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SCOTTISH ASSOCIATION SAMW OF MEAT WHOLESALERS

Post Brexit Reflections From The Meat Processing Sector

April 2021

Scottish exports estimated to have fallen sharply in early 2021

Estimated sales of Scottish red meat exporters to EU customers in early 2021				
Month	Estimated value of beef and lamb exports in same month of 2020 (QMS Export Survey; HMRC)	Estimated level of exports in 2021 relative to the same month of 2020 (SAMW)	Estimated level of beef and lamb export revenue in 2021 (QMS)	Estimated reduction in export revenue in 2021 (QMS)
January	£5.7m	25%	£1.4m	£4.3m
February	£4.8m	40%	£1.9m	£2.9m

Source: QMS calculations
Calculations based on: annual export survey results for exports to the EU in 2019/20, HMRC UK export data for beef and lamb to estimate monthly Scottish exports in 2020, and SAMW surveys of members for January and February 2021 trade levels

Trade within Europe more challenging, and there will be a permanent effect unless protocols change

Additional paperwork and customs checks raise transaction costs

GB exports face EU border controls and trade restrictions (fresh mince and meat preparations)

100% of consignments face document and identity checks, with 15% physically checked

Traders and hauliers nervous about shipping mixed loads of products from different processing sites due to higher risk of delay and rejection

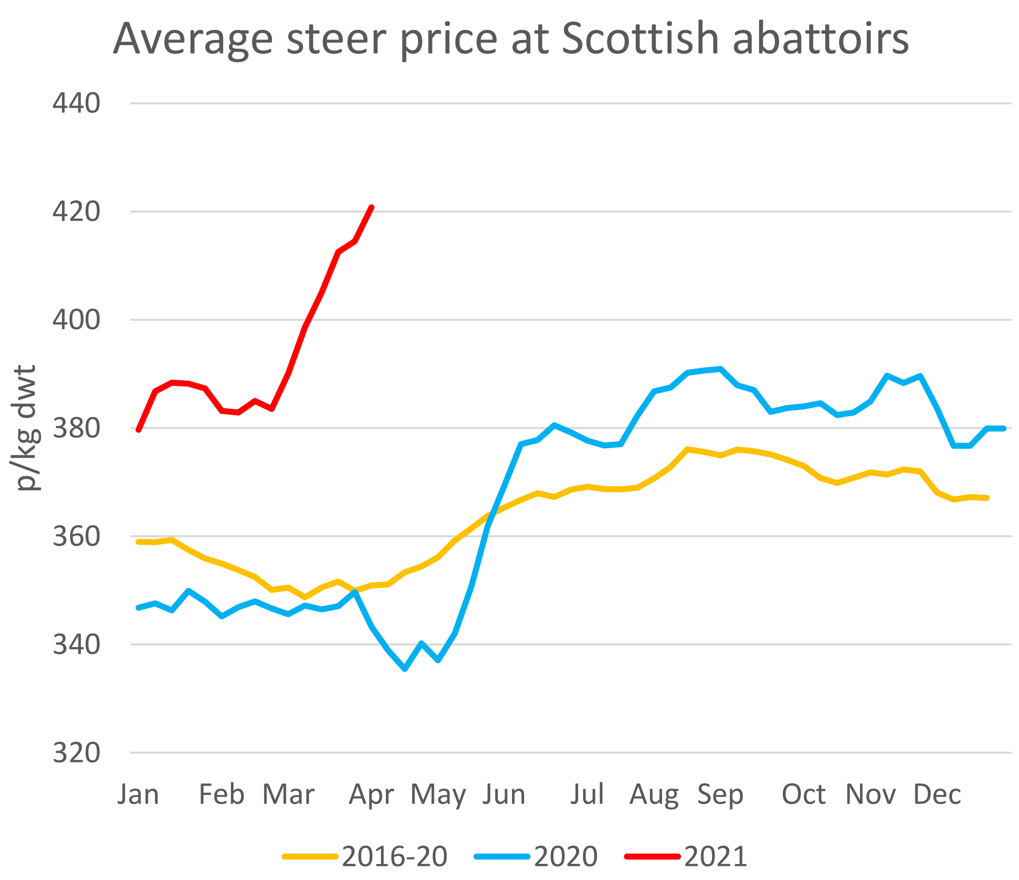
EU meat imported to GB to require EHCs from October (**delayed six months**)

EU meat to enter GB via BCP from Jan 1st 2022, with 'at least 1%' of consignments to be physically checked (**delayed**)

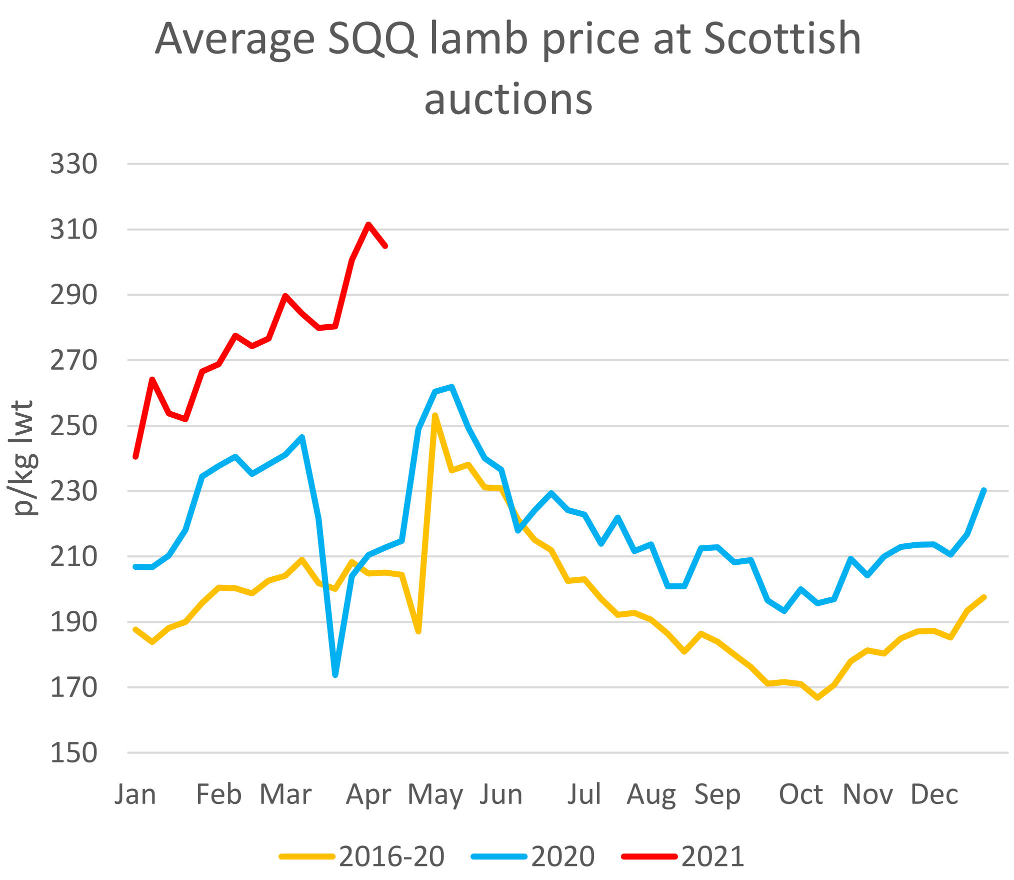
Zero tariffs, provided rules of origin (ROO) are met

