Weekly Intelligence Update

Brought to you by the NFU Economics team

Sector Headlines

Liveweight finished lamb prices fall

- The GB liveweight NSL SQQ fell by 9p week-on-week to 215.42/kg in the week ending 5 August.
- Every market day during the week recorded price drops, the largest movements taking place on Monday and Tuesday when prices fell by around 15p.
- With Eid behind us, total weekly throughputs fell by a quarter to 114,000 head, down from 155,000 the week before.
- In the week ending 1 August the GB deadweight NSL SQQ was relatively stable, rising 2p to 480.1p/kg. The estimated kill for the week was 279,000 head, the highest weekly kill so far this year.

Deadweight cattle prices continue to rise

- In the week ending 1 August, the GB all prime average cattle price stood at 366.5p/kg, up 4.6p on the week before. The measure is now above the price achieved in the same week last year by 41.3p/kg.
- Estimated slaughter at British abattoirs fell again, down 300 head on the week to 32,300 head.
- Cull cow prices also continued to rise, with the GB average price up another 1.9p on the week to 265.5p/kg. Estimated kill was up marginally again (+100 head) on the week to 9,700 head.

Malting barley demand down 29% year on year in June

- In June 2020 UK brewers, maltsters and distillers used 116.9Kt of barley, according to AHDB's latest statistics on cereals usage. This is 29% lower than June 2019 and the lowest June figure in AHDB's electronic records, which go back to July 1990. This highlights the continuing impact of the coronavirus on the industry.
- It means that in 2019/20 a total of 1.77Mt of barley was used by the sector, 6.4% less than 2018/19. This is very different to what was expected before the full extent of the coronavirus outbreak became apparent. In February, Human and Industrial (H&I) usage of barley in 2019/20, which also includes a small amount of food usage along with usage by brewers, maltsters and distillers was forecast to rise by 2%.
- By May, a drop of 5% in H&I usage compared to 2018/19 was forecast in the AHDB balance sheets, suggesting that at least 117Kt of barley demand had been lost due to the pandemic.

Global Releases

Global dairy exports forecast to fall

- According to the UN Food and Agriculture Organisation (FAO) global exports in dairy products are forecast to fall by 4.1% (in milk equivalent) in 2020. This would be the steepest contraction in around 30 years if realised, as import demand drops in multiple countries.
- Imports are generally anticipated to decline due to COVID-19-related market disruptions and widespread economic slowdowns.
- The steepest declines in imports are expected to come from China, Algeria, Saudi Arabia, United Arab Emirates, Vietnam and Mexico. On the upside, this would be slightly offset by increased imports from countries like Canada, Indonesia and the Republic of Korea.
- The vast majority of UK dairy exports are destined for the EU (91% in 2019). The six countries expected to have the most severe import reductions accounted for 3.1% of UK dairy export volumes in 2019. The three countries highlighted for growth accounted for just 0.2% of volumes.

Wider Economy

The Bank of England warns of a slower recovery from the coronavirus crisis

- In the Bank of England's latest Monetary Policy Report they predict the economic slump caused by Covid-19 will be less severe than expected, but warned the recovery will also take longer. The Bank forecasts the economy to get back to its pre-Covid-19 size at the end of 2021.
- The Bank expects the UK economy to shrink by 9.5% this year. While this would be the biggest annual decline in 100 years, it is not as steep as its initial estimate of a 14% contraction.
- Unemployment is expected to almost double from the current rate of 3.9% to 7.5% by the end of the year as government-funded support schemes come to an end. The Governor of the Bank of England, Andrew Bailey backed the the government's decision to end its furlough scheme in October saying: "it was important that policymakers helped workers "move forward" and not keep them in unproductive jobs. Coronavirus would inevitably mean that some jobs became redundant".
- All members of the Monetary Policy Committee voted to keep Interest rates steady at 0.1%.
- The Bank said a faster easing of lockdown measures and a "more rapid" pick-up in consumer spending had helped the economy rebound faster than it had assumed in May.
- Its latest forecasts are based on the assumption that there is no second wave of the virus and that there is a smooth transition to a new EU free trade agreement at the start of 2021.

Government to spend £200m on helping GB goods flow to N Ireland

- The government is to spend an initial £200m on a new service to help businesses in Northern Ireland comply with the bureaucratic costs of bringing in goods from Great Britain after Brexit.
- The new "Trader Support Service" will be offered free of charge to help traders with the burden of new paperwork needed to move goods across the Irish Sea from Great Britain as a result of the Northern Irish Protocol, which aligns the region to both the EU customs code and the UK customs territory. The service will issue guidance and carry out form-filling on their behalf.
- In addition, Michael Gove, Cabinet Office minister, will announce £155m to fund digital technology to help smooth the new internal UK border created under the government's Brexit deal from January 2021.

UK housing market saw 'mini boom' in July

- The mortgage lender Halifax reported that British house prices saw a "mini-boom" as the market reopened following the coronavirus lockdown.
- House prices rose 1.6% month-on-month, the biggest rise this year after being flat in June, Halifax said.
- Compared with a year ago, prices were 3.8% higher, the largest annual increase since January.

Retail footfall improving, but still lower than average levels for this time of year

- The reopening of pubs and restaurants has helped to spur only a small number of additional visits to the high street according to the British Retail Consortium (BRC). A monthly report by the BRC and market research firm ShopperTrak showed footfall was down 42% in annual terms in July, compared with a 63% decline in June.
- Official data showed retail sales excluding fuel were back to year-ago levels in June, but the recovery has been driven by a boom in online shopping and extra spending at supermarkets as people ate out less.