

# The outlook for the UK Sheep Sector

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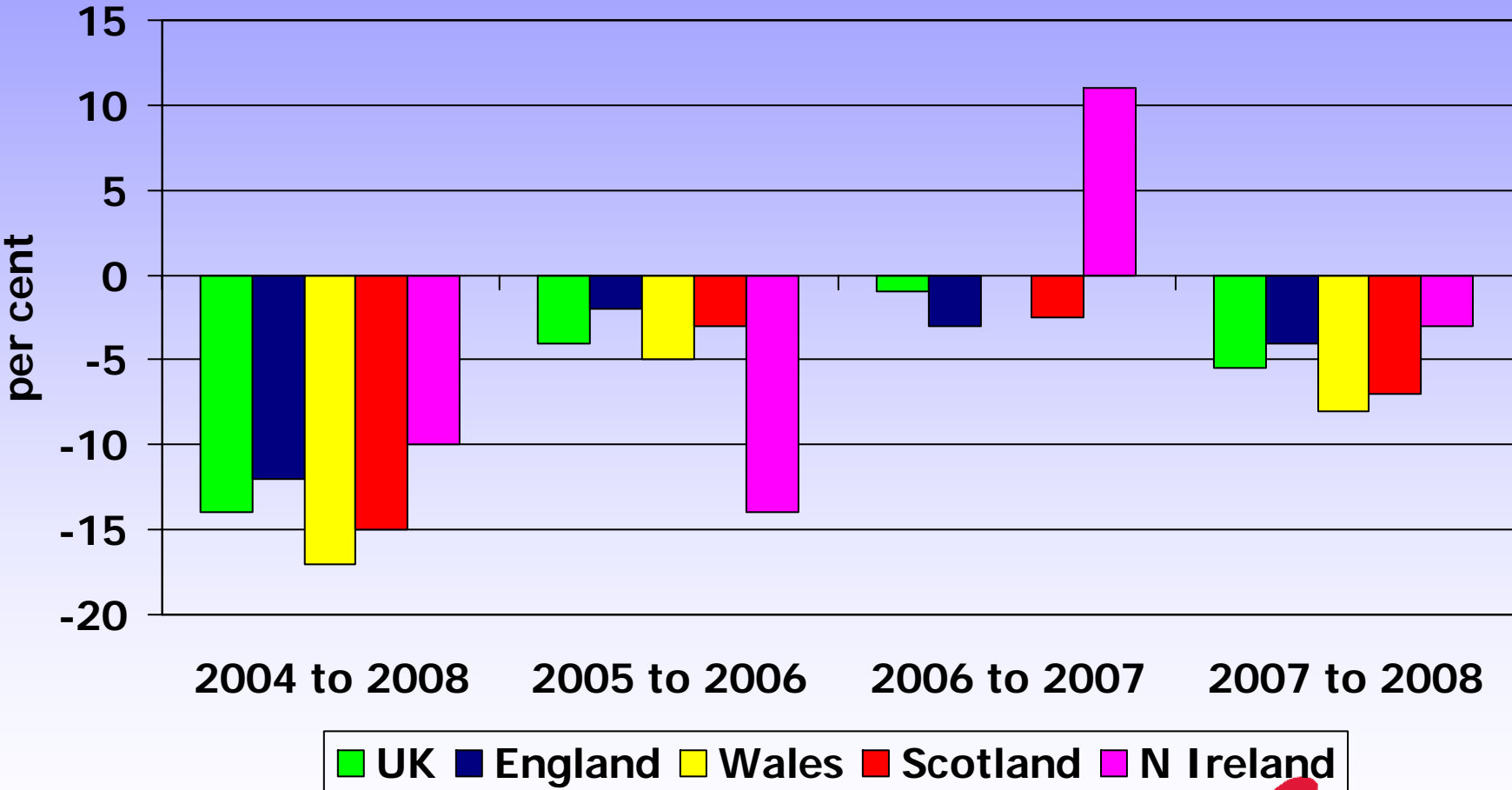
QMS



