Hybu Cig Cymru
Meat Promotion Wales

Lamb Supply: Update and Outlook

February 2024

RHWNG Y LLINELLAU
BETWEEN THE LINES

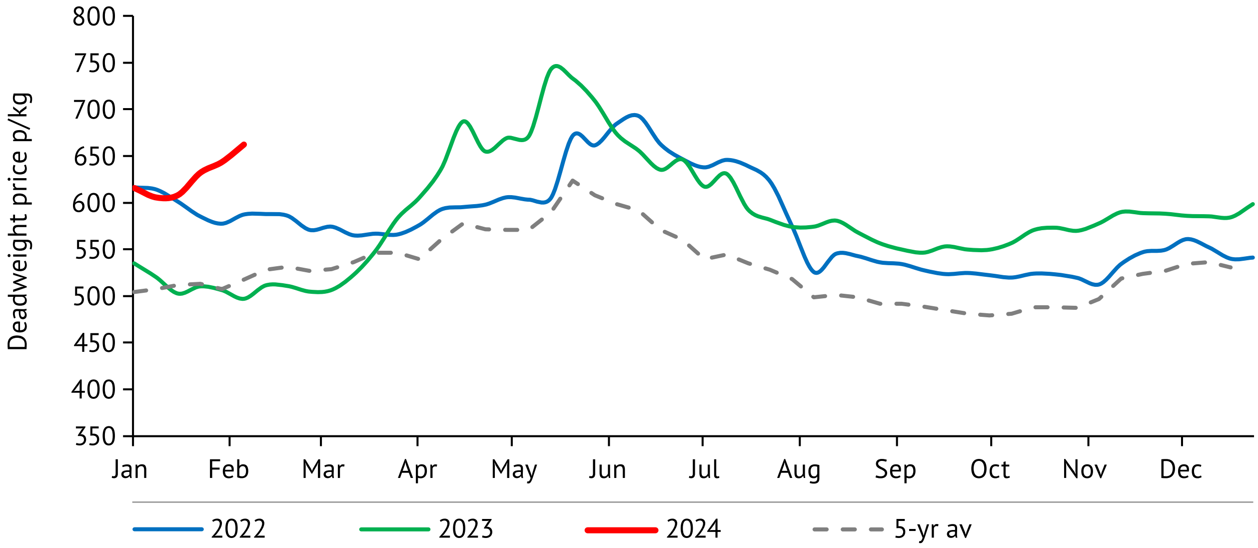
Introduction

Lamb producers across Wales continue to work in a challenging environment as the cost-of-living crisis, heightened farm input costs, changes to farming support schemes, and livestock disease were all present in 2023, although farmgate prices and consumer demand remained robust. The June survey revealed a notable decline in the size of the current lamb crop, which raises questions as to the potential supply of lambs remaining on the ground. This report highlights the current supply of sheep meat on the UK market, along with the potential future supply and the factors influencing the supply chain.

Current Market

Overall, the average deadweight price for lambs in GB remained strong during 2023, and reached the highs of £7.42/kg in May (some 23% higher than year-earlier levels). So far this year, the deadweight price has been notably stronger than previous years and is trending near the £6.60/kg mark at the time of writing. Lamb numbers coming forward have been below the corresponding weeks in 2023 for each week so far this year, with numbers forward to date totalling almost 221,600 head – 8% below year-earlier levels. This tightness in supply of lambs was anticipated and is likely providing support to the deadweight average. Both the prime liveweight and store average prices are also strong currently.

Graph 1: GB Average Deadweight SQQ Lamb Prices



Source: AHDB

Following a smaller 2023-24 lamb crop – both in Wales and in the UK as a whole – supply during the latter half of 2023 has been tight. Although there has been less product available on the domestic market, export volumes from the UK have been strong for sheep meat, according to HMRC data. Despite the continued pressures from the cost-of-living crisis, the demand for lamb during 2023 overall has been firm. Newly released figures from Kantar suggests that almost 45% of households in GB bought lamb at some point during the year, which amounted to an increase of 3% in terms of volume sales. Demand was also robust on the domestic market during Christmas, as lamb performed well at retail in GB. Both the uplift in trade, and robust demand from consumers, would have provided support to the sector during the year.