Originating status more complex when cross-border supply chains involved

Despite reduced export activity, farmgate beef and lamb prices at record levels

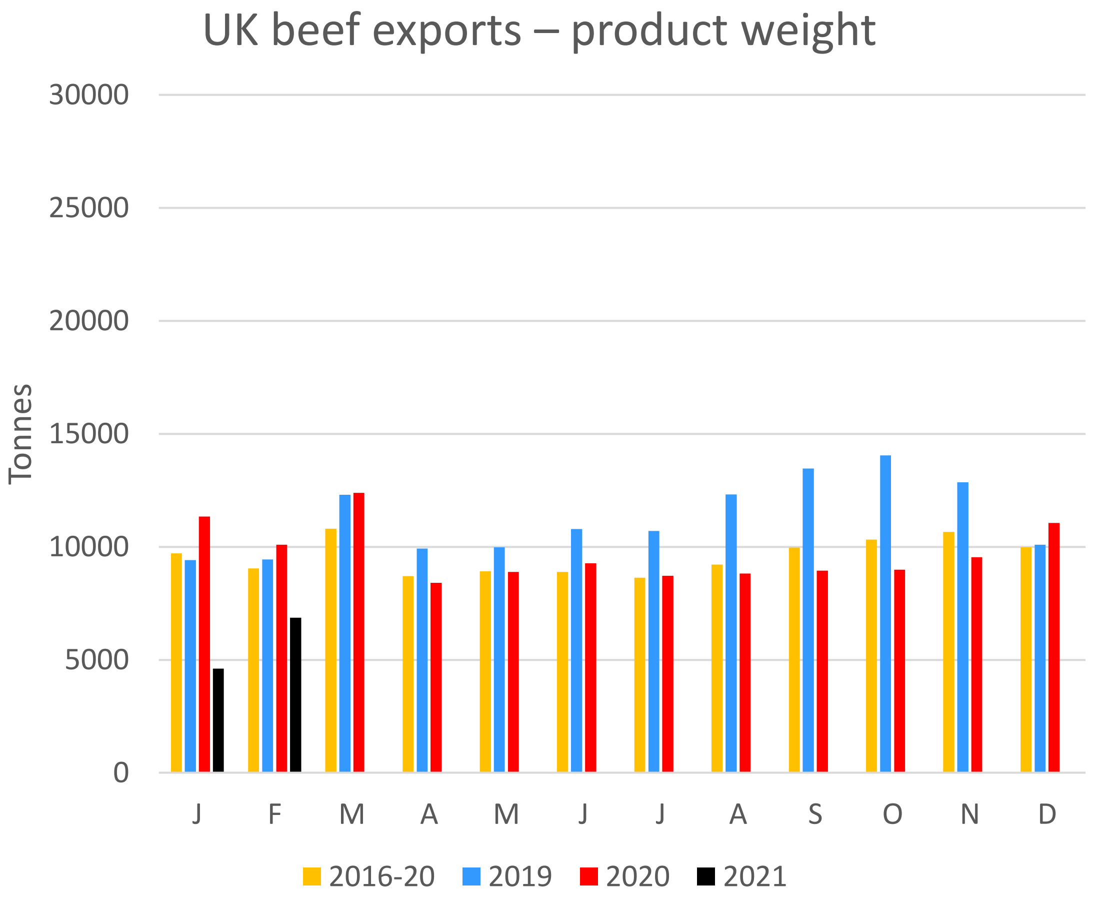


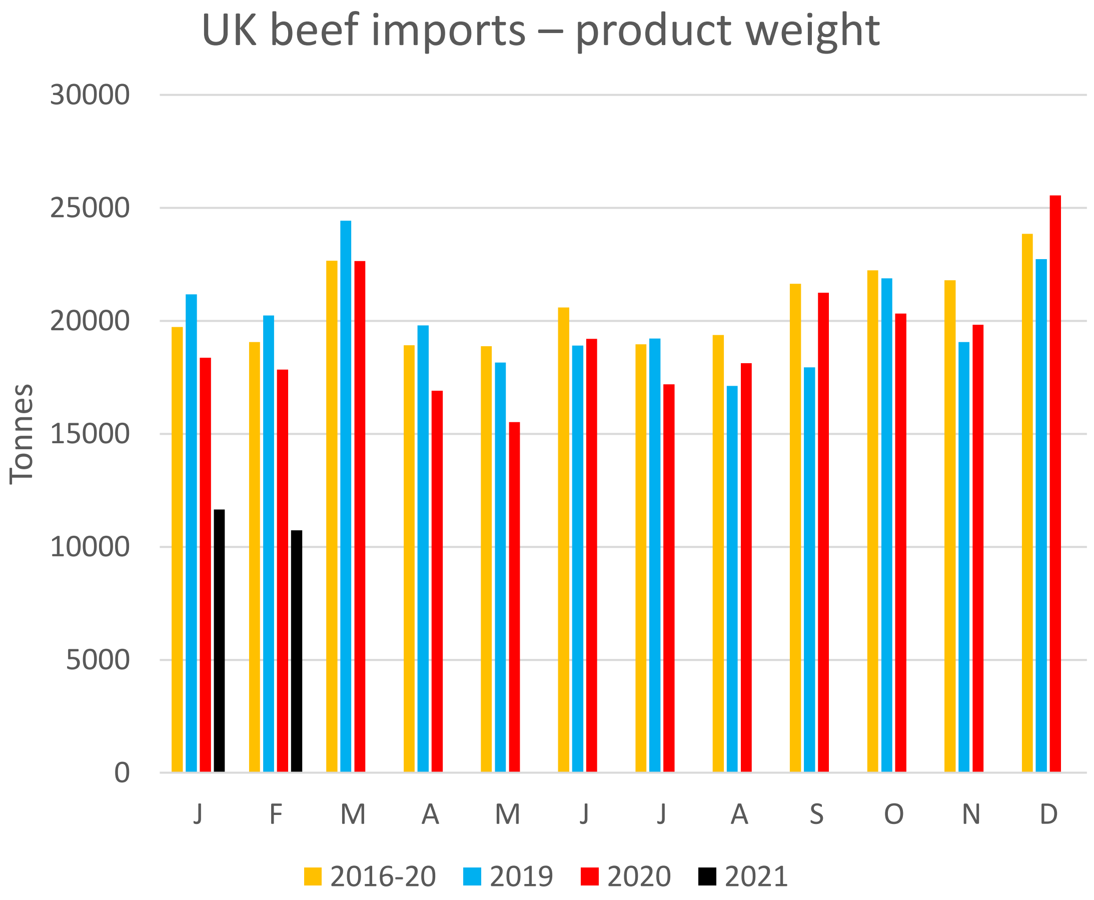
Source: AHDB; QMS calculations



Source: IAAS/ScotEID; QMS calculations

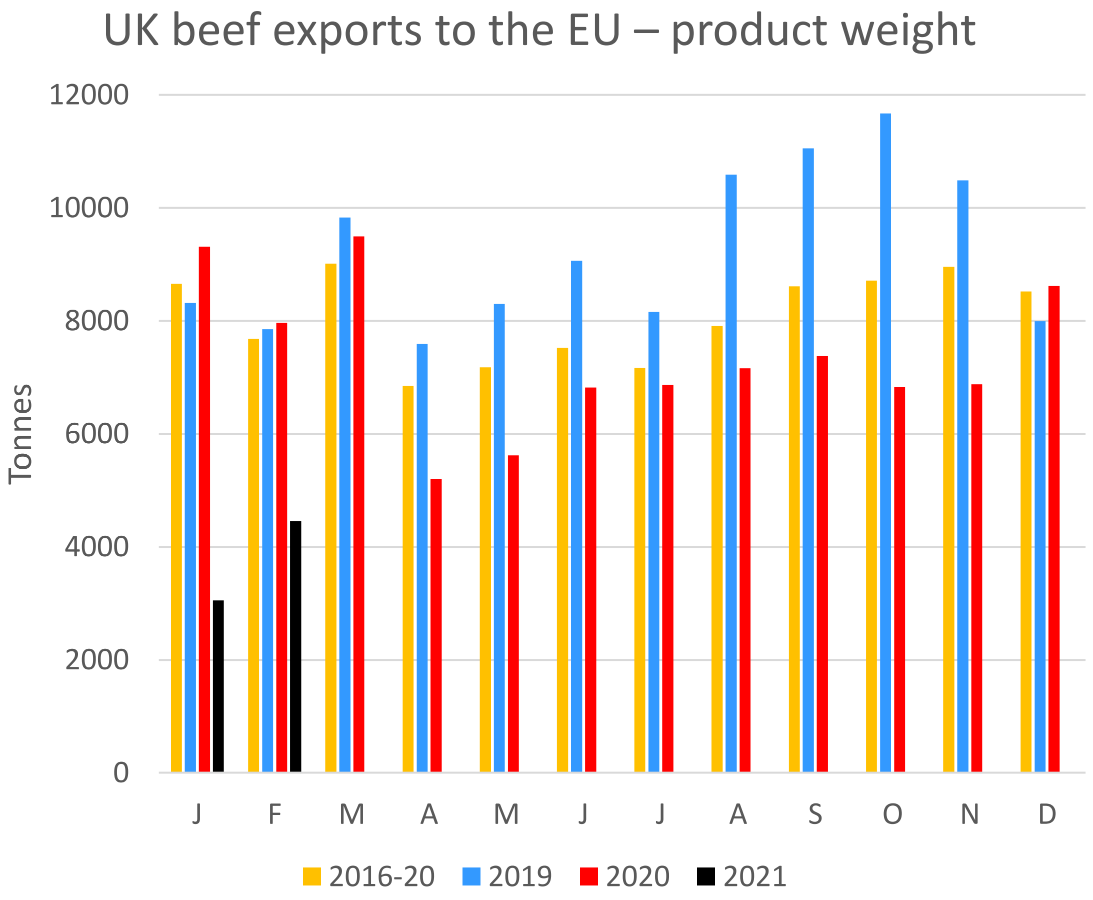
Beef: UK exports and imports reduced by the pandemic and EU Exit, with early stockbuilding in December 2020