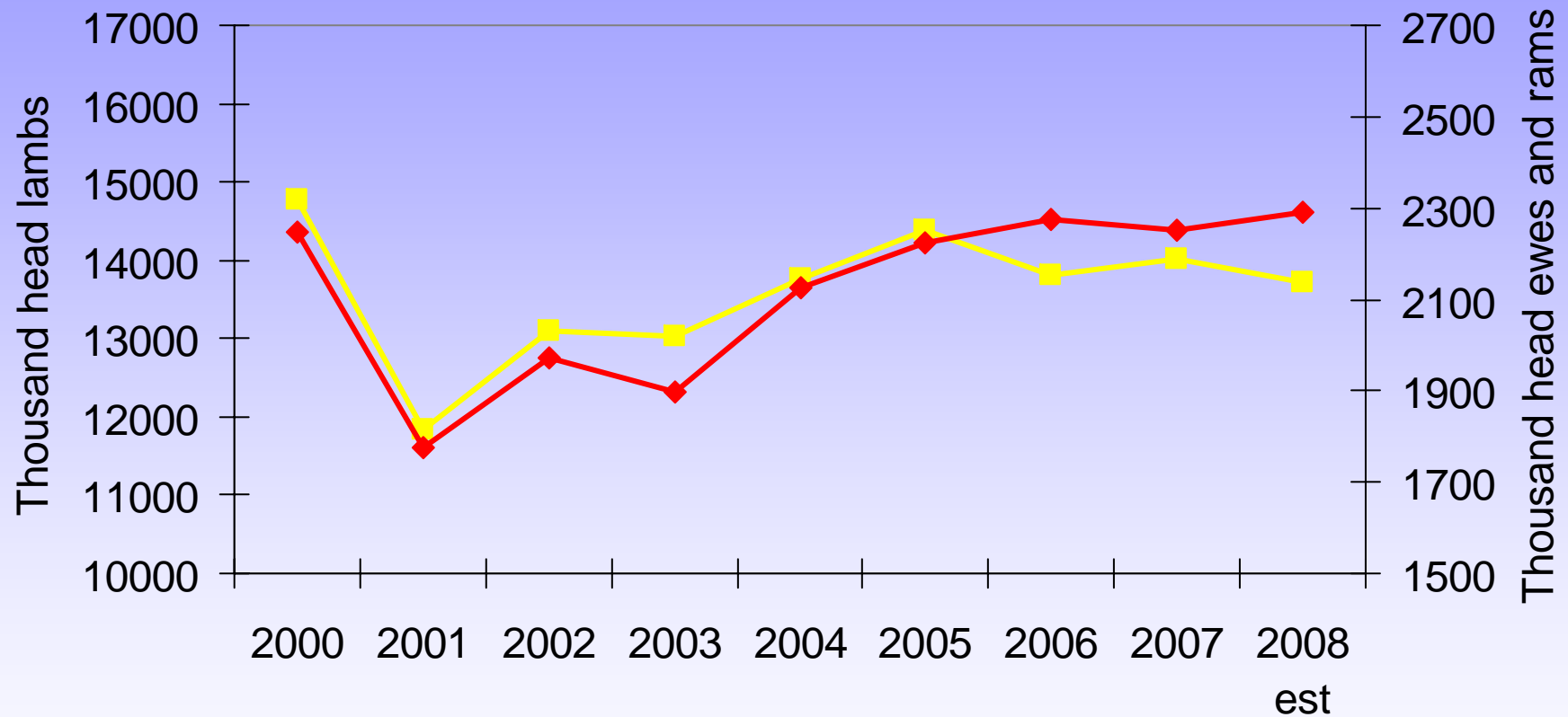
**Where are we now?**



# Change in UK breeding sheep numbers – Dec. census



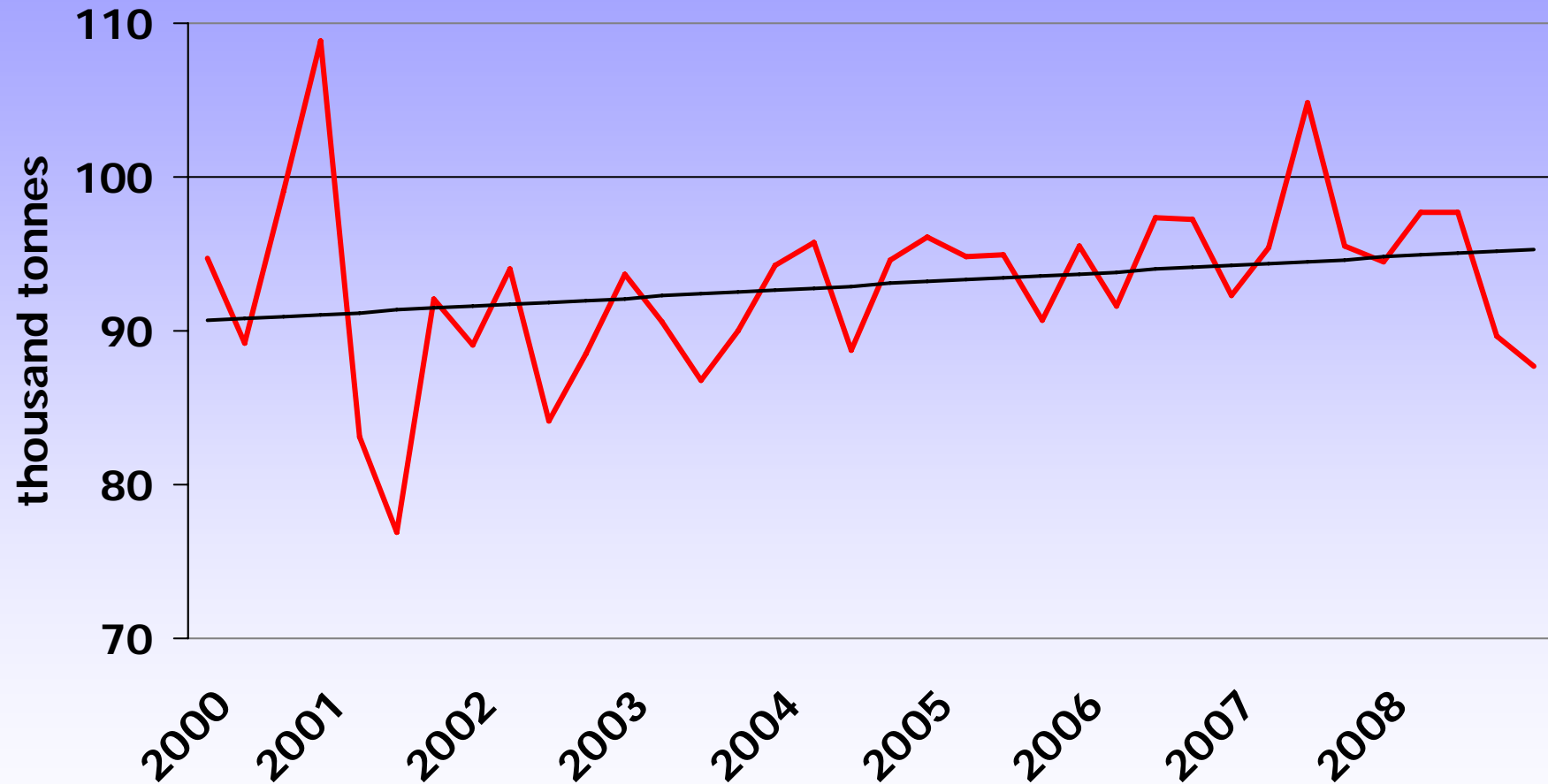
# UK sheep slaughtering lamb crop year



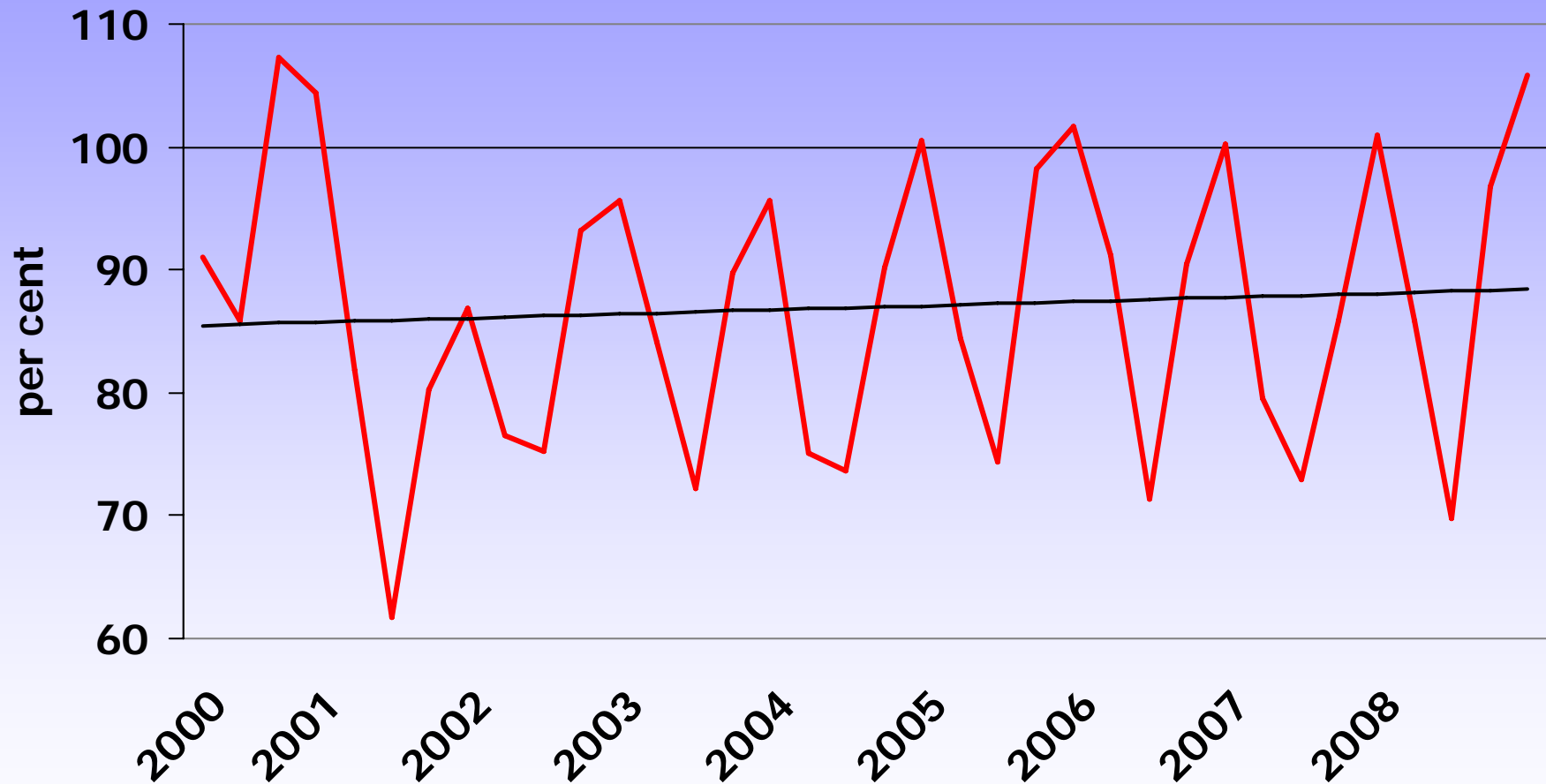
■ Lambs ◆ Ewes and Rams



