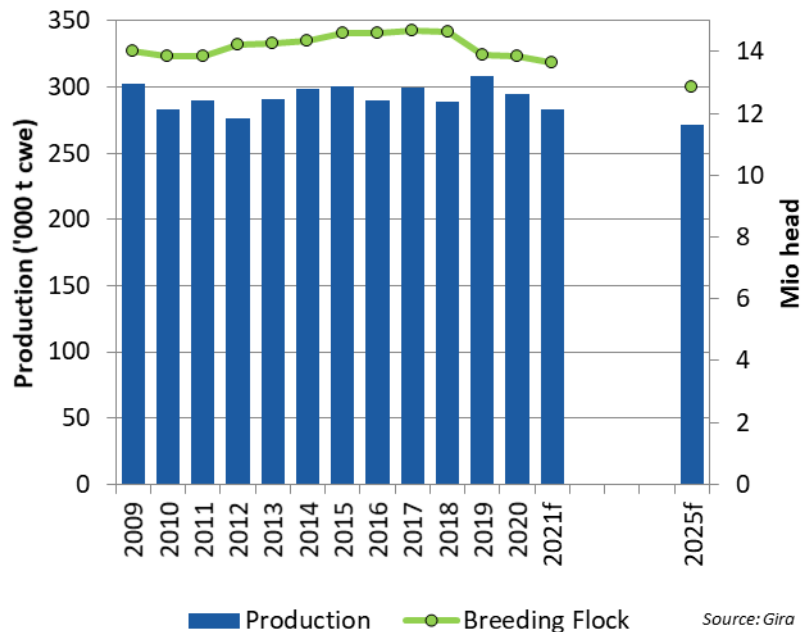
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Source: Gira compilations

# UK Production Outlook

*Decline; facing reduced government support payments post Brexit*

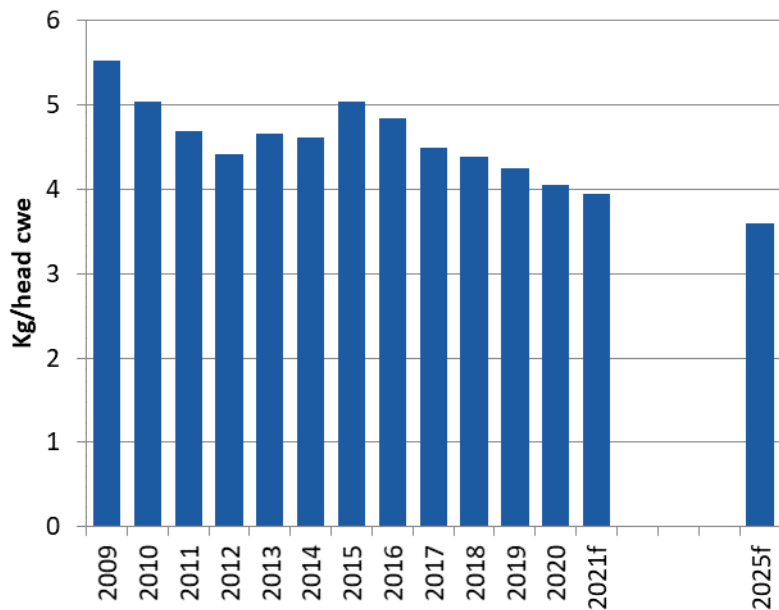
## UK Production & Breeding Flock 2009-25f



