WHERE NEXT FOR BRITISH MEAT EXPORTS?

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11th MEAT EXPORT CONFERENCE
30 June 2015, Stoneleigh
…but what logo?

EBLEX and BPEX are retained for overseas activities
The big picture

KEY FACTORS

- Deflationary environment is affecting all commodities.
- Meat is less affected than cereals or dairy, still falling from a peak of FAO index 212 last August to 171.4 in May.
- The price of fifth quarter products has fallen more sharply.
- Access issues to Mainland China are affecting our exports and world prices for many commodities.
- The strength of Sterling against the Euro is affecting export volumes, exporters’ profitability and farm gate prices.
- However, despite the negative environment, exports are holding in value and volumes.
From August 2013 to June 2015, Sterling has increased by 21% against the Euro.
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The big picture

US$ / £ EXCHANGE RATE

High volatility. However, the low US$/$ rate gives an advantage to our European competitors.
The big picture

TRADING ENVIRONMENT

- World trade is increasing for all livestock products
- Increased resources are needed to increase and maintain market access to Third Countries due to the proliferation of veterinary, technical, administrative and religious barriers.
- Tariffs are major obstacles in markets such as Thailand, India and the Philippines/
- Absence of Free Trade Agreements on many markets puts UK/EU products at a major disadvantage.

“There are FTAs we would like, there are FTAs we have but we don’t like and there are FTAs we don’t have.” Knud Buhl, Danske Slagterier, 24 June 2015.
The big picture

Total export value for 2014 was £2.36bn (HMRC data)

- Poultry: 11.9%
- Sheep meat: 16.1%
- Beef: 15.8%
- Pork: 9.1%
- Prepared or Preserved meat: 9.4%
- Fats: 2.5%
- Hides and Skins, Leather and Wool: 16.1%
- Livestock and Germanplasm: 0.8%
- Poultry Offal: 0.6%
- Ovine Offal: 0.2%
- Bovine Offal: 2.6%
- Pig Offal: 1.3%
- Bacon: 1.6%
- Processed pork: 2.2%
- Processed poultry: 5.7%
- Processed beef: 1.2%
- Prepared or preserved meat: 9.4%
- Game - venison: 0.8%
- Green offal: 1.9%
- Livestock and germanplasm: 0.8%
- Hides and skins, leather and wool: 16.1%
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The big picture

More added value needed.
Exporters: to do list

- Eating experience and consistency
- Presentation, packaging, outer
- Service, service, service
- Prospection and trade support
- ‘Story’ and promotional support

We market an expensive product

‘Exporters of the Year’
A strategic approach needed

- With 43% of EU commercialised production, the UK has a strategic interest in lamb marketing.
- The UK now exports 40% of its production.
- We are the only country producing lamb profitably.
- Falling EU production, particularly Spain, also New Zealand, Australia.
- New labelling regulations are positive.
- However, lamb is an expensive protein and consumption is not a given.

- Prospects are favourable in the medium and long term.
- Export marketing support is essential.
Export of lamb and mutton

Assume leadership in Europe:

- Consumer marketing and promotion of Quality Standard Mark
- More cuts and skin packs
- Developments in Northern Europe and Poland
- Work closely with major Continental retailers on lamb promotion
- Trade and gastronomy promotion
- Also, Third Country exports including China for offal and variety meats
Export of lamb and mutton

Current market situation

- Lower prices for skins, guts, tallow, wool, tripe, mainly due to lower demand and market access issues with China.
- More and cheaper New Zealand lamb in the EU (+14.1% Jan-Mar), carcase price in New Zealand down to £ 2.30 /kg.
- But EU imports are down from 302,000 tonnes in 2006 to 200,000 tonnes in 2015.
- Excess production in Spain.
- Impact of the low Euro should be temporary.
  - Prospects are favourable in the short and medium term
Export of lamb and mutton

EU demand remains strong and prices expressed in Euro are adequate.
New Zealand (legs) and Spanish lamb ‘uncontrolled’ exports affect farm gate prices…

and exports…

More legs from NZ this spring
Less slaughter and cutting
Fewer loins
Importers are short of loins
Sheep meat export data

- Consistent and worsening under-reporting of EU exports
- New issue with Hong Kong data
- AHDB is conducting a study of balance sheet data

Example: UK sheep meat exports to Hong Kong – comparison of sources

Source: HMRC, Hong Kong Census & Statistics Dept, GTIS
UK Sheep meat exports 1980-2015

- Recorded exports
- Production
- Est. Exports
- Linear (Recorded exports)
Export of lamb and mutton

Source: GTIS/HMRC – 2014 Volume
However, we have maintained sales and increased our market share in France.
The Republic of Ireland export 78% cuts.
Added value: new lamb products

- Lamm-Steaks
- Lamm-Carpaccio
- 4-6 Lamm-Filets
- Lamb chimichurri (Bard)
- Fenalår (Nortura)
Our export strategy must be adapted to high beef prices:

a) to position English beef as a premium grass-fed, matured product for food service (US beef is our main competitor) in high-paying markets
   - Dark, marbled beef matured on the bone for a consistent great eating experience
   - Preferably breed-specific (native breeds)
   - Tradition, history and culture
   - Grass and water: naturalness, environment and purity
   - Nutrition from grass-fed beef

b) to optimise return on commodity cow beef and fifth quarter products
Beef exports

The price difference between Irish and British beef is still excessive

Irish and GB steer prices 2013-15 - Source: Eurostat
Beef exports

Source: GTIS/HMRC (tonnes)
Beef exports

Source: GTIS/HMRC
Beef exports

The importance of Greater China: Exports of bovine offal

Source: GTIS/HMRC
The gourmet burger trend

Greece: burgers with truffle, matured beef, jalapeño, kobe…

Spain: Angus burgers

Italy: mini burgers with pancetta and blue cheese, burgers with truffle oil

Holland (for export): Angus, US, Wagyu…
World pork prices are sharply down but increase of demand and trade.

US pork production is growing again; China period of low prices and destocking is over.

The EU pork sector is globally competitive (helped by the weak Euro against US$).

EU exports have largely recovered from the loss of the Russian market and Greater China now represent 40.3% of EU pork exports.

Weak feed prices and higher European production (+5% in the first quarter) are driving down prices.
Pork exports 189,500 tonnes in 2014

Pork Exports (carcase meat) 1961-2014

Record as percentage of production and worth £340m

Also: bacon, sausages, red offal, green offal, lard, breeding pigs...

Source: GTIS/HMRC
Pork exports

Source: GTIS/HMRC
Pork exports

UK Pork exports to Third Countries
Pork exports

- 28% of UK pork is exported to 48 destinations
- 1/3 of UK exports is shipped to Third Countries
- Also: sausages, bacon, ham, pies, premium pork
- Asia focus
- Export growth planned by key players
- More added value needed
- New demand for pork with high welfare and environmental credentials (USA, Australia)
- Impact of British premium and strength of Sterling is limited so far. However, export value will be down in 2015.
Pork exports

- China access is essential
- UK only represents 3.9% of EU slaughter but the 7th largest pork exporter to China
- Offal exports to Greater China rose from 25 to 68% of total offal exports between April 2013 and April 2015.
- UK pork is well appreciated in China.

The famous trotters!
“When one sees oneself, one is upset. When one compares, one is reassured.”

Nicolas Boileau (1636-1711)