# UK Sheepmeat consumption



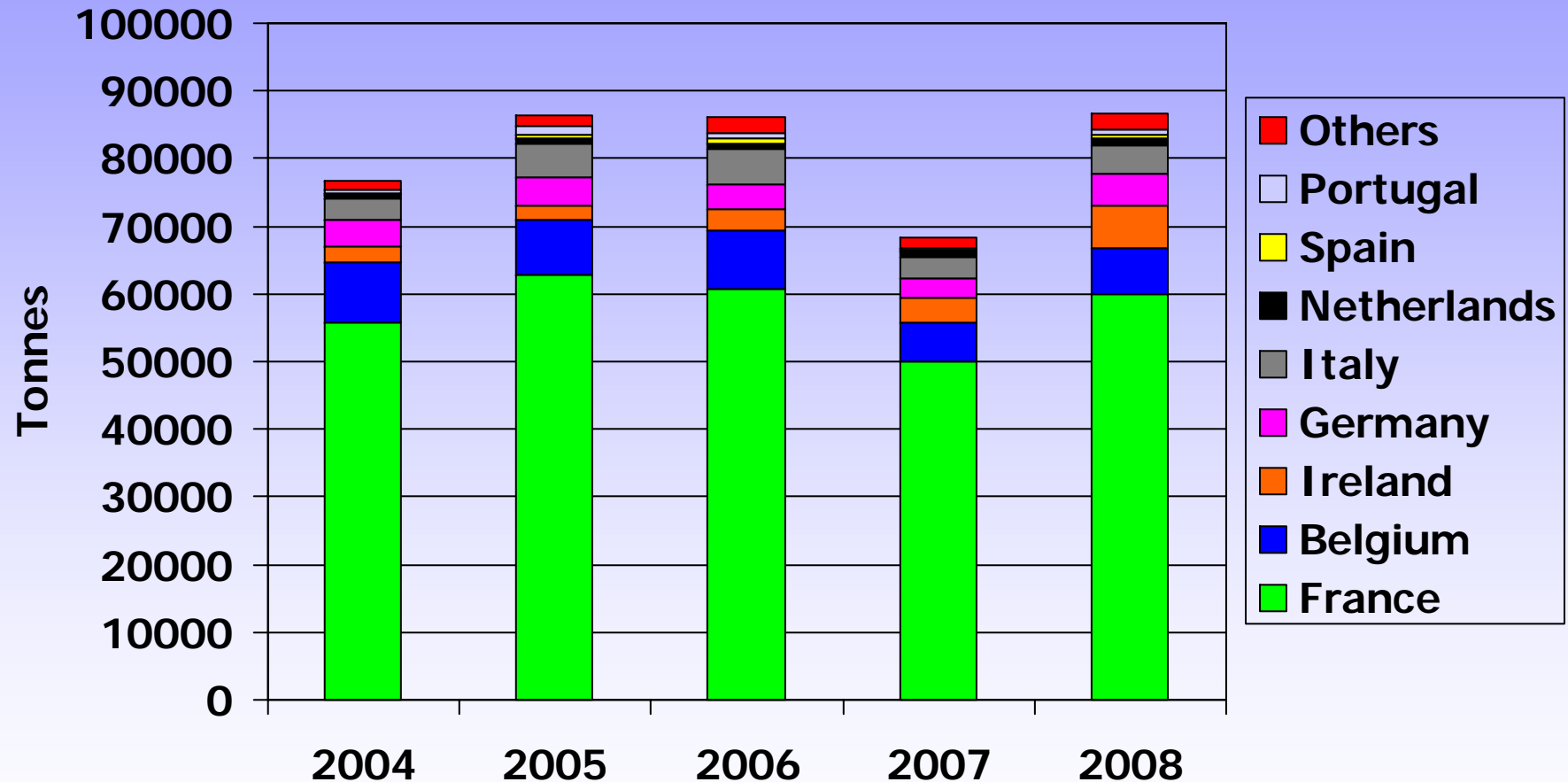
# UK Sheepmeat self sufficiency



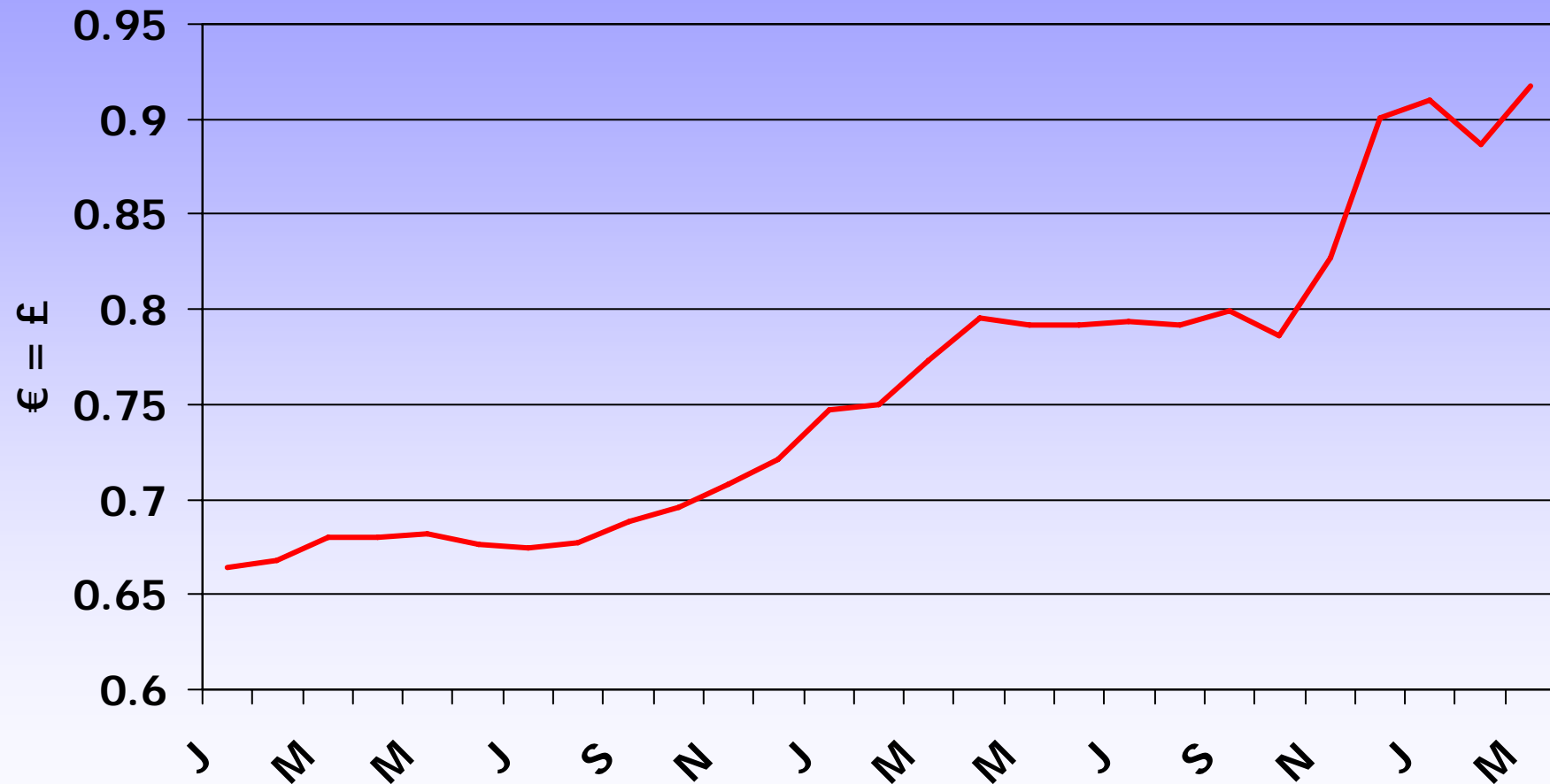
# The importance of exports



# UK sheepmeat exports



# Exchange rates 2007 - 2009



# What does exchange rate movement mean

 UK producer wants £65 per animal:

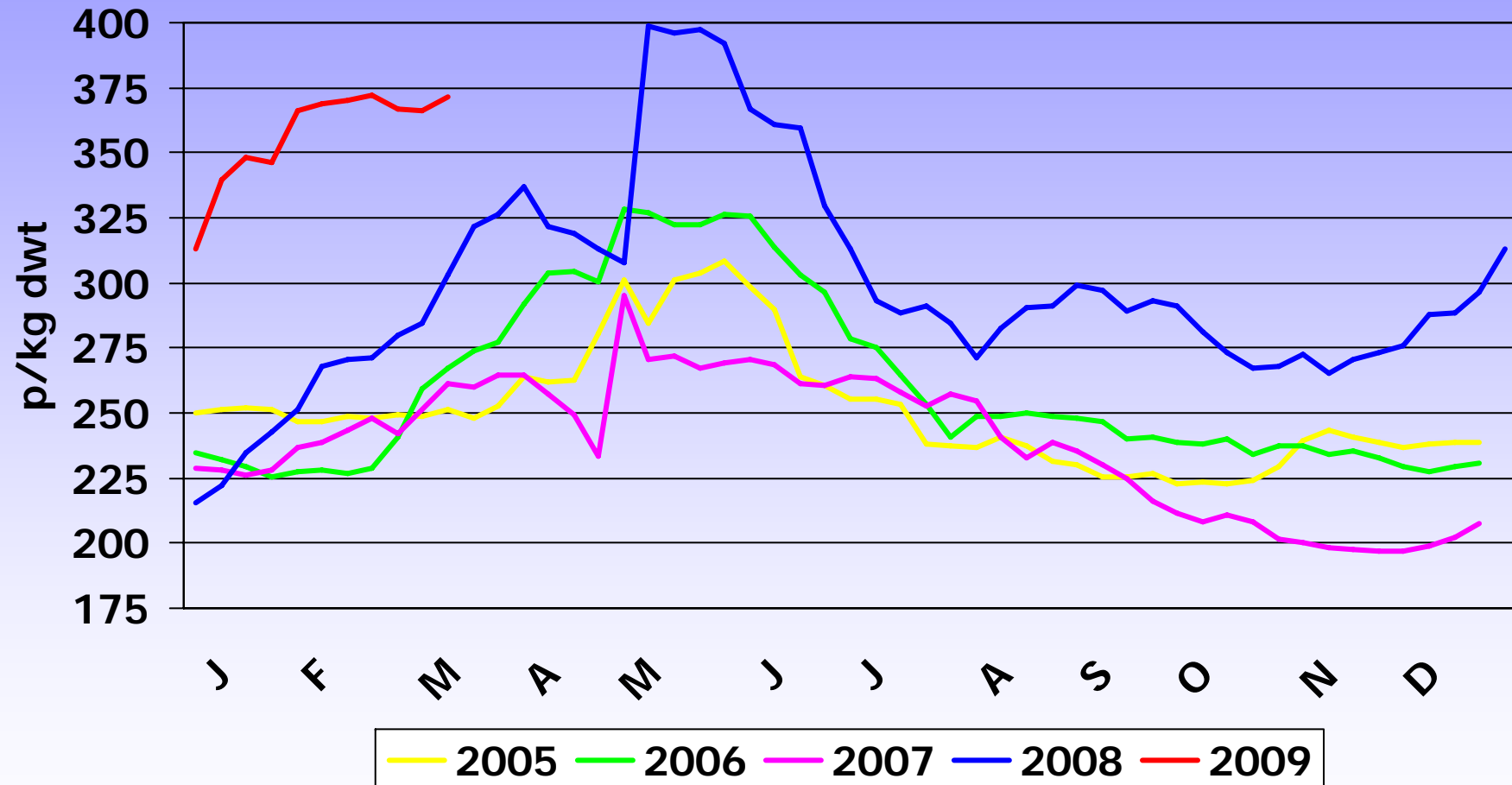
 January 2007 = €95

 January 2008 = €88

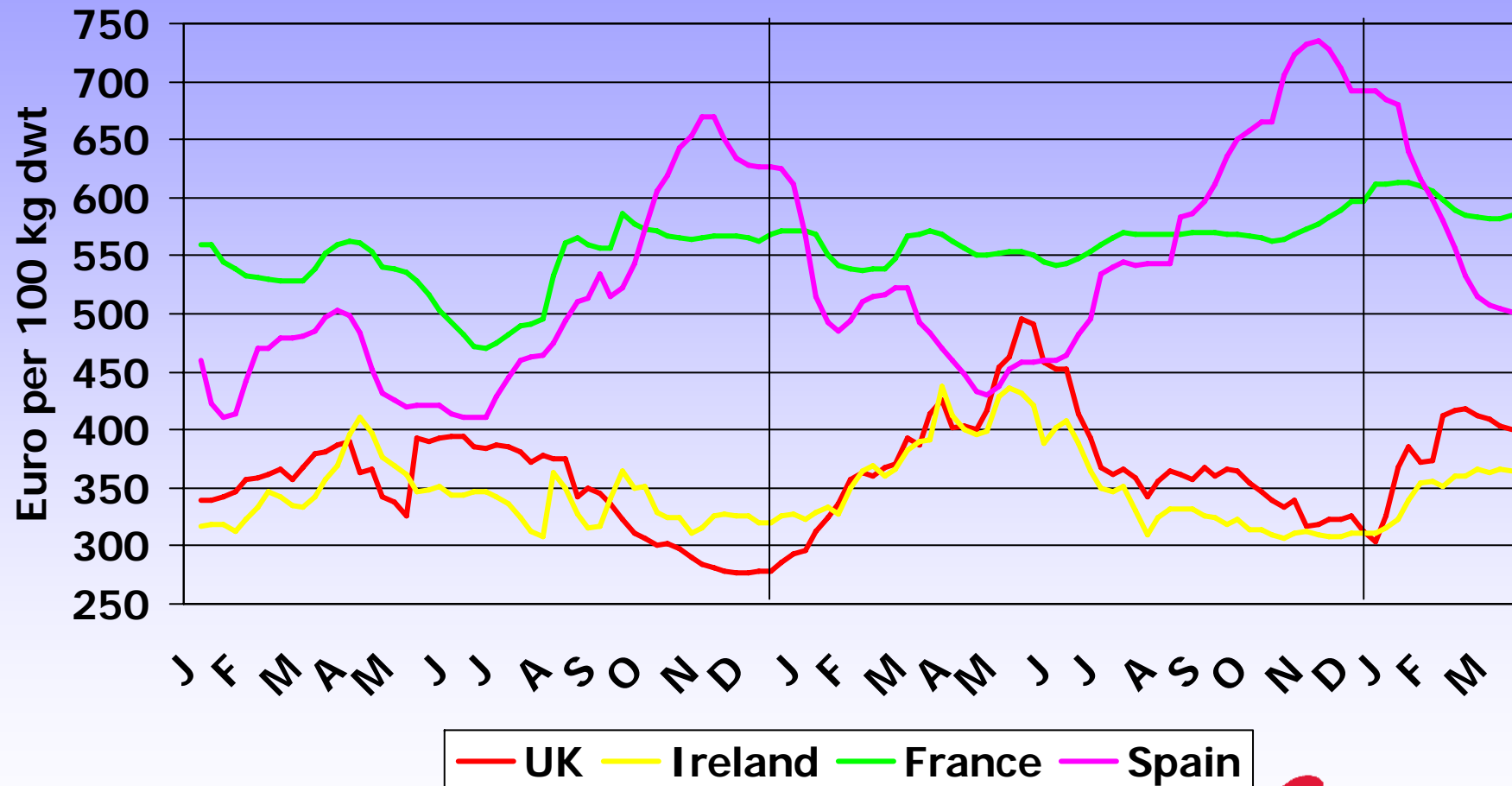
 January 2009 = €67

 So Scottish lamb is 30% cheaper in Europe

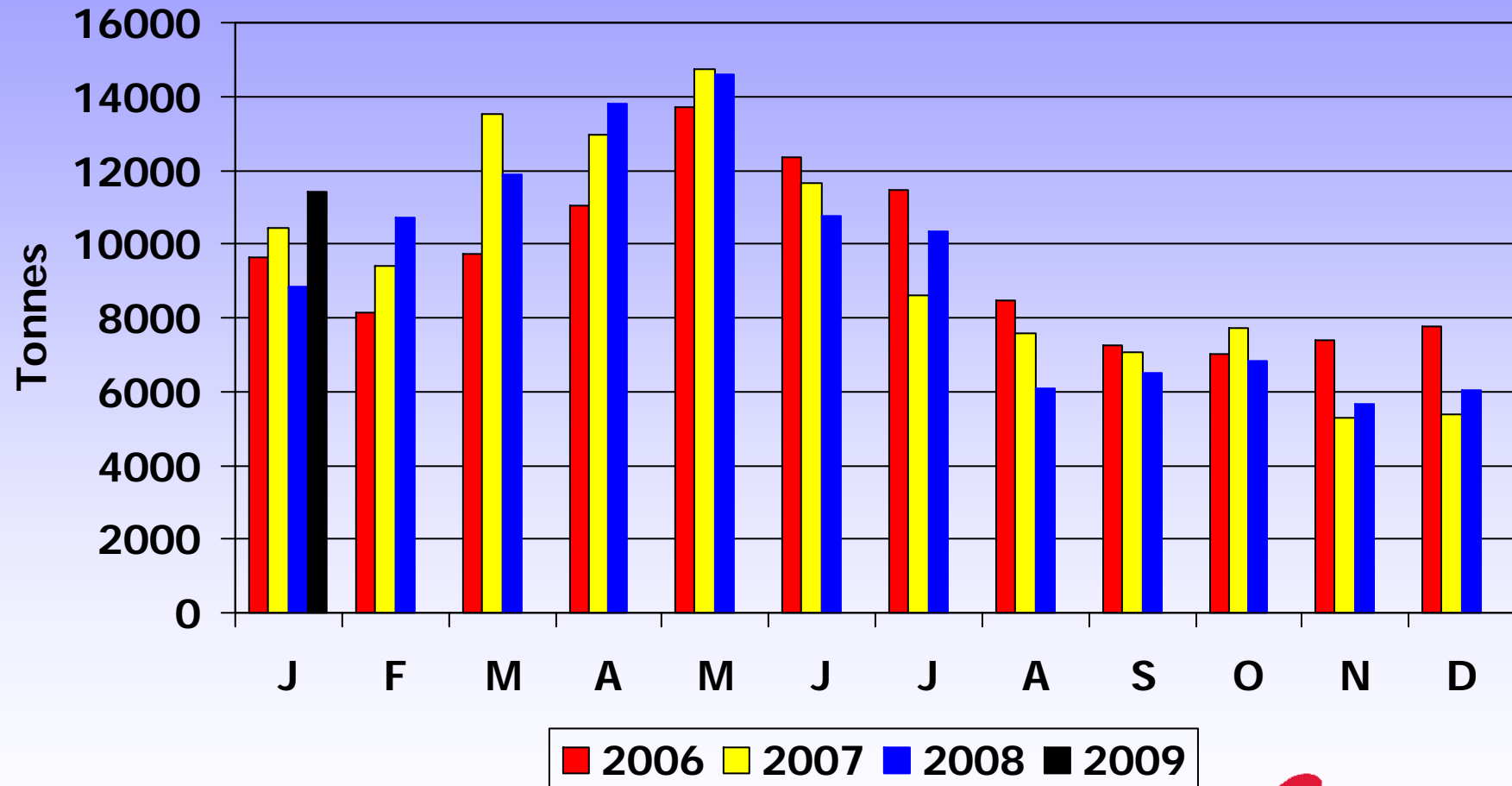
# GB Prime lamb price



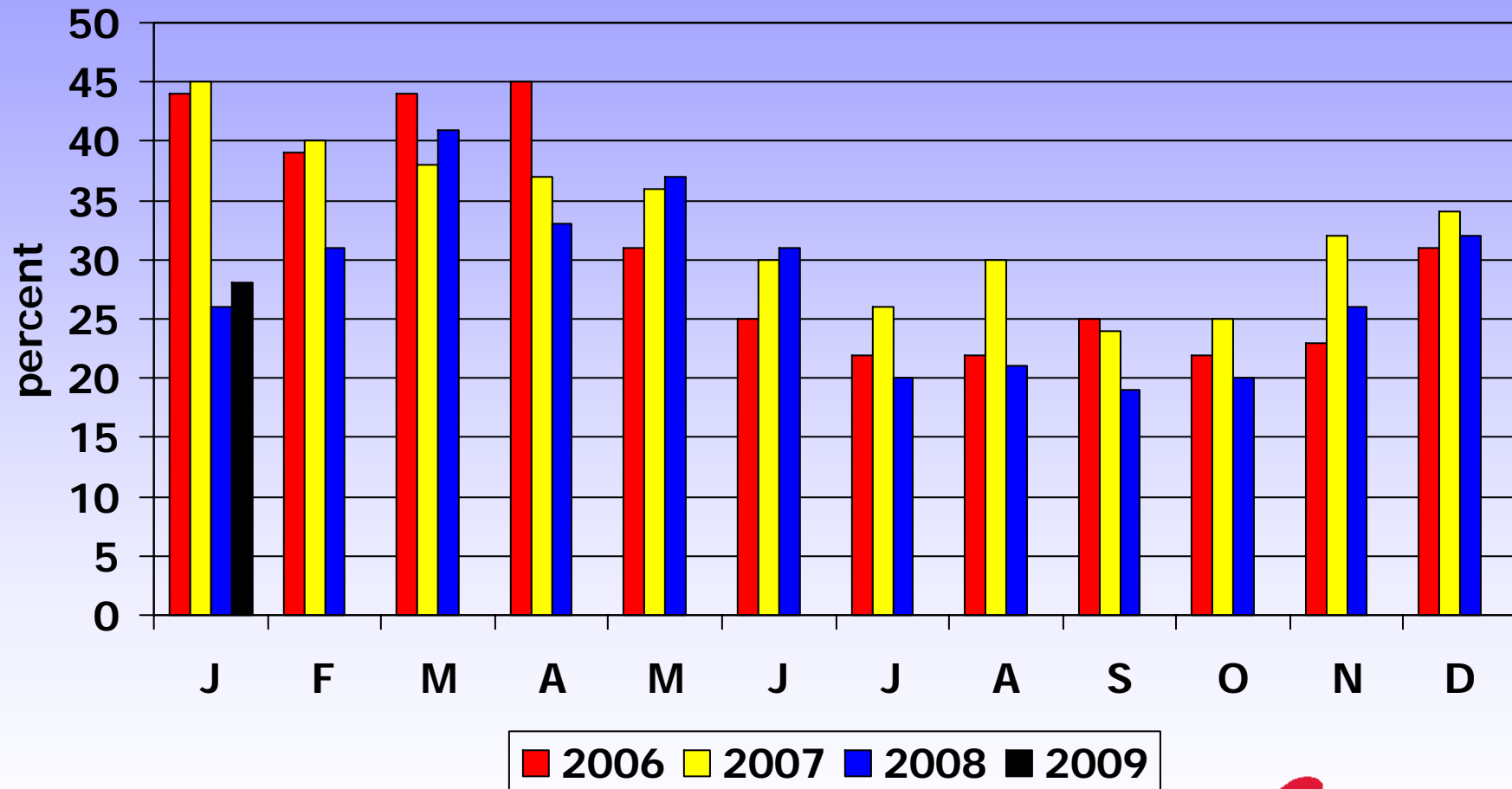