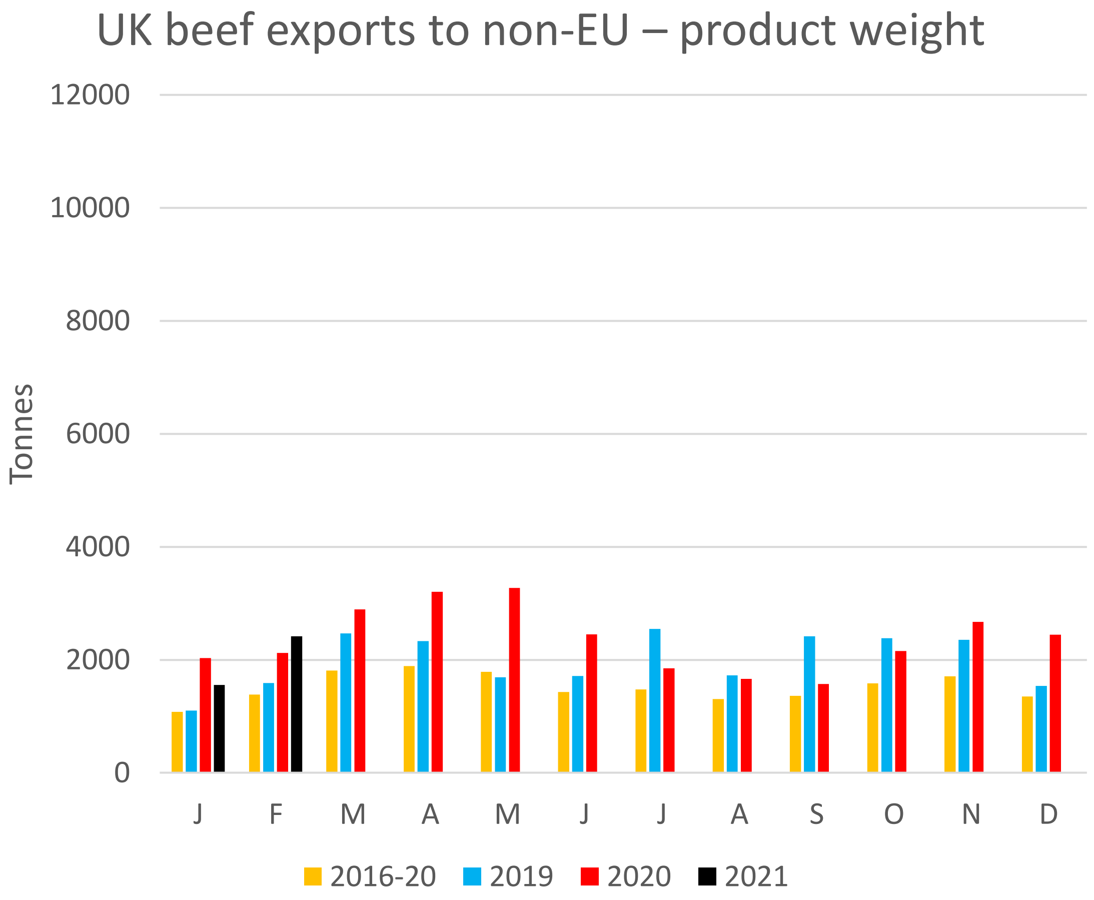




Source: HMRC; QMS calculations
Data covers HS codes 0201, 0202 (fresh and frozen beef)

Beef: exports to the EU rebounded partially in February but remained low while non-EU volumes remained well above their five-year average





Source: HMRC; QMS calculations
Data covers HS codes 0201, 0202 (fresh and frozen beef)