2022-23 Lamb Crop

Size

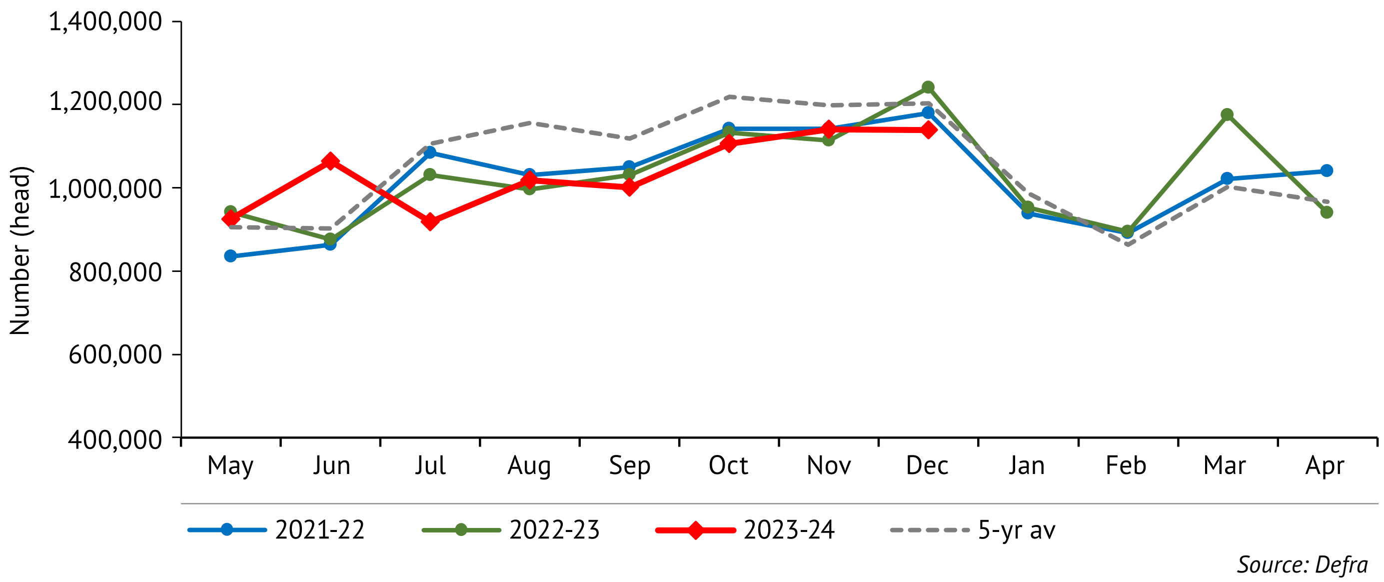
Understanding the potential supply of lambs for a given year can be difficult but is important for business planning. Defra releases June survey figures annually which can give an indication of the size of the lamb crop. Figures recently released by Defra reveal that on 1 June 2023 the total flock size (which includes sheep and lambs) on UK farms at was down 4% on the year at 31.8 million head. Looking at historical data, this is the smallest UK flock on record in 12 years. This was driven by a 2% decrease in the size of the breeding flock – particularly the number of ewes intended for first time breeding (a 6% decline). The number of lambs on the ground (aged under one year old) in the UK also recorded a significant fall of 6% to stand at 15.5 million head. This is the smallest lamb crop on record since 2010, where Defra recorded a crop size of 15.4 million head.

Current Throughput

Due to the nature of the lambing season, a lamb crop 'year' is recorded from May through to the following April, and not by calendar year. For example, the current 2023-24 lamb crop throughput is focussed between May 2023 and April 2024. At the time of writing, throughput data from Defra was only available up until December 2023, and therefore it is possible to look at the kill levels of the current lamb crop for the first 8 months (May-Dec).

As shown in the graph below, monthly throughput levels of the current lamb crop have been steadily increasing month by month since July. Levels are, however, below that of the 5-year average for each month – bar May and June. Total throughput between May and December 2023 stands at 8.3 million head of lambs, which is similar to year-earlier levels (just 0.6% lower), but is the lowest kill level for this 8-month period in a number of years.

Graph 2: Monthly Lamb Throughput Recorded at UK Abattoirs (*lamb crop year*)



Source: Defra

The Defra throughput data would suggest that the number of lambs presented to slaughter in the UK during the last three consecutive lamb crop years has ranged between 12.2-12.8 million head. This throughput level accounts for around 77% of the total size of the lamb crop on the ground each year (i.e., we would expect to process 77% of the lambs during the lamb crop year). As mentioned, this year, a total of 8.3 million head of lambs have been slaughtered during the 8-month period - which is similar to year-earlier levels, despite the lamb crop being 6% smaller. Looking deeper into these figures (*and making an assumption that 77% of the lamb crop will be processed this year*), the 8.3 million head of lambs which have already been processed represents an estimated 70% of the expected total lamb slaughter for the current lamb crop year. When compared to the same period last year, around 68% of the expected lambs had been processed between May-Dec. This would suggest that current throughput levels are *ahead* of what would be expected, given the size of the lamb crop.