# European heavy lamb prices 2007-2009



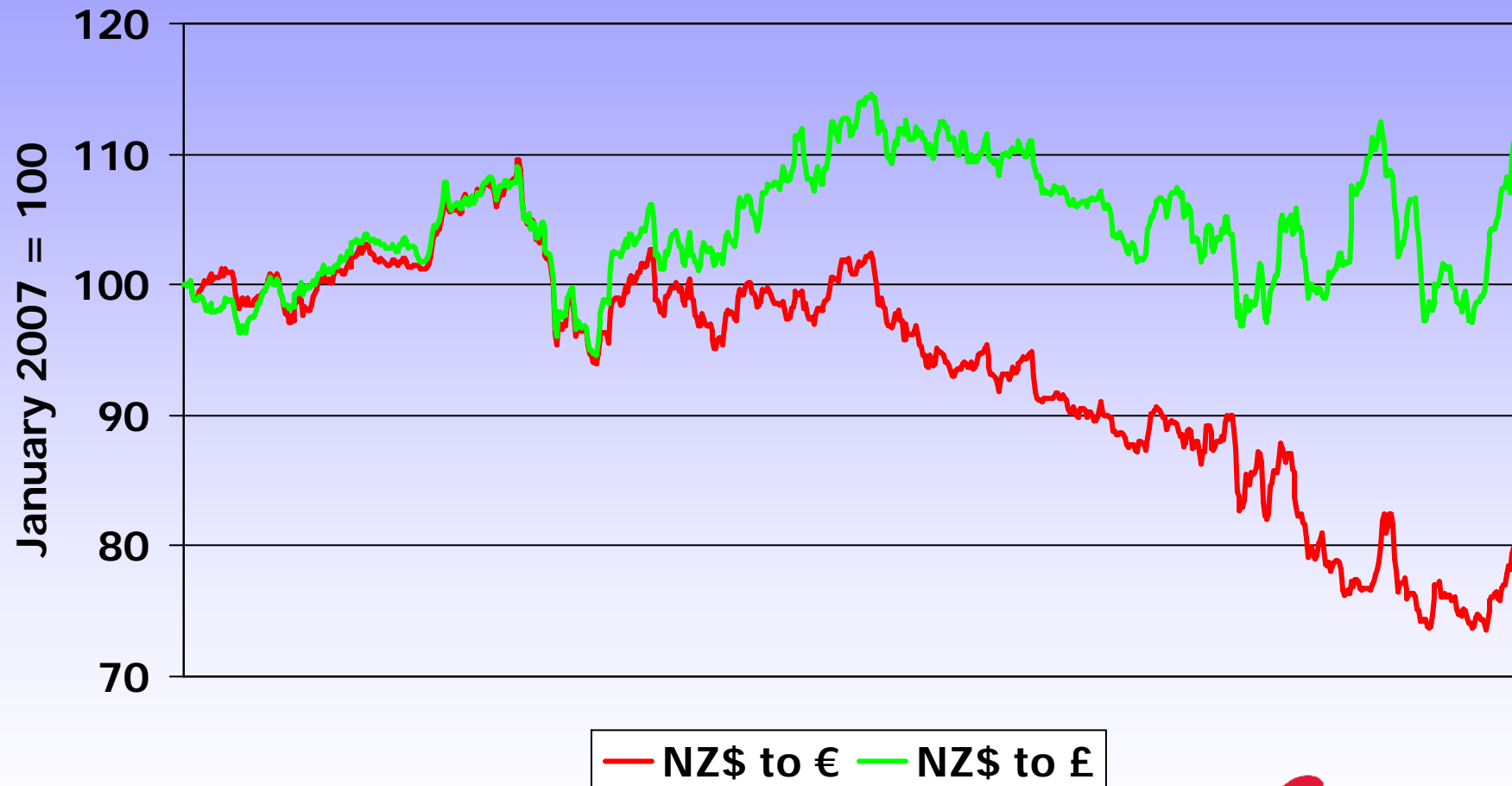
# Sheepmeat imports



# Proportion of imports as fresh/chilled





# Exchange rates 2007-2009





# What does exchange rate movement mean


 New Zealand want NZ\$73 per animal:

 January 2007 = £26.22 or €38.92

 January 2008 = £28.25 or €38.70

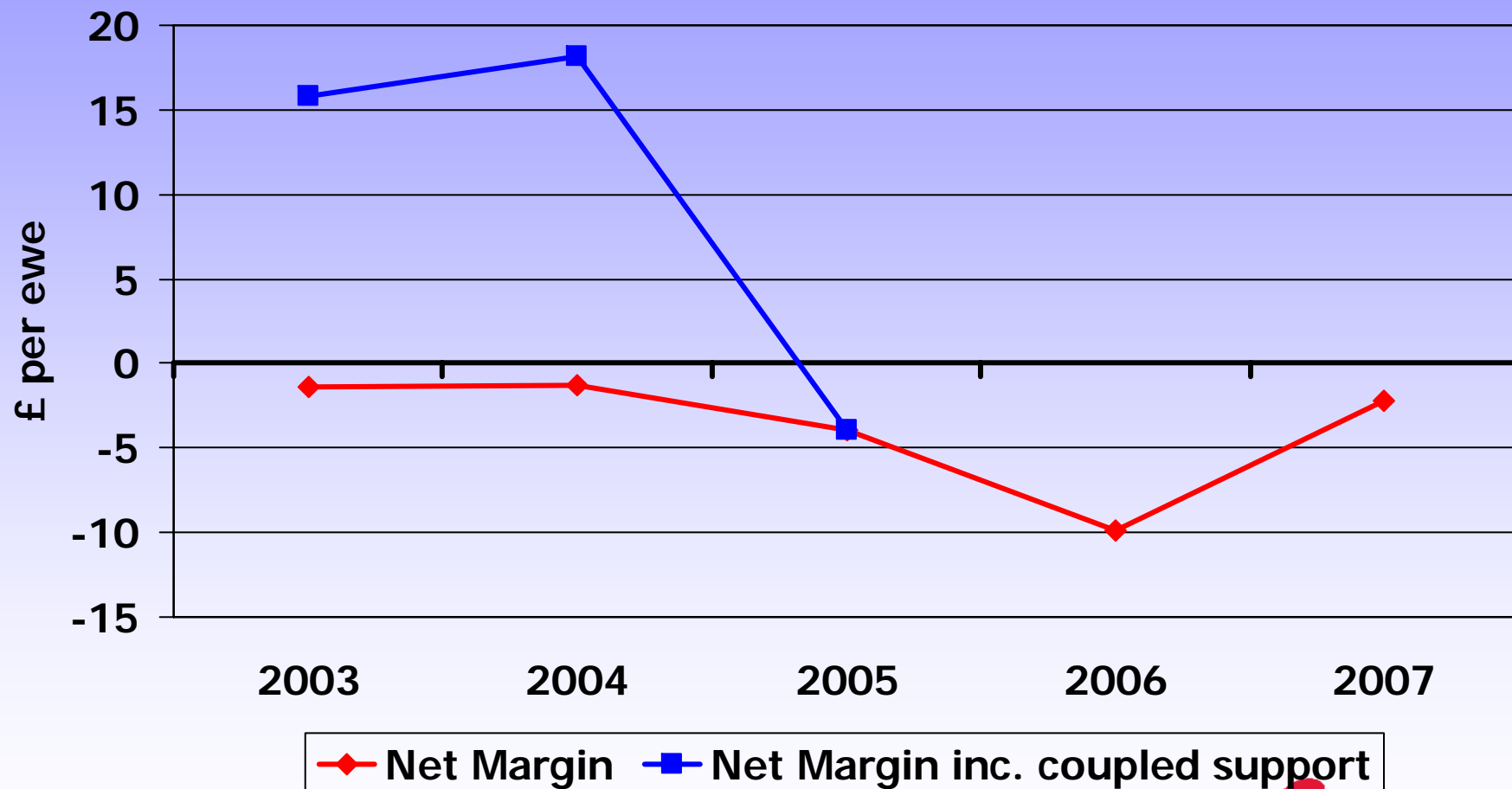
 January 2009 = £29.26 or €30.07

 So New Zealand lamb is 23% cheaper in Europe and 11% more expensive in UK

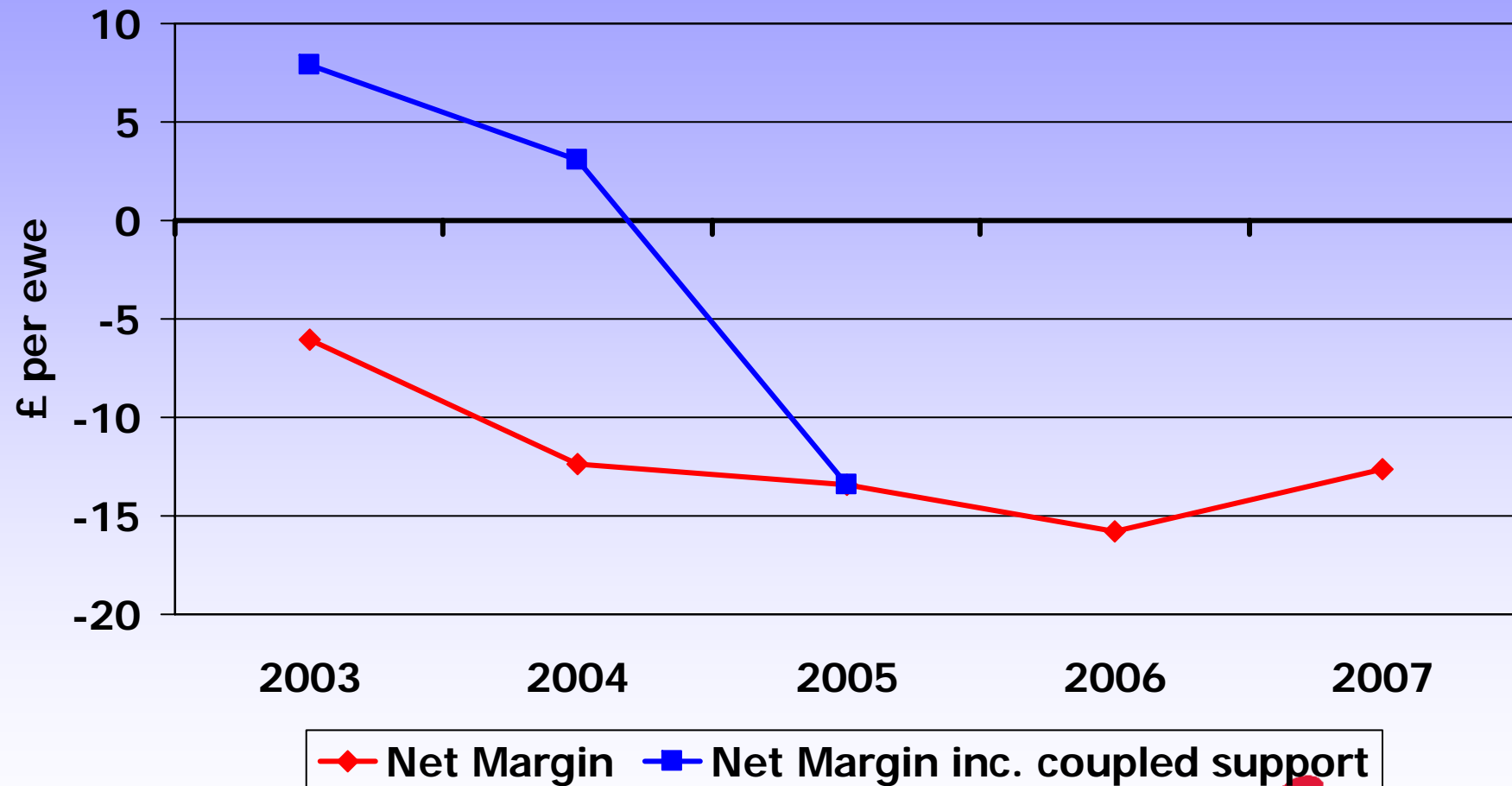
 So British lamb is still more competitive than NZ lamb in Europe at the moment



# Net margin for LFA upland ewe flocks - Scotland



# Net margin for lowland ewe flocks - England



**Where next?**



# How many Ewes?

	2007	2008	2009	Change
UK	14.96m	14.84	14.01m	-5.5%
Ireland	2.93m	2.66m	2.53m	-5%
France	6.5m	6.3m	5.9m	-6%
Spain	16.9m	16.8m	15.4m	-1%
Romania	6.5m	7.2m	7.6m	10%
N. Zealand	26.1m	23.5m	22.5m	-10%

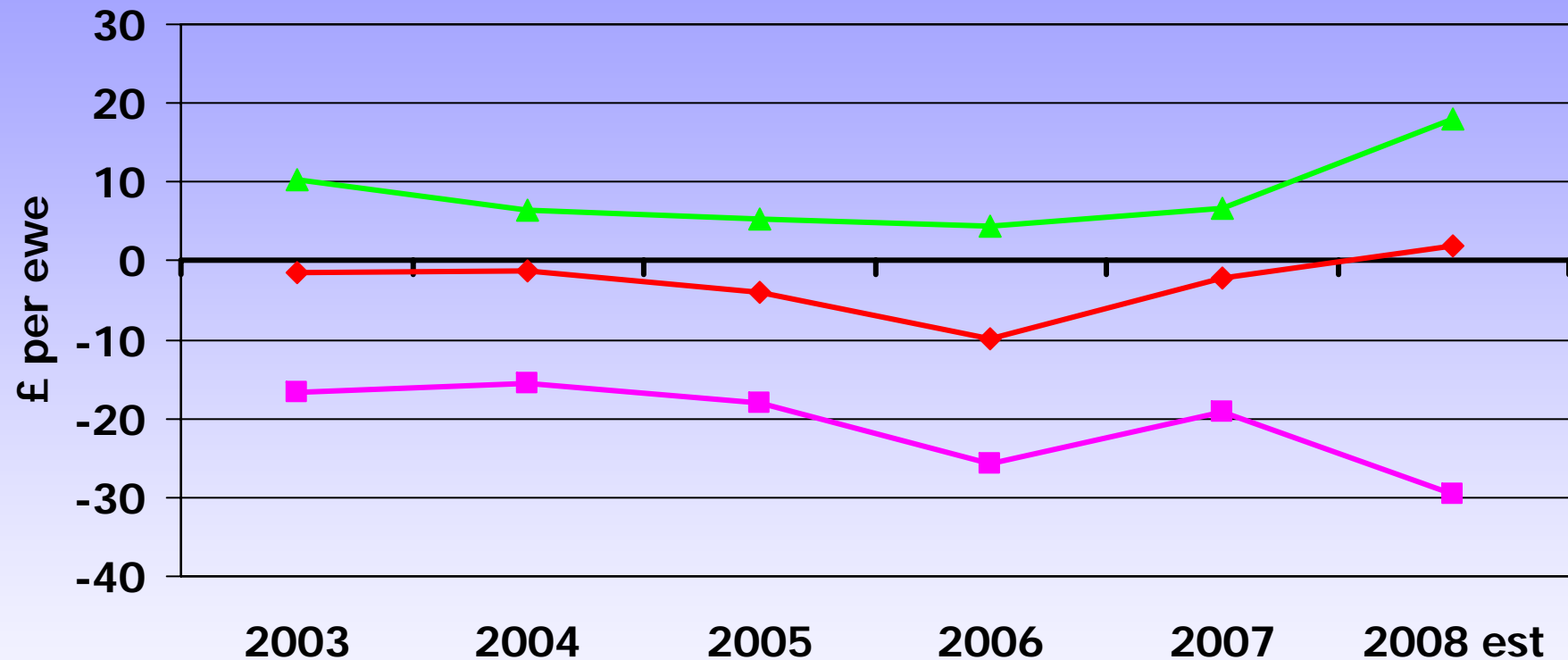
# Sheepmeat supply balance

000 tonnes	2006	2007	2008	2009 (forecast)
Production	330	325	328	308
Imports	129	128	127	126
Exports	89	69	88	90
Supplies	370	384	364	344

# Price movements

	% Change 12 mths to June 2008	% Change 12 mths to Aug 2008	% Change 12 mths to Oct 2008	% Change 12 mths to Dec 2008
Prime Cattle (store)	+34 (+10)	+30 (+19)	+28 (+21)	+29 (+25)
Prime sheep (store)	+30	+20 (+12)	+31 (+20)	+45 (+35)
Feed	+37	+30	+16	+16
Fert	+143	+161	+148	+112
Vet	-5	-6	-6	N/c
Mach. Reps	+6	+6	+7	+7
Prop Reps	+6	+7	+8	+6
General exps	+2	+2	+2	+3

# Net margin for LFA ewe flocks - Scotland



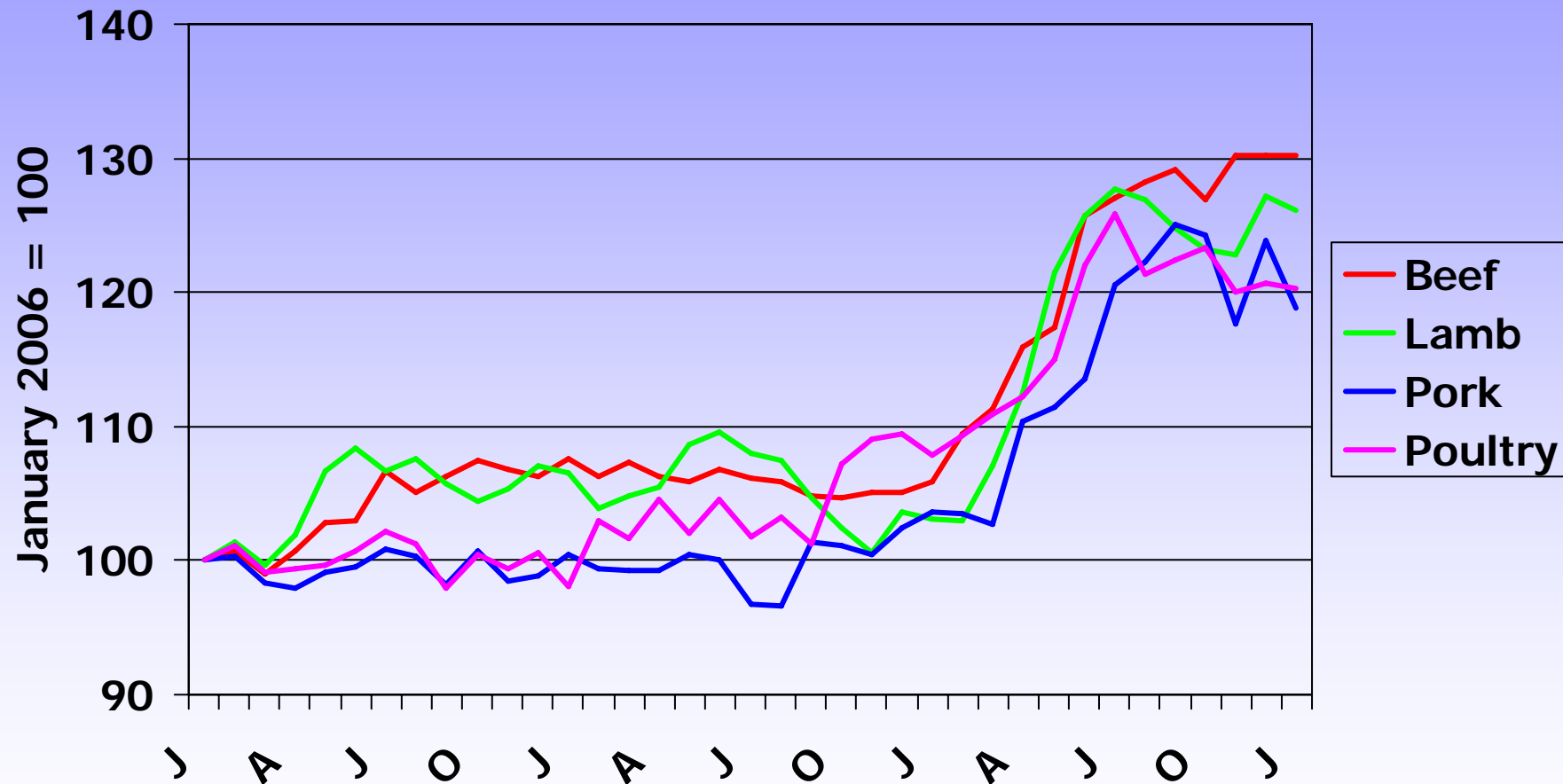
◆ Scot. Upland NM ex sub    ▲ Scot upland top third  
■ Scot Hill NM ex sub

# The wildcards

 Consumers disposable income



# Retail price movements for meat 2006 to date



# Consumer buying behaviour

	Volume (source TNS)	Volume Purchased (source TNS)	Price paid (Source AHDB MS)
Frying/Grilling Chops	19.9%	-4.6%	+10%
Frying/Grilling steak	8.9%	+9.1%	+7%
Leg Roast	33.3%	-6.8%	+14%
Shoulder Roast	17.7%	-19%	+17%
Stewing lamb	3.8%	-6.8%	+7%
Mince	10.1%	+20%	+15%



# The wildcards

 Consumers disposable income

 Exchange rates






# The wildcards

-  Consumers disposable income
-  Exchange rates
-  Trade talks

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-  Exotic disease outbreak








# The wildcards

-  Consumers disposable income
-  Exchange rates
-  Trade talks
-  EID
-  Exotic disease outbreak
-  Processor margins









# Processor Margins

	Change over past twelve months
Ex farm lamb	+50%
Wholesale price at Smithfield	
Carcase	+25%
Leg	+16%
Shoulder	+44%
Chine	+43%

# The wildcards

-  Consumers disposable income
-  Exchange rates
-  Trade talks
-  EID
-  Exotic disease outbreak
-  Processor margins
-  Finding skilled staff

# The wildcards

-  Consumers disposable income
-  Exchange rates
-  Trade talks
-  EID
-  Exotic disease outbreak
-  Processor margins
-  Finding skilled staff
-  The weather

# In conclusion

- 🏆 In the longer term,
  - 🏆 margins are still wafer thin
  - 🏆 policy implementation can still damage confidence
  - 🏆 we still face challenges over labour and skills
- 🏆 But in the shorter term:
  - 🏆 Basic supply and demand balance swinging in favour of suppliers
  - 🏆 Exchange rates favouring UK producers
  - 🏆 Little reason for producer prices to fall
  - 🏆 Falling input costs mean margins are improving for producers