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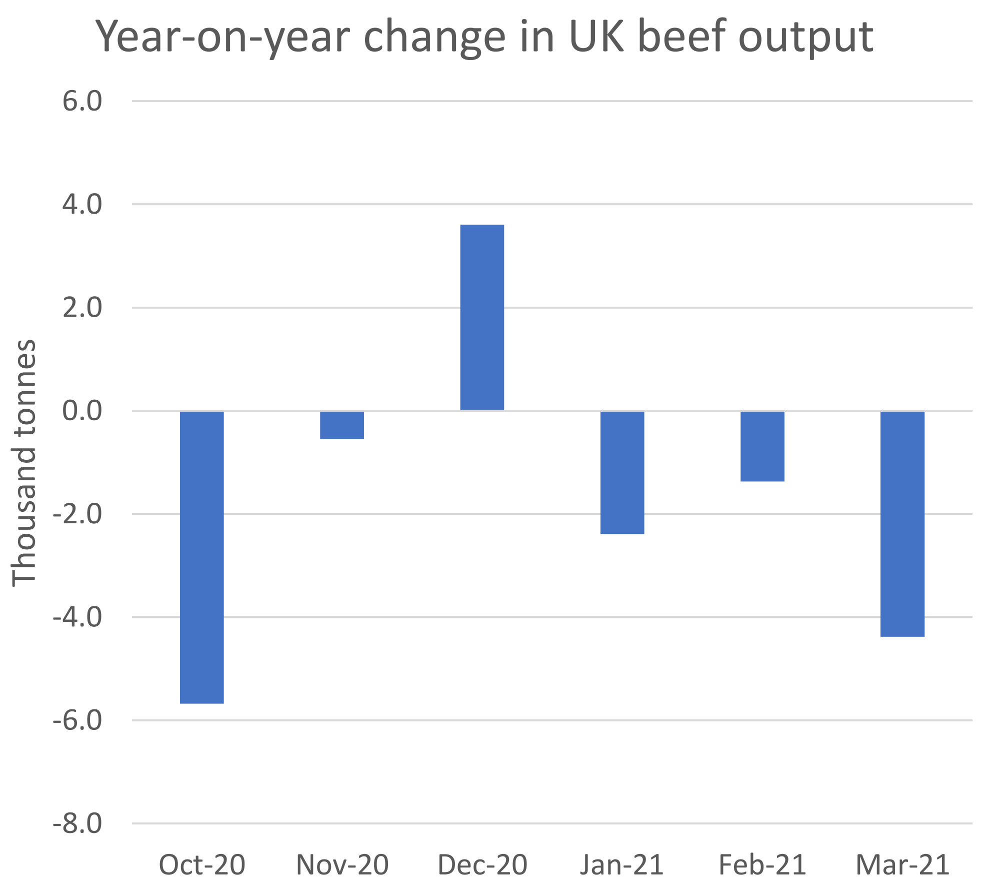
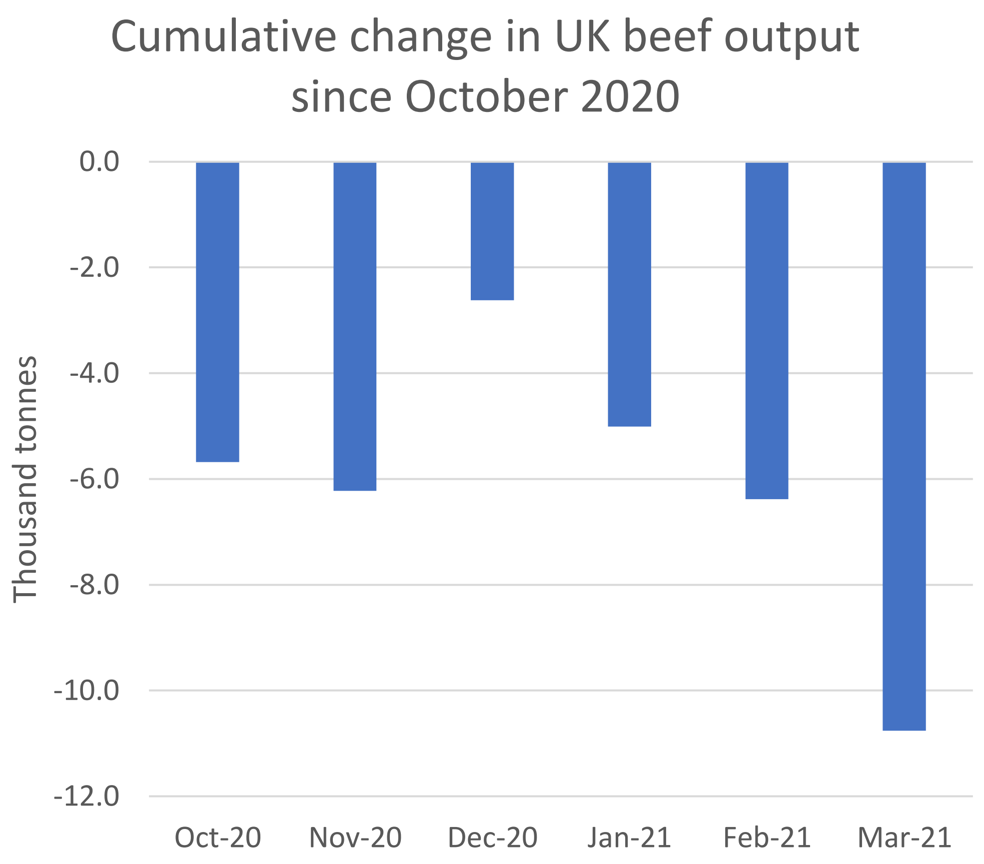
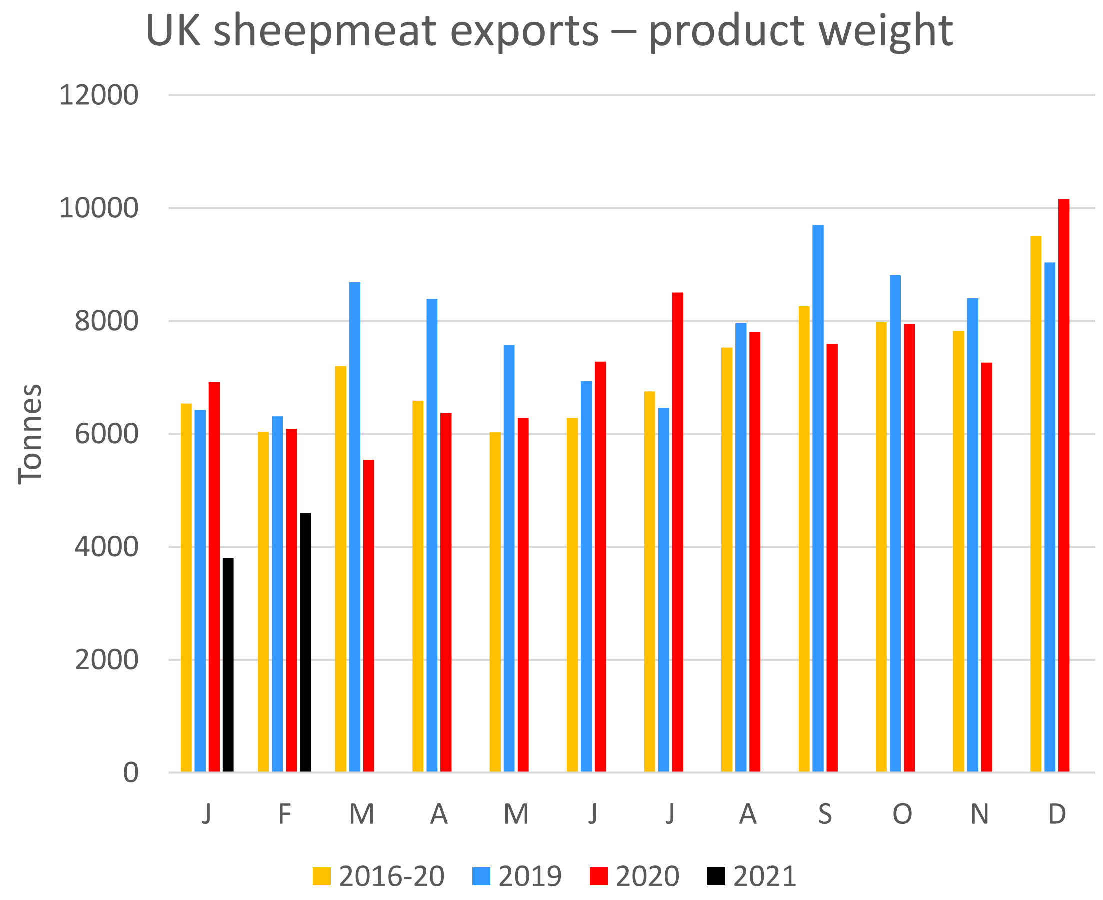
UK Beef production falling, constraining the volume available for export