Remaining Throughput

While it is difficult to predict the number of lambs which remain to be slaughtered from the current lamb crop, some assumptions can be made. As the June survey suggests the 2023-24 lamb crop is 6% smaller, fewer lambs are be expected to come forward overall. Given the assumption that 77% of the lamb crop will be processed, we should expect a total throughput of around 11.9 million lambs for this lamb crop year.

As 70% of the expected lambs to be slaughtered have already been processed so far (up until December 2023), the remaining 30% of the lambs are expected to come forward between January and April 2024. This proportion is smaller to that of previous years – as it was estimated that 32% of the expected lambs were left to come forward during the latest two years previous. Due to the size of the current 2023-24 lamb crop, this would be equivalent to an *estimated* 3.6 million lambs. When compared to the 2022-23 lamb crop, this is a 9% decrease (or 370,500 head) in the number of lambs left to be slaughtered, and some 8% fewer when compared to the 2021-22 lamb crop. This to some degree was to be expected as there was a higher carry over of Old Season Lambs during the first quarter of 2023, and the 2023-24 lamb crop is much smaller.

This year, both the start of the Islamic festival – Ramadan - and Easter occur during the month of March (*see Table below*). Looking at the expected levels of lambs remaining on the ground, it is likely that supply ahead of these key dates in the calendar will be tight.

Table 1: Key Religious Festival Dates in 2024

Ramadan	Starts 10th March 2024
Easter	31st March 2024
Eid al-Fitr (*end of Ramadan*)	9th – 10th April 2024
Eid al-Adha	16th June 2024

Looking Ahead

The size of the ewe breeding flock has a direct influence on lamb supply on the domestic market. The latest UK June survey for 2023 shows that the size of the breeding flock (ewes aged 1 year and over) stood at 15.4 million head – which is some 2% smaller than in June 2022. The current breeding flock size is similar to that seen in 2020, and is the smallest recorded since 2012. The data suggests the number of ewes intended for first time breeding was down 6% on the year, and a contraction in the size of the breeding flock is anticipated.

Historically given the significant fall in breeding ewe numbers noted in the June 2023 survey, a smaller lamb crop size would be predicted. However, the current 2023-24 lamb crop was notably smaller than the previous year due to drought conditions seen in late summer impacting on ewe conditions and resulting in low scanning rates. From this data, it is forecast that the 2024-25 lamb crop will be similar, if not slightly larger, than the current lamb crop size. Phase 2 of the Farmer Intention Survey results carried out by HCC also suggests the ewe flock would remain fairly similar in size.

It is important to note however that external factors – such as weather conditions and diseases – also influence the size of the lamb crop in any given year. Industry reports are already suggesting that the Schmallenberg virus (SBV) and Bluetongue virus (BTV) are having a negative impact on the flock at the time of writing. The impacts of these external factors have not been factored into the estimates of this report as it is difficult to account for such factors, however if the number of cases increases, then the flock and lamb crop size will undoubtedly be impacted.

Much of the export trade is dependent on production levels and availability on the domestic market. At the time of writing, the November 2023 data revealed that export volumes for the year to date for fresh/frozen sheep meat stood around 11% higher than year-earlier levels (*source: HMRC*). The trading environment for 2024 will remain a competitive market place, particularly as the EU sheep flock is projected to decline further. Other factors out of our control may also have an influence – for example, the attacks on international shipping in and around the Red Sea are causing significant disruption to shipping routes. The introduction of Vet Attestations may also cause disruptions of shipments to the EU.