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



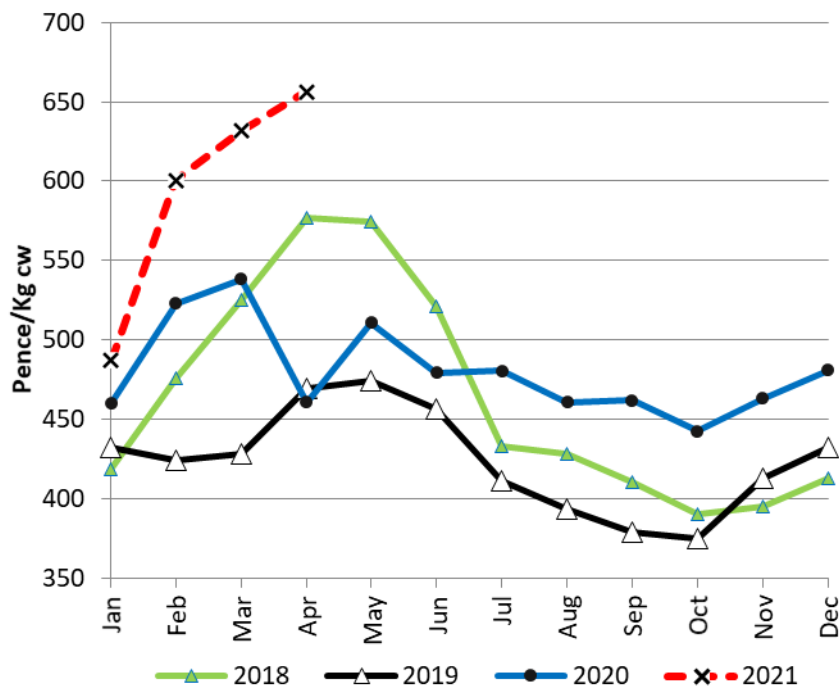
Source: Gira compilations

- 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 Producer Prices

*Tight supply results in record prices 1Q21*

## 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

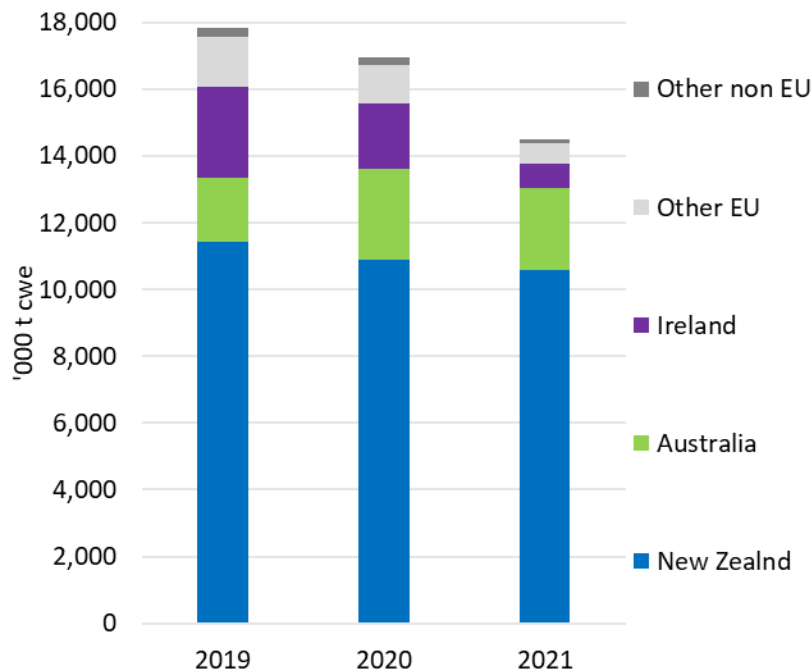
- Easing of government support mechanisms
- Struggling economy: ↑ pressure on consumer spending
- Negating tight supply: ↓ pressure on price

# 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

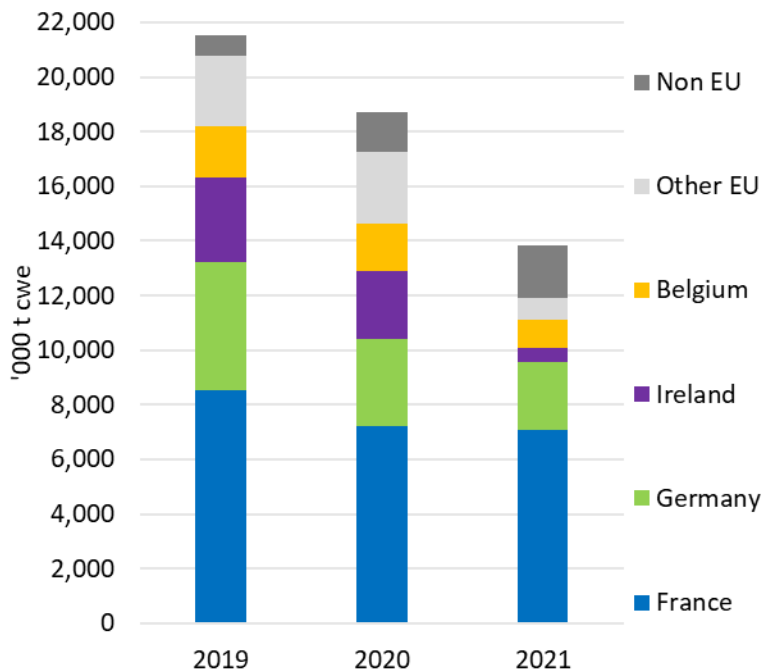
- Potentially zero-tariffs on sheepmeat
- Setting a precedent for further FTA
- Backlash from UK farmers

# 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.

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