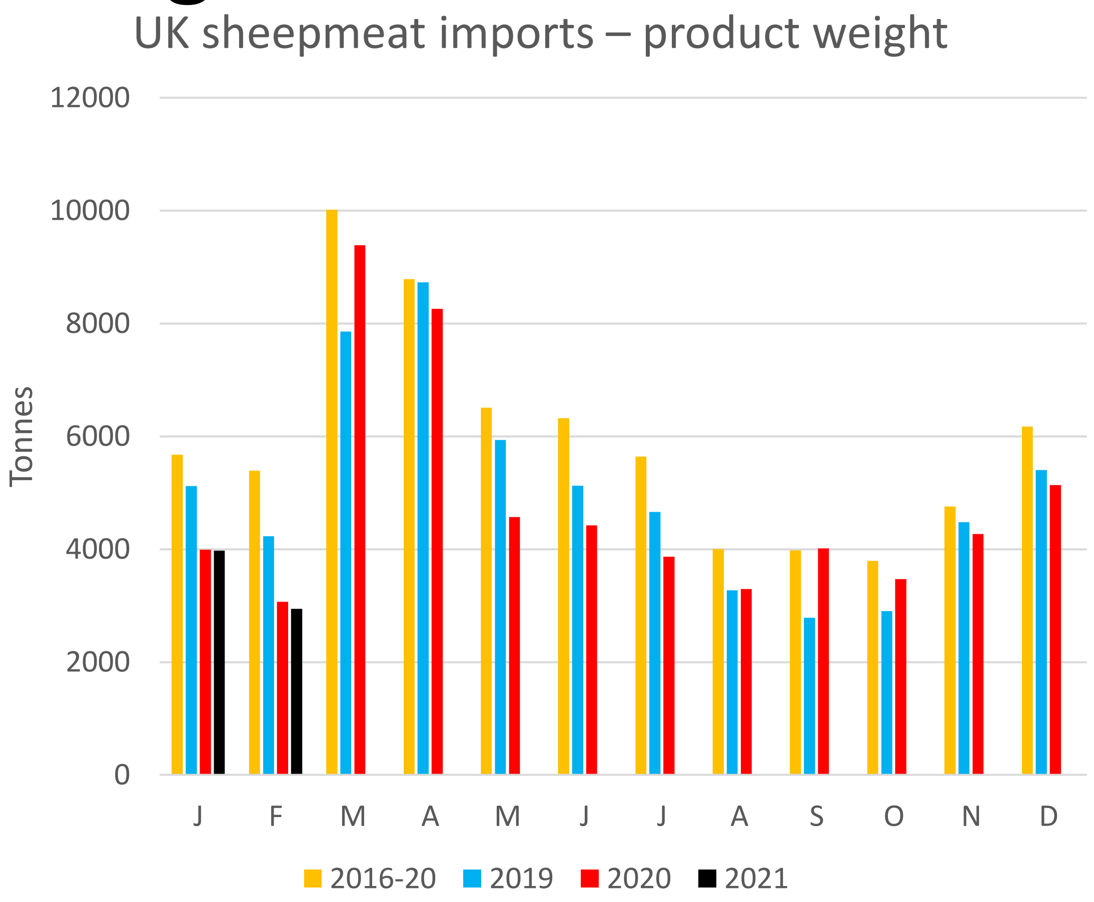




Source: Defra slaughter data; QMS calculations

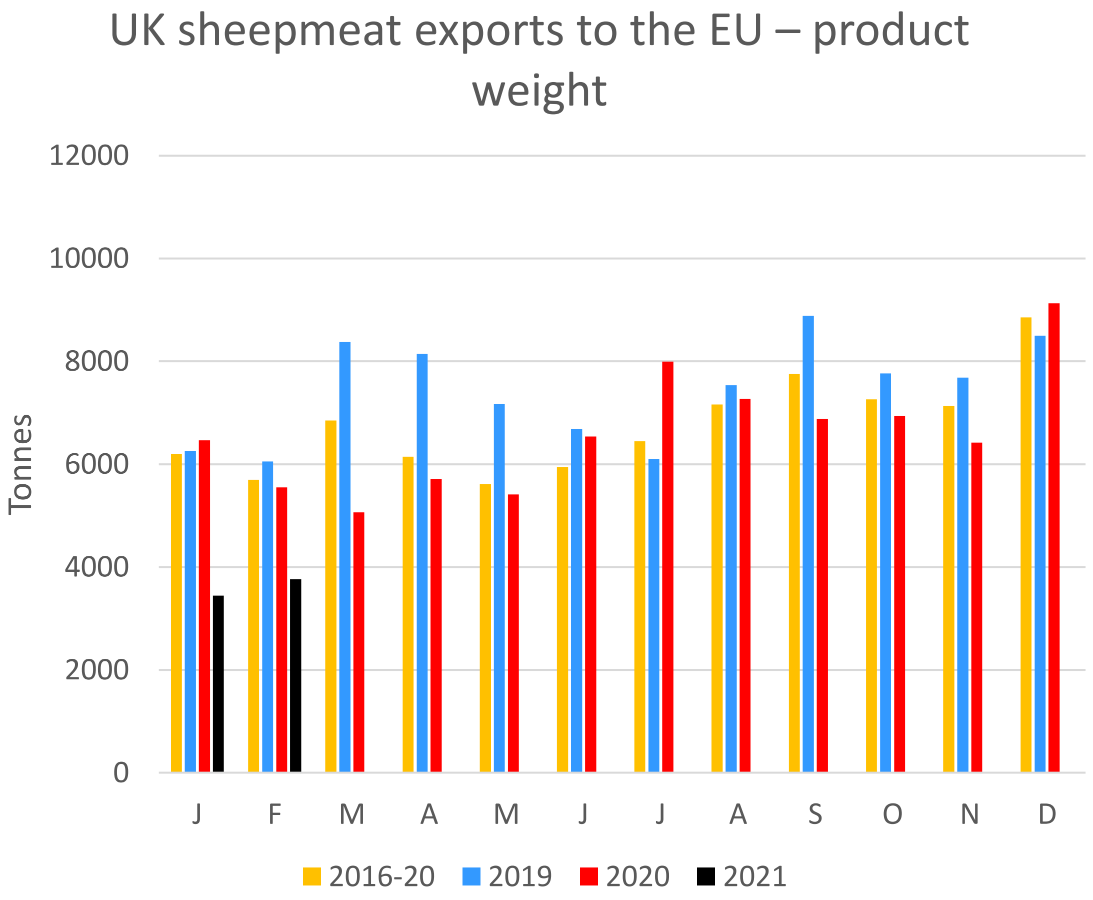
Lamb: UK exports reduced by the pandemic and EU Exit, with early stockbuilding in December 2020. Import reduction also reflects rebalancing of NZ to China

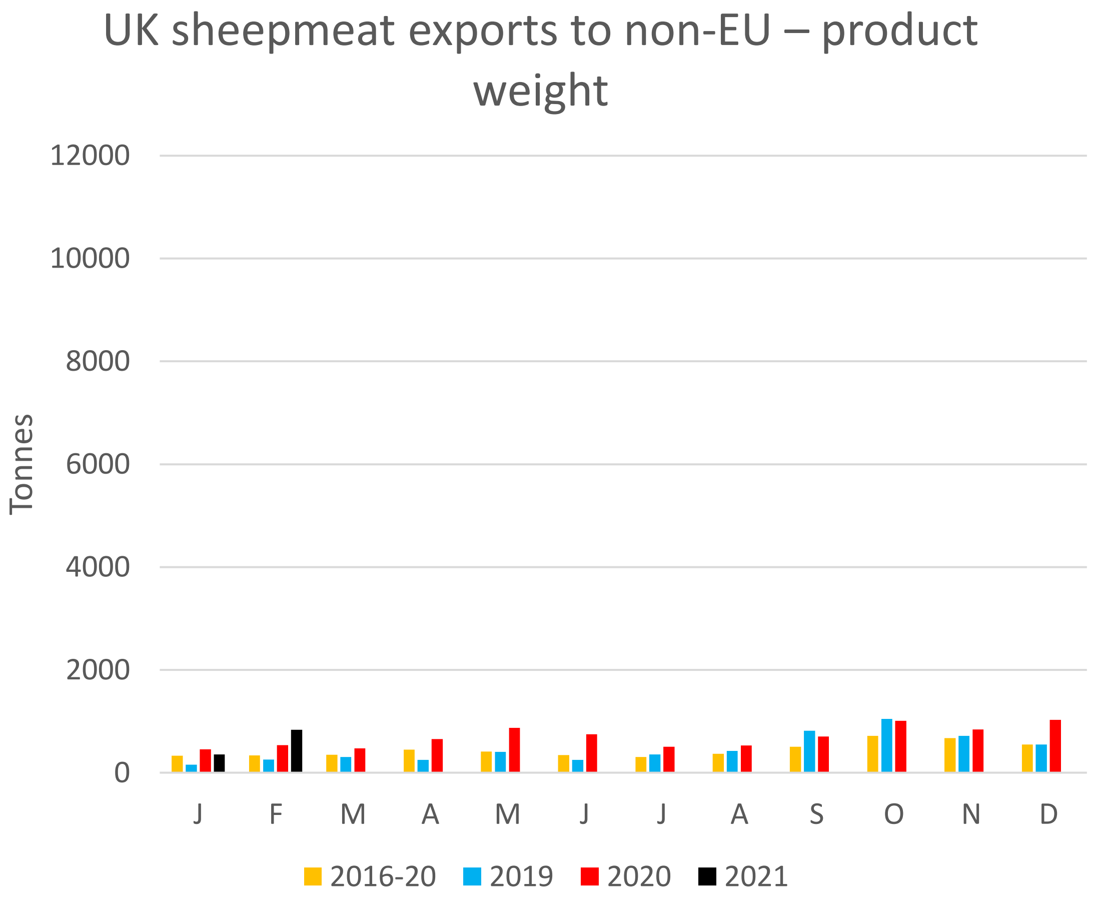




Source: HMRC; QMS calculations
Data covers HS code 0204 (fresh and frozen sheep and goatmeat)

Lamb: exports to the EU rebounded partially in February but remained low while non-EU volumes remained well above their five-year average but at a very low base level





Source: HMRC; QMS calculations
Data covers HS code 0204 (fresh and frozen sheep and goatmeat)

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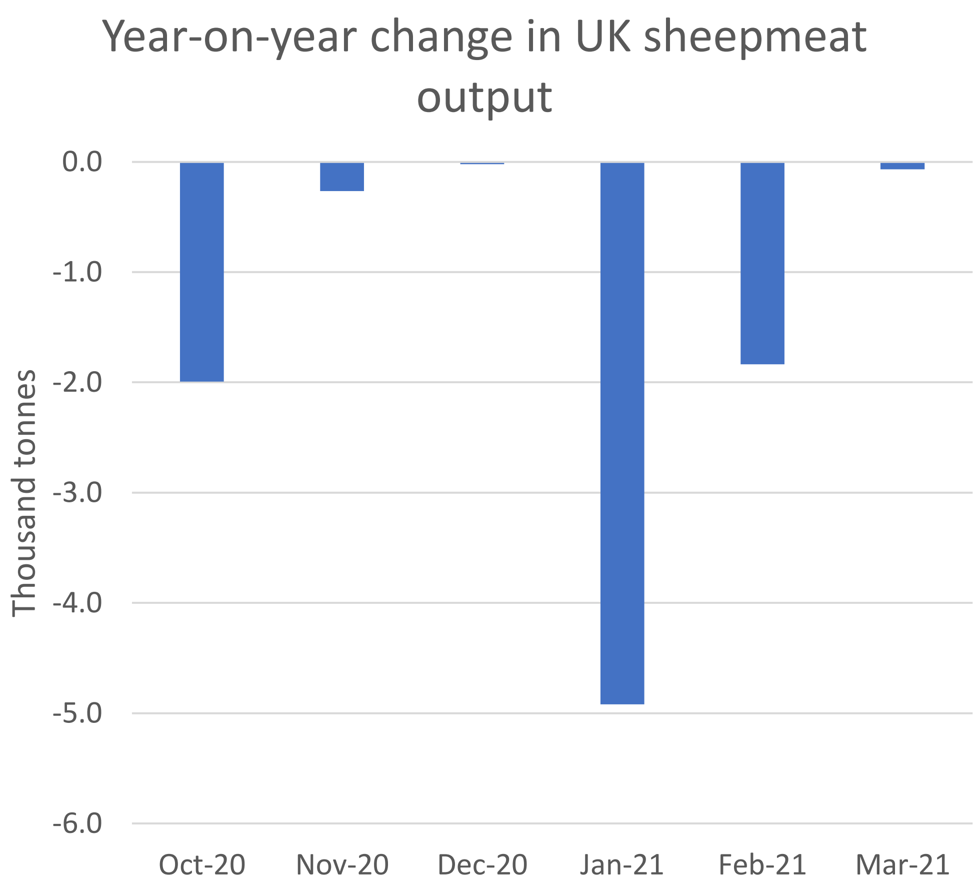
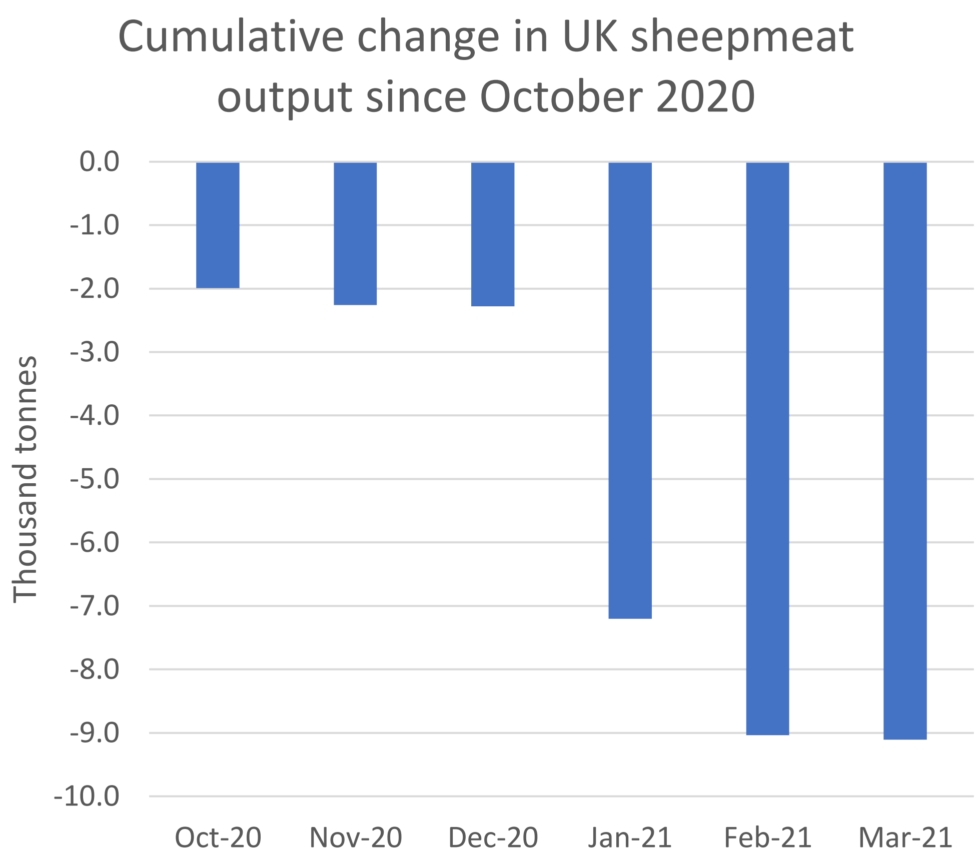
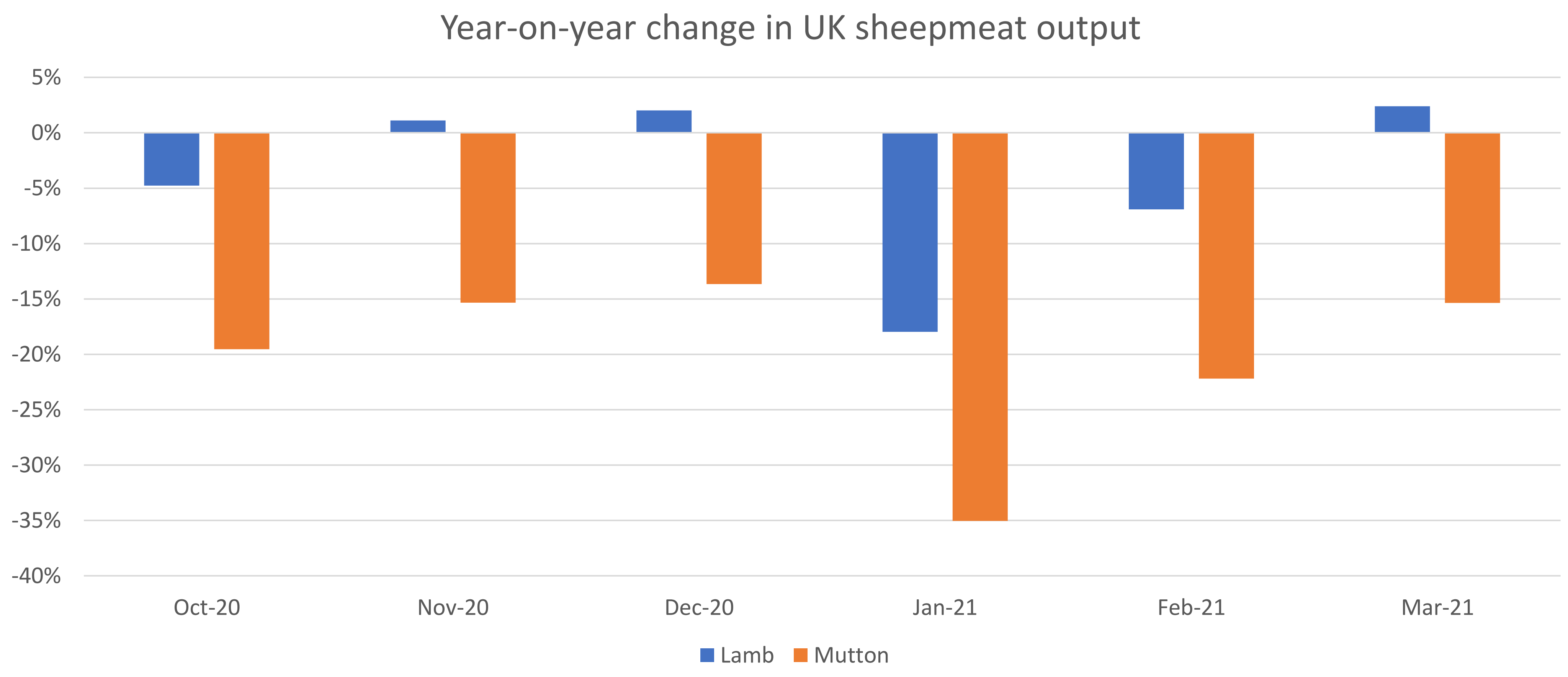
UK sheepmeat production falling, constraining the volume available for export





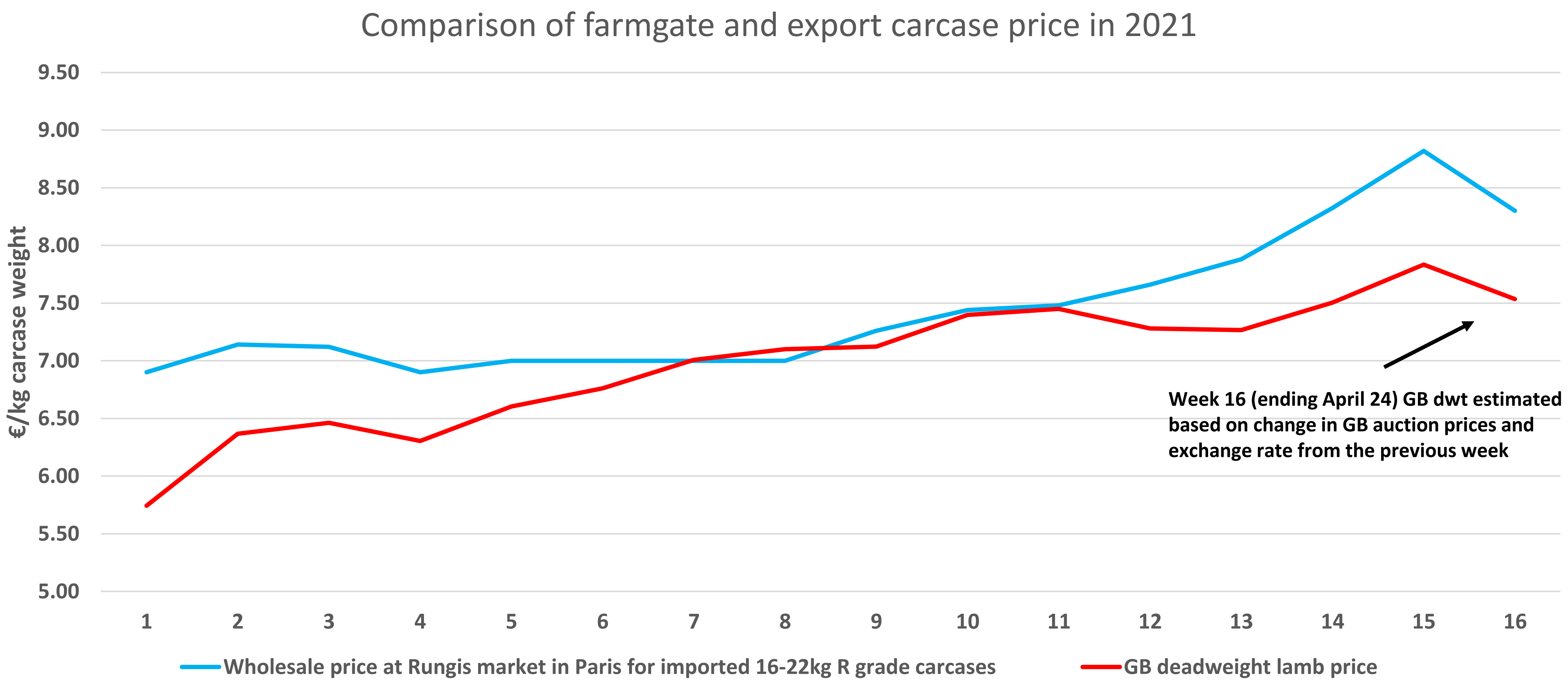
Source: Defra slaughter data; QMS calculations

UK sheepmeat production falling, constraining the volume available for export, especially for mutton



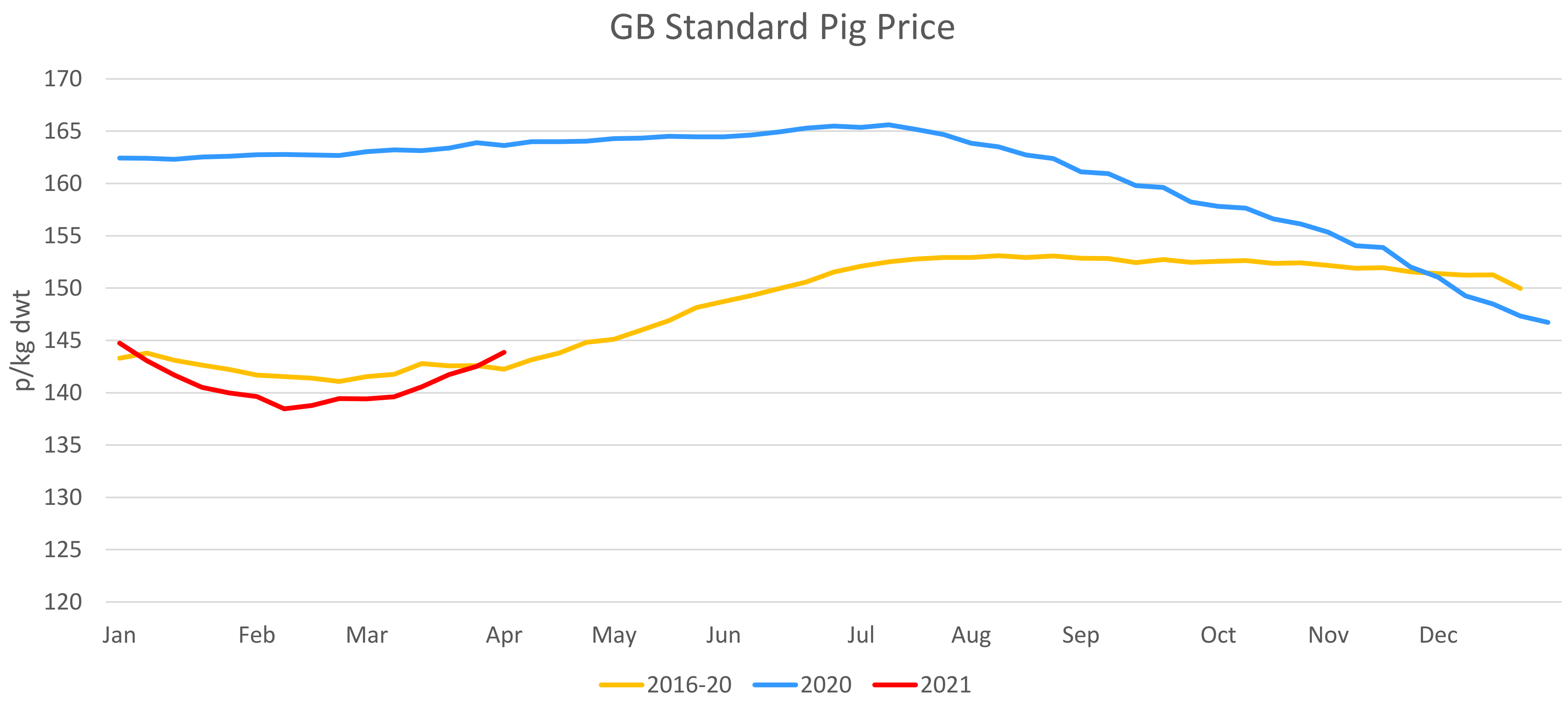
Source: Defra slaughter data; QMS calculations

Limited margin for lamb exporters, before factoring in higher transaction costs, especially from late February to late March



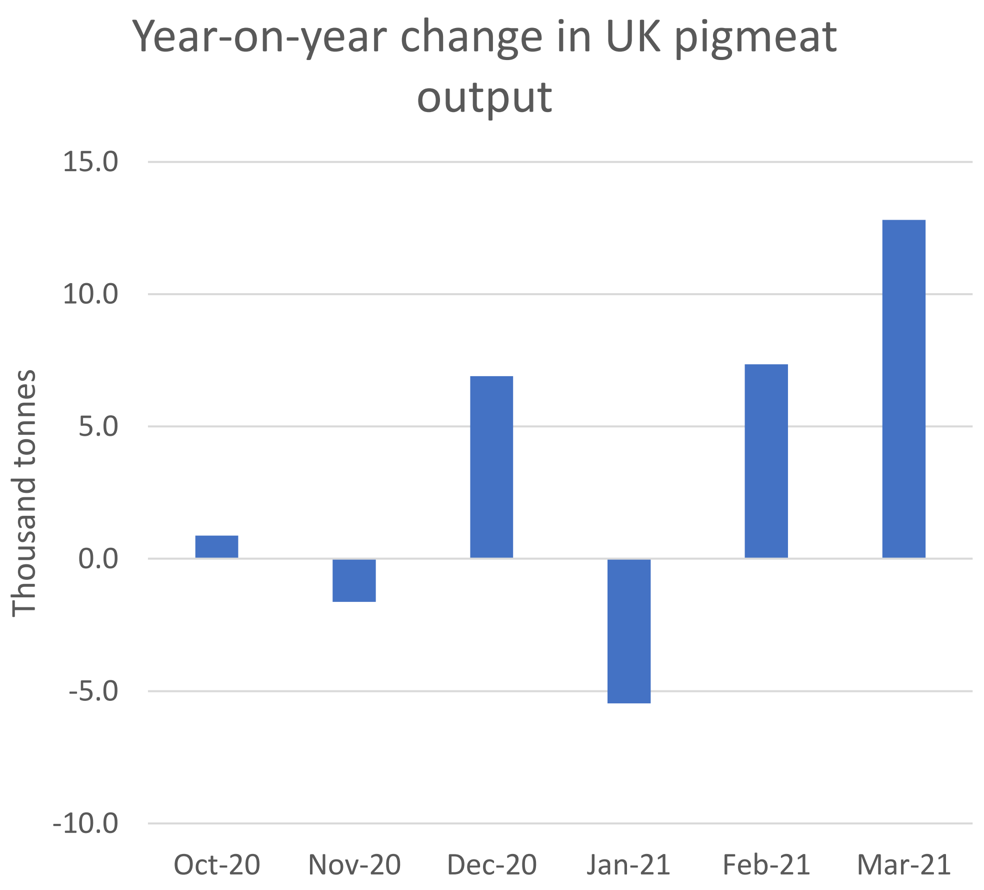
Source: Wholesale prices are a weekly average of daily prices reported by FranceAgriMer; GB deadweight from AHDB; weekly average exchange rate based on daily rate published by ECB; QMS calculations

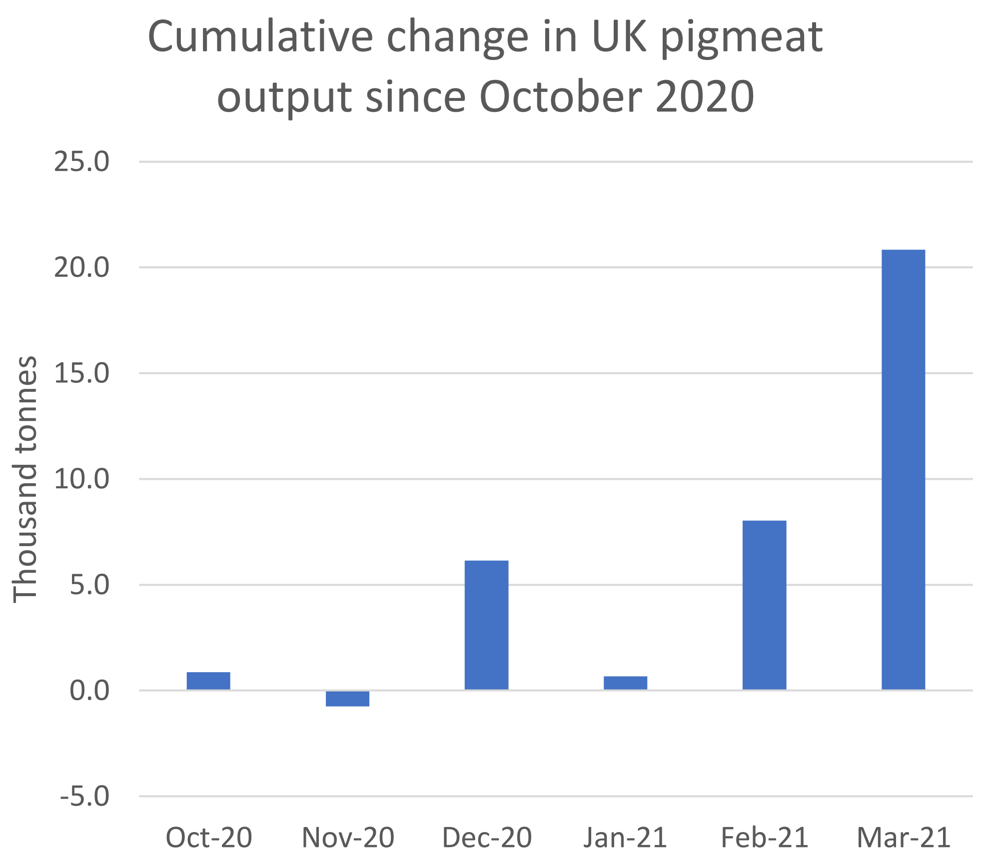
In contrast to beef and lamb, the pig sector faced a very challenging winter; though prices have been close to their five-year average



Source: AHDB; QMS calculations

UK pigmeat production has been volatile due to outages at processing sites but has risen overall due to heavier weights, leaving more product available for export





Source: Defra slaughter data; QMS calculations

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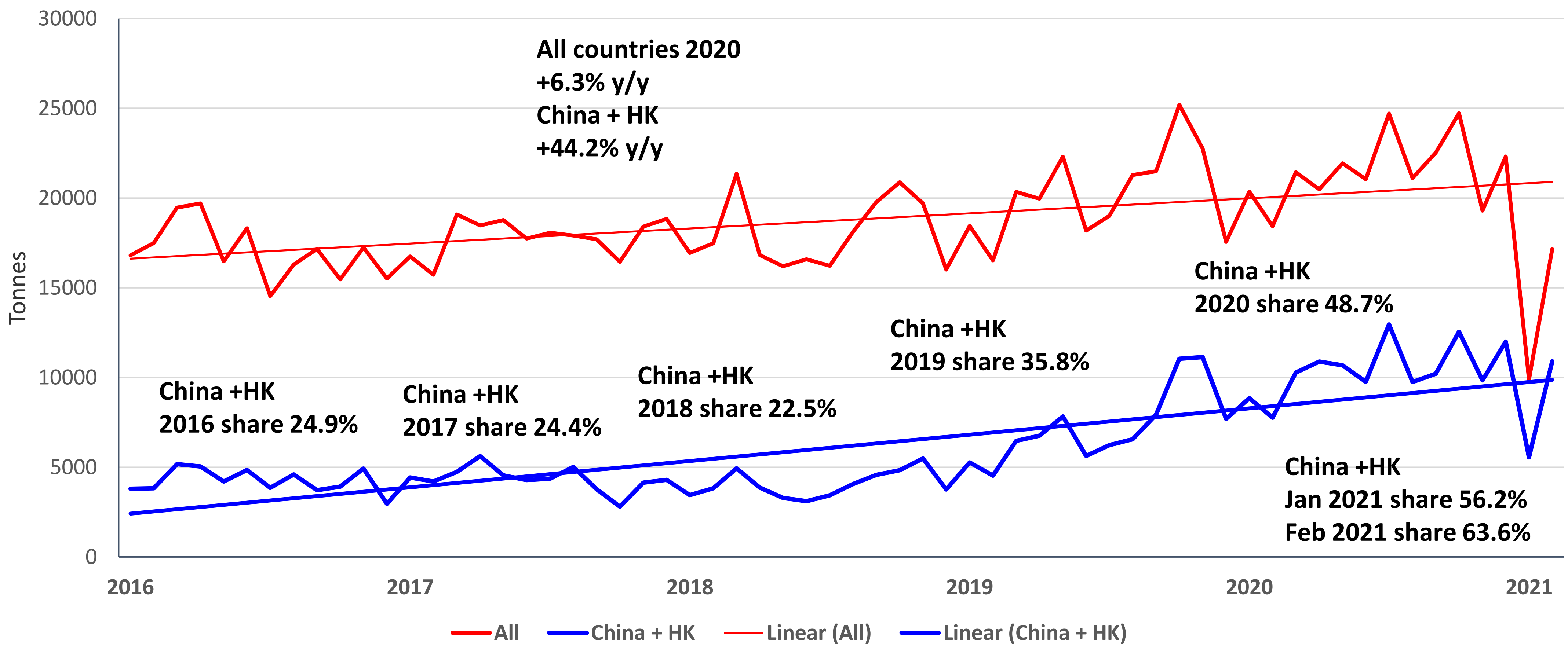
UK pork trade rebalancing towards China has accelerated after single market exit



Source: HMRC; QMS calculations
Data covers HS code 0203

Trade in early 2021 – a summary

1. Exports to the EU and imports to the UK have fallen sharply in 2021, following the change in trade rules

2. Some of the reduction reflects increased trade in December 2020, with firms looking to build stocks early in case of problems, plus volatility in domestic production and uncompetitive farmgate prices

3. Some of the reduction reflects reduced catering sector demand, which is more likely to be price sensitive and less likely to be provenance-driven than retail meat demand, but trade has fallen well below 2020-lows

4. Exports to the EU unlikely to recover fully due to higher transaction costs (including transport) and risk; plus prohibitions on some types of product (including fresh mince); and rules of origin impact on supply chains

5. Trade with non-EU countries in beef and lamb starting from a very low base (market access barriers)

6. Simplification of trade and challenges for small exporters is a long-term one, unless protocols change (this would require the politics to change)

9. Import checks pushed back to 2022 and level of checks likely to be much lower at GB border than at the EU border – ‘at least 1%’ vs 15%

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