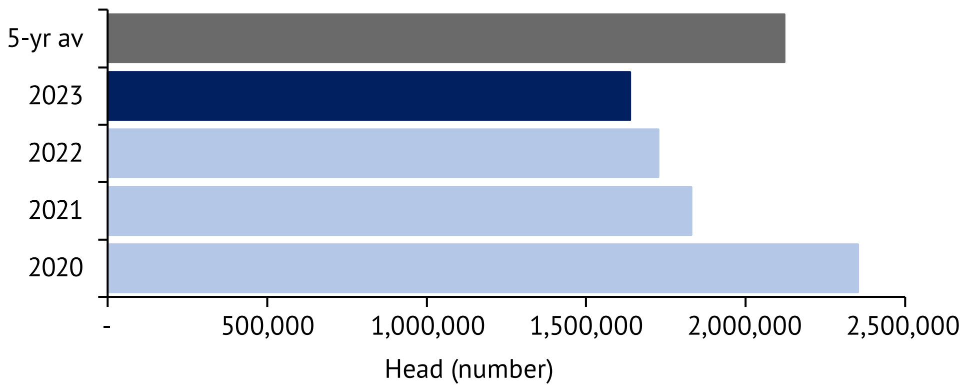
Additionally, Free Trade Agreements (FTA) with Australia and New Zealand came into force at the end of May 2023. The FTA with Australia allows for increased volumes imported in 2024 with 0% tariffs, which may lead to growth in volume arriving into the UK. Data from HMRC suggests almost 6,500 tonnes have been imported from Australia between June and November 2023 – an increase of 3,800 tonnes (or 144%) compared to the corresponding period last year. This volume accounts for 25% of the total volume imported during the 6-month time period, which is an increase from accounting for around 11% during the same period in 2022. These levels will continue to be monitored.

Other factors such as per capita lamb consumption levels – both on the domestic market and globally – sustainability concerns, and increased prices will however play a key role in the performance of the sector. As the funding mechanisms and direct support payments for the industry are undergoing substantial changes, including the introduction of the Sustainable Farming Scheme, red meat production in Wales is potentially going to see fluctuations in sheep numbers depending on available landmass. This could, depending on wider outcomes, impact directly on critical mass and product availability.

Wales

Figures released by Defra for throughput at slaughterhouses in Wales do not separate within species throughput – i.e., between lambs and adult sheep, and therefore it is difficult to state the number of lambs that have already come forwards for slaughter in Wales alone. Total sheep slaughter in Wales between May and December 2023 currently stands at 1.6 million head – 5% below kill levels for the same period in 2022, but significantly lower than previous years. When compared to the longer-term 5-year average for throughput between May and December, current 2023 levels are over 20% lower (as displayed in Graph 3 below). These figures do suggest that the picture in Wales is reflecting the patterns seen in lamb throughput levels in the UK.

Graph 3: Total Sheep & Lamb Throughput at Welsh Abattoirs (May - December)



Source: Defra

The June survey data for Wales suggests that the total number of sheep and lambs on Welsh farms on 1 June 2023 was 8.7 million head – some 7% below numbers recorded in June 2022. The driver for this trend was a significant reduction in the number of ewes intended for further/future breeding – down 5% (or 212,500 head) on the year. There was a 10% reduction (or 463,900 head) in the number of lambs on farm when compared to year-earlier levels at 4.1 million head. This is smallest lamb crop on record since 2010 – which was largely as a result of lower scanning percentages. In a similar manner to the overall UK trend, it is estimated that the 2024-25 lamb crop will remain similar in size, or perhaps increase somewhat. However, the impact of external factors such as both the SBV and BTV are unknown at the time of writing.

Summary

- **Deadweight lamb prices have begun 2024 in a strong place and are trending above longer-term averages at around £6.60/kg.**
- **Demand for lamb on the domestic market has been robust in 2023, particularly during Christmas, despite the cost-of-living crisis.**
- **The number of lambs on the ground on 1 June 2023 in the UK stood at 15.5 million head – down 6% on the year.**
- **The total throughput of lambs from the current lamb crop (2023-24) so far this year is ahead of what would be expected given the size of the lamb crop.**
- **Looking at the remainder of the current lamb crop; the market will likely experience a tightening in supply during the first few months of 2023.**
- **It is forecast that the 2024-25 lamb crop in the UK will remain largely the same, perhaps slightly larger, than the previous crop, but industry reports of diseases such as the Schmallenberg virus will further impact numbers.**
- **Volumes imported from Australia are increasing following the FTA which began at the end of May 2023, and therefore this will be watched closely.**
- **Changes in the political landscape, in Wales particularly, may lead to changes in farming practices which will have a significant knock-on impact on red meat production.**

Notes
Data obtained from HMRC, Defra, and Kantar were reported in February 2024 and are subject to revision.
Volume data is reported in tonnes (carcase weight equivalent).

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