

“ The red meat sector is of significant importance to Wales and the agricultural sector. Following Brexit and the Covid-19 pandemic, the sector has been faced with uncertainty and challenges, with new trade deals and changes in agricultural support payments likely to exacerbate this. This Market Bulletin will look at the forecasted farm incomes in Wales for the 2020/21 financial year, along with the impacts of inflation on the sector. ”



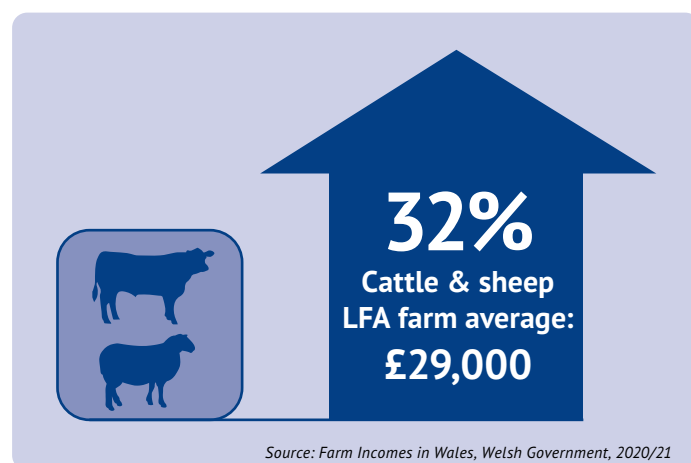
Glesni Phillips – Data Analyst

## Farm Incomes 2020/21

The 'Forecast of farm incomes in Wales' publication released by Welsh Government each year provides an insight into long-term trends within farm incomes in Wales. For 2020/21, the average business income for a cattle and sheep farm in less favoured areas (LFA) was forecast to have increased by 32% on the year to £29,900 per farm. The average has increased for a second consecutive year following the low recorded in 2018/19, and is the highest average recorded since 2011/12. The rise in income is forecast to be as a result of increased farm output, combined with similar year-on-year business costs (the release is for April 2020 to March 2021 therefore the recent increase in input prices would not be shown). Within the types of farms that make up LFA farms; the average income for SDA sheep farms was forecast to remain strong and experience an increase of 24% (at current prices) to £40,000 – the highest in several years.

The forecast income for a lowland cattle and sheep farm in Wales was £22,900 for 2020/21 – a 38% increase on the previous year's figure. Following two consecutive years of income decreases, the average has now risen to be more in-line with the 2016/17 average following a year-on-year 9% decrease in farm business costs. Volatility within the farming sector can lead to large percentage

changes in farm incomes between each year. However, the 2020/21 financial year has recorded the highest proportion of farms with an income of at least £50,000 in a number of years at 12.5%. Over 10% of the farms did however record a negative income during the year.



## Impact of Inflation

Costs of key farm inputs such as feed stuffs, fuel and fertiliser in particular have increased dramatically when compared to year-earlier and historic levels.

- The UK red diesel average for March 2022 stood at 96.0pppl, which is 36.1pppl higher than March 2021, according to AHDB.
- Imported ammonium nitrate fertiliser prices have more than doubled during the last 12 months, with fertiliser costs increasing significantly during Autumn 2021. This led to some producers reducing fertiliser application, which will in turn impact future crop yields.
- Russia's invasion of Ukraine has also disrupted trade flows of some goods.

These factors combined will inevitably put pressure on the profitability of the red meat market. There are some indicators that consumer behaviours are changing, which could put further pressure on the market.

- During April 2022, grocery price inflation accelerated to +5.9% - the highest level since December 2011 (source: Kantar).
- Some shoppers are mitigating price increases by switching to 'discount' retailers
- According to Kantar, total grocery sales fell by 10% on the year in terms of volume during the 4-weeks ending 20 March 2022, due to reduced in-home needs, fuel prices limiting travel, and potentially a longer-lasting shift from shopping 'little and often' following the numerous lockdown periods.
- The recessionary behaviours displayed by shoppers as they tighten their belts could impact retail volumes of red meat – particularly for those more expensive proteins, such as lamb.

Whilst input costs are on the rise, farmgate prices remain firm at the moment.

- Prime cattle average deadweight prices in England & Wales have surpassed

the £4/kg mark reached last year, with current steer averages some 9% higher than the highs of last year.

- Cull cows have seen the most significant price increases during quarter 1 of 2022, with the current deadweight prices over £1/kg higher than the 5-year average. A tight supply, along with demand for cheaper cuts such as mince, is providing support to this market. Higher farmgate prices may be encouraging producers to bring cattle forwards, leading to increased supply during March.
- In terms of the sheep market, prime lamb averages have remained steady during the Easter period, whilst the Muslim festival of Ramadan has provided support to the cull ewe market.

As inflation continues to rise at a rapid rate, it is difficult to forecast demand trends for red meat as consumers feel the squeeze on their household expenditure.

# Monthly Market Round-Up

## CATTLE

### Prices – week ending 23 April

The prime cattle average price at auction markets in England and Wales stood at **248.2p/kg**. This was:

- +8.7p on the previous week,
- +27p compared with year-earlier levels,
- 53p higher than the 5-year average (2017-21 average: 195.2p/kg).

The average deadweight prices in England and Wales for steers stood at **436.6p/kg**. This was:

- +1.5p on the previous week,
- +35.2p above year-earlier levels.

The deadweight prices for heifers stood at 434.9p/kg (+1.8p on the week), young bulls at 428.9p/kg (+4.5p), and cull cows at 354.0p/kg (+2.8p).

### Throughput – March 2022

- Total cattle throughput at UK abattoirs = 241,700 head – up 2% on the year.
- Total prime cattle throughput = 174,700 head – down 1% on the year.
  - steers -1%, heifers +1%, and young bulls -4%.
- Average prime cattle carcass weights = 348.4kg (+1.1kg on the year).
- Adult cattle throughput = 57,500 head – up 9% on the year.

## SHEEP

### Prices – week ending 23 April

The combined average prime lamb liveweight SQQ at auction markets in Wales stood at **287.0p/kg**. This was:

- +11.1p on the previous week,
- -19.6p compared with year-earlier levels,
- 48p higher than the 5-year average of 238.9p/kg.

Cull ewe prices at auction markets in Wales averaged **£97.10/head**. This was:

- - £2.40 on the previous week,
- + £12.50 above year-earlier levels.

GB deadweight lamb prices averaged 597.9p/kg (+2.5p on the week).

### Throughput – March 2022

- Total sheep throughput at UK abattoirs = 1.1 million head – up 11% on the year.
- Lamb throughput = 1.0 million head – up 11% on the year.
- Average lamb carcass weights = 21.0kg (same as year-earlier).
- Cull ewe and ram throughput = 115,700 head – up 12% on the year.

## PIGS

### Prices – week ending 16 April

The EU-spec All Pig Price (APP) in GB stood at **167.8p/kg**. This was:

- +3.4p on the previous week,
- +20p compared with year-earlier levels,
- Almost 15p higher than the 5-year average (2017-21 average: 153.1p/kg).

Industry reports suggest the improvement seen in farmgate prices is not enough to cover the cost of production, whilst the throughput figures for March demonstrate heavier pigs being processed as a result of many being on farm for longer than anticipated.

### Throughput – March 2022

- Total pig throughput at UK abattoirs = 1.08 million head – up 0.5% on the year.
- Clean pig throughput = 1.06 million head – up 0.2% on the year.
- Average clean pig carcass weights = 92.5kg (4kg heavier on the year).
- Sow and boar throughput = 28,000 head – up 14% on